

SIIX Corporation

2024 Integrated Report

Global Business Organizer

Always respond to customer needs with the spirit of "We Care".



Navigation buttons:



Link to a related page
in the report



Link to an external
website

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 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 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 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 2024 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.

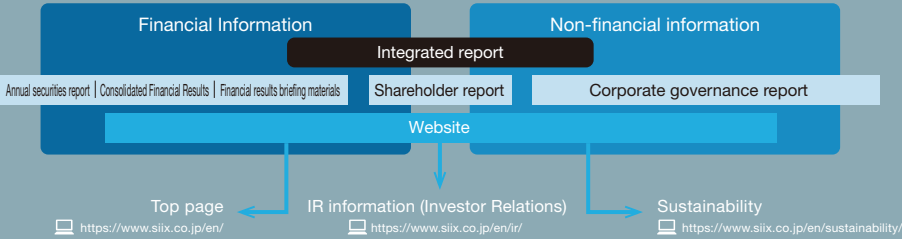
Disclaimer

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 : FY2023
(January 2023 - December 2023)
Some sections of this report include information during and after December 2023.
Scope : SIIX and its subsidiaries and affiliates

Information disclosure and communication



History of Value Creation

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.



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.

Commenced EMS business

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.

Expanded business mainly in Asia

The company spun off from Sakata Inx Corporation 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.

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.

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

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 (became our current mainstay factory)

1990

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

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-related equipment
After making a full-fledged entry into the field of automotive-related 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-related 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
Listed in the Second Section of the Tokyo Stock Exchange

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-related electronic components

2002

Commenced EMS business for automotive-related 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

2009

Patented a new method of circuit board mounting

2010

Established the company’s first domestic manufacturing subsidiary in Sagamiara City, Kanagawa Prefecture
Established a manufacturing subsidiary in Jakarta, Indonesia

2012

Marked the 20th anniversary of its establishment
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

2021

Integrated management of a sales subsidiary and a manufacturing subsidiary in Thailand

2022

Listed in the Prime Market of the Tokyo Stock Exchange
Marked the 65th anniversary of its founding, and the 30th anniversary of its establishment

2023

Integrated management of a sales subsidiary, a manufacturing subsidiary, and a die molding subsidiary in the Philippines
Established a third joint venture company with GD Midea Heating & Ventilating Equipment Co., Ltd.
Established a joint venture company with the Agency for Science, Technology and Research (A*STAR) and SIIX-AGT MEDTECH PTE. LTD.
Achieved sales of 300 billion yen

2024

Invested in a contract development and manufacturing company for bio-antibody drugs, and entered into the CDMO business

Social changes and issues

1960s

Period of high economic growth in Japan

1970s

Two oil crises

Late 1980s

Trade friction

Late 1990s

Burst of the bubble economy

1995

Great Hanshin-Awaji Earthquake

2008

Collapse of Lehman Brothers

2011

Great East Japan Earthquake

2018

U.S.-China trade friction

2020

Spread of COVID-19

2021

Semiconductor chip shortages

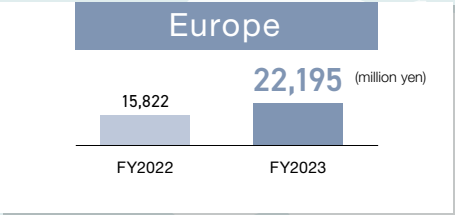
Global network

Global deployment with 50 bases in 15 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 15 countries worldwide that can assist in the global business development of our customers, from materials procurement to manufacturing and distribution.

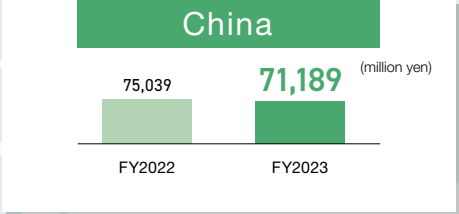
(As of the end of December 2023)

Contact for major European corporations



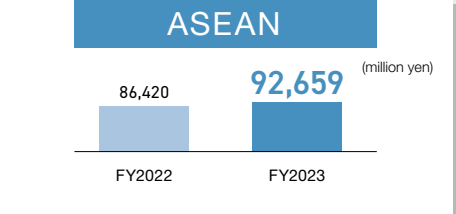
- 9 SIIX Europe GmbH
- 10 SIIX EMS Slovakia s.r.o.
- 11 SIIX Hungary kft.

Meeting domestic demand in China



- 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 H.K. Ltd.
- 17 SIIX TWN Co., Ltd.

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

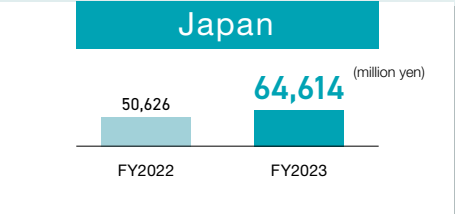


- 18 Thai SIIX Co., Ltd.
- 19 SIIX Vietnam Company Limited
- 20 SIIX Malaysia Sdn.Bhd
- 21 SIIX Phils., Inc.
- 22 SIIX EMS PHILIPPINES, INC.
- 23 SIIX Singapore Pte. Ltd.
- 24 PT SIIX Electronics Indonesia
- 25 PT. SIIX EMS INDONESIA
- 26 PT. SIIX Trading Indonesia

Main businesses

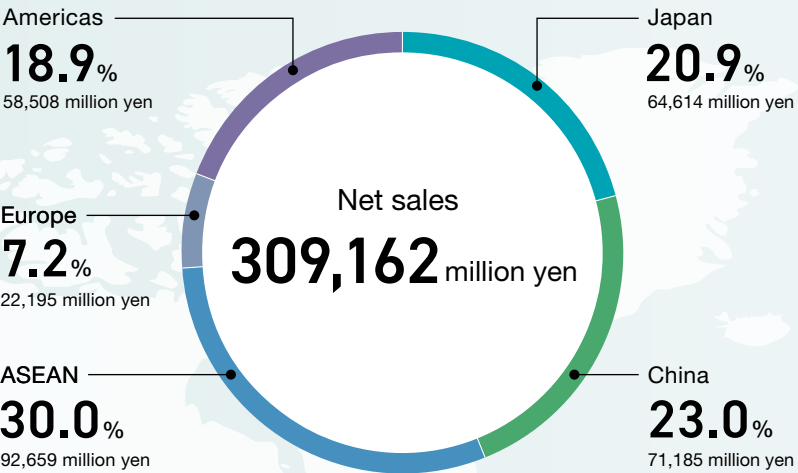
- Sales and distribution of electronic components, etc.
 - Sales of electronic components, etc.
 - Circuit board mounting, assembly and processing of devices and components
 - Plastic molding and die manufacturing
 - Branch office / representative office
- *★ indicates a non-consolidated subsidiary

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 309,768 million yen include 605 million yen that does not belong to any reportable segment.

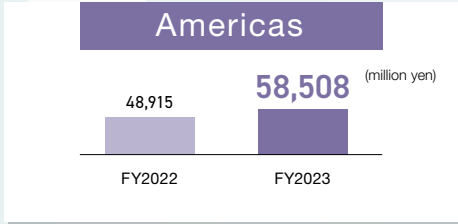
Promoting the use of renewable energy

The SIIX Group is committed to switching to renewable energy sources for the electricity used in its business activities. In FY2023, we installed solar panels at our factory in Xiaogan, Hubei Province, China, where electricity generation has begun. We are also promoting the use of renewable energy for the electricity we purchase from conventional power utilities, and have already achieved 100% use of renewable energy at our Kanagawa Factory, sales base in Germany, Slovakia Factory, and Hungary Factory. We aim to gradually expand the use of renewable energy in other regions to help address environmental issues.



Solar panels installed at Hubei Factory in China

Enhanced support for western corporations in Mexico

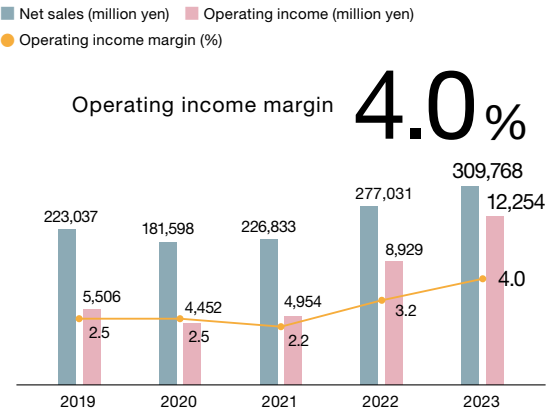


- 3 SIIX U.S.A. Corp.
- 4 SIIX U.S.A. Corp. Detroit Branch
- 5 SIIX U.S.A. Corp. Irvine Branch
- 6 SIIX MEXICO, S.A DE C.V.
- 7 SIIX EMS MEXICO, S. de R.L de C.V.
- 8 SIIX do Brasil Ltda.

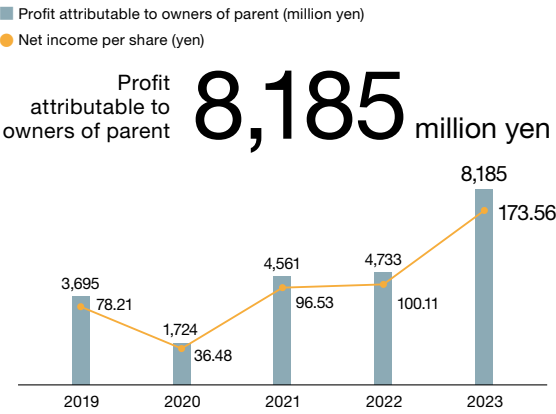
SIIX in Numbers [financial and non-financial high-lights]

Financial data

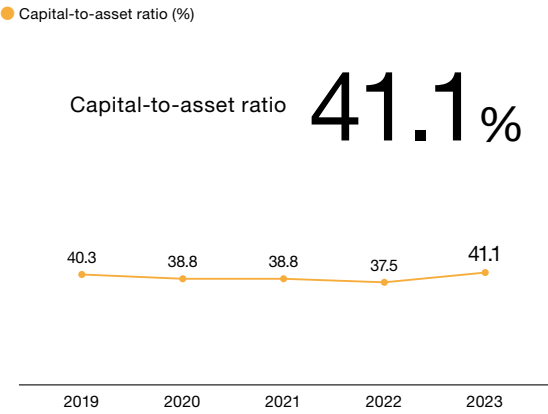
Net sales / Operating income / Operating income margin



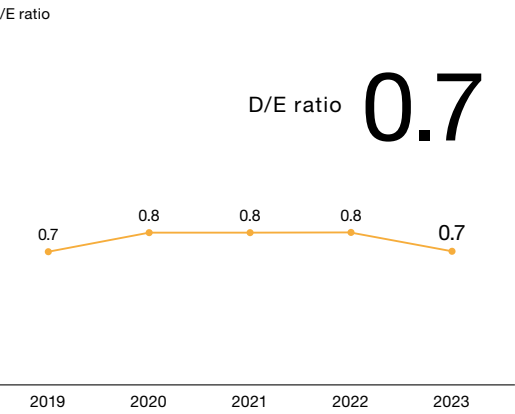
Profit attributable to owners of parent / Net income per share (EPS)



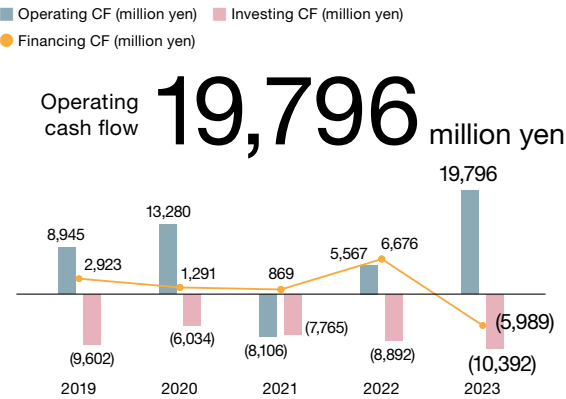
Capital-to-asset ratio



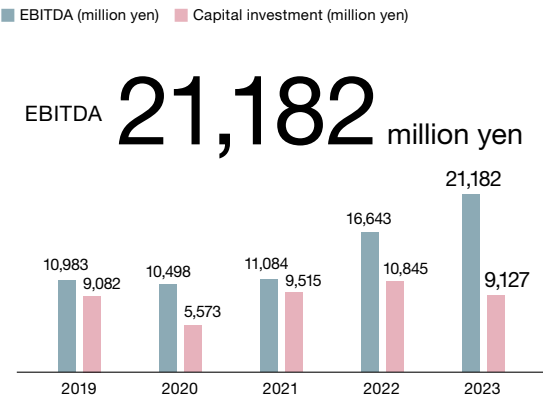
D/E ratio



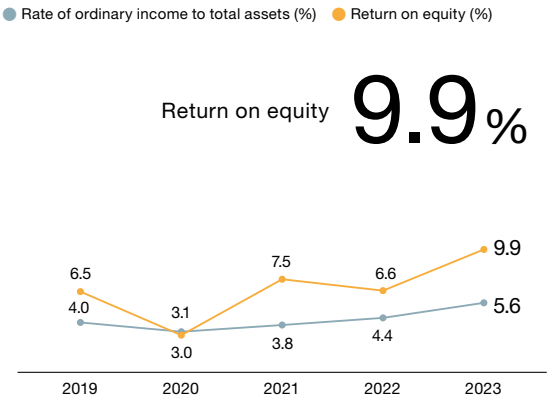
Operating cash flow / Investing cash flow / Financing cash flow



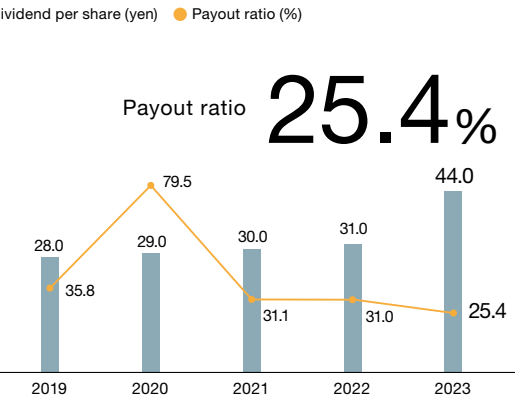
EBITDA / Capital investment



Rate of ordinary income to total assets / Return on equity



Dividend per share / Payout ratio

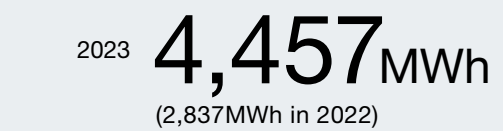


Non-financial data

Total CO₂ emissions (Scope1, 2, 3)



Actual solar panel power generation



*Operation at factories in China (Shanghai, Dongguan, and Hubei), Mexico, and Indonesia (Karawang).

Please refer to the Society section (p.51) for detailed information on our initiatives in social issues.

Ratio of women in management positions*

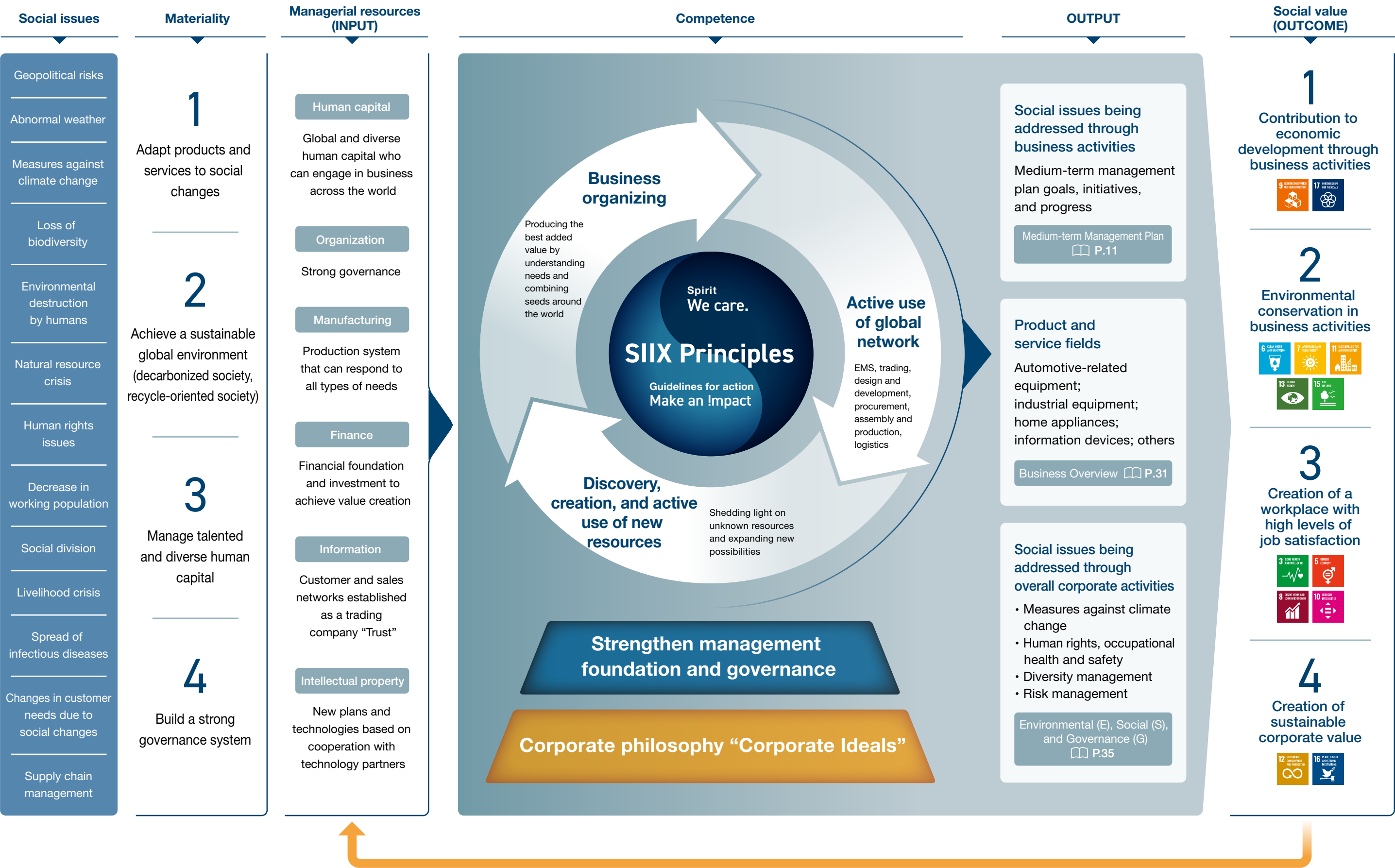


Ratio of local employees in management positions*



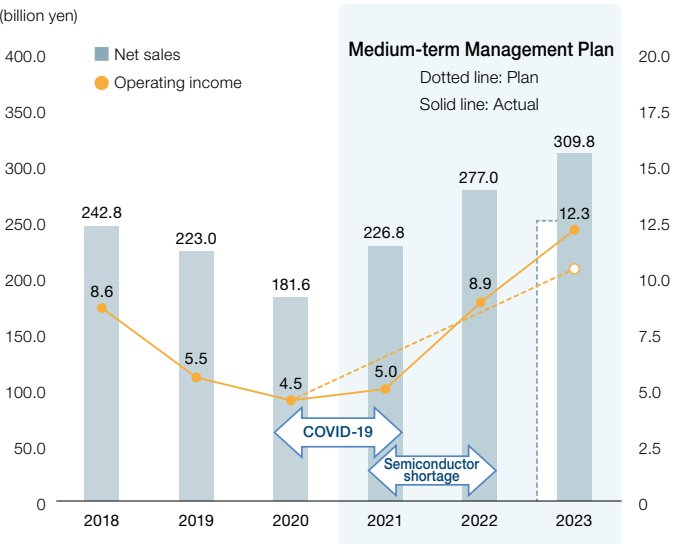
*Management position: job level above the rank of a manager in each consolidated company

Value Creation Process



Review of Previous Medium-term Management Plan (2021-2023)

Business performance trends 2021-2023



Against the targets for the final year of the medium-term management plan of consolidated net sales of 250.0 billion yen and consolidated operating income of 10.5 billion yen, the SIIX Group reported consolidated net sales of 309.8 billion yen and consolidated operating income of 12.3 billion yen in FY2023, achieving the numerical targets.

Summary of the 3 years, challenges for the future

- The operating income margin was affected by the external environment, including the COVID-19 pandemic, the deteriorating semiconductor procurement environment and rising transportation costs, and targets were not achieved.
- Despite growth in automotive-related business, we struggled to launch new projects. The sales ratio of non-Japanese companies was also weak.
- Inventory reduction did not proceed enough. Inventory turnover was 76-86 days. Even discounting a deteriorating procurement environment, targets were significantly underachieved. Also, it led to an increase in interest-bearing debt and a deterioration in CCC.

Goals		KPIs	Result at the end of 2023	
Expanding business with global companies	Expansion of transactions with non-Japanese companies	Non-Japanese customers ratio of sales: 25%	18.0%	Slow growth in business with large non-Japanese customers due to delays in launching new projects, reduced requirements, etc.
	Alliances with technology partners	Joint Design Manufacturing (JDM) Sales: 5.0 billion yen	5.3 billion yen (2021)	Targets were achieved through deals with iWOW, SIIX-ORIENT, etc. We are continuing sales activities toward collaboration in the field of printed electronics.
	Customer development in the medical field	Sales in medical equipment sector: 5.0 billion yen	1.6 billion yen	Little progress in developing customers
Contribution to a decarbonized society through businesses	Expansion of CASE-related transactions Expansion of IoT, labor-saving, energy-saving businesses, etc.	Non-commodity sector sales ratio: 85%	82.1%	Almost achieved due to growth in automotive-related transactions. Industrial equipment also grew, with power tools and in-flight AV equipment contributing.
		CASE-related sales: 35.0 billion yen	28.8 billion yen	Car multimedia and others did not reach the plan.
		Battery-related sales: 10.0 billion yen	19.0 billion yen	Batteries for power tools grew significantly. New projects were acquired in the automotive battery sector.
ESG	Reduction of CO ₂ emissions	Promotion of solar panel installation Reduction of emissions intensity	Scope 1+2: 99% reduction	•Solar panels have been installed at China's three factories, Mexico and Indonesia (Karawang). Solar panels will also be used in Thailand and Indonesia (Batam) in the future. •The three European bases and a factory in Japan achieved 100% use of renewable energy in FY2022. •Scope 2 emissions were reduced by 96% in FY2022 compared to 2021 through IREC purchases. •CO ₂ emissions intensity / million yen 2020: 0.34t → 2023: 0.00t (Scope 2)
	Improving the ratio of local employees in management positions	Ratio of local employees in management positions: 80%	79.2%	The appointment of local executives has progressed. 2020: 78.9% → 2023: 79.2%
	Improving the ratio of women in management positions	Ratio of women in management positions: 50%	32.1%	Promotion of women to directors and executive officers has progressed. 2020: 31.1% → 2023: 32.1%

Medium-term Management Plan (2024-2026)

SIIX VISION 2026

Clean, correct and accurate

Providing the best service in the middle of the fairway

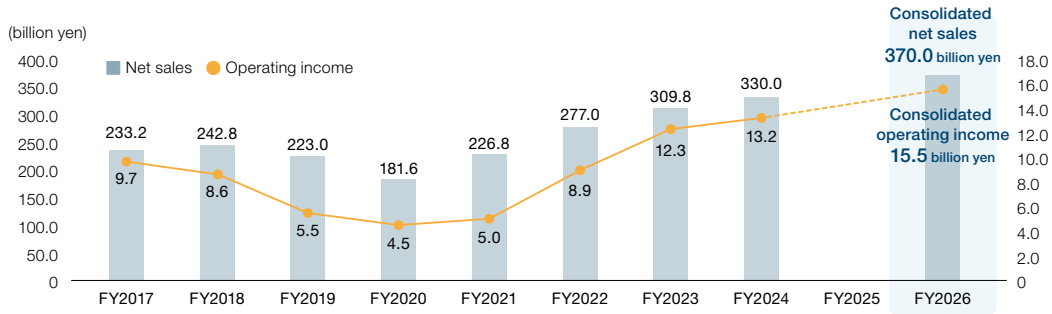
SIIX aims to deepen its relationships with all stakeholders with sincerity and integrity, and to grow and develop together. In order to achieve this, we respect the expectations and demands of our stakeholders, based on the basic principles of trust, transparency and fairness. We will accumulate the right actions every day to fulfil those needs.

Performance Targets

Consolidated performance targets for the final year (FY2026)

Net sales	370.0 billion yen	Operating income	15.5 billion yen	Operating income margin	4.2%
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*USD = JPY 132



Four Challenges

1 Challenge new business, provide the highest quality of service

- Sales
 - Create new business
 - Expansion of new areas
 - Create Non-EMS business
- Manufacturing
 - Zero defect
 - APQP* enhancement

2 Contribution to decarbonized society

- Promote decarbonized business
 - EVs, Batteries, air conditioners
- CO₂ emission reduction
 - Endorsement of SBTi
 - Enhance activity in all scopes
 - Setting net-zero target

3 Business management, finance

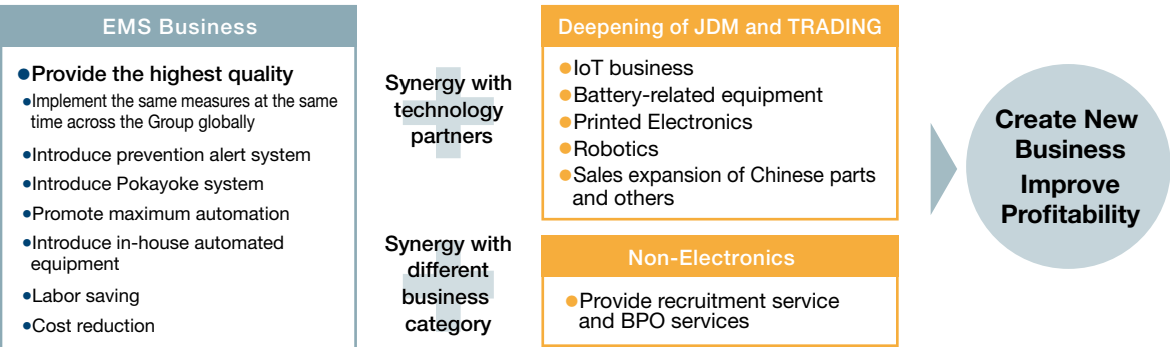
- Generation of free cash flow
 - Inventory, CCC, payment terms
- Improve OEE, automation and labor saving
- Business process improvement

4 Human capital management

- Instill SIIX Principles
- Employee education system
 - Establishment of SIIX Academy, Training of all employees

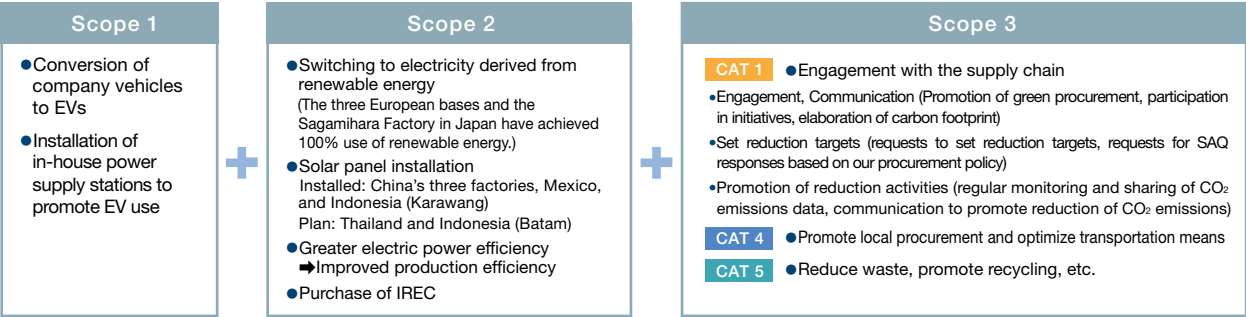
*APQP: Advanced Product Quality Planning

1 Challenge new business, provide the highest quality

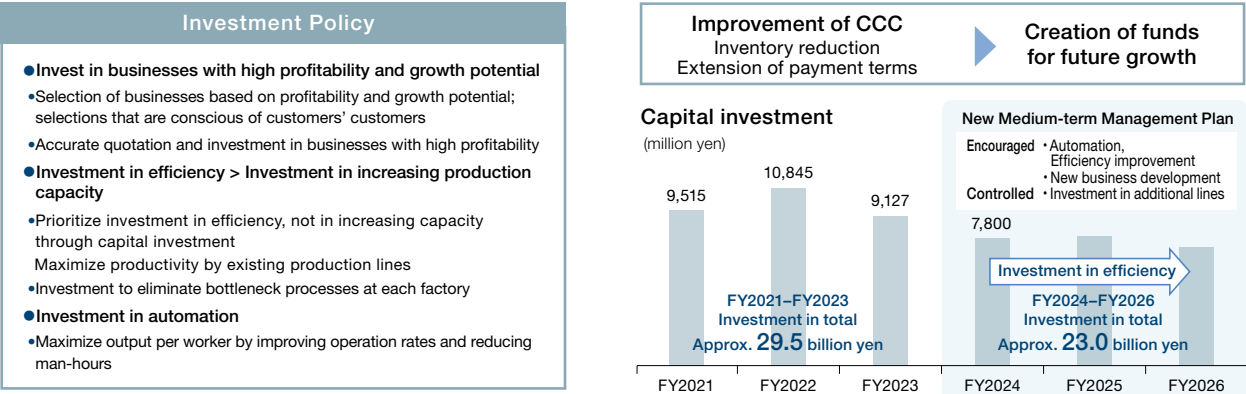


•Develop New Markets: India, Malaysia, Korea, Vietnam, Silicon Valley, etc.

2 Contribution to decarbonized society

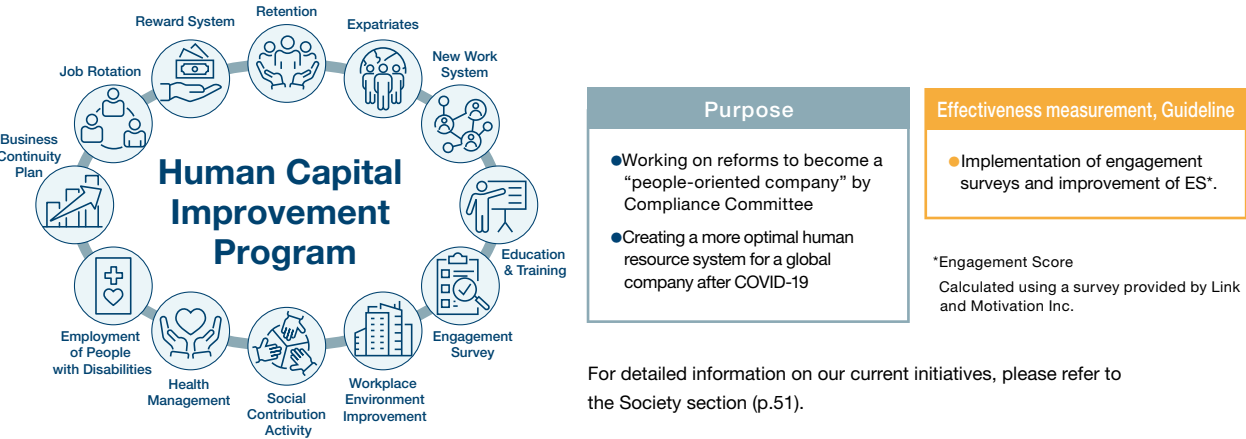


3 Business management, finance

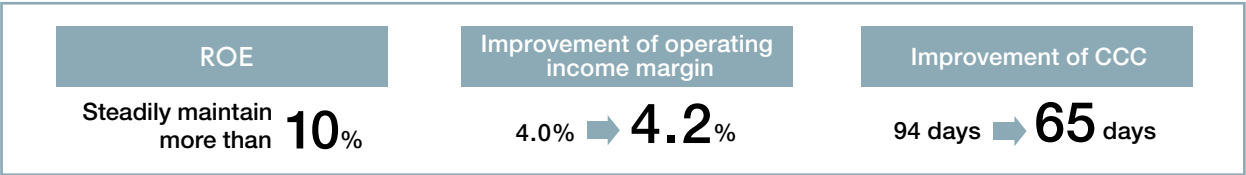


4 Human capital management

We declare that we will completely change to a company that values “human capital” during the medium-term management plan period.



Target Indicators

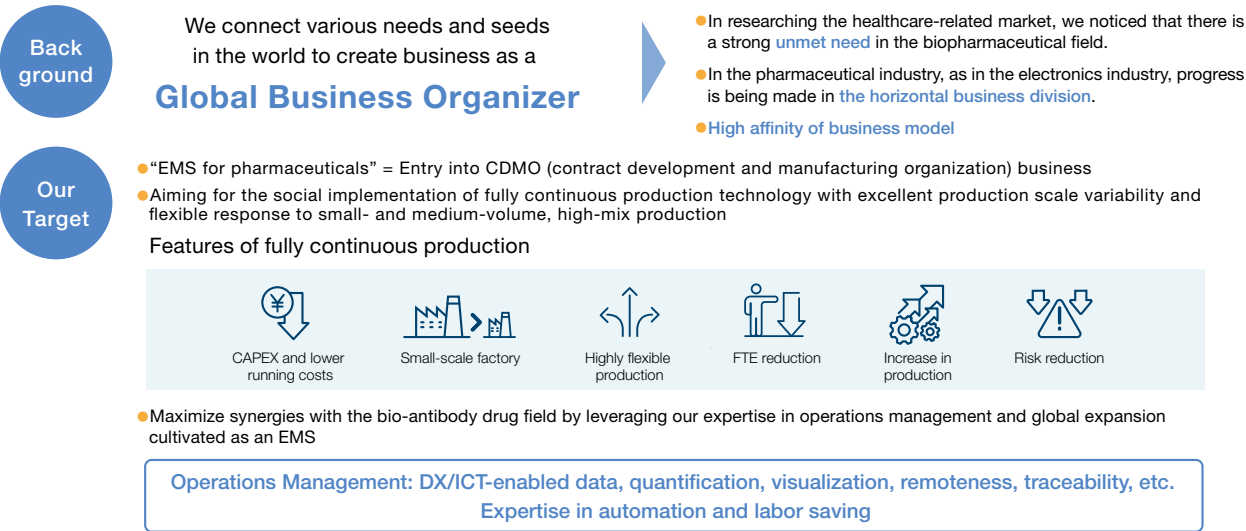


Medium- to Long-term Challenges

Entry into the CDMO business for bio-antibody drugs



In March 2024, SIIX Corporation invested in Renzoku Biologics Inc., which operates a CDMO (contract development and manufacturing organization) business for bio-antibody drugs. Through our support of this company, we will assist the social implementation of technology for fully continuous production of antibody drugs and embark on a CDMO business for bio-antibody drugs based on this technology.



Renzoku's Mission & Vision

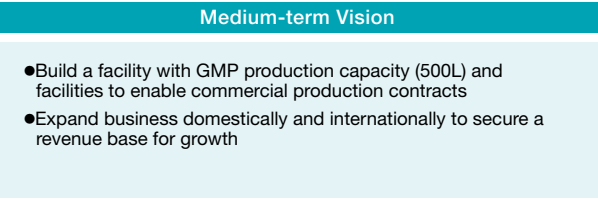
Mission

Contribute to human health and medical care around the world through innovation of biopharmaceutical manufacturing

SHORT- AND MEDIUM-TERM VISION
By 2026

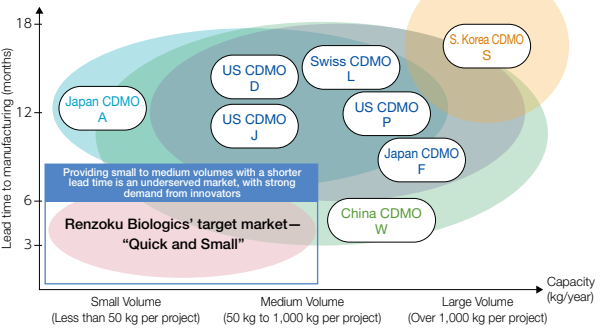


By 2029



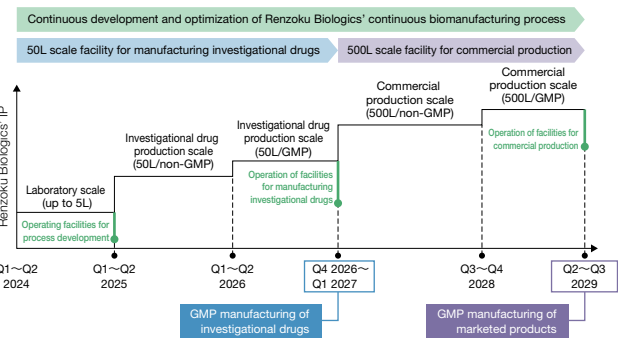
Market Entry Strategy

Renzoku targets markets for contract manufacturing for small- to mid-sized volumes



Future Plans

Accumulate own intellectual property through process development and technology acquisition through open innovation



Message from the CEO

We aim to be the world’s top runner while continuing to take on new challenges.

Shiro Murai CEO & Chairman



A history of aiming for further growth by removing restrictions

The origin of SIIX Corporation traces back to the establishment of an export section, staffed by myself alone, in the trading division of Sakata Shokai Co., Ltd. (currently Sakata Inx Corporation), the ink-maker from which the company originated, and the launch of exports not only of ink, but also Japanese electronic components to the Philippines. Since then, our business has continued to expand through the export, import, and sales of electronic components, devices, various types of electrical appliances, electronic equipment, and machinery and through trilateral trade.

The history of that expansion is one of handling a truly extensive variety of products, including the sale of motorcycles and chemicals and the OEM production and export of electronic organs. In particular, the electronic instruments business is an area in which I had a strong emotional investment. Together with our development partner, we started a company and engaged passionately in the expansion of the business, creating the foundations for that company’s subsequent growth into a world-leading electronic instruments manufacturer.

Later, in 1992, the Company spun off from Sakata Inx and established Sakata Inx International Corporation, before undergoing a name change to our current name of SIIX Corporation in 1998. Since the spin-off, we have developed into a “global business organizer” that provides electronics manufacturing services (EMS), combining materials procurement and logistics functions, for a wide range of electronics sectors, including commercial equipment, automotive-related equipment, and industrial equipment. We trod a path of steady growth and got listed on the Second Section of the Osaka Securities Exchange in 1999 and the Second Section of the Tokyo Stock Exchange in 2000, before our re-listing on the First Section of both exchanges in 2005.

The single biggest reason why we have developed such a wide variety of businesses is that, with our determination not to be pigeonholed as a certain defined business, our aim has been to transcend the various barriers and limitations of business to capture business opportunities. Since my younger days, I have forged ahead with business with the conviction that there is unlimited potential for a company to grow and that executive management’s single most important job is to remove any limitations on that growth.

When I was first assigned to the trading division of Sakata Shokai in the 1950s, I realized that, given that the size of the global printing ink market at the time was only about 2 trillion yen, even if we were to secure a 100% share of that market, the best we could hope for would be to become a 2 trillion-yen company. At that juncture, I zeroed in on the future potential of electronics components and the export of electronic components for televisions and radios, which few companies were engaging in at the time. In the belief that the electric appliances sector had real potential for breaking down the limitations to growth, I took on the challenge of exporting to the Philippines. However, it proved quite difficult at the start for me to gain the understanding within the company, so I ended up fighting a lone battle to set up a trading firm business that spanned the world, starting with the Philippines and the rest of Southeast Asia.

Be quick to sense changes in the times and effect transformation oneself

Today, the automotive-related business generates over half of our consolidated net sales, and it is operating our business on a global scale. We started the automotive-related business in earnest in the mid-1990s. At the time, there was very little in the way of horizontal specialization in the automotive industry. In terms of the EMS business, electronic equipment such as mobile phones was in its prime. However, I felt a

sense of crisis that if we focused only on the mobile business, our growth would be limited. As I explored new possibilities for the business, I landed on the idea of entering the area of electronics for the automotive industry and the potential of that area.

Having said that, the idea of EMS for automotive-related equipment came as a great surprise for the people around me at the time, and I received harsh feedback from people wondering why on earth I would want to quit the profitable mobile business and move into such a difficult area as car electronics. They doubted whether the EMS business would work for automotive-related equipment.

However, given my conviction that removing the limitations on growth was the mission of top management, I decided to take on the challenge of manufacturing in the automotive industry, which has the strictest quality standards of any industry, and aimed for greater heights. Today, we have secured a position as a Tier 2 supplier in the automotive manufacturing sector, and our business has expanded to the extent that SIIX is now considered to be the go-to company for automotive-related EMS. Being quick to sense changes in the times and transforming and evolving oneself to meet the new needs of customers. This is the true essence of SIIX and the driving force behind our unlimited growth.

30 years of battling to grow into a world-class company

I had already passed my 60th birthday when I established SIIX Corporation. For 30 years since then, I have forged ahead for the advancement of our business with the determined purpose to grow SIIX into a world-class company. Today, while I may have passed my 90th birthday, my passion toward the business, far from cooling, keeps on growing. Every day, I think to myself, ‘There is no limit to growth,’ and I firmly believe that SIIX has potential that, without exaggeration, could be described as unlimited.

For example, our Mexico Factory is now operating at full capacity and making great contributions to the

Company’s earnings. When we first decided to invest in the factory, there was a great deal of opposition within the Company, and in fact, we faced continued struggles to reach the point of profitability, but those struggles are finally starting to bear fruit.

However, I believe that it has still not reached its limit, to the extent that I feel as though I want to go to Mexico and work there myself. And not limited to Mexico, I believe that the various locations where we are operating around the world all have their own potential, and there is still plenty of room for growth.

Conviction that not challenging is the biggest failure

In other words, to put it plainly, I am still not content with SIIX’s status quo. Certainly, we now do business with major corporations in Japan and around the world, and we are now sometimes described as the largest EMS company in Japan. However, if we satisfy ourselves with the “now,” that is where our growth will stop. It is my belief that now is the moment when we must take away restrictions, remove limitations to growth, and set our sights toward a new stage.

Amid the progress of the medium-term management plan, the next few years will be make-or-break for the Company. The moment that a company starts becoming defensive is the moment that it stops growing. To avoid this, a readiness to keep getting involved in new areas is essential. In my view, trying and failing is not a failure at all. There is much we can learn from our failures. My personal mantra is that “not trying is the biggest failure of all.” For that reason, I want our young people in particular to go overseas and keep trying things that others won’t do. Without the momentum to surpass those who have gone before you, there can be no growth that will outclass others.

The greatest factor that will determine the worth of corporate activities is time

When we reached the milestone of 10 years since the

Company’s establishment, I established our corporate philosophy, the SIIX Principles. The intention instilled in the SIIX Principles is that for SIIX to continue to be SIIX long into the future, it is critical that all our employees share the same values. It also poses the question, “When thinking of a business, is it based on fresh ideas?” The fundamental core of corporate management is to differentiate your company from others and to create differences. Such differentiation cannot be achieved by simply copying what others are already doing. To win in business, one needs to pour all one’s energies into finding ways to create difference.

In this day and age, when anyone can easily find information on the internet, information volume is no longer the key to determining dominance. It is all about the timing of information and how quickly you can make use of the information that you have obtained. The greatest factor that will determine whether a corporate activity is good or bad is nothing other than time. In other words, how quickly one can start engaging on something before others do is what will determine victory or defeat. With automotive-related EMS as well, because I realized, when the mobile business was at its peak, that we would one day no longer be able to differentiate ourselves from others and moved quickly to start something new, we are now experiencing today’s growth.

Always trying something new, like the metabolism of the human body, is what is needed for a company to grow. We now have over 11,000 people working hard for SIIX around the world. In FY2024, we have started a new education and training program, and we plan to accelerate our human capital development to nurture people who can engage actively on a global scale. For an organization, diversity broadens potential, and I hold great expectations that from among our hard-working employees around the world, people with new ideas that surpass SIIX’s initiatives to date will emerge.

We will keep proceeding confidently down the middle of the fairway

In the Medium-term Management Plan 2024-2026, we

declared a vision of “Clean, correct and accurate: Providing the best service in the middle of the fairway.” Since I was young, my personal creed has been to “proceed boldly down the middle of the fairway in business.” With pride in my company, I feel confident that I have forged ahead in business in a way that values trust, transparency, and fairness.

It is for this very reason that we have been able to receive work from some of the world’s top companies in various industries, including the automotive industry. Looking ahead, for us to further accelerate the growth of our business globally, we must not be conceited about our current situation; instead, it is vital that we address all things with feelings of humility at all times. As such, in the belief that it was essential that all 11,000 of our people, from top management down, examine anew our business fundamentals of “Clean, correct and accurate,” we positioned these words as our vision in the new medium-term management plan.

As it has until now, so shall it from now on—SIIX will continue to safeguard, as a matter of course, our basic principles of trust, transparency, and fairness and aim for the sustainable growth of our business to meet the expectations of our stakeholders. I hope you will look forward to SIIX taking up the challenge of a new stage.



Message from the COO

Under the SIIX Principles,
we will steadily execute our
medium- to long-term
management challenges
in the pursuit of
sustainable growth.

Koji Yanase COO & President

Conquering a variety of hardships to grow into a 300 billion-yen company

I would like to express my sincere gratitude to all of our stakeholders for their continued support.

Over the past several years, we have gone from one crisis to another, from the global pandemic to geopolitical risks, the resultant turmoil in the supply chain and concerns about the stability of procuring materials, and soaring raw materials costs. In response, the SIIX Group has assembled its strengths as a global business organizer and taken up the challenge of conquering a variety of hardships. For example, when a certain region was locked down during the pandemic, the employees of our local subsidiary battled with dedication to keep a customer's



production lines from stopping. The customer greatly appreciated our employees' efforts, saying that our subsidiary was the only one that continued to provide services amid the adversity of the city's lockdown.

In these kinds of ways, we steadily overcame any difficulties we faced, and in the fiscal year ended December 31, 2023, our consolidated net sales topped 300 billion yen. Consolidated net sales in 2020, the year I became president, was around 180 billion yen, which means an increase of some 70% since then. Also, in the outcomes of the previous Medium-term Management Plan, we achieved our numerical targets, with operating income, ordinary income, and profit all reaching record highs.

Under the new medium-term management plan, we will promote management with focus on capital costs and stock prices

We cannot state unequivocally that the situation surrounding global markets is heading toward stability; on the contrary, we must expect volatility to be heightened even further. Under such circumstances, no matter what happens, we will aim more than ever for the stabilization and growth of our business, so that we may contribute to the advancement of our customers' businesses through the provision of added value.

In addition, with EMS (electronics manufacturing services) accounting for over 80% of net sales, in terms of growing sustainably into the future, we recognize that initiatives for the creation of new businesses are imperative.

From this perspective, we formulated the Medium-term Management Plan for 2024-2026 for the establishment of medium- to long-term business strategies.

Our priority challenge in the medium term is the

realization of management that is conscious of cost of capital and stock price. While net sales have exceeded 300 billion yen, currently, we have not achieved sufficient outcomes in response to issues in areas such as operating income margin, inventory turnover, and interest-bearing debt levels.

During the period of the previous Medium-term Management Plan, we worked on the integration of the management of our group companies in Thailand and the Philippines and promoted the streamlining of group management. We introduced ERP (enterprise resource planning) systems in Southeast Asia and China, and by standardizing the massive numbers of item codes, promoted initiatives to reduce the number of items kept in inventory.

At the same time, we made the Philippines our central base for global ERP operations. With this base supporting components ordering and other input operations, accounting operations, and the like, we are working to concentrate and streamline operations. In addition, we have obtained the cooperation of our suppliers to introduce a consignment inventory system in our efforts to reduce inventories.

By stepping up these kinds of initiatives, we intend to improve operating income margin and reduce inventory turnover to bolster capital efficiency and shareholder returns.

Challenges for the creation of new business opportunities

To expand net sales to 400 billion yen, 500 billion yen and more in the years ahead with a long-term outlook, we recognize the importance of aiming for the creation of new businesses. To this end, in the new Medium-term Management Plan, we have declared a goal of "Challenge new business" that will create new added value.

Message from the COO

In our challenge toward new business, the development of automotive-related business is a key theme. Currently, in doing business with Global Tier 1 companies, we intend to step up the development of that business and take on large-scale and global projects.

In another of our new business challenges, printed electronics, we have high expectations of their use in a wide variety of areas, including electronic components and semiconductor electrodes. This is an advanced technology that is related to almost all of the products of our several hundred customers, we have set up a special in-house team that is engaged in sales activities.

We are also focusing on robotics as a new area. For the past eight years, we have been working jointly with the Singapore government on the development of security robots, and we have turned our hand to their manufacture. Demand for robots is expanding in Singapore to eliminate labor shortages, as the country is further along the path of population decline due to a falling birthrate and an aging population compared to Japan. This is a common trend among the industrialized nations on the whole, so we have expectations of the expansion of this business going forward.

In addition, we have newly joined a CDMO (contract development and manufacturing organization) business for bio-antibody drugs. It is estimated that the size of the antibody drug market will expand to 40 trillion yen. On the other hand, in terms of the current structure of the pharmaceutical industry, while the drug discovery academic sector and start-ups are creating the seeds for new drugs one after another, there exists in the industry underserved demand for investigational drugs and the small- to medium-scale development and manufacture of drugs for rare diseases in particular. Similar to the electronics industry, progress is being made in horizontal specialization in the pharmaceuticals industry, and we are ready to take a new step forward and play a role as an EMS provider

for the pharmaceuticals sector.

Another challenge outlined in the new Medium-term Management Plan is contribution to a decarbonized society. In this regard, with a sense of crisis that, in addition to being a response to a social issue, failure to address this issue will make the continuation of our business difficult, we are accelerating our moves toward early carbon neutrality. In fact, some of our customers in Europe and the United States have declared that they will review their relationships with companies that are lagging behind in their decarbonization efforts. We therefore intend to establish a roadmap for the reduction of emissions in all three scopes and steadily achieve our targets.

Further strengthening our structure as a global company

To tackle multiple medium- to long-term management challenges steadily and simultaneously in the years ahead, we adopted a business management system in FY2024, which clarifies management oversight and decision-making functions, as well as the responsibilities and roles of directors.

In particular, we have newly appointed a Chief Customer Officer (CCO) to manage sale and procurement functions as a set. In addition to making our dealings with customers even closer and more robust, it is important for the enhancement of our customer service that we further strengthen our relationships of trust with our suppliers. This will be essential to the future growth of the Company.

Regarding the development of the people who will bear responsibility for the next generation, we have created a new Chief of Staff (COS) position and established a framework that will enable dedicated efforts toward global human capital development. In this way, we will coordinate with the personnel divisions of all our locations worldwide to roll out measures for human capital development.

I see my missions as COO in the business

management system as pursuing an image of what our business should look like for sustainable growth in the next five or ten years and beyond, as well as the penetration of the SIIX Principles and the promotion of management talent who will take up that challenge together with others. In particular, as the Group grows larger, passing on the corporate philosophy will be an important challenge. One measure to that end that we are working on is the translation of the SIIX Principles, which used to be available only in Japanese and English, into other languages as a way of sharing the corporate philosophy. We are also working on initiatives such as holding conferences with outstanding personnel from our locations around the world so they can study the philosophy.

Sharing the spirit of “Clean, correct and accurate” across the entire Group

We have continued to support our customers’ manufacturing for many years, and when even the smallest thing goes wrong in a process, we have been thorough in our efforts to conduct immediate reporting, communication, and consultation across the entire Group.

The origins of this policy lie in the establishment of SIIX’s first 100% EMS plant in 1999 upon the purchase of a factory in Batam, Indonesia. We worked with local employees to instill the concepts of “thoroughly executing even the most obvious of tasks” and “immediately reporting when an error occurs,” and in doing so, we were able to improve the quality of processes. In fact, the slogan “Clean, correct and accurate” came about in a bid to convey the ideal of operations to the employees at the Batam Factory in a way that was as easy to understand as possible.

Against that background, as a result of repeated efforts toward zero defects, today, large companies around the world that are our customers praise our work, saying that SIIX is a company that they can trust to get the job done. To ensure that we do not lose our

customers’ trust in quality assurance and other areas, we will forge ahead with the development of a sound organization.

Further, as part of our efforts to make SIIX-style manufacturing even more advanced, we will promote manufacturing DX and focus efforts on the further improvement of manufacturing quality through automated production, to offer our customers a high degree of reliability and the highest quality.

The declaration of our vision of “Clean, correct and accurate: Providing the best service in the middle of the fairway” in the Medium-term Management Plan for 2024-2026 is a representation of our stance of adopting a more serious attitude across the entire organization, from the management team down. This is based on something that then President Murai (now Chairman) has declared from the very first day after our company was spun off from Sakata Inx. We take pride in the fact that, ever since then, the importance of compliance has been firmly passed down from generation to generation.

The SIIX Group will continue to pass on our culture as a good company while following the corporate philosophy expressed in the SIIX Principles. In doing so, we will aim to be a corporate group that will meet the expectations of our stakeholders.



Message from the CFO

We seek to realize capital cost-conscious management throughout the Group by steadily implementing our growth strategy while generating funds for future growth.

Seiji Ono CFO & Senior Executive Director



Operating income margin targets unmet despite record high profit

For the previous Medium-term Management Plan, the Group achieved its numerical targets, with consolidated net sales of 309.8 billion yen and consolidated operating income of 12.3 billion yen in FY2023, against their respective targets of 250.0 billion yen and 10.5 billion yen. These figures represent increases of 70% in net sales and 180% in operating income compared with FY2020, and operating income, ordinary income, and profit all reached record high levels. In addition to the ASEAN region, where we have a diverse customer base and have maintained strong performance, increases in business particularly in the automotive-related area has boosted the operation of the Mexico Factory, resulting in it delivering a higher contribution to the region's overall profit.

On the other hand, operating income margin fell short of the target. This is largely due to external factors such as supply chain disruptions caused by the COVID-19 pandemic, the deterioration of the semiconductor procurement environment, and rising transportation costs.

In addition, as demand for automotive-related EMS expands, the cost burden of upfront capital investments at some locations seems to be hindering the improvement of income margins. Specifically, some factories in Europe and China have just started operating, and there are locations that have not yet reached the stage of absorbing fixed costs and turning

a profit. Once these factories start to be profitable, we believe that operating income margin will reach a higher level. In terms of risks, geopolitical risks such as the situation in Ukraine, soaring materials costs due to inflation, rising labor costs, and the fact that demand for electric vehicles has not expanded as expected are also a concern. We will take these points into consideration as we steadily advance our financial strategy.

Realization of appropriate inventory and the improvement of CCC will be issues

Prolonged inventory turnover and increases in inventories have also been major issues on the finance front. During the period of the medium-term management plan, inventory reduction did not progress well due to the deterioration of the procurement environment, and inventory turnover fell far short of the target. This brought about an increase in interest-bearing debt and a worsening of the cash conversion cycle (CCC).

In our position as a Tier 2 company in the automotive industry, we supply electronic components and other products globally. Over the past several years, however, the supply and demand environment for the types of automobiles that we deal with has been unstable, and customers' production plans have fluctuated over a short period of time, making it difficult to control inventories. We consider these circumstances to be one cause of our increased inventories. Having said that, given that our customers

have placed their trust in us because we will not cause their production lines to stop no matter what the circumstances, it has been difficult for us to reduce inventories at our own discretion.

At present, our offshore inventories, that is in-transit inventories, account for about 10% of total inventory value. Those offshore inventories have long distances to sail from Europe and Mexico, and we have determined that this level is required. Even so, even excluding those in-transit inventories, we currently have about one month of excess inventory, and we recognize that rectifying this situation is an issue of some urgency.

To further expand the automotive-related business, we will respond flexibly to rapid fluctuations in orders from customers by identifying changes in demand, order backlogs at each location, and inventory status in real time through the use of our ERP (enterprise resource planning) system and other core systems. We also intend to implement other measures, such as the revision of contractual matters with the aim of building better relationships with customers, thus strengthening initiatives for appropriate inventory levels.

Promoting financial strategy with aim of PBR of 1.0 or higher

In the new Medium-term Management Plan, more than ever, we will pursue management that is conscious of capital costs and share value. We will strive to improve operating income margin through cost reductions and to reduce interest expenses by reducing borrowings. Our priority issues on the finance front include focusing on highly profitable business in our core businesses and the reduction in inventories that I mentioned above. We will first address the reduction of inventories, before working on the improvement of CCC through a combination of other measures such as extension of payment terms. In this way, we will focus our efforts on the generation of funds for growth and shareholder returns. We hold conferences for our suppliers every year, and we intend to use those occasions to provide them with careful explanations about our businesses and issues.

As financial indicators, our targets in the new Medium-term Management Plan include raising ROE and PER, and further, achieving a PBR of 1.0 or higher by increasing profit and total capital turnover. Also on the finance front, we will work to boost shareholder returns by examining the best options for the Company and stakeholders using all manner of measures, including the purchase of shares of the Company. At

the same time, we will also engage in dialogue with investors based on information disclosures even more than we have done in the past.

Providing financial support for the creation of new businesses

To pursue highly profitable businesses, the Company is working on the creation of new businesses. With sales in the automotive-related business accounting for about 60% of total sales, with our current business portfolio, we would need to make massive investments in EMS production lines to increase sales to 400–500 billion yen. On the other hand, given the emergence of low-priced general-purpose products in the automotive-related electronics components segment, we need to prepare for the risk of price falls in the future. Considering these factors, it is essential that we create new businesses during the period of the new Medium-term Management Plan, because it would be difficult to expect sustainable growth from automotive-related EMS alone. To this end, the Company is focusing on the creation of new businesses such as making a new investment in a CDMO business for bio-antibody drugs. At the same time, also believing in the importance of returning to our roots as a “global business organizer” and pursuing new possibilities as a trading company, we have begun to take proactive action throughout the Group to rebuild the Company's strengths.

In terms of capital investment during the period of the new Medium-term Management Plan, after making capital investment of about 29.5 billion yen for the enhancement of production capacity over the past three years until 2023, we will shift to capital expenditure for efficiency and automation for the next three years. We are projecting capital investment of approximately 23.0 billion yen over the three years from 2024.

In addition, the Company introduced a business management system at the end of 2023, and we are pursuing further improvement of management efficiency through speedier decision making. In the past, financial decisions have been made mainly by local subsidiaries around the world. Under the business management system, however, financial strategies of the Group as a whole will be developed at the headquarters in Japan, where I, as CFO, will take lead. In this way, the Group as a whole will generate funds for growth and steadily implement growth strategy, thus pursuing the realization of cost-conscious management.

Message from the COS

Our aim is for the SIIX Group to be a place where each and every employee engages in their work with pride and confidence

Toru Maruyama COS & Senior Executive Director



Serving as COS to work on human capital management throughout the Group

Today, with our business growing globally, we are accelerating our efforts to achieve further sustainable growth. Regarding the strengthening of our human foundations under these circumstances, I was appointed as COS (Chief of Staff) in line with the adoption of a business management system. I am engaged in human capital development across the entire Group.

SIIX Corporation has over 200 employees on a non-consolidated basis, and the SIIX Group has more than 11,000 employees on a consolidated basis. While on the one hand, we are a company that has continued to grow in the over 30 years since it was established, I do believe that we need to reflect seriously on the fact that the fortification of our personnel base has not always kept pace with the growth of the organization.

We have been pursuing the development of a human capital system that is suitable for a global company. Among a variety of measures, we have placed top priority on the issue of employee retention (retention based on good relations between organization and individuals). In this regard, we have made progress with improvements through various measures, including the revision of the salary system, overseas posting allowance, and work systems, the improvement of workplace environments, and engagement with employees. The voluntary turnover rate, which had previously exceeded 10% at its peak, has recently fallen to 7%. On the other hand, we are aware that issues

such as our education and training frameworks, job rotation, and health management are areas in which we should continue to strengthen our efforts.

Promoting human capital management through 12 themes

Under such circumstances, we have set the promotion of human capital management as one of four challenges in the new Medium-term Management Plan that began in FY2024. We have declared that we will completely change into a company that values our employees through human capital management during the medium-term management plan period. President Yanase has listed the strengthening of employee education, a general improvement in local executives, the rejuvenation of the organization, and the penetration of the corporate philosophy as his commitments.

Human capital are a company's greatest asset. To draw out their unlimited potential, we will focus our efforts on instilling the SIIX Principles, which are the principles and general rules that bring together SIIX's corporate philosophy and values in a systematic way, knowledge and skills acquisition through education and training, and support for career development. We will also aim to revitalize our organization through the equitable acceptance of people with diverse backgrounds, including gender, nationality, and values, and by selecting and promoting talented people for appropriate positions, regardless of their recruitment category and age.

For the realization of human capital management, we have identified initiatives across 12 different themes and clearly presented the implementation status and issues involved in each theme, as well as a roadmap for 2024 and beyond. Going forward, we intend to promote human capital management steadily during the new Medium-term Management Plan period by seriously addressing each of these issues.

Placing the greatest importance on “engagement” as the foundation of human capital development

The SIIX Academy is a bold measure in response to a key issue in the new Medium-term Management Plan, namely, the education and training of employees. As a basic concept, we aim to provide a place where employees can acquire, in a comprehensive and systematic manner, the knowledge and skills required to work proactively as a member of the SIIX team.

The basic approach of the Academy is to foster positive enthusiasm and dynamism to work in the SIIX Group through the establishment of engagement, which will serve as the foundation of human capital development. Further, it will also provide opportunities for education of the basic knowledge and approaches required for each level from a stance of self-development. And even further, it will conduct education of portable skills (i.e., general skills) and technical skills (i.e., specialized skills) that will cover not only employees in Japan but also local executives.

With this approach, we have made available training and education programs that have been designed in cooperation with external professional organizations, in addition to our own human capital development programs. In terms of the stance of self-development, for example, we have produced an “all-you-can-learn” curriculum containing over 3,400 courses, which employees can take freely according to their position, level, and personal interests. We also hold workshops, known as the Localization Academy, in cooperation with educational consultants that work in the global arena. Specifically, this initiative involves provision of elite education to 18 employees selected from bases around the world. On the assumption that they will play an active role as executives of the SIIX Group in the future, we provide them with education about management and other relevant topics.

We will also hold Manufacturing Academy workshops as an initiative aimed at manufacturing innovation. This academy is designed to improve employees' technical capabilities and skills through subjects such as process

technology, process management, and elemental technology in EMS (electronics manufacturing services). It enables employees to learn everything about manufacturing in EMS from circuit board design and mounting to soldering and coating techniques, equipment design, and quality management. We envisage that lectures will be delivered online with face-to-face follow-up. It is also planned that employees' track record of studied courses will be reflected in personnel evaluations, promotions, and employment conditions.

Providing enthusiastic young employees with opportunities to be posted overseas

I believe that, as well as opportunities to learn, it is important that we provide employees in an equitable way with opportunities to flourish. To this end, we intend to promote strategic initiatives through job rotations. This means overseas postings for young employees. This initiative involves providing opportunities for motivated young employees who have been with SIIX for about three years to experience global business in the real world, which will lead to the development of “global business organizers” of the future. For posting relatively inexperienced young employees overseas, we will establish a support system by deepening cooperation with local subsidiaries.

In line with the establishment of these education and training systems and the creation of opportunities for active participation, we will conduct regular engagement surveys as a kind of health check of individual employees and the organization. This will enable us to understand the condition of the organization, using standard deviation values across the Group, which will facilitate the objective identification of issues to be addressed and specific strengths and weaknesses.

We will also work on the development of an organizational structure for promoting company-wide human capital management. Specifically, we will establish Global HR Teams at our Osaka and Tokyo Headquarters to connect staff in charge of personnel affairs in the SIIX Group. In this way, we will work to build cooperative structures within the Group as well as to share examples of initiatives in education and training, and employee engagement and retention.

By implementing the various measures mentioned above concurrently, we aim to help each and every employee of the SIIX Group to engage in their work with pride and confidence and to realize human capital management that will contribute to the growth of both individuals and organization in the goals of the new Medium-term Management Plan.

Message from the CCO

We will further demonstrate our true value as a “global business organizer” and strive to expand our earnings opportunities on a global scale.

Kazuya Hiraoka CCO & Executive Director



Working hard to expand transactions with the conviction that those who master parts and materials will lead the market

I joined Sakata Inx International, SIIX’s predecessor, in 1996 as part of its third intake of new graduate recruits. I was first assigned to the Materials Group, where I spent three years working in Japan, before being posted to Singapore in 1999 and later to Bangkok, where I worked on sales of EMS (electronics manufacturing services) and materials procurement. I worked hard to provide tailor-made services, leveraging our global procurement network, to satisfy the wishes of our customers in manufacturing. For about 12 years from 2012, I worked in China, where I vigorously promoted the expansion of SIIX’s EMS business in the automotive area.

In my involvement in EMS operations overseas for close to a quarter of a century, I have nurtured my business instincts with the conviction that “those who master parts and materials will lead the market.” At SIIX, our sales people perform parts and materials purchasing and delivery management, and our swift and meticulous responses to customers’ wishes is what has led to the expansion of our business. I have been serving as CCO (Chief Customer Officer) & Executive Director since this spring, and my role is the management of overall sales and the Procurement and Logistics Department. I recognize the grave responsibility of this position in that it embodies the importance of organically linking sales and

procurement.

Our customers’ needs are changing day by day, moment by moment. Firmly grasping a customer’s needs, finding a supplier of materials and parts required to meet those needs, and having the customer and the supplier work together have led directly to the expansion of our business. Given that our suppliers also often become our customers, how we expand our business network is the key to our operations and one of the more interesting aspects of my job. In the immediate term, achieving the targets of the medium-term management plan is our top priority, but as we expand our network, the best part of the EMS business will be discovering new possibilities for sustainable growth.

Building relationships of trust through the SIIX Principles

During the 12 years or so that I worked in business expansion in China, I worked hard to enhance our production capacity, expand the EMS business, primarily in the automotive-related sector, and increase sales of Chinese parts and materials. In developing the automotive-related market, naturally, I was extremely thorough in ensuring quality. In addition, as well as the simple provision of EMS services, I actively engaged in making proposals in response to customers’ issues. Our customers appreciated our efforts in this regard, which has led to the expansion of our business.

What is important in doing business overseas is that

both the organization and the individuals hold their own values firmly and that those values are placed at the center of their operations. While at first glance, this may seem to contradict the act of responding meticulously to customers’ needs, it is the single most important factor in building true relationships of trust with overseas customers and suppliers. We have the SIIX Principles, our principles and general rules, which bring together our corporate philosophy and values in a systematic way, providing an important guideline for our conduct of business. Naturally, with these principles and general rules in my heart, I also value the stance espoused by our Chairman, Mr. Murai, of “proceeding down the middle of the fairway.” As CCO, I have gained a renewed sense of the importance of upholding the SIIX Principles, which are our universal beliefs.

In addition to holding firmly to our own values, it is essential that we understand the values of our customers and suppliers as well. I believe that it is important that we make the best decisions in transactions while remaining conscious of all times of how SIIX is viewed by others. As an individual, in my own work, I value an attitude of humility toward all and a sense of balance.

Emphasis on winning global projects in the automotive-related business

As priority issues during the period of the new medium-term management plan, we are placing importance on reducing inventory to optimal levels as well as shortening inventory turnover. Over the past several years, we have built up our inventories as a countermeasure against the semiconductor chip shortages resulting from the expansion of business and the COVID-19 pandemic. In some segments, this has resulted in excessive inventories in the supply chain process, so we are now working on a review of our parts and materials procurement methods. Also, having introduced an ERP (enterprise resource planning) system, we are now able to ascertain inventory volumes in real time, and we will speed up our initiatives toward appropriate levels of inventory.

At the same time, we are placing importance on the development of the automotive-related business stated in the new medium-term management plan. We currently do business with 15 of the top 30 Global Tier 1 companies, and our aim is to win even more large-scale and global projects. To this end, we will work toward accurately perceiving trends in the automotive industry in various parts of the world and taking

measures in response to changes in the market. To expand our global projects, we will promote organic collaborations between our locations around the world more than ever and consider what might be described as a process of selection and concentration. This entails undertaking a review of our customer portfolios in each region according to the circumstances.

Amid the recent rapid popularization of electric vehicles (EV) in China, it is the Chinese manufacturers that are taking the lead, and the Japanese manufacturers are generally struggling. As far as SIIX is concerned, we are, of course, working to expand our business with Japanese manufacturers, and we are pursuing even more intensive sales activities to achieve the same with non-Japanese customers as well.

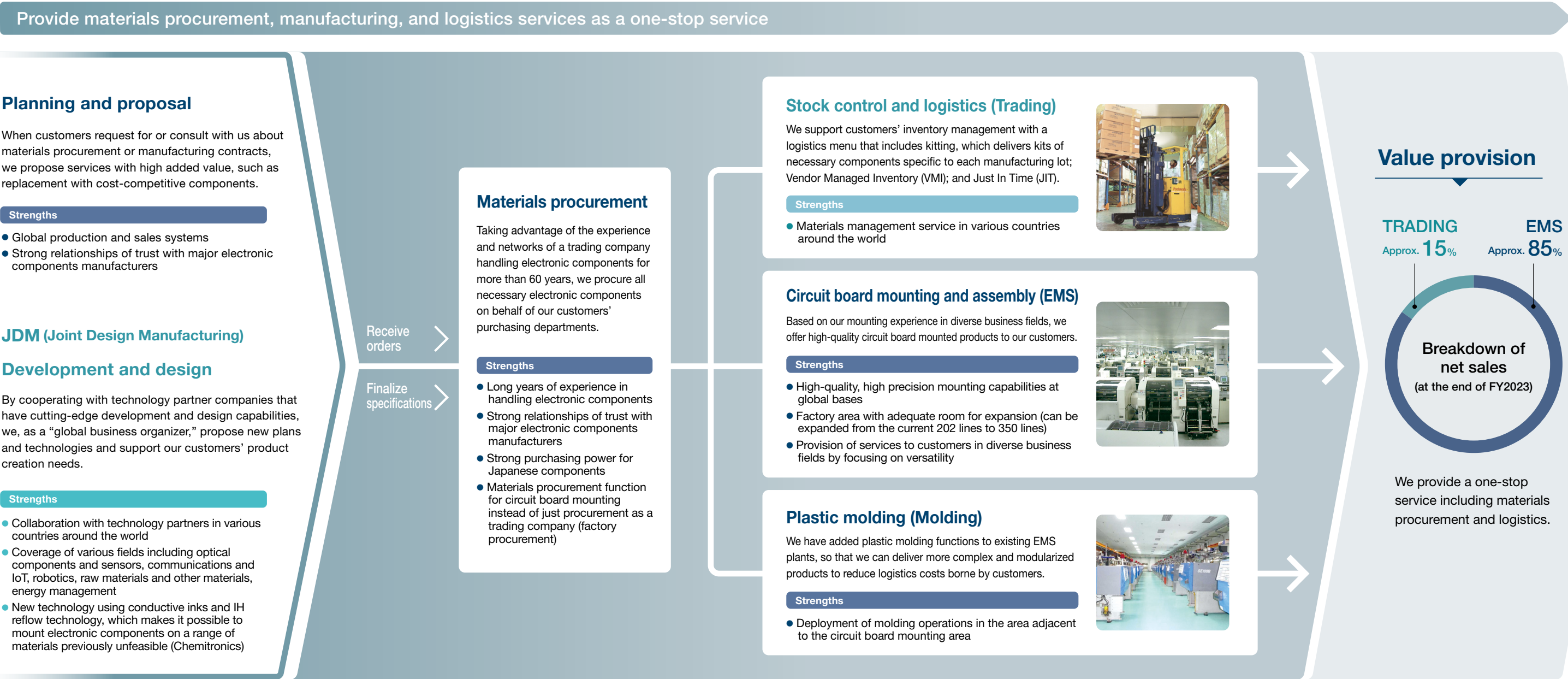
Also, as EV-related projects are being launched one after the other around the world, we are stepping up our proposals globally regarding major systems such as battery management and DC-DC converters.

Taking on the challenge of opening up domains other than automotive-related EMS

While the automotive-related EMS business will continue to be important, we will also concentrate our efforts on opening up markets in other areas, such as the medical, infrastructure, and robotics fields. The core of our business is to serve as a “global business organizer,” and EMS is no more than one means of achieving that. Our responsibility is to connect the various needs and seeds that exist around the world and to offer new value. We hope to create new businesses by demonstrating synergy with our technology partners. We also intend to continue with further challenges, including opening up new markets such as India.

Going forward, we will concentrate our efforts on developing human capital who can engage actively in the global arena for the expansion of our business. As well as conveying the appeal of working overseas to the younger generation, I also believe that it is important that we pass the spirit of the SIIX Principles down to them. By strengthening human foundations that will support our global business in the years ahead, I hope to strengthen the personnel base that will underpin our sustainable growth as a company.

Value Chain



Issues	Responses
<ul style="list-style-type: none">Enhancement of handling of European and American components, cultivation of customers in the medical field	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.
<ul style="list-style-type: none">Further improvement in mounting quality and precision, expansion of the scope of information shared between bases	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 in real time, with all bases, not only information on quality, manufacturing technologies, and facilities but also human capital development and other materials. Sharing various kinds of information with a company-wide support system has contributed to the promotion of BCP response, and we will continue to operate, develop, and improve the system.
<ul style="list-style-type: none">Work reform to reduce inventory, enhancement of stock management in real time	To reduce inventories to an optimal level, we ask for our suppliers’ cooperation in adopting the consignment inventory method to manage inventories. Other measures taken include 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 optimize inventories through visualization of financial status and prediction of demand.
<ul style="list-style-type: none">Search for merchandise over a wide range without being restricted to just electronic components	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.

Business Overview

32nd term December 2023

Net sales **309,768** million yen

Operating income **12,254** million yen

Profit attributable to owners of parent **8,185** million yen

Overview

The electronics market, which is related to the Group, showed an improvement in the prolonged supply shortage of electronic components, but remained somewhat weak due to factors such as the slowdown in the Chinese economy and a slowdown in capital investment demand. In Asian countries the outlook is uncertain as some of these countries are seeing continued economic recovery driven by domestic demand with restrictions on activities lifted, while others are experiencing prolonged inflation and sluggish exports. Under these circumstances, however, our consolidated net sales amounted to 309.8 billion yen, a year-on-year increase of 32.7 billion yen, and consolidated operating income amounted to 12.3 billion yen, a year-on-year increase of 3.3 billion yen.

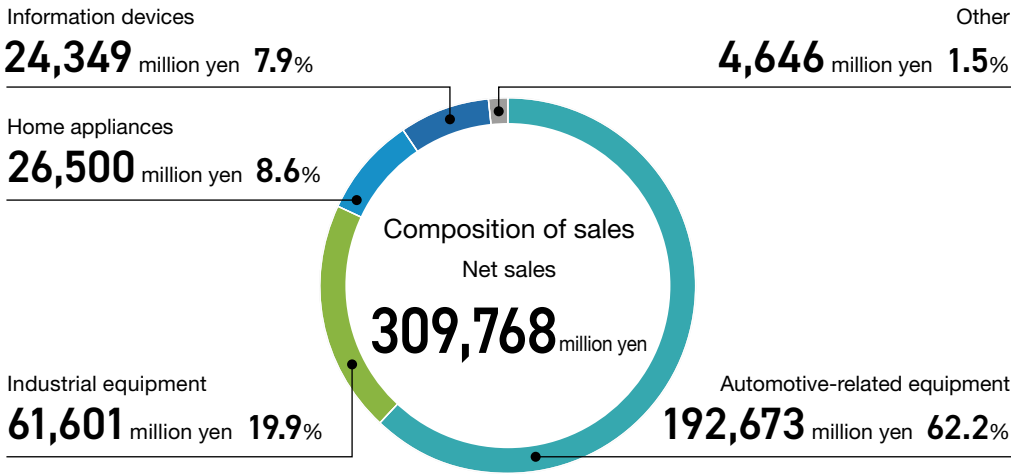
Issues and countermeasures

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 based on our abundant capacity at global sites and our local response capabilities.

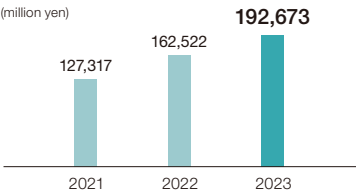
Our medium-term management plan aims for the expansion of the EMS business, which is our current mainstay business, and the collaboration with our technology partners to expand our printed electronics and robotics-related businesses and develop new regions and products, with the aim of supplying customers with products from around the world.

We will also actively expand our participation in businesses in the fields of IoT and decarbonization business (EVs, batteries, air conditioners, etc.), based on the perspective of contributing to decarbonized society through our businesses.

In addition, we intend to promote “local production for local consumption” to rein in the costs, while we will globally leverage the BCP know-how that we have cultivated so far 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-related equipment

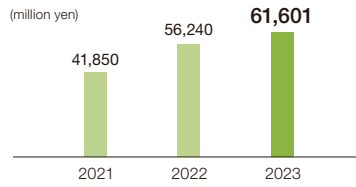


Car multimedia, automotive exteriors, meters, ECU, switches, quasi-millimeter wave radars, ABS, cameras, battery sensors, etc.



Due to increased sales of exteriors and quasi-millimeter wave radars, overall sales of automotive-related equipment increased by 30.2 billion yen to 192.7 billion yen compared to the previous fiscal year.

Industrial equipment

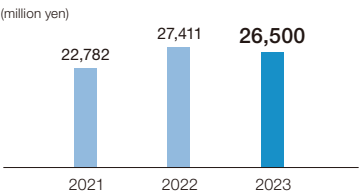


Engine ignition device for power tools, battery packs, inflight entertainments, inverters, medical devices, smart meters, industrial sewing machines, etc.



Although production and sales of IoT equipment for government organizations declined as the COVID-19 pandemic ended, sales of components for inflight entertainment increased from the previous fiscal year due to a recovery in demand for aircraft. In addition, sales of power tools, coin acceptor, etc. remained robust. As a result, overall sales of industrial equipment increased by 5.4 billion yen to 61.6 billion yen compared to the previous fiscal year.

Home appliances

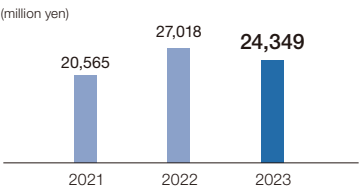


Digital appliances, air conditioners, refrigerators, educational toys, healthcare equipment, electronic musical instruments, etc.



Although sales of electronic locks and kitchen appliances were strong compared to the previous fiscal year, sluggish demand for air conditioners, among other things, caused sales of home appliances as a whole to decrease by 0.9 billion yen compared to the previous fiscal year to 26.5 billion yen.

Information devices

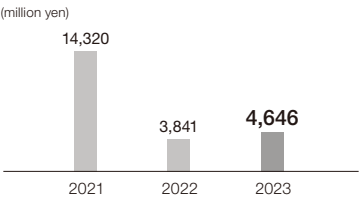


Office equipment, OA equipment, projectors, etc.



Shipments of office equipment decreased. As a result, overall sales of information devices decreased by 2.7 billion yen to 24.3 billion yen compared to the previous fiscal year.

Others

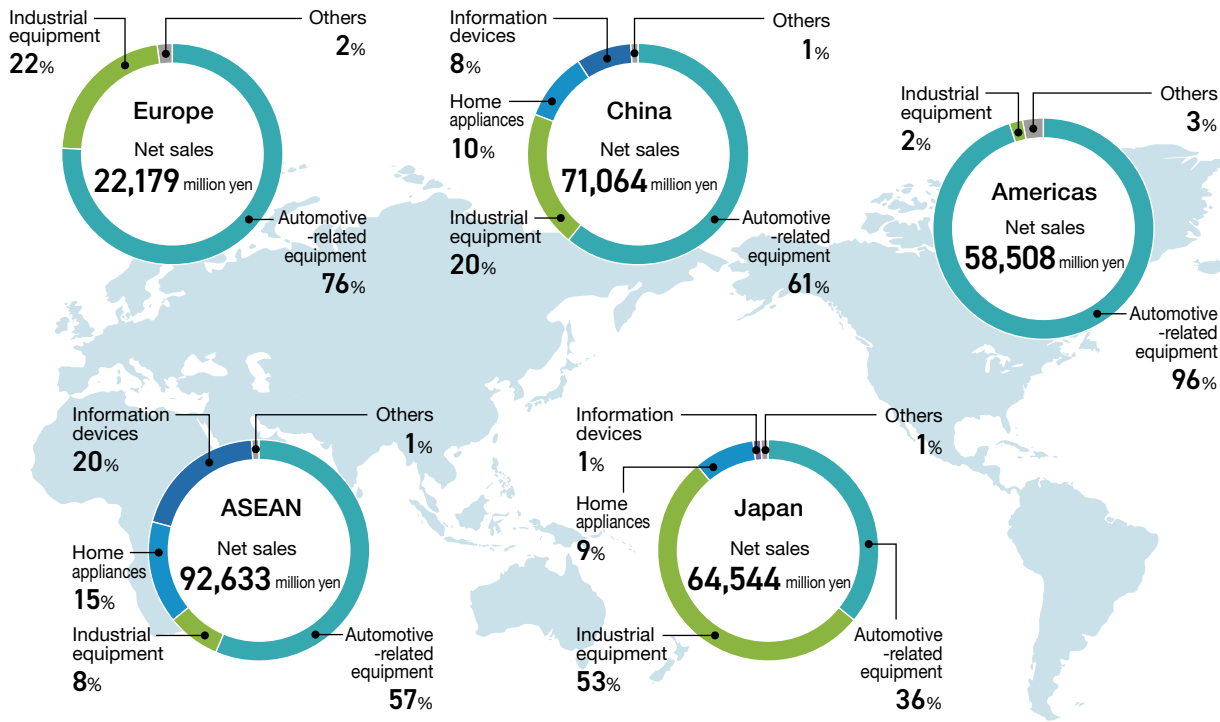


Other electronic components, automobile wire harnesses, motorcycles, ink, etc.

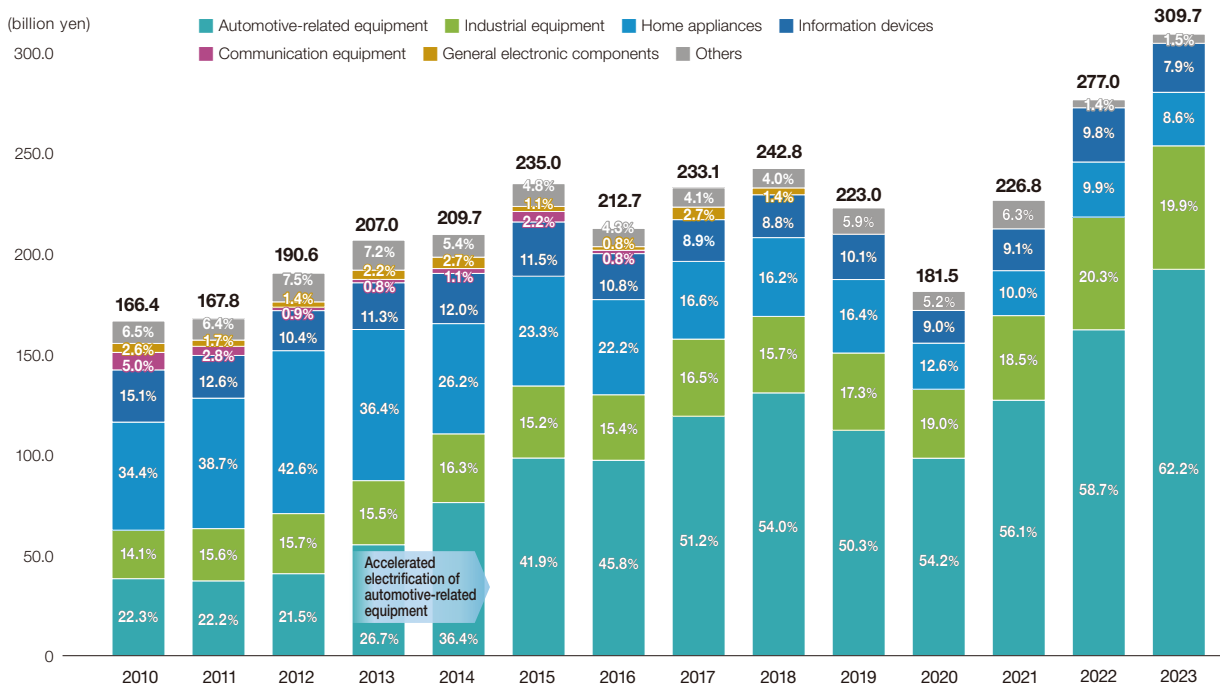


Sales increased by 0.8 billion yen to 4.6 billion yen compared to the previous fiscal year.

Composition ratio of business fields in each segment



Net sales trends by business field



Corporate Governance

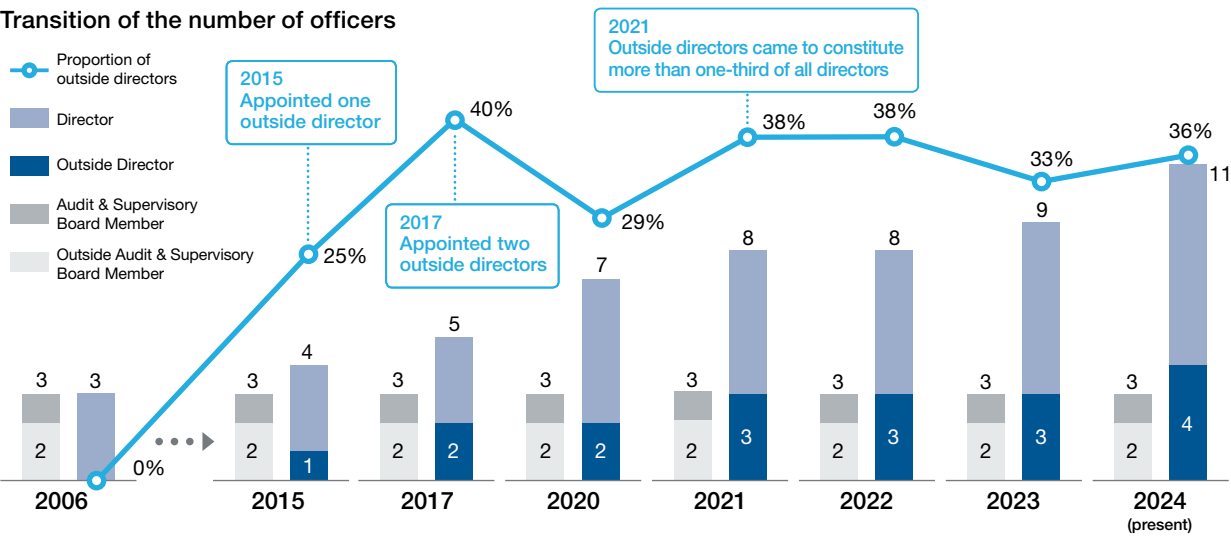
We believe that our directors need to possess knowledge and experience on a global basis to conduct diverse businesses in various countries around the world, and we ensure that a sufficient balance of the knowledge and experience required is reflected in the composition of our Board of Directors. Specifically, 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, capital policies, etc. are appointed. Outside directors are appointed 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

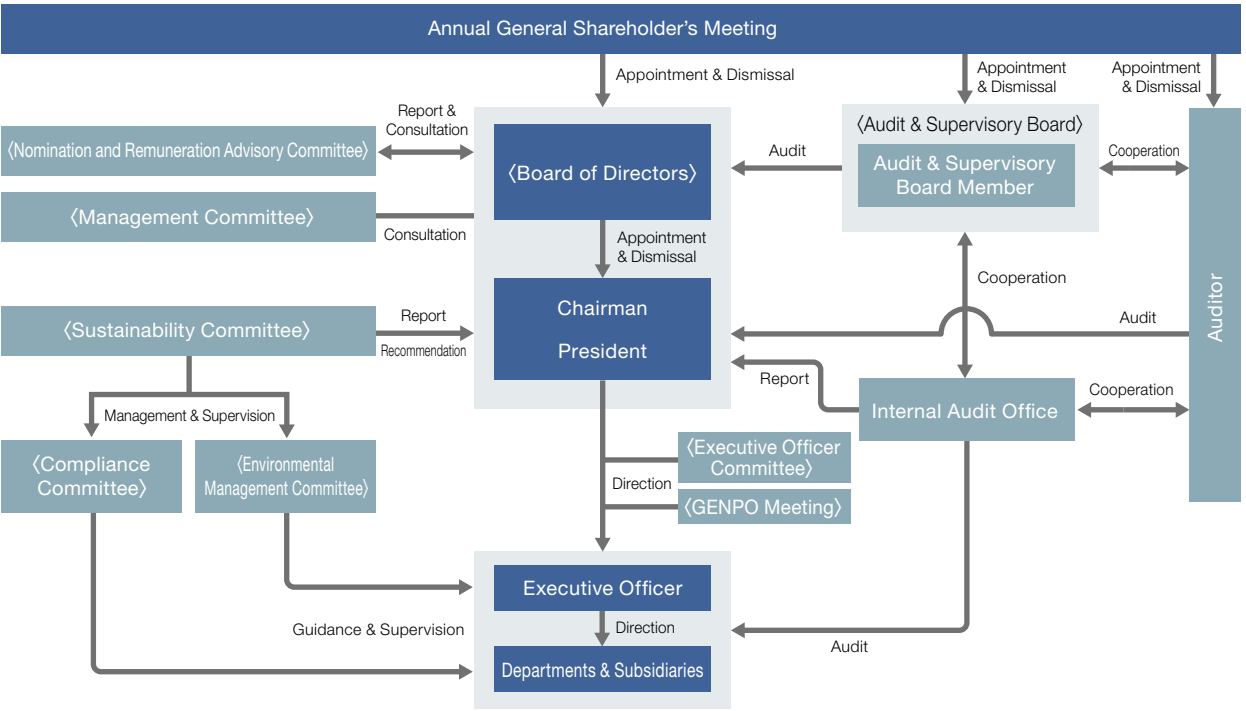
We have developed the SIIX Principles as its corporate philosophy for the conduct of corporate activities by all its officers and employees, and also established the SIIX Group Code of Conduct based on this. Based on the principle of being “fair” under the SIIX Principles, we are aware that strengthening 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

2002	Established the SIIX Principles (Values, philosophy)
2005	Introduced an executive officer system
2006	Established the SIIX Group Code of Conduct
2015	Appointed one outside director
2016	Started to assess the effectiveness of the Board of Directors
2017	Opened the CSR activities page (currently Sustainability) on the corporate website Appointed two outside directors
2018	Changed the term of office of directors to one year
2019	Issued stock options (share acquisition rights) Established the Nomination and Remuneration Advisory Committee
2021	Appointed three outside directors, constituting more than one-third of all directors
2022	Introduced a restricted stock compensation system Established the Sustainability Committee
2024	Introduced the Business Management System



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 outside 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 eleven directors. Four out of the eleven directors are outside directors and monthly meetings are conducted with the three audit & supervisory board members (out of which two are outside audit & supervisory board members). During the meetings, issues on human capital, 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 outside 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

We have 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

We have 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 all 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	Marketing	Finance, capital policy	M & A	Manufacturing	Compliance, internal control	Personnel affairs, HR development	Global experience	ICT, DX	Cultural and social contribution	Diversity
1 CEO & Chairman Shiro Murai	●	●	●		●	●	●	●	●		●	
2 COO & President Koji Yanase	●	●	●		●	●		●	●	●		
3 CFO & Senior Executive Director Seiji Ono	●		●	●	●		●		●	●		
4 COS & Senior Executive Director Toru Maruyama	●			●	●		●	●	●		●	
5 CTO & Executive Director Hiroaki Takagi	●		●		●	●		●	●	●		
6 CCO & Executive Director Kazuya Hiraoka New appointment	●	●	●			●	●		●	●	●	
7 Director Fukiko Iguchi	●		●				●	●			●	●
8 Outside Director Shinsuke Takatani	●			●	●		●				●	
9 Outside Director Susumu Omori	●	●	●	●	●		●		●	●	●	
10 Outside Director Nao Yoshizawa	●	●	●	●	●		●		●	●		
11 Outside Director Yasuko Fujii New appointment	●		●	●	●		●				●	●

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

Corporate Governance

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 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 outside 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 and operation of the Board of Directors

While the majority of opinions were that the composition and operation of the Board of Directors was generally appropriate, there were also assessments referring to areas that could not be covered by the expertise of the officers alone, such as cross-border legal affairs, ESG, and cybersecurity. We are aware of the need not only for the skills and expertise of each director but also for cooperation between related departments based on each director’s responsibilities, and we will encourage them to speak up on matters that go beyond their responsibilities.

[2] Roles of outside officers

All directors agree that outside officers have diverse skills, are well-balanced, and function effectively.

[3] Risk assessment

Some of them pointed out that there is sometimes lack of risk assessment, success/failure judgment, and post-facto assessment concerning matters such as capital investments. Although there have been improvements based on the opinions of outside directors, it was assessed that further improvements are needed with regard to risk verification.

[4] Governance and whistle-blowing system

We received opinions about the whistle-blowing system that there was no track record of such a system in fiscal 2023 and that it was difficult to evaluate whether it was functioning. Hence we will promote awareness within the company. We also received evaluations of the internal audit saying that issues were identified through on-site visits and weekly reports, etc.

[5] Quality of the decision-making process of the Board of Directors

There were opinions that although improvements had been made, the distribution of deliberation materials was slow, including those by the Management Committee, which deliberates in advance on important matters prior to deliberation at the Board of Directors, and that there was sometimes not enough time to examine risks in advance, resulting in insufficient analysis of the contents of proposals. We will thoroughly analyze the content to be discussed and improve the timing of distribution of the materials, and thus reduce the number of issues pointed out by the Board of Directors and the Management Committee.

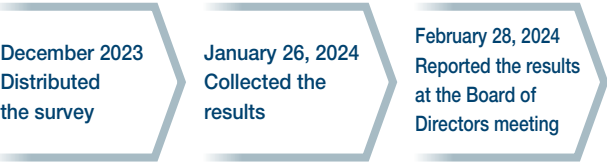
[6] Communication between internal and external officers

The assessment is that sufficient information can be obtained through participation as observers in regular internal meetings as well as in Audit & Supervisory Board meetings, and that the environment, content, and system for providing information to external directors are appropriate. We believe that they are proactively involved in governance to further expand ways in which they can, for example, provide information from outside the company.

[7] Interaction with investors and shareholders

There was an evaluation that there is not enough time for reports on IR activities and exchange of opinions, although they are held regularly, and that it would be appropriate to set up a separate opportunity to exchange opinions. We will consider various methods to improve communication.

Process for effectiveness assessment



Implementation of officer training

Following on from 2022, we invited external lecturers to hold workshop-style training for directors and executive officers on learning soft skills that increase people’s intrinsic motivation. We will continue to use such opportunities to deepen our officers’ knowledge.

Risk management

A number of external factors have considerably affected our business activities in recent years. Those factors include the US-China trade conflict, lockdowns in China due to the spread of COVID-19, and supply shortages of semiconductors and other electronic components. We, however, have 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.

BCP Examples

- 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))

Information security

As a “global business organizer,” we are working on the following three initiatives to pursue the effective use of the world’s resources and contribute to the invigoration of the social system and the progress of humankind.

1. We have set up “security goals” for the entire company and each department, with the following items as key themes and will work for these goals.
 - Organizational reinforcement of internal security measures
 - Technological enhancement of internal security measures
 - Strengthening of external security measures
 - Promote the use of information with security in mind
2. We educate our employees on the relevant laws, regulations and contracts (especially confidentiality agreements with customers), and make it their duty to comply with these regulations.
3. We have established and are operating a management system that complies with ISO 27001. We are working to continuously improve the effectiveness of this system.

Compliance

We have 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.

Messages from the Outside Directors



I will contribute to the sustainable enhancement of corporate value on both offensive and defensive fronts, leveraging my knowledge and experience in finance, accounting, and taxation.

Shinsuke Takatani Outside Director

Status of activities in the SIIX Board of Directors

At present, I attend meetings of the Board of Directors and the Management Committee, where I express my frank opinions about important management issues, including proposals for resolution, from the stage before they are formally proposed. I also attend meetings of the Strategy Conference, the Executive Officer Committee and the Audit & Supervisory Board as an observer, where I make efforts toward information sharing, including about the directions that SIIX should aim for and strategic issues.

In terms of the status of activities of the Board of Directors, recent discussions have tended to focus on strategic issues. Going forward, it may be better to consider selecting certain strategic themes and allocating separate time slots for discussing those themes apart from the regular meetings of the Board. I also believe that measures to enhance analysis of the details of proposals on the agenda will be needed, as there is not enough time to assess the risks of the proposals.

Governance issues

From this fiscal year, a business management system has been introduced for the purpose of strengthening management oversight and decision-making functions. Through this system, I hope that individual directors will actively work across the boundaries of their individual areas of responsibility in the Group, thereby improving the quality of management and aiming for further growth. At the Board of Directors, it is also important for the directors to monitor each other regardless of their own areas of responsibility. The success or failure of the business management system will be the key to strengthening governance in the future, so I will provide solid support as an outside director.

Regarding compliance, the early roll-out of the new SIIX Academy measure will be key, while operation of the SIIX Helpline on a global basis will be important for the whistle-blowing system.

Expectations of SIIX

We recognize that the most important issue for future growth is to ensure the success of the CDMO business for bio-antibody drugs, which is expected to become a pillar of our new business. For the EMS business, which is currently the pillar of SIIX's business, the selection of customers and investment priorities affects the bottom line, so an appropriate balance between the top line and bottom line is extremely important. In particular, when allocating management resources, I hope that SIIX will keep deeply in mind the importance of making investment decisions that are based on hurdle rates, in consideration of ROIC from the perspective of investors. In addition, measures to reduce inventories, which account for the largest weight on the balance sheet, are matters of urgency. As solving this issue will also help to raise funds for new growth, the management team should make a concerted effort to achieve it.

My mission as an outside director

As a certified public accountant and tax accountant, I run a tax accountant firm, and I have been engaged in the establishment and management of an audit firm. Making the most of that experience, I express frank opinions on each agenda item at meetings of the Board of Directors. In addition, leveraging my knowledge of finance, accounting and taxation, as well as my experience in organizational management, I hope to contribute to the sustainable enhancement of corporate value by both improving the environment that supports appropriate risk-taking on the offensive front and monitoring whether the Group is creating sustained corporate value on the defensive front.

I also serve concurrently as a member of the Nomination and Remuneration Advisory Committee, and I have an important mission of dealing with executive personnel matters. Through in-depth dialogues with the directors and other relevant people, I will strive to deepen my understanding of SIIX's business and the members of the organization, so I can make recommendations on management personnel.



I will contribute to ensuring that SIIX's business model receives maximum recognition in the stock and capital markets.

Susumu Omori Outside Director

Status of activities in the SIIX Board of Directors

I was at the helm of a foreign securities firm for many years. My intention is to express strict opinions on matters such as formulation of management strategies, by making the most of the experience that I have cultivated in the stock and capital markets. Capital markets in recent times have been demanding a much higher standard and speedier responses than ever to issues such as corporate governance, ESG, and engagement. In response to such changes in the macroeconomic environment surrounding our business, I provide advice that is fitting of the Prime Market and that aligns with the circumstances of the Company.

Regarding proposals submitted to the Board of Directors, I participate in discussions at meetings of the Management Committee held beforehand and express my candid opinions at meetings of the Board of Directors.

Governance issues

Among the proposals put forward to the Board of Directors, I express my opinions from a strict viewpoint on matters related to investment and loans in particular, based on the characteristics of our business model, to ensure that investment decisions are made with investment efficiency and profitability in mind.

Specifically, making investment decisions based on a thorough examination of local macroeconomic and financial conditions is a major management issue for SIIX, and improving the standard throughout the entire Company from such perspectives is imperative.

Regarding governance, we have introduced a business management system, which has helped to clarify the roles and responsibilities of individual directors. I believe that this system will contribute to the realization of more flexible and robust governance. While having achieved certain results in the appointment of women as directors and areas related to decarbonization, I believe that even further improvement of the quality of relevant approaches during the new medium-term management plan period is needed, as is the implementation of initiatives at a level that matches the global standard.

Expectations of SIIX

No matter what industry or sector you belong to, human capital development is fundamental to the sustainable growth of a company. In this regard, we established the SIIX Academy and began full-scale efforts to develop human capital. This is a major step toward the promotion of human capital management, and I have high hopes for the Academy. SIIX has a marvelous corporate philosophy in the SIIX Principles. I understand these principles to be the values that SIIX has held dear as a corporation since its inception and as its compass that guides the conduct of its business activities. However, the penetration of that corporate philosophy and the development of a training framework for all employees of diverse backgrounds, nationalities, and generations will not be achieved overnight. As well as employees recruited by the headquarters, we must remember that our business areas extend globally. As these areas serve as our business bases, I have great expectations that the SIIX Principles will be instilled correctly among local employees at our overseas locations at every level.

My mission as an outside director

With the introduction of the business management system, the responsibilities of directors have become clearer. To ensure that internal directors can express their opinions freely and without hesitation from the perspective of overall optimization and fulfill their respective responsibilities, I will contribute further to nurturing an environment in the Board of Directors that has no barriers between internal and outside directors. As a member of the Nomination and Remuneration Advisory Committee, I will exchange opinions with individual directors regularly and evaluate the qualifications of executives from more rigorous perspectives. To have the penetration of the corporate philosophy and the foundation of human capital development, including the SIIX Academy, which I mentioned earlier, lead to SIIX's future growth, I will make candid recommendations from outside perspectives and contribute to the enhancement of corporate value.

Messages from the Outside Directors



I will support the maintenance of governance and compliance viewing the business structure in three dimensions and the updating of relevant information.

Nao Yoshizawa Outside Director

Status of activities in the SIIX Board of Directors

With respect to important agenda items, SIIX gives us opportunities to communicate with the staff in charge about matters of inquiry prior to meeting of the Board of Directors. We are also given opportunities for updates from frontline staff in charge of matters that require subsequent ongoing monitoring. In this way, SIIX helps us to obtain accurate information regarding matters and to catch up on them in a prompt and timely manner. Overall, my view is that the Board of Directors works extremely effectively.

Having said that, in individual investments and when making important decisions, we need to strengthen our ability to gather information on external factors that are not easily identified in regular, day-to-day operations, so we can respond to impactful changes in international, market and political circumstances, given that national elections will be held in various countries this year. In this regard, I believe that the key will be whether we can execute our business thoroughly in line with the prevailing circumstances.

Governance issues

Apart from the governance structure, we need to respond to a variety of issues, such as the recent acceleration of digitalization, decarbonization, human rights issues, environmental problems, biodiversity, and security. In doing so, we must take the supply chains in which companies are involved and the value chains to be built in the future into consideration. Traditionally, governance has tended to focus on dealing with individual events, but I believe that it would be a good idea to change this approach. Specifically, there is a need not only to discuss individual transactions, but also to implement governance and compliance that are conscious of the three-dimensional structure of business, such as suppliers and their supply chains, update our information accordingly, and take appropriate actions. With the recent streamlining of the full-time directors' areas of responsibility, while the scope of their authority and responsibilities has become more specific, I believe that, in addition to the clarification of their responsibilities, it is also important

for directors to work together to support the relevant directors in charge of certain areas.

Expectations of SIIX

To ensure the realization of the medium-term management plan, the key question will be how the management team can assemble frameworks in which our employees around the world can move together as one by more widely disseminating the common, but less visible, ideas and principles for making SIIX's business more robust. I also believe that it is essential to firmly establish uncompromising ideas and principles for quality control in particular. This viewpoint is extremely important for us to gain trust in the medical field, where we will take on challenges in the future, in addition to the automotive industry.

On the other hand, regarding issues for new technologies and reforms, challenging innovation in manufacturing techniques, automation and digitalization, as well as new areas, will be important for the realization of the medium-term management plan. In some cases, the acquisition of new technologies for automation makes it easier to roll out factories to other countries. Therefore, I believe that in addition to agenda items for individual projects, it is also important to discuss common issues and the creation of shared benefits and to devise ways to prevent any disparity with the latent views of the frontline employees.

My mission as an outside director

In addition to my expertise in the law and risk response based on my responsibilities as an attorney-at-law and patent attorney, I hope to utilize my qualifications in advanced information technology engineering and information security and my experiences of dealing with legal matters and risk management related to IT infrastructure in various industries to help secure governance, because networking through digitalization is unavoidable when implementing new technologies. I will also provide support by making full use of my connections in relevant industries and the experience, information, and networks that I have cultivated in various administrative policies when SIIX takes up challenges in the health and medical fields in the future.



I will exercise a management supervision function with the aim of SIIX being not only the “Number One” company but the “Only One.”

Yasuko Fujii Outside Director

Evaluation of governance during the term of the outside audit & supervisory board member

As a company with an audit & supervisory board, SIIX has adopted the organizational design required by the Companies Act and has established basic mechanisms, including the appointment of independent outside directors accounting for one-third or more of directors, the appointment of independent outside audit & supervisory board members accounting for a majority of audit & supervisory board members, and the establishment of a Nomination and Remuneration Advisory Committee where independent outside directors form a majority of the members. The outside directors proactively express their opinions at meetings of the Board of Directors and other meetings. The President and the Chairman have a meeting with outside directors on a regular basis. In this way, I believe that opportunities for communication have been secured.

With the introduction of the business management system this fiscal year, the roles and responsibilities of individual directors have been clarified, which I hope will further strengthen governance.

Of course, even if a system is established, it is meaningless if it does not function effectively and properly. Going forward, I hope to keep devoting my utmost efforts to ensuring the transparency of SIIX's decision-making processes and operations through diverse discussions at the Board of Directors, so that I can demonstrate a supervisory function.

Aspirations upon becoming an outside director

Leveraging my experience as an attorney-at-law, I hope to strengthen legal risk management and compliance. That word, compliance, does not simply mean that we need to comply with laws and regulations and not violate them. In recent times, the demand on companies is to go beyond obeying laws and regulations and to achieve compliance of an even higher level that is fair and equitable.

Instead of limiting myself to supervising legal compliance merely as an expert in the law, I hope to consider the perspectives of enhancement of corporate value and stakeholder interests and fulfill a management supervision function through making important decisions of the Board of Directors. Also, to fulfill my fiduciary duty to the shareholders, I will take advantage of the independence and fairness of my position to speak up on behalf of minority shareholders and other stakeholders.

Governance issues

Since the revision of the Companies Act in 2014, group

company management has become more and more important. I only worked as an audit & supervisory board member for a year, so I do not yet have a full grasp of the current state of governance of the Group as a whole, including the overseas subsidiaries. Nevertheless, I do feel that, as a global company, the management of SIIX's overseas subsidiaries is of particular importance. On-site audits of the overseas subsidiaries resumed last fiscal year, but I understand that there was a period in which they were not conducted due to the impact of the COVID-19 pandemic. Ongoing monitoring and investigation will continue to be imperative. At the same time, we should also hold more discussions about the development of stronger group governance.

SIIX deals in electronic equipment, such as automotive-related equipment and industrial equipment, that have high quality requirements. There is a constant demand for a high standard of management of quality control risk.

Moreover, third party risk cannot be neglected. There needs to be proper management of third party risk, not only of the Company and the group companies, but also of the supply chain, including SIIX's customers and suppliers, as well as IT vendors, from ESG perspectives.

Expectations of SIIX

I have been working with SIIX as an outside audit & supervisory board member for one year. My first impression was that it is a company with a great deal of momentum. I gained the impression that everybody is united in pressing forward vigorously in the same direction under Chairman Murai. I also feel that the people of the younger generation who have abilities and drive are being actively promoted.

SIIX's corporate philosophy advocates being a “global business organizer,” who continues to provide new value by connecting the various needs and seeds that exist around the world. Also, one of the pillars outlined in the new medium-term management plan is “new business challenges.” In fact, in addition to printed electronics and robotics-related businesses, SIIX has already started moving into the contract development and manufacturing business of bio-antibody drugs.

SIIX is the leading company in Japan in the EMS field, but I hope that, as well as its existing businesses, it will open up and grow new businesses. I hope that it will establish a position not only as the “Number One,” but as the “Only One,” in other words, the only company that can achieve what needs to be done, that is able to achieve those things precisely because of what SIIX is.

Messages from the Outside Audit & Supervisory Board Members



I will contribute to SIIX’s growth, valuing my experiences and insights to date under its organizational culture of fairness.

Yasuo Nitta Outside Audit & Supervisory Board Member



Leveraging my many years of experience in tax accounting, I will give appropriate advice and fulfill my duties as an audit & supervisory board member.

Toshiko Naka Outside Audit & Supervisory Board Member

Activities as an audit & supervisory board member in FY2023

In terms of governance and compliance, I believe that organizational culture as well as the organizational structure is important. SIIX has a very clear corporate philosophy. One aspect of the corporate philosophy is “fairness.” I do feel that an awareness of the spirit of fairness is constantly present at the executive management level. I believe that it has penetrated not only at the headquarters, but also to the executive management level of SIIX’s subsidiaries around the world. The presence of the outside directors is also important for governance. At meeting of the Board of Directors and the Management Committee, outside directors give appropriate advice about risks and, on occasion, harsh opinions, which I feel contributes to effective functioning of governance. I also believe that the stance of always working to strengthen governance is worthy of commendation.

SIIX’s management as seen from the position of audit & supervisory board member

The medium-term management plan lists four challenges. As a certified public accountant, my focus is on business management and finance. With the shortage of semiconductor chips and other factors, I view the improvement of CCC and the curbing of inventories as key management issues. Excess inventories not only pose problems in terms of funds and interest burden; managing those inventories also imposes hidden costs. A CCC of 65 days in the new medium-term management plan is an indicator that I hope will be achieved as soon as possible, not just in three years’ time. In terms of contribution to a decarbonized society as well, while Europe is taking the lead in this area, I believe that we can commend SIIX well for engaging in this issue all over the world. I believe that its stance of addressing any issues that it faces with sincerity will enable it to achieve the new medium-term management plan and contribute to SIIX’s further growth.

Future expectations of SIIX

Corporate growth cannot be fully expressed in the numbers of business performance alone, but we can see that, even based on its current segments, in the 30 years since it was established, SIIX has expanded its business globally to the greater China region, Southeast Asia, Europe and the Americas. Some segments face harsh external environments, but physically, there is still plenty of room for growth. Having participated in the twice-yearly company-wide meetings of the Strategy Conference and listened to the presentations delivered by the individual subsidiaries, I have felt that management tailored to each region is important. The responsibility for that management will rest with the Group’s human capital, so in addition to the Japanese staff and local executives in those regions, the development and growth of future executive candidates will be a key, indispensable factor for our growth.

My mission as an outside audit & supervisory board member

I have been in this position for three years now. In my previous job, I worked primarily at audit firms, and my area of specialization is accounting and taxation. As overseas net sales accounts for over 80% of SIIX’s net sales, I believe that the management of the overseas subsidiaries is crucial. In the briefing materials provided for officers’ meetings, I pay particular attention to their financial condition as well as their business performance. I do not personally travel to the overseas subsidiaries directly for audits, from FY2023, but with the impacts of the pandemic mostly eliminated, I have obtained information about the results of the audits conducted by the Internal Audit Office and the full-time audit & supervisory board member. I have always placed value in “insights.” I hope to leverage my experiences and insights to date to contribute to the SIIX Group in my capacity as an outside audit & supervisory board member.

Experience to date and aspirations

I have worked as a certified public tax accountant for thirty-plus years. In that position, the owners of small and medium corporations come to me for advice about a variety of matters, not only tax and accounting. Compared with large corporations, these kinds of small businesses find it more difficult to secure large workforces, so they often entrust the preparation of briefing materials that form the basis of management decisions to their tax accountants. As such, we tax accountants acquire a deep understanding of the internal affairs of those companies, which allows us to give them appropriate advice.

Another of my roles is as a member of the Council regarding Ordinance Designation for Specified Non-profit Activities commissioned by the Osaka Prefectural Government. At this Council, we determine the validity of ordinance designation from various perspectives, including the details of the corporation’s activities, the state of its management, the potential for continuity and advancement of its business, and the soundness of its finances. I believe that these kinds of experiences will assist me in fulfilling my duties as an audit & supervisory board member.

Evaluation of SIIX’s governance and compliance

I have only just assumed my position, but my impression is that SIIX is an open company. Information is exchanged openly about various matters as we listen to the explanations of the people in charge. We also receive careful explanations about sustainability-related matters, and my feeling is that this company is far removed from the kinds of concealment and cover-ups by management that we often hear about of late.

I was also surprised by the rate at which male employees take childcare leave, which is 50%, is very

different from that of small and medium corporations. I look forward to seeing even more initiatives going forward.

SIIX’s management as seen from the position of audit & supervisory board member

In general, the enhancement of engagement is said to have a positive impact on operating income margin and labor productivity, but increasing engagement becomes increasingly difficult the larger a company becomes. In this regard, I think it is wonderful that the SIIX Academy has been established and that full-scale efforts are being made toward that end.

However, it is also a fact that, given SIIX global business activities, there is potential for a variety of risks to emerge, such as political upheaval in overseas locations, demand trends, currency fluctuations, and fluctuations in the prices of raw materials. Regarding the new business challenges, namely the bio-antibody drug CDMO business and the temporary staffing agency in the Philippines, while these are still upfront investments, I expect that these will avoid potential risks.

Environmental Conservation

The SIIX Group conducts business activities in 15 countries worldwide and works to reduce GHG emissions at each base. In addition to CO₂ emitted indirectly from energy use (Scope 2), we measure direct CO₂ emissions from fuel burning and other activities (Scope 1) and indirect supply chain CO₂ emissions from material procurement to manufacturing, logistics, and sales (Scope 3). We will continue to monitor GHG emissions throughout our supply chain. In FY2023, the total CO₂ emissions increased due to a year-on-year production increase, however, we actively worked on reducing CO₂ emissions with a focus on Scope 2 by switching to electricity derived from renewable energy and advancing the installation of solar panels. Going forward, we will take various measures in all Scopes to proactively reduce CO₂ emissions from our business activities.

Endorsement of TCFD

SIIX recognizes the importance of addressing climate issues and declared its support for the TCFD recommendations* in July 2022. Based on the TCFD recommendations, we will appropriately disclose information on climate change risks and opportunities that affect the Group’s businesses.

*The TCFD is a task force established by the Financial Stability Board (FSB) in 2015 following a request from the G20. Its 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 their climate change risks and opportunities can be assessed and rated appropriately.



Governance

In April 2022, we established the Sustainability Committee chaired by the President. The committee meets at least twice a year to resolve such matters as the formulation of company-wide policies and strategies and the setting of targets and metrics concerning climate change and other sustainability issues for the SIIX Group, which has approximately 50 bases in 15 countries around the world. The committee also supervises action plans reported by the Environmental Management Committee, a subordinate body of the Sustainability Committee and headed by a management member, and monitors the results and progress of activities. The status of target achievement and important climate-related matters that are deemed relevant to the Group’s management are reported to the Board of Directors.



Risk management

The Sustainability Committee goes over potential risks and opportunities arising from changes in the internal and external environments caused by climate change, and comprehensively assesses and analyzes the impact on the Group’s businesses and value chain from the perspective of financial impact and probability of occurrence along the timeline. Climate-related risks and opportunities that are determined to have high degrees of impact are reported to the Board of Directors (or Management Committee), and identified as material risks and opportunities after a company-wide integrated assessment of the financial and non-financial impacts. In FY2022, climate-related issues were identified as one of the material risks, and in response, the Sustainability Committee has set GHG reduction targets for FY2030 to avoid or reduce such risks.

Strategy

We conducted a scenario analysis related to climate, with reference to the 1.5°C and 4°C scenarios. The analysis resulted in an assessment that the manifestation of impacts of transition to a decarbonized society (policy and regulation/market/reputation) and physical impacts (acute/chronic) of sharp temperature rises could pose climate-related risks and opportunities in the future. To address such risks and opportunities, 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
<ul style="list-style-type: none">Average temperature increase causes more frequent and intense natural disastersNew technologies with low GHG emissions are developed and adoptedStricter regulations on GHG emissions make large fossil fuel consumers stranded assets		<ul style="list-style-type: none">Average temperature increase causes even more frequent and intense natural disasters than the 1.5°C increase scenarioSea level rise causes more frequent flood damage, etc. in coastal areasChanges in precipitation patterns and typhoon routes cause more frequent and intense damage from river flooding, etc. and alter which areas are affectedMore frequent and intense natural disasters damage corporate assets and lower corporate value

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 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">Taxation on carbon increases material and fuel procurement costsShift to electricity derived from renewable energy increases fuel costsInsufficient environmental initiatives result in the following consequences:<ul style="list-style-type: none">Decrease in new ordersCancellation of existing contractsLoss of customers due to increased reputation risks	<ul style="list-style-type: none">Demand for energy-saving products increasesNeeds for shift to energy-saving products increaseIoT use facilitates more efficient electricity use

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

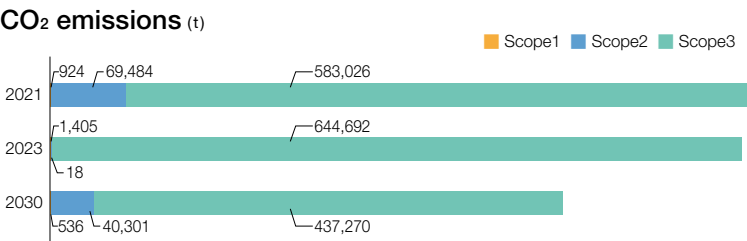
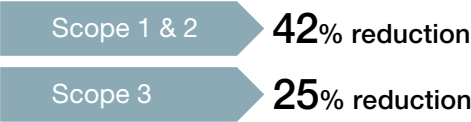
Environmental Conservation

Metrics and 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

FY2030 (from FY2021 baseline)



Achievements

Scope and method of calculation			FY2021 GHG emissions	FY2023 GHG emissions	Scope 3 breakdown (%)	
Scope1			924	1,405		
Scope2			69,484	18		
Scope1+2			70,408	1,424		
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.	525,157	555,064	86%
Category	2	Capital goods	Calculated by multiplying the amount of capital expenditure by the coefficient set by the Ministry of the Environment.	28,640	27,472	4%
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.	7,970	9,095	1%
Category	4	Upstream transportation and distribution	Calculated based on the ton-kilometer method.	10,563	7,913	1%
Category	5	Waste generated in operations		—	1,628*	0%
Category	6	Business travel	Calculated by multiplying the number of employees by the coefficient set by the Ministry of the Environment.	1,606	1,437	0%
Category	7	Employee commuting	Calculated by multiplying the number of employees by the coefficient set by the Ministry of the Environment.	5,137	4,595	1%
Category	8	Upstream leased assets	(Not applicable)	—	—	
Category	9	Downstream transportation and distribution	(Not applicable)	—	—	
Category	10	Processing of sold products	(Not applicable)	—	—	
Category	11	Use of sold products	Estimated GHG emissions from the use of scanner products (for five years).	2,275	2,413	0%
Category	12	End-of-life treatment of sold products		—	31,709*	5%
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.	1,678	3,367	1%
Scope 3 total			583,026	644,692		

*We began calculating emissions for categories 5 and 12 in FY2023.

Initiatives to reduce GHG emissions

Scope1:

CO₂ emissions at SIIX are mainly from the combustion of gasoline in company vehicles and fuel burning for in-house power generators primarily at production bases. We will continue our efforts to reduce emissions by converting company vehicles to EVs and implementing other measures.

Scope2:

We are working on reducing CO₂ emissions mainly through the following activities.

Installation of solar panels

Solar panels are installed on the roof of our large factory buildings to supply a part of the electricity used. By the end of 2023, we installed and started operation of solar panels at our factories in China (Shanghai, Dongguan and Hubei), Mexico, and Indonesia (Karawang). We also plan to install solar panels at our factories in the Philippines, Thailand, and Indonesia (Batam).

Shift to electricity derived from renewable energy

We purchase a significant portion of our electricity from conventional power utilities, and we are gradually transitioning towards sourcing our electricity from renewable energy sources. All three bases in Europe and Japan (Sagamihara) Factory have already switched to 100% renewable energy. From 2024 onward, the Osaka headquarters, Tokyo headquarters and Taiwan office will also switch to 100% renewable energy.

Offsetting CO₂ emissions through purchase of non-fossil certificates

Of the 66,400 tons of Scope 2 CO₂ emissions from our business activities in FY2023, we offset 66,381 tons through the purchase of non-fossil certificates. We are committed to environmental protection and sustainability and are working actively to reduce CO₂ emissions and achieve carbon neutrality. Purchasing non-fossil certificates is an important way to support the development of renewable energy and mitigate the impact on the global environment, through which we aim to reduce our environmental impact and engage in sustainable business practices.

Scope3:

Approximately 90% of the Scope 3 CO₂ emissions are from suppliers. Currently, we collect information from the top 131 suppliers in terms of purchase volume. We also send a Self-Assessment Questionnaire (SAQ) to our major suppliers to identify and encourage their sustainability and CSR procurement initiatives. We will continue to refine our carbon footprint measurement and promote engagement with suppliers to reduce emissions throughout the supply chain.

Improved CDP score and selection as a Supplier Engagement Leader

Since 2020, we have participated in annual surveys conducted by CDP, an international non-profit environmental organization. In FY2023, we received an A- in the climate change section (compared with a B- in the previous fiscal year).

In addition, we received the highest rating for supplier engagement and were selected as one of the 458 Supplier Engagement Leaders (including 109 Japanese companies) out of approximately 23,000 companies participating in the CDP for FY2023. Supplier Engagement Leaders are recognized for working more effectively with suppliers on climate change.

Use of renewable energy
(Proportion of renewable energy in total electricity usage)

FY2021 3.6%

FY2022 6.6%

FY2023 14.6%



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 ten codes 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 (people working for SIIX Group) will well understand and observe all applicable laws and regulations of each country or region where we do business, as well as internal company rules such as the articles of association, internal policies and so on.

Standard 5

5-3 Respect for human rights

- 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.
- 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.
- We will not engage in actions that may constitute sexual harassment.
- 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 outside directors to all executives, managers, and assistant managers.

Safety and health

■ Safety and health policy

At SIIX, in accordance with Standards 5 and 6 of 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	Implementation of health checkups, stress checks, vaccinations, collaboration with industrial physicians, implementation of health and safety education, etc.
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Social initiatives in the supply chain

■ Supply chain management

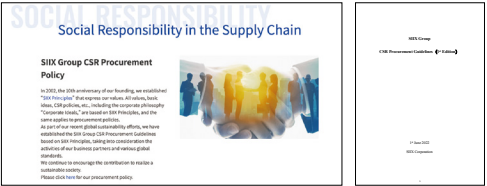
With the globalization of corporate activities and the complexity of the supply chain, SIIX respects human rights and complies with laws and regulations throughout the supply chain. We thus actively work on CSR, “Corporate Social Responsibility,” to realize a sustainable society.

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

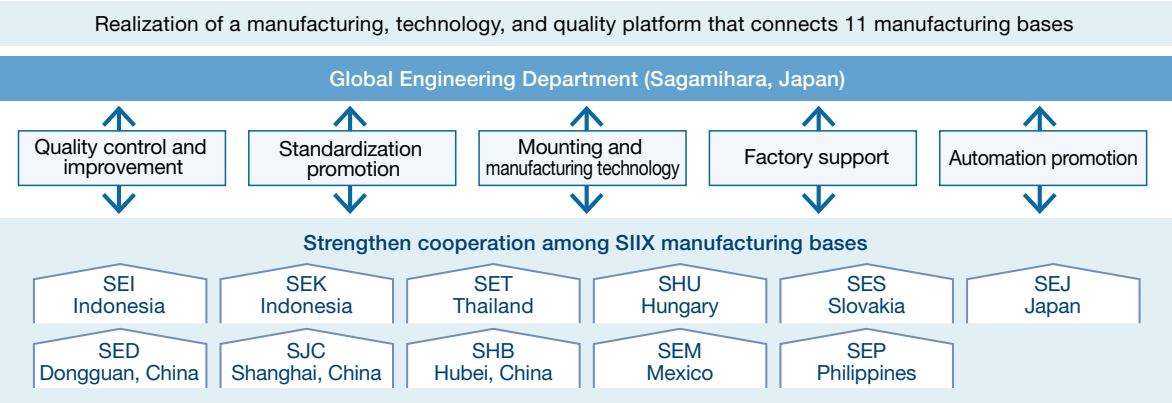
In order to ensure identical quality worldwide, we will develop more efficient and high-quality production systems by advancing information sharing, automation, and labor-saving. As a company engaged in manufacturing, we are committed to complying with environmental laws and regulations to conduct production 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.
 - 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.
- 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.
 - 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



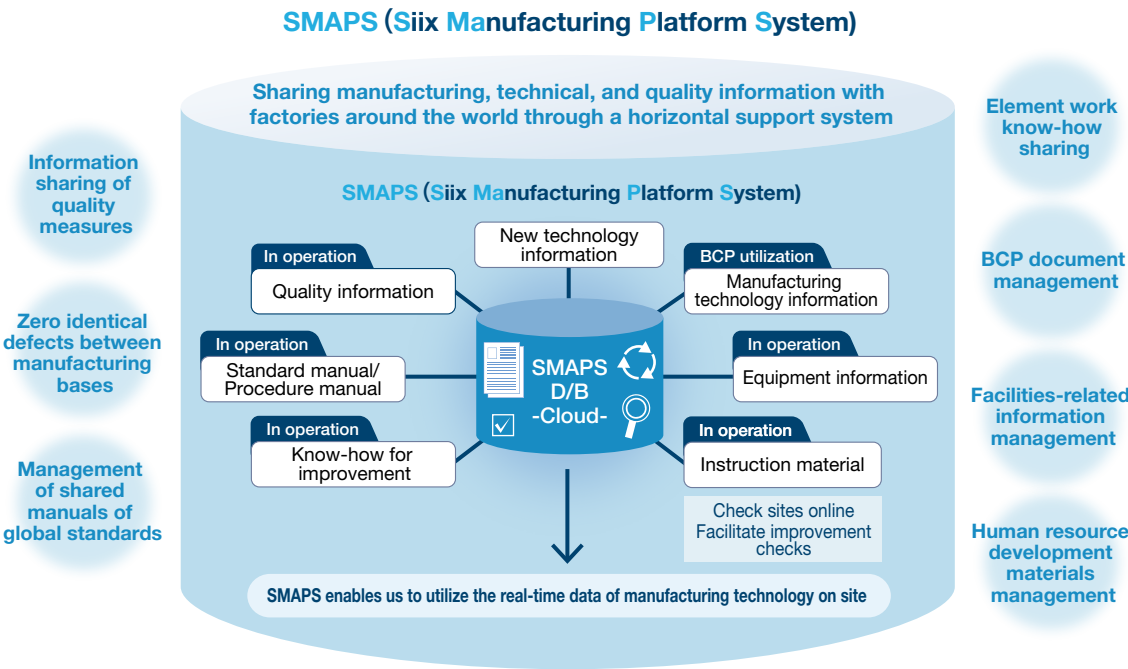
Society

(3) 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)
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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)

Diversity and inclusion

We strive to invigorate and develop the entire organization by creating an environment where human capital with diverse backgrounds can demonstrate their individualities and abilities, and by developing systems that support employees’ work-life balance and enable them to work energetically.

Promoting the active involvement of local human capital in the workplace

We are expanding our business globally and have established offices around the world, with many local staff members supporting our business. By training many local executives in management at each location, we aim to increase each executive’s loyalty to the company, thereby improving the business performance and corporate value of each company. In several local subsidiaries, local executives have been appointed as presidents. From the perspective of further delegation of authority, we will identify outstanding local employees and actively promote them to the executive level.

Ratio of local employees in management positions for FY2023

79.2%

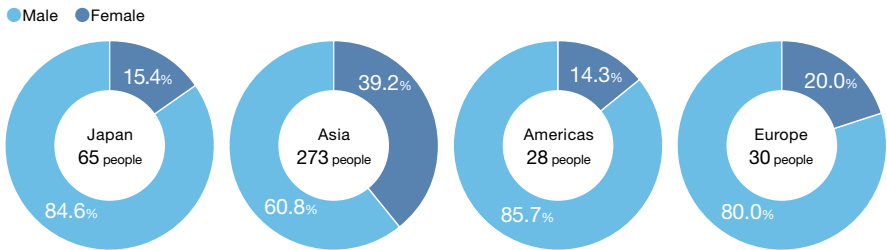
Promoting the active involvement of women in the workplace

To enable employees with diverse backgrounds to play an active role, we support the Japan Business Federation’s (Keidanren’s) “Challenge Initiatives for 30% of Executives to be Women by 2030” and have been promoting the appointment of female employees to key positions. SIIX was certified as an “Osaka city female employees leading company” (certification level★★★) on March 1 of 2024.

At the Annual General Shareholder’s Meeting held in March 2024, a female outside director and a female outside audit & supervisory board member were appointed. In addition, several women are currently serving as executive officers, including a female internal director, and many female employees are in management and key positions at local subsidiaries. We will continue to promote the active involvement of women from the perspective of diversity.



Number of employees in management positions & gender ratio by area



Ratio of women in management positions for FY2023

32.1%

Achieving a healthy workplace environment and work styles

We quantitatively assess the following items while taking each employee’s life stage and work-life balance into account.

Total working hours*1 We strive to reduce total working hours through the effective use of internal resources and ongoing work reforms. Target: 30% reduction (from FY2022) FY2023 results: 6.7% reduction	Annual leave utilization rate*2 We aim to increase the annual leave utilization rate by raising internal awareness. Target: 100% utilization FY2023 results: 82.2% taken	Overtime hours*1 We track monthly overtime and promote awareness about reducing it. FY2023 results: Average of 23.5 hours per person per month	Percentage of male employees taking paternity leave*1 We raise internal awareness to encourage the use of the system. Target: 100% utilization FY2023 results: 50% taken
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*1 Non-consolidated basis. *2 Figures are on a non-consolidated basis. Awareness activities are also promoted at our overseas bases.

Systems to support diverse work styles

SIIX has introduced a range of support systems to help employees demonstrate their abilities while balancing work and personal life.

Examples of support systems	Program for working from home, staggered work hours program, hourly annual leave system, promotion of shortened working hours, welcome back program, etc.
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Society

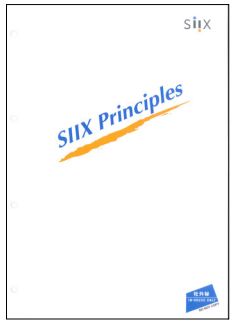
Promoting human capital management

We have set promoting human capital management as a target initiative in the Medium-term Management Plan 2024-2026. As part of this initiative, we will focus on improving employee engagement and developing our human capital.

Instilling the SIIX Principles

To further instill our corporate philosophy, the SIIX Principles, throughout the Group, we have translated them into the local languages of all countries where we operate and distributed them across the Group. The addition of 12 new languages to the existing Japanese and English versions has facilitated a deeper understanding of the corporate philosophy among our more than 11,000 employees.

The Batam Factory in Indonesia promptly displayed awareness-raising posters throughout the facility to integrate the corporate philosophy into on-site activities. We feel that we are making steady progress in unifying our values and instilling the philosophy that we are striving for. We believe that the positive attitude of local employees in acting independently and the underlying strength of our people are valuable assets and an integral part of our corporate value.



SIIX Principles



In-house awareness-raising posters (photo taken at the Batam Factory in Indonesia)

Obtaining engagement scores

As part of our human capital management initiatives, we have set “increasing the engagement score” as a KPI in our Medium-term Management Plan 2024-2026.

To foster a positive relationship where the company and its employees share an affinity and choose each other through increased engagement, we conducted an engagement survey of our headquarters employees. The survey was supported by Link and Motivation Inc., which has a database of 4.22 million employees from 11,590 companies. As of February 2024, the score was 46.3, below the national average of 50, indicating challenges and room for improvement at each department and level.

In response, we have set a target engagement score of 55.0 for the medium-term management plan period. In the future, we plan to expand the survey’s scope and implement training and other measures tailored to specific issues to enhance engagement across the company and increase corporate value.

Engagement score



[Reference] Relationship between engagement score and rating

Score	33	39	42	45	48	52	55	58	61	67	
Rating	DD	DDD	C	CC	CCC	B	BB	BBB	A	AA	AAA

Where SIIX is now *Scores are presented as deviations from the national average, which is set at B 50.

Introduction of e-learning “GLOBIS Manabi-Hodai”

To enhance our employee education system, we have introduced GLOBIS Manabi-Hodai from GLOBIS Corporation for all employees. This program allows employees of all ages, backgrounds, skills, and experience to access training videos at their own pace, anytime and anywhere. The program offers a variety of courses, including communication, marketing, leadership, accounting/finance, and personal development, providing employees with the opportunity to voluntarily learn and improve their skills. We expect this program to motivate each employee to pursue further learning.

The program’s implementation office can track participant interest and viewing trends, such as which courses are more popular. Through this program, we will encourage employees to take the initiative in their learning and increase their engagement.

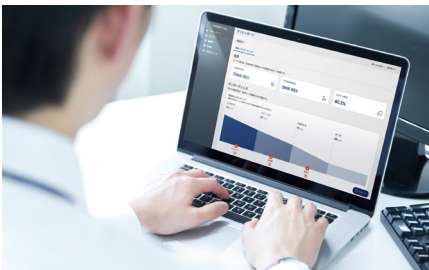


Photo: Courtesy of GLOBIS Corporation

SIIX Pioneers—Penetration of corporate philosophy

In promoting diversity management, it is becoming increasingly important to select and empower local employees in management positions, strengthen cooperation with the Japanese headquarters, and ensure a deep understanding of our corporate philosophy.

To address this issue, we have appointed a representative from each local subsidiary and started an initiative to help them understand the importance of instilling our corporate philosophy, the SIIX Principles, and to communicate these principles to local employees.

The project was launched in October 2023, and in January 2024, local representatives gathered in Osaka to form a team called “the SIIX Pioneers.” The team operates under the concept of a self-managed organization, with the project management office at headquarters providing support only when needed, while the local members divide roles among themselves and manage the project collaboratively.

Each month, the team exchanged views on employee education materials and reviewed implementation details at each location. During a strategy meeting held in Bangkok, Thailand in July 2024, local representatives presented their initiatives implemented over the past six months. By sharing best practices from different locations and exchanging views, the team deepens its understanding, strengthens the sense of ownership and belonging among local executives—regardless of nationality or gender—and builds a stronger organization with enhanced connections between headquarters and local executives.

In the human capital division, employee recruitment, training, and organization building have been more closely aligned with the corporate philosophy than ever before. We remain committed to ensuring that the SIIX Principles are instilled and understood by all of our employees worldwide as they conduct their daily business activities.



Consolidated Financial Summary

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Financial Information													
Net sales	Million yen	207,009	209,755	235,035	212,768	233,153	242,804	223,037	181,598	226,833	277,031	309,768	
Operating income	Million yen	5,011	6,233	8,913	9,134	9,705	8,625	5,506	4,452	4,954	8,929	12,254	
Ordinary income	Million yen	5,427	6,460	9,002	9,146	10,513	8,717	5,634	4,444	5,934	8,337	11,849	
Profit attributable to owners of parent	Million yen	3,321	4,131	6,717	6,698	7,093	6,414	3,695	1,724	4,561	4,733	8,185	
Selling, general and administrative expenses	Million yen	8,072	8,889	10,802	11,067	12,922	12,010	12,155	11,697	15,165	16,862	18,595	
Depreciation and amortization	Million yen	2,916	3,166	3,805	3,271	3,465	4,235	5,477	6,046	6,129	7,714	8,928	
Total assets	Million yen	89,204	103,429	109,957	109,695	130,526	137,350	143,391	144,436	169,921	205,170	216,838	
Net assets	Million yen	33,185	41,497	49,739	51,573	57,609	56,016	58,249	56,498	66,369	77,389	89,545	
Equity capital	Million yen	32,985	41,310	49,585	51,332	57,252	55,655	57,846	56,084	65,879	76,891	89,041	
Interest-bearing debt	Million yen	18,546	19,128	12,614	11,458	19,553	32,969	38,667	47,471	51,350	63,150	61,984	
Net cash provided by (used in) operating activities	Million yen	3,438	2,374	7,996	6,333	4,536	966	8,945	13,280	(8,106)	5,567	19,796	
Net cash provided by (used in) investment activities	Million yen	(3,216)	(2,827)	(5,113)	(5,450)	(9,211)	(6,515)	(9,602)	(6,034)	(7,765)	(8,892)	(10,392)	
Net cash provided by (used in) financing activities	Million yen	(105)	(1,286)	3,352	(4,171)	6,410	7,991	2,923	1,291	869	6,676	(5,989)	
Cash and cash equivalents at end of period	Million yen	7,518	6,497	12,473	8,776	10,574	12,813	15,035	22,968	9,315	13,652	18,059	
Free cash flow	Million yen	222	(453)	2,883	882	(4,674)	(5,549)	(656)	7,246	(15,872)	(3,325)	9,404	
Capital expenditure	Million yen	1,134	2,857	3,764	4,528	6,167	7,483	9,082	5,573	9,515	10,845	9,127	
Per-share Data*													
Net income per share (EPS)	Yen	70.37	87.53	137.94	133.81	144.01	131.45	78.21	36.48	96.53	100.11	173.56	
Net assets per share (BPS)	Yen	698.87	875.24	986.35	1,042.20	1,162.33	1,178.04	1,224.26	1,186.71	1,393.92	1,625.55	1,891.52	
Dividends per share	Yen	16.0	17.0	21.0	25.0	26.0	27.0	28.0	29.0	30.0	31.0	44.0	
* 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	7,927	9,399	12,719	12,406	13,170	12,861	10,983	10,498	11,084	16,643	21,182
Capital-to-asset ratio	(Equity capital / Total assets (fiscal year-end))	%	37.0	39.9	45.1	46.8	43.9	40.5	40.3	38.8	38.8	37.5	41.1
Debt-to-equity ratio	(Interest-bearing debt / Equity capital (fiscal year-end))	Times	0.6	0.5	0.3	0.2	0.3	0.6	0.7	0.8	0.8	0.8	0.7
Return on equity	(Profit attributable to owners of parent / Average equity capital for the last two periods)	%	11.4	11.1	14.8	13.3	13.1	11.4	6.5	3.0	7.5	6.6	9.9
Rate of ordinary income to total assets	(Ordinary income / Average total assets for the last two periods)	%	6.6	6.7	8.4	8.3	8.8	6.5	4.0	3.1	3.8	4.4	5.6
Payout ratio	((Interim dividends + Year-end dividends) / Profit attributable to owners of parent)	%	22.7	19.4	15.2	18.7	18.1	20.5	35.8	79.5	31.1	31.0	25.4
Employees													
	Number of employees	8,641	9,545	10,352	10,820	11,659	13,632	12,721	11,257	12,354	12,734	11,052	

Corporate Data

Corporate Outline

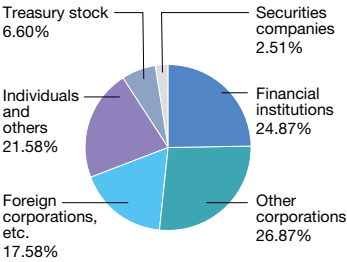
Company name	SIIX Corporation
Established	July 1, 1992
Paid-up capital	2,144 million yen (as of December 31, 2023)
Location	Osaka Headquarters: SIIX BLDG, 1-4-9, Bingo-machi, Chuo-ku, Osaka 541-0051 JAPAN Tokyo Headquarters: SIIX BLDG, 2-3-25, Kudanminami, Chiyoda-ku, Tokyo 102-0074 JAPAN Nagoya Sales Department: 2F SIIX BLDG, 3-2-11, Meieki, Nakamura-ku, Nagoya, Aichi 450-0002 JAPAN
Net sales	309,768 million yen (FY2023: consolidated)
Number of employees	Non-consolidated: 214, consolidated: 11,052 (as of December 31, 2023)

Stock and Shareholder Information (as of December 31, 2023)

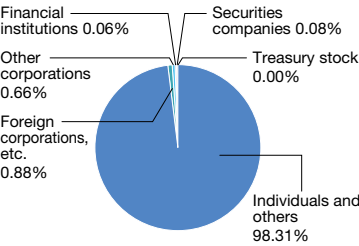
Stock information

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	31,896 shareholders

Shareholding by type of shareholder



Number of shareholders by type of shareholder



Major shareholders

Shareholder name	Number of shares held (in thousands)	Shareholding ratio (%)
Sakata Inx Corporation	10,812	22.97
The Master Trust Bank of Japan, Ltd. (trust account)	4,446	9.45
Forty Six Ltd.	2,200	4.67
Resona Bank, Limited	2,170	4.61
Sumitomo Mitsui Banking Corporation	2,160	4.59
Custody Bank of Japan, Ltd. (trust account)	1,451	3.08
Shiro Murai	1,408	2.99
THE BANK OF NEW YORK 133652	924	1.96
Custody Bank of Japan, Ltd. (trust account No. 4)	841	1.79
MUFG Bank, Ltd.	720	1.53

* Aside from the above, SIIX owns 3,325,625 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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 <https://www.siix.co.jp/en/>