

CEO Message

Creating an optimum environment for humans and machines in order to raise corporate value and contribute to solving societal challenges.

Toshi K. Funaki
Chairman and Chief Executive Officer



Our intent behind "The IDEC Way"

IDEC is celebrating its 75th anniversary in November 2020. Since our founding in 1945, we have provided a wide range of products and services, centered around control and safety technology to our society. As we move forward, our continued business expansion globally has come with a new set of challenges. To strengthen our foundational global culture across IDEC Group companies and support sustainable growth as we approached our 100th anniversary, we evolved our company philosophy into "The IDEC Way". "The IDEC Way" is comprised of three elements – Vision, Mission, and Core Values – and is based on our most important founding philosophy "Management with respect for humanity".

Our envisioned ideal, "Pioneer the new norm for a safer and sustainable world", incorporates our determination to become a pioneer of tomorrow's new standards by our role in helping shape the future of manufacturing and its new potential, and to aim at realizing a safer, sustainable society that brings happiness and ANSHIN for all.

Each and every IDEC Group employee is committed to "The IDEC Way." We encourage them to take on challenges and find new ways to innovate, for all group employees across the world to share the same values globally as one cohesive unit. We are dedicated to taking each step with passion and integrity towards achieving our corporate mission.

Our vision on sustainability: "ESG+Sa+Q"

As part of our ongoing effort to realize sustainable growth, we are promoting initiatives that contribute to the United Nations' Sustainable Development Goals (SDGs), making sure our business activities will help achieve a better and more sustainable future. We joined the United Nations Global Compact in 2009 and started undertaking activities based on its Ten Principles. We also established a CSR Committee, in April 2018, focusing not only on the areas of Environment (E), Social (S) and Governance (G), but also IDEC Group's two core elements – Safety (Sa) and Quality (Q). We are making continuous efforts in our CSR activities, in particular those leveraging our safety-oriented DNA, which we have cherished since our founding.

In January 2018, IDEC became the first company in Japan to register with Vision Zero, a global campaign launched by the International Social Security Association under the auspices of the United Nations International Labour Organization. Vision Zero, spearheaded by top management, is described as an approach to pursue corporate safety, health, and wellbeing, including investment in the workforce. For many years, IDEC has made efforts to ensure its engineers and system integrators acquire safety knowledge and skills. Our number of certified Safety Assessors and Robot Safety Assessors reached approximately 530 in total as of April 2020.

As part of our Vision Zero promotional activities, one of our major factories, the Takino Factory in Hyogo Prefecture, became the first in the Japanese electrical industry to obtain an occupational safety and health management system ISO 45001 certification from the Japan Industrial Safety and Health Association in March 2019. Our continual efforts to establish a safe, pleasant work environment also led to the ISO 45001 acquisition by the Fukusaki Factory and the Amagasaki Factory in Hyogo prefecture in February 2020.

In FY2020 (April 2019 - March 2020), we recorded consolidated sales of \$536 million (down 5.2% from the previous year) mainly due to the global deteriorating business environment. Negative impacts from a decline in sales of industrial switches and other major product groups resulted to record operating income of \$43 million (down 16.2% from the previous year) and operating income margin of 8.1%.

Despite a challenging business climate in FY2020, we accelerated measures to enhance profitability, including reorganizing manufacturing bases in Japan and overseas.

As part of initiatives to generate more synergies with APEM Group, we consolidated the sales, marketing, and distribution capabilities of IDEC and APEM in Greater China and Europe, in order to accelerate the sales growth of both brands. In terms of product innovations, in FY2020, we launched a range of products with push-in terminal connectors. The push-in terminals improve reliability and reduce maintenance work, providing added value during a time when many manufacturing sites are experiencing labor shortages. We plan to continue expanding the push-in terminal option for other product lines as well. Our goal is to offer innovative platforms not only in products, but also on the manufacturing floor by providing simple, safe, and smart wiring options across all product lines.

Return to shareholders

Stable dividend payment and appropriate return of profit to shareholders are our main priority, along with the enhancement of financial position and operational base. We paid an annual dividend of \$0.46 per share in FY2020.

We are committed to emphasize return of profit to shareholders and deploy a flexible dividend policy, consistent with changes in performance and the external environment.



A Company of

VISION ZERO

Safety.Health.Wellbeing.

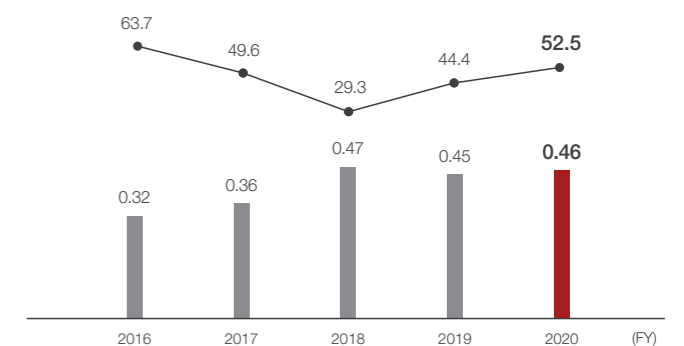
Business overview in FY2020

FY2020 began with challenging business climates in Japan, Greater China, the Americas, and Europe mainly due to U.S.-China trade friction. In the fourth quarter, the COVID-19 pandemic further impacted our customer base.

Orders from our main customer industries – machine tools, semiconductors, robotics, automotive, etc. – declined due to sluggish demand and postponement in capital expenditures.

Cash dividends per share and dividend payout ratio

■ Cash dividends per share (U.S. dollars) ● Dividend payout ratio (%)



Note: Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31 in every fiscal year.
Note: Exchange rate (1 U.S. dollar): FY2016 (¥112.69), FY2017 (¥112.20), FY2018 (¥106.27), FY2019 (¥111.01), FY2020 (¥108.83)

CEO Message

Long-term targets

- Become a global leader in HMI (Human-Machine Interface).
- Become the world's No.1 safety and ANSHIN* provider.
- Promote new businesses that respond to societal challenges.

*ANSHIN: a sense of trust and assurance without any fear or stress

Measures towards achieving long-term targets

For many years, IDEC has provided various kinds of industrial components to factory automation (FA) and other manufacturing sites. In order to achieve our long-term targets and sustainable growth, however, we also need to expand business domains. That is why we are aggressive in M&A activities and operational alliances as a means to innovate and become a truly global company.

In 2017, we acquired APEM Group, a French company with a global sales network centered in Europe. This also expanded the IDEC Group's business domain to on-vehicle equipment and special vehicles (construction vehicles, agricultural vehicles, etc.), in addition to the FA industry. We strive to further generate synergies with APEM, building the foundation to become the global leader in the Human-Machine Interface field.

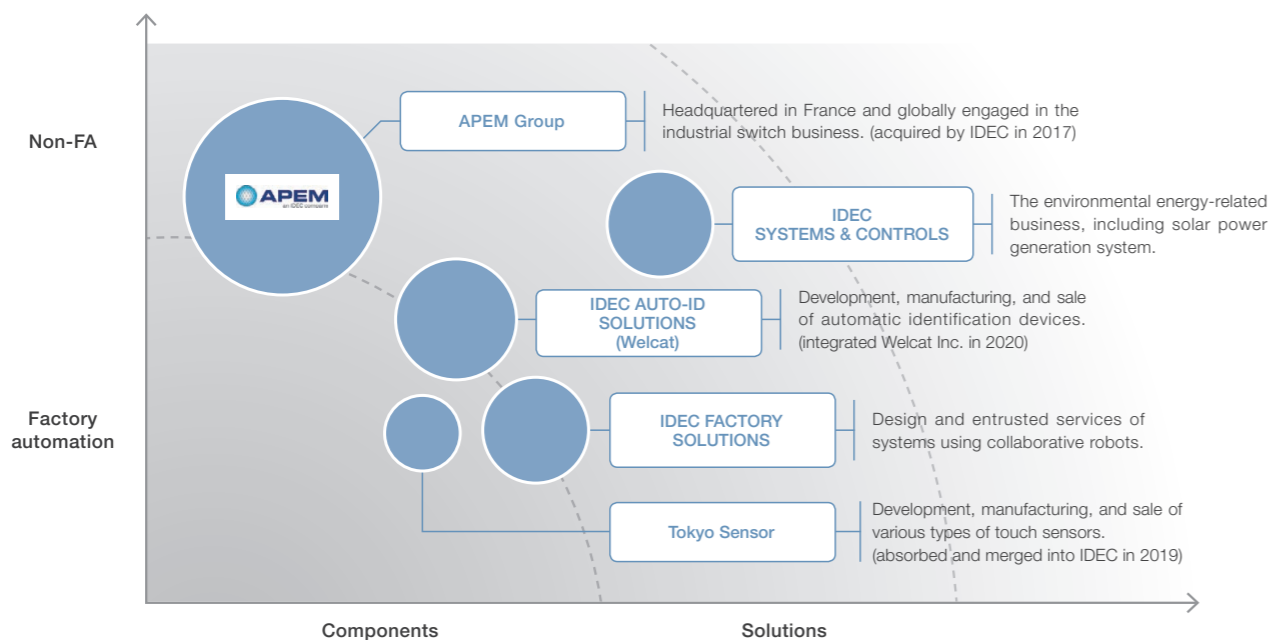
Welcat Inc., which joined the IDEC Group in 2017, was integrated to IDEC AUTO-ID SOLUTIONS CORPORATION, a fully-owned subsidiary of IDEC, in April 2020, another example of expansion but in the automatic identification device business targeted to various industries, including logistics and retailing.

Tokyo Sensor Co., Ltd., which has strength in providing a variety of touch sensors, was also acquired in 2018 and was absorbed and merged into IDEC in 2019. This is a part of initiatives to enhance our product line-up that provides safety and ANSHIN and to create new markets.

IDEC SYSTEMS & CONTROLS CORPORATION, a fully-owned subsidiary of IDEC, is engaged in solar power generation systems and self-consumption solar power generation, providing one-stop solutions related to energy management. Another fully-owned subsidiary, IDEC FACTORY SOLUTIONS CORPORATION, offers various systems that fulfill customer needs by combining collaborative robots that can work in the same manufacturing site with human, with no separation by a safety fence, with various components.

In addition to enhancing our existing businesses, we intend to use control technology for expansion of new businesses, such as environmental energy-related business and collaborative safety robot system business. This is how we contribute to solving diverse societal challenges, with the aim of realizing a sustainable society.

IDEC Group's expansion of business domains



Policies to implement in FY2021

- Strive to raise corporate value by helping solve societal challenges through our business activities, achieving sustainable growth and positioning ourselves to be highly profitable.
- Advance our corporate culture and aim at becoming "One IDEC" on a global basis.

Measures to take in FY2021

We are taking specific measures in line with our three basic strategies: promotion of growth strategy; improvement in profitability; and enhancement of management base. As for promoting growth strategy, we aim to further expand business in safety and ANSHIN that conform to societal challenges. As one of the measures, we make customer application proposals for various types of safety-related devices, based on a next-generation safety philosophy "Collaborative Safety / Safety2.0".

In 2019, the IDEC Group's system that combines safety know-how, technology, and products was adopted by a major general construction contractor in Japan. This system enabled the company to achieve both improved safety and higher productivity on construction sites. The system was certified by the Safety2.0 Qualification and Registration System, created by the Institute of Global Safety Promotion, with the objective of promoting it from the perspective of preventing work-related and other accidents.

We aim to become a company that pursues and realizes world-class safety and ANSHIN by accurately identifying market characteristics and customer needs and providing optimal solutions.

In addition to achieving more growth with a complete line-up of push-in style products, sales expansion of IoT solutions, and growth of our collaborative safety robot systems and other new businesses, we plan to review our manufacturing and logistics system, shorten the time from order receipt to delivery, and conduct the selection and concentration of businesses in order to improve profitability.

Concerning the enhancement of management base, we actively promote workstyle innovation. We plan to start adopting a global IT infrastructure in FY2021, enabling all IDEC Group companies to use the same tool and facilitating more active communication with each other. Moreover, we will accelerate adoption of Robotic Process Automation (RPA) to further improve operating efficiency.

Present and future approaches to the basic strategy

Basic strategy	What we achieved in FY2020	What we will do in FY2021
Promotion of growth strategy <ul style="list-style-type: none"> Launch new products which are linked to growth potential Expand new businesses Expand business by region and by industry Establish strategic partnership by M&A, alliance, etc. 	<ul style="list-style-type: none"> Launched push-in style products, sensors, and safety-related devices Established a sales subsidiary in India Exchanged a sales agency contract in Japan with a leading autonomous mobile robots (AMR) company Mobile Industrial Robots A/S (MIR) 	<ul style="list-style-type: none"> Expand the line-up of push-in style products Launch products that materialize Safety2.0 and make them known in the market Grow sales of IoT solutions Expand business in Asia Pacific Accelerate sales of collaborative safety robot systems
Improvement in profitability <ul style="list-style-type: none"> Consolidate materials and products, and reduce SKUs Review the manufacturing system and shorten the time from order receipt to delivery Accelerate cost reduction Improve work productivity Select and concentrate businesses 	<ul style="list-style-type: none"> Reduced SKUs and improved productivity Consolidated manufacturing/sales bases in Japan and Greater China Established an assembly center in Japan 	<ul style="list-style-type: none"> Optimize a global logistics network Automate production Review and raise efficiency in work process Structurally reform unprofitable businesses
Enhancement of management base <ul style="list-style-type: none"> Clearly identify future direction Enhance personnel management system Promote workstyle innovation by digitalization Facilitate active communication 	<ul style="list-style-type: none"> Developed "The IDEC Way" Re-established and expanded the training program Conducted an employee engagement survey and identified issues Started establishing a flexible work system Deployed RPA 	<ul style="list-style-type: none"> Further disseminate "The IDEC Way" Review the business strategy Promote a HR management system reform, given the results of the employee engagement survey, etc. Secure human resources needed in the management environment and enhance HRs development Adopt a global IT infrastructure and raise efficiency