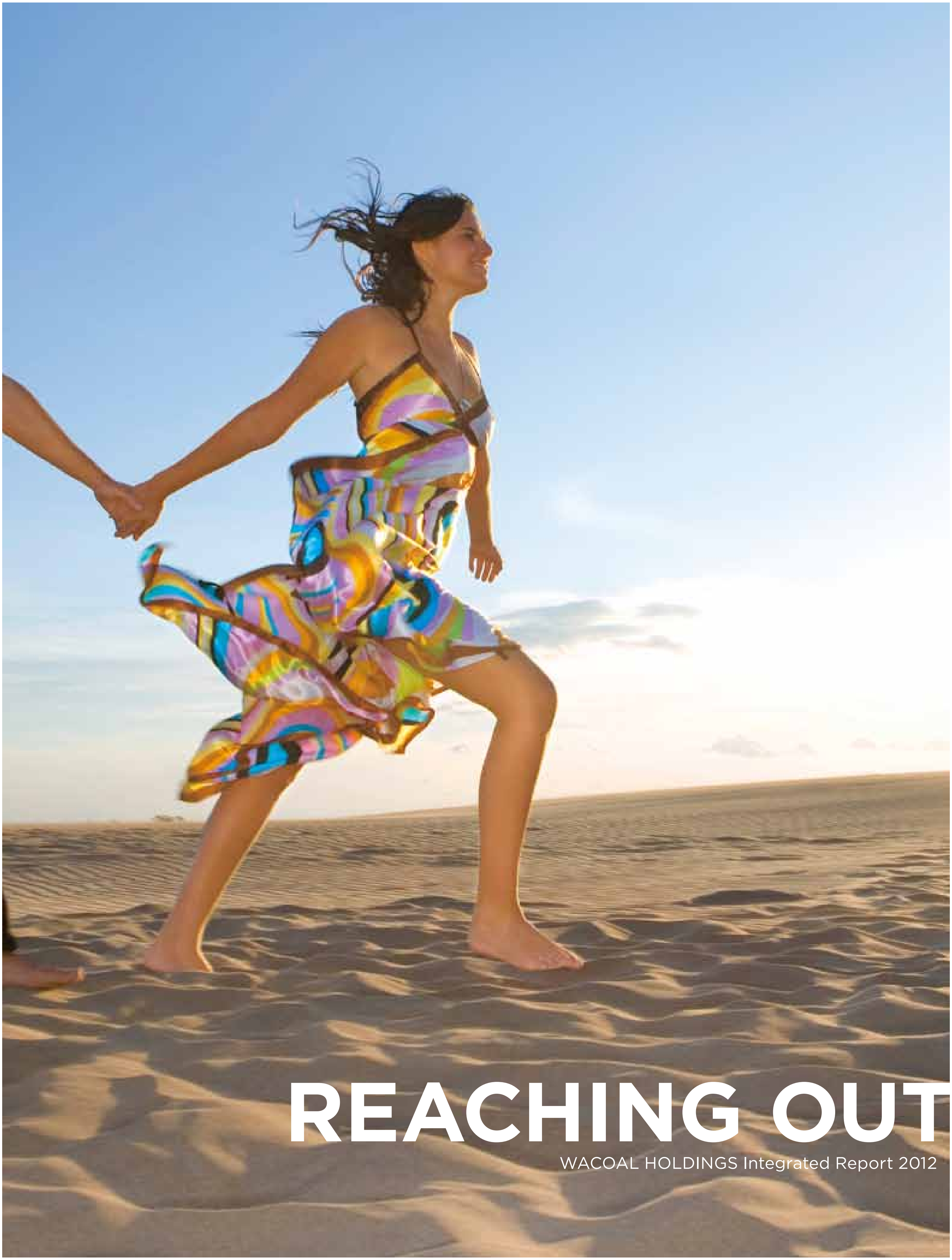

REACHING OUT

WACOAL HOLDINGS Integrated Report 2012

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Editorial Policy for This Report

Aiming to further understanding of its financial and non-financial information, the Wacoal Group began issuing integrated reports from the previous fiscal year. This new format combines an annual report, detailing business results and business strategies for shareholders and other investors, with a communication report, focusing on the Group's corporate social responsibility (CSR) initiatives. Reflecting this editorial policy, for our report on the fiscal year under review we have further enhanced the content and changed the title from Annual Report to Integrated Report. We intend to continue pursuing an editorial policy that responds to reader expectations.

Announced publicly in 1964, Wacoal's vision includes the phrase "mutual trust." The motivation for putting these words into our vision came from our founder Koichi Tsukamoto's decision—based on his humanistic philosophy—to position mutual trust at the center of business management and thereby build relationships of trust with employees.

Since then, aiming to realize the goal of "Helping women to express their beauty" set out at the time of its 1946 establishment, Wacoal has built relationships of mutual trust not only with employees but also with society. Above all else, building mutual trust with the world's women has been at the core of our business activities.

Based on a holding company system that encompasses 47 consolidated subsidiaries and nine affiliates as of March 2012, the Wacoal Group is building an even more robust operational platform in Japan while growing sales aggressively in North America, Europe, and Asia. In this manner, Wacoal has continued to advance by developing its innerwear business. As we moved forward as a company, however, it became clear that showing strong empathy with women through our business activities would earn society's recognition for the worthwhile functions we perform. With this in mind, Wacoal declared itself "a company empathetic to women" in 2001. This phrase expresses Wacoal's ambition to be a company that empathizes with women in all aspects of its business operations.

With its sights set on establishing a stronger global presence, the Wacoal Group is stepping up the pace of business development worldwide. As we pursue these business ventures, we will never forget the philosophy of our founder—we will continue growing with local communities in each region and building mutual trust.

In addition to explaining our business strategies that will drive growth going forward, we hope this integrated report furthers understanding of our unique CSR activities aimed at building mutual trust with society.

REACHING OUT

THE WACOAL GROUP MANAGEMENT PHILOSOPHY

Wacoal has since our founding pursued the essence of "beauty" which transcends the ages, while always keeping a close eye on the values and aesthetic sense of women.

Furthermore, in the course of conducting our business we listen to the opinions of each individual customer and modestly seek to transform ourselves, so as to build "a relationship of mutual trust" with each individual. Wacoal is founded on this philosophy of mutual trust, and has remained our Management Philosophy since our founding.

OVERVIEW

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

Share of Net Sales

72.3%
Foundation garments and lingerie

5.5%
Nightwear

0.9%
Children's underwear

9.5%
Outerwear and sportswear

0.9%
Hosiery

4.8%
Textile products

6.1%
Other

OUR PRODUCTS

We are 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.

1946
Koichi Tsukamoto establishes Wako Shoji (precursor to Wako Corp.)

1949
Establishes Wako Corp.

1950
Begins production of inaugural brassiere: No. 101

A brassiere from around 1951

1962
Sets out mutual trust as overriding goal of business management

ACTION

THE FOOTPRINTS OF THE WACOAL GROUP

The Wacoal Group traces its origins to Wako Shoji, which Koichi Tsukamoto founded in 1946. Initially, he began the Company to market brassiere pads. Since then, we have grown in tandem with the women's innerwear market in Japan while continually contributing to society.

1964
Changes name to Wacoal Corp.

1964
Lists on second sections of several stock exchanges

1964
Establishes Product Research Department (precursor to Human Science Research Center)

1964
Begins sales of first internationally patented product: Tummy Girdle

1964
Announces basic management policy and vision publically

1965
Sets out Mission

1965
Publishes Golden Proportions and offers proportion "making"

1970
Embarks on first overseas foray
Exhibited at the Osaka Expo

1970
Posts sales above ¥10 billion

1973
Establishes Social Welfare Department (changes name to Remamma Department in 1979)

■ Principal Business Lines ■ Principal CSR Initiatives

1974
Begins supplying Remamma brassieres

1977
Becomes first company in textile industry to issue American depository receipts (ADRs)

1977
Enters U.S. market

1978
Establishes Kyoto Costume Institute (KCI)

1979
Posts sales above ¥80 billion

1979
Renewed the CI initiative logo

1979
Publishes Beautiful Proportions

1981
Posts sales above ¥100 billion

1983
Records first decrease in revenue and earnings, switches to lean business management

1983
Establishes Wacoal America, Inc.

1984
Announces new Wacoal Declaration: Physique Industry

1985
Opened the multipurpose cultural facility Spiral

1986
Establishes Beijing Wacoal Co., Ltd.

1990
Establishes Wacoal France S.A.

1991
Supports establishment of the Karada Bunka Kenkyukai (physique culture research group) by academics (changes name to Nyubou Bunka Kenkyukai (breast culture research group) in 1996)

1992
Changes Central Research Center's name to Human Science Research Center

1995
Publishes Golden Canon

2000
Publishes Spiral Aging

2001
Announces new Wacoal Declaration: Wacoal as a Company Empathetic to Women

2001
Establishes Tsubomi School

2002
Establishes Chinese Human Science Research Center

2002
Launches Pink Ribbon activities in Japan

2005
Establishes Wacoal Holdings as holding company

2008
Begins brassiere recycling initiative in earnest

2009
Launches Breast Cancer Screening Support Project

2010
Publishes Aging of the Physique and the Principles of Beauty

2010
Begins joint research with Okayama University on safety and usability of innerwear for women who have had breast reconstruction

2012
Eveden Group Limited becomes a wholly owned subsidiary of Wacoal Holdings

WACOAL BY FIGURES

Year ended March 31, 2012

Sales by Business Segment[1]

67.4%
Wacoal business (Domestic)

12.5%
Wacoal business (Overseas)

8.0%
Peach John

12.1%
Other

Sales by Sales Channel (Wacoal Corp.)[2]

31.9%
Department stores

38.7%
General merchandising stores

10.2%
Specialty/Retail stores

19.2%
Internet sales and mail-order catalog sales operations/ SPA shops

Sales by Geographic Segment[1]

87.0%
Japan

6.1%
Asia

6.9%
Americas and Europe

[1] Percentage figures are calculated based on external customers sales
[2] Figures are Wacoal Corp. business results

DIRECTION

WACOAL GROUP ORGANIZATION

Wacoal Holdings Corp.

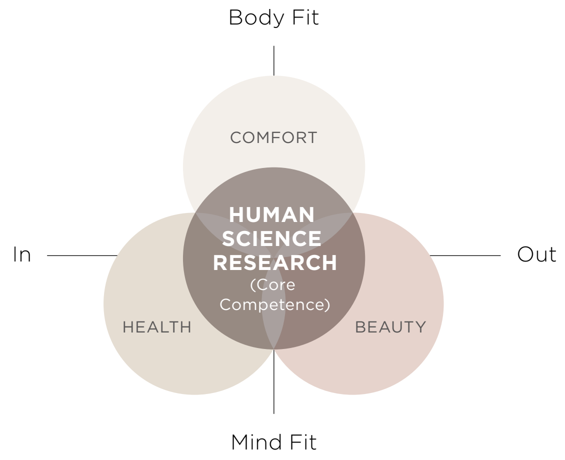
- Wacoal Corp.
  - Domestic Principal Subsidiaries, Joint Ventures
  - Overseas Principal Subsidiaries, Joint Ventures
- Shinyoung Wacoal Inc. (South Korea)
- Lecien Corporation
- Peach John Co., Ltd.
- Nanasai Co., Ltd.
- House of Rose Co., Ltd.
- Wacoal Career Service Corp.
- Wacoal Service Co., Ltd.
- Wacoal Distribution Corp.

OUR BUSINESS FIELDS

At Wacoal, we see the "body" as having both a physical and a mental/spiritual side, and our intimate apparel and wellness businesses, based on our core competences, offer three corresponding forms of value: beauty, comfort, and health.

One of these core competences is the Human Science Research Center we have built up over many years. Looking at things from the Human Science perspective enables us to discover the new values our customers desire and transform them into products. Having a clear sense of different people's needs, turning those insights into products and services that offer new value, and delivering them to customers in the appropriate space—this is the process through which we have managed to create everything from new brands to new lifestyles.

The Different Business Fields of "Body Design"



WACOAL'S OVERSEAS OPERATIONS

FY2012	Wacoal Holdings Equity Owned	Net Sales (¥ Million)
Wacoal International Corp. (U.S.A.)	100%	¥10,475
Wacoal China Co., Ltd.	100	6,020
Wacoal Hong Kong Co., Ltd.	80	1,922
Wacoal France S.A.	100	1,194
Wacoal Singapore Pte. Ltd.	100	695
Philippine Wacoal Corp.	67	425
Shinyoung Wacoal Inc. (South Korea)	25	13,776
Thai Wacoal Public Co., Ltd.	34	10,198
Taiwan Wacoal Co., Ltd.	50	10,373

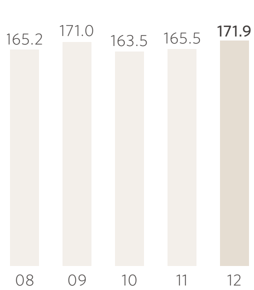
KEY FIGURES

			Millions of Yen	Thousands of U.S. Dollars*	% Change
Years ended March 31, 2012, 2011 and 2010	**2012**	2011	2010	**2012**	**2012 vs 2011**
Net sales	**¥171,897**	¥165,548	¥163,548	**$2,085,875**	**3.8%**
Operating income	**10,377**	4,401	3,829	**125,919**	**135.8%**
Selling, general and administrative expenses	**79,629**	77,716	78,524	**966,254**	**2.5%**
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	**10,207**	3,927	3,155	**123,856**	**159.9%**
Net income attributable to Wacoal Holdings Corp.	**6,913**	2,785	2,475	**83,885**	**148.2%**
Return on assets (ROA)	**3.1%**	1.3%	1.1%		
Return on equity (ROE)	**4.1%**	1.6%	1.5%		
Net cash provided by operating activities	**¥ 10,060**	¥ 10,441	¥ 9,463	**$ 122,072**	**−3.6%**
Net cash used in investing activities	**(3,467)**	(703)	(3,573)	**(42,070)**	**393.2%**
Net cash used in financing activities	**(2,824)**	(4,965)	(5,363)	**(34,268)**	**−43.1%**
Cash and cash equivalents	**29,985**	26,316	22,328	**363,851**	**13.9%**
Total assets	**221,098**	215,276	222,889	**2,682,903**	**2.7%**
Total shareholders' equity	**171,496**	167,480	171,860	**2,081,010**	**2.4%**

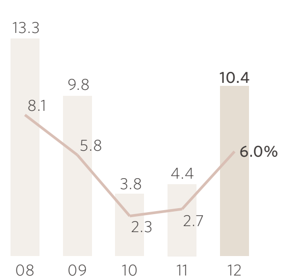
* The U.S. dollar amounts represent translations of Japanese yen solely for convenience at the rate of ¥82.41=$1.

PERFORMANCE

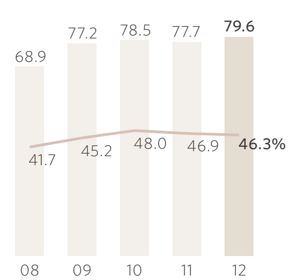
Net Sales
¥ Billion



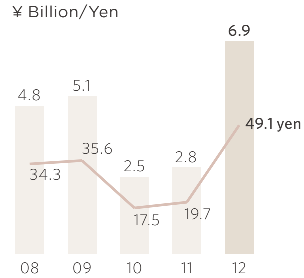
Operating Income/ Operating Income Margin
¥ Billion/%



SG&A Expenses/ % of Net Sales
¥ Billion/%

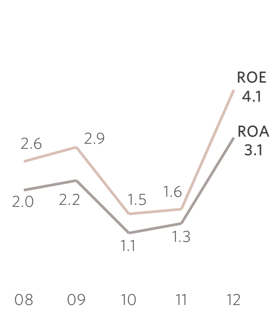


Net Income Attributable to Wacoal Holdings Corp./ Per Share of Net Income Attributable to Wacoal Holdings Corp.
¥ Billion/Yen

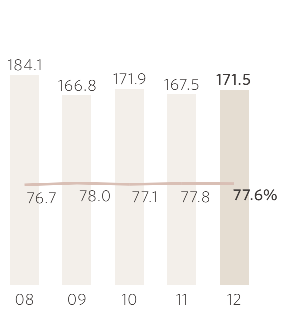


Years ended March 31, 2012, 2011 and 2010	Yen 2012	2011	2010	U.S. Dollars* 2012	% Change 2012 vs 2011
Per share of common stock					
Net income attributable to Wacoal Holdings Corp. (Basic)	**¥ 49.08**	¥ 19.73	¥ 17.51	**$ 0.60**	**148.8%**
Cash dividends	**28.00**	20.00	20.00	**0.34**	**40.0%**
Shareholders' equity	**1,217.57**	1,189.08	1,217.15	**14.77**	**2.4%**
Number of brassiere sales (Millions)	**41.8**	39.0	—		**7.2%**
Research and development expenses (Millions of Yen, Thousands of U.S. Dollars)	**¥801**	¥815	¥778	**$9,720**	**−1.7%**
CO_2 emissions (Tons)	**6,297t**	7,635t	7,859t		**−21.2%**
Waste emissions (Tons)	**1,169t**	1,170t	1,230t		**−0.1%**
			People		
Number of employee (Consolidated)					
Wacoal Business (Domestic)	**7,229**	7,241	7,453		**−0.2%**
Wacoal Business (Overseas)	**7,520**	7,004	6,349		**7.4%**
Peach John	**364**	422	467		**−13.7%**
Other	**1,411**	1,346	1,417		**4.8%**
Total	**16,524**	16,013	15,686		**3.2%**
Number of consolidated female employees	**11,208**	10,660	—		**5.1%**
Outside director ratio	**37.5%**	37.5%	42.9%		

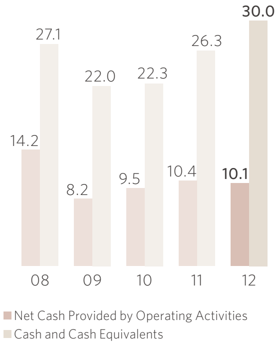
ROA/ROE
%



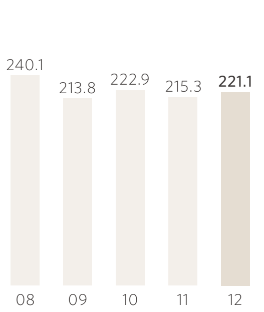
Total Shareholders' Equity/ Equity Ratio
¥ Billion/%



Net Cash Provided by Operating Activities/ Cash and Cash Equivalents
¥ Billion



Total Assets
¥ Billion



STRATEGY FROM TOP MANAGEMENT

YOSHIKATA TSUKAMOTO
President and Representative Director, Wacoal Holdings Corp.

Through a firm commitment to mutual trust and empathy with women as our corporate raison d'être, we will sustain growth.

The Wacoal Group— Empathy with Women and Mutual Trust

The corporate mission of the Wacoal Group has been to "contribute to society by helping women to express their beauty" since its establishment in 1946. As we have pursued this mission through our corporate activities, mutual trust has consistently been the bedrock of our business management. Reflecting the view that cultivating mutual trust contributes to everyone's happiness, the Wacoal Group's vision is to create a company founded on respect for human dignity and relationships of strong mutual trust—not only between the Wacoal Group and its customers but also between the Group and its employees, society, and other stakeholders.

During the more than half a century since our establishment, we have grown enterprise value by constantly creating products customers love and developing products meeting the needs of the times. In tandem with these efforts, we have developed corporate social responsibility (CSR) initiatives actively, thereby building mutual trust with the women that use our products.

Over a decade ago, in 2001, the Wacoal Group declared itself "a company empathetic to women." Empathy with women is the Wacoal Group's designated role. Manufacturing products that resonate with women is something that also resonates with society. For example, the Wacoal Group's Human Science Research Center has conducted basic research on women's physiques for nearly 50 years. In a broad variety of ways, we use the results of this research to develop products that help women to express their beauty. In April 2010, significant interest focused on the Wacoal Group's announcement of research results on Aging of the Physique and the Principles of Beauty (For details, please see page 23.), underscoring the Group's credentials as a truly unique company.

Through a firm commitment to mutual trust and empathy with women as our corporate raison d'être, we will sustain growth.

Fiscal 2012 Business Results Report

For fiscal 2012, ended March 31, 2012, the Wacoal Group achieved year-on-year increases of 3.8% in net sales, to ¥171,897 million; 135.8 % in operating income, to ¥10,377 million; and 148.2% in net income, to ¥6,913 million.

Regarding sales, in the Wacoal Group's domestic business, mainstay brassieres and undergarments sold briskly thanks to product rollouts and promotions that appealed to consumers based on the Human Science Research Center's findings about the how the physique ages. Furthermore, despite currency fluctuation, the Wacoal Group's overseas businesses posted year-on-year sales increases as businesses in the United States and China grew sales, and Peach John Co., Ltd., achieved a recovery in business results.

Meanwhile, earnings were up significantly year on year. This was attributable to Peach John achieving profitability based on a rebuilt earnings structure and the favorable performance of the Wacoal Group's domestic business, which offset the deficit of the Group's business in China and the Lecien Corporation's loss due to withdrawal from an employees' pension fund.

Progress in the Second Year of the Medium-Term Management Plan

We have completed the second year of our medium-term management plan, launched in April 2010. In earnings, we made steady progress, achieving our targets one year ahead of schedule. Although tasks remain, I am sure the strategic direction of our efforts to achieve our targets is correct. Accordingly, we will continue advancing vigorously.

Domestically, we continued restructuring innerwear wholesale operations. As a result, our earnings structure improved significantly, and operating income recovered significantly. Particularly successful was an initiative that rightsized the deployment of department store sales area personnel and reduced inventory. Further, sales promotions exploiting research on aging reaffirmed the value of Wacoal products and heightened customer endorsement. In addition, the retail business, which operates directly managed stores, and mail-order operations, responsible for such operations as Internet sales, continued growing steadily.

Overseas, businesses performed well, posting an 11% year-on-year increase in sales in the Americas on a local currency basis. In Europe, Wacoal France S.A. moved into the black for the first time in the fiscal year under review. As for our business in China, although sales grew 21% from the previous fiscal year as new stores opened, this was below our target. And, the business recognized a loss due to higher selling,

AN OVERVIEW OF THE MEDIUM-TERM MANAGEMENT PLAN PERIOD

TARGET
April 2010—March 2013

CORPORATE PROFILE
A stronger global presence for the Wacoal Group

NUMERICAL TARGETS (FISCAL 2013)

Net sales of at least	¥190 billion
Operating income of at least	¥8 billion

GROUP STRATEGIES OVER THE THREE YEARS
- Heighten the overall capabilities of the Wacoal Group through promoting collaboration among Group companies to realize each company's strengths
- Secure and increase earnings
  - Restructure operations focusing on innerwear wholesale operations
  - Accelerate expansion in growing business areas at home and abroad
- Strengthen system for Groupwide management

TARGET CORPORATE PROFILE FOR FISCAL 2013
- New revenue and earnings pillars established alongside existing innerwear wholesale operations
- Overseas operations such as those in the U.S. and China support growth
- Restructured innerwear wholesale operations see profitability improve
- System for Groupwide management further developed and strengthened
- Meeting CSR and compliance requirements

STRATEGY FROM TOP MANAGEMENT

general and administrative expenses reflecting stepped-up store openings. Nevertheless, China remains the most important region for the Wacoal Group's growth going forward. Keeping our sights set on realizing earnings, we will therefore concentrate efforts on increasing brand visibility in China.

After recording losses for two consecutive years, Peach John achieved a 20% rise in net sales year on year and a dramatic return to operating income. However, these business results remain below expectations given the level of the company's business results for the fiscal year ended March 2009, when it posted net sales of ¥15.0 billion and operating income of ¥1.3 billion. With this in mind, we will strengthen profitability even further.

In other businesses, Lecien, which became a wholly owned subsidiary in 2010, actually improved earnings significantly if we exclude the loss arising from withdrawal from the employees' pension fund.

Thus, we are progressing well in reforming the earnings structures of operating companies. However, as net sales show, our growth stills needs to regain momentum. To this end, in the current fiscal year I will focus more on net sales growth as a growth driver while targeting earnings above those of the fiscal year under review.

Measures and Strategies for the Final Year of the Medium-Term Management Plan

The current fiscal year is the final year of the medium-term management plan, themed on change and taking on challenges. We embarked upon this plan determined to realize stable earnings while building new growth engines. I think an objective analysis of our achievements over the past two years vindicates the direction of our strategies and measures. In the final year, we will work toward realization of the plan's targets unstintingly. Guiding these efforts, our overriding strategies will be returning to basics and reinforcing strengths and strengthening our ability to take measures from a global viewpoint. Moreover, in the current fiscal year we intend to establish a solid platform from which to launch our next medium-term management plan, beginning from April 2013.

Given that the Wacoal Group's domestic businesses account for the majority of net sales, maintaining and expanding the sales of this business is crucial. In Japan, we will clearly identify priority areas, such as directly managed stores and Internet sales, and accelerate their growth. At the same time, we will begin restructuring the manufacturing area in earnest. Also, emulating the success of its aging research, the Wacoal Group will take advantage of its strengths to ramp up development of products and services offering real value that generates new demand. If these efforts convince customers of the superior value of Wacoal products, I think we can realize our goal of returning to basics and reinforcing strengths.

As I mentioned, overseas businesses are our growth drivers. I believe accelerating expansion of these businesses is important to reach the medium-term management plan's net sales target and realize our target corporate profile—a stronger global presence for the Wacoal Group. Including affiliates, the Wacoal Group has 30 overseas operating companies, which generate local sales of ¥59.6 billion. This breaks down into ¥10.6 billion from the Americas, ¥1.2 billion from Europe, ¥9.3 billion from China including Hong Kong, and ¥38.5 billion from Asia excluding China. However, this operational scale is only half way toward establishing a stronger global presence for the Wacoal Group.

Aiming to expand and improve our overseas businesses, we will classify them under four regions—the Americas, Europe, China, and Asia excluding China—and pursue strategies suited to each region's characteristics. Further, to build a stronger position for Wacoal as a global brand, we will establish a structure that enables us to advance businesses more forcefully and optimize overall collaboration among regions.

Among overseas strategies, accelerating our business in China is the top priority. If we consider the size of China's market, the scope for us to grow is significant. Therefore, while reforming the profit structure of the business, we intend to continue actively allocating management resources to China to heighten the visibility of the Wacoal corporate brand and increase market share.

Meanwhile, in Europe we made Eveden Group Limited, headquartered in Northamptonshire, the United Kingdom, a subsidiary by acquiring all of its shares in April 2012. Eveden manufactures and sells women's innerwear and swimwear. The group boasts a sales network comprising over 5,000 retailers, principally in the United Kingdom but also in

Australia and more than 50 other countries in Europe, North America, Asia, and other regions. Eveden's product lineup covers areas beyond the scope of our lineup. Including high-quality fashionable innerwear and swimwear for a wide range of physiques and sizes, the product lineup testifies to outstanding production technology. As a result, mutually exploiting each other's management resources promises synergies. Also, this new subsidiary will accelerate the Wacoal Group's globalization and contribute to achieving medium-term management goals significantly.

The Group's Overall Capabilities Heighten Steadily

The Wacoal Group has made good progress toward heightening its overall capabilities—one of the medium-term management plan's Group strategies. The improved profitability of operating companies and intensified collaboration within the Group were major contributors to reaching the operating income target early. For example, the operating company Wacoal Corp. supported the research and development of various companies; Lecien and affiliates provided production support; and Nanasai Co., Ltd., supported sales area development and supplied fixtures. Intensifying such collaboration among operating companies, not only domestically but overseas, will quicken the pace of overseas business expansion, thereby adding momentum to the establishment of a stronger global presence for the Wacoal Group.

As the Group's holding company, Wacoal Holdings Corp. has an extremely important part to play in this intensified collaboration within the Group. Coordinating the Group laterally, the Company will set out overall goals and explore and advance growth strategies. Other functions will include monitoring the roles and tasks of operating companies, deciding the allocation of resources within the Group, and supporting collaborative efforts. Consequently, the holding company's decisions will be pivotal in determining the Wacoal Group's destiny. We will keep this foremost in our minds as we tackle various initiatives going forward.

Peach John, Lecien, and the latest addition Eveden have given the Group a fairly extensive portfolio of business lines. Fulfilling my role as the leader of the holding company, I intend to overview operations, shedding light on structural problems companies have and taking steps to resolve them.

Sure-Footed Steps toward a Stronger Global Presence

The medium-term management plan sets out creating a stronger global presence for the Wacoal Group as a target corporate profile. This is based on a goal of our vision, which also calls on us to "maintain a refined corporate culture based on mutual trust." I believe one key component of our target corporate profile entails continuing to value mutual trust as the starting point of our business while earning endorsement for our products from women everywhere. In other words, our products should be available in markets worldwide, and Wacoal should be a brand everyone knows. We should put down roots in local communities to become a company everyone loves. To realize this vision, I think we need to reexamine high-quality products with advanced functionality that we have taken for granted as our strength. I want to rebuild the Wacoal Group's unique strength—the real value it gives customers—so that this value gains recognition the world over.

I remain convinced that advancing CSR initiatives directly related to our mainstay innerwear business realizes our corporate mission, which calls on us to "contribute to society by helping women to express their beauty."

As we move forward, I would like to ask our shareholders, investors, and other stakeholders for their continued understanding and support.

August 2012

Yoshikata Tsukamoto
President and Representative Director

PERFORMANCE OVERVIEW AND STRATEGIES **BY SEGMENT**

WACOAL BUSINESS (DOMESTIC)

Fiscal 2012 Performance Summary

In innerwear wholesale operations, sales were up year on year as mainstay brassieres and undergarments sold steadily due to sales promotions and product rollouts that appealed to customers effectively based on the findings of the Human Science Research Center's research into the physique changes that accompany aging.

Regarding retail operations, mainstay directly managed store AMPHI grew sales due to the positive effect of new store openings as well as a strong performance by existing stores attributable to heightened brand visibility. Further, Wacoal Factory Store, located in outlet malls, performed well overall thanks to an enhanced product lineup, counteracting damage the March 2011 earthquake caused to certain stores. As a result, retail operations' sales rose year on year.

Meanwhile, in the Wellness Business overall sales were unchanged year on year. This also reflected the effects of the earthquake and lower sales from television infomercials, which offset steady sales of sports tights under the CW-X sports conditioning wear brand and functional business footwear.

The mail-order sales business saw a year-on-year rise in sales on solid mail-order catalog sales and higher Internet sales.

Consequently, the domestic Wacoal business achieved sales above those of the previous fiscal year due to a favorable performance by mainstay innerwear wholesale operations and expanded retail operations. Operating income was also up due to higher sales, lower cost of sales, and improvement in selling, general and administrative expenses as a percentage of net sales.

Strategies for the Final Year of the Medium-Term Management Plan

The domestic Wacoal business will boost sales and profitability by advancing the following three priority strategies.

1 Increase share of Japan's innerwear market

Maintaining and increasing sales in Japan is indispensable if the Group is to realize sustained growth. Accordingly, the Group aims to grow its share of Japan's innerwear market and peripheral markets by identifying the growth areas clearly and then implementing strategies and measures while fostering collaboration among operating companies centered on Wacoal Corp.

As the mainstay of earnings, innerwear wholesale operations will strengthen product development based on the concept of physique changes that accompany aging, which has been well received by customers. For the Wacoal brand, we will increase sales by bringing new offerings to market and further highlighting the benefits of product lineups. We will also grow sales by reorganizing the Wing brand based on the aging concept. In addition, to carve out a larger share of the market for brassieres priced in the ¥2,000 range, which we view as a high-volume market, we will expand and enhance our product lineup centered on chain stores and directly managed stores. Going forward, the Wacoal Group will concentrate on expanding its share of Japan's innerwear market based on a two-pronged approach of extending and upgrading aging-related product lineups while strengthening its presence in the high-volume market.

NET SALES

¥**115,870** million

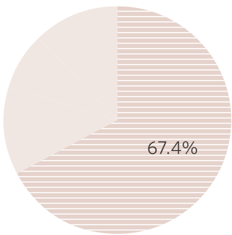
UP 4.5% YOY

OPERATING PROFIT

¥**8,172** million

UP 45.4% YOY

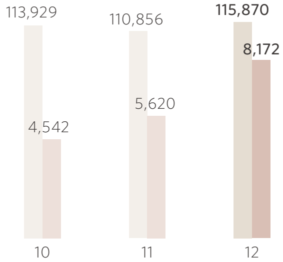
Sales by Business Segment



* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit

¥ Million



CW-X

2 Continue structural reform and introduce to manufacturing area

The structural reform we have been implementing as a key task under the current medium-term management plan is steadily producing benefits, and profitability has improved as a consequence. In the current fiscal year, we intend to continue structural reform with a view to realizing even greater profitability and widening our operating income margin.

The focus of our structural reform will shift from distribution, sales, and planning and designing to manufacturing and product procurement. These efforts will not simply seek lower cost in manufacturing divisions. Our goal is to analyze manufacturing systems and production items from a Groupwide perspective and then build a manufacturing structure optimized for the Group as a whole. During the current fiscal year, we will analyze the present situation and then set out specific measures and numerical targets, which we will begin pursuing in earnest under the medium-term management plan beginning in the coming fiscal year.

3 Establish businesses as new sales mainstays

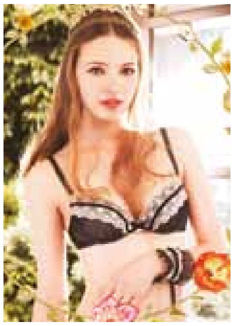
Retail operations and the Wellness Business, the mail-order sales business, and the menswear business are growing as future earnings mainstays.

In the fiscal year under review, retail operations revised the positioning of directly managed store brands to strengthen offerings in the high-volume market and realize area control. In the current fiscal year, by stepping up new product development, we will attract a wider customer base, thereby improving our profit margin.

The Wellness Business will accelerate growth of CW-X by increasing points of contact with customers and expanding the brand's product lineup. To expand the customer base of CW-X, we will strengthen the appeal of the brand's image while coordinating operations with Internet sales. Moreover, in the current fiscal year, plans call for forays into new areas through such initiatives as collaborating with a major pharmaceuticals manufacturer to market supporters through drug stores.

In the mail-order sales business, our Internet sales web site, Wacoal Web Store, will cater to diverse customer needs by carrying more products and offering a more extensive range of sizes to establish a comprehensive selection of products that stores are unable to realize. Also, aiming to acquire more customers and cultivate brand loyalty through increased customer convenience, we will further upgrade our web site and rollout smart-phone compatible applications.

In men's innerwear operations, we aim to increase sales by bolstering the appeal of products for seniors through tie-ups with major business customers.



AMPHI

PERFORMANCE OVERVIEW AND STRATEGIES
BY SEGMENT

WACOAL BUSINESS (OVERSEAS)

Fiscal 2012 Performance Summary (Main Overseas Operations)
U.S. business: In the United States, we increased our share of sales at department stores, our mainstay sales channel; grew sales in surrounding countries; and increased Internet sales. In fiscal 2012, undergarments with corrective functionality and reasonably priced brassieres sold well, while Internet sales surpassed targets. As a result, the U.S. business posted a year-on-year rise in sales, despite the effect of foreign exchange rates. Operating income was up due to higher sales and an improved profit margin reflecting cost reductions.

China business: In China, we worked to strengthen product appeal while increasing store openings, primarily in interior regions. Although sales were up, sales growth softened. This slowdown was attributable to a dramatic slump in customer visits in the mainstay department store sales channel, stemming from the government's administrative guidance on the regulation of false labeling, and insufficient sales promotion and differentiation from competitors' products. Further, the business recorded an operating loss partly because of higher selling, general and administrative expenses accompanying stepped-up store openings.

Strategies for the Final Year of the Medium-Term Management Plan
Overseas businesses are the growth engines of the Wacoal Group, and as such it must accelerate their sales growth. To this end, the Wacoal Group's operating companies will steadily expand their businesses in respective markets. At the same time, the Group will optimize its overall operations on a global scale so that it can respond to market changes. In the medium-to-long term, these efforts will build an optimized global network for us as a group. Based on this network, we will create a system that allows each operating company to realize its unique strengths in the countries in which it operates.

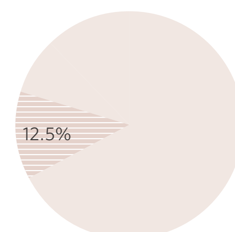
Going forward, we will categorize our overseas businesses into four regions—the Americas, Europe, China, and Asia excluding China. After clearly setting out each region's responsibilities and roles, we intend to rapidly advance regional strategies aimed at growing sales. Further, we will tackle regional issues and manage collaboration among regions based on consideration of each region's growth and overall optimization.

Having become a wholly owned subsidiary in April 2012, the Eveden Group Limited promises to enable strategic synergies with the whole Wacoal Group because the subsidiary operates in the United States and other countries worldwide. Moreover, manufacturing bases in Tunisia and Sri Lanka give it the capacity to shoulder an important role in the Wacoal Group's production strategy and strategy for Asia. Going forward, we intend to create a wide variety of Group synergies, including establishing complementary relationships for products and increasing supply chain efficiency.

NET SALES
¥**21,396**million
UP 6.9% YOY

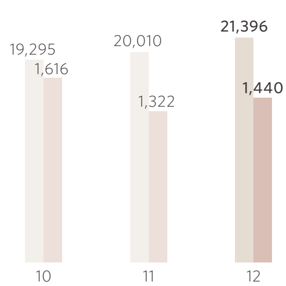
OPERATING PROFIT
¥**1,440**million
UP 8.9% YOY

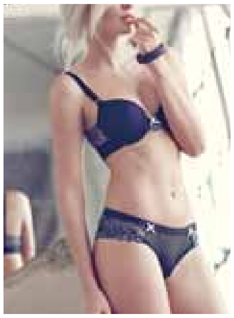
Sales by Business Segment



* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit
¥ Million




b.tempt'd by Wacoal

Business Strategies by Region

Americas Business

In the Americas, we are moving forward with a multi-brand strategy in the mid-to-high-end market—our area of strength—based on the mainstay Wacoal brand and in-house brand b.tempt'd by Wacoal. We aim to grow sales of Wacoal brand products by further heightening the appeal of undergarments with advanced functionality, such as Shapewear and Daywear. For b.tempt'd by Wacoal, we aim to increase sales by claiming a larger share of the U.S. market and enhancing brand value. Also, for both brands, plans call for increasing market share in such surrounding countries as Canada, Brazil, and Mexico. By rolling out both brands in the Americas and then across into Europe, we will grow them into global brands.

Further, in Internet sales we will strengthen Wacoal Direct, which has been expanding steadily since its 2010 start-up. And, we intend to promote multichannel sales that combine Internet sales and store sales. As for production, with the manufacturing of products for Europe also in mind, we intend to enhance the quality and productivity of our plant in the Dominican Republic.

Europe Business

In Europe, the Wacoal brand's reputation is building as Shapewear and the lineup of other functional products it represents earn market recognition. In France, we aim to increase earnings by claiming a greater share of the specialty store market and improving the efficiency of our operations serving department stores.

Further, Eveden has established a standing as a major innerwear manufacturer in the European market. By using this subsidiary's distribution and sales infrastructure, we intend to establish points of contact with more new customers and enhance the appeal of our products.

China Business

In China, sales are growing. However, because our business in China is still at the advance investment stage, it is recording operating losses. Therefore, our tasks are to grow sales and secure earnings. To increase sales, we intend to raise brand visibility by continuing advertising and promotional activities. In conjunction with these activities, we will use the specialty store agencies channel to grow market share. Further, to promote the development of products painstakingly designed to suit Chinese women, we will strengthen collaboration with the Chinese Human Science Research Center. Also, we will broaden our customer base by rolling out new brands targeting high-volume markets for mid-priced products.

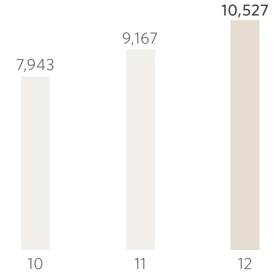
In efforts to improve profitability, the business will lower the cost of sales as a percentage of net sales by creating more campaign products independently while exploiting the capabilities of its operating companies and revising material selection.

Asia Excluding China Business

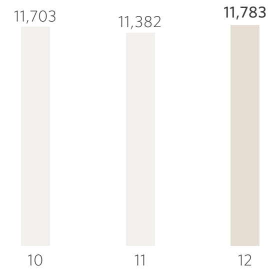
In Asia, we want to strengthen earning power through supply chain initiatives that take advantage of operating bases in Thailand, Taiwan, and Indonesia and include the establishment of joint venture companies. At the same time, we will consider further expanding and enhancing production infrastructure.

In another initiative, continuing our forays into Asia's emerging countries, we will consider how and when to enter India's market.

Net Sales
(Asia excluding China)
¥ Million



Net Sales
(Americas and Europe)
¥ Million




Wacoal brand for China

PERFORMANCE OVERVIEW AND STRATEGIES **BY SEGMENT**

PEACH JOHN BUSINESS

Fiscal 2012 Performance Summary

In the Peach John business, mainstay mail-order catalog sales performed well thanks to the success of rescheduling sales in response to changes in catalog publication periods. In Japan, although there were fewer directly managed stores than in the previous fiscal year, sales campaigns and improved product lineups enabled existing stores to grow sales year on year. Overseas, the company's seven directly managed stores in China struggled slightly, but the two stores in Hong Kong performed well. As a result, Peach John's sales surpassed those of the previous fiscal year.

For fiscal 2012, the company moved into the black. This turnaround reflected a pickup in sales; lower personnel expenses and fixed costs, due to the previous fiscal year's consolidation of operating bases; and improved profitability of the domestic business resulting from lower cost of sales as a percentage of net sales. These positive factors counteracted higher expenses accompanying the development of operations in China and amortization costs the company records each fiscal year.

Strategies for the Final Year of the Medium-Term Management Plan

In the current fiscal year, having reached profitability after two consecutive fiscal years of operating losses, Peach John will pursue a strategy of realizing sustained high earnings by continuing to restructure domestic operations. In Japan, the company will evolve sales initiatives while growing sales. Specifically, we will restore the Peach John brand by strengthening product planning focused on meeting customer needs—an approach that has already borne fruit—and advertising strategically. Further, we will increase our expertise in the mail-order sales business with a view to boosting sales. In particular, having comprehensively renewed Internet sales, the company will continue upgrading this sales channel to heighten the visitor purchase rate.

Having scrapped unprofitable stores, our operations in China account for four stores in Shanghai and two stores in Beijing. We aim to realize profitability rapidly by growing the sales at these directly managed stores while increasing Internet sales.

For our operations in Hong Kong, we will realize efficient product delivery with shorter lead times, grow sales, and reduce cost by strengthening Hong Kong's capabilities as a product procurement and inventory base while intensifying coordination with Peach John's bases in Japan and Shanghai.

Peach John mail-order catalog

NET SALES

¥**13,836** million

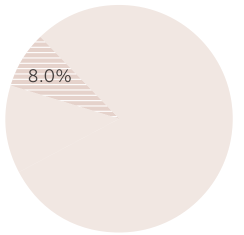
UP 19.5% YOY

OPERATING PROFIT

¥**529** million

Operating loss of ¥2,879 million for FY2011

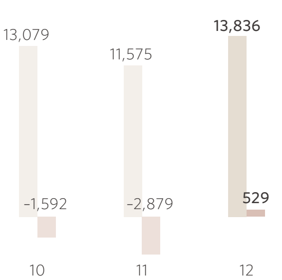
Sales by Business Segment

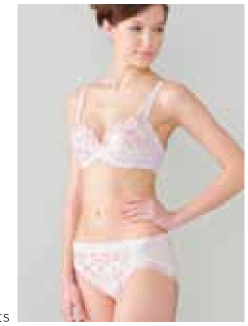


* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit (Loss)

¥ Million





Lecian products

OTHER BUSINESSES

Fiscal 2012 Performance Summary (Main Subsidiaries)

Lecien

The company posted favorable sales thanks to rollouts of mainstay innerwear jointly developed with major customers. However, outerwear sales were lower due to the removal of low-margin products from the lineup. Consequently, Lecien's fiscal 2012 sales were unchanged year on year. The company recognized an operating loss because steady improvement in the profitability of its operations did not offset the loss incurred due to withdrawal from an employees' pension fund.

Nanasai

Manufacturing, selling, and renting mannequins and undertaking commercial facility interior design and remodeling, this subsidiary saw buoyant product sales. However, short-term mannequin rental was sluggish because department stores completed a round of sales area remodeling, while the Great East Japan Earthquake caused customers to curb investment and cancel promotional events. As a result, the company recorded a year-on-year decline in sales. Operating income was below the previous fiscal year's because reduced expenses were unable to fully compensate for lower sales.

Strategies for the Final Year of the Medium-Term Management Plan

Lecien

Heightening profit margins in all operations and building an operational structure that realizes profits stably are this company's pressing tasks. Targeting chain stores, its main sales channel, the company will step up rollouts of high-value-added products, such as innerwear jointly developed with major customers and private brands. For outerwear, we will continue removing low-margin products from the lineup while developing high-value-added products that exploit the research findings of the Wacoal Group's Human Science Research Center.

As for production, we intend to strengthen our manufacturing system in Asia. In addition to ramping up production capacity, we aim to expand and improve quality control systems to increase the stability of production infrastructure overseas. Then, with a view to maximizing Group synergies, the Wacoal Group will incorporate Lecien's production infrastructure into its supply chain. At the same time, Lecien will increase its capacity to supply lace materials to the Group's operating companies.

Nanasai

This company faces the task of heightening profitability. Its strengths lie in the development of high-value-added products and services centered on the manufacture of mannequins and sales area construction. However, to entrench a profitable operational structure, the company will enhance the profitability of its core mannequin business and sales area construction business.

NET SALES

¥**20,795**million

DOWN 10.0% YOY

OPERATING PROFIT

¥**236**million

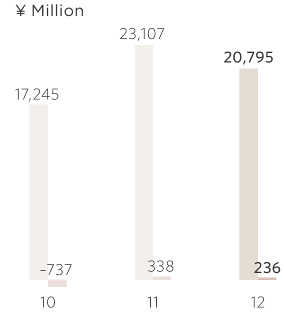
DOWN 30.2% YOY

Sales by Business Segment

* Percentage figures are calculated based on external customers sales

Net Sales to External Customers/Operating Profit (Loss)

¥ Million



A SUSTAINABLE WACOAL

Operations with Sustainability Built-in

The Wacoal Group's goal is to "contribute to society by helping women to express their beauty." To this end, we aim to be a company empathetic to women in every aspect of our operations, including research and development, production technology, and consultative sales. As well as being our raison d'être, realizing empathy with women is a passionate commitment that drives our business development.

THE BUSINESS PROCESS OF WACOAL AS A COMPANY EMPATHETIC TO WOMEN

RESEARCH AND DEVELOPMENT

The Starting Point of Manufacturing

MEASUREMENTS TAKEN OF EACH WOMAN

158

WOMEN REPRESENTED IN PHYSIQUE MEASUREMENT DATA (IN JAPAN)

40,000+

Wacoal's Human Science Research Center has accumulated data on more than 40,000 women since its launch in 1964. Using a standard international measurement method, the Martin measurement method, the center takes 158 measurements of each woman.

FOR DETAILS, PLEASE SEE PAGE 22.

PRODUCTION TECHNOLOGY

The Creation of Customer Satisfaction

NUMBER OF MANUFACTURING BASES WORLDWIDE

21

THE SAME QUALITY THE WORLD OVER

Made by WACOAL

The Wacoal Group has 21 manufacturing bases worldwide. With "made by Wacoal" as our slogan, around the world we rigorously apply our unique manufacturing philosophy to deliver safe, reliable products customers love.

FOR DETAILS, PLEASE SEE PAGE 24.

CONSULTATIVE SALES

The Dedication of Beauty Advisors to Each Customer

NUMBER OF SALES
AREAS WORLDWIDE

15,000

BEAUTY ADVISORS
AT STORES WORLDWIDE

8,200

At Wacoal, we refer to in-store sales personnel as beauty advisors. At 15,000 sales areas the world over, approximately 8,200 beauty advisors provide information and sell products based on consultations.

FOR DETAILS, PLEASE SEE PAGE 26.

SUPPORTING WOMEN

The Development of Mutual Trust with Society

REMAMMA
BRASSIERES USED

180,000

SIZE PATTERNS
FOR PROBLEM-SOLVING-TYPE PRODUCTS

3,030

The Remamma project began in 1974 as a business directly under the president's control. More than 180,000 women have used Remamma products. Further, the semi-order-made brand Wacoal Dublevé creates innerwear that fits each woman's physique. Offering 3,030 sizes, this brand is gaining prominence as a lineup of problem-solving-type products.

FOR DETAILS, PLEASE SEE PAGE 28–31.

A SUSTAINABLE WACOAL

RESEARCH AND DEVELOPMENT

The Starting Point of Manufacturing

Wacoal's goal is to fulfill women's wish to be beautiful. The starting point of all of Wacoal's initiatives is the huge amount of data that the Human Science Research Center has gathered.

In Pursuit of Evolving Feminine Beauty

Since its establishment in 1964, Wacoal's Human Science Research Center has consistently shed further scientific light on feminine beauty. The center currently has a team of 37 personnel, of whom 27 are women, and encompasses a diverse range of research areas, including physique shape, internal tissue, sensation, physiology, psychology, and lifestyle. Every year, the center measures the physiques of approximately 1,000 women between the ages of 4 and 69. To date, it has accumulated data on more than 40,000 women.

Based on this database, we proposed the "golden proportions" as the new standard of beauty for Japanese women in 1965. Since then, the center has deepened its research, announcing the "beautiful proportions" for each age group in 1979 and the "golden canon" for each individual's achievement of a beautiful balance in 1995.

Further, the center has continued research on changes in the physique shapes of modern women, since announcing a report titled "New-Breed Generation of Recent Years" in 1992. Released in 2004, a subsequent report comparing the proportions of women in their 20s with those of women 10 years earlier, "The Reality of the Physiques of Modern Women," met with a great deal of interest from various quarters.

Research on the Five Senses Using the Latest Technology

Wacoal's Human Science Research Center achieves highly precise measurements by combining the Martin measuring method with a contactless three-dimensional measuring method that uses laser equipment. Moreover, the center's research on the movement of the body during exercise underpins the development of sportswear with highly advanced functionality and foundation garments.

During the development process, the center repeatedly conducts wearing tests using prototypes and rigorously monitors shape, movement, and wearing comfort. Research on the five senses using the latest technology has led to the creation of many hit products.

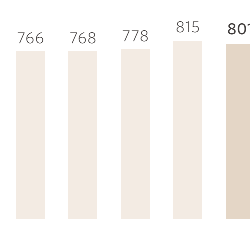
The R&D of Wacoal China

Since its 2002 establishment, the Chinese Human Science Research Center in Shanghai has gathered physique measurements of Chinese women in various regions stretching from northeast to southern China. Based on this data, we are developing products matching Chinese physiques and preferences. At Wacoal China Co., Ltd., Wacoal's approach to manufacturing is steadily building mutual trust.

Physique measurement at Wacoal's Human Science Research Center

The personnel of Wacoal's Chinese Human Science Research Center

Research and Development
¥ Million



LOVE, AGING

Aging of the Physique and the Principles of Beauty

In addition to its scale, the data Wacoal's Human Science Research Center collects is unique in the world because it includes measurements of the same individuals made over a series of years. Based on this data, the center is progressing with research on changes in physique shape with age. One important result of this effort was the "SPIRAL Ageing" concept of 2000, which identifies three turning points in the development of the bodyline as the physique ages. This research highlighted that aging is a lifelong concern.

Subsequently, in 2010 and 2011 the center published a report detailing specific stages of change in the bust and bottom: "Aging of the Physique and the Principles of Beauty." The announcement of this report gave an overall view of body aging, a phenomenon that until then had only been understood intuitively.

The Importance of Selecting the Correct Innerwear

For all women, as they age their bust undergoes the same stages of change. The age at which the bust begins to change is different for each person. However, for some women change begins in their 20s. Not only shape but also flexibility changes. Therefore, when selecting brassieres, the customer should not only consider size but also shape and flexibility. Consequently, even if their sizes are the same, a brassiere that fits a woman in her 20s will not necessarily fit a woman in her 40s. As with the bust, the bottom undergoes the same stages of change for all women.

Physique changes accompanying aging differ for each individual. Our study showed that 25% of women maintained youthful proportions as they aged. All such individuals had active lifestyles, ate properly, and took care to wear innerwear that fit their physique.

Aging is something that is with us all of our lives. It is not a phenomenon that suddenly occurs from a certain watershed age. For all age groups the aging concept is essential in the correct selection of innerwear.

As lineups of products designed to accommodate changes in the physique with aging, we offer such brands as PARFAGE, Lasée, Gra-P, Cutie, Kirei, and Graces. Further, from the 2010 autumn/winter season we unveiled the Love, Aging campaign, which features the circulation to stores nationwide of a multifunctional "Love Aging Mirror,"* that reflects customers' future physique shapes. In addition, we have rolled out this educational initiative across other media formats. For example, we have developed an iPhone application for diagnosis.

Social Asset

By enabling Wacoal to "contribute to society by helping women to express their beauty," the research of the Human Science Research Center ensures this mission remains at the core of the Company's activities.

In the field of research into women's physiques, the Human Science Research Center has produced world-leading research findings. The research and development process of applying to technology new scientific knowledge that is valid and universal lies at the heart of Wacoal's technology management. Also, the huge amount of data that the center has is a social asset enabling Wacoal's multifaceted contributions to society.

* In stores, we install life-size panels with screens in their center. By using a simple touch-panel, customers are able to produce a simulated image of their bust shape in 10 to 30 years' time. Customers can print out the results and use them when selecting innerwear.

Press briefing for the announcement of Aging of the Physique and the Principles of Beauty

A SUSTAINABLE WACOAL

PRODUCTION TECHNOLOGY

The Creation of Customer Satisfaction

The uniform quality of Wacoal products worldwide that our quality control enables and the day-to-day activities of our production system sustain a broadening global circle of mutual trust.

Wacoal Plants Worldwide

The establishment of joint venture companies in Korea, Thailand, and Taiwan in 1970 heralded Wacoal's entry into overseas markets. Four decades on, the Company operates businesses in approximately 40 countries and regions and has 33 overseas bases as of March 31, 2012. In production for example, we have 21 plants around the world (including eight in Japan), and approximately 80% of our brassieres are manufactured overseas.

Whether in Japan, China, or Vietnam, we rigorously focus on bringing products to market that are loved for their safety and reliability by adhering to unique manufacturing ideals in production. Therefore, rather than emphasizing that products are made in Japan or made in China, our slogan emphasizes that they are made by Wacoal. Thus, in manufacturing, our target corporate profile is steadily becoming a reality as we establish a stronger global presence for the Wacoal Group.

Everything Comes from an Insistence on Quality

Uncompromising quality control has supported our dynamic operational development. In March 1997, Wacoal became the first company in Japan's apparel industry to acquire ISO 9001 accreditation. Further, we have established the Quality Assurance Inquiry Committee as the Group's highest authority for quality assurance. Also, we have set out quality assurance specifications, which stipulate basic policy and requirements with a view to maintaining and enhancing quality. To comply with these specifications, each of the Group's operating companies has established detailed quality assurance regulations and a quality control committee. This system enables the Group to coordinate initiatives.

At the stage of planning and developing new products, we first clarify quality requirements with respect to such facets as safety, appearance, and wearability. Based on these requirements, we prepare prototypes and check a range of specifications through wearing tests and scientific evaluations of functionality.

At production sites, we have built up extensive knowhow in such areas as sewing techniques and sewing machine needles and attachments. Each plant combines these skills with the very latest production technology to realize strict quality control. Finally, only finished products that have passed comprehensive quality inspections reach stores as Wacoal products.

Having such a system that permits no compromise—even in the minutest details—enables us to realize uniform made by Wacoal quality even though our production system straddles several countries.

Overseas Bases As of March 31, 2012

Americas	United States	Wacoal International Corp.
		Wacoal America, Inc.
		Wacoal Sports Science Corp.
		Wacoal Direct Corp.
		LECIEN U.S.A.
	Canada	WACOAL CANADA INC.
	Dominica	Wacoal Dominicana Corp.*
Europe	France	Wacoal France S.A.
	United Kingdom	Wacoal (UK) Limited
	Netherlands	RHINETEX B.V.
Asia	Singapore	Wacoal Singapore Pte. Ltd.
	Hong Kong	Wacoal Hong Kong Co., Ltd.
		Wacoal International Hong Kong Co., Ltd.
		PJ hong kong limited
	China	Wacoal China Co., Ltd.*
		Guangdong Wacoal Inc.*
		Shanghai Yadie Fashion Co., Ltd.*
		Wacoal (Shanghai) Human Science R&D Co., Ltd.
		Dalian Wacoal Co., Ltd.*
		PEACH JOHN SHANGHAI Co., LTD.
		DALIAN LECIEN FASHION CO., LTD.*
		ZHE JIANG JIAXING LECIEN TEXTILE CO., LTD.*
		Shanghai Lecien Co., Ltd.
		NANASAI SHANGHAI CO., LTD.
	Vietnam	Vietnam Wacoal Corp.*
		LECIEN (VIETNAM) CO., LTD.*
	South Korea	Shinyoung Wacoal Inc.*
	Thailand	Thai Wacoal Public Company Limited*
	Taiwan	Taiwan Waoal Co., Ltd.*
		Wacoal Investment Co., Ltd.
	Philippines	Philippine Wacoal Corp.
	Indonesia	PT. Indonesia Wacoal*
	Malaysia	Wacoal Malaysia Sdn. Bhd.

* Overseas production bases (some including sales), other production bases in Japan at eight locations

MADE BY WACOAL

Wacoal quality the world over

Located in the city of Unzen in Mizuho, a serene rural area of Nagasaki Prefecture with Mount Unzen Fugen-dake on one side and the Sea of Ariake on the other, the Nagasaki Factory of Kyushu Wacoal Manufacturing Corp. is one of Wacoal's state-of-the-art production facilities. It employs 500 personnel, 95% of whom are women, and has a combined daily output of roughly 6,000 brassieres, girdles, and bodices.

The plant has a "quality check time" three times a day. On the signal of music played throughout the facility, all personnel recheck the work they have done that day.

Further, if a needle breaks during sewing, surrounding personnel immediately halt all work and use magnets to collect the needle fragments. They take such thoroughgoing precautions because incorporating a needle fragment into a product would severely damage the trust consumers place in Wacoal.

Moreover, before shipping products we inspect them using a needle detector, thus giving the facility several layers of checks.

Bonds of Trust Transcend Cultures and Borders

In addition, the Nagasaki Factory plays a valuable role as a mother plant supporting Wacoal's operational development overseas. Every year, the plant receives trainees from overseas subsidiaries, who learn sewing skills and the principles of quality control. Another important contribution of the Nagasaki Factory is the training of future managers of overseas plants.

In China, our two major production bases in Guangdong and Dalian not only manufacture for the domestic market but also for overseas markets including Japan.

The 1995 establishment of Guangdong Wacoal Inc. marked the first time we had taken on an entire project independently. We funded all of the capital investment, and undertook everything from site selection and construction through to hiring and training personnel and operating the plant. Subsequently, aiming to add value to the plant as a manufacturing facility, we sent technology and design instructors from Japan. The plant's personnel assimilated such technical skills as calculating the lengths of cloth required and man-hour calculations in 2004. And 2008 saw it acquire pattern design capabilities and other design capabilities. Furthermore, approximately onethird of the founding personnel still work at the plant—a major achievement given China's generally high employee turnover rate.

Our other mainstay in China, Dalian Wacoal Co., Ltd., was established in 2003 and began sending long-term trainees to the Nagasaki Factory in autumn 2009. So far, 16 such trainees have come to Japan: four in the first intake, three in the second, and nine in the third. The training term is three years, and the first intake's trainees will complete the program this year. The trainees' manager at Dalian Wacoal explains happily, "Considering that at the outset they were bewildered and some even cried, we are proud of the progress these women have made."

When the first Dalian department store to carry the products of Wacoal China Co., Ltd., opened, many employees went on a study tour of the sales area because they wanted to see their products being purchased.

These personnel and their pride in being members of Wacoal dedicated to a unique approach to manufacturing that transcends borders embody Wacoal's CSR philosophy of creating mutual trust with society.

The Nagasaki Factory of Kyushu Wacoal Manufacturing Corp.

Trainees visiting the Nagasaki Factory

CONSULTATIVE SALES

The Dedication of Beauty Advisors to Each Customer

Beauty advisors are the most significant point of contact linking Wacoal to its customers. Why do we call them beauty advisors rather than simply sales personnel? The answer to this question reveals Wacoal's stance as a company empathetic to women.

Why Beauty Advisors

In 1999, Wacoal changed the title of its sales personnel from "sales ladies" to beauty advisors. This new title reflected the fact that commitment to continually providing customers with beauty is our ultimate goal and central to our corporate stance. Also, the title expresses our belief that receiving specialist advice through face-to-face consultative sales builds trust.

Wacoal has approximately 8,200 beauty advisors worldwide, including 3,400 in Japan. Beauty advisors at the sales areas of department stores nationwide—our mainstay sales channel—or our directly managed stores, provide information through consultative services and sell products. Our beauty advisors in Japan undergo rigorous training, which requires them to acquire measuring and fitting expertize and know the characteristics of product fabrics. All of them have passed our in-house Wacoal Bodyfit Examination and the Nihon Body Fashion (NBF) Association standardized exam. Particularly noteworthy are their listening skills, which beauty advisors are constantly honing as they work. As selecting innerwear is a delicate matter, the majority of customers are reluctant to fully explain their needs in detail.

For example, as Wacoal's beauty advisor training manager explains, "When a customer looking at products says, 'this will do,' it means something slightly different than if they say 'this is nice.'" A beauty advisor can only suggest products that will satisfy customers if they are able to perceive the customer's underlying feelings based on subtle differences in wording or gestures.

Beauty Advisor Feedback Is Customer Feedback

Given that creating products customers love is one of our overriding management goals, the feedback beauty advisors receive from customers is a treasure trove for us. Accordingly, we are advancing initiatives that will enable us to collect customer feedback from beauty advisor more dynamically and then use it in operational decision making and product development.

Specifically, a dozen or so years ago we established BA Study Groups and the SQUASH system.* Moreover, when developing new products, we normally use this system to present multiple prototype samples to beauty advisors to get their opinions.

* This is an original system for responding to customer feedback by relaying and sharing information. We gather customer feedback and beauty advisors' responses to it weekly and send them to headquarters. Product development departments devise remedial measures promptly and report back to beauty advisors.

A BRIDGE TO CUSTOMERS IN JAPAN AND CHINA

Dedication to each customer realizes empathy

Communicators of Beauty and Health

Our Human Science Research Center's research on aging revealed that whether or not women are able to find innerwear that fits their physique properly affects emotional and physical well-being significantly. Meanwhile, a study we conducted in fiscal 2012 (a white paper on physiques and innerwear based on data collected from 10,000 women), indicated that only 13.8% of customers tried products on or had their bust measured before purchasing brassieres.

Clearly then, a gap between the ideal situation and reality still exists in the selection of innerwear. As communicators of beauty and health, the dual responsibility beauty advisors shoulder is greater than ever.

Taking into account not only bust size but also the effect of aging when selecting innerwear is critical to realize beautiful proportions and maintain emotional and physical health. Beauty advisors working diligently day-to-day based on an appreciation of these factors, as the experts in this area most familiar to customers, contribute to women's beauty and health.

The Love, Aging sales campaign we have been conducting since fiscal 2011 has brought about a positive change in the mindset of beauty advisors and in their relationship with customers. Beauty advisors report a rise in customers who request to be measured and take the lead in broaching difficult-to-talk-about concerns relating to their body shape. Furthermore, beauty advisors now find it easier to suggest aging care solutions. Also, some stores are seeing a higher number of more-mature customers and visits from a wider range of age groups.

China: Beauty Advisors Rather Than Products Affect Customers

In China's rapidly expanding market, fierce competition is continuing among a large number of manufacturers. At this stage, the visibility of Wacoal remains low in the country's interior regions, and the effectiveness of advertising through mass media has limits. Therefore, the role of beauty advisors as links between consumers and Wacoal is important, but in a different way than in Japan.

Generally, sales personnel at retail outlets affect the purchasing behavior of Chinese women considerably, to the point where customers can be said to "follow" sales personnel. In this context, Wacoal's beauty advisors, who provide information from an objective viewpoint, have earned the respect of competitors.

Rather than the elliptic cylinder of Japanese women's physiques, the physiques of Chinese women are closer to a regular circular cylinder. Further, the physiques of women in the north and south of China differ significantly. Thus, providing innerwear that fits is also important with regard to such regional differences, which is why data from the Chinese Human Science Research Center gives Wacoal China Co., Ltd., an absolute advantage. As points of contact with customers, beauty advisors in China emphasize the merits of Wacoal's offerings, forging links between Chinese women and Wacoal.

Whether in Japan or in China, our beauty advisors will provide consultation services to customers based on rigorous adherence to Wacoal's founding spirit and in light of the very latest scientific research results. Going beyond simply being customer oriented, beauty advisors' dedication to each customer supports Wacoal's efforts to be a company empathetic to women.

Beauty advisors in Japan

A beauty advisor in China

A SUSTAINABLE WACOAL

SUPPORTING WOMEN

The Development of Mutual Trust with Society

Far ahead of its time, the Remamma project began in 1974 as a business directly under the president's control. Because Wacoal aims to be a company empathetic to women, building mutual trust with the women of the world through this long-standing project is an obvious mission for it to pursue.

Wacoal's Breastcare Activities

Around the world, the number of breast cancer cases is increasing rapidly. Having long accounted for the highest number of cases, the West is taking a series of countermeasures that are gradually producing benefits. However, in emerging countries that have seen dramatic diet changes and in Japan the number of patients is rising steadily every year.

At Wacoal, for many years we have been developing the Remamma project, which caters to women that have undergone breast cancer surgery. Also, as a preventative approach encouraging early discovery and treatment, we have been organizing and promoting Pink Ribbon Activities in earnest since September 2002. For example, October 2009 saw us launch the Breast Cancer Examination Support Project. Wacoal intends to accelerate its breastcare activities for free to as many women as possible.

Remamma Project

Coined by Wacoal, the name Remamma reflects our desire to help restore the attractive bodylines of women who have undergone breast removal surgery. "Re," means again, and "mamma" is derived from the word mammary.

Since its establishment directly under the control of the president in 1974, the Social Welfare Section has developed an array of items based on expert medical opinions.

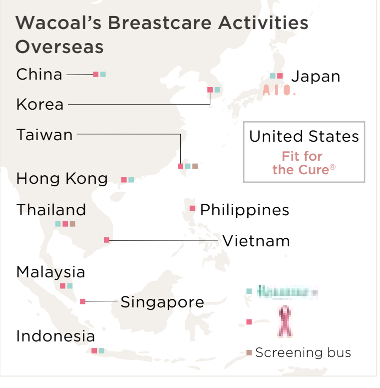
Wacoal produces pads, innerwear, and bathing suits that ease the burden on the body, have a natural feeling fit, and encase the bust gently. We have established an extensive variety of products catering to women that have had total or partial mastectomies. More than 180,000 have used Remamma products during the 38 years since this project began.

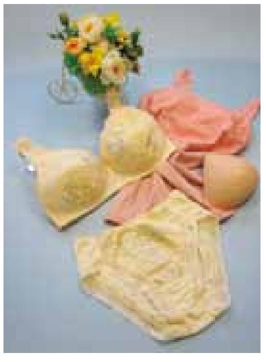
As well as selling the Remamma lineup at six Remamma Rooms around the country, we send catalogs to roughly 1,800 hospitals, which enables us to cater to women in remote areas through mail-order catalog sales. Also, at more than 10 locations we organize annual free consultation events that enable customers to be measured and try products on. Since we began holding them in 1993, more than 18,000 people have visited these events.

Pink Ribbon Activities

In 2007, Wacoal launched the Pink Ribbon Fitting Campaign as a new initiative based at sales areas. The following summarizes the campaign.

1 We host fitting campaigns at approximately 2,020 stores nationwide every October. For every brassiere customers try on at stores, we donate ¥10 to the Japan Cancer Society's Wipe Out Breast Cancer Smile Fund.
2 We donate free booklets about breast cancer.
3 We conduct Pink Ribbon online examinations based on a quiz format. For every respondent answering all three questions, we donate ¥3 to the aforementioned fund.




Remamma innerwear


One of Wacoal's original Pink Ribbon badges

In the 2011 campaign, 173,621 people tried on 441,277 brassieres, resulting in a donation of ¥4,412,770.

Further, shareholders can also participate in our Pink Ribbon activities by donating part of the Wacoal essence check gift certificates provided as a shareholder benefit. Under this system, Wacoal matches the amount of these contributions with its own contributions to the fund.

The Wacoal Group undertakes multifaceted breast cancer related activities in 12 countries and regions around the world. In particular, Wacoal America, Inc., has been running its all-year-round Fit for the Cure® campaign throughout the United States since as far back as 1999. For every brassiere that store visitors try on, we donate US$2 to the Susan G. Komen* for the Cure foundation. And if they purchase an item, we donate a further US$2 to the foundation. To date, we have given more than US$3.0 million to this foundation through this system.

The Breast Cancer Examination Support Project

Even today, only slightly more than 20% of Japanese women undergo screening for breast cancer. Aiming to help address this problem in whatever small way we can, we purchased the Aio mobile breast cancer screening unit, which we lend to medical institutions as a way of supporting breast cancer screening.

Featuring the Aio logo, the outward appearance of the vehicle evokes ease and reassurance. Inside, it has a changing room with a relaxing aroma and it uses state-of-the-art digital mammography screening equipment. We operate the vehicle by lending it to medical institutions. If screening discovers any abnormalities, the individual is introduced to an affiliated hospital. While further strengthening tie-ups with medical institutions in each region, we intend to deliver Aio (love) to even more women.

Wacoal's Environmental Activities

Brassiere Recycling

Wacoal holds a Brassiere Recycling Campaign every year during the period between Brassiere Day, on February 12, and Earth Day, on April 22. Customers put brassieres that they no longer need in specially designed collection bags and bring them to stores. The collected brassieres and the bags containing them are processed into RPF (Refuse Paper & Plastic Fuel). Using RPF as a power source, paper plants manufacture recycled paper, which is made into collection bags. From fiscal 2012, we broadened the scope of this initiative by beginning to collect competitors' products for recycling.

This brassiere recycling initiative began after an attitude survey Wacoal conducted in 2007 revealed that 61% of women feel reluctant to discard brassieres. With a view to catering to customers' needs while contributing to the environment, we began this campaign in fiscal 2008. Everyone involved has responded positively to the campaign, which is growing every year. Approximately 800 stores in Japan and 500 stores in Taiwan now take part in the campaign.

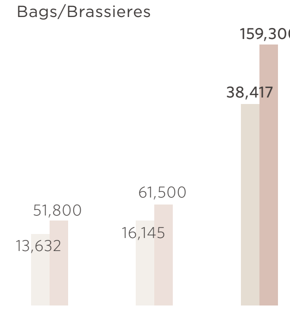
In Japan, we have collected a cumulative total of 338,500 brassieres, which have been processed into 33.85 tons of RPF. In fiscal 2012, we improved our performance dramatically: collecting 159,300 brassieres, which produced 15.93 tons of RPF.

* The Susan G. Komen breast cancer foundation is the world's largest grassroots network of breast cancer survivors and activists and works to save lives, empower people, ensure quality care for all, and energize science to find cures.

Wacoal's very own mobile breast cancer screening unit, Aio

Bra recycle bag

Brassieres Collected for Recycling in Japan
Bags/Brassieres



A SUSTAINABLE WACOAL

SUPPORTING WOMEN

The Development of Mutual Trust with Society

Bust shapes vary from woman-to-woman. Our semi-order-made innerwear brand Wacoal Dublevé realizes the long-held dream of many women of handmade brassieres that fit each individual perfectly.

A Revolution in the Concept of Bust Size

Normally, bust size is established by combining measurements of the upper bust and underside of the bust. At stores, the brassieres we sell are available in approximately 50 sizes. Sometimes, however, even this is not enough. Habitually squeezing into innerwear that does not fit properly can lead to ill health or ruin a women's bodyline.

Launched in 1999, Wacoal Dublevé offers 3,030 sizes based on combinations of sizes for the left and right circumference of the underside of the bust, or the verge's line; cup volume; and the underside of the bust.

Aiming to enable as many women as possible to enjoy perfectly fitting brassieres, we set the pricing of these products close to that of ready-made products.

In 2004, we began rolling these products out at commercial facilities and launched them at department stores from 2009. At present, we market the brand through 31 stores, comprising 18 directly managed stores and 13 department stores. For fiscal 2012, the brand posted sales of ¥1.3 billion.

Each Brassiere Made by Hand and with Devotion

After receiving an order from a customer, we begin preparing an assembly production order on the following morning at our plant. Resembling a patient's medical chart, the order is packed with data about the customer. After the order and the fabric required for the brassiere are placed in a special tray, the production process begins.

A feature of Wacoal Dublevé products is the large number of paper patterns involved. Lace alone accounts for 48 types of paper patterns. These lace parts are prepared by hand, while other parts are individually cut using specialized equipment.

We perform the sewing processes entirely by hand. With different equipment used to stitch each part, the work calls for considerable expertise and experience. Therefore, only personnel who have mastered all patterns and fabrics are entrusted to do this work at the plant. Also, the humidity of the workplace is strictly controlled using a hygrometer, because slight differences in humidity can affect the work.

Once a brassiere is completed, inspection personnel meticulously check the measurements and design. Given that, for Wacoal Dublevé products, this is the final check, these inspections are particularly thorough. Although adhering to the manufacturing of hand-made products is no easy task in an age of mass production, feedback from customers asking us to make more Wacoal Dublevé products for them keeps our motivation high.

A Dublevé sales area

COLLABORATION WITH A MEDICAL INSTITUTION

A new paradigm in tie-ups between companies and medical institutions

Previously, developing breast cancer often meant undergoing a total mastectomy. In recent years, however, partial mastectomies that minimize the area removed are becoming common rapidly. Furthermore, combining total mastectomy and breast reconstruction surgery is attracting attention as a new medical option. With a view to realizing a further role for Wacoal Dublevé, we are advancing a joint project with Okayama University Hospital, which is at the forefront of this field.

Importance of a Perfect Fit

Following breast reconstruction surgery, many patients find it difficult to decide which type of brassiere to select. As well as the sizes of off-the-peg products not fitting, gaps readily form at the top of cups, wasting the effort made to reconstruct an attractive bust.

Aiming to address this problem and improve patients' quality of life, Okayama University Hospital began joint research with Wacoal in January 2009. Since then, we have been steadily accumulating clinical research data on the safety and usability of innerwear for women who have had breast reconstruction.

Researcher Permanently Posted at the Hospital Facilitates In-Depth Communication with Patients

As part of our joint research with Okayama University Hospital, we have permanently dispatched a researcher of Wacoal's Human Science Research Center to the counseling room of the hospital's Breast Cancer Treatment and Reconstruction Center. Deploying a researcher to the hospital permanently has helped cement this patient-centered collaboration between Wacoal and the hospital.

Before breast reconstruction surgery and one month, three months, six months, and one year after surgery, we measure the shape and size of the busts of patients, who have consented to participate in the joint research project. In addition, we conduct a questionnaire about the bust and innerwear.

Advice Based on Empathy with Patients

Our joint research has revealed that for many women who have undergone surgery information about innerwear is insufficient. Often patients have not had time to consider innerwear before breast reconstruction surgery because they were preoccupied with the prospect of surgery. Further, after surgery many women find explaining their condition to sales personnel stressful. In this context, joint research has shown the advantages of giving patients advice about innerwear in a hospital environment. "I was able to discuss things with the counselor with peace of mind because the hospital introduced her to me." "Dealing with personnel who understand the disease minimizes the psychological strain of choosing innerwear." Moreover, our research highlighted the popularity of Wacoal Dublevé among patients. "Unlike specialized innerwear for breast cancer patients, the products are attractive and colorful." "The rich variety of sizes and designs means I can find something to my liking."

Helping Women to Feel Fashionable

Many women who have undergone breast reconstruction surgery are anxious about a recurrence of the disease. Therefore, they need attentive emotional as well as physical care. On the other hand, they want to wear fashionable innerwear. In response, Wacoal can provide products that gently enclose the bust and fit perfectly. Also, we can offer a rich selection of designs to choose from. Going forward, in collaboration with medical institutions, Wacoal will draw on such capabilities to the utmost to help enhance the quality of life of women who have undergone breast reconstruction surgery.

A SUSTAINABLE WACOAL

ENVIRONMENTAL CONSERVATION ACTIVITIES

Considering that preservation of the global environment is a corporate responsibility in global business activities, Wacoal will promote the conservation of the environment, in line with a spirit of "mutual trust" for harmony with the society and our motto : "Promise of Environmental Preservation for Next Generations, Their Smiles, and Beautiful Earth."

Environmental Policies

1 We will reduce environmental loads generated from business activity processes through business improvement initiatives and make efforts to prevent environmental pollution.

2 Establishing environmental targets focusing on the following items, we will try to accomplish the targets based on environmental management systems.

(1) Energy conservation, resources saving, and reduction of CO_2 emissions

(2) Waste reduction and recycling

(3) Development of products and technologies that are kind to people and the environment

(4) Purchase of product materials, materials, and office supplies that are kind to people and the environment

3 We will comply with environmental laws and ordinances, and our voluntary management standards.

4 We will raise our employees' environmental awareness through ecological education and make efforts to be able to cooperate and contribute to environmental preservation activities as a member of local communities.

5 We will disclose our environmental policies and approaches to environmental preservation, aiming to preserve the environment through wide-ranging social partnerships.

Environmental Targets

In accordance with our environmental policies, we prepare a medium-term environmental action plan every three years and conduct environmental management initiatives in a planned, systematic way to achieve the targets set out in the plan.

Medium-Term Environmental Action Plan

(April 2010—March 2013)

1 Improve the coordination of environmental management systems throughout the Wacoal Group.

2 Promote environmental protection activities based on the idea that "business improvement equals environmental improvement."

3 Reduce CO_2 emissions.

4 Promote green purchasing.

5 Reinforce waste management.

6 Reinforce environmental risk management.

7 Disclose environmental information.

8 Raise employees' environmental awareness through environmental education.

9 Contribute to the preservation of the local environment, as a member of the local community.

Note: For further details, please go to our web site.
http://www.wacoalholdings.jp/csr/7m_environment_1_e.html

Case Study

Beginning Operation of a Solar Power Generation System

In February 2012, Wacoal Distribution Corp., in Shiga Prefecture, installed a solar power generation system. Mindful of the growing social impetus toward reducing CO_2 emissions and introducing renewable energy, we installed the system to advance corporate environmental initiatives and reduce power usage volumes. A further aim in introducing the system was to contribute to the local community by providing the system's site as an evacuation site during disasters. It is a polycrystalline solar power generation system with a generation capacity of 499.95kw—sufficient to meet onethird of the company's power needs. In terms of power generation volume, the system is the largest of its kind in Shiga Prefecture (As of February 2012).

Eco Mannequins

—Environment-friendly Mannequins

In December 2010, Nanasai Co., Ltd., introduced mannequins made of a new material that uses environmentally friendly biomass plastic*. The new material is a mixture of 15% by weight of biomass plastic and the conventional mannequin material. Our environment-conscious attitude and efforts have received warm understanding and support from our business partners.

* A plastic made from renewable bio-based resources such as corn starch, sugar cane, and food waste. Biomass plastic can be produced sustainably without using petroleum, which is considered to contribute to global warming and anticipated to deplete in near future.

CSR MANAGEMENT

The Wacoal Group's CSR

Having placed mutual trust at the heart of its business philosophy since its foundation, the Wacoal Group views the goal of CSR (corporate social responsibility) initiatives as building mutual trust with society.

In the Wacoal Group, we believe realizing the mission to "contribute to society by helping women to express their beauty" will build mutual trust with society and enable us meet our corporate social responsibilities. Based on an international consensus, the ISO 26000 standard defines sustainable development as unceasing efforts by society at large, aimed at realizing a high quality of life, health, and prosperity. Further the standard states that it is each organization's corporate social responsibility to identify its effect on society, maximize the positive effects, minimize the negative effects, and pursue truly sustainable growth.

The Wacoal Group operates businesses in approximately 40 countries and manufactures at 21 plants. Approximately 8,200 beauty advisors sell the resulting finished innerwear at roughly 15,000 sales areas worldwide. In Japan and overseas, we sell about 41.8 million brassieres per year. Given that numerous women support our manufacturing and purchase our products, we feel a natural obligation to strive to be first and foremost, a company empathetic to women.

That said, the scope of the Wacoal Group's responsibility is not limited to women. Our stakeholders include shareholders, investors, business partners, employees and their families, local communities, NPOs (nonprofit organizations) and NGOs (nongovernmental organizations), and government bodies. Therefore, we want to establish bonds of mutual trust with all of these stakeholders and earn a higher level of social trust.

The Wacoal Group's CSR Management

The Wacoal Group will manage its CSR initiatives based on two overall categories: fundamental CSR activities and proactive CSR initiatives.

As well as setting out numerical targets for earnings, the Wacoal Group's current medium-term management plan, ending in March 2013, calls on the Group to strengthen its ability to operate globally by expanding in Europe, North America, China, and Asia. Such efforts are likely to expand our international influence.

With this in mind, at this juncture we must reassess and rigorously realize CSR fundamentals to ensure that we do not affect society negatively. Further, we need to view our current situation more proactively as a good opportunity to affect society positively and advance our unique CSR initiatives. In light of these imperatives, we have grouped our contributions into fundamental CSR activities and proactive CSR initiatives.

For fundamental CSR activities, we will identify and clearly prioritize tasks based on the seven core subjects set out in the social responsibility standard ISO 26000. Then, the whole Group will mobilize in a coordinated effort to advance CSR activities.

Proactive CSR initiatives will focus on areas in which we can exploit unique characteristics and competence. These initiatives will come under three main headings—(1) Society: Tackling social problems, (2) Business: Continuously implementing social business programs through our mainstay business, and (3) Wacoal's uniqueness: Developing systems for services that respond to emerging social problems while passing on the management philosophy we have inherited.

Also, in 2004 the Wacoal Group established the CSR Promotion Office, which is dedicated to establishing CSR policy, coordinating with related divisions, gathering information, and conducting in-house educational initiatives. Aiming to further this office's ability to disseminate information and communicate with society, we transferred it to the Investor Relations & Public Relations Office in 2011.

CORPORATE GOVERNANCE

The overriding goal of the Wacoal Group's corporate governance is to continuously grow enterprise value by ensuring that management is highly transparent, equitable, and objective with respect to all stakeholders, including shareholders, other investors, and customers.

Management Philosophy and Corporate Governance

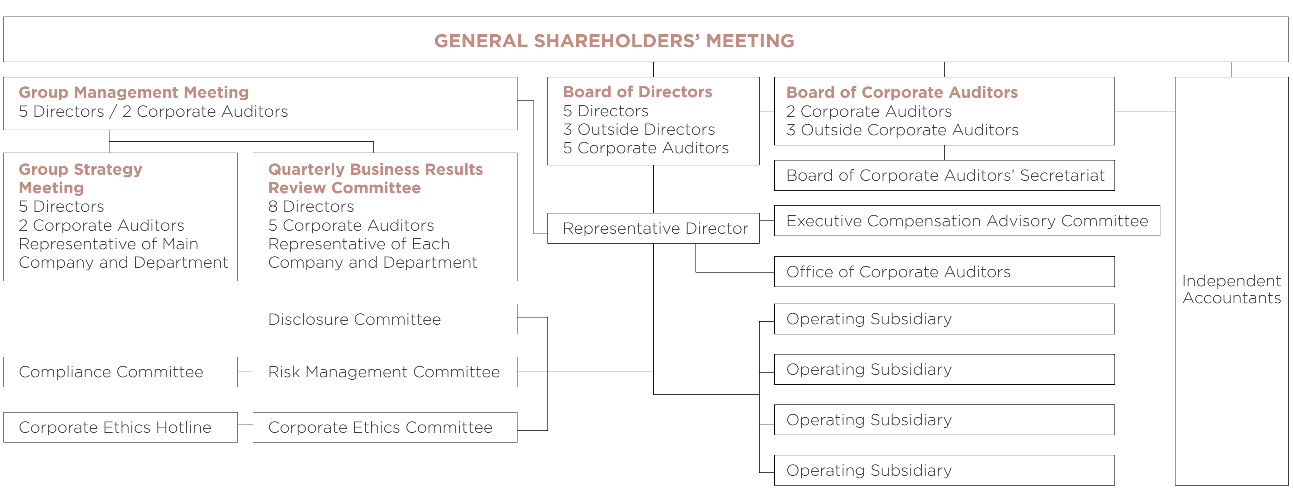
The Wacoal Group's management philosophy is based on mutual trust. This is a value that the Wacoal Group aims to carefully preserve in its relationships with shareholders, other investors, and all other stakeholders with a vested interest in the Group. To that end, the Group will steadily build and strengthen governance systems pursuant to laws and statutory regulations while working to ensure that every individual in the Group, from the management team through to employees, is aware of the social significance of the Wacoal Group and adheres to good ethical conduct. We believe that properly functioning corporate governance based on mutual trust is indispensable in order to achieve sustained growth and further increase enterprise value.

Regarding our progress in developing corporate governance systems, in 2002 the Company introduced a corporate officer system to clarify responsibility for operational implementation, speed up decision making, and strengthen the monitoring functions of the Board of Directors. In 2003, Wacoal established the Disclosure Committee in order to ensure the accuracy of the financial and other information made available to the public. Further, in 2005 we elected outside directors to ensure management decisions are balanced and not made solely by directors. Meanwhile, in October 2005 we transferred to a holding company system in order to realize a more effective management system that enables strategic decision making and optimal resource deployment for Group companies overall while clarifying responsibility and authority and allowing flexible operations at operating subsidiaries.

Corporate Governance System

The Group employs an auditor system of governance, with operational implementation and oversight undertaken by the Board of Directors and the Board of Corporate Auditors. Comprising 8 directors, 3 of whom are outside directors, and 5 corporate auditors, 3 of whom are outside corporate auditors, the Board of Directors decides such issues as important management policies and strategies and items stipulated by statutory laws and regulations or the Group's articles of incorporation. Furthermore, the Group files notifications with the Tokyo Stock Exchange for all of the aforementioned outside directors and outside corporate auditors as "independent directors or auditors."

Five corporate auditors, 3 of whom are outside corporate auditors, sit on the Board of Corporate Auditors, which supervises and audits business management. Also, the Group has established the Office of Corporate Auditors, which audits and monitors the appropriateness and efficiency of the operational processes of Group companies.



Corporate Governance Structure
As of June 28, 2012

Also, the Group has established the Group Management Meeting, which comprises directors and corporate auditors. The meeting considers Group management strategy and other important management issues and conducts prior deliberation of matters for consideration by the Board of Directors. Including outside directors, the Executive Compensation Advisory Committee develops proposals for the appointment, promotion, and compensation of executives and contributes to the realization of highly transparent and equitable business management.

Disclosure Policy

The Group has established the Disclosure Committee in order to ensure the accuracy of financial and other information issued by the Group. This committee checks the propriety of the Group's internal controls and disclosure based on Section 302 of the U.S. Sarbanes-Oxley Act with respect to 20-F annual reports filed with the U.S. Securities and Exchange Commission and other financial reports submitted by the representative director and directors responsible for financial matters. In addition, the committee checks the accuracy of disclosed information. The representative director and the directors responsible for financial matters prepare written oaths based on the reports that the committee has verified.

Limited Liability Agreements Concluded with Outside Directors and Outside Corporate Auditors

In order to enable the Group to include competent outside directors and outside corporate auditors, the Group's articles of incorporation permit the Group to conclude agreements with outside directors and outside corporate auditors limiting their liability for damages in relation to the Group. Accordingly, the Group concludes limited liability agreements with outside directors and outside corporate auditors.

Requirements for Resolutions Electing Directors

The Group's articles of incorporation stipulate that a resolution for the election of a director requires the attendance of shareholders that can exercise voting rights and that own at least one-third of voting rights as well as authorization based on a majority of voting rights. Furthermore, cumulative votes are not permitted.

Determination of Dividends from Retained Earnings

In order to return profits to shareholders flexibly, the Group's articles of incorporation stipulate that resolutions of the Board of Directors determine cash dividends from retained earnings, unless otherwise stipulated by related laws and statutory regulations.

Compensation of Executives

For the fiscal year under review, total compensation for directors was ¥236 million, total compensation for corporate auditors was ¥32 million, and total compensation for outside directors and outside corporate auditors was ¥48 million. In addition, the total compensation for directors includes acquisition rights for the subscription of new shares of ¥41 million recognized in expenses. Further, one auditor, who retired upon conclusion of the ordinary general shareholders' meeting convened on June 29, 2011, is included. Yoshikata Tsukamoto, the one executive that receives compensation of over ¥100 million on a consolidated basis, serves concurrently as a director of Wacoal Holdings Corp. and Wacoal Corp. and receives total compensation of ¥162 million.

Attendance of Outside Directors at Meetings of the Board of Directors
April 2011—March 2012

Mamoru Ozaki	Attended 12 from a total of 14
Morio Ikeda	Attended 13 from a total of 14
Atsushi Horiba	Attended 9 from a total of 14

Attendance of Outside Corporate Auditors at Meetings of the Board of Directors and the Board of Corporate Auditors
April 2011—March 2012

	Board of Directors	Board of Corporate Auditors
Akira Katayanagi	Attended 12 from a total of 14	Attended 14 from a total of 15
Tomoharu Kuda	Attended 14 from a total of 14	Attended 15 from a total of 15
Yoko Takemura	Attended 11 from a total of 14	Attended 12 from a total of 15

Compliance System

- In order to ensure that directors and employees adhere to relevant laws and statutory regulations and implement operations based on sound societal norms, the Group has established its own conduct and ethics code.
- Directors lead efforts to instill and ensure adherence to good corporate ethics throughout the Wacoal Group.
- Headed by the representative director and with the Legal and Compliance Department as its secretariat, the Corporate Ethics Committee develops compliance systems and examines compliance issues that significantly affect the Wacoal Group.
- The Group has established a system whereby employees discovering potential compliance problems relating to violations of the Group's conduct and ethics code can report these immediately to the Legal and Compliance Department. This system includes a corporate ethics hotline for whistleblowers. Upon receiving such reports, the Legal and Compliance Department investigates the details of cases, consults with the division in charge, and decides on the measures to prevent recurrence. The Legal and Compliance Department submits serious problems to the Corporate Ethics Committee, which reports the results of

investigations to the Board of Directors and the Board of Corporate Auditors.
- The Group's conduct and ethics code, Corporate Ethics—Wacoal's Action Agenda, stipulates resolute refusal of demands from antisocial forces. Further, conduct standards for crisis management set out in the Group's crisis management manual stipulate that the Group will not have any relationship whatsoever with antisocial forces. Also, in order to address gratuitous demands from antisocial forces, the Group coordinates with outside specialist organizations and collects and manages information about antisocial forces and has established an internal system in this regard.

Risk Management System

- With the director responsible for risk management as its chairperson, the Risk Management Committee manages overall risks related to the Wacoal Group and develops and strengthens risk management systems.
- Based on the approval of the Board of Directors, the Risk Management Committee establishes risk management regulations that form the basis of the risk management system. Guided by these regulations, the Risk Management Committee clarifies responsibility for respective risk categories and builds systems for comprehensive risk management of the entire Wacoal Group.
- The Risk Management Committee periodically reports to the Board of Directors on the operational status of the risk management system of Wacoal Holdings Corp. and the entire Wacoal Group.

Performance of Duties by Directors

- In order to heighten the appropriateness of directors' decision making, the Group's directors include independent outside directors.
- Directors establish medium-term management plans, which directors and employees share and that apply laterally to the entire Group. Further, in accordance with these plans, directors issue instructions to each division regarding the establishment of medium-term and short-term policies and business results targets.
- The business results of each Group company are analyzed on a monthly basis and reported to the Board of Directors. Also, directors check the business results and the progress of measures at meetings of the Quarterly Business Results Review Committee held four times a year. If targets have not been met, directors examine improvement measures and revise targets if needed.

Group Management Systems of the Wacoal Group

- The Group has established regulations and a basic policy for the management of Group companies. The Group also stipulates items that the Board of Directors must decide and items that must be reported to Wacoal Holdings Corp.
- Transactions between Group companies must be equitable and pursuant to laws and regulations, accounting principles, and tax systems.
- The Office of Corporate Auditors conducts internal audits of Group companies, which include audits of the status of the construction and operation compliance systems and risk management systems. Further, the Office of Corporate Auditors reports the results of these audits to the Board of Directors and the divisions with jurisdiction over respective Group companies. At the same time, the Office of Corporate Auditors ensures Group companies conduct operations appropriately by providing them with directions and advice on the construction of systems.

Defensive Measures against Takeovers through the Acquisition of a Substantial Share Holding of the Company

After the Group's June 2009 ordinary general shareholders' meeting passed a resolution authorizing the adoption of a basic policy on measures against the acquisition of a substantial shareholding of the Group, the Board of Directors decided upon specific countermeasures reflecting that basic policy. Further, the June 2012 ordinary general shareholders' meeting renewed this policy. In principle, the Group does not oppose the acquisition of large shareholdings that contribute to the enhancement of the enterprise value and shareholders' common interests. The Group's defensive measures against takeovers, or peacetime takeover defensive measures, include providing advance warning that there are procedures prospective purchasers of the Group's shares must follow and that a gratis allocation of acquisition rights for the subscription of new shares with discriminatory treatment for the exercise of such rights may be implemented. In addition, the Group 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 Group's web site.
www.wacoalholdings.jp/ir_e/news.html

BOARD OF DIRECTORS

Wacoal Holdings Corp. and Subsidiaries
As of June 28, 2012

President and Representative Director
YOSHIKATA TSUKAMOTO
Representative Director and Chairman, Wacoal Corp.

Director
YUZO IDE
Director and Senior Corporate Officer, Wacoal Corp., General Manager of International Operations

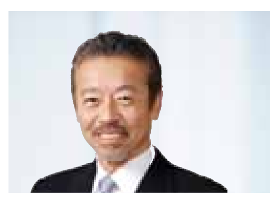
Director and Executive Vice President
HIDEO KAWANAKA
Director and Vice Chairman, Wacoal Corp.
Representative Director, Chairman and President, Peach John Co., Ltd.

Outside Director
MAMORU OZAKI
Advisor, Yazaki Sogyo Corporation/ Outside Director, Fujikyuko Co., Ltd./ Outside Director, Kikkoman Corporation

Senior Managing Director
IKUO OTANI

Outside Director
MORIO IKEDA
Adviser, Shiseido Company, Limited/Chairman of the Board of Trustees and Chancellor of Toyo Eiwa Jogakuin/ Chairman of Public Interest Corporation Commission/ Outside Director of Asahi Kasei Corporation/Outside Director of Isetan Mitsukoshi Holdings/Outside Director of Tokyo Metropolitan Television Broadcasting Corp./ Chairman of the Board of Trustees of Shiseido Beauty Academy

Director
HIRONOBU YASUHARA
Representative Director, President and Corporate Officer, Wacoal Corp.



Outside Director
ATSUSHI HORIBA
Representative Director and Chairman and President, HORIBA, Ltd./Representative Director and President, HORIBA STEC, Co., Ltd./ Outside Director, Rock Field Co., Ltd.

A MESSAGE
FROM AN OUTSIDE DIRECTOR
MAMORU OZAKI

Almost 70 years have elapsed since end of the Second World War. During this period the laws that form the basis of corporate governance have changed considerably. The knowledge that I and my peers garnered from studying company law, then part of commercial law, at university in the mid-1950s is no longer of much use. This type of change is indicative of society's transformation. As a joint-stock company, Wacoal Holdings basically complies with the Companies Act and the stipulations of related laws. Within the limits of the law, however, there is some scope for discretion as well as freedom to implement initiatives. This gives rise to different management systems.

Because companies are fundamentally organizations for pursuing profit, the primary objective of management systems used to be ensuring that profit was appropriately distributed among shareholders, business managers, and employees. This remains an important role today. However, the scope of modern corporate governance has broadened. Management systems have to cover a wide range of areas, such as social contribution, environmental problems, and consideration for consumers. I think today's emphasis on outside directors is actually one of the expressions of this change.

Recently, the media has reported that the government, despite opposition from the business community, has decided to make the appointment of outside directors obligatory. The Wacoal Group has already appointed outside directors. My understanding is that through such initiatives the Wacoal Group aims to contribute to the development of its business by ensuring it maintains the breadth of vision society expects. No doubt there are those with different opinions. However, I think that having the flexibility to adapt to changes in society is key to protecting enterprise value. Companies are often referred to as "going concerns." We can interpret this as meaning companies must continue changing in step with social evolution. I think this attribute is common to people's understanding of the intrinsic nature of companies.

CORPORATE AUDITORS

Wacoal Holdings Corp. and Subsidiaries
As of June 28, 2012

Standing Corporate Auditor
MITSUO YAMAMOTO

Outside Corporate Auditor
TOMOHARU KUDA
Certified Public Accountant

Standing Corporate Auditor
TOMOKI NAKAMURA

Outside Corporate Auditor
YOKO TAKEMURA
Partner at Miyake Imai Ikeda law firm,
Lawyer/Outside Statutory Auditor,
ADEKA Corporation

Outside Corporate Auditor
AKIRA KATAYANAGI
Special Advisor, Mitsubishi UFJ NICOS Co., Ltd.

A MESSAGE FROM AN OUTSIDE CORPORATE AUDITOR

AKIRA KATAYANAGI

I think my role as an outside corporate auditor is to assess whether the Wacoal Group is growing sustainably based on sound corporate activities and whether it is deserving of society's trust. Moreover, my role is to offer advice with respect to whether the Group has established adequate systems to support these two requirements. Also, I provide opinions from an external standpoint, drawing on my experience in dealing with a variety of customers at financial institutions and my experience in corporate business management.

Regarding corporate governance, the Group has acquired new subsidiaries, such as Peach John and Lecien, and through a process of trial and error sought to maximize synergies with them. These two subsidiaries have undergone fundamental reform and are now steadily getting back on track, which I think testifies to the corporate governance the holding company is exercising. Given that Eveden, which recently became a subsidiary, is a European company and entails elements of indirect control, I expect the Wacoal Group to use its experience thus far to step up corporate governance as it moves into a new phase.

Tasks remain with respect to internal control and compliance. The Group needs to adopt a more systematic approach in these areas. However, the Group as a whole has a favorable corporate culture that is amenable to lively discussions among personnel of different ranks. No matter how much one strengthens rules, ultimately it is personnel and directors that actually enforce them. Therefore, communication is a basic requirement of corporate governance. In addition, I think the Wacoal Group's strong focus on social contribution activities gives personnel shared experiences, deepens communication, and helps to enhance compliance awareness.

I want the Wacoal Group to exhibit pride and demonstrate responsibility befitting an industry-leading company that is rooted in the tradition of Kyoto's textile industry. At the same time, I would like the Group to value its unfettered, enterprising corporate culture as its forges ahead.

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ELEVEN-YEAR FINANCIAL SUMMARY

Wacoal Holdings Corp. and Subsidiaries

	Millions of yen, except per share amounts		
Years ended March 31	**2012**	2011	2010
For the year			
Net sales	**¥171,897**	¥165,548	¥163,548
Cost of sales	**81,891**	81,659	80,101
% of net sales	**47.6%**	49.3%	49.0%
Selling, general and administrative expenses	**79,629**	77,716	78,524
% of net sales	**46.3%**	46.9%	48.0%
Government subsidy			
Special retirement related expenses			
Operating income	**10,377**	4,401	3,829
Other income and expenses, net	**(189)**	(523)	(717)
Net interest income	**19**	49	43
Income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests	**10,207**	3,927	3,155
Income taxes	**4,199**	2,010	1,655
Net income attributable to Wacoal Holdings Corp.	**6,913**	2,785	2,475
Return on assets	**3.1%**	1.3%	1.1%
Return on equity	**4.1%**	1.6%	1.5%
Net cash provided by operating activities	**10,060**	10,441	9,463
Net cash (used in) provided by investing activities	**(3,467)**	(703)	(3,573)
Net cash (used in) provided by financing activities	**(2,824)**	(4,965)	(5,363)
Depreciation and amortization	**4,660**	4,685	4,765
Capital expenditures	**2,708**	2,652	3,981
Per share of common stock (in yen)			
Net income attributable to Wacoal Holdings Corp. (Basic)	**¥49.08**	¥19.73	¥17.51
Cash dividends	**28.00**	20.00	20.00
Shareholders' equity	**1,218**	1,189	1,217
At year-end			
Total current assets	**¥ 97,295**	¥ 90,410	¥ 89,455
Total current liabilities	**35,607**	33,880	34,945
Cash and cash equivalents	**29,985**	26,316	22,328
Net property, plant and equipment	**49,078**	49,734	51,804
Total assets	**221,098**	215,276	222,889
Short-term bank loans and long-term debt, including current portion	**6,482**	6,436	8,162
Total shareholders' equity	**171,496**	167,480	171,860

For the fiscal year ended March 31, 2012, to reflect earnings and losses during fiscal years in consolidated financial statements more appropriately, certain consolidated subsidiaries have changed their settlement dates to March 31 to coincide with the settlement date of the Company. Financial statements for the fiscal year ended March 31, 2011, and fiscal years prior to the fiscal year ended March 31, 2011, have been retroactively revised accordingly.

Millions of yen, except per share amounts

2009	2008	2007	2006	2005	2004	2003	2002
¥170,960	¥165,201	¥166,410	¥164,122	¥160,968	¥163,155	¥163,709	¥162,829
83,879	82,943	84,658	84,322	84,041	84,638	85,306	86,567
49.1%	50.2%	50.9%	51.4%	52.2%	51.9%	52.1%	53.2%
77,248	68,921	68,856	70,946	72,261	75,501	71,139	69,076
45.2%	41.7%	41.4%	43.2%	44.9%	46.3%	43.5%	42.4%
				(7,100)			
			7,521				
9,833	13,337	12,896	1,333	11,766	3,016	7,264	7,186
(2,699)	592	861	1,976	206	1,404	(2,800)	310
195	224	163	157	107	112	140	117
7,329	14,153	13,920	3,466	12,079	4,532	4,604	7,613
3,083	5,774	6,502	1,459	5,800	2,520	2,487	3,785
5,062	4,845	9,029	2,821	6,790	2,902	2,898	4,983
2.2%	2.0%	3.7%	1.2%	3.0%	1.3%	1.3%	2.2%
2.9%	2.6%	4.8%	1.6%	3.9%	1.8%	1.8%	2.9%
8,202	14,249	9,339	719	2,045	5,201	7,858	8,653
(4,759)	3,709	(1,185)	(2,069)	(5,528)	1,328	(9,839)	(9,412)
(7,448)	(9,400)	(8,404)	(3,428)	296	(6,138)	(6,006)	(5,472)
4,544	3,892	3,735	3,433	3,312	3,081	2,971	3,533
2,370	1,110	2,536	6,456	5,418	2,338	2,104	2,484
¥35.57	¥34.29	¥63.18	¥19.60	¥47.17	¥19.85	¥19.48	¥33.22
25.00	25.00	22.00	20.00	20.00	15.00	13.50	13.50
1,187	1,285	1,375	1,296	1,221	1,186	1,097	1,128
¥ 90,778	¥ 97,671	¥ 92,915	¥110,773	¥120,300	¥123,045	¥124,486	¥127,390
31,762	35,802	34,868	35,525	34,970	33,899	33,576	37,095
21,954	27,069	19,816	19,893	24,195	27,443	27,246	35,381
49,165	51,185	52,782	53,501	51,826	49,932	54,171	57,291
213,827	240,053	250,266	242,296	226,196	224,803	218,105	223,985
5,302	5,701	5,984	6,458	6,911	4,450	6,301	8,079
166,767	184,128	193,278	186,475	175,746	170,758	160,839	168,205

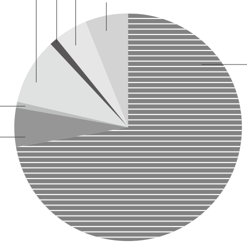
MANAGEMENT'S DISCUSSION AND ANALYSIS

Wacoal Holdings Corp. and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

Financial information contained in this section is based on the consolidated financial statements included in this integrated 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), 47 consolidated subsidiaries and 9 equity-method affiliates.

The Wacoal Group is engaged in the manufacturing, wholesaling, and—for certain products—retailing of women's foundation garments and lingerie, nightwear, children's underwear, outerwear and sportswear, hosiery and other textile products. Other operations include restaurant businesses, cultural and service-related operations, and the construction of interiors for commercial premises.

Share of Net Sales
2012



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 72.3% of our consolidated net sales for fiscal 2012. We also design, manufacture and sell nightwear, children's underwear, 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 net sales by category of products for fiscal 2012, 2011 and 2010:

For fiscal 2012, approximately 83% of the net sales of Wacoal Corp. (the net sales of which account for approximately 64% of our consolidated net sales) were apparel sales made on a wholesale basis to department stores, general merchandisers and other general retailers, and approximately 15% were apparel sales made through our own specialty retail stores, catalog sales and the Internet. Sales from our other businesses (which include restaurant businesses, cultural products and other services) comprised the remaining 2% of Wacoal Corp.'s net sales for fiscal 2012.

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. Because of the demographic trends and downward price pressure in Japan, most of the gains we have made in net sales in recent years have come from our overseas markets. We therefore expect to continue to expand our overseas businesses in the near-to-medium term.

COST OF SALES

Our cost of sales arises principally from material and manufacturing costs related to the production of our apparel products. In the last couple of fiscal years, we successfully kept our cost of sales below the fiscal 2009 level through our cost reduction efforts involving raw material, manufacturing and inventory management. Our success in lowering our cost of sales for fiscal 2012 in comparison to that for fiscal 2011 is attributable to multiple factors, including an increase in the proportion of products sold in Japan being manufactured overseas, a streamlining of product selection, more stringent inventory control leading to less inventory write-downs, and more effective product research and development.

Net Sales (and Percentage) by Product Category

Millions of Yen

	2012		2011		2010	
Innerwear						
Foundation Garments and Lingerie	**¥124,303**	**72.3%**	¥116,127	70.1%	¥116,478	71.2%
Nightwear	**9,390**	**5.5**	8,713	5.3	9,437	5.8
Children's Underwear	**1,530**	**0.9**	1,476	0.9	1,608	1.0
Total Innerwear	**¥135,223**	**78.7%**	¥126,316	76.3%	¥127,523	78.0%
Outerwear and Sportswear	**16,371**	**9.5**	17,397	10.5	17,125	10.5
Hosiery	**1,646**	**1.0**	1,666	1.0	1,702	1.0
Textile Products	**8,226**	**4.8**	7,493	4.5	7,420	4.5
Other	**10,431**	**6.0**	12,676	7.7	9,778	6.0
Total	**¥171,897**	**100.0%**	¥165,548	100.0%	¥163,548	100.0%

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. 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. In recent years, our selling, general and administrative expenses have been affected by two countervailing factors: reduction in labor costs and increases in marketing efforts, particularly in our overseas markets. In addition, for fiscal 2012, we took significant temporary cost-cutting measures, including the cancellation of television commercials, in response to the aftermath of the earthquake and tsunami of March 2011. Thus, for the near-to-medium term, we expect the two countervailing factors to continue to offset each other in varying degrees and the effect of temporary cost-cutting measures to diminish.

INCOME TAX EXPENSES

Our income tax expenses depend on our taxable income, applicable statutory tax rates and the proportion of current and deferred income taxes. Our effective tax rate depends on a range of factors, including applicable statutory tax rates, permanently non-deductible expenses, unrecognized tax benefits, any valuation allowance with respect to tax loss carryforwards and tax exemptions. Our effective tax rate was 41.1% for fiscal 2012, 51.2% for fiscal 2011, and 52.5% for fiscal 2010.

KEY INDUSTRY TRENDS

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

- The number of department stores, one of our key distribution channels, and retail sales through department stores declined due to the deterioration in consumption caused by the worsening economy. General merchandising stores faced not only decreases in the numbers of new branch openings due to stagnant consumption levels, but also reductions in store sizes and increases in store closings, as well as reductions in retail sales. At the same time, however, sales at direct sales outlets and on the Internet have steadily risen.
- Due to adverse changes in consumer behavior and retail industry coupled with factors such as a decline in the female population, the market for women's innerwear garments in Japan shrank, and the prices of innerwear declined in terms of both overall prices and average price per item. The numbers of innerwear items purchased and owned per person also decreased.
- Specialty apparel, outerwear fashion and other manufacturers entered the innerwear market. These manufacturers offer their products by focusing on new elements, such as fashionability, lifestyle and price, rather than function and quality. Because the economic downturn has led consumers to become more price conscious, these new manufacturers and others have achieved a greater market share.
- These manufacturers and other competitors strengthened their cost reduction efforts 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 countries increased, leading to an intensification of price competition in our industry. The recent development and tendency of general merchandisers producing their own low-priced "private brand" merchandise accelerated these trends.
- Although catalog marketing has made little progress, new sales strategies such as e-commerce and television marketing have led to more diversified sales channels and exposure to 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 continue to seek to sell higher-end products 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 United States 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. We also are researching expansion into emerging economies such as India and other new markets such as Russia, Canada, Mexico and Brazil. Additionally, we intend to extend our innerwear product offerings into the mid-price range and include more fashionable offerings in our product mix to help us reach a broader customer base. We believe that Peach John and Lecien 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.

RESULTS OF OPERATIONS—FISCAL 2012 COMPARED TO FISCAL 2011

NET SALES

Consolidated net sales increased 3.8% from ¥165,548 million for fiscal 2011 to ¥171,897 million for fiscal 2012, mainly due to the expansion of sales attributable to our Wacoal brand business, Peach John and our business in China.

By product category, net sales for the innerwear product category increased ¥8,907 million or 7.1% from ¥126,316 million for fiscal 2011 to ¥135,223 million for fiscal 2012 primarily due to the increase in net sales of foundation garments and lingerie. Net sales of the textile products product category also increased ¥733 million or 9.8% from ¥7,493 for fiscal 2011 to ¥8,226 for fiscal 2012. The increases in net sales for the innerwear and textile products product categories more than offset the decreases in net sales for the outerwear and sportswear, hosiery and other product categories.

By business segment, net sales of Wacoal Business (Domestic) increased by 4.5% from ¥110,856 million for fiscal 2011 to ¥115,870 million for fiscal 2012 primarily due to strong performance of the Wacoal Brand Business Department. Net sales of Wacoal Business (Overseas) increased by 6.9% from ¥20,010 million for fiscal 2011 to ¥21,396 million for fiscal 2012 primarily due to strong performance of our reasonably priced brassieres, bottom products and our Internet sales. Net sales of Peach John increased by 19.5% from ¥11,575 million for fiscal 2011 to ¥13,836 million for fiscal 2012 primarily due to sales from our core mail-order catalogs showing strong performance and effective advertising campaigns. Net sales of the Other business segment, which include Lecien and Nanasai businesses, decreased by 10% from ¥23,107 million for fiscal 2011 to ¥20,795 million primarily due to decrease in sales for Nanasai based on the declining effect of shop renovations that increased sales for fiscal 2011.

COST OF SALES

Our cost of sales increased 0.3% from ¥81,659 million for fiscal 2011 to ¥81,891 million for fiscal 2012. Cost of sales as a percentage of net sales decreased 1.7%, from 49.3% for fiscal 2011 to 47.6% for fiscal 2012. The decrease in the cost of sales as a percentage of net sales is primarily due to an increase in the proportion of products sold in Japan being manufactured overseas, a streamlining of product selection, more stringent inventory control leading to less inventory write-downs, and more effective product research and development.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our selling, general and administrative expenses increased 2.5% from ¥77,716 million for fiscal 2011 to ¥79,629 million for fiscal 2012. The selling, general and administrative expenses as a percentage of net sales decreased 0.6% from 46.9% for fiscal 2011 to 46.3% for fiscal 2012. This decrease was primarily due to our success in keeping our selling, general and administrative expenses for fiscal 2012 at a level very close to that for fiscal 2011 relative to the increase in net sales. However, this is partly due to the aftermath of the earthquake and tsunami of March 2011 that forced us to take significant temporary cost-cutting measures, particularly in the first half of fiscal 2012. Although we do not expect to continue to be able to benefit from the factors that temporarily led to a decrease in our selling, general and administrative expenses for fiscal 2012, we believe that our cost-cutting efforts will help to counteract the loss of such benefit.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

At the end of fiscal 2012, we evaluated the recoverability of goodwill and other intangible assets and concluded that there was no impairment in the carrying value of any such assets for any of our reporting units. Our impairment loss therefore decreased by ¥1,772 million from an impairment loss of ¥1,772 million that we recognized in fiscal 2011 with respect to Peach John's trademark, catalog customer relationships and goodwill, which we recognized as intangible fixed assets when Peach John became our wholly owned subsidiary in fiscal 2008.

OPERATING MARGIN

Our operating margin (i.e., operating income as a percentage of net sales) increased to 6% for fiscal 2012, as compared to 2.7% for fiscal 2011. This increase was largely due to our success in keeping our cost of sales and selling, general and administrative expenses for fiscal 2012 at a level very close to that for fiscal 2011 relative to the increase in net sales and the fact that there were no impairment losses on goodwill and other intangible assets for fiscal 2012. However, this is partly due to the aftermath of the earthquake and tsunami of March 2011 that forced us to take significant temporary cost-cutting measures, particularly in the first half of fiscal 2012. Although we do not expect to be able to continue to benefit from the factors that temporarily led to an increase in our operating margin for fiscal 2012, we believe that our efforts to expand our net sales will help to counteract the loss of such benefit.

TOTAL OTHER EXPENSES, NET

Total other expenses, net, decreased ¥304 million from ¥474 million for fiscal 2011 to ¥170 million for fiscal 2012. This decrease was primarily due to a significant improvement in the valuation of the marketable securities and investments we hold and the fact that there were no impairment losses for fiscal 2012.

NET INCOME ATTRIBUTABLE TO WACOAL HOLDINGS CORP.

Net income attributable to Wacoal Holdings Corp. for fiscal 2012 was ¥6,913 million, an increase of ¥4,128 million compared to ¥2,785 million for fiscal 2011. This increase was primarily due to the success in promotion efforts for the Wacoal domestic business and the improved recognition of our specialty retail business brands such as AMPHI, Wacoal Factory and Une Nana Cool, particularly among outlet mall customers. In addition, we were successful in keeping our cost of sales and selling, general and administrative expenses relatively low, partly due to the aftermath of the earthquake and tsunami of March 2011 that forced us to take significant temporary cost-cutting measures, particularly in the first half of fiscal 2012. Furthermore, we had no impairment losses on goodwill and other intangible assets for fiscal 2012. Our current income taxes increased for fiscal 2012 and were only partially offset by our deferred income taxes. The effective tax rate decreased from 51.2% in fiscal 2011 to 41.1% in fiscal 2012 primarily due to changes in Japanese income tax rates.

OPERATING RESULTS BY BUSINESS SEGMENT

We divide our businesses into four segments: Wacoal Business (Domestic), Wacoal Business (Overseas), Peach John and Other.

WACOAL BUSINESS (DOMESTIC)

Net sales of Wacoal Business (Domestic) for fiscal 2012 were ¥115,870 million, as compared to ¥110,856 million for fiscal 2011, and exceeded the results for fiscal 2011 by 4.5%.This was primarily due to the strong performance of our core operating business, Wacoal brand business and the expansion of our specialty retail business. Net sales for Wacoal Business (Domestic) as a percentage of our total net sales increased to 67.4%, as compared to 67% for fiscal 2011.

Net sales of the five key business units of Wacoal Business (Domestic) combined were ¥111,587 million, an increase of ¥4,492 million compared to ¥107,095 million for fiscal 2011.

- Wacoal Brand Business Department: In our Wacoal Brand Business Department, core brasseries and bottom products showed strong performance due to our success in appealing to consumers through our product lineup and promotional activities based on our announcement entitled "Body Aging (physiological changes associated with aging)," which was based on the results of the Wacoal Corp. Human Science Research Center's research. However, this was partially offset by sales of our undergarments, which fell below the results of the previous fiscal year due to competition and unsteady weather conditions despite the strong performance of certain products using natural materials. Thus, overall sales of our core Wacoal brand business exceeded the results for fiscal 2011 by 3.7% as a result of the performance of our brassieres and bottom products.
- Wing Brand Business Department: In our Wing Brand Business Department, although sales of our brassieres and bottom products showed steady performance, which was similar to that of

our Wacoal brand business, sales of men's innerwear fell below the results for the previous fiscal year due to the poor performance and clearance of Style Science series products. Thus, although in-store performance was steady, overall sales of our Wing brand business remained nearly unchanged from the results for fiscal 2011 due to clients' inventory adjustments, which resulted in fewer deliveries of our products.

- Retail Business Department: Regarding our Retail Business Department, sales at our direct retail store AMPHI expanded as a result of strong performance of our existing shops due to improvement of brand recognition and the opening of new stores. Sales from our Wacoal Factory Stores were steady in general due to our improvement in product lineup, despite the partial damage to certain stores as a result of the effects of the earthquake that struck northeastern Japan on March 11, 2011 and the subsequent tsunami. As a result, overall sales of our specialty retail business exceeded the results of fiscal 2011 by 26.3%.
- Wellness Business Department: In our Wellness Business Department, despite the steady performance of sports tights from our sports conditioning wear "CW-X" brand and functionality-focused business pumps, overall sales from our wellness business remained unchanged from the results for the previous fiscal year due to a decrease in sales from TV infomercials subsequent to a decrease in the number of TV infomercials run after the March 11 earthquake and tsunami. As a result of the foregoing, net sales of our wellness products fell below net sales for fiscal 2011 by 0.4%.
- Catalog Sales Business Department: In our Catalog Sales Business Department, overall sales exceeded the results for fiscal 2011 by 6% due to steady performance of catalog sales, which was partly attributable to the shifting of inventory from department stores to catalog resulting in an increase of catalog product selection, and the expansion of Internet sales through both our directly managed Internet shopping site (http://store.wacoal.jp/) and third-party shopping portal sites, including, among others, Rakuten (http://www.rakuten.co.jp).

WACOAL BUSINESS (OVERSEAS)

Net sales for our Wacoal Business (Overseas) segment as a percentage of our total net sales increased to 12.5%, as compared to 12.1% for fiscal 2011.

- United States. Net sales in the United States represented 48.7% of net sales for this segment for fiscal 2012, compared to 50.9% for fiscal 2011. We made aggressive efforts in expanding our U.S. market share and enhancing our product lineup at department stores, which are our major clients, as well as in expanding sales in countries neighboring the United States and Internet retailing. Despite the impact of exchange rate fluctuations, sales exceeded the results for fiscal 2011 as a result of the strong performance of our reasonably priced brassieres and functional bottom products and our Internet sales, which exceeded our original expectations. As a result, net sales in the United States increased 2.2% from ¥10,189 million for fiscal 2011 to ¥10,418 million for fiscal 2012, which was attributable entirely to Wacoal International Corp., which undertakes certain sales activities for our U.S. operations.
- Asia (Excluding Japan).Net sales in Asia outside of Japan (including China, Hong Kong and Singapore) represented 45.7% of net sales for this segment in fiscal 2012, compared to 43.6% in fiscal 2011. During fiscal 2012, we aimed to expand sales in countries neighboring Japan. In our business in China, we made efforts to strengthen our product lineup and promote the opening of new stores mainly in inner mainland China. Although net sales exceeded the results for fiscal 2011 by ¥1,067 million, the growth in net sales slowed due to a significant decline in the number of visitors to department stores, which are our major clients, which in turn was attributable to certain government administrative guidance on the regulations on misleading advertisements and a lack of differentiation of our products from competing products and sales promotions. As a result, net sales from our business in China increased 12.9% from ¥7,609 million for fiscal 2011 to ¥8,587 million for fiscal 2012, of which ¥6,007 million was attributable to the Wacoal China Co., Ltd., our subsidiary that undertakes certain manufacturing and sales operations related to our business in China. Net sales for Wacoal China Co., Ltd. exceeded results for fiscal 2011 by ¥828 million or 16%.
- Europe. Net sales in Europe represented 5.6% of net sales for this segment in fiscal 2012, compared to 5.5% in fiscal 2011.
- Foreign Currency. The average noon buying rate for yen in New York City as certified for customs purposes by the Federal Reserve Bank of New York was ¥78.86 for fiscal 2012, as compared to ¥85.00 for fiscal 2011.The increase in net sales to external customers for this segment was reduced by approximately 45% due to the significant strengthening of yen against the U.S. dollar and other currencies of the markets in which we sell our products.

As a result of the foregoing, net sales to external customers for this segment increased 6.9% from ¥20,010 million for fiscal 2011 to ¥21,396 million for fiscal 2012.

PEACH JOHN

Net sales for our Peach John segment as a percentage of our total net sales increased to 8%, as compared to 7% for fiscal 2011. Sales from our core mail-order catalogs showed strong performance as a result of successful rescheduling of our catalog publication timing, which was in line with the change of our sales schedule. In addition, net sales from our domestic direct retail stores were above net sales for fiscal 2011 due to effective advertising campaigns and improved product lineups, despite a decrease in the number of shops as compared to the previous fiscal year. As for our directly managed overseas stores, although the seven stores operated in China showed weak performance, our two directly managed stores in Hong Kong showed strong performance. As a result of the foregoing, net sales to external customers for this segment increased 19.5% from ¥11,575 million for fiscal 2011 to ¥13,836 million for fiscal 2012.

OTHER

Net sales for our Other business segment as a percentage of our total net sales decreased to 12.1%, as compared to 13.9% for fiscal 2011. With respect to Lecien Corporation (“Lecien”), one of our major subsidiaries comprising this segment, sales from our core innerwear showed strong performance as a result of the expansion of offered products jointly developed with our major clients. However, net sales from the apparel business of Lecien, which offers outerwear products, fell below the results for fiscal 2011 due to a reduction in the number of unprofitable products. As a result, net sales from Lecien for fiscal 2012 remained generally at the same level as in fiscal 2011. As for Nanasai, another major subsidiary comprising this segment, net sales for fiscal 2012 fell significantly as compared to fiscal 2011 despite strong sales performance of our products. This was due to the completion of the shop renovations of department stores commenced during fiscal 2011, as well as the poor performance of the short term rental business of mannequins stemming from the restrained investments and cancellation of various events by our business partners caused by the impact of the March 2011 earthquake. As a result of the foregoing, net sales to external customers for this segment decreased 10% from ¥23,107 million for fiscal 2011 to ¥20,795 million for fiscal 2012.

LIQUIDITY AND CAPITAL RESOURCES

Our current policy is to fund our cash needs from cash flows 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 our group companies. Our borrowing requirements are not affected by seasonality. We believe that our working capital is adequate for our present requirements and for our business operations in the short-to-medium term. Thus, we do not believe that our business is substantially dependent on these facilities.

As of March 31, 2012 we had credit facilities at financial institutions totaling ¥46,157 million, a large majority of which was for short-term, yen-denominated borrowings with variable interest rates. Unused lines of credit for short-term financing as of March 31, 2012 amounted to ¥40,184 million. In general, all of our credit facilities have automatically renewed terms, and we are not aware of any issues with respect to any of our lenders that could cause these facilities to become unavailable.

Of this total credit, ¥28,910 million is available to Wacoal Holdings and our main subsidiary Wacoal Corp., but we have not drawn down from this credit line in recent years and have no current plans to use it in the near future. The remainder of the credit, totaling ¥17,247 million, is available for Lecien, Nanasai and our other subsidiaries, which had drawn down for working capital purposes a total of ¥5,973 million as of March 31, 2012, including borrowings by Wacoal Servicing Co. Ltd. of ¥3,238 million and borrowings by Nanasai of ¥1,800 million. Because our policy is to fund cash needs from our cash flows from operations, we do not expect this balance to increase significantly over the short-to-medium term. Even if any of our subsidiaries loses access to funds from our credit facilities, we believe that it is possible for other companies in our group to provide any necessary funds. 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, loan or cash advance.

Our short-term loans as of March 31, 2012 were ¥5,780 million, a decrease of ¥372 million from ¥6,152 million as of March 31, 2011. Our long-term debt, primarily consisting of collateralized and unsecured bank loans, including the current portion, was ¥702 million as of March 31, 2012, an increase of ¥418 million from ¥284 million as of March 31, 2011.

In connection with our acquisition of all outstanding common shares of Eveden in April 2012 for ¥19,961 million, we borrowed ¥12,000 million from a financial institution.

Additionally, we maintain the majority of our cash and cash equivalent assets in Japanese yen and generally refrain from using financial products for hedging purposes.

CASH FLOWS

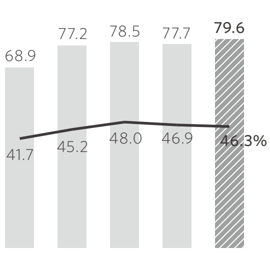
NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities decreased by ¥381 million from ¥10,441 million for fiscal 2011 to ¥10,060 million for fiscal 2012, which reflects the result after adjusting the net income of ¥7,016 million for deferred taxes and equity in net income of affiliated companies, as well as depreciation expenses and an increase in payables.

NET CASH USED IN INVESTING ACTIVITIES

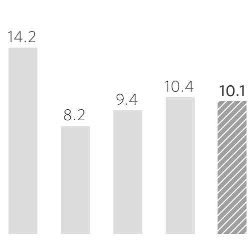
Net cash used in investing activities increased by ¥2,764 million from ¥703 million for fiscal 2011 to ¥3,467 million for fiscal 2012, due to the acquisition of marketable securities and tangible fixed assets, despite proceeds from the sale and redemption of marketable securities.

SG&A Expenses
¥ Billion

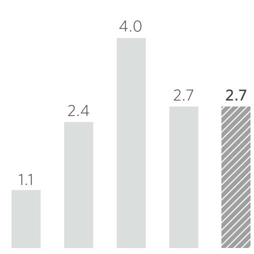


— Ratio of SG&A expenses to total net sales (%)

Net Cash Provided by Operating Activities
¥ Billion



Capital Expenditures
¥ Billion



NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities decreased by ¥2,141 million from ¥4,965 million for fiscal 2011 to ¥2,824 million for fiscal 2012, due to the repayment of short-term bank loans and cash dividend payments.

CAPITAL EXPENDITURES

Capital expenditures were ¥2,708 million for fiscal 2012 (including ¥355 million for rebuilding and relocation of some of our properties), ¥2,652 million for fiscal 2011 and ¥3,981 million for fiscal 2010. These expenditures were primarily for the repair of office facilities of our domestic subsidiaries and the expansion of our specialty retail store network. Payments to acquire intangible assets were ¥846 million for fiscal 2012, ¥687 million for 2011 and ¥1,772 million for fiscal 2010. These payments are primarily composed of payments for information technology-related investments.

For fiscal 2012 we spent ¥355 million for office maintenance and repair, and we expect to spend ¥553 million in fiscal 2013. Although we currently do not have any concrete plans, we expect to continue to make expenditures for the expansion of our specialty retail store network (including costs for the development of new stores and the closure of underperforming stores) and 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.

In fiscal 2009, we sold plants and other property in connection with the liquidation of our subsidiary Tokai Wacoal Sewing Corp. with a book value of ¥59 million. In fiscal 2011, we sold our Karasuyama Corporate Housing with a book value of ¥75 million and our Ikuta Corporate Housing with a book value of ¥152 million. In fiscal 2012, we sold our Nagaoka dormitory with a book value of ¥60 million and our Sapporo building with a book value of ¥79 million.

CASH DIVIDENDS

On May 15, 2012, our board of directors approved a fiscal year-end dividend of ¥100 per five shares of common stock to our shareholders on record as of March 31, 2012, and dividends in a total amount of ¥3,944 million were paid on June 5, 2012. Our basic policy regarding the distribution of profits to our shareholders is to pay steady dividends and increase our earnings per share, while giving due consideration to the improvement of corporate value through active investment that will result in increased profitability. Based on our steady performance of the business results for the fiscal year ended March 31, 2012, we will amend the dividend payable for fiscal 2012 to 28.00 yen per share, an increase of 5.00 yen per share from 23.00 yen per share, as initially announced. For fiscal year ending March 31, 2013, we hope to be able to distribute 28.00 yen per share.

SHARE REPURCHASES

We repurchased 15,231 shares of common stock during fiscal 2012 from shareholders who held shares constituting less than one unit and requested that such shares be repurchased.

RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

For more than 40 years, since the establishment of our Human Science Research Center, we have aimed to achieve harmony between the human body and clothing. In particular, we have conducted research into women's body in order to accurately understand the Japanese woman's physique. In order to accurately understand the Japanese woman's physique, we have developed such things as a silhouette analysis system and a three-dimensional measuring system. However, we are also working on an even more advanced measurement of sensory comfort. Our research and development activities focus on addressing the proportional, physiological and mental aspects of garment design.

One of our most important research results was the Golden Canon, which we announced in 1995, and which provides a set of indicators that characterize the beautiful Japanese woman's body. We also began applying new sales methods at that time. From 1995 to 1998, we participated in a project led by the Ministry of International Trade and Industry (presently the Ministry of Economy, Trade and Industry) enriching the basic study of sensory comfort and conducting research based on reactions to three factors: pressure, heat and touch. Based on this research, we are focused on developing new products that are not only comfortable for the wearer but also have a positive physiological effect. In 2000, we conducted an analysis on the physiological changes associated with aging throughout a 25-year period from the teenage years to the 40s. We named the principles of these changes SPIRAL Aging.

Our research and development activities for fiscal 2012 have been fruitful as we presented in July 2011 the second installment of our long-term aging research results on "Body Aging (physiological changes associated with aging)," as well as presented in February 2012 findings related to breast development among juniors and the necessity of training brassieres during such periods of physiological change. In terms of product development, our research and development activities supported the commodification of new products in the Style Science series that incorporate a "donut" mechanism that is unique to Wacoal, which provides support to the hip joints, thereby enabling the wearer of such undergarments to experience greater freedom in the forward and backward movement of the legs.

The cost of research and development for fiscal 2012 was approximately ¥801 million, compared to ¥815 million for fiscal 2011 and ¥778 million for fiscal 2010. We expect to maintain a similar level of research and development expenditures for fiscal 2013.

CONSOLIDATED BALANCE SHEETS

Wacoal Holdings Corp. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
March 31, 2012 and 2011	**2012**	2011	**2012**
ASSETS			
Current Assets:			
Cash and cash equivalents	**¥ 29,985**	¥ 26,316	**$ 363,851**
Time deposits	**733**	706	**8,895**
Marketable securities (Notes 3, 19 and 20)	**5,179**	4,840	**62,844**
Notes and accounts receivable (Note 17)	**22,725**	21,171	**275,756**
Allowance for returns and doubtful receivables (Note 4)	**(1,460)**	(1,617)	**(17,716)**
Inventories (Note 5)	**32,847**	31,116	**398,580**
Deferred income taxes (Note 16)	**4,234**	5,212	**51,377**
Other current assets (Notes 17, 19 and 20)	**3,052**	2,666	**37,034**
Total current assets	**97,295**	90,410	**1,180,621**
Property, Plant And Equipment:			
Land (Note 9)	**21,783**	21,787	**264,325**
Buildings and building improvements (Notes 9, 11 and 20)	**60,077**	60,318	**729,001**
Machinery and equipment	**14,039**	14,068	**170,356**
Construction in progress	**22**	93	**267**
Total	**95,921**	96,266	**1,163,949**
Accumulated depreciation	**(46,843)**	(46,532)	**(568,414)**
Net property, plant and equipment	**49,078**	49,734	**595,535**
Other Assets:			
Investments in affiliated companies (Note 6)	**14,599**	14,702	**177,151**
Investments (Notes 3, 19 and 20)	**34,064**	32,685	**413,348**
Goodwill (Notes 7, 8 and 20)	**10,367**	10,367	**125,798**
Other intangible assets (Notes 8 and 20)	**9,541**	10,325	**115,775**
Prepaid pension expense (Note 12)		158	
Deferred income taxes (Note 16)	**597**	876	**7,244**
Other	**5,557**	6,019	**67,431**
Total other assets	**74,725**	75,132	**906,747**
Total	**¥221,098**	¥215,276	**$2,682,903**

See notes to consolidated financial statements.

March 31, 2012 and 2011	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 2) 2012
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term bank loans (Note 9)	**¥ 5,780**	¥ 6,152	**$ 70,137**
Notes and accounts payable:			
Trade notes	**1,429**	1,617	**17,340**
Trade accounts (Note 17)	**10,737**	10,474	**130,288**
Other payables	**6,948**	5,112	**84,310**
Accrued payroll and bonuses	**6,411**	6,133	**77,794**
Income taxes payable (Note 16)	**1,747**	1,932	**21,199**
Current portion of long-term debt (Notes 9 and 19)	**64**	70	**777**
Other current liabilities (Notes 12, 16, 19 and 20)	**2,491**	2,390	**30,227**
Total current liabilities	**35,607**	33,880	**432,072**
Long-Term Liabilities:			
Long-term debt (Notes 9 and 19)	**638**	214	**7,741**
Liability for termination and retirement benefits (Note 12)	**2,817**	2,183	**34,183**
Deferred income taxes (Note 16)	**7,085**	7,441	**85,973**
Other long-term liabilities (Notes 11, 12 and 16)	**1,523**	2,178	**18,481**
Total long-term liabilities	**12,063**	12,016	**146,378**
Commitments and Contingencies (Notes 9 and 10)			
EQUITY			
Wacoal Holdings Corp. Shareholders' Equity (Notes 13 and 22):			
Common stock, no par value—			
authorized, 500,000,000 shares in 2012 and 2011; issued 143,378,085 shares in 2012 and 2011	**13,260**	13,260	**160,903**
Additional paid-in capital (Note 14)	**29,447**	29,401	**357,323**
Retained earnings	**141,370**	137,274	**1,715,447**
Accumulated other comprehensive loss (Note 15):			
Foreign currency translation adjustments	**(10,916)**	(10,159)	**(132,459)**
Unrealized gain on securities	**4,197**	2,596	**50,928**
Pension liability adjustments (Note 12)	**(2,976)**	(2,002)	**(36,112)**
Total accumulated other comprehensive loss	**(9,695)**	(9,565)	**(117,643)**
Less treasury stock at cost—2,527,015 shares and 2,529,607 shares in 2012 and 2011, respectively	**(2,886)**	(2,890)	**(35,020)**
Total Wacoal Holdings Corp. shareholders' equity	**171,496**	167,480	**2,081,010**
Noncontrolling Interests	**1,932**	1,900	**23,443**
Total equity	**173,428**	169,380	**2,104,453**
Total	**¥221,098**	¥215,276	**$2,682,903**

CONSOLIDATED STATEMENTS OF INCOME

Wacoal Holdings Corp. and Subsidiaries

			Millions of Yen	Thousands of U.S. Dollars (Note 2)
Years Ended March 31, 2012, 2011 and 2010	**2012**	2011	2010	**2012**
Net Sales (Note 17)	**¥171,897**	¥165,548	¥163,548	**$2,085,875**
Operating Costs and Expenses:				
Cost of sales (Notes 12 and 17)	**81,891**	81,659	80,101	**993,702**
Selling, general and administrative (Notes 1, 7, 10, 12 and 14)	**79,629**	77,716	78,524	**966,254**
Impairment charges on goodwill (Notes 8 and 20)		836	71	
Impairment charges on other intangible assets (Notes 8 and 20)		936	1,023	
Total operating costs and expenses	**161,520**	161,147	159,719	**1,959,956**
Operating Income	**10,377**	4,401	3,829	**125,919**
Other Income (Expenses):				
Interest income	**112**	137	133	**1,359**
Interest expense	**(93)**	(88)	(90)	**(1,129)**
Dividend income	**724**	643	619	**8,785**
Gain on sale or exchange of marketable securities and investments —net (Note 3)	**25**	372	7	**303**
Impairment charges on marketable securities and investments (Notes 3 and 20)	**(831)**	(1,585)	(1,460)	**(10,084)**
Other—net (Notes 1, 3 and 20)	**(107)**	47	117	**(1,297)**
Total other expenses - net	**(170)**	(474)	(674)	**(2,063)**
Income Before Income Taxes, Equity in Net Income of Affiliated Companies, and Net (Income) Loss Attributable to Noncontrolling Interests (Note 16)	**10,207**	3,927	3,155	**123,856**
Income Taxes (Note 16):				
Current	**3,523**	3,480	3,243	**42,750**
Deferred	**676**	(1,470)	(1,588)	**8,203**
Total income taxes	**4,199**	2,010	1,655	**50,953**
Income Before Equity in Net Income of Affiliated Companies, and Net (Income) Loss Attributable to Noncontrolling Interests	**6,008**	1,917	1,500	**72,903**
Equity in Net Income of Affiliated Companies (Note 6)	**1,008**	990	907	**12,232**
Net Income	**7,016**	2,907	2,407	**85,135**
Net (Income) Loss Attributable to Noncontrolling Interests	**(103)**	(122)	68	**(1,250)**
Net Income Attributable to Wacoal Holdings Corp.	**¥ 6,913**	¥ 2,785	¥ 2,475	**$ 83,885**

			Yen	U.S. Dollars (Note 2)
Years Ended March 31, 2012, 2011 and 2010	**2012**	2011	2010	**2012**
Net Income Attributable to Wacoal Holdings Corp. Per Share (Note 18):				
Basic	**¥49.08**	¥19.73	¥17.51	**$0.60**
Diluted	**¥49.02**	¥19.72	¥17.50	**$0.59**
Net Income Attributable to Wacoal Holdings Corp. Per American Depositary Receipt (5 shares of common stock) (Note 18):				
Basic	**¥245.41**	¥98.66	¥87.55	**$2.98**
Diluted	**¥245.12**	¥98.58	¥87.50	**$2.97**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2012, 2011 and 2010	Millions of Yen 2012	2011	2010	Thousands of U.S. Dollars (Note 2) 2012
Net Income	**¥7,016**	¥ 2,907	¥2,407	**$ 85,135**
Other Comprehensive (Loss) Income, Net of Tax (Note 15):				
Foreign Currency Translation Adjustments	**(782)**	(2,802)	180	**(9,489)**
Unrealized Gains (Losses) on Securities	**1,602**	(1,072)	3,351	**19,439**
Pension Liability Adjustments	**(974)**	(219)	1,600	**(11,819)**
Other Comprehensive (Loss) Income	**(154)**	(4,093)	5,131	**(1,869)**
Comprehensive Income (Loss)	**6,862**	(1,186)	7,538	**83,266**
Comprehensive (Income) Loss Attributable to Noncontrolling Interests	**(79)**	(47)	49	**(959)**
Comprehensive Income (Loss) Attributable to Wacoal Holdings Corp.	**¥6,783**	¥(1,233)	¥7,587	**$ 82,307**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITY

Wacoal Holdings Corp. and Subsidiaries

Millions of Yen

Years Ended March 31, 2012, 2011 and 2010	Shares of Outstanding Common Stock (Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, APRIL 1, 2009 (Note 1)	140,451	¥13,260	¥29,316	¥138,442	¥(10,659)	¥(3,592)	¥166,767	¥2,094	¥168,861
Net income				2,475			2,475	(68)	2,407
Other comprehensive income					5,112		5,112	19	5,131
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥125 per 5 shares of common stock				(3,511)			(3,511)		(3,511)
Cash dividends paid to noncontrolling interests								(76)	(76)
Repurchase of treasury stock	(1,372)					(1,540)	(1,540)		(1,540)
Sale of treasury stock	11					13	13		13
Share-based compensation granted and exercised (Note 14)	4		50			5	55		55
Purchase and sales of common shares of the Company's subsidiaries								(46)	(46)
Distribution of treasury stock to acquire a subsidiary (Note 7)	2,104			(93)		2,582	2,489		2,489
BALANCE, MARCH 31, 2010	141,198	13,260	29,366	137,313	(5,547)	(2,532)	171,860	1,923	173,783
Net income				2,785			2,785	122	2,907
Other comprehensive loss					(4,018)		(4,018)	(75)	(4,093)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥100 per 5 shares of common stock				(2,824)			(2,824)		(2,824)
Cash dividends paid to noncontrolling interests								(70)	(70)
Repurchase of treasury stock	(586)					(655)	(655)		(655)
Sale of treasury stock	236		(15)			297	282		282
Share-based compensation granted (Note 14)			50				50		50
BALANCE, MARCH 31, 2011	140,848	13,260	29,401	137,274	(9,565)	(2,890)	167,480	1,900	169,380
Net income				6,913			6,913	103	7,016
Other comprehensive loss					(130)		(130)	(24)	(154)
Cash dividends paid to Wacoal Holdings Corp. shareholders, ¥100 per 5 shares of common stock				(2,817)			(2,817)		(2,817)
Cash dividends paid to noncontrolling interests								(47)	(47)
Repurchase of treasury stock	(15)					(15)	(15)		(15)
Sale of treasury stock	6					5	5		5
Share-based compensation granted and exercised (Note 14)	12		46			14	60		60
BALANCE, MARCH 31, 2012	140,851	¥13,260	¥29,447	¥141,370	¥ (9,695)	¥(2,886)	¥171,496	¥1,932	¥173,428

Thousands of U.S. Dollars (Note 2)

Years Ended March 31, 2012	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Wacoal Holdings Corp. Shareholders' Equity	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2011	$160,903	$356,765	$1,665,745	$(116,066)	$(35,069)	$2,032,278	$23,055	$2,055,333
Net income			83,885			83,885	1,250	85,135
Other comprehensive loss				(1,577)		(1,577)	(292)	(1,869)
Cash dividends paid to Wacoal Holdings Corp. shareholders, $1 per 5 shares of common stock			(34,183)			(34,183)		(34,183)
Cash dividends paid to noncontrolling interests							(570)	(570)
Repurchase of treasury stock					(182)	(182)		(182)
Sale of treasury stock					61	61		61
Share-based compensation granted and exercised (Note 14)		558			170	728		728
BALANCE, MARCH 31, 2012	$160,903	$357,323	$1,715,447	$(117,643)	$(35,020)	$2,081,010	$23,443	$2,104,453

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Wacoal Holdings Corp. and Subsidiaries

Years Ended March 31, 2012, 2011 and 2010	Millions of Yen 2012	2011	2010	Thousands of U.S. Dollars (Note 2) 2012
Operating Activities:				
Net income	**¥ 7,016**	¥ 2,907	¥ 2,407	**$ 85,135**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**4,660**	4,685	4,765	**56,547**
Share-based compensation (Note 14)	**60**	50	55	**728**
Provision for returns and doubtful receivables—net	**(155)**	(364)	(266)	**(1,881)**
Deferred income taxes	**676**	(1,470)	(1,588)	**8,203**
(Loss) gain on sale or disposal of property, plant and equipment—net	**(35)**	122	25	**(425)**
Impairment charges on property, plant and equipment (Note 20)	**37**	107	23	**449**
Impairment charges on goodwill (Notes 8 and 20)		836	71	
Impairment charges on other intangible assets (Notes 8 and 20)		936	1,023	
Gain on sale or exchange of marketable securities and investments—net (Note 3)	**(25)**	(372)	(7)	**(303)**
Impairment charges on marketable securities and investments (Notes 3 and 20)	**831**	1,585	1,460	**10,084**
Equity in net income of affiliated companies, less dividends	**(451)**	(566)	(492)	**(5,473)**
Changes in assets and liabilities:				
(Increase) decrease in notes and accounts receivable	**(1,589)**	493	1,108	**(19,282)**
(Increase) decrease in inventories	**(1,801)**	400	669	**(21,854)**
(Increase) decrease in other current assets	**(377)**	194	147	**(4,575)**
Increase (decrease) in notes and accounts payable	**1,973**	1,251	(1,830)	**23,941**
(Decrease) increase in liability for termination and retirement benefits	**(685)**	(331)	449	**(8,312)**
(Decrease) increase in accrued expenses, income taxes payable and other current liabilities	**(513)**	(267)	1,057	**(6,225)**
Other	**438**	245	387	**5,315**
Net cash provided by operating activities	**10,060**	10,441	9,463	**122,072**
Investing Activities:				
Increase in time deposits and certificates of deposits	**(515)**	(1,809)	(920)	**(6,249)**
Decrease in time deposits and certificates of deposits	**488**	1,991		**5,922**
Proceeds from sales and redemption of available-for-sale securities	**8,477**	3,817	10,099	**102,864**
Payments to acquire available-for-sale securities	**(8,707)**	(1,036)	(7,791)	**(105,655)**
Proceeds from redemption of held-to-maturity debt securities	**79**			**959**
Payments to acquire held-to-maturity debt securities	**(79)**	(347)		**(959)**
Proceeds from sales of property, plant and equipment	**451**	538	467	**5,473**
Capital expenditures	**(2,708)**	(2,652)	(3,981)	**(32,860)**
Payments to acquire intangible assets (Note 8)	**(846)**	(687)	(1,772)	**(10,266)**
Proceeds from sales of other investments	**90**	413	2,021	**1,092**
Payments to acquire other investments	**(221)**	(921)	(2,019)	**(2,682)**
Cash balances of subsidiary acquired through share exchanges (Note 7)			362	
Other	**24**	(10)	(39)	**291**
Net cash used in investing activities	**(3,467)**	(703)	(3,573)	**(42,070)**
Financing Activities:				
Decrease in short-term bank loans with three months or less maturity—net	**(690)**	(1,794)	(291)	**(8,373)**
Proceeds from issuance of short-term bank loans	**393**			**4,769**
Repayments of short-term bank loans	**(71)**			**(862)**
Proceeds from issuance of long-term debt	**500**	200		**6,067**
Repayments of long-term debt	**(82)**	(104)	(350)	**(995)**
Repurchase of treasury stock	**(15)**	(655)	(1,148)	**(182)**
Sale of treasury stock	**5**	282	13	**61**
Dividends paid on common stock	**(2,817)**	(2,824)	(3,511)	**(34,183)**
Dividends paid on common stock to noncontrolling interest	**(47)**	(70)	(76)	**(570)**
Net cash used in financing activities	**(2,824)**	(4,965)	(5,363)	**(34,268)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(100)**	(785)	(153)	**(1,213)**
Net Increase in Cash and Cash Equivalents	**3,669**	3,988	374	**44,521**
Cash and Cash Equivalents, Beginning of Year	**26,316**	22,328	21,954	**319,330**
Cash and Cash Equivalents, End of Year	**¥29,985**	¥26,316	¥22,328	**$ 363,851**
Additional Cash Flow Information:				
Cash paid for:				
Interest	**¥ 90**	¥ 91	¥ 90	**$ 1,092**
Income taxes	**3,702**	3,645	2,097	**44,922**
Noncash investing activities:				
Fair value of certain marketable securities received in exchange for other marketable securities with carrying values of ¥86 million ($1,044 thousand) and ¥5 million in 2012 and 2010, respectively (Note 3)	**¥ 126**		¥ 11	**$ 1,529**
Acquisition of marketable securities by assuming payment obligation		¥ 200		
Acquisition of fixed assets by assuming payment obligation	**¥ 352**			**$ 4,271**
Acquisition of subsidiary through share exchange (Note 7)			¥2,489	

See notes to consolidated financial statements.

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.

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.

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.

Some 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. There were no material intervening events that occurred with respect to these subsidiaries.

On August 17, 2009, the Company acquired the outstanding common shares of Lecien Corp. ("Lecien") with a fiscal year ended March 31, 2010. Lecien's results of operations were included in the Company's consolidated statements of income for the year ended March 31, 2010 from August 1, 2009.

Investments in affiliated companies where the Companies' 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 between 20% and 50%, although other factors are considered in determining whether the equity method of accounting is appropriate.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 consolidated 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.

Foreign Currency Translation—Assets and liabilities of foreign subsidiaries have been translated to Japanese yen at period-end exchange rates and income and expenses have been translated using average exchange rates for the period. Translation adjustments resulting from the process of translating consolidated financial statements, net of tax, are included in accumulated other comprehensive loss, a separate component of 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 other income (expenses) in the consolidated statements of income.

Foreign currency translation losses for the year ended March 31, 2012 and 2011 were ¥94 million ($1,141 thousand) and ¥137 million, respectively. Foreign currency translation gains for the year ended March 31, 2010 were ¥59 million. They have been included in other—net of other income (expenses).

Marketable Securities and Investments—The Companies classify their marketable securities and investments into one of three categories: trading, held to maturity or available for sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Trading securities are recorded at fair value and unrealized holding gains and losses on trading securities are included in earnings. Held-to-maturity securities are measured at amortized cost. The Companies classify debt securities as held to maturity only if the Companies have the positive intent and ability to hold those securities to maturity. Available-for-sale securities are carried at fair value with a corresponding recognition of unrealized holding gains or losses (net of tax) in accumulated other comprehensive loss, a separate component of 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 and investments is determined to be other than temporary, an impairment charge is recorded in the consolidated statements of income. The Companies periodically determine whether a decline in the fair value of marketable securities and investments is deemed to be other than temporary based on criteria that include the duration of the market decline, the extent to which cost exceeds market value, the financial position and business outlook of the issuer and the intent and ability of the Companies to retain the impaired marketable securities and investments for a sufficient period of time for anticipated recovery in market value.

Allowance for Sales Returns—Allowance for sales returns is estimated based on historical products returns experience, sales movements, and the overall retail industry situation.

Allowance for Doubtful Receivables—Allowance for doubtful notes and receivables is estimated based on historical collection experience and additional information including current economic conditions and creditworthiness of each applicable customer.

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. Cost includes net prices paid for materials purchased, production labor cost, factory overhead and charges for customs duties.

Property, Plant and Equipment—Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. 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:	2–50 years (mainly 38 years)
Machinery and equipment:	2–20 years (mainly 5 years)

Depreciation expenses for the years ended March 31, 2012, 2011 and 2010 are ¥2,913 million ($35,348 thousand), ¥2,827 million and ¥2,985 million, respectively.

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 carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. That assessment shall be based on the carrying amount of the asset at the date it is tested for recoverability, whether in use or under development. The impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The Companies recorded ¥37 million ($449 thousand), ¥107 million and ¥23 million in impairment charges on long-lived assets for the years ended March 31, 2012, 2011, and 2010, respectively, and have been included in selling, general and administrative expenses.

Goodwill and Other Intangible Assets—Goodwill represents the excess of the purchase price of an acquired entity over the net amounts assigned to assets acquired and liabilities assumed.

Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if conditions indicate an earlier review is necessary. The goodwill is allocated to the reporting unit in which the business that created the goodwill resides. To test for goodwill impairment, the carrying value of each reporting unit is compared with its fair value. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying amount of reporting unit goodwill with its implied fair value. If the carrying amount of reporting unit goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess.

To test for impairment of other intangible assets with indefinite useful lives, the carrying value of an intangible asset is compared with its fair value. If the carrying amount of an intangible asset with indefinite useful life exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

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

Customer relationship: 7 years
Software: 5 years

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. The Companies recognize asset retirement obligations at the inception of a lease. The asset retirement obligation is measured with an expected present value technique based on historical experience and recorded in other long-term liabilities in the consolidated balance sheets and is subsequently adjusted for changes in estimated disposal costs. The difference between the gross expected future cash flow and its present value is accreted over the life of the related lease, which is determined using best estimate because the Companies' lease contracts generally have automatic renewal articles. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Termination and Retirement Plans—Termination and retirement benefits are accounted for in accordance with the guidance for retirement benefits. The Companies amortize net actuarial gains and losses and prior service cost over the average employees' remaining service period by a declining-balance method and by a straight-line method, respectively. Provisions for termination and retirement benefits include those for directors and corporate auditors of the Companies.

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 are included as part of property, plant and equipment. 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 equity.

Acquisitions—The Companies account for acquisitions using the acquisition method in accordance with the guidance for business combinations. The Companies allocate 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 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) collectability is reasonably assured. 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.

Shipping and Handling Costs—Shipping and handling fees billed to customers are classified in net sales. Shipping and handling costs are expensed as incurred. Shipping and handling costs for the years ended March 31, 2012, 2011 and 2010 were ¥5,773 million ($70,052 thousand), ¥5,691 million and ¥5,320 million, respectively, and have been included in selling, general and administrative expenses.

Advertising Expenses—Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2012, 2011 and 2010 were ¥12,665 million ($153,683 thousand), ¥11,946 million and ¥11,711 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, 2012, 2011 and 2010 were ¥801 million ($9,720 thousand), ¥815 million and ¥778 million, respectively, and have been included in selling, general and administrative expenses.

Income Taxes—The provision for income taxes is determined under the asset and liability method in accordance with the guidance 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 and tax loss carryforwards 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.

The Companies assess their income tax positions and record tax benefits for all years subject to examination based upon their evaluation of the facts, circumstances and information available as of the end of fiscal year. For those tax positions only where there is greater than 50% likelihood that the tax position will be sustained, the Companies record the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

Share-Based Compensation—Share-based compensation is accounted for in accordance with the guidance for stock compensation. The Company measures share-based compensation cost at the grant date, based on the fair value of the award and recognizes the cost over the requisite service period, which is the vesting period. The fair value of the award is estimated using the Black-Scholes option-pricing model.

Derivatives—Derivative instruments, including certain derivative instruments embedded in other contracts, are accounted for in accordance with the guidance for derivatives and hedging. Because such derivative instruments are not designated as a hedge, changes in the fair value are recorded in earnings.

Change of Subsidiaries' Fiscal Year Ends—For the year ended March 31, 2012, certain subsidiaries changed their fiscal year ends from December 31 and February 28 to March 31 to more closely conform with the Parent's year-end. Accordingly, the Companies have retrospectively adjusted the prior periods' consolidated financial statements to reflect the change. As a result, retained earnings as of April 1, 2009 increased from ¥138,235 million as originally reported to ¥138,442 million. The effect of the retrospective application for the years ended March 31, 2011 and 2010 was as follows.

				Millions of Yen
		2011		2010
	As Originally Reported	As Adjusted	As Originally Reported	As Adjusted
Consolidated Balance Sheets				
Total assets	¥215,345	¥215,276	¥223,387	¥222,889
Total liabilities	46,478	45,896	49,834	49,106
Total equity	168,867	169,380	173,553	173,783
Consolidated Statements of Income				
Net income from continuing operations	2,737	2,907	2,456	2,407
Net income attributable to Wacoal Holdings Corp.	2,615	2,785	2,524	2,475
Consolidated Statements of Cash Flows				
Operating activities	10,054	10,441	9,449	9,463
Investing activities	(1,546)	(703)	(2,698)	(3,573)
Financing activities	(4,899)	(4,965)	(5,438)	(5,363)
Cash and cash equivalents, end of the year	26,981	26,316	24,317	22,328
				Yen
Earnings per share				
Net income attributable to Wacoal Holdings Corp.				
Basic	¥18.53	¥19.73	¥17.86	¥17.51
Diluted	18.51	19.72	17.85	17.50

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

Recent Accounting Pronouncements:

Fair Value Measurements—In January 2010, the Financial Accounting Standards Board (FASB) issued additional disclosure requirements for fair value measurements. According to the guidance, the fair value hierarchy disclosures are to be further disaggregated by class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the consolidated balance sheets. The guidance also requires additional disclosure about significant transfers between Levels 1 and 2 of the fair value hierarchy, and separate disclosures about purchase, sales, issuance and settlements relating to Level 3 measurement. This guidance was effective for interim and annual reporting periods beginning after December 15, 2009 except for the requirement regarding the Level 3 activity which was effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Companies adopted the guidance regarding Level 3 activity from the first quarter beginning April 1, 2011. Since the guidance related only to additional disclosures, it did not have an impact on the Companies' consolidated financial position, result of operations, or cash flows.

In May 2011, the FASB issued the new guidance for fair value measurements. The guidance changes the wording used to describe requirements for measuring fair value and for disclosing information about fair value measurements in order to improve consistency between U.S. GAAP and International Financial Reporting Standards. Also, some amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements, which leads to an expansion of the disclosure requirements. This guidance is effective during interim and annual periods beginning after December 15, 2011. The Companies adopted this guidance from the interim period ended after December 15, 2011. Since this guidance related only to additional disclosures, it did not have an impact on the Companies' consolidated financial position, result of operations, or cash flows.

Presentation of Comprehensive Income—In June 2011, the FASB issued revised guidance for the presentation of comprehensive income. This guidance requires displaying adjustments for items that are reclassified from other comprehensive income to net income in the statement in which the components of net income and the components of other comprehensive income are presented. This guidance does not change the items that must be reported in other comprehensive income, nor does it affect the calculation or reporting of earnings per share. In December 2011, the FASB amended its recently issued accounting guidance by deferring the effective date pertaining to the presentation of reclassifications of items out of accumulated comprehensive income. All other requirements in the guidance issued in June 2011 are not affected by this deferral. The guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have an effect on the Companies' consolidated financial position, result of operations, or cash flows, but will only impact how certain information related to Other Comprehensive Income is presented in the consolidated financial statements.

Testing Goodwill for Impairment—In September 2011, the FASB issued new guidance that amends goodwill impairment testing. Under the revised guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. The guidance does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. This guidance is effective for annual and interim goodwill impairment test performed for fiscal years beginning after December 15, 2011, during interim and annual periods beginning after December 15, 2011. Since this guidance does not change how goodwill is calculated, it is not expected to have an impact on the Company's consolidated financial position, result of operations, or cash flows.

Multiemployer Plans—In September 2011, the FASB issued additional disclosure requirements for multiemployer plans. The objective of the guidance is to enhance the transparency of disclosures about (1) the significant multiemployer plans in which an employer participates, (2) the level of the employer's participation in those plans, (3) the financial health of the plans, and (4) the nature of the employer's commitments to the plans. The disclosure requirements do not apply to an employer's participation in multiple-employer plans. The guidance is effective for fiscal years ended after December 15, 2011. The Companies adopted this guidance from the fiscal year ended after December 15, 2011. Since this guidance related only to additional disclosures, it did not have an impact on the Companies' consolidated financial position, result of operations, or cash flows.

2 TRANSLATION INTO U.S. DOLLAR STATEMENTS

The consolidated 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 ¥82.41 to $1, the noon buying rate for yen in New York City as of March 31, 2012. 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

Held-to-Maturity and Available-for-Sale Securities—The fair value of debt and marketable equity securities classified as held to maturity and available for sale is based on quoted market prices as of March 31, 2012 and 2011. The cost, gross unrealized gain and loss and the fair value of held-to-maturity and available-for-sale securities by major security type were as follows:

Millions of Yen

2012	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
National debt securities	**¥ 10**	**¥ 0**		**¥ 10**
Corporate debt securities	**1,500**	**1**	**¥61**	**1,440**
Mutual fund	**2,581**	**156**	**4**	**2,733**
Total	**¥ 4,091**	**¥ 157**	**¥65**	**¥ 4,183**
Noncurrent:				
Equity securities	**¥21,803**	**¥9,341**	**¥14**	**¥31,130**
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	**¥ 332**	**¥ 1**	**¥ 3**	**¥ 330**

Millions of Yen

2011	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities:				
Current:				
National debt securities	¥ 510	¥ 3		¥ 513
Corporate debt securities	1,300	4	¥ 27	1,277
Mutual fund	2,657	117	2	2,772
Total	¥ 4,467	¥ 124	¥ 29	¥ 4,562
Noncurrent:				
Equity securities	¥22,165	¥7,488	¥516	¥29,137
Held-to-maturity debt securities:				
Noncurrent:				
Corporate debt securities	¥ 347	¥ 1	¥ 2	¥ 346

2012	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Thousands of U.S. Dollars Fair Value
Available-for-sale securities:				
Current:				
National debt securities	**$ 121**	**$ 0**		**$ 121**
Corporate debt securities	**18,202**	**12**	**$740**	**17,474**
Mutual fund	**31,319**	**1,893**	**49**	**33,163**
Total	**$ 49,642**	**$ 1,905**	**$789**	**$ 50,758**
Noncurrent:				
Equity securities	**$264,567**	**$113,348**	**$170**	**$377,745**
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	**$ 4,029**	**$ 12**	**$ 37**	**$ 4,004**

There were no available-for-sale and held-to-maturity securities, which have been in a continuous unrealized loss position for more than 12 months as of March 31, 2012 and 2011. Gross unrealized holding losses and fair values of available-for-sale and held-to-maturity securities, all of which have been in a continuous unrealized loss position for less than 12 months as of March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
2012	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Available-for-sale securities:				
Current:				
Corporate debt securities	**¥1,139**	**¥61**	**$13,821**	**$740**
Mutual fund	**315**	**4**	**3,822**	**49**
Total	**¥1,454**	**¥65**	**$17,643**	**$789**
Noncurrent:				
Equity securities	**¥ 120**	**¥14**	**$ 1,456**	**$170**
Held-to-maturity debt securities:				
Current:				
Corporate debt securities	**¥ 247**	**¥ 3**	**$ 2,997**	**$ 36**

	Millions of Yen	
2011	Fair Value	Gross Unrealized Loss
Available-for-sale securities:		
Current:		
Corporate debt securities	¥ 673	¥ 27
Mutual fund	9	2
Total	¥ 682	¥ 29
Noncurrent:		
Equity securities	¥6,009	¥516
Held-to-maturity debt securities:		
Noncurrent:		
Corporate debt securities	¥ 259	¥ 2

The unrealized losses on available-for-sale and held-to-maturity securities were caused primarily by a general decline in stock prices in Japan as of the end of the fiscal year. As of March 31, 2012, the available-for-sale and held-to-maturity securities in a continuous unrealized loss position are composed of 6 corporate debt securities and 8 other securities. The severity of decline was less than 22.2%. The Companies periodically determine whether a decline in the fair value of available-for-sale and held-to-maturity securities is deemed to be other than temporary based on criteria that includes the duration of market decline, the extent to which cost exceeds market value, the financial position and business outlook of the issuer and the intent and ability of the Companies to retain the impaired available-for-sale and held-to-maturity securities for sufficient period of time for anticipated recovery in market value as described in Note 1. No available-for-sale and held-to-maturity securities were identified that meet the Companies' criterion for recognition of an impairment loss on available-for-sale and held-to-maturity securities 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, 2012 and 2011.

Future maturities of debt securities and mutual funds classified as available for sale excluding mutual funds without fixed maturities as of March 31, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	**¥ 401**	**¥ 399**	**$ 4,866**	**$ 4,841**
Due after one year through five years	**1,825**	**1,841**	**22,145**	**22,340**
Due after five years through ten years	**700**	**676**	**8,494**	**8,203**
Total	**¥2,926**	**¥2,916**	**$35,505**	**$35,384**

Future maturities of debt securities classified as held to maturity as of March 31, 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Cost	Fair Value	Cost	Fair Value
Due within one year	**¥332**	**¥330**	**$4,029**	**$4,004**

Proceeds from available-for-sale securities and the gross realized gains or losses on the sales of available-for-sale securities as of March 31, 2012, 2011, and 2010, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Proceeds from sales of available-for-sale securities	**¥180**	¥1,602	¥795	**$2,184**
The gross realized gains on the sales of available-for-sale securities	**2**	354	4	**24**
The gross realized losses on the sales of available-for-sale securities		37	3	

During the years ended March 31, 2012 and 2010, the Companies exchanged certain equity securities for other marketable securities. The Companies recorded the newly received securities at fair value and recognized a gain of ¥40 million ($485 thousand) and ¥6 million in the years ended March 31, 2012 and 2010, respectively. There was no such exchange of marketable securities for the year ended March 31, 2011.

The amount of impairment charges the Companies recognized on available-for-sale securities in which declines in fair value are other than temporary are ¥823 million ($9,987 thousand), ¥1,366 million and ¥1,445 million in the years ended March 31, 2012, 2011 and 2010, respectively.

Trading Securities—A subsidiary in the United States of America has trading securities consisting of mutual funds, which are recorded as marketable securities at the fair value of ¥421 million ($5,109 thousand) and ¥278 million as of March 31, 2012 and 2011, respectively. The Companies recorded a gain of ¥15 million ($182 thousand) and ¥55 million, which are included in other-net of other income (expense) for the years ended March 31, 2012 and 2011, respectively, that relates to trading securities still held as of March 31, 2012 and 2011, respectively. There was no trading security held as of March 31, 2010, except for the ones described below.

The 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 as investments at the fair market value of ¥97 million ($1,177 thousand) and ¥99 million as of March 31, 2012 and 2011, respectively. The Companies recorded gains of ¥4 million ($49 thousand) and ¥13 million and ¥33 million which are included in other-net of other income for the years ended March 31, 2012, 2011 and 2010, respectively that relates to trading securities still held as of March 31, 2012, 2011 and 2010, respectively.

Cost-Method Securities—Investments in nonmarketable equity securities for which there are no readily determinable fair values were accounted for using the cost method and aggregated ¥3,080 million ($37,374 thousand) and ¥3,102 million as of March 31, 2012 and 2011, respectively. Investments in nonmarketable equity securities are reviewed annually or upon the occurrence of an event for other-than-temporary impairment. The Companies recognized impairment charges on investments in nonmarketable equity securities of ¥8 million ($97 thousand), ¥219 million and ¥15 million in the years ended March 31, 2012, 2011 and 2010, 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
	2012	2011	2010	**2012**
Balance at the beginning of the year	**¥100**	¥114	¥ 82	**$1,213**
Increase due to change in scope of consolidation (Note 7)			28	
Charged to costs and expenses	**9**	13	36	**109**
Balances written-off/reversed	**(39)**	(27)	(32)	**(473)**
Balance at the end of the year	**¥ 70**	¥100	¥114	**$ 849**

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

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Balance at the beginning of the year	**¥ 1,517**	¥ 1,915	¥ 2,198	**$ 18,408**
Increase due to change in scope of consolidation (Note 7)			15	
Charged to costs and expenses	**1,390**	1,517	1,915	**16,867**
Balances utilized	**(1,517)**	(1,915)	(2,213)	**(18,408)**
Balance at the end of the year	**¥ 1,390**	¥ 1,517	¥ 1,915	**$ 16,867**

5 INVENTORIES

The components of inventories as of March 31, 2012 and 2011 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2012	2011	**2012**
Finished products	**¥28,555**	¥26,778	**$346,499**
Work in process	**3,209**	3,270	**38,939**
Raw materials	**1,083**	1,068	**13,142**
Total	**¥32,847**	¥31,116	**$398,580**

6 INVESTMENTS IN AFFILIATED COMPANIES

Investments are accounted for using the equity method of accounting if the investment provides the Companies the ability to exercise significant influence over an investee. Significant influence is generally deemed to exist if the Companies have an ownership interest in the voting stock of the investee between 20% and 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 affiliated companies." Under the equity method, the Companies record their proportionate share of an affiliated companies' income or loss based on the most recently available financial statements.

The Companies' investments in affiliated companies and percentage of ownership as of March 31, 2012 and 2011 include, among others, the following companies:

	Percentage of Ownership (%)	
Name of Investee	**2012**	2011
Thai Wacoal Public Company Limited	**34**	34
Shinyoung Wacoal Inc.	**25**	25
PT. Indonesia Wacoal	**42**	42
Taiwan Wacoal Co., Ltd.	**50**	50
House of Rose Co., Ltd.	**20**	20

Aggregate values of carrying amounts and fair values of investments in affiliated companies which have a quoted market price as of March 31, 2012 and 2011 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2012	2011	**2012**
Carrying amount	**¥8,552**	¥8,766	**$103,774**
Aggregate value of quoted market price	**8,497**	7,735	**103,106**

The following tables represent the affiliated companies' summarized information from the balance sheets as of March 31, 2012 and 2011, and statements of operations for the years ended March 31, 2012, 2011 and 2010.

		Millions of Yen	Thousands of U.S. Dollars
	2012	2011	**2012**
Current assets	**¥32,041**	¥31,148	**$388,800**
Noncurrent assets	**26,372**	28,646	**320,010**
Total	**¥58,413**	¥59,794	**$708,810**
Current liabilities	**¥ 7,609**	¥ 7,569	**$ 92,331**
Long-term liabilities	**6,116**	6,373	**74,214**
Equity	**44,688**	45,852	**542,265**
Total	**¥58,413**	¥59,794	**$708,810**

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Net sales	**¥51,690**	¥50,833	¥49,130	**$627,230**
Gross profit	**27,765**	27,196	25,948	**336,913**
Income before income taxes	**4,753**	3,947	3,730	**57,675**
Net income	**3,302**	3,039	2,777	**40,068**

Dividends received from the affiliated companies were ¥557 million ($6,759 thousand), ¥424 million and ¥415 million during the years ended March 31, 2012, 2011 and 2010, respectively.

Retained earnings include net undistributed earnings of affiliated companies in the amount of ¥14,735 million ($178,801 thousand) and ¥14,910 million as of March 31, 2012 and 2011, respectively.

7 ACQUISITIONS

Eveden—On April 10, 2012, the Company acquired all the outstanding common shares of Eveden Group Limited ("Eveden"), which manufactures and sells innerwear and swimsuits for women in Europe and the United States of America in the amount of ¥19,961 million ($242,216 thousand). The amount includes pre-existing loans to Eveden in the amount of ¥6,178 million ($74,967 thousand). The acquisition aims to expand our overseas operations. This will enable the Companies to accelerate our globalization strategy and to expand the target customer segment by effectively utilizing sales channels, technology, management know how and brand strength of both companies.

Acquisition-related costs were ¥411 million ($4,987 thousand), which were included in selling, general and administrative expenses for the year ended March 31, 2012.

The Company is currently determining the acquisition date fair value of assets acquired and liabilities assumed. As a result, further information related to the accounting for this business combination, such as the fair values for assets acquired and liabilities assumed, including goodwill, has not been disclosed.

Lecien—On August 17, 2009, the Company acquired all the outstanding common shares of Lecien which primarily manufactures and sells innerwear, lace, handicrafts and tapestries, through share exchange. This aimed to expand its business field. This enables the Companies to maintain the growth of its innerwear business in the domestic market by making its presence known in the new market and developing new and different products, sales methods and channels, as well as pricing strategies.

This transaction was accounted for as an acquisition. Lecien's results of operations were included in the consolidated statements of income for the year ended March 31, 2010 from August 1, 2009. Lecien's results of operations and change in financial position between August 1, 2009 and August 17, 2009 were not significant.

The purchase cost of the acquisition was ¥2,489 million, which was the fair value of the shares distributed to the shareholders of Lecien. As consideration for the acquisition, the Company distributed 2,104,063 shares of treasury stock to the shareholders of Lecien. Those shares were valued at ¥1,183 per share which was the stock price on the acquisition date of August 17, 2009.

The purchase price of Lecien's shares was allocated based upon the estimated fair value of the identifiable assets acquired and liabilities assumed. As a result of the allocation of basis of investment in Lecien, the Companies recognized goodwill of ¥71 million.

Lecien's net sales and net loss included in the consolidated statement of income for the year ended March 31, 2010 were ¥8,751 million and ¥245 million, respectively.

Acquisition-related costs were ¥121 million, which were included in selling, general and administrative expense for the year ended March 31, 2010.

Unaudited Pro Forma Results

Unaudited pro forma financial information was presented below as if the acquisition of Lecien occurred at the beginning of the 2010 fiscal year.

	Millions of Yen
	2010
Pro forma sales	¥167,872
Pro forma operating income	3,291
Pro forma net income attributable to Wacoal Holdings Corp.	1,815

	Yen
	2010
Pro forma net income attributable to Wacoal Holdings Corp. per share:	
Basic	¥12.84
Diluted	12.83

8 GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill—There was no change in the carrying amount of goodwill and accumulated impairment losses for the year ended March 31, 2012. The changes in the carrying amount of goodwill for the year ended March 31, 2011 were as follows.

	Millions of Yen
Peach John Segment	2012
Balance at the beginning of the year:	
Goodwill	**¥11,203**
Accumulated impairment losses	
Total	**¥11,203**
Impairment losses	**¥ (836)**
Balance at the end of the year:	
Goodwill	**¥11,203**
Accumulated impairment losses	**(836)**
Total	**¥10,367**

During the year ended March 31, 2011, the Companies recorded an impairment charge on goodwill of ¥836 million in Peach John Segment. See Note 20 for further information.

During the year ended March 31, 2010, the Companies identified a decline in fair value of Lecien primarily because of events that occurred after the acquisition date and recognized an impairment loss of ¥71 million. See Note 7 for further information.

Other Intangible Assets—The components of acquired intangible assets excluding goodwill as of March 31, 2012 and 2011 were as follows:

2012		Millions of Yen		Thousands of U.S. Dollars
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Loss	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:				
Customer relationship	**¥ 3,361**	**¥2,818**	**$ 40,784**	**$34,195**
Software	**8,228**	**4,866**	**99,842**	**59,046**
Other	**1,202**	**426**	**14,586**	**5,169**
Total	**¥12,791**	**¥8,110**	**$155,212**	**$98,410**
Unamortized intangible assets:				
Trademark	**¥ 5,316**	**¥ 559**	**$ 64,506**	**$ 6,783**
Other	**103**		**1,250**	
Total	**¥ 5,419**	**¥ 559**	**$ 65,756**	**$ 6,783**

2011		Millions of Yen
Year Ended March 31	Gross Carrying Amount	Accumulated Amortization and Impairment Loss
Amortized intangible assets:		
Customer relationship	¥ 3,361	¥2,636
Software	7,543	3,677
Other	1,289	412
Total	¥12,193	¥6,725
Unamortized intangible assets:		
Trademark	¥ 5,316	¥ 559
Other	100	
Total	¥ 5,416	¥ 559

Other intangible assets acquired during the year ended March 31, 2012 totaled ¥846 million ($10,266 thousand) which primarily consist of software of ¥829 million ($10,059 thousand) with estimated useful life of 5 years.

During the year ended March 31, 2012, the Companies recorded no impairment charge on other intangible assets.

During the year ended March 31, 2011, the Companies recorded an impairment charge on other intangible assets of ¥377 million and ¥559 million, for the customer relationship and trademark, respectively, in Peach John Segment. See Note 20 for further information.

During the year ended March 31, 2010, the Companies recorded an impairment charge on other intangible assets of ¥1,023 million for customer relationship in Peach John Segment. See Note 20 for further information.

Aggregate amortization expenses for the years ended March 31, 2012, 2011 and 2010 related to other intangible assets were ¥1,747 million ($21,199 thousands), ¥1,858 million and ¥1,780 million, respectively. Future estimated amortization expenses as of March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
Estimated amortization expense		
2013	**¥1,384**	**$16,794**
2014	**1,165**	**14,136**
2015	**758**	**9,198**
2016	**312**	**3,786**
2017	**236**	**2,864**
Total	**¥3,855**	**$46,778**

9 SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Collateralized bank loans		¥ 500	
Unsecured bank loans	**¥5,780**	5,652	**$70,137**
Total	**¥5,780**	¥6,152	**$70,137**

The weighted-average annual interest rates on short-term bank loans as of March 31, 2012 and 2011 were 1.3% and 0.9%, respectively.

Unused lines of credit for short-term financing as of March 31, 2012 and 2011, aggregated ¥40,184 million ($487,611 thousand) and ¥24,651 million, respectively. The Companies compensate banks for these facilities in the form of commitment fees, which were not material during the years ended March 31, 2012 and 2011.

Long-term debt as of March 31, 2012 and 2011 are summarized below. The interest rates and maturities are for loans as of March 31, 2012.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Collateralized bank loans, with floating interest at 1.0%~3.7%, maturing through 2016	**¥307**	¥ 76	**$3,725**
Collateralized bank loans, with fixed interest at 1.5%, maturing through 2021	**98**		**1,189**
Unsecured bank loans, with fixed interest at 1.5%–1.8%, maturing through 2021	**297**	200	**3,604**
Capital lease obligation	**0**	8	**0**
Total	**702**	284	**8,518**
Less current portion	**(64)**	(70)	**(777)**
Long-term debt, less current portion	**¥638**	¥214	**$7,741**

The annual maturities of long-term debt as of March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	**¥ 64**	**$ 777**
2014	**250**	**3,034**
2015	**50**	**607**
2016	**50**	**607**
2017	**50**	**607**
Thereafter	**238**	**2,886**
Total	**¥702**	**$8,518**

A subsidiary has pledged assets as security for loans. As of March 31, 2012 and 2011, assets pledged as collateral for bank loans were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Land	**¥ 952**	¥ 803	**$11,552**
Buildings	**758**	460	**9,198**
Total	**¥1,710**	¥1,263	**$20,750**

As is customary in Japan, both short-term and long-term loans are made under general agreements which provide that security and guarantees for future and present indebtedness will be given upon request of the bank. The bank has the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank.

10 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 operating leases having a remaining noncancelable lease term in excess of one year are presented below:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	**¥ 321**	**$ 3,895**
2014	**297**	**3,604**
2015	**245**	**2,973**
2016	**218**	**2,645**
2017	**209**	**2,536**
Thereafter	**404**	**4,903**
Total	**¥1,694**	**$20,556**

Rental expenses were ¥5,317 million ($64,519 thousand), ¥5,130 million and ¥5,265 million for the years ended March 31, 2012, 2011 and 2010, respectively, and have been included in selling, general and administrative expenses.

11 ASSET RETIREMENT OBLIGATIONS

The Companies recorded the fair value of asset retirement obligations in order to recognize legal obligations associated with the removal of leasehold improvements from leased facilities and return of the property to a specified condition when the lease terminates.

A reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Balance at the beginning of the year	**¥663**	¥ 594	**$8,045**
Accretion expense	**6**	20	**73**
Liabilities incurred	**78**	231	**946**
Liabilities settled	**(86)**	(177)	**(1,043)**
Changes due to translation of foreign currencies		(5)	
Balance at the end of the year	**¥661**	¥ 663	**$8,021**

12 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 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 lump-sum payments or periodic payments under certain conditions. The benefits are usually paid as a lump-sum payment, if the employee resigns before the mandatory retirement age.

Contributory Defined Retirement Benefit Plan—The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Change in benefit obligations:			
Benefit obligations at the beginning of the year	**¥32,708**	¥33,454	**$396,894**
Service cost	**833**	835	**10,108**
Interest cost	**725**	712	**8,797**
Participants' contributions	**71**	71	**862**
Actuarial loss (gain)	**1,793**	(593)	**21,757**
Benefits paid from plan assets	**(752)**	(708)	**(9,125)**
Settlement paid from plan assets	**(1,090)**	(926)	**(13,226)**
Settlement paid by the Companies	**(153)**	(137)	**(1,857)**
Benefit obligations at the end of the year	**¥34,135**	¥32,708	**$414,210**
Change in plan assets:			
Fair value of plan assets at the beginning of the year	**¥30,978**	¥31,743	**$375,901**
Actual return on plan assets	**550**	(768)	**6,674**
Employer contributions	**1,850**	1,566	**22,449**
Participants' contributions	**71**	71	**862**
Benefit payments	**(752)**	(708)	**(9,125)**
Settlement payments	**(1,090)**	(926)	**(13,227)**
Fair value of plan assets at the end of the year	**¥31,607**	¥30,978	**$383,534**
Funded status at the end of the year	**¥ (2,528)**	¥ (1,730)	**$ (30,676)**

Amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 consist of:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Prepaid pension expense		¥ 158	
Accrued expenses	**¥ (93)**	¥ (90)	**$ (1,129)**
Liability for termination and retirement benefits	**(2,435)**	(1,798)	**(29,547)**
	¥(2,528)	¥(1,730)	**$(30,676)**

Amounts recognized in accumulated other comprehensive loss, pre-tax, as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Actuarial loss	**¥(7,665)**	¥(6,874)	**$(93,010)**
Prior service benefit	**2,805**	3,497	**34,037**
	¥(4,860)	¥(3,377)	**$(58,973)**

The accumulated benefit obligation for all defined benefit plans as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Accumulated benefit obligation	**¥33,723**	¥32,255	**$409,210**

The projected benefit obligations and the fair value of the plan assets for the Companies' pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of the plan assets for the Companies' pension plans with accumulated benefit obligations in excess of plan assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligations	**¥34,135**	¥2,488	**$414,209**
Fair value of plan assets	**31,607**	600	**383,534**
Plans with accumulated benefit obligations in excess of plan assets:			
Accumulated benefit obligations	**33,723**	2,488	**409,210**
Fair value of plan assets	**31,607**	600	**383,534**

Net periodic benefit costs for the Companies' plans consisted of the following for the years ended March 31, 2012, 2011 and 2010:

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Service cost	**¥ 833**	¥ 835	¥ 915	**$10,108**
Interest cost	**725**	712	764	**8,797**
Expected return on plan assets	**(756)**	(758)	(705)	**(9,174)**
Amortization of actuarial loss	**1,208**	1,255	1,814	**14,658**
Amortization of prior service benefit	**(692)**	(691)	(691)	**(8,397)**
	¥1,318	¥1,353	¥2,097	**$15,992**

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 (loss) income for the years ended March 31, 2012, 2011 and 2010 were as follows:

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Current year actuarial (loss) gain	**¥(1,999)**	¥ (933)	¥1,575	**$(24,257)**
Amortization of actuarial loss	**1,208**	1,255	1,814	**14,658**
Amortization of prior service benefit	**(692)**	(691)	(691)	**(8,397)**
	¥(1,483)	¥ (369)	¥2,698	**$(17,996)**

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

	Millions of Yen	Thousands of U.S. Dollars
Actuarial loss	**¥1,341**	**$16,272**
Prior service benefit	**(641)**	**(7,778)**

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

	2012	2011
Discount rate	**1.9%**	2.4%
Rate of increase in future compensation	**0.0%**	0.0%

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

	2012	2011	2010
Discount rate	**2.4%**	2.3%	2.5%
Rate of increase in future compensation	**0.0%**	0.0%	0.0%
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.5%

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 effective yields as of March 31, 2012 on the Japanese government bonds whose maturity dates would be the same as timing of the expected future benefit payments, adjusted for an incremental yield of approximately 25 basis points that is achieved by selecting corporate bonds whose credit characteristics satisfy the quality requirements but whose yields are slightly higher than the yields on Japanese government bonds. For other plans, similar indices and methods are used.

The expected long-term rate of return on plan assets is derived proportionally from return assumptions determined for each of the major asset classes. The return expectations for each of the asset classes are based largely on assumptions about economic growth and inflation, which are supported by long-term historical data. The estimated long-term rate of return is based on an asset allocation of equity securities of 33%, debt securities of 48%, life insurance company general accounts of 17% and short-term financing of 2%.

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 as of March 31, 2012 and 2011 was as follows:

	2012	2011
Equity securities	**40.4%**	37.1%
Debt securities	**40.8%**	40.9%
Life insurance company general accounts	**16.1%**	16.1%
Short-term financing	**2.7%**	5.9%

The target allocation percentages are reviewed and approved by the Pension Committee. The actual allocations for 2012 and 2011 are different from the target allocation percentages primarily because Wacoal Corp. maintained additional equity securities as the separate plan asset which was contributed to the plan based on an agreement between Wacoal Corp. and its 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 other types of assets are lower than the target allocation.

The following table presents the Companies' plan assets using the fair value hierarchy as of March 31, 2012. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

2012	Level 1	Level 2	Level 3	Millions of Yen Total
Equity securities:				
Japanese companies	**¥6,105**			**¥ 6,105**
Foreign companies	**866**			**866**
Pooled funds (a)		**¥ 4,357**		**4,357**
Debt securities:				
Japanese government bonds	**1,927**			**1,927**
Japanese municipal bonds		**5**		**5**
Japanese corporate bonds		**70**		**70**
Foreign government bonds	**668**			**668**
Pooled funds (b)		**9,654**		**9,654**
Life insurance company general accounts		**5,093**		**5,093**
Other types of investments:				
Equity long/short hedge funds (c)		**2,017**		**2,017**
Short-term financing		**845**		**845**
Total	**¥9,566**	**¥22,041**		**¥31,607**

2011	Level 1	Level 2	Level 3	Millions of Yen Total
Equity securities:				
Japanese companies	¥5,693			¥ 5,693
Foreign companies	865			865
Pooled funds (a)		¥ 3,405		3,405
Debt securities:				
Japanese government bonds	1,921			1,921
Japanese municipal bonds		5		5
Japanese corporate bonds		118		118
Foreign government bonds	708			708
Pooled funds (b)		9,924		9,924
Life insurance company general accounts		4,974		4,974
Other types of investments:				
Equity long/short hedge funds (c)		1,529		1,529
Short-term financing		1,836		1,836
Total	¥9,187	¥21,791		¥30,978

2012	Level 1	Level 2	Level 3	Thousands of U.S. Dollars Total
Equity securities:				
Japanese companies	**$ 74,081**			**$ 74,081**
Foreign companies	**10,508**			**10,508**
Pooled funds (a)		**$ 52,870**		**52,870**
Debt securities:				
Japanese government bonds	**23,383**			**23,383**
Japanese municipal bonds		**61**		**61**
Japanese corporate bonds		**849**		**849**
Foreign government bonds	**8,106**			**8,106**
Pooled funds (b)		**117,146**		**117,146**
Life insurance company general accounts		**61,801**		**61,801**
Other types of investments:				
Equity long/short hedge funds (c)		**24,475**		**24,475**
Short-term financing		**10,254**		**10,254**
Total	**$116,078**	**$267,456**		**$383,534**

(a) This class includes common stock of approximately 63% Japanese companies and 37% foreign companies as of March 31, 2012, and those percentages were 73% and 27%, respectively, as of March 31, 2011.
(b) This class includes approximately 49% of Japanese government bonds, 3% of Japanese municipal bonds, 42% of foreign government bonds, and 6% of corporate bonds as of March 31, 2012, and those percentages were 46%, 2%, 38%, and 14%, respectively, as of March 31, 2011.
(c) This class includes hedge funds that invest both long and short in approximately 36% of Japanese common stocks, 35% of foreign common stocks and 29% of debt securities as of March 31, 2012, and those percentages were 51%, 49% and 0%, respectively, as of March 31, 2011.

Equity securities and debt securities presented in Level 1 are primarily valued using a market approach on the quoted market prices of identical instruments. Municipal bonds and corporate bonds presented in Level 2 are primarily valued using quoted prices for identical instruments in markets that are not active. Pooled funds in equity securities or debt securities and equity long/short hedge funds which are categorized in Level 2 are valued by the sponsor of the fund primarily based on quoted prices in both active and inactive market for identical instruments which comprise funds. Life insurance company general accounts is the contracts with the insurance companies with guaranteed rate of return and capital, and those value are based on addition of original value and return.

The Companies' funding policy for the funded plans is to contribute amounts computed in accordance with actuarial methods accepted by Japanese tax law. The Companies expect to contribute ¥1,813 million ($22,000 thousand) to their plans in the year ending March 31, 2013.

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥2,043	$ 24,791
2014	2,115	25,664
2015	2,020	24,512
2016	2,003	24,305
2017	1,989	24,135
Thereafter	9,975	121,041

Multiemployer Plan—A subsidiary participated in a multiemployer plan, Kyoto Orimono Oroshisho Employee Pension Plan, and withdrew from the plan during the year ended March 31, 2012. As a condition of the withdrawal, the subsidiary contributed special premiums in the amount of ¥1,580 million ($19,172 thousand). The subsidiary recorded the estimated withdrawal liability of ¥774 million as of March 31, 2011 as it was probable that the subsidiary would withdraw from the fund. Accordingly, the subsidiary recorded an additional expense in the amount of ¥806 million ($9,780 thousand) for the year ended March 31, 2012, and it has been included in selling, general and administrative expenses.

Kyoto Orimono Oroshisho Employee Pension Plan's plan assets and benefit obligations as of March 31, 2011 were ¥34,442 million and ¥42,894 million, respectively. The subsidiary's contribution to the plan for the years ended March 31, 2011 and 2010 exceeded 5% of total contribution.

			Premium Contributions to Program	
		Funded Status	Millions of Yen	
Program Name	Program Number	March 31, 2011	April 1, 2011– March 31, 2012	April 1, 2010– March 31, 2011
Kyoto Orimono Oroshisho Employee Pension Plan	Kyoki No. 317	more than 80%	¥56	¥42

Defined Contribution Plan—A subsidiary has a defined contribution plan. The amounts of cost recognized for its contribution to the plan were ¥27 million ($328 thousand), ¥28 million and ¥20 million for the years ended March 31, 2012, 2011 and 2010, respectively.

Employee Early Retirement Program—The Companies provide additional benefits to employees that elect to participate in the Companies' early retirement program. Retirement benefits of ¥260 million ($3,155 thousand), ¥348 million and ¥361 million were paid in addition to normal benefits and charged to selling, general and administrative expenses for the years ended March 31, 2012, 2011 and 2010, respectively.

Termination Plan for Directors and Corporate Auditors—The Company and certain subsidiaries have 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 were ¥317 million ($3,847 thousand) as of March 31, 2012 and 2011 and were recorded in other long-term liabilities. Subsidiaries still maintain plans for their directors and corporate auditors. In accordance with the guidance for determination of vested benefit obligation for a defined benefit pension plan, 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 as of March 31, 2012 and 2011 were ¥382 million ($4,636 thousand) and ¥385 million, respectively, and were included in liability for termination and retirement benefits.

13 EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, 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, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the companies have 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 criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors.

The Companies Act permits companies to distribute dividends in kind (noncash 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 companies so stipulate. The Companies Act 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.

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

The Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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

The Companies Act 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.

14 SHARE-BASED COMPENSATION

The Company adopted an annual stock option plan in the year ended March 31, 2009. Under the stock option plan, the Company granted shares of its common stock to directors of the Company excluding outside directors and directors of the Company's wholly owned subsidiary, Wacoal Corp., in the years ended March 31, 2012, 2011 and 2010. The Company believes that such awards better align the interests of its directors with those of its shareholders, by sharing both risk and return from fluctuations in stock prices and giving motivation to enhance its corporate value. The compensation cost is measured at fair value on the grant date. Options vest over one year in proportion to the services rendered by the directors, and are exercisable from the day after the date of retirement up to (i) 20 years from the grant date or (ii) 5 years from the day after the date of retirement, whichever is earlier.

The fair value of the options is estimated by using the Black-Scholes option-pricing model with the following assumptions.

Expected dividend yield is based on the actual payout of dividends in the last fiscal year and the closing price of the Company's common stock on the grant date. Expected volatility is based on the historical volatility of the Company's share price over the most recent period commensurate with the expected term of the Company's stock options. Risk-free interest rate is based on the Japanese government bonds yield curve in effect at the time of grant for a period commensurate with the expected term of the Company's share options. Expected term of options granted is based on the average remaining service period of directors, assuming that those who are granted options will render service until the stated retirement date and they will exercise options immediately after their retirement.

	2012	2011	2010
Expected dividends	**2.1%**	1.7%	2.1%
Expected volatility	**31.6%**	31.5%	30.6%
Risk-free interest rate	**0.3%**	0.2%	0.5%
Expected term	**3.8 years**	3.6 years	4.0 years

A summary of stock option activities under the Plan for the year ended March 31, 2012, was as follows:

		Yen	U.S. Dollars	Years	Millions of Yen	Thousands of U.S. Dollars
	Shares	Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value	
Outstanding as of April 1, 2011	**148,000**	**¥1**	**$0.01**			
Granted	**69,000**	**1**	**0.01**			
Exercised	**12,000**	**1**	**0.01**			
Forfeited or expired						
Outstanding as of March 31, 2012	**205,000**	**1**	**0.01**	**17.9 years**	**¥201**	**$2,439**
Exercisable as of March 31, 2012	**3,000**	**1**	**0.01**	**2.0**	**3**	**36**

The total intrinsic value of options exercised was ¥12 million ($146 thousand) and ¥5 million for the years ended March 31, 2012 and 2010, respectively. There were no options exercised for the year ended March 31, 2011.

Total compensation costs recognized for the years ended March 31, 2012, 2011 and 2010 were ¥60 million ($728 thousand), ¥50 million and ¥55 million, respectively. The total recognized tax benefits related thereto for the years ended March 31, 2012, 2011 and 2010 were ¥21 million ($255 thousand), ¥20 million and ¥22 million, respectively.

The weighted-average grant date fair values of options granted for the years ended March 31, 2012, 2011 and 2010 were ¥878 ($11), ¥1,081 and ¥1,084, respectively.

As of March 31, 2012, there were ¥11 million ($133 thousand) of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over three months.

15 OTHER COMPREHENSIVE (LOSS) INCOME

The changes in the components of accumulated other comprehensive loss, including amounts attributable to noncontrolling interests, were as follows:

Millions of Yen

	2012			2011			2010		
	Pre-tax Amount	Tax (Expense) Credit	Net Amount	Pre-tax Amount	Tax (Expense) Credit	Net Amount	Pre-tax Amount	Tax Expense	Net Amount
Foreign currency translation adjustments	**¥ (836)**	**¥ 54**	**¥ (782)**	¥(2,890)	¥ 88	¥(2,802)	¥ 255	¥ (75)	¥ 180
Unrealized gain (loss) on securities:									
Amount arising during the year	**1,608**	**(470)**	**1,138**	(2,843)	1,170	(1,673)	4,319	(1,735)	2,584
Reclassification adjustments	**783**	**(319)**	**464**	1,014	(413)	601	1,293	(526)	767
Net unrealized gain (loss)	**2,391**	**(789)**	**1,602**	(1,829)	757	(1,072)	5,612	(2,261)	3,351
Pension liability adjustment:									
Amount arising during the year	**(1,999)**	**712**	**(1,287)**	(933)	380	(553)	1,575	(641)	934
Reclassification adjustment	**516**	**(203)**	**313**	564	(230)	334	1,123	(457)	666
Net unrealized (loss) gain	**(1,483)**	**509**	**(974)**	(369)	150	(219)	2,698	(1,098)	1,600
Other comprehensive (loss) income	**¥ 72**	**¥(226)**	**¥ (154)**	¥(5,088)	¥ 995	¥(4,093)	¥8,565	¥(3,434)	¥5,131

Thousands of U.S. Dollars

	2012		
	Pre-tax Amount	Tax (Expense) Credit	Net Amount
Foreign currency translation adjustments	**$(10,144)**	**$ 655**	**$ (9,489)**
Unrealized gain on securities:			
Amount arising during the year	**19,512**	**(5,703)**	**13,809**
Reclassification adjustments	**9,501**	**(3,871)**	**5,630**
Net unrealized gain	**29,013**	**(9,574)**	**19,439**
Pension liability adjustment:			
Amount arising during the year	**(24,257)**	**8,640**	**(15,617)**
Reclassification adjustment	**6,261**	**(2,463)**	**3,798**
Net unrealized loss	**(17,996)**	**6,177**	**(11,819)**
Other comprehensive loss	**$ 873**	**$(2,742)**	**$ (1,869)**

16 INCOME TAXES

Domestic and foreign components of income before income taxes, equity in net income of affiliated companies, and net (income) loss attributable to noncontrolling interests were summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Japan	**¥18,045**	¥ 9,212	¥ 9,147	**$218,966**
Foreign	**(7,838)**	(5,285)	(5,992)	**(95,110)**
Total	**¥10,207**	¥ 3,927	¥ 3,155	**$123,856**

Domestic and foreign components of income taxes expense consist of:

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Current:				
Japan	**¥2,942**	¥ 2,882	¥ 2,851	**$35,700**
Foreign	**581**	598	392	**7,050**
	¥3,523	¥ 3,480	¥ 3,243	**$42,750**
Deferred:				
Japan	**¥ 675**	¥(1,398)	¥(1,726)	**$ 8,191**
Foreign	**1**	(72)	138	**12**
	¥ 676	¥(1,470)	¥(1,588)	**$ 8,203**
Total income taxes	**¥4,199**	¥ 2,010	¥ 1,655	**$50,953**

Income taxes in Japan applicable to the Companies, imposed by the national, prefectural and municipal governments, in the aggregate resulted in normal effective statutory tax rates of approximately 40.7% for the years ended March 31, 2012, 2011 and 2010. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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, 2012, 2011 and 2010:

	2012	2011	2010
Normal Japanese statutory rates	**40.7%**	40.7%	40.7%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible expenses	**4.6**	9.9	12.9
Change in valuation allowance	**3.2**	17.6	(8.5)
Undistributed earnings of associated companies	**(0.1)**	2.9	2.6
Differences in foreign subsidiaries' tax rate	**(1.5)**	(4.4)	(5.8)
Changes in Japanese income tax rates	**(6.0)**		
Tax exemption	**(0.3)**	(0.7)	(1.0)
Unrecognized tax benefits	**0.2**	2.9	6.4
Impairment losses on goodwill		(12.3)	
Other—net	**0.3**	(5.4)	5.2
Effective tax rates	**41.1%**	51.2%	52.5%

Amendments to the Japanese tax regulations were enacted into law on November 30, 2011. As a result of these amendments, the statutory income tax rate will be reduced from 40.7% to 38% effective from the year beginning April 1, 2012, and to 35.6% effective from the year beginning April 1, 2015, thereafter. Consequently, the statutory income tax rate utilized for deferred tax assets and liabilities expected to be settled or realized in the period from April 1, 2012 to March 31, 2015 is 38% and for periods subsequent to March 31, 2015 the rate is 35.6%. The adjustment of deferred tax assets and liabilities for this change in the tax rate resulted in a decrease of income taxes by ¥616 million ($7,475 thousand) and have been reflected in income taxes in the consolidated statements of income for the year ended March 31, 2012.

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances as of March 31, 2012 and 2011 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2012		2011		2012	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Sales returns	**¥ 489**		¥ 576		**$ 5,934**	
Allowance for doubtful receivables	**55**		51		**667**	
Accruals not currently deductible	**210**		333		**2,548**	
Inventory valuation	**990**		1,844		**12,013**	
Accrued bonuses	**1,302**		1,342		**15,799**	
Impairment charges on marketable securities and investments	**1,431**		1,541		**17,364**	
Advanced depreciation on property, plant and equipment		**¥ 1,452**		¥ 1,679		**$ 17,619**
Undistributed earnings of associated companies		**1,819**		1,846		**22,073**
Net unrealized gain on marketable securities and investments		**3,292**		2,904		**39,947**
Net realized gain on exchange of investments		**1,696**		1,920		**20,580**
Capitalized supplies	**303**		232		**3,677**	
Enterprise taxes	**165**		190		**2,002**	
Accrued vacation	**731**		763		**8,870**	
Asset retirement obligation	**236**		268		**2,864**	
Pension expense	**1,356**		1,484		**16,454**	
Tangible fixed assets	**1,303**		1,629		**15,811**	
Tax loss carryforwards	**3,626**		4,081		**44,000**	
Intangible assets		**1,905**		2,233		**23,116**
Investment in subsidiaries		**912**	540	1,042		**11,067**
Other temporary differences	**906**	**193**	495	160	**10,994**	**2,342**
Total	**13,103**	**11,269**	15,369	11,784	**158,997**	**136,744**
Valuation allowance	**(4,088)**		(4,938)		**(49,605)**	
Total	**¥ 9,015**	**¥11,269**	¥10,431	¥11,784	**$109,392**	**$136,744**

The valuation allowance decreased by ¥850 million ($10,314 thousand) for the year ended March 31, 2012. The valuation allowance increased by ¥1,506 million for the year ended March 31, 2011.

As a result of changing the Companies' legal structure, the Companies reversed certain of valuation allowance for the year ended March 31, 2010. Accordingly, the Companies utilized ¥721 million of tax loss carryforwards and recognized the tax benefits of ¥293 million for the year ended March 31, 2010.

As of March 31, 2012, certain subsidiaries had tax loss carryforwards, which are available to offset future taxable income of such subsidiaries, expiring as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	**¥ 725**	**$ 8,797**
2014	**749**	**9,089**
2015	**179**	**2,172**
2016	**373**	**4,526**
2017	**398**	**4,830**
2018	**207**	**2,512**
2019	**2,348**	**28,492**
2020	**2,367**	**28,722**
2021	**1,961**	**23,795**
Thereafter	**966**	**11,722**
Total	**¥10,273**	**$124,657**

There was no portion of undistributed earnings of foreign subsidiaries and foreign corporate joint ventures which were deemed to be permanently invested as of March 31, 2012 and 2011.

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

	Millions of Yen			Thousands of U.S. Dollars
	2012	2011	2010	2012
Balance at the beginning of the year	**¥188**	¥321	¥106	**$2,281**
Additions based on tax positions related to the current year	**79**	58	232	**959**
Additions for tax positions of prior years			50	
Reductions for tax positions of prior years		(191)	(41)	
Settlements with tax authorities			(26)	
Balance at the end of the year	**¥267**	¥188	¥321	**$3,240**

Total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥267 million ($3,240 thousand) and ¥188 million as of March 31, 2012 and 2011, respectively.

Based on each of the items of which the Companies are aware as of March 31, 2012, no significant changes to the unrecognized tax benefits are expected within the next twelve months.

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 years ended March 31, 2012, 2011 and 2010 were not material.

The Companies file income tax returns in Japan and various foreign tax jurisdictions. In Japan, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2009 with few exceptions. For other countries, the Companies are no longer subject to regular income tax examinations by the tax authorities for years before 2006 with few exceptions. In the year ended March 31, 2009, the transfer pricing examination of certain domestic subsidiaries' 2002 to 2007 fiscal years and certain U.S. subsidiaries' 2004 and 2003 fiscal years was completed.

17 RELATED-PARTY TRANSACTIONS

The Companies purchase merchandise from numerous suppliers throughout the world, including certain affiliated companies of the Companies. The Companies purchased merchandise from affiliated companies in the amount of ¥2,093 million ($25,397 thousand), ¥1,131 million and ¥1,209 million in the fiscal years ended March 31, 2012, 2011 and 2010, respectively. The accounts payable to affiliated companies were ¥26 million ($315 thousand) and ¥0 million as of March 31, 2012 and 2011, respectively.

The Companies also sell supplies, materials and products to certain affiliated companies. Aggregate sales to affiliated companies were ¥477 million ($5,788 thousand), ¥537 million and ¥354 million in fiscal years ended March 31, 2012, 2011 and 2010. The accounts receivable from affiliated companies were ¥81 million ($983 thousand) and ¥91 million as of March 31, 2012 and 2011, respectively.

The Companies earn royalties from the use of the Wacoal Brand by certain affiliated companies. The amount of royalty revenue earned was ¥216 million ($2,621 thousand), ¥201 million and ¥199 million in the fiscal years ended March 31, 2012, 2011 and 2010, respectively. Other accounts receivables from affiliated companies, which are inclued in other current assets in the consolidated balance sheets, were ¥171 million ($2,075 thousand) and ¥158 million as of March 31, 2012 and 2011, respectively.

18 EARNINGS PER SHARE AND AMERICAN DEPOSITARY RECEIPT

Basic net income attributable to Wacoal Holdings Corp. per share has been computed by dividing net income attributable to Wacoal Holdings Corp. by the weighted-average number of common stock outstanding during each year. Diluted net income attributable to Wacoal Holdings Corp. per share assumes the dilution that could occur if share-based options to issue common stock were exercised.

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 stock outstanding. The weighted-average number of common stock outstanding used in the computations of basic net income attributable to Wacoal Holdings Corp. per share was 140,848,576 shares for 2012, 141,145,190 shares for 2011 and 141,353,141 shares for 2010. The weighted-average number of diluted common stock outstanding used in the computations of diluted net income attributable to Wacoal Holdings Corp. per share was 141,013,083 shares, 141,260,186 shares and 141,423,315 shares for 2012, 2011 and 2010, respectively.

19 FINANCIAL INSTRUMENTS AND CONCENTRATION OF CREDIT RISK

Fair Value of Financial Instruments

The carrying amounts and fair values of financial instruments as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
2012	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Marketable securities (Notes 3 and 20)	**¥ 4,936**	**¥ 4,934**	**$ 59,896**	**$ 59,871**
Investments (Notes 3 and 20)	**31,227**	**31,227**	**378,922**	**378,922**
Foreign exchange contracts (Note 20)	**74**	**74**	**898**	**898**
Total assets	**¥36,237**	**¥36,235**	**$439,716**	**$439,691**
Liabilities:				
Foreign exchange contracts (Note 20)	**¥ (12)**	**¥ (12)**	**$ (146)**	**$ (146)**
Long-term debt including current portion	**(702)**	**(702)**	**(8,518)**	**(8,518)**
Total liabilities	**¥ (714)**	**¥ (714)**	**$ (8,664)**	**$ (8,664)**

	Millions of Yen	
2011	Carrying Amount	Fair Value
Assets:		
Marketable securities (Notes 3 and 20)	¥ 4,840	¥ 4,840
Investments (Notes 3 and 20)	29,583	29,582
Foreign exchange contracts (Note 20)	24	24
Total assets	¥34,447	¥34,446
Liabilities:		
Foreign exchange contracts (Note 20)	¥ (49)	¥ (49)
Long-term debt including current portion	(276)	(276)
Total liabilities	¥ (325)	¥ (325)

There are investments in nonmarketable equity securities for which there are no readily determinable fair values. See Note 3 for further information. The carrying amounts of all other financial instruments approximate their estimated fair values.

Foreign Exchange Contracts—The Companies are exposed to foreign currency exchange risks on the transactions denominated in foreign currencies relating to its ongoing business operations. Such risks are primarily managed by using foreign currency exchange contracts. The Companies measure forward currency exchange contracts at the fair value since they are not designated as a hedge.

Marketable Securities and Investment—Held-to-debt securities are classified as marketable securities and investments as of March 31, 2012, and 2011, respectively. The fair value of these held-to-debt securities are classified as Level 1. For all other investments included in marketable securities and investments, see Notes 3 and 20.

Long-Term Debt—The fair values for long-term debt are estimated by discounted cash flow analysis, using rates currently available for similar types of borrowings with similar terms and remaining maturities. The estimated fair value is based on Level 2 input.

Limitations—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. Changes in assumptions could significantly affect the estimates.

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 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 9.8%, 10.0% and 10.4% of the total sales in fiscal years ended March 31, 2012, 2011 and 2010, respectively.

20 FAIR VALUE MEASUREMENTS

The guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The guidance establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3—Inputs are unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and 2011 were as follows:

				Millions of Yen
2012	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Municipal bonds		¥ 10		¥ 10
Corporate bonds		1,440		1,440
Mutual funds	¥ 421	2,733		3,154
Total marketable securities	421	4,183		4,604
Investments:				
Listed shares	31,130			31,130
Mutual funds	97			97
Total investments	31,227			31,227
Derivative instruments:				
Foreign exchange contracts		74		74
Total assets	¥31,648	¥4,257		¥35,905
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ (12)		¥ (12)

2011	Level 1	Level 2	Level 3	Millions of Yen Total
Assets:				
Marketable securities:				
Government bonds	¥ 503			¥ 503
Municipal bonds		¥ 10		10
Corporate bonds		1,277		1,277
Mutual funds	278	2,772		3,050
Total marketable securities	781	4,059		4,840
Investments:				
Listed shares	29,137			29,137
Mutual funds	99			99
Total investments	29,236			29,236
Derivative instruments:				
Foreign exchange contracts		24		24
Total assets	¥30,017	¥4,083		¥34,100
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		¥ (49)		¥ (49)

2012	Level 1	Level 2	Level 3	Thousands of U.S. Dollars Total
Assets:				
Marketable securities:				
Municipal bonds		**$ 121**		**$ 121**
Corporate bonds		**17,474**		**17,474**
Mutual funds	**$ 5,109**	**33,163**		**38,272**
Total marketable securities	**5,109**	**50,758**		**55,867**
Investments:				
Listed shares	**377,745**			**377,745**
Mutual funds	**1,177**			**1,177**
Total investments	**378,922**			**378,922**
Derivative instruments:				
Foreign exchange contracts		**898**		**898**
Total assets	**$384,031**	**$51,656**		**$435,687**
Liabilities:				
Derivative instruments:				
Foreign exchange contracts		**$ (146)**		**$ (146)**

Marketable securities and investments presented in Level 1 are valued using an unadjusted quoted market price in active markets with sufficient volume and frequency of transactions. Bonds presented in Level 2 are valued by the financial institution using quoted market price for identical instruments in markets that are not active and mutual funds presented in Level 2 are valued by the financial institution based on quoted prices in both active and inactive market for identical instruments which comprise funds.

As presented in Note 3, the Companies recorded impairment charges on marketable securities and investments if a decline in fair value of marketable securities and investments is determined to be other than temporary.

Derivative instruments are composed of foreign currency exchange contracts. Financial instruments presented in Level 2 are valued using quotes obtained from third parties.

The changes in the fair value of the foreign currency exchange contracts are recorded in earnings, since the foreign currency exchange contracts are not designated as a hedge. The Companies recognized a gain of ¥89 million ($1,080 thousand), a loss of ¥8 million and a gain of ¥103 million in other—net of other income (expenses) in the years ended March 31, 2012, 2011 and 2010, respectively.

The Companies recorded the derivative instruments as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥74 million ($898 thousand) and ¥12 million ($146 thousand), respectively as of March 31, 2012. The derivative instruments are presented as other current assets and other current liabilities in the consolidated balance sheets at fair value of ¥24 million and ¥49 million as of March 31, 2011.

Assets Measured at Fair Value on a Nonrecurring Basis

There were no significant assets or liabilities that were measured at fair value on a nonrecurring basis as of March 31, 2012.

Assets measured at fair value on a nonrecurring basis as of March 31, 2011 were as follows:

					Millions of Yen
2011	Level 1	Level 2	Level 3	Total	Total Losses
Buildings and building improvements					¥ (107)
Investments:					
Unlisted shares			¥ 17	¥ 17	(219)
Goodwill (Note 8)			10,367	10,367	(836)
Trademark (Note 8)			4,757	4,757	(559)
Customer relationship (Note 8)			725	725	(377)
					¥(2,098)

Buildings and building improvements held and used, with a carrying amount of ¥107 million were written down to their fair value of ¥0, because the Companies decided to abandon an office building. An impairment charge of ¥107 million was included in earrings for the year ended March 31, 2011, in Wacoal Business (Domestic) Segment.

Certain unlisted securities with a carrying amount of ¥236 million were written down to their fair value of ¥17 million in connection with the decline in fair value, which was mainly caused by a downturn of investees' business operations. Impairment charges of ¥219 million were included in earrings for the year ended March 31, 2011. These unlisted securities presented in Level 3 are valued based on the net assets value of the investees adjusted using cash flows and other factors that would impact the fair value.

As of the end of March 31, 2011, goodwill with a carrying amount of ¥11,203 million is written down to its implied fair value of ¥10,367 million, resulting in an impairment charge of ¥836 million, which is included in earnings for the year ended March 31, 2011. To measure the fair values of the reporting units, the Companies used the expected present value of future cash flows and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date.

Trademark with a carrying amount of ¥5,316 million as of March 31, 2011, was written down to its fair value of ¥4,757 million, resulting in recognition of an impairment charge of ¥559 million for the year ended March 31, 2011. The impairment arose due to the decline in its fair value, which was mainly caused by a downturn in consumption due to the general market conditions. To measure the fair value of the trademark, the Companies used the relief-from royalty method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the rate of royalty, and appropriately risk adjusted discount rate, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in an arm's length transaction as of the measurement date. Future cash flows were based on the management's cash flow projections for the future five years, and after these five years, future cash flows were estimated using the perpetuity growth rate of 0%. The management's cash flow projections were developed using estimates for expected future revenue growth rates, profit margins and working capital levels of the reporting units. The rate of royalty used for the valuation was based on the actual royalty ratio used in transactions. The risk-adjusted discount rate represents a weighted-average cost of capital (WACC) adjusted for inherent risk spread.

There was no impairment loss recognized related to the customer relationship for the year ended March 31, 2012.

Customer relationship with a carrying amount of ¥1,102 million and ¥2,401 million as of March 31, 2011 and 2010, respectively, were written down to its fair value of ¥725 million, resulting in recognition of impairment charges of ¥377 million for the year ended March 31, 2011 and ¥1,378 million, resulting in recognition of impairment charges of ¥1,023 million for the year ended March 31, 2010. The impairments recorded for these years arose due to the decline in its fair value, which was mainly caused by a downturn in consumption because of the general market condition. To measure the fair value of the customer relationship, the Companies used the excess earnings method and incorporated relevant unobservable inputs, such as management's internal assumptions about future cash flows, the percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition and appropriately risk-adjusted discount rate, which reflected the management's estimate of assumptions that market participants would use in pricing the asset in a current transaction as of the measurement date. The future cash flows were projected in the same way as described in the trademark. The percentage of orders that the Companies expect to receive from the customers existed at the point of acquisition was estimated based on the historical trend of the percentage of sales to the preacquisition customers. Risk-adjusted discount rate representing a WACC was determined using the capital asset pricing model.

21 SEGMENT INFORMATION

Operating Segment Information

The Companies have three reportable segments: "Wacoal business (domestic)," "Wacoal business (overseas)," and "Peach John," which are based on their locations and brands. These segments represent components of the Companies for which separate financial information is available and for which operating profit (loss) is reviewed regularly by the chief operating decision maker in deciding how to allocate the Companies' resources and in assessing their performance. The accounting policies used for these reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

"Wacoal business (domestic)" segment primarily produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. "Wacoal business (overseas)" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, sportswear and hosiery. "Peach John" segment produces and sells innerwear (consisting of foundation, lingerie, nightwear and children's innerwear), outerwear, and other textile-related products, which are sold under the "Peach John" brand.

Information about operating results and assets for each segment as of and for the years ended March 31, 2012, 2011 and 2010 was as follows:

Millions of Yen

2012	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	**¥115,870**	**¥21,396**	**¥13,836**	**¥20,795**		**¥171,897**
Intersegment	**2,719**	**6,541**	**193**	**5,744**	**¥(15,197)**	
Total	**118,589**	**27,937**	**14,029**	**26,539**	**(15,197)**	**171,897**
Operating costs and expenses:						
Operating costs and expenses	**110,417**	**26,497**	**13,318**	**26,303**	**(15,197)**	**161,338**
Amortization on other intangible assets (Note 8)			**182**			**182**
Total	**110,417**	**26,497**	**13,500**	**26,303**	**(15,197)**	**161,520**
Operating profit	**8,172**	**1,440**	**529**	**236**		**10,377**
Total assets	**208,373**	**29,367**	**21,237**	**20,566**	**(58,445)**	**221,098**

Millions of Yen

2011	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥110,856	¥20,010	¥11,575	¥23,107		¥165,548
Intersegment	2,134	6,118	73	4,588	¥(12,913)	
Total	112,990	26,128	11,648	27,695	(12,913)	165,548
Operating costs and expenses:						
Operating costs and expenses	107,370	24,806	12,479	27,357	(12,913)	159,099
Amortization on other intangible assets (Note 8)			276			276
Impairment charges on goodwill (Note 20)			836			836
Impairment charges on other intangible assets (Note 20)			936			936
Total	107,370	24,806	14,527	27,357	(12,913)	161,147
Operating profit (loss)	5,620	1,322	(2,879)	338		4,401
Total assets	202,054	27,109	21,013	20,910	(55,810)	215,276

Millions of Yen

2010	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
Net sales:						
External customers	¥113,929	¥19,295	¥13,079	¥17,245		¥163,548
Intersegment	1,793	6,216	9	3,204	¥(11,222)	
Total	115,722	25,511	13,088	20,449	(11,222)	163,548
Operating costs and expenses:						
Operating costs and expenses	111,180	23,895	13,177	21,186	(11,222)	158,216
Amortization on other intangible assets (Note 8)			480			480
Impairment charges on other intangible assets (Note 20)			1,023			1,023
Total	111,180	23,895	14,680	21,186	(11,222)	159,719
Operating profit (loss)	4,542	1,616	(1,592)	(737)		3,829
Total assets	205,136	27,020	23,867	20,535	(53,669)	222,889

2012	Wacoal Business (Domestic)	Wacoal Business (Overseas)	Peach John	Other	Elimination	Consolidated
						Thousands of U.S. Dollars
Net sales:						
External customers	**$1,406,018**	**$259,629**	**$167,892**	**$252,336**		**$2,085,875**
Intersegment	**32,994**	**79,371**	**2,342**	**69,700**	**$(184,407)**	
Total	**1,439,012**	**339,000**	**170,234**	**322,036**	**(184,407)**	**2,085,875**
Operating costs and expenses:						
Operating costs and expenses	**1,339,850**	**321,526**	**161,607**	**319,172**	**(184,407)**	**1,957,748**
Amortization on other intangible assets (Note 8)			**2,208**			**2,208**
Total	**1,339,850**	**321,526**	**163,815**	**319,172**	**(184,407)**	**1,959,956**
Operating profit	**99,162**	**17,474**	**6,419**	**2,864**		**125,919**
Total assets	**2,528,492**	**356,352**	**257,699**	**249,557**	**(709,197)**	**2,682,903**

The Companies account for intersegment sales and transfers at cost plus a markup. Operating profit (loss) represents net sales less operating costs and expenses. Amortization and impairment charges on other intangible assets only represent amortization and impairment charges on customer relationships or trademark related to the acquisition of Peach John, and do not include any other intangibles such as software.

Products and Service Information

Net sales information by products and services for the years ended March 31, 2012, 2011 and 2010 was as follows:

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Innerwear:				
Foundation and lingerie	**¥124,303**	¥116,127	¥116,478	**$1,508,349**
Nightwear	**9,390**	8,713	9,437	**113,942**
Children's underwear	**1,530**	1,476	1,608	**18,566**
Subtotal	**135,223**	126,316	127,523	**1,640,857**
Outerwear/Sportswear	**¥ 16,371**	¥ 17,397	¥ 17,125	**$ 198,653**
Hosiery	**1,646**	1,666	1,702	**19,973**
Other textile goods and related products	**8,226**	7,493	7,420	**99,818**
Others	**10,431**	12,676	9,778	**126,574**
Total	**¥171,897**	¥165,548	¥163,548	**$2,085,875**

Geographic Information

Information by major geographic area as of and for the years ended March 31, 2012, 2011 and 2010 was as follows:

			Millions of Yen	Thousands of U.S. Dollars
	2012	2011	2010	**2012**
Net sales:				
Japan	**¥149,587**	¥144,999	¥143,902	**$1,815,156**
Asia	**10,527**	9,167	7,943	**127,739**
Americas and Europe	**11,783**	11,382	11,703	**142,980**
Consolidated	**¥171,897**	¥165,548	¥163,548	**$2,085,875**
Long-lived assets:				
Japan	**¥ 45,240**	¥ 45,792	¥ 47,378	**$ 548,963**
Asia	**2,334**	2,349	2,512	**28,322**
Americas and Europe	**1,504**	1,593	1,914	**18,250**
Consolidated	**¥ 49,078**	¥ 49,734	¥ 51,804	**$ 595,535**

Net sales are attributed to countries or areas based on the location of sellers.

Countries or areas are classified according to geographical proximity. Long-lived assets represent property, plant and equipment.

22 SUBSEQUENT EVENTS

On May 15, 2012, the Board of Directors resolved to pay a cash dividend of ¥140 ($2) per 5 shares of common stock to holders of record as of March 31, 2012 (aggregate amount of ¥3,944 million ($47,858 thousand)).

On April 10, 2012, the Company paid ¥19,961 million ($242,216 thousand) to acquire all the outstanding common shares of Eveden Group Limited, including a loan to Eveden Group Limited. In relation to this acquisition, the Company borrowed ¥12,000 million ($145,613 thousand) from a financial institution. For further information, see Note 7.

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, our principal executive and principal financial officers and effected by our 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, 2012. 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, 2012, Wacoal Holdings Corp's internal control over financial reporting was effective based on the COSO criteria.

Wacoal Holdings Corp's independent registered public accounting firm, Deloitte Touche Tohmatsu LLC, has issued an attestation report on the effectiveness of our internal control over financial reporting as of March 31, 2012.

Yoshikata Tsukamoto
President and Representative Director

Ikuo Otani
Senior Managing Director and General Manager of Corporate Planning

June 28, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

Deloitte Touche Tohmatsu LLC
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To the Board of Directors and Stockholders 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, 2012 and 2011, and the related consolidated statements of income, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended March 31, 2012, which are 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.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wacoal Holdings Corp. and subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the consolidated financial statements, on April 10, 2012, the Companies acquired all the outstanding common shares of Eveden Group Limited.

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, 2012, 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 28, 2012 expressed an unqualified opinion on the Companies' internal control over financial reporting.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

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To the Board of Directors and Stockholders 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, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Companies' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, 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, 2012, 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, 2012 of the Companies and our report dated June 28, 2012, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding a subsequent event relating to the acquisition of Eveden Group Limited.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE DATA

As of March 31, 2012

Head office
29, Nakajima-cho, Kisshoin,
Minami-ku, Kyoto 601-8530, Japan
Tel (075) 682-5111 Fax (075) 661-5603

Web site
www.wacoalholdings.jp/index_e.html

Date of foundation
June 15, 1946

Date of establishment
November 1, 1949

Shareholders' equity
¥171,496 million

Number of employees (consolidated)
16,524

Domestic principal subsidiaries

Wacoal Holdings Equity Owned	%
Wacoal Corp.	100
Peach John Co., Ltd.	100
Lecien Corporation	100
Une nana cool Corp.	100
Kyushu Wacoal Manufacturing Corp.	100
Niigata Wacoal Sewing Corp.	100
Fukuoka Wacoal Sewing Corp.	100
Hokuriku Wacoal Sewing Corp.	100
Torica Inc.	57
Nanasai Co., Ltd.	82
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 CANADA INC.	100
Wacoal Direct Corp.	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

Overseas joint ventures

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

International network

Wacoal International Corp.
One Wacoal Plaza Lyndhurst,
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Tel 1-201-933-8400

Wacoal America, Inc.
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Tel 1-212-532-6100

Wacoal (UK) Limited
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Tel 44-207-439-6190

WACOAL CANADA INC.
1000 de la Gauchetiere Street West, Suite 2400 Montreal, QC, Canada H3B 4W5
Tel 1-514-448-2173

Wacoal Dominicana Corp.
Las Americas Industrial Free Zone,
KM22, Autopista Las Americas,
Santo Domingo, Dominican Republic
Tel 1-809-549-1090

Wacoal France S.A.
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Beijing 100176, P. R. C.
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Tel 86-21-6390-7448

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Huahai Industrial District,
Xinhua Town, Huadu Qu,
Guangzhou City,
Guangdong, P. R. C.
Tel 86-20-8686-1170

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No. 83 Hung To Road, Kwun Tong,
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Wacoal International Hong Kong Co., Ltd.
8th Floor, EGL Tower,
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Singapore 159554
Tel 65-6270-2887

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Tel 84-61-3936770

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Sathupradith Bangkholaem,
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Tel 886-3-326-9369

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345-54, Gasan-Dong Geumcheon Gu,
Seoul 153-023, Korea
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Jl. Tarikolot Rt.01/Rk.001 No. 59,
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Selangor, Malaysia
Tel 60-3-7960-8308

INVESTOR INFORMATION

As of March 31, 2012

Stock listings
Tokyo, Osaka, NASDAQ

Fiscal year-end
March 31

Securities code
3591

Common stock
Issued: 143,378,085 shares
Outstanding: 140,851,070 shares

Trading unit
1,000 shares

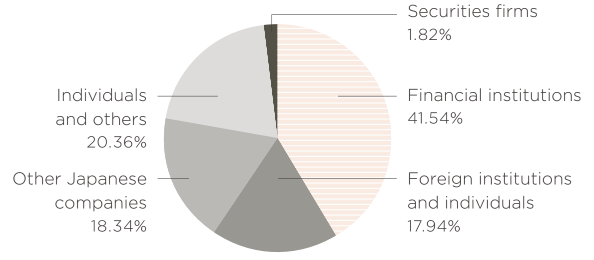
Shareholder register agent for common stock
Mitsubishi UFJ Trust and Banking Corporation,
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

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)
www.adrbny.com

Number of shareholders
10,811

Ownership and distribution of shares

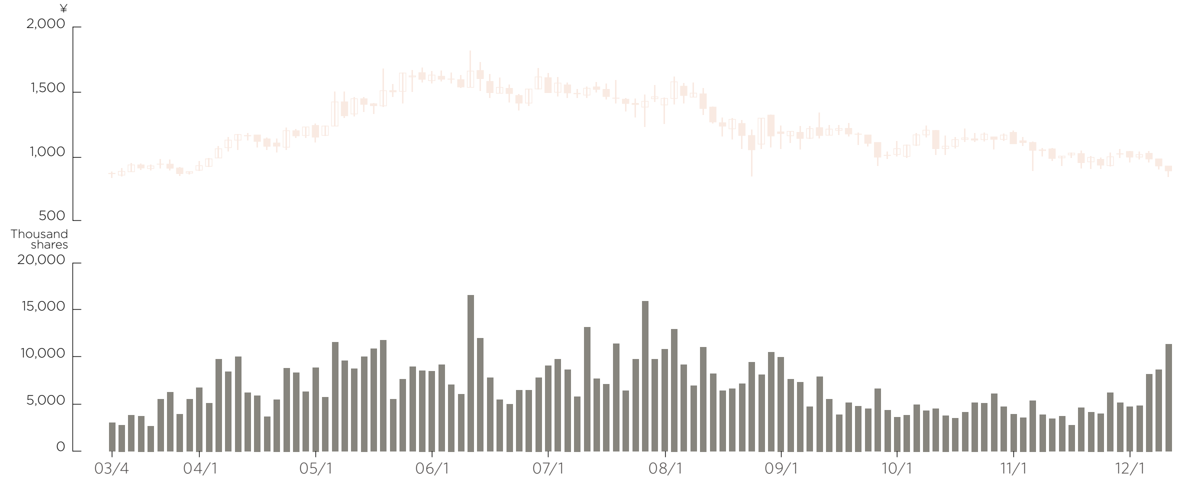


Major shareholders

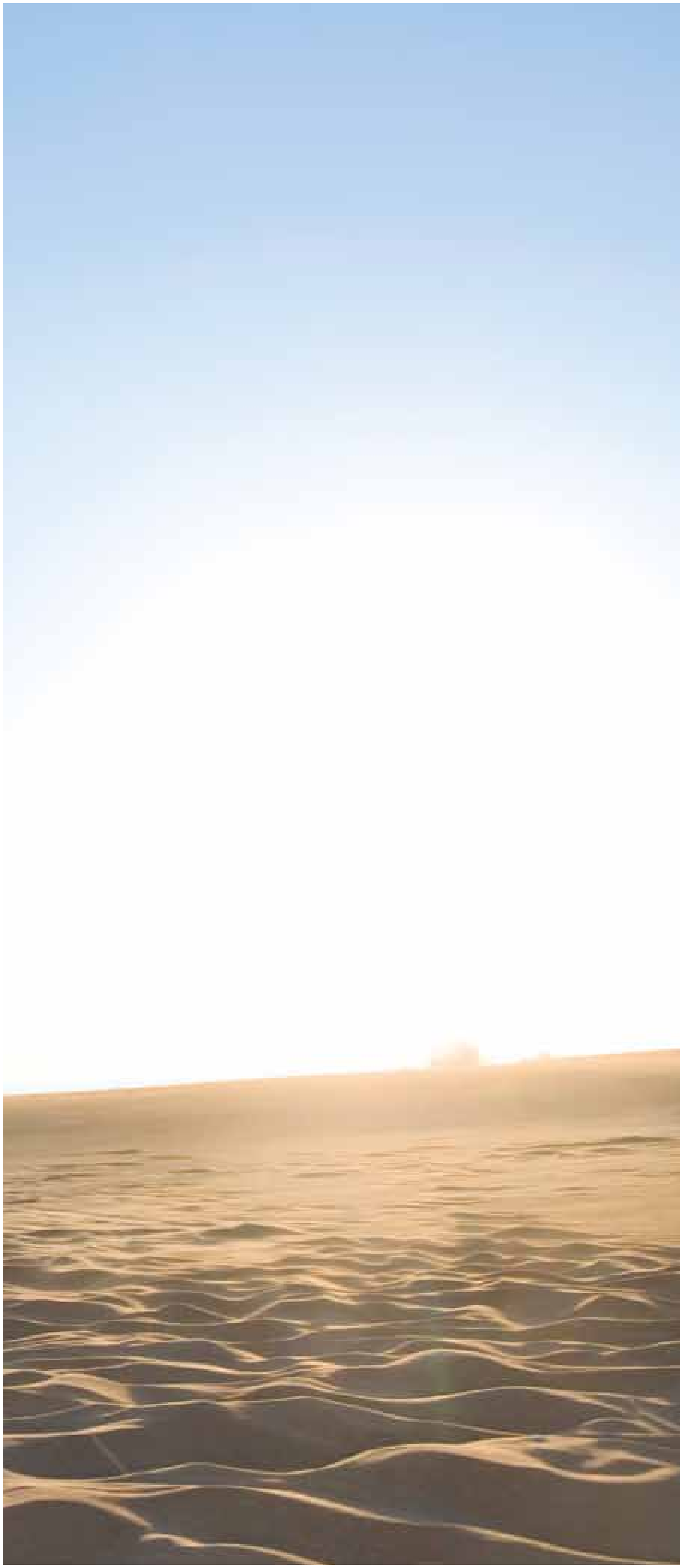
Major shareholders	%
The Bank of New York Mellon as depositary bank for depositary receipt holders*	7.96
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.87
Meiji Yasuda Life Insurance Company	4.73
Japan Trustee Services Bank, Ltd. (Trust Account)	3.99
Nippon Life Insurance Company, Limited.	3.65
Mika Okada	3.42
The Bank of Kyoto, Ltd.	3.28
The Shiga Bank, Ltd.	2.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	2.53
Mitsubishi UFJ Trust and Banking Corporation	2.12

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

Stock price/Trading volume



Forward-Looking Statements: Statements contained in this integrated report that are not historical facts are forward-looking statements, which 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.



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