

Consolidated Financial Result for 1H, FY2018

SIIX Corporation (Stock Ticker Number : 7613)

August 2018



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Consolidated Financial Result

● Profit and Loss

	1H, FY2017		1H, FY2018		1H, FY2017 vs. 1H, FY2018		Impact of change in FX	1H, FY2017 vs. 1H, FY2018	
	(JPY in millions)	amount	%	amount	%	diff.		%	diff.(net)
Sales	111,790	100.0	119,928	100.0	8,138	7.3	1,161	6,977	6.2
Gross Profit	10,977	9.8	10,227	8.5	-750	-6.8			
SGA	6,253	5.6	5,847	4.9	-406	-6.5			
Operating Income	4,723	4.2	4,379	3.7	-344	-7.3	-2	-342	-7.2
Ordinary Income	5,043	4.5	4,595	3.8	-448	-8.9			
Extraordinary Income & Loss	-131	-0.1	-	-	132	-			
Income Taxes	1,395	1.2	1,141	1.0	-253	-18.2			
Profit attributable to owners of parent	3,519	3.1	3,463	2.9	-56	-1.6			
EBITDA	6,442	5.8	6,423	5.4	-20	-0.3			

Exchange Rate

	1H, FY 2017	1H, FY 2018
USD	112.68	108.94
THB	3.24	3.43
HKD	14.50	13.90
EUR	121.86	131.70
RMB	16.44	17.09

● Scope of Consolidation

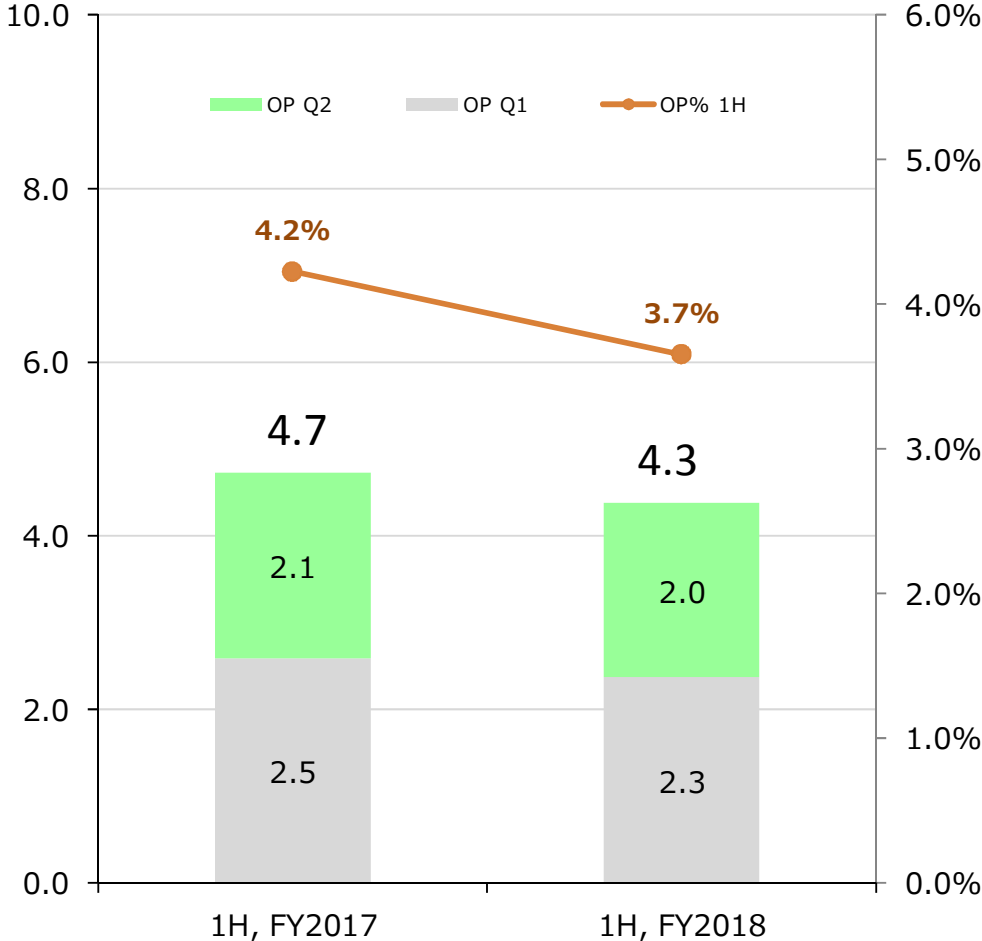
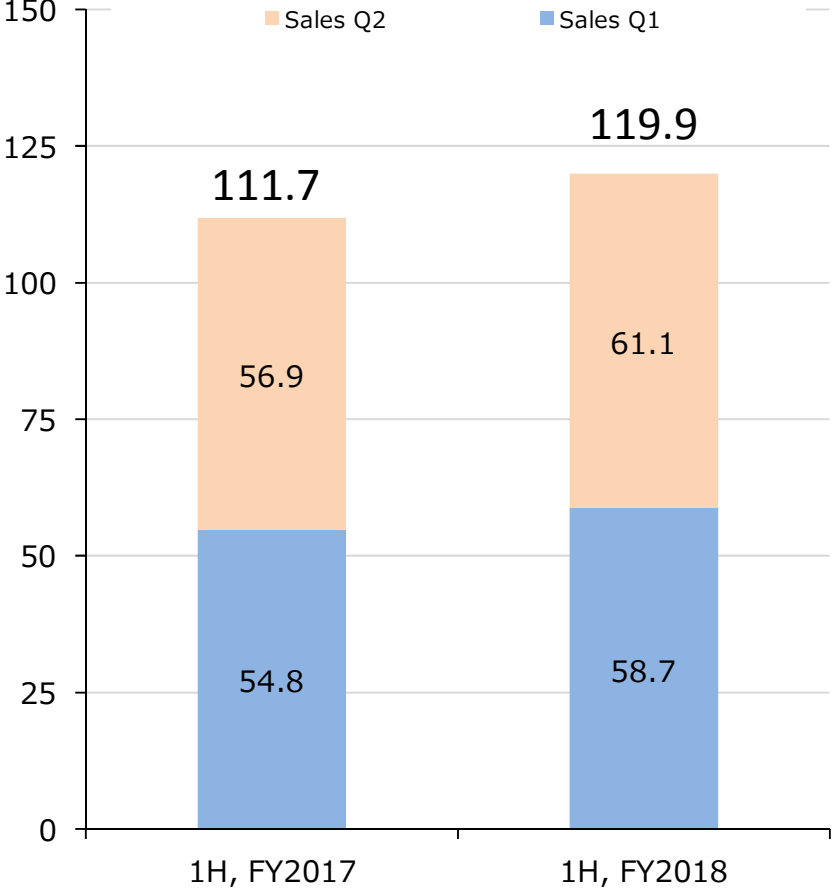
	End of	Changes		End of
	1H, FY2017	Increase	Decrease	1H, FY2018
Consolidated Subsidiary	19	3	-	22
Equity Method Affiliate	1	1	-	2

※ SIIX EMS MEXICO, S. de R.L de C.V., SIIX HUBEI Co., Ltd, and SIIX Hungary Kft. have become a consolidated subsidiary company and Guangdong Midea-SIIX Electronics Co., Ltd. has become a equity method affiliates from Q1 FY2018.

Consolidated Financial Result

● Operating Result on Quarterly basis

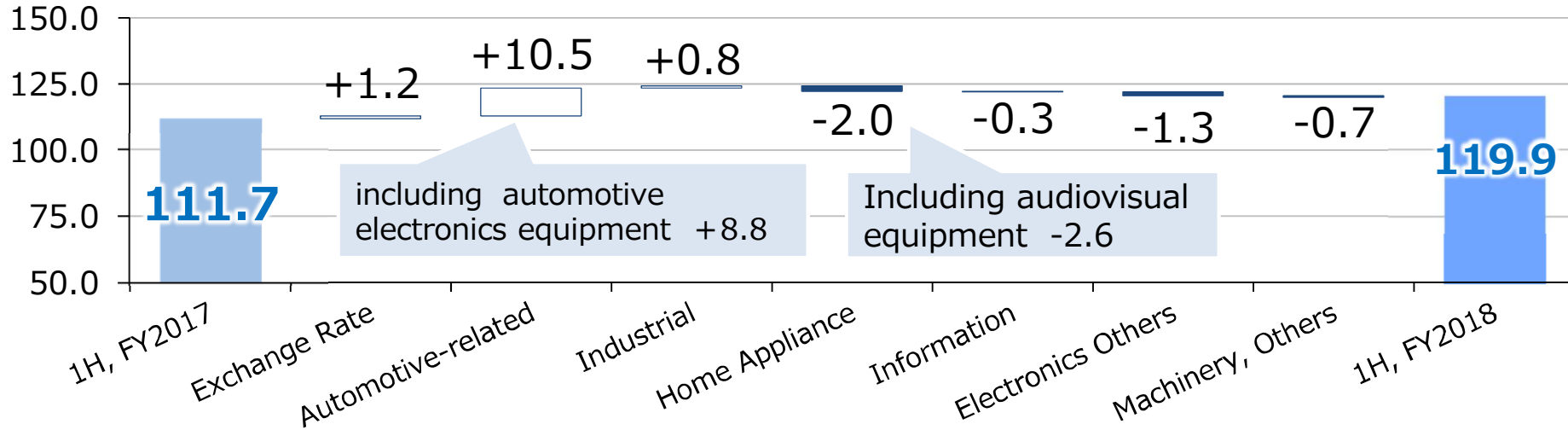
(Unit : JPY billion)



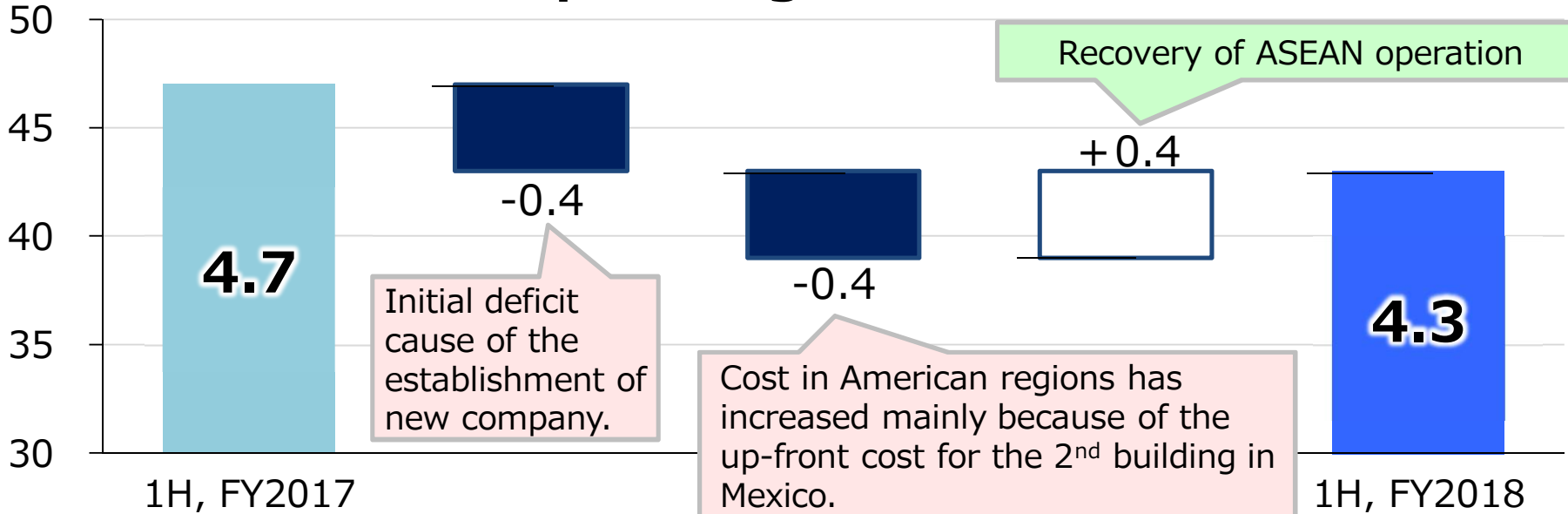
Consolidated Financial Result

● Sales fluctuation

(Unit : JPY billion)



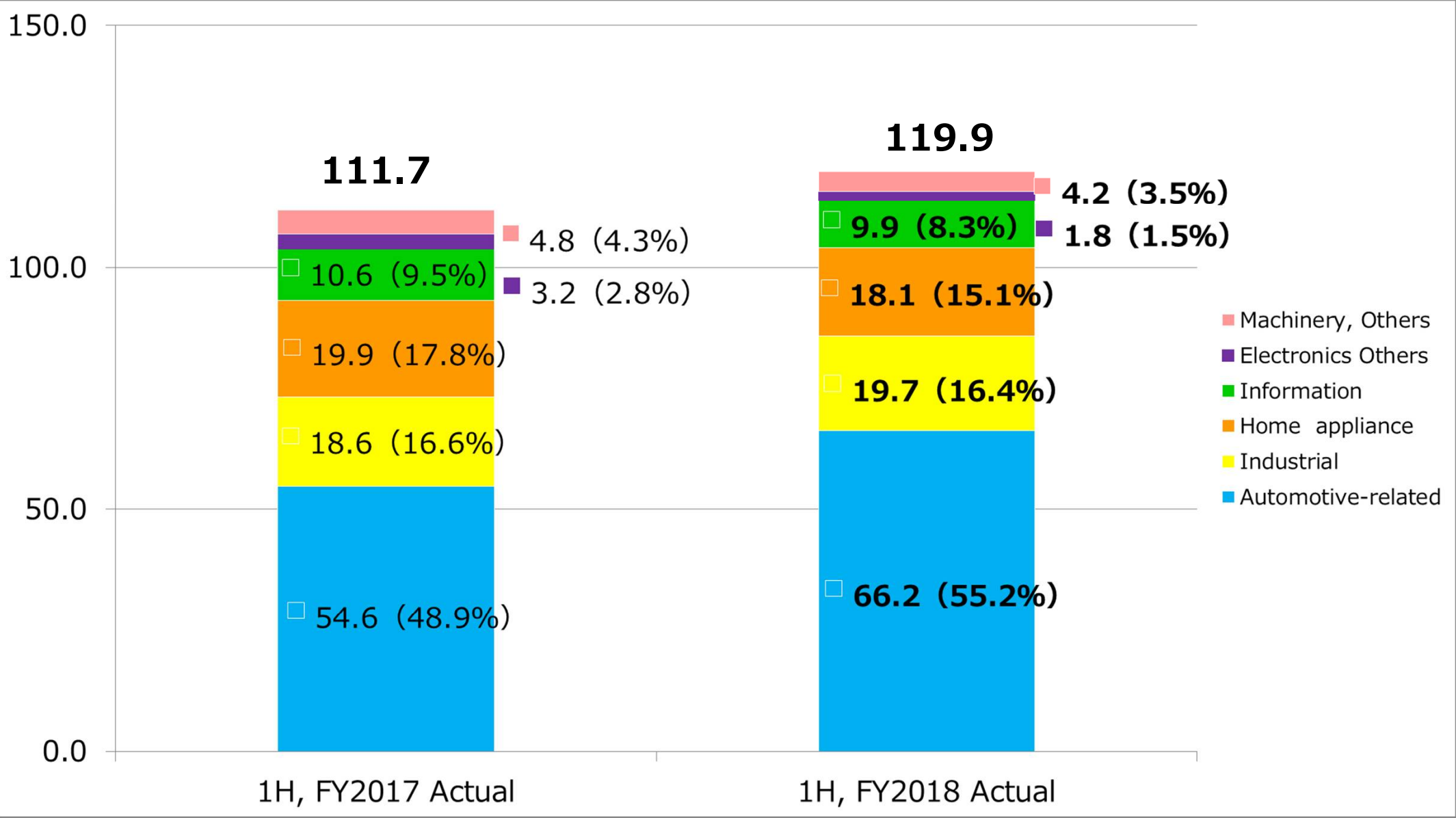
● Fluctuation in Operating Profit



Consolidated Financial Result

● Sales by market sector

(Unit : JPY billion)

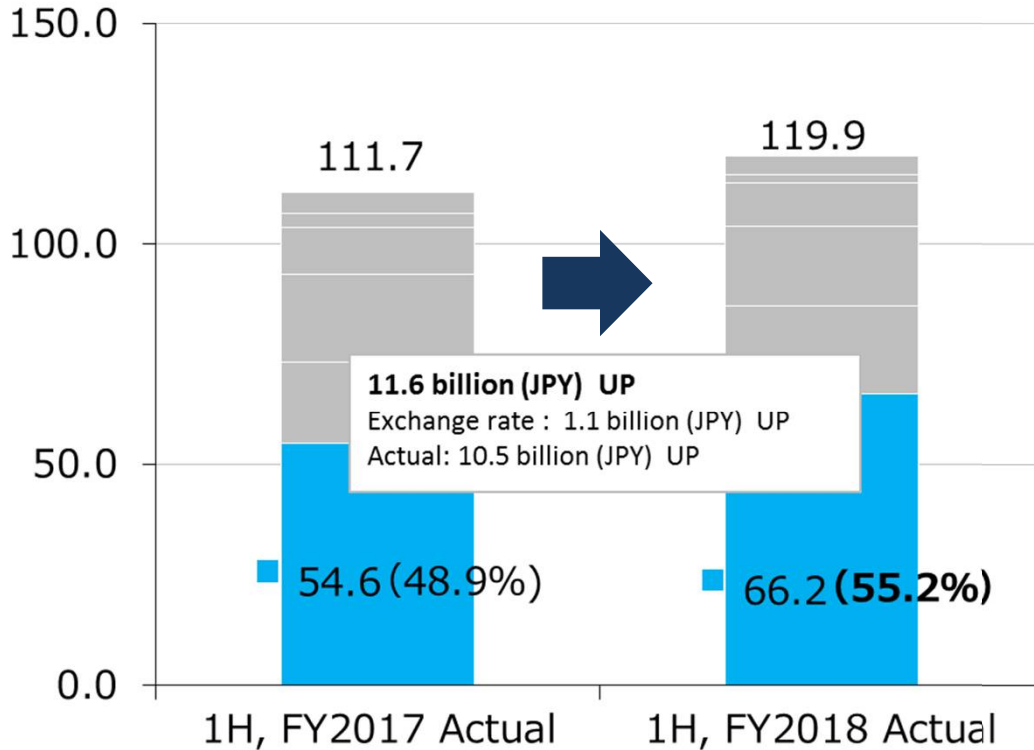


Consolidated Financial Result

● Sales by market sector

(Unit : JPY million)

■ Automotive- related equipment



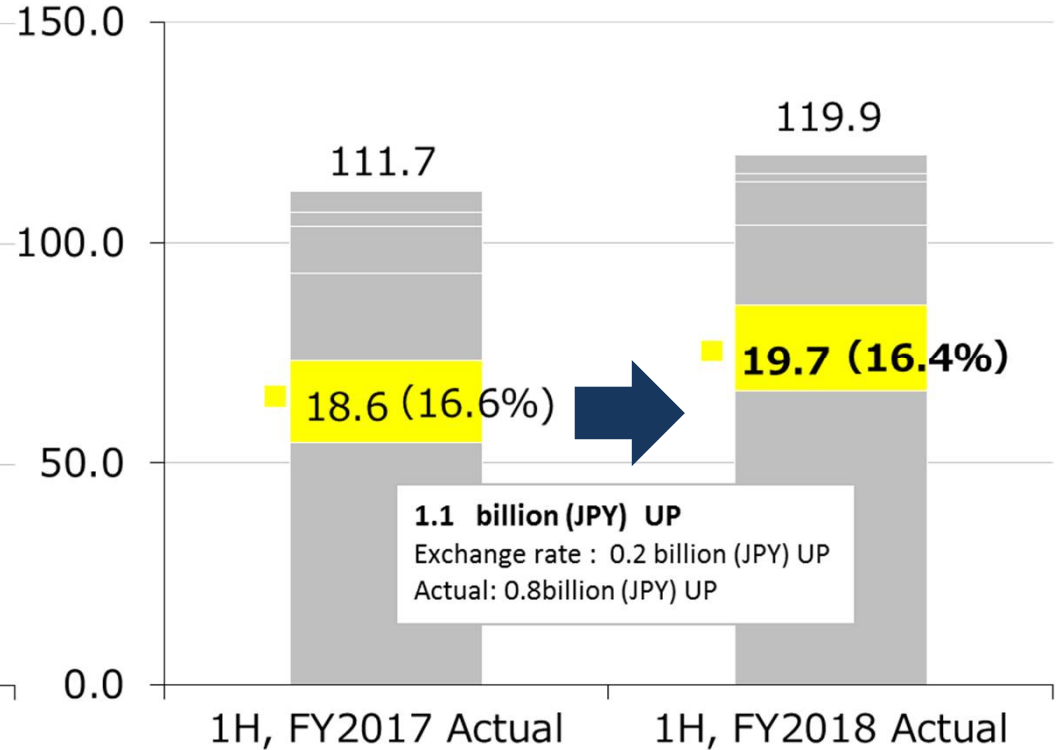
vs 1H, FY2017 11.6 billion (JPY) increase

Exchange Rate : 1.1 billion (JPY) increase

Actual : 10.5 billion (JPY) increase

- Increase in automobile exterior, motor and many more.

■ Industrial equipment



vs 1H, FY2017 1.1 billion (JPY) increase

Exchange Rate : 0.2 billion (JPY) increase

Actual : 0.8 billion (JPY) increase

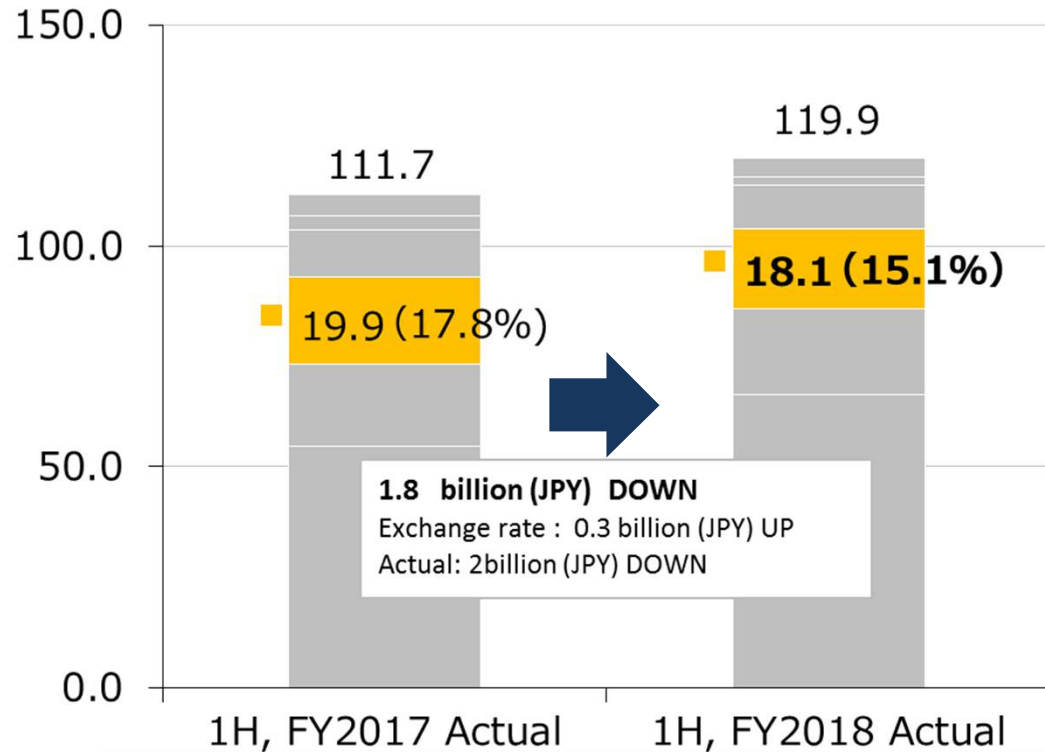
- Commercial AC, vending machine, tags for livestock management is strong. Engine ignition system for power tool and battery is level off and entertainment system in aircraft has decreased.

Consolidated Financial Result

● Sales by market sector

(Unit : JPY million)

■ Home Appliance



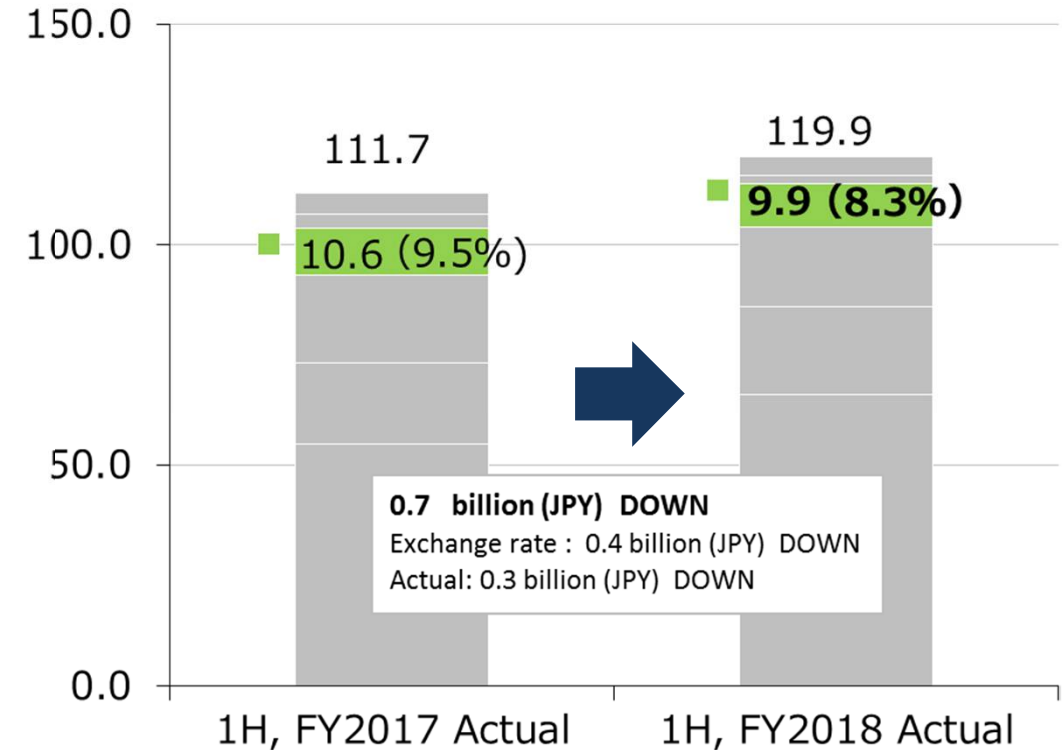
vs 1H, FY2017 1.8 billion (JPY) decrease

Exchange rate : 0.3 billion (JPY) increase

Actual : 0.2 billion (JPY) decrease

- Audio equipment trading and digital home appliance has decreased but home appliance and consumer toy has increased.

■ Information equipment



vs 1H, FY2017 0.7 billion (JPY) decrease

Exchange rate : 0.4 billion (JPY) decrease

Actual : 0.3 billion (JPY) decrease

- Commercial scanner has decreased a little.

Consolidated Financial Forecast

● Financial Forecast for FY2018

(JPY in millions)	FY 2016		FY 2017		FY 2018		FY2017 vs. FY 2018	
	Actual		Actual		Forecast		diff.	%
Sales	212,768		233,153		267,000		33,847	14.5
Operating income	9,134		9,705		11,000		1,295	13.3
Ordinary income	9,146		10,513		11,000		487	4.6
Profit attributable to owners of parent	6,698		7,093		7,700		607	8.6
Net income per share (JPY) ※1	133.81		144.01		156.33		12.32	8.6
EBITDA	12,406		13,170		15,467		2,296	17.4
CAPEX	4,528		6,167		8,241			
	※2	5,615	※2	9,569				
	1H,FY2016	2,488	1H,FY2017	4,166	1H,FY2018	2,977		
	2H,FY2016	3,128	2H,FY2017	5,403	2H,FY2018	5,263		
Depreciation	3,271		3,465		4,467			
	1H,FY2016	1,736	1H,FY2017	1,719	1H,FY2018	2,043		
	2H,FY2016	1,535	2H,FY2017	1,745	2H,FY2018	2,423		

Exchange Rate(USD)

¥ 108.92

¥ 112.34

¥ 110.00

※1 The company conducted a two-for-one stock split of its common stock on April 1,2018 and adjusted net income per share (JPY) retroactively.

※2 CAPEX for unconsolidated company is included.

Progress of The Midterm Business Plan

KPI

1H, FY2018

Acquiring net new customers
100 new customer by 2020



27

Sales rate of non-Japanese company
20% of consolidated sales by 2020



10.6%

Sales rate of Non-commodity field
(automobile and industrial)
80% of consolidated sales by 2020



71.6%

● Expanding the automotive electronic business and developing EV

Computerized has progressed in power train and body control

Next generation automobile-related business has increased

(Electric pump module, battery etc.)

● Development of IIoT business

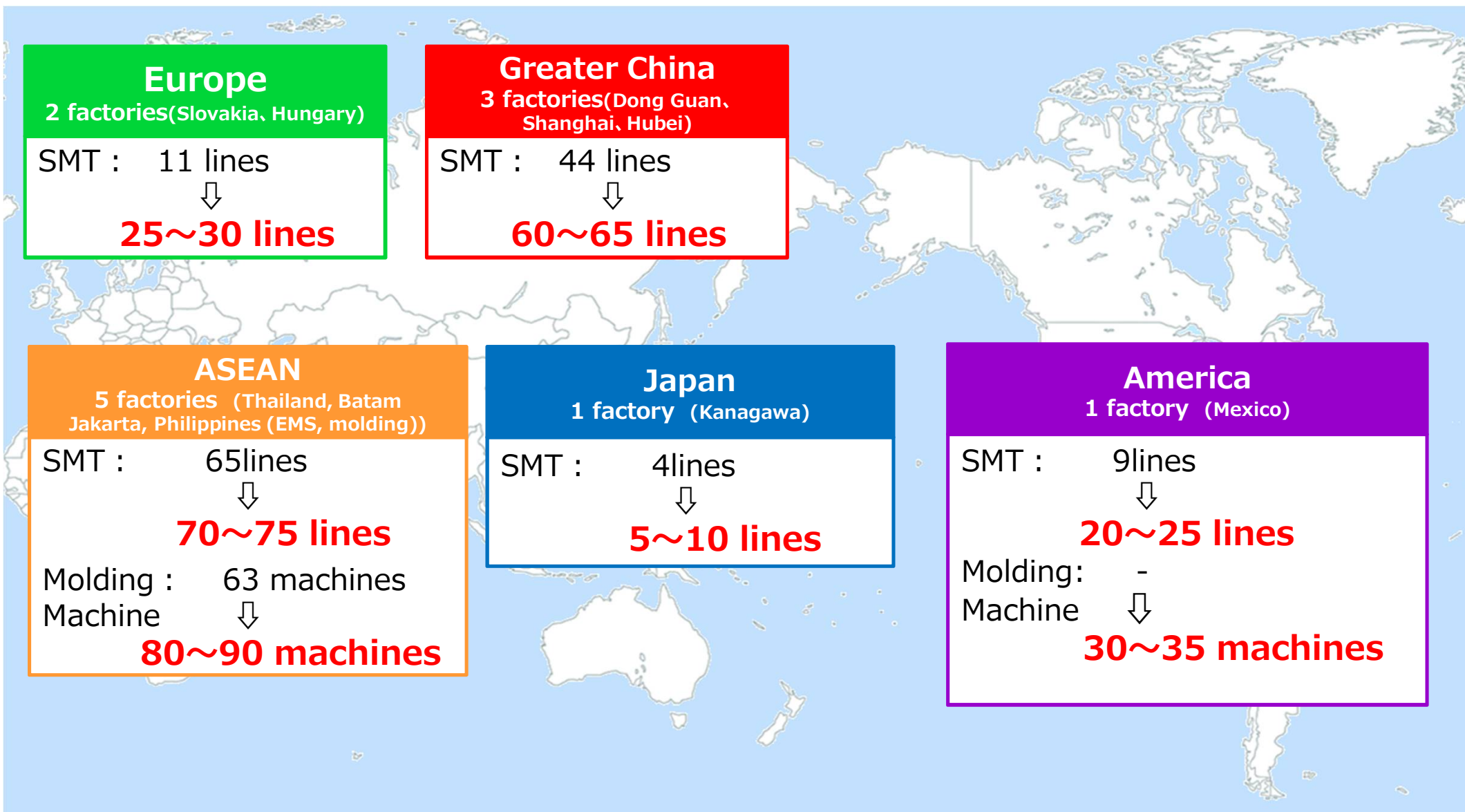
Smart meter for middle eastern countries and Europe, Tags for livestock management

● Global Business Organizer

Modularization of parts (collaborating with parts maker) , Collaboration with technology partner.

Progress of The Midterm Business Plan

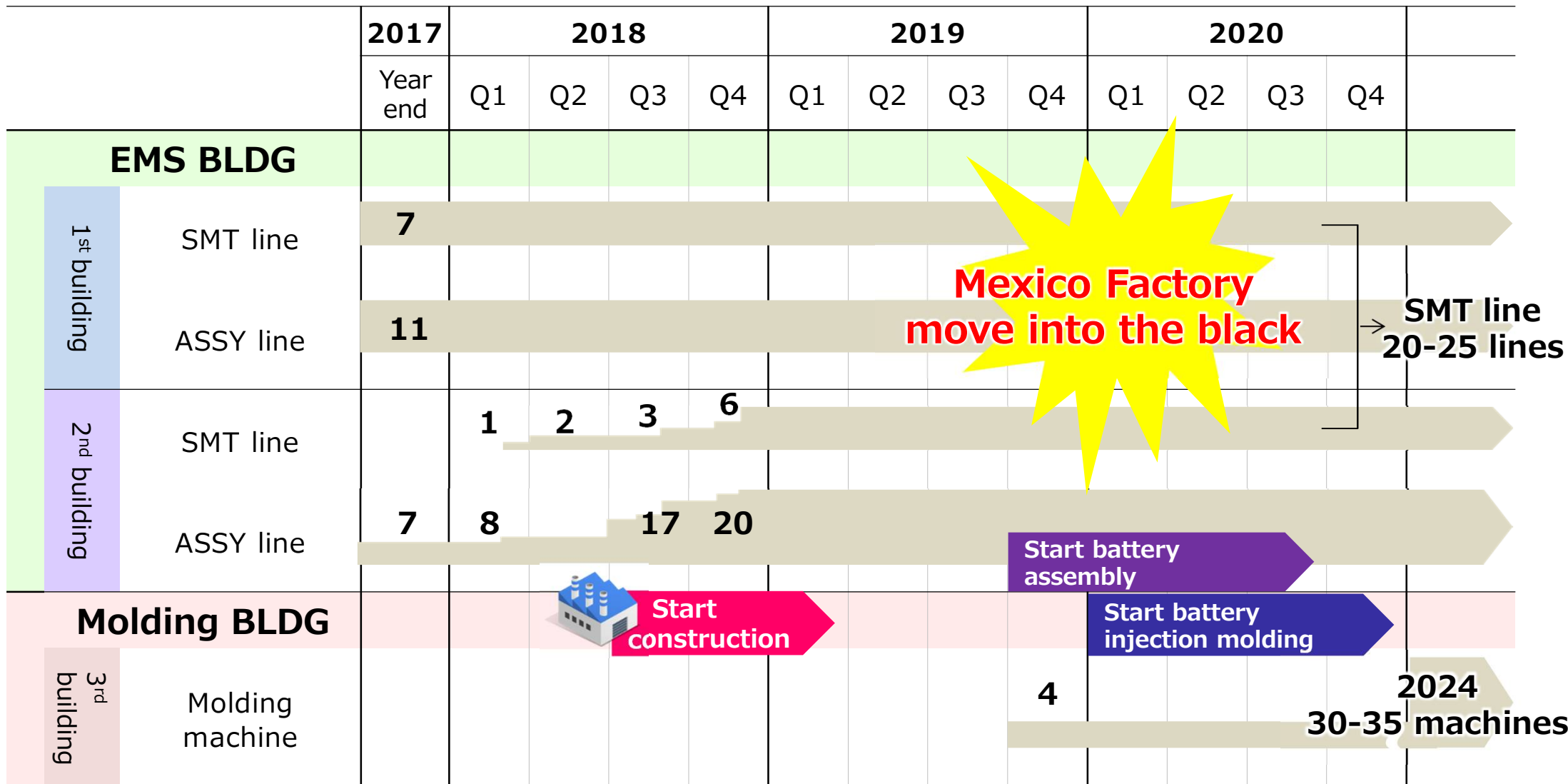
- Expansion of production capacity (~2020)



Progress of The Midterm Business Plan

- Expansion of the factory in Mexico

- Increasing the SMT line and ASSY line.
- Establish the 3rd building and start up the battery business
- There are lot of production line setup from 2018 to 2019



Chance and Risk

CHANCE

RISK

Increase of orders
from non-Japanese customers



Country risk
cause of the global business

Increase the digitalization and
needs for outsourcing



Customer's
in-house manufacturing

Differentiate by electronic components
trading function and global network



Emergence of
competing company

Have much experience in treating important safety
related parts, and capability of handling business
flexibly regardless of customer's business field.



Decrease of the number of
parts cause of EV development

Have a long career as trading company
(Have strong power and large amount of purchasing
and good relations with global vendor)



Parts shortage

Hire experienced person from corporate customers



Personnel shortage in
manufacturing management

Promote local human resources for managerial posts



Securing of local human resources

• Just beginning the digitalization of automotive.
• Automotive business crosses over the others
• Ride on the strength of growing field



overconcentration on
automotive business

Expansion of automotive business

Changes in the world

- ✓ Environmental burden reduction (environmental regulation in EU)
- ✓ Decreasing birthrate and aging population
- ✓ Globalization and increase of corporate alliance and acquisition
- ✓ Digitalization

Changes in the automotive (macro)

- ✓ EV.....Environmental burden reduction, saving energy
- ✓ Automation.....Satisfying safety function, value added through IT
- ✓ Expansion of global model, change of automotive development method

Changes in the automotive (micro)

- ✓ **Change of "Power"**
New components like motor and battery
- ✓ **Change of "Cognitive function"**
New ADAS products like millimeter wave and camera
- ✓ **Change of "Operation function"**
Components are motorized for system operation
- ✓ **"Modularization"**
Increase of common parts and increase the demands for modularization of components

SIIX's advantage

- Global network.....Manufacture global model
- Experience in automotive business.... Second ranking EMS in automotive market and much experience in treating important safety related parts
- Relationship with parts maker.....Adjust smoothly to the modularization by utilizing nearly 50 years relationship with suppliers

Our project management

Customer

Purchase department

Delivery date management

Development department

Development request

Quality assurance department

Quality requirement

SIIX sales department

Cost reduction
Delivery date management

Cost reduction(logistic cost)
Inventory management

Credit control

Global cooperation
Delivery date management
Quality control

SIIX Overseas bases

Supplier

Distribution company
Warehousing company

SIIX Back office

SIIX EMS·molding factory

- Being aware of customer's needs and responds to them immediately
- Sales person responsible for part of purchasing, factory management, logistics operation, and the inquiry desk from customers to share information globally right away

Our ESG approach

E RoHS(RoHS2) compliance

RoHS2 (from Jul. 2019) added 4 hazardous substances to 6 have restricted already

There is possibility that 7 more hazardous substances are added

Our policy

Investigated the restricted item and replaced them. And lay down SIIX standard, which is stricter than RoHS2, to be a trusted company. (planning to release our original standard and inform its progress regularly)

S Localization ~Promotion of local human resources for managerial posts~

Because we aim to manage sustainability in that country, try to increase the proportion of local manager and get more motivation of them

Proportion of local management staff

Sep. 2017 **61.5%** → **80%** 2020

Women's empowerment ~proportion of women in managerial posts~

We set target value at 50% (government target is 30%)
And development of environment and system for women to shine

Proportion of female management staff

Sep 2017 **42.4%** → **50%** 2020

G Organizational Structure

1. Compact and governing board of directors

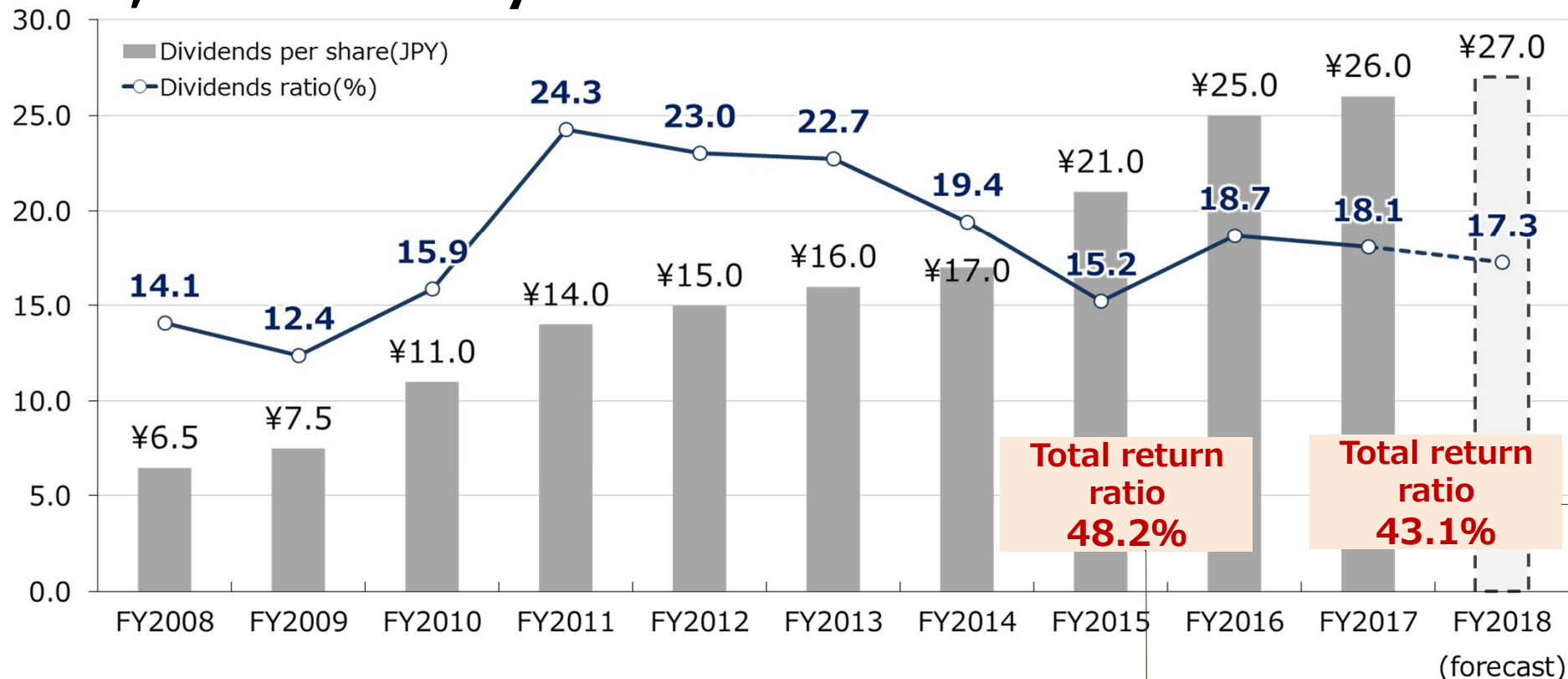
5 directors
(two of whom are independent)
① To make a speedy decision
② Outside directors participate actively in board of directors, and join the strategy meeting (it is important executive meeting held twice a year) to understand our business contents and communicate with employee

2. Top management has long experienced in overseas business

most of top management (included executive officer) has worked at overseas over 10 years

Shareholder Return

● Dividend, Dividend Payout Ratio



	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 (forecast)
Dividends per share(JPY)	6.5	7.5	11.0	14.0	15.0	16.0	17.0	21.0	※ 25.0	26.0	27.0
Dividends ratio(%)	14.1	12.4	15.9	24.3	23.0	22.7	19.4	15.2	18.7	18.1	17.3
# of Treasury Stock Acquisition	600,000	1,000,000	-	-	-	-	-	-	508,900	-	1,000,000
Amount of treasury stock acquisition (JPY)	280 mil.	400 mil.	-	-	-	-	-	-	2,000 mil.	-	2,000 mil.

※includes commemorative dividend 1.00 yen 16



Consolidated Financial result for 1H, FY2018 (Appendix)

SIIX Corporation
Stock Ticker Number: 7613

August, 2018

Profit and Loss



(JPY in millions)	1H, FY2016	1H, FY2017	1H, FY2018	FY2016	FY2017
Net sales	106,362	111,790	119,928	212,768	233,153
Operating income	4,494	4,723	4,379	9,134	9,705
Operating income ratio (%)	4.2	4.2	3.7	4.3	4.2
Ordinary income	4,475	5,043	4,595	9,146	10,513
Ordinary income ratio (%)	4.2	4.5	3.8	4.3	4.5
Profit attributable to owners of parent	3,702	3,519	3,463	6,698	7,093
Profit attributable to owners of parent ratio(%)	3.5	3.1	2.9	3.1	3.0
Consolidated subsidiaries	18	19	22	18	19
Equity method affiliates	1	1	2	1	1
Employees	10,530	12,213	12,649	10,820	11,659

Manufacturing Cost



	1H, FY2017		1H, FY2018		Changes		
	(JPY in millions)	amount	%	amount	%	amount	%
Marginal Profit		10,608	100.0	11,453	100.0	845	8.0
Labor cost		5,023	47.4	5,319	46.4	296	5.9
Depreciation		1,286	12.1	1,341	11.7	55	4.3
Other		2,460	23.2	2,695	23.5	235	9.6
Manufacturing cost		8,770	82.7	9,356	81.7	586	6.7
# of consolidated subsidiary facilities			9		12		

	1H, FY2017		1H, FY2018		Changes		
	(JPY in millions)	amount	%	amount	%	amount	%
Personnel expenses		2,873	2.6	3,176	2.6	303	10.5
Traveling and communication expenses		220	0.2	227	0.2	7	3.2
Freightage and packing expenses		641	0.6	659	0.6	18	2.8
Commission fee		319	0.3	365	0.3	47	14.7
Rent expenses on real estates		260	0.2	287	0.2	27	10.4
Depreciation		416	0.4	275	0.2	-141	-33.9
Other expense		1,522	1.4	855	0.7	-667	-43.8
Total		6,253	5.6	5,847	4.9	-406	-6.5

Non-Operating Profit and Loss

(JPY in millions)	1H, FY2017	1H, FY2018
Interest income	30	41
Dividends income	26	37
Equity in earnings of affiliates	87	135
Real estate rent	54	53
Foreign exchange gains	55	-
Other	280	410
Non-operating income	535	678
Interest expenses	76	128
Foreign exchange losses	-	230
Other	138	103
Non-operating loss	215	462
Non-operating income/loss	319	215

Balance Sheet



(JPY in millions)	End of 1H, FY2017	End of FY2017	End of 1H, FY2018	Changes (1H, FY2017 vs. 1H, FY2018)		Changes (FY2017 vs. 1H, FY2018)	
				amount	%	amount	%
Current assets	88,644	96,477	100,142	11,499	13.0	3,665	3.8
<i>Notes and accounts receivable-trade</i>	43,878	47,131	45,967	2,089	4.8	-1,164	-2.5
<i>Inventories</i>	30,644	34,430	40,516	9,872	32.2	6,086	17.7
Noncurrent assets	29,969	34,048	33,305	3,335	11.1	-744	-2.2
Total asset	118,613	130,526	133,447	14,834	12.5	2,921	2.2
Current liabilities	54,011	56,549	59,876	5,865	10.9	3,326	5.9
<i>Accounts payable-trade</i>	31,154	33,988	35,341	4,187	13.4	1,353	4.0
<i>Short-term loans payable</i>	15,330	13,383	16,391	1,061	6.9	3,008	22.5
Noncurrent liabilities	11,281	16,367	15,615	4,334	38.4	-752	-4.6
<i>Convertible Bond</i>	6,000	5,995	5,968	-32	-0.5	-27	-0.5
<i>Long-term loans payable</i>	1,251	5,819	5,444	4,193	335.2	-375	-6.4
Total liability	65,292	72,916	75,491	10,199	15.6	2,574	3.5
Net assets	53,321	57,609	57,956	4,635	8.7	347	0.6
Non-controlling interests	417	326	303	-114	-27.4	-23	-7.0
Total asset and liability	118,613	130,526	133,447	14,834	12.5	2,921	2.2

Cash Flow



	1H, FY2016	1H, FY2017	1H, FY2018	FY2016	FY2017
(JPY in millions)					
Net cash from operating activities	4,726	1,066	-1,135	6,333	4,536
Net cash from investing activities	-2,212	-4,771	-2,880	-5,450	-9,211
Net cash from financing activities	-4,781	4,705	1,728	-4,171	6,410
Cash and cash equivalents	8,973	9,685	8,229	8,776	10,574
Debt to annual cash flow ratio (years)	-	-	-	1.9	3.4
Interest coverage ratio (X)	155.2	12.1	-	85.9	20.1

Management indicators



		1H, FY2016	1H, FY2017	1H, FY2018	FY2016	FY2017
ROE	(%)	-	-	-	13.3	13.1
ROA	(%)	-	-	-	8.3	8.8
Total asset turnover		1.0	1.0	0.9	1.9	1.9
Net interest-bearing debts/Net asset	(%)	-	13.5	24.1	5.2	15.6
Current ratio	(%)	191.2	164.1	167.3	176.3	170.6
Accounts receivable turnover ratio	(day)	68.9	70.0	70.8	73.5	69.7
Inventory turnover ratio	(day)	42.6	48.3	57.0	46.8	49.3
PBR	(X)	1.9	2.1	2.1	1.9	2.1
PER	(X)	-	-	-	14.7	16.8

Capital Structure



(JPY in millions)	FY2014	FY2015	FY2016	FY2017	1H, FY2018
Total asset	103,429	109,957	109,695	130,526	133,447
Liability	61,932	60,217	58,121	72,916	75,491
interest-bearing debt	19,128	12,614	11,458	19,553	22,149
Net asset	41,497	49,739	51,573	57,609	57,956
Capital-to-asset ratio (%)	39.9	45.1	46.8	43.9	43.2
Closing stock price (JPY) ※	1,275	1,870	1,973	2,418	2,429
Capital-to-asset ratio at market value (%)	58.2	85.5	88.6	91.3	89.7
Issued stock (thousand) ※	50,400	50,400	50,400	50,400	50,400
BPS (JPY) ※	875.24	986.35	1,042.20	1,162.33	1,169.30

※The Company conducted a two-for-one stock split of its common stock on April 1, 2018 and adjusted it retroactively

Products by Market Sector



Automotive Equipment	Automotive AV (Audio, Navigation system etc.), Parts (Meter, Exterior, ECU, Sunroof, Power window, Switch, ABS, Camera, Heat Controller, OHC, Outside Door handle, Mille-wave radar, Antenna etc.)
Home Appliance	Digital home appliance, A/C, Refrigerator, Washing Machine, Toy, Rice cooker, Microwave Oven, Electric toothbrush, Healthcare appliance, LED Lighting, Electronic instrument, Electric lock etc.
Information Equipment	PC peripheral equipment, OA device, Scanner, Projector, Printer etc.
Industrial Equipment	Igniter for power tool, Battery packing, Flight entertainment device, Power tool, Inverter, Coin accepter for vending machine, Medical equipment, Smart meter, Industrial sewing machine, Security, Tags for livestock management, Commercial AC etc.
Machinery Others	Wire harness, Bicycle, Ink, Electric components etc.

Sales by market sector

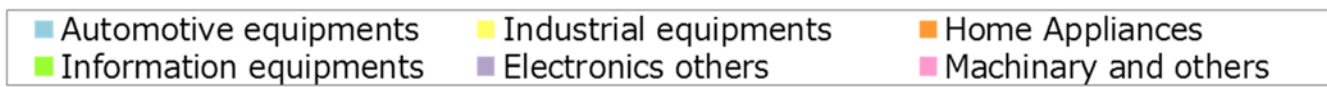


	1H, FY2016		1H, FY2017		1H, FY2018		FY2016		FY2017		
	(JPY in millions, %)	amount	%	amount	%	amount	%	amount	%	amount	%
Automotive-related equipments		47,850	45.0	54,630	48.9	66,192	55.2	97,138	45.7	119,488	51.2
Industrial equipments		16,449	15.5	18,610	16.6	19,671	16.4	32,530	15.3	38,719	16.6
Home appliances		23,384	22.0	19,917	17.8	18,143	15.1	46,184	21.7	38,737	16.6
Information equipments		12,284	11.5	10,616	9.5	9,911	8.3	23,027	10.8	20,686	8.9
Electronics others		1,865	1.8	3,182	2.8	1,841	1.5	4,840	2.3	6,050	2.6
Machinery and others		4,530	4.3	4,835	4.3	4,170	3.5	9,050	4.3	9,475	4.1
Total		106,362	100.0	111,790	100.0	119,928	100.0	212,768	100.0	233,153	100.0

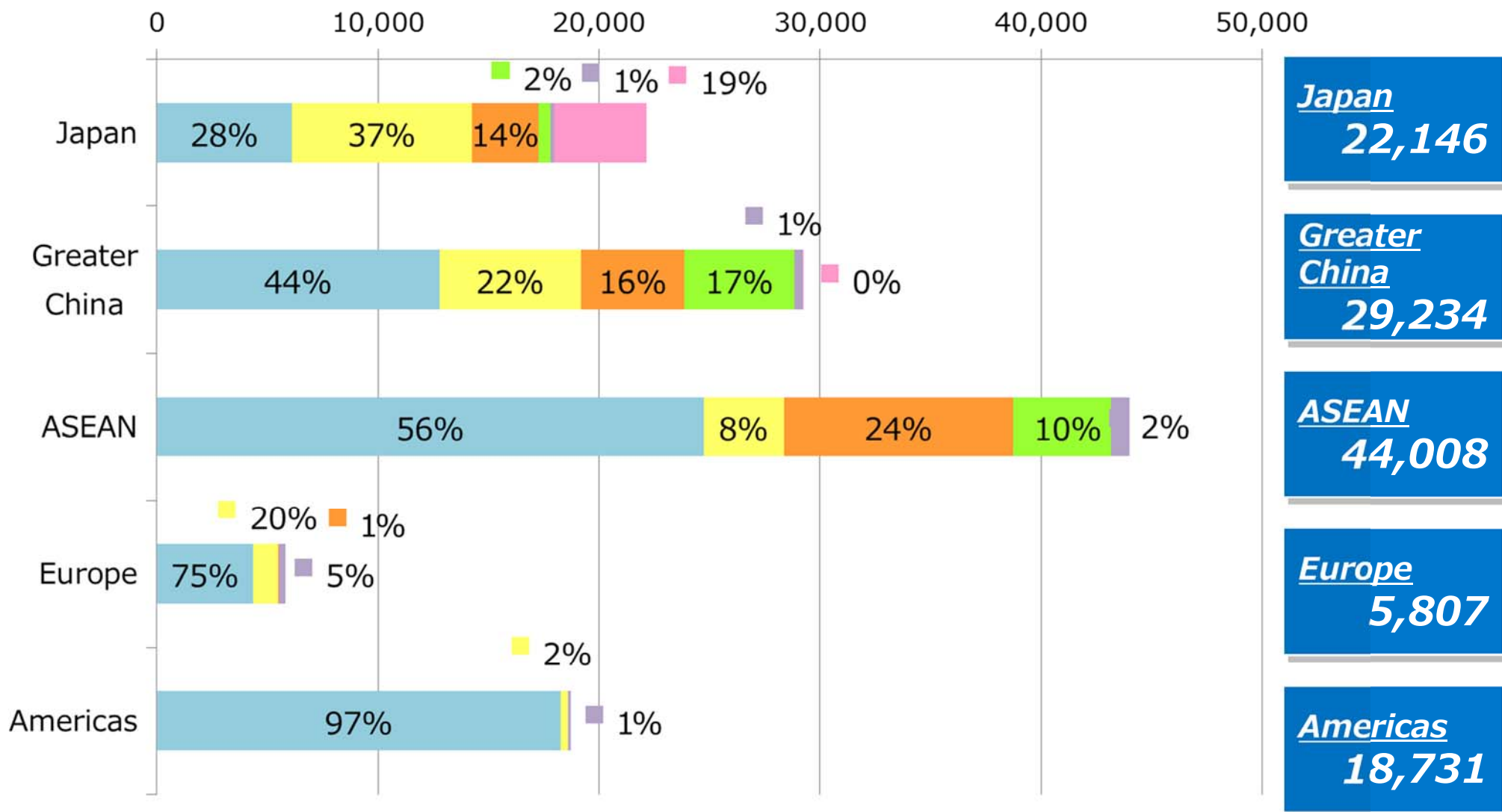
※ The sector “Communication equipment” has eliminated since 2018 and adjust it retroactively.
“Communication sector” will be withdrawn from FY2018 because several appliance and devices in various fields are electronized with internet function.

Consolidated results

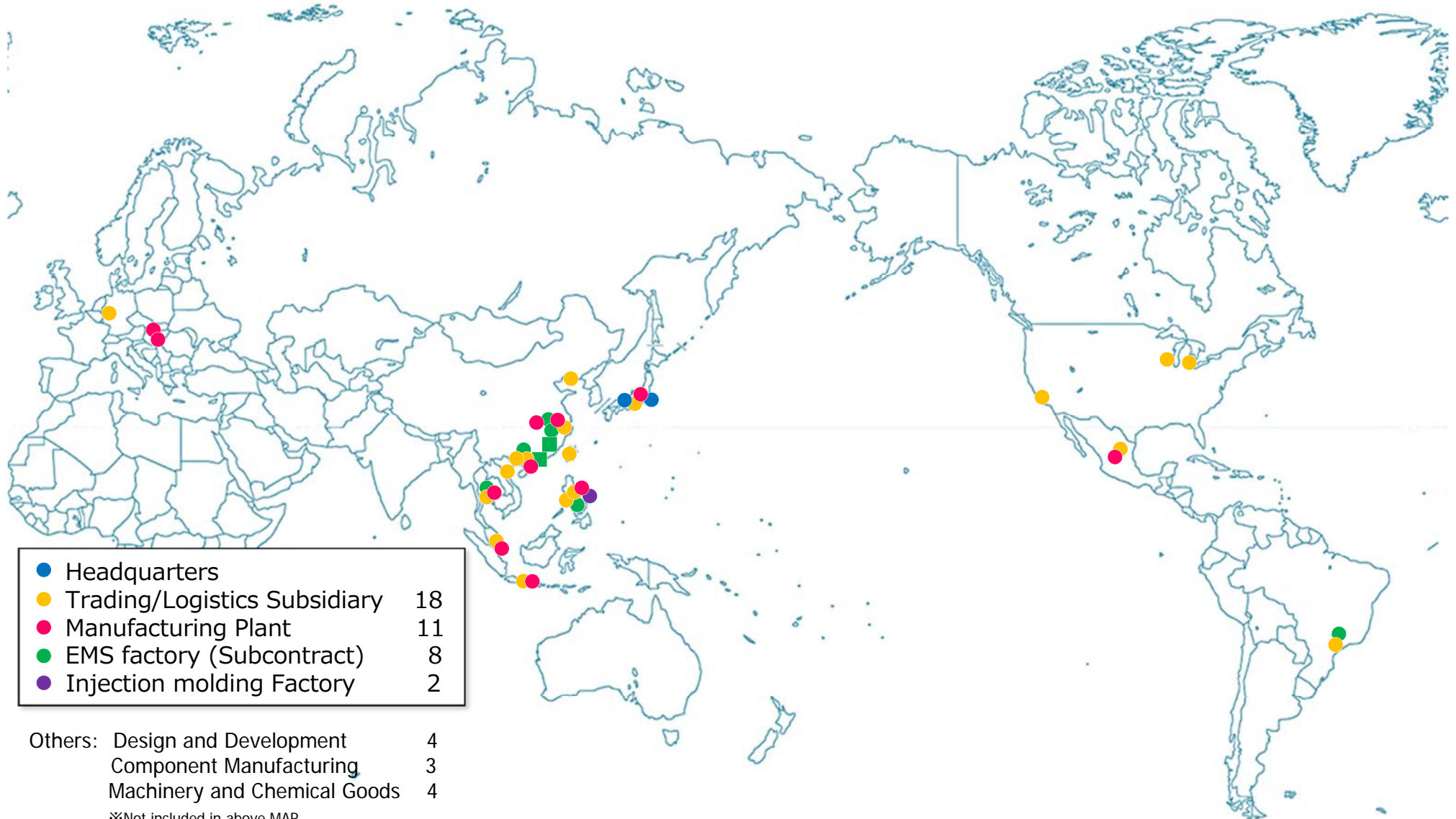
Sales by market sector of each region



(Unit: JPY in millions, %)



GLOBAL NETWORK

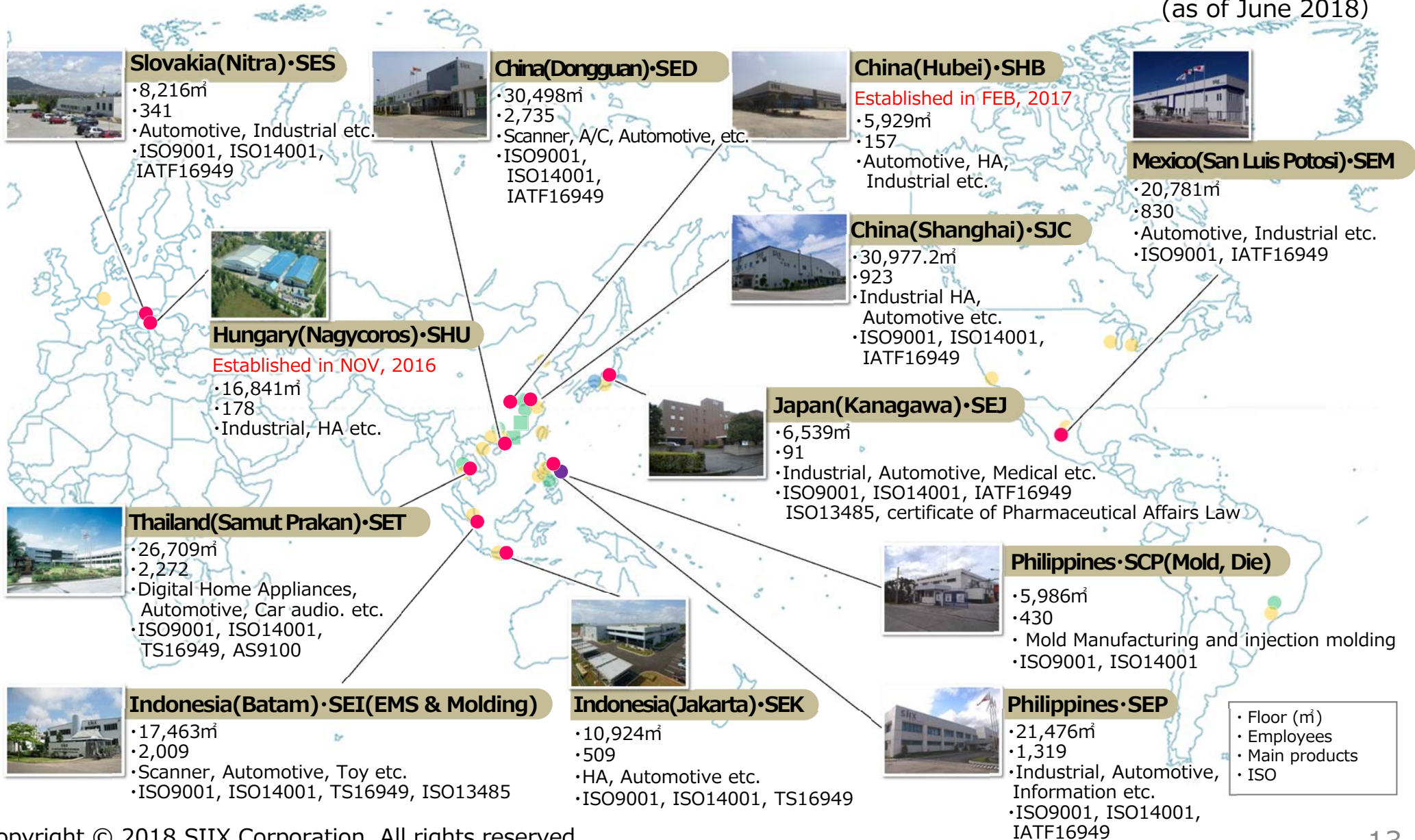


GLOBAL NETWORK



• Manufacturing Factory

(as of June 2018)



GLOBAL NETWORK



- Sales & Logistics



GLOBAL NETWORK

- **Subcontract Factory & Affiliates**

