

Social and Environmental Report 2019



Striving for Coexistence with  
Society and Harmony with the Earth

Digest Version

# SII Group Overview

## Corporate Data

Corporate Name:	Seiko Instruments Inc. (SII)	Annual Sales (FY 2018):	61,600 million yen (nonconsolidated)
Established:	September 7, 1937		83,600 million yen (consolidated)
Paid-in Capital:	9,756 million yen	Number of Employees:	936 (nonconsolidated)
Fiscal Year-End:	End of March		6,878 (consolidated) as of March 31, 2019



### 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.  
<http://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 report focuses on the efforts and achievements made by nine sites in Japan and seven overseas sites, which obtained ISO 14001 certification.
- \* The various types of data contained in this report essentially include the semiconductor business that was spun off from the SII Group in January 2018.

### Period Covered by This Report

FY 2018 (from April 2018 through March 2019)

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## Message from the President

### Taking hold of new business opportunities to bring about a rich future

The United Nations, the governments of each nation, corporations, NGOs, and other major groups are all accelerating their efforts to resolve the environmental problems that we now face on a global scale. For example, in response to the Special Report on Global Warming of 1.5°C published by the Intergovernmental Panel on Climate Change (IPCC) in October 2018, many countries have set a goal to reduce the amount of CO<sub>2</sub> emissions to zero by 2050 and are currently taking measures to achieve that goal. Additionally, to tackle the problem of marine plastic pollution, efforts to abolish disposable plastic products are spreading throughout the world.

In regard to such growing awareness of global environmental issues and demands for action, we take our responsibility as a business very seriously. At the same time, we also consider that taking these social movements as a new opportunity to create new technology, new products, and new business is important for our company's growth. We have a strong awareness of the importance of environmental considerations, particularly from a lifecycle perspective, and our contributions to the resolution of social issues as represented by our sustainable development goals (SDGs).



As a manufacturer, the SII Group has been engaged in environmental preservation activities from an early stage. Furthermore, in our pursuit of miniaturization, high precision, and low-power consumption of various products, using the skills and technology of Craftsmanship, Miniaturization, and Efficiency that we have cultivated through watch manufacturing and that are our corporation's DNA, we have been producing environmentally friendly products and products that can contribute to a better environment. While continuing to advance our skills and technology in Craftsmanship, Miniaturization, and Efficiency to meet the needs of the times, we will also advance our overall business activities, including not only development and manufacturing but also marketing, sales, and management, with the desire to help resolve various social issues.

To this end, we want each of our members to proactively take on environmental issues and other social issues as issues that are relevant to themselves.

In this regard, I myself will take the lead and work together with our company members in striving to bring about the rich future of a sustainable society that the SII Group is aiming for.

A handwritten signature in black ink, consisting of stylized, flowing characters that appear to be 'TK' followed by a long horizontal stroke.

Tetsu Kobayashi, 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.

## CSR Committee Activities

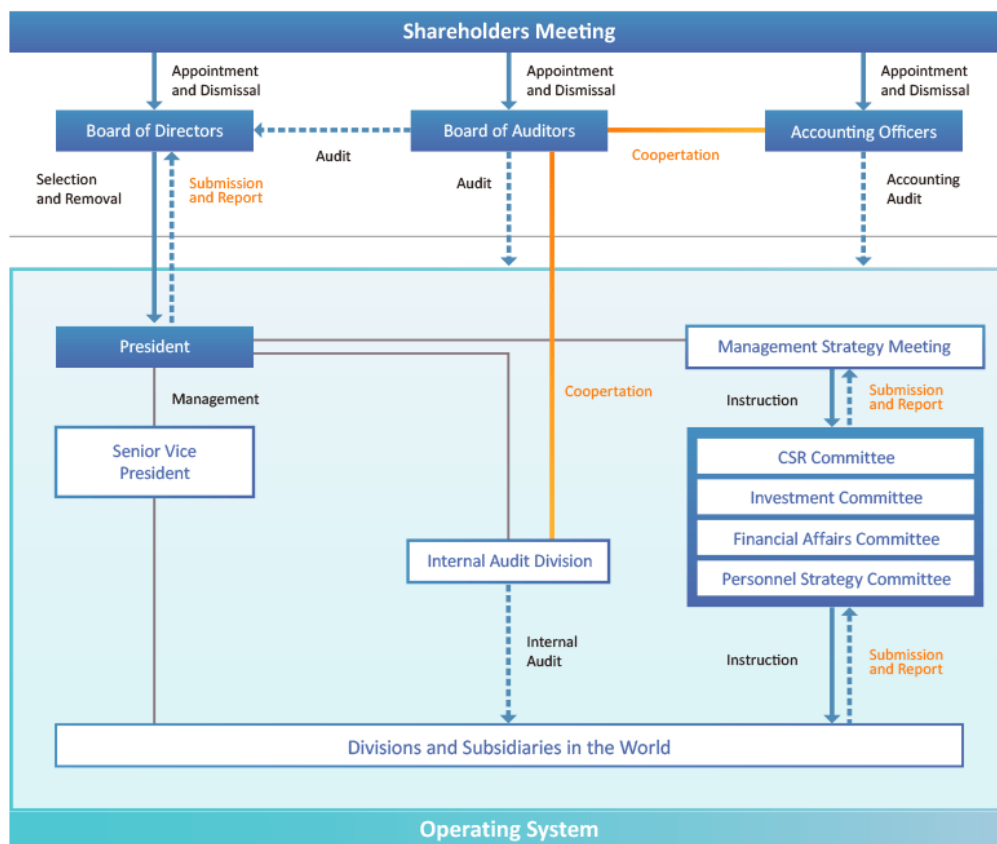
In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. SII has established a CSR Committee comprised of the President, who serves as the Chairman, and the managers at our head office, who serve as members of the standing committee.

It discusses and decides important issues and matters that are derived from the promotion of CSR activities, including compliance and risk management, and reports their performance to senior management on a regular basis.

## Corporate Governance

To live up to the trust of our stakeholders, we focus on transparency and fairness in our management as an important business priority and strive to enrich our corporate governance to improve our corporate value.

SII has adopted the status of a company with a Board of Company Auditors.



### Internal Control System

At SII, the internal control system is developed and the status of its operation is reported to the SII Board of Directors for supervision every year. This is based on the "Basic Internal Control System Policy" resolved by the Board of Directors.

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

In terms of internal audits, the Internal Audit Division performs periodic audits and the management divisions conduct various kinds of audits on a regular basis.

## 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

The SII Helpline has been set up for consultation with an outside attorney upon discovery of a violation of compliance.

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

Eight cases were reported to the SII helpline and processed by the consultation service in FY 2018.

## Risk Management

### Group-Wide Risk Management Efforts

At SII, the CSR Committee with the President serving as the chairman plays a central role in promoting across-the-board risk management. The committee aggregates information on various types of risks including potential ones in advance and identifies risks to be controlled every fiscal year. The risks are evaluated and sorted according to their severity and frequency, and the progress of relevant countermeasures is checked every quarter. Critical risks of the fiscal year are reported to the Board of Directors on a regular basis. The CSR Committee met six times in FY 2018.

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.

Upon occurrence of a large-scale disaster which is one of the risks, it could be difficult for employees to go home at least temporarily due to closedown of transportation. Therefore, we have prepared water, food, bedding, and other emergency supplies.

### Risk Management in Continuing Business

SII manufacturing sites conduct risk management 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.

# Information Security

## Our Concepts

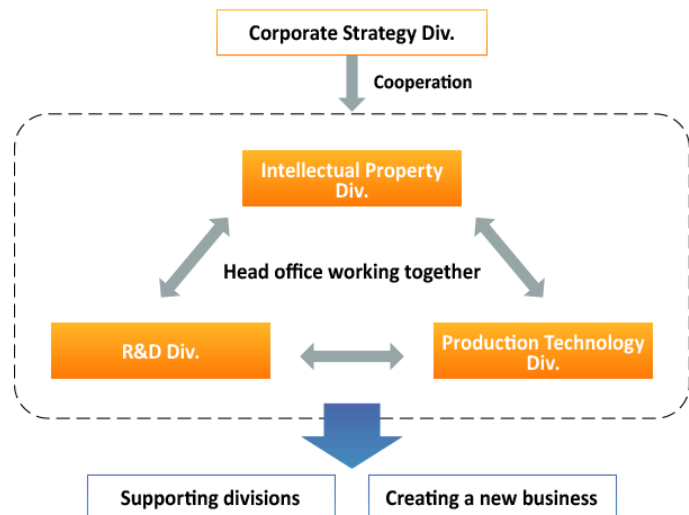
SII began using information and communications technology (ICT) to further enhance the technologies of "SYO"ism that it has developed over the years. We also run many information systems to grapple with the rapidly-changing business environment. As ICT has become deeply rooted in corporate activities, the threats associated with ICT including virus infection and information leakage caused by cyber attacks have also extended to a broad range of activities.

SII regards all information on networks inside and outside the company, as well as information systems including computers and networks, as significant assets of the Group. We recognize that management has an important responsibility to ensure the information security to maintain these assets.

# 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.



## Status of patent applications and patent grants

SII's technology development originated from watch manufacturing based on its patented technology.

In FY 2018, the number of our patent applications within Japan was 199<sup>\*1</sup> and the applications outside Japan was 187<sup>\*1</sup>. For patent grants in Japan, we improved the patent grant rate from FY 2008, acquired rights, and greatly increased the number of patents. In March 2019, the number of patents reached 1,550<sup>\*2</sup> and the patent grants outside Japan were 1,384<sup>\*2</sup>. The overall numbers of patent applications and patent evaluations have decreased due to business divisions restructuring, however, our applications for patents and acquisition of rights are active in the ongoing divisions.

<sup>\*1</sup> The semiconductor business was spun off from the SII Group in January 2018. The number of applications made for the semiconductor business in FY 2018 is excluded.

<sup>\*2</sup> The number does not include the semiconductor business that was spun off from the SII Group.

## Quality Control and Product Safety

### Our Concepts and SII Group Basic Quality Policy

SII deploys a wide range of quality assurance activities across the board from customers' viewpoints to ensure that our customers use our products safely with a sense of security.

"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.

### Support for Career Development

SII is focusing on developing independent and self-responsible human resources who can establish their own careers and missions.

An "in-house recruitment system," a "free-agency system," and an "open study abroad system" were established to respect each employee's goals and to support expansion of the range of career choices available to them.

### Work/Life Balance

In Japan, SII has established 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. Notably, our elderly nursing care leave system ensures employees to take 3 years leave for each family member.

In regard to our hourly leave system, from April 2017 we switched from the conventional two-hour unit to a one-hour unit, enabling greater flexibility. Furthermore, in May 2019 we implemented a time-shift system for work hours.

### Status of Utilization of the Systems (Japan)

System	FY2014	FY2015	FY2016	FY2017	FY2018
Childcare leave	26	33	22	18	21
Short-hours work for childcare	29	35	38	27	24
Elderly nursing care leave	0	0	0	0	0
Short-hours work for elderly nursing care	0	0	1	1	1

## 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 CSR in Supply Chain

Cooperation from our suppliers is essential for SII to fulfill our social responsibilities. The SII Group Purchasing Policy stipulates "Enhancing our partnerships with suppliers," and we seek to improve the level of CSR together with our suppliers based on fair and honest transactions.

### Purchasing Policy

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

#### Purchasing Policy

1. Pursuing minimum costs.
2. CSR
  - a) Strengthening compliance.
  - b) Promoting Green Purchasing.
  - c) Risk management
3. Enhancing the partnership with suppliers.
4. Reforming and reinforcing our purchasing function and items listed above.

### 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

We reviewed our Supplier Certification System in FY 2015, and have taken action for the CSR requirements and have entrenched the smooth assessment.

## 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.

#### Mechanical Watch Seminar

Morioka Seiko Instruments Inc. sponsors a seminar that provides the public with an opportunity to participate in a hands-on mechanical watch assembly workshop. This seminar was launched in 2007 with hopes of increasing interests in watches and inspiring more mechanical watch enthusiasts. A total of 212 people have joined the seminar up to now. The 12th seminar was held in FY 2018 and 15 participants experienced and enjoyed disassembling and assembling mechanical watches.



### 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. Working as volunteers, company personnel planted 300 black pine trees in March 2015 and another 170 in March 2017, and SII has commissioned the Chiba Prefecture Forest Owners' Cooperative Association to care for the trees (cutting grass, repairing protective netting, etc.). This agreement was renewed in April 2018, and in February 2019 soil was added to the site to reinforce the ground. SII will continue to watch over the growth of these black pine trees and has plans to carry out even more tree-planting activities in the future.



### Educational Support

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

SII Watch Technical Training and Education Center in MakuHari Unit has accepted 12 junior high school students in Chiba prefecture for work-study and internship programs.

These educational programs are called Job and Dream Best Match Programs and the aim is to help people find ways to make their work rewarding and interesting and to learn the importance of having a connection with society through working. This marked the 13th time the program was implemented.



Seiko Instruments Singapore Pte. Ltd. accepted four junior high school students for a work-study program from the Japanese School in Singapore. This was the ninth time.

The students participated in the reception service and watch assembly process over a total of two days. During the watch assembly process, they were surprised at the mechanisms and functions of watches, and enjoyed their learning experience.



## Community Activities

### Social Welfare Activities

The SII Group subsidiaries and affiliates conduct social welfare activities entrenched in local community.

On January 12, 2019, Children’s Day in Thailand, four Seiko Instruments (Thailand) Ltd. employees visited two schools and gave out presents.



As part of Safety and Health Month activities carried out by Instruments Technology (Johor) Sdn. Bhd in Malaysia, employees have been donating blood to the local national hospital since 2013. In FY 2018, 97 employees from Larkin factory and 120 employees from Tebrau factory donated blood.



Because the Ohno Unit (Ichikawa City, Chiba prefecture) is located near houses, it is carrying out initiatives aimed at fostering harmony with local residents, such as participating in local neighborhood cleanup activities and the 110 Safety Refuge Program of local elementary schools.

### 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.

One of SII’s training programs for new employees is cleanup activity in a local area. This aims to raise their environmental awareness and teach them the importance of making a contribution to a local community as businesspeople. In FY 2018, 10 new employees cleaned up a wide area from Makuhari Unit premises to the nearest Kaihinmakuhari station.

Akita Unit carries out an annual cleanup activity with walking titled "Tomoshiibi, cleaning and walking." The title "Tomoshiibi" means "servicing together" for making a contribution to a local community. For FY 2018, about 220 employees participated after work on May 30.

Guangzhou Seiko Instruments Ltd. employees volunteered to clean up the local area. A total of 258 people including employees, 32 family members, and the president participated. After cleaning, they went to a Dongguan vivarium and enjoyed recreational activities in nature.



In conjunction with the 2018 Environmental Month, Seiko Instruments Singapore Pte. Ltd. organized the "Keep the Park Clean Activity" at the Woodland Waterfront Park on December 12, 2018, in which 30 employees participated. This project is carried out annually on a continual basis. The aim of the project is to involve employees in nature conservation and to the Adopt Clean & Green Attitude.



# SII Environmental Vision

On the occasion of SII's 80th anniversary in 2017, we have formulated an "Environmental Vision" 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.

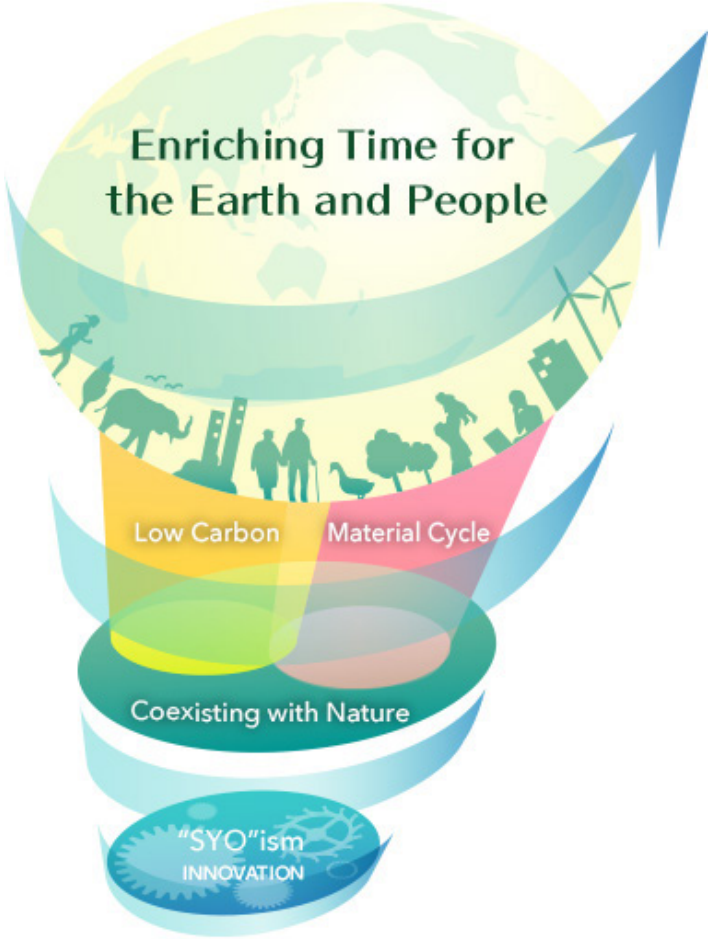
SII was founded in 1937 as a watch manufacturer, and its corporate identity is "Creating Time, Optimizing Time, Enriching Time". As a corporation focused on "time," we pursue the creation of a sustainable society by "enriching time for the Earth and people." This means that SII is making a commitment 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.

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

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

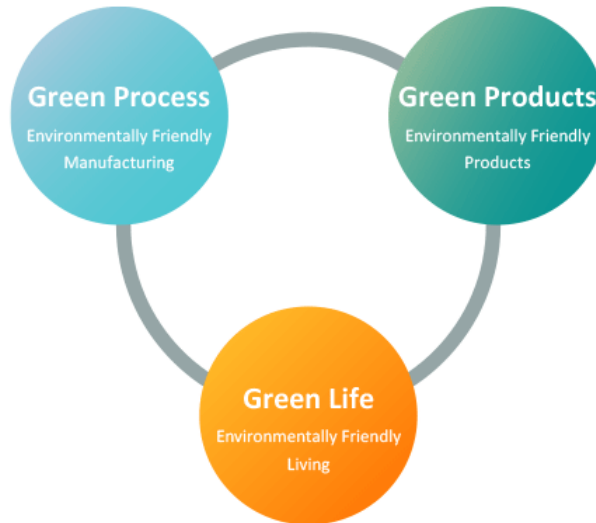
## SII Group Long-term Vision Sustainable Society in which SII Believes



# 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 Revised in January 2017

### Environmental Concept

The SII Group will continue to harmonize its corporate activities with the global environment, designate the "Three Green" concept consisting of Green Process, Green Products and Green Life as our basic concept, promote and conduct environmental activities, and contribute to the establishment of a sustainable society that can coexist with nature.

### Environmental Activity Guidelines

We will strive to

1. Continue to improve our environmental management system and environmental performance, while performing advanced activities that respond to the requirements of society to enhance stakeholder value.
2. Not only observe all laws, rules, regulations, agreements and other duties, but also mitigate environmental risks and prevent environmental pollution.
3. Carry out our tasks with a focus on the following activities based on "SYO"ism<sup>\*1</sup>:

1. Providing products and services that minimize their impact on the environment throughout their lifecycles and can contribute to environmental conservation.
2. Proactively promoting eco-friendly, efficient manufacturing.
3. Fully enforcing energy conservation measures in the entire business activities and addressing global warming.
4. Recognizing the finite nature and the preciousness of resources of the earth, and encouraging their responsible use.
5. Reducing risks arising from chemical substances and promoting the elimination of harmful substances.

4. Promote SII Green Purchasing and ensure proper and strict management of chemical substances contained in products.
5. Be aware of our impact on biodiversity and all the benefits we receive from it, and make efforts toward biodiversity conservation.
6. Raise environmental awareness of all employees and encourage them to protect the environment in their personal lives.
7. Make a social contribution to and achieve accountability for environmental protection, while facilitating communication with the society.
8. Ask our suppliers for their cooperation in following this policy.

\*1 "SYO"ism: SII technology philosophy

# 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.

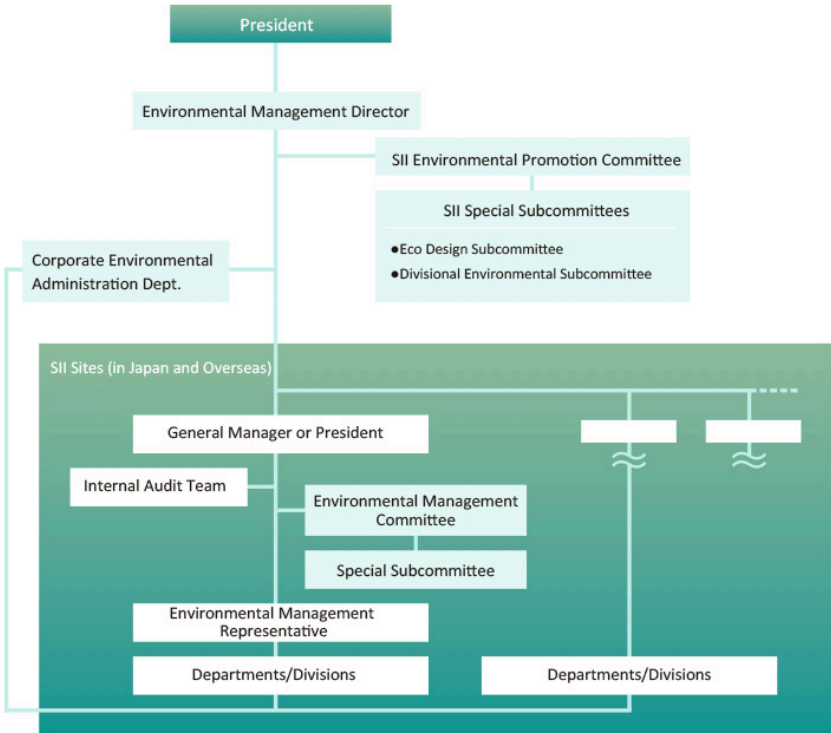
The Corporate Environmental Administration Department at the head office operates the entire SII Group environmental management system and achievements of each site are reported on a regular basis.



## 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 Corporate Environmental Administration Department at the head office cooperates with each unit and division and takes a leading part in addressing their issues.

The SII Environmental Promotion Committee discusses the SII Group targets and exchanges information including activity report submitted by each site. We strive to promote the environmental activities steadily throughout the group. In the FY 2018 committee, the participants shared the review of the FY 2018 key measures, the FY 2019 key measures, and the most significant risks at each site.



# 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.



### The SII “SYO” ism technology that backs SII products

SII’s technological philosophy “SYO” ism is based on advanced skills and techniques, miniaturization technologies, environmentally friendly products, and their fabrication technology.



# Action against Global Warming

## Our Concepts and Current Status

The Paris Agreement was adopted in December 2015, and a global framework for ratifying plans to take measures against global warming after 2020 was set forth and every participating country has determined a target value. Corporate roles and responsibilities in finding solutions for global warming issues are becoming bigger and bigger.

SII, as a manufacturing company, works toward reducing greenhouse gas emissions not only at manufacturing sites but also throughout the full range of our business activities, with energy-saving activities including the provision of energy-saving products and services.

## Reducing CO<sub>2</sub> Emissions and FY 2018 Overview

In FY 2018, the total amount of CO<sub>2</sub> emissions from our sites in Japan was 45,086 tons-CO<sub>2</sub>, which was within the FY 2018 target of 53,562 tons-CO<sub>2</sub>. This was also within the targets for FY 2019 and 2020. The total volume was 10,815 tons-CO<sub>2</sub>, or 19%, lower than the volume for FY 2017. This was largely because the emission amount did not include the semiconductor business that was spun off from the SII Group in January 2018\*. Therefore the mid- and long-term target amounts are to be reset while improving the precision of CO<sub>2</sub> emissions measurement.

As energy-saving activities, we replaced lighting fixtures with LED lighting and replaced other equipment in addition to ongoing initiatives such as efficient operation of production facilities and effective use of office spaces. The total amount of CO<sub>2</sub> emissions at our sites outside Japan was 36,007 tons-CO<sub>2</sub> in FY 2018, which was 3.8% more than the total for FY 2017. This was mainly due to a production increase. Although the emissions increased, the sites made efforts in energy-saving initiatives through improvement of operations, such as efficiently operating facilities and recycling exhaust heat.

# Resource Recycling

## Our Concepts

As resource depletion has a critical impact on corporate management, SII regards efforts for the responsible use of earth's finite resources as an extremely important form of corporate responsibility.

We are striving to effectively utilize the resources in our business activities toward creating a sustainable recycling-oriented society.

## FY 2018 Overview

### Waste

The FY 2018 recycling rate at our sites in Japan was within the target of 90% or more, with the actual performance being 92%. Total waste generation was 1,966 tons,\* which was 10% lower than the total for FY 2017. This was mainly because the amount did not include the semiconductor business that was spun off from the SII Group in January 2018\*.

The recycling rate at our overseas sites was 71%, which was the same as FY 2017, but the total waste generation was 2,768 tons, which was 23% more than the amount for FY 2017. This was mainly due to a production increase. On the other hand, efforts are progressing in the upstream manufacturing processes, including raw material reduction.

### Water Use

SII considers water to be a valuable natural resource and actively implements 3R activities to conserve and reduce water usage. The amount of water used in FY 2018 at our sites in Japan was 503,000 m<sup>3</sup>, which was 25,000 m<sup>3</sup> less than for FY 2017. This was mainly because the amount did not include the semiconductor business that was spun off from the SII Group in January 2018\*. Water usage at our sites outside Japan was 378,000 m<sup>3</sup>, which was 35,000 m<sup>3</sup> more than for FY 2017. This was mainly due to a production increase.

\* The amount includes the result of the first half of FY 2018 (from April to September).

## Conservation of Biodiversity

### Our Concepts

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.

### FY 2018 Overview

Positioned as the third stage of conservation activities based on the SII Group Land-use Guidelines on the Conservation of Biodiversity, specific initiatives are being carried out at each site within Japan, such as conducting wildlife surveys, building flowerbeds, and developing green spaces, all making use of the particular features of each site.

Green space development and awareness-raising activities based on the guidelines have also been carried out at sites outside Japan.

### Assessment of Land Use and Nature Watching

Morioka Seiko Instruments Inc. (MSI) has been carrying out an assessment of land use from the viewpoint of biodiversity since FY 2012. This activity conforms to Guidelines for Sustainable Business Sites issued by General Incorporated Foundation JAPAN BUSINESS INITIATIVE FOR BIODIVERSITY (JBIB), and is assisted by outside specialists and supported by their advice. In and after FY 2015, MSI has held a nature watching event in addition to carrying out the assessment of land use, and has observed and learned about a variety of living nature inhabiting the forest in the MSI premises.

In FY 2018, a biological survey was conducted with a focus on summer insects, but also including soil life, mammals, and various other lifeforms. A wide variety of insects and soil lifeforms was verified, and in view of the degree of biodiversity up to this point, the effect of developing such green spaces could be seen.



## Chemical Substances Control

### Our Concepts

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

\* 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 of plant locations. Companies collect data on the relevant substances and report them to the appropriate government agency once a year.

### Reduction of Chemical Substances Subject to Control/FY 2018 Overview

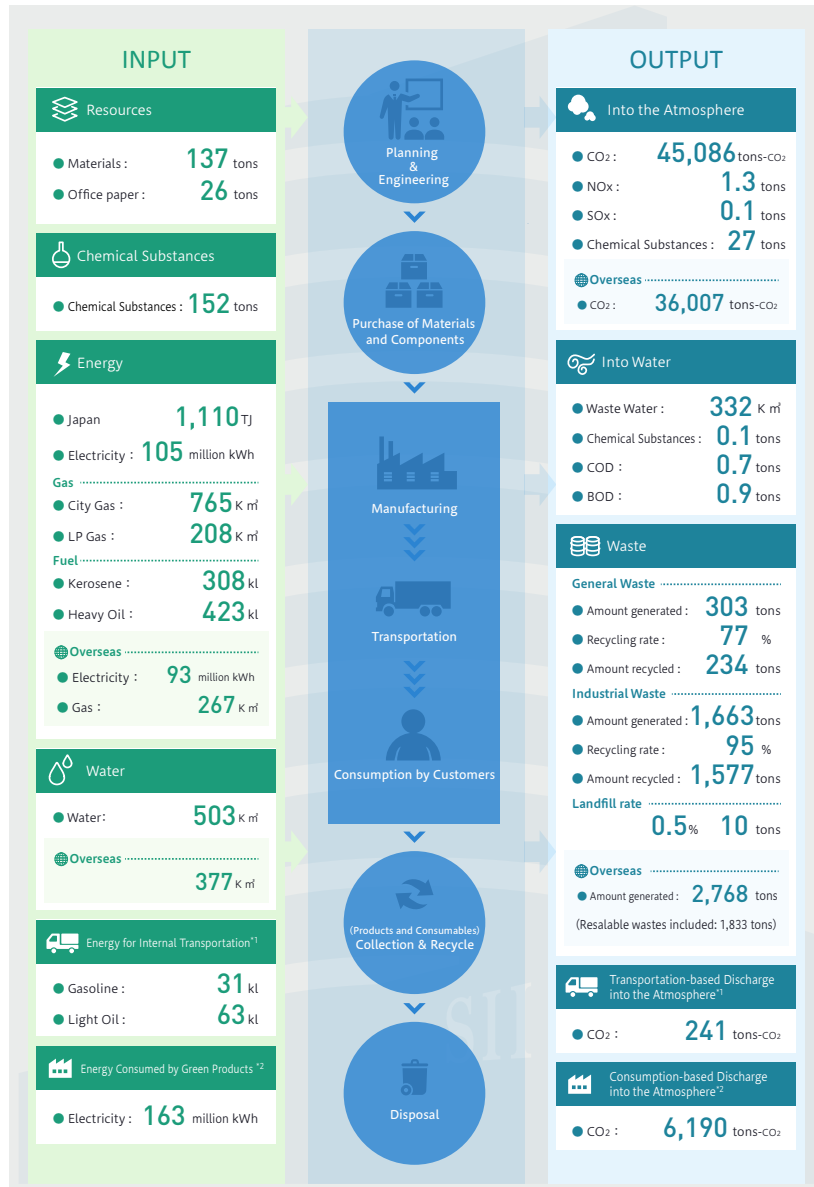
The FY 2018 total emission of chemical substances subject to control in manufacturing process was 26.5 tons, which was approximately 8 tons less than the total for FY 2017. This was largely because the emission amount did not include the semiconductor business that was spun off from the SII Group in January 2018.

The amount of PRTR substances handled was 66.2 tons, which was 40 tons less than the amount for FY 2017.

# 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 2018 environmental impact is explained below.



INPUT	
Materials:	Metals, plastics, glass and other materials used in production
Packaging:	Plastics and paper to be recycled according to the Law for Promotion of Sorted
Office Paper:	Paper for printers and copiers
Chemical Substances:	PRTR hazardous chemical substances, HFCs, PFCs, SF <sub>6</sub> 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 <sub>2</sub> :	From use of electricity, gas, oil, and cooling and heating water
NO <sub>x</sub> :	From use of gas and oil
SO <sub>x</sub> :	From use of oil *NO <sub>x</sub> and SO <sub>x</sub> 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 <sub>6</sub> , 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

\*1: Transportation among the SII Group companies in Japan

\*2: Estimated annual energy consumption of SII Green Products certified up to FY 2018.

## CSR Targets and Results

Our major CSR activities carried out in FY 2017 are as follows.

🎯 : Overachieved ○ : Achieved or almost achieved ▲ : 70% or less achieved — : N/A

### Compliance

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Continue to implement the regular on-line compliance quizzes - Today's Dr. Compliance's Word and Quiz: Updated almost every day - Implement the compliance quizzes annually	Today's Dr. Compliance's Word and Quiz: Updated almost every day  Period when the compliance quiz was implemented: Dec. 2, 2018 – Feb. 1, 2019 Respondents: 2,250 / 91.6%	○	Aim to continue the Today's Dr. Compliance's Word and Quiz every day as much as possible  Implement the compliance quizzes annually
Continue the educational activities to senior management on compliance awareness (every quarter)	Period when the educational activities were implemented: - First quarter: Jun. 2018 - Third quarter: Oct. 2018	▲	Implement the educational activities once a quarter
Conduct the periodic compliance awareness survey (annually)	Period when the survey was implemented: Jun. 18 – Jul. 20, 2018 Respondents: 2,389 / 90.7%	○	Implement the survey annually

Cases reported to the SII helpline and processed by the consultation service: **8**

### Risk Management

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Continue to implement and promote the group-wide risk management activities	Implemented PDCA for evaluation and management of key risks (Took 30 actions)	○	Continue to implement and promote the group-wide risk management activities

### Intellectual Property

The number of SII's patents Japan: **1,550** Overseas: **1,384**



### Customer Satisfaction

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Continue the efforts for customer satisfaction improvement	To be continued	○	Continue the efforts for customer satisfaction improvement

### Quality Control/Product Safety




FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Product safety check: conduct the check at 7 times	Conducted the check for 12 times. The number of the target products increased beyond the initially planned number.	🎯	Conduct the product safety check on the target products for 100%.
Operation process check: Conduct the check at the 13 divisions	Conducted the check at the 13 divisions All the planned divisions were checked.	○	Conduct the operation process check at the target divisions 100%

## Respect for Human Rights

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Establish a rule to ensure that all employees understand the Spirit of Respecting Human Dignity, and have human resources personnel from the head office visit each site to confirm the awareness of all employees	The rule was established at each site and all employees understand the Spirit of Respecting Human Dignity.		Complete the theme
Establish a rule to ensure that all employees understand the Action Guidelines, and have human resources personnel from the head office visit each site to confirm the awareness of all employees	The rule was established at each site and all employees understand the Spirit of Respecting Human Dignity.		Complete the theme



Childcare leave taken by **21** employees      Short-hour work for childcare taken by **24** employees

## Safety and Health



FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
The SII Group comprehensive safety inspection (self-inspection): - Conduct the inspection at all sites in Japan and at manufacturing sites outside Japan - Conduct the on-site check that have continued since FY 2017	Conducted the inspection at all sites in Japan and at manufacturing sites outside Japan - Conduct the on-site checks that have continued since FY 2017		The SII Group comprehensive safety inspection (self-inspection): Conducted the inspection at all sites in Japan and at manufacturing sites outside Japan
Hold the lifesaving seminars at sites in Japan	Held the lifesaving seminars at sites in Japan (174 participants)		Hold the lifesaving seminars at sites in Japan
Implementation rate for the specific health checkups: 86%	84.6% *1		Implementation rate for the specific health checkups: 86%

\*1 The percentages are the forecasts as of July 2019.

## Coexistence with Society



FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Continue the local contribution activities at each site	Performed the local cleanup activities, blood donation, contribution, tree planting activities, etc.		Continue the local contribution activities at each site
Continue to implement the field-study and internship programs at each site	Implemented the field-study, internship programs, and factory tours at each site		Continue to implement the field-study and internship programs at each site

## Purchasing Activities with Fairness and Integrity

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Continue the buyer education Continue the intranet-based purchasing education *	Carried out the intranet-based purchasing education (95 participants in the 1st half and 110 in the 2nd half)		- Continue the buyer education - Continue the intranet-based purchasing education
Continue the implementation of supplier certification systems, and review the system	Continued the implementation		Continue the implementation of supplier certification systems, and review the system

\* New item



## Creation of Eco-friendly Products

FY 2018 Target		FY 2018 Results	Evaluation	FY 2019 Target
Increase the sales rate of SII Green Product	The rate at <b>95%</b> or more <sup>*1</sup>	<b>97.6%</b>		Maintain the rate at <b>95%</b> or more
Increase the number of SII High Grade Green Products	<b>2</b> or more products	<b>6</b> products		— <sup>*2</sup>

\*1 The target was reset since the semiconductor business was excluded from the collection of environmental data.

\*2 Since 2019 is the first year after implementation of changes to the system, only on the result is shown.

## Control of Chemical Substances Contained in Products


FY 2018 Target		FY 2018 Results	Evaluation	FY 2019 Target
Ensure products free of cadmium, hexavalent chromium, mercury, and lead	Maintain the rate of products free of the substances concerned at <b>95%</b> or more <sup>*1</sup>	<b>96.1%</b>		Maintain the rate of products free of the substances concerned at <b>95%</b> or more <sup>*1</sup>
Ensure products free of phthalate esters	Ensure the rate of products free of phthalate esters at <b>95%</b> or more <sup>*2</sup>	<b>90.7%</b> <sup>*3</sup>		Ensure the rate of products free of phthalate esters at <b>95%</b> or more <sup>*2</sup>

\*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).


## Action against Global Warming

FY 2018 Target		FY 2018 Results	Evaluation	FY 2019 Target
Reduce energy-related CO <sub>2</sub> emissions	Improve by <b>1%</b> or more per unit of production at sites in Japan Total amount: <b>53,652</b> tons-CO <sub>2</sub>	Total amount: <b>45,086</b> tons-CO <sub>2</sub> <sup>*1</sup> <b>-19.3%</b> from FY 2017		— <sup>*2</sup>
	Reduce by <b>1%</b> from FY 2017 at each overseas site	<Reference value> Total amount: <b>36,007</b> tons-CO <sub>2</sub> <b>+3.8%</b> from FY 2017	—	Reduce by <b>1%</b> from FY 2018 at each overseas site

\*1 The amount includes the emissions in the 1st half of the fiscal year produced by the semiconductor business that was spun off from the SII Group.


\*2 The target amount is to be reset based on mid- and long-term perspectives after careful consideration of emissions produced by the semiconductor business that was spun off from the SII Group.

## Resource Recycling

FY 2018 Target		FY 2018 Results	Evaluation	FY 2019 Target
Improve the recycling rate of wastes	Maintain the rate at <b>90%</b> or more at sites in Japan	<b>92%</b>		Maintain the rate at <b>90%</b> or more
	Improve by <b>3</b> points from FY 2017 at overseas sites	<b>71%</b>	—	<b>+3</b> points from FY 2018 at each overseas site
Reduce water use	Maintain the current status at sites in Japan	<b>503</b> K m <sup>3</sup> * <b>-12%</b> from FY 2017	—	Maintain the current status
	Reduce by <b>1%</b> from FY 2017 at each overseas site	<b>377</b> k m <sup>3</sup> <b>+10%</b> from FY 2017	—	<b>-1%</b> from FY 2018 at each overseas site
Reduce office paper use	Reduce by <b>3%</b> from FY 2017 at overseas sites	<b>16</b> tons <b>-10%</b> from FY 2017	—	<b>-3%</b> from FY 2018 at each overseas site


\* The amount includes the usage in the 1st half produced by the semiconductor business that was spun off from the SII Group.

## Chemical Substances Control

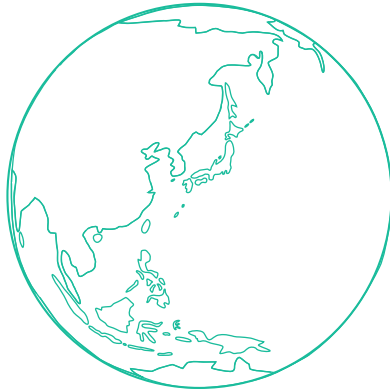
FY 2018 Target		FY 2018 Results	Evaluation	FY 2019 Target
Reduce the amount of emissions of chemical substances*	(Japan) Maintain <b>5%</b> or less from FY 2017	<b>27</b> tons <b>-23%</b> from FY 2017		(Japan) Maintain <b>5%</b> or less from FY 2018

\* Chemical substances subject to control at SII: PRTR hazardous chemical substances, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub>, and VOC.

## Biodiversity

FY 2018 Target	FY 2018 Results	Evaluation	FY 2019 Target
Complete third stage of SII Group Land-use Guidelines on the Conservation of Biodiversity (at sites in Japan)	<ul style="list-style-type: none"> <li>- Third stage of SII Group Land-use Guidelines on the Conservation of Biodiversity completed (at the sites in Japan)</li> <li>- Nature monitoring committee and assessment of land use ongoing at Morioka Seiko Instruments Inc.</li> </ul>		<ul style="list-style-type: none"> <li>- Complete the third stage of the SII Group Land-use Guidelines on the Conservation of Biodiversity (at sites in Japan)</li> <li>- Promote visualization of activities for the conservation of biodiversity</li> </ul>

- 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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