



# Muratec CSR Report 2013



# INDEX

MURATEC CSR Report 2013

INDEX / Editorial Goals	1
Company overview / Business areas	2
Business results / Global network	3
Top commitment	4
Feature: Creating products that are good for people and the planet	
Automatic winders PROCESS CONER II QPRO	5
MURATEC CSR	7
Relationships with our stakeholders	9
Reducing environmental impacts in our business activities.	
Approaches to efforts for the environment	10
Efforts in our business activities	11
Efforts related to products	14
Working to increase customer satisfaction	
Efforts to improve quality	15
Efforts to improve customer service	17
Working with our suppliers and vendors	18
In harmony with our employees	
Human resources development	19
Supporting Diverse Work Styles	20
Our approach to occupational safety and health	21
Connections with local communities	23
Management systems	25

## Editorial Goals

In this Muratec CSR Report 2013, we describe our ways of thinking about and approaches to fulfilling our social responsibilities at Murata Machinery, as well as our efforts and the results related to them. In the past, we reported on our efforts for the environment and society in the business activities of certain divisions. With this report, though, we have expanded the scope of information to include all of our business areas.

One goal for the publication of this report is to make our approaches and efforts widely understood by our stakeholders, including our customers, our suppliers and vendors, our employees and their families and the members of the local communities where we are active. Another goal is to deepen and solidify relationships of mutual trust with these stakeholders.

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." In our explanations of each effort, we have also paid attention to presenting not only results but also the backgrounds and processes behind them.

### ■ Scope of the report

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 areas.

### ■ Organizations covered

In this report, we cover our main relevant business places in Japan, as listed below. Information about some Murata Machinery Group activities is also included.

- Murata Machinery, Ltd.  
Head Office (Kyoto), Inuyama Factory, Ise Factory

### ■ Period covered

As a rule, this report covers activities conducted in the 2012 fiscal year (April 1, 2012 to March 31, 2013). However, information about some activities that have continued from before this period, as well as activities that occurred closer to the date of publication have also been included.

### ■ Publication date

June 2013: Made public on our corporate website  
(June 2014: Next scheduled publication date)

### ■ Reference guidelines

- GRI Sustainability Reporting Guidelines (G3.1)
- Environmental Reporting Guidelines (2012 edition, Japanese Ministry of the Environment)

### ■ Publishing division (contact for inquiries)

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## Company overview

Company name	Murata Machinery, Ltd.	Number of employees	3,000 (6,300 in group) (as of April 2013)
Representative	President & CEO Daisuke Murata	Net sales (non-consolidated)	¥133.2 billion
Established	July 1935	(consolidated group)	¥172.9 billion
Capital	¥900 million		(for March 2013 accounting period)
Business activities	Manufacture and sales of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment	Head Office	136 Takeda Mukaishiro-cho, Fushimi-ku, Kyoto 612-8686 Japan

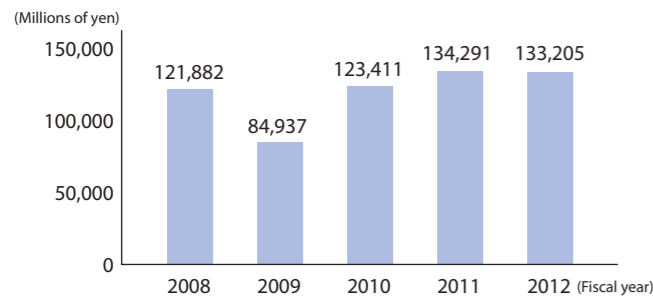
## Business areas

Muratec 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 that are ever better. We are focused on the five main areas of textile machinery, logistics systems and factory automation systems, AMHS for clean rooms, machine tools and communication equipment. In these, we exercise our technological expertise to develop a wide variety of products. Our efforts have even earned high evaluations internationally.

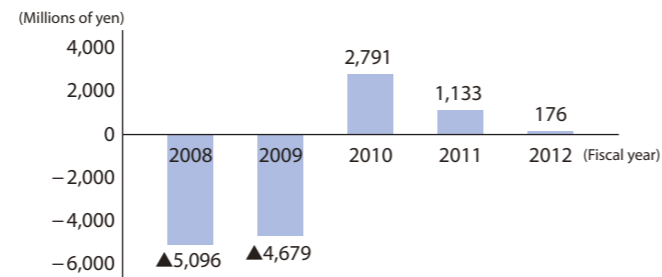


## Business results

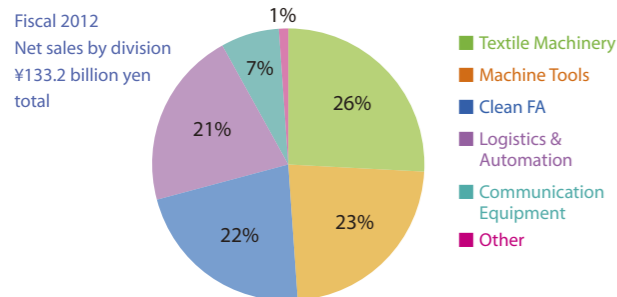
### Net sales record (non-consolidated)



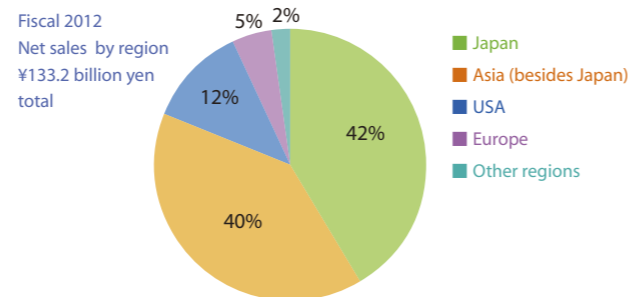
### Operating profit record (non-consolidated)



### Net sales composition by division (non-consolidated)



### Net sales composition by region (non-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.



HEAD OFFICE (KYOTO)



MURATA MACHINERY USA



MURATEC AMERICA



# To Remain a Company Needed by Society

Muratec will promote CSR activities by conducting its businesses in line with its corporate philosophy.

Muratec is a machinery manufacturer which assists in customers' value creation with its wide-ranging machinery, from industrial machines to communication equipment. Based on the philosophy "Let machines do what machines can do and let humans do what only humans can do," Muratec has long provided its customers with "human-friendly technologies." Through our technological capabilities and innovation, we have translated this philosophy into products and services which respond to the needs of the times and society, thereby establishing ourselves in the area of industrial automation and labor saving. The activities that we have long engaged in show how we can contribute to society with products and services in our main business areas; namely how we can fulfill our corporate social responsibility.

The business environment remained severe throughout 2012 due to - among other reasons - the prolonged appreciation of the yen and the debt and financial crises in Europe and the United States. If we are to continue providing more value-added products and services in such a volatile situation, there is no question that Muratec as an organization must keep renewing itself. At the same time, each one of us at Muratec must find ways to adapt to the changing environment. These are the objectives of the Five-Year Plan that is currently underway. With its implementation starting in fiscal 2011, the Five-Year Plan has three themes—quality, innovation and internationalization. Under these themes we are seeking to drastically restructure our existing businesses and products, focuses and methods of our technological development, ways of procurement and production, as well as ways of managing our organization and human resources. All these steps aim to ensure Muratec's growth as a "platform for value creation" in society, thereby enabling us to continue responding to society's requests for many years to come.

Meanwhile, these activities need to be presented to society in an easily understandable way. To keep the records of our activities in a more objective and visible manner and use them for our future improvement, we have decided to release a CSR report. We hope that the report will help us review our conventional activities and the reasons for our existence, while allowing us to organize, express, and appropriately disclose what we do and why we do it in a globally accepted format and terminology. By doing so, we would like to see our CSR report function as a means of dialogue with various members of society and help each of you better understand our activities.

What does Muratec have to do if it is to "remain a company needed by society"? First, we must stay focused on the main business of helping our customers develop products in ways that create value. At the same time, we should listen to expectation from society, tackle them as challenges, and disclose the results of our endeavors. Through this process we hope to maintain a relationship of trust with our customers and other stakeholders, thereby contributing to the creation of an even more affluent society.

Murata Machinery, Ltd.  
President & C.E.O.

# Creating products that are good for people and the planet

## Automatic winders PROCESS CONER II QPRO



“We want our customers to delight in the use of our machines”

As we develop products at Murata Machinery, we are always focused on the belief that “We want our customers to delight in using our products.” Automatic winders<sup>1</sup> are one of the main product types of our Textile Machinery Division. Our new QPRO automatic winder model has been recognized along with its VOS III operator interface for design that makes industrial machinery user-friendly and easy-to-manage. They have received the 2012 Good Design Award.<sup>2</sup> At present, diverse innovations are now being undertaken not only for functionality but also in terms of design even in the field of industrial machinery. So, the deciding question in assigning this award was, “What is machinery that is good for people and the planet?” Our two designers involved in the planning and development of the QPRO also considered long-held Murata Machinery beliefs about product creation.

### Designing equipment that is easy to understand and use by considering operator usability

#### Background

The automatic winder operators, who work in spinning mills where they are surrounded by many running machines, should be able to accurately determine the status of the machinery and quickly decide the next operation that is needed.

#### Our design

We want to make machinery that enables easy, stress-free operation

Example: The end of a cut thread becomes wrapped around the package (see next page), and threading is interrupted.



The LED lights informing the operator

When trouble occurs that cannot be resolved by the machinery itself, operation stops automatically and an alarm LED lights red. The operator notices the LED, resolves the cause of the problem and restarts operation.

#### Key efforts

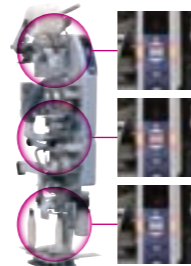
##### Easy to check from a distance

LED lights have been installed on the machines so that they can be seen from anywhere in front and checked quickly. Their rounded exteriors also create a friendlier, gentler impression.



##### Intuitive trouble spot display (Smart Guide Panel)

The LEDs light at the top, middle or bottom of the equipment panel according to the location of the trouble spot. This makes trouble spots easy to identify intuitively.



##### Easy-to-master touch panel interface (VOS III)

Operate by touching icons. The interfaces of industrial machines tend to be complicated, but we have made them feel familiar and easy to master.



### Considering the global environment through green design

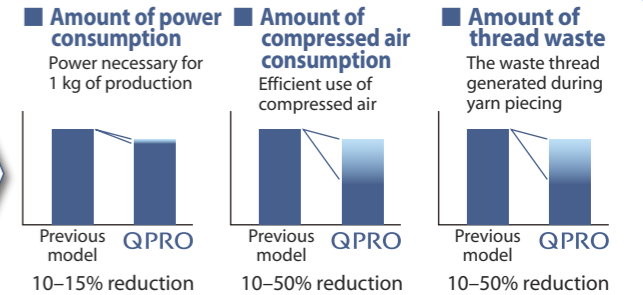
#### Background

Even in the newly developing countries where our textile machines are used most, taking measures against increased power demand is becoming a serious issue for society.

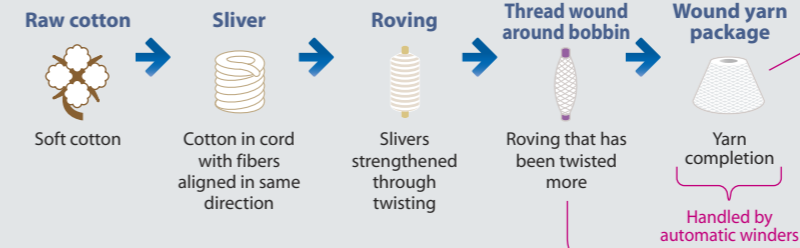
#### Our design

We want to make machinery with fewer impacts on the environment

#### Key efforts



#### Spinning process (through thread completion)



<sup>1</sup> Automatic winders

In a process called spinning, raw cotton, which is the base material, is twisted into a single long strand of yarn (see illustration above). Automatic winders are machines used in the final stage of that process. Fiber that is still uneven in a form called a “bobbin” (thread wound around bobbin) is extended as, for example, impurities and irregularities in thickness are removed. This machinery winds the “bobbin” into large packages (see illustration at right), filling an important role in determining the quality of the yarn. The wound package becomes cloth in the next stage of knitting or weaving and is then made into clothing and other final products.

<sup>2</sup> Good Design Award

In this design promotion effort, “good designs” are chosen in a variety of fields. Awards are given with the goal of making people’s lives, as well as industries and society as a whole, more advanced. Rather than just judging things on how good they look, evaluations are conducted with consideration for whether the designs contribute to making lifestyles enriching. Website: <http://www.g-mark.org/>

### QPRO

- High “Q” uality
- High “P” roductivity
- Energy “R” eduction
- Easy “O” peration

QPRO automatic winder

#### VOICE

Creating products that exceed expectations

“Is what we are trying to do really what our customers want?” In development processes, we are constantly repeating discussions like this. “Feedback from workplaces,” which we gather from customers that actually work with our machinery, is the foundation of these conversations.

For example, this time, we had received feedback that the lights of a previous product were difficult to see. This time, rather than just stopping at “improvement” by making the lights brighter, we began to think about whether there might be a better solution. As result, we were able to create a novel new design.

Feedback from workplaces is only a starting point, however. Making tasks and operations easy is a priority, of course, but we also want to surprise our customers by exceeding their expectations. We want them to think, “I never knew that machinery could be this easy to use!” Through design, we want to provide our customers around the world with machines that create a sense of joy and even help people deepen their sense of affection for them during use.



Kiyonori Yonei  
Designer  
Technology Development Center  
Research and Development Division

Kouichi Motoyoshi  
Designer  
Technology Development Center  
Research and Development Division

#### VOICE

User-friendly interface design

I believe that we received this positive evaluation as a result of our efforts that we made with the intention to create a product that would make many people happy, be good for them and even be loved by them. In this project, my mission was to enhance the user interface (UI) of the VOS III. User interfaces, along with input devices, are entering a time of rapid change. This trend is also greatly affecting the industrial machinery field.

For this reason, I focused on screen design that has good visibility and is closer to consumer products, a color scheme that considers color-blind users, improved operability and a unified image with the graphical user interfaces (GUI) used in products by the rest of our divisions. By doing so, I was able to design in a way that resulted in the creation of a GUI in which every element has the Muratec touch. Our Textile Machinery Division has made our company a leading producer of automatic winders, which are machines that contribute to the development of the textile industry around the world. I believe that we must also maintain this lead with our user interfaces. User-friendliness should be prioritized in the design of the interfaces that link people with machines. I will focus on fulfilling this goal of making interfaces more friendly.

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

### Corporate Philosophy

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

The former part of our Corporate Philosophy describes our means and the latter our missions.

Our two missions, namely “the happiness of our employees” and “affluent society,” are inseparable.

The happiness of each member enriches society.

What makes people happy is a sense of contributing to the prosperity of society.

The activities described in the earlier part of our Corporate Philosophy are a means of ensuring the prosperity of society. These are inseparable from our mission. We must note, therefore, that the end does not always justify the means.

Neither is there any guarantee that the right means will invariably lead to the accomplishment of our mission.

We must continually monitor ourselves to ensure that our mission is achieved by the right means and our means serves its purpose. In other words, our social responsibility is constantly to make sure that the former part of our Corporate Philosophy is properly in line with its latter part.

### Our Social Responsibility

Corporations are economic entities that pursue profits through fair competition. This definition, however, does not properly describe the significance of our existence. Our ultimate mission is not to pursue profits but to be of benefit to society at large.

Our corporate philosophy expresses a strong belief and desire to achieve this mission. However, the causal link between corporate activity and social contribution presented in our corporate philosophy is not a law of nature or a self evident truth; it is just a hypothesis.

Our social responsibility is to continually prove this hypothesis with all of the zeal and ability that we possess.

### 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.

\*\*CSR stands for “Corporate Social Responsibility.”

### 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.

# Relationships with our stakeholders

“Be an entity that is trusted and needed by the society.” This is our ideal about the way that we should be. Through efforts that are based on our corporate philosophy, we contribute to solving the problems of society by continuing to earn the confidence and fulfill the expectations and requests of our stakeholders.



## Global environment

In our business activities, we use many resources as parts and materials. Moreover, in product development and production processes we use electricity primarily as an energy source. Based on our awareness of these facts, we are focusing on innovation to advance product creation that considers the environment and conserves energy even more than before.

### Main responsibilities and roles

- Efforts to prevent global warming
- Efforts for sustainable water use
- Efforts for the creation of a recycling-oriented society
- Efforts for the reduction of chemical substance risks
- Development and supply of green products



## Customers

From industrial machinery to communication equipment, we create and deliver products and services that help our customers with value creation. Our customers are active primarily in the following business fields.

- Industrial machinery (a variety of fields including textiles, distribution and logistics, medical products, food products, semiconductors and automobiles)
- Communication equipment and network solutions (business office and SOHO, industrial equipment and medical equipment fields)

### Main responsibilities and roles

- Assurance of product safety
- Prevention of quality problems
- Fast delivery of relevant product information
- Customer consulting



## Suppliers and vendors

We continue to provide solutions in cooperation with our suppliers and vendors. In addition to being dedicated to transparent and fair transactions, we strive to consider human rights, labor practices and the environment.

### Main responsibilities and roles

- Dedication to transparent and fair transactions
- CSR Promotion in the supply chain (consideration for human rights, labor practices and the environment)



## Employees

Including our group businesses, our family of employees consists of about 6,300 people. Of these approximately 25% were employed outside of Japan in fiscal 2012. We believe that diversity in both personnel and ways of working is a positive characteristic, and we are promoting on a global scale the building of work environments that contribute to the creative and competitive capabilities of our businesses.

### Main responsibilities and roles

- Establish extensive personnel education support systems
- Build organizations that capitalize on diversity
- Support balance between home and work
- Create environments where women can reach their potentials
- Ensure occupational health and safety in workplaces
- Respect human rights and eliminate discrimination



## Local communities

“Put down roots and work in collaboration with the community” This is a goal for every one of our 36 business places in 17 countries around the world. We do what we should to fulfill our roles as members of the local communities where we are active.

### Main responsibilities and roles

- Contribute to the local communities in ways that reflect the characteristics of our businesses
- As a member of each local community, undertake activities that contribute to our bonds with them
- Create employment and contribute to local economies



# Reducing environmental impacts in our business activities

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



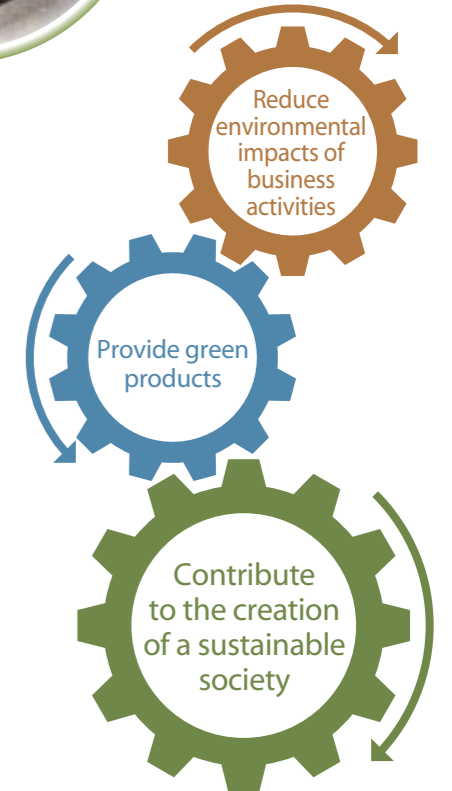
## Our philosophy about efforts for the environment

Our business activities are expanding on a global scale, and we believe that contributing to the realization of a sustainable society from the perspective of preserving the global environment is a duty of our corporation. As a manufacturer that supports the creation of products, we are fulfilling this mission in two broadly-defined areas of effort.

The first is advancing the creation of green products that are even better for the environment and energy conservation than in the past through innovation. We are improving environmental performance throughout product lifecycles and seeking to develop products that provide high performance in terms of both energy conservation and user-friendliness. Moreover, by popularizing products like these, we are striving to reduce the environmental impacts of society as a whole.

The second area is the reduction of our own environmental impacts. Through the operation of environmental management systems, we are working to continuously decrease environmental impacts.

Through these two areas where we focus our efforts, we are working to promote harmony between our existence and the environment so that we can preserve this precious planet for the next generation. In these ways, we are seeking to continue to be a manufacturer that is valued around the world.



## Approaches to efforts for the environment

We have established an Environmental Philosophy and an Environmental Policy to codify our approaches to efforts for the environment. These statements are the foundations for all our environmental efforts.

### Muratec Environmental Philosophy

We recognize that issues related to resources and the environment are serious threats to the prosperity of society, and we are making dedicated efforts to resolve them through both the products that we make and the conduct of our business.

### Environmental Policy

We realize the principles and ideas of our Environmental Philosophy through action. To contribute to the realization of a sustainable society, we conduct environmental conservation on a global scale in accordance with the following environmental guidelines in all of our business fields from industrial machinery to communication equipment.

1. Reduce environmental impacts in business activities
2. Provide green products that are better for the environment
3. Comply with laws and other requirements
4. Set environmental goals and improve continuously
5. Disclose environmental information
6. Raise environmental awareness

## Efforts in our business activities

### Setting goals for environmental efforts

Goals to be pursued are necessary when undertaking efforts that are sustained over long periods of time. In addition, having ways to objectively look at the records of the efforts made to achieve them and showing the orientation of activities are important. Starting with fiscal 2010, which is when we established our current five-division structure, as our baseline, we have used

numerical targets (using base units<sup>1</sup>) that are shared by the entire company to express how we want the company to become by the end of fiscal 2020. Within the implementation framework of our environmental management systems, we will execute efforts to achieve these goals, and promote the efficient use of energy and planetary resources from now on.

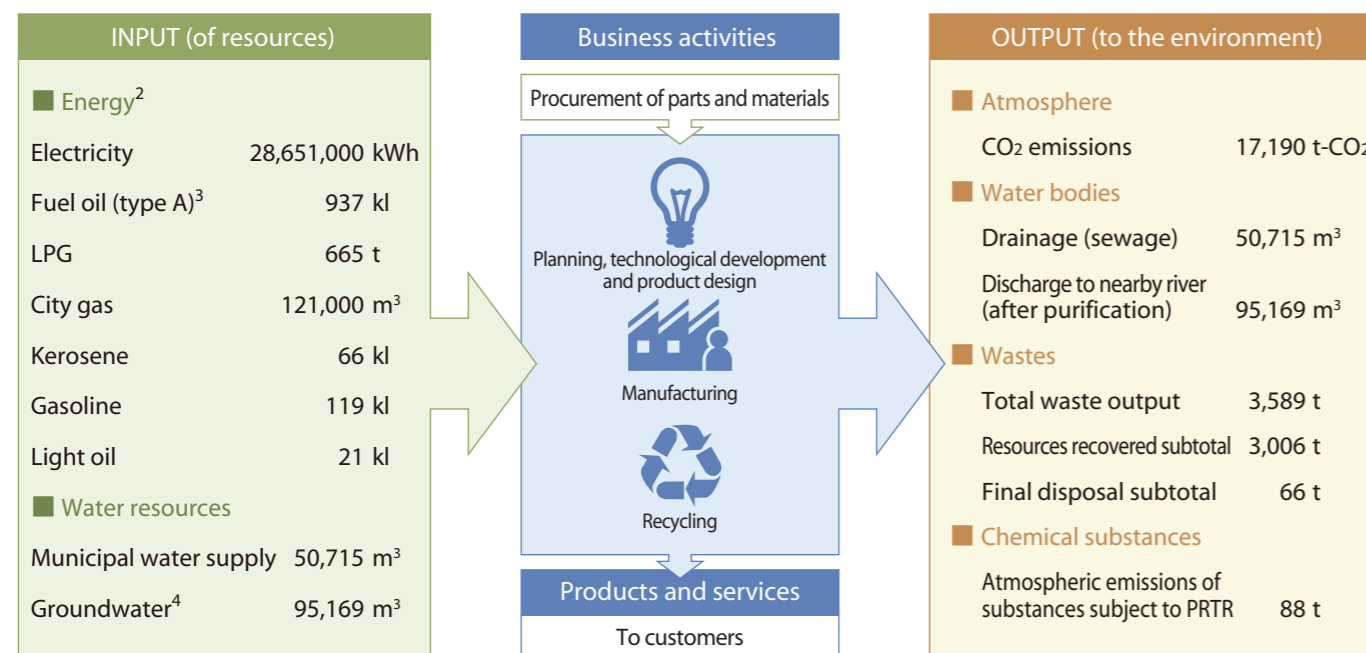
Objectives	Key performance indicators	Medium-Term Corporate Goal for 2020 (baseline year: fiscal 2010)	Base unit denominator (for normalized value)
Preventing global warming	CO <sub>2</sub> emissions (base unit)	15% reduction from 2010 baseline level by 2020	Head Office: Per unit of total person-day Inuyama/Ise Factory: Per unit of production value
Sustainable use of water resources	Water use (base unit)	5% reduction from 2010 baseline level by 2020	Per unit of total person-day
Contributing to a recycling-oriented society	Waste generated (base unit)	5% reduction from 2010 baseline level by 2020	Head Office: Per unit of total person-day Inuyama/Ise Factory: Per unit of production value
Management of chemical risks at workplaces (Inuyama Factory)	Atmospheric emissions of volatile organic compounds (VOCs) (base unit)	10% reduction from 2010 baseline level by 2020	Inuyama Factory: per unit of production value

<sup>1</sup> The "base unit" is an expression of the environmental impacts caused per unit of production value or employee activity.

### Material flow at Murata Machinery (Overall Picture of Environmental Impacts)

The following material flow chart is a graphic showing the environmental impacts resulting from our business activities as a flow of the inputs (the amounts of electric power and fuel energy) and the outputs (CO<sub>2</sub> emissions and the amount

of waste) at every phase from product design to disposal. This allows us to grasp an overview of the relationships between our business activities and environmental impacts.

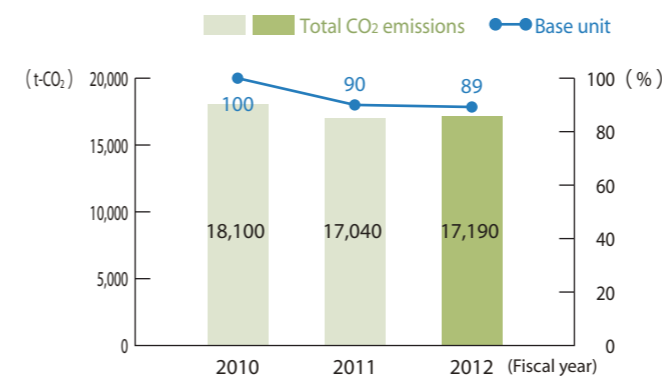


### Environmental impacts in business activities

#### Preventing global warming

Our total amount of CO<sub>2</sub> emissions from the use of electricity and fuel energy has been gradually trending down. In fiscal 2012, however, the amount of emissions increased slightly, by 3% compared to the previous year. In terms of base units, though, the amount still improved by 1% over the previous year. The primary reason for this 1% improvement is increased energy use efficiency at our Inuyama Factory where about 80% of all the energy our company uses is consumed. In addition, the response to appeals to conserve energy at our Head Office has also contributed to decreasing the amount of electricity usage.

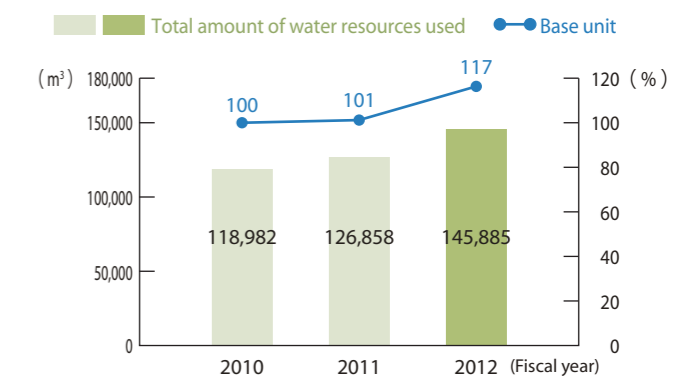
#### Change in amount of CO<sub>2</sub> emissions



#### Sustainable use of water resources

Unfortunately, our water resource use has been on an increasing trend both in terms of the total amount used and the amount per base unit. The amount of water use has increased at our business places in Kyoto, Inuyama and Ise. Our Head Office, in particular, has recorded an increase of about 20% every fiscal year. Furthermore, we have determined that our Ise Factory uses water in an amount that is out of proportion with the size of the business place. In order to reach our target, we are advancing the inclusion of specific efforts to conserve water into the environmental management systems of each business place.

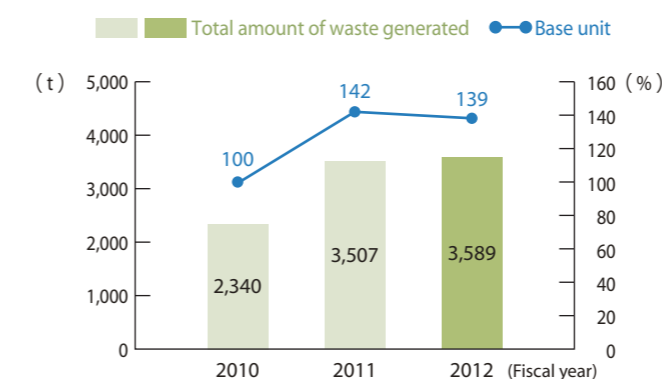
#### Change in total amount of water resources used



#### Contributing to the realization of a recycling-oriented society

The amount of waste that we generated increased in fiscal 2011, but stayed at about the same level in fiscal 2012. Our Inuyama Factory produces about 90% of our total waste, and increases in production at this factory are accompanied by greater amounts of waste.

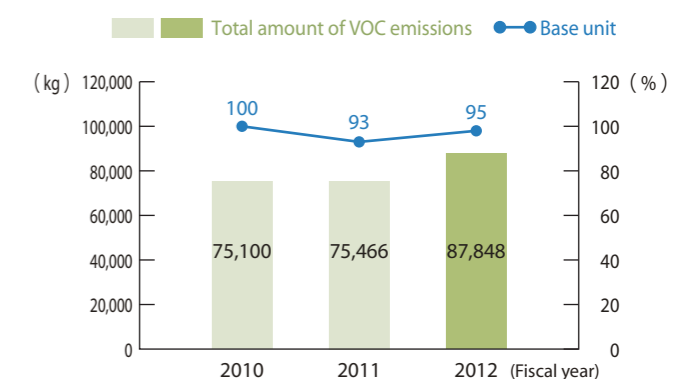
#### Change in total amount of waste generated



#### Management of chemical risks at workplaces

At our Inuyama Factory, we use solvent coating processes, and we manage chemicals that are subject to the PRTR system<sup>5</sup> appropriately. For volatile organic compounds (VOCs), we are working to increase the precision of solvent coating and switch to products that include lower amounts of PRTR-regulated substances.

#### Change in total amount of VOC emissions (Inuyama Factory)



<sup>2</sup> The amount of input energy is a total of the energy used at our Head Office and Inuyama and Ise factories, exclusive of transport-related energy used in product shipping, sales, and maintenance. (However, the amount of fuel usage for the following purposes is included: work and conveyance vehicles within workplaces, company vehicles for uses other than those previously listed.)

<sup>3</sup> At our Inuyama Factory, we use fuel oil (type A) to generate our own power. We have our own electrical power facility that runs on fuel oil (type A) at our Inuyama factory. The amount of CO<sub>2</sub> emissions from the in-house power generation process is estimated based on the consumption of fuel oil (type A) during electricity generation.

<sup>4</sup> The water resources used at our Inuyama and Ise Factory includes both municipal water supply and groundwater. In aggregating the amount of water used, since it is difficult to directly determine the distribution and use conditions within each business place, the record of use has been estimated proportionally.

<sup>5</sup> The Pollutant Release and Transfer Register (PRTR) system, which is based on the Japanese Law for PRTR and Promotion of Chemical Management, requires reporting the amounts of emission to the environment and transfer from business places of certain chemicals that might harm human health and ecosystems.

## Operation of environmental management systems

### Status of ISO 14001 certification acquisition

In 2000, our company received ISO 14001 certifications for both our Head Office and Inuyama Factory. In addition, our Ise Factory received certification as an integrated part of the environmental management systems at our Inuyama Factory in April 2010.

Business place	Current certification number	Certification body
Head Office	No.2675898	Bureau Veritas Japan
Inuyama Factory Ise Factory	No.2749711	Bureau Veritas Japan

### Environmental education and training

“Contribute to the creation of a sustainable society.” In order to raise awareness about this major theme, it is important to first have people correctly understand the relationships between the environment and business activities, and put this ideal into practice in their workplaces. Moreover, through these experiences each individual should also develop concern for the various environmental issues that affect us. For these reasons, we provide environmental education about laws and regulations related to the environment and about measures taken for the operation of environmental management systems as appropriate for each workplace. Broadly speaking, we are implementing education and practical training in workplaces, including responding to emergencies, in four areas.

1. Environmental education
  - The importance of efforts for the environment
  - Environmental policies, goals and targets
  - The operation and activities of environmental management systems
2. Basic training
  - Training for employees involved in a work that can cause significant environmental impacts
3. Specialized training
  - Training for individuals doing specific types of work designated by laws and regulations related to the environment
4. Internal environmental auditor training
  - Education and training to develop internal auditing staff and improve auditing skills



Fluid leak response training (Inuyama Factory)

### Internal environmental auditing

Through internal auditing, we verify whether or not our structures are functioning to systematically and continuously improve the results of our management system activities. Internal auditors who hold qualifications undertake internal audits at least once a year in order to inspect the effectiveness and continuous improvement of environmental management systems and other environmental activities, as well as their results. We implement specific actions to reform system problems that become clear through these audits, and this contributes to the continuous improvement of our environmental management systems.

### Status of environmental risk management and adherence to laws and regulations related to the environment

When conducting internal environmental audits through our environmental management systems at each business place, we implement regular self-evaluations and evaluate and verify the status of adherence to the laws and regulations related to the environment that apply to our business activities and facilities. No violations related to environmental laws or regulations were found during this process in fiscal 2012. Moreover, we identify potential risks from our business activities and facilities that could affect the environment or employee health. We seek to continuously prevent accidents and minimize these risks, so we conduct regular inspections and maintenance of facilities and equipment at our business places, as well as emergency response training.

## TOPICS

### Head Office recognized as a “Workplace with an outstanding record of waste reduction and 3R efforts”

Our head office received a certificate of recognition as a “Workplace with an outstanding record of waste reduction and 3R<sup>1</sup> efforts” on October 1. This system was established by the city of Kyoto last fiscal year. With the aim of reducing non-industrial waste, this system, which covers about 2,200 large business places within Kyoto City, recognizes as “outstanding business places” those that are pursuing the most advanced efforts. Our business place was one of only 44 recognized in this manner. We believe that this recognition is the result of being evaluated positively on the results of our efforts, which include thorough waste separation and our efforts to raise the awareness of employees through inspections.



## Efforts related to products

### Development of products that are better for the environment

We believe that we can contribute to the establishment of a sustainable society through product creation by popularizing “green” products that consider the environment. We are working to improve the environmental performance of products by creating new technologies in order to develop products that have reduced environmental impacts. Our efforts can mostly be classified as follows.

1. Promoting design that conserves energy
  - Design that conserves energy (promoting the adoption of devices that conserve electric power)
  - Conforming to standards for product energy efficiency
2. Promoting 3R design<sup>1</sup>
  - Recyclability of products at time of disposal
  - Design that considers ease of disassembly
3. Management of chemicals contained in products
  - Appropriate management of chemicals contained in products
  - Confirming compliance with the RoHS directive<sup>2</sup> and other chemical laws and regulations

<sup>1</sup> 3R design is an engineering approach that considers reduction, reuse and recycling (of materials) in the design of products.

<sup>2</sup> RoHS (Restriction of Hazardous Substances) Directive: A European Union directive enacted in July 2006 that restricts the use of six hazardous materials in electrical and electronic equipment.

### Acquisition of environmental labels

In addition to Japan, we provide products to other countries around the world, including in North America, Europe and China. Every country and region has its own variety of environmental laws and regulations as well as certification systems for environmental labels. In order to make our products able to satisfy these laws, particularly regulations and standards related to products, we have adopted assessment systems from the planning stage. At this time near the beginning of product development, we confirm the requirements to conform to laws and regulations during the design process.

## TOPICS

### Working to popularize products that are better for the environment—efforts to develop Eco Mark products

We received an Eco Mark Award 2011 honorable mention for our efforts, which include the development of the energy conservation technologies used in our Smart & Eco series of digital multifunction devices, which we began selling in the fall of 2011. This award is a recognition of the uniqueness of our “network standby” technologies that enable great electric power conservation during standby and the efforts that we have made thus far to consider office energy conservation and economy through the popularization of energy-conserving products on the market. This in turn contributes to the development of a sustainable society. Through the development and sales of digital multifunction devices, we will continue providing products that society desires.

In addition, we believe this is an important issue for the popularization of products that are better for the environment. Displaying information about the environmental performance of products in a way that is easy to understand helps customers choose products that are better for the environment. For this reason, we contribute to environmental protection by actively seeking to acquire environmental labels and striving to display accurate environmental information that is easy to understand.

### Examples of our products that conform to environmental label certification requirements

#### Sheet metal manufacturing equipment

Our machine tools have received the MF Eco Machine Certification from the Japan Forming Machinery Association. Machine tools with high energy efficiency and resource conservation performance qualify for this certification system.



CNC Servo Motor Driven Ram Turret Punch Press MOTORUM 2548



Advanced Forming Press Brake F-125-25



MF Eco Machine Certification mark

#### Digital multifunction devices and facsimiles

Our simple and compact office products have received environmental labels including the Japanese Eco Mark and the International ENERGY STAR Program.



Eco Mark Program



International ENERGY STAR Program



Digital Multifunction Device MFX-2870



Digital Multifunction Device MFX-2335



Eco Mark Award 2011 winner logo



Eco Mark Award 2011 certificate presentation ceremony (February 2012)





# Working to increase customer satisfaction

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



## Our approach to quality

The mission of Murata Machinery is to help our customers create value through our business activities. In order to achieve this mission, we believe that considering the performance of products alone is not enough. Raising the level of "total quality that provides customer satisfaction," which includes "Ease-of-use," "safety" and "serviceability," is critical. In order to provide this "total quality," we have built an advanced information system for the assurance of safety and quality based on an integrated quality control system at our company. With this system, we are also working to improve quality and responding rapidly to quality issues as they arise. Through these efforts, we are providing products and services that customers can use with peace of mind for a long time and seeking to improve customer satisfaction.

## Quality management systems (ISO 9001)

We have acquired ISO 9001 certification in every business division. In addition, in every workplace, we are establishing and implementing rules that are in accordance with ISO 9001 and reviewing them appropriately when necessary in a continuous cycle as we work to constantly improve the quality of our products and services.

Division	Current certification number	Certification body
Textile Machinery Logistics & Automation Clean FA Machine Tools	No.1510813	Bureau Veritas Japan
Communication Equipment	JUSE-RA-1848	Union of Japanese Scientists and Engineers

## Efforts to improve quality

### In-house education

In order to provide high-quality products and services, every employee must have a high level of awareness regarding quality and safety. Broadly speaking, our company conducts two types of education.

The first is education to raise employee skill levels in their responsibilities in order to improve quality. Every year, we plan and conduct trainings and practices with the theme of quality for this purpose.

The second is education related to ways of thinking about and perception of quality. This education is conducted based on the experience of our General Manager of the Quality Assurance Department, who is also an Operating Officer. He says, "Our thoughts become our words, our words become actions, our actions yield results." This fiscal year we held educational sessions on 15 topics, including special themes. Numerous employees participate in these sessions, including both young employees and veterans from a cross-section of our departments. In their responses to questionnaires, we received numerous comments, such as, "I was able to reevaluate my awareness of quality and safety again."

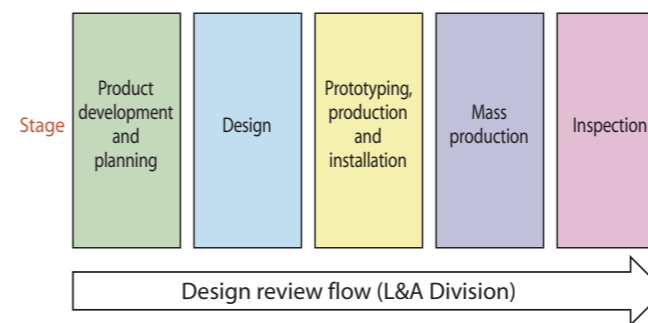


Quality control seminar

## Risk assessments through Design reviews

Automated storage and transportation systems for factories and distribution centers are key products for our Logistics & Automation Division. These systems are constructed by combining multiple individual units including cranes and conveyors, so the coordination of the machines, the ease of maintenance and a wide variety of other factors must be considered.

For this reason, we have established "design review implementation provisions," and we are conducting reviews at every stage from product development and planning, design, prototyping, production and installation to mass production and inspection. During these reviews, FMEA<sup>1</sup> and risk and environmental assessments are required. We are undertaking such efforts to raise the levels of our products, including in terms of reliability, maintainability, safety and environmental consciousness.



<sup>1</sup> Failure Mode and Effect Analysis (FMEA) is a method used to quantitatively evaluate the sizes of impacts on quality caused by defects that can be anticipated in the production process. FMEA is then used to determine the order of importance for countermeasures and to execute them based on these results.

## Small group movement efforts to raise workplace capabilities

We conduct "small group movement" activities in every manufacturing division. Rooted in the "QC (quality control) circle activities" that had been conducted for many years, these activities together are now being called, "small group movement." In each workplace, employees form groups with small numbers of members, and they learn QC methods<sup>2</sup> and, while implementing the PDCA (plan, do, check, act) cycle for the achievement of targets, they undertake reforms at their workplaces and in their tasks. These efforts contribute to improving quality and productivity. With the intention of promoting mutual advancement, we share the results of each workplace at an annual corporatewide presentation meeting.

<sup>2</sup> QC (quality control) methods are methods for the quantitative analysis and visualization of problems.

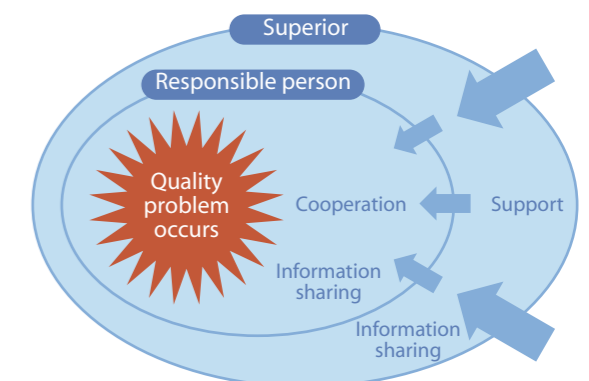


39th Small Group Movement Corporatewide Presentation Meeting (November 2012)

## Responding to quality issues

### Using a feedback system to prevent recurrence

At our company, we have built a feedback system as a measure to respond to quality issues. In this system, we have registered information about troubles that occurred in the past and their reforms. If a problem should occur, we check this database to enable rapid resolution. In addition, this system is also useful for preventing the occurrence and recurrence of problems. In particular, when a serious quality problem occurs, we use a mechanism called an escalation system. The registered quality problem is automatically sent by e-mail to the Quality Control Department and related divisions, allowing us to know in real time which responsible division is responding. Furthermore, if it is not resolved within a set amount of time, notification is sent directly to a superior, making response by the entire organization and rapid problem resolution possible.



## Quality control systems

With our president having final responsibility for earning customer satisfaction, we are seeking to continuously improve product quality and service quality and are endeavoring to increase customer satisfaction in all our business activity processes. For this purpose, each business division has built a quality control system that is optimized for its own characteristics.

## Murata Machinery's Quality Policy

In accordance with our Corporate Philosophy, we will improve the quality, quantity and speed of information sharing, accumulation and recall, and seek to be an enterprise that learns from both successes and failures. By improving continuously through learning, we will achieve excellence in the quality, cost and timely delivery of our products and services, and continue to exert ourselves to satisfy and support our customers. In order to fulfill the goals of this policy, each of our divisions will set quality targets, and confirm the progress with policy deployment implementation status.

## Our approach to customer service

In order to provide "total quality that satisfies our customers," we are trying to improve customer satisfaction through customer service (CS). For this reason, we always communicate with our customers to ascertain the essence of their needs, stay very aware of the latest technological trends and marketing information so that we will be able to offer them solutions that are truly useful.

## Identifying customer needs

At our company, we seek to increase customer satisfaction by listening directly to our customers. We use CS Communication Sheets as one tool to obtain opinions from our customers. These are questionnaires that allow customers to evaluate us on a five-level scale for criteria such as "our responsiveness to the customer at every stage from inquiry to delivery," "ease of use" and "safety." We classify these items by category, and when evaluation scores are high we use the feedback to further increase satisfaction by building on our strong points. On the other hand, when evaluation scores are low we seek where problems occurred, resolve them and utilize this knowledge in the future. We share the CS communication sheets that customers have used to evaluate us on our corporate intranet.

## Systems to respond to and support customers

### Customer support

We have established numerous service centers at home and abroad so that we can provide customer support rapidly after the delivery of our products. Our service centers conduct inspections to ensure the safety and durability of our products. Should trouble occur, our service personnel rush to customers, even if they are abroad, and work to resolve the issue promptly.



Call center

### Service Policy

Giving first priority to customer satisfaction, we seek to become a true partner for our customers by providing them advice and solutions.

### School for customers

We receive requests from our customers, such as, "The person in charge has moved so we want you to teach us how to operate the equipment," and "We want to be able to do maintenance by ourselves." In response, we have our highly-experienced staff provide customers instructions in an easy-to-understand manner how to, for example, operate machinery and conduct daily maintenance.

Our Machine Tools Division runs courses in response to customer requests by using actual equipment in our training center. Our customers have said things like, "The detailed lessons that you provided have helped."



Training center

### Telephone Response Contest

The information center that receives inquiries for a group company responsible for sales related to communication equipment, participates in the Telephone Response Contest held every year by the Japan Telecom Users Association Foundation. The goal of participation is to contribute to improving our customer service by raising the levels of verbal communication skills and reviewing the telephone manners of each individual. By setting goals for the competition in advance, we stimulate the awareness of the participants. In 2012, we received a prize of excellence in the Kyoto Prefectural Competition.

## TOPICS

### Our US sales group company won a BTA Award

Muratec America, Inc. (MAI), a group company in the US responsible for sales related to communication equipment, has received a Channel's Choice Award<sup>1</sup> in the Outstanding Performance—Secondary Product Line category from the Business Technology Association (BTA). The BTA is an industry organization comprised of office and telecommunication equipment dealers in the United States. This is the ninth time and seventh year in a row that MAI has won an award.

Jim D'Emidio, the president of MAI commented about the award, "Muratec employees take great pride in providing our dealers with superior products, service and support, and I believe this recognition validates their efforts."



BTA awards ceremony (2012)

<sup>1</sup>The Channel's Choice award is based on a dealer survey conducted by BTA. Approximately 450 independent office equipment dealers responded to the survey, which consisted of some questions, ranking their manufacturers in categories such as corporate support, product line, inventory and business practices.



## Working with our suppliers and vendors

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



## Our approach to purchasing transactions

We believe that our mission is to help realize a prosperous society by identifying customer needs and developing and providing products and services that are useful to society. We believe that our suppliers and vendors are indispensable partners in achieving these goals. Based on strong mutual trust with our partners, the establishment of relationships that enable cooperation and joint prosperity is important.

We have codified our approach to purchasing transactions with our business partners in the Muratec Code of Conduct as well as our management rules and other guidelines related to the quality of supplied products.

### 1. Strict adherence to laws, regulations and social norms

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

### 2. Promotion of fair and impartial transactions

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

### 3. Business partner selection standards

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

## The provision of safe products and services to society

In order to earn the trust of our customers, we strive to assure the safety and quality of the products and services that we provide. For this reason, we visit our suppliers and vendors because they have significant impacts on the quality of our products. By conducting inspections and providing guidance, we strive to maintain and increase the quality of supplied products.

Moreover, we believe that the establishment of business continuity plans (BCP) and their effective implementation at our company and the creation of structures that can stay strong during crises contribute to our ability to respond to the expectations of our stakeholders. For this reason, we also check the BCP implementation status of our suppliers and vendors. Together with our business partners, we will fulfill our responsibilities to society by improving our abilities to handle crises and continuously provide products and services.



Supplier and vendor inspection guidance (Taiwan)

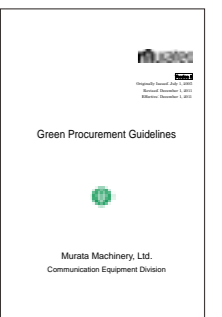
## Global procurement

We are undertaking "global procurement" with the goals of reducing the costs of procured goods, avoiding exchange rate risks and diversifying risks by having suppliers in every region throughout the world. We will strengthen our systems to conduct procurement in cooperation with our bases overseas, including in North America, Europe, China and Taiwan, as we further advance the globalization of our procurement activities.

## Green procurement

Our Green Procurement Guidelines, which we established in fiscal 2005 based on our Environmental Philosophy and Environmental Policy, clearly indicate that we will give preference in procurement to suppliers and vendors that are making efforts to reduce environmental impacts. These guidelines have a strong emphasis on efforts to comply with the European RoHS directive and other restrictions on the inclusion of chemicals in products. At the same time, however, they also explain our approaches to the procurement of parts and components, raw materials, office supplies and services.

As we share our guidelines widely with our suppliers and vendors and gain their understanding and cooperation, we are also promoting green procurement by sharing information about environmental impacts and making efforts to resolve issues related to them that we have in common.





# In harmony with our employees

We value our relationships with our employees at Murata Machinery. For this reason, we are undertaking a variety of efforts related to personnel education, the promotion of diverse ways of working and occupational safety and health.



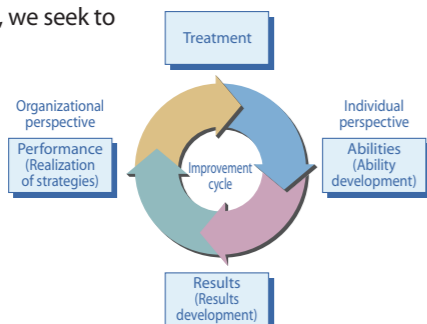
## Our approach to human resources

We consider human resources to be the most valuable asset of our company. We believe that it is important to create work environments that allow our employees to realize a sense of purpose in both work and private life by providing opportunities to maximize their potentials. In particular, at this time when markets are rapidly globalizing and ways of thinking and senses of values are diversifying, companies need to respond to change. This includes by making efforts even in personnel systems to strengthen international competitiveness. Considering these conditions, as we continue to emphasize the personalities and characters of our individual employees, starting with the cultivation of global personnel, at our company we are actively advancing efforts to support employment opportunities and various ways of working for diverse personnel.

## Personnel system

### Improvement cycle

Based on the belief that increasing the value of employees is the most important area to which the company should pay attention, we have adopted a personnel system that emphasizes both "cultivation" and "application." In our personnel system, our fundamental policy is to make the rolls (goals) that employees should fulfill clear, foster their growth (cultivation), apply their abilities (application) and treat them appropriately (evaluation). Through a system that interlinks goal management, personnel cultivation, human resources and evaluation, from the perspective of individuals and the organization, we seek to realize a cycle of improvement that leads to better abilities, results, performance and treatment. This should create even greater outcomes for the company.



## Human resources development

### Supporting career development (training and self-development)

In order to maximize the value of our human resources, which is the most important asset of our business, our intention is to "improve employee professional abilities and provide opportunities for self-development" at our company. So, we support career development with a basic policy of self-management centered around On the Job Training<sup>1</sup> (OJT). Specifically, we implement group trainings (Off the Job Training) according to position classes and bolster training specialized for divisions. We back up our employees by providing correspondence courses and other opportunities for self-development and implement other programs to support career development.

<sup>1</sup> On the Job Training (OJT) seeks to improve the work execution capabilities of each individual through training while executing the real tasks of their jobs in their own workplaces under the guidance of their superiors and senior employees.

Career development support system <sup>2</sup>			
	Education by grade	Education to maximize job performance	Professional education by job function
Managers	Management training Life planning seminar	Fundamental knowledge for business people (law, contracts, finance) Self-development (language, correspondence education)	Training by job type planned and implemented in each division  • Technological Education Center • Skill Center • Processing Center
Deputy managers	Mental health training		
Assistant managers	Training for new responsibilities		
Mid-career employees	Presentation meeting for mid-career employees Self-management training		
Young employees	Annual training		
New employees			

<sup>2</sup> Includes main education items

### Cultivating global human resources

Considering globalization, we have initiated a "short-term overseas training program" for the purpose of cultivating personnel better able to perform successfully in a wide variety of situations that cross the bounds of individual countries, regions and business fields. In this training, employees spend up to three months at a group company overseas and experience living abroad. The program is comprised of "practical training" in which they cooperate with local staff to resolve problems and "language training" for three to four hours each day. With this program, we are continuously cultivating people who are able to understand and adapt to local cultures and senses of value as "global human resources."



Third session students at Murata Machinery USA (a group company)

#### Participant's comments

● First session student: Masanao Taniguchi  
Overseas assignment period: May-July 2012  
Overseas assignment location: Murata Machinery USA



Until this, I had very few opportunities to go abroad, so it was a great learning experience for me to actually have contact with native English speakers and foreign culture. I was not able to do things that are ordinary for me in Japan, and understanding things with my head was much more difficult than I had imagined, so I really became aware of many things. The connections that I made with people who I could not have come to know in Japan, starting with everyone at the company there, are a great asset.

## Human resources

As tools for managing our human resources, we have adopted an "In-house free agent system" as well as a "job request system" that allows employees to state the work that they personally want to do next once each year. Our goals for these systems are not only to place personnel with the right skills in the right positions, but also to promote morale and contribute to the vitality of the organization by making it possible for employees to transfer to jobs that they desire.

## Employee awareness survey

Since 2007, we have been conducting surveys on the attitudes of employees to solicit their opinions. We survey our employees about their attitudes toward "corporate culture," "work fulfillment" and "labor management," for example. In fiscal 2011, we had an 82% response rate. By identifying the current strengths and weaknesses of the company and the issues that it faces this way, we seek to examine effective measures for the organization. In addition, when responding to the survey, each individual employee has an opportunity to re-examine their capability. As a result, this survey contributes to reform efforts that make the company an even more vigorous organization from both individual and organizational perspectives.

## Supporting Diverse Work Styles

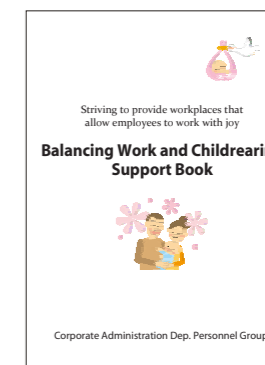
### Promotion of EEO<sup>2</sup>

We strive to enhance the flexibility of systems that allow employees to change their working styles according to their personal circumstances.

<sup>2</sup> Equal Employment Opportunity (EEO) means fairness in providing opportunities for employment

### Supporting Employee Work and Childcare

We have created a site on our corporate intranet to support parents who are balancing work and childrearing, and we have set procedures for handling pregnancy, birth, parental leave and return to work. We also distribute a "Balancing Work and Childrearing Support Book" that contains various procedures and other information regarding childcare support available to the public. Furthermore, before people take leaves and again before they return to work, we arrange meetings between them and their superiors. By reducing the uneasy feelings of employees before they take long leaves, this contributes to a smoother return to work later.



### Diverse working style options and employee participation

System	Number of employees	
	2011	2012
Childcare leave	38	45
Short-time shift	46	60
Half-day off for care system	60	80

Note: The half-day off for care system allows employees to take an unlimited number of half days off for reasons related to pregnancy, childcare and family care (and only for these reasons).

### Work-life balance

As awareness of ideas about working styles and lifestyles diversify, we have provided varied styles of working for our employees in order to help them achieve a balance of work and private life. With the slogan, "Return home by 9 PM," we are undertaking efforts to eliminate overwork, including workplace patrols by management and "no overtime days." In addition, we are implementing a variety of efforts to increase the rate that annual paid leave days are used. These include "smart paid vacation days," which can be used for self-development and other meaningful time off from work, and "health management paid vacation days."

### Supporting raising the next generation of children

We have formulated a corporate action plan based on the Next Generation Education and Support Promotion Act that went into effect in 2005, and we have made it widely known among our employees. This plan concerns, for example, the creation of employment environments that support balancing work and family and the creation of a variety of working conditions for employees, including those who are not raising children.

#### Corporate Action Plan (extract) based on the Next Generation Support Law

We will establish an action plan as follows to create a company that allows each individual employee to fully use their abilities at various stages of their lives.

1. Plan period: April 1, 2013 to March 31, 2015 (two years)

2. Content

- Create environments that support both work and family life
  - Goal 1: Create a culture that allows employees, regardless of gender, to participate in raising children and taking care of family members
  - Goal 2: Support the return of employees from parental leave and their further career development
- Create a variety of labor conditions that contribute to rethinking ways of working
  - Goal 3: Promote ways of working that allow flexibility in order to support work-life balance
  - Goal 4: Identify employee needs and promote the creation of environments that are easy to work in
- Other support related to raising the next generation
  - Goal 5: Support the development of the children and youth who will be responsible for the future

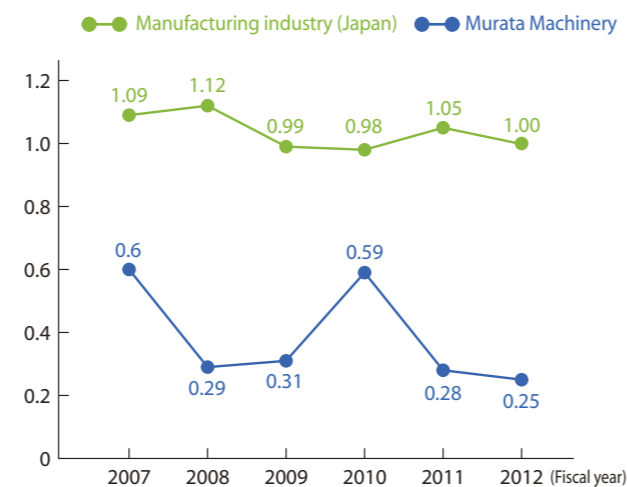
### Our approach to occupational safety and health

At our company, we prioritize employee health and safety as one of our top management issues. We seek to provide safe and comfortable places to work in by continuously reforming our safety and health activities. With the intent of fulfilling this goal with certainty, we will promote efforts under the lead of our Occupational Health and Safety Committee and endeavor to raise employees' awareness of risks and prevent unsafe behavior.

### Management to ensure occupational safety

We will place priority on the elimination of work-related accidents and conduct risk assessments of all workplaces and tasks. Based on the results of these risk assessments, we will take necessary measures, such as the reduction of hazardous risks and the provision of education and training to all employees.

### Frequency of occupational accidents leading to absence



### Occupational safety and health management systems (OHSAS 18001)

Our Clean FA Division has received OHSAS 18001 certification, which is an international standard for safety and health management systems. The implementation of this management system enables us to execute our health and safety plans and make continuous improvements.



OHSAS 18001 certification

### Safety Discipline Dojo

At our Inuyama Factory, with the goal of raising levels of awareness regarding safety, we have established a Safety Discipline Dojo as a facility where safety education is conducted by having participants experience simulated latent dangers in the workplace.

This dojo is comprised of an area for checking "discipline and habits" such as the 5S and "pointing and calling" practices and an area for learning about possible dangers in the workplace using hands-on equipment with simulated dangers. This hands-on equipment has been devised to enable safe, but realistic experiences of latent dangers in the workplace based on examples of accidents from both inside and outside the company. We have installed 17 pieces of equipment that imagine dangers such as "being pulled into equipment," "being caught between parts" and "electrocution."



Safety Discipline Dojo

### Special AED education

We have installed automatic external defibrillators (AED) in preparation for the possibility of health emergencies affecting our customers, employees or anyone else nearby. In addition, with the goal of having about 30% of the employees at each business site take the course, we have been offering special AED education. In this class, employees learn how to conduct cardiopulmonary resuscitation, use an AED and perform other lifesaving techniques so that they gain the knowledge and skills needed to allow them to respond in such emergency circumstances.



Special AED education (Inuyama Factory)

### Safety and Health Convention

We work with our partner companies on safety patrol feedback and the prevention of accident recurrence. We hold a Safety and Health Convention every year at our company as a summary of our efforts. We present awards to employees and partner companies that contributed to our safety work at this convention, promoting even greater safety awareness.



Safety and Health Convention (Inuyama Factory)

### Safety Handbook

In our Clean FA Division, we distribute a Safety Handbook that includes our safety philosophy, safety knowledge and items that require attention for safety during work. With this handbook, we are striving to further increase safety awareness. For example, we require our employees to carry it, and employees read from it together during morning meetings at every workplace.



Safety Handbook

### Ensuring Health Management

With the goals of protecting against illnesses that require absence from work and the elimination of occupational diseases, we are making efforts to maintain and promote employee health. These include efforts to reduce the ratio of employees with health issues and provide advice for lifestyle improvement.

### Measures for mental health

We are providing mental health care through various means with the goal of making environments where employees can work with peace of mind. For example, we offer e-learning for the purpose of allowing employees to take care of themselves, and we hold work management seminars for managers. In these seminars, our in-house nurses explain the importance of paying attention to their coworkers and talking to them in order to detect any unusual signs that suggest poor health. Furthermore, employees are not limited to just seeing occupational health physicians, we have also prepared more specialized counseling systems, including visits by psychiatrists and the establishment of a free counseling desk outside the company.

In addition, we created a new convalescence support program the year before last so employees who desire to resume full-time work following a lengthy absence from work due to mental health problems. As we adjust their working hours a little at a time, in addition to their superiors, our personnel department, nurses, occupational health physicians and psychiatrists work together to support their transition back to work.

### Health maintenance and promotion efforts

In order to create working environments that are healthy and energetic, we are implementing, for example, health consultations with nurses that support reevaluation of lifestyle habits after health evaluations and a program to support the prevention of and recovery from metabolic syndrome through exercise and improved diet. Through these and other efforts, we are actively supporting increased awareness of individual health and the maintenance and promotion of health.



Promotion poster of employee health



Murata Machinery is a good corporate citizen, and we have actively sought to be involved in society outside the framework of our business by participating in a variety of activities over many years.

## Sports promotion

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

In January every year, the Empress's Cup Inter-Prefectural Women's Ekiden, a long-distance relay race, is held in Kyoto City. This major event in Japanese women's running promotes the development of young runners, including junior high and high school students, focused on middle and long distances. This race has been a launching point for many top runners that have gone on to the Olympics and success in other international events. We have been sponsoring this event for 25 years, since the 7th competition in 1989. In January 2013, the 31st competition was held at the Nishikyogoku Athletic Stadium with a large crowd of spectators watching the start and finish of the race. Progress was broadcast live on large high-definition screens, and spectators also enjoyed related events including a "mini ekiden" (middle distance race for girls in 5th-6th grade) and a "country-style food court." Roadside spectators enjoyed the intense competition and cheered loudly along the course and at broadcast locations.



The Empress's Cup Inter-Prefectural Women's Ekiden

### Murata received special JAAF Athletics Award 2012

We have been recognized for our contributions to the strengthening and cultivation of female middle-distance and long-distance runners and the popularization of competition through our many years of support for the Empress's Cup Inter-Prefectural Women's Ekiden. For this reason, we received a special prize at the Athletics Award 2012 ceremony, which was held by the Japan Association of Athletics Federations.

Other recipients of these awards included a London Olympics medalist and other athletes who were active in track and field in 2012.



Athletic Award trophy



Kyoto Sanga F.C.

### Sponsoring the Kyoto Sanga F.C.

Our company supports the Kyoto Sanga F.C., which is the J League soccer team near our head office, as an official sponsor.

### Providing a site for the Inuyama Criterium Road Race (Bicycle Road Race)

Every year in June, the Inuyama Criterium Road Race is held by the Aichi Cycling Federation. Since the third race, which was held in 1998, we have provided space inside our Inuyama Factory as the event site.

In this road race, cyclists loop around a course that is about 2 km on roads within our factory site. Cycling fans from all over Japan support this event, and it has become an annual event in the community.

At the 17th race held in June 2012, about 210 cyclists participated in another very successful event. From preschoolers to pros, the cyclists rode on different courses according to their levels.



Inuyama Criterium Road Race

## Promoting academics and education

### Murata Overseas Scholarship Foundation

In 1970, we established the Murata Overseas Scholarship Foundation. Since then, we have been providing financial support for overseas study. This ranges from tuition to round-trip travel costs and living expenses for students and researchers who want to study abroad. With no requirements related to employment placed on them after they return to Japan, this is a unique and valuable program for exchange students. For this reason, those wishing to study abroad have evaluated it highly. Over 3650 people have applied and 120 have studied abroad on this program thus far. Past recipients of the scholarships are active in Japan and abroad as outstanding members of numerous fields.



Murata Overseas Scholarship Foundation 30th anniversary commemorative publication

### Voice of a scholarship recipient

#### 40th year participant Takeshi Murooka

Position at time of application: Second-year master's degree student in the Economic Theory Course, Graduate School of Economics, University of Tokyo  
School abroad: University of California at Berkeley  
Period: July 2009 to July 2011



From the time when I was living in Japan, I knew that I wanted to specialize in Behavioral Economics. In this field of economics, however, Japan is still behind the West, so I wanted to study abroad in order to learn in a cutting-edge environment. As an exchange destination, this was an ideal environment for me. The quality of the lectures and research was as expected, and the interchange between the faculty and the students was lively and frank, so every day was filled with intellectual stimulation. Through these exchanges, I learned how difficult it is to conduct cutting-edge research. I did have a few difficulties with speaking English and in daily life, but studying abroad was really good for me. I am truly grateful for the support of the Murata Overseas Scholarship Foundation that enabled me to be in this environment where I could focus on research.

## Conveying the appeals of product creation

We believe that transferring both the skills and the mental orientations needed for creating products to the next generation can contribute greatly to the future of Japan. For this reason, we are making efforts to convey the appeals of product creation.

### Teaching elementary students about machinery with karakuri

Our company participates in the Kyoto Children's Product Creation Project advanced by the Kyoto City Board of Education. We are cooperating in business displays and "hands-on workshop" educational programs at the Kyoto Product Creation Hall.

Since fiscal 2010, we have been conducting classes for elementary students in the hands-on workshop every year with "Let's study Karakuri!" as the theme. Using educational materials planned and created by some of our talented engineers, we introduce the movement of cams, links and other moving parts used in machinery in ways that are easy to understand. In fiscal 2012, our employees visited the classroom and gave lessons on karakuri four times.



### Exhibition at Aichi Skill Plaza 2012

The Murata Machinery Technicians Association is comprised of members that are company employees with technical qualifications. This group has an exhibition booth every year at the Aichi Skill Plaza, which is held by the Aichi Prefecture Federation of Technicians Association. Numerous technicians associations in Aichi Prefecture participate in this event and convey the appeals of creating products through booths with hands-on work for children.

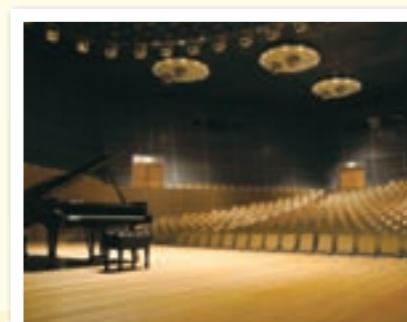


## Cultural and artistic activities

### Supporting the Kyoto Concert Hall

The Kyoto Concert Hall (in Sakyo-ku, Kyoto-shi) was built as one commemoration of the 1200th anniversary of the Japanese capital being transferred to Kyoto from Nara. Our company contributed the funds for the construction of its small hall.

Every year numerous musical events are held in this venue, which is named the "Ensemble Hall Murata" in recognition of our sponsorship.



Ensemble Hall Murata

# Management systems

At Murata Machinery, in order to continue functioning as an entity trusted and needed by society, we are building comprehensive corporate governance, internal controls and other systems and striving to improve the transparency and effectiveness of our management. Moreover, in accordance with our management policies that emphasize compliance, we will endeavor to justify their confidence in us, and fulfill expectations and requests from society.

## Corporate governance

### Basic policy

At our company, we have made “the happiness of our employees” and “an affluent society” the final goals of our Corporate Philosophy. With this in mind, we are striving to continue to be an enterprise that is positively evaluated and trusted by all our stakeholders. For this reason, the basic policy of our corporate governance is to undertake our business activities with high levels of fairness and transparency. We achieve this through comprehensive management and auditing functions performed by the Board of Directors, auditors and others, along with the establishment of internal controls that emphasize compliance.

### Corporate governance systems

The Board of Directors of our company meets once every three months as a rule and at other times as necessary. The board is responsible for discussing and making decisions about fundamental management policies and other important issues as well as overseeing the status of business execution. In June 2011, our company adopted an operating officer system. By separating the functions of the Board of Directors, which are management decision-making and oversight, from the functions of the operating officers, which are supporting and executing those decisions, we sought to strengthen both sets of functions.

## Internal controls

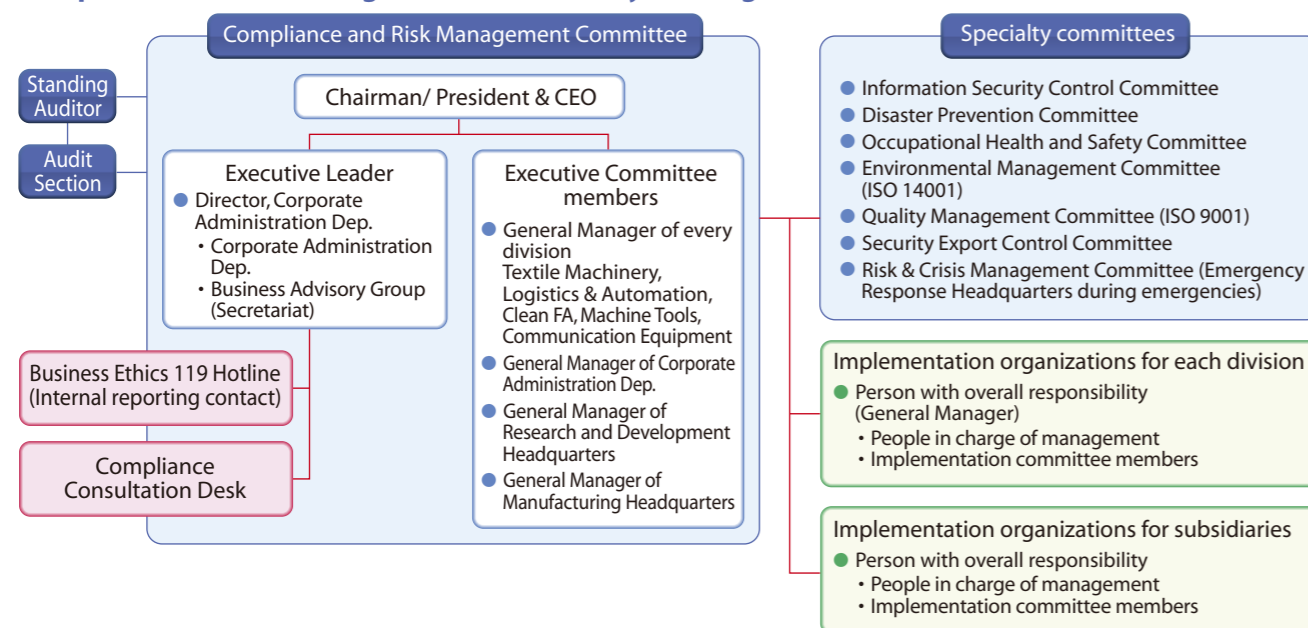
### Basic policy

In order for a business to survive and continuously develop, it is important that internal controls function effectively. At our company, we are advancing improvements to our internal controls based on the Companies Act through compliance and risk management efforts. Rooted in our belief that “A company must control its own behavior ethically and socially” we are endeavoring to assure the effectiveness and efficiency of our work.

### Compliance and Risk Management System

Since April 2007, as an internal controls implementation organization for the entire Murata Machinery group, we have had an active Compliance and Risk Management Committee with our President & CEO as the Chairman. Under this committee are specialty committees and implementation organizations for each division and for affiliated companies. In fiscal 2012, we undertook revisions of our Risk & Crisis Management Regulations and reviewed related organizations in order to strengthen our Risk & Crisis Management Systems.

## Compliance and risk management committee system organization



## Compliance

### Basic policy

In the way that we think about compliance at our company, it does not end with just adhering to the laws and regulations of Japan and other countries. Rather, compliance also includes responding to requests from society. For this reason, we must compare our activities with social norms and continuously confirm whether or not they are as they should be. As tools for making these confirmations, we established the Muratec Code of Conduct and other regulations related to compliance in 2007. We have also been using these tools to raise awareness about compliance as we strive to put compliance measures into practice. These documents, as ethical standards and regulations that are shared by our entire group, have been posted on our corporate intranet in five languages including Japanese, English and Chinese.

### Muratec Code of Conduct

The Muratec Code of Conduct is a shared code of conduct that every officer and employee of the Murata Machinery group must follow. For our company, this code of conduct takes priority over profit, and, for our employees, over the directives of superiors and any personal relationships inside and outside the company. Furthermore, as a foundation for the implementation of our code of conduct, we have issued a Muratec Code of Conduct Implementation Guidance. We are also providing internal education to promote the thorough implementation of compliance measures. In this code and guidance, we make clear that we respect fundamental human rights and prohibit discriminatory practices and corrupt behavior, as well as completely reject child labor and forced labor.

### In-house training systems

We have been conducting compliance training courses in order to ensure thorough adherence to business ethics, laws and regulations, as well as to raise awareness about compliance. By including in-house education at every corporate level, including for new employees, experienced employees and managers, we can provide optimal educational contents for each type of participant. In fiscal 2012, using examples from business that were actually experienced in the past as our educational materials, we learned about analyzing risk from a legal perspective and corresponding countermeasures.



Business risk seminar (Inuyama Factory)

### Establishment of an internal reporting system

With the goals of preventing officers, employees and others from violating laws or regulations or committing other improper acts and quickly identifying and rectifying such situations when they occur, we have established an internal reporting contact (Business Ethics 119 Hotline). In addition, we have established a compliance consultation desk for discussing worries about possible misconduct and other improper acts. Confidentiality is strictly maintained for those who use these contact points, and they will in no way be penalized or otherwise treated negatively for doing so.

## Risk management

### Business continuity plan (BCP) development and system establishment

At our company, our goals in expanding our business continuity plans (BCP) are protecting human life and business assets, restoring business activity rapidly, establishing confidence in our suppliers and vendors in ordinary circumstances and minimizing impacts on our stakeholders. This is not just the creation of management systems in preparation for large-scale earthquakes, tsunamis, typhoons, water damage, fires, pandemics and other disasters. By creating plans in advance and manuals for actions during disasters, we seek to minimize damage and enable the rapid recovery of our businesses.



Group manual training (Ise Factory)



Disaster Response Headquarters training (Inuyama Factory)

Moreover, with the goals of improving the manual and educating our employees, we have been focusing on group training and drills (simulation practices). In our group trainings, we cover the need and importance of BCPs, damage estimations for the surrounding community and conduct during disasters, for example, and raise the awareness of our employees regarding disasters. During the drills, in addition to evacuation training and telephone contact training in response to a hypothetical earthquake and tsunami, we also conduct role-playing by imagining actual disasters and practice to increase our abilities to react during emergencies. After conducting the drills, we hold review sessions that allow us to evaluate the effectiveness of the manual and remedy problems.

### Information security measures

In 2003, we established an Information Security Policy and created guidelines for the maintenance of in-house information confidentiality and the protection of personal information for the Murata Machinery group. As an oversight organization for our information security efforts, we have established an Information Security Control Committee, which is led by our IT Solutions Headquarters. This committee works to strengthen security measures in terms of both system measures and the setting of operation regulations. In divisions and affiliated companies that handle the personal information of our customers, in particular, we have strengthened our systems for the appropriate handling of personal information including acquisition of Privacy Mark certification.



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