



## 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

<b>Improve profitability</b>	Boost operating income margin even higher through diverse reforms
<b>Improve capital efficiency</b>	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

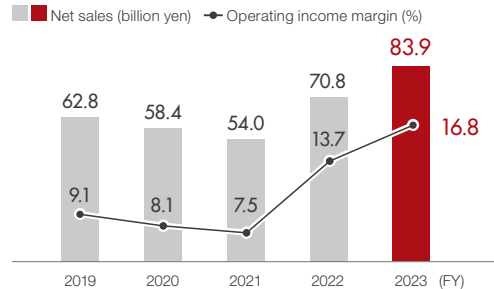
sales while also taking action to improve our operating income margin—a KPI of the medium-term management plan—by optimizing selling prices, lower our cost ratio by automating and streamlining production processes, and strengthen the quality of our management by appropriately controlling SG&A expenses.

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,

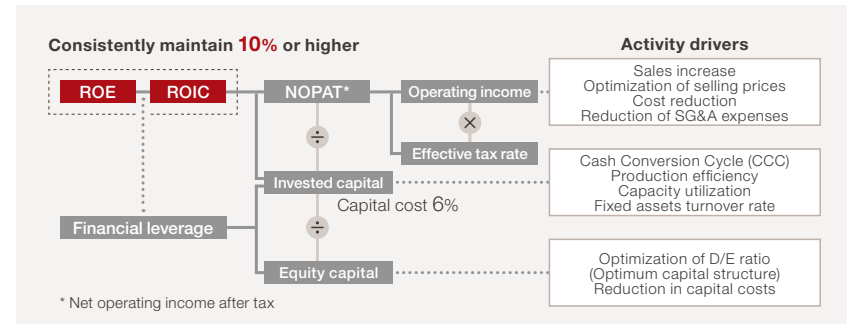
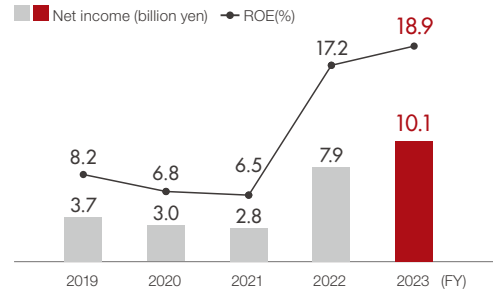
and aggressively managed our cash flows. As a result of these and other actions, we achieved ROE of 18.9% and ROIC of 12.5% in FY2023.

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

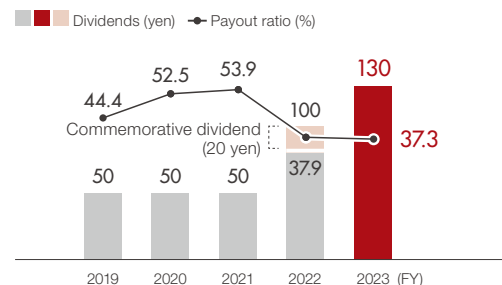
The IDEC Group is increasing growth investments to accelerate its future global business expansion. We are also exploring M&A and alliance opportunities in mainly domains and regions where we can achieve synergies with our existing businesses: HMI and safety, where we can make the most of our strengths; 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.

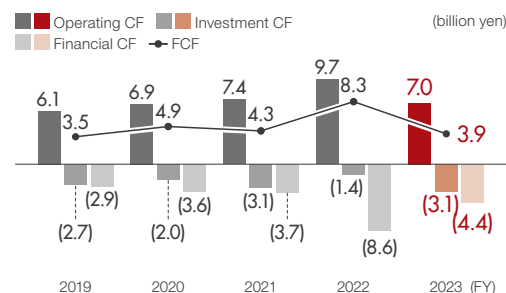
As for capex, we will continue to invest in ongoing initiatives for optimizing our global sites, introducing automation/labor-saving equipment, developing IT infrastructure, and making other improvements. In addition, we will advance our DX, including by globally deploying the ERP and SCP systems that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

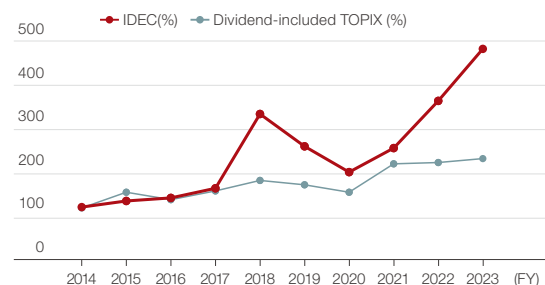
### Annual dividend per share and payout ratio



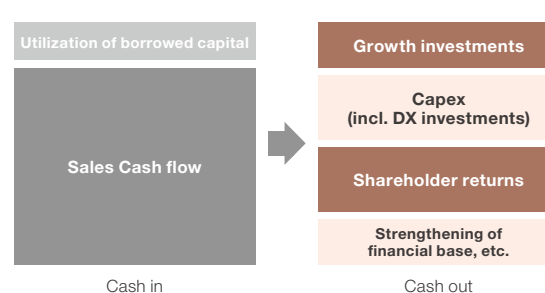
### Cash flows



### Total shareholder return



### Capital allocation (FY2025)



### Aggressive investment aimed for medium to long-term growth

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