Murata Machinery, Ltd.

SUSTAINABILITY REPORT 2023

muratec

Contents

Editorial Policy

The Sustainability Report 2023 outlines Muratec's approach and commitment to fulfilling its social responsibility, along with its initiatives and achievements. The scope of disclosure covers all our corporate divisions.
This report describes our sustainability initiatives in different categories such as business operations, society, the environment, and governance.
In editing the report, we focused on providing clear and concrete descriptions in an easy-to-read format. In explaining each initiative, we made it a point to describe not only the results but also the background and process of achieving them.

▶Scope of reporting

We develop, manufacture, and sell textile machinery, logistics and factory automation systems, cleanroom transport systems, machine tools, communication equipment, and more. This report covers our sustainability initiatives across all these businesses.

▶Reporting period

This report covers activities conducted in fiscal 2022 (from April 1, 2022, to March 31, 2023). It also includes some of our activities that have been ongoing since before the reporting period as well as activities conducted immediately before the report was issued.

▶External reporting standards

GRI Standards

▶Boundaries of reporting

Our reporting covers our major business and productions sites in Japan listed below. It also includes some activities of our affiliated companies.
[Murata Machinery, Ltd.] Head Office, Inuyama Plant, Ise Factory, and Kaga Factory
[Muratec Mechatronics Co., Ltd.] Shiga Plant and Oita Factory

▶Published in

September 2023 on our corporate website
(Next issue scheduled for September 2024)

▶Publishing department (contact for inquiries)

CSR Group, General Administration Headquarers, Murata Machinery, Ltd.
TEL:075-672-8283

About the Cover

The cover illustration was designed by gama da gama, a female artist based in Kyoto.
The blue bird represents Muratec while the colorful mimosa flowers symbolize diversity. The curly line extending upward illustrates how the blue bird transforms itself as it grows together with a diverse array of flowers.
* We describe our efforts to support companies run by women, people with disabilities, LGBT people, and other minorities as well as their initiatives on page 25.

We strive to be the "Innovation. Mark the turning point" that pushes society and the era in a better direction.
This is Muratec's wish, and our declaration to you.

The consistent characteristic among all of our diverse business enterprises is our sincere devotion to tackling client issues through automation and labor-saving technologies.

Through the new vision and potential seen from that height, we constantly create innovative frameworks and systems that change the worksite, the quality of work, and industry standards in our quest to realize a prosperous society.

Innovation. Mark the turning point

muratec

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.

Brand logo
The Muratec brand was established in 1991 as a "product brand" to represent a sign of trust in the Murata Machinery Group's products and services and a "corporate brand" to visually communicate Murata Machinery Group's corporate philosophy and social responsibility.
The distinctive Muratec brand logo features a person and machinery interacting and interconnecting inside the letter "m." This format represents creating new technology, providing products that delight our customers, and engaging in innovation to create a prosperous society.

Company Profile

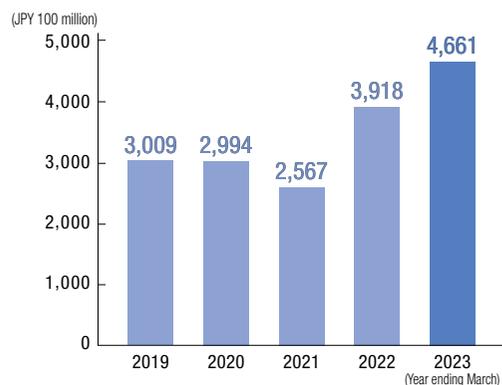|	
Company Name :	Murata Machinery, Ltd.
Representative :	Daisuke Murata, President and CEO
Established :	July 1935
Capital :	JPY 900 million
Business Lines :	Manufacture and sales of textile machinery, logistics and factory automation systems, automated material handling systems for cleanrooms, machine tools, communication equipment, and more.
Number of Employees :	[Group] 8,502 [Non-consolidated] 4,027 (As of April 2023)
Net Sales :	[Consolidated] JPY 466.1 billion [Non-consolidated] JPY 365.3 billion (Year ended March 2023)
Head Office :	136 Takeda-Mukaishiro-cho, Fushimi-ku, Kyoto 612-8418, Japan

Global Network

Muratec operates across the globe with the aim of creating products that will improve the lives of people everywhere.

Japan : 14 companies
Overseas : 31 companies in 21 countries and regions
Total : 45 companies in 22 countries and regions (consolidated)
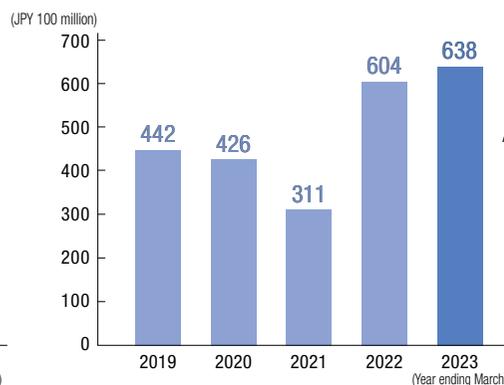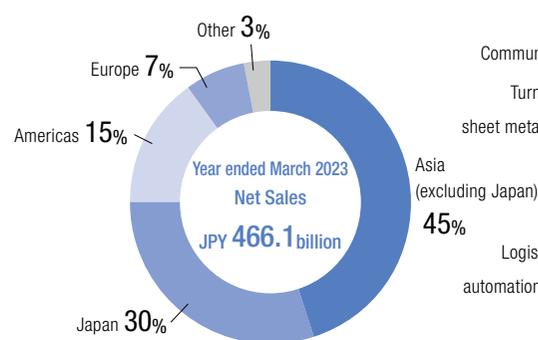*Only major locations are shown on the map.

MURATA MACHINERY EUROPE

Head Office (Kyoto)

MURATA MACHINERY USA

MURATA MACHINERY SHANGHAI

ULVILA, GÖTEBORG, DUBLIN, GRENOBLE, NESS ZIONA, CAIRO, DÜSSELDORF, ISTANBUL, DELHI, MUMBAI, COIMBATORE, BANGKOK, SINGAPORE, CIKARANG, BANDUNG, BEIJING, SHANGHAI, GUANGZHOU, DHAKA, HONG KONG, GUMI, KYOTO, TAIPEI, WU-KU, HSIN-CHU, TAICHUNG, TAINAN, HO CHI MINH CITY, KUALA LUMPUR, SALT LAKE CITY, PHOENIX, QUERETARO, MEXICO CITY, GRIMSBY, CHARLOTTE, ATLANTA, SÃO PAULO

Financial Results

Net Sales (Consolidated)
(JPY 100 million)

2019	2020	2021	2022	2023 (Year ending March)
3,009	2,994	2,567	3,918	4,661

Operating Profit (Consolidated)
(JPY 100 million)

2019	2020	2021	2022	2023 (Year ending March)
442	426	311	604	638

Net Sales by Region (Consolidated)

Year ended March 2023 Net Sales JPY 466.1 billion

- Other 3%
- Europe 7%
- Americas 15%
- Japan 30%
- Asia (excluding Japan) 45%

Net Sales by Business Segment (Consolidated)

Year ended March 2023 Net Sales JPY 466.1 billion

- Other 3%
- Communication equipment 4%
- Turning machines and sheet metal machinery 10%
- Logistics and factory automation systems 20%
- Textile machinery 23%
- Automated material handling systems for cleanrooms 40%
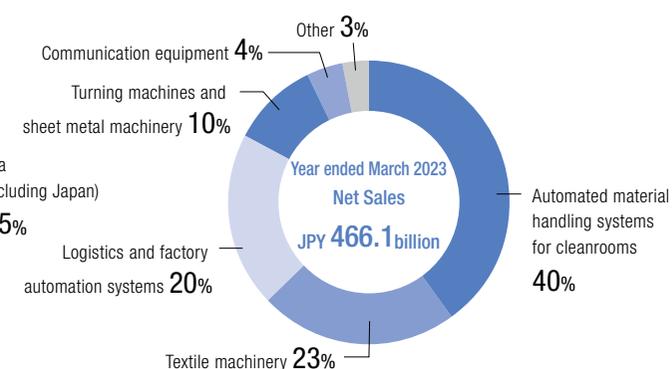
Financial information is available on our corporate website.

Top Commitment

Asking True Nature Based on the Corporate Slogan "Innovation. Mark the Turning Point"

Our Social Responsibility

We manufacture machines that help our customers create value in various industries. We have pursued human-friendly technologies to "let machines do what machines can do and let humans do what only humans can do." We believe that Muratec's social responsibility is to ensure the prosperity of our customers and the society in which they live. We fulfill this responsibility through our daily efforts to address the challenges faced at respective workplaces and through our unwavering dedication to the development of brand new technologies.

Economic Conditions and Progress of Our Businesses

As in the previous fiscal year, demand for logistics automation equipment remained strong in many industries due to labor shortages and distribution reforms. In particular, sales of transportation equipment for semiconductor factories, which had been greatly boosted by government support around the world, increased significantly. In the textile machinery business, too, where investment demand has been recovering since the year before last, we achieved record sales. Our machine tool business, which has long been buffeted by the waves of the EV shift, also saw an increase in both sales and profits. Our communication equipment business also posted an increase in sales and profits, thanks to sales growth of information security products and Silex Technology's wireless communication products. Combined with the effect of the weak yen, all of these results enabled us to achieve the highest sales and operating profit in Muratec's history.

Meanwhile, although the protracted parts procurement problem is finally coming to an end, uncertainties caused by international political and economic changes, especially rising material and energy prices and restrictions on free trade, could have a major impact on our business. We hope to explore new opportunities to create new value by responding flexibly and quickly as a group to the changing environment.

Three-year Plan

In 2022, we launched a new Three-Year plan with the theme "Giving form to the links we have developed. Developing new links from what we have given form to." By leveraging the links we have developed among people, technologies, and businesses, we aim to achieve (1) strong products and services, (2) information infrastructure (digital transformation) necessary for the future manufacturing industry, and (3) maintenance and improvement of our corporate culture amid organizational growth and diversification.

First, regarding (2), we would like to express our sincere gratitude to our customers and suppliers for their cooperation and understanding during the recent supply chain disruption. To make the most of the lessons learned from this challenge, we will standardize and modularize our designs. At the same time, we will further promote the introduction of an Enterprise Resource Planning (ERP) system and a Product Lifecycle Management (PLM) system as mechanisms for visualizing and sharing product information within the group, so that each person can take action based on shared data to achieve overall optimization. In order to continue to meet the increasingly stringent demands not only of the semiconductor industry, but also of our customers and society as a whole, it is imperative that we proactively reform our business processes.

With regard to (3), for the past two years, we have been implementing a project to rethink our corporate philosophy at all levels of the company. We hope to pursue this project even further this year, as people's movements have returned to normal and face-to-face dialogue has become easier. As part of this effort, in April of this year, we established the corporate slogan "Innovation. Mark the turning point." These words intuitively express the essence of "expand the boundaries of technological advancement" and "providing meaningful products" (and services) as stated in our corporate philosophy. It is also a key phrase that motivates us to look back at the innovative technologies we have created so far, and to visualize the more concrete applications of these technologies for the future.

Based on these efforts, our current Three-Year Plan aims to create (1) strong products and services that truly benefit our customers and society. To this end, each division is implementing its own specific plan. But that is not the end of the story. We will also develop new links from what we have given shape to. With the products and services that we have already introduced to the world, we will continue turning the cycle of creativity in which we can foster more links to create something new.

Toward the Future

In developing the slogan "Innovation. Mark the turning point," we had many discussions within us about the fundamental question, "What contribution can we make as a company?" As a manufacturer of machines that are vital to our customers' businesses, we identified factors such as customer focus and emphasis on quality, as well as the long-term perspective and open communication within the company necessary to achieve these goals. These are all very important to us. However, we chose the words in our corporate slogan because we wanted to remind ourselves of the rationale for our existence and the origin of the businesses that support our company. We also had a common understanding that not only the environment surrounding our company, but society as a whole, is at a turning point.

Sustainability, which is also the theme of this report, is another key factor. Population growth and improved living standards are the fruits of technological progress. Take food, for example, which is the most vital product of all. If the new technology to fix nitrogen had not been developed in the early 20th century, we would not have been able to produce enough food to feed such a large population. Sustainability is about solving the environmental and resource problems, including the increase in greenhouse gases, that have accumulated as a result of various technological innovations. And it is also the technology that will allow us to achieve these goals without reducing or diminishing what we have already accomplished.

Although what we can do may be small, we want to innovate a technology that, in retrospect, will mark a major turning point. This is what we hope to achieve with our corporate slogan.

Daisuke Murata

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

Delivering Value to Society through Operations

In recent years, the problems affecting the planet have become increasingly dire.
Doing our part to help solve them requires a team effort involving every company we partner with.
We work with a constant eye to building a sustainable future with a keen focus on
operations that will enhance the economic value of our company
while solving issues that affect everyone.

Logistics & Automation

Logistics is now the cornerstone of worldwide manufacturing and distribution corporate strategies, helping to optimize the flow of goods and information. Muratec has leveraged its engineering technologies that combine automated transport and automatic storage systems to offer total solutions for logistics and factory automation. Our efficient, user-friendly logistics and factory automation systems are meeting a growing need for automated, labor-saving operations that enhance the working environment and improve people's lives.

Automated storage and retrieval system

Textile Machinery

In the textile machinery business, where it all started for Muratec, we supply a variety of products to the spinning industry that meet a wide range of needs. Our proprietary technology harnessing the power of air pressure to spin yarn has spread around the globe to greatly expand the horizon of textile products. You can find our machinery hard at work producing a world of fashion and home décor textile products all around us. As one of the world's top manufacturers, we offer not only machinery but also a wide range of solutions designed to save energy and increase efficiency, such as an IT-based operation management solution.

VORTEX spinning machines

Delivering Value to Society through Operations
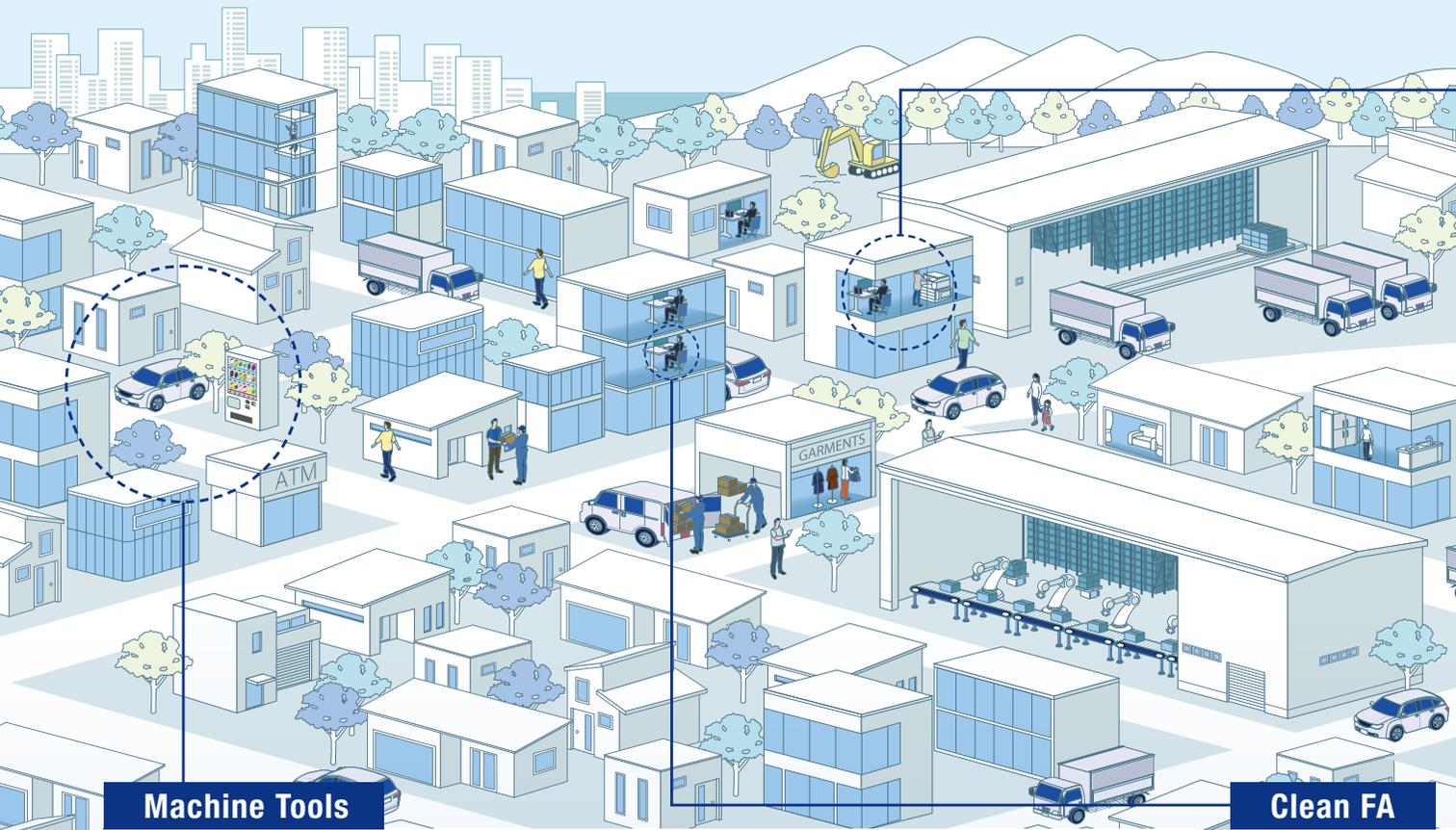
Communication Equipment

A pioneer in Japan's facsimile machine industry, the communication equipment business offers a host of flexible solutions, for both the office and factory, in response to today's rapidly changing business environment. In the office sector, we provide digital multifunctional copiers as well as network and security equipment to support ICT utilization and security enhancements. For the manufacturing industry, which faces challenges in improving productivity and quality, we offer production management software that turns production facilities into smart factories.

Molding plant production control system

Network storage with built-in UTM

Machine Tools

The industrial products that make our modern world run, including automobiles and heavy machinery, are all born from machine tools, the mother of all machinery. Muratec has integrated highly rigid, high-precision machinery with a wide range of peripheral equipment to provide production systems that best meet customers' needs. We have a proven track record on top of years of experience, especially in automotive parts as well as sheet metal processing, key ingredients for making industrial products. We will continue to play a part in manufacturing around the world with an eye to staying ahead of the curve in shop-floor operations.
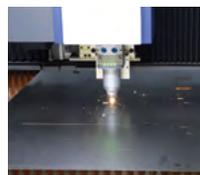
Advanced hybrid laser

Twin spindle CNC chucker + CNC turning center

Clean FA

Semiconductors are used in almost all electronic devices and have become an indispensable component of modern society. The production of semiconductors involves hundreds of steps, and the efficiency with which a work-in-process is transferred between these steps has a significant impact on productivity. Muratec provides cleanroom transport systems that prevent dust generation and achieve absolute reliability in highly automated production processes. Keeping up with innovations in semiconductor technology, Muratec's automation technology is helping the semiconductor industry improve efficiency and reduce carbon emissions.

Semiconductor fab. OHT

Three-year Plan

| April 2022 – March 2025 |

Develop new technologies and markets

Respond to the new competitive environment

Accelerate the development of technologies, products, and services to keep pace with the rapidly changing competitive environment as well as cultivate new markets and business areas

Muratec Group Policy

Re-examine our corporate culture, respond to changes in society while changing ourselves, and create the foundation to support the development of new technologies and digital transformation

Implement core systems to develop an information infrastructure for data-driven optimization of overall operations

Create an organizational culture in line with our corporate philosophy

Address social issues

Build information infrastructure

Keep pace with changes in the manufacturing industry

Textile Machinery Division

The Textile Machinery Division's business focuses on manufacturing automatic winders and VORTEX spinning machines for the spinning industry. The textile industry, which is essential to people's lives, is expected to continue growing. We will go on pursuing innovation and further enhance our manufacturing and support capabilities to meet customer expectations. We will also engage in activities aimed at creating new businesses.

	Divisional strategies	Priority issues
1	Pursue innovation that will keep us ahead of the pack in the global textile machinery industry	● Develop new automatic winders and VORTEX spinning machines with higher added value ● Optimize the production capacity of the Kaga Factory and establish a stable production system
2	Dramatically improve operational efficiency through digital transformation	● Enhance operational efficiency across all departments by utilizing RPA and BI tools ● Transform production forecasting and planning methods to reduce production lead times ● Introduce modular designs to shorten lead times for procuring parts and devices
3	Boost global capabilities including after-sales services provided by affiliates	● Provide new lines of support services using the Muratec Smart Support (MSS) system designed to remotely support machine operation ● Strengthen the global parts supply capability to help customers in all regions ensure long-term stable operation
4	Get the launch of new businesses moving full steam ahead	● Get the development of new technologies and products utilizing spinning technology into full swing ● Explore new business opportunities and cultivate basic technologies in order to plant the seeds of further technological development. Promote joint research with universities and research institutions in addition to incubating ideas in-house
5	Strengthen supply chains	● Build a parts procurement system that is highly resilient to changes in the external environment ● Improve and strengthen information system links between departments and group companies ● Present production plans to suppliers and share medium- to long-term production roadmaps
6	Build a foundation for medium- and long-term plans	● Improve the accuracy of medium- to long-term market and technology roadmaps ● Implement various measures to develop human resources, promote diversity in the workplace, pass down skills, change working arrangements, and nurture a new organizational culture

Logistics & Automation Division

The Logistics & Automation Division provides the manufacturing and distribution industries with optimal distribution solutions that are tailored to each customer, including automated warehouses, sorting systems, automated guided vehicles (AGVs), and related software.
We will work to develop technologies for fully automating intralogistics (on-site logistics) and enhance logistics efficiency throughout the supply chain, including the last mile (the last leg of a journey), through open innovation.

Divisional strategies		Priority issues
1	Improve safety and quality	● Improve project quality by strengthening verification and inspection mechanisms at each step of the design, shipping, and delivery processes ● Change the project management method and expedite the finalization of design requirements
2	Develop technology for fully automated and unmanned intralogistics	● Expand models and strengthen lineups in response to the growing scale and sophistication of distribution centers ● Realize unconstrained transport
3	Work on last-mile solutions	● Develop solutions for small- and medium-sized centers as well as distributed inventory storage
4	Promote digital transformation to improve business processes	● Streamline overall design workflow using PLM and reduce lead time ● Promote modular design of systems and equipment
5	Promote human resource development, personnel utilization, and work style reform	● Formulate and implement a personnel development plan based on the human resources roadmap ● Strengthen global competence training for employees ● Strengthen training of overseas staff ● Develop remote work environments

Clean FA Division

The Clean FA Division, which handles transport systems used in semiconductor manufacturing plants, will play a greater role in the semiconductor industry, where demand is expected to grow further.
We have continued to refine the QCDS (quality, cost, delivery, and safety) of our products with a focus on improving customer satisfaction. We will go one step further and forge the future of semiconductors together with our customers in order to contribute to the development of the semiconductor industry.

Divisional strategies		Priority issues
1	Foster and establish a culture of safety and quality	● Continue making persistent efforts to improve safety by making safety and health a top priority ● Strive for quality and strengthen processes
2	Develop new technologies and markets	● Build a product range that meets all automated cleanroom transport needs ● Create added value for transport systems with the aim of realizing transport solutions tailored to the customer's production process
3	Promote digital transformation	● Maximize the use of virtual spaces to innovate development, operations, and work ● Shift human resources to creative operations by automating business processesand operations in each project ● Reduce total lead time from the receipt of inquiry/order to delivery
4	Create an organizational culture in line with our corporate philosophy	● Utilize the human resources roadmap and restructure personnel training systems ● Instill D&I, work-life balance, and global business perspectives
5	Save energy and reduce environmental impact throughout the product life cycle	● Strengthen compliance with chemical substance regulations (REACH, RoHS, and PFAS) ● Promote efforts to reduce CO2 emissions from the use of our products

Machine Tools Division

The Machine Tools Division provides products in two areas that require different machining techniques: turning machines and sheet metal machines.

We have focused on providing turning machines designed for the mass production of auto parts as well as flexible customization to improve customer satisfaction. Moving forward, we will continue to offer solutions that help customers in a wider range of industries solve the problems they face. We will work on expanding the scope of machining and offer automated machining solutions for sheet metal machinery.

Divisional strategies	Priority issues
1 Strengthen the ability to propose solutions that help customers solve problems	●Provide automated turning solutions to a wider range of industries beyond the automobile parts industry ●Develop technologies and products for electric vehicles in areas where we can make an impact ●Transform our business model into one that generates demand ●Develop highly unique combination sheet metal machines ●Provide automation solutions for the entire machining process, including operation
2 Build a business structure that can respond with rapid flexibility to changes in the market	●Work to transform business processes in each department in line with the introduction of core systems ●Enhance marketing capabilities ●Increase customer productivity through IoT (linking with higher-level and third-party systems) and establish a remote support system
3 Foster an open and reassuring organizational culture	●Develop each employee's ability to independently address business issues, such as solutions for customer problems, internal business processes, work environments, as well as personal and organizational growth ●Create an open and psychologically safe work environment where everyone can freely and actively discuss business issues ●Aim to create a workplace where employees promote mutual growth through various human resource development initiatives

Communication Equipment Division

The Communication Equipment Division provides digital multifunction products (MFPs) for offices, and later launched a new business dealing with network and security products. It then expanded into the realm of production management systems for factories as a result of organizational restructuring and is currently operating in these three areas. In light of the growth potential for information security products and factory solutions, mainly for molding plant production management systems, we are zeroing in on developing new products that will pave the way to transforming our business portfolio. We will also strengthen cooperation between the product categories in technology development and customer support.

Divisional strategies	Priority issues
1 Expand information security-related business areas	●Develop products that increase added value, such as security and convenience, by linking with the cloud and various applications ●Create new applications and services in the field of information security for offices ●Provide automation solutions for the entire machining process, including operation
2 Establish an organizational structure for expanding into the factory solutions business	●Plan and develop products for use in industries other than molding and cultivate new markets ●Apply office information security technology to security products and solutions designed to protect shop floors from cyberattacks ●Develop an IoT manufacturing execution system and perform field validations
3 Concentrate MFP business resources in profitable, high-value-added models	●Monochrome models: Develop and sell profitable models ●Color models: Continue to sell latest models with improved usability and security
4 Create a climate conducive to cultivating new businesses	●Solicit proposals from all departments for improving the quality of operations and raising organizational awareness and employ a system for allocating and deploying personnel and budgets ●Contribute to the organization via the process of management by objectives

Health and Safety

The Muratec Group makes protecting the health and safety of its employees a top management priority. We have established the Muratec safety and health philosophy and policy to realize a safe and comfortable working environment and promote the mental and physical health of our employees. That's why we have established an occupational safety and health management system headed by the president and CEO. The safety and health committee of each business site carries out their own actions while the EHS Committee, based out of the head office, implements group-wide initiatives with an eye to making continuous improvements.

Health and Safety Initiatives

■ Maintaining ISO 45001 certification

The Inuyama Safety and Health Site[1] based at the Inuyama Plant acquired ISO 45001 certification, an international standard for occupational health and safety management systems, in March 2021. In addition to carrying out various activities, including risk and compliance assessments, annual internal audits, and management reviews, we have been working to implement the standard at affiliated companies[2] operating at the Inuyama Plant and Murata Tool's Gifu Factory.

In order to expand our activities to sites beyond the scope of the application, we standardized our risk and compliance assessment methods in alignment with ISO 45001-compliant methods and formats and started using them at our major sites in fiscal 2022.

[1] Inuyama Safety and Health Site: Inuyama Plant (including affiliated companies), Ise Factory, Toyohashi Factory, and Murata Tool Gifu Factory
[2] Affiliates operating at the Inuyama Plant: Murata Systems, Murata Engineering, Muratec Sales, Techno Advance, Muratec CCS (logistics), and Murata Tool

TOPICS 1

Workplace inspections by occupational health and safety consultants

As part of our efforts to prevent industrial accidents, occupational health and safety consultants conduct workplace inspections at the Inuyama Plant. Workplace inspections provide health managers at each workplace who accompany the consultants with an opportunity to hear recommendations from experts as well as to discover areas requiring attention, leading to an improvement in the health and safety management standard of the entire plant. We also analyze past occupational accidents in order to identify sources of hazards that may pose the risk of accidents in the workplace through risk assessment, revise risk assessment procedures, and educate team leaders in each workplace, all with an eye to preventing occupational accidents from occurring.

TOPICS 2

Fall prevention project

In January 2023, the head office launched a project to prevent falls in light of the fact that fall and collision accidents occurring to people walking accounted for about 40% of all occupational accidents that had occurred in the past. The head office safety and health committee intensively checked the areas prone to falls during safety patrols and conducted risk assessments focusing on falls. We also held a seminar on fall prevention. An outside lecturer talked about the social backdrop behind the increasing number of people who have lost muscle strength due to teleworking, the nutrients needed to build a body that is less prone to falls, and how to use your muscles when standing or sitting. We will continue our efforts to prevent workplace injuries when people are walking.

TOPICS 3

Ise Factory wins an award at Mie Prefectural Industrial Safety and Health Convention

The Ise Factory received the Excellent Workplace Award from the Mie Federation of Labour Standards Associations at the Mie Prefectural Industrial Safety and Health Convention held in October 2022.
At the Ise Factory, we conduct risk assessments and report on near misses as part of our safety and health activities. We also involve all employees in monthly awareness campaigns on different topics, such as traffic safety, heatstroke, wiring inspections, and the 5S method, in order to boost awareness of safety and health issues. We will continue to work on maintaining and improving the health and safety awareness that has been instilled through these activities as we promote a culture of safety.

Health Initiatives

■ Health and productivity management

The Muratec Group believes that the mental and physical health of each and every one of its employees is crucial to bringing "prosperity to each of our employees" and leading "society to a better tomorrow" as set forth in its corporate philosophy. We are working to improve the workplace environment as we provide ways for employees to play a more active role so they can achieve healthy growth.

Since poor employee health and illness can lead to lower productivity and motivation, we have also made diet, exercise, sleep, smoking, and mental health priority areas to address and are working on continuous improvement with mid-term targets set for 2023.

■ Muratec health and productivity management priority areas

Priority areas	Diet	Exercise	Sleep
Activity indicators	Percentage of employees with a BMI between 18.5 and 25	Percentage of employees who walk at least 1 hour daily	Percentage of employees who get enough sleep
Mid-term targets for 2023 (data comparison with year ended March 2021)	63.8% → **70.0%** or more	35.8% → **40.0%** or more	67.4% → **70.0%** or more

Priority areas	Smoking	Mental health
Activity indicators	Percentage of employees who smoke	Percentage of employees identified as highly stressed
Mid-term targets for 2023 (data comparison with year ended March 2021)	22.4% → **20.0%** or less	10.1% → **10.0%** or less

Health seminars

We invited Dr. Keiichi Nakagawa, professor at the University of Tokyo Hospital Department of Radiology, to give a seminar on cancer prevention and treatment in order to help employees gain accurate knowledge about cancer, prevention, and preparedness. He also talked about the importance of cancer screening, providing an opportunity for employees to gain a better awareness of cancer.

Dr. Kunio Okada, president of the non-profit organization of the health management, gave a lecture to managers on the theme of realizing health and productivity management. He spoke about why companies need to implement health and productivity management as well as the benefits of promoting that, in light of social issues surrounding companies, such as the declining birthrate and aging population. We will continue to promote this initiative aimed at improving workers' health, based on the belief that the physical and mental health of workers correlates with corporate productivity.

TOPICS 2

Introduction of external consultation service, The CARE

As part of our health and productivity management efforts, we have introduced The CARE, a service that allows employees to anonymously consult qualified medical professionals, such as a midwife or nurse, 24/7 via chat. We make available a service that allows employees to easily consult with a specialist when they have a problem they can't talk about with anyone in the company or when they can't go to a medical institution immediately, in the hope of reducing the number of employees who have problems and enable more employees to thrive in their workplace.

Users have sought help on a wide range of issues, including health and gender-specific physical concerns, pregnancy and childbirth, childcare, and relationships with their partner. The service has enabled employees to maintain their mental and physical health. It is available not only to employees but also their family members within the second degree of kinship.

Human Capital and Human Rights

Human Capital

Recognizing human resources as our most important asset, we believe it is essential to provide opportunities and environments where a diverse mix of employees can reach their full potential.

With this in mind, we have implemented measures for human resource development, work-life balance, and diversity and inclusion (D&I) and are continuously making improvements, with the aim of creating a workplace where each employee can thrive even more.

■ Human resource development

We support the growth of employees in various ways to maximize the value of human resources, our most valuable asset.

● Personnel system that links individual growth to organizational growth

Under our management by objectives (MBO) system, each employee sets high goals and strives to achieve them, with the aim of improving individual abilities and results. It also links individual goals with departmental goals, so the improvement of individual abilities and results leads to the improvement of organizational results.

We conduct feedback meetings to give employees an opportunity to reflect on their evaluations. During these meetings, an employee communicates challenges and hopes for the future while his/her supervisor communicates the employee's good points and areas requiring improvement. This provides employees with an opportunity for further growth and boosts their motivation.

Overview of human resource development

Become a company constantly generating high profits through a cycle of improvement

3. Employee performance evaluation
Translating the company's performance into individual compensation and benefits

4. Feedback meetings
Aiming for further improvement of employees' abilities

Improved organizational performance

Cycle of improvement

Improved individual ability

2. Management by objectives
Individual performance ➡ Improved organizational performance

1. Management by objectives
Individual ability ➡ Improved individual performance

● Training programs that encourage personal growth

We provide rank-based training, career design training, and next-generation leadership training based on the roles expected of employees according to their years of service and job ranks. In addition to training, we give managers 360-degree feedback to facilitate behavioral change and improve their performance as managers. We also offer a variety of training programs in response to the changing times, such as correspondence and online English conversation courses as self-learning opportunities, as well as data literacy training for personnel for digital transformation.

	New and young employees	Mid-level employees	Subsection chiefs	Managers
Rank-based	• New employee training • Annual training		• Training for newly appointed subsection chiefs	• Training for newly appointed section managers • 360-degree feedback
		• Career design training		
			• Training for newly appointed evaluators • Goal management training	
	• Training for mid-career hires			
Selective		• Muratec Business College • Women's leadership development program		
Goal-based	• Data literacy training • Various types of e-learning courses • Online English conversation • Correspondence courses			

*Only major training programs are shown.

■ Work-life balance

At Muratec, we assist employees in many ways to ensure that they have the flexibility to respond to their own life events and family situations, while maintaining their motivation to work and ability to continue delivering results.

● Flexible work arrangements

In fiscal 2018, we introduced a telework system to improve employee productivity and work-life balance as well as to enhance business continuity in the event of an emergency. We also give all employees the option of staggering their working hours regardless of whether they have a need to provide care for their children or family members.

● Support for balancing work and family life

We have programs designed to help employees balance their work and family life so that they can continue to work through different life stages. Employees who provide nursing care to their child or other family member can work reduced working hours. We also schedule individual meetings with employees and their supervisor before and after taking childcare leave or family care leave to ensure that they get appropriate support. Eligible employees with medical conditions can carry over unused annual leave or work reduced hours to get treatment if certain requirements are met. In fiscal 2022, we introduced an external service that allows employees to consult with a midwife about their concerns regarding childbirth and childcare. We will continue striving to create a better environment where employees can work with peace of mind.

■ Overview of programs to help employees balance their work and family life

Childcare	Pregnancy	Childbirth	One year old		Start of elementary school	End of third grade	End of sixth grade
Maternity leave							
Childcare leave			*May be extended until the child becomes 2 years of age if certain requirements are met				
Reduced working hours	Work schedules can be shortened by one or two hours						
Time off for sick/injured child							

Caregiving	Duration
Family care leave	Up to 93 days in total (and a maximum of 3 occurrences) per eligible family member
Reduced working hours	Desired period up to 3 years per eligible family member
Time off for sick/injured family member	5 days per year per eligible family member (10 days per year for two or more family members)

*Employees may work staggered hours regardless of whether they have a need to provide care for their child or other family member.

TOPICS 1

Promoting male participation in childcare

To support male employees in the birth and care of their child, we set up a one-on-one meeting for male employees with their supervisor before their spouse gives birth. Our internal newsletter also contains articles featuring discussions among male employees who have taken childcare leave in order to widely share their experience with other employees. On top of that, we hold seminars to help employees balance their job and childcare responsibilities. In addition to our ongoing initiatives, we shared a message from the president, which was drafted after the revision of Japan's childcare and family care leave act in 2022, encouraging male employees to take a more active role in raising their children. As a result, the rate of men taking childcare leave rose to 53.1%, up 1.7 times from what it was the previous year.

■ Number and percentage of men taking childcare leave

(Year ending March)	2019	2020	2021	2022	2023
Number of men taking childcare leave	3	2	16	27	51
Percentage of men taking childcare leave	3.4%	2.1%	16.3%	30.7%	53.1%

■ D&I initiatives

We have made D&I one of our key management priorities, with the aim of leveraging the strength of diversity to make unique innovations and be a place where a group of extremely talented employees can continue to grow in a changing social environment. We are implementing various initiatives to ensure that employees across the full spectrum of gender (including sexual orientation and gender identity), age, nationality, race, and disability, can recognize, accept, and respect each other's differences.

● D&I promotion project

The D&I promotion project, which was launched in fiscal 2017, consists of members selected from each business division. The project has been ongoing with different members and is now in its fifth phase (2022–2024). A wide range of initiatives are implemented according to the specific situation in each department, including D&I-themed workshops and lectures, study sessions on internal regulations, reviews of working arrangements, and initiatives to encourage employees to take annual leave. In addition to that, an annual activity report meeting brings together project members and management to look back on what was done over the year and share issues that need to be addressed the following year.

● Helping older employees thrive

The high level of expertise, experience, and know-how that older employees have accumulated over the course of their careers is an asset to an organization and helps increase its competitive edge. At Muratec, we create an environment in which older employees can take advantage of their wealth of experience, knowledge, and skills to play a more active role on the job. We conduct seminars and meetings to help dispel employees' concerns about career transitions and listen to their needs. We have also revised various personnel systems to improve compensation and benefits for older employees and enable them to continue working after retirement, until they reach the age of 70.

● Helping foreign employees thrive

We provide foreign employees working in Japan with an orientation when they join our company to inform them about various support programs available to them. We periodically conduct surveys on their working conditions in an effort to understand the considerations and assistance they need to best perform their duties. We also provide business Japanese language training and other learning opportunities to help these employees achieve success.

● Empowering women in the workplace

Approximately 100 female employees have participated in the Women's Leadership Program (WLP), which began in fiscal 2015 with the aim of developing female leaders. The training program has enabled female employees to envision the kind of leadership role they want to play in two to three years and gain the necessary skills as a leader as well as a practical workplace experience, helping them build confidence as a leader and expand their networks beyond departmental boundaries. The number of women in subsection chief or higher positions has quadrupled since the WLP was started. Several WLP participants have been promoted to manager, making them career role models for future generations of women.

■ Number and percentage of female managers (at Muratec)
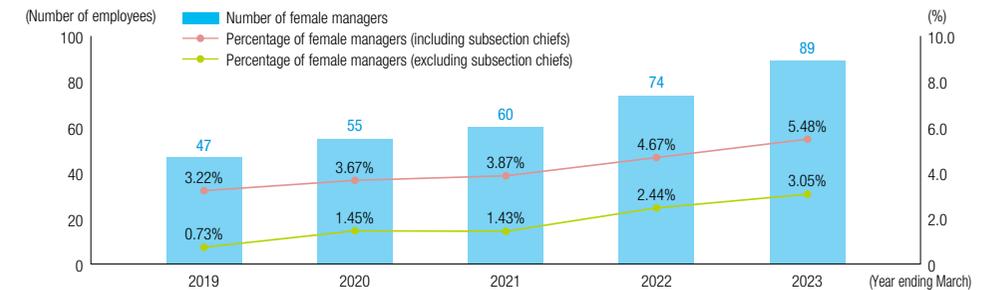
TOPICS 2

D&I Week 2022

We hosted a week-long (five-day) online event to get all employees interested in D&I and make D&I business as usual. During the event, programs covering a wide range of topics were held, including unconscious bias, LGBTQ, how to support cancer patients, balancing work and family, and cross-cultural understanding. A total of 1,800 employees participated.

TOPICS 3

Muratec receives silver rating on Pride Index

Aiming to create a workplace where everyone, regardless of their sexual orientation and gender identity (SOGI), can freely be themselves, we are promoting the understanding of LGBTQ/SOGI through e-learning and workshops. In fiscal 2022, we established new regulations on same-sex partnerships to enable employees with same-sex partners to take advantage of various internal programs. These efforts earned us a silver rating in Pride Index 2022.

Human Rights

The Muratec Group believes that complying with international human rights standards is vital to operating a global business. In December 2022, we formulated a human rights policy to minimize the negative impact on human rights that could occur directly or indirectly in the course of our business activities.

● Human rights policy

We have pledged our commitment to human rights in the Muratec Group Human Rights Policy, which is available on our corporate website.

● Human rights education

We provided an e-learning course in January 2023 to help employees better understand the Muratec Group's commitment to business and human rights as well as the Group's human rights policy. The e-learning course was made available in four languages (Japanese, English, as well as simplified and traditional Chinese), and 6,976 employees in Japan and overseas took the course. We will continue to provide similar e-learning courses to our employees while communicating with our business partners in the hope that they will support and adopt our human rights initiatives.

● Human rights risk assessment

We prioritize human rights issues facing the Muratec Group in accordance with their likelihood of occurrence and severity of impact. We will take measures starting with those given the highest priority.

Impact severity (vertical axis) / **Likelihood of occurrence** (horizontal axis)

Human rights issues of particular importance to our company

- · Prohibition of discrimination
- · Ensuring human-rights compliant procurement practices
- · Personal information management
- · Prohibition of harassment
- · Occupational health and safety
- · Prohibition of child labor
- · Freedom of association and right to collective bargaining
- · Prohibition of forced labor
- · Working hours
- · Wages

● Foreign employee awareness survey

In fiscal 2022, our company began conducting a survey of non-Japanese employees, technical interns, and specified skilled workers at the Muratec Group, with the aim of identifying issues related to their work and personal lives. In the first year, we conducted a questionnaire survey on 165 employees and face-to-face meetings between 32 employees and HR personnel upon request. We conduct a survey every year to become a foreign-employee-friendly employer.

Questions (excerpt)

- · Are you satisfied with your current working environment?
- · Is there someone you can talk to easily?
- · Is there any Japanese custom that puzzles you?

Corporate Citizenship

We support the development of the next generation through interactions with children and students in our local community.

Helping elementary school students learn about manufacturing

Since 2010, we have been partnering with the Kyoto Manufacturing Hall of Fame, a Kyoto City Board of Education project designed to enable elementary and junior high school students learn about and experience manufacturing. Our employees participate in workshop classes as instructors. We also exhibit at our corporate booth. This initiative is in support of the project's philosophy of promoting interest in and appreciation of Kyoto's modern, cutting-edge technologies that have grown out of traditional industries as well as the science behind them.

We revamped our workshop program in 2022 following a hiatus due to the COVID-19 pandemic. The program features a hands-on learning activity where participants learn about a device that works with basic mechanical components. We offer these workshop classes to show how various automation technologies are making our lives better.

Internship opportunities for local high school students

The Ise Factory provides on-site internship opportunities to local commercial high school students as part of their school's career education program. We design our internship program to help high school students gain a deeper understanding of manufacturing jobs and the mindset of professionals, so that they can use these insights when choosing a career path. The program held in November 2022 included a workplace visit to get an up-close view of work being performed and meet the employees doing the job.

In October 2022, the Kaga Factory placed students from a local business high school in a long-term internship program, with the aim of fostering a sense of professionalism among the students through the experience of working at a local company as well as helping them choose a career path. Through hands-on experience in a real workplace, the students learned the heart of manufacturing, such as how textile machinery works, how every second counts, and how employees are committed to accumulating improvements every day.

Helping local high school students shape their future career plans

Since fiscal 2020, we have cooperated with Kyoto Kogakuin High School in its Fly into the Future Camp. Held as part of the school's career design course, the Fly into the Future Camp consists of lectures and workshops given by universities and companies. We offer programs in line with the school's philosophy that states "it's important to find something that satisfies your intellectual curiosity and something that you want to explore."

During the event held in November 2022, we hosted the World Cafe, where our younger employees and high school students talked about their dreams and visions for their future, following a presentation about the characteristics of B2B companies as well as our business and products. It provided high school students with an opportunity to envision about their future and how they can achieve their dreams based on the experiences of our employees.

CSR lecture at Ryukoku University

We participate in the Corporate CSR Seminar (led by Professor Takafumi Nakamori) at the Ryukoku University Faculty of Policy Science every year as a corporate partner. The purpose of this seminar is to develop human resources who can contribute to the sustainable development of society. We give a lecture on corporate CSR and talk about what we have come through, the significance, and motivation behind, as well as challenges that lie ahead. Students later visit companies participating in the seminar and conduct interviews to analyze the strengths and weaknesses of their activities and make proposals for improvement.

We aim to incorporate the students' proposals for improvement as much as possible. In providing them with the experience of having their proposals applied as corporate activities, the students gain a more meaningful learning experience.
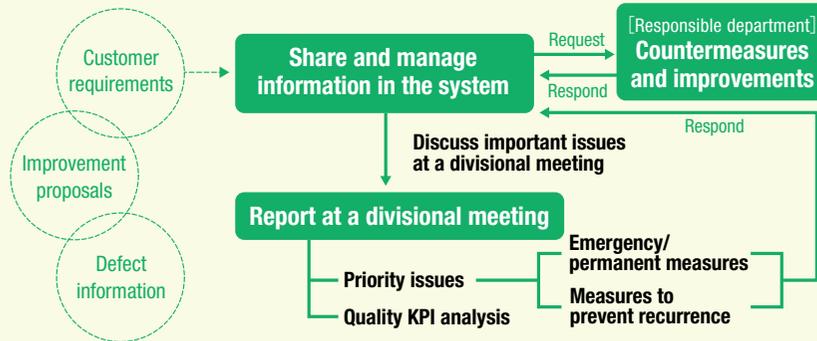
Efforts to Improve Quality and Customer Satisfaction

Textile Machinery Division

We have obtained ISO 9001 certification for our quality management system in five divisions, and each division works on quality assurance and continuous improvement in a way best suited to its products and organizational structure. The Textile Machinery Division has established a system for sharing customers' quality requirements and employee proposals for improvement, mainly in the areas of design and manufacturing, across the division to create a cycle of improvement, and the system has been in operation for more than 30 years.

Quality control and recurrence-prevention system

Customer requirements

Improvement proposals

Defect information

→ Share and manage information in the system

Request →
← Respond

[Responsible department]
Countermeasures and improvements

Respond

Discuss important issues at a divisional meeting

Report at a divisional meeting

Priority issues

Quality KPI analysis

Emergency/permanent measures

Measures to prevent recurrence

In the Textile Machinery Division, information on quality defects and customer requirements is input into the system by staff members and shared within the division after approval from the supervisor. In addition to reporting on quality problems, employees are encouraged to submit proposals for improvement, such as ways to enhance functionality, ease of assembly, and ease of use by shop floor workers. Anyone in the division can make requests and proposals, which are input mainly by manufacturing and technical service personnel (responsible for machine installation and after-sales services). Equipped with a task management function, the system enables employees to visualize the progress made on each task.

Additionally, the Division holds quarterly divisional meetings attended by the general manager, as well as managers and relevant personnel from all departments to discuss the responses to the priority issues raised in the aforementioned system. The status and analysis of the KPIs set for the ISO 9001 quality targets are also reported on at the meeting. The division uses this system to ascertain quality concerns, problems, and improvement proposals from the employees in order to prevent the recurrence of problems (corrective and preventive measures) based on the 3 Reality Principle (i.e., immediately going to the actual site, seeing the actual situation, and assessing the facts) and implements it across the division.

The Textile Machinery Division mainly sells products overseas and operates 21 locations worldwide. We have created a system that enables us to take highly effective measures by getting input from our overseas staff, who are well versed about our customers' situations and requirements.

All departments participate in this initiative to ensure information-sharing and visualization across the division while continuously raising employee awareness about customer satisfaction, in an effort to improve product quality and ensure stable operations.

Topic

Working with suppliers

The Textile Machinery Division's Kaga Factory procures many of its parts from outside partner factories (suppliers) and is focusing on quality improvement efforts in cooperation with each partner factory.

■ Guidance to key partner factories

The Kaga Factory selects five key partner factories from among more than 200 partner factories, and our employees visit them each month to provide guidance on quality improvement. We spend 2 to 3 years, and sometimes up to 10 years, providing guidance to each partner factory. Placing emphasis on building a win-win relationship rather than just giving guidance, we work to foster manufacturing techniques and problem-solving skills in the employees at our partner factories. At the same time, visits to partner factories provide a training opportunity for our employees who serve as instructors. In addition, we share information about measures implemented at key partner factories within us so that we can apply them at other suppliers.

■ Sharing the results of initiatives

Twice a year, we invite each partner factory to participate in a meeting where the results of efforts made at key partner factories are shared. In May 2023, 120 people from some 60 companies participated. The meeting provides our suppliers with an opportunity to learn from other companies' efforts, while enabling us to convey our policies and the challenges we face, so that suppliers can align their quality control policies with ours as we work to make improvements.

Environment

We recognize that the various global environmental issues facing us pose a significant risk to our company in continuing to provide value through our products and services. Natural disasters, which are on the rise due to climate change, may become a hindrance to business continuity, and tighter environmental laws and regulations could pose the risk of increased costs needed to ensure compliance. On the other hand, initiatives such as promoting the development of environmentally friendly products provide opportunities to enhance our corporate value.

We are committed to addressing these environmental issues by both manufacturing environmentally friendly products and reducing the environmental footprint of our business.

■ Toward the 2030 targets

We are working to reduce our environmental footprint by setting medium-term targets to be achieved by 2030, including reducing carbon dioxide (CO_2) emissions, water use, waste, and emissions of chemical substances (volatile organic compounds or VOCs) from fiscal 2018 levels.

● CO_2 emissions

In the fiscal year ended March 31, 2023, the production volume and value of our products were driven up by growing demand for automation that had continued from the previous fiscal year. The resulting increase in operating hours and fuel consumption at each manufacturing site also brought the total amount of emissions up. Although the amount of electricity purchased and the amount of LPG gas used decreased due to the renewal of painting equipment at the Kaga Factory, CO_2 emissions are on the rise due to the increase in energy consumption at each manufacturing site.
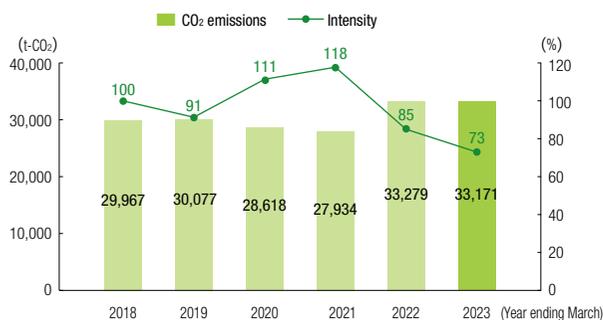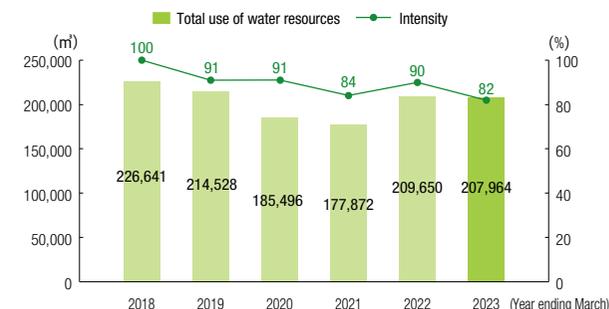

2030 target

18% reduction in total amount

FY2022 results

11% increase in total amount

In order to reduce CO_2 emissions while increasing production to meet market demand, we will engage in activities that contribute to CO_2 reduction in addition to ongoing energy-saving efforts.

● Water use

At our company, the bulk of the water we use is for personal consumption, with only a fraction used for manufacturing processes. While the number of employees contributing to the increase in water use throughout the company is on the rise, total water use has decreased due to the renewal of water pipes at the head office, the repair of the cooling tower at the Shiga Plant, and the renewal of painting equipment at the Kaga Factory.
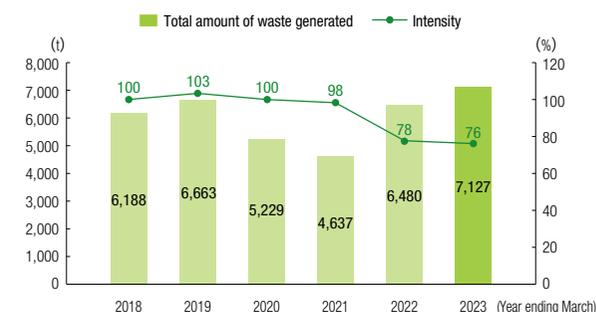

2030 target

3% reduction in intensity

FY2022 results

18% reduction in intensity

● Waste generation

The total amount of waste generated throughout the company has gone up due to increased production volumes. In particular, the increase in waste generated at the Inuyama Plant, which accounts for more than 50% of the total amount of waste generated companywide, has had a significant impact. The Shiga Plant is facing the problem of an increasing number of pallets to dispose of due to a growing number of parts procured from overseas.
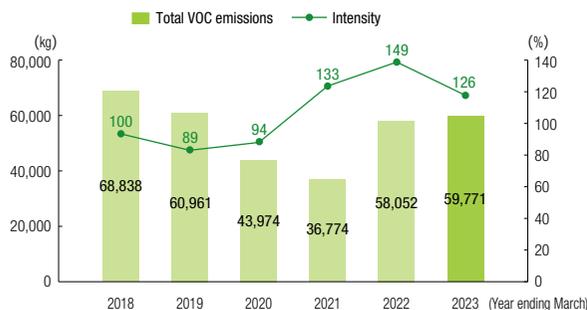

2030 target

5% reduction in total amount

FY2022 results

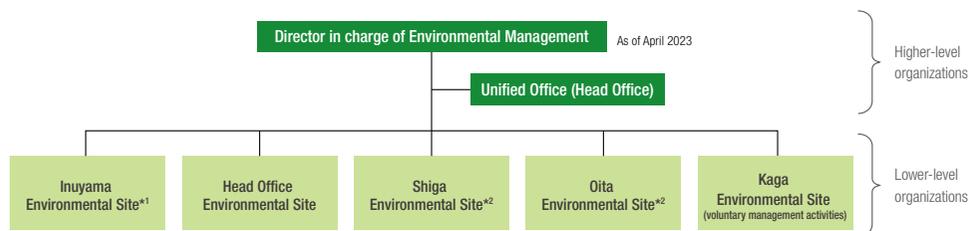**10%** increase in total amount

● VOC emissions

Due to increased production at the Kaga Factory and increased operating hours of the paint lines at the Inuyama and Shiga Plants, the amount of organic solvents used in paints and coatings rose year on year. We have continued our ongoing efforts to use more powder-coated components and switch to products containing lower levels of Pollutant Release and Transfer Register (PRTR) substances.

Total VOC emissions ■ / **Intensity** ●

(kg)	2018	2019	2020	2021	2022	2023 (Year ending March)
Total VOC emissions	68,838	60,961	43,974	36,774	58,052	59,771
Intensity (%)	100	89	94	133	149	126

*The total emissions and emissions intensity data has been revised based on a review of data going back to the base year (fiscal year ended March 2018).

2030 target
3% reduction in intensity

→

FY2022 results
26% increase in intensity

■ Environmental management structure

Director in charge of Environmental Management   As of April 2023

Unified Office (Head Office)

Higher-level organizations

Inuyama Environmental Site*1 | Head Office Environmental Site | Shiga Environmental Site*2 | Oita Environmental Site*2 | Kaga Environmental Site (voluntary management activities)

Lower-level organizations

*1 The Ise Factory is included in the Inuyama Environmental Site.
*2 The Shiga and Oita Environmental Sites refer to the Shiga and Oita factories of Muratec Mechatronics Co., Ltd.

■ Developing environmentally friendly products and services

We are making continuous efforts to develop and provide products with superior environmental performance in order to help realize a decarbonized society. In addition to assessing CO_2 emissions from our business activities, we work to calculate and reduce CO_2 emissions from our supply chain (Scope 3 indirect emissions).

CO_2 emissions from the operation of products sold by our five business divisions account for about 80% of indirect emissions. That's why we visualize the enhanced energy efficiency of our products as well as increased productivity resulting from improved product performance as reduction contributions, and are making efforts to improve their indicators at the product development and design stages.

TOPICS 1

Developing environmentally friendly products: Improving energy efficiency of OHT

In the overhead hoist transport (OHT) system, which is the main product of the Clean FA Division, heat loss from the power supply line of the non-contact power supply system accounts for a large proportion of its power consumption. That's why we developed our OHT with a focus on reducing heat loss from the power supply line to significantly reduce power consumption.

In addition to making it energy saving, we designed our OHT so that it can be added to customers' existing facilities. We also worked on developing a system that can supply an amount of electricity that's equivalent to or larger than our existing models in order to maintain transport vehicle capacity. After switching the power supply line to one with a larger cross-sectional area, making relevant design changes, and conducting installation tests, we verified **a more than 30% improvement in energy efficiency**. The number of customers adopting the energy-saving type OHT is gradually increasing.

Numerous OHT systems are at work in semiconductor factories.

Our OHT using power lines with a larger cross-sectional area

Reducing chemical substances in solvent coatings

At the Inuyama Plant's Machining Department, which mainly processes parts for machine tools, we have reduced the use of chemical substances (volatile organic compounds: VOCs) by reducing the use of solvent coatings and increasing the ratio of powder coatings in the painting process. We are also working to replace paints used for solvent coatings with environmentally friendly VOC-free paints.

Since heavy castings and large-size can frames used for machine tool components do not fit in a powder coating curing oven, we cannot do away with solvent coatings entirely. In order to reduce the environmental impact and protect workers' health, we must replace the solvents we currently use with environmentally friendly paints that do not contain toluene, xylene, or ethylbenzene.

The per unit cost difference between the more expensive environment-friendly paints and ordinary paints forces us to make a difficult choice between economic and environmental benefits. We worked with paint manufacturers to improve the paints so we could reduce the number of top coats applied to the uneven surface of machine tools from two to one. This enabled us to reduce the amount of paint used and shorten the working time, offsetting the cost increase for switching to environmentally friendly paints.

This reduction in the use of solvents containing toluene, xylene and ethylbenzene translates to __approximately 1.6 fewer tons of PRTR substance emissions__ than the Inuyama Plant racked up in fiscal 2021 (which was approximately 40.0 tons). On top of that, the reduced exposure time for employees makes for a much better working environment. We will use what we've learned in this case to improve other types of paints as we work to reduce overall chemical substance emissions at the plant.

Machining Department, Manufacturing Headquarters
Tomio Naito

Reducing the environmental impact of packaging materials

At the Ise Factory, we are working to replace the wooden crates used to ship our products with cardboard boxes. In the past, almost all products shipped overseas used to be packed in wooden crates. Now we are adopting cardboard packaging. This __curbs the deforestation caused by the sourcing of material needed to make wooden crates, reduces CO_2 emissions from truck transportation by cutting the packaging weight, and boosts the recycling rate of packaging materials__.

In fiscal 2022, we started conducting tests for selected models to ensure the strength of the boxes when stacked, and their anti-vibration and waterproofing performance, as well as workability. We began shipping some models in cardboard packaging in fiscal 2023. We will continue to look into expanding the use of cardboard packaging for more models and more destinations.

In addition to the environmental benefits, cardboard packaging __reduces unpacking time by 50%__ at the site where the product is installed. We have seen positive signs and results, such as reduced burden of on-site work and quick installation.

Ise Production Section, L/C Manufacturing Department
Masami Ishikura

Compliance

We believe it's vital not only to comply with all laws and regulations, but also to adhere to the ethical norms of society as well as the code of conduct and rules established by our company, and to maintain communication with our stakeholders if we hope to meet their expectations. In order to remain a company trusted by society, we are making group-wide efforts to maintain and strengthen compliance.

■ Compliance promotion

The Muratec Group has established a Compliance Committee in order to ensure the implementation of internal controls. The heads and leaders of each division and group company departments serve as committee members. They focus on raising compliance awareness and ensuring compliance in their organizations (the number of committee members as of April 2023 is 209). At the same time, committee members serve as close advisors to employees in their respective departments.

■ Compliance promotion structure (as of April 2023)
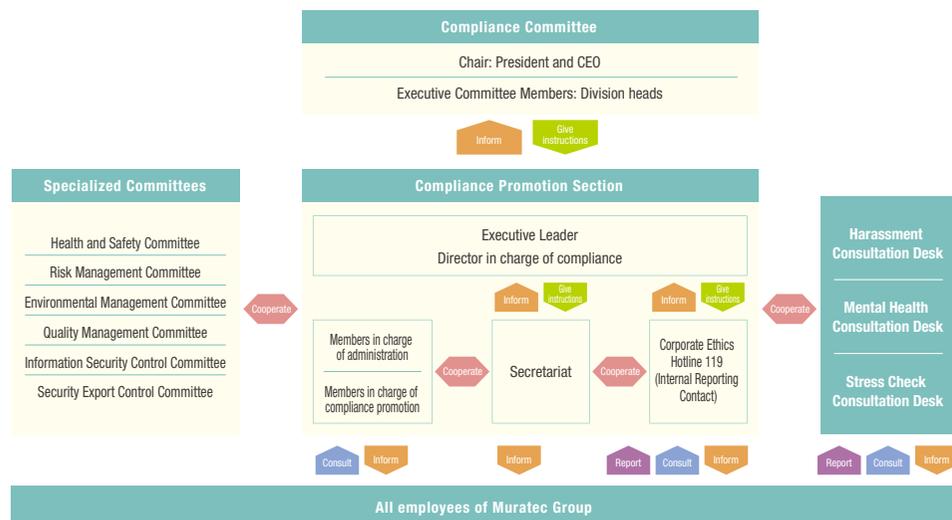
■ Whistleblowing system

We have set up internal and external whistleblower hotlines for early detection and prevention of compliance violations.

In addition to establishing the Corporate Ethics Hotline 119 as an internal contact point, in October 2022, we changed the name and functions of the supplier contact point, which were made available on our corporate website. It is now a comprehensive contact point for reporting compliance violations and seeking help from outside the company. Both contact points are designed to ensure confidentiality and anonymity, and prohibit retaliation or disadvantageous treatment of whistleblowers, so that employees and stakeholders can feel comfortable in providing information and requesting that issues be redressed. In the fiscal year ended March 31, 2023, we received a total of 63 reports and consultation requests at internal and external contact points.

This system also serves as a platform for receiving input from a wide range of internal and external stakeholders. It enables us to take prompt corrective action and provides us with input on our internal systems from a compliance perspective.

■ Compliance training

The Muratec Group continuously conducts various types of training to spread and raise compliance and risk management awareness among all employees.

All employees receive two e-learning sessions and monthly compliance information materials throughout the year. Last fiscal year, we also conducted training for Compliance Committee members, and it was attended by 126 people. We invited a lecturer with expert knowledge from outside the company to help employees learn how to detect compliance risks in their own organization and how to plan countermeasures.

We will continue to provide a various compliance training that are designed to prevent recurrence.

Risk Management

Business Continuity Planning (BCP)

■ Business continuity policy

The Muratec Group conducts business continuity planning (BCP) with the aim of protecting lives, preventing damage to surrounding areas, fulfilling its supply responsibilities to customers, and ensuring the rapid recovery of its operations. Effective BCP entails analyzing risks to identify threats to our company; creating manuals, plans, and crisis management systems to manage these risks; identifying problems and making improvements through BCP training programs and repeating this process over and over.

Purposes of Muratec Group's BCP activities

1. Protecting the lives of employees, their families, and visitors
2. Preventing secondary disasters and damage to neighboring areas
3. Fulfilling our supply responsibilities to customers so we can maintain their trust
4. Securing our market share through rapid recovery
5. Securing jobs through early stabilization of operations

### ■ Improving the effectiveness of BCP through training and drills

We are focusing on training and drills because not only BCP personnel but all employees must be familiar with our business continuity procedures and plans in order to enhance their effectiveness.

As part of BCP training, we provide e-learning on BCP to promote understanding of everyday risks and the Muratec Group's initiatives and hold briefings for managers on the operation of the safety confirmation system[1] to raise employee awareness.

Our BCP training programs include disaster prevention drills and evacuation drills, which focus on initial response, as well as "compact drills," small-scale departmental drills conducted at each business location to experience recovery response, and "cross-site drills," large-scale annual drills conducted through cooperation among different business locations. The compact drill is a desktop exercise where employees examine how their department would react and recover in the event of an earthquake or a large-scale power outage. Seventy-six departments conducted the drill in fiscal 2022. The cross-site drill is conducted using different scenarios

every year. In fiscal 2022, we conducted a compact drill to consider how to transfer the head office functions to a site other than the head office, under the assumption that the head office was severely damaged. We reviewed and verified carefully the process to identify current issues and make improvements. We will refine these activities every year to enhance our business continuity capabilities.

[1] A system that automatically delivers emails and notifications following the occurrence of an earthquake with a seismic intensity of 5 or higher (on the Shindo scale). Employees report on their status, while managers confirm the safety of employees in their respective section and distribute updated information.
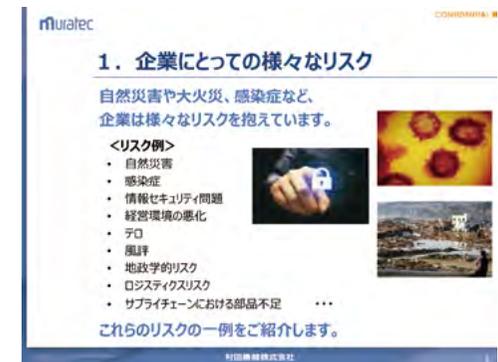

Excerpt from BCP e-learning

Cross-site drill

Compact drill

TOPICS 1

Night-time evacuation drill at Inuyama Plant

In September 2022, we conducted the first night-time evacuation drill at the Inuyama Plant. The drill was conducted for employees (in the manufacturing and service departments) working night shifts on the day of the drill, and a total of 53 employees participated. In anticipation of an earthquake and fire, participants practiced the emergency procedures, including ensuring their personal safety, evacuating to sites designated for their respective workplaces, as well as confirming and reporting on their status. The main purpose of the drill was to confirm the safety of evacuation routes at night and safety reporting procedures since it's more dangerous to evacuate at night than in the daytime, as well as emergency response measures to be conducted by a limited number of people. We used the emergency contact list established at each workplace for safety confirmation, and the drill provided an opportunity to go over the communication procedures with everyone once again.

We will develop measures best suited to the Inuyama Plant to address issues identified through the drill, such as ensuring that all employees are familiar with the chain of command and emergency contact lists used in case of a night-time emergency and establishing an emergency stockpile system. We plan to continue conducting night-time evacuation drills once a year.
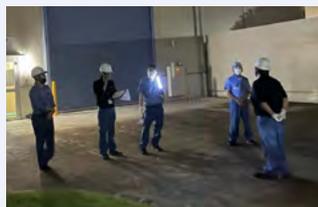
TOPICS 2

VR-based evacuation simulations

In fiscal 2022, in order to conduct drills in a more realistic environment, we incorporated virtual reality (VR) into our disaster drills and conducted evacuation simulations using VR goggles at our head office and Tokyo branch. Wearing VR goggles, the participants simulated an evacuation. While watching the images of their office filling with black smoke after a fire breaks out and listening to the sound of walls collapsing due to the fire, the participants hunkered down to avoid the smoke, looked for evacuation lights, and walked to the exit. After the simulation, one participant said, "It was tough to evacuate due to the black smoke and poor visibility," while another said, "I will take note of evacuation lights on a daily basis." Having employees experience an evacuation in a situation similar to that of a real fire provides them with an opportunity to understand the difficulties involved in a real evacuation and learn how to evacuate quickly so they can take appropriate action in the event of an actual emergency.

Supply Chain Management

We view our suppliers as business partners and maintain a relationship of mutual trust built on fair and equitable business transactions as we strive to prosper together. We also work to minimize supply chain risks in order to steadily provide value to society.

■ Compliance with Responsible Business Alliance (RBA)[2] Code of Conduct

We support the Responsible Business Alliance (RBA), an industry coalition dedicated to corporate social responsibility in global supply chains. In order to reduce business risks, we also comply with the RBA Code of Conduct, which covers labor, health and safety, the environment, ethics, and management systems. The Inuyama Plant, our major manufacturing plant, underwent a VAP audit in July 2022 to validate compliance with the RBA Code of Conduct. We see this audit as an objective evaluation indicator that we can use to maintain and improve our level of compliance.

Since it is important to have the understanding and cooperation of relevant suppliers and on-site third parties to promote compliance with our company policy and the RBA Code of Conduct, we carry out the following initiatives.

[2] The Responsible Business Alliance (RBA) is a non-profit organization that supports the rights and well-being of workers and communities worldwide affected by global supply chains. It has established a common code of conduct that covers labor, the environment, health and safety, and ethics with the aim of managing supply chain risks and improving the sustainability of industry supply chains.

● Supplier questionnaire survey

We conduct questionnaire surveys to assess our suppliers' efforts with regard to our requirements for ensuring compliance with our policies and the RBA Code of Conduct, as well as developing a business continuity plan. In the fiscal year ended March 31, 2023, approximately 70% of the suppliers received the highest rating on our four-point scale (scoring 70 or higher) in the RBA Code of Conduct compliance survey. We have also started a program where our employees visit suppliers' manufacturing sites to help them make improvements.
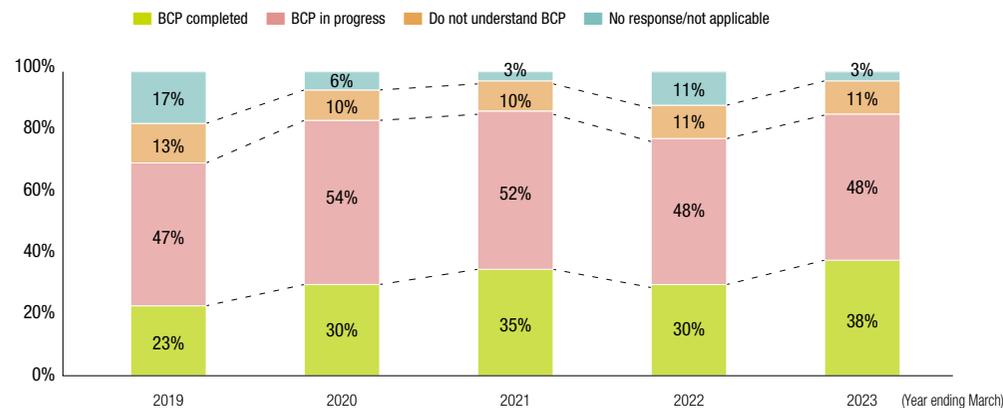
■ RBA Code of Conduct supplier questionnaire results (fiscal year ended March 2023)

Score distribution (points)	Below 20	20 to 39	40 to 69	70 or higher
Number of companies	0	2	32	78

*The questionnaire was updated in the fiscal year ended March 31, 2023, and conducted on 112 companies (112 companies responded).

The business continuity planning (BCP) questionnaire consists of eight questions, which are designed to assess suppliers' progress on BCP, knowledge of their parts and material suppliers as well as inventories, and whether they have recovery procedures. When asked about their progress in BCP, 38% of respondents said they had already developed a business continuity plan, up 8 percentage points from the previous year. On the other hand, some suppliers have failed to make improvements and have been still in their preliminary stage. We will conduct more specific assessments of our suppliers' progress and provide assistance. In order to help suppliers create a business continuity plan, we provide them with advice on BCP and disaster prevention after conducting interviews with them and on-site visits to assess their status.

■ Supplier BCP questionnaire results (progress in BCP)

Legend: ■ BCP completed ■ BCP in progress ■ Do not understand BCP ■ No response/not applicable

	2019	2020	2021	2022	2023
No response/not applicable	17%	6%	3%	11%	3%
Do not understand BCP	13%	10%	10%	11%	11%
BCP in progress	47%	54%	52%	48%	48%
BCP completed	23%	30%	35%	30%	38%

(Year ending March)

*Target: 112 companies (110 responded)

● RBA Code of Conduct seminar

We hold regular seminars on the RBA Code of Conduct for suppliers, on-site contractors, and staffing agencies we do business with to help them gain a deeper understanding of the RBA Code of Conduct and ensure compliance. In the fiscal year ended March 31, 2023, we held seminars for on-site third parties, including staffing agencies and contractors, as well as major suppliers to communicate our company policy, including the RBA Code of Conduct.

● Promoting health and productivity management among suppliers

In the fiscal year ended March 31, 2023, we shared with some suppliers an archived video of a seminar for improving physical fitness and muscle strength, which was given at our company by an invited guest lecturer,

in order to help the suppliers promote health and productivity management. We also provided suppliers with information on our health and productivity management initiatives in order to help them better understand our activities and asked them to complete a questionnaire to assess their awareness and progress in implementing health and productivity management. Based on the questionnaire results, we recognize a need to increase not only awareness of health management but also its implementation. We will encourage our suppliers to implement health and productivity management through participation in our initiatives and joint events.

● Enhancing supplier diversity

We support the idea that promoting diversity in the supply chain will deliver new values, perspectives, and possibilities we never had before. We value doing business with companies run by women, sexual minorities, and people with disabilities (diverse suppliers). We will continue to help build a more diverse and inclusive supply chain through this initiative.
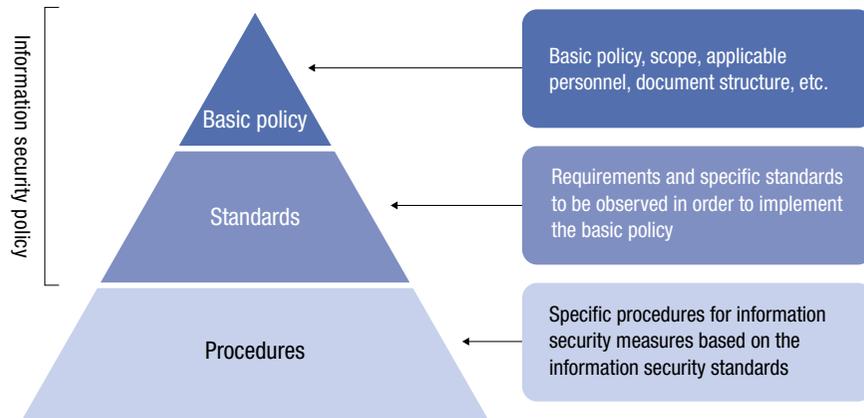
Information Security

■ Overview of information security policy and initiatives

The Muratec Group believes that protecting important information assets, such as trade secrets and employees' personal information held by our company, confidential and personal information obtained from customers and suppliers, and information systems that have a significant impact on our corporate activities, is essential not only for business continuity and minimizing business risks, but also for maintaining the trust of customers and other stakeholders. We are implementing information security measures across the group in order to protect our information assets from information security breaches and minimize the impact of resulting damage.
We also hold regular meetings of the Information Security Control Committee, one of the specialized committees for promoting compliance activities. The committee discusses information security policies and measures to be implemented from a company-wide perspective, investigates and reports on information security incidents, and considers ways to prevent any recurrence. In each division and department, the Information Security Control Committee members take the lead in implementing company-wide information security measures at a departmental level while working to respond promptly to any incidents that have occurred.

■ **Structure of information security policy**

The Muratec Group has spelled out its policies and action guidelines for information security measures implemented by organizations and employees in its basic information security policy and standards. We have also formulated specific implementation procedures, such as the information security manual and cloud security guidelines, based on the information security standards.

Information security policy

Basic policy — Basic policy, scope, applicable personnel, document structure, etc.

Standards — Requirements and specific standards to be observed in order to implement the basic policy

Procedures — Specific procedures for information security measures based on the information security standards

● **Implementing technical measures**

In order to prevent information leaks and the shutdown of corporate activities due to cyberattacks, we implement advanced threat protection against sophisticated malware, vulnerability countermeasures for network devices, servers, and PCs, as well as internet/intranet traffic monitoring and analysis.
We also back up critical data of one location at another location in a different region, enabling us to recover critical data in the event of a disaster, failure, cyberattack, or other emergency.

● **Conducting internal control audits**

In order to evaluate whether information security measures and their operation are properly managed and implemented, we conduct annual audits of internal controls for information security, focusing on departments that maintain important information. When non conformances are discovered through an internal audit, each department takes corrective action and reviews company-wide information security measures to make improvements on an ongoing basis.

● **Training for employees**

Information security training for all employees is provided every year to raise awareness of its importance. We also provide education for information security managers annually to help them better understand their roles and objectives as well as improve their technical knowledge and skills. In addition to that, we provide educational resources to employees on incidents that have occurred within the company, techniques used in recent cyberattacks that have posed challenges worldwide, and how to respond to such attacks.
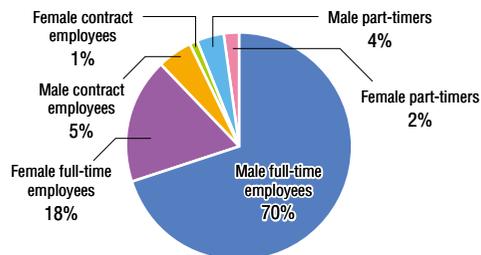
Performance Data

The data is for Murata Machinery, Ltd. (non-consolidated) for fiscal 2022 (from April 1, 2022, to March 31, 2023).
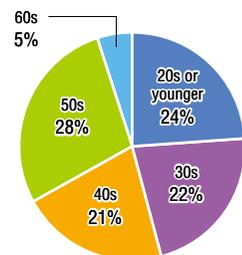
■ Workforce composition

	Unit	2021	2022	2023	(As of April)
Full-time employees	Number of people	3212	3313	3818	
Male		2565	2635	3034	
Female		647	678	784	
Contract employees	Number of people	197	224	259	
Male		180	204	235	
Female		17	20	24	
Part-timers	Number of people	174	176	247	
Male		82	83	150	
Female		92	93	97	
Average age	Age				
Male		41.3	42.1	41.9	
Female		37.4	37.6	37.4	
Percentage of employees covered by collective bargaining agreements [1]	%	57.1	55.5	53.1	

[1] Method of calculating the percentage of employees covered by collective bargaining agreements: Number of union members / Total number of employees (as of April of the relevant year)

Percentage of employees by type of employment

Female contract employees 1%
Male part-timers 4%
Female part-timers 2%
Male contract employees 5%
Female full-time employees 18%
Male full-time employees 70%

Percentage of employees by age group

60s 5%
20s or younger 24%
30s 22%
40s 21%
50s 28%

■ Employee retention

	Unit	2021	2022	2023	(Year ending March)
Average length of service	Number of years				
Male		16.3	16.9	16.9	
Female		13.0	13.7	13.7	
Retention rate after 3 years of employment	%				
Male		95.0	92.6	91.8	
Female		76.4	96.6	90.5	
Voluntary turnover rate [2]	%				
Male		-	-	2.0	
Female		-	-	4.5	

[2] Method of calculating voluntary turnover rate: (Total number of employees leaving between April 1, 2022, and March 31, 2023) / (Total number of employees as of April 1, 2023)

■ Employment and wages

	Unit	2021	2022	2023	(Year ending March)
Number of new hires	Number of people	85	101	153	
Male		62	74	114	
Female		23	27	39	
Number of mid-career hires	Number of people	51	91	148	
Male		46	73	114	
Female		5	18	34	
Number of persons with disabilities hired	Number of people	86	86	96	
Employment rate for persons with disabilities	%	2.26	2.22	2.36	
Number of female managers [3]	Number of people	74	89	105	
Percentage of female managers [3]	%	4.67	5.48	6.25	
Number of foreign employees [4]	Number of people	117	106	188	
Wage difference between men and women [5]	%				
All employees		-	-	62.7	
Full-time employees		-	-	65.4	
Part-time and fixed-term employees		-	-	50.1	

[3] Subsection chief or higher positions   [4] Number of non-Japanese employees, including technical interns   [5] Women's wages as a percentage of men's wages

■ Work-life balance

	Unit	2021	2022	2023	(Year ending March)
Yearly average of number of annual leave days taken	Number of days	10.7	9.8	11.6	
Percentage of employees taking childcare leave [6]	%				
Male		16.3	30.7	53.1	
Female		100	108.3	78.1	
Percentage of employees returning to work after childcare leave	%	100	100	100	
Male		100	100	100	
Female		100	100	100	
Number of employees working reduced hours for childcare [7]	Number of people	95	100	98	
Male		0	0	2	
Female		95	100	96	
Number of employees taking family care leave [8]	Number of people	0	2	0	
Male		0	1	0	
Female		0	1	0	
Number of employees working reduced hours for family nursing care [9]	Number of people	1	1	1	
Male		0	0	0	
Female		1	1	1	

[6] Figures may exceed 100% due to the difference in the criteria of employees used for the numerator and denominator.
[7] Number of employees using the relevant reduced work hour program as of April 1 of the year
[8] Number of employees who started a leave period in the fiscal year   [9] Number of employees using the relevant reduced work hour program as of April 1 of the year

Performance Data

■Number of occupational accidents *10

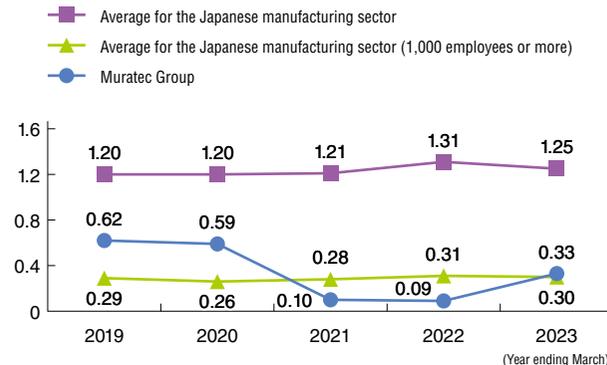|	2019	2020	2021	2022	2023
Lost-time accidents (1 day or more of lost time)	6	6	1	2	4
Non-lost-time accidents (less than 1 day of lost time)	8	12	13	14	15

(Year ending March)

(Number of occurrences)

*10 All employees of the Muratec Group who work at its major locations (Head Office/Inuyama/Ise/Kaga/Muratec Mechatronics Co., Ltd. Shiga/Oita) including temporary employees but excluding employees of contractors
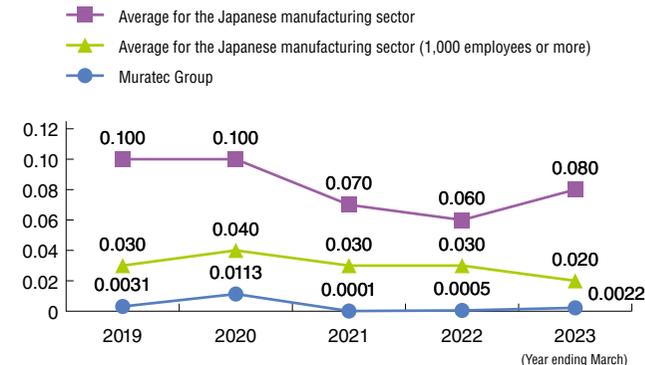*11 The number of lost-time injuries that occurred in a workplace per million hours worked, a measure for the frequency of work-related injuries
*12 The number of lost workdays per 1,000 hours worked, a measure for the severity of work-related injuries

■Frequency rate of lost-time injury *11

- Average for the Japanese manufacturing sector
- Average for the Japanese manufacturing sector (1,000 employees or more)
- Muratec Group

Average for the Japanese manufacturing sector: 1.20 (2019), 1.20 (2020), 1.21 (2021), 1.31 (2022), 1.25 (2023)
Muratec Group: 0.62 (2019), 0.59 (2020), 0.10 (2021), 0.09 (2022), 0.33 (2023)
Average (1,000 employees or more): 0.29 (2019), 0.26 (2020), 0.28 (2021), 0.31 (2022), 0.30 (2023)

(Year ending March)

■Severity rate of lost-time injury *12

- Average for the Japanese manufacturing sector
- Average for the Japanese manufacturing sector (1,000 employees or more)
- Muratec Group

Average for the Japanese manufacturing sector: 0.100 (2019), 0.100 (2020), 0.070 (2021), 0.060 (2022), 0.080 (2023)
Average (1,000 employees or more): 0.030 (2019), 0.040 (2020), 0.030 (2021), 0.030 (2022), 0.020 (2023)
Muratec Group: 0.0031 (2019), 0.0113 (2020), 0.0001 (2021), 0.0005 (2022), 0.0022 (2023)

(Year ending March)

■Employee health

Category	Indicator	Results			Targets
		2021	2022	2023	(for 2024)
Diet	Percentage of employees with a BMI between 18.5 and 25	63.8%	64.6%	64.7%	70.0% or more
	Percentage of employees who skip breakfast at least 3 times a week	21.1%	22.3%	22.9%	15.0% or less
Exercise	Percentage of employees who exercise at least 2 days a week	19.8%	21.4%	22.3%	25.0% or more
	Percentage of employees who walk at least 1 hour daily	35.8%	36.8%	38.3%	40.0% or more
Sleep	Percentage of employees who get enough sleep	67.4%	65.1%	64.6%	70.0% or more
Smoking	Percentage of employees who smoke	22.4%	20.5%	20.3%	20.0% or less
Mental health	Percentage of employees who underwent a stress check	94.5%	91.7%	93.5%	100.0%
	Percentage of employees identified as highly stressed in a stress check	10.1%	13.1%	12.1%	10.0% or less
Health checkup	Percentage of employees who had regular health checkups	100.0%	100.0%	100.0%	100.0%
	Percentage of employees identified as requiring a follow-up examination who submitted a medical report	87.4%	88.0%	89.0%	90.0% or more

(Year ending March)