



SIIX Corporation  
2020  
Integrated  
Report

# Corporate Philosophy

## Corporate Theme

The Corporate Theme is the SIIX business concept.

Provide the best merit for business through the best business organizing.

## Corporate Mission

The Corporate Mission is the mission SIIX should try to achieve in terms of society.

We contribute to the activation of the social system and the progress of humankind by pursuit of the effective use of the world's resources.

## Corporate Target

The Corporate Target is the vision of an extremely high level corporation which we strive to be.

We will become a company that organizes customer needs in all fields around the world to give all stakeholders a sense of affinity and charm as a “global business organizer” that creates business.

## Corporate Style

The Corporate Style is what our company should always consider very important as to how we should be as a corporation.

1st filter : **Challenging, Speedy and Fair**

2nd filter : **Sophisticated, Creative and Simple**

## Communication Tools

For  
institutional  
investors



Integrated report



Financial results  
briefing materials



Annual securities report /  
convocation notice



Corporate website

<http://www.siix.co.jp/>

For  
individual  
investors



Shareholder report

### [ Editorial policy ]

We have issued the 2020 Integrated Report to explain in an easy-to-understand way the financial and non-financial aspects of SIIX's business strategy and management foundation to our stakeholders. Please refer to our official website for detailed information.

<http://www.siix.co.jp/eg/index.html>

Going forward, we will continue to work toward the realization of a sustainable and global co-creation society through our main business.

### [ Scope of reporting ]

Period: FY2019 (January 2019 to December 2019)

\*Some sections of this report include information during and after December 2019.

Scope: SIIX and its subsidiaries and affiliates

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### Corporate Data

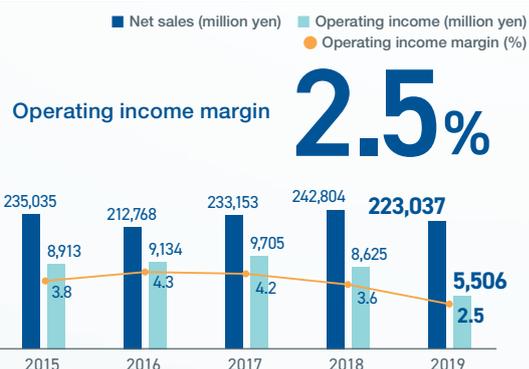
#### 40 Corporate Outline

# SIIX in Numbers

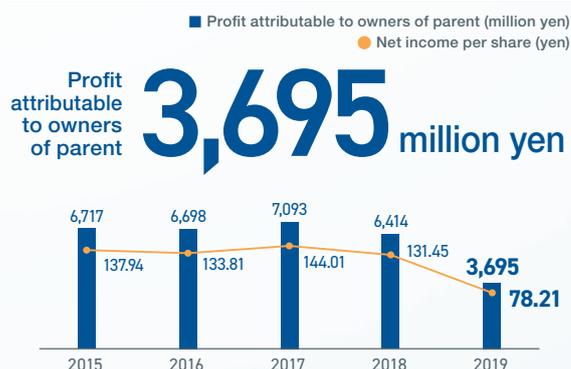
[ Financial and non-financial highlights ]

## Financial data

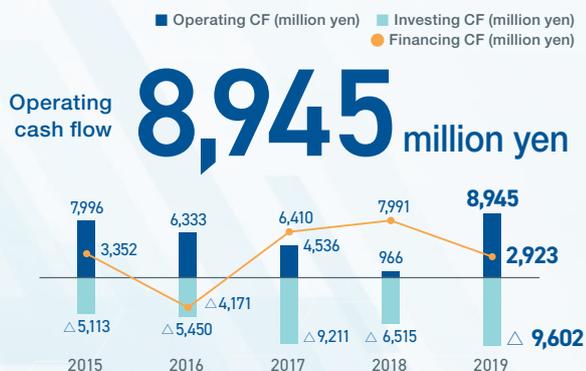
### Net sales / Operating income / Operating income margin



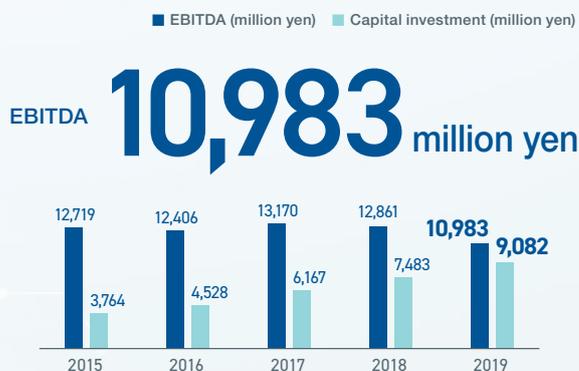
### Profit attributable to owners of parent / Net income per share



### Operating cash flow / Investing cash flow / Financing cash flow



### EBITDA / Capital investment



## Non-financial data

### Total CO<sub>2</sub> emissions (SCOPE2)



### CO<sub>2</sub> emissions that may be reduced by solar panel power generation

**0 t**

\* Solar panels are scheduled to be installed from FY2020. The reduction in CO<sub>2</sub> emissions is expected to be 1,608 t (full year conversion).

### Capital-to-asset ratio

● Capital-to-asset ratio (%)

Capital-to-asset ratio **40.3%**



### Debt-to-equity ratio

● Debt-to-equity ratio

Debt-to-equity ratio **0.7**



### Rate of ordinary income to total assets / Return on equity

● Rate of ordinary income to total assets (%) ● Return on equity (%)

Return on equity **6.5%**



### Dividend per share / Payout ratio

■ Dividend per share (yen) ● Payout ratio (%)

Payout ratio **35.8%**



### Ratio of women in management positions\*

**36.2%**

### Ratio of local employees in management positions\*

**75.3%**

\*Management position: job level above the rank of a manager in each company

## History of Value Creation

### History of SIIX

The foundation of the company traces back to when an export section was created in the trading division of Sakata Shokai Co., Ltd (currently Sakata Inx Corporation), the ink-maker that was the company's predecessor, and exports of electronic components to the Philippines began. The company's business model, constructed with a focus on "overseas business" since the initial stages of its founding, is now standing right on the verge of a "global age," which will provide a stage for even greater activities.

From  
1957

#### Commenced trading activities overseas

- 1957** The company's founder Murai who was in charge of export in the trading division of Sakata Shokai (currently Sakata Inx Corporation) set his eyes on the future prospects of the electronic components market and started exporting electronic components made in Japan to the Philippines (founding of the company)



- 1960s** Invested in an electronic musical instruments manufacturer and became an exporter of its products  
Commenced the export of motorcycles, chemical products, transport machinery, etc. to the Philippines  
Established the company's first joint-venture company in the Philippines to strengthen sales of motorcycles and chemical products

- 1970** Commenced full-fledged OEM production and export of electronic organs  
Established Hammond International Japan Inc jointly with Hammond Inc in the U.S.

- 1974** Commenced assembly and production of motorcycles with Kawasaki Heavy Industries, Ltd. using local capital

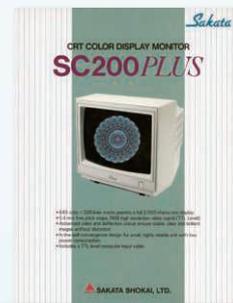
- 1977** Started trilateral trade in Singapore which was groundbreaking in its time

From  
1979

#### Commenced EMS business

- 1979** Established a joint venture company in Singapore to start the circuit board mounting business  
Became a pioneer of SIIX's EMS business

- 1982** Became a sales distributor of Panafacom and started sales of computers overseas, mainly in Europe  
Commenced overseas sales of CRT monitors under the Sakata brand



- 1988** Commenced circuit board mounting business in Thailand

- 1990** Established a joint venture company in the Philippines and commenced production of wire harnesses for automobiles



From  
1992

## Expanded business mainly in Asia

**1992** Spun off from Sakata Inx and established Sakata Inx International



**1993** Commenced circuit board mounting business with a joint venture in Guangdong Province, China (leading to the current Dongguan Factory)

**1994** Commenced circuit board mounting business in Batam, Indonesia (leading to the current Batam Factory)

**1996** Commenced sales of components to major Japanese manufacturers of automotive devices  
After making a full-fledged entry into the field of automotive devices, the company started receiving outsourcing contracts for materials procurement, circuit board mounting, assembly, and other processes from a variety of customers around the world, allowing it to expand and grow the automotive device sector into the main business area of the company

**1997** Commenced production of LCD modules for European mobile phone manufacturers

**1998** Company name changed to SIIX Corporation

**2000** Established a semiconductor design and development company and commenced development and manufacture of LCD driver ICs for mobile phones (sold in March 2005)

**2001** Established a joint venture company in Shanghai, China and commenced the EMS business  
Established a joint venture company in Slovakia and commenced the EMS business  
Commenced VMI service for major Japanese manufacturers of automotive electronic components

**2002** Commenced EMS business for automotive devices at the Thai Factory

**2007** Opened a logistics center in Thailand

From  
2010

## Expansion of global network

**2010** Established the company's first domestic manufacturing subsidiary in Sagami City, Kanagawa Prefecture  
Established a manufacturing subsidiary in Jakarta, Indonesia

**2012** Established a manufacturing subsidiary in Shanghai  
Established a sales subsidiary in Indonesia

**2013** Established a manufacturing subsidiary in the Philippines  
Established a manufacturing subsidiary in Mexico



**2014** Established the company's first joint venture company for plastic molding and die manufacturing in the Philippines  
Established Nagoya Sales Department in Sakae, Naka-ku, Nagoya City

**2015** Established a joint venture company with GD MIDEA HEATING & VENTILATING EQUIPMENT CO., LTD.  
Established a joint venture company with a medical device development company in Singapore and entered the robotics field

**2016** Established the Detroit Branch in the U.S.  
Established a manufacturing subsidiary in Hungary

**2017** Established a second joint venture company with GD MIDEA HEATING & VENTILATING EQUIPMENT CO., LTD.  
Established a manufacturing subsidiary in Hubei Province, China  
Established a sales subsidiary in Hanoi, Vietnam



**2019** Established a sales subsidiary in Kuala Lumpur, Malaysia

## Value Creation Process



### External environment

Digitalization of all things

Rise of IoT, AI, and big data

Expansion of outsourcing by corporate customers

Spread of EV and autonomous driving

Prevention of regional warming

### SDGs Global Goals



SIIX endorses the principles of SDGs and promotes its business activities in conformance with these principles.

### External environment

Making effective use of global resources and providing business advantages through business organizing

### Business model

## Global business organizer

Creating a business that transcends the boundaries of business sectors  
Focus on the non-commodity sector

### Value chain

### Governance

Diverse board of directors

Prompt decision making

Management members with extensive overseas experience

Shareholder return  
Continuous increase of dividends

### Key performance indicators

Medium-term business plan  
[ 2018 – 2020 ]

Net new customers  
**100 new customers acquired**

Expansion of transactions with non-Japanese customers  
**20% of consolidated net sales**

Non-commodity sector  
Expansion of transactions with customers  
**80% of consolidated net sales**

**OUTPUT**  
Strengths of SIIX

Electronic components procurement capability

Extent of business sectors covered  
(approx. 600 customers in 4 sectors)

Global bases  
(sales and manufacturing bases in 14 countries worldwide)

High-quality mounting

One-stop solution

Local management  
75.3%

Prompt response capability

High level of trust of customers

**Focus markets**

Support “digitalization” which has no restrictions in terms of business sectors of corporate customers

**Automotive devices**

Automotive AV (car audio, car navigation, etc.), automotive electronic components (meters, exteriors, ECU, sunroofs, power windows, switches, radars, ABS, etc.)



**Industrial equipment**

Engine ignition device for power tools, lithium-ion battery packs, aircraft-borne electronic devices, electric power tools, inverters, currency sorter for vending machines, medical devices, smart meters, industrial sewing machines, servomotors, etc.



**Electric appliances**

Digital appliances, air conditioners, refrigerators, washing machines, rice cookers, microwave ovens, electric toothbrushes, healthcare equipment, educational toys, audio devices, etc.



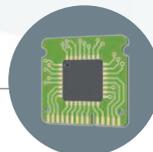
**Information devices**

Office equipment, image scanners, printers, etc.



**Machines, others, general electronics**

Automobile wire harness, motorcycles, ink, and other electronic components, etc.



**OUTCOME**

Value provided to society

Spread of EV and autonomous driving

Promotion of automation in various industries

Reduction of environmental impact

Contribution to the economic development of emerging countries

Creation of employment in markets we enter

# Value Chain

Provide materials procurement, manufacturing, and logistics services as a one-stop service



## Strengths

- Strong purchasing power for Japanese components
- Materials procurement function for circuit board mounting instead of just procurement as a trading company (factory procurement)
- Capability in proposing alternative components that are cost-competitive
- Collaboration with technology partners on a global basis

## Issues

- Enhancement of handling of European and American components
- Search for merchandise over a wide range without being restricted to just electronic components
- Enhancement of capability to manage stock in real time (IT)
- Work reform to reduce inventory

EMS **80%**

Gather electronic components overseas and mount them on circuit boards on behalf of the customer, and deliver those circuit boards to the customer

Trading company **20%**

Gather electronic components overseas on behalf of the customer, and deliver them to the customer

## proposition



Stock control and logistics



Circuit board mounting and assembly at company-owned factories



Molding



Corporate customers



- Materials management service in various countries around the world
- High-quality, high-precision mounting capabilities at global bases
- Factory area with adequate room for expansion (can be expanded from the current 150 lines to 300 lines)
- Deployment of molding operations in the area adjacent to the circuit board mounting area
- Provision of services to customers in diverse business fields by focusing on versatility

- Enhancement of stock management in real time
- Further improvement in mounting quality and precision, expansion of the scope of information shared between bases
- Optimization of molding function for global deployment
- Expansion of customers in the medical device field

# Global Network

## Global deployment with 50 bases in 14 countries worldwide

The ability to provide a variety of outsourcing options to our customers through our extensive and organic network of overseas bases is one of the strengths of SIIX.

We have established bases in approximately 50 locations in 14 countries worldwide that can assist in the global business development of our customers, from materials procurement to manufacturing and distribution.

### Meeting domestic demand in China in the future



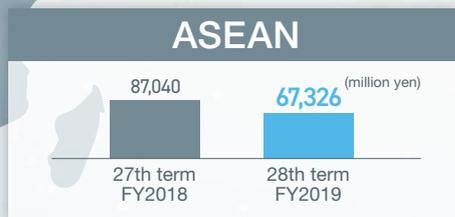
- 12 SIIX (Shanghai) Co., Ltd. ●
- 13 SIIX (Shanghai) Co., Ltd. Dalian Branch ◆
- 14 SIIX EMS (Shanghai) Co., Ltd. ▲
- 15 SIIX HUBEI Co., Ltd. ▲
- 16 SIIX EMS (DONG GUAN) Co., Ltd. ▲
- 17 SIIX (Dongguan) Co., Ltd. ★
- 18 SIIX H.K. Ltd. ●
- 19 SIIX TWN Co., Ltd. ■

### Contact for major European corporations



- 9 SIIX Europe GmbH ●
- 10 SIIX EMS Slovakia s.r.o. ▲
- 11 SIIX Hungary kft. ▲

### Support for decentralized production needs, coordination with cutting-edge technologies



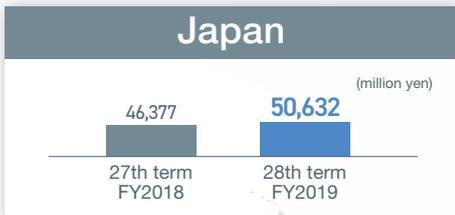
- 20 SIIX Bangkok Co., Ltd. ●
- 21 SIIX EMS (THAILAND) CO., LTD. ▲
- 22 SIIX Vietnam Company Limited ★
- 23 SIIX Phils., Inc. ■
- 24 SIIX Logistics Phils, Inc. ●
- 25 SIIX EMS PHILIPPINES, INC. ▲
- 26 SIIX COXON PRECISION PHILS., INC. ▼
- 27 SIIX Singapore Pte. Ltd. ●
- 28 PT SIIX Electronics Indonesia ▲▼
- 29 PT. SIIX EMS INDONESIA ▲
- 30 PT. SIIX Trading Indonesia ★

## Composition of sales by segment



\*Other than the above, consolidated net sales of 223,037 million yen include 52 million yen that does not belong to any reportable segment.

### Preparations to expand domestic production in Japan

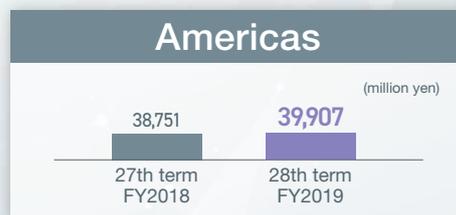


- ① SIIX Corporation
- ② SIIX Electronics Co., Ltd.

### Main businesses

- Sales and distribution of electronic components, etc.
- Sales of electronic components, etc.
- ▲ Circuit board mounting, assembly and processing of devices and components
- ▼ Plastic molding and die manufacturing
- ◆ Branch office / representative office
- \* ★ indicates a non-consolidated subsidiary

### Enhanced support for western corporations in Mexico



- ③ SIIX U.S.A. Corp.
- ④ SIIX U.S.A. Corp. Detroit Branch
- ⑤ SIIX U.S.A. Corp. Irvine Branch
- ⑥ SIIX MEXICO, S.A DE C.V.
- ⑦ SIIX EMS MEXICO, S. de R.L de C.V.
- ⑧ SIIX do Brasil Ltda.

The logo for SIIX, featuring the letters 'siix' in a lowercase, sans-serif font. The 'i' and 'x' have dots above and below them, respectively, and the 'i' is slightly larger than the 'x'. The logo is positioned on a dark, vertical rectangular background.

Shiro Murai, Chairman

We value the bonds forged by trust more than anything else.

We will continue to provide services that can meet the expectations of customers worldwide.



## Chairman message themes

- 01 Challenging infinite possibilities which started from the export of ink
- 02 Demonstrating the “zero effect” and establishing an unprecedented competitive edge
- 03 Cultivating new needs “where the tailwind blows”
- 04 Adopting the slogan “walking in the middle of the fairway” as a belief since the establishment of the company

### 01 Challenging infinite possibilities which started from the export of ink

The origin of the company as a “global business organizer” traces back to when I, all by myself, started the export of ink just after I joined Sakata Shokai Co., Ltd. (currently Sakata Inx Corporation) in 1952. Back then, in an era when the world was finally unshackling itself from the chaos of World War II and heading towards a period of economic growth from the post-war recovery, the number of Japanese companies involved in trading and exports in particular was extremely limited. Although there was a trading division in the company, it was responsible for the import of plate making materials, and the idea of exporting products never occurred to us.

Aspiring to export products amid such a situation, I leapt into the export world foolhardily without much of a grounding in English conversation skills. The countries that I visited on my first overseas trip over 40 days included Hong Kong, Vietnam, Cambodia, Thailand, Myanmar, India, Singapore, the Philippines, etc. Moreover, the places of visit were not fixed, and upon landing at the airport, I rushed into a pay phone to find companies that seemed to be related to printing from a telephone directory, making so-called cold calls to them.

Although I was aiming for ink sales initially, while going around the countries in Southeast Asia, I zeroed in on the prosperity of the television industry in the Philippines. In the 1950s when street TVs were basking in the spotlight in Japan, factories producing TVs stood side by side in the Philippines, with most of the electronic components being imported from the US. Therefore, I came up with the idea of exporting electronic components from Japan.

On the day that I hit upon the idea, I immediately took

action to contact the representatives of electronic component manufacturers in Japan, proposing to them the export of their products overseas. As for the reason why I chose electronic components instead of TVs, back then the distribution of finished electrical products was fully controlled by the electrical appliance manufacturers, leaving no room for entry into the market. On the other hand, when it comes to electronic components, not only are the unit prices low, the number of items is also huge, and since professional knowledge is necessary in handling them, the number of trading companies dealing in them was extremely limited.

With an intuitive feeling that “this is it!” I obtained approval from the company, and after commuting to a night school for half a year to learn more about English conversation skills and electrical products, I set out to export electronic components.

Although I used to say that the word ink (“inki” in Japanese) differs from the word electric (“denki” in Japanese) in just a single syllable (a saying which has sort of permeated the company like a joke), we were able to create a new business by setting our eyes on the possibilities of electronic components and electronic devices despite being an ink company. The slogan “Challenging Infinite Possibilities” underlies our business. Instead of focusing on ink alone, we have opened up new business possibilities by adopting the concept of “selling anything that sells” and “creating business by linking up needs and solutions.”

Back then, the global ink market was about 2 trillion yen. Believing that “we will always face a trading limit of 2 trillion yen even if we were to capture the entire market,” we sought to latch onto the tailwind of the times and pursued new possibilities. This is precisely the basis of a “global business organizer.”

## 02 Demonstrating the “zero effect” and establishing an unprecedented competitive edge

Currently, EMS (Electronic Manufacturing Services) sales occupy approximately 80% of the total sales of SIIX. As a result, although the company is viewed as an EMS company by outsiders, our basic business is that of a trading company. EMS is simply one of the means of distributing electronic components. SIIX has become a unique global corporation that meets a variety of outsourcing needs for manufacturing services, from the global procurement of materials, which is the biggest issue in overseas production, to distribution and contract manufacturing.

As a result of meeting customer needs, while the proportion of EMS sales have increased, in addition to electronic components, we have also dealt in a variety of products such as motorcycles, wire harnesses, and even electronic musical instruments and CFC gas, etc. in the past, in response to customer requests.

In order to adapt flexibly to the waves of changes over time, we adopted “zero effect” as our basic management policy in which we choose not to own any specific technologies or resources. Once you own fixed assets, these need to be scrapped and new assets need to be built in response to changes, but there is no need to do so if you have none. We pursue the infinite possibilities of business by not owning any technologies or resources.

Instead of a management system of developing businesses based on the accumulation of in-house technologies, our business policy has been to grasp the needs of the customer first, then discover and bind them to solutions that meet those needs. It is precisely because of our starting point from zero that we were able to freely grasp new business chances. The reason why we were able to expand the business as a trailblazer in the EMS industry in Japan is because of our ability to grasp customer needs quickly and respond promptly.

Furthermore, besides Southeast Asia and China, SIIX also entered the market of Slovakia in Central Europe early, providing EMS services related to electronic components for automobiles. In starting the business locally and making a move before other companies did, we were able to enjoy first-mover advantage without being subject to any constraints. This can also be said to be one of the effects of the “zero effect.”

We have built an extensive global network by locating our business centers in places where the demand for

goods is expected to grow significantly according to the trend of the times. This can be said to be a result of making full use of our links with people as an asset since we started the trading business.

In recent years, as business support needs overseas increase following the overseas ventures of our customers, we have further demonstrated our strengths by establishing sales offices and factories near the markets of our customers and where the products are consumed, and by integrating manufacturing and sales to provide support to meet those needs.

## 03 Cultivating new needs “where the tailwind blows”

From the perspective of an EMS company, although SIIX tends to be compared with the so-called “mega EMS” companies of the world, there is almost no competition in terms of business model. The world’s major EMS players often undertake OEM (Original Equipment Manufacturing) work from the manufacturers for the production of low-mix, high-volume products such as electrical appliances, computers, smart phones, etc., while the mega EMS companies undertake contract manufacturing of products for major IT companies.

In contrast, SIIX’s strength lies in its focus on fields where high quality is required in producing moderate quantities of a large variety of products. As a result, we are clearly differentiated from the mega EMS companies. In particular, where contract manufacturing outsourced by customers is concerned, we have focused our efforts on the automotive device sector and industrial device sector where a high level of precision and quality is required, and our strengths lie in the technology and knowhow that we have accumulated over the years in fully supporting the needs of customers involved in automotive devices.

In recent years, the number of contract manufacturing projects outsourced to SIIX has been increasing due to the rising need for digitalization of automotive devices. I believe that needs for EMS in the medical device sector will also increase in an aging society. In the face of such heightening needs, we intend to exploit the experience, technological capabilities, and knowhow that we have cultivated in the automotive device and other fields. Furthermore, since the establishment of the company, we believe that it is our mission as a global business organizer to cultivate new needs “where the tailwind blows.”

Social changes can be bewildering, and SIIX is also required to change constantly. On the other hand, we believe that all officers and employees starting with management should be steadfast in maintaining trust, a universal value that remains the same regardless of the times. No matter where you go in the world, the links and relationships of trust with people are the most important assets than anything else.

At the beginning when we first started the trading business, in order to get work from major Japanese appliance manufacturers, I asked them to entrust me with their inventory list of electronic components on a trial basis and took it to the Philippines with me. The reason why we were able to start trading with major local enterprises was only because we were able to build a relationship of trust with the customer on a one-to-one basis. Even now, despite a half-century having gone by, I still cannot forget the joy of being told by our customers that “we wouldn’t buy any electronic components unless they are from Murai.” This was a result of having intimate and thorough discussions and lending an ear sincerely to their requests. Going forward, we will continue to adapt to the everchanging business environment where appropriate, while valuing trust above everything else.

#### **04** Adopting the slogan “walking in the middle of the fairway” as a belief since the establishment of the company

Strengthening our corporate governance system is an important management issue as we continue to expand our business scale. “Fair—always ensure compliance and fairness in all our corporate activities” is cited as one of the SIIX Principles in our corporate philosophy. In the business arena, we will “walking in the middle of the fairway” at all times. This has been my belief since young. As a manager, I have always emphasized internally that it is important to make decisions based on the value of being fair and impartial. We will never do anything illegal. This message has permeated among all the employees, and based on this basic policy, we will continue to strengthen our corporate governance.

Among the various initiatives, rejuvenation of the board of directors is deemed to be an important issue. We exchange views actively with all our directors including external directors, and we have built a system that is capable of fully reflecting outside views to the management



(see pp. 27–30 External Director Dialogue”).

Going forward, SIIX will continue to maintain a strong spirit of challenging infinite possibilities to achieve sustainable growth. We will continue to evolve as a “global business organizer” and aim to create a company that “contributes to and instills a sense of empathy in all our stakeholders,” which is a part of our corporate philosophy.

In particular, as more and more employees become active on a global basis, sinking our roots in each region around the world, contributing to the growth of the local economy, and motivating the local employees who work there are going to be important management issues. Therefore, we need to solidify our business foundation for the next generation, and aim for an adequate rate of return to all our shareholders and investors by achieving sustainable growth. We look forward to your continued support.



**The mission of the SIIX Group is to deliver goods reliably even if it is on the other side of the Earth.**

I am Koji Yanase and I was appointed President of the company in March 2020 via a resolution at the Annual General Shareholder’s Meeting. Thank you very much for your constant support of the SIIX Group.

After joining Sakata Inx Corporation, the predecessor of the current company in 1990, I was transferred from the trading division of the same company to the independent Sakata Inx International Corporation (the current SIIX Corporation). Initially, we dealt in the sales of components such as semiconductors and liquid crystal. Subsequently, we also received orders for the mounting of printed circuit boards, allowing us to build a foundation for the EMS (Electronic Manufacturing Service) business today.

I have been involved in the overseas business for about 26 years in countries such as Singapore. Doing my best to resolve the problems of customers all over the world can be said to be my strength. During this time, we have worked hard to ensure a stable supply of electronic components and modules, and to fulfill

requests by customers who feel that “they can always rely on SIIX to help out if there is any problem.” As long as there are customers who are in need of electronic components and modules, the entire organization will take the initiative to deliver the goods even if the customers are located on the other side of the Earth. We have continued to grow because of our continuous efforts in this area.

Currently, EMS forms the bulk of the business of the SIIX Group. However, as our company founder and chairman Shiro Murai often say, “The SIIX Group is not an EMS company. Instead, we are a company that provides all goods and services useful to the manufacturing operations of our customers by linking up their needs with solutions.” Till now, we have focused our efforts on contributing to our customers based on such teaching. This is precisely the true value of the “global business organizer” cited by Murai. Recently, I was glad to hear from a manager of a world-class manufacturer say that “SIIX is the most reliable supplier among many others,” affirming strongly that the direction the SIIX Group is heading is the correct one.

As a company that provides all goods and services useful to the manufacturing operations of our customers, we aim to further contribute to society in future too.

---

Koji Yanase President

Since the company's establishment, we have single-mindedly pursued fairness in our business by "walking in the middle of the fairway."

In future, besides inheriting the company policy established by Murai in leading the SIIX Group, we will continue to focus our efforts on making good use of our unique strengths and culture in the business. I myself have took to heart since young the pursuit of fair business by "walking in the middle of the fairway" as espoused by Murai. I will ensure that this spirit permeates all our bases around the world.

The slogan "Make an Impact" under the SIIX principles is a value shared by all employees in developing its business globally. Besides this, just like what I myself have practiced so far, "Yes, but..." expresses the spirit of never saying "No" outright to a customer request. It expresses our stance of responding to customer needs by proposing solutions for a variety of difficult issues through communication, and by making use of our collaboration with external partners in addition to the extensive network of the group.

On the other hand, "zero effect" can be cited as a

source of strength of the SIIX Group. This means a business in which "we hold no inherent technologies or resources." In the electronics industry where changes are bewildering, we are capable of responding flexibly to the changing times by not owning any assets. As a result, we are able to avoid the risk of having to "scrap and build" when changes occur. Since the company's establishment, having a "small head office" is also a part of the "zero effect," and by adopting a flat organization, decision-making is faster, which allows us to respond more promptly to changes.

**Heightening expectations towards the SIIX Group as the trends towards the digitalization of vehicles and IoT of devices pick up speed**

The business portfolio of the SIIX Group is also based on the spirit of a "global business organizer." Unlike typical manufacturers, our forte does not lie in formulating our own strategy and targeting a specific sector or region to expand our business. As a contract manufacturer, our strength lies in observing the "tailwind" and in building a portfolio in sectors or regions where there is demand from

corporate customers.

Looking at the business fields in which we trade, we do not focus on any one specific sector. Instead, we choose to trade with a diverse range of industrial customers such as those making automobile devices, electric appliances, industrial equipment, medical devices, information devices, machinery, etc. In the IoT (Internet of Things) era, as all products become digitized and connected to a communication network, the possibilities of the group's businesses will expand further.

Among them, automobile devices constitute a core sector that occupies slightly more than half of our consolidated net sales. Moreover, the digitalization and automation wave is descending upon the automobile industry in what is known as a once-in-a-century major transformation. Recent demand for components and printed circuit boards has risen dramatically and there has been a rush of inquiries from automobile manufacturers as well as European and American Tier 1 suppliers. Moreover, the strength of the SIIX Group is its capability to support the demand of products other than those related to automobiles for Tier 1 suppliers and other customers. Even if the entry point of the commercial discussion is for automobile devices, it is possible to expand the scope of our business by adequately supporting customer requests related to electric appliances, industrial equipment, medical devices, etc.

At the same time, 5G technology (5th generation mobile communication system) in the telecommunications industry has become a powerful tailwind for the SIIX Group. In future, with all devices connected to a network, the adoption of IoT will accelerate without a doubt. Therefore, we expect that demand in the field of remote

monitoring, robots, and other sectors will increase rapidly on a global scale.

As a group, SIIX aims to further improve its performance in addition to making contributions to the customers by accommodating such new demand adequately. In particular, demand for software, in addition to manufacturing services, is expanding at an explosive rate amid the IoT trend. Look across the world and you will find that many customers are worrying over a lack of resources to develop software, so we would like to pursue contributions in this sector too. Furthermore, since operation and maintenance are indispensable after a system is developed, the SIIX Group will also seek to create a new business model that covers operations.

From the perspective of a low-carbon society, a drastic increase in the demand for batteries, which are indispensable in supplying power to devices, is also expected. The SIIX Group also has a previous track record in batteries for industrial equipment, home storage batteries, EV charging infrastructure, and other rechargeable batteries. The idea is to make use of this strength to promote the provision of battery pack solutions in response to growing demand in future.

On the other hand, regarding our business territory, we will further expand trading between various regions around the world including China, Japan, Southeast Asia, Europe, and the Americas. In FY2019, sales by customer location was led by Japan at 26%, followed by China at 19%, Southeast Asia at 25%, Europe at 11% and the Americas at 19%, so our portfolio can be taken to be fairly balanced. Although our trading is mainly with Japanese corporations in all the regions, in recent years, commercial discussions with non-Japanese corporations, especially major corporations in Europe, have increased, and thus we believe the ratio will continue to increase. Besides this, we will also turn our attention to untapped markets like India and build relationships of trust with new customers first through the supply of rechargeable batteries for which demand is rising.

**While the market environment continues to be harsh in the near future, business opportunities are expanding, such as supply of goods to European Tier 1 suppliers**

Regarding the financial results for the fiscal year ended December 31, 2019, our performance was greatly affected by the economic slowdown in China and the high tariffs being enacted as a result of the US-China trade friction. This year, our cost burden was high because of an increase in fixed costs due to a drop in



utilization ratio, incurrence of costs to relocate production from China in order to avoid high tariffs, increase in depreciation costs due to capital expenditure for the new manufacturing bases and so on. Although the relocation of the production center was completed in 2019, as production of models meant for the North American market continued in China before it was fully relocated, profits were depressed as we had to bear higher tariffs for the volume produced until then.

Amid such a situation, we have implemented initiatives to raise our inventory turnover and reduce our fixed costs. In particular, we are proceeding with the introduction of an ERP system (Enterprise Resource Planning; work integration software package) for the purpose of work integration and optimization, as well as the centralization of information. Besides planning to implement the system in Thailand, Indonesia, and Taiwan starting in January 2020, we plan to introduce it to all our global bases in three years. Based on this, we will be able to monitor the operational status in real time, allowing decisions to be made even more promptly. In addition, since the ERP system can also demonstrate its capabilities in integrating work flow, other advantages such as work optimization and compliance enhancement can also be expected.

Regarding the outlook of consolidated financial results announced at the beginning of the year for the fiscal year ending December 31, 2020, due to the impact caused by the spread of the novel coronavirus, consolidated net sales was revised to 177.0 billion yen, and consolidated operating income was revised to 2.6 billion yen.

While the first half of 2020 was affected by the pandemic, we expect to see a recovery in the second half of the year. In the second half, conditions will be more positive, e.g. we will start the supply of goods to European Tier 1 suppliers and other customers, so we expect performance to improve substantially in the medium term.

Incidentally, to prepare for the coming of the second wave of the novel coronavirus, besides keeping business disruptions to a minimum while prioritizing the safety of the employees through steady execution of BCP (Business Continuity Planning), we will focus our efforts on ensuring a stable supply of products to our customers. On this point, we have implemented telecommuting at our various bases around the world, including the head office. In addition, the groupware that we have started to implement since last year has demonstrated its effectiveness in allowing employees to communicate smoothly on a global scale without having to come to the office. In addition, the introduction of the ERP system is also expected to serve as a powerful tool for BCP.

Furthermore, initiatives towards digital transformation (DX) have also been enhanced in the SIIX Group. In particular, by promoting the adoption of IoT in the production bases, we are proceeding with the establishment of an environment that allows design and equipment data to be accessed remotely when the factory area is under lockdown over an infectious disease or other causes. Based on this, the idea is to construct a system capable of switching production to another base immediately when something happens so as to ensure a stable supply of goods.

## Strengthening the corporate governance system as the organization expands on a global scale

The most important management issue as seen from a mid-to-long term outlook is the reinforcement of the human resource foundation in the SIIX Group. In particular, the employment and development of local staff in each region around the world are essential for the future growth of the Group. Going forward, we will reinforce our efforts to develop management talent in each region. In the Philippines, we will also develop capable staff proficient in English and have them be active globally.

Going forward, as the organization expands on a global scale, we will expedite efforts to reinforce our corporate governance system as a way to administer ESG practice. While authority is being delegated to the various regions around the world, the head office will control key items securely through organizational design such as the operation of an ERP system, conduct of regular audits, monthly disclosure of financial performance, etc. and set up a system capable of providing coaching and supervision to the affiliated companies where necessary. In addition, to further invigorate the Board of Directors, besides adopting the meetings as a venue for free discussion, where necessary we will make further improvements by soliciting candid views from the external directors.

We expect 2020 to be a tough year for our business performance. Nonetheless, as a “global business organizer,” the SIIX Group has created business opportunities one after another by being of service to customers all over the world. On that point, the market is exceedingly large, so it is not an exaggeration to say that the possibilities of the SIIX Group are limitless. Going forward, our aim is to become a corporate group that can contribute to future society while remaining fair and impartial. I therefore look forward to your continued support in future.

With our solid financial foundation acting as a source of strength, we will execute our business strategy steadily without being perturbed by adverse headwinds such as the novel coronavirus pandemic



Seiji Ono

Director & Executive Officer  
General Manager,  
Finance & Accounting Department,  
in charge of Information System Department

### Pursuing businesses without owning any assets, and expanding businesses with a high profit ratio

Although the SIIX Group is generally recognized as a major EMS company in Japan, the foundation of the business in the company is rooted in its function as a trading company. From the perspective of moving electronic components and other goods, capital liquidity and efficiency are deemed to be the most important in finance. Based on the concept of “eliminating all things that are not liquid” espoused by our founder and chairman Shiro Murai, we have basically adopted an asset-light strategy and pursued businesses with a high return on equity (ROE).

In addition, to manage the group companies, approximately 200 employees of the head office and 100 staff stationed overseas manage approximately 13,000 people belonging to the overseas bases. Greater management efficiency can be achieved by minimizing the number of employees in the head office and by delegating authority to local staff trained at various bases around the world.

In recent years, the automobile device sector has accounted for a large proportion of sales. As a long period from prototyping to mass production is required, prior investment is necessary and a three- to four-year period is required before we see any profits. In this field, a long lead time is required as a fixed quantity of service parts inventory and safety stock needs to be maintained. Looking at the change in profit over the past five years, due partly to the successive launch of production bases overseas, as an initial investment, depreciation costs accompanying the purchase of large-scale manufacturing equipment has increased. However, the company will continue to grow by raising the utilization ratio of the production lines to further push up the operating income level.

### Higher tariffs due to US-China trade friction resulting in lower profits

Regarding the financial results for the fiscal year ended December 31, 2019, as a result of the US-China trade

friction, we had to bear higher tariffs when exporting printed circuit boards manufactured in China to the US, resulting in a large reduction in profits. Due to the decrease in demand for capital expenditure in the Chinese market and the stagnation in sales of industrial equipment, the utilization ratio of our factories has decreased, increasing the burden imposed by fixed costs. Moreover, a temporary increase in cost due to the transfer of production to other regions from China for corporate customers' BCP reasons and the avoidance of custom duties between the US and China has also affected performance. Furthermore, year-on-year profit decreased due to the labor cost, depreciation cost, and other costs incurred in preparing for full-scale production in the Mexico factory as well as the increase in investment cost required in starting up the factories in Hungary, Hubei in China and other regions.

On the other hand, as a result of efforts to reduce the inventory of generic parts bought in response to the tight market for electronic components which occurred over the first half of the year, operating cash flow has recovered substantially, and cash and cash equivalents have also increased.

We will continue to promote initiatives to reach the appropriate level of inventory.

## Future initiatives

Regarding the FY2020 financial initiatives, a planned capital expenditure of slightly more than 10 billion yen was announced at the beginning of the year. However, as the business outlook is uncertain due to the impact of the novel coronavirus, we are carefully examining the pros and cons of implementing the investment projects. Going forward, we will review the priority and execution timing while observing the situation closely.

On the other hand, while the business environment is difficult to forecast, we will improve the liquidity on hand more than before. We aim to diversify our fundraising by expanding the issuance of corporate bonds and credit limits offered by the banks, and by making use of credit liquidity schemes and so on.

This year, we started the implementation of the SAP ERP system (integrated mission-critical system) as a core system of the SIIX Group. We aim to shorten the lead time and reduce the inventory amount by building a flexible ordering system capable of correcting the required quantity against changes in the volume of orders received globally before placing the orders with each vendor. We will proceed with the implementation in the various bases over the next three years. Although the system has already been implemented in Thailand, Indonesia, Taiwan, and other bases, it will be operated on a global basis by introducing it to Shanghai and Singapore as well. Based on this, we will be able to monitor the movements of the

goods and their inventory levels in real time, thereby contributing greatly to the enhanced efficiency of fund management.

Due to the impact of the novel coronavirus, the outlook for the consolidated financial results announced at the beginning of the year for the fiscal year ending December 31, 2020 were reviewed, with consolidated net sales being revised to 177.0 billion yen and consolidated operating income to 2.6 billion yen. This year, we have started trading with new non-Japanese customers, and expect to see a rise in trading of non-commodities such as automobile devices and industrial equipment. In particular, we are confident that orders from Tier 1 car manufacturers in Europe (primary subcontractors) will contribute greatly to our bottom line in future.

## Accelerating efforts to achieve further growth while continuing to maintain a sound financial structure

As social interest in ESG investments grows, investments in environmentally-friendly production equipment and systems are expected to increase. For example, we will consider the installation of solar power generation systems in regions where the power infrastructure is weak. On the other hand, we will also work to reduce waste by raising our production efficiency.

Regarding the expansion of IR activities, we will continue to conduct regular large meetings, individual dialogue, and factory visits in Japan and overseas. In particular, we are thinking of further raising the frequency and number of times individual dialogue is conducted. While it may be difficult to conduct factory visits in the near future due to the impact of the novel coronavirus, we think it is important for people to view the operating status of the latest equipment, so we will resume the factory visits after we have taken all the necessary measures to prevent infection.

In addition to actively disseminating information through conferences, we will increase the number of opportunities for both online and face-to-face dialogue with overseas investors.

Although a variety of negative factors has occurred this fiscal year as mentioned previously, we have received a lot of orders and inquiries from both Japanese and non-Japanese customers, so there is no change in the expansion trend of our performance.

In future, in order to promptly support the vertical startups of our customers, funds are required for capital investment and other purposes. In response, besides promoting flexible fundraising, we aim to grow further and maintain a sound financial structure by optimizing the level of inventory balance and by reducing costs. We look forward to your continued support.

28th term  
December  
2019

Net sales	<b>223,037</b> million yen
Operating income	<b>5,506</b> million yen
Profit attributable to owners of parent	<b>3,695</b> million yen

## Overview

Sales decreased greatly compared to the previous fiscal year due to the cessation of specific trading transactions in the ASEAN region for the automobile device sector. As a result, consolidated net sales decreased by 19.7 billion yen to 223.0 billion yen compared to the previous fiscal year.

In terms of profits, consolidated operating income decreased by 3.1 billion yen to 5.5 billion yen compared

to the previous fiscal year as a result of an increase in fixed costs due to stagnation of sales of industrial equipment resulting from sluggish demand for capital expenditure in the Chinese market, and also because of an increase in tariffs due to the US-China trade friction and an increase in costs to relocate production centers in order to avoid these tariffs.

## Issues and countermeasures

We trade with corporate customers in a variety of business sectors in each area around the world. Customers trading in multiple areas at the same time are also increasing, and products and services provided are required to have the same quality even if the area or factory is different. We will support the global development needs of our corporate customers promptly and precisely by making use of cloud services to share production know-how, quality information and other manufacturing information in real time within the SIIX Group.

In the automobile device sector, in line with the increase in ADAS, EVs, and electrification, the range of products that are subcontracted to us has expanded and these require an even higher precision and quality level. In order to meet such needs, we will proceed

with the implementation of cloud services and a group-wide core information system. In terms of industrial equipment, the IoT trend in products is accelerating. In the medical device field, globalization and contract manufacturing is expected to accelerate in future, so we will promote product development and improvements in mounting quality to prepare for this trend. In the electric appliance sector, we aim to get orders from mainly customers where the outlook is turning positive as a result of stay-at-home demand due to the coronavirus crisis. We will support the manufacturing needs of our customers in the information device sector where demand for scanners and other information devices is expected to increase due to the paperless trend brought about by the proliferation of remote work.

## Automotive devices

Automotive electronic components (automotive exteriors, meters, ECU, switches, submillimeter wave radars, ABS, cameras, battery sensors, etc.), car multimedia, etc.



**112,168**  
million yen

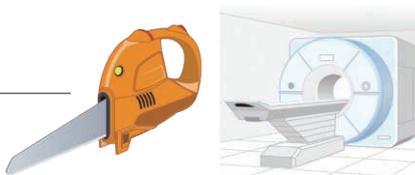
**50.3%**

### Business overview

Although sales decreased greatly due to the end of the car multimedia trading business, sales of other products such as automotive exteriors, meters, automotive cameras, battery sensors, etc. increased. Overall sales of automotive devices decreased by 18.8 billion yen to 112.1 billion yen compared to the previous fiscal year.

## Industrial equipment

Engine ignition device for power tools, battery packing, aircraft-borne electronic devices, inverters, medical devices, smart meters, industrial sewing machines, etc.



38,487  
million yen

17.3%

### Business overview

Due to the impact of the economic slowdown in China, shipments of industrial sewing machines, inverters, and circuit boards for commercial air conditioners decreased, but shipments of igniters and batteries for power tools as well as aircraft-borne AV devices increased, resulting in overall sales of industrial equipment increasing by 0.4 billion yen to 38.4 billion yen compared to the previous fiscal year.

## Electric appliances

Digital appliances, air conditioners, refrigerators, educational toys, fitness equipment, electronic musical instruments, etc.



36,664  
million yen

16.4%

### Business overview

Although shipments of educational toys and kitchen appliances have increased steadily, shipments of digital appliances have decreased significantly, resulting in a decrease of 2.7 billion yen in the overall sales of electric appliances to 36.6 billion yen compared to the previous fiscal year.

## Information devices

Scanners, OA equipment, projectors, etc.



22,623  
million yen

10.1%

### Business overview

Shipments of scanners are increasing steadily, and overall sales of information devices have increased by 1.2 billion yen to 22.6 billion yen compared to the previous fiscal year.

## Machines, others, general electronics

Automobile wire harness, motorcycles, ink, and other electronic components, etc.

13,094  
million yen

5.9%

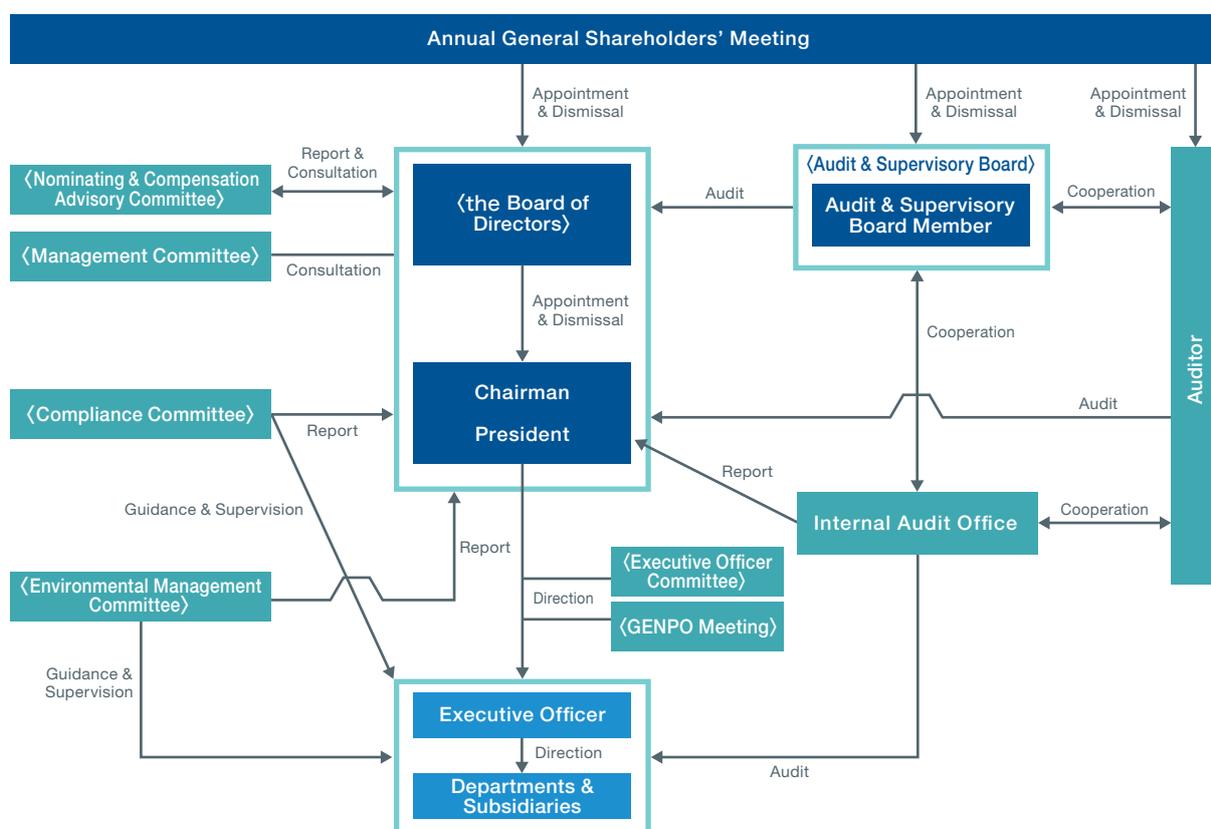
### Business overview

Although shipments of wire harnesses and motorcycles have increased, trading of general electronic components has decreased. As a result, overall sales increased by 60 million yen to 13.0 billion yen compared to the previous fiscal year.

# Corporate Governance

We believe that our directors need to possess knowledge and experience on a global basis to conduct diverse businesses in various countries around the world, and we ensure that a sufficient balance of the knowledge and experience required is reflected in the composition of our board of directors. Specifically, besides experience related to corporate management, directors having practical skills in sales strategy, manufacturing knowledge, high level of awareness of compliance issues, knowledge of financial strategy and capital policies, etc. are nominated. External directors are nominated for the purpose of getting their advice on how to respond in an appropriate manner to requests from the capital market and to benefit from their high level of expertise in accounting and taxation. Regarding the size of the board of directors, we believe this is the minimum level required to achieve such an objective.

## Corporate governance system



## Basic policy of corporate governance Management and execution system

The company has developed the SIIX Principles as its corporate philosophy for the conduct of corporate activities by all its officers and employees, and also established the SIIX Group Code of Conduct based on this. Based on the principle of being “fair” under the SIIX Principles, we are aware that strengthening corporate governance to govern our corporate activities is an important management duty, and so we work to build and establish an appropriate and effective corporate governance system for this purpose.

Being a company with audit & supervisory board members, SIIX has built a system to monitor and supervise the business from an objective and neutral position by nominating two external audit & supervisory board members besides the internal audit & supervisory board members in the composition of the Audit & Supervisory Board. The Board

of Directors is composed of seven directors. Two out of the seven directors are external directors and monthly meetings are conducted with the three audit & supervisory board members (out of which two are external audit & supervisory board members). During the meetings, issues on human resources, investments, capital policies, budgeting and planning, etc. that are important for management purposes are deliberated and resolutions are adopted from the perspective of improving corporate value and managing risk. Based on the standards for independence of independent directors/auditors as stipulated by Tokyo Stock Exchange, Inc., we have designated all external directors and audit & supervisory board members who fulfill the qualifications of an independent director/auditor as independent directors and audit & supervisory board members.

## Introduction of Directors



Director & Executive Officer  
Tatsuo Fujita

External Director  
Shinsuke Takatani

External Director  
Susumu Omori

Director & Executive Officer  
Toru Maruyama

Director & Executive Officer  
Seiji Ono

Chairman  
Shiro Murai

President  
Koji Yanase

### Nomination of directors and remuneration of officers

Seven directors having expertise and experience in the various fields have been appointed for the purpose of raising the diversity of the directors, improving decision making based on more thorough discussions, further growing the company and strengthening the management system. Two out of the seven directors are external directors.

For the purpose of improving the transparency of the decision-making process with regard to the nomination and remuneration of the directors, we have established the Nomination and Remuneration Advisory Committee to deliberate on the nomination and remuneration of the directors. The said committee is composed of three or more members nominated by the Board of Directors, with the majority of them being independent external directors to ensure its independence as an advisory body to the Board of Directors.

### Assessment of the effectiveness of the Board of Directors

Once a year, the company conducts a survey on the composition, functions and deliberation materials of the

Board of Directors as well as an extensive range of themes, analyzing and evaluating their effectiveness and reporting a summary of the results to the Board of Directors. Views are expressed on a variety of themes, so we will make use of these views as a guide in improving management in future. A summary of the survey results is given in the corporate governance report.

### Audit system

The Audit & Supervisory Board is composed of three audit & supervisory board members including two external audit & supervisory board members, and meetings are held once a month as a general rule. In addition to attending the Board of Directors meeting and other important meetings, audit & supervisory board members play a role in auditing management by hearing reports from the directors and employees, viewing important documents, and examining the work and financial situation of the subsidiaries, etc. The two external directors and one of the external audit & supervisory board members have been designated as independent directors/auditors based on the rules of Tokyo Stock Exchange, Inc.

In addition, meetings with external directors are held regularly, and their opinions from an objective and neutral position are reflected in the management.

## Corporate Governance

External Director  
Dialogue

We work to conduct diligent monitoring and decisions are made based on our corporate



Shinsuke Takatani  
External Director

### [ Function as an external director ] Decision-making with a thorough understanding of the local sentiment

**Omori** Regarding my role as an external director, I feel that my own position has become more and more important as the businesses of SIIX expand globally. Standing in the position of a third party, I make an effort to conduct checks from a variety of viewpoints and question whether the decision-making process of the Board of Directors is correct, whether the decision is made in the interest of the shareholders, whether the work is being executed correctly, and so on.

**Takatani** Like Mr. Omori, I have the same thinking, and since I am a certified public accountant, I have adopted a basic stance of clearly communicating points that ought to be reported based on my own area of expertise. For example, from the perspective of the interest of shareholders, I emphasize the importance of focusing on ROIC (return on invested capital) as a management indicator. This is because ROIC is an important management indicator in

examining future market trends in the world and considering the priority of investments to expand SIIX globally. As a result, simply pursuing the improvement of ROE alone is not sufficient. Building a management framework that puts more emphasis on ROIC will be an important task faced by the company in future.

**Omori** Naturally, I carefully examine the resolutions of the Board of Directors as it is the most important. After considering whether the resolutions are beneficial to not only the shareholders but also all stakeholders, we will discuss the issues during the meetings until we reach an agreement, and where necessary, I may also raise opposing views.

**Takatani** In considering the resolutions of the Board of Directors, I attach importance to whether the outcome of the decision made will lead to sustainable growth in future.

**Omori** A view of whether the resolutions will lead to an improvement in corporate value in future is important. In the short term, although this is a matter of whether it will lead to an improvement in earnings per share, in the mid to long term, a perspective of whether the company is proceeding along the correct path in terms of its role in society is also essential.

**Takatani** On that point, the corporate philosophy system is fixed in SIIX, so the value can be determined easily. In particular, among the SIIX Principles (hereinafter “principles”), the vision and stance that SIIX ought to adopt as a company is clearly indicated in the “corporate style.” Among these principles, I am always conscious of “fairness” when making my judgments.

**Omori** I also attach importance to the corporate philosophy and principles. Generally, I will make a comprehensive assessment on whether the resolutions deviate from these principles or are contrary to the interests of the stakeholders. I try to discuss such points without any reservations during the Board of Directors meetings.

**Takatani** Indeed, I think we are able to talk in a free and easy manner. In particular, we the external directors express our views without reservation. Such a corporate culture is more

## supervision, while constantly verifying whether business philosophy

important than anything else.

**Omori** I think this is a feature of SIIX, but the external directors are fairly active in a wide range of areas. Besides attending the Board of Directors meetings, we also attend the Management Committee meetings. During the meetings, we question and discuss the agenda thoroughly before it is presented at the Board of Directors meetings.

**Takatani** In addition, we also attend the strategy meetings conducted twice a year. The strategy meeting in summer was conducted overseas and the schedule was packed with discussions over three days and two nights. As we can get to know deeply the issues of the workplace through candid discussions with the people executing the work including those overseas, as an external director, these meetings are very beneficial to me.

**Omori** When there is a theme (work audit report by the Internal Audit Office, etc.) that the external directors should listen to, we attend the Audit & Supervisory Board meetings as observers after getting approval and exchange views related to corporate governance. Through a variety of such opportunities, we discuss problems that must be resolved after deriving a good understanding of the process from decision-making to the execution site.

### [ Strengths of SIIX as seen by an external director ]

#### A corporate philosophy permeating all the bases worldwide, serving as a driving force for growth

**Takatani** As corporate management trends turn towards ESG, looking at it from a global perspective, I feel that the corporate philosophy of SIIX has been ahead of the times in some way. For example, in terms of social contributions, due to the company's production base being located in the Slovak Republic, an honorary consulate of the Slovak Republic was set up in the head office in Osaka, and we also hosted the Slovakia National Opera in Japan. Drawing from the needs of the region, we have also planted cherry blossom trees locally. However, when seen from an environmental viewpoint, it



Susumu Omori  
External Director

must be pointed out that environmental initiatives such as to reduce greenhouse gas emissions have unfortunately just been started and thus they remain important management issues from here on.

**Omori** Looking at the diversity initiatives, from the very beginning the company has already adopted a stance of providing avenues for employees to be active in the overseas bases regardless of their gender or nationalities, so we should continue to further promote localization of human resources.

**Takatani** When you look at the situation in Japan, there are also many women working actively, so I expect them to be further nominated to management positions. The "localization of management" overseas without having to rely on the Japanese by developing local workforce and appointing them to higher management positions regardless of their gender, age, nationality, etc. is a management issue.

**Omori** On the other hand, when I visited the factory in the Philippines, all the employees explained the details of their work animatedly and with

## Corporate Governance

confidence. I remember having the feeling that all of them take pride in their work. Currently, SIIX is reinforcing its efforts to develop talent jointly with a local university in the Philippines. In future, human resources capable of working globally will surely be produced from here. This project can also be said to be a social contribution with a global perspective.

**Takatani** The difficulty of doing business overseas is often pointed out by Japanese companies when it comes to governance. In ensuring compliance including the prevention of corrupt practices, I would like the principle of “fairness” in the corporate philosophy to be thoroughly enforced here.

**Omori** Exactly. It will be good if the basic management stance of SIIX is understood by all global employees. Regarding global governance, if I may say so, issues still remain in establishing regulations with a set of common standards in

fact that the company values a challenging spirit in everything its employees do is commendable.

**Omori** The personnel in the base of each region around the world are also trying to learn about the concept of the corporate philosophy and principles. Besides business initiatives, volunteer activities are carried out in each region, so I feel the founding spirit of the chairman Shiro Murai has spread throughout the entire SIIX Group.

**Takatani** Corporate philosophy tends to become something formal but this is not the case in SIIX. Be it the corporate philosophy, or be it the principle, all the employees in the various bases understand their meanings and try to make use of them in their work. It is precisely for this reason that I think the employees are able to exploit their strengths in their work.



all the bases worldwide. With more than 10,000 employees worldwide, regulation will not be easy. This point will be one of the issues in future.

**Omori** One area that is often highlighted as SIIX’s business strength is its business model in which new value is constantly created one after another by linking the solutions the company provides to the needs of the customers without being fixated by any one single job or business.

**Takatani** I think so too. In addition, as indicated by the word “challenging” in the “corporate style,” the

### [ Future issues ]

#### Creating a system to enhance governance and inheriting the founding spirit

**Takatani** It was pointed out earlier by Mr. Omori that the vision of the global governance is one of the issues that SIIX have to confront to achieve sustainable growth in future. Regarding this point, specifically how do you view it?

**Omori** SIIX has already expanded its business to various regions around the world, and the number of bases will probably increase in future. In this context, how the management standards in SIIX can be adopted as common global standards, and how these can be further localized in each region will be issues. In addition, the creation of a framework for building a governance system and systemization are essential. On that point, I think the introduction of the SAP ERP system (integrated mission-critical system) which is currently being implemented will be key in resolving the issues. The system is scheduled to be implemented in all the bases worldwide in three years, and based on this, the company will be able to monitor in real time the operational status around the world, from the acceptance of orders to sales and production, etc. In addition, I believe the introduction of the ERP system will contribute greatly to the resolution of the problem in reducing stock, which is the biggest financial issue to the company.

**Takatani** From the perspective of enforcing governance including compliance, the effect of the implementation is large.

**Omori** In addition to enforcing governance by systemization, it is also important to make sure the founding spirit is pervasive and passed down among the employees. I think it is necessary to expend efforts to continue conveying the philosophy espoused by the chairman Shiro Murai to employees throughout the world whenever the opportunity arises. On that point, both the corporate philosophy and principles possess a universal value that transcends space and time. As an example, the word “fair” applies in any country. It also will not be eroded as we head towards the future. This is a major strength in our management.

**Takatani** I agree with what you’ve said. For this reason, continuing to recite and practice the principles under the corporate philosophy can be said to be the duty of all management personnel including us. SIIX will continue to grow so long as the founding spirit is passed on correctly. Bearing in mind what the chairman Shiro Murai used to say, I hope SIIX will become a brilliant corporation in creating new



value and “not just simply become an EMS service provider.”

**Omori** I would like employees of the younger generation to enjoy taking on a variety of challenges and serve as a driving force for growth. I also hope SIIX will emerge as a more global corporate group that harbors even greater dreams.



# Environmental Conservation

The Environmental Management Committee in the SIIX Group takes the lead in deploying eco-leaders to manage environmental problems and eco-officers to manage environment-related policies in the bases of each country around the world, promoting activities as a group to resolve issues related to the environment. As environmental problems such as climate change and exhaustion of resources become more severe, the SIIX Group will fulfill its responsibility as a corporation and actively contribute to the conservation of the global environment by conducting its business activities in an environmentally-friendly manner. The SIIX Group is currently involved in the following initiatives.



## Initiatives to reduce greenhouse gas emissions

The SIIX Group has 15 sales and distribution centers and 12 manufacturing bases in 14 countries worldwide. We promote the reduction of CO<sub>2</sub> emitted indirectly by our corporate activities.

The total CO<sub>2</sub> emissions in FY2019 was 62,555 tons, which translates into an intensity of 0.28 tons per million yen of net sales.

As a measure to reduce CO<sub>2</sub> emissions, we have decided to install solar panels on the rooftops of our factories, etc. to supply a part of the electric power that we use, and we will continue with such reduction activities. We will also strive to actively use energy-saving products in our production facilities. As a target, we aim to reduce total CO<sub>2</sub> emissions by 3% compared with FY2019 by the year 2020.



## Installation of solar panels



In order to promote activities to reduce greenhouse gas emissions, we have installed solar panels in our manufacturing bases to supply a part of the electric power used in our business activities. Although no manufacturing base has been installed with solar panels in FY2019, we plan to install solar panels in our Shanghai manufacturing base in FY2020 first. Subsequently, we will proceed with preparations to install them in sequence in our Indonesia, Mexico, and other manufacturing bases to actively make use of electric power generated within the SIIX Group.

After installing the solar panels in our Shanghai manufacturing base in FY2020, based on the power that can be generated within the SIIX Group, the amount of CO<sub>2</sub> emissions will be reduced by 1,608 tons (full year conversion).



\*Full year conversion

# Social Contribution

Industries in various regions around the world are becoming even more global and borderless at a rapid pace, calling for diversity in the workforce. To fully sink our roots in the respective regions and ensure the sustainability of the company, we will focus our efforts on workforce development by actively promoting the localization of management so as to become a trusted company.



## Promoting the active involvement of women in the workplace

Currently, while female executive officers exist in the company, there are still no women in the Board of Directors. Going forward, we will consider the nomination of female directors from a diversity point of view. Female employees are already employed in the management and key positions of our local subsidiaries, and the total proportion of women in key management positions was 36.2% in FY2019. We will continue to further promote the appointment of women in the workplace so as to raise this figure to 50% by FY2020.



\*Management position: job level above the rank of a manager in each company



## Active use of local staff

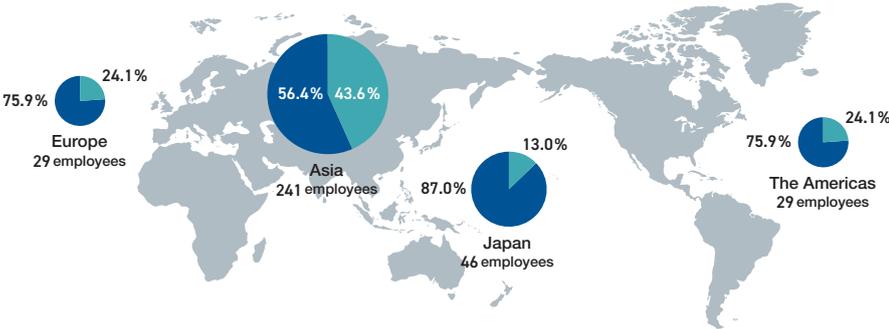
To expand its business globally, SIIX has established bases in various countries around the world, with many local staff supporting its business in each region. By developing local staff to manage each base and by instilling a sense of loyalty in each and every one of them towards the company, we will improve corporate performance and corporate value of each of our local subsidiaries.

In FY2019, local management personnel constituted 75.3% of the total management ranks. Going forward, from the perspective of further promoting delegation of authority, we will uncover outstanding talent from among the local employees and actively appoint them to the management level.



Number of management employees and male-female ratio for each area

● Male ● Female



## Consolidated Financial Summary

			FY2009	FY2010
<b>Financial Information</b>				
Net sales		Million yen	125,485	166,481
Operating income		Million yen	2,680	5,331
Ordinary income		Million yen	2,797	5,645
Profit attributable to owners of parent		Million yen	2,868	3,270
Selling, general and administrative expenses		Million yen	5,669	5,947
Depreciation and amortization		Million yen	1,946	1,735
Total assets		Million yen	55,498	62,787
Net assets		Million yen	17,652	19,770
Equity capital		Million yen	17,186	19,348
Interest-bearing debt		Million yen	12,975	13,637
Net cash provided by (used in) operating activities		Million yen	6,197	(1,068)
Net cash provided by (used in) investment activities		Million yen	(877)	(3,043)
Net cash provided by (used in) financing activities		Million yen	(1,717)	716
Cash and cash equivalents at end of period		Million yen	9,474	5,526
Free cash flow		Million yen	5,319	(4,111)
Capital expenditure		Million yen	830	3,090
<b>Per-share Data*</b>				
Net income per share (EPS)		Yen	60.56	69.30
Net assets per share (BPS)		Yen	364.12	409.94
Dividends per share		Yen	7.5	11.0
* A two-for-one stock split was conducted on April 1, 2018. The above per-share data have been adjusted retroactively to reflect the effect of this stock split.				
<b>Key Indicators</b>				
EBITDA	(Operating income + depreciation and amortization)	Million yen	4,627	7,066
Capital-to-asset ratio	(Equity capital / Total assets (fiscal year-end))	%	31.0	30.8
Debt-to-equity ratio	(Interest-bearing debt / Equity capital (fiscal year-end))	times	0.8	0.7
Return on equity	(Profit attributable to owners of parent / Average equity capital during the period)	%	18.2	17.9
Rate of ordinary income to total assets	(Ordinary income / Average total assets during the period)	%	5.2	9.5
Payout ratio	((Interim dividends + Year-end dividends) / Profit attributable to owners of parent)	%	12.4	15.9
<b>Employees:</b>				
		Number of employees	6,920	7,609

FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
167,825	190,692	207,009	209,755	235,035	212,768	233,153	242,804	223,037
4,027	4,647	5,011	6,233	8,913	9,134	9,705	8,625	5,506
4,582	4,973	5,427	6,460	9,002	9,146	10,513	8,717	5,634
2,723	3,076	3,321	4,131	6,717	6,698	7,093	6,414	3,695
6,113	6,671	8,072	8,889	10,802	11,067	12,922	12,010	12,155
1,972	2,404	2,916	3,166	3,805	3,271	3,465	4,235	5,477
59,471	74,703	89,204	103,429	109,957	109,695	130,526	137,350	143,391
20,126	25,453	33,185	41,497	49,739	51,573	57,609	56,016	58,249
19,700	25,277	32,985	41,310	49,585	51,332	57,252	55,655	57,846
16,865	16,511	18,546	19,128	12,614	11,458	19,553	32,969	38,667
163	7,546	3,438	2,374	7,996	6,333	4,536	966	8,945
(3,851)	(4,598)	(3,216)	(2,827)	(5,113)	(5,450)	(9,211)	(6,515)	(9,602)
2,608	(1,932)	(105)	(1,286)	3,352	(4,171)	6,410	7,991	2,923
4,450	6,263	7,518	6,497	12,473	8,776	10,574	12,813	15,035
(3,687)	2,947	222	(453)	2,883	882	(4,674)	(5,549)	(656)
4,085	3,463	1,134	2,857	3,764	4,528	6,167	7,483	9,082
57.71	65.19	70.37	87.53	137.94	133.81	144.01	131.45	78.21
417.39	535.55	698.87	875.24	986.35	1,042.20	1,162.33	1,178.04	1,224.26
14.0	15.0	16.0	17.0	21.0	25.0	26.0	27.0	28.0
5,999	7,051	7,927	9,399	12,719	12,406	13,170	12,861	10,983
33.1	33.8	37.0	39.9	45.1	46.8	43.9	40.5	40.3
0.9	0.7	0.6	0.5	0.3	0.2	0.3	0.6	0.7
13.9	13.7	11.4	11.1	14.8	13.3	13.1	11.4	6.5
7.5	7.4	6.6	6.7	8.4	8.3	8.8	6.5	4.0
24.3	23.0	22.7	19.4	15.2	18.7	18.1	20.5	35.8
8,301	9,029	8,641	9,545	10,352	10,820	11,659	13,632	12,721

**[Consolidated Financial Statements]**

SIIX Corporation and its consolidated subsidiaries Fiscal years ended December 31, 2018 and 2019

**Consolidated Balance Sheets**

## Assets

(Million yen)

	As of December 31, 2018	As of December 31, 2019
<b>Current assets</b>		
Cash and deposits	12,879	15,134
Notes and accounts receivable - trade	38,936	36,349
Merchandise and finished goods	31,533	25,501
Work in process	1,481	1,377
Raw materials and supplies	11,711	15,253
Other	4,986	8,414
Allowance for doubtful accounts	(42)	(39)
<b>Total current assets</b>	<b>101,487</b>	<b>101,990</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	18,128	21,396
Accumulated depreciation	(6,643)	(7,532)
Buildings and structures, net	11,484	13,864
Machinery, equipment and vehicles	33,416	38,205
Accumulated depreciation	(23,611)	(26,669)
Machinery, equipment and vehicles, net	9,804	11,536
Tools, furniture and fixtures	2,929	3,370
Accumulated depreciation	(2,012)	(2,367)
Tools, furniture and fixtures, net	916	1,003
Land	3,219	3,244
Construction in progress	2,428	1,228
Other	—	3,218
Accumulated depreciation	—	(747)
Other, net	—	2,470
<b>Total property, plant and equipment</b>	<b>27,854</b>	<b>33,347</b>
<b>Intangible assets</b>		
Software	665	624
Other	843	1,483
<b>Total intangible assets</b>	<b>1,509</b>	<b>2,108</b>
<b>Investments and other assets</b>		
Investment securities	2,071	2,050
Investments in capital	915	963
Long-term loans receivable	63	61
Assets for retirement benefits	210	311
Deferred tax assets	1,471	2,015
Other	2,280	1,087
Allowance for doubtful accounts	(512)	(544)
<b>Total investments and other assets</b>	<b>6,499</b>	<b>5,945</b>
<b>Total noncurrent assets</b>	<b>35,863</b>	<b>41,400</b>
<b>Total assets</b>	<b>137,350</b>	<b>143,391</b>

## Liabilities

(Million yen)

	As of December 31, 2018	As of December 31, 2019
<b>Current liabilities</b>		
Accounts payable-trade	29,130	27,163
Short-term loans payable	25,236	26,585
Current portion of bonds with share acquisition rights	—	5,948
Accrued expenses	3,035	2,948
Income taxes payable	1,435	1,806
Other	4,756	4,420
<b>Total current liabilities</b>	<b>63,595</b>	<b>68,872</b>
<b>Noncurrent liabilities</b>		
Bonds with share acquisition rights	5,948	—
Long-term loans payable	7,455	10,417
Liabilities for retirement benefits	525	723
Deferred tax liabilities	3,140	3,350
Other	669	1,777
<b>Total noncurrent liabilities</b>	<b>17,738</b>	<b>16,268</b>
<b>Total liabilities</b>	<b>81,334</b>	<b>85,141</b>

## Net assets

(Million yen)

	As of December 31, 2018	As of December 31, 2019
<b>Shareholders' equity</b>		
Capital stock	2,144	2,144
Capital surplus	5,629	5,630
Retained earnings	51,183	53,579
Treasury stock	(5,980)	(5,968)
<b>Total shareholders' equity</b>	<b>52,976</b>	<b>55,386</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	71	(65)
Deferred gains or losses on hedges	23	3
Foreign currency translation adjustment	2,717	2,623
Adjustment for retirement benefits	(133)	(100)
<b>Total accumulated other comprehensive income</b>	<b>2,678</b>	<b>2,460</b>
Share acquisition rights	52	60
Non-controlling interests	308	342
<b>Total net assets</b>	<b>56,016</b>	<b>58,249</b>
<b>Total liabilities and net assets</b>	<b>137,350</b>	<b>143,391</b>

## Consolidated Statements of Income

(Million yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net sales	242,804	223,037
Cost of sales	222,168	205,375
Gross profit	20,635	17,662
Selling, general and administrative expenses	12,010	12,155
Operating income	8,625	5,506
Non-operating income		
Interest income	78	79
Dividends income	112	86
Real estate rent	108	97
Share of profit of entities accounted for using equity method	221	118
Gain on sales of goods	87	296
Gain on sales of scraps	227	215
Other	454	416
Total non-operating income	1,289	1,309
Non-operating expenses		
Interest expenses	318	468
Foreign exchange losses	464	164
Purchase of goods	51	165
Other	363	382
Total non-operating expenses	1,198	1,181
Ordinary income	8,717	5,634
Extraordinary income		
Gain on reversal of share acquisition rights	2	—
Total extraordinary income	2	—
Income before income taxes	8,719	5,634
Income taxes - current	2,612	2,312
Income taxes - deferred	(310)	(340)
Total income taxes	2,302	1,971
Net income	6,417	3,663
Profit (loss) attributable to non-controlling interests	2	(32)
Profit attributable to owners of parent	6,414	3,695

## Consolidated Statements of Comprehensive Income

(Million yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net income	6,417	3,663
Other comprehensive income		
Valuation difference on available-for-sale securities	(484)	(137)
Deferred gains or losses on hedges	12	(20)
Foreign currency translation adjustment	(2,015)	(111)
Remeasurements of defined benefit plans	14	33
Share of other comprehensive income of entities accounted for using equity method	(72)	9
Total other comprehensive income	(2,545)	(226)
Comprehensive income	3,871	3,436
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,888	3,477
Comprehensive income attributable to non-controlling interests	(17)	(40)

## Consolidated Statements of Changes in Net Assets

For the year ended December 31, 2018

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total				
Balance at beginning of period	2,144	5,625	46,498	(2,023)	52,244	5,008	31	326	57,609
Changes of items during the period									
Dividends from surplus			(1,305)		(1,305)				(1,305)
Profit attributable to owners of parent			6,414		6,414				6,414
Purchase of treasury stock				(4,000)	(4,000)				(4,000)
Disposal of treasury stock		4		42	47				47
Change of scope of consolidation			(458)		(458)	223			(234)
Change of scope of equity-method affiliate			34		34	(27)			7
Net changes of items other than shareholders' equity						(2,525)	21	(17)	(2,521)
Total changes of items during the period	—	4	4,685	(3,957)	732	(2,329)	21	(17)	(1,592)
Balance at end of period	2,144	5,629	51,183	(5,980)	52,976	2,678	52	308	56,016

For the year ended December 31, 2019

(Million yen)

	Shareholders' equity					Accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total				
Balance at beginning of period	2,144	5,629	51,183	(5,980)	52,976	2,678	52	308	56,016
Changes of items during the period									
Dividends from surplus			(1,299)		(1,299)				(1,299)
Profit attributable to owners of parent			3,695		3,695				3,695
Purchase of treasury stock				(0)	(0)				(0)
Disposal of treasury stock		1		12	14				14
Net changes in items other than shareholders' equity						(218)	7	33	(176)
Total changes of items during the period	—	1	2,396	12	2,410	(218)	7	33	2,233
Balance at end of period	2,144	5,630	53,579	(5,968)	55,386	2,460	60	342	58,249

## Consolidated Statements of Cash Flows

(Million yen)

	For the year ended December 31, 2018	For the year ended December 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	8,719	5,634
Depreciation and amortization	4,235	5,477
Increase (decrease) in allowance for doubtful accounts	1	(2)
Interest and dividends income	(190)	(165)
Interest expenses	318	468
Foreign exchange losses (gains)	376	140
Share of loss (profit) of entities accounted for using equity method	(221)	(118)
Decrease (increase) in trade receivables	7,495	2,389
Decrease (increase) in inventories	(11,187)	2,390
Decrease (increase) in consumption taxes refund receivable	(139)	(970)
Increase (decrease) in trade payables	(4,580)	(1,860)
Increase (decrease) in advances received	(426)	(125)
Decrease (increase) in accounts receivable - other	(195)	(97)
Increase (decrease) in accounts payable - other	(369)	(8)
Increase (decrease) in accrued expenses	301	(95)
Other	(182)	(2,287)
<b>Subtotal</b>	<b>3,953</b>	<b>10,769</b>
Interest and dividends income received	371	259
Interest expenses paid	(299)	(487)
Income taxes paid	(3,060)	(1,595)
<b>Net cash provided by (used in) operating activities</b>	<b>966</b>	<b>8,945</b>
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(6,040)	(8,797)
Proceeds from sales of property, plant and equipment	28	41
Purchase of intangible assets	(899)	(743)
Purchase of investment securities	(38)	(115)
Payments of loans receivable	(25)	(24)
Collection of loans receivable	24	23
Payments for investments in capital of subsidiaries and affiliates	—	(27)
Proceeds from subsidy income	433	70
Other	1	(30)
<b>Net cash provided by (used in) investment activities</b>	<b>(6,515)</b>	<b>(9,602)</b>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	10,119	1,279
Proceeds from long-term loans payable	4,812	6,798
Repayment of long-term loans payable	(1,524)	(3,462)
Purchase of treasury stock	(4,036)	(0)
Cash dividends paid	(1,305)	(1,298)
Proceeds from share issuance to non-controlling shareholders	—	74
Other	(73)	(468)
<b>Net cash provided by (used in) financing activities</b>	<b>7,991</b>	<b>2,923</b>
Effect of exchange rate change on cash and cash equivalents	(487)	(44)
Net increase (decrease) in cash and cash equivalents	1,954	2,222
Cash and cash equivalents at beginning of period	10,574	12,813
Increase in cash and cash equivalents from newly consolidated subsidiary	284	—
Cash and cash equivalents at end of period	12,813	15,035

## Corporate Outline

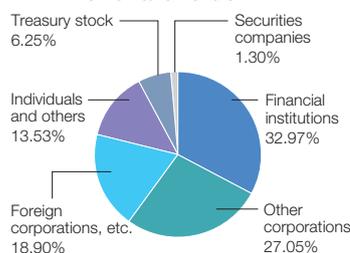
Company name	SIIX Corporation	
Established	July 1, 1992	
Paid-up capital	2,144 million yen (as of December 31, 2019)	
Location	Osaka	SIIX BLDG, 1-4-9, Bingo-machi, Chuo-ku, Headquarters: Osaka 541-0051 JAPAN
	Tokyo	SIIX BLDG, 2-3-25, Kudanminami, Chiyoda-ku, Headquarters: Tokyo 102-0074 JAPAN
	Nagoya Sales Department:	2F SIIX BLDG, 3-2-11, Meieki, Nakamura-ku, Nagoya, Aichi 450-0002, JAPAN
Net sales	223,037 million yen (FY2019: consolidated)	
Number of employees	Non-consolidated: 201, consolidated: 12,721 (as of December 31, 2019)	

## Stock and Shareholder Information (as of December 31, 2019)

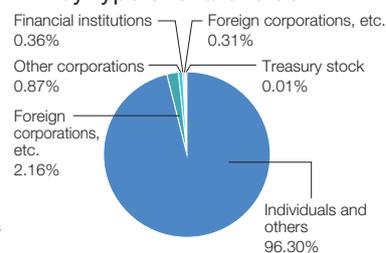
### Stock information

Total number of authorized shares	160,000,000 shares
Total number of shares issued	50,400,000 shares
Number of shareholders at fiscal year-end	8,425 shareholders

Shareholding by type of shareholder



Number of shareholders by type of shareholder



### Major shareholders

Shareholder name	Number of shares held (in thousands)	Shareholding ratio (%)
Sakata Inx Corporation	10,812	22.88
The Master Trust Bank of Japan, Ltd. (trust account)	3,904	8.26
Japan Trustee Services Bank, Ltd. (trust account)	2,779	5.88
Forty Six Ltd.	2,200	4.66
Resona Bank, Limited	2,170	4.59
Sumitomo Mitsui Banking Corporation	2,160	4.57
Japan Trustee Services Bank, Ltd. (trust account 9)	1,639	3.47
Shiro Murai	1,400	2.96
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	1,032	2.19
The Nomura Trust and Banking Co., Ltd. (investment trust account)	796	1.69

\*Aside from the above, SIIX owns 3,149,654 shares of treasury stock.

## Website of SIIX

Refer to the website of SIIX for the latest company, IR, and CSR information.

<http://www.siix.co.jp/eg/index.html>





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