



Chairman and
Chief Executive Officer

Toshi K. Funaki

CEO Message

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

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

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

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

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

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

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

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

Business overview in FY2022

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

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

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

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

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

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

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

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

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



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

Aiming to improve well-being of all people

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

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

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

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



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

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

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



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

In 2021, in order to further strengthen our environmental response, we established the Environment Promotion Department, assigned a Senior Executive Officer to be in charge of environment, and expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD). We conducted scenario analyses of climate-related risks and opportunities in line with the TCFD guidance between 2021 and 2022, and have decided to disclose the information based on the TCFD recommendations. We also set a goal of reducing CO₂ emissions by 24% from the FY2020 level by FY2025, and raising eco-friendly products ratio to 60% of all new products.



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

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

Commitment to sustainability P.29-52

Evaluation by society

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



**FTSE Blossom
Japan Sector
Relative Index**