

SIIX Corporation  
**2022**  
Integrated  
Report



Global Business Organizer

# SIIX Principles (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

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#### Editorial policy

We have issued the 2022 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.

<https://www.siix.co.jp/en/>

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

#### Disclaimer

Business forecasts, outlooks, strategies and targets stated in this report, except for those relating to the past or present facts, are forward-looking statements and based on information currently available to the company and plans, expectations and judgments based on certain assumptions deemed reasonable. Accordingly, please understand that actual results may differ from the disclosed business forecasts, etc. due to variable factors with various uncertainties such as economic conditions.

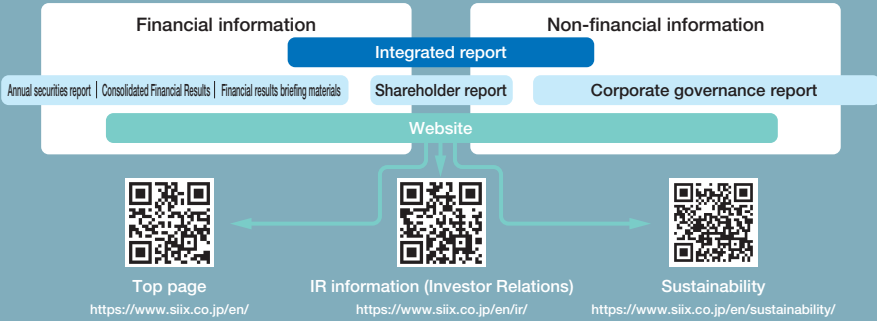
#### Period and scope

Period: FY2021  
(January 2021 to December 2021)

\*Some sections of this report include information during and after December 2021.

Scope: SIIX and its subsidiaries and affiliates

#### Information disclosure and communication





## History of Value Creation

### History of SIIX

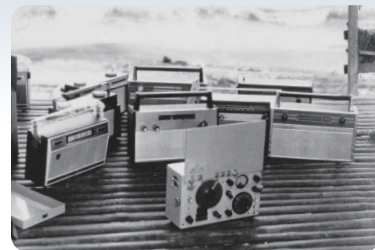
The company was founded on July 1, 1992, when major ink-maker Sakata Inx Corporation's Overseas Business Department, in charge of trading, became independent. We marked the 30th anniversary in 2022. As a “global business organizer” that connects various needs and seeds in the world, we have created and offered different types of new value without being bound by industry or field boundaries. The company has the willingness to take on new challenges under the slogan of “Make an Impact,” as well as to work closely with all stakeholders under the spirit of “We care.” We will thus respond swiftly to our customers' needs.

#### From 1957

##### Commenced trading activities overseas

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 has constructed its business model with a focus on “overseas business” since the initial stages of its founding.

**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.

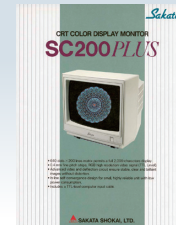
#### From 1979

##### Commenced EMS business

EMS (Electronics Manufacturing In 1979, when the term EMS (electronics manufacturing services) did not exist, SIIX started this business overseas (Singapore) and became a pioneer in the Japanese EMS industry.

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

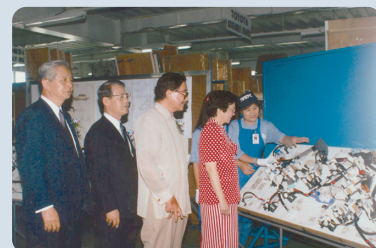
**1982** Became a sales distributor of Panafacom and started sales of computers overseas, mainly in Europe. Commenced overseas sales of CRT monitors under the Sakata brand.



**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

The company spun off from Sakata Inx and changed its name to SIIX Corporation. Supported by the increasing global demand for electronics manufacturing services, SIIX established production and sales bases in China, ASEAN countries, and Europe, thereby expanding its business.

**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 equipment. After making a full-fledged entry into the field of automotive equipment, 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 equipment 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). Achieved sales of 100 billion yen.



**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 equipment at the Thai Factory.

**2005** Listed in the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

**2007** Opened a logistics center in Thailand.

#### From 2010

##### Expansion of global network

SIIX further expanded its network of bases to respond to the needs of a larger number of customers. The company also focuses on Joint Design Manufacturing (JDM) to connect needs and seeds around the world as a global business organizer.

**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. Achieved sales of 200 billion yen.



**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.

**2022** Listed in the Prime Market of the Tokyo Stock Exchange. Marked the 30th anniversary.

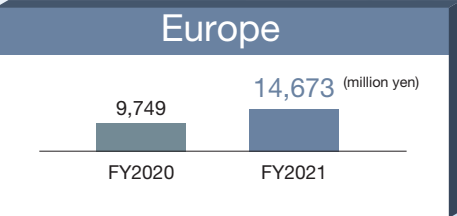
Global Network

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.

(As of the end of December 2021)

Contact for major European corporations



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

Construction and renovation works at the Thai Factory

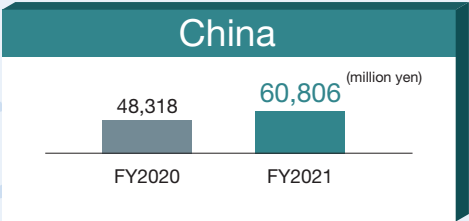
At our Thai Factory, construction and renovation works for a new building have been underway since 2022. The purpose is to renovate the structure and use the production area more efficiently, so that the company can address strong demand from automotive related companies in Thailand and Malaysia.

The works are carried out in two phases. After the completion in February 2023 and June 2024, the factory will be able to accommodate 60 production lines at the maximum. We will continue to support manufacturing for customers in Thailand and Malaysia, where growing demand is expected.



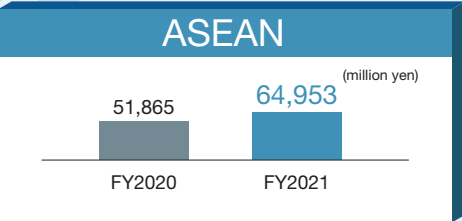
New building construction at the Thai Factory

Meeting domestic demand in China in the future



- 12 SIIX (Shanghai) Co., Ltd.
- 13 SIIX EMS (Shanghai) Co., Ltd.
- 14 SIIX HUBEI Co., Ltd.
- 15 SIIX EMS (DONG GUAN) Co., Ltd.
- 16 SIIX (Dongguan) Co., Ltd.
- 17 SIIX H.K. Ltd.
- 18 SIIX TWN Co., Ltd.

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

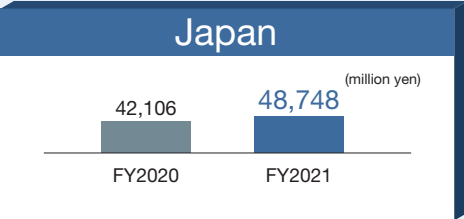


- 19 Thai SIIX Co., Ltd.
- 20 SIIX Vietnam Company Limited
- 21 SIIX Malaysia Sdn.Bhd
- 22 SIIX Phils., Inc.
- 23 SIIX Logistics Phils, Inc.
- 24 SIIX EMS PHILIPPINES, INC.
- 25 SIIX COXON PRECISION PHILS., INC.
- 26 SIIX Singapore Pte. Ltd.
- 27 PT SIIX Electronics Indonesia
- 28 PT. SIIX EMS INDONESIA
- 29 PT. SIIX Trading Indonesia

Main businesses

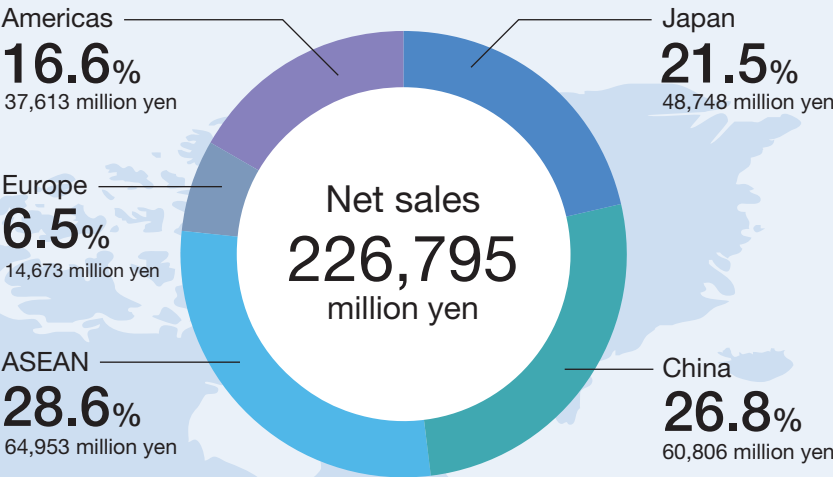
- Sales and distribution of electronic components, etc.
  - Sales of electronic components, etc.
  - Circuit board mounting, assembly and processing of devices and components
  - Plastic molding and die manufacturing
  - Branch office / representative office
- \*★ indicates a non-consolidated subsidiary

Preparations to expand domestic production in Japan



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

Composition of sales by segment



\*Other than the above, consolidated net sales of 226,833 million yen include 37 million yen that does not belong to any reportable segment.

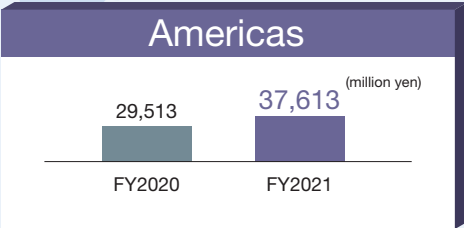
Expansion of the Mexico Factory

Our Mexico Factory has acquired land for a new factory building to address strong demand from automotive related companies in North America. Construction of the new factory building will be completed by the end of 2024. We will continue to support manufacturing for customers in North America, where growing demand is expected.



Land acquisition for the Mexico Factory

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.

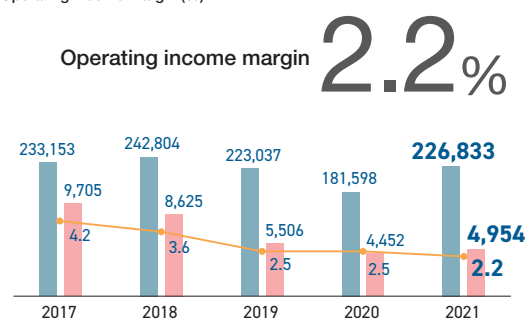


## SIIX in Numbers [financial and non-financial highlights]

### Financial data

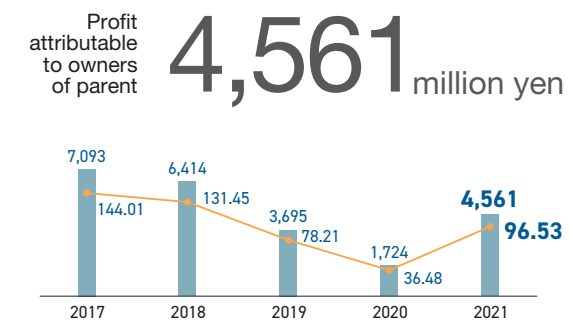
#### Net sales / Operating income / Operating income margin

■ Net sales (million yen) ■ Operating income (million yen)  
● Operating income margin (%)



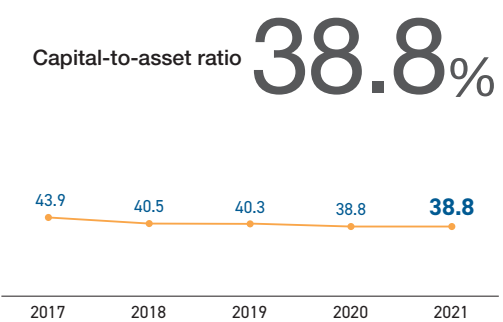
#### Profit attributable to owners of parent / Net income per share (EPS)

■ Profit attributable to owners of parent (million yen) ● Net income per share (yen)



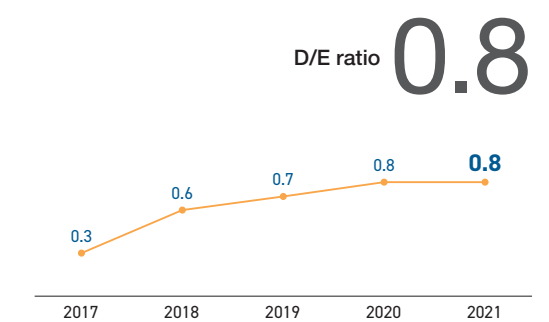
#### Capital-to-asset ratio

● Capital-to-asset ratio (%)



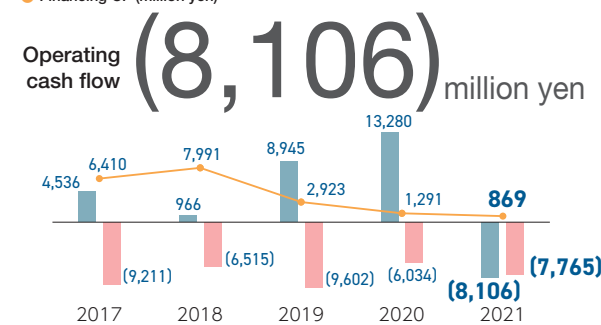
#### D/E ratio

● D/E ratio



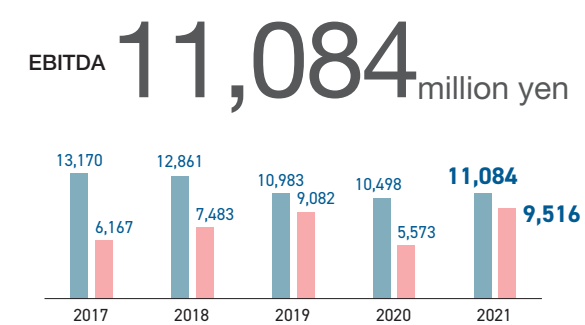
#### Operating cash flow / Investing cash flow / Financing cash flow

■ Operating CF (million yen) ■ Investing CF (million yen)  
● Financing CF (million yen)



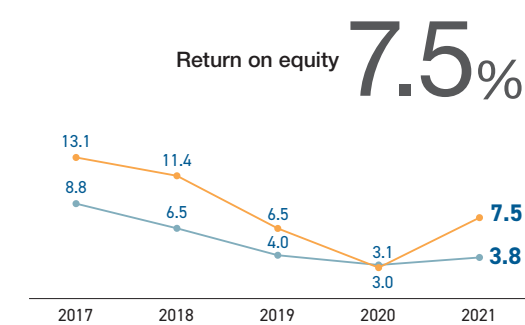
#### EBITDA / Capital investment

■ EBITDA (million yen) ■ Capital investment (million yen)



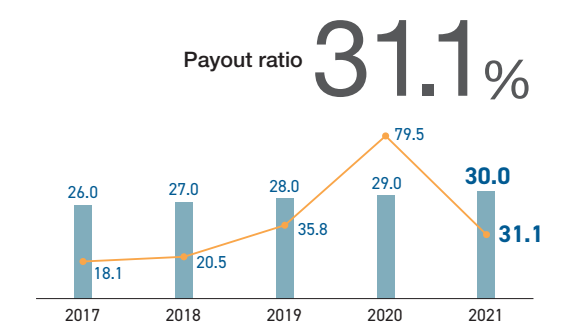
#### Rate of ordinary income to total assets / Return on equity

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



#### Dividend per share / Payout ratio

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



### Non-financial data

#### Total CO<sub>2</sub> emissions (Scope1, 2, 3)

2021 **653,434t**  
(479,301t in 2020)

#### Actual solar panel power generation

2021 **2,010,790kWh**  
\*Solar power generation started in Shanghai Factory in FY2021.

#### Ratio of women in management positions\*

2021 **32.4%**  
(31.1% in 2020)

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

2021 **77.3%**  
(78.9% in 2020)

Please refer to the Society section (p.43) for detailed information on our initiatives in social issues.

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



## Message from the Chairman

### Pursuing limitless possibilities by moving with the times

Shiro Murai Chairman

siix

#### I established SIIX because I wanted to take on a challenge of a business in a market with no limits to growth

As I cast my eyes across the world, my impression is that, these days, nothing that happens would be a surprise anymore. Bewildering developments continue in areas such as disputes between nations and the state of the economy. Even in the world of business, product life cycles have become shorter, and product development and replacement are progressing at a pace and intensity that cannot be measured by our conventional concepts. In an age of competition for change, with countries that were previously considered to be developing nations now being counted among the developed nations, it seems to me that there is a demand for initiatives that go far beyond conventional ideas.

SIIX was founded when it was spun off from Sakata Inx Corporation, but it was originally one of Sakata Inx's business divisions that began by exporting ink. At the time, the global ink market was worth around 2 trillion yen, but when I realized that, no matter how hard we tried and even if we were to achieve a 100% share of that market, the market had a limit of 2 trillion yen, it occurred to me that, if I was to take on a challenge, I wanted that challenge to be in a market whose limit was a long way off. Ideally, I wanted to take on the challenge of a market that had no limit at all. That was when I set my eyes on the electronics industry, particularly the business of electronic components. That was in my third year with Sakata Inx, about 70 years ago.

I founded SIIX in the year that I retired as an executive officer of Sakata Inx at the age of 63. Not wanting the business that I had personally built up to end there, I started developing work in the electronics field in earnest, but the starting point of my idea to expand the business was, in fact, ink. Printing requires on-site adjustments to suit the ambient temperature and humidity. Amid this constant need to achieve consistent results in differing conditions, ink fulfills a role as an interface. Seeing this, I decided that, in expanding our business, just like ink, we would fulfill that same role of an interface in all industries. This became

the starting point of our work of opening up markets around the world.

Eventually, the age of the mobile phone arrived, and at one stage, we became involved in the development of liquid crystal drivers. However, in the course of pursuing the mobile world of thinner, lighter, shorter, and smaller, I started to sense a limit to that work. I felt that, if we were to undertake work in which the winners and losers in competition are determined by price, our growth as SIIX would be uncertain.

Hence, in the course of responding to diverse customer requirements, I next set my focus on automobiles. This was in the 10th year after I founded SIIX. At the time, the company's senior executives were unanimously opposed to my management decision to move away from the mobile field, which had shown remarkable growth, and start developing the car electronics business from scratch, given that this was a field in which we had little experience. However, I had resolved from the beginning that if we did this, we would become the leading company in the automotive sector. And so it came to be that SIIX is now one of the top companies in the world in the automotive EMS sector. In addition, the automotive market continues to grow today, with markets in developing countries expanding alongside the developed nations. Having said that, I am not saying that this sector has no limit. Chasing just one single thing will never result in eternal peace.

#### True management means removing and transcending constraints

The area that I currently have my sights set on, in addition to the automotive sector, is the medical sector. If you look at the portfolios of the major EMS companies in the West, you can see that the medical sector occupies a reasonable share. SIIX, on the other hand, has not yet made progress in developing customers in this sector. I believe that, if we want to firmly establish our status in the top 10 in the EMS industry, we really should develop the medical sector as well.



## Message from the Chairman

In addition, so we can open up new markets, I am exploring the idea of developing markets with the concept of “chemitronics,” a fusion of chemical and electronics. For example, taking advantage of our experiences from when we were in the ink business, we are looking to adapt the technologies in ink for cans and use it in soldering processes. We are also pursuing the development of technologies that make use of conductive fibers, as well as using ink to draw electronic circuits. These are just some of the various new technologies that SIIX is working on today.

Our efforts are currently focused on the automotive sector, but it is vital that we continue to explore the next new business concurrently. I hope that our employees will actively take on the challenge of developing new fields. Creating new value from zero is the real thrill and appeal of work. It also presents major business opportunities. It is my belief that it is by nurturing a culture of challenge at SIIX and continuing to open up new markets that will enable us to achieve sustainable growth.

Resting on the laurels of current prosperity would mark the beginning of our decline as a company. Industries and society are constantly moving forward, so if we do not move forward step-by-step ourselves, eventually, we will be left behind. In corporate management, there is a tendency to place limits on oneself, such as “Our company is in this range” or “We can’t do that because we don’t have X.” However, true management means removing and transcending constraints. Transcending business boundaries and stepping forward into new fields. Transcending national borders and opening up new markets and production regions. Recruiting new people, growing them, and putting them to use. I have always believed that these are the jobs of management and that is what I have practiced. Now that SIIX is operating businesses around the world, this is precisely the time for us to detect the issues in our current situation and pursue our goal of being a corporate group that shares a spirit of discovery and of changing things with our own hands.

### Required growth at a pace that outstrips the speed of market growth

In the expansion of our business, the stage of competition in our company has started to change. We must now re-examine what the best choices are for corporate management. We must also devote serious debate to what is lacking in the company and what order of priority we should give to our responses to augment those insufficiencies. As a leading company in automotive EMS, we will be competing against powerful global rivals. As I mentioned in the beginning, we are in an era where companies from regions once considered to be developing have become formidable rivals. To answer the question of how to secure a competitive advantage against them will require new thinking, not conventional ideas.

In economic development, it is important to learn from history. On a past family trip to China, one place that I definitely wanted to visit was the museum in Xian. What caught my eye when I was there was a 3,000-year-old wheel. To my astonishment, I learned that, even that long ago, chrome-plated wheels already existed. I had thought that plating technology was first invented around the 19th century, but in fact, similar technology had existed long before then. What this shows is that we learn from the past, imitating it on occasion, and feel as though we are working on something new. (Note: A recently published scientific paper provides a new theory that the technology differed from modern chrome plating.) In any event, the fact remains that there are many, many sophisticated technologies in history that have not yet been elucidated, and when we reflect on the modern age, we will need to understand calmly whether what we are doing is truly something new or merely an imitation of the past. For the development and expansion of business as well, we need to accurately acknowledge our present strengths and weaknesses before devising and implementing strategies. We need to share a sense of crisis across the entire organization that, if we do not do this, our eventual fate will be to be driven from the market.

Speaking of recent circumstances, due to city-wide lockdowns during the pandemic and to supply chain disruptions triggered by the conflict in Ukraine and other factors, procurement of components has not proceeded as well as we hoped, resulting in instabilities in our end customers’ production circumstances. In this and other ways, the SIIX Group has been impacted both directly and indirectly. However, instead of using negative factors in the external environment as excuses, companies must consider ways of extending their top line even in difficult circumstances. In some industries, the market is predicted to double in size in the next three years. If the market is running at such a great speed, companies need to run at an even faster pace. People are only given 24 hours in a day. That is the same, wherever we are in the world. We are all competing for the top under the same conditions, so speed is critical to gain an advantage over competitors. That means being the first to gather useful information, take action, and capture business opportunities. For this reason, it would be no exaggeration to say that those who rule time rule the competition.

### Sharing customers’ values among all locations worldwide and fulfilling our mission as a “global business organizer”

In terms of the expansion of transactions with major global companies, which is one of the goals in the medium-term business plan, we are starting to do business with a succession of major companies that are positioned at Tier 1 in the automotive industry. It has taken time for us to reach that stage, but it will start to appear as concrete numbers in FY2022 and beyond. I believe that one reason why it has taken this long is that the customers have been calmly watching SIIX’s change over time. Management is not a matter of single moments. Continuity is key, and I believe that the world’s major companies were watching to see whether SIIX has been able to ensure that continuity. Having done so, as if judging the time to be right as the COVID-19 situation has subsided, we have received

a growing number of requests for audits. We have a responsibility to be able to make the same thing with the same quality anywhere in the world. By fulfilling this responsibility with certainty, we will enhance the value of the company’s existence and establish a steadfast position.

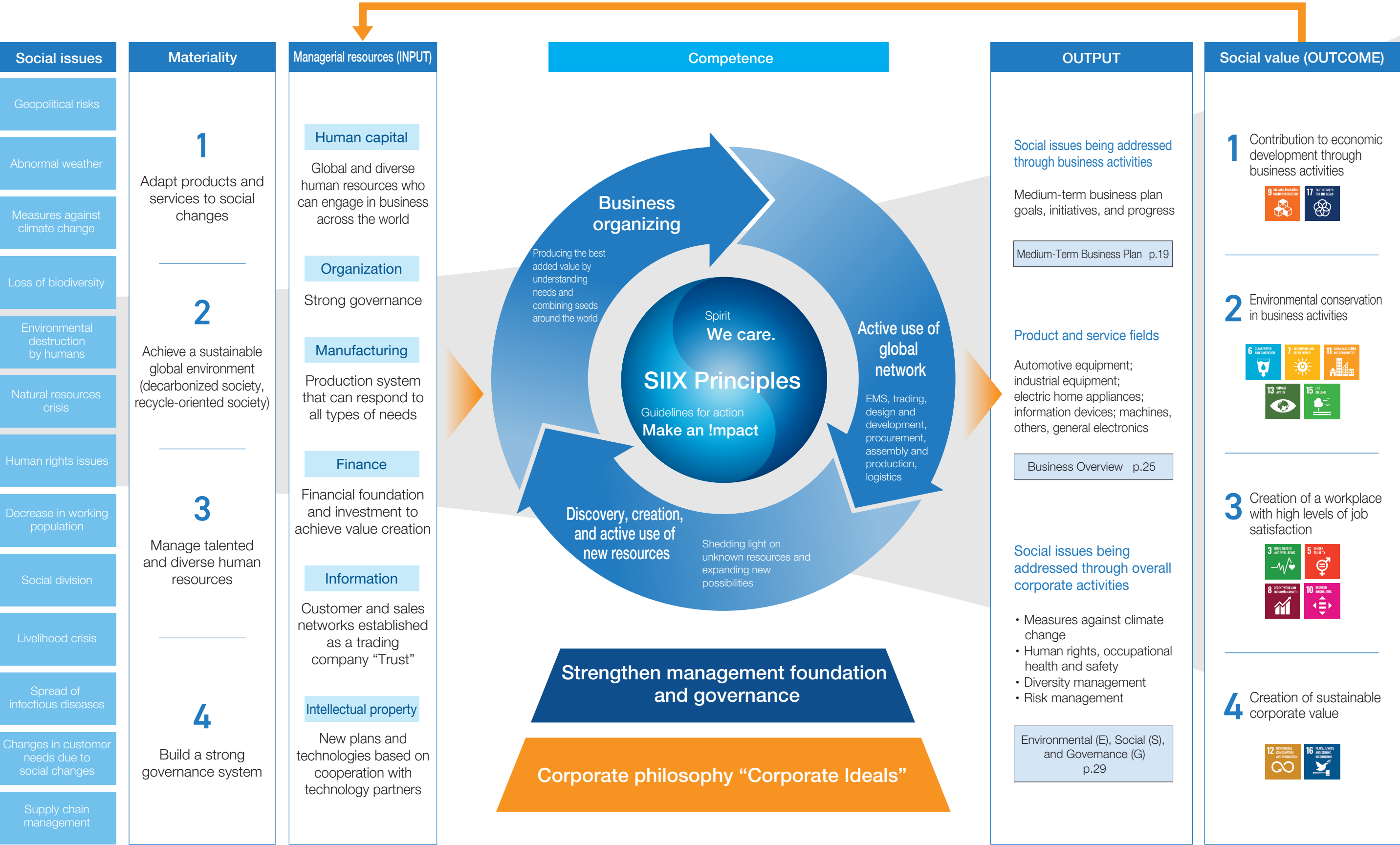
What always strikes me in the manufacturing industry is that manufacturers are able to judge things on their own values. In contrast, EMS must not make judgments with their own values alone. Whether it be quality or delivery times, we must always consider all factors in accordance with the values of our customers. That is the destiny of the EMS. If we cannot share our customers’ values, we cannot be a manufacturing service.

From FY2022 onward, as our transactions with major global companies speed up, we will further expand our business capacity. A certain customer commended us saying, “We would not mind if you described your relationship with our company as an ‘alliance.’” In addition to our feelings of gratitude that we have been recognized not as a mere subcontractor but as an alliance, I also feel keenly once more the gravity of our mission. With these kinds of feelings in our hearts, we will push forward in our aim to provide services that meet and exceed our customers’ expectations.





Value Creation Process



## Message from the President

# The true worth of a “global business organizer” amid a torrent of procurement stability issues on a global scale

Koji Yanase President



### Pursuing the mission of EMS, namely, to keep our customers' production lines running

My assessment of FY2021 was that, to put it simply, it was a year in which we worked exceptionally hard on global procurement. No containers to carry materials and products. Sea freight that usually takes 30 days taking 90 days. Forced to use air freight, but there are no available slots. Skyrocketing prices of shipping containers, and major increases in the costs of raw materials and labor. And on and on, this vicious circle continued at all steps of the logistics process. Procurement difficulties caused by a shortage of semiconductor chips were also severe, and for the entire year, it was impossible to procure many components, including semiconductor chips, all over the world. Our customers were forced to switch to production using alternatives, and from around autumn 2021, one by one, automobile manufacturers announced cuts in production. However, under these circumstances, taking advantage of our

procurement capabilities and close cooperative relationships with various suppliers that we have cultivated as a trading company over many years, all of SIIX's global locations banded together and worked hard to ensure that deliveries to our customers were not disrupted, and we somehow managed to weather the storm.

In this way, we strived to respond earnestly to a succession of external pressures, but although we achieved year-on-year increases in both net sales and profit for FY2021, unfortunately, we fell short of the plans made at the beginning of the fiscal year. These experiences gave me a renewed awareness that it is precisely when unforeseen situations arise that we need to demonstrate our true worth as a “global business organizer” who continues to provide new value by connecting the various needs and seeds that exist around the world, which is our vision. In FY2022, we will reinforce our systems for the stable procurement of electronic components and respond to our customers around the world in the spirit of “We Care.”

### “Expansion of transactions with major global companies” is progressing steadily with the deep faith of our customers around the world

In FY2021, the first year of our medium-term business plan, although net sales reached the target of 210.0 billion yen, operating income fell short of our initial plan for the fiscal year by close to 2.0 billion yen. On this point, with skyrocketing logistics costs expected to become the norm for the next several years, I believe we need to rebuild our global procurement.

On the other hand, regarding “expansion of transactions with major global companies,” one of our three goals in the medium-term business plan, as we work toward identical quality worldwide and strengthen BCP response, business with both Japanese and non-Japanese customers has steadily increased, and transactions with major Tier 1 companies (primary suppliers) in Europe in particular are expanding steadily.

I consider that the single biggest reason why so many customers choose the SIIX Group would be the fact that we have established manufacturing bases all over the world. Indeed, one of our customers has said that they will certify all of SIIX's factories as their group's accredited factories. When supply chains are unconnected, the greatest concern for customers is the risk of being unable to take BCP action in an emergency. In that respect, for the past several years, the SIIX Group has kept operating, even in circumstances where a factory has had to shut down, by immediately shifting production to another factory in the Group. The fact that we have secured manufacturing bases all over the world and established a system for appropriate BCP response has, I believe, led to us earning the deep trust of our customers, including major Tier 1 suppliers around the world.

The harsh procurement environment caused by materials shortages will continue in the short term, but in the medium to long term, looking toward 2030, it is obvious that demand for electrical components will rise sharply as electric vehicles (EV) become more popular. My sense is that our advantage in being able to procure components from our closer proximity to the market has a value greater than the price for our customers. Also, in regions where customers do not have their own

factories, we have launched an initiative in which we outsource manufacturing to the Group's accredited factories for delivery directly to the finished vehicle manufacturers. In Indonesia, we are expanding our business model of mounting electronic circuit boards, assembling the components as finished products, and delivering them even complete with quality guarantees. Looking ahead, we will strengthen our response to the acceleration of similar moves due to the electrification and automation of automobiles, including EVs.

### New development and market cultivation in the medical field

As an example of our goal of “expansion of transactions with major global companies,” we collaborate with technology partners to develop solutions that are useful on the frontline of medical practice.

In terms of development directions, in addition to conventional medical equipment, we are focusing on solutions that utilize the Internet of Things (IoT). In addition to devices that alleviate the burden on frontline healthcare workers, another development target is products that will assist in nursing care settings. One achievement in this area to date has been an order from the Singapore Government Technology Agency for the development of a wireless alert system, which we delivered in the form of an emergency call system to be installed in housing for the elderly.

Other technologies we are developing include, as a response to needs that have emerged in the COVID-19 pandemic, a system for confirming antigen and antibody testing results and for the initial diagnosis of infectious diseases and other illnesses and a system that uses technologies such as facial recognition, ID card scanning, and edge computing for the swift, accurate display of test results. We are working on these developments together with our technology partners.

The SIIX Group will continue to leverage our extensive track record in EMS and the networks that we have built up in the electronics field over the years to further promote our business development in the medical field. In addition, combining elemental technologies for wearable devices, etc. that use the printed electronics



## Message from the President

technology being pursued by Sakata Inx Corporation will expand the potential for many different solutions. We hope, therefore, to align those solutions up with our customers' wide-ranging needs and engage in extensive business development.

### Promotion of battery-related businesses, which are expected to grow in future

New moves are emerging in areas other than the automotive and medical sectors. We are focusing our efforts on battery-related business in particular. Through SIIX-ORIENT TECHNOLOGY PTE. LTD, a joint-venture company in the battery pack business that we established in Singapore in 2021, we are examining the supply of battery packs that offer cost benefits. The battery-related business encompasses a wide-range of sectors, from electronics to industrial machinery and even transport equipment. The global battery market is predicted to grow at a rate of 30% a year, so we are expecting the business to expand. Within the battery category, design specifications will differ greatly depending on application and conditions of use. For this reason, we will actively pursue proposal activities that take advantage of SIIX-ORIENT's technologies to gain a foothold toward capturing a share of this market for the SIIX Group.

### To capture electrification demand with certainty

Regarding the second goal of our medium-term business plan, "contribution to a decarbonized society through businesses," given the sharp rise in inquiries from various countries around the world related to xEV (electrical vehicles such as EV, HV, PHV, and FCV), a growing percentage of our components are contributing to CO<sub>2</sub> reductions. Specifically, we are starting to handle more products related to inverters, onboard chargers, and ADAS (advanced driver assistance systems). In addition, we also expect there to be significant growth in battery-related areas, as mentioned above.

This trend is not limited to automobiles. The need for energy-savings in industrial machinery is also accelerating, so we can also expect this sector to grow. In particular, in terms of air conditioning equipment, we anticipate sharp growth in demand

for environmentally friendly air conditioners in Europe and other markets from the perspective of decarbonization. The SIIX Group is currently deliberating on the expansion of our production capacity to meet the sharp rise in demand. During the period of our medium-term business plan, "air conditioners" may become an important keyword in terms of business growth.

### Our business areas will expand markedly with the progress in IoT in daily life and industry

In terms of our medium-term business plan, for FY2022, the second year of the plan, we have set targets of 240.0 billion yen in consolidated net sales and 8.0 billion yen in consolidated operating income. Although our business performance trended strongly in the first quarter, we have been held back in the second quarter by the lockdown in Shanghai and semiconductor chip shortages. For this reason, our honest position is that the day-by-day changes in the automobile manufacturers' production plans are making it difficult to make projections. This external environment that is hindering forecasts is expected to continue for some time, but by leveraging our experience in BCP response and our on-site response capabilities we have cultivated to deal flexibly with changes in the environment, the entire Group will join forces and work steadily to achieve the targets in our initial plan for the fiscal year.

Although there are many negative externalities pressing upon us in the immediate term, if we look toward the medium and long term, the semiconductor industry is predicted to approximately double in size by 2030. With the recognition that the semiconductor chip shortages are temporary, this industry sector is taking steps to expand, and the SIIX Group also intends to press forward toward the expansion of transactions.

The penetration of IoT in daily life and industry will progress rapidly going forward. Just in automobiles and homes, the day will soon come when there are sensors everywhere and automation and electrification are completely normal. As such, the sustainable growth of the SIIX Group's businesses of trading and EMS of electronic components is virtually assured.

In addition, although our business previously

centered on circuit board mounting, in recent years, we have embarked on module production that involves the combination of various components. We also anticipate major growth in this area. We have excellent relationships with the major electronic components manufacturers that have continued for several decades. Sometimes purchasing components from them, sometimes taking on part of their production — these relationships have been mutually beneficial for us and those manufacturers. These companies will become the main players in xEV in coming years, so we will strengthen our relationships with them further in our efforts to expand our business opportunities.

### Climate change action for sustainable growth Acceleration of initiatives to reduce CO<sub>2</sub> emissions

The SIIX Group is engaged in the reduction of CO<sub>2</sub> emissions across the entire group, with the Sustainability Committee playing the central role. At this stage, we are working toward a target of reducing the Group's CO<sub>2</sub> emissions by 42% compared with FY2021 levels by 2030. Achieving both the enhancement of manufacturing capacity resulting from business expansion and the reduction of CO<sub>2</sub> emissions will be no easy task, but we have declared this as our highest priority challenge.

Our current focus is on measures such as the use of renewable energy, with individual factories proceeding with the installation of solar panels. In conjunction with this, we will negotiate with the power utilities in each country for the procurement of green electricity. Further, in terms of materials procurement, following the CSR Procurement Guidelines set forth by SIIX, we will promote CO<sub>2</sub> emissions reduction activities through dialogues with our suppliers.

As issues such as carbon taxes and carbon pricing become a reality around the world, we will strive to respond so that we will not be left behind the times. In the near future, when customers make transaction decisions, the extent of CO<sub>2</sub> emissions will become just as important a criterion as price. I believe it is important that we be quick to identify changes in the times and take concrete action in response.

### To be a corporate group that shares the values of a "global business organizer" across the entire group

Whenever I visit the Group's manufacturing bases that are scattered around the globe, the sight of our employees engaging so passionately in their work never fails to move me. I believe that it is the mission of the Group to accelerate our promotion of women's advancement and the development and promotion of local human resources, which are goals of our medium-term business plan, and to offer them opportunities for growth and advancement. I also believe that it is essential for the company to respond to our outstanding people, who are filled with the ambition to grow, and this will lead to the sustainable growth of the Group. Looking ahead, along with our corporate growth, we must not forget that we have a role to play in society, and we will firmly fulfil our responsibilities toward our employees, customers and suppliers, shareholders and investors, and the local and global communities.

Although the tumultuous circumstances continue around the world in FY2022, the entire SIIX Group will press forward, unfazed by any adverse winds, to achieve both continued business expansion and social contributions with a medium- to long-term outlook. I therefore earnestly ask for your continued warm support.

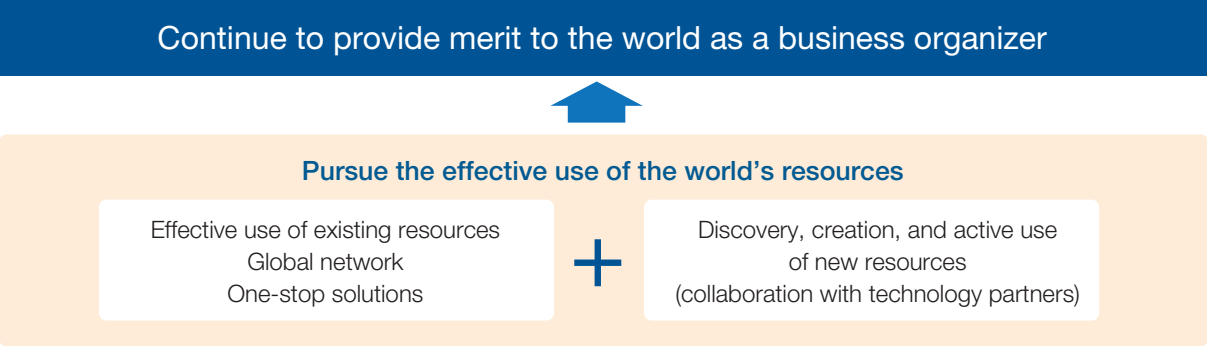




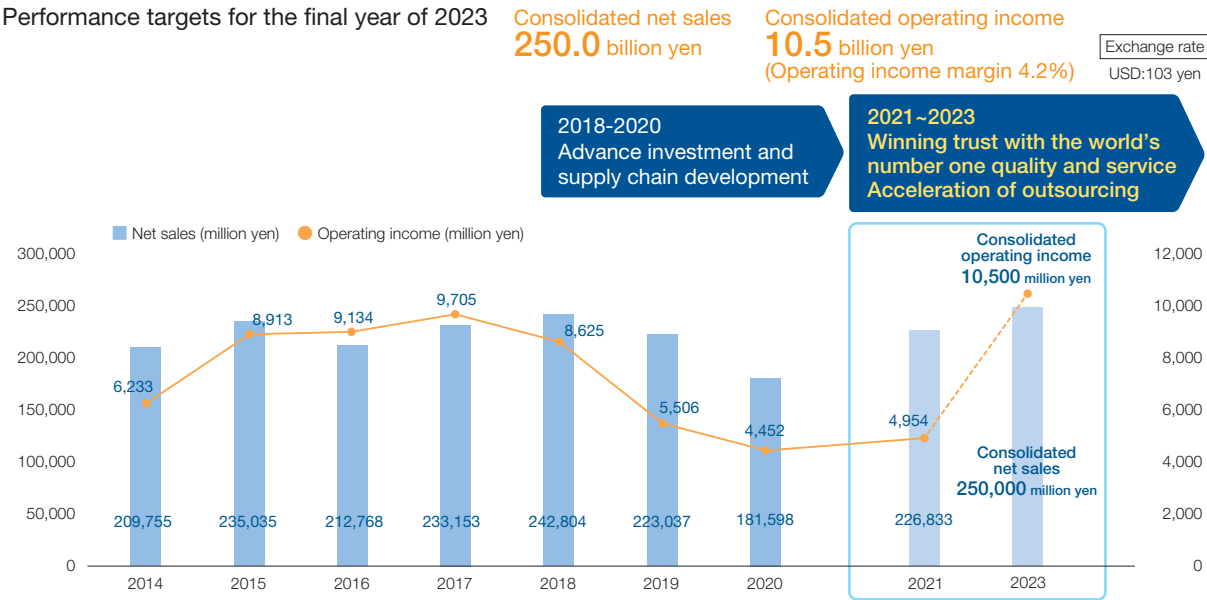
Reflection of the 1st Year of the Medium-Term Business Plan (2021-2023)

In February 2021, the SIIX Group announced a three-year Medium-Term Business Plan (2021-2023) ending 2023. These pages present the policies and goals of this medium-term business plan and the outcomes and progress made in the plan's first year.

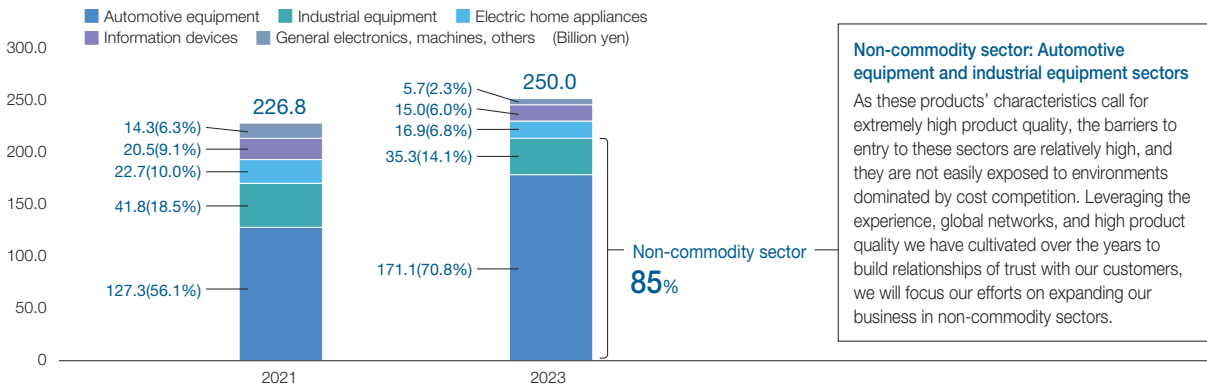
Our Vision



Business performance trends



Non-commodity ratio



Results and Progress

| Goals   | KPIs  | Numerical Targets (2023)   | Results/performance and future initiatives   |
|---|---|--|--|
| Expansion of transactions with major global companies     | Expansion of transactions with non-Japanese customers                     | 25% of consolidated net sales  | Sales to non-Japanese customers as a percentage of consolidated net sales: 15.6% (as of FY2021)<br>Steady progress in mass production in business with non-Japanese customers, primarily in Europe. Increase in business talks with new customers for future transactions. |
|   | Strengthening alliances with technology partners                          | Consolidated net sales 5.0 billion yen                                       | Major increase in orders for Singapore government, leading to achievement of numerical target. Orders also increasing in other various sectors.  |
|   | Expansion of transactions in the medical device field                     | Consolidated net sales 5.0 billion yen                                       | Results on par with previous year due to impact of COVID-19 pandemic. Aim for future expansion of transactions by focusing efforts on development of new products.   |
| Contribution to a decarbonized society through businesses | Strengthening of non-commodity sector (automotive + industrial equipment) | 85% of consolidated net sales  | Ratio of sales in non-commodity sector: 74.6% (as of FY2021)<br>Low sales to some customers due to impact of COVID-19 pandemic, but sales increasing steadily toward 85% target.   |
|   | Expansion of CASE-related transactions                                    | Consolidated net sales 35.0 billion yen                                      | Business with European customers in particular expanding steadily. Responding to increased EV-related orders in China and Americas areas.  |
|   | Expansion of battery-related transactions                                 | Consolidated net sales 10.0 billion yen                                      | Steady increase in business of assembly of battery packs for power tools. Circuit board mounting business for battery peripherals also increasing in automotive equipment sector.  |
| Promotion of diversity management                         | Improving the ratio of local employees in management positions            | Local employees in management positions as a percentage of all managers: 80% | 77.3% (as of FY2021)<br>Progress being made in active participation in management by local executives, particularly in Southeast Asia and China areas.   |
|   | Improving the ratio of women in management positions                      | Women in management positions as a percentage of all managers: 50%           | 32.4% (as of FY2021)<br>Progress being made in promotion of women, e.g., female president of overseas subsidiary and female factory manager.   |

## Message from the Chief Accounting Officer

We will support the progress of the medium-term business plan through flexible financial strategies, including responses to funding demands on a global scale.

Seiji Ono Director & Executive Officer  
General Manager, Finance &  
Accounting Department

any situation. Our company's strength lies in our ability to shift flexibly to another base in the event of trouble occurring at one production base. For this reason, there are times when investments are duplicated, leading to a temporary increase in costs. However, we see this as a critical function from the perspective of safeguarding our customers' production. To support these moves, we respond flexibly as the circumstances demand, including expanding our credit facilities with local financial institutions when necessary.

In FY2021, skyrocketing prices of marine transport and costs of raw materials and fuel have increased logistics expenses, putting pressure on profits. Amid the turmoil in the supply chain, there were multiple occasions in which we were forced to use air transport for urgent deliveries. Freight prices and raw materials and fuel costs have stayed high, but as previously mentioned, by taking steps to optimize inventory volumes, we have been able to reduce the use of air freight and have improved our logistics costs little by little from the previous year. On the other hand, power costs have ballooned at our European factories due to the situation in Ukraine, so we are keeping a close watch on developments there.

It will also be crucial to respond to movements in the forex markets caused by policy interest rate rises in the United States. Because interest rate movements are influenced by exchange rate fluctuations, we are monitoring developments closely and striving to respond flexibly. In particular, given that our functional currency is the US dollar, envisaging further rises in USD interest rates, we are currently implementing various finance schemes designed to fix interest rates.

### Deploying financial strategies in response to funding demands in each region in line with the "expansion of transactions with major global companies"

In terms of the state of progress of the medium-term business plan, with the steady progress in the "expansion of transactions with major global companies," I am dealing with funding demands as chief financial officer. Regarding our production bases in Mexico, Hungary, and Hubei, which will support our core markets such as North America, Europe, and China, it will take some years for them to reach full-scale operation, including the run-up period to launch. As such, it is probably unavoidable that earning a return on our investments in those bases will take time.

Thankfully, orders have been strong in Mexico, and with the increase in new customers, we are currently planning to expand our facilities by purchasing a new site and building a new factory.

In light of the growing tensions between the West and China, our customers have a strong desire to secure stable procurement routes in North America or nearby countries. To meet those expectations, the SIIX Group will continue to invest in Mexico.

Our Hungary operation is less stable due to the impact of the situation in Ukraine. However, because we are able to provide products of high quality at our bases around the world, as well as alternative production at other bases, we will continue to deal with these unpredictable circumstances with the sharing of information and cooperation among the Group.

In China, we are strengthening our cooperation with the three production bases in Dongguan, Shanghai, and Hubei, including meeting their funding demands. In doing so, amid continued restrictions on the procurement of foreign currencies, we are responding to funding demands in accordance with the circumstances in the different regions. They are Dongguan, where transactions are primarily in foreign currencies, Shanghai, which has an even distribution of foreign currency and Chinese Yuan denominated transactions, and Hubei, where most transactions are in the local currency.

### Strive for a better financial position through visualization of goods and money in all bases around the world

In terms of financial challenges in FY2022, as

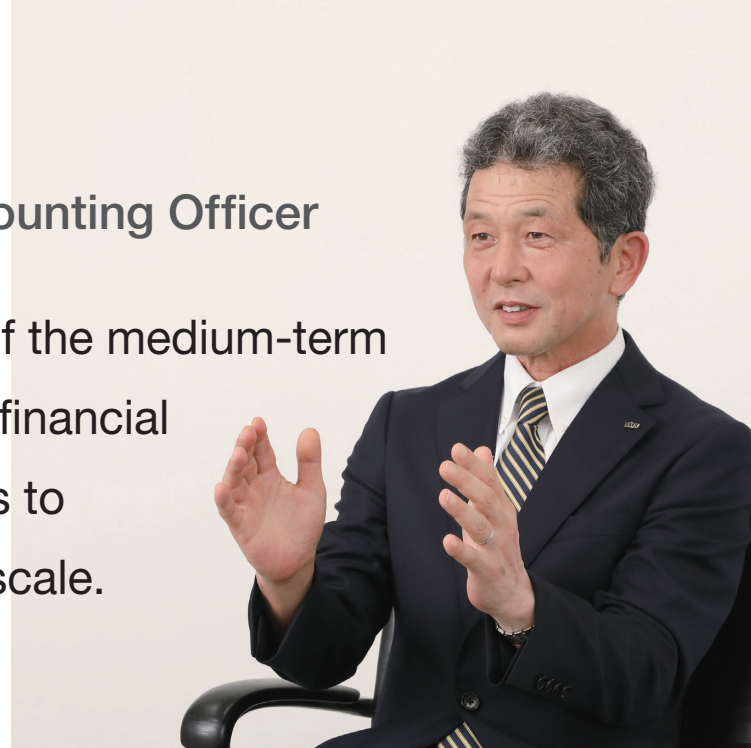
already mentioned, interest rates are in an upward phase, so reducing our interest-bearing liabilities is a priority. To achieve this, we will implement measures to reduce inventories to an optimal level as soon as possible. One specific initiative is the consignment inventory method. We will work together with our suppliers to manage inventories so we can reduce our inventory levels. In addition, for some customers, payment terms can be quite long, so we are in the process of negotiations with our suppliers in this regard as well. We are implementing a variety of measures, including advance payment guarantees for products that cannot be shipped due to circumstances on the customer's side and receiving from customers payments that are commensurate with the costs of inventory.

We are also continuing to work on the improvement of fund efficiency and will deploy financial strategies with a view to the contraction of the cash conversion cycle. We have introduced SAP's ERP system into the SIIX Group, which allows us to grasp real-time trends of inventories and capital worldwide. We will strive for a better financial position by optimizing inventories through visualization of financial status and prediction of demand.

In recent months, interest rates have been on the rise, and with large fluctuations in the forex market, we need to monitor trends in the financial markets going forward. We also recognize the burden of inventory interest needed to ensure stable inventories as a major challenge. With logistics costs remaining high, through negotiations with customers, we will consider the possibility of passing these costs onto prices in an appropriate manner as a way to secure profits.

Business performance in the first quarter of FY2022 trended according to plan. However, the impact of the lockdowns in Shanghai in China has been tremendous, and this is likely to have a further impact in the second quarter and beyond. Nevertheless, the SIIX Group will strive to keep that impact to a minimum.

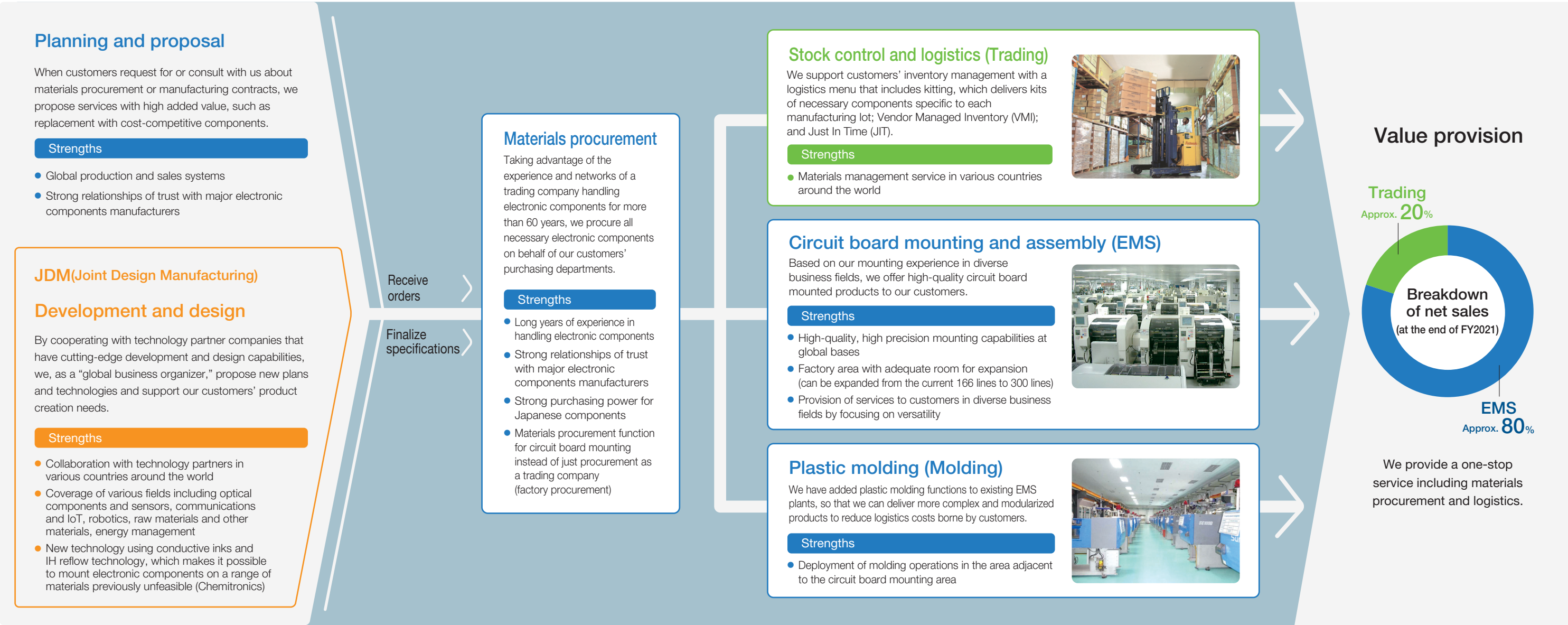
Finally, in terms of shareholder returns, we have increased our dividends for the 15th consecutive fiscal year. In light of the vigorous demand for funds for capital investments, we are aiming for a payout ratio of around 20%. We will continue in our efforts to increase dividends, while maintaining a healthy financial position and taking the balance with investment into account.





Value Chain

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



Issues

- Enhancement of handling of European and American components, cultivation of customers in the medical field
- Further improvement in mounting quality and precision, expansion of the scope of information shared between bases
- Work reform to reduce inventory, enhancement of stock management in real time
- Search for merchandise over a wide range without being restricted to just electronic components

Responses

We have been advancing relevant activities in relation to “expansion of transactions with major global companies,” one of the goals in the medium-term business plan. As we work toward identical quality worldwide and strengthen BCP response, we have expanded transactions with both Japanese and non-Japanese customers, especially major Tier 1 (primary) suppliers in Europe. In the medical field, we collaborate with technology partners to develop solutions that are useful on the frontline of medical practice. Solutions that use IoT have been proposed and delivered to the frontlines of medical practice and nursing care.

Since 2020, all bases across the world have been using a company-wide cloud system called the Siix Manufacturing Platform System (SMAPS). SMAPS enables us to share real-time information on quality, manufacturing technologies, and facilities with all bases. We will continue to operate and develop the system.

To reduce inventories to an optimal level, we have reviewed how we place orders and promoted local procurement. In addition, we ask for our suppliers’ cooperation in adopting the consignment inventory method to manage inventories. Other measures taken include reducing dead stock by having our customers guarantee the collection of products that cannot be shipped due to circumstances on their side. Meanwhile, we have introduced SAP’s ERP system, which allows us to grasp real-time trends of inventories and capital worldwide. We will strive for a better financial position by optimizing inventories through visualization of financial status and prediction of demand.

We also focus on Joint Design Manufacturing (JDM) to achieve our vision of becoming a “global business organizer,” who continues to provide new value by connecting the various needs and seeds that exist around the world. By cooperating with technology partners that have cutting-edge development and design capabilities, we propose new plans and technologies and support our customers’ product creation needs. Cooperation with technology partners takes place in a range of fields including optical components and sensors, communications and IoT, robotics, raw materials and other materials, and energy management.



# Business Overview of SIIX

30th term December 2021

Net sales

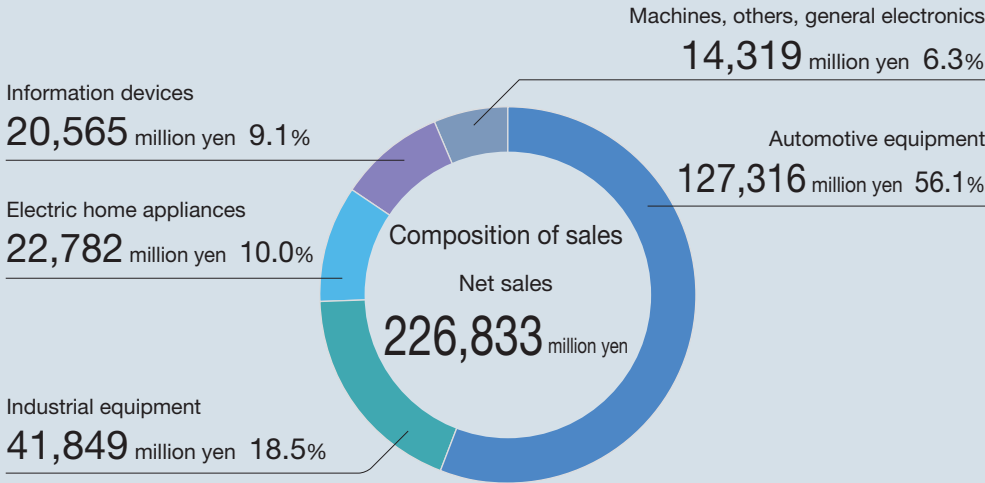
226,833 million yen

Operating income

4,954 million yen

Profit attributable to owners of parent

4,561 million yen



## Overview

Amid the lingering impact of the COVID-19 pandemic from the previous fiscal year, our business performance was significantly affected by a substantial increase in transportation costs caused by surges of unit prices for transport containers since the beginning of the year. In addition, prolonged supply shortages of electronic components affected our customers' production plans. This forced us to take emergency measures, such as air shipment, and accelerated the increase in logistics costs. Consolidated net sales amounted to 226.8 billion yen, a year-on-year increase of 45.2 billion yen, thanks to the project for the Singapore government and strong shipment of automotive equipment at the Mexico Factory. Meanwhile, consolidated operating income amounted to 4.9 billion yen, a year-on-year increase of 0.5 billion yen. Overall, we did not see a significant year-on-year recovery of profit due to heavy cost burdens.

## Issues and countermeasures

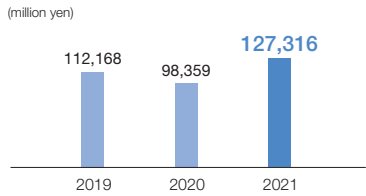
As we trade with customers from various business fields in different areas of the world, the number of customers trading in multiple areas at the same time is increasing. Products and services provided are thus required to have the same quality even if the area or factory is different. We will support the global development needs of our customers promptly and precisely by making use of cloud services to share production know-how, quality information, etc. in real time within the SIIX Group. In addition, we will endeavor to expand our business from customers based on our abundant capacity at global sites and our local response capabilities.

Our medium-term business plan aims to expand transactions with non-Japanese customers. In terms of business sectors, we will focus mainly on actively expanding the medical device sector, while tackling the development of new products and the enhancement of mounting quality as future issues. Additionally, we will also aim not only to expand the EMS business, our current mainstay business, but also leverage our functions as a trading company and collaborate with our technology partners to supply customers with products from around the world.

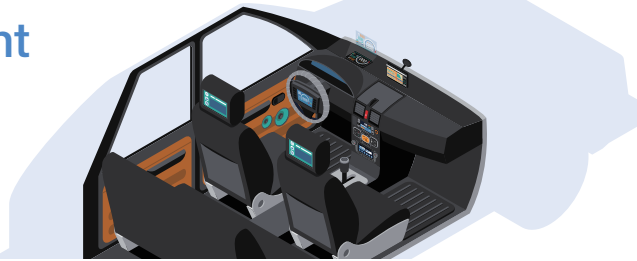
We will also actively expand our participation in businesses in the fields of IoT and CASE, based on the perspective of contributing to decarbonized society through our businesses.

In response to the ongoing surge of logistics costs, we intend to promote "local production for local consumption" to rein in the costs. Simultaneously, we will take advantage of our global network and offer services that meet our customers' needs, such as proposing diversification of production sites as part of our customers' BCPs to cope with contingencies.

## Automotive equipment

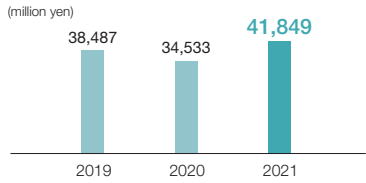


Automotive electronic components (automotive exteriors, meters, ECU, switches, quasi-millimeter wave radars, ABS, cameras, battery sensors, etc.), car multimedia, etc.



Sales of most products increased from the previous fiscal year, recovering from the COVID-19 pandemic. Sales of some products, however, decreased year on year due to the production adjustment caused by electronic component shortages taking place since the end of the previous fiscal year. As a result, overall sales of automotive equipment increased by 28.9 billion yen to 127.3 billion yen compared to the previous fiscal year.

## Industrial equipment



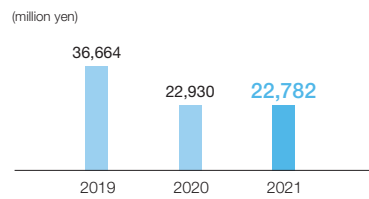
Engine ignition device for power tools, battery packs, aircraft-borne electronic devices, inverters, medical devices, smart meters, industrial sewing machines, etc.



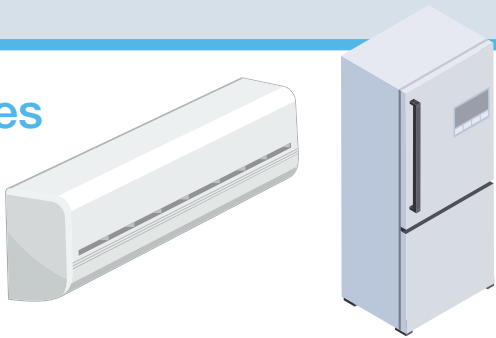
We saw robust production and sales of IoT equipment for government organizations, as well as sales of servomotors, chainsaws, and electric tools, although sales of components for aircraft-borne AV devices decreased year on year due to sluggish demand for aircrafts. As a result, overall sales of industrial equipment increased by 7.3 billion yen to 41.8 billion yen compared to the previous fiscal year.

Business Overview of SIIX

Electric home appliances

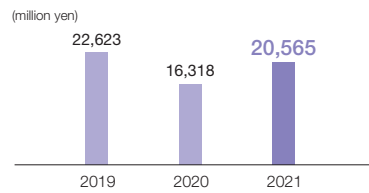


Digital appliances, air conditioners, refrigerators, educational toys, healthcare equipment, electronic musical instruments, etc.

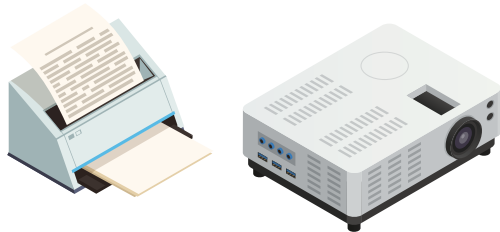


Sales of educational toys and kitchen appliances decreased year on year due to the prolonged impact of the COVID-19 pandemic, although sales of air conditioners were strong. As a result, overall sales of electric home appliances decreased by 0.1 billion yen to 22.7 billion yen compared to the previous fiscal year.

Information devices

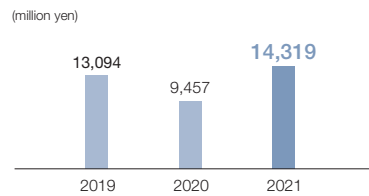


Office equipment, OA equipment, projectors, etc.

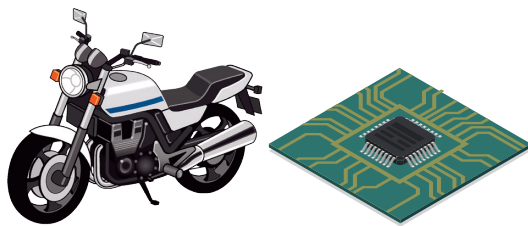


Shipments of the new model for office equipment established in the previous fiscal year were strong. As a result, overall sales of information devices increased by 4.2 billion yen to 20.5 billion yen compared to the previous fiscal year.

Machines, others, general electronics



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



Shipments of wire harnesses, motorcycles, and other products were robust. As a result, overall sales increased by 4.8 billion yen to 14.3 billion yen compared to the previous fiscal year.

New initiatives with Sakata Inx Corporation

Collaboration with Sakata Inx Corporation and Wonder Future Corporation



Miniaturization and weight reduction of products

The use of IH reflow technology and conductive inks makes it possible to mount electronic components on low heat resistance base materials such as paper and cloth, as well as on high heat dissipation base materials such as glass, and is expected to be applied in a variety of fields.

Establishing mass production technologies by incorporating new technologies into high reliability production technologies

Materials for printed electronics

Mounting on low heat resistance base materials

Mounting on high heat dissipation base materials

Showcasing the three-way collaboration at exhibitions

With an eye to commercialize the collaboration initiatives, the three companies jointly exhibited at the JPCA Show, FINETECH JAPAN (electronic display trade show), and INTERNEPCON JAPAN. We introduced new materials and engineering methods to visitors from a variety of industries, who showed a great interest. We will continue to actively seek new opportunities in the printed electronics field.



▲ JPCA Show (October 2021)

▲ FINETECH JAPAN electronic display trade show (December 2021)

▲ INTERNEPCON JAPAN (January 2022)

Battery-related businesses

Amid growing attention to environmental friendliness, a rapidly increasing number of products are powered by electricity and batteries.

To contribute to a decarbonized society through businesses, our medium-term business plan aims to expand battery-related businesses, and we operate every day to achieve this. As part of relevant initiatives, we will accelerate the battery management business by establishing a joint venture with Orient Technology, a technology partner in Singapore that has know-how in battery pack design, development, and manufacturing technology.

Batteries are used in a wide range of products, including automotive equipment, industrial equipment, electric home appliances, and transport machinery. In some projects, we have already made proposals to customers and concrete discussions are underway for adoption in products. Going forward, we strongly expect business expansions into a variety of fields and a significant increase in demand.

Battery pack mockup ▶



# 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 mainly for the purpose of strengthening financial and capital policies, M&A, and compliance. Regarding the size of the Board of Directors, we believe this is the minimum level required to achieve such an objective.

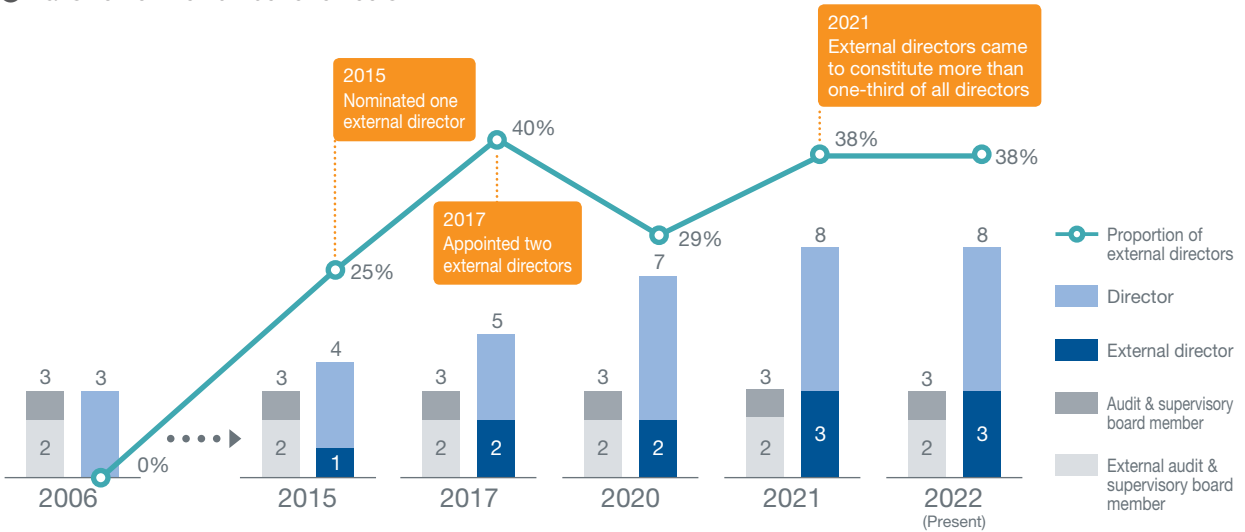
## Basic policy on corporate governance

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.

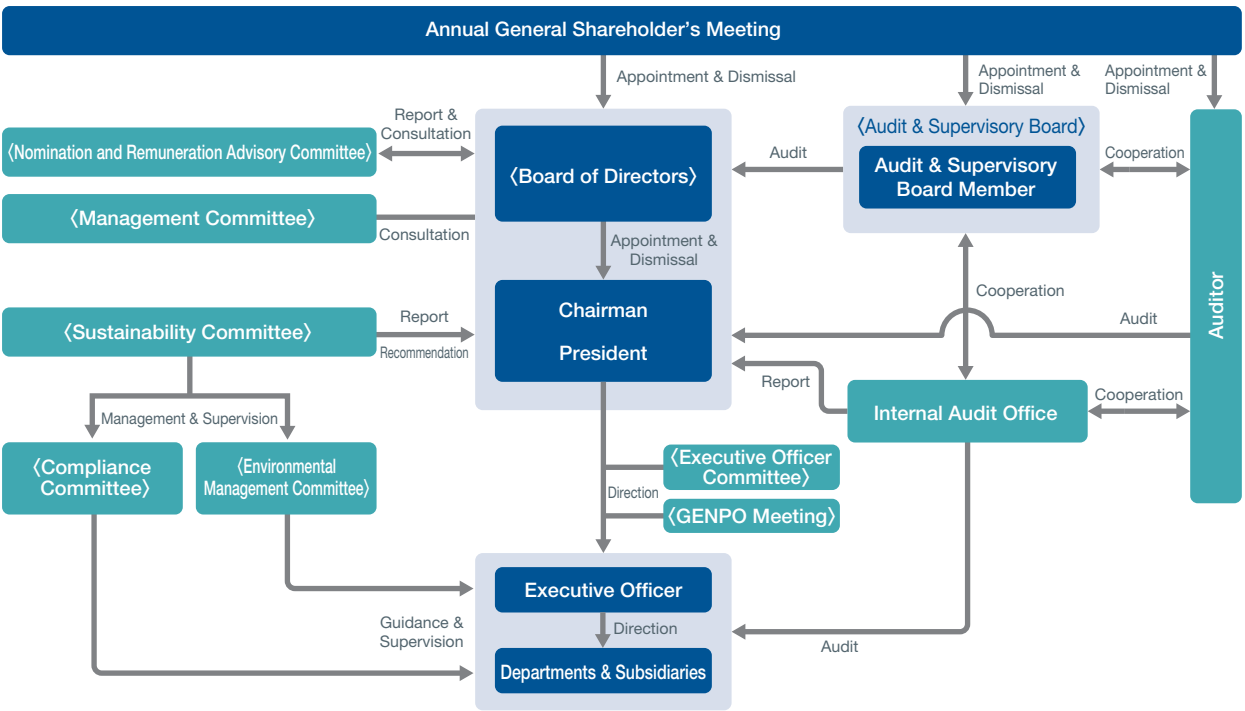
## History of our corporate governance system

|      |   |
|------|---|
| 2005 | ● Introduced an executive officer system  |
| 2006 | ● Established the SIIX Group Code of Conduct  |
| 2015 | ● Nominated one external director   |
| 2016 | ● Started to assess the effectiveness of the Board of Directors                                   |
| 2017 | ● Nominated two external directors<br>● Issued stock options (share acquisition rights)           |
| 2018 | ● Changed the term of office of directors to one year   |
| 2019 | ● Established the Nomination and Remuneration Advisory Committee                                  |
| 2021 | ● Nominated three external directors, constituting more than one-third of all directors           |
| 2022 | ● Introduced a restricted stock compensation system<br>● Established the Sustainability Committee |

●Transition of the number of officers



## Corporate governance system



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 eight directors. Three out of the eight 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.

### Management Committee

The company has established the Management Committee, which is composed of internal and external directors, executive officers, full-time audit & supervisory board members, and others. The committee operates an advisory body with which the Board of Directors consult before important decision making. Matters deliberated by the committee include matters subject to Board of Directors resolutions and prior deliberation, important company policies, and important topics such as large-scale new transactions and investments.

### GENPO Meeting

Each subsidiary holds monthly meetings of GENPO Meeting to ensure the appropriateness of business operations at subsidiaries and work toward thorough risk management. Officers from the headquarters, executive officers, officers of local subsidiaries, and others attend the meetings to keep track of the state of management of subsidiaries and discuss specific topics.

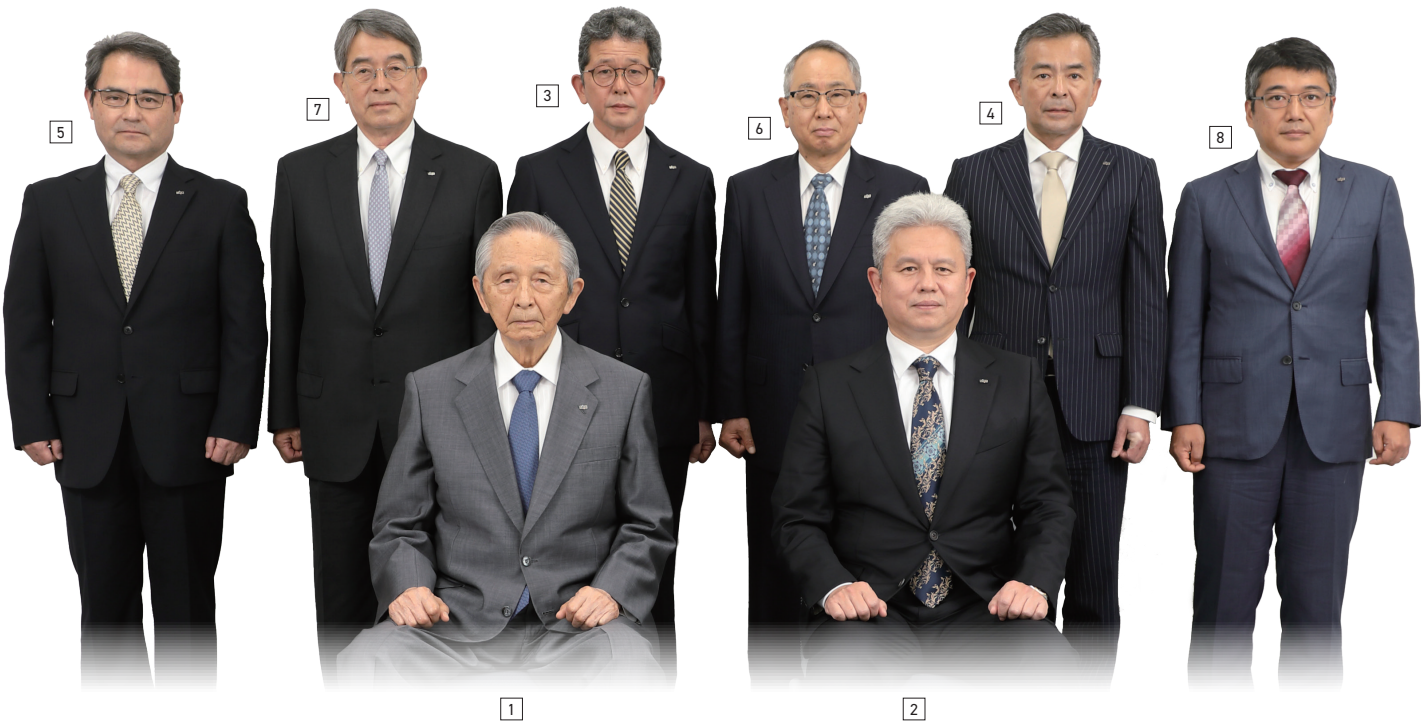
### Sustainability Committee

The company has recently established the Sustainability Committee to drive forward sustainability management, thereby contributing to social issues through business activities and achieving a sustainable corporate growth. Chaired by the President, the committee consists of directors and executive officers. It formulates the Group’s sustainability policies, discusses important issues, sets indicators and other targets, and monitors activities. What is discussed will be reported to the Board of Directors regularly and reflected in the committee’s recommendations.



Corporate Governance

Introduction of Directors



●Directors’ skill matrix

| Director                                      | Areas in which the company has particular expectations for directors |                |                         |     |               |                              |                   |
|---|--|----------------|-------------------------|-----|---------------|------------------------------|-------------------|
|   | Corporate management, management strategy                            | Sales strategy | Finance, capital policy | M&A | Manufacturing | Compliance, internal control | Global experience |
| 1 Chairman Shiro Murai                        | ●  | ●              |                         | ●   | ●             | ●                            | ●                 |
| 2 President Koji Yanase                       | ●  | ●              |                         | ●   | ●             |                              | ●                 |
| 3 Director & Executive Officer Seiji Ono      | ●  |                | ●                       | ●   |               | ●                            | ●                 |
| 4 Director & Executive Officer Toru Maruyama  | ●  |                | ●                       | ●   |               | ●                            | ●                 |
| 5 Director & Executive Officer Hiroaki Takagi | ●  |                |                         | ●   | ●             |                              | ●                 |
| 6 External Director Shinsuke Takatani         | ●  |                | ●                       | ●   |               | ●                            |                   |
| 7 External Director Susumu Omori              | ●  | ●              | ●                       | ●   |               | ●                            | ●                 |
| 8 External Director Nao Yoshizawa             | ●  | ●              | ●                       | ●   |               | ●                            | ●                 |

\*The above table does not show all of the knowledge and experience that the Directors have.

Policy for nomination of directors

Directors are nominated based on international perspective necessary for global business, career in business, character, and other factors.

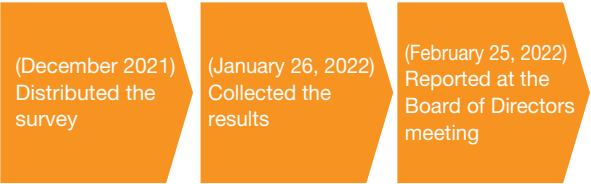
Remuneration of officers (Nomination and Remuneration Advisory Committee)

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.

Analysis and assessment of the effectiveness of the Board of Directors

- [1] Composition of the Board of Directors  
Feedback pointed out that the scale of the Board of Directors is appropriate and its members have sufficient expertise. In addition, the skill matrix showed a well-balanced composition.
- [2] Operation of the Board of Directors  
External directors frequently contributed to the discussions, which suggests an atmosphere allowing free exchange of views. Responses also indicated that meetings were chaired properly. The survey thus confirmed an atmosphere that facilitates active discussions.
- [3] Role and responsibility of the Board of Directors  
Responses indicated that external directors effectively expressed their views based on expertise and a wealth of experience. Meanwhile, feedback pointed out that despite some progress, risk assessment still has room for improvement. This was due to insufficient analysis with regard to risk identification and impact in some cases. There was also a call for enhanced discussions, including those on the establishment of appropriate systems, about the analysis of legal and environmental risks, including supply chain security; assessment of and responses to cyberattacks; and strategies for the medical and other new fields. In addition, the whistle-blowing system was pointed out to be still insufficient, although it is functioning with a record of reports. Further efforts are needed to raise awareness. Going forward, the company will advance discussions and strengthen the systems with regard to necessary and important issues.
- [4] Quality of the decision-making process of the Board of Directors  
Despite improvements, cases were found where last-minute distribution of deliberation materials resulted in insufficient prior analysis of the contents or higher levels of discussions were needed on ROI, credit decisions, investment recovery, and other matters. The time spent on deliberation was pointed out to be appropriate. Going forward, the company will improve the deadline for agenda submission and contents of deliberation.
- [5] Support system for external directors  
All respondents gave positive answers, which indicates appropriate communication. Meanwhile, feedback pointed out that setting separate occasions to take time to discuss individual topics would be desirable. Going forward, the company will enhance communication with external directors on occasions other than the Board of Directors meetings as well.
- [6] Interaction with investors and shareholders  
Feedback pointed out that while the website relaunch and other IR activities made progress, it is preferable to take more time to hear investors’ views on reports to the Board of Directors. Feedback also urged further participation of external officers in IR activities. The company will discuss how we can make improvements.
- [7] Nomination and Remuneration Advisory Committee  
Contents of deliberation and frequency of meetings were pointed out to be appropriate. The company will continue working on improvements.

Process for effectiveness assessment



Risk management

A number of external factors have considerably affected the company’s business activities in recent years. Those factors include the US-China trade conflict, spread of COVID-19, supply shortages of semiconductors and other electronic components, and surges of transportation costs. The company, however, has responded promptly to such emergencies for early recovery and accumulated BCP know-how. We will continue to work on BCP initiatives and develop a strong corporate system resistant to all kinds of emergencies.

Examples of BCP

- Transfer production sites from China to Southeast Asia and Mexico for products delivered to North America
- Encourage internal web meetings with bases around the world
- Promote automation of factories (Smart Factory)
- Operate a company-wide system that supports manufacturing, technology, and quality (Siix Manufacturing Platform System (SMAPS))

Compliance

The company has established the Compliance Committee as an organization that reports, deliberates, and decides on matters concerning compliance. The committee sets the Group activity policy once a year, makes the policy known and raises awareness at a company-wide meeting, and regularly monitors and follows up on all bases. In addition, the committee sets out and implements rules on whistle-blowing methods and whistle-blower protection to find misconduct and violation of laws and regulations early and take appropriate action.



## Dialogue Between External Director and Audit & Supervisory Board Member

Shinsuke Takatani  
External Director

Masayuki Tomoda  
Audit & Supervisory Board  
Member

We are working to further strengthen corporate governance structure as global management makes progress, including responding to growing risks.

### What is your assessment of SIIX's corporate governance structure and systems and their implementation?

**Takatani** SIIX's corporate governance structure has, of course, made steady progress compared with when I assumed my position in 2015. As well as the election of directors from the engineering area, which was a pressing matter when I was first appointed, the size of the Board of Directors has increased from five directors in 2015 to eight today. Five of those are internal directors and three are external directors, which is a good balance. There are now five external officers in total, including audit & supervisory board members. Each of us has our own areas of expertise to ensure that there is no duplication of career background.

Further, with the establishment of the Nomination and Remuneration Advisory Committee, of which I am a member, we now also receive reports about senior management personnel matters. Also, along with the full-time audit & supervisory board member, I am a contact for internal whistleblowing, so in essence, the company's whistleblowing arrangements are monitored by an external eye. We also hold

regular meetings with the representative directors, along with the audit & supervisory board members.

**Tomoda** In terms of the management environment, for a company that is extending its business globally, the past few years have been a time of dizzying change, when precedents do not apply and BCP has had difficulty functioning. The company is being called on to steer through these difficult circumstances as it moves to strengthen its corporate governance structure.

I became an audit & supervisory board member in 2017. At that time, my duties were more as a defensive auditor independent from management. However, the current auditing standards for audit & supervisory board members state that our duty is "to establish a corporate governance structure of good quality through sound and sustainable growth in consideration of the interests of stakeholders." For this reason, in my auditing duties, I am striving to shift from auditing that is centered on questions of legality toward auditing of management as a whole.

The external directors and audit & supervisory board members have a close relationship, and we regularly exchange

opinions, so I am highly conscious of sharing information promptly and in a timely manner. My own personal sense is that the external directors and the audit & supervisory board members are sailing in the same boat.

### What measures are necessary to enhance the effectiveness of the corporate governance structure?

**Takatani** My view is that one element needed for the external directors to demonstrate their capabilities is information. As well as information from the executive side, we also need live information that includes the voices of the people on the front lines. What is important is to have a greater diversity of information sources. In addition, securing the supply of that information is also essential. In general terms, external directors tend to be isolated due to a lack of information. For this reason, I believe that further deepening the sharing of information and cooperation with the Audit & Supervisory Board and the Internal Audit Office will be key to enhancing the effectiveness of the corporate governance structure. In that respect, the full-time audit & supervisory board member acts as a kind of "node" connecting the executive with the external directors to further deepen cooperation with the external directors and share information about important management issues and risks. Mr. Tomoda is doing an excellent job in that respect.

One other key is the development of mechanisms for effectively conducting the kind of debate that should, by rights, be conducted in the Board of Directors. I would suggest that the Board of Directors decide on the topics for debate about six months in advance, for example, and coordinate with the Audit & Supervisory Board to organize the information so that such debate can be conducted effectively. This would help to enhance the effectiveness of governance even further. Initiatives of this kind are particularly necessary for major themes such as investment strategies and personnel policies.

**Tomoda** One particularly important aspect of SIIX's corporate governance structure is its Group governance, which brings together the Group's approximately 20 overseas subsidiaries. When performing overseas audits, one thing that strikes me is that, even with the existence of the headquarters' rules and reporting lines, there is a need for strong on-site capabilities to make sure that governance actually works. SIIX has

developed locations overseas, but for the company with a small number of Japanese employees, it needs to increase the number of local senior management and raise their quality. In other words, diversity-oriented management is essential.

On the other hand, as an auditing issue, over the two years of the COVID-19 pandemic, we have been unable to perform on-site audits at overseas locations, so the question of how to conduct effective audits and control is an issue. While online conferences and meetings and theme-based audits based on data allow us to flexibly obtain a great deal of information, they are not adequate for confirming on-site control.

**Takatani** Regarding the diversity that Mr. Tomoda mentioned, SIIX currently has over 12,000 employees worldwide, so to make governance work on a global base, strong on-site capabilities are essential. Therefore, having local senior management personnel who will support the local organizations is key. SIIX is in the process of promoting diversity, including the promotion of women. This is also a KPI in the medium-term business plan, so as an external director, I am monitoring progress in this area over time. Currently, Japanese executive officers are temporarily transferred to the major overseas subsidiaries to serve as their presidents, but I believe that the ideal would be to have local talent take on those roles in the future.

### What is your assessment of the initiatives for reinvigorating the Board of Directors?

**Takatani** Looking back over the past year, one major agenda item has been the strategic investments in Indonesia, Thailand, and Mexico. As an external director, I am obliged to state my agreement or opposition to agenda items, so I am always conscious of the weight of my responsibility. Of course, the external directors also attend regular meetings of the Management Committee twice a month, so we are across the details of the proposals prior to the Board meetings. In that respect, I do believe that the company gives us enough to make management decisions.

**Tomoda** Recently, in addition to governance, matters related to financial results, investment and other proposals, we have more opportunities to receive reports and exchange opinions about cybersecurity, quality issues, and emergency responses such as BCP during



Dialogue Between External Director and Audit & Supervisory Board Member

the pandemic. For each matter, the external directors express their views, and the chair of the meeting seeks out their opinions and shows a serious willingness to actively accept their advice. For this reason, Board of Directors meetings are always lively events.

SIIX's style is that the Board of Directors and the Management Committee, which meets beforehand for discussions, are run as one, and through the proposals put to each of these meetings, we discuss company-wide strategies, risk management, and issues. Although the audit & supervisory board members are not in a position to vote for or against proposals in Board of Directors meetings, the corporate culture makes it easy for us to ask questions and express our opinions freely. I therefore strive to state my opinions about the agenda items from my position as audit & supervisory board member.

What will be the business opportunities and risks for the company's management going forward?

**Takatani** In terms of business opportunities, demand for semiconductor chips is forecast to double in the next 10 years, and EMS needs, including for automotive equipment, will also increase dramatically in direct proportion to that growth in demand. In addition, the buds of new businesses are sprouting, such as collaborations with Sakata Inx Corporation and entry into the

OSAT (Outsourced Semiconductor Assembly and Test) business. In that respect, there are strong tailwinds blowing for SIIX's businesses.

While business opportunities will increase greatly on the one hand, risks will also grow in a similar fashion. One such area of risk is the risks associated with climate change. On this point, I believe that disclosures based on TCFD cannot wait. The company has also established a Sustainability Committee, and has just started making efforts toward decarbonization. It would be no exaggeration to say that the effectiveness or otherwise of this committee will be the deciding factor in the sustainability of the company's business. For this very reason, I hope that it will devote its efforts to being a company that is trusted both by its suppliers and the market.

In addition, for the EMS business, whose fate is decided by advance investments, control of the balance sheet is the most crucial issue. I hope that the company will take to heart the importance of considering the hurdle rate with ROIC (return on invested capital) from the investors' viewpoint in mind. Responding to the problem of inventories, which carries the greatest weight on the balance sheet, and the accompanying increase in burden is a matter of the utmost urgency.

In addition, the company needs to concentrate its efforts on strengthening information security as a defense against cyberattacks and on responding to the demand for zero-defect quality in the automotive sector. For all of these challenges, it is essential to formulate action plans that have defined timeframes.

**Tomoda** From the perspective of auditing in general, against the background of the pandemic, I believe that there is high risk of accounting misconduct, quality fraud, and cyber security incidents at the overseas subsidiaries. For this reason, as audit & supervisory board member, I am monitoring internal control at these subsidiaries, particularly the state of risk management and compliance. Further, recently, progress has been made in the formulation of international rules regarding issues such as climate change action, human rights, and their disclosures. It is also a time when soft laws and things like the SIIX Principles are also becoming rules, so I believe that we need to expand the purview of our audits.

In the automotive sector, the EMS business is expanding, but operations for

global customers require a high degree of management precision. My sense is that control of quality risks and the like will not be easy. Moreover, this business requires considerable capital expenditure on equipment, so there needs to be firm analysis of matters such as returns on assets and environmental footprint to determine just how much those equipment assets will contribute to corporate value.

What is your assessment of the progress of the Medium-Term Business Plan (2021-2023) and do you have any suggestions?

**Takatani** From where I stand, I believe that the achievement of the medium-term business plan is an absolute must. In promoting the plan, management at the individual locations will also need to maintain a multifaceted view that includes issues such as diversity and decarbonization. This is in addition to profit-loss issues such as net sales and income, and the improvement of balance-sheet KPIs, such as inventory turnover, and OEE (Overall Equipment Effectiveness).

Further, because there are major regional differences in the situations at the overseas subsidiaries, meticulous growth strategies will be needed. However, instead of leaving it entirely up to the individual locations, it is important to consider adopting the management of subsidiaries where the plan is being executed smoothly as best practice and promoting that best practice powerfully across the other locations, with the headquarters taking the lead.

**Tomoda** I agree that global management with the headquarters taking the lead is an important perspective. The current management team provides a visualization of the state of management according to the medium-term business plan, manages the degree of achievement, and aims to solve problems. It follows this cycle quite seriously on a monthly basis. Management and administration based on accurate, timely figures and information at all times are crucial.

What are the important factors for sustainable growth over the medium to long term?

**Takatani** Sustainability is believed to be the realization of a sustainable organization or society as a result of the actions of people and organizations. Ultimately, it is people who are the main players in sustainability.

Therefore, to be a sustainable company, the most important thing is to strengthen the foundations of its human resources. Of particular importance are education programs for young employees and initiatives to foster a good corporate culture. At SIIX, the promotion of women and local senior management is extremely important. For example, the promotion of Filipino human resources, which is being rolled out globally recently, is something that I hope will help reinforce company-wide organizational strengths.

**Tomoda** I am of the same opinion as Mr. Takatani, in that I am also certain that people are the key to governance. It is important that all employees understand the connection between the SIIX Principles, which are the founding spirit of the company, and sustainability, and that they strive to enhance corporate value by balancing corporate efficiency and rationality with social responsibility.

Further, from the perspective of sustainable growth over the medium to long term, the quality of risk management will also contribute to the enhancement of corporate value. As one of audit & supervisory members, I think that we should communicate that viewpoint.

The activities of the Sustainability Committee, which was established in April 2022, will drive ESG-oriented management, so as an audit & supervisory board member, I plan to confirm the policies and details of those activities.





## Message from Director

Based on the SIIX Principles, which we have treasured for 30 years since our foundation, we will press forward with the enhancement of corporate value in SIIX's own unique ways.

Toru Maruyama Director & Executive Officer



### Three years of efforts devoted to the establishment of sustainability-oriented management

In April 2022, SIIX made the transition to the Tokyo Stock Exchange's Prime Market. I would like to thank our shareholders for their support, which has made this transition possible. In addition, over the past three years leading up to that transition, we have made steady progress in our responses to the revision of the Companies Act and the Corporate Governance Code. Specifically, we established a Nominating & Compensation Advisory Committee, enhanced our Notices of Annual General Shareholder's Meeting, and reviewed the composition of our corporate officers. Through these and other actions, we have strived to strengthen our corporate governance, which is essential to sustainability-oriented management.

Whereas we used to deal with management issues separately, we are now able to organically combine and systematize all issues from the perspective of sustainability management. This is the outcome of our efforts over the past three years. Having achieved this,

looking ahead, we will build up governance systems of the high standard required of a company worthy of a Prime Market listing, including the requirements of shareholders and investors.

### Fulfilling our mission as befits the Prime Market

One of our major initiatives in FY2022 was, firstly, the establishment of a new Investor & Public Relations Department. This was the result of our primary focus on further enhancing our investor relations and public relations functions and elevating our presence in capital markets. In deploying marketing activities in capital markets, while taking the outcomes of the last three years of initiatives into account, we will strive to enhance disclosures of both financial and non-financial information, based on the essence of ESG-oriented management, in the roll-out of future investor and public relations activities.

We also launched the Sustainability Committee, with the President as Chair. This committee formulates sustainability policies, discusses important issues, sets indicators and other targets, and monitors activities. As well as firming up the shape of our organization, we intend to promote sustainability-oriented management by responding to many different issues into the future. We have selected those issues that are material to the company and organized them after considering the order of priority. Through these kinds of initiatives, we have been able to establish clear targets and deadlines within the company for the issues that we need to address in and after FY2022.

As a result of the above initiatives, I believe we have now arrived at the starting line of sustainability-oriented management.

### Setting decarbonization as a top priority management issue and accelerating initiatives

As efforts to strengthen corporate governance accelerate, awareness has increased dramatically, not only among corporate officers but also among our employees on a global basis. In the course of discussions in the Board of Directors about

decarbonization, the endorsement of the TCFD recommendations for decarbonization came to be seen unanimously as a matter of course, and the entire company shares the same values in this regard. As a company that services some of the top companies in a variety of industries worldwide, we recognize the reduction of greenhouse gases as a goal that must be achieved.

As an example, all investments and loans proposed to the Board of Directors are deliberated in advance in the Management Committee. Various risk factors are discussed, including recoupment of investment, returns, credit risk, procurement costs, and country risk. We also now have a system for incorporating discussion of concrete measures for the reduction of CO<sub>2</sub> in those deliberations. In this way, I believe that we have made tremendous strides forward in corporate governance at SIIX. Going forward, we will concentrate our efforts on educating and raising awareness among employees so we can share our awareness across the entire SIIX Group.

### SIIX Principles lie at the heart of corporate governance

The company established the SIIX Principles more than 20 years ago as its corporate philosophy for the conduct of corporate activities by all officers and employees. Based on the fundamental spirit of the SIIX Principles, we have strived to build and establish an appropriate and effective corporate governance system.

In that respect, we can certainly say that the answers to all the issues that we must currently address can be found in the SIIX Principles. We always teach new recruits the significance of the SIIX Principles in their induction training, and we also strive to share the importance of acting on the basis of the SIIX Principles at our overseas locations. The SIIX Principles will take on even more important value as we promote sustainability-oriented management in the years ahead.

### Steady promotion of initiatives to solve various ESG issues

In terms of the current state of ESG initiatives in the SIIX Group, firstly regarding "E" (Environment), we will urgently compile specific measures for achieving the CO<sub>2</sub> emissions reduction targets set by the Sustainability Committee and pursue initiatives to meet those targets. The challenge of reducing CO<sub>2</sub> emissions while simultaneously expanding our production capacity will be a difficult one, but we will

steadily work toward this goal through measures such as installing solar panels and converting to renewable energy.

In terms of "S" (Society), we are implementing measures to achieve the targets set out in our KPIs, that is, to have women account for 50% of senior management positions and for local employees to occupy 80% of senior management positions in our overseas subsidiaries. In addition, communications with employees tended to be inadequate during the pandemic, so we are conducting interviews with every single employee at all of our locations both in Japan and overseas. This is important from the perspective of retention planning, but it also has another major purpose of identifying potential senior managers of the future.

Further, for the future sustainable growth of the SIIX Group, we are promoting initiatives to strengthen the foundations of our human resources. Incidentally, we have seven female Japanese employees temporarily assigned to overseas locations, all of whom share a high awareness of their duties. We are pursuing diversity and inclusion, which treats all outstanding employees suitably, regardless of gender, nationality, or other attributes.

Finally, as an example of our initiatives in "G" (Corporate Governance), the Nominating & Compensation Advisory Committee convened nine times in the previous fiscal year. The external directors are also extremely proactive in expressing their opinions and asking questions in Board of Directors meetings. They are making outstanding efforts to enhance SIIX's corporate value and to help build a sound corporate management system.

### Strengthening approaches to key issues for the sustainable growth of the company

To consolidate the SIIX Group's position at the top of the EMS industry, in addition to expanding the scale and performance of our business on a global basis, we recognize that we must address the many different ESG issues at an even greater speed than before.

As a corporate group operating businesses across the world, the issues that we need to address are constantly changing. They include decarbonization, addressing geopolitical risks, the promotion of diversity and inclusion, cyber security responses, and the establishment of anti-corruption systems. We will address these issues in cooperation with our external directors, who possess high levels of expertise in their respective fields. We look forward to your continued support for SIIX Corporation.

# Environmental Conservation

As the SIIX Group continues to expand its business globally, we attach importance to sustainability initiatives as a foundation for sustainable growth. To promote such initiatives, we established the Sustainability Committee in April 2022. The committee formulates sustainability policies, discusses important issues, sets indicators and other targets, and monitors activities. The Environmental Management Committee, under the Sustainability Committee’s guidelines, 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 GHG emissions

The SIIX Group conducts business activities in 14 countries worldwide and works to reduce GHG emissions at each base. We conventionally measured CO<sub>2</sub> emitted indirectly from energy use (Scope 2). From FY2021, we also started to measure direct CO<sub>2</sub> emissions from fuel burning and other activities (Scope 1) and indirect supply chain CO<sub>2</sub> emissions from material procurement to manufacturing, logistics, and sales (Scope 3). Going forward, not only Scope 2 emissions but GHG emissions from the entire supply chain will be monitored. The total CO<sub>2</sub> emissions (Scopes 1, 2, and 3) in FY2021 were approximately 650 thousand tons. Despite activities to reduce CO<sub>2</sub>, the total CO<sub>2</sub> emissions from the entire supply chain, including indirect emissions, increased due to a year-on-year production increase. The intensity of Scope 2 emissions was 0.31 tons per million yen of net sales, a decrease from the previous fiscal year.

To reduce CO<sub>2</sub> emissions, our policy is to, wherever possible, replace the electricity used at our production bases around the world with renewable energy. As a first step, we installed solar panels on the roof of the Shanghai Factory in China, which began operation in FY2021. In FY2022, solar panels were installed at the Mexico Factory and began operation in May. This is expected to cover approximately 10% of the electricity used at the Mexico Factory. In this fiscal year, we are planning to install and operate solar panels at the Karawang Factory and Batam Factory in Indonesia and the Dongguan Factory in China. We will continue to accelerate renewable energy use and energy-saving activities globally.



Mexico Factory

## CO<sub>2</sub> emissions (Scopes 1, 2, and 3)

- Scope 1: Direct GHG emissions from the company (fuel burning, industrial processes)
- Scope 2: Indirect emissions associated with the use of electricity, heat, and steam supplied from other companies
- Scope 3: Indirect emissions other than Scopes 1 and 2 (emissions from other companies related to the company’s activities, procurement and use of products, etc. manufactured and sold by the company, employee business travel, etc.)

## Response to climate change risks and opportunities



### Support for TCFD

In July 2022, SIIX declared its support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)\*, the TCFD’s June 2017 final report. Based on the TCFD recommendations, we will appropriately disclose information on climate change risks and opportunities that affect our business.

\*A task force established by the Financial Stability Board (FSB) in 2015, at the request of G20. The final report recommends companies to disclose information around four core elements of how organizations operate (governance, strategy, risk management, and metrics and targets), so that climate change risks and opportunities can be assessed and rated appropriately.

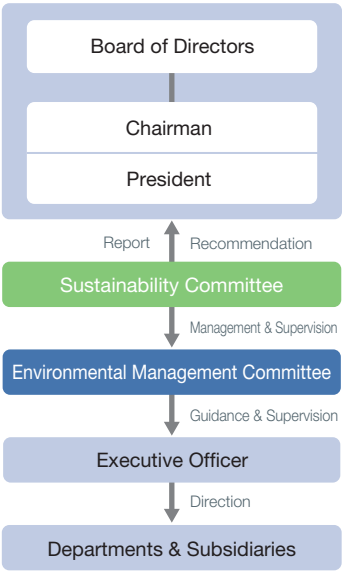
### Governance

SIIX strives to protect natural resources and maintain and conserve the global environment. To this end, we comply with environment-related laws and regulations, international agreements, and other rules, in accordance with the corporate philosophy, CSR policy, and SIIX Group Code of Conduct. The SIIX Group conducts business activities at approximately 50 bases in 14 countries worldwide. We are working to first reduce indirect CO<sub>2</sub> emissions from our business activities.

In April 2022, we established the Sustainability Committee chaired by the President. The committee formulates strategies and resolve issues concerning sustainability, including climate change. Committee meetings are held at least twice a year, where the status of activities is monitored, issues are reviewed, and directions of initiatives are decided. Decisions on important managerial themes are made after deliberations by the Board of Directors.

In FY2022, new GHG reduction targets for FY2030 were set in May, and a system was developed to monitor the progress.

### Corporate governance system



### Risk management

The Sustainability Committee takes the lead in monitoring changes in the external and internal environments caused by climate change and going over climate change risks and opportunities that affect our business. The risks and opportunities are assessed and analyzed based on the degree of impact on the company and other factors. Risks and opportunities that have high degrees of impact are identified and, after deliberation by the Board of Directors (or the Management Committee), incorporated into business risks and opportunities.



Environmental Conservation

Strategy

The SIIX Group analyzed potential risks and opportunities related to climate change, with reference to the 1.5°C and 4°C scenarios.

The analysis resulted in an assessment that transition to a decarbonized society (policies, laws and regulations/markets/reputation) would entail impacts from future events and climate change would entail physical (acute/chronic) impacts.

To address such risks, we will review our business plans and position response to climate change as a priority.

Scenario analysis

In identifying and assessing risks and opportunities related to climate change, we set the following scenarios.

- 1.5°C scenario: A scenario in which the world makes a transition into a decarbonized society (transition scenario)
- 4°C scenario: A scenario in which physical impacts manifest

The scenarios referred to the following materials:

(1) Scenario in which physical impacts manifest: Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report, IPCC Special Report "Global Warming of 1.5°C"

(2) Scenario in which the world rapidly achieves a decarbonized society: International Energy Agency (IEA) World Energy Outlook 2018 Sustainable Development Scenario (SDS), IEA Energy Technology Perspectives 2017 Beyond 2°C Scenario (B2DS)

| Scenario analysis Step (1): Major environmental changes caused by average temperature increase  |   |  |
|---|---|--|
| 1.5°C increase  | A successfully decarbonized society where temperature increase has been limited | 4°C increase An insufficiently decarbonized society where temperature increase has taken place |
| <div><ul style="list-style-type: none"><li>Average temperature increase causes more frequent and intense natural disasters</li><li>New technologies with low GHG emissions are developed and adopted</li><li>Stricter regulations on GHG emissions make large fossil fuel consumers stranded assets</li></ul></div> <div><ul style="list-style-type: none"><li>Average temperature increase causes even more frequent and intense natural disasters than the 1.5°C increase scenario</li><li>Sea level rise causes more frequent flood damage, etc. in coastal areas</li><li>Changes in precipitation patterns and typhoon routes cause more frequent and intense damage from river flooding, etc. and alter which areas are affected</li><li>More frequent and intense natural disasters damage corporate assets and lower corporate value</li></ul></div> |   |  |

| Scenario analysis Step (2)-1: Impacts of transition to a low-carbon or decarbonized society on SIIX  |   |
|--|---|
| Impact due to transition to a low-carbon or decarbonized society<br>Impact of mainly 1.5°C to 2°C increase   | Scenario in which the world rapidly achieves a decarbonized society   |
| Identified risks   | Possible opportunities  |
| <ul style="list-style-type: none"><li>Taxation on carbon increases material and fuel procurement costs</li><li>Shift to electricity derived from renewable energy increases fuel costs</li><li>Insufficient environmental initiatives result in the following consequences:<ul style="list-style-type: none"><li>Decrease in new orders</li><li>Cancellation of existing contracts</li><li>Loss of customers due to increased reputation risks</li></ul></li></ul> | <ul style="list-style-type: none"><li>Demand for energy-saving products increases</li><li>Needs for shift to energy-saving products increase</li><li>IoT use facilitates more efficient electricity use</li></ul> |

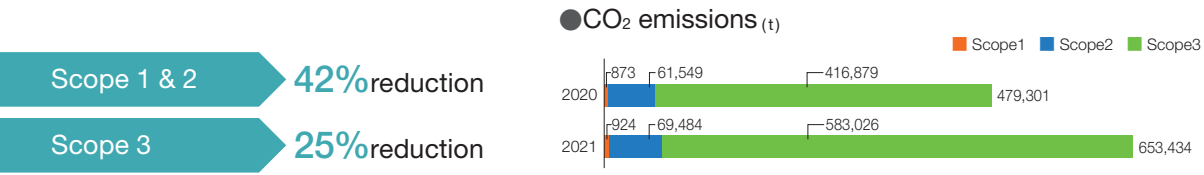
| Scenario analysis Step (2)-2: Physical impacts of average temperature increase on SIIX  |   |
|---|---|
| Physical impacts of average temperature increase<br>Relatively larger impacts of 4°C increase   | Scenario in which physical impacts manifest   |
| Identified risks  | Possible opportunities  |
| <ul style="list-style-type: none"><li>Torrential rains, typhoons, etc. damage facilities and increase recovery costs</li><li>Value chain disruption suspends products and services</li><li>Fuel costs increase</li><li>Avoiding extremely hot hours lowers productivity</li></ul> | <ul style="list-style-type: none"><li>Abnormal weather increases needs for new products</li><li>Facilities are upgraded to high-efficiency equipment</li><li>Digital transformation is facilitated and remote work becomes more commonplace</li></ul> |

Targets

In May 2022, SIIX set GHG reduction targets for FY2030. They have been set as science-based targets (SBTs). To achieve the GHG reduction targets, we will continue advancing various initiatives and assess the achievement status.

We will accelerate initiatives to address global warming by considering them as opportunities for growth, instead of restrictions on or costs for growth.

SIIX's GHG reduction targets for FY2030 (from FY2021 baseline)



Achievements

SIIX started calculating Scopes 1, 2, and 3 GHG emissions from FY2020.

| Scope and method of calculation |  |  |  | FY2020 GHG emissions | FY2021 GHG emissions | Scope 3 breakdown (%) |
|---------------------------------|--|--|--|----------------------|----------------------|-----------------------|
| Scope1                          |  |  |  | 873                  | 924                  |                       |
| Scope2                          |  |  |  | 61,549               | 69,484               |                       |
| Scope1+2                        |  |  |  | 62,422               | 70,408               |                       |
| Scope3                          |  |  |  |                      |                      |                       |
| Category 1                      | Purchased goods and services   | For major suppliers, calculated the intensity based on figures disclosed by each company. Applied the weighted average to other suppliers. |  | 376,981              | 525,157              | 90%                   |
| Category 2                      | Capital goods  | Calculated by multiplying the amount of capital expenditure by the coefficient set by the Ministry of the Environment.                     |  | 16,775               | 28,640               | 5%                    |
| Category 3                      | Fuel- and energy-related activities not included in Scope 1 or Scope 2 | Estimated from the annual consumption of each type of energy.  |  | 7,098                | 7,970                | 1%                    |
| Category 4                      | Upstream transportation and distribution                               | Calculated based on the ton-kilometer method.  |  | 7,276                | 10,563               | 2%                    |
| Category 5                      | Waste generated in operations  | —  |  | —                    | —                    |                       |
| Category 6                      | Business travel  | Calculated by multiplying the number of employees by the coefficient set by the Ministry of the Environment.                               |  | 1,463                | 1,606                | 0%                    |
| Category 7                      | Employee commuting   | Calculated by multiplying the number of employees by the coefficient set by the Ministry of the Environment.                               |  | 4,693                | 5,137                | 1%                    |
| Category 8                      | Upstream leased assets   | (Not applicable)   |  | —                    | —                    |                       |
| Category 9                      | Downstream transportation and distribution                             | —  |  | —                    | —                    |                       |
| Category 10                     | Processing of sold products  | —  |  | —                    | —                    |                       |
| Category 11                     | Use of sold products   | Estimated GHG emissions from the use of scanner products (for five years).   |  | 2,049                | 2,275                | 0%                    |
| Category 12                     | End-of-life treatment of sold products                                 | —  |  | —                    | —                    |                       |
| Category 13                     | Downstream leased assets   | (Not applicable)   |  | —                    | —                    |                       |
| Category 14                     | Franchises   | (Not applicable)   |  | —                    | —                    |                       |
| Category 15                     | Investments  | Included equity method affiliates, investments in which are considered important.  |  | 544                  | 1,678                | 0%                    |
| Scope 3 total                   |  |  |  | 416,879              | 583,026              |                       |



Society

As initiatives for the development of a sustainable society are spreading around the world, we will contribute to solving social issues through our business activities, and as a company with a global business presence, we will firmly root ourselves in each region and be involved in the development of local communities. Moreover, in order to actively accept diverse human resources for the realization of a society in which everyone can participate, we will promote initiatives related to new work styles and create an environment in which human resources can grow and play an active role. In the supply chain, we will fulfill our social responsibility to ensure that we are not involved in human rights abuses through our procurement activities.

Respect for human rights

The SIIX Group has established a code of conduct to be observed by all employees of SIIX, and in particular, respect for human rights is an important issue for SIIX to fulfill its social responsibility as a public entity of society.

Standard 5 Fostering a Healthy Workplace Environment

We will respect the personality and individuality of each employee. Based on this mutual respect and understanding, we will strive to maintain a safe and satisfying workplace environment.

5-3 Respect for Human Rights

1. We will respect the fundamental human rights and the dignity of the individual, and will avoid speech or conducts such as harassment, defamation, insults, verbal abuse or unreasonable coercion that take advantage of our official or business position.

2. We will not discriminate any personnel according to nationality, race, ethnic origin, belief, religion, sex, age, physical or mental disability or any other legally protected status.

3. We will not engage in actions that may constitute sexual harassment.

4. We will take no part in, nor sanction, child labor or forced labor.

The SIIX Group prohibits child employment and forced labor at all locations in its Code of Conduct, and regularly inspects all locations to control and prevent such occurrences.

In addition, working hours and wages are appropriately managed at each site, and all sites are regularly surveyed.

With regard to harassment, we have established harassment prevention rules separate from the Code of Conduct, and are working to prevent not only gender-based harassment but also sexual harassment, power harassment, and harassment related to pregnancy, childbirth, childcare leave, and nursing care leave.

Lectures on power harassment, sexual harassment, and trends in regulations and risks are given by external directors to all executives, managers, and assistant managers.

Safety and health

Safety and health policy

At SIIX, in accordance with our Code of Conduct, we take appropriate measures to ensure that all employees can work safely regardless of nationality, race, ethnicity, creed, religion, gender, age, disability, medical history, etc., in accordance with the ordinances and culture of each country and region where we operate.

Standard 5 Fostering a Healthy Workplace Environment

We will respect the personality and individuality of each employee. Based on this mutual respect and understanding, we will strive to maintain a safe and satisfying workplace environment.

Standard 6 Harmony with the Community

We will mutually respect the culture and practices of different countries or regions, and will engage in contributions to the development of the local community through corporate activities rooted in our respective regional area of operations.

|                         |   |
|-------------------------|---|
| Examples of initiatives | Countermeasures against infectious diseases (distribution of masks, installation of disinfectant and acrylic panels, etc.), implementation of health checkups, stress checks, vaccinations, collaboration with industrial physicians, implementation of health and safety education, etc. |
|-------------------------|---|

Diversity and inclusion

We believe that creating an environment where human resources with diverse backgrounds can demonstrate their individualities and abilities invigorates and develops the entire organization.

By also developing systems that support employees' work-life balance to allow all of them to work energetically, we will strive to contribute to the realization of a society where everyone can play an active role.

Promoting the active involvement of local human resources in the workplace

In order to expand our business globally, we have established offices around the world and many local staff members support our business in each region. By training many local executives in management at each location, we aim to increase each executive's loyalty to the company, which will lead to improved business performance and corporate value for each company.

Local executives accounted for 77.3% of all executives in FY2021.

From the perspective of further delegation of authority, we will identify outstanding local employees and actively promote them to the executive level.

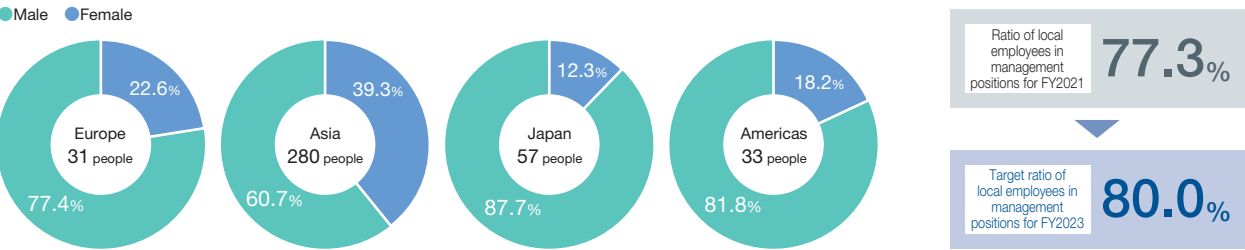
We already have non-Japanese employees in management and other key positions at our local subsidiaries.

Promoting the active involvement of women in the workplace

We are promoting diversity so that employees with diverse backgrounds can play an active role, and increasing the ratio of women in management positions is one of the issues we need to address. We support the Japan Business Federation's (Keidanren's) "Challenge Initiatives for 30% of Executives to be Women by 2030," which aims to "increase the ratio of female executives to at least 30% by 2030," and have been promoting the appointment of female employees who are playing an active role. Our medium-term business plan by 2023 aims for a 50% ratio of women in management positions.

SIIX was certified as an "Osaka city female employees leading company" (certification level★★) on March 1 of 2018.

Number of employee in management positions & gender ratio by area



Ratio of women in management positions

Currently, there are no female members of the Board of Directors, although the company has female executive officers. In the future, we will consider appointing female board members from the perspective of diversity. We already have female employees in management and other key positions at our local subsidiaries, and the percentage of female executives in all management positions is 32.4% for FY2021. We will further promote the employment of women who are active in the field to raise this figure to 50% by FY2023.

Systems to support diverse work styles

|                             |  |
|-----------------------------|--|
| Examples of support systems | Program for childcare/nursing care leave, promotion of shortened working hours, welcome back program, program for working from home, vaccine leave, etc. |
|-----------------------------|--|

Society

Social initiatives in the supply chain

Supply chain management

With the globalization of corporate activities and the complexity of the supply chain, SIIX respects human rights and complies with laws and regulations throughout the supply chain. We thus actively work on CSR, “Corporate Social Responsibility,” to realize a sustainable society.

Establishment of the SIIX Group CSR Procurement Guidelines

We have established the SIIX Group CSR Procurement Guidelines as one of the means to promote our activities in the supply chain.

Major suppliers have agreed with the guidelines, which are posted on our website.

Going forward, we will inspect our suppliers regularly to monitor compliance and keep track of the status.



<https://www.siix.co.jp/en/sustainability/social/>

Quality

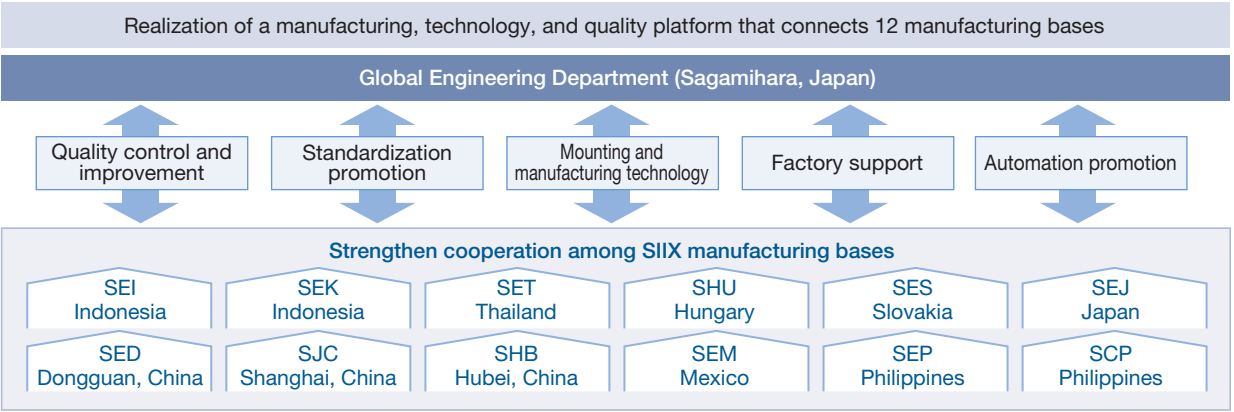
In order to ensure identical quality worldwide, we will develop more efficient and high-quality production systems by advancing information sharing, automation, and labor-saving. As a company engaged in manufacturing, we are committed to complying with environmental laws and regulations to conduct production activities in an environmentally friendly manner. In our activities for materials procurement, we will strive to fulfill our social responsibility, emphasizing the perspective of ensuring transparency in our supply chain.

(1) Quality and environmental policy

- As a global company with a primary focus on customer, we will strive to exceed customers’ expectations by fulfilling customer satisfaction, capturing future needs and meeting their requirements.
- We will establish quality and environmental management systems on a global basis with ISO 9001, IATF 16949 and ISO 14001, and implement their operations based on the corporate philosophy of the SIIX Group.
- In addition to strictly complying with relevant laws and regulations, as well as regulatory requirements, we aim to be a company that contributes to society through our business activities, environmental activities, and business continuity activities.
- Aiming to contribute to sustainable economic development, we will promote environmental conservation by preventing environmental pollution and promoting energy and resource conservation for continuous environmental impact reduction.

(2) Quality assurance system

Global network & management

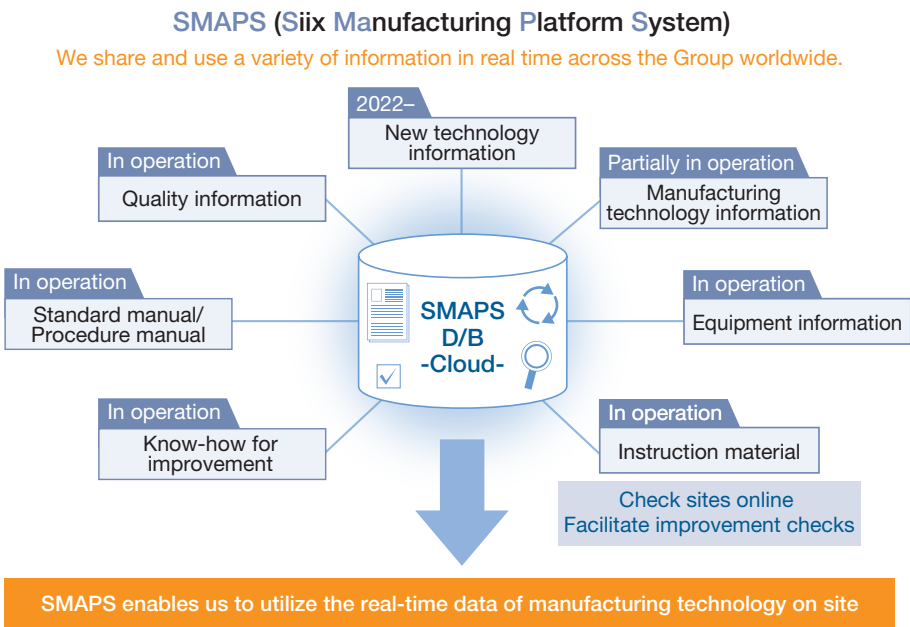


Measures to strengthen manufacturing technology and quality

To be able to respond to future requests for Digital Transformation (DX), SIIX has been focusing on mounting and manufacturing technology and factory environment creation.

In addition, we have been strengthening quality governance and developing group-wide information sharing systems. In particular, we have established a cloud system called the Siix Manufacturing Platform System (SMAPS) to share and use all kinds of information in real time across the world. Furthermore, the Global Engineering Department, key members of each base, and staff in the Philippines support each other to strengthen the technology and quality support system between bases around the world. Going forward, we will further strengthen the support system.

Standardization and sharing information of manufacturing, technology, quality



Responsible sourcing of minerals

“Responsible Sourcing of Minerals” is defined as “striving to avoid the use of minerals that have possibility of involvement in human rights abuses from a CSR perspective.” In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act and EU regulations, we conduct annual surveys on conflict minerals to ensure transparency in our supply chain. We will continue to promote the elimination of conflict minerals by proactively conducting surveys in order to fulfill our social responsibility with our business partners.

|                                |   |
|--------------------------------|---|
| Minerals subject to the policy | Tantalum, tin, tungsten, and gold (3TG) |
|--------------------------------|---|

Certifications, standards, etc.

- We advance initiatives in accordance with international certifications and guidelines on sustainability.
- ISO 9001: International standards for quality management systems
  - ISO 14001: International standards for environmental management systems
  - ISO 27001: International standards for information security management systems (ISMS)
  - ICTI (International Council of Toy Industries)



Consolidated Financial Summary

|   |  |             | FY2011  | FY2012  | FY2013  | FY2014  | FY2015  | FY2016   | FY2017   | FY2018   | FY2019   | FY2020   | FY2021   |
|---|--|-------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|----------|
| Financial Information   |  |             |         |         |         |         |         |          |          |          |          |          |          |
| Net sales   | Million yen  |             | 167,825 | 190,692 | 207,009 | 209,755 | 235,035 | 212,768  | 233,153  | 242,804  | 223,037  | 181,598  | 226,833  |
| Operating income  | Million yen  |             | 4,027   | 4,647   | 5,011   | 6,233   | 8,913   | 9,134    | 9,705    | 8,625    | 5,506    | 4,452    | 4,954    |
| Ordinary income   | Million yen  |             | 4,582   | 4,973   | 5,427   | 6,460   | 9,002   | 9,146    | 10,513   | 8,717    | 5,634    | 4,444    | 5,934    |
| Profit attributable to owners of parent   | Million yen  |             | 2,723   | 3,076   | 3,321   | 4,131   | 6,717   | 6,698    | 7,093    | 6,414    | 3,695    | 1,724    | 4,561    |
| Selling, general and administrative expenses  | Million yen  |             | 6,113   | 6,671   | 8,072   | 8,889   | 10,802  | 11,067   | 12,922   | 12,010   | 12,155   | 11,697   | 15,165   |
| Depreciation and amortization   | Million yen  |             | 1,972   | 2,404   | 2,916   | 3,166   | 3,805   | 3,271    | 3,465    | 4,235    | 5,477    | 6,046    | 6,129    |
| Total assets  | Million yen  |             | 59,471  | 74,703  | 89,204  | 103,429 | 109,957 | 109,695  | 130,526  | 137,350  | 143,391  | 144,436  | 169,921  |
| Net assets  | Million yen  |             | 20,126  | 25,453  | 33,185  | 41,497  | 49,739  | 51,573   | 57,609   | 56,016   | 58,249   | 56,498   | 66,369   |
| Equity capital  | Million yen  |             | 19,700  | 25,277  | 32,985  | 41,310  | 49,585  | 51,332   | 57,252   | 55,655   | 57,846   | 56,084   | 65,879   |
| Interest-bearing debt   | Million yen  |             | 16,865  | 16,511  | 18,546  | 19,128  | 12,614  | 11,458   | 19,553   | 32,969   | 38,667   | 47,471   | 51,350   |
| Net cash provided by (used in) operating activities   | Million yen  |             | 163     | 7,546   | 3,438   | 2,374   | 7,996   | 6,333    | 4,536    | 966      | 8,945    | 13,280   | (8,106)  |
| Net cash provided by (used in) investment activities  | Million yen  |             | (3,851) | (4,598) | (3,216) | (2,827) | (5,113) | (5,450)  | (9,211)  | (6,515)  | (9,602)  | (6,034)  | (7,765)  |
| Net cash provided by (used in) financing activities   | Million yen  |             | 2,608   | (1,932) | (105)   | (1,286) | 3,352   | (4,171)  | 6,410    | 7,991    | 2,923    | 1,291    | 869      |
| Cash and cash equivalents at end of period  | Million yen  |             | 4,450   | 6,263   | 7,518   | 6,497   | 12,473  | 8,776    | 10,574   | 12,813   | 15,035   | 22,968   | 9,315    |
| Free cash flow  | Million yen  |             | (3,687) | 2,947   | 222     | (453)   | 2,883   | 882      | (4,674)  | (5,549)  | (656)    | 7,246    | (15,872) |
| Capital expenditure   | Million yen  |             | 4,085   | 3,463   | 1,134   | 2,857   | 3,764   | 4,528    | 6,167    | 7,483    | 9,082    | 5,573    | 9,516    |
| Per-share Data*   |  |             |         |         |         |         |         |          |          |          |          |          |          |
| Net income per share (EPS)  | Yen  |             | 57.71   | 65.19   | 70.37   | 87.53   | 137.94  | 133.81   | 144.01   | 131.45   | 78.21    | 36.48    | 96.53    |
| Net assets per share (BPS)  | Yen  |             | 417.39  | 535.55  | 698.87  | 875.24  | 986.35  | 1,042.20 | 1,162.33 | 1,178.04 | 1,224.26 | 1,186.71 | 1,393.92 |
| Dividends per share   | Yen  |             | 14.0    | 15.0    | 16.0    | 17.0    | 21.0    | 25.0     | 26.0     | 27.0     | 28.0     | 29.0     | 30.0     |
| *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. |  |             |         |         |         |         |         |          |          |          |          |          |          |
| Key Indicators  |  |             |         |         |         |         |         |          |          |          |          |          |          |
| EBITDA  | (Operating income + depreciation and amortization)                                   | Million yen | 5,999   | 7,051   | 7,927   | 9,399   | 12,719  | 12,406   | 13,170   | 12,861   | 10,983   | 10,498   | 11,084   |
| Capital-to-asset ratio  | (Equity capital / Total assets (fiscal year-end))                                    | %           | 33.1    | 33.8    | 37.0    | 39.9    | 45.1    | 46.8     | 43.9     | 40.5     | 40.3     | 38.8     | 38.8     |
| Debt-to-equity ratio  | (Interest-bearing debt / Equity capital (fiscal year-end))                           | Times       | 0.9     | 0.7     | 0.6     | 0.5     | 0.3     | 0.2      | 0.3      | 0.6      | 0.7      | 0.8      | 0.8      |
| Return on equity  | (Profit attributable to owners of parent / Average equity capital during the period) | %           | 13.9    | 13.7    | 11.4    | 11.1    | 14.8    | 13.3     | 13.1     | 11.4     | 6.5      | 3.0      | 7.5      |
| Rate of ordinary income to total assets   | (Ordinary income / Average total assets during the period)                           | %           | 7.5     | 7.4     | 6.6     | 6.7     | 8.4     | 8.3      | 8.8      | 6.5      | 4.0      | 3.1      | 3.8      |
| Payout ratio  | ((Interim dividends + Year-end dividends) / Profit attributable to owners of parent) | %           | 24.3    | 23.0    | 22.7    | 19.4    | 15.2    | 18.7     | 18.1     | 20.5     | 35.8     | 79.5     | 31.1     |
| Employees   |  |             |         |         |         |         |         |          |          |          |          |          |          |
|   | Number of employees  |             | 8,301   | 9,029   | 8,641   | 9,545   | 10,352  | 10,820   | 11,659   | 13,632   | 12,721   | 11,257   | 12,354   |

Consolidated Financial Statements

SIIX Corporation and its consolidated subsidiaries  
Fiscal years ended December 31, 2020 and 2021

Consolidated Balance Sheets

| Assets                                 |                         |                         | (Million yen) |
|--|-------------------------|-------------------------|---------------|
|  | As of December 31, 2020 | As of December 31, 2021 |               |
| Current assets                         |                         |                         |               |
| Cash and deposits                      | 23,130                  | 9,484                   |               |
| Notes and accounts receivable - trade  | 37,057                  | 47,278                  |               |
| Merchandise and finished goods         | 19,274                  | 22,261                  |               |
| Work in process                        | 1,376                   | 1,903                   |               |
| Raw materials and supplies             | 15,880                  | 34,075                  |               |
| Other                                  | 7,574                   | 7,845                   |               |
| Allowance for doubtful accounts        | (39)                    | (50)                    |               |
| Total current assets                   | 104,254                 | 122,797                 |               |
| Noncurrent assets                      |                         |                         |               |
| Property, plant and equipment          |                         |                         |               |
| Buildings and structures               | 21,939                  | 27,673                  |               |
| Accumulated depreciation               | (8,387)                 | (10,286)                |               |
| Buildings and structures, net          | 13,551                  | 17,386                  |               |
| Machinery, equipment and vehicles      | 39,095                  | 45,858                  |               |
| Accumulated depreciation               | (28,520)                | (33,427)                |               |
| Machinery, equipment and vehicles, net | 10,575                  | 12,431                  |               |
| Tools, furniture and fixtures          | 3,508                   | 3,977                   |               |
| Accumulated depreciation               | (2,667)                 | (3,079)                 |               |
| Tools, furniture and fixtures, net     | 840                     | 897                     |               |
| Land                                   | 3,815                   | 3,893                   |               |
| Construction in progress               | 1,021                   | 981                     |               |
| Other                                  | 3,398                   | 3,322                   |               |
| Accumulated depreciation               | (1,135)                 | (1,149)                 |               |
| Other, net                             | 2,262                   | 2,173                   |               |
| Total property, plant and equipment    | 32,066                  | 37,764                  |               |
| Intangible assets                      |                         |                         |               |
| Software                               | 1,581                   | 2,075                   |               |
| Other                                  | 839                     | 514                     |               |
| Total intangible assets                | 2,421                   | 2,590                   |               |
| Investments and other assets           |                         |                         |               |
| Investment securities                  | 2,101                   | 2,385                   |               |
| Investments in capital                 | 958                     | 957                     |               |
| Long-term loans receivable             | 62                      | 63                      |               |
| Assets for retirement benefits         | 360                     | 430                     |               |
| Deferred tax assets                    | 1,554                   | 2,058                   |               |
| Other                                  | 1,178                   | 976                     |               |
| Allowance for doubtful accounts        | (523)                   | (102)                   |               |
| Total investments and other assets     | 5,693                   | 6,768                   |               |
| Total noncurrent assets                | 40,181                  | 47,123                  |               |
| Total assets                           | 144,436                 | 169,921                 |               |

| Liabilities                              |                         |                         | (Million yen) |
|--|-------------------------|-------------------------|---------------|
|  | As of December 31, 2020 | As of December 31, 2021 |               |
| Current liabilities                      |                         |                         |               |
| Accounts payable-trade                   | 27,481                  | 37,298                  |               |
| Short-term loans payable                 | 23,810                  | 31,561                  |               |
| Income taxes payable                     | 1,710                   | 1,667                   |               |
| Other                                    | 6,852                   | 9,306                   |               |
| Total current liabilities                | 59,855                  | 79,833                  |               |
| Noncurrent liabilities                   |                         |                         |               |
| Bonds with subscription rights to shares | 10,000                  | 10,000                  |               |
| Long-term loans payable                  | 12,061                  | 8,446                   |               |
| Liabilities for retirement benefits      | 751                     | 668                     |               |
| Deferred tax liabilities                 | 3,265                   | 2,848                   |               |
| Other                                    | 2,004                   | 1,754                   |               |
| Total noncurrent liabilities             | 28,082                  | 23,718                  |               |
| Total liabilities                        | 87,937                  | 103,551                 |               |

| Net assets  |                         |                         | (Million yen) |
|---|-------------------------|-------------------------|---------------|
|   | As of December 31, 2020 | As of December 31, 2021 |               |
| Shareholders' equity                                  |                         |                         |               |
| Capital stock   | 2,144                   | 2,144                   |               |
| Capital surplus                                       | 5,631                   | 5,630                   |               |
| Retained earnings                                     | 53,980                  | 57,074                  |               |
| Treasury stock  | (5,949)                 | (5,945)                 |               |
| Total shareholders' equity                            | 55,806                  | 58,902                  |               |
| Accumulated other comprehensive income                |                         |                         |               |
| Valuation difference on available-for-sale securities | 90                      | 528                     |               |
| Foreign currency translation adjustment               | 323                     | 6,404                   |               |
| Adjustment for retirement benefits                    | (136)                   | 44                      |               |
| Total accumulated other comprehensive income          | 277                     | 6,976                   |               |
| Share acquisition rights                              | 59                      | 77                      |               |
| Non-controlling interests                             | 354                     | 412                     |               |
| Total net assets                                      | 56,498                  | 66,369                  |               |
| Total liabilities and net assets                      | 144,436                 | 169,921                 |               |



Consolidated Statements of Income

(Million yen)

|   | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2021 |
|---|---|---|
| Net sales   | 181,598                                 | 226,833                                 |
| Cost of sales   | 165,448                                 | 206,712                                 |
| Gross profit  | 16,150                                  | 20,120                                  |
| Selling, general and administrative expenses                | 11,697                                  | 15,165                                  |
| Operating income  | 4,452                                   | 4,954                                   |
| Non-operating income  |   |   |
| Interest income   | 142                                     | 26                                      |
| Dividends income  | 49                                      | 191                                     |
| Foreign exchange gains                                      | —                                       | 286                                     |
| Subsidy income  | 221                                     | 201                                     |
| Gain on sales of goods                                      | 205                                     | 328                                     |
| Gain on sales of scraps                                     | 167                                     | 172                                     |
| Other   | 254                                     | 373                                     |
| Total non-operating income                                  | 1,041                                   | 1,579                                   |
| Non-operating expenses                                      |   |   |
| Interest expenses   | 373                                     | 284                                     |
| Share of loss of entities accounted for using equity method | 63                                      | 33                                      |
| Foreign exchange losses                                     | 25                                      | —                                       |
| Purchase of goods   | 153                                     | 148                                     |
| Other   | 433                                     | 133                                     |
| Total non-operating expenses                                | 1,049                                   | 599                                     |
| Ordinary income   | 4,444                                   | 5,934                                   |
| Extraordinary income  |   |   |
| Gain on reversal of share acquisition rights                | 2                                       | 0                                       |
| Total extraordinary income                                  | 2                                       | 0                                       |
| Extraordinary losses  |   |   |
| Losses related to novel coronavirus infections              | 1,683                                   | —                                       |
| Total extraordinary losses                                  | 1,683                                   | —                                       |
| Income before income taxes                                  | 2,763                                   | 5,935                                   |
| Income taxes - current                                      | 690                                     | 2,273                                   |
| Income taxes - deferred                                     | 342                                     | (908)                                   |
| Total income taxes  | 1,032                                   | 1,364                                   |
| Net income  | 1,730                                   | 4,570                                   |
| Profit attributable to non-controlling interests            | 6                                       | 8                                       |
| Profit attributable to owners of parent                     | 1,724                                   | 4,561                                   |

Consolidated Statements of Comprehensive Income

(Million yen)

|   | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2021 |
|---|---|---|
| Net income  | 1,730                                   | 4,570                                   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | 156                                     | 439                                     |
| Deferred gains or losses on hedges  | (3)                                     | —                                       |
| Foreign currency translation adjustment   | (2,302)                                 | 6,060                                   |
| Remeasurements of defined benefit plans   | 6                                       | 167                                     |
| Share of other comprehensive income of entities accounted for using equity method | (35)                                    | 87                                      |
| Total other comprehensive income  | (2,178)                                 | 6,754                                   |
| Comprehensive income  | (447)                                   | 11,324                                  |
| Comprehensive income attributable to:   |   |   |
| Comprehensive income attributable to owners of parent                             | (458)                                   | 11,266                                  |
| Comprehensive income attributable to non-controlling interests                    | 11                                      | 57                                      |

Consolidated Statements of Changes in Net Assets

For the year ended December 31, 2020

(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                | 5,630           | 53,579            | (5,968)        | 55,386  | 2,460                                  | 60                       | 342                       | 58,249           |
| Changes of items during the period                   |                      |                 |                   |                |         |  |                          |                           |                  |
| Dividends from surplus                               |                      |                 | (1,323)           |                | (1,323) |  |                          |                           | (1,323)          |
| Profit attributable to owners of parent              |                      |                 | 1,724             |                | 1,724   |  |                          |                           | 1,724            |
| Purchase of treasury stock                           |                      |                 |                   |                | —       |  |                          |                           | —                |
| Disposal of treasury stock                           |                      | 0               |                   | 18             | 19      |  |                          |                           | 19               |
| Change of scope of consolidation                     |                      |                 |                   |                | —       |  |                          |                           | —                |
| Net changes in items other than shareholders' equity |                      |                 |                   |                |         | (2,182)                                | (0)                      | 11                        | (2,171)          |
| Total changes of items during the period             | —                    | 0               | 401               | 18             | 420     | (2,182)                                | (0)                      | 11                        | (1,751)          |
| Balance at end of period                             | 2,144                | 5,631           | 53,980            | (5,949)        | 55,806  | 277                                    | 59                       | 354                       | 56,498           |

For the year ended December 31, 2021

(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                | 5,631           | 53,980            | (5,949)        | 55,806  | 277                                    | 59                       | 354                       | 56,498           |
| Changes of items during the period                   |                      |                 |                   |                |         |  |                          |                           |                  |
| Dividends from surplus                               |                      |                 | (1,417)           |                | (1,417) |  |                          |                           | (1,417)          |
| Profit attributable to owners of parent              |                      |                 | 4,561             |                | 4,561   |  |                          |                           | 4,561            |
| Purchase of treasury stock                           |                      |                 |                   | (0)            | (0)     |  |                          |                           | (0)              |
| Disposal of treasury stock                           |                      | (1)             |                   | 3              | 2       |  |                          |                           | 2                |
| Change of scope of consolidation                     |                      |                 | (50)              |                | (50)    | (5)                                    |                          |                           | (55)             |
| Net changes in items other than shareholders' equity |                      |                 |                   |                |         | 6,704                                  | 17                       | 57                        | 6,780            |
| Total changes of items during the period             | —                    | (1)             | 3,093             | 3              | 3,095   | 6,699                                  | 17                       | 57                        | 9,870            |
| Balance at end of period                             | 2,144                | 5,630           | 57,074            | (5,945)        | 58,902  | 6,976                                  | 77                       | 412                       | 66,369           |

Consolidated Statements of Cash Flows

(Million yen)

|  | For the year ended<br>December 31, 2020 | For the year ended<br>December 31, 2021 |
|--|---|---|
| Net cash provided by (used in) operating activities                      |   |   |
| Income before income taxes   | 2,763                                   | 5,935                                   |
| Depreciation and amortization  | 6,046                                   | 6,129                                   |
| Increase (decrease) in allowance for doubtful accounts                   | (18)                                    | (420)                                   |
| Interest and dividends income  | (192)                                   | (217)                                   |
| Interest expenses  | 373                                     | 284                                     |
| Foreign exchange losses (gains)  | 67                                      | (904)                                   |
| Share of loss (profit) of entities accounted for using equity method     | 63                                      | 33                                      |
| Decrease (increase) in trade receivables                                 | (553)                                   | (7,428)                                 |
| Decrease (increase) in inventories                                       | 4,385                                   | (18,110)                                |
| Decrease (increase) in consumption taxes refund receivable               | (269)                                   | (109)                                   |
| Increase (decrease) in trade payables                                    | 824                                     | 7,794                                   |
| Increase (decrease) in advances received                                 | (738)                                   | (137)                                   |
| Other  | 2,166                                   | 1,597                                   |
| Subtotal   | 14,919                                  | (5,554)                                 |
| Interest and dividends income received                                   | 208                                     | 238                                     |
| Interest expenses paid   | (380)                                   | (294)                                   |
| Income taxes paid  | (1,467)                                 | (2,496)                                 |
| Net cash provided by (used in) operating activities                      | 13,280                                  | (8,106)                                 |
| Net cash provided by (used in) investment activities                     |   |   |
| Purchase of property, plant and equipment                                | (5,394)                                 | (7,443)                                 |
| Proceeds from sales of property, plant and equipment                     | 94                                      | 40                                      |
| Purchase of intangible assets  | (742)                                   | (688)                                   |
| Proceeds from sale of investment securities                              | 110                                     | 119                                     |
| Payments of loans receivable   | (49)                                    | (31)                                    |
| Collection of loans receivable   | 23                                      | 30                                      |
| Purchase of shares of subsidiaries and affiliates                        | (213)                                   | (1)                                     |
| Proceeds from subsidy income   | 200                                     | 163                                     |
| Other  | (62)                                    | 45                                      |
| Net cash provided by (used in) investment activities                     | (6,034)                                 | (7,765)                                 |
| Net cash provided by (used in) financing activities                      |   |   |
| Net increase (decrease) in short-term loans payable                      | (4,863)                                 | 5,732                                   |
| Proceeds from long-term loans payable                                    | 10,211                                  | 2,591                                   |
| Repayment of long-term loans payable                                     | (6,270)                                 | (5,584)                                 |
| Proceeds from issuance of bonds  | 9,949                                   | —                                       |
| Redemption of bonds with share acquisition rights                        | (5,948)                                 | —                                       |
| Purchase of treasury stock   | —                                       | (0)                                     |
| Cash dividends paid  | (1,324)                                 | (1,417)                                 |
| Other  | (463)                                   | (452)                                   |
| Net cash provided by (used in) financing activities                      | 1,291                                   | 869                                     |
| Effect of exchange rate change on cash and cash equivalents              | (605)                                   | 1,309                                   |
| Net increase (decrease) in cash and cash equivalents                     | 7,932                                   | (13,693)                                |
| Cash and cash equivalents at beginning of period                         | 15,035                                  | 22,968                                  |
| Increase in cash and cash equivalents from newly consolidated subsidiary | —                                       | 40                                      |
| Cash and cash equivalents at end of period                               | 22,968                                  | 9,315                                   |

Corporate Data

Corporate Outline

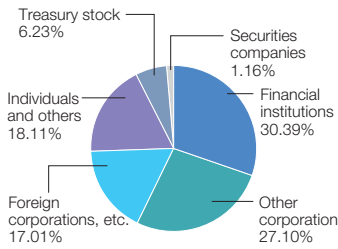
|                     |   |
|---------------------|---|
| Company name        | SIIX Corporation  |
| Established         | July 1, 1992  |
| Paid-up capital     | 2,144 million yen (as of December 31, 2021)   |
| Location            | Osaka SIIX BLDG, 1-4-9, Bingo-machi, Chuo-ku,<br>Headquarters: Osaka 541-0051 JAPAN<br><br>Tokyo SIIX BLDG, 2-3-25, Kudanminami, Chiyoda-ku,<br>Headquarters: Tokyo 102-0074 JAPAN<br><br>Nagoya Sales 2F SIIX BLDG, 3-2-11, Meieki, Nakamura-ku,<br>Department: Nagoya, Aichi 450-0002 JAPAN |
| Net sales           | 226,833 million yen (FY2021: consolidated)  |
| Number of employees | Non-consolidated: 215, consolidated: 12,354 (as of December 31, 2021)   |

Stock and Shareholder Information (as of December 31, 2021)

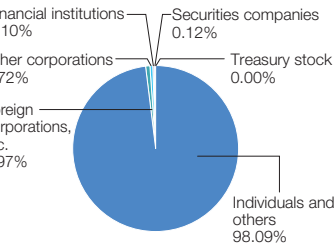
Stock information

|   |                     |
|---|---------------------|
| 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 | 22,642 shareholders |

Shareholding by type of shareholder



Number of shareholders by type of shareholder



Major shareholders

| Shareholder name                                     | Number of shares held<br>(in thousands) | Shareholding ratio (%) |
|--|---|------------------------|
| Sakata Inx Corporation                               | 10,812                                  | 21.45                  |
| The Master Trust Bank of Japan, Ltd. (trust account) | 6,172                                   | 12.25                  |
| Forty Six Ltd.                                       | 2,200                                   | 4.37                   |
| Resona Bank, Limited                                 | 2,170                                   | 4.31                   |
| Sumitomo Mitsui Banking Corporation                  | 2,160                                   | 4.29                   |
| Shiro Murai  | 1,400                                   | 2.78                   |
| Custody Bank of Japan, Ltd. (trust account)          | 1,138                                   | 2.26                   |
| Custody Bank of Japan, Ltd. (trust account 9)        | 1,042                                   | 2.07                   |
| THE BANK OF NEW YORK MELLON 140051                   | 987                                     | 1.96                   |
| MUFG Bank, Ltd.                                      | 720                                     | 1.43                   |

\*Aside from the above, SIIX owns 3,137,933 shares of treasury stock.

Website of SIIX

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

SIIX Corporation

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