

I am deeply grateful for the courtesies and assistance you have kindly extended to IDEC.

I am delighted to present IDEC's Annual Report for the fiscal year ended March 31, 2009.



**Toshiyuki Funaki,**  
Chairman and C.E.O.

### Summary of Consolidated Business Performance for Fiscal 2009

The IDEC Group saw its orders and net sales decrease in the second half of fiscal 2009 at an unprecedented rate not experienced by the Group since its founding. Consolidated net sales for fiscal 2009 were 28,002 million yen (an 18.9% decline year-on-year); with domestic net sales of 18,246 million yen (a 16.9% decline year-on-year) and overseas net sales of 9,756 million yen (a 22.5% decline year-on-year).

The cost of goods sold as a percentage of sales rose 1.4 points year-on-year (from 51.4% in the previous fiscal year to 52.8% in the current fiscal year) due to a decline in sales of lucrative main products in the second half of fiscal 2009, and despite IDEC's continuous implementation of cost-reduction measures. Management also tried to reduce sales administrative expenses, but failed to cover a decrease in profits due to a sharp fall in sales. Consequently, operating income decreased 66.5% year-on-year to 1,461 million yen, while ordinary income dropped 68.6% year-on-year to 1,232 million yen mainly due to foreign exchange losses caused by a sharp appreciation of the yen in the second half of fiscal 2009.

Net income plunged 91.8% year-on-year to 184 million yen, since we posted loss on valuation of investment securities of 305 million yen and equity in losses of affiliates of 379 million yen.

### Business Environment for Fiscal 2009

In fiscal 2009, turmoil in the U.S. financial markets caused serious contractions in the global economy. The Japanese economy fell into difficulties, with corporate earnings deteriorating partly due to a sharp appreciation of the yen from autumn last year and demand for capital expenditure suddenly and sharply declining.

The IDEC Group witnessed the tendency of many companies at home and abroad to put a freeze or brake on further capital spending. A decline in demand for capital expenditure was seen in a wide range of industries, including the electrical, semiconductor and automobile-related industries, the Group's main customers.

Under such conditions, management conducted a reform of the business structure and tackled cost reduction and earnings structure improvement measures in order to overhaul and firm up the Group's corporate structure. Shipment of control switches and safety-related products, IDEC's mainstay products, was relatively steady in the first

half of fiscal 2009. However, the Company saw demand for these products decline sharply in the second half of fiscal 2009, due to a drastic decline in demand in the business environment described above and the effects of the appreciation of the yen. Consequently, net sales for full year 2009 decreased 18.9% year-on-year.

### Management Policy for Fiscal 2010, the year ending March 31, 2010

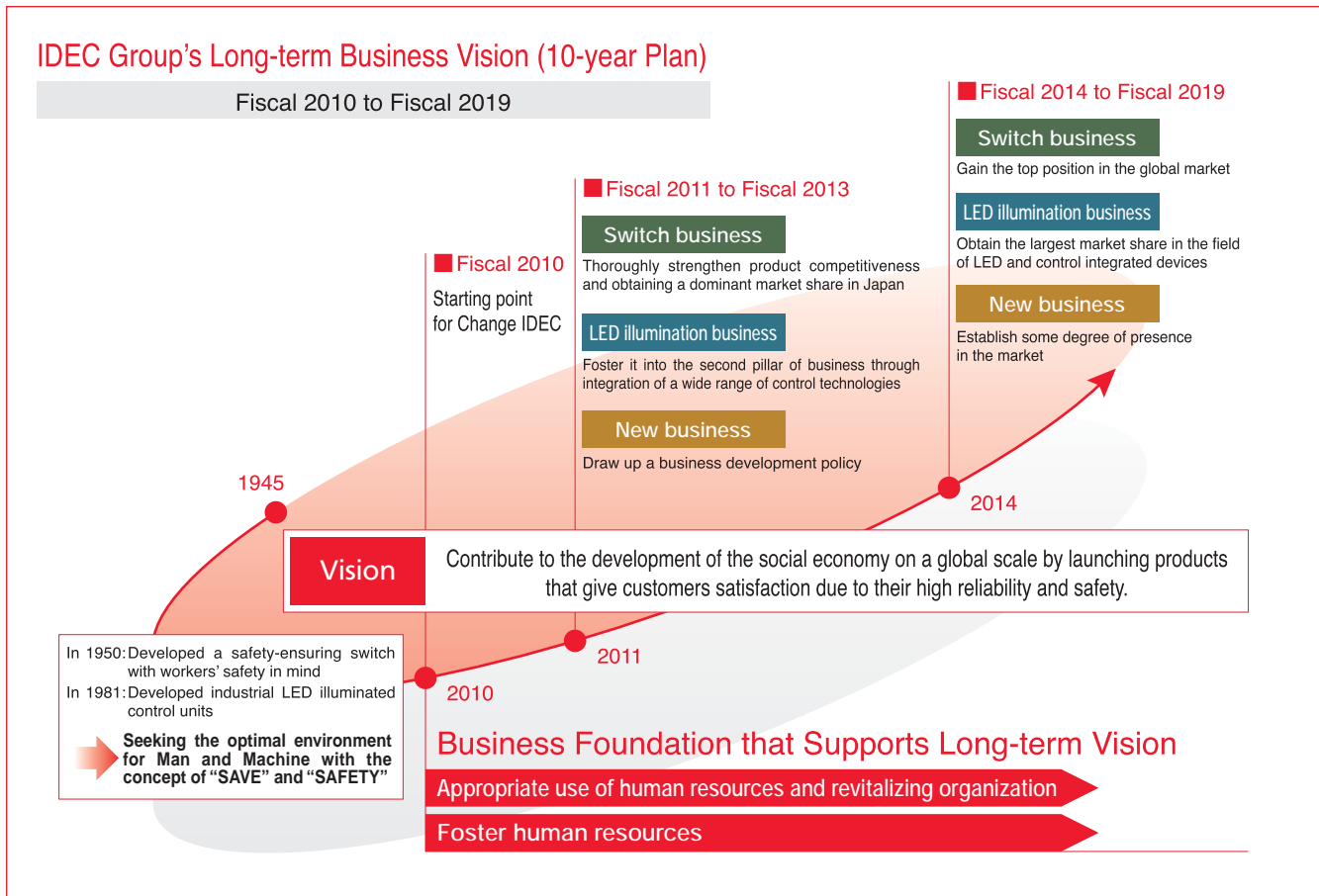
The deterioration of the global economy triggered by the global financial crisis had a sudden and serious impact on the Japanese economy, which is highly dependent on overseas demand. Management expects the present economic situation and subsequent negative effects on the Group's business performance to continue through at least the current fiscal year.

Taking these conditions into consideration, the IDEC Group has been reviewing and restructuring its long-term management vision. Based on the core technologies the Group has developed over the past 60 years or so,

management will focus on three fields—the switch business (the company's mainstay), the LED illumination business, and new business including the traceability business—as key business drivers for its long-term expansion. Each member in the Group will consider what should be done in order to attain new growth and pull together to achieve the targets in a steady manner.

Positioning fiscal 2010 as a starting point for Change IDEC, management will promote the establishment of a solid business structure able to flexibly cope with a similar rapid change in business environment. This is to improve profitability and to create a foundation from which to respond promptly to new changes in market trends, while seeking new growth.

The IDEC Group aims to achieve net sales of 21,000 million yen for fiscal 2010. Although the business environment is still difficult and uncertain, the Group will aim to build up a business structure to generate profits by giving top priority to securing and improving profitability in all its business activities for the current fiscal year.



## To Our Stakeholders

### Key Policies in fiscal 2010

#### ① Further strengthening the industrial-use control component business field

With the aim of gaining the largest market share in the global market on a medium-and long-term basis, IDEC will strive to further increase its market share for mainstay products centering on control switches, for which we hold the top share in the domestic market.



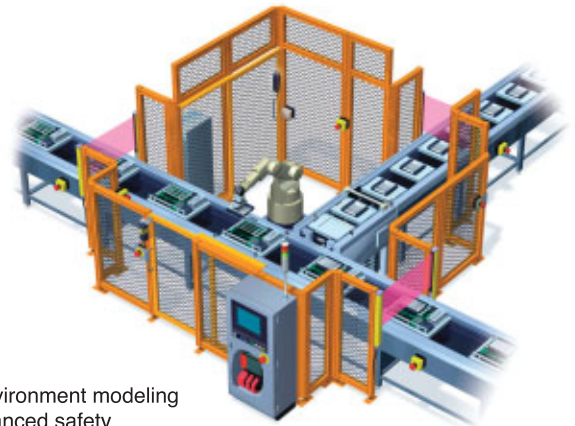
Positioning emergency stop switches, one of the safety-related products that we have been focusing on, as a strategic product for the current fiscal year, IDEC will take on a new challenge that goes beyond the existing system and framework of thinking in development and production processes. This will strengthen product competitiveness and prevent competitors from catching up with us, while helping to obtain a dominant market share.

In January 2009, IDEC entered into the SignalLight Towers business. An LED SignalLight Tower

that was newly put on the market is a product of IDEC's original LED and safety technologies. The product was developed under the basic concept of interfacing with safety devices, our specialty, in addition to providing excellent visibility.

In fiscal 2010 year, the Company will accelerate product development by making the most of its core technologies to increase its market share in the control component field.

In the domestic market, following the introduction of stricter safety standards, awareness of safety has been improving on shop floors. IDEC will strive to establish its position as an integrated solution provider in the field of safety, by steadily responding to such social needs.



HMI environment modeling for enhanced safety

## News & Topics

### Safety in the industrial workplace — From No Accidents to No Risks—

Japanese companies have been largely reliant on workers, i.e. humans, to secure safety in the operation of machinery. They have aimed to achieve No Accidents by educating workers to avoid dangers in the workplace, ordering them to use machinery and equipment safely and making sure that everyone follows orders to prevent workplace accidents from occurring.

However, following social changes in the workplace, such as a decline in experienced workers and an increase in part-time workers and foreign workers with different languages and cultures in the industrial workplace, traditional approaches, such as the reliance on humans to achieve No Accidents, are no longer effective in securing safety in the workplace.

Thus, on the assumption that Humans make mistakes and machinery breaks down, the international concept of safety, Japanese manufacturers are required to achieve No Risks, the Western concept of safety, by assuring the safety of manufacturing equipment through essential safety design and risk assessment (risk and hazard identification). In April 2006,

the Industrial Safety and Health Law was revised, henceforth stipulating that businesses are obligated to make sincere efforts in the implementation of risk assessment.

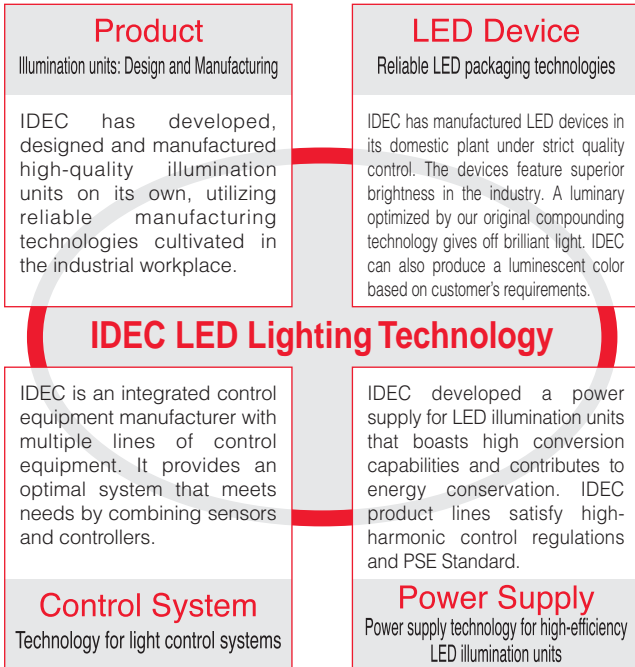
#### Concept of safety

Destination	No Accidents <small>(Paying attention to avoiding accidents even if there is a risk)</small>	VS	No Risks <small>(Reducing even permissible risks)</small>
Concept of safety	<ul style="list-style-type: none"> <li>Workers' responsibility and users' responsibility</li> <li>Education and training</li> <li>Thoroughly ordering safe operation</li> <li>Calling for attention</li> <li>Responsive</li> </ul>		<ul style="list-style-type: none"> <li>Corporate responsibility and employer's responsibility</li> <li>Essential safety</li> <li>Risk assessment</li> <li>Safety-controlled machinery</li> <li>Precautionary</li> </ul>
Past			
Present			

## ② Expansion of LED Illumination Business

The LED-related product business including LED illumination has drawn high expectations for future growth due to its compliance with an environmentally friendly society. In this field, the market has been rapidly expanding. With the entry of domestic and overseas manufacturers into the LED-related product market, competition has intensified.

### IDEC LED Lighting Technology



Despite such a tough environment, the IDEC Group aims to establish an LED illumination business as the second pillar of the Group's business. This is based on the wide range of control technologies it has cultivated since its founding and the manufacturing technologies of LED-applied products it has already developed ahead of competitors. To achieve this goal, the Company must differentiate itself from competitors through its comprehensive capability to manufacture products and propose systems including not only LED illuminations but also sensors, power supplies and programmable controllers.

## ③ Reorganization of Domestic Group Companies According to Total Optimization

### ■ Concentration of Managerial Resources

The IDEC Group will review its business structure to promote the establishment of a solid business structure that can flexibly cope with a rapid change in the business environment and improve profitability as described earlier under Management Policies for the new fiscal year.

In order to strongly promote the preparation and implementation of cross-sectional strategies in the IDEC Group, management will promote the establishment of an efficient business operational system by designating product supervisors by product group to concentrate managerial resources in manufacturing, sales and technologies from the viewpoint of total optimization.

To be specific, the Group will liquidate IDEC POWER DEVICE CORPORATION and integrate its resources into each corresponding function of IDEC CORPORATION with the aim

## News & Topics

IDEC started taking orders for B-to-B custom LED lighting fixtures that are friendly to the global environment and contribute to the conservation of energy and reduction of CO<sub>2</sub> emissions. Utilizing IDEC LED Lighting technologies, IDEC has designed LED lighting in accordance with the use of buildings and space.

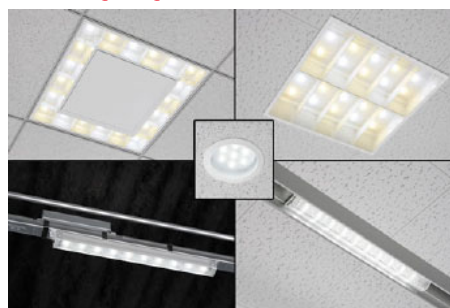
After the completion of the IDEC SALES OFFICE, the world's first newly-constructed building entirely illuminated by LEDs (in March 2008), IDEC has been enjoying an elevated reputation for its technologies. In fiscal year 2009, convenience stores, restaurants and shops adopted the Group's LED lighting fixtures.

Based on technologies and knowledge IDEC has cultivated from such accomplishments, the IDEC Group started the business of people- and environment-friendly B-to-B custom LED lighting fixtures designed to light buildings and space.

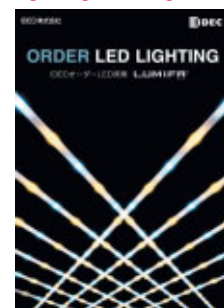
The B-to-B custom LED lighting fixtures are aimed at providing individual customers with an optimal lighting system, designed by IDEC, by bringing together IDEC LED lighting technology, such as LED devices, LED power supplies, light control, and design and manufacturing. LED lighting fixtures are a product based on a new concept that features

(and focuses on) energy conservation and optimal lighting.

Example of installation of LED lighting fixtures



Custom LED lighting catalogue



## To Our Stakeholders

of strengthening the power supply business for factory automation and LED illumination units. Management expects this to lead to generate a synergistic effects and enhance cost competitiveness.

The Group will also liquidate IDEC AUTOMATION Co., Ltd. and integrate its resources into each corresponding function of IDEC CORPORATION with the aim of strengthening the traceability business. Management expects consolidation will facilitate the establishment of a business structure that can meet customers' needs with advanced technical advice and a variety of solutions. Furthermore, the IDEC Group will reorganize its global production system, so as to fundamentally strengthen cost competitiveness.

### ■ Maximizing Value to Customers

In restructuring its domestic business, which suffered the most from the deterioration of the business environment, the IDEC Group will review the domestic group companies also from the viewpoint of maximizing value to customers.

With the aim of becoming a Preferred Supplier that gains real trust from customers, the Group has provided each employee with awareness training and has ensured they fully follow the customer-first principle established in 2003. In the current fiscal year, management will try to maximize value to customers, including meeting delivery requirements through the following measures: improving control engineering functions so as to provide more suitable solutions to customers, and launching an e-commerce site as a new distribution channel to enable more customers to recognize and use our products.

## Purposes of Reorganization of Domestic and Overseas Group Companies

### Realizing Total Optimization and Concentrating Managerial Resources

- Establishing an Efficient Business Operational System
- ▶ Promoting preparation and implementation of cross-sectional strategies
- ▶ Strengthening the power supply and traceability businesses through the concentration of managerial resources

### Maximizing Value to Customers

- Establishing a System that Better Meets Customers' Needs
- ▶ Strengthening the engineering function through the reorganization of domestic Group companies
- ▶ Improving customers' accessibility to our products through the launch of an e-commerce site, a new distribution channel.

### ④ Overseas Business Development and Strengthening Our Manufacturing and Sales System in China

Among overseas markets, management has positioned China as the most important market and promoted the establishment of related sales channels.

The Chinese economy, which had been growing at a rapid pace, showed signs of slowing down in fiscal 2009. However, the IDEC Group expects the Chinese market to regain its momentum soon. Thus the Group will upgrade the local supervisory function in its Shanghai branch and clarify the positioning of its manufacturing subsidiary in Suzhou as a local production and supply base. Management will strive to expand sales further by strengthening the alliance between manufacturing and sales divisions in China, so as to market-in a timely manner-products that meet the market needs.

## News & Topics

### To Maximize Value to Customers Launching FA Direct Service, a New Distribution Channel

The IDEC Group changed the name of its domestic group companies in April 2009 as part of its efforts to maximize value to customers.

IDEC ENGINEERING SERVICE CORPORATION. (formerly called ASAHISEIGYO CORPORATION) will improve its control engineering function and focus on providing optimal and timely service to meet customers' needs.

IDEC ENGINEERING SERVICE launched an e-commerce site FA Direct Service, a new distribution channel for the IDEC Group, in cooperation with IDEC LOGISTICS SERVICE CORPORATION (formerly called I.E.S. CORPORATION) in May 2009. The website is designed to improve customers' accessibility to our products, as well as to upgrade our services, including meeting delivery requirements.



WEB Please visit our website, FA Direct Service (<http://www.fadirect.net/>).

**⑤ CSR (Corporate Social Responsibility) Activities**

IDEC has made “contributing to society through corporate activities” one of its core management policies since its founding in 1945.

In FY 2009, IDEC’s long-term efforts earned us recognition in the safety-related product field. IDEC won a special prize from the Minister of Economy, Trade and Industry Awards for Best Contributors to Product Safety in fiscal 2009.

In February 2009, IDEC signed a letter of commitment to participate in the United Nations Global Compact.

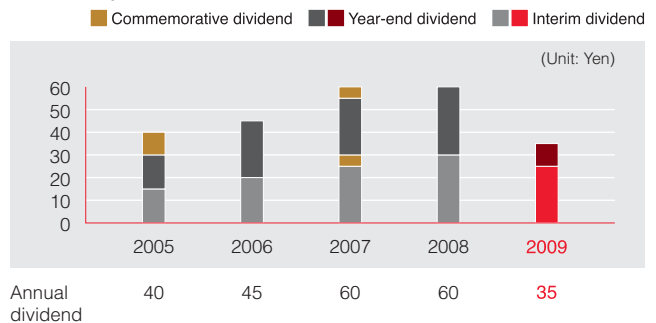
The IDEC Group will continue to aggressively promote activities related to social contributions and corporate social responsibility (CSR). To allow you to understand its activities better, the Group began to report its CSR performance in its annual report starting the current fiscal year.

**Profit distribution to shareholders**

IDEC has been making efforts to strengthen its financial position and managerial foundation, while trying to improve its return on equity and dividend on equity from the medium- and long-term viewpoint. Meanwhile, it has also been striving to enhance its business structure and competitiveness by utilizing internal reserves to invest in research and development, production rationalization and information technology as part of its the medium- and long-term vision.

Management decided to pay a year-end dividend of 10 yen per share, bringing annual dividends to 35 yen per share, including an interim dividend of 25 yen. Maintaining stable payment of the interim and the year-end dividends as its basic policy, the Company intends to adopt a flexible dividend policy that responds to changes in business performance and the business environment, and gives serious consideration to profit distribution to shareholders.

**Dividend per share**



Finally, I would like to ask for your continued support in the years to come.

August 2009



**Toshiyuki Funaki**  
Chairman and C.E.O.

**News & Topics**

**IDEC won a special prize in FY 2009 from the Minister of Economy, Trade and Industry Awards for Best Contributors to Product Safety.**

IDEC won a special prize in FY 2009 Minister of Economy, Trade and Industry Awards for Best Contributors to Product Safety.

This award was created in 2007. The Ministry of Economy, Trade and Industry invites broad participation of companies that have been actively promoting product safety and after strict examination, annually honors companies that meet certain criteria as Best Contributors to Product Safety.

Having the honor of receiving the prestigious award deepens IDEC’s commitment to products that increase safety and contributing to manufacturing safety across a wide range of areas, including product safety, control safety, machinery safety and explosion-protected safety.



**2008 Best Contributors to Product Safety**

**Participating in the United Nations Global Compact**

In February 2009, IDEC signed a letter of commitment to participate in the United Nations Global Compact. The United Nations Global Compact—whose creation was proposed by Mr. Kofi Annan, former Secretary General of the United Nations—is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

The IDEC Group has set two purposes—global environmental conservation and creation of safety—as the basis of its CSR activities. We will clarify the responsibilities IDEC should fulfill for people, society and the global environment, and promote the activities with an undiminished spirit of service and gratitude.

