

CEO Message

The IDEC Group aims to transform itself into a highly profitable organization by advancing fundamental reforms globally, and to provide products and solutions that contribute to solving societal issues.



Chairman and Chief Executive Officer
Toshi K. Funaki

A handwritten signature in black ink, appearing to be 'Toshi K. Funaki'.

While net sales and profits decreased in FY2024, the IDEC Group regards this as an opportunity to implement reforms for its next leap forward, and is working as one to achieve this transformation. In particular, we believe that shifting to a global mindset is crucial for the future expansion and development of the IDEC Group's business, and are accelerating reforms both to our organizational management and mindset in order to reborn to a "New IDEC" and become a truly global company.

By implementing various initiatives on a global basis, we will establish an organizational structure that will enable us to achieve an operating profit margin of 20% in the long term.

Challenging business conditions led to a decrease in net sales and profits in FY2024, but we are implementing reforms to make a leap forward

In FY2023, there was strong global demand for capital expenditures in the manufacturing industry, and both net sales and profits reached record highs. However, due to the impact of disruption to the supply and demand balance since the Covid-19 pandemic, and the seemingly abnormal business conditions of the past two years, the actual market had not grown as much as our growth in sales.

As a result, inventories increased globally, at distributors, end users, and IDEC itself, resulting in a significant divergence from actual demand, and a major decline in both net sales and profits in FY2024. Aside from these external factors, I believe that another factor behind this result was IDEC's own constitution and organizational structure that have been unable to keep up with changing times. While we have a good corporate culture that has been cultivated over the course of many years, it can also have negative effects.

As the market and external environment are undergoing drastic changes, as in this case, it is necessary for us to identify the changes, to pause and assess the essence

of the situation, and to either stop, or try to change what we have been doing until now. This, in my opinion, is the essence of a "mindset for change".

The situation in FY2025 is likely to remain tough, and we believe that full-fledged recovery and expansion of our business performance will not begin until FY2026 or later. However, times of crisis also present opportunities for us to implement reforms for our next leap forward. The IDEC Group is working together as a whole to ensure that all employees share this mindset for change, and implement fundamental reforms globally, to transform the company into a highly profitable organization.

Accelerating organizational management and awareness reforms to reborn to a "New IDEC"

While there is still a strong sense of uncertainty, we will actively implement operational reforms to create a corporate structure that is unaffected by external conditions, and can ensure high profitability.

Shifting to a global mindset is crucial for the future expansion and development of the IDEC Group's business. Overseas net sales account for 70% of our core

products, and we expect that ratio to increase further in the future. This means that it is more essential than ever for us to pursue business strategies that focus on the global market, and to actively implement progressive business reforms.

Becoming a global company, in the true sense of the word, is impossible without the overall optimization from a global and consolidated basis that broadens our horizons as far as possible, rather than just the individual optimization of each Group company or region. To increase operational efficiency, we are actively sharing information and encouraging organizational interactions between Group companies, standardizing and working to thoroughly eliminate redundant operations. We are promoting exchanges between executives beyond locations, such as our IDEC head office, APEM, and in the USA, and restructuring the organization as a whole. Since we will not be able to survive unless we grow globally, we will continue to devote ourselves to overall optimization on a consolidated basis.



Strengthening global competitiveness through reforms in production, procurement, and the supply chain

As part of our efforts to become a more highly profitable organization, we are optimizing our global production and supply system with an emphasis on efficiency, and implementing reforms in our manufacturing sites, global procurement, and supply chain, among other areas.

In addition to in-house production, we will clarify the roles of Electronics Manufacturing Service (EMS) and outsourcing in our production system to significantly reduce costs and ensure higher quality, thereby reducing our cost ratio. At the same time, we will review our global production system with an emphasis on efficiency.

In terms of our supply chain function, we are working to reduce costs and optimize on a global basis, enhancing our global purchasing, supply chain, and production capabilities, ensuring a bidirectional supply system that includes APEM.

Improving operational efficiency through DX

To strengthen our marketing capabilities leveraging digital transformation (DX), we are conducting market analysis, assessing market size, and collecting and utilizing data on target customers and applications.

We are also engaged in projects to implement an Enterprise Resource Planning (ERP) platform, which is an integrated core business system, and a Supply Chain Planning (SCP) system, that will enable supply chain planning globally, which we plan to roll out starting from Japan. With the introduction of these new systems, we aim to consistently manage various business processes and achieve more efficient operations by ensuring mutual integration among the systems.

Increasing added value through further expansion of solutions sales

To address diversified customer needs and societal issues, we aim to increase our added value by combining various products and strengthening our proposal of optimal solutions.

To strengthen the core products of our solution sales, we will launch new HMI (Human-Machine Interface) and safety-related products, and have also acquired ez-Wheel (France) as part of the IDEC Group. With the acquisition of ez-Wheel, we are seeking to strengthen our transfer/logistics solutions at manufacturing and logistics sites, where the introduction of Automatic Guided Vehicles (AGV) and Autonomous Mobile Robots (AMR) is progressing at an accelerated pace. Since IDEC's HMI and safety-related products will be installed and sold as solutions, we can also expect to see significant synergy effects.

We have received hundreds of inquiries from automobile manufacturers, construction machinery manufacturers, AGV and AMR manufacturers, and sales are expected to increase gradually going forward. Although sales are currently available only in Europe and Japan, we also plan to expand to other regions such as the USA in the future.

By strengthening sales of such problem-solving solutions, we will aim to improve our global competitiveness.

Advancing sustainability activities aimed at achieving sustainable growth

We formulated our long-term vision: Vision for 2050 in 2023. In order to realize this long-term vision, it is essential for us not only to create economic value through our business activities, but also to improve social value through sustainability activities.

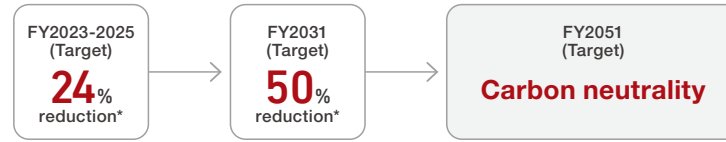


Response to climate change

To achieve carbon neutrality by 2050, we renewed our Environmental Policy—which summarizes our corporate philosophy and action guidelines for environmental issues in April 2024. We have also set CO₂ emissions reduction targets toward achieving carbon neutrality.

Environment **P.55**

Reduction ratio of CO₂ emissions



* Scope1&2, vs. FY2020

Human capital investment

To further strengthen our human resources management, we are working on revising our personnel systems, implementing multi-faceted evaluations, and enhancing our training structure and global talent management.

We plan to introduce a talent management system in FY2026 to manage personnel data globally. We will advance the visibility of our human resources and maximize our organizational capabilities, allowing us to uncover talent and allocate them appropriately.

Looking to the future, the IDEC Group is seeking the following kinds of individuals.

- **Have a global mindset**
- **Passion for implementing business reforms and willingness to take on difficult challenges**
- **Always be conscious of productivity, making continuous efforts to improve production efficiency**

We would like to create a company capable of achieving sustainable growth by developing employees who strive to increase their productivity and are unafraid to challenge themselves without fear of failure.

Human Capital **P.60**



Strengthening governance

Our executive remuneration system was revised in FY2023, and it was applied in FY2024. KPIs for performance-linked remuneration reflect not only financial indicators such as operating profit margin and Return on Invested Capital (ROIC), but also non-financial indicators such as reduction ratio of CO₂ emissions and external ESG evaluations.

The Nominating Committee considers and deliberates over the nomination of candidates for director, plans to cultivate candidates for the next-generation of top management and succession plans, and has already begun plans to develop the next-generation management.

Governance **P.43**

In closing

As I mentioned at the beginning, the business environment for FY2025 is likely to remain challenging, but by implementing various initiatives on a global basis we will establish an organizational structure that will enable us to achieve a cost ratio of 50%, SG&A ratio of 30%, and operating profit margin of 20% in the long term.

Going forward, we will continue to aim for sustainable growth and improvement of corporate value, to enable us to meet the expectations of our stakeholders.