



Think Automation and beyond...

Medium-Term Management Plan

May 13, 2022

IDEC CORPORATION

Securities code: 6652



Outline of the New Medium-Term Management Plan (FY2023 to FY2025)

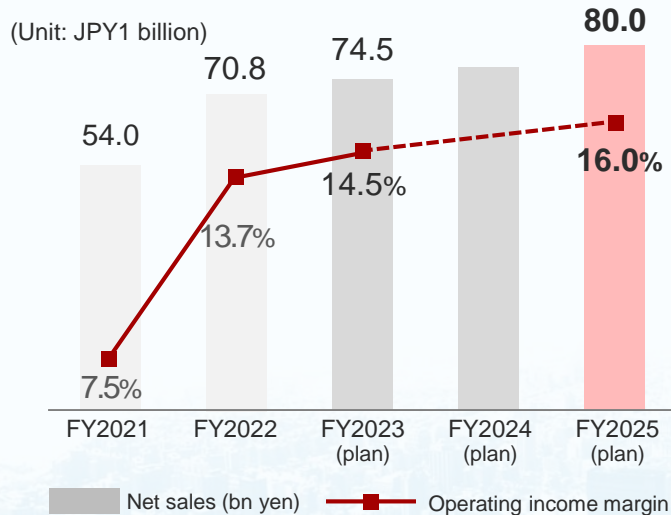


1. Review of the Former Medium-Term Management Plan
2. New Medium-Term Management Plan Initiatives
3. Target Industries
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5. Product Strategy
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9. Measures for Finance and Investment
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Slogan

PASSION FOR YOUR SUCCESS

Net Sales and Operating Income Margin



The long-term goal is to achieve an **operating profit margin of 20%**
 The target for FY2025 is to **achieve 16% or more**

	FY2022 Results	FY2023 Plan	FY2025 Plan
Net sales	JPY70.8 billion	JPY74.5 billion	JPY 80 billion or more (Growth ratio >5%/year)
Operating income	JPY9.7 billion	JPY10.8 billion	JPY13 billion or more
Operating income margin	13.7%	14.5%	16% or more
ROIC	9.2%	10.0%	10% or more
ROE	17.2%	14.5%	15% or more
EPS	JPY263	JPY250	JPY300 or more

1. Review of the Former Medium-Term Management Plan



Long-term vision

Evolve into a truly global company

Target for FY2023 (final FY)

Net sales	JPY100 billion
Ratio of overseas sales	60% or more
Operating income margin	15% or more

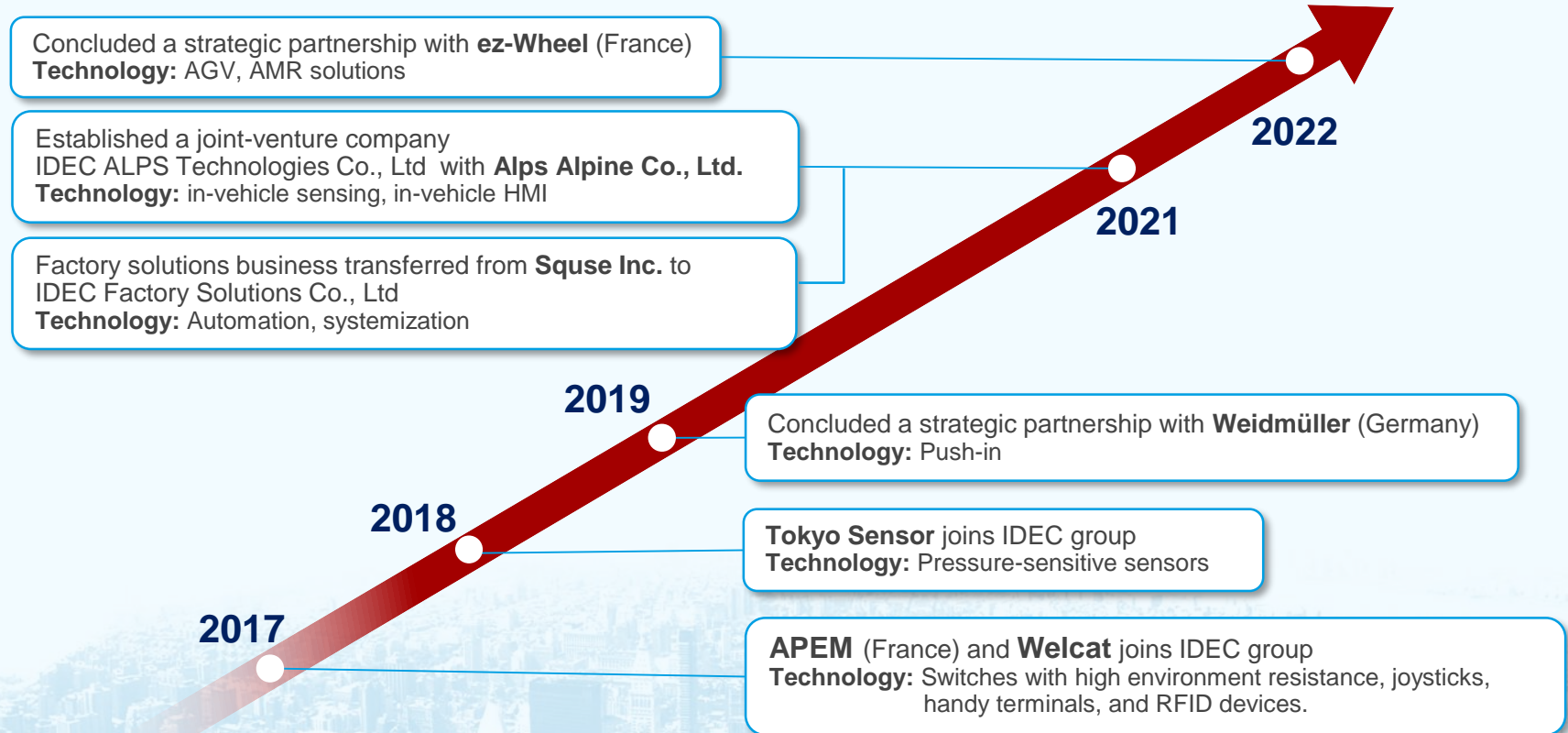
Review

Due to trade friction between the U.S. and China, and the impact of COVID 19, sales did not reach the target level. However, profitability is expected to remain at the target level.

	Major results	Challenges
Growth Strategies	<ul style="list-style-type: none"> Expanded business by APEM and Welcat, etc. joining the IDEC group Expanded into the Indian market Formed alliances with other companies, established IDEC ALPS Technologies 	<ul style="list-style-type: none"> Strengthen group synergies Further develop the Chinese and Indian markets, and capture target industries Build and develop technical sales organization
Improved Profitability	<ul style="list-style-type: none"> Strengthened price management Restructured production sites (transfer and closure) Consolidated the number of part items 	<ul style="list-style-type: none"> Review unprofitable products and consolidate products and parts Supply parts that meet needs of markets around the globe Build a global logistics system
Human resource strategy	<ul style="list-style-type: none"> Introduced a new personnel system Established “The IDEC Way” Conducted the engagement survey 	<ul style="list-style-type: none"> Reform the personnel system based on the engagement survey Reform the company culture, and further promote “The IDEC Way”

1. Review of the Former Medium-Term Management Plan — IDEC's approach to technology —

(FY2018 to FY2023)

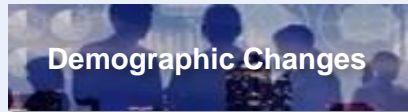


Framework for the New Medium-Term Management Plan

- Take into account megatrends and identify and leverage key technological and market changes rather than simply expand IDEC's current business.
- Differentiate from competitors by providing applications that leverage IDEC's strengths to **target specific industries**, and work towards achieving **customer success**.
- Develop a **solution business** that delivers more value to our customers in addition to our **component business**.
- Develop business with the focus on **HMI and Safety**, which are IDEC Group's strengths.

IDEC's role in light of megatrends

Megatrends



Societal challenges

- Rapid sharing of information
- Rapid technology innovation
- Aging population
- Rise of the middle class
- Unstable political conditions
- Geopolitical power shifts
- Increase in pandemic risk
- Climate change
- Scarcity of natural resources
- Gender and age diversification
- Emerging Generation Z

IDEC's role

- Enhance **digitization** with IoT devices.
- Enhance productivity via **automation technology** and **solutions**.
- Establish a **safe workplace** for all by developing innovative **safety solutions**.
- Create products and solutions for rapidly evolving markets such as **mobility**.
- Reduce **carbon footprint** and design products which are environmentally friendly.
- Develop new **HMI interface solutions** that promote **ANSHIN and well-being**.
- Respond to diverse needs through **customization**.

2. New Medium-Term Management Plan Initiatives

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

Four Basic Strategies

Promote Growth Strategies

- **Strengthen sales based on technical problem-solving**
- Accelerate product development and launch products based on regional and industry needs
- Expand business in China, India and other focus markets, and through M&A and alliances






Enhance the Management Base

- Promote fair work practices
- Strengthen the business structure by promoting PMI and rigorous management of key projects
- Promote digital marketing at the global level

Improve Profitability

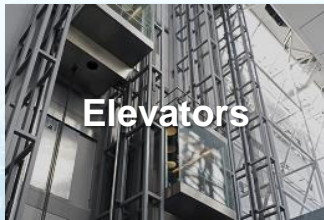
- **Optimize production systems and processes to reduce costs and inventory and to improve lead times**
- Review and optimize SG&A costs
- Identify and consolidate unprofitable products and businesses

Enhance ESG initiatives

-  Promote initiatives to reduce environmental impacts
-  Promote diversity
-  Improve management transparency and efficiency
-  Create Well-being through Safety and ANSHIN technology
-  Improve product quality and manufacturing capabilities

3. Target Industries

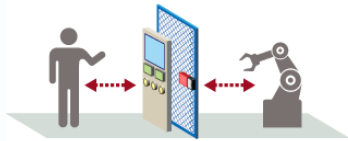
- Focus on **Machine tools and Automotive** industries as well as **AGV, AMR, and Robots** which have high growth potential
- Strengthen approach towards **end users** and **system integrators** in addition to machine manufacturers.
- **Improve competitiveness** by proactively **proposing solutions** to various industries



HMI-X [Transformation]

- The business domain is changing from interfaces to more interactive control in an environment where humans and machines collaborate.
- In the future, demand will increase for optimized environments, including spaces where people and machines coexist, to achieve safety, ANSHIN, and well-being for people.

By taking advantage of our Safety DNA and further evolving the conventional HMI, we will promote the new concept *HMI-X*, which centers around people



Control in an environment where people and machines are isolated.






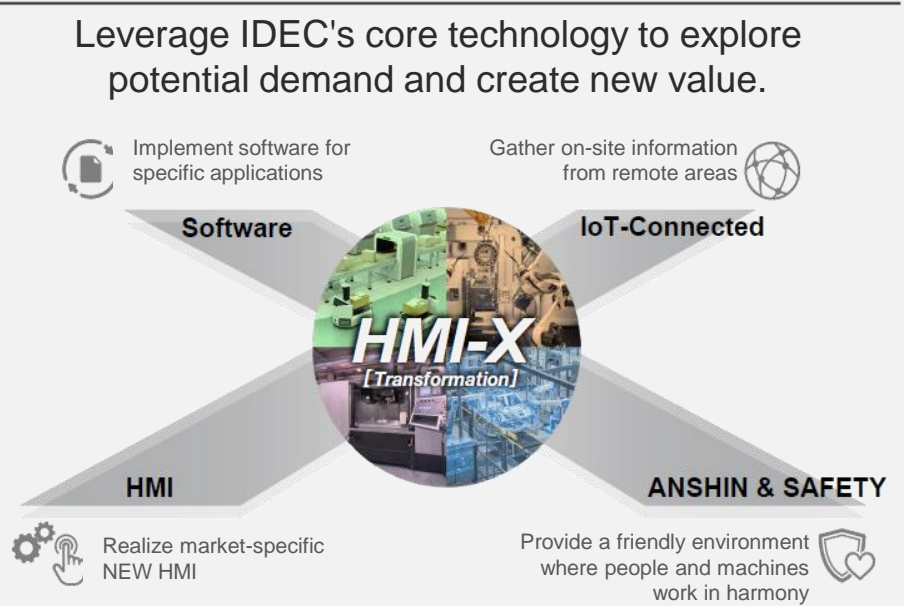
Control in an environment where human and machine collaborate.



4. IDEC Group's New Concept "HMI-X"



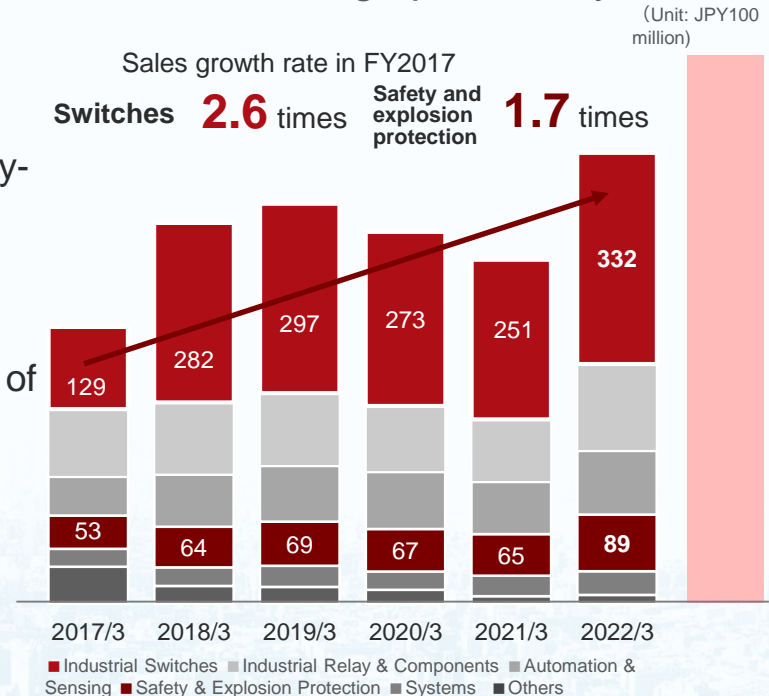
Solution examples of the new concept "HMI-X"

<h3>Components</h3> <p>Provide information on product specifications</p> 	<h3>Solutions</h3> <ul style="list-style-type: none">■ Offer solutions as a package by providing the optimal product based on knowledge of safety and application types.■ Packages with improved hardware & software for specific applications■ Full setup of users' systems  <p>Ex. Robotics, vehicles</p>  <p>Ex. Transportation applications, etc.</p>	<h3>IDEC's Solutions</h3> <p>Leverage IDEC's core technology to explore potential demand and create new value.</p>  <ul style="list-style-type: none">Software: Implement software for specific applicationsIoT-Connected: Gather on-site information from remote areasANSHIN & SAFETY: Provide a friendly environment where people and machines work in harmonyHMI: Realize market-specific NEW HMI
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5. Product Strategy

Focus on providing solutions for **HMI and Safety / ANSHIN products** with high sales growth rates, high market shares, and high profitability

- Target **CAGR of 5 to 7%** for HMI and safety-related products
- Create new market opportunities through HMI Innovation
- Deploy products to maximize the strengths of IDEC and APEM
- Expand the safety portfolio
- Provide solutions for HMI, safety, software, and IoT-Connected



■ **HMI** Create new opportunities through HMI Innovation

- Develop and deploy new products and NEW HMI products that are in demand by target industries

New HMI: Touchless switches for non-contact applications, safety commander...

HMI for target industries: Handy controllers for AGV, AMR and robotics etc.

Custom HMI: Customized products for special customers etc.

■ **Safety, ANSHIN** Become a global safety company

- Expand the product portfolio to deploy total solutions to target industries
- Increase safety product variations (Safety 2.0) to support collaborative safety environments
- Develop and deploy new products to realize safety and ANSHIN by IDEC ALPS Technologies

■ **IoT-Connected** Realize solutions by leveraging IDEC's (unique) strengths

- Promoting "Compact IoT" proposed by IDEC. MQTT, LTE, and remote IO systems, etc.
- Strengthening solution capability by expanding sensing product lineup with IAT

6. Regional Strategy

- Increase presence and expand business in new (emerging) economies
- Strengthen safety and problem-solving solutions in mature markets
- Leverage Digital Marketing on a global basis

Americas

- Strengthen solution sales in IDEC and APEM's core markets
- Expand business in target industries by strengthening automation product portfolio.
- Develop new customers and expand sales through the use of digital marketing

EMEA

- Further strengthen IDEC product sales by leveraging APEM's distribution network
- Move up the value chain and grow the HMI / safety solution business in key industries
- Promote international regulations and standardization

Japan

- Promote solutions for target industries by advancing technical sales solutions
- Restructure distribution channels
- Achieve efficiency and increase sales by promoting digitalization

China, Taiwan, Hong Kong

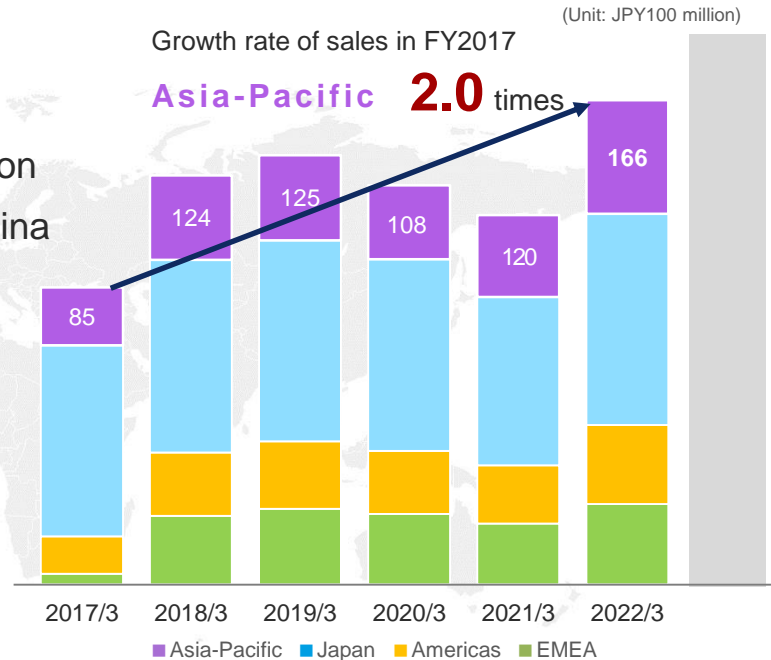
- Increase local product development in China to meet local needs
- Increase profitability through local production and local consumption
- Achieve efficiency and increase sales by promoting digitalization

Asia-Pacific

- Expand business and increase presence in India
- Build relationships with local partners in sales and production
- Expand local manufacturing, and promote local production and local consumption

Strengthen initiatives in the **Chinese and Indian markets**, which have high growth potential

- Target **CAGR of over 7%** in the Asia-Pacific region
- Promote local development and production in China
- Strengthen sales channels through strategic partnerships, etc. in India



Strategy in China

[Initiative Policy]

Develop an autonomous business structure, including development, manufacturing and sales, based on local needs

Promote Growth Strategies

- Establish a highly efficient sales system and strengthen solution sales
- Accelerate product development based on local needs, and strengthen product variations by collaboration with partners
- Improve customer service levels, including strengthening the sales support and technical systems

Improve Profitability

- Improve competitiveness through promoting drastic cost reductions
- Shorten delivery LT and reduce costs through local manufacturing of key products

Strengthen the Management Base

- Expand sales territories, strengthen the management structure, reinforce and educate human resources.
- Strengthen digital infrastructure, including use of digital marketing and promotion of e-commerce

Strategy in India

[Initiative Policy]

Increase awareness as a HMI and safety manufacturer and expand the market share of major products

Promote Growth Strategies

- Restructure the distributor network and expand reach to new areas
- Increase awareness as a safety manufacturer through seminars/events
- Recruit knowledgeable local staff and build an organization

Improve Profitability

- Improve efficiency by building local supply chain
- Promote cost reduction via local procurement and manufacturing.

Strengthen the Management Base

- Build strategic partnerships and strengthen channels in local regions
- Shorten delivery time by building an optimal supply-chain structure

7. Initiatives for Improving Profitability

1. **Reduce inventory and delivery lead-time**
 - Promote structural reforms by reorganizing production sites, optimizing logistics and production operations, and upgrading legacy systems
2. **Promote strategic cost-reduction initiatives**
 - Reduce manufacturing costs through automation and labor-saving
 - Reduce costs by VAVE
 - Reduce fixed costs by promoting business reforms
3. **Optimize product offering and pricing**
 - Consolidate unprofitable products and businesses, and further strengthen price management
 - Consolidate materials, parts, and products with APEM

8. Medium-Term Management Plan

- The long-term goal is to achieve an **operating income margin of 20%**, and **over 16% operating Profit in FY2025 with over 80 B JPY of sales**
- Target CAGR: 5% or more (overseas: 6% or more).

	FY2022 Results	FY2023 Plan	FY2025 Plan
Net sales	JPY70.8 billion	JPY74.5 billion	JPY80 billion or more (Growth ratio >5%/year)
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ROIC	9.2%	10.0%	10% or more
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EPS	JPY264 *2	JPY250	JPY300 or more

*1: ROE excluding the impact from the extraordinary income in FY2022; is approx. 15%.

*2: EPS excluding the impact from the extraordinary income in FY2022; is approx. JPY221.

* ROE = net income ÷ equity

* ROIC = NOPAT ÷ invested capital

Investment for growth in the medium to long term

	Former Medium-Term Plan	New Medium-Term Plan
Invest for Growth	<ul style="list-style-type: none"> ■ Investment in M&A and alliances APEM (HMI), Welcat (Automation), Tokyo Sensor (Safety) and Sque (System) joined IDEC group ■ Investment in new products: Investment in the HMI/Safety/Automation field ■ Establishment of a new company: Sales subsidiary in India, IDEC ALPS Technologies 	<ul style="list-style-type: none"> ■ Investment in M&A and alliances <ul style="list-style-type: none"> • M&A and alliances for enhancing safety business, AGV industries, software, and engineering fields • Strengthen partnerships in China and India ■ Invest in new products: Proactively invest in new HMI and safety
Strengthen the Management Base	<ul style="list-style-type: none"> ■ Sites and equipment: <ul style="list-style-type: none"> • Introduced automation and labor-saving systems • Restructured production sites and established new logistics sites in China, Taiwan and EU ■ Investment in human resources: Invested in the development of human resources ■ Investment in DX: Implement Digital marketing platform Introduced Teams to the entire company, updated the personnel system ■ Investment in sustainability: Installed solar power (Hyogo, Aichi, Gifu, Taiwan, etc.) 	<ul style="list-style-type: none"> ■ Sites and equipment: <ul style="list-style-type: none"> • Increase production sites, introduce automation and labor-saving systems • Optimize sites ■ Investment in human resources: Invest to develop global human resources ■ Investment in DX: Update ERP, introduce supply-chain planning system, arrange a talent management system ■ Investment in sustainability: Install solar power, develop eco-friendly products
Shareholder Returns	<ul style="list-style-type: none"> ■ Measures for returns: <ul style="list-style-type: none"> • Continuous dividend with dividend payout ratio between 30 and 50% • Acquisition of treasury stock in a timely manner according to the stock price level 	<ul style="list-style-type: none"> ■ Measures for return: <ul style="list-style-type: none"> • Continuous dividend with dividend payout ratio between 30 and 50% • Acquire treasury stock in a timely manner according to the stock price level



Contribute to Realizing a Low-Carbon and Circulating Society

- Promote initiatives that address climate change as an important management issue
- Established the Environment Enhancement Department and assigned a Senior Executive Officer in charge of the environment in 2021 to further strengthen our environmental efforts.
- Expressed our support for the TCFD in 2021, addressed the scenario analyses of climate-related risks and opportunities based on the TCFD guidance between 2021 and 2022, and disclosed the information.

Governance System Addressing Climate Change

Name	Overview	Number of meetings
Board of Directors	Supervision of important matters related to climate change	7 times or more per year*
Top Management Meeting	Decision-making on important matters related to climate change	8 times or more per year*
CSR Committee	Review of important items related to climate change, and submission of these to the Top Management Meeting	Twice a year
Environmental Management Committee	Management of climate-related opportunities	Once a month
Risk-Management Committee	Management of climate-related risks	Twice a year
Executive Officer in Charge	Senior Executive Officer in charge of the environment	
Responsible Departments	Corporate Strategy Planning, Environment Promotion, Accounting, CSR Office, HR&GA	

*Decision making and supervision of the submitted items by the CSR committee are conducted twice a year.



Related SDGs

Medium-term targets by FY2025 (based on FY2020)

Reduce CO ₂ emissions	24%	↓
Reduce industrial waste	24%	↓
Increase ratio of eco-friendly products in total new products (cumulative)	More than 60%	↑

Vision for 2030 concerning climate change

- Contribute to reducing the environmental impact of customers and society through the use of the IDEC Group's technologies and products
- Reduce CO₂ emissions by the IDEC Group's use of renewable energy



Further Enhancement of Human Capital



Related SDGs

- Promote efforts to tackle issues such as the enhancement of human management system, promotion of diversity and inclusion, and workstyle reform that were extracted from the results of the engagement survey (employees' awareness survey).
- Aim to appoint **fifteen or more female managers*** by FY2025 (including women in a leadership position with subordinates)

Issues	Major initiatives taken up to FY2022	Initiatives to be taken from FY2023 and beyond
Strengthening of human resource management systems	<ul style="list-style-type: none"> ■ Planned and introduced new personnel systems based on issue analysis. 	<ul style="list-style-type: none"> ■ Operate, maintain, and firmly establish new personnel systems, including a training course system and payroll system.
Promotion of diversity and inclusion	<ul style="list-style-type: none"> ■ Conducted LGBTQ training and management training for empowerment of women. ■ Established a system for recruiting global talent. 	<ul style="list-style-type: none"> ■ Conduct career training for women on the main career track. ■ Actively recruit global talent.
Strengthening of management and career development	<ul style="list-style-type: none"> ■ Promoted workplace improvement programs. ■ Conducted training for selected employees to develop management talent. 	<ul style="list-style-type: none"> ■ Give multi-faceted executive feedback. ■ Develop management talent for director and executive officer candidates. ■ Conduct career development training.
Communication activation	<ul style="list-style-type: none"> ■ Revamped the corporate intranet. ■ Built an in-house studio. 	<ul style="list-style-type: none"> ■ Enhance information transmission toward "One IDEC"
Workstyle reform	<ul style="list-style-type: none"> ■ Deployed Microsoft 365 company-wide. ■ Strengthened the IT and office infrastructure. 	<ul style="list-style-type: none"> ■ Introduce and develop various systems based on flexible working styles. ■ Continuously promote operational efficiency.

10. ESG Initiatives

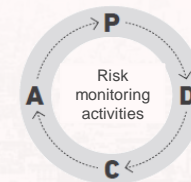
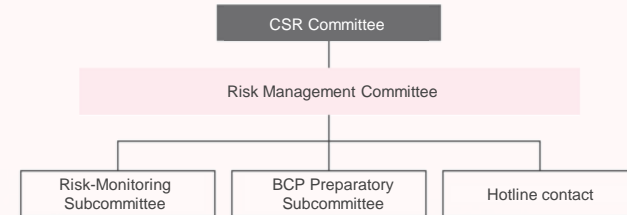
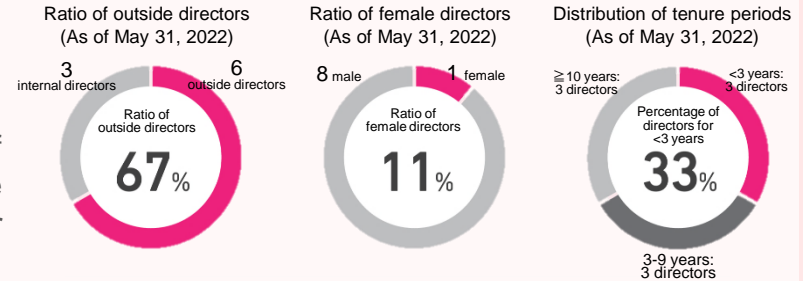


Further Enhancement of Governance

- Assign the majority of directorships to outside directors, and secure further diversity based on the skill matrix.
- To promote stable and long-term credibility and value of the company, continue the initiatives for improving the directors' effectiveness based on the results of their performance evaluations.
- Identify high-risk events based on a risk map, and regularly conduct risk-monitoring activities to keep track of risk-reduction initiatives.
- Identify "Nankai Trough earthquakes" as one of the high-risk events, promote BCP formulation, and raise internal awareness of disaster prevention in order to prepare for natural disasters.



Related SDGs

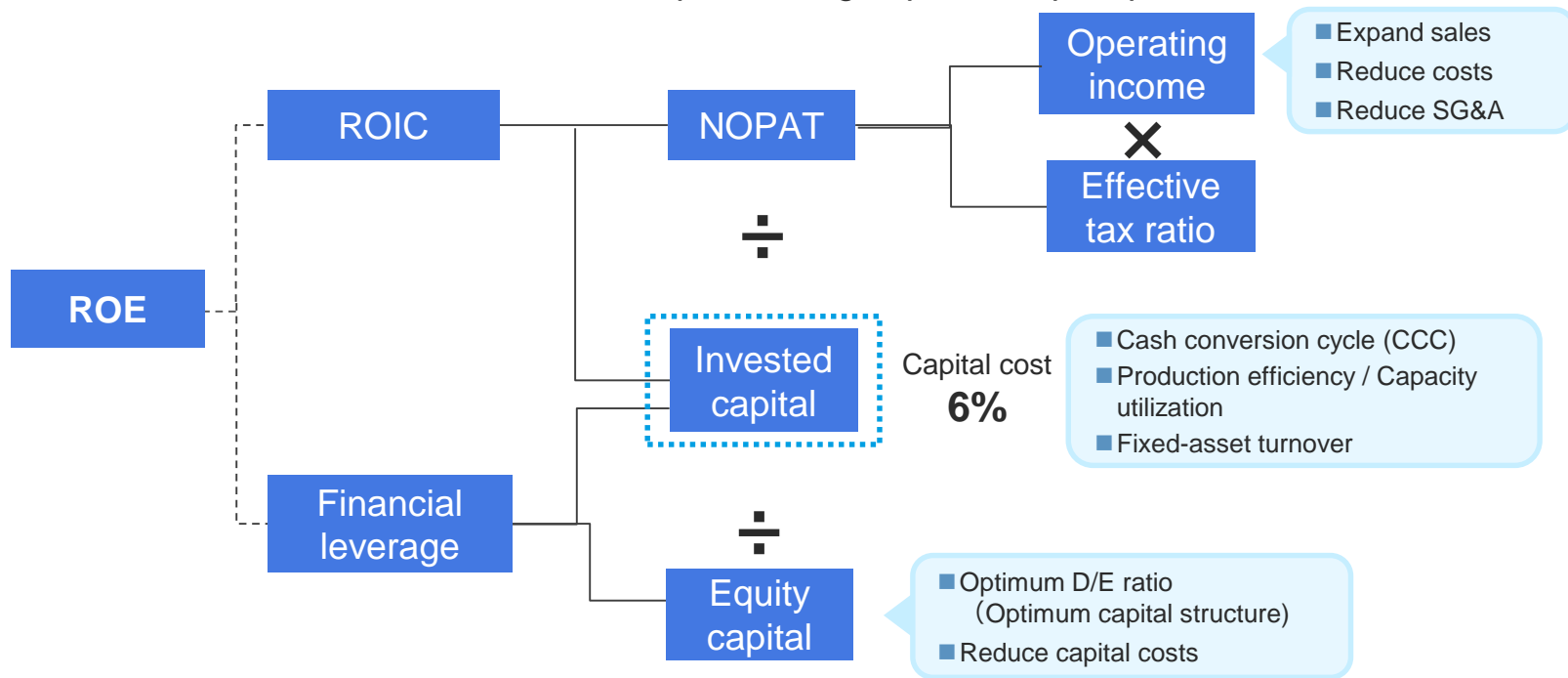


- Plan** | Set risk-reduction targets.
- Do** | Implement risk-reduction efforts.
- Check** | Conduct risk-assessment surveys.
- Action** | Review the risk map and identify high-risk events.

References

Improve Capital Efficiency

- Assume capital costs to be around 6%, and promote business operations based on the ROIC exceeding it.
- Realize the maximum returns for invested capital through optimal capital policies



- FTSE Blossom Japan Sector Relative Index
- SOMPO Sustainability Index (FY2022)
- S&P/JPX Carbon Efficient Index



**FTSE Blossom
Japan Sector
Relative Index**



Sompo Sustainability Index



Promote worldwide activities to create well-being beyond safety

- Approved the **Global Coalition for Safety and Health at Work**, established on the initiative of the ILO (International Labour Organization), and participated in corporate task force promotional activities
- Approved and registered the **Vision Zero campaign*** for industrial health and safety, which ISSA under ILO promotes, for the first time in Japan
(*This is an approach to pursue “safety, health, and well-being” within IDEC on the initiative of top management.)
- The second Vision Zero Summit took place in Japan in May 2022, where IDEC’s employees made presentations on IDEC-related cases. Seven presentations in total were given.
- IDEC conveyed the message that we aim to pursue and achieve the world’s best safety, ANSHIN, and well-being through our world-leading collaborative safety technology and business.



An example of presentation content at the Vision Zero Summit

Disclaimer

This material contains our plans and performance forecast, which we have planned and expected in accordance with available information as of May 13, 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.

IDEC CORPORATION
Strategic Planning Department
TEL : +81-6-6398-2505
FAX : +81-6-6398-2587
E-mail : yasuyuki.ogawa@idec.com

