Environmental Initiatives

Realize a sustainable society

As a company that aims to create an optimum environment for humans and machines, and to achieve the safety, ANSHIN, and well-being for people around the world, the IDEC Group's Environmental Policy is to make the conservation of the global environment a top priority in all aspects of its business activities, and to pass on a sustainable society to future generations.

Related material issue

Climate change

Major sustainability KPIs (FY2023-2025)

- Renewable energy utilization ratio **18%**
- Reduction ratio of CO_2 emissions **24%** (vs. FY2020)
- Reduction ratio of industrial wastes **24%** (vs. FY2020)
- Cumulative ratio of enhanced eco-friendly products to total new products **60% or higher** (Cumulative total since FY2020)

The environmental management of the IDEC Group

In addition to a vision envisaging the achievement of carbon neutrality by 2050, in April 2024, the IDEC Group renewed its Environmental Policy, which summarizes its corporate philosophy and action guidelines for environmental issues. As the impact of climate change on the global environment increases, not only is there an increase in the level of interest in climate change from various stakeholders, such as investors, shareholders, customers, and local residents, but also an increase in social demands and expectations of companies with regard to environmental issues. In view of this, we aim to achieve sustainable growth while confronting societal issues such as global warming and response to climate change as a global company, based on the vision, philosophy, and action policy of our Environmental Policy.

Specifically, we have set sustainability KPIs, with implementing initiatives to reduce environmental impact as one of our basic strategies and are implementing an action plan that reflects our migration opportunities to achieve these targets.

At the same time, the IDEC Group has set milestones of reducing CO_2 emissions of Scope 1 and 2 by 24% by FY2025 and 50% by FY2031 (compared to FY2020), which are on the path to achieving carbon neutrality by 2050. Through the efforts of the entire Group, we are pushing forward steadily, beginning with what we can do.

Development of eco-friendly products

Since the founding in 1945, the IDEC Group has been developing its business with consideration for the environment, under the "Save all" policy introduced in 1982, based on the concept of saving and reducing. We revised the Procedure Manual for the Development of Eco-Friendly Products in FY2023 and are working to develop products with a focus on environmental considerations from the first stage of the product development process.

The procedure manual evaluates the degree of environmental consideration based on IDEC's own criteria, such as resource conservation, energy saving improvement, and longevity. Based on these criteria, we develop products with the aim of achieving decarbonization. Products evaluated as having a high degree of contribution are certified as eco-friendly products and disclosed in catalogs and other media by affixing IDEC's own original eco mark, in accordance with ISO/JIS Q 14021 (Type II).

One of our targets for FY2025 is to achieve a cumulative ratio of 60% or higher of enhanced eco-friendly products among new products launched in FY2020 or later. The cumulative achievement rate up to FY2024 was 73.5%.

Evaluation items for eco-friendly products (excerpt)

Improvement of energy saving (high efficiency)	Energy-saving product design
Resource-saving (materials)	Reduction of materials used
Resource-saving (packages, packaging materials, etc.)	Reduction of packaging materials, paperless and label-less
Space-saving, weight reduction	Miniaturization and weight reduction compared to existing products
Reduction of man-hours	Improvement of production efficiency
Recycling	Adoption of recyclable materials
Adoption of eco-friendly materials (parts)	Application to components, packaging materials, and transportation materials
Ease of product dismantling	Design with no adhesive, screw reduction
Longer service life	Adoption of long-life parts, ease of maintenance

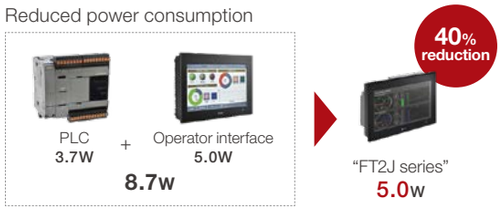
Examples of enhanced eco-friendly products

Controller with operator interface "FT2J series"

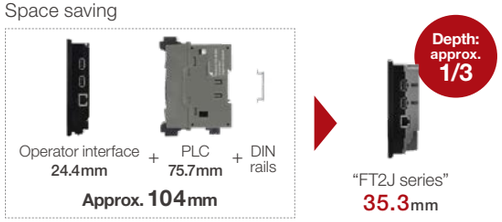
The "FT2J series" integrate a programmable logic controller (PLC) and a operator interface to create a rational automation system. To provide value to customers in terms of environmental consideration, we consider reducing power consumption through integration, space-saving, and reducing the number of man-hours required for wiring by adopting push-in terminals.

Eco-friendly points

Reduced power consumption



Space saving



IDEC Environmental Policy

The IDEC Group renewed its Environmental Policy in 2024. The new Environmental Policy reflects new societal issues that have been gaining attention in recent years, such as responding to climate change by reducing greenhouse gas emissions and developing eco-friendly products, building a recycling-oriented society, disclosing environmental information based on international disclosure standards such as IFRS, and addressing biodiversity.

With this Environmental Policy as a guideline for fulfilling corporate social responsibilities and societal demands from diverse stakeholders, the IDEC Group will continue working to improve environmental issues more than ever before.

Philosophy

As a company pursuing to create the optimum environment for humans and machines and to achieve safety, ANSHIN, and well-being for people around the world, the IDEC Group recognizes the conservation of the global environment as a top priority in all aspects of our business activities while committing to connecting a sustainable society to future generations.

Action Guidelines

1 Environmental Management and Environmental Management System

We will operate an environmental management system and practice environmental management under the commitment of top management.

In those practices, we will aim to raise environmental awareness of our employees through environmental education and work to resolve environmental issues with our suppliers and customers.

2 Realization of a Circular Society

We will promote following initiatives to realize a circular society.

- We will reduce energy and raw materials usage and utilize renewable resources.
- We will optimize water resources utilization.
- We will reduce and recycle wastes.
- We will conduct a proper management of chemical substances to prevent environmental pollution.
- We will prevent emissions of substances that deplete ozone layers into the atmosphere.

3 Compliance with Laws and Regulations

We will comply with environmental laws, ordinances, agreements related to our business activities, and international environmental standards and CSR rules, fulfilling our social responsibilities.

4 Provision of Eco-friendly Products and Services

We will strive to reduce environmental impact from the design and development stages of products, to manufacturing processes, logistics, and packaging materials to provide more eco-friendly products and services to society throughout the lifecycle from procurement of raw materials to product use and disposal.

5 Reduction of Greenhouse Gas Emissions

We will aim to reduce greenhouse gas emissions throughout the value chain in addition to promoting energy-saving, introducing renewable and next-generation energy sources, utilizing low-carbon technologies, and achieve carbon neutrality by 2050.

6 Communication and Information Disclosure

We will value dialogues with diverse stakeholders, including employees, customers, investors, business partners, and the local community related to our business activities, and will engage in active information disclosure in accordance with international disclosure standards.

7 Coexistence with Nature

For achieving a society that coexists with nature, we will evaluate dependencies and impacts on biodiversity in our business activities, consider the local ecosystems, and reduce negative impacts throughout the value chain.

Climate change initiatives

Expanded adoption of self-consumption solar power generation

We are working to reduce environmental impact by replacing conventional electricity with electricity derived from renewable energy, by accelerating the introduction of self-consumption solar power generation equipment at offices and factories in Japan and overseas. In addition to existing power generation facilities, IDEC (non-consolidated) has started constructing power at one new facility in FY2024 and plans to add two in FY2025.

In Japan, equipment installed in two locations at IDEC FACTORY SOLUTIONS CORPORATION factory and head office are in operation. Globally, self-consumption solar power generation is in operation at our USA office and factory, and our UK factory.

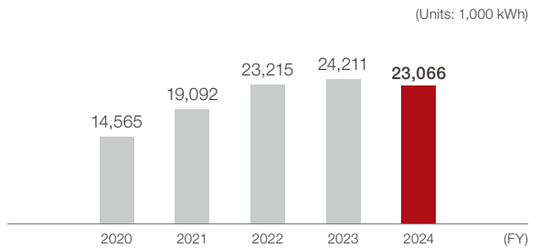
Further information is available here.
https://us.idec.com/csr/environment/inhousesolarpower

Environmental energy business

Since 2012, a Group company—IDEC SYSTEMS & CONTROLS CORPORATION—has been developing a renewable energy business that provides a one-stop service, from the construction of solar power plants to after-sales support. In particular, the design, construction, and equipment sales business for self-consumption solar power generation equipment using the roofs of buildings such as factories, warehouses, stores, and facilities—introduced increasingly over the past few years—will contribute to the business environment by reducing CO_2 emissions with the use of green energy.

In addition, through provision to surrounding areas as an emergency power source in the event of disasters, we can achieve an unseen contribution to local communities in the form of safety and ANSHIN. In this way, we aim to create a better society through our business activities.

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



Communication and information disclosure

Environmental training

In addition to an explanation of biodiversity and living creatures in line with the four areas (air, freshwater, sea, and land) defined by the Task Force on Nature-Related Financial Disclosures (TNFD) utilizing the Group's intranet, environmental education conducted internally in FY2024 featured IDEC's enhanced eco-friendly products, as well as practical examples for estimating environmental investments using internal carbon pricing (ICP). Original contents created by the Environmental Strategy Committee are available internally in both Japanese and English. The number of departments engaged in e-Learning as an environmental goal under ISO 14001 is increasing, and the number of participants is increasing every year, with some departments having all members participate in e-Learning.

As for environmental events, during Sustainability Month—which is held globally every October—IDEC held a photo contest in FY2024 under the theme of measures to combat global warming and received entries from IDEC Group employees around the world.

Environment e-Learning on the intranet

External environmental evaluations

IDEC was rated a “B” score at the Climate Change Report 2023, disclosed by CDP in February 2024. IDEC’s “B” score for the Climate Change in 2023 is at the management level in CDP’s classification, which means that “the company understands its environmental risks and impacts and takes actions on climate issues.” IDEC expressed our support for TCFD in 2021 and started to disclose climate-related financial information in 2022. We are addressing initiatives for achieving carbon neutrality in 2050.

Information disclosure in the EU (APEM, France)

APEM—which operates mainly in EMEA as the IDEC Group—has established a team to work on the requirements of the Corporate Sustainability Reporting Directive (CSRD) and is preparing for the disclosure in 2026. APEM has responded to EcoVadis, which the IDEC Group has addressed since FY2023, as a non-consolidated Group company in Europe, and is taking various measures to establish double materiality that will be required in the future.

Nature initiatives

Biodiversity Initiatives

We analyzed and assessed the IDEC Group’s biodiversity risks to define indicators that can be used as a reference for monitoring biodiversity performance and the impact of the IDEC Group’s business activities on biodiversity in FY2024. The Biodiversity Risk Filter—developed by the World Wide Fund for Nature (WWF)—was used as a risk assessment tool to quantify biodiversity risks by country where major IDEC business sites are located. We also identified the top ten biodiversity risk indicators for the Group as a whole.

Initiatives to conserve water resources

We have installed a rainwater storage tank in the basement of our head office building. Stored water is used effectively for purposes such as watering to the head office courtyard and as sprinkling water to cool surfaces down when the temperature rises. The courtyard of our head office has been certified as “Excellent Stage 2” in the Social and Environmental Green Evaluation System (SEGES) OMA category.

By installing a purification system that uses ozone in the wastewater system of the head office cafeteria, and treating the oil contained in the wastewater, we also expect to reduce the environmental impact of domestic wastewater (sewage).

Further information is available here.
https://us.idec.com/csr/environment/nature

Creation of a circular society

Initiatives to reduce plastic wastes

The Group is working to reduce the amount of plastic waste and make effective use of resources. We started to reuse regrinding plastic materials generated in the molding process at the beginning of our manufacturing process by crushing / grinding and granulating them at two additional factories in Japan following overseas sites in FY2024. Moreover, we tested and evaluated reground products and increased the number of materials and items, which resulted in approximately 3.6 tons of reusing resin materials at two factories in Japan in FY2024.

Further information is available here.
https://us.idec.com/csr/environment/circulation

Information disclosure based on the IFRS Sustainability Disclosure Standards

Governance

The Environmental Strategy Committee, a specialist committee of the Sustainability Committee chaired by the CEO, plays a key role in our efforts to disclose climate-related financial information.

The Environmental Strategy Committee is composed of employees from various departments and meets monthly under direction by the Senior Executive Officer in charge of the Environment. Decisions made by the Environmental Strategy Committee are discussed by the Sustainability Committee, reported to the Top Management Meeting for approval, then reported to the Board of Directors for final approval.

Progress on the goals set in the medium-term management plan started in 2022 are reviewed at bimonthly meetings, and response measures are discussed if things are not progressing as planned. In FY2024, we also introduced a Performance Share Unit (PSU) system, as a medium-term incentive, under which restricted common shares equivalent to up to 10% of compensation are allocated to directors and executive officers. Non-financial indicators used in the calculation of PSUs include CO_2 reduction ratio.

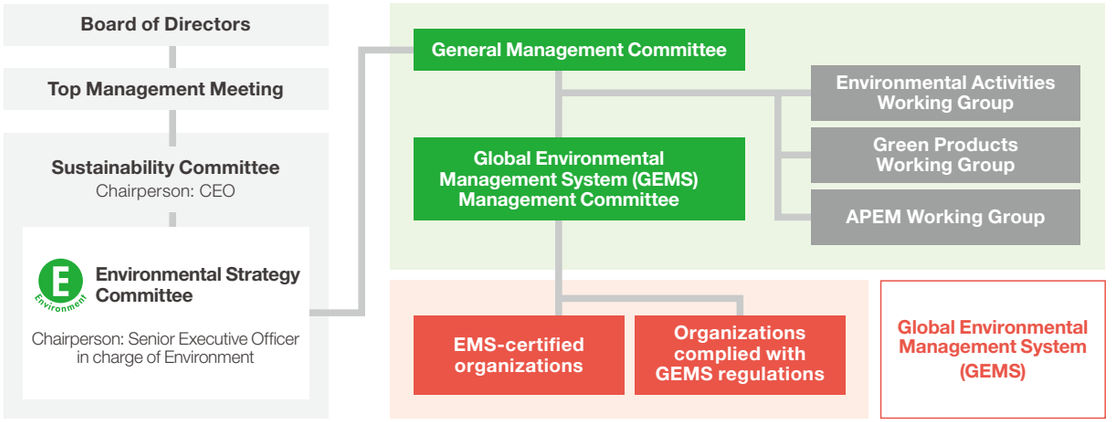
Risk management

For each of the climate-related risks and opportunities identified by the Environmental Strategy Committee, we considered the likelihood of occurring, degree of impact, and amount of potential financial impact, and compiled them into a risk and opportunity map.

The identified results and risk items that have been assessed as important in our mapping are managed by referring to an integrated risk map for the IDEC Group. They are also reflected in the risks and opportunities associated with natural capital, one of our material issues.

The Environment Promotion Department lists environmental risk management items on an annual risk management table, specifies performance indicators, and reports the state of achievement to the Risk Monitoring Subcommittee.

Framework of the environmental governance



Risks and opportunities

In an effort led primarily by the Environmental Strategy Committee, we have identified risks and opportunities that could reasonably be expected to affect the outlook of the IDEC Group in reference to the risks and opportunities items of the CDP Climate Change Questionnaires, one of the global standards for environmental information disclosure. Referring to and considering the applicability of the industry-specific disclosure topic (Electrical & Electronic Equipment industry) as defined in the IFRS S2 Industry-based disclosure requirements, we identified transition risks and physical risks, impacts of climate-related risks and opportunities that can reasonably be expected to occur over any short to long-term period, potential financial impacts, and defined timeframes.

Mapping of climate-related risks and opportunities

Detailed Risks List / Detailed Opportunities List

Risks List

Category		Item	Potential financial impact	Responses
Transition risk	Market	1 Increase in material costs	B/E	■ Transfer costs in response to price increases by continuously mutual understanding with suppliers and customers. ■ Reduce manufacturing costs in anticipation of medium to long- term increases in the cost of raw materials and reduce costs through planned product redesign and introduction of alternative parts and materials.
		2 Growing environmental awareness among customers and investors	C/D	■ Position environmental strategy as one of the priority items in the medium to long-term plan, set materiality KPIs relating to the environment, such as increasing the cumulative ratio of enhanced eco-friendly products among new products, and check progress. ■ Promote to develop technology on a continuing basis relating to consideration and introduction of eco-friendly packing materials and components. ■ Engage in regular dialogues with investors and disclose appropriate information through IFRS and CDP, etc.
	Technology	3 Delay relative to competitors in the transition of existing and new products to low-emission/ low-carbon technologies	C	■ Systematically incorporate technologies that we do not have and integrate them with our core technologies through long-term collaboration with other companies. ■ Obtain and respond to regulatory information appropriately. ■ Expand operating temperature products with a range of temperatures that can be used in warm and cold regions.
	Current regulations	4 Tendency of carbon pricing	B/E	■ Reduce the impact of rising energy purchase prices through the planned introduction of self-consuming renewable energy. ■ Plan and implement planned upgrades to energy-saving equipment. ■ Reduce indirect costs through efforts to save energy and improve the operating rate of factories. ■ Drive decarbonization activities through the introduction of ICP.
Physical risk	Urgent / chronic	5 Natural disasters (heavy rain, hail, snow/ice, cyclones, hurricanes, typhoons, floods, inundation, earthquakes) and temperature rise	D	■ Enhance BCP measures to enforce the company's resilience. ■ Assess and review supply chain risks. ■ Prepare hazard maps of manufacturing sites and find potential risks. ■ Formulate recovery plans for each site and develop manuals for employee work procedures. ■ Change manufacturing sites to be multi-skilled for flagship products. ■ Ensure that employees affected by disasters are fully aware of how to confirm their safety as soon as possible.

A: Increase in direct costs B: Increase in direct and indirect costs C: Reduced sales due to decreased demand for products and services D: Reduced sales due to decreased production capacity E: Increase in capital expenditure

Opportunities List

Category	Item	Potential financial impact	Responses
Resource efficiency	1 Demand for low-emission products and a diverse variety of new products and services through R&D and technological innovation	A/B	■ Accelerate technology innovation of flagship products based on environmental aspects as well. ■ Applied research of easy recyclable materials for products. ■ Develop products based on the assumption of recycling. ■ Make unconstrained efforts to reduce packaging wastes. ■ Expand environment-related services business. ■ Secure a first-hand advantage by accelerating investment in development. ■ Provide low-emission products and services throughout the life cycle, based on the concept of developing eco-friendly product we have currently addressed.
	Shifting consumer preferences	B	
	2 Shift to alternative materials / diversification / new technologies	B	■ 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 the incorporation of new technologies to respond to diverse needs through partnerships and collaborations with other companies. ■ Foster a corporate culture of well-being. ■ Develop products utilizing HMI and sensing technologies and propose solutions through systematization and packaging. ■ Develop new products to meet the demands for market well-being and promote proposals for solutions. ■ Promote safety, ANSHIN, and well-being to the world. ■ Enhance line-up of environmental tolerance products.
Products and services	3 Transition to distributed energy generation and new market entry	A	■ Develop environment-related businesses such as solar power generation for new markets. ■ Innovate our environmental business, using the response as an opportunity. ■ Enter into new markets using our new business as a door opener. ■ Develop products utilizing HMI and sensing technology, enhance product line-up, and propose problem-solving solutions based on the needs of new markets. ■ Adapt IDEC products to the power specific specifications by new energy sources.
	Participate in the renewable energy program and adapt to energy-saving measures.		

A: Increased sales through entry into new and developing markets B: Increased sales as a result of increased demand for products and services C: Reduction of indirect costs (operating expenses)

Strategy

The IDEC Group considers environmental strategy to be an important part of its business strategy, and its transfer plan is reflected in the medium-term management plan. Specifically, we have set metrics and targets for reducing the amount of CO_2 emissions to achieve carbon neutrality, and established sustainability KPIs under the medium-term management plan, together with other environmental targets.

As part of our value chain responses, we have established CSR Procurement Guidelines and Green Procurement Guidelines, and we continue to request the cooperation of suppliers in reducing our environmental impact every year.

In terms of our business, we are working systematically to improve the business contribution of environment-related business activities, such as the development of eco-friendly products, and the environmental energy business. We therefore consider the analysis of risks and opportunities to be an important process in incorporating environmental strategies into our business strategies. In considering the climate-related risks and opportunities, the Environmental Strategy Committee identifies items that could reasonably be expected to impact the company's prospects, based on factors that could be transition opportunities for the company.

Next, we consider and compile a list of the current and predicted future impacts of each specified item on the IDEC Group's business model, along with future responses. Moreover, we calculate the potential impact on our business, the cost of responding to risks, and the costs of realizing opportunities. The contents of these considerations will be reflected in our medium to long-term management plans in stages and incorporated into more specific action plans.

As for the development of eco-friendly products, one of our core environment-related business activities, we will further spread the necessity and importance of such products in relation to business contribution, as well as using transition opportunities to create business opportunities for each department more than ever.

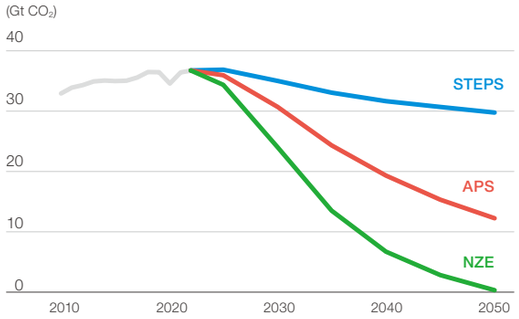
Climate resilience

According to the International Energy Agency's World Energy Outlook 2023 (WEO2023), while the global energy situation has remained unstable since 2020, investment in clean energy has risen by 40% since 2020, and the share of electric vehicles in total global vehicle sales has increased five times in three years, from one in 25 vehicles sold in 2020 to one in 5 vehicles in 2023.

WEO2023 also describes that the transition to a sustainable energy system is progressing, although the path to a 1.5°C scenario will be difficult. It is recognized that the emergence of new clean energy sources, led by PV solar power generation and electric vehicles, will be key to achieving 1.5°C.

Based on these conditions, the IDEC Group's selection scenarios for FY2024 are the same as in FY2023, and the transition risk scenarios are the WEO2023 STEPS (2.6°C scenario) and NZE (1.5°C scenario). For our physical risk scenarios, we adopted RCP2.6 (2°C scenario) and RCP8.5 (4°C scenario) of the IPCC Fifth Assessment Report.

Energy-related CO_2 emissions in each WEO scenario (2010 – 2050)



(Source: WEO 2023 issued by IEA)

Metrics and targets

In terms of CO_2 emission reductions, in our medium-term management plan we have set the targets of reducing CO_2 emissions by 24% in Scope 1 and 2 by FY2025 and 50% by FY2031 (compared to FY2020. Internal Carbon Pricing (ICP) was introduced in FY2023 and is priced at 10,000 yen/ton in FY2025. At present, the impact of ICP on environmental investment decision-making is not yet large enough, but the Environmental Strategy Committee is working to raise awareness within the Group by introducing model cases of ICP utilization.

As for the CO_2 emissions of FY2024, the total of Scope1 and 2 decreased from that of FY2023, and we have been able to reduce it continuously since FY2023 compared to FY2020.

The decrease in sales of FY2024 compared to the previous year has had a significant impact on the electricity consumption of factories. However, in addition to the effect of the introduction of CO_2-free electricity, the continuous promotion of improving operating ratios at each factory has had a positive effect on CO_2 reduction. As a result, regardless of the impact on sales, the electricity consumption per unit of sales is slightly lower than previous year. However, Return on Carbon (ROC), which is an indicator of how efficiently profits are earned with fewer amount of CO_2 emissions, decreased from the previous year due to the decrease in operating profit.

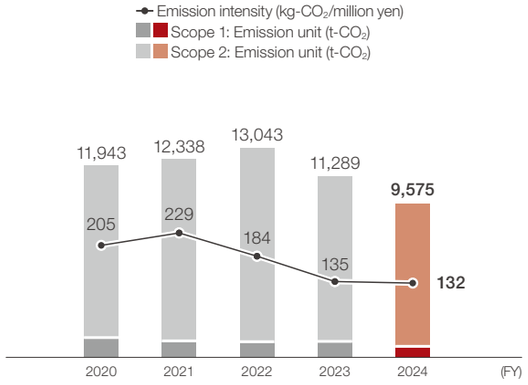
As for the Scope 3, the main items that account for the majority of it are Categories 1 and 11, which remained the same as the previous year, but the amount decreased compared to the previous year, mainly due to the decrease in sales.

CO_2 emissions IDEC (consolidated)

(Emission unit: t-CO_2)

	Scope1	Scope2	Scope 3 upstream	Scope 3 downstream
FY2020	1,152	10,791	-	-
FY2021	948	11,390	-	-
FY2022	897	12,146	-	-
FY2023	916	10,373	213,913	870,694
FY2024	609	8,966	184,599	634,324

CO_2 emissions (Scope 1 and 2) IDEC (consolidated)



Return On Carbon (ROC) IDEC (consolidated)

(million yen/1,000 t-CO_2)