



Striving for Coexistence with Society
and Harmony with the Earth

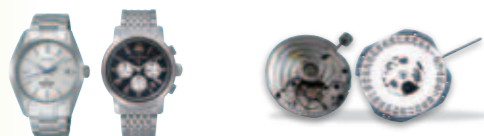


SII Group Overview

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.

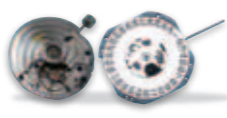
Our parts are key components for many products. This section introduces main SII Group products.

Watches



Mechanical Watches

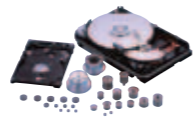
Our traditional luxury mechanical wristwatches are known for their outstanding classical style and design.



Watch Movements

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

Precision Components and Machine Tools



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.

Electronic Components



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.



Quartz Crystals

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



Microbatteries

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

Communication Products and Solutions



Wireless Payment Terminals

Our "CREPICO" systems enable wireless credit card payments, and have been widely used by taxi companies and other scenes of collecting fees, fares and charges.



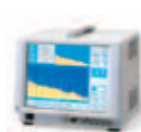
Ordering Systems

Our ordering systems are extensively used in restaurants, bars and golf courses.



Data Communication Modules

Based on our wireless communication and small terminal technology, our products contribute to the evolution of a ubiquitous network society.



Radiation Spectroscopy Instruments

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



Communication Products

We offer broadband communication products and services for a wide variety of uses, including network integration and management products.

Printers



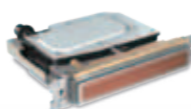
Large Format Printers

Our high level technology achieves efficiency and reliability required for business-oriented printers.



Thermal Printers

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



Inkjet Printheads

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

Consumer Products



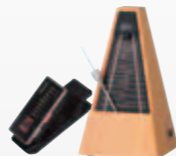
Electronic Dictionaries

We provide a wide range of dictionaries to meet the needs of users from business people, medical specialists, translators, and to students.



PHS Phones

Our PHS Phones feature convenient functions and superior design, thereby bringing about more comfortable communication.

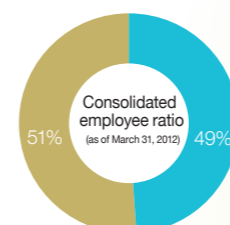
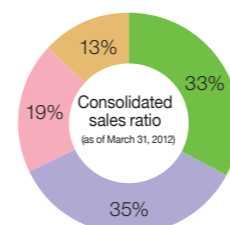


Tuners and Metronomes

We provide not only tuners for tuning musical instruments, but also mechanical and electronic metronomes.

Corporate Data

Corporate name : Seiko Instruments Inc. (SII)
 Established : September 7, 1937
 Paid-in capital : 9,756 million yen
 Fiscal year end : End of March
 Annual sales (FY 2011) : 104,000 million yen (nonconsolidated)
 154,300 million yen (consolidated)
 Number of employees : 2,577 (nonconsolidated)
 9,561 (consolidated)



■ Mechanics
 ■ Electronic Components
 ■ System Applications
 ■ Scientific Instruments

■ Japan
 ■ Overseas

SEIKO HOLDINGS GROUP



About This Report

- This report was published to provide all stakeholders with the SII Group's CSR activities and is regarded as a tool to promote improvements in our CSR activities by collecting their opinions.
- Additional data and the latest information not covered in this report are indicated as [Web](http://www.sii.co.jp/eco/eg/) and are available on the SII website.

Referenced Guidelines

- This report was prepared in reference to guidelines including the Environmental Reporting Guidelines 2012 issued by the Japanese Ministry of the Environment; the Sustainability Reporting Guidelines version 3.1 issued by the Global Reporting Initiative; and ISO 26000 (Guidance on Social Responsibility).

Scope of This Report

- This report covers Japan and overseas sites, sales offices and affiliated companies of Seiko Instruments Inc.
 - * The report focuses on the efforts and achievements of eight Japan sites and seven overseas sites, which obtained ISO 14001 certification.
- Environmental data at Seiko Instruments (Thailand) Ltd. was compiled only for the first quarter due to the effects of the flooding.

Period Covered by This Report

- This report mainly covers activities and results in FY 2011 (from April 2011 through March 2012), and it also includes information about prior and ongoing initiatives.

Contact us

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On the occasion of the 20th anniversary of the Earth Summit, we aim to be a truly global company that is in harmony with

Last year the Great East Japan Earthquake and the flooding in Thailand renewed our awareness of natural threats, and it was a year of hardship for SII since we had manufacturing sites in the affected areas. At the same time, I would like to take this opportunity to extend my gratitude to our clients and stakeholders for the significant assistance and cooperation that we received from them to resume operations.

The fact remains that we as a company have a great responsibility in building a sustainable society. We continue striving to assist with rescue and relief efforts based upon SII's core values of "Integrity, Trust, and Appreciation."

Striving to realize harmony with the environment

As this year marks 20 years since the Earth Summit took place in Rio de Janeiro in 1992, the United Nations Conference on Sustainable Development (Rio+20) was held in June at the same venue. The first Earth Summit highly motivated companies to carry out full-scale efforts to combat global environmental issues, however these

environmental and poverty problems are so severe that they are far from being resolved. Amid growing expectations in and responsibilities for corporations, we must make greater efforts and play a role in building a sustainable society.

SII has soundly implemented company-wide activities that include activities to eliminate the use of chlorofluorocarbons—which are ozone depleting substances—during the 1980s, the introduction of our environmental management system, obtaining ISO 14001 certification, our achievement of zero emissions for waste, the elimination of the use of lead solder, and the introduction of our SII Green Products Label system. We also aim to advance product development that contributes to further improving the global environment based on the concept of "SII Green Products plus" that was established in 2010; improving the environmental performance of our clients' products in which SII devices or components are incorporated, and contributing to conserving the environment we all share, in addition to improving the environmental performance of our own products.

With respect to our biodiversity conservation approach, SII established a "Biodiversity Action Agenda" in April 2011 and launched initiatives to assess the relationships between products and biodiversity as well as the impact products can have on biodiversity.

On the occasion of the 20th anniversary of the Earth Summit, we are renewing our determination to aspire for management that is in harmony with the environment and society.

the environment and society

Providing energy solutions made possible by unique SII technologies

The Great East Japan Earthquake highlighted the importance of energy issues once again. Safer, renewable energy needs to become more common, while we focus on preventing global warming.

We specialize in technology for efficient energy use. With our roots in technologies for watch development and manufacturing, SII has expanded and diversified our technologies based on a technological philosophy of "SYO"ism, which is based on advanced skills and techniques, miniaturization technologies, environmentally friendly products, and the technologies for fabricating them. We will strive to offer energy solutions that fuse unique SII and network technologies from here on out.

Aiming to be a truly global company

The globalization of the economy has been picking up the pace lately. In order to continue offering our customers useful value in this globalized economy, we have become keenly aware that tireless pursuit and reform efforts are necessary. It is important for us to communicate with various stakeholders all over the world and understand their needs, while enhancing the necessary technologies and thoroughly developing our skills in areas that can be improved upon. As a result, we strongly hope to create products and services that please our stakeholders.

The driving force to achieve this goal would be the abilities of each and every one of our staff members. They are strongly expected to set their own goals, hone their skills, and exert their utmost efforts to improve their value. To integrate each force into a whole and make them into a strong corporate power, I as the President must guide our staff along a clear direction toward creating a sustainable society. I recognize that this is a key responsibility for the person entrusted with the management of the company, and I am sincerely committed to working toward this goal.

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



Kunio Kamata

Kunio Kamata, President
Seiko Instruments Inc.

July 2012

Core Values

Integrity - Trust - Appreciation

Corporate Identity

Creating Time - Optimizing Time - Enriching Time

The SII Group Charter of Corporate Behavior

(Established in October 2005, Revised in April 2011)

The SII group is committed to pursuing its affairs ethically and lawfully. This Charter of Corporate Behavior establishes policies and procedures intended to secure our position as an entity that honors its responsibilities to contribute to the economic development of society and seeks to serve as a needed and trusted part of society at all times. The SII group companies and their employees are committed to providing value to all group stakeholders, as well as to society at large, fulfilling their social responsibilities based on a strong ethical sense and contributing to the creation of a more sustainable society.

<Article 1.> Providing value

- We are committed to enhancing our technologies, creating new value, and producing safe, socially useful, and high-quality products and services that strengthen satisfaction and trust among our customers.

<Article 2.> Approaching corporate activities with fairness and integrity

- In addition to compliance with all applicable laws and regulations, we accurately manage all types of information, including personal and customer data, and pursue our corporate activities with ethics, fairness and integrity.
- We maintain a sound relationship with governmental and administrative authorities and take a rigorous, resolute position against antisocial forces that pose a threat to social order or security.

<Article 3.> Human rights and human resource development

- We respect the diversity and the human rights of all our employees and seek to achieve safe, comfortable working conditions. We facilitate and support the advancement and growth of each employee and endeavor to ensure all employees the fair evaluation and treatment.
- We respect the human rights and individuality of all stakeholders in our business activities.
- We strive to develop a creative, professional human resources characterized by a strong ethical sense.

<Article 4.> Creating harmony with the environment

- Recognizing that environmental issues affect all of us, we focus intently on resolving such issues and initiate proactive measures to avoid burdening the public.

<Article 5.> Establishing a constructive coexistence with society

- We communicate openly with society and promote the appropriate disclosure of company information to become a more open enterprise.
- As good corporate citizens, we engage in extensive philanthropic activities.
- Through our business activities on the global stage, we advance corporate management that takes into account the interests of our stakeholders and contributes to the development of each country pursuant to this Charter.

<Article 6.> The commitment of senior management

- After realizing the spirit of this Charter and taking the lead in an exemplary manner for the implementation of the Charter, senior management has established a mechanism throughout the corporation to ensure thorough implementation of the Charter within the SII group companies. Senior management encourages our business counterparts to follow this example.
- In the event of violations of the Charter, senior management must assume responsibility for resolving the issues in question and make full and prompt public disclosure. On identifying the responsibility for the violation, senior management must impose strict disciplinary action on those responsible, including members of senior management itself.

CSR Targets and Results

The FY 2011 policy was to "promote CSR activities appropriate for a global company."

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

	FY 2011 Target and Plan		Major items implemented in FY 2011	Evaluation	FY 2012 Target and Plan	
Providing Value	Customer satisfaction Refer to page 8P	Continually improve customer satisfaction	Continually improve customer satisfaction	○	Continually improve customer satisfaction	
	Quality improvement Refer to page 7P	Obtain a group-wide integrated ISO 9001 certification	Unify 9 divisions in the first term as part of the integrated ISO 9001 certification	○	Unify 10 divisions for the second and third terms as part of the integrated ISO 9001 certification	
	Product safety	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 each country's technology laws Conduct operation process checks Perform radiation inspection and guarantee no radioactive contamination in shipments	Check the product safety and technology law compliance, as well as 100% improvement of reported issues Implement the product safety education (7 times/year) and hold seminars on each country's technology laws (3 times/year) Conduct operation process checks for 15 divisions Perform shipping inspections to guarantee no radioactive contamination of our products	○ ○ ○ ○	Check the product safety and technology law compliance, as well as 100% improvement of reported issues Implement the product safety education (twice/year) and hold seminars on each country's technology laws Conduct operation process checks for manufacturing divisions	
Approaching corporate activities with fairness and integrity	Universal Design Refer to page 8P	Prepare guidelines based on examples of Graphical User Interface (GUI) development Examine evaluation items for "Green Design"	Organize the GUI development guidelines for laser printers Practice GUI in 2 projects: mobile phones and electronic dictionaries Examine evaluation items for the "Green Design" of laser printers	○ ○ ○	Specify detail evaluation items for 1 GUI case Examine an evaluation system for Green Design	
	Compliance Refer to page 9P	Consolidate compliance systems (Global Compliance Network) at overseas sites Continually implement on-line compliance quizzes Conduct periodic compliance awareness survey	Thoroughly communicate the SII Code of Conduct at some overseas sites Continually implement on-line compliance quizzes (everyday and annually) Educate senior management on compliance awareness (monthly) Conduct the regular compliance awareness survey	△ ○ ○ ○	At overseas sites, thoroughly communicate the SII Code of Conduct, prepare and thoroughly communicate the Action Guidelines, and establish and thoroughly communicate the Compliance Consultation Services Continually implement on-line compliance quizzes (everyday and annually) Conduct periodic compliance awareness survey	
	Risk management Refer to page 10P	Continually implement risk management activities at head office and divisions Review emergency response system	Implement countermeasures against the total 40 risks at the head office Devise an effective emergency response system and review company-wide disaster prevention schemes Deal with the effects of the flooding in Thailand (emergency response and restoration assistance)	○ ○ ○	Continually implement RM activities at the head office and promote RM key items at divisions Promote emergency response system and review disaster prevention schemes at overseas sites	
Human rights and human resource development	Fair trade Refer to page 7P	Renew buyer education, improve efficiency of purchasing audit and supplier certification systems, and further enhance procurement risk management activities	Renew the textbook for buyer education, complete efficiency improvement of purchasing audit and supplier certification systems, and implement risk management	○	Carry out the buyer education using the renewed textbook. On completion of efficiency improvement, increase the purchasing audit frequency/the ratio of successful suppliers who pass the supplier certification system.	
	Human rights Refer to page 11P	Prepare the declaration of human rights, the Code of Conduct and the Action Guidelines (at 12 overseas affiliate companies) Build and rebuild new HR systems at an overseas affiliate company (Thailand)	Prepare the declaration of human rights at 8 sites and the Code of Conduct at 17 sites Unable to complete due to the flooding in Thailand	△ —	Prepare the declaration of human rights at 10 sites, the Code of Conduct at 1 site and the Action Guidelines at 18 sites Build a new HR system and introduce it from the beginning of FY 2013 at our site in Thailand	
	Safety and health Refer to page 12P	Hold lifesaving seminars at 6 Japan sites Conduct a comprehensive safety inspection of SII Group (voluntary inspection) at all Japan sites and overseas manufacturing sites Support health management (aiming for 45% implementation rate of specific health guidance systems)	Hold lifesaving seminars at 6 Japan sites (160 participants) Conduct comprehensive safety inspections with the addition of security checks (voluntary inspections) at all sites in Japan and overseas mfg. sites Implementation rate for the specific health checkups: 75.9%; Implementation rate for specific health guidance: 25.6%	○ ○ △	Hold lifesaving seminars at 6 Japan sites Conduct a comprehensive safety inspection of SII Group (voluntary inspection) at all Japan sites and overseas manufacturing sites Implementation rate for the specific health checkups: 95%; Implementation rate for specific health guidance: 45%	
Establishing a constructive relationship with society	Contribution to local regions Refer to page 14P	Continually contribute to local regions at each site	Perform local cleanup activities at each site	○	Continually contribute to local regions for each site	
	HR development assistance Refer to page 14P	Continually provide field-study and internship programs at each site	Provide field-study and internship programs at each site	○	Continually provide field-study and internship programs at each site	
Creating harmony with the environment	Eco-friendly products Refer to page 17P	Improve the sales ratio of SII Green Products General Purpose Products 96% Large Products 45%	99.0% 35.9%	◎ △	Maintain the sales ratio of SII Green Products (general purpose products) at 96% or more Increase the sales ratio of SII Green Products (large products) to 50% FY 2013: 55% FY 2014 and later: 60%	
	Hazardous chemical substances Refer to page 20P	Increase the number of SII High Grade Green Products	Create 3 products or more per year	3 products	○	Create 4 or more SII High Grade Green Products
		Products free of cadmium, hexavalent chromium, mercury and lead	Maintain the ratio of non-inclusion at 95% or more *1	97.4%	◎	Maintain the ratio of products free of cadmium, hexavalent chromium, mercury and lead at 95% or more*1
	Action against global warming Refer to page 19P	Products free of polyvinyl chloride	Maintain the ratio of non-inclusion at 95% or more *2	95.1%	◎	Maintain the ratio of products free of polyvinyl chloride at 95% or more*2
		Reduce CO ₂ emissions derived from power consumption	(Japan sites) At least 1% improvement per basic unit annually Total amount: 68,576 tons-CO ₂ (Overseas sites) Reduce CO ₂ emissions - 1% from FY 2010 Total amount: 47,332 tons-CO ₂	Total amount: 64,729 tons-CO ₂ - 3.8% from FY 2010 <Reference value *4> Total amount: 30,674 tons-CO ₂ -35.8% from FY 2010	◎ —	Improve energy-related CO ₂ emissions by 1% or more per basic unit at Japan sites Total amount: 67,349 tons-CO ₂ Reduce by 25% from FY 1990 by the end of FY 2020 Reduce energy-related CO ₂ emissions by 1% from FY 2011 at each overseas site
	Resource recycling Refer to page 19P	Increase recycling ratio of wastes	(Japan sites) Recycling ratio: 88% or more (Overseas sites) + 3 points from FY 2010: 65%	94% <Reference value *4> 55%	◎ —	Achieve 90% or more for the recycling ratio of wastes at Japan sites Improve the recycling ratio of wastes by 3 points from FY 2011 at overseas sites
		Water Use Reduction	(Japan sites) - 1% from FY 2010: 816K m ³ (Overseas sites) - 1% from FY 2010: 756K m ³	759K m ³ - 8% from FY 2010 <Reference value *4> 618K m ³ - 19% from FY 2010	◎ —	Reduce water use by 1% from FY 2011 at Japan sites: 751K m ³ Reduce water use by 1% from FY 2011 at overseas sites
	Chemical Substance Control Refer to page 20P	Office Paper Use Reduction	(Overseas sites) - 3% from FY 2010: 26.3 tons	<Reference value *4> 18.6 tons - 31% from FY 2010	—	Reduce office paper use by 3% from FY 2011 at overseas sites
		Reduce the emission of chemical substances *3	29.0 tons	29.6 tons + 7% from FY 2010	○	Maintain the same amount of FY 2011 total emissions of chemical substances *3
	Biodiversity Conservation Refer to page 20P	Established an action agenda concerning biodiversity	Established SII Group's Biodiversity Action Agenda	○	Evaluate the relationship between biodiversity and business activities (current status of land use)	

*1 Completed elimination in May 2006 for products shipped to the EU. *2 Except those used within the safety standards or difficult to find a substitute.
*3 PRTR hazardous chemical substances are HFCs, PFCs, SF₆ and VOC. PRTR, Pollutant Release and Transfer Register, is a system to collect and announce information on use and environmental releases of specific chemicals.

*4 The data at Seiko Instruments (Thailand) Ltd. was compiled only for the first quarter due to the effects of the flooding.

Realization of Value

Our Concepts

"Improve the Quality, Cost, Delivery and Safety of our Products and Services to create increased value for customers." This is the SII Group Basic Quality Policy, which incorporates our strong commitment to achieve customer satisfaction with our product quality as well as meeting high standard of cost, delivery and product safety.

Quality Management System Standard Integrated ISO 9001 Certification

SII had already obtained ISO 9001 certification, but we have launched an initiative to be certified on a company-wide basis in addition to the conventional certification acquired by each division and affiliate company. With the goal of completing this in August 2012, we unified nine divisions in the first term. This unification initiative has been set out to strengthen our across-the-board quality assurance 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 derived from concurrent optimization of design and machining parameters in collaboration with Quality Assurance, Research and Development, Production Technology and Analytical Estimate Divisions.

Quality Assurance

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

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

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



Global Operation 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. Any cases that can serve as useful references will be horizontally deployed across the board.

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.

Value Created Together with Our Suppliers

Concept of Purchasing Activities

Cooperation from our suppliers is essential for SII to fulfill our social responsibilities. The SII Group Purchasing Policy stipulates "Enhancing our partnerships with suppliers," and we promote purchasing activities for fair and honest transactions.

Supplier Certification System

Based on our Supplier Certification System that we established in FY 2004, we have certified approximately 1,500 suppliers in Japan as of the end of FY 2011. In FY 2011, we also made some changes to the criteria and to the system itself. For example, a survey on the non-use of all conflict minerals was newly added and the certification has been completed for more than half of the suppliers

with which our overseas sites deal directly. We continue to carry on with such procedures to achieve 100% certification.

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 reinforce compliance with the Subcontract Act by cooperating with the SII Group's purchasing staff through activities including appropriate guidance to routine work and education on Subcontract Act.

Purchasing Risk Management

In our role as a manufacturer that provides products, it is important for us to minimize the risk of a disruption in our supply of parts. Our Purchasing Division not only searches for alternative suppliers or parts, but also considers their manufacturing bases so that we can promptly handle emergency situations in case of disasters like earthquakes. Our risk management proved its effectiveness during the Great East Japan Earthquake and the flooding in Thailand, as we were able to confirm and deal with these situations quickly.

Creating New Value

Intellectual Property Initiatives

Regarding intellectual property as essential resource in business activities, we proactively engage in obtaining and utilizing our development results as intellectual assets. Based on the mid- to long-term policy "Develop a Business Culture that Respects Intellectual Property," we enhance our intellectual property framework, working with Intellectual Property, R&D and other divisions.

As of April 2012, the SII Group owns about 2,500 patents in Japan and about 3,400 patents overseas.

Universal Design Initiatives

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

In addition to this basic concept, we have also embarked on "Green Design," which takes the environment into consideration through issues like replaceability. Our RP-E10 series of compact, cubic POS printers were developed to satisfy the need for user-friendliness with the concept of a printer design compatible with specifications for both top and front receipt exits without changing its shape.



Cubic POS printers, RP-E10 series

SII Customer Service Center

SII Customer Service Center is committed to providing prompt, accurate and sincere responses to customer inquiries. Our customers' opinions, requests and complaints are communicated to the relevant divisions, and are used effectively for product and service quality improvement. In addition, we focus on improving the quality of our after-sales service through repair service questionnaires filled out by customers.

Conflict Minerals Policy

As the conflict minerals issue has become a major international issue, SII recognizes the importance of taking appropriate measures to address the issue and has established the "SII Group Conflict Minerals Policy" in March 2012.

SII Group is committed to developing, carrying out and promoting a policy that prohibits the use of any minerals ("conflict minerals" *1), whose extraction, trade, handling and export contribute to conflicts in the Democratic Republic of Congo and adjoining countries, and/or lead to human rights violations.

- SII Group recognizes conflict minerals as a critical international issue that supports the financing of organizations engaging in human rights violations and/or injustices committed in the Democratic Republic of Congo and adjoining countries.
- In the SII Group Charter of Corporate Behavior, SII Group clarifies that "we respect the human rights and individuality of all stakeholders in our business activities."
- SII Group has no intention of taking part in any actions that violate human rights. SII Group has thoroughly communicated and appropriately implemented this policy among SII Group's affiliate companies, and cooperates with them to disseminate the policy widely.
- SII Group asks our suppliers for their cooperation in following the policy.

*1: Conflict minerals include cassiterite (tin), coltan (tantalum), wolframite (tungsten), and gold.

Corporate Governance

Basic Corporate Governance Policies

To live up to the trust of our stakeholders, it is important for us to build and soundly manage a structure that copes with changes in the global environment promptly, and which consists of an efficient system that strengthens our corporate competitiveness as well as a rational and transparent system for performing business operations. We focus on transparency and fairness in our management as an important business priority and strive to enrich our corporate governance to improve our corporate value.

(1) Corporate Governance System

Our Board of Directors consists of 11 board members, holds meetings on a monthly basis (17 meetings were held in FY 2011), supervises company management, and makes important business decisions for the SII Group. Outside auditors ask questions and provide advice where appropriate from an independent, external standpoint with the aim of ensuring validity and appropriateness. The average attendance rate of the outside auditors to the Board of Directors meetings in FY 2011 was 93.5%.

The Board of Auditors consists of two internal and two external auditors. Each member follows the audit policy and plan determined by the Board of Auditors, gains insight through attending management meetings and meetings with each division, and exchanges opinions. Through these activities they monitor the directors' operations. The Board of Auditors meetings are held almost every month (11 meetings were held in FY 2011) and the average attendance rate by the outside auditors to the Board of Auditors meetings in FY 2011 was 94.5%.

KPMG AZSA LLC was appointed as our accounting auditor. The Board of Auditors and the audit corporation conduct audits by understanding the audit plan and sharing information at regular meetings.

The executive director system was introduced to our management structure in order to separate business execution and supervision.

(2) Internal Control System

Since the "Basic Internal Control System Policy" was established in 2006, the SII Board of Directors verifies its operating condition and determines the continuation of the policy every year. As an across-the-board promotion organization for the internal control system, the Corporate Internal Control (CIC) Division, which consists of the Corporate Audit Office and the Compliance Department, has played a central role in enhancing the internal control system.

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

Compliance

SII Compliance System

Since the establishment of the SII Compliance Committee with the aim of ensuring and maintaining our compliance system, we have been working on raising compliance awareness and responding to each compliance problem.

Based on the Internal Control Basic Policy, we continue to reinforce and improve the compliance framework of subsidiary companies in the world. At the overseas subsidiary companies, their appointed compliance coordinators are promoting activities to enhance the compliance framework.

SII Code of Conduct and Action Guidelines

To act in accordance with the SII Group Charter of Corporate Behavior, SII established the "SII Code of Conduct," defining the basic requirements that all the SII Group directors and employees need to comply with. The "Action Guidelines" for Japan sites was also established to provide a specific and detailed code of behavior. We continue to conduct the SII Code of Conduct thoroughly at all sites in the world to achieve compliance and raise moral awareness. Currently we are preparing the contents of the Action Guidelines for overseas subsidiaries.

[Web SII Code of Conduct](#)

Compliance Consultation Services

The SII Helpline has been set up for consultation with an outside attorney upon discovery of a violation of compliance. The service has been expanded to include not only SII but also our clients to receive any information regarding our employees' compliance violations. We also provide an internal consultation service, and the detail of the report is informed to the senior management and auditors on a regular basis.

During FY 2011, there were 5 cases reported to the Helpline, and 19 cases were processed by the consultation service.

Compliance Education

In order to fully enforce the compliance with each senior management and employee, the SII Group executives and employees participated in an online quiz education program again in FY 2011. We also continuously provided the senior management with an awareness-raising compliance education on a monthly basis.

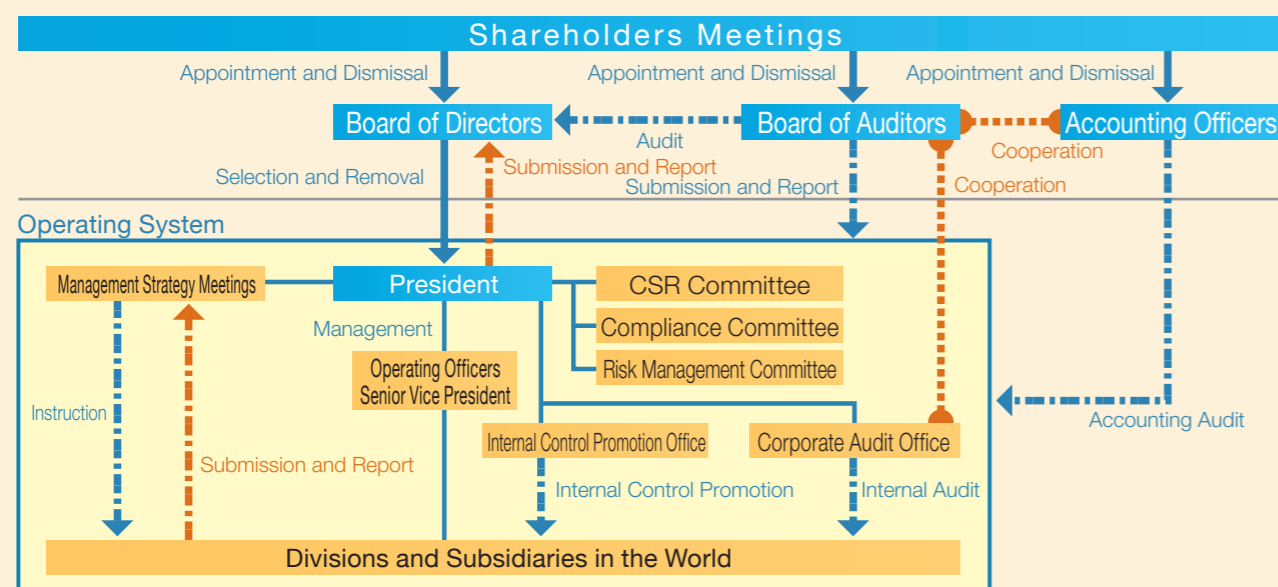
Risk Management in Continuing Business

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

Natural Disaster Response

- The flooding that occurred in Thailand damaged Seiko Instruments (Thailand) Ltd., our manufacturing site for HDD components. We set up a headquarters task force before the inundation and deployed activities to minimize the damage, but their operations were suspended and a part of the product distribution was disrupted. With the lessons we learned from the disaster, we will aspire to reinforce our ability to stay in business.
- In regard to the power constraints after the Great East Japan Earthquake, we were able to overcome the tough situation by introducing a joint scheme created by the SII Group and taking electricity saving measures.

Corporate Governance System



The above chart of the corporate governance system is as of July 2012. The latest version can be found on the website.

Risk Management

Group-Wide Risk Management Efforts

At SII, the head office members take central roles in the Risk Management Committee to promote the across-the-board risk management. The Committee identifies and shares a wide range of risks to the functions of the head office and each division respectively in order to promote activities. Through reports at management meetings and regular reviews carried out by the senior management, we assure the implementation of PDCA (Plan-Do-Check-Act) for risk management in full coordination with management.

Upon occurrence of a major risk such as a large-scale disaster, 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. They will be effectively distributed to all SII Group sites.

Information Security

Our Concepts

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. As SII regards all information managed by the information system as a significant asset of the Group, we are continuously enhancing our system security. We manage information security systematically and efficiently by forming a framework and rules based on SII's basic rules of information security: "Information System Security Policy" and "Information System Security Management Regulation," while thoroughly providing various educational courses as well as auditing divisions and affiliate subsidiaries.

Availability Improvement

We reinforced data protection and the ability to operate our systems stably by consolidating server storage that is comprised of information systems and making them redundant through virtualization technology. We have also been working hard to achieve Green IT by saving power and space.

As measures against the problem of the communication failures caused by the Great East Japan Earthquake, we are making drastic improvements to our Internet communication environment. We are also shifting our communication infrastructure, including our e-mail system, over to cloud computing to realize a highly available system environment.

[Web Privacy Policy](#)

Supportive Employee Development

Respect for Human Rights

The SII Group Charter of Corporate Behavior states that we respect the human rights and individuality of all people in the course of the implementation of our business activities, as well as the diversity of all our employees. We have been trying to ensure that the Charter is thoroughly implemented within SII Group companies.

Unification of SII Group HR System

Under the concept that employees are all equal and they should be evaluated and treated fairly, SII has been promoting the establishment of a new HR system based on the consistent SII Group values and evaluation criteria found throughout Japan and our overseas sites. The new HR system is being prepared through communication between HR departments at the head office and affiliated companies worldwide. In addition to compliance with each country's laws, the regional cultures and customs are also taken into consideration.

Human Resource Development

SII's ideal employee is a creative, professional individual characterized by a strong ethical sense. Our Human Resource Division aids human resource development by offering training for each level, professional education by job category in areas such as quality assurance, environmental administration and intellectual property, and OJT. The "mentor system" is also provided to new employees. This system appoints a senior employee as a mentor and a counselor who is able to be consulted with to each new employee in order to provide continuous mentorship and support.



Mentor System (Mentor & Mentee Pairing)

In addition, we focus on developing independent and self-responsible human resources who can establish their own careers and missions. An "in-house recruitment system," a "free-agency system" and an "open study abroad system" were established to respect each employee's goals and to support expansion of the range of career choices available to them.

Work/Life Balance

In Japan, SII has established a variety of childcare and nursing care systems which support every employee in balancing their careers and family lives so that they can fully exercise their abilities. We have been enhancing the systems continuously, and our elderly nursing care leave system allows employees to take leaves 3 years for 1 person out of subject family members. From October 2010, an hourly leave system has been introduced, enabling more flexible working styles. We will continue to make efforts in improving working conditions and environment.

Status of Utilization of the Systems (Japan)

System	FY	FY 2009	FY 2010	FY 2011
Childcare leave		23	20	29
Short-hour work for childcare		37	36	36
Elderly nursing care leave		1	2	1
Short-hour work for elderly nursing care		1	1	2

Professional Resources Management System

In FY 2004, 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 R&D, design and production technology; and Meisters, who specialize in manufacturing operations such as processing and assembly. There are three levels respectively. As of March 2012, SII has certified 45 Specialists and 16 Meisters, and they are playing active roles in their fields and training their successors. This system will be deployed to the overseas sites.

Creating a Safe and Efficient Workplace

Concept of Occupational Safety and Health

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

[Web SII Group Occupational Safety and Health Policy](#)

SII Group Occupational Safety/Health Management

In addition to each business 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.

From here on out, we will make efforts in further improving the level of safety management within SII Group with a view to sharing information with overseas sites.

Safety Inspections and Survey

To maintain and improve occupational safety and health, SII conducts not only annual workplace safety inspections at every unit, but also comprehensive safety inspections for all SII Group sites, including our overseas manufacturing sites.

The comprehensive safety inspections had been comprised of three inspections: fire prevention inspections, a risk assessment in working areas, and safety inspections of premises and equipment as of FY 2010, with inspections of the security systems at each unit added in FY 2011. The inspection results are reported at the SII Group Safety Management Committee and deployed horizontally to improve workplace safety.

Lifesaving Practice

As AED (automated external defibrillator) was introduced, each SII Japan business unit holds lifesaving seminars on a regular basis. The total number of participants at all SII Japan units achieved 1,009 (160 in FY 2011) and they acquired lifesaving skills. The seminars will be held continuously so that as many SII employees as possible can learn and acquire the lifesaving skills.

Emergency Drill

- The Makuhari Unit conducted a comprehensive emergency drill for a disaster based on the experience of the Great East Japan Earthquake. Because many employees were unable to go home due to the stopped public transportation, and other employees were forced to walk a long distance to their homes at the time, during the drill we promptly recognized the employees who would stay at the company premises and those who would go home, and provided emergency kits to the employees going home and emergency food to the employees staying at the company.
- The Tochigi Unit implemented various types of emergency drills such as an evacuation drill at night, in addition to the comprehensive emergency drill intended for all employees. There were findings that only came to light from the drill during the nighttime, which led us to make thoroughgoing preparations.



Evacuation drill at night

Supporting Physical and Mental Well-being

As health is the first wealth, SII strives to maintain our employees' physical and mental well-being and promote health enhancement programs in cooperation with health insurance associations, the labor union, and the company.

In April 2008, specific medical checkups and health guidance systems were launched. Specific health guidance was held again in FY 2011 for employees aged 40 or over with a focus on metabolic syndrome. Based on the results of regular health checks, an industrial physician and nurses provide health guidance to improve lifestyles starting from those things found in one's everyday lifestyle, which has gradually yielded successful results.

Cancer prevention screenings intended for finding prostate cancer for men and cervical cancer for women are carried out in the aim of early detection and treatment. These screenings are also available for dependent family members aged 40 or over.

Health Enhancement with Family

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

In FY 2011, a total of 394 people participated in 15 walking campaigns within the SII Group. More employees are looking forward to the campaigns every time.

Health Counseling

SII has provided a 24-hour consultation service for health counseling by cooperating with an external specialist agency.

The Tochigi Unit Received an Award from the Japan THP Promotion Association

- The Tochigi Unit received a "Progress Award" from the Japan Total Health Promotion Plan Promotion Association. This award is presented to a unit that has made achievements in promoting physical and mental well-being, with the Tochigi Unit's continued efforts having been highly evaluated.



One of their efforts in FY 2011 was a course called "Health Up" with the help of Tochigi City. The 19 participants learned lessons that can be put into practice easily, including a stretching therapy taught by a health exercise instructor as well as a calorie counting method taught by a dietician.

Together with Regions and Society

Social Contributions through Academic Promotion



Advanced Technology Institute (ATI), LLC is a foundation that is fully supported by SII. ATI's mission is to contribute to the promotion of learning, which is fundamental to the progress of human society, by creating new research concepts in nanoscience and performing comprehensive research studies to promote the integration of different research areas. Their activities include promoting research committees on everything from nanometrology technologies to biology, as well as research assistance for young researchers and a public lecture called the ATI Forum.

FY 2010 marks the 25th anniversary of the foundation of ATI as a voluntary organization. From FY 2012, ATI will seek to conduct projects for more unique scholarly activities as a public interest incorporated foundation under a new corporate system.

The Sixth Joint Research Committee/ATI 25th Anniversary Meeting

In November 2011, a joint research committee on "Soft Matter, Bio and Nanoscience" was held in an attempt to integrate these different research areas. In the committee, academic lectures on nanoscience were also arranged to celebrate the 25th anniversary of ATI. The progress of nanoscience and its future prospects were demonstrated.



Academic Lectures commemorating the 25th anniversary of ATI

Technical Advancements in Singapore

The 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 the country.

The office has launched a project with the Singapore Institute of Microelectronics for the development of new packaging technology

to vacuum seal MEMS devices. This technology will achieve miniaturization and low power consumption, which will also lead to contributing to environmental protection.

In collaboration with the Singapore Institute of Manufacturing Technology, the development of precision parts processing technologies is also being promoted to minimize wasting high-precision materials. This aims to create eco-friendly processing technologies at low cost and with a high degree of resource efficiency.

Social Contribution through Mechanical Watches —Mechanical Watch Seminar—

Morioka Seiko Instruments Inc. sponsors a seminar that provides the public with an opportunity to participate in a hands-on mechanical watch assembly workshop. This seminar was launched in 2007, with hopes of increasing interest in watches and inspiring more mechanical watch enthusiasts. A total of 126 people have joined the seminar up to now.

The seminar consists of two courses: a hands-on course for beginners and a more advanced course, using wristwatches as educational materials in which SII-made mechanical movements are incorporated.

The fifth seminar in FY 2011 had been in danger of not being held due to the Great East Japan Earthquake, but in the end it was held without incident and the 23 participants experienced and enjoyed disassembling and assembling mechanical wristwatches.



Passing Down Expert Techniques —Iwate Mechanical Watchmaker Skills Assessment System—

Morioka Seiko Instruments Inc. established a regional mechanical watchmaker skills assessment system in 2006 to expand and improve watch making skills, as well as to pass on the techniques to future generations. This system is designed to revitalize Japanese-made mechanical wristwatches and is recognized as a technical assessment system in Iwate prefecture.

The assessment consists of lectures, practical skill tests, and interviews, with 12 applicants passing the assessment out of 32 in FY 2011. The successful applicants receive certificates issued by the Iwate governor.

Internship Program

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

The Takatsuka Unit cooperated in a factory tour and a work-study program over two days. In the work-study program, the pupils were divided into groups and experienced actual operations, including assembly and processing, security, and facilities management.



The work-study program at a security office

Communications with Communities

Morioka Seiko Instruments Inc. has held the "Environmental Report Meeting with Local Communities" since 2008. In FY 2011, 20 local residents of the Shizukuishi area participated in the meeting. After the explanation and report of the company profile and our environmental activities, the participants visited the manufacturing premises and the waste liquid treatment facilities. The feedback meeting that followed provided us with valuable comments and compliments.



Visit to the waste liquid treatment facilities

Site Report

Local Cleanup Activities

Every SII unit participates in cleanup activities in their local areas.

Seiko Instruments (H.K.) Ltd. (SIH) organized a cleanup activity for "Butterfly Beach," which is a public beach managed by the Hong Kong (HK) government. Upon advance approval from the HK government, 14 SIH colleagues with their family members participated in the activity and made a contribution to improving the seashore environment.



Dalian Seiko Instruments Inc. (DSI) performed cleanup activities at Xinghai Square and the surrounding area in Dalian City. It was hosted by the Environmental Office at DSI and 18 environmental administrators took part in the activity. They made efforts to beautify the environment of the local area.



Tree-planting Campaigns

Guangzhou SII Watch Co., Ltd. (GSW) held a tree-planting event at the White Cloud Mountain in Guangzhou. GSW sponsored this event in the aim of contributing to society, as well as raising employees' environmental awareness and their bonds of solidarity. A total of 38 employees and their family members participated and planted 50 trees.



Seiko Instruments (H.K.) Ltd. (SIH) has continued to participate in the social environmental activity called "Tree Planting Challenge" that is organized by the environmental NGO "Friends of the Earth" since 2007, and has contributed to planting more than 660 seedlings. In FY 2011, 20 colleagues in 5 teams successfully planted over 250 seedlings at the country park.

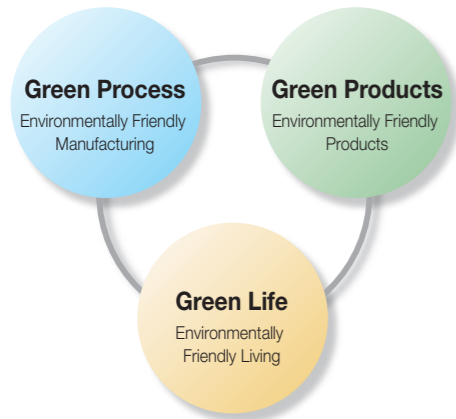


Creating harmony with the environment

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



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

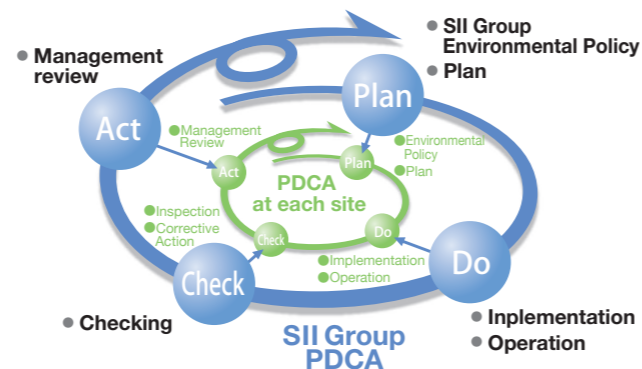
- Continually strive to implement and enhance our environmental management system.
- Observe all of laws, rules, regulations and agreements relevant to the environment, and prevent environmental pollution.
- Provide products and services that enable state of the art environmental protection research, monitoring and compliance.
- Continually reduce the environmental impact through the following actions:
 - Provide products and services that, throughout their lifecycles, minimize their impact on the environment.
 - Methodically conserve energy and proactively address global warming.
 - Practice Reduce as well as Reuse and Recycle (3R), and promote effective use of resources.
 - Reduce environmental risks from chemical substances and promote the elimination of harmful substances use.
- Promote SII GREEN PURCHASING and purchase eco-friendly products, parts, materials and services.
- Enforce internal audits to improve corporate environmental management system.
- Contribute to society through our unique environment preservation activities.
- Provide seminars and training to all employees to elevate their environmental consciousness, and encourage them to protect the environment in their personal life.
- Proactively and openly disclose information about the implementation state of our environmental management system.

Environmental Management System

We established the environmental management systems in compliance with ISO 14001 at each business unit and throughout the Group. The Plan-Do-Check-Act cycle has been steadily implemented to improve our environmental performance.

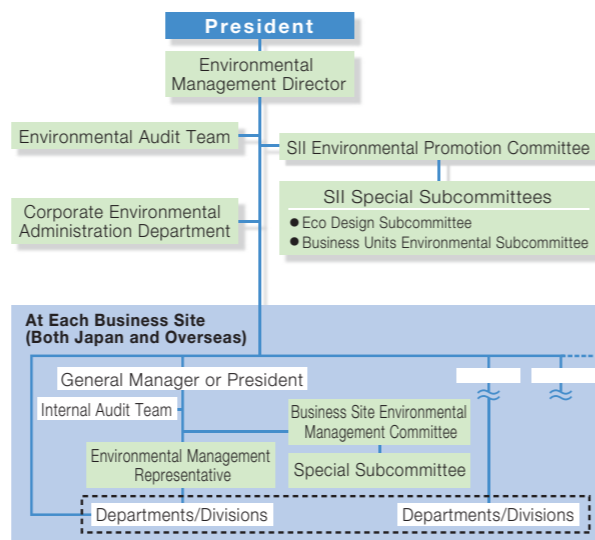
Our mid-term and annual goals are established based on the "SII Group Environmental Policy," and pursued by the environmental management system at each unit. The Corporate Environmental Administration Department at the head office operates the entire SII Group environmental management system and achievements of each site are reported on a regular basis. SII obtained ISO 14001 certification at major units in Japan and overseas.

[Web](#) ISO 14001 Certified sites



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.



Company-Wide Education

SII head office 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 unit to participate in the programs. In FY 2011, 165 employees attended the courses held by the head office, bringing the total number of participants to 2,874. At the completion of the courses, we send out questionnaires to improve the next programs. In addition to the head office programs, each unit also conducts unique environmental education programs and enlightening activities.

Green Purchasing

In 1999, SII launched the Green Purchasing activities to evaluate product quality and price as well as to purchase products that have lower environmental impact.

Using the "SII Group Green Purchasing Standards," SII investigates suppliers' environmental management systems and inclusion/use of chemical substances specified by SII, and certifies products meeting all of the criteria as SII Green Production Material.

In addition to the 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.

[Web](#) Green Purchasing

Environmental Risk Management

SII continues working to prevent and mitigate environmental risks, including deviations from local environmental laws and regulations, environmental pollution derived from the inappropriate control of waste and chemicals, and spills of hazardous substances due to aged equipment or disasters.

In regard to discharges into the aquatic environment and the atmosphere, each unit sets their own voluntary standards that are stricter than the local laws and regulations.

For waste, we exercise appropriate management within our premises and check on waste disposal operations by visiting waste disposers and carrying out on-site audits on a regular basis.

In addition, each unit has been consolidating emergency procedure manuals regarding actions and communication. Through periodic emergency response training based on the procedures, employees can review if the procedures are effective and then practice emergency countermeasures to prevent the spread of environmental contamination.



Training for handling leaks of chemical substances

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 business sites and head office to enhance the audit effectiveness and create a synergy effect through exchanging information among the sites.

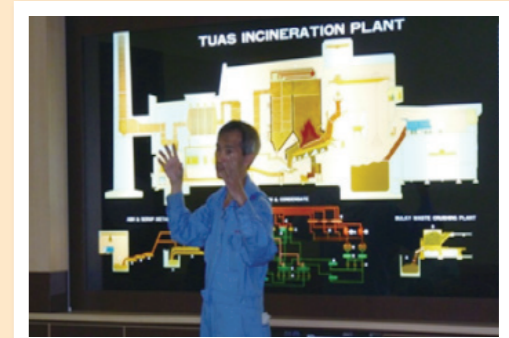
In FY 2011, the most frequently identified categories for both Japan and overseas sites were "environmental aspects;" "competence, training and awareness;" and "operational control."

In order to improve the internal audit reliability, we need to develop internal auditors. While holding internal auditors training on a regular basis, 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, and SII certifies auditors who satisfy certain requirements including audit experience. As of March 2012, we have 22 certified auditors and 8 auditors registered at the Center of Environmental Auditors Registration (CEAR).

Visit to the Waste Incineration Facility

- Seiko Instruments Singapore Pte. Ltd. (SIS) organized a visit to the Tuas Incineration Plant. This was planned in conjunction with the Environmental Month Awareness Campaign to give people a better understanding of incinerating the enormous amount of rubbish and waste that is generated in Singapore. Twenty employees participated in the visit and once again learned the importance of the 3Rs: Reduce, Reuse and Recycle, including reducing the volume of waste disposal.



Outline of the facility



Explanation of the incineration system

Green Products —Eco-friendly Products that Contribute to Environmental Conservation

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

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

SII Green Products and SII High Grade Green Products

In December 2001, we introduced the SII Green Product Label System, which is equivalent to the ISO 14021 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. In October 2006, the SII High Grade Green Product Label System was introduced as a higher level certification of SII Green Products.

SII Green Product Standards are reviewed and revised every two years to maintain innovation levels while tracking the highest standards in the industry at all times. Products are certified after being assessed by not only the Environmental Division but also developers and designers in all Divisions. In addition to assessments being carried out from a fair, objective, wide-ranging

standpoint, information exchange among divisions is raising the level of green products across the company.



SII Green Products

Average assessment of 3.5 points or above

No	Eco-friendliness
1	Power consumption during use
2	Power consumption during standby
3	Product weight
4	Use of reused parts/recycled materials
5	Recyclability of used products
6	Longer-lasting products
7	Limitation of including substances subject to avoidance*
8	Prohibition of including banned substances on condition*
9	Prohibition of including banned substances*
10	Smaller, lighter weight packaging
11	Limitation of foam packaging materials
12	Avoidance of using polyvinyl chloride /heavy metals in packaging
13	Energy conservation in mfg. process
14	Resource conservation in mfg. process
15	Limitation of using substances subject to avoidance in mfg. process*
16	Prohibition of using banned substances in mfg. process*
17	Green purchasing
18	Easy disassembly
19	Easy sorting of materials for recycling
20	Information disclosure in user manuals and other related documents
21	Contribution to improving the environmental performance of our clients' products and to conserving the environment we all share

* Based on the SII Group standards

SII High Grade Green Products

Mandatory Item	Implementation of the Life Cycle Assessment (LCA)
	<p>1. Top rank in one or more of the SII Green Product Standards criteria</p> <ul style="list-style-type: none"> Top ranking features including "the smallest" in the world, Japan and the industry, etc. Twice or more environmental efficiency compared to conventional products (functionality/environmental impact)
Selective Items	<p>2. Unique eco-friendly features</p> <ul style="list-style-type: none"> Achieved top-level environmental impact reduction through raw materials and processing methods Significantly reduced environmental impact utilizing our unique innovative technology Making a "great" contribution to improving the environmental performance of our clients' products in which SII devices or components are incorporated, as well as to conserving the environment we all share

Green Products

Improving the environmental performance of our own products

Green Products plus

The concept of "improving the environmental performance of our clients' products in which SII devices or components are incorporated" and "contributing to conserving the environment we all share" in addition to improving the environmental performance of our own products is called "Green Products plus," and we have been focusing on developing the products and services based on the concept. In FY 2011, we added the Green Products plus contribution to the evaluation criteria for SII Green Products certification and launched the new criteria.

Green Products plus

Improving the environmental performance of our clients' products
Contributing to conserving the environment we all share



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

Next-generation Communication



Voltage Regulator ICs
S-1333 series
This S-1333 series achieved a 300 mA output current and an extremely low current consumption of 25 μA typ, which reduces the current consumption of equipment and the mounting area of circuit boards.



Quartz Crystals
SSP-T7-FL
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.

Consumer Products

Electronic Dictionaries
—All series are certified as SII green products—
The proprietary SII damper shell structure is employed for protection of a liquid crystal panel and has achieved its superior robustness.



SR-G9003NH3

Energy Solutions



Chip-type Electric Double Layer Capacitor
"CPX" series
With this series we successfully reduced the internal resistance and the leak current to the industry's lowest levels. It is ideal for Energy-Harvesting and Wireless Sensor Network.



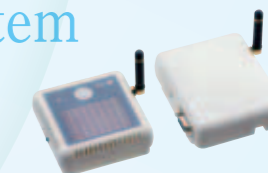
M2M Modem Adapter
MB-B100-00
This is an adapter that achieves the control and monitoring of various devices. As it is the size of a business card, it contributes to the miniaturization of devices that use this adapter.

Mobile Wi-Fi Routers

SoftBank 101SI
This device achieved a maximum communication speed of 76 Mbps, which is the fastest for a mobile Wi-Fi router. It plays a huge role in improving efficiency and saving energy.



Sensor Network System



The Wireless Sensor Network System for Saving Energy
This system not only displays data such as temperature, humidity, lighting, CO₂, electricity usage, and pulse count, but also controls air conditioners and lighting equipment. This helps to prevent global warming.



PHS Phones
PORTUS (WX02S)
These PHS phones feature Wi-Fi routers and contribute to improving resource savings and portability.

Addressing Global Warming

Our Concepts and Current Status

Though 20 years have passed since the adoption of the United Nations Framework Convention on Climate Change, global warming is still a major environmental issue and companies continue to have a major role to play.

SII works toward reducing greenhouse gas emissions throughout the course of our business, including energy-saving activities in our offices and factories as well as the provision of energy-saving products and services.

FY 2011 Overview

The FY 2011 CO₂ emissions at our sites in Japan successfully achieved the target of 64,729 tons-CO₂, which was 2,535 tons (3.8%) less than in FY 2010. This achievement was the result of our relentless electricity saving measures during summer and production decrease in FY 2011.

The CO₂ emissions at overseas sites were 30,674 tons-CO₂ (reference), which is 35.8% less than in FY 2010. The factory shutdown in Thailand due to the effects of the flooding was the main cause of the reduction.

Electricity Saving Measures in Summer at Our Sites in Japan

Our electricity usage in summer 2011 was seriously affected by the Great East Japan Earthquake. The government order to restrict electricity usage urged us to take immediate measures, and we steadily carried out the following activities: infrastructure improvements such as introducing power generators, suspending operation of production facilities that can be suspended for a certain period, suppressing air pressure in manufacturing processes as much as possible, and shifting the operating hours for production processes from daytime to nighttime. In our daily activities we introduced a summer dress code called super cool biz and reduced the number of bulbs and fluorescent lights. We succeeded in meeting these challenges by conducting thoroughgoing power-saving activities.

Visualization of Electricity Use

- Morioka Seiko Instruments Inc. undertook the visualization of electricity use. Power monitors were installed at its entrance, cafeteria, and factory so that all employees can see and get a feel for power restrictions, current power consumption, and the maximum power consumption of the day. The electricity is measured by a wireless sensor network system for saving energy, which is one of SII's products.



Improving Manufacturing Processes—Reduction of Washing Time—

- Dalian Seiko Instruments Inc. (DSI) successfully reduced its parts washing time. After repeating tests based on the indispensable requirement of maintaining quality, we were able to reduce the washing time of some types of parts by 1/2 or 3/4 from our conventional method. This reduced the operating time of the washer, and so the annual gas consumption for the washer's power resource could be reduced by 23,000 m³.

Resource Recycling

Our Concepts

As resource depletion makes a critical impact on corporate management, SII regards efforts to use earth resources effectively as extremely important corporate responsibility toward creating a recycling society.

FY 2011 Overview

The FY 2011 waste generation at our sites in Japan was 2,834 tons, which was 104 tons less than FY 2010. The major factor was the decrease in production. From FY 2011, the indicators were used for improving the recycling ratio, and we were able to achieve our target of 88%, as our actual performance was 94%.

Our waste generation at overseas sites drastically decreased due to the factory shutdown in Thailand, however our recycling ratio grew worse.

Collection and Recycling

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

- 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

Recycling Rare Earths

- The Tochigi Unit worked on recycling cerium, a rare earth element that is included in abrasives. The insufficient rare earths supply has caused confusion in various areas, and there is a need to develop alternative materials and collect and recycle rare earths. The Technology, Manufacturing and Quality Divisions at the Tochigi Unit jointly established recycling conditions and realized the collection and recycling of cerium from abrasives.



Recycling Equipment

Chemical Substance Control

Our Concepts

The SII Group believes that the safe and appropriate chemical substance control is corporate responsibility and important activity for risk management. In terms of chemical substances used in our manufacturing processes at Japan sites, we control the use and emission of PRTR substances, SII voluntarily specified 22 substances, and 100 VOC (volatile organic compounds) substances.

Strict Management of Hazardous Chemical Substances

SII has been working to prohibit or reduce the inclusion in our products of not only substances that have been banned by the laws in each country, but also those for which there are concerns regarding their hazardousness. The four RoHS*1 restricted substances: lead, cadmium, hexavalent chromium and mercury, as well as added polyvinyl chloride (PVC) have been specified as chemical substances subject to reduction. In addition, all divisions engaged in products have established systems to control chemical substances and have been promoting activities to reduce their use.

We not only ensure our products, from watches to large format printers, in compliance with each country's controls, but also respond to customers' requirements for factors like thresholds that are stricter than the regulations, or halogen-free materials, for the components that are incorporated into end products such as electric devices.

In FY 2011, we worked to disseminate the revised EU RoHS requirements at SII, as they would come into effect in January 2013. We also promoted understanding and substitution of the components that would no longer be exempted from EU RoHS in the near future.

In regard to SVHC (Substances of Very High Concern)*3 which is the requirement set under the REACH Regulations*2, we will continue to check the current status of inclusion in our products. Based on the results, we will promote activities to reduce the use of SVHC and to find substitutes.

*1 RoHS: The directive restricts the use of designated hazardous materials in the manufacture of various types of electronic and electrical equipment.

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

*3 SVHC: Substances of very high concern which are determined as candidates to be included in Annex XIV of REACH. (SVHC: Substances of Very High Concern)

FY 2011 Overview

The FY 2011 total waste generation of chemical substances subject to control in manufacturing process was 29.6 tons, resulting in failure to achieve the target, 29 tons. In respect to the controlled chemical substances, we were able to maintain 95% or more of products free of cadmium, hexavalent chromium, mercury and lead, resulting in achievement of the target.

Biodiversity Conservation

Our Concepts

SII Group's business activities depend, to some extent, on ecosystem services. 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. SII established a "Biodiversity Action Agenda" in April 2011 to specifically work on the biodiversity conservation.

Biodiversity Action Agenda (Established in April 2011)

<Basic Concepts>

Recognizing that SII Group's business activities benefit from ecosystem services and make an impact on biodiversity, we will make every effort to preserve biodiversity.

<Key Measures>

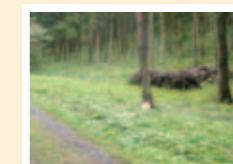
- Foster better understanding of an impact on biodiversity through business activities.
- Analyze and evaluate the impact on biodiversity caused by products and services during their life cycles, and endeavor to reduce their impact.
- Promote social action programs that contribute to local biodiversity conservation.

FY 2011 Overview

In FY 2011, SII made efforts to disseminate our Biodiversity Action Agenda and encourage a better understanding of biodiversity and its importance. We also launched an analysis and an evaluation of the impact on biodiversity caused by our products' life cycles, which is one of the key measures listed in the action agenda, and are moving ahead with preparations for evaluating the current status of land use at our sites and its relevance to biodiversity. In FY 2012, we will actually perform the evaluations on land use.

Forest Improvement Activity

- Morioka Seiko Instruments Inc. has concluded the "Corporate Forestation" agreement with Iwate Prefecture and Shizukuishi-cho (Iwate-gun, Iwate Prefecture) and has been performing forest improvement activities for "Nanatumori Forest Park" in Shizukuishi-cho. In FY 2011, we cooperated in mowing grass as part of the improvement activities.



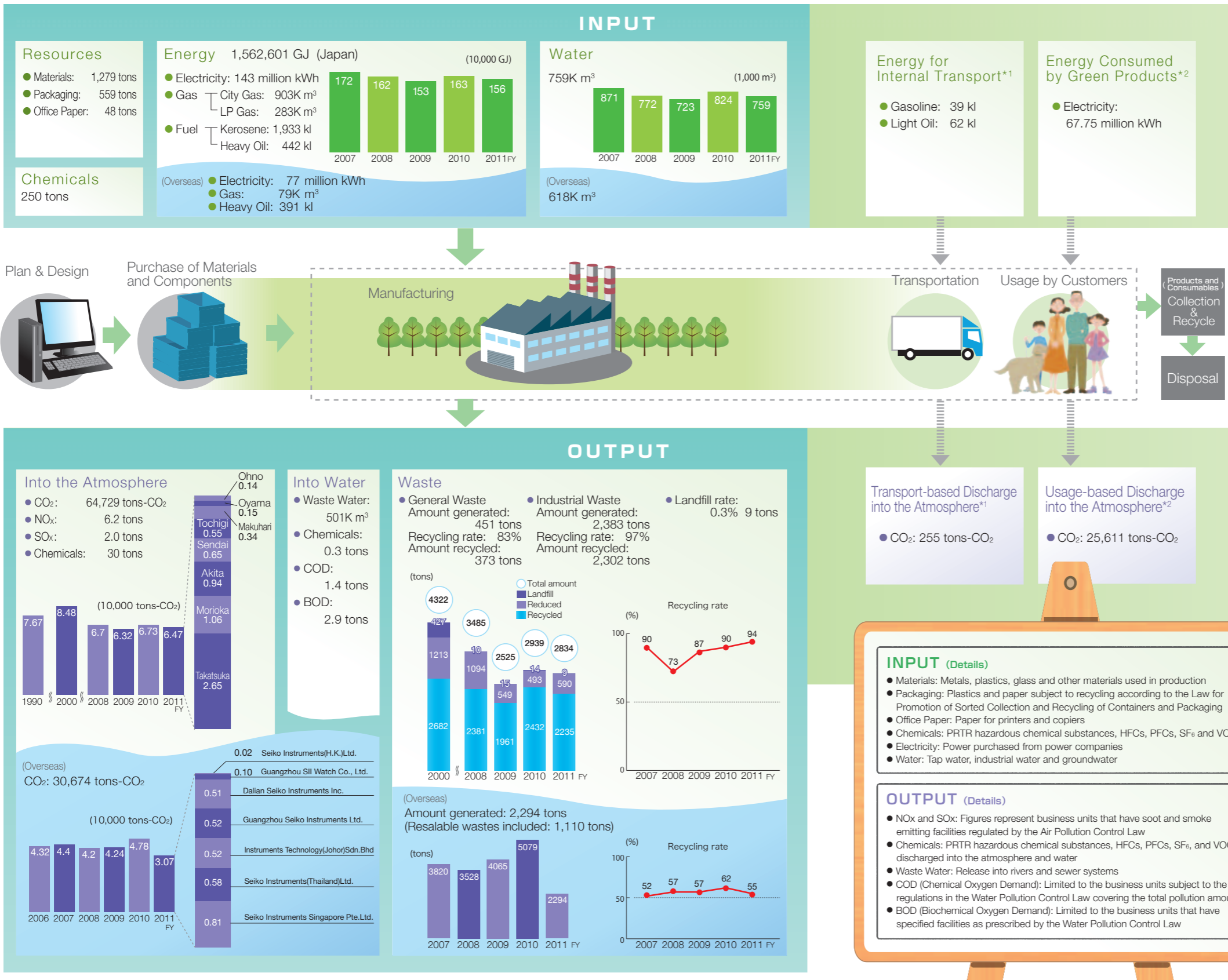
Before mowing



After mowing

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 FY 2011 environmental impact is explained in the table below.





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