

CSR REPORT 2017

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 prosperous 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

JPY 900 million

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

3,160 (Group : 6,730)

[as of April, 2017]

Net sales

JPY 198 billion (Non-consolidated)

JPY 261 billion (Consolidated)

[as of March, 2017]

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, Network devices



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 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.

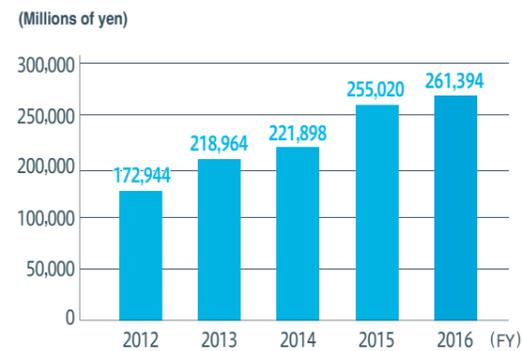
Main products

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

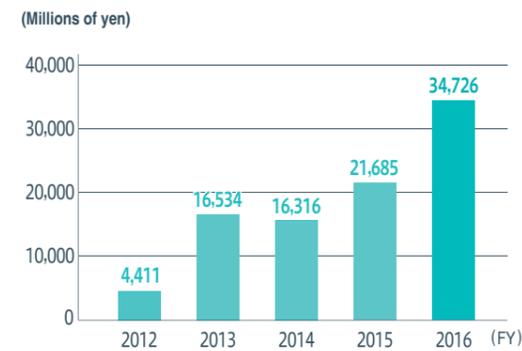


Financial Results

Net sales record (Consolidated)

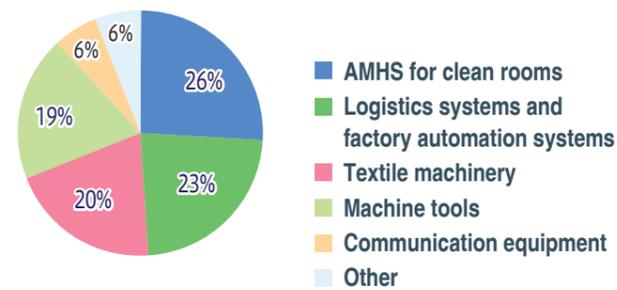


Operating profit record (Consolidated)



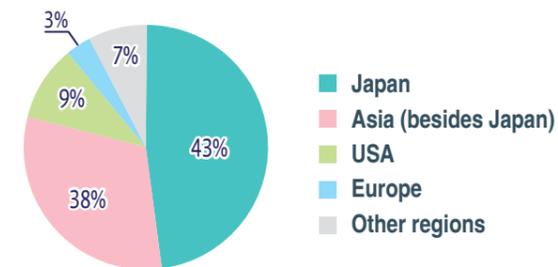
Net sales composition by business division (Consolidated)

FY2016 Net sales by business division JPY 261 billion



Net sales composition by region (Consolidated)

FY2016 Net sales by region JPY 261 billion



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	Europe & Middle East	North & South America
KYOTO GUMI BEIJING SHANDONG JIANGSU SHANGHAI ZHEJIANG	ULVILA DRESDEN DÜSSELDORF DUBLIN GRENOBLE	GRIMSBY SALT LAKE CITY PHOENIX CHARLOTTE NORCROSS
GUANGZHOU SHENZHEN HONG KONG TAIPEI HSINCHU TAICHUNG TAINAN	ISTANBUL NESS ZIONA CAIRO DUBAI	DALLAS MEXICO CITY QUERETARO SÃO PAULO
MUMBAI COIMBATORE DELHI BANGKOK SINGAPORE HO CHI MINH CITY BANDUNG		



Head Office (Kyoto)



MURATA DO BRASIL



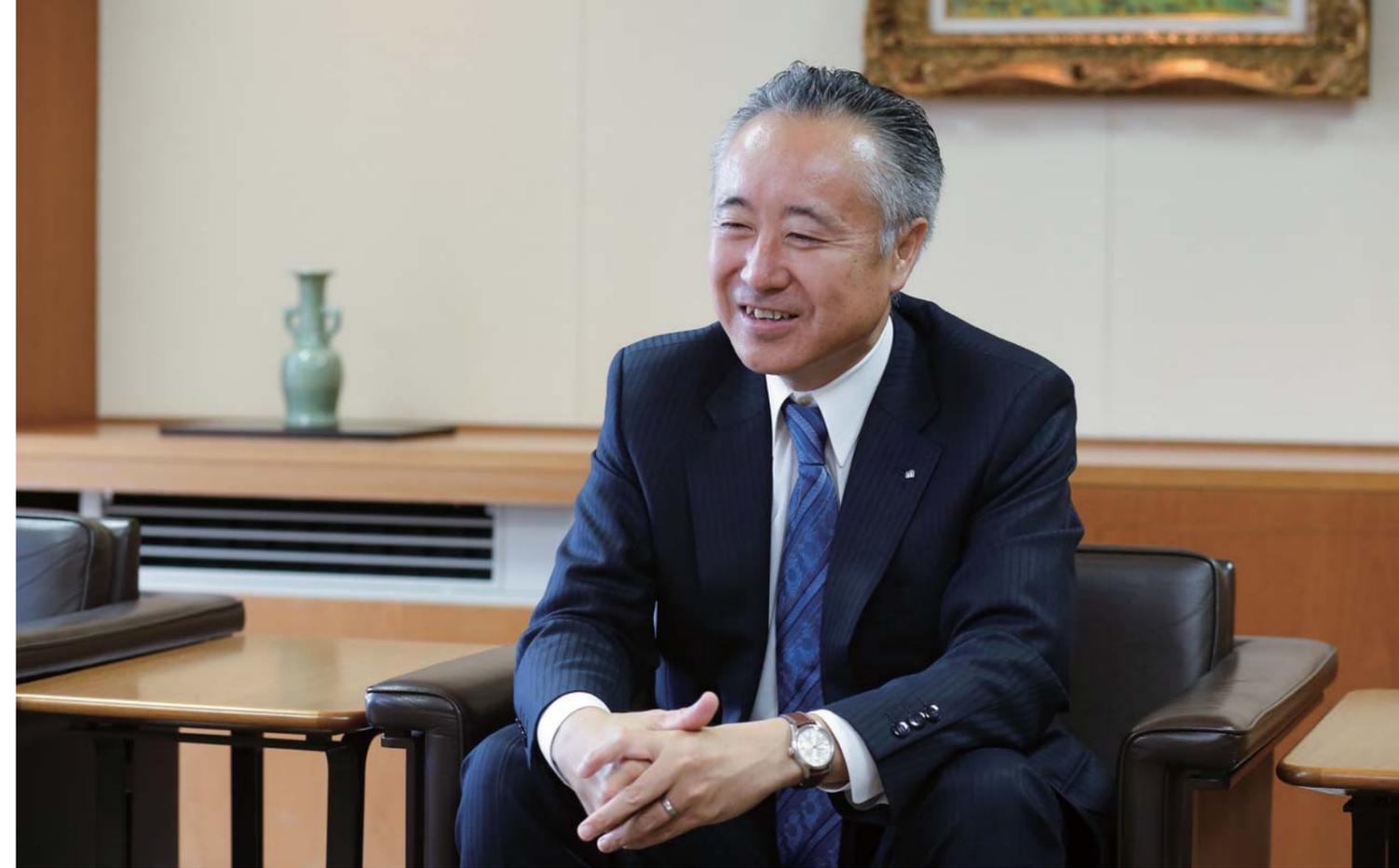
MURATA MACHINERY SHANGHAI



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,” we at Muratec have long provided our customers with human-friendly technologies. Therefore, our first and foremost corporate social 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 make a major contribution to society.

The year that ended March 2017 was the first year of our new three-year plan. The plan’s overall theme is “Let’s Find Links”. At that time, there were rising concerns about the slowdown of the Chinese market and the appreciation of the yen. However, there were signs of improvement in the latter half of the year and, thanks also to the thriving semiconductor industry, we closed the year with the largest ever consolidated sales and operating profit since our founding. Indeed, the need for automation and energy-saving machinery is on the rise due to labor shortages caused by the declining birthrate and aging population. We have been able to take advantage of these trends for several reasons. Firstly, we have improved the quality of both products and operations “quickly,” “thoroughly,” and “as a team.” Secondly, the “Only One” technologies we have been developing and refining so patiently have finally gained a hold in the market. At the same time, our efforts to restructure underperforming businesses have begun to bear fruit.

Having celebrated the 80th anniversary of our founding year 2015, we came up with a new message; “Link to the Future.” This phrase means that taking our company as it currently stands—the “effect” of our efforts to diversify—and making it the “cause” behind our next transformation. The rationale for ‘creating links’ is that, if we can make the most of our strengths - namely diversity of our business and personnel- we will be able to address the three major challenges we currently face in the way that is most effective and one that matches our company character. The challenges I refer to are the changes

in the competitive environment of the global market, the changes within manufacturing caused by the rapid advance of information and communication technologies, and the other various changes and issues facing society.

Regarding shortages in the labor market and the long working hours of those in employment, these are not just issues existing elsewhere and we need to make a serious commitment to tackling such problems as they apply to us. In any society with a dwindling birthrate and aging population, and looking at the long-term, the recruitment, training, and retention of human resources will be the most important factor for organizations to achieve sustainable development and make progress. To address these challenges it is essential, now more than ever before, to create an environment conducive to diverse work styles, values and one that ensures mutual respect. In other words, each one of us must enhance his or her ability to identify and develop links.

We have only just reached the starting point on a long path that will hopefully lead us to successfully tackle the above three challenges. Though it may be a long, rocky, and unpredictable path, there is no going back. In such turbulent times as now, it is important to start acting from where you can, instead of waiting for the situation to improve. A company is a forum where all members pool their collective strengths and work together to confront large-scale, daunting, challenges that no single individual would dare take up on his or her own. We are one such company and, during this three year period, we are determined to change the world by forging the links that only we can forge.

Feature 1

Muratec organizes a “TSUNAGARU” World Café encouraging dialogue among employees

~ What each of us can do to create links ~

Making the most of diversity, one of Muratec's strengths, we have contributed in realizing a prosperous society through the creation of new technologies. Having celebrated its 80th anniversary last fiscal year, Muratec came up with a key concept “link” in efforts to grow into a company that can respond more flexibly to changes in the social environment and pave the way for a new era. To materialize this key concept, Muratec initiated a “TSUNAGARU” Project*, under which 27 activities were started.

As one of such activities, Muratec held a “TSUNAGARU” World Café at various offices and plants, providing employees with opportunities to discuss the topic of links.

* “TSUNAGARU” Project is a catch-all name for tasks aimed at actualizing our linkage to pioneer the future “Link to the Future” corporate message which was introduced at the 80th anniversary ceremony.



Link to the Future

Topic of the World Café:

What each one of us can do to create links with each other

At its 80th anniversary, Muratec came up with the word “link” as its key corporate message. Interpretation of the word “link” may vary from person to person. We decided to use the World Café as a forum where employees with different ways of thinking gather and freely discuss their views on links.

The World Café actually serves coffee and snacks and plays BGM to create a truly relaxing atmosphere.

In a safe and hospitable environment, participants freely contribute opinions as equal persons, regardless of their job titles or departments. With smiles and sometimes serious expressions on their faces, participants speak out their views, while closely listening to what other persons have to say.



About World Café

World Café is a method of discussions at meetings developed and introduced in 1995 by Juanita Brown and David Isaacs. During the World Café, small groups of 4-5 people discuss a topic by periodically changing the combinations of group members in a café-like, relaxing atmosphere. The World Café seeks to encourage participants to deepen awareness through dialogue and eventually change their behaviors.



The characteristic of the World Café is to believe “The answer is in each person’s mind”

Participants shared various observations and ideas. Their comments include, “Some participants are from the same division or department as mine and we often talk with each other at work. Still, by having close discussions here, I have found the aspects that I hadn’t know about them. It was a pleasant surprise” and “Thanks to the hospitable atmosphere, we were able to talk more comfortably and listen more carefully to others. I am going to use the lessons I learned today for creating such a cordial atmosphere at my workplace, too.”

Creating links leads to the creation of new values

Links create true values when two different things are connected, a very exciting process in itself. As an opportunity to create values that have so far been left undiscovered by taking employees out of their daily routines and encouraging them to develop new links, Muratec will continue organizing the World Café at its offices and plants.

What lies beyond the World Café is the realization of a prosperous society and each employee’s happiness. At the core of all this is our core value, the “creation of new technologies.”

Protecting Small-and-medium Enterprise (SME) Customers from Cyber Risks

Feature 2

To protect customer's offices from the threat of cyber risks through our core business, Muratec's Communication Equipment Division has newly developed InformationGuard, the information security tools. In this section, we will introduce the development stories by the product planner who took on these challenges.



Synergy with other divisions is our strength and potential for further growth

If the Communication Equipment Division is to make the best of the strengths it has developed so far and continue providing products and services that meet customers' needs, we must cooperate with engineers from other divisions of Muratec more flexibly than we have done within our own division.

As all-company marketing meetings, our sales departments actively organize opportunities for information exchange across different divisions and group companies. In fact, for the development of InformationGuard, these gatherings served as opportunities for coming up with new ideas and realizing something we had not been aware of before.

We, Muratec's mission is to support its customers' businesses and provide solutions to their problems. To fulfill this mission, we are determined to continue manufacturing the products that help our customers increase their productivity and improve business performances. At the same time, we will continue functioning as a group that can work with colleagues from other divisions who share the same mission as ours and make the most of the technologies in which each division excels, thereby shaping a brighter future. Muratec still has a lot of potentials for growth.

Our passions

Established in 1972, Muratec's Communication Equipment Division commercialized Japan's first facsimile machine using general subscriber telephone lines. The division then expanded its business to the area of MFP (multifunctional peripherals) featuring multiple functions such as facsimile, digital copier, printer, and scanner.

In a market where many MFP manufacturers compete fiercely, we have made it a point to create "values" that only Muratec can provide. Specifically, we have sought to come up with simple, easy-to-operate, and robust products equipped only with truly necessary functions. To materialize these values, we have engaged in product development and finely-tuned after-sale support services, placing main emphases on "user friendliness" and "reliability." Such values and attitude of Muratec has been well received by our customers, particularly by small-and-medium enterprises (SME), whose specific needs our products and services addressed most effectively. As a result, our relationship with our SME customers grew so strong that Muratec became their first choice in office equipment.

Rapidly changing office environment -Digital data taking over paper as a means of communicating information-

Against that background, the Communication Equipment Division came to a turning point with a recent rise in interest in information security. Companies nowadays face the question of how to protect their valuable data assets from cyber risks, such as cyber attacks and information leakage due to computer virus infection. With digital data taking over paper as a means of communicating information and information itself, offices need to take even more elaborate information security measures. However, many SME customers has a problem finding people who can do the job. And this is exactly where we thought we can make use of our strengths.

Expanding business to the information security sector

Launched in 2016, InformationGuard was developed to provide solutions to such SME customers. The concept of this system is

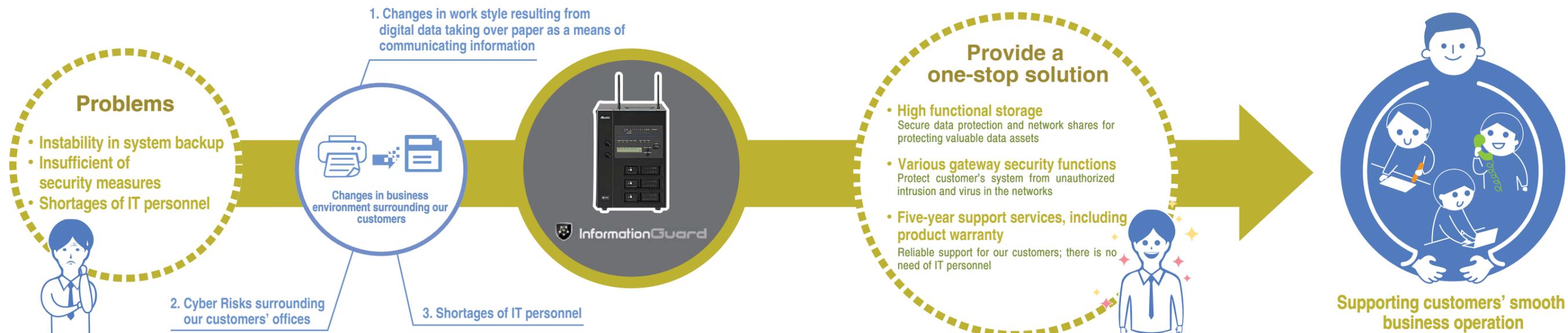
"We are your IT manager." This all-in-one system contains a high function storage (comprising data storage, data backup, and data restore functions) and gateway security (*). For this system, we provide "five-year support services, including product warranty," so that our customers can safely protect and comfortably use their important data assets, even if they have no IT managers of their own.

The values we can provide through this system comprise simple and easy-to-understand services, a main unit developed with our design technology known for making robust products, and information security functions using the software technology that we have obtained through our experiences in information equipment development, and this is our social contribution through our business activities.

* Gateway security function: Centered on a firewall, the gateway security function protects your system from unauthorized intrusion and virus in the networks through such specific functions as IPS (intrusion prevention system that detects unauthorized access and prevents attacks), antivirus, and antispam for emails.



VOICE
Communication Equipment Division
Office Automation - Product Planning Office
Toru Hiraoka





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.



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.

Our Social Responsibility

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

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 "prosperous 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.

CSR Management (Targets/ Plans and Performances)

Our priority issues

“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 2016 Targets/ Plans	FY 2016 Performances	Evaluation	FY 2017 Targets/ Plans
Environment	Environmental management system	<ul style="list-style-type: none"> Develop a company management system to prepare for revisions to the 2015 version of ISO14001. Enhance the control function of the Unified Office. 	<ul style="list-style-type: none"> ISO14001 standards obtained to prepare for revisions. To strengthen the governance of environmental activity, integrated ISO 14001 environmental management systems in both Shiga and Oita sites in a unified system. 	<ul style="list-style-type: none"> ○ ○ 	<ul style="list-style-type: none"> To enhance environmental awareness, the Unified Office will conduct companywide environmental training. Promote the integration of operations among the Head Office, the Inuyama, Shiga, and Oita sites.
	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 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"> CO2 emissions (per unit production) were reduced by 19% from the 2010 level Water consumption (per unit production) was reduced by 5% from the 2010 level Waste emissions (per unit production) were increased by 32% from the 2010 level VOC emissions (per unit production) were reduced by 28% 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)
Customers	Quality management system	<ul style="list-style-type: none"> Prepare for the revision of 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"> Continue maintaining an ISO 9001 management systems and endeavor to improve quality.
	Improving quality	<ul style="list-style-type: none"> Deploy “Product Manufacturing Standards” to customers and suppliers. 	<ul style="list-style-type: none"> Conducted e-learning for customers to thoroughly familiarize them with “Product Manufacturing Standards.” 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Standardize and quantify know-how for ensuring consistent quality and handing down technology.
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"> Hold CSR seminars targeting both customers and suppliers. 	<ul style="list-style-type: none"> Held CSR seminars for 5 suppliers and 18 vendors. 	<ul style="list-style-type: none"> ○ 	<ul style="list-style-type: none"> Continue holding CSR seminars targeting both customers and suppliers.
Employees	Work-life balance	<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. 	<ul style="list-style-type: none"> Newly introduced entrance-exist control systems at Tokyo Office, Osaka Office, and Kisshoin Factory (Kyoto). A briefing session on the introduction of the new systems was held with the participation of a total of 76 employees. Held a labor management related briefing sessions in which a total of 121 employees participated. 	<ul style="list-style-type: none"> ○ ○ 	<ul style="list-style-type: none"> Hold labor management related briefing sessions, etc. for reducing overtime, and thereby promote better understanding of how to manage working hours. To manage working hours more strictly, revamp the attendance management system into one equipped with alarm functions and management functions concerning overtime.
	Diversity and Inclusion*	<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. 	<ul style="list-style-type: none"> NProvided follow-up training to those participated in the “Women Leadership Program (WLP)” held in fiscal 2015, thereby ensuring their continuous development. Received a “Kurumin”, the Next Generation Support Certification Label, as a company that provides superior childcare support. Provided career design and life planning training programs targeting employees in their 50s. 	<ul style="list-style-type: none"> ○ ○ ○ 	<ul style="list-style-type: none"> Initiate a “Diversity & Inclusion (D&I) Promotion Project” and make proposals on measures for promoting D&I. Continue holding WLP to develop female leaders. Improve an environment for ensuring a better balance between work and child/family care.
	Safety and health	<ul style="list-style-type: none"> To achieve zero Lost-time injuries, implement educations 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. 	<ul style="list-style-type: none"> 4 Lost-time injuries , 13 Non Lost-time injuries occurred. Continued EHS Daily Audit and 5S Daily Audit. Held a mental health seminar. A total of 285 employees participated in these seminars. Held a traffic safety seminar. A total of 625 employees participated in the seminars. 	<ul style="list-style-type: none"> △ ○ ○ ○ 	<ul style="list-style-type: none"> To achieve zero lost-time injuries, enhance EHS Daily Audit and safety and health education. Continue holding a mental health “Self-care” seminar. Also conduct a “Workplace Care” seminar targeting supervisors. Hold a “World Café program” under the theme of work environment improvement.
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.
Corporate Governance	Maintain ethical standards	<ul style="list-style-type: none"> Provide level-based compliance education and holding e-learning seminars. Conduct internal audits on company rules. 	<ul style="list-style-type: none"> Provided “e-learning on Social Engineering Risks” targeting all employees. (Participation rate: 91%). 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"> To enhance awareness about compliance, hold a “World Café Program” concerning compliance. Conduct prescribed internal audits and provide instructions aimed at improving audit results.
	Strengthen risk management systems	<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. 	<ul style="list-style-type: none"> Started BCP training targeting newly recruited employees (employees hired fresh from school and those hired in mid-career). Conducted e-learning and cross-departmental and cross-divisional training at the Head Office, Inuyama Factory, and Ise Factory. 	<ul style="list-style-type: none"> ○ ○ 	<ul style="list-style-type: none"> Provide e-learning and practical training to further familiarize employees with BCP. Conduct drills involving different departments and offices to improve the effectiveness of BCP.

* Diversity and Inclusion 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.

Environmental activities

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. Also, through greener products and business activities, we aim to achieve harmony between our existence and the environment around us.



Developing and Supplying eco-friendly products

- 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 supplying eco-friendly products

Reducing the environmental impact of our business activities

- Being continuous in our efforts by operating environmental management systems

Muratec Environmental Philosophy

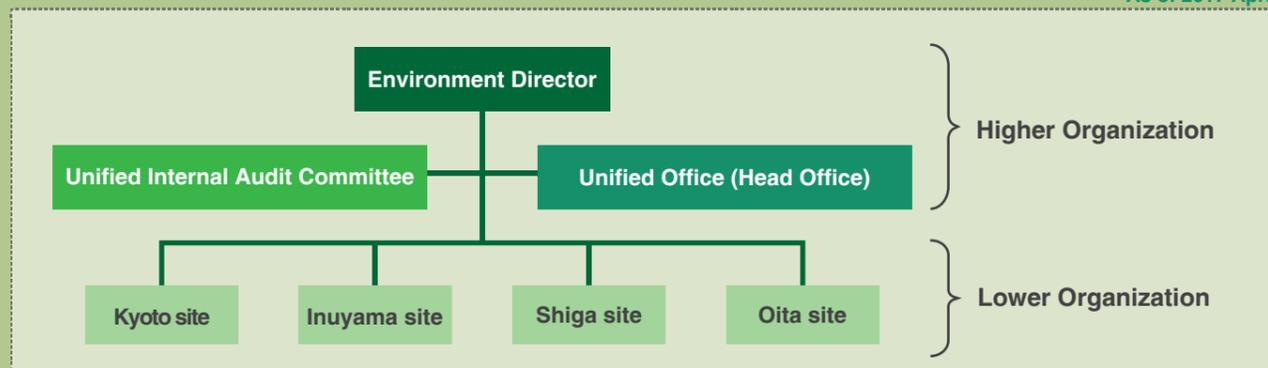
We recognize that environmental and resource-related issues pose a serious threat to society's prosperity. So we are fully committed to helping resolve these issues through both the products we make and the conduct of our business.

Muratec Environmental Policy

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	5	Disclosing environmental information
2	Supplying environmental friendly products	6	Raising environmental awareness
3	Complying with legal and other requirements	7	Living in harmony with nature
4	Setting environmental goals and improving sustainability		

Environmental management structure



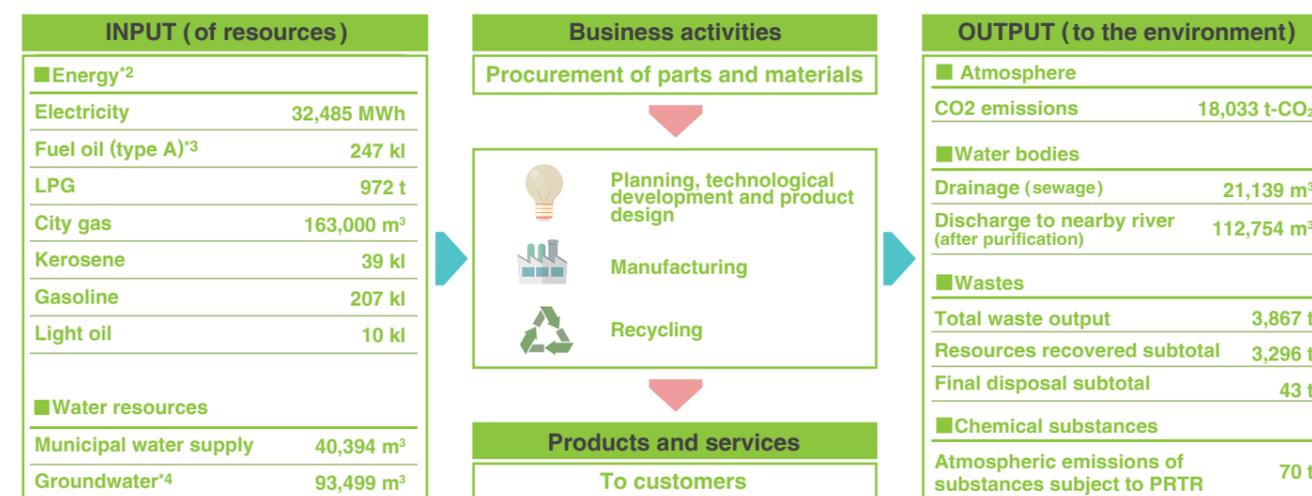
Reducing Environmental Impact

Target toward 2020

Objectives (Themes)	Key performance indicators	Target toward 2020	Per unit production denominator
Preventing global warming	CO ₂ 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 activity 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	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.

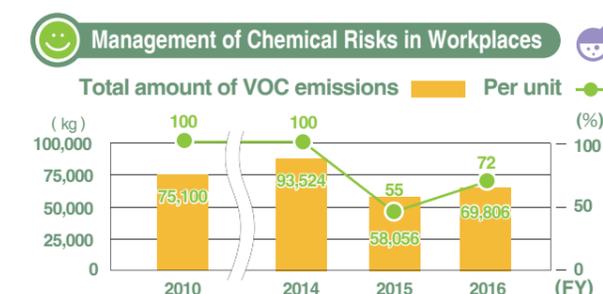
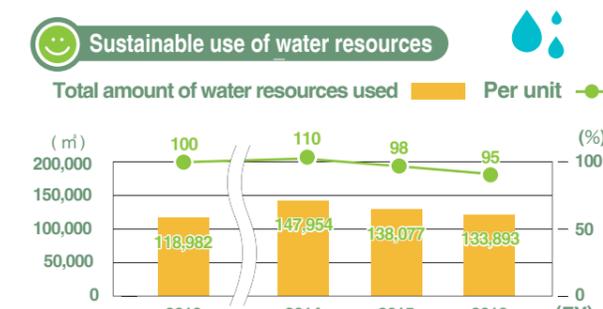
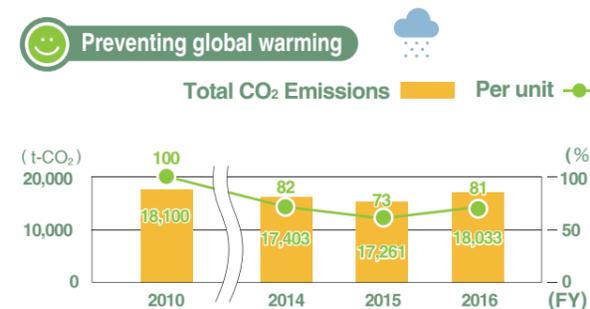
Materials flow



*2: The amount of input energy, 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.)
 *3: 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.
 *4: 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 Performance

Level of attainment
● Achieved
● Slight gap between target and achievement
● Not Achieved

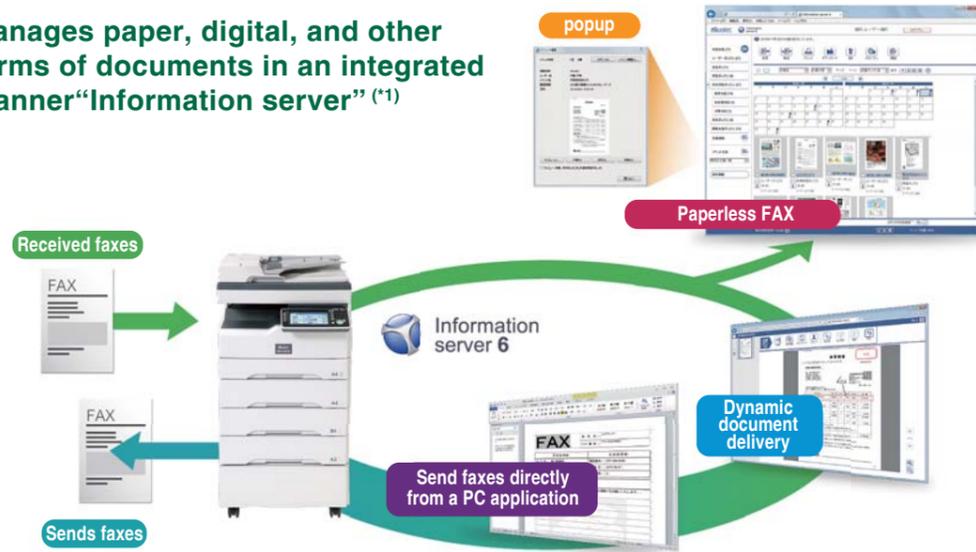


Developing and Supplying ecofriendly products

Muratec's Communication Equipment Division provides ecofriendly multifunctional peripherals that contribute to work efficiency improvement, cost reduction, and energy saving at our customers' offices. Last fiscal year, in order to respond to diverse office needs in a more efficient way, we launched MFX8230 and MFX-8200, compact black-and-white multifunctional peripherals that can print A3 paper.



Feature 1 Manages paper, digital, and other forms of documents in an integrated manner "Information server" (*1)



Automatically delivers received faxes

Can automatically deliver received faxes to specified users, email addresses, network's shared folders, and other destinations without needing to print them out. Raises work efficiency and promotes a paperless office environment by quickly sending necessary information to those in need of that information.

Sends faxes directly from PC

Documents stored in the Information server or prepared on PC can be directly delivered to specified fax numbers without needing to print them out. By skipping the process of printing on paper, raises work efficiency and promotes a paperless office environment.

*1 : Information server is network support; it will be a shared network printer without a printer server. It helps to make a paper-less office.

Feature 2 Can adjust energy consumption depending on the situation of use.

Energy-saving, environment-conscious design

When the machine is not in operation, can reduce power consumption by switching to the "power saving" mode. Achieving a typical weekly energy consumption or TEC (*2) of 1.2kWh, this performance complies with the international Energy Star program version 2.0.

Several power consumption modes

By setting to the initial mode, users can keep power consumption at 0.5W. The machine also has another power consumption mode (*3) that resumes the standby display by placing a document or touching the touchscreen. Users can select the mode that most suits their needs.

Compliance with environmental standards and acquisition of certifications

Complies with the international Energy Star program

Acquired the Eco Mark certification

Complies with the criteria of the Act on Green Procurement

Can receive faxes with 0.23W power consumption at the "minimum power consumption" mode

During nighttime and other hours when the machine is not in operation, the machine switches to the "minimum power consumption" mode and responds only to the "receive fax" command. Set at this mode, the machine requires the standby power of only 0.23W, substantially reducing energy consumption.

*2 : Value obtained by an energy consumption assessment method specified by the international Energy Star program
*3 : Power consumption at this particular mode is 14W.

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. 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



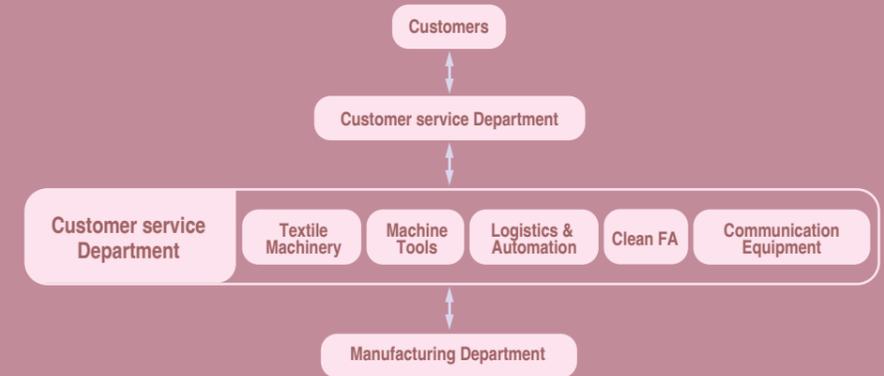
Muratec Quality Policy

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 management system

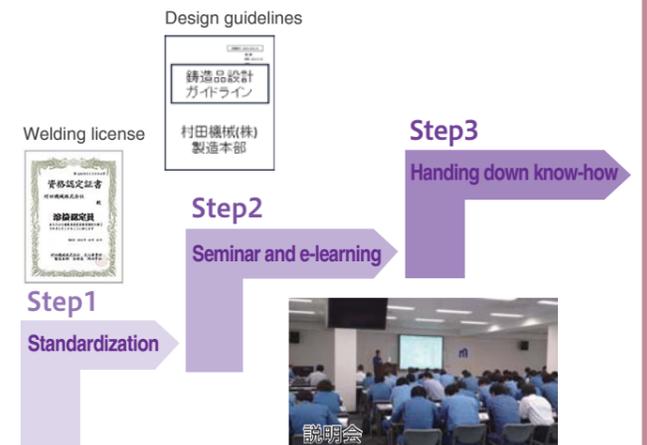
The President of Muratec represents the overall authority for quality assurance with each company division employing the quality assurance system most suited to its characteristics.

Through continuous improvement of our product and service quality, we ensure that customer satisfaction is always growing.



TOPICS Handing down know-how and techniques for further quality improvement

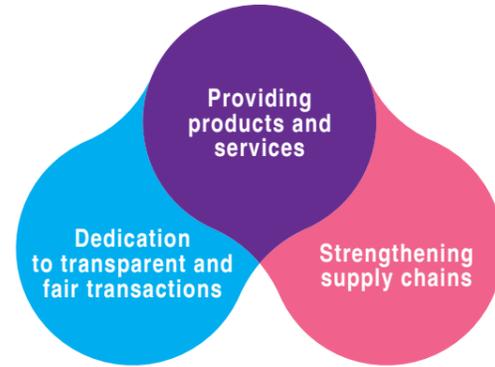
Muratec's Manufacturing Department has been making continuous efforts to familiarize employees with the Product Manufacturing Standards. The goal of these efforts is to use clear standards, instead of the obscure expressions conventionally used in the manufacturing processes, thereby reducing defects. Last fiscal year, for further quality improvement, we worked on communicating manufacturing know-how to younger employees. Specifically, we worked out numerical standards for various casting processes that had before then been carried out only by trained technicians and handed down such numerical standards to younger operators. By standardizing manufacturing processes, we will make sure to develop an organizational structure in which we can maintain consistent quality despite generational change.



Supply Chain Responsibility

Through fair and impartial purchasing activities and the development of global supply chains that can flexibly respond to changes in the environment, we strive with our suppliers and vendors to provide the world with valuable products and services.

- 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

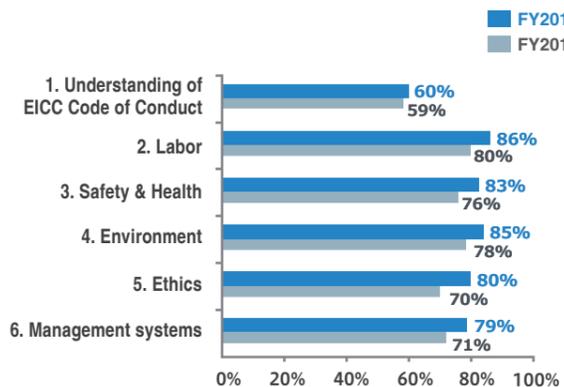
In addition to items 1 and 2 above, we conduct comprehensive evaluations when selecting the suppliers and vendors that are the most important for the work of our company. Factors include the stability of their business foundations, the assurance of products specifications and quality that meet our needs,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

Dedication to transparent and fair transactions

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 implementation of EICC Code of Conduct*. According to the results of the second-round questionnaire survey that was conducted last fiscal year, the implementation level has improved at our major suppliers.

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

EICC Code of Conduct Implementation level by item



* The EICC Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain.

CSR seminar targeting suppliers

As an opportunity to have dialogue with our suppliers and share information concerning our CSR activities, we held a CSR seminar targeting our major suppliers. Participating suppliers made such comments as "It is important that all parties from suppliers to manufacturers maintain a good relationship and together fulfill their social responsibilities" and "It was a good opportunity to learn about other companies' activities."

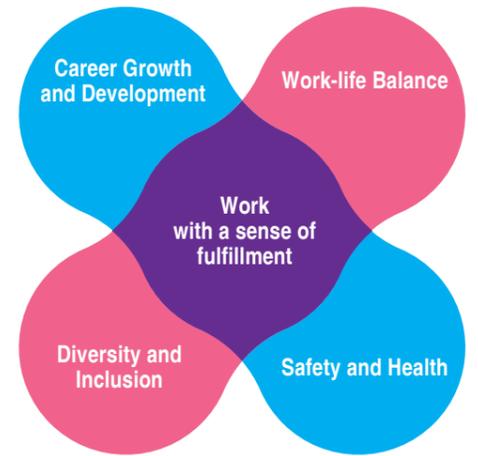


Caring for Our People

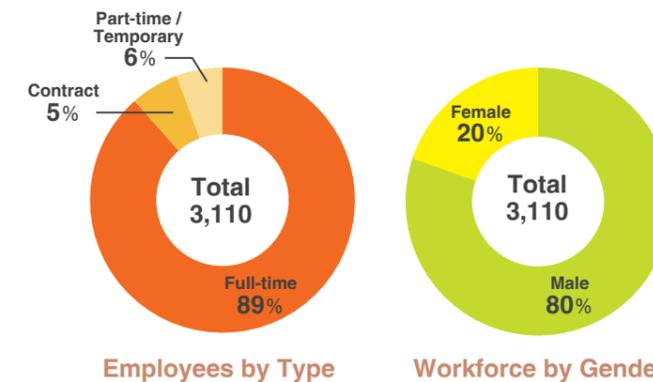
Muratec recognizes that employees are the most important of all company resources. As such, we believe it essential to provide our employees with both opportunities and an environment that helps them achieve the best possible performance.

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 and Inclusion
- Safety and Health



Breakdown of Employees



Workforce Data

Unit: Person

	Male	Female	Total
Full-time	2,288	472	2,760
Contract	149	18	167
Part-time / Temporary	52	131	183
Total	2,489	621	3,110

* As of 1, April 2017
* 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



Promoting the Work-Life Balance

In accordance with Japan's 'Next Generation Nurturing Support Measures Promotion Law' / 'Women in the Workplace 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, in recognition of the various measures it had taken to help employees achieve better work-life balance, Muratec received a "Kurumin" certification by the Minister of Health, Labour and Welfare as a company that provides superior childcare support.

Action Plan (Stage 4 : from April 2016 to March 2019)

- Goal 1 :** Have five more female employees who assume the section chief or equivalent posts
- Goal 2 :** Encourage fathers to take parental leave when they have children
- Goal 3 :** Communicate to and promote understanding of all employees about the systems to help them achieve better balance between work and family life

Supporting Systems for Employees' Work and Childcare

	Pregnancy	Childbirth	1st birthday	Starting elementary school	Completing elementary school 3rd grade	Completing elementary school 6th grade
Maternity leave						
Childcare leave						
Shorter working hours						
Staggered working hours						
Leave for child illness						

Note: Extensions until a child is 18 months old possible under certain conditions

Reduction by 1-2 hours possible

Permitted by law until a child is 3 years old

Nursing

Family care leave	Up to 93 days in total per person requiring nursing care (within 3 times)
Shorter working hours	Leave is available for a certain period of time upon request (within 3 years)
Staggered working hours	Leave is available for a certain period of time upon request per person requiring nursing care continuously
Family care leave	Up to 5 days a year per person requiring nursing care (if moreover two people, 10 days a year)

TOPICS

Muratec received a "Kurumin" certification as a company that provides superior childcare support

Muratec has encouraged fathers to take parental leave when they have children, introduced staggered working hours to ensure a better balance between work and childcare/family care, promoted the use of annual paid holidays, and taken other measures for ensuring a better balance between work and family life. In recognition of its track records in this domain, Muratec was granted a "Kurumin" certification mark.



Developing Human Resources that Support Muratec Growth

To maximize the value of our human resources, Muratec has put in place various educational systems. Specifically, we provide programs 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. We encourage participants so that they will enable Muratec's growth in the future.

Human resource development systems

	Joining	Advancement and promotion
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

GTD Program

~ For development of global human resources with practical skills ~

Aiming to cultivate truly global personnel resources, since June 2013, Muratec's Clean FA Division and L&A Division have been running an English language training program called the "Global Talent Development (GTD) Program" on an annual basis.

Based on online English conversation lessons taught daily by native English speaking teachers, this one-year program gives TOEIC and English speaking tests on a regular basis, thereby improving trainees' English proficiency.

The training includes an English speech contest during which participants deliver a speech in English in front of their instructors and division heads. Those judged to be the "Best Speakers" were recognized with a feedback speech (also in English) from their division heads, and received words of praise and a commemorative gift.



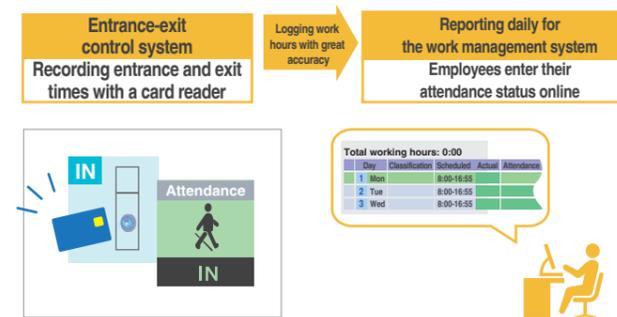
The English speech contest

Program participants, division heads, and instructors

Working-hours Management

Both Muratec's workforce and management are working together to reduce excessively long working hours, and seeking to ensure that employees remain in good health and within an environment where they can work with peace of mind. In order to make the new working hours both 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.

Also, we introduced an entrance-exit control system in fiscal 2015 at Head Office to measure employee working hours with much greater accuracy. Last fiscal year, we introduced this system at the Tokyo Office, Osaka Office, and Kisshoin Factory (Kyoto). Through these efforts, we seek to achieve a working environment where employees can work in good health and with peace of mind.



Diversity and Inclusion

Promoting the career development of female employees

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.

Moreover, since fiscal 2015, we have conducted a "Women's Leadership Program (WLP)" to develop more female leaders. Last fiscal year, we provided follow-up training to the past program participants to ensure their continuous growth.



The follow-up training

Passing on the skills and experience of older employees

At Muratec, 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.

What we see as the "link"

Round-table discussion among the President, younger employees, and middle-ranking employees

During the Muratec Group's 80th anniversary ceremony held in 2015, the President delivered a speech. During the speech, the President called on employees to take a new step forward and make change, based on their renewed understanding of its historical and vertical links connecting Muratec's past to its future and the horizontal links between employees of the Muratec group. Inspired by this message, Muratec launched a "Tsunagaru" Project last fiscal year.

As part of the project, a round-table discussion was held on the subject of "link" attended by the President and the young and middle-ranking employees chosen as MVPs in the past selective training programs.

During the round-table, participants from different lines of work and workplaces freely shared their views on the "link."

The President said, "The diversity of our business is a company feature we are proud of. We would like to meet our customers' expectations by providing intriguing technologies through synergy among these different divisions." In response to the President's words, each participating employee enthusiastically shared his or her views on the links. Their comments include: "Cross-divisional links are important. I find the discussion like this one very interesting because it provides us with opportunities to get to know each other across different divisions," "We still need to strengthen and deepen our links not only within each division but also within each department," "I would like to proactively create opportunities for developing links both inside and outside the company."



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.

With this understanding, in addition to safety and health activities at each factory, we promote all-Muratec occupational safety and health activities and continuously improve performances of such activities under the direction of the All-Muratec Safety and Health Committee of which secretariat is based in the Head Office.



Number of occupational injuries *1,2

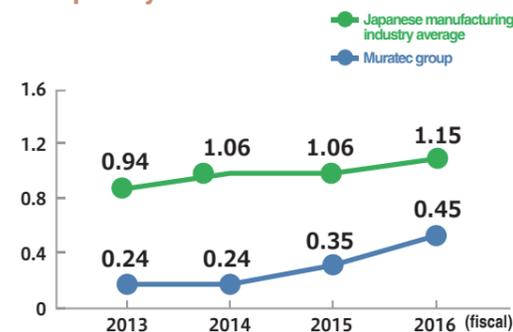
Unit: Number of injuries

Injuries category (LTI/ NLTI)	2013	2014	2015	2016
Lost-time injuries (LTI)	2	2	3	4
Non lost-time injuries (NLTI)	18	12	15	13

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

*2 : Numbers are corrected because the original numbers from fiscal 2013 to 2015 included non-lost time injuries that occurred outside the target plants.

Frequency rate *1



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

Occurrence of occupational injuries

Last fiscal year, there were 4 lost-time injuries and 13 non lost-time injuries. To counter lost-time injuries that have been on the increase year by year and an increasing incidence of injuries involving younger employees, Muratec will continue reinforcing its occupational injury prevention measures.

Number of occupational injuries (Injuries by division) *1

Unit: Number of occupational injuries

Division name	LTI	NLTI
Head office (Textile Machinery Division, Technical Department)	0	1
Head office(Other)	1	0
Inuyama(L/C Manufacturing Department)	1	2
Inuyama(L/C Technical Department)	0	1
Inuyama(L/C)	0	1
Inuyama (Machine Tools Division, Engineering Department)	1	2
Inuyama (Machine Tools Division, Manufacturing Department)	0	2
Inuyama (Manufacturing Department, Machining Department)	1	0
Inuyama (L&A Divisions, Technical Department)	0	1
Inuyama (Muratec CCS CO., LTD.)	0	1
Kaga (Textile Machinery Division, Manufacturing Department)	0	1
Oita (Muratec Mechatronics CO., LTD.)	0	1

Number of occupational injuries by type of injury*1

Unit: Number of occupational injuries

Type of injury*3	LTI	NLTI
Cut and abrasions	1	5
Caught or trapped	1	4
Hit by flying or falling object	1	2
Fall	1	0
Falling to lower level	0	1
Contact with high-temperature/low-temperature substance	0	1

*3: Injury types are based on classifications used for occupational injury statistics of the Ministry of Health, Labor and Welfare.

EHS Daily Audits

To prevent all occupational injuries, the L/C Manufacturing Department has been conducting EHS (Environmental Health and Safety) Daily Audits every day since June 2013. Last fiscal year, the Ise Plant conducted "Refresh Training" as an opportunity to think again about the importance of daily audits.

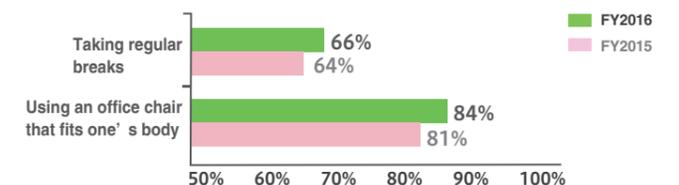


Improving workplace environments

Head Office conducts a survey on VDT work

The Head Office conducts questionnaires on VDT work to identify and alleviate health problems from long hours of PC-based work. Last fiscal year, as a result of exerting efforts into focus areas identified in the previous survey, the second round survey showed improvements in working environments*4.

Change of commitment levels in focus areas



*4: The percentage represents a value obtained by classifying commitment into three levels (scores from 3 to 1), adding up scores multiplied by the number of respondents, and dividing that number by the number of respondents.

TOPICS

A self-care seminar held at each plant

Last fiscal year, with the introduction of a law mandating an annual Stress Check, Muratec conducted the Stress Check test on all employees of its group companies. In addition, each factory held a self-care seminar to help employees learn more about ways to take care of their own mental health.

Self-care aims to help each person better cope with his or her psychological stresses, thereby preventing mental illnesses. To that end, one must have basic knowledge about mental stress, manage stress in his or her daily life, and, if these steps do not work, consult experts. Last fiscal year, to deepen understanding about self-care, we invited lecturers and organized a seminar focusing interactive communication through dialogues between the lecturer and seminar participants and among participants.

Comments made by the participants in the questionnaire survey conducted after the seminar include, "Besides the lecture, I learned a lot from the interactive and participatory part of the seminar," "It was a great opportunity to think about stresses," and "I want to make use of what I learned here for other future occasions, such as interviews with employees."



Community Involvement

Inspiring the Next Generation -Manufacturing starts with human development-

 **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. Our employees introduced children to the mechanics behind how things work and shared their joy of making things with them.



Kyoto

 **Supporting human development through internships**

In the hope of developing individuals who can contribute to local communities and a bright future, Kaga Factory receives students from local junior and senior high schools. Last fiscal year, we welcomed three students from Daishoji Vocational High School. This practical training program teaches students not only skills and techniques, but also the importance of communication. Serving also as opportunities for reunion between that school graduates and the teachers, this training program emphasizes personal relationships. During the presentation session of the program's final day, students made presentations about what they learned. Students' comments include: "I learned not only specialized skills, but also the importance of human relations" and "The training taught me important lessons about my career choices."



Kaga Factory

 **Conducting a hands-on manufacturing internship program**

Every year, Head Office offers a "Hands-on Manufacturing Internship Program" geared to students attending technical colleges all around Japan. Each intern 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 employees and a dialogue with employees. The participating students shared such comment as "The internship renewed my ambition to do a job related to manufacturing."



Head Office

 **Stakeholder dialogue with Ryukoku University students**

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.



Head Office

Cultural and Educational Support and Sports Promotion

 **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 21st 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.

 **Developing links with local residents (Oita Factory, Muratec Mechatronics)**

Each summer, each factory holds a summer festival to entertain employees and their families. At Muratec Mechatronics Oita Factory, employees organize the summer festival mainly to entertain local residents with various attractions they have thought up. One of the attractions that many guests enjoy is a lot drawing session organized by younger employees, including those fresh from school.



Clean Campaign



Summer festival

Every year, at the time of the summer festival, the Oita Factory also conducts the Clean Campaign in which all employees clean the area around the factory. The Oita Factory conducts this campaign in the belief that making its neighborhood cleaner is as an important way of thanking local residents as inviting them to the summer festival.

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 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 System' within our management structure and are now evaluating the system's effectiveness.

Compliance System

We established a 'Compliance 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.

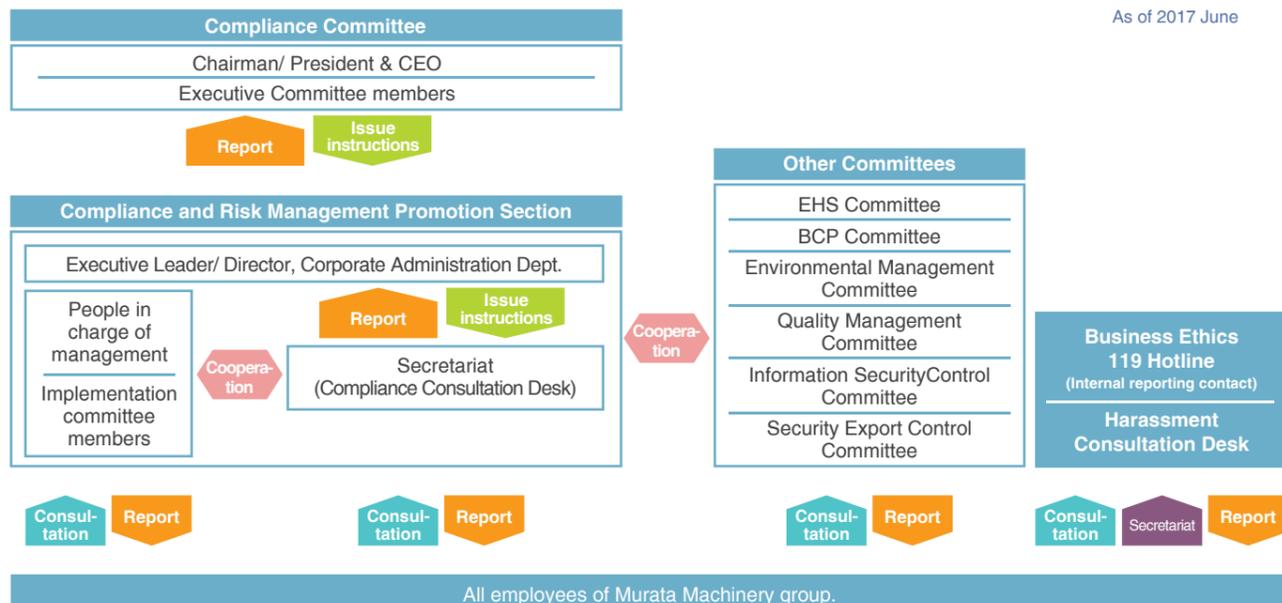
We have also founded Technical Committees to assess the risks which, as a company, we need to address. Furthermore, we have in-house consultation and reporting desks which all employees at Murata Machinery group can contact in confidence.

6 cases/year ... Number of cases reported to the Compliance Consultation Desk

Promotion Structure

- Report
- Issue instructions
- Cooperation
- Consultation
- Secretariat

As of 2017 June



* In June 2017, the "Compliance and Risk Management Committee" was renamed "Compliance Committee."

Promoting Compliance 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

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 2016, we ran an 'e-learning' program for all employees.

93% ... 'Harassment prevention' participation rate



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.

List of Education and Training Activities in 2016

- Compliance World cafe
- Seminar for how to read the contract
- Seminar for Product Liability (PL) Law
- Seminar on how to ensure safety during overseas business trips

Last fiscal year, as a step to ensure information security, we conducted "e-learning on social engineering risk." This training aimed to deal with attempts of unauthorized access to a company's secret information by such direct and physical means as telephone and burglary.

91% ... 'Social Engineering Risk' participation rate



Strengthen cooperation between offices and factories ! Companywide effort to promote a business continuity plan (BCP)

Aiming to be an organization able to quickly resume its operation and continue its business in emergency situations, Muratec has formulated and improved its business continuity plan (BCP). Specifically, we draw up emergency action plans, provide relevant education to employees, verify the effectiveness of said plans through drills and tabletop exercises, have these activities reviewed by management every year for continuous improvement.

Last fiscal year, we focused on joint activities among the Head Office, and the Inuyama and Ise Factories. Specifically, the three factories met each month to align the levels of their activities, drew up an operation manual on what the other offices should do when one of the offices is hit by a disaster, and conducted a drill based on that manual. The drill assumed a situation in which a major earthquake hit the Inuyama Factory. We established a disaster mitigation headquarters, communicated with the Head Office and the Ise Factory through teleconference system, shared the statuses of damage, and discussed the content of assistance.

In the years ahead, we will continue strengthening cooperation among offices and factories, thereby developing a system that will enable us to exert all-company efforts in the event of an emergency.





MURATA MACHINERY, LTD.

|| Editorial Policies

The purpose of publishing this Muratec CSR Report 2017 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 2016 to March 2017. 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 2017 : Made public on our corporate website
(August 2018 : Next scheduled publication date)

|| Reference guidelines

|| GRI Sustainability Reporting Guidelines (G4)

|| Contact for inquiries

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|| August, 2017