



Think Automation and beyond...

Financial Results for the First Quarter FY2023

(April 1, 2022 to June 30, 2022)

August 4, 2022

IDEC CORPORATION

Securities code : 6652



Record quarterly sales, operating income and operating income margin (15.6%)!

Net Sales	■ Net Sales	<u>JPY20.2 billion</u>	(YoY+16.7%)
		<ul style="list-style-type: none">- Sales growth in main businesses, centered on switch business and safety/explosion protection business, both in Japan and overseas.- Minor impact of lockdown in Shanghai, China.	
Income	■ Operating Income	<u>JPY3.2 billion</u>	(YoY +37.1%)
	■ Ordinary Income	<u>JPY3.6 billion</u>	(YoY +46.2%)
	■ Net Income [*]	<u>JPY2.6 billion</u>	(YoY +42.0%)
	*Net income attributable to owners of parent company		
	<ul style="list-style-type: none">- In addition to the effect of increased income, the impact of higher raw material prices was absorbed by optimizing sales prices.- Achieved significant increased income by contributions of decreased SG&A ratio and the effect of weak yen.		

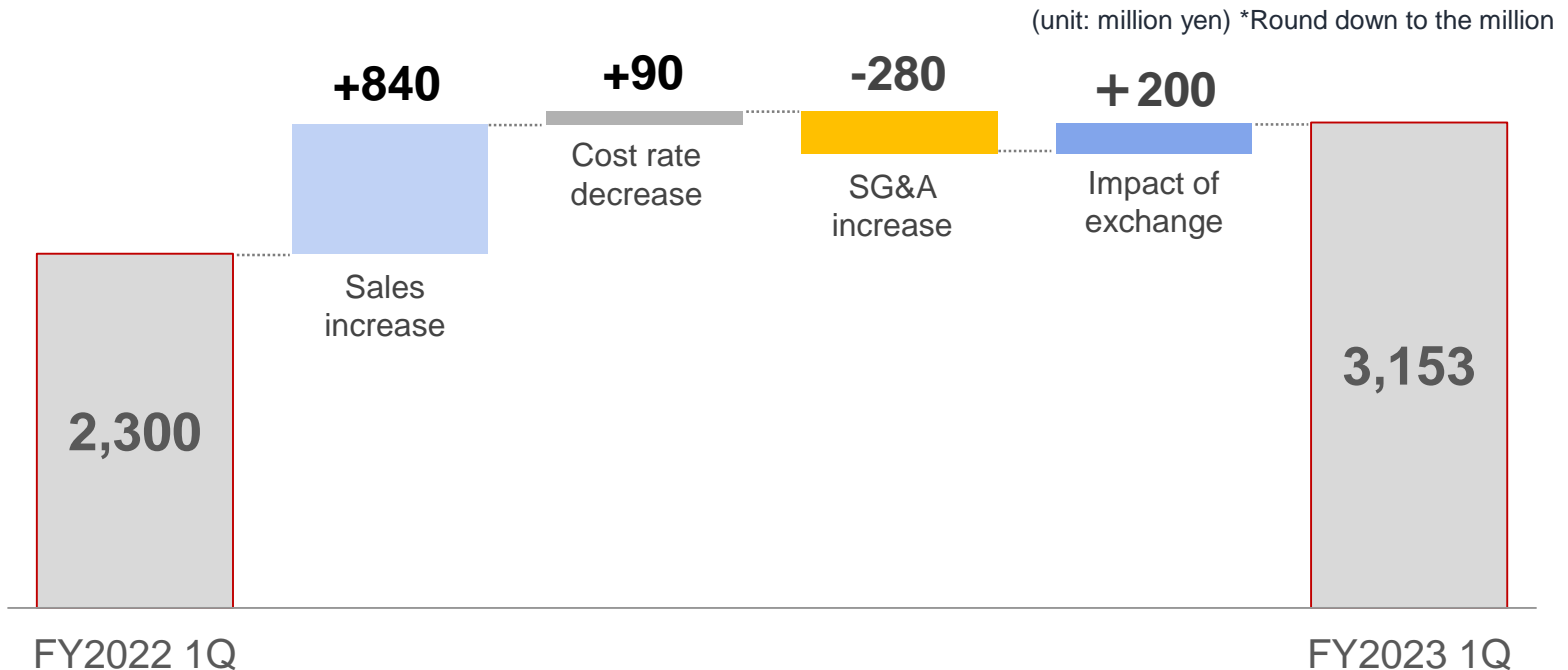
Consolidated performance [Consolidated income statement] -1



(Unit: million yen) ※Round down to the millions	FY2022 1Q		FY2023 1Q		
	Actual	Sales Ratio	Actual	Sales Ratio	YoY
Net sales	17,270	100.0%	20,157	100.0%	+16.7%
Gross income	7,300	42.3%	8,629	42.8%	+18.2%
SG&A	4,999	28.9%	5,476	27.2%	+9.5%
Operating income	2,300	13.3%	3,153	15.6%	+37.1%
Ordinary Income	2,436	14.1%	3,562	17.7%	+46.2%
Net income attributable to owners of parent company	1,799	10.4%	2,555	12.7%	+42.0%
Earnings per share(EPS) (before diluting) (JPY)	60.01	—	88.09	—	+28.08
USD-yen rate (JPY)	109.52		129.73		+20.21
EUR-yen rate (JPY)	127.80		130.40		+2.60
CNY-yen rate (JPY)	16.96		19.60		+2.64

Changing factors of consolidated operating income

Operating income increased by approximately 0.85 billion yen YoY due to the effect of increased sales, product mix and impact of weak yen, etc.



Consolidated performance [Consolidated income statement] -2

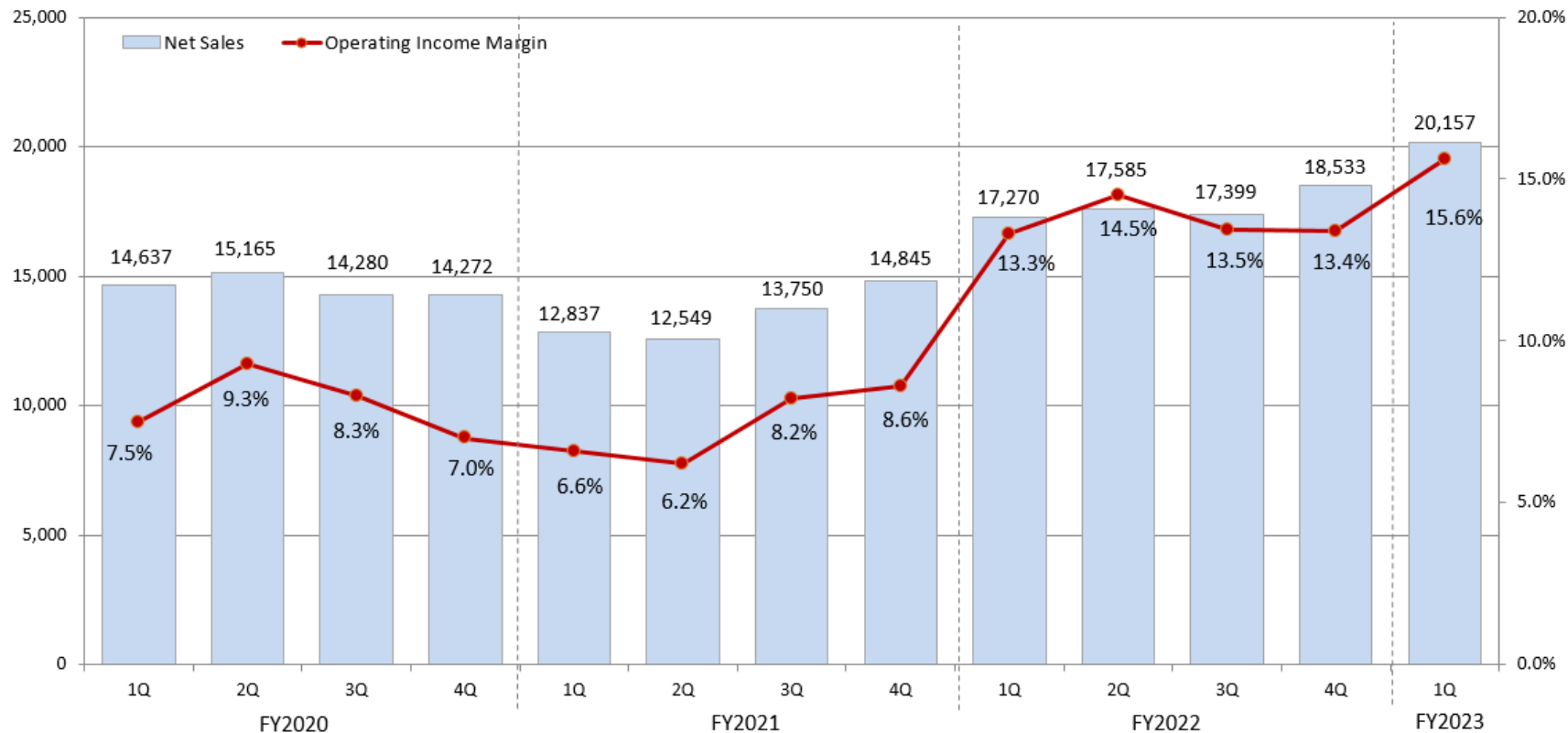


(Unit: million yen) ※Round down to the millions	FY2022								FY2023		
	1Q (Apr.to Jun.)		2Q (Jul.to Sep.)		3Q (Oct.to Dec.)		4Q (Jan.to Mar.)		1Q (Apr. to Jun.)		
	Actual	Sales ratio	Actual	Sales ratio	Actual	Sales ratio	Actual	Sales ratio	Actual	Sales ratio	YoY
Net sales	17,270	100.0%	17,585	100.0%	17,399	100.0%	18,533	100.0%	20,157	100.0%	+16.7%
Gross income	7,300	42.3%	7,619	43.3%	7,514	43.2%	7,876	42.5%	8,629	42.8%	+18.2%
SG&A	4,999	28.9%	5,066	28.8%	5,173	29.7%	5,398	29.1%	5,476	27.2%	+9.5%
Operating income	2,300	13.3%	2,552	14.5%	2,340	13.5%	2,477	13.4%	3,153	15.6%	+37.1%
Ordinary income	2,436	14.1%	2,586	14.7%	2,468	14.2%	2,906	15.7%	3,562	17.7%	+46.2%
Net income attributable to owners of parent company	1,799	10.4%	1,727	9.8%	1,776	10.2%	2,592	14.0%	2,555	12.7%	+42.0%
Earnings per share(EPS) (before diluting) (JPY)	60.01	—	57.58	—	59.22	—	89.37	—	88.09	—	

Net sales and operating income margin (per quarter transition)



(Unit: million yen) *Round down to the millions



Sales by regions

(Unit: million yen) *Round down to the millions (Sales ratio)	FY2022 1Q	FY2023 1Q	YoY
Japan	7,343 (42.5%)	8,319 (41.3%)	+13.3%
Overseas	9,926 (57.5%)	11,837 (58.7%)	+19.3%
Americas	2,715 (15.7%)	3,457 (17.2%)	+27.3%
EMEA (Europe, Middle East, Africa)	2,975 (17.3%)	3,314 (16.4%)	+11.4%
Asia Pacific	4,234 (24.5%)	5,065 (25.1%)	+19.6%
Total	17,270 (100.0%)	20,157 (100.0%)	+16.7%

Japan YoY **+13.3%**

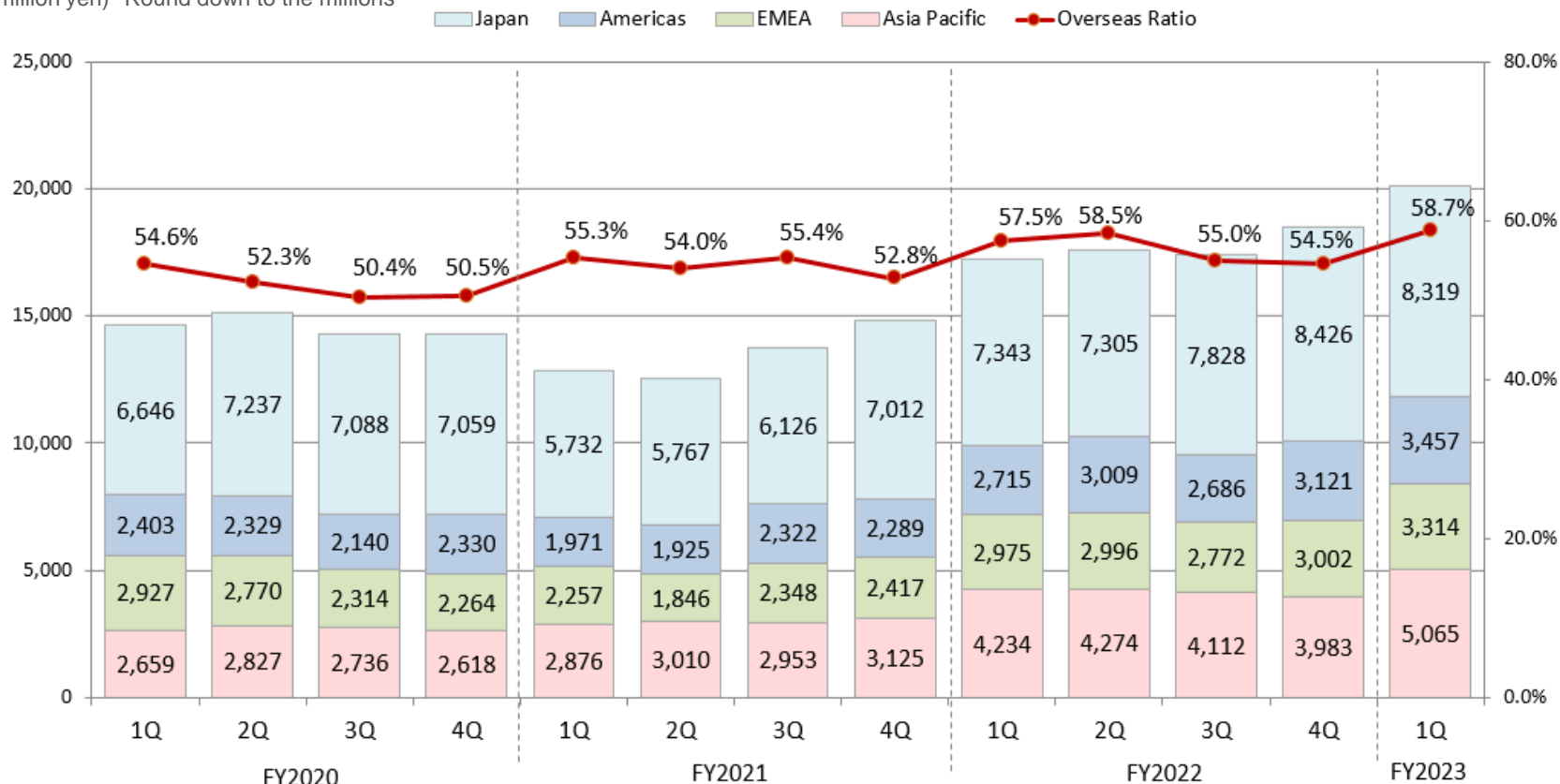
- The demand of semiconductor-related, automobile-related, machine tools and robotics industries, etc. has moved firmly following previous quarter, and the sales increased.

Overseas YoY **+19.3%**

- In Americas and EMEA, demand has continued in high level, and the sales increased with the effect of weak yen.
- The impact of lockdown in Shanghai, China was limited, and the demand of other Asian regions has moved firmly.

Sales by regions (per quarter transition)

(Unit: million yen) *Round down to the millions



Sales by products



(Unit: million yen) *Round down to the millions (Sales ratio)	FY2022 1Q	FY2023 1Q	YoY
Industrial Switches	8,115 (47.0%)	9,724 (48.2%)	+19.8%
Industrial Relays & Components	3,264 (18.9%)	4,002 (19.9%)	+22.6%
Automation & Sensing	2,499 (14.5%)	2,578 (12.8%)	+3.1%
Safety & Explosion Protection	2,085 (12.1%)	2,577 (12.8%)	+23.6%
Systems	901 (5.2%)	950 (4.7%)	+5.5%
Others	403 (2.3%)	323 (1.6%)	-19.9%
Total	17,270 (100.0%)	20,157 (100.0%)	+16.7%

Industrial Switches

Sales expanded in all global regions due to the rapid expansion of the demand for capital investment.

Industrial Relays & Components

Sales of control relays increased in main Americas and China.

Automation & Sensing

The demand for operator interfaces and programmable logic controllers has still moved in Japan, Americas, and EMEA.

Safety & Explosion Protection

The demand for safety-related devices significantly expanded in Japan and China mainly.

Systems

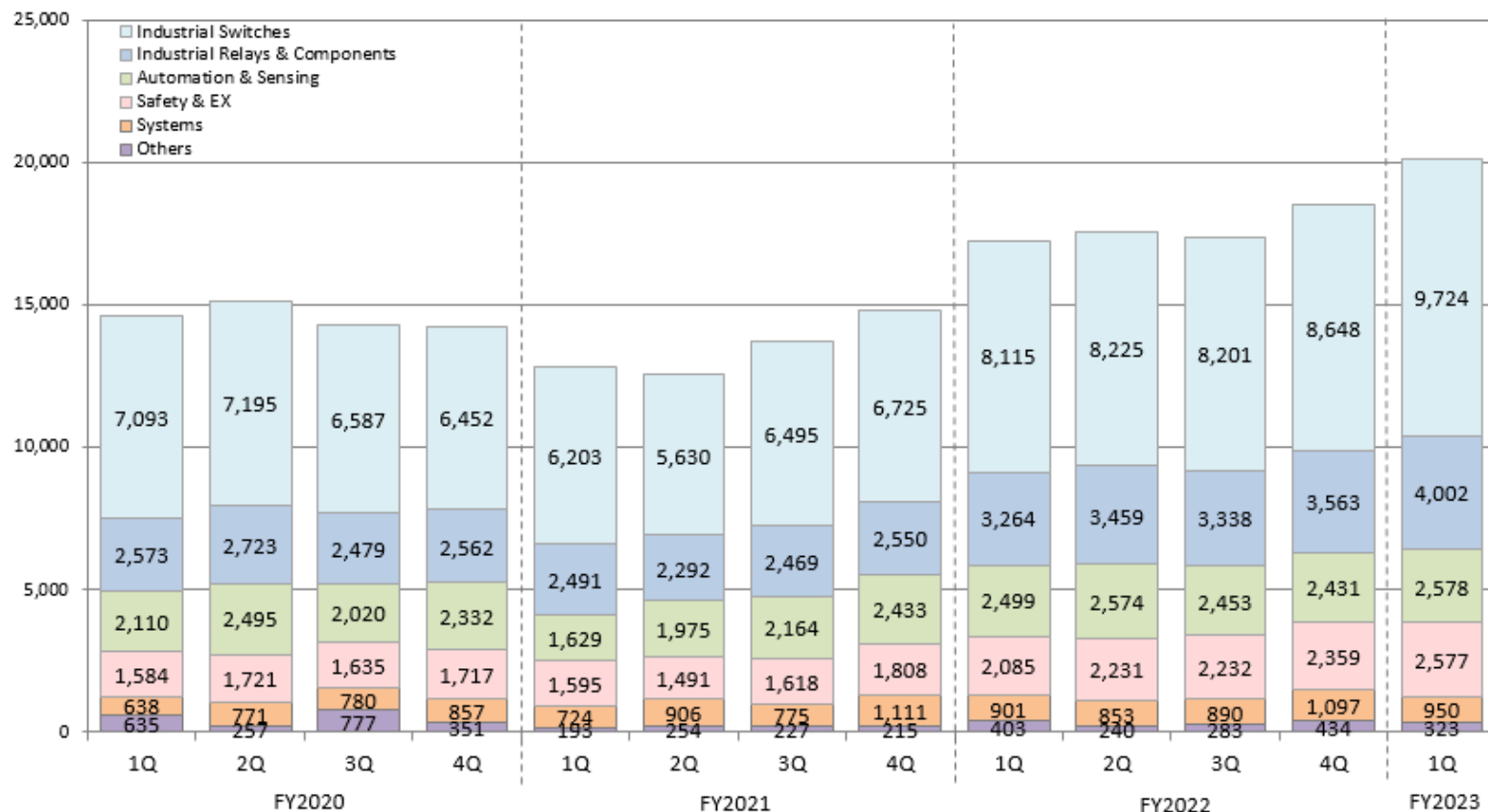
Sales of control panels for semiconductor and logistic-related equipment increased in Japan.

Others

Sales of environment and energy-relating business decreased in Japan.

Sales by products (per quarter transition)

(Unit: million yen) *Round down to the millions



- The overall orders received have remained in almost same level, and have maintained in high level.
- In Americas, orders received increased based on the strong market environment.

(Unit: million yen) *Round down to the millions	FY2022 1Q		FY2023 1Q			
	Amount of orders received	Backlog	Amount of orders received	YoY	Backlog	YoY
Japan	11,257	8,941	11,057	-1.8%	19,875	+122.3%
Americas	3,530	2,537	4,874	+38.1%	6,405	+152.4%
EMEA (Europe, Middle East, Africa)	3,891	4,309	3,555	-8.6%	7,428	+72.4%
Asia Pacific	4,114	3,939	3,746	-9.0%	7,232	+83.6%
Total	22,795	19,728	23,233	+1.9%	40,942	+107.5%

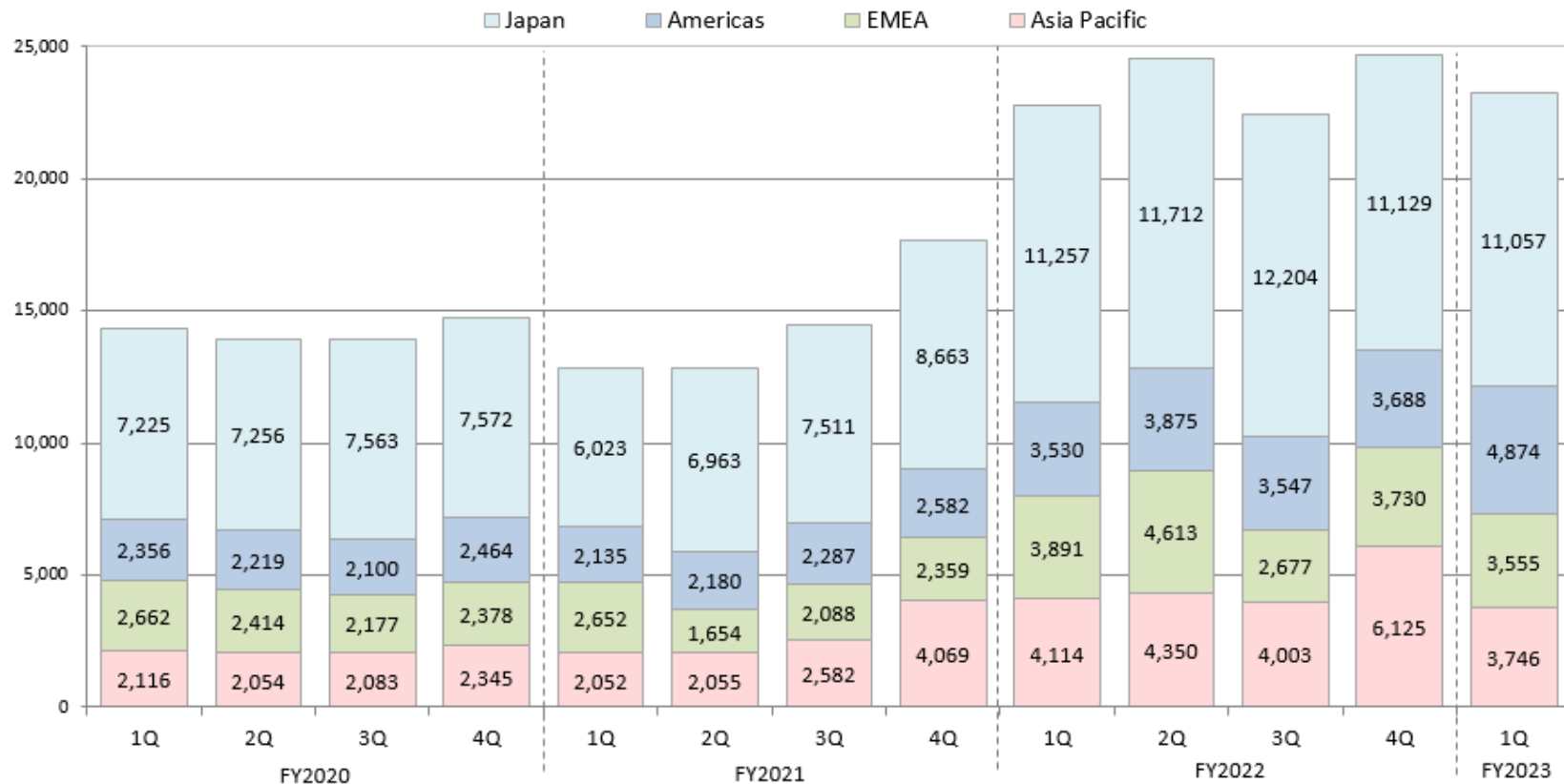
Orders received (per quarter transition)

- In Asia Pacific, orders received of 1Q decreased due to the impact of the Shanghai lockdown and a reactionary drop from the increase in demand in China in February to March prior to the product price revision (on a recovery trend after June).

(Unit: million yen) *Round down to the millions	FY2022								FY2023	
	1Q (Apr. to Jun.)		2Q (Jul. to Sep.)		3Q (Oct. to Dec.)		4Q (Jan. to Mar.)		1Q (Apr. to Jun.)	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Japan	11,257	8,941	11,712	12,448	12,204	16,069	11,129	18,048	11,057	19,875
Americas	3,530	2,537	3,875	3,520	3,547	4,459	3,688	5,060	4,874	6,405
EMEA (Europe, Middle East, Africa)	3,891	4,309	4,613	5,923	2,677	5,853	3,730	6,708	3,555	7,428
Asia Pacific	4,114	3,939	4,350	4,801	4,003	5,345	6,125	8,048	3,746	7,232
Total	22,795	19,728	24,551	26,694	22,432	31,727	24,673	37,866	23,233	40,942

Orders received (per quarter)

(Unit: million yen) *Round down to the millions



Highlights of assets

- Although cash and deposit decreased, inventory assets and trade receivables increased. So, total assets increased by 2.88 billion yen compared to the end of previous FY.

Highlights of liabilities

- While trade payables increased, income tax payable, etc. decreased. So, total liabilities decreased by 0.43 billion yen compared to the end of previous FY.

Highlights of net assets

- Due to the increased of earned surplus and foreign currency translation adjustment, net assets increased by 3.31 billion yen compared to the previous FY.

(Unit: million yen) *Round down to the millions	FY2022 (previous FY)	FY2023 (end of June)	YoY
Current asset	47,171	48,960	+1,789
Fixed asset	47,789	48,879	+1,089
Current liabilities	21,660	21,208	-452
Non-current liabilities	24,291	24,313	+ 21
Net assets	49,008	52,318	+3,310
Total assets	94,960	97,840	+2,879
Shareholders' equity ratio	51.2%	53.1%	+1.9%

Cash Flows by operation activities

- It was -0.16 billion yen decreased by approximately 2.28 billion yen YoY due to the increased inventory assets and the increased payment of income tax, etc. involved with significant increased income in the previous year.

Cash Flows by investing activities

- Due to the acquisition of fixed assets, etc., it was -0.6 billion yen decreased by approximately 0.32 billion yen of expenses YoY .

Cash Flows by financing activities

- It was -1.92 billion yen due to repayment of borrowings and expenses including dividends.

(Unit: million yen) *Round down to the millions	FY2022 1Q	FY2023 1Q	YoY
CF from operation activities	2,126	-158	-2,284
CF from investing activities	-924	-602	+321
Free cash flows (FCF)	1,201	-760	-1,962
CF from financing activities	-1,451	-1,917	-466
Cash and cash equivalents at end of period	14,826	13,039	-1,786
Capital expenditures	522	772	+250
Depreciation and amortization	800	841	+40

Forecast for FY2023

Consolidated business forecast for FY2023

■ No amendment of business forecast

(Unit: million yen) *Round down to the millions	FY2022		FY2023		
	Actual	Sales ratio	Forecast	Sales ratio	YoY
Net sales	70,789	100.0%	74,500	100.0%	+5.2%
Gross income	30,310	42.8%	32,500	43.6%	+7.2%
SG&A	20,638	29.2%	21,700	29.1%	+5.1%
Operating income	9,672	13.7%	10,800	14.5%	+11.7%
Ordinary income	10,398	14.7%	10,800	14.5%	+3.9%
Net income attributable to owners of parent company	7,896	11.2%	7,500	10.1%	-5.0%
Earnings per share(EPS) (before diluting) (JPY)	264.12	—	250.88	—	
USD-yen rate (JPY)	112.40		120		+7.60
EUR-yen rate (JPY)	129.91		130		+0.09
CNY-yen rate (JPY)	17.51		18.5		+0.99

Consolidated business forecast for FY2023

(Unit: million yen) *Round down to the millions	FY2022	FY2023	
	Actual	Forecast	YoY
Industrial Switches	33,191	35,500	+7.0%
Industrial Relays & Components	13,625	14,500	+6.4%
Automation & Sensing	9,958	9,100	-8.6%
Safety & Explosion Protection	8,908	9,800	+10.0%
Systems	3,742	4,500	+20.2%
Others	1,363	1,100	-19.3%
Total	70,789	74,500	+5.2%
Domestic sales	30,904	32,000	+3.5%
Overseas sales	39,885	42,500	+6.6%
(Ratio of overseas sales)	56.3%	57.0%	

Currency	Exchange assumption	Effect by 1 yen change of exchange rate *For CNY, effect by 0.1 yen change	
		Net sales	Operating income
USD	JPY120	Approx. 60 mil. yen	Approx. 10 mil. yen
EUR	JPY130	Approx. 120 mil. yen	Approx. 15 mil. yen
CNY	JPY18.5	Approx. 50 mil. yen	Approx. 5 mil. yen

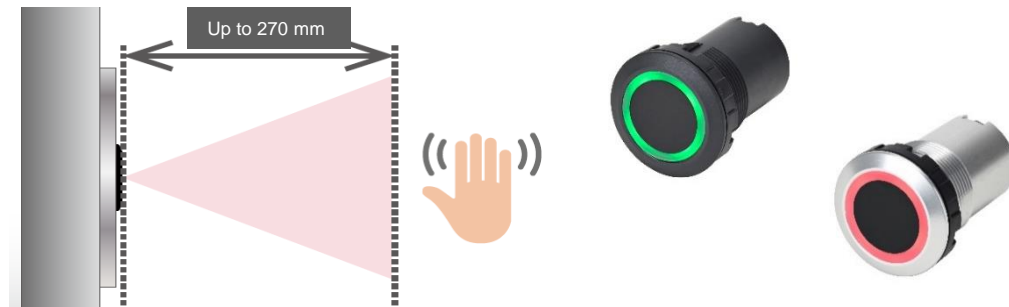
Introduction of new products and solutions

Φ22 Touchless Switch “CW1H/CW4H type”

- **Non-contact, hygienic touchless switches** were newly launched to meet the growing need for touchless measures to prevent infectious diseases.

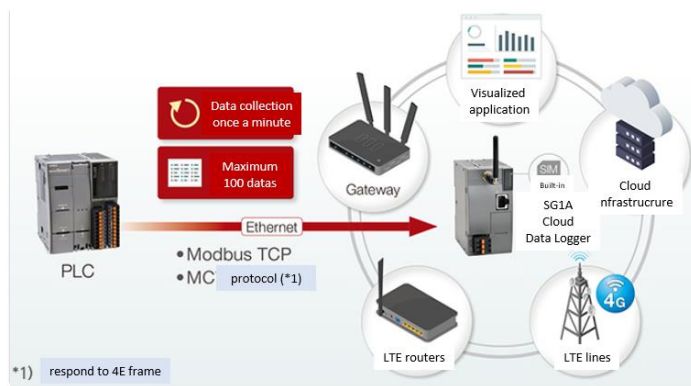
[Target facilities for mounting]

- Medical sites, air showers of cleanrooms, and operative parts of food machine with the necessity of considering hygiene.
- Automatic doors and elevators for indoor and outdoor public facilities, ticket machines for parking , etc.



Cloud Data Logger “SG1A type”

- Complicated factors of IoT system are concentrated into one package, which easily enables to achieve monitoring of equipment and devices located remotely without program. (joint development with Contec Co., Ltd.)
- LTE routers, gateways, LTE lines, and cloud infrastructures conventionally required preparation respectively are unnecessary. It enables to visualize data in approximately ten minutes after introduction and installation of SG1A type.



- Products of ez-Wheel (France) with which IDEC had concluded partnership agreement in January 2022 have been proposed according to each customer's needs, and **the number of leads from end users and assembly manufacturers are increasing.**
- Inquiries about "**Electric Power Wheel**" are often received from automobile-related manufacturers, where heavy loads are often transported by human.
- For "**Safety Wheel Drive**" complied with safety standard ahead of the world, business opportunities for introducing to logistics and production lines of manufacturing industries which consider to introduce AMR with safety functions for labor saving and work saving are proceeding. Currently, testing of products with ez-Wheel's products has been introduced and verified at two IDEC's sites in Japan.
 - 1) Amagasaki factory, manufacturing explosion protection products, has introduced carts with electric assist wheels, and has promoted labor saving and improvement of well-being.
 - 2) At logistic centers, verification of AMR with safety wheel drive has been testing.



Electric Power Wheel (left) and an electric assist cart introduced at IDEC's Amagasaki factory (right)



Safety Wheel Drive (left) and AMR under testing of verification at logistic centers (right)

Evaluation by Society

Selected for FTSE Blossom Japan Index for the first time, following FTSE Blossom Japan Sector Relative Index

- First selection for two FTSE indexes in 2022.
- In addition to S&P/JPX Carbon Efficient Index, the IDEC group has been selected as an index constituent of SOMPO Sustainability Index for two consecutive years in 2021 and 2022.



**FTSE Blossom
Japan Index**



**FTSE Blossom
Japan Sector
Relative Index**

2022



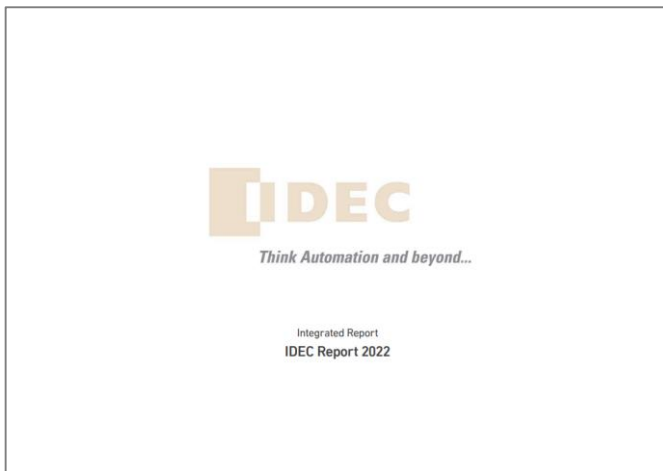
Sompo Sustainability Index



(Reference)

Introduction of the Integrated Report

- **IDEC Report 2022 (Integrated Report)** was published in June 2022, expanding on the contents of the IDEC Report previously published.
(Reference : <https://us.idec.com/media/IDECReport2022-EN.pdf>)
- By integrating financial and non-financial information systematically, it was edited for wide variety of stakeholders to understand IDEC's corporate value creation process and initiatives for achieving sustainable society comprehensively.



Introduction of the Integrated Report (Extracts)



- Announced the New Medium-Term Management Plan in May.
- By promoting a new concept, **HMI-X [Transformation]**, IDEC will provide products and solutions to address customer challenges, helping them to create the optimal environment for humans and machines.

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

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

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

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

*Including the impact from extraordinary income. ROE, the ROIC was approximately 13% and EPS was approximately 227 yen in FY2022.

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

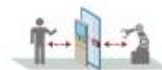
Four Basic Strategies

- Promote Growth Strategy**
 - Strengthen sales based on technical problem-solving
 - Accelerate product development and launch based on regional and industry needs
 - Expand business in China, India and other focus markets, and by M&A and alliances
- Improve Profitability**
 - Optimize production structure and processes to reduce cost, inventory and improve lead time
 - Review and optimize SG&A cost
 - Identify and concentrate unprofitable products and businesses
- Enhance Business Foundation**
 - Promote decent work practices
 - Strengthen business structure by promoting PM and rigorous management of key projects
 - Promote digital marketing at global level
- Enhance ESG Initiatives**
 - Environment**: Promote initiatives to reduce environmental impacts
 - Society**: Promote diversity
 - Governance**: Improve management transparency and efficiency
 - Customer**: Create well-being through safety and ANSHIN technology
 - Supplier**: Improve product quality and manufacturing capabilities

Expansion of business area: From "Interface" to "Interaction" and leading to "the Realization of Optimal Environment"

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

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



Control in an environment where humans are isolated from machines



Control in an environment where humans and machines work together

HMI-X [Transformation]



Introduction of the Integrated Report (Extracts)

- Identified the **Materiality** that corresponds to the content of the new medium-term management plan.
- Selected three themes that are of particular significance to the realization of a sustainable society: **“Productivity improvement”**, **“Safety, ANSHIN, well-being”**, and **“Climate change”**.



Materiality Selection Process



Introduction of the Integrated Report (Extracts)

- As the four requirements (governance, strategy, risk management, and metrics and targets) based on the TCFD recommendations, **disclose information relating to the initiatives for climate change** in accordance with the guidance.



Strategy, Scenario Selection

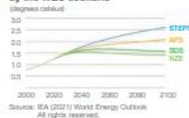
In order to evaluate the impact of climate-related risks and opportunities, we selected two authorized scenarios for each of transition risks and physical risks. The baseline scenarios, assuming physical in 2030, are one in which the increase in average temperature is kept below 2°C compared to the level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

- Transition risk scenarios**
- Sustainable Development Scenario (SDS)
- Shared Policies Scenario (STEPS)

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

- Physical risk scenarios**
- IPCC's RCP2.6 (2°C scenario)
- COP28's RCP1.8 (1°C scenario)
- Net-zero Emissions Scenario (NZE) by the International Conference on Future Pathways (ICFPP)

Median surface temperature rises by the WEO scenario



Strategy, Risks and opportunities

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

Mapping of climate-related risks and opportunities



List of climate-related risks and opportunities

Type	Category	Item	Major risks	Time period	Occurrence probability	Business impact
Policy and laws	A	1. Introduction of strict production standards and emission charges	Medium to long	A	B	C
		2. Tighter obligation to report emissions	Short to medium	A	D	B
		3. Tighter carbon and regulations for aviation products and services	Medium to long	A	B	D
	B	4. Expansion of carbon trading	Medium to long	B	D	D
		5. Expansion of carbon trading	Medium to long	B	D	D
		6. Expansion of carbon trading	Medium to long	B	D	D
Technology	B	1. Improvement of energy products and services with options with clean emissions	Medium to long	A	B	B
		2. Failure to meet new technology	Short to medium	C	C	C
		3. Cost of meeting low-carbon emissions	Medium	B	B	C
	C	4. Increase in carbon prices	Medium to long	B	B	C
		5. Change in customer behavior in response to climate change	Medium to long	B	B	B
		6. Increase in raw material procurement and manufacturing costs	Medium to long	A	B	C
Market	D	1. Change in customer behavior in response to climate change	Medium to long	B	B	B
		2. Increase in raw material procurement and manufacturing costs	Medium to long	A	B	C
		3. Change in raw material quality and properties	Medium to long	B	B	C
	E	4. Increase in cost of capital investment for energy saving and energy efficiency	Short to medium	A	C	C
		5. User product substitution (environmental)	Medium to long	C	C	C
		6. Increasing concern or negative feedback by stakeholders	Medium to long	C	B	B
Acute risks	E	1. Damage to manufacturing site and supply chain disruption caused by extreme weather events	Medium to long	B	B	B
		2. Failure of manufacturing facilities caused by natural disasters	Short to long	C	B	B
		3. Disruption of supply chain due to natural disasters	Short to long	B	B	B
	F	4. Increase in raw material procurement and manufacturing costs	Medium to long	B	B	C
		5. Interruption of power supply caused by effects of extreme weather events on power generation	Medium to long	B	B	C
		6. Natural destruction and unexpected accidents caused by the progress in conversion from fossil power generation to other energy sources	Medium to long	C	D	D
Chronic risks	E	1. Increase in raw material procurement and manufacturing costs	Medium to long	C	B	B
		2. Increase in retail share and risks through manufacturing with environmental impact	Short to long	B	B	B
		3. Business reputation in the environmental field driven by increasing concern about climate change and the business and financial risks	Short to long	B	B	C
	F	4. Greater needs for and business expansion of remote working	Short to medium	B	B	B
		5. Business expansion of eco-friendly products in response to the increasing social environment related to environmental issues	Medium to long	B	B	C
		6. Business expansion of eco-friendly products in response to the increasing social environment related to environmental issues	Medium to long	B	B	C

Definition of occurrence probability and business impact

Occurrence probability	Business impact
A: May occur almost certainly	A: May have a significant impact on business sustainability and growth.
B: May occur under certain conditions we risk	B: May have significant impact on operating margin.
C: May occur unless the conditions are met	C: May have significant impact on sales and profits.
D: The probability of occurrence is not high.	D: There is no significant impact on the business.



Risk management

The identified results of risks and opportunities related to climate change, and the risk items that have been assessed as important in our mapping, are managed by referring to an integrated risk map of the IDEC Group (P.49). They are also reflected in the environment-related risks and opportunities associated of the Materiality (P.08). Important items of risk and opportunity are evaluated by the Environment Management Committee, taking into account both the likelihood and extent of impact. The Environment Promotion Department describes environmental risk management items on a risk management table annually, specifies performance indicators, and reports the progress of the achievement to the Risk Monitoring Subcommittee (P.48).

Transition plan

IDEC considers the climate strategy as an important part of its business strategy and is promoting the reflection of its environmental response to its annual policy and medium- to long-term business strategy. In the future, we will make more accurate quantification of risks and opportunities, continue to monitor qualitative information, and estimate the financial impact of quantitative items over the medium- to long term, in particular to improve the transition plan and its disclosure method.

Metrics and targets

Our medium-term management plan sets the targets to reduce Scope1 and Scope2 CO₂ emissions by 24% by FY2025 and by 50% by FY2031 (compared to the levels in FY2020). With regard to Scope3, we began calculating upstream (Categories 1-7) emissions in Japan in FY2021. We will expand the range of calculation to the Scope3 downstream (Categories 8-15) and make preparation for its disclosure. The expansion of global-based disclosure is also proceeding at the same time. As for the reduction of industrial waste, we have set a target of 24% reduction by FY2025 (compared to the level in FY2020). Going forward we plan to set targets and work on other metrics, which include the results of shifting to renewable energy, the ratio of eco-friendly products to total new products, as well as ISO 14001 compliance at all global bases, establishing of internal carbon prices, and the study of international disclosure standards.

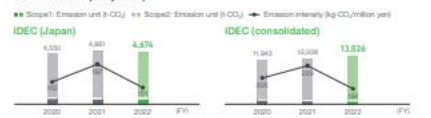


CO₂ emissions

IDEC (Japan)				
	Scope1	Scope2	Scope3 upstream	Scope3 downstream
FY2020	563	3,997	-	-
FY2021	501	4,360	68,900	-
FY2022	505	4,169	112,900	-

IDEC (consolidated)				
	Scope1	Scope2	Scope3 upstream	Scope3 downstream
FY2020	1,152	10,791	-	-
FY2021	948	11,260	-	-
FY2022	897	12,129	-	-

CO₂ Emissions (Scope1&2)



Calculations of Supply chain CO₂ emissions

Scope1	Direct emissions from the reporting company's GHG emission sources to the air directly.
Scope2	The amount of indirect emissions from energy sources.
Scope3	The amount of indirect emissions related to reporting company's business activities in the Group's supply chain not within a Scope1&2 boundary.

Introduction of the Integrated Report (Extracts)

- Expand the contents including the governance system, remuneration policy for directors, efforts to evaluate effectiveness of the Board of Directors, and risk management, etc.

Governance

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

Target SDGs

IDECC Corporate Governance Policy

The basis of the IDEC Group's corporate governance is to ensure management transparency and efficiency for shareholders and other stakeholders. For this reason, we assign outside directors and separate the management supervisory function from the execution function so as to always maintain a high priority on transparency and efficiency. Under this concept, in order to realize the improvement of corporate value based on "The IDEC Way", which was established in 2019 as a new philosophy toward becoming a truly global company, the IDEC Corporate Governance Policy has been established and published to further strengthen corporate governance.

IDECC Corporate Governance Policy
https://www.idec.com/idec/eng/1/IDECC_about_IDECCs_investing_governance

Features of governance in IDEC

- Outside directors represent more than half of all directors.
- All outside directors are independent officers.

Ratio of outside directors
(As of June 30, 2023)

3 male directors / 6 female directors

67%

Ratio of female directors
(As of June 30, 2023)

3 female directors / 3 male directors

33%

Distribution of tenure periods
(As of June 30, 2023)

10 years or more: 2 directors
5 years or less: 4 directors

44%

Governance

Dialogue with outside directors

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

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

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

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

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

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

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

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

Valuing what only outside experts can see and say

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

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

References

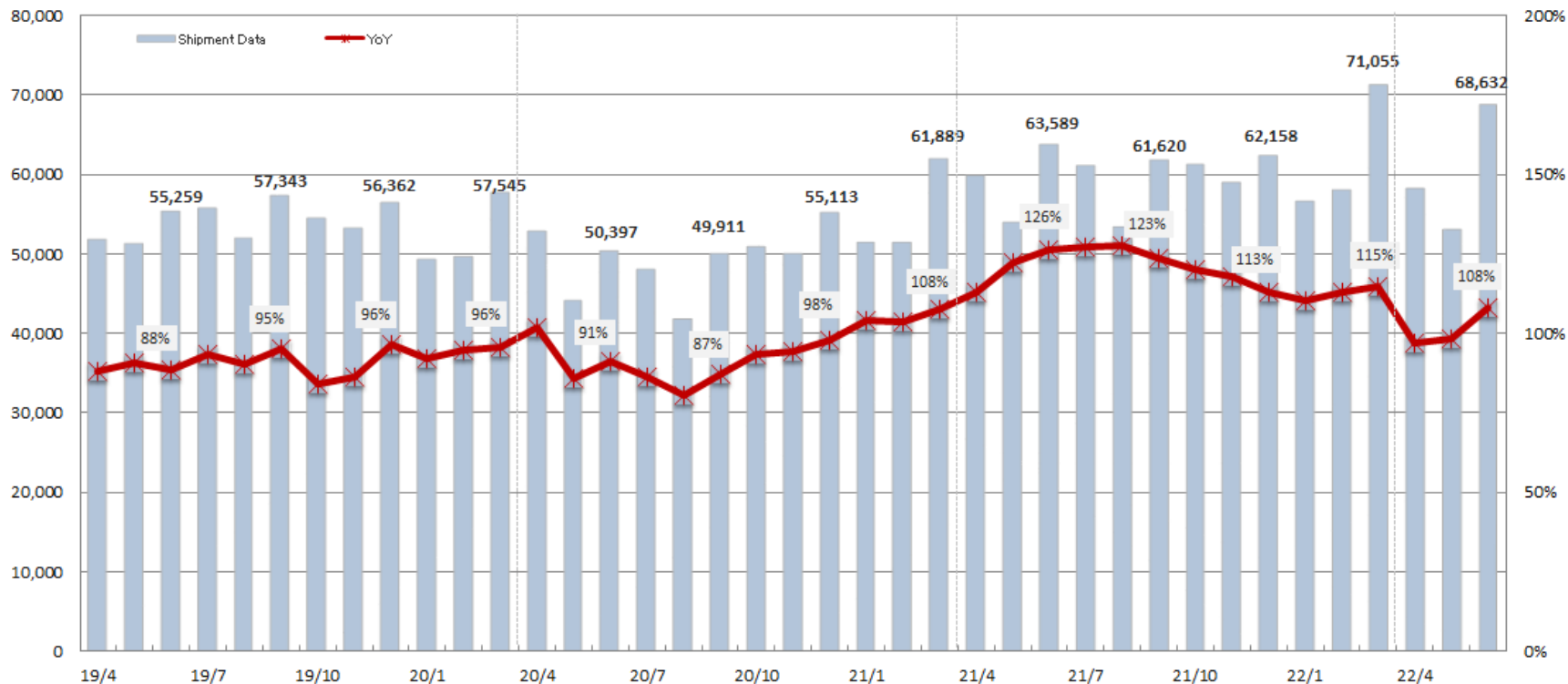
Industry Trend (Transition of shipment data of NECA*)

*Nippon Electric Control Equipment Industries Association










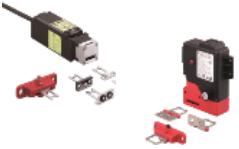










Transition of the industrial shipment and YoY status (between April, 2019 and June, 2022)

(Unit: million yen)



Sales classification by segment

Industrial Switches	Industrial Relays & Components	Automation & Sensing	Safety & Explosion Protection	Systems	Others
<ul style="list-style-type: none"> Industrial switches Joysticks Pilot lights  <p>APEM products</p>  	<ul style="list-style-type: none"> Switching power supplies Terminal blocks Industrial relays/sockets Circuit protectors LED illumination units    	<ul style="list-style-type: none"> Programmable logic controllers Operator interface Photoelectric switches Automatic identification devices    	<ul style="list-style-type: none"> Safety-related products Explosion protection products    	<ul style="list-style-type: none"> Collaborative robot systems Interface complex systems Security systems Other various systems   	<ul style="list-style-type: none"> Environmental energy-related business Next generation agricultural solutions  

This material contains our plans and performance forecast, which we have planned and expected in accordance with available information as of August 4, 2022.

Therefore, actual performances may vary from aforementioned plans and expected values due to unforeseeable events and factors.

The original language is Japanese in financial results materials. The English version is translated into the original Japanese version. In the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail.

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