

Consolidated Financial Results

for the Fiscal Year Ended December 31, 2006 (January 1, 2006 to December 31, 2006)

Company name:	SIIX Corporation
Stock code:	7613
Stock exchange listing (Section):	Tokyo Stock Exchange, (First Section) Osaka Securities Exchange, (First Section)
Head office:	Osaka, Japan
URL:	http://www.siix.co.jp
President & COO:	Kansho Murase
Contact:	Yoshihiro Mizutani, Executive Officer and General Manager, Finance and Accounting Department Subsidiaries and Affiliates Department
Telephone:	+81-6-6266-6415
Board meeting for approving the financial results:	February 15, 2007
Name of parent company:	Sakata Inx Corporation (Stock code: 4633)
Percentage of voting rights owned by parent company:	22.2%
Accounting principle:	Japanese GAAP

1. Consolidated Financial Results (January 1, 2006 – December 31, 2006)

(1) Consolidated Results of Operations

(Amounts rounded down to million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	YoY change (%)	Million yen	YoY change (%)	Million yen	YoY change (%)
Year ended Dec. 2006	129,333	15.0	3,097	(0.7)	3,126	4.9
Year ended Dec. 2005	112,474	5.2	3,118	49.6	2,980	34.4

	Net income		Net income per share (basic)	Net income per share (diluted)
	Million yen	YoY change (%)	Yen	Yen
Year ended Dec. 2006	771	(70.9)	61.24	—
Year ended Dec. 2005	2,650	153.5	209.04	—

	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	%	%	%
Year ended Dec. 2006	5.5	6.4	2.4
Year ended Dec. 2005	23.2	6.9	2.6

Notes:

1. Equity in net earnings (losses) of affiliates

Year ended December 2006: (44) million yen

Year ended December 2005: 5 million yen

2. Average number of shares outstanding

Year ended December 2006: 12,599,970 shares

Year ended December 2005: 12,599,970 shares

3. Changes in accounting policy: None

4. The percentages for net sales, operating income, ordinary income, and net income in the above tables represent changes from the same period in the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
Year ended Dec. 2006	51,207	14,813	28.6	1,160.85
Year ended Dec. 2005	46,254	13,424	29.0	1,064.10

Note: Number of shares outstanding

As of December 31, 2006: 12,599,970 shares

As of December 31, 2005: 12,599,970 shares

(3) Consolidated Cash Flows Position

	Net cash provided by (used in)			Cash and cash equivalents at fiscal year end
	Operating activities	Investing activities	Financing activities	
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2006	2,739	(2,800)	(959)	4,613
Year ended Dec. 2005	5,793	(2,277)	(2,090)	5,518

(4) Scope of consolidation and application of equity method

The number of consolidated subsidiaries:	14
The number of unconsolidated subsidiaries under equity method application:	—
The number of affiliates under equity method application:	3

(5) Changes in the scope of consolidation and application of equity method

The number of consolidated subsidiaries

Newly added: —

Excluded: 1

The number of affiliates under equity method application

Newly added: —

Excluded: —

2. Forecasts for the Year Ending December 2007 (January 1, 2007 - December 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim	65,038	1,107	390
Full year	142,733	3,303	1,541

Reference: Estimated net income per common share for the full year: 122.30 yen

Forecasts regarding future performance and plans in these materials are based on judgments made in accordance with information available to management or putative market trend at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors, including but not limited to the operating environments. Please refer to the page on the outlook for further information concerning these projections.

Corporate Group

The SIIX Group of companies is made up of SIIX Corp. (the Company), fourteen consolidated subsidiaries, one non-consolidated subsidiary, eight affiliates, of which three equity-method affiliates, and fourteen jointly owned companies. These companies are engaged in the manufacture and sale of electronic devices, electronic components, industrial machinery, and other products.

Group companies by business segment and the roles of major companies are as follows.

Company	Country	Capital/ Investment	Owner ship (%)	Activities	Segment	Category
(Consolidated subsidiaries)						
SIIX (Shanghai) Co., Ltd.	Shanghai, China	Thousand RMB 1,655	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS (DONG GUAN) Co., Ltd.	Guangdong, China	Thousand RMB 107,550	100.00 (100.00)	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Nansha Sakata Ink Corp.	Guangdong, China	Thousand RMB 2,077	50.00	Manufacturing, sales, and procurement of raw materials and products	Others	Manufacturing
SIIX H.K. Ltd.	Hong Kong, China	Thousand HK\$ 4,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX TWN Co., Ltd.	Taipei, Taiwan	Thousand NT\$ 5,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX Singapore Pte. Ltd.	Singapore	Thousand US\$ 1,144	100.00	Sales and procurement of products	Electronics	Trading
SIIX Bangkok Co., Ltd.	Bangkok, Thailand	Thousand Baht 30,000	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS (Thailand) Co., Ltd.	Samutprakarn, Thailand	Thousand Baht 309,100	100.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX Phils., Inc.	Pasay City, Metro Manila, Philippines	Thousand PHP 14,700	100.00	Sales and procurement of products	Electronics	Trading
SIIX Logistics Phils., Inc.	Languna, Philippines	Thousand US\$ 2,078	100.00	Sales and procurement of products	Electronics	Trading
PT SIIX Electronics Indonesia	Vatam Island, Indonesia	Thousand US\$ 1,980	100.00 (100.00)	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX Europe GmbH	Willich, Germany	Thousand Euro 1,022	100.00	Sales and procurement of products	Electronics	Trading
SIIX EMS Slovakia s.r.o.	Nitra, Slovakia	Thousand Euro 3,634	100.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
SIIX U.S.A. Corp.	Illinois, U. S. A.	Thousand US\$ 4,000	100.00	Sales and procurement of products	Electronics	Trading
(Equity-method affiliates)						
TAKAYA SIIX Electronics (Shanghai) Co., Ltd.	Shanghai, China	Thousand RMB 70,631	40.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Innertech SIIX Electronics (Suzhou) Co., Ltd.	Jiangsu, China	Thousand RMB 99,325	20.00	Manufacturing, sales, and procurement of raw materials and products	Electronics	Manufacturing
Kawasaki Motors (Phils) Corp.	Montin Lupa City, Metro Manila, Philippines	Thousand PHP 101,430	20.06	Manufacturing, sales, and procurement of raw materials and products	Machinery	Manufacturing

- Notes: 1. Names of business segments are listed in the “Activities” column.
 2. The figure in parentheses in the “Ownership” column indicates the shares indirectly owned.
 3. SIIX EMS Dongguan Ltd. was renamed SIIX EMS (DONG GUAN) Co., Ltd. in the current fiscal year.

(Non-consolidated company)	Country	Segment
SIIX do Brasil Ltda.	Brazil	Electronics

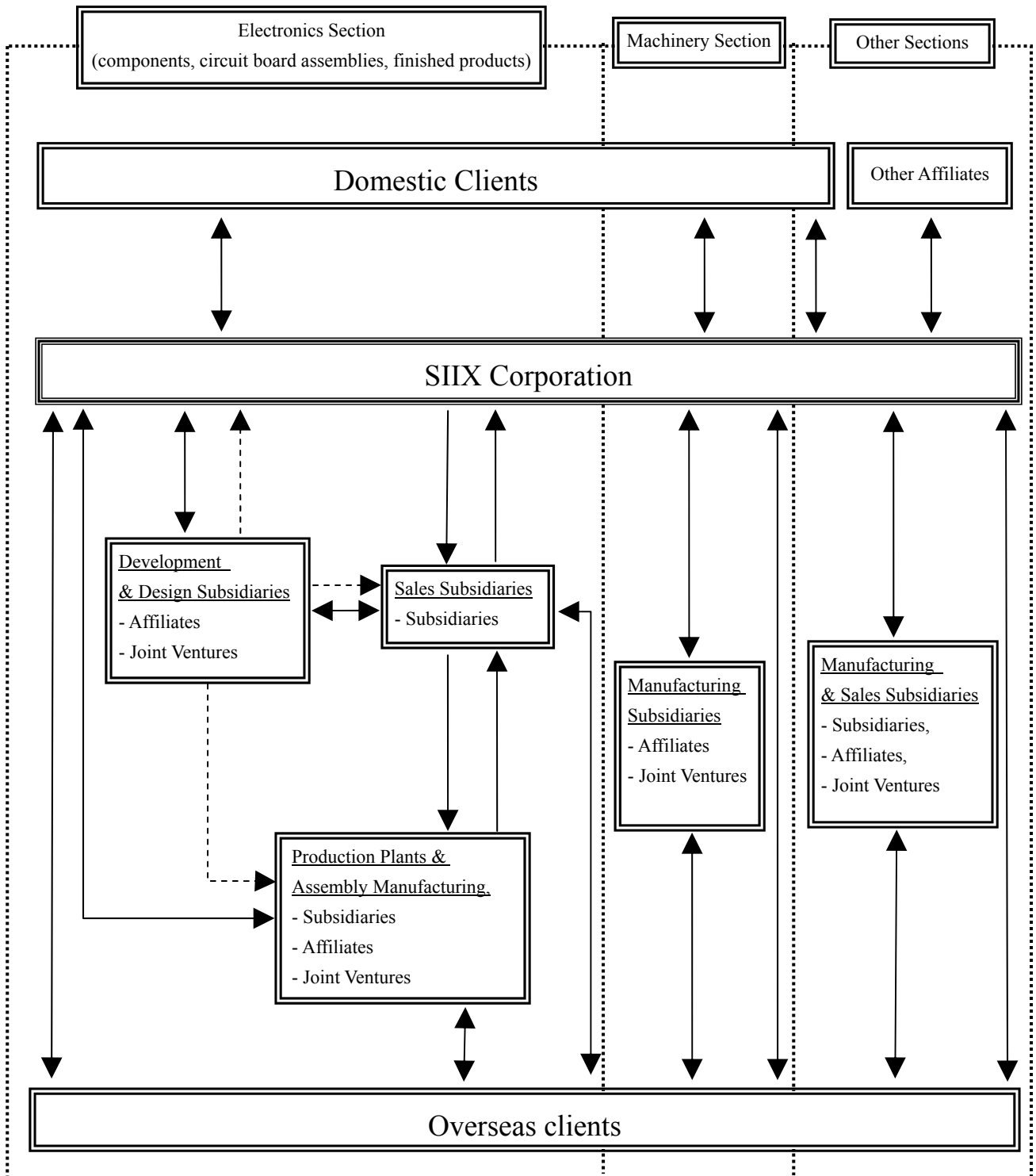
(Major affiliated companies)

TS-PRO Co., Ltd.	Japan	Electronics
Bando SIIX Ltd.	Hong Kong	Others
PFU Technology (Singapore) Pte. Ltd.	Singapore	Electronics
Delsa Chemicals and Multi Products Inc.	Philippines	Others

(Major jointly owned companies)

TOYO iTEC Co., Ltd.	Japan	Electronics
Panyu Kyokuto Sakata Electronics Ltd.	China	Electronics
Kyokuto China Limited	China (Hong Kong)	Electronics
Stars Microelectronics (Thailand) Co., Ltd.	Thailand	Electronics
Intergrated Microelectronics, Inc.	Philippines	Electronics
Shinto Welbest Mfg. Inc.	Philippines	Others

Flowchart of Business Activities



*The above flowchart shows business activities by major operating segment.

Management Policy

1. Fundamental Management Policy

Consumer needs have diversified greatly alongside the maturation of markets in developed countries in recent years. In addition, the structure of the global market has been changing, with developments such as the rapid growth of emerging markets, particularly in Asia. As for corporations, the allocation and utilization of resources in a global and timely fashion have come to be important issues for management in all respects, including procurement, production, sales, and logistics. The objective of the Group is to provide solutions to these kinds of new corporate issues. Focusing on electronics related areas, where we have many years of experience, our fundamental policies are to provide universal coordination for diverse needs spread around the world and to be a global business organizer, supplying customers with concrete business merit (customer value). The Group defines its corporate philosophy through these corporate activities as “the pursuit of effective use of the world’s resources to activate social systems and contribute to the advancement of humankind.”

2. Fundamental Policy Regarding Allocation of Earnings

The Company continues to base its fundamental policy on distributing earnings to shareholders continuously and stably, while at the same time following a policy of determining dividends after consideration of such things as enhancing retained earnings for the sake of future growth and the strengthening of the management base.

As for the dividend for this consolidated financial year, the Company has already distributed a common dividend of 7.50 yen per share as an interim dividend and plans to add a further 7.50 yen per share as the term-end dividend. Finally the company is planning to make an annual dividend of 15 yen per ordinary share.

3. Position and Policy Regarding Investment Units

The company is conscious of the fact that increasing the liquidity of the company’s shares in the share market and expanding the company’s investor base are important issues of capital policy. To this end, the company has already set the size of the trading unit for shares in the company at 100 shares. Furthermore the Company carried out a 2 for 1 share split in February 2005 in order to increase the liquidity of the company’s shares. In future too, the company will undertake further appropriate measures as necessary following consideration of matters such as tendencies in the share market and the movement of the company’s share price.

4. Targeted Management Indicators

The medium-term goal is to raise net sales to 160,000 million yen and ordinary income to 4,800 million yen on a consolidated basis in 2008. In addition, from the perspective of increasing shareholder value, the company has targeted a consolidated ROE in excess of 15%.

5. Mid- and Long-Term Corporate Management Strategy

In the electronics industry, which is the core area of business in the SIIX Group, the construction of a global production and logistics network has moved into high gear in association with the increased overseas expansion. Specifically, in the background to this trend is a transition from the conventional type of overseas expansion, whereby a company transfers its production bases in the search for cheap production costs for factors such as labor to the gradually increasing necessity for full-scale localized production and sales targeting the rapidly expanding consumer markets centered on the Newly Industrializing Countries. In addition, the development of international production and logistics networks is not only between domestic and overseas markets but between one overseas market and another, is accelerating globally. In association with this trend, the needs of manufacturers are not limited to production technology and quality, but have transferred to the realization of similar efficiency to domestic production in overseas plants, including material and product logistics.

The company's business as a "Global Business Organizer" has also expanded due to responses to outsourcing needs created precisely by the kind of business trends described above. In the mid to long-term future as well, the company is aiming to expand business by taking advantage of its "trading company with logistics function and manufacturing capabilities" and "global logistics and manufacturing network," as its strengths to provide total EMS (electronic manufacturing services) that "enables Japanese manufacturing overseas too."

6. Issues for the Company to Resolve

As described in the previous section, the SIIX Group is approaching the full-scale progress of the construction of a corporate global production and logistics network as a commercial opportunity and is working on the following issues in order to expand its business.

- 1) The enhancement of a network of global bases and the further expression of synergistic effects between those bases
- 2) The preparation of an international logistics system able to handle the practice of just-in-time delivery across the world
- 3) The enhancement of global material procurement capabilities and planning capabilities in response to needs for lower material costs
- 4) The upgrading of manufacturing capabilities and technological capabilities in response to the increased sophistication of overseas production items such as digital equipment and automobile equipment.
- 5) The development of new business focused in the transformation of the electronics field, including the digitalization and conversion to networked use of electronic equipment, and the computerization of automobile equipment

7. Matters Concerning the Parent Company

- (1) Name of the parent company.

Parent company	Attributes	Parent company's ratio of ownership of shareholder voting rights	Securities exchanges on which shares issued by the parent company are listed
Sakata Inx Corporation	Affiliates where a listed company is an affiliate of another company	22.2% (—)	Tokyo Stock Exchange, First Section Osaka Securities Exchange, First Section

Note: The figure in parentheses in the column titled "Parent company's proportion of ownership of shareholder voting rights" indicates the indirectly owned shares.

- (2) The positioning of the Company in the parent company's corporate group

As of December 31, 2006, the ratio of ownership of shareholder voting rights of the Company in Sakata Inx Corporation was 22.2%, so the Company falls into the category of affiliated companies of Sakata Inx Corporation under the application of the equity method. Furthermore, the Company is responsible for exports to some regions of the main product of Sakata Inx Corporation, ink for printing, and the Company also considers the products to be in other section. In addition, one of the auditors of Sakata Inx Corporation serves as the part time auditor among the Company's three auditors.

- (3) Transactions with the parent company

In this consolidated fiscal year, the value of the Company's purchases from Sakata Inx Corporation was 151 million yen (0.1% of actual consolidated purchasing).

Results of Operations and Financial Position

1. Results of Operations

1) Overview of the Term Under Review

Looking back over the business environment during this consolidated fiscal year under review, it can be seen that economic expansion progressed steadily in Japan, with corporate receipts trending at high levels, and personal consumption also displaying robust growth, supported by the improvement of the employment environment. The American economy was hit by the slowdown of residential investment in the second half of the year, and appears to be continuing to enter a period of adjustment. However, personal consumption maintained its strength as before, so business conditions developed briskly. In the European economy, exports and facility investment expanded gradually, and personal consumption also performed steadily against a backdrop of improvement in the employment environment. As for the Asian economy, particularly in China and India, along with the expansion of internal demand centered on personal consumption associated with increasing incomes, high growth continued, pulled along by investment and exports. On the other hand, from the start of the second half of the term in other areas of Asia, there were also movements towards inventory adjustment in some IT and digital fields, and the tempo of economic expansion slacked off somewhat.

In the electronics industry, related to the Group's business, shipments of digital visual equipment such as flat screen plasma and LCD TVs, DVD recorders, and digital cameras increased greatly in the domestic market. In addition, in the area of car electronic equipment, computerization developed further against the backdrop of high safety and environment needs, and the market expanded smoothly.

On the other hand, overseas, shipments of products such as digital AV equipment including digital cameras and DVD recorders, computer equipment such as PCs, scanners and printers, along with the electronic parts and devices used with such equipment performed strongly. Within the ongoing development of the globalization of product strategies, such as the simultaneous worldwide launch of high value added products, price competition became even more severe. The transition to production in more suitable locations, including the transfer overseas of production bases and the construction of a global production system progressed a level during the term.

Under the situation as mentioned above, sales during the consolidated fiscal year under review finished at 129,333 million yen, an increase of 16,859 million yen in comparison to the previous consolidated fiscal year (up 15.0%). In terms of profit, due to factors such as the increased burden of depreciation charges in association with the buildup of production facilities in the Manufacturing Division, operating income finished at 3,097 million yen, a decrease of 21 million yen in comparison to the previous consolidated fiscal year (down 0.7%). Furthermore, ordinary income finished at 3,126 million yen, an increase of 146 million yen in comparison to the previous consolidated fiscal year (up 4.9%). Net income for the year finished at 771 million yen, a decrease of 1,879 million yen in comparison to the previous consolidated fiscal year (down 70.9%), but this was mainly because of the posting of extraordinary income in the previous consolidated fiscal year.

Segment results by business category were as follows:

(Electronics Section)

The Electronics Section is the core of the SIIX Group and covers a wide range of areas including communications equipment, automobile related equipment, information equipment, household electrical equipment, industrial equipment, finished goods related to general electronic parts and devices, assemblies, board mountings, single parts and part kits. In this section, shipments of automobile audio equipment and other products decreased, but shipments of materials for digital cameras, air-conditioning units and industrial equipment, among others, increased. As a result, sales in the Electronics Section during the consolidated fiscal year under review finished at 118,903 million yen, an increase of 18,156 million yen in comparison to the previous consolidated fiscal year (up 18.0%). The launch of new projects in the digital consumer

electronics field was delayed and the burden of depreciation costs associated with increased production facilities wasn't fully absorbed. It resulted in operating income finishing at 4,011 million yen, a decrease of 184 million yen in comparison to the previous consolidated fiscal year (down 4.4%).

(Machinery Section)

The Machinery Section handles materials for use with motorbikes, wire harness materials for automobiles and other equipment and machinery. Shipments of materials for use with motorbikes and wire harness materials for automobiles decreased and sales during the consolidated fiscal year under review finished at 9,820 million yen, a decrease of 2,293 million yen in comparison to the previous consolidated fiscal year (down 18.9%). Operating income finished at 32 million yen, an increase of 5 million yen in comparison to the previous consolidated fiscal year (up 21.3%).

(Other Sections)

Other sections handle products including printing ink, chemical products, general merchandise and other products. Sales during the consolidated fiscal year under review finished at 2,020 million yen, a decrease of 88 million yen in comparison to the previous consolidated fiscal year (down 4.2%). Operating income finished at 125 million yen, an increase of 0 million yen in comparison to the previous consolidated fiscal year (up 0.2%).

Segment results by location were as follows:

(Japan)

Shipments of materials for digital cameras and commercial AV equipment, and shipments of other products including air purification systems increased, which led to sales of 56,419 million yen, an increase of 2,251 million yen in comparison to the previous consolidated fiscal year (up 4.2%). Operating income finished at 1,460 million yen, a decrease of 132 million yen in comparison to the previous consolidated fiscal year (down 8.3%).

(Asia)

Shipments of audio equipment for automobiles and other products decreased, but because shipments of materials for digital cameras and air-conditioning units, and industrial equipment among others increased, sales during the consolidated fiscal year under review finished at 94,117 million yen, an increase of 17,459 million yen in comparison to the previous consolidated fiscal year (up 22.8%). Operating income finished at 2,994 million yen, a decrease of 55 million yen in comparison to the previous consolidated fiscal year (down 1.8%).

(Europe)

Because shipments of LCD modules for use in mobile phones decreased, sales finished at 3,555 million yen, a decrease of 1,822 million yen in comparison to the previous consolidated fiscal year (down 33.9%). As a result, operating losses finished at 706 million yen, an increase of 137 million yen in comparison to the previous consolidated fiscal year (down 1.8%). (In the previous consolidated fiscal year, the Company posted operating losses of 568 million yen.)

(USA)

Because shipments of materials for commercial AV equipment and parts for use in camera modules increased, sales finished at 12,296 million yen, an increase of 3,328 million yen in comparison to the previous consolidated accounting year (up 37.1%). Operating income finished at 543 million yen, an increase of 277 million yen in comparison to the previous consolidated accounting year (up 104.3%).

Previously, the USA has been presented under "Others," but because of the importance of the USA in the total for sales in all segments during the consolidated accounting year under review, the USA has been classified separately. There has been no impact on the figures for sales or operating income by doing so.

2) Outlook for the Next Term (Term Ending December 2007)

In regard to the world economy in fiscal year 2007, a feeling of uncertainty, such as a feeling of deceleration in residential investment in the USA and the expansion of disequilibrium in the balance of income and payment with other countries, continues to spread. Although there are thus some factors that do not allow optimism, energy prices begin to show a sign to calm down, and an economic expansion in China and India seems to lead to continuous economic expansion overall. In Japan too, facility investment and personal consumption continue to increase gradually, and business conditions are expected to progress steadily. In the electronics industry, in fields such as digital appliances, equipment for automobiles, and information equipment, market expansion is expected to continue, but it is thought that price competition will become even severer on a worldwide scale, so the shift overseas of production bases that should happen in response to this issue is forecast to progress further as well.

In such an environment, the Company intends to work on areas of business such as sales of parts and materials, and board mountings, focusing on digital appliances, equipment for automobiles and areas related to information equipment.

As for the outlook for results for this fiscal year is for sales of 142,700 million yen (up 10.4% year on year) are estimated, with operating income of 3,300 million yen (up 5.6% year on year), and net income for the term of 1,500 million yen (up 99.7% year on year). These forecasts assume an exchange rate of 115 yen in this outlook for results for this fiscal year.

*The results forecasts and other forecasts of the future that are included in this document are forecasts that the Company has judged based on information available at the present time, and include potential risks and uncertainties. We request your acceptance of the possibility that because of this, the actual results may vary from any future outlook included herein.

2. **Financial Position**

Although there was an increase of income due to long-term borrowings, etc., owing to expenditure due to the acquisition of tangible fixed assets and an increase of inventory assets, cash and cash equivalents (“funds” below) decreased 904 million yen during the consolidated fiscal year under review. Funds during the consolidated fiscal year under review finished at 4,613 million yen (16.4% down). The status of each of the cash flows and the main factors involved were as follows.

(Cash flow from operations)

The result of operating activities was increased funds of 2,739 million yen (the figure for the previous consolidated fiscal year was an increase of 5,793 million yen). This was mainly due to the increasing factors of 1,850 million yen for depreciation costs and an increase of 1,352 million yen in purchasing liabilities, although there was also the decreasing factor of the 2,312 million yen increase in inventory stock in contrast to net income before taxes and other adjustments of 2,458 million yen.

(Cash flow from investment activities)

The result of investment activities was decreased funds of 2,800 million yen (the figure for the previous consolidated fiscal year was a decrease of 2,277 million yen). This was mainly due to expenditure of 2,651 million yen for the acquisition of tangible fixed assets.

(Cash flow from financial activities)

The result of financial activities was decreased funds of 959 million yen (the figure for the previous consolidated fiscal year was a decrease of 2,090 million yen). This was mainly due to a net reduction of 2,653 million yen in short-term borrowings, and expenditure of 1,285 million yen due to the repayment of long-term borrowings, in contrast to increased income of 3,146 million yen due to long-term borrowings.

The Group’s cash flow indices are as follows.

	Year ended Dec. 2005	Year ended Dec. 2006
Capital-to-asset ratio (%)	29.0	28.6
Capital-to-asset ratio based on market prices (%)	53.3	33.2
Debt to annual cash flow ratio (years)	2.4	4.6
Interest coverage ratio	17.5	6.2

Note: Cash flow indices are calculated as follows.

- Capital-to-asset ratio: Shareholder’s equity / Total assets
- Capital-to-asset ratio based on market prices: Market capitalization / Total assets
- Debt to annual cash flow ratio: Interest-bearing liabilities ([beginning of year + end of year] / 2) / Operating cash flow
- Interest coverage ratio: Operating cash flow / Interest payments

1. All indices are calculated on a consolidated basis.
2. Market capitalization is calculated as the closing price of stock on the consolidated balance sheet date (Tokyo Stock Exchange, First Section) × the number of shares outstanding on the balance sheet date.
3. Interest-bearing liabilities are the aggregated sum of liabilities carried on the consolidated balance sheets including short-term borrowings, long-term borrowings and finance lease payments.
Operating cash flow uses cash flow due to operating activities reported on the consolidated statements of cash flows.
4. Interest uses the value of interest paid reported on consolidated statements of cash flows.

3. Operating Risks

In regard to the risks of the SIIX Group's operations, etc., the matters that may exert an important effect on the judgement of investors are mainly those shown below. The operations of the SIIX Group are accompanied by various risks other than these, and the matters described below do not include all of the risks entailed in the SIIX Group's operations.

Matters concerning the future that are included on this page were judged by the SIIX Group as of the end of the consolidated fiscal year under review.

(1) Variations in market conditions

On the one hand, large market growth can be expected in the electronics industry, with which the core business of the SIIX Group is concerned, due to technological innovation and the development of new products. On the other side of the coin, unanticipated price decreases or changes in the demand-supply balance due to the intensification of competition among manufacturers and the early obsolescence of products, etc., can also occur. For example, these trends are comparatively strong in areas such as the digital appliance market. As a consequence of the development of an unexpected gap between supply and demand, effects such as production adjustment, order cancellations, overcapacity, inventory increases, obsolescence, or profit decreases may be felt on results.

(2) Fluctuations of exchange rates

Because the SIIX Group carries out transactions in various currencies and under various conditions, the company pays attention to the avoidance of exchange risk. Basically, the group hedges exchange rate risk by arrangements related to (a) purchases and sales based on the same currency, (b) forward exchange contracts, and (c) the sharing of exchange rate risks with customers. However, sudden exchange rate fluctuations may have an impact on sales and profits.

(3) Business activities overseas

The SIIX Group exhibits its strengths in overseas transactions taking advantage of its global network. At present, the group has 11 subsidiaries in the Asia region (among these 4 in China including Hong Kong*), 2 in Europe, 1 in North America and 1 in South America. In combination with a further 8 affiliated companies (among these 3 companies affiliated under the application of the equity method), etc., the group is active globally. Because of this, country risks such as the worsening of political or economic factors in the country or region the subsidiary or affiliated company is located in, changes in laws, regulations, and tax systems, changes in currency policies, and social unrest may all impact upon the management results as well as the financial condition of the SIIX Group.

(4) Fund procurement and interest rate fluctuations

The SIIX Group procures necessary operating funds through borrowings and the like from financial institutions. Among interest-bearing liabilities, some funds are procured as variable interest rates so the group lessens the risk of interest rate fluctuations by shifting to fixed interest rate procurement and taking advantage of derivative transactions (such as interest swap agreements). However, unexpected fluctuations in market interest rates may exert an impact on the profit and loss of the SIIX Group.

Consolidated Balance Sheets

(Thousand yen)

Item	Note	As of Dec. 31, 2005		As of Dec. 31, 2006		Change		
		Amount	(%)	Amount	(%)	Amount	(%)	
Assets								
I Current assets								
1. Cash and deposits		5,518,343		4,636,549		(881,793)	(16.0)	
2. Trade notes and accounts receivable		16,676,602		19,005,945		2,329,343	14.0	
3. Inventories		9,505,550		12,747,215		3,241,665	34.1	
4. Deferred tax assets		177,753		241,447		63,693	35.8	
5. Others		2,216,665		1,861,097		(355,568)	(16.0)	
Provision for doubtful receivables		(277,779)		(719,881)		(442,102)	—	
Total current assets		33,817,134	73.1	37,772,373	73.8	3,955,238	11.7	
II Fixed assets								
1. Tangible fixed assets								
(1) Buildings and structures		3,973,286		5,220,810				
Accumulated depreciation		1,182,836	2,790,450	1,562,025	3,658,785	868,334	31.1	
(2) Machinery, equipment, and vehicles		7,916,155		10,423,432				
Accumulated depreciation		3,689,854	4,226,300	5,545,485	4,877,947	651,646	15.4	
(3) Tools, furniture and fixtures		1,335,938		1,288,304				
Accumulated depreciation		985,088	350,849	1,026,034	262,270	(88,579)	(25.2)	
(4) Land			1,182,281		1,373,692	191,410	16.2	
(5) Construction in progress			446,809		117,658	(329,150)	(73.7)	
Total tangible fixed assets			8,996,691	19.5	10,290,353	20.1	1,293,661	14.4
2. Intangible assets								
(1) Software			67,505		90,876	23,370	34.6	
(2) Others	*1		168,073		141,828	(26,244)	(15.6)	
Total intangible fixed assets			235,579	0.5	232,705	0.4	(2,874)	(1.2)
3. Investments and other assets								
(1) Investment securities	*2		2,145,938		1,986,556	(159,381)	(7.4)	
(2) Investment in capital	*2		433,154		442,499	9,344	2.2	
(3) Long-term loans receivable			66,471		66,202	(269)	(0.4)	
(4) Deferred tax assets			23,072		17,206	(5,865)	(25.4)	
(5) Others			843,939		793,233	(50,705)	(6.0)	
Provision for doubtful receivables			(307,808)		(393,878)	(86,070)	—	
Total investments and other assets			3,204,767	6.9	2,911,819	5.7	(292,947)	(9.1)
Total fixed assets			12,437,038	26.9	13,434,878	26.2	997,840	8.0
Total assets			46,254,172	100.0	51,207,251	100.0	4,953,078	10.7

(Thousand yen)

Item	Note	As of Dec. 31, 2005		As of Dec. 31, 2006		Change	
		Amount	(%)	Amount	(%)	Amount	(%)
Liabilities							
I Current liabilities							
1. Trade accounts payable		16,261,446		18,681,552		2,420,106	14.9
2. Short-term borrowings		9,522,044		9,287,327		(234,717)	(2.5)
3. Accrued expenses		839,196		1,005,634		166,437	19.8
4. Income taxes payable		1,098,121		918,201		(179,919)	(16.4)
5. Deferred tax liabilities		41,859		256		(41,602)	(99.4)
6. Others		610,468		1,785,819		1,175,350	192.5
Total current liabilities		28,373,136	61.4	31,678,791	61.9	3,305,655	11.7
II Fixed liabilities							
1. Long-term liabilities		2,995,734		3,237,426		241,692	8.1
2. Reserve for retirements		120,293		110,992		(9,301)	(7.7)
3. Reserve for retirement benefits for directors		140,990		149,990		9,000	6.4
4. Deferred tax liabilities		977,170		1,167,962		190,792	19.5
5. Others	*3	71,189		48,936		(22,253)	(31.3)
Total fixed liabilities		4,305,377	9.3	4,715,308	9.2	409,930	9.5
Total liabilities		32,678,514	70.7	36,394,100	71.1	3,715,585	11.4
Minority interests							
Minority interests		151,057	0.3	—		—	
Shareholders' equity							
I Common stock	*4	2,144,000	4.6	—		—	
II Capital surplus		1,853,000	4.0	—		—	
III Retained surplus		9,095,660	19.7	—		—	
IV Net unrealized gains (losses) on other securities		312,393	0.7	—		—	
V Foreign currency translation adjustments		19,578	0.0	—		—	
VI Treasury stock	*7	(32)	(0.0)	—		—	
Total shareholders' equity		13,424,600	29.0	—		—	
Total liabilities, minority interests and shareholders' equity		46,254,172	100.0	—		—	

(Thousand yen)

Item	Note	As of Dec. 31, 2005		As of Dec. 31, 2006		Change	
		Amount	(%)	Amount	(%)	Amount	(%)
Net assets							
I Shareholder's equity							
1. Common stock		—		2,144,000	4.2	—	
2. Capital surplus		—		1,853,000	3.6	—	
3. Retained surplus		—		9,661,278	18.9	—	
4. Treasury stock		—		(32)	0.0	—	
Total shareholder's equity		—		13,658,246	26.7	—	
II Difference of valuation, translation, and other adjustments							
1. Net unrealized gains (losses) on other securities		—		167,530	0.3	—	
2. Net gains (losses) on deferral hedge		—		617	0.0	—	
3. Foreign currency translation adjustments		—		800,292	1.5	—	
Total of difference of appreciation and conversion		—		968,439	1.8	—	
III Minority interests		—		186,465	0.4	—	
Total net assets		—		14,813,151	28.9	—	
Total liabilities and net assets		—		51,207,251	100.0	—	

Consolidated Statements of Income

(Thousand yen)

Item	Note	1st Jan 2005 - 31st Dec 2005		1st Jan 2006 - 31st Dec 2006		Change	
		Amount	(%)	Amount	(%)	Change	(%)
I Net sales		112,474,303	100.0	129,333,907	100.0	16,859,604	15.0
II Cost of sales		104,114,288	92.6	120,570,343	93.2	16,456,054	15.8
Gross profit		8,360,014	7.4	8,763,563	6.8	403,549	4.8
III Selling, general and administrative expenses	*1	5,241,112	4.7	5,666,100	4.4	424,988	8.1
Operating income		3,118,901	2.7	3,097,462	2.4	(21,439)	(0.7)
IV Non-operating income							
1. Interest income		44,936		105,798			
2. Dividend income		22,152		34,694			
3. Amortization of consolidation goodwill		8,762		—			
4. Amortization of goodwill		—		9,048			
5. Rent income		75,978		60,016			
6. Investment income due to equity method		5,653		—			
7. Foreign exchange gains		—		140,547			
8. Others		168,387	0.3	265,406	0.5	289,640	88.9
V Non-operating expenses							
1. Interest expenses		328,570		464,700			
2. Losses due to equity method		—		44,933			
3. Foreign exchange losses		38,077		—			
4. Others		97,905	0.4	76,874	0.5	121,954	26.3
Ordinary income		2,980,218	2.6	3,126,465	2.4	146,247	4.9

(Thousand yen)

Item	Note	1st Jan 2005 - 31st Dec 2005		1st Jan 2006 - 31st Dec 2006		Change		
		Amount	(%)	Amount	(%)	Change	(%)	
VI Extraordinary income								
1. Reversal of allowance for doubtful accounts		47,005		7,718				
2. Gain on sales of investment securities		46,594		338				
3. Gain on sales of fixed assets	*2	86,437		14,347				
4. Gain on sales of shares in affiliates	*3	2,369,939	2,549,976	2.3	—	22,405	0.0	(2,527,571) (99.1)
VII Extraordinary loss								
1. Loss on sale of investment securities		56,617		283				
2. Loss on valuation of investment securities		3,053		—				
3. Loss on sale of fixed assets		4,422		309				
4. Loss on disposal of fixed assets	*4	1,396		33,147				
5. Expenses for renovation of head office	*5	—		10,435				
6. Provision for allowance for doubtful receivables	*6	—		413,814				
7. Loss on valuation of inventories	*7	639,414		—				
8. Loss on disposal of inventories	*8	249,843		—				
9. Lump sum amortization of goodwill		—		128,245				
10. Impairment loss	*9	—	954,747	0.8	104,227	690,463	0.5	(264,284) (27.7)
Income before income taxes and minority interests			4,575,447	4.1		2,458,407	1.9	(2,117,039) (46.3)
Current income taxes		1,375,978		1,447,413				
Deferred income taxes		562,663	1,938,642	1.7	202,234	1,649,648	1.3	(288,993) (14.9)
Loss on minority interests			14,138	0.0		(37,141)	0.0	(51,279) (362.7)
Net income			2,650,943	2.4		771,617	0.6	(1,879,325) (70.9)

Consolidated Statements of Retained Surplus

(Thousand yen)

		1st Jan 2005 - 31st Dec 2005	
Item	Note	Amount	
Capital surplus			
I Balance at beginning of period			1,853,000
II Balance at end of period			1,853,000
Retained surplus			
I Balance at beginning of period			6,745,222
II Increase in retained surplus			
Net income		2,650,943	2,650,943
III Decrease in retained surplus			
1. Dividends		157,499	
2. Bonuses to directors		20,000	
3. Decrease accompanying standard currency changes at overseas subsidiaries		123,005	300,505
IV Balances at end of period			9,095,660

Consolidated Statements of Changes in Net Assets

Current year (1st Jan 2006 – 31st Dec 2006)

(Thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained surplus	Treasury stock	Total shareholders' equity
Balances at December 31, 2005	2,144,000	1,853,000	9,095,660	(32)	13,092,628
Changes in the period					
Dividends from surplus			(188,999)		(188,999)
Net income			771,617		771,617
Bonuses to directors			(17,000)		(17,000)
Net changes of items other than shareholders' equity					
Total changes in the period	—	—	565,618	—	565,618
Balances at December 31, 2006	2,144,000	1,853,000	9,661,278	(32)	13,658,246

(Thousand yen)

	Difference of valuation, translation and other adjustments				Minority interests	Total net assets
	Net unrealized holding gains (losses) on securities	Net gains (losses) on deferral hedge	Foreign currency translation adjustments	Total of difference from appreciation and conversion		
Balances at December 31, 2005	312,393	—	19,578	331,972	151,057	13,575,658
Changes in the period						
Dividends from surplus				—		(188,999)
Net income				—		771,617
Bonuses to directors				—		(17,000)
Net changes of items other than shareholders' equity	(144,863)	617	780,713	636,467	35,407	671,875
Total changes in the period	(144,863)	617	780,713	636,467	35,407	1,237,493
Balances at December 31, 2006	167,530	617	800,292	968,439	186,465	14,813,151

Consolidated Statements of Cash Flows

(Thousand yen)

		1st Jan 2005 – 31st Dec 2005	1st Jan 2006 – 31st Dec 2006	Change
Item	Note	Amount	Amount	Amount
I Operating activities				
1. Income before income taxes and minority interests		4,575,447	2,458,407	(2,117,039)
2. Depreciation		1,397,228	1,850,085	452,856
3. Impairment loss		—	104,227	104,227
4. Amortization of consolidation goodwill		(8,762)	—	8,762
5. Amortization of goodwill		—	23,013	23,013
6. Change in provision for doubtful accounts		202,340	434,274	231,933
7. Interest and dividend income		(67,089)	(140,492)	(73,403)
8. Interest expenses		328,570	464,700	136,129
9. Foreign exchange gains and losses		38,077	3,938	(34,138)
10. Gains and losses due to equity method		(5,653)	44,933	50,587
11. (Increase) decrease in trade notes and accounts receivable		(33,702)	(1,475,425)	(1,441,723)
12. (Increase) decrease in inventories		(526,812)	(2,312,775)	(1,785,963)
13. (Increase) decrease in consumption taxes receivable		533,337	192,871	(340,465)
14. Increase (decrease) in trade notes and accounts payable		2,358,104	1,352,862	(1,005,242)
15. Increase (decrease) in advances received		—	834,830	834,830
16. Gains on sales of shares in affiliates		(2,369,939)	—	2,369,939
17. Losses on valuation of inventories		639,414	—	(639,414)
18. Losses on disposal of inventories		249,843	—	(249,843)
19. Lump sum amortization of goodwill		—	128,245	128,245
20. Others		(165,683)	763,580	929,264
Subtotal		7,144,721	4,727,278	(2,417,443)
21. Interest and dividends received		67,223	140,492	73,268
22. Interest paid		(330,329)	(445,163)	(114,833)
23. Income taxes paid		(1,088,050)	(1,682,630)	(594,579)
Net cash provided by (used in) operating activities		5,793,564	2,739,977	3,053,587
II Investing activities				
1. Purchase of tangible fixed assets		(3,995,493)	(2,651,382)	1,334,110
2. Proceeds from sales of tangible fixed assets		92,463	15,533	(76,930)
3. Purchases of intangible fixed assets		(19,958)	(80,995)	(61,037)
4. Purchases of investment securities		(15,996)	(70,519)	(54,523)
5. Proceeds from sales of investment securities		350,233	4,187	(346,046)
6. Payment for loans		(128,519)	(2,200)	126,319
7. Proceeds from recovered loans		682,604	5,669	(676,934)
8. Payment for investment in affiliates		—	(4,806)	(4,806)
9. Proceeds from sales of shares in affiliates		1,346,901	—	(1,346,901)
10. Payment for additional investment in consolidated subsidiaries		(237,398)	—	237,398
11. Others		(352,090)	(16,232)	335,858
Net cash used in investing activities		(2,277,253)	(2,800,747)	(523,493)

(Thousand yen)

		1st Jan 2005 - 31st Dec 2005	1st Jan 2006 - 31st Dec 2006	Change
Item	Note	Amount	Amount	Amount
III Financing activities				
1. Decrease (increase) in short-term borrowings		(2,682,756)	(2,653,822)	28,943
2. Proceeds from long-term borrowings		500,000	3,146,582	2,646,582
3. Repayment of long-term borrowings		(932,795)	(1,285,019)	(352,224)
4. Dividends paid		(156,237)	(188,644)	(32,406)
5. Payment of dividends to minority shareholders		(8,418)	(9,407)	(988)
6. Proceeds from sale and lease back activities		1,579,866	78,632	(1,501,233)
7. Repayment of bonds		(300,000)	—	300,000
8. Others		(89,913)	(48,160)	41,752
Net cash used in (provided by) financing activities		(2,090,255)	(959,839)	1,130,416
IV Effect of exchange rate changes on cash and cash equivalents		405,269	115,829	(289,440)
V Net increase (decrease) in cash and cash equivalents		1,831,325	(904,780)	(2,736,105)
VI Cash and cash equivalents at beginning of period		3,687,018	5,518,343	1,831,324
VII Net decrease in cash and cash equivalents due to changes in the scope of consolidation		—	—	—
VIII Cash and cash equivalents at end of period		5,518,343	4,613,563	(904,780)

Segment Information

Information by operating segment

Previous year (1st Jan 2005 - 31st Dec 2005)

(Thousand yen)

	Electronics	Machinery	Other	Total	Eliminations and corporate	Consolidated
I Sales and operating income						
Net sales						
(1) Sales — outside customers	100,714,306	9,650,578	2,109,418	112,474,303	—	112,474,303
(2) Sales and transfer-inter-segment	32,786	2,463,957	—	2,496,743	(2,496,743)	—
Total	100,747,092	12,114,535	2,109,418	114,971,046	(2,496,743)	112,474,303
Operating expenses	96,551,084	12,088,032	1,983,864	110,622,981	(1,267,580)	109,355,401
Operating income	4,196,008	26,503	125,553	4,348,064	(1,229,162)	3,118,901
II Assets, depreciation and capital expenditure						
Assets	39,910,911	1,645,001	979,596	42,535,509	3,718,663	46,254,172
Depreciation	1,310,224	493	8,548	1,319,266	77,962	1,397,228
Capital expenditure	3,370,681	—	8,206	3,378,887	181,819	3,560,706

Current year (1st Jan 2006 - 31st Dec 2006)

(Thousand yen)

	Electronics	Machinery	Other	Total	Eliminations and corporate	Consolidated
I Sales and operating income						
Net sales						
(1) Sales — outside customers	118,903,525	8,409,558	2,020,823	129,333,907	—	129,333,907
(2) Sales and transfer-inter-segment	—	1,411,291	—	1,411,291	(1,411,291)	—
Total	118,903,525	9,820,850	2,020,823	130,745,199	(1,411,291)	129,333,907
Operating expenses	114,892,485	9,788,711	1,894,983	126,576,180	(339,736)	126,236,444
Operating income	4,011,040	32,138	125,839	4,169,018	(1,071,555)	3,097,462
II Assets, depreciation and capital expenditure						
Assets	45,488,893	2,428,868	893,865	48,811,627	2,395,624	51,207,251
Depreciation	1,757,267	238	8,455	1,765,961	84,123	1,850,085
Impairment loss	104,227	—	—	104,227	—	104,227
Capital expenditure	2,413,975	—	20,123	2,434,099	234,513	2,668,612

Notes:

1. Operating segments are based on product similarities
2. Major products by operating segment

Section	Major products
Electronics section	Finished products, subassemblies, circuit board assemblies, components, and kits in the fields listed below: Communication devices (LCD modules and camera modules for mobile phones, etc.), vehicle-mounted devices (car audios, meters, front panels, etc.), information devices (scanners, printers, peripheral devices, etc.), household appliances (digital cameras, flat screen TVs, air conditioners, healthcare equipment, etc.), industrial equipment (engine ignition systems, commercial AV equipment, etc.) and general electronic products
Machinery section	Motorcycle parts and materials, wire harnesses, electrical components such as spark plugs, general and industrial equipment and related parts and materials
Other section	Printing ink, synthetic chemicals, miscellaneous goods and other items

3. Operating expenses included under the heading "Eliminations and corporate" consist primarily of expenses related to the management divisions, mainly the general affairs and accounting divisions, at the parent company. Operating expenses included under "Eliminations and corporate" were as follows:

Previous year: 1,229,162 thousand yen

Current year: 1,111,084 thousand yen

4. Corporate assets included under the heading "Eliminations and corporate" consist primarily of the surplus funds, mainly cash and investment securities, and assets of the administration division of the parent company. Corporate assets included under "Eliminations and corporate" were as follows:

Previous year: 4,208,996 thousand yen

Current year: 2,723,662 thousand yen

Geographical Segment Information

Previous year (1st Jan 2005 - 31st Dec 2005)

(Thousand yen)

	Japan	SE Asia	Europe	Other	Total	Eliminations and corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) Sales — outside customers	32,951,799	68,279,775	5,048,602	6,194,125	112,474,303	—	112,474,303
(2) Sales and transfers—inter-segments	21,216,084	8,377,782	328,802	2,774,145	32,696,814	(32,696,814)	—
Total	54,167,883	76,657,558	5,377,404	8,968,270	145,171,117	(32,696,814)	112,474,303
Operating expenses	52,574,769	73,606,962	5,945,963	8,702,180	140,829,874	(31,474,473)	109,355,401
Operating income or operating loss	1,593,114	3,050,596	(568,558)	266,090	4,341,242	(1,222,341)	3,118,901
II Assets	14,302,400	31,724,198	3,005,518	2,148,794	51,180,911	(4,926,739)	46,254,172

Current year (1st Jan 2006 - 31st Dec 2006)

(Thousand yen)

	Japan	Asia	Europe	Americas	Total	Eliminations and corporate	Consolidated
I Net sales and operating income							
Net sales							
(1) Sales — outside customers	34,222,588	85,723,155	3,166,999	6,221,162	129,333,907	—	129,333,907
(2) Sales and transfers—inter-segments	22,196,820	8,394,094	388,138	6,075,473	37,054,526	(37,054,526)	—
Total	56,419,409	94,117,249	3,555,138	12,296,636	166,388,433	(37,054,526)	129,333,907
Operating expenses	54,959,220	91,122,561	4,261,684	11,753,094	162,096,560	(35,860,116)	126,236,444
Operating income or operating loss	1,460,189	2,994,688	(706,545)	543,541	4,291,873	(1,194,410)	3,097,462
II Assets	16,165,562	39,293,572	3,408,468	2,756,924	61,624,527	(10,417,276)	51,207,251

Notes:

1. Operating expenses included under the heading “Eliminations and corporate” consist primarily of expenses related to the management divisions, mainly the general affairs and accounting divisions, at the parent company. Operating expenses included under “Eliminations and corporate” were as follows:

Previous year: 1,229,162 thousand yen

Current year: 1,111,084 thousand yen

2. Corporate assets included under the heading “Eliminations and corporate” consist primarily of the surplus funds, mainly cash and investment securities, and assets of the administration division of the parent company. Corporate assets included under “Eliminations and corporate” were as follows:

Previous year: 4,208,996 thousand yen

Current year: 2,723,662 thousand yen

3. Method of geographical segmentation and major countries and regions in individual segments.

Method of geographical segmentation:

Geographic proximity

Major areas and countries in geographical segments:

SE Asia: China, Taiwan, Singapore, Thailand, Philippines, and Indonesia

Europe: Germany and Slovakia

Americas: USA

4. Changes in segments in the Geographical Segment Information table

The former segment “Other” was changed to “Americas” because of the increase in the importance of this region due to the high contribution this segment made to net sales in this consolidated fiscal year. There is no impact on net sales or operating income due to this.

In addition, the former segment “Southeast Asia” was changed to “Asia” from this consolidated fiscal year. With this change, no changes will be made to the location and the details of this geographical segment.

Overseas Sales

Previous year (1st Jan 2005 - 31st Dec 2005)

	SE Asia	Europe	N. America	Other	Total
I Overseas sales (thousand yen)	70,687,353	5,285,492	9,062,837	3,748,276	88,783,960
II Consolidated sales (thousand yen)					112,474,303
III Share of overseas sales in consolidated sales (%)	62.8	4.7	8.1	3.3	78.9

Notes:

Method of geographical segmentation and major countries and regions in individual segments.

Method of geographical segmentation:

Geographic proximity

Major areas and countries in geographical segments:

SE Asia: China, Singapore, Philippines, and Thailand

Europe: Germany, France, and Italy

North America: USA

Other: Central and South America, Oceania

Current year (1st Jan 2006 - 31st Dec 2006)

	Asia	Europe	N. America	Other	Total
I Overseas sales (thousand yen)	84,378,108	6,854,903	8,414,987	3,255,243	102,903,244
II Consolidated sales (thousand yen)					129,333,907
III Share of overseas sales in consolidated sales (%)	65.3	5.3	6.5	2.5	79.6

Notes:

1. Method of geographical segmentation and major countries and regions in individual segments.

Method of geographical segmentation:

Geographic proximity

Major areas and countries in geographical segments:

SE Asia: China, Taiwan, Singapore, Thailand, Philippines, and Indonesia

Europe: Germany, France, and Italy

North America: USA

Other: Central and South America, Oceania

2. Changes in segments in Overseas Sales table

We previously used segments including "Southeast Asia," "Europe," "North America," and "Other," we changed "Southeast Asia" to "Asia" from this consolidated fiscal year because of increase in the importance of China. With this change, no changes will be made to countries or areas and the details of this segment.

Transactions with Related Businesses

Previous year (1st Jan 2005 - 31st Dec 2005)

No transactions to report

Current year (1st Jan 2006 - 31st Dec 2006)

No transactions to report