



SII Group Social and Environmental Report 2005



Striving for Coexistence with Society and Harmony with the Earth



Seiko Instruments Inc.
Corporate Environmental Administration Group

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SII Group Green Plan

Social and Environmental Report

2005



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About This Report

- Since in 1996, the SII Group has published an annual Environmental Report to inform our stakeholders of the Group's environmental activities and results. In this edition, we have added a statement on our social principles and actions, to complement the former environmental report.
- Accordingly, we have revised the title of this report to the "Social and Environmental Report" to better convey our community-based initiatives.
- In drafting this report, we have referred to the 2003 edition of the Japan Environment Ministry's Environmental Report Guidelines as well as other relevant guidelines.

Scope of This Report

This report focuses on efforts and achievements at our 11 domestic sites and seven overseas sites.

Period Covered by This Report

This report covers activities and results from March 2004 to February 2005, and also includes information about subsequent activities and our prospects.

Major Developments during This Report Period

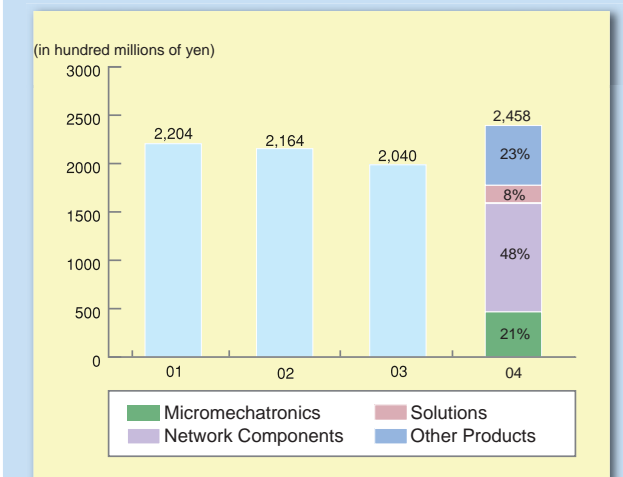
Aug. 2004 : Merged SII Quartz Techno Ltd.
(Presently our Tochigi business unit)
: Relocated our Nihonbashi business unit
to our Makuhari headquarters

Contact Us at

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Corporate Data

Corporate name: Seiko Instruments Inc.
Established: September 7, 1937
Paid-in capital: ¥4,750 million
Fiscal year end: End of February
Products: [Micromechatronics]
Watches, watch movements,
ultrasonic motors, HDD
components, machine tools,
etc.
[Network Components]
LCD modules, CMOS ICs,
microbatteries, quartz crystals,
etc.
[Solutions]
Order entry systems, time
authentication services, data
communication devices,
mobile phone content services,
electronic dictionaries, etc.
[Other Products]
Compact thermal printers,
large format printers/plotters,
inkjet printer heads, analytical
and measuring instruments,
etc.
Annual sales: ¥165,400 million
(nonconsolidated);
¥245,800 million (consolidated)
Number of employees: 3,200 (nonconsolidated)
7,900 (consolidated)
Consolidated sales for the last four years:



*FY2003 refers to 11 months from April to February because SII has implemented an annual accounting systems ending in February.





Junichi Hattori
Chairman of the Board

Yukihiro Chayama
President, CEO, COO & CFO

In conjunction with last year's change of our official Japanese company name, we also re-established our Core Values (CV) and Corporate Identity (CI) (see right page). CV refers to our basic management stance, while CI describes our mission and how we want to be perceived.

Core Values and Corporate Identity

"Integrity, Trust and Appreciation" indicates that we are committed to approaching our work with honesty and integrity, no matter what the work; that we respect the relationships of trust that we hold with society and our customers; and that we will consistently and continuously show our appreciation to every one of our stakeholders - the people who trust and support the SII name.

No matter how wonderful the products and services a company provides are, if that company acts without integrity, it will not be able to gain society's trust. It is clear that without that trust, a company will not be able to grow and survive for the long term. "Integrity, Trust and Appreciation" are the very core of SII's management.

Another way of putting it is that "Integrity" and "Trust" are a part of SII's DNA, and have been handed down from generation to generation since the founding of our company. This is probably because our basic business culture was formed over many decades based on the manufacture of high-quality, extremely reliable watches and has been perpetuated across the wide range of SII business activities.

Our CI, "Creating Time, Optimizing Time, and Enriching Time", evolved from our mission and dream for SII's products and services to contribute to building a happy and satisfying society where people of the world are blessed with ample time. By using the keyword "time" as the starting point, we have been able to clearly express SII's identity.

This CI - our ideal corporate image - will be achieved through our products and services, through the actions of each and every one of our employees, and through our combined activities as a corporation. In order to make this CI a reality, we have clearly defined our Conceptual Approach, Behavioral Approach, and our Environmental Approach.

Conceptual Approach, Behavioral Approach, Environmental Approach

"Craftsmanship and Excitement", our Conceptual Approach, are our guiding principles as we conceive new ideas and innovations. "Craftsmanship" refers to the spirit of craftsmanship, and the creation of new value using SII's unique skills and techniques that cannot be imitated by our competitors. In addition to this spirit of craftsmanship, we place great importance on the "excitement" that comes from the feeling of joy or exhilaration that occurs when we create new value for our customers.

"Diligence and Creativity", our Behavioral Approach, are

the guiding principles for our everyday actions. To achieve our targets and ideals, we must "create" beneficial value for our customers and society with "diligence" - striving with total devotion - and with our sights always set one step ahead of the times.

Finally, "Coexistence and Harmony", our Environmental Approach, demonstrate our corporate commitment to our society and natural environment of the earth. At SII, we are not just concerned about our own corporate benefit. Rather, we seek constructive coexistence as members of the international and local communities, and perpetual "harmony" with our natural environment.

Through our CV and CI, we have defined the basic stance we take to conduct our business, as well as the corporate image and behavioral approach we are striving for. By doing this, we clearly show our direction and goal, and, focus the skills and enthusiasm of every one of our employees. Everyone at SII will pay close attention to our CV and CI. By putting them into practice, we hope to remain a highly trusted and appreciated corporation.

Social Responsibility

Now, more than ever, corporations are being strongly urged to fulfill their social responsibility. There are a number of contributing factors. Societies have matured, ethics have been demanded of corporations, and a spate of social problems and scandals has heightened expectations for monitoring and social justice. There has also been a rising sense of crisis regarding environmental problems, not least of which is global warming. The productivity growth of corporations, the globalization of economies, and the progress made in the industrialization of developing countries have given rise to excess supply and excess competition. It could be argued, from these circumstances, that the demands that societies put on corporations are no longer just economic-based, but now extend to include social responsibilities as well.

Corporations have a primary economic responsibility to provide valuable products and services, generate profits, and to share those profits with their stakeholders. Business activities are based upon the spirit and letter of the law. Being fair and transparent is also expected as a fundamental responsibility. Voluntary and active efforts for the preservation of the environment, and contributions to social welfare and order are also viewed as more proactive ways of fulfilling corporate responsibility. At the same time, in dealings between corporations monitoring of social responsibilities has begun. This includes compliance with laws and regulations by contracted companies, and setting higher standards of achievement, which create new prerequisites for supplier competitiveness.

SII: Core Values and Corporate Identity with Social Responsibility

As described in our CV, the basic stance we take in all our business activities is "Integrity, Trust and Appreciation". Likewise, this is also the basic stance we take when approaching our social responsibility. Assuming that we act with "integrity" for society and our stakeholders, then fulfilling our social responsibility becomes a requirement. Furthermore, by clearly declaring "a constructive coexistence with international and local communities," and "harmony with the global environment" in our Environmental Approach, we are seeking to fulfill our social responsibilities through the activities of SII and all of our employees. At SII, we are committed to continuing our efforts for social responsibility in all aspects of our business. Naturally, this applies to our products and services, but it also applies to quality, procurement, employment, information disclosure, the environment, and our operations overseas. We aim to be a corporation which is respected and supported by society and all of our stakeholders. Furthermore, with our keywords of "Creating Time, Optimizing Time, Enriching Time," through new value creation, we hope to help people enrich their time. We believe that these types of contribution to society are our way of fulfilling our corporate social responsibility consistent with our identity.

In January of this year, we established the Corporate Social Responsibility (CSR) Committee for the purpose of addressing our social responsibility on a SII Group-wide basis. With the President officiating as chairman, the committee includes representation from all operational departments and divisions including members from our head office. We believe that by implementing this committee, we will be able to expand our activities facilitated by swift decision making and backed by a powerful driving force. At the same time, having senior observers attend the committee meetings provides for valuable input and avoids complacency. By fulfilling our social responsibilities in this manner, we aim to satisfy the expectations of society and of all our stakeholders while, at the same time, increasing our corporate value.

Comments and Suggestions

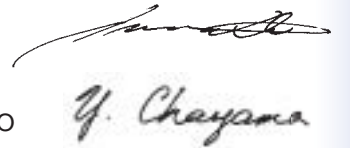
We hope that you will find this year's report to be of interest. SII is dedicated to the continuous improvement of our environmental activity and social responsibility. As a company, and as individuals, we will work harder than ever to earn society's trust. We gladly welcome any comments and suggestions that you may have.

September 2005

Seiko Instruments Inc.

Junichi Hattori
Chairman of the Board

Yukihiro Chayama
President, CEO, COO & CFO



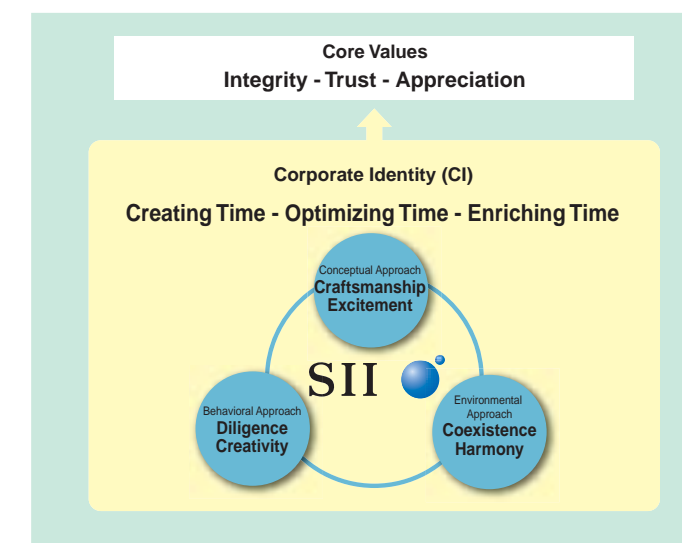
SII Core Values and Corporate Identity

CV Integrity - Trust - Appreciation

We approach all our business activities with integrity, fostering the trust of our customers and society, with a sense of appreciation towards all stakeholders.

CI Creating Time - Optimizing Time - Enriching Time

By continuing our pursuit of production efficiency, we help people create time; by developing electronic devices and network devices, we help people optimize their time; and by creating new values, we help people enrich their time.



Conceptual Approach Craftsmanship - Excitement

By creating new values through a craftsmanship comprising inimitably meticulous skills and techniques, we cherish the sense of excitement gained from delivering these values to our customers.

Behavioral Approach Diligence - Creativity

To reach lofty ideals and goals, we must strive with diligence for the creation of new values that are innovative enough to be ahead of the times.

Environmental Approach Coexistence - Harmony

As a good corporate citizen, we must seek a constructive coexistence within the international and local communities that are in harmony with the global environment.

Corporate Governance

In order to meet the expectations of our stakeholders, including shareholders, it is important not just to strengthen competitiveness in terms of improving profits, but also to monitor management. In recent years, more and more significance is being placed on corporate governance, aimed at achieving such a monitoring function. At the SII Group, with the policies described below as our corporate governance, we will work towards improving our corporate governance framework.

Basic Corporate Governance Policies

The basic policies of SII's corporate governance are to develop an organizational structure and mechanisms to ensure transparency and fairness in our management, and to strive for increased corporate value, while implementing necessary policy measures and securing the understanding of our stakeholders.

Separation of the Management and Executive Functions

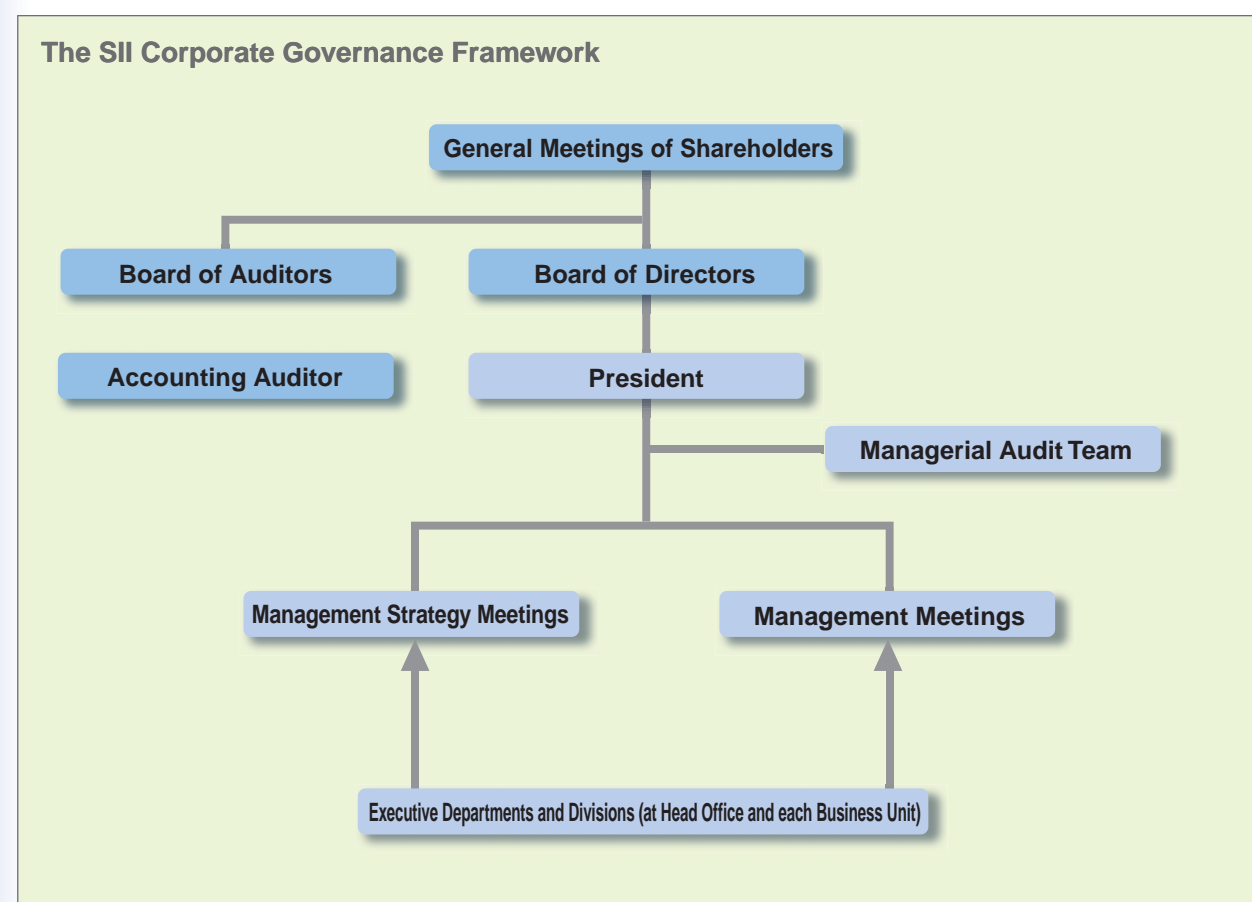
In 1999, SII significantly reduced the number of directors and also implemented the Executive Officer System, to facilitate the separation of management and executive functions, and to improve the effectiveness of the supervisory function of the Board of Directors. Subsequent to this, we implemented the Business Unit System which arranges several business areas into business units. By transferring authority to the heads, or presidents, of these business units, we have facilitated swifter decision-making and made for more effective operations.

Enhancement of the Management Supervisory Function

We are cognizant of the importance of using outside directors and auditors for the supervisory and monitoring functions of our business performance, and we have actively made such appointments.

In 2002, we strengthened the supervisory function of the Board of Directors, and appointed an outside director to increase the objectivity of our management. Since then, we increased the number of appointments, and currently we have two outside directors.

Furthermore, we have developed the Board of Auditors into one which is able to monitor the execution of duties by directors. We have strived to ensure the effectiveness of audits, through discussions at meetings of the Board of Auditors, through fulltime auditors routinely attending important meetings such as management strategy meetings, through regular meetings with our representative directors, and through visiting audits. The majority, or three out of the four auditors, is outside auditors to ensure fairer audits.



CSR We Seek

The SII Group's Corporate Social Responsibility (CSR) is at the very root of our core values, "Integrity, Trust and Appreciation," which demonstrate our basic stance on our relationships with society and our stakeholders.

Core Values & Corporate Social Responsibility

At SII, we work with integrity no matter what the job; we respect the relationships of trust we have with society and our stakeholders, as well as we value the feelings of appreciation we have toward every one of our stakeholders. These core values form the fundamental approach we adopt in conducting our business activities, and also form the fundamental perspective we have on SII's CSR. By fulfilling our CSR, we hope to be a company that continues to be needed and trusted by society and our stakeholders, even as the times around us change.

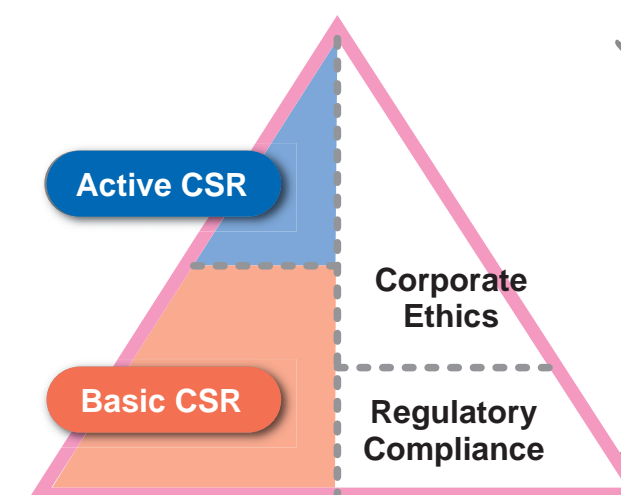
SII's Sense of Corporate Social Responsibility

CSR is typically said to be the responsibility that companies have toward the economy, society and environment as they try to expand their business. We believe that CSR is to value the harmony between society and a company, while aspiring for the sustainable development of both. We believe that it is basically to create an economic profit for society, together with complying with the law and striving for ethically correct conduct. After that, it is the creation and provision of new value, through products and services, for stakeholders, including customers, employees and shareholders, and for society at large. In specific terms, we believe that CSR includes improvements of product reliability, and a quality service structure; a comfortable workplace a fair performance evaluation; and a reduction in environmental impact. At SII, we aim to undertake CSR initiatives from the perspective of a good corporate citizen, namely, a member of society. Our initiatives will cover all aspects of business, including the environment, human rights and employment, health and safety, quality and procurement.

Basic CSR and Active CSR

We recognize CSR from two viewpoints: basic CSR and active CSR. See Figure 1. Basic CSR is the responsibility that should form the very basis of a company - the responsibility of keeping order and earning trust in a fair manner, through the protection of those things prescribed by law, and through taking actions that are consistent with corporate ethics. Active CSR is not the compliance with law or any such obligation; rather it is the active provision of meaningful value to stakeholders, and the enhancing of satisfaction for each and every stakeholder. Previously at SII, we had strived to ensure corporate fairness and trustworthiness by establishing the Compliance Committee and the Risk Management Committee. From now on, our efforts will cover a broader range, covering active CSR in addition to basic CSR, and we aim to enhance the brand image and the corporate value of SII.

A closer look at the CSR we seek



CSR Themes

- Environment,
- Human Rights,
- Employment Opportunities,
- Safety/Health,
- Quality Goods / Services,
- Supply Chain Management,
- Fair & Legal Business Practices,
- Product Safety / Liability,
- Customer Satisfaction,
- Protection of Computer-processed Personal Data,
- Corporate Philanthropy,
- Regulatory Compliance,
- Risk Management,
- Governance,
- Disclosure

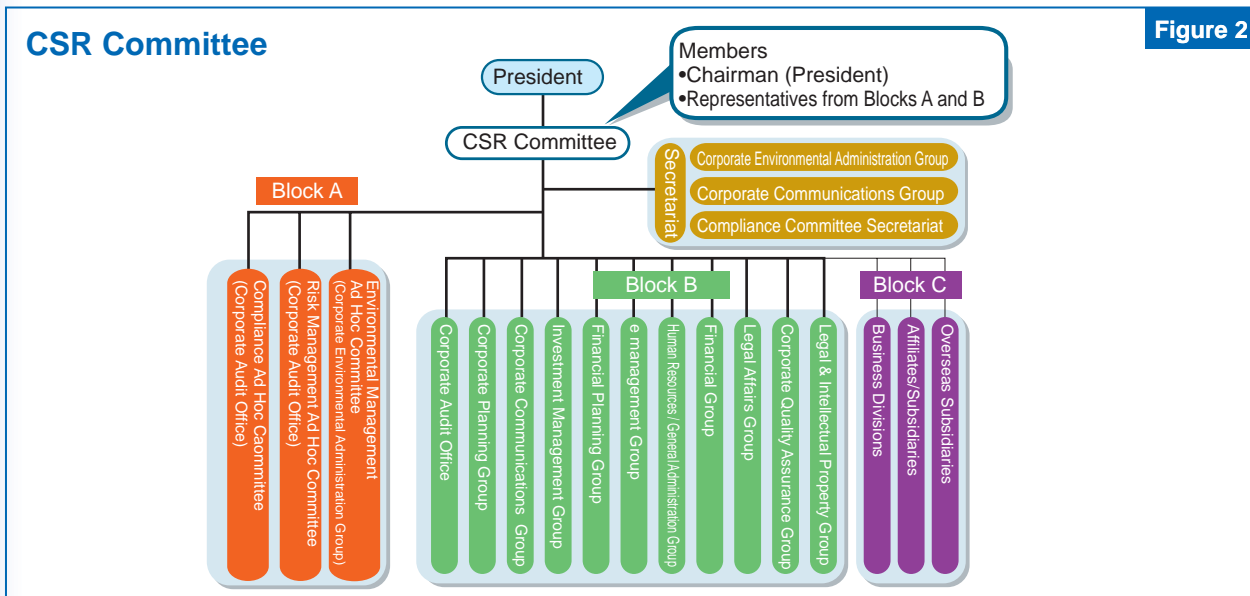
Figure 1

Establishment of the CSR Committee and Future Developments

In January 2005, SII established the CSR Committee to promote company-wide CSR activities. With the President serving as the committee chairman, the CSR Committee comprises representatives from all the operational departments and divisions at our head office. It is structured to implement measures across the whole company using its committee authority. See Figure 2. The CSR Committee is positioned as the corporate level umbrella the Compliance Committee, Risk Management Committee and the environmental management system. While coordinating with these committees and system, the CSR Committee plays a central role, and comprehensively and effectively develops and promotes CSR-related measures. Since January, the CSR Committee has reviewed the framework under which all the operational departments and divisions at our head office perform their operations, the current status of those operations, as well as the status of the activities by the Compliance Committee and the Risk Management Committee. The committee has identified SII's basic CSR efforts (legal compliance and corporate ethics). Based on these results, the committee has categorized into themes and is

trying to promote those areas that should be managed by the committee as well as new initiatives, in order to address basic CSR in a more reliable and higher level. The committee has also reviewed efforts for active CSR which are already being implemented, and is working to strengthen promotion of such efforts. In light of SII's vision, the committee is also proceeding with reviews related to themes for active CSR that should be addressed in the future, while drawing upon trends in society at large and new developments by other companies. Once the CSR Committee has selected the themes, the relevant operational departments and divisions at our head office will establish benchmarks and prepare plans designed to achieve them. The committee will reexamine and discuss these themes and will officially implement them. The committee will manage the respective progress, and will ensure the promotion of each theme. It is also planned that the CSR Committee will conduct a range of educational activities for all employees, using the Intranet and other media, for the purpose of increasing the knowledge and awareness about CSR among employees.

Figure 2



Compliance

We believe that doing business in accordance with laws, regulations and rules, as well as social common sense and commercial ethics as corporate citizens and members of society, and implementing compliance activities are linked to improving a company's collective strength, and will lead to a stable and sustainable development of the company. We have established the Compliance Committee to further develop compliance activities throughout the SII Group. The committee has been promoting awareness and education about compliance, and has been advocating countermeasures to tackle problems should they arise.

SII Group Code of Conduct

We have adopted SII Group code of conduct as a common set of standards to be followed by all employees and officers who are engaged in business activities in the SII Group. The SII Conduct Code clearly stipulates criteria for determining our responsibilities as a corporation and as a corporate citizen in our business and daily activities, together with guidelines for keeping our operations in compliance with social imperatives.



Privacy Protection

SII believes that the appropriate protection of personal information is one of our social responsibilities. Since the establishment of our Personal Information Protection Policy, we have been promoting efforts to protect the privacy of personal information.



Personal Information Protection Policy

Compliance Consultation Service

A compliance consultation service was established within SII for employees to report or query compliance matters at any time.

In connection with the establishment of the SII Code of Conduct and the establishment of the Compliance Committee as well, this service allows employees to query the behavior of their superiors or workmates.



SII's Advice Request form

Compliance Education

We have actively delivered an education program to raise the awareness of compliance and to prevent any violation of individual laws and regulations.

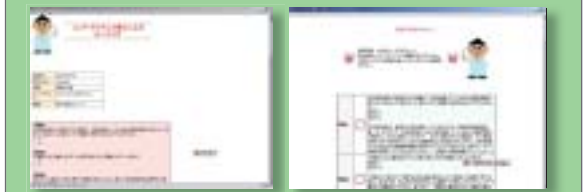
In July 2004, we held the Export Control Seminar for directors of each division and department. The purpose of the seminar was twofold: to increase the awareness and understanding of both the importance of export control and the gist of the relevant laws, regulations and company rules; and to ensure that appropriate export controls are implemented in each division and affiliated company.



▲Export Control Seminar

From October through to November 2004, we also conducted the Compliance Quiz for the purpose of disseminating, educating and raising the awareness of compliance. The quiz was directed at all employees and officers in the SII Group, and drew upon content from the SII Conduct Code and company rules, such as those regarding security control and the protection of personal information.

To mark the full enforcement of the Personal Information Protection Law on April 1, 2005, we have also been running education programs at each business unit since January 2005. The programs are aimed at increasing the understanding of the Personal Information Protection Law and raising the awareness of the importance of the protection of personal information, in order to ensure the correct management of such information.



Compliance Quiz

Risk Management

We have established a Risk Management Committee whose purpose is to help ensure that we always maintain an appropriate stance with respect to risks throughout the Group. The committee is charged with identifying and evaluating risks related to all Group operations - including catastrophic risks, product liability and quality defect risks, risks of criminal activities against our businesses, risks related to our information systems, and environmental risks - and with examining and developing appropriate prevention policies together with risk reduction and risk diversification.

"10-Minute Rule & 2-Hour Rule"

We have established, and operate under, a "10-Minute Rule & 2-Hour Rule" for information to be communicated to top-level management in the event an actual instance arises where there are fears of a certain risk.

The rule is that: "In the event a risk arises which may affect management, the President will be notified within ten minutes if it arises at head office, or within two hours if it arises outside head office." We think that swift communication to the top will minimize the risk. So, communication modes and methods, such as hierarchical check have been intentionally omitted from the rules. The President has also promised not to

reproach any report of information even if it is later revealed to have been in vain. The Risk Management Committee has been regularly instantiating the rule to all employees in order to promote familiarization. The intention of the committee is to establish the rule as a culture, rather than just a system, and for all employees to raise their awareness of risk and to take quick action. For example, at the time of the Chiba Hokutoubu Earthquake on April 11, 2005, "nil damage" reports to the President were received from all offices that felt the tremors within around 30 minutes, confirming that the rule is functioning effectively.

Overview of SII Group Operations

SII Group products appear in many places and at many levels throughout our society. They are used by individuals, and also used in restaurants, taxis, offices, laboratories, and factories. We also manufacture parts that serve as key components in a wide range of goods. Here we introduce some of the SII Group products, their connection with society, and their applications.

Large Format Printers/Plotters

These devices offer high-speed output and high-quality imaging. Intended for use in graphics industries and for use by businesses that are involved in designing in the fields of construction, civil engineering, machining and tooling, and electronic circuitry.



Network Devices

A wide range of broadband-oriented components for remote access servers, communication servers, and other devices designed to support IP VPN, wide-area Ethernets, and many other communication services.



Mechanical Watches

These classical-style wristwatches use no electronic parts at all. Some are self-winding, while other requires manual winding. All of them offer graceful and impressive mechanisms.



Quartz Analog Watch Movements

One of our bestselling components, used by OEMs throughout the world.



Internal Grinder

This CNC fully automatic internal grinder achieves a balance between compact size and easy maintenance, and can grind miniature and small bearings with high-precision and high-efficiency.



Photomasking Repair System

This device utilizes an FIB (focused ion beam) to repair defects in the photomasks and reticles used in semiconductor devices. The device is capable of highly precise, low-damage repair of the tiny defects and multiple shape irregularities that can occur in photomasks.



Wireless Credit/Debit Card Authorization System "Crepico"

Japan's first realtime wireless authentication system. Ideal for processing credit and debit card payments where wired systems are not appropriate in taxicabs, for door-to-door sales and collections, at exhibitions, and in many other such environments.



Order Entry System

This popular, widely used system implements integrated management of all relevant information: from customer orders to cooking instructions to billing and accounting, to shop administration.



Thermal Printers (Mechanical unit and peripherals)

Our miniature printer engine supports low-power, high-speed thermal-head printing. We can provide total print-system support, and rapid customizations to meet specific needs.



Analytical and Measuring Instruments

Our Instruments support a wide range of analysis and measurement. These include: high-speed, high-resolution fluorescent X-ray analysis; ICP emission spectrometry; probe microscopes; and film thickness measurements. These devices are used by laboratories, analytic institutions, and manufacturers.



LCD Modules, CMOS ICs, Microbatteries, and Quartz Crystal Units

We manufacture key components for mobile phones, digital cameras, and many other devices.



Data Communications Devices

We offer a variety of communications devices to support mobile computing. Cards are available in PC, CF, and SD card sizes.



HDD Components

The high-precision processing technologies that we pioneered as a watch manufacturer have also been adopted to the production of components for hard disk drivers. Our fluid dynamic bearings (FDBs) significantly enhance HDD performance and are in use throughout the world.



Electronic Dictionaries

Available features include Japanese dictionary, English dictionary, Japanese-English dictionary, English-Japanese dictionary, Japanese character dictionary, and more. The device is easy to use, and words are easy to find. We offer a variety of models, some of which provide many dictionary types, and others intended for more specialized usage.



Company

Factory/Plant

Laboratories

Restaurant

Being a Good Corporate Citizen

The SII Group conducts a range of activities to provide true benefits to society and to continue developing as a good corporate citizen. Below we report on our approach to sociability and related challenges.

Striving for Trusted Products and Services

Product Quality and Safety

Our group supplies customers in Japan and throughout the world with a broad range of products, ranging from watches and electronic dictionaries, to electronic parts, analytical and measuring instruments, IT terminals, and much more. In providing these products, our goals are to contribute to the creation of value for customers and to satisfy customer needs. To achieve these goals, we base our quality assurance activities on providing high quality (value creation), cost effectiveness, reliable delivery, plus safety and service. We also aim to achieve products that primarily are safe, and our basic policy in this regard is that we must "earn the trust of customers by providing safe products and reliable service."

To raise employees' awareness of quality, we also hold an annual Quality Forum.

Increasing Customer Satisfaction

Under the name of "C2 (Customer Creation) Activities," SII has continued activities since 2000 to raise customer satisfaction, by providing products and services that are of value to customers. We aim to



C2 Lecture

quickly identify what is being sought by customers, and then to provide that in a tangible form. To this end, we routinely conduct activities that improve our relationships with our customers. We also endeavor to plan and develop products from the perspective of the customer. As two specific examples centering on our operating departments, we regularly conduct Customer Satisfaction Surveys, and we are compiling the customer feedback we receive into a database. Every year we also hold the "C2 Lecture"—a study session on how things are seen from the customer perspective, and how to collect and view customer feedback.

Information Security

At SII, we have established company rules and guidelines on security for information systems, so that problems related to information systems do not cause disruptions to our business operations. They cover the responsibilities and responses for problems, and include the Information Systems Security Policy, Intranet Regulations, and Security Control Procedures. We continually strive to ensure information security by applying these principles systematically and efficiently in response to changes in information systems.

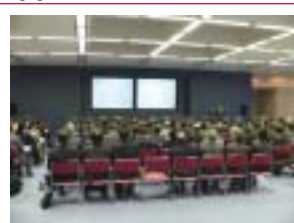
SII Data Service's CREPiCO Information Center achieves BS7799 and ISMS Conformity Assessment Scheme certification

SII Data Service Corp. is involved in the development, manufacture and sale of order entry systems and credit/debit card authorization systems. In July 2004, the CREPiCO Information Center at SII Data Service gained BS7799 and ISMS Conformity Assessment Scheme certification - the standards in information security management system (ISMS). The BS7799 and ISMS certification standards are the information security management system standards in the United Kingdom and Japan, and are comprised of 127 items of control targets and control policies related to information security. Our management and operation systems at the CREPiCO Information Center were determined to be compliant with these standards, and received certification accordingly.



Working with our Suppliers

In November 2004, we held our second suppliers meeting. These meetings gather all the major suppliers to SII's procurement departments, and the attendance this time was about 160. The aim of the meetings is for our suppliers to gain an understanding of the market environment surrounding SII, and to understand and cooperate in SII's business activities. We will continue to further strengthen the relationships with our suppliers for our mutual benefit.



Electronic Dictionary M-Series Wins Good Design Award

SII's M-Series of electronic dictionaries has received a 2004 Good Design Award (G-Mark) from the Japan Industrial Design Promotion Organization (JIDPO). The M-Series electronic dictionaries use high-resolution LCD displays, and are even more compact. In addition to being attractive in appearance, the M-Series were evaluated highly for their user-friendliness, including operability, portability and viewability. At SII, we will continue to implement the production of designs which emphasize usability, and not just visual appearance.



The First National Electronic Dictionary Pop Song Translation Competition for High School Students

The First National Electronic Dictionary Pop Song Translation Competition for High School Students was held from April to September, 2004. Five Western songs, which were major international hits during the 1970s and 1980s and which were still currently popular, were selected as test pieces. And translations boasted high-sensitivity that only a current high school student could have. We held the competition because we wanted to provide high school students, who usually use electronic dictionaries mostly for study, with an opportunity to further enjoy the product. Many high school students and teachers participated, and the results were well beyond expectations, with more than 18,000 entries received from all over Japan. In FY2005, we will hold the competition again, extending the entry eligibility to junior high school students.



Awards Ceremony

Kids' Homepage "Let's Learn about Time"

June 10 is "Time Day" in Japan, and on this date in 2000, the three Seiko Group companies launched "Let's Learn about Time" as a homepage concept where children can start to think about "time"; and parents, teachers and other adults can have fun with children. The site is updated every month and contains fun and easy-to-understand segments, such as Mystery Quiz, Time & People, and Time & Life. In the future, we will continue conveying to children, who will lead this 21st century, about the great meaning and value of our limited "time."



Establishment of the Shizukuishi Watch Studio

In September 2004, we set up the Shizukuishi Watch Studio at Morioka Seiko Instruments Inc., our domestic watch manufacturing unit, to hand-manufacture luxury mechanical watches. This was in response to the recently booming demand for high-class mechanical watches, and also to pass on to our younger employees through the manufacture of hand-made watches, not just the watch-making skills and techniques, but also the spirit of craftsmanship, which is one of the fundamentals of manufacturing. We employ 19 watch technicians, including Mamoru Sakurada and Kiyoshi Terui, who have been selected as contemporary master craftsmen, and they are engaged in the manufacture of luxury mechanical watches. Their workbench is a custom-made "Iwayado tansu," a traditionally crafted chest of Iwate Prefecture. We have also recently introduced a plant tour where you can get a close look at the process, from parts and components to completed products, and the number of enthusiasts is growing.



"Chronotrust" Time Authentication Service Receives Certification for Time Distribution Services

"Chronotrust" is the name for SII's time authentication service, and in March 2005, it received the Time Distribution Services Certification from Nippon Information Communications Association, as part of its Time Business Reliability and Security Accreditation System. The Time Business Reliability and Security Accreditation System was created from the rising importance of time business in our information and communications network society. Its purpose is to enhance the credibility of time business and to disseminate and promote time business, by certifying businesses that have secured a satisfactory level of reliability and security in the time distribution and time authentication business sector. Having received this certification, SII's Chronotrust will strive, as a Time Authority, to provide services that are even more reliable and secure.



Support for Employees and Safe Workplace Environment

Establishment of the Professionals Scheme

The Professionals Scheme was established with two objectives in mind. First is to recognize as professionals, those employees who possess a high level of expertise that will contribute to SII's sustainable development. And second is to ensure those skills and techniques were nurtured and passed down to junior employees. The scheme comprises Specialists, who are experts in such fields as intellectual property, law, development and design; and Meisters, who specialize in manufacturing operations such as processing and assembly. The senior professionals are also conferred honors of gold and silver. Since November 2004, we have accredited 51 people as Specialists or Meisters, and have presented them with certificates and badges.



Certificate and Badge

Career Development Support for Employees

At SII, we are pushing for the development of personnel, who are independent and self-responsible, and who can contribute to SII by building their own careers and setting their own missions. We have been developing the HR support system to assist employees in developing their own careers, and the system can be broadly divided into two. The first is support for employees for their independent career design. This system grants training and recreation leave to employees as they get older. By allowing such leave at certain ages, we are assisting employees in developing themselves independently and in ways for which they are responsible. The second is support for inhouse career development by our employees themselves. So that employees can achieve their own career development within SII. We have the following systems in place to broaden employees' career options: the Free Agent System, the Inhouse Recruitment Program, and the Open Study Abroad Program so that employees can achieve their own career development within SII. SII continues to support workers who increase their own worth through active career development and who contribute to SII.

Child and Family Nursing Care Support

SII supports employees who are raising children or caring for family members. We have in place a child and family nursing care system designed for the advancement of the company and society. We have been creating an easy-to-work environment by allowing employees who have preschool-age children, and employees who are caring for family members to utilize leaves of absence, shorter working hours and shift work.

Workplace Environment Improvements and Health & Safety

At SII, we have established worksite rules, various health and safety regulations, and an accident-prevention manual. At the same time, we have organized a group-wide health and safety management system. All of these efforts are designed to prevent workplace accidents and to promote a comfortable working environment. At each business unit, we are actively working to separate smoking areas. We are installing air purifiers in smoking areas, and we are striving to entrench smoking rules, such as the establishment of non-smoking zones on floors with reception areas.



Air Purifiers

Health Management for Employees

At SII, we provide various health checks and health-enhancing activities for all our employees, for the preservation and promotion of their health and for the prevention of disease. In terms of health-enhancing activities, we hold "stretch seminars" and seminars on the prevention of lifestyle-related diseases. We also introduce simple things that employees can do for their health. In addition, we have opened a mental health consultancy, run by a counselor, and we are also developing a support system so that employees can work with peace of mind.



Seminar on the prevention of lifestyle-related diseases

Initiatives Designed to Strengthen Intellectual Property

At SII, we are also proceeding with initiatives to strengthen our intellectual property. Our system of compensating individuals for their inventions is appealing to inventors, and is a system that aims to acquire particularly effective patents. We have also conducted activities for the effective acquisition of patents, and have implemented various initiatives, including the positive use of patents in our possession, the strengthening of activities for the discovery of inventions that focus on significant technologies, and educational and awareness-raising programs related to patent applications.

Edy-equipped ID Cards

In line with the change of our official Japanese corporate name in September 2004, we introduced new integrated circuit (IC) identification (ID) cards for our employees, equipped with an Edy (electronic money) facility. We have replaced the previous magnetic card readers with new IC card sensors to facilitate payments made at our inhouse cafeterias and kiosk systems; we have converted vending machines at SII so that they can accept payments using Edy; and we have installed Edy deposit machines. Furthermore, we are endeavoring to bolster security at our Makuhari head office and at our satellite offices around Tokyo, by installing systems that control building access using ID cards, and by increasing the number of access gates.



Building access control system

SII Top Management Forums

At the beginning of fiscal year 2005, SII honorary chairman Hattori and company president Chayama went around to about 15 SII offices and branches, and held top management forums, where the top two could give an explanation of SII's current status directly to employees. At the meetings, there were presentations on the previous fiscal year's business results and issues, as well as on major policies for this new fiscal year. There was also time for questions and answers, allowing employees the rare opportunity to raise questions directly with the top two.



Top management forum

Boosting Manufacturing Capability!

G-Up Activities

At SII, we have been promoting G-Up activities, which are designed to boost the production strength of the front line of individual plants, and lead to an increase in the group's overall manufacturing capability. This is achieved by each of the plants in the SII Group sharing those manufacturing strengths called manufacturing DNA that they have individually nurtured, and by applying these shared strengths to their respective plants. The "G" in "G-Up" incorporates Japanese words, *gemba-ryoku* (production strength of the front line) and *genki* (vitality). G-Up activities are promoted by manufacturing managers, called *senkyoshi* (missionaries), and other staff. The *senkyoshi* work to boost the manufacturing capacity of their own plants, and also serve a supporting role to strengthen the capacity of other plants. We are committed to spurring on our manufacturing divisions, and bolstering our manufacturing capacity from many different angles.



Employees Participating!

Participation in the Indoor Fire Fighting Competition



At our Narashino Unit, we participated in the Narashino City 28th Indoor Fire Fighting Competition in September 2004. Our men's team successfully took out the championship.

Cleanup Activities



At each of SII's business units, we have been engaged in regular local clean up activities, with the support of the labor union. At our Makuhari head office, mass cleanups are organized by the Makuhari New City Urban Development Council and held on "Makuhari New City Cleanup Day." Together with the other corporations in the Kaihin-Makuhari district, we are playing our part in the cleanup of our city.

Social Contribution

Participation in "Think the Earth"

"Think the Earth" is a nonprofit project that creates opportunities for people to think about and be inspired by the Earth during the course of their daily lives. The basic theme of the project is "ecology and economy in coexistence." The concepts behind its activities are to provide mechanisms by which businesses can contribute to society, and to initiate opportunities in which businesses and individual people across the world can participate, and in which they can individually think about the Earth. The project also has a global aspect, and is utilizing the full potential of the Internet to link the voices of local people. The project receives a portion of the revenues generated by sales of related products and services, and uses these funds to support its own operations and to contribute to NGOs and NPOs. We are pleased to have developed the project's kickoff product: the "wn-1 Earth Watch," a dome-shaped watch with a three-dimensional model of the northern hemisphere as its face. We have also produced a southern-hemisphere version, the "ws-1." Each watch has a dome-shaped Earth dial that revolves once every 24 hours.



The "Earth Watch" sports a 24-hour dial and an impressive 3D model of the northern hemisphere (model wn-1) and the southern hemisphere (ws-1). "Think the Earth Watch" is special in that it conveys two meaningful messages: "Watch" the Earth; and "Watch" of the Earth.

Visit the Think the Earth website at: www.thinktheearth.net

Cultivation of Ambarly Hemp

Since 1998, our Oyama unit (Shizuoka prefecture) has been cultivating ambarly hemp—an annual plant that is known for its high CO₂ absorption. In FY2004 the garden produced a harvest of 150 kg, with maximum plant height reaching 3.85 meters (12.6 feet). The harvest is donated to local welfare homes, where residents use the stalks to produce picture frames, the sheaths to produce fancy writing paper, and the pigments to produce dyed shawls. The garden is fertilized with compost by processing of the business unit's cafeteria waste.



Support for Environmental Education: the Eco Expedition

The Miyakubo Unit (Chiba Prefecture) has been cooperating with the *Eco Expedition* activities of the local Ohsu Junior High School in Ichikawa City. The Eco Expedition is a group of volunteer students who are enthusiastic about environment-related activities, and was put together by one of their teachers, Shinichi Takezawa. Every year, the Miyakubo Unit receives groups of students and inspires them to consider the environmental concerns of manufacturing, by running tours on manufacturing processes and environmental facilities and conducting Q&A sessions.



Members of the Eco Expedition



Factory tour

Disclosure

We have been publishing Environmental Reports since 1996, with the aim of periodically apprising the community of our environmental activities. We also post recent information on our website, and work to publicize our activities through newspapers, magazines, and other such outlets.



To promote two-way communication, our website not only acts as a portal for queries, but is also the point for requesting information and for environmental report questionnaires. While many respondents indicated that they felt our 2004 report was "easy to understand," others indicated that there was "not enough information on overseas units or descriptions on social aspects." For this reason, we have changed the title of this year's report to the "Social and Environmental Report," and we have worked to provide more detailed information.

Questionnaires Returned	11
Requests for Information	780
Queries through Website	20

SII Donates 100 Electronic Dictionaries to the Aichi World Expo

We have donated 100 electronic dictionaries to the Aichi World Expo which is being held in Aichi Prefecture, March 25 - September 25, 2005. SII electronic dictionaries have been placed at seven locations, including at information desks, the Volunteer Center and at care centers, and are being used to provide support for overseas visitors.



Blood Donations

In November 2004, the Miyakubo Unit was recognized for its many years of cooperation and achievement in the promotion of blood donations, and received a certificate of appreciation from the Minister of Health, Labour and Welfare.



Plant Tours and Other Activities

SII continually strives to raise the awareness of the activities and operations at each of our business units. In addition to factory tours, we also endeavor to make contributions to the community to suit the needs of our local communities, including:

- Guidance at local school crossings
- Provision of SII car parks to hold festivals
- Provision of space for local children for their keep-fit-to-music program
- Provision of bus stop for courtesy buses
- Various fundraising activities



Keep-fit-to-music program at our Ohno Unit

Dream Work Experience: Elementary school students get close to the job and look and learn

In June 2005, sixth-grade students from the Takasu Dai-san Elementary School participated in the "Dream Work Experience" program at our Makuhari head office. The program is an initiative of the Chiba Prefectural Board of Education and aims to cultivate students' outlooks on careers and work. In the program, each elementary school student shadows an employee or worker from a business or government, and learns by observing. SII was one of the companies in Makuhari New City to host the students, and through this hands-on learning experience, the students were able to gain a sense of the on-the-job excitement and pressure.



Students get close to the SII Design Department

High School Internships

In November 2004, second-grade students from Tochigi Technical High School undertook work experience at our Tochigi Unit, as part of an internship program. The program was introduced by the Tochigi Prefectural Board of Education, and it aims to nurture students' outlooks on careers and work, by allowing them to experience working at companies related to their learning pathways. The Tochigi Unit hosted four students, and prepared individual curricula for them. During the four-day experience, the students worked on the actual manufacturing floor, gaining real manufacturing experience.



Students gain experience working in the inspection process

Environmental Management by the SII Group

At the SII Group, we have drawn up and implemented the SII Green Plan for environmental management, which is based on the “three greens”: green process, green products, and green life.

SII Group Environmental Policy

Environmental Concept

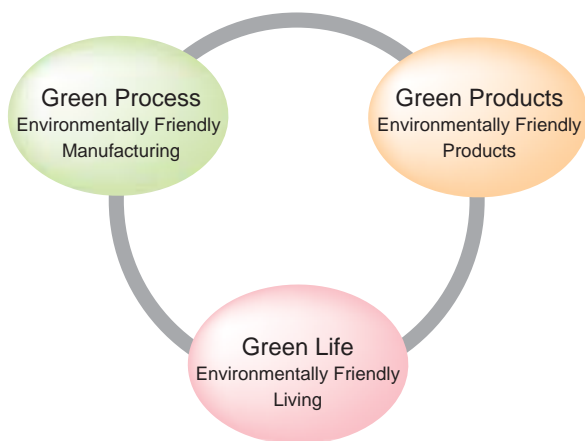
As a good corporate citizen, the SII Group will continue to harmonize its corporate activities with the global environment, protect and improve the environment, and contribute to the establishment of a sustainable society that can coexist with all living things.

Environmental Activity Guidelines

We must

1. Continue implementing and enhancing our environmental management system.
2. Observe all of laws, rules, regulations and agreements relevant to the environment, and prevent environmental pollution.
3. Continue reducing the impact on the environment through the following actions
 - (1) Provide products and services that, throughout their *lifecycles*, minimize their impact on the environment.
 - (2) Save energy and contribute to the reduction of global warming.
 - (3) Save resources and practice the 3R's: Reduce, Reuse and Recycle.
 - (4) Reduce environmental risks of chemical substances and promote the disuse of harmful substances.
4. Promote SII GREEN PURCHASING and purchase eco-friendly products, parts, materials and services.
5. Enforce internal environmental audits to improve employees' self-management.
6. Contribute to society through our unique activities for environment preservation.
7. Give environment-related seminars and training to all employees to elevate their consciousness, and guide each employee on how to protect the environment in his or her personal life.
8. Proactively disclose, to all classes of society, information about the implementation state of our environmental management system.

Conceptual Green Plan Scheme



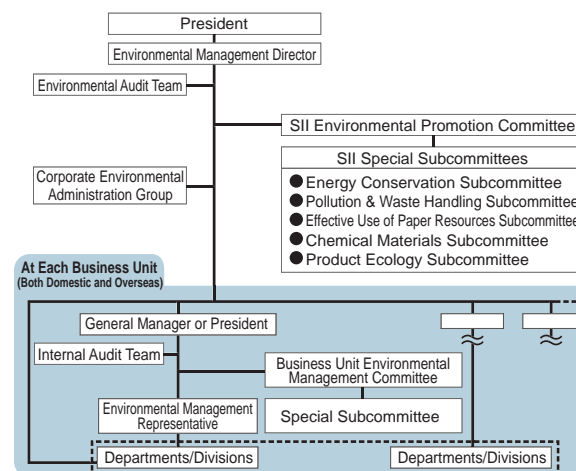
Environmental Management System

The SII Group carries out environmental management at the Group level and within each of our business units. We follow a “Plan – Implement – Check – Review” (PDCA) cycle to continuously reduce our environmental footprint. We begin with the SII Group Environmental Policy, from which we set intermediate activity targets and annual Group-wide environmental targets. These various targets are then worked out through the environmental management system at each of our business units. These units regularly report their results back to the head office, which oversees the Group's overall environmental management system.



System Organization

Our environmental management system operates both at the Group level and within each of our business units. Ultimate responsibility rests with our Environmental Management Director, who reports to the President of Seiko Instruments Inc. The SII Environmental Promotion Committee implements top-level decision-making. General environmental issues—such as energy conservation—are promoted by Group-level subcommittees under the coordination of the head office's Environmental Administration Department. In April 2003, we launched a system for promoting each department/division, complementing our existing system for promoting each business unit.



ISO 14001 Certification

As of March 1999, all of our major manufacturing units within Japan had received ISO 14001 certification, and as of October 2003, all of our major non-manufacturing units within Japan had also received certification. Overseas, and in March 2005, two more of our major units obtained certification, bringing the number of accredited overseas units to seven.

ISO 14001 Certification List

Certified Units and Subsidiaries	Location	Date of Certification
1 Takatsuka Unit	Matsudo-shi, Chiba	11/96
2 Narashino Unit	Narashino-shi, Chiba	1/97
3 Miyakubo Unit	Ichikawa-shi, Chiba	3/97
4 SII Microtechno Inc.	Omagari-shi, Akita	4/97
5 Morioka Seiko Instruments Inc.	Iwate-gun, Iwate	4/97
6 Tochigi Unit (Former SII Quartz Techno Ltd.)	Tochigi-shi, Tochigi	2/98
7 Oyama Unit	Sunto-gun, Shizuoka	8/98
8 SII Micro Parts Ltd.	Sendai-shi, Miyagi	2/99
9 Ohno Unit	Ichikawa-shi, Chiba	3/99
10 Sukagawa Precision Co., Ltd.	Sukagawa-shi, Fukushima	9/01
11 Makuhari Head Office	Chiba-shi, Chiba	10/01
12 Western Japan Business Base	Osaka, Nagoya Fukuoka, Hiroshima, Toyama	9/02
1 Seiko Instruments Singapore Pte. Ltd.	Singapore	5/97
2 Dalian Seiko Instruments Inc.	Dalian, China	6/01
3 Seiko Instruments (Thailand) Ltd.	Thailand	3/02
4 Instruments Technology (Johor) Sdn. Bhd	Malaysia	10/02
5 Guangzhou Seiko Instruments Ltd.	Guangzhou, China	7/03
6 Guangzhou SII Watch Co., Ltd.	Guangzhou, China	3/05
7 Seiko Instruments (H.K.) Ltd.	Hong Kong	3/05

Environmental Auditing

Environment auditing is essential not only for maintaining our environmental management system but also for achieving continuous improvements in its performance. All of our major business units undergo an internal audit at least one each year, carried out by auditors from that unit working in concert with auditors from other units and from SII headquarters. This use of auditors from various units is intended to ensure effective auditing, promote a synergistic exchange of information across units, and achieve consistent implementation of the Group policy and targets.

Internal Audits for 2004

		15 audits at 11 units
Number of Issues Identified:	Minor disparities	63 issues (104)
343 (311)	Observations	280 issues (207)
The greatest number of identified issues refers to our operational control		69 issues

(): Number of issues for FY2003

To help ensure reliability, we carry out regular training of our internal auditors. We have also set up SII's Environmental Auditor Certification system, as a means of raising the level of our auditing. SII certified auditors and publicly accredited auditors both participate in internal audits, improving the audit quality and providing on-the-job training for the internal auditors working with them. We also receive regular audits from outside certification agencies, whose objective evaluations help to ensure that we are always moving in the right direction.

	Number of People	
SII Certified Environmental Auditors	27	
Completed Environmental Auditor Training	462	
Official Environmental Auditors (CEAR* Accredited environmental auditors)	Lead auditors	6
	Auditors	1
	Provisional auditors	11

*Center of Environmental Auditors Registration

Establishment of the SII Global Environmental Promotion Committee

In December 2004, participation by our overseas units in our conventional SII Environmental Promotion Committee meant that our first ever SII Global Environmental Promotion Committee was held. The committee has identified the standard environmental policies and targets for the SII Group, and in the future, will continue to promote consolidated environmental management for the entire group.



Environmental Education

Success of our environmental activities rests on the meaningful and informed participation of all of our employees. The SII Group offers various types of education designed to provide employees with the awareness, knowledge, and skills necessary to support these activities and produce continuous improvements

Company-Wide Education

We run a wide variety of training, from courses sponsored and held by SII headquarters to training that is planned and implemented by each of our units. During the year, headquarters held courses for 176 individuals, bringing the total number of employees who have passed through these courses to 1,838.

Education Held at SII Headquarters

Theme	Participants	Content
Global environmental issues, and the SII Group's measures for addressing them	New employees	SII Group's environment-related actions and policies
Environmental protection activities: course for mid-level staff	Mid-level staff	Environmental concepts and management techniques required for understanding and acting on ISO 14001
Environmental protection activities: administrator course	Managers	Essential internal and external environmental information; and policies for improving performance
Environmental protection activities: course for salespersons	Salespersons	Essential knowledge; and the role of a salesperson in environmental protection

Special Education

Theme	Participants	Content
Waste management	Employees who handle chemicals and wastes	Reduction and appropriate management of waste Promotion of a recycling-oriented society and reduction of environmental impact
Chemical management	Operators of environment-related equipment	Appropriate management of chemical substances and dangerous materials Prevention of environmental risks
Energy saving	Manufacturing and production engineers	Energy-saving manufacturing techniques, and trends at other companies
Product design assessment	Product development personnel	Methods for reducing environmental impact of products; case study of eco-friendly products from other companies

Training for Internal Qualification

Theme	Participants	Content
Training to become an internal environmental auditor	Candidates from each business unit	Skills and knowledge required to conduct internal audits in accordance with ISO 14001
Training to become an environmental-risk communicator	Candidates from each business unit	Skills and knowledge required to effectively communicate about environmental risks with citizens and government officials

One of the obvious objectives in education is for lecture-based acquisition of knowledge, but we also aspire for more practical education. For this reason, we implement education where employees can experience and feel. For example, in our Training for Internal Qualifications courses, we use role playing; in our Environment-friendly Product Design course, employees gain practical training in LCA (life cycle assessment); and in our Chemical Management course, trainees visit worksites that are actually using chemicals. We are committed to the ongoing improvement of environmental education, and after each training course we conduct surveys, the results of which are reflected in future courses.



Mock Internal Audit



Environment Education Class

Raising Consciousness through Our Intranet

The Eco-Town bulletin board on the SII intranet offers a wide variety of useful information about environmental issues and activities. Employees can visit this site to learn about environmental terminology, to view information about current laws and statutes, and to access a wide range of other information. The site also offers "Eco-Quiz" pages that challenge, educate, and amuse all at the same time.



Eco-Town

Eco-Quiz Page

Training for Emergencies

Each business unit drafts its own procedures for dealing with emergencies, and carries out periodic drills based on these procedures. These drills are intended to ensure that the procedures are effective, and that employees will be ready to act quickly to prevent the spread of environmental contamination. Furthermore, we also conduct joint exercises in cooperation with outside contractors who work on SII premises, such as tanker operators who fill our tanks.



Emergency Training

Easy Ways to Educate and Inform

- Environmental posters in corridors
- Poster at sink: shows where the waste water goes, and tells you what you should not be throwing down the drain
- Poster on environment-related machinery, explaining the machine's functions and structure



Green Purchasing

In the production of environmentally-friendly products, we must pay close attention to the eco-friendliness of the materials and components that we use. From production inputs to office supplies, the SII Group is fully committed to green purchasing.

Green Purchasing by the SII Group

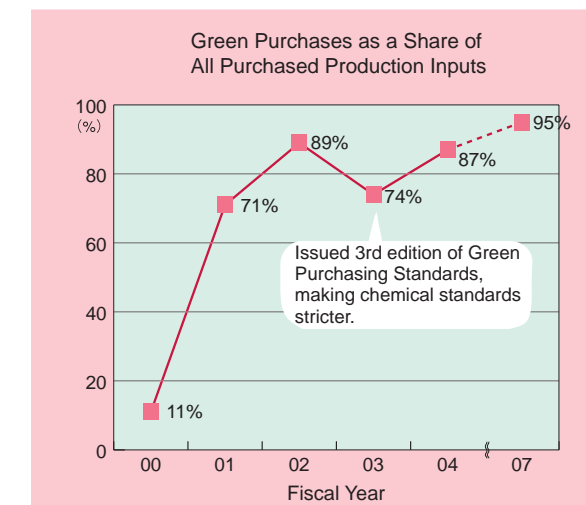
Since 1999, our departments of development, design, quality, and procurement have worked together closely, and we have been actively engaged in green purchasing activities. We place considerable emphasis on making purchases of eco-friendly products from environmentally-conscious suppliers, rather than making decisions merely on quality and price. The whole SII Group, including our overseas units, are committed to green purchasing.

Supplier Certification System

We implement a Supplier Certification System that places great emphasis on the environmental control systems of our suppliers. The system utilizes our group-wide Supplier Certification Standards, and it requires that all suppliers must maintain environmental control systems that meet or exceed specified levels.

Green Purchasing of Production Inputs

When reviewing potential purchases of production inputs, we use the SII Group Green Purchasing Standards, and we make decisions as a whole based on Quality + Price + Delivery Time + Environment. In FY2003, we strengthened the scale of the reviewing process, by revising the standards so that they conformed not only to Japanese regulations, but also to overseas regulations on chemical substances. (See *Elimination of Chemical Substances used in Products* on page 41.) As a result, the ratio of green purchases declined somewhat, but in FY2004, we were able to get this back to 87%.

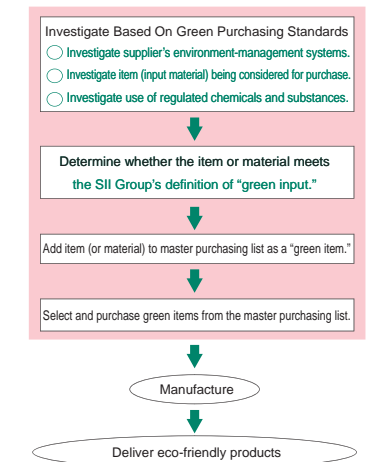


Definition of "Green Items"

An input material or component is qualified as a *green item* if it meets all of the following criteria.

- The supplier's environmental protection system meets SII's Green Purchasing Standards.
- Its manufacture does not involve the use of banned substances or materials.
- Its products contain no banned substances or materials.

$$\text{Green Purchasing Rate for Production Inputs} = \frac{\text{"Green Items" on Master Purchasing List}}{\text{All Items on Master Purchasing List}}$$



Green Purchasing of Office Supplies and Other Items

When purchasing office supplies, the SII Group uses *Benninet* - the Internet-based procurement system for purchasing MRO (Maintenance, Repair and Operations) supplies, run by Net Kokuyo Co., Ltd. Benninet makes it easy for purchasing managers to make green purchases, by giving priority listings to eco-friendly products that are certified with Ecomark labels, Green Mark labels and other established indicators of eco-friendliness. In the future, we will expand our purchasing mechanism that prioritizes eco-friendly products, by registering not only office supplies, but a wide range of items that are used in our offices and plants.

"Green Purchasing Follow-up Audits"

To enhance compliance and to confirm the level of green purchasing activities, our head office procurement department has been carrying out green purchasing audits on the group's procurement department. In FY2004, we endeavored to enhance our green purchasing activities, by carrying out follow-up audits on the activities and issues surrounding our procurement department, which had been identified in our FY2003 purchasing operation audits.

Results for FY2004, and Plans for FY2005 and Beyond

Results for FY2004

We are happy to report that in October 2004, we were able to achieve our goal of “completely eliminating the use of lead solder” - a goal that had been carried over from the previous year. We also successfully achieved our plans with respect to the creation of eco-friendly products, policies to address global warming, and reductions in waste and the use of chemical substances. Unfortunately, however, we were not able to achieve the complete elimination of chemical substances used in new products manufactured from January 2005, due to technical difficulties experienced in substituting purchased components and materials. We will continue to push ahead to achieve these goals. With regard to our overseas units, there was an increase in environmental impact due to the broadening of the scope of collection data.

Environmental Performance Indicators

Rating (☺: Achieved ☹: Not Achieved)

	Action Item	FY2004 Target	FY2004 Actual	Rating	See page
Product Related	Creation of Eco-Friendly Products	Increase sales ratio of SII Green Products. 50%	61.7%	☺	from P33
		Apply for product-related environmental commendations. 3 commendations	4 commendations	☺	
Product Related	Complete Elimination of Chemical Substances	Eliminate the use of lead solder. Complete elimination	Complete elimination achieved	☺	P41
		Eliminate use of cadmium, hexavalent chromium, mercury, lead, and polyvinyl chloride from products. From Jan 2005	70%	☹	
Domestic Units	Action Against Global Warming	Reduce CO ₂ emissions. 69,941 tons of CO ₂ -1% from FY2003	69,666 tons of CO ₂ -1.4% from FY2003	☺	from P37
		Reduce emissions of greenhouse gases (HFCs, PFCs, SF ₆). —	286 tons of CO ₂ -71% from FY2003	—	
	Reduce Waste and Promote Recycling	Reduce total waste generation. 2,755 tons -3% from FY2003	2,584 tons -9% from FY2003	☺	from P39
	Reduction/Control of Chemical Substances	Reduce emissions of reportable (PRTR) chemical substances*1. 6.9 tons -5% from FY2003	6.4 tons -13% from FY2003	☺	P42
Overseas Units	Action Against Global Warming	Reduce CO ₂ emissions. 37,668 tons of CO ₂ -1% from FY2003	39,402 tons of CO ₂ +3.6% from FY2003	☹	from P43
	Reduce Waste and Promote Recycling	Reduce total waste generation. 3,072 tons -3% from FY2003	3,323 tons +5% from FY2003	☹	

*In addition to chemicals covered by the PRTR statutes, these figures also include HFCs, PFCs, and SF₆ (which are managed by SII under our own initiative).

Plans for FY2005 and Beyond

We reviewed our medium-term target for our eco-friendly products, and we have set ourselves a higher target. We have also established new action items: “Reduction of Water Usage” for our Japanese units, and “Reduction of Office Paper Usage” for our overseas units.

Environmental Performance Indicators

	Action Item	Medium-Term Target	Base Fiscal Year(Base Value)	Target Fiscal Year(Target Value)	FY2005 Target
Product Related	Creation of Eco-Friendly Products	Increase sales ratio of SII Green Products to at least 90%. Apply for product-related environmental commendations.	—	2006	70% 3 commendations
	Complete Elimination of Chemical Substances	Eliminate use of cadmium, hexavalent chromium, mercury, lead, and polyvinyl chloride from products.	—	—	Complete elimination
Domestic Units	Action Against Global Warming	Reduce CO ₂ emissions. We have already achieved our initial FY2010 target.	—	—	69,318 tons of CO ₂ -0.5% from FY2004
		Reduce emissions of greenhouse gases (HFCs, PFCs, SF ₆). We have already achieved our initial FY2010 target.	—	—	Maintain & control ²
	Reduce Waste and Promote Recycling	Reduce total waste generation by 50% by the end of FY2010. 2000 (4,322 tons)	2010 (2,161 tons)	—	2,506 tons -3% from FY2004
	Reduction/Control of Chemical Substances	Reduce emissions of reportable (PRTR) chemical substances. We have already achieved our initial FY2010 target.	—	—	6.2 tons -3% from FY2004
Overseas Units	Reduction of Water Usage	Reduce the amount of water used by 1% every year. —	—	—	870,000m ³ -1% from FY2004
	Action Against Global Warming	Reduce CO ₂ emissions by 1% every year. —	—	—	39,008 tons of CO ₂ -1% from FY2004
Overseas Units	Reduce Waste and Promote Recycling	Reduce total waste generation by 3% every year. —	—	—	3,223 tons -3% from FY2004
	Reduction of Office Paper Usage	Reduce our use of office paper by 3% every year. —	—	—	49.4 tons -3% from FY2004

²:Although we have achieved our original FY2010 targets, our actions are ongoing / We are focusing our maintenance and control efforts on the effective use of paper resources.

Environmental Management Indices

Action Item	Medium-Term Target
Environmental Management System	Manage environmental performance using a consolidated approach that includes overseas units.
Environmental Education	Promote environmental training for managers.
Environment-Related Communication	Issue site reports at all business units.

Environmental Accounting

Results

The SII Group has implemented environmental accounting since FY1999 to quantitatively identify and evaluate the costs and benefits related to environmental activities. In terms of the statistical compilation of data, we have drawn up and applied the “SII Environmental Accounting Aggregation Guidelines” based on guidelines issued by the Japanese Ministry of the Environment. Results for FY2004 indicate that our investments amounted to 103 million yen and our expenses 1,664 million yen. These were both down on the corresponding values of the previous year. The decrease in investments related to antipollution, can be attributed to the considerable investments in FY2003 for the Water Pollution Control Law (policies addressing nitrogen and phosphorous issues in Tokyo Bay).

With regard to effectiveness, we are also pleased to report that there were positive results in terms of both environmental preservation and economic effects associated with our environment-related activities.

Costs of Environmental Protection

Scope: All 11 domestic business units; 3/1/04 to 2/28/05

(in millions of yen)

Category	Content	Investment ¹		Change ('04-'03)	Expense ²		Change ('04-'03)	
		FY2004	FY2003		FY2004	FY2003		
(1) Internet Costs (within each operational area)								
Breakdown	1.Anti-Pollution	Water, atmosphere, noise, vibration	35.0	102.3	-67.3	500.5	480.4	20.1
	2.Global Protection	Measures related to global warming, ozone-layer depletion, etc.	41.0	22.7	18.3	155.3	187.8	-32.5
	3.Resource Efficiency	Resource saving, reduction and recycling of waste, procurement management, etc.	13.9	3.9	10.0	372.4	402.8	-30.4
(2) Upstream and Downstream Costs	Development of eco-friendly products, recycling of products and packaging, etc.	0.0	0.0	0.0	78.4	72.5	5.9	
(3) Administrative Activities Costs	Environment training, information releases, running of Environment Management System, etc.	0.0	0.0	0.0	391.7	402.4	-10.7	
(4) Research & Development Costs	Lead-free soldering technology, etc.	13.2	9.3	3.9	163.5	143.0	20.5	
(5) Social Activities Costs	Support for environmental protection groups, communities, etc.	0.0	0.0	0.0	2.6	4.6	-2.0	
(6) Reclamation Costs	Reclamation of contaminated soil, etc.	0.0	0.0	0.0	0.0	0.0	0.0	
Totals			103.1	138.2	-35.1	1,664.4	1,693.5	-29.1

¹. Investment amounts are for FY2004 only. In case where we judge that total outlay covers purposes in addition to environmental protection, we have counted only the portion deemed to apply to environmental protection.

². Expenses include depreciation for investments through FY2003. (Equipment investment and facility investment are depreciated over 5 and 10 years, respectively, in equal yearly increments.) In case where we judge that total outlay covers purposes in addition to environmental protection, we have counted only the portion deemed to apply to environmental protection.

(in millions of yen)

Environmental Protection Results	
Environmental Impact	Quantity of Reduction (FY2003-FY2004)
CO ₂	981 tons-CO ₂
Water	12,000 m ³
Paper Resources	4 tons
Industrial Waste	295 tons
General Waste	-40 tons
Materials Purchasing Reduction ³	575.3 tons

³ The total amount of recycled and reused waste oil and waste plastics has been calculated as New Purchases Reductions.

Economies Achieved from Environmental Protection Activities	
Content of Actual Savings	Amount of Each Actual Savings
Expense reduction attributable to energy conservation	54.5
Expense reduction attributable to resource conservation (water, paper)	7.5
Reduction of waste processing expense	4.6
Income from sale of salable materials	38.9
Savings from reduction in purchasing of inputs, etc.	335.8
Actual Savings	441.3

Estimated Savings from Risk Reduction	Savings Estimate
Avoidance of stoppage due to air or water pollution, etc.	296.0
Avoidance of penalties for illegal dumping, etc.	69.6
Total Estimated Savings	365.6
Total Savings	806.9

SII Group's Technologies and Environment

Building a future where dreams come true

“Craftsmanship & Excitement” Conceptual Approach

At SII, we are building a future based on our conceptual approach of “craftsmanship” and “excitement”: By creating new values through a craftsmanship comprising inimitably meticulous skills and techniques, we cherish the sense of excitement gained from delivering these values to our customers.

Development of Small Sized Fuel Cells

SII has developed a highly efficient small sized fuel cell as a source of energy for mobile information devices. The cell generates electricity by extracting hydrogen from metal hydrides at normal temperatures.

Fuel Cells Developed by SII

Because fuel cells do not require pumps, heaters or other devices which consume electricity, they can convert fuel into electrical energy highly efficiently, and can also be miniaturized. The basic principle of fuel cells is the generation of electrical current from the reaction between hydrogen and oxygen. Consequently, the high density storage and supply of hydrogen is a major concern for fuel cells in mobile devices that demand a high volume energy density. In terms of methods for supplying hydrogen, the most widespread ideas include using gas cylinders or hydrogen-storing alloys, or extracting hydrogen from methanol or other hydrocarbon compounds. To be of practical use, this leaves the issues of energy density and conversion efficiency. SII has made the generation of high-voltage electricity at normal temperatures possible, without the use of such auxiliary instruments as pumps and heaters. We have done this by using metal hydrides as the source of hydrogen, and by employing a hydrogen generation control mechanism, uniquely developed by SII, that utilizes pressure changes of the hydrogen gas within the fuel cell.

Features of SII's small sized fuel cells include:

- (1) High electromotive voltage, and high power density
- (2) High output at normal temperatures
- (3) Perfectly passive cells (hydrogen generation control that utilizes pressure fluctuations within fuel cells)
- (4) No carbon dioxide emitted during generation

How does it work?

Figure 1 shows an overview of the system configuration. The reaction chamber contains sodium borohydride (NaBH₄), a metal hydride. The reaction chamber is connected via a check valve to the solution chamber, which contains a catalytic aqueous solution that assists in extracting hydrogen from the NaBH₄. The reaction chamber is also connected to the power-generating cell. The catalytic solution is sent from the solution chamber, and is instilled onto the NaBH₄ in the reaction chamber. This produces hydrogen gas. The gas is then sent to the power-generating cell, where it is broken into protons (hydrogen ions). Atmospheric oxygen and the protons combine. These are the electro-chemical reactions which generate electricity. As the hydrogen gas is consumed, there is a drop in pressure in the power-generating cell

and the reaction chamber. This causes instillation of the catalytic aqueous solution from the solution chamber to be repeated, and more hydrogen gas is produced. As the gas is produced, the pressure rises, the check valve is closed, and the supply of the catalytic solution is stopped. By repeating this process over and over again, we are able to control the production of hydrogen gas in proportion to the electricity generated.

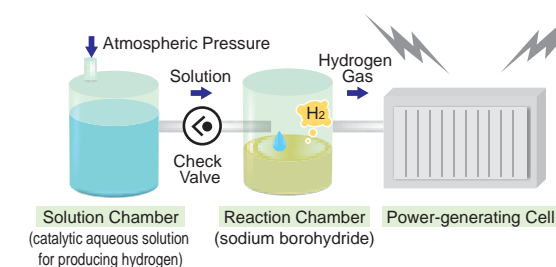


Figure 1. Overview of the system configuration

Commercialization and Development

With a prototype system (shown in Figure 2) that employs these basic principles, we can generate 5 volts of electricity at 1 watt for about eight hours. In the future, people will use mobile electronic devices more and more, and the power required by these devices will increase in proportion to the sophistication of their functions. At SII, we will continue to substantiate the performance required by each type of expected application, such as mobile phones battery chargers, digital cameras, camcorders and laptop PCs, and explore the commercialization of these small sized fuel cells.

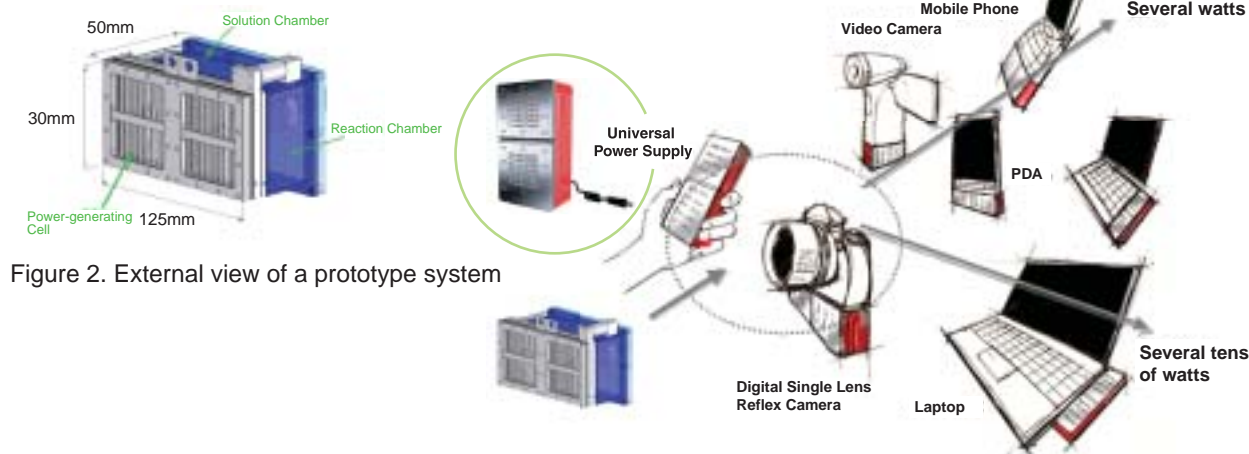


Figure 2. External view of a prototype system

Figure 3. Examples of future applications

Development of World's First Charge Pump IC that Operates at 0.3 V

Support for a Ubiquitous Network Society

Charge pump ICs^{*1} use fully depleted SOI technology^{*2} to enable ultra-low voltage operation. They are capable of stepping up an extremely low input voltage of 0.3 V, using built-in capacitors^{*3} and MOS transistors.

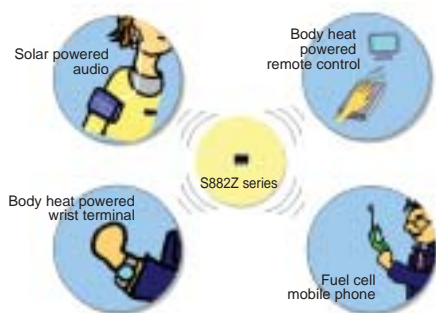


This new concept in power supply ICs has a role in "starting up step-up DC-DC converters"^{*4}, making them different from conventional models.

Up until now, step-up converters started operation^{*5} at an input voltage starting from 0.9 V, so startup was not possible at an input voltage of 0.3 V. By using a charge pump IC, we can step up an input voltage of 0.3 V to in excess of 0.9 V, and so it is now possible to operate a step-up DC-DC converter. A charge pump IC can be likened to a cell motor that starts a car engine. Furthermore, once operation of the step-up DC-DC converter is confirmed, the charge pump IC has the ability to stop working, thereby controlling any excess consumption of power.

In the ubiquitous network society of the future, there will be a wide range of mobile information terminals. However, it is predicted that securing an appropriate energy source is going to be a critical issue. If we can use readily available low energy sources, such as light and body heat, and if we can use energy from fuel cells, then we will be able to

accelerate the realization of a ubiquitous network society and go a long way to environmental concerns. This charge pump IC that we have developed, can operate at ultra-low voltages, and has the capability to meet these kinds of needs.



Applications

- Starting up step-up DC-DC converters for solar cells, fuel cells and other power sources
- Step-up a voltage of internal circuit in RF tags
- Supplying power to intermittently-operated system

*1: Charge pump IC: IC that uses capacitors and MOS transistors (a type of switch) to step-up the input voltage and store an electric charge in condensers.
 *2: SOI technology: an abbreviation for "Silicon on Insulator technology"; this technology makes possible the low-voltage operation, low-power consumption, and high-speed operation of semiconductor elements, by forming a MOS transistor on an insulated film.
 *3: Capacitor: a device for storing an electric charge.
 *4: DC-DC converter: A DC-DC converter is a circuit that converts a DC input voltage into a different DC output voltage.
 *5: Operation start voltage of 0.9 V: refers to step-up DC-DC converter made by SII.

Utilization of Miniature Production Systems

At SII, we produce many compact precision components, such as watch parts and HDD^{*1} parts. "Small processing machines for small parts": to satisfy such an obvious requirement, we have been developing a miniature production system.

Commissioned by NEDO^{*2}, we developed a miniature grinding cell, with each dimension no more than 200 mm. We were able to achieve a system that consumes only 1/5 the energy and 1/30 the space of a conventional compact grinder, while ensuring high productivity and processing quality.

We have also produced series of grinders to enhance performance in production lines: conventional cylindrical grinders, the main units of which are the size of an A4 piece of paper (297 mm x 210 mm), and end grinders. The small frames of both of these grinders are armed with many new concepts, as well as the technical expertise that SII has built up over many years. Before long, we will be "running production, not in a large-scale plant, but on a small floor with ultraprecision processing machines, precise to the order of nanometers^{*3}, as well as with highly productive processing machines and mini assembly facilities." Step by step, SII is endeavoring to make this dream a reality.



Grinders, with A4-sized main units

NEDO miniature grinding cell (cube-shaped, with no side greater than 200 mm)

*1: HDD: Hard Disk Drive
 *2: NEDO: New Energy and Industrial Technology Development Organization
 *3: nanometer: the length equivalent to one-millionth of 1 mm

Utilization of MEMS Technology

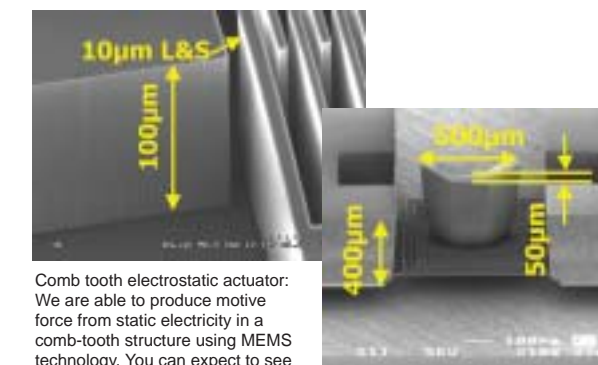
Micro-Electro-Mechanical-Systems

MEMS technology uses high-precision three-dimensional processing techniques. It is based on semiconductor manufacturing technology for manufacturing devices integrated with sensors, actuators, and circuitry whose dimensions are measured in micrometers. MEMS technology allows us to manufacture devices that are more compact and are of higher function, and it differentiates us from other companies. We have developed, and now manufacture, cantilevers for scanning probe microscopes, and we are currently developing micro-sized machine parts, measurement sensors, and optical communication devices.

By applying this technology, we can make sensors, actuators and other devices significantly more compact, thereby contributing to the saving of resources, and to the saving of power.



Piezoresistive self-sensitive cantilever: We are aiming to provide a new sensing device, by applying the sensor technology of the piezoresistive self-sensitive cantilever, and the minute pattern forming technology for large difference in steps on the surface, which had been developed for the scanning probe microscope.

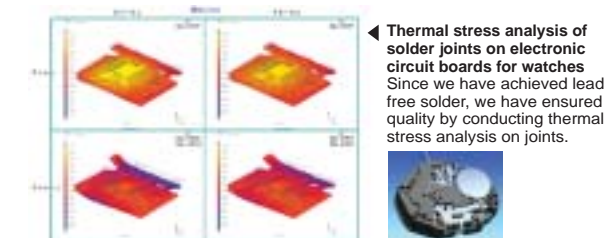


Comb tooth electrostatic actuator: We are able to produce motive force from static electricity in a comb-tooth structure using MEMS technology. You can expect to see many new devices emerging with this technology.

Suspended structures (mechanically moving structures): Suspended structures can be built using MEMS technology, and they make minute mechanical movements possible. We have great expectations for their application to micro-mechanical elements, as well as for new MEMS sensors and actuators.

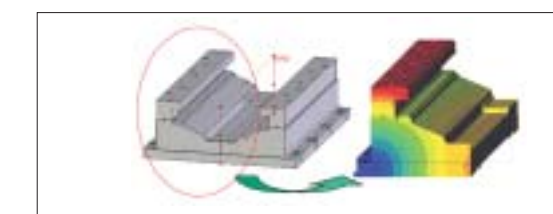
CAE Computer Aided Engineering

CAE is a tool for engineering simulation aided by computer. We use 3D-CAD and other CAE software to generate product models and simulate these models applying various conditions such as stresses, vibrations, heat, etc to see their functionality and quality prior to actual production.



Thermal stress analysis of solder joints on electronic circuit boards for watches: Since we have achieved lead-free solder, we have ensured quality by conducting thermal stress analysis on joints.

In the general product development stage, before the advent of CAE, designing process was based on past experience and data, the improvement of functionality and quality of the products were sought for through repeating trial production and experiment.



Base deformation and variate analysis on the internal grinder static pressure table: We are striving to miniaturize internal grinders and improve their machining performance, by conducting structural analysis on their static pressure table.

Currently, however, SII is actively using CAE and 3D-CAD to reduce the impact on our environment and also reduce both the time and cost in the development stage through the merge with quality engineering.

Foundation Advanced Technology Institute (ATI)

The Foundation Advanced Technology Institute was established in 1993 with a grant from SII. The mission of the ATI is to "contribute to the progress and welfare of human society, by contributing to the development of new generation science and technology. In particular, the research activities of the ATI are focused on the area of nanoscience and nanotechnology. Activities of the ATI include focused research committees composed of academic researchers, the provision of assistance to promising young researchers in the form of grants, and organizing international forums, public lectures and other workshops and seminars. Through these activities, the ATI is contributing to the development of new generation science and technology.

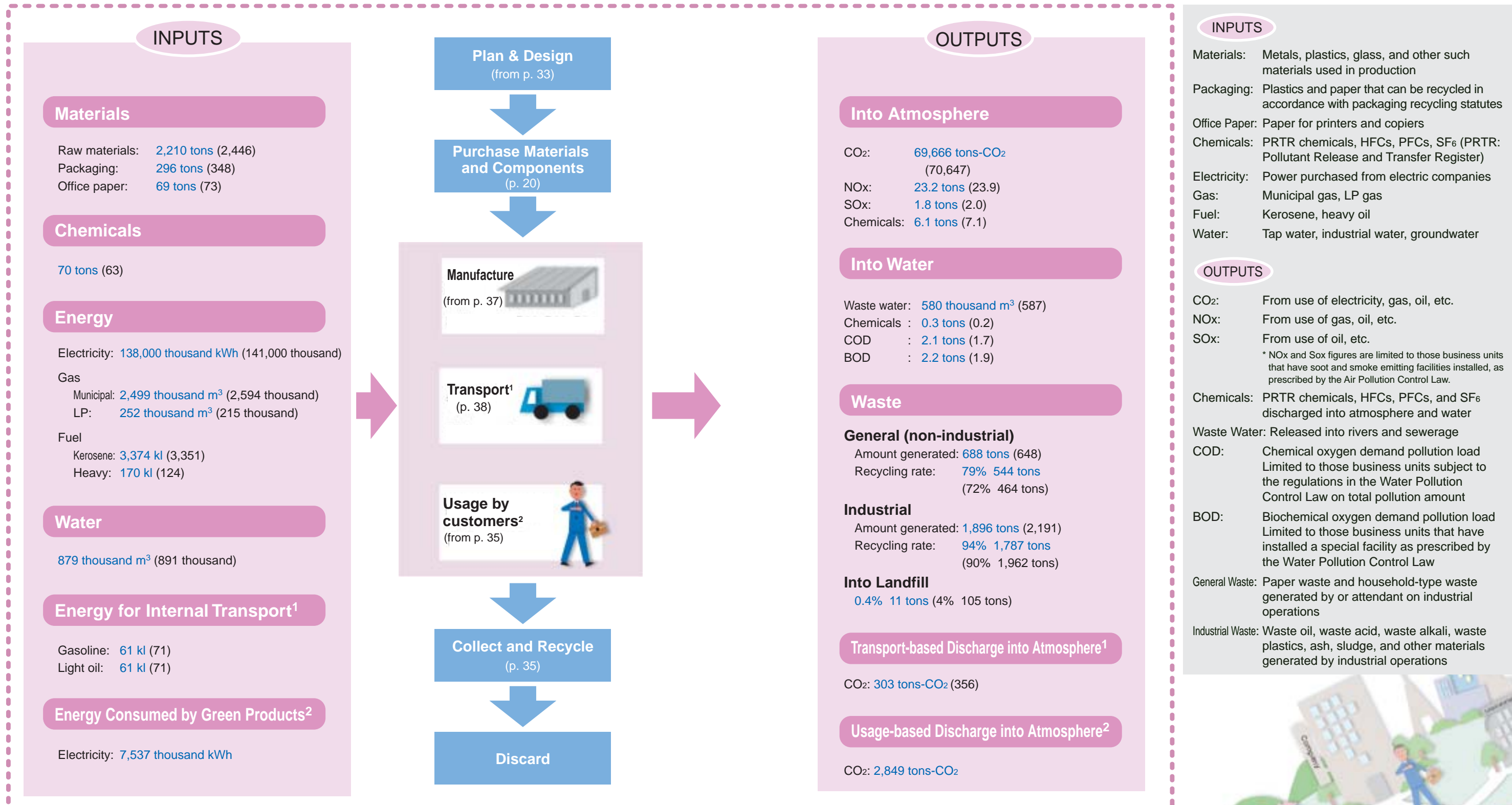


Research briefing session

Industrial Activities and Environmental Impact

Our manufacturing operations utilize many input materials and large amounts of energy, and also output CO₂ and many different types of waste. In order to develop effective environment policies, it is essential to understand the environmental impact based on the entire life cycle of our products. The following is an overview of our environmental impact for FY2004. We shall continue to expand the scope of coverage as we move ahead, so that we can understand our actual impact and take appropriate actions to mitigate it.

• Domestic Units only
 • Figures for FY2003, where available, are shown in parentheses.



*1 Counts transport within the group only *2 Based on estimated use of SII green products during FY2004



Business Units and Environmental Impact

The following is a profile of the 11 domestic business units involved in environment-related activities. This profile describes each unit's main business operations and lists its environment-related inputs and outputs.

Tohoku Region

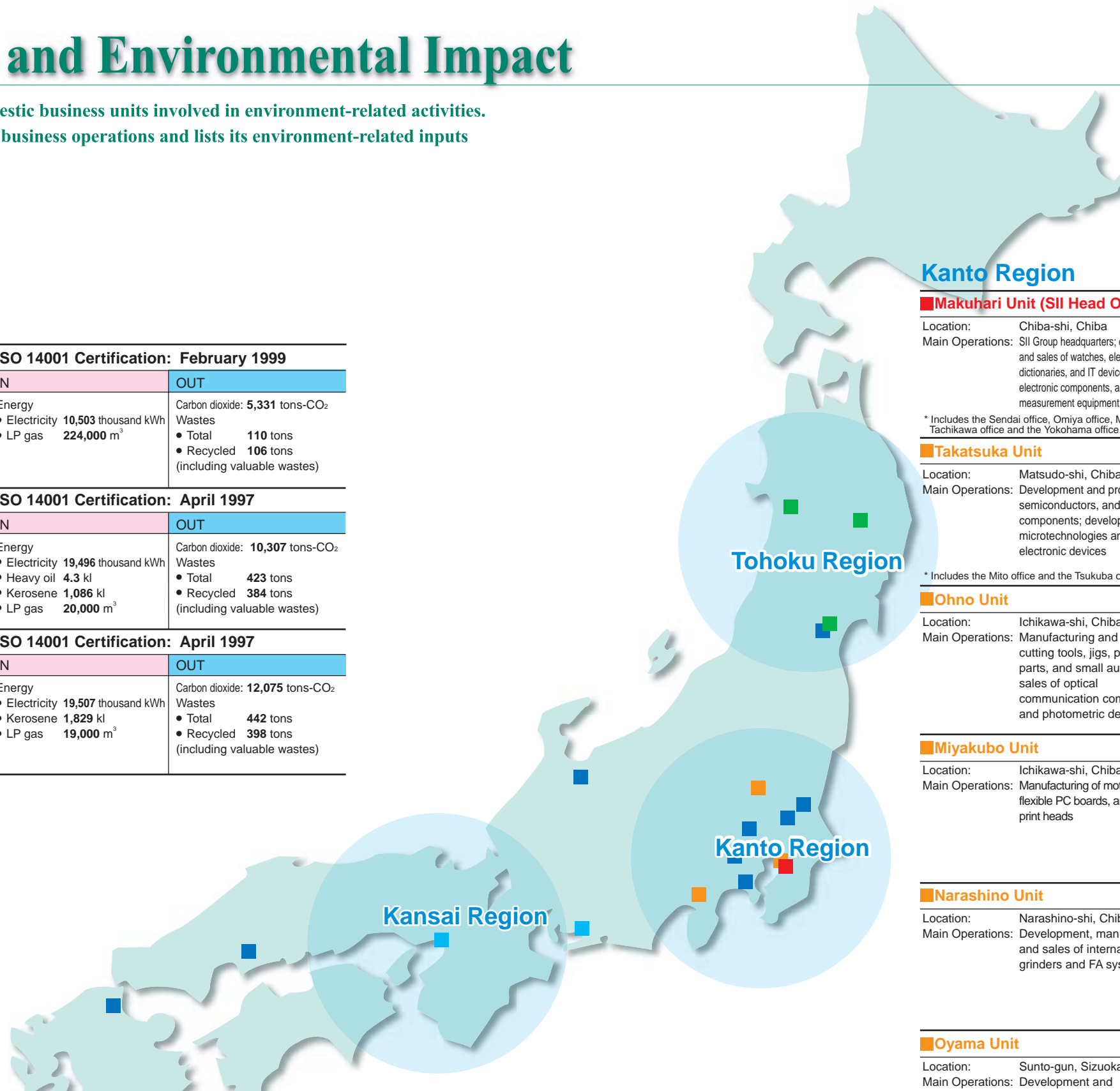
SII Micro Parts Ltd.	ISO 14001 Certification: February 1999	
Location: Sendai-shi, Miyagi Main Products: Batteries, capacitors, and other electronic components; Manufacture of materials for precision devices	IN	OUT
	Energy • Electricity 10,503 thousand kWh • LP gas 224,000 m ³	Carbon dioxide: 5,331 tons-CO ₂ Wastes • Total 110 tons • Recycled 106 tons (including valuable wastes)
Morioka Seiko Instruments Inc.	ISO 14001 Certification: April 1997	
Location: Iwate-gun, Iwate Main Products: Integrated watch manufacturing; development of watch production technologies; watch components	IN	OUT
	Energy • Electricity 19,496 thousand kWh • Heavy oil 4.3 kl • Kerosene 1,086 kl • LP gas 20,000 m ³	Carbon dioxide: 10,307 tons-CO ₂ Wastes • Total 423 tons • Recycled 384 tons (including valuable wastes)
SII Microtechno Inc.	ISO 14001 Certification: April 1997	
Location: Omagari-shi, Akita Main Products: LCDs and LCMs for mobile phones; IC packages	IN	OUT
	Energy • Electricity 19,507 thousand kWh • Kerosene 1,829 kl • LP gas 19,000 m ³	Carbon dioxide: 12,075 tons-CO ₂ Wastes • Total 442 tons • Recycled 398 tons (including valuable wastes)

- Head Office
- Unit
- Affiliated Company
- Branch
- Office

Kansai Region

Osaka Branch	ISO 14001 Certification: September 2002	
Location: Toyonaka-shi, Osaka Main Products: Sales of electronic components, analytical and measuring instruments, information devices and related products; technical support; after-sales service	IN	OUT
	Energy • Electricity 350 thousand kWh • Heating and air-conditioning 1,634 GJ	Carbon dioxide: 184 tons-CO ₂

Business Units covered: Osaka branch, Nagoya branch, Toyama office, Hiroshima office, Fukuoka office



Kanto Region

Makuhari Unit (SII Head Office)	ISO 14001 Certification: October 2001	
Location: Chiba-shi, Chiba Main Operations: SII Group headquarters; development and sales of watches, electronic dictionaries, and IT devices; sales of electronic components, analysis and measurement equipment	IN	OUT
	Energy • Electricity 8,859 thousand kWh • Municipal gas 29,000 m ³ • Heating and air conditioning 18,499 GJ	Carbon dioxide: 4,024 tons-CO ₂ Wastes • Total 253 tons • Recycled 193 tons (including valuable wastes)
Takatsuka Unit	ISO 14001 Certification: November 1996	
Location: Matsudo-shi, Chiba Main Operations: Development and production of semiconductors, and electronic components; development of microtechnologies and electronic devices	IN	OUT
	Energy • Electricity 52,074 thousand kWh • Heavy oil 51 kl • Municipal gas 2,236 thousand m ³	Carbon dioxide: 25,263 tons-CO ₂ Wastes • Total 628 tons • Recycled 537 tons (including valuable wastes)
Ohno Unit	ISO 14001 Certification: March 1999	
Location: Ichikawa-shi, Chiba Main Operations: Manufacturing and sales of cutting tools, jigs, precision parts, and small auto parts; sales of optical communication components and photometric devices	IN	OUT
	Energy • Electricity 6,553 thousand kWh • Municipal gas 169,000 m ³	Carbon dioxide: 2,897 tons-CO ₂ Wastes • Total 337 tons • Recycled 337 tons (including valuable wastes)
Miyakubo Unit	ISO 14001 Certification: March 1997	
Location: Ichikawa-shi, Chiba Main Operations: Manufacturing of motors, flexible PC boards, and inkjet print heads	IN	OUT
	Energy • Electricity 4,327 thousand kWh • Municipal gas 6,600 m ³	Carbon dioxide: 1,665 tons-CO ₂ Wastes • Total 98 tons • Recycled 98 tons (including valuable wastes)
Narashino Unit	ISO 14001 Certification: January 1997	
Location: Narashino-shi, Chiba Main Operations: Development, manufacture, and sales of internal grinders and FA systems	IN	OUT
	Energy • Electricity 2,407 thousand kWh • Heavy oil 106 kl • Municipal gas 59,000 m ³	Carbon dioxide: 1,336 tons-CO ₂ Wastes • Total 94 tons • Recycled 78 tons (including valuable wastes)
Oyama Unit	ISO 14001 Certification: August 1998	
Location: Sunto-gun, Sizuoka Main Operations: Development and manufacture of analysis and measurement equipment, and acoustic devices	IN	OUT
	Energy • Electricity 4,729 thousand kWh • Heavy oil 8.1 kl • Kerosene 454 kl • LP gas 3,500 m ³	Carbon dioxide: 2,994 tons-CO ₂ Wastes • Total 82 tons • Recycled 81 tons (including valuable wastes)
Tochigi Unit	ISO 14001 Certification: February 1998	
Location: Tochigi-shi, Tochigi Main Operations: Manufacture of quartz crystal units	IN	OUT
	Energy • Electricity 9,825 thousand kWh • Kerosene 4.8 kl • LP gas 2,700 m ³	Carbon dioxide: 3,775 tons-CO ₂ Wastes • Total 118 tons • Recycled 118 tons (including valuable wastes)

Regulatory Compliance & Worksite Environmental Protection

The SII Group's production sites have established emissions standards that are stricter than those required by law. We monitor and measure a wide variety of values daily to ensure that levels remain within requirements. We anticipate unexpected situations by establishing emergency policies for all of our facilities, so as to ensure that the plant environment remains safe.

Ensuring Compliance

We have drafted our own provisions and procedures for the prevention of environmental pollution, and we are fully committed to complying with the law. In accordance with SII's environmental management system, each of our organizations regularly assesses their compliance, and strives to reduce environmental risks.

Responsive to Regulatory Changes

Our Tochigi Unit, which manufactures quartz crystals, further strengthened its management system in response to a revision of the effluent standards in the Water Pollution Control Law. Although we more than adequately satisfy the effluent standards, we installed two more simple fluoride ion monitors so that, in the unlikely event an abnormal value was read, we would be able to detect it as early as possible, and prevent contaminated water from being released.



Simple fluoride ion monitor

Similarly, to further alleviate any risk to the environment, we also laid new pipes to supply large volumes of dilution water should there be an emergency.



Emergency pipes

FY2004 Results

We are pleased to report that in FY2004 we were in full compliance with all environmental regulations. There were also no incidents resulting in environment-related damage outside our grounds. There was one complaint related to foul smells, and this has been resolved.

Examples of Risk Countermeasures at our Facilities

Each of our environmental facilities is structured so that, even in an emergency, impact on the environment will be kept to a minimum.

- We dug up underground pipes that carry hazardous materials, then reburied them in special walled ditches that we constructed. If pipes should rupture, the ditches will prevent leakage from seeping into the surrounding soil.
- We are using two-ply transparent pipes to carry chemical liquids. If one of the pipe layers breaks, the other will continue to hold; and if a leakage does occur, its location will be readily visible.
- We have installed leakage containment barriers around our chemical tanks. These barriers prevent any chemicals being released into the soil in the event one of the tanks fractures.
- Engine-driven fire hydrant pumps
With these pumps, we can fight fires even if there is a blackout. The pumps will usually be driven by electric motors; however if the power fails during the operation, the pumps will instantly switch to being engine-driven.
- Structure of storage areas for hazardous materials
We are enhancing the safety and security of our storage areas for hazardous materials, by ensuring the structures are entirely fire proof, and they conform to the standards on special covered storage spaces. The walls, supports, floors, girders and roofs are all constructed with fire-resistant materials; the areas are fitted with explosion-proof lighting; and we use automatically closing fire doors.



Dual structure



Results of Water-Quality and Air-Quality Measurements

The results of our water-quality and air-quality measurements are listed below. Waste water from our sites in the Keiyo area discharge into a river system that ultimately flows into Tokyo Bay. The bay is a wide but enclosed body of water, and there are special pollution load standards in the Water Pollution Control Law that regulate levels of COD (chemical oxygen demand), nitrogen, and phosphorus. The SII business units that are subject to these provisions have set up systematic means to ensure strict compliance.

ND: Not detected
Dash ("—") indicates that the item is not regulated or was not measured.
Values: Highest measurements

Water-Quality Measurements Units: mg / liter; pH; parts per cubic meter

Regulated Substance	Unit	Business Units							SII		
		Takatsuka	Ohno	Miyakubo	Narashino	Oyama	Tochigi	Micro Parts Ltd.	Morioka Seiko Instruments Inc.	Microtechno Inc.	
Life-Environment Values											
1	pH	7.0-7.8	6.9-8.2	7.0-7.9	6.7-7.8	6.6-7.4	6.9-7.9	6.8-7.3	7.2-7.6	6.5-7.5	
2	BOD	8	7.1	6.5	5.9	10	6.9	320	6.1	8	
3	COD	—	—	—	13	10.8	—	—	—	—	
4	Suspended solids	7	2	17	3	5	6	5	2	9	
5	n-Hex	ND	ND	ND	ND	—	ND	30	ND	1	
6	Phenols	ND	—	ND	ND	—	ND	—	ND	—	
7	Copper	0.02	0.02	0.27	ND	—	ND	2.7	0.03	—	
8	Zinc	0.63	0.09	0.08	0.03	—	0.01	0.17	0.107	—	
9	Iron	0.71	—	0.09	0.06	—	0.5	0.73	0.07	—	
10	Manganese	0.03	—	0.03	0.03	—	ND	1.1	ND	—	
11	Total chromium	ND	0.01	0.02	ND	—	ND	—	ND	—	
12	Number of coliform group	ND	—	ND	ND	ND	ND	—	ND	200	
13	Nitrogen	20	23	15	37	—	21	—	—	—	
14	Phosphorus	1.4	5	3	1.5	—	1.4	—	—	—	
Toxic Substances											
1	Cadmium	ND	ND	ND	ND	—	—	—	ND	ND	
2	Cyanogen	ND	0.3	ND	ND	—	ND	—	ND	ND	
3	Organic phosphorus	ND	—	ND	ND	—	—	—	ND	ND	
4	Lead	0.02	ND	0.04	ND	—	0.04	—	ND	ND	
5	Hexavalent chromium	ND	ND	ND	ND	—	—	—	ND	ND	
6	Arsenic	ND	—	ND	ND	—	—	—	ND	ND	
7-1	Total mercury	ND	—	ND	ND	—	—	—	ND	ND	
7-2	Alkyl mercury	ND	—	—	ND	—	—	—	ND	ND	
8	PCB	—	—	ND	ND	—	—	—	ND	ND	
9	Trichloroethylene	ND	—	ND	ND	—	—	—	ND	ND	
10	Tetrachloroethylene	ND	—	ND	ND	—	—	—	ND	ND	
11	Dichloromethane	ND	—	ND	—	—	—	—	ND	ND	
12	Carbon tetrachloride	ND	—	ND	—	—	—	—	ND	ND	
13	1,2-dichloroethane	ND	—	ND	—	—	—	—	ND	ND	
14	1,1-dichloroethylene	ND	—	ND	—	—	—	—	ND	ND	
15	cis-1,2-dichloroethylene	ND	—	ND	—	—	—	—	ND	ND	
16	1,1,1-trichloroethane	ND	—	ND	ND	—	—	—	ND	ND	
17	1,1,2-trichloroethane	ND	—	ND	—	—	—	—	ND	ND	
18	1,3-dichloropropane	ND	—	ND	—	—	—	—	ND	ND	
19	Thiuram	ND	—	ND	—	—	—	—	ND	ND	
20	Simazine	ND	—	ND	—	—	—	—	ND	ND	
21	Thiobencarb	ND	—	ND	—	—	—	—	ND	ND	
22	Benzene	ND	—	ND	—	—	ND	—	ND	ND	
23	Selenium	ND	—	ND	ND	—	—	—	ND	ND	
24	Boron	0.07	0.32	1.1	0.05	—	ND	0.25	5.04	0.11	
25	Fluorine	6.4	1	0.8	0.7	—	2.9	0.08	0.13	ND	
26	Ammonia, Ammonia compounds, Nitrous acid compounds, Nitrates	11	—	—	18	—	9.4	0.8	2.58	1.1	

Air-Quality Measurements

ND: Not detected Dash ("—") indicates that the item is not regulated or was not measured. Values: Highest measurements

Regulated Substance	Unit	Business Units							SII		
		Takatsuka	Ohno	Miyakubo	Narashino	Oyama	Tochigi	Micro Parts Ltd.	Morioka Seiko Instruments Inc.	Microtechno Inc.	
Particulate matter(g/m ³ N)		ND	ND	—	ND	ND	—	ND	ND	ND	
SOx(m ³ N/h)		0.0552	ND	—	0.0406	0.0548	—	ND	ND	ND	
NOx(ppm)		46.4	13.7	—	39.9	58.1	—	34	57	79	

Environment-conscious Products

As a manufacturer, we recognize our responsibility to create and supply eco-friendly products. We consider eco-friendliness through all stages of production and use: from planning and design to product use and disposal.

Recap of FY2004

- We achieved an SII Green Products sales ratio of 61.7%, which was well in excess of the 50% target.
- We set a new mandatory requirement for SII Green Product certification, that none of the five chemical substances, which are targeted for complete elimination, are to be used in new products manufactured from January 2005. (The five chemical substances are: cadmium, hexavalent chromium, mercury, lead, and PVCs.)
- We increased the number of our LCA (life cycle assessment) trials.

Assessing the Environmental Impact of Products

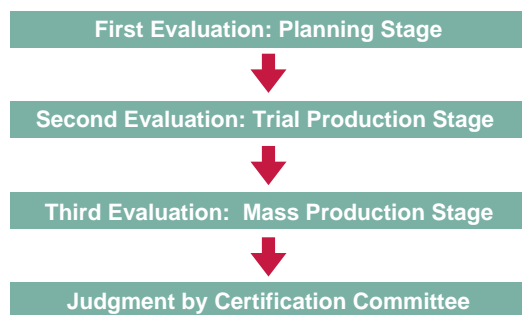
In 1998, we established our Product Environmental Assessment Guidelines. The purpose of the guidelines is to promote eco-friendly production throughout the company. Business offices throughout the Group have used these guidelines as the basis for formulating related rules and for assessing the environmental impact of our products.

The SII "Green Product" Label

To raise public awareness of our Group's eco-friendly products, we introduced our SII Green Product Label in December 2001. This is a Type II environmental label as defined under ISO 14021, meaning that it represents a self-declared environmental claim. To determine whether a product qualifies for this label, we evaluate it using our own "green product standards." Specifically, we assign a score of 1 to 5 for each of 19 evaluation parameters. Products that receive an average score of 3.5 or better are classified as "green products" and carry the Green Products label.



Steps in Green Product Certification



Developers and designers from all business departments participate in green product certification, helping to ensure a fair, objective, and wide-viewed evaluation while also promoting consistency and information sharing across the company. In FY2005, we will further improve our level of environmental consciousness, with such initiatives as strengthening our screening process at the development stage.

Environmental Compatibility Factors for SII Green Product Standards

We review and revise our SII Green Product Standards once every two years. In FY2005, we will conduct our second review of the standards, and push forward with the development of products that are aimed at being the environment lead runner.

Environmental Compatibility Factors for SII Green Product Standards

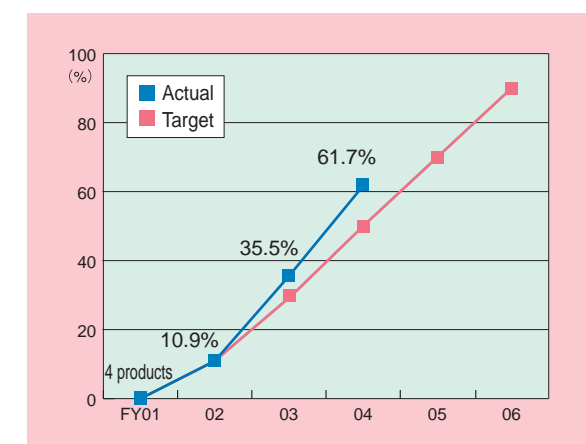
No	Parameter
1	Power consumption during use
2	Power consumption during standby
3	Weight of product
4	Use of reused parts and recycled materials
5	Recyclability of used products
6	Longer-lasting products
7	Reduction of the use of containing avoidance substances* in goods
8	Reduction of the use of containing abolition substances* in goods
9	Prohibition of the use of containing prohibition substances* in goods
10	Smaller and more lightweight packaging
11	Reduction of the use of foam materials in packaging
12	Avoidance of the use of polyvinyl chloride and heavy metals in packaging
13	Energy conservation in the manufacturing process
14	Resource conservation in the manufacturing process
15	Reduction of the use of use avoidance substances* in the manufacturing process
16	Prohibition of the use of use prohibition substances* in the manufacturing process
17	Easy disassembly
18	Easy sorting of materials
19	Information disclosure in user/instruction manuals, and other related documents.

* Based on SII Group standards.

FY2004 Results

In FY2004, our sales ratio of SII Green Products reached 61.7%. The ratio for general personal appliances, such as data communication devices and electronic dictionaries, exceeded 80%, while the share for LCD modules, semiconductors, rechargeable batteries and other electronic components reached 50-80%. Despite not being able to reach our targets for large-scale machine tools and for analytical and measuring instruments, we are continuing our eco efforts across our entire product line, demonstrated by our new certification categories for order entry systems and large inkjet print heads. We have also undertaken similar initiatives for our OEM products, where we have achieved a sales ratio of 57.1%.

Comparison of Target and Actual SII Green Products Sales Ratios



Disclosure of Environment Information Related to Green Products

The following website introduces our green product line and provides a variety of environmental information about our products.
<http://www.sii.co.jp/eco/>



LCA* Trials

We began running life-cycle assessment trials in 2001, carrying out inventory analyses of various components and mechanisms—including watch and thermal printer mechanisms. We used the experiences and results of these efforts as the basis for drafting our LCA Guidelines, released in March 2003. These guidelines, in turn, now serve as the basis for extending our LCA activities to other products. We have now deployed LCA trials to virtually all of our products, and our next step shall be to implement LCA-based quantitative evaluations for our new products.

* LCA: Life Cycle Assessment
 LCA is a comprehensive evaluation of the environmental impact of a product through the different stages of the life of the product: from the procurement of inputs, to the manufacture of its parts, assembly, transport, use, disposal, and recycling. LCA includes the identification and analysis of the energy used, the amounts of materials used, and the emissions of carbon dioxide.

Example of LCA (Machine Tools)

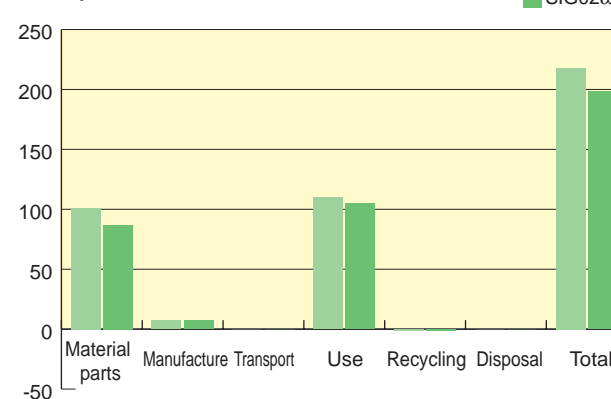
We performed an LCA on our core product - the SIG02α m Internal Grinder, and carried out a CO₂ inventory analysis across the life cycle. As a result of the analysis, we were able to confirm that the impact during use and the impact of the materials and parts were extremely high.

Based on this outcome, we designed an energy-saving and resource-saving successor to this grinder - the SIG02α II. We reduced the materials used by making it more compact, and we reduced the energy consumed during use, by cutting back on the units.

The upshot of our efforts was that we were able to reduce 9% of the CO₂ emitted during the total life cycle of the grinder, including a 4% reduction from CO₂ emissions during use, and a 14.2% reduction of CO₂ from materials.

We will continue our mission of turning out products that are even more environmentally friendly, by taking the analytical results from these types of LCAs and using them in the development and design of new products.

Comparison of CO₂ Emissions from Internal Grinders



Collection and Recycling

To promote effective use of resources, we are involved in efforts to collect and recycle discarded products and consumables.

○ Collection of Ink Cartridges

Used ink cartridges and used bottles are sent to our collection center, where they are separated into plastic and ink for recycling.

○ Collection of Data Communication Devices

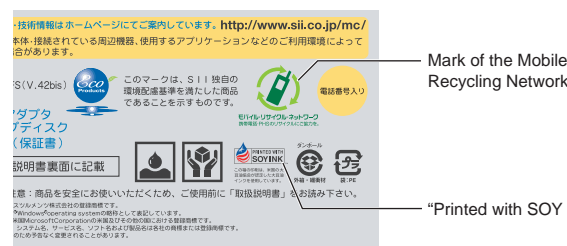
We participate in the mobile recycling network that has been jointly established by the Telecommunications Carriers Association and the Communications and Information Network Association of Japan.



Mobile Recycling Network

★ Indications on Boxes

Product boxes include the recycling network marking illustrated above, which urges users to recycle their old products. The boxes also indicate that they are printed with soy ink.



Mark of the Mobile Recycling Network

"Printed with SOY INK"

○ Recycling of Rechargeable Batteries

We also participate in efforts of the JBRC (Japan Portable Rechargeable Battery Recycling Center) to collect and recycle small rechargeable batteries.



○ Collection of Packaging

We consign collection and recycling tasks to the Japan Containers and Packaging Recycling Association.

Future Initiatives

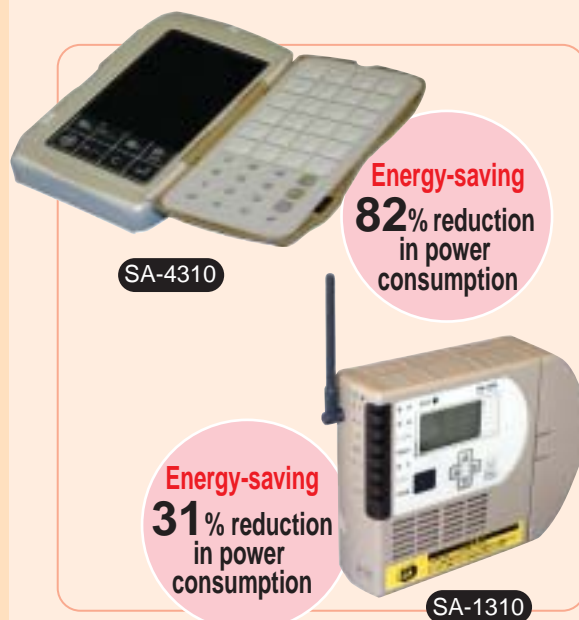
- We will take environmental considerations into account more from the design and development stages, by strengthening our screening process at the development stage for our green products.
- We will increase the level of our eco-friendly product creation, by performing LCA-based quantitative evaluations on our new products.

Examples of SII Green Products

Order Entry Systems

EXCELLEO

EXCELLEO is a brand new order entry system with dramatically improved basic capabilities, such as reliability and performance, that we achieved by bringing together the very latest in IT. The system is comprised of SA-4310 Wireless Handy Terminals, the SA-1310 Intelligent Station, and the SA-3210 Wireless Printer series.



Energy-saving
82% reduction
in power
consumption

Energy-saving
31% reduction
in power
consumption

○Eco-Friendly Features

We were able to make significant energy-saving and resource-saving contributions across the series. Power consumption during use was slashed* by 82% for the SA-4310 Wireless Handy Terminal, and by 31% for the SA-1310 Intelligent Station. Product weight was also drastically reduced* by 63% for the SA-4310 (despite a larger LCD touch panel), and by 80% for the SA-1310 (despite the additional wireless function).

We have achieved lead-free solder for mounting on boards, and none of the chemical substances prohibited by our own provisions have been used. Furthermore, we have actively promoted the reduction of hazardous substances, by not including any Styrofoam, polyvinyl chloride, or heavy metals in the packing materials.

* These ratios are made in comparison to SII's earlier models.

Network Components

With our "craftsmanship" skills and spirit, we provide design and development solutions for cutting-edge mobile phones and compact mobile devices.

○Eco-Friendly Features

The Ultra-Small Package High-Precision Voltage Detector S-1000 series features some of the industry's best specifications: a minimum operating voltage of 0.95 V, a current consumption of 350 nA, and it has adopted the new SNT4A small package. The RA80 Double-sided LCD Module contributes to saving energy and resources, with a consumption current of 2.4 mW (main panel), and a product weight of 4.9 g. The TS414H Rechargeable Battery is 100% charge-discharge and has achieved a super long life of in excess of 100 cycles under 100% charge discharge. Our SSP-T7-F Quartz Crystal has been made smaller, with a product weight of 28 mg. In each of these parts, we have achieved lead-free terminals and boards, and we have achieved a complete elimination of the substances to be eliminated according to our own provisions.



Contributing to
Energy-saving,
Resource-saving and Reduction
in Hazardous Substances
in compact
mobile devices

Data Communication Device

CH-S203C/TD

This Type I Compact Flash card is thin, lightweight, and eco-friendly.

○Eco-Friendly Features

The card has contributed to the saving of energy by achieving a 14% reduction* in the consumption of power (when running at 3.3 V), consuming only 561 mW. The package is also 14% lighter*, for a further saving of resources. No Styrofoam, polyvinyl chloride, or heavy metals have been used in the packaging, and the package and manual are printed in soy ink.



Energy-saving
14% reduction in
power consumption

* These ratios are made in comparison to SII's earlier models.

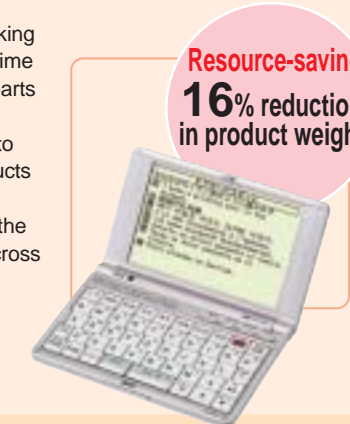
Electronic Dictionary

SR-K6000

This dictionary is loaded with 85 different dictionaries and reference materials; it has a stylish slim design; and it is equipped with the "kaiteki" PC-touch specification, which makes keyboard entry even easier.

○Eco-Friendly Features

By adopting a thinner and more lightweight design, we have been able to significantly reduce the product weight by 16%*. We have not used any Styrofoam, polyvinyl chloride, or heavy metals in the packaging; and by integrating parts into units we facilitate the assembly and disassembly processes, thereby saving energy in the production lines and making for easier sorting at the time of disposal. Marking of parts that contains over 5 g plastics makes it easier to sort the respective products and makes a substantial contribution to reducing the environmental impact across the product's life cycle.



Resource-saving
16% reduction
in product weight

* These ratios are made in comparison to SII's earlier models.

Compatibility with Japan's Green Purchase Promotion Law

We offer printers, plotters, and paper supplies that comply with the requirements of the Law on Promoting Green Purchasing.

Network Multifunction Plotter

LP-1010 Series

Able to accommodate A0-size paper, this new plotter measures 1,150 mm wide and 552 mm deep, making its compact design equivalent to an A1 plotter, and reducing the space required for installation. Thanks to the latest in speed and durability of the print engine, the plotter boasts fast printing speeds of 6.2 A1-size prints/min., and 3.4 A0-size prints/min. Despite this outstanding performance, we have achieved a low power consumption for the plotter of less than 1,440 W at 100 V. This means that the plotter can be powered by the ordinary power supply available in offices (15 A). We also offer a wide variety of paper sizes for the plotter, and our 100% recycled paper is eco-friendly in compliance with Japan's Green Purchase Promotion Law.



Environmentally-friendly Manufacturing

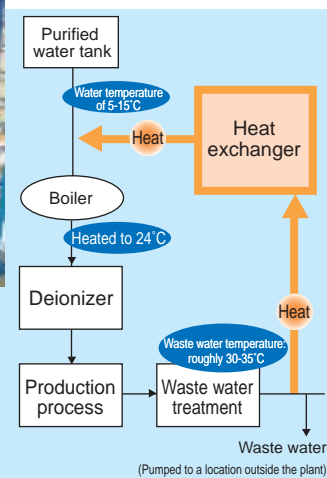
In manufacturing our products, we at the SII Group consume some of the world's limited natural resources and contribute to the stress on the global environment. Aware of this fact, we are engaged in promoting a number of initiatives to reduce our environmental impact, including the important issues of halting global warming, our "3R" approach, and chemical materials control.

Initiatives Related to Global Warming

Since the Kyoto Protocol came into force on February 16, 2005, we have been required to further promote strategies to stop global warming. We are making efforts company-wide to do our part to halt global warming, by conserving energy at our plants and offices, and by incorporating energy saving into our products.

Installation of Heat Exchangers

SII Microtechno Inc. (Akita Prefecture) has endeavored to conserve energy on plumbing equipment. When purified water is fed into the facility for the production process, water at a temperature of between 5°C and 15°C in summer is heated to 24°C in the boiler. The purified water is then heated to 30-35°C during the production process. Noticing the temperature of the waste water, we installed a heat exchanger that would use the heat from the waste water to raise the temperature of the purified water to the temperature required for production. The heat exchanger enables a reduction of the combustion intensity of the boiler, which reduces the amount of kerosene required on a daily basis by half, from 1000 liters to 500 liters.

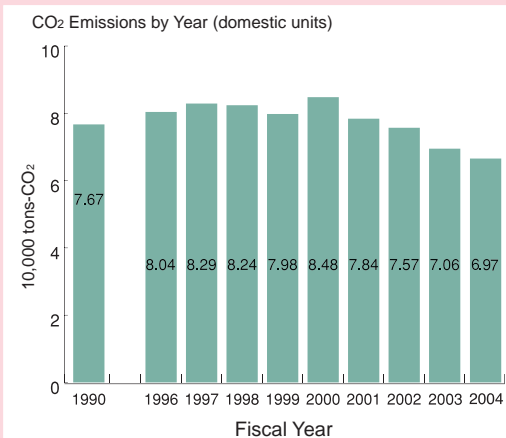


Reducing air Pressure

Another of our initiatives, at SII Microtechno Inc., has been to reduce the amount of air pressure used in the production process. Here, the production departments working on IC package mounting and display production collaborated with infrastructure and equipment departments to reduce pressure without negatively affecting quality. We achieved a reduction of 0.07MPa compared to levels prior to the change, an amount equivalent to 1.6% of total power usage.

Recap of FY2004

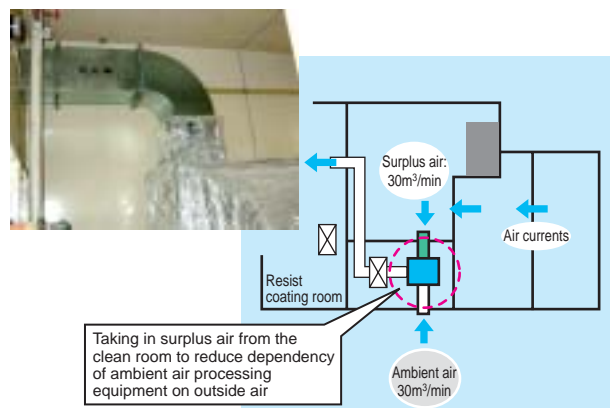
• We reduced CO₂ emissions by 981 tons-CO₂, or 1.4% over the previous year, achieving our FY2004 target.



• As for emissions of greenhouse gases other than CO₂ (HFCs, PFCs, and SF₆), the FY2003 figure fell by 687 tons-CO₂ (71% on the previous fiscal year), due to the fact that some departments using these materials were no longer included in environmental management.

Use of Ambient Air

At our Tochigi Unit (Tochigi Prefecture), we have endeavored to conserve energy in the clean room facilities for the resist coating process. Because of the process of local ventilation for organic solvents, we need to maintain a certain level of pressure by letting in ambient air, but due to the large differences in temperature between the indoor and outdoor air in the summer and winter seasons, electricity consumption had climbed. In order to cut consumption, we improved the situation by forcing surplus air from neighboring rooms and mixing it with the ambient air, enabling a reduction of 11.9% of the electric power required for the processing of ambient air.



Taking in surplus air from the clean room to reduce dependency of ambient air processing equipment on outside air

Reducing Greenhouse Gases other than CO₂

In the semiconductor production process, we utilize greenhouse gases other than CO₂, namely PFCs, SF₆, etc. Though we have already reached our goals for reduction for 2010, our ongoing reduction initiatives have resulted in a 71% decrease in FY2004 over the previous year.

Conserving Energy during Transport

We have four routes for regular deliveries in the Keiyo vicinity. In addition to revising these, we now utilize more compact vehicles, having made the switch from 4-ton to 2-ton vehicles.

Future Initiatives

- We plan to focus on conserving energy used during the production process.
- We will aim for FY2005 CO₂ emissions 0.5% less than FY2004.

Day-to-Day Energy Conservation

The entire Group carries out various efforts to reduce day-to-day energy usage:

- Switch off office machines when not in usage.
- Switch lights on and off separately for each area.
- Run regular "energy patrols."
- Save energy for vending machines.
- Our "Idling stop" campaign reminds people to reduce car idling.

At Morioka Seiko Instruments, all lights in staff rooms are equipped with strings, so that they can be turned off individually when not in use.



Using cords to turn off individual lights

Tochigi Unit

The Tochigi Unit was awarded the Chairman's Prize for Excellence from the Kanto Region Electric Power Rationalization Committee (Sponsored by the Kanto Region Electric Power Consumption Rationalization Committee).



Crystals Control Committee (Tochigi Unit)
From left, Yasuo Sayama, Yoshitaka Shiraishi



Morioka Seiko Instruments Inc.

Morioka Seiko Instruments Inc. received the Chairman's Award from the Tohoku Seven-Prefecture Electric Power Promotion Committee (acknowledged as the plant with the best energy control by the Tohoku Bureau of Economy, Trade, and Industry). In addition, the Committee's Energy Management Prize went to Kazuo Yamada, Environmental Management Dept., Administrative Department.



Administrative Dept. Morioka Seiko Instruments Inc.
From left: Tetsuo Monikagi, Shigefumi Noda, Kazuo Yamada



A word from the people in charge

We believe that lots of small improvements taken together result in a significant conservation of energy. We plan to continue to make small improvements, step by step, in order that we can claim an even bigger prize in the future.

A word from the people in charge

Our being awarded this prize is a result of the efforts for energy conservation by all employees. Aiming to win the Bureau Chief and Prime Minister's Prizes next, we will continue to move ahead with global warming endeavors with the participation of all of employees.

We will continue to participate in various campaigns, promoted by the Ministry of the Environment, for the halt of global warming.

(1) We participate in the national project known as "Team Minus 6%," which is designed to help achieve the targets of the Kyoto Protocol.

(2) We staged our own "lights down" event
Over the period of June 17-19, we participated in the Ministry of the Environment's "Lights Down Campaign", in which we dimmed the lights on our rooftop and street-level billboards at the Makuhari Headquarters Bldg.

(3) We are carrying on the COOL BIZ campaign.

We are cooperating with the Ministry of the Environment's "COOL BIZ" campaign, promoting our very own "Cool Biz at SII" (June-September). We have long set our air conditioning systems to 28°C in the summer season as part of energy conservation efforts, but at this time, in addition to this, we have called for our employees to dress according to the "Cool Biz at SII" style so that they can be comfortable even at this temperature.



◀ An SII company poster

Our "3R" Approach (Reduce, Reuse, Recycle)

We believe that one very important mission for manufacturers is to exercise care in their handling of our precious resources. In all of the processes employed by the SII Group, we strive to make the most effective use of resources. Further, through our waste reduction programs, we were able to achieve "zero emissions" in FY2003. We continue to strive to maintain that achievement and to reduce total waste.

Effective Use of Water Resources

Large volumes of water are used in the manufacturing process. In order to make the most effective use of our precious water resources, we re-use wastewater generated in the production process after purifying it by filtration, once again for the production process. At our Tochigi Unit, we have acquired RO condensate return equipment, which generates highly purified water, enabling the facility to reduce water consumption by 2000 m³/month and chemical materials by 3.0 tons/month. Water usage for the Group as a whole stood at approximately 879,000 m³ in FY2004, for a decline of approximately 12,000 m³. We are currently working on our targets for FY2005.



RO condensate return equipment, which generates highly purified water

Effective Use of Paper Resources

We achieved our goals for reduction of paper resources, a project that we have been working on since 1993, ahead of our schedule. Starting in FY2003, we have continued to maintain our target levels. Usage for FY2004 stood at 69 tons, for a four-ton drop over the previous fiscal year.

Reduce

Improving the Number of Panels and Crystal Oscillators Used

Though panels and crystal oscillators, which are electronic parts, are already small items, we are working to save even more resources in the production process. We are boosting the number of panels that we can obtain from one piece of glass, as well as the number of crystal oscillators that we can derive from one wafer. Here we utilize the technology relevant to "upstream" manufacturing, i.e. the areas of design and development. By getting more quantities out of fewer materials, we also reduce waste.

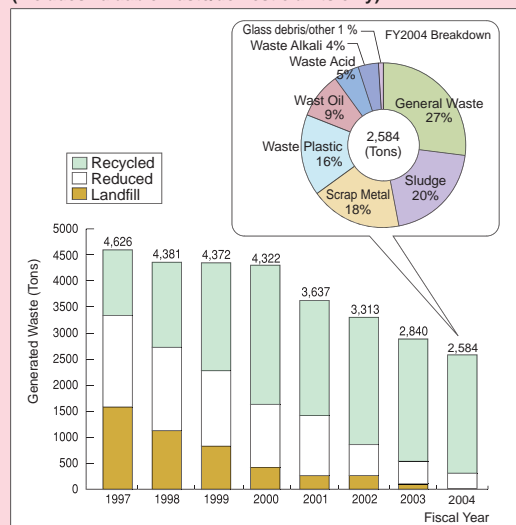


Injection Molding Machine

Recap of FY2004

- In addition to continuing with ongoing activities, we proceeded to work on conserving resources at the planning and design stages.
- We reduced our water usage by 12,000 m³, and our paper usage by four tons.
- We reduced total waste by 256 tons, or 9% over the previous year, achieving our FY2004 target.

Trend in Total Waste Generation (includes valuable waste/domestic units only)



Getting more Watch Parts Out of Materials

The molding process for plastic watch parts generates a "runner", which is several times larger than the small part itself. The facility that carries out this process, Morioka Seiko Instruments Inc. (Iwate Prefecture), continues to work on getting more parts out of materials used. The waste plastic runners are crushed down and combined with new materials for re-use. This has led to a reduction of approximately 557 tons of plastic material purchases in FY2004.

Reuse

Reuse of Movement Trays

Trays utilized in the transport of watch movements at Morioka Seiko Instruments Inc. were once thrown away. By removing the dust from the trays, and after checking that they would not harm the products, the company now reuses some 2,000 trays annually.



Removing the dust

Reusing Cardboard Boxes

Returnable containers are actively re-used in the distribution process. By improving packaging for products shipped out of the Oyama unit, we have been able to reuse 1,430 cardboard boxes. For new products, we created returnable containers, eliminating cardboard box waste.



Reusing Cutting Oil

At the Ohno unit (Chiba Prefecture), which produces precision components and auto parts, the oil that sticks to the chips generated in the production process is filtered using chips processing equipment. More than 30% of this cutting oil is re-used every year.



Cuttings processing equipment

Recycling

Separated Waste Collection

To facilitate reuse and recycling of waste, we carry out careful sorting of waste materials. We promote the separation and sorting of all kinds of industrial waste items, including scrap metal, sludge, waste plastics, waste oil, waste acid, waste alkali, and glass debris. We also meticulously separate common waste generated in daily life.



Sorting daily waste items

Volume Reduction

A great deal of water is contained in sludge generated in the sewage treatment process. AT SII Micro Parts Ltd. (Miyagi Prefecture), we have set up a plastic Greenhouse on the facility grounds, which dries sludge with the heat of the sun. This reduces the weight of the material by 50%, which also serves to ease the stress on the environment during transport.



The plastic Greenhouse for drying sludge

Future Initiatives

- Maintain zero emissions, and work to further improve our "3R" approach (reduce, reuse, and recycle).
- Total emissions in FY2005 fell by 3% over FY2004, and we are aiming for a 50% improvement over FY 2000 by FY2010.

3R Approach at SII Microtechno Inc.

Ninety-five different kinds of plastic wastes are generated at SII Microtechno Inc. These are separated into four different categories according to recycling methods, and each item is affixed with a photo label to avoid error. We have actively continued with this initiative even after achieving "zero emissions", and all departments, including procurement, are taking steps such as promoting manufacturer collection and re-use of deflecting plate cases and pharmaceutical containers, achieving optimal delivery format, converting waste plastics to valuable resources, and so on. At present, we have been able to convert six types of waste plastic to usable resources, which is also proving economical.



Posters of waste separation at an IC mount plant



SII Microtechno Control Department
From left, Hiroyuki Takahashi, Mayako Sato, Tsukasa Komatsu

A word from the people in charge
We are committed to our ongoing efforts to develop our own unique improvements as a manufacturer, and to promoting environmental conservation, with the continued support and cooperation of all departments.

Chemical Substance Control

At SII, we consider safety and appropriate handling of chemical materials an important issue for risk management. We therefore carry out integrated management of these materials at every stage, including purchase, use, storage, and disposal.

Chemical Substance Control

We have always worked to achieve the total elimination of substances such as certain chlorofluorocarbons. Drawing up our SII Chemical Materials Guidelines, we have strived to improve awareness and controls on chemical substances in all areas and aspects of our business.

We are also engaged in voluntary activities to reduce the use of chemical substances.

Working to reduce the volume of sodium cyanide used at our Ohno unit In FY2004, we have achieved tangible results in a reduction of 160 kg over the previous year. We have also completely eliminated use of cyanide in some plating processes. Though we are not yet totally cyanide-free due to differences in conditions of alternative clearing solvents, including density and temperature, which are related to the specific attributes of individual components, we are forging ahead with our initiatives.

Total Elimination of Lead Solder Achieved

We were able to totally eliminate lead solder as of October 2004. In July 1999, since we launched the "Lead-Free Solder Promotion Project", we have strived as a group to develop technologies to achieve our goals of 1) making electrode terminal electronic components lead-free, and 2) making solder mounts for PCBs and electronic components lead-free. By the end of December 2003, we had established a system that could offer lead-free products for electrode terminals for all electronic components. We are committed to making solder mounts lead-free not only in Japan, but also at our overseas production units, and we have developed mounting technology for a range of products used for a variety of applications—technology that earns the approval of our customers because of its excellent quality and reliability. Despite that fact that we have developed the basic technology required, however, there are some products for which we are unable to achieve adequate efficiency for mass production lines, and we had some difficulty in achieving our targets for FY 2003, which was the year of the initial plan. Later, we developed the know-how needed for better production efficiency, and in October 2004 we achieved a product output rate of 96%.^{*1}

The technology that we developed has been standardized through our "Lead Solder Mount Guidelines". At the same time, we have also proactively provided our affiliates with this technology.

*1: SII's definition of total elimination of lead solder

Applicable products: Items with solder mounts
Scope: The entire SII Group, including overseas units and affiliates
Definition of "total elimination": Product output rate stands at 95% or more
(Product output rate=Lead-free solder mount production/Total mount production output)

*2: RoHS Directive (Restriction of the use of certain Hazardous Substances) EU Directives of 2003. As of July 2006, the following six types of materials will be banned from electric and electronic devices released on the EU market: cadmium, hexavalent chromium, mercury, lead, PBBs (polybrominated biphenyls) and PBDEs (polybrominated diphenyl ethers).

*3: SII has independently determined to abolish the use of polyvinyl chloride.

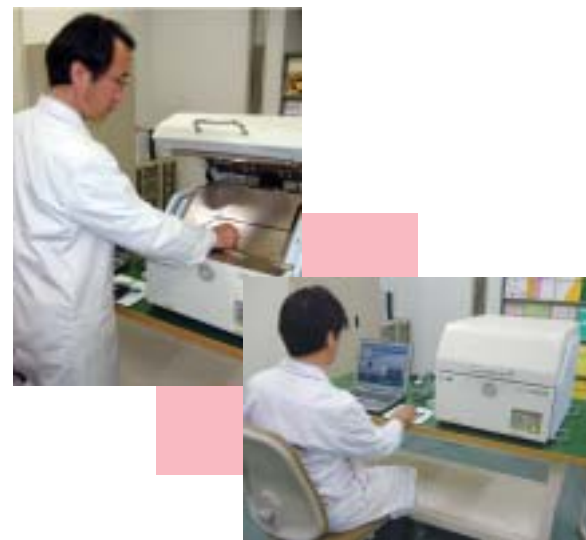
Recap of FY2004

- We completely abolished lead solder.
- We promoted the total elimination of products containing hazardous substances.
- We reduced emission levels for PRTR substances by 0.9 tons or 13% over the previous year, achieving our FY2004 target.

Eliminating Products Containing Certain Hazardous Chemical Substances

With a view to reducing the risk associated with the presence of hazardous substances in products, we are working to totally eliminate cadmium, hexavalent chromium, mercury, lead, and polyvinyl chloride^{*3} from products, as stipulated in environmental laws such as the RoHS Directive. New products released on the market in January 2005 and subsequent years do not incorporate these substances, and we are moving toward our goal of eliminating the substances from existing products by the end of FY2005. We have essentially achieved our targets for electronic components, such as semiconductors, crystals, and display modules, for both new and existing products.

Regarding industrial-use products, which utilize special components and materials, we are experiencing difficulty in achieving our goals due to problems with locating substitute materials. Instead, we are speeding up the process of making design changes and altering PCBs to achieve our goals. We also take the additional step of regularly measuring and analyzing mass-produced items using a fluorescent X-ray analyzer to ensure that no hazardous chemical substances are present.



Analysis using the fluorescent X-ray analyzer SEA1000A

Future Initiatives

- We are stepping up projects to completely eliminate the presence of hazardous chemical substances in products.
- Our goal is to reduce emissions of PRTR chemicals by 3% in FY2005 (relative to FY2004).

Results on PRTR for FY2004

SII has kept far ahead of the PRTR Law, collecting the relevant data since FY1999. Results in the area of PRTR in FY2004 are as follows. Compared with FY 2003, the volume of relevant hazardous chemical substances handled by SII was 7.7 tons greater than in FY2003, but we were able to reduce emissions by 0.4 tons. In addition to substances specified under the PRTR Law, we have also achieved reductions in substances that SII voluntarily controls, namely HFCs, PFCs, and SF₆, in the amount of 0.9 tons.

Substance	Amount Handled	Emitted				Transported		Recycled	Consumed	Eliminated
		1. Discharged into air	2. Discharged into public water	3. Discharged into earth at business unit	4. Landfill-processed at business unit	5. Wastewater transported to sewage system	6. Waste matter transported out of business unit	7. Reusable material transported out of business unit	8. Transported as product, etc.	9. By decomposition, chemical reaction, etc.
2-aminoethanol	4,892	978	0	0	0	0	3,669	0	0	245
Antimony and its compounds	652	0	0	0	0	0	0	522	130	0
Ethyl benzene	710	231	0	0	0	0	479	0	0	0
Xylene	15,090	1,591	0	0	0	0	13,498	0	0	1
Chromathree-value chrome compounds	5	0	0	0	0	0	2	0	3	0
Cobalt and its compounds	7,941	0	0	0	0	0	756	38	7,147	0
2-ethoxyethyl acetate	760	476	0	0	0	0	284	0	0	0
Inorganic cyano compounds (excluding complex salts and cyanates)	530	3	0	0	0	0	220	0	0	307
Dichloropentafluoropropane (HCFC-225)	800	580	0	0	0	0	220	0	0	0
Mercury and its compounds	242	0	0	0	0	0	12	0	230	0
1,3,5-trimethyl benzene	501	15	0	0	0	0	476	0	0	10
Toluene	2,083	1,529	0	0	0	0	554	0	0	0
Lead and its compounds	200	0	0	0	0	0	0	124	76	0
Nickel compounds	2,008	0	77	0	0	0	190	998	743	0
Phenol	784	118	0	0	0	0	627	0	0	39
Hydrogen fluoride and its water-soluble salts	27,857	498	43	0	0	0	6,456	0	0	20,860
Boron and its compounds	189	0	151	0	0	0	0	35	3	0
Poly (oxyethylene) = nonylphenyl ether	158	0	0	0	0	0	0	79	0	79
Manganese and its compounds	3,969	0	0	0	0	0	1,574	0	2,395	0
Molybdenum and its compounds	210	0	0	0	0	0	5	0	205	0
Total	69,581	6,019	271	0	0	0	29,022	1,796	10,932	21,541

*: PRTR:(Pollutant Release and Transfer Register) : This system is designed to assess, gather and disclose data on volume of chemical materials handled, amounts released into the environment, and volume 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.

SII NanoTechnology's Makuhari Laboratory Achieved ISO/IEC17025 Accreditation, an International Laboratory Accreditation Standard

- The First Accreditation for Simultaneous Analysis Method of Cd, Cr and Pb in Plastic -

SII NanoTechnology Inc. (SII NanoTech) achieved the ISO/IEC17025^{*1} international laboratory accreditation standard for its Makuhari laboratory in September 2004, subsequent to the accreditation for its Oyama laboratory in October 2002.

SII NanoTech was certified for its proprietary in-house standards and test methods entitled "Test Methods for Heavy Metal Concentration in Plastic by ICP Optical Emission Spectrometry". It is now able to provide analytical valuations related to the content of cadmium (Cd), lead (Pb) and chromium (Cr) in plastic (polyvinyl chloride and polyethylene) compliant with international standards.

SII NanoTech is now providing customers worldwide with a variety of analytical and measuring instruments. Among others, the SEA1000A is a fluorescent X-ray analyzer (see the left photos) dedicated to monitor heavy metals stipulated in the RoHS Directive and boasts its high analytical performance and accuracy.

[About SII NanoTechnology Inc.]

SII NanoTechnology Inc., a subsidiary of Seiko Instruments Inc. (SII), is a leading company in the development of advanced, leading edge measurement and analysis instruments. Its headquarters is located in Chiba Pref., Japan. It was the first Japanese company to produce SPM and Focused Ion Beam (FIB) Systems. The company's products line-up also includes XRF Analyzer, XRF Coating Thickness Gauge, Thermal Analysis System, ICP-OES, ICP-MS and Mask Repair System. Many of these products are utilized to support leading edge research and development. Additional information about the company is available on the Internet at <http://www.sinnt.com/en/>



*1: ISO/IEC17025

General requirements for laboratory and calibration service performance, which define the requirements for testing and calibration, including sampling. Includes testing and calibration performed using methods defined in standards, methods not defined in standards, and methods developed by laboratories and calibration services.

Efforts at Our Overseas Production Sites

The following is a summary of initiatives taken at our seven overseas production sites that have already acquired ISO14001 certification.

In FY2002, our Group instituted an environmental management system for our overseas production sites, and began to collect environmental performance data from them. Starting in FY2004, we have been working to reduce environmental impact using a system of management by objectives. Our next step is to establish an effective consolidated group management. We are also working to achieve ISO 14001 certification for those overseas production sites that are not yet certified.

Here we describe some of the environment-related actions taken at the seven overseas production sites that have already attained ISO 14001 certification.

FY2004 Results

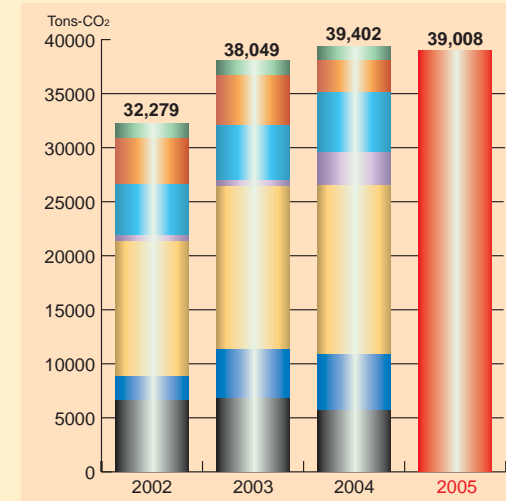
ISO14001 Certification

In FY2004, two more sites—Guangzhou SII Watch Co., Ltd. (China) and Seiko Instruments (H.K.) Ltd. —obtained ISO 14001 certification.

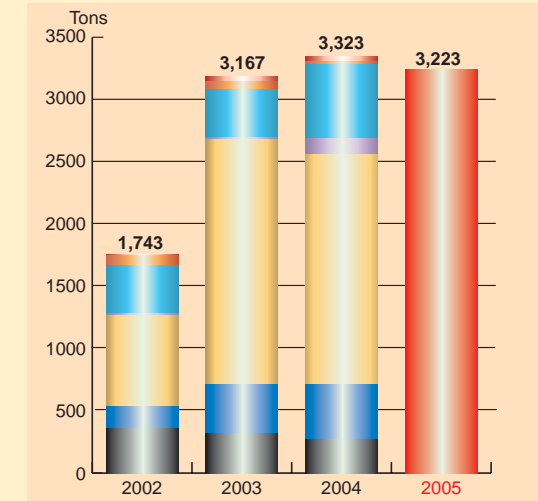
Environmental Performance

The FY2004 environmental performance is summarized below. Both CO₂ emissions and total waste emissions increased over the previous fiscal year. This is due to the fact that the scope of data collected was expanded.

CO₂ Emissions



Total Waste Emissions



Seiko Instruments Singapore Pte. Ltd.

Achieved ISO 14001 certification in May 1997

Business Profile: Manufactures watch movements, quartz crystals and thermal printers, and sells electronic components.

Topics

Conserving Energy and Reducing Chemical Substances

In FY2004, watch movement assembly lines were transferred to other SII Group plants, and at the same time plant layout was optimized. Due to the unused space that was created, we achieved 17% energy saving over the previous fiscal year. This is equivalent to a reduction in CO₂ emissions of some 2,117 tons-CO₂. Also due to this transfer, we were able to reduce use of organic solvents and oil by approximately 35%, or 28.8 kl, and approximately 51%, or 3.2 kl, over the previous year respectively.

Converting Waste Plastic to a Valuable Resource

We have worked hard to convert waste plastics to a valuable resource by contracting new waste processing companies.



Implementing Environmental Education and Training

The following environmental education programs and events were held over Clean & Green Week (part of Singapore's Month of the Environment) with a view to improving knowledge and understanding of environmental issues.

1. Tours of 30 individuals each have visited waste disposal sites annually since 2002.
2. As a first trial for 2004, 20 people toured a waste plastic recycling plant. The tour answered questions such as how plastic is recycled, and what kinds of plastics can be converted to resources.
3. In another new initiative, we have shown a film on the environment, which was attended by 184 people (34.8% of our employees).

Dalian Seiko Instruments Inc. (China)

Achieved ISO 14001 certification in June 2001

Business Profile: Manufactures and sells watch parts, optical communications parts, electronic ABS parts, and small tools and cutting jigs. Imports and assembles watch parts.

Topics

Promoting Energy Conservation

1. Updating our cooling systems

Re-evaluating the capacity of our plant facilities, we updated our cooling systems in order to improve energy efficiency. Through improved efficiency and the resultant shortened operating time, we were able to cut CO₂ emissions by 14.4 tons-CO₂.



Cooling systems

We also utilize a refrigerant (HFC407C) with no Ozone Depletion Potential (ODP).

2. During the heating season (in Dalian, between November 15 and March 31), we have been able to halt use of our air conditioning systems thanks to the exhaust heat generated from the facilities. This enabled us to cut CO₂ by 105 tons-CO₂.

Adding Two New Oil Separators

We have added two new oil separators with a view to further boosting pre-existing initiatives to re-use cutting oil. We are now able to re-use oil of approximately 1.6 tons or more oil compared to usage levels prior to the addition. This contributes to the annual recycling of a total of 3.9 tons of oil.



Oil Separator

Seiko Instruments (Thailand) Ltd.

Achieved ISO 14001 certification in March 2002

Business Profile: Manufactures components for hard disk drives.

Topics

Reducing Hazardous Waste

In the areas of motor components and bearings, we have worked to achieve efficient use of parts waste cloth and a resultant decrease in hazardous. We set our goal of reducing the monthly figure for waste of approximately 7.9 tons to roughly 6.9 tons by the end of June 2005.

- Training all employees on proper waste separation
- Re-use of some waste cloth
- Strict controls on new purchases of waste cloth
- Inspecting and repairing machinery with oil leaks
- Installing oil trays under machinery

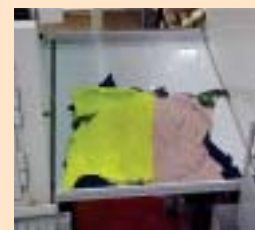
By taking the above initiatives, we have been able to reduce waste by approximately 25%, or roughly two tons per month on average.



Collection boxes for re-useable waste cloth



Collection boxes for waste cloth for disposal



Waste cloth



Oil trays installed under machinery

Instruments Technology (Johor) Sdn. Bhd. (Malaysia)

Achieved ISO 14001 certification in October 2002

Business Profile: Assembles watch movements; manufactures parts for watch movements; and assembles thermal printers.

Topics

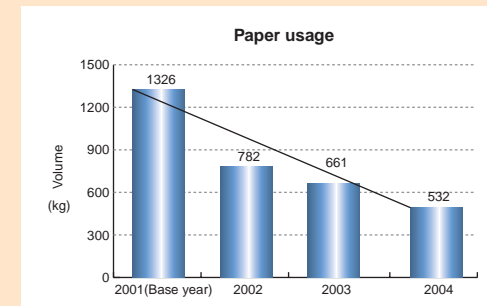
Reducing Paper Usage

Our paper reduction project (A4 size paper), which began in 2001, has so far proved a success, we have used only paper of 532 kg over the previous year. This represents an approximate 60% reduction compared to levels when we first began our paper conservation efforts.

To achieve our goals for reduced usage, we carefully surveyed our consumption and created the strategies that we needed, as follows.

- Use both sides of paper
- Utilize the "pull system", which consists of placing controls on paper so that only the necessary item is dispensed in the necessary amount
- Completely drive used paper collection, and improve collection points

At present, we have adopted a network system, by which we are promoting both information sharing and the paperless office. These measures will lead to further conservation of paper.



Previous paper collection point



Current paper collection point

Guangzhou Seiko Instruments Ltd. (China)

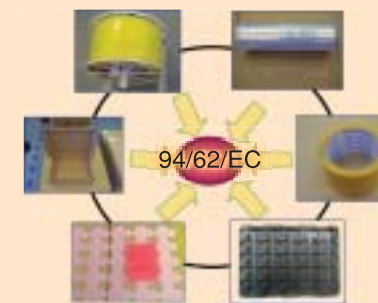
Achieved ISO 14001 certification in July 2003

Business Profile: Manufactures and sells LCD modules.

Topics

Complying with EU Directives

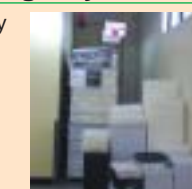
We are striving to achieve compliance with EU Directives. We already comply with Directive 94/62/EC¹, which concerns packaging and packaging waste, and we have been able to confirm that all of our packaging materials strictly adhere to the stipulated standards. We are also now nearly compliant with the RoHS Directive, and we are currently conducting the necessary training.



¹Directive 94/62/EC on packaging and packaging waste 94/62/EC Under the Directive, the four metals of cadmium, lead, mercury, and hexavalent chromium must not exceed a total of 100ppm.

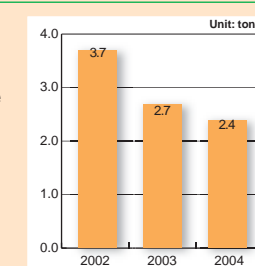
Re-using Parts Packaging Trays

As part of our efforts to effectively utilize resources, we have begun re-using packaging trays for module components. Having set a tray collection goal of 50% or more, and working with eight of our suppliers, we now re-use an average of 65% of our trays.



Reducing Paper Usage

All of our departments have continuously carried out projects to reduce their consumption of office paper. At the same time, we are promoting computerization of office work. These measures have resulted in a reduction of 13.4%, or 2.4 tons compared with FY2003.



Guangzhou SII Watch Co., Ltd. (China)

Achieved ISO 14001 certification in March 2005.

Business Profile: Manufactures, assembles, and sells watch parts

Topics

Achieving ISO14001 Certification and Implementing Environmental Training

We achieved ISO14001 Certification as of March 2005. Working with our environmental management system, we have proceeded with a variety of environmental education and awareness programs through a range of different activities aimed at all of our approximate 1200 employees. Through integrated environmental training, including events such as our company-wide Environmental Awareness Conference, our Environmental Quiz Competition, and awareness activities carried out through our bulletin boards, we are helping our employees implement environmental conservation and be aware of the environment in their daily lives, both at home and at the office.



Company-wide Environmental Awareness Conference



Environmental Quiz Competition

Improving Wet Process Plating Wastewater Treatment Systems

We have improved wastewater treatments for plating facilities, and as a result we have been able to reach our heavy metal content goals for nickel, copper, and others in wastewater. Because we have operations and maintenance controls in place to ensure safety, we have been acknowledged for our "superior environmental processing" by the Environmental Protection Association of Guangzhou.



Liquid Waste Filtration System



Plaque Awarded for Excellence

Conserving Energy and Resources

Emphasizing the reduction of the volume of electricity and paper used, we have drawn up rules of operation and upgraded local facilities. This has resulted in declines of 22% and 6% over the previous year for electricity and paper use, respectively.

Seiko Instruments (H.K.) Ltd. (Hong Kong)

Achieved ISO 14001 certification in March 2005.

Business Profile: Manufactures and sells complete watches, manufactures and sells liquid crystal display modules, sells watch movements, sales of network components including semiconductors, and thermal printers.

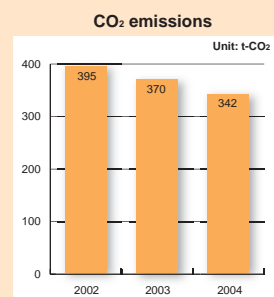
Topics

Energy Conservation through Efficient Use of Air Conditioning Systems

We have been able to reduce CO₂ emissions through our energy conservation strategies. These consist of standardization and strict controls on all air conditioning systems including rigorous regulations during overtime and holiday hours. Reduction of CO₂ emissions is progressing well, at a rate of approximately 7% over the previous year.



Setting hours of operation for air conditioning systems



Waste Separation

We separate waste into six different categories, and our waste separation boxes are designed so that people can instantly know them.



ISO14001 Certification Achieved

We achieved ISO14001 Certification in March 2005. We have been carrying our environmental training based on the concept of awareness, noted in our Environmental Policy, which has resulted in better understanding of the importance of environmental activities. We have also attained the understanding of our suppliers on SII initiatives, and together we are promoting the use of materials with low environmental impact at the product design and development stages.



Environmental Awareness Poster

Timelines: Company History and Environmental Activities

Company History		Environmental Activities	
1881	Kintaro Hattori established K. Hattori & Co., Ltd. (presently Seiko Corporation), a watch and clock retail store.		
1892	K. Hattori & Co., Ltd. established Seikosha Co., Ltd. (presently Seiko Clock Inc. and Seiko Precision Inc.) and began production of clocks.		
1937	Daini Seikosha Co., Ltd. (presently SII) was established as the watch manufacturer for the SEIKO Group.		
1964	Reflecting its rapid progress in enhancing the accuracy and reliability of timekeeping instruments, SEIKO products were selected as the official timekeeping instruments for the Tokyo Olympics.		
1967	SEIKO products captured all higher awards in the wrist chronometer class of the Observatoire Cantonal de Neuchatel contest held in Switzerland.		
1969	The SEIKO Group introduced the world's first quartz watch.		
1970	The Company launched its product diversification activities.		
1983	Daini Seikosha Co., Ltd. officially changed company name to Seiko Instruments & Electronics Ltd.		
1985	Completed the world's top automated assembly system for multipurpose, small-lot production of outer watch parts.		
1987	Seiko Instruments & Electronics Ltd. officially renamed Seiko Instruments Inc.		
1988	Completed the world's first automated assembling system for multipurpose, small-lot production of watch movements.	Dec.	Established "Fluorocarbon Countermeasures Promotion Committee."
1990	Introduced new corporate trademark SII for the Seiko Instruments Group.		
1992	SII Group eliminated use of chlorofluorocarbons. SEIKO products were selected as the official timekeeping instruments for the Barcelona Olympics.	Aug. Dec.	Abolished usage of CFCs. Established Environmental Administration Office (now called the Corporate Environmental Administration Group).
1993	Completed the SII Makuhari Building and transferred head office, sales, and development operations to the new building.	Apr. Aug. Nov.	Established Environmental Protection Plan, "SII Green Plan." Introduced the "Clean Arrow" used-paper collection truck. Abolished usage of trichloroethane.
1994	SEIKO products were selected as the official timekeeping instruments for the Lillehammer Olympics.	Apr.	Began monthly management of energy, paper use, and waste.
1995		Aug.	Executive council kicked off on Environmental Management System (based on ISO 14001).
1996		Aug. Nov.	Started publication of our annual Environment Report. Takatsuka unit (Chiba) became the first SII Group business unit to receive ISO 14001 certification.
1997	Sun Street retail complex opened in Kameido, Tokyo	Dec.	Began our "Idling Stop" campaign.
1998	SEIKO products were selected as the official timekeeping instruments for the Nagano Olympics.	Feb.	Published our "SII Chemical Management Guides."
1999		Mar. Oct.	Completed acquisition of ISO 14001 certification for all of our 11 major business units in Japan. Abolished the use of chlorine solvents (trichloroethylene, methylene chloride). Issued "SII Group Green Purchasing Standards."
2000		Feb. Nov.	Began environmental accounting. Ohno unit achieved Zero Emissions.
2001		Oct. Dec.	Makuhari head office (Chiba) earned ISO 14001 certification. Introduced SII "Green Products" labeling system.
2002	SEIKO products were selected as the official timekeeping instruments for the Salt Lake City Olympics.	Jun. Sep.	Prepared the "SII Green Gas Reduction Scenario." Western Japan sales office earned the office's first ISO14001 certification.
2003		Jul. Oct.	Guangzhou Seiko Instruments Inc. (Guangzhou, China) earned ISO14001 certification. Major domestic sales offices including western Japan office earned ISO14001.
2004	The company's official Japanese name was changed to "Seiko Insutsuru Kabushiki Kaisha."	Mar. Oct.	Major business units in Japan achieved Zero Emissions. Lead solder was completely abolished.
2005		Mar.	Guangzhou SII Watch Co., Ltd. (Guangzhou, China) and Seiko Instruments (H.K.) Ltd. earned ISO14001 certification.

Environmental Awards

- Oct. 1996 6 Chiba Keiyo business units received Recycling Promotion Committee's Chairman's Award for paper recycling activities.
- Jun. 1998 SII Microtechno Inc. received Akita Prefecture's "Best Environmental Activities" award.
- Jun. 1998 Morioka Seiko Instruments Inc. received Iwate Prefecture's award for "Excellence in Environmental Protection."
- May 2000 Makuhari head office received the Chairman's Award from the Chiba City Building Conference.
- Feb. 2005 Tochigi Unit received the Chairman's Prize for Excellence from the Kanto Region Electric Power Rationalization Committee.
Morioka Seiko Instruments Inc. received the Chairman's Award from the Tohoku Seven-Prefecture Electric Power Promotion Committee.

Please FAX to the Corporate Environmental Administration Group of
Seiko Instruments Inc. (SII) at +81-43-211-8019

**Thank you for reading through SII's Social
and Environmental Report 2005.
We would very much appreciate any comments
and suggestions that you may have.**

We consider this report an important means of communicating with all of you. As symbolized in the title of the Report, which has been changed as of this edition, we are striving to present our social and environmental activities as clearly and comprehensibly as possible. However, we think there is still room for improvement. We would appreciate your helping us by filling out the attached questionnaire so that we can proceed to reinforce our social and environmental activities and enhance readers' understanding of the Report. After filling out the questionnaire on the reverse side, please fax it to the contact below.



8, Nakase 1 -chome, Mihama-ku, Chiba-shi, Chiba 261-8507, Japan
Telephone: +81-43-211-1149

**Corporate Environmental Administration Group
Seiko Instruments Inc.**

Facsimile: +81-43-211-8019

1. What is your opinion of this Report?

1. Understandability of the Report

(1) Very good (2) Good (3) Fair

2. Contents of the Report

(1) Very good (2) Good (3) Fair

3. Volume of the Report

(1) Very good (2) Good (3) Fair

4. Please tell us the above reason and opinions.

2. Which section of the Report made the greatest impression on you? (You can choose more than one answer.)

1. Message 2. Management of the SII Group 3. Overview of SII Group Operations 4. Being a Good Corporate Citizen 5. Environmental Management by the SII Group 6. SII Group's Technologies and Environment 7. Industrial Activities and Environmental Impact 8. Business Units and Environmental Impact 9. Environment-Conscious Products 10. Environmentally-Friendly Manufacturing 11. Efforts at our Overseas Sites

3. Please tell us your opinions and views regarding the Report and our environmental activities.

4. Please check your personal or functional position.

1. User of SII's product 2. Customer 3. Corporate environmental staff 4. Environmental NGO
5. Administrative office staff 6. Masscommunication staff 7. Educational staff 8. Student
9. Finance/investment staff 10. Neighbor 11. Other ()

5. How did you know the Report?

1. SII's website 2. Other website 3. SII's show 4. Seminar and lecture
5. Magazine 6. Sending from SII 7. SII's sales personnel 8. Other ()

Thank you for your cooperation.

Would you like to have the next report mailed to you? Yes No

If yes, fill out the following.

Name: _____

Mailing Address (Office, Home): _____

Organization (Office, Home): _____

Title: _____

[Management of Personal Information]

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