

Social and Environmental Report 2015

Striving for Coexistence with Society
and Harmony with the Earth

2015



Digest Version

SII Group Overview

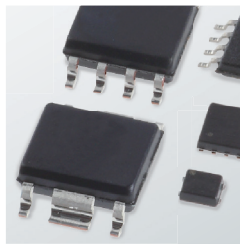
Corporate Data

Corporate Name:	Seiko Instruments Inc. (SII)	Annual Sales (FY 2014):	92,200 million yen (nonconsolidated)
Established:	September 7, 1937		123,700 million yen (consolidated)
Paid-in Capital:	9,756 million yen	Number of Employees:	1,878 (nonconsolidated)
Fiscal Year-End:	End of March		8,120 (consolidated) as of March 31, 2015



Watches and Movements

- Mechanical Watches
- Quartz Watches
- Mechanical Movements
- Quartz Movements



Electronic Components and High-performance Materials

- CMOS ICs
- Quartz Crystals
- Micro Batteries and Capacitors
- DIANET/SPRON



Printers

- Wide Format Inkjet Printers
- Multifunction Printers
- Thermal Printers
- Inkjet Printheads



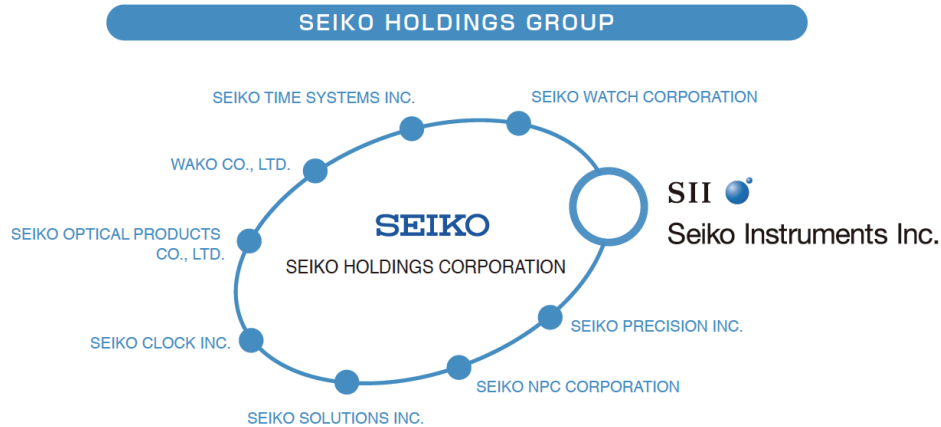
Industrial Equipment and Precision Components

- Precision Components
- Grinders/High-frequency Spindle Motors
- FA Systems
- Radiation Measuring Instruments



Consumer Products

- Metronomes
- Tuners



About This Report

- This report was published to provide all stakeholders with the SII Group's CSR activities and is regarded as a tool to promote improvements in our CSR activities by collecting their opinions.
- Additional data and the latest information not covered in this report are available on the SII website.
<http://www.sii.co.jp/eco/eg>

Scope of This Report

- This report covers business units, sales offices, and affiliated companies of Seiko Instruments Inc.
- * The report focuses on the efforts and achievements made by nine sites in Japan and seven overseas sites, which obtained ISO 14001 certification. Tono Seiki Co., Ltd. and Ninohe Tokei Kogyo Co., Ltd. were added to the target range of objectives management from FY 2014.

Period Covered by This Report

FY 2014 (from April 2014 through March 2015)

Contact us

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Message from the President

Contributing to the building of a sustainable society through business operations



Since its founding, SII has made a strong commitment to “time” and contributed to the building of a sustainable society through business operations. SII has developed a wide range of operations within the greatly changing business environment, and we aim for new growth and proceed with changes to continue as a company that can contribute to society.

With its roots in watch technology, SII has cultivated technologies based on a philosophy of “SYO”ism, which is comprised of advanced skills and techniques, miniaturization technologies, environmentally friendly products, and the technologies for fabricating them. These technologies are assets that SII has built up over many years. We are confident that we can make a great contribution to not only the watch market, but also the wearable and automotive markets by utilizing our technologies of “SYO”ism. Every market requires package and low-power technology that is precise and miniaturized, and these are the specialties of SII. Furthermore, these technologies of “SYO”ism are making large contributions to solving problems such as global warming and natural resources.

New growth by SII requires the power of each employee and the growth of the employees themselves. I hope that employees have dreams for the future and work towards them steadily without the fear of mistakes.

We recognize that senior management has an important responsibility to lay out directions for growth to realize this.

We intend to move forward strongly with our employees to realize this so that we may continue as a company that contributes to the building of a sustainable society.

A handwritten signature in black ink that reads "H. murakami". The signature is written in a cursive, flowing style.

Hitoshi Murakami, President
Seiko Instruments Inc.

Core Values and Charter of Corporate Behavior

The SII core values, “Integrity, Trust and Appreciation” represent the basic stance of our relationship with society and our stakeholders. SII strives to stand as a company that society and our stakeholders need and trust, all through the ages.

The SII Group’s Corporate Social Responsibility (CSR) is at the very root of these core values. We established the SII Group Charter of Corporate Behavior to express our strong will as a company bearing expectations to help create a sustainable society.

Core Values and Corporate Identity

Core Values

Integrity - Trust - Appreciation

Corporate Identity (CI)

Creating Time - Optimizing Time - Enriching Time

The SII Group Charter of Corporate Behavior (Established in October 2005, Revised in April 2011)

The SII Group is committed to pursuing its affairs ethically and lawfully. This Charter of Corporate Behavior establishes policies and procedures intended to secure our position as an entity that honors its responsibilities to contribute to the economic development of society and seeks to serve as a needed and trusted part of society at all times. The SII Group companies and their employees are committed to providing value to all group stakeholders, as well as to society at large, fulfilling their social responsibilities based on a strong ethical sense and contributing to the creation of a more sustainable society.

<Article 1.> Providing value

- We are committed to enhancing our technologies, creating new value, and producing safe, socially useful, and high-quality products and services that strengthen satisfaction and trust among our customers.

<Article 2.> Approaching corporate activities with fairness and integrity

- In addition to compliance with all applicable laws and regulations, we accurately manage all types of information, including personal and customer data, and pursue our corporate activities with ethics, fairness and integrity.
- We maintain a sound relationship with governmental and administrative authorities and take a rigorous, resolute position against antisocial forces that pose a threat to social order or security.

<Article 3.> Human rights and human resource development

- We respect the diversity and the human rights of all our employees and seek to achieve safe, comfortable working conditions. We facilitate and support the advancement and growth of each employee and endeavor to ensure all employees the fair evaluation and treatment.
- We respect the human rights and individuality of all stakeholders in our business activities.
- We strive to develop a creative, professional human resources characterized by a strong ethical sense.

<Article 4.> Creating harmony with the environment

- Recognizing that environmental issues affect all of us, we focus intently on resolving such issues and initiate proactive measures to avoid burdening the public.

<Article 5.> Establishing a constructive coexistence with society

- We communicate openly with society and promote the appropriate disclosure of company information to become a more open enterprise.
- As good corporate citizens, we engage in extensive philanthropic activities.
- Through our business activities on the global stage, we advance corporate management that takes into account the interests of our stakeholders and contributes to the development of each country pursuant to this Charter.

<Article 6.> The commitment of senior management

- After realizing the spirit of this Charter and taking the lead in an exemplary manner for the implementation of the Charter, senior management has established a mechanism throughout the corporation to ensure thorough implementation of the Charter within the SII Group companies. Senior management encourages our business counterparts to follow this example.
- In the event of violations of the Charter, senior management must assume responsibility for resolving the issues in question and make full and prompt public disclosure. On identifying the responsibility for the violation, senior management must impose strict disciplinary action on those responsible, including members of senior management itself.

CSR Committee Activities

In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. SII has established a CSR Committee comprised of the President, who serves as the Chairman, and the managers at our head office, who serve as members of the standing committee.

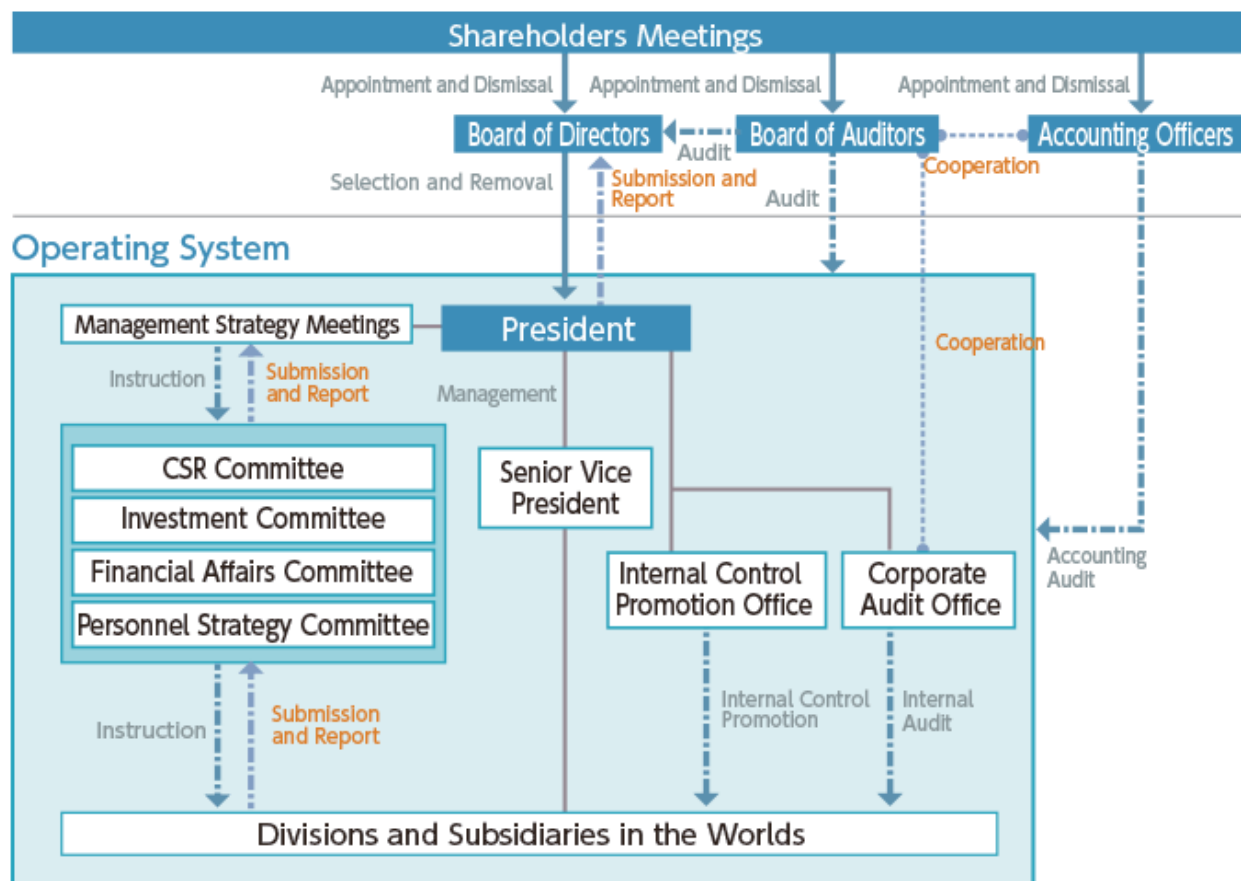
It discusses and decides important issues and matters that are derived from the promotion of CSR activities, including compliance and risk management, and reports their performance to senior management on a regular basis.

Corporate Governance

Basic Corporate Governance Policies

To live up to the trust of our stakeholders, it is important for us to build and soundly manage a structure that copes with changes in the global environment promptly, and which consists of an efficient system that strengthens our corporate competitiveness as well as a rational and transparent system for performing business operations.

We focus on transparency and fairness in our management as an important business priority and strive to enrich our corporate governance to improve our corporate value.



Internal Control System

At SII, the status of operating the internal control system is reported to the SII Board of Directors for supervision. This is based on the "Basic Internal Control System Policy" resolved by the Board of Directors.

Compliance

SII Compliance System

As our CSR committee carries the function of compliance, it has been working on raising compliance awareness and responding to each compliance problem.

Based on the Internal Control Basic Policy, we continue to reinforce and improve the compliance framework of subsidiary companies in the world.

At the overseas subsidiary companies, their appointed compliance coordinators are promoting activities to enhance the compliance framework.

Compliance Consultation Services

The SII Helpline has been set up for consultation with an outside attorney upon discovery of a violation of compliance.

The service has been expanded to include not only SII but also our clients to receive any information regarding our employees' compliance violations. We also provide an internal consultation service, and the detail of the report is informed to the senior management and auditors on a regular basis.

Cases reported to the SII helpline and processed by the consultation service in FY 2014 were seven.

Risk Management

Group-Wide Risk Management Efforts

At SII, the CSR Committee takes the central role in promoting the across-the-board risk management. The Committee evaluates risks and sorts them by their severity and frequency, and facilitates developing a system that mitigates risk impacts needed to be addressed intensively.

The Committee also identifies and shares a wide range of risks through decisions made on risk management activities, and verifies actions taken against key risks on a quarterly basis. Based on the "Basic Principles of Risk Management" and through reports at management meetings and regular reviews carried out by the senior management, we assure the implementation of PDCA (Plan-Do-Check-Act) for risk management in full coordination with management.

Also, the status that could be business risks is managed using KPI, Key Performance Indicator, and monitored at the management meetings on a regular basis.

Upon occurrence of a large-scale disaster which is one of the risks, it could be difficult for employees to go home at least temporarily due to closedown of transportation. Therefore, we have prepared water, food, bedding, and other emergency supplies.

Risk Management in Continuing Business

At SII production facilities, we manage risks to prevent production interruption, aiming to continuously offer products even in an emergency situation.

The examples of our wide-ranging risk management are operational improvements at the local-working level and radical improvement which requires equipment investment.

Information Security

Our Concepts

SII began using information and communications technology (ICT) to further enhance the technologies of "SYO"ism that it has developed over the years. We also run many information systems to grapple with the rapidly-changing business environment.

As ICT has become deeply rooted in corporate activities, the threats associated with ICT, including information leakage, destruction, and falsification, have also extended to a broad range of the activities.

SII regards all information on networks inside and outside the company, as well as information systems including computers and networks, as significant assets of the Group. We recognize that management has an important responsibility to ensure the information security to maintain these assets.

Intellectual Property Initiatives

Basic Policy and Management of Our Intellectual Property

Regarding intellectual property as essential resource in business activities, we proactively engage in obtaining and utilizing our development results as intellectual assets. Based on the mid- to long-term policy "Develop a Business Culture that Respects Intellectual Property," we enhance our intellectual property framework, working with Intellectual Property, R&D, and other divisions.

Status of patent applications and patent assessments

The SII's technology development started from watch manufacturing. It has expanded and diversified to a wide range of business areas, and our various technological patents have been authorized in the world's major countries.

Although our number of patent applications within Japan exceeded 600 up to FY 2011, actions such as business reviews and alliances resulted in a downward trend from FY 2012, and the number of applications in FY 2014 was 395. Similarly, patent applications outside Japan exceeded 500, but dropped from FY 2012, and the number of applications in FY 2014 was 383.

For patent assessments in Japan, we improved the patent assessment rate from FY 2008, acquired rights, and greatly increased the number of patents held. The 1,624 patents held in 2008 dropped temporarily due to alliances and other factors, but recovered from FY 2013 and reached about 2,530 in FY 2014.

Patent assessments outside Japan are also increasing, and the 2,846 patents in FY 2008 increased to 3,314 in FY 2014. The United States is number 1, but the number of Chinese patents held has been increasing.

While the overall numbers of patent applications and patent assessments are decreasing as divisions reorganize, operating divisions are actively applying for and acquiring rights.

Invention Incentive System

To encourage inventions and enhance SII's technological competitiveness, we established invention incentive system in FY 1965. In April 2005, this system was revised in line with the amended Japanese Patent Law Article 35. This attractive system motivates individual inventors to obtain upper-level patents.

Quality Control and Product Safety

Our Concepts and SII Group Basic Quality Policy

SII deploys a wide range of quality assurance activities across the board from customers' viewpoints to ensure that our customers use our products safely with a sense of security.

"Improve the Quality, Cost, Delivery and Safety of our Products and Services to create increased value for customers."

This is the SII Group Basic Quality Policy, which incorporates our strong commitment to achieve customer satisfaction with our product quality as well as meeting high standard of cost, delivery and product safety.

We have established a quality assurance promotion system to embody the policy and have been taking the following basic measures.

1. Comply with each country's engineering laws, regulations and a wide variety of specifications
2. Establish a system and develop human resources to ensure product quality and safety in the development and design phases
3. Share information of product quality and safety

Integrated ISO 9001 Certification

SII has obtained ISO 9001 certification, the International Standard for quality management systems. Aiming for further enhancement of our across-the-board quality assurance system, we have launched an initiative to obtain the integrated certification on a company-wide basis by integrating the conventional certification acquired by each division and affiliated company. Total 20 divisions have completed the integration.

The internal audits designed for the integrated certification are carried out mutually among different divisions.

Communication with Customers

SII Customer Service Center

SII Customer Service Center is committed to providing prompt, accurate and sincere responses to customer inquiries. Our customers' opinions, requests and complaints are communicated to the relevant divisions, and are used effectively for product and service quality improvement.

In addition, we focus on improving the quality of our after-sales service through repair service questionnaires filled out by customers.

Disclosure of Product Safety and Quality Information

In response to the enforcement of Consumer Product Safety Act, SII created an icon "Important Announcement" on our website. We strive to minimize our customers' disadvantages by promptly and precisely providing SII products' safety and quality information.

Support for Employee Development

Respect for Human Rights

The SII Group Charter of Corporate Behavior states that we respect the human rights and individuality of all people in the course of the implementation of our business activities, as well as the diversity of all our employees. We have been trying to ensure that the Charter is thoroughly implemented within SII Group companies.

In regard to the "Human rights" described in the SII Group Charter of Corporate Behavior, our overseas affiliated companies are promoting documentation for this that reflects the cultures and customs of each country.

Upon completion of the work, educational activities on this topic, including bulletin board postings, will be carried out at each site to raise awareness. Thorough instructions will be provided to employees so that they will communicate with stakeholders in compliance with the spirit incorporated into this message of "Human rights."

In 2015, the Human Resources Department at the head office will visit each site to conduct hearings to confirm that the "spirit of respecting human dignity" documentation is posted on bulletin boards, thoroughly communicated, and serving as standard of value for employee behavior.

Support for Career Development

In addition, we focus on developing independent and self-responsible human resources who can establish their own careers and missions.

An "in-house recruitment system," a "free-agency system," and an "open study abroad system" were established to respect each employee's goals and to support expansion of the range of career choices available to them.

Work/Life Balance

In Japan, SII has established and been continually enhancing a variety of childcare and nursing care systems which support every employee in balancing their careers and family lives so that they can fully exercise their abilities.

Our elderly nursing care leave system allows employees to take leaves 3 years for 1 person out of subject family members.

From October 2010, an hourly leave system has been introduced, enabling more flexible working styles. We will continue to make efforts in improving working conditions and environment.

Status of Utilization of the Systems (Japan)

System	FY2010	FY2011	FY2012	FY2013	FY2014
Childcare leave	20	29	26	25	26
Short-hours work for childcare	36	36	32	29	29
Elderly nursing care leave	2	1	0	0	0
Short-hours work for elderly nursing care	1	2	0	0	0

Safety and Health

Concept of Occupational Safety and Health

SII believes that the basis of a healthy company is formed by maintaining a safe and healthy work environment as well as all the employees' physical and mental well-being.

Based on the "SII Group Occupational Safety and Health Policy" established in 2008, all the SII Group sites work on the prevention of plant and industrial accidents as well as pursue the high safety level to create a comfortable workplace.

Purchasing Activities with Fairness and Integrity

Our Concept of CSR in Supply Chain

Cooperation from our suppliers is essential for SII to fulfill our social responsibilities. The SII Group Purchasing Policy stipulates "Enhancing our partnerships with suppliers," and we seek to improve the level of CSR together with our suppliers based on fair and honest transactions.

Purchasing Policy

SII develops our purchasing activities based on the following Purchasing Policy.

Purchasing Policy

1. Pursuing minimum costs.
2. CSR
 - a) Strengthening compliance.
 - b) Promoting Green Purchasing.
 - c) Risk management
3. Enhancing the partnership with suppliers.
4. Reforming and reinforcing our purchasing function and items listed above.

Conflict Minerals Policy

SII recognizes conflict minerals as being a critical international issue that supports the financing of organizations engaged in human rights violations and/or injustices committed in the Democratic Republic of Congo and adjoining countries. In March 2012, the "SII Group Conflict Minerals Policy" was established, and we ask our suppliers for their cooperation in prohibiting the use of any conflict minerals.

SII Group Conflict Minerals Policy (Established in March 2012)

SII Group is committed to developing, carrying out, and promoting a policy that prohibits the use of any minerals ("conflict minerals" *1), whose extraction, trade, handling and export contribute to conflicts in the Democratic Republic of Congo and adjoining countries, and/or lead to human rights violations.

- SII Group recognizes conflict minerals as a critical international issue that supports the financing of organizations engaging in human rights violations and/or injustices committed in the Democratic Republic of Congo and adjoining countries.
- In the SII Group Charter of Corporate Behavior, SII Group clarifies that "we respect the human rights and individuality of all stakeholders in our business activities."
- SII Group has no intention of taking part in any actions that violate human rights. SII Group has thoroughly communicated and appropriately implemented this policy among SII Group's affiliate companies, and cooperates with them to disseminate the policy widely.
- SII Group asks our suppliers for their cooperation in following the policy.

*1: Conflict minerals include cassiterite (tin), coltan (tantalum), wolframite (tungsten), and gold.

With Regions and Society

Academic Promotion and Technical Advancements

Advanced Technology Institute, LLC

Advanced Technology Institute (ATI), LLC was founded in 1986 and has been fully supported by SII. It was authorized as an incorporated foundation in 1993 and has been performing public welfare services as a public interest incorporated foundation under the new public interest corporation system since 2012.

ATI's mission is to contribute to the promotion of learning, which is fundamental to the progress of society. As an attempt to find true harmony between science and people and to clear the way for a fruitful future for a new generation, ATI has promoted research across various fields of nanoscience conducted by researchers with different approaches, supported international symposiums and other international exchanges, and granted aid to young researchers to nurture the leaders of the next generation.

Mechanical Watch Seminar

Morioka Seiko Instruments Inc. sponsors a seminar that provides the public with an opportunity to participate in a hands-on mechanical watch assembly workshop. This seminar was launched in 2007 with hopes of increasing interests in watches and inspiring more mechanical watch enthusiasts. A total of 152 people have joined the seminar up to now.

The seminar consists of two courses: a hands-on course for beginners and a more advanced course, using watches as educational materials in which SII-made mechanical movements are incorporated.

The eighth seminar was held in FY 2014 and 15 participants experienced and enjoyed disassembling and assembling mechanical watches.



Environmental Activities

Tree-planting Campaigns

The Makuhari Unit staff planted trees in the "Seiko Instruments Forest" along Kujūkuri Beach in Niibori, Sosa, Chiba, Japan. This was done for the maintenance of forests and forest environment education in prefectural forests under the jurisdiction of Chiba Prefecture based on the "Corporate Forest Agreement" concluded with Chiba Prefecture in August 2014. Thirty-three employees, including the SII President, planted 300 Japanese black pines under the guidance of the Chiba Prefecture Forest Owners' Cooperative on Saturday, March 14. As we watch over the growth of planted Japanese black pines, we will continue our forest maintenance activities over the next three years.



Educational Support

Internship Programs and Factory Tours

Each SII unit continues to provide factory tours as well as work-study and internship programs for local pupils and students.

Community Activities

Social Welfare Activities

Seven employees of Seiko Instruments (Thailand) Ltd. donated wooden boxes to Pak Kran temple in Ayuthaya province.



Seiko Instruments Singapore Pte. Ltd. raised funds and led children from a welfare facility for the disabled to the zoo.



Cleanup Activities

Guangzhou SII Watch Co., Ltd. held the cleaning activity in Nansha District, Guangzhou, and 100 employees including the board members voluntarily participated.



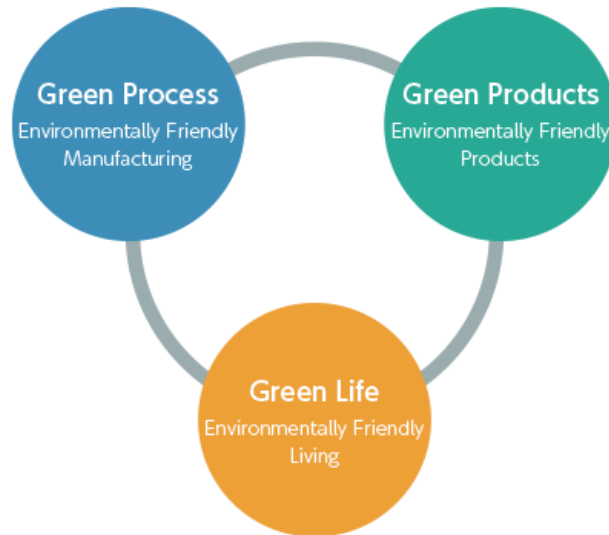
Twenty-six employees of Guangzhou Seiko Instruments Ltd. participated in the cleaning activity around the company premises.



Green Plan and Environmental Policy

SII Green Plan Concept

The SII Group has formulated the Green Plan based on the "Three Green" concept of "Green Process, Green Products, and Green Life," under which the company practices environmentally conscious management.



SII Group Environmental Policy Revised in January 2013

Environmental Concept

The SII Group will continue to harmonize its corporate activities with the global environment, designate the "Three Green" concept consisting of Green Process, Green Products and Green Life as our basic concept, promote and conduct environmental activities, and contribute to the establishment of a sustainable society that can coexist with nature.

Environmental Activity Guidelines

We will strive to

1. Continue to improve our environmental management system and environmental performance, while performing advanced activities that respond to the requirements of society to enhance stakeholder value.
2. Not only observe all laws, rules, regulations and agreements related to the environment, but also mitigate environmental risks and prevent environmental pollution.
3. Carry out our tasks with a focus on the following activities based on "SYO"ism*1:

1. Providing products and services that minimize their impact on the environment throughout their lifecycles and can contribute to environmental conservation.
2. Proactively promoting eco-friendly, efficient manufacturing.
3. Fully enforcing energy conservation measures in the entire business activities and addressing global warming.
4. Recognizing the finite nature and the preciousness of resources of the earth, and encouraging their responsible use.
5. Reducing risks arising from chemical substances and promoting the elimination of harmful substances.

4. Promote SII Green Purchasing and ensure proper and strict management of chemical substances contained in products.
5. Be aware of our impact on biodiversity and all the benefits we receive from it, and make efforts toward biodiversity conservation.
6. Raise environmental awareness of all employees and encourage them to protect the environment in their personal lives.
7. Make a social contribution to and achieve accountability for environmental protection, while facilitating communication with the society.
8. Ask our suppliers for their cooperation in following this policy.

*1 "SYO"ism: SII technology philosophy

Environmental Management System

We established the environmental management systems in compliance with ISO 14001 at each site and throughout the Group. The Plan-Do-Check-Act cycle has been steadily implemented to improve our environmental performance.

Our mid-term and annual goals are established based on the "SII Group Environmental Policy," and pursued by the environmental management system at each site.

The Corporate Environmental Administration Department at the head office operates the entire SII Group environmental management system and achievements of each site are reported on a regular basis.

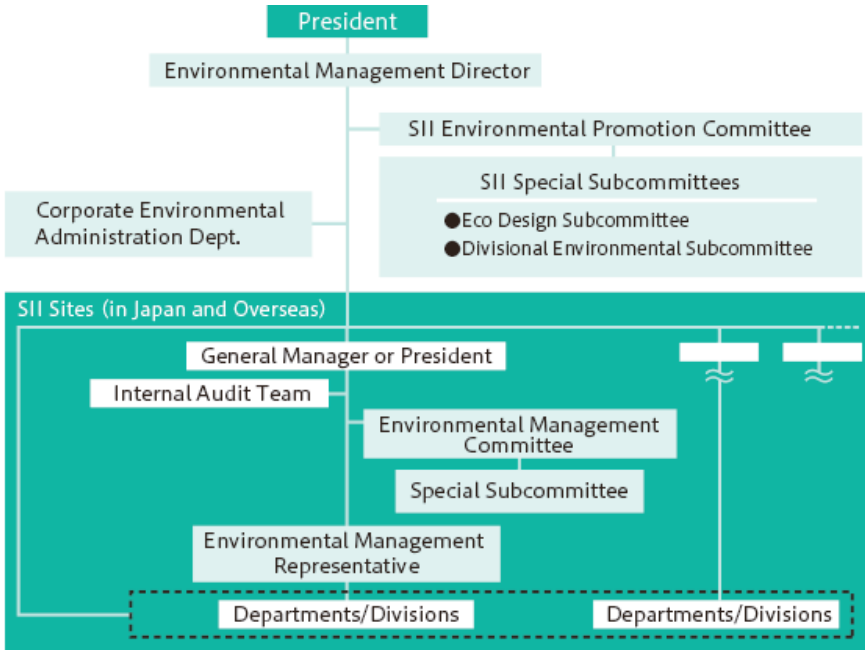


Environmental Management Framework

SII established the environmental management system consisting of the SII President as well as the Environmental Management Director serving as a chief executive.

The Corporate Environmental Administration Department at the head office takes a leading part in operating the system in cooperation with each site and division in Japan and overseas.

The SII Environmental Promotion Committee discusses the SII Group targets and exchanges information including activity report submitted by each site. We strive to promote the environmental activities steadily throughout the group.



Eco-friendly Products that Contribute to Environmental Conservation

Evolution of Green Products —Eco-friendly Products that Contribute to Environmental Conservation—

The basic concept of SII environmental management is the "Three Green" concept: Green Process, Green Products, and Green Life.

Among these, Green Products (in other words, creating eco-friendly products that can contribute to environmental conservation) are a manufacturer’s mission. We keep evolving based on the SII’s technological philosophy of "SYO" ism.



The SII "SYO" ism technology that backs SII products

SII’s technological philosophy "SYO" ism is based on advanced skills and techniques, miniaturization technologies, environmentally friendly products, and their fabrication technology.

SII Green Products Certification System

In December 2001, SII introduced the SII Green Product Label System, which is equivalent to the ISO 14021 Type II environmental label. This aims to raise public awareness of our eco-friendly products.



SII High Grade Green Product Label System

In October 2006, the SII High Grade Green Product System was introduced as an upper grade certification of the SII Green Product. "HIGH GRADE" under the green product logo indicates that the product has high environmental performance.



Action against Global Warming

Our Concepts and Current Status

Though 20 years have passed since the adoption of the United Nations Framework Convention on Climate Change, global warming is still a major environmental issue. SII believes that companies continue to have a major role to play.

SII works toward reducing greenhouse gas emissions throughout the full range of our business activities, including energy-saving activities in our manufacturing sites and office buildings as well as the provision of energy-saving products and services.

Reducing CO₂ Emissions and FY 2014 Overview

Tono Seiki Co., Ltd. and Ninohe Tokei Kogyo Co., Ltd. were added to the target range of objectives management of the SII Group from FY 2014. Including these 2 sites, the energy-generated CO₂ emissions in FY 2014 at our sites within Japan were 54,628 tons-CO₂, which was 1,844 tons (3.3%) less than in FY 2013, and successfully achieved the target.

This can be seen as the materialization of the results of continuous energy-savings activities, such as reviewing heat sources, updating air conditioning equipment, optimizing the number of operating devices, and switching to LED lighting.

For sites outside Japan, Seiko Instruments Technology (Shanghai) Inc. was added to the target range of objectives management from FY 2014. Furthermore, the collection of environmental data at Seiko Instruments (Thailand) Ltd. manufacturing site in Thailand, which was temporarily excluded from the range of reporting results, was reopened from FY 2014. As a result, energy-generated CO₂ emissions in FY 2014 for sites outside Japan were 36,852 tons-CO₂, which was great increase (77.8%) from FY 2013. Although the total amount increased, we are continuing with our energy-saving activities.

Resource Recycling

Our Concepts

As resource depletion has a critical impact on corporate management, SII regards efforts for the responsible use of earth's finite resources as an extremely important form of corporate responsibility.

We are striving to effectively utilize the resources in our business activities toward creating a sustainable recycling-oriented society.

FY 2014 Overview

The FY 2014 recycling rate at our sites in Japan achieved the target of 90%, as our actual performance was 92%. The FY 2014 total waste generation was 2,336 tons, which was 319 tons more than in FY 2013. This increase is due to renewal construction work at some sites.

The recycling rate at our overseas sites was 70%, which achieved an improvement compared with FY 2013. The total waste generation significantly increased to 2,281 tons because the collection of environmental data at Seiko Instruments (Thailand) Ltd. resumed in FY 2014.

Chemical Substances Control

Our Concepts

The SII Group believes that the safe and appropriate chemical substances control is corporate responsibility and important activity for risk management. In terms of chemical substances used in our manufacturing processes at sites in Japan, we control the use and emission of PRTR* substances, SII voluntarily specified 22 substances, and 100 VOC (volatile organic compounds) substances.

* PRTR (Pollutant Release and Transfer Register): This system is designed to assess, gather and disclose data on the volume of chemical materials handled, amounts released into the environment, and volumes transferred in waste materials to points outside of plant locations. Companies collect data on the relevant substances and report them to the appropriate government agency once a year.

Reduction of Chemical Substances Subject to Control/FY 2014 Overview

The FY 2014 total emission of chemical substances subject to control in manufacturing process was 29 tons, which achieved 0.6 ton decrease (-1.9%) from FY 2013.

The used PRTR substances were 113.4 tons, which was 9.8 tons more than in FY 2013.

Conservation of Biodiversity

Our Concepts

The SII Group's business activities depend, to some extent, on ecosystem services. We consider biodiversity conservation to be a key issue of environmental management that needs to be addressed in our daily business activities.

SII established a "Biodiversity Action Agenda" in April 2011 to specifically work on the conservation of biodiversity.

Biodiversity Action Agenda (Established in April 2011)

<Basic Concepts>

Recognizing that SII Group's business activities benefit from ecosystem services and make an impact on biodiversity, we will make every effort to preserve biodiversity.

<Key Measures>

- Foster better understanding of an impact on biodiversity through business activities.
- Analyze and evaluate the impact on biodiversity caused by products and services during their life cycles, and endeavor to reduce their impact.
- Promote social action programs that contribute to local biodiversity conservation.

FY 2014 Overview

In FY 2014, in addition to our commitment to continuing education activities, we also moved forward with efforts such as acquisition of the first "ABINC* certification (factory version)" for Morioka Seiko Instruments Inc. and a safety evaluation of drainage using the WET test at the Takatsuka Unit.

*ABINC: Association for Business Innovation in harmony with Nature and Community

Acquisition of the first "ABINC certification (factory version)"

Morioka Seiko Instruments Inc. was able to acquire the first "ABINC* certification (factory version)" as a result of their continuing activities for the conservation of biodiversity.

This ABINC certification system allows ABINC to assess and certify establishments working on biodiversity-conscious afforestation from a third-party perspective based on the "Guidelines for sustainable business sites in harmony with nature and community" developed by the Japan Business Initiative for Biodiversity (JBIB).

*ABINC: Association for Business Innovation in harmony with Nature and Community



Safety evaluation of the drainage using bioresponse

We carried out a safety evaluation of drainage using the WET* test at the Takatsuka Unit (in Matsudo, Chiba, Japan).

WET testing is comprised of the following: fish embryo / larva short-term toxicity testing using fish (zebra fish), reproduction testing using crustaceans (*Ceriodaphnia dubia*), and growth inhibition testing using algae (*Pseudokirchneriella subcapitata*).

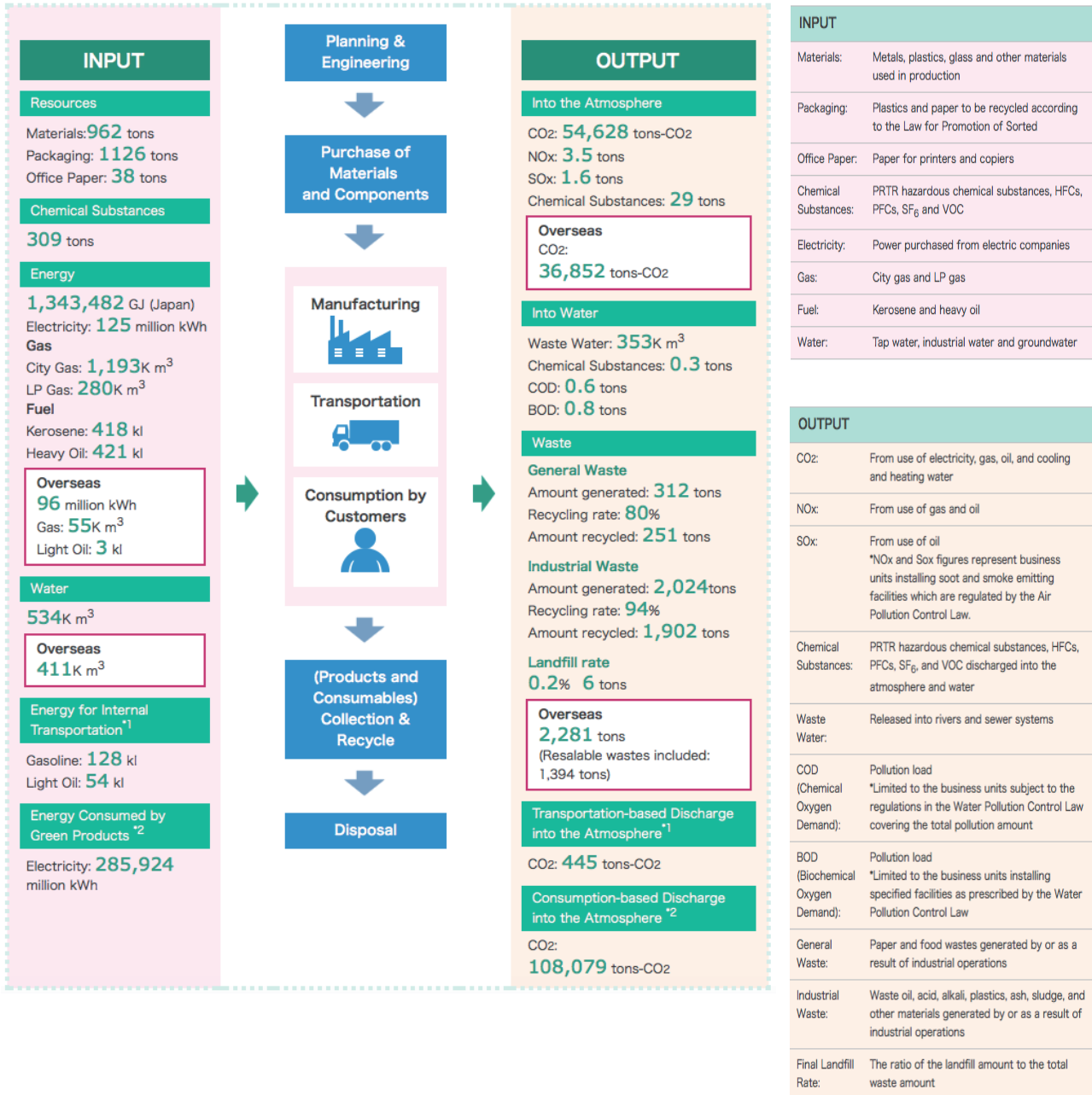
The evaluation results confirmed that no effects on test organisms were recognized, the risk of ecological effects is extremely low, and water quality is good. Encouraged by these results, we will continue to protect water safety.

*WET: Whole Effluent Toxicity.

Business Activities and Environmental Impact

The SII Group believes that understanding environmental impact properly throughout the product life cycle is the basic practice of environmental activities.

The overview of FY 2014 environmental impact is explained below.



*1: Transportation among the SII Group companies in Japan

*2: Estimated annual energy consumption of SII Green Products certified up to FY 2014

CSR Targets and Results

Our major CSR activities carried out in FY 2014 are as follows.

◎:Overachieved ○:Achieved or almost achieved △:70% or less achieved —:N/A

Compliance

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Continue to implement the regular on-line compliance quizzes (every day and annually)	Implemented both every day and annual quizzes	○	Continue the quizzes
Conduct the educational activities to senior management on compliance awareness	Conducted 5 times	○	Continue the activities
Conduct the periodic compliance awareness survey (annually)	Conducted the annual survey	○	Continue the activities

Cases reported to the SII helpline and processed by the consultation service: **7**

Risk Management

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Continue to implement and promote the group-wide risk management activities	Implemented PDCA for evaluation and management of key risks (Took 37 actions) Completed the preparation of the manuals including action plan against flu at overseas sites	○	Continue the implementation and promotion of the group-wide risk management activities

Intellectual Property

The number of SII's patents Japan: **2,530** Overseas: **3,314**

Customer Satisfaction

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Continue the efforts for customer satisfaction improvement	To be continued	○	To be continued

Quality Control/Product Safety

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Product safety check: conduct the check at 12 divisions focusing on the implementation of illegal tests	Conducted at 12 divisions	○	Conduct the product safety check at 7 divisions
Product safety: hold seminars on technology laws for 6 times	Held the seminars for 7 times	◎	Hold seminars for 6 times
Operation process checks: conduct the checks at 20 divisions focusing on efficiency improvement of development, engineering, and production engineering	Conducted the checks at 20 divisions	○	Conduct the checks at 20 divisions focusing on failure cost reduction processes
Visited sites for introducing case studies for 5 times	Visited sites for introducing case studies for 6 times	○	Visit 4 sites for introducing case studies

Universal Design

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Analyze the Green Design awareness survey, visit sites for introducing case studies, and put in place the evaluation items	Created evaluation form. Carried out selection and self-evaluation of 3 target products.	○	Continue and promote Green Design activities and plan for the inspection and intensification of concepts
	Introduced design concepts to 2 departments.	○	
Provide the education of design (biannually)			

Respect for Human Rights

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Complete the documentation of the declaration of human rights "the spirit of respecting human dignity" at all sites	Completed at all sites	○	Create methods for thoroughly communicating "the spirit of respecting human dignity" at all sites and work to enable the understanding and recognition of the spirit of respecting human dignity by all employees.
Complete at 2 sites			
Upon completion, carry out the educational activities			
Complete the preparation of the Action Guidelines at 13 sites	Completed at all sites except Thailand	○	Have the Legal and HR departments verify and complete the Action Guidelines of all sites, and then thoroughly communicate the information to all employees. Complete the preparation of the Action Guidelines for Thailand.
Complete the preparation of the Action Guidelines based on the base version at 6 sites in China			
Complete the preparation of the Action Guidelines at 7 sites other than China			

Childcare leave taken by **26** employees Short-hour work for childcare taken by **29** employees

Safety and Health

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Conduct the SII Group comprehensive safety inspection (voluntary) at all sites in Japan and overseas manufacturing sites	Conduct the SII Group comprehensive safety inspection (voluntary) at all sites in Japan and overseas manufacturing sites	○	Conduct the SII Group comprehensive safety inspection (voluntary) at all sites in Japan and overseas manufacturing sites
Hold the lifesaving seminars at 6 sites in Japan	Held the lifesaving seminars at 6 sites in Japan (116 participants)	○	Hold the lifesaving seminars at 6 sites in Japan
Implementation rate for the specific health checkups: 85%	82.6% *1	○	86%

*1 The percentages are the forecasts as of July 2015.

Coexistence with Society

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Continue the local contribution activities at each site	Performed the local cleanup activities at each site and participated in an emergency drill co-hosted with the local community	○	Continue the local contribution activities at each site
Continue to implement the field-study and internship programs at each site	Implemented the field-study, internship programs, and factory tours at each site	○	Continue to implement the field-study and internship programs at each site

Purchasing Activities with Fairness and Integrity

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Continue the buyer education	Carried out the buyer education (31 participants)	○	Continue the buyer education annually
Continue the purchasing audit	Conducted the purchasing audit for all purchasing divisions at sites in Japan	○	Conduct the purchasing audit for all purchasing divisions at sites in Japan
Continue the implementation of supplier certification systems, and maintain/improve the level of management	Continued the implementation	○	Continued the implementation
Achieve the supplier certification completion rate of 95% or more in Japan and overseas	Achieved the supplier certification completion rate of 97% or more in Japan and overseas	○	Achieve the supplier certification completion rate of 100% or more in Japan and overseas

Creation of Eco-friendly Products

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Increase the sales rate of SII Green Products	(General products): 98% or more	98.6%	Maintain the rate at 98% or more 65% FY 2016: 70%
	(Large products): 60%	84.8%	
Increase the number of SII High Grade Green Products	3 or more products	0 products	3 or more products

Hazardous Chemical Substances

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target
Ensure products free of cadmium, hexavalent chromium, mercury, and lead	Maintain the rate of products free of the substances concerned at 95% or more *1	99.8%	Maintain the rate at 95% or more *1
Ensure products free of polyvinyl chloride	Maintain the rate of products free of polyvinyl chloride at 95% or more *2	97.0%	Maintain the rate at 95% or more *2



*1 Completed the elimination by the end of May 2006 for products to be sold in the EU.

*2 Except those used within the safety standards or difficult to be substitute.

Action against Global Warming

FY 2014 Target	FY 2014 Results	Evaluation	FY 2015 Target	
Reduce energy-related CO ₂ emissions	Improve by 1% or more per unit of production at sites in Japan Total amount: 64,895 tons-CO ₂	Total amount: 54,628 tons-CO ₂ -3.3% from FY 2013	◎	Improve by 1% or more per unit of production Total amount: 63,668 tons-CO ₂ Reduce by 25% from FY 1990 by the end of FY 2020
	Reduce by 1% from FY 2013 at each overseas site	<Reference value> Total amount: 36,852 tons-CO ₂		

Resource Recycling

FY 2014 Target		FY 2014 Results	Evaluation	FY 2015 Target
Improve the recycling rate of wastes	Maintain the rate at 90% or more at sites in Japan	92%		Maintain the rate at 90% or more
	Improve by 3 points from FY 2013 at overseas sites	70%	—	+3 points from FY 2014 at each overseas site
Reduce water use	-1% from FY 2013 at sites in Japan Total amount: 561,000 m ³	534,000 m ³ -6% from FY 2013		-1% from FY 2014
	Reduce by 1% from FY 2013 at each overseas site	411,000 m ³	—	-1% from FY 2014 at each overseas site
Reduce office paper use	Reduce by 3% from FY 2013 at overseas sites	19.2 tons	—	-3% from FY 2014 at each overseas site


* The collection of environmental data at Seiko Instruments (Thailand) Ltd. has been suspended temporarily due to the aftermath of the flooding.

Chemical Substances Control

FY 2014 Target		FY 2014 Results	Evaluation	FY 2015 Target
Reduce the amount of emissions of chemical substances*	Maintain the rate of FY 2013 at sites in Japan	29 tons -1.9% from FY 2013		Maintain the same amount of FY 2014

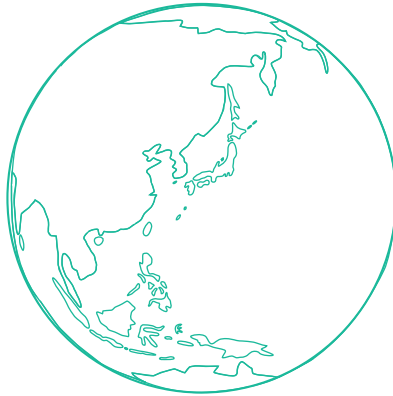
* Chemical substances subject to control at SII: PRTR hazardous chemical substances, HFCs, PFCs, SF₆, and VOC.

Biodiversity

FY 2014 Target		FY 2014 Results	Evaluation	FY 2015 Target
Assess the relationship between biodiversity and business activities (current status of land use)	Morioka Seiko Instruments Inc. assessed the current status of land use	Acquired the ABINC* certification.		Continue the assessment of land use

*ABINC: Association for Business Innovation in harmony with Nature and Community

Implemented a safety evaluation of drainage using the WET test at the Takatsuka Unit



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