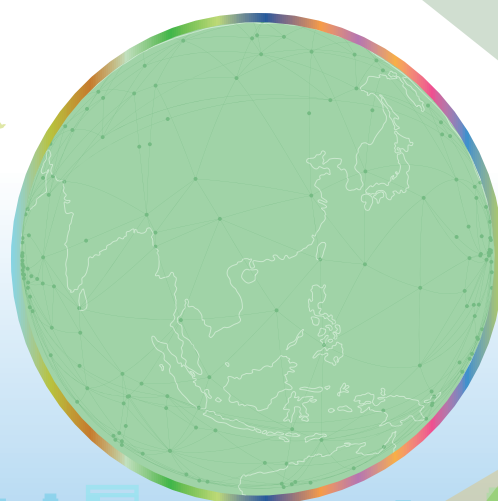


Social and Environmental Report 2021

Striving for Coexistence with
Society and Harmony with the Earth

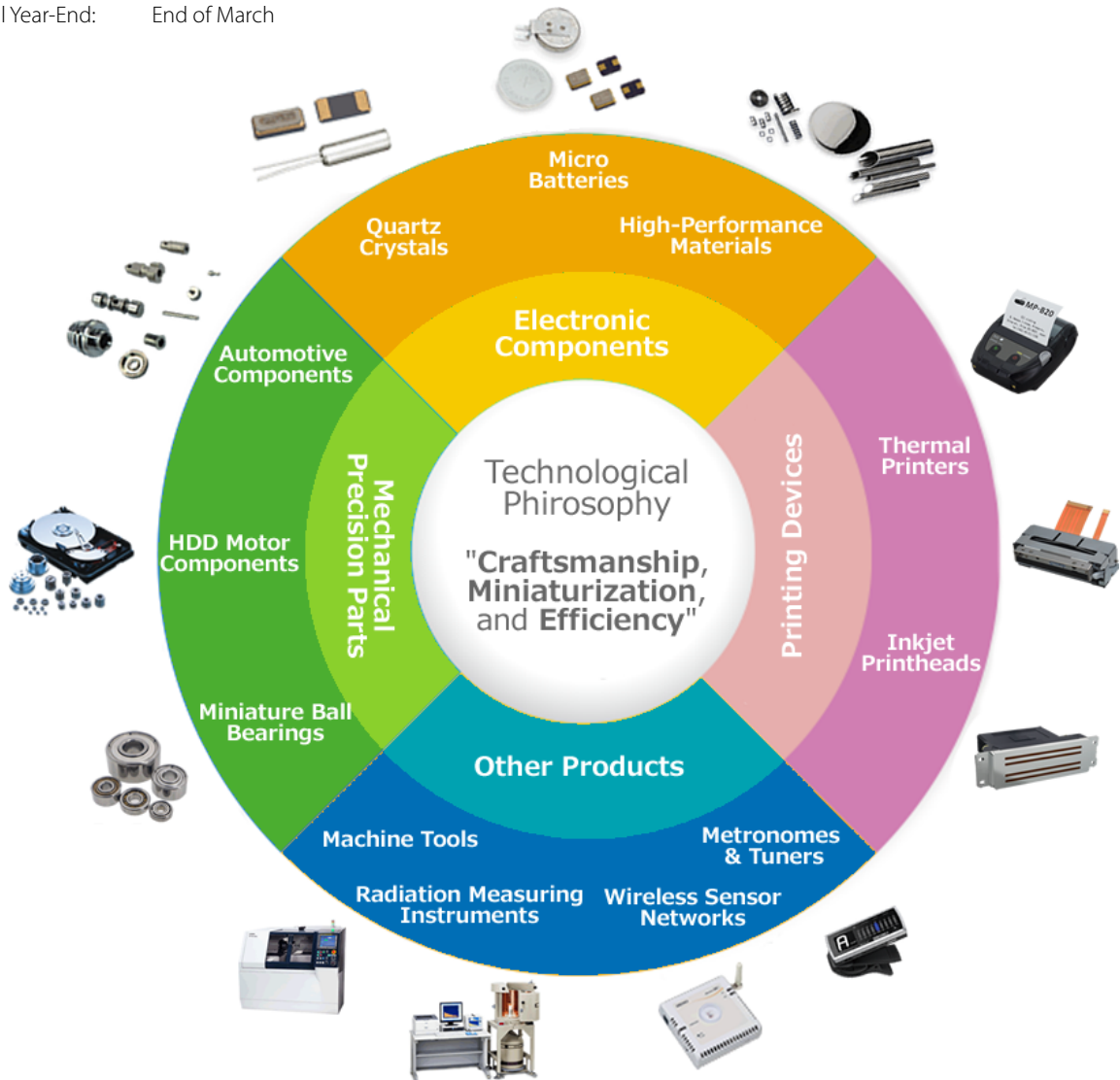


Digest Version

SII Group Overview

Corporate Data

| | | | |
|------------------|---|----------------------|---|
| Corporate Name: | Seiko Instruments Inc. (SII) | Number of Employees: | 554 (nonconsolidated) |
| Established: | September 7, 1937 | | 3,239 (consolidated) as of March 31, 2021 |
| 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.
- * The environmental report focuses on the 6 sites in Japan and the 3 sites outside Japan that have obtained ISO 14001 certification. Some of the environmental performance data includes office locations outside Japan.

Period Covered by This Report

FY 2020 (from April 2020 through March 2021)

Contact us

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 Telephone: +81-43-211-1111/Direct: +81-43-211-1149 Facsimile: +81-43-211-8019 Website: <https://www.sii.co.jp/eco/eg/>

Message from the President

Creating a Future Full of Smiles

The year 2020 was a year in which common sense, values, and ways of working, and living that had been taken for granted changed dramatically due to the spread of the COVID-19 pandemic. The pandemic also had a significant impact on society and the economy. We at SII were affected in many ways, but we were also convinced of new risks and business opportunities.

Against this backdrop, the role that companies should play in resolving social issues such as climate change, resource circulation, and human rights is becoming increasingly important, and companies are required to manage their businesses in a sustainable manner.

In terms of environmental issues, there is no end in sight to the need to deal with climate change, and the Japanese government has made major moves toward carbon neutrality. SII has been working on energy conservation at manufacturing sites, including energy-saving activities close to people's daily lives, and has also been creating products with excellent energy-saving performance by using the technologies of Craftsmanship, Miniaturization, and Efficiency cultivated over the years.



In the future, we want to accelerate the introduction of renewable energies in addition to our existing activities. We have already introduced renewable energy at our manufacturing site in Thailand, which has the largest amount of CO₂ emissions in the SII Group, and we will promote its introduction at all of our sites both within and outside Japan in order to help realize a decarbonized society.

With the COVID-19 pandemic, the supply chain was disrupted due to overseas lockdowns and other factors, making it difficult to obtain parts and materials—a fatal risk for manufacturers. SII also has a global supply chain, and thus we were also greatly affected by delays in procurement from overseas, which reaffirmed the importance of the supply chain.

Looking at the entire supply chain, another major risk is human rights. Human rights legislation is being enacted in many countries, and companies are required to take measures including supply chain measures. We will continue to work on human rights issues together with our partners and suppliers to ensure that we do not unintentionally contribute to human rights violations.

For a company to achieve sustainable management, it is essential for each employee to have an awareness of social issues and the ability to take action to resolve them. In order to make this happen, it is a prerequisite that every employee is healthy both mentally and physically, can choose a work style that suits their lifestyles, and can spend their time with a smile. As the person in charge of management, I will make every effort to ensure that our employees can work with a smile. We will also provide products and services that bring smiles to the faces of our stakeholders, and create a future overflowing with smiles.

A stylized, handwritten signature in black ink, consisting of several fluid, overlapping strokes.

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

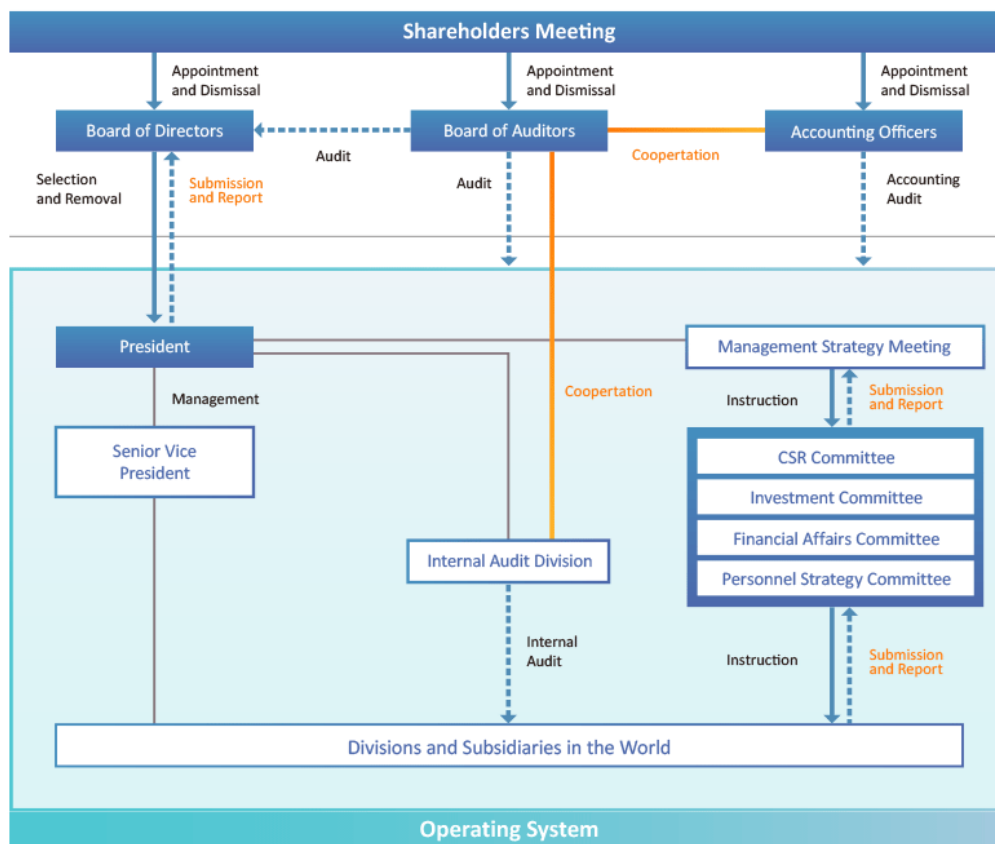
In January 2005, SII established the CSR Committee to promote the CSR activities more efficiently. SII has established a CSR Committee comprised of the President, who serves as the Chairman, and the managers at our head office, who serve as members of the standing committee.

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 seven reports and consultations in the SII Group in FY 2020.

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 identified risks are evaluated and sorted on a risk map according to qualitative and quantitative impact and frequency of occurrence, and the progress of relevant countermeasures is checked every quarter. Critical risks of the fiscal year are reported to the Board of Directors. The CSR Committee met six times in FY 2020.

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

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

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

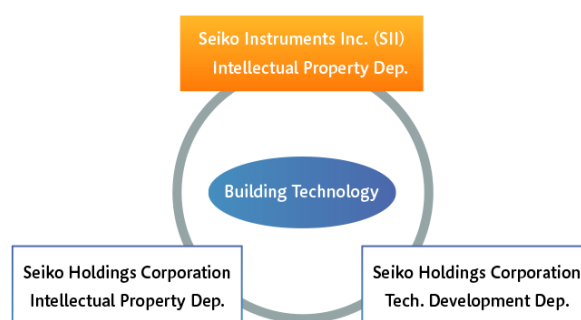
While digital transformation (DX) is being promoted in recent years, the threats, such as information leaks due to cyber attacks on the IT systems that support businesses and fraud using business email, are becoming more widespread and more serious.

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

Intellectual Property Initiatives

Basic Policy and Management of Our Intellectual Property

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



From FY 2020, an Intellectual Property Department and a Technology Development Department have been newly established within our parent company, Seiko Holdings Corporation. We will collaborate with these departments to strengthen the building of intellectual property that will contribute to the growth of the Seiko Holdings Group.

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.

The eligible business structures are different from those of FY 2019 due to the restructuring of the business, but there were 107 patent applications and 126 grants within Japan in FY 2020. Similarly, the number of patent applications outside Japan was 140, with the order of filing regions being China, the United States, and Europe. The total number of patent grants outside Japan was 132.

At the same time, we have been working to improve the rate of patent grants since FY 2008, with the aim of improving the quality of each application. Although the rate varies from year to year, the rate has been improving, and it is now at a level higher than the overall rate in Japan published by the Japan Patent Office. The rate of patent grants for FY 2020 was 77%, which is higher than that of 2019. 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.

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.

Work/Life Balance

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

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

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

In FY 2020, a telecommuting system was implemented to prevent the spread of COVID-19. In the future, labor and management plan to establish and introduce the telecommuting system for the purpose of work-life balance.

Status of Utilization of the Systems (Japan)

| System | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|---|--------|--------|--------|--------|--------|
| Childcare leave | 22 | 18 | 21 | 23 | 16 |
| Short-hours work for childcare | 38 | 27 | 24 | 22 | 17 |
| Elderly nursing care leave | 0 | 0 | 0 | 0 | 2 |
| Short-hours work for elderly nursing care | 1 | 1 | 1 | 1 | 0 |

Safety and Health

Concept of Occupational Safety and Health

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

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

Purchasing Activities with Fairness and Integrity

Our Concept of Sustainable Procurement

In line with the establishment of the Seiko Holdings Procurement Activity Policy at Seiko Holdings Corporation, SII's parent company, SII has decided to abolish the existing SII Purchasing Policy and to follow the Seiko Holdings Procurement Activity Policy.

In order to realize sustainable procurement, SII will strive to practice "Coexistence and co-prosperity with business partners," "Promoting procurement activities with consideration for the environment, society, and governance," and "Fair and impartial evaluation and selection of business partners," all of which are set forth in the Seiko Holdings Procurement Activity Policy.

Supplier Certification System

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

SII Group Supplier Certification Criteria

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

In FY 2020, we revised the Supplier Certification System to continually check whether the environmental, social, and governance systems of certified suppliers are in compliance with SII criteria, and in FY 2021, we will implement and establish the system.

Compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act)

The Subcontract Act has a major significance in purchasing activities in Japan.

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

In FY 2020, we carried out voluntary inspections of 9 purchasing divisions in Japan and confirmed there were no violations of the Subcontract Act.

Purchasing Risk Management

In our role as a manufacturer that provides products, it is important for us to minimize the risk of a disruption in our supply of parts. Our Purchasing Division clarifies key suppliers and comprehends manufacturing bases to promptly handle emergency situations in case of disasters like earthquakes. In addition, the division is promoting the selection of alternative suppliers or parts to prevent the interruption of parts supplies.

Conflict Minerals Policy

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

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

With Regions and Society

Academic and Technical Advancements

Foundation Advanced Technology Institute

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

Environmental Activities

Tree-planting initiative –Seiko Instruments Forest–

In August 2014, the Makuhari Unit entered into the Cooperative Forest Agreement with the Chiba prefectural government, and is currently carrying out the planting of black pine trees in the Seiko Instruments Forest located along Kujūkuri Beach in Chiba. In April 2018, the agreement was renewed and we have continued to monitor the growth of the black pine trees, but they were damaged by Typhoon Faxai in September 2019. In FY 2020, we had planned to carry out planting of additional trees by our employees, but we had to abandon the plan due to the COVID-19 pandemic. The Chiba Prefecture Forestry Association planted additional trees in May 2021. The seedlings planted this time consisted of 192 disease-resistant black pine trees and 46 pittosporum tobira trees. We will continue to monitor their growth.



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.

In FY 2020, many of our sites had to abandon their activities or reduce the scale of their activities due to the COVID-19 pandemic. We will continue our activities while taking into consideration the COVID-19 infection situation.

- The Sendai unit continues to conduct community cleanups around the nearby Hirose River and around its premises.
In FY 2020, about 30 employees participated in the cleanup.



- The Ohno Unit received an award from Ichikawa City for its contribution to the beautification of the local environment. This is in recognition of the cleanup activities around the Unit that have been conducted on a regular basis over the years. We will continue to contribute to the community through cleanup activities in the area.



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.

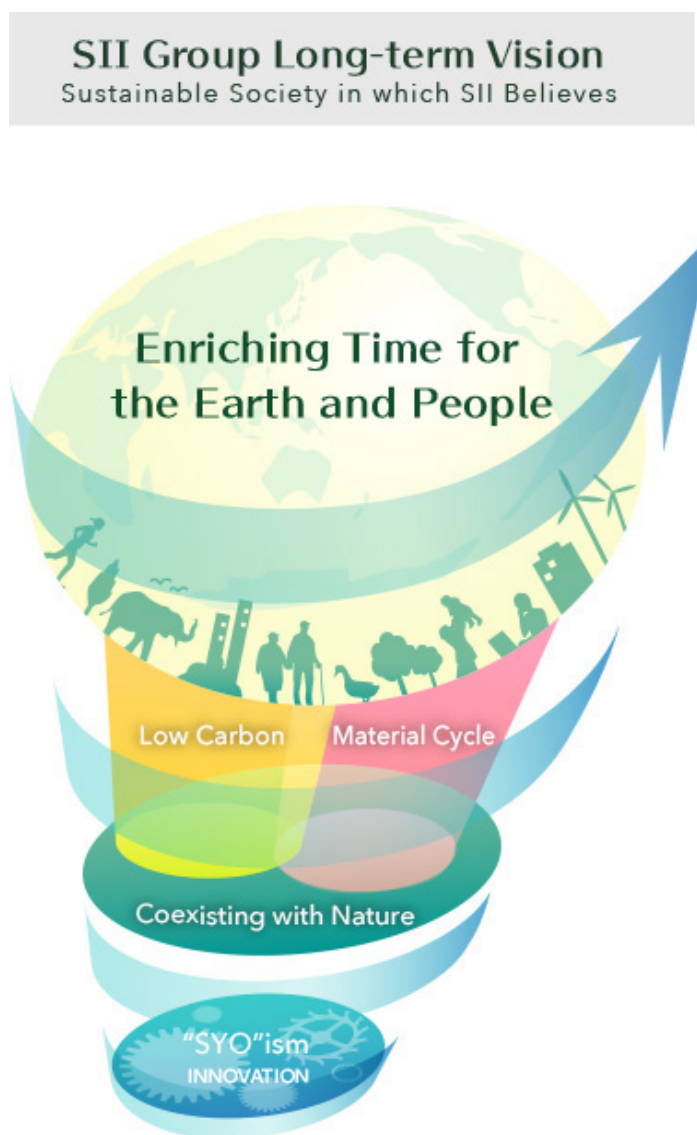
It highlights SII's direction based on achieving a sustainable society by coexistence with nature, low carbon, and material cycle.

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.

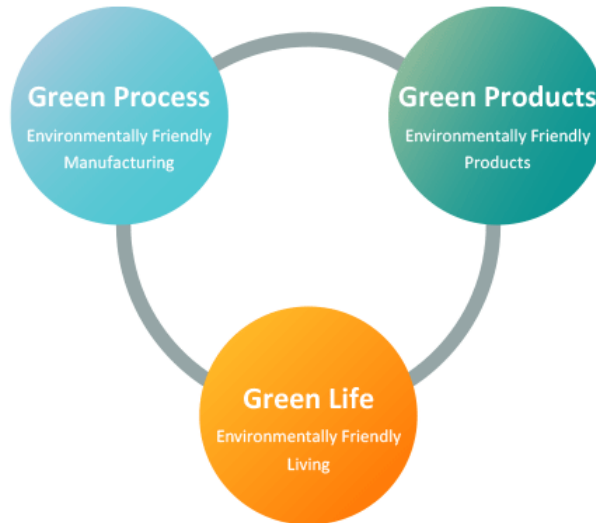
*Note-"SYO"ism signifies three keys of our technological philosophies: "Craftmanship", "Miniaturization", "Efficiency."



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^{*1}:

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.

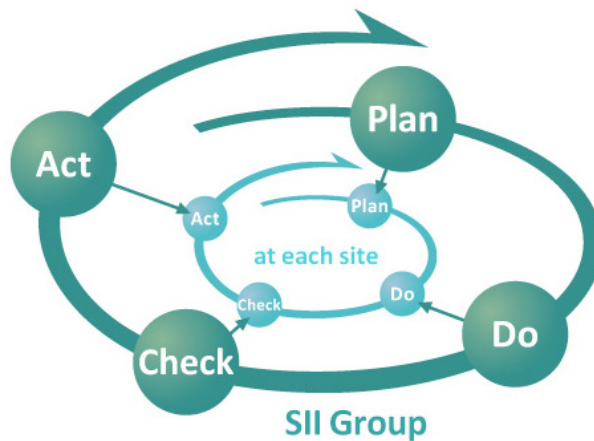
*1 "SYO"ism: SII technology philosophy

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.

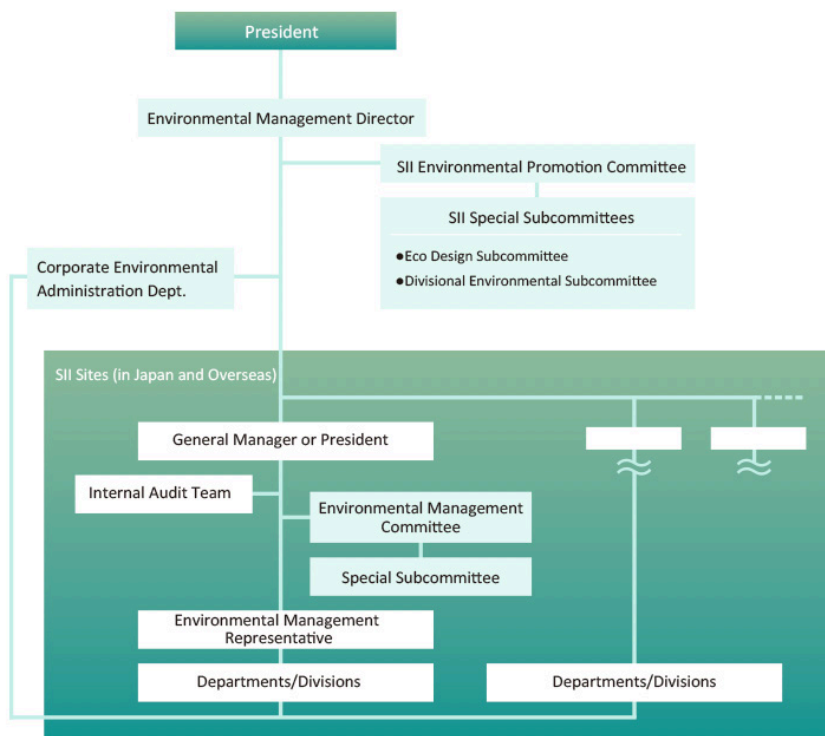
Our mid-term and annual goals are established based on the "SII Group Environmental Policy," and pursued by the environmental management system at each site.

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. In spite of the COVID-19 pandemic, the FY 2020 committee meeting was held as scheduled using web conferencing tools.

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.

Climate Change

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

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

FY 2020 Overview and Future Initiatives

As a result of the major business restructuring within the Seiko Holdings Group in April 2020, SII's watch business was transferred to Seiko Watch Corporation, and its R&D and production technology development functions were transferred to Seiko Holdings Corporation. In addition to these factors, SII's environmental impact, including CO₂ emissions, has also decreased significantly due to the influence of the COVID-19 pandemic.

As part of our activities to reduce CO₂ emissions, we continued our efforts in efficient operation of facilities and other areas, as well as in switching to LED lighting and upgrading of equipment. In addition, we have introduced renewable energy at our overseas sites.

In the future, we will redefine our medium- and long-term vision and target values, and accelerate our efforts to decarbonize.

Resource Circulation

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

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

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

Waste

FY 2020 Overview and Future Initiatives

As a result of the major business restructuring within the Seiko Holdings Group in April 2020, SII's watch business was transferred to Seiko Watch Corporation, and its R&D and production technology development functions were transferred to Seiko Holdings Corporation. In addition to these factors, SII's environmental impact, including waste emissions, has also decreased significantly due to the influence of the COVID-19 pandemic.

In the future, we will redefine our medium- to long-term vision and targets, and accelerate our efforts toward a recycling-oriented society.

Water Use

FY 2020 Overview and Future Initiatives

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.

As a result of the major business restructuring within the Seiko Holdings Group in April 2020, the amount of water use has also decreased.

Conservation of Biodiversity

The SII Group's business activities depend, to some extent, on ecosystem services. We consider biodiversity conservation to be a key issue of environmental management that needs to be addressed in our daily business activities.

SII established a Biodiversity Action Agenda in April 2011 to specifically work on the conservation of biodiversity. Each site is promoting biodiversity activities tailored to the characteristics of the sites, such as biodiversity-conscious land use, planting activities, and collaboration with stakeholders, with the aim of realizing a "society in harmony with nature."

FY 2020 Overview and Future Initiatives

SII's goal is to contribute to the realization of a society in harmony with nature—a place of business in harmony with living things. In FY 2020, SII worked to visualize biodiversity by surveying, photographing, and recording the creatures that live at our sites, and sharing the results within the sites to improve the visualization and understanding of biodiversity. We also continued our activities based on the SII Group Land-use Guidelines on the Conservation of Biodiversity. In the future, we will consider new initiatives with reference to the post-Aichi targets.

Assessment of Land Use

In April 2011, SII formulated the Biodiversity Action Agenda and started biodiversity conservation activities. Subsequently in February 2016, we published the SII Group Land-use Guidelines on the Conservation of Biodiversity, and have been continually implementing activities to use green spaces at our sites and contribute to local biodiversity conservation based on the guidelines. In FY 2020, each site developed a variety of initiatives that take advantage of the characteristics of the sites.

Protecting Endangered Species

In June 2020, Ohno Unit discovered 14 specimens of the endangered golden orchid species (Ministry of the Environment's Endangered Species II) in a corner of its premises during a survey of rare plants. The flowering season had passed at the time of discovery, but in April 2021, we were able to confirm that eight of the plants were in full bloom. The Ohno Unit is in Ichikawa City, Chiba Prefecture, near the center of the city, and the area around the unit is surrounded by houses. We are very happy that the golden orchid was discovered in such an environment, and we will continue to monitor it.



In addition, the Ohno Unit is registered with Ichikawa City as a "biodiversity monitoring surveyor" and contributes to the "Ichikawa Living Things Map" whenever it finds living things on its premises.

Chemical Substances Control

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

FY 2020 Overview

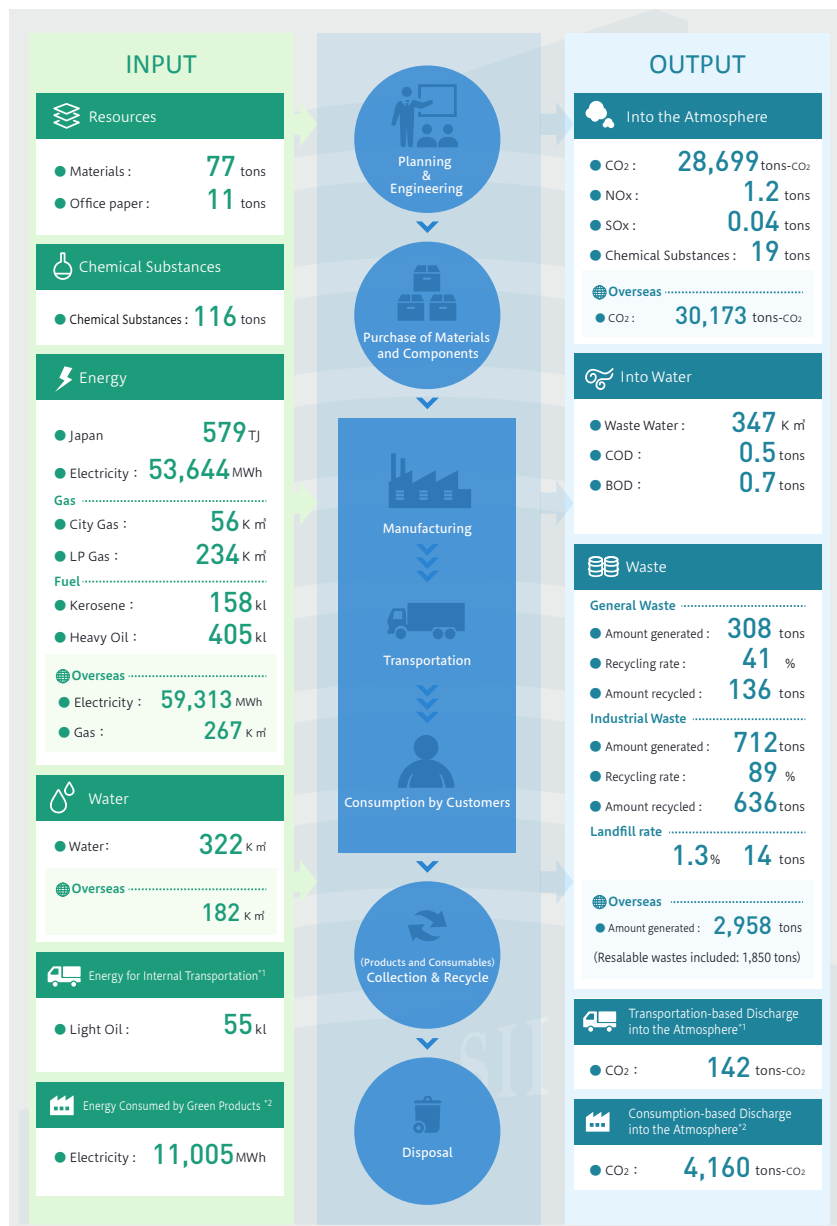
The FY 2020 total emission of chemical substances subject to control in manufacturing process^{*1} was 19.2 tons, which was approximately 5 tons less than the total for FY 2019. The amount of PRTR^{*2} substances handled was 45.8 tons, which was 27.6 tons less than the amount for FY 2019. The main reason for the reduction is due to major business restructuring within the Seiko Holdings Group that took place in April 2020.

^{*1} There are some items that do not add up to the total due to fractional processing.

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

Business Activities and Environmental Impact

The SII Group believes that understanding environmental impact properly throughout the product life cycle is the basic practice of environmental activities. The overview of FY 2020 environmental impact is explained below.



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

| OUTPUT | |
|----------------------------------|---|
| CO ₂ : | From use of electricity, gas, oil, and cooling and heating water |
| NO _x : | From use of gas and oil |
| SO _x : | From use of oil <small>*NO_x and SO_x figures represent business units installing soot and smoke emitting facilities which are regulated by the Air Pollution Control Law.</small> |
| Chemical Substances: | PRTR hazardous chemical substances, HFCs, PFCs, SF ₆ , and VOC discharged into the atmosphere and water |
| Waste Water: | Released into rivers and sewer systems |
| COD (Chemical Oxygen Demand): | Pollution load <small>*Limited to the business units subject to the regulations in the Water Pollution Control Law covering the total pollution amount</small> |
| BOD (Biochemical Oxygen Demand): | Pollution load <small>*Limited to the business units installing specified facilities as prescribed by the Water Pollution Control Law</small> |
| 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 2020.

CSR Targets and Results

Our major CSR activities carried out in FY 2020 are as follows.

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

Compliance

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|---|---|------------|---|
| Continue to implement the regular on-line compliance quizzes - Continue to update Dr. Compliance's Word and Quiz of the Day every business day - Implement the compliance quizzes regularly once a year | - Dr. Compliance's Word and Quiz of the Day: Updated almost every business day - Compliance quizzes: Conducted once (December - January) | ○ | Continue to implement the regular on-line compliance quizzes - Continue to update Dr. Compliance's Word and Quiz of the Day every business day - Implement regular compliance quizzes once a year |
| Continue the educational activities to senior management on compliance awareness (every quarter) | Compliance briefing for senior management: Conducted in Feb. | ○ | 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) | Conducted once (June - July) | ○ | Conduct the periodic compliance awareness survey (annually) |

Cases reported to the SII helpline and processed by the consultation service: **7**

Risk Management

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|---|---|------------|---|
| Continue to implement and promote the group-wide risk management activities | Implemented PDCA for evaluation and management of key risks (Took 26 actions) | ○ | Continue to implement and promote the group-wide risk management activities |

Intellectual Property

The number of SII's patents In Japan: **1,505** Outside Japan: **1,466**


Customer Satisfaction

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 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 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|--|---|------------|--|
| Product safety check: Conduct the check on the target products for 100% | Checking of the target products fully completed | ○ | Conduct the check on the target products for 100%. |
| Operation process check: Review the method and implement the check while preventing the spread of COVID-19 | Cancelled the on-site check due to travel restrictions and conducted the self-check | ○ | Conduct either a remote or on-site check depending on the status of COVID-19 infection |

Respect for Human Rights

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|---|---|--|---|
| Create a human resources map for sites outside Japan - Complete 50% of Job category map creation | Unable to provide face-to-face guidance due to the COVID-19 pandemic; provided remote guidance to HR at the sites outside Japan on the purpose and method of creating job category maps |  | Since the COVID-19 pandemic is expected to continue, only the job maps of sales companies are scheduled to be completed (Target: Sales companies) |



Childcare leave taken by **16** employees Short-hour work for childcare taken by **17** employees

Safety and Health



| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 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 | Cancelled at all sites due to the COVID-19 pandemic : 0 participants |  | Examine implementation methods including how to deal with the situation based on assessment of the impact of the COVID-19 pandemic |
| Implementation rate for the specific health checkups: 87.6% | 85.4% *1 |  | 87.0% |
| Implementation rate for the specific health guidance: 51.0% | 37.0% *1 |  | 52.3% |

*1 The percentages are the forecasts as of July 2021.


Coexistence with Society

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|--|---|--|--|
| Continue the local contribution activities at each site | Carried out local cleanup activities, contributions, tree planting activities, etc. |  | Continue the local contribution activities at each site |
| Continue to implement the field-study and internship programs at each site | Cancelled at all sites due to the COVID-19 pandemic |  | Examine implementation methods including how to deal with the situation based on assessment of the impact of the COVID-19 pandemic |



Purchasing Activities with Fairness and Integrity

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|--|---|--|--|
| Continue the buyer education | Implemented education: 79 participants |  | Continue the buyer education |
| Continue the implementation of supplier certification systems, and review the system | - Continued the implementation - Reviewed the system |  | Continue the implementation of supplier certification system |

Creation of Eco-friendly Products

| FY 2020 Target | | FY 2020 Results | Evaluation | FY 2021 Target |
|--|---|------------------|---|---|
| Increase the sales rate of Green Products | 95% or more for the entire SII | 99.5% |  | Maintain the rate at 95% or more for the entire SII |
| Increase the number of High Grade Green Products | (Due to revision of the system, actual results to be ascertained) | Former system: 1 | — | (Due to revision of the system, actual results to be ascertained) |

Control of Chemical Substances Contained in Products


| FY 2020 Target | | FY 2020 Results | Evaluation | FY 2021 Target |
|---|--|----------------------------|---|--|
| Ensure products free of cadmium, hexavalent chromium, mercury, and lead | Maintain the rate of products free of the substances concerned at 95% or more ^{*1} | 94.2% |  | Maintain the rate of products free of the substances concerned at 95% or more ^{*1} |
| Ensure products free of phthalate esters | Ensure the rate of products free of phthalate esters at 95% or more ^{*2} | 96.0% ^{*3} |  | Ensure the rate of products free of phthalate esters at 95% or more ^{*2} |

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

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

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

Climate Change

| FY 2020 Target | | FY 2020 Results | Evaluation | FY 2021 Target |
|---|---|--|--|---|
| Reduce energy-related CO ₂ emissions | (Not yet set due to revision of CO ₂ emission factors) | Total amount: 28,699 tons-CO ₂ ^{*1} -32.3% from FY 2019 |  | Maintenance and management (Reduce by 1% from FY 2020) |
| | Reduce by 1% from FY 2019 at each overseas site | <Reference value> Total amount: 30,173 tons-CO ₂ -36.9% from FY 2019 | — | Reduce by 1% from FY 2020 at each overseas site |

*1

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

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

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

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

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

Resource Circulation

| FY 2020 Target | | FY 2020 Results | Evaluation | FY 2021 Target |
|--------------------------------------|---|---|------------|---|
| Improve the recycling rate of wastes | Maintain the current status at sites in Japan | 75% | — | Maintain the current status |
| | Improve by 3 points from FY 2019 at overseas sites | 69% | — | +3 points from FY 2020 at each overseas site |
| Reduce water use | Maintain the current status at sites in Japan | 322 K m ³ -15% from FY 2019 | — | Maintain the current status |
| | Reduce by 1% from FY 2019 at each overseas site | 182 K m ³ -49% from FY 2019 | — | -1% from FY 2020 at each overseas site |
| Reduce office paper use | Reduce by 3% from FY 2019 at overseas sites | 7 tons -57% from FY 2019 | — | -3% from FY 2020 at each overseas site |

Chemical Substances Control

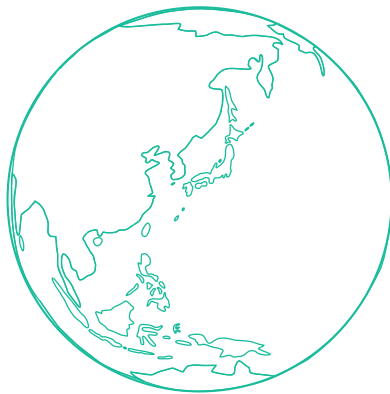
| FY 2020 Target | | FY 2020 Results | Evaluation | FY 2021 Target |
|--|---|---|------------|---|
| Reduce the amount of emissions of chemical substances* | Maintain the current status at sites in Japan | 1.5 tons -21% from FY 2019 | — | Maintain the current status at sites in Japan |

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

Biodiversity

| FY 2020 Target | FY 2020 Results | Evaluation | FY 2021 Target |
|---|---|------------|---|
| <ul style="list-style-type: none"> - Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity - Continue to visualize biodiversity conservation activities at each site (e.g., wildlife surveys, photographing) | <ul style="list-style-type: none"> - Continued to implement the initiatives - Reported the activities using the site reports of each site | ○ | <ul style="list-style-type: none"> - Continue to implement initiatives based on the SII Group Land-use Guidelines on the Conservation of Biodiversity - Promote visualization and PR of biodiversity conservation activities at each site |

- 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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