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 within the SII Group. 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 the problem and prevent the recurrence of accidents. 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 to attain the higher level of customer satisfaction through product consultation service as well as repair and supply services.

Disclosure of Product Safety and Quality Information

We strive to minimize our customers’ disadvantages by promptly and precisely providing SII products’ safety, accidents, and important 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 "basic policies of 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 "basic policies of human rights."

In FY 2017, SII verified that this spirit is incorporated into each regulation. In FY 2018, we will introduce a rule to ensure that all employees are aware of the spirit, and human resource employees at head office will visit each site to confirm the awareness of all employees.

Support for Career Development

SII is focusing 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, an hourly leave system has been modified to two hours to one hour, enabling more flexible working styles. In addition, semiweekly No Overtime Days and semi-monthly No Meeting Days have been established across the board to improve productivity. In FY 2018, the labor-management team will hold a meeting to discuss the Short-Time Regular Employee System to be introduced in FY 2019.

Status of Utilization of the Systems (Japan)

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<th>System</th>
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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**

SII contributes to technical advancements as a social contribution through donation and operational support to Foundation Advanced Technology Institute (ATI). 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, they have organized international forums and other international exchanges to promote researches across various professional disciplines conducted by human resources with different approaches in science and technology, and have granted aid to young researchers to nurture the leaders of the next generation.

### Environmental Activities

**Environmental Report Meeting**

Morioka Seiko Instruments Inc. (MSI) has held an “Environmental Report Meeting with Local Communities” since 2008. For FY 2017, a total of 16 members, including local residents as well as members from companies and the government of the Shizukuishi area, participated in the meeting held on October 16, 2017.

After MSI’s explanation and report of the company profile and our environmental activities focusing on biodiversity conservation, the participants visited the manufacturing premises, outdoor facilities, and the biodiversity conservation areas of MSI.

It was the 10th Environmental Report Meeting this year. MSI will continue to conduct business and environmental activities while appreciating local residents’ understanding.

### Educational Support

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

**Internship Programs and Factory Tours**

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

These educational programs are called Job and Dream Best Match Programs and the aim is to help people find ways to make their work rewarding and interesting and to learn the importance of having a connection with society through working. This marked the 12th time the program was implemented.

Seiko Instruments Singapore Pte. Ltd. accepted five 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 carried out by many of Japanese junior high schools in Singapore. This was the eighth time.

The students participated in the reception service and watch assembly process over a total of two days. During the watch assembly process, they were surprised at the mechanisms and functions of watches, and enjoyed their learning experience.
Community Activities

Social Welfare Activities
The SII Group subsidiaries and affiliates conduct social welfare activities entrenched in local community.

Three employees of Seiko Instruments Singapore Pte. Ltd. visited a nursing home and spent time talking with residents. They also donated funds they had raised.

As part of Safety and Health Month activities carried out by Instruments Technology (Johor) Sdn. Bhd, employees have been donating blood to the local national hospital since 2013. In FY 2017, 187 employees donated blood.

Ohno Unit is supporting Emergency Safe Haven activity for the local elementary school students. A part of the premises is provided as a bus stop for kindergartens.

Local Cleanup Activities
Every SII Unit in and outside Japan holds regular cleanup activities around their premises, at roadsidens, 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 2017, 41 new employees cleaned up a wide area from Makuhari Unit premises to the nearest Kaihinmakuhari station.

Akita Unit carries out an annual cleanup activity with walking titled “Tomoshibi, cleaning and walking.” The title “Tomoshibi” means "servicing together” for making a contribution to a local community. For FY 2017, about 250 employees participated after work on May 31. This activity combines various kinds of advantages including exercise, a contribution to beautification of a local area, and even improvement of communication among employees.

[Outside Japan]
Guangzhou Seiko Instruments Ltd. (GSW) employees volunteered to clean up Huayang Lake Wetland Park in Dongguan City on December 2, 2017. About 150 employees and their family members including the president gathered, divided into the groups, and cleaned up the park. GSW continues to make a contribution to environmental conservation of a local community.

In conjunction with the Environmental Month 2017, Seiko Instruments Singapore Pte. Ltd. has organized “Keep the Park Clean Activity” at the Woodland Waterfront Park on December 21, 2017 and 28 employees participated. The aim of this project is to involve employees in nature conservation and to Adopt Clean & Green Attitude.