

**Technology and Trust since 1881**



In 2011, the Seiko Holdings Group celebrates its 130th anniversary.  
As we build a new future for the Group, we will continue to provide products and services that our customers can trust through the use of reliable technology and high levels of quality.

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#### [Editing policy]

- This Corporate Report is to be read in conjunction with, and does not replace, our financial reports. It describes our Group's policies and practices for the benefit of all stakeholders.
- "Technology and trust since 1881" is the special feature of the anniversary.
- The text has been simplified to enhance readability, and visual content has been enlarged to facilitate better understanding.

#### [Reporting Range and Period]

This report focuses on the activities of Seiko Holdings Corporation and its operating companies\* in FY 2010 (from April 1, 2010 to March 31, 2011).

\* Seiko Watch Corporation, Seiko Instruments Inc. (SII), Seiko Precision Inc., Seiko NPC Corporation, Seiko Clock Inc., Seiko Optical Products Co. Ltd., Wako Co. Ltd., Seiko Time Systems Inc., and Seiko Sports Life Co. Ltd.

#### [Referenced Guidelines]

GRI "Sustainability Reporting Guidelines 2006," Ministry of the Environment "Environmental Reporting Guidelines (Fiscal Year 2007 Version)" "Environmental Accounting Guidelines (Fiscal Year 2007 Version), ISO26000, Japan Business Federation "Charter of Corporate Behavior."

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#### [Published] December 2011

#### [Links to Web sites]

This report contains the essence of CSR activities carried out by Seiko Holdings Corporation and its operating companies. Similar information can be found on the web sites.

See [Web](#) at the bottom of each page for relevant links to the posted contents.

Contents of the web sites are subject to change.

See the web sites below for the latest information.

[Web](http://www.seiko.co.jp/en/csr/report/) <http://www.seiko.co.jp/en/csr/report/>



As we celebrate our 130 years in business, I would like to extend my deepest appreciation to all the people who have supported us throughout our history.

In 1881, Kintaro Hattori, my great grandfather and the founder of SEIKO, set up a company called K Hattori in Kyobashi, Tokyo (now Ginza in Chuo-ku).

As described in his creed "Always stay one step ahead," SEIKO developed and released many "Japan's first/the world's first" products, including "Laurel," Japan's first wrist watch, in 1913 and "SEIKO Astron," the world's first quartz watch, in 1969. In this way, SEIKO has been introducing new value to the world.

The history of SEIKO is a history of continual technological innovation, and we will continue to make these efforts in the future.

In March 2011, an earthquake of unprecedented scale struck the Tohoku region. It devastated large areas and many people lost their lives.

Eighty-eight years before this disaster, SEIKO had fallen victim to the Great Kanto Earthquake, and its factory in Tokyo was burnt down.

Everything, from machinery and merchandise to some 1,500 watches that had been entrusted to SEIKO for repair by its customers was lost in a single day.

Just four days later, a defiant Kintaro announced that he would resume business. He immediately started work to restore business operations.

Two months later, in November, SEIKO was back in business and Kintaro decided that all customers who lost watches should be reimbursed with new ones. By this action, SEIKO earned tremendous trust from customers.

After the Great East Japan Earthquake, and reflecting on that episode in the aftermath of the Great Kanto Earthquake, we have renewed our recognition that a great company can only continue to succeed when it fully commits to serve the interests of all its customers, staff and shareholders. This idea is at the core of our business. We understand today, as Kintaro understood back then, that whatever the circumstances, the key to success is to carry on with an indomitable spirit.

We will continue to engage in activities that are helping people in the affected areas. At the same time, utilizing our reliable technology and quality, we will provide products and services that customers can trust, subsequently playing a part to revive and promote Japanese industry.



Shinji Hattori  
President  
SEIKO HOLDINGS CORPORATION

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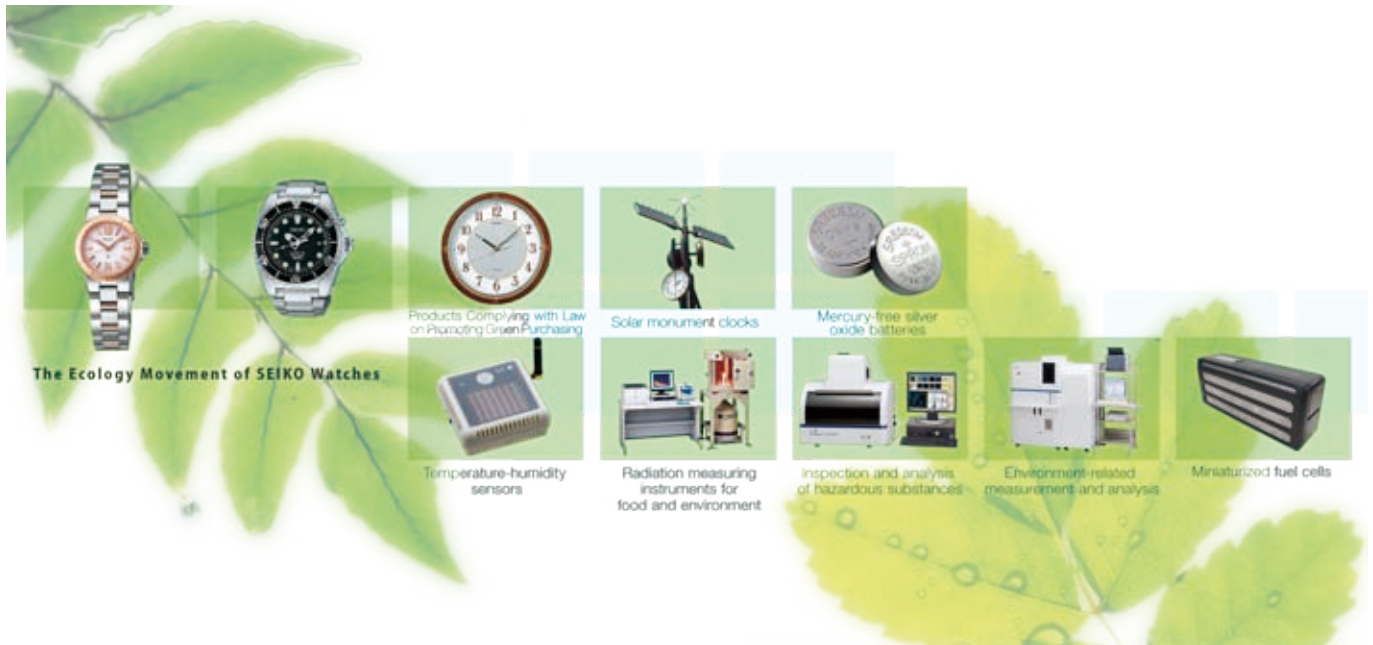
## 130 years of technological innovation

Since its founding in 1881, SEIKO has introduced many innovative products to the world. Starting with watches and clocks, it evolved its products and services in a wide range of fields including electronic devices, optical lenses, and others.

Year	Innovation
1881	1892 •Seikosha clock factory founded and began production of wall clocks
1895	•Commenced production of "Timekeeper" pocket watch
1910	1913 •Introduced "Laurel," Japan's first wristwatch
1913	1930 •Began production of Japan's first camera shutter
1960	1964 •Served as Official Timer of the Tokyo Olympic Games
1964	1965 •Introduced general-purpose cylindrical grinder for parts processing
1965	1967 •Dominated the Observatoire Cantonal de Neuchatel competition in Switzerland
1967	1968 •Introduced the world's first quartz wall clock for home use •Introduced Japan's first desktop computer
1968	1969 •Introduced "SEIKO Astron," the world's first quartz watch
1969	1970 •Introduced the world's first radio-controlled clock system in Osaka Expo
1970	1971 •Introduced Japan's first computer-aided drafting machine
1971	1972 •Developed the world's first 8-bit Micro Processor in a joint project with Intel Corp
1972	1973 •Introduced the world's first six-digit LCD watch
1973	1975 •Introduced Japan's first plastic optical lens
1975	1982 •Introduced the world's first TV watch
1982	1983 •Introduced Pyramid Talk, the talking clock
1983	1984 •Set up Japan's first large-sized SEIKO Marionette Clock •Introduced the world's first watch-type computer
1984	1985 •Developed the world's first ordering system for restaurants
1985	1986 •Introduced IC for crystal oscillator modules
1986	1987 •Developed the world's first ion-beam IC pattern amending system
1987	1989 •Introduced "SEIKO Super-MX," the world's first minus power aspheric single vision lens
1989	1990 •Introduced the world's first comprehensive electronic dictionary
1990	1992 •Introduced the world's first back-surface progressive addition lens
1992	1997 •Introduced a "53 Stages of the Tokaido" fun pedometer
1997	1998 •Introduced the world's first Spring Drive watch •Introduced the radio-controlled clock •Launched CREPICO, Japan's first wireless card payment system
1998	1999 •Introduced the world's first comprehensive electronic dictionary
1999	2004 •Introduced X-ray hazardous substance monitor •Introduced the world's first Clip-on Tuner
2004	2005 •Developed mercury-free silver oxide battery •Introduced Time Link Pro wireless system clock
2005	2008 •Announced the Spring Drive Spacewalk watch
2008	2009 •Introduced "SEIKO Superior P-1," a custom made progressive addition lens, and won the Good Design Award
2009	2010 •Introduced the world's first Active Matrix EPD watch •50th anniversary and global launch of Grand Seiko
2010	2011 •Introduced micromini low-power consumption LDO regulator IC •Introduced A-Zone, the world's first double-sided aspheric single-vision lens with zone design
2011	

## ECO-technology

For SEIKO, a developer of compact precision machinery since its foundation, reducing size and energy use is one of the most important themes. Today, the company aims to develop energy-saving solutions by applying natural energy. SEIKO is also contributing to society in the area of environmental measurement.

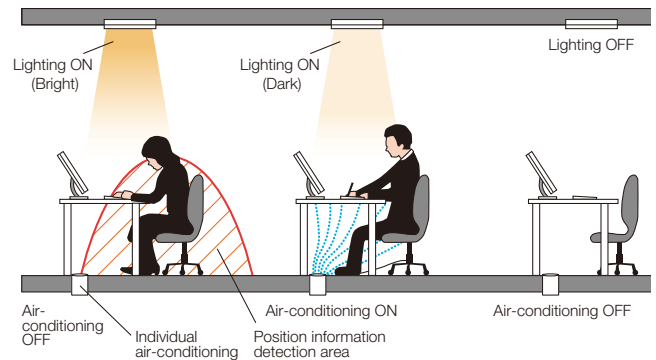


### Natural energy, new energy, and environmental measurement



Across our watch collection, we are striving to use natural energy to power mechanisms. Our own exclusive technologies, Spring Drive and Kinetic, use the wearer's motion to create power and set new standards for energy efficiency. Our "no battery change" solar watches and mechanical watches are continuously increasing in popularity. In our clock collection, we are developing new solar and new types of quartz clocks that are more easily maintained and thus can be used for extended periods. We are also making great efforts to minimize the use of hazardous substances in our products. The development of and complete shift to mercury-free batteries in our electronic watches is just one example. We also develop nano-technology-related analytical systems that detect and analyze hazardous substances or impurities in products, water, soil and food. Furthermore, we are promoting research and development into new sources of energy such as miniaturized fuel cells.

### Energy-saving solutions



"GreenTALK," our energy-saving solution package, is standard mounted with a wireless network system to save energy. Through these products, we have realized both "Visualization" and "Energy saving" easily and at low cost. The no construction work requirement, simple connection with existing facilities and other advanced features are highly regarded by our customers.

Moreover, we support the building of smart offices that provide comfortable working environments through the use of energy-saving systems. Using sensor-based personal authentication technology, we closely control the office temperature and brightness according to personal preference including common use space to simultaneously save energy and create a comfortable office environment.



## Technology of trust

Irrespective of the times, one of our unchanging goals is to provide customers with reliable quality and satisfaction. We carry out development and production by holding in our hearts the conviction that the quality of our products is the best way to build the trust of our customers.

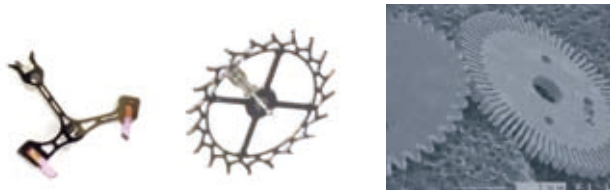


### Manufacturing of trust



Shizukuishi Watch Studio

Shizukuishi Watch Studio is a special workshop used for integrated production of luxury mechanical watches. It pursues new value by using traditional skills of masters while embracing advanced technologies. This workshop supports one end of our reliable technology process.



Watch parts manufactured using UV-LIGA technology

UV-LIGA is the technology used to form 3D-shaped micro parts and mobile structures utilizing photolithographic technology applied to semiconductor manufacturing. We apply this technology to the manufacture of mechanical watch parts and have realized dimensional accuracy of more than a factor of two as well as weight reduction and miniaturization. At the same time, it enables driving of complex mechanical systems and improves basic functions and reliability.

### Products of trust



Technologies developed through watch production are applied to a wide range of products demanding a high level of reliability, such as high-precision processed parts, machine tools, and compact and lightweight electronic devices with low power consumption.



“Superior P-1” is a custom-made bifocal lens that customizes optimal lenses out of an almost infinite assortment of over 1,959 trillion types by analyzing the customer’s prescribed lens power, wearing mode and life pattern. “A-ZONE” is an advanced lens for people who are nearsighted, farsighted and astigmatic. It successfully provides wearing comfort and a stylish appearance through the adoption of the world’s first ZONE design\*.

\* The lens design configured by two different types of zones: functionality for “seeing” and fashionability to “be seen.”

SEIKO wishes to provide its customers with long-lasting satisfaction by offering reliable technology and high quality products. The company strives to contribute to the fields of sports and healthcare and to the creation of a safe and convenient networked society.



### Products and services of trust



Sports timing instruments and systems utilizing the most advanced measuring technologies that can measure 1/10,000 seconds are used to record stirring moments in a wide range of track and field, swimming, and speed skating events.



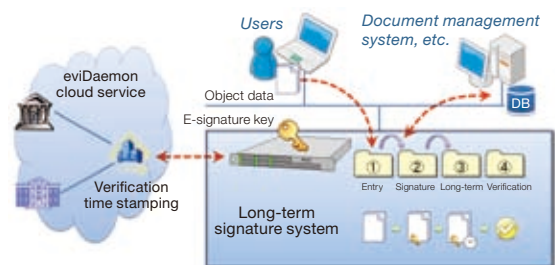
Ra-Clock



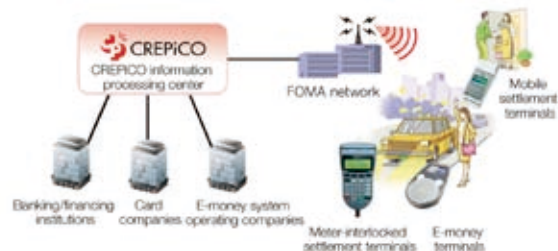
Temperature and humidity display clock

“Ra-Clock” incorporates a newly developed type of movement that combines the high precision of a radio wave clock with the ease of handling of a quartz clock. The temperature and humidity display clock can provide many benefits in terms of controlling one’s health as well as the indoor environment.

### Solutions of trust



SEIKO develops digital evidence solutions through the use of trusted time as a Time Assessment Authority and Time Stamping Authority. This solution aids the creation of a comfortable and safe ICT society by providing protection for intelligent property rights, electronic contracts, medical information, record management, and other types of digital information.



“CREPICO” is Japan’s first wireless settlement service that has enabled card payment of taxi fares and doorstep sales. SEIKO continues to contribute to the evolution of safe and convenient ubiquitous network societies with noncontact IC terminals for e-money, and information processing services.





## A talk with the President

President Hattori and young employees of SEIKO's operating companies held a discussion session based on the theme, "Technology and Trust since 1881."



Mr. Horai



Ms. Makino



President Hattori



Mr. Ishida

### Participant introduction

**Hattori** Thank you for joining the discussion meeting today. First, please introduce yourselves.

**Makino** I joined Seiko Watch Corporation in 2007. Since then, I have been in charge of product planning for women's brand watches in Japan. I have been responsible for Lukia since last year.

**Ishida** I joined Seiko Instruments Inc. in 2003. Initially, I was in charge of sales and marketing of electronic dictionaries and ordering systems for restaurants. At present, I am in charge of settlement systems for credit cards.

**Horai** I joined Seiko Precision Inc. in 2004. I was in charge of the development of time servers then. Now, I am in charge of the firmware for network devices.



### What the 130th anniversary means

**Hattori** This year, SEIKO celebrates its 130th anniversary. How do you feel about this?

**Makino** My boss often says, "10 or 20 years from now, I may not be with this company, but I must create an environment in which the younger generation can play an active role." I think that this company has continued for 130 years because our forerunners had thought about SEIKO's prosperity 10 or 20 years down the road in the same way.

**Ishida** I feel the weight of 130 years of history, too. We should be grateful for the wisdom and efforts of our forerunners. Now, we have to carry on SEIKO's history. To do so, we need to strengthen the solidarity of the group.

**Horai** I believe that SEIKO has created a number of new value innovations over 130 years. As a developer, I am humbled by the thought that we must not stop this flow.

**Hattori** For sure, SEIKO has created a series of technological innovations over those 130 years. However, superior technology will fade into obscurity if we don't strive to use it. We must design a mechanism to share information among business segments to enable them to use technologies as well as enhance the technologies of each segment. The environment for Japanese companies has been tough due to the Lehman Shock, the strong yen and the March 11 earthquake. But for us, this year is a milestone due to our 130th anniversary. I think that it is a perfect opportunity for us to aim at the next stage of progress as a new SEIKO. I look forward to the future.



## What the next generation requires

- Hattori** By the way, what do you think SEIKO needs in order to make another leap forward into the future?
- Ishida** I am now working on expanding cloud services including settlement services and promotion of restaurants, and I think what is required is conceptual power in this field. The group possesses various technologies and resources. I hope that we will combine those strengths to create new services and develop our business on a global scale.
- Makino** Many employees in the same group don't seem to know what each group company is doing or what kind of technology each group company possesses despite the wide range of technologies we have as a whole because the operations of each company are so diverse. I think that it is necessary to share more information within the group and use mutual resources effectively.
- Hattori** I absolutely agree with you. In that sense, Seiko Precision's "GreenTALK" energy conservation package is an excellent example. "GreenTALK" itself is a system used to monitor or control energy in a building or factory. But when the wireless network system for saving energy, an energy sensor node that was developed by Seiko Instruments Inc., was added as standard, the system can provide a comprehensive energy-conservation solution from installing a sensor inside a building to managing the system.  
Since each company in the group possesses many attractive products and technologies, I would like to create an opportunity to strengthen the connection of employees among the operating companies so that we can further utilize resources.
- Horai** I am working as a developer of network devices. Most people in the world tend to associate "SEIKO" with watches and precision machines or parts. They don't know much about our network devices. I would like to develop a product that will raise people's awareness and make the business visible.
- Hattori** Creating a new area of added value that will lead to the 'creation of a "third business segment" to follow on from the watch, electronic and mechatronic devices' is listed as a basic strategy in the Mid-term Management Plan. I

do hope that you will develop a new breakthrough product so that network devices will lead to the creation of SEIKO's "third business segment." Keep up the good work.  
As you said, when people hear the name "SEIKO," they think about watches and clocks, but not other products. So, I have created opportunities to invite investors and investment analysts to our company to introduce Seiko Group's broad array of businesses and high-level technical capabilities. I will continue to step up these public relations and IR activities.

- Makino** This is nothing special but I feel that it is very important to win the hearts and minds of consumers. In particular, with products such as watches that need to reflect customers preferences, in addition to functions and prices, companies are required to get closer to consumers in order to exchange ideas, instead of looking at products through the eyes of a company. Doing this will probably open up new possibilities for the company.
- Hattori** As Ms. Makino said, it is important to hear opinions directly from consumers. However much you wonder what consumers expect from watches or what kind of things they empathize with in your office, you won't get an answer. It is important for product planners, as well as sales representatives, to frequently visit stores and listen to opinions directly from consumers at discussion meetings. I hope that you will make more contacts with customers and come up with a proposal to win their hearts and minds.

## Pursuit of timely products and workplace

- Hattori** The business battlefield has shifted from the global economy revolving around the U.S. and Europe to emerging markets including China and India. The world is about to face a major turning point. The ability of a company to provide products that meet the needs of the times in such circumstances is the key to survival among fierce competition.  
To that end, it is necessary that young people like yourselves engage in lively discussions. You should offer one idea after another regarding developing new products or solving problems across business segments, without being restricted by the framework of the organization.





**Horai** I, too, would like to work with you so that operating companies will move beyond their boundaries and cooperate with other business segments in similar categories and evolve together. It is a little different from a proposal for a new product, but, for example, I think that it is important for the group to unify quality standards that SEIKO values very highly.

**Hattori** Quality improvement is a theme that we must make a concerted effort to realize. To unify the product-by-product standards, horizontal cooperation is critical.

**Makino** With regards to one aspect of quality, SEIKO's cautious approach has led customers to have a greater sense of trust in our company. The only way to unify standards is for the individual companies within SEIKO to reach out and cooperate with one another.  
On another topic, in SEIKO's long history, I think that the creation of quartz watches was the moment when people's lives were drastically changed. Quartz watches freed people from the trouble of having to wind up and set their watch. I do hope similar technology can be realized in the next 130 years. I have a feeling that this will be possible if SEIKO's puzzle pieces are skillfully pieced together.

**Ishida** For this to happen, I think there needs to be more opportunities for employees to engage in frank discussions with each other. To facilitate this, SII holds an informal networking event for young employees ranging from new recruits to employees with 10 years experience. These events are good opportunities for employees to get together voluntarily to exchange information and motivate each other.

**Hattori** Please do try to participate in as many of these events as possible. Our organization is segmented because the range of fields SEIKO operates in is so diverse. For this reason, there may be communication barriers. As I have mentioned, I would like to enhance general training across the group to provide a venue for employees to get to know each other and engage in discussions. I believe that good products and services come from free and vigorous discussions. By all means, please get actively involved in such training and create networks.

## Message to our stakeholders

**Hattori** Thank you for sharing your opinions today. It was very encouraging to find out that the young people who will support SEIKO in the future are working with such a high awareness of problems. Before we close the discussion, I would like each of you to offer a message to our stakeholders.

**Makino** The words, '130th anniversary' may give you an outdated image, but that is not a true reflection of reality. We are constantly pursuing technological innovation. In the fields of IT, nanotechnology and electronic devices, there are signs that we will go forward toward a new future, effectively utilizing technologies and resources that we have accumulated along the way. In particular, I would like to convey this to students.

**Ishida** I would like to make people aware that the merger of SEIKO with Seiko Instruments will help SEIKO evolve into a new company. And I would like to say to our associates, "Let's bring together the wisdom and ideas of 18,000 associates to make SEIKO a better company." For this reason, I would like President Hattori to continue to put his feelings and ideas about the new SEIKO on the SS Station (President's web site) or other media.

**Horai** Here again, I will appeal to stakeholders that the systems business I am in charge of will continue to evolve and progress into the third business pillar after watches and electronic and mechatronic devices.

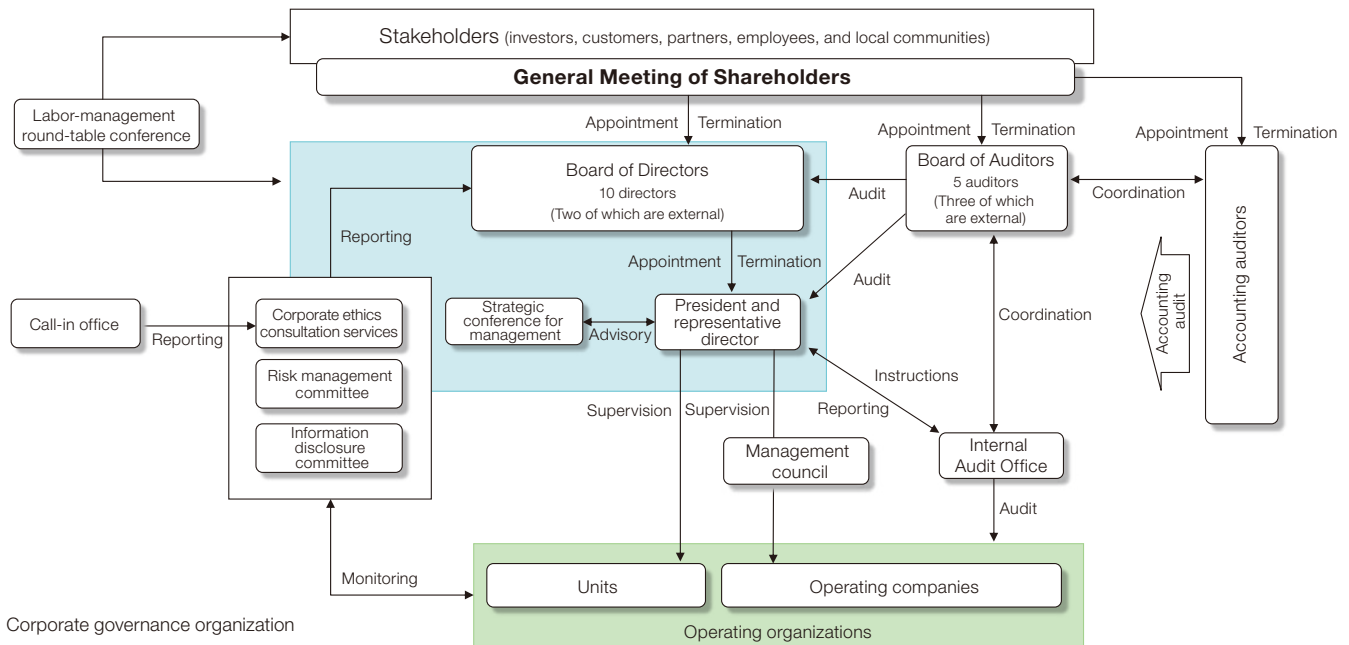
**Hattori** So now, the final words from me. In 2009, SEIKO made Seiko Instruments its wholly-owned subsidiary and evolved into a group containing many technical experts all pursuing development of advanced technologies. We also reconstructed corporate governance and departed from the old corporate culture of long-established companies. We have been implementing three management policies that we developed including pursuit of "timely products and workplace." Through these efforts, and to live up to being "the world's SEIKO," we would like to contribute to the creation of an affluent society, providing safety and satisfaction to stakeholders and customers.





## Corporate governance

SEIKO is working to create a transparent, streamlined management system to implement the Group's fundamental corporate philosophy, to be "a company that is trusted by society."



### Transparent and inclusive management



President Hattori explains the management system to every level of the company

- (1) Development of the internal decision-making process
  - Standing conference on management strategy
  - Standing management council (meeting of Group company presidents)
  - Development of the internal committee system
- (2) Enhancement of the management evaluation system
  - Increase in the number of external directors
  - Development of the internal control function for management (such as internal audits)
  - Launch of a call-in office for external reporting
- (3) A sound labor-management relationship
  - Enhancement of the labor-management round-table conference

### Enhancement of corporate competitiveness and creation of a rewarding workplace

- (1) Improvement in our competitiveness so that we can be successful in a global market
  - Creation of a corporate system that does not allow deficiencies
  - Realization of speedy management
  - Enhancement of total capabilities through coordination within the Group
- (2) Creation of a rewarding and pleasant workplace
  - Development of a free and open working environment
  - Development of a corporate culture that encourages bottom-up proposals
  - Maintenance of a pleasant working environment that does not tolerate harassment
  - Ensuring fairness in Human Resources policies

### Improvement of stakeholders' satisfaction

- (1) Creation of products and services contributing to development of an affluent society
  - Timely delivery of products and services appreciated by customers
  - Continued and enhanced efforts to develop environment-friendly products and services
- (2) Development of a workplace and organizational structure that can cope with environmental changes
  - Creation of a system to support internal communications and information sharing
  - Workplace and organizational enhancement through promotion of human resources and appropriate personnel assignment



## Creation of products and systems that will build a better future

In October 2009, Seiko Instruments Inc. became a wholly owned subsidiary of Seiko Holdings Corporation. We will further endeavor to establish a sustainable and expanding business foundation through utilization of our respective strengths and closer cooperation that is to be achieved as a result of managerial integration.



Panels summarizing a product planning project created by younger staff

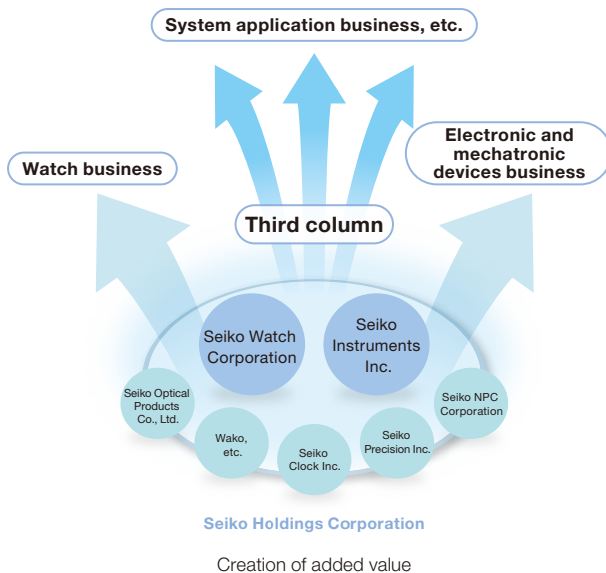


President Hattori of Seiko Holdings and President Shimbo of SII talking with employees



"Frank and Open Communication" for cross-group discussion

## Creation of added value



"Frank and Open Communication" at Osaka

Essential keys to the development and establishment of sustainable growth include the following: promotion of the growth strategy of our watch segment that is the first pillar of our business, optimization and efficiency improvement of the development and manufacturing systems in the electronic and mechatronic devices segment, the second pillar; and development of a new business segment, the third pillar. To meet the needs of the times using SEIKO products demanded by customers, SEIKO will strive to create new value that will lead to the birth of the third pillar of our business, utilizing the synergistic effects of the power of the SEIKO brand and our technological and developmental

capabilities in terms of both hardware and software to the fullest extent.

In order to improve synergy among operating companies, we have opportunities to hold Group-wide talks, called "Frank and Open Communication," by job level on various topics related to different business segments and functions. The Group staff not only think about topics to discuss but also consider what is most optimal for the entire Group, beyond the boundaries of operations and companies. This nurtures a friendly culture and trains personnel to actively cooperate with colleagues.

## The new SEIKO

We will re-invent the Company as the new SEIKO by achieving new, higher levels of competitiveness, using our strength as a global company, and by creating a stimulating, rewarding and pleasant workplace for all our people.



SEIKO Salon flagship store

### The launch of the new global flagship store

In June 2011, Wako Co. Ltd. completed a total renovation of its main building in Ginza. Ginza is the original home of SEIKO and the new flagship SEIKO store on the ground floor of the Wako building is the face of the new Seiko Group. Here, the world will see SEIKO's latest watches, clocks and eyewear and, through them, will understand the full range of the Seiko Group's expertise, technology and creativity.

The iconic and globally famous clock tower on top of the Wako building now carries the name SEIKO as a symbol of the company's tradition and heritage. Until the renovation, Wako had occupied a number of separate stores around the Ginza 4-chome intersection. Now, all the sales floors are in the main building, emphasizing the unity and consolidation of the new SEIKO. Since October 2010, Wako has been opening for business on Sundays and public holidays for customers' convenience and shopping enjoyment.

### Nurturing an open corporate climate

SEIKO is striving to create a pleasant, rewarding workplace that encourages good communication.

On our intranet, we have launched a President's website that transmits messages to staff as well as managerial information. We aim to create an environment that encourages staff to post opinions and questions, all of which will be individually answered. The President also holds lunchtime meetings with staff as part of his efforts to nurture an open corporate climate. In the meetings, opinions can be expressed to management without hesitation and bottom-up suggestions are welcome.



The President's website: "SS Station"



Sales floor for eyewear



Sales floor for clocks



Lunch meeting of the President and staff

## The fourth mid-term management plan

The company has developed the Fourth Mid-term Management Plan to be completed in the fiscal year ending in March 2013. Under the renewed management system, the entire Group will work together in solidarity toward accomplishing the management goals outlined in the Plan.

### Basic policies



Explanatory meeting for the Fourth Mid-term Management Plan

In an effort to deepen the managerial integration with Seiko Instruments Inc., we will work hard to develop and establish a business foundation for sustainable growth. We will concentrate our efforts in the following two areas:

- (1) All-out efforts to enhance our business foundation  
We will endeavor to improve the Group's earnings structure to create larger profits by making end-to-end efforts to enhance and expand our business foundation.
- (2) Sounder financial state  
Along with improving our earning capabilities, we will actively promote measures to improve our financial structure and creditworthiness.

### Basic strategies

- (1) Maximization of profitability of the watch segment  
We will promote our new growth strategy with the integration of Seiko Instruments Inc. from development and manufacturing through sales of watches and movements. Moreover, we will further promote the virtual unification with Seiko Epson Corporation in an effort to maximize profitability as well as realize further business expansion, with a view to future restructuring of manufacturing and sales systems.
- (2) Enhancement of the earning capability of the electronic component segment  
By making the electronic and mechatronic devices segment, a strong point of Seiko Instruments Inc., as the core business, we will promote optimization and higher efficiency of the development and manufacturing systems in cooperation with other Group companies. Thus, we will pursue stabilization of the foundation of the electronic component segment of the entire Group as well as enhancement of its profitability.
- (3) Creation of added value  
Following the watch, electronic and mechatronic segments, we aim to create a new area of added value that will lead to the creation of the "third business segment." To realize this goal, we will positively promote effective utilization of all resources within the Group companies and respective segments while encouraging mutual utilization of such resources across the boundaries of companies and business segments.

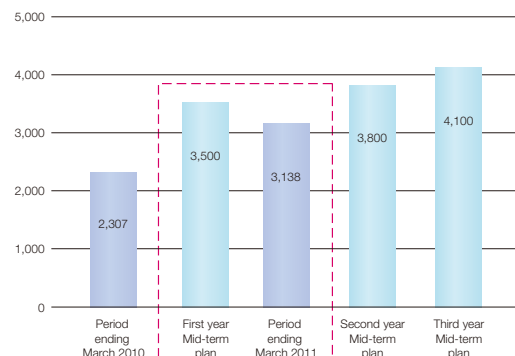
### Target figures and performance for business operations

The following figures show the targets to be achieved for the final fiscal year of the Plan.

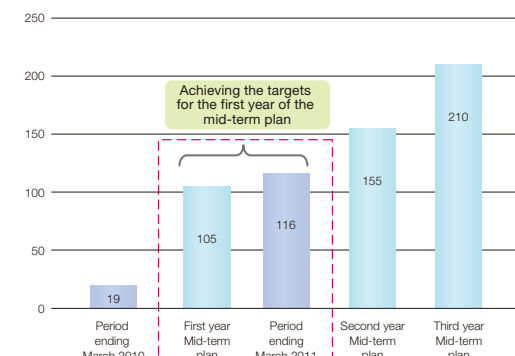
- (1) Ratio of ordinary profit against sales: 4% or more
- (2) Outstanding loans: 20 billion yen or less
- (3) Equity capital ratio: To achieve 15%
- (4) Net D/E ratio: 2.1 or less

	Performance	Medium-term (three-year) management plan				Period ending in March 2011	
	(100 million yen)	Period ending March 2010	Period ending March 2011	Period ending March 2012	Period ending March 2013	Performance	Difference from the target
Sales	2,307	3,500	3,800	4,100	3,138	-362	
Operating profit	19	105	155	210	116	+11	
Ordinary profit	-19	65	115	170	65	-	
(%)	-	1.9%	3.0%	4.1%	2.1%	0.2%	
Profit of the term	-36	50	75	100	21	-29	
(%)	-	1.4%	2.0%	2.4%	0.7%	-0.7%	

Sales performance plan (100 million yen)



Changes in sales (100 million yen)



Changes in operating profit (100 million yen)



## Coexistence with local communities

Seiko Holdings Corporation and our operating companies are committed to various activities aiming at coexistence and co-prosperity with local communities and society.



Charity fund-raising support activity (in Hong Kong)



City marathon timekeeping support (in Tokyo)



Joint development support with research institutes (in Singapore)



Sponsorship of a solar aircraft project (in Germany)



Meal delivery support for an education center (in Thailand)



Mangrove replanting (in Thailand)

### Timing and sponsorship of sports events



The Tokyo Olympic Games in 1964 was the first time SEIKO played the role of official timekeeper. SEIKO introduced a comprehensive electronic timing system, a world first that marked the start of the quartz age. To this day, the company continues to support sporting events packed with moving moments around the world, including track and field, swimming, and speed skating events.

### Experiential seminar for assembling a mechanical watch



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, and is now attended by people from all over Japan as well as local residents. The seminar consists of two courses: an experience course for beginners on the first day, and a more advanced course on the second day, covering disassembly, cleaning, lubricating and assembly.

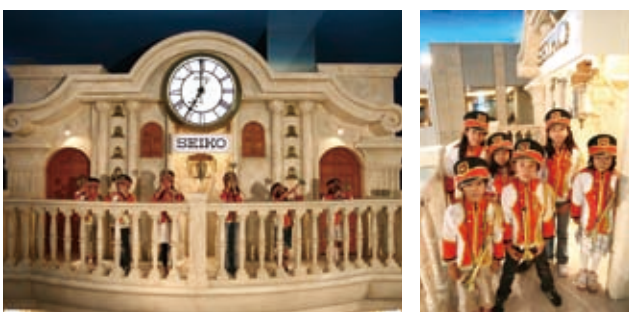


## Maintaining historical architecture



The main building of Wako, renovated in 2008, was awarded a special 2010 BCS (Building Contractors Society) Prize. The BCS Prize is an annual commendation awarded to superior architectural projects carried out in Japan, with the aim of facilitating creation of Japan's superior architectural assets and contributing to cultural development and conservation of the global environment. The award recognized the quality of the restoration and praised the way that important improvements in earthquake protection had been made without altering the historic façade and interior. In 2009, the Ministry of Economy, Trade and Industry certified Wako's main building as a Heritage of Industrial Modernization.

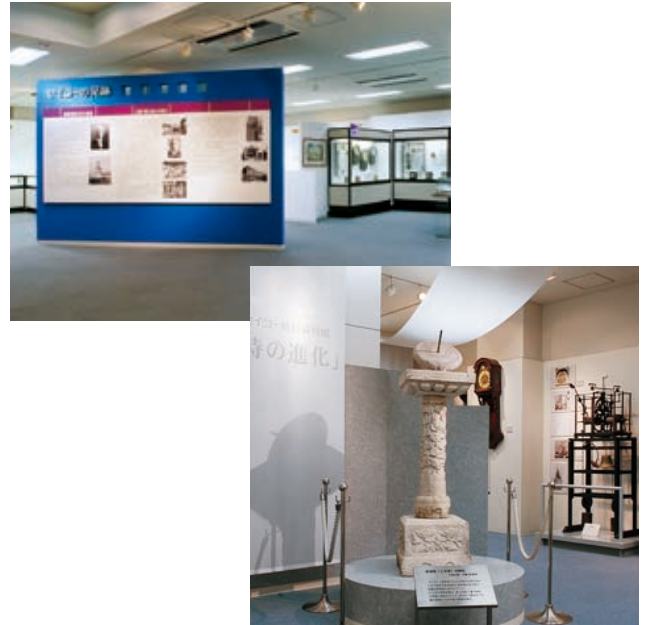
## Sponsoring KidZania



SEIKO is an official sponsor of KidZania Tokyo and KidZania Koshien, a space for children to learn about how our society works. SEIKO has designed and operates the City Clock pavilion at Kidzania, a facility where children can act as performers in an automaton clock. They can learn the significance of time and hours through their own activities of announcing the hour while also acquiring public presentation skills. In 2011, an English experience activity was also launched.

We hope that, through our support of Kidzania, the next generation will learn more about how to enjoy and contribute to the world they will inherit.

## The SEIKO Museum



The SEIKO Museum (to be so renamed) was first established as the Seiko Institute of Horology in 1981, commemorating the 100th anniversary of the founding of SEIKO.

With a broad lineup of samples and literature related to time and time-keeping instruments, the museum introduces the history of timekeeping from ancient times to the modern day. It hosts numerous SEIKO-branded samples and various other samples and materials from around the country and the world. All of them have been collected, arranged and maintained in a structured manner allowing visitors to acquire a systematic understanding of the general history of the watch and clock industry. The facility is to be renamed the SEIKO Museum on the 130th anniversary of SEIKO in 2012, and its rich and varied exhibition content will continue to be enhanced.

### Floor guide

#### 1F The Evolution of Time

Many watches and clocks, including sundials and traditional Japanese clocks, are displayed with explanatory materials. There is also an area dedicated to the history of the development of quartz.

#### 2F A History of SEIKO

This floor displays epoch-making watches and clocks manufactured by SEIKO that represent respective eras.

#### 3F Library of Horology

Approximately 8,000 reference materials on time and time-keeping instruments are stored and searchable in the computer database.

We offer guided tours of the museum to enable visitors to gain a better understanding of the exhibits. Please contact us beforehand to sign up for a guided tour.

[Web](http://www.seiko.co.jp/en/horology/index.html) "The SEIKO Museum" <http://www.seiko.co.jp/en/horology/index.html>

## Support for disaster relief

The Seiko Holdings Group is developing the SEIKO 130 Actions under which we are implementing 130 programs to support residents and communities stricken by the earthquake and tsunami disaster of March 2011.



### The SEIKO 130 Actions

After the Great Kanto Earthquake of 1923, SEIKO's founder, Kintaro Hattori, replaced his customers' damaged watches entrusted for repair with new watches of equivalent quality. By doing so, he showed that he would never cause customers to sustain loss, which won their trust in the company. In the wake of the Great East Japan Earthquake, we have regained this spirit and have developed a disaster

relief support project called the SEIKO 130 Actions, which has the potential to be continued into the future as well. This project is and will be implemented with various themes up to March 2014 by the initiative of individuals, groups of individuals within the Seiko Holdings Group, organizations and companies who voluntarily register. The Volunteer Leave System may apply to participating staff.

SEIKO 130 Actions	
Here are the first 44 actions in the program. Many more are in the planning phase and we are ready to support the authorities with new projects as they are decided.	
#001 Donation to the Japanese Red Cross Society relief fund	#012 Donation of wristwatches to affected individuals
#002 Donation to the Japanese Red Cross Society relief fund (in matching gifts)	#013 Campaign to offer unused items in peoples' homes as relief supplies
#003 Donation of disaster-proof clocks and glasses for presbyopia	#014 Donation of stopwatches to senior high schools
#004 Relief fund-raising action at Wako stores	#015 Participation in a volunteer bus tour
#005 Window displays related to disaster recovery	#016 Launch of "You're always connected" for a PHS terminal standby screen
#006 Donation of glass lenses for emergency use	#017 Sponsoring a brass band charity concert
#007 Offering of a 50% discount off repair services for disaster-damaged clocks	#018 Cosponsoring a concert in a stricken community
#008 Donation of PCs	#019 Donation to the Dalian Red Cross Society
#009 Visiting disaster-stricken customers in the Tohoku district	#020 Participation in a charity live event
#010 Donation of daily essentials to affected customers	#021 Donation to and participation in support activities for the Camera & Imaging Products Association
#011 Donation for relief support to chambers of commerce in stricken areas	#022 Provision of running watches
	#023 Cosponsoring the "Te-no-hira-o-taiyo-ni (Palms to the Sun) – Heart-to-Heart" project
	#024 Donation to the American Red Cross (in matching gifts)
	#025 Free provision of sales promotion materials to eyewear shops in stricken areas
	#026 Appeals for volunteer activities and donations for relief support
	#027 Cosponsoring a charity concert featuring Norio Maeda
	#028 Sponsoring a brass band charity concert
	#029 Participation in an NPO's volunteer program supporting disaster recovery
	#030 Sponsoring sympathy concerts at evacuation centers
	#031 Participation in volunteer activities in stricken areas
	#032 Concert proceeds donated to support reconstruction from the earthquake and tsunami disaster of March 2011
	#033 "Reconstruction Action" campaign
	#034 Charity concert activities
	#035 Participation in volunteer activities
	#036 Donation of clocks to disaster victims in Iwate Prefecture
	#037 Donation of tuner-metronomes to primary and junior high schools in Fukushima Prefecture
	#038 Support campaign for reconstruction from the disaster
	#039 Donation to Hong Kong Red Cross
	#040 Donation to Taipei Chamber of Commerce and Industry
	#041 Donation to American Red Cross
	#042 Sympathy visits and donations to client companies and customers suffering from the disaster
	#043 Volunteer staff of "Ganbare (Hang on), Miyako! Meguro-no-Sanma Festa"
	#044 Charity Rakugo session, Japanese comic story telling

\* As of September 2011 (extracts)



## People-focused policies at work

We at Seiko Holdings Corporation and our operating companies believe that creating a safe and secure working environment for each staff member leads to ongoing improvement of corporate performance as well as fulfillment of our social responsibilities.



### Creation of a pleasant working environment

The composition of staff is as follows:

Composition of staff (as of March 2011, consolidated for major domestic companies)

Ratio of male and female staff		Ratio of management-level staff		Ratio of male and female management-level staff	
Male	77%	Management	15%	Male	97%
Female	23%	General	85%	Female	3%

"Management-level" refers to the position of a section chief or higher.

We are striving to create an environment that allows our people to exercise benefits under the system for parental leave/ parental shortened working-hour programs so that they can succeed at their work, child-rearing, and fully exercise their abilities. During FY 2010, among major operating companies in Japan, 52 staff members took parental leave and 108 staff members were on the parental shortened working-hour program.

Under the revised Japan's Law on the Promotion of Measures to Support Fostering of the Next Generation, we have developed an action plan, and each company is working to fulfill its objectives by 2015.

Objective #1: To achieve the following targets for taking parental leave during the period of the action plan:

For male staff:

At least one during the period of the action plan

For female staff:

The current rate at 70% is to be maintained

Objective #2: To eliminate overtime work on No Overtime Days to reduce non-scheduled working hours

Objective #3: To improve the parental shortened working-hour system

### Creation of an environment that allows our people to concentrate on developing their abilities and performing their duties

Various training courses for the staff of Group companies are held by job level with an aim to develop human resources across the Group.

#### FY 2010 seminars by job level

April	Entry-level training seminar	(Fresh recruits)
October	Follow-up seminar for newly appointed managers	(Staff promoted in the previous fiscal year)
November	Training seminar for newly appointed managers	(Promoted staff)
January	Follow-up seminar for fresh recruits	
February and March	Training seminar for young staff	

We are making efforts to ensure our people's health and safety. Examples include periodical health checks, stress checks and the establishment of a health advisory office. In addition, we are also implementing measures to prevent the onset of health disorders due to overwork as well as mental health care services.

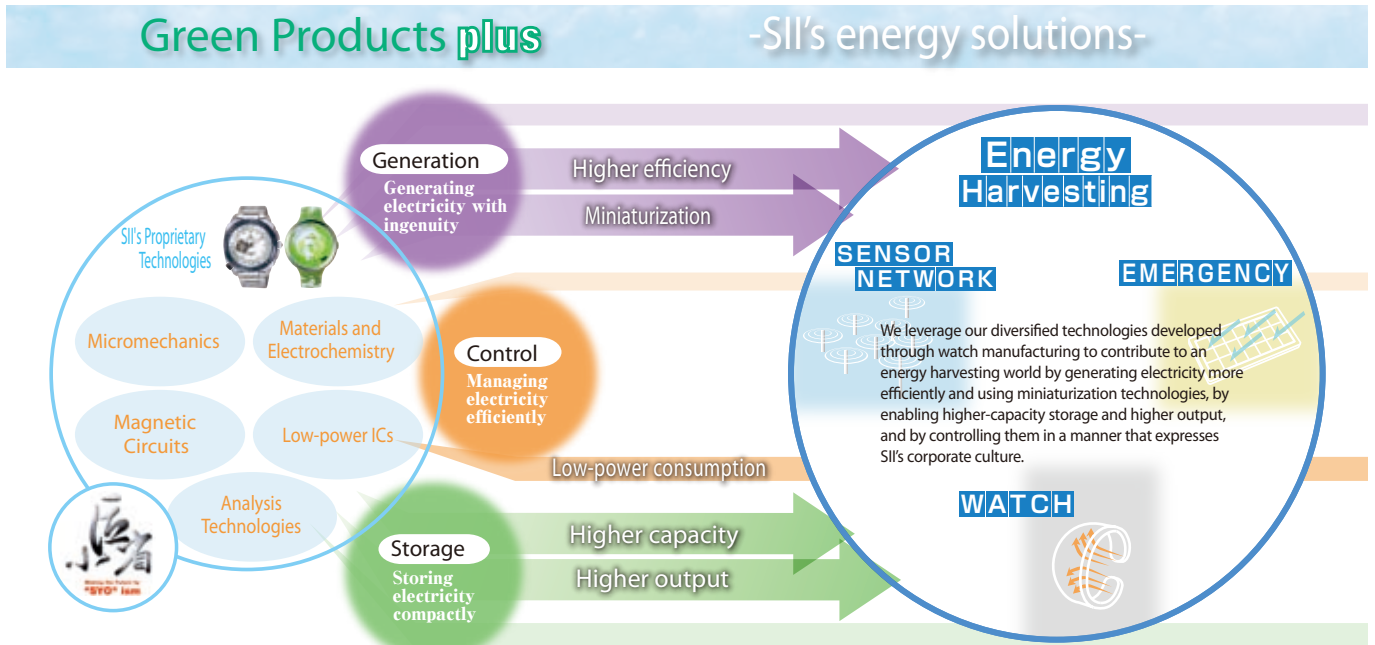
#### Promotion of mental health care

Education and training for management-level staff in Group companies (in December and January)  
Stress checking tests for staff at Group companies  
Establishment of Seiko Health Counseling Room 24, an external 24-hour health advisory office

We have distributed a "Disaster Manual" summarizing actions to take in the event of a large-scale disaster. A dedicated safety confirmation system for staff and their families has been implemented, and we have also secured and distributed emergency materials in an effort to ensure the safety of our people.

## Products that are kind to the environment

We market a large number of products that are kind to the environment. Furthermore, we are making great efforts to create products and services that can positively contribute to improving the environment, as well as components that help improve the environmental features of our customers' products.



### SII Green Products

Seiko Instruments Inc. has formulated the Green Plan based on the "Three Green" concept of "Green Process, Green Products, and Green Life," under which the company practices environmentally conscious management. In 2001, the company introduced the SII Green Product Label System based on its original standards, and created a total of 1,000 "SII Green Products" in 2010.

In addition, SII has also established a product concept called "Green Products plus," which aims to improve the environmental performance of our clients' products in which SII devices or components are incorporated and contribute to conserving the environment we all share through SII products. This concept will be added to the evaluation criteria in the green product standards with an aim to create new products and services based on the concept.

### Broad choice of eco-friendly products

Seiko Watch Corporation offers a variety of eco-friendly watches that all comply with Japan's certification system, the Eco Mark, so that customers can choose the watch that fits their lifestyle, knowing that it is good for the planet as well as perfect for their needs. The switch to totally "mercury-free batteries" has also been completed. Continuous efforts are under way to reduce the environmental impact.

Seiko Clock Inc. offers an enriched lineup of eco-friendly clocks, many of which are compliant with the Law on Promoting Green Purchasing.

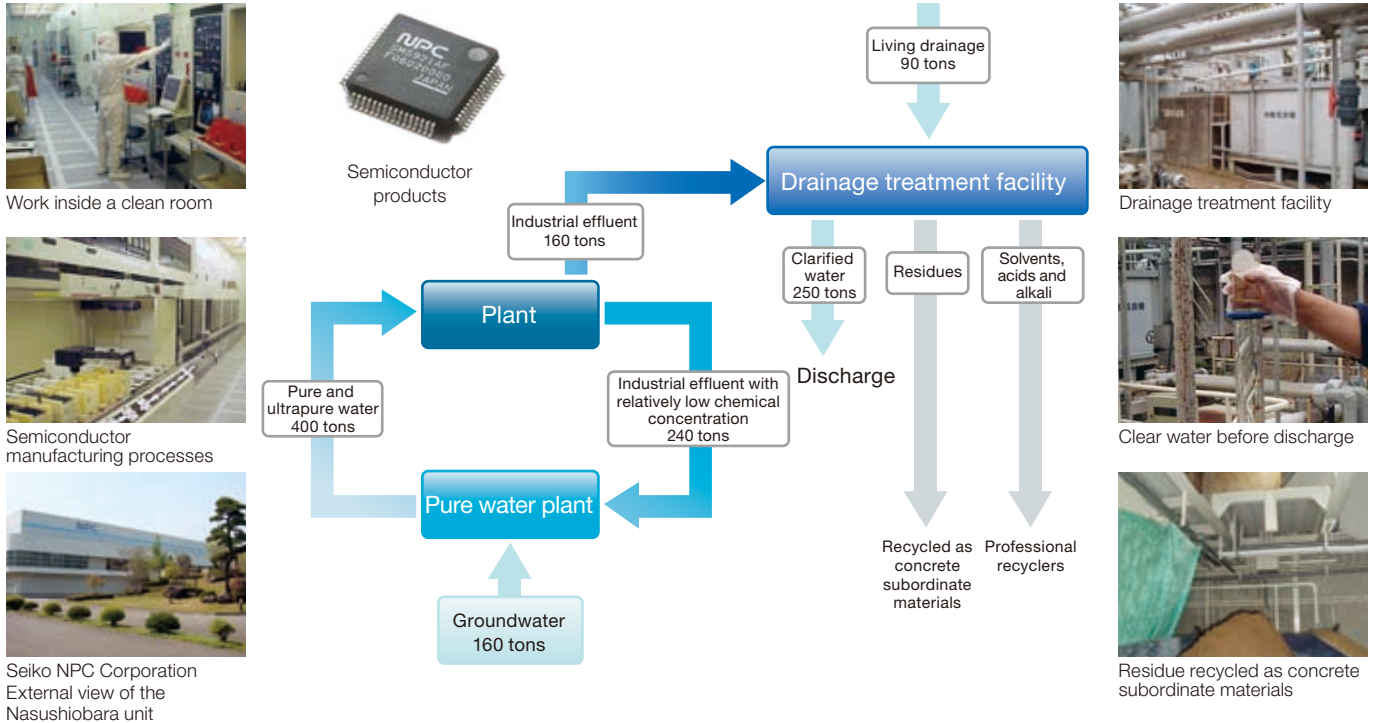
Metronomes produced by Seiko Sports Life Co., Ltd. and Fine Clocks produced by Seiko Time Systems Inc. have environmental labels created based on their original standards, and the companies are working to expand their ranges of related products.





## Towards a recycling society

Our manufacturing plants have implemented very strong environmental policies for many years. In addition, our operating companies are working to conserve finite resources through the efficient use of energy and other resources as well as through the recycling of merchandise and packaging materials.



### Water resource conservation initiatives

The Nasushiobara Unit, which is the IC manufacturing base of Seiko NPC Corporation, is located in the midst of beautiful nature on the way to Nikko National Park. Its premises are so richly endowed with nature that goshawks, which are designated as a rare domestic species of wild bird, live there in an environment where a rigorous environmental management system is in place.

Manufacturing of integrated circuits requires end-to-end cleansing. Approximately 400 tons of ultrapure water is used for final cleansing every day. Considering this requirement and based on a desire to preserve precious water resources, we collect discharged water that has a relatively low chemical concentration, remove impurities from it and then turn it into ultrapure water for reuse. The remaining amount of waste water that is not suitable for recycling, that is, 160 tons of industrial effluent and 90 tons of organic drainage, is discharged after being treated, filtered and chlorine-sterilized. This water recycling process not only prevents groundwater from being depleted but also contributes to reducing clean water costs.

We set our own standards for the effluent to be discharged, standards that are far more rigorous than the prefectural ordinance that is itself stricter than the Water Pollution Control Law.

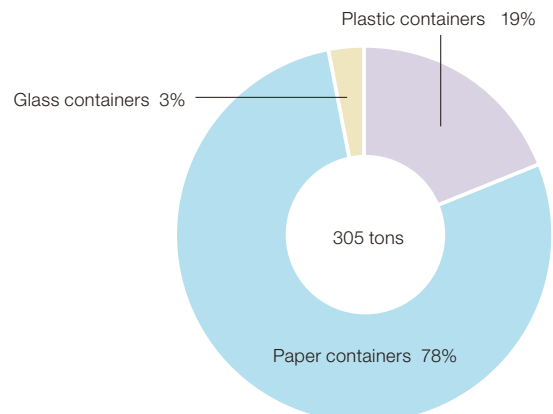
In the course of drainage treatment, approximately 450 kilograms per day of residue settle in the settlement tank. As the residue contains silicone and iron, it is dehydrated and recycled for use as concrete subordinate materials.

### Recycling initiatives

Seiko Service Center Co., Ltd. collects button-type batteries from distributors. Then, expert operators dismantle collected batteries and separate them into silver and electrode plates for recycling.

Three of our operating companies, including Seiko Instruments Inc., are promoting recycling of small rechargeable secondary batteries.

Eight of our operating companies, including Wako Co., Ltd. and Seiko Watch Corporation, are implementing initiatives such as reducing the amount of packaging materials used, introducing product identification markings to encourage separation and recycling of waste, and bearing the costs of entrusting waste disposal to recyclers.



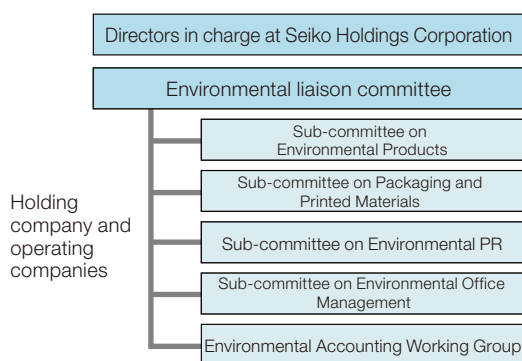
FY 2011 projected packaging waste volume

## A structure designed for optimal environmental management

Recognizing that environmental issues are a priority challenge for management, Seiko Holdings Corporation established its “Environment Policy” in 1998 and “Environmental Philosophy” in 1999 and built a structure to collaborate with operating companies on all environmental matters. Ever since, we have been systematically working to find new processes and solutions that deliver environmental benefits.

### A structure to promote environmental management

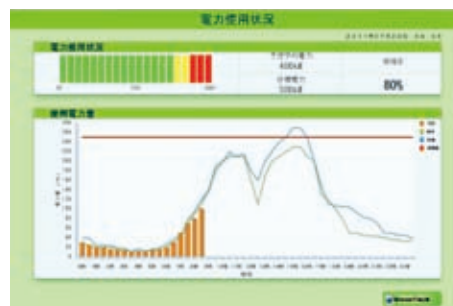
An environmental liaison committee has been established to coordinate and cooperate on environmental activities with personnel in charge of environmental issues from respective operating companies and Seiko Holdings. Under this environmental liaison committee, five sub-committees and working groups have been set up: Sub-committees on “Environmental Products,” “Packaging and Printed Materials,” “Environmental PR,” “Environmental Office Management” and “Environmental Accounting.” Members are developing activities under the policies of respective groups and periodically report and share their achievements. Furthermore, our staff are given opportunities to attend environmental seminars by external invited lecturers. Also, environmental topics are posted via the intranet to allow sharing of updated information on environmental activities at respective companies.



### Power-saving measures

Each operating company is taking steps to reduce power consumption.

They promote energy conservation efforts, including using lower luminance lighting and improving existing energy facilities, as well as introducing cogeneration facilities and improving operating efficiency through the introduction of auxiliary units incorporating heat pumps. Another area is “visualization” and “energy conservation” that have been realized by implementing “GreenTALK,” an energy conservation package, and wireless network systems for saving energy, which is used to measure temperature, humidity, luminance, CO<sub>2</sub> emissions and power consumption.



Visualization of electricity use by GreenTALK

### Safety of and reassurance about products

Each operating company has quickly taken action to comply with hazardous substance regulations of respective countries. They apply their compliant product specifications as global standards and sell compliant products to other markets as well. Manufacturing companies are carrying out measurement and analysis of hazardous substances such as cadmium, lead and mercury that may be contained in products as well as investigations under the Green Purchasing standards. Regarding fluorescent X-ray analyzers used, eco-friendly types are selected that do not need liquid nitrogen, as well as those requiring significantly less measuring time.

Following the Fukushima nuclear plant disaster, Seiko EG & G Co., Ltd. has actively supported sales of products such as germanium semiconductor detectors (radiation detectors utilizing germanium semiconductors) and survey meters (devices used to measure the amount of radiation in the air and on the surfaces of target objects) so that they can provide verification of the safety of all our customers’ products.



Fluorescent X-ray analyzers

Survey meters



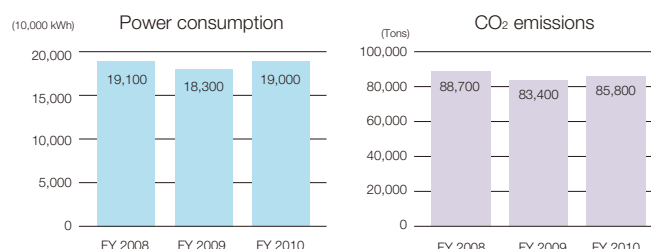
Germanium semiconductor detectors

## Measuring and auditing our contribution to a better environment

Seiko Holdings Corporation and our operating companies endeavor to contribute to the creation of a better environment through a management system featuring environmental transparency. The system includes environmental accounting and full disclosure of information on carbon dioxide emissions.

### Preventing global warming

Our respective operating companies are committed to reducing greenhouse gas emissions in various processes from product development to manufacturing, sales and services.



### Environmental accounting

Seiko Holdings Corporation and our operating companies employ concatenated accounting for costs and the effects of environmental conservation activities. For FY 2010, the environmental conservation cost amounted to 255.7 million yen for capital investment and 2,452.5 million yen for expenses.

As a result of such efforts, the following has been achieved: reduction of office-use paper by 2,030,000 sheets, reduction of waste by 45 tons, and reduction of packaging waste by 60 tons. Besides such achievements in quantity, there have also been economic achievements such as net income of 291.3 million yen through sales of recycled waste and cost reductions of 764.7 million yen as a result of reducing operating expenses and new material costs as well as measures taken to avoid environmental risks.

#### Environmental conservation costs

Category	Major initiatives	Investment (million yen) *1	Cost (million yen)
1. Business area costs			
Pollution prevention costs	Matters related to prevention of water, air, noise, and vibration pollution	75.2	635.1
Global environmental conservation costs	Matters related to prevention of global warming and protection of the ozone layer	173.1	450.6
Resources circulation costs	Resource conservation, waste reduction and recycling, and limiting new purchases	6.4	391.5
2. Upstream/downstream costs	Green purchasing, environmental labeling, and recycling (of batteries and packages)	0.0	123.1
3. Management activities costs	Environmental education, creation and maintenance of environmental management, and disclosure of environmental information	0.0	342.2
4. Social activity costs	Support for environmental organizations and local communities	0.0	3.9
5. Research and development costs *2	Environmental research and development, and publication purchases	1.0	506.1
6. Environmental damage costs	Soil contamination surveys and measures	0.0	0.0
Total		255.7	2,452.5

#### Environmental conservation effects

##### (1) Quantitative benefits

Item	Volume reduced/limited
Reduction of office-use paper	2.03 million sheets
Reduction of waste	45 tons
Reduction of containers and packaging materials	60 tons
Reduction in use of new materials	551 tons

##### (2) Financial benefits

Major initiatives	Financial benefits (million yen)
Net income effects Sales of recycled waste	291.3
Cost reduction, limitation and damage effects Cost reduction, limited use of new materials, and environmental risk avoidance	764.7

\*1 Investment amount on depreciable assets is extracted from environmental conservation costs and listed separately as investment.

\*2 R&D costs incurred at the companies producing watches, lenses and frames are not included.

Scope of data aggregation: One holding company and nine operating companies

Seiko Holdings Corporation, Seiko Watch Corporation, Seiko Instruments Inc., Seiko Precision Inc., Seiko NPC Corporation, Seiko Clock Inc., Seiko Optical Products Co. Ltd., Wako Co. Ltd., Seiko Time Systems Inc., and Seiko Sports Life Co. Ltd.

SEIKO WATCH CORPORATION  
SEIKO INSTRUMENTS INC.  
SEIKO PRECISION INC.  
SEIKO NPC CORPORATION  
SEIKO CLOCK INC.  
SEIKO OPTICAL PRODUCTS CO. LTD.  
WAKO CO. LTD.  
SEIKO TIME SYSTEMS INC.  
SEIKO SPORTS LIFE CO. LTD.

SEIKO HOLDINGS CORPORATION