

Activities of JAPIA

No. 16

RS (Resilience) Sub-Committee

Reported by RS Sub-Committee

**Specialized Sub-Committee to prepare for various risks, including contingencies
Aimed at becoming the person Desk or Hotline for member companies, supports the
mitigation of supply chain risks**

The spread of COVID-19 four years ago had a major impact on economic activity, and since then, conflicts and divisions between countries show no sign of abating. Production cuts in new vehicles due to a shortage of semiconductors have also caused confusion. In order to strengthen supply chains (procurement networks) against such risks, JAPIA launched 'Resilience Strengthening Working Group (WG)' in 2022. From this year, the WG has been upgraded to an 'RS Sub-Committee', aiming to become an 'antenna function' for risk information and a 'Consultation Desk' in the event of an emergency. In FY2023, while the three support tools took shape as manuals that contribute to resilience, we are aware that there are still challenges in their penetration. In FY2024, we will promote activities with an awareness of these issues and work to strengthen cooperation between internal and external related parties.

Organize and categorize a wide variety of risks and consider taking actions

In February 2022, when supply chain risks were discussed, JAPIA conducted a survey of 47 board member companies asking about possible risks. As a result, concerns were voiced about geopolitical risks, such as nationalism and conflicts around the world, as well as economic security. While these issues have a significant impact on business, it is difficult for individual companies to prepare comprehensively for a wide range of cases.

JAPIA therefore established the 'Resilience Enhancement WG' In August,. Nine members from seven companies - AISIN CORPORATION, Akebono Brake Industry Co., Ltd., NOK CORPORATION, JTEKT CORPORATION, DENSO CORPORATION, Topy Industries, Ltd. and YAZAKI Corporation - got together and started by identifying 112 diverse possible risks from upstream to downstream in the supply chain.

As a result, four issues were identified in particular as those to be addressed: ① ensuring employee safety; ② managing sensitive technology and preventing military diversion; ③ business withdrawal; and ④ multiplexing production and procurement, and local production for local consumption (efforts to link production), and in May 2023 a new 'Sub-Committee' was established within the WG. Efforts were initiated to organize the required responses, with 41 practitioners from 10 companies bringing their know-how to the table.

Bringing together the know-how of different companies to create a 'support tool'

The Sub-Committee hand-made a 'set of three support tools' for each of the risks ① to ③, which includes information to be referred to, response flows and examples from other companies. Although the response to the occurrence of a risk differs according to each company, we wanted to generalize the information as much as possible and make it easy for our SME members to use, using diagrams and illustrations. It is also useful for head offices and parent companies in considering their crisis management systems.

The first of the support tools, the 'General-purpose version : Manual for evacuation outside the country', is designed to ensure the safe evacuation of personnel dispatched from Japan in anticipation of a deterioration in security and infrastructure functions in the country or region where the company's bases or subsidiaries are located. The manual is practical in nature, as it provides evacuation criteria according to risk and crisis level with reference to hazard information by the Ministry of Foreign Affairs,, and includes information on what crisis management systems need to be set up at the head office and parent company, as well as a checklist of personal belongings to be carried during evacuation.

The second tool, 'Collection of Knowledge on Sensitive Technology Management' is designed to protect technologies that can be converted to military use, advanced and important technologies and the core technologies of each company. It focuses on examples from the automobile component industry, explaining the necessity and possible risks. It also includes a study of how to protect confidential information in the event of business withdrawal, which is linked to the study in the third Sub-Committee.

The third tool, 'Business withdrawal Flow' helps companies consider withdrawing from overseas operations for economic reasons or geopolitical risks. It illustrates what should be done by the head office or parent company and the local subsidiary at each stage from the preparation phase, based on actual examples experienced by member companies. With overseas withdrawals not uncommon these days, this manual is intended to help those who are considering withdrawing their businesses, including small and medium-sized members,

Work with the 'persons responsible for economic security ' of member companies to identify issues

JAPIA is also promoting activities to require member companies to register 'a person responsible for economic security'. This requires member companies to assign a person responsible for proactively disseminating information on risks and the Japanese Government's policies and stance to the right internal relatives. JAPIA is also working to raise awareness by inviting lecturers from Ministry of Economy, Trade and Industry (METI) and other organizations to hold seminars for the responsible persons in each company. It is also expected to play a role in deepening the relationship between JAPIA and member companies, by assuming risks even in normal times.

Furthermore, in FY2024, JAPIA aims to create a system to deepen two-way

communication with member companies. The aim is for each company to clarify issues in its supply chain and to start taking action to further strengthen resilience.

As a 'Sub-Committee', strengthen the ability to disseminate information and the partnership with member companies and relevant organizations

JAPIA is also strengthening its organization to achieve the aim. The previous Resilience Strengthening WG was promoted to the 'RS Sub-Committee' this year, with 16 members from 14 companies. As a Sub-Committee, it aims to broaden and strengthen the dissemination of information and to strengthen cooperation with the government and Japan Automobile Manufacturers Association (JAMA). We will work with each company to identify individual company issues, with the 'a person responsible for economic security' playing a central role, and will also make proposals for solutions to problems common to all companies as industry issues in the future.

The sub-working groups under the Sub-Committee will also continue to be active. In addition to helping to address the aforementioned risks ① to ③, the Sub-Committee will also promote initiatives to 'link production' of ④.

Although many companies have expressed concern about risks related to ④, the supply chain has a broad base, from raw material procurement to production and supply, and must also be linked to Tier 2 and below. The sub-working group will firstly support companies to break away from dependence on procurement from specific countries. If raw materials, for example, are procured from only one country, the political situation may make it difficult. The first step is to visualize the degree of dependence on specific countries in the supply chain of each company, and to promote activities to help them take the next step.

Furthermore, the group intends to grasp the actual situation in terms of costs and difficulties in gaining the approval of suppliers, and to consider the action to be taken in order to multiple the line of alternative components and suppliers. The aim is to consolidate a common understanding in cooperation with JAMA in order to strengthen industrial competitiveness by taking a bird's-eye view of the supply chain not only for parts but also for finished vehicles.

Aiming to be an 'Antenna function' and a 'Consultation Desk' for risk

"We hope that the tools we have produced can be used to help member companies understand what economic security is and how to deal with it when they are faced with it. It would be good if each company learned about the activities of the Sub-Committee and sub-working groups and provided feedback on issues that are difficult for individual companies to solve and what they would like to see addressed, so that our future activities can be more closely aligned with member companies", said strongly Mr. **Norito** Otake, leader of the WG for FY2023.

It is not easy to foresee when and what business risks will materialize and how they will

affect your company. In order to provide support to companies, especially those that are just starting to address them, RS Sub-Committee intends to disseminate the content of its activities in FY2023 and further improve its tools.

First, we intend to have each company use the three support tools - 'the General-purpose Version of the Manual for Evacuation outside the country', 'the Collection of Knowledge on Sensitive Technology Management' and 'the Business Withdrawal Flow' - as part of their risk preparedness, and further enhance the contents based on the opinions of each company. We also plan to hold seminars for 'persons responsible for economic security', which we have asked each company to assign, where experts from central government ministries, lawyers and consultants will explain risks and the laws and regulations of each country. We will also consider setting up an occasion for the companies to share examples of their responses and concerns.

Information on 'Support Tools' can be found on the front page in Japanese of the JAPIA's Japanese website (<https://www.japia.or.jp>) under the banner 'Resilience Kakekomidera'.