

Anticipating a Post-COVID-19 Society
(4) Production System Realignment

Production System Realignment

We will help the Group sustain growth by building systems that enable global management of both production capacity and materials procurement, maintaining and enhancing Wacoal’s quality, increasing productivity, and reducing costs.

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Roles of the Technology/Production Division

Over many years, Wacoal has built a production management system that integrates technologies and skills and realizes high-quality manufacturing. While in the present day many apparel companies have fabless business models and cannot manufacture their own products, we have always made a point of using in-house factories for production. In-house manufacturing enables us to pursue the wearing comfort and quality that Wacoal customers seek. Moreover, our current production system is best suited to realizing an uncompromising approach to manufacturing as well as to maintaining our competitive advantage as a manufacturer of high-quality underwear.

The Technology/Production Division is responsible for establishing sewing technologies and providing technological guidance. Also, from materials procurement through to delivery date management, we maintain Wacoal's quality levels, increase productivity, and reduce costs. Further, as with domestic operations, the operations of our overseas subsidiaries entail integrated manufacturing that covers product planning and development through to sales. For this reason, one of the division's main roles is the facilitation of a global production management system through coordination among countries and the provision of technological support.

Acceleration of the Shift of Production to the ASEAN Region in Response to the COVID-19 Pandemic

The worldwide spread of COVID-19 since the beginning of 2020 is having a serious impact on our production sites. In response to the crisis, Wacoal's first priority was to reduce production volume by between 20% and 30% so that decreasing sales did not lead to surplus inventories. Further, we decided to boldly shift to the ASEAN region the manufacture of products for Japan's market. In fiscal 2021, the year ending March 31, 2021, the percentage of such products manufactured overseas is expected to increase to approximately 70%, surpassing the 67% target set for fiscal 2022, the medium-term management plan's final fiscal year. Furthermore, even while significantly lowering production volume, we have been able to curb manufacturing costs. The ability to adjust production flexibly among bases and maintain stable supplies even in an emergency has given me a firsthand appreciation of the significant merits of in-house factories.

Meanwhile, domestic factories—which are facing challenges due to changes in business conditions and production structures—need to increase operational efficiency and further strengthen profitability. Through the further improvement of our differentiated capabilities with respect to advanced technology, small-lot manufacturing, and short-lead-time manufacturing and through the strengthening of cost competitiveness and sales capabilities, we will also seek orders for the manufacture of other companies’ sewn products. Further, between July and September 2020, at the request of the Japanese government, our domestic factories manufactured approximately half a million medical gowns as a contribution to COVID-19 infection countermeasures. Through the accumulation of such initiatives, we will further heighten the competitiveness of domestic factories.

Establishment of Global Production and Procurement and Promotion of ESG Initiatives

Under the current medium-term management plan, the division's most important mission is to strengthen future cost competitiveness by constructing a system that enables the global control and management of the Wacoal Group's entire production capacity and materials procurement.

At present, our factory in the Dominican Republic, which manufactures products for the North American and European markets, and our factory in Sri Lanka, which manufactures products for European markets, only receive technical guidance from Japan, with respective overseas subsidiaries managing the production capacity and materials procurement of these factories. From the viewpoints of heightening overall management efficiency and enabling the growth strategies of the overseas business going forward, however, being able to manage and adjust production capacity among factories will be important. Also, the Group needs to create a system for the efficient in-house procurement of high-value-added materials.

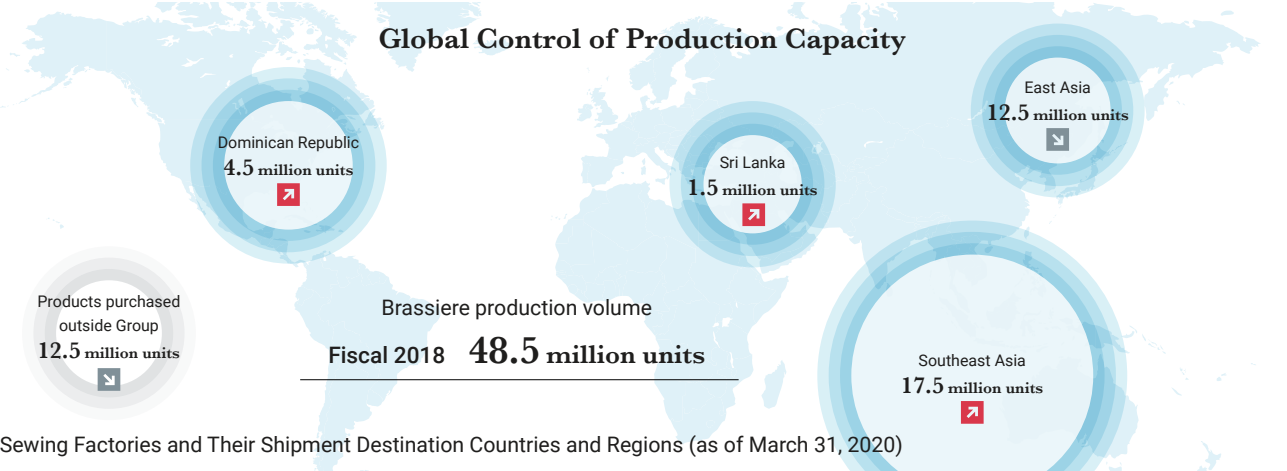
With aforementioned tasks in mind, we invited materials managers from respective countries to participate in the inaugural

Materials Managers Global Meeting in September 2019. Going forward, these managers will share information with each other continuously and, ultimately, establish common procurement of materials and unified quality standards. Other initiatives will include creating the new position of global production manager and taking a variety of measures to foster production engineers. Due to the COVID-19 pandemic, the establishment of a global production and procurement system is expected to be slightly delayed. Nonetheless, the Technology/Production Division will continue steadily building the system with the aim of contributing to the Group's sustained growth.

Another important mission of a “Global Wacoal” is to help realize a sustainable society by addressing social issues through mainstay businesses. Accordingly, we will continue collaborating closely with suppliers to ensure adherence to and respect for social norms related to human rights, labor practices, ethical matters, and other issues. Further, we will continue proactively promoting environmental preservation by advancing activities that lower environmental burden.

Fiscal 2018 Brassiere Production Volume and Expected Changes in Brassiere Production Capacity

▲ Production increase planned
▼ Production decrease planned



Sewing Factories and Their Shipment Destination Countries and Regions (as of March 31, 2020)

		Shipment Destination Countries and Regions					
		Japan (Wacoal Corp.)	Japan (Lecien, Ai)	United States	Europe	China	ASEAN region, etc.
East Asia	Hokuriku Wacoal Sewing	●					
	Niigata Wacoal Sewing	●	●				
	Kyushu Wacoal Manufacturing	●					
	Torica	●					
	Lecien Nagasaki	●	●				
	Guangdong Wacoal	●				●	●
	Dalian Wacoal	●				●	●
	Wacoal China (Beijing)					●	●
Southeast Asia	Dalian Lecien Fashion	●	●				
	Vietnam Wacoal	●			●	●	●
	Indonesia Wacoal	●		●			●
	Thai Wacoal	●		●		●	●
	Lecien (Vietnam)		●				
	Lecien (Cambodia)	●	●				
South Asia	Myanmar Wacoal						●
	Wacoal Timex (Sri Lanka)				●		
Latin America	Wacoal Dominicana (Dominican Republic)			●	●		