

IDEC Report 2023

Integrated Report



Think Automation and beyond...

Purpose

The IDEC Group's purpose is to create the optimum environment for humans and machines, and to achieve safety, ANSHIN*1, and well-being*2 for people around the world.

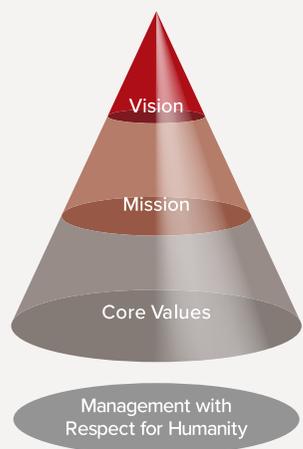
Since its founding in 1945 as Izumi Shokai, the IDEC Group has provided a wide range of products and services. Leveraging the core technologies created and enhanced through development of industrial switches and other control devices for machines, we want to make safer, more pleasant points of contact between humans and machines at manufacturing sites and in daily life. 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 attain 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 the commitment we have had since our foundation, expanding it on a global scale, and staying on course toward the next milestone, the our 100th anniversary.

*1 ANSHIN denotes a sense of trust and assurance without any fear or stress.

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



The IDEC Way

Vision

Pioneer the new norm for a safer and sustainable world.

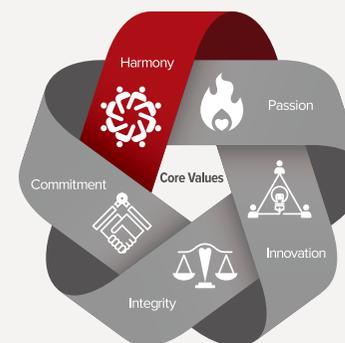
Mission

To create the optimum environment for humans and machines.

Core Values

Our values that dictate our attitudes and behaviors.

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.

Editorial Policy

The IDEC Group published the integrated report “IDEC Report 2023,” 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. These “invisible” assets, including ESG, have been compiled in a systematic matter so that our stakeholders can understand our process of improving corporate value and our efforts to realize a sustainable society.



- **Period covered**

Fiscal Year 2023
(April 1 2022-March 31 2023)

- **Organizations covered**

IDEC CORPORATION
and IDEC Group companies
(32 consolidated subsidiaries)

- **Publication date**

June 2023

- **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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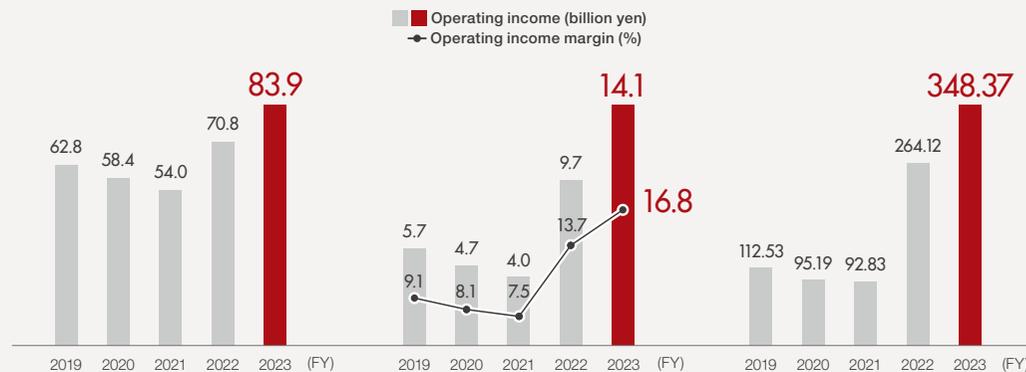
At a Glance

Our Performance

Net sales
(billion yen)

Operating income /
Operating income margin

Earnings per share
(yen)



Control panel solutions tailored to customer needs, robot system solutions combining various IDEC products and collaborative robots that can work in the same workplace with humans, and other solutions.



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

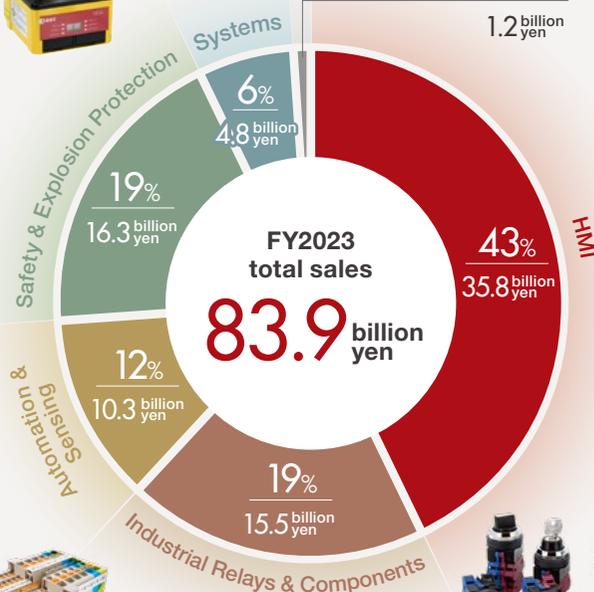


Automation & Sensing products that contribute to the automation of equipment in many corners of the industry and in daily life.



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

Other 1%
1.2 billion yen



Various switches and operator interfaces that serve industry and society by functioning where human and machine interact.

Our Business

As a leading company in the field of Human-Machine Interface (HMI), the IDEC Group provides a wide range of products and solutions that contribute to safety, ANSHIN, and well-being.





Basic Information

IDEC was founded in Osaka in 1945 as Izumi Shokai. Soon after, the company began developing high-quality switch boxes, an indispensable component in machinery and equipment, and eventually **became a general manufacturer of control devices for machines.** Through development of a diverse line-up of products that **contribute to automation and the efficiency and safety of factory equipment,** IDEC continues to work toward creating the optimum environment for both humans and machines.



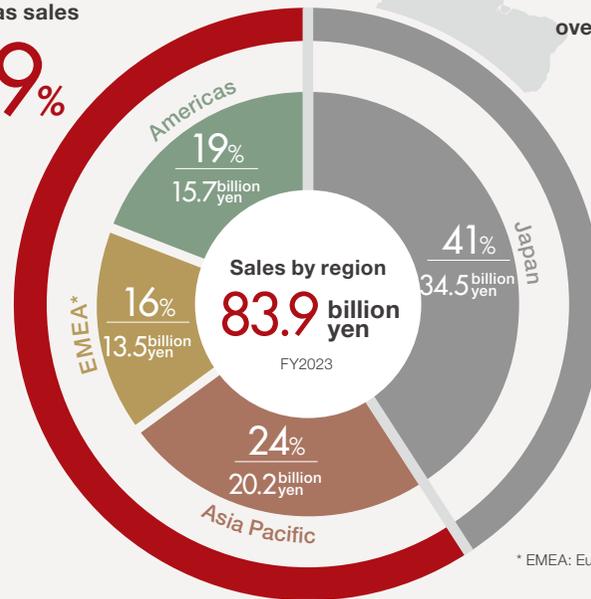
Our Global Network

IDEC has established development, manufacturing, and sales centers around the world in order to provide ideal components and solutions that **match market and industry needs.** In line with its medium-term management plan, IDEC is **pursuing global expansion** by strengthening its presence in the Chinese and Indian markets, in which high growth is expected.



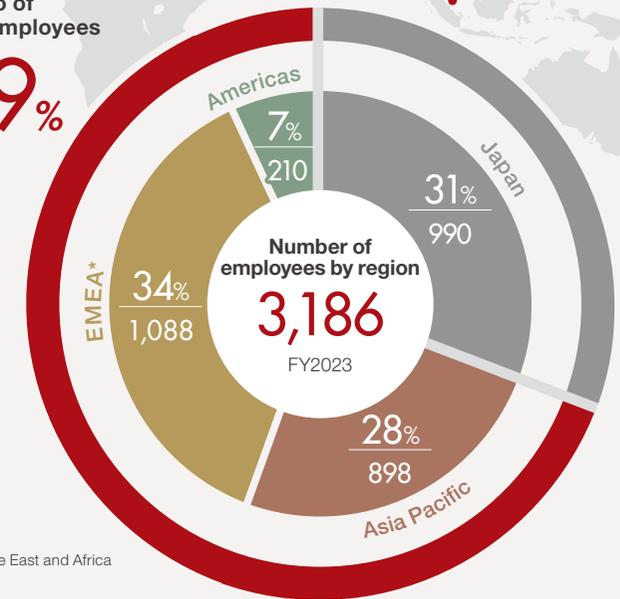
Ratio of overseas sales

59%



Ratio of overseas employees

69%



* EMEA: Europe, Middle East and Africa

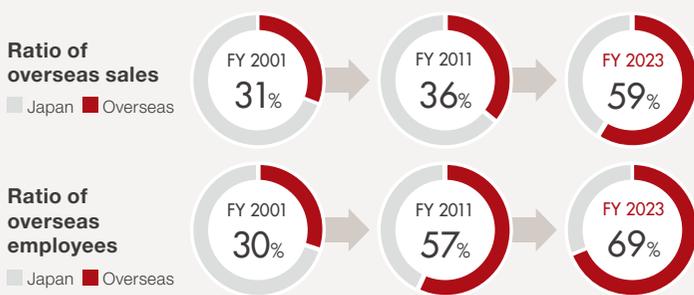


History

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

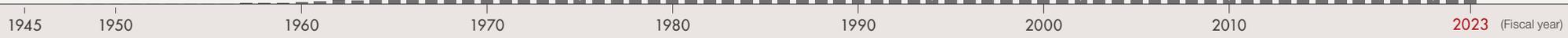
What we have not changed
Development of products that bring together humans and machines to attain safety, ANSHIN, and well-being

What we have changed
Product strategy and multi-regional development that respond to needs of the times



Sales history

■ Net sales ■ Overseas net sales



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. In response to this, we developed the first interlock switches and enabling devices in Japan to meet the needs of safety and productivity-conscious facilities. In addition, we introduced a robot control cell production system that realizes multi-product and variable-volume production at our core factory, promoting automation and labor-savings.

Solving 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 attains sustainable growth.

Strengths

1 A diverse line-up of control device products

IDEC offers more than 100,000 types of HMI products for a variety of industries and customer needs.

As these products protect human life, they need to be compatible with standards in various countries and meet high-level quality and safety requirements. Our expertise, accumulated over many years, and our reputation for reliability have enabled our products to achieve a high market share.

High market share in the HMI and safety sector

FY2023 achievements (according to in-house research)



4 Global business expansion through M&A and partnerships



2 Safety DNA

Product development based on safety DNA

IDEC incorporated an interlock mechanism in the switch boxes developed in 1950, soon after the company was founded, in order to ensure operator safety. The resulting products became enduring best-sellers. This commitment to safety has become part of our DNA and has served as the basis for product development since our founding, enabling us to provide high-quality products.



SB metallic switch box

3 Promotion of international standardization

Active participation in the creation of international standards >> P.37

Since the 1990s, IDEC has actively participated in the development of international standards.

The 3-position enabling device, for which IDEC led the creation of the international standard, has been adopted by major robot manufacturers worldwide and holds more than 90% of the market share.

In October 2022, Dr. Toshihiro Fujita, Senior Executive Officer, received the Prime Minister's Award of Industrial Standardization Project Award in recognition of his achievements in international standardization activities for over 20 years.



Industrial Standardization Project Award Ceremony

Left: Makoto Nagamine, Parliamentary Vice Minister of Economy, Trade and Industry
Right: Toshihiro Fujita, Senior Executive Officer, IDEC CORPORATION

To expand our business globally, we are actively pursuing mergers and acquisitions (M&A) opportunities and partnership agreements with companies both in Japan and abroad that can be expected to provide synergy with our business activities. The addition of France's APEM to the IDEC Group in 2017 has been a major factor in increased business growth in recent years.

5 IDEC products and services that contribute to society

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

Office buildings

Used to control building management, monitoring systems, parking lots, elevators, and so on, contributing to the convenience and increased safety of office buildings.



Public transport

Used to stop trains in the event of an emergency and prevent people from becoming trapped by the railway platform safety barriers, thereby helping to ensure passenger safety and support the daily operations of public transport systems.



Various machine devices in factory facilities and manufacturing lines

Installed on machine tools, semiconductor manufacturing equipment, and various other devices and used as operation and control units on manufacturing lines, thereby helping to improve productivity, efficiency, and safety.



Special vehicles

Installed in the operating sections of vehicles such as construction machinery and agricultural machinery, thereby supporting operator safety and ANSHIN.



Petrochemical and chemical plants

These products can be used even in hazardous areas where flammable substances are produced, preventing serious industrial accidents.

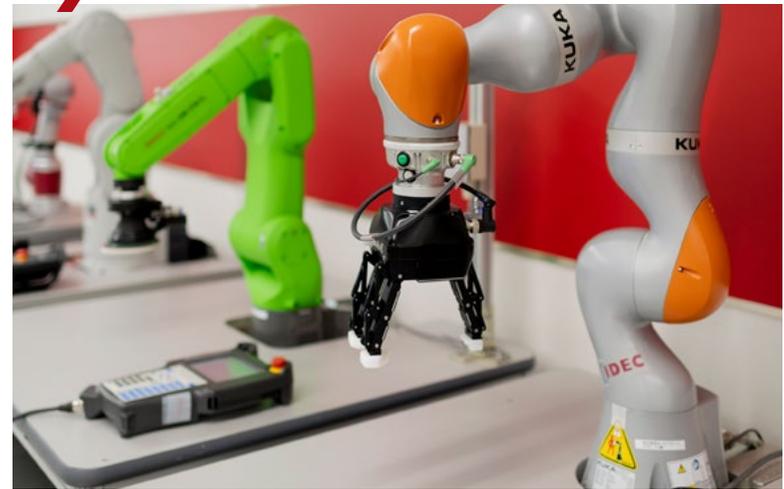


Logistics warehouse

Devices that enable automated transport and sorting of cargo at worksites that need to handle an increased logistics volume, thereby helping to promote the automation of operations.



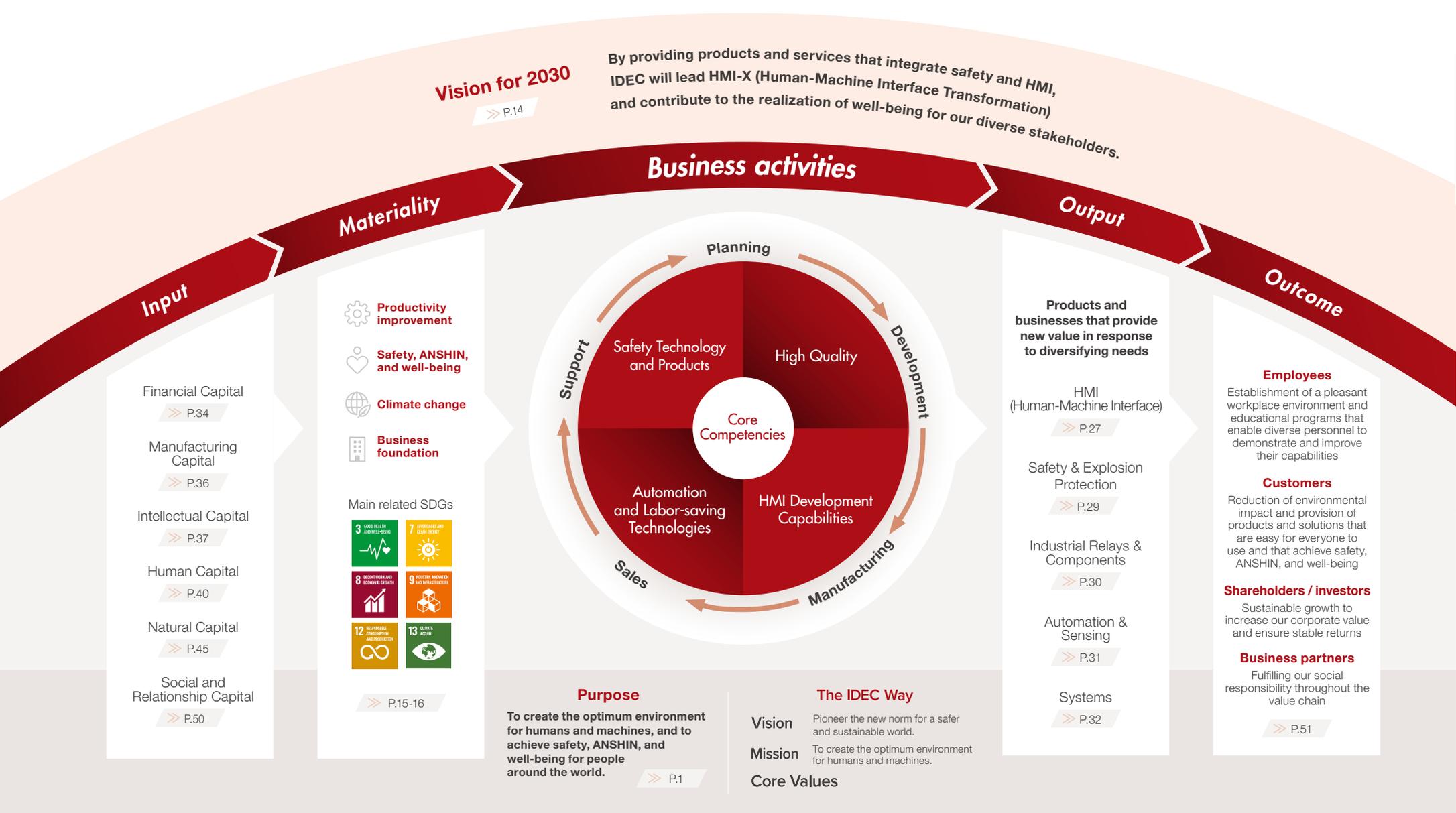
Value Creation Story



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Value Creation Process

We are committed to helping realize a sustainable society and increase our corporate value while fulfilling our Purpose and the ideals of "The IDEC Way." Specifically, we strive to meet the following materiality goals through our business activities: "Improve productivity using control technology," "Pursuit and realization of safety, ANSHIN, and well-being," "Response to climate change," and "Establish a management structure that promotes value creation, foster an organizational climate, and develop human resources."



The foundation for our corporate activities

CEO Message

We aim to achieve sustainable growth on a global scale and contribute to solving societal challenges with the goal of realizing safety, ANSHIN, and well-being for people around the world.

Chairman and Chief Executive Officer

Toshi K. Funaki



The IDEC Group announced a new medium-term management plan in 2022, setting a target of achieving net sales of 80 billion yen and an operating income margin of 16% or higher by FY2025. However, due to the robust demand for investment in manufacturing equipment globally, as well as our efforts to improve profitability, we have achieved record-high performance in FY2023 and have achieved the targets set in the medium-term management plan in the first year.

However, the global economic outlook remains uncertain. In order for the IDEC Group to achieve sustainable growth while contributing to solving societal challenges in any market condition, we defined our ideal state in 2050, and backcasted to formulate a vision for 2030. >> P.14

Going forward, we will promote radical reforms for further growth, and provide components and solutions that enable our customers to overcome diverse challenges in order to realize the company's purpose and long-term vision.

Record-breaking performance due to favorable market conditions and our efforts to improve profitability

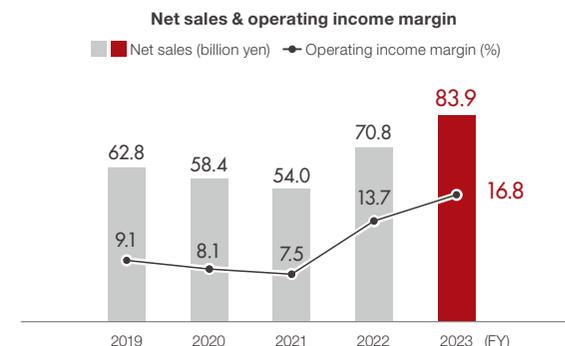
In FY2023, despite rising raw material prices and shortages of certain electronic components used in programmable logic controllers and other devices, the demand for manufacturing equipment in the global market remained strong with significant expansion in industries such as automotive, machine tools, and robotics.

These favorable market conditions drove a strong influx of orders throughout the year, setting a new record in our total value of orders received. Meanwhile, we proactively strengthened and expanded our manufacturing facilities, adding more production lines for safety-related products and HMI products—including control switches, a highly profitable segment that enjoys strong demand worldwide. We also shifted some production operations overseas and promoted the introduction of automated equipment.

Furthermore, in order to develop a more efficient business structure, we have been realigning our global sites, restructuring our Japan sales organization into a sales company while consolidating our sales offices to two locations

in 2021, as well as overhauling our distributor network. At the same time, we have worked to further improve our profitability by optimizing our selling prices globally to reflect the increased cost of materials, and by introducing new products with higher profitability.

These reforms and the global rise in capex-driven demand helped to boost sales and profits across our entire portfolio, particularly our core businesses of HMI and Safety & Explosion Protection, allowing us to attain our highest level of performance yet in FY2023. This includes our record-breaking operating income margin of 16.8%.



Formulating a long-term vision toward sustainable growth

In 2023, the global economy remains uncertain, with various factors such as low economic growth due to high inflation and geopolitical risks potentially affecting the business environment. In addition, megatrends such as the acceleration of digitalization and automation, demographic shifts, and climate change continue to evolve daily. In response, we have formulated a long-term vision for 2050 as a pathway to successfully navigating through those many changes and achieving sustainable growth for our Group through business activities that help solve societal challenges. We have also backcasted from that ideal state to create a vision for 2030.

>> P.14

Our vision for 2050

*Pioneer the new norm
for a safer and sustainable world.*

IDEC will drive the future of manufacturing by creating new possibilities and establishing new standards that will become the “new norm” of tomorrow’s world.

Through our efforts,
we envision a safer and a more sustainable world,
bringing happiness and ANSHIN for all.

The long-term vision was formulated from our Group’s corporate philosophy, “The IDEC Way.” >> P.1 Ever since our founding in 1945, we have strived to create the optimum environment for humans and machines while providing products and services that help protect people’s lives even in unforeseen circumstances. In doing so, we have always endeavored to help bring forth a society where everyone can live healthy, happy, and vigorous lives. We will continue working on realizing safety, ANSHIN, and well-being for people across the globe by creating new possibilities and pioneering new standards.

As we cannot bring our long-term vision to reality without the commitment of each and every one of our employees, we are taking actions that allow individuals to maximize their potential, in line with our founding principle of “management with respect for humanity.” Specifically, we are strengthening our investment in human capital and striving to revitalize our organization by creating a more attractive workplace with higher job satisfaction. Under the new human resources system we launched in FY2023, our performance evaluation criteria now reflect our core values: Harmony, Passion, Innovation, Integrity, and Commitment. Furthermore, in FY2024, we re-established our Employee Awards Program to include categories for honoring employees who embody our Group’s philosophy, and another that recognizes those who are role models for their behavior aligned with our Principles, which are based on our Core Values and represent the concrete thinking and conduct that employees should remain mindful of as they perform their duties. This was done with the aim of facilitating our further growth by firmly implanting our philosophy across our organization.

Core Values



Harmony Passion Innovation Integrity Commitment

Transformation into a highly profitable structure through radical reforms

In order to attain sustainable growth, we must carry out radical reforms. Although we achieved strong results in FY2023, I am not satisfied with our current level of performance. Our Group has rapidly globalized since acquiring France’s APEM in 2017, with more than 60% of our core product sales now coming from overseas. Going forward, we will further expand our business globally, with the aim of raising the overseas share of core product sales to 80% or more within ten years.

As we actively globalize our company, we should take note that many leading manufacturers of control devices in Europe and the US generate operating income at high

levels that enable them to make large investments in product development. Meanwhile, unfortunately only a handful of manufacturers in Japan achieve profits at such a level.

In order for our Group to succeed in the global control equipment market, we need to expand our investment in R&D. Although we dramatically raised our operating income margin to 16.8% in FY2023, we are still not in a position to adequately compete against the world’s leading players. For this reason, I think it is vital for us to increase our margin to 20% or more. If we can maintain that level, we will be able to build a platform that can go toe to toe with European and American manufacturers.

To achieve this goal, we will develop a necessary foundation for further increasing our profitability in the remaining two years of the medium-term management plan, and implement various reforms in FY2024.

	FY2022	FY2023	FY2024 targets
Net sales	70.8 billion yen	83.9 billion yen	81.0 billion yen
Operating income	9.7 billion yen	14.1 billion yen	13.8 billion yen
Operating income margin	13.7%	16.8%	17.0%
ROIC	9.2%	12.5%	10% or higher
ROE	17.2%	18.9%	15% or higher
EPS	264 yen	348 yen	326 yen

● **Production reforms through organizational restructuring**

Our first focus of reform is production. Currently, the products we develop are manufactured at our factories and the production equipment used is fabricated at our head office's Manufacturing Technology Department. Since this approach shields our manufacturing processes from the forces of competition, it has been an obstacle to the enhancement of our productivity.

We began redesigning our entire Group's organizational structure in FY2024 to improve our established practices. One step we have taken is appointing talent who possess in-depth experience gained inside and outside our Group to manage each unit. Also, we plan to restructure our global organization, including APEM, to enable bilateral supply and technology exchanges in procurement, supply chains, and production across our Group, using an approach that strengthens each function. One possibility is to enable IDEC and APEM to share parts and jointly procure supplies, which would achieve tremendous cost savings. We will also consider expanding our range of manufacturing options to encompass not only our factories, but also external manufacturing contractors.

Through production reforms such as these, we will work to radically lower our costs and strengthen our global competitiveness.

● **Advancing HMI-X by offering solutions and expanding sales in Asia**

We launched the Technical Solution Sales Department in FY2023 as an organization that combines various products into optimal solutions for addressing societal challenges and the increasingly diverse needs of our customers. This team has already received hundreds of customer inquiries on solutions, and is responding to them in collaboration with related departments. By strengthening our solutions sales, in addition to sales of existing components, we seek to further enhance our global competitiveness.

Furthermore, our new medium-term management plan includes a new concept that our Group will advance: HMI-X [Transformation]. In the years since our founding, we have grown as a leader in HMI products that connect humans and machines. We have evolved with the times by expanding our business beyond interfaces—the point of contact between humans and machines—to also encompass interactions, the network of connections linking machines with people and other machines. In the coming years, we believe that demand will grow for solutions that provide people with safety, ANSHIN, and well-being, through not only networked mechanical devices, but also the optimization of the environment, where the space between humans and machines coexist.

The know-how in safety that we have developed over the years is a key part of our DNA. We will leverage that expertise to pursue our human-centric HMI-X concept that will take our HMI to the next level. To accomplish this, we must strengthen our software development capabilities by cultivating our talent and exploring opportunities for acquisitions and partnerships. We will advance HMI-X by proactively developing new products through our joint venture with ALPS ALPINE CO., LTD., >> P.20 offering diverse applications for realizing safety, ANSHIN, and well-being >> P.21, and providing solutions that combine our safety equipment with the products of our French partner ez-Wheel. >> P.22

Turning to our regional strategies, we are working to expand our sales in the high growth potential markets of Asia. For example, in China, we are stepping up local manufacturing to serve local consumers, including the development of products tailored to local needs. We are also building up a solutions sales organization that will make our sales processes more efficient. Meanwhile, in India, we are pursuing strategic partnerships and other opportunities that will enable us to strengthen our sales channels. We are also considering ways to support our future business expansion through collaborations in production and other operations with our factory in Thailand.



● Streamlining operations through DX

DX has become a high-priority challenge for us. We are responding by adopting various systems that can streamline our operations, and thereby strengthen the foundation of our business.

In 2022, the digital marketing project we launched in 2018 completed its rollout of the common digital platform at APEM and all other Group offices globally. As this enables us to provide each customer with personalized and optimal content, we are now working on creating processes that will lead to acquiring new business opportunities.

In addition, we are continuing with a project initiated in FY2023 to globally implement two integrated management systems—one that functions as a platform for enterprise resource planning (ERP), and another that supports supply chain planning (SCP). These systems will provide integrated management of various business processes and will be interlinked with the digital marketing platform, sales force automation, and other tools, resulting in greater operational efficiency.

Reinforcing our commitment to sustainability

To achieve our long-term vision, we must not only create economic value through our business activities, but also increase social value by reinforcing our commitment to sustainability. As part of our new long-term vision, we realigned our materiality and introduced new KPIs that align with our medium-term management plan. Moving forward, we will work toward resolving the societal challenges while monitoring our progress.

Materiality >> P.15



Productivity improvement

Improve productivity using control technology



Climate change

Response to climate change



Safety, ANSHIN, and well-being

Pursuit and realization of safety, ANSHIN, and well-being



Business foundation

Establish a management structure that promotes value creation, fosters an organizational climate, and develops human resources.

● Addressing climate change >> P.45

It goes without saying that we cannot successfully reach our vision for 2050 without addressing the global challenge of climate change. Our environmental strategy is a key pillar of our business strategy to achieve sustainable growth. Accordingly, we are seeking to achieve carbon neutrality by 2050, actively utilizing environmental initiatives as transition opportunities and implementing strategies that include developing eco-friendly products, engaging in environmental energy businesses, and pursuing other activities that contribute to reducing environmental impact.

● Increasing investment in human capital >> P.40

In order to achieve a sustainable society and improve corporate value, it is essential to strengthen human capital and revitalize our organization. For this reason, we have added “business foundation” as a new materiality issue. We will promote engagement and work-style reform by aligning our initiatives with the medium-term management plan and sustainability KPIs.

In addition, we are systematically selecting and training candidates as our next-generation managers. This human resource development will provide a foundation for our Group's further growth.

● Strengthening governance >> P.53

We have been taking action to strengthen our governance. From early on, we proactively appointed outside directors to our Board of Directors. Since 2016, outside directors have constituted more than half of the board's membership. In 2022, we appointed outside directors to fill two new roles, supervising the important challenges of environmental measures and IT strategy. Female board members make up 30% of the board, contributing to its diversity.

Another critical challenge that we have been addressing is the cultivation of the next-generation of executive leaders.



In 2021 we established a voluntary Nominating Committee, comprised mostly of outside directors, to serve as an advisory body for the Board of Directors. This provides us with a system for objective and independent decision-making concerning the nomination of director candidates and the planning of training for next-generation executive candidates. The Directors also hold lectures and interviews as part of the next-generation training curriculum.

As another way to further strengthen our governance, we also established a voluntary Remuneration Committee in October 2022, comprised mostly of outside directors, to ensure fairness, transparency, and objectivity of our director remuneration decision-making process. We have designed our remuneration system to reflect nonfinancial KPIs in addition to financial ones, to reinforce our commitment to sustainability.

By pursuing the many different actions I have illustrated here, the IDEC Group will strive to realize the sustainable growth for its entire global organization. Going forward, everyone in our Group will continue working as one, to fulfill our Purpose of achieving safety, ANSHIN, and well-being for people around the world.

Long-term Vision

Global corporations are called upon to address climate change and other challenges affecting the international community as they navigate tremendous changes in the market landscape.

We aspire to tackle the challenges faced by society and serve the ever-evolving needs of our customers while achieving sustainable growth for our Group. To set the course for these endeavors, we have formulated a long-term vision for 2050, and backcast it to define our interim vision for 2030.

We are already taking action on sustainability challenges to help society become sustainable and to increase our corporate value. Going forward, we will also step up our efforts to make our Group carbon neutral by 2050 and to enhance our human capital in ways that support our global expansion.



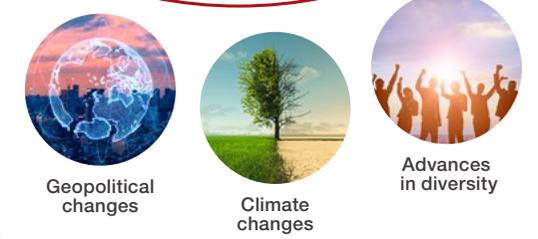
Megatrends



Advances in digitalization & automation



Demographic changes



Along with formulating its long-term vision for 2050 and interim vision for 2030, IDEC has reviewed its policy toward materiality. A fourth item, “business foundation,” has been added, and the company is working to devise climate change measures and further enhance its human capital and governance.

Vision for 2030

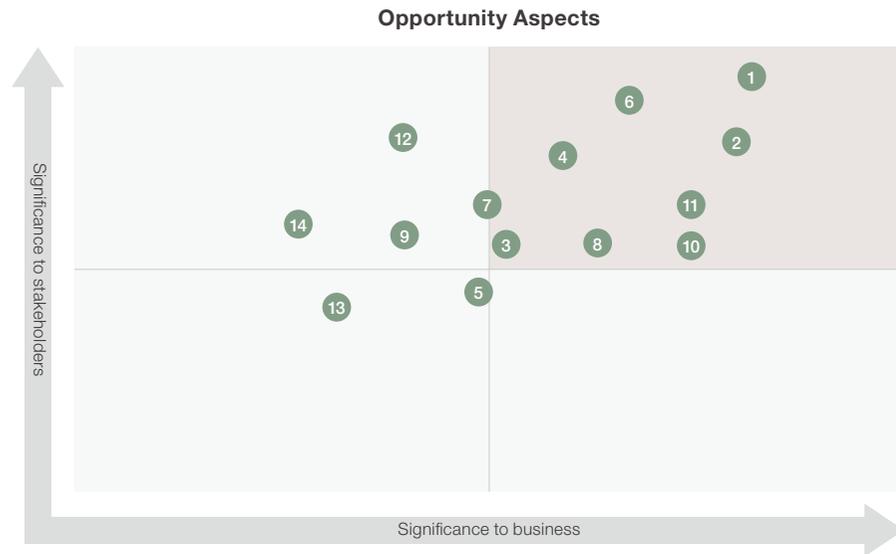
Related SDGs

	Vision for 2030	Related SDGs
<p>1</p> <p>Productivity improvement</p> <p>Improve productivity using control technology</p> 	<ul style="list-style-type: none"> Contribute to improving the productivity and efficiency of our customers and society around the world by providing the IDEC Group's long-cultivated control technology, products, and system solutions that have been developed ever since its foundation. 	 
<p>2</p> <p>Safety, ANSHIN, and well-being</p> <p>Pursuit and realization of safety, ANSHIN, and well-being</p> 	<ul style="list-style-type: none"> Realize the optimum environment for both humans and machines to resolve various societal challenges and make it possible to achieve healthy, happy, and vigorous lives. Improve safety, productivity, and well-being through technology development, human resource development, management, and rulemaking. 	    
<p>3</p> <p>Climate change</p> <p>Response to climate change</p> 	<ul style="list-style-type: none"> Contribute to the reduction of the environmental impact of customers and society through the use of the IDEC Group's technologies and products. Reduce CO₂ emissions through the in-house use of renewable energy. 	   
<p>4</p> <p>Business foundation</p> <p>Establish a management structure that promotes value creation, fosters an organizational climate, and develops human resources.</p> 	<ul style="list-style-type: none"> Ensure a thorough understanding of “The IDEC Way” and stimulate the company by creating an attractive work, environment that gives employees a sense of purpose. Promote decent work, as well as diversity & inclusion, to strengthen the company's human capital, in order to cultivate employees who will be able to innovate and create new value. Further strengthen governance and compliance to ensure that the company is trusted by society. 	  

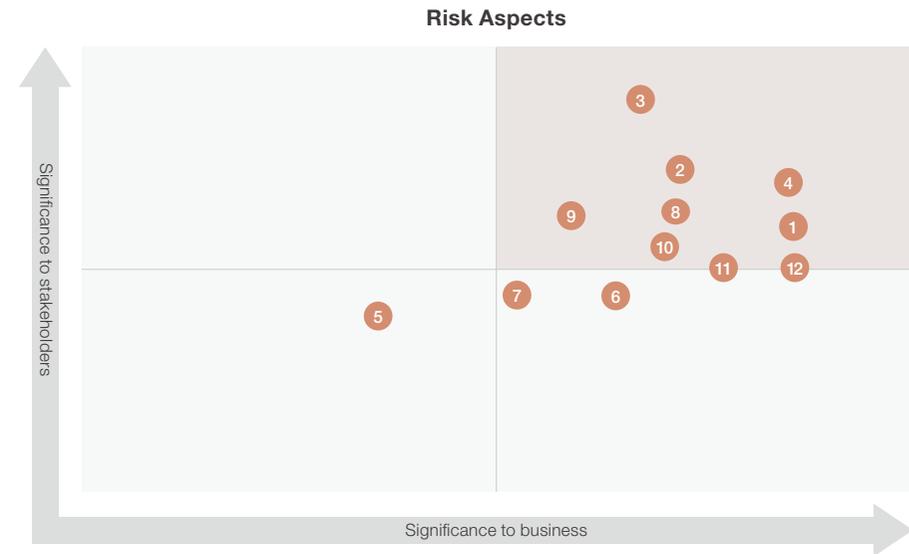
Materiality Selection Process



Identifying challenges and evaluating significance



Category	Overview
1	Improvement in customers' productivity and efficiency by providing control technology and products
2	Productivity improvement Improvement in customers' productivity and efficiency by providing solutions
3	Knowledge accumulation and service development by promoting adoption of IoT equipment
4	Creation of safe and healthy working environment by providing control and safety devices and various systems
5	Safety, ANSHIN, and well-being Reduction in work time by streamlining work processes and making labor-saving improvements
6	Reduction in labor accidents by providing safety devices
7	Safety awareness building and promotion of safety measures by providing safety consultations and seminars
8	Climate change Reduction of environmental impact and strengthening of competitiveness through eco-friendly manufacturing
9	Business expansion in renewable energy and other environmental fields
10	Create a work environment that gives people a sense of purpose and promote the digital transformation to increase labor productivity, secure outstanding talent, and gain new business opportunities
11	Hire people with a diversity of values and train and develop human resources to create innovation and strengthen competitiveness
12	Business foundation Achieve viable corporate governance and increase awareness of compliance responsibilities to improve corporate value
13	Foster of a corporate culture that is based on environmental considerations
14	Improve in ESG relations with investors



Category	Overview
1	Productivity improvement 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
3	Personal and social hazards resulting from accidents related to products and services
4	Safety, ANSHIN, and well-being Fraud and falsification of inspections, standards certification, and permits
5	Social unrest and impact on operations and product shipments caused by substances that cause pollution and health damage
6	Climate change Cost and supply instability due to soaring energy prices and shortage of raw materials
7	Supply chain disruption and business disruption due to abnormal weather and natural disasters
8	Insufficient investment in human capital and a deficient working environment, reducing labor productivity and impeding employee retention
9	Decline in social credibility and employee engagement due to violations of human rights laws, regulations, and norms
10	Business foundation Imbalanced skills and characteristics of human resources, resulting in stereotypical thinking and loss of business opportunities
11	Decline in social credibility due to CSR and compliance violations, and lack of governance in the global supply chain
12	Loss of social credibility due to information security accidents, non-compliance with laws and regulations, and lack of risk management

Sustainability Targets and Progress

Along with a reassessment of materiality, areas for action have been established in order to achieve our vision for 2030, and sustainability KPIs have been selected for each area. Moreover, materiality and some of the sustainability KPIs are linked to the medium-term management plan.

Materiality	Vision for 2030	Areas for action	Sustainability KPIs	FY2023 achievements	FY2025 targets
 Productivity improvement Improve productivity using control technology	Contribute to improving the productivity and efficiency of our Group and customers and communities around the world by providing the control technology, products, and system solutions that we have cultivated since our founding.	Develop products that meet new customer needs and strengthen our ability to propose solutions to customer issues	Solution ratio to sales	10%	12%
			CAGR in Safety & Explosion Protection Business (during the past five years)	14%	15%
 Safety, ANSHIN, and well-being Pursuit and realization of safety, ANSHIN, and well-being	Realize the optimum environment for both humans and machines to resolve various societal challenges and make it possible to achieve healthy, happy, and vigorous lives. Improve safety, productivity, and well-being through technology development, human resource development, management, and rulemaking.	Provide products and services that achieve customer safety, ANSHIN and well-being	Cumulative attendees of safety & explosion protection seminars (Japan)	Increase 9% YoY	Increase 5% YoY
			Achieve safety, ANSHIN, and well-being by fostering a culture of safety	Number of cumulative employees holding safety qualification*1	Increase 3% YoY
		Frequency rate of industrial accidents*2		0.58	0
			 Climate change Response to climate change	Reduce CO ₂ emissions through the in-house use of renewable energy.	Promote environmentally conscious product development Reduce environmental impact at our business sites
Reduction of CO ₂ emissions (vs. FY2020)	Decrease 7%	Decrease 24%			
Renewable energy utilization ratio	8%	18%			
 Business foundation Establish a management structure that promotes value creation, fosters an organizational climate, and develops human resources	Ensure a thorough understanding of "The IDEC Way" and stimulate the company by creating an attractive work environment that gives employees a sense of purpose.	Create a pleasant work environment	Engagement score (Japan)	Improvement in the scores for 21 out of all 26 items (as compared to FY2020)	Improvement in the scores for 3 main issues*3 (as compared to FY2023)
			Ratio of males taking childcare leave*2	58%	90%
	Promote decent work, as well as diversity & inclusion, to strengthen the company's human capital, in order to cultivate employees who will be able to innovate and create new value.	Promote of decent work and increase investment in human capital	Number of female managers*2 (including associates in the position of leader with subordinates)	12	15
			Average per human capital training costs*2	JPY 40,000	JPY 70,000
	Further strengthen governance and compliance to ensure that the company is trusted by society.	Improved management transparency and effectiveness	Number of items with below average scores in the Board of Directors' effectiveness assessment	18%	20% or less
			Number of serious legal violations	0	0

*1 Number of employees certified as Safety Assessors, Safety Basic Assessors, Robot Safety Assessors, or Safety Officers

*2 IDEC unconsolidated

*3 Main issues: (1) human resource development, (2) strengthening of management abilities, and (3) improvement of the acceptability of human resource systems

Sustainability Promotion Policy and Organization

Commitment to sustainability

We consider the IDEC Group Code of Conduct, the CSR Charter, and the Ten Principles of the United Nations Global Compact to be important compasses for guiding our actions in line with our company philosophy, "The IDEC Way." We are committed to helping achieve the Sustainable Development Goals (SDGs) by tackling societal challenges through our business activities. Our efforts toward sustainability are being spearheaded by the CSR Committee we launched in 2018.

Going forward, we will continue taking action under the Basic Sustainability Policy to resolve global challenges through our business activities, with the ultimate aim of realizing a sustainable society. Our efforts include 1) advancing the safety, health, and well-being of all people through our participation in and support for the Vision Zero campaign led by the International Social Security Association (ISSA) under the International Labour Organization (ILO); 2) remaining attentive to climate change and other global environmental issues through our support for the Task Force on Climate-related Financial Disclosures (TCFD); and 3) preparing to respond to future risks and opportunities.

Sustainability Promotion System

The CSR Committee, chaired by the CEO, was established to develop our Group's CSR action policy. Five specialist committees were established under it to focus on specific policy areas: Environment, Social, Governance, plus two for areas of our strengths, Safety and Quality. Together referred to as "ESG+Sa+Q," these specialist committees are each chaired by an executive officer and consist of knowledgeable, experienced members who develop measures pertaining 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 content of CSR Committee discussions with each employee at CSR Workplace Training sessions, with the aim of putting CSR activities into practice and creating an open workplace where opinions can be exchanged. In FY2023 employees submitted 354 opinions and proposals, which were shared by the specialist committees. This feedback is incorporated in our Group's CSR activities.

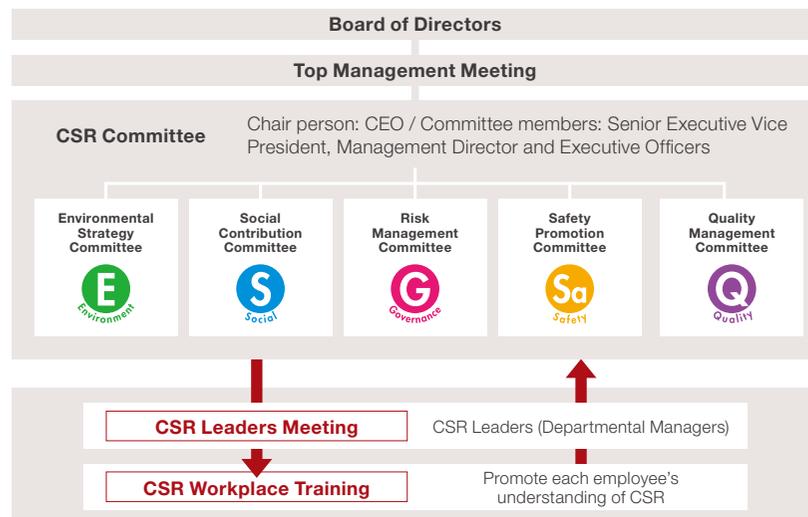
Basic Sustainability Policy

Our business activities are founded upon the "Vision: Pioneer the new norm for a safer and sustainable world" and "Mission: To create the optimum environment for humans and machines" 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 carry out those actions in order to help realize a sustainable society and increase our corporate value.

Redesigned sustainability website

Information on sustainability is posted at:
<https://us.idec.com/idec-us/en/USD/sustainability>



Award-winning photographs in the Environmental Photo Contest held on the theme of "Biodiversity" as one of the events during CSR Month 2022

Medium-Term Management Plan

We will carry out radical reforms to achieve greater profitability

We are pursuing four basic strategies under the current medium-term management plan for FY2023–FY2025: promote growth strategies, improve profitability, enhance the business foundation, and enhance ESG initiatives. Specific themes linked with our materialities have been defined for each strategy, and we are taking action on them to realize our slogan of “PASSION FOR YOUR SUCCESS.” Leveraging the control technologies we have cultivated over the years, we are striving to achieve advances in our core fields, including answering needs for automation, unmanned operation, and labor-saving, and increasing safety, ANSHIN, and well-being. In doing so, we seek to advance our new concept of HMI-X, help solve societal challenges, and achieve sustainable growth and customer success.

As we achieved the medium-term management plan’s original numerical targets in its first year, we announced an updated plan in May 2023. We are pursuing radical reforms under the current plan to realize an operating income margin of 20% or higher in the medium to long-term, with the aim of achieving greater profitability.

We are also strengthening our business foundation to attain sustainable growth worldwide. These efforts include reducing our environmental impact toward the achievement of carbon neutrality, and improving employee engagement through increased investment in human capital, implementation of workstyle reforms, and other measures.

	FY2025 (Initial plan)	FY2025 (Revised plan)
Net sales	80.0 billion yen or higher	85.0 billion yen or higher
Operating income	13.0 billion yen or higher	15.3 billion yen or higher
Operating income margin	16% or higher	18% or higher
ROIC	10% or higher	10% or higher
ROE	15% or higher	15% or higher
EPS	300 yen or higher	360 yen or higher



Medium-Term Management Plan

Growth Strategy: Actions for advancing HMI-X ①

Expand new markets through collaborations

As part of the medium-term management plan's growth strategy, we will seek to expand new product development and sales networks through collaborations with leading companies in diverse industries. We will also work to expand new markets by developing products offering new functions, with the aim of realizing the new concept of HMI-X [Transformation].



IDEC ALPS Technologies Co., Ltd., established as a joint venture with ALPS ALPINE CO., LTD. in September 2021, carries out product development aimed at providing new forms of value in HMI that contribute greater safety and ANSHIN to society. The joint venture launched the "1A1M series" of Multi-use mmWave radar sensors in May 2023. This is the first product developed through collaboration among IDEC and ALPS ALPINE sites in Japan and abroad.

This product is also an innovation that combines the strengths in HMI and sensing technology of two partners with different cultures and way of thinking.

Other products are now being developed. Once marketed, the full product portfolio, including the 1A1M series, is planned to grow into a JPY 1 billion business over a three-year period.

Development leveraging each partner's strengths

The recently launched Multi-use mmWave radar sensors detect objects using high-frequency radar (in this case, 60GHz), which enables presence detection and distance determination for objects up to 10 meters away. This type of radar consumes little power and operates in a wide range of environmental conditions, including steam, dust, rain, snow and low sunlight. Therefore it can be used instead of ultrasonic sensors, both outdoors and in Factory Automation.

Until now, mmWave radar technology was primarily used in automobiles, and consequently very few products incorporating these sensors had been developed for use in

industrial equipment. We were able to create a unique, highly competitive product optimally matched to the needs of industrial customers by leveraging our HMI technologies and expertise along with the technologies that ALPS ALPINE cultivated in consumer and automotive applications, and by steadily building up our know-how through joint testing with customers.

In addition to the launched versions, further models with different lens design for more specific applications are planned to be offered. This series supports a broad range of industrial needs, including not only factory automation, but also for specialized vehicles, parking lots, train stations, and infrastructure.



Multi-use mmWave radar sensors "1A1M series"

Examples of usage

Presence detection

- Vehicle detection in parking lots (an algorithm for distinguishing between vehicles and humans will be added)
- Identification of light-absorbing materials (rubber, dark-colored workpieces, etc.)

Distance determination

- Determination of width of vehicles entering carwashes
- Determination of fluid level in tanks from the outside via a viewport



Parking lot



Aerial work platform at construction site

Features of our Multi-use mmWave radar sensors

ALPS ALPINE Hardware design that capitalizes on mmWave technology

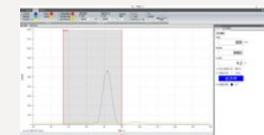
- Unique beamforming know-how **enables beam to be kept in a range less prone to false detection.**
- **The first sensors with anti-interference and radio wave emission control functions certified for use in Japan.**
- **Use of a special reflector (patent pending) expands the range of applications supported**

ALPS ALPINE IDEC Algorithms supporting diverse applications

- Since the firmware can be overwritten with various algorithms developed for specific purposes, the same hardware can be **flexibly used to support different applications**

IDEC Bluetooth-equipped for easy setup HMI-X

- **Various devices can be used to wirelessly** monitor the sensor and modify its settings
- Simple and convenient setting/monitoring tools are available for laptops, smartphones, and tablets



Medium-Term Management Plan

Growth Strategy: Actions for advancing HMI-X ②

Provide diverse applications for realizing safety, ANSHIN, and well-being

As part of our efforts to fulfill our Purpose—to create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world, we develop and supply a broad range of products and systems designed to solve the needs of customers in not only the factory automation industry but also many other sectors. The main focuses of our medium-term management plan are HMI and safety, and there is growing demand for collaborative safety / Safety2.0, whereby humans and machines collaborate for greater safety. >> P.29 Accordingly, we are expanding our diverse lineup of applications that can improve worker well-being by enabling the creation of environments where people can work with ANSHIN.

case Emergency-stop assist system

We hold a 70% share of Japan's market in emergency-stop switches, offering international standard-compliant products that incorporate our proprietary safety technology. Once activated, emergency-stop switches reliably stop the machines they control. However, they need to be pushed to operate, and this can be an issue when they are installed on mobile robots such as automatic guided vehicles (AGV) and autonomous mobile robots (AMR), which have soared in demand in recent years. For example, when

a robot is in motion it can be difficult to push the emergency-stop switch and attempting to do so may place the worker at risk of being struck or trapped by the robot. Meanwhile, because of population decline, the growing shift toward automation, and other factors, the use of self-driving vehicles and many other types of robots is likely to expand in the years ahead. We have responded to this safety challenge



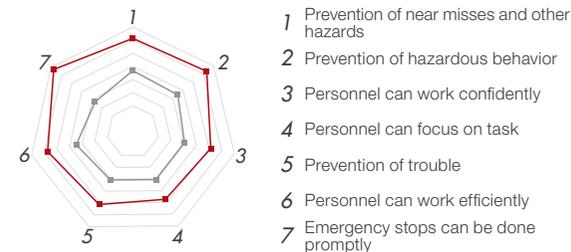
Emergency-stop assist system

by developing an emergency-stop assist system that enables personnel to activate emergency stops from a safe position.

Our system is wireless switch worn on the arm of the worker in charge. By operating this switch, the worker can stop the emergency-stop switch installed on the robot. Since this system enables stops to be made from a safe position away from the robot, it helps to provide ANSHIN to operators.

A study of the system's impact showed that it provides significant benefits, including with regard to hazard prevention, worker confidence, and emergency stopping performance.

Performance study results — System used — Not used

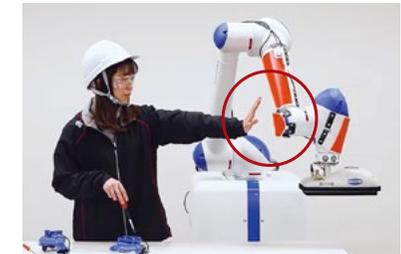


case ANSHIN Sensor

Recent years have seen a greater deployment of collaborative robots, which can operate alongside humans in diverse settings without the use of safety barriers. They are designed to stop moving upon contact, thereby eliminating the risk for serious collision injuries to humans. However, personnel may still feel uneasy about the risk of collision, even if minor. Also, the robots need to be restarted every time they automatically stop. Issues such as these can negatively affect productivity, efficiency, and worker well-being.

Our ANSHIN Sensor can temporarily stop robotic movement in

response to proximity or even gentle contact, and can be applied to collaborative robots, AMR/AGV and other mobile systems, production lines where people and robots work together, and so forth. It thus can allay worker anxiety about machine contact and prevent the loss of productivity that comes from full shutdown of collaborative robots, other automated equipment, or production lines.



ANSHIN Sensor

case Trapping prevention system for aerial work platforms

A key principle of occupational safety management is to separate humans from machines by distance and time. However, this can be difficult to achieve at construction sites, as attested by the many cases of serious worker accidents due to contact with construction equipment. To help solve this issue, we have created a trapping prevention system that incorporates various sensors and an ergonomically designed three-position enabling switch we developed.

This system can be used on aerial work platforms to prevent personnel from becoming trapped against building structures such as ceilings and frames, thus protecting them from serious bodily injury. The greater safety and ANSHIN afforded to workers enhances their well-being.



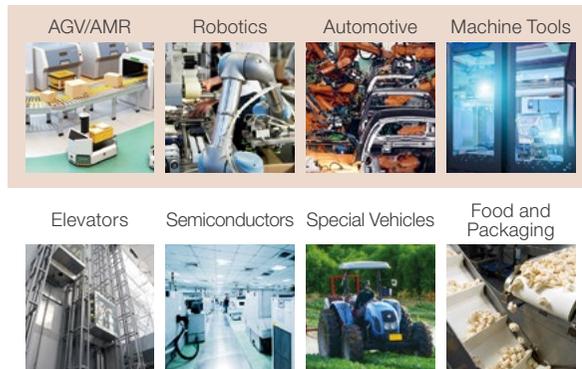
Example of system in action

Medium-Term Management Plan

Growth Strategy: Actions for advancing HMI-X ③

Ramp up our solutions for the growing material handling industry

Of the many different industries served by IDEC Group products, our current medium-term management plan is mainly focusing on four that have strong global growth potential: AGV/AMR, robotics, automotive, and machine tools. Notably, AGV/AMR are forecast to grow at an annual average of 20–30% in the coming years, pointing to significant growth potential for the material handling industry.



In January 2022, we entered into a partnership agreement with France-based ez-Wheel, a manufacturer that developed the world's first safety wheel drive for AGV and AMR to incorporate drive control and safety features essential to safe automated driving. ISO (International Organization for Standardization) publication of an international safety standard in 2020 prompted requirements for transportation robots and other mobile robots operating in areas with people to be equipped with a safe motion monitoring function, generating a growing need for products compliant with the standard.

Against this backdrop, demand has been rising for ez-Wheel's lineup of safety wheel drives, which incorporate safety features necessary for complying with standards. Recognizing this potential, we secured the



exclusive marketing rights for ez-Wheel products in Japan through the partnership agreement, and since FY2023 we have offered diverse solutions integrating their products with our emergency-stop switches, safety laser scanners, and other safety devices.

The use of automated driving wheels is growing as distribution and manufacturing businesses increasingly consider adopting AMR to reduce staffing needs and workload through automated transportation. Meanwhile, our electric power wheels, which make it easier for workers to transport heavy objects, have been the focus of many customer inquiries from the automotive industry, which deals with heavy items on a daily basis. We expect to see greater adoption of both types of wheels in the coming years.



Safety wheel drives integrate all functions necessary for safe automated driving, including the safe motion functionality specified by ISO for operation in areas with people.



Electric power wheels are a simple solution for equipping industrial carts with electric assist, which facilitates transport of heavy objects that otherwise could not be easily moved by a single worker.



In order to better respond to the different needs of diverse customers and industries, we are phasing in a system of support covering the four services below. As of FY2023, we have deployed services (1) and (2). Our ultimate goal is to provide full packaged solutions (including software) for building AGV and AMR. We are exploring opportunities for partnering and M&A as an avenue for strengthening our software capabilities.

- 1 Individual product sales
- 2 Solutions packaging optimal products
- 3 Packaged solutions customized for specific applications
- 4 Full system setup

In addition, group company IDEC AUTO-ID SOLUTIONS CORPORATION offers a broad lineup of automatic identification devices that help to improve the efficiency of distribution operations. It is now expanding sales to serve the growing needs of the material handling industry.



We are committed to helping customers overcome their challenges by creating new value for them. To do this, we are actively leveraging our technological strengths in core areas such as HMI, safety, and ANSHIN, while further reinforcing our software and IoT capabilities.

Medium-Term Management Plan

Improving profitability, enhancing business foundation and ESG initiatives

Building the foundation for high profitability

We are realigning our global network of manufacturing, sales, and distribution sites as part of our efforts to improve profitability, a major focus of our medium-term management plan. We took action to shrink fixed costs by consolidating our nationwide network of sales offices in Japan into two locations, one in Tokyo and one in Osaka, in FY2022—an action spurred by the COVID-19 pandemic—and by carrying out realignments and structural reforms at our overseas manufacturing/distribution sites and supply chains.

Moreover, we globally raised our product prices to reflect the increased costs of raw materials, and lowered our cost ratio by optimizing our selling prices and restructuring our product mix to increase the share of new products offering greater profitability. As a result, we raised our FY2023 gross profit margin to 44.6% and operating income margin to 16.8%, enabling us to reach two key targets of the medium-term management plan in its first year.

Our sales-related initiatives have included launching the Solution Business Promotion Department, recruiting and training talent from within and outside the Group to lead the expansion of our business in providing solutions for customer challenges, and strengthening our sales organization through the collaboration of related departments. For our component sales, we are leveraging our established sales networks to further grow sales, while at the same time stepping up the formation of new networks in each region that realign our distributor relationships to focus on distributors eager to sell IDEC products.

In FY2024, we will implement structural reforms to build the

foundation for globally expanding our businesses and increasing earnings. In particular, we will pursue production reforms aimed at strengthening our global competitiveness. We will also separate our procurement and supply chain management functions into an independent organization to enable objectively optimized procurement, with the aim of lowering costs and building optimal supply chains across our Group. We are also working to radically overhaul our production systems and processes to achieve quality and cost improvements.

Enhancing operational efficiency through DX

We are seeking to strengthen our business foundation by accelerating DX initiatives across our Group that can realize greater operational efficiency and leaner management. The ERP and SCP systems that we are now introducing globally are interlinkable with various existing systems, and thus will enable integrated management of marketing, sales, order handling, production planning, procurement, inventory, and other functions. This project is starting with the head office and will be phased in globally with completion in FY2025, the final year of the current medium-term management plan.

At the same time, we are carrying out Group-wide work process reforms, as well as workstyle reforms—such as introduction of discretionary work and flextime systems while making effective use of existing systems—in an effort to realize flexible work arrangements and improve employee engagement.



Example of head office system map following ERP/SCP system introduction



Further strengthening our environmental initiatives while pursuing development of technologies and new products

We believe that taking actions toward sustainability, particularly measures for addressing climate change, is an integral part of fulfilling our social responsibilities as a global corporate group. Accordingly, we have defined “response to climate change” as our third material issue. Also, we have set sustainability KPIs necessary for attaining our vision for 2030, and are implementing an action plan for achieving those targets.

How we address climate change in our vision for 2030

- Contribute to the reduction of the environmental impact of customers and society through our technologies and products.
- Reduce CO₂ emissions, including by utilizing renewable energy at our sites.

In my role as Senior Executive Officer in charge of R&D & Environment, I constantly think about how we, as a manufacturer, can effectively balance both our pursuit of development and our response to environmental issues. This report’s section on natural capital >> P.45 / presents our thinking and initiatives concerning environmental management, risk/opportunity analysis, transition opportunities, and the like.

I will strive to spread our Group’s awareness of environmental action as not only a risk-related factor with significant implications for our business continuation, but also an area of business opportunity with great potential for us as a manufacturer.

Medium-Term Management Plan

Enhance ESG initiatives



Promote reduction of environmental impact to achieve carbon neutrality

IDEC has formulated a new vision for 2050 to “realize a safer and more sustainable world that brings happiness and ANSHIN to all people.” To achieve the objective, the medium-term management plan focuses on strengthening ESG activities, and it also promotes reducing environmental impact to attain the interim goal of accomplishing the sustainability KPIs related to climate change, with the goal of achieving carbon neutrality in 2050.

As part of these initiatives, we are promoting the effective use of limited resources, based on the concept of a “circular economy.” At the stage of designing and developing products, we are working to reduce the number of parts and product weight, a quantify use of recycled plastics, and so on. In addition, we phased the eco-friendly degree of new products based on our own standards. New products that meet those standards

are certified as “enhanced eco-friendly products”, and our original eco-mark is stamped on them, compliant with ISO/JIS Q 14021 (Type II).

Moreover, in manufacturing and logistics processes as well, we are working to reduce environmental impact—such as by using bubble wrap with film containing 25% or more biomass plastics as product packaging materials—and are proceeding with management practices that emphasize environmental issues.

Since FY2023, we have introduced internal carbon pricing (ICP) as a framework to promote environmentally conscious investment. Converting CO₂ reduction amounts into money promotes the use in investment decisions of the improved return on investment achieved through the adoption of ICP.



Increase investment in human capital, promote workstyle transformation and so on to increase engagement and strengthen the business foundation

In 2019, IDEC conducted its first employee engagement survey, and in 2022 conducted a second survey. Five issues from the results of the 2019 survey were selected, and we are currently promoting activities to resolve those issues. In the 2022 survey, the scores for the major metrics “Total Employer Attractiveness” and “Total Workplace Attractiveness” improved, and the scores for most of the other items improved as well.

IDEC also plans to tackle new issues indicated in the results of the 2022 survey. Increased investment in human capital and workstyle transformation are already included in the sustainability KPIs, so we plan to improve human resource development systems and promote workstyle transformation and so on to boost engagement further and strengthen the business foundation.

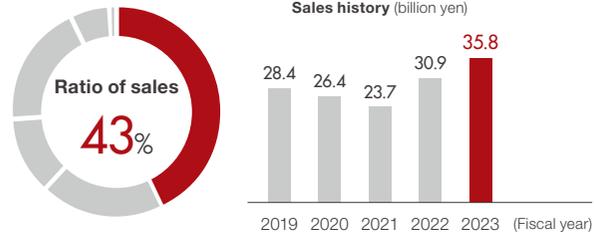
Issues	Major initiatives taken in FY2023	Issues	Major initiatives to be taken from FY2024 and beyond
Strengthening of human resource management systems	<ul style="list-style-type: none"> Introduced new personnel systems 	Improve human resource development systems	<ul style="list-style-type: none"> Improve personnel training through managerial training, career design training, etc. Implement a career design program Prepare to introduce a global talent management system
Strengthening of management	<ul style="list-style-type: none"> 360° assessment of executive personnel Develop talent for directors and executive officer candidates Conduct career development training 	Invigoration of communication	<ul style="list-style-type: none"> Further enhance information dissemination to achieve “One IDEC” Ensure full awareness and compliance with regard to the medium-term management plan, corporate policies, etc.
Invigoration of communication	<ul style="list-style-type: none"> Enhance information dissemination toward “One IDEC” 	Promote workstyle transformation and improve benefit programs	<ul style="list-style-type: none"> Phase back in benefit management services Introduce flexible workstyles (discretionary work and flex-time) and promote working from home
Workstyle reform	<ul style="list-style-type: none"> Promote working from home Increase work efficiency through digital transformation 	Improve the work climate	<ul style="list-style-type: none"> Implement an action plan to resolve workplace issues in each department
Promotion of diversity and inclusion	<ul style="list-style-type: none"> Conduct career training for women on the main career track Actively recruit global talent 	Promotion of diversity and inclusion	<ul style="list-style-type: none"> Implement policies to support families raising children



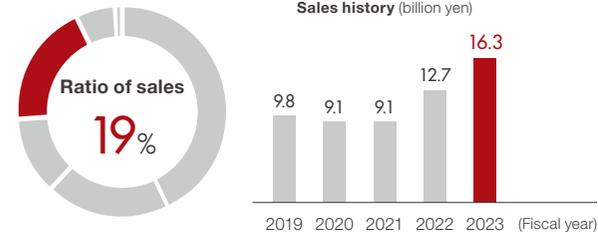
Business Strategy

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HMI (Human-Machine Interface)



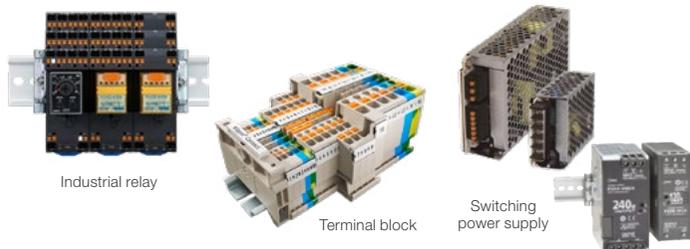
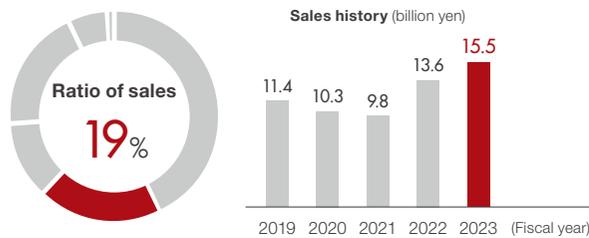
Safety & Explosion Protection



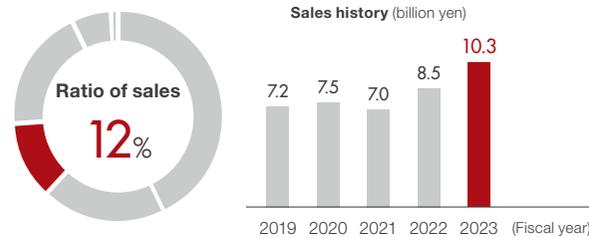
Performance

Note: The classifications of product types were partially revised, effective from FY2023. The figures for past fiscal years have been modified to reflect those changes.

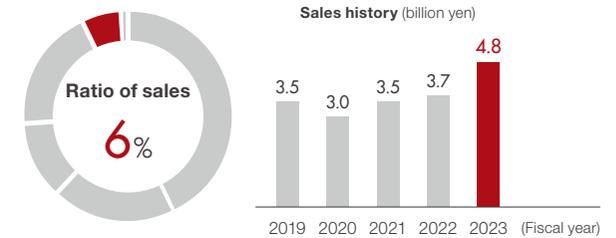
Industrial Relays & Components



Automation & Sensing



Systems



HMI (Human-Machine Interface)

Priority business measures

Creating the optimum environment for humans and machines as a leading company of HMI

Since 1958 when we began sales of industrial switches, we have supplied diverse HMI products supporting human-machine interactions. Our products and the years of design and quality enhancements we have made to them have enabled us to build up a strong market share. >>P.6 When France's APEM joined our Group in 2017, our lineup expanded with not only more industrial switches, but also new offerings such as joysticks, LED indicators, and keyboards. In a world where an enormous array of products are needed to serve different regions, applications, and settings, we are enjoying the strong synergy generated by the combination of IDEC's and APEM's diverse product features and sales channels.

Whereas IDEC focuses mainly on supplying standard products to factory automation (FA)-centric markets, APEM's

offerings lean toward special vehicles, such as construction and agricultural machinery, and various products serving the material handling and new mobility industries. Roughly 75% of APEM's sales are from customized products, which are found at work in many different industries since they are tailored to each customer's needs. This focus on customizing products for a wide range of applications is underpinned by APEM's superb design and development capabilities, generating high-quality products that robustly perform under challenging environmental conditions. We are working to produce even greater synergies between IDEC and APEM by optimizing manufacturing, sales, and logistics centers to lower costs and streamline operations, exchanging talent, and localizing sales strategies.



Developing next-generation HMI products to realize HMI-X

Seeking to become the world's No.1 leader in HMI, the IDEC Group develops products that respond to new needs emerging in the global market. Today, environments where people and machines work together are changing. Under HMI-X [Transformation], a new concept we put forward in 2022, we are aiming to optimize those environments by bringing greater interactivity to machine control. To do this, we have been launching new products—such as smart RFID readers for managing machine access and operation logs, safety commanders that can be attached to tablets used at manufacturing sites to ensure worker safety, and touchless switches that address needs for contactless solutions—and have been expanding the lineup of APEM products to better serve diverse customer needs.

In order for us to continue growing in a landscape where megatrends and market changes are transforming customer needs in many ways, we must develop next-generation HMI products that offer new features. Going forward, we will continue creating new HMI products to further grow our business and help realize safety, ANSHIN, and well-being.



HMI (Human-Machine Interface)



Adding safety functions to manufacturing site tablets

High-performance but cheap off-the-shelf tablet devices are now often used as control terminals for robots at manufacturing sites. Tablets used near hazardous spots need to be equipped with safety devices such as an emergency-stop switch, and they are also required from the standpoint of safety standards.

To serve this need, we globally market safety commander products that can be simply attached to diverse tablets to provide safety functions. In October 2022, we released the "HT4P series", which incorporates new features such as wired LAN connectivity.

Safety commander "HT4P series"



Touchless switch



Touchless switches to reduce risk in environments where switches are operated by many people

In 2022, we marketed a touchless switch that can be used indoors and outdoors, as one response to the need for contactless operation of switches operated by many people. This product helps to prevent the spread of infectious diseases and provides a touchless solution for hygiene management in food processing, prevention of worker fatigue due to frequent switch operation, and many other purposes.

Team Member's Message

A fusion of advanced sensor technology with a stylish design

Tatsumi Nakamura

Junior Associate
HMI & Panel Product Development Department
IDEC CORPORATION

Our touchless switch uses precision sensor technology that can sense a person's palm even when wearing gloves. As developers, we were also keen about the product's look. Since it is intended for use in not only industrial settings, but also public facilities and other places where it will be seen by many people, we opted for a simple but stylish design that would blend in with the surroundings.

We were particular about the details. For example, we explored different lens structures to keep the light ring clearly visible despite its thin profile.

Mid-size joysticks that serve diverse customer needs and offer high environmental tolerance

The "XP series" is a new lineup of mid-size joysticks developed in the UK that are compact and robust. They feature high environmental tolerance, with dust and water resistance backed by an IP67 rating, and are suitable for both indoor and outdoor applications. They are combined with various other APEM products to offer multifunctional solutions and customizable options. Two types of handles are available, making it possible to design products tailored to each customer's needs. The selection of functions and handles will be expanded in 2023.



Joystick "XP series"

Customized remote controls based on decades of know-how

Remote controls enable safer and faster operation of robots and heavy machinery such as cranes and hoists. APEM has built up strong know-how in this area through decades of developing customized remote controls to support diverse industries, including material handling, agriculture, and construction. The company's approach to design is founded on the following considerations:

- 1 How can the necessary functions be provided in an optimal form?
- 2 How can the most ergonomic solution be designed?
- 3 What is the most optimal and safest method of connecting the product with the application it supports?
- 4 How can the product be designed to withstand the impact of falls, and to prevent unintended operations?



Remote control

Leader's Message

APEM panel solution projects that aim for greater customer satisfaction

Hanh Lin

Project Leader for Panel Solutions
APEM SAS (France)

My duties can be largely divided into three scopes. First, in the project planning stage I respond to the customer's request for a quotation, clarify the customer's needs, and determine the project cost. Once the project begins, I handle its management, including coordinating with the relevant personnel at APEM and tracking the project's progress toward the completion of product development. Lastly, I handle marketing duties such as managing the price and margin, providing training, taking part in the unit's promotional events, and appearing in promotional videos. As I do so, I work to increase customer satisfaction and expand the panel solutions business.

Safety & Explosion Protection

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

Since our founding, we have provided diverse products and services aimed at creating an optimal environment for humans and machines. At the same time, we have developed and supplied safety-related products that reduce the risks of using machinery, and explosion protection products that can be safely used in the presence of flammable gas and liquids. In so doing, we help customers to achieve both safer operations and greater productivity.

As a developer and supplier of products that protect people's lives, we equip society with a variety of products and services for realizing safety and ANSHIN. Our goal is to pursue and achieve the world's highest level of safety, ANSHIN, and well-being.

A leader in Collaborative Safety / Safety 2.0

The concept of safety has evolved over the years. It started with the idea of achieving better safety through human attention and discernment, referred to as "Safety0.0." Next came Safety1.0, which focused on making changes to machinery to protect workers, such as adding physical separation and stopping mechanisms. Now society has entered the era of Collaborative Safety / Safety 2.0, where both safety and productivity are realized through collaborative relationships between humans and machines.

The products we develop are designed to provide not only safety, but also ANSHIN. We strive to improve the well-being of society as a whole so that industrial workers and everyone else can live healthy, happy, and vigorous lives.



Slide handle actuator



Emergency-stop switch "XA series"



Interlock switch "HS5L series"

Globally expanding sales of safety-related products

More automation at manufacturing sites and increased awareness of worker safety have led to expansion of the global market for safety-related products.

We are seeing growth in sales of accessories such as interlock switches that ensure worker safety by sensing when doors and panels are open or closed, and slide handle actuators that facilitate the use of interlock switches. Also, our lineup of emergency-stop switches, which boasts a high market share, was expanded in 2023 with the launch of a product compliant with the new ISO 13850 safety standard. Incorporating our proprietary safety structure, this product features a shallow panel depth, and good environmental tolerance and impact resistance.

Our products for ensuring safety and ANSHIN in work environments can help to reduce occupational accidents.

Realizing predictive maintenance of explosion protection area equipment using IoT

It has become a challenge for some oil refineries and chemical plants to thoroughly maintain their explosion protection areas due to aging equipment, understaffing, and a shrinking number of skilled engineers.

Our "ES3M series" of wireless vibration sensors are intrinsically safe and enable predictive maintenance with their ability to detect warning signs of equipment failure via a wireless network. When used with the "ES3M-RE series" of explosion protection relays, they significantly reduce the time and workload required for maintaining equipment spread across large sites, and thus achieve greater operational efficiency.



Wireless vibration sensor "ES3M series"



Explosion protection relay "ES3M-RE series"



Manager's Message

Expanding safety product sales with a high level of service and support

Bavith Suresh

IDEC EMEA Product Manager
APEM Components Ltd. (UK)

IDEC EMEA is expanding sales of its safety products. To achieve this goal, we will implement a number of initiatives.

First, with targeted advertising campaigns, promotional activities, and increased presence at trade shows and conferences. Second, we focus on developing relationships with key distributors and customers in the market with a program of "Quick Start!" knowledge transfer sessions, providing application support and product demonstrations. Finally, IDEC will continue to invest in its resources to ensure that customers in the European market receive the highest level of service and support.

Industrial Relays & Components

Priority business measures

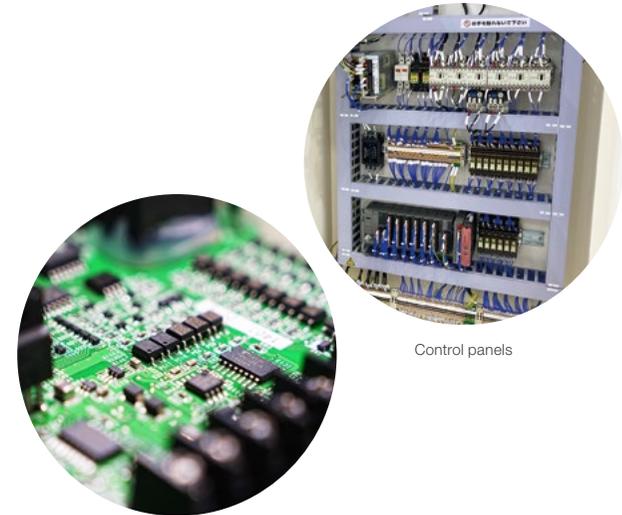
Offering a full line-up of products to help customers overcome challenges

The term industrial relay & components collectively refers to various electrical components incorporated into control panels/units used to operate and control machinery and production lines. They are used for a wide range of applications, including automated warehouses, industrial machinery, and semiconductor manufacturing equipment, and so on.

Responding to ever-growing needs for “smarter” facilities and equipment, space-saving, and quality stabilization, IDEC adds new technologies to control panel components to provide operator-friendly production environments offering greater efficiency and convenience. This is another way that we help customers find solutions to various challenges.

Broadening lineup of PCB-mounted components that are smaller and require less wiring and labor

Decentralization of control units is increasingly being used as a solution for two challenges concerning control panels/units—shrinking their size and reducing the development/assembly workload. The control units can be cut out from the large control panels and made into blocks to achieve greater usability and enhance the value chain from development and production to sales and maintenance. There is thus an accelerating trend to make control units into printed circuit boards (PCBs) for greater utility. Also, demand for PCB-mounted components is likely to grow with the emergence of new apparatus that set new norms, and with the rising number of components that leverage IoT technology. IDEC has been developing, manufacturing, and selling PCB-mounted components such as industrial relays, terminal blocks, and circuit protectors. We will continue to focus on launching new products in the market.



PCB-mounted components

Control panels

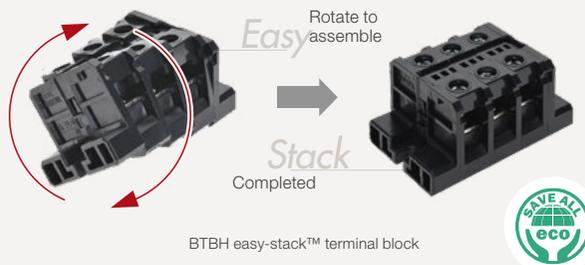
Push-in products enabling well-being at manufacturing sites

Using spring-loaded technology: Push-in products, which can be easily wired by simply plugging in the terminals, can reduce wiring work and achieve stable quality compared to screw products. This provides benefits that reform how work is done at manufacturing sites, including prevention of errors by less experienced workers and reduction of overtime work.



Various push-in products

Snap-in type enables visual/aural confirmation of wiring connection



New surface-mounted terminal block that leverages our mechanical technology

We have launched a revolutionary terminal block that customers can easily assemble without installation tools. This unique design allows terminal blocks to easily be stacked and assembled by rotating them. This helps users to reduce workload, as they can flexibly accommodate sudden changes in specs and perform maintenance. Since shaft screws are not used to connect the terminal blocks, the design reduces the number of parts involved, an advantage that also helps to protect the environment.



The Suzhou factory mainly manufactures RJ series industrial relays, which are in high demand in the Chinese market. We have streamlined production by adopting automated assembly machines in 2017 and by overhauling our parts supply system to optimize inventory. We added more automated assembly machines in FY2023, and plan to install a line of labor-saving machines in FY2024.

We will continue endeavoring to stabilize quality and costs and to shorten delivery times so that we can more reliably serve customer needs.

Automation & Sensing

Priority business measures

Offering optimal solutions matching the era of IoT and Industry 4.0

Amid the decline in working population and spread of IoT, demand is rising for products that support remote monitoring/operation and play a key role in streamlining and automating work processes. We offer a diverse product lineup that serves those needs.

Our extensive array of solutions can help customers to streamline and automate their manufacturing operations. Examples include programmable logic controllers (PLCs) for controlling machinery and production lines, sensors that detect objects or changes in conditions, as well as code readers, RFID systems, and other automatic identification devices that answer the growing demand for traceability.

Examples of leveraging IoT to solve customer challenges

We provide diverse applications that help customers to tackle their challenges

Safety and efficiency at construction sites are improved by monitoring of local weather data and measurement data (Sokusyou Niigata Co., Ltd.).



Measurement of environmental conditions at construction site

Production line availability and workload are improved by full-time monitoring of molten aluminum holding furnace conditions and monitoring of energy consumption (SHIZUOKA GAS ENGINEERING Co., Ltd.).



Molten aluminum holding furnace monitoring system

Maintenance workload is reduced through control of stirring engine used for biomass power generation, and through creation of a remote monitoring system with a simple device configuration (EcoSTAGE Co., Ltd.).



Control of biomass power generation



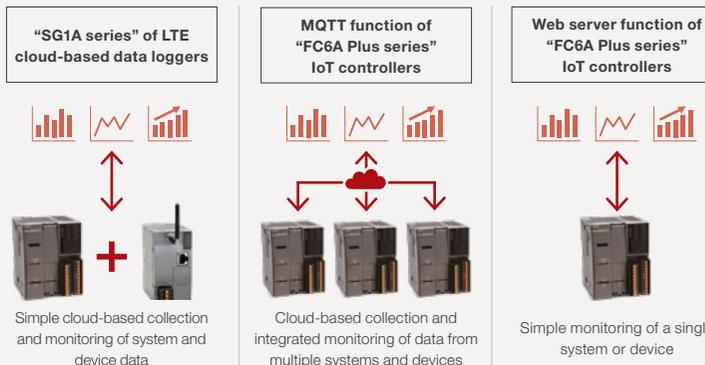
Broadening our sensor lineup to satisfy increasing demand

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 target objects.

Our "1A1M series" of Multi-use mmWave (millimeter wave) radar sensor was developed by IDEC ALPS Technologies Co., Ltd., our joint venture with ALPS ALPINE CO., LTD. These sensors, made possible by applying technologies cultivated in the consumer and automotive industries to industrial devices, are able to maintain superb object/distance detection performance in even adverse environments. They answer unmet market needs and help to resolve challenges faced by society.

Offering optimal solutions through IoT-supporting products and functions

We offer optimal solutions utilizing our "SG1A series" of cloud-based data loggers that make it easy to construct IoT systems, and our "FC6A Plus series" of PLCs that support MQTT and web server functions.



Manager's Message

Proactively leveraging digital tools for effective marketing activities

Linda Htay
Product Marketing Manager
IDEC CORPORATION (USA)

My goal is to bring high quality and innovative products to market. It is important to understand a new product offering, so that I can educate both internal and external stakeholders by outlining the products' unique value and providing hands-on training using real-world application examples.

Marketing in the digital age is an exciting challenge. As the internet and new media have added so many options to a marketer's toolbox, creating digital assets like whitepapers and product videos to generate many leads and opportunities is essential in marketing strategy.

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

Group company IDEC FACTORY SOLUTIONS CORPORATION leverages its core control technologies as a problem-solving system integrator. It engages in diverse systems businesses centered around IDEC's strong suit safety-related devices and safety systems. Examples include:

- Control systems business
- Automation business
- Library systems business



Renovated head office (top) and factory (bottom)

Designing/producing UL508A-certified control panels and providing machinery safety consulting to support machinery manufacturers supplying the North American market

IDEC FACTORY SOLUTIONS CORPORATION is a UL-certified manufacturer that designs and produces control panels compliant with UL508A, a US standard for industrial control panels. Its integrated system of customer support covers preliminary risk assessment, design, manufacturing, and delivery.

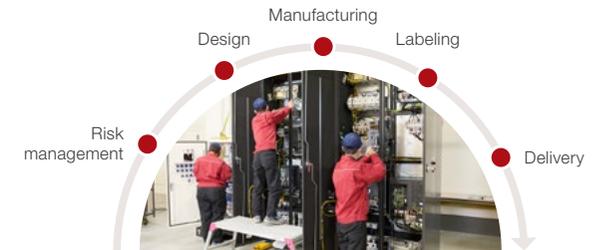
Growing demand for products such as EVs and semiconductors is driving greater investment in factory construction and other fixed capital in North America. This has expanded the need for factory solutions that provide a high level of safety compliant with UL standards. IDEC FACTORY SOLUTIONS' safety professionals—all certified safety assessors—answer that need by using their knowledge and expertise in machine safety to formulate solutions and provide consulting, starting from the conceptual stage.

Sticker indicating UL-listed products

A "UL Listed" sticker is affixed to a control panel certified by a Nationally Recognized Testing Laboratory (a third-party testing organization recognized by the US Occupational Safety and Health Administration).



Integrated system of customer support



Proposing robot systems anticipating a future society where humans and robots collaborate



AMR use cases

There is a rising need for solutions that improve productivity by utilizing automation in ways that achieve greater value added—such as automating conveyance processes at factories by using AMRs and automatically linking them with the production systems. IDEC FACTORY SOLUTIONS offers total systems that expand the value added of AMRs. To do this, it visualizes customer needs through simulations performed at the conceptual stage, originally develops customized top modules (conveyors, lifters, etc.), and adds features such as automatic linkage with elevators.

Using digital technology to visualize issues, and stepping up system efficiency solutions



The food industry faces two key issues that impact society—labor shortages and food waste/loss. IDEC FACTORY SOLUTIONS provides the industry with system solutions that support the construction of new factories and adoption of new technologies.

The company is also stepping up its offerings of factory digitalization solutions to the factory automation industry. These solutions respond to the need for greater production efficiency through equipment status monitoring, predictive maintenance systems, and visualization of the entire production line.



Team Member's Message

Earning strong trust with superb electrical equipment technology and consulting

Katsunori Oda

Sales Development Team,
Control Systems Division
IDEC FACTORY SOLUTIONS CORPORATION

Our expertise in control panel design and production enabled our company to become certified as a UL508A control panel manufacturer. This dramatically increased the number of consultations we receive from Japanese manufacturers that supply machinery to the US market. Machinery designed for use in the US has to meet steep electrical requirements, including high short circuit current ratings, and it's difficult to do that with conventional Japanese design theory. Our extensive know-how in electrical design and ability to provide consultation on machine safety compliant with ANSI/NFPA 79* has earned strong trust from many clients.

* US Electrical Standard for Industrial Machinery, written by the American National Standards Institute (ANSI)

Foundation For Value Creation

- 34 Financial Capital
- 36 Manufacturing Capital
- 37 Intellectual Capital
- 40 Human Capital
- 45 Natural Capital
- 50 Social Relationship Capital
- 51 Value Provided to Stakeholders





The foundation for sustainable growth

The IDEC Group generates approximately 7 billion yen of cash through its operating activities. Cash created through global business activities is mainly used for investing in equipment/facilities, R&D, and human capital, and for providing returns to shareholders—all with the aim of achieving sustainable growth and increasing our corporate value.

For further information, please refer to the Investor relations of the IDEC website.

<https://us.idec.com/idec-us/en/USD/ir-en>



Related materialities



Productivity improvement



Business foundation

- **Contribute to improving the productivity and efficiency of our customers and society around the world by providing the IDEC Group's long-cultivated control technology, products, and system solutions that have been developed ever since its foundation.**
- **Promote decent work, as well as diversity & inclusion, to strengthen the company's human capital, in order to cultivate employees who will be able to innovate and create new value.**

Implementing a financial strategy aimed at improving profitability and capital efficiency

Improve profitability	Boost operating income margin even higher through diverse reforms
Improve capital efficiency	Increase capital efficiency and secure ROE/ROIC at 10% or higher

We have defined ROE and ROIC as indicators for actions aimed at increasing our corporate value through the creation of returns exceeding capital costs. Our goal is to consistently maintain both at 10% or higher. In FY2023, we globally increased our

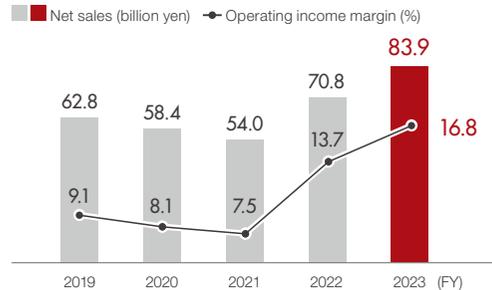
sales while also taking action to improve our operating income margin—a KPI of the medium-term management plan—by optimizing selling prices, lower our cost ratio by automating and streamlining production processes, and strengthen the quality of our management by appropriately controlling SG&A expenses.

Recognizing that further increases in ROE and ROIC required improvement of not only our profitability, but also our capital efficiency, we consolidated certain product offerings, identified unprofitable products, optimized fixed assets related to the global realignment of our operating sites, proactively expanded investments that set the stage for future reforms,

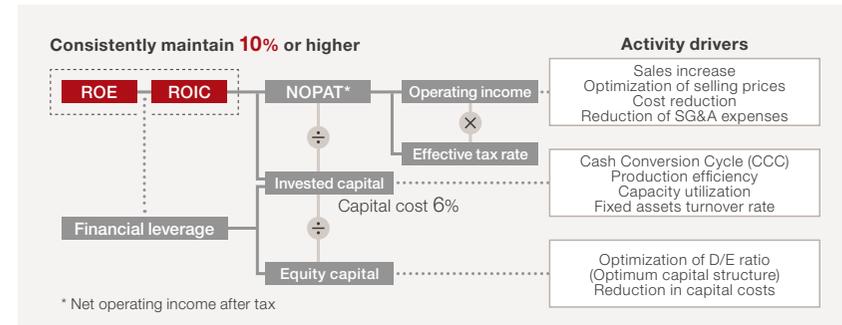
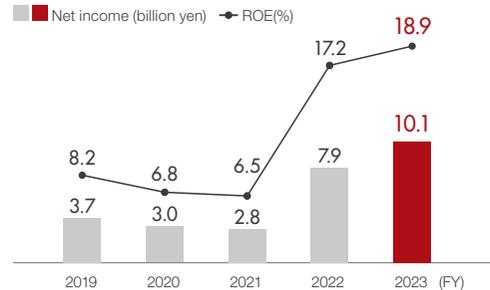
and aggressively managed our cash flows. As a result of these and other actions, we achieved ROE of 18.9% and ROIC of 12.5% in FY2023.

Going forward, we will continue working to improve the capital efficiency of working capital, production facilities, and so on to consistently exceed the expected capital cost (6%). We will also strive to further improve our profitability by reforming our global organization and creating an environment that enables us to radically cut costs.

Net sales and operating income margin



Net income and ROE



Shareholder return policy

Our operating cash flow has been trending upward over the long run, buoyed by sales growth in a robust operating environment and by improved business efficiency. We have been providing our shareholders with stable returns while securing the funds for the capex and R&D needed to strengthen our global competitiveness. Our payout ratio has remained at a high level of 30% to 50%, and was 37.3% for FY2023. We have also been agilely buying back shares depending on the going share price; in FY2022 we repurchased 1,000,000 of our shares, totaling 2.5 billion yen.

Looking ahead, we will continue to aggressively pursue the various investments needed to drive our medium- to long-range growth, while seeking to increase shareholder value by returning business profits to our shareholders.

Investment strategy for further growth

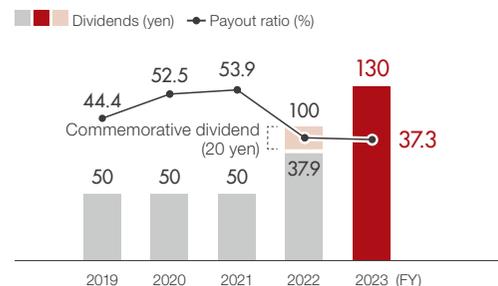
The IDEC Group is increasing growth investments to accelerate its future global business expansion. We are also exploring M&A and alliance opportunities in mainly domains and regions where we can achieve synergies with our existing businesses: HMI and safety, where we can make the most of our strengths; the high growth potential AGV/AMR industry; and software and engineering for supporting the strengthening of our solutions business. We will also invest in human capital by recruiting and training DX talent for leading our transformation and people with the high-level specialized knowledge needed to develop the optimal solutions for each customer's challenges, and by increasing our spending on training for all employees. As for investments in sustainability, we will consider possibilities for installing solar generators at our offices and factories around

the world, increasing the portfolio share of eco-friendly products that help to reduce environmental impact, and pursuing applied research on environmentally sound materials.

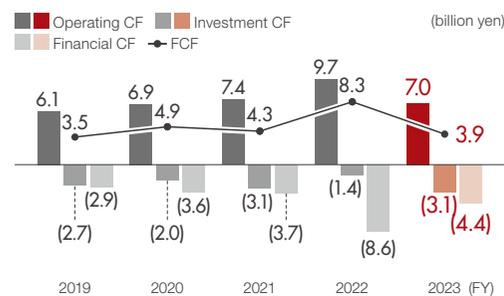
As for capex, we will continue to invest in ongoing initiatives for optimizing our global sites, introducing automation/labor-saving equipment, developing IT infrastructure, and making other improvements. In addition, we will advance our DX, including by globally deploying the ERP and SCP systems that are essential for improving efficiency across our Group and realizing globally integrated supply chain management.

By expanding growth investments and shareholder returns from a long-range perspective, we will meet the expectations of our stakeholders.

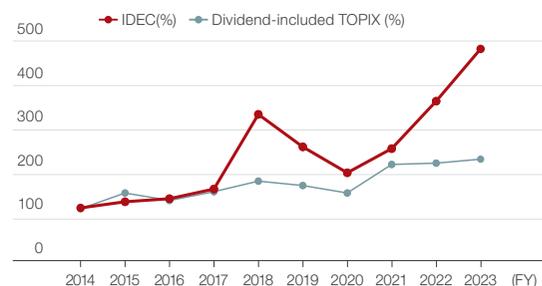
Annual dividend per share and payout ratio



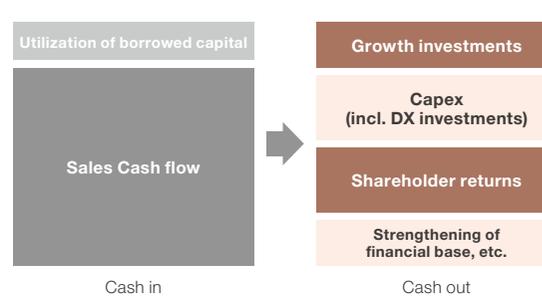
Cash flows



Total shareholder return



Capital allocation (FY2025)



Aggressive investment aimed for medium to long-term growth

Issues	Medium-term management plan
Growth investments	<ul style="list-style-type: none"> Investment in M&A and alliances <ul style="list-style-type: none"> M&A and alliances for enhancing the safety business, AGV industries, software, and engineering field Strengthen partnerships in China and India Investment in new products <ul style="list-style-type: none"> Proactively invest in the New HMI and safety businesses Investment in human resources <ul style="list-style-type: none"> Investment in expanded training spending and global talent development Investment in sustainability <ul style="list-style-type: none"> Consider installing solar generators, replacing air conditioning equipment with energy-saving models, developing eco-friendly products, and pursuing applied research on environmentally sound materials
Capex	<ul style="list-style-type: none"> Sites and equipment <ul style="list-style-type: none"> Increase manufacturing sites and introduce automation and labor-saving systems, optimize sites Investment in DX <ul style="list-style-type: none"> Upgrade ERP, introduce global SCP system, and develop talent management system
Shareholder returns	<ul style="list-style-type: none"> Measures for returns <ul style="list-style-type: none"> 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



Manufacturing technology organization leveraging insights and expertise accumulated over many years

We operate a Manufacturing Technology Department that designs and manufactures diverse production equipment used by Japan and overseas Group companies, including dies, jigs, and robot-supported automated assembly equipment. We constantly strives to improve our Group's production efficiency by leveraging manufacturing technology insights and expertise accumulated over more than 70 years.

Related materialities



Productivity improvement



Safety, ANSHIN, and well-being

Major sustainability KPIs (FY2025)

- **Contribute to improving the productivity and efficiency of our customers and society around the world by providing the IDEC Group's long-cultivated control technology, products, and system solutions that have been developed ever since its foundation.**
- **Improve safety, productivity, and well-being through technology development, human resource development, management, and rulemaking.**

- **Frequency rate of industrial accidents 0**
(IDEC unconsolidated)

Designing and manufacturing production equipment to improve our productivity

The Manufacturing Technology Department designs and manufactures a diverse array of production equipment that is used at our manufacturing sites both in Japan and overseas, strengthening product manufacturing and achieving ongoing improvements in productivity.

Precision machining and assembly technologies, including die technology, are the core of product manufacturing. Dies include both molding dies, into which molten plastic material and the like is poured and then cooled to solidify and form the products, and press dies that are used to shear and bend plate-like or tape-like metal materials. It is no exaggeration to say that these technologies determine the quality of products. Even maintenance is conducted in-house to maintain and improve product quality. Our production efficiency is enhanced by our technical expertise in die design and manufacture, assembly technologies enabling diverse assembly methods,

and concurrent coordination with product design departments.

In addition to dies, the Manufacturing Technology Department also manufactures in-house various other types of equipment used at our manufacturing sites. We are able to further improve the productivity of our Japanese and overseas factories by supplying them with customized production equipment. These are optimally selected combinations of manufacturing approaches that are tailored to the characteristics of each product group, such as production quantity and product shape. Moreover, the use of our own switches and safety-related products helps to ensure equipment safety.

We continuously make improvements through QC circle activities at our Japanese and overseas manufacturing sites, and through problem-solving reviews at our monthly corporate-wide quality meetings, with the aim of further increasing quality across our Group. We also provide Group employees with continuing training in quality and encourage them to acquire QC certification. As of April 30, 2023, the Quality Management and Quality Control Examination^{®*} certification has been acquired by 660 employees.

* The Quality Management and Quality Control Examination[®] is a registered trademark of the Japanese Standards Association.

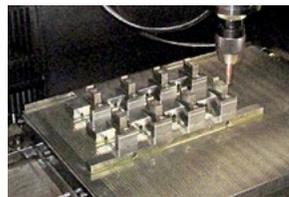


We are committed to improving the safety, ANSHIN, and well-being of people around the world through our manufacturing capabilities. We do this by using the HMI and safety insights we have amassed since our founding to provide high-quality, highly reliable products globally, enhance quality and production efficiency, and promote automation. We have also worked to reorganize our manufacturing sites and devise measures to strengthen production capacity. Going forward, however, we will place greater emphasis on strengthening our ability to transform ourselves so that our manufacturing operations can cope with the increasingly challenging changes in the manufacturing environment.

The Manufacturing Division is at a key turning point and faces a major transformation. To enable the IDEC Group to continue its sustainable growth in anticipation of its 100th anniversary, we will initiate further structural reforms for production and continue our thorough pursuit of improved quality, reduced production costs, and shorter delivery times.



Die manufacturing process



Molding die



Resin part molding line



Automated assembly line



Active promotion of international standardization activities

In industrial fields where new technological developments such as ICT and collaborative robots are advancing in addition to market globalization, realizing a safe working environment that leaves no one left behind has become a pressing societal concern. We make positive impacts toward the realization of a safety, ANSHIN, well-being, and sustainable society by solving societal challenges through the formation of social rules, including the development of human resources to support safety and international standardization activities.

Related materialities

Safety, ANSHIN, and well-being

- Realize the optimum environment for both humans and machines to resolve various societal challenges and make it possible to achieve healthy, happy, and vigorous lives.
- Improve safety, productivity, and well-being through technology development, human resource development, management, and rulemaking.

Major sustainability KPIs (FY2025)

- Cumulative attendees of safety & explosion protection seminars **5% increase from the previous year**
- Number of cumulative employees holding safety qualification **3% increase from the previous year**

Activities to ensure well-being beyond safety

Since our founding, IDEC has supplied society with a variety of products and services with control technology at its core as a company that develops and provides products that protect human life. In order to realize a society in which everyone can live healthy, happy, and full of life, it is important not only on the technical aspects to supply products with high performance, ease of use, and stable quality, but also on the management

level to commit to human resource training, to formulate and implement rules such as standards and norms, and to realize well-being.

For this reason, IDEC is reinforcing its intellectual capital by promoting various initiatives from the four aspects of Technology, People, Rulemaking, and Management.



Developing safety personnel

To ensure safety of manufacturing and safety promotions based on international safety standards, IDEC encourages employees to obtain safety qualifications and pays for the cost of taking examinations and renewing the certification.

As a result, we have the highest number of qualified person of Safety Lead Assessors in Japan, which is the highest level of personnel certification for machinery safety. We also encourage employees to obtain the Robot Safety Assessor certification, which certifies that they are qualified to possess basic robot safety knowledge, and the Safety Officer certification, which certifies management personnel for their knowledge of occupational safety management and their ability to perform it.

We provide safety consulting services that aim to achieve both safety and productivity, such as supporting risk assessments and proposing and developing risk reduction measures at industrial workplaces, utilizing our extensive experience in manufacturing and our advanced knowledge of safety.

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

Number of employees qualified as Safety Assessors, Safety Basic Assessors and Robot Safety Assessors

560
people

(As of April 2023)

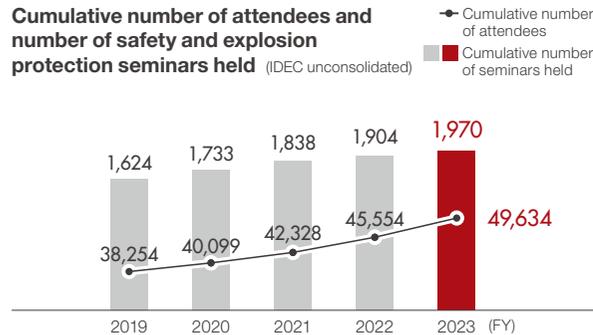
Qualifications of knowledge and competence in occupational safety management for administrative staff

Number of employees qualified as Safety Officers

113
people

In addition, various free safety seminars (online) from basic to advanced and practical are provided to help customers use safety-related products and explosion protection products properly.

Cumulative number of attendees and number of safety and explosion protection seminars held (IDEC unconsolidated)



In order to become a company that pursues and realizes the highest level of safety, ANSHIN, and well-being in the world, we provide safety training to all employees.

In FY2021, safety training was expanded to our group companies in Japan, and in FY2022, safety training was provided to executives at our Suzhou factory in China, one of our major overseas production sites. From FY2023 onward, we are expanding the scope of safety training to include executive employees at our factories in Thailand and Taiwan.

In the safety training, participants learn about IDEC's safety history (DNA), safety concepts, safety products, and the latest information such as Vision Zero and Collaborative Safety / Safety2.0", and also take a comprehension test after the training to consolidate their knowledge.

The IDEC Group's safety training plan



Resolving societal challenges through social rulemaking

IDEC has been involved in the formation of social rules through active participation in international standardization activities.

From the 1960s to the 1990s, IDEC expanded its market mainly by utilizing existing rules, but since the 1990s, IDEC has actively participated in technical committees of IEC (International Electrotechnical Commission) and ISO (International Organization for Standardization), proposing and promoting international safety standards in response to new technological developments in the global society. IDEC itself has been active in shaping the rules by proposing and promoting the development of international safety standards in response to new technological developments in the global community. And since 2017, by focusing on activities to create rules based on new ideas such as Vision Zero and well-being, we aim to achieve our Purpose: "to create the optimal environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world."

International standardization activities are defined in the following three categories, and we have established a dedicated unit, the International Standardization and Collaborative Safety Department, within our headquarters to promote a variety of activities.

Among the three categories, we are particularly focusing on "creative" and "proactive" international standardization activities, which we advocate to the world with Japanese leadership. We are also aiming for further growth of our business through continuous human resource development through on-the-job training.

Types of international standardization activities in IDEC

Strategic creation approach	Activities to create new rules and mechanisms such as international standards and certifications for people, products, and services.
Strategic proactivity approach	Activities to take the initiative in changing or revising existing international standards in order to gain an advantage in certification, or to utilize revised information on international standards obtained proactively and ahead of other companies for business purposes.
Passive reaction approach	Activities conducted when necessary, such as checking conformity with laws and regulations and published international standards and certification-related work, in order to conduct market research and determine specifications for new development, renewal development, and design modification of existing product groups.

Examples of specific activities

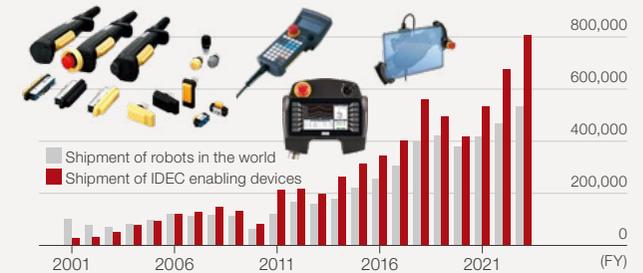
IEC standardization activities

At the Advisory Committee on Safety (IEC ACOS), one of the six technical advisory committees of the IEC, a Japanese representative expert from IDEC introduced "Collaborative Safety / Safety2.0" and proposed the need to develop an IEC Guide on Collaborative Safety. As a result, the development of the IEC Guide was approved in 2022, and it is expected to be officially published in the near future after voting by each national committee of IEC member body.

In addition to the above, IDEC has registered as an expert in various international standardization committees, including the control switch working group, and has participated in the development of international standards.

Through these activities, IDEC has made significant contributions to the development of standards for 3-position enabling devices, which have a global market share of over 90%, and to the revision of standards for emergency-stop switches. Cumulative shipments of enabling devices exceeded 6.3 million units by FY2023, contributing to improved safety, ANSHIN, and well-being not only at manufacturing sites but also at a wide range of sites in the construction industry and other various industries.

Global robot and enabling device shipments (FY2001 - 2023)



ISO standardization activities

IDEC has been participating in the working group for the technical committee on robot safety to develop the ISO 10218 series of international standards relating to the safety of various industrial robots including collaborative robots, robot cells and their systems.

Due to the expansion of the automotive and semiconductor industries, the automation of manufacturing and the increase in processes requiring the substitution of human labor because of the decrease in working population, the use of industrial robots is increasing worldwide. In line with this, there is a need for HMI and safety-related products to ensure the safety of operations that involve both humans and robots.

IDEC contributes to the development and revision of standards with the product and safety knowledge it has accumulated through the supply of various HMI and safety-related products that are effective in safety, ANSHIN, and well-being.



Senior Executive Officer
Management of Technology

Toshihiro Fujita

Column

IDEC had a bitter experience of losing market share because the international standard for switches, one of its main products, was created at the initiative of foreign countries, and the typical Japanese round hole for panel mounting of switches at that time was out of the standard. From this experience, Dr. Toshihiro Fujita, Senior Executive Officer, realized the importance of participating international standardization activities from Japan, and has been making efforts to lead international standardization activities in Japan by visiting and interacting with many European and US companies, standardization organizations, and certification bodies.

In order to promote international standardization activities originating in Japan, he has proposed and implemented the establishment of Japan Certification Corporation (JC), the Fine Bubble Industry Association (FBIA), and the Institute of Global Safety Promotion (IGSAP), and actively promoted new international standardization and rulemaking with the support of the Ministry of Economy, Trade and Industry (METI).

In 2022, he received the Prime Minister's Commendation for Industrial Standardization from the METI for his significant contribution to international standardization activities in Japan. The following is an overview of the main activities of the project to this point.



Contributing to well-being that goes beyond safety, for workplaces in the age of human-machine collaboration

Contributing to the improvement of safety at work in a wide variety of applications, including industrial robots

IDEC has developed a 3-position enabling device that improves the safety of industrial robots, one of the key industries in which Japanese companies hold 60% of the global market share, and Dr. Fujita contributed to the development of the IEC standard for the 3-position enabling device in 2006. The devices have been widely used not only in Japan but also by overseas manufacturers for safety operations of the robot, and currently their global market share is more than 90%.

Under his leadership, we led the revision of the standard to include examples of application as safety devices not only for conventional robot teaching devices, but also for machine tools, construction machinery and others in 2020. This revision has shown the devices to be effective in many new fields, such as in many types of equipment and construction sites, and has contributed to ensuring worker safety in a variety of workplaces where people and machinery coexist.

Advocating Collaborative Safety / Safety2.0, a next-generation safety concept originating in Japan, and announcing it globally

Based on Dr. Fujita's vision, IGSAP was established to promote from Japan the concept of Collaborative Safety / Safety2.0, which aims to achieve both safety and productivity by sharing information between human, machines, and the environment using ICT, rather than isolating human and machines. IGSAP is actively promoting international standardization activities related to safety.

After 2020, Dr. Fujita has served as one of the six members of the Vision Zero Task Group of the Global Coalition for Safety and Health at Work, which is led by the International Labor Organization (ILO), a specialized agency of the United Nations. As the only representative from Asia, he is participating in the safety, health, and well-being rulemaking activities.

He was appointed as the person in charge of promoting the Vision Zero



Summit Japan 2022 and contributed to the compilation of the Tokyo Declaration on Vision Zero for All, the basis for the new manifesto, which includes collaborative safety, at the time of the summit in May.



Promoting activities for the establishment of a personnel qualification certification system for machinery safety and its international standardization

With the support and guidance of the METI at a project of the Nippon Electric Control Equipment Industries Association (NECA), Dr. Fujita proposed and developed the Safety Assessor (SA) program, which aims to train and certify personnel who can safely design and operate machinery, and contributed to establish this system.

In 2003, related industrial association standards (NECA standards) were established and the JC was founded with the aim of becoming a global certification body originating from Japan and began operating the SA program in 2004, while promoting it globally. As a result of adoption by the Official Development Assistance (ODA) program, etc., more than 25,000 persons have been qualified under the SA program in Japan and other countries, including in seven

countries in Asia, contributing to ensure safety at manufacturing sites both at home and abroad.

At IGSAP, in addition to the existing SA program for engineers, a new Safety Officer (SO) program for managers has been established. Adoption of this program in Japan and other countries has helped to further reduce accidents.

Promoting the international standardization of 'fine bubbles*' from Japan

With the support of the METI, he established the FBIA as a standardization organization and proposed to ISO to establish ISO/TC 281 (fine bubble technology), in order to make fine bubble technology a Japanese industry and create new markets. He led the publication of 15 Japanese-proposed international standards on definitions, measurements and applications.

In Japan, he has also established a certification system that goes hand in hand with standardization, achieving 31 certifications at the end of FY2022, and has contributed significantly to the creation and growth of the fine bubble industry by improving social recognition of fine bubbles and creating an international standards scheme for fine bubbles at the initiative of Japan.

* Fine bubbles are bubbles smaller than 100 μm (= 0.1 mm) in diameter and are expected to be used in a variety of industries.



New ideas created from the diversity in human resources

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.

For further information, please refer to the “Social” of the IDEC sustainability website.

<https://us.idec.com/idec-us/en/USD/sustainability/social>



Related materialities

Business foundation

- Ensure a thorough understanding of “The IDEC Way” and stimulate the company by creating an attractive work environment that gives employees a sense of purpose.
- Promote decent work, as well as diversity & inclusion, to strengthen the company’s human capital, in order to cultivate employees who will be able to innovate and create new value.

Major sustainability KPIs (FY2025)

- Engagement score (Japan) **Improvement in the scores for 3 main issues (as compared to FY2023)*1**
- Number of female managers **15%*2**
- Ratio of males taking childcare leave **90%*2**

*1 Main issues: (1) human resource development, (2) strengthening of management abilities, and (3) improvement of the acceptability of human resource systems

*2 IDEC unconsolidated

Human resource strategies

IDEC has established “Business foundation: Establish a management structure that promotes value creation, foster an organizational climate and develop human resources” as one of its four materiality goals. Corporate revitalization and strengthening human capital will be indispensable in order to achieve sustainable growth and increase our corporate value. Accordingly, we are carrying out various initiatives to this end based on the vision we established for 2030, and in coordination with the policies in the medium-term management plan and the sustainability KPIs.

We have conducted an employee engagement survey since 2019, and have made the resulting “Engagement score” one of our sustainability KPIs. We are working to improve engagement by determining the current situation and the issues to be resolved and then implementing measures centering on priority issues. In addition, initiatives to promote decent work as well as diversity & inclusion will be essential to further expand our business activities globally. We will focus our efforts on hiring global talent and increasing the proportion of female managers to ensure human resource diversity.

We have defined filling important positions and conducting leadership training as medium to long-term human resource strategies. We will systematically select and train candidates to become the next-generation of managers as part of our efforts to achieve sustainable growth for all Group companies.

Governance

In FY2023, a new Strategic Planning Division was established as an organization under the direct control of representative directors to work together to draft management strategies and personnel strategies. The new division, working in coordination with related departments, leads the formulation of long-term visions, medium-term management plans, sustainability KPIs, management and personnel strategies, and the managing of our management resources. Critical matters are referred to the Top Management Meeting, whose policy decisions are reported to the Board of Directors.

In addition, a new Decent Work Promotion Subcommittee was established in 2022 as a specialist subcommittee of the Company-Wide Health & Safety Committee. The subcommittee works to create a rewarding workplace environment and increase employee satisfaction in order to achieve employee well-being.



Strategies

Human resource development policy In-house environment improvement policy

The IDEC Group has established the following as its main purpose: “Create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world.” This main purpose and the company’s vision (Pioneer the new norm for a safer and sustainable world) constitute “The IDEC Way.” The goal of “The IDEC Way” is to realize a safer and more sustainable society that brings happiness and ANSHIN to all people.

To achieve the vision of the IDEC Group, we will further expand our activities on a global scale and strive to contribute to the resolution of various societal challenges through our business activities. To this end, we have made it a priority to hire and train personnel with diverse strengths who are able to manifest their capabilities and their passion and open the way to the future to become the leaders of the next-generation. We will continue to actively promote diversity & inclusion and carry out a variety of human resource development policies.

We will also protect the safety and mental and physical health of our employees, and will strive to ensure a healthy working environment that is free from discrimination.

Strengthening of human resource management systems

We have introduced a personnel system that is based on our human resource development policy and employee engagement surveys. We also conduct multifaceted evaluations and work to improve our training systems to strengthen human resource development. In addition, we created the Career Development Meeting as a mechanism for considering the development of each and every employee.

• New personnel system

A new personnel system was introduced in 2022 based on issues with personnel-related systems (relating to evaluations, pay, bonuses, promotions, etc.) that were identified in the first employee engagement survey, conducted in 2019.

Under the new personnel system, multiple career tracks were created to accommodate diverse career aspirations and provide opportunities for individuals to realize their particular preferences and strengths. The new personnel system also increases transparency with regard to “objective management (evaluations)” and “remuneration” and ensures fair assessment and treatment of desired roles, actions, and job performance.

• Multifaceted evaluation system

In FY2023, a new multifaceted evaluation system was introduced in an effort to enable employees to realize things about their daily work behavior and job performance, in order to change self-awareness and bring about a change in behavior.

• Career Development Meeting

Beginning in FY2023, we have held a Career Development Meeting as a new initiative to support employee growth and place the right people in the right jobs within the organization. At the Meeting, the department heads within each division gather to share and clarify issues relating to developing member capabilities and so on, study the allocation of roles, and consider employee training plans including future promotion.

Attendees also share feedback from group analysis of stress check data, and trends and opinions relating to self-reporting, in order to help to improve the working environment.

• Training programs

The IDEC Group has created various training programs to develop employees through investment in human resources, in order to resolve various societal challenges and achieve customer success. In addition to organized in-house and outside training

programs and career advancement support programs, we have also introduced an overseas training program for young employees to develop personnel who can succeed in the global arena.

Moreover, to achieve sustainable growth for the IDEC Group as a whole, we have also introduced a selective training program for early training of the next-generation managerial candidates who will lead our Group in the future.

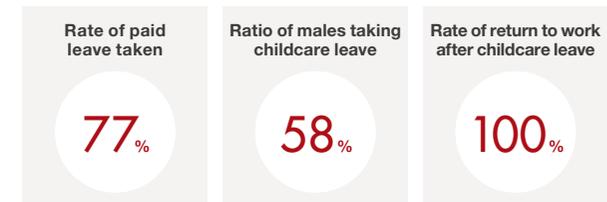
Promoting decent work

We have implemented various workstyle transformation initiatives, such as increasing work efficiency through DX, building an IT infrastructure that includes telephones, etc., introducing a planned paid holiday program, and encouraging male employees to take childcare leave. To enable more flexible working styles, we have launched discretionary work and we are currently reassessing flex-time systems, existing work-from-home programs and special leave systems.

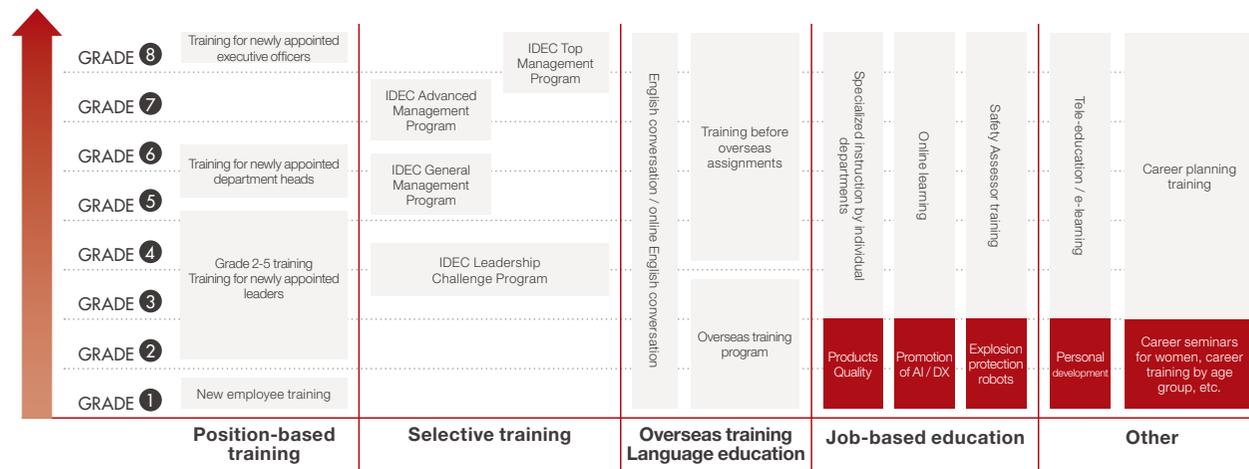
Moreover, in FY2023 we established a Decent Work Promotion Subcommittee to strive to create a rewarding workplace environment where employees can work with ANSHIN in order to increase employee satisfaction and achieve employee well-being. The following objectives have been established and cross-departmental information sharing and company-wide policies are currently being studied.

- Optimization of working time management
- Support for balancing career and family
- Achievement of flexible work styles
- Support for empowering women

Through coordination by relevant departments beginning with the Decent Work Promotion Subcommittee, IDEC will work to create a work environment that is rewarding for all employees.



FY2023 IDEC unconsolidated

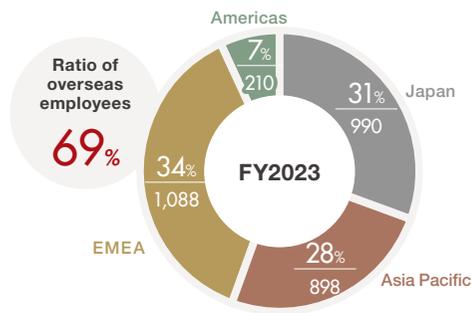


Training programs

IDEC diversity & inclusion

We carry out diversity & inclusion initiatives and strive to improve our support systems and create an environment in which diverse employees with different experiences, specialist knowledge, and expertise can be active while respecting one another's humanity, without regard to gender, sexual orientation, gender identity, nationality, social status, family origin, religion, etc.

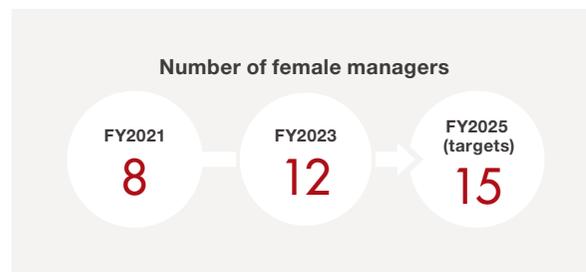
Employee composition by region



• Cultivation and promotion of female managers

We promote the empowerment of women as part of our commitment to creating an environment and culture that enable diverse human resources to take on challenges.

We have set a goal of having at least 15 female managers at IDEC unconsolidated by the end of FY2025. We also conduct awareness-raising training for senior managers—who are the key to promoting women's empowerment—and career training for all female employees. The ratio of female managers on a consolidated basis was 23.2% in FY2023.



IDEC unconsolidated (including assistant managers with subordinates)

• Recruitment and promotion of foreign nationals

As of the end of FY2023, IDEC unconsolidated had 63 employees who were foreign nationals, including two executive officers and two department heads. IDEC hires personnel without regard to nationality, and foreign nationals are working in many different departments.

We are also making an effort to improve the environment for foreign nationals, such as translating the minutes of major meetings into multiple languages.

• Recruitment and promotion of mid-career personnel

Our recruitment of mid-career talent actively strives to hire people with highly specialized capabilities. In the three years from FY2021 through FY2023, IDEC unconsolidated hired a total of 57 mid-career individuals, of whom 16 were managerial hires.

Moreover, we actively promote the hiring and training of people experienced in DX and AI who can lead business innovation, as well as people with highly specialized knowledge who can be entrusted with engineering sales and new product development and so on and can propose ideal solutions to resolve customer issues.

We will continue to actively recruit mid-career personnel with the specialist capabilities and knowledge needed to strengthen our business.

• Creating employment and involvement opportunities for disabled persons

We have employed the Special Provisions for Corporate Groups since FY2022. As of the end of FY2023, there were 41 disabled persons (converted value 50 persons) employed by the IDEC Group in Japan, an employment rate of 3.0%.

Through regular interviews with employees with disabilities, we check on their work situation and strive to improve the working environment in an effort to maintain an employment rate that is above the legally mandated employment rate.



Regular interviews

• Understanding of and support for LGBTQ+

In FY2022, we began in-house education relating to LGBTQ+ issues to establish a workplace environment that enables all people to work with energy and enthusiasm. We conduct training for people who serve as in-house consultation contacts and post specific information on the company intranet regarding basic responses to persons coming so it can be read by all employees in order to deepen understanding of LGBTQ+ issues.

We will continue to work to create an environment in which employee identities are not compromised.



Intranet for LGBTQ+ issues

Manager's Message

Implementing operational reforms to promote personnel policy that reflects the changing times

Huang Wei

Manager
Personnel Administration Department
IDEC (SHANGHAI) CORPORATION



I joined IDEC because I was attracted to the company's challenging spirit of "opening up a new field." I have led a variety of operational reforms that include establishing the foundation for various personnel systems, integrating Chinese sales companies, redesigning organizations, and introducing personnel training programs from a medium to long-term perspective.

I am working to ensure that personnel policy reflects the changing times, with the aim of utilizing the special attributes of IDEC (SHANGHAI) CORPORATION, which has sales offices across the country, in order to succeed in the Chinese market, where the competition to attract talented personnel is fierce.

Maintaining employee health and establishing a culture of safety

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 carry out health initiatives. The first step for better well-being is to ensure the safety and health of employees. We are taking action to eliminate or prevent the causes of injuries, diseases, and other dangers in the workplace.

In 2019, we constructed a Well-being Center at the head office in order to promote employee health. Featuring facilities such as a fitness gym and a Healthcare Center, it has a staff of dedicated occupational physicians and full-time occupational health nurses who help employees to manage their health. An in-house corporate clinic was added to it in 2022 in keeping with our aim to ensure the mental and physical well-being of all employees.



In-house corporate clinic

Fitness gym in the Well-being Center

• Active promotion of health and safety at manufacturing sites

With the goal of becoming world's most committed company to pursuing and achieving safety, ANSHIN, and well-being, in 2018 IDEC became the first Japanese company to support and register for the Vision Zero campaign for occupational health and safety, and established a dedicated department to promote Vision Zero. Diverse initiatives are also carried out by our Safety Promotion Committee and Quality Management Committee, which are specialist committees of the CSR Committee.

In 2019, the Takino factory became our first worksite to acquire certification under ISO 45001, an international standard for occupational health and safety management systems. Subsequently, in 2022, all of our distribution and manufacturing sites in Japan—Tatsuno Distribution Center and the four factories in Takino, Fukusaki, Amagasaki, and Kiba—acquired ISO 45001 certification, as did the Suzhou

factory in FY2023. In the future, they are expected to be joined by the factories in Taiwan and Thailand.

Each site endeavors to further develop a safe and comfortable workplace through activities such as conducting cross-functional risk assessments and having employees report issues they notice as a step toward improving the working environment and preventing occupational accidents. The sites also proactively provide training designed to equip employees with the knowledge and technology they need to strongly promote workplace safety and peace of mind. In recognition of these efforts, the Japan Industrial Safety and Health Association honored IDEC in 2022 with its Chairperson's Prize, which is awarded to only one company each year. We helped lead the 2022 Vision Zero Summit Japan as a partner company, communicating to the world our various initiatives for realizing a world where people can work safely and healthily, including our global actions for promoting preventive culture.

A book published by Nikkei Business Publications in May 2023 spotlighted our safety culture best practices alongside those of renowned global companies such as L'Oréal, Nike, and BMW, further cementing our reputation as a company committed to global promotion of well-being. Going forward, we will continue to pursue well-being technologies that maximize human potential.



Nikkei BP publishing

• Activities of the Company-Wide Health & Safety Committee

A Company-Wide Health & Safety Committee has been established to oversee the health and safety organizations at each site. The Committee works across our Group to prevent industrial accidents, improve employee health, and create a pleasant work environment. It also serves as a forum for activities such as discussing issues and solutions relating to labor, health, and safety and sharing information throughout the organization.

Four specialist subcommittees have been established under it for four areas: traffic safety, health promotion, equipment safety, and decent work. These subcommittees work to identify company-wide issues and discuss solutions to them, among other activities.

Compliance

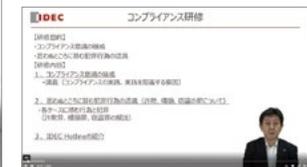
The IDEC Group Code of Conduct—our basic action guidelines for conducting our duties—have been published in Japan and overseas.

It is positioned under the Group philosophy “The IDEC Way,” and the actions that employees should take are consolidated in the three pillars of Workplace, Social, and Business to make it easy to communicate in all countries and regions where we operate. The Code of Conduct is available to Group employees via the corporate intranet in Japanese, English, Chinese, French, Thai, Vietnamese, and Khmer.

Compliance training consisting of training to ensure an understanding of the Code of Conduct and case study research based on examples of compliance violations is conducted on an ongoing basis within position-based training. Moreover, audits to determine whether there have been any compliance violations are conducted as part of internal audits. We are fully aware of the risk of compliance violations and failing to realize the importance of maintaining compliance.



IDEC Group Code of Conduct



Compliance training

Respect for human rights

We have maintained “Management with respect for humanity” as one of our principles ever since our founding. We have upheld a commitment to human rights in our business activities as a fundamental principle to help advance sustainable social development, while ensuring that everyone involved with the IDEC Group has a strong awareness of the importance of human rights.

We have established the IDEC Group Code of Conduct to define specific guidelines for behavior based on “The IDEC Way.” With regard to behavior in relation to human rights and the work environment, the Code of Conduct establishes behavioral guidelines to ensure respect for humanity, such as not discriminating based on gender, nationality, social status, family origin, religion, etc. We also support and respect international norms relating to human rights, such as the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization. IDEC is also a signatory to the UN Global Compact and supports its ten principles.

Our Board of Directors is responsible for supervising compliance with regard to the commitment to human rights issues and related activities. Based on its fundamental policy on human rights, the IDEC Group will continue taking action to ensure respect for human rights on the part of all employees and stakeholders.

In addition, we are currently studying the implementation of human rights due diligence.

[Click here for Detailed Human-Rights Policy](#)

Increased employee engagement

In 2019, we conducted our first employee engagement survey to increase trust between the company and employees and boost overall employee motivation. Various initiatives have been implemented based on the issues revealed by the results of the first survey.

The second employee engagement survey was conducted in October 2022. The results showed certain positive effects of the measures that had been implemented, with improvements

Results of engagement survey

Item	2019 score	2022 score
Total Workplace Attractiveness	3.12	↑ 3.16
Total Employer Attractiveness	3.01	↑ 3.12

including higher scores for the overall indicators “Total Workplace Attractiveness” and “Total Employer Attractiveness.” However, improvements are still needed for many items, and a company-wide effort will be mounted to implement corrective action for the results of the second survey.

Also, a new Employee Awards Program was introduced in FY2024. In addition to award categories established for specific areas, award categories for employees who embody the Group’s philosophy and exemplary employees who have taken action in line with the IDEC Principles—which are based on our Core Values and represent the concrete thinking and conduct that employees should remain mindful of as they perform their duties—have also been established in an effort to ensure that all employees understand the Group’s philosophy.

In this way, various policies are being implemented to improve employee engagement.

Risk management

In materiality analysis, the risks and opportunities relating to human capital are mapped on the twin axes of stakeholder importance and business activity importance, and the risks associated with human capital as a “Business foundation” are integrated with the IDEC Group risk map and managed.

Critical risk items are assessed and managed by the Risk Management Committee, and the risks and opportunities relating to human capital are reassessed annually at the Strategic Planning Division. [P.66](#)

Metrics and targets

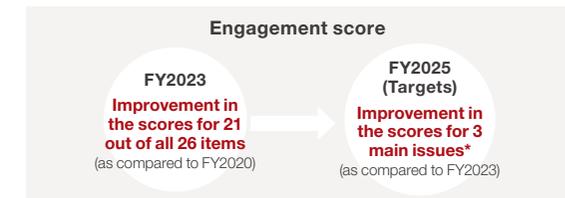
The IDEC Group has made “Establish a management structure that promotes value creation, foster an organizational climate and develop human resources” one of its materiality goals, and has defined its vision for 2030. [P.15](#)

In order to achieve this vision, we have established

sustainability KPIs for activities in the areas of “Create a pleasant workplace environment” and “Promote decent work and increase investment in human capital,” and we are implementing initiatives to achieve these goals.

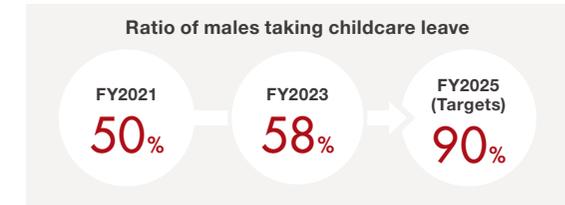
• Create a pleasant work environment

Japan



Main issues: (1) human resource development, (2) strengthening of management abilities, and (3) improvement of the acceptability of human resource systems

IDEC unconsolidated



• Investment in human capital

IDEC unconsolidated





Realize a sustainable society

Regarding the relationship between the global environment and corporate management, the IDEC Group recognizes that all humans desire to exist in harmony with the planet, and therefore the company's basic environmental policy is to act to preserve the environment as the most important issue for all business activities, and to strive to achieve sustainable development.

For further information, please refer to the "Environment" of the IDEC sustainability website.

<https://us.idec.com/idec-us/en/USD/sustainability/environment>



Related materialities



- **Contribute to the reduction of the environmental impact of customers and society through the use of the IDEC Group's technologies and products.**
- **Reduce CO₂ emissions through the in-house use of renewable energy.**

Major sustainability KPIs (FY2025)

- **Renewable energy utilization ratio 18%**
- **Reduction of CO₂ emissions 24%** (vs. FY2020)
- **Reduction of industrial wastes 24%** (vs. FY2020)
- **Cumulative ratio of enhanced eco-friendly products to total new products 60% or higher** (vs. FY2020)

The environmental management of the IDEC Group

The IDEC Group has formulated its long-term vision for 2050 and interim vision for 2030. As a global corporation, the Group aims to achieve sustainable growth while tackling societal challenges that include measures to deal with global warming and climate change.

Actions to ensure sustainability, in particular initiatives for climate change, are essential for companies from the standpoint of both responding to increased social needs and preserving the global environment. Moreover, in the effort to achieve sustainable growth, environmental strategies are an important part of the Group's business strategy, and therefore an environmental response is viewed as a transition opportunity. We will implement strategies for helping to achieve our Group's main purpose of ensuring safety, ANSHIN, and well-being for people around the world, through the development of eco-friendly products, environmental energy business, and other activities.

Specifically, "Promotion of initiatives to reduce environmental impact" are included as one item in the basic strategy outlined in the medium-term management plan. We have established sustainability KPIs and are pursuing an action plan that reflects our transition opportunities toward the achievement of the goal.

Beginning with what can be achieved right now, we are addressing to achieve carbon neutrality in order to realize our vision for 2050.

Development of eco-friendly products and equipment investment

We have established "The Procedure Manual for the Development of Eco-Friendly Products" and are developing products with the aim of achieving energy-saving, resource-saving and decarbonization from the design stage onward. We are reducing the number of parts used, making products more lightweight, phasing in the use of recycled plastics, and calculating a life cycle assessment (LCA) and carbon footprint (CFP) for major products. In addition, we score the degree of environmental consideration of new products based on the IDEC's own standards. New products that meet the standards are certified as "enhanced eco-friendly products" and are stamped with the IDEC's original eco-mark, compliant with ISO/JIS Q 14021 (Type II). The cumulative ratio of enhanced eco-friendly products launched since FY2020 was 74.1% as of FY2023.

Moreover, as a framework of promoting investments in environmentally conscious development, we introduced internal carbon pricing (ICP) in FY2023. In the initial year and FY2024, the ICP was set at JPY 6,000 and 8,000, respectively, and the price will be reassessed each year.

To ensure that the ICP concept is thoroughly disseminated within the company, the Environmental Strategy Committee has selected model cases and is calculating CO₂ emissions reduction amount and studying the impact on return on investment after applying ICP. As examples of studying, we are conducting simulations on the introduction of new energy-saving manufacturing equipment, investment in the development of eco-friendly products with a lower environmental impact than existing products, the installation of energy-saving air conditioning equipment, and replacement of gasoline vehicles with electric ones.

Examples of enhanced eco-friendly products

<p>φ22 Smart RFID Reader "KW2D series"</p> <p>KW2D has a compact and smart design ideal for factory automation environments, and it can be mounted on φ22mm panel cut-out. Data can be recorded as electronic data by combining with a touch panel, which contributes to saving resources such as paperless.</p>	<p>Surface mount terminal block "BTBH-H series"</p> <p>Easily assemble the required number of terminal blocks without tools. No connecting rod required, which achieved the reduction of the number of parts, and eco-friendly product.</p>
<p>Resource-saving / Space-saving / Reduce man-hours</p>	<p>Resource-saving / Weight-saving / Reduce man-hours</p>
<p>Effects</p> <p>Space-saving (total height of panel 9mm, depth 48.5mm)</p>	<p>Effects</p> <p>Reduce the number of parts (non-use of screws) / Decrease the installed height by 7mm compared to conventional products</p>

Expanded adoption of self-consumption 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) operated one additional power generation facility in FY2023, and is planning to operate three new facilities in FY2024.

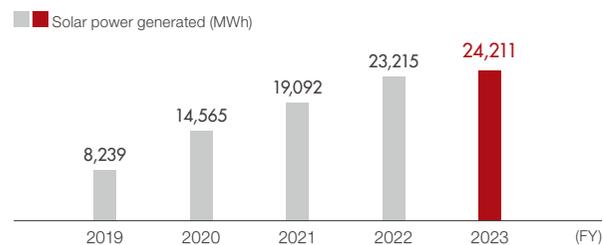
Among our Japanese group companies, power generation facilities have been installed in the factory and head office of IDEC FACTORY SOLUTIONS CORPORATION. Globally, solar power generation facilities are also in operation at our US office and factory and our UK factory.

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 from 2012.

There has been an increase in adoption of the self-consumption solar power generation equipment utilizing the roofs of buildings such as factories, warehouses, stores, facilities in recent years. It helps to reduce CO₂ emissions through green energy use. It also makes an invisible contribution to the safety and ANSHIN of the local community by providing emergency power to neighboring areas in the event of a disaster. We aim to achieve a better society through promoting the business.

The amount of solar power generation in the environmental energy business (Japan)



Realizing a circular economy

To achieve carbon neutrality, the IDEC Group has addressed initiatives for circular economy to use limited resources effectively. As a manufacturer, we pursue management practices that emphasize reducing environmental impact and considering environmental issues at all stages, from product design and development through manufacturing processes, logistics, and packing materials.

One example is the movement toward paperless operations to reduce paper consumption at workplaces by digitalization of references and design drawings in quality-related departments.

Moreover, in February 2022 the head office cafeteria installed a garbage disposer which decomposes garbage into water and carbon dioxide, as well as a unit that separates and collects the oils, leftover food, and vegetable scraps in wastewater in order to purify the grease traps constantly. By introducing them, it is expected to reduce approximately 8 ton of garbage discharged from the head office cafeteria each year to almost zero.



The garbage disposer



The grease ozonizer which constantly purifies grease traps

The Suzhou factory (China) has addressed the initiative to reduce the amount of non-reusable plastic bags by using reusable soft trays and buckets instead of plastic bags. The final goal is to use zero plastic bags, and to reduce 2.7 ton of plastic bags annually. We plan to spread the similar initiative to other factories in Japan and overseas.

We are also reassessing our use of product packing materials. In December 2021, we began using bubble wrap made

of film containing 25% or more biomass plastics at two sites in Japan. Through this and other actions, we have addressed Group-wide initiatives to reduce our environmental impact for realizing a circular economy.

In the future, we plan to further activate our Global Environmental Management System network and deploy each environmental initiative throughout the entire IDEC Group.



Replacement of plastic bags used in production processes with reusable plastic cases (Suzhou factory)

Biodiversity

We consider biodiversity to be critical for our business continuity, and carry out diverse activities to protect biodiversity. In April 2023, the IDEC head office's green space was selected as a private business green space with excellent conservation and creation activities under the Social and Environmental Green Evaluation System Operation, Management and Active use program (SEGES OMA) of the Organization for Landscape and Urban Green Infrastructure. Through green space development centering on native species, we provide a habitat for wild birds, insects and so on, helping to preserve and improve biodiversity.

IDEC approved and signed the statement of BUSINESS FOR NATURE at the 15th Conference of the Parties (COP15) for mandatory assessment and disclosure of biodiversity framework.



Information disclosure based on the TCFD recommendations

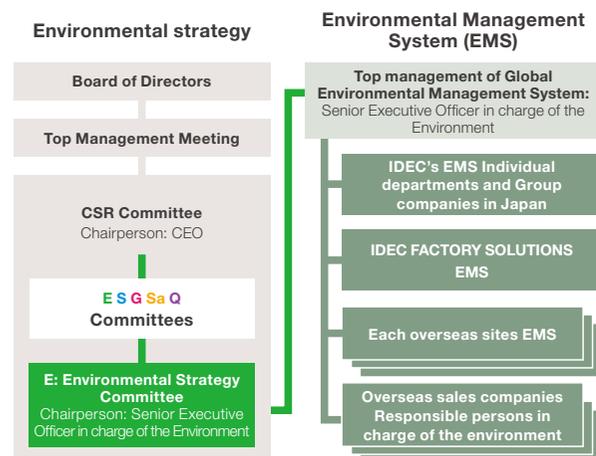
Governance

The Environmental Strategy 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 Environmental Strategy Committee meets monthly under direction by the Senior Executive Officer in charge of the Environment. For striving activities further shifted to the environmental management, the Committee was changed its name from the Environment Management Committee to the Environmental Strategy Committee in December 2022 in order to incorporate responses to the environment into business plan strategically. Its activities include the audit of environmental items for eco-friendly products, calculation of product carbon footprint, encouragement of using internal carbon price, preparation for disclosing climate change-related information based on the TCFD recommendations, and planning and operation of the environmental events.

Decisions made by the Environmental Strategy Committee are determined through the CSR Committee or by the direct submission to the Top Management Meeting, where the policy is decided, and then reported to the Board of Directors.

Framework of the environmental governance



Strategy

Selection on scenarios

Since the pandemic of COVID-19 in 2020, and especially in 2022, energy supply issues have risen caused by the worldwide unstable status in Europe, etc. Not only the unstable framework of energy supply-demand has been visible, but the price increase and inflation have proceeded due to the price escalation of fuels. The amount of fossil fuel consumption including coal and oil has increased in EU, and the amount of CO₂ emissions has increased due to the economic recovery on a world scale, which was reported in WEO 2022 that it would be difficult to accomplish the target of reducing CO₂ emissions defined at the Paris Agreement.

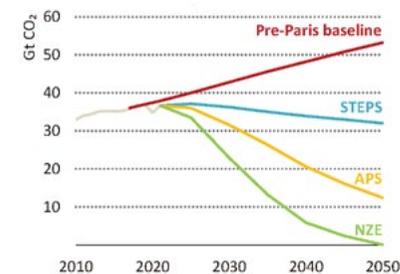
Considering the above situations, we have selected two transition risk scenarios and two physical risk scenarios, respectively. One is a scenario to “hold the increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels” as a long-term target of the Paris Agreement, and the other one is in accordance with the current world status.

Specifically, we have selected WEO 2022’s STEPS (2.6°C

scenario) and NZE (1.5°C scenario) as transition scenarios, and IPCC Fifth Assessment Report’s RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) as physical risk scenarios.

Based on the recognition of the world image in accordance with each scenario, we have conducted analyses of IDEC Group’s risks and opportunities.

Energy-related CO₂ emissions in each WEO scenario (2010 – 2050)



(Source: WEO 2022 issued by IEA)

Risks and opportunities

The Environmental Strategy Committee has picked up the assumed risks and opportunities of the IDEC Group by reference to the risk and opportunity items of the CDP Climate Change Questionnaires. Specifically, we have quantified potential financial impact figure, magnitude of potential impact, likelihood, timeframe, and selected prioritized risk and opportunity items in a quantitative manner.

Subsequently, we have assumed the external environmental changes and the business impacts caused by them, considered responses by the IDEC Group as environmental strategies, and described them in the list and mapping of risks and opportunities. The list and map for the top five items are shown on page 48. For the detailed study results, see our sustainability website.

[Link to IDEC website](#)

[Click here for detailed risks list](#)

[Click here for detailed opportunities list](#)

[Click here for detailed mapping of risks and opportunities](#)

Strategy Risks and opportunities

Risks List

	Item	Timeframe	Potential financial impact	Responses by the IDEC Group
Transition risk	1 Increase in material costs	Short-term	A	<ul style="list-style-type: none"> Respond to temporary sharp rise in material prices by deep mutual understanding with suppliers and customers continuously. Reduce manufacturing costs in anticipation of material cost increases in the medium to long-term, and reduce costs through redesigned products in a planned manner.
	2 Changing customers' behavior	Long-term	C	<ul style="list-style-type: none"> Place the environmental strategy as one of the focused item in the medium to long-term plan, and check progress as a sustainability KPI. Increase the cumulative ratio of enhanced eco-friendly products for new products in the medium to long-term plans (sustainability KPI). Promote to develop technology on a continuing basis relating to consideration and introduction of eco-friendly packing materials and components.
	3 Technology delays to competitors (uncertain market signals)	Medium-term	C	<ul style="list-style-type: none"> Consider and adopt eco-friendly components, and promote to raise awareness of the importance of consideration for the environment in the whole processes of developing new products. Consider to develop technology with the awareness of reducing CO₂ emissions in the overall recycling and life cycle. By collaborating with other companies in the long term, incorporate technologies that we do not possess in a planned manner and integrate them with our core technologies.
Physical risk	4 Tendency of carbon pricing	Medium-term	B	<ul style="list-style-type: none"> Reduce the impact of increased energy purchase price by introducing the self-consumption solar power energy in a planner manner. Reduce indirect costs by making efforts of saving energies and improving operation ratios at factories.
	5 Climate change	Long-term	D	<ul style="list-style-type: none"> Enhance BCP measures to increase our company's resilience. Prepare hazard maps of manufacturing sites and find potential risks. Prepare a recovery plan for each site and procedure manuals for employees to ensure business continuity in the event of a disaster. Change manufacturing sites to be multi-skilled for flagship products.

A: Increased direct costs B: Increased direct and indirect costs C: Reduced sales due to decreased demand for products and services D: Reduced sales due to decreased production capacity

Opportunities List

	Item	Timeframe	Potential financial impact	Responses by the IDEC Group
Resource efficiency	1 Diverse business activities	Long-term	A	<ul style="list-style-type: none"> Expand proposals relating to solar power generation business and fine bubble solutions for new markets. Innovate our environmental business, using the response as an opportunity. Develop products that use HMI and sensing technologies based on new needs, and propose solutions to resolve issues.
	2 Develop new products and services through R&D and technology innovations	Long-term	B	<ul style="list-style-type: none"> Accelerate technology innovation of flagship products based on environmental aspects as well. Develop new products to meet the demands for market well-being and promote proposals for solutions. Applied research of easy recyclable materials to products.
Resource efficiency	3 Develop and/or enhance of low-emission products and services	Long-term	B	<ul style="list-style-type: none"> Provide low-emission products and services throughout the life cycle, based on the concept of developing eco-friendly product we have currently addressed.
	4 Use new technologies	Long-term	B	<ul style="list-style-type: none"> Breakaway from prolongation of our conventional technologies. Enhance software and systems-related technologies by promoting M&A and business collaborations, etc. as well as adoption and development of human resources. Promote to incorporate new technologies to meet diverse needs through cooperation and collaboration with other companies. Foster a corporate culture of well-being.
	5 Participate in the renewable energy program and adapt to energy-saving measures	Long-term	A	<ul style="list-style-type: none"> Deploy environment-related business such as solar power generation and fine bubble solutions. Enter into new markets using our new business as a door opener. Provide products and services that meet new market needs.

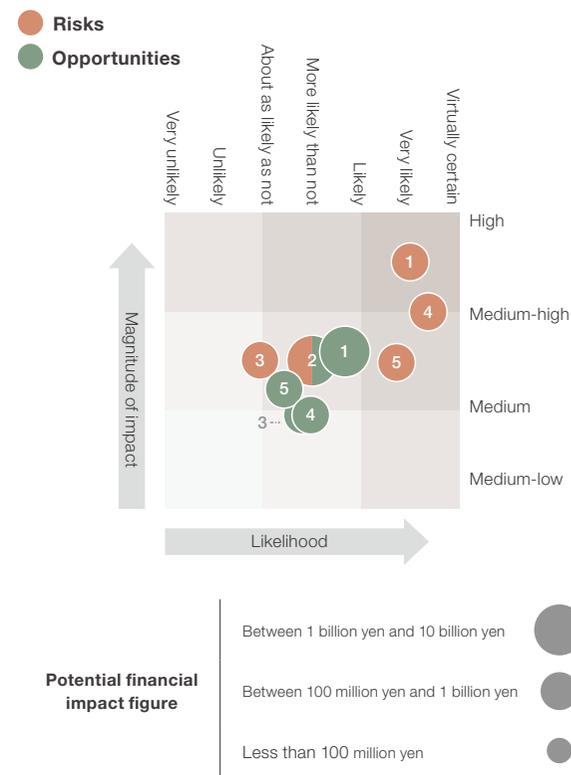
A: Increased sales through entry into new and developing markets B: Increased sales as a result of increased demand for products and services

Risk management

The identified results of risks and opportunities related to climate change, and risk items that have been assessed as important in our mapping and were considered at the Environmental Strategy Committee, are managed by referring to an integrated risk map of the IDEC Group. They are also reflected in the environment-related risks and opportunities associated with the materiality.

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.

Mapping of major climate-related risks and opportunities



Transition plan

The IDEC has considers environmental strategy to be an important part of its business strategy and a transfer plan reflects in the medium-term management plan. Specifically, we have set metrics and targets for reducing the CO₂ emissions amount to achieve a carbon neutrality, and we have established sustainability KPIs of the medium-term management plan together with other environmental targets.

As measures for reducing in-house CO₂ emissions amount, we have introduced self-consumption solar power generations in a planned manner, and we start to introduce CO₂-free power partially in Japan since FY2024. We have also established the CSR procurement guidelines and green procurement guidelines to request our suppliers to reduce the environmental impact every year.

As for businesses, we are working to develop eco-friendly products and to increase the degree of contribution of our business, such as the environmental energy business. Therefore, we consider analysis of risks and opportunities to be an important process for incorporating environmental strategy into our business strategy. As shown in the list of major opportunities, we study the future responses of our Group based on elements that can serve as opportunities for our transition. What we have considered are reflected in stages in medium to long-term management plans and are incorporated into more specific action plans. In addition, as those metrics, we start to consider quantifying the degree of contribution of our business for environment-related business activities.

As for the development of eco-friendly products, one of the core environment-related business activities, we are penetrating the need for eco-friendly products and its importance to the business contribution, as well as using transition opportunities to create business opportunities to each department more than ever.

Naturally, such activities relating to the transition plan will be promoted as efforts whose environmental aspects are in harmony with realizing the main purpose of the IDEC Group, to “achieve safety, ANSHIN, and well-being for people around the world”.

Metrics and targets

Our medium-term management plan sets the targets to reduce Scope 1 and Scope 2 CO₂ emissions by 24% by FY2025, and by 50% by 2031 (compared to the levels in FY2020). From FY2024, we introduce the system that the progress level of achievement is reflected to executive compensation.

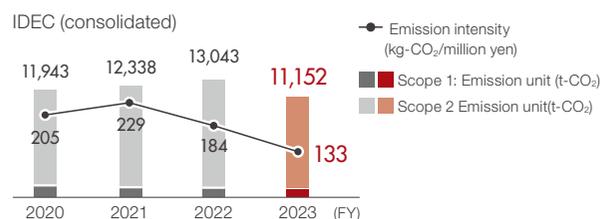
As for the CO₂ emissions amount of FY2023, we have switched to a power company with a lower emissions factor, and additional self-consumption solar power generation equipment has started operation, which resulted in the decrease of Scope 2 CO₂ emissions amount compared to that of FY2022. A factory operation increased due to a strong increase in sales, which resulted in the increased tendency of in-house CO₂ emissions amount compared to that of FY2020, but we could finally achieve the result of decreasing it slightly compared to that of FY2021. Each factory is working to increase the operation ratio, which resulted in the decreased intensity of carbon emissions steadily. Also, they have significantly increased our Return On Carbon (ROC), an indicator of the extent to which earnings have been efficiently achieved versus the amount of CO₂ emissions reductions implemented.

In FY2024, in addition to the introduction of additional self-

CO₂ emissions

IDEC (consolidated)	(Emission unit: t-CO ₂)			
	Scope 1	Scope 2	Scope 3 upstream	Scope 3 downstream
FY2020	1,152	10,791	-	-
FY2021	948	11,390	-	-
FY2022	897	12,146	-	-
FY2023	781	10,371	213,925	870,694

CO₂ emissions (Scope 1 & 2)

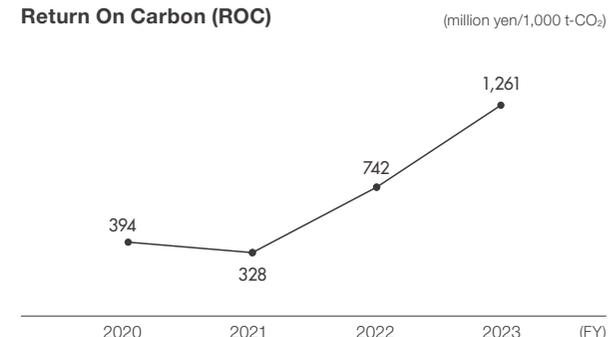


consumption solar power generation equipment and switch to contracts for power with a lower emissions factor, the effect of starting introduction of CO₂-free power to major domestic factories including head office is expected, and we are working to achieve the medium-term reduction target.

As for Scope 3, we began calculating both upstream (Categories 1-8) and downstream (Categories 9-15) emissions for the IDEC Group (consolidated) in FY2023. Generally, Category 11, use of sold products accounts for most of the Scope 3 emissions amount. Therefore, we seek to reduce the in-use CO₂ emissions amount of products we offer to customers by the further promotion of developing eco-friendly products as a manufacturer.

As for upstream, category 1, purchased goods and services accounts for the majority. Based on the CSR procurement guidelines and the green procurement guidelines we provide to our suppliers, we continue to request suppliers to improve their responses to environment and reduce the CO₂ emissions amount. In the future, we plan to improve our supplier engagement with our major customers by establishing more specific metrics.

Return On Carbon (ROC)



Social Relationship Capital



Growing together through dialogue with diverse stakeholders

Building good relationships with diverse stakeholders—employees, customers, shareholders/investors, business partners, global and local communities, government agencies/industry groups, and others—is crucial for increasing our corporate value.

IDEC employs various means of communication to respond to stakeholder's views, expectations, and needs in order to fulfill its corporate social responsibilities.

Related materialities



Safety, ANSHIN, and well-being



Climate change



Business foundation

- Improve safety, productivity, and well-being through technology development, human resource development, management, and rulemaking.
- Contribute to the reduction of the environmental impact of customers and society through the use of the IDEC Group's technologies and products.
- Further strengthen governance and compliance to ensure that the company is trusted by society.

Educational activities designed to achieve safety, ANSHIN, and well-being

In 2018, IDEC became the first company in Japan to register with and support the Vision Zero campaign for occupational safety and health. This campaign, led by top management and aimed at achieving safety, health and well-being at companies, is being promoted by the International Social Security Association (ISSA) under the International Labour Organization (ILO), a United Nations specialized agency.

Subsequently, IDEC became involved with the activities of the corporate promotion task group of The Global Coalition for Safety and Health at Work, which was set up through the leadership of the ILO, and the company played a leading role in the Second Vision Zero Summit held online in Japan in May 2022.

At the summit, IDEC spoke to the attendees located in places around the world about its commitment to pursuing and achieving the world's highest level of safety, ANSHIN and well-being through its business activities. Let's take for example its world-leading collaborative safety technology. IDEC also described its culture of prevention activities on a global scale aimed at protecting people from serious industrial accidents in order to achieve a world in which people can work in safety and health. We will continue to promote these activities in the future as well.



Supply chain management

In order to promote business activities that consider human rights, labor, health and safety, the environment, and other areas throughout the supply chain, we have established the "IDEC Group CSR Procurement Guidelines" and "IDEC Group Green 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 our supply chain management, we conduct site visits and self-assessments of suppliers through the use of questionnaires.

We will continue to request suppliers for their cooperation in CSR procurement, understanding the suppliers' current situation and making proposals in accordance with the CSR Procurement Guidelines.

Procurement activities with suppliers

- Step 1 Establishment of CSR Procurement Guidelines
- Step 2 CSR Procurement Briefing
- Step 3 Self-assessments through the use of questionnaires
- Step 4 Site visits
- Step 5 Problem solution proposals

Learn more

<https://us.idec.com/idec-us/en/USD/sustainability/partner>



Social contribution activities

Since its founding, IDEC has ranked contributing to society through corporate development among its basic management policies. We support and promote activities by each and every employee to contribute not only through his or her business activities but also through social contributions and volunteer activities, as corporate citizens rooted in their local communities.

At our head office cafeteria, we introduced a Table For Two (TFT) donation program to provide assistance for funding school lunches for children in developing countries. We also conduct food drives for people needing assistance. In addition, we introduced a teaching curriculum for regional revitalization in which employees periodically visit schools to provide lectures. We also conduct regular clean-up activities in communities. Overseas, a volunteer team made up of employees of the Suzhou factory regularly visits welfare facilities for the disabled and child welfare institutions. In this way, the entire IDEC Group conducts activities to contribute to society.



Food drive support



Suzhou factory volunteer team

Value Provided to Stakeholders

Stakeholder engagement

Basic approach

The IDEC Group places great value on dialogue with a wide range of stakeholders in order to conduct business in accordance with the changing needs of society.

Through communication activities such as dissemination of information and direct dialogue, we aim to deepen understanding of the IDEC Group among our stakeholders and improve corporate value by promoting sustainability while reflecting various opinions and issues in management.

	Employees	Customers	Shareholders / investors	Business partners	Global and local communities	Government agencies / industry groups
Means of engagement	<ul style="list-style-type: none"> Engagement survey Mental healthcare survey Communication of information from management Various types of training Human resource development programs Internal reporting system, in-house consultation liaison Labor-management council Company newsletter and intranet Employee awards program 	<ul style="list-style-type: none"> Customer support center Sales activities and webinars Website and social media Exhibitions 	<ul style="list-style-type: none"> Annual General Meeting of Shareholders Financial results briefings Individual interviews with investors Small meetings Briefings for private investors IDEC Report, Shareholder Newsletter, Notice of Annual General Meeting of Shareholders, etc. Website 	<ul style="list-style-type: none"> CSR assessment survey for suppliers Supplier visits Issue of supplier communications Distributor briefings and visits 	<ul style="list-style-type: none"> Dialogue with NGOs and NPOs Dialogue with local governments Involvement in the local community CSR activities in each region 	<ul style="list-style-type: none"> Collaboration with international organizations, government agencies, and educational institutions Participation in industry groups and initiatives
Major activities	<ul style="list-style-type: none"> Health checkups and mental healthcare survey, establishment of in-house corporate clinic in HQ Surveys of career aspirations and understanding of duties through self-reporting Discussion forums and briefings on the new personnel system Implementation of position-based training, LGBTQ+ training, compliance training, etc. Implementation of senior staff training to promote empowerment of women, career seminars for female employees Provision of opportunities to develop capabilities through training and seminars Training program for next-generation executive candidates Upgraded dissemination of information through company newsletter and intranet 	<ul style="list-style-type: none"> Response to customer inquiries Feedback within the company regarding opinions and requests relating to products and services Dissemination of information through the website and social media Exhibiting at both real-world and online exhibitions, etc. 	<ul style="list-style-type: none"> Prompt disclosure and enhanced content of Annual General Meeting of Shareholders reference materials Upgrading of information through revision of financial results briefing materials distribution Holding of financial results briefings and video distribution Individual interviews and small meetings with investors Briefings for private investors Issue of IDEC Report, Shareholder Newsletter, and various other media Disclosures in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) Enhanced disclosure of sustainability information 	<ul style="list-style-type: none"> Sharing of IDEC Group CSR Procurement Guidelines CSR visits and surveys for suppliers and improvement guidance Sharing of information with suppliers Online briefings for distributors Visits to distributors 	<ul style="list-style-type: none"> Participation in the Global Coalition for Safety and Health at Work (NPO) and planning and holding of Vision Zero Summit Japan 2022 Support for Table for Two (NPO) and the council of social welfare Dispatching of instructors to local schools to conduct visiting lectures Activities to support children from needy families Local cleanup activities 	<ul style="list-style-type: none"> Joint research with educational and research institutions Presentations at international forums, international academic conferences, technical committee meetings, etc. Promotion of activities at various industry groups
Outcomes	<ul style="list-style-type: none"> Establishment of a pleasant workplace environment and educational programs that enable diverse personnel to demonstrate and improve their capabilities 	<ul style="list-style-type: none"> Reduction of environmental impact and provision of products and solutions that are easy for everyone to use and that achieve safety, ANSHIN, and well-being 	<ul style="list-style-type: none"> Sustainable growth to increase our corporate value and ensure stable returns Timely disclosure and communication of appropriate information 	<ul style="list-style-type: none"> Fulfilling our social responsibility throughout the value chain Partnership based on fair trade and trust 	<ul style="list-style-type: none"> Contribution to resolution of societal challenges through business activities and CSR activities 	<ul style="list-style-type: none"> Improvement of our corporate value through constructive dialogue



Governance

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Evolution of governance

The IDEC Group has separated the business executive 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 communicate our views on governance and our operating policy. In June 2018, we transformed into a Company with an Audit & Supervisory Committee. We established a voluntary Nominating Committee in 2021, and a Remuneration Committee in 2022.

We have ensured that outside directors constitute the majority of all directors since 2016. Today, the Board of Directors is a diverse body made up of men and women with different backgrounds and areas of expertise.

Policy for cross-shareholding

In the interest of maintaining its financial health, the IDEC Group does not, in principle, hold shares in other companies except when there is a rationale for doing so.

A rationale for cross-shareholding exists when the Board of Directors has decided that a particular case of cross-shareholding promises to increase the IDEC Group's corporate value by realizing synergies and improving both sides' competitive advantages in the market. Such decisions must be based on a validation of the profitability of the cross-shareholding relationship that duly examines the risks, costs, and returns involved from a medium to long-term perspective, and must comprehensively consider the intended aims, such as maintaining and strengthening a business relationship or establishing a capital or business alliance.

Furthermore, the Company regularly validates the significance of existing cross-shareholdings in light of various criteria, including the purpose of holding those shares. If a particular case of cross-shareholding is determined to be inappropriate, the shares are sold off after taking into account diverse considerations such as the impact on the Company and the market, and the issuer's financial strategy.

Internal control system

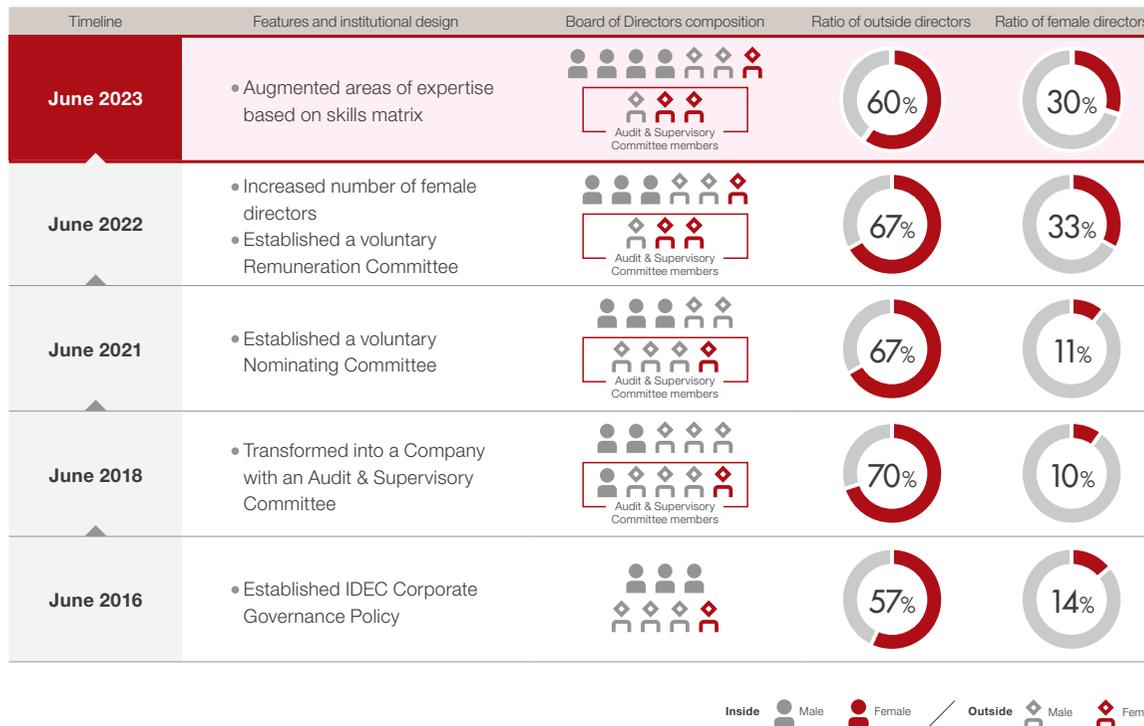
To ensure the credibility of our Group's financial reporting, we have established the Internal Control Policy on Financial Reporting and clearly defined our Group-wide system for implementing that policy, in line with standards for assessing internal controls on financial reporting. We have also created a framework for continuous self-auditing by divisions and Group companies and independent monitoring by the Internal Auditing Department.

Constructive dialogue with shareholders, investors, and analysts

We proactively engage with our shareholders and investors to gain their confidence in and fair evaluation of our management, with the aim of facilitating the IDEC Group's sustainable growth and improving its corporate value over the medium to long-term.

This includes diligently responding to requests for interviews from shareholders and individual and institutional investors. Information acquired from those interactions, including appraisals and opinions concerning markets, is regularly reported to the Board of Directors.

In FY2023, we received the opinions of shareholders and investors on matters such as the activities of outside directors, the efforts of the Nominating Committee and Remuneration Committee, training of next-generation executive candidates, and our environmental initiatives. These opinions were shared as feedback with the Board of Directors, and we are taking concrete action to address them, while working to further expand disclosure. We are also continuing to enhance investor relations tools such as our Shareholder Newsletter and website to better help shareholders and individual investors make informed investment decisions. At the same time, we proactively disclose our financial results, management strategy, and sustainability actions, and publish news and features on various topics.



Efforts to evaluate effectiveness

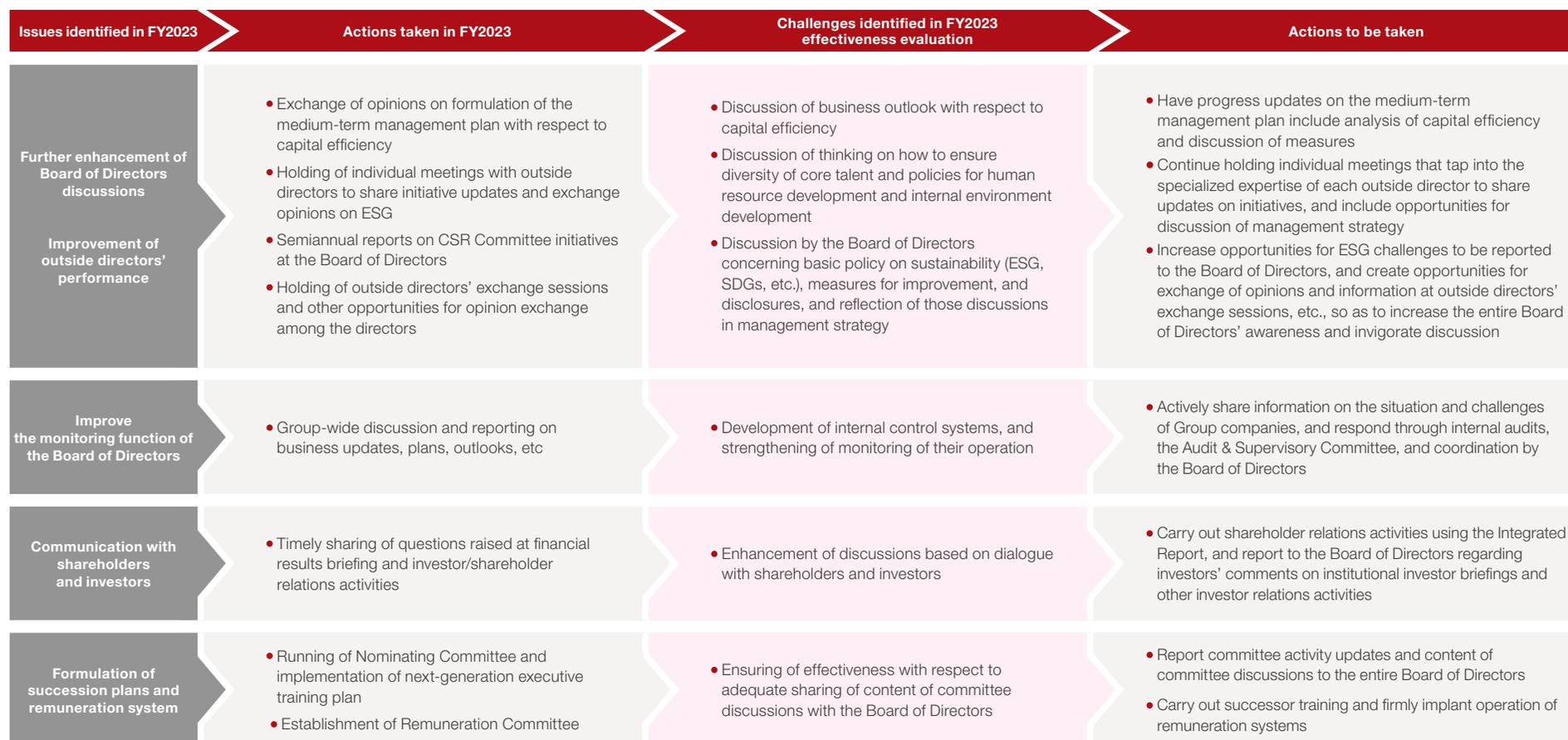
In order to improve the effectiveness of the Board of Directors, an evaluation of all directors except the CEO has been conducted using a questionnaire method every year since FY2016.

Since FY2022, a third-party organization has conducted the questionnaire survey and analyzed the responses. The results of their evaluation are reported to the Board of Directors, whose members share the issues identified and continuously strive to make improvements.

The FY2023 evaluation found that the board's effectiveness had improved over the previous year with respect to discussion of the business portfolio, director involvement in remuneration system design and the successor training plan, and dialogue with shareholders, among other areas. On the whole, the board was judged to function effectively, but several issues were identified. The following actions are being taken to address the key issues.

Outline of the effectiveness evaluation in FY2023

Target members	All directors except the CEO
Evaluation method	Anonymous questionnaire
Survey period	Response period: February to March 2023
Questionnaire compilation	Compiled by an external organization
Response status	All targets answered



The voluntary Nominating Committee and succession planning

We established a voluntary Nominating Committee in 2021 as an advisory body to the Board of Directors for objective, independent decision-making on director nominations and plans for developing next-generation executive candidates. The committee is made up of a majority of outside directors and frankly communicates its objective opinions on candidate selection and training to the management.

Our succession planning program seeks to continually cultivate talent who can help lead our sustainable growth

worldwide. Candidates for representative director and other executive positions are provided with general management training tailored to their future duties, and with opportunities 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 expresses opinions on succession planning to the Board of Directors.

Policy and procedure for director appointment and dismissal

The process of selecting candidates for directorships is based on a skills matrix outlining the expected skills and other requirements. The Nominating Committee recommends candidates to the Board of Directors on the basis of the skills matrix review, and the nominations are made part of the agenda of the General Meeting of Shareholders through voting at a Board of Directors meeting attended by a majority of independent outside directors.

Directors who are deemed to no longer possess the expected skills and qualities of their position are considered for dismissal. Also, if a director is found to have violated laws, regulations, the articles of incorporation, or otherwise be unfit for the discharge of their duties, the Board of Directors, acting on a report by the Nominating Committee, votes on whether to include a proposal for the director's dismissal in the General Meeting of Shareholders agenda. This vote must be made at a meeting attended by a majority of independent outside directors.

Correspondence between medium-term management plan and director skill areas

Four basic strategies of the medium-term management plan >> P.19

Four Basic Strategies	Action Themes	Required Skill Elements
 Promote growth strategy	• Strengthen sales based on technical problem-solving	<ul style="list-style-type: none"> • International business • Sales and marketing • R&D and manufacturing
	• Accelerate product development and sales on regional and industry needs	
	• Expand business in China, India and other focus markets	
	• Build strategic partnerships through M&A and alliances	
 Improve profitability	• Strengthen competitiveness through production reform	<ul style="list-style-type: none"> • R&D and manufacturing • IT strategy
	• Reduce manufacturing costs through Group-wide joint procurement, part standardization, etc.	
	• Review and consolidate low-profit and unprofitable products	
 Enhance business foundation	• Strengthen business structure by promoting PMI and rigorous management of key projects	<ul style="list-style-type: none"> • IT strategy • Personnel affairs and development
	• Increase operational efficiency by promoting DX	
 Enhance ESG initiatives	• Promote initiatives to reduce environmental impacts	<ul style="list-style-type: none"> • Personnel affairs and development • Legal affairs and risk management • Environmental measures
	• Strengthen corporate platform by advancing decent work practices, promoting diversity, and increasing investment in human capital	
	• Improve management transparency and effectiveness	
	• Create well-being through safety and ANSHIN technology	
	• Improve product quality and manufacturing capabilities	

Skills matrix of the Board of Directors >> P.59

Skill area	No. of relevant directors	Enhancement priority
Corporate management and management strategy	5	
Legal affairs and risk management	4	
Personnel affairs and development	7	
Financing and accounting	3	
R&D and manufacturing	4	○
Sales and marketing	6	○
International business	8	○
Industry knowledge	5	
IT strategy	3	○
Environmental measures	3	

Activities of the Nominating Committee and Remuneration Committee

(April 1, 2022 – March 31, 2023)

We established a voluntary Nominating Committee in 2021 as an advisory body to the Board of Directors for objective, independent decision-making on director nominations and plans for developing next-generation executive candidates. We also created a voluntary Remuneration Committee in 2022 to review and deliberate on remuneration systems.



A Remuneration Committee meeting

• Nominating Committee members

Chairman	
Toshi K. Funaki	Representative Director Chairman
Members	
Hiroshi Kobayashi	Outside Director
Yasuo Himeiwa	Outside Director, Certified Accountant
Michiko Kanai	Outside Director, Lawyer

• Remuneration Committee members

Chairman	
Toshi K. Funaki	Representative Director Chairman
Members	
Hiroshi Kobayashi	Outside Director
Hideyuki Ohkubo	Outside Director
Yasuo Himeiwa	Outside Director, Certified Accountant
Michiko Kanai	Outside Director, Lawyer

Nominating Committee Activities

Date	Meeting	Main focuses	Participants
Sept. 14, 2022	Training Report Meeting	Training reports by next-generation executive candidates	3 members
Nov. 2, 2022	Preliminary Briefing	Briefing and preliminary questions on Nominating Committee discussions, training reports by next-generation executive candidates	3 members
Nov. 8, 2022	1st Meeting of the Nominating Committee	Skills matrix-based recommendation of candidates for new director appointments for next fiscal year, and scheduling of successor training	All members
Dec. 7, 2022	2nd Meeting of the Nominating Committee	Confirmation of director candidates for next fiscal year and scheduling of future nominations	All members
Mar. 23, 2023	3rd Meeting of the Nominating Committee	Decision on content of report to director candidates	All members

Introducing a new director and IDEC's succession plan

The voluntary Nominating Committee established in 2021 discussed the selection of next-generation executive candidates and how to train them, and then developed and launched a succession plan for cultivating tomorrow's executive leadership.

In its second year, FY2023, the committee carried out a training program for people selected as next-generation executive candidates. The training included activities such as external seminars, one-on-one action learning

sessions with outside directors, and lectures on specialized topics. The candidates were also given opportunities to attend sessions of the Top Management Meeting and the Board of Directors' Meeting to directly experience actual management issues and come into close contact with executive officers and directors. In its third meeting of FY2023, the committee discussed and reported the selection of director candidates for the next fiscal year from among the next-generation executive candidates.



New Director

Newly appointed Director
Takao Funaki

Takao Funaki joined IDEC CORPORATION (USA) in 1995, working in the IT and Marketing departments. Later, he moved to IDEC CORPORATION's Marketing department and was put in charge of global strategy. Afterwards, he headed IDEC Australia and then IDEC Germany, where he oversaw the realignment of IDEC's European organization. He also launched the digital marketing transformation project and led the development of global marketing platform. Starting in FY2023 he concurrently served as Executive Officer in charge of US Business and President of APEM Inc., working to strengthen our business in North America. As a director newly appointed in FY2024, he is in charge of not only our North American business, but also manufacturing, procurement & SCM, and is working hard to reform our production systems worldwide.

Remuneration Committee Activities

Date	Meeting	Main focuses	Participants
Nov. 2, 2022	Preliminary Briefing	Briefing and preliminary questions on Remuneration Committee discussions and grand design for remuneration	4 members
Nov. 8, 2022	1st Meeting of the Remuneration Committee	General discussion of grand design for executive remuneration	All members
Dec. 7, 2022	2nd Meeting of the Remuneration Committee	Discussion of grand design for remuneration systems, and system details	All members
Mar. 23, 2023	3rd Meeting of the Remuneration Committee	Decision on remuneration systems to be applied in the next fiscal year	All members

Establishment of voluntary Remuneration Committee

As was indicated by the results of the survey on the effectiveness of the Board of Directors and by other observations, there were issues in the design of our system of remuneration for directors, and a need to establish a Remuneration Committee. We launched a voluntary Remuneration Committee with a majority of outside directors on October 1, 2022 as a body for reviewing and deliberating on the director remuneration system. Since then, the committee has been examining remuneration system proposals.

Through this committee, we are working to increase objectivity and transparency in not only next-generation executive training and selection, but also the remuneration decision-making process.

In FY2023, the committee reviewed and discussed our officer remuneration system with the input of outside experts. Using the insights gained, the committee developed a new grand design for remuneration.

System for reviewing officer remuneration systems



Overview of new remuneration system

Remuneration for directors other than outside directors and directors who are Audit & Supervisory Committee members comprises basic remuneration (a fixed amount based on position), performance-linked remuneration (bonus), and non-monetary (share-based) remuneration, calculated in a ratio of 60 : 25 : 15. Remuneration for outside directors and directors who are Audit & Supervisory Committee members is limited to fixed basic remuneration, in the interest of preserving the independence of their management oversight role.

- Basic remuneration**
 Fixed monthly amount determined by comprehensively taking into account the director's position/duties and the Company's performance.
- Performance-based remuneration (bonus)**
 Performance-based cash remuneration whose amount reflects the relevant KPIs. The amount is paid in 12 equal monthly installments, together with the monthly basic remuneration. Specifically, the amount is calculated by multiplying the standard bonus set for the position by a payout coefficient (0–200%) indicative of the director's performance for the fiscal year.
- Non-monetary (share-based) remuneration**
 Comprises performance share units as a medium-term incentive, and restricted stocks as a long-term incentive.

Performance share units are provided in the form of the Company's common stock, subject to restrictions on transfer. The amount is based on a finalized number of share units calculated by multiplying the number of share units provided to each position by a payout coefficient reflecting the degree of achievement of financial KPIs and nonfinancial KPIs (e.g., CO₂ reduction rate) that are focuses of the medium-term management plan.

Restricted stocks are provided in the form of the Company's common stock, subject to restrictions on transfer. The amount is equivalent to a standard amount determined by taking into account the Company's performance, the scope of the director's duties, and various circumstances. In cases where the director is not a resident of Japan as of the provision of share-based remuneration, an equivalent amount of phantom shares is provided in lieu of performance share units and restricted stocks.

In cases where a director is guilty of serious misconduct, violations, etc., the Board of Directors will, based on the report made by the Remuneration Committee, demand forfeiture or repayment of the director's bonus and share-based remuneration, partially or in full.

Remuneration at the individual level is discussed by the Remuneration Committee, which reports the results to the Board of Directors. Decisions on matters concerning individual remuneration are made solely by the CEO at Board meetings where independent outside directors constitute the majority. In making these decisions, the CEO is expected to respect the Remuneration Committee's report.

	Short-term remuneration Incentive to achieve the fiscal year plan	Medium-term remuneration Incentive to achieve the medium-term management plan	Long-term remuneration Incentive to improve corporate value	Approx. weight
Performance-based remuneration	Share-based remuneration	Residents of Japan		40%
		PSU 10%	RS 5%	
Cash remuneration	Non-residents of Japan			
	Phantom shares			
Fixed remuneration	Basic remuneration 60%			60%

	Formula	Linkage	
		At payment	When rights are established
Bonus	Base amount × Corporate performance coefficient × Individual assessment coefficient	Corporate performance & individual assessment * Level of preceding fiscal year's operating income margin	-
PSU	3-year total number of share units provided, as set for the position × Corporate performance coefficient (including nonfinancial assessments) × Individual assessment coefficient	Corporate performance & individual assessment * Achievement rate for final fiscal year of medium-term management plan (Number of shares provided each year is fixed)	Share price when rights established * Fluctuation in asset value
RS	Number of restricted stocks provided, as set for each position	- (Number of shares provided each year is fixed)	Share price when rights established * Fluctuation in asset value

* PSU: performance share units, RS: restricted stocks

Governance

Director profiles

Expected skills matrix of the Board of Directors ○ indicates contributing areas/roles; ● indicates contributing areas/roles with particularly high expectations

	Directors						Directors (Audit & Supervisory Committee Members)			
	Chairman and CEO	Senior Executive Vice President, COO	Managing Director	Newly appointed Director, Senior Executive Officer	Outside Director	Outside Director	Outside Director	Outside Director	Outside Director	Outside Director
	Toshi K. Funaki	Mikio Funaki	Takuji Yamamoto	Takao Funaki	Hiroshi Kobayashi	Hideyuki Ohkubo	Mariko Sugiyama	Yasuo Himejiwa	Michiko Kanai	Eri Nakajima
	Mr. Funaki has been the CEO since 1997. His extensive experience as a business leader has given him deep insights on international business, industries, and more.	Mr. Funaki has served as Senior Executive Vice President since 2006. He has a wealth of experience gained mainly from overseas operations of IDEC CORPORATION and its group companies.	Mr. Yamamoto became a Director for IDEC CORPORATION after serving as Executive Officer for OMRON Corporation and the CEO of an overseas OMRON subsidiary. He has considerable experience and achievements in the control device industry.	Mr. Funaki worked at IDEC CORPORATION (USA) before heading Australia and Germany. In his concurrent posts as an Senior Executive Officer of IDEC CORPORATION and President of APEM Inc. He is working to strengthen the Group's business in North America, procurement & SCM, and manufacturing.	Mr. Kobayashi previously served as Senior Executive Officer, Division General Manager in charge of Regional Operations (Asia & Oceania) for Honda Motor Co., Ltd. He has extensive experience in Japan and overseas, and insights from the automobile industry.	Mr. Ohkubo previously worked for Mitsubishi Electric Corporation in posts such as Representative Executive Officer, overseeing their factory automation systems business, export management, and production systems. He has in-depth knowledge and broad experience in the FA business.	As an Outside Director for IDEC CORPORATION, Ms. Sugiyama provides oversight and advice on IT/DX strategy, drawing upon her experience in the IT industry, which includes serving as an Executive Director for Salesforce Japan Co., Ltd.	Mr. Himejiwa is a Certified Public Accountant. In 2020 he was appointed by IDEC CORPORATION as an Outside Director who is an Audit and Supervisory Committee Member. He uses his knowledge of financing and accounting to contribute to the strengthening of IDEC's auditing system.	Ms. Kanai is an attorney. She became an Outside Director for IDEC CORPORATION in 2016. She contributes to the strengthening of legal aspects of IDEC's auditing system with her high-level expertise as a lawyer.	Ms. Nakajima was appointed by IDEC CORPORATION as an Outside Director in 2022 to draw upon her past experience as a Ministry of the Environment official and Deputy Governor of Nagano Prefecture. She contributes to the strengthening of IDEC's auditing system with regard to environmental measures.
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	○	○								●

Executive Officers

Senior Executive Officers



Senior Executive Officer
R&D & Environment

Tomonori Nishiki



Senior Executive Officer
Strategic Planning

Shinichi Yoshimi



Senior Executive Officer
Marketing and Strategy

Arnaud Mondy



Senior Executive Officer
Management of Technology

Toshihiro Fujita



Senior Executive Officer
Japan Sales & Greater China

Yasuharu Kawanaka

Executive Officers



Executive Officer
Products Strategy

Yasunori Kawanaka



Executive Officer
New Business Development

Hirotsugu Harada



Executive Officer
APEM and Manufacturing

Marc Enjalbert



Executive Officer
Quality Assurance

Masaki Tsuru



Executive Officer
Internal Control

Yoshihiko Nishiyama

Interview

with Outside Directors

Mariko Sugiyama and Eri Nakajima, appointed as outside directors in June 2022, were interviewed on behalf of IDEC employees by Yuki Takahashi, General Affairs & Legal Group Manager for the Strategic Planning Division, and Rieko Motoyama, Manager of the Corporate Communication Department.

The interview took place in the head office's courtyard and focused on the two directors' impressions of IDEC and their thoughts on some key challenges going forward—human capital, DX, and environmental action.



The “Forest of IZUMI” area of the head office's courtyard was certified in 2023 as a green space under the SEGES OMA program of the Organization for Landscape and Urban Green Infrastructure.

>> P.46

Outside Director

Mariko Sugiyama

Outside Director
(Audit & Supervisory Committee Member)

Eri Nakajima

Almost one year has passed since you became outside directors. What are your impressions of IDEC as a company and the Board of Directors' atmosphere?

// **Sugiyama** IDEC's willingness to embrace new things and to take on challenges without fearing change ran counter to the image I had of the manufacturing industry. I think that's because the management has that sort of vision. The Board of Directors meetings aren't rubber-stamp gatherings. Instead, everyone frankly expresses their thoughts. The management listens carefully and I really gain new insights with each meeting.

// **Nakajima** I have the same impression. I strongly sense that everyone—from the CEO to the staffs—is passionate about taking on new things like DX and environmental and societal challenges and about staying ahead of the changing needs of the times. The Board of Directors has a climate that encourages everyone to speak freely. I think that it's wonderful to have such an environment where corporate matters can be discussed candidly.

As a recent trend, businesses are expected to take action to empower women and invest in human capital. What's your take on IDEC's initiatives in these areas?

// **Sugiyama** I think that those initiatives will gain momentum as leaders—not just top management but also worksite managers—acquire a better understanding of the significance and value that diversity has for the company, and as they strive to promote diversity. I believe that IDEC should powerfully communicate the message that it can provide customers with better value by developing the same balance of diversity as found in society and customers' organizations. I also feel that it is vital for those initiatives to be more strongly driven by an understanding of the significance of diversity, rather than by just the uniform opinion of people above a certain age.

// **Nakajima** I agree. I'd like to see the company cultivate an environment where all employees, both women and men, can stay motivated and work in a way attuned to their aspirations

and needs. The manufacturing industry's workplace culture was built up by men and remains an atmosphere. However, if manufacturers develop a culture that puts women in managerial positions and empowers them to exercise leadership in their own style, I think that the number of women who can play active roles will grow. Women's empowerment and diversity should be positioned as bigger priorities in management strategy.

How do you feel about IDEC's talent development efforts?

// **Sugiyama** Digital transformation requires creativity, so it's important to equip your people with thinking skills like design thinking and logical thinking. I think that one effective approach to talent development is to map out each person's skills—for example, you could plot the common skill set for internalizing the core values of “The IDEC Way” on the horizontal axis, and the specific technical skills needed for the job on the vertical axis—and then provide systematic training that targets the weaknesses identified.

// Nakajima One impression that I've gotten from the reports I read as a member of the Audit & Supervisory Committee is that IDEC's administrative functions should be beefed up a little more. I think that as a group with many companies under its wing, IDEC needs to strengthen its pool of talent who can support the administrative processes of subsidiaries. It would be a good idea for the company to strategically develop people who have a cross-functional perspective that enables them to take a bird's-eye view of many different departments.

IDEC has turned to both of you to share your experience and insights regarding the key challenges of digital transformation and environmental strategy. What sort of role do you want to play in addressing those challenges, and how do you want to leverage your professional expertise?

// Sugiyama IDEC's medium-term management strategy shows a strong commitment to increasing profitability, but the company cannot make sound decisions without a global perspective of the whole organization. For example, when dealing with procurement or inventory challenges through optimization on a company-wide level rather than a limited basis, you can gain much from the insights and precision that digital transformation provides. Digital technology enables you to rapidly evolve your



work processes in a short time. In fact, in many cases you'll gain access to a wider set of options after just a year. I see this as an area where I can input my expertise.

// Nakajima I think that IDEC as a whole, including the functions in charge of environmental measures, is taking a forward-thinking approach to environmental challenges. The Board of Directors' recent discussion of TCFD gave me the sense that IDEC's own people are carefully analyzing the related issues instead of relying on outside consultants, and that the company's environmental initiatives are being advanced not just by the environmental teams but also with the involvement of other functions. I would like for IDEC's messaging to spotlight the fact that its efforts addressing environmental challenges and other SDGs aren't just one element of its contributions to society, but represent an integral part of the strategic development of its business.

What challenges do you think IDEC should work on harder?

// Sugiyama One of the really big needs now for strengthening a business's foundation is to enhance the accuracy of its forecasting of things like demand and available-to-promise inventory. The next important step after that, I think, is to determine how to link your accumulated data within the value chain. Another concern for businesses going forward is figuring out how to successfully exploit AI as Japan's population shrinks. I don't think that we can move to the next level of human-machine coexistence by going through digital transformation processes where people end up doing the same things they were doing before. Instead, we need to ascertain what things can be accomplished through AI and how value can be added to them through human activity.

// Nakajima In terms of environmental challenges, I think that IDEC should work on moving away from the use of plastic, which makes up a significant proportion of the material used in switches. Reducing this type of plastic may not have a big impact on the oceans compared with the reduction of single-use plastics, but I believe that finding cost-effective plastic substitutes is an important challenge, including with regard to decarbonization. Another challenge that should be tackled is assessing the impact of climate change on the company's financials. This is something that investors look at, and I think that establishing a clear relationship between environmental initiatives and improvement of the company's profitability would make it



easier to integrate management strategy and environmental strategy.

Are there any other actions that you want IDEC to take for the future?

// Sugiyama A key step toward increasing your corporate value is to build up your people's expertise, so I think that IDEC should pursue strategic job rotation that provides employees with greater opportunity to gain new experiences. This would also help strengthen cross-functional ties, as employees get to learn about what other departments do.

// Nakajima The head office has a courtyard where employees can stop by, and I think IDEC should create similar green spaces at its factories as well, as one way of advancing environmental action while also improving productivity. This would also contribute to the local community's biodiversity. I would like for IDEC to develop its workplace environments in ways that enable employees to take greater pleasure in their jobs.

// Sugiyama & Nakajima We both would like to have opportunities to get together with employees for laid-back chats over coffee, so that we could hear their honest opinions about various issues and find out what things excite them. IDEC appointed us as outside directors even though we don't have a background in manufacturing. In a sense, we think that decision reveals an IDEC that is seeking to transition to its next turning point. That's why we think that we could be of greater service to IDEC if we more broadly and openly gain a better picture of the company and its people.



Outside Director
Hiroshi Kobayashi

As a member of the Nominating Committee and the Remuneration Committee, Mr. Kobayashi actively contributes his opinions on next-generation executive candidates training and remuneration systems.

In addition to giving a lecture on global strategy to next-generation executive candidates in March 2022, he regularly provides them with action learning opportunities through one-on-one meetings.



Outside Director
Yasuo Himejiwa

As a full-time Audit and Supervisory Committee member, Mr. Himejiwa vigorously supports auditing and oversight through close coordination with the executive officer in charge of internal control and the committee's secretariat.

In October 2022, he used his insights as a certified accountant to lead a seminar for next-generation executive candidates that covered topics such as "Corporate Governance and Corporate Reporting."



Outside Director
Michiko Kanai

As part of our next-generation executive candidates training program, Ms. Kanai led a seminar in August 2022 in which she used her expertise as a lawyer to instruct candidates on compliance challenges that managers need to address, including how to discourage and respond to misconduct, and anti-harassment measures.

Also, she actively contributes to oversight by providing her legal insights as a member of the Nominating Committee and Remuneration Committee.



Outside Director
Hideyuki Ohkubo

Mr. Ohkubo held three meetings in 2022 on how to address challenges faced by our manufacturing division. He provides advice that taps into the in-depth knowledge and broad experience in factory automation that he cultivated over many years.

His participation in the next-generation executive candidates training program includes holding a leadership workshop.

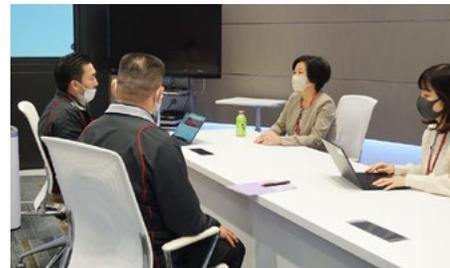


Outside Director Activities

Outside directors are independent professionals who are actively involved in IDEC's commitment to achieving further business growth. They attend Board of Directors meetings and candidly express independent observations grounded in their sophisticated expertise and management experience. In addition, they hold separate meetings on specific business challenges and topics with the relevant functions, and support our next-generation executive candidates training curriculum through lectures and one-on-one meetings with candidates.



Outside Director
Mariko Sugiyama



Ms. Sugiyama holds meetings with members of our ongoing ERP system project, and provides briefings and advice on the project's progress.

In December 2022, she held a roundtable with members of our project for promoting women's empowerment, sharing her own experiences and effective approaches.



Outside Director
Eri Nakajima

Drawing upon her past experience, Ms. Nakajima provides IDEC with advice on its women's empowerment initiatives. In November 2022, she held an online meeting with project members in which she shared her experiences, approaches for changing mindsets, and other insights, making for a productive exchange.

She also uses her knowledge of environmental policy to inspect the progress of our environmental actions.



Risk management system and operation

We have adopted risk management rules aimed at preventing risks from occurring and at minimizing damage when they do occur. We have also established under the CSR Committee a Risk Management Committee chaired by the CEO to continuously oversee the Group's risk management and to respond to risks that occur.

The Risk Management Committee has a Risk Monitoring Subcommittee and a BCP Preparatory Subcommittee to select and evaluate risks and to monitor risk reduction efforts, as well as to advance Group-wide business continuity planning. A Hotline Contact has also been established within the Committee to develop whistleblowing channels and respond to whistleblower reports.

The Risk Management Committee reports these initiatives at the CSR Committee's semiannual meetings, and the CSR Committee reports them to the Board of Directors. The Risk Management Committee can directly report important events such as whistleblower reports to the Board of Directors as necessary, assuring that risk information is properly conveyed to the management.



Business continuity planning

The Risk Management Committee's BCP Preparatory Subcommittee was established to advance business continuity planning to prepare for earthquakes and other natural disasters, which represent high-risk events for our Group. This team develops our BCP and the basic policies and initial action flows for disaster response, in coordination with manufacturing department and factories.

In addition, we map out the initial actions to be taken by each emergency task force member in a disaster, and create manuals and checklists for guiding those actions. We also routinely review our disaster countermeasures, and use the corporate intranet to communicate information for raising the disaster prevention awareness of all employees.

Our BCP approach

Business continuity planning involves maintaining a BCP to ensure that business operations can continue to function in the event of a disaster or other emergency. The IDEC Group goes a step further by also defining the initial actions to be taken in a disaster prior to the BCP implementation phase, and by routinely developing disaster countermeasures. In line with our basic human resource policy of cherishing our people, we have established a basic policy for crisis response that places top priority on the safety of our employees and their families at all times.

In the BCPs formulated for each manufacturing site, the second

priority after safety is to ensure that our products can continued to be delivered to customers following a disaster. These plans are designed to limit shipment stoppages to no more than one week.

Other ongoing actions include creating manuals outlining step-by-step procedures for the entire flow of emergency response actions, and maintaining disaster-resilient communications infrastructure, systems for checking the welfare of our employees and supplier staff, and stocks of emergency supplies.

	Normal times	Emergency actions Immediate post-disaster actions	BCP	
			ETF actions	Recovery/continuation of business operations
All employees	Basic BCP policy Disaster prevention/mitigation measures	Initial action plan Evacuation procedures ETF organization Initial action flow		Created for each worksite and major operation
Emergency task force (ETF) members				BCP Local ETF organization Recovery action flow
BCP action coordinators				

Our basic policy on crisis response

- In line with the basic human resource policy of respecting people, we will place top priority on the safety of our employees and their families.
- As part of our commitment to realizing a safe and sustainable society, we will establish measures and systems for continuing to meet customer needs during crises by maintaining our supply of safe, reliable products and services, at the expected level of quality.
- We recognize the importance of carrying out crisis preparation/training on a regular basis, and will develop strategies and organizations for this and crisis countermeasures.



In order to limit damage in the event of a disaster, we will routinely implement measures for preventing furnishings from overturning and parts/products from falling, such as joining cabinets together and installing retainer bars.

Internal reporting system

The IDEC Hotline has been established as a contact venue that allows users to select external and internal contact and anonymously or with real names in accordance with the users' situation. We have established internal reporting and operation rules to protect the confidentiality of consultation and reporting, and to prohibit unfavorable treatment of users.

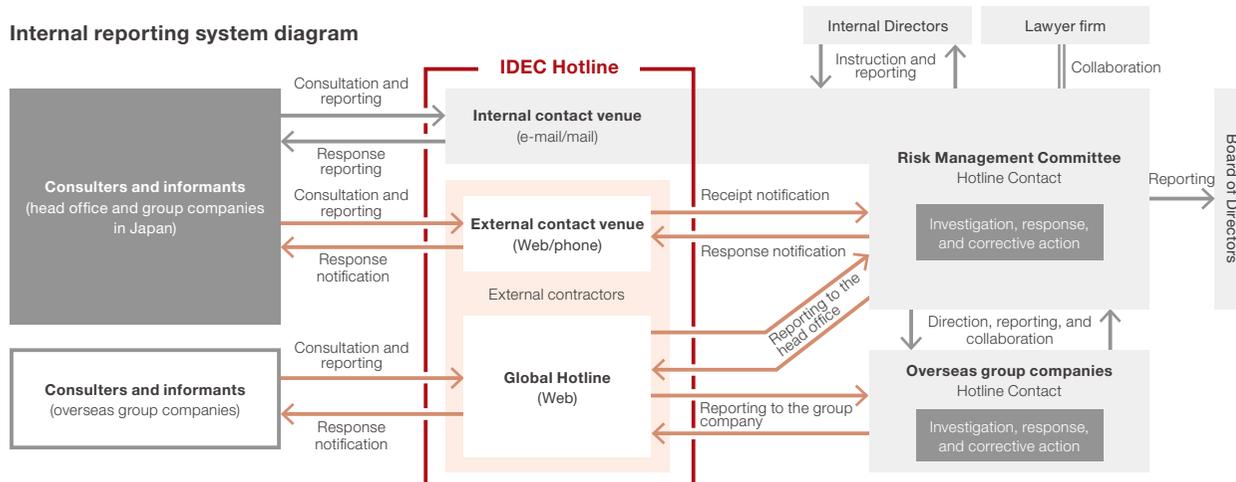
When a report is made, the Hotline Contact established within the Risk Management Committee will promptly respond to the report, and work at resolving the problem and preventing recurrence. The report is also promptly communicated to the top management, and regularly reported to the Board of Directors so as to share risk information. In a case wherein the management may be involved, a system exists to ensure independence and to liaise with an outside lawyer firm.

In order for the system to function globally, we are preparing for establishing the "Global Hotline" in sequence, which enables overseas group company employees to report directly to the head office contact venue.

Number of internal reports

FY2021	FY2022	FY2023
5	8	6

Internal reporting system diagram



Corruption prevention

We carry out the following actions to prevent bribery and other forms of corruption, and to ensure compliance.

- We have established and disseminated the IDEC Group Code of Conduct to clarify basic guidelines for the conduct of business activities.
- We have signed the UN Global Compact, which calls for corruption prevention. We have made it our policy to prevent corruption by prohibiting all forms of bribery, corruption, robbery, and embezzlement, and we clearly declare and make known our prohibition of such acts.
- We have conducted compliance training to deepen employees' understanding of the IDEC Group Code of Conduct and policies.
- Our internal audits examine whether Group companies comply with laws, regulations, and rules.
- When a report has been received through our hotline, the Risk Management Committee sends the report to the Board of Directors, which reports on risk monitoring activities twice a year through the CSR Committee and is supervised by the Board of Directors.

Follow this link for more information on our anti-corruption commitments.
<https://us.idec.com/governance/compliance>



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 IDEC Group's continued business expansion and corporate value enhancement. 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.

The risk events evaluated include climate change risks that the Environmental Strategy Committee has judged to be significant issues. Also, risk events that have a high probability of occurrence are considered high-risk events. Each department responsible for a particular high-risk event is assigned a risk reduction target, and gauges its progress toward the target on a semiannual basis.

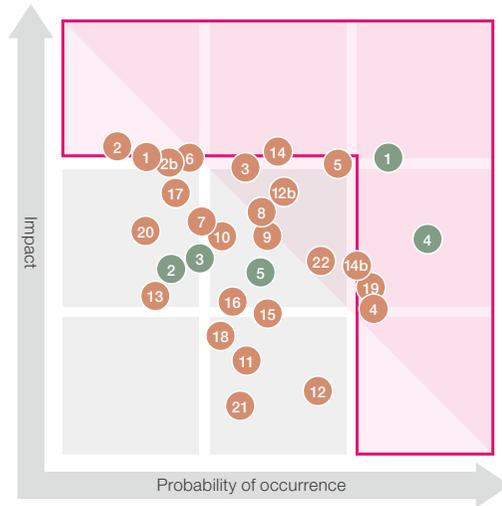
Major responses to high-risk events in FY2023

No	Risk event	Actions
1	Damage to IDEC's sites in Kansai region sites by an earthquake with a seismic intensity of lower 6 or higher	<ul style="list-style-type: none"> • Formulated business continuity plan and improved manufacturing site's emergency response capabilities • Reduced risk by taking out an appropriate insurance policy • Developed an emergency contact network and a means of checking employee safety
6	Occurrence of a serious product accident that could affect the human body	<ul style="list-style-type: none"> • Instituted system for monitoring complaints/failure reports from the market to enable early detection of and response to major complaint-generating issues • Evaluated risks in new product development and implemented measures to prevent issues during production
19	Leakage of critical corporate information, third-party confidential information, and personal information	<ul style="list-style-type: none"> • Identified types of critical internal information and formulated rules for managing each type • Increased our knowledge of how to prevent information leaks

* Item numbers correspond to risk event numbers on the following page.

* See the following page for explanations of the risk map and high-risk events.

Risk map



* Climate change risks reflect events that the Environmental Strategy Committee assessed as high-risk. >>> P.48
 * Risks are evaluated on a short to medium-term basis. Long-term climate risks have been re-evaluated on a short to medium-term basis.
 * Risks inside the red box are judged to be high-risk events.

Risk category	No	Risk event	FY2023 risk assessments	FY2023 risk assessments	
External factor risks	1	Damage to our Kansai region sites by an earthquake with a seismic intensity of lower 6 or higher	Although this risk can be slightly reduced with business continuity planning, it was assessed as a high-risk event because the probability of occurrence was judged higher than in FY2022 based on Nankai Trough earthquake forecasting	—	
	2	Conflict or terrorist attack in the local area of IDEC sites	Assessed as a high-risk event, as in FY2022	—	
	2b	Impact on our overseas staff and site operations due to interstate affairs or public disorder	The business impact of local conflicts, anti-Japanese demonstrations, and other disturbances was recognized as a risk event and added as a risk derivative to 2	New	
	3	Occurrence of cluster infections at our sites	Impact was assessed as lower due to changes such as implementation of infection prevention measures and change of awareness on viral infection	↓	
	4	Product specification change caused by external factors (part obsolescence, procurement difficulty)	Assessed as high-risk because its impact and probability of occurrence were deemed higher based on our having faced a product specification change due to difficulty in procuring electronic parts	↑	
Internal factor risks	5	Difficulty to procure parts, leading to long delays in delivery times	Assessed as high-risk because its impact and probability of occurrence were deemed higher based on our having faced a delivery delay due to difficulty in procuring electronic parts	↑	
	6	Occurrence of a serious product accident that could affect the human body	Assessed as a high-risk event with considerable impact, as in FY2022	—	
	7	Fraudulent representation of quality through falsification of product performances and data	Assessed as having a slightly lower probability of occurrence due to implementation of risk-mitigating measures	↓	
	8	Distribution of products containing prohibited substances	Assessed as having a higher risk versus FY2022 in light of the potential impact on standards of the risk that parts procured contain prohibited substances	↑	
	9	Strategic investment risk (financial impact of M&A, corporate alliances, and other strategic investments)	Assessed as being at a level similar to FY2022	—	
	10	Occurrence of a severe or more industrial accident	Probability of occurrence was lowered slightly by actions taken by the Health & Safety Committee	↓	
	11	Sabotage, strike-related business outage	Probability of occurrence increased versus FY2022 due to inclusion of Group companies	↑	
	12	More than half a day of infrastructure outages caused by system and network failure, etc.	Cyberattack was redefined as a separate, derivative risk and the impact of outages due to other reasons was deemed to be lower	↓	
	12b	Long-term network outage due to cyberattack	Assessed as having greater impact due to the likelihood of longer outages	New	
	13	Suspension of sales and claims for damages due to infringement of other companies' intellectual property rights	Assessed as being at a level similar to FY2022	—	
	14	Inaction on human rights issues (child/slave labor, etc.)	Assessed as having considerable impact because inaction could lead to boycotts and reputational risks in a global business environment where human rights awareness is growing	—	
	14b	Decline in employee morale due to harassment	Now seen as a risk following our review of risk event definitions	↑	
	15	Tax penalty due to improper handling of accounting and tax affairs	Assessed as having higher risk due to inclusion of Group companies	↑	
	16	Large-amount embezzlement, malpractice, and bribery by employees	Assessed as being at a level similar to FY2022	—	
	17	Insider trading by senior executives	Assessed as having slightly higher probability of occurrence due to potential effect of business performance	↑	
	18	On-site inspection by the Fair Trade Commission due to violations of the Anti-Monopoly Act and the Subcontract Act	Assessed as being at a level similar to FY2022	—	
	19	Leakage of critical corporate information, third-party confidential information, and personal information	Assessed as having higher risk due to inclusion of Group companies	↑	
	20	Business suspension due to improper license and approval	Assessed as having greater impact, including with regard to certification, etc.	↑	
	21	Difficulty to collect sales receivables, loan loss	Assessed as being at a level similar to FY2022	—	
	22	Asset impairment risk	Assessed as higher versus FY2022 due to factors such as business performance, inventory, etc.	↑	
	Climate change risks	1	Increase in raw material costs	Assessed as high-risk because it could have a direct impact on production/procurement costs and lead to higher costs due to difficulty in procuring parts	—
		2	Changes in customer behavior	Assessed as not posing significant risk on a short to medium-term basis	—
3		Technology gap with competitors	Lags in eco-friendly technology were assessed as leading to future business risks	—	
4		Trends in carbon pricing	Assessed as having a growing impact from regulation driven by rising global movement to reduce CO ₂ emissions	—	
5		Temperature fluctuations	While temperature fluctuations could lead to various risks such as natural disasters, this was assessed as having a lower probability in the short and medium-term	—	

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Non-Financial Data

Natural Capital

	Scope	FY2023
CO₂ emissions		
Scope1 (t-CO ₂)		781
Scope2 (t-CO ₂)		10,371
Scope3 (Category1)(t-CO ₂)		167,513
Scope3 (Category2)(t-CO ₂)		12,710
Scope3 (Category3)(t-CO ₂)		15,556
Scope3 (Category4)(t-CO ₂)		15,418
Scope3 (Category5)(t-CO ₂)		204
Scope3 (Category6)(t-CO ₂)		553
Scope3 (Category7)(t-CO ₂)		1,971
Scope3 (Category8)(t-CO ₂)	Consolidated	0
Scope3 (Category9)(t-CO ₂)		725
Scope3 (Category10)(t-CO ₂)		0
Scope3 (Category11)(t-CO ₂)		846,560
Scope3 (Category12)(t-CO ₂)		23,409
Scope3 (Category13)(t-CO ₂)		0
Scope3 (Category14)(t-CO ₂)		0
Scope3 (Category15)(t-CO ₂)		0
In-house CO ₂ emissions (t-CO ₂)/ intensity per sales (kg-CO ₂ /million yen)		11,152/ 133
ROC (million yen/1,000t-CO ₂)		1,261
Electric power		
Power consumption (1,000kWh)		26,824
Solar power generated in-house: total (1,000 kWh)		25,624
Solar power generated in-house: portion self-consumed (1,000 kWh)	Consolidated	1,147
Renewable energy purchases (1,000 kWh)		1,143
Renewable energy usage		8.2%
Waste generation & resource recycling		
General waste generated (t)/ General waste intensity (kg/million yen)		290/ 3.46
Industrial waste generated (t)/ Industrial waste intensity (kg/million yen)		414/ 4.94
Material recycled (t)/ Recycling intensity (kg/million yen)	Consolidated	1,057/ 12.61
Paper consumption (t)/ Paper use intensity (kg/million yen)		17/ 0.20
Water use		
Water consumption (m ³)/ Water use intensity (m ³ /million yen)		64,534/ 0.77
Industrial water consumption (m ³)	Consolidated	3,413
Groundwater consumption (m ³)		0

Human Capital

	Scope	FY2023
Human resource development		
Average per capita training costs (yen)	Unconsolidated	40,000
Engagement		
Overall employer attractiveness	Japan	3.12 (+0.11 from previous rating)
Overall workplace attractiveness		3.16 (+0.04 from previous rating)
Diversity & inclusion		
Number of employees		
Male	Consolidated	3,186
Female		1,837
Female		1,349
Number of managers		
Male		401
Female	Consolidated	308
Female		93
Ratio female managers		23.2%
Ratio of employees with disabilities	Japan	3.0%
Gender pay gap (full-time employees)	Unconsolidated	79.0%
Average length of service (full-time employees)		
Male (years)	Unconsolidated	17.1
Female (years)		18.0
Female (years)		12.3
Utilization of childcare leave (full-time employees)		
Male	Unconsolidated	68.8%
Female		58.3%
Female		100%
Occupational health & safety		
Frequency rate of industrial accidents	Unconsolidated	0.58
Fatalities due to occupational accidents	Consolidated	0
Health		
Health checkup rate	Unconsolidated	100%
Stress check participation		95.9%
Compliance		
Number of serious legal violations		0
Number of internal reports	Consolidated	6
Violations of human rights policy (incidents)		0

Governance

	Scope	FY2023
Board of Directors		
Number of directors		9
Number of outside directors		6
Ratio of outside directors		67%
Ratio of female directors		33%
Ratio with less than 3 years of service		44%
Number of meetings held	Unconsolidated	7
Attendance rate		98%
Outside director attendance rate		98%
Number of items with below average scores in the Board of Directors' effectiveness assessment		18%
Audit & Supervisory Committee		
Number of members		3
Ratio of outside directors	Unconsolidated	100%
Number of meetings held		9
Attendance rate		100%
Nominating Committee		
Number of members		4
Ratio of outside directors	Unconsolidated	75%
Number of meetings held		3
Attendance rate		100%
Remuneration Committee		
Number of members		5
Ratio of outside directors	Unconsolidated	80%
Number of meetings held		3
Attendance rate		100%
Corruption prevention		
Bribery-related fines, penalties, or settlements (yen)		0
Political contributions (yen)	Consolidated	0
Employees disciplined or terminated for violations of anti-corruption policy		0

11-Year Key Financial Data

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2023
											(Million yen)	(Thousands of U.S. dollars) 1US\$=133.54
Operating results												
Net sales	29,343	36,319	42,173	43,468	43,426	59,783	62,757	58,355	53,983	70,789	83,869	628,044
Gross income	13,062	15,406	17,117	18,017	18,027	26,022	26,973	25,040	22,783	30,310	37,376	279,886
SG&A expense	11,627	13,063	14,207	14,841	14,479	19,909	21,244	20,336	18,742	20,638	23,315	174,592
Operating income	1,434	2,342	2,910	3,176	3,547	6,112	5,728	4,704	4,041	9,672	14,060	105,287
Net income attributable to owners of parent company	1,859	1,456	2,096	1,708	2,440	5,296	3,700	3,006	2,803	7,896	10,144	75,962
Cash flows												
Cash flows from operating activities	2,204	4,633	1,925	5,690	2,644	4,926	6,119	6,928	7,443	9,652	7,009	52,486
Cash flows from investing activities	(3,800)	(2,493)	(1,169)	(18)	(21,190)	(858)	(2,665)	(2,037)	(3,147)	(1,386)	(3,110)	(23,289)
Free cash flows	(1,595)	2,139	756	5,671	(18,545)	4,067	3,453	4,890	4,295	8,265	3,899	29,197
Cash flows from financing activities	1,261	(1,929)	(891)	(2,611)	19,929	(3,926)	(2,878)	(3,605)	(3,672)	(8,578)	(4,403)	(32,971)
Financial position												
Total assets	42,496	45,778	49,378	49,328	85,441	91,530	89,032	87,025	88,252	94,960	104,235	780,553
Equity	26,958	28,801	32,121	31,976	33,355	45,005	45,509	42,725	42,963	48,660	58,465	437,809
Information per share												
Earnings per share (EPS)	61.03	49.14	69.45	56.50	80.68	170.37	112.53	95.19	92.83	264.12	348.37	2.61
Book-value per share (BPS)	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	1,677.51	1,998.30	14.96
Annual cash dividends (yen)	30.00	30.00	35.00	36.00	40.00	50.00	50.00	50.00	50.00	100.00	130.00	0.97
Other financial data												
Operating income margin	4.9%	6.4%	6.9%	7.3%	8.2%	10.2%	9.1%	8.1%	7.5%	13.7%	16.8%	
Return on equity (ROE)	7.0%	5.2%	6.9%	5.3%	7.5%	13.5%	8.2%	6.8%	6.5%	17.2%	18.9%	
Return on assets (ROA)	4.6%	3.3%	4.4%	3.5%	3.6%	6.0%	4.1%	3.4%	3.2%	8.6%	14.5%	
Equity ratio	63.4%	62.9%	65.1%	64.8%	39.0%	49.2%	51.1%	49.1%	48.7%	51.2%	56.1%	
Capital expenditure	5,701	2,277	1,761	1,500	2,103	1,991	4,122	2,673	3,567	2,503	4,088	30,613
(portion spent on right-of-use assets etc.)	-	-	-	-	-	-	-	143	171	497	1,166	8,731
Depreciation and amortization expense	1,335	1,699	1,677	1,519	1,141	2,398	2,701	3,016	2,981	3,264	3,544	26,539
R&D expense	2,394	1,857	2,110	2,328	2,242	2,202	2,359	2,325	2,343	2,593	2,958	22,151

Consolidated Income Statement and Consolidated Comprehensive Income Statement

	FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54
Net sales	70,789	83,869	628,044
Cost of sales	40,479	46,492	348,150
Gross income	30,310	37,376	279,886
SG&A expense	20,638	23,315	174,592
Operating income	9,672	14,060	105,287
Non-operating income			
Interest and dividends received	38	100	749
Investment gain under the equity method	96	45	337
Foreign exchange gain	722	467	3,497
Other	272	326	2,441
Total non-operating income	1,129	938	7,024
Non-operating expenses			
Interest expense	131	107	801
Derivative loss	30	170	1,273
Derivative valuation loss	105	—	—
Other	135	318	2,381
Total non-operating expenses	403	596	4,463
Ordinary income	10,398	14,403	107,855
Extraordinary income			
Gain on sale of fixed assets	911	32	240
Gain on sale of investment securities	—	119	891
Gain on reversal of stock acquisition rights	22	31	232
Total extraordinary income	933	183	1,370
Extraordinary losses			
Loss on sale of fixed assets	5	5	37
Loss on disposal of fixed assets	56	50	374
Loss on subsidiary restructuring	—	129	966
Total extraordinary losses	61	185	1,385
Net income before income taxes	11,270	14,401	107,840
Income taxes - current	3,603	4,480	33,548
Income taxes - deferred	(168)	(186)	(1,393)
Total income taxes	3,435	4,293	32,148
Net income	7,835	10,107	75,685
Net loss attributable to non-controlling shareholders	(60)	(37)	(277)
Net income attributable to owners of parent company	7,896	10,144	75,962

	FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54
Net income	7,835	10,107	75,685
Other comprehensive income			
Valuation difference on other securities	(46)	(17)	(127)
Exchange translation adjustment account	2,200	2,725	20,406
Remeasurements of defined benefit plans	10	(39)	(292)
Other comprehensive income	2,164	2,669	19,987
Comprehensive income	9,999	12,776	95,672
(Breakdown)			
Comprehensive income attributable to owners of parent company	10,060	12,813	95,949
Comprehensive income attributable to non-controlling interests	(60)	(37)	(277)

Consolidated Balance Sheet

	FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54
Assets			
Current assets			
Cash and deposits	17,896	18,408	137,846
Notes and accounts receivable - trade	11,402	12,987	97,252
Electronically recorded monetary claim	892	1,022	7,653
Merchandise and manufactured goods	7,767	11,777	88,191
Work in progress	1,959	2,323	17,396
Raw materials and supplies	5,845	6,555	49,086
Other	1,426	1,466	10,978
Allowance for doubtful accounts	(19)	(23)	(172)
Total current assets	47,171	54,518	408,252
Fixed assets			
Tangible fixed assets			
Buildings and structures (net amount)	9,652	9,843	73,708
Machinery, equipment and vehicles (net amount)	2,875	3,513	26,307
Tools, equipment and supplies (net amount)	1,609	1,727	12,932
Land	5,797	5,848	43,792
Lease assets (net amount)	211	190	1,423
Right-of-use assets (net amount)	1,061	1,754	13,135
Construction in progress	1,018	887	6,642
Total tangible fixed assets	22,227	23,766	177,969
Intangible fixed assets			
Trademark rights	2,383	2,411	18,055
Customer-related assets	7,587	7,634	57,166
Software	1,064	1,138	8,522
Goodwill	11,593	11,636	87,135
Other	62	63	472
Total intangible fixed assets	22,691	22,885	171,372
Investments and other assets			
Investment securities	419	601	4,501
Long-term loans	114	49	367
Retirement benefit assets	326	318	2,381
Deferred tax assets	1,343	1,490	11,158
Other	702	641	4,800
Allowance for doubtful accounts	(36)	(36)	(270)
Total investments and other assets	2,870	3,065	22,952
Total fixed assets	47,789	49,717	372,300
Total assets	94,960	104,235	780,553

	FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54
Liabilities			
Current liabilities			
Notes and accounts payable - trade	5,186	4,916	36,813
Electronically recorded monetary debt	2,183	1,948	14,587
Short-term borrowing	3,800	5,000	37,442
Long-term borrowing to be repaid within one year	2,105	11,935	89,374
Lease obligations	360	497	3,722
Accounts payable	809	1,040	7,788
Accrued expenses	2,803	2,969	22,233
Income taxes payable	2,626	1,911	14,310
Contract liabilities	584	686	5,137
Deposit	207	156	1,168
Product warranty reserve	40	37	277
Other	953	959	7,181
Total current liabilities	21,660	32,059	240,070
Fixed liabilities			
Long-term borrowing	18,260	6,525	48,862
Lease obligations	962	1,530	11,457
Deferred tax liabilities	2,799	3,007	22,518
Reserve for retirement benefits for directors	45	50	374
Retirement benefit liabilities	1,577	1,557	11,659
Asset retirement obligations	90	120	899
Other	556	571	4,276
Total long-term liabilities	24,291	13,362	100,060
Total liabilities	45,951	45,422	340,138
Net assets			
Shareholders' equity			
Common stock	10,056	10,056	75,303
Capital surplus	9,231	9,397	70,368
Retained earnings	34,022	40,532	303,520
Treasury stock	(7,759)	(7,299)	(54,658)
Total shareholders' equity	45,551	52,687	394,541
Accumulated other comprehensive income			
Unrealized gains on other marketable securities	42	24	180
Foreign currency translation adjustments	3,061	5,787	43,335
Remeasurements for retirement benefits	6	(33)	(247)
Total accumulated other comprehensive income	3,109	5,778	43,268
Stock acquisition rights	311	347	2,598
Non-controlling interests	37	—	—
Total net assets	49,008	58,813	440,415
Total liabilities and net assets	94,960	104,235	780,553

Consolidated Cash Flow Statement

	FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54		FY2022 Fiscal year ending March 2022 (Million yen)	FY2023 Fiscal year ending March 2023 (Million yen)	FY2023 Fiscal year ending March 2023 (Thousands of U.S. dollars) 1US\$=133.54
Cash flows from operating activities				Cash flows from investing activities			
Net income before income taxes	11,270	14,401	107,840	Payments into time deposits	(2,360)	(3,523)	(26,382)
Depreciation	3,264	3,544	26,539	Proceeds from withdrawal of time deposits	1,688	3,116	23,334
Loss on subsidiary restructuring	—	129	966	Payments for acquisition of tangible fixed assets	(1,718)	(2,586)	(19,365)
Loss (gain) on sale of investment securities	—	(119)	(891)	Proceeds from sale of tangible fixed assets	1,656	42	315
Goodwill amortization	897	887	6,642	Payments for acquisition of intangible fixed assets	(287)	(338)	(2,531)
Increase (decrease) in allowance for doubtful accounts	(31)	2	15	Payments for acquisition of investment securities	(6)	(144)	(1,078)
Increase or decrease in retirement benefit assets and liabilities	(77)	(87)	(651)	Proceeds from sale of investment securities	—	182	1,363
Interest and dividends received	(38)	(100)	(749)	Payments for business acquisition	(420)	—	—
Interest expense	131	107	801	Proceeds from collection of long-term loans	64	63	472
Foreign exchange loss (gain)	(252)	(403)	(3,018)	Other	(2)	76	569
Investment loss (gain) under the equity method	(96)	(45)	(337)	Cash flows from investing activities	(1,386)	(3,110)	(23,289)
Increase (decrease) in product warranty reserve	23	(4)	(30)	Cash flows from financing activities			
Derivative loss (gain)	105	103	771	Increase in short-term borrowing	20,650	26,100	195,447
Loss (gain) on sale of fixed assets	(906)	(26)	(195)	Repayment of short-term borrowing	(21,700)	(24,900)	(186,461)
Loss on disposal of fixed assets	56	50	374	Increase in long-term borrowing	—	200	1,498
Decrease (increase) in sales receivable	(1,831)	(1,477)	(11,060)	Repayment of long-term borrowing	(2,730)	(2,105)	(15,763)
Decrease (increase) in inventories	(3,031)	(4,471)	(33,481)	Payments for acquisition of treasury stock	(2,453)	(1)	(7)
Increase (decrease) in advance payment	(157)	—	—	Cash dividends paid	(1,948)	(3,628)	(27,168)
Increase (decrease) in contract liabilities	584	73	547	Proceeds from non-controlling shareholders	98	—	—
Decrease (increase) in accounts receivable	15	4	30	Repayment of lease obligations	(514)	(523)	(3,916)
Increase (decrease) in trade payable	1,425	(554)	(4,149)	Other	20	454	3,400
Increase (decrease) in accounts payable	74	22	165	Cash flows from financing activities	(8,578)	(4,403)	(32,971)
Increase (decrease) in accrued expenses	96	77	577	Effect of exchange rate changes on cash and cash equivalents	507	369	2,763
Increase (decrease) in consumption taxes receivable/payable	(211)	45	337	Net increase (decrease) in cash and cash equivalents	194	(133)	(996)
Increase (decrease) in deposit	(67)	(50)	(374)	Cash and cash equivalents at beginning of year	15,009	15,203	113,846
Other	(26)	84	629	Cash and cash equivalents at end of year	15,203	15,070	112,850
Subtotal	11,216	12,191	91,291				
Interest and dividend income received	63	118	884				
Interest expense paid	(132)	(107)	(801)				
Income taxes	(1,495)	(5,193)	(38,887)				
Cash flows from operating activities	9,652	7,009	52,486				

Company Overview

Corporate Data

Corporate Name	IDEC CORPORATION
Established	March 26, 1947
Capital Stock	¥10,056,605,173
Number of Employees	3,186 (consolidated; as of March 31, 2023) * Excluding contract and temporary employees
Stock Listing	Prime Market, Tokyo Stock Exchange
Head Office	2-6-64, Nishi-Miyahara, Yodogawa-ku, Osaka 532-0004 Japan Phone: +81-6-6398-2500 (Main number)
Tokyo Sales Branch	1-16-1, Kaigan, Minato-ku, Tokyo 105-0022 Japan Phone: +81-3-6625-5180 (Main number)
Factories	Amagasaki, Fukusaki, Takino, Kiba, Kyoto
Sales Branches	Tokyo, Osaka

Evaluation by Society (Inclusion in Indices)

FTSE Russell (U.K.)

FTSE Blossom Japan Index



FTSE Russell (U.K.)

FTSE Blossom Japan Sector Relative Index



SOMPO Asset Management

SOMPO Sustainability Index



JPX Group

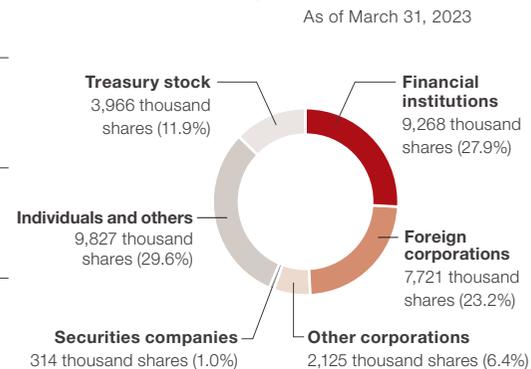
S&P/JPX Carbon Efficient Index



Shares of the Company As of March 31, 2023

Number of shares authorized	150,000,000
Number of shares issued	33,224,485
Number of shareholders	8,114

Distribution of Shareholders As of March 31, 2023



Major Shareholders (Top 10) As of March 31, 2023

Shareholders	Number of shares (Thousands of shares)	Holdings (%)
The Master Trust Bank of Japan, Ltd. (Account in trust)	4,795	16.39
Custody Bank of Japan, Ltd. (account in trust)	3,379	11.55
JP MORGAN CHASE BANK 385632	1,334	4.56
Funaki Kosan Ltd.	1,041	3.56
THE BANK OF NEW YORK MELLON 140044	589	2.02
Kazutaka Fujita	408	1.40
Toshihiro Fujita	348	1.19
STATE STREET BANK WEST CLIENT - TREATY 505234	335	1.15
JP MORGAN CHASE BANK 385781	329	1.13
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	325	1.11

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