

Social and Environmental Report 2023



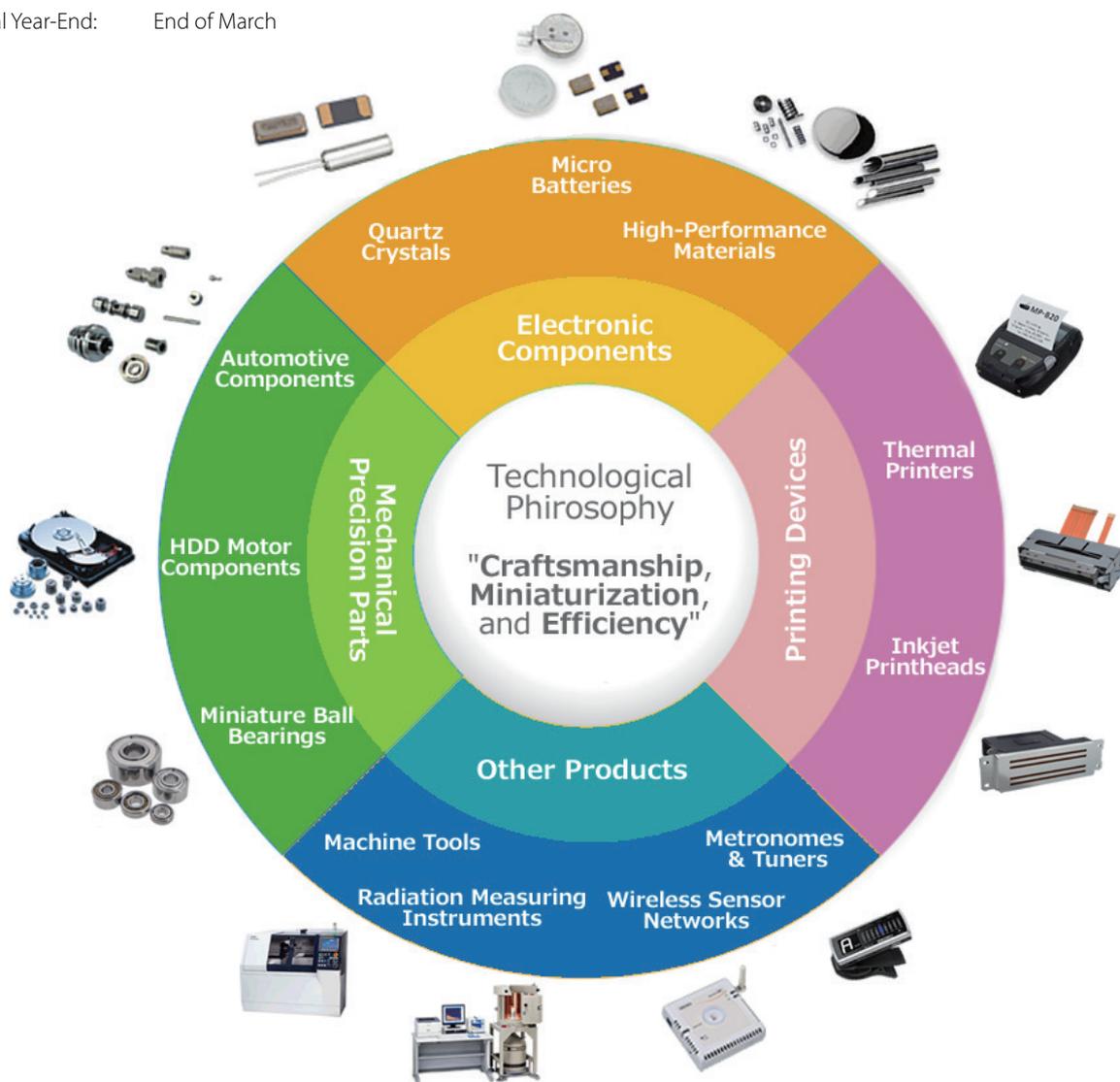
Striving for Coexistence with
Society and Harmony with the Earth

Digest Version

SII Group Overview

Corporate Data

| | | | |
|------------------|--|----------------------|---|
| Corporate Name: | Seiko Instruments Inc. (SII) | Number of Employees: | 613 (nonconsolidated) |
| Established: | September 7, 1937 | | 3,246 (consolidated) as of March 31, 2023 |
| Paid-in Capital: | 9,756 million yen (wholly owned by Seiko Group Corporation) | | |
| Fiscal Year-End: | End of March | | |



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 available on the SII website.
<https://www.sii.co.jp/eco/eg/>

Scope of This Report

- This report covers business units, sales offices, and affiliated companies of Seiko Instruments Inc.
- * The environmental report focuses on the 6 sites in Japan and the 3 sites outside Japan that have obtained ISO 14001 certification. Some of the environmental performance data includes office locations outside Japan.

Period Covered by This Report

FY 2022 (from April 2022 through March 2023)

Contact us

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Message from the President

Tackling social issues throughout the supply chain

Various issues are piling up around us, including global environmental issues starting with climate change, poverty issues, and human rights issues. These issues cannot be left simply to national policies. Companies are helping realize a sustainable society, and we are now in an era in which sustainability management is commonplace.

With this background, SII has taken on various initiatives to solve social issues and created products and services that play a part. However, as the importance of social issues has increased in recent years, SII must move beyond in-house initiatives to further strengthen its efforts throughout the supply chain.

For example, SII has moved forward with in-house energy conservation activities, the creation of energy-saving products, and in recent years, the introduction of renewable energy. However, we plan to call for the cooperation of suppliers in the reduction of greenhouse gas emissions.

Furthermore, there are concerns about human rights violations in raw material collection in the upstream part of the supply chain. The cooperation of suppliers is essential to deal with this issue. SII will strengthen its procurement activities so that it does not unintentionally support human rights violations in its procurement of raw materials.

Through these initiatives, SII will work to solve social issues throughout the supply chain and further contribute to the realization of a sustainable society.



Takahiro Naito
President
Seiko Instruments Inc.

Core Values and Charter of Corporate Behavior

The SII core values, "Integrity, Trust and Appreciation" represent the basic stance of our relationship with society and our stakeholders. SII strives to stand as a company that society and our stakeholders need and trust, all through the ages.

The SII Group's Corporate Social Responsibility (CSR) is at the very root of these core values. We established the SII Group Charter of Corporate Behavior to express our strong will as a company bearing expectations to help create a sustainable society.

Core Values and Corporate Identity

Core Values

Integrity - Trust - Appreciation

Corporate Identity (CI)

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.

Corporate Governance

Governance Structure

SII has adopted a company with a board of auditors as its form of institutional design, and its current structure is as follows (as of June 30, 2023).

Our Board of Directors, consisting of 8 board members, supervises business execution and makes decisions on important matters concerning the SII Group (the term of office of directors is one year). We also introduced the senior vice president system to separate the functions of business execution and supervision, and to improve the speed of business execution.

The Board of Auditors consists of three corporate auditors (including one outside corporate auditor). The corporate auditors audit the execution of duties by the directors by exchanging opinions on information obtained through visits to each business location and other activities. Full-time corporate auditors conduct audits as appropriate by attending important meetings such as the Management Strategy Meeting and the CSR Committee, hearing the status of business execution from the President and Representative Director, holding regular meetings with the management division, and exchanging information with the Internal Audit Division. In addition, SII has established a system that allow us to obtain information necessary for audits, such as by confirming the details of decisions made in electronic meetings.

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

Internal Control System

The internal control system is developed and the status of its operation is reported to the Board of Directors for supervision every year. This is based on the Basic Internal Control System Policy resolved by the Board of Directors. The Board of Directors is regularly informed of the status of risk management and compliance activities, operation of the internal reporting system, and internal audits.

The internal audit divisions conduct internal audits on a regular basis, and the management divisions conduct various other audits.

As for internal control over financial reporting based on the Financial Instruments and Exchange Act, our senior management assesses the internal control of the SII Group and reports to the parent company, Seiko Group Corporation, as one of their subsidiary companies in order to evaluate and report on the internal control over financial reporting of the parent company.

Compliance

SII Compliance System

As our CSR committee carries the function of compliance, it has 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.

Compliance Consultation Services

SII has established the SII Helpline and internal Consultation Service, which is staffed by outside attorneys, for the purpose of early detection and correction of noncompliant acts and to help strengthen compliance management.

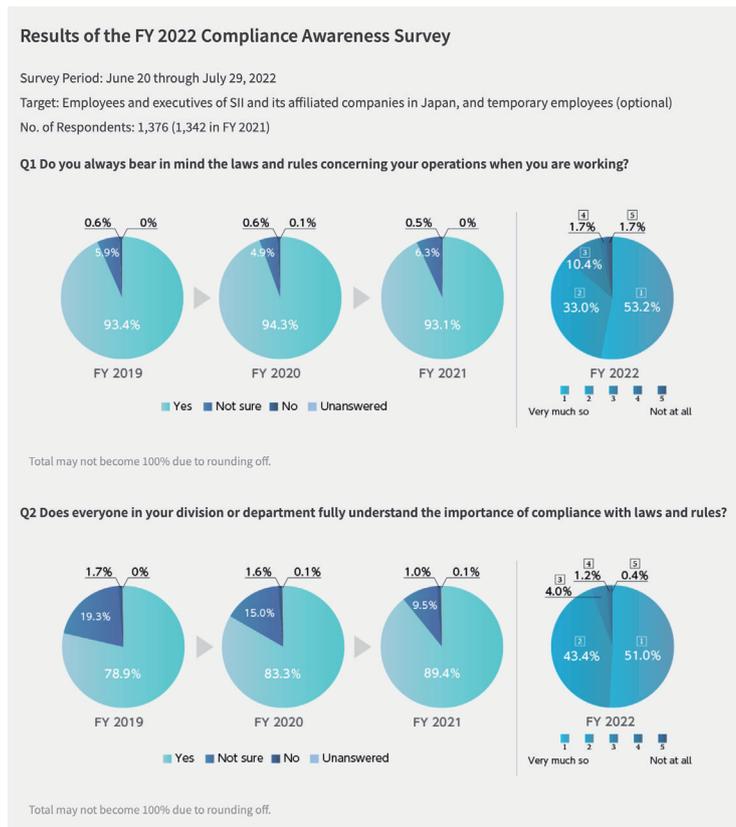
The SII Helpline is open to all retired employees of the SII Group and its companies, as well as business partners of the SII Group, to provide information on non-compliant activities related to the SII Group.

The contents of the reports and consultations are immediately reported to the Chairman of the CSR Committee and the Corporate Auditors, and also to the CSR Committee and the Board of Directors on a regular basis.

There were one report and consultation in the SII Group in FY 2022.

Compliance Awareness Survey

SII continually conducts compliance awareness surveys to check how much the SII Group employees' compliance awareness has been raised and entrenched. The FY 2022 result is as follows. Some questions have been changed from three options to five options since FY 2022 in order to provide a more detailed understanding.



Risk Management

Group-Wide Risk Management Efforts

Under the group risk management system of Seiko Group Corporation, SII promotes company-wide risk management centering on the CSR Committee chaired by the President. The CSR Committee aggregates various risks each fiscal year, identifies risks, evaluates them on a risk map mapping them in terms of impact and likelihood of occurrence, and confirms the progress of risk countermeasures every quarter. In addition, business risk situations are also managed using key performance indicators (KPI), which are monitored regularly at the management meetings.

Also, the status that could be business risks is managed using KPI, Key Performance Indicator, and monitored at the management meetings on a regular basis.

In preparation for large scale disasters, which represent one of the risks, we have provided each employee with a helmet. After a disaster strikes, in anticipation that it may be temporarily difficult for employees to return home due to traffic restrictions and road disruptions, etc., we have systematically prepared water, food, emergency blankets, and other emergency supplies. In addition, we have equipped the head office and each unit with emergency radios so that we can communicate with each other even in the event of a failure of the public communication network.

Business Continuation

SII manufacturing sites implement initiatives to prevent production interruption, aiming to continually provide products even when a risk arises.

The examples of our wide-ranging risk management are operational improvements at the local-working level and radical improvement which requires equipment investment.

We operate a system whereby Group employees, etc., who become aware of the occurrence of a serious accident, etc., report to the President.

Information Security

Our Concepts

SII has been using IT systems to further enhance the technologies of "SYO"ism that it has developed over the years. We also run many IT systems to grapple with the rapidly-changing business environment.

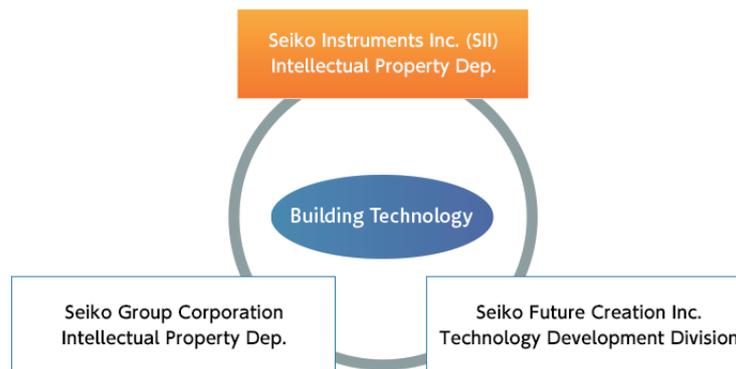
While digital transformation (DX) is being promoted in recent years, the threats, such as information leaks due to cyber attacks on the IT systems that support businesses and fraud using business email, are becoming more widespread and more serious.

SII continues to review and implement information security measures as a key management responsibility in order to protect and maintain the IT system as an important infrastructure.

Intellectual Property Initiatives

Basic Policy and Management of Our Intellectual Property

Regarding intellectual property as an essential resource for business activities, we proactively obtain and utilize our development results as intellectual assets. Based on the mid- to long-term policy to "develop a business culture that respects intellectual property," the Intellectual Property, R&D, and Production Technology Divisions work together to implement intellectual property-related activities to create new business and supporting divisions in cooperation with the Corporate Strategy Division.



Seiko Future Creation Inc. was established on July 1, 2022 as a group company of Seiko Group Corporation, the parent company, with the primary functions of group-wide research and development, production technology development, business support, and new business development across the group. Seiko Future Creation Inc. will strengthen its collaboration with the Seiko Group, and will enhance the building of intellectual property that will contribute to the growth of the Group.

Status of patent applications and patent grants

There were 64 patent applications and 72 grants within Japan in FY 2022. Similarly, the number of patent applications outside Japan was 84, with the order of filing regions being China, the United States, and Europe. The total number of patent grants outside Japan was 65.

At the same time, we have been working to improve the rate of patent grants since FY 2008, with the aim of improving the quality of each application. Although the rate varies from year to year, the rate has been improving, and it is now at a level higher than the overall rate in Japan published by the Japan Patent Office. The rate of patent grants for FY 2022 reached a high level of over 80%.

As for the number of patents held, as of March 2023, the number of patents held within Japan was 572. The patent grants trend outside Japan is similar, with 656 patents held as of March 2023.

Quality Assurance and Product Safety

Our Concepts

In the SII Group Charter of Corporate Behavior, "Article 3: Human rights and human resource development" states as follows.

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

This is the SII Group Basic Quality Policy, which incorporates our strong commitment to achieve customer satisfaction with our product quality as well as meeting high standard of cost, delivery and product safety.

We have established a quality assurance promotion system to embody the policy and have been taking the following basic measures.

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

Quality Assurance that Establishes Security and Reliability

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

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

In case of accidents due to SII products, we report to the senior management within ten minutes, as well as attempt to promptly solve the problem and prevent the recurrence of accidents. After these actions, we share the information throughout the entire Group and deploy activities horizontally.

Communication with Customers

SII Customer Service Center

SII Customer Service Center is committed to providing prompt, accurate and sincere responses to customer inquiries.

Our customers' opinions, requests and complaints are communicated to the relevant divisions, and are used effectively for product and service quality improvement.

In addition, we focus on improving the quality of our after-sales service to attain the higher level of customer satisfaction through product consultation service as well as repair and supply services.

Disclosure of Product Safety and Quality Information

We strive to minimize our customers' disadvantages by promptly and precisely providing SII products' safety, accidents, and important quality information.

Support for Employee Development

Respect for Human Rights

In the SII Group Charter of Corporate Behavior, "Article 3: Human rights and human resource development" states as follows.

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

Including our affiliated companies outside Japan, we have taken steps to further clarify the Basic Policies of Human Rights, reflecting the various cultures and customs of each region. We have thoroughly instructed our personnel to make sure that all actions pertaining to stakeholders are conducted in the spirit of the message of these Basic Policies of Human Rights.

Work/Life Balance

In Japan, SII has established and been continually enhancing a variety of systems which support every employee in balancing their careers and family lives so that they can fully exercise their abilities.

Since FY 2019, we have introduced a system that allows employees to shift their scheduled start and end times within a certain range (work hour shift system). The purpose of this system of flexible work hours regardless of the reasons (i.e., circumstances of childcare or nursing care) is to allow employees the flexibility to enhance their personal lives with other activities such as volunteering or studying. We have also introduced a system that allows employees to work shorter hours for any reason (short-time employee system) and a three-day workweek (short-day work system).

In addition to this, we also have a caregiver leave system that allows for up to three years of caregiving leave for one member of each eligible family, helping them to balance both work and the need for potentially long-term care for their loved ones.

In FY 2022, as in the previous fiscal year, we continued to implement the telecommuting system from the perspective of preventing the spread of COVID-19. In the future, we plan to establish and introduce a telecommuting system for the purpose of work-life balance by labor and management.

Status of Utilization of the Systems (Japan)

| System | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|--------|--------|--------|------------------------------------|------------------------------------|
| Childcare leave | 21 | 23 | 16 | 22 (including 3 male employees) | 17 (including 3 male employees) |
| Short-hours work for childcare | 24 | 22 | 17 | 22 (including 1 male employee) | 19 (including 1 male employee) |
| Elderly nursing care leave | 0 | 0 | 2 | 0 | 0 |
| Short-hours work for elderly nursing care | 1 | 1 | 0 | 0 | 0 |

Safety and Health

Concept of Occupational Safety and Health

SII believes that the basis of a healthy company is formed by maintaining a safe and healthy work environment as well as all the employees' physical and mental well-being.

Based on the "SII Group Occupational Safety and Health Policy" established in 2008, all the SII Group sites work on the prevention of plant and industrial accidents as well as pursue the high safety level to create a comfortable workplace.

Purchasing Activities with Fairness and Integrity

Our Concept of Sustainable Procurement

SII complies with the Seiko Group Procurement Activity Policy of its parent company, Seiko Group Corporation, and in order to realize sustainable procurement, SII strives to practice "Coexistence and co-prosperity with business partners," "Promoting procurement activities with consideration for the environment, society, and governance," and "Fair and impartial evaluation and selection of business partners," as stated in the policy.

Supplier Certification System

SII uses the Supplier Certification Criteria to select fair business partners and build the CSR framework based on the purchasing supply chain.

SII Group Supplier Certification Criteria

- Existing framework to conduct fair and honest business, respect human dignity and achieve coexistence with society
- Stable business condition
- Environmental management system
- Management system for quality and risk management

The Seiko Group formulated Procurement Guidelines that collect the items that suppliers should observe regarding the environment, human rights, labor, society, and other issues in FY 2022 and is moving forward with investigations of application. SII plans to deploy the applications prescribed by the Seiko Group in FY 2023.

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 at 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.

In FY 2021, we carried out voluntary inspections of 8 purchasing divisions in Japan and confirmed there were no violations of the 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 clarifies key suppliers and comprehends manufacturing bases to promptly handle emergency situations in case of disasters like earthquakes. In addition, the division is promoting the selection of alternative suppliers or parts to prevent the interruption of parts supplies.

Conflict Minerals Policy

SII recognizes conflict minerals as being a critical international issue that supports the financing of organizations engaged in human rights violations and/or injustices committed in the Democratic Republic of Congo and adjoining countries.

In March 2012, the "SII Group Conflict Minerals Policy" was established, and we ask our suppliers for their cooperation in prohibiting the use of any conflict minerals.

With Regions and Society

Academic and Technical Advancements

Foundation Advanced Technology Institute

SII contributes to technical advancements as a social contribution through donation and operational support to Foundation Advanced Technology Institute (ATI). As well as bringing together unique and talented researchers and providing opportunities for discussions and exchanges across their respective professional fields, ATI's purpose is also to contribute to the academic and technical development of the next generation in various ways, including providing aid to young researchers. In June 2018, SII received the Medal with Dark Blue Ribbon for contributions to the public interest by way of our contributions to ATI.

Environmental Activities

Tree-planting initiative –Seiko Instruments Forest–

In August 2014, the Makuhari Unit entered into the Cooperative Forest Agreement with the Chiba prefectural government, and is currently carrying out the planting of black pine trees in the Seiko Instruments Forest located along Kujūkuri Beach in Chiba. Weed clearing and ball safety net repair was entrusted to the Chiba Prefecture Forest Owners Association in FY 2022. In April 2023, the agreement was renewed again, and growth of Japanese black pine continues to be watched attentively.



Local Cleanup Activities

Every SII Unit in and outside Japan holds regular cleanup activities around their premises, at roadsides, etc. for contribution to the local community and as part of environmental conservation.

Roadway cleaning was carried out in front of both the Navanakorn and Gateway factories of Seiko Instruments (Thailand) Ltd. A total of 150 employees participated on that day.



Educational Support

Each SII Unit continues to provide factory tours as well as work-study and internship programs for local pupils and students. In August 2022, the Akita Unit accepted two internship students from a local high school. After a company presentation, the two students experienced actual inspection work in the inspection process.

Community Activities

Fifteen employees of Seiko Instruments (Thailand) Ltd. visited a local elementary school (Lychee Uthit School) and donated learning materials.

Seiko Instruments (Thailand) Ltd. also held two blood drives at its Gateway plant, with a total of 42 people participating.



SII Environmental Vision

On the occasion of SII's 80th anniversary in 2017, we have formulated an "Environmental Vision"^{*1} that looks to the future of environmental management from SII's perspective.

It highlights SII's direction based on achieving a sustainable society by coexistence with nature, low carbon, and material cycle.

In 2022, the idea was changed from low carbon at the time of formulation to decarbonization. In addition, SII is working to achieve a decarbonized society in compliance with the long-term targets for reducing greenhouse gas emissions established by its parent company, Seiko Group Corporation.

[Greenhouse gas emissions reduction target]^{*2}

2030

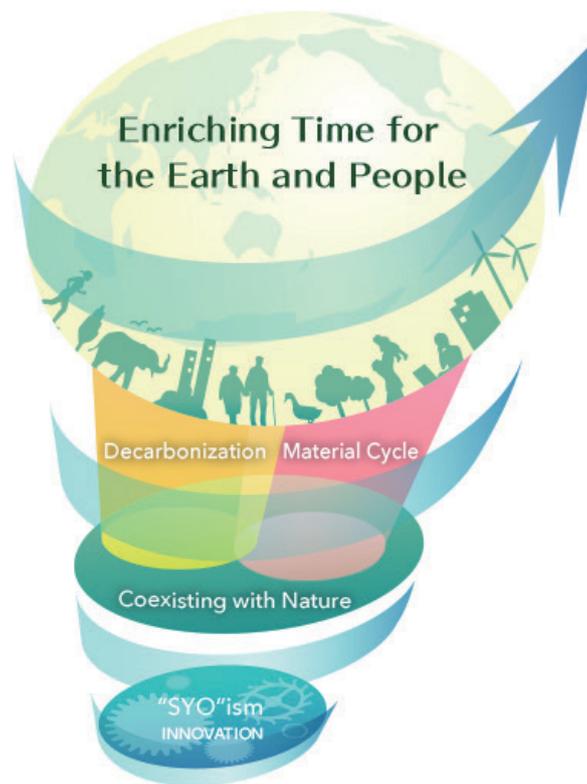
Scope 1 & 2: 42% reduction from 2020 level

Scope 3: 25% reduction from 2020 level

Aim to achieve carbon neutrality by 2050.

^{*2} Based on the 1.5 °C level of SBTi (Science Based Targets), a science-based greenhouse gas emissions reduction target operated and promoted by SBTi (Science Based Targets initiative).

SII Group Long-term Vision Sustainable Society in which SII Believes



*1 Detail of Environmental Vision

SII was founded in 1937 as a watch manufacturer, and its corporate identity is "Creating Time, Optimizing Time, Enriching Time". As a corporation focused on "time," we pursue the creation of a sustainable society by "enriching time for the Earth and people." This means that SII is making a commitment to "enriching time" that the Earth and people are enjoying, and we hope that enriched "time," which also involves sustainability, will continue into the future.

Innovation is essential for our Environmental Vision, and it cannot be actualized if we continue to work as we have done in the past. However, SII has led in the area of technological innovation to create quartz watches, and has developed new businesses by harnessing its "SYO"ism* technology that has been honed by the processes involved in SII's well-established history of watchmaking. In April 2020, the watch business was transferred to Seiko Watch Corporation as part of the restructuring of the Seiko Holdings Group (now Seiko Group).

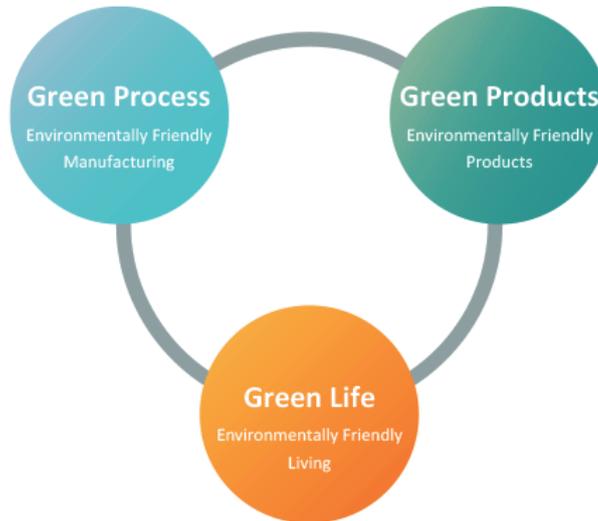
We remain committed to pursuing innovations by leveraging our "SYO"ism technology and strive to make a contribution to achieving enriched, sustainable time.

* "SYO"ism signifies three keys of our technological philosophies: "Craftmanship," "Miniaturization," and "Efficiency."

Green Plan and Environmental Policy

SII Green Plan Concept

The SII Group 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.



SII Group Environmental Policy

SII had previously established an environmental policy for the SII Group, but when the Environmental Policy of its parent company, Seiko Holdings Corporation (now Seiko Group Corporation), was revised in November 2021, SII decided to comply with Seiko Holdings Corporation's Environmental Policy.

Environmental Policy

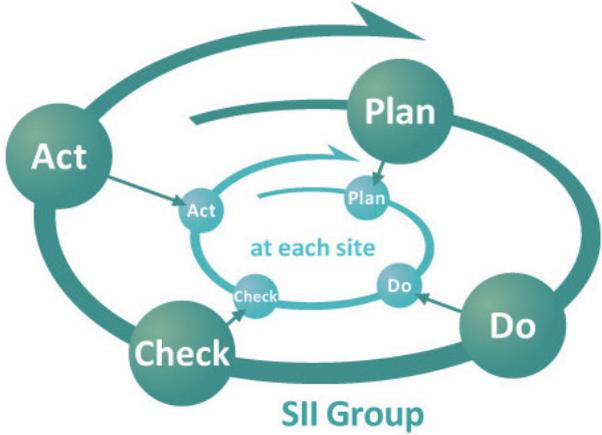
The Seiko Group recognizes that the preservation of the global environment is one of the most important issues in the world today. We will constantly strive to help realize a sustainable society that will benefit everyone.

1. We are committed to a wide range of environmentally responsible activities, and we will continue to make unceasing efforts to improve our environmental performance, thereby providing increased value for all our stakeholders.
2. We not only comply with all relevant laws and regulations, but also go far beyond legal compliance in our efforts to reduce environmental risks and prevent pollution.
3. Being acutely aware of the part we have to play in mitigating climate change, we are working hard to reduce greenhouse gas emissions.
4. Because we recognize the limits of our precious natural resources, we are increasing our efforts to reuse and recycle every resource possible.
5. We are also working to preserve biodiversity, recognizing that our business activities inevitably affect surrounding ecosystems, and that we also benefit from the health and diversity of those systems.
6. We rigorously ensure proper management of all chemical substances used in production as well as any that are contained in our finished products.
7. We consider the environment throughout the entire life cycle of our products. We are proud that our products and services actively contribute to environmental conservation.
8. Environmental responsibility starts as a management imperative, but to effectively carry out that mission requires the understanding and cooperation of every employee throughout our Group. With that in mind, we are working to raise everyone's environmental awareness so that all of us can work together to protect and nurture our natural environment.
9. Transparency is another part of our social responsibility. We are therefore promoting active disclosure of material information about our environmental activities and promoting increased communication with local, regional, and global stakeholders.
10. In order to derive maximum benefits from these policies, we establish clear environmental targets and strategies to attain them. Then we steadily improve our efforts by constantly re-examining both our targets and our progress towards achieving them.

Environmental Management System

Environmental Management System

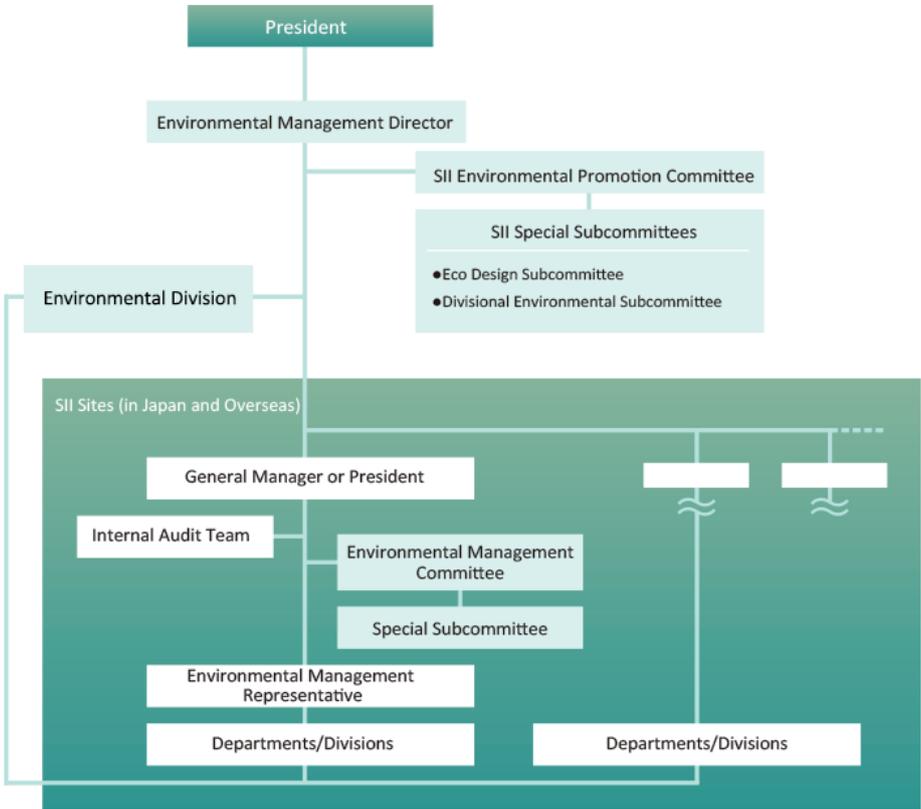
We established the environmental management systems in compliance with ISO 14001 at each site and throughout the Group. The Plan-Do-Check-Act cycle has been steadily implemented to improve our environmental performance. Our mid-term and annual goals are established based on the "SII Group Environmental Policy," and pursued by the environmental management system at each site. The Environmental Division at the head office operates the entire SII Group environmental management system and achievements of each site are reported on a regular basis.



Environmental Management Framework

SII established the environmental management system consisting of the SII President as well as the Environmental Management Director serving as a chief executive. Having two organizational structures on a unit and divisional basis, the Environmental Division at the head office cooperates with each unit and division and takes a leading part in addressing their issues.

The SII Environmental Promotion Committee deliberates on the SII Group’s mid-term plans, reports on activities from each site



and exchanges information, and confirms the steady promotion of environmental activities throughout the Group. The FY 2022 committee meeting was held as scheduled using the web conferencing tool as in FY 2021.

Eco-friendly Products that Contribute to Environmental Conservation

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

The basic concept of SII environmental management is the "Three Green" concept: Green Process, Green Products, and Green Life.

Among these, Green Products (in other words, creating eco-friendly products that can contribute to environmental conservation) are a manufacturer’s mission. We keep evolving based on the SII’s technological philosophy of "SYO" ism.

SII Green Products

SII introduced the SII Green Product Label System in December 2001 and the SII High Grade Green Product Label System in October 2006, which have ensured the Improvement of environmental performance of our own products.

Green Products plus

In addition to improving the environmental performance of our own products, 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" is called "Green Products plus," and we have been focusing on developing the products and services.

Expansion of Scope
— Software and Services—

In addition to hardware products such as equipment and components, the scope of the SII Green Products certification system has been expanded to include software and services.



Climate Change

In order to achieve a decarbonized society, companies have an increasingly important role and responsibility to play. At the same time, the risks to business due to climate change, such as the frequent occurrence of natural disasters, have been increasing year by year.

SII has been striving to reduce greenhouse gas emissions through all of our business activities, including energy-saving activities at our manufacturing sites as well as the products and services our subsidiaries and affiliates provide. While continuing these activities, we will further strengthen our efforts toward decarbonization by introducing renewable energy and other measures.

FY 2022 Overview

While SII was able to reduce energy consumption at domestic production sites through these initiatives in FY 2022, greenhouse gas emissions increased slightly, such as fluorocarbons. SII greatly reduced greenhouse gas emissions at overseas production sites. This was due to the expansion of renewable energy use and a reduction in production.

Greenhouse Gas Emissions by Scope [Total of sites in and outside Japan]

| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|--------------|---------------|---------------|---------------|---------------|---------------|
| Scope1 | 4,012 | 4,057 | 3,636 | 4,166 | 4,063 |
| Scope2 | 87,253 | 86,115 | 55,235 | 56,479 | 52,583 |
| Total | 91,264 | 90,172 | 58,872 | 60,645 | 56,646 |

*There are some items that do not add up to the total due to fractional processing.

Resource Circulation

For manufacturers who use resources to provide products and services, resource recycling is an important management issue, and the responsibility to form a “recycling-oriented society” is becoming more and more important.

SII uses many resources such as mineral resources, plastics, and biological resources like wood and paper as materials for products, and chemical substances and water resources in the production process. We strive to make effective use of resources and reduce waste not only in manufacturing and sales, but also throughout the entire life cycle of our products, from raw material extraction to disposal and recycling.

We strive to thoroughly implement waste reduction by extending the service life of products and making them smaller and lighter, and recycling by using recycled materials and recycling resources.

Waste

FY 2022 Overview

In FY 2022 as well, SII worked hard on a stable resource cycle based on the 3Rs, for example, by improving the number of items acquired from materials, downsizing products, and reusing cleaning agents.

The amount of waste generated at domestic sites was roughly the same as the preceding fiscal year. At domestic sites, roughly 80% of waste is general waste, sludge, waste plastic, and scrap metal. At overseas sites, scrap metal was reduced due to a reduction in production, and the amount of waste generated was reduced by 8%.

Water Use

FY 2022 Overview

Recognizing that water is a precious natural capital, SII is working on the 3Rs of water resources. In addition to reducing water consumption itself, we are also working to recycle water used in the manufacturing process.

In FY 2022, we reduced water consumption by 7% at sites in Japan and by 10% at overseas sites compared to the previous year.

Conservation of Biodiversity

The SII Group's business activities depend, to some extent, on ecosystem services. We consider biodiversity conservation to be a key issue of 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 conservation of biodiversity. Each site is promoting biodiversity activities tailored to the characteristics of the sites, such as biodiversity-conscious land use, planting activities, and collaboration with stakeholders, with the aim of realizing a “society in harmony with nature.”

FY 2022 Overview

SII's goal is to contribute to the realization of a society in harmony with nature—a place of business in harmony with living things. SII works hard from the point of views of attention to biodiversity at the plant grounds, attention to biodiversity with products, and coordination with stakeholders.

In FY 2022 as well, SII worked hard on considerations for biodiversity at the plant grounds based on the SII Group Land-use Guidelines on the Conservation of Biodiversity. SII made progress with the visualization and understanding of biodiversity, for example, by surveying the creatures living on the grounds and sharing these survey results in-house. SII continually worked on product considerations based on the green product system. For the coordination with stakeholders as well, SII also worked hard to nurture Japanese white pine .

Assessment of Land Use

Greening Activities and Flower Bedding

At the two factories of Seiko Instruments (Thailand) Ltd., a total of 320 trees were planted as part of greening activities for the factory grounds. The employees themselves planted five types of seedlings, with an emphasis on *dalbergia cochinchinensis*. SII will watch the growth of the trees attentively as it promotes greening in the future. Furthermore, these activities are intended to contribute to a reduction in greenhouse gases through the CO₂ absorption of the trees.



Chemical Substances Control

It is an important responsibility for companies to not only correctly and safely control chemical substances, which can cause environmental pollution and accidents, but to take measures to reduce their environmental impact by reducing their use and substituting safer chemical substances. Each SII site that uses chemical substances conducts appropriate control and reduction activities as well as ongoing education and training on chemical substance control.

FY 2022 Overview

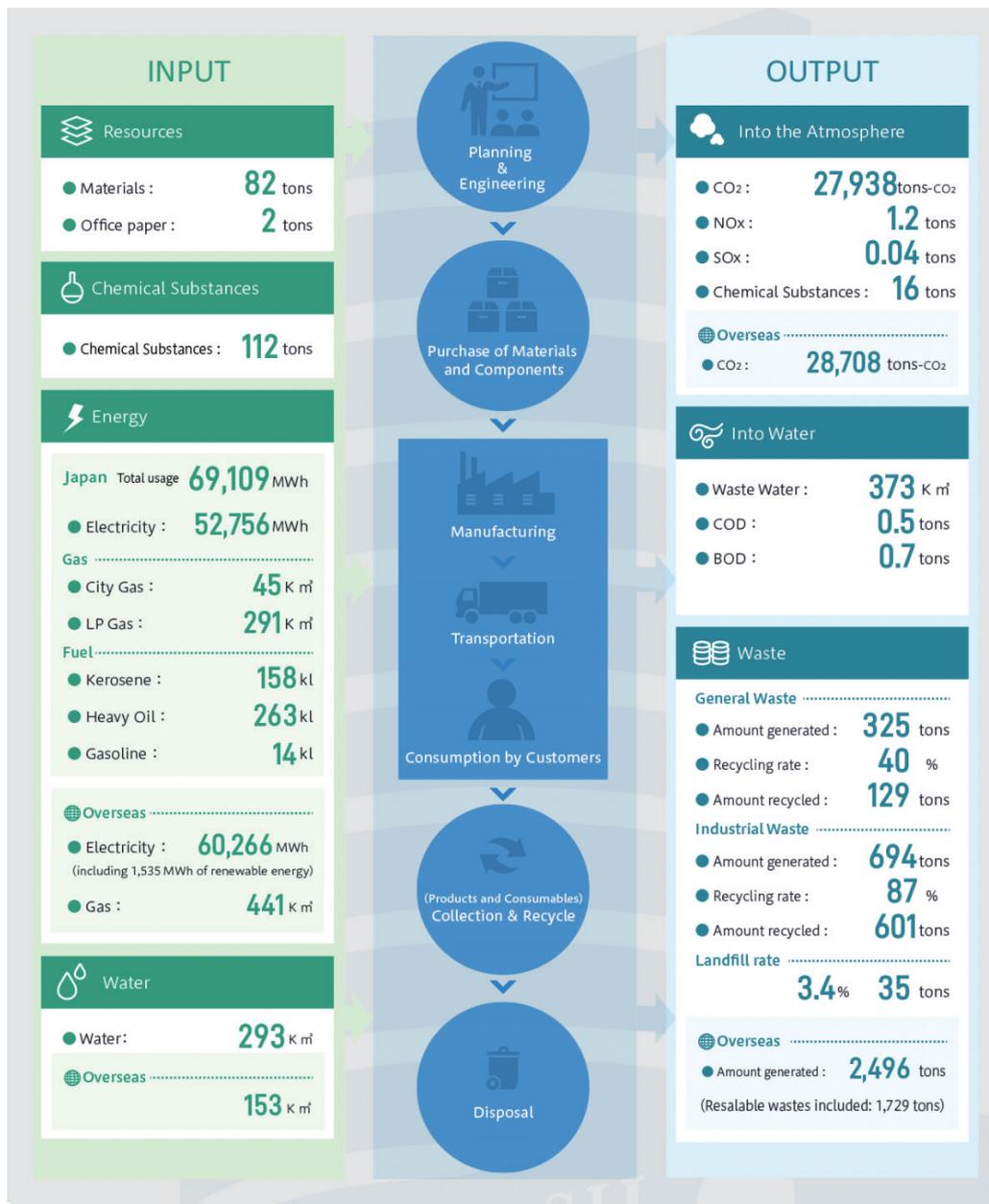
The FY 2022 total emission of chemical substances subject to control in manufacturing process^{*1} was 16.3 tons, which was approximately 7.8 tons less than the total for FY 2021. The amount of PRTR^{*2} substances handled was 49.1 tons, which was 13.5 tons less than the amount for FY 2021. The increase is largely due to increased production.

^{*1} Of the chemical substances used in manufacturing processes, in addition to substances subject to the PRTR system, each domestic SII site aims to manage a reduction in the emission amounts of self-managed substances independently specified by SII (23 substances) and volatile organic compounds (VOCs)(100 substances).

^{*2} PRTR (Pollutant Release and Transfer Register): This system is designed to assess, gather, and disclose data on the volume of chemical materials handled, amounts released into the environment, and volumes transferred in waste materials to points outside the site locations. Companies collect data on the relevant substances and report them to the appropriate government agency once a year.

Business Activities and Environmental Impact

The SII Group believes that understanding environmental impact properly throughout the product life cycle is the basic practice of environmental activities. The overview of FY 2022 environmental impact is explained below.



| INPUT | |
|----------------------|---|
| Packaging: | Plastics and paper to be recycled according to the Law for Promotion of Sorted |
| Office Paper: | Paper for printers and copiers |
| Chemical Substances: | PRTR hazardous chemical substances, HFCs, PFCs, SF ₆ , NF ₃ and VOC |
| Electricity: | Power purchased from electric companies |
| Gas: | City gas and LP gas |
| Fuel: | Kerosene and heavy oil |
| Water: | Tap water, industrial water and groundwater |

| OUTPUT | |
|----------------------------------|---|
| CO ₂ : | Japan: Includes CO ₂ emissions from energy and HFC emissions from CFC leakage. No emissions of HFCs, PFCs, SF ₆ , and NF ₃ in the manufacturing process, although these are subject to control. Overseas: Does not include CO ₂ emissions from energy and greenhouse gas emissions other than CO ₂ emissions from energy. (Not subject to control) |
| NOx: | From use of gas and oil |
| SOx: | From use of oil *NOx and Sox figures represent business units installing soot and smoke emitting facilities which are regulated by the Air Pollution Control Law. |
| Chemical Substances: | PRTR hazardous chemical substances, HFCs, PFCs, SF ₆ , NF ₃ and VOC discharged into the atmosphere and water |
| Waste Water: | Released into rivers and sewer systems |
| COD (Chemical Oxygen Demand): | Pollution load *Limited to the business units subject to the regulations in the Water Pollution Control Law covering the total pollution amount |
| BOD (Biochemical Oxygen Demand): | Pollution load *Limited to the business units installing specified facilities as prescribed by the Water Pollution Control Law |
| General Waste: | Paper and food wastes generated by or as a result of industrial operations |
| Industrial Waste: | Waste oil, acid, alkali, plastics, ash, sludge, and other materials generated by or as a result of industrial operations |
| Final Landfill Rate: | The ratio of the landfill amount to the total waste amount |

CSR Targets and Results

Our major CSR activities carried out in FY 2022 are as follows.

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

Compliance

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|---|--|------------|--|
| Continue to implement the regular on-line compliance quizzes - Continue to update Dr. Compliance's Word and Quiz of the Day every business day - Implement the compliance quizzes regularly once a year | Conducted from December 2022 to January 2023 | ○ | Conduct on-line compliance test (Compliance Quiz) (once/year) |
| Continue the educational activities to senior management on compliance awareness (every quarter) | Posted almost every business day | ○ | Post a section of the basic compliance rules and a question from past compliance quizzes (Dr. Compliance's Word and Quiz of the Day) on the company intranet (once per business day) |
| Conduct the periodic compliance awareness survey (annually) | Conducted from June to July 2022 | ○ | Conduct the compliance awareness survey (once/year) |

Cases reported to the SII helpline and processed by the consultation service: **1**

Risk Management

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|---|---|------------|--|
| Continue to implement and promote the group-wide risk management activities | Implemented PDCA for evaluation and management of key risks | ○ | Continue to implement and promote the risk management activities |

Intellectual Property

The number of SII's patents In Japan: **572** Outside Japan: **656**

Customer Satisfaction

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|--|---|------------|--|
| Continue the efforts for customer satisfaction improvement | Continued the efforts for customer satisfaction improvement | ○ | Continue the efforts for customer satisfaction improvement |

Quality Assurance and Product Safety

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|--|--|------------|---|
| Product safety check: Conduct the check on the target products for 100% | 100% implemented | ○ | Product safety check: Conduct the check on the target products for 100% |
| Operation process check: Conduct both on-site and remote checks. (For overseas locations, use documented checks based on travel restrictions.) | On-site checks were conducted at the sites in Japan. Remote checks were conducted at overseas locations to comply with travel restrictions. | ○ | Operation process check: Conduct for design and development divisions in Japan, primarily through on-site checks. |

Respect for Human Rights

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|---|---|------------|------------------|
| Creation of a human resources map for sites outside Japan: Since the COVID-19 pandemic is expected to continue, only the job maps of sales companies are scheduled to be completed (Target: Sales companies) - Create a job category map for 4 sales companies - Create a skill map for 2 manufacturing companies | - Job category maps completed - Skill maps completed | | — (End of theme) |

Childcare leave taken by **17** employees Short-hour work for childcare taken by **19** employees

Safety and Health

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|---|--|------------|---|
| The SII Group comprehensive safety inspection (self-inspection): - Conduct the inspection at all sites in Japan and at manufacturing sites outside Japan | Conducted the inspection at all sites in Japan and at manufacturing sites outside Japan, and take corrective action at each site *On-site audit was postponed due to COVID-19 | | The SII Group comprehensive safety inspection (self-inspection): Conduct the inspection at all sites in Japan and at manufacturing sites outside Japan *On-site audits will be conducted based on each country's response to COVID-19 |
| Implementation rate for the specific health checkups: 89.0% | 89.6%* | | 91.0% |
| Implementation rate for the specific health guidance: 53.3% | 23.0%* | | 55.1% |

* Projected values as of June 2023

Coexistence with Society

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|--|---|------------|---|
| Local contribution activities: Continue at each site | Carried out local cleanup activities, contributions, tree planting activities, etc. | | Continue the local contribution activities at each site |

Purchasing Activities with Fairness and Integrity

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|--|------------------------------|------------|--|
| Continue the implementation of supplier certification system | Continued the implementation | | Continue the implementation of supplier certification system |

Creation of Eco-friendly Products

| FY 2022 Target | | FY 2022 Results | Evaluation | FY 2023 Target |
|--|---------------------------------------|-----------------|---|--|
| Increase the sales rate of Green Products | 95% or more for the entire SII | 98.5% |  | Maintain the rate at 95% or more for the entire SII |
| Increase the number of High Grade Green Products | (Ascertaining the results) | 1 | — | (Ascertaining the results) |

Control of Chemical Substances Contained in Products

| FY 2022 Target | | FY 2022 Results | Evaluation | FY 2023 Target |
|---|--|----------------------------|---|--|
| Ensure products free of cadmium, hexavalent chromium, mercury, and lead | Maintain the rate of products free of the substances concerned at 95% or more ^{*1} | 96.3% |  | Maintain the rate of products free of the substances concerned at 95% or more ^{*1} |
| Ensure products free of phthalate esters | Ensure the rate of products free of phthalate esters at 95% or more ^{*2} | 98.2% ^{*3} |  | Ensure the rate of products free of phthalate esters at 95% or more ^{*2} |

*1 Completed the elimination by the end of May 2006 for products to be sold in the EU.

*2 The control of phthalates, DEHP, DBP, and DIBP, is subject to the products to be shipped to countries outside Japan.

*3 Completed the elimination by the end of May 2019 for products to be sold in the EU (for products subject to compliance with laws and regulations).

Climate Change

| FY 2022 Target | | FY 2022 Results | Evaluation | FY 2023 Target |
|---------------------------------------|---------------------------|--|------------|----------------------------|
| Reduction of greenhouse gas emissions | -8.4% from FY 2020 | Total amount: 56,646 tons-CO ₂ -3.8% from FY 2020 | — | -12.6% from FY 2020 |

*1

* For fuels, the "calorific value by fuel type" and "emission factor for fuel use" of the Law Concerning the Promotion of the Measures to Cope with Global Warming are used.

* For electricity, the "emission factor by electric utility" in the Law Concerning the Promotion of Measures to Cope with Global Warming is used.

* For hot and cold water, emission factors provided by suppliers are used.

* From FY 2020, tenants, stores, warehouses, etc. were added to the scope of calculation. Company vehicles are also included.

* For stores and warehouses where the amount of electricity used cannot be specified, the amount of electricity is estimated from the floor area.

Resource Circulation

| FY 2022 Target | | FY 2022 Results | Evaluation | FY 2023 Target |
|--------------------------------------|---|---|------------|---|
| Improve the recycling rate of wastes | Maintain the current status at sites in Japan | 72% | — | Maintain the current status |
| | Improve by 3 points from FY 2021 at overseas sites | 69% | — | +3 points from FY 2022 at each overseas site |
| Reduce water use | Maintain the current status at sites in Japan | 293 K m ³ -7% from FY 2021 | — | Maintain the current status |
| | Reduce by 1% from FY 2021 at each overseas site | 153 k m ³ -10% from FY 2021 | — | -1% from FY 2022 at each overseas site |
| Reduce office paper use | Reduce by 3% from FY 2021 at overseas sites | 5 tons -16% from FY 2021 | — | -3% from FY 2022 at each overseas site |

Chemical Substances Control

| FY 2022 Target | | FY 2022 Results | Evaluation | FY 2023 Target |
|--|---|--|------------|---|
| Reduce the amount of emissions of chemical substances* | Maintain the current status at sites in Japan | 16 tons -32% from FY 2021 | — | Maintain the current status at sites in Japan |

* Chemical substances subject to control at SII: PRTR hazardous chemical substances, HFCs, PFCs, SF₆, NF₃ and VOC.

Biodiversity

| FY 2022 Target | FY 2022 Results | Evaluation | FY 2023 Target |
|---|---|--|---|
| <ul style="list-style-type: none"> - Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity - Continue to visualization and PR of biodiversity conservation activities at each site | <ul style="list-style-type: none"> - Continued to implement the initiatives - Reported the activities using the site reports of each site |  | <ul style="list-style-type: none"> - Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity - Continue to promote visualization and PR of biodiversity conservation activities at each site (In particular, work on introduction of wildlife at business sites) |

- Three units in Chiba continue the Supporters for Conserving the Strain of Japanese White Pine (*Pinus Parviflora*) under the Chiba prefecture's project, monitor the growth, and make periodic reports to Chiba prefecture
- Ohno Unit continues the Biodiversity monitoring members of Ichikawa City and conducts the monitoring of indicator organisms



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