

Social and Environmental Report 2016

Striving for Coexistence with Society
and Harmony with the Earth

2016



Digest Version

SII Group Overview

Corporate Data

Corporate Name:	Seiko Instruments Inc. (SII)	Annual Sales (FY 2015):	87,800 million yen (nonconsolidated)
Established:	September 7, 1937		120,800 million yen (consolidated)
Paid-in Capital:	9,756 million yen	Number of Employees:	1,080 (nonconsolidated)
Fiscal Year-End:	End of March		8,065 (consolidated) as of March 31, 2016



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

- Thermal Printers
- Inkjet Printheads



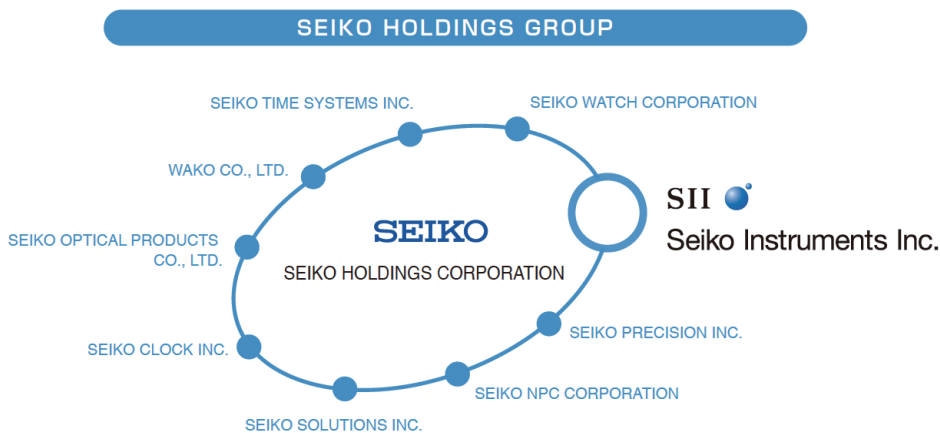
Industrial Equipment and Precision Components

- 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.

Period Covered by This Report

FY 2015 (from April 2015 through March 2016)

Contact us

Seiko Instruments Inc.
 Corporate Environmental Administration Department 8, Nakase 1-chome, Mihama-ku, Chiba-shi, Chiba 261-8507, Japan
 Telephone: +81-43-211-1111/Direct: +81-43-211-1149 Facsimile: +81-43-211-8019 Website: <http://www.sii.co.jp/eco/eg/>

Message from the President

Optimizing "SYO"ism Technologies to Create an Enriching "Time" Society



The epoch-making year of 2015 established global frameworks to solve social and environmental problems such as the adoption of the Paris Agreement at the United Nations Framework Convention on Climate Change (COP21)" and the UN's Sustainable Development Goals (SDGs). In order to achieve these objectives, involvement and efforts at the company level are essential in addition to national level action.

Therefore, each company is also required to respond appropriately to issues concerning the environment, human rights, labor, etc. through the entire supply chain as well as activities inside the company. The roles and responsibilities that must be performed by the companies are becoming significantly greater than ever. SII hopes to contribute to realizing a sustainable society in partnership with our suppliers by helping to address the key issues through our business activities.

SII has been creating environmentally friendly products especially since our introduction of the "SII Green Product Label System" in 2001. The technologies of "SYO"ism*, rooted in our watchmaking technologies, are harnessed to provide these products.

SII has long pursued miniaturization and reduction of energy consumption in each and every part we make for our watches. Furthermore, we have developed reliable production technologies in order to offer precise watches with ever-higher quality and accuracy. These precise small-size packaging technologies and low-power-consumption technologies are SII's big advantages. Thus, we believe that we can play an important role in finding solutions to issues such as global warming and resource problems.

To grow as a company that contributes to the creation of a sustainable society, not only the managers and executives but also each staff member needs to renew their way of thinking. To all SII members, I would say, "Do not hesitate to change. Enjoy and please accept each challenge with enthusiasm." Moreover, "Hold oneself in high esteem as a member of the Team SII and help each other." These main concepts and our passion will lead the fundamental driving force of our organization and accomplish the transformation of our company.

Established as a manufacturer of watches, SII is committed to improving its business as it engages in "Time", keeping in mind our slogan: "Creating Time - Optimizing Time - Enriching Time." Through "Time", we contribute to society, keep moving forward to achieve the title of "Enriching Time" for all stakeholders, and proceed toward the realization of an ambitious company with SII's employees.

*Note-"SYO"ism signifies three keys of our technological philosophies: "Craftmanship", "Miniaturization", "Efficiency."

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.

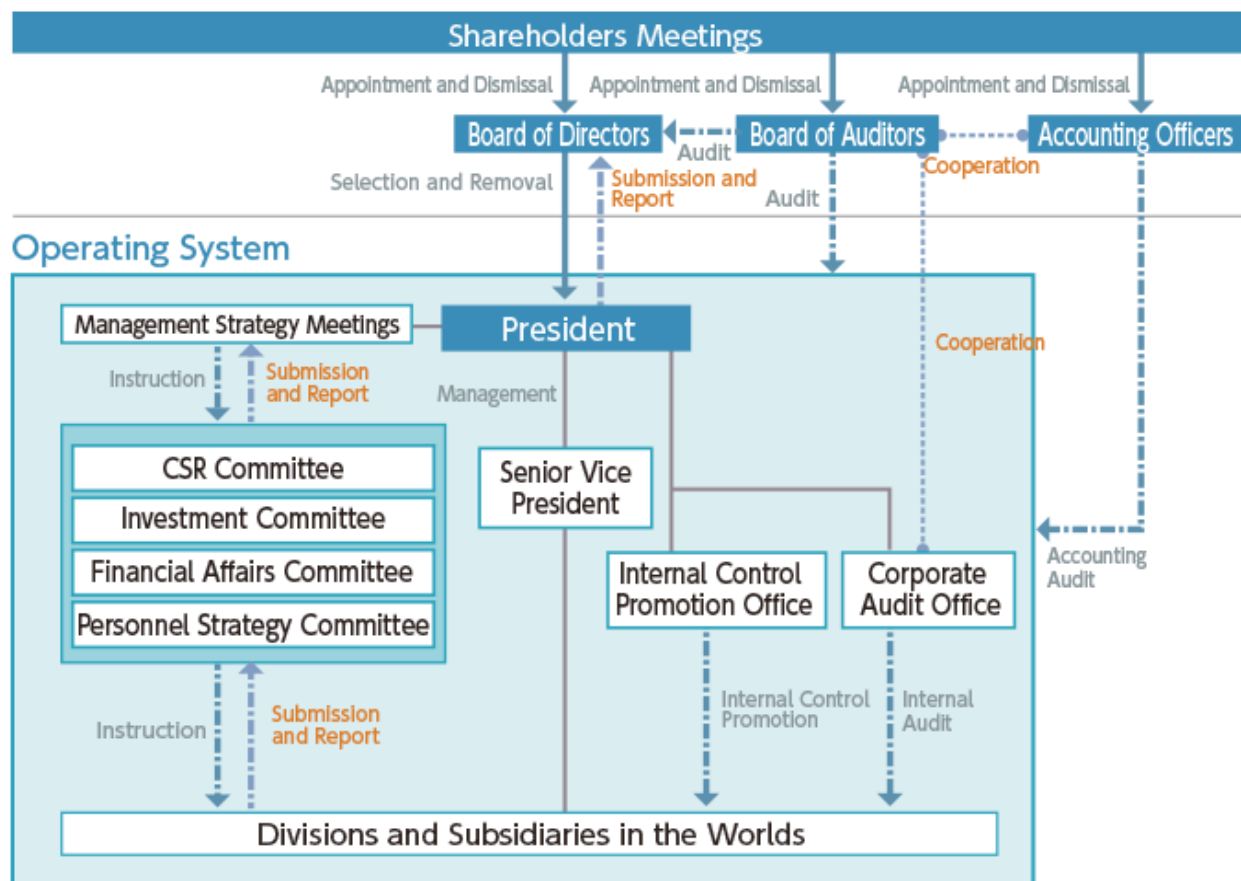
It discusses and decides important issues and matters that are derived from the promotion of CSR activities, including compliance and risk management, and reports their performance to senior management on a regular basis.

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 2015 were four.

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 grants

SII's technology development originated from watch manufacturing based on its patented technology.

In FY 2015, the number of our patent applications within Japan was 340, and the number of patent applications outside Japan was 404. 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 number of patents dropped temporarily, but recovered from FY 2013 and reached 2296 in FY 2015. The largest number of granted patents is also increasing which was 3,285 as for FY 2015.

Because the maintenance of rights is reviewed periodically each year, unnecessary patents are not maintained, and newly registered items are increasing.

System for Invention for Employee: From Indemnification to Incentive

To encourage inventions and enhance SII's technological competitiveness, we established an indemnification and award system for inventions 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.

The revision of patent law in April 2016 provides the option of originally ascribing the rights to a patent from the inventor to the employer. In accordance with this revision, SII shifted the rights to employer, and additionally modified the conventional encouragement system to the incentive system. Meanwhile, the incentive amount for application and performance results were both increased to encourage further inventions. The invention management guidelines are currently being altered accordingly.

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

Quality Assurance that Establishes Security and Reliability

The SII basic concept of product safety is "to improve customers' trust by providing safe products and services." Based on this concept, we continue to provide the Products Safety Education to raise product safety awareness and cultivate engineers with safety knowledge.

We also established the Product Safety Network and a working group for studying product safety technology. For all the SII products, it conducts regular inspections of compliance with laws and regulations concerning product and technical safety, and verifies product safety and appropriateness according to each country's laws and regulations.

In case of accidents due to SII products, we report to the senior management within ten minutes, as well as attempt to promptly solve and prevent the problems. After these actions, we share the information throughout the entire Group and deploy activities horizontally.

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.

In FY 2015, the Human resources department at the head office visited each site to confirm that "spirit of respecting human dignity" statement is posted on bulletin boards, thoroughly communicated, and serving as a standard of value for employee behavior. As for FY 2016, SII duly verifies this spirit in each regulation and promotes the same as employees' code of conduct.

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, nursing care, and an hourly leave systems which support every employee in balancing their careers and family lives so that they can fully exercise their abilities. Notably, our elderly nursing care leave system ensures employees to take 3 years leave for each family member.

From FY 2016, the shift working hours range has been expanded for childcare and nursing care, and childbirth leave program has been offered for male employees from their spouse's 2nd delivery, 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	FY2011	FY2012	FY2013	FY2014	FY2015
Childcare leave	29	26	25	26	33
Short-hours work for childcare	36	32	29	29	35
Elderly nursing care leave	1	0	0	0	0
Short-hours work for elderly nursing care	2	0	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.

Supplier Certification System

SII uses the Supplier Certification Criteria to select fair business partners and build the CSR framework based on the purchasing supply chain.

SII Group Supplier Certification Criteria

- Existing framework to conduct fair and honest business, respect human dignity and achieve coexistence with society
- Stable business condition
- Environmental management system
- Management system for quality and risk management

Based on our Supplier Certification System that we established in FY 2004, the number of certified suppliers has reached to approximately 1,200 in total in Japan and overseas as of the end of FY 2015. In FY 2015, we completed 99.4% of the planned renewal assessment. We reviewed our Supplier Certification System in FY 2015 to facilitate actions for CSR requirements and assessment methods.

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.

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 167 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 ninth seminar was held in FY 2015 and 19 participants experienced and enjoyed disassembling and assembling mechanical watches.



Environmental Activities

"Seiko Instruments Forest" Maintenance Activity

In March 2015, Makuhari Unit staff planted Japanese black pine trees in the "Seiko Instruments Forest" located along Kujūkuri Beach in Niibori, Sosa, Chiba, Japan. This activity was performed according to the "Cooperative Forest Agreement" concluded with Chiba Prefecture in August 2014. SII has engaged the Northern Division of Chiba Prefecture Forest Owners' Cooperative to conduct weeding as part of the maintenance activity—accomplished twice during FY 2015.



Environmental Report Meeting

Morioka Seiko Instruments Inc. (hereafter MSI) has held an "Environmental Report Meeting with Local Communities" since 2008. A total of 25 members, including local residents as well as members from companies and the government of the Shizukuishi area, participated in the eighth meeting held on October 21, 2015.

The Environmental Report Meeting has deepened their understanding of production activities and environmental activities.

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.

SII Watch Technical Training and Education Center in Makuhari Unit has accepted ten junior high school students in Chiba prefecture as for work-study and internship programs.

During the two-day Work-Study Program at SII, each participant is challenged to disassemble and assemble a mechanical watch.



Community Activities

Social Welfare Activities

SII Group subsidiaries and affiliates conduct social welfare activities entrenched in local community.

Seiko Instruments (Thailand) Ltd. continuously is visiting local facilities such as temples and schools; donating daily commodities and food.



At Dalian Seiko Instruments Inc., a total of 20 employees, including Managing Director, visited a nursing home in Pulandian and offered food. A pleasant time of social interaction with the residents brought joy to everyone.



As part of Safety and Health Month activity in Instruments Technology (Johor) Sdn. Bhd, 212 employees participated in the Blood Donation activity organized by a public hospital. This activity also is continuously performed at other SII Units.



Local Cleanup Activities

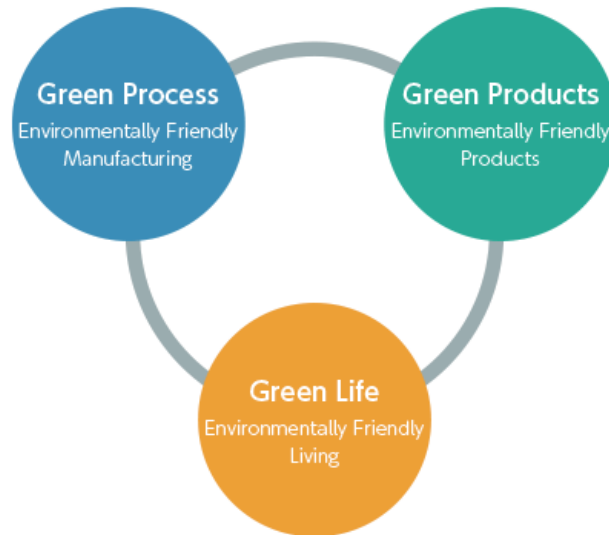
Every SII unit holds or participates in regular cleanup activities for environmental beautification around their premises, at roadsides, and other local areas. Each unit gives variety to the activities, such as a cleanup activity with walking.



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.

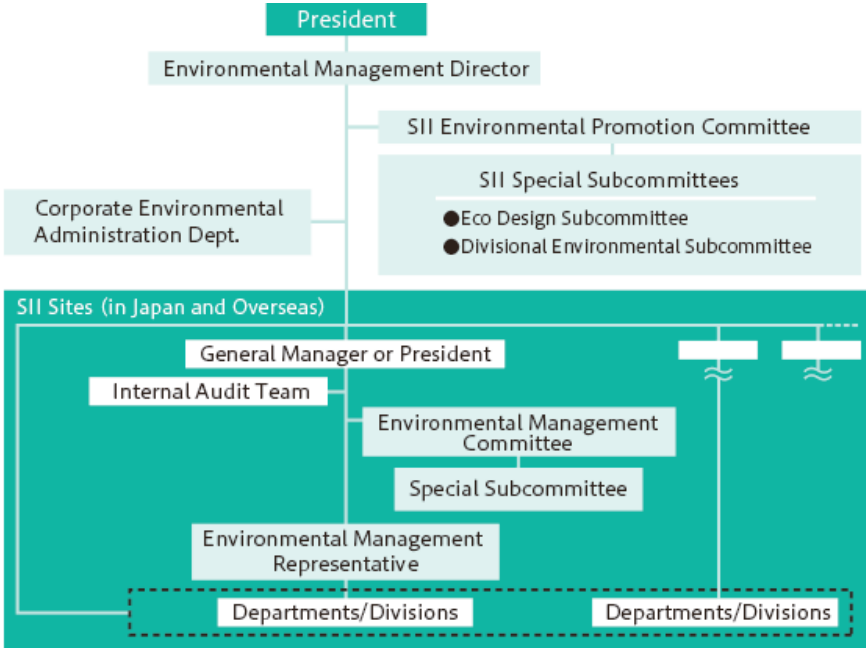


Environmental Management Framework

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.

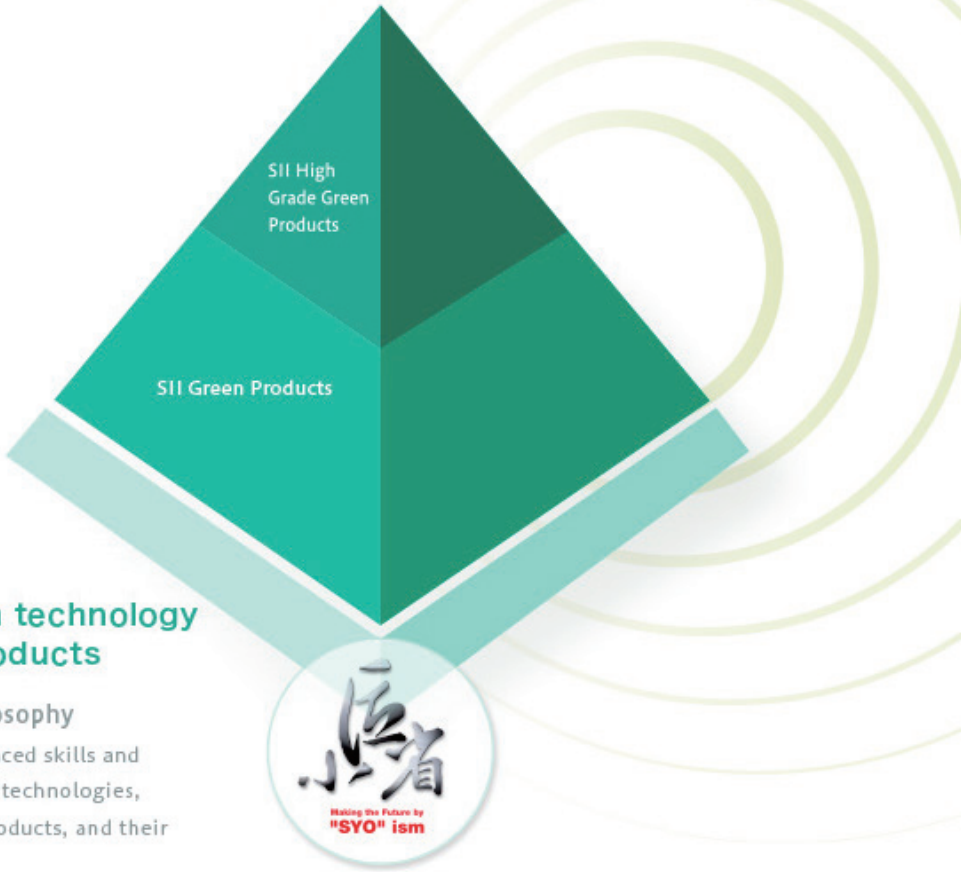


Eco-friendly Products that Contribute to Environmental Conservation

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

The Paris Agreement was adopted in December 2015, and a global framework for ratifying plans to take measures against global warming after 2020 was set forth and every participating country has determined a target value. Corporate roles and responsibilities in finding solutions for global warming issues are becoming bigger and bigger.

SII, as a manufacturing company, works toward reducing greenhouse gas emissions not only at manufacturing sites but also throughout the full range of our business activities, with energy-saving activities including the provision of energy-saving products and services.

Reducing CO₂ Emissions and FY 2015 Overview

In FY 2015, CO₂ emissions at our sites in Japan was 54,399-CO₂, successfully achieving the target of 63,668 tons-CO₂, which was 229 tons (0.4%) less than FY 2014. These positive outcomes are created by shifting lighting equipment to LED sources in renewal construction, and replacing high energy efficiency air-conditioning devices as well as partial air-conditioning systems: the result of continuous energy-saving activities.

The total amount of CO₂ emissions at our overseas sites was 36,544 tons-CO₂ in FY 2015, which was 0.8% less than in FY 2014. These positive effects, also the same as in Japan sites, may be a sign of continuous 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 2015 Overview

Waste

The FY 2015 recycling rate at our sites in Japan achieved 90% of our target. Our actual performance was 92% as a result of persistent efforts such as converting waste into resalable waste and reusing trays for parts. The FY 2015 total waste generation was 2,270 tons, which was 66 tons less than in FY 2014. The increase in FY 2014 was due to renewal construction work at some sites.

The recycling rate at our overseas sites was 71%, an improvement compared with FY 2014. Total waste generation was reduced to 2,068 tons, which was 213 tons less than in FY 2014.

Water Use

In FY 2015, the total amount of water used in Japan sites was 526,000m³, which is -8000m³ from FY 2014. For overseas sites, water usage was 373,000m³, -38000m³ from 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 2015 Overview

The FY 2015 total emission of chemical substances subject to control in manufacturing process was 30 tons, which was approximately 1 tons (+4.6%) increase from FY 2014.

The used PRTR substances was 82 tons, which was approximately 31 tons more than in FY 2014. The breakdown of the amount handled and emitted is shown below.

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.

FY 2015 Overview

In FY 2015, in addition to our commitment to continuing education activities and the Assessment of Land Use from the point of view of biodiversity, we also moved forward with efforts for activities such as nature watching and collaboration with local communities. We issued the "SII Group Land-use Guideline Working on the Conservation of Biodiversity" and made efforts to disseminate this Guideline to all sites in Japan and overseas.

Assessment of Land Use

Morioka Seiko Instruments Inc. has continuously been carrying out the assessment of land use and the biological research from the aspect of biodiversity since FY 2012. These activities conform to "Guidelines for Sustainable Business Sites" issued by "General Incorporated Foundation JAPAN BUSINESS INITIATIVE FOR BIODIVERSITY"(JBIB); participated by outside specialists and aided by their advice.

In FY 2015, MSI held a "Nature Watching" event in addition to the conventional assessment of land use. The participants fully observed through their senses that the sites are inhabited by a variety of living creatures, which turned out to be an enjoyable study of the creatures' behavior and ecology.

We keep going forward to promote visualization and put emphasis on communication with stakeholders.



Cooperation with Local Communities

Close contact and cooperation with stakeholders of various backgrounds including local governments and specialists are essential to promote biodiversity conservation. Three SII Units located in Chiba prefecture* are cultivating Pinus pentaphylla trees that are designated as an endangered species. These three units are registered as "Supporters Conserving the Strain of Pinus pentaphylla" under Chiba prefecture's Pinus pentaphylla restoration project. By caring for these seedlings, SII's contribution to the conservation of the genetic lineage of Pinus pentaphylla also deepens our understanding of this precious tree species.

Ohno Unit is subscribed as one of the "Biodiversity Monitoring Members" of Ichikawa City and the staff members are monitoring indicator organisms.

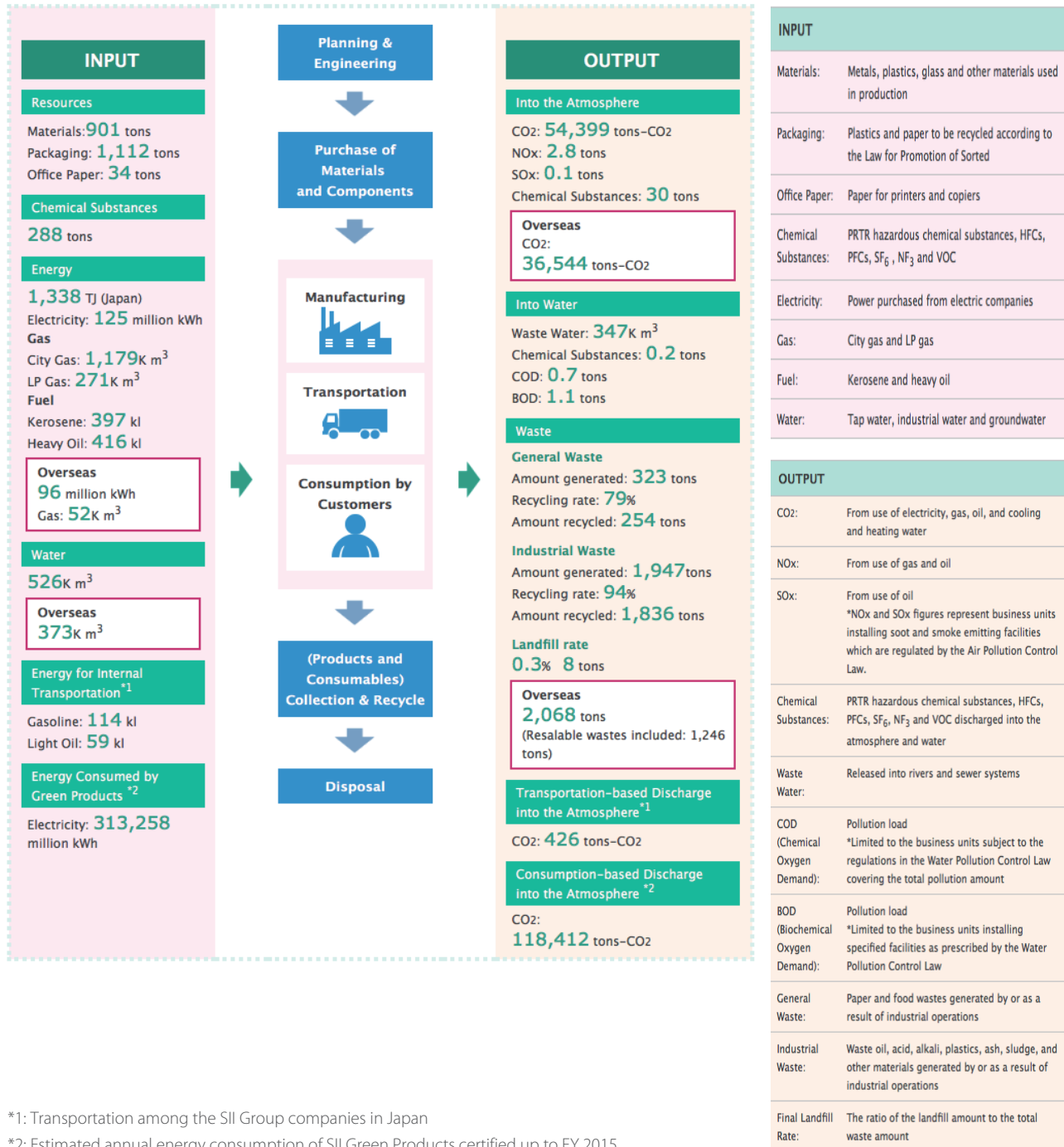


* Three units located in Chiba prefecture are Makuhari Unit (Chiba City), Takatsuka Unit (Matsudo City), and Ohno Unit (Ichikawa City.)

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 2015 environmental impact is explained below.



CSR Targets and Results

Our major CSR activities carried out in FY 2015 are as follows.

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

Compliance

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue to implement the regular on-line compliance quizzes (every day and annually)	Implemented both every day and annual quizzes	○	Continue to implement the regular on-line compliance quizzes (every day and annually)
Conduct the educational activities to senior management on compliance awareness	Conducted 6 times	○	Conduct the educational activities to senior management on compliance awareness
Conduct the periodic compliance awareness survey (annually)	Conducted the annual survey	○	Conduct the periodic compliance awareness survey (annually)

Cases reported to the SII helpline and processed by the consultation service: **4**

Risk Management

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue to implement and promote the group-wide risk management activities	Implemented PDCA for evaluation and management of key risks (Took 36 actions)	○	Continue to implement and promote the group-wide risk management activities

Intellectual Property

The number of SII's patents Japan: **2,296** Overseas: **3,285**

Customer Satisfaction

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue the efforts for customer satisfaction improvement	To be continued	○	Continue the efforts for customer satisfaction improvement

Quality Control/Product Safety



FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Product safety check: conduct the check at 7 divisions	Conducted the checks against more than 30 items at 8 divisions	◎	Conduct the product safety check at 7 divisions
Product safety: seminars on technology laws for 6 times	Held the seminars for 6 times: 3 seminars twice for each	○	Hold Product safety reviewed seminars for 4 times
Operation process checks:conduct the checks at 11 divisions	Conducted the checks at total 11 divisions	○	Conduct the operation process checks at 15 divisions focusing on manufacturing divisions

Universal Design

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue and promote Green Design activities and plan for the inspection and intensification of concepts	- Educated and confirmed the concept of GREENDESIGN SPIRITS10* - Evaluated one product based on GREENDESIGN SPIRITS10	○	Continue education, confirmation, and checking of GREENDESIGN SPIRITS10




* SII's "Passion for Design" is integrated into 10 key words as the design philosophy.

Respect for Human Rights

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
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.	Completely familiarize employees with "the spirit of respecting human dignity" at all overseas sites		Reflect the spirit of respecting human dignity on each regulation for all overseas sites
Have the Legal and HR departments verify and complete the Action Guidelines of all sites, and then thoroughly communicate the information to all employees.	Accomplish in all overseas sites except for Thailand		- Have the Legal and HR departments verify and complete the Action Guidelines of Thailand - Completely familiarize employees with the Action Guidelines to all employees at other sites of Thailand



Childcare leave taken by **33** employees Short-hour work for childcare taken by **35** employees

Safety and Health





FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Conduct the SII Group comprehensive safety inspection (voluntary) at all sites in Japan and overseas manufacturing sites	Conduct at all sites in Japan and overseas manufacturing sites		Conduct the SII Group comprehensive safety inspection at all sites in Japan and overseas manufacturing sites: - voluntary conducted at each site, - taken initiatives by the Head Office.
Hold the lifesaving seminars at 6 sites in Japan	Held the lifesaving seminars at 6 sites in Japan (189 participants)		Hold the lifesaving seminars at 6 sites in Japan
Implementation rate for the specific health checkups: 86%	83.2% *1		Implementation rate for the specific health checkups: 89%

*1 The percentages are the forecasts as of July 2016.




Coexistence with Society

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue the local contribution activities at each site	Performed the local cleanup activities, blood donation, contribution, tree planting activities, etc.		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 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Continue the buyer education annually	Carried out the buyer education (42 participants in Japan, 86 participants overseas)		Continue the buyer education annually
Conduct the purchasing audit for all purchasing divisions at sites in Japan	- Conducted the purchasing audit for all purchasing divisions at sites in Japan - Conducted the purchasing audit at two sites overseas		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		Continue the implementation of supplier certification systems, and maintain/improve the level of management
Achieve the supplier certification completion rate of 100% or more in Japan and overseas	Achieved the supplier certification completion rate of total 99.4% in Japan and overseas		Achieve the supplier certification completion rate of 100% in Japan and overseas

Creation of Eco-friendly Products

FY 2015 Target		FY 2015 Results	Evaluation	FY 2016 Target
Increase the sales rate of SII Green Products	(General products): 98% or more	97.8%		Maintain the rate at 98% or more
	(Large products): 65%	86.1%		
Increase the number of SII High Grade Green Products	3 or more products	1 products		3 or more products


Hazardous Chemical Substances

FY 2015 Target		FY 2015 Results	Evaluation	FY 2016 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	98.6%		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	96.3%		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 2015 Target		FY 2015 Results	Evaluation	FY 2016 Target
Reduce energy-related CO ₂ emissions	Improve by 1% or more per unit of production at sites in Japan Total amount: 63,668 tons-CO ₂	Total amount: 54,399 tons-CO ₂ -0.4% from FY 2014		Improve by 1% or more per unit of production Total amount: 54,780 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: 36,544 tons-CO ₂ -0.8% from FY 2014	—	Reduce by 1% from FY 2015 at each overseas site

Resource Recycling


FY 2015 Target		FY 2015 Results	Evaluation	FY 2016 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 2014 at overseas sites	71%	—	+3 points from FY 2015 at each overseas site
Reduce water use	-1% from FY 2014 at sites in Japan Total amount: 529,000 m ³	526,000 m ³ -2% from FY 2014		-1% from FY 2015
	Reduce by 1% from FY 2014 at each overseas site	373,000 m ³ -9% from FY 2014	—	-1% from FY 2015 at each overseas site
Reduce office paper use	Reduce by 3% from FY 2014 at overseas sites	20.5 tons +7% from FY 2014	—	-3% from FY 2015 at each overseas site

Chemical Substances Control

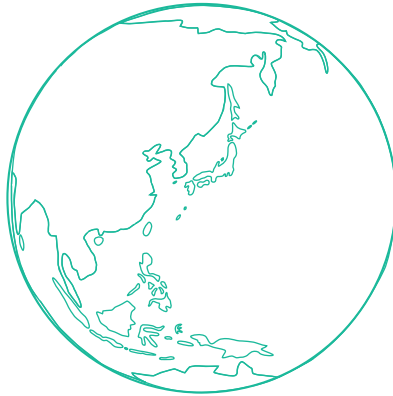
FY 2015 Target		FY 2015 Results	Evaluation	FY 2016 Target
Reduce the amount of emissions of chemical substances*	Maintain the rate of FY 2014 at sites in Japan	30 tons +4.6% from FY 2014		Maintain the same amount of FY 2015

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

Biodiversity

FY 2015 Target	FY 2015 Results	Evaluation	FY 2016 Target
Assess the relationship between biodiversity and business activities (current status of land use)	<ul style="list-style-type: none"> - Morioka Seiko Instruments Inc. assessed the current status of land use, and carried out nature watching - Issued SII Group Land-use Guideline Working on the Conservation of Biodiversity 		Continue the assessment of land use

- Three units in Chiba prefecture are registered as "Supporters conserving strain of Pinus pentaphylla" and are cultivating Pinus pentaphylla trees
- Ohno Unit is subscribed as "Biodiversity monitoring members" of Ichikawa City and the staff members are monitoring indicator organisms



Seiko Instruments Inc.

Corporate Environmental Administration Department
8, Nakase 1-chome, Mihama-ku, Chiba-shi,
Chiba 261-8507, Japan

Telephone: +81-43-211-1111/Direct: +81-43-211-1149

Facsimile: +81-43-211-8019

<http://www.sii.co.jp/eco/eg/>