

Editorial Policies

The purpose of publishing this Muratec CSR Report 2019 is reporting our social responsibilities at Murata Machinery, as well as our performances through our CSR efforts 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.

Muratec Machinery, Ltd.

[Head Office(Kyoto), Inuyama Plant, Ise Factory]

Time period

In principle, this report includes information corresponding to the period from April 2018 to March 2019. 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 2019: Made public on our corporate website
(August 2020: Next scheduled publication date)

Reference guidelines

GRI Guidelines

Contact for inquiries

Corporate Administration Department, CSR Group.

Muratec Machinery, Ltd.

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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 / Automated Material Handling System (AMHS) for clean rooms / machine tools / communication equipment

Number of employees

[consolidated] 7,410 [non-consolidated] 3,430 (as of April 2019)

Net sales

[consolidated] JPY 300 billion [non-consolidated] JPY 228 billion (as of March 2019)

Head Office

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

Business Divisions

Murata Machinery is a comprehensive manufacturer of factory and office automation products. We seek to satisfy our customers and promote the realization of a more affluent society by constantly creating new technologies and providing products and services. We focus on the five main areas of textile machinery, logistics systems and factory automation systems, Automated Material Handling System (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.



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



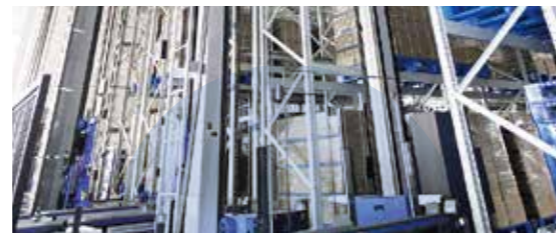
Communication Equipment Division

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

Main products

Turning machines, Sheet metal machinery



Clean FA Division

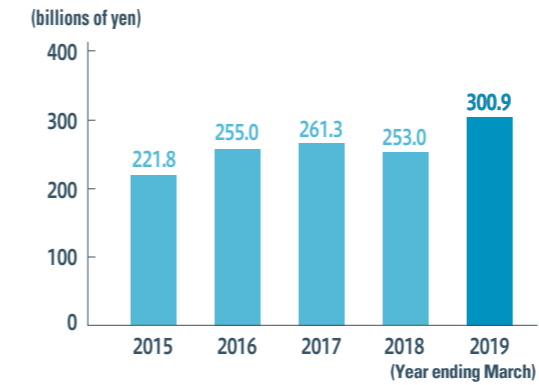
We support the production of semiconductors through providing transport systems & storage systems for semiconductor fab.

Main products

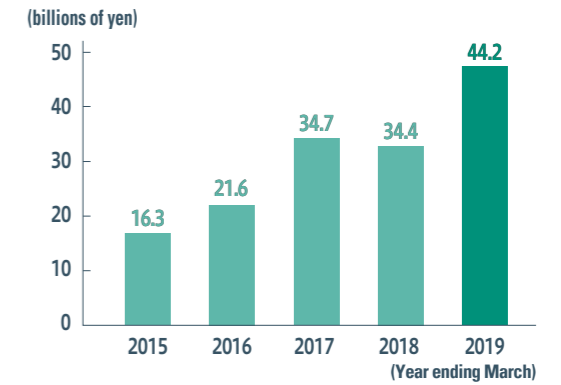
AMHS for semiconductor factories, Material control systems (conveyance control and management systems)

Financial Results

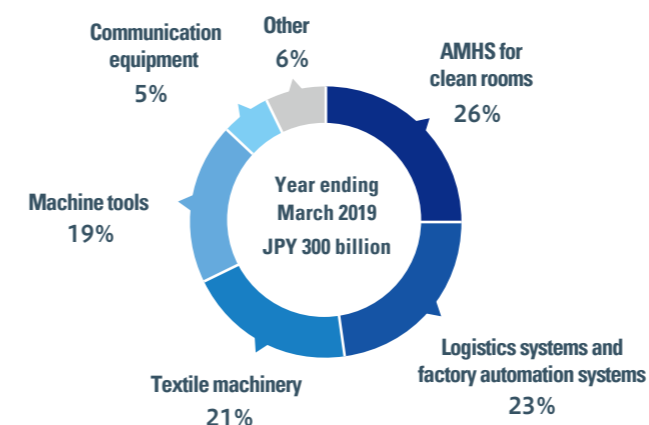
Net sales record (Consolidated)



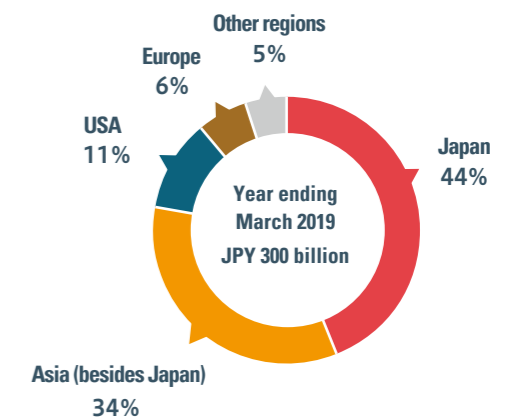
Operating profit record (Consolidated)



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.



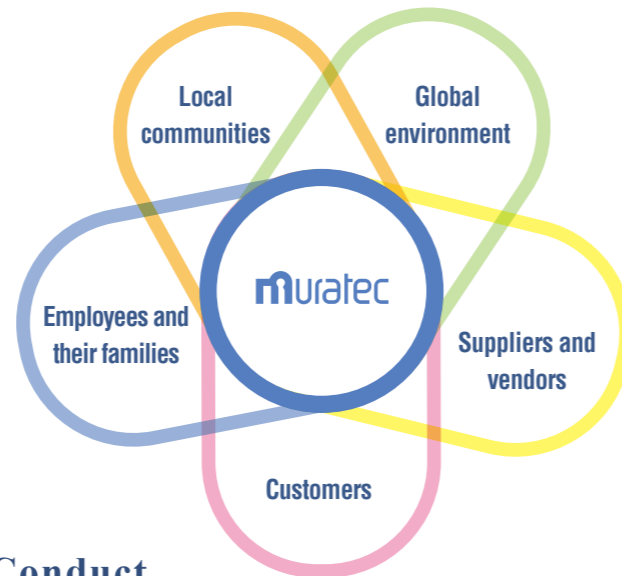
Corporate Philosophy

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.



As a machine manufacturer, Muratec produces factory automation systems and communication equipment for a wide range of industries, thereby 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 endeavored to provide our customers with human-friendly technologies. By making steady efforts to offer solutions to challenges encountered in plants/offices site and constantly exercising creativity to develop even newer technologies, we seek to serve our customers and ultimately contribute to the creation of an affluent society. These are Muratec's unchanging social responsibilities of all times.

Last year, we realized anew growing public expectations for our automation and labor-saving equipment and solutions and our responsibility to meet such expectations. While foreign exchange rates and other factors comprising the economic environment stayed relatively stable, we were lucky to receive many orders, thanks to a continuous increase of capital investment made by the semiconductor and automobile industries, particularly in labor-saving equipment. As a result, for the fiscal year ended March 2019, the Muratec Group achieved record-level consolidated results both in sales and operating income.

Last year also experienced numerous typhoons, earthquakes, and other natural disasters that struck our country one after another, such as the torrential rains in western Japan. I would like to take this opportunity to express my heartfelt sympathy to all the victims of these disasters. I hope that they will return to normal life and get back in good shape as soon as possible. Many of our customers, and we ourselves, also suffered damage from these disasters. In our recovery efforts, we were made aware once again of our own responsibilities. We will further improve our business continuity plan (BCP) and strengthen our after-sales service system for both normal and emergency situations. By doing so, we will better fulfill our responsibility for ensuring the sustainable operation of machines on our customers' work sites and the continuous supply of our products. At the same time, we will enhance our disaster response infrastructures in our offices and factories, making them even safer places for all our employees and for the communities.

Last year was the final year of our Three-year Plan themed "Let Us Find Links." Links include vertical and horizontal links within the company, external links with our customers and suppliers, links between different

technologies, products, or businesses, as well as tangible and intangible systems for strengthening these links. While we have made progress in terms of "what" and "how," we are only halfway through when it comes to achieving substantial and lasting results.

In our new Three-year Plan, which will start from this fiscal year with emphasis on three areas—"links between people," "links between products," and "links with the world"—we plan to introduce new systems and institutions. With regard to "links with the world," in particular, we feel such a strong sense of crisis that we must comprehensively and resolutely tackle such global-scale social issues mentioned in SDGs*, namely declining birthrates and aging population, resources and energy, and environment—issues that have direct relevance to Muratec operation. This new Three-year Plan will be an important foundation that we must establish by all means, if we are to continue working for the next five or even ten years with a sense of security, pride and dreams in mind.

By year 2025, the stable political and economic environment that has supported our current favorable performances is feared to change. Also, by that time, competition with rivals in emerging countries such as China may shift into full swing. Social infrastructures for information and communication technologies are also expected to advance much further than today. In this unpredictably changing environment, we need to further enhance the performance and quality (Q), cost (C), and delivery speed (D) of our products and services. Doing so will be central to our social contribution. One of the important indicators showing the direction in which we are heading is SDGs. Meanwhile, our pursuit of QCD will be difficult if we do not address the social challenges facing Muratec and each of its employees. We must realize that these challenges are not just catchy slogans, but the substantial issues that directly affect our survival. With this sense of crisis, I hope to make year 2019, the first year under the new era name Reiwa, a year for all of us to enjoy working together for further growth.

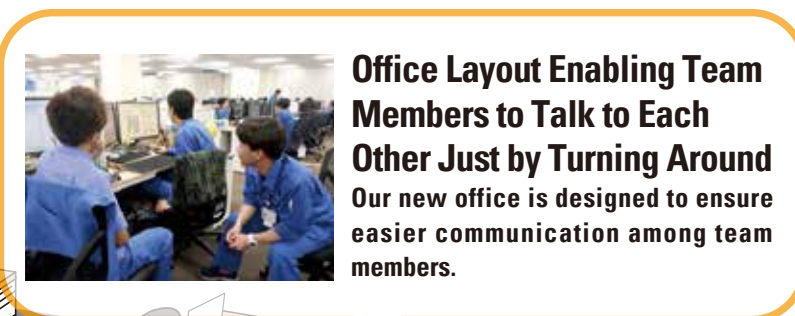
* SDGs stands for "Sustainable Development Goals" adopted by the United Nations in 2015.

From "Office Relocation" to "Work Style Reforms"

Office Relocation to Depart from Conventional Work Style and Create an Organization that Strengthens "Links between Teams" and Generates Innovation

Muratec Ise Plant relocated its office that had been felt increasingly cramped in recent years. The purpose of the relocation was to establish a system ensuring the steady supply of our AMHS for semiconductor plants, thereby responding to rapidly increasing demands for these products. After the Production Department moved in August 2018, followed by the Engineering Department in October, a new production system was launched at the new office.

This article features how the Engineering Department, whose sections had long been located on two different floors in the previous venue, took this opportunity of relocation to have all the engineers gathered together, all its sections within one floor, with an eye to "creating an organization that generates innovation through intersectional cooperation."



Office Layout Enabling Team Members to Talk to Each Other Just by Turning Around
Our new office is designed to ensure easier communication among team members.

Before Challenges Facing the Old Office

- Sections of the Engineering Department were divided between the first and second floors, making intersectional cooperation difficult.
- Due to the restriction of space, the team leader had to sit at the desk farthest from the passage, distant from other team members.
- Due to an increase of staff members, the office space became so crowded that there was no extra space for a quick meeting or a short break.

Movable Chairs

Because there are movable stools in various places in the office, we can go with these bucket-like chairs sit by a person whom we would like to talk to at any time.



Traffic Lines Designed NOT to be Straight

Traffic lines are designed to ensure more chance encounters from which casual conversations start, ultimately facilitating communication among staff members.

Meeting Space

We have made a simple and open meeting space in the corner of the office floor, ensuring speedy and open discussions.



After Office Design Concept for "Creating Innovation Intersectional Cooperation"

To create a new office space, we took the GOOD PLACE design approach^{※1}, which involved "studying" issues facing us, "thinking" what we would like to accomplish, "envisioning" a layout, and "giving shape" to it.

As a result, we decided to layout our office on a single floor in a way that reproduces as it is the organizational chart of our different sections centered around the System Engineer (SE) Section where all information is concentrated. This layout has made it possible for each one of us to see at first sight who is where now. We also put in place some tricks for promoting conversations. For example, we chose to use traffic lines that are not straight and therefore are likely to create chances of unpredicted encounters.

Organized "World Café for Discussing Ideal Work Styles"

Since relocation had to be carried out quickly, the relocation concept was ironed out on the initiative of the relocation project leaders. Through some opportunities to listen to the opinions of those other than the leaders, such as hearing employees' voices regarding furniture and fixtures and holding an overall pre-relocation briefing, we still had more to do to familiarize employees with our new office concept.

As an opportunity for each one of us to think about ideal work styles in our newly designed office and practice our ideas in our day-to-day activities, we organize "World Café for Learning Our Office Concept" on a regular basis after relocation.



☺ **Voices of World Café Participants**
"I learned for the first time that the traffic lines are designed to help people cross more often."

☺ **Voices of World Café Participants**
"When we worked on different floors, we tended to communicate each other by email or phone. In the new office where everyone works on the same floor, we can easily go talk to anyone. This raises efficiency not only in our communication but also in our entire work."



TOPICS Seeking to Develop an Organization That Can Create New Values Through Teamwork



Operating Officer
Senior Manager Engineering Department, Clean FA Division
Eiji.Hosobuchi (Right side of the photo)

In our former office, we had many ideas about how we should work to further increase our productivity, but could not put them into action due to physical restrictions. In the new office, we can put our ideas and practice them in various opportunities. As a result, we now think more about how to work and put our thoughts into action. For example, before relocation, we only had serious conversations with the SE section members at official meetings. In the present office, we can communicate with them more often and more smoothly. Some employees point out that it has helped reduce oversight and miscommunication. To make our relocation even more worthy of our investment both for the employees and customers, our work style reform endeavors will continue.

Manager Engineering Department, Clean FA Division
Masashi.Tsuchida

We have listened to the voices of as many employees as possible to address their complaints about the old office. And yet, because we had to complete the relocation process so urgently that we still must have many more unheard requests. We will go on listening to the employees' views and work together to incorporate them into how we should operate our office. Our efforts toward work style reforms through office layout improvement will continue.

Muratec Providing Values to Society Through Its Business Activities

To Continue Functioning as an Entity Useful to Society

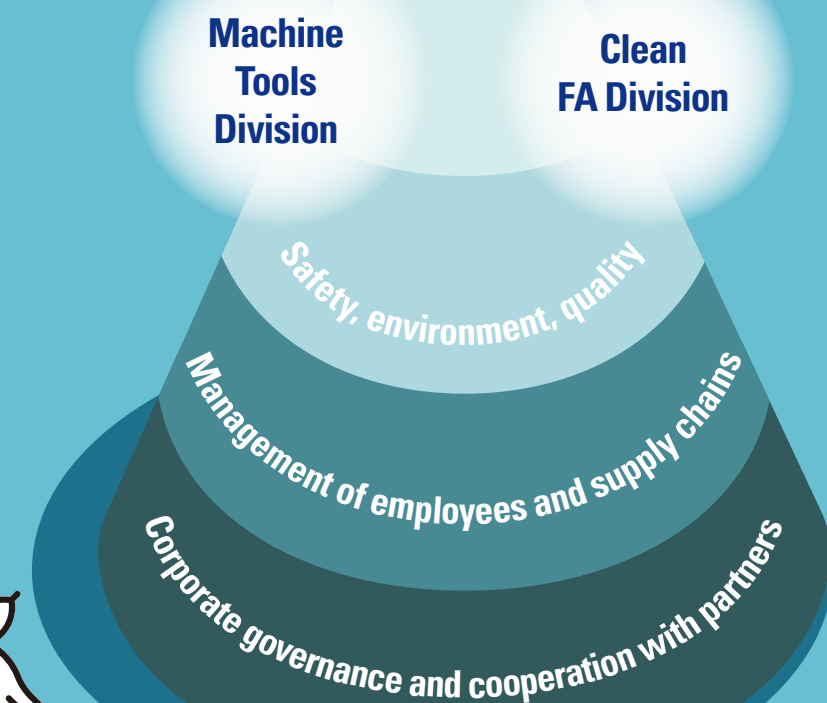
As a machine manufacturer, Muratec produces factory automation systems and communication equipment for a wide range of industries, thereby assisting the value creation of our customers. Based on our philosophy of "Let machines do what machines can do and let humans do what only humans can do," we at Muratec have endeavored to provide our customers with human-friendly technologies. By making steady efforts to offer solutions to challenges encountered in plants/offices site and

constantly exercising creativity to develop even newer technologies, we seek to serve our customers and ultimately contribute to the creation of an affluent society. These are Muratec's unchanging social responsibilities of all times.

In recent years, we witness the worsening of global-level social issues. To resolve these issues, it is increasingly important for us to work together with all the partners of Muratec and its businesses.

In this context, we support and pursue the SDGs (Sustainable Development Goals) adopted by the United Nations in 2015 as the major objectives that will lead the world. We hereby declare that, through our business activities, we will seek to increase our corporate economic values on the one hand and address various social issues on the other, thereby enhancing our commitment to the creation of a sustainable society.

Muratec Business Areas



Providing Values to Society

Contribution to an affluent society

Value creation

Social coexistence

Social Issues

Change of competitive environment

Structural change of the manufacturing industry

Social issues such as declining birthrates, resource and energy, and environment

SUSTAINABLE DEVELOPMENT GOALS



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 2019 and the targets for the year ending March 2020. 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.

Stakeholders	Activity themes	Initiative themes	Targets and Plans for Year Ending March 2019	Performances of Year Ending March 2019	EVALUATION	Targets and Plans for Year Ending March 2020
Global environment ...11p	Environmental management system		<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. 	<ul style="list-style-type: none"> Conducted e-learning on environmental issues and our activities, including SDGs. A total of 4,217 employees attended. Attendance rate was 91%. (Last fiscal year: 3,753 attendees, attendance rate 82%). Also, provided an internal auditor training course. 126 employees attended. (Last fiscal year: 223 attendees) To share challenges with plant offices, the Unified Office and the plant offices held a "communication meeting" for sharing information. Set the next medium- and long-term environmental targets and measured CO₂ emissions from the supply chains. 	○	<ul style="list-style-type: none"> Continue providing companywide environmental training and internal auditor training courses. Continue holding a communication meeting between the Unified Office and the plant offices.
	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 32% from the 2010 base year level. Reduced water consumptions (per unit production) by 18% from the 2010 base year level. Increased waste emissions (per unit production) by 20% from the 2010 base year level. Reduced VOC emissions (per unit production) by 55% 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 ...13p	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"> To hand down manufacturing know-how and streamline manufacturing processes, automated processes at each plant. 	○	<ul style="list-style-type: none"> Continue implementing measures to meet customers' quality requirements. Also, to fulfill our responsibility for stable product supply, promote automation and robotization at each plant.
Suppliers and vendors ...14p	CSR promotion in the supply chains		<ul style="list-style-type: none"> Hold CSR and BCP training 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. 	<ul style="list-style-type: none"> Conducted a CSR seminar for 18 vendors of the Inuyama and Ise plants. (Last fiscal year: 14 vendors) Moreover, conducted a briefing session concerning "Prohibition of Forced Labor and Child Labor" for three supervising organizations for technical intern trainees from overseas. Conducted a questionnaire survey concerning CSR with 110 suppliers. Response rate was 84%. (Last fiscal year: 68%) Provided suppliers with Muratec's production forecast information and checked the suppliers' load statuses. 	○ ○ ○	<ul style="list-style-type: none"> Conduct CSR and BCP seminars for suppliers and vendors. Also, provide audit and guidance to enhance understanding about respect for human rights. Continue conducting CSR questionnaire surveys with suppliers. Continue sharing with suppliers information about load status and BCP implementation status.
Employees ...15p	Promoting work-life balance		<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. 	<ul style="list-style-type: none"> To help employees better understand about working-hours management, held a labor management related briefing session with the attendance of 143 employees (Last fiscal year: 137 attendees) Revamped the daily work management system into one equipped with such support functions as an overtime alert sign. Also, introduced the entrance and exit control system, which was first put in place in the year ended March 2016, to three more plants. Introduced a telework system to help employees work more flexibly. Also, released a "Work-life Balance Book for Carers" to ensure a work-life balance for employees caring for someone. 	○ ○ ○	<ul style="list-style-type: none"> Continue holding labor management related briefing sessions. To ensure appropriate working hours, continue introducing the entrance and exit control system to more plants. To encourage flexible work styles, introduce the system of annual paid leave by the hour. To observe the recently adopted law on compulsory 5 days' paid holiday a year, continue implementing measures to encourage employees to take more paid leave, thereby raising the rate of paid holidays taken.
	Promoting diversity* (increasing opportunities for diverse individuals)		<ul style="list-style-type: none"> Continue implementing Diversity & Inclusion (D&I) Promotion Project. Continue implementing Woman's Leadership Program (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. 	<ul style="list-style-type: none"> To promote understanding about D&I, continued implementing D&I Promotion Project. 18 employees attended as second-term project members. (Last fiscal year: 16 attendees) Continued implementing WLP. 18 employees attended as third-term member. (Last fiscal year: 21 attendees) In our new graduate and mid-career recruitment processes, hired 20 applicants comprising female sales representatives/engineers and overseas candidates. 	○ ○ ○	<ul style="list-style-type: none"> To promote understanding about D&I, continue implementing D&I Promotion Project. Continue implementing WLP for developing female leaders. To encourage male employees to play more active roles in childcare, conduct on a trial basis a three-party interview between a male employee, his spouse, and his supervisor. Hold a work-life balance seminar for supporting continuous career development of female workers who have returned to work after childcare leave.
	Safety and health		<ul style="list-style-type: none"> To raise safety awareness, enhance EHS Daily Audit and safety and health training. 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. 	<ul style="list-style-type: none"> To raise safety & health awareness, continued conducting EHS Daily Audit and distributed to all employees an EHS Handbook at the Inuyama and Ise plants. Also, provided e-learning for raising safety awareness at workplace at the Head Office and the Inuyama plant. A total of 3,250 employees attended and attendance rate was 95%. (Last fiscal year: 2,172 attendees, attendance rate 93%) To cope with mental health issues, conducted a feedback training for managers concerning the results of the "mental stress check" and "organizational health diagnosis." 158 employees attended. (Last fiscal year: 76 attendees) Held a World Café on workplace environment improvement at the Ise plant. 16 employees attended. 	○ ○ ○	<ul style="list-style-type: none"> To prevent work-related accidents, expand the scope of audiences to whom safety information is disclosed and shared. To prevent mental health issues, continue holding the mental health "self-care" seminar and "line care" seminar. Implement work environment improvement measures at more offices and plants. Continue holding a health seminar to raise health awareness and promote better lifestyle behavior. Start implementing a work-life balance program for employees receiving medical treatment.
Local communities ...19p	Inspiring the next generation		<ul style="list-style-type: none"> Extend 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 ...21p	Maintaining ethical standards		<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. 	<ul style="list-style-type: none"> Conducted compliance e-learning sessions twice with the attendance of a total of 10,615 employees. Also, held compliance seminars at the Head Office and at the Inuyama, Ise, Oita, Shiga, Toyohashi, and Kisshoin plants with the attendance of 139 employees. (Last fiscal year: 15 attendees) Conducted twice a year an internal audit to ensure the appropriate management of the relevant standards. 	○ ○	<ul style="list-style-type: none"> Continue holding seminars and e-learning sessions concerning compliance. Conduct internal audits on standards and provide instructions aimed at improving audit results.
	Strengthening risk management systems		<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. 	<ul style="list-style-type: none"> Provided BCP e-learning at the Head Office and at the Inuyama and Ise plants. A total of 3,492 employees attended and the attendance rate was 94%. (Last fiscal year: 2,509 attendees, attendance rate 95%) Completed the introduction of BCP to the Kaga plant. Started the introduction of BCP to the Shiga plant of Muratec Mechatronics. Conducted a questionnaire survey on BCP with 106 suppliers. The response rate was 84%. (Last fiscal year: 62%) Also, held a BCP seminar for 43 suppliers. 	○ ○	<ul style="list-style-type: none"> Conduct table-top and hands-on exercises involving different departments and offices, including those of Muratec Group companies. Share the idea of Muratec 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.

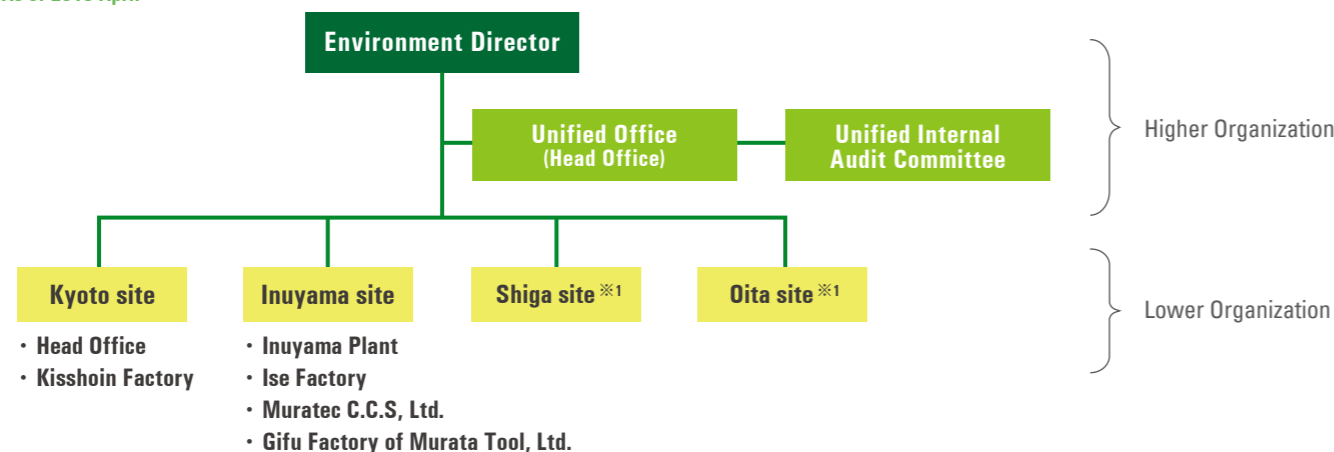
Muratec Environmental Policy

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 2019 April



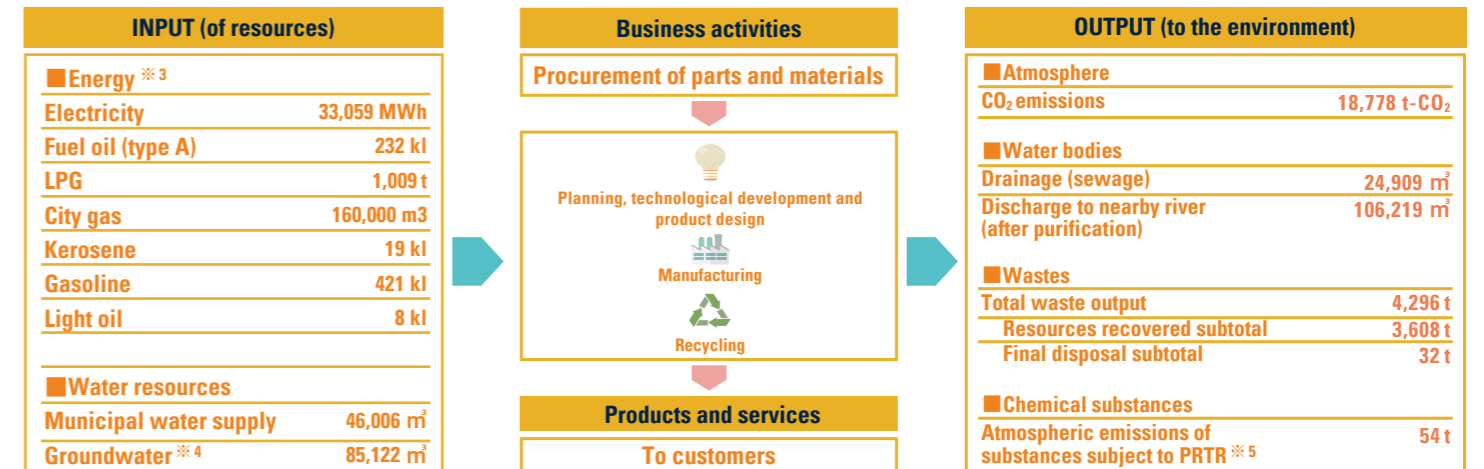
※1 Shiga site and Oita site is for Shiga and Oita factories of Muratec Mechatronics Co., Ltd.

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 Plant)	VOC emissions (per unit production) ※2	10% reduction from 2010 levels	Inuyama Plant: 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 Plant 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.
 ※5 PRTR (Pollutant Release and Transfer Register) : enables us to know what chemicals, from what kind of sources, and how much chemicals are released.

Environmental Training

Enhanced ISO14001 Internal Auditor Training Course

Each year, the Muratec Group provides training to newly appointed internal auditors for the purpose of developing ISO 14001 internal auditors. In the year ended March 2018, we revamped and further enhanced the training system as part of efforts to respond to the revision of ISO 14001:2015 standards.

Specifically, we added internal auditors who have been in service for some time to candidate trainees. We also introduced a dialogue-based training approach involving role playing, so that participants would be able to not only acquire knowledge, but also understand the significance of internal audit and obtain practical skills. Last fiscal year, 126 internal auditors attended the training course at five plants that had obtained unified certification. Participants' reviews include "The interactive approach encouraged me to think during the training and helped me better understand about internal audit."

	Internal auditor training through classroom lectures	Internal auditor training through interactive communication
Satisfaction level	71% → 83% (12%UP)	
Understanding level	69% → 84% (15%UP)	



Internal auditor training (Ise)

TOPICS

Participation in "Nijumaru Project (Double 20 Campaign)" for Protecting Biodiversity

Last fiscal year, Muratec issued "Nijumaru Declaration"※6 as a step to preserve biodiversity.

Muratec Head Office has been committed to raising environmental awareness of each employee and promoting a plant greening campaign. Specific activities include plant beautification patrol and posting on the company intranet a "Plant Map" indicating tree-planting statuses on the Head Office factory site. Moreover, we began growing thoroughwort (Eupatorium), an endangered species. This initiative was made known widely to our employees through in our e-learning program for raising environmental awareness.

※6 By making "Nijumaru Declaration," a company declares that it conducts activities for stopping the loss of biodiversity under the Nijumaru Project, a project aimed at achieving the COP 10 Aichi Biodiversity Targets set by the Japan Committee for the International Union for Conservation of Nature and Natural Resources (IUCN-J)



Thoroughwort (Head Office)



Coming into bloom in November



Working with Customers

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 assurance. 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

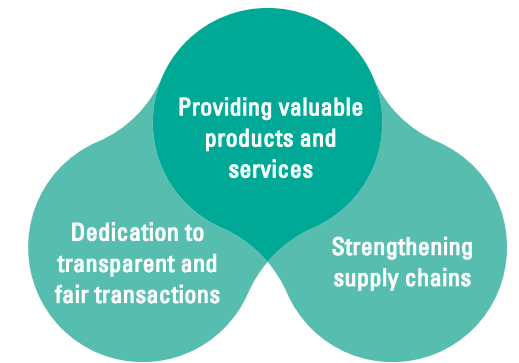
In adherence with our Corporate Philosophy, we improve the quality, quantity, and speed of sharing, accumulating, and retrieving information. By so doing, we will grow into a company that can learn both from successes and failures.

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.

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.

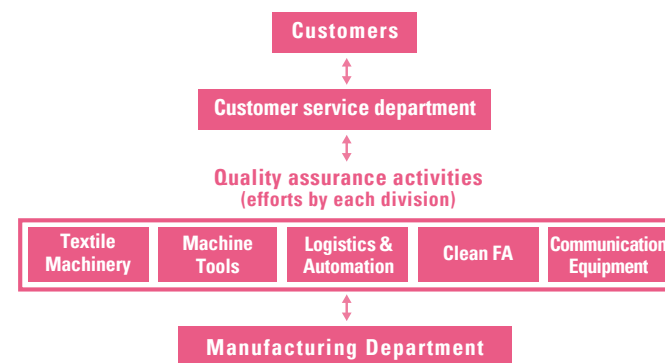
{ 3. Business partner selection standards }

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.

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.



Promoting sustainability in the supply chains

Supplier questionnaire conducted for suppliers

In cooperation with its suppliers, Muratec strives to raise the risk management level of its supply chains.

Every year, we conduct a supplier questionnaire survey with our major suppliers to evaluate their compliance with RBA Code of Conduct^{※2} items such as labor practice, environment, safety & health, ethics, as well as operational risk management measures as part of their BCP (Business Continuity Plan).

Last fiscal year, we held a BCP seminar at the Inuyama and Kaga plants to help suppliers responding to our survey better understand the need of BCP and specific BCP measures we implement. 43 suppliers attended the seminar.

※2 RBA Code of Conduct stands for Responsible Business Alliance Code of Conduct, formulated by a CSR promotion organization representing global supply chains. The Code of Conduct specifies standards for five areas—labor, environment, safety & health, ethics, and comprehensive management system for ensuring the implementation of the RBA Code of Conduct.

RBA seminar conducted for contractors

We believe it important that our entire supply chains, including contractors operating on our plant sites, work together for promoting risk management through RBA code of conduct learning activities. To that end, as an opportunity to have dialogue with vendors on a regular basis, we have held a RBA code of conduct learning seminar for contractors since fiscal 2016.

Last fiscal year, the seminar took place at the Inuyama and Ise plants, with the attendance of 31 contractors. The seminar discussed issues that our supply chains should pay attention to and helped attendees deepen understanding about RBA. Specific topics include such labor and human right issues as the risk of bonded labor and forced labor under the foreign technical intern trainees program, as well as such safety issues as work-related accidents.



BCP seminar for suppliers (Kaga)



RBA seminar for contractors (Inuyama)



RBA seminar for contractors (Ise)

TOPICS

In recognition of its user-friendly design, Muratec press brake awarded the Distinctive Merit Award under the Machine Design Award

“Videre”, a product of Muratec Machine Tools Division, won the Distinctive Merit Award in the 48th Machine Design Award^{※1} sponsored by The Nikkan Kogyo Shimbun.

Videre is a press brake incorporating a worker assisting system, allowing even a less experienced operator to use it with concrete accuracy and efficiency. This system assists operators with image and sound during operation in the sheet metal bending process, which conventionally required operators to have high skills and long enough experience. Videre received the award not only for its function and efficiency, but also for being easy to operate and incorporating a cutting-edge interface with innovative and creative features.



Videre

※1 “Machine Design Award” was established in 1970 for the promotion and development of industrial product design. The Award chooses the best products by comprehensively evaluating candidate products from such various aspects as appearance, function, performance, safety, and color. Economic viability and marketability of the products are also considered.

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 growth together.

● Feedback interview to facilitate growth

Supervisors 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.

Overview of Muratec’s Personnel System

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

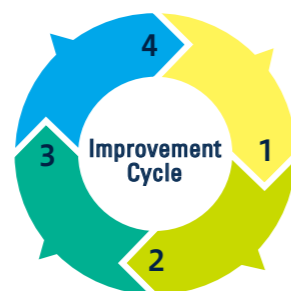
4. Feedback interview

Aiming for further improvement of employees’ abilities

Improved organizational performance

3. Employee performance evaluation

Translating the company’s performance into individual treatment



1. MBO

Individual ability → Improved individual performance

Improved individual ability

2. MBO

Individual performance → Improved organizational performance

● Developing human resources that support Muratec’s growth

To maximize the value of our human resources, Muratec has put in place various training and educational programs.

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.

A total of 80 employees from various backgrounds participated in this program. Of them, 15 are currently working in different countries as Muratec representatives.



English class taught by an instructor in the host country

Promoting Work-Life Balance

● 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.

Specifically, we introduced an entrance and exit control system to record the times of each employee’s entrance to and exit from the plant. We use this system in combination with the daily work management system as a means of objectively keeping track of hours worked by employees.

Last fiscal year, we revised the daily work management system by adding some support functions. The newly added functions include an overtime alarm sign shown on the system’s top page and approval screen to the employees doing more overtime than specified and to their supervisors.

We also hold an annual labor management session for managers to help them gain accurate knowledge about working-hours management.

A total of 143 managers participated in this session last fiscal year.

● Supporting work-life balance

Muratec has 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. Specific systems for supporting childcare and nursing care include reduced/staggered working hours and interviews with supervisors before and after leave.

Work-life Balance Book for Carers



Last fiscal year, in addition to “Work-life Balance Book for Families Raising Children,” we released “Work-life Balance Book for Carers” on the company intranet. The new publication contains information about various procedures associated with nursing care.

Promoting Diversity and Inclusion (D&I)

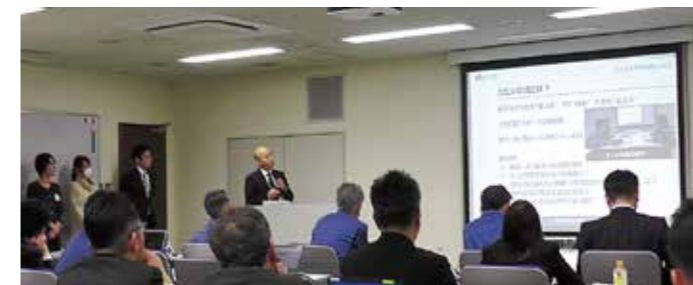
● D&I Promotion Project



Diversity & Inclusion

Since fiscal 2007, Muratec has conducted diversity promotion activities with the emphasis on supporting female employees’ career development. In fiscal 2017, based on the results and challenges of said activities, we launched a D&I Promotion Project to develop an organizational climate that welcomes diversity and inclusion.

Last fiscal year, the second term of the project, project members worked in five teams to create an “organization where diverse people work with a sense of joy and fulfillment.” Each team developed and implemented measures to address challenges facing each workplace. A D&I debriefing session was held to share the results of these activities with the president and other top managers.



D&I debriefing session

● 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 near future. Training 18 candidates last fiscal years, the way of ideal thinking and skills expected of leaders, the program also serves as an opportunity for participants to develop personal networks.

In an effort to develop an environment where diverse people can work actively together, we also hired more female sales representative and engineers as well as overseas candidates, whose number had been small in our new graduate and mid-career recruitment. Last fiscal year, 20 such female and overseas applicants joined Muratec.



WLP debriefing session

Introducing a telework system^{※1}

~ Introducing a system to support a flexible work style to ensure each employee’s happiness and the company’s continuous growth ~

In January 2019, we introduced a telework system in response to employees’ call for an environment allowing a more flexible work style, with employees’ values and circumstances becoming increasingly diverse.

Designed to let employees work in a style that suits their respective circumstances, this system allows those wishing to telework for childcare, nursing care, or any other reasons,

to work from home. Reduced commuting time raises work efficiency. This system is also believed to facilitate business continuity in emergencies. By ensuring flexible work styles, we aim to improve employees’ work-life balance and time management skills. By March 2019, 54 employees used this system.

※1 Telework: Coined from “tele=away” and “work,” “telework” means a work arrangement in which employees use information and communication technology to work at any time and from any place they choose.

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.

Delivering Safety Value Both Inside and Outside the Company by Creating a Resilient^{※1} Offices and Plants

Muratec believes that its most important mission is to “provide society with safe products and services.” To do so, we must first and foremost “create a corporate climate that places top priority on ensuring safety.” To achieve these goals, we have taken steps to make our offices and plants more resistant to disasters.

Since 2016, as part of systematic group-wide steps to repair and seismically reinforce old buildings on our work sites, we have worked companywide to ensure safety measures for our buildings and infrastructure. Halfway through this process, the Osaka Earthquake struck. Though we were spared any major damage, we immediately conducted a safety inspection on concrete block walls on each site, structures that can turn lethal when earthquakes strike. We eventually removed all these block walls and replaced them with aluminum fences that are lighter and more durable.



Before the safety measure (Head Office)

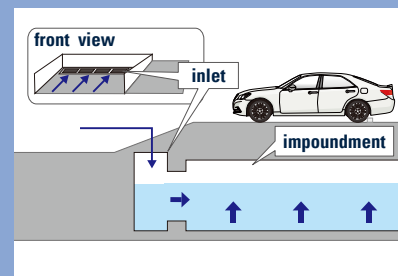


After the safety measure (Head Office)

In July 2017, torrential downpours inflicted major damage on the Inuyama plant, inundating buildings, crippling machines and instruments inside the buildings, and immersing employees’ cars. To prevent the recurrence of such damage, we conducted drainage work by which we made a new water tank under the parking lot and elevated the ground level itself. Also, we increased our preparedness to torrential rains by making it possible to remotely control a water level in the water tank from the office.



Elevated parking lot (Inuyama)



Water catchment mechanism (Image)

※1 “Resilient” generally means having the ability to return to the original state after being deformed by major force. In recent years, this term is used in the Japanese Government’s national resilience policies as an ability to respond to (control and mitigate) such natural disasters as an inland earthquake in the Tokyo metropolitan area and massive Nankai Trough earthquake.

Towards Preventing All Occupational Injuries

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^{※2} 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.

Moreover, as an opportunity to remember the significance and importance of daily EHS activities, we have held a “refresh” training seminar each year since fiscal 2016, centered on dialogue among audit officers.

※2 5S : Sort, Set in Order, Shine, Standardize and Sustain



“refresh” training seminar (Inuyama)



“refresh” training seminar (Ise)

Improving physical and mental health

Coping with mental health issues

Muratec cares about employees’ mental health as well as physical health. Specifically, we have a mental health consultation desk, a contact office for third-party mental health counseling, and a “Return-to-work Support Program” to help employees go back to work after leave.

Moreover, in fiscal 2016, we introduced a “mental stress check” system with the aim of helping employees understand their mental stress levels and providing primary preventive care for potential mental health problems. Since fiscal 2017, we have conducted a feedback training for managers, in which the attendees learn how to read the results of the mental stress check and organizational health diagnosis and how to use such data for the further improvement of the workplace environment.

Traffic safety

Traffic safety seminar held in each office/plant

To raise each employee’s awareness about traffic safety, each office/plant holds a traffic safety seminar. Last fiscal year, attendees were shown the scenes recorded by dashboard camera of the accidents that actually Muratec employees are experienced. This session visually communicated to the attendees the situations and causes of accidents.

Participants’ voices include “I now have a greater sense of crisis because the dashboard camera movies powerfully showed us actual accident situations” and “I realized once again that a moment of lapse can lead to accident.”



Traffic safety seminar (Head Office)

Holding a regular health seminar

Every year, we hold a seminar concerning health to further enhance each employee’s health awareness.

Last fiscal year, with the aim of improving our work performances through good-quality sleep, we held “Sleep Management Seminar” at the Head Office and the Inuyama plant by inviting a lecturer from outside the company. Attendees were taught “Why is sleep important in the first place?” and other knowledge about sleep based on scientific study and evidences. The seminar also introduced sleep-related cycle that businesspersons should take and steps anyone can follow to improve sleep.



Sleep seminar (Inuyama)

Introduced a Safety & Health Handbook throughout Muratec : “One Muratec” drive to absorb the safety culture

With safety & health as one of its major issues, the Muratec Group believes it important that all its employees play their parts in the efforts of developing a work place culture placing top priority on safety and health. Meanwhile, we still have issues such as work-related accidents that occur inside and outside our plants and difference in the level of safety and health awareness among divisions. Last fiscal year, based on the common understanding shared across Muratec, we made all-Muratec “Safety & Health Handbook” and distributed it to all employees, including temporary staff members.

Developed by reorganizing the contents of the handbooks used by some divisions and production sites into one usable and common so that could be applied to across the company, the Safety & Health Handbook contains our philosophy and policies and other work discipline and rules for safe behavior. We also provided e-learning to help employees test their comprehension about the Handbook and learn how to make use of it more meaningfully.



Safety & Health Handbook (available in six languages)



A read-through of the handbook together at the morning gathering (Head Office)

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 February 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.



- **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, Miyakonjo 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.



- **Hands-on manufacturing internship for technical college students - Kyoto**

Every year, Muratec Head Office offers a “Hands-on Manufacturing Internship Program” geared to students attending technical colleges all around Japan.

Through hands-on training and plant tours, this internship aims to communicate to technical college students joys and challenges associated with making things, thereby contributing to the development of future engineers. In the practical training, the students make motor-operated devices and experience by trial and error the entire process of product development from planning to conceptualization, to design, assembly, and product presentation. Last fiscal year, we received 21 technical college students.



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

Every year since June 2013, a CSR representative from Muratec participates as a lecturer in a Ryukoku University Faculty of Policy Science class called “Corporate Social Responsibility Seminar” (led by Professor Takafumi Nakamori).

Aiming to develop human resources who will contribute to the sustainable development of society, this course is offered through cooperation between the Kyoto CSR Network and Ryukoku University. After the member companies of the Kyoto CSR Network give classes one after another regarding their CSR activities, students actually visit these companies. During the course’s final session, students make presentations in which they share their ideas about what would make the CSR activities of participating companies more attractive.



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 31 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 23rd 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 320 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



City bus
Kyoto Arts and Crafts University

TOPICS

First issue of “TE TO TE (hand in hand),” a PR magazine functioning also as a guidebook, published



Last fiscal year, Muratec published TE TO TE, a PR magazine for customers. To attract the attention of our wide-ranging customers, the magazine is designed to function as a guidebook for areas where our operations are located. Featuring Inuyama, Aichi, the first issue of the magazine contains various articles concerning local foods, tourist information, local customers, and the history of the Inuyama plant. The second issue features Kaga, Ishikawa.



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.

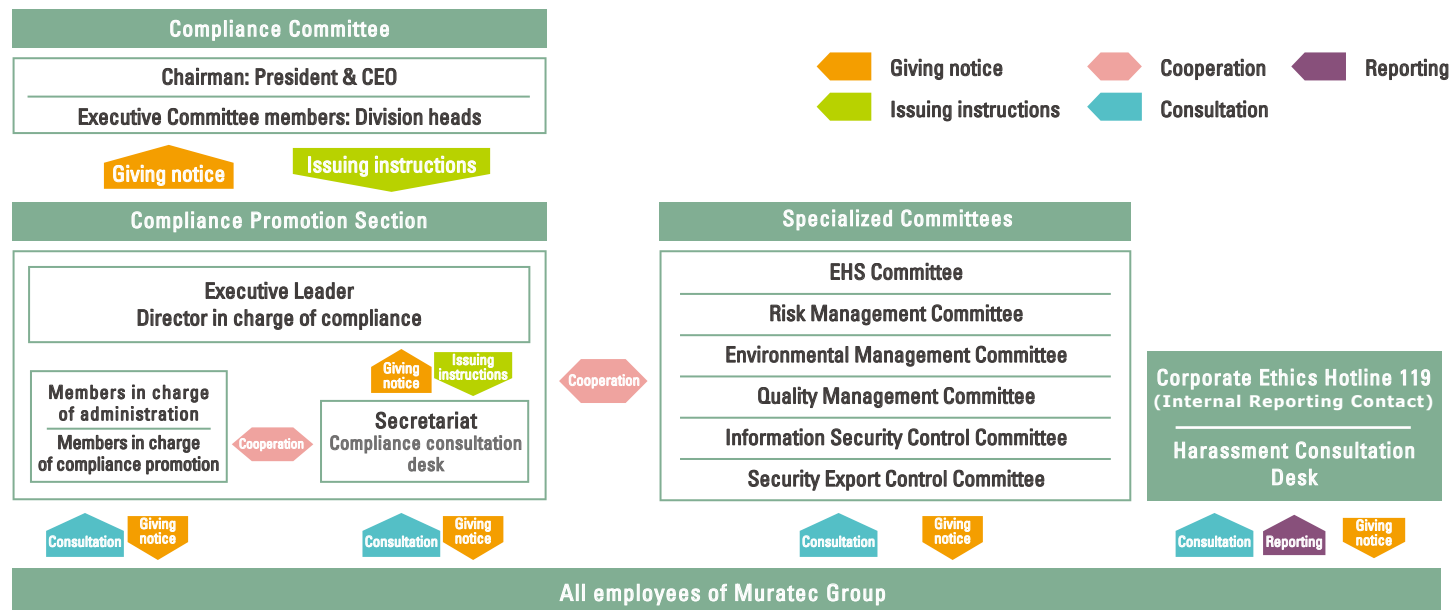
Moreover, in line with the Executive Officers System, the power of the Board of Directors is limited to corporate decision-making and management supervision. This effectively transfers operational powers to the Executive Officers, ensuring faster and more appropriate corporate decision-making.

● 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 Activity Promotion Structure

As of April 2019



Number of cases brought to the Compliance Consultation Desk (Year ending March 2019) **13 cases**

● Compliance and Ethics Training

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

Last fiscal year, a basic training course concerning the Subcontractor Act was conducted for employees who need to have understanding about this law, such as those of the departments placing orders to subcontracting companies. 212 employees attended the training course at four offices/plants.



Basic course on the Subcontractor Act (Shiga)

Risk Management

● Muratec Business Continuity Plan (BCP)

Last fiscal year, we added the Kaga plant to our list of offices/plants that have introduced BCP. Every month, relevant departments' responsible officers met, identified risks for the plant, and developed such documents as a manual for responding to risks, a disaster mitigation plan, recovery instructions, etc. Furthermore, to ensure that employees can act spontaneously in the event of an emergency, we verified the effectiveness of the manuals through e-learning and compact drill (exercise). In the years ahead, we will continue repeating the training and exercise and strengthen cooperation with other offices/plants, thereby further refining our BCP.



Compact drill (Kaga)

Respect for Human Rights and Ethics

● Human rights initiatives across the supply chains

In recent years, there has been growing public awareness about international human rights issues, such as forced labor and child labor. Against that background, Muratec is committed to human rights and labor issues not only at its offices/plants but also throughout its entire supply chains.

Last fiscal year, for the supervising organizations for foreign technical intern trainees whom Muratec has received, we held a briefing session to help such organizations better understand our policies on "Prohibition of Forced Labor and Child Labor." Moreover, since last fiscal year, we have conducted risk assessment with the suppliers hiring foreign workers and a survey with foreign workers themselves. Through these steps, we have enhanced understanding about the importance and need of engaging the entire supply chains in human rights issues.

Number of problem behavior identified at the suppliers surveyed (Year ended March 2019) **0**

Held a compliance seminar at each office/plant:

One Muratec drive to make an organization everyone can comfortably share both good news and bad news

To create an organization that can prevent compliance violations, we have taken such steps as drawing up a code of conduct, developing a relevant organizational system, and establishing a consultation desk. These workplace environment improvements must go hand in hand with the development of a climate in which each employee has awareness about the importance of compliance and feel safe and free to talk.

Results of a questionnaire survey conducted about the e-learning course given last fiscal year show that few employees know about the consultation desk and so find it difficult to talk about compliance issues. To address this situation, a compliance seminar taught by the consultation desk representatives was held at each

office/plant. 139 employees attended the seminar held at the Head Office and at the Kisshoin, Inuyama, Ise, Toyohashi, Oita, and Shiga plants. During the seminar, we discussed an overview of Muratec's compliance activities as well as actual compliance cases that have occurred to other companies and may occur around ourselves. The seminar also included dialogues with the lecturers.

Comments from the participants include: "I realized that compliance is an open question and it is a continuous act of meeting expectations from society," "It is important to have a workplace atmosphere in which you feel comfortable to seek advice on anything from anyone," and "The seminar drove home to me the importance of Muratec Code of Conduct."



Compliance seminar(Kisshoin)

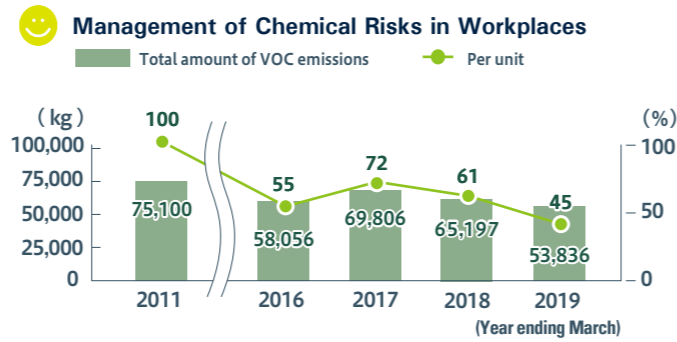
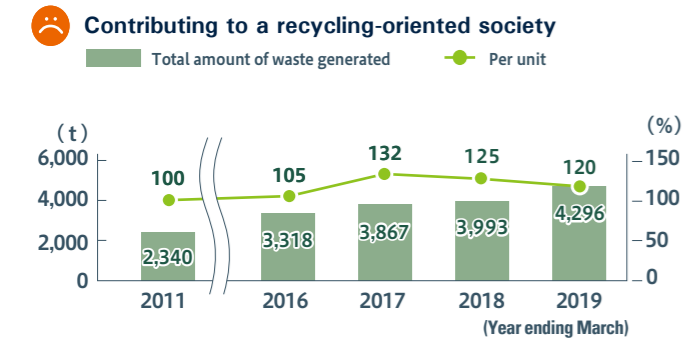
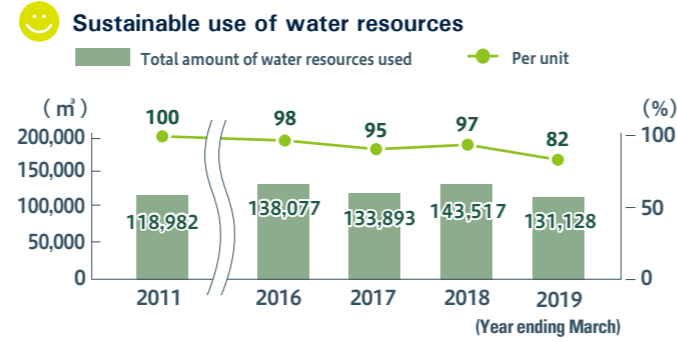
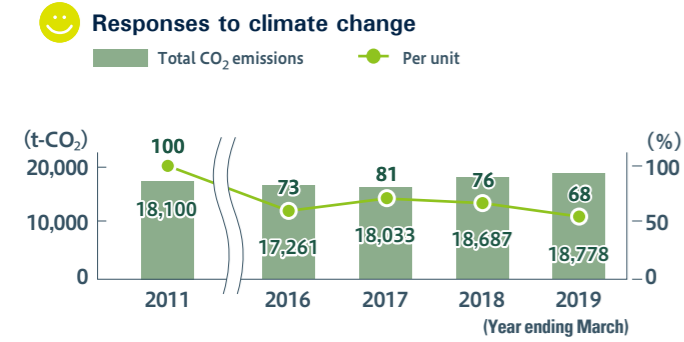


Compliance seminar(Toyohashi)

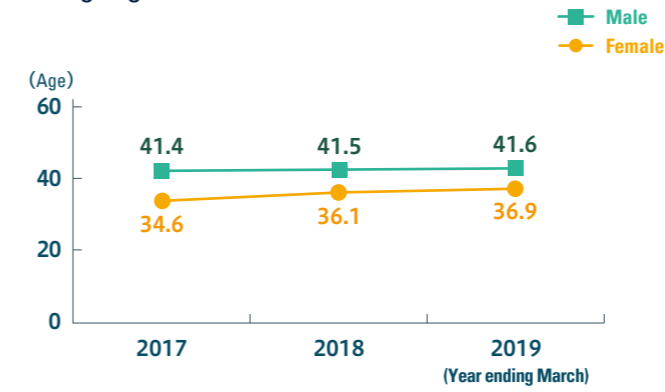
Environmental

● Environmental Performance

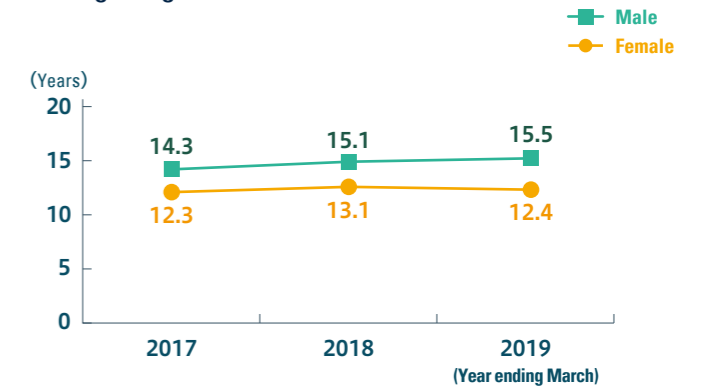
Achievement status
 ☺ Achieved
 ☹ Slight gap between target and achievement
 ☹ Not achieved



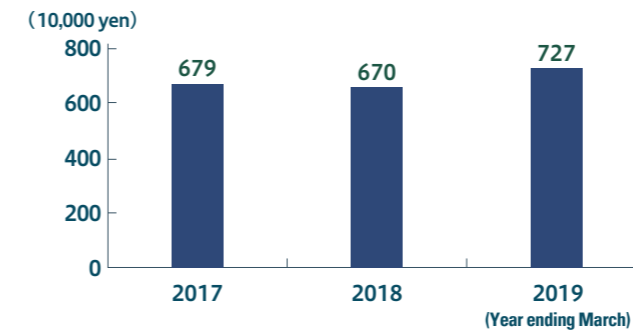
● Average age



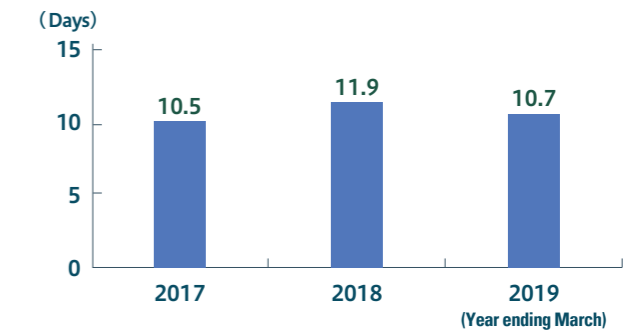
● Average length of service



● Average annual salary



● Average paid leave days taken



Supply chains

● Average level of understanding of RBA Code of Conduct ※1

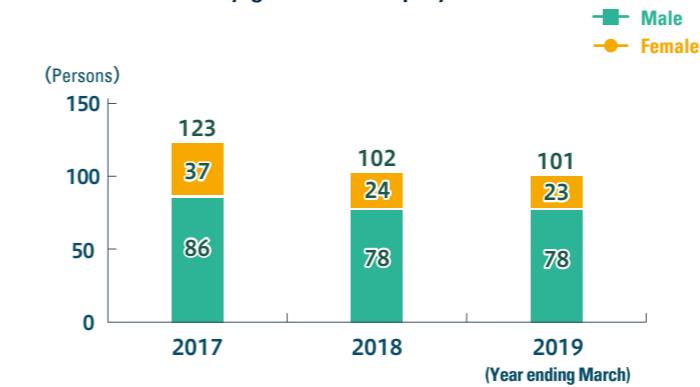
Year ending March	Year ending March	Year ending March
2017	2018	2019
60%	61%	63%

● Percentage of suppliers scoring 70% or more in the level of commitment to risk management (RBA items and BCP) ※1

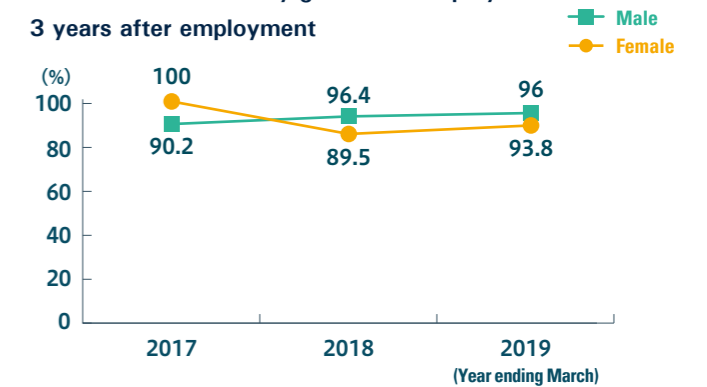


※1 Results of supplier surveys (Number of respondents: 79 for the year ended March 2017, 66 for the year ended March 2018, and 92 for the year ended March 2019)

● Number of newly graduated employees

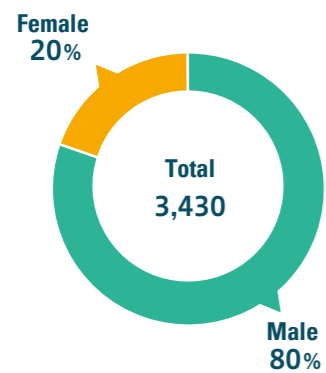


● Retention rate of newly graduated employees 3 years after employment

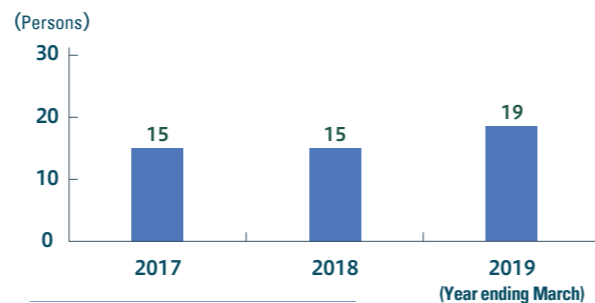


Employee (non-consolidated)

● Workforce by Gender (As of April 2019)

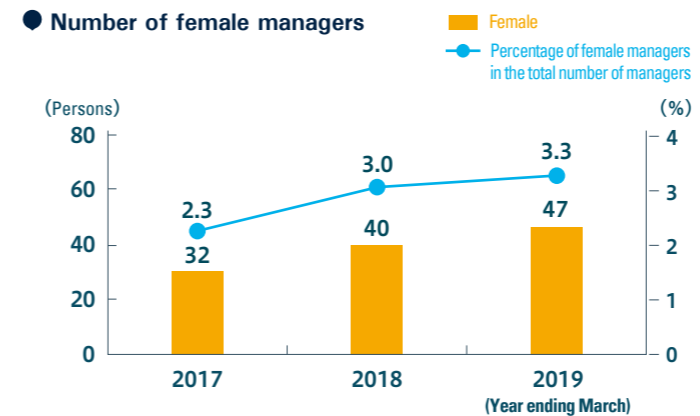


● Number of foreign employees ※2

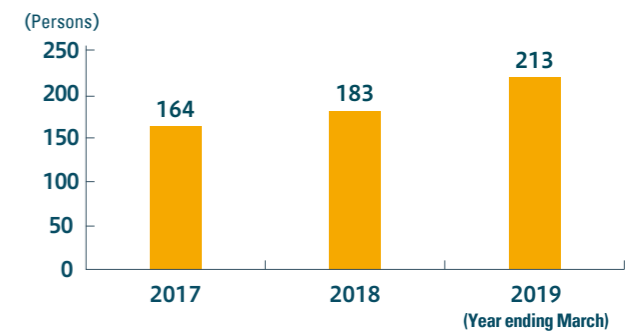


※2 Number of those other than Japanese nationals

● Number of female managers

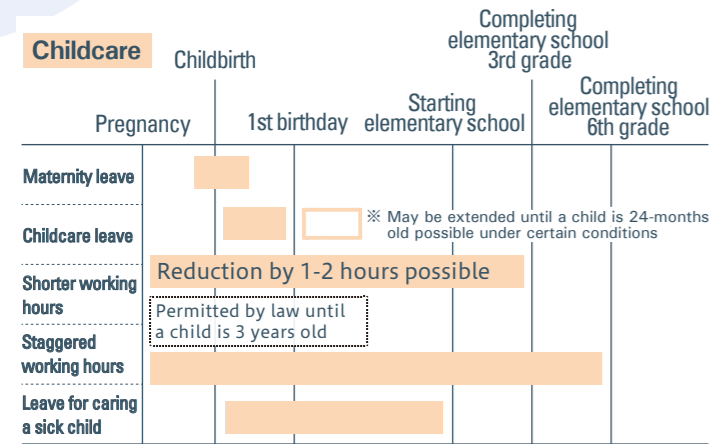


● Number of working mothers



Employee(non-consolidated)

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



Nursing Availability period

Family care leave	Up to 93 days in total for each eligible family member (Leave can be divided and taken separately up to 3 times)
Shorter working hours	For each eligible family member, this program may be used for a period desired by the user, up to 3 years from the day on which the program starts being used.
Staggered working hours	For each family member requiring constant nursing care, this program may be used for a period desired by the user.
Family care time-off	Up to 5 days a year for each eligible family member (For more than one family members, up to 10 days a year)

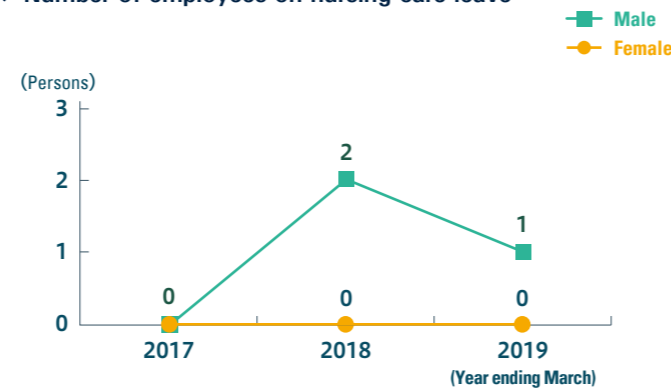
● Overview of safety & health training program

- Safety & health lectures (for new employees)
- Safety & health training programs planned in the safety and health activities of each office/plant
- Experiencing simulated dangerous situations at "Safety Training Camp"
- Safety & health training before entering customers' work sites (mainly construction sites)
- ISO45001 introductory training (only for certified divisions)
- Traffic safety seminar
- Health seminar
- Mental health seminar
- "Refresh" training for EHS Daily Audit
- e-learning on raising safety & health awareness
- Themed e-learning sessions

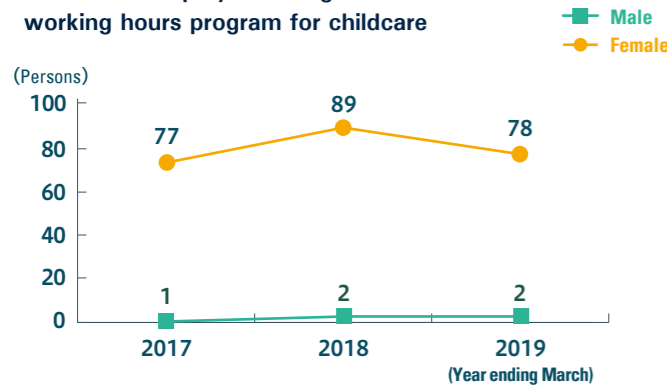
● Number of employees on childcare leave



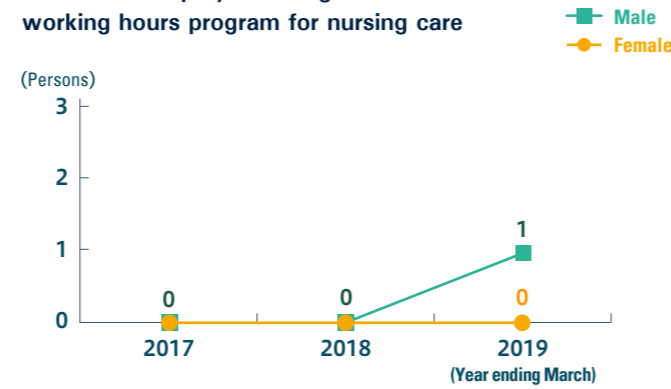
● Number of employees on nursing care leave



● Number of employees using the shorter working hours program for childcare



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



● Safety & health e-learning courses and offices/plants and divisions that have offered them

Courses	Offices/plants and divisions that have offered the e-learning courses	Year ending March	Year ending March	Year ending March
		2017	2018	2019
Safety & health awareness raising	Inuyama	-	93%	96%
Safety & health awareness raising	Head Office	-	-	95%
Improving workplace environment to prevent VDT syndrome ※4	Head Office	86%	-	89%
Improving workplace environment to prevent VDT syndrome ※4	Ise	-	-	93%
Stress management (for employees in their second year with Muratec)	All Muratec	-	100%	100%
Risks of chemical substances	L/C Manufacturing Department at the Inuyama and Ise plants ※5	100%	100%	100%
Need to use protective gear	L/C Manufacturing Department at the Inuyama and Ise plants ※5	100%	100%	100%
How to use tools	L/C Manufacturing Department at the Inuyama and Ise plants ※5	-	-	100%

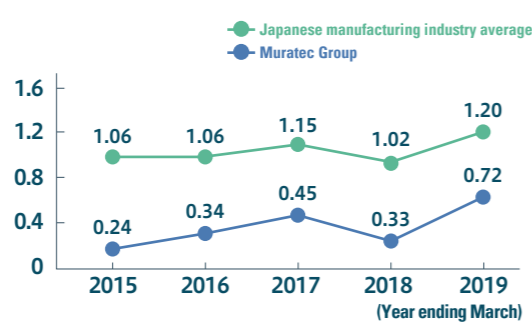
※4 VDT syndrome: Eye and body symptoms resulting from focusing the eyes on a computer or other display device (VDT=visual display terminal) for protracted periods of time
 ※5 L/C Manufacturing Department: A common manufacturing department for L&A Division and Clean FA Division

Safety and Health

● Number of Occupational Injuries ※1

Injury category (LT/NLTI)	(Number of injuries)	
	Lost-time injury (LT: Lost time one day or longer)	Non-lost-time injury (NLTI: Lost time less than one day)
Year ending March 2015	2	12
Year ending March 2016	3	15
Year ending March 2017	4	13
Year ending March 2018	3	13
Year ending March 2019	7	8

● Trend of Occupational Injury Frequency Rate ※2



● Health data ※3

	Year ending March	Year ending March	Year ending March
	2017	2018	2019
Rate of undergoing regular health checkups	100%	100%	100%
Rate of undergoing mental health stress check	83%	91%	94%

※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.
 ※3 Data include all people working for the Muratec Group (in Japan)

Corporate governance data

● Overview of compliance training program

- Compliance seminar (for new employees)
- Compliance seminar
- Themed training (export management, business risks in general, basics of contracts, etc.)
- e-learning on compliance awareness raising
- e-learning on information security
- e-learning on addressing cartel risks
- e-learning on harassment prevention
- e-learning on BCP
- e-learning on secret information control
- e-learning on the handling of highly confidential customer information
- e-learning on corruption and bribery prevention

● Compliance e-learning courses and offices/plants and divisions that have offered them with performances

Courses	Offices/plants and divisions that have offered the e-learning courses	Year ending March	Year ending March	Year ending March
		2017	2018	2019
Compliance awareness raising	All Muratec	-	-	88%
Information security	All Muratec	91%	-	93%
Addressing cartel risks	All Muratec	-	84%	85%
Harassment prevention	All Muratec	93%	98%	94%
Harassment prevention (for managers)	All Muratec	93%	-	99%
BCP	Inuyama and Ise	93%	95%	94%
Secret information control	Target employees of the CFA and L/C Divisions	100%	100%	100%
How to handle highly confidential customer information	Target employees of the CFA and L/C Divisions	100%	100%	100%
Corruption and bribery prevention	Target employees of the CFA and L/C Divisions	100%	100%	100%