

Strengthen risk management

Principal Initiatives

It is vital to manage the risks associated with the globalization of business with the aim to fulfill social responsibilities towards stakeholders. In accordance with its management policies and Group Code of Conduct, Daifuku strives to build a global corporate culture that is resilient in emergencies, by sharing information about corporate risks across its Group to address all business risk responses and minimize the impact on corporate management.

Initiative materiality and relationship to SDGs

Materiality

- Ensure compliance and prevent corruption
- Promote and strengthen information security measures
- Continuous expansion of business continuity management

CSR Action Plan KPIs and targets for 2020

- Operation and maintenance of the compliance system:
 - Ascertainment of the compliance situation and examination of operations
- Types of training and educational programs regarding compliance: Over 15 types
- Setup and implementation of awareness month: Every year in October
- Revision of internal reporting system: Operation of the system
- Participation rate in the information security training: Participation rate 100%
- Number of training sessions conducted against targeted cyber emails attack:
 - Two times per year
- Risk assessment implementation rate: 100%
- Number of training sessions held for confirming the operational situation of suppliers in an emergency: Two times per year



SDGs pursued by Daifuku

Promotion Framework

Under the direction of the CEO, we develop and promote risk management measures across the Daifuku Group. We organize the Risk Management Promotion Framework, which is comprised of the heads of each division based on the Risk Management Rules. Every year we conduct risk assessments across the Group, including at our non-Japan subsidiaries. The relevant divisions take measures to minimize and mitigate the impact of each identified risk as it occurs.

We have developed a Business Continuity Plan (BCP) for natural disaster risks (earthquakes, wind and floods, lightning, fire, new influenza strains). We also have a Compliance Committee to address legal risks from potential non-compliance, and an Information Security Committee that focuses on the Daifuku Group's information security-related risks.

Compliance Initiatives

> **KPI** (Key Performance Indicators) is an evaluation index to judge achievement of the CSR action plan. [PDF](#) (212 KB)

Compliance system

KPI

We have set up a Compliance Committee that is chaired by our CEO and we are carrying out activities to ensure compliance, equity, and morality within the Group in accordance with our Group Code of Conduct. As a part of these activities, we are conducting company-wide compliance training to raise the compliance awareness of each of our employees.

To deal with the risk of serious legal violations particularly on a global level in recent years, we have enhanced our efforts to prevent bribery and observe competition laws.

Specifically, in terms of compliance with competition laws, similar to our efforts for preventing bribery, we have put into place internal rules that comply with the laws of each country, and we practice impartial and fair dealings.

In addition, we established the Group Customer Credit Management Regulations in April 2020 to set up a system for comprehensively and uniformly assessing the credit management status of each Group company. In this way, we aim to prevent any transaction insecurity that could have a serious detrimental impact on the credit and financial standing of the entire Group due to the credit insecurity of customers.

Compliance education and training

KPI

The CEO sends out messages to all employees via the company intranet to communicate the CEO's stance on compliance. We are also providing continual education and awareness on compliance to all employees through various training programs, so as to thoroughly familiarize everyone with corporate ethics.

As business transactions with various countries and regions continue to increase with the globalization of business, in addition to complying with the various laws of each country, including anti-corruption laws and security export control laws, we are making efforts to establish and spread an awareness of compliance by holding lectures on respecting human rights and outlining professional ethics. In fiscal 2020, we held 17 types of training and education events (target was 15 or more).

Training examples

- Position-specific training
- Global staff training
- Training by business division
- Training on entertaining/providing gifts to subsidiary companies
- Training on internal reporting system and preventing malfeasance

Compliance Enhancement Month

KPI

We have set every October as Compliance Enhancement Month, during which we carry out initiatives to raise compliance awareness among our employees. This year's program was a panel discussion seminar on entertainment and gift-giving held online (Teams) for executives, including outside directors, and executives of non-Japan subsidiaries. The recording was later distributed globally via the company intranet in Japanese, English and Chinese. It was also published in the company newsletter. These initiatives familiarize our employees with compliance.

Whistle-blowing system

KPI

We are continuing to operate this system whereby reporting is possible on a global level.

UK tax strategy

Through material handling, the Daifuku Group aims for further growth by balancing business activities and social soundness. In addition to contributing to the development of the country and the region by implementing a fair tax payment, we disclose our tax strategy in the UK on the "Tax Strategy" page of our UK site.

> Please refer to our UK site.

Compliance with Modern Slavery Act

In response to the Modern Slavery Act 2015 of the UK, the Daifuku Group has published an Anti Slavery Statement 2021 on our UK website.

> Anti Slavery Statement 2021 [PDF](#) (2.14 MB)

Information Security Initiatives

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Information Security Committee

As threats to information security are becoming increasingly advanced, ingenious and pernicious, it is vital to tackle them through continuous efforts and actions.

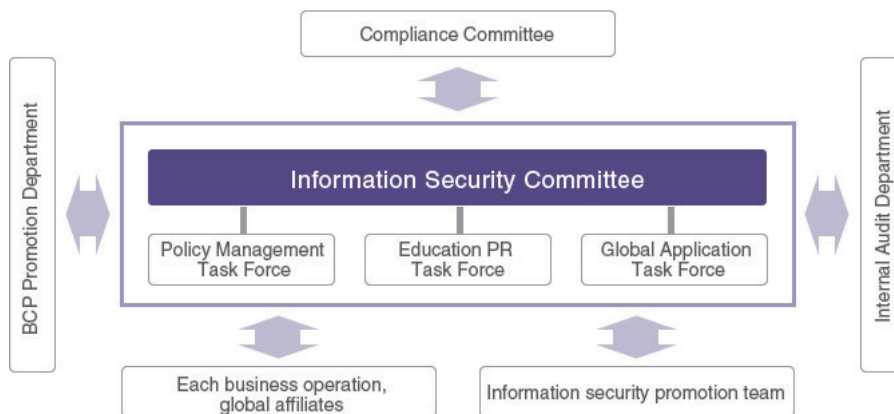
We established the Information Security Committee more than 10 years ago to maintain and improve information security across the Daifuku Group.

Considering the globalization of our business and the increasing role that the IoT (Internet of Things) plays for our products and services, it is more important than ever to promote the information security of our products and services. Through evaluating and countering IT risk factors embedded both inside and outside the company, we are promoting information security initiatives that are appropriate for a global enterprise together with our business operations.

Initiative guidelines

1. Reinforce regulations and develop policies with the aim of raising the standard of the Daifuku Group's information security as a whole
2. Coordinate with business and investigate information security policies for products and services
3. Quantify in a way that is aligned with the KPI settings and establish the objective evaluation of results

Framework for initiatives



Launch of CSIRT

The mission of the CSIRT (Computer Security Incident Response Team) is to deal with information leaks stemming for example from cyber attacks and respond to any other computer security incidents. The CSIRT is centered on the Information Security Committee, enabling Daifuku to swiftly identify the possible scope of an accident and damage, put first-response measures in place, and investigate causes and means to prevent reoccurrence.

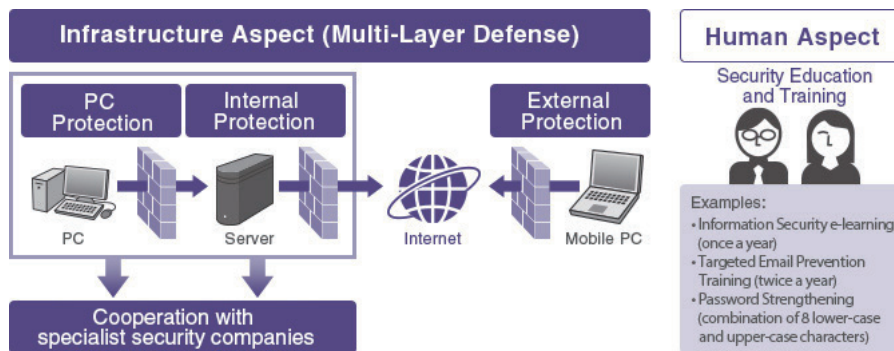
Policies for information security countermeasures

Infrastructure aspect:

Threats to information security are on the rise and have become increasingly malicious. We therefore prepare for possible attacks through up-to-date and multilevel defense systems in cooperation with specialist security companies.

Human aspect:

In cases of information theft which use human psychological techniques or deceitful approaches, prevention is difficult if only relying on infrastructure countermeasures. We will enhance our employees' information security knowledge and understanding through initiatives by the Information Security Committee, internal training programs and simulated cyber terrorism training sessions.



Participation rate in information security education and training

KPI

In fiscal 2020 we were able to achieve a participation rate of 89.1%, which was below our target of 100%. We set a goal to increase the participation rate in stages (70% ⇒ 80% ⇒ 90% ⇒ 100%) over the next four years, but due to the prolonged duration of the pandemic over the last two years, we were not able to sufficiently promote participation on a global scale. Although we were not able to achieve our goal, the percentage of employees who took the course each year was higher than the previous year, which is an achievement in itself. In fiscal 2021, we will introduce a system that enables more effective education and training, and will continue to provide information security education to employees to prepare them to handle the threats of the latest cyber attacks.

Number of training sessions conducted for targeted cyber attack emails

KPI

The target for fiscal 2020 was to hold two sessions, and the actual number of sessions held was two. For those who clicked on the links in the training e-mails, the points to watch out for were displayed in each language to increase the effectiveness. In fiscal 2021, we will introduce a system that enables more effective education and training, and continue to provide training to employees to prevent information leaks due to cyber-attacks or human error.

Business Continuity Plan (BCP) Initiatives

We have established a BCP (Business Continuity Plan) for emergency situations. It places highest priority on human life, while also aiming to minimize damages to business assets and make the continuation and early recovery of business possible. Furthermore, we are expanding education, training and disaster prevention equipment related to disaster risk management, with the aim of heightening the effectiveness of the BCP. For our overseas group companies, in addition to our existing questionnaire surveys, we have implemented hearing surveys at each location to promote the ascertainment and sharing of the risks that can occur locally. Moving forward, we will further strengthen the BCP activities of the whole group and construct a corporate culture that is resilient in the face of emergencies.

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BCP site basic survey (Daifuku affiliates and offices)

By periodically visiting all Daifuku Group sites worldwide, we ascertain the preparations needed for natural disaster risks, as well as exchanging and sharing information about risk related to compliance, information security and labor and health management.

BCP training and education

In order to heighten the risk awareness and understanding of BCP for each employee, we invite an external instructor every year to hold a BCP Seminar targeted at every staff member. In addition, for our position-specific training that includes new staff training, we continuously provide education to heighten risk awareness by implementing BCP training with content that matches the requirements of each person's role. Due to the increased risk that comes from globalized business development, we work towards securing the safety of international travelers through the appropriate transmission of local danger information, not just to our overseas subsidiaries but also to our expatriate personnel.

Risk assessment implementation rate

KPI

Risk assessment is a procedure to identify, analyze, and evaluate risks that can affect a business. In fiscal 2020, we conducted monitoring activities for the risk assessment in fiscal 2019, and collected questionnaires from all target group companies, including non-Japan subsidiaries, to confirm the status of risk countermeasure responses.

	FY2018	FY2019	FY2020	
			Target	Results
Implementation rate	100%	100%	100%	100%

Number of training sessions conducted for supplier disaster situation reporting

KPI

The target for fiscal 2020 was to hold two sessions, and the actual number of sessions held was four. We have been working with the procurement division of each business operation, and sharing information through training with targeted suppliers. We are repeatedly conducting training to enable the early sharing of initial reports during a disaster.

Obtained highest DBJ BCM Rating by the Development Bank of Japan



In February 2017, the Development Bank of Japan (Main office: Chiyoda-ku, Tokyo; subsequently referred to as "DBJ") awarded us their highest rating as "a company with excellent initiatives for disaster risk reduction and business continuity management."

Countermeasures for disaster emergencies



We distribute a Survival Handbook to every employee, which summarizes information about initial responses when an earthquake occurs, safety securement and evacuation procedures and safety verification contact methods towards family and the company. We are also strengthening our disaster emergency countermeasures by installing fixed antennas for satellite mobile phones at each regional branch, arranging safety helmets for expatriate staff and visitors, and replenishing our emergency stockpile.

COVID-19 measures

In accordance with the Basic Policies for Novel Coronavirus Disease Control by the Government of Japan, the Daifuku Group set up the COVID-19 Task Force headed by the CEO. Its priority is to limit the spread of and damage caused by infection both within and outside the company, and ensure the safety of all Daifuku Group and business partner employees. We will continue to follow government policies and action plans, and promptly determine and implement appropriate measures. The Task Force is currently assessing the situation at all Group companies and subsidiaries in Japan and overseas via online teleconferences and other methods.