Pioneer the new norm for a safer and sustainable world.

Since our founding in 1945, IDEC has been engaged in development of HMI (Human-Machine Interface). Leveraging the core technologies created and enhanced through development of industrial switches and other control devices for machines, we want to make safer, more pleasant points of contact between humans and machines in manufacturing sites and daily life scenes. This is how we desire to contribute to society.

To thus contribute to the functioning and wellbeing of society, based on the premise that at times humans make mistakes and machines break down, we are inspired to pursue and realize consistently high levels of safety and ANSHIN*, and protect humans even in unforeseen circumstances.

We are determined to continue providing innovation and value as we enter a new era, sustaining our 75-year ceaseless commitment stated above, as we expand it on a global scale and stay on course toward our 100th anniversary.

*ANSHIN: a sense of trust and assurance without any fear or stress

The IDEC Way

As a step towards becoming a truly global company, the IDEC Group has adopted a new philosophy. “The IDEC Way” encompasses the following:

Vision
Pioneer the new norm for a safer and sustainable world.

Mission
To create the optimum environment for humans and machines.

Core Values
See details on page 36

As a step towards becoming a truly global company, the IDEC Group has adopted a new philosophy. “The IDEC Way” encompasses the following:

Vision
Pioneer the new norm for a safer and sustainable world.

Mission
To create the optimum environment for humans and machines.

Core Values
See details on page 36
IDEC was founded in 1945 as Izumi Shokai Co., Ltd. and was initially engaged in the sale of electric appliances, including retail sales. Recognizing the shortage of switch boxes, that were essential for many machines, IDEC began developing high-quality switch boxes. Being well received by manufacturers, the switch boxes became IDEC’s long-selling products and helped support Japan’s manufacturing in the postwar reconstruction period, along with explosion protection devices, which were widely used in textile/chemical plants and petrochemical complexes.

In response to the growing demand for measurement and control technology, and propelled by rapid economic growth in Japan, IDEC was transformed into a comprehensive control device manufacturer. In tandem with the advance of automation and mechanization of factory equipment, IDEC expanded into the field of electronics and system products. Starting in 1970, IDEC established overseas manufacturing and sales bases, pursuing corporate scale expansion and responding to the trend for greater mass production. Global business expansion led to further business growth and to a stock listing upgrade to the First Section of the Tokyo Stock Exchange in 1990.

In its 60th anniversary year, 2005, the company changed its name to IDEC CORPORATION. In 2017, IDEC acquired APEM Group, as part of its global business expansion. IDEC also strives to develop new businesses that contribute to solving societal challenges.

Since 1990, more and more manufacturing sites have increased the need for humans and machines to coexist. Responding to the need for machines and equipment to reflect consideration of safety and productivity, IDEC developed a number of products, such as the industry’s first interlock switches and enabling switches.

In its 60th anniversary year, 2005, the company changed its name to IDEC CORPORATION. In 2017, IDEC acquired APEM Group, as part of its global business expansion. IDEC also strives to develop new businesses that contribute to solving societal challenges.

In 2019, a new philosophy “The IDEC Way” was adopted, clearly stating IDEC’s commitment to sustainable growth by continuing innovation and facing the challenges of becoming a truly global company.
From its beginning, the IDEC Group has provided products and services to society by integrating with control and safety technology in products vital to society. Contributions to the resolution of societal challenges through our business activities include, in particular, (1) promotion of automation, labor-saving, and higher efficiency; (2) realization of safety and ANSHIN; and (3) reduction of environmental impact in manufacturing sites as well as people’s lives around the world. We aim to create an optimum environment for humans and machines, as stated in our Mission, and to help build a sustainable society.

We identified five areas – Environment (E), Social (S), Governance (G) plus the IDEC Group’s two core elements of Safety (Sa) and Quality (Q) – as the CSR focus areas, established the CSR Committee in April 2018, and we are making continuous efforts in our CSR activities. Through our business activities, we contribute to the 17 Sustainable Development Goals (SDGs) and the associated 169 targets, set by the United Nations and intended to be achieved by the year 2030.
CEO Message

Creating an optimum environment for humans and machines in order to raise corporate value and contribute to solving societal challenges.

Toshi K. Funaki
Chairman and Chief Executive Officer

Our vision on sustainability: “ESG+SaaS+Q”

As part of our ongoing effort to realize sustainable growth, we are promoting initiatives that contribute to the United Nations’ Sustainable Development Goals (SDGs), making sure our business activities will help achieve a better and more sustainable future. We joined the United Nations Global Compact in 2009 and started undertaking activities based on its Ten Principles. We also established a CSR Committee, in April 2018, focusing not only on the areas of Environment (E), Social (S) and Governance (G), but also IDEC Group’s two core elements – Safety (Sa) and Quality (Q). We are making continuous efforts in our CSR activities, in particular those leveraging our safety-oriented DNA, which we have cherished since our founding.

In January 2018, IDEC became the first company in Japan to register with Vision Zero, a global campaign launched by the International Social Security Association under the auspices of the United Nations International Labour Organization. Vision Zero, spearheaded by top management, is described as an approach to pursue corporate safety, health, and well-being, including investment in the workforce. For many years, IDEC has made efforts to ensure its engineers and system integrators acquire safety knowledge and skills. Our number of certified Safety Assessors and Robot Safety Assessors reached approximately 530 in total as of April 2020.

As part of our Vision Zero promotional activities, one of our major factories, the Takino Factory in Hyogo Prefecture, became the first in the Japanese electrical industry to obtain an occupational safety and health management system ISO 45001 certification from the Japan Industrial Safety and Health Association in March 2019. Our continual efforts to establish a safe, pleasant work environment also led to the ISO 45001 acquisition by the Fukusaki Factory and the Amagasaki Factory in Hyogo prefecture in February 2020.

Our intent behind “The IDEC Way”

IDEC is celebrating its 75th anniversary in November 2020. Since our founding in 1945, we have provided a wide range of products and services, centered around control and safety technology to our society. As we move forward, our continued innovation of products and services, centered around control and safety technology, will lead us to become a truly global company.

We are dedicated to taking each step with passion and integrity towards achieving our corporate mission.

In FY2020 (April 2019 - March 2020), we recorded consolidated sales of $336 million (down 5.2% from the previous year) mainly due to the global deteriorating business environment. Negative impacts from a decline in sales of industrial switches and other major product groups resulted to record operating income of $43 million (down 16.2% from the previous year) and operating income margin of 8.1%.

Despite a challenging business climate in FY2020, we accelerated measures to enhance profitability, including reorganizing manufacturing bases in Japan and overseas. As part of initiatives to generate more synergies with APEM Group, we consolidated the sales, marketing, and distribution capabilities of IDEC and APEM in Greater China and Europe, in order to accelerate the sales growth of both brands. In terms of product innovations, in FY2020, we launched a range of products with push-in terminal connectors. The push-in terminals improve reliability and reduce maintenance work, providing added value during a time when many manufacturing sites are experiencing labor shortages. We plan to continue expanding the push-in terminal option for other product lines as well. Our goal is to offer innovative platforms not only in products, but also on the manufacturing floor by providing simple, safe, and smart wiring options across all product lines.

Return to shareholders

Stable dividend payment and appropriate return of profit to shareholders are our main priority, along with the enhancement of financial position and operational base. We paid an annual dividend of $0.46 per share in FY2020. We are committed to emphasize return of profit to shareholders and deploy a flexible dividend policy, consistent with changes in performance and the external environment.

Cash dividends per share and dividend payout ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash dividends per share (U.S. dollar)</th>
<th>Dividend payout ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.30</td>
<td>43.7</td>
</tr>
<tr>
<td>2017</td>
<td>0.36</td>
<td>49.6</td>
</tr>
<tr>
<td>2018</td>
<td>0.47</td>
<td>52.5</td>
</tr>
<tr>
<td>2019</td>
<td>0.45</td>
<td>52.5</td>
</tr>
<tr>
<td>2020</td>
<td>0.46</td>
<td>52.5</td>
</tr>
</tbody>
</table>

Note: Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31 in every fiscal year.

Note: Exchange rate (U.S. dollar): FY2016 (¥112.06), FY2017 (¥112.20), FY2018 (¥108.27), FY2019 (¥111.01), FY2020 (¥108.83)
**Long-term targets**

- Become a global leader in HMI (Human-Machine Interface).
- Become the world's No.1 safety and ANSHIN* provider.
- Promote new businesses that respond to societal challenges.

*ANSHIN: a sense of trust and assurance without any fear or stress

**Measures towards achieving long-term targets**

For many years, IDEC has provided various kinds of industrial components to factory automation (FA) and other manufacturing sites. In order to achieve our long-term targets and sustainable growth, however, we also need to expand business domains. That is why we are aggressive in M&A activities and operational alliances as a means to innovate and become a truly global company.

In 2017, we acquired APEM Group, a French company with a global sales network centered in Europe. This also expanded the IDEC Group’s business domain to on-vehicle equipment and special vehicles (construction vehicles, agricultural vehicles, etc.), in addition to the FA industry. We strive to further generate synergies with APEM, building the foundation to become the global leader in the Human-Machine Interface field.

Welcat Inc., which joined the IDEC Group in 2017, was integrated to IDEC AUTO-ID SOLUTIONS CORPORATION, a fully-owned subsidiary of IDEC, in April 2020, another example of expansion but in the automatic identification device business targeted to various industries, including logistics and retailing.

Tokyo Sensor Co., Ltd., which has strength in providing a variety of touch sensors, was also acquired in 2018 and was absorbed and merged into IDEC in 2019. This is a part of initiatives to enhance our product line-up that provides safety and ANSHIN and to create new markets.

IDEC SYSTEMS & CONTROLS CORPORATION, a fully-owned subsidiary of IDEC, is engaged in solar power generation systems and self-consumption solar power generation, providing one-stop solutions related to energy management. Another fully-owned subsidiary, IDEC FACTORY SOLUTIONS CORPORATION, offers various systems that fulfill customer needs by combining collaborative robots that can work in the same manufacturing site with human, with no separation by a safety fence, with various components.

In addition to enhancing our existing businesses, we intend to use control technology for expansion of new businesses, such as environmental energy-related business and collaborative safety robot system business. This is how we contribute to solving diverse societal challenges, with the aim of realizing a sustainable society.

**Policies to implement in FY2021**

- Strive to raise corporate value by helping solve societal challenges through our business activities, achieving sustainable growth and positioning ourselves to be highly profitable.
- Advance our corporate culture and aim at becoming “One IDEC” on a global basis.

**Measures to take in FY2021**

We are taking specific measures in line with our three basic strategies: promotion of growth strategy, improvement in profitability; and enhancement of management base. As we pursue growth strategy, we aim to further expand business in safety and ANSHIN that conform to societal challenges. As one of the measures, we make customer application proposals for various types of safety-related devices, based on a next-generation safety philosophy “Collaborative Safety / Safety2.0.”

In 2019, the IDEC Group’s system that combines safety know-how, technology, and products was adopted by a major general construction contractor in Japan. This system enabled the company to achieve both improved safety and higher productivity on construction sites. The system was certified by the Safety2.0 Qualification and Registration System, created by the Institute of Global Safety Promotion, with the objective of promoting it from the perspective of preventing work-related and other accidents.

**Present and future approaches to the basic strategy**

**Basic strategy**

- **Promotion of growth strategy**
  - Launch new products which are linked to growth potential
  - Expand new businesses
  - Expand business by region and by industry
  - Establish strategic partnership by M&A, alliance, etc.

- **Improvement in profitability**
  - Consolidate materials and products, and reduce SKUs
  - Review the manufacturing system and shorten the time from order receipt to delivery
  - Accelerate cost reduction
  - Improve work productivity
  - Select and concentrate businesses

- **Enhancement of management base**
  - Clearly identify future direction
  - Enhance personnel management system
  - Promote workplace innovation by digitization
  - Facilitate active communication

**What we achieved in FY2020**

- Developed “The IDEC Way”
- Re-established and expanded the training program
- Conducted an employees engagement survey and identified issues
- Established a flexible work system
- Deployed RPA

**What we will do in FY2021**

- Expand the line-up of push-in-style products
- Launch products that materialize Safety2.0 and make them known in the market
- Grow sales of IoT solutions
- Expand business in Asia-Pacific
- Accelerate sales of collaborative safety robot systems

- Optimize a global logistics network
- Automate production
- Review and raise efficiency in work process
- Structurally reform unprofitable businesses

- Conduct an employee engagement survey, etc.
- Secure human resources needed in the management environment and enhance RPA development
- Adopt a global IT infrastructure and raise efficiency
Transforming to a truly global company.

The IDEC Group possesses a development/manufacturing/sales network that provides optimal components, solutions, and services to fulfill market needs, with an ultimate aim of attaining a solid position worldwide.

Major eight industry sectors

The IDEC Group focuses on eight industry sectors where its long-cultivated factory automation (FA) knowledge and know-how can be used and growth potential is high. While we provide a wide range of solutions aimed at flexibly responding to societal challenges and customer needs, such as dissemination of IoT, advance in automation, and ensuring safety in manufacturing sites, a focused approach to selected industry sectors by each region lies behind our expansion of global business.

Japan

Business overview

Sales of automation devices such as automatic identification devices were favorable but sales of industrial switches and other products declined in FY2020 due to a deteriorating market environment for major customer industries, including machine tools. We reorganized manufacturing base, made progress in adopting automation, and raised operational efficiency.

Product features

The IDEC Group’s product mix in Japan is diverse with industrial switches representing the largest sales portion, followed by safety & explosion protection devices, industrial components, automation devices, and new businesses.

Customer industry features

The customer industry base is wide, with relatively higher sales to machine tools, robotics, semiconductors, and automotive.

Regional Strategy
Regional Strategy

### Americas

**Business overview**
Sales of automation devices increased in FY2020 but sales of industrial switches and industrial components, decreased. Business in the Americas was affected by the appreciation of the yen against the U.S. dollar but we promoted sales and marketing of automation devices and safety-related devices with a focus on oil and gas, and food machine industries.

**Product features**
The main products we supply to the Americas are industrial components, our area of strength since we established a U.S. sales company, as well as automation devices and industrial switches.

**Customer industry features**
Our main targets include the oil and gas, food machines, and semiconductor industries.

**EMEA (Europe, Middle East, Africa)**

**Business overview**
Sales of industrial switches of IDEC were strong up to the first half of FY2020 but weakened in Europe in the second half, due to the weakening business sentiment and the impact of the stronger yen. Efforts have been made to generate synergies of APEM and IDEC. As an example, APEM's sales channels are used to expand sales of IDEC products in Europe.

**Product features**
The main products we supply to the EMEA are industrial components, our area of strength since we established a U.S. sales company, as well as automation devices and industrial switches.

**Customer industry features**
Our main targets include the oil and gas, food machines, and semiconductor industries.

### Greater China

**Business overview**
Sales of our mainstay industrial relays and other industrial components, and industrial switches, decreased in FY2020 being affected by the U.S.-China trade friction and the COVID-19. In addition to the enhancement of a governance system in Greater China, we pushed forward to establish a sales system in Taiwan in order to expand system solution business.

**Product features**
Industrial switches and industrial components are the main business. We also focus on sales expansion of safety-related devices which demand is increasing.

**Customer industry features**
Our strong industry segments are machine tools, elevators, semiconductors, and special vehicles.

### Asia Pacific

**Business overview**
Sales of industrial switches, safety-related devices, and industrial components decreased in FY2020. We intend to establish a stronger base by expanding sales channels.

**Product features**
Our main business in Asia Pacific is industrial switches and industrial components. We also intend to promote sales of touch sensors (Tokyo sensor products) in order to offer greater safety and ANSHIN.

**Customer industry features**
We established a regional headquarters in Singapore to focus more on the automotive industry and public spending-related projects. We also established a sales subsidiary in India, aiming for business expansion in India's growth market.

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**Note:**
- Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31 in every fiscal year.
- Note: Exchange rates (1 U.S. dollar): FY2016 (¥112.69), FY2017 (¥112.20), FY2018 (¥106.27), FY2019 (¥111.01), FY2020 (¥108.83).

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**TOPIC**
IDEC and APEM intend to use each other’s sales channels and also develop new channels for generating synergies. The marketing function for automation devices is being enhanced to further expand business.

**TOPIC**
IDEC and APEM established a U.S. sales company, as well as a new automatic assembly machines building as our development base, IDEC ELECTRONICS TECHNOLOGY (SHANGHAI) CORPORATION. We intend to use strengths of both companies and establish a new system as “One IDEC” in order to expand business opportunities.
Our Products

Providing optimal products and solutions that meet the needs of the times.

To respond to diverse and changing customer needs, IDEC provides a broad range of products and solutions centered on its control technology. We are committed to supporting the future of manufacturing and daily life by continuously providing new value through the use of core technologies we have innovated over many years.

<table>
<thead>
<tr>
<th>FY2020 Sales ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>New Business &amp; Others</td>
</tr>
<tr>
<td>Systems</td>
</tr>
<tr>
<td>Safety &amp; Explosion Protection Business</td>
</tr>
<tr>
<td>Automation &amp; Sensing Business</td>
</tr>
<tr>
<td>Industrial Switches Business</td>
</tr>
</tbody>
</table>

*Names of product group have been changed since FY2020.
Note: Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31, 2020.
Note: Exchange rate (U.S. dollar) FY2020 (¥108.83)
Creating an optimum environment for humans and machines as a leading company of industrial switches.

Leveraging control technologies developed and applied since its founding, the IDEC Group contributes to realizing a safer and more ANSHIN society by providing innovative solutions worldwide, not only for the factory automation (FA) industry but also in familiar daily-life situations.

With the aim of becoming the number one global company in industrial switches, the IDEC Group provides diverse solutions that bring together humans and machines. We do this through dedicated pursuit of quality, durability, and safety in our products, and through offering a product line-up that boasts versatility in design and ease of use.

Business overview for FY2020

Sales to major industries, including products such as machine tools and robotics, generally decreased from the previous year. Sales in regions, principally the Americas, Europe, and Asia Pacific, also decreased partly because changes in foreign exchange rates and the market environment led to a slowdown in sales by APEM, which had recorded favorable sales up to the previous fiscal year.

In recent years, increased diversity of work sites, together with changes in the specific requirements of work by operators, have resulted in more stringent demands for technologically-advanced methods of assuring a safe, simple, and smart. Responding to this requirement, IDEC continues development of products that enable greater safety. IDEC is also engaged in enhancing the work environment in manufacturing and production lines.

Sales trends

(Millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Sales ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>115</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>265</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>287</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>251</td>
<td>47%</td>
</tr>
</tbody>
</table>

Note: Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31 in every fiscal year.

IDEC's main products have a dominant market share in Japan

Since 1958 when we began sales of industrial switches, we have developed diverse product line-up and continuously carried out design reviews and quality improvement. Customers' reactions to such efforts have enabled us to acquire high market shares in Japan. Going forward, we will continue to develop products needed for the times, so as to differentiate ourselves from peers and enhance our competitiveness.

Advancing as a global leader in industrial switches

In recent years, increased diversity of work sites, together with changes in the specific requirements of work by operators, have resulted in more stringent demand for technologically-advanced methods of assuring a safe, simple, and smart. Responding to this requirement, IDEC continues development of products that enable greater safety. IDEC is also engaged in enhancing a line-up of products that feature a push-in connection style – a wiring method that requires less wiring, less space, and provides greater reliability.

In 2017, APEM Group of France, a well-known company with high market shares in Europe, joined the IDEC Group, which has strength in Asia. This has led us to achieve a more optimal geographical portfolio: We use APEM's broad-based sales network in Europe to expand sales of IDEC products, while strengthening APEM's product line-up in order to enter into new markets in the Americas and Japan. In addition, as APEM's major sales markets differ from those of IDEC, the companies are able to complement each other in terms of respective products having market strengths and an established geographical presence. We therefore intend to create global synergies and promote business expansion.

As a leading company in industrial switches, the IDEC Group is determined to create new products and solutions that respond to the needs of society and innovate the HMI (Human-Machine Interface) environment for improvement in productivity of customers.
Using a full line-up of products to help customers overcome challenges.

Industrial relays and components is a collective term for various electronic devices incorporated inside control panels and control boxes that are used in the operation and control of machinery and manufacturing lines. They are in use in a wide variety of settings, such as manufacturing sites, elevator controls and other equipment control of systems in buildings, automated warehouses, industrial machinery, and semiconductor manufacturing equipment.

Responding to ever-growing needs for “smarter” facilities and equipment, space-savings, and quality stabilization, IDEC adds new technologies to various devices installed inside control panels, thereby providing more-efficient, highly-convenient, operator-friendly production environments, and assisting customers which finding solutions to various challenges.

As new products of the push-in connection style, IDEC launched industrial relay sockets of the SJ/SU Series. We plan to further expand products using the connection style. We are promoting the push-in wire connections to replace traditional screw terminal connections for diverse products. This is because the push-in style works well and is a high importance for manufacturing operations that are hampered by a labor shortage.

The push-in connection allows for various tasks to be executed efficiently, while maintaining a certain quality level, in case of installing many types of panels or conducting their regular maintenance. The connection style realizes significant reduction in man-hours needed for wiring and maintenance work and enables devices to be designed and made in reduced sizes.

IDEC’s broad range of products compatible with the push-in connection and support services

As new products of the push-in connection style, IDEC launched industrial relay sockets of the SJ/SU Series. We plan to further expand products using the connection style.

In order to support adoption of products compatible with the push-in connection, we also provide sales, rental, and calibration of various machine tools needed for such adoption, such as automatic crimping machines that can crimp Ferrule terminals and wires with higher quality and in a shorter time than generally available using manual operation machines.

Thoughts focused on the same goal

Since the late 1970s, IDEC has continued to instill and pursue “Save and Safe”, as part of its corporate DNA. Along with the rapid advancement in machine intelligence and demand for environmental durability and high reliability in recent years, we need to face societal challenges such as Japan’s shortage of workers. To solve these issues, we have set as our goals “Safe, Simple & Smart = 3” (i cube connect), with the aim of providing society with products and services that bring about greater innovation and lasting quality.
Offering optimal solutions matching the era of IoT and Industry 4.0.

Along with a decline in Japan’s working population and permeation of IoT, we see an increase in need to support remote monitoring and operations, and an increase in demand for key devices that promote work efficiency and automation. We have a diverse product line-up precisely related to that need and demand.

IDEC solutions contribute to higher levels of automation and efficiency in manufacturing. These solutions include automation devices, such as programmable logic controllers that control machinery, equipment, and assembly lines as well as operator interfaces that create more comfortable operating environments; and sensing devices such as sensors that detect physical objects and changes in conditions, code readers and RFIDs with potential growth in demand for traceability application.

Sales trends

(Millions of U.S. dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Millions of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>79</td>
</tr>
<tr>
<td>2017</td>
<td>77</td>
</tr>
<tr>
<td>2018</td>
<td>82</td>
</tr>
<tr>
<td>2019</td>
<td>82</td>
</tr>
</tbody>
</table>

Sales ratio 15%

Business overview for FY2020

In Japan, sales of automatic identification devices such as barcode readers for retail were robust due to an increase in demand ahead of the consumption tax rate hike in October 2019.

In the meantime, sales of automation devices, such as programmable logic controllers and operator interfaces, and diverse sensors and other sensing devices decreased due to the deteriorating market environment.

TOPICS

Handy-type operator interface with improved ease of operation

A new handy operator interface, HG1P, was launched in May 2019. While having a surprisingly light-weight structure, the interface has a high-resolution 4.3-inch display and its ergonomics-based design makes the interface easy to use and frees operators for other productive work.

The HG1P is well suited for use as a teaching pendant for industrial robots due to its indication of ongoing actual operation and motion. It can also be used as a mobile monitor, replacing a conventional fixed control panel and leading to cutting the cost and space requirements of a control panel. Moreover, the HG1P is durable and well suited for diverse manufacturing sites: closer operation to the machine leads to more accuracy and stability of operation.

Business strategy

Enhancing the automatic identification devices business

In 2017, IDEC acquired Welcat, Inc. as a wholly-owned subsidiary, a company with outstanding technology in the field of automatic identification devices, such as code readers, and expanded the product line-up and sales channels. Further in April 2020, we integrated Welcat, Inc., which has strength in RFID, handy terminals and other wearable terminals, and in software development, into IDEC AUTO-ID SOLUTIONS CORPORATION, which is noted for its strength in products for retail and logistics. The integration is expected to accelerate business expansion, using the combined strength of both companies.

IDEC solutions that make IoT real

We are enhancing optimal functions that are so important in our new all-connected era, facilitating use of IoT for programmable logic controllers, operator interfaces, sensors, code readers, etc. This is another way our solutions contribute to solving diverse challenges that our customers face.
As a company that pursues and realizes world-class safety and ANSHIN, IDEC provides solutions that enhance safety and productivity. Since founded in 1945, we have focused on safe environments for humans in their interaction with machines, and to that end we have developed many kinds of safety-related devices and explosion protection devices that are dedicated to safety, reliability, and ease of use. We also have provided solutions that help customers to enhance safety and productivity. We have developed a next-generation safety philosophy, “Collaborative Safety / Safety2.0” aimed at coordinating safety between humans and machines. This philosophy goes beyond dealing with keeping humans out of harm’s way. We also provide cooperative safety equipment applications that allow the machines to sense any danger for humans and better control the safety environment. We also make efforts in promoting safety in other ways, such as by promoting standardization and doing consulting.

We are creating and globally expanding a new trend in safety and ANSHIN, “Collaborative Safety / Safety2.0”, we are dedicated to development of products that help humans and machines in realizing both safety and productivity in the Safety2.0 era. We are thus committed to helping realize a safer society.

Focus on becoming stronger in the safety and ANSHIN fields

Tokyo Sensor Co., Ltd., one of the major Japanese manufacturers of touch sensors, joined the IDEC Group in 2018, which allowed us to include tape switches and bumper switches, used for collision detection of automatic guided vehicles (AGVs) and other vehicles, broadening our product line-up, and improving our responsiveness to more diversified needs. In 2019 we executed an absorption-type merger of Tokyo Sensor with the aim of raising efficiency by unified management of R&D, manufacturing, and sales and by promoting global sales expansion.

As a leading company in practicing “Collaborative Safety / Safety2.0”

Our definition of underlying concept of safety began with Safety0.0 that ensured safety by attentiveness and judgment of humans. Subsequently, Safety1.0 focused on applying safety measures to machines and ensuring safety by separation and operation suspension of machines. More recently, a collaborative concept of humans and machines in realizing both safety and productivity, Safety2.0, is being defined. For pursuit and realization of the next-generation safety philosophy “Collaborative Safety / Safety2.0”, we are dedicated to development of products that help humans and machines work in a collaborative manner, with no separation by a barrier or safety fence, to improve both safety and productivity, by combining our safety technologies and knowhow with IoT and AI technologies. In 2019 we started using the Safety2.0 Qualification and Registration System, created by the Institute of Global Safety Promotion, in optimal product development and solution proposals in the Safety2.0 era. We are thus committed to helping realize a safer society.

Becoming a company that pursues and realizes world-class safety and ANSHIN

“Collaborative Safety / Safety2.0” is a comprehensive approach that intends to improve safety and productivity from four aspects: technology development; human resources development; management; and social rule-making. Through collaborative technology development with other companies, development of Robot Safety Assessors and other professionals on safety, participation in the “Vision Zero” campaign to improve “Safety, Health, Wellbeing” at work, and promotion of international standardization initiatives, we are creating and globally expanding a new trend in safety and ANSHIN, overcoming barriers of different industries.
Contributing to resolving societal challenges through a variety of solutions utilizing control technologies.

The IDEC Group’s new business segment is growing mainly by growth of two business lines: the collaborative safety robot system business led by IDEC FACTORY SOLUTIONS CORPORATION; and the environmental energy-related business led by IDEC SYSTEMS & CONTROLS CORPORATION. Through these we are making group-wide efforts to tackle societal challenges, such as a labor shortage for industrial sites and climate change.

Business overview for FY2020

The environmental energy-related business recorded a decline in sales from FY2019, but achieved record-highs in operating income and operating income margin. Sales of the collaborative safety robot system business were robust, partly due to an increase in adoption of systems targeted at diverse companies, including medium-sized ones.

Corporate Social Responsibility (CSR) Activities Integrated with Management

The IDEC Group positions our founding principle, “Management with respect for humanity”, as our most important base and are committed to maximizing the happiness of all stakeholders.

In order to promote this, we are engaged in CSR activities that are based on “The IDEC Way”, the IDEC Group CSR Charter, and the Ten Principles of the United Nations Global Compact.

CSR activities are identified as one of our managerial priorities and the CSR management system has been established.

Business Strategy

Collaborative safety robot system business

Evolving from a base in safety-related devices and safety systems, which are among our strengths, we have created systems that combine various makers’ collaborative robots, vision sensors, artificial intelligence (AI), and autonomous mobile robots (AMR), as well as diverse application packages, to satisfy customer needs.

Environmental energy-related business

By leveraging our long-cultivated control technologies and environmental technologies, we contribute to resolving globally-ongoing diverse societal challenges. Specific examples include self-consumption solar power generation and other renewable energy; supply of electric power as part of business continuity plan (BCP) measures; next-generation agricultural solutions; and store solutions that have integrated some of these and may even encompass the entire supply chain from production to logistics and stores.

CSR Promotion System

In April 2018 the IDEC Group established the CSR Committee, chaired by the CEO, to fulfill its corporate social responsibility in realizing a sustainable society. Under the CSR Committee, “ESG+Sa+Q” five specialized committees – Environment, Social, Governance, plus two areas of our strengths, Safety and Quality – were established, each in charge of promoting a particular area of CSR activities. Each specialized committee, chaired by an executive officer, consists of individuals with expertise and experience, and tackles measures according to their respective themes.

The CSR Committee, meeting twice a year (April and October in FY2020), reviews and approves overall CSR activities and the initiatives of each specialized committee. These initiatives are disseminated to all employees via the CSR Leaders Meeting and the CSR Workshop Training.

CSR throughout the supply chain

The IDEC Group promotes CSR procurement in cooperation with suppliers, with the aim of contributing to the sustainable development of society.

At one of IDEC’s major factories in Suzhou, China, the suppliers exchange meeting has been held each year since 2017 and a CSR Procurement Briefing was held in 2019. We presented the importance of CSR procurement throughout the supply chain, asking for suppliers’ understanding and cooperation in the promotion of responsible procurement, according to the IDEC Group CSR Procurement Guidelines.

Note: Amounts in U.S. dollars are calculated at the prevailing exchange rate as of March 31 in every fiscal year.

Note: Exchange rates (¥1 U.S. dollar): FY2016 (¥112.69), FY2017 (¥112.20), FY2018 (¥106.27), FY2019 (¥111.01), FY2020 (¥108.83)
The IDEC Group makes environmental conservation a top priority in all aspects of its business activities, thereby aiming to achieve sustainable growth. The entire group promotes acquisition of ISO 14001, an international standard for environmental management systems.

**Environment**

**Electricity usage (IDEC unconsolidated)**

- 2016: 277 kWh
- 2017: 252 kWh
- 2018: 245 kWh
- 2019: 226 kWh
- 2020: 233 kWh

**Recycled amount (IDEC unconsolidated)**

- 2016: 11,931 tons
- 2017: 10,943 tons
- 2018: 11,077 tons
- 2019: 11,501 tons
- 2020: 11,077 tons

**Eco-friendly product development**

We identify issues for reducing environmental impact from the stage of product development and planning. We have our own standards for environmental considerations, such as for improved energy-saving, resource-saving, space-saving, and longer product life. Each product is evaluated according to the standards, and ranked as to the level of environmental consideration. We have also designed an environmental label as a symbol of eco-friendly products and services. This label is to be displayed on our website and in catalogs so that customers can easily identify the environmental friendliness of our products.

**Social**

**Internal initiatives**

Based on the IDEC Group Green Procurement Guidelines, we make efforts at preferential procurement of materials, components and equipment with less environmental impact. In addition, we promote preferential purchasing of office supplies, consumables, equipment, and fixtures which have less environmental impact, based on the Green Purchasing Procedure Manual. Posters for encouraging the use of staircases are displayed on walls. Desktop stands for encouraging energy-saving use of air conditioners are also displayed in the office.

**Rate of paid leave taken (IDEC unconsolidated)**

- 2016: 12.3
- 2017: 12.2
- 2018: 14.7
- 2019: 13.6
- 2020: 14.7

**Life-work balance**

In July and August 2019, we invited employees’ children to the head office in Osaka, the Takino Factory in Hyogo Prefecture, and IDEC IZUMI SUDSHOU CO., LTD. in China. Their visit to the workplace leads to a heightened sense of unity with the company, families, and colleagues, and a more pleasant work environment for employees. We received the Toyo Keizai Award of the 2nd Platinum Career Award. This award commends enterprises that promote human resource development and strive to provide their employees with opportunities to demonstrate their best performance in a society with substantially changing human resource needs.

**Respect for human rights**

The IDEC Group respects humanity and promotes diversity with no discrimination in workplaces by race, gender, nationality, religion, or disability. With the aim of enhancing education on human rights, we began a training course on human rights and harassment in 2019 as a means to promote understanding of harassment and LGBTQ. In France, APEM participated in the French Government’s “La France, une chance.” movement to support employment of people who have a hard time finding jobs. APEM is involved in the movement sharing information with others engaged.

**Health initiatives**

Since keeping employees and their family members healthy both physically and mentally is a vital part of the foundation for the IDEC Group, we adopted the IDEC Group Health Declaration and are practicing health-oriented management. Besides annual medical checkups for employees, we offer stress checks and meetings with a health nurse (staying full-time at the head office) or a doctor, as part of our efforts to understand and help improve the health condition of our employees.

**No plastic bottle challenge**

With the aim of reducing the negative impact of plastic bottles on the global environment, including marine contamination, IDEC’s head office and major offices in Japan comply with the following “No plastic bottle challenge” measures.

- Stop the sale of plastic bottled beverages and limit to sale of beverages to car, glass bottles, and cartons from vending machines on company property.
- Encourage employees to bring their own thermal bottle or cup with beverages from home.
- Offer beverages, other than those in plastic bottles, to visitors and at meetings.

**Eco-friendly product development**

We identify issues for reducing environmental impact from the stage of product development and planning. We have our own standards for environmental considerations, such as for improved energy-saving, resource-saving, space-saving, and longer product life. Each product is evaluated according to the standards, and ranked as to the level of environmental consideration. We have also designed an environmental label as a symbol of eco-friendly products and services. This label is to be displayed on our website and in catalogs so that customers can easily identify the environmental friendliness of our products.
The IDEC Group is promoting further enhancement of its governance system to ensure management transparency and efficiency on behalf of its shareholders and other stakeholders.

**Audit & Supervisory Committee Member**

### Ratio of Outside Directors (As of June 2020)

<table>
<thead>
<tr>
<th>Inside Directors</th>
<th>Outside Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Directors</td>
<td>5 Directors</td>
</tr>
</tbody>
</table>

The Board of Directors consists of nine Directors: four Directors (including one Outside Director) and five Directors who also serve as Audit & Supervisory Committee members (including four Outside Directors). Appointment of many Outside Directors helps ensure management transparency.

### Corporate Governance System

<table>
<thead>
<tr>
<th>General Meeting of Shareholders</th>
<th>New Business Development Meeting</th>
<th>Executive Officers’ Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>Accounting Dept.</td>
<td>Various Committees</td>
</tr>
<tr>
<td>Director</td>
<td>Accounting Coop.</td>
<td>General Business Planning</td>
</tr>
<tr>
<td>CEO</td>
<td>Corporate Business Planning</td>
<td></td>
</tr>
<tr>
<td>Executive Officers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Risk Management

The Risk Management Committee has established a risk map by assuming potential risks in operation and estimating their impact and frequency of occurrence. Each year, a target risk is selected among these potential risks and the entire company, as well as each department, undertakes measures to reduce the target risk.

**Major target risks**

- **Product quality incidents**
  - Assay and evaluation training
  - Put in place QMS manuals and business forms.
- **IT system trouble**
  - 24-hour monitoring and system trouble response. Planning of a cloud backup system adoption.
- **Other disasters**
  - Identified persons in charge and an emergency response system. Set the standard for coming to and leaving the office.
  - Identified persons in charge and an emergency response system. Put in place QMS manuals and business forms.

**Measures to prevent harm**

- Conducted training sessions. Made known contacts for consultations.
- Conducted study meetings on relevant laws and regulations.

### Compliance

Given the establishment of "The IDEC Way", we are reviewing our basic action guidelines for conducting our duties as the "IDEC Group Code of Conduct," and are preparing them as a global code of conduct. We also include a compliance training session within the employees' training program separately held and organized in accordance with their length of service and job responsibility/position. We thereby strive to nurture consciousness of compliance so as to promote awareness of employees during work. Moreover, we have a system including the IDEC Hotline, a contact for internal whistle-blowing, to detect and handle suspected compliance violations early.

### Outside Directors’ Exchange session

Outside Directors’ Exchange session is held as an event for Outside Directors to communicate more with each other apart from the Board of Directors meetings, with the aim of deepening their understanding on managerial topics and themes and of exchanging opinions. In FY2020, we held an exchange session on the theme on global management and it was also attended by six Executive Officers.
Safety education

Safety seminars are conducted for all employees, with the aim of developing staff who can promote the concept of safety and ANSHIN for the benefit of society. As safety evangelists, employees with safety-related assignments serve as lecturers and explain the latest trends, including "Collaborative Safety / Safety2.0" topics, in addition to the IDEC Group's history and thoughts on safety and safety products.

Development of certified safety assessors

The IDEC Group has encouraged employees to acquire Safety Assessor Certification since its system was founded, as part of efforts to create safer manufacturing environments and provide safety consulting services for customers, based on international safety standards. As a result, IDEC is Japan's top company in the number of employees who possess Safety Lead Assessor Certification, the highest level in this certification. We also encourage employees to acquire Robot Safety Certification that covers basic safety knowledge of the robot area (newly established in 2018) and to focus on strengthening the human resources in the robot safety area. The Safety Assessor Certification System was developed by the Nippon Electric Control Equipment Industries Association (NECA) and is implemented by the Japan Certification Corporation, under the standards and accreditation program of the Ministry of Economy, Trade and Industry (METI). The program of the Ministry of Economy, Trade and Industry (METI) and encourages employees who have obtained the certification as Safety Assessor to work as lecturers and managers for the development of safety knowledge, and managers for the operation and implementation of occupational safety and hygiene devices.

Publication of "Collaborative Safety / Safety2.0" guidebook

We have published a guidebook to introduce the latest trend in "Collaborative Safety / Safety2.0" - a concept to achieve safety and productivity through the collaboration of humans and machines - as well as the initiatives of the IDEC Group. As a company that pursues safety and ANSHIN for the benefit of society, we are engaged in safety awareness activities on "Collaborative Safety / Safety2.0" as an innovative safety concept.

Acquisition of ISO 45001 certification

IDEC's three factories in Takino, Fukusaki, and Amagasaki, in Hyogo Prefecture have obtained ISO 45001, an international standard for occupational health and safety management system. The Tatsuno Distribution Center aims at obtaining ISO 45001 in FY2021.

Quality education

We encourage employees to take the Quality Management and Quality Control Examination (QM/QC Examination) to raise their knowledge and awareness of quality. In addition, quality management training is provided continuously. In order to apply what they learned in their daily work, employees can join a local QC Circle, a voluntary improvement activity group, which makes proposals and efforts for quality improvement and work efficiency enhancement. In the Fifth QC Circle Presentation Conference in November 2019, 11 circles from Japan, China, Taiwan, and Thailand presented their activities.

Global Quality Conference

Since 2017 an annual global quality conference has been held: in China in 2017, in Taiwan in 2018, and in Thailand in 2019. The objective is to globally promote consciousness on quality, encourage cooperation among manufacturing bases, and improve quality management systems. Employees engaged in quality management in various countries gather to present their quality-related activities, have a discussion, hold a group workshop on related matters, and share their issues and know-how.

Acquisition of ISO 9001 certification

The IDEC Group has established and implemented a quality management system to provide products and services that meet the quality requirements of customers and markets, and has obtained ISO 9001 certification, the International Standard for Quality Management System.
Sales of various products decreased in FY2020 due to the U.S.-China trade friction and other reasons. Partly due to the appreciation of the yen, the ratio of overseas sales declined from 52.0% in FY2019 to 50.9% in FY2020, which had an impact on the decline in net income. IDEC strived to enhance profitability by reorganizing manufacturing bases and reviewing profitability of products, but operating income margin declined to 8.1% in FY2020 partly due to a drop in sales of industrial switches and other main products.

ROE declined from 6.8% in FY2019 to 6.0% in FY2020 due to reorganization of manufacturing bases in Japan and overseas but returned to the normal level in FY2020.

After dropping to less than 40% in FY2017 due to acquisition of APEM, the equity ratio has returned to around 50% since FY2018.

IDEC modified moulds to enable product manufacturing with less waste. We also reduced detect ratios and hance material waste loss. However, due to China’s waste import regulations, the total amount of waste increased in FY2020.

IDEC unconsolidated financial data is provided to reflect the group’s performance in IDEC. Waste import regulations in FY2020 caused a sharp rise in waste brought into the IDEC unconsolidated group, primarily from China.
Corporate Symbol

The Message In The New Corporate Logo

The IDEC logo symbolizes: 1) Connection among people in various settings, support, and innovation, and 2) Business expansion, future growth and being a leader in all things.

The blank white letter “I” adjacent to the special IDEC red “I” symbolizes connections among people: coworkers, business associates, and the rest of society. The white and red relationship also symbolizes behind-the-scenes support and innovation.

The color gray on the left conveys new opportunities, value creation, business expansion, progress, and IDEC always going one step ahead of the competition through collaborations and partnerships.

The Corporate Color

The IDEC red expresses dynamic action, energy, passion, and speed.

The Corporate Tagline

“Think Automation and beyond…”

We are creating the future of manufacturing. We do not believe that advancement in automation is merely advancement in automation technology. The evolution of automation encompasses the evolution of people-friendly technology and other elements, such as safety features, ease of operation, reliability, and environmental considerations, which add value to the existing automation technology. By advancing all of these elements, we are constantly expanding the possibilities of automation into a new dimension.

Core Values

Harmony
In Harmony with our co-workers, our customers and society.

Passion
Joy in fulfilling our mission.

Innovation
Take on new challenges and embrace change.

Integrity
Exhibit honesty, fairness and respect at all times.

Commitment
Be the person everyone can count on.