Think Automation and beyond...

We make the point of contact, where people interface with machines, easy, safe and secure. We create new possibilities.

IDEC celebrated its 70th anniversary in November of 2015. Your support and dedication contributed greatly to our success during many of those 70 years. Since its founding, IDEC has developed and introduced to the world numerous products and services centered on its control technology. Today, our products are used not only in factories, but in a wide range of settings in people’s everyday lives where customers desire safety, ease of use, reliability and a smaller environmental footprint.

One of our corporate principles is to conduct business with consideration for social contribution. Guided by this principle, IDEC Group members are free from traditional and conventional ways of thinking or doing, and encouraged to constantly improve themselves by broadening their knowledge and working hard toward progress. They never forget the basic objective of valuing customers’ perspectives and responding to them by providing solid technology. I am certain that having such individuals in the company creates a path toward social contribution and new opportunities, raising the IDEC Group to a higher status as a preferred supplier and demonstrating our value to customers.

We are committed to making the point of contact where people interface with machines easy, safe and secure, while creating new possibilities beyond that point. The IDEC Group continues its efforts to brighten the future of manufacturing and our lives as we move into the centennial of IDEC’s existence.
Capitalizing on its technologies, IDEC offers solutions for diverse social needs.

Performance for fiscal year 2016
In addition to the sales increases in operating switches, enabling switches and other industrial and safety products, the expansion of the new auto-ID (automatic identification) business sector contributed to overall domestic sales of ¥27,579 million (up 4.0% from previous year). As for total overseas sales, increases in sales of operating switches and small PLCs in North America and safety products in China helped to achieve ¥15,888 million (up 1.6% from previous year). As a result, consolidated sales and operating income was ¥43,468 million (up 3.1% from previous year) and ¥3,176 million (up 9.1% from previous year), while the operating income margin was 7.3%. The total per-share dividend payment for the year was ¥36 and the DOE (dividends on equity) was 3.5%.

Business strategies for future growth
The IDEC Group strives to increase sales and profit in established business segments, while expanding its new environmental and renewable energy fields.

For our established segments we are strengthening customer-focused solutions. At the same time we are targeting growing sectors worldwide by building strategic partnerships through mergers and acquisitions to obtain technologies, products, sales channels and other resources required by customers.

Leveraging our core technology-based products and systems in new business sectors, we are expanding our renewable energy enterprise in response to high social demand, increasing sales in auto-ID devices, providing agricultural solutions and commercializing fine bubble generation technology.

Following our corporate mission of "making contributions to society through business," we continue our efforts to maximize the company’s value, profit and dividends by responding to the needs of society.

In closing, I would like to thank each and every person associated with the IDEC Group and ask for continued support and guidance.

Toshi K. Funaki
Chairman and Chief Executive Officer
Since its founding, IDEC has been dedicated to making products that provide safety for manufacturing sites.

We shall continue our commitment to providing solutions to social problems and making contributions to society in years to come through our control and environmental technologies.

Over 70 years of Innovation

Inventing “New Possibilities” is IDEC’s vision passed down since its founding.

Manufacturing and sales of control devices began in the Post-WWII reconstruction era.

IDEC was founded under the original name of IZUMI Shokai Co., Ltd. in 1945, the year World War II ended.

First, selling electric appliances upon its founding, soon IDEC recognized the shortage of various switch boxes that were essential for machines and began developing high-quality switch boxes. The safety box switches IDEC’s forerunner developed were highly praised by the industry. They passed the strict requirements of the US Military Force in Japan, becoming their specified products and remaining the company’s longest-selling product line. These switches, along with our explosion-proof products widely used in textile/chemical plants and petrochemical complexes, helped boost Japan’s post-war reconstruction efforts.

The economic boom brought increasing demand for measurement/control technologies for controlling and keeping equipment and systems in an optimal state. This was the turning point for IDEC to begin producing control devices using its previous experience and knowledge to become an all-around control device manufacturer, again contributing to Japan’s economic expansion. To keep pace with business growth and the need to increase production, the company grew its manufacturing and sales bases both in Japan and overseas in the 1970s.

A behind-the-scenes hero backing Japan’s economic growth becomes major control device manufacturer.

Inventing “New Possibilities” is IDEC’s vision passed down since its founding.

Since its founding, IDEC has been dedicated to making products that provide safety for manufacturing sites.

We shall continue our commitment to providing solutions to social problems and making contributions to society in years to come through our control and environmental technologies.

【IDEC Products and Technologies】

---|---|---|---|---|---
SB metallic switch box  | AR water-proof, corrosion-proof, explosion-proof fluorescent light  | Miniature switches and pilot lights  | Flame-proof control box  | SPS step programmer  | Yellow relays
The first big hit with a ground-breaking quick-make/quick-break mechanism, which laid the foundation for IDEC.  | Developed specifically for lighting in textile/chemical plants.  | Creatively miniaturized control units; helped to redirect IDEC’s course as a control device manufacturer.  | Sold to industries requiring explosion-proof devices, such as petrochemical complexes.  | A precursor to the present-day programmable logic controllers, equipped with revolutionary functions for that time.  | Entered into the relay market for the first time. Known for reliability and long life, these yellow general-purpose relays became our bread-and-butter products.
At the time of expansion 2000-

Entering into the 1970s, IDEC began aggressively expanding business overseas, establishing subsidiaries, exhibiting at European trade shows and forming alliances with highly-rated overseas corporations. During that time, IDEC launched control units conforming to the IEC standards, which turned out to be another big hit, and the products have been successful even to this day. As business grew, the company’s bid for public stock listing was granted in 1982.

Entering into the 1990s, the manufacturing environment of HMIs (Human Machine Interfaces), in which people and machines work together, became mainstream. In responding to the need for machines and systems providing higher productivity and safety, IDEC launched Japan’s first safety switches and enabling switches. In 2000, fully-automated robot control cellular production systems were installed in our main manufacturing site, the Takino Plant. These systems realized the optimal multi-product production in varying volumes while promoting automation and saving labor and power.

Creating an optimal environment for people and machines

From IZUMI to IDEC

In commemorating our 60th anniversary, the name of the headquarter was changed to IDEC from IZUMI and the new company logo was created in 2005. In 2015, the year of our 70th anniversary, a group of young employees took on a central role in creating and implementing a new 10-year vision for the IDEC Group for 2025.

For a sustainable society

We believe that future challenges on a global scale are environmental pollution due to increasing CO2 emissions and food shortages due to population growth. IDEC will continue inventing new possibilities beyond its 100th anniversary by improving and promoting LED lighting, renewable energy and agricultural automation, all backed by solid technologies.

Creating an optimal environment for people and machines

Being a guardian of manufacturing sites.
While IDEC’s business environment is difficult to predict due to the effects of a slowing Chinese economy, it is safe to assume that manufacturing automation, networking and environmental improvements will continue expanding worldwide. With these global trends in mind, we are working hard to increase profitability in our main business, grow new businesses centered on environmental and renewable energy sectors and improve our development, manufacturing and sales systems.

Our Strategy

Pursue growth by delivering products and services that satisfy market needs under our “local manufacture for local consumption” policy.

Our Strategy

Plan for fiscal year 2017

Net sales 43.7 billion yen
Year-on-year up 0.5%
Operating income 3.5 billion yen
Year-on-year up 10.2%
Operating income margin 8.0%
Year-on-year up 0.7%

For fiscal year 2016, sales were ¥43.4 billion and the operating income margin was 7.3%. We plan to improve sales and operating profit for this fiscal year. We also plan to increase ROE by improving our profit margin.

Our Strategy

Enhancing core businesses and expanding new businesses

The industry's structure is changing due to the IoT and the increased use of robots at job sites. In response, we are delivering products and services geared to meet market needs and based on our knowledge and expertise in human-machine interface and safety devices. We seek increased profitability by promoting new businesses centered on the environment and renewable energy while improving existing businesses.

Human resource development to ensure sustainable business growth

We focus on developing employees who take ownership of their jobs and are self-starters. Also, as an active promoter of diversity in the workforce, we provide a work environment in which all employees, including women, foreign nationals and people with disabilities, can play active roles in the company’s operations.
To make a significant impact, we are focusing on sales and profit expansion by building strategic partnerships, including mergers and acquisitions, expanding global business and selecting and concentrating our effort on target markets. We are launching new businesses, including consulting services, in which we offer our technology and expertise built over many decades, and a business offering human-robot collaboration safety system solutions for the next generation of manufacturing.

**Key Strategic Initiatives**

Operating a solution- and technology-based high-value business.

**Market-Driven Approach**

- Product development geared for next generation demands
- Concentrated resource allocation to growing markets

**Efficiency**

- Strengthening the product management system
- Improving global business hubs

**New Businesses**

- Commercialization of agricultural solutions and fine bubble technology
- Expansion of environmental and energy business

*Our Strategy*

*Arnaud Mondi*

Senior Executive Officer
Sales & Marketing
From factory sites to familiar everyday situations, the IDEC Group supports the future of manufacturing and daily life through control technology. With many products, including a diverse lineup of network-compatible products that advance the IoT (Internet of Things), we create products that meet the needs of the times.

Corporate Profile

Hazardous Locations
IDEC expands its group of explosion-proof, structural products for use at sites that are at risk of explosions.

- Display enclosures w/ touchscreen EX3R
- Intrinsically safe/flame-proof galvanic isolator for analog input D5014
- Non-sparking explosion-proof LED lighting VMV

Safety
IDEC proposes safety measures to enhance the collaboration between humans and machines.

- Interlock switches HSIL
- Small teaching pendant HG1U
- Safety laser scanners SE2L

Automation
IDEC manufactures key devices that drive smart factories.

- Interface relays RV9H
- Programmable controllers FC6A
- Small, fixed two-dimensional code readers Valin3D

Transport Systems
IDEC contributes to the automation and efficiency of logistics.

- Operator interfaces H32G
- Bluetooth 2D imagers PD2300HP
- Miniature laser photoelectric switches SA1E-L

Environment and Energy
IDEC provides complete residential energy management systems.

- Power conditioners PJ1A
- HEMS (Home Energy Management System) controller

Public Transportation Facilities
IDEC supports operational safety with our control technology.

- LED illumination units LF1D/2D
- Super-bright pilot lights AP2Z
- SmartRelay FL1F

Hospital
This product lineup is designed for hygiene and the prevention of medical malpractice.

- Embedded 1D CCD scanners WB1F
- Grip switches for medical equipment
- Metal switches for medical equipment

Agri Business
IDEC offers a variety of technologies that contribute to the realization of state-of-the-art, smart farming systems.

- Remote monitoring Control technology
- LED technology
- Fine bubble technology

Our Business

[ Making manufacturing sites safer and work environments more comfortable ]

[ Making lives better every day ]
Providing the world with products derived from our uncompromising pursuit of absolute safety and ease of use

We are expanding the product range of our ingeniously designed switches, relays and safety devices while perfecting product quality, durability and safety.

Aiming at a solid position as the leading control product company as well as securing Japan’s number 1 market share in control switches, we continue to improve quality, cost and delivery (QCD). At the same time, we are focusing on expanding our global market share by localizing products to fit regional needs.

Safety laser scanners
SE2L
These safety laser scanners, the world’s smallest, ensure the safety and protection of a wide area, encompassing up to 270° and a distance of 5 meters. Equipped with an abundance of features, they offer versatility in controlling an area even when used alone.

Interface relays
RV8H
These slim interface relays have a width of about 6mm and decrease wiring time by reducing the size of control panels and offering a lineup that employs spring clamp terminals.

Building and supporting control systems that are evolving with time

Utilizing IDEC’s combined manufacturing knowledge and experience, we produce high-value products that are cost competitive in global markets.

Interface relays
RV8H
These switches display a thin, stylish design that contributes to miniaturization and space savings in machinery and other equipment. The varied lineup supports a wide range of applications.

Metal flush silhouette switches

Programmable controllers
FC6A
High-performance FC6A models feature a compact body and multiple functions. This product enables the monitoring of data, and the operation of manufacturing machinery and various equipment from a remote location, while also adhering to the pursuit of added value.

Operator interfaces
HG Series
These operator interfaces improve both display and communication performance via built-in high-resolution liquid crystals and a super-bright LED backlight. Crisp, vivid screens quickly convey information and can be connected to various devices.

DIN-rail switching power supplies
PSR-V Series
These power supplies target the global market by focusing on ease of use and high reliability. A slim design reduces space in control panels and contributes to miniaturization while decreasing costs.
Ensuring safety at hazardous industrial sites through the newest global standards-compliant, explosion-proof technologies

We are boosting our explosion-proof lineup by expanding such products as explosion-proof LED lights and cameras that save energy and reduce maintenance.

As a leading supplier of explosion-proof products, we are engaged in developing hydrogen explosion-proof products in preparation for an increase in the use of hydrogen-based energy and products with new functionality, such as an IoT platform to meet the latest market needs. In the meantime, in order to succeed in the global market, we are making sure our products conform to various international standards including IECEx, ATEX and UL.

Delivering optimum lighting for any setting by customizing for application and situation

Since the 1980s, our LED technology has advanced rapidly to meet the needs of customers, providing new lighting options for any setting.
Creating new value through IDEC’s technology and global network

In responding to specific customer needs, we offer an array of services from recommending an optimal control system to engineering such system in a speedy manner.

Unitized solutions

IDEC proposes unitized solutions such as switch harnesses, switchboards, switch boxes and relay boards that incorporate a combination of diverse switches and other products.

Control panels

IDEC has established an integrated system of electrical control ranging from the design of control and operation panels, to parts procurement, manufacture, in-machinery wiring, drawings, ladder logic, inspection and local setup.

System solutions

IDEC builds a variety of systems that incorporate programmable controllers for remote monitoring, production management, warning alarms and room entrance management, as well as manufacturing sites. Systems are provided to hospitals, stores and companies as well.

Providing “Kodawari” (meaning “relentless pursuit of perfection”) solutions to various fields with a wide range of auto-ID devices

We offer IDEC’s own “Kodawari” auto-ID systems in addition to the powerful product lineup of the world’s leading auto-ID manufacturer, DATALOGIC.

Retail

Healthcare

Factory Automation

Distribution and Logistics

Utilizing high-speed vision systems, high-speed laser scanners and automatic weigh-based measurement systems, IDEC provides the latest solutions for airport automatic baggage sorting systems and door-to-door delivery services.

In addition to the auto-ID systems (POS scanners, mobile devices, etc.) that meet the needs of the retail sector, IDEC offers the best solutions for the field of healthcare, such as medical malpractice prevention in hospitals where increasingly sophisticated management is required.
Environmental & Energy Business

Delivering environmental and energy solutions for the future of the earth

“Sunlight, water, soil, food…” IDEC continues to take full advantage of the control and environmental technologies it has cultivated in order to protect the natural resources that are essential for all of us to survive.

Voice of GM

In addition to mega-solar power plants we have built in Japan, we are now expanding our renewable energy resources to include wind and geothermal power. Our efforts also extend to agricultural industrialization and one-stop service, as a total solution partner, encompassing farming facility design, construction, maintenance, guidance and produce-selling strategies. We promote our production technologies for the stable production of safe produce.

Takehiko Tajika
General Manager
Solar Smart Division
Executive Director
IDEC SYSTEMS & CONTROLS CORPORATION

Agricultural Solutions

Plant factory utilizes solar light
IDEC is promoting factory-style greenhouse cultivation lit by both sunlight and artificial lighting by combining the comprehensive management of the photosynthesis environment through the control of temperature, light and other factors with the management of the rhizosphere environment by promoting nutrient absorption through the roots. This achieves robust agricultural production that efficiently and steadily delivers flavorful, high-quality products in a safe and secure manner. IDEC also offers services for everything from design and construction to farming analysis.

Fine bubble generator for plant activation “agriGaLF”
This device encourages sound, healthy plant growth based on fine bubble generation technology that activates microorganisms in the soil.

Control technology
From the status of the temperature and humidity, the amount of light, and the CO2 concentration both inside and outside the greenhouse, this technology enables lighting and the opening and closing of windows to be controlled with a high degree of accuracy.

Energy Solutions

As an EPC* contractor, we handle all aspects of mega-solar projects, from planning to design, purchasing, installation and maintenance, as well as the development and sales of residential power conditioners and HEMS controllers, and the provision of cloud services. As a total solutions provider, IDEC promotes the spread of renewable energy, including solar power.

*Engineering, Procurement and Construction

Power conditioners
A new outdoor-type unit is available for IDEC’s lineup of power conditioners, which gained popularity due to their high efficiency and workability.

HEMS
(Home Energy Management System)
HEMS controllers can monitor, control and optimize residential demand for utilities, such as electricity, gas, and water, by using a visual display. In addition, IDEC offers an online service that manages power conditioners, power generation and operation conditions.

Voice of GM

In addition to mega-solar power plants we have built in Japan, we are now expanding our renewable energy resources to include wind and geothermal power. Our efforts also extend to agricultural industrialization and one-stop service, as a total solution partner, encompassing farming facility design, construction, maintenance, guidance and produce-selling strategies. We promote our production technologies for the stable production of safe produce.

Takehiko Tajika
General Manager
Solar Smart Division
Executive Director
IDEC SYSTEMS & CONTROLS CORPORATION
Ultra-fine bubbles offer abundance of new benefits

With our breakthrough ultra-fine bubble technology, we are challenged with leading this brand new industry.

Fine bubbles

Air bubbles 100 micrometers and under are defined as “fine bubbles,” and 1 micrometer and under are “ultra-fine bubbles.” Ultra-fine bubbles saturate and stay in liquid for an extended time, are electrically charged, and are extremely highly pressurized, demonstrating unique behavior that has never been seen before. Numerous applications are anticipated using the unique characteristics of ultra-fine bubbles.

IDEc’s GaLF (pressure dissolving method) technology

IDEc began researching fine bubbles in 1990. Since then we have improved the pressure dissipating method of ultra-fine bubble generation technology and expanded the range of applications including water treatment. The pressure dissipating GaLF is capable of generating ultra-fine bubbles in larger volume compared with other methods. Currently, we are engaged in the manufacturing and sale of ultra-fine bubble equipment and fine bubble equipment specific to growing plants.

[Fine Bubble Industries Association (FBIA)]

Incorporated in 2012 as a general association, the FBIA has been active in promoting the standardization and commercial/industrial applications of fine bubbles. Its membership includes 63 corporations, including IDEc, and 13 individuals from 11 participating universities and other academic institutes. The FBIA centers its efforts on international standardization of measuring fine bubbles.
Financial Report

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2014 (Millions of yen)</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit and Loss Status</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>¥43,468</td>
<td>¥42,173</td>
<td>¥36,319</td>
<td>¥385,731</td>
</tr>
<tr>
<td>Gross profit</td>
<td>18,017</td>
<td>17,117</td>
<td>15,406</td>
<td>159,888</td>
</tr>
<tr>
<td>Selling, general and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>administrative expenses</td>
<td>14,841</td>
<td>14,207</td>
<td>13,063</td>
<td>131,700</td>
</tr>
<tr>
<td>Operating income</td>
<td>3,176</td>
<td>2,910</td>
<td>2,342</td>
<td>28,187</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>3,182</td>
<td>3,160</td>
<td>2,482</td>
<td>28,238</td>
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<tr>
<td>Net income attributed to</td>
<td>1,708</td>
<td>2,096</td>
<td>1,456</td>
<td>15,158</td>
</tr>
<tr>
<td>owners of parent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Financial Flow Statement (Years ended March 31)**

| Net cash provided by       | 5,690                  | 1,925                  | 4,633                  | 50,500                    |
| (used in) operating        |                        |                        |                        |                           |
| activities                 | (18)                   | (1,169)                | (2,493)                | (168)                     |
| Free cash flow             | 5,671                  | 756                    | 2,139                  | 50,331                    |
| Net cash provided by       | (2,611)                | (891)                  | (1,929)                | (23,173)                  |
| (used in) investing        |                        |                        |                        |                           |
| activities                 |                        |                        |                        |                           |
| Depreciation and           | 1,519                  | 1,677                  | 1,699                  | 13,316                    |
| amortization               |                        |                        |                        |                           |
| Capital expenditures       | 1,500                  | 1,761                  | 2,277                  | 13,486                    |

**Financial Status (As of March 31)**

| Total assets               | 49,328                 | 49,378                 | 45,778                 | 437,733                   |
| Total interest-bearing    | 5,348                  | 6,710                  | 6,006                  | 47,459                    |
| liabilities               |                        |                        |                        |                           |
| Total shareholders' equity| 31,976                 | 32,121                 | 28,801                 | 283,753                   |

**Per Share Information**

| Earnings per share (EPS)  | 56.47                  | 69.30                  | 48.99                  | 0.50                      |
| Book value per share (BPS)| 1,057.28               | 1,062.53               | 959.56                 | 9.38                      |
| Cash dividends per share  | 36                     | 35                     | 30                     | 0.31                      |

**Financial Indicators**

| Return on equity (ROE)     | 5.3%                   | 6.9%                   | 5.2%                   | 5.3%                      |
| Shareholders' equity ratio | 64.8%                  | 65.1%                  | 62.9%                  | 64.8%                     |
| Current ratio              | 176.9%                 | 170.8%                 | 159.0%                 | 176.9%                    |
| Dividends per equity (DPO) | 3.5%                   | 3.5%                   | 3.1%                   | 3.5%                      |

**Notes:**
1. In this Annual Report, amounts are given by dropping the decimal portion of the number whereas ratios are rounded to the nearest whole number.
2. Free cash flow = Net cash provided by (used in) operating activities = Net cash provided by (used in) investing activities
3. Interest-bearing liabilities = Short-term loans payable + Long-term loans payable
4. Dividends on equity = Dividends / Number of shares outstanding
5. Current ratio = Current assets / Current liabilities
6. Return on equity (ROE) = Net income / Shareholders’ equity
7. Dividends per equity (DPO) = Total dividends paid / Number of shares outstanding
8. Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31, 2016 (US$1 = ¥101.20) for the convenience of readers abroad.

Consolidated Balance Sheet

As of March 31, 2016 and 2015

<table>
<thead>
<tr>
<th>As of March 31, 2016</th>
<th>2015</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>10,742</td>
<td>7,995</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>7,077</td>
<td>6,816</td>
</tr>
<tr>
<td>Inventories</td>
<td>8,500</td>
<td>9,000</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>4,385</td>
<td>5,459</td>
</tr>
<tr>
<td>Work in process</td>
<td>1,177</td>
<td>1,002</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>2,033</td>
<td>2,395</td>
</tr>
<tr>
<td>Advances payable-trade</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>772</td>
<td>754</td>
</tr>
<tr>
<td>Other assets</td>
<td>706</td>
<td>628</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(42)</td>
<td>(41)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>27,738</td>
<td>20,172</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8,321</td>
<td>9,056</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>1,331</td>
<td>1,182</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>762</td>
<td>642</td>
</tr>
<tr>
<td>Tools, furniture, and art</td>
<td>4,238</td>
<td>4,254</td>
</tr>
<tr>
<td>Land</td>
<td>230</td>
<td>238</td>
</tr>
<tr>
<td>Lease assets, net</td>
<td>1,546</td>
<td>1,556</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>4,961</td>
<td>4,870</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>54,586</td>
<td>40,372</td>
</tr>
</tbody>
</table>

| **Liabilities**       |      |                           |
| Current liabilities   | 1,479  | 1,179                     |
| Long-term loans       | 470    | 530                        |
| Defined tax liabilities | 189  | 250                        |
| Others                | 568    | 599                        |
| Allowance for doubtful accounts | (42) | (40) |
| Total current liabilities | 4,585 | 4,164                     |
| **Total liabilities** | 58,091 | 44,787                     |
| **Net assets**        | 2,505  | 4,595                      |

**Consolidated Balance Sheet**

As of March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>2016 (Millions of yen)</th>
<th>2015 (Thousands of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>54,586</td>
<td>40,372</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td>58,091</td>
<td>44,787</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>2,505</td>
<td>4,595</td>
</tr>
</tbody>
</table>

**Notes:**
1. The Annual Report only includes consolidated statements of changes in net assets and notes on financial statements. For a detailed explanation of financial statements, please refer to the company’s Financial Report that was submitted to the Financial Services Agency’s EDINET (Electronic Disclosure for Investors’ NETwork) system.
2. Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31, 2016 (US$1 = ¥101.20) for the convenience of readers abroad.
## Consolidated Statement of Income

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Net sales</td>
<td>43,468</td>
<td>42,173</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>25,450</td>
<td>25,058</td>
</tr>
<tr>
<td>Gross profit</td>
<td>18,017</td>
<td>17,117</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>14,841</td>
<td>14,207</td>
</tr>
<tr>
<td>Operating income</td>
<td>3,176</td>
<td>2,910</td>
</tr>
<tr>
<td>Non-operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>32</td>
<td>28</td>
</tr>
<tr>
<td>Dividends income</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>Share of profit of entities accounted for using equity method</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>231</td>
<td></td>
</tr>
<tr>
<td>Plant income</td>
<td>110</td>
<td>108</td>
</tr>
<tr>
<td>Others</td>
<td>96</td>
<td>101</td>
</tr>
<tr>
<td>Total non-operating income</td>
<td>328</td>
<td>484</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>Share of loss of entities accounted for using equity method</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>78</td>
<td>74</td>
</tr>
<tr>
<td>Compensation expenses</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>115</td>
<td>79</td>
</tr>
<tr>
<td>Total non-operating expenses</td>
<td>322</td>
<td>234</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>3,162</td>
<td>3,162</td>
</tr>
<tr>
<td>Extraordinary income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sales of non-current assets</td>
<td>255</td>
<td>3</td>
</tr>
<tr>
<td>Gain on reversal of subscription right to shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total extraordinary income</td>
<td>255</td>
<td>29</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on sales of non-current assets</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>41</td>
<td>30</td>
</tr>
<tr>
<td>Loss on abandonment of non-current assets</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Loss on sales of investment securities</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Restructuring loss</td>
<td>769</td>
<td></td>
</tr>
<tr>
<td>Total extraordinary loss</td>
<td>817</td>
<td>34</td>
</tr>
<tr>
<td>Income before income taxes and other adjustments</td>
<td>4,012</td>
<td>4,012</td>
</tr>
<tr>
<td>Income taxes-current</td>
<td>967</td>
<td>1,110</td>
</tr>
<tr>
<td>Income taxes-deferred</td>
<td>(73)</td>
<td>(71)</td>
</tr>
<tr>
<td>Non-income tax</td>
<td>893</td>
<td>1,038</td>
</tr>
<tr>
<td>Net income</td>
<td>1,726</td>
<td>2,116</td>
</tr>
<tr>
<td>Net income attributable to non-controlling interests</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Net income attributable to owners of parent</td>
<td>1,708</td>
<td>2,096</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flow

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Net cash provided by used in operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes and other adjustments</td>
<td>2,600</td>
<td>3,155</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,519</td>
<td>1,677</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>41</td>
<td>30</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>66</td>
<td>59</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for doubtful accounts</td>
<td>1</td>
<td>(9)</td>
</tr>
<tr>
<td>Interest and dividends income</td>
<td>(52)</td>
<td>(43)</td>
</tr>
<tr>
<td>Increase (decrease) in inventories</td>
<td>42</td>
<td>45</td>
</tr>
<tr>
<td>Foreign exchange losses (gains)</td>
<td>(17)</td>
<td>(18)</td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts payable-trade</td>
<td>(69)</td>
<td>7</td>
</tr>
<tr>
<td>Decrease (increases) in accounts payable-trade</td>
<td>(838)</td>
<td>69</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable-trade</td>
<td>(794)</td>
<td></td>
</tr>
<tr>
<td>Loss (gain) on sales of investment securities</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Loss (gain) in process for product warranties</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability</td>
<td>(53)</td>
<td>45</td>
</tr>
<tr>
<td>Loss (gain) on sales of non-current assets</td>
<td>(255)</td>
<td>(2)</td>
</tr>
<tr>
<td>Loss (gain) on valuation of investment securities</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Loss on abandonment of non-current assets</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Loss on business restructuring</td>
<td>322</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in advances received</td>
<td>888</td>
<td>(780)</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable-other</td>
<td>16</td>
<td>24</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable-other</td>
<td>(132)</td>
<td>116</td>
</tr>
<tr>
<td>Increase (decrease) in accounts receivable</td>
<td>(40)</td>
<td>5</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable-other</td>
<td>172</td>
<td>(88)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable-bonuses</td>
<td>77</td>
<td>(17)</td>
</tr>
<tr>
<td>Increase (decrease) in deposits received</td>
<td>(4)</td>
<td>(57)</td>
</tr>
<tr>
<td>Increase (decrease) in long-term accounts payable-other</td>
<td>(70)</td>
<td>(61)</td>
</tr>
<tr>
<td>Others</td>
<td>137</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>6,888</td>
<td>2,698</td>
</tr>
<tr>
<td>Net cash provided by used in investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of securities</td>
<td>51</td>
<td>43</td>
</tr>
<tr>
<td>Interest and dividends income received</td>
<td>(43)</td>
<td>(53)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(1,215)</td>
<td>(763)</td>
</tr>
<tr>
<td>Total net cash provided by used in operating activities</td>
<td>5,690</td>
<td>1,825</td>
</tr>
<tr>
<td>Net cash provided by used in investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of securities</td>
<td>(240)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of securities</td>
<td>120</td>
<td>441</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(1,294)</td>
<td>(1,375)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>1,451</td>
<td>22</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(93)</td>
<td>(154)</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(5)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Payments of long-term loans payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection of long-term loans receivable</td>
<td>62</td>
<td>24</td>
</tr>
<tr>
<td>Purchase of shares of subsidiaries resulting in change in scope of consolidation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>(24)</td>
<td>30</td>
</tr>
<tr>
<td>Net cash provided by used in financing activities</td>
<td>(18)</td>
<td>(1,162)</td>
</tr>
<tr>
<td>Net cash provided by used in financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in short-term loans payable</td>
<td>(1,170)</td>
<td>214</td>
</tr>
<tr>
<td>Repayment of long-term loans payable</td>
<td>(192)</td>
<td>(213)</td>
</tr>
<tr>
<td>Repayment of treasury stock</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Proceeds from exercise of share options</td>
<td>10</td>
<td>157</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(1,143)</td>
<td>(900)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(11)</td>
<td>(11)</td>
</tr>
<tr>
<td>Repayments of lease obligations</td>
<td>(114)</td>
<td>(147)</td>
</tr>
<tr>
<td>Net cash provided by used in financing activities</td>
<td>(2,811)</td>
<td>(881)</td>
</tr>
<tr>
<td>Net decrease (increase) in cash and cash equivalents</td>
<td>2,747</td>
<td>252</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>7,995</td>
<td>7,743</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>10,742</td>
<td>7,995</td>
</tr>
</tbody>
</table>
Increased sales for core industrial components, like control switches, as well as auto-ID devices.

Sales grew for safety-related products, such as control and enabling switches.

Although sales of programmable controllers fell, sales of auto-ID devices grew.

While sales of terminal blocks dropped, sales of switching power supplies continued to trend well.

Sales increased for explosion-proof LED lighting and control boxes, as well as other products.

Although the solar power-related business was robust, on the whole, environment-related business was down.
Global Network

Aiming to be a leading group in the evolving worldwide control equipment industry

North America

- Net sales: 5,872 million yen
- Sales ratio: 13.5%

Europe

- Net sales: 1,920 million yen
- Sales ratio: 4.4%

Asia/Pacific

- Net sales: 7,977 million yen
- Sales ratio: 18.4%

Japan

- Net sales: 27,579 million yen
- Sales ratio: 63.4%

[Message from IDEC Group]

North America

- Tadashi Kamikawa
  - Senior Manager
  - East Japan Sales Department
  - Japan Sales Division

Asia/Pacific

- Tony Furaki
  - Senior Manager
  - Global Business Strategy Department
  - Sales & Marketing HQ

- Hiroto Matsui
  - General Manager
  - IDEC (SHANGHAI) CORPORATION

Europe

- Kenichi Suzuki
  - Director
  - IDEC IZUMI SUZHOU CO., LTD.

Japan

- Rajiv Salhotra
  - Director of Sales
  - IDEC IZUMI TAIWAN CORPORATION

Asia/Pacific

- Elias El-Ters
  - Sales Manager
  - IDEC ELECTRONICS TECHNOLOGY (SHANGHAI) CORPORATION

Europe

- Frank Liker
  - Operations Manager
  - IDEC LOGISTICS SERVICE CORPORATION

North America

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  - Operations Manager
  - IDEC LOGISTICS SERVICE CORPORATION

Annual Report

Japan

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- Sales ratio: 63.4%

Europe

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- Sales ratio: 4.4%

Asia/Pacific

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- Sales ratio: 18.4%

North America

- Net sales: 5,872 million yen
- Sales ratio: 13.5%

Financial Report

Sales ratio

- North America: 13.5%
- Europe: 4.4%
- Asia/Pacific: 18.4%
- Japan: 63.4%

North America

- Net sales: 5,872 million yen
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Japan

- Net sales: 27,579 million yen
- Sales ratio: 63.4%
CSR Report

IDEC works hard to realize a safe and sustainable society.

CSR Policy of IDEC Group

The Ten Principles of the United Nations Global Compact

Human Rights
1. Businesses should support and respect the protection of internationally proclaimed human rights, and
2. make sure that they are not complicit in human rights abuses.

Labour
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.

Environment
7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

* The United Nations Global Compact is an initiative for enterprises voluntarily acting as good members of society by demonstrating responsible, creative leadership, and participating in a global framework to achieve sustainable growth.

Maximizing and balancing safety and productivity

Sustainability Principles

IDEC, based on its principles of management with respect for fellow humans and its contribution to society through business activities, is constantly seeking to provide safer and more pleasant environments not only within the IDEC Group but in the global society.
[Earth Preservation]

Reducing environmental impact through business

Recognizing the goal of a harmonious existence with the earth that we all share, we make environmental safety and quality a top priority in all aspects of our business while pursuing sustainable business growth.

[Environmental Principle]

Reducing environmental impact through residential energy management systems

Takashi Oi
Smart Energy Department
Environment and Energy Business Division
IDEC SYSTEMS & CONTROLS CORPORATION

IDEC business protecting the global environment

Promoting renewable energy

Aiming for a sustainable society, the IDEC Group is actively involved in the promotion of renewable energy. Not only are we supplying industrial-scale solar power general systems, but we also are a solar power producer. We allow residential clients to monitor the performance of their solar systems. We continue to develop environmentally-friendly products, meeting our own set of strict design criteria.

IDEC Group’s development policy and evaluation standard

Product development based on the “saving” principle.

Since developing our product principles in 1978, the IDEC Group has focused on ways to save energy, space, maintenance and materials during the product planning and development process. This principle remains today. We continue to develop environmentally-friendly products, meeting our own set of strict design criteria.

Environmental-burden reduction drive

Guided by ISO14001 Environmental Management System, everyone at IDEC is making his or her best effort to reduce electricity, water, paper, waste and CO2 emissions to meet the set company-wide yearly goals.

Factors to be Considered

- Reusability
- Reusability
- Resource saving
- Energy saving
- Environmental safety
- No use of regulated hazardous materials and harmful gases

Product design outcome

- The degree of reusability
- The degree of resource saving
- The degree of energy saving
- The degree of environmental safety
- The degree of use of regulated hazardous materials and harmful gases

Design evaluation standard for environmentally-conscious products

[IDEC Quality Assurance Center]

Quality assurance system

We have a comprehensive quality assurance system in place.

QA Implementation Group
Maintaining and improving IDEC Group-wide QA systems, providing quality training.

Production QA Group
Production reform support.

Reliability Evaluation Group
Product performance evaluation through reliability testing.

Standards Management Group
Product standard certification management and standard compliance support.

Technology Standards Group
Technology standards maintenance and upgrade.

[Approach to Product Quality]

All of us think and accept challenges together

Product Quality is a foundation for all of our corporate activities

Strengthening the QA system
that ensures safety and reliability

Takashi Inoue
Quality Assurance Center

[Quality Assurance Principles]

With “ease of use” as a primary goal of our products, all of us participate in planning and building a quality assurance system that creates excellent products customers will purchase and use with confidence in the most economical ways.

Quality assurance guidelines

We adopted early on and have been adhering to the fundamental principle that product quality is the core of product value. To provide products that can be used for a required time to the complete satisfaction of users, we establish QA action guidelines for each stage.

Quality assurance training

Quality assurance training is conducted continuously and systematically in accordance with established curriculums in order to elevate the level of quality throughout the company, including in manufacturing and development. IDEC employees are encouraged to take and pass certification examinations (QC certification examinations) offered by a public standards institution. Furthermore, they are encouraged to improve product and operational quality by implementing learned concepts and techniques at QC circle activities and present the results within each business unit and at company-wide conferences.

[Quality assurance training]

IDEC Report
To make IDEC a rewarding place to work and fulfill one’s life

HR policies are developed with the spirit of respect for humanity as the underlying principle and for the purpose of creating work environments in which people thrive. The development of human resources is to allow employees to fulfill their own missions and responsibilities by understanding the intent and the meaning of IDEC’s corporate missions and principles, realizing them and embodying them.

Corporate Governance/Compliance

More transparency, more efficiency to maintain trustworthiness

We strictly adhere to the codes of corporate governance to maintain the trust of those who are associated with the IDEC Group.

Corporate Governance Policy

We believe that transparency and management efficiency are fundamental elements of corporate governance. We will keep improving corporate governance in order to increase corporate value.

Corporate Governance

Since a corporate officer system was installed in 1998 to manage the corporation efficiently, we have maintained two separate bodies of “operation performing” and of “auditing.” Also, outside directors and outside auditors have been appointed to serve the board of directors and the board of auditors, respectively, to further strengthen the auditing and guiding functions. To share our philosophy and corporate governance practices, we published IDEC’s corporate governance policies in February, 2016.

Global advisory board

The Global Advisory Board was established to receive a wide range of opinions and advice from influential individuals and experts in corporate management, academia and other fields in Japan and overseas. Dr. Romolo Villo, IDEC global advisory board member, is a founder of DATATLOGY, a world-leading company of automatic identification devices and systems for factory automation headquartered in Italy.

Compliance

A booklet titled “IDEC Group Corporate Ethics and Code of Conduct,” describing our fundamental principles and action guidelines in conducting business activities, has been distributed to all IDEC Group employees in Japan and overseas. With a company-wide training system in place, numerous training programs are designed and offered on a regular basis to management and employees in accordance with their areas of responsibilities and the number of years worked for IDEC. In fiscal year 2015, the “Ethics and Code of Conduct” was updated and distributed with revisions in contacts for internal reporting and the workplace harassment policy.

Auditing system

Our auditors independently and fairly evaluate the process and performance of various business activities for legality and effectiveness while helping the company achieve its goals. Main auditing activities include risk management and control evaluating the validity of the corporate governance process and recommending improvements. Completely independent from business operations, auditors also monitor and evaluate the effectiveness of each IDEC Group company’s internal control processes that affect the reliability of financial reports.

Life-work balance support

So that all IDEC employees can work without worry, the company is enhancing support for employees caring for young children or family members with illness. For fiscal year 2016, 100% of female employees who took childcare leave returned to work. Also starting fiscal year 2017, the company will make it possible for employees to take a family care leave in increments of a half-day and to divide a leave into up to 3 parts. We continue our efforts to make it easier for employees to maintain a good balance between work and personal life.

Encouraging diversity in workplace

We recruit top-quality personnel regardless of nationality or gender. The IDEC Group promotes diversity in its workforce. IDEC LOGISTICS SERVICE CORPORATION, one of the Group companies, actively recruits and employs people with disabilities. As of March 31, 2016, the company included 16 employees with disabilities, consisting of 9% of the entire workforce.

Human resource development

IDEC supports employees’ self-guided career development by offering systematic employee training, including problem-based training courses and product/technology training, and cross training through job rotations. Seeking these important traits, “take on challenges” “team player” and “engage in self-improvement activities” in each IDEC employee, the company offers career development opportunities and expects employees to take steps toward self-improvement.

Create a pleasant working environment for everyone where individual diversity is respected.

Yasuko Yano
Administration Team
IDEC LOGISTICS SERVICE CORPORATION

 Vietnamese intern working with Japanese employees.

Corporate Business Planning & Administration Department
Legal Team
Seiki Minami
Corporate Directors & Officers

Maintaining sound, transparent and efficient management is a high priority

We place high value on transparency and efficiency in corporate management, as shown by the separation of the auditing function and the operating function to force creative tension between the two, and by actively appointing outside directors and outside auditors.
1. IDEC is committed to the people who work for IDEC. Therefore, providing them with satisfying and meaningful employment is a top priority.

2. Corporate profits, which provides the means to fulfill the above, must be secured through continuous expansion of business and the success of the corporation.

3. Though our job responsibilities differ, we all work together to achieve common goals.

4. We stand firm on open management, foster mutual trust and share our success fairly.

5. The welfare of society is our top priority. We strive to provide superior products and services with pride and appreciation for others.

IDEC's ultimate mission is to make contributions to society through its business growth and ensure that each employee finds value in his or her everyday work.

Corporate Mission

1. IDEC is committed to the people who work for IDEC. Therefore, providing them with satisfying and meaningful employment is a top priority.

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