SII

Striving for Coexistence with Society
and Harmony with the Earth

SII Group
Social and Environmental Report 2010

Mechatoronics

Watch Movements
Quartz movements are one of our bestselling components globally, and our mechanical movements embody true value loved by every generation.

Mechanical Watches
Our traditional luxury mechanical wristwatches are known for their outstanding classical style and design.

Thermal Printers (Mechanisms, Assemblies and Peripherals)
Our compact, light, high-speed thermal printers are widely used in POS, medical measurement, and logistics applications.

Hard Disk Drive Components
Based on our precision processing technologies, we supply key mechanical components for hard disk drives.

Automatic Internal Grinders
Our fully-automated, small footprint, CNC internal grinders are used by customers to produce super-small bearings and high precision automotive parts.

SII Group Overview

SII Group products are used in a wide range of applications throughout society, including consumer products, devices used for ordering in restaurants and taxis, and electronic equipment in offices, laboratories and factories. Our parts are key components for many products. This section introduces main SII Group products.

Electronic Components

Liquid Crystal Devices
Using advanced optical design and assembly technology, our ultra-slim displays combine liquid crystal panels and backlights to produce high quality images.

CMOS ICs
Our small, low-power consumption, high reliability CMOS ICs are used in products for daily use including personal mobile devices, home appliances and automotive electronic components.

Microbatteries
As backup power supplies for the memory and clock functions of mobile devices, our products provide a sense of security to customers.

Quartz Crystal Devices
Based on photolithographic technology, our extremely small and highly accurate products contribute to low power consumption.

Inkjet Print Head
To satisfy a wide variety of printing requirements, we provide products with the best printing stability and diverse ink availability.

System Applications

Data Communication Cards/PHS Phones
Based on our wireless communication and small terminal technology, our products contribute to the evolution of a ubiquitous society.

Wireless Payment Terminals
Our "CREPiCO" systems enable wireless credit card payments, and have been widely introduced by taxi companies.
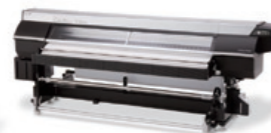
Electronic Dictionaries
We provide a wide range of dictionaries to meet the needs of users from business people, medical specialists, translators, and to students.
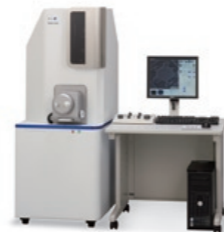
Order Entry Systems
Our ordering system is extensively used in restaurants, bars and golf courses.

Large Format Printers/Plotters
Our printer lineup responds to customer needs for high speed, high quality images in the engineering design and the large format sign graphics markets.

Scientific Instruments and Other Products

Measurement and Analysis Instruments
Our scanning probe microscopes, thermal analysis systems and other products are used in nano-technology research.
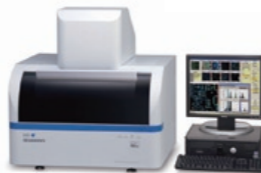
Fluorescent X-ray Analyzer
Our fluorescent X-ray analyzers are widely used to detect regulated hazardous substances like lead.

Radiation Spectroscopy Instruments
Our precision measuring instruments are used by advanced institutes and labs for academic research and safety management.

Communication Products
We provide broad band communication products and services including network integration and management products.

Corporate Data

Corporate name: Seiko Instruments Inc.(SII)

Established: September 7,1937

Paid-in capital: 7,256 million yen

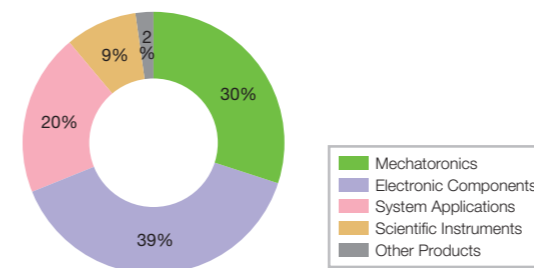Fiscal year end: End of March
*It was changed from February to March in FY 2009.

(As of July 2010)

Annual sales (FY2009): 115,800 million yen (nonconsolidated)
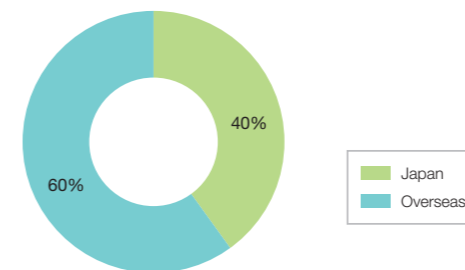164,100 million yen (consolidated)

Sales ratio (consolidated) (as of March 2010)

- 30% Mechatoronics
- 39% Electronic Components
- 20% System Applications
- 9% Scientific Instruments
- 2% Other Products

Number of employees: 2,752 (non-consolidated)
11,972 (consolidated)

Consolidated employee ratio (As of March 2010)

- 40% Japan
- 60% Overseas

Management Integration with Seiko Holdings Corporation
Seiko Instruments Inc., as a wholly owned subsidiary of Seiko Holdings Corporation (SHD), has become a member of SHD Group as of October 1, 2009.

Seiko Holdings Group

SEIKO HOLDINGS CORPORATION
- WAKO CO., LTD.
- SEIKO WATCH CORPORATION
- SEIKO CLOCK INC.
- SEIKO PRECISION INC.
- SEIKO NPC CORPORATION
- Seiko Instruments Inc.
- SEIKO OPTICAL PRODUCTS CO., LTD.
- SEIKO SPORTS LIFE CO., LTD.
- SEIKO TIME SYSTEMS INC.
- CRONOS INC.
- SEIKO SERVICE CENTER CO., LTD.

Contents

About This Report
- This report is published to provide all stakeholders with easily understandable information about the SII Group's environmental and social activities.
- In preparing this report, we have utilized a variety of guidelines including the Environmental Reporting Guidelines 2007 issued by the Japanese Ministry of the Environment.

Scope of This Report
- This report covers each business unit, sales office and affiliated company of Seiko Instruments Inc.
  *The report focuses on the efforts and achievements of eight Japan sites and seven overseas sites (which obtained ISO14001 certification).
  *Some of the SII personnel systems (business activities) mentioned on this report shall apply to Japan sites only.

Period Covered by This Report
- This report covers activities and results in FY2009 (from March 2009 through March 2010; The end of the fiscal year was changed from February to March).
  *The report also includes information about prior and ongoing initiatives.
  *The data of this report is the aggregate total of 12 months, from March 2009 through February 2010.

Additional data and the latest information not covered in this report is indicated as [Web] and is available on the SII website.

Striving towards a sustainable society and developing   a company that contributes to society
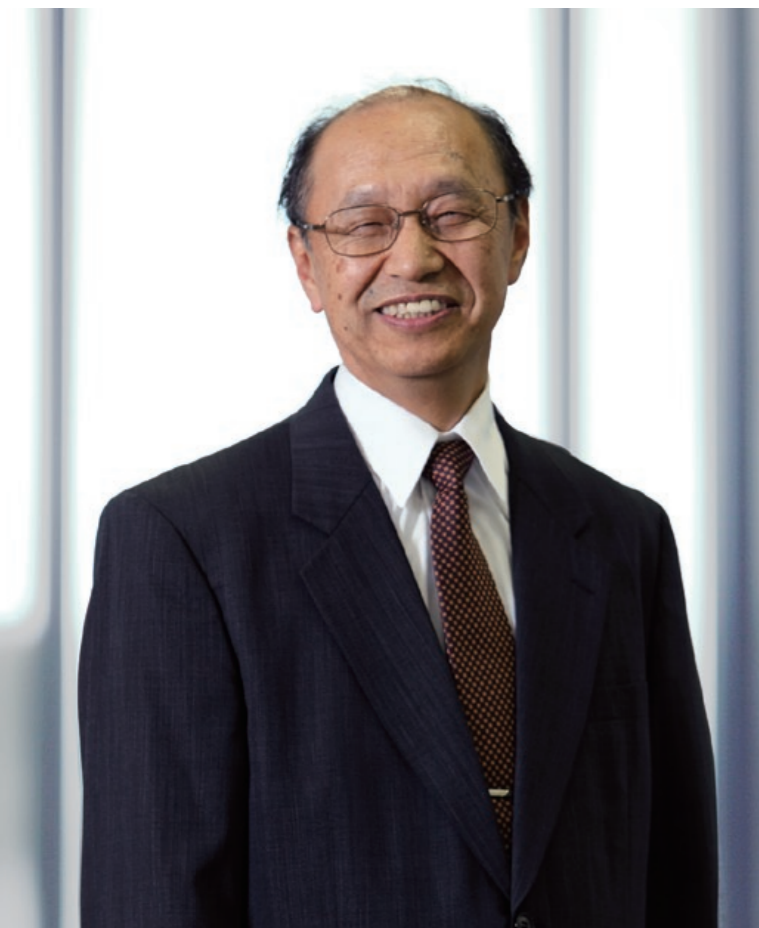
Masafumi Shimbo, President
Seiko Instruments Inc.

Entering a new era

As of October 2009, SII became a wholly-owned subsidiary of Seiko Holdings Corporation. In 1937, SII was originally established as the wristwatch manufacturing company for the Seiko Group. Based on our unique technology developed through watch manufacturing, we continuously diversified our business into related markets including mechatronics and electronic devices, throughout our history. With the recent management integration, we are committed to strengthening our pursuit of "Time", broadening our technology base and contributing to society by offering more unique, value-added products.

With the global economy undergoing major structural changes and intensifying competition, the corporate management direction is being challenged once again. It is obvious that continuing to follow a conventional management strategy could not be expected to overcome these structural changes and severe competitive pressures. Therefore, SII is preparing new strategies and implementing changes looking to the future to be a company needed by society, even in this new era. At the same time, we remain firmly committed to our core values of "Integrity, Trust, and Appreciation" as we work together and make our utmost efforts.

Contributing to improving the global environment through product development

Global environment issues are now reaching the critical stage. SII has considered environmental issues as a key corporate management objective and has steadfastly addressed these issues. Recognizing the impact on the environment caused by business activities including CO_2 emission, waste disposal and the consumption of precious natural resources, we vigorously pursue our business activities with due consideration of the environmental impact.

As one of our key activities to reduce the environment impact caused by our products, we established "SII Green Products" system. In addition to lower environmental impact, some of our products were specifically developed with the purpose of functionally reducing environmental impact by design. Examples include instrumentation to detect and analyze hazardous chemical substances; a wireless sensor supporting energy saving; a charge pump IC that operates a low energy levels that were previously wasted; and quartz crystal oscillators that drastically reduce standby energy consumption.

As environmental issues have become increasingly more serious requiring an immediate evolution into a "low-carbon society", it is even more important that we develop and distribute a wide variety of products making significant contribution to environmental improvement. SII is dedicated to playing an active role in improving the global environment from the product development perspective.

Promising responsible management as a global company

Today's society is facing many challenges, including human rights violations, labor issues and poverty. In many regions across the world, people strongly expect corporations to live up to their social responsibilities. Corporations must understand the expectations of each region and society while, at the same time, giving appropriate consideration to the total environmental impact of their business operation. As a global corporation with world-wide subsidiaries and affiliate companies which benefit both from the local communities and society at large, SII strives to implement responsible business strategies and initiatives globally. In order for SII to continue as a viable business for the foreseeable future, we promise to respect working people, communicate effectively with the local communities, and practice fair business with integrity as a responsible member of society, in addition to enhancing corporate compliance and environmental considerations.

Striving to maximize human resources and technologies

SII is dedicated to miniaturization technology and extremely high quality. Based on these initiatives, we develop a wide variety of products ranging from small electronic components to large mechatronic devices. These technologies stimulate inquisitive thinking and high competence, the core SII technology concept - "Craftsmanship, Miniaturization and Efficiency" - was developed, continuously improved, and applied to the ongoing technical education and training for each generation of employees.

Since I assumed the SII presidency, I have firmly pursued cultivation of a corporate culture, called "frank and open communication." This initiative actively encourages employees to freely express their ideas in open discussions. This free atmosphere nourishes people, creates new cooperative relationships and opens the potential of technology from numerous perspectives. It helps us discover new opportunities to add-value and provide them to our customers as products. We foster this corporate culture even further to become a company where employees can work vibrantly and with excitement. In other words, "a good company maximizing the potential of our human resources and technologies."

At the same time, we developed our internal control systems seeking organizational transparency and rational decision making. We will continue to promote and improve the efficiency and effectiveness of our system based on process management with PDCA, the basis of management.

In this respect, finally effective implementation depends on the people operating the system. Employees must have the spirit and positive aspiration to perform their jobs efficiently and mutual aim for a better company. By building a system that supports our employees in this manner, we will achieve a useful and functional internal control system.
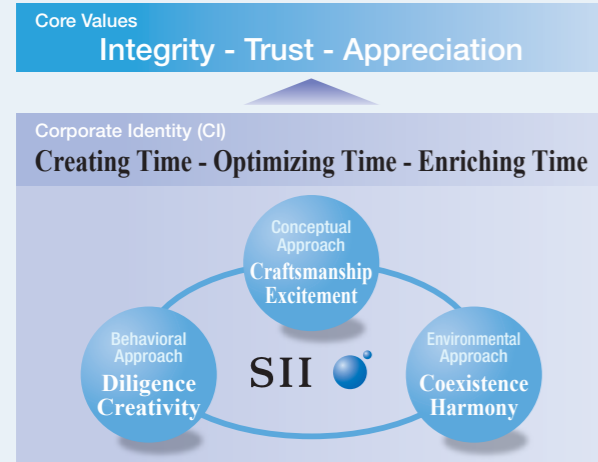
We continuously strive towards a sustainable society and the development of a company that contributes to society.

We definitely appreciate your continuing cooperation and support, and welcome any comments and suggestions that you may have.

July 2010

SII Group's Corporate Social Responsibility (CSR)

Core Values and Corporate Identity

Core Values
Integrity - Trust - Appreciation

Corporate Identity (CI)
Creating Time - Optimizing Time - Enriching Time

Conceptual Approach
Craftsmanship Excitement

Behavioral Approach
Diligence Creativity

SII

Environmental Approach
Coexistence Harmony

The SII core values, "Integrity, Trust and Appreciation" represent the basic stance of our relationship with society and our stakeholders. SII strives to stand as a company that society and our stakeholders need and trust, all through the ages. The SII Group's Corporate Social Responsibility is at the very root of these core values. We established the SII Group Charter of Corporate Behavior to express our strong will as a company contributing to the creation of a sustainable society.

SII Group Charter of Corporate Behavior (Established October ,2005)

The SII group is committed to conducting its affairs ethically and lawfully. This Charter of Corporate Behavior establishes policies and procedures that are intended to secure our position as an entity concerned not merely with pursuing profits but also striving to be a needed and trusted part of society in perpetuity. The SII group is committed to providing value to all stakeholders, as well as society at large, desiring to fulfill its commitments and contribute to the creation of a more sustainable society.

<Core Values> 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.

<Offering to Stakeholders and Society>

Based on our mission and corporate identity "Creating Time - Optimizing Time - Enriching Time," we are committed to creating new value and producing safe, socially useful and high quality products and services through our conceptual approach "Craftsmanship and Excitement" and behavioral approach "Diligence and Creativity," while seeking a constructive relationship with society and nature in accordance with our environmental approach of "Coexistence and Harmony."

<Commitments to Stakeholders and Society>

Approaching corporate activities with integrity

- In conducting our corporate activities with integrity, we comply with all applicable laws and regulations and record/report information accurately and honestly.
- We maintain a sound relationship with governmental and administrative authorities and take a stringent, resolute posture against antisocial forces that pose a threat to our social order or security.

Respecting human rights

- We respect the human rights of all employees and keep working conditions comfortable and safe. We facilitate and support the advancement and growth of every employee and accord all employees the respect they deserve as individuals.
- We respect the human rights and individuality of all stakeholders in our business activities.

Creating harmony with the environment

- In recognition of the fact that environmental issues impact everyone in common, we will focus strongly on resolving such issues independently, so as not to place a burden on the public.
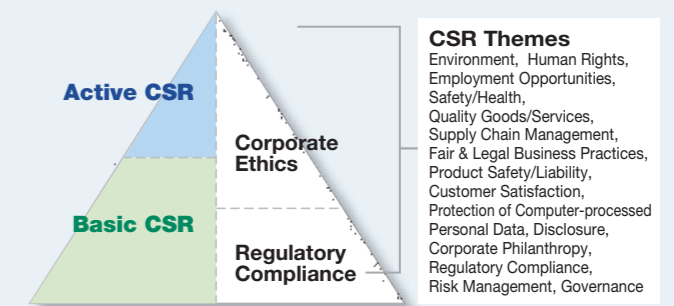
Establishing a constructive coexistence with society

- We communicate with society and promote disclosure of company information to become a more open enterprise.
- As a good corporate citizen, we extensively engage in philanthropic activities.
- Through our business activities on the world stage, we advance corporate management that contributes to the further development of each country pursuant to this Charter.

SII's Sense of Corporate Social Responsibility

We look at CSR from two viewpoints: Basic CSR and Active CSR. Basic CSR includes the fundamental responsibility of a company to manage the business in an orderly manner and earn trust through compliance and ethical corporate conduct. In addition to compliance, or any other obligations, Active CSR is the proactive creation of meaningful value for stakeholders, and the enhancing of satisfaction for each and every stakeholder.

SII's Corporate Social Responsibility

Active CSR

Basic CSR

Corporate Ethics

Regulatory Compliance

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, Disclosure, Corporate Philanthropy, Regulatory Compliance, Risk Management, Governance

CSR Targets and Results

In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. The Committee consists of representatives from all the headquarter operation units, with the President serving as the Chairman, and has the authority to implement measures to the entire company.

Also, the CSR Committee promotes and develops CSR-related measures comprehensively and effectively in cooperation with the Compliance Committee and the Risk Management Committee.

The FY2009 policy was to "promote CSR activities to become a company to be proud of". The headquarter operation units established the target values and formulated plans to achieve them, while the CSR Committee took on progress management to secure smooth promotion of each plan.

Our major CSR activities in FY2009 are explained in the right.

◎ : More than achieved　○ : Almost achieved　△ : Partly achieved

Charter of Corporate Behavior		FY2009 Target and Plan	Major items implemented in FY2009	Achievement	FY2010 Target and Plan	Related page
Offering to Stakeholders and Society		• Continually improve customer satisfaction • Continually improve the quality of goods and services, and product safety • Continually check operation processes • Collect and analyze information of new universal design, and reflect them to activities	• Continually improve customer satisfaction • Check the product safety and technology law compliance, as well as 100% improvement of reported issues • Implement the product safety education (3 times / year) and hold seminars on technology laws of each country • Check operation processes of development and design • Implement UD of product GUI (Graphic User Interface)	○	• Continually improve customer satisfaction • Check the product safety and technology law compliance, as well as 100% improvement of reported issues • Implement the product safety education (3 times / year) and hold seminars on technology laws of each country • Check manufacturing processes • Develop ideas for <Green Design>	7-10
Commitments to Stakeholders and Society	Approaching corporate activities with integrity	• Implement measures to entrench the internal control system • Establish compliance systems (Global Compliance Network) at overseas sites • Continually implement on-line compliance quizzes • Conduct compliance awareness survey • Continually implement risk management activities based on each headquarter business unit and operation • Improve emergency response system • Further enhance buyer education, purchasing audit and supplier certification systems (Japan sites) • Further enhance buyer education systems and start supplier certification systems (overseas sites)	• Respond to Financial Instruments and Exchange Act • Implement on-line compliance quizzes to every employee and board member • Implement education to prevent insider transactions • Conduct compliance awareness survey to every employee and board member • Continually implement risk management activities for headquarter business units and respond to risks based on each business unit and operation • Establish countermeasures against H1N1 flu as well as standards of behavior, and keep every employee informed • Hold a training program to strengthen the emergency response • Further enhance buyer education, purchasing audit, supplier certification systems and risk management activities (Japan sites) • Further enhance buyer education systems and start supplier certification systems to generate certified supplier (overseas sites)	○	• Entrench internal control system • Establish compliance systems at overseas sites • Continually implement on-line compliance quizzes • Conduct compliance awareness survey on a regular basis • Continually implement risk management activities based on each headquarter business unit and operation • Further enhance emergency response system • Complete updating buyer education, purchasing audit and supplier certification systems (Japan sites), and enhance risk management activities • Further enhance buyer education systems and supplier certification systems (overseas sites)	11-14
	Respecting human rights	• Put in writing respect for human rights and dignity at each overseas affiliate company (100%) • Establish new HR system at overseas affiliate company (1 site in China) • Reestablish HR system based on the revision of the law (3 sites in China) • Promote and support health management • Hold lifesaving seminars at all Japan sites	• Share the Code of Conduct, the Behavioral Guidelines and the purpose of creating declaration of human rights at all business units and operations (of each overseas affiliate company) • Promote building new HR system at overseas affiliate company • Reestablish new HR system based on the revision of the law (completed 2 sites in China) • Promote and support health management • Hold lifesaving seminars at 6 Japan sites • Check risks in working environment (at Japan and overseas manufacturing sites)	○	• Create Code of Conduct, Behavioral Guidelines and declaration of human rights (at each overseas affiliate company, 12 sites in 2010, 6 sites in 2011) • Develop and modify new HR system at overseas affiliate company (3 sites in China) • Promote and support health management • Hold lifesaving seminars at 6 sites in Japan • Implement regular check of risks in working environment (at Japan and overseas manufacturing sites)	15·16
	Creating harmony with the environment	Please refer to the Environmental Report on page 19 through 30.				
	Establishing a constructive coexistence with society	• Continually contribute to local regions for each site • Continually provide work-study programs for elementary school students and advanced technology learning programs for junior-high and high school students	• Continually contribute to local regions at each site • Continually provide field-study and internship programs at each site	○	• Continually contribute to local regions at each site • Continually provide field-study and internship programs at each site	17·18

SII Green Products Vision

The SII Group practices environmental management based on the "Three Green" concept: Green Process, Green Products, and Green Life.

Since the SII Green Products and SII High Grade Green Products labeling systems were introduced, and we have provided society with products incorporating their own advanced environmental performance.
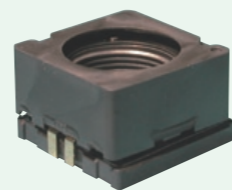
In addition, we will strive even further to generate products that will be incorporated into our customers' products to improve environmental performance, as well as products and services that contribute to improve the environment we all share.

We continuously contribute to a sustainable society through the "SII Green Products" initiative based on the SII "SYO"ism technology concept.

Green Life
Environmentally Friendly Living

Green Process
Environmentally Friendly Manufacturing

Green Products
Environmentally Friendly Products

Eco Products

Ultra-low Voltage Operation Charge Pump IC

Operates with a tiny amount of Natural Energy
Our unique charge pump IC assists power source of portable devices with weak input voltages as low as 0.3V.

Applied to a solar-powered charger

Mercury-free Silver-oxide Battery

No mercury added
Our no mercury added silver-oxide battery provides complete security and safety from manufacturing through consumption and end of life.

Low-CL Quartz Crystal Resonators for Low-power-consumption Micro-controllers

Contributes to reduce standby power consumption
Our low-CL quartz crystal resonators contribute to reduce energy consumption in the standby mode. They help extend the operating time and life of battery-driven products.

Improving Environmental Performance of Our Customers' Products Contribution to Maintaining The Environment We Live In

Green Products plus
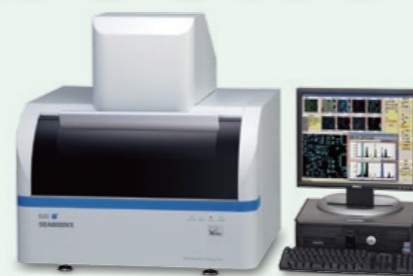
Fluorescent X-ray Analyzer

Measures hazardous chemical substances in products and soil
Our fluorescent X-ray analyzer easily and rapidly detects hazardous heavy metals such as cadmium, lead and mercury.
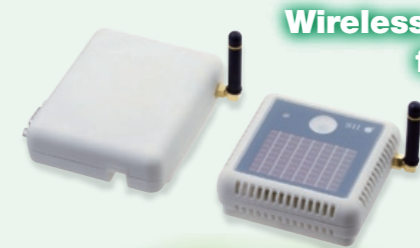
Wireless Network System for Saving Energy

Contributes to energy saving of buildings, stores and factories
With "visualization" of temperature, humidity, lighting, CO_2 and electricity usage, our wireless network system contributes to the efficient energy control.

RS-232C or LAN — base — router — router — air volume
temperature — illuminance — human sense
humidity — generator — CO_2 — electricity

Improving Environmental Performance of SII Product itself

Green Products

SII

Xitron® is a registered trademark of Cambridge Mechatronics Ltd
Manufactured under license from Cambridge Mechatronics Ltd

Refer to pages from 24 through 26 for details.

Making the Future by "SYO" ism

"SYO"ism is based on advanced skills and techniques, miniaturization technologies, environment-friendly products, and their fabrication technology.

● Created 965 SII Green Products
● Created 35 SII High Grade Green Products

(As of March 2010)

Valuing Customers' Voices from Customers' View   points

To deliver safe products to customers, SII develops a wide range of quality assurance processes throughout the Group from customers' viewpoints.

SII Group Basic Quality Policy

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

The SII Group Basic Quality Policy incorporates our strong commitment to achieve customer satisfaction with our product quality as well as meeting high standard of cost, delivery and product safety. We established a quality assurance promotion system to take the following basic measures.

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

Web Quality assurance promotion system

Ensuring Product Quality in the Development Phase

For the most part, quality problems and variances occur due to causes in the development and design stages. As a part of quality improvement activity, SII ensures product quality in these stages to raise the products' entire quality level.

To achieve this goal, SII has taken a variety of initiatives to enhance engineers' views and ways of thinking, using quality engineering, statistical approach, 3D CAD, CAE and instrumental analysis. We also strive to minimize quality variances due to concurrent optimization of design and machining parameters in collaboration with Quality Assurance Division, Production Technology Division and Analytical Estimate Division.

Global Operating Process Review

The Head Office Quality Assurance Division conducts an annual "Operating Process Review" of all the operating divisions in Japan and overseas. The review includes checking the certainty, the level of employee awareness and the progress of improvement of all operation processes from development through manufacturing. There are two kinds of review: the review focusing on manufacturing and the review focusing on development and design, and they are implemented alternately every year. As a result of the continuous review, we feel that the awareness level and our manufacturing strength have increased.

Design and Manufacturing for Product Safety

The SII basic product safety concept is "to improve customers' confidence by providing safe products and services". Based on this concept, we established the Product Safety Network. For all the SII products, it conducts regular inspections of compliance with laws and regulations concerning product and technical safety, as well as verifying product safety and appropriateness according to each country's engineering laws and regulations.

In case of emergency, the Committee reports to top management within ten minutes, as well as promoting information sharing throughout the entire Group and conducting horizontal activities to promptly solve and prevent problems.

In addition to the basic safety education to raise product safety awareness and cultivate engineers with safety knowledge, we hold the Electric Safety Standard Working Group and provide programs to acquire more specialized knowledge.

Practice at Safety Education

Activities for Quality Improvement

At SII, we implement various types of inspections to provide products with reliable quality. For example, the visual inspection had been relied on the human eye, but we improved the precision of the inspection by developing an inspection equipment that uses image processing technology. We also analyzed the data collected at the image processing and improved fundamental processes.

Furthermore, in order to improve the quality of plastic molding, we are using the resin flow analysis technique with CAE and finding optimal molding conditions.

Inspection Equipment developed by SII

SII Customer Service Center

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

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

Disclosure of Product Quality Information

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

Universal Design Initiatives

Based on the concept "Integrity", with emphasis on the three keywords, "User-Friendliness", "Diversity", and "Beauty", the SII Universal Design Concept is practiced throughout the Group.

Universal Design Concept

Integrity
Universal Design, recognizing individual diversity, promotes innovative product creation.

User-Friendliness	Diversity	Beauty
Easy-to-understand, intuitive design	A wide range of designs that users can select according to their personal preferences and needs	Captures a sense of beauty that will satisfy the users

In FY 2009, we developed the Universal Design mainly for touch-panel screens of large-sized products such as printers for business use and analyzer which are key elements of their operability. We clarified the rules on the basic method of showing functions on panels with the development concept of the screen design; "visual simplicity", "intuitive understandability" and "orderliness based on operational priority setting". We also improved the quality of the screen design by verifying the operability in close collaboration with operating divisions and design division from the development phase.

Our next step is utilizing the know-how to other products as well as working on the "Green Design" with environmental perspective.

Achieving both Function and Design ... Winning Good Design Award

Memorable LCD enables high visibility

The "EL series" Memorable LCDs, used for electronic shelf labels, feature high visibility and energy saving. Utilizing wireless communication, they can be placed anywhere. When linked to a store's POS data system, it always displays the correct product information, reducing and optimizing store operations such as replacing tags.

The system's high-level completeness was evaluated.

Pedometer with USB function

"locus" is a pedometer with USB function.

When "locus" is connected to a PC, the number of steps is sent to a website called "CREATIVE HEALTH"*, where you can manage your health based on an exercise volume per day. "locus" shapes flat, long and thin, and allows you to wear anywhere casually.

The balance of material stiffness and the user-friendliness for everyday use were evaluated.

*"CREATIVE HEALTH" is a pay service provided by NTT DATA CORPORATION.

Corporate Governance

To earn the trust and meet the expectations of our stakeholders, it is important not only to improve the profitability but to monitor and enhance the management.

Basic Corporate Governance Policies

We focus on transparency and fairness in our management as an important business priority. To achieve this, as our basic corporate governance policy, the SII Group strives to improve our corporate value by improving the company organizational structure and system, as well as implementing necessary measures and gaining the trust of our stakeholders.

Corporate Governance System

(1) Corporate Organization

SII has a board of auditors. Director's operations are monitored and supervised by the board of directors, auditors and the board of auditors. Each SII affiliate company in Japan has a board of directors and auditors, regardless of its business scale.

● Board of Directors (17 meetings were held in FY2009.)

The SII board of directors, which consists of seven internal and one external board member, supervises the company management and makes important business decisions for the SII Group, incorporating advice from outside board members and auditors.

● Board of Auditors (12 meetings were held in FY2009.)

The board of auditors, consisting of one internal and two external auditors, conducts regular audits. Based on the audit results, the board of auditors exchanges opinions and information to improve audit effectiveness.

(2) Internal Control System

After the "Basic Internal Control System Policy" is estab-

Corporate Governance Framework
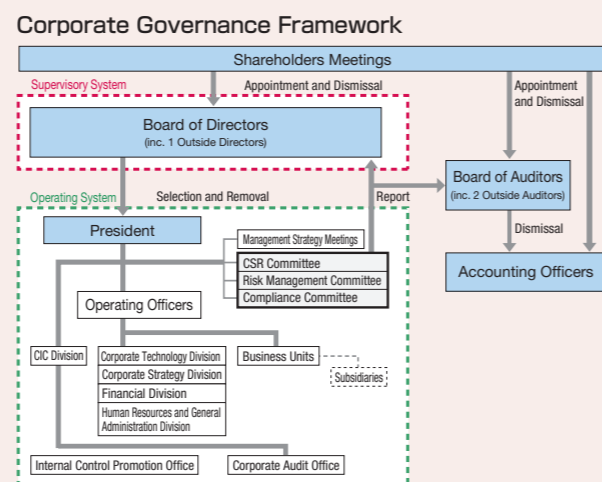
lised in May 2006, the SII board of directors verifies its operating condition every year. Since 2008, the Corporate Internal Control (CIC) Division, consisting of the Corporate Audit Office and the Compliance Department, has played the central role in improving the internal control system. In February 2009, we established the "SII Group Internal Control IT Basic Policy" to enhance our IT control.

Prior to the management integration, we voluntarily implemented our response to the Financial Instruments and Exchange Act. Since our management integration with Seiko Holdings Corporation (SHD) as of October 1st, 2009, when we became a subsidiary company of a publicly listed parent company, we have been promoting the internal control for effectiveness evaluation over the financial reporting in compliance with the law.

Also, under the "Information Disclosure Committee" organized in March 2009, we established a system to disclose corporate information in an appropriate and timely manner, as well as to thoroughly prevent insider transactions. We are currently improving the related rules and regulations and conducting internal education programs.

Compliance

We strive to achieve thorough compliance based on our belief; it is fundamental to business to practice moral and fair business with integrity in accordance with laws, regulations and rules.

SII Compliance System

The SII Compliance Committee was established in 2001 to raise compliance awareness and respond to each compliance problem.

Based on the Internal Control Basic Policy, we strive to enhance and improve our compliance framework, including our subsidiary companies.

SII Code of Conduct-Behavioral Guidelines

To act in accordance with the SII Group Charter of Corporate Behavior, SII established the SII Code of Conduct. This defines the basic requirements that all the SII Group directors and employees need to comply with. Also, the Behavioral Guideline for Japan sites was established. It provides a specific and detailed code of behavior to achieve thorough compliance and raise moral awareness.

We also prepared an English version of the SII Group Charter of Corporate Behavior to enhance compliance at overseas subsidiaries.

Web **SII Group Charter of Corporate Behavior**

Compliance Consultation Services

If our employees discover a violation of compliance within the company, they can consult an outside attorney through the SII Helpline, at any time. The SII Helpline service has been expanded to include our clients to receive any information regarding our employee's compliance violations.

We also provide an internal consultation service.

During FY2009, 1 case was reported to the Helpline, and 24 cases were processed by the consultation service.

Compliance Education

In FY2009, the SII Group executives and employees participated again in an online quiz education program to achieve thorough compliance.

Also, due to the management integration with Seiko Holdings Corporation, we have to pay closer attention to insider transactions. Therefore education activities were conducted at each site to prevent insider transactions.

Export Control

To ensure international security and to practice an appropriate export control, we established an internal system to provide regular export control education and conduct audits. In addition, in August 2009, Tokyo Customs acknowledged the excellence of our compliance system and security management, and gave us an approval of "authorized exporter" on the basis of Specified Export Declaration System.

Compliance Awareness Survey

Following the previous year, SII conducted a compliance awareness survey to check how much the SII Group employees' compliance awareness was raised. We also collected opinions on education themes and questions about compliance and will utilize them for next measures.

Survey Period: April 12 through May 14, 2010
Target: Employees and executives of SII and affiliated companies in Japan
No. of Respondents: 3,754 (3,478)
Response Rate: 79.2% (77.8%)
(Numbers in parentheses show the previous survey results.)

Q1 Do you always bear in mind the laws and rules concerning your operation when you are working?

1.1%
10.7%
88.2%
(86.0%)

■ Yes ■ Not sure ■ No

Q2 Does everyone in your division or department fully understand the importance of compliance with laws and rules?

1.8%
27.2%
71.0%
(69.5%)

■ Yes ■ Not sure ■ No

Risk Management

To minimize the risk to our stakeholders, the SII Group continuously strives to properly manage a variety of risks which could affect business activities.

Group-Wide Risk Management Efforts

The head office members take the central role in the Risk Management Committee, with the President serving as the Chairman. The Committee shares a wide range of risks in the head office and each business unit to promote activities. In FY2009, the headquarter business unit also examined the risks identified by each business unit and reflected them in countermeasures.

As a countermeasure against the H1N1 swine flue epidemic, we established standards of behavior. To keep every employee informed, we held seminars with experts and implemented measures to prevent the spread of infection.

Risk Management to Continue Business

In production facilities, we manage risks to prevent production interruption, aiming to continuously offer products even in an emergency situation. The examples of

risk management are operational improvements at the local-working level, fundamental improvement which requires equipment investment, and adoption of seismic isolation in new factory constructions.

"10-Minute Rule & 2-Hour Rule"

In case of an emergency, the "10-Minute Rule & 2-Hour Rule" promotes rapid communication between employees and top-level management. This rule requires that any event with potential corporate risk must be notified to the President within ten minutes if it occurs in the head office, or within two hours if it occurs outside the head office. Since speedy reporting is given the first priority, we welcome all reports even though the initial content is not sufficient.

Preparation Against Disasters

When a disaster strikes, it could be difficult for employees to go home, at least temporarily, due to close down of transportation. Japan sites have been preparing water, food, bedding and other emergency supplies. The amount is planned to be the equivalent of three day's stock. We will pursue implementing the plan taking into consideration cooperation with neighboring corporations and local residents.

Intellectual Property Initiatives

Regarding intellectual property as essential resource in business activities, we strive to obtain and utilize our development results as intellectual assets.

Basic Policy and Management of Our Intellectual Property

Based on the mid- to long-term "Develop a Business Culture that Respects Intellectual Property" policy, we continuously enhance our intellectual property framework, working with the Intellectual Property Division, the R&D Division and the Production Technology Development Division. We promote intellectual property initiatives according to development and business strategies.

As of April 2010, the SII Group owns about 1,700 patents in Japan and about 3,000 patents overseas.

Invention Incentive System

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

To further enhance invention incentive, we also established and have been operating a new incentive system for an inventor with multiple inventions since 2009.

Employee Education and Training

We established intellectual property education programs based on the level of each employee's understanding. The education program aims to develop employee knowledge and awareness for developing strong patents and preventing infringement of competitor's patents, as well as enhancing motivation in the area of intellectual property.

Support to Intellectual Property-Related Associations

We have been actively supporting intellectual property-related associations which strive to achieve an intellectual property-based nation. SII dispatches committee members and lecturers, and provides comments on proposals from the associations to the Patent Agency, as well as promoting local intellectual property strategies.

Information Security

Along with the development of IT infrastructure, corporate responsibility for information security is becoming increasingly important. The SII Group strives to ensure, maintain and improve information security from a variety of viewpoints.

Information Security

A company assumes a grave responsibility to protect and prevent leaks of confidential information, including the personal data of customers and stakeholders. In addition, information security is of great significance in internal control.

SII regards the system to manage this information as a significant asset of the Group. We continuously enhance our system security from the managerial, physical and technological viewpoints. (For details, see the list on the right.)

Personal Information Protection

SII established the Personal Information Protection Policy and other internal rules, including the "SII Group Personal Information Protection Basic Regulation", as well as strengthening information system-related measures. In order to prevent personal information loss or leakage due to negligence, we continuously provide education programs to each employee.

Web **Personal Information Protection Policy**

●**Managerial Approach**

We revised the "Information System Security Policy", the basic rules of information security management, to "Information System Security Policy" and "Information System Security Management Regulation" in line with reinforcement of IT internal control. We also established "Information System Security Guide" to strengthen the system's confidentiality, integrity and availability.

We will continue improving and enhancing the company-wide information security management system by implementing information system audits and providing education programs.

●**Physical Approach**

We continually further reinforce security system, such as consolidation and redundancy of servers which store systems and data as information assets.

●**Technical Approach**

We promoted evaluation and introduction of information security tools. Also, we strengthened our countermeasures against spam mails and unauthorized accesses by reinforcing access log analysis. E-mail archives were improved, too.

As midterm approaches, we will enhance PC integrated management, e-mails and documents sharing environment audit, mobile access environment and extranet connecting environment such as quarantine function.

Fair Purchasing Activities

The SII Group promotes a wide range of activities for fair and honest transactions.

Purchasing Policy

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

SII Group Purchasing Policy

1. Pursuing competitive market pricing in Japan and overseas to meet customer needs and to win their trust.
2. Strengthening partnership with suppliers based on fair and honest transactions to build Win-Win relationships.
3. Reinforcing moral and legal compliance to conduct fair purchasing activities.
4. Promoting SII Green Purchasing to buy articles free from hazardous chemical substances and with lower environmental impact.
5. Continuously promoting innovation and enhancement of the purchasing divisions.

Supplier Certification System

SII established the Supplier Certification Committee to select fair business partners using the Supplier Certification Criteria, as well as building the CSR framework based on the purchasing supply chain.

Regarding certified suppliers as suppliers of the whole SII Group, not of a single business unit, we strive to strengthen our partnership with them.

SII Group Supplier Certification Criteria
● Existing framework to conduct fair and honest business, respect human dignity and achieve coexistence with society
● Stable business condition
● Environmental management system
● Quality assurance system
● Management system for confidential information, delivery and manufacturing

Based on the Supplier Certification System established in FY2004, we certified about 1,600 suppliers in Japan as of the end of FY2009. In FY 2009, we expanded the scope of certification to suppliers conducting transactions directly with our overseas sites.

In Japan, we have started re-evaluation of the suppliers certified in an early phase.

Certificate for
Overseas Suppliers

Compliance with the "Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act)"

The Subcontract Act has a major significance in purchasing activities in Japan. SII established the Subcontract Act Section in the Head Office to obtain the latest information from related organizations including the Japan Fair Trade Commission. The Section also gives appropriate guidance to daily management operations, and provides Subcontract Act education and audits. Through these activities, we strive to reinforce compliance with the Subcontract Act in cooperation with the Group's purchasing staff.

We have also provided a reporting and consultation service for listening to issues or concerns of all the parties concerned to SII group based on the fair trade perspective.

Purchasing Risk Management

As a role of purchasing divisions, it is important to minimize the risk in disrupting parts supply. We not only search for alternative suppliers or parts, but check the financial condition of suppliers on a regular basis.

In addition, by defining key parts and comprehending their manufacturing bases, we can promptly handle emergency situations in case of disaster in local area like earthquake.

Basic Education Programs for Purchasing Divisions

Education programs have been provided to employees and managers in purchasing, design, manufacturing and production control divisions to acquire basic knowledge of purchasing operations. In 2008, the program was enlarged to include overseas employees. The number of employees participating in the education program is over 1,000 in total.

Education program held in Thailand

Purchasing Audit

The Head Office Purchasing Division carries out audits of "purchasing management" and "compliance with the Subcontract Act" at 23 SII purchasing divisions in Japan. In the audit, we point out issues which must be improved and give guidance for further enhancement.

Supportive SII Employee Development

SII personnel system is based on a fair evaluation of performance and results, and is designed to promote the employee's competence and career development.

SII Group HR System

SII has promoted the establishment of new HR systems by applying the same SII Group basic concept and evaluation approach to every unit in Japan and overseas.

The new HR system is being prepared with each unit's local employees in accordance with their regulatory compliance requirements and regional cultures. It will be completed by April 2011.

Work/Life Balance

In Japan, SII established and has been enhancing a variety of childcare and nursing care systems to support our employees in balancing their careers and family lives, and in nurturing the coming generations.

Starting from April 2009, the short-hours work for childcare is expanded to "until March 31 of the year the child is sent to school".

At the same time, SII revised an elderly nursing care leave system so that employees can take leaves "1 year for 1 subject family member" and "3 years for 1 out of subject family members".

System Results (Japan)

System	FY	FY2007	FY2008	FY2009
Childcare leave		17	11	23
Short-hours work for childcare		21	28	37
Elderly nursing care leave		2	0	1
Short-hours work for elderly nursing care		0	0	1

From October 2010, the introduction of hourly leave system is planned.

We will continue to improve our work environment to support our employees in balancing their careers and family lives.

Professional Resources Management System

In FY2004, SII introduced the "Professional Resources Management System" to pass down skills and techniques, and also to train junior employees. With this system, we certify "professional" employees who possess advanced expertise.

The system includes Specialists, who are experts in fields like intellectual property, law, development and design; and Meisters, who specialize in manufacturing operations such as processing and assembly. Senior-level professionals are recognized with special titles along with gold and silver awards.

As of March 2010, SII has 44 certified Specialists and 17 certified Meisters who are actively training their successors in each field.

Senior Employment

SII actively promotes senior employment.

In 2006, Seshika Inc. was established for employment of elderly, aiming to support operations within the SII Group.

Additionally, the official retirement age was extended to March 31 at the age of 61 to increase work opportunities for senior workers.

Relationship with the Labor Union

SII has a sound and stable relationship with the SII Labor Union. The "Labor-Management Committee" is held on a regular basis to negotiate problems and labor conditions until both parties are fully satisfied.

Supporting Physical and Mental Well-being

At SII, we strive to maintain our employees' physical and mental well-being and promote health enhancement programs.

Health Problem Prevention

In order to prevent health problems caused by overwork, labor hours are closely monitored. Employees who work a lot of overtime are required to consult with our industrial physician. In addition, our industrial physician visits overseas units every two years to consult with employees stationed abroad.

Health Enhancement with Family

Our regularly held health enhancement programs includes shoulder stiffness and lower back pain prevention seminars and a walking with family campaign.

In FY2009, 195 members in total participated in three walking campaigns. This campaign became a regular program and the number of employees who are looking forward to these programs is increasing every year.

Mental Healthcare Activity

We have been focusing on mental healthcare, too.

Seminars regarding mental healthcare were held in FY 2009 for the employees in managerial position.

In addition, 24-hour consultation service has been established in a specialized agency outside of the company.

Metabolic Syndrome Prevention

In April 2008, specific medical checkup and health guidance systems were launched. In FY2009, seminars focusing on metabolic syndrome and individual specific health guidance were held for employees aged 40 or over.

In addition, employees aged 39 or below received similar checkup and lifestyle instructions, resulting in remarkable improvement.

Health is the first wealth. We will strive to enhance the awareness of physical and mental well-being with employees.

Nutritional Guidance Seminar

Akita unit held "Nutritional Guidance Seminar for Metabolic Syndrome Prevention", which had a nutritionist as a lecturer. Total 50 employees participated in the seminars, including the members who were subject to the specific health guidance. Participants developed their knowledge by learning nutritional guidance with food model and calorie counting suitable for each person.

Creating a Safe and Efficient Workplace

SII continuously strives to create a safe and efficient workplace by pursuing high-level safety and preventing industrial accidents.

Concept of Occupational Safety and Health

In March 2008, the SII Group established the "SII Group Occupational Safety and Health Policy" based on the belief that the basis of a healthy company is formed by maintaining a safe and healthy work environment as well as all the employees' physical and mental well-being. Under this policy, the SII Group employees conduct business with enhanced safety awareness in every unit.

Web SII Group Occupational Safety and Health Policy

SII Group Occupational Safety/Health Management System and Information Sharing

In addition to each unit's safety management system, the SII Group established a group-wide safety management organization.

The "SII Group Safety Management Committee", consisting of members from each unit, was held to report activities and to share safety management-related information including law revisions and internal rule review.

The Committee is scheduled to be held on a regular basis to enhance the SII Group safety management.

Also, we will promote information sharing at overseas sites.

Safety Inspections and Survey

To maintain and improve occupational safety and health, SII conducts annual workplace safety inspections at every unit, as well as fire prevention inspections of all SII Group sites including overseas manufacturing plants.

"A risk survey in working area" used to be conducted as necessary, however since FY2009, it has been conducted on a regular basis to eliminate risks and check the effectiveness of measures.

We will conduct the risk survey and fire prevention inspections together, and try to entrench them as "a comprehensive safety inspection" of SII group.

Lifesaving Practice

As AED* (automated external defibrillator) was introduced, each SII Japan unit holds lifesaving seminars on a regular basis. The total number of participants at all SII Japan sites achieved 627 (182 in FY2009) to acquire lifesaving skills. The seminars will be held frequently so that as many SII employees as possible can learn and acquire the lifesaving skills.

Lifesaving practice

*AED: Automated External Defibrillator
AED is a therapeutic apparatus that gives electrical shock to the heart of a person who suddenly fell down due to a heart attack. It allows the heart to reestablish an effective rhythm.

With Regions and Society

As a good corporate citizen, taking advantage of our core business, the SII Group strives for coexistence with society and contributes to the community.

ATI 財団法人 新世代研究所
FOUNDATION ADVANCED TECHNOLOGY INSTITUTE

ATI was founded in 1993 by SII's charitable contributions. ATI's mission is to contribute to the promotion of learning, which is fundamental to the progress of human society, by creating a new concept of scientific technology in nano-science and promoting integration of different research area.

● **Research Committee**

This research committee forms and runs seminars regarding advanced nano-science research ranging from physics to biology and advanced application of probe microscope, which is the core of nanotechnology.

As a unique activity, we also hold "Measuring Time" research committee that examines "Time" and timepiece from technological, historical, cultural and social perspectives.

Joint Research Committee "Integration of Science"

● **ATI Forum (Public Lecture)**

Public lectures have been held to provide hot topics of science and technology. Since 2009 was the 400-year anniversary of Galileo's astronomical observation and the 150-year anniversary of Darwin's "The Origin of Species", the themes of the lectures were "New Solar System" and "Gifts from Darwin". The lectures acquired good reputation.

Web ATI **http://www.ati.or.jp/**

Technical Advancement in Singapore

SII Singapore office, as our overseas research and development base, has promoted joint development in cooperation with national research institutes under the Agency for Science, Technology and Research of Singapore and universities in Singapore.

From an environmental viewpoint, the office launched a project with Singapore Institute of Microelectronics for new wafer-level packaging technology development. This

development will achieve miniaturization and low power consumption.

They are also developing new manufacturing measures with Singapore Institute of Manufacturing Technology on the theme of "environmentally-friendly manufacturing" to improve material efficiency in manufacturing.

Participation in the Think the Earth Project

Think ○ the Earth

The Think the Earth Project is a NPO founded in 2001 based on the concept of "ecology and the economy in coexistence".

SII has participated in the project since its establishment, and developed the project's kickoff product, the wn-1 Earth watch (northern-hemisphere version). Later, a southern-hemisphere version and an aluminum version were released. We hope that these Earth Watches will inspire people to think about the Earth.

The project receives a portion of the revenues generated by sales of related products and services, and uses these funds to support its own operation and to contribute to NPOs and NGOs.

wn-2 silver

The wn-2 Earth Watch, featuring a 24-hour hand, captures the double meaning of watching the Earth and being a watch of the Earth. We hope that this watch will provide the user with opportunities to think about and to do something to tackle global problems, including global warming, in everyday life.

Web
Think the Earth Project
http://www.thinktheearth.net/

Kid's Homepage "Let's Learn about Time"

SII launched "Let's Learn about Time", a website for children and adults together to enjoy learning about time and watches.

Web
"Let's Learn about Time"
http://www.kodomo-seiko.com/
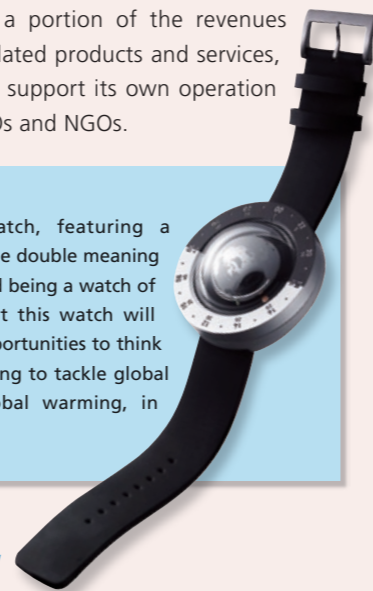
Donating A Part of "appetime kokage" Sales Profits

We have actively participated in reforestation activities by donating a part of the profits generated by the sales of our "appetime kokage" watch series. This watch series, with the theme of leafy shade, supports the "Present Tree Project" launched by the "Environmental Relations" NPO. The "appetime kokage" series was created by wish to increase leafy shade where birds and small animals can rest. In addition, mercury-free batteries are used in the "appetime" series for environmental-friendliness.

Work-Study Program

Each SII unit provides work-study and internship programs as well as factory tours.

Ohno Unit (in Chiba prefecture) has cooperated in an activity called "Town Exploration" held by a local elementary school.

Students were impressed by the metal engraving process of watches.

Cleanup Activity in Local Area

Each SII unit participated in cleaning activities in each area.

● At Tochigi Unit, 10km roadside including local Rei-hei-shi Kaido Street was cleaned up. The purpose of this activity is both cleanup and health promotion.

● At Sendai Unit, the traditional Hirose River cleanup was conducted at the fishing spot in a Sakunami mountain upstream.

Participation to Charity

Seiko Instruments (H.K.) Ltd. (SIH) participated in "The Community Chest, New Territories Walk". This is an annual charity event, and SIH team consisting of 37 employees and their families assisted the event. The funds raised will be donated to social welfare through the NPO "The Community Chest of Hong Kong".

Interactions with Local Children

Seiko Instruments (Thailand) Ltd. (SIT) and the employees collaborated in holding a luncheon for underprivileged children. Clothes, toys and stationery were donated.

Conclusion of "Corporate Forest Management" Agreement

In April 2009, Morioka Seiko Instruments Inc. (MSI) concluded the "Corporate Forest Management" agreement with Iwate Prefecture and Shizukuishi-cho (Iwate-gun, Iwate). Forest improvement activity for "Nanatsumori Forest Park" in Shizukuishi will be performed for 5 years until the end of March 2014. In September 2009, the thinning operation of the target local area was performed.

Mechanical Watch Seminar

The mechanical watch seminar has been held regularly at Morioka Seiko Instruments Inc. since FY2007. This seminar allows participants to experience the assembly of mechanical wristwatches, with hopes of increasing interest in watches and inspiring more mechanical watch enthusiasts. Total 57 people have joined the seminar up to now.

Creating Harmony with the Environment
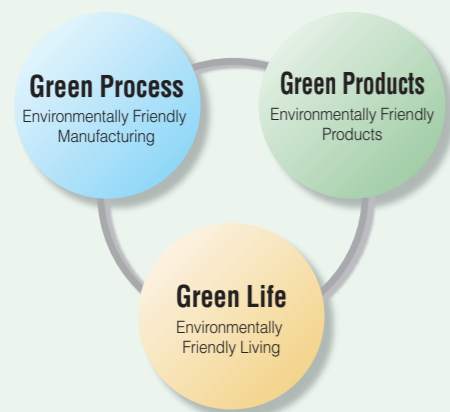
SII Group Environmental Management

The SII Group practices environmental management based on the "Three Green" concept: Green Process, Green Products and Green Life.

SII Green Plan Concept

Green Process
Environmentally Friendly Manufacturing

Green Products
Environmentally Friendly Products
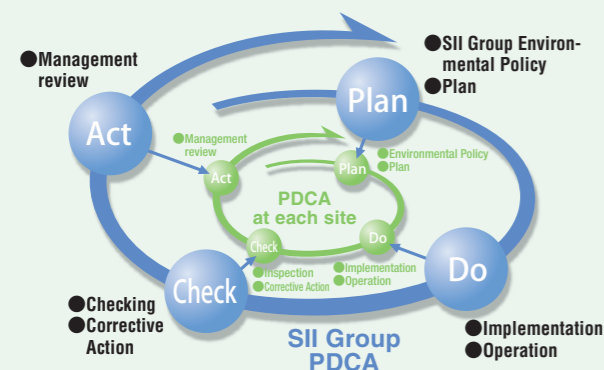
Green Life
Environmentally Friendly Living

Environmental Management System

We established the environmental management systems at each site and throughout the Group. The Plan-Do-Check-Act cycle has been steadily implemented to improve our environmental performance. Our mid-term and annual targets are established based on the "SII Group Environmental Policy", and pursued by the environmental management system at each site.

The head quarters operate the entire SII Group environmental management system and achievements of each site are reported regularly.

SII obtained ISO14001 certification at major sites in Japan and overseas. (Please refer to page 30.)

● **Management review**

Act
● Management review

Plan

● **SII Group Environmental Policy**
● **Plan**

● Environmental Policy
● Plan

PDCA at each site

Act
Plan

Check
● Inspection
● Corrective Action

Do
● Implementation
● Operation

Check

Do

● **Checking**
● **Corrective Action**

● **Implementation**
● **Operation**

SII Group PDCA

Web **ISO 14001 Certified sites**

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 nature.
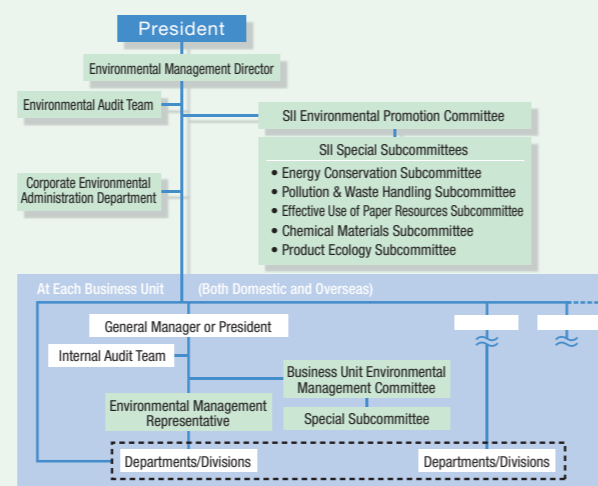
Environmental Activity Guidelines

We will

1. Continually strive to implement and enhance our environmental management system.
2. Observe all of laws, rules, regulations and agreements relevant to the environment, and prevent environmental pollution.
3. Provide products and services that enable state of the art environmental protection research, monitoring and compliance.
4. Continually reduce the environmental impact through the following actions:
   (1) Provide products and services that, throughout their lifecycles, minimize their impact on the environment.

(2) Methodically conserve energy and proactively address global warming.
(3) Practice Reduce as well as Reuse and Recycle (3R), and promote effective use of resources.
(4) Reduce environmental risks from chemical substances and promote the elimination of harmful substances use.
5. Promote SII GREEN PURCHASING and purchase eco-friendly products, parts, materials and services.
6. Enforce internal audits to improve corporate environmental management system.
7. Contribute to society through our unique environment preservation activities.
8. Provide seminars and training to all employees to elevate their environmental consciousness, and encourage them to protect the environment in their personal life.
9. Proactively and openly disclose information about the implementation state of our environmental management system.

Environmental Management Framework

SII established the environmental management system consisting of the SII President, the Environmental Management Director serving as a chief executive, and the Head Office Corporate Environmental Administration Department. The Department takes a leading part in operating the system in cooperation with each site and operating division. The SII Environmental Promotion Committee discusses the SII Group targets and exchange information including activity report at each site. We strive to promote the environmental activities steadily throughout the Group.

President

Environmental Management Director

Environmental Audit Team

SII Environmental Promotion Committee

Corporate Environmental Administration Department

SII Special Subcommittees
• Energy Conservation Subcommittee
• Pollution & Waste Handling Subcommittee
• Effective Use of Paper Resources Subcommittee
• Chemical Materials Subcommittee
• Product Ecology Subcommittee

At Each Business Unit (Both Domestic and Overseas)

General Manager or President

Internal Audit Team

Environmental Management Representative

Business Unit Environmental Management Committee

Special Subcommittee

Departments/Divisions

Departments/Divisions

Company-Wide Education

SII headquarters conducts a wide range of environmental programs in three categories: general education, special education and training for internal qualification. We review the programs every year to establish an annual environmental education plan, and request each site to participate in the programs. In FY2009, 163 employees attended the courses held by headquarters, bringing the total number of participants to 2,579. At the completion of the courses, we send out questionnaires to improve the next programs.

In addition to the headquarter programs, each site also conducts unique environmental education programs and enlightening activities.

Education Held at SII Headquarters

	Course	Participants
General Education	Global environmental issues and SII's approachesa	New employees
	Environmental protection course for mid-level employees	Mid-level staff
	Environmental protection course for managers	Managers
	Environmental protection course for sales persons	Salespersons
Special Education	Waste management	· Employees who handle chemicals or wastes
	Chemical Control	· Operators of environment-related equipment
	Energy saving	· Manufacturing and production engineers
	Eco-friendly Product	Product development personnel
Training for Internal Qualification	Internal environmental auditor training	Candidates from each business unit
	Internal environmental auditor brush up seminar	Internal auditors

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Internal Environmental Audit

To continuously improve the environmental management system and its performance, an internal audit is carried out with objectivity and independence. Auditors are invited from other sites and the Head Office to enhance the audit effectiveness and create a synergy effect through exchanging information between each site.

In FY2009, the most frequently identified categories for both Japan and overseas sites were "environmental aspects" and "competence, training and awareness".

In order to improve the internal audit reliability, we need to develop internal auditors. While holding internal auditors training regularly, we also set up the refresh course for internal auditors to raise their competency levels.

In addition, the "SII Environmental Auditor Certification System" was established. The Environmental Management Director certifies auditors who satisfy certain requirements including audit experience. As of March 2010, we have 22 certified auditors and 8 auditors registered at the Center of Environmental Auditors Registration (CEAR).

Biodiversity Conservation Approach

Many of SII Group's business activities depend, to some extent, on ecosystem service. We consider biodiversity conservation to be not only a social contribution but also a key issue of sustainable environmental management that needs to be addressed in our daily business activities. Our next challenge is to comprehend the connection and relevance between our business operations and effective biodiversity conservation.

Received "Environmentally-Friendly Company" Award

Guangzhou Seiko Instruments Ltd. (GSI) received an "Environmentally-Friendly Company" award from Environmental Protection Bureau of Haizhu, Guangzhou. This award was established by Guangdong to raise company's awareness of environmental conservation. Through the detail examination such as environmental contamination management and emission as well as compliance with the laws, GSI was selected as one of the 13 award-winning companies out of approximately 1,000 companies in Haizhu.

Award Ceremony

Award Certificate

Environmental Results and Future Plans/Environmental Accounting

FY2009 Overview and Mid-Term Plan

Environmental Performance Indicators

◎: Overachieved   ○: Achieved or almost achieved   △: Partly achieved   ✕: Not achieved (evaluated based on FY2008 results)

	Action Item		FY2009 Target	FY2009 Result		Rating	FY2010 Target	Mid-Term Plan	Page
Product Related	Eco-Friendly Products Creation	Improve the sales ratio of SII Green Products.	General Purpose Products 96%	**97.9%**		◎	Maintain the ratio at 96% or more.	Maintain the sales ratio of SII Green Products (general purpose products) at 96% or more.	24-26
			Large Products 40%	**26.5%**		✕	40%	Increase the sales ratio of SII Green Products (large products) to 50% or more by the end of FY2012.	
		Increase the number of SII High Grade Green Product category.	55%	**55%**		○	Create 3 products or more per year.*3	Increase the creation of SII High Grade Green Products to 4 products or more per year by the end of FY2012.	
	Strict Management of Hazardous Chemical Substances	Control inclusion of cadmium, hexavalent chromium, mercury and lead in products.*1	Maintain the ratio at 95% or more.	**99.3%**		◎	Maintain the ratio at 95% or more.	Maintain the ratio of cadmium, hexavalent chromium, mercury and lead-free products at 95% or more.*1	25
		Control inclusion of polyvinyl chloride in products.*2	Maintain the ratio at 95% or more.	**97.3%**		◎	Maintain the ratio at 95% or more.	Maintain the ratio of polyvinyl chloride-free products at 95% or more.*2	
Japan Sites	Action against Global Warming	Reduce CO_2 emissions.	70,700 tons-CO_2 (1% improvement per basic unit annually)	**63,181 tons-CO_2**	**- 5.7% from FY2008**	◎	69,803 tons-CO_2 (1% improvement per basic unit annually)	Reduce energy-related CO_2 emissions by 9% from FY1999 by the end of FY2010. (76,706 tons-CO_2 → 69,803 tons-CO_2)	27
	Waste Reduction/ Recycling	Reduce total waste generation.	2,585 tons	**2,525 tons**	**- 28% from FY2008**	◎	2,161 ton	Reduce the total waste generation by 50% from FY2000 by the end of FY2010. (4,322 tons → 2,161 tons)	28
	Chemical Substance Reduction/Control	Reduce emissions of PRTR hazardous chemical substances + SII's voluntary controlled hazardous chemical substances (HFCs, PFCs and SF₆) + VOC.	42.8 tons - 5% from FY2008	**43.4 tons**	**- 4% from FY2008**	△	Maintain the value in FY2008 Less than +5% from FY2008	Reduce emissions of PRTR hazardous chemical substances + SII's voluntary controlled hazardous chemical substances (HFCs, PFCs and SF₆) + VOC by 5% from FY2008 levels.	29
	Water Use Reduction	Reduce water use.	764,000 m³ - 1% from FY2008	**723,000 m³**	**- 6% from FY2008**	◎	716,000 m³ -1% from FY2008	Reduce water use by 1% every year.	—
Overseas Sites	Action against Global Warming	Reduce CO_2 emissions.	41,551 tons-CO_2 - 1% from FY2008	**42,435 tons-CO_2**	**+1.1% from FY2008**	✕	42,011 tons-CO_2 -1% from FY2008	Reduce CO_2 emissions by 1% every year.	27
	Waste Reduction and Recycling	Increase recycle ratio by 3 points.	60%	**57%**		✕	60% +3 points from FY2008	Increase recycle ratio by 3 points.	28
	Office Paper Use Reduction	Reduce office paper use.	27.9 tons -3% from FY 2008	**21.4 tons**	**- 26% from FY2008**	◎	20.8 ton -3% from FY2008	Reduce office paper use by 3% every year.	—
	Water Use Reduction	Reduce water use.	631,000 m³ - 1% from FY2008	**619,000 m³**	**-3% from FY2008**	◎	613,000 m³ -1% from FY2008	Reduce water use by 1% every year.	—

Environmental Management Indicators

	Action Item
Environmental Management System	Improve the online site reports. Enhance operation-based themes.
Community and Social Contribution	Promote employees' participation in environmental activities for community and society.

*1 Completed elimination by the end of May 2006 for products to be sold in the EU.
*2 Except those used within the safety standards or difficult to be substitute.
*3 From FY2010, we changed the indicators to the annual number of product creation.

Environmental Accounting

The FY2009 results show that the total investment and the total expenses were increased to 434 million yen and 1,988 million yen, respectively, compared to the FY2008 results.

Environmental protection Costs (Japan sites)

(million yen)

Category		Action Item	Investment*1	Expenses*2
(1) Business Area Costs				
Details	1. Prevention of Environment Disruption	Related to water, atmosphere, noise and vibration	224.1	561.5
	2. Global Environment Protection	Related to global warming and ozone-layer depletion	204.4	404.0
	3. Resource Efficiency	Related to resource saving, waste reduction and recycling, procurement management	0.0	361.4
(2) Upstream and Downstream Costs		Eco-friendly products creation Recycling of products and packaging	5.6	110.7
(3) Administrative Activities Costs		Environmental education and environmental information disclosure Environmental management system operation	0.0	283.8
(4) R&D Costs		Environmental research and development	0.0	264.0
(5) Social Activities Costs		Supporting environmental protection groups and communities	0.0	2.7
(6) Restoration Costs		Restoration of contaminated soil	0.0	0.0
Total			434.1	1,988.1

Environmental Protection Results

Environmental Impact	Reduced Amount (FY2008-FY2009) (Compared to FY2008)
CO_2	3,804 tons-CO_2
Water	48,000 m³
Paper resources	12 tons
Industrial Waste	945 tons
General Waste	16 tons
New Material Purchasing Reduction*3 Single year result	383 tons

*1 The investment for FY2009 only. In case we judged that the total outlay included any costs other than environmental protection costs, only the proportion deemed to apply to environmental protection was counted.
*2 Includes depreciation expense for FY2008 or before. (Equipment and facility investment are depreciated over 5 and 10 years, respectively, in equal yearly increments.) In case we judged that the total outlay included any costs other than environmental protection costs, only the proportion deemed to apply to environmental protection was counted.
*3 The total amount of recycled and reused waste oil and waste plastics was calculated as the new purchase reduction amount.
*4 The new purchase reduction cost is calculated by converting the new purchase reduction amount described above.

Economies Achieved from Environmental Protection Activities (million yen)

Content of Actual Savings	Cost Actually Saved (from FY2008)
Expense reduction attributable to energy conservation	405.0
Reduced cost by water use savings	14.9
Reduced cost by paper use savings	3.0
Reduced general waste disposal cost	41.8
Income from sales of valuable resources Single year result	109.6
Reduced cost by new material purchasing reduction*4 Single year result	299.4
Total	873.7
Estimated Savings from Risk Reduction Single year result	Savings Estimated
Avoidance of shutdown due to air/water pollution	214.1
Avoidance of illegal dumping penalties or others	53.6
Total	267.7
Total Savings	1,141.4

Creating Harmony with the Environment

Business Activities and Environmental Impact

The SII Group believes that understanding environmental impact throughout the product life cycle is necessary to properly conduct environmental activities. The overview of FY2009 environmental impact is explained in the table below.

INPUT

Resources
- Materials: 876 tons
- Packaging: 532 tons
- Office Paper: 55 tons

Energy 1,529,648 GJ (Japan)
- Electricity: 139 million kWh
- Gas — City Gas: 1,171,000 m³
  — LP Gas: 301,000 m³
- Fuel — Kerosene: 1,562 kl
  — Heavy Oil: 395 kl

Water
723,000 m³

Energy for Internal Transport*1
- Gasoline: 46 kl
- Light Oil: 58 kl

Energy Consumed by Green Products*2
- Electricity: 62,444,000 kWh

Chemicals
168 tons

(Overseas)
- Electricity: 108 million kWh
- Gas: 47,000 m³
- Heavy Oil: 408 kl

(Overseas)
619,000 m³

Plan & Design → Purchase of Materials and Components → [Factory] → Transportation → Usage by Customers → (Products and Consumables) Collection & Recycle

Disposal

OUTPUT

Into the Atmosphere
- CO_2: 63,181 tons-CO_2
- NO_x: 6.1 tons
- SO_x: 2.2 tons
- Chemicals: 43 tons

(Overseas)
CO_2: 42,435 tons-CO_2

Into Water
- Waste Water: 477,000 m³
- Chemicals: 0.2 tons
- COD: 1.8 tons
- BOD: 2.3 tons

Waste
- General Waste
  Amount generated: 483 tons
  Recycling rate: 83%
  Amount recycled: 403 tons
- Industrial Waste
  Amount generated: 2,042 tons
  Recycling rate: 88%
  Amount recycled: 1,803 tons
- Landfill rate: 0.6% 15 tons

(Overseas)
Amount generated: 4,065 tons
(Resalable wastes included: 2,226 tons)

Transport-based Discharge into the Atmosphere*1
- CO_2: 262 tons-CO_2

Usage-based Discharge into the Atmosphere*2
- CO_2: 23,604 tons-CO_2

*1 Transportation among the SII Group companies in Japan *2 Estimated annual energy use of FY2009 SII Green Products

INPUT (Details)
- Materials: Metals, plastics, glass and other materials used in production
- Packaging: Plastics and paper to be recycled according to the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging
- Office Paper: Paper for printers and copiers
- Chemicals: PRTR hazardous chemical substances, HFCs, PFCs, SF_6 and VOC
- Electricity: Power purchased from electric companies
- Gas: City gas and LP gas
- Fuel: Kerosene and heavy oil
- Water: Tap water, industrial water and groundwater
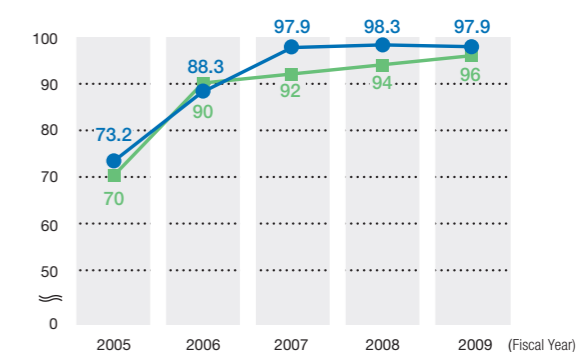
OUTPUT (Details)
- CO_2: From use of electricity, gas, oil, and, cooling and heating water
- NO_x: From use of gas and oil
- SO_x: From use of oil
  *NO_x and SO_x figures represent business units installing soot and smoke emitting facilities which are regulated by the Air Pollution Control Law.
- Chemicals: PRTR hazardous chemical substances, HFCs, PFCs, SF_6, and VOC discharged into the atmosphere and water
- Waste Water: Released into rivers and sewer systems
- COD (Chemical Oxygen Demand): Pollution load
  *Limited to the business units subject to the regulations in the Water Pollution Control Law covering the total pollution amount
- BOD (Biochemical Oxygen Demand): Pollution load
  *Limited to the business units installing specified facilities as prescribed by the Water Pollution Control Law
- General Waste: Paper waste and household-type waste generated by or as a result of industrial operation
- Industrial Waste: Waste oil, acid, alkali, plastics, ash, sludge, and other materials generated by industrial operations
- Final Landfill Rate: The ratio of the landfill amount to the total waste generation amount

Environmentally-Friendly Products

FY2009 Overview

- The SII Green Products sales ratio was 97.9%, surpassing our target value 96% (excluding some large products).
- Thirty-five products in ten product categories were certified as SII High Grade Products (on a cumulative basis since FY2007).
- We achieved 99.3% elimination of cadmium, hexavalent chromium, mercury and lead, and 97.3% elimination of polyvinyl chloride.
  (The use of RoHS regulated hazardous chemical substances was completely eliminated from products for the EU by the end of May 2006.)

SII Green Products Sales Ratio (%) ● Result ■ Target

Fiscal Year	2005	2006	2007	2008	2009
Result	73.2	88.3	97.9	98.3	97.9
Target	70	90	92	94	96

SII Green Products and SII High Grade Green Products

To raise public awareness of our eco-friendly products, in December 2001, we introduced the SII Green Product Label System, which is equivalent to the ISO14021 Type II environmental label. Products are assessed according to the SII Green Product Standards on a scale of one to five, and certified as SII Green Products with an average score of 3.5 and above.

The SII Green Product Standards are reviewed once every two years. In FY2009, the Standards were revised for all the Products. In October 2006, the SII High Grade Green Product System was introduced as a higher level certification of SII Green Products. In this system, we certify products as SII High Grade Green Products when they satisfy the mandatory item and one or more of seven selective items from the Additional Conditions, in addition to the SII Green Product Standards.

Eco Products — HIGH GRADE

SII High Grade Green Products

Mandatory Item

Implemented the Life Cycle Assessment (LCA*)

Selective Items

1. Top rank in one or more of the SII Green Product Standards criteria
   - Top ranking features including "the smallest" in the world, in Japan and in the industry, etc.
   - Twice or more environmental efficiency compared to conventional products (functionality / environmental impact)

2. Unique environmental friendliness feature
   - Achieved top-level environmental impact reduction through raw materials and processing methods
   - Significantly reduced environmental impact utilizing innovative technology

3. Extremely high environmental friendliness score
   - SII Green Product Standards overall score: 3.0 or above for all criteria, and 4.2 or above in average

Eco Products

SII Green Products

Average assessment of 3.5 points or above

* Based on the SII Group standards

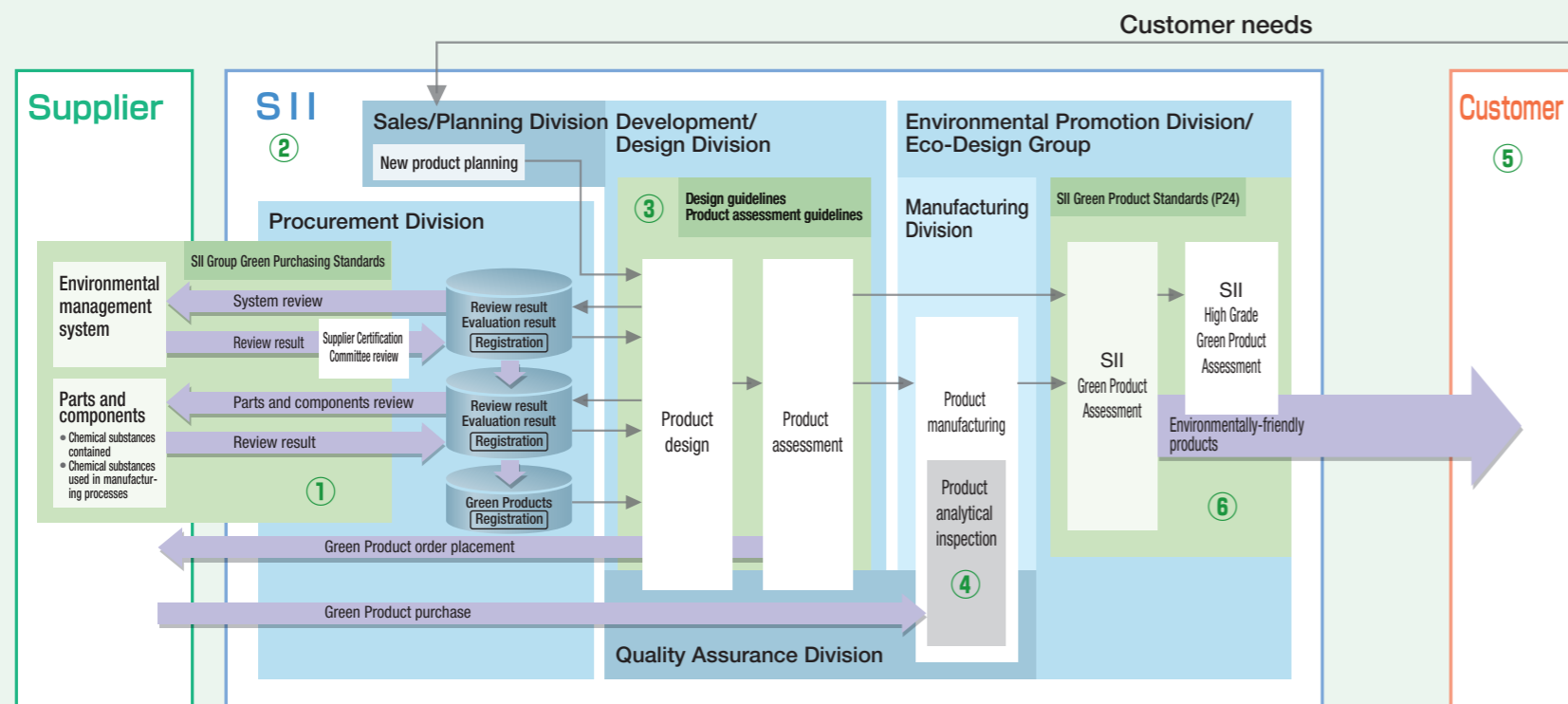| No	Parameter
1	Power consumption during use
2	Power consumption during standby
3	Product weight
4	Use of reused parts and recycled materials
5	Recyclability of used products
6	Longer-lasting products
7	Limitation of including substances to be avoided*
8	Prohibition of substances to be abolished on condition*
9	Prohibition of including banned substances*
10	Smaller, more lightweight packaging
11	Limitation of foam packaging materials
12	Avoidance of polyvinyl chloride and heavy metals in packaging
13	Manufacturing process energy conservation
14	Manufacturing process resource conservation
15	Manufacturing process limitation of substances be avoided*
16	Manufacturing process prohibition of banned substances*
17	Green purchasing
18	Easy disassembly
19	Easy sorting of materials for recycling
20	Information disclosure in user manuals, and other related documents

LCA Initiatives

We initially introduced LCA initiatives in 2001 and established the SII LCA Guidelines in March 2002. While improving the guidelines, we continuously promote LCA. In 2006, the LCA implementation was added to the SII High Grade Green Product System as one of the criteria. This contributed to promoting the implementation and disclosure of the LCA results.

* LCA (Life Cycle Assessment): the quantitative assessment of the environmental impact of a given product or service throughout its lifespan from raw material production, manufacture, distribution, use and disposal.

Web SII Eco-Friendly Products

Environmentally-Friendly Products...Workflow: Green Purchasing to Green Product Creation

Customer needs

Supplier	SII					Customer

② Sales/Planning Division — Development/Design Division — Environmental Promotion Division/Eco-Design Group — **⑤**

New product planning

Procurement Division

Design guidelines / Product assessment guidelines **③**

Manufacturing Division

SII Green Product Standards (P24)

SII Group Green Purchasing Standards

Environmental management system

System review

Review result

Supplier Certification Committee review

Review result / Evaluation result — Registration

SII High Grade Green Product Assessment

Parts and components
- Chemical substances contained
- Chemical substances used in manufacturing processes

Parts and components review

Review result

Review result / Evaluation result — Registration

Product design — Product assessment

Product manufacturing

SII Green Product Assessment

①

Green Products Registration

Product analytical inspection

Environmentally-friendly products

Green Product order placement

Green Product purchase

Quality Assurance Division

④

⑥

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① Green Purchasing

To create environmentally-friendly products, we need to use parts and materials with low environmental impact.

In 1999, SII launched the Green Purchasing activities, in cooperation with the Development/Design, Quality Assurance and Procurement Divisions, to evaluate product quality and price as well as to purchase products with lower environmental impact.

Using the "SII Group Green Purchasing Standards", SII investigates suppliers' environmental management systems and inclusion/use of specified chemical substances. We certify products satisfying all of the following requirements as SII Green Production Material.

- Supplier's environmental system meets the Standards.
- Production material does not include any prohibited chemical substances.
- No prohibited chemical substances are used in manufacturing process.

In purchasing, we give a priority to products certified as SII Green Production Material.

In addition to production material, we also apply Green Purchasing to office equipment and supplies. Products with lower environmental impact are preferentially registered in an electronic purchasing system, enabling a purchaser to easily perform Green Purchasing.

② Contained Hazardous Chemical Substance Management

The control of chemical substances in products is currently being developed in each country. At SII, a system was established and has been promoted to control chemical substances by all the business unites engaged in products.

The use of RoHS[*1]-regulated hazardous chemical substances was completely eliminated from products for the EU by the end of May 2006. In addition, in regard to all products for countries other than the EU, SII specified 5 substances: lead, cadmium, hexavalent chromium, mercury and polyvinyl chloride (PVC) as a chemical substance to be reduced. We also respond to customer's requirement on the threshold stricter than regulations or halogen-free material for the components to be incorporated in the end product, such as electric components.

In addition, we have been responding to newly introduced chemical substances regulatory directives including REACH Regulation.[*2]

*1 RoHS Directives: As of July 2006, the directives prohibit the sale of electrical and electronic equipment on the EU market that contains any of the following six substances: cadmium, hexavalent chromium, mercury, lead, PBBs (polybrominated biphenyls) and PBDEs (polybrominated diphenyl ethers).

*2 REACH Regulation: This regulations describes about registration, evaluation, authorization and restriction of chemicals in the EU.

③ Environmentally-Friendly Design

Based on the Design Guidelines and the Product Assessment Guidelines, SII designs products with low environmental impact over the entire course of their lifecycles. In addition to other related guidelines and standards, and in cooperation with each operating division by information exchanges, we strive to provide environmentally-friendly products that meet customer needs.

④ Analysis Using SII Fluorescent Analyzer

In addition to the Green Purchasing Standards-based inspections, we have introduced fluorescent analyzers of SII Nano Technology Inc. in our production facilities to insure non-inclusion of chemical contaminants in the parts and components supplied from suppliers.

Fluorescent analyzer: SEA1200VX (SII Green Product)

⑤ Collection and Recycling

For effective use of resources, we promote the collection and recycling of used products and consumables.

● Collection of Ink Cartridges

Used ink cartridges and bottles are sent to our collection center, where they are separated according to their constituent materials and then recycled. This proper procedure enables approximately 90% of all collected cartridges to be recycled.

● Collection, Proper Disposal and Recycling through Industry Groups

Products	Industry Groups
Data communication cards / PHS Phones	Participation in the mobile recycling network
Button batteries	Button Battery Recycling Promotion Center established in Battery Association of Japan
Small rechargeable batteries	Japan Portable Rechargeable Battery Recycling Center (JBRC)
Packaging	Entrustment with the Japan Containers and Packaging Recycling Association

⑥ Certified SII Green Products

Electronic Dictionaries

All series are certified as SII green products

All SII electronic dictionaries are certified as SII green products. Employment of SII's unique damper shell structure and significant reduction of liquid crystal panel breakage contribute to the prolongation of product's life.

In addition, by adopting rechargeable lithium-ion batteries, dry cell batteries are no longer disposed, which contributes to waste reduction.

SR-G6001M firstly incorporates PASORAMA[*1] for a compact model. It also has the first business card viewer function in Japan[*2] and achieves the reduction in size and weight as well as improvement of functions.

*1 Function to search electronic dictionary contents on a PC by connecting them with a cable.

*2 In terms of IC electronic dictionary currently being sold in Japan. As of October 29, 2009 (based on our survey).

Lens Drive Module A-A8560

Achieving both weight reduction and high performance

Our environmental performance has achieved a leading position in the industry by firstly employing a shape-memory alloy as an actuator of lens drive module for mobile phone's automatic focus function.

Linear motor was used for an actuator conventionally. However, since the shape-memory alloy shrinks when it is applied with an electrical current, this characteristic is leveraged for this product. Therefore magnet and coil are unnecessary and it reduced both weight and electricity for drive by approximately 50%. Furthermore, it has the superb performance in focus speed, which is about twice as fast as the conventional products.
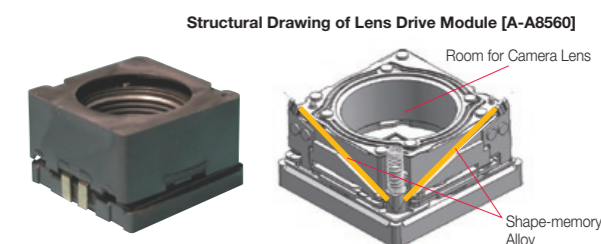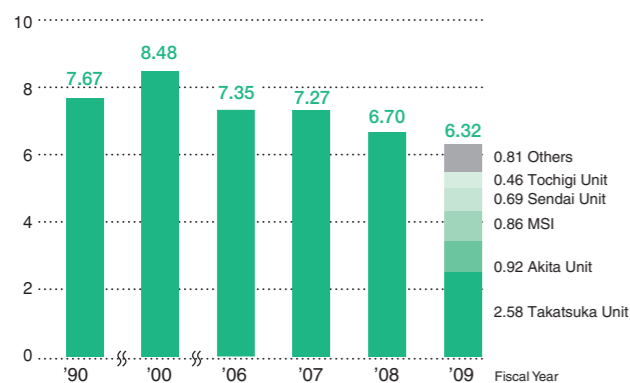
Structural Drawing of Lens Drive Module [A-A8560]

Room for Camera Lens

Shape-memory Alloy

Xinea® is a registered trademark of Cambridge Mechatronics Ltd
Manufactured under license from Cambridge Mechatronics Ltd

Creating Harmony with the Environment
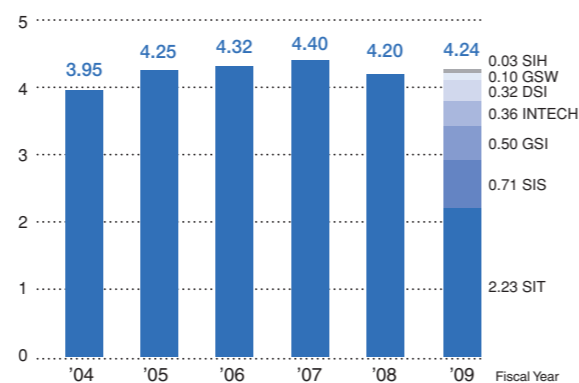
Addressing Global Warming

FY2009 Overview

CO₂ Emissions (Japan Sites) (10,000 tons-CO₂)

CO₂ Emissions (Japan Sites): 63,181 tons-CO₂
(3,804 tons −CO₂ reduction, or -5.7% from FY2008)

CO₂ Emissions (Overseas Sites) (10,000 tons-CO₂)

CO₂ Emissions (Overseas Sites): 42,435 tons-CO₂
(465 tons-CO₂ increase, or +1.1% from FY2008)

*Please refer to P30 for official company names.

Our Concepts and Current Status

SII Group's Japan sites achieved the FY2009 target for CO₂ emissions arose from energy consumption. This achievement is mainly attributed to operation of renewed environmental equipment as well as overall production decrease. Strict operational management also contributed to the reduction. On the other hand, overseas sites failed to achieve the target goal. The cause is significant production increase in some sites, but the increase was kept to the minimum due to improvements in operational management.

In FY2010, we will strive to further reduce the CO₂ emissions by renewing to highly-efficient equipments and improving productivity, in addition to the existing energy-saving measures.

Introducing Emission Control Equipment for Greenhouse Gas except CO₂

SII uses PFC, SF₆ and HFC, which are greenhouse gas, mainly in the semiconductor manufacturing process at Takatsuka Unit (in Chiba prefecture). We had discussed the introduction of the emission control equipment,*¹ and in FY2009, we completed the installation and have started its operation.*² We selected an electrothermal treatment equipment to also keep low CO₂ emissions that are origin of energy.

We also utilized the enrichment technology of greenhouse gas to reuse nitrogen (N₂) gas which is used in the manufacturing process. The greenhouse gas emission at Takatsuka unit has reduced 90% in CO₂ equivalent and 20,000 tons-CO₂ in a year.

*1 This equipment introduction was chosen as the "Development project of CFC Substitutes (HFC, PFC and SF₆) emission reduction equipment" in the FY2009 Global Warming Prevention Technology Program by New Energy and Industrial Technology Development Organization (NEDO).

*2 The target substances are PFC (C₂F₆) and SF₆.

SII Site Case Study

●Dalian Seiko Instruments Inc. (DSI) performs rigorous energy management to detail. In FY2009, DSI improved the operation by relocating cooling water pump motors. They also changed the energy source of cafeteria and enhanced efficiency of lighting. Old fluorescent lights will be renewed to LED illumination as confirming the efficacy.
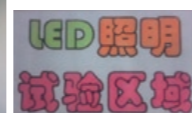
●At Guangzhou SII Watch Co., Ltd. (GSW), Environmental Committee including Managing Director performs energy-saving inspection. They explore the possibilities of energy savings from appropriate luminance level of illumination to equipments relocation in manufacturing process.
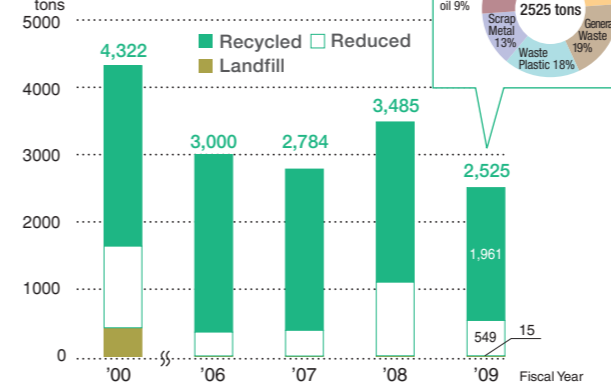

Inspection in the manufacturing process

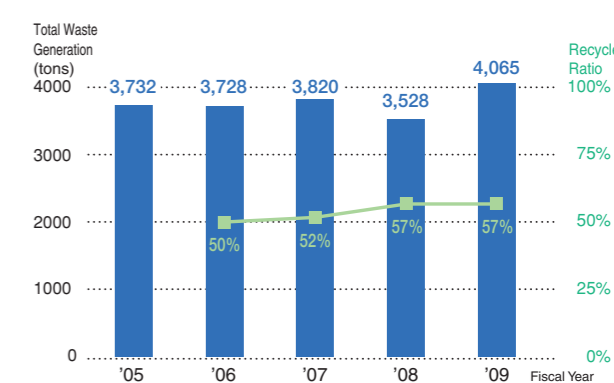# 3R Activities (Reduce, Reuse and Recycle)

FY2009 Overview

Total Waste Generation in Japan Sites
(including resalable waste)

FY2009 Breakdown

Waste generated in Japan Sites: 2,525 tons
(961 tons reduction, or -28% from FY2008)

Total Waste Generation and Recycle Ratio in Overseas Sites
(including resalable waste)

Waste generated in Overseas Sites: 4,065 tons
(537 tons increase, or +15% from FY2008)

*Please refer to P30 for official company names.

Water Use Reduction

Japan sites: the amount of water used was 723,000m³, which achieved the target. (48,000m³ reduction, or -6% from FY2008)
Overseas sites: the amount of water used was 619,000m³, which achieved the target. (18,000m³ reduction, or -3% from FY2008)

Our Concepts and Current Status

In FY2009, our total waste generation amount achieved the target goal at Japan sites. While upgrading the waste liquid treatment equipment in FY2008, waste liquid was collected and treated as industrial waste, resulting in increase of the generation amount. At the end of FY2008, we installed the equipment to collect concentrated waste liquid to tanks, therefore the amount of waste liquid was reduced in FY2009.

Our overseas production facilities are promoting the improvement of the recycling rate to use resources more efficiently, but they failed to achieve the FY2009 target. The failure is mainly due to the increase in wastes that are not recycled. We will enhance the effective utilization of resources.

Improving Zero Emission Initiative

SII Japan sites achieved the zero emission in 2003, but we have strived to improve the quality of activities. Aiming to reduce the final disposal rate from 3% to 1%, we also reviewed current recycling methods to shift to more effective methods. As a result, in FY2009 we achieved less than 1% at the average of all manufacturing sites in Japan.

Waste Treatment Audit

SII entrusts waste treatment to waste disposers and carries out on-site audits on a regular basis. In addition to confirming the contents of the contract, we also check the acceptance and storage conditions. To make the audits more reliable, the Head Office Environment Division also checks waste disposers' performance. In case they are entrusted with the waste treatment for more than one site, SII promotes information sharing among the related sites.

SII Sites Case Study

Seiko Instruments (Thailand) Ltd. (SIT) has started the separating system of drink containers. This is an expansion of waste recycling activity which has been promoted over several years. The collected drink containers are recycled by environmental groups that encourage recycling in Thailand.
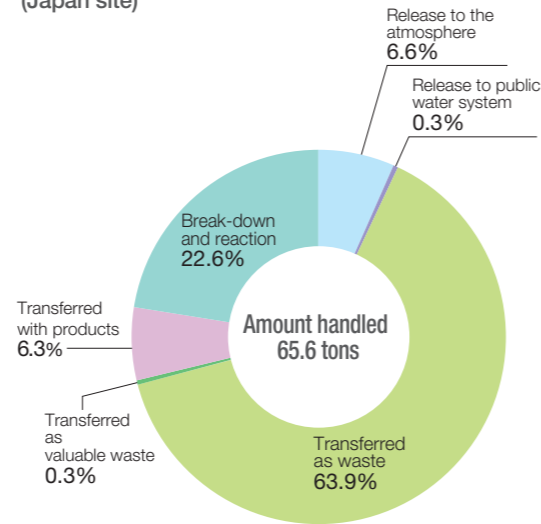
Chemical Substance Control

FY2009 Overview

● The volume of the PRTR[*1]-related hazardous chemical substances handled by SII was 65.6 tons decreasing by 18 tons from FY2008. (21.5% reduction from FY2008.)

● The total emission amount of SII-specified hazardous chemical substances[*2] was 43.4 tons, failing to achieve the target amount 42.8 tons. However this is 1.7 tons reduction from FY2008 amount. (3.7% reduction from FY2008.)

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

*2 The PRTR substances, SII voluntarily specified 22 substances and 100 VOC (volatile organic compounds) substances

PRTR Chemical Substance Emission and Transfer (Japan site)

Release to the atmosphere 6.6%
Release to public water system 0.3%
Break-down and reaction 22.6%
Transferred with products 6.3%
Transferred as valuable waste 0.3%
Transferred as waste 63.9%

Amount handled 65.6 tons

Our Concepts and Current Status

The SII Group believes that the safe and appropriate chemical substance handling is important for risk management. To reduce the environmental impact of chemical substances used in our manufacturing processes, we continuously control the use and emission of PRTR substances, SII voluntarily specified 22 substances, and 100 VOC (volatile organic compounds) substances.

In FY2009, the emissions including PRTR substances and SII-specified substances achieved the reduction in total. Overseas sites are tackling the total elimination of chlorinated solvents.

As well as Green Purchasing, we proactively address the reduction and total elimination of specified chemical substances contained in our products. By adding chemical substance standards used in our products and their production processes as SII Green Products criteria, elimination and reduction of specified chemical substances are designed to be systematically promoted in the creation of SII Green Products.

Training for Emergencies

Each unit has taken preventive measures against environmental emergency situation, such as leakage of chemical substances to atmosphere, water and soil, as well as their harmful effects on the ecosystem and human health.

We also established its emergency procedure manual regarding actions and communications. Through periodic emergency response trainings based on the procedures, employees can review if the procedures are effective, and then practice emergency countermeasures to prevent the expansion of environmental contamination.

SII Sites Case Study

Seiko Instruments Singapore Pte.Ltd. (SIS) performs environmental emergency response training in January every year. After attending a lecture, participants begin the training on the assumption that harmful chemical substances are leaked. They wear protective equipments to stop and eliminate the leakage and learn a series of operations up to the disposal of used equipments.

Lecture

Training

Business Units and Environmental Impact

Japan Sites

■Makuhari Unit (SII Head Office)
ISO14001 Certification: October 2001

Location: Chiba-shi, Chiba
Business lines: SII Group headquarters; development and sales of watches, electronic dictionaries, and IT devices; sales of electronic components

IN
● Electricity: 9,452,000 kWh
● City Gas: 26,000 m³
● District Heating and Cooling: 18,833GJ
OUT
● CO₂ Emission: 4,253 tons-CO₂
● Total Waste: 268 tons (Recycled: 244 tons)

■Takatsuka Unit
ISO 14001 Certification: November 1996

Location: Matsudo-shi, Chiba
Business lines: Development and manufacturing of semiconductors and electronic components; development of microtechnologies and electronic devices; development, design and production technology of micromechatronics

IN
● Electricity: 61,039,000 kWh
● Heavy Oil: 37 kl
● City Gas: 1,051,000 m³
OUT
● CO₂ Emission: 25,796 tons-CO₂
● Total Waste: 986 tons (Recycled: 786 tons)

■Ohno Unit
ISO 14001 Certification: March 1999

Location: Ichikawa-shi, Chiba
Business lines: Manufacturing and sales of cutting tools, jigs, precision parts, and small automobile parts; manufacturing and inspection of precision miniature motors

IN
● Electricity: 4,173,000 kWh
● City Gas: 94,000 m³
OUT
● CO₂ Emission: 1,808 tons-CO₂
● Total Waste: 78 tons (Recycled: 47 tons)

■Tochigi Unit
ISO 14001 Certification: February 1998

Location: Tochigi-shi, Tochigi
Business lines: Manufacturing of quartz crystals

IN
● Electricity: 9,472,000 kWh
● Heavy Oil: 351 kl
OUT
● CO₂ Emission: 4,560 tons-CO₂
● Total Waste: 259 tons (Recycled: 259 tons)

■Sendai Unit
ISO 14001 Certification: February 1999

Location: Sendai-shi, Miyagi
Business lines: Manufacturing of batteries, capacitors, electronic parts, and precision equipment materials

IN
● Electricity: 13,894,000 kWh
● LP Gas: 276,000 m³
OUT
● CO₂ Emission: 6,928 tons-CO₂
● Total Waste: 85 tons (Recycled: 82 tons)

■Akita Unit
ISO 14001 Certification: April 1997

Location: Daisen-shi, Akita
Business lines: Mobile phone LCD/LCM manufacturing and IC packaging

IN
● Electricity: 19,753,000 kWh
● Kerosene: 638 kl
● LP Gas: 1,000 m³
OUT
● CO₂ Emission: 9,154 tons-CO₂
● Total Waste: 308 tons (Recycled: 282 tons)

■SII NanoTechnology Inc. (Oyama Unit)
ISO 14001 Certification: August 1998

Location: Sunto-gun, Shizuoka
Business lines: Development and manufacturing of analysis and measurement equipment, and acoustic devices

IN
● Electricity: 3,905,000 kWh
● Heavy Oil: 6 kl ● Kerosene: 211 kl
● LP Gas: 3,000 m³
OUT
● CO₂ Emission: 2,059 tons-CO₂
● Total Waste: 90 tons (Recycled: 84 tons)

■Morioka Seiko Instruments Inc. (MSI)
ISO 14001 Certification: April 1997

Location: Iwate-gun, Iwate
Business lines: Integrated watch production, manufacturing technology development, and watch part manufacturing, Shizukuishi Watch Studio

IN
● Electricity: 17,571,000 kWh
● Heavy Oil: 0.5 kl ● Kerosene: 713kl
● LP Gas: 20,000 m³
OUT
● CO₂ Emission: 8,624 tons-CO₂
● Total Waste: 450 tons (Recycled: 421 tons)

Overseas Sites

■Dalian Seiko Instruments Inc. (DSI)
ISO 14001 Certification: June 2001

Location: Dalian, China
Business lines: Manufacturing and sales of watch parts and small precision parts

IN
● Electricity: 8,140,000 kWh
● Gas: 47,000 m³
● Steam: 3,000 t
OUT
● CO₂ Emission: 3,227 tons-CO₂
● Total Waste: 200 tons (Resalable Waste: 100 tons)

■Guangzhou Seiko Instruments Ltd. (GSI)
ISO 14001 Certification: July 2003

Location: Guangzhou, China
Business lines: Manufacturing and sales of LCD panels and various types of display modules

IN
● Electricity: 10,117,000 kWh
● Heavy Oil: 408 kl
OUT
● CO₂ Emission: 4,958 tons-CO₂
● Total Waste: 531 tons

■Guangzhou SII Watch Co., Ltd. (GSW)
ISO 14001 Certification: March 2005

Location: Guangzhou, China
Business lines: Watch part manufacturing, assembly and sales

IN
● Electricity: 2,728,000 kWh
OUT
● CO₂ Emission: 1,040 tons-CO₂
● Total Waste: 70 tons

■Seiko Instruments (H.K.) Ltd. (SIH)
ISO 14001 Certification: March 2005

Location: Hong Kong
Business lines: Watch and audio equipment manufacturing, and electronic component manufacturing and sales

IN
● Electricity: 677,000 kWh
OUT
● CO₂ Emission: 258 tons-CO₂
● Total Waste: 5 tons

■Seiko Instruments Singapore Pte. Ltd. (SIS)
ISO 14001 Certification: May 1997

Location: Singapore
Business lines: Manufacturing of watch movement parts and thermal printers, and sales of electronic component, measurement and analysis instruments

IN
● Electricity: 18,657,000 kWh
OUT
● CO₂ Emission: 7,115 tons-CO₂
● Total Waste: 309 tons (Resalable Waste: 78 tons)

■Instruments Technology (Johor) Sdn. Bhd (INTECH)
ISO 14001 Certification: October 2002

Location: Malaysia
Business lines: Watch movement assembly and manufacturing

IN
● Electricity: 9,320,000 kWh
OUT
● CO₂ Emission: 3,554 tons-CO₂
● Total Waste: 75 tons (Resalable Waste: 62 tons)

■Seiko Instruments (Thailand) Ltd. (SIT)
ISO 14001 Certification: March 2002

Location: Thailand
Business lines: Hard disk component manufacturing

IN
● Electricity: 58,434,000 kWh
OUT
● CO₂ Emission: 22,283 tons-CO₂
● Total Waste: 2,876 tons (Recycled: 1,985 tons)

● The recycled amounts of Japan sites include resalable waste.

Web **Sites Report**

SII

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

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