

Social and Environmental Report 2017

*Striving for Coexistence with Society
and Harmony with the Earth*



Digest Version

SII Group Overview

Corporate Data

Corporate Name:	Seiko Instruments Inc. (SII)	Annual Sales (FY 2016):	57,400 million yen (nonconsolidated)
Established:	September 7, 1937		106,700 million yen (consolidated)
Paid-in Capital:	9,756 million yen	Number of Employees:	1,075 (nonconsolidated)
Fiscal Year-End:	End of March		7,774 (consolidated) as of March 31, 2017



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 2016 (from April 2016 through March 2017)

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Message from the President



To Achieve "Enriching of Time"

Seiko Instruments Inc. (SII) celebrated its 80th anniversary in September 2017. This milestone reflects the support and understanding we have received from our stakeholders, and I would like to take this opportunity to express my sincere gratitude for them. SII was founded in 1937 as a watch manufacturer of K.Hattori, which later became Seiko Holdings Corporation. Progressing on from Japan's postwar reconstruction and high economic growth periods, SII has been contributing to the development of society as a whole through its "SYO"ism* technology and products that have been honed by the processes involved in SII's well-established history of watchmaking.

Eighty years after SII was founded, the environment surrounding our business has changed significantly. Corporations must pursue a profit while, at the same time, be strongly urged to fulfill their roles and social responsibilities to address social challenges including those related to the environment and human rights. For example, corporations' approaches are necessary to achieve the United Nation's Sustainable Development Goals (SDGs) adopted in 2015.

The SDGs is a set of 17 "Global Goals" pertaining to the environment and that act as a foundation of business operations that support decent work, good health, and well-being of employees. SII has also launched efforts to achieve our goal, and our specific activities include "No Overtime Days" and "No Meeting Days" established as part of our work style reform process aimed at improving productivity. In addition, an hourly leave system has been introduced to enhance childcare and elderly nursing care systems, enabling employees to choose more flexible work styles. We will continue and evolve our approaches related to SDGs.

On the occasion of SII's 80th anniversary in 2017, we have formulated an "Environmental Vision" that looks to the future of environmental management from SII's perspective. It highlights SII's direction based on achieving a sustainable society by coexistence with nature, low carbon, and material cycle.

The goal for SII is to "enrich time" that the Earth and people are enjoying, and this leads to the concept of SDGs. The criteria of richness are varied, however, we hope that everyone is able to live happy and fulfilling lives into the future. SII strives to make a significant contribution to achieve this goal as a corporation focused on time.

Innovation is essential for our Environmental Vision, and it cannot be actualized if we continue to work as we have done in the past. However, SII has led in the area of technological innovation to create a quartz watch and has developed electronic components and precision mechatronics businesses that harness its precision technology.

We remain committed to pursuing innovations by leveraging our "SYO"ism technology and moving forward to earn the title of "enriching time" together with 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

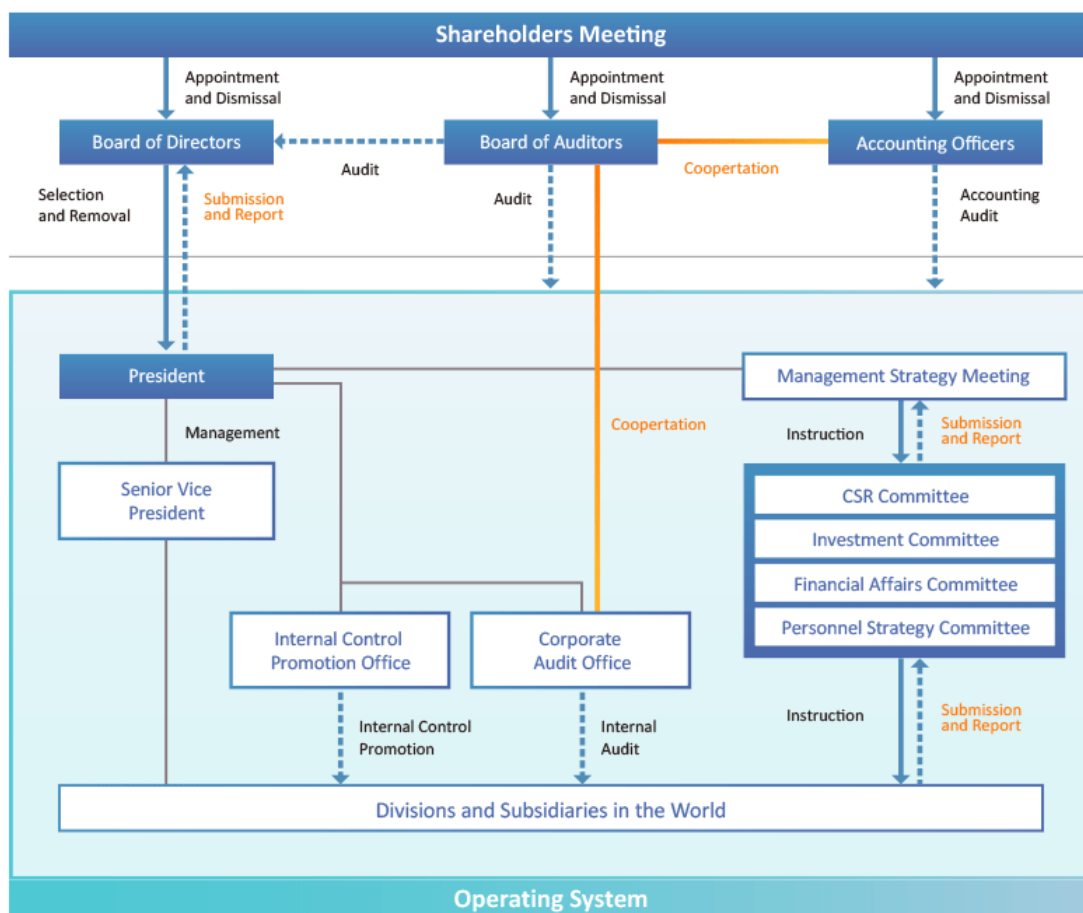
In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. SII has established a CSR Committee comprised of the President, who serves as the Chairman, and the managers at our head office, who serve as members of the standing committee.

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

To live up to the trust of our stakeholders, 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.

SII has adopted the status of a company with a Board of Company Auditors.



Internal Control System

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

For our internal control system with regard to financial reporting in compliance with the Financial Instruments and Exchange Act, our senior management evaluates the SII Group's internal control system and we report the results to a publicly listed parent company, Seiko Holdings Corporation (SHD), as one of their subsidiary companies. This is to evaluate and report the internal control system relating to SHD's financial reporting.

In terms of internal audits, the Corporate Audit Office performs periodic management audits and the management divisions conduct various kinds of audits on a regular basis.

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 2016 were six.

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

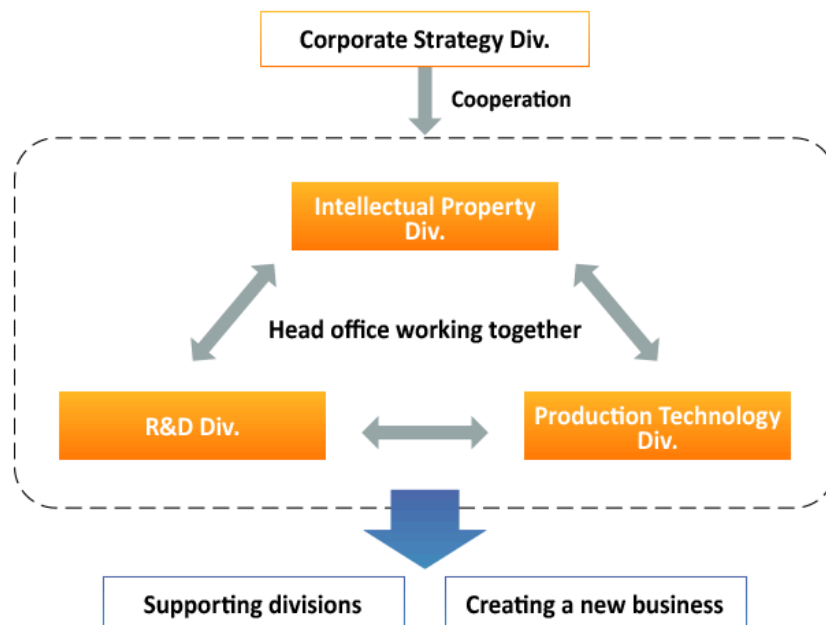
SII began using information and communications technology (ICT) to further enhance the technologies of "SYO"ism that it has developed over the years. We also run many information systems to grapple with the rapidly-changing business environment. As ICT has become deeply rooted in corporate activities, 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 an essential resource for business activities, we proactively obtain and utilize our development results as intellectual assets. Based on the mid- to long-term policy to "develop a business culture that respects intellectual property," the Intellectual Property, R&D, and Production Technology Divisions work together to implement intellectual property-related activities to create new business and supporting divisions in cooperation with the Corporate Strategy Division.



Status of patent applications and patent grants

SII's technology development originated from watch manufacturing based on its patented technology. In FY 2016, the number of our patent applications within Japan was 322, and there were 412 applications outside Japan.

For patent grants in Japan, we improved the patent grant rate from FY 2008, acquired rights, and greatly increased the number of patents. The number of our patents dropped temporarily due to alliances and other factors, but it recovered from FY 2013 and reached 2,459 patents in FY 2016. Patent grants outside Japan are also increasing, and they were 3,443 in FY 2016. We review our patents every year and stop maintaining unnecessary patents. Instead, we increase registration of new 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

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

In the SII Group Charter of Corporate Behavior, "Article 3: Human rights and human resource development" states as follows. 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.
- We have been trying to ensure that the Charter is thoroughly implemented within SII Group companies.

In regard to the "human rights," our overseas affiliated companies are promoting documentation for this that reflects the cultures and customs of each country. Upon completion of the work, thorough instructions will be provided to employees so that they will communicate with stakeholders in compliance with the spirit incorporated into the message of "human rights."

In FY 2016, 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 2017, 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

From April 2017, the hourly leave system has been switched from the conventional 2-hour unit to a 1-hour unit operation, enabling more flexible working styles. In addition, twice weekly "No Overtime Days" and twice monthly "No Meeting Days" have been established across the board to improve productivity. We will continue to actively strive to improve working conditions and the work environment.

Status of Utilization of the Systems (Japan)

System	FY2012	FY2013	FY2014	FY2015	FY2016
Childcare leave	26	25	26	33	22
Short-hours work for childcare	32	29	29	35	38
Elderly nursing care leave	0	0	0	0	0
Short-hours work for elderly nursing care	0	0	0	0	1

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

We reviewed our Supplier Certification System in FY 2015, and took action for the CSR requirements and entrenched the smooth assessment in FY 2016.

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

SII makes a social contribution with the aim of promoting learning through donating to and supporting the Advanced Technology Institute (ATI), LLC.

ATI's mission is to contribute to the promotion of learning, which is fundamental to the progress of society as a whole. 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 organized international forums and other international exchanges to promote research across various professional disciplines conducted by people with different approaches to science and technology, and has granted aid to young researchers to nurture the next generation of leaders.

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 181 people have joined the seminar up to now.

The 10th seminar was held in FY 2016 and 14 participants experienced and enjoyed disassembling and assembling mechanical watches.



Environmental Activities

Additional Planting for "Seiko Instruments Forest"

On March 11, 2017, Makuhari Unit employees visited "Seiko Instruments Forest" located along Kujukuri Beach in Niibori, Sosa, Chiba, Japan, for additional planting. Fifteen employees volunteered to check the growth of the forest on site and planted 170 black pine trees under the guidance of the Chiba Prefecture Forest Owners' Cooperative Association.



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 12 junior high school students in Chiba prefecture as for work-study and internship programs.

Seiko Instruments Singapore Pte. Ltd. (SIS) accepted two junior high school students for a work-study program from the Japanese School in Singapore.

This program is promoted by the Ministry of Education, Culture, Sports, Science and Technology in Japan and run by many Japanese junior high schools in Singapore.



Community Activities

Social Welfare Activities

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

Seiko Instruments (Thailand) Ltd. (SIT) has been visiting local facilities such as temples and schools to donate daily commodities and food.

In FY 2016, on Children Day SIT has visited four schools including Wat Khunyingsomjean school and Wat khien khet school in Pathum Thani Province where SIT locates and has donated stationery, snacks, and funds raised by SIT employees.



As part of Safety and Health Month activity in Instruments Technology (Johor) Sdn. Bhd, 190 employees participated in the Blood Donation activity organized by a public hospital. This activity is also performed at other SII units regularly.



Local Cleanup Activities

Every SII Unit holds regular cleanup activities around their premises, at roadsides, etc. for contribution to the local community and as part of environmental conservation.

[In Japan]

One of SII's training programs for new employees is cleanup activity in a local area. This aims to raise their environmental awareness and teach them the importance of making a contribution to a local community as businesspeople. In FY 2016, 49 new employees cleaned up a wide area from Makuhari Unit premises to the nearest Kaihinmakuhari station.



[Outside Japan]

Guangzhou Seiko Instruments Ltd. (GSW) employees volunteered to clean up Panyu Dafushan Forest Park in Guangzhou City on October 16, 2016. Three hundred and twenty six employees including the president and general manager attended, split into groups of eight, and cleaned up the park over a period of two hours.



SII Environmental Vision

On the occasion of SII's 80th anniversary in 2017, we have formulated an "Environmental Vision" that looks to the future of environmental management from SII's perspective. It highlights SII's direction based on achieving a sustainable society by coexistence with nature, low carbon, and material cycle.

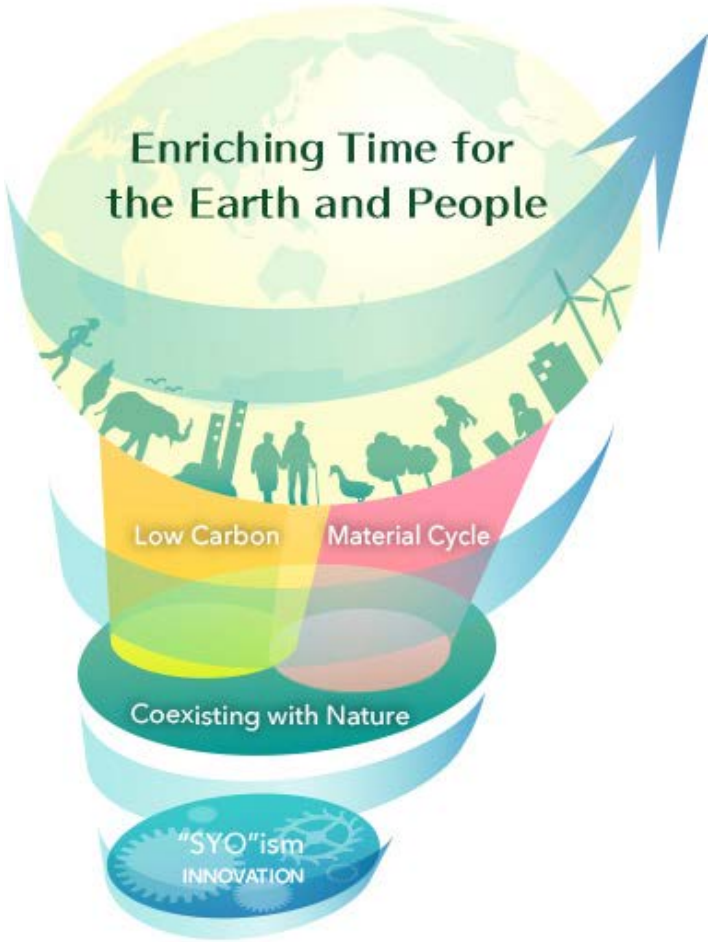
SII was founded in 1937 as a watch manufacturer, and its corporate identity is "Creating Time, Optimizing Time, Enriching Time". As a corporation focused on "time," we pursue the creation of a sustainable society by "enriching time for the Earth and people." This means that SII is making a commitment to "enriching time" that the Earth and people are enjoying, and we hope that enriched "time," which also involves sustainability, will continue into the future.

Innovation is essential for our Environmental Vision, and it cannot be actualized if we continue to work as we have done in the past. However, SII has led in the area of technological innovation to create quartz watches, and has developed new businesses by harnessing its "SYO"ism* technology that has been honed by the processes involved in SII's well-established history of watchmaking.

We remain committed to pursuing innovations by leveraging our "SYO"ism technology and strive to make a contribution to achieving enriched, sustainable time.

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

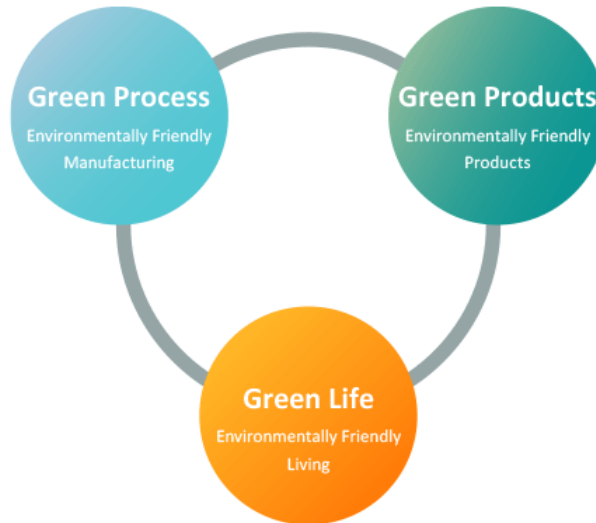
SII Group Long-term Vision Sustainable Society in which SII Believes



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 2017

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, agreements and other duties, 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.

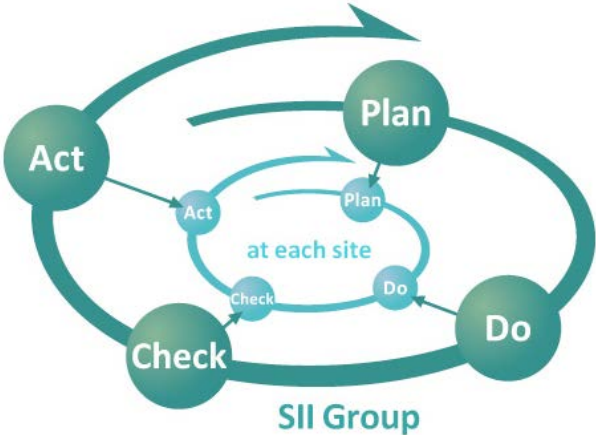
*1 "SYO"ism: SII technology philosophy

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.

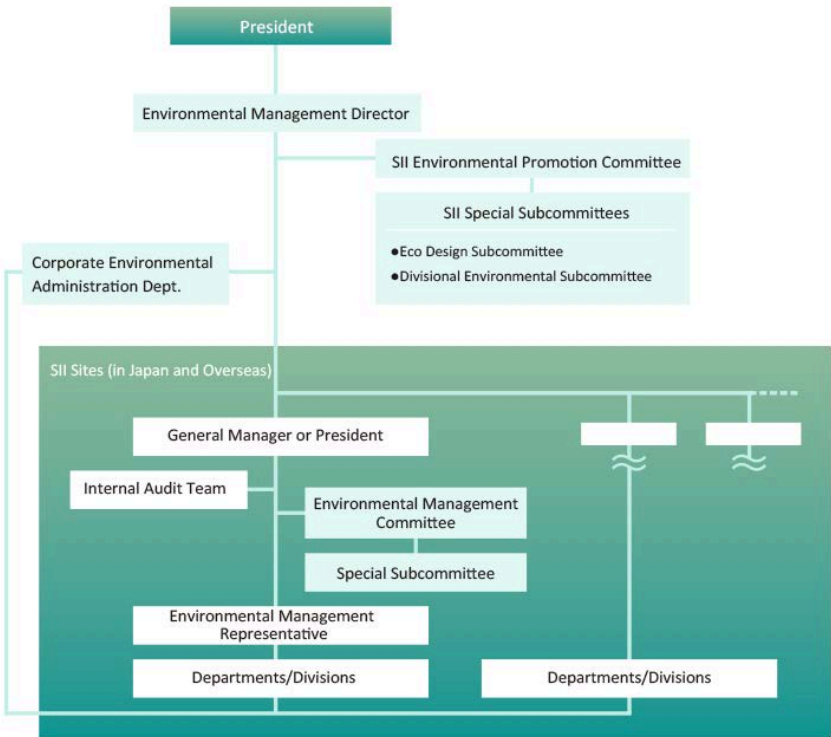
The Corporate Environmental Administration Department at the head office operates the entire SII Group environmental management system and achievements of each site are reported on a regular basis.



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. Having two organizational structures on a unit and divisional basis, the Corporate Environmental Administration Department at the head office cooperates with each unit and division and takes a leading part in addressing their issues.

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. The FY 2016 theme of the committee was "water risks" and the member shared the results of the survey conducted at each site.



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.

SII Green Products

SII introduced the SII Green Product Label System in December 2001 and the SII High Grade Green Product Label System in October 2006, which have ensured the improvement of environmental performance of our own products.

Green Products plus

In addition to improving the environmental performance of our own products, the concept of “improving the environmental performance of our clients’ products in which SII devices or components are incorporated” and “contributing to conserving the environment we all share” is called “Green Products plus,” and we have been focusing on developing the products and services.

Expansion of Scope
— Software and Services—

In addition to hardware products such as equipment and components, the scope of the SII Green Products certification system has been expanded to include software and services.



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.

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 2016 Overview

In FY 2016, the total amount of CO₂ emissions from our sites in Japan was 55,334 tons-CO₂ which was slightly above the target of 54,780 tons-CO₂. The total volume was 935 tons-CO₂, or 1.7%, greater than the volume for FY 2015. This was due to a production increase in the electronic components business. On the other hand, we promoted continued energy-saving activities including working to prevent air leakage from production facilities identified by daily checks, and changing lighting equipment to LED sources.

The total amount of CO₂ emissions at our overseas sites was 36,014 tons-CO₂ in FY 2016, which was 1.4% below the total for FY 2015. These sites also changed lighting equipment to LED sources and improved air conditioning systems.

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 2016 Overview

Waste

The FY 2016 recycling rate at our sites in Japan achieved the target of 90% or more, in fact, our actual performance was 91%. Total waste generation was 2,112 tons, which was 158 tons or 7% less than the total for FY 2015. This was due to there being no bulk disposal of equipment, devices, etc.

The recycling rate at our overseas sites came to 68% and total waste generation was 2,235 tons. Both of these figures were worse than the respective results for FY 2015 due to production increases.

Water Use

SII considers water as valuable natural capital and actively implements 3R activities to conserve and reduce water usage. In addition to reducing the amount of water used, we recycle water used in the manufacturing process to as great an extent as possible.

The amount of water used in FY 2016 at our sites in Japan was 543,000 m³, which was 17,000 m³ more than the corresponding amount for FY 2015, due to a production increase in the electronic components business.

Water usage at our overseas sites was 361,000 m³, which was 12,000 m³ less than the corresponding amount for FY 2015.

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 2016 Overview

In FY 2016, in addition to our commitment to carrying out ongoing conservation activities, we took an approach at each site based on the "SII Group Land-use Guidelines on the Conservation of Biodiversity."

For our products, we added "consideration for biodiversity" to the evaluation criteria for SII Green Products certification.

Assessment of Land Use and Nature Watching

Morioka Seiko Instruments Inc. (MSI) has been carrying out an assessment of land use from the viewpoint of biodiversity since FY 2012. This activity conforms to "Guidelines for Sustainable Business Sites" issued by "General Incorporated Foundation JAPAN BUSINESS INITIATIVE FOR BIODIVERSITY"(JBIB), and is assisted by outside specialists and supported by their advice. In and after FY 2015, MSI has held a nature watching event in addition to carrying out the assessment of land use, and has observed and learned about a variety of living creatures inhabiting the forest in the MSI premises.

In addition, MSI received a special ABINC award established by ABINC in October 2016 for excellence in communication through activities aimed at conserving biodiversity



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.

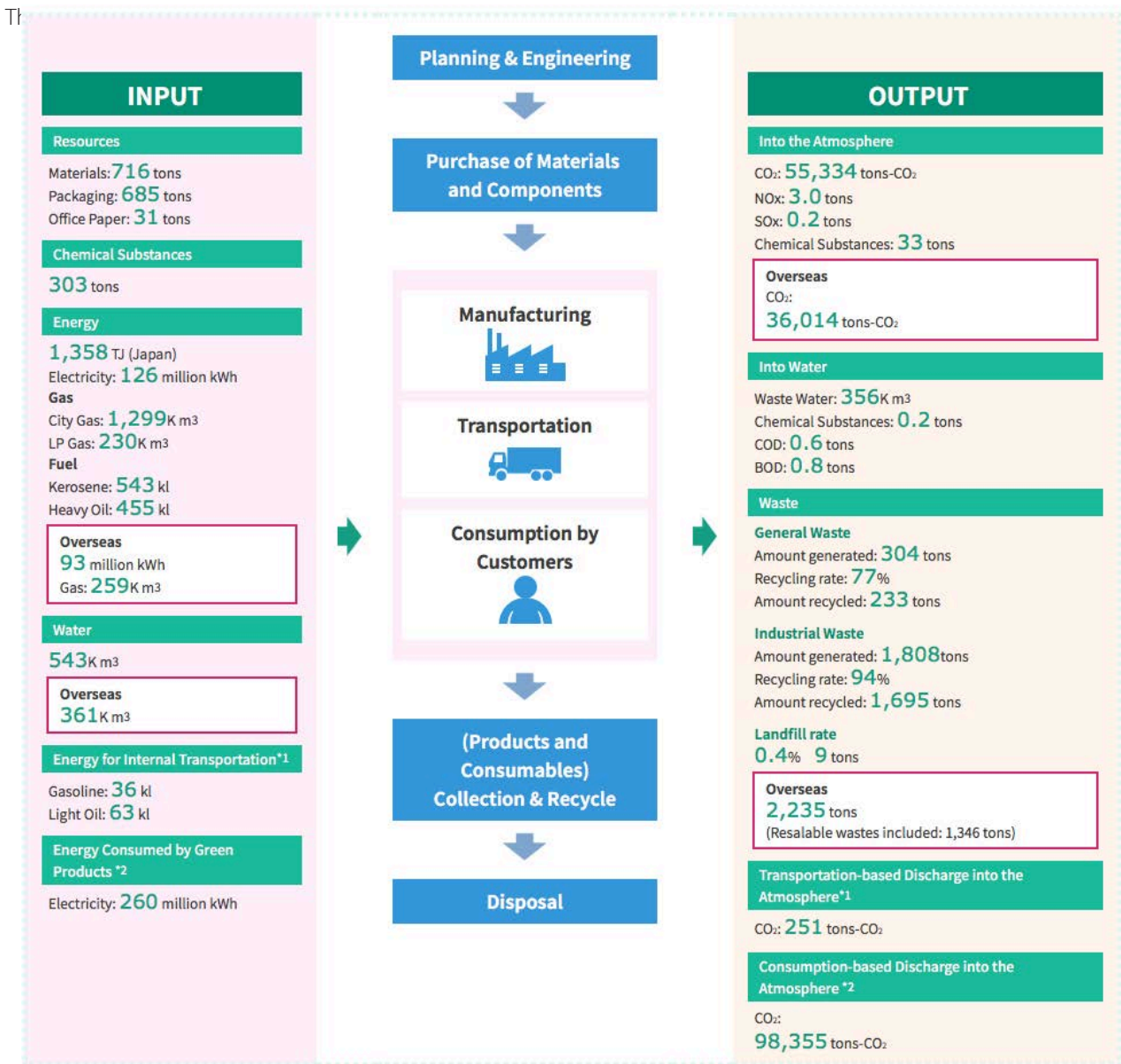
Reduction of Chemical Substances Subject to Control/FY 2016 Overview

The FY 2016 total emission of chemical substances subject to control in manufacturing process was 33.6 tons, which was approximately 3.2 tons greater than the total for FY 2015.

The amount of handled PRTR substances was 79.9 tons, which was approximately 2.3 tons less than the amount for FY 2015.

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.



*1: Transportation among the SII Group companies in Japan

*2: Estimated annual energy consumption of SII Green Products certified up to FY 2016

INPUT	
Materials:	Metals, plastics, glass and other materials used in production
Packaging:	Plastics and paper to be recycled according to the Law for Promotion of Sorted
Office Paper:	Paper for printers and copiers
Chemical Substances:	PRTR hazardous chemical substances, HFCs, PFCs, SF ₆ and VOC
Electricity:	Power purchased from electric companies
Gas:	City gas and LP gas
Fuel:	Kerosene and heavy oil
Water:	Tap water, industrial water and groundwater

OUTPUT	
CO ₂ :	From use of electricity, gas, oil, and cooling and heating water
NO _x :	From use of gas and oil
SO _x :	From use of oil *NO _x and Sox figures represent business units installing soot and smoke emitting facilities which are regulated by the Air Pollution Control Law.
Chemical Substances:	PRTR hazardous chemical substances, HFCs, PFCs, SF ₆ , and VOC discharged into the atmosphere and water
Waste Water:	Released into rivers and sewer systems
COD (Chemical Oxygen Demand):	Pollution load *Limited to the business units subject to the regulations in the Water Pollution Control Law covering the total pollution amount
BOD (Biochemical Oxygen Demand):	Pollution load *Limited to the business units installing specified facilities as prescribed by the Water Pollution Control Law
General Waste:	Paper and food wastes generated by or as a result of industrial operations
Industrial Waste:	Waste oil, acid, alkali, plastics, ash, sludge, and other materials generated by or as a result of industrial operations
Final Landfill Rate:	The ratio of the landfill amount to the total waste amount

CSR Targets and Results

Our major CSR activities carried out in FY 2016 are as follows.

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

Compliance

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 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	○	Continue the educational activities to senior management on compliance awareness (every 2 or 3 months)
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: **6**

Risk Management

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Continue to implement and promote the group-wide risk management activities	Implemented PDCA for evaluation and management of key risks (Took 34 actions)	○	Continue to implement and promote the group-wide risk management activities

Intellectual Property

The number of SII's patents Japan: **2,459** Overseas: **3,443**

Customer Satisfaction

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Continue the efforts for customer satisfaction improvement	To be continued	○	Continue the efforts for customer satisfaction improvement

Quality Control/Product Safety

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Product safety check: conduct the check at 7 divisions	Conducted the checks for 7 times	○	Product safety check: conduct the checks for 18 times
Product safety: review system and conduct seminars for 4 times	Held 8 working groups	○	Product safety: Hold 7 working groups
Operation process checks: conduct the checks at 15 divisions focusing on manufacturing divisions	Conducted the checks at 16 divisions	○	Operation process checks: Conduct the checks at 16 divisions

Universal Design

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Continue education, confirmation, and checking of GREENDESIGN SPIRITS10*	Continued announcement of GREENDESIGN SPIRITS10 - Conducted self evaluation of products created based on the GREENDESIGN SPIRITS 10 - Check the concept	○	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 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Create methods how to thoroughly communicate "the spirit of respecting human dignity" at all sites and work to enable all employees to understand and recognize the spirit of respecting human dignity - All sites outside Japan: Incorporate the spirit of respecting human dignity in rules and regulations	Incorporated the spirit of respecting human dignity in rules and regulations at all sites		Verify the thorough communication of "the spirit of respecting human dignity" to employees at all sites outside Japan
Have the Legal and HR departments verify and complete the Action Guidelines at all sites, and then thoroughly communicate the information to all employees - Have the Legal and HR departments verify and complete the Action Guidelines in Thailand - Thoroughly communicate the Action Guidelines to all employees at the sites other than Thailand	- Completed most of the Action Guidelines in Thailand - In the process of thoroughly communicating the Action Guidelines to employees at the sites other than Thailand		Thoroughly communicate the Action Guidelines to employees at all sites outside Japan

Childcare leave taken by **22** employees Short-hour work for childcare taken by **38** employees

Safety and Health

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Conduct the SII Group comprehensive safety inspection (self inspection) at all manufacturing sites in and outside Japan: Conduct on-site check after the self inspection	Conducted the SII Group comprehensive safety inspection (self inspection) at all manufacturing sites in and outside Japan: - On-site check was postponed to FY 2017 due to the review of responsible dept. and contents of inspection		Conduct the SII Group comprehensive safety inspection (self inspection) at all manufacturing sites in and outside Japan: - Conduct on-site check after the self inspection
Hold the lifesaving seminars at 6 sites in Japan	Held the lifesaving seminars at sites in Japan (265 participants)		Hold the lifesaving seminars at sites in Japan
Implementation rate for the specific health checkups: 86%	85% *1		Implementation rate for the specific health checkups: 90%

*1 The percentages are the forecasts as of July 2017.

Coexistence with Society

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 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 2016 Target	FY 2016 Results	Evaluation	FY 2017 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

Creation of Eco-friendly Products

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Increase the sales rate of SII Green Products	(General products): 98% or more 97.5%		Maintain the rate at 98% or more
Increase the number of SII High Grade Green Products	3 or more products 4 products		3 or more products

Control of Chemical Substances Contained in Products

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 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} 98.0%		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} 95.9%		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 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Reduce energy-related CO ₂ emissions	Improve by 1% or more per unit of production at sites in Japan Total amount: 54,780 tons-CO ₂		Improve by 1% or more per unit of production Total amount: 54,216 tons-CO ₂ Reduce by 25% from FY 1990 by the end of FY 2020
	Reduce by 1% from FY 2014 at each overseas site		

Resource Recycling


FY 2016 Target		FY 2016 Results	Evaluation	FY 2017 Target
Improve the recycling rate of wastes	Maintain the rate at 90% or more at sites in Japan	91%		Maintain the rate at 90% or more
	Improve by 3 points from FY 2015 at overseas sites	68%	—	+3 points from FY 2016 at each overseas site
Reduce water use	-1% from FY 2015 at sites in Japan Total amount: 521,000 m ³	543,000 m ³ +3% from FY 2015		-1% from FY 2016
	Reduce by 1% from FY 2015 at each overseas site	361,000 m ³ -3% from FY 2015	—	-1% from FY 2016 at each overseas site
Reduce office paper use	Reduce by 3% from FY 2015 at overseas sites	19.4 tons -5% from FY 2015	—	-3% from FY 2016 at each overseas site

Chemical Substances Control

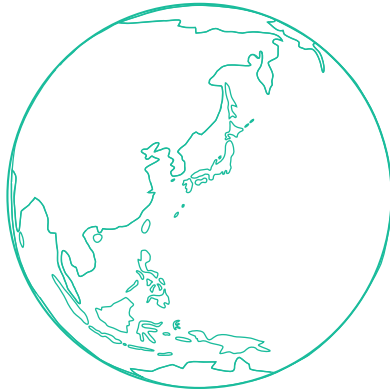
FY 2016 Target		FY 2016 Results	Evaluation	FY 2017 Target
Reduce the amount of emissions of chemical substances*	(Japan) Maintain +5% or less from FY 2015	34 tons +10.6% from FY 2015		(Japan) Maintain +5% or less from FY 2016

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

Biodiversity

FY 2016 Target	FY 2016 Results	Evaluation	FY 2017 Target
Continue the assessment 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 - Completed the first stage of SII Group Land-use Guidelines on the Conservation of Biodiversity 		<ul style="list-style-type: none"> - Continue the assessment of land use - Complete the second stage of SII Group Land-use Guidelines on the Conservation of Biodiversity

- 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



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