

Social and Environmental Report 2020



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:	557 (nonconsolidated)
Established:	September 7, 1937		3,234 (consolidated) as of April 1, 2020
Paid-in Capital:	9,756 million yen (wholly owned by Seiko Holdings 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.
- \* Environmental reporting is focused on the six sites in Japan and three sites outside Japan that are ISO 14001 certified. Environmental performance data includes data from the watch business, which was excluded from the scope of the SII Group's consolidation in April 2020.

### Period Covered by This Report

FY 2019 (from April 2019 through March 2020)

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# Message from the President

## Creating Enriched Time

I would like to express my sincere condolences to the bereaved families of the victims of COVID-19, and my heartfelt sympathy to all who have been affected and their families. I would also like to thank everyone who is working tirelessly to treat and prevent the spread of the disease.

In recent years, as exemplified by the SDGs, social issues such as climate change, resource circulation, and human rights issues have become more and more diverse, and companies are assuming greater responsibility for solving them.

In addition, the spread of COVID-19 has dramatically changed conventional wisdom and values that were taken for granted, and the way we work is also changing dramatically, including the introduction of telecommuting systems.

Under these circumstances, I am keenly aware that companies are required to manage their businesses with an emphasis on the needs of society, while adopting new values without being bound by fixed ideas.

For example, with the increasing number of extreme weather events and associated disasters caused by climate change, the risks of climate change in business can no longer be avoided. In addition, risks to the resource circulation and global supply chain are also a major challenge for manufacturers. These issues need to be addressed head-on.

At the same time, I believe that resolving these social issues is an opportunity for us to achieve sustainable growth, and we will continue to formulate and implement our vision from a long-term perspective.



In April 2020, our watch business was transferred to Seiko Watch Corporation, and we have made a new start as a company that plays a central role in the electronic device business of the Seiko Holdings Group. While this is a major turning point for us as a company that has walked hand in hand with watch manufacturing, our core values of Integrity, Trust, and Appreciation and our corporate identity of Creating Time, Optimizing Time, and Enriching Time remain unchanged.

The technologies of Craftsmanship, Miniaturization, and Efficiency that we have cultivated in the watch manufacturing process is our DNA, and by utilizing these technologies and pursuing miniaturization, high precision, and low power consumption, we have been creating environmentally friendly products and products that can contribute to the environment. We will continue to evolve our technologies of Craftsmanship, Miniaturization, and Efficiency to meet the needs of the times and provide products that contribute to solving social issues, while at the same time taking on the challenge of innovation to create enriched time and a prosperous future.

In order to create enriched time and a prosperous future, the efforts of each employee, as well as management, are essential. We need to recognize that each of us is a member of a team, and we need to help each other and work together. I will continue to lead the way and work with our employees to realize the "enriched time" that we are aiming for.

A stylized, handwritten signature in black ink, consisting of several fluid, overlapping loops and a long horizontal stroke extending to the right.

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

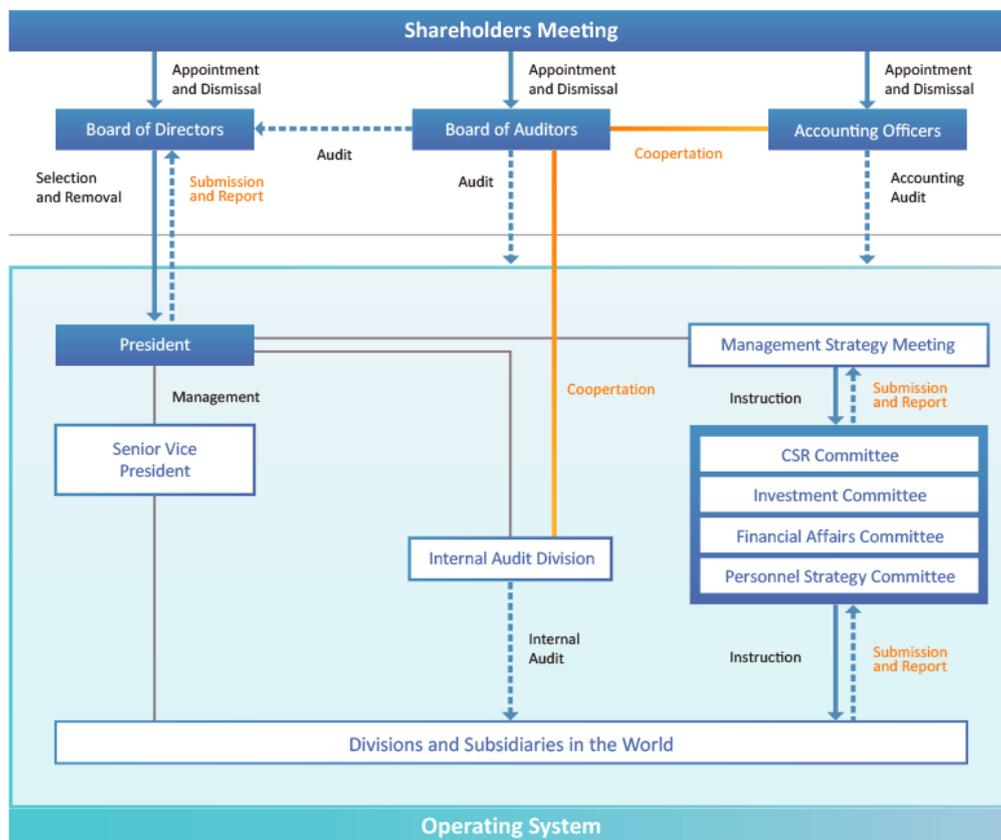
In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. SII has established a CSR Committee comprised of the President, who serves as the Chairman, and the managers at our head office, who serve as members of the standing committee.

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 SII Helpline is available to former employees of SII Group and its companies as well as its business partners to provide information on non-compliant activities of the SII Group. We have also established an internal consultation service.

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 eight reports and consultations in the SII Group in FY 2019.

## 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 2019.

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. Also, in anticipation that it may be difficult for employees to return home due to traffic restrictions, etc., we have systematically prepared water, food, emergency blankets, 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.

While digital technology is evolving in recent years, the threats, such as information leaks due to cyber attacks on the ICT 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 ICT 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.



## Status of patent applications and patent grants

Building on our foundation of technological development that originated from watchmaking, at SII we use patented technologies to distinguish our products.

With the restructuring of the business, the overall number of patent applications and grants have been on a downward trend, with 157 patent applications and 130 grants in Japan in FY 2019. Similarly, the number of patent applications outside Japan was 139, with the order of filing regions being China, the United States, and Europe. The total number of patent grants outside Japan was 148.

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 Intellectual Property Department is steadily working with our inventors to obtain patent rights, and this has led to an upward spiral in the quality of their new applications.

We will continue our efforts to improve the quality of each application and build a strong intellectual property base in order to enhance our brand value.

## Quality Assurance 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.

In FY 2019, we 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).

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

System	FY2015	FY2016	FY2017	FY2018	FY2019
Childcare leave	33	22	18	21	23
Short-hours work for childcare	35	38	27	24	22
Elderly nursing care leave	0	0	0	0	0
Short-hours work for elderly nursing care	0	1	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

In FY 2019, we revised our Supplier Certification System by establishing items subject to certification screening and various other criteria, and firmly established appropriate response to additional CSR requirements and smooth auditing.

## 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. In April 2018, the agreement was renewed and we have continued to monitor the growth of the black pine trees. We had planned to plant additional trees in FY 2019, but due to damage to the black pine trees caused by Typhoon Faxai in September 2019, we were unable to carry out additional planting.

We plan to plant additional trees in FY 2020.

#### 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.

Dalian Seiko Instruments Inc. (DSI) carried out a cleanup at Dahei Mountain in China.



### Educational Support

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

Every year, the Makuhari Unit cooperates in the work experience programs titled Job and Dream Best Match Programs and in a work-study program as part of the Career Education Camp for Science and Advanced Technology hosted by the Chiba Prefecture Board of Education. In FY 2019, the 14th year of both programs, 11 students were accepted for the work experience and 10 students for the workshop camp, where they had the opportunity to experience such things as watch assembly.



### Community Activities

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

Seiko Instruments (Thailand) Ltd. participated in a blood donation drive organized by the local city hall.



# 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.

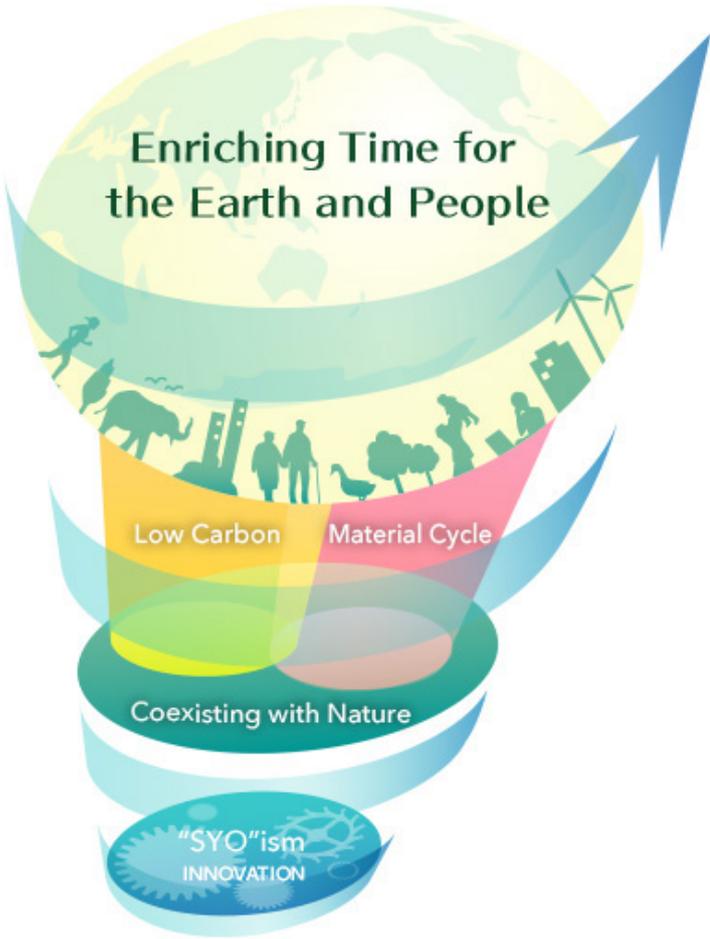
SII was founded in 1937 as a watch manufacturer, and its corporate identity is "Creating Time, Optimizing Time, Enriching Time". As a corporation focused on "time," we pursue the creation of a sustainable society by "enriching time for the Earth and people." This means that SII is making a commitment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

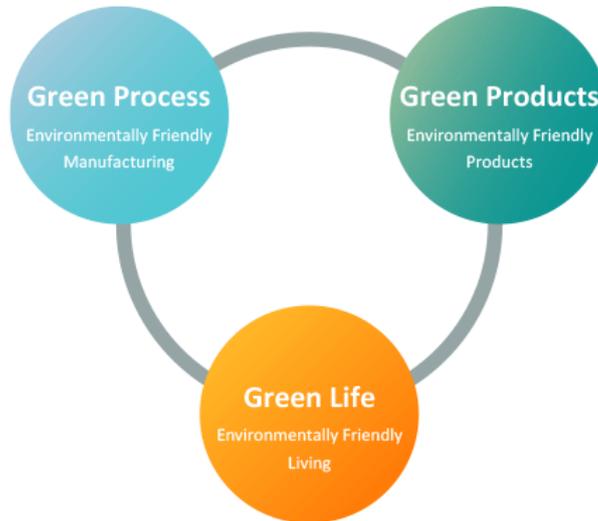
## SII Group Long-term Vision Sustainable Society in which SII Believes



# 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.

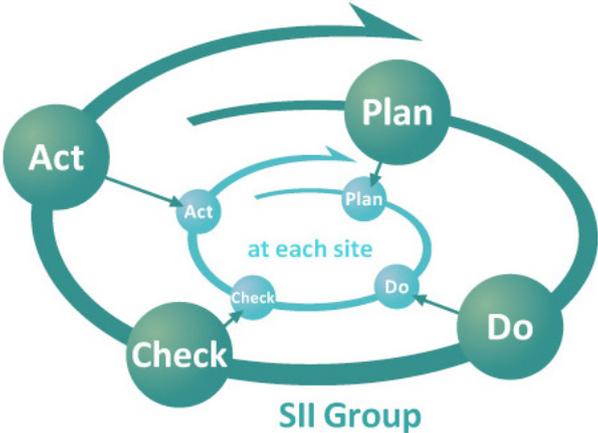
\*1 "SYO"ism: SII technology philosophy

# 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.

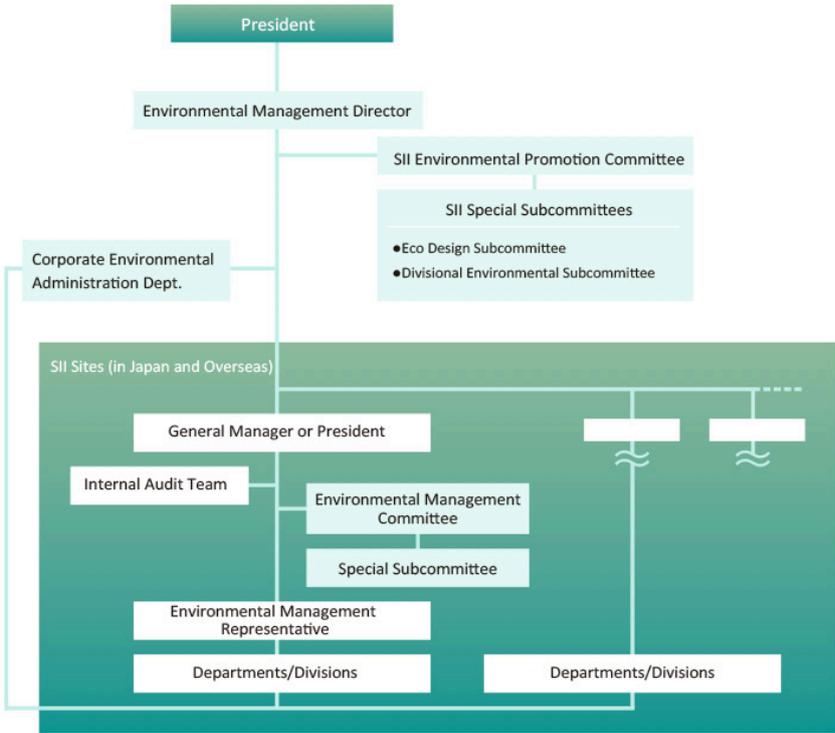
Our mid-term and annual goals are established based on the "SII Group Environmental Policy," and pursued by the environmental management system at each site.

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 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. At the FY 2019 committee meeting, the committee reviewed the key measures for FY 2019 and announced the key measures for FY 2020 for 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

With the adoption of the Paris Agreement, a global framework for combating global warming has been established, and all countries are committed to setting targets and working towards them. 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 global warming, 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 we provide. While continuing these activities, we will strengthen our efforts toward decarbonization by introducing renewable energy and other measures.

### FY 2019 Overview

In FY 2018, energy-derived CO<sub>2</sub> emissions at our sites in Japan were significantly reduced due to the removal of our semiconductor business from the scope of consolidation. In FY 2019, there was no significant change in operations, with CO<sub>2</sub> emissions totaling 42,078 tons-CO<sub>2</sub>, a reduction of 304 tons-CO<sub>2</sub> from FY 2018. In addition to ongoing efforts such as efficient operation of facilities, we also made efforts to switch to LED lighting and to upgrade our equipment. In FY 2019, energy-derived CO<sub>2</sub> emissions from our sites outside Japan were 36,023 tons-CO<sub>2</sub>, a slight increase from FY 2018, but efforts were made to operate facilities more efficiently and to replace lighting fixtures with LED lights.

## Resource Recycling

### Our Approach to Resource Circulation

As a manufacturer that provides products and services using resources, the depletion of resources is not only an important environmental issue but also has a serious impact on our business management. Based on the concept of the 3Rs, SII strives for effective use of resources and reduction of waste in all of our business activities, as well as effective use of resources and consideration of recyclability from the upstream of our manufacturing process.

### FY 2019 Overview

#### Waste

The FY 2019 actual recycling rate at our sites in Japan was 89%, a decrease of 1 point from FY 2018, but the total amount of waste generated was 1,374 tons, a 14% reduction from FY 2018. Although the recycling rate for sites outside Japan was 69%, a decrease of 2 points from FY 2018, the total volume of waste generated was 2,737 tons, almost unchanged from FY 2018.

#### Water Use

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 2019, 380,000 m<sup>3</sup> of water was used at our sites in Japan, 3% reduction from FY 2018.

Water consumption at our sites outside Japan was 354,000 m<sup>3</sup>, a reduction of 23,000 m<sup>3</sup> from FY 2018.

## 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. Since then, we have continued to implement a variety of initiatives to achieve a society in harmony with nature.

### FY 2019 Overview

We continued our efforts based on the SII Group Land-use Guidelines on the Conservation of Biodiversity and carried out activities such as installing birdhouses, surveying wildlife and making flowerbeds, all making use of the particular features of each site.

We also worked to visualize our biodiversity conservation activities.

### Assessment of Land Use

Winter: Flower beds decorated with winter flowers

At the Sendai Unit, the slogan for biodiversity conservation activities is "A place to relax with wildlife."

In FY 2019, as part of their activities, they installed sensor cameras on the premises and conducted a survey of wildlife for the first time. Pheasants, squirrels, foxes, raccoon dogs, and other creatures were observed, indicating that the green spaces at the plant are contributing to the habitat of these animals.



As part of the wildlife survey conducted at the Ohno Unit, 14 specimens of the endangered golden orchid species were found in a corner of the site. We will continue watch over these plants and look forward to their flowering. In addition, trees that bear edible fruit such as plum trees and chestnut trees were also identified.



## 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.

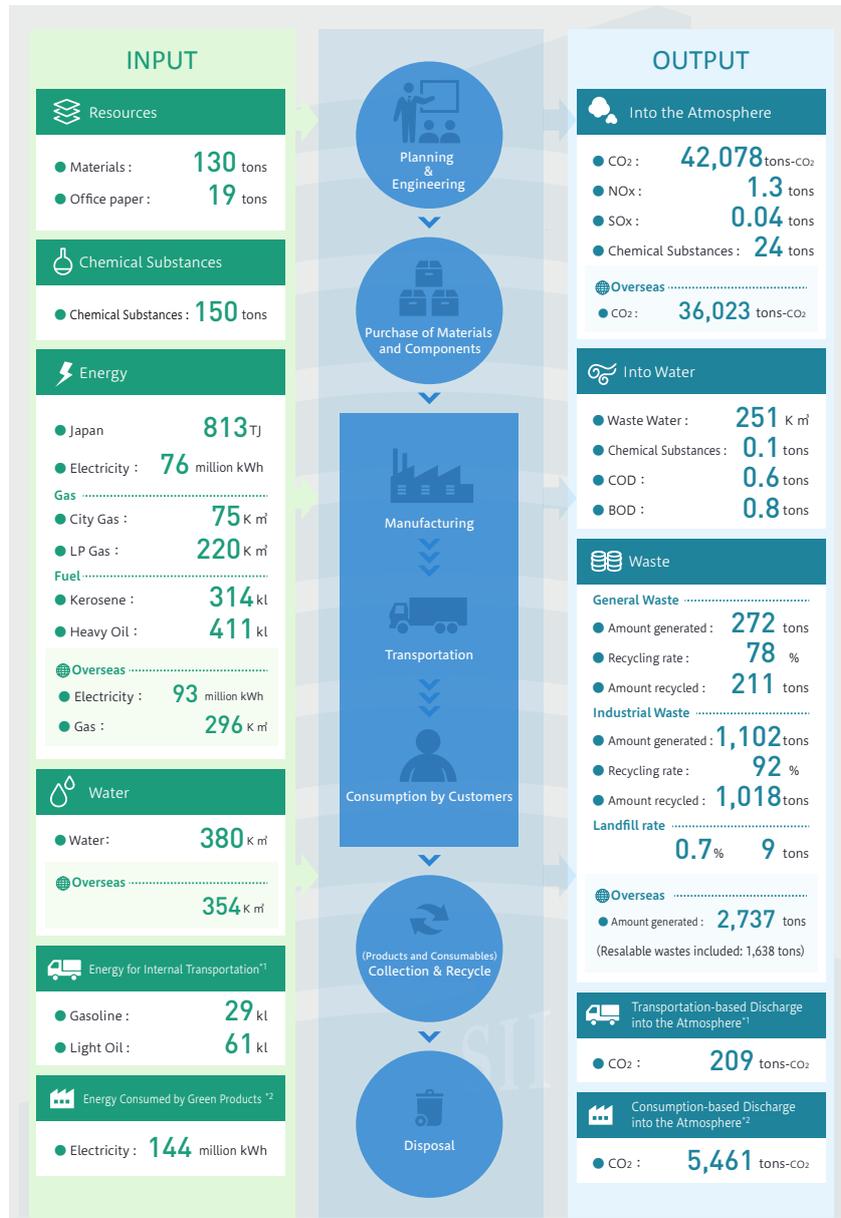
\* PRTR (Pollutant Release and Transfer Register): This system is designed to assess, gather and disclose data on the volume of chemical materials handled, amounts released into the environment, and volumes transferred in waste materials to points outside of plant locations. Companies collect data on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

### FY 2019 Overview

The FY 2019 total emission of chemical substances subject to control in manufacturing process was 24.3 tons, which was approximately 2 tons less than the total for FY 2018. The amount of PRTR substances handled was 73.4 tons, which was 7.2 tons more than the amount for FY 2018. The breakdown of the amount handled and emitted is shown below.

# 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 2019 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 2019.

## CSR Targets and Results

Our major CSR activities carried out in FY 2019 are as follows.

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

### Compliance

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
Continue to implement the regular on-line compliance quizzes - Continue the Today's Dr. Compliance's Word and Quiz every day as much as possible - Implement the compliance quizzes annually	Today's Dr. Compliance's Word and Quiz: Updated almost every day (business days)  Period when the on-line compliance quiz was implemented: Dec. 2019 – Jan. 2020	○	Continue to post the Today's Dr. Compliance's Word and Quiz on the company intranet (updated daily on business days)  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 half: Apr. 2019 - Second half: Oct. 2019	△	Continue the educational activities to maintain and raise compliance awareness among senior management (once every six months in principle)
Conduct the periodic compliance awareness survey (annually)	Period when the survey was implemented: Jun. – Jul. of 2019	○	Conduct the periodic compliance awareness survey (annually)

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

### Risk Management

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 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 In Japan: **1,487** Outside Japan: **1,377**

### Customer Satisfaction

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
Continue the efforts for customer satisfaction improvement	Continued the efforts at the Customer Service Office	○	Continue the efforts for customer satisfaction improvement

### Quality Assurance and Product Safety

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
Product safety check: Conduct the check on the target products for 100%	Conducted the check on the target products for 100%.	○	Conduct the check on the target products for 100%.
Operation process check: Conduct the check at the target divisions for 100%	Conducted the check at the target divisions for 100%	○	Review and implement the check method while preventing the spread of COVID-19

## Respect for Human Rights

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
Create a human resources map for sites outside Japan 1) Skills and technology map 2) Job category map	Explain to head office HR & ADM at sites outside Japan		Job category map: Complete the creation at 50% of sites outside Japan

Childcare leave taken by **23** employees      Short-hour work for childcare taken by **22** employees

## Safety and Health

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 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 - Take corrective action at each site		The SII Group comprehensive safety inspection (self-inspection): Conduct 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 (173 participants)		Hold the lifesaving seminars at sites in Japan
Implementation rate for the specific health checkups: 86%	86.5% *1		Implementation rate for the specific health checkups: 87.6%
Implementation rate for the specific health guidance: 48%	39.0% *1		Implementation rate for the specific health guidance: 51%

\*1 The percentages are the forecasts as of August 2020.

## Coexistence with Society

FY 2019 Target	FY 2019 Results	Evaluation	FY 2020 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 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
Continue the buyer education	Conducted the buyer education (26 participants)		Continue the buyer education
Continue the intranet-based purchasing education	Conducted the intranet-based purchasing education (105 participants)		Continue the intranet-based purchasing education
Continue the implementation of supplier certification systems, and review the system	- Continued the implementation - Reviewed the system (Subject items, setting of standards, etc.)		Continue the implementation of supplier certification systems, and review the system

## Creation of Eco-friendly Products

FY 2019 Target		FY 2019 Results	Evaluation	FY 2020 Target
Increase the sales rate of SII Green Products	The rate at <b>95%</b> or more <sup>*1</sup>	<b>97.9%</b>		Maintain the rate at <b>95%</b> or more
Increase the number of SII High Grade Green Products	(The results are being reassessed due to the revision of the system.)			

\*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 2019 Target		FY 2019 Results	Evaluation	FY 2020 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>95.5%</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>96.9%</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 2019 Target		FY 2019 Results	Evaluation	FY 2020 Target
Reduce energy-related CO <sub>2</sub> emissions	(Not yet set due to revision of CO <sub>2</sub> emission factors)	Total amount: <b>42,078</b> tons-CO <sub>2</sub> <sup>*1</sup> <b>-0.7%</b> from FY 2018		—
	Reduce by <b>1%</b> from FY 2018 at each overseas site	<Reference value> Total amount: <b>36,023</b> tons-CO <sub>2</sub> <b>0%</b> from FY 2018	—	Reduce by <b>1%</b> from FY 2019 at each overseas site

\*1 The following emission factors are used.

Electricity: "Emission factors by electric utility" specified in the Law Concerning the Promotion of Measures to Cope with Global Warming

Fuel: "Unit calorific values and emission factors by fuel type" specified in the Law Concerning the Promotion of Measures to Cope with Global Warming

## Resource Recycling

FY 2019 Target		FY 2019 Results	Evaluation	FY 2020 Target
Improve the recycling rate of wastes	Maintain the rate at <b>90%</b> or more at sites in Japan	<b>89%</b>		Maintain the rate at <b>90%</b> or more
	Improve by <b>3</b> points from FY 2018 at overseas sites	<b>69%</b>	—	<b>+3</b> points from FY 2019 at each overseas site
Reduce water use	Maintain the current status at sites in Japan	<b>308</b> K m <sup>3</sup> * <b>-8%</b> from FY 2018	—	Maintain the current status
	Reduce by <b>1%</b> from FY 2018 at each overseas site	<b>354</b> k m <sup>3</sup> <b>-6%</b> from FY 2018	—	<b>-1%</b> from FY 2019 at each overseas site
Reduce office paper use	Reduce by <b>3%</b> from FY 2018 at overseas sites	<b>17</b> tons <b>+5%</b> from FY 2018	—	<b>-3%</b> from FY 2019 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 2019 Target		FY 2019 Results	Evaluation	FY 2020 Target
Reduce the amount of emissions of chemical substances*	(Japan) Maintain <b>5%</b> or less from FY 2018	<b>24</b> tons <b>-8%</b> from FY 2018		(Japan) Maintain <b>5%</b> or less from FY 2019

\* 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 2019 Target	FY 2019 Results	Evaluation	FY 2020 Target
<ul style="list-style-type: none"> <li>- Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity (at sites in and outside Japan)</li> <li>- Promote visualization of activities for the conservation of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>- Continued to implement the initiatives</li> <li>- Reported the activities using the site reports of each site</li> </ul>		<ul style="list-style-type: none"> <li>- Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity</li> <li>- Continue to promote visualization of biodiversity conservation activities at each site (e.g., surveying and filming of wildlife)</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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