

CSR REPORT 2018

Editorial Policies

The purpose of publishing this Muratec CSR Report 2018 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 2017 to March 2018. 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

September 2018 : Made public on our corporate website
(September 2019 : Next scheduled publication date)

Reference guidelines

GRI Sustainability Reporting Guidelines (G4)

Contact for inquiries

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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

3,250 (Group : 6,950)
[as of April, 2018]

Net sales

JPY 194 billion (Non-consolidated)
JPY 253 billion (Consolidated)
[as of March, 2018]

Head Office

136 Takeda Mukaishiro-cho,
Fushimi-ku, Kyoto 612-8686 Japan



Communication Equipment Division

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

Main products

Digital multifunctional office equipment,
Network devices



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



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 tool (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

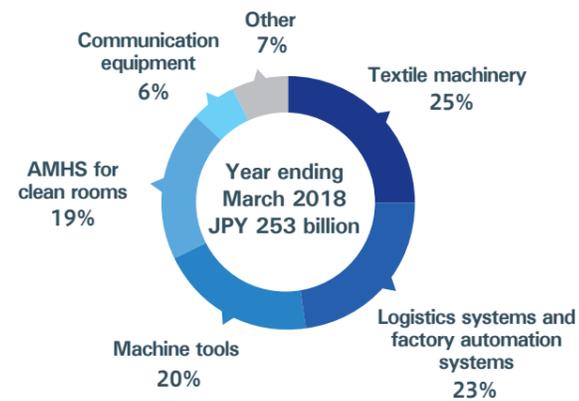
Net sales record (Consolidated)



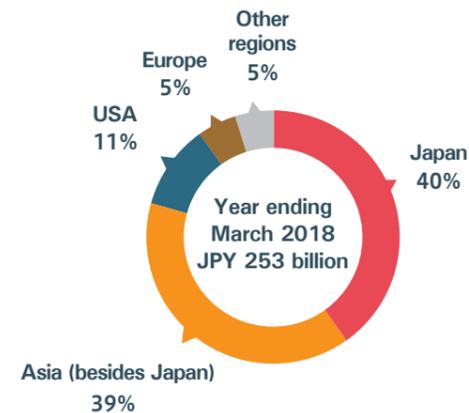
Operating profit record (Consolidated)



Net sales composition by business division (Consolidated)



Net sales composition by region (Consolidated)



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.



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 our philosophy of “Let machines do what machines can do and let humans do what only humans can do,” we at Muratec have long provided our customers with human-friendly technologies. “In practicing our corporate philosophy, we will strive to constantly take one step ahead and expand our limits.” Through such untiring and steady efforts to take on new challenges in our main business areas, we have provided products and services that offer solutions to our customers and eventually contribute to the creation of an affluent society. These are Muratec’s unchanging social responsibilities of all times.

In April last year, Muratec’s New Three-year Plan reached its second term. Our business has enjoyed a favorable performance for two consecutive terms since year before last. Demands for automation and labor-saving machinery that we have particularly emphasized have been boosted even more since the year before last, prompted by chronic labor shortage afflicting society as a whole. Unfortunately, we experienced a parts availability problem with some products and were not able to satisfy requests from some customers. Despite all this, in the year ended March 2018, Muratec Group earned 253.0 billion yen in consolidated sales and 34.4 billion yen in consolidated operating profit, figures that were only slightly smaller than the previous year. We also maintained our profit margin as high as the previous fiscal year.

Last year, under the all-company theme of “Let Us Find Links,” we gave specific and in-depth thought to what, how and from where we should find links to address three major challenges facing us. The challenges are 1) changes in the competitive environment of our business, 2) structural change of the manufacturing industry itself resulting from the introduction of artificial intelligence (AI), automation, robotics, and IoT, and 3) social challenges such as the declining birthrate and aging population, natural resources and energy, and environmental issues.

In operating our business, we have handed down technologies for generations in line with our all-time vision of “Let machines do what machines can do.” This in turn has enabled us of the current generation to help our customers of tomorrow in each industry. In terms of social trends, as shown by such events as the adoption of the UN Sustainable Development Goals (SDGs) and the dissemination of all-industry code of conduct across our supply chains, demands for sustainable social and economic development have entered a new stage. These events have been prompted by the advancement of information and communication technologies for monitoring and controlling such developments. In this context, we should note that automation and control should be promoted not for its own sake but for the benefit of humans.

Based on our philosophy of “Let humans do what only humans can do,” we will speed up the process of improving our sensibility and responsiveness to the opportunities and risks associated with these social demands. Within the company, we have created many “spaces” for free and uninhibited exchange of information. Standardization of systems and interfaces, development of VI^{※1}, and the integration and realignment of organizations have also taken place as a result of our endeavors to find more links. Also, by promoting D&I^{※2}, we hope to let ourselves express ourselves in more diverse ways, actively accept and cooperate with different people and embrace and empathize with diverse values. In the current business year, we add our wish, respect, and continuous action for each employee’s safety, security, and health. By adding these values, we pursue and provide to society our “safety value,” thereby announcing that Muratec is a safe and secure partner to do business with.

※1 VI stands for “visual identity,” visual means of communicating corporate identity, such as brand logos.

※2 D&I stands for “diversity and inclusion.”

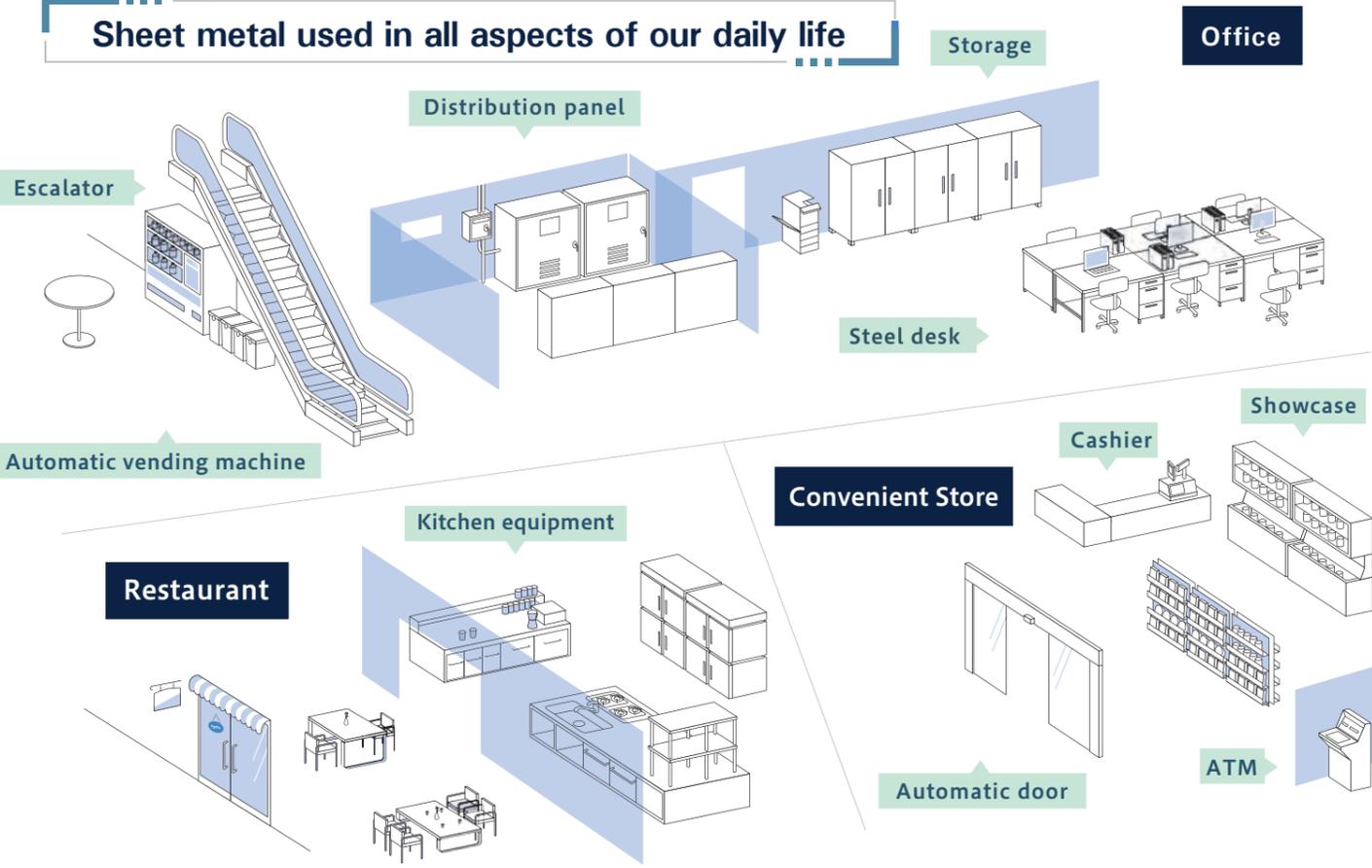
Feature 1

- New Challenges for Sheet Metal Machinery -

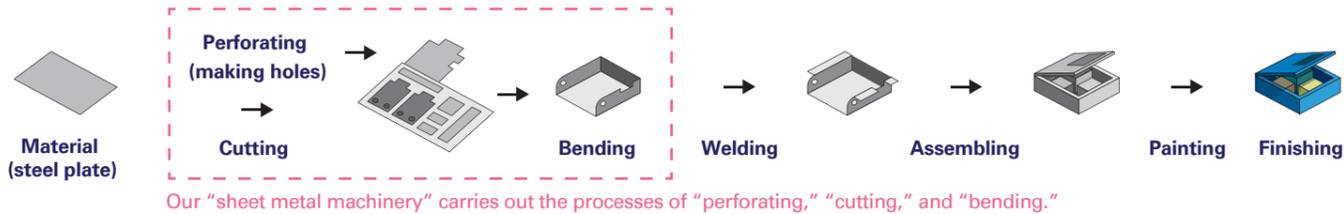
Consolidating the processes of “perforating”, “cutting”, and “bending” using our unique technology for “transporting” and skills to manufacture human-friendly machines, Muratec works with its customers to create the future of the sheet metal industry.

Metal supports modern life in various forms from construction materials to industrial machines. Muratec sheet metal machines are used to process metal materials into finished products. In the following, we discuss what kind of values our sheet metal machines provide to our customers through the products they process and how they help our customers address their challenges. In the same context, we also introduce readers to our technological capabilities and our efforts to enhance our organizational power that underlies our technological advantage.

Sheet metal used in all aspects of our daily life



Sheet-metal fabrication process: From material to finished product



The sheet metal industry being required to shift to the style of “manufacturing various products in variable quantities”

In recent years, drastic changes have been underway in the manufacturing industry. In particular, the style of production has changed from “mass production,” in which several products are made in fixed quantities, to “manufacturing various products in variable quantities,” where products now in need are made only in necessary quantity. In the sheet metal industry, too, it has been an urgent task to switch to “manufacturing various products in variable quantities.”

To help customers address these challenges, Muratec has fully utilized the technologies, know-how, and experiences it has so far accumulated and taken a truly customer-centered perspective. Specifically, we have provided machines that allow for labor saving, automation, and productivity improvement, thereby enabling our customers to shift to the manufacturing of various products in variable quantities.

Challenges

Response to a shift toward “manufacturing various products in variable quantities” experienced by the sheet metal industry

Manufacturing various products in variable quantities means manufacturing products in a way that corresponds to changes of the types and quantities of products being required by the market.

Challenge 1

To make products now in need only in necessary quantity, production processes tend to diversify and become complicated. Meanwhile, spaces and resources available on the shop floor area limited.

Challenge 2

To ensure quality consistency even if the manufacturing processes become complicated, it is necessary to develop competent human resources and communicate relevant know-how. However, it is difficult to improve the working environment, resulting in a low retention rate and labor shortage.

Videre won the Distinctive Merit Award at the 48th Machine Design Award, sponsored by The Nikkan Kogyo Shimbun.

Videre won the award because it is user-friendly, easy to operate, and incorporates a cutting-edge interface with innovative and creative features.

TOPICS

“Be cheerful and positive”: Toward an organization that values person-to-person links

Machine Tools, a division engaged in the production and sale of sheet metal machinery, is making efforts to further improve its organizational climate.

To become an organization that can flexibly respond to drastic changes of the social environment and customers’ needs, we believe it most important to have not only outstanding products and core technologies, but also a “climate” that makes each employee happy and encourages mutual help. As such, employees from different departments—sales, engineering, manufacturing, services, etc.—should gather, regardless of job titles, and talk candidly and earnestly about “subjects that appear to have no direct relation to our day-to-day operations, but are actually very important.” We organize the World Café as an opportunity for sharing each other’s ideas and feelings over coffee in a relaxed atmosphere like in a coffee shop.

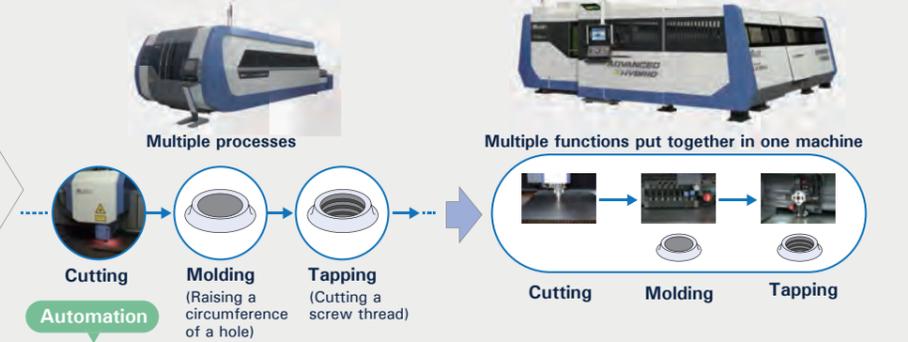
Participants comment that, although they “have hardly ever had a chance to talk about future organizations, work, and relations between employees and their supervisors,” the World Café “provided an opportunity to have conversations across different departments and positions, bringing about new insights and inspirations.”

Our market is changing substantially and each of our divisions must think how to change itself accordingly. We have both expectations and concerns over what lies ahead. In the belief that “we can make it with the right people and close communication across the company,” we are promoting face-to-face, sincere dialogue with “links” as a key word.

Steps taken

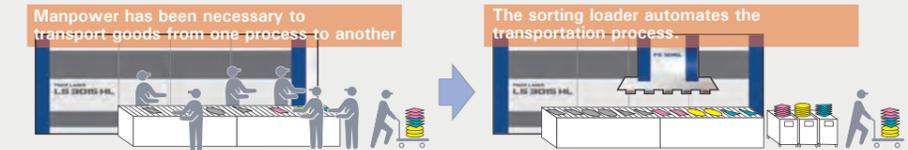
Labor-saving

Multifunctional fiber laser machine incorporating “cutting,” “molding,” and “tapping” in one machine
Conventionally, the processes of “cutting,” “molding,” and “tapping” have been carried out by three separate machines. This fiber laser machine achieves labor-saving by incorporating three processes into one multifunctional unit.



Sorting loader that can “automatically transport” goods from “picking” to “sorting”

This sorting loader (transportation system) provides a solution to “picking” (the process of retrieving cut materials) and “sorting” for the next process, which have conventionally involved heavy work. Manpower has been necessary to transport goods from one process to another. The sorting loader automates the transportation process.



Productivity enhancement

“Videre” press brake incorporating a worker assisting system that provides image and sound to keep the user informed of the status of the “bending” process.

Conventionally, operators needed long experience and high skills to use the press brake (bending machine). Videre is a human-friendly interface that displays the image of the next process in front of the operator and alert the operator by a sound when the process is completed or caution is needed. When mounted on the press brake, Videre allows even a less-experienced operator to work the press brake with accuracy and efficiency.



The World Café

Feature 2

Muratec BCP (Business Continuity Plan)

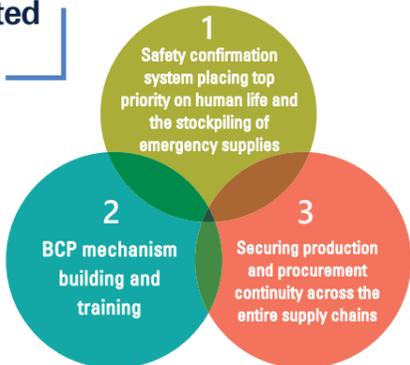
- "Do not stop the business nor let the business stop" Efforts toward enhancing Muratec values

Changes in the business environment open up opportunities for an organization to increase its adaptability to the environment or bring about innovations in the values that it provides. However, drastic environmental changes like major disasters could jeopardize the organization's business continuity.

Even if such major disaster occurs, we should make sure to protect above all else the lives and safety of our employees, continue business activities not only of Muratec but also of our customers, and promptly make a recovery from the damage afflicted by the disaster. Being able to do these things is one aspect of the values Muratec can offer. As a means of continuously providing such a value, we have been taking steps to improve and raise efficiency of our Business Continuity Plan (BCP). In the following, we will discuss the background of our BCP development, together with some observations by our BCP staff.

From "Preparedness" to "Business Continuity Plan" for anticipated massive earthquakes

Conventionally, placing maximum priority on human life protection, Muratec's disaster preparedness activities have centered on post-disaster initial responses such as evacuation and firefighting. Recently, however, due partly to strong demand from our overseas customers, developing a "Business Continuity Plan (BCP)" for swiftly recovering and continuing business after the disaster has become our pressing task. Against that background, we launched our BCP development efforts in earnest in fiscal 2013.



Building disaster-resistant systems that enable both individuals and organizations to resiliently respond to disaster

1 Safety confirmation system placing top priority on human life and the stockpiling of emergency supplies

In the event of an emergency, Muratec BCP places maximum priority on human life protection. As an IT infrastructure to accurately and quickly keep track of the statuses of human lives during disasters, we introduced "Safety Confirmation System." Since then, we have conducted drills for several times a year in which we make sure that each employee can use the system to report on the safety of his or her own as well as of his or her family by smartphone or some other mobile device. Also, we have been stockpiling emergency supplies for employees who may not be able to go home owing to traffic disruption associated with a disaster (so-called "people deprived of means of returning home due to disaster").



2 BCP mechanism building and training

In developing BCP, while it is essential to "identify risks" that may pose a threat to the company, it is equally important to improve each individual's ability to respond to crises. As such, we have made each department identify risks and formulate its "Recovery Manual." Also, we repeatedly conduct "Compact drill"※1 to verify if the manual is really effective.

From fiscal 2016, instead of the tabletop exercise that we had conventionally conducted at each factory or department, we started a tabletop exercise assuming a situation where cooperation among factories is needed. Specifically, we conduct exercises across different factories, communicating with each other by satellite phone or video chat device. Through these exercises, we develop a system of cooperation that helps disaster-stricken factories recover quickly with the assistance of factories spared of damage.



※1 Compact drill is a simulation drill held on the assumption that a certain specific risk has emerged.

3 Securing production and procurement continuity across the supply chains

For the manufacturing industry, disruption of supply chains can be a major factor that impedes the production process, particularly in times of disaster. If we are to continue fulfilling our responsibility of delivering products to our customers even in such situations, cooperation with our suppliers is essential. With this understanding, we have identified parts that are especially important for our product supply and ranked relevant measures in order of importance. Moreover, since fiscal 2013, we have conducted questionnaires with our main suppliers concerning the progress of their BCP efforts. Based on the questionnaire results, we have identified the level of our suppliers' BCP efforts by scoring them and taken initiative to provide BCP training corresponding to each supplier's activity level.

BCP Questionnaire Results

Activity level
Over 70 points

58%

BCP questionnaire for suppliers

① Infrastructure maintenance
Status of infrastructure improvement prepared in case of disaster

② BCP structure
Creating a system that can respond promptly in the event of a disaster

③ Supply chain structure
Preliminary preparation for identifying important parts, early recovery, contact system when the victims were affected

(The year ending March 2018, respondents 64 companies)

Voice

We will carry out BCP activities that are truly useful and have relevance to actual situations.



General Affairs Group, General Administration Headquarters
Yuuri Matsumoto

General Manager General Affairs Group, General Administration Headquarters
Masako Kushimoto

For BCP to really serve its purpose, both individuals and organizations concerned must be mentally and physically prepared to act spontaneously in a way that is rational and ideal for disaster situations.

We must admit that our conventional disaster preparedness activities slightly lacked a sense of urgency. They were more like "exercise for the sake of exercise," urging employees to escape to designated places only after a disaster happens. To address this challenge, we have gradually changed our organizational mindset by shifting to an exercise simulating an actual disaster situation as vividly as possible.

Regarding the question of how to promote BCP activities across the company, our customers advised us that, even if we are to address the same risk, necessary actions and priority differ from one department to another. Instead of expecting the entire company to act in the same manner, we decided to allow each department to promote BCP at its own initiative. During the briefing session held at the time of the introduction of BCP, we gave thorough and in-depth

explanation on why BCP is necessary. Through these communication efforts, we have reached a consensus on how Muratec BCP should be like.

There are good signs with regard to employees' attitudinal change. One such sign is that employees have made it a habit to put their learning into action by conducting feedback after a tabletop exercise and enhancing their department-level measures at their own initiative. During the 2018 Osaka Earthquake, one of the most recent disasters to hit our country, our employees took initial responses more quickly and appropriately than expected, reflecting the gradual but steady effect of the exercises we have conducted.

While it is important to have the right mechanism and training, what ultimately counts in an actual disaster situation is how we can act at the critical moment. This means that we must make ourselves always prepared for the possible occurrence of disaster. We will exert continuous improvement efforts to make our BCP more relevant and useful to actual disaster situations.

TOPICS Distributed management of parts and supplies to allow customers to continue business with a sense of safety and security

In February 2018, we built an automated warehouse on the premises of Muratec Inuyama Plant to store maintenance parts and supplies for the machines delivered to our customers. Called "Muratec Global Parts Center (MGPC)," the newly built automated warehouse incorporates the latest seismic isolation technology※2 that allows for smooth supply and safe and secure warehousing of parts even in times of disaster (particularly earthquakes).

The MGPC office houses the office and call center of Muratec C.C.S., Ltd., one of Muratec group companies that provides after-sales services for our automated warehouses and machine tools. Thanks to this arrangement, we are able to monitor the statuses of our customers' factories even if they have been hit by disaster, and remotely assist in their recovery efforts. With our design capability to develop a service system that functions in emergencies and our technologies to translate our ideas into reality, we offer a service system that ensures quick recovery of our customers' workplaces in the event of disaster, thereby ensuring the "continuity" of their production and distribution activities.

※2 Seismic isolation technology is a technology for preventing earthquake forces from being directly transmitted to a building by placing base isolation units between the building's substructure and superstructure.



Muratec Global Parts Center (MGPC)



Call center

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

1 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.

2 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.

3 Information disclosure

We will engage in broad communication with society and disclose our corporate information in a timely and appropriate manner.

4 Personnel, labor management and workplace environment

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

5 Environmental issues

We will actively engage in environmental issues in our corporate activities as well as through our products and services.

6 Social contribution activities

We will actively engage in social contribution activities as a "good corporate citizen."

7 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)

Priority issues

For each CSR issue, Muratec sets a theme and goal and carries out activities in line with a specific action plan. For each theme, we describe in the following the targets and performances of the year ending March 2018 and the targets for the year ending March 2019. We will make continuous improvement efforts using management approach to achieve our targets.



The 2030 Agenda for Sustainable Development was adopted at a UN Summit in September 2015. By 2030, the Agenda aims to eliminate extreme poverty, inequality and injustice to create a better future and protect the earth. The Agenda contains “Sustainable Development Goals (SDGs).” Muratec fully supports what SDGs seek to achieve. Specifically, we include in our priority issues themes that are deeply related to the 17 Sustainable Development Goals.

STAKEHOLDER	ACTIVITY THEMES	INITIATIVE THEMES	TARGETS AND PLANS FOR YEAR ENDING MARCH 2018	PERFORMANCES OF YEAR ENDING MARCH 2018	EVALUATION	TARGETS AND PLANS FOR YEAR ENDING MARCH 2019
Global Environment ...13p	Environmental management system		<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 plants. 	<ul style="list-style-type: none"> With the 2015 revision of ISO14001 standards, provided e-learning to all employees. A total of 3,753 employees attended. (Attendance rate 82%; Satisfaction rate 74%) To promote the integration of operations among different offices and plants and respond to the 2015 revision of ISO standards, improved the internal audit implementation system, provided training to internal auditors, and conducted a unified version of management review, etc. 	○	<ul style="list-style-type: none"> Conduct companywide environmental training. Also conduct a seminar for internal auditors that emphasizes interactive communications. Promote the integration of operations among the Head Office, the Inuyama, Shiga, and Oita plants. Set environmental targets and calculate CO₂ emissions from the supply chains for the next term.
	Reducing 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"> Reduced CO₂ emissions (per unit production) by 24% from the 2010 base year level. Reduced water consumptions (per unit production) by 3% from the 2010 base year level. Increased waste emissions (per unit production) by 25% from the 2010 base year level. Reduced VOC emissions (per unit production) by 39% from the 2010 base year level. 	○ △ × ○	<ul style="list-style-type: none"> Reduce CO₂ emissions (per unit production). Reduce water consumptions (per unit production). Reduce waste emissions (per unit production). Reduce VOC emissions (per unit production).
Customers ...15p	Improving quality		<ul style="list-style-type: none"> Standardize and quantify know-how for ensuring consistent quality and passing on skills. 	<ul style="list-style-type: none"> Conducted e-learning concerning manufacturing standards and automated experienced operators' processing techniques, thereby making manufacturing processes and techniques explicit knowledge that is accessible to and applicable by anyone. 	○	<ul style="list-style-type: none"> Standardize and quantify know-how for ensuring consistent quality and passing on skills.
Suppliers and Vendors ...16p	CSR promotion in the supply chains		<ul style="list-style-type: none"> Continue holding CSR seminars targeting both suppliers and vendors. 	<ul style="list-style-type: none"> Conducted a CSR seminar for 14 vendors. Also requested 88 suppliers for compliance with the RBA Code of Conduct and cooperation for a questionnaire survey concerning CSR efforts: 66 suppliers responded to the survey (Response rate 68%). 	○	<ul style="list-style-type: none"> Hold CSR and BCP seminars targeting suppliers. Also implement audit and provide guidance to the suppliers so that they can deepen their understanding about respect for human rights. Strengthen communication networks with suppliers to prevent the supply chains from encountering parts availability risks.
Employees ...17p	Promoting work-life balance		<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 alert functions and management functions concerning overtime. 	<ul style="list-style-type: none"> Held a labor management related briefing session with the attendance of 137 employees. Revamped the attendance management system into one equipped with alert functions and management functions concerning overtime. Also introduced the entrance and exit control system to three more plants. 	○	<ul style="list-style-type: none"> Hold seminars, etc. for reducing overtime, and thereby promote better understanding of how to manage working hours. Improve the alert function of the attendance management system in a way that corresponds to the revision of the Labor Standard Law. Consider the introduction of diverse work styles.
	Promoting diversity *(increasing opportunities for diverse individuals)		<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 the Women Leadership Program (WLP) to develop female leaders. Improve an environment for ensuring a better balance between work and child/family care. 	<ul style="list-style-type: none"> D&I Promotion Project members made proposals for recommended measures to the top management (President). Implemented the second-term WLP in which a total of 21 employees participated. In an effort to encourage male employees to play more active roles in childcare, released a “Work-life Balance Book for Dads.” 	○	<ul style="list-style-type: none"> Continue implementing D&I Promotion Project. Continue implementing WLP for developing female leaders. To create an environment where diverse human resources can work together, recruit more female sales representative and engineers and overseas students, whose number has been small so far. 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, enhance EHS Daily Audit and safety and health education. Continue holding a mental health “self-care” seminar. Also conduct a “line care” seminar targeting supervisors. Hold a “World Café program” under the theme of work environment improvement. 	<ul style="list-style-type: none"> Continued EHS Daily Audit at the Inuyama and Ise plants. Also conducted e-learning for enhancing safety awareness at the Inuyama plant, with the attendance of 2,172 employees (Attendance rate 93%). As an effort to improve workplace mental health, “line care” seminar was held for supervisors. The seminar had 383 participants. Conducted a questionnaire concerning workplace environment at the Head Office. Based on the questionnaire results, implemented a health seminar and improved resting areas. 	○	<ul style="list-style-type: none"> To raise safety awareness, enhance EHS Daily Audit and safety and health education. Create an organizational climate that makes employees feel comfortable to seek mental health advice. Hold a “World Café program” under the theme of work environment improvement.
Local Communities ...21p	Inspiring the next generation		<ul style="list-style-type: none"> Provide cooperation for industry-government-academia activities and conduct manufacturing classes. 	<ul style="list-style-type: none"> Each office and plant extended cooperation for industry-government-academia activities and conducted manufacturing classes. 	○	<ul style="list-style-type: none"> Extend cooperation for industry-government-academia activities and conduct manufacturing classes.
Corporate Governance ...23p	Maintaining ethical standards		<ul style="list-style-type: none"> To enhance awareness about compliance, hold a “World Café Program” concerning compliance. Conduct internal audits on standards and provide instructions aimed at improving audit results. 	<ul style="list-style-type: none"> Conducted a compliance seminar at the Ise plant with the attendance of 15 employees. Conducted twice a year an internal audit to ensure the appropriate management of the relevant standards. Based on the audit results, we provided instructions on improvement measures. As a result, the management level rose from 84% at the time of the audit to 94% after the improvement steps were taken. 	○	<ul style="list-style-type: none"> To enhance awareness about compliance, conduct a compliance seminar and self-check questionnaire survey. Conduct internal audits on standards and provide instructions aimed at improving audit results.
	Strengthening risk management systems		<ul style="list-style-type: none"> Provide e-learning and practical training to further familiarize employees with BCP. Conduct table-top exercises and on-site drills involving different departments and offices to improve the effectiveness of BCP. 	<ul style="list-style-type: none"> Provided e-learning on BCP to newly recruited employees and the employees of the Inuyama and Ise plants. A total of 2,509 employees attended (Attendance rate 95%). Conducted a table-top exercise involving different departments and offices at the Head Office and the Inuyama and Ise plants. A total of 66 employees participated in the exercise. 	○	<ul style="list-style-type: none"> Introduce BCP to all group companies and carry out training and exercises targeting the entire Muratec Group. Share the idea of BCP with suppliers.

Environmental activities

As a global company, Muratec believes that its social responsibility is to contribute to the creation of a sustainable society through environmentally conscious business management.

To fulfill this responsibility, we will contribute to realizing a sustainable society by innovating to create products that are better for the environment and by reducing the environmental impact of our business activities.



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.

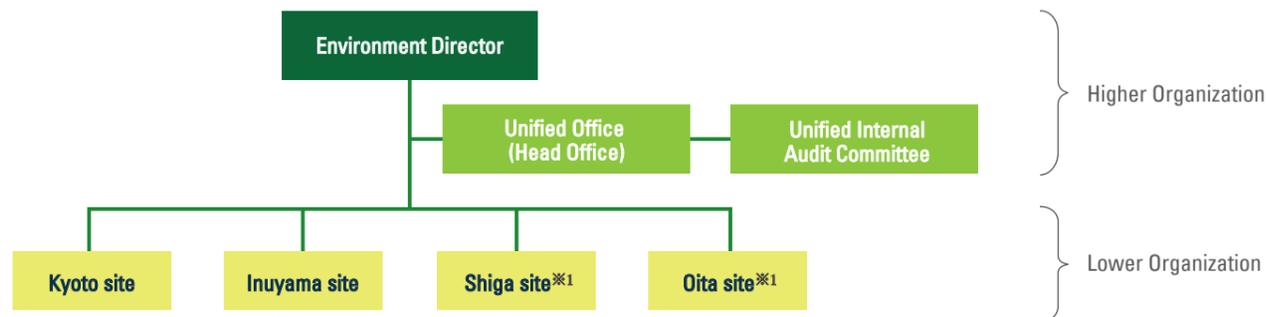
Muratec Environmental Policy

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

Environmental management structure

As of 2018 April



※1 Shiga site and Oita site is for Shiga and Oita factories of MURATEC MECHATRONICS CO., LTD.

Target toward 2020

Objectives (Themes)	Key performance indicators	Target toward 2020	Per unit production denominator
Preventing global warming	CO ₂ emissions (per unit production) ※2	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) ※2	5% reduction from 2010 levels	Per unit of total person-day activity
Contributing to a recycling-oriented society	Waste generated ※2	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) ※2	10% reduction from 2010 levels	Inuyama Factory: Per unit of production value

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

Materials flow



※3 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.)

※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 Training

- Holding an e-learning program to enhance environmental awareness

Recently, we are facing a growing need to approach the environmental issues from a global perspective. To promote its company-wide environmental activities in a more concerted and efficient manner, Muratec Group has obtained a unified Environmental Management System certification.

Last year, we provided an e-learning program for enhancing environmental awareness, targeted at all employees of offices and plants covered by the unified certification. A total of 3,753 employees attended the program. Participants' comments include "The program helped to raise our environmental consciousness" and "Because environment is an issue that each one of us should be aware of, we will be happy to have more such learning opportunities on a regular basis."

“Environmental Training” e-learning attendance rate: **82%**

Textbook used for the Environmental Training

TOPICS

「2R ※5 Muratec (Head Office) won a certification in recognition of its “Excellence in 2R ※5, Garbage Separation, and Recycling Activities”

As part of its ISO 14001 (Environmental Management System) efforts, Muratec Head Office reduces its total amount of waste and promotes recycling activities.



Certificate awarding ceremony

Waste separation is strongly encouraged at each workplace. Waste left unseparated is quantified for monitoring our progress toward our waste reduction target. Inappropriate waste disposal is reported to relevant workplaces, thereby raising awareness of each employee.

Last fiscal year, in recognition of these efforts, Muratec Head Office received from Kyoto City a certification of “Excellence in 2R, Garbage Separation, and Recycling Activities.”

※5 “2R” stands for “Reduce” and “Reuse.” “Reduce” means reducing waste generation itself. “Reuse” means reusing the products, parts, containers, etc. that have already been used once.

Environmental activities

Muratec seeks to increase customer satisfaction by improving the quality of its products and services and by responding rapidly to quality issues.

To achieve these objectives, we have established Muratec Quality Policy as our fundamental approach to quality. In line with this policy, we strive to build a corporate culture that places the highest priority on assuring safety and quality.



Muratec Quality Policy

In adherence with our Corporate Philosophy, we improve the quality, quantity, and speed of sharing, accumulating, and retrieving information. By so doing, we will grow 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 statuses in the quality policy management process.

Maintenance and Improvement of the Quality Assurance System

Quality assurance system

Under the leadership of the President of Muratec, each division has established a quality assurance system that best suits its characteristics.

Specifically, all divisions have obtained ISO9001 certification. In line with the ISO9001 standards, the divisions develop quality assurance systems in their manufacturing processes and maintain and improve their quality management systems. Moreover, each division has its quality assurance department in place, which strives to enhance customer satisfaction through quality improvement efforts and quick response to quality issues.



TOPICS

Translating Each Employee's Growth into the Organization's Quality and Productivity Improvement

– Small Group Activities for Enhanced Quality Control and Improved Shop-floor Skills–

Muratec conducts “small group activities” to increase each employee's ability to identify problems and promote his or her growth, thereby improving product quality and raising productivity.

The main participants in these small group activities are employees of Muratec's Head Office, Inuyama Plant, Kaga Plant, as well as Muratec Mechatronic's Shiga Office and Oita Plant. Specifically, employees divide themselves into small groups and implement continuous improvement measures for various challenges encountered at each workplace and process, by using QC methods^{※1} and turning the PDCA cycle.

Furthermore, as an opportunity to share the results of one-year activities, small groups that have passed preliminary competitions at each workplace gather for an all-company

presentation session. The group that is recognized for excellence not only in numerical results but also in intangible aspects as human development and individual growth will be given the highest award. Moreover, since fiscal 2014, an individual award “Best Improvement Suggestion Award” is given to employees recognized to have actively engaged in improvement activities and greatly contributed to enhancing operational efficiency. Last fiscal year, 7 employees received this individual award.

※1 QC (Quality Control) methods are ways of analyzing problems quantitatively and making them visible.



Presentation session for small group activities (Inuyama)

Working with Suppliers

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.



Muratec Procurement Policy

- { 1. Strict adherence to laws, regulations and social norms }

We will conduct fair and transparent business activities by strictly adhering to the Subcontractor Act and other relevant laws and social norms (e.g. 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 engage in fair, transparent, and free competitions and transactions. We will not accept or provide entertainments, gifts, money or any form of bribes for the purpose of obtaining 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 our suppliers and vendors. Selection criteria include the stability of business foundations, the assurance of specifications and quality that meet our needs, high levels of technological development capabilities, strict adherence to deadlines, stable supply, and reasonable prices.

Strengthening Supply Chains

Supplier questionnaire conducted

In cooperation with its suppliers, Muratec strives to raise the risk management level of its supply chains. Every year, with major suppliers of our Clean FA Division, we evaluate their risk management levels in such ESG^{※2} items as “Labor Practice,” “Safety & Health,” “Environment,” and “Ethics” through a questionnaire survey that corresponds with RBA Code of Conduct^{※3}. According to the results of the 3rd round survey conducted last year, the implementation level has improved in the “Safety & Health” category. In the years ahead, we will further improve our implementation levels through promotion activities focusing on dialogues with our suppliers.

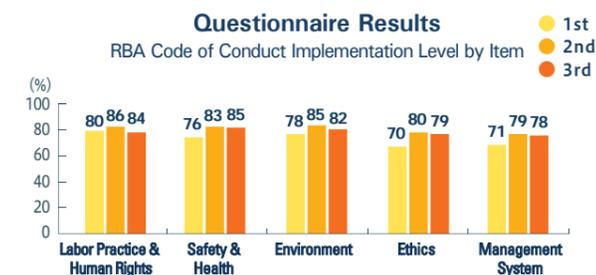
※2 ESG stands for Environment, Social, and Governance.

※3 RBA Code of Conduct stands for Responsible Business Alliance (former EICC) Code of Conduct formulated by a CSR promotion organization representing supply chains primarily in the electronic device industry. The Code of Conduct specifies standards for 5 items, which are (1) labor, (2) environment, (3) safety and health, (4) ethics, and (5) comprehensive management system for ensuring the implementation of RBA Code of Conduct.

RBA Code of Conduct Seminar for Suppliers Took Place

It is important that Muratec and its suppliers work together for the continuation of each other's businesses. With this understanding, we have conducted an RBA Code of Conduct Seminar targeting our suppliers since fiscal 2016 with the aim of sharing information concerning our CSR efforts and promoting dialogue with them.

Last fiscal year, we conducted this seminar at our Inuyama Plant and Ise Plant. Attended by a total of 14 suppliers, the seminar focused on labor practice, among other items and encouraged participants to discuss and deepen understanding about challenges facing each of their organizations and what improvement measures they wish to take in the coming future. Participants say the seminar “was a good opportunity to learn about RBA Code of Conduct.”



Level of Understanding of RBA Code of Conduct

59% → 60% → 61%



RBA Code of Conduct Seminar (Inuyama)



RBA Code of Conduct Seminar (Ise)

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 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. By making continuous improvements within each area, we aim to create a working environment in which every employee can work with a real sense of fulfillment.



Career Growth and Development

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

Muratec uses a “Management by Objectives (MBO)” system with the aim of ensuring growth of both employees and the company. Under this system, each employee sets his or her work objectives and work towards them each year. At the mid-term, the employees review their progress through an interview with their supervisors to ensure the fulfillment of their objectives. Employees are required to set objectives corresponding to goals set by the company’s management, their supervisors, and their subordinates. 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 interview to facilitate growth

Muratec conducts personnel performance evaluations in accordance with evaluation criteria determined for the roles and responsibilities of each job classification.

Supervisors also conduct feedback interviews with each employee as an opportunity to review his or her performance evaluation results. Last fiscal year, the feedback interview was conducted with 96% of all employees. During the interview, supervisors provide their subordinates with feedback about what was performed well and/or what could have been performed better. For their part, employees have a 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.

Developing human resources that support Muratec’s growth

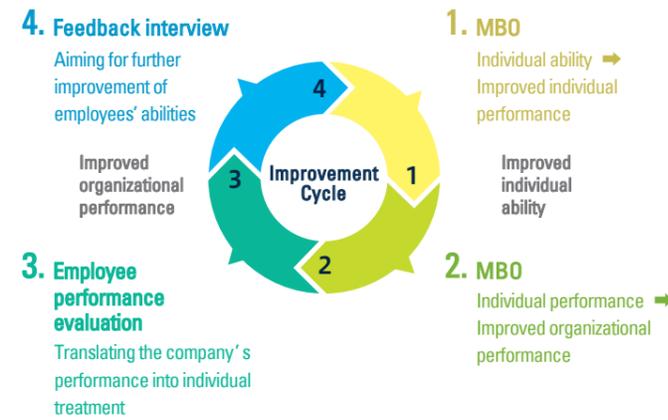
To maximize the value of our most important business asset, namely, our human resources, Muratec has put in place various training and educational programs. Different programs are offered for different levels of employees in the organizational hierarchy in accordance with the roles that each level of employees is expected to play. We also provide selective training to foster next-generation leaders. In all these programs, we encourage participants to translate what they have learned from their training into workplace practice, so that they will be able to support Muratec’s growth in the future.



Selective training (Muratec Business College)

Overview of Muratec’s Personnel System

Turning the improvement cycle to become a company constantly generating high profits



Development of global human resources

With the goal of cultivating personnel who can work actively on a global stage, we have continuously conducted a Short-term Overseas Training Program since fiscal 2012. Targeted at mid-career employees who play central roles in the company, participants in this training program stay in the U.S. for 3 or 5 months and work at Muratec’s group company there. The program aims to develop not only language skills but encourages participants to work in harmony with local staff and understand each other better. Through such opportunities, the training seeks to develop human resources who can really work on the global scale. Employees from various backgrounds from personnel management to accounting to engineering have participated in this program. Of them, 12 are currently working in different countries as Muratec representatives.



English class taught by an instructor in the host country

Promoting Work-Life Balance

General Employer Action Plan (Next Generation Nurturing Support Measures Promotion Law/Women in the Workplace Promotion Law)

Muratec has formulated a ‘General Employer Action Plan’ to develop an organizational climate and systems that enable employees, regardless of gender, to achieve a better work-life balance and make the fullest use of their abilities at every life stage.

As a result of these efforts, we are happy to have seen “increased years of service by female employees” and an “increase in the number of female managers.” Moreover, in fiscal 2016, Muratec received a “Kurumin” certification by the Ministry of Health, Labour and Welfare, as a company that provides superior childcare support. Last fiscal year, we released a “Work-life Balance Book for Dads” to encourage male employees to play more active roles in childcare.



Working-hours Management

Muratec’s workforce and management are working together to reduce excessively long working hours and ensure that employees can work in good health and with a sense of security.

Last fiscal year, we drastically revised our “daily reporting system

for work management,” a system for keeping track of hours worked by employees. With the addition of various new alert functions, the revised system can now manage working hours even more effectively. We also hold an annual labor management session for managers to help them gain accurate knowledge about working-hours management. Last fiscal year, a total of 137 managers participated in this session.

Promoting Diversity and Inclusion (D&I)

Promoting career development of female employees

Since fiscal 2015, we have conducted “Women’s Leadership Program (WLP)” to develop female employees who can take leadership and play substantial roles as managers in the future. Teaching thinking and skills expected of leaders, the program also serves as an opportunity for participants to develop personal networks. Last fiscal year, the program had 21 participants.

We are also expanding career opportunities for female employees by assigning them to posts in sales and engineering—types of work that have conventionally had few woman employees.



Diversity & Inclusion

D&I Promotion Project Started in Full Swing: To become a company that can create something unique by embracing diversity and inclusion and by strengthening each employee’s ability to develop links

With the aim of becoming an “organization in which diverse human resources work together and constantly create new values,” Muratec has implemented various measures and systems[※]. Last fiscal year, we launched a “D&I Promotion Project” to call for employees’ initiative to change the company. Comprising members with different opinions and from various departments and job categories, this project aims to make our company’s systems and mechanisms work even more effectively, while also changing each employee’s mindset.

Specifically, 16 project promotion members gathered to share each workplace’s current status and challenges. Then, the members were divided into several working groups according to subject and discuss solutions.

As a culmination of their year-long activities, the project members made proposals to the top management for addressing several challenges facing the company. Reflecting their serious dedication to the project, the members came up with wide-ranging proposals from dissemination of the idea of D&I across the company to the promotion of career opportunities for older employees. The members themselves benefited from participating in this project: they were able to deepen their understanding about D&I and develop trans-departmental ties among them.

[※] In fiscal 2007, Muratec initiated EEO (Equal Employment Opportunity) program. In this program, we particularly focused on “support for work-life balance,” which was then our biggest challenge. Systems have been introduced to help mainly female employees continue working even after they have children.



Promoting Workplace Health and Safety

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 plant, we promote all-Muratec occupational safety and health activities and continuously improve the performances of such activities under the direction of the All-Muratec Safety and Health Committee of which secretariat is based in the Head Office.

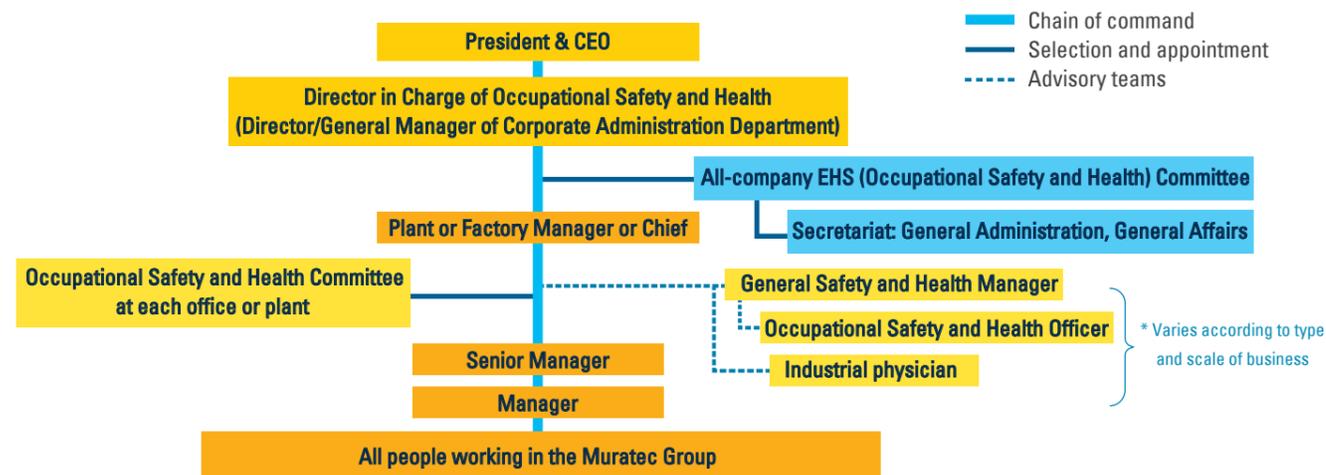


Muratec Safety and Health Philosophy

Placing top priority on ensuring the safety and health of our employees, we will continuously improve our safety and health activities for better outcomes.

In this way we will create a safe and comfortable workplace, maintain the physical and mental health of our people, and help each one of them in their pursuit of improved quality of life.

Safety and Health Promotion structure

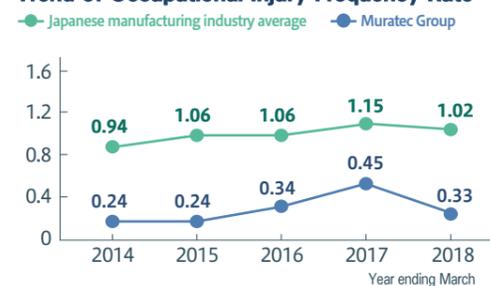


Number of Occupational Injuries ^{※1}

Unit: Number of injuries

Injury category (LTI/NLTI)	Year ending March 2014	Year ending March 2015	Year ending March 2016	Year ending March 2017	Year ending March 2018
Lost-time injury (LTI: Lost time one day or longer)	2	2	3	4	3
Non-lost-time injury (NLTI: Lost time less than one day)	18	12	15	13	13

Trend of Occupational Injury Frequency Rate ^{※2}



^{※1} Target offices and plants: Head Office, Inuyama, Ise, Kaga, and the Shiga and Oita Plants of Muratec Mechatronics Co., Ltd. (employees including temporary dispatched workers, but not contract workers)

^{※2} Occupational injury frequency rate is the frequency of the occurrence of disaster presented by the number of casualties caused by occupational injuries per a total of 1 million hours worked. Occupational injury frequency rate = Number of casualties caused by occupational injuries ÷ Total number of hours worked × 1,000,000

Towards Preventing All Occupational Injuries

Occurrence of occupational injuries

Last fiscal year, there were 3 lost-time injuries and 13 non-lost-time in injuries. The type of injury that occurred most frequently was “Caught or trapped,” totaling 5 cases. At the Inuyama Plant, where the number of injuries were particularly large, an e-learning session was held last fiscal year to enhance safety and health awareness. The session had 2,172 participants.

TOPICS

EHS Daily Audit for Enhancing Safety Awareness (L/C Manufacturing Department)

To prevent all occupational injuries, the L/C/ Manufacturing Department (Inuyama and Ise) has conducted EHS (Environmental, Health, and Safety) Daily Audit every day since fiscal 2013. The Daily Audit is a voluntary daily checking of occupational safety and 5S using a check sheet. Scores are posted on the company's intranet and matters pointed out will be addressed by the end of the day. By making the Audit a daily routine, we seek to further promote safety awareness among our people. Also, since fiscal 2016, we have organized a dialogue among daily audit leaders as an opportunity to renew understanding about the significance and importance of conducting audit every day. Held in the World Café style, the dialogue shares and discusses such common questions as “What should we do to have more employees increase their safety awareness?”



World Café on Safety (Inuyama)



World Café on Safety (Ise)

TOPICS

Muratec Recognized under the 2018 Certified Health and Productivity Management Organization Recognition Program (White 500)

Recognized for its efforts to promote safety and health, Muratec won a certification under the 2018 Certified Health and Productivity Management Organization Recognition Program (White 500) jointly organized by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.



Raising the organization's productivity by obtaining mental health knowledge and learning better communications with employees - Line care seminar held at each office/plant -

As a means of improving workplace mental health, Muratec promotes four types of mental health care (self-care, line care [care by supervisors], care by workplace health staff, and care by external resources) recommended by the Ministry of Health, Labour and Welfare.

Last fiscal year, to further improve our line care, we invited a lecturer from outside the company and organized a line care seminar. During the seminar, the lecturer presented some cases and participants studied each of them and discussed such questions

as “How is this employee feeling now?,” “What will become of him if he is left alone?,” and “What is the appropriate action for the supervisor to take?” The participants shared their opinions and were provided with feedback from the lecturer, thereby deepening their understanding about mental health.

Attendees' comments regarding the seminar include “I learned that supervisors have an obligation to care for the safety of employees and prevent undesirable results” and “I renewed my understanding about the importance of listening to what my staff have to say and take relevant action such as seeking expert advice.”



Line Care Seminar (Inuyama)



Line Care Seminar (Head Office)

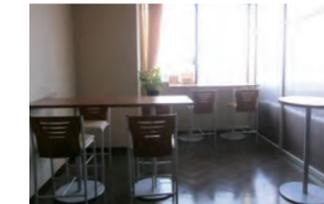
Improving Workplace Environments

Conducting a workplace environment survey

Each year, the Head Office conducts questionnaires on workplace environments to identify and alleviate health problems from long hours of VDT work.

Last fiscal year, we focused on the question of “how to take a break” from among the challenges identified from the previous questionnaire survey. Specifically, we made improvement to our rest areas and invited a physiotherapist to teach in a “Health Seminar for Preventing Stiff Neck and Lower Back Pain.”

The results of the 3rd round questionnaire have shown a gradual decrease in the percentage of employees complaining about tiredness in their eyes, neck/shoulder, and lower back, suggesting our efforts have produced some positive effects.

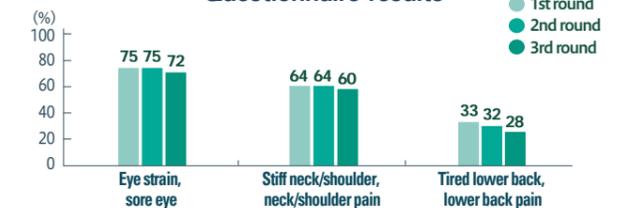


Improving rest areas (Head Office)



Health Seminar (Head Office)

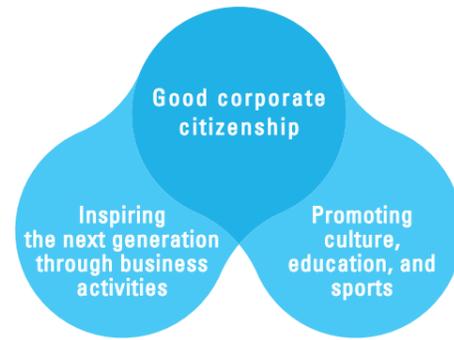
Questionnaire results ^{※3}



^{※3} Of the 707 survey respondents, the percentage of those who answered they had (more than one type of) physical fatigue or symptoms

Community Involvement

As a good corporate citizen, Muratec inspires the next generation through its business activities and promotes culture, education, and sports through its exchange with local communities. In these two dimensions, we will make contribution to the welfare of local citizens.



Inspiring the Next Generation – Manufacturing starts with human development

- Holding “karakuri” (mechanical doll) making classes for local elementary school students **Kyoto**

Every year since 2010, Muratec has participated in the Kyoto Children’s Product Creation and Workshop Study Project held by Kyoto City Board of Education. The theme of our class is “Let’s make karakuri (mechanical doll) that can carry things.”

With Muratec employees serving as instructors, the class aims to get children feel more familiar with manufacturing and know the fun of machinery and mechanics.



- Holding an internship for local high school students **Kyoto**

The Head Office offers an internship program geared to students attending nearby high schools operated by the City of Kyoto.

Last year, a total of 11 students visited Muratec. The participating students were shown our textile machinery as well as robots developed by our Research and Development Department. The students expressed their excitement about getting to know the fun of machines and mechanics, saying “This opportunity has motivated us to learn more about machines.” Last year, in recognition of this effort, Muratec received a certificate of appreciation from the president of Kyoto City Board of Education.



- Cooperating in an event that lets local children feel the joy of science and manufacturing **Miyazaki**

In November 2017, Muratec C.C.S., Ltd., one of our group companies, participated as a cooperating company in “The 5th Fun Science Festival” held by the National Institute of Technology, Miyakonojo College, Miyagi.

The National Institute of Technology holds the festival with the aim of communicating to local children the fun of science and making things. Through the experience of touching and playing with sheet metal planes and puzzles made by Muratec laser sheet metal machine, we introduced our products to the participating children and let them feel the excitement of making things.



- Giving a CSR classes at a nearby university **Kyoto**

Every year, a CSR representative from the Head Office participates 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 make presentations and share 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 incorporate student suggestions into our annual CSR activities.



Promoting Culture, Educational Support, and Sports through Exchanges with Local Communities

- 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 assume a leadership role in society. As part of these efforts, 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, for which we have served as the sole sponsor for 30 consecutive events since the 7th competition in 1989.



- Providing a Place for the Inuyama Criterium Road Race

Every year, Muratec Inuyama Plant provides a venue for the Inuyama Criterium (Bicycle) Road Race sponsored by the Aichi Cycling Federation. During the 22nd event held in June last year, Muratec provided a circuit track (maximum length 2.0 km) using roads within its Inuyama Plant property. Races in the latest event had a total of 265 participants from young children to those in their sixties.

※ “Criterium” is a cycling road race held on a short circuit track.



- Sponsoring Kyoto Sanga F.C.
Muratec supports Kyoto Sanga F. C., the J. League soccer team near the Head Office, as an official sponsor.



- Sponsoring an Event Displaying Works of Students of Art Colleges in Kyoto City **Kyoto**

Muratec sponsors an event titled “Kyoto In-station Art Project,” in which art works produced by students of art colleges in Kyoto are displayed in city subway stations and city buses. This project is jointly organized by art colleges in Kyoto and the Kyoto City Government as an initiative embodying such slogans as “Kyoto, the City of Universities and Colleges” and “Kyoto, the City of Art and Culture.” With the cooperation from participating companies and supporting organizations, the project aims to further improve the image of the Kyoto subway system and promote its use through the production and exhibition of students’ art works. Each year, Muratec takes part in this event as a sponsor.



Matsugasaki Station

Kyoto Institute of Technology



Kuinabashi Station

Kyoto University of Education

TOPICS

Hosting a Plant Tour for Participants in the Kansai Monozukuri (manufacturing) Forum **Kaga**

Muratec Kaga Plant hosted a plant tour for the Kansai Monozukuri (manufacturing) Forum (organized by the Kansai Institute of Industrial Engineering) held in December last year. Under the theme of “Working toward a new stage of automation while sticking to domestic production,” the plant tour attracted a total of 34 participants from major companies and universities located in the Kansai region. So far, the Kaga Plant has automated experienced workers’ skills as well as in-plant transportation processes. The history of the plant’s automation evoked the interest of many participants. In the questionnaire conducted after the event, participants commented the tour was “very instructive and enlightening.” The plant tour also served as an opportunity for the Kaga Plant itself to renew its commitment to continued exploration into even more innovative ways of making things.



※ “Industrial Engineering (IE)” means activities carried out in pursuit of optimal production systems through the effective utilization of such management resources as people, goods, equipment, and information.

Corporate Governance

To remain a company that is trusted and valued by society, Muratec makes group-wide efforts to strengthen its corporate governance and internal control in line with its compliance-focused management policies.



Corporate Governance

Systems for Supervising Management and Operating businesses

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 through 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. Auditors also conduct accounting and operational audits on Muratec group companies both in Japan and abroad, thereby strengthening overall governance.

Moreover, in line with the Executive Officers System, the power of the Board of Directors is limited to corporate decision-making and management supervision. This effectively transfers operational powers to the Executive Officers, ensuring faster and more appropriate corporate decision-making.

Internal Control System

Based on the Companies Act, Muratec has established an "Internal Control Guidelines" through resolution of its Board of Directors. Under these guidelines, we seek to develop a more effective corporate governance system by stepping up efforts toward compliance, information control, and risk management.

Compliance

Compliance Activity Promotion System

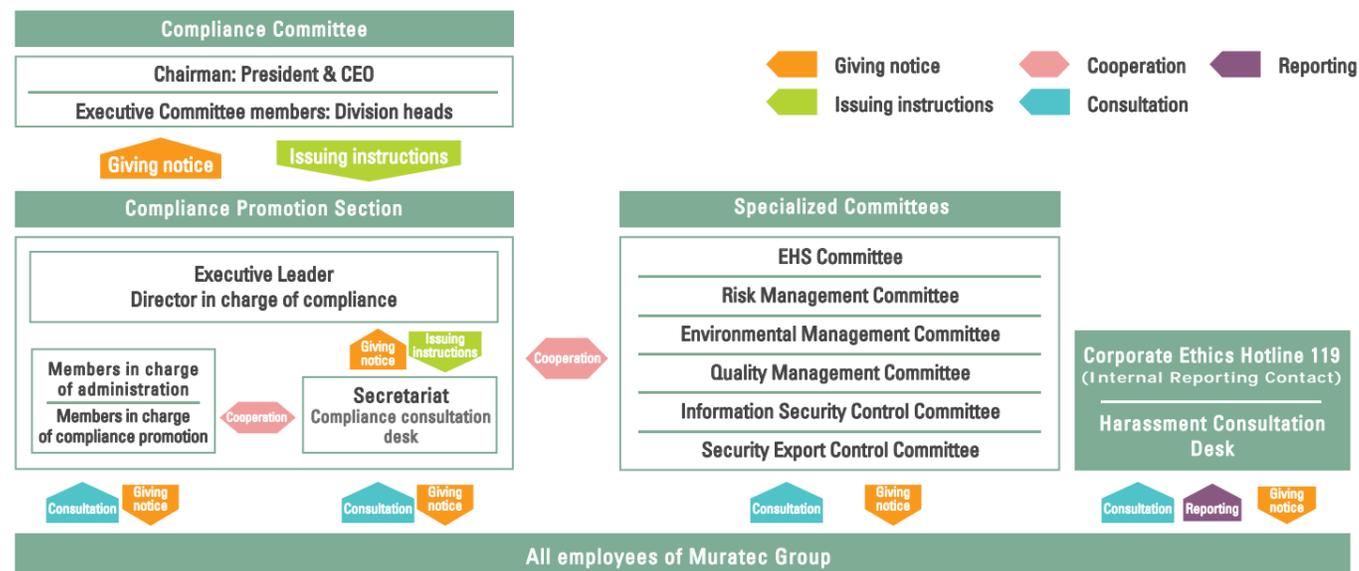
Muratec has established a "Compliance Committee" as an organization for promoting implementation of internal control for the entire Muratec Group. With division heads and group company representatives serving as activity promotion members, the committee enhances each department's compliance awareness and practice.

We also have an internal consultation desk available for use to all employees of the Muratec group companies.



Compliance Activity Promotion Structure

As of April 2018



Compliance and Ethics Training

Muratec continuously implements various training programs to develop each employee's awareness and commitment to compliance.

Last fiscal year, in order to develop an organizational climate that prevents violations, a compliance seminar was held at the Ise Plant, in which participants discussed specific compliance issues. During the seminar, participants deepened their understanding about the importance of compliance by studying scenarios that were likely to happen in their actual day-to-day business activities. Comments from the participants include "Compliance is not only about abiding by the law" and "We should create an environment where we can seek advice for even a minor issue, before the case develops into a major incident."

List of Training and Education Activities in Year Ending March 2018	
	- Disaster mitigation seminar
	- Seminar on international transactions and English contracts
	- Business risk seminar
	- Security export control seminar
	- Compliance seminar



Seminar on international transactions and English contracts (Head Office)



Compliance seminar (Ise)

Risk Management

Muratec Business Continuity Plan (BCP)

Muratec has established a Business Continuity Plan (BCP) in its efforts to protect human life, minimize damage, and ensure quick resumption of its business operation in the event of such disasters as earthquake, tsunami, typhoon, flood, fire, and pandemic (an epidemic occurring on a massive scale).

Specifically, we develop a management system that can cope with disasters, formulate plans for continuing business and manuals on how to act in the times of disaster, and carry out a compact drill (exercise) simulating an actual disaster situation. After the disaster drill, we hold a review session for evaluating the effectiveness of the manuals and addressing various problems. Last fiscal year, we improved our disaster preparedness activities that had been conventionally carried out separately at each plant into ones to be conducted through cooperation among the Head Office, the Inuyama Plant, and the Ise Plant. We also increased the number of plants to participate in these activities.



BCP Training (Inuyama)

Respect for Human Rights and Ethics

Human Rights Initiatives in the Global Society

In recent years, the global society places an increasing importance on respect for human rights and ethics. Last fiscal year, with the aim of communicating Muratec's commitment to human rights, we specified our policies concerning "prohibition of forced labor and child labor." In line with these policies, we respect the human rights not only of our employees but also of all our stakeholders. We also expect our suppliers to observe these policies.

Every year since fiscal 2014, our Clean FA Division has conducted e-learning concerning human rights and ethics to prevent discriminatory treatment and corruption. Last fiscal year, a total of 210 employees attended the e-learning session.

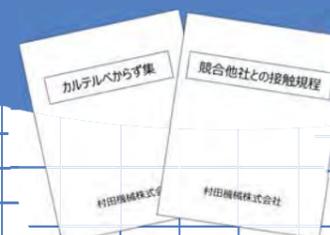
Protecting the company and employees from cartel risks – Establishing rules on how to contact competitors –

Recently, many countries have imposed severer crackdowns on the cases of violation of the competition law. As a result, companies today are exposed to greater cartel risks. For example, companies found by the competition law authorities to have been engaged in cartel behavior may be subject to massive penalty payment or criminal charges against its executives and/or employees.

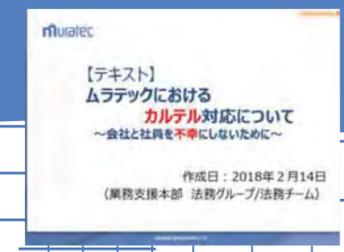
To avoid such cartel risks, Muratec Group has engaged in fair, transparent, and free competition in compliance with the Muratec Code of Conduct. Last fiscal year, in view of the above-mentioned developments, we drew up rules focusing on protecting the company and employees from cartel risks and held a training session for the employees.

Specifically, we drew up "Cartel: Things You Should Not Do" which clearly states what we are prohibited to do. Also, we established "Rules on How to Contact Competitors" in order to establish a system to prove that "we have not done things we are not supposed to do." By limiting unnecessary contact with competitors, the Rules aims to reduce the risk for executives and employees to be involved in or suspected to be involved in cartel operations.

To further disseminate these Rules, we held an e-learning session targeted at the executives and employees of Muratec Group. The e-learning had a total of 3,936 participants.



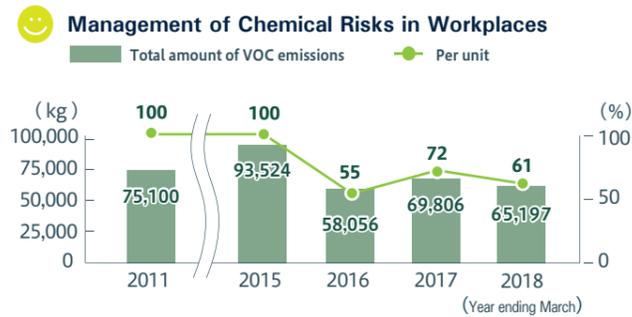
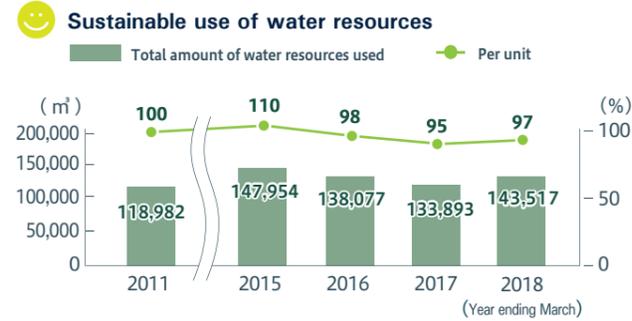
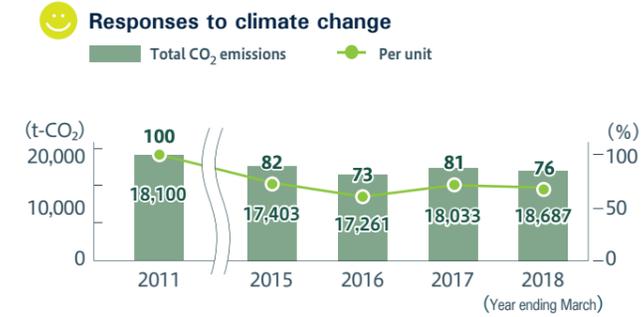
Rules concerning cartel



Textbooks for e-learning about cartel

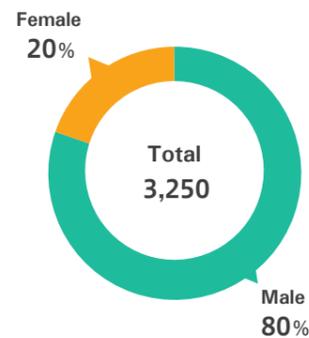
Environmental Performance

Achievement status
 ☺ Achieved
 ⚪ Slight gap between target and achievement
 ☹ Not achieved



Breakdown of Employees (Non-consolidated: Year ending March 2018)

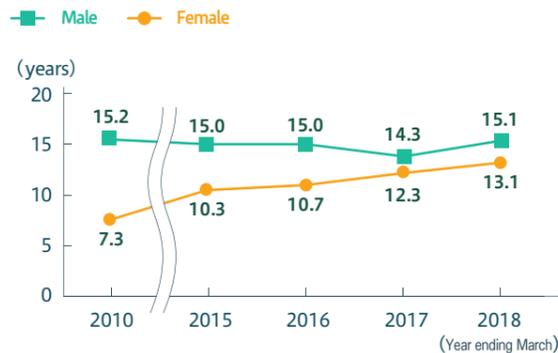
Workforce by Gender (As of April 2018)



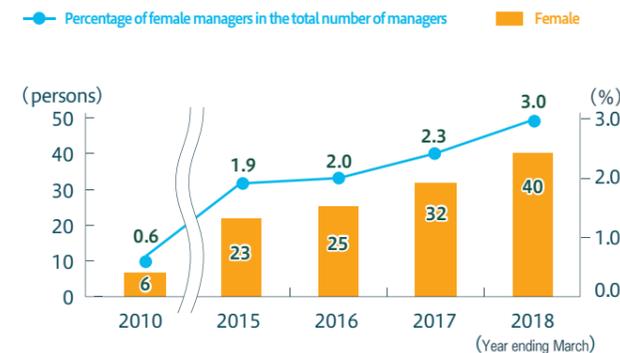
Employees by Type (As of April 2018)



Average length of service

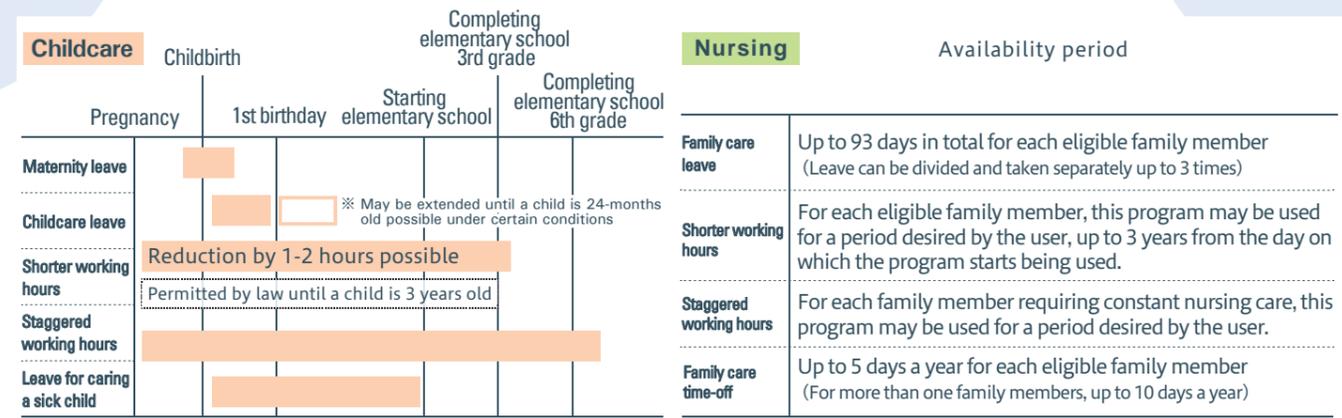


Number of female managers

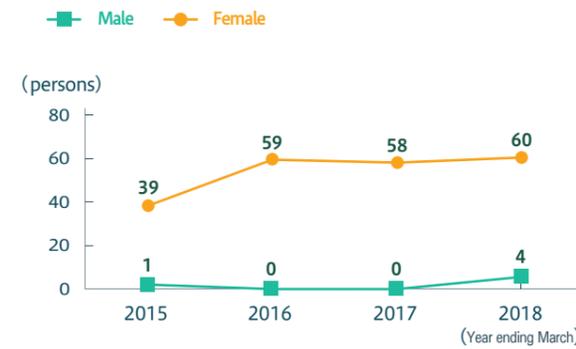


※1 "Manager" means employees assuming section-chief-level or higher posts.

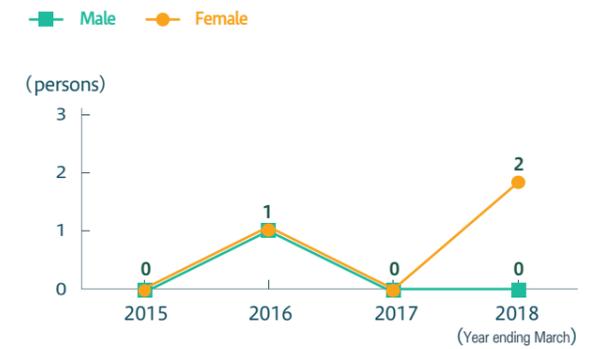
Status of Use of the Systems for Promoting a Work and Family Life Balance



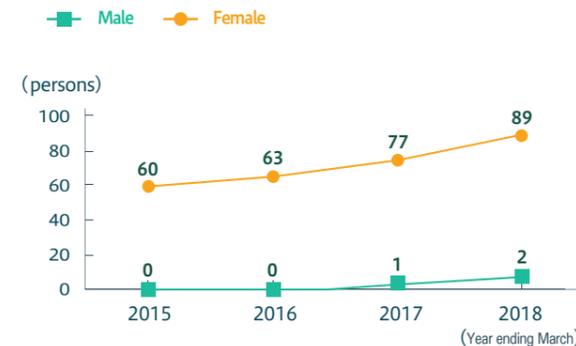
Number of employees on childcare leave



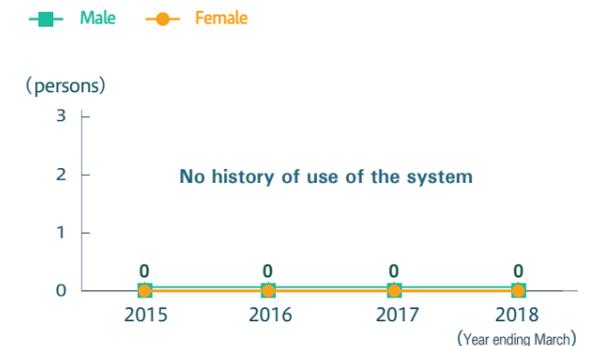
Number of employees on nursing care leave



Number of employees using the shorter working hours program for childcare

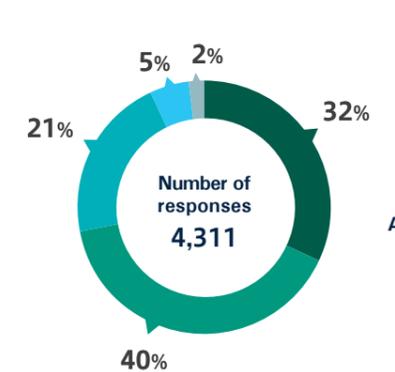


Number of employees using the shorter working hours program for nursing care

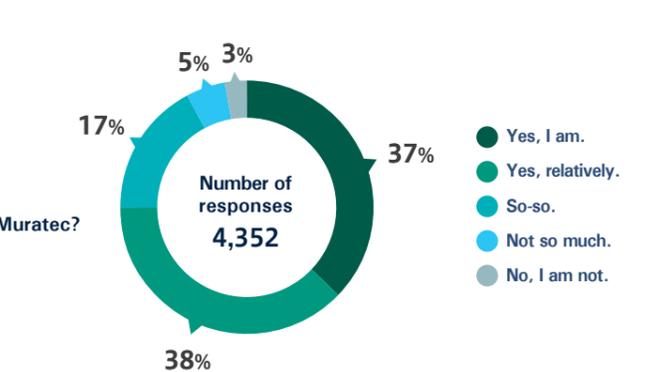


Results of Employee Survey

Previous (Year ending March 2016)



Current (Year ending March 2018)



※2 The Employee Survey is conducted once every two years with employees (including part-time and contract employees) of Muratec group companies in Japan.

