

Managing Risks in FP Corporation Japan



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In conducting the business the company faces a variety of business risks. Risk can be defined as a state of uncertainty. In order to avoid and minimize these risks, the company conducts risk management. Risk management is a structured approach or methodology in managing uncertainty related to a threat; a range of human activities including risk assessment, developing strategies to manage and mitigate risks by using empowerment / resource management. Strategies that can be taken include the transfer of risk to another party, avoiding the risk, reducing the negative effects of risk, and accommodate part or all of the consequences of a particular risk.

This paper aims to analyze the theme of risk management business conducted by FP Corporation Japan as a result of the visit MM Executive Unpad on 31 January to 4 February 2017 at the company. As an introduction will explain the various types of business risks

1. Strategic Risk

Strategic risk is a risk that makes the company's strategy to become ineffective and the company strive hard to achieve as a result. This risk can be caused by changes in technology, new strong competitors entering the market, changes in customer demand, the increase in raw material prices, or other large-scale changes.

In order to manage this risk FP Corporation have its Center of Product Development, named The FPCO Comprehensive Research Institute engages in research and development of FP Corporation's products with its high level of functionality. It is also home to the offices of the Research and Development Department and the Basic Technical Engineering Department. With the latest equipment for product research and development, including testing laboratories and sampling work rooms, it serves as a central facility that enables us to play a leading role in the food container industry.

At this facility, the Research and Development Department works to develop and improve containers. Product appearance development personnel devise the specifications of containers, such as their materials, shapes, patterns, and other features. Based on these, design personnel create the design that gives shape to the concept. The machinery then produces a prototype. This is the way in which high quality products that satisfy customers' needs are created. The Basic Technical Engineering Department conducts research on new materials that may open new possibilities for food containers, as theyll as research on ways to enhance product specifications, such as transparency, hardness, heat resistance, cold resistance, acid resistance, and oil resistance.

In addition, it researches and develops products with entirely different characteristics from those of conventional products. It also researches technologies for container processing. The Comprehensive Research Institute won the Chugoku New Office Promotion Prize and a prize from the Director-General of the Chugoku Bureau of Economy, Trade and Industry in the Nikkei New Office Awards in September 2015.

These honors signify that the institute has been recognized as an office capable of delivering both comfort and functionality. They also act as a force driving the development of our different creative activities.

FP Corporation's product development is based on a hands-on approach. This was the philosophy of the founder and chairman Yasuhiro Komatsu. The sales personnel visit customers many times a day to check the selling spaces at supermarkets and other stores where products are sold. They observe the way consumers shop at selling spaces and communicate regularly with customers about what they observed. The things that customers view as necessary for selling spaces are studied in product development. They hold several internal meetings on new product development. All the personnel in FP Corporation, including the sales, product development and manufacturing personnel, exchange ideas and opinions in the product development process. They create as many as around 2,000 new products each year. All of them are created on the basis of the hands-on approach, which has evolved and been passed down from generation to generation.

2. Compliance risk

Compliance risk is the risk caused by non-compliance with existing provisions, both internal and external conditions. FP Corporation has a Judicial Affairs & Compliance Department, to cultivate a healthy, sound corporate culture, the Judicial Affairs & Compliance Department takes the initiative in organizing a diverse range of training sessions in an effort to provide stringent guidance on compliance. The FP Corporation Action Charter and the FP Corporation Normative Rules for Compliance serve as guidelines for achieving compliance. These are the programs created by Judicial Affairs related to risk of *compliance*:

- *Whistleblowing Program*, A contact for consultations on all matters regarding compliance has been established. It is open to all employees in the FP Corporation Group.
- *Compliance Training*, Apart from training for new employees and prospective employees at managerial level, a compliance seminar is organized for all officers and employees.
- *Compass For Action*, To raise awareness of compliance issues among individual employees and to urge them to take responsible actions, the Compass for Action is displayed where they can view it at anytime.

3. Operation risk

Operational risk refers to an unexpected failure in the company's daily operations. Operational risk can be a technical failure, such as a server that is outdated, or it can also be caused by human error (human error), or errors in the process.

On the assumption of risks of equipment failure, falling productivity and labor accidents that may be induced by human factors as theyll as risks of natural disasters, FP Corporation takes the measures described below, since everyday preparations and attention can minimize unpredictable problems and damage.

- *Response to Disasters*, The FP Corporation Group's facilities carry out evacuation drills and firefighting drills on a regular basis. These repeated drills help to prepare us for the unexpected.
- *Emergency Supplies*, FP Corporation Groups provide all employees with helmets and other items for evacuation. In addition, they have first-aid kits placed at locations in our offices and plants where they can be easily accessed whenever necessary.
- *Construction of Seawalls*, The site at Minooki-cho in the city of Fukuyama that is owned by FP Corporation and faces Fukuyama Bay is surrounded on three sides

by sea walls with an approximate height of two meters to protect the land from high waves and tsunamis..

- *Security Gate*, Entry and exit control of vehicles and people is in place at complex facilities with heavy traffic, where production and recycling plants, distribution centers and others are located on the premises. Vehicle license plate numbers are automatically identified at the time of entry.
- *Safety and Health Committee*, Given that multiple companies in the Group share the same premises and facilities, they organize regular meetings of the Safety and Health Committee, where safety managers from different companies and departments gather for deliberations.
- *Information Risk Management*, In the domains of information redundancy, business continuity and security enhancement, they store significant data, carry out regular data backups, and make use of outside centers as a measure against natural disasters. They have secured two communication lines and have introduced a system that prevents outgoing mail from being sent by mistake.

4. Reputation Risk

FP Corporation always discloses corporate information in a timely, appropriate, fast and impartial manner. FP Corporation securities reports, brief announcements of consolidated financial results, materials for analyst meetings on financial results, press releases and other information are made available in the Shareholder Information section of FP Corporation website. Apart from the general meeting of shareholders and biannual analyst meetings on financial results, FP Corporation organize individual meetings and production, distribution and recycling facility tours in an effort to make FP Corporation performance and business better understanding.