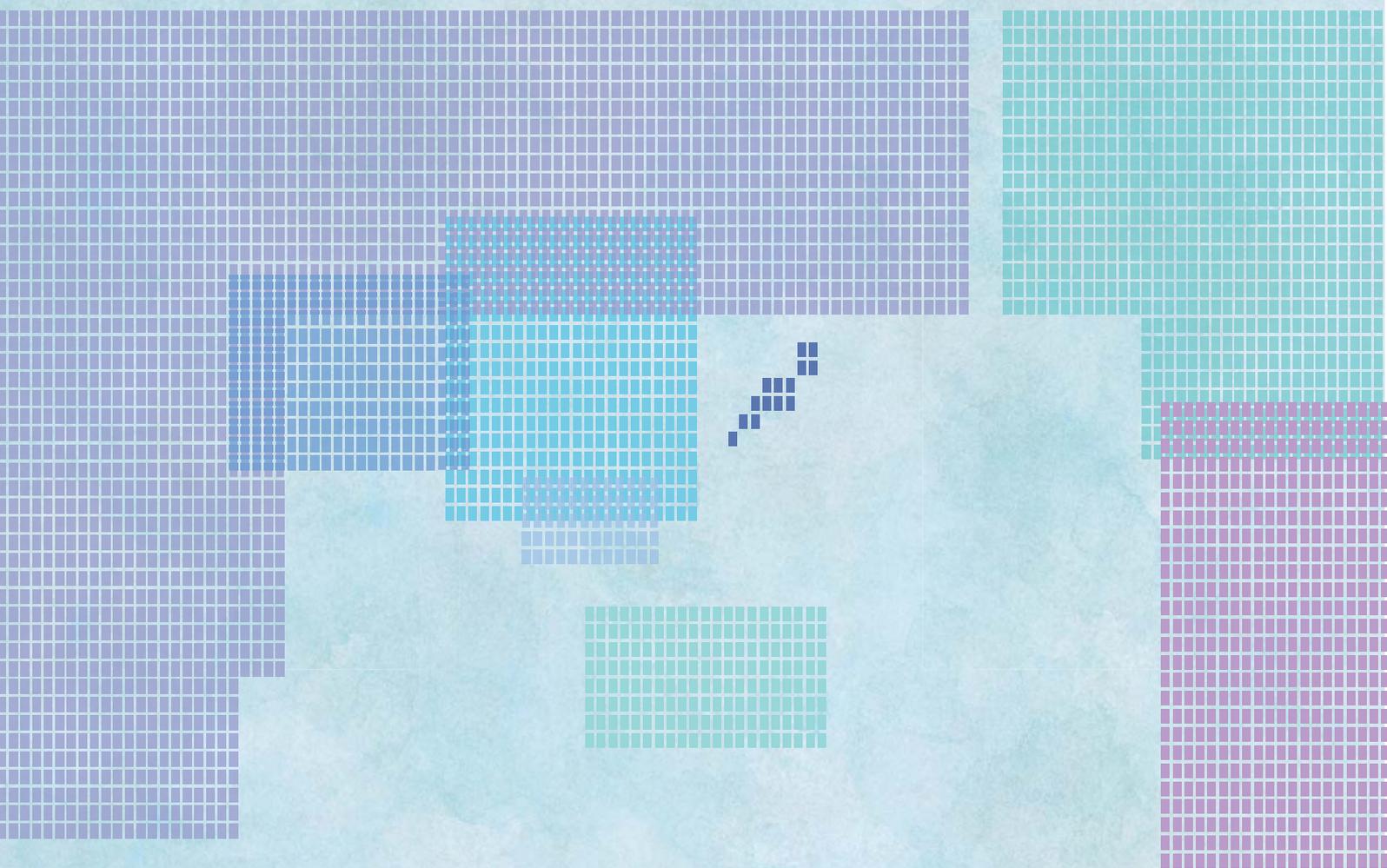


CSR REPORT 2016



Business Divisions

Murata Machinery is a comprehensive manufacturer of factory and office automation products. We seek to satisfy our customers and promote the realization of a more affluent society by constantly creating new technologies and providing products and services. We are focused on the five main areas of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment. In these, we exercise our technological expertise to develop a wide variety of products. Our efforts have even earned high evaluations internationally.

Company Profile

Company name

Murata Machinery, Ltd.

Representative

President & CEO Daisuke Murata

Established

July 1935

Capital

¥900 million yen

Products

Manufacture and sales of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment

Number of employees

3,100 (6,800 in group)

(as of April 2016)

Net sales

(non-consolidated) ¥185.5 billion yen

(consolidated) ¥255.0 billion yen

(fiscal year ending March 2016)

Head Office

136 Takeda Mukaishiro-cho,

Fushimi-ku, Kyoto 612-8686 Japan



Textile Machinery Division

The roots of Murata Machinery are in textile machinery. From spinning machines to the construction and optimization of production systems, we provide comprehensive support for the fashion industry.

Main products

Textile machinery including VORTEX spinning machines, automatic winders



Communication Equipment Division

We make communication faster and broader. Advanced information transmission abilities strengthen business networks.

Main products

Digital multifunctional office equipment, facsimile machines



Logistics & Automation Division

We provide total solutions for logistics and factory automation using engineering technologies that combine unmanned conveyance systems and automatic storage.

Main products

Logistics centers, automated storage & retrieval systems (AS/RS), transportation systems, picking systems, sorting systems and data management systems



Machine Tools Division

Our high-performance mother machine (machine-making machinery) is changing the efficiency and quality of manufacturing.

Main products

Turning machines
Sheet metal machinery



Clean FA Division

We support the production of semiconductors through providing transport systems & storage systems for semiconductor fab.

Main products

AMHS for semiconductor factories,
Material control systems (conveyance control and management systems)



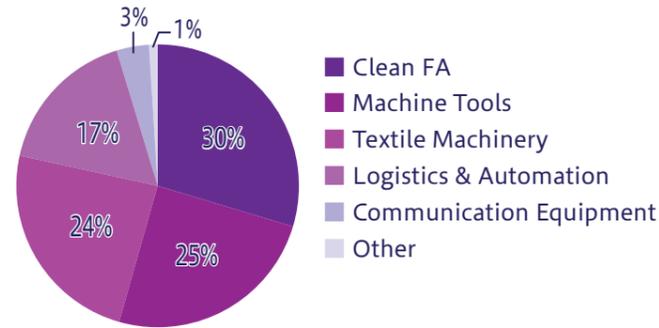
Financial Results

Net sales record (non-consolidated)



Net sales composition by division (non-consolidated)

FY 2015 Net sales by division ¥185.5 billion yen

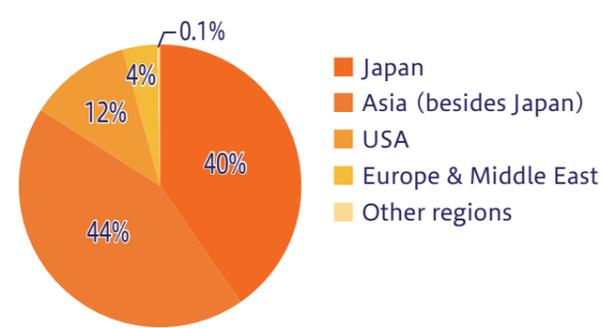


Operating profit record (non-consolidated)



Net sales composition by region (non-consolidated)

FY 2015 Net sales by region ¥185.5 billion yen



Global Network

We want to improve the lives of people around the world through the creation of products. At Murata Machinery, we seek opportunities to do this and expand our business across the globe.

Asia

KYOTO	GUANGZHOU	MUMBAI
GUMI	SHENZHEN	COIMBATORE
BEIJING	HONG KONG	DELHI
SHANDONG	TAIPEI	BANGKOK
JIANGSU	HSINCHU	SINGAPORE
SHANGHAI	TAICHUNG	HO CHI MINH CITY
ZHEJIANG	TAINAN	BANDUNG

Europe&Middle East

ULVILA	ISTANBUL
DRESDEN	GEDERA
DÜSSELDORF	CAIRO
DUBLIN	DUBAI
GRENOBLE	

North&South America

GRIMSBY	DALLAS
SALT LAKE CITY	MEXICO CITY
PHOENIX	QUERETARO
CHARLOTTE	SÃO PAULO



Head Office (Kyoto)



MURATA DO BRASIL



MURATA MACHINERY SHANGHAI



MURATEC AMERICA



MURATA MACHINERY EUROPE



MURATA MACHINERY USA



Muratec is a manufacturer of a wide range of machinery, from factory automation products to communication equipment, assisting the value creation of our customers. Based on a philosophy of “letting machines do what machines can do and letting humans do what only humans can do,” Muratec has long provided its customers with human-friendly technologies. Therefore, our first and foremost social corporate responsibility (CSR) is to constantly take on and surpass all challenges and goals in line with our corporate philosophy. In so doing, the products and services of our main business area can make a major contribution to society.

Under our most recent Five-Year Plan and its overall theme, “The Evolution of the Organization and Growth of Individuals,” we restructured our businesses and products while pursuing three key objectives - quality, innovation, and internationalization. The year that ended March 2016 was the final year of this Five Year Plan. Financially, we enjoyed a substantial year-on-year increase in both income and profit by capitalizing on newly identified needs for automation and labor-saving within Japan and abroad. On the other hand, we did suffer a significant impact from the slowdown of the Chinese market and the appreciation of the yen which began from the fourth quarter. Meanwhile, in order to translate our strong business diversity into an increased competitive edge, we made even greater efforts than the year before towards restructuring our organization. As part of these efforts, we established a new cost center in Kyoto, tasked with a mission to reduce interdepartmental barriers and thereby utilize our substantial information, communication, and control resources more effectively.

Having celebrated the 80th anniversary of our founding last year, Muratec today faces the following three challenges. The first is the emergence of large and specialized global manufacturers, as well as low-cost manufacturers based in emerging countries. The second is the dizzying speed of progress related to information and communication technologies. The third is a collection of social issues such as population aging, the widening diversity within society, the depletion of resources, and other environmental

problems. Such challenges are the result of dramatic societal change happening across the entire world. They cannot be ignored or avoided and need to be addressed by their related business communities.

If we are to turn such challenges into opportunities - which we can do by maximizing how we use the valuable resources gained from our past activities - we believe that, most of all, we need to focus on our “ties.” Specifically, we must develop “vertical ties” within all our businesses through which our employees, at all different levels, unite and cooperate together. This needs to be done across the entire supply chain - all the way up to the customer and into society beyond. The other ties we need are the “horizontal ties” between our diverse businesses, ties between the organizations connecting these businesses, and ties between our various affiliates. We have high hopes that vital innovation will arise from these vertical and horizontal ties, innovation that will ultimately lead to the kinds of human-friendly automation and labor-saving technologies that only Muratec is capable of developing. These aspirations are embedded in “Link to the Future,” our new message commemorating our 80th anniversary.

No one can take on an ambitious challenge within an organization that cannot tolerate some mistakes. Even though over the next three years we may have to face foreign exchange rate challenges and an unsympathetic economic environment, it is all the more important that we continue efforts to become a company that can tolerate failings and encourage our people to recover from repeated mistakes. We need to be a company with ties so strong among its people and business units that it can tolerate errors across them - a company that will always look ahead and stay constant in the positive belief that its endeavors are ultimately contributing to the creation of a truly affluent society.

Feature Promoting the active participation of women

Toward the creation of a society where each person can demonstrate his or her individual character and abilities

Muratec believes that the creation of a workplace environment in which employees respect the different personality types of others, as well as their abilities, and in which everybody enjoys working together leads to a happy workforce and drives innovation. As part of diversity promotion efforts started by Muratec in 2007, we have carried out various EEO (*) promotion activities. The main focus of these has been promoting the careers of our female personnel, an area expected to produce some of the most impactful results.

Last fiscal year, with the aim of further expanding opportunities for female workers, we launched a 'Woman Leadership Program'. The following provides an outline and history of our efforts to promote female employee careers.

*EEO = Equal Employment Opportunity



|| Prompted by comments received during the recruitment process ||

Several years before we started promotion initiatives aimed at female employees, we had noticed more and more female students, during the recruitment process, telling us that "Muratec seems to have few women leaders, so we do not imagine women playing any active roles in the company." The reality was that, back in those days, a large number of female employees would give up their jobs in response to life events such as getting married or when they had children.

In fact it is an enormous loss for any company to lose female employees who have substantial knowledge and experience.

So, prompted by the President's 2007 'Top Message' and in response to such social changes as Japan's declining labor force (caused by falling birthrates and increasingly diversified lifestyles), Muratec began to more vigorously pursue diversity promotion efforts. The first step taken was to expand career opportunities for female employees.

|| Challenges identified while implementing the various measures ||

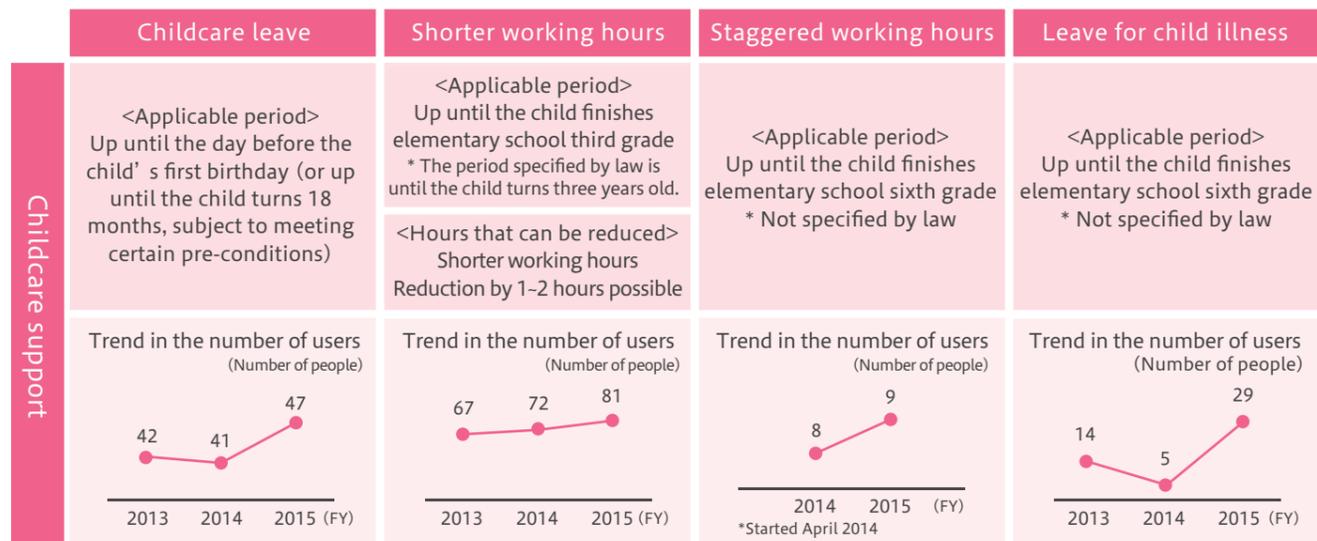
From employee questionnaires conducted to find out how the workforce views the current status of the company, many respondents expressed a wish to work in an environment that allows people to achieve a good work-life balance. So, as a first step, the company has developed systems to help our employees balance work with family life. In addition to various systems

● Following are the four pillars of Muratec's career opportunity promotion efforts for women

1	2
Create a climate and raise awareness so that diverse human resources can work comfortably	Increase the percentage of female leaders and managers
3	4
Develop an environment that enables female employees to continue working	Expand the areas where female employees can seek career opportunities, namely sales and engineering

already implemented to comply with related government legislation, we also expanded our systems to areas not covered by those laws. We also familiarized our employees with the new systems

● Utilization rates of systems supporting the work and family life balance



At the same time, we held seminars targeted at supervisors with female employee subordinates as well as seminars designed to support career development for women personnel. During the time when these step by step measures were being deployed, the number of female employees continuing to work after marriage and childbirth has increased. Subsequently, the length of service of our female workforce - which had long been below the Japanese manufacturing industry average - has now exceeded

this average. Meanwhile, more women have been promoted to sales and engineering positions - roles that few women had assumed until recently - and the number of female personnel moving into section chief posts or higher has increased. As a result, women employees now serving as role models have increased substantially - reversing what had been a problem for many years previously.

Feedback from one WLP Participant

Last fiscal year, we launched a Woman Leadership Program (WLP) targeting female employees who already hold positions equivalent to, or above, section chief. This program aims to develop more female personnel who can take initiative and play active managerial roles in the future.



Textile Machinery Division,
Strategic Planning Office
Yuko Takakura

I work on the translation of instruction manuals and other documents in the Textile Machinery Division. Overseas sales represent 90% of our entire sales.

In my position as a translator, I have always made it a point to produce translations that help our overseas customers find it easy to use our machinery products.

I took part in the WLP program at a time when we had more staff working with us. Our division had just kicked off a new mid-term plan to further enhance our customer support system. So this was a period when we really needed to manage our team more effectively and, under these circumstances, I found

the program highly relevant and useful. It provided me with an opportunity to systematically learn about action guidelines and approaches that I could apply to the challenges facing our team.

Something else I learned about was "bargaining ability." For example, when I am implementing our projects, I have to manage overseas staff members and there are times when they have different opinions. Now, when I face such a situation, I can find the best possible solution by applying skills I learned on the WLP, such as "trying first to understand the other person's situation and then talking things through to a mutually acceptable position."

|| Seeking to Achieve Diversity and Inclusion at Muratec ||

The words "diversity and inclusion" have the meaning of "accepting differences."

The WLP, as introduced last year, has already produced a manager from among its participants and is expected to help generate more innovative ideas and thinking, thereby breathing more life into workplaces and reinvigorating the company.

Company workforces include a diverse range of people with various

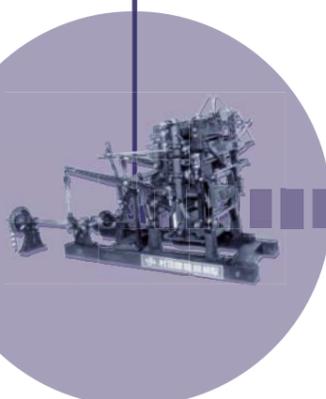
types of difference - differences in gender, thinking, values, etc. In order for the Muratec organization to be sustainable we must respect and understand each other's differences and grow towards common goals together. This is the true diversity and inclusion that Muratec seeks to realize.

Muratec: The 80 Year Journey

During its 80 year journey Muratec, through its innovative manufacturing, has contributed in creating the affluent society we enjoy today. As a company we will continue to make this contribution and continue to do so through our core manufacturing business.

1935

Established Nishijin Jacquard Mfg., partnership in Kyoto.



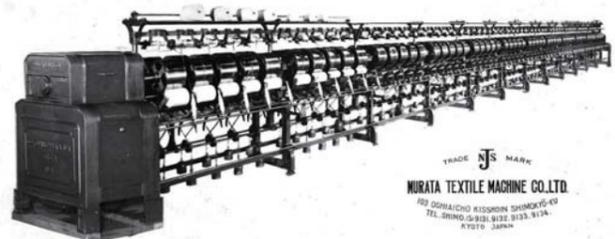
1945

Company was renamed the Murata Textile Machine Co., Ltd. and initiated enterprise activities.

Textile Machinery Division

1950

Began production of automatic winders (Split drum winder)



MURATA TEXTILE MACHINE CO., LTD.
TEL. 075-241-1111 FAX. 075-241-1112
KYOTO JAPAN



1962

- The company adopted its present name, Murata Machinery, Ltd.
- Inuyama Factory began operations.

Machine Tools Division
Logistics & Automation Division



1962

Began production of tool cabinets and established Physical Distribution Control Systems Division

1961

Developed and began production of turret lathes. Established Machine Tools Division.



1973

Kaga Factory began operations.

1974

Established Murata of America, Inc. (presently Murata Machinery USA, Ltd.) in Charlotte, North Carolina, U.S.A.

Communication Equipment Division

1973

Facsimile Machine obtained Japan's first type-approval by Nippon Telegraph and public Corp. (Presently, NTT).



1972

Began production and sales of facsimile transceivers

1970

Murata Warner & Swasey Co., Ltd., a joint venture with The Warner & Swasey Company (U.S.A.) was established and began production of automatic lathes and NC turret punch press.



1970

Released high-speed computer-controlled automated storage/retrieval systems.

1984

Established Murata Machinery Europe GmbH in Dusseldorf, Germany.

1985

Relocated the Head Office to Fushimi-ku, Kyoto (present-day location).

1986

Introduced automated overhead hoist transport system for clean room SKY-RAV Clean (OHT).

Clean FA Division

1981

Flexible Manufacturing System (FMS) began operation at the Inuyama Factory.



1979

Introduced the automatic winder, No.7 MACH CONER (with Mach Splicer).

1998

Received an order from a German semi conductor manufacturer for a transportation system for the production line of the world's first 300 mm wafers.



1997

Developed the first model of Multi-functional Peripheral, V-950.



1997

Introduced the air-vortex spinning frame, Murata Vortex Spinner (MVS).



1995

Received the order of bulk cargo handling system for Hong Kong Air Cargo Terminals Limited (Hactl).



1993

Developed the CNC twin spindle chucker, MW12.



2015

Muratec Group 80th Anniversary Ceremony

2014

Acquired Cimcorp Oy in Ulvila, Finland.

2012

Developed the Fiber Laser Cutting System, LS3015FC.



2011

Acquired Silex Technology Inc.

2009

Acquired Asyst Technology Japan

2000

Developed the super-high-rise AS/RS (50 meters in height).





" To continue functioning as an entity that serves the whole society "

Corporate Philosophy

We shall strive to expand the boundaries of technological advancement, provide meaningful products that enrich the lives of our customers, bring prosperity to each of our employees and lead society to a better tomorrow.

MURATEC and its stakeholders

What makes MURATEC's corporate activities possible is the relationship of trust between its various stakeholders—customers, suppliers and vendors, employees and their families, global environment, and local communities—as well as with society as a whole.

In order to continue functioning as an entity trusted and needed by all our stakeholders, we will endeavor to justify their confidence in us, expectations and requests from society through our corporate activities.



Our Social Responsibility

Corporations are economic entities that pursue profits through fair competition. This definition, however, does not properly describe the significance of our existence. Our ultimate mission is not to pursue profits but to be of benefit to society at large. Our corporate philosophy expresses a strong belief and desire to achieve this mission. However, the causal link between corporate activity and social contribution presented in our corporate philosophy is not a law of nature or a self evident truth; it is just a hypothesis. Our social responsibility is to continually prove this hypothesis with all of the zeal and ability that we possess.

The former part of our Corporate Philosophy describes our means and the latter our missions. Our two missions, namely "the happiness of our employees" and "affluent society," are inseparable. The happiness of each member enriches society.

What makes people happy is a sense of contributing to the prosperity of society. The activities described in the earlier part of our Corporate Philosophy are a means of ensuring the prosperity of society. These are inseparable from our mission. We must note, therefore, that the end does not always justify the means. Neither is there any guarantee that the right means will invariably lead to the accomplishment of our mission. We must continually monitor ourselves to ensure that our mission is achieved by the right means and our means serves its purpose. In other words, our social responsibility is constantly to make sure that the former part of our Corporate Philosophy is properly in line with its latter part.

Muratec Code of Conduct

- 01**
Products and services

We will develop and offer products and services useful to society, with sufficient care to safety and the protection of personal information.
- 02**
Business transactions

We will respect the rights of our Company as well as that of other companies including intellectual property rights, and engage in fair, transparent, and free competition and due transactions. Moreover, we will maintain sound and normal relations with political bodies and governmental organizations.
- 03**
Information disclosure

We will engage in broad communication with society and disclose our corporate information in a timely and appropriate manner.
- 04**
Personnel, labor management and workplace environment

We will respect our employees' diversity, character, and individuality and secure a safe and employee-friendly workplace environment.
- 05**
Environmental issues

We will actively engage in environmental issues in our corporate activities as well as through our products and services.
- 06**
Social contribution activities

We will actively engage in social contribution activities as a "good corporate citizen."
- 07**
No connections to anti-social elements

We will not engage in activities that benefit anti-social groups and organization that may threaten the order and safety of civil society.

CSR Management (Targets/ Plans and Performances)

★Utilizing Management Approach

“To continue functioning as an entity that serves the whole society” This is our ultimate mission. We will endeavor to justify our stakeholders’ confidence in us, expectations and requests from society by conducting our businesses in line with our corporate philosophy, in order to provide solutions to social issues

Stakeholder	Initiative themes	FY 2015 Targets/ Plans	FY 2015 Performances	Evaluation	FY 2016 Targets/ Plans
Environment	Environmental management system	<ul style="list-style-type: none"> Implement education to raise environmental awareness among employees Prepare for revisions to the ISO14001 	<ul style="list-style-type: none"> The Unified Office has provided internal environmental auditor training, resulting in the addition of 22 internal auditors. ISO14001 standards obtained to prepare for revisions. 	<ul style="list-style-type: none"> △ ○ 	<ul style="list-style-type: none"> Develop a company management system to prepare for revisions to the 2015 version of ISO14001.
	Reduce environmental footprint of our operations	<ul style="list-style-type: none"> Reduce CO2 emissions (per unit production) by 15% from the 2010 level (by 2020) Reduce water consumption (per unit production) by 5% from the 2010 level (by 2020) Reduce waste emissions (per unit production) by 5% from the 2010 level (by 2020) Reduce VOC emissions (per unit production) by 10% from the 2010 level (by 2020) 	<ul style="list-style-type: none"> CO2 emissions (per unit production) were reduced by 17% from the 2010 level Water consumption (per unit production) was reduced by 2% from the 2010 level Waste emissions (per unit production) were increased by 5% from the 2010 level VOC emissions (per unit production) were reduced by 45% from the 2010 level 	<ul style="list-style-type: none"> ○ ○ × ○ 	<ul style="list-style-type: none"> Reduce CO2 emissions (per unit production) by 15% from the 2010 level (by 2020) Reduce water consumptions (per unit production) by 5% from the 2010 level (by 2020) Reduce waste emissions (per unit production) by 5% from the 2010 level (by 2020) Reduce VOC emissions (per unit production) by 10% from the 2010 level (by 2020)
		<ul style="list-style-type: none"> Set numeric targets for environmental friendly products 	<ul style="list-style-type: none"> Decision made to postpone fixing common numerical objectives relating to environment conscious products. 	<ul style="list-style-type: none"> — 	<ul style="list-style-type: none"> Enhance the control function of the Unified Office.
Customers	Quality management system	<ul style="list-style-type: none"> Prepare for revisions to the ISO9001 	<ul style="list-style-type: none"> Preparations completed for ISO9001 revisions 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Prepare for the revision of the ISO9001
	Improving quality	<ul style="list-style-type: none"> Further improve specification drawing quality, continue to provide training on “Product Creation Standards” and brush up training contents 	<ul style="list-style-type: none"> Improved content for the “Product Manufacturing Standards” training and number of target departments increased. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Deploy “Product Manufacturing Standards” to customers and suppliers.
	Improving customer satisfaction	<ul style="list-style-type: none"> Verify the rate of on-time product delivery in all divisions Develop and offer products that contribute to resolving social issues 	<ul style="list-style-type: none"> Monthly rates of on-time product delivery checked and non-observance causes identified for the Clean FA and Machine Tools Divisions. Developed and offered products that contribute to resolution of social issues in every division 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Verify the rate of on-time delivery of products in all division Develop and offer products that contribute to resolution of social issues
Suppliers and vendors	Transparent and fair transactions	<ul style="list-style-type: none"> Systematize the certification of factory auditors as of personal cultivation 	<ul style="list-style-type: none"> Systematized the certification of factory auditors as of personal cultivation for our procurement sections 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Systematize the certification of factory auditors as of personal cultivation
	CSR Promotion in the supply chain	<ul style="list-style-type: none"> Conduct survey of key business partners to check the status of CSR procurement (including human rights and labor) 	<ul style="list-style-type: none"> Conducted questionnaire survey with 76 major customers about their CSR activities, including human rights issues and labor practices. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Hold CSR seminars targeting both customers and suppliers.
Employees	Career growth and development	<ul style="list-style-type: none"> Deepen understanding of the new personnel system and its implementation through maintaining open communication with employees and conducting questionnaire surveys Implement initiatives to improve the Average Satisfaction Score given by personnel to their feedback interview Expand the Mid-term (5 months) Overseas Training Program to candidates for management positions in overseas locations 	<ul style="list-style-type: none"> As a result of employee awareness surveys, the level of employee satisfaction with our personnel system was 4.62 on a scale of one to ten. Implementation rate of feedback interview was 96.8%. The score about how reasonable each subordinate found his/her boss was 4.2 out of 5.0 points Continued Short-term Overseas Training Program and 8 employees participated in the program in FY2015 (Total 53 employees) 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Continue conducting various surveys to familiarize employees with the new personnel systems. Promote understanding of the new systems by reviewing KPI and developing documents for in-company distribution. During performance evaluators’ training etc., share cases of improved employee satisfaction scores relating to personnel feedback interviews so as to improve such scores.
	Work-life balance	<ul style="list-style-type: none"> To ensure proper management of working hours, introduce a time clock system at every factory 	<ul style="list-style-type: none"> Introduced a full-scale entrance-exit control system at Head Office 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Introduce entrance-exit control systems to other offices to more objectively measure manpower working hours. Hold labor management related briefing sessions, etc. for reducing overtime and thereby promote a better understanding of how to manage working-hours.
	Diversity*	<ul style="list-style-type: none"> Develop a workplace culture that enables active participation by women and experienced workers 	<ul style="list-style-type: none"> 17 female employees participated in the ‘Women Leadership Program’ (WLP) which was started with an aim to develop female human resources with future managerial potential. The program produced the first female manager in April 2016. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Deploy the female managers and leaders rearing program. Improve the environment treatment of work and child / nursing care consistency. Address veterans’ active promotion.
	Safety and health	<ul style="list-style-type: none"> To achieve zero lost-time injuries, implement education and e-learning to spread awareness of safety and health to all employees To achieve zero work-related injuries, expand the EHS Daily Audit in every division To maintain and promote employee health, provide education on safety and health To achieve zero traffic accidents, provide education on traffic safety 	<ul style="list-style-type: none"> 3 Lost-time injuries, 16 Non Lost-time injuries occurred (Head Office, Inuyama, Ise, Kaga, MMC Shiga and MMC Oita) Continued EHS Daily Audit in L/C Manufacturing Department Conducted 5S Daily Audit at Head office and Ise factory Held a mental health seminar at the Inuyama and Ise Plants and a seminar on how to read health check-up results at the Head Office. A total of 234 employees participated in these seminars. Held a traffic safety seminar at each of our plants, factories, and offices. A total of 690 employees participated in the seminars. 	<ul style="list-style-type: none"> △ ○ ○ ○ △ 	<ul style="list-style-type: none"> To achieve zero Lost-time injuries, implement educations and e-learning to spread awareness of safety and health to all employees Expand the EHS Daily Audit and 5S Daily Audit Address the work environment improvement. Provide education on health promotion or traffic safety
Local communities	Inspiring the next generation	<ul style="list-style-type: none"> Commit to applying technology and the talents of our employees to inspire the next generation 	<ul style="list-style-type: none"> Committed to applying technology and the talents of our employees to inspire the next generation at each factory 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Commit to applying technology and the talents of our employees to inspire the next generation
	Cultural and educational support and sports promotion efforts through communication	<ul style="list-style-type: none"> Provide cultural and educational support and sports promotion efforts 	<ul style="list-style-type: none"> Provided cultural and educational support and sports promotion efforts at each factory 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Provide cultural and educational support and sports promotion efforts
Corporate Governance	Maintain ethical standards	<ul style="list-style-type: none"> Implement level-based education or e-learning on “compliance” and “Respect for ethics and human rights” 	<ul style="list-style-type: none"> Provided a ‘World Café program’ as a forum for considering how Muratec’s CSR links with its corporate philosophy. A total of 96 employees participated. Provided “e-learning on Social Media Risks” targeting all employees. (Participation rate: 96%). Conducted internal audits on company rules for their appropriate management and timely disclosure. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Provide level-based compliance education and holding e-learning seminars Conduct internal audits on company rules.
	Strengthen risk management systems	<ul style="list-style-type: none"> Promote and improve the degree of our BCP implementation level Promote and spread awareness of BCP to all employees through education and training Introduce system to verify employees’ safety in emergencies at all factory 	<ul style="list-style-type: none"> Conducted e-learning (with a 90% participation rate) and BCP drills at each of Muratec’s plants, factories, and offices. Introduced an employee safety check system at all plants, factories, and offices. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Promote and spread awareness of BCP to all employees through education and training Develop a system of cooperation between different departments and offices, and conduct relevant training.

*Diversity means respect for and appreciation of differences among employees in terms of gender, age, national origin, cultural background and values for the purpose of creating a working environment in which diverse workforce can be playing an active role.

At Murata Machinery, we are contributing to the realization of a sustainable society by innovating to create products that are better for the environment and by reducing the environmental impact of our business activities.

As a company developing on a global scale, we are acutely aware that it is our social responsibility to contribute to realizing a sustainable society. We are doing so by employing management practices that are good for the environment.

Also, through greener products and business activities, we aim to achieve harmony between our existence and the environment around us. Ultimately, we wish to preserve this precious planet for the next generation and, in so doing, continue as a manufacturer that is of value to society.



● **Creating products that are kind to the environment and effective in energy conservation through innovation**

- Improving environmental performance in products throughout their lifecycles
- Developing high performance products in terms of both energy efficiency and user-friendliness
- Contributing to a reduction in society's overall environmental impact by providing and popularizing green products

● **Reducing the environmental impact of our business activities**

- Being continuous in our efforts by operating environmental management systems

Muratec Environmental Philosophy and Policy

Muratec Environmental Philosophy

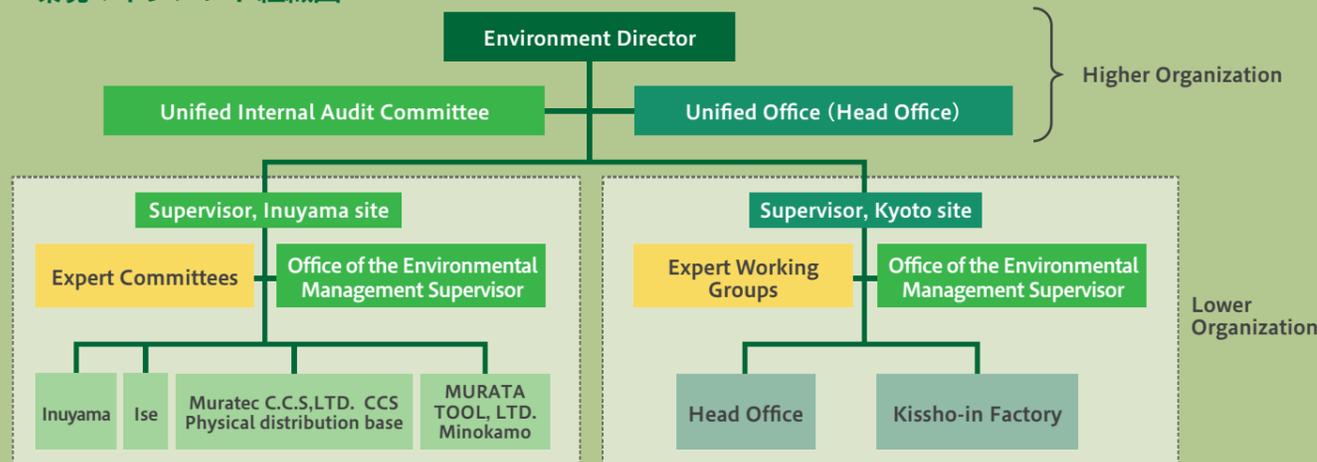
We recognize that environmental and resource-related issues pose a serious threat to society's prosperity. So we are fully committed to helping resolve these issues through both the products we make and the conduct of our business. Muratec Environmental Policy

Muratec Environmental Policy

We realize our environmental principles through action. To contribute to realizing a more sustainable society, we conduct environmental conservation worldwide in accordance with the following environmental guidelines. We do so in all of our business fields, from industrial machinery to communication equipment.

1	Reducing the environmental impact in our operations	4	Setting environmental goals and improving sustainability
2	Supplying environmental friendly products	5	Disclosing environmental information
3	Complying with legal and other requirements	6	Raising environmental awareness

環境マネジメント組織図



Reducing Environmental Impact

Target toward 2020

To achieve our Environmental Philosophy and Policy, we have set targets toward 2020 that provide clear direction in our environmental management.

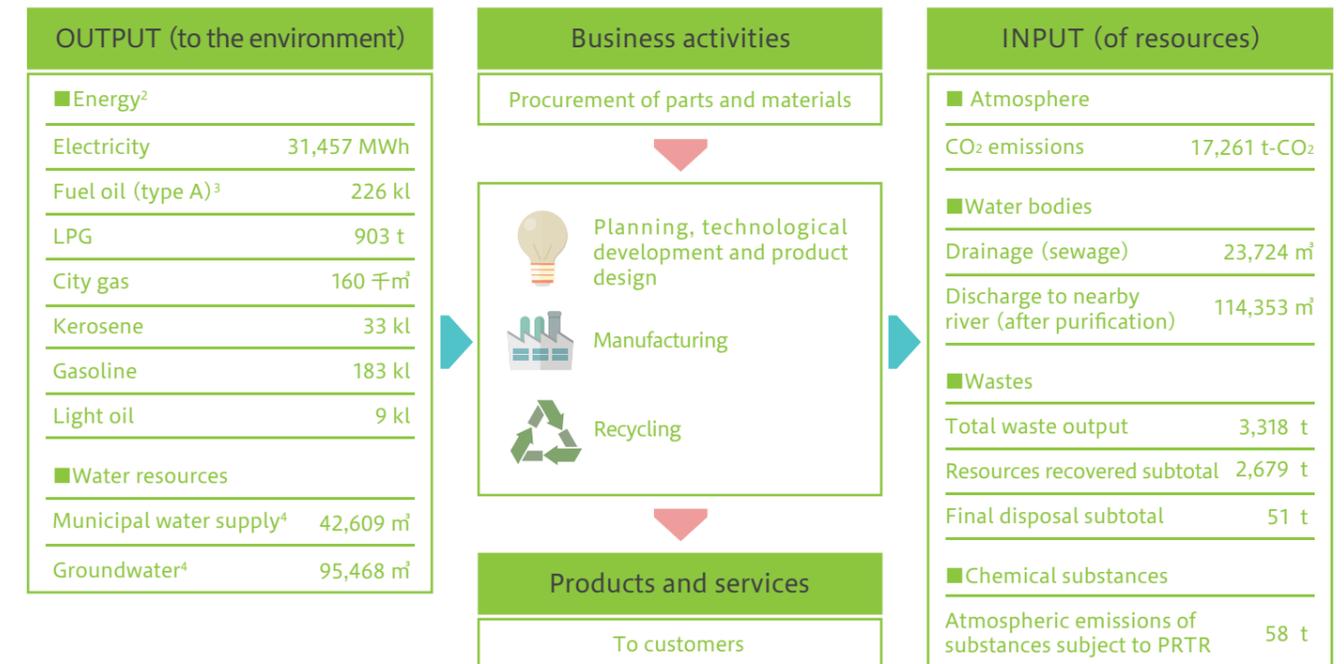
In practice, so as to tackle the four environmental objectives (themes) listed below, each reduction goal is set numerically and the respective environmental loads are controlled.

Objectives (Themes)	Key performance indicators	Target toward 2020	Per unit production denominator
Preventing global warming	CO2 emissions (per unit production) ¹	15% reduction from 2010 levels	Head Office Per unit of total person-day Inuyama/Ise Factory Per unit of production value
Sustainable use of water resources	Water usage (per unit production) ¹	5% reduction from 2010 levels	Per unit of total person-day activity
Contributing to a recycling-oriented society	Waste generated (per unit production) ¹	5% reduction from 2010 levels	Head Office Per unit of total person-day Inuyama/Ise Factory Per unit of production value
Management of chemical risks at workplaces (Inuyama Factory)	VOC emissions (per unit production) ¹	10% reduction from 2010 levels	Inuyama Factory: Per unit of production value

¹ The "per-unit" is an expression of the environmental impacts caused per unit of production value or employee activity.

Materials flow

The following materials flow chart shows our input and consumption of resources (volume of raw materials we use) and our outputs into the environment, and waste. If we are to help realize a sustainable society by achieving our mid-and-long term targets, we need an understanding of the flow for each resource. This helps us better manage the input / output balance and encourages a cyclical system of materials usage.



The amount of input energy is a total of the energy used at our Head Office and Inuyama and Ise factories, exclusive of transport-related energy used in product shipping, sales, and maintenance. (However, the amount of fuel usage for the following purposes is included: work and conveyance vehicles within workplaces, company vehicles for uses other than those above.)

At our Inuyama Factory, we use fuel oil (type A) to generate our own power. We have our own electrical power facility that runs on fuel oil (type A) at our Inuyama factory. The amount of CO2 emissions from the in-house power generation process is estimated based on the consumption of fuel oil (type A) during electricity generation.

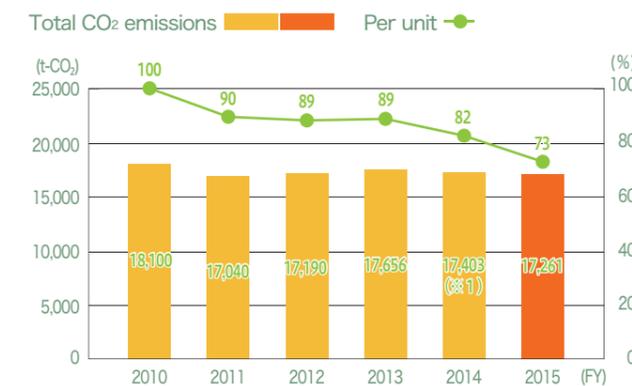
The water resources used at our Inuyama and Ise factories include both municipal water supply and groundwater. In aggregating the amount of water used, since it is difficult to directly determine the distribution and usage conditions within each location, the usage record has been estimated proportionally.

Environmental impact

Preventing global warming

Last fiscal year the total CO2 emissions from using electricity and fuel energy remained almost the same - decreasing by 1% over the previous year. Despite the Inuyama Plant seeing a 1% emissions increase over the previous year, the Head Office achieved a 11% decrease and the Ise Plant a 2% decrease. Per unit measures improved by 9% over the previous year, indicating that energy efficiency increased per unit of production value and for the total hours worked by employees. We will maintain this positive trend and proceed with measures that make further improvements.

Trend in CO2 Emissions



1 The energy used of Gasoline for 2014 were corrected (before: 17,005, after: 17,403).

Contributing to a recycling-oriented society

Since the 2010 benchmark fiscal year total emission volumes from the Inuyama and Ise Plants saw increases due to the renewal and addition of production equipment. However these emissions peaked in fiscal 2013 and, since then, have been decreasing and kept well under control. Indeed, total emissions have decreased by 18% and per unit by 40% over the previous year - both major improvements. Inuyama Plant emissions achieved a 19% decrease over the previous year on account of the new equipment installations being almost complete. Meanwhile, Head Office reduced emissions by 10% and Ise Plant by 29% compared to the previous year.

Trend in waste discharged



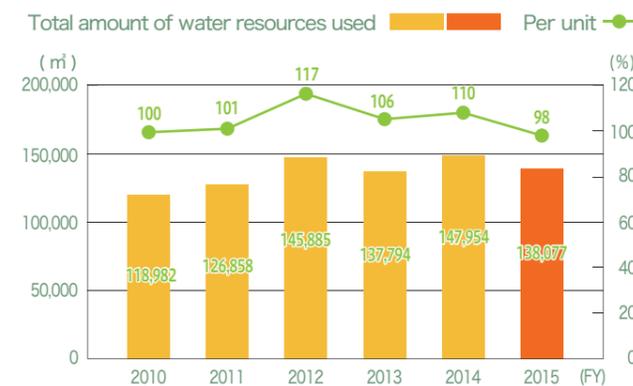
2 The Pollutant Release and Transfer Register (PRTR) system, as based on Japanese Law for PRTR and Promotion of Chemical Management, requires the reporting of emission amounts that enter the environment and the transfers between industry locations of certain chemicals hazardous to human health and ecosystems.

Level of attainment  Achieved target
 Slight gap between target and achievement
 Large gap between target and achievement

Sustainable use of water resources

Although water consumption had increased slightly in the previous fiscal year, this last fiscal year we saw a decrease both in water use and per unit measures. Indeed, per unit decreased by 12% over the previous year. Head Office, Inuyama Plant and Ise Plant all achieved water use decreases over the previous year. In particular, the Ise Plant accomplished a 14% reduction. It is noteworthy that Inuyama Plant accounts for about 60% of all the water we use. We will work to further reduce consumption by taking improved water-saving measures within day-to-day operations and by performing more maintenance and repairs to prevent leakage from aging water pipes.

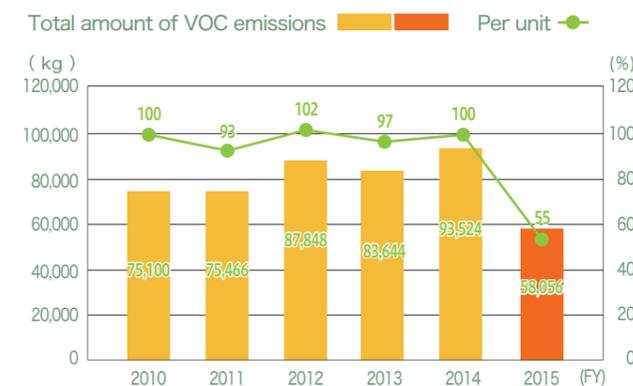
Trend in water resource use



Management of Chemical Risks in Workplaces

As there is a paint process facility on its premises the Inuyama Plant practices proper management of organic solvents and other chemicals subject to the PRTR system (*2). As part of efforts to reduce emissions, we have been switching to products that contain smaller amounts of PRTR listed chemicals. We also use the more efficient electrostatic painting equipment during the painting process. Similarly we have reduced the number of times we need to clean paint supply pumps (for making color change) by switching to other types of pump or using only specified colors. Last year, these efforts successfully led to a per-unit reduction of 45% over the year previously.

Trend in Atmospheric VOC Emissions (Inuyama Factory)



Working with our customers

At Murata Machinery, we seek to increase customer satisfaction by improving the quality of our products and services and by responding rapidly to quality issues.

Through our business activities, we seek to contribute to the creation of an abundant society by helping our customers create value. In order to do this, we believe that considering the performance of products alone is not enough. Raising the level of "total quality that provides customer satisfaction," which includes "ease-of-use," "safety" and "serviceability," is critical. For this reason, we have established Murata Machinery's Quality Policy as our fundamental approach to quality, and we are striving to build a corporate culture that puts the highest priority on assuring safety and quality based on comprehensive quality control systems.

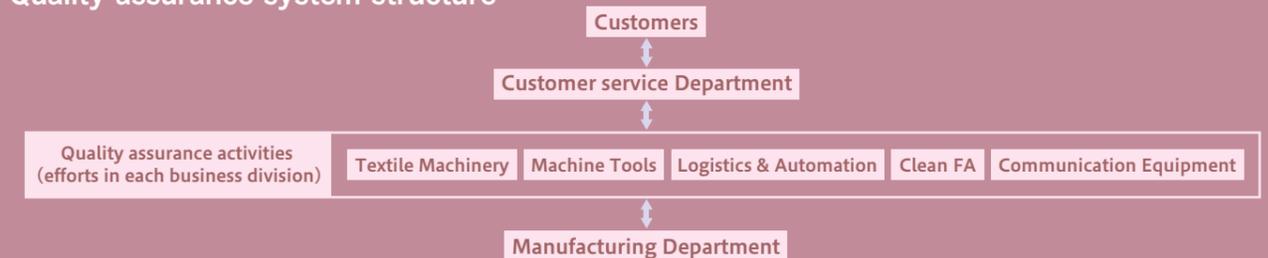


- Quality management system
- Improving quality
- Improving customer satisfaction

Muratec Quality Policy

In adherence with our Corporate Philosophy, we improve the quality, quantity and speed of sharing, accumulating and retrieving information, thereby growing into a company that can learn both from successes and failures. Based on continuous improvement through learning, we will achieve excellence in terms of quality, cost, and delivery date of our products and services, thereby continuing to give satisfaction to and win support from our customers. In order to follow through with this policy, each department will set quality goals, and monitor their achievement status in the quality policy management process.

Quality assurance system structure



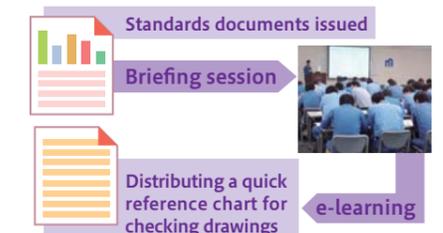
Efforts to improve quality

The President of Muratec represents the overall authority for quality assurance with each company division employing the quality assurance system most suited to its characteristics. All divisions have achieved and maintain the ISO 9001 certification. Through continuous improvement of our product and service quality, we ensure that customer satisfaction is always growing.

TOPICS | Enhancing the Quality of Specification Drawings by Unifying Product Manufacturing Standards

We provide quality improvement training at all offices, plants, and factories. The Inuyama Plant, among other facilities, makes continuous efforts to propagate 'Product Manufacturing Standards' across the plant to improve the quality of its specification drawings. Last fiscal year, we added new training themes such as topics on "machining" and "heat-processing" as well as running e-learning and briefing sessions. We also introduced the Product Manufacturing Standards to departments only indirectly involved with materials and quality control. In

so doing we have more widely shared our manufacturing standards and raised knowledge levels about these standards. Since starting these efforts, we have seen far fewer defects caused by unclear specifications.



Supply Chain Responsibility

With fair and impartial purchasing activities, we are striving together with our suppliers and vendors to provide products and services that are valuable to our customers and fulfill our corporate social responsibilities.

We recognize that our business activities are the result of receiving the cooperation and support of numerous people involved in business in every field. For this reason, we are fulfilling our responsibilities to society by building strong relationships of trust with our business partners based on fair and impartial purchasing activities and providing products and services that are valuable to our customers. In addition, as a foundation for global expansion, we are strengthening quality control and building supply chain structures that can respond flexibly to changes in the environment.



- Dedication to transparent and fair transactions
- Strengthening supply chains

Procurement Policy

1. Strict adherence to laws, regulations and social norms

We will conduct fair and transparent business activities by strictly adhering to laws and regulations, starting with the Subcontractor Act, as well as by adhering to social norms, including the elimination of discriminatory treatment, the prohibition of child labor and forced labor, respect for intellectual property rights and the prevention of corruption.

2. Promotion of fair and impartial transactions

We will conduct transactions that are fair, transparent, subject to free competition and reasonable. We will not accept or provide entertainments, gifts, money or any form of bribes for the purpose of achieving unreasonable profits or other benefits. We will respect healthy business partnerships that strictly abide by laws and regulations.

3. Business partner selection standards

In addition to items 1 and 2 above, we conduct comprehensive evaluations when selecting the suppliers and vendors. Factors include the stability of their business foundations, the assurance of product specifications and quality that meet our needs, high levels of technological development capabilities, strict adherence to deadlines, stable supply and reasonable prices.

Dedication to transparent and fair transactions

Muratec has taken steps to develop human resources able to source reliable overseas suppliers and give them relevant training, as well as having the know-how to make manufacturing-related decisions. To do this Muratec has, since 2013, developed a 'factory auditor accreditation system' at our materials department. Last fiscal year, we increased the number of factory auditors and took steps to be able to continuously monitor the current status of the factory floor at each of our supplier factories.

CSR Promotion in the supply chain

Not only has Muratec taken steps to improve risk management levels within Muratec companies but we have also gained supplier cooperation. Last fiscal year, we surveyed the major suppliers of our Clean FA Division using questionnaires to evaluate the status of their own CSR implementation.

Results of questionnaires to suppliers on the status of their CSR implementation

EICC Code of Conduct (*) Implementation level by item (76 companies responded to the survey)

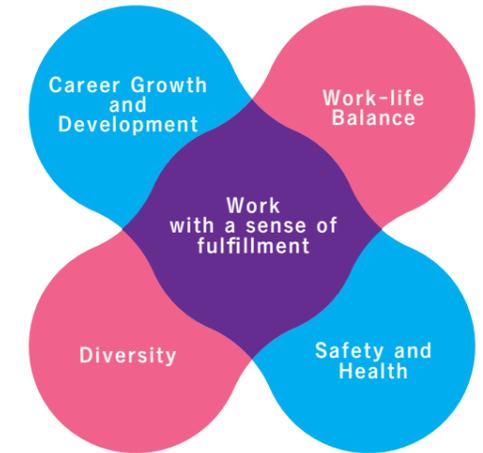


*The EICC Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. The Code is made up of five sections: Labor, Health & Safety, Environment, Ethics, and Management Systems related to these sections.

Caring for Our People

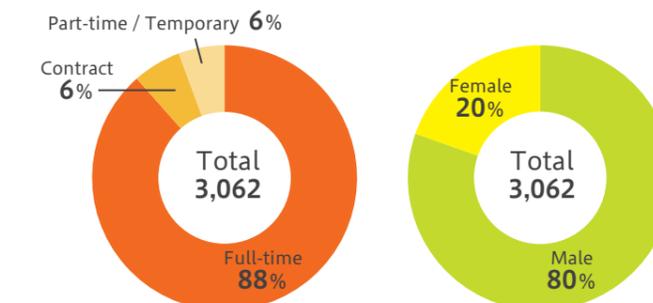
Placing an emphasis on a cooperative relationship with our employees, Muratec carries out various activities to help develop human resources, promote diverse ways of working, and ensure safety and health.

Muratec recognizes that employees are the most important of all company resources. As such, we believe it essential to provide our employees with both opportunities and an environment that helps them achieve the best possible performance. With this in mind, the company is focusing on the following four areas, and by making continuous improvements within each, we aim to create a working environment in which every employee can enjoy a real sense of fulfillment.



- Career Growth and Development
- Work-life Balance
- Diversity
- Safety and Health

Breakdown of Employees



Employees by Type Workforce by Gender

Workforce Data

Unit: Person

	Male	Female	Total
Full-time	2,251	456	2,707
Contract	167	15	182
Part-time / Temporary	44	129	173
Total	2,462	600	3,062

* As of 2016 April
* These numbers include employees of other companies on secondment to Muratec, but exclude Muratec's own employees on loan to other companies. It also excludes directors, executive officers, dispatched temporary workers, and those hired directly by Muratec's overseas operations.

Career Growth and Development

Management by Objectives (MBO) to translate individual employee growth into organizational growth

Muratec utilizes a 'management by objectives' (MBO) system. Under this system, each employee sets his or her work objectives at the beginning of each fiscal year. Then, at the mid-term and end of that year, the employees review the progress made, methods used, and results of their efforts through an interview with their supervisor. Employees are also required to set objectives corresponding to goals set by their supervisors. In this way, the MBO system translates overall management goals into individual employee performance objectives, so that both the company and its personnel can grow together.

Feedback interviews to support growth

Muratec conducts its personnel performance evaluations in accordance with evaluation criteria determined for the roles and responsibilities of each different job classification. Supervisors also conduct feedback interviews with their personnel at the time of salary increases and bonuses. These are further opportunities to review performance and evaluate effort made to date. The supervisors provide their subordinates with feedback about what was performed well and/or what might have been performed better. For their part, employees have the chance to inform their supervisors about problems they have encountered and make requests accordingly. In this way the process of the feedback interview motivates both supervisors and employees to work together for further growth.

Overview of Muratec's Personnel System

Turning the improvement cycle to become a company able to constantly achieve high profits



Developing Human Resources that Support Muratec Growth

To maximize the value of our most important business asset, namely, our human resources, Muratec has put in place various training and educational systems. Specifically, we provide programs for different levels in the organizational hierarchy according to an individual's years of service and advancement achieved. We also provide career training programs to employees reaching ages considered as turning points in life. We regard these as opportunities for people to consider their future career development. Moreover, we provide selective training to foster next-generation leaders, so that they will become the human resource assets that will enable Muratec's growth in the future.

Human resource development systems

	Joining	Advancement and promotion	Retirement
Growth as an employee	Training by years of employment	Training by level / Career design training Selective training (management and short-term overseas training programs)	
Skill raising	Focused training (laws, contracts, compliance, etc.) Language training, correspondence courses		
Strengthening specialization (by division)	Various training courses for specialty techniques and skill acquisition		

TOPICS

Short-term Overseas Training Program Developing human resources able to actively engage in the global arena

Since fiscal 2012, with the aim of developing human resources able to play a real role in expanding our business globally, we have continuously implemented a Short-term Overseas Training Program.

Geared more to those younger employees who will play a central role in the company in the future, this program provides language training and actual working experiences at Muratec group companies in the U.S. Participants learn about the different business processes and ways of thinking used at Muratec's overseas offices as well as acquiring language and communication skills to help them in their future career. The experiences also serve to alleviate natural anxieties about working abroad and allow participants to begin building relationships with overseas colleagues.



Promoting the Work-Life Balance

In accordance with Japan's 'Next Generation Nurturing Support Measures Promotion Law'

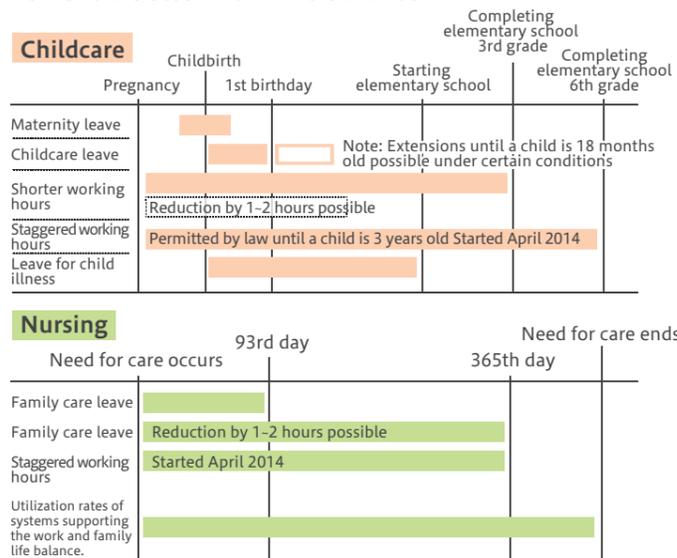
Based on Japan's 'Next Generation Nurturing Support Measures Promotion Law', Muratec has formulated a 'General Employer Action Plan' to ensure employees achieve a better work-life balance that makes fullest use of their abilities for whatever stage of life they have reached.

Last fiscal year, paid leave related to child-bearing and child-rearing was newly established in order to achieve "Goal 1: Encouraging fathers to take parental leave when they have children" as set out in the Action Plan. A total of 11 male employees took the new parental leave.

Action Plan (Stage 3: from April 2013 to March 2016)

- Goal 1:** Encourage fathers to take parental leave when they have children
- Goal 2:** Implement measures necessary for ensuring better employee work-life balance
- Goal 3:** Implement measures that encourage employees to take annual paid holidays

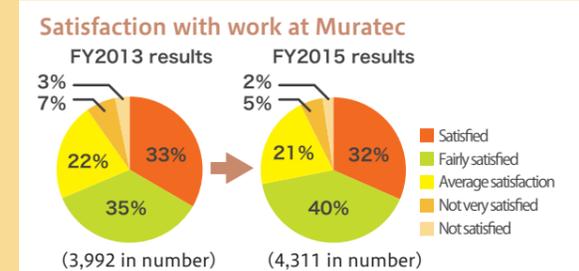
Overview of support initiatives helping employees achieve a better work-life balance



TOPICS

Implementation of employee awareness survey

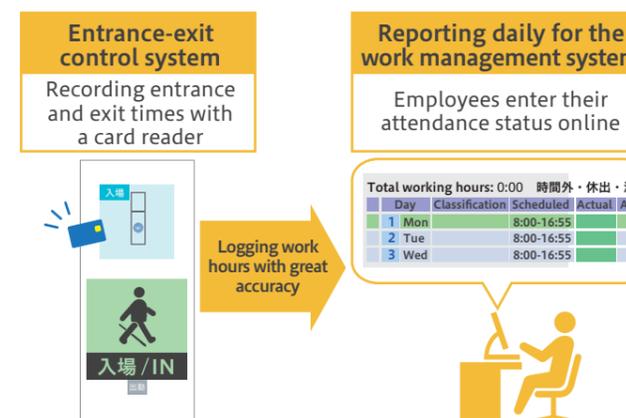
Once every two years, an employee awareness survey relating to work content and workplaces is conducted. The results are then used to identify Muratec's strengths and weaknesses with the findings channeled into improving personnel systems and other measures.



Working-hours Management

Understandable and easy to manage, we have introduced a "daily reporting for work management system." We now also hold an annual meeting to enhance labor management awareness among managers, while helping our people gain a more informed understanding of the working-hours system and what it means.

Last fiscal year, we introduced an entrance-exit control system at Head Office to measure employee working hours with much greater accuracy. In the next few years, the system is expected to be introduced in other office locations one by one.



Diversity

Promoting the active participation of women

We are increasing opportunities for female employees by assigning them to active roles in our sales and engineering teams - types of work that have conventionally had few female employees.

Last fiscal year, with the aim of developing the potential of female employees with distinct initiative capabilities and able to play an active managerial role, Muratec conducted a 'Women's Leadership Program'. It was targeted at female employees occupying section chief level positions and above. 17 female employees participated in the program.

Passing on the skills and experience of older employees

At Muratec, employees are mandated to retire at the age of 60. In 2001, however, we introduced a rehiring system to allow those employees over 60, who wish to continue working, to extend their employment until they turn 65. The older employees have acquired and accumulated highly professional skill-sets, experience, and know-how during their careers, which we value as "intangible assets." Muratec therefore provides a career design training program targeted at older employees which aims to pass down all such intangible assets to the younger generations and thereby maintain our competitiveness as a company.

Muratec Group 80th Anniversary Ceremony Link to the Future

The "Muratec Group 80th Anniversary Ceremony" was held at INTEX Osaka on October 31 (Sat.), and was attended by 4,784 employees from Muratec group companies in Japan and overseas.

President Murata gave a speech at the beginning of the ceremony. He emphasized that, as the company faces changes in its surrounding environment, all employees need to remain mindful of the historical and vertical links connecting Muratec's past to its future and of the horizontal links between employees of the Muratec group companies. The company needs to take a new step forward and make change.

After the President's speech, there was a live performance by a guest, a commemorative gift presentation, and the company song was sung by all employees in unison.

During the buffet-style dinner party, held after the ceremony, employees - who usually have few opportunities to meet - were able to socialize and get to know one another better. The event ended in great success and provided a valuable opportunity for Muratec group employees to realize the importance of getting together and strengthening company-wide unity.



Safety and Health

Our approach to safety and health

In line with the Muratec Safety and Health Philosophy and Policy, we regard the protection of employee safety and health as one of our top management priorities.

Last fiscal year, the 'All-Muratec Safety and Health Committee' based in the Head Office spearheaded activities such as a mental health seminar and formulating a company policy for stress checks.

Furthermore, occupational safety governance has been reinforced by increasing the number of offices that monitor the incidence of occupational injuries from three to six.

In the years to come, under Head Office leadership, Muratec will continue to promote company-wide safety and health activities and continuously improve performance of the same.



Number of occupational injuries¹

Unit: Number of injuries

Injuries category (LTI/ NLT1)	2013	2014	2015
Lost-time injuries (LTI)	2	2	3
Non lost-time injuries (NLT1)	20	14	16

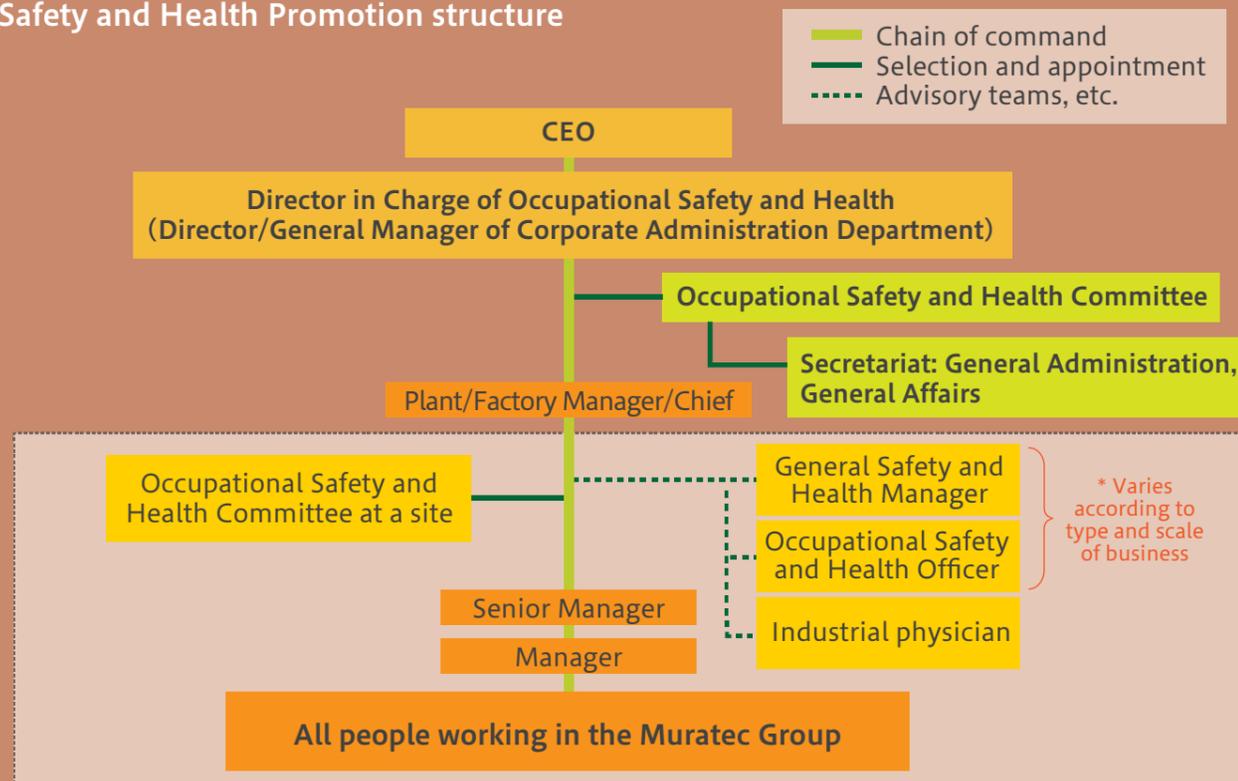
1. Numbers include all employees at Head Office, Inuyama, Ise, Kaga, MMC Shiga and MMC Oita factories in Japan (which includes temporary dispatched workers, but not employees at consigned companies or subcontractors).

Muratec Safety and Health Philosophy

We place top priority on the safety and health of our employees and will work continuously to improve our safety and health activities for better outcomes.

In so doing, we will create safe and comfortable workplaces, maintain the physical and mental health of our people, and help each one to pursue an improved quality of life.

Safety and Health Promotion structure



Towards preventing all occupational injuries

In fiscal 2015 there were 3 lost-time injuries and 16 non lost-time injuries. To counter an increasing incidence of occupational injuries, in particular related to temporary dispatched workers, Muratec will reinforce its commitments to measures preventing occupational injury to all employees, to include temporary dispatched workers. To prevent all occupational injuries, the L/C Manufacturing Department, (a joint part of the L&A Division and Clean FA Division) has been conducting EHS (Environmental Health and Safety) Daily Audits every day since June 2013.

- Number of occupational injuries (Injuries by division)

Unit: Number of occupational injuries

Division name	2013	2014	2015
Head office (Textile Machinery Division, Technical Department)	2	0	2
Head office (Other)	0	2	0
Inuyama (L/C Manufacturing Department)	3	1	4 (1)
Inuyama (L/C IT Department)	0	0	1
Inuyama (Machine Tools Division, Manufacturing Department)	1 (1)	3 (1)	3
Inuyama (Machine Tools Division, Engineering Department)	2	0	2 (2)
Inuyama (Clean FA Division, Engineering Department)	1	0	0
Inuyama (Manufacturing Department, Machining Department)	1 (1)	2	3
Muratec CCS	0	2	1
Muratec Sales	2	0	0
Ise	0	0	0
Kaga (Textile Machinery Division, Manufacturing Department)	5	3 (1)	2
MMC Shiga	5	3	1
MMC Oita	0	0	0
It	22 (2)	16 (2)	19 (3)

*() is the number of lost-time injuries

For improved employee health management

In order to maintain and improve employees' health, Muratec has held a variety of health-related seminars. In fiscal 2015, Head Office organized a seminar to explain how to read health check-up results with a lecture by one of the company's in-house health nurses. Separately, the Inuyama and Ise Plants held stress awareness seminars and invited a senior industrial counselor as the speaker. A total of 234 employees participated in these seminars.



Safe handling of hazardous chemical substances including appropriate use of PPE (personal protective equipment)

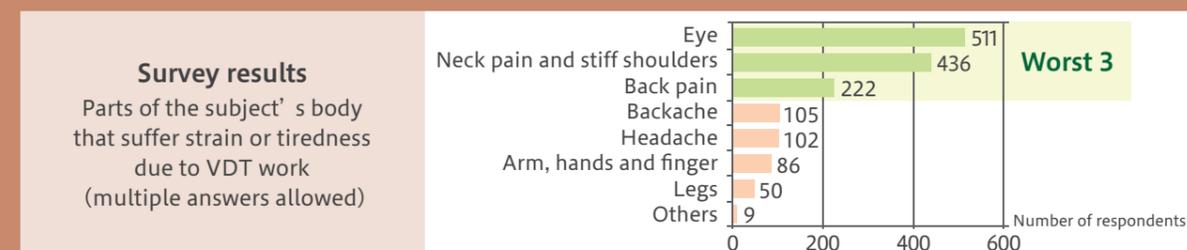
Last fiscal year, aiming for safe handling of hazardous chemical substances including appropriate use of PPE, the L/C Manufacturing Department has held semi-annual e-learning sessions. The respective themes were; "Safe handling of hazardous chemical substances" and "Appropriate use of PPE."

Head Office investigates VDT work^(*) to alleviate potential problems from excessive PC-based tasks.

Last fiscal year, the Head Office conducted a survey to investigate VDT-based work and identify health problems associated with spending too many hours in front of a PC.

Such VDT work involves long hours staring at the display screens of a PC, tablet or other office device. In recent years, with increasing IT use within office environments, many workers now engage in long hours of VDT work. A survey conducted by Japan's Ministry of Health, Labour and Welfare has revealed that a significant number of workers who perform such work complain of physical fatigue (shoulder stiffness, eyestrain, lower back pain, etc.), and this now poses an occupational health issue.

Muratec's own survey last year into this type of health problem was conducted at Head Office on the initiative of the Occupational Safety and Health Committee. According to the survey findings, many employees do indeed suffer strain to the eyes, neck, shoulders, and lower back. Having recognized the extent of the problem Muratec has now taken measures to correct the more urgent cases. In the coming years, to address all VDT-based work issues, the company will implement specific measures to improve working environments in the order of requests received. (Measures will include ringing chimes to prompt employees to take regular breaks and replacing older office chairs.)



2. VDT (Visual Display Terminals) work means data input, editing and correction of text, etc., through the use of VDT equipment composed of displays or keyboards, etc.

Community Involvement

As a responsible corporate citizen, Muratec will work hand in hand with our local community neighbors to be actively involved in local affairs.

Manufacturing starts with human development

● Inspiring the Next Generation

Muratec factories support various next-generation development efforts through manufacturing.

Kaga Factory

- Communicating the essence of work through hands-on training at companies -

Junior high school students

Junior high school students experience the enjoyment of manufacturing and fostering a sense of gratitude for the people around them

Every year, in cooperation with Kaga City, the textile machinery manufacturing teams at Muratec's Kaga Factory offer a workplace experience program for local junior high schools. Last fiscal year, the factory received one student from Kinjo Junior High School for three days from August 25. Day-1 of the program provides participants with training about the work-place morale and occupational safety essential to manufacturing. On Day-2 and Day-3, students actually experience manufacturing tasks on the factory floor. This hands-on factory training aims not only to provide a workplace experience to the student but helps him or her better appreciate their friends and families. In short, the program's main emphasis is human development.



A program for high school students

Developing individuals who can think and act for themselves

Every year, Muratec's Kaga Factory cooperates in a long-term industrial training program promoted by Ishikawa Prefecture. Last fiscal year, we welcomed participating students from Daishoji Vocational High School.

To help the students learn how to think and act for themselves this practical training program encourages them to think about "What is work?" and "Why is this or that done in this particular way?" Because Muratec's program is based on a philosophy that fits with Ishikawa Prefecture's educational policy as well as that of participating schools, it is very well received and expectations for it always very high.

During the presentation session of the program's final day, students make presentations about what they have learned during the training. For example, singling out some essential work culture practices such as "the importance of greeting each other at work" and how "a good workplace atmosphere leads to further improvement and ultimately to better products."



Head Office -Engaging in dialogue with stakeholders through practical training at companies

Holding 'karakuri' (mechanical doll) making classes for local elementary school students

Muratec has been participating every year in the Kyoto Children's Product Creation and Workshop Study Project, as held by Kyoto City Board of Education since February 2010.

The workshop theme was "Let's make karakuri (mechanical dolls)." With Muratec employees serving as instructors, the children were allowed to handle and investigate mechanisms designed to thrill children. In doing so, our employees introduced children to the mechanics behind how things work and shared their joy of making things with them.



Lecture about CSR given at Ryukoku University

Our company CSR representative participated as a lecturer in a Ryukoku University Faculty of Policy Science class called "Global citizenship (corporate social responsibility)" (led by Professor Takafumi Nakamori). During the course's final session students made presentations and shared their ideas about what would make the CSR activities of participating companies more attractive. As Muratec values such dialogue with all its stakeholders in the community, we have adopted student suggestions into our annual CSR activities.



Conducting a hands-on manufacturing internship program geared to technical college students

Every year, Muratec Head Office offers a "Hands-on Manufacturing Internship Program" aimed at students from technical colleges all around Japan.

As part of this practical training, the interns are assigned to make a motor-driven device. Using trial and error, they proceed through each step of the manufacturing process, from planning and designing, to final assembly. Every year, Muratec Head Office offers a "Hands-on Manufacturing Internship Program" geared to students attending technical colleges all around Japan.

Each intern, as part of their practical training, is assigned to make a motor-driven device. The students proceed by trial and error through every step of the manufacturing process - from planning and design, to final assembly. They also receive a technical lecture from a Muratec specialist, a meeting that also provides an opportunity for direct dialogue between interns and Muratec employees.



Cooperating in the long-term industrial training program offered by the Graduate School of Technology Management (MOT) at Ritsumeikan University

As part of the "Practicum" long-term project-based industrial training course offered by the Graduate School of Technology Management (MOT) at Ritsumeikan University, Muratec Head Office received two of the course's first-year master students. The last fiscal year marked Muratec's fifth year hosting this program and, on the final day of the training, a presentation session was held during which students made suggestions to Muratec. They specifically shared ideas on how to further strengthen organizational capabilities based on the questionnaire survey they carried out using responses from employees at Muratec's R&D Center. It was this department that hosted them during their training.



PICK UP! Cultural and Educational Support and Sports Promotion Efforts through Communication

We value our dialogue with the people in our local community. We continue to support a variety of efforts to this end.

Sponsoring the Empress' s Cup Inter-Prefectural Women' s Ekiden

Muratec wishes to help foster a healthy competitive spirit and sense of sportsmanship in today's young people who will one day take responsibility for our society in the future. So we are supporting sporting activities rooted in local communities. One representative example of this type of activity is the Empress' s Cup Inter-Prefectural Women' s Ekiden, and we have been the sole sponsor since the 7th competition in 1989.



Sponsoring Kyoto Sanga F.C.

Our company supports Kyoto Sanga F.C., the J.League soccer team near our Head Office, as an official sponsor



Providing a Site for the Inuyama Criterium Road Race

Our Inuyama Factory played host to the Inuyama Criterium* (Bicycle) Road Race. This cycling road race is sponsored by the Aichi Cycling Federation. During the 20th race held in June last year, Muratec provided a looped course (maximum length 2.2 km) using roads within our Inuyama Factory property.

* A criterium is a cycling road race held on a short course.



Corporate Governance and Internal Control

Basic policy

At Murata Machinery we are comprehensively building our corporate governance and internal controls so that we may remain as a company that is trusted and valued by society, through our compliance-focused policies.

Management /supervision system

Muratec makes important management decisions and monitors the status of its business operations through management conferences attended by the Board of Directors and Executive Officers as well as division meetings held in the presence of Board members.

Auditors attend the above meetings to ensure the legitimacy and validity of what is being discussed and resolved. These auditors also conduct accounting and operational audits on Muratec group companies both in Japan and abroad, thereby strengthening overall governance.

Moreover, an 'Executive Officers System' was introduced in June 2011 which limits the powers of the Board of Directors in corporate decision-making and management supervision. This effectively transfers operational powers to the Executive Officers and has ensured faster and more opportune corporate decision-making.

Internal Control and Risk Management

In accordance with the Companies Act, we are arranging our internal organization to be more focused on compliance and risk management issues. In practice, we have set up a 'Compliance and Risk Management Committee System' within our management structure and are now evaluating the system's effectiveness.

Compliance and Risk Management System

We established a 'Compliance and Risk Management Committee' to be the organization for promoting implementation of internal controls for the entire Muratec group since April 2007. We have prepared a compliance promotion system that takes into consideration Muratec group as a whole in order to raise compliance awareness among employees.

We have also founded Technical Committees to assess the risks which, as a company, we need to address. Furthermore, we have in-house consultation and reporting desks which all employees at Murata Machinery group can contact in confidence.

Promoting Compliance and Risk Management Activities

Muratec Code of Conduct

We created The Muratec Code of Conduct to enable all group employees to carry out their duties with a common set of values and standards of conduct. Furthermore, to explain how our code of conduct should be implemented, we have issued the 'Muratec Code of Conduct Implementation Guidance'. Within this guide, we have made our position clear regarding "Respect for ethics and human rights", "Prohibition of discriminatory practices and corrupt behavior" and "Prohibition of forced labor and child labor".

Respect for Ethics and Human Rights

Respect for Ethics and Human Rights In today's modern global society, the issues of human rights and ethics have assumed particular importance. Within Muratec group, respect for human rights is included within the wording of our Code of Conduct. The importance of this is emphasized in the training and education programs we provide to new employees and new managers. In 2015, we ran an 'e-learning' program for managers.

98% ... Participation rate for the e-learning of "Harassment prevention"



Training for export control (Ise)

Compliance and Ethics Training

At Murata Machinery group, we are aiming to create awareness about compliance issues so that every employee has a deep and well-established compliance mind-set. As such we continuously carry out compliance-related education programs and "Prohibition of forced labor and child labor".

List of Education and Training Activities in 2015

- World Café, a forum for discussing how our CSR connects to our corporate philosophy
- Training for export control
- BCP Seminar
- e-learning on Harassment Prevention (For manager)
- e-learning on BCP
- e-learning on Social Media Risk

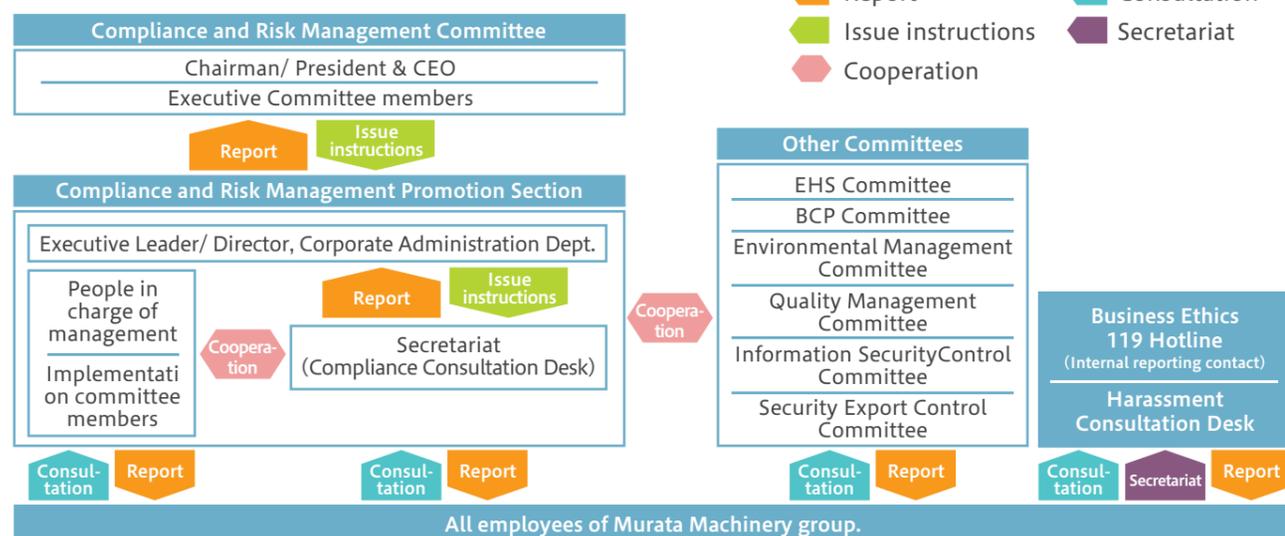
In recent years, employees are exposed to more and more possibilities for using personal social networking services such as Facebook. In 2013, Muratec formulated policies concerning the private use of such services. This fiscal year, we have provided "e-learning on Social Media Risk" to reflect those policies.

96% ... Participation rate for the e-learning of "Social media Risk"



World Café for discussing how Muratec's CSR connects with our corporate philosophy (Inuyama Plant)

Promotion Structure



Strengthening Business Continuity Plans (BCP) by stockpiling disaster supplies

Aiming to be an organization able to ensure employee safety and business continuity even during emergency situations.

Muratec has formulated 'business continuity plans' (BCP) in order to become an organization that places its top priority on employee safety and one that is able to speedily make business continuity decisions during emergencies. In specific terms, the company has drawn up and implemented policies, rules, and operation manuals that outline what each employee should do in the event of an emergency situation.

Furthermore, we provide disaster related education and drills with management reviewing these activities as learning opportunities. Through such steps, Muratec ensures that BCP measures are continuously being improved.

Last fiscal year, we simulated a situation in which employees were stranded and had to perform restoration measures at their workplaces after a major earthquake. We have stockpiled disaster supplies at Head Office, and at the Inuyama and Ise Plants, including water,

emergency food, emergency toilets, blankets, and restoration work tools. The company has taken such steps to ensure that, if necessary, our employees can spend the days following an earthquake at their workplace and within a safe environment stocked with at least minimum essentials. We have also installed satellite phones and carried out a communication drill in readiness for a situation in which normal telephone communications may be disrupted due to mobile carriers being overwhelmed.

In the years ahead, we will properly maintain and update our disaster supplies, hold drills involving stockpiled items, and provide disaster supplies to other plants and offices as well.





MURATA MACHINERY, LTD.

■ Editorial Policies

The purpose of publishing this Muratec CSR Report 2016 is reporting our social responsibilities at Murata Machinery, as well as our performances through our CSR effort to our stakeholders.

The information covers all our corporate business divisions.

This report describes, in sections arranged by the type of stakeholder such as environment, our customers, our suppliers and vendors, our employees and local communities.

In editing this report, our objectives have been to achieve “concrete explanations that are easy to understand” and “page layouts that are easy to read” . Furthermore, we have established key performance indicators (KPIs) for our priority issues.

■ Boundaries/business divisions

Our company undertakes the development, manufacture and sales of textile machinery, logistics systems and factory automation systems, automated material handling systems(AMHS) for clean rooms, machine tools and communication equipment. This report covers our CSR efforts related to these business divisions.

■ Boundaries/organizations

We cover our main business places in Japan, as listed below. We have also included information about some of the activities of affiliated companies.

■ Murata Machinery, Ltd.

Head Office (Kyoto), Inuyama Factory, Ise Factory

■ Time period

In principle, this report includes information corresponding to the period from April 2015 to March 2016. However, information about some activities that have continued from before this period has been reported. Activities that occurred closer to the date of publication have also been included.

■ Date published

August 2016: Made public on our corporate website
(August 2017: Next scheduled publication date)

■ Reference guidelines

■ GRI Sustainability Reporting Guidelines (G4)

■ Contact for inquiries

Corporate Administration Department, CSR Group.

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■ August, 2016