



Think Automation and beyond...

Financial Results

for the Third Quarter FY2023

(April 1, 2022 to December 31, 2022)

February 3, 2023

IDEC CORPORATION

Securities code : 6652



Both sales and income have continued to increase, and the results of cumulative Q3 made a new record high. Operating income margin of 17.8% was achieved.

Net Sales

- Net Sales JPY64.1 billion (YoY +22.7%)
 - Sales including switches and safety/explosion protection businesses mainly increased in Japan and overseas.

Income

- Operating Income JPY11.4 billion (YoY +58.9%)
- Ordinary Income JPY11.7 billion (YoY +55.7%)
- Net Income JPY 8.0 billion (YoY +50.8%)
 - In addition to the effect of increased income, proper sales prices absorbed the impact of rising prices of raw materials. Achieved significant increased income by the contribution of the effect of weak yen and improved gross margin ratio.

Consolidated performance [Consolidated income statement] -1



(Unit: million yen) ※Round down to the millions	FY2022 Cumulative 3Q		FY2023 Cumulative 3Q		
	Actual	Sales Ratio	Actual	Sales Ratio	YoY
Net sales	52,255	100.0%	64,107	100.0%	+22.7%
Gross income	22,434	42.9%	28,756	44.9%	+28.2%
SG&A	15,239	29.2%	17,325	27.0%	+13.7%
Operating income	7,194	13.8%	11,431	17.8%	+58.9%
Ordinary Income	7,491	14.3%	11,664	18.2%	+55.7%
Net income attributable to owners of parent company	5,303	10.1%	7,999	12.5%	+50.8%
Earnings per share(EPS) (before diluting) (JPY)	176.81	—	275.01	—	+98.20
USD-yen rate (JPY)	111.14		136.52		+25.38
EUR-yen rate (JPY)	129.86		136.05		+ 6.19
CNY-yen rate (JPY)	17.26		19.88		+ 2.62

Changing factors of consolidated operating income

Operating income **increased by approximately 4.2 billion yen** due to the effect of increased sales, proper sales prices and impact of weak yen, etc.

(unit: million yen) *Round down to the million

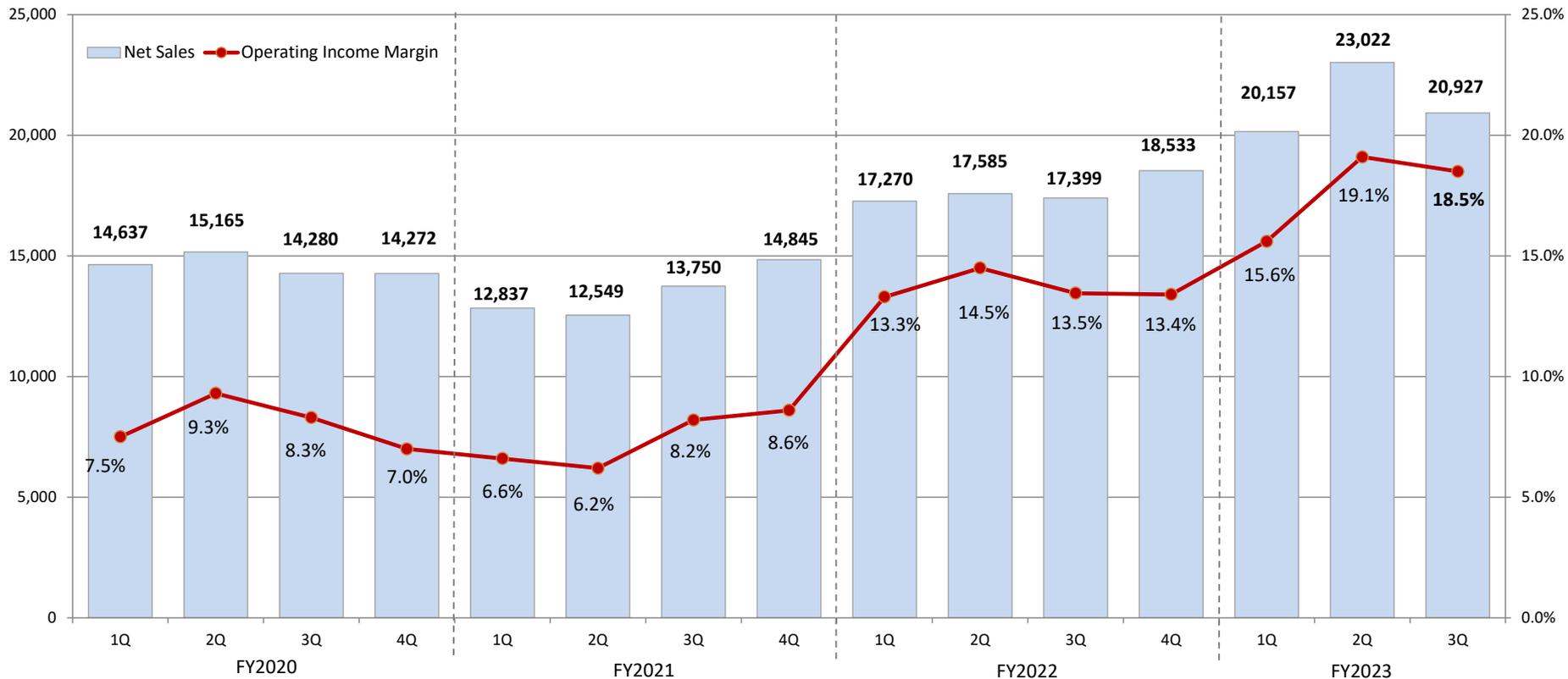


- **The result with a new record high** for 3Q (Oct to Dec.) was achieved.
- Gross margin is 46.6% due to **the changes of region and product mix in addition to price revision and cost reduction.**

(Unit: million yen) ※Round down to the millions	FY2022				FY2023				FY2023		
	3Q (Oct.to Dec.)		4Q (Jan.to Mar.)		1Q (Apr.to Jun.)		2Q (Jul.to Sep.)		3Q (Oct.to Dec.)		
	Actual	Sales ratio	YoY								
Net sales	17,399	100.0%	18,533	100.0%	20,157	100.0%	23,022	100.0%	20,927	100.0%	+20.3%
Gross income	7,514	43.2%	7,876	42.5%	8,629	42.8%	10,376	45.1%	9,750	46.6%	+29.7%
SG&A	5,173	29.7%	5,398	29.1%	5,476	27.2%	5,970	25.9%	5,878	28.1%	+13.6%
Operating income	2,340	13.5%	2,477	13.4%	3,153	15.6%	4,406	19.1%	3,871	18.5%	+65.4%
Ordinary income	2,468	14.2%	2,906	15.7%	3,562	17.7%	4,577	19.9%	3,523	16.8%	+42.7%
Net income attributable to owners of parent company	1,776	10.2%	2,592	14.0%	2,555	12.7%	3,138	13.6%	2,305	11.0%	+29.7%
Earnings per share (EPS) (before diluting) (JPY)	59.22	—	87.38	—	88.09	—	107.94	—	79.03	—	+19.81

Net sales and operating income margin (per quarter transition)

(Unit: million yen) *Round down to the millions



Sales by regions

(Unit: million yen) *Round down to the millions (Sales ratio)	FY2022 Cumulative 3Q	FY2022 Cumulative 3Q	YoY
Japan	22,477 (43.0%)	25,894 (40.4%)	+15.2%
Overseas	29,778 (57.0%)	38,213 (59.6%)	+28.3%
Americas	8,411 (16.1%)	12,014 (18.7%)	+42.8%
EMEA (Europe, Middle East, Africa)	8,744 (16.7%)	10,113 (15.8%)	+15.6%
Asia Pacific	12,621 (24.2%)	16,085 (25.1%)	+27.4%
Total	52,255 (100.0%)	64,107 (100.0%)	+22.7%

Japan

YoY **+15.2%**

- As the demand of semiconductor, automotive machine tools and robotics industries, etc has moved firmly following previous quarter, and we have responded to the market demand exactly, the sales has increased.

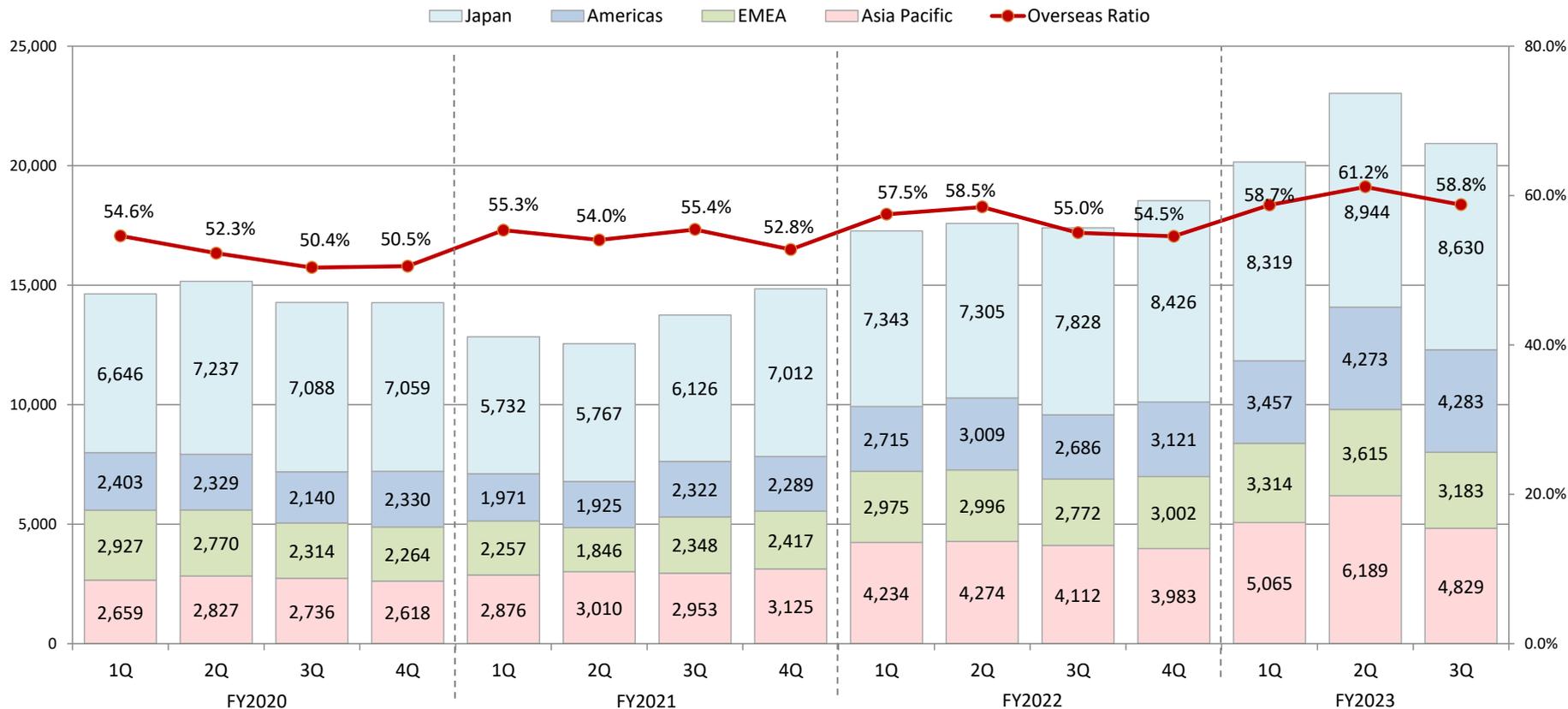
Overseas

YoY **+28.3%**

- In Americas and EMEA, demand has continued in high level, and the sales increased with the effect of weak yen.
- The demand of other Asian regions in addition to China has moved firmly.

Sales by regions (per quarter transition)

(Unit: million yen) *Round down to the millions



Sales by products

(Unit: million yen) *Round down to the millions (Sales ratio)	FY2022 Cumulative 3Q	FY2022 Cumulative 3Q	YoY
Industrial Switches	24,542 (47.0%)	29,491 (46.0%)	+20.2%
Industrial Relays & Components	10,062 (19.3%)	12,206 (19.0%)	+21.3%
Automation & Sensing	7,527 (14.4%)	9,278 (14.5%)	+23.3%
Safety & Explosion Protection	6,549 (12.5%)	8,597 (13.4%)	+31.3%
Systems	2,645 (5.1%)	3,577 (5.6%)	+35.2%
Others	928 (1.7%)	957 (1.5%)	+ 3.1%
Total	52,255 (100.0%)	64,107 (100.0%)	+22.7%

Industrial Switches

Sales expanded in all global regions due to the rapid expansion of the demand for capital investment.

Industrial Relays & Components

Sales of control relays increased in main Americas and China.

Automation & Sensing

The demand for operator interfaces and programmable logic controllers has still moved in Japan, Americas, and EMEA.

Safety & Explosion Protection

The demand for safety-related devices significantly expanded in Japan and China mainly.

Systems

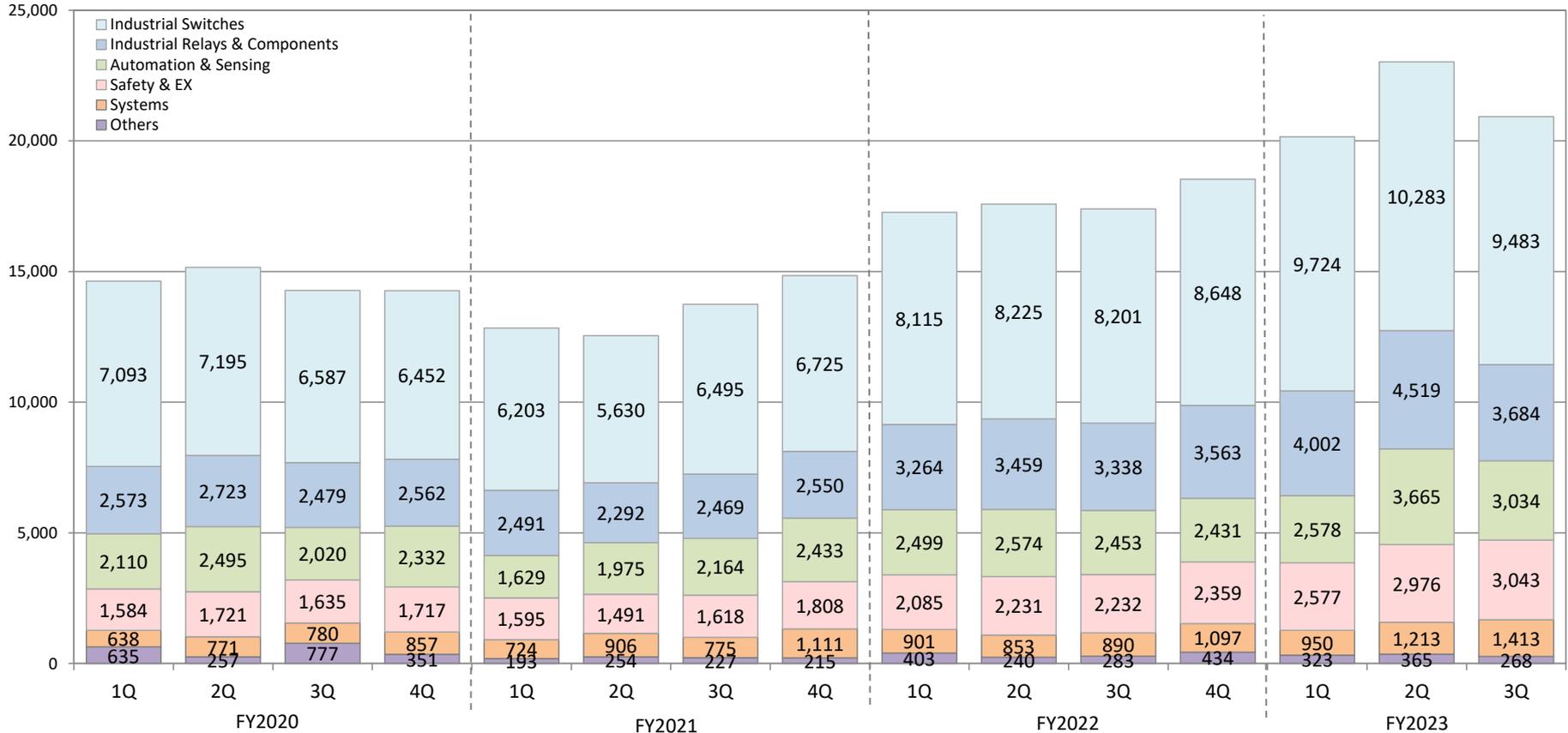
Sales of control panels for semiconductor and logistic-related equipment increased in Japan.

Others

The system-related demand for the environmental energy business increased in Japan.

Sales by products (per quarter transition)

(Unit: million yen) *Round down to the millions



- The amount of orders received has decreased due to the impact of economic slowdown in China.
- Filling backlogs has been proceeded due to the calm advance order and the impact of enhanced production.

(Unit: million yen) *Round down to the millions	FY2022 Cumulative 3Q		FY2023 Cumulative 3Q			
	Amount of orders received	Backlog	Amount of orders received	YoY	Backlog	YoY
Japan	35,174	16,069	28,317	- 19.5%	17,057	+ 6.1%
Americas	10,952	4,459	13,094	+19.6%	6,038	+35.4%
EMEA (Europe, Middle East, Africa)	11,182	5,853	11,431	+ 2.2%	8,531	+45.8%
Asia Pacific	12,469	5,345	9,236	- 25.9%	4,211	- 21.2%
Total	69,779	31,727	62,079	- 11.0%	35,838	+13.0%

Orders received (per quarter transition)

- Decreased in Asia Pacific due to the impact of decreased order received in China.
- Decreased in Americas due to the seasonal factors.

(Unit: million yen) *Round down to the millions	FY2022				FY2023					
	3Q (Oct.to Dec.)		4Q (Jan.to Mar.)		1Q (Apr.to Jun.)		2Q (Jul.to Sep.)		3Q (Oct.to Dec.)	
	Orders received	Backlog								
Japan	12,204	16,069	11,129	18,048	11,057	19,875	8,524	17,940	8,736	17,057
Americas	3,547	4,459	3,688	5,060	4,874	6,405	4,515	6,635	3,703	6,038
EMEA (Europe, Middle East, Africa)	2,677	5,853	3,730	6,708	3,555	7,428	4,418	8,229	3,457	8,531
Asia Pacific	4,003	5,345	6,125	8,048	3,746	7,232	2,901	5,411	2,588	4,211
Total	22,432	31,727	24,673	37,866	23,233	40,942	20,359	38,218	18,486	35,838

Highlights of assets

- While cash and deposits decreased, inventory assets, trade receivables and fixed assets increased. Therefore, total assets increased by 8.42 billion yen compared to the end of previous FY.

Highlights of liabilities

- While income tax payables decreased, trade payables and lease increased. Therefore, total liabilities decreased by 0.67 billion yen compared to the end of previous FY.

Highlights of net assets

- Due to the increase of earned surplus and foreign currency translation adjustment, net assets increased by 7.75 billion yen compared to the end of previous period.

(Unit: million yen) *Round down to the millions	FY2022 (previous FY)	FY2023 (end of December)	YoY
Current assets	47,171	53,613	+6,442
Fixed assets	47,789	49,766	+1,976
Current liabilities	21,660	22,887	+1,227
Fixed liabilities	24,291	23,736	- 555
Net assets	49,008	56,755	+7,746
Total assets	94,960	103,379	+8,419
Shareholders' equity ratio	51.2%	54.6%	+3.4%

Cash Flows by operation activities

■ It was approximately 3.91 billion yen due to the increased inventory assets and trade receivables, etc.

Cash Flows by investing activities

■ Due to the acquisition of fixed assets, etc., it was -1.48 billion yen.

Cash Flows by financing activities

■ It was -3.74 billion yen due to repayment of borrowings and expenses including dividends

(Unit: million yen) *Round down to the millions	FY2022 Cumulative 3Q	FY2022 Cumulative 3Q	YoY
CF from operating activities	6,107	3,912	- 2,195
CF from investing activities	-2,142	-2,628	- 485
Free cash flows (FCF)	3,964	1,283	- 2,680
CF from financing activities	-5,595	-3,736	+1,858
Cash and cash equivalents at end of year	13,831	13,019	- 811
Capital expenditure	1,498	3,057	+1,558
Depreciation and amortization expense	2,436	2,621	+ 185

- As the right-of-use assets including rental cost of overseas were allocated as the capital expenditure, it increased compared to previous FY.
- We revised the capital expenditure of full year from 3.3 billion yen of the initial plan of this period to 3.7 billion yen (right-of-use asset was approximately 1 billion yen).

Forecast for FY2023

Consolidated business forecast for FY2023

■ There is no change in business forecast.

(Unit: million yen) *Round down to the millions	FY2022		FY2023		
	Actual	Sales ratio	Forecast	Sales ratio	YoY
Net sales	70,789	100.0%	83,500	100.0%	+18.0%
Gross income	30,310	42.8%	36,150	43.3%	+19.3%
SG&A	20,638	29.2%	22,750	27.2%	+10.2%
Operating income	9,672	13.7%	13,400	16.0%	+38.5%
Ordinary income	10,398	14.7%	14,000	16.8%	+34.6%
Net income attributable to owners of parent company	7,896	11.2%	9,400	11.3%	+19.0%
Earnings per share (before diluting) (JPY)	264.12	—	323.77	—	+59.65
USD-yen rate (JPY)	112.40		134		+21.60
EUR-yen rate (JPY)	129.91		135		+5.09
CNY-yen rate (JPY)	17.51		19.5		+1.99

Consolidated business forecast for FY2023



(Unit: million yen) *Round down to the millions	FY2022	FY2023	
	Actual	Forecast	YoY
Industrial Switches	33,191	39,400	+18.7%
Industrial Relays & Components	13,625	17,000	+24.8%
Automation & Sensing	9,958	10,600	+ 6.4%
Safety & Explosion Protection	8,908	10,900	+22.4%
Systems	3,742	4,500	+20.2%
Others	1,363	1,100	- 19.3%
Total	70,789	83,500	+18.0%
Domestic sales	30,904	34,200	+10.7%
Overseas sales	39,885	49,300	+23.6%
(Ratio of overseas sales)	56.3%	59.0%	

Currency	Exchange assumption	Effect by 1 yen change of exchange rate *For CNY, effect by 0.1 yen change	
		Net sales	Operating income
USD	JPY134	Approx. 80 mil. yen	Approx. 20 mil. yen
EUR	JPY135	Approx. 140 mil. yen	Approx. 10 mil. yen
CNY	JPY19.5	Approx. 60 mil. yen	Approx. 15 mil. yen

Initiatives for FY2023

Four Basic Strategies

Promote Growth Strategy

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

Enhance Business Foundation

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

Improve Profitability

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

Enhance ESG Initiatives

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

- Developing unique products by combining the technologies of IDEC and ALPS ALPINE
- The first product launch will be announced soon

Goal

- Promoting product development, market development, and branding by leveraging the strengths of both companies
- Joint development of high-value-added HMI, safety, and sensing equipment, as well as provision of solutions

Current situation

- Conceptualizing a wide range of products in the HMI, safety, and sensing categories with flexible creativity driven by the unaddressed issues and requirements of the market
- **Currently developing three series of products** related to safety and sensing

Overview of the first product

Products launching soon (sensing category)

- Hardware configurations utilizing technologies honed in consumer and automotive applications
- Features functionality perfectly matched to industrial market applications
- Providing a variety of user interfaces to improve usability in the field

- We have proposed the products of ez-Wheel (France) according to each customer's needs, and the number of leads from end users and assembly manufacturers are increasing.
- Inquiries about "**Electric Power Wheel**" are often received from automobile related manufacturers, where heavy loads are often transported by human.
- For "**Safety Wheel Drive**" complied with safety standard ahead of the world, business opportunities for introducing to logistics and production lines of manufacturing industries which consider to introduce AMR with safety functions for labor saving and work saving are proceeding.



Electric Power Wheel (left) and an electric assist cart introduced at IDEC's Amagasaki factory (right)



Safety Wheel Drive (left) and AMR under testing of verification at logistic centers (right)

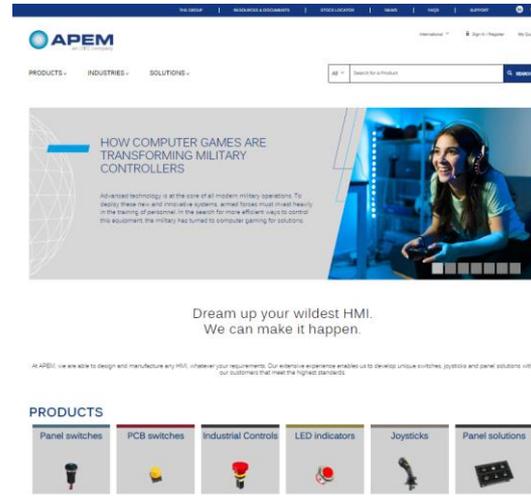
■ Delivering further improvements to operational efficiency by promoting global ERP implementation

- ✓ Currently, Group companies in Japan and overseas are using different systems, which is an inefficient arrangement
Two systems will be implemented that can deliver ERP platform building and global SCP
- ✓ This implementation will enable management of sales activities, taking orders, production planning, purchasing, inventory, and quality in the same system
- ✓ The system will be introduced first at the IDEC head office, then system construction promoted, moving on to gradual global rollout

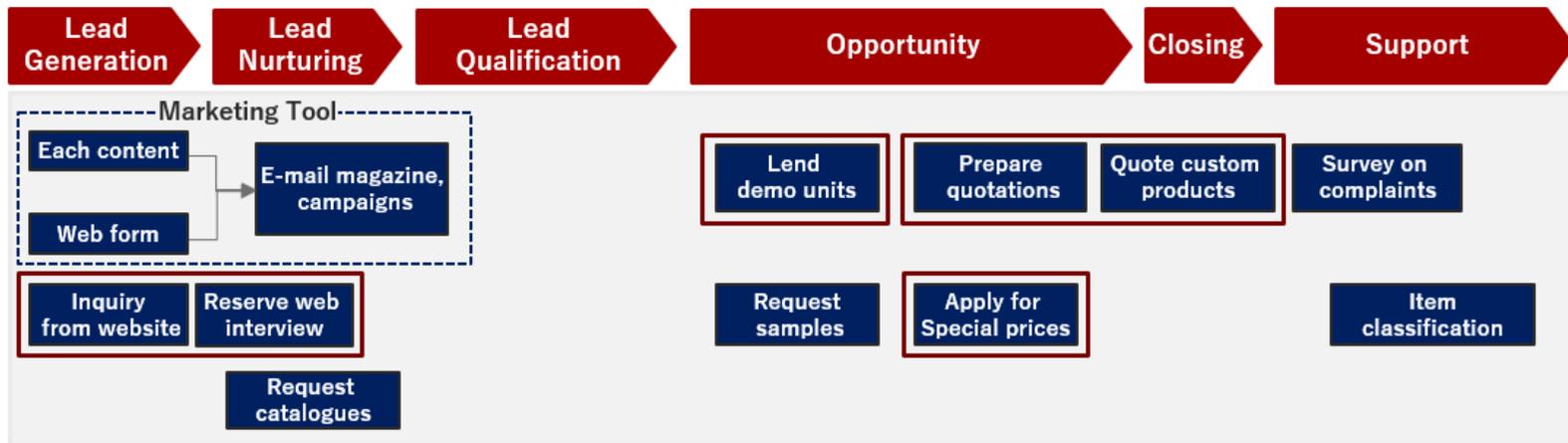
■ Integrating existing systems such as digital marketing tools and SFA (Sales Force Automation) will enable efficient operations

■ All global sites including APEM had a common digital marketing platform in place by 2022

- ✓ Providing optimized content personalized for individual customers based on data such as customer attributes, purchasing, and internet access logs
- ✓ Increasing and developing potential customers (leads) as well as creating processes that help capture business opportunities



- In Japan, promoting improvement of sales efficiency by more effectively utilizing SFA, which we have used as a sales tool for some time
 - ✓ Solving problems, speeding up business negotiations, and identifying customer, market, and industry trends by consolidating all information into a utilization platform shared with other departments
 - ✓ Increasing efficiency through consolidating data managed by individual systems into SFA



Examples of SFA utilization

- **Establishing committees in five fields** reporting to the CSR Committee - chaired by the CEO - to promote various initiatives, including ESG and IDEC's strengths in safety and quality.



Sustainability promotion system



The environment strategy committee reviews environmental aspects of environmentally-friendly products, selects internal carbon price model cases, analyzes risks and opportunities for TCFD recommended disclosure items, and organizes and holds environmental events



Regularly conducting engagement surveys

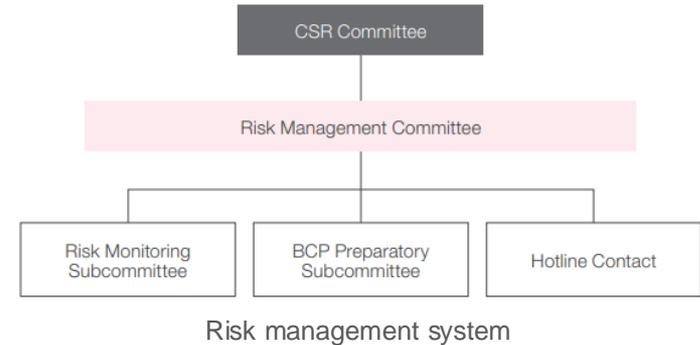
Identifying issues from the survey results and promoting action on priority items



The Risk Management Committee conducts group-wide risk monitoring and assessment, and promotes programs regarding high-risk events such as in BCP preparation

Formulation of BCP (Business Continuity Plan)

- The Risk Management Committee, manufacturing departments, and leaders at business locations concerned collaborate to prepare basic plans for disaster response, initial response flows, and business continuity plans
- The business continuity plan for each manufacturing site makes ongoing deliveries to customers in the event of a disaster the top priority, preparing a continuity **and recovery plan that limits suspension of shipments to no more than one week**
- Based on the initial response flow, we have promoted the development of manuals and handbooks, communications infrastructure available in an emergency, a safety confirmation system that can check on employees and business partners, and stockpiles of supplies



	Normal times	Responses in emergencies Action just after disaster	BCP	
			Task force's activities	Business continuity and recovery
All employees	BCP Basic Policy Measures for preventing and mitigating disasters	Initial Response Plan Evacuation action		Develop by business site and major work
Task Force staff		Task force system Initial response flow		Business Continuity Plan On site task force system
Employees in charge of works for BCP targeted				Measures for recovery flow

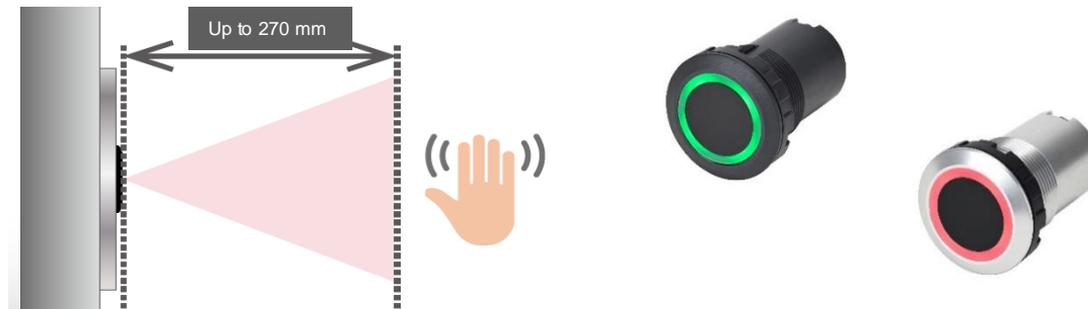
IDEC Group BCP Framework

Introduction of New Products

A non-contact, hygienic touchless switch that meets non-contact needs as a measure to prevent infectious diseases

[Target facilities for mounting]

- Medical sites, air showers of clean rooms, and operating parts of food machinery with the necessity of considering hygiene.
- Automatic doors and elevators for indoor and outdoor public facilities, ticket machines for parking, etc.



The **HT4P Safety Commander**, which makes it easy to attach an emergency stop switch and enabling switch onto a tablet

- In January 2021, we launched the wireless LAN-type HT3P
- We launched the HT4P, which supports wired LAN connections

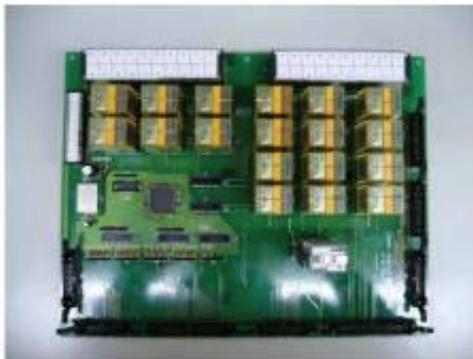
[Usage Examples]

- Robot teaching
- Operation control of large equipment and machines
- Control of automobile production lines and conveyor lines
- Control of semiconductor manufacturing equipment, food-processing machines, etc.
- Manual control of AVGs and AMRs, etc.



New RC Series PCB relays for control device

- Increasing demand for miniaturization, wiring reduction, and labor saving of control panels and control units has driven growth in PCB-mounted control units
- We have launched the RC Series - a high capacity yet compact and low-profile relay - as part of our expanding range of PCB devices delivering compact size, less wiring, and labor saving



- Less wiring
- Less man-hours
- Less space



References

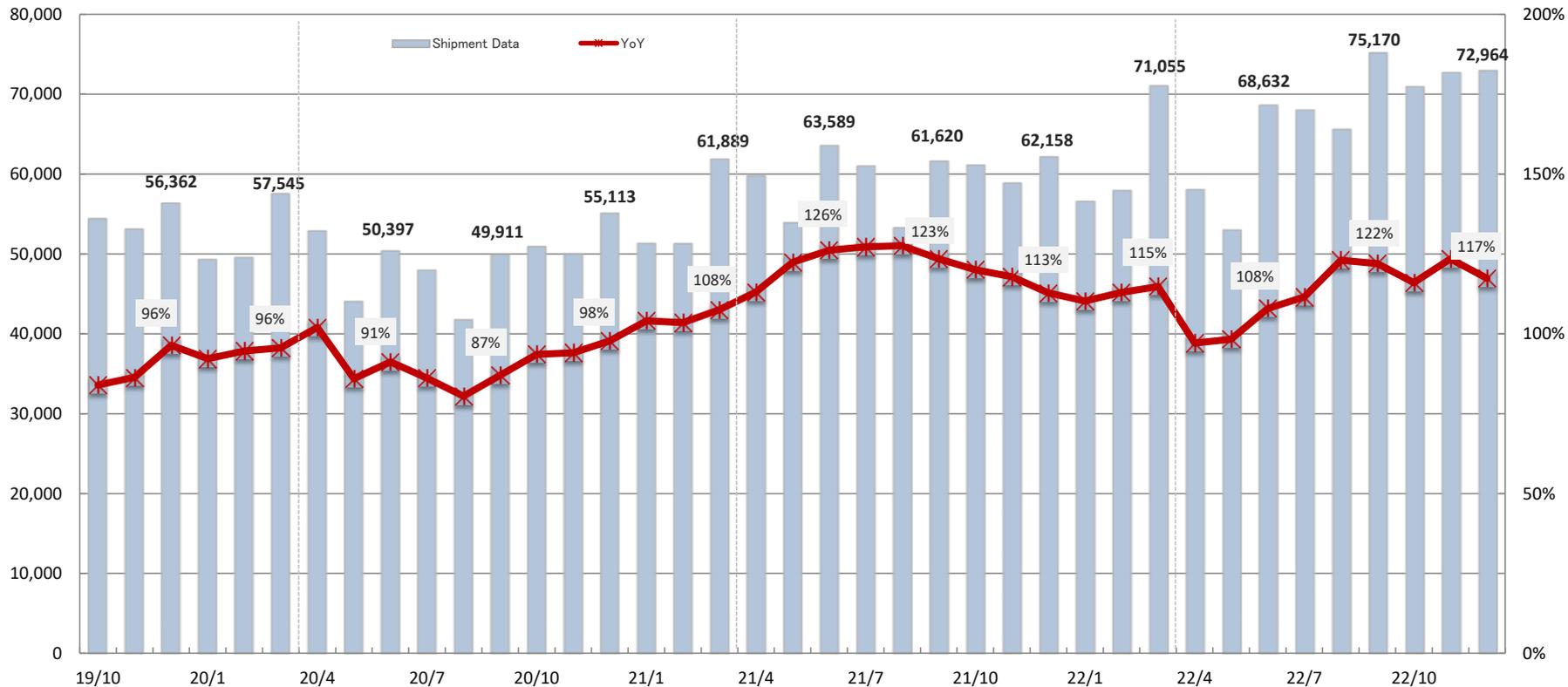
Industry Trend (Transition of shipment data of NECA*)

*Nippon Electric Control Equipment Industries Association



Transition of the industrial shipment and YoY status (between October, 2019 and December, 2022)

(Unit: million yen)



Sales classification by segment

Industrial Switches	Industrial Relays & Components	Automation & Sensing	Safety & Explosion Protection	Systems	Others
<ul style="list-style-type: none"> Industrial switches Joysticks Pilot lights  <p>APEM products</p> 	<ul style="list-style-type: none"> Switching power supplies Terminal blocks Industrial relays/sockets Circuit protectors LED illumination units 	<ul style="list-style-type: none"> Programmable logic controllers Operator interfaces Photoelectric switches Automatic identification devices 	<ul style="list-style-type: none"> Safety-related products Explosion protection products 	<ul style="list-style-type: none"> Collaborative robot systems Interface complex systems Security systems Other various systems 	<ul style="list-style-type: none"> Environmental energy-related business Next generation agricultural solutions 

This material contains our plans and performance forecast, which we have planned and expected in accordance with available information as of November 4, 2022.

Therefore, actual performances may vary from aforementioned plans and expected values due to unforeseeable events and factors.

The original language is Japanese in financial results materials. The English version is translated into the original Japanese version. In the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail.

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