

CEO Message

By creating an optimum environment for humans and machines, we will contribute to solving diversified societal challenges and aim for sustainable growth.

Chairman and Chief Executive Officer

Toshi K. Funaki



In addition to realizing safety and ANSHIN society, we are implementing measures to improve the well-being of all people.



We are making innovative changes toward sustainable growth and a high-profit structure by contributing to solving societal challenges through our business activities.



Efforts to improve safety, ANSHIN*1, and well-being*2

Since its establishment in 1945, IDEC has been providing a wide range of products and services to society. The IDEC Way, a new philosophy that was established in 2019, advocates the Vision “Pioneer the new norm for a safer and sustainable world.” This envisioned ideal incorporates our determination to become a pioneer of tomorrow’s new standards through our role in helping shape the future of manufacturing and its potential, and our aim at realizing a safer, sustainable society that brings happiness and ANSHIN for all.

We are making various efforts to achieve the Sustainable Development Goals (SDGs) by solving societal challenges through our business activities. We joined the United Nations Global Compact in 2009, started undertaking activities based on its Ten Principles, and established a CSR Committee in April 2018. We are promoting continuous CSR activities that focus 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).



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 (ISSA), an ILO (International Labor Organization) organization and also, a specialized organization of the United Nations. The Vision Zero campaign, spearheaded by top management, is described as an approach to pursue corporate safety, health, and well-being.

Since IDEC’s founding, as a company that develops and provides products that protect the lives of people, we have promoted safety and ANSHIN aimed at the creation of a safe and comfortable environment in the global community. At the same time, we have been making efforts to improve the well-being of all people both inside and outside our company.

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

*2 Well-being is a concept that means that individuals are ensured of their rights and self-realization and are in good physical, mental, and social condition. (Source: Ministry of Health, Labor and Welfare Website)



A Company of
VISION ZERO
Safety.Health.Wellbeing.

Business overview in FY2021

The global business environment was harsh in FY2021 (April 2020 – March 2021) due to the impact of the spread of the novel coronavirus (COVID-19). While sales in China remained strong throughout the year, sales decreased in Japan, the Americas, and EMEA, due to the economic downturn. In addition, orders in the machine tools and automotive industries, which are key industries, decreased due to sluggish demand and the postponement of capital expenditures.

In the second half of FY2021, however, both sales and orders showed a gradual recovery trend. Consolidated net sales in FY2021 amounted to \$488 million (down 9.1% from the previous year). In terms of earnings, operating income was \$36 million (down 15.6%) with an operating income margin of 7.5%, mainly due to a decrease in sales of core products such as the industrial switches business. In the meantime, we have promoted digital marketing and the reorganization of our Japanese and overseas business bases as part of efforts to achieve sustainable growth. [▶ P15](#)

TOPIC

Aiming to improve the well-being of all people

Committed to “Management with respect for humanity,” IDEC has been working on the life-work balance and health-oriented management, as well as providing society with a wide range of products that realize safety and ANSHIN. Since our founding, we have been making efforts to improve “safety, ANSHIN, and well-being” in order to realize a society in which everyone can live healthily, happily and vigorously.

For our employees, we have established an IDEC Healthcare Center and a fitness gym to help them maintain their physical and mental health. For society, we seek to improve the well-being of all people by creating an optimum environment for humans and machines, which is our Mission, through “Collaborative Safety / Safety2.0,” where humans and machines coexist.

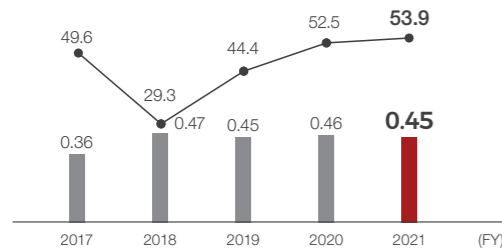


Return to shareholders

Stable dividend payment and appropriate return of profit to shareholders are one of our main priorities, along with the enhancement of our financial position and operational base. We paid an annual dividend of \$0.45 per share in FY2021.

Cash dividends per share and dividend payout ratio

■ Cash dividends per share (U.S. dollars)
● Dividend payout ratio (%)



Measures to take in FY2022

Although the outlook for the global economy is uncertain, changes in the industrial structure, which stem from the Internet of things (IoT), digital transformation (DX), and emerging needs of anti-infection measures, have made it essential for us to establish a business structure that accommodates the changing times. With this background in mind, we are taking specific measures in line with our four basic strategies: promotion of our growth strategy;

improvement in profitability; enhancement of the management base; and enhancement of ESG initiatives, in order to achieve the IDEC Group's Vision and Mission. Through these measures we will make innovative changes toward sustainable growth and a high-profit structure. In FY2022 (April 2021 – March 2022) we are aiming to achieve consolidated net sales of \$566 million, record-high operating income of \$58 million, and operating income margin of 10.3%. As part of this strategy, we are accelerating efforts to increase sales in growth markets, such as India and China. We established a sales base in India in January 2020, and are engaged in sales activities aimed at full-scale sales expansion. In China, we aim to further expand business by optimizing our manufacturing and logistics systems, strengthening sales of safety-related products, which is growing in demand, and developing digital infrastructure, including e-commerce. In addition, we will reorganize our global bases as a way to promote local production and local consumption, and develop products that meet the needs of each region and industry, in order to increase sales and improve profitability.

With regard to profit improvement, we will continue to integrate materials and products and reduce SKUs* in order to reduce costs, increase production efficiency, and transform our business into a high-profit structure. In terms of strengthening the management base, we are promoting efficiency by consolidating the administrative operations of group companies, and developing a communications platform to accommodate flexible working practices.

*SKUs: Number of items Note: Exchange rate (1 U.S. dollar): FY2022 (¥106)

Addressing societal challenges

In order to address global societal challenges, we are working to strengthen our ESG initiatives. The main initiatives are as follows:

<p>Promote efforts to reduce environmental impact</p>	<ul style="list-style-type: none"> Reduce CO₂ emissions by actively using renewable energy Promote development of eco-friendly products and consider eco-friendly materials
<p>Promote diversity</p>	<ul style="list-style-type: none"> Plan and implement various kinds of training and programs, such as those regarding the empowerment of women and LGBT education Aim to achieve "decent work" that allows employees to balance their private life and work life, by implementing measures to increase the rate of employees taking various types of leave to maintain and improve their health
<p>Improve management transparency and efficiency</p>	<ul style="list-style-type: none"> Implement measures based on the results of the effectiveness assessment Establish a Nomination Committee to promote the development of candidates for next-generation executives Establish a risk management system for the IDEC Group

Prompted by the spread of COVID-19, "non-contact," "remote monitoring and operation," "automation," and "labor saving" are attracting renewed attention as key words. The IDEC Group has a number of products that best meet these needs, and is therefore providing optimal solutions needed by society and promoting workplace problem solving.

For example, the smart RFID reader, launched in 2020, is a contactless product that reads IC cards, etc. Our products can be used in a safe and secure way not only in our mainstay factory automation (FA) industry, but also in non-FA industries, such as medical care. We are therefore actively developing new sales channels. We are reviewing our sales organization, mainly in Japan. In addition to strengthening the components business by using existing sales networks, we are also working to develop a system to provide a variety of solutions that solve customer problems via collaboration among our development department, manufacturing technology department, and group companies.



KW2D smart RFID readers

The global COVID-19 pandemic has significantly changed people's consciousness, lifestyles, and social needs. We believe that change is a great opportunity for our subsequent growth. As a truly global company, we will thereby aim for sustainable growth by contributing to solving diverse societal challenges through our various products and solutions based on control and safety technologies.



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

Mission | To create the optimum environment for humans and machines.

Present and future approaches to the basic strategy

Basic strategy	What we achieved in FY2021	What we will do in FY2022
<p>Promotion of growth strategy</p> <ul style="list-style-type: none"> Launch new products which are linked to growth potential Strengthen sales that help solve customers' technical problems Restructure and strengthen sales channels Expand business areas 	<ul style="list-style-type: none"> Expanded the line-up of push-in products Launched products that materialized Safety2.0 and made them known in the market Grew sales of IoT solutions Expanded business in Asia Pacific Accelerated sales of collaborative safety robot systems 	<ul style="list-style-type: none"> Strengthen competitiveness in global markets by responding to regional and industry needs Accelerate IoT solutions Create innovative products that are oriented to safety and ANSHIN Expand business in growth markets, such as China and India Expand business areas, including the non-FA industry
<p>Improvement in profitability</p> <ul style="list-style-type: none"> Consolidate materials and products, reduce SKUs Reduce inventory and shorten delivery times Accelerate cost reduction Select and concentrate businesses 	<ul style="list-style-type: none"> Optimized the global manufacturing and sales bases Automated production Reviewed work process and raised efficiency 	<ul style="list-style-type: none"> Promote product consolidation to improve productivity Reduce inventory and shorten delivery times by reviewing the global supply chain Structural reform unprofitable products and businesses
<p>Enhancement of management base</p> <ul style="list-style-type: none"> Promote workstyle reform Promote structural reform Facilitate active communication Promote Post Merger Integration (PMI) process to strengthen the foundation 	<ul style="list-style-type: none"> Further disseminated "The IDEC Way" Considered a personnel system reform based on the results of the employee engagement survey result, etc. Adopted a global IT infrastructure and raised efficiency Secured personnel and enhanced their training in accordance with the management environment 	<ul style="list-style-type: none"> Promote personnel system reform Promote efficiency by standardizing operations, digitizing operations, and reviewing IT and office infrastructure Strengthen the system by securing and developing human resources and placing them strategically Pursue synergies with APEM
<p>Enhancement of initiatives for ESG</p>	See "Addressing societal challenges" on the top of this page.	

