



*Think Automation and beyond...*

Integrated Report  
**IDEC Report 2022**

## || Editorial Policy

The IDEC Group published its first integrated report “IDEC Report 2022”, referring to the “International Integrated Reporting Framework” proposed by the Value Reporting Foundation (VRF) and the “Guidance for Collaborative Value Creation” of the Ministry of Economy, Trade and Industry. In addition to financial information such as business performance and management strategy, we have compiled non-financial information, which is an invisible asset such as ESG, in a systematic manner, so that our stakeholders can understand our process of improving corporate value and our efforts to realize a sustainable society.



### Period covered

Fiscal Year 2022  
(April 1 2021-March 31 2022)

### Organizations covered

IDEC CORPORATION and IDEC Group companies  
(35 consolidated subsidiaries)

### Publication date

June 2022

### Cautionary statement regarding forward-looking statements

The information in this report including plans, estimates, and strategies is based on information available at the time of publication and contains risks and uncertainties. Actual results may differ from those stated in this report, due to factors such as future economic conditions and business environment.

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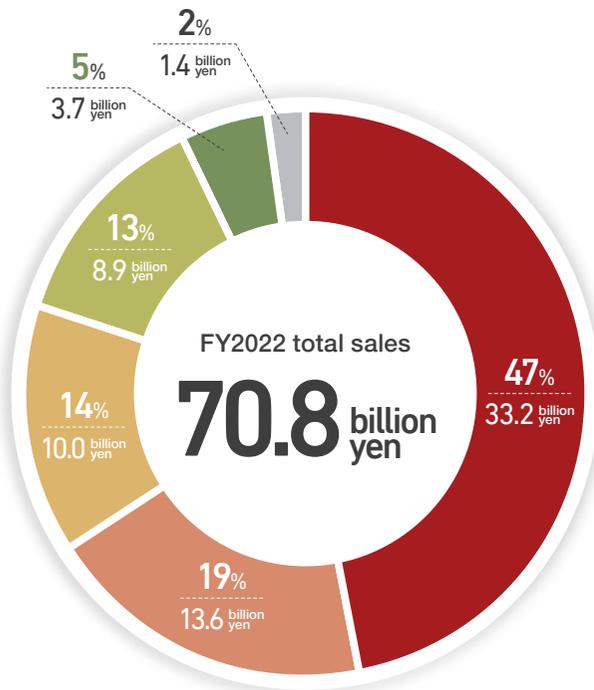
## At a Glance

### HMI-based product development

As a leading company in the field of Human-Machine Interface (HMI), the IDEC Group provides a wide range of products and solutions and contributes to safety, ANSHIN<sup>1</sup>, and well-being<sup>2</sup>.

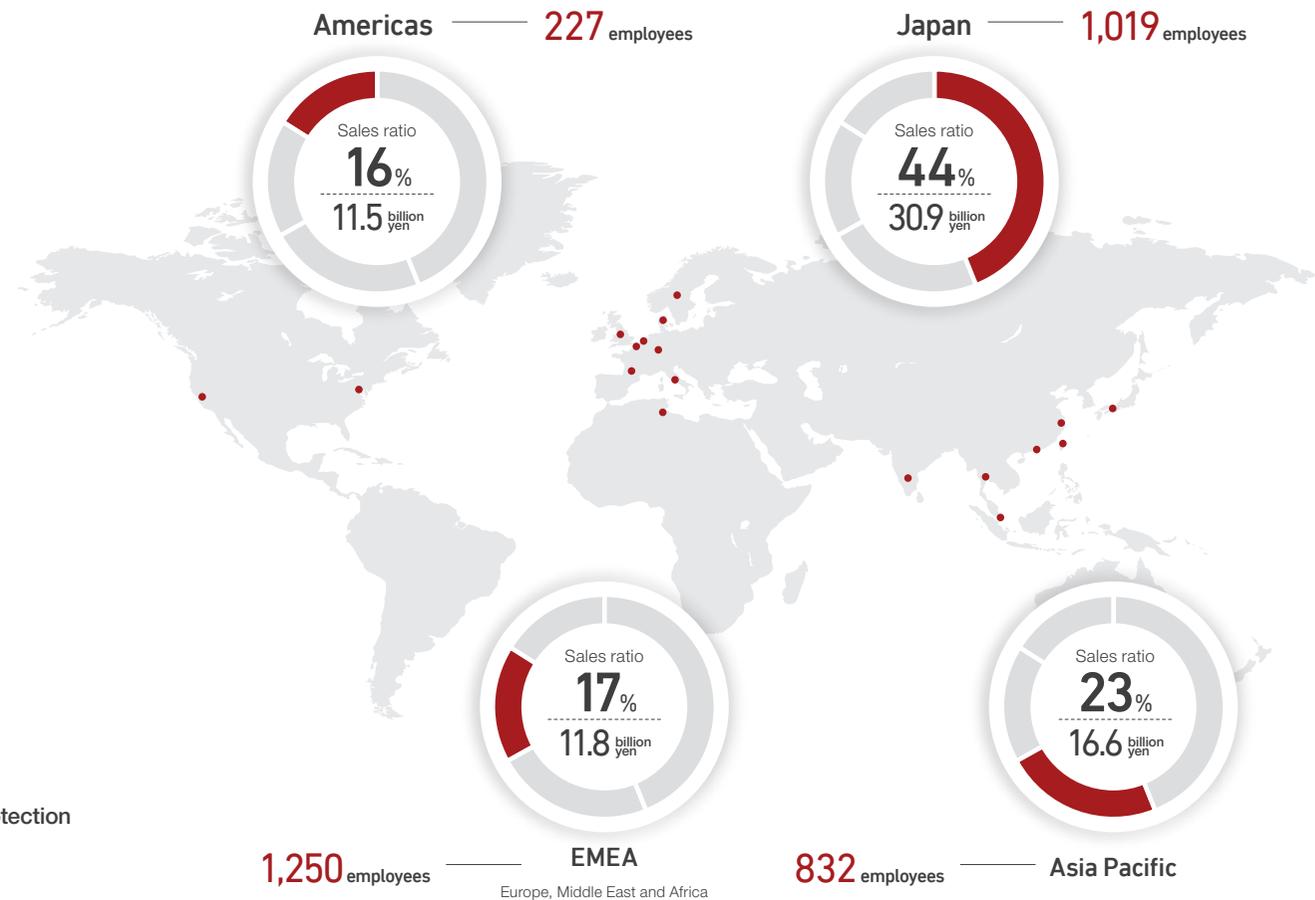
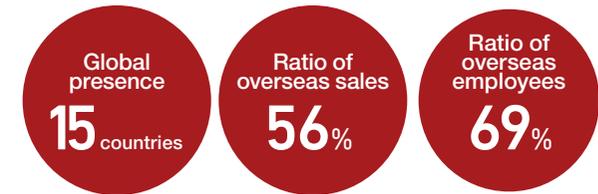
<sup>1</sup> ANSHIN denotes a sense of trust and assurance without any fear or stress.

<sup>2</sup> Well-being is a concept that denotes that individuals are in good physical, mental and social condition, where one's rights and self-actualization has been realized.



### Extensive broad global network (March 31, 2022)

The IDEC Group possesses a development / manufacturing / sales network that provides optimal components, solutions and services to fulfill market needs and industry needs, with an ultimate aim of attaining a solid position worldwide.



## || Purpose

The IDEC Group's Purpose is to create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world.

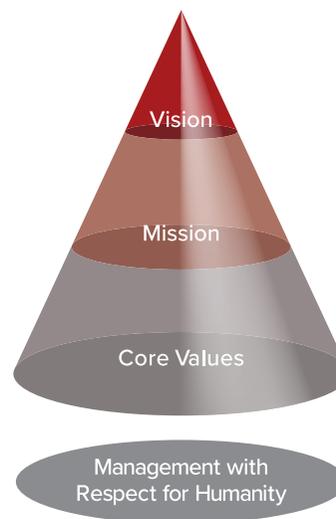


Since its founding in 1945 as Izumi Shokai, the IDEC Group has provided a wide range of products and services. Leveraging the core technologies created and enhanced through development of industrial switches and other control devices for machines, we want to make safer, more pleasant points of contact between humans and machines in manufacturing sites and daily life scenes. This is how we desire to contribute to society.

To thus contribute to the functioning and well-being of society, based on the premise that

at times humans make mistakes and machines break down, we are inspired to pursue and realize consistently high levels of safety, ANSHIN, and well-being, and protect humans even in unforeseen circumstances.

We are determined to continue providing innovation and value as we enter a new era, sustaining our ceaseless commitment stated above since our foundation, expanding it on a global scale and staying on course toward our next milestone, the 100th anniversary.



### The IDEC Way

As a step towards becoming a truly global company, the IDEC Group has adopted a new philosophy. "The IDEC Way" encompasses the following:

#### Vision

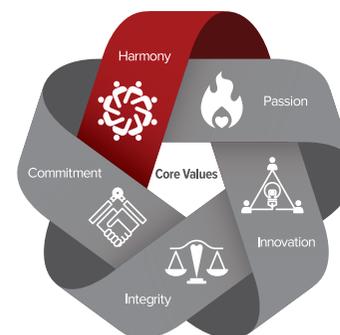
Pioneer the new norm for a safer and sustainable world.

#### Mission

To create the optimum environment for humans and machines.

#### Core Values

### Core Values



#### Harmony

In Harmony with our co-workers, our customers and society.



#### Passion

Joy in fulfilling our mission.



#### Innovation

Take on new challenges and embrace change.



#### Integrity

Exhibit honesty, fairness and respect at all times.



#### Commitment

Be the person everyone can count on.

## || IDEC Group History

Responding to global societal challenges;  
thinking of our 100th anniversary and beyond.

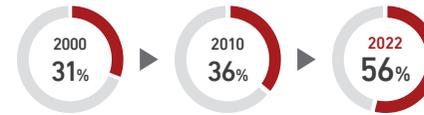
### What we have not changed

Development of products that bring together humans and machines to realize safety, ANSHIN, and well-being

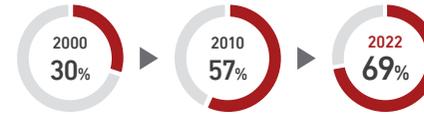
### What we have changed

Product strategy and multi-regional development that respond to needs of the times

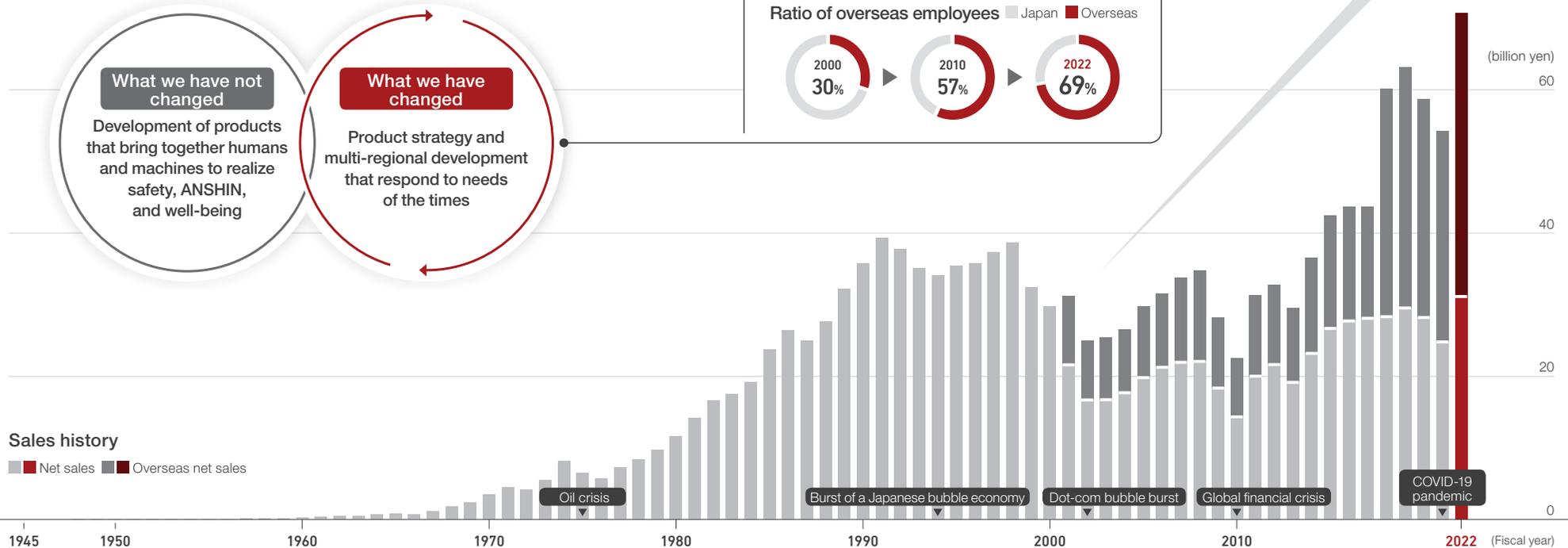
### Ratio of overseas sales



### Ratio of overseas employees



Expanding the global business



### Supporting Japan's manufacturing in the postwar reconstruction period

When IDEC started to do business, it was initially engaged in the sale of electric appliances, including retail sales. Recognizing the shortage of switch boxes, that were essential for many machines, IDEC developed high-quality switch boxes, which became IDEC's long-selling products. The switch boxes as well as explosion protection products, which were widely used in textile and chemical plants and petrochemical complexes, helped support Japan's manufacturing in the postwar reconstruction period.



SB metallic switch box

### Contributing to automation and mechanization, as a comprehensive control device manufacturer

Propelled by rapid economic growth in Japan, IDEC was transformed into a comprehensive control device manufacturer. In tandem with the advance of automation and mechanization of factory equipment, IDEC expanded into the field of electronics and system products. Pursuing corporate scale expansion and responding to the trend for greater mass production, IDEC established overseas manufacturing and sales sites, and global business expansion led to further business growth and to a stock listing upgrade to the First Section of the Tokyo Stock Exchange in 1990.

### Creating the "optimum environment for humans and machines"

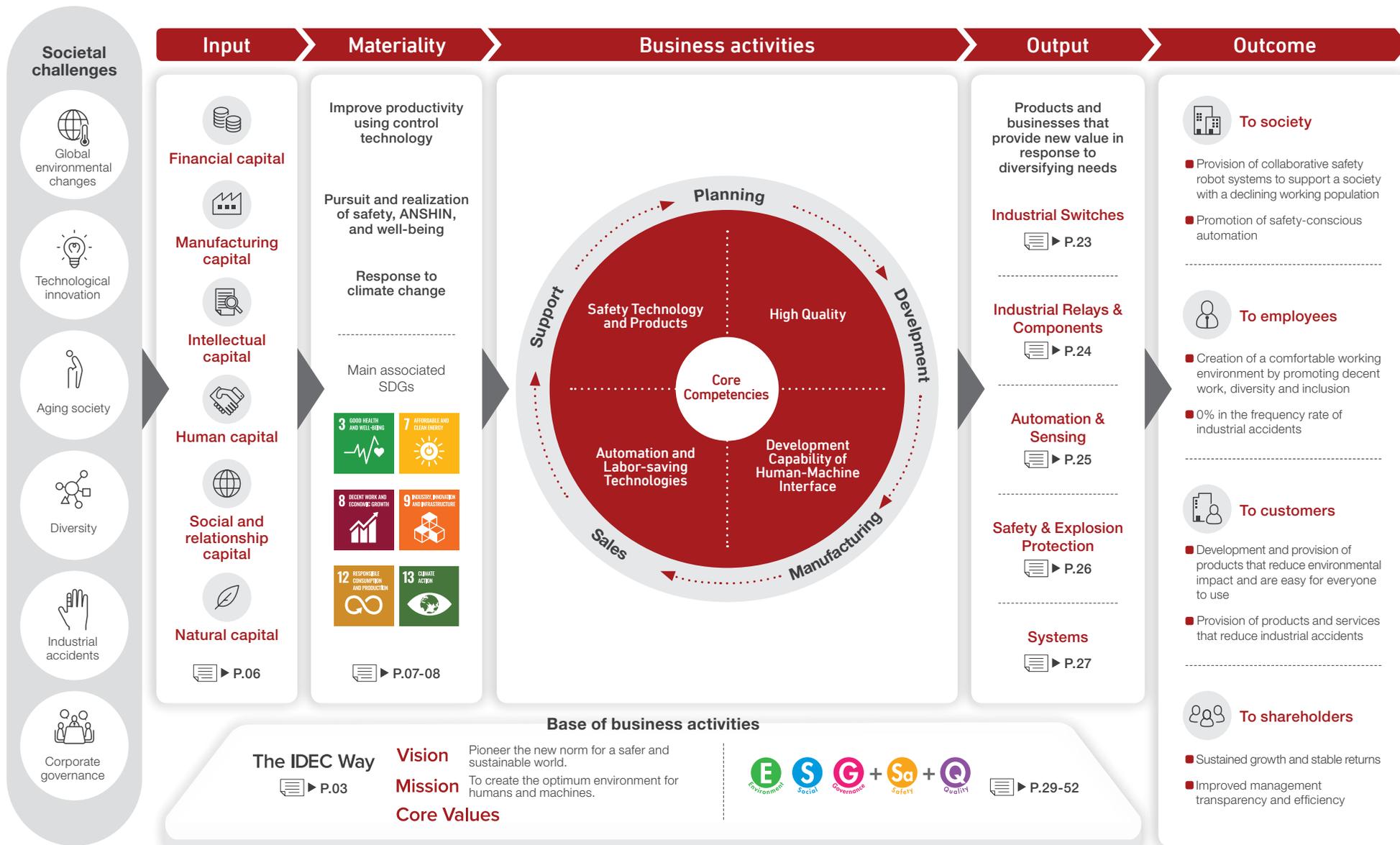
In manufacturing, environments in which humans and machines coexist have become common and increasingly vital for society. Appropriate to this, we have developed the first interlock switches and enabling switches in Japan to meet the needs for safety and productivity-conscious facilities. In addition, we have introduced a robot control cell production system that realizes multi-product and variable-volume production at our core factory, promoting automation and labor-saving.

### Challenging global societal challenges

In its 60th anniversary year, 2005, the company changed its name to IDEC CORPORATION. In 2017, IDEC acquired APEM Group of France, as part of its global business expansion. IDEC strives to develop new businesses that contribute to solving societal challenges. We will thus continue to transform and stand up to challenges, so that our company becomes truly global and realizes sustainable growth.

# Value Creation Process

In order to realize “The IDEC Way”, the IDEC Group is committed to working through its business activities for the following Materiality: “Improve productivity using control technology,” “pursuit and realization of safety, ANSHIN, and well-being,” and “response to climate change.” This is how we contribute to a sustainable society and increase corporate value.



## The Six Types of Capital that IDEC Highly Values

The capital accumulated by the IDEC Group since its founding will be the source of the Group's future growth and increased corporate value. While responding flexibly to changes in the environment, we are determined to realize sustainable growth by enhancing and making effective use of these six types of capital.




Shareholders' equity ratio	Operating cash flow
<b>51%</b>	<b>9.7 billion yen</b>

**Financial capital** Base for sustainable growth ▶ P.17

The IDEC Group generates approximately 9.7 billion yen of cash through its operating activities. Cash created through global business activities is used for capital investment, R&D investment, and return to shareholders, with the aim of achieving sustainable growth and increasing corporate value.




Number of employees (consolidated)	Ratio of overseas employees
<b>3,328</b>	<b>69%</b>

**Human capital** New ideas created from the diversity in human resources ▶ P.37-38

We are committed to creating a pleasant workplace environment where diversity in gender, age, nationality, culture, lifestyle, and more is respected. In keeping with the "Management with respect for humanity" principle that we have subscribed to since our foundation, we are working to foster a corporate culture where employees with diverse personalities and values can fully demonstrate their abilities.




Capital investment	Manufacturing sites
<b>2.5 billion yen</b>	<b>19</b>
	Japan : 6 sites Overseas : 13 sites

**Manufacturing capital** Further increase in added value

We provide high-quality, reliable products globally by using our expertise on HMI and safety, which we have cultivated since our foundation. We also plan and develop molds and manufacturing facilities using our own production technology to promote higher quality, production efficiency, and automation.




Global sites	Distributors
<b>49</b>	<b>589 companies</b>
Japan : 10 sites Overseas : 39 sites	Japan : 89 companies Overseas : 500 companies

**Social and relationship capital** Strong partnership building

Trusted relationships with a wide range of stakeholders, including customers, trade partners and local communities are essential for us to conduct business activities in a highly volatile global market. We are globally building relationships that will allow us to advance and grow with our stakeholders.




R&D expenses	Employees holding safety qualifications
<b>2.6 billion yen</b>	<b>652<sup>*1</sup></b>

**Intellectual capital** Technology, know-how, and intellectual property that serve as sources of competitive strength ▶ P.50-51

We are engaged in a variety of technology development activities based on the R&D expense ratio of 4-5% to sales and also actively collaborate with joint development partners. In addition to promoting international standardization activities, we encourage employees to obtain Safety Assessor Qualifications as we seek to conduct safe manufacturing and safety consulting based on international safety standards.




CO <sub>2</sub> emissions <sup>*2</sup>	Ratio of enhanced eco-friendly products in new products
<b>4,420 t-CO<sub>2</sub></b>	<b>56%</b>

**Natural capital** Aiming for the sustainable global environment ▶ P.31-36

We are striving to reduce environmental load through our business activities as the response to climate change has become the most important issue on a global scale. We are also focusing on the development of eco-friendly products based on our original standards such as for improved energy efficiency, resource savings, space savings, and longer product life.

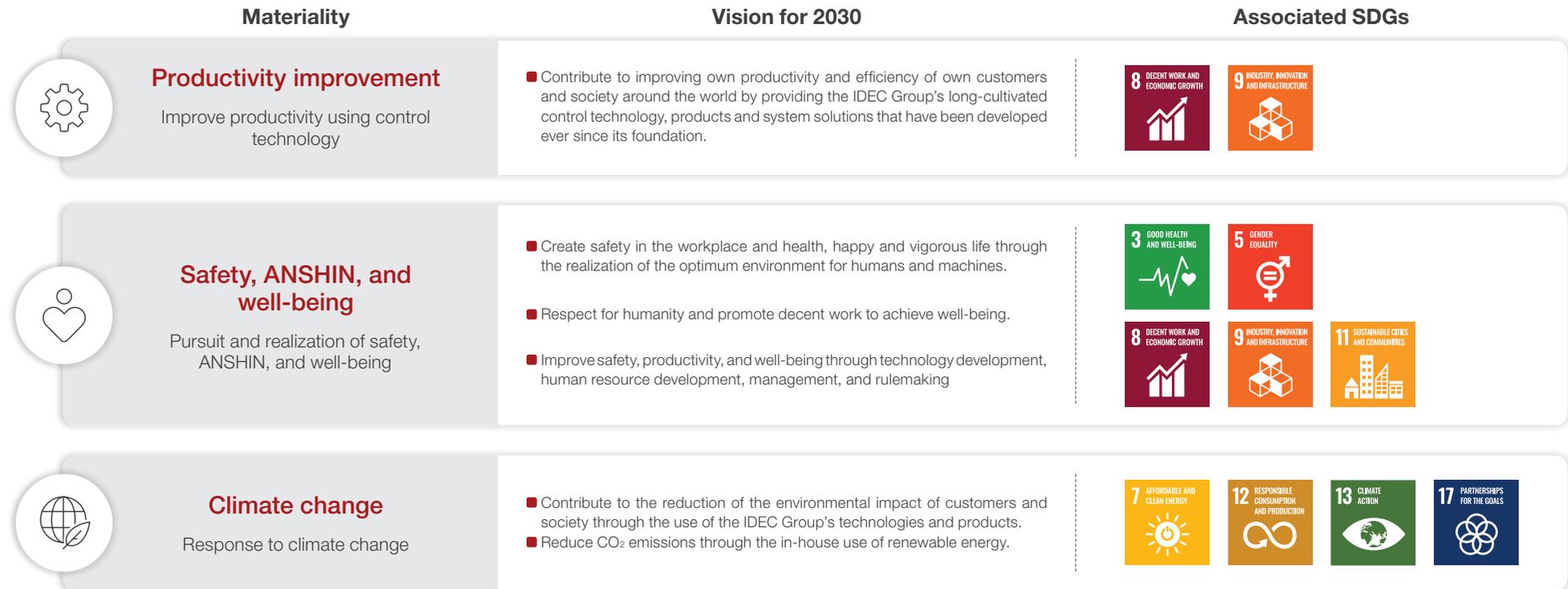
\*1 The number of employees who are certified as Safety Assessor, Safety Basic Assessor, Robot Safety Assessor or Safety Officer

\*2 IDEC unconsolidated

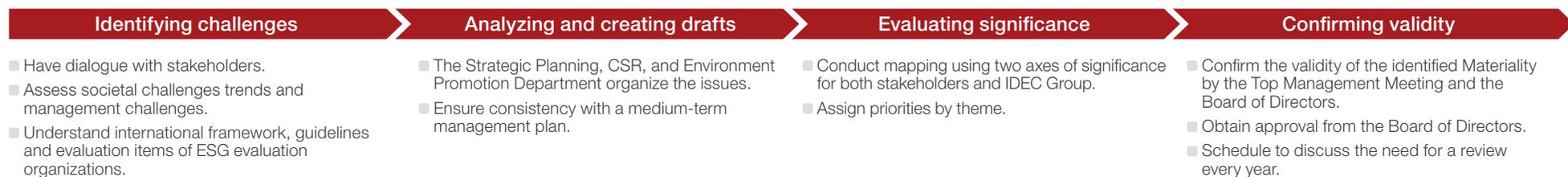
(FY2022 result)

## Materiality

We have identified the Materiality that corresponds to the content of a new medium-term management plan (P.12-18) which has started in FY2023. The IDEC Group is committed to creating the optimum environment for humans and machines, and to achieving safety, ANSHIN, and well-being for people around the world. This is our Purpose. We are contributing to the resolution of various societal challenges through our business in order to achieve our Purpose and a sustainable society.



## Materiality Selection Process



## Materiality

Looking toward 2030 and beyond, we evaluated both the opportunity and risk aspects of various societal challenges and mapped them on both axes of the significance to stakeholders and the significance to the IDEC Group. Among them, we have selected three themes that are of particular significance to the realization of a sustainable society: "Productivity improvement," "Safety, ANSHIN, well-being," and "Climate change." Going forward, we plan to promote specific initiatives by sharing each Materiality items across the IDEC Group and setting KPIs to realize the vision for 2030.



Category	No.	Opportunity Event
Productivity improvement	1	Improvement in customers' productivity and efficiency by provision of control technology and products
	2	Improvement in customers' productivity and efficiency by provision of solutions
	3	Knowledge accumulation and service development by promoting adoption of IoT equipment
Well-being	4	Creation of safe and healthy working environment by provision of control and safety devices and various systems
	5	Reduction in work time by streamlining work processes and labor-saving
Safety and ANSHIN	6	Reduction in labor accidents by provision of safety devices
	7	Safety awareness building and promotion of safety measures by providing safety consultations and seminars
Climate change	8	Enhancement in competitiveness through eco-friendly manufacturing
	9	Business expansion in renewable energy and other environmental fields
Cross-sectional issues	10	Fostering of a corporate culture that is based on environmental considerations
	11	Improvement in ESG relations with investors



Category	No.	Risk Event
Productivity improvement	1	Decline in competitiveness due to lack of response to technological innovation, environmental changes, and customer needs
	2	Decline in customer satisfaction due to quality and delivery time problems
Well-being	3	Deterioration of the workplace environment and well-being of employees due to harassment and long work times
	4	Personal and social hazards resulting from accidents related to products and services
Safety and ANSHIN	5	Fraud and falsification of inspections, standards certification, and permits
	6	Social unrest and impact on operations and product shipments caused by substances that cause pollution and health damage
Climate change	7	Cost and supply instability due to soaring energy prices and shortage of raw materials
	8	Supply chain disruption and business disruption due to abnormal weather and natural disasters
Cross-sectional issues	9	Decline in social credibility due to CSR and compliance violations, and lack of governance in the global supply chain
	10	Loss of social credibility due to information security accidents, non-compliance with laws and regulations, and lack of risk management
	11	Decline in diversity and autonomy of employees
	12	Decline in social credibility and employee engagement due to violations of human rights laws, regulations and norms



Chairman and  
Chief Executive Officer

**Toshi K. Funaki**

## CEO Message

**We are committed to enhancing our solution offerings and helping our customers achieve success.  
Our ultimate aim is to pursue safety and ANSHIN, and improve the well-being of overall society.**

With the prolonged global spread of COVID-19, changes to workstyle and lifestyle is accelerating more rapidly than ever before. From a sustainability perspective, response to global climate change is also progressing, and solving societal challenges through business activities is becoming an increasingly important management issue.

The IDEC Group has been committed to creating the optimum environment for humans and machines, and to achieving safety, ANSHIN, and well-being for people around the world. Our passion has not changed since the time of our foundation. We have been making efforts to realize a society in which everyone can live a healthy, happy and vigorous life.

### **Making innovative changes and addressing the challenges in a changing business environment**

The IDEC Group is implementing various initiatives to respond to the ever-accelerating changes in the environment. While promoting digital transformation (DX) and business reforms, we review systems, based on flexible working practices that are not confined to location and time, such as the use of remote work and self-managed labor, in responding to changes in the working environment.

In 2020, we established a studio at our head office that serves as a global information transmission base. In addition to video production, we have been using the studio for distribution of product information for promotions, as well as for conducting webinars and briefing sessions. At the same time, we are making efforts to improve service levels and operational efficiency through the introduction of global digital marketing and the automation of work processes.

During the spread of COVID-19, key words such as automation, labor saving, non-contact, remote monitoring and operation are attracting attention, and demand for improved safety, ANSHIN, and well-being for workers is increasing. In April 2022, the Technical Solution Sales Department was established as an organization to promote the development of new products based on those needs and to strengthen solution offerings.

Until now, our sales have been centered on industrial switches and other various components. Going forward, while strengthening the components business by utilizing the existing sales network, we will also focus on solution proposals centered on HMI and safety – our areas of strength – and develop a system to provide solutions to solve our customers' challenges and to help them achieve success. We plan to grow sales by targeting industries that can take advantage of our know-how and sales channels and are expected to grow globally, such as machine tools, automotive, robots, Automatic Guided Vehicles (AGV) and Autonomous Mobile Robots (AMR).

## Business overview in FY2022

The world economy has been rapidly normalizing after the COVID-19 pandemic, and demand for capital investment in the manufacturing industry reached a level much higher than expected in FY2022 (April 2021 to March 2022). Demand from automotive, machine tools, semiconductor, robotics, and other industries recovered significantly in Japan, the Americas, EMEA and Asia Pacific – all regions where the IDEC Group operates. In the Americas and EMEA, new orders from the medical industry increased, spurred by the COVID-19 pandemic. IDEC's core industrial switches business and all other products were strong despite the shortages in semiconductor-related electronic parts and some logistical impacts in the second half of FY2022. As a result, we achieved record-highs in net sales and orders in FY2022. Consolidated net sales amounted to 70.8 billion yen (31.1% increase YoY) and orders were 94.5 billion yen (63.2% increase YoY).

We have also significantly reduced sales and administrative expenses by promoting digitalization, and by restructuring our manufacturing, sales and distribution sites to further reducing fixed costs. We have also improved the gross profit margin by reviewing our product mix and pricing. As a result, we reached record high earnings with operating income of 9.7 billion yen (139.3% increase YoY) and an operating income margin of 13.7%.

## Four basic strategies for pursuing and realizing safety, ANSHIN, and well-being

In order to create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world, we are taking measures in line with our four basic strategies: promotion of growth strategy; improvement of profitability; strengthening of business foundation; and strengthening of ESG initiatives.

As part of the growth strategy, we are collaborating with leading companies in various industries to develop new products and expand our sales network. In 2021, IDEC ALPS Technologies CORPORATION was established as a joint venture with ALPS ALPINE CO., LTD. Our target is to utilize both companies' HMI,

sensing technologies and know-how, to conduct unprecedented product development. We are scheduled to launch new products in FY2023.

In 2022, we signed a partnership agreement with ez-Wheel of France, a developer of the world's first safety wheel drive, to be installed in AGVs and AMRs. In the future, in addition to strengthening our component sales, including these new products, we will strategically develop optimal system solutions that meet the diverse needs and challenges of our customers'.

Concerning the improvement of profitability, we have been restructuring our global sites and supply chains. We are also working to consolidate products, optimize product prices, and improve the ratio of new products that utilize new technologies. Moreover, in order to respond to the rapid growth in orders, we are introducing new automation facilities at our Japanese and overseas manufacturing sites to increase efficiency and expand our production capacity.

In regards to strengthening our business foundation, we are enriching digital contents by utilizing our studio, revamping our core IT systems, and improving our sales and personnel systems in order to achieve greater efficiency and company-wide optimization.



The IDEC Group's exhibit utilizing digital contents at an online trade show in 2022

## Aiming to improve well-being of all people

Over the years, corporate management has been changing from a time, where increase in sales, profits and scale was desired, to now, where social responsibility, environment, and the safety, health, and well-being are considered necessary in the realization of a sustainable society. It is no exaggeration to say that companies that realize health, happiness, and/or well-being management are nowadays recognized as being the most valued.

The first step in improving well-being is securing employee safety. Injuries and diseases in the workplace all have causes. It is essential to remove these causes to the greatest extent possible and establish a "preventive culture" that prevents disasters from even occurring.

Since its inception, the IDEC Group has been contributing to creating a safer and more pleasant environment globally, by providing products that protect the human life, and offering a variety of control devices that enable efficient and innovative work to realize safety and ANSHIN in the workplace.

By creating the optimum environment for humans and machines, we will continue our efforts aimed at improving the well-being of our employees as well as for the entire society.



Source:WHO. Towards developing WHO's agenda on well-being.  
Page 16. 2021.  
Available from:  
<https://apps.who.int/iris/rest/bitstreams/1398270/retrieve>

## Strengthening efforts in sustainability to realize a sustainable society and increase corporate value

Global efforts are underway to achieve carbon neutrality by 2050 toward the realization of the Paris Agreement of 2015. In order to achieve sustainable growth, I believe it is important to contribute to society by connecting societal challenges, such as climate change to our business. The IDEC Group has been making various efforts to achieve the Sustainable Development Goals (SDGs) by addressing these societal challenges through its business activities. In 2009, we joined the United Nations Global Compact, and have been undertaking activities based on its Ten Principles. In 2018, we established the CSR Committee, and have been promoting continuous CSR activities focused on environment, social, governance, safety, and quality.



In addition, in order to accelerate efforts to realize a sustainable society and improve corporate value under “The IDEC Way”, we have identified the Materiality which should be focused in line with the establishment of a new medium-term management plan. In light of the growing impact of climate change and other societal challenges, the “response to climate change” has been selected as one of the Materiality, and we are determined to make efforts to achieve our vision for 2030.

In 2021, in order to further strengthen our environmental response, we established the Environment Promotion Department, assigned a Senior Executive Officer to be in charge of environment, and expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD). We conducted scenario analyses of climate-related risks and opportunities in line with the TCFD guidance between 2021 and 2022, and have decided to disclose the information based on the TCFD recommendations. We also set a goal of reducing CO<sub>2</sub> emissions by 24% from the FY2020 level by FY2025, and raising eco-friendly products ratio to 60% of all new products.



On the social side, we are actively promoting decent work, and making efforts to create a pleasant workplace environment where diverse human resources can participate regardless of gender or nationality, to be empowered and prevents overworking. Human resources development is another focus area. In view of the results of the Employee Engagement Survey, we have introduced a new personnel system in FY2023. Under the new system, we are promoting the clarification of career plans, the improvement of employee engagement and motivation, and the development of professional staff. What we hope to achieve by globally advancing decent work is to improve the well-being of IDEC Group employees to achieve their success, respectively, and to create a virtuous cycle in which the employee success ultimately leads to the customer success.

In the area of governance, we have established and published the IDEC Corporate Governance Policy in response to the revised governance code, in order to meet the higher levels of governance than expected in the Prime Market—one of the three new market segments operated by the Tokyo Stock Exchange from April 4, 2022. This is how we strive to further strengthen governance. In April 2021, a voluntary Nominating Committee, with a majority of outside directors, was established as an advisory body for the Board of Directors. The system was established to determine, objectively and independently, the nomination of candidates for directors and the development plan for next-generation candidates for senior management. In order to further improve the effectiveness of the Board of Directors, we start conducting an effectiveness evaluation by a third-party organization in FY2022 and identify issues for improvement based on the objective evaluation. We always focus on transparency and efficiency in management.

Commitment to sustainability P.29-52

## Evaluation by society

The IDEC Group has been selected as an index constituent of SOMPO Sustainability Index managed by SOMPO Asset Management Co., Ltd. since 2021 and of FTSE Blossom Japan Sector Relative Index managed by FTSE Russel (U.K.) since 2022.



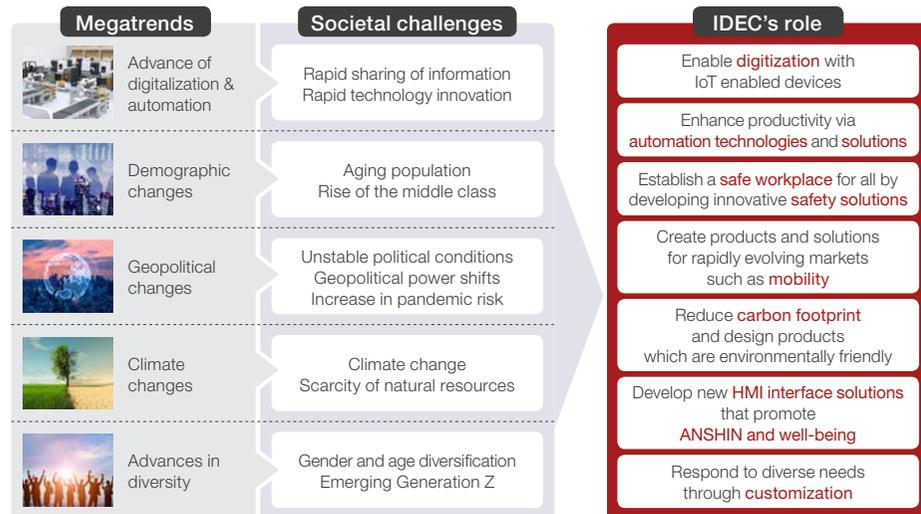
**FTSE Blossom  
Japan Sector  
Relative Index**

## || New Medium-Term Management Plan FY2023-2025

### PASSION FOR YOUR SUCCESS

In recent years, the world has seen megatrends such as the advance of digitalization and automation, changes in social structure and environment due to demographic changes and climate change, and the shift to a more complex society that is highly volatile and difficult to predict, known as VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). In addition, an aging society in many countries, the increase of the world population, global warming and the rapid progress of technological innovation are becoming societal challenges that global companies have to address.

Back in 2017, the IDEC Group announced a medium-term management plan. However, the outbreak of the COVID-19 infections and other factors significantly changed the business environment, and we reviewed the plan based on the current megatrends and societal challenges. Then in May 2022, we announced a new medium-term management plan which set FY2025 as the final year. Under a new slogan "PASSION FOR YOUR SUCCESS," we will promote initiatives that address key areas such as needs for automation, and unmanned and labor-saving operations, as well as the enhanced awareness of safety, ANSHIN, and well-being, based on the control technology we have cultivated over the years. We are thereby aiming to contribute to solving societal challenges and to achieve sustainable growth and customer success.



### Enhanced industry-specific market strategies

In light of the megatrends, the new medium-term management plan focuses, among the eight highlighted industries, on AGVs and AMRs and robotics— two industries with high growth potentials in global—and automotive and machine tools markets. We are expecting compound annual growth rates of 20-30% for AGVs and AMRs, despite the market not yet being very large, and 6-7% for robots.



AGV and AMR



Robotics



Automotive



Machine Tools



Elevators



Semiconductors



Special Vehicles



Food and Packaging

In order to expand sales in these markets, it is essential not only to sell existing components, but also to develop new products based on industry needs, and to strengthen sales of solutions. In the mature markets such as Japan, the Americas, and EMEA, we plan to enhance our competitiveness particularly by making challenge-solving proposals, including packaging of best-suited products for each industry. In Japan, we will also seek to restructure and strengthen sales channels and to establish a system for expanding APEM products. Our focus in the Americas is to strengthen automation products such as programmable logic controllers, and in EMEA, our plan is to expand sales of IDEC products utilizing APEM's network. In growth markets such as China and India, we will promote business expansion by further enhancing our presence. In China, where significant growth is expected, we will make organizational reform and will work to develop a solution sales organization that enables high-efficiency sales by accelerating local production for local consumption through product development based on local needs.

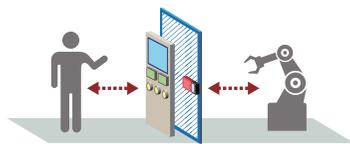
## || New Medium-Term Management Plan FY2023-2025

By promoting the new concept “HMI-X”, IDEC will provide products and solutions to address customer challenges, helping them to create the optimal environment for humans and machines.

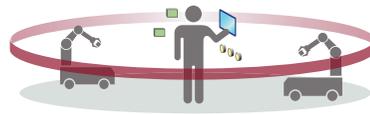
### Expansion of business area: From “Interface” to “Interaction” and leading to “the Realization of Optimal Environment”

As a leading company in Human-Machine Interface (HMI) business, IDEC has expanded over a wide geographic range. Together with changing times, IDEC’s business area has expanded from “Interface”, which connects humans with machines in various aspects of manufacturing and living, such as industrial switches and operator interfaces, to “Interaction” where a network connects humans with machines, or a machine with another machine, increasingly due to development of the Internet of Things (IoT) and other changes in technology and society. The next step will be the “Optimal Environment” which includes the space in which humans and machines coexist, in addition to networked mechanical devices. In this context we anticipate growing demand for realizing safety, ANSHIN and well-being for people. In light of this background, we are promoting human-centered “HMI-X [Transformation]” as a new concept for the IDEC Group, which further evolves the thinking of HMI by utilizing the safety DNA we have cultivated so far. By promoting HMI-X, we aim to realize our Purpose—to create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world.

Realize the optimal environment by more interactive control in the changing environment where humans and machines work together



Control in an environment where humans are isolated from machines



Control in an environment where humans and machines work together

## HMI-X [Transformation]



## New Medium-Term Management Plan FY2023-2025

### Strengthen the highly-profitable industrial switches business and the safety business with its global growth potential

As a manufacturer of diverse HMI products and other control devices, IDEC has the top market share in Japan and the third largest worldwide in industrial switches, which account for about 50% of its sales. IDEC has also always focused on safety-related products since its foundation. In order to achieve the management plan for FY2025, we will continue to strengthen the highly-profitable industrial switches business and the safety business with its global growth potential.

In the industrial switches business, our strategy is to expand our product line-up and develop NEW HMI products that incorporate new functions, in order to strengthen our global competitiveness and expand our global market share. In the safety business, we will accelerate the overseas development where market expansion is expected by expanding our product portfolio to meet regional needs. We will also work on creating innovative products that feature ANSHIN in addition to high safety.

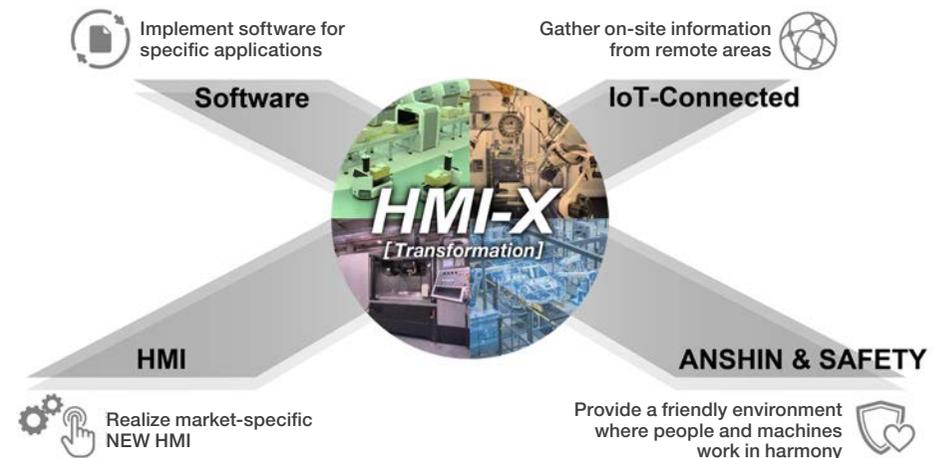
### Driving HMI-X [Transformation] through solution deployment

In order to respond to extremely diverse customer needs and challenges, driven by recently emerging megatrends and market changes, we have to deploy various solutions, which combine not only our existing industrial switches and other components but also NEW HMI products, which are being developed based on the unique needs of each industry, such as makers of machine tools and robots; various sensors of IDEC ALPS Technologies CORPORATION (established in 2021); and new software that we intend to strengthen development by promoting human resource investment. In addition to thus utilizing IDEC's core technologies, we are working with our partners to achieve solutions that meet the anticipated demand of our customers.

Specific examples include solutions that utilize products from ez-Wheel (France), which concluded a partnership agreement with IDEC in 2022. ez-Wheel is a manufacturer of safety wheel drive for AGVs and AMRs with the drive control and safety features required for autonomous driving. Going forward, beyond sales of wheels, we can now offer a wider range of proposals tailored to the needs of customers by combining ez-Wheel products and IDEC products as a business alliance partner. By enhancing such solutions, we will help advance HMI-X [Transformation] and create new value.

## IDEC's Solutions

Leverage IDEC's core technology to explore potential demand and create new value.



### Solution examples using ez-Wheel products

- 1 Select optimal IDEC products, based on safety knowledge and the type of application, and package them with ez-Wheel products.
- 2 Package an improved system of hardware and software for specific applications, using IDEC and ez-Wheel products.
- 3 Establish integrated customer systems, combining hardware and software, through means such as automation of a warehouse system with AMR, using IDEC and ez-Wheel products.



**IDEC**



**ez-wheel**  
The Electric Wheel

# New Medium-Term Management Plan FY2023-2025

## Outline of the medium-term management plan with FY2025 as the final year

The new medium term management plan's minimum targets are sales of over 80 billion yen, operating income of over 13 billion yen, and an operating income margin of over 16% in FY2025, with the ultimate aim of realizing an operating income margin of 20% in the long term. We have also created a new slogan, "PASSION FOR YOUR SUCCESS" and will create an environment that enables us to realize customer success, by providing advanced products, solutions and exemplary services.

<b>Vision</b>	<b>Pioneer the new norm for a safer and sustainable world.</b>
<b>Mission</b>	<b>To create the optimum environment for humans and machines.</b>
<b>Slogan</b>	<b>PASSION FOR YOUR SUCCESS</b>

	FY2022	FY2023 (plan)	FY2025 (plan)
Net sales	70.8 billion yen	74.5 billion yen	<b>80 billion yen or more</b> (CAGR: 5% or higher)
Operating income	9.7 billion yen	10.8 billion yen	<b>13 billion yen or more</b>
Operating income margin	13.7%	14.5%	<b>16% or higher</b>
ROIC	9.2%	10.0%	<b>10% or higher</b>
ROE	17.2%*	14.5%	<b>15% or higher</b>
EPS	264 yen*	250 yen	<b>300 yen or more</b>

\* Excluding the impact from extraordinary income, etc., the ROE was approximately 15% and EPS was approximately 221 yen in FY2022.

Specifically, we will actively promote the IDEC Group's new concept "HMI-X [Transformation]" in all the countries where we are active, and aim to achieve sustainable growth by conducting activities based on the following four basic strategies.

## Four Basic Strategies



### Promote Growth Strategy

- **Strengthen sales based on technical problem-solving**
- Accelerate product development and launch based on regional and industry needs
- Expand business in China, India and other focus markets, and by M&A and alliances



### Improve Profitability

- **Optimize production structure and processes to reduce cost, inventory and improve lead time**
- Review and optimize SG&A cost
- Identify and concentrate unprofitable products and businesses



### Enhance Business Foundation

- Promote decent work practices
- Strengthen business structure by promoting PMI and rigorous management of key projects
- Promote digital marketing at global level



### Enhance ESG initiatives

- Environment** Promote initiatives to reduce environmental impacts
- Society** Promote diversity
- Governance** Improve management transparency and efficiency
- Safety** Create well-being through safety and ANSHIN technology
- Quality** Improve product quality and manufacturing capabilities

## || New Medium-Term Management Plan FY2023-2025

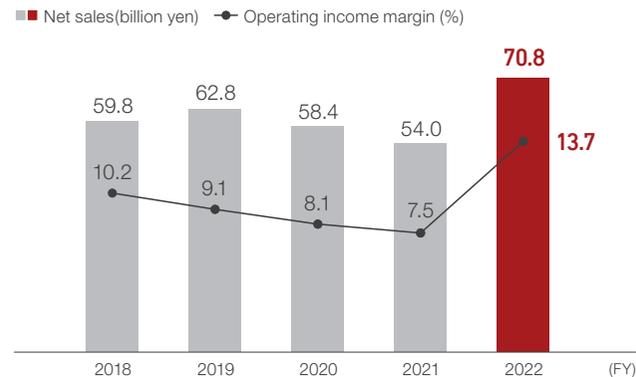
**Our financial goal is to improve profitability and efficiency in order to achieve sustainable and highly profitable growth.**

### Improve profitability

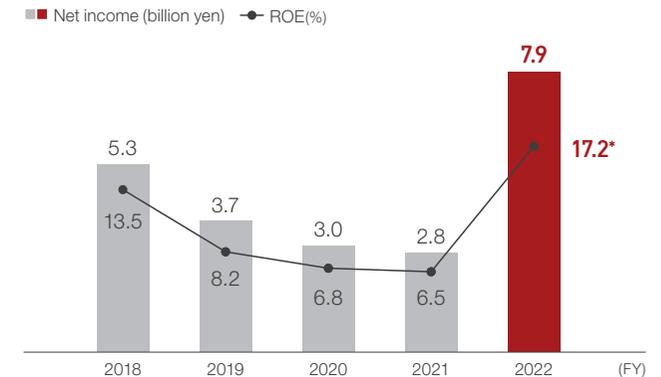
**Promote selection and concentration to achieve a higher operating income margin.**

In order to improve profitability, we make continuous efforts to eliminate or consolidate materials and products, and accelerate cost reduction and enhance production efficiency. We will also consolidate sites in the world, to make our supply structure more efficient, and we introduce digital marketing to improve sales efficiency.

### Net sales and operating income margin



### Net income and ROE



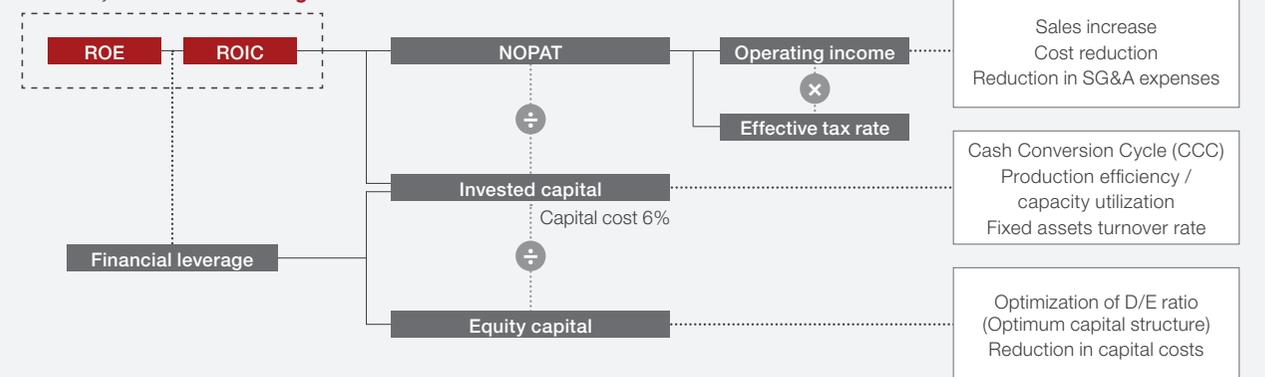
\* The ROE in FY2022 was approximately 15% excluding the impact from extraordinary income, etc.

### Improve capital efficiency

**Increase capital efficiency and secure ROE/ROIC of 10% or higher.**

We believe we have done well in managing inventories and fixed assets while expanding sales, and have improved asset turnover, which resulted in the most recent ROE of 17.2% (approximately 15% excluding the impact from extraordinary income, etc.) and ROIC of 9.2%. Going forward, our focus will be to improve the efficiency of fixed assets, such as working capital and production facilities, in order to increase capital efficiency so as to exceed the expected capital cost (6%).

Goal:  
Consistently maintain **10% or higher**



## New Medium-Term Management Plan FY2023-2025

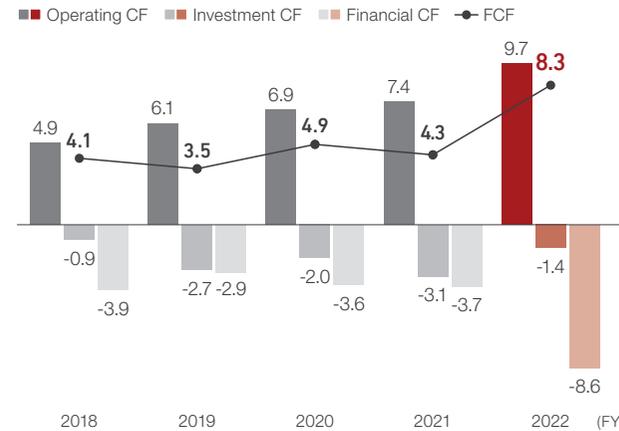
### Cash flow and dividend policy

**Increase operating cash flow, aggressively make new investments, and give return to shareholders.**

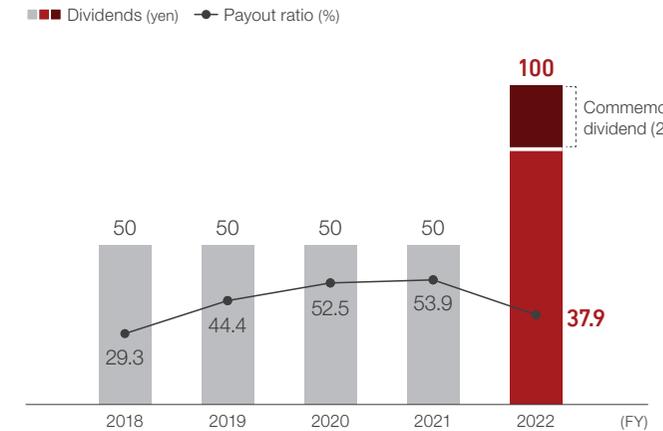
Operating cash flow has been steadily increasing due to sales growth driven by robust control demand, and business efficiency improvement. We will continue to strive to increase operating cash flow, promote DX to improve efficiency, and make growth investments to expand business areas.

We also pay dividends in a stable and constructive manner. In FY2022 we increased the dividend from 50 yen to 100 yen per share.

### Cash flows (billion yen)



### Annual dividend per share and payout ratio



### Aggressive investment aimed for medium- to long-term growth

Issues	Previous medium-term plan (FY2018-2022)	New medium-term plan (FY2023-2025)
<b>Investment for growth</b>	<ul style="list-style-type: none"> <li>■ Investment in M&amp;A and alliances ..... APEM (HMI), Welcat (Automation), Tokyo Sensor (Safety), and Sque (System) joined the IDEC Group.</li> <li>■ Investment in new products ..... Invested in the HMI/Safety/Automation field.</li> <li>■ Establishment of a new site ..... Established a new site in India.</li> <li>■ Establishment of a new company ..... Established IDEC ALPS Technologies CORPORATION.</li> </ul>	<ul style="list-style-type: none"> <li>■ Investment in M&amp;A and alliances ..... M&amp;A and alliances for enhancing the safety business, AGV industries, software, and engineering field. Strengthen partnerships in China and India.</li> <li>■ Investment in new products ..... Proactively invest in the NEW HMI and safety businesses.</li> </ul>
<b>Improve efficiency</b>	<ul style="list-style-type: none"> <li>■ Sites and equipment ..... Introduced automation and labor-saving systems. Restructured manufacturing sites and established new logistic sites in China, Taiwan and EU.</li> <li>■ Investment in human resources ..... Invested on the development of human resources.</li> <li>■ Investment in DX ..... Implement digital marketing platform. Introduced Teams to the entire company, updated the personnel system.</li> <li>■ Investment in sustainability ..... Installed solar power generation equipment. (Japan:Hyogo, Aichi, Gifu / Taiwan, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>■ Sites and equipment ..... Increase manufacturing sites, introduce automation and labor-saving systems. Optimize sites.</li> <li>■ Investment in human resources ..... Invest on developing global human resources.</li> <li>■ Investment in DX ..... Update ERP, introduce supply chain planning system, and arrange a talent management system.</li> <li>■ Investment in sustainability ..... Install solar power generation equipment and develop eco-friendly products.</li> </ul>
<b>Shareholder returns</b>	<ul style="list-style-type: none"> <li>■ Measures for returns ..... Continuously paid dividends at a dividend payout ratio of 30-50%. Acquired treasury stock in a timely manner in view of the stock price level.</li> </ul>	<ul style="list-style-type: none"> <li>■ Measures for returns ..... Proactively pay dividends at a dividend payout ratio of 30-50%. Acquire treasury stock in a timely manner in view of the stock price level.</li> </ul>

# New Medium-Term Management Plan FY2023-2025

**We will strengthen ESG efforts with the aim of contributing to realization of a sustainable society.**



## Contributing to the realization of a low-carbon, circulating society



In conjunction with the formulation of the new medium-term management plan, we have identified three Materiality initiatives. One is to “respond to climate change,” a growing societal challenge on a global base. We tackle this challenge as an important management issue. Toward 2030, we aim to help realize a sustainable society by helping reduce the environmental impact of our customers and society through use of the IDEC Group’s technology and products.



## Expansion of human capital initiatives



As part of strengthening our business foundation, we conducted an employee engagement survey, extracted issues from the survey results, and have promoted measures to address these issues. They include strengthening of human resource management systems, promotion of diversity and inclusion, and workstyle innovation. A second survey will be conducted in 2022 and a global survey is also scheduled in the future. Through the resolution of the issues that reflected the opinions of our employees, we will strengthen investment in human capital and seek to raise employee engagement.



## Further enhancement of governance



In order to improve management transparency and efficiency, the appointment of outside directors has been promoted, and independent outside directors now represent a majority of directors. In 2022, based on the expertise analysis of directors using a skills matrix, two directors have newly joined who are knowledgeable about the areas that we want to strengthen in relation to management issues. By continuing efforts to enhance the effectiveness of directors, we are striving to enhance our corporate credibility and corporate value in a stable and long-term manner.

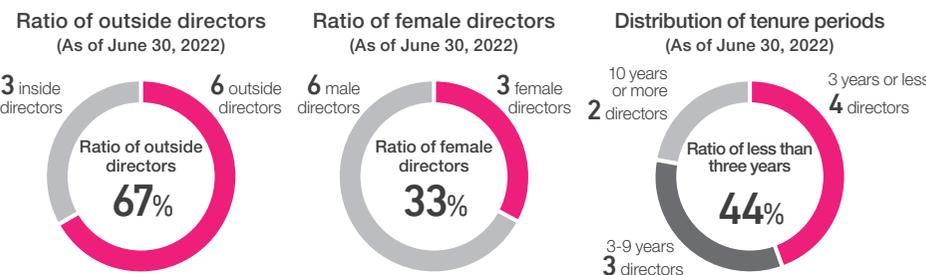
### Medium-term plan target for FY2025 (FY2020 basis)

- Reduction in CO<sub>2</sub> emissions ... **24%** ↓
- Reduction in industrial wastes ..... **24%** ↓
- Cumulative ratio of eco-friendly products to total new products ..... **60% or higher** ↗

### Vision for 2030 concerning climate change

- Contribute to the reduction of the environmental impact of customers and society through the use of IDEC Group technology and products.
- Reduce CO<sub>2</sub> emissions through the in-house use of renewable energy.

Issues	Major initiatives taken up to FY2022	Initiatives to be taken from FY2023 and beyond
<b>Strengthening of human resource management systems</b>	<ul style="list-style-type: none"> <li>■ Planned and introduced new personnel systems based on issue analysis.</li> </ul>	<ul style="list-style-type: none"> <li>■ Operate, maintain, and firmly establish new personnel systems, including a training course system and payroll system.</li> </ul>
<b>Promotion of diversity and inclusion</b>	<ul style="list-style-type: none"> <li>■ Conducted LGBTQ training and management training for empowerment of women.</li> <li>■ Established a system for recruiting global talent</li> </ul>	<ul style="list-style-type: none"> <li>■ Conduct career training for women on the main career track.</li> <li>■ Actively recruit global talent.</li> </ul>
<b>Strengthening of management and career development</b>	<ul style="list-style-type: none"> <li>■ Promoted workplace improvement programs.</li> <li>■ Conducted training for selected employees to develop management talent.</li> </ul>	<ul style="list-style-type: none"> <li>■ Give multi-faceted executive feedback.</li> <li>■ Develop management talent for directors and executive officer candidates.</li> <li>■ Conduct career development training.</li> </ul>
<b>Communication activation</b>	<ul style="list-style-type: none"> <li>■ Revamped corporate intranet.</li> <li>■ Built an in-house studio.</li> </ul>	<ul style="list-style-type: none"> <li>■ Enhance information transmission toward “One IDEC”</li> </ul>
<b>Workstyle reform</b>	<ul style="list-style-type: none"> <li>■ Deployed Microsoft 365 company-wide.</li> <li>■ Strengthened the IT and office infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>■ Introduce and develop various systems based on flexible working styles.</li> <li>■ Continuously promote operational efficiency.</li> </ul>



## Our Business Providing optimal products and solutions that meet the needs of the times.

To respond to diverse and changing customer needs, IDEC provides a broad range of products and solutions centered on its control technology. We are committed to supporting the future of manufacturing and daily life by continuously providing new value through the use of core technologies we have innovated over many years.



## Our Business

### Industrial Switches

IDEC and APEM brand switches serve industry and society by functioning where human and machine interact.

**IDEC**



Smart RFID readers



Industrial switches



**APEM**  
an IDEC company



Metal switches



Joysticks



☰ ▶ P.23

### Industrial Relays & Components

Electrical equipment products are incorporated into control panels and control units used to control mechanical devices and production lines.



Industrial relays



Terminal blocks



LED illumination units



Circuit protectors



Switching power supplies

☰ ▶ P.24

### Automation & Sensing

Automation & Sensing products contribute to the automation of equipment in many industrial fields and in various aspects of daily life.



Programmable logic controllers (PLC)



Operator interfaces



Cloud-based data logger



Sensors

☰ ▶ P.25

### Safety & Explosion Protection

Safety-related products protect the safety of workers and explosion protection products prevent accidents in the workplaces such as petrochemical plants where flammable materials are present.



Safety laser scanners



Edge switches



Explosion protection vibration sensors



Explosion protection operator interfaces

☰ ▶ P.26

### Systems

Depending on specific customer needs, systems combine various IDEC products and collaborative robots that can work in the same workplace with humans.



Control panel solution



Robot system solution



Library system solution

☰ ▶ P.27

## Special Feature | APEM: Strengthen and expanded synergies

APEM - whose headquarters are in France- joined the IDEC Group in 2017. It is a well-established HMI manufacturer, in business since 1952. APEM designs, manufactures and sells switches, joysticks, LED indicators and control panels, and has an extensive network around the world. With the addition of APEM which little overlaps and neatly complements IDEC in terms of product lines and target markets, the IDEC Group has expanded its global sales force, particularly in Europe, and has raised its overseas ratio close to 60% of total sales.

While IDEC has developed plastic standard products for the factory automation (FA) industry, APEM's strength lies in customized metal and other products. APEM's products are used in a wide range of industries as the company designs and develops products that take into account the specific environment of each application,

primarily targeting special vehicles, such as construction and agricultural machinery, material handling or defense sectors.

IDEC and APEM are realizing synergies in the "switch" product lines, which are required to be broad, depending on the region, application, and specific usage conditions, as both companies make good use of their product features and sales channels.

APEM has R&D centers in France, the U.S., the U.K. and Denmark. By establishing manufacturing facilities in countries such as France, Tunisia and other parts of EMEA and the U.S., APEM has created a development and manufacturing system that meets global needs. The company focuses on custom-made products to respond to a wide variety of applications, and provides high-quality products with excellent environmental resistance. Approximately 75% of APEM's sales are custom-made products.

Since 2017, the IDEC Group has been restructuring manufacturing, sales and distribution sites in several countries to reduce costs and improve operational efficiency.

We have also been integrating our sales structure. In Europe, IDEC's control products, such as safety-related products and automation products, were added to the APEM lineup, which resulted in an increase in sales of IDEC products. In the Americas, we are promoting sales strategies aimed at further synergies between IDEC and APEM. In the Asia Pacific region—an area of strength for IDEC, we are promoting APEM brand products, using IDEC's sales network to develop relationships with new customers and new markets.

Further optimization of our global technical and commercial locations should lead to additional sales and improvement of our profitability.

### APEM products



Components



Joysticks



Panel solutions



Agricultural machinery



Material handling



Construction machinery

### APEM's focus industry

#### The History of APEM



## Sales ratio (FY2022)

■ IDEC ■ APEM

## Roadmap for work with APEM for restructuring of manufacturing, sales and distribution sites

■ Manufacturing ■ Sales ■ Distribution

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (plan)
 <p>EMEA</p>	<ul style="list-style-type: none"> <li>Consolidated APEM's factories in France.</li> <li>Consolidated distribution centers.</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated APEM's factories in the U.K.</li> <li>Consolidated IDEC sales office into APEM.</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated distribution centers of IDEC and APEM.</li> <li>Established a base in Germany (Hamburg).</li> </ul>			<ul style="list-style-type: none"> <li>Start manufacturing at an APEM's new Tunisia factory.</li> <li>Develop a strategy focused on HMI and safety products for the AGV, robotics and machine tools industries.</li> </ul>
 <p>Americas</p>	<ul style="list-style-type: none"> <li>Consolidated APEM's factories in the U.S.</li> <li>Started cross sales.</li> </ul>		<ul style="list-style-type: none"> <li>APEM representative agencies began selling IDEC products.</li> </ul>		<ul style="list-style-type: none"> <li>Start a project to expand sales.</li> </ul>	<ul style="list-style-type: none"> <li>Promote a sales strategy to expand synergies.</li> </ul>
 <p>Japan and Asia Pacific</p>	<p>Japan</p> <ul style="list-style-type: none"> <li>Began sales of APEM products.</li> </ul> <p>Asia Pacific</p>	<ul style="list-style-type: none"> <li>APEM employees moved to the IDEC office (China).</li> </ul>	<ul style="list-style-type: none"> <li>Transferred all sales functions to IDEC.</li> <li>Consolidated APEM bases into IDEC (China).</li> </ul>		<ul style="list-style-type: none"> <li>Consolidated Asia Pacific sales networks of IDEC and APEM.</li> </ul>	<ul style="list-style-type: none"> <li>Develop a business strategy to promote sales of APEM products.</li> <li>Implement custom responses and total solution proposals.</li> </ul>

## APEM is a leading company with unique features in the HMI field

## Strength 1 Flexible product customization to meet customer needs

The main feature of APEM is that all products listed in the catalog can be customized to fulfill customer needs and specifications. The combination of options and custom elements allows APEM to offer unique products, from the most simple to the most complex. In addition, with robust development processes, based on the Advanced Product Quality Planning (APQP) method, APEM supports custom design specifications for exclusive HMI requirements. APEM's strong product design and development capability are also grounded in the control of many increasingly complex technologies.



Examples of ergonomic customized solutions

\* Advanced Product Quality Planning (APQP):  
A framework of procedures and operations from product design to development and manufacturing from the viewpoint of ensuring quality

## Strength 2 High product quality through total management

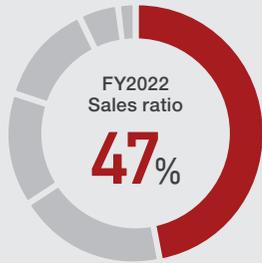
Another strength of APEM is its vertical control of all development and manufacturing stages in an integrated way. This organization enables APEM to achieve consistent quality standards in all aspects of manufacturing, from raw materials to finished products.

APEM's offering of joysticks and panel solutions which incorporate its proprietary components has also led to its quality assurance.

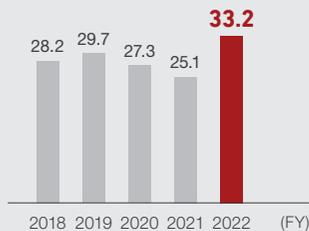


Central management of each process

## Industrial Switches



Net sales (billion yen)



### Business overview for FY2022

Sales of both IDEC and APEM were strong, and sales increased particularly in Japan, the Americas and Europe because demand for capital investment in the manufacturing industry has been at a high level combined with economic normalization after emergence of the COVID-19 pandemic.

In Asia Pacific, sales increased mainly in China, where demand continued to increase.

### Priority business measures

#### Creating the optimum environment for humans and machines, as a leading company of industrial switches

Since 1958 when we began sales of industrial switches, we have developed a diverse product line-up and have gained a high market share in Japan through continuous design reviews and quality improvements. In 2017, the APEM Group of France joined the IDEC Group. This has enabled us to achieve a more optimal geographical portfolio. We are now promoting business expansion as both IDEC and APEM work to complement each other in industries and regions of their strengths to expand sales, generate synergies in technology, and develop next-generation HMI products.

We are determined to continue providing diverse HMI solutions with the aim of becoming a top global company in industrial switches.

#### Participating in the rapidly growing AGV and AMR market by accelerating joint development with APEM

In recent years, as a solution to the labor shortage in the manufacturing industry, manpower reduction and automation have been increased in factories and warehouses, and demand for AGV and AMR has increased. In addition, due to the revision of international safety standards, the manual controller equipped with the AGV and AMR requires the installation of emergency-stop switches and hold-to-run functions (which turns the machine on only when the button is pressed). Each industrial makers are required to respond accordingly.

In response to these needs, we are working on joint development of high-value-added manual controllers that take advantage of the strengths of both IDEC and APEM. We are incorporating the opinions of major AGV manufacturers in Europe and the Americas in product development and aim for product launching for sales expansion.

#### Product development that leverages the strengths of both companies

**IDEC**  
Development technology for high security products  
Know-how for handheld devices

**APEM**  
Development technology for joysticks  
Ergonomic design development



#### Touchless switches to reduce risk in environments where an unspecified large number of people operate

Due to the COVID-19 pandemic, there is an increasing demand for touchless switching to replace conventional switches operated by a large number of people, for elevators and other equipment. We thus introduced a touchless switch that can be used indoors or outdoors in 2022.

In addition to this means to help prevent transmission of infectious disease, we intend to introduce touchless switching in a wide variety of applications, including food processing hygiene management and situations where people feel exhausted by high-frequency operations.



Touchless switches

#### Adding an advanced function to “safety commanders” with safety features attached to tablets used at manufacturing sites

High-function but cheap off-the-shelf tablet devices are now often used as control terminals of robots at manufacturing sites. The tablets which are used near sources of danger from machinery, need to be equipped with safety devices, such as an emergency-stop switch. They are also required from the standpoint of safety standards. IDEC has therefore released safety commanders that can be easily attached to various off-the-shelf tablets available in the global market. In 2022 we plan to launch the HT4P safety commander with an additional wired LAN communication function. We strive to further improve convenience in manufacturing sites.

Safer and easier to operate

Lower cost

More efficient operation

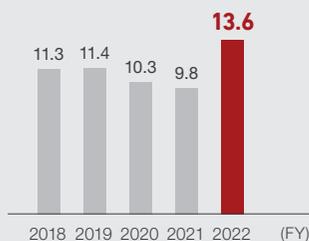


Safety Commander “HT4P Series”

## Industrial Relays & Components



Net sales (billion yen)



### Business overview for FY2022

Sales of switching power supply products increased in all regions. The growth was driven by new equipment for remote work (increased due to the COVID-19 pandemic), increased demand for power supplies for sales of new products. In Japan, sales of LED illumination units and control relays for favorably-selling machine tools increased.

Sales of control relays in the key markets of the Americas and China were also strong and the overall segment sales increased.

### Priority business measures

#### Offering a full line-up of products to help customers overcome challenges

Industrial relays and components is a collective term for various electronic devices incorporated inside control panels and control boxes that are used in the operation and control of machinery and manufacturing lines. They are in use in a wide variety of settings, such as manufacturing sites, automated warehouses, industrial machinery, and semiconductor manufacturing equipment.

Responding to ever-growing needs for “smarter” facilities and equipment, space-saving, and quality stabilization, IDEC adds new technologies to various devices installed inside control panels, thereby providing more-efficient, highly-convenient, operator-friendly production environments, and assisting customers find solutions to various challenges.

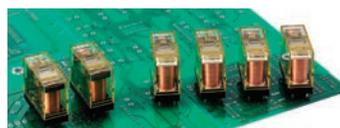
#### Broadening PCB-mounted products that are smaller in size and require less wiring and less man-hours

As a solution to the challenges of the control panels and the control part – reducing their size and reducing man-hours in development and assembly, decentralizing of the control part is increasing. The control units are cut out from the large control panels and are made into blocks for greater usability and strengthening the value chain from development and production to sales and maintenance. There is thus an accelerating trend to make control units into “PCBs (printed circuit boards) of controls” as the control unit can be separated from the large panel into a block for greater utility.

Demand for PCB-mounted equipment is expected to grow more and more, in line with an increase in new devices born from the creation of a new normal environment and various devices utilizing IoT technologies. IDEC has been developing, manufacturing and selling PCB-mounted equipment such as industrial relays, terminal blocks and circuit protectors. We will continue to focus on launching new products in the market.



For PCB circuit protector “NRP Series” (left)  
Terminal block “BP Series” (right)



Slim power relays for PCB  
“RJ Series”



### Push-in products enabling well-being of manufacturing sites

Spring-type push-in products that can be easily wired by simply plugging in the terminals can reduce wiring work and achieve stable quality compared to use of screw type products.

They thus contribute to workstyle improvement of the manufacturing sites, by means such as making less experienced workers have a sense of accomplishment and by reducing overtime hours.

Simple wiring No need of tightening work X Solving labor shortages	No falling off of a screw X Safety and ANSHIN	Vibration resistance Shock resistance X Reliable
Color variations X Simplified identification	Robot production Automation X Stable quality Increased productivity	Universal design X Work by diverse workers

### Industry-specific LED illumination units help resolve challenges

We sell the LF3D series of LED illumination units that are ideal for machine tools, where they satisfy needs to reduce multiple shadows and reflections of lighting sources, improving visibility at hand.

In addition, the LF1B-N type yellow light-emitting type emits only a single yellow light that does not contain the wavelength of the blue component in typical LED lighting, and is therefore highly popular for use with ANSHIN in semiconductor manufacturing equipment. IDEC supports the growth of various industries by providing products incorporating advanced technology to satisfy market needs.



LED illumination unit “LF3D Series”



LED illumination unit  
“LF1B-N Series”

## Automation & Sensing



Net sales (billion yen)



### Business overview for FY2022

In the automation business, demand for PLCs and operator interfaces rapidly recovered in Japan, the Americas, and Europe, and sales increased up to the first half of FY2022. In the Americas, the COVID-19 pandemic boosted demand, and sales of PLC were strong for new customers in the medical field. From the second half of the year, however, the business was affected by the difficulty in sourcing electronic parts worldwide. On the other hand, the sensing business increased sales mainly in the overseas markets. The overall automation & sensing business has favorably performed both in Japan and overseas.

### Priority business measures

#### Offering optimal solutions matching the era of IoT and Industry 4.0

Along with a decline in Japan's working population and permeation of IoT, we see an increase in need to support remote monitoring and operations, and an increase in demand for key devices that promote work efficiency and automation. We have a diverse product line-up precisely related to that need and demand. IDEC's solutions contribute to higher levels of automation and efficiency in manufacturing. These solutions include automation products, such as PLCs (to control machinery, equipment, and assembly lines) as well as operator interfaces (to create more comfortable operating environments), and further include sensing products such as sensors (to detect physical objects and changes in conditions), code readers (with potential growth in demand for traceability application), and RFIDs and other automatic identification products.

#### Advancing new product development by establishing a joint venture with ALPS ALPINE

In September 2021, we established IDEC ALPS Technologies CORPORATION, a joint venture with ALPS ALPINE CO., LTD., a manufacturer of electronic parts and automotive information equipment. By combining IDEC's FA knowledge with ALPS ALPINE's HMI and sensing technologies, we will promote the development of new products for the FA and industrial machinery fields and establish a solution-oriented business model.

We are conducting business planning, product development, and sales and manufacturing for industrial machinery, leveraging the strengths of both companies. Our target is a market launch of new products in FY2023.

#### Strengths of IDEC and ALPS ALPINE



Industry leader of HMI and safety for industrial machinery  
Deep knowledge and high recognition of industrial machinery  
High-quality, wide-variety and variable-volume production  
Solution proposals that meet customer needs



Industry leader of HMI for automotive and consumer use  
Sensing technology  
High-quality, safe production  
Software integration



### Launching products that enable the IoT

Because of the need for efficient operation of facilities as a way to combat the decline in Japan's working population and the COVID-19 movement restrictions, we launched a new cloud-based data logger that makes it easy to build an IoT system in Japan. By simply installing it on the device and equipment, it enables remote monitoring and data acquisition. We have also launched a 7-inch operator interface, demand of which is growing in all regions. Through enhanced response to IoT-related demand, we are contributing to resolving societal challenges.



Cloud-based data logger "SG1A Series"



Operator interface "HG2J Series"

### Broadening the variety available in sensors and accessories to satisfy increasing demand

In order to meet the growing and diverse needs of various industries, we offer a wide range of sensors with different detection principles, distances and detection objects. The miniature photoelectric switch "SA2E Series" has achieved a response time of 0.5ms, which is one-half that of conventional products, making it possible to detect objects at high speed. As accessories, our product line-up includes a portable sensor checker, which allows easy testing of sensors at manufacturing site or on a desk without being connected to a power outlet.

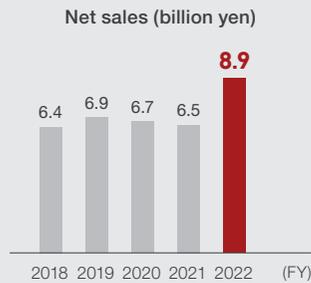


Miniature photoelectric switch "SA2E Series"



Sensor checker "SA1P Series"

## Safety & Explosion Protection



### Business overview for FY2022

Sales increased globally due to a steady recovery in capital investment demand. Sales of safety-related products increased, driven by growth in demand of interlock switches particularly in Japan and China, and strong sales of enabling switches in Europe, the Americas, and Japan.

Sales of explosion protection products increased mainly in Japan.

### Priority business measures

#### As a company that pursues and realizes world-class safety, ANSHIN and well-being, we provide solutions that enhance safety and productivity

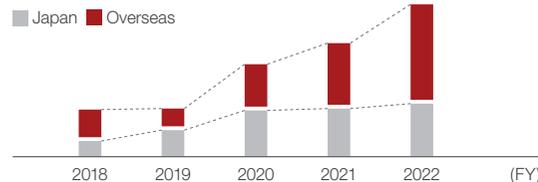
From the day the company was founded, the IDEC Group has been delivering a variety of products and services to the public with the aim of creating the optimum environment for humans and machines. Through those activities, we contribute to realizing both the safety of operators and the improvement of productivity by developing and providing safety-related products that reduce the risk of using machinery and equipment, and explosion protection products that can be safely used in the presence of flammable gas or liquid.

As a company that develops and provides products that protect the lives of people, we are making efforts to improve well-being throughout society in order to contribute to enabling everyone to lead a healthy, happy and vigorous life. Our products and services realize both safety and productivity not only in manufacturing sites but also in a variety of scenes. We are working to improve safety, ANSHIN and well-being in diverse working environments.

#### Globally expanding sales of safety-related products

More automation at manufacturing sites and increased awareness of labor safety have led to expansion of the global market for safety-related products. Thanks to our product development and sales efforts focused on industries in which safety-related products are used, our overseas sales have significantly increased in recent years, with notable sales growth of interlock switches. Particularly in China, demand is rapidly expanding and is expected to continue growing in the future. We are therefore working to partially transfer interlock switches production to a local base in addition to a base in Japan, in order to establish a system of local production to better meet Chinese demand.

#### Sales of "HS5L Series" interlock switches



### Contributing to improved safety and well-being for workers at construction and civil engineering sites

As an example of the many ways IDEC products play a role in safety assurance, IDEC supplies a three-position enabling switch that is developed based on ergonomics and vital for construction-related system. The system prevents serious accidents of on-site workers being trapped between a vehicle for work at height and a building frame or ceiling. It is being increasingly adopted by DAIWA HOUSE INDUSTRY CO., LTD. and other rental companies.

We are committed to providing solutions to ensure the safety of various workplaces, regardless of the industries.



Three-position enabling switches



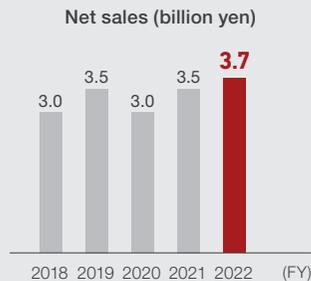
### The IoT enables predictive maintenance of equipment and devices in explosion protection areas

IDEC's ES3M series wireless vibration sensor, which is intrinsically safe and explosion protection, can be used in hazardous locations such as petroleum refineries and chemical plants. By detecting the warning signs of equipment failure through the wireless network using the ES3M series, "predictive maintenance" can be achieved. This product ensures safety and ANSHIN especially in explosion protection areas where there are risks associated with aging of the facility and of not carrying out sufficient maintenance due to labor shortage or a decline in availability of skilled engineers.



Wireless vibration sensor "ES3M Series"

## Systems



### Business overview for FY2022

Demand for AMR increased markedly and collaborative safety robot systems were introduced in new markets. IDEC acquired Squsse Co., Ltd. in April 2021 and its sales to the food industry also contributed to segment sales. Order booking in FY2022 reached a record high, driven by strong orders received for control panels and systems for the semiconductor and logistics industries. Overall sales, increased only slightly from the previous year even though a prolonged delivery period of components for systems, caused by a worldwide shortage of semiconductors and difficult procurement of some parts.

### Priority business measures

#### Contribution to resolving societal challenges by working closely with customers and providing optimal solutions to their needs and challenges

As a system integrator, IDEC FACTORY SOLUTIONS CORPORATION, a group company, supplies systems and various application packages to meet customer needs. The systems are based on safety-related products and safety systems that are the strengths of IDEC, and combine various makers' collaborative robots, vision sensors, artificial intelligence (AI), AMR, and other products. In 2021, we were registered as a certified manufacturer of control panels for the UL 508A Standard for industrial control panels in the U.S. By utilizing 3D CAD (EPLAN) for control panel design and manufacturing capability both in Japan and overseas, we are focusing on reducing design and production man-hour and improving quality. We are also developing the library systems business, centered on automatic lending systems that help improve the efficiency and convenience of library operations, and including the system for entry and exit and PC lockers.

#### Enhancing robot system proposals in anticipation of the arrival of a new collaborative society of humans and robots

IDEC FACTORY SOLUTIONS CORPORATION is offering application cells that utilize the offline simulation software "RoboDK", which has a library of almost all robots, and that can be operated easily and without robot teaching even at small and medium-sized companies. We also intend to develop our own products to meet customer needs, such as conveyors and lifters mounted on top of the AMR.

In addition, we focus on risk assessment support services for industrial robots, collaborative robots and service robots by safety professionals who are certified as safety assessors. We thus provide optimal system solutions.



Various robot systems



#### Contribution to the automation needs in the food industry and other workplaces

The food industry nowadays faces societal challenges such as food waste loss, labor shortage, and need to reduce plastic use. The industry's efforts to reduce food waste losses by extending expiration dates has led to an increase in demand for chilled and frozen foods. In response to this demand, we are proposing systems centered on automation of inter-process transport and an automation of the producer's last stage of packing products in boxes or cases. We will also utilize IDEC group's know-how and propose IoT-based production visibility systems and "line solutions" that automate multiple processes.



\* HACCP: Hazard Analysis and Critical Control Point

#### Expanding production capacity in the systems

In response to growing demand, IDEC FACTORY SOLUTIONS CORPORATION built a new factory in 2021 and a new head office in 2022. Aiming for further business expansion, we have relocated the Collaborative Safety Robot Technical Center to the new head office and are expanding production capacity for robot systems.



The new head office, which was completed in 2022

## Contributing to Society through Business

The IDEC Group's technology and products are contributing to resolve various societal challenges in factories and other manufacturing sites as well as in everyday life, thereby helping to securing the future of manufacturing and living.

### Office buildings

IDEC's control panels and touch panels for control various equipment such as surveillance systems and parking lots and elevator switches, maintenance control boxes contribute to the convenience and increased safety of office buildings.



Operator interface



Switching power supply



Control box

### Public transport

IDEC's emergency-stop switches to stop trains in times of an emergency, edge switches to prevent people from being trapped by fall-prevention railway platform fences, and LED illumination units support the safety of daily operations of public transport and their users.



Emergency stop switch



Edge switch



LED illumination unit

### Various machine devices in factory facilities and manufacturing lines

IDEC's products are installed on machine tools, semiconductor manufacturing equipment and various other devices, and are also used as operating, control and safety devices in various manufacturing lines. Our wide range of technologies and product lines and solutions, including switches and safety equipment, allow us to make optimal proposals that meet the needs of the manufacturing sites.



Industrial switch



Pilot light



Interlock switch



Safety commander

### Special vehicles

IDEC's various switches are used in the operating section of various special vehicles, including construction machinery (i.e., power shovels, cranes) and agricultural machinery (i.e., tractors), and support the safety and ANSHIN of the operator.



Miniature switch



Locker switch



Joystick

### Logistics warehouse

IDEC's hand-free code readers, sensing devices that detect and sort a wide variety of objects, and robots that can automatically transport cargo are utilized to promote automation of work at sites, enabling them to handle an increased volume in logistics.



Sensing equipment



AMR

### Petrochemical and chemical plants

IDEC's explosion protection products can be used in hazardous areas where flammable gas or liquid is generated. The products help prevent serious industrial accidents caused by an explosion, and create an environment in which workers can work safely and efficiently.



Explosion protection vibration sensor



Explosion protection LED illumination unit



Explosion protection operator interface



# Commitment to Sustainability

Based on our company philosophy “The IDEC Way”, the IDEC Group Code of Conduct, CSR Charter, and the Ten Principles of the United Nations Global Compact have been identified as our important guidelines and we are committed to achieving the Sustainable Development Goals (SDGs) in pursuit of proposing solutions to societal challenges through our business activities. The CSR Committee, which was launched in 2018, has played a key role in promoting sustainable activities.

Under the Basic Sustainability Policy, we have made efforts to resolve global challenges through our business activities with the ultimate aim of realizing a sustainable society. Our efforts include 1) an approach to pursue safety, health, and well-being of all people inside and outside the IDEC Group through endorsement and registration of the Vision Zero campaign promoted by the International Social Security Association (ISSA) under the International Labour Organization (ILO) umbrella; 2) consideration on climate change and other global environmental issues through support for the Task Force on Climate-related Financial Disclosures (TCFD); and 3) preparation of responses to risks and opportunities in the future.

## Basic Sustainability Policy

We are engaged in business activities based on the “Vision: Pioneer the new norm for a safer and sustainable world” and “Mission: To create the optimum environment for humans and machines” as stated in our company philosophy “The IDEC Way”.

Our Principles of “The IDEC Way” and the IDEC Group Code of Conduct clearly state the actions to be taken to realize our Vision and Mission. We will actually take the actions in order to help realize a sustainable society and increase our corporate value.

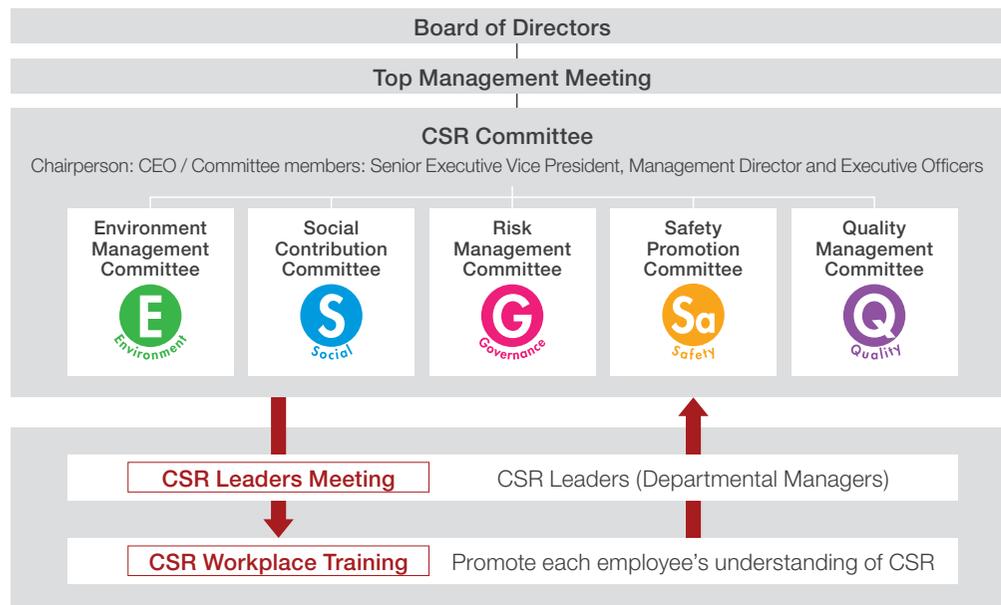
This is an entry photo for IDEC’s in-house environmental photo contest conducted in 2021 under the concept of “Nature to be preserved for future generations.”

## Sustainability Promotion System

The CSR Committee, chaired by the CEO, has been established as a body to develop the CSR action policy of the IDEC Group. Under the CSR Committee, “ESG+Sa+Q” five specialized committees—Environment, Social, Governance, plus two for areas of our strengths, Safety and Quality—were established, each in charge of promoting a particular area of CSR activities.

Each specialized committee, chaired by an executive officer, consists of individuals with expertise and experience, and tackles measures according to their respective themes. The CSR Committee meets twice a year, and important matters discussed are reported to and supervised by the Top Management Meeting and the Board of Directors as may be necessary.

CSR Leaders share the contents of CSR Committee discussions with each employee at CSR Workplace Training sessions, aiming to “put CSR activities into practice” and “create an open workplace” where opinions can be exchanged. In FY2022 employees submitted about 2,000 opinions and proposals, which were shared by each specialized committee. These are incorporated in the CSR activities of the IDEC Group.



### Information disclosure on the website

IDEC's CSR information is available on the corporate website.  
[https://us.idec.com/idec-us/en/USD/corporate\\_social\\_responsibility](https://us.idec.com/idec-us/en/USD/corporate_social_responsibility)





## Environment TCFD

TASK FORCE ON  
CLIMATE-RELATED  
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Climate change has become a major global societal challenge and the IDEC Group identifies it as one of our important management issues. We will promote initiatives to realize a sustainable society.

### Target SDGs



### Climate change initiatives and information disclosure based on the TCFD recommendations

The IDEC Group has been conscious of eco-friendliness since its foundation in 1945 through its “Save all” and “Pursuit of saving” bywords. We have formulated “The IDEC Way” in 2019 and have since been maintained a management focus on environmental issues and reduction of environmental impact through the realization of safety, ANSHIN, and well-being. Responding to climate change is a major societal challenge globally. We identify it as one of our priority issues. Having set the Vision for 2030 in the Materiality, we are promoting various initiatives aimed at achieving a sustainable society.

#### Vision for 2030 concerning climate change

- Contributing to the reduction of the environmental impact of customers and society through the use of the IDEC Group's technologies and products.
- Reduce CO<sub>2</sub> emissions through the in-house use of renewable energy.

☰ ▶ P.07

Based on that background, we expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and participated in

the TCFD Consortium in May 2021. With regard to the four requirements (governance, strategy, risk management, and metrics and targets) based on the TCFD recommendations, we made preparations according to the steps of the scenario analysis advocated by Japan's Ministry of the Environment, and disclosed climate change initiatives and relevant information that align with the TCFD guidance for the first time in FY2023. By enhancing information disclosure, we aim at achieving the management that is even more eco-friendly and realizing a sustainable society.

#### Governance

The Environment Management Committee, which is a specialist committee of the CSR Committee chaired by the CEO, plays a key role in the effort to disclose climate-related financial information.

The Environment Management Committee meets monthly under direction by the Senior Executive Officer in Charge of the Environment. Also, the Environment Promotion Department was established in October 2021 to strengthen environmental efforts and is involved in the Committee's activities. Decisions made by the Committee are submitted to the Top Management Meeting, where the policy is decided, and then reported to the Board of Directors.

#### Governance system addressing to climate change

Name	Overview	Number of meetings
Board of Directors	Supervision of important matters related to climate change	7 times per year*
Top Management Meeting	Decision making of important matters related to climate change	8 times per year*
CSR Committee	Review of important items related to climate change, and submission of these to the Top Management Meeting	Twice a year
Environment Management Committee	Management of climate-related opportunities	Once a month
Risk Management Committee	Management of climate-related risks	Twice a year
Executive Officer in charge	Senior Executive Officer in Charge of the Environment	
Responsible Departments	Strategic Planning , Environment Promotion, Accounting , CSR, HR&GA	

\* Decision making and supervision of the submitted items by the CSR Committee are conducted twice a year.

#### The disclosure process of climate-related financial information





# Environment TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## Strategy: Scenario Selection

In order to evaluate the impact of climate-related risks and opportunities, we selected two authorized scenarios for each of transition risks and physical risks. The baseline scenarios, assuming society in 2030, are one in which the increase in average temperature is kept below 2°C compared to the level at the time of the pre-Industrial Revolution, and the second wherein the measures against global warming remain conventional and the temperature continues to rise.

### Transition risk scenarios

- Sustainable Development Scenario (SDS)
- Stated Policies Scenario (STEPS)

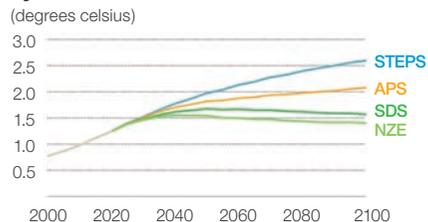
Note: Both scenarios are based on the World Energy Outlook (WEO) issued by the International Energy Outlook (IEO).

### Physical risk scenarios

- ICPP's RCP2.6 (2°C scenario)
- ICPP's RCP8.5 (4°C scenario)

Note: Representative Concentration Pathways (RCP) by the International Conference on Parallel Processing (ICPP)

## Median surface temperature rises by the WEO scenario

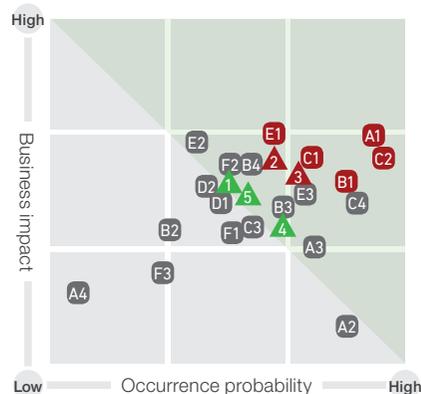


Source: IEA (2021) World Energy Outlook  
All rights reserved.

## Strategy: Risks and opportunities

Based on the assumed scenarios, the Environment Management Committee examined the risks and opportunities that may be caused by climate change. We identified transition risks, physical risks, and transition opportunities by category, and conducted analysis of their business impact and time period, evaluation of major items, and mapping of the analysis results. Although risks are not expected to have significant business impact in the current situation and in the short term, we will continue to systematically implement measures to address medium- to long-term risks, aiming to become a more resilient company and incorporate the transition opportunities in our business strategy.

## Mapping of climate-related risks and opportunities



■ Risks ▲ Opportunities  
Major risks and opportunities in red.  
The symbols and numbers are mirrored by those in the "List of climate-related risks and opportunities".

## List of climate-related risks and opportunities

Type	Category	Item	Major item	Time period	Occurrence probability	Business impact	
Risk	Transition risk	Policy and laws	1	Increase in carbon pricing (increase in carbon tax and power charges)	●	Medium to long	A B
			2	Tighter obligation to report emissions		Short to medium	A D
			3	Tighter orders and regulations for existing products and services		Medium to long	B C
			4	Litigation (initiated by stakeholders)		Long	D D
	Technology	1	Replacement of existing products and services with options with lower emissions	●	Medium to long	A B	
		2	Failure to invest in new technology		Short to medium	C C	
		3	Cost of moving to a low emission technology		Medium	B C	
		4	Technology delays to competitors		Short to medium	B B	
	Market	1	Changes in customer behavior or irregular changes in market trends	●	Medium to long	B B	
		2	Increase in raw material procurement and manufacturing costs (including introduction or increase of carbon taxes)	●	Medium to long	A B	
		3	Changes in raw material quality and properties		Medium to long	B C	
		4	Generation of cost in capital investment for energy saving and renewable energy		Short to medium	A C	
Reputation	1	User product satisfaction (environmental)		Medium to long	C C		
	2	Increasing concerns or negative feedback by stakeholders		Medium to long	C B		
Physical risk	Acute risks	1	Damage to manufacturing sites and supply chain disruption caused by extreme weather events	●	Medium to long	B B	
		2	Pandemic or stalled economic activities caused by a new virus outbreak		Short to medium	C B	
		3	Increased lead time in raw material procurement		Short to medium	B C	
	Chronic risks	1	Lack or suspension of supply of natural resources caused by effects of extreme fluctuation in rainfall and weather patterns		Medium to long	B C	
		2	Interruption of power supply caused by effects of extreme fluctuation in rainfall and weather patterns		Medium to long	B B	
		3	Nature destruction and unexpected accidents caused by the progress in conversion from thermal power generation to other power generation methods		Medium to long	C D	
Opportunity	Migration opportunities	1	Increase in sales of core products driven by the spread of energy-saving equipment and manufacturing equipment		Medium to long	C B	
		2	Increase in market share and sales through manufacturing with low environmental impact	●	Short to long	B B	
		3	Business expansion in the environmental field driven by expanding use of solar power generation and fine bubbles, and diversified services	●	Short to long	B B	
		4	Greater needs for and business expansion of remote monitoring and automatic control as effects of changing human behavior		Short to medium	B C	
		5	Business expansion of safety-related products in response to the worsening work environment caused by abnormal weather		Medium to long	B C	

## Definition of occurrence probability and business impact

Occurrence probability	A	May occur almost certainly.
	B	May occur when certain conditions are met.
	C	May occur when a few conditions are met.
	D	The probability of occurrence is not high.

Business impact	A	May have a significant impact on business continuity and growth.
	B	May have a significant impact on operating margin.
	C	May have a significant impact on sales and profits.
	D	There is no significant impact on the business.



## Environment TCFD

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### Risk management

The identified results of risks and opportunities related to climate change, and the risk items that have been assessed as important in our mapping, are managed by referring to an integrated risk map of the IDEC Group (P.49). They are also reflected in the environment-related risks and opportunities associated of the Materiality (P.08).

Important items of risk and opportunity are evaluated by the Environment Management Committee, taking into account both the likelihood and extent of impact. The Environment Promotion Department describes environmental risk management items on a risk management table annually, specifies performance indicators, and reports the progress of the achievement to the Risk Monitoring Subcommittee (P.48).

### Transition plan

IDEC considers the climate strategy as an important part of its business strategy and is promoting the reflection of its environmental response to its annual policy and medium- to long-term business strategy.

In the future, we will make more accurate quantification of risks and opportunities, continue to monitor qualitative information, and estimate the financial impact of quantitative items over the medium- to long-term, in particular to improve the transition plan and its disclosure method.

### Metrics and targets

Our medium-term management plan sets the targets to reduce Scope1 and Scope2 CO<sub>2</sub> emissions by 24% by FY2025 and by 50% by FY2031 (compared to the levels in FY2020). With regard to Scope3, we began calculating upstream (Categories 1-7) emissions in Japan in FY2021. We will expand the range of calculation to the Scope3 downstream (Categories 8-15) and make preparation for its disclosure. The expansion of global-based disclosure is also proceeding at the same time.

As for the reduction of industrial waste, we have set a target of 24% reduction by FY2025 (compared to the level in FY2020).

Going forward we plan to set targets and work on other metrics, which include the results of shifting to renewable energy, the ratio of eco-friendly products to total new products, as well as ISO 14001 compliance at all global bases, establishing of internal carbon prices, and the study of international disclosure standards.

#### Medium-term plan target for FY2025

Reduction in CO <sub>2</sub> emissions	.....	24%	↓
Reduction in industrial wastes	.....	24%	↓
Cumulative ratio of eco-friendly products to total new products	...	60% or more	↑

### CO<sub>2</sub> emissions

#### IDEC (Japan\*)

(Emission unit: t-CO<sub>2</sub>)

	Scope1	Scope2	Scope3 upstream	Scope3 downstream
FY2020	553	3,997	-	-
FY2021	501	4,360	68,900	-
FY2022	505	4,169	112,900	-

\*Japan=IDEC non-consolidated + group companies in Japan

#### IDEC (consolidated)

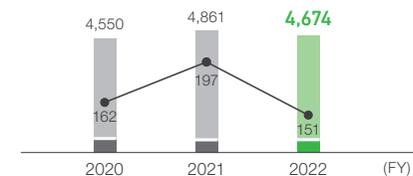
(Emission unit: t-CO<sub>2</sub>)

	Scope1	Scope2	Scope3 upstream	Scope3 downstream
FY2020	1,152	10,791	-	-
FY2021	948	11,390	-	-
FY2022	897	12,129	-	-

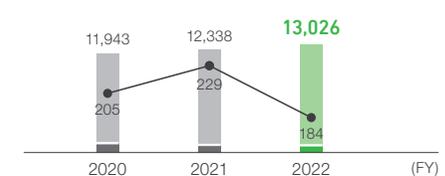
### CO<sub>2</sub> Emissions (Scope1&2)

■ Scope1: Emission unit (t-CO<sub>2</sub>) ■ Scope2: Emission unit (t-CO<sub>2</sub>) ● Emission intensity (kg-CO<sub>2</sub>/million yen)

#### IDEC (Japan)



#### IDEC (consolidated)



### Calculations of Supply chain CO<sub>2</sub> emissions

#### Scope1

..... The amount of emissions from a reporting company's GHG emission sources to the air directly.

#### Scope2

..... The amount of indirect emission from energy sources.

#### Scope3

..... The amount of indirect emissions related to reporting company's business activities in the Group's supply chain not within a Scope1&2 boundary.



# Environment TCFD

TASK FORCE ON  
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## TCFD reference table

The following index provides references to the IDEC Group's disclosures on recommendations of the Task Force on Climate-related Financial Disclosure.

### Governance

TCFD Recommendations	Disclose the organization's governance around climate-related risks and opportunities	Where applicable in IDEC Report 2022	
	Recommended disclosure		
a)	Describe the board's oversight of climate-related risks and opportunities.	Sustainability promotion system	P.30
		Governance Governance system to address to climate change	P.31
		Corporate governance system	P.39
b)	Describe management's role in assessing and managing climate-related risks and opportunities.	Sustainability promotion system	P.30
		Governance Governance system to address to climate change	P.31
		Corporate governance system	P.39
		Risk management system	P.48

### Strategy

TCFD Recommendations	Disclose the actual and potential impact of climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.	Where applicable in IDEC Report 2022	
	Recommended disclosure		
a)	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Materiality-based risks and opportunities	P.08
		Strategy: Risks and opportunities Mapping of climate-related risks and opportunities List of climate-related risks and opportunities	P.32
		Risk map and identification of high risk events	P.49
		Value creation process	P.05
b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	Materiality	P.07
		Transition plan	P.33
		Strategy: Scenario Selection	P.32
c)	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Transition plan	P.33

### Risk management

TCFD Recommendations	Disclose how the organization identifies, evaluates, and manages climate-related risks.	Where applicable in IDEC Report 2022	
	Recommended disclosure		
a)	Describe the organization's processes for identifying and assessing climate-related risks.	Materiality-based risks and opportunities	P.08
		Steps for disclosing climate-related financial information	P.31
b)	Describe the organization's processes for managing climate-related risks.	Strategy: Risks and opportunities Mapping of climate-related risks and opportunities List of climate-related risks and opportunities	P.32
		Risk map and identification of high risk events	P.49
		Strategy: Risks and opportunities List of climate-related risks and opportunities	P.32
c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Risk management Transition plan	P.33

### Metrics and targets

TCFD Recommendations	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Where applicable in IDEC Report 2022	
	Recommended disclosure		
a)	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics and targets	P.33
		Environment	P.35
		Non-financial data	P.53
b)	Disclose Scope1, Scope2, and, if appropriate, Scope3 greenhouse gas (GHG) emissions, and the related risks.	CO <sub>2</sub> emissions	P.33 P.53
		Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	P.33
c)	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Environment	P.35

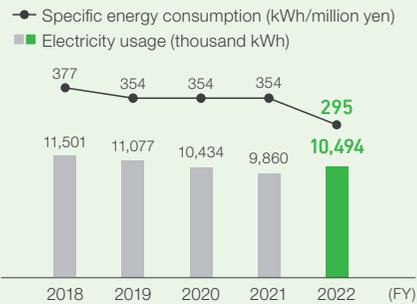


## Environment

In conjunction with the ongoing increase in green procurement and green purchasing, and developing eco-friendly products, we are promoting global environmental management, including obtaining ISO 14001 certification and adopting solar power generation in Japan and overseas.



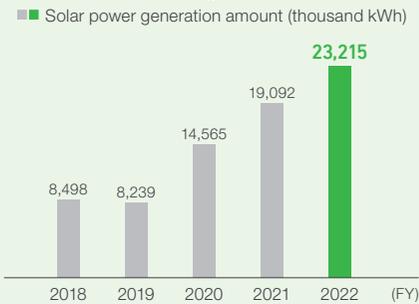
### Electricity usage (IDEC unconsolidated)



We strive to raise the awareness of energy conservation among employees through posters and stickers that encourage energy conservation. At the same time, we have systematically introduced acquired self-consuming solar power generation facilities so as to reduce electricity usage based on traditional fuel.

\*Some past fiscal year data has been corrected.

### Solar power generation amount in the environmental energy business



In addition to 4 solar power plants in the Kansai area, we added 11 new solar power plants in FY2022. We are working to transfer from fossil fuel to renewable energy for power generation, with the aim of contributing to helping to slow global warming.

### Expanded adoption of self-consuming solar power generation

By accelerating the introduction of our own solar power generation facilities for our offices and factories both in Japan and overseas, we are reducing the environmental impact we create by replacing electricity with renewable energy. IDEC (unconsolidated) made investment for one additional power generation facility in FY2022, and plans investment for three more facilities in FY2023. The amount of investment in FY2023 is expected to increase by approximately 3.7 times that of FY2022, or about 0.14 billion yen. Among the group companies, IDEC FACTORY SOLUTIONS CORPORATION installed a solar power generation facility in its new factory, which started operation in FY2022. Solar power generation facilities are also in operation at our U.S. office and our factory in Taiwan.



IDEC CORPORATION (U.S.)



APEM Inc. (U.S.)

### Environmental energy business

IDEC SYSTEMS & CONTROLS CORPORATION, a group company, is developing a renewable energy business that provides one-stop services from solar power plant construction to follow-up. Our particular focus is the introduction of dedicated, own-use solar power generation facilities, utilizing the roofs of buildings such as factories, warehouses, stores, and facilities. There has been an increase in adoption of this type in recent years, as it helps reduce CO<sub>2</sub> emissions and can provide emergency power to neighboring areas in the event of a disaster, thereby contributing to the safety and ANSHIN of the local community. We plan to introduce more similar cases with the aim of achieving a better society.

### Fine bubble business

IDEC is conducting research on the application of its world-leading fine bubble (microscopic bubble) technology in the environment and industries. Specifically, applications are being made in a wide range of fields, such as for industrial cleaning and various applications in the agricultural and fisheries industry.



## Environment

### Promotion of developing eco-friendly products

In light of trends such as reducing environmental impact in society and protecting the global environment, we have specified procedures in consideration of the environment in the development process of new products.

In FY2023, “The Procedure Manual for the Development of Eco-Friendly Products” has been revised, which scores the degree of environmental consideration of new products based on IDEC’s own standards such as energy efficiency improvement, resource saving, space saving, and a longer product life. IDEC’s original eco mark is stamped on products that meet the required scores set in the procedure in a way of appealing to customers.

Our target is to make eco-friendly products represent 60% of all new products launched since FY2020 on a cumulative basis.

#### Example of eco-friendly products



#### LF3D series LED illumination units

**Energy saving** Luminous efficiency **37% increase**  
**Space saving** Volume **50% decrease**

\* Compared to the conventional model

### The IDEC Group’s environmental activities in 15 countries and regions

During the CSR month of October, various initiatives are implemented to address environmental issues at our global bases.

#### IDEC ASIA (THAILAND) CO., LTD.

Paper bags handmade from recycled copy wrapping paper were given to hospitals which suffered from a shortage of medicine bags for patients.



#### IDEC TAIWAN CORPORATION

In addition to reducing the number of copies used by shifting to electronic means, the company installed containers for recycling resources and has since been promoting the sorting and recycling of waste.



### Efforts in Japan to reduce the environmental impact

Conventionally, packaging wraps and cardboard to transport materials were used between domestic factories. We have newly adopted reusable eco-friendly packing band and uniform-sized folding containers. This not only reduces the volume of packaging materials and cardboard used, but also reduces man-hours.



Reduction of about 1.1 tons of packaging materials and 17 tons of cardboard

We are also considering the introduction of new product packaging materials. In December 2021, we began to use bubble wrap made of film containing 25% or more biomass plastics at two sites. We plan to expand use of this material in various other places in Japan from FY2023.

Moreover, efforts made at IDEC headquarters include the reduction of copy machines installed on each floor so as to reduce usage of copy paper, and the campaign for not using plastic bottles.

### Enhancement of environmental education

As part of efforts to raise environmental awareness among employees, we have distributed the series of must-know environmental words in Japanese and English via internal intranet since FY2022. From FY2023, E-Learning courses on these environmental words has been launched. Specifically, the session will be included in the ISO 14001 training plan, and will be gradually rolled out to other offices nationwide.

In order to expand the course globally, we are in the process of the multilingual development of these educational tools, starting from English. Going forward, we will strengthen cooperation with environmental key persons at our major bases. A target for FY2024 is to cooperate with the key persons and to make effective use of the environmental education tools at each base.



Web tools for environmental education



## Social

In keeping with IDEC's group vision—to realize a safer and more sustainable society that brings happiness and ANSHIN to all people—we will continue to implement activities that respond to social issues and establish good relationships with society.

Target SDGs



### Aiming for a sustainable society

In keeping with IDEC's Purpose of realizing safety, ANSHIN, and well-being for people around the world by creating the optimum environment for people and machines, we are making efforts to realize a society in which everyone can live healthy, happy, and vigorous life. The IDEC Group intends to achieve sustainable growth through the creation of innovations that lead to solutions to societal challenges by implementing measures including promotion of DX (Digital Transformation), and by deploying a diverse workforce fully exercising its individual and combined abilities.

### Promoting of Decent Work

We are working on creating workplace environments where diverse human resources are empowered and are comfortable at work. Based on the results of our employee engagement survey, we have introduced a new personnel system in FY2023, which will lead to clarifying career plans and improving employees' engagement and motivation. We will also promote decent work by strengthening the recruitment of technology talent to support DX, advancing the development of experts through the introduction of online AI learning and other measures, and enhancing operational efficiency.

### Diversity and Inclusion

#### Promotion of empowerment of women

As part of creating an environment and culture where diverse human resources can take up a challenge, we are promoting empowerment of women. In FY2022, management training sessions, with invited external lecturers, were conducted for executives (division general managers) and deputy division general managers, who are expected to play a key role in empowerment of women.

The development programs for women and men, as candidates for next-generation executives, were also introduced. Our target is to have at least 15 female managers\* by FY2025.

\*Including female associates in the position of leader with subordinates

#### Understanding of and support for LGBTQ

In order to encourage proper understanding and change of consciousness and behavior toward the LGBTQ gender group, all employees in the Japanese group companies attended an E-Learning session on the theme and took a knowledge test in FY2022. The distribution of the Ally seal representing a person who understands and supports LGBTQ people is an example of our continuing efforts to raise awareness.

#### Offering of a variety of career plan options

We have expanded career plan options for employees by establishing a multiple-path career course that adapts to the direction of career goals and self-growth for our employees, and a second career support system that supports career advancement through career change or return to school.

#### Rate of return to work after childcare leave (IDEC unconsolidated)



In order to make it easy for not only female employees but also male employees to be involved in childcare, the first three days of childcare leave are paid leave days. We also send an email notifying the childcare leave program to male employees whose spouses have delivered a baby, and encourage them to take childcare leave.

#### Rate of paid leave taken (IDEC unconsolidated)



Our target is 80% or higher as the rate of paid leave taken. We also encourage employees to take paid leave days throughout the year in a planned manner and to take them during certain periods, such as summer and around Christmas.



## Social

### Promotion of employee safety and well-being

Since keeping employees and their family members physically and mentally healthy is vital to the IDEC Group, we adopted the IDEC Group Health Declaration and are promoting health initiatives. The first step for better well-being is to ensure the safety of employees. We are promoting efforts to eliminate and prevent the causes of injuries, diseases, and other dangers in the workplace.

In 2019, in order to promote employee health, a Well-being Center with a fitness gym and a Healthcare Center was constructed at the head office, where an industrial physician and full-time health care professionals are working on health management. Furthermore, in FY2023, an in-house corporate clinic will open in the Well-being Center of the head office in keeping with our aim to ensure the mental and physical well-being of all employees.



Fitness gym in the Well-being Center

### Respect for human rights

In the “IDEC Group Code of Conduct”, we emphasize consideration for human rights by stating that “We respect humanity, do not discriminate based on gender, nationality, social status, family origin, religion, etc., and strive to create a workplace that promotes diversity without racism, gender discrimination and discrimination against people with disabilities”. We assign great importance to human rights. The Code of Conduct also clearly states that sexual, power, and any other forms of harassment activities are not to be conducted, and we have established the “Anti-Harassment Rules,” which defines what employees should observe and what actions they should take in the event of a suspected workplace harassment. In addition, a consultation office has been set up within the Human Resources and General Affairs Department, enabling broad response to employees’ problems and worries.

#### Examples of the details of consultation

- Human relations, harassment, and mental health in the workplace
- Worries over childcare, nursing care, and career issues
- Consultation on diversity

#### Retention rate of new graduates after their first three years

Retention rate (unconsolidated)	Workers joined in April 2019	Workers with IDEC as of April 1, 2022
100%	20	20

### Supply chain management

In order to promote business activities that consider human rights, labor, health and safety, the environment, and other risks throughout the supply chain, we have established the “IDEC Group CSR Procurement Guidelines” and published them in Japanese, English, Chinese, and Thai. In cooperation with our suppliers, we are promoting CSR procurement that address societal challenges (responsible procurement activities with consideration given to sustainability).

As part of supply chain management, we conduct surveys via questionnaires and site visits. We will continue to grasp the updated business situation, make solution proposals in accordance with the CSR Procurement Guidelines, and request suppliers for their continued cooperation in CSR procurement.



Learn more

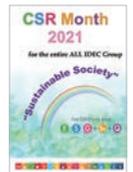
<https://us.idec.com/csr/partner>

- Step 1 Establishment of CSR Procurement Guidelines
- Step 2 CSR Procurement Briefing
- Step 3 Questionnaire survey
- Step 4 Visit survey
- Step 5 Problem solution proposals

Procurement activities with suppliers

### Social Contribution Activities

We designate every October as a “CSR Month” and strive to raise group-wide awareness of societal challenges in Japan and overseas. The theme in FY2022 was “Sustainable Society”; employees were encouraged to think about what each could do and take actions, while relevant information was distributed and events were held. Our social contribution activities, including our CSR activities and SDGs efforts, are shared with our employees through our internal intranet and company newsletters to invigorate the CSR activities of the entire IDEC Group.



#### Contributing to the development of the next-generation robot Sler!

IDEC FACTORY SOLUTIONS CORPORATION is providing support for the Robot System Integration Competition for high school students nationwide, which will be held from FY2023. The company is offering IDEC’s safety-related products free of charge and is guiding students on safety matters and competition themes. Through this activity, we aim to improve robot-related technologies of high school students, develop human resources for future robot system integrators (Slers), and thereby help solve industry’s labor shortage.





## Governance

The IDEC Group is promoting further enhancement of its governance system to ensure management transparency and efficiency on behalf of its shareholders and other stakeholders.

Target SDGs



### IDEC Corporate Governance Policy

The basis of the IDEC Group's corporate governance is to ensure management transparency and efficiency for shareholders and other stakeholders. For this reason, we assign outside directors and separate the management supervisory function from the execution function so as to always maintain a high priority on transparency and efficiency. Under this concept, in order to realize the improvement of corporate value based on "The

IDEC Way", which was established in 2019 as a new philosophy toward becoming a truly global company, the IDEC Corporate Governance Policy has been established and published to further strengthen corporate governance.



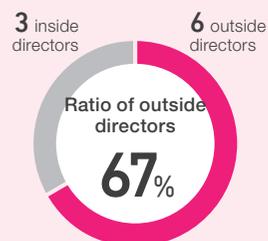
#### IDEC Corporate Governance Policy

<https://us.idec.com/idec-us/en/USD/about-IDEC/tr/investors/governance>

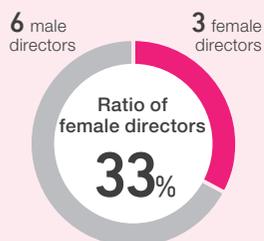
#### Features of governance in IDEC

- Outside directors represent more than half of all directors.
- All outside directors are independent officers.
- The evaluation of the effectiveness of the Board of Directors has been continuously conducted since FY2016.
- Outside directors actively participate in outside directors' exchange sessions and other events.

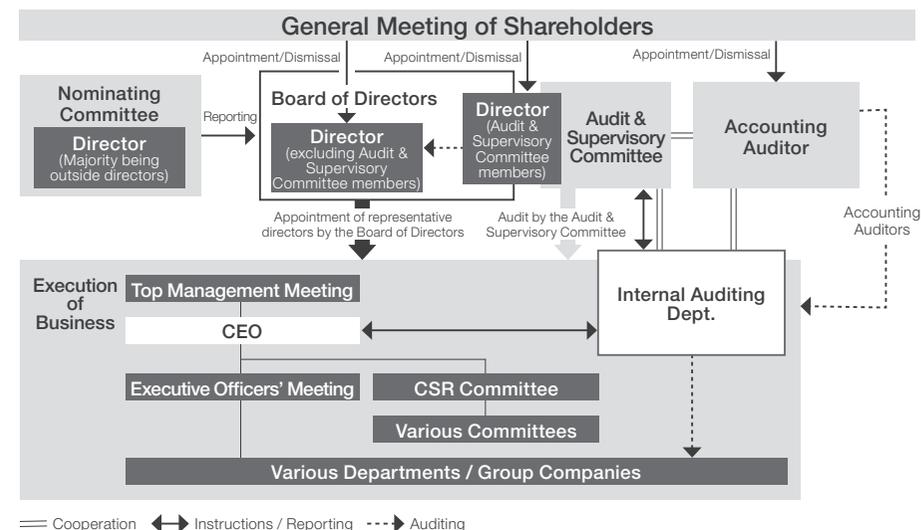
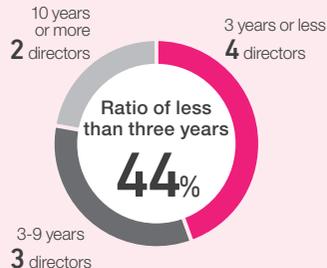
#### Ratio of outside directors (As of June 30, 2022)



#### Ratio of female directors (As of June 30, 2022)



#### Distribution of tenure periods (As of June 30, 2022)



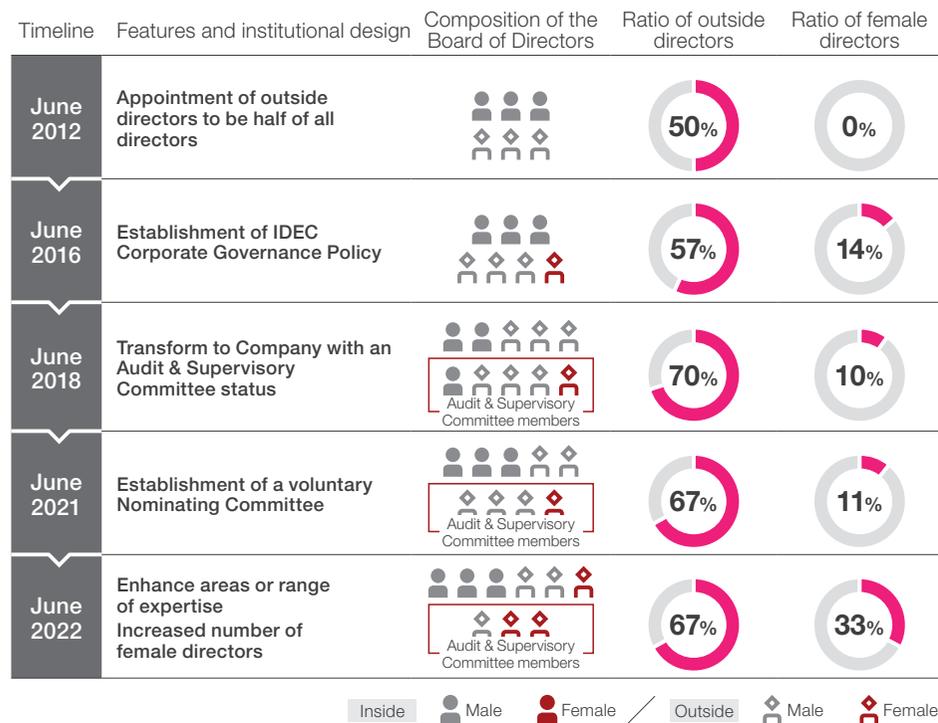


## Governance

### Evolution of governance

The IDEC Group has separated the business execution function and the supervisory function of the management, in order to realize efficient corporate management, and has proactively appointed outside directors since early on. In 2016, the IDEC Corporate Governance Policy was established to set forth and inform our view

on governance and our operating policy. In June 2018, we transformed our status to being a Company with an Audit & Supervisory Committee. In 2022, we have newly appointed outside directors in areas that we believe their contribution was needed, regarding such matters as related to the environment and IT.



### The voluntary Nominating Committee and succession planning

A voluntary Nominating Committee has been established as an advisory body for the Board of Directors with a majority of members being outside directors since 2021 in order to objectively and independently decide nomination of candidates for directors and a development plan of next-generation executive candidates. In FY2022 the Nominating Committee held one meeting, which was attended by all the members. When nominating candidates for a director post, the Nominating Committee is responsible for the process of selecting and recommending candidates for decisions by the Board of Directors. In the development of successors to executives, including representative directors, with the objective to continually produce personnel who contribute to the sustainable and global development of the IDEC Group, candidates attend training in subjects of general management knowledge according to their job level, and are provided with the opportunity to participate in important meetings, including the Top Management Meeting and the Executive Officers' Meeting. The Nominating Committee receives reports on the progress of development of candidates, and the committee members express their opinions on the development plan and report to the Board of Directors.

### Proactive engagement by outside directors

Outside directors play a professional and independent role in various ways. At the Board of Directors, they express candid opinions based on their high level of expertise and management experience, and participate in the discussion from an independent standpoint. They are also actively involved in the growth of the Company's business, including the holding of individual sessions with a responsible department or departments concerning a business issue or subject, and lectures and interviews in the curriculum for next-generation training. With the objective of enhancing communication among outside directors' exchange session have been held since FY2019. In FY2022, outside directors deepened examination of medium- to long-term strategic policies of the IDEC Group through active discussions and exchange of views.



Outside directors' exchange session



## Governance

### Remuneration policy for directors

IDEC's remuneration system for directors is based on fixed remuneration according to their position and performance-linked remuneration based on the premise of contribution to the Officers' Shareholding Association, so that the remuneration serves as incentives for achieving sustainable growth and links with shareholder interests. Policy regarding remuneration decisions is set forth below. Independent outside directors, however, have only fixed remuneration because they play a supervisory function from an independent position.

### Policy on remuneration decisions

- ▶ The basic remuneration for the Company's directors is fixed monthly remuneration, which is determined by comprehensively taking into account the position, responsibilities and business performance of the Company.
- ▶ The performance-linked remuneration is a cash remuneration based on the premise of contribution to the Officers' Shareholding Association, and uses the consolidated operating income margin for its calculation because the said ratio is a basic indicator of the Group's earnings status. Comprehensively taking into account the changes in the said indicator for each fiscal year, the total amount is determined, which is then divided by the grant ratio according to the position, resulting in performance-linked remuneration for each director. This performance-linked remuneration is divided into 12 equal parts and paid monthly.
- ▶ The percentage of performance-linked remuneration is determined roughly within the range of 10% to 20% of the amount of remuneration for representative directors and 5% to 10% of the amount of remuneration for other executive directors.
- ▶ As for the details of individual remuneration for directors (excluding directors who are members of the Audit & Supervisory Committee), the Audit & Supervisory Committee deliberates whether or not to express its

opinion on the remuneration at the General Shareholder Meeting in advance, and not just each director's position but also the Company's performance is considered for executive directors, or expertise and management experience in other companies for outside directors, and the Board of Directors, of which the majority is composed of independent outside directors, makes a final decision to leave the matter to the CEO.

### Policy for cross-shareholding

The IDEC Group's policy is to hold an appropriate number of shares only if we have a rationale for holding them, and to reduce or sell shares for which we cannot find rationale, as may be appropriate. Once a year or more, the Board of Directors verifies whether to keep as-is each of all cross-holding shares, with due consideration of the business activity needs (such as for maintaining and strengthening a business alliance or transaction), our cost of capital, and the stock price trends of these issuing companies.

### Internal control system

In order to ensure the credibility of the financial reporting of the IDEC Group, we have prepared relevant regulations and have established appropriate systems in accordance with the internal control evaluation criteria for financial reporting. The Internal Control Policy on Financial Reporting is established to clarify the overall Group's promotion structure, and to establish a framework for continuous self-inspection at each division and group company and for independent monitoring by the Internal Auditing Department.

### Constructive dialogue with shareholders, investors and analysts

We are actively engaged in Shareholder Relations (SR) and IR activities with the aim of obtaining credibility and appropriate evaluation of our management, and of enhancing sustainable growth and medium- to long-term corporate value. Our directors and executives respond diligently to requests for information or interviews from shareholders and institutional or individual investors. The information obtained during these SR and IR activities, as well as market evaluations and opinions, are regularly reported to the Board of Directors.

We also seek to enhance IR tools such as shareholder letters and corporate websites that help shareholders and individual investors make investment decisions. We are forthcoming about disclosing sustainability information and news topics in addition to financial information and management strategies.



Online live broadcast of the financial results briefing





## Governance

### Efforts to evaluate effectiveness

In order to improve the effectiveness of the Board of Directors, an evaluation of all directors except the CEO has been conducted using a questionnaire method every year since FY2016. As the Corporate Governance Code and other governing document require a more sophisticated governance system that takes into account objective evaluation, a questionnaire survey and a third-party organization's results analysis have been carried out since FY2022. The evaluation results are reported to the Board of Directors, and the issues are shared, and improvements are being made continuously.

### Outline of the effectiveness evaluation in FY2022

<b>Target members</b>	All directors except the CEO (8)
<b>Evaluation method</b>	Anonymous questionnaire
<b>Survey period</b>	Response period: February to March 2022
<b>Questionnaire compilation</b>	Compiled by an external organization
<b>Response status</b>	All targets answered

#### Issues specified in FY2022

- Fostering of next-generation executive candidates
- Increase in opportunities to consider medium- to long-term management strategies
- Enhanced transparency, efficiency, and monitoring capabilities in management
- Recognition of the communication contents with shareholders and investors

#### Actions taken in FY2022

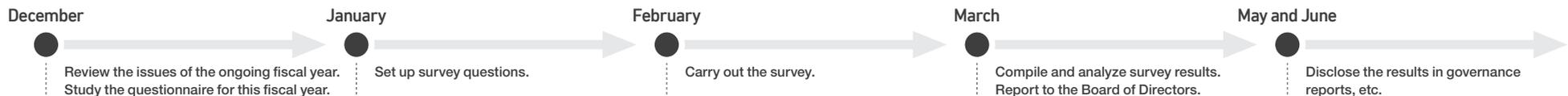
- Established a Nominating Committee; offered opinions on the next-generation executive development plan; and increased contact opportunities including the interviews with candidates for executive development
- Carried out discussion and exchanges of opinions on medium- to long-term strategy at get-together meetings with outside directors
- Selected candidates for directors of the next fiscal year with a higher level of expertise, in order to strengthen monitoring capabilities
- Enhanced feedback to the Board of Directors regarding communication with shareholders and investors, including briefing meetings

#### FY2022 evaluation results by the third-party organization

The effectiveness of the Board of Directors was determined to be ensured. The evaluation of the composition and discussions of the Board of Directors, including the diversity of the members and the free and constructive exchange of opinions during the meetings, was above the average of other companies, and the overall evaluation was generally positive. The evaluation results also presented future issues for further improvement in effectiveness. They include the operation of the Nominating Committee established in the previous fiscal year, the revitalization of ESG-related discussions, and discussions based on dialogue with shareholders and investors.

#### Future issues based on the FY2022 evaluation results

- Further enhancement of discussions at the Board of Directors, such as reviewing initiatives on ESG issues and business portfolios, conducting active discussions on the design of remuneration systems, and conducting discussions based on dialogue with shareholders and investors.
- Formulation and implementation of succession plans, including appropriate nomination processes based on skills matrix and sufficient deliberation to develop selection criteria.
- Enhancement of the performance of outside directors by further facilitating the exercise of the supervisory function of outside directors and encouraging communication between outside directors and inside directors.





# Governance

## Board of Directors

Expected Skills Matrix of the Board of Directors (● indicates contributing areas/roles ● indicates contributing areas with particularly high expectations)

### Directors

### Directors (Audit & Supervisory Committee Members)



Chairman  
and CEO



Senior Executive  
Vice President, COO



Managing  
Director



Outside  
Director



Outside  
Director



Newly-appointed  
Outside  
Director



Outside  
Director



Outside  
Director



Newly-appointed  
Outside  
Director

Expected contributing areas and roles	Toshi K. Funaki	Mikio Funaki	Takuji Yamamoto	Hiroshi Kobayashi	Hideyuki Ohkubo	Mariko Sugiyama	Yasuo Himeiwa	Michiko Kanai	Eri Nakajima
Corporate management and management strategy	●	●	●	●	●				
Legal affairs and risk management	●	●					●	●	
Personnel affairs and development	●	●	●	●	●	●			●
Financing and accounting	●	●					●		
R&D and manufacturing	●	●	●		●				
Sales and marketing	●	●	●	●	●	●			
International business	●	●	●	●	●	●	●	●	
Industry knowledge	●	●	●		●		●		
IT strategy	●	●				●			
Environmental measures	●	●							●



## Governance

### Senior Executive Officers



**Arnaud  
Mondy**

Senior Executive  
Officer  
Marketing & Strategy



**Toshihiro  
Fujita**

Senior Executive  
Officer  
Management of  
Technology



**Yasuharu  
Kawanaka**

Senior Executive  
Officer  
Japan Sales &  
Greater China



**Koji  
Akamatsu**

Senior Executive  
Officer  
Manufacturing & SCM



**Tomonori  
Nishiki**

Senior Executive  
Officer  
Technology  
Development &  
Environment



**Shinichi  
Yoshimi**

Senior Executive  
Officer  
Strategic Planning

### Executive Officers



**Atsushi  
Matsumoto**

Executive Officer  
Product Development



**Hirotugu  
Harada**

Executive Officer  
New Business  
Development



**Yoshihiko  
Nishiyama**

Executive Officer  
Accounting



**Masaki  
Tsuru**

Executive Officer  
Quality Assurance



**Marc  
Enjalbert**

Executive Officer  
APEM



**Takao  
Funaki**

Executive Officer  
U.S. Business



**Yasunori  
Kawanaka**

Executive Officer  
Products Strategy



## Governance

### Dialogue with outside directors

## We aim to further enhance the functions of the Board of Directors in order to achieve sustainable growth and rising corporate value of IDEC

Outside Director  
(Audit & Supervisory  
Committee Member)

Michiko Kanai

Lawyer

### A highly transparent governance system ensuring extensive discussions that satisfy the outside directors

— IDEC has appointed outside directors from an early stage, and they represented a half of the directors back in 2012. At IDEC's Board of Directors' meetings, outside directors freely express questions and opinions. How do you evaluate our governance systems and our structure and management of the Board of Directors?

**Himeiwa** I agree that IDEC has a transparent governance system as outside directors represent a majority of the Board of Directors, as well as the Audit & Supervisory Committee and the Nominating Committee. I also find that IDEC has been making progressive efforts, such as clearly showing a skills matrix of the directors in the notice of shareholders' annual general meeting from early on.

**Kanai** You are right. From the beginning of my appointment, outside directors represented a majority and I had the impression of IDEC being an advanced company. In particular, I felt the presence of the strong will of the CEO when IDEC appointed management veterans of a bigger, more advanced global manufacturer as an outside director and asked for their advices. The Board of Directors would be easily managed if internal directors represented a majority. However, IDEC intentionally has

outside directors as a majority of the Board, receives their questions and suggestions, responds to each of these, and listens candidly regarding what needs to be said. I saw that the outside directors functioned effectively since my first day and I have always been impressed with the will of the management to make the Board of Directors function well.

**Himeiwa** In order to enhance the discussion at the Board of Directors meetings, I would appreciate to receive meeting materials in advance, for preparation.

**Kanai** Since the agenda items and materials are prepared based on the discussions of the Top Management Meeting, it might be difficult timewise. However, it would certainly be nice if the key points and additional information of new or important agenda items are included in the materials beforehand.

### Valuing what only outside experts can see and say

— The range of activities of outside directors is increasing, including provision of opinions on individual matters and participation in the Audit & Supervisory Committee and the Nominating Committee, in addition to the Board of Directors. What do you have in mind when working as an outside director, while keeping an eye on improving governance?

**Himeiwa** I am an accounting expert, so I am conscious of giving advice from an accounting standpoint. Advice coming from outside accounting experts may be easier for the management to understand and listen to. I am particularly conscious of whether governance is working properly, and I always try to ask questions if there is any uncertainty. This is based on my view that accounting fraud can occur at any company. I also find it important that the Audit & Supervisory Committee detects and reports potential risks to management at an early stage.

**Kanai** At the Board of Directors meeting, I keep it in mind to ask questions if I don't understand or am not satisfied, and I make sure to understand the facts. Concerning the legal aspect, it is important whether the directors make sufficient discussions in making big decisions, seek the opinions of experts, and reach the best business judgements as the Board of Directors. When IDEC acquired APEM, the outside directors gave various opinions, had numerous discussions, and spent a long time studying the matter. From the legal perspective, I want to make sure whether such a process is being taken properly.

**Himeiwa** I agree with you. I can see that the management is not merely following formalities but is earnestly trying to listen to the opinions of outside directors and to engage in extensive discussions.

Outside Director  
(Audit & Supervisory  
Committee Member)

Yasuo Himeiwa

Certified  
Accountant

Appointed as outside director in June 2016, Kanai has been a Director and Audit & Supervisory Committee Member since 2018.

Appointed as outside director (Audit & Supervisory Committee Member) in 2020, Himeiwa has also served as Chairman of the Audit & Supervisory Committee since 2021.



## Governance

### Development of next-generation management and ESG activities in the core operations being positioned as challenges for realizing sustainable growth

— The post-COVID-19 future outlook is so uncertain, and companies have to cope with constantly changing issues, including the response to ESG and other non-financial matters. What do you see as the current challenges of IDEC and will you give us advice on how we can raise corporate value going forward?

**Himeiwa** Successor planning is one major issue. Since the current management team cannot last forever, the next team must be established and ready when the time comes. In that sense, nurturing successors is the current priority issue and that is why a Nominating Committee has been established to tackle it.

**Kanai** This is also an area of interest to institutional investors and many other stakeholders. We should also think about how to announce it so that it will be positively received.

**Himeiwa** The current management team has strong leadership, and is actively taking action to improve corporate value, as we can see in the case of flexible share buybacks. Analysts must also be interested in how the next-generation management team would be shaped. Companies function under a strong leadership system or under a group leadership system. In either case, it would be important to make the next generation visible soon.

**Kanai** In my view, it is important that each of the next-generation management team to proactively think of themselves as the final decision maker in their area of expertise.

### Offering to society IDEC's products that contribute to sustainability

**Kanai** IDEC's products are also highly related to sustainability, such as safety. I believe IDEC can appeal to society more strongly regarding such aspects.

**Himeiwa** Although the CSR Committee and others have been engaged in ESG activities, we will need a viewpoint of linking ESG activities with businesses. Products that protect human safety will be increasingly needed in society to prevent accidents and

industrial disasters. This will be a tailwind for IDEC. I would like to think about ESG activities as a contributing factor to profitability, not as a cost-raising factor.

**Kanai** Indeed. That point of view will become more and more important. When IDEC started CSR activities, it was hard to link them to business. Even if the idea of the activity itself is good, it would not become sustained unless generating profit. Let's engage in more core business activities which link to ESG issues.

### Importance of communication among directors outside the meetings

— Finally, do you have any wish concerning themes to be covered at the outside directors' exchange session or how information should be provided?

**Kanai** Mainly due to the COVID-19 pandemic, we have had few opportunities to meet and talk with each other over the past few years. I hope that we will get to meet with each other more often, especially as we are welcoming new directors.

**Himeiwa** At the exchange session in 2020, I was grateful to learn about some IDEC products from the executive officers and department heads. The opportunity to be informed about the latest products and businesses is so precious.

**Kanai** I really understood the products better when they were explained while I was looking at the actual products.



**Himeiwa** It may not be easy for presenters to be prepared but that would be a great training for presentation, too, and they may have new discoveries or be encouraged by receiving questions and opinions from outside directors. I would appreciate to have such an opportunity again. A factory visit will be also useful.

**Kanai** Outside directors' own awareness also increases when they exchange information on various aspects of the company's situation and management, not only at the meetings of the Board of Directors, but also by having opportunities for directors to get together and candidly speak with each other. I think such an opportunity would be worthwhile.







## Governance

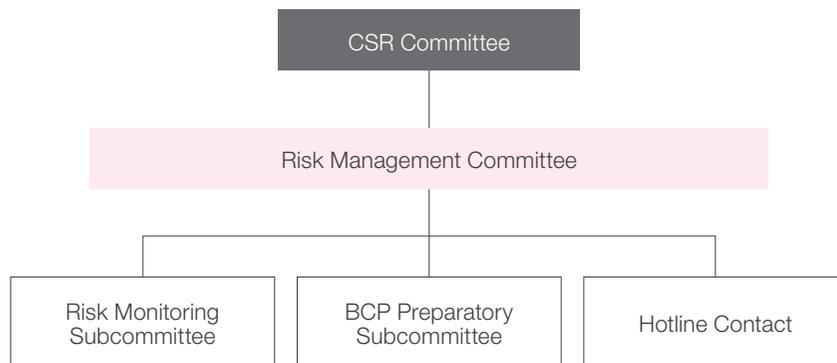
### Risk management system and operation

We have adopted our risk management rules aimed at preventing risk occurrence in advance and minimizing the damage in case of a risk occurrence. The Risk Management Committee has been established under the CSR Committee, chaired by the CEO, to be responsible for overall group risk management at normal times and for response to occurred risk.

The Risk Management Committee has a Risk Monitoring Subcommittee and a BCP Preparatory Subcommittee within the Committee to select and evaluate risks and to monitor risk reduction efforts, as well as to work toward the development of BCP across

the IDEC Group. A Hotline Contact has also been established within the Committee to maintenance an internal reporting venue and respond to reporting events.

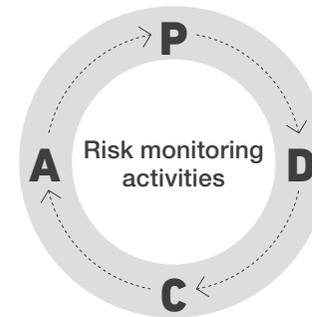
The Risk Management Committee reports these initiatives at the CSR Committee, which meets twice a year, and the CSR Committee reports them to the Board of Directors. The Risk Management Committee can directly report important events such as reporting events or information to the Board of Directors as necessary, assuring risk information is properly conveyed to the management.



### Risk Monitoring Subcommittee

Concerning high-risk events shown on the risk map, an annual risk reduction target is set for each department in charge, and the progress toward attaining the target is checked every six months: in the first half and the second half of the fiscal year. At the end of the fiscal year, we review the risk map showing high-risk events, and identify next risk events that should be addressed on a priority basis. We also manage risks, including climate change risks, and regularly check the response status of the responsible departments.

\* See details of the risk map and the identified high-risk events on the next page.



- Plan** | Set risk reduction targets.
- Do** | Implement risk reduction efforts.
- Check** | Conduct risk assessment questionnaire.
- Action** | Review the risk map and identify high-risk events.

### BCP Preparatory Subcommittee

In order to prepare for earthquakes and other natural disasters—one of the high-risk events for the IDEC Group, a Preparatory Subcommittee for promotion of a business continuity plan (BCP) has been set up. It is currently studying and drafting basic policies for disaster response, initial response flows, and a BCP.

We consider it a high-risk event if a huge earthquake strikes and damages the areas where our head office and main factories are located. Assumptions have been made concerning how each person in charge of an emergency task force shall act as an initial response to the disaster, and the necessary manuals and checklists have been prepared, and the necessary disaster prevention measures are periodically reviewed in normal times. We also disseminate information via our corporate intranet to raise employees' awareness for disaster prevention.



A page from the corporate intranet

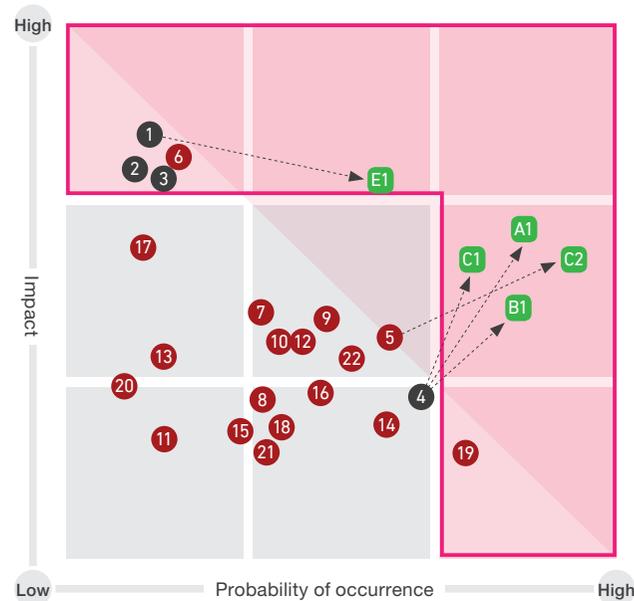


## Governance

### Risk map and identification of high risk events

The Risk Monitoring Committee regularly identifies and evaluates risks based on the assumed risk events that may negatively impact the continued business expansion and the corporate value enhancement of the IDEC Group. Concerning each risk event, an evaluation questionnaire is conducted using the “probability of occurrence,” “magnitude of damage” and “impact” as measures, and the results are plotted on the risk map relative to the assessment. Climate change risks, which were evaluated as important by the Environment Management Committee, are also integrated as “risk events” and evaluated in the map.

Events that are evaluated as having a high probability of occurrence or impact are identified as “high-risk events” and are deployed to the competent department to prioritize risk reduction initiatives and their situations are regularly monitored.



\*Climate change risks (A1-E1) reflect events that the Environmental Management Committee assessed as a high risk (P.32).

\*External/internal factor risks are evaluated on a short- to medium-term basis, while climate change risks are evaluated on a medium- to long-term basis. Arrows indicate the climate change risks that are expected to be affected by external/internal risk factors.

\*The risks plotted within the red box are judged as high risk events.

### Examples of responses to high-risk events

1	Damage to IDEC's sites in the Kansai region by an earthquake with a seismic intensity of the lower 6 range or above	Established a Preparatory Subcommittee for BCP formulation and promoted discussion and formulation of basic policies for disaster response, initial response flow, and business continuity plans.
3	Occurrence of a cluster of infections within IDEC's business site	Promoted to create “factories that are resistant to infections” by taking thorough preventive measures, non-contact temperature screening of all employees at manufacturing bases, and automated hand washing taps. Also hosted workplace vaccination.
6	Occurrence of a serious product accident that could affect the human body	Promoted early detection and early response to abnormalities by monitoring failure information in market claims and developing alert functions and critical claim management lists.

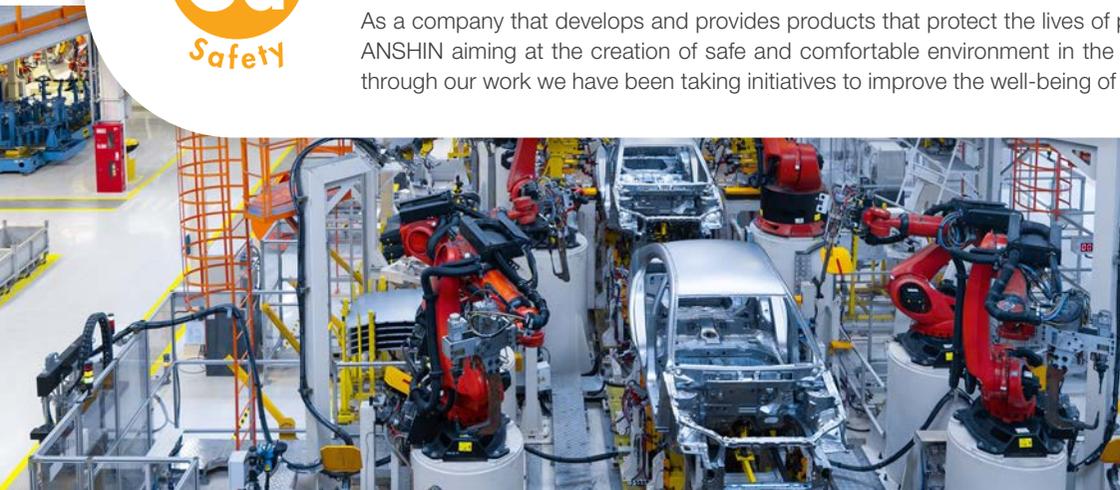
Risk Category	No.	Risk Event	
External factor risks	1	Damage to IDEC sites in the Kansai region by an earthquake with a seismic intensity of the lower 6 range or above	
	2	Conflict or terrorist attack in the local area of IDEC's sites	
	3	Occurrence of a cluster of infections within an IDEC's business site	
Business strategy risks	4	Product specification change caused by external factors (part obsolescence, procurement difficulty)	
	5	Difficulty to procure parts, leading to long delays in delivery times	
	6	Occurrence of a serious product accident that could affect the human body	
	7	Quality falsification caused by the falsification of product performances and data	
	8	Distribution of products containing prohibited substances	
	9	Strategic investment risk	
	Resources and infrastructure risks	10	Occurrence of a severe or more industrial accident
		11	Sabotage, strike-related business outage
		12	More than half a day of infrastructure outages caused by system failure, network failure, etc.
	Internal factor risks	13	Suspension of sales and claims for damages due to infringement of other companies' intellectual property rights
14		Harassment by senior executives	
15		Tax penalty due to improper handling of accounting and tax affairs	
16		Large-amount embezzlement, malpractice, and bribery by employees	
17		Insider trading by senior executives	
18		On-site inspection by the Fair Trade Commission due to violations of the Anti-Monopoly Act and the Subcontract Act	
19		Leakage of critical corporate information, third-party confidential information, and personal information	
20		Business suspension due to improper license and approval	
Accounting and financial risks		21	Difficulty to collect sales receivables, loan loss
		22	Asset impairment risk
Climate change risks	A1	Increase in carbon pricing (increase in carbon tax and power charges)	
	B1	Replacement of existing products and services with options with lower emissions	
	C1	Changes in customer behavior or irregular changes in market trends	
	C2	Increase in raw material procurement and manufacturing costs (including introduction and hike of carbon taxes)	
Physical risk	E1	Damage to production sites and supply chain disruption caused by increased severe weather events	



## Safety

As a company that develops and provides products that protect the lives of people, we have promoted safety and ANSHIN aiming at the creation of safe and comfortable environment in the global community. At the same time, through our work we have been taking initiatives to improve the well-being of people.

Target SDGs



### Beyond safety, creating well-being

Since IDEC's founding, as a company that develops and provides products that protect the lives of people, we have delivered to society a wide range of various products and services with core control technology. In order to create a society in which all workers in different workplaces can live healthily, happily and vigorously, it is important not only in terms of technology to supply products with high performance, ease of use, and stable quality, but also to provide human resource training, compliance with rules such as standards and codes, and commitment by management to achieve well-being.

That is why IDEC is promoting safety initiatives from four aspects of Technology, People, Rulemaking, and Management.



We strongly support and participate in the activities of the Task Group of Vision Zero at the Enterprise Level, Global Coalition for Safety and Health at Work, established at the initiative of the International Labour Organization (ILO), and we made many presentations at the 2nd Vision Zero Summit held in Japan in May 2022. IDEC presented our world-leading collaborative safety technologies and communicated to the world its commitment to pursue and create safety, ANSHIN, and well-being through its business, as well as to raising awareness of global prevention culture activities for the world where people are protected from serious workplace accidents and therefore can work safely and healthily.

#### Qualification attesting to the level of safety knowledge and designing competency for technical staff

Number of employees holding Safety Assessor/ Safety Basic Assessor/ Robot Safety Assessor Certificates

(As of April 2022)

547

#### Qualification attesting to the occupational safety management knowledge and the ability to perform for administrative staff

Number of employees holding Safety Officer Certificates

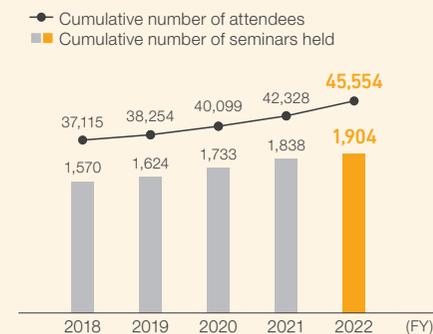
(As of April 2022)

105

IDEC encourages employees to obtain Safety Assessor qualification in order to ensure safety manufacturing and to perform safety consulting based on international safety standards. Examination fees and certification renewal fees are borne by the Company.

\* The counting method has been reviewed in 2022.

#### Safety seminars and explosion protection seminars: cumulative number of attendees and seminars held (IDEC unconsolidated)



Online basic, advanced, and practical seminars for safe, correct use of safety-related products and explosion protection products are conducted for free for our customers.





# Safety

## Technology

### Pursuit of safety and ANSHIN technologies

IDEC is pursuing safety of the environment where humans and machines coexist and is focusing on the development of technology for machinery safety and explosion protection safety, while promoting the control device and control systems business. By providing the next-generation safety philosophy “Collaborative Safety / Safety2.0” and safety technology with risk assessment to customers outside of the FA field, we are also vigorously working to create an environment that ensures safety while maintaining productivity. This scope of safety is positioned as a key area in the five pillars of IDEC’s CSR activities: Environment, Social, Governance, Safety, and Quality.

We will continue developing more advanced hardware and software as well as their relevant standards that will enhance the safety of industrial sites. We are thereby aiming to become a company that pursues and realizes world-class safety and ANSHIN.



Solve societal challenges by using next-generation safety technology

## People

### Development of safety personnel

Safety training sessions are conducted for all employees, with the aim of developing staff who can make “safety and ANSHIN” proposals to society. Safety training sessions were held for all IDEC employees in FY2020 and for employees of the IDEC Group companies in Japan in FY2021. The training sessions were also conducted for executives of the Suzhou factory, a major manufacturing site in China, in FY2022. Furthermore, they will be extended to executives of factories in Thailand and Taiwan from FY2023 onward. The training sessions cover the IDEC’s history and thoughts on safety and safety products, as well as the latest trends, including Vision Zero and Safety2.0 topics. After the training sessions, a comprehension test is conducted to help participants retain the knowledge.

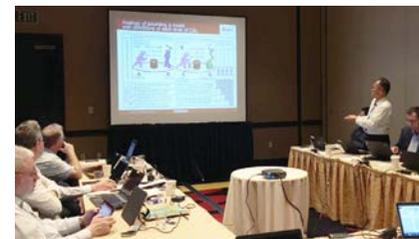


The IDEC Group’s Safety Training Plan

## Rulemaking

### Formation of rules to influence the world

International standardization plays a major role in helping resolve societal challenges and strengthening the international competitiveness of industries. IDEC participates in a technical committee of the International Electrotechnical Commission (IEC) and advances standardization activities through a framework for promoting the trinity of development, standardization, and recognition of intellectual property. In particular, in the standardization of the three-position enabling switches for safe operation of robots, we have contributed to the creation of IEC standards based on the IDEC specification, which became de facto standard, and have acquired a market position. We will continue to contribute to the advancement of society through technological development and rulemaking in the area of collaborative safety through our innovation and originality.



Collaborative Safety / Safety2.0 announcement at the IEC meeting (U.S.)

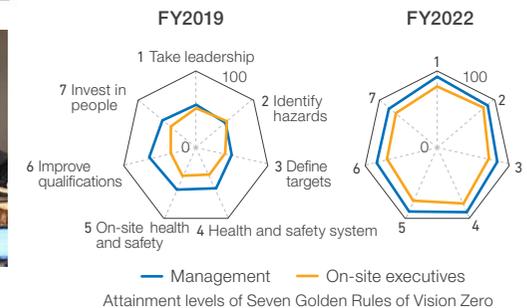
## Management

### Consolidation and expansion of ISO 45001

The Takino factory became the first worksite of IDEC that acquired ISO 45001, an international standard for occupational health and safety management systems, in March 2019. Then in FY2022, IDEC’s five locations—the Tatsuno Distribution Center as well as the four factories in Takino, Fukusaki, Amagasaki, and Kiba— acquired ISO 45001 under a common management system.

With Vision Zero’s approach to zero accidents and the Seven Golden Rules for healthy work, we are working on improving safety, health, and well-being of all people in our workplace, and creating a workplace environment that is more comfortable to work with.

A Company of  
**VISION ZERO**  
Safety.Health.Wellbeing.





## Quality

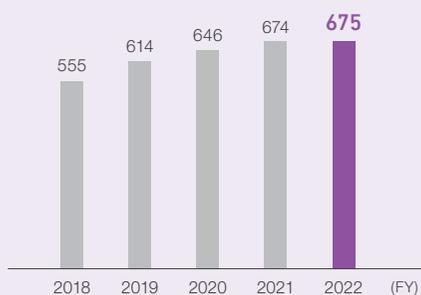
With the aim of deliver safety and ANSHIN products and services to customers, the IDEC Group has established a quality assurance system that pledges "IDEC – excellence in quality". We are thus engaged in development, manufacturing, sales, and service supply.

Target SDGs



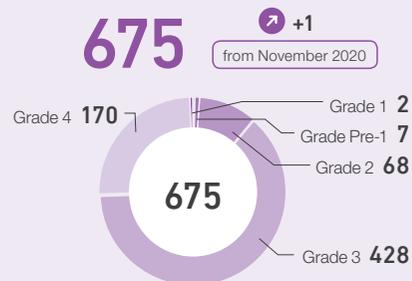
### Employees holding "Quality Management and Quality Control Examination" Certificates

■ Number of employees holding "Quality Management and Quality Control Examination" Certificates



Aiming at checking and enhancing competence for quality improvement at a high level, we encourage employees to qualify for "Quality Management and Quality Control Examination" Certificates issued by The Japanese Society for Quality Control.

### Employees holding "Quality Management and Quality Control Examination" Certificates by grade (As of November 2021)



In FY2022, the number of employees holding "Quality Management and Quality Control Examination" qualifications such as Grade 4 and 3 decreased, whereas the number of Grade 2 holders who can solve and improve quality issues independently increased by 7 as a result of continuous QC circle activities and quality control trainings.

### Establishment of IDEC Quality Standard

The IDEC Quality Standard unifying the IDEC Group's thinking on the quality of our products and services has been established, reflecting the global diversity of cultures and values in the IDEC Group. Our aim is to ensure all of our employees consistently fulfill our quality responsibilities and mission.

This Standard is applied to the entire IDEC Group, consistent with The IDEC Way (the Group's new philosophy established in 2019) and IDEC Group Code of Conduct (the Group's common behavioral guideline established in 2020).

Based on our new Standard, we will advance our global quality assurance activities.



The IDEC Quality Standard portable card that can be checked at all times

### Monthly Corporate-wide Quality Meeting

As globalization progresses, innovative changes are required in approaches for quality including production and procurement. Thus, monthly corporate-wide quality meetings attended by employees in quality-related departments are held to improve our quality management system across the IDEC Group by strengthening cooperation and raising awareness of quality. Although the Global Quality Conferences have been currently postponed due to the COVID-19 pandemic, they are regularly held with the members from each country involved in manufacturing quality at overseas manufacturing sites to discuss various issues such as quality control and quality improvement, conduct workshops, and share results and know-how.



The corporate-wide quality meeting held in February 2022

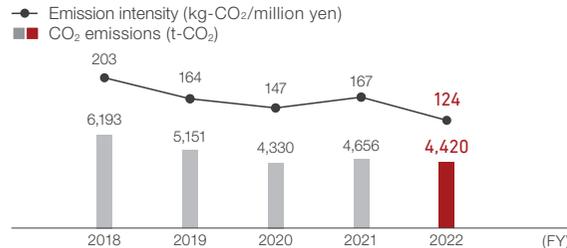
## Non-Financial Data IDEC unconsolidated

\*Some past fiscal year data has been corrected.

### CO<sub>2</sub> emissions

# 4,420t-CO<sub>2</sub>

Y-O-Y ↓ -236t-CO<sub>2</sub>

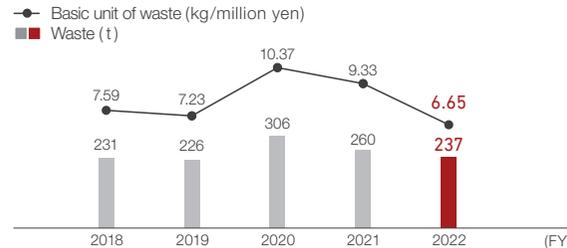


We have set concrete targets for CO<sub>2</sub> emissions reduction to measure climate changes. Within the Scope1 and the Scope2, our targets are to reduce emissions by 24% in FY2025, 50% by FY2031, and 100% by FY2051 compared to the results in FY2020. Measures we are using include the in-house expansion of solar power generation facilities and the efficiency improvement of our buildings and manufacturing facilities.

### Waste amount

# 237t

Y-O-Y ↓ -23t

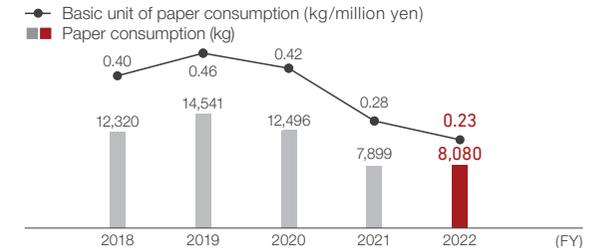


Due to the nature of IDEC products, our ratio of waste plastics in total industrial waste is large. Our specific reduction efforts are to internally expand the range and increase the amount of target materials for recycling, to reduce the number of parts and the amount of materials to be used throughout the product design-to-manufacturing process, and to set goals for wherein reduction in input amount leads to reduction in emissions.

### Paper consumption

# 8,080kg

Y-O-Y ↑ +181kg

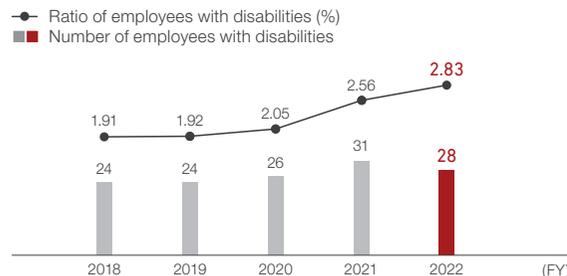


Our internal applications for approval are no longer paper-based but managed via workflow system, digitally. Externally-published documents are also gradually replaced with electronic files, with the understanding and cooperation of customers. We are also strongly promoting changes in workplace conditions, including the intentional reduction of multi-function printers, in order to encourage a paper-free workstyle.

### Employment ratio and number of people with disabilities

# 2.83%

Y-O-Y ↑ +0.27%



Our ratio of employees with disabilities exceeds the quota set by the Japanese Government. We regularly hold interviews with these employees to check their work situation and arrange an appropriate working environment for them. Our aim is to create a workplace where diverse human resources can demonstrate their own personal talents.

### Ratio and number of female managers

# 6.62%

Y-O-Y ↑ +2.30%



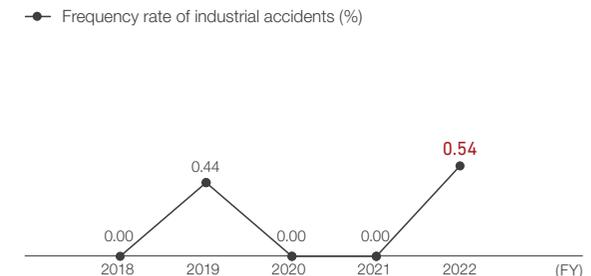
\* Including female associates in the position of leader with subordinates

In addition to the development programs for women and men as candidates for next-generation executives, we conducted two management training sessions in FY2022 for executives, who play a key role in empowerment of female employees. Our target is to have at least 15 female managers by FY2025.

### Frequency rate of industrial accidents

# 0.54%

Y-O-Y ↑ +0.54%



In the event of an industrial accident, we will immediately take safety measures in the department where it occurred, and work at preventing similar accidents by rechecking the status of safety management and by disseminating throughout the company the contents of the measures based on analysis of the accidents and raising internal awareness. Our target is to achieve a zero percent of industrial accident frequency.

## 11-Year Key Financial Data

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2022
<b>Financial Data</b>												
<b>Operating results</b>											(Million yen)	(Thousands of U.S. dollars) 1US\$=122.41
Net sales	32,557	29,343	36,319	42,173	43,468	43,426	59,783	62,757	58,355	53,983	<b>70,789</b>	<b>578,294</b>
Gross income	14,416	13,062	15,406	17,117	18,017	18,027	26,022	26,973	25,040	22,783	<b>30,310</b>	<b>247,610</b>
SG&A expense	11,647	11,627	13,063	14,207	14,841	14,479	19,909	21,244	20,336	18,742	<b>20,638</b>	<b>168,597</b>
Operating income	2,769	1,434	2,342	2,910	3,176	3,547	6,112	5,728	4,704	4,041	<b>9,672</b>	<b>79,013</b>
Net income attributable to owners of parent company	1,788	1,859	1,456	2,096	1,708	2,440	5,296	3,700	3,006	2,803	<b>7,896</b>	<b>64,505</b>
<b>Cash flows</b>												
Cash flows from operating activities	2,239	2,204	4,633	1,925	5,690	2,644	4,926	6,119	6,928	7,443	<b>9,652</b>	<b>78,850</b>
Cash flows from investing activities	(2,806)	(3,800)	(2,493)	(1,169)	(18)	(21,190)	(858)	(2,665)	(2,037)	(3,147)	<b>(1,386)</b>	<b>(11,323)</b>
Free cash flows	(567)	(1,595)	2,139	756	5,671	(18,545)	4,067	3,453	4,890	4,295	<b>8,265</b>	<b>67,519</b>
Cash flows from financing activities	(169)	1,261	(1,929)	(891)	(2,611)	19,929	(3,926)	(2,878)	(3,605)	(3,672)	<b>(8,578)</b>	<b>(70,076)</b>
<b>Financial position</b>												
Total assets	38,538	42,496	45,778	49,378	49,328	85,441	91,530	89,032	87,025	88,252	<b>94,960</b>	<b>775,754</b>
Equity	26,030	26,958	28,801	32,121	31,976	33,355	45,005	45,509	42,725	42,963	<b>48,660</b>	<b>397,517</b>
<b>Information per share</b>											(Yen)	(U.S. dollars)
Earnings per share (EPS)	57.48	61.03	49.14	69.45	56.50	80.68	170.37	112.53	95.19	92.83	<b>264.12</b>	<b>2.16</b>
Book-value per share (BPS)	836.67	914.98	959.56	1,062.53	1,057.28	1,102.20	1,370.01	1,383.18	1,365.73	1,432.43	<b>1,677.51</b>	<b>13.70</b>
Annual cash dividends (yen)	30.00	30.00	30.00	35.00	36.00	40.00	50.00	50.00	50.00	50.00	<b>100.00</b>	<b>0.82</b>
<b>Other financial data</b>												
Operating income margin	8.5%	4.9%	6.4%	6.9%	7.3%	8.2%	10.2%	9.1%	8.1%	7.5%	<b>13.7%</b>	
Return on equity (ROE)	7.0%	7.0%	5.2%	6.9%	5.3%	7.5%	13.5%	8.2%	6.8%	6.5%	<b>17.2%</b>	
Return on assets (ROA)	4.7%	4.6%	3.3%	4.4%	3.5%	3.6%	6.0%	4.1%	3.4%	3.2%	<b>8.6%</b>	
Equity ratio	67.5%	63.4%	62.9%	65.1%	64.8%	39.0%	49.2%	51.1%	49.1%	48.7%	<b>51.2%</b>	
Capital expenditure	4,741	5,701	2,277	1,761	1,500	2,103	1,991	4,122	2,673	3,567	<b>2,503</b>	<b>20,448</b>
Depreciation and amortization expense	1,337	1,335	1,699	1,677	1,519	1,141	2,398	2,701	3,016	2,981	<b>3,264</b>	<b>26,664</b>
R&D expense	2,462	2,394	1,857	2,110	2,328	2,242	2,202	2,359	2,325	2,343	<b>2,593</b>	<b>21,183</b>
<b>Non-financial Data</b>												
<b>Non-financial information</b>												
Number of employees (consolidated)	2,040	2,102	2,287	2,109	2,222	3,911	3,873	3,654	3,683	3,780	<b>3,328</b>	
Power consumption (thousand kWh)*	11,014	11,075	12,206	12,307	11,931	10,943	11,501	11,077	10,434	9,860	<b>10,494</b>	
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )*	3,942	3,967	5,762	5,809	6,626	5,709	6,193	5,151	4,330	4,656	<b>4,420</b>	
Waste amount (t)*	91	166	136	101	101	145	231	226	306	260	<b>237</b>	
Frequency rate of industrial accidents (%)*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.44	0.00	0.00	<b>0.54</b>	

\* IDEC (unconsolidated)

## Consolidated Income Statement and Consolidated Comprehensive Income Statement

	FY2021 Fiscal year ending March 2021 (Million yen)	FY2022 Fiscal year ending March 2022 (Million yen)	FY2022 Fiscal year ending March 2022 (Thousands of U.S. dollars) 1US\$=122.41		FY2021 Fiscal year ending March 2021 (Million yen)	FY2022 Fiscal year ending March 2022 (Million yen)	FY2022 Fiscal year ending March 2022 (Thousands of U.S. dollars) 1US\$=122.41
<b>Net sales</b>	53,983	<b>70,789</b>	<b>578,294</b>	<b>Net income</b>	2,803	<b>7,835</b>	<b>64,006</b>
<b>Cost of sales</b>	31,199	<b>40,479</b>	<b>330,684</b>	<b>Other comprehensive income</b>			
<b>Gross income</b>	22,783	<b>30,310</b>	<b>247,610</b>	Valuation difference on other securities	(178)	<b>(46)</b>	<b>(376)</b>
<b>SG&amp;A expense</b>	18,742	<b>20,638</b>	<b>168,597</b>	Exchange translation adjustment account	1,162	<b>2,200</b>	<b>17,972</b>
<b>Operating income</b>	4,041	<b>9,672</b>	<b>79,013</b>	Remeasurements of defined benefit plans	6	<b>10</b>	<b>82</b>
<b>Non-operating income</b>				Other comprehensive income	990	<b>2,164</b>	<b>17,678</b>
Interest and dividends received	49	<b>38</b>	<b>310</b>	<b>Comprehensive income</b>	3,794	<b>9,999</b>	<b>81,685</b>
Investment gain under the equity method	109	<b>96</b>	<b>784</b>	(Breakdown)			
Foreign exchange gain	716	<b>722</b>	<b>5,898</b>	Comprehensive income attributable to owners of parent company	3,794	<b>10,060</b>	<b>82,183</b>
Other	139	<b>272</b>	<b>2,222</b>	Comprehensive income attributable to non-controlling interests	—	<b>(60)</b>	<b>(490)</b>
Total non-operating income	1,015	<b>1,129</b>	<b>9,223</b>				
<b>Non-operating expenses</b>							
Interest expense	166	<b>131</b>	<b>1,070</b>				
Derivative valuation loss	574	<b>105</b>	<b>858</b>				
Other	212	<b>165</b>	<b>1,348</b>				
Total non-operating expenses	953	<b>403</b>	<b>3,292</b>				
<b>Ordinary income</b>	4,104	<b>10,398</b>	<b>84,944</b>				
<b>Extraordinary income</b>							
Gain on sale of fixed assets	7	<b>911</b>	<b>7,442</b>				
Gain on sale of investment securities	430	—	—				
Gain on reversal of stock acquisition rights	3	<b>22</b>	<b>180</b>				
Total extraordinary income	440	<b>933</b>	<b>7,622</b>				
<b>Extraordinary losses</b>							
Loss on sale of fixed assets	0	<b>5</b>	<b>41</b>				
Loss on disposal of fixed assets	79	<b>56</b>	<b>457</b>				
Loss on business liquidation	214	—	—				
Total extraordinary losses	293	<b>61</b>	<b>498</b>				
<b>Net income before income taxes</b>	4,251	<b>11,270</b>	<b>92,068</b>				
<b>Income taxes - current</b>	1,476	<b>3,603</b>	<b>29,434</b>				
<b>Income taxes - deferred</b>	(28)	<b>(168)</b>	<b>(1,372)</b>				
<b>Total income taxes</b>	1,447	<b>3,435</b>	<b>28,061</b>				
<b>Net income</b>	2,803	<b>7,835</b>	<b>64,006</b>				
<b>Net loss attributable to non-controlling shareholders</b>	—	<b>(60)</b>	<b>(490)</b>				
<b>Net income attributable to owners of parent company</b>	2,803	<b>7,896</b>	<b>64,505</b>				

## Consolidated Balance Sheet

	FY2021 As of March 31, 2022 (Million yen)	FY2022 As of March 31, 2022 (Million yen)	FY2022 As of March 31, 2022 (Thousands of U.S. dollars) 1US\$=122.41	FY2021 As of March 31, 2022 (Million yen)	FY2022 As of March 31, 2022 (Million yen)	FY2022 As of March 31, 2022 (Thousands of U.S. dollars) 1US\$=122.41	
<b>Assets</b>				<b>Liabilities</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and deposits	16,783	<b>17,896</b>	<b>146,197</b>	Notes and accounts payable - trade	3,991	<b>5,186</b>	<b>42,366</b>
Notes and accounts receivable - trade	9,147	<b>11,402</b>	<b>93,146</b>	Electronically recorded monetary debt	1,360	<b>2,183</b>	<b>17,834</b>
Electronically recorded monetary claim	741	<b>892</b>	<b>7,287</b>	Short-term borrowing	4,850	<b>3,800</b>	<b>31,043</b>
Merchandise and manufactured goods	6,490	<b>7,767</b>	<b>63,451</b>	Long-term borrowing to be repaid within one year	2,730	<b>2,105</b>	<b>17,196</b>
Work in progress	1,356	<b>1,959</b>	<b>16,004</b>	Lease obligations	328	<b>360</b>	<b>2,941</b>
Raw materials and supplies	4,071	<b>5,845</b>	<b>47,749</b>	Accounts payable	730	<b>809</b>	<b>6,609</b>
Other	1,273	<b>1,426</b>	<b>11,649</b>	Accrued expenses	2,612	<b>2,803</b>	<b>22,898</b>
Allowance for doubtful accounts	(47)	<b>(19)</b>	<b>(155)</b>	Income taxes payable	719	<b>2,626</b>	<b>21,452</b>
Total current assets	39,815	<b>47,171</b>	<b>385,353</b>	Contract liabilities	—	<b>584</b>	<b>4,771</b>
<b>Fixed assets</b>				Advance payment	157	—	—
<b>Tangible fixed assets</b>				Deposit	274	<b>207</b>	<b>1,691</b>
Buildings and structures (net amount)	9,005	<b>9,652</b>	<b>78,850</b>	Product warranty reserve	17	<b>40</b>	<b>327</b>
Machinery, equipment and vehicles (net amount)	3,167	<b>2,875</b>	<b>23,487</b>	Other	1,188	<b>953</b>	<b>7,785</b>
Tools, equipment and supplies (net amount)	1,402	<b>1,609</b>	<b>13,144</b>	Total current liabilities	18,959	<b>21,660</b>	<b>176,946</b>
Land	6,267	<b>5,797</b>	<b>47,357</b>	<b>Fixed liabilities</b>			
Lease assets (net amount)	240	<b>211</b>	<b>1,724</b>	Long-term borrowing	20,365	<b>18,260</b>	<b>149,171</b>
Right-of-use assets (net amount)	878	<b>1,061</b>	<b>8,668</b>	Lease obligations	844	<b>962</b>	<b>7,859</b>
Construction in progress	1,131	<b>1,018</b>	<b>8,316</b>	Deferred tax liabilities	2,667	<b>2,799</b>	<b>22,866</b>
Total tangible fixed assets	22,093	<b>22,227</b>	<b>181,578</b>	Reserve for retirement benefits for directors	37	<b>45</b>	<b>368</b>
<b>Intangible fixed assets</b>				Retirement benefit liabilities	1,688	<b>1,577</b>	<b>12,883</b>
Trademark rights	2,474	<b>2,383</b>	<b>19,467</b>	Asset retirement obligations	60	<b>90</b>	<b>735</b>
Customer-related assets	7,909	<b>7,587</b>	<b>61,980</b>	Other	517	<b>556</b>	<b>4,542</b>
Software	1,109	<b>1,064</b>	<b>8,692</b>	Total long-term liabilities	26,180	<b>24,291</b>	<b>198,440</b>
Goodwill	12,108	<b>11,593</b>	<b>94,706</b>	<b>Total liabilities</b>	<b>45,140</b>	<b>45,951</b>	<b>375,386</b>
Other	63	<b>62</b>	<b>506</b>	<b>Net assets</b>			
Total intangible fixed assets	23,665	<b>22,691</b>	<b>185,369</b>	<b>Shareholders' equity</b>			
<b>Investments and other assets</b>				Common stock	10,056	<b>10,056</b>	<b>82,150</b>
Investment securities	379	<b>419</b>	<b>3,423</b>	Capital surplus	9,215	<b>9,231</b>	<b>75,411</b>
Long-term loans	154	<b>114</b>	<b>931</b>	Retained earnings	28,076	<b>34,022</b>	<b>277,935</b>
Retirement benefit assets	308	<b>326</b>	<b>2,663</b>	Treasury stock	(5,329)	<b>(7,759)</b>	<b>(63,385)</b>
Deferred tax assets	1,090	<b>1,343</b>	<b>10,971</b>	Total shareholders' equity	42,018	<b>45,551</b>	<b>372,118</b>
Other	781	<b>702</b>	<b>5,735</b>	<b>Accumulated other comprehensive income</b>			
Allowance for doubtful accounts	(37)	<b>(36)</b>	<b>(294)</b>	Unrealized gains on other marketable securities	88	<b>42</b>	<b>343</b>
Total investments and other assets	2,677	<b>2,870</b>	<b>23,446</b>	Foreign currency translation adjustments	860	<b>3,061</b>	<b>25,006</b>
<b>Total fixed assets</b>	<b>48,436</b>	<b>47,789</b>	<b>390,401</b>	Remeasurements for retirement benefits	(4)	<b>6</b>	<b>49</b>
<b>Total assets</b>	<b>88,252</b>	<b>94,960</b>	<b>775,754</b>	Total accumulated other comprehensive income	944	<b>3,109</b>	<b>25,398</b>
				<b>Stock acquisition rights</b>	<b>148</b>	<b>311</b>	<b>2,541</b>
				<b>Non-controlling interests</b>	—	<b>37</b>	<b>302</b>
				<b>Total net assets</b>	<b>43,111</b>	<b>49,008</b>	<b>400,359</b>
				<b>Total liabilities and net assets</b>	<b>88,252</b>	<b>94,960</b>	<b>775,754</b>

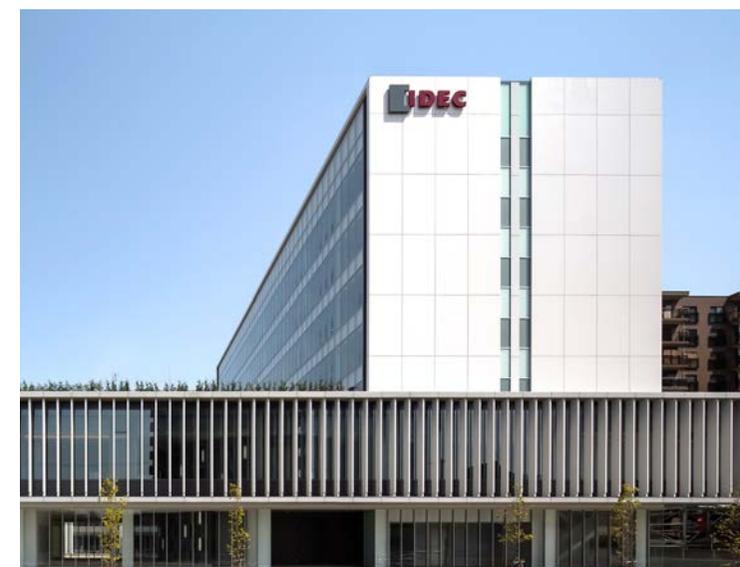
## Consolidated Cash Flow Statement

	FY2021 Fiscal year ending March 2021 (Million yen)	FY2022 Fiscal year ending March 2022 (Million yen)	FY2022 Fiscal year ending March 2022 (Thousands of U.S. dollars) 1US\$=122.41		FY2021 Fiscal year ending March 2021 (Million yen)	FY2022 Fiscal year ending March 2022 (Million yen)	FY2022 Fiscal year ending March 2022 (Thousands of U.S. dollars) 1US\$=122.41
<b>Cash flows from operating activities</b>				<b>Cash flows from investing activities</b>			
Net income before income taxes	4,251	<b>11,270</b>	<b>92,068</b>	Payments into time deposits	(1,699)	<b>(2,360)</b>	<b>(19,279)</b>
Depreciation	2,981	<b>3,264</b>	<b>26,664</b>	Proceeds from withdrawal of time deposits	—	<b>1,688</b>	<b>13,790</b>
Loss on business liquidation	214	—	—	Payments for acquisition of marketable securities	(426)	—	—
Loss (gain) on sale of investment securities	(430)	—	—	Proceeds from sale of marketable securities	1,699	—	—
Goodwill amortization	789	<b>897</b>	<b>7,328</b>	Payments for acquisition of tangible fixed assets	(3,140)	<b>(1,718)</b>	<b>(14,035)</b>
Increase (decrease) in allowance for doubtful accounts	(6)	<b>(31)</b>	<b>(253)</b>	Proceeds from sale of tangible fixed assets	113	<b>1,656</b>	<b>13,528</b>
Increase or decrease in retirement benefit assets and liabilities	1	<b>(77)</b>	<b>(629)</b>	Payments for acquisition of intangible fixed assets	(255)	<b>(287)</b>	<b>(2,345)</b>
Interest and dividends received	(49)	<b>(38)</b>	<b>(310)</b>	Payments for acquisition of investment securities	(5)	<b>(6)</b>	<b>(49)</b>
Interest expense	166	<b>131</b>	<b>1,070</b>	Proceeds from sale of investment securities	485	—	—
Foreign exchange loss (gain)	(541)	<b>(252)</b>	<b>(2,059)</b>	Payments for business acquisition	—	<b>(420)</b>	<b>(3,431)</b>
Investment loss (gain) under the equity method	(109)	<b>(96)</b>	<b>(784)</b>	Proceeds from collection of long-term loans	65	<b>64</b>	<b>523</b>
Increase (decrease) in product warranty reserve	(1)	<b>23</b>	<b>188</b>	Other	16	<b>(2)</b>	<b>(16)</b>
Derivative loss (gain)	574	<b>105</b>	<b>858</b>	Cash flows from investing activities	(3,147)	<b>(1,386)</b>	<b>(11,323)</b>
Loss (gain) on sale of fixed assets	(6)	<b>(906)</b>	<b>(7,401)</b>	<b>Cash flows from financing activities</b>			
Loss on disposal of fixed assets	79	<b>56</b>	<b>457</b>	Increase in short-term borrowing	25,519	<b>20,650</b>	<b>168,695</b>
Decrease (increase) in sales receivable	50	<b>(1,831)</b>	<b>(14,958)</b>	Repayment of short-term borrowing	(27,529)	<b>(21,700)</b>	<b>(177,273)</b>
Decrease (increase) in inventories	522	<b>(3,031)</b>	<b>(24,761)</b>	Increase in long-term borrowing	12,100	—	—
Increase (decrease) in advance payment	9	<b>(157)</b>	<b>(1,283)</b>	Repayment of long-term borrowing	(9,838)	<b>(2,730)</b>	<b>(22,302)</b>
Increase (decrease) in contract liabilities	—	<b>584</b>	<b>4,771</b>	Payments for acquisition of treasury stock	(2,034)	<b>(2,453)</b>	<b>(20,039)</b>
Decrease (increase) in accounts receivable	86	<b>15</b>	<b>123</b>	Cash dividends paid	(1,529)	<b>(1,948)</b>	<b>(15,914)</b>
Increase (decrease) in trade payable	334	<b>1,425</b>	<b>11,641</b>	Proceeds from non-controlling shareholders	—	<b>98</b>	<b>801</b>
Increase (decrease) in accounts payable	(64)	<b>74</b>	<b>605</b>	Repayment of lease obligations	(359)	<b>(514)</b>	<b>(4,199)</b>
Increase (decrease) in accrued expenses	(345)	<b>96</b>	<b>784</b>	Other	(1)	<b>20</b>	<b>163</b>
Increase (decrease) in unpaid consumption tax, etc.	(163)	<b>(211)</b>	<b>(1,724)</b>	Cash flows from financing activities	(3,672)	<b>(8,578)</b>	<b>(70,076)</b>
Increase (decrease) in deposit	103	<b>(67)</b>	<b>(547)</b>	<b>Effect of exchange rate changes on cash and cash equivalents</b>	393	<b>507</b>	<b>4,142</b>
Other	538	<b>(26)</b>	<b>(212)</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	1,016	<b>194</b>	<b>1,585</b>
Subtotal	8,984	<b>11,216</b>	<b>91,627</b>	<b>Cash and cash equivalents at beginning of year</b>	13,993	<b>15,009</b>	<b>122,613</b>
Interest and dividend income received	50	<b>63</b>	<b>515</b>	<b>Cash and cash equivalents at end of year</b>	15,009	<b>15,203</b>	<b>124,197</b>
Interest expense paid	(170)	<b>(132)</b>	<b>(1,078)</b>				
Income taxes	(1,420)	<b>(1,495)</b>	<b>(12,213)</b>				
Cash flows from operating activities	7,443	<b>9,652</b>	<b>78,850</b>				

# Company Overview

## Corporate Data

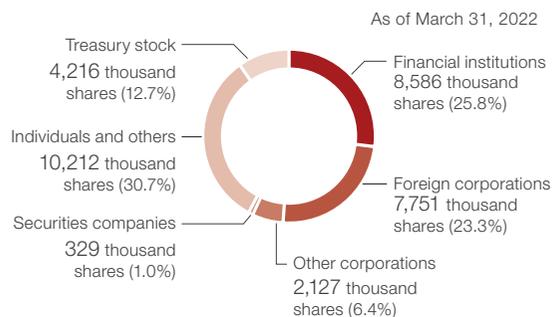
<b>Corporate Name</b>	IDEC CORPORATION	<b>Head Office</b>	2-6-64, Nishi-Miyahara, Yodogawa-ku, Osaka 532-0004 Japan Phone: +81-6-6398-2500 (Main number)
<b>Established</b>	March 26, 1947	<b>Tokyo Sales Branch</b>	1-16-1, Kaigan, Minato-ku, Tokyo 105-0022 Japan Phone: +81-3-6625-5180 (Main number)
<b>Capital Stock</b>	¥10,056,605,173	<b>Factories</b>	Amagasaki, Fukusaki, Takino, Kiba
<b>No. of Employees</b>	3,328 (consolidated; as of March 31, 2022) * Excluding contract and temporary employees	<b>Sales Branches</b>	Tokyo, Osaka
<b>Stock Listing</b>	Prime Market, Tokyo Stock Exchange		



## Shares of the Company As of March 31, 2022

<b>Number of shares authorized</b>	150,000,000
<b>Number of shares issued</b>	33,224,485
<b>Number of shareholders</b>	7,885

## Distribution of Shareholders



## Major Shareholders (Top 10) As of March 31, 2022

Shareholders	Number of shares (Thousands of shares)	Holdings (%)
The Master Trust Bank of Japan, Ltd. (Account in trust)	4,492	15.49
Custody Bank of Japan, Ltd. (account in trust)	2,852	9.83
JP MORGAN CHASE BANK 385632	1,351	4.66
Funaki Kosan Ltd.	1,041	3.59
THE BANK OF NEW YORK MELLON 140044	542	1.87
CLEARSTREAM BANKING S.A.	477	1.65
Kazutaka Fujita	408	1.41
Toshihiro Fujita	403	1.39
JP MORGAN CHASE BANK 385781	342	1.18
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	335	1.16

Note: The description of major shareholders above conforms to the content disclosed in the Annual Securities Report.

## Evaluation by Society (Inclusion in Indices)

**FTSE Russell (U.K.)**  
FTSE Blossom Japan Sector  
Relative Index



**FTSE Blossom  
Japan Sector  
Relative Index**

**SOMPO Asset  
Management**  
SOMPO Sustainability Index



Sompo Sustainability Index

**JPX Group**  
S&P/JPX Carbon  
Efficient Index





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