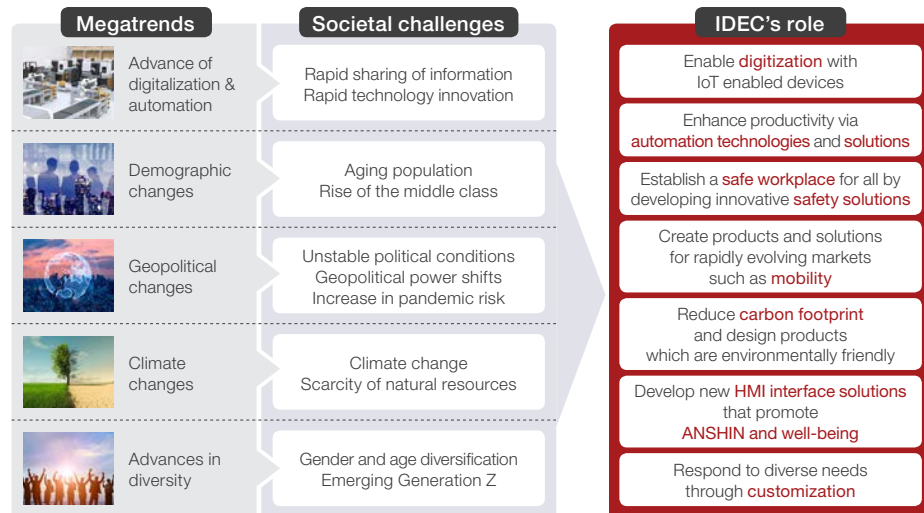


|| New Medium-Term Management Plan FY2023-2025

PASSION FOR YOUR SUCCESS

In recent years, the world has seen megatrends such as the advance of digitalization and automation, changes in social structure and environment due to demographic changes and climate change, and the shift to a more complex society that is highly volatile and difficult to predict, known as VUCA (Volatility, Uncertainty, Complexity, and Ambiguity). In addition, an aging society in many countries, the increase of the world population, global warming and the rapid progress of technological innovation are becoming societal challenges that global companies have to address.

Back in 2017, the IDEC Group announced a medium-term management plan. However, the outbreak of the COVID-19 infections and other factors significantly changed the business environment, and we reviewed the plan based on the current megatrends and societal challenges. Then in May 2022, we announced a new medium-term management plan which set FY2025 as the final year. Under a new slogan "PASSION FOR YOUR SUCCESS," we will promote initiatives that address key areas such as needs for automation, and unmanned and labor-saving operations, as well as the enhanced awareness of safety, ANSHIN, and well-being, based on the control technology we have cultivated over the years. We are thereby aiming to contribute to solving societal challenges and to achieve sustainable growth and customer success.



Enhanced industry-specific market strategies

In light of the megatrends, the new medium-term management plan focuses, among the eight highlighted industries, on AGVs and AMRs and robotics— two industries with high growth potentials in global—and automotive and machine tools markets. We are expecting compound annual growth rates of 20-30% for AGVs and AMRs, despite the market not yet being very large, and 6-7% for robots.



AGV and AMR



Robotics



Automotive



Machine Tools



Elevators



Semiconductors



Special Vehicles



Food and Packaging

In order to expand sales in these markets, it is essential not only to sell existing components, but also to develop new products based on industry needs, and to strengthen sales of solutions. In the mature markets such as Japan, the Americas, and EMEA, we plan to enhance our competitiveness particularly by making challenge-solving proposals, including packaging of best-suited products for each industry. In Japan, we will also seek to restructure and strengthen sales channels and to establish a system for expanding APEM products. Our focus in the Americas is to strengthen automation products such as programmable logic controllers, and in EMEA, our plan is to expand sales of IDEC products utilizing APEM's network. In growth markets such as China and India, we will promote business expansion by further enhancing our presence. In China, where significant growth is expected, we will make organizational reform and will work to develop a solution sales organization that enables high-efficiency sales by accelerating local production for local consumption through product development based on local needs.

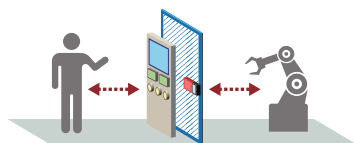
|| New Medium-Term Management Plan FY2023-2025

By promoting the new concept “HMI-X”, IDEC will provide products and solutions to address customer challenges, helping them to create the optimal environment for humans and machines.

Expansion of business area: From “Interface” to “Interaction” and leading to “the Realization of Optimal Environment”

As a leading company in Human-Machine Interface (HMI) business, IDEC has expanded over a wide geographic range. Together with changing times, IDEC’s business area has expanded from “Interface”, which connects humans with machines in various aspects of manufacturing and living, such as industrial switches and operator interfaces, to “Interaction” where a network connects humans with machines, or a machine with another machine, increasingly due to development of the Internet of Things (IoT) and other changes in technology and society. The next step will be the “Optimal Environment” which includes the space in which humans and machines coexist, in addition to networked mechanical devices. In this context we anticipate growing demand for realizing safety, ANSHIN and well-being for people. In light of this background, we are promoting human-centered “HMI-X [Transformation]” as a new concept for the IDEC Group, which further evolves the thinking of HMI by utilizing the safety DNA we have cultivated so far. By promoting HMI-X, we aim to realize our Purpose—to create the optimum environment for humans and machines, and to achieve safety, ANSHIN, and well-being for people around the world.

Realize the optimal environment by more interactive control in the changing environment where humans and machines work together



Control in an environment where humans are isolated from machines



Control in an environment where humans and machines work together

HMI-X [Transformation]



New Medium-Term Management Plan FY2023-2025

Strengthen the highly-profitable industrial switches business and the safety business with its global growth potential

As a manufacturer of diverse HMI products and other control devices, IDEC has the top market share in Japan and the third largest worldwide in industrial switches, which account for about 50% of its sales. IDEC has also always focused on safety-related products since its foundation. In order to achieve the management plan for FY2025, we will continue to strengthen the highly-profitable industrial switches business and the safety business with its global growth potential.

In the industrial switches business, our strategy is to expand our product line-up and develop NEW HMI products that incorporate new functions, in order to strengthen our global competitiveness and expand our global market share. In the safety business, we will accelerate the overseas development where market expansion is expected by expanding our product portfolio to meet regional needs. We will also work on creating innovative products that feature ANSHIN in addition to high safety.

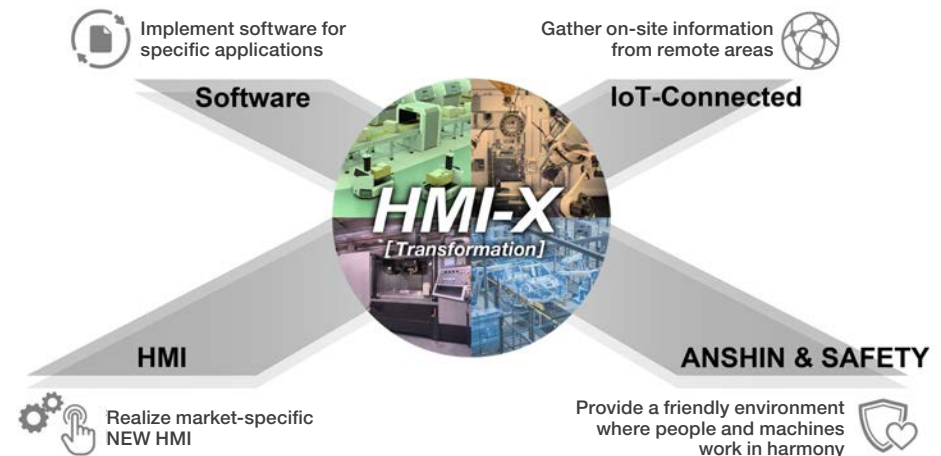
Driving HMI-X [Transformation] through solution deployment

In order to respond to extremely diverse customer needs and challenges, driven by recently emerging megatrends and market changes, we have to deploy various solutions, which combine not only our existing industrial switches and other components but also NEW HMI products, which are being developed based on the unique needs of each industry, such as makers of machine tools and robots; various sensors of IDEC ALPS Technologies CORPORATION (established in 2021); and new software that we intend to strengthen development by promoting human resource investment. In addition to thus utilizing IDEC's core technologies, we are working with our partners to achieve solutions that meet the anticipated demand of our customers.

Specific examples include solutions that utilize products from ez-Wheel (France), which concluded a partnership agreement with IDEC in 2022. ez-Wheel is a manufacturer of safety wheel drive for AGVs and AMRs with the drive control and safety features required for autonomous driving. Going forward, beyond sales of wheels, we can now offer a wider range of proposals tailored to the needs of customers by combining ez-Wheel products and IDEC products as a business alliance partner. By enhancing such solutions, we will help advance HMI-X [Transformation] and create new value.

IDEC's Solutions

Leverage IDEC's core technology to explore potential demand and create new value.



Solution examples using ez-Wheel products

- 1 Select optimal IDEC products, based on safety knowledge and the type of application, and package them with ez-Wheel products.
- 2 Package an improved system of hardware and software for specific applications, using IDEC and ez-Wheel products.
- 3 Establish integrated customer systems, combining hardware and software, through means such as automation of a warehouse system with AMR, using IDEC and ez-Wheel products.



IDEC



ez-wheel
The Electric Wheel

New Medium-Term Management Plan FY2023-2025

Outline of the medium-term management plan with FY2025 as the final year

The new medium term management plan's minimum targets are sales of over 80 billion yen, operating income of over 13 billion yen, and an operating income margin of over 16% in FY2025, with the ultimate aim of realizing an operating income margin of 20% in the long term. We have also created a new slogan, "PASSION FOR YOUR SUCCESS" and will create an environment that enables us to realize customer success, by providing advanced products, solutions and exemplary services.

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

	FY2022	FY2023 (plan)	FY2025 (plan)
Net sales	70.8 billion yen	74.5 billion yen	80 billion yen or more (CAGR: 5% or higher)
Operating income	9.7 billion yen	10.8 billion yen	13 billion yen or more
Operating income margin	13.7%	14.5%	16% or higher
ROIC	9.2%	10.0%	10% or higher
ROE	17.2%*	14.5%	15% or higher
EPS	264 yen*	250 yen	300 yen or more

* Excluding the impact from extraordinary income, etc., the ROE was approximately 15% and EPS was approximately 221 yen in FY2022.

Specifically, we will actively promote the IDEC Group's new concept "HMI-X [Transformation]" in all the countries where we are active, and aim to achieve sustainable growth by conducting activities based on the following four basic strategies.

Four Basic Strategies



Promote Growth Strategy

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



Improve Profitability

- **Optimize production structure and processes to reduce cost, inventory and improve lead time**
- Review and optimize SG&A cost
- Identify and concentrate unprofitable products and businesses



Enhance Business Foundation

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



Enhance ESG initiatives

- Environment** Promote initiatives to reduce environmental impacts
- Society** Promote diversity
- Governance** Improve management transparency and efficiency
- Safety** Create well-being through safety and ANSHIN technology
- Quality** Improve product quality and manufacturing capabilities

|| New Medium-Term Management Plan FY2023-2025

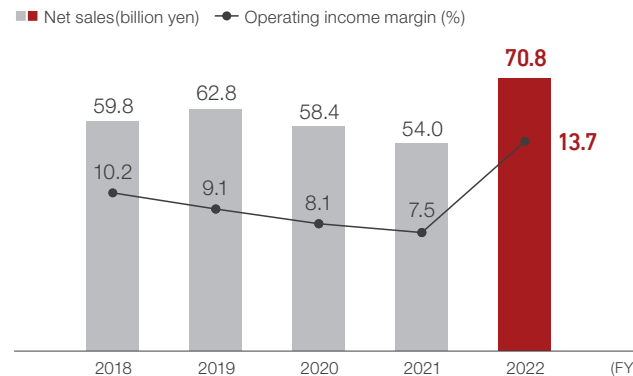
Our financial goal is to improve profitability and efficiency in order to achieve sustainable and highly profitable growth.

Improve profitability

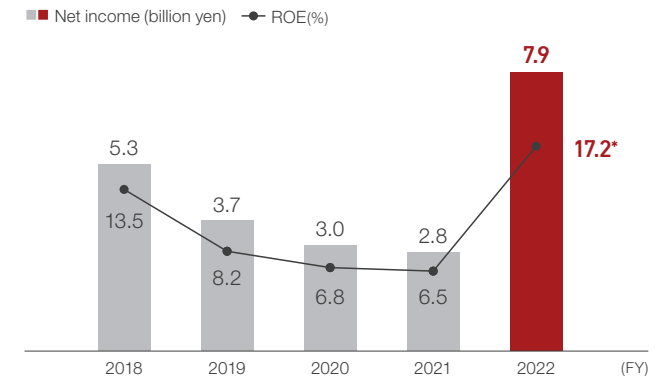
Promote selection and concentration to achieve a higher operating income margin.

In order to improve profitability, we make continuous efforts to eliminate or consolidate materials and products, and accelerate cost reduction and enhance production efficiency. We will also consolidate sites in the world, to make our supply structure more efficient, and we introduce digital marketing to improve sales efficiency.

Net sales and operating income margin



Net income and ROE

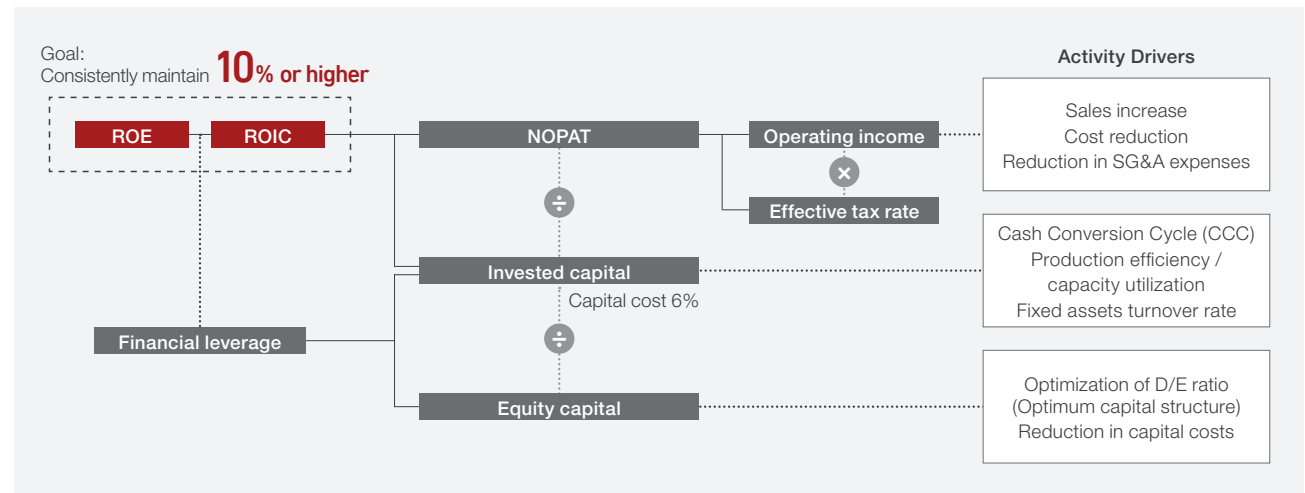


* The ROE in FY2022 was approximately 15% excluding the impact from extraordinary income, etc.

Improve capital efficiency

Increase capital efficiency and secure ROE/ROIC of 10% or higher.

We believe we have done well in managing inventories and fixed assets while expanding sales, and have improved asset turnover, which resulted in the most recent ROE of 17.2% (approximately 15% excluding the impact from extraordinary income, etc.) and ROIC of 9.2%. Going forward, our focus will be to improve the efficiency of fixed assets, such as working capital and production facilities, in order to increase capital efficiency so as to exceed the expected capital cost (6%).



New Medium-Term Management Plan FY2023-2025

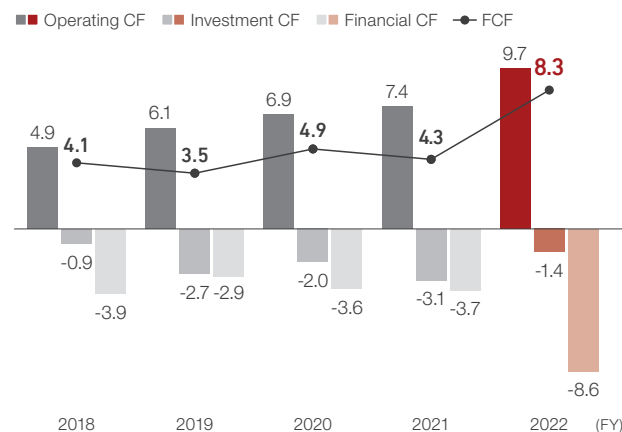
Cash flow and dividend policy

Increase operating cash flow, aggressively make new investments, and give return to shareholders.

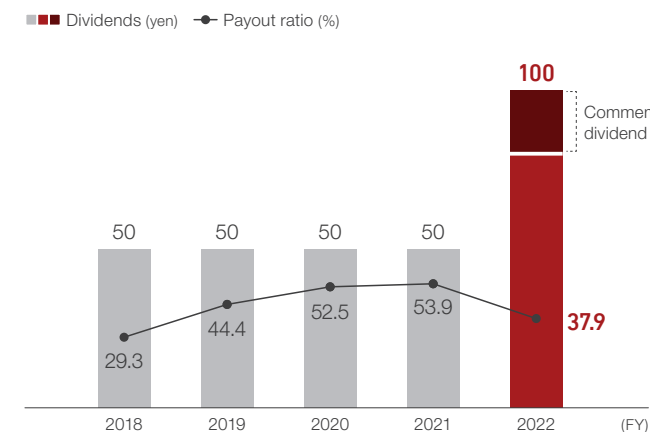
Operating cash flow has been steadily increasing due to sales growth driven by robust control demand, and business efficiency improvement. We will continue to strive to increase operating cash flow, promote DX to improve efficiency, and make growth investments to expand business areas.

We also pay dividends in a stable and constructive manner. In FY2022 we increased the dividend from 50 yen to 100 yen per share.

Cash flows (billion yen)



Annual dividend per share and payout ratio



Aggressive investment aimed for medium- to long-term growth

Issues	Previous medium-term plan (FY2018-2022)	New medium-term plan (FY2023-2025)
Investment 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 the IDEC Group. ■ Investment in new products Invested in the HMI/Safety/Automation field. ■ Establishment of a new site Established a new site in India. ■ Establishment of a new company Established IDEC ALPS Technologies CORPORATION. 	<ul style="list-style-type: none"> ■ Investment in M&A and alliances M&A and alliances for enhancing the safety business, AGV industries, software, and engineering field. Strengthen partnerships in China and India. ■ Investment in new products Proactively invest in the NEW HMI and safety businesses.
Improve efficiency	<ul style="list-style-type: none"> ■ Sites and equipment Introduced automation and labor-saving systems. Restructured manufacturing sites and established new logistic sites in China, Taiwan and EU. ■ Investment in human resources Invested on 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 generation equipment. (Japan:Hyogo, Aichi, Gifu / Taiwan, etc.) 	<ul style="list-style-type: none"> ■ Sites and equipment Increase manufacturing sites, introduce automation and labor-saving systems. Optimize sites. ■ Investment in human resources Invest on developing global human resources. ■ Investment in DX Update ERP, introduce supply chain planning system, and arrange a talent management system. ■ Investment in sustainability Install solar power generation equipment and develop eco-friendly products.
Shareholder returns	<ul style="list-style-type: none"> ■ Measures for returns Continuously paid dividends at a dividend payout ratio of 30-50%. Acquired treasury stock in a timely manner in view of the stock price level. 	<ul style="list-style-type: none"> ■ Measures for returns 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.

New Medium-Term Management Plan FY2023-2025

We will strengthen ESG efforts with the aim of contributing to realization of a sustainable society.



Contributing to the realization of a low-carbon, circulating society



In conjunction with the formulation of the new medium-term management plan, we have identified three Materiality initiatives. One is to “respond to climate change,” a growing societal challenge on a global base. We tackle this challenge as an important management issue. Toward 2030, we aim to help realize a sustainable society by helping reduce the environmental impact of our customers and society through use of the IDEC Group’s technology and products.



Expansion of human capital initiatives



As part of strengthening our business foundation, we conducted an employee engagement survey, extracted issues from the survey results, and have promoted measures to address these issues. They include strengthening of human resource management systems, promotion of diversity and inclusion, and workstyle innovation. A second survey will be conducted in 2022 and a global survey is also scheduled in the future. Through the resolution of the issues that reflected the opinions of our employees, we will strengthen investment in human capital and seek to raise employee engagement.



Further enhancement of governance



In order to improve management transparency and efficiency, the appointment of outside directors has been promoted, and independent outside directors now represent a majority of directors. In 2022, based on the expertise analysis of directors using a skills matrix, two directors have newly joined who are knowledgeable about the areas that we want to strengthen in relation to management issues. By continuing efforts to enhance the effectiveness of directors, we are striving to enhance our corporate credibility and corporate value in a stable and long-term manner.

Medium-term plan target for FY2025 (FY2020 basis)

- Reduction in CO₂ emissions ... **24%** ↓
- Reduction in industrial wastes **24%** ↓
- Cumulative ratio of eco-friendly products to total new products **60% or higher** ↗

Vision for 2030 concerning climate change

- Contribute to the reduction of the environmental impact of customers and society through the use of IDEC Group technology and products.
- Reduce CO₂ emissions through the in-house use of renewable energy.

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 directors and executive officer candidates. ■ Conduct career development training.
Communication activation	<ul style="list-style-type: none"> ■ Revamped 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.

