



**I-PEX Inc.**

# Integrated Report **2023**

(January 1, 2022 to December 31, 2022)





# Innovative Product development & Engineering solutions eXpert

This is what we aim for.  
With our keen sensitivity, it is the sharpest tip that opens the way to the next generation in order to create a brighter future.  
We bring surprise, joy and excitement to the world by creating new values that reflect society, reflect tomorrow, and stay one step ahead of the needs of the times.

## Corporate Identity (CI)



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**Scope Period** I-PEX Inc. and 22 companies in the I-PEX Group (21 of which are consolidated subsidiaries). Fiscal year 2022 (January 1, 2022 to December 31, 2022). This report also contains information from other periods in order to provide the latest information and make comparisons with past fiscal years.

**Publication Date** August 2023.

**Disclaimer** This report contains forward-looking statements such as the plans and strategies of I-PEX Inc. and its consolidated subsidiaries. Such statements are based on judgments derived from information available at the time, and actual results may differ significantly for a variety of reasons.

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## Growth History

The I-PEX Group, with roots in precision molding technology, has been at the “sharpest tip” of manufacturing throughout its history. Today, our mainstay business is connectors; we also develop products such as sensors with a view to IoT and a society in which people and robots collaborate.

Going forward, we will continue to take on the challenge of new business fields and actively pursue further growth.



1963.07  
Dai-ichi Seiko Co., Ltd.

### 1963-1975

#### Established as a High Precision Mold Manufacturer

- **1963** Dai-ichi Seiko Co., Ltd. was established in Kyoto to exclusively produce high-precision molds by using module systems for manufacturing molds (full-split structures/complete heat treatment hardening/shift to complete precision machining after full quenching), which were developed in 1960.
- **1964** Made extensions to the plant and established the jig Dept., which takes advantage of precision processing technology cultivated through mold manufacturing.
- **1968** Started to export molds for precision plastics to U.S.A., Canada, Mexico, and Singapore.
- **1971** Opened a representative office in Singapore
- **1972** Opened Tokyo Office in Shinagawa, Tokyo, Japan
- **1973** Received orders for mass production of molded connectors, and started commissioned production of precision plastic components.



1963  
Molds at the time of the company's founding



1973  
Precision plastic components on which mass production commenced



1976.10  
Eikosha Co., Ltd., our first company for mass production



1979.01  
Singapore Dai-ichi Pte. Ltd.



1982.01  
Ogori Plant

### 1976-1987

#### Business Expansion and Breakthrough in Commissioned Production

- **1976** Established our first subsidiary in Chikushino, Fukuoka, Japan. Established our first company for mass production in Fuchu, Tokyo, Japan.
- **1979** Established Singapore Dai-ichi Pte. Ltd. (now I-PEX Singapore Pte. Ltd.) in Singapore.
- **1980** Released GP-SYSTEM: MARK-I, the world's first fully automatic semiconductor molding equipment.
- **1982** Started operations at Ogori Plant in Ogori, Fukuoka, Japan.
- **1986** Established Yamanashi Plant in Yamanashi, Japan



1980  
Automatic semiconductor molding equipment GP-SYSTEM MARK-I



Sealing resin molds for semiconductors



1988.11  
Philippine, D-I Inc.



1991.04  
Shanghai Dai-ichi Mould & Plastics Co., Ltd.

### 1988-2003

#### Building Systems for Production in Optimal Global Locations

- **1988** Started commissioned production of automobile components. Established Philippine, D-I Inc. in the Philippines.
- **1989** Established MDI Sdn. Bhd. in Johor Bahru, Malaysia.
- **1991** Established Shanghai Dai-ichi Mould & Plastics Co., Ltd. (now I-PEX Precision Mold & Plastics (Shanghai) Co., Ltd.) in Shanghai, China.
- **1993** Completed the construction of and started operations at the new plant of Singapore Dai-ichi Pte. Ltd. in Yishun, Singapore.
- **1994** Established Dai-ichi Seiko America, Inc. (now I-PEX USA Components Inc.) in San Jose, California, U.S.A. Established Laguna Dai-ichi, Inc. (now I-PEX Philippines Inc.) in Laguna, the Philippines.
- **1997** Started the world's first mass production of Ramps, an important component used in hard disk drives (HDDs).
- **2000** Established Thai Dai-ichi Seiko Co., Ltd. (now I-PEX (Thailand) Co., Ltd.) in Chonburi, Thailand. Established Touchstone Precision, Inc. (now I-PEX USA Manufacturing Inc.) in Auburn, Alabama, U.S.A. Established PT. Pertama Precision Bintan (now PT IPEX Indonesia Ind) in Bintan, Indonesia.



1993.10  
Singapore Dai-ichi Pte. Ltd.



2000.12  
Touchstone Precision, Inc.



2000.12  
PT. Pertama Precision Bintan



HDD Ramp



Wheel Speed Sensor



Angle Sensor



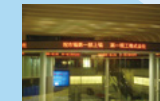
Water Meter



Smart Entry Key



2005.03  
Dong Guan Dai-ichi Seiko Mold & Plastics Co., Ltd.



2011.03  
Listed on the 1st Section of the Tokyo Stock Exchange.



2006.06  
Vietnam Dai-ichi Seiko Co., Ltd.



2017.07  
Daiichi Seiko (M) Sdn. Bhd.



2006.11  
Listed on the JASDAQ Securities Exchange.



2020.01  
Okinawa Plant



2007.05  
Matsue Dai-ichi Seiko Co., Ltd.



2021.12  
Tech Forest

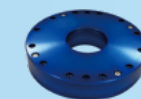
### 2004-

#### Business Field Expansion and Becoming a Listed Company

- **2004** Acquired I-PEX Co., Ltd., an innovator of high-speed, wide-area transmission connectors, as a subsidiary.
- **2005** Established Dong Guan Dai-ichi Seiko Mold & Plastics Co., Ltd. (now I-PEX Precision Mold & Plastics (Dongguan) Co., Ltd.) in Dongguan, China.
- **2006** Established Vietnam Dai-ichi Seiko Co., Ltd. (now I-PEX Viet Nam Co., Ltd.) in Ho Chi Minh, Vietnam. Listed on the JASDAQ Securities Exchange.
- **2007** Established Matsue Dai-ichi Seiko Co., Ltd. (now I-PEX Shimane Inc.) in Matsue, Japan.
- **2011** Listed on the 1st Section of the Tokyo Stock Exchange.
- **2015** Opened Detroit Office of Dai-ichi Seiko America, Inc. (now I-PEX USA Components Inc.) in Detroit, Michigan, U.S.A.
- **2017** Established Daiichi Seiko (M) Sdn. Bhd. (now IPEX Global Manufacturing (M) Sdn. Bhd.) in Johor Bahru, Malaysia.
- **2019** Established I-PEX Global Operations, Inc. in Tomigusuku, Okinawa, Japan.
- **2020** Established Okinawa Plant in Uruma, Okinawa, Japan. Opened I-PEX Campus in Ogori, Fukuoka, Japan. Changed the company name to I-PEX Inc.
- **2021** Opened new Tech Forest building on I-PEX Campus.
- **2022** Stock listing transferred to the Tokyo Stock Exchange's Prime Market. Made subsidiaries of KRYSTAL, Inc. and its affiliates. Opened the Okinawa Innovation Center in Uruma, Okinawa, Japan.
- **2023** Merged KRYSTAL Inc. and its affiliates and changed the company name to I-PEX Piezo Solutions Inc.

A company with technical capabilities to implement digital manufacturing

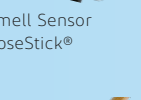
**I-PEX**



ESTORQ® Electrostatic Capacitance Torque Sensor



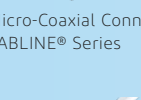
Electric hand ES-Hand®



Smell Sensor noseStick®



Smell Sensor nose@MEMS®



Micro-Coaxial Connectors CABLINE® Series



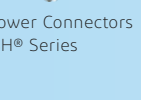
Board-to-Board Connectors NOVASTACK® Series



Micro RF Coaxial Connectors MHF® Series



FPC/FFC Connectors MINIFLEX® Series



Power Connectors ISH® Series



# I-PEX Products Contributing to the Digital Society

The I-PEX Group's products help bring convenience and comfort to many facets of everyday life. Based on the manufacturing DNA we have cultivated, we will support changing lifestyles in the digital society by serving as an "Innovative Product development & Engineering solutions eXpert" that creates new value one step ahead of the needs of the times.

## Life

**01 Micro-Coaxial Connectors**  
Used to connect panels in notebook computers; I-PEX has the world's top share.

**02 Micro RF Coaxial Connectors**  
Support various communication standards; used to connect antennas, etc. in diverse electronic devices.

**03 Board-to-Board (FPC) Connectors**  
Support high-speed communication and high-frequency standards with unique noise control technology.

**04 Forensic-related parts**  
Microfluidic analysis chips used in DNA analyzers.

## Digital Infrastructure

**05 Ramps for hard disk drives**  
Supply of various hard disk drive components, including Ramps, which I-PEX was the first in the world to mass produce

**06 Ultra-Small Active Optical Module**  
Optical connectors modules for next-generation optical interconnection.

## Mobility

**07 Power Connectors**  
Resistant to high heat and vibration; utilized in automobile headlights, etc.

**08 Angle Sensor**  
Detect the rotation angle and speed of engine cranks and cams.

**09 Smart Entry Key**  
Smart keys for automobiles featuring high flex resistance and water resistance.

**10 Turbine shrouds**  
We supply aircraft engine components using metal processing technology.

## Industry

**11 Semiconductor molding equipment**  
Resin cover for semiconductor integrated circuits; we were first in the world to fully automate these devices.

**12 Electrostatic Capacitance Torque Sensor**  
Detect, control torque generated by the rotation of robots and other equipment.

**14 Smell Sensor**  
Utilize MEMS technology; various potential applications, including quality assurance for agricultural crops.

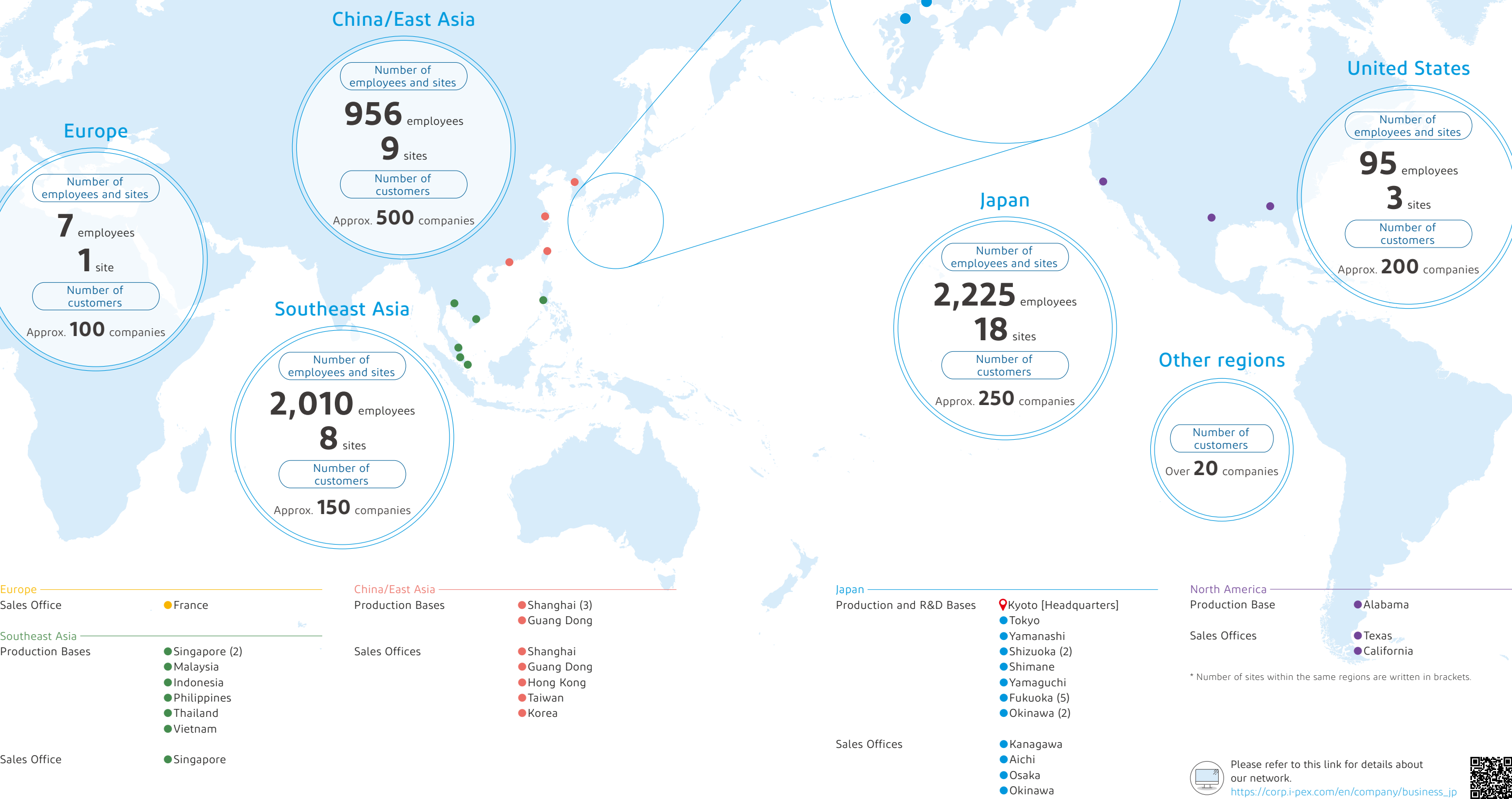
**13 Piezoelectric MEMS foundry**  
Provide superior single-crystal piezoelectric deposition and MEMS processing technologies



# The I-PEX Group Network Connecting the World

With manufacturing plants, sales offices and R&D centers in 12 countries and regions worldwide, The I-PEX Group possesses a robust network to accurately address needs across the globe.

By creating original value that surpasses their imagination, we aim to be the first choice for customers. This passion, alive in each of us as we work around the world, is the philosophy helping us to open up the next generation.



## Challenge & Innovation

# “Sharpest Tip” Technologies for the Digital Society

## New Challenge of Piezoelectric MEMS Business



MEMS\*<sup>1</sup> is a key technology supporting next-generation manufacturing. It is widely used for sensors and actuators and its market continues to grow each year. As a part of its efforts to research and develop “sharpest tip” technologies, the I-PEX Group is focused on the potential of MEMS and has launched a new company, I-PEX Piezo Solutions Inc., which has expertise in piezoelectric MEMS processing and single-crystal deposition technologies for piezoelectric thin films.

Interview

Kenji Ogata

Board Member, Managing Executive Officer,  
Chief Technology Officer, R&D Div. Director

\*<sup>1</sup> Abbreviation of Micro Electro Mechanical System.

### About MEMS, a Next-Generation Key Technology

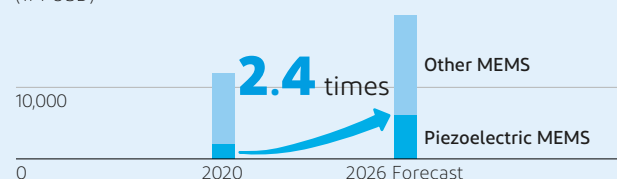
MEMS refers to devices with a three-dimensional structure that consolidate micro-processing technologies such as electronic circuits, sensors and actuators on a single semiconductor substrate. These devices are used in many digital products around the world, including smartphones and consoles, and their potential is being closely watched in various fields.

MEMS can be roughly divided into electrostatic and piezoelectric types. We are focused on developing technologies specifically for piezoelectric MEMS. A key feature of such devices is their piezoelectric element, which converts mechanical changes, such as a change in vibration or pressure into electrical changes, or, conversely, electrical changes into mechanical changes. The former is found in microphones and the latter in

speakers. Characteristics such as device size, precision and power consumption vary greatly depending on the lead zirconate titanate (PZT), a type of piezoelectric material, that is used. Therefore, both film deposition and processing technologies are important.

#### Expansion of MEMS Market (According to I-PEX research)

(1M USD)



### Strength in Single-Crystal Deposition for Lead-Free Materials

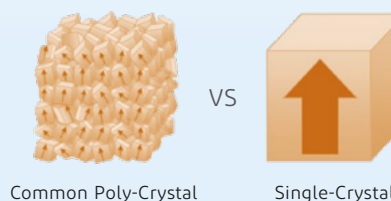
We established I-PEX Piezo Solutions Inc. in January 2023 after acquiring KRYSTAL, Inc. and its affiliates as subsidiaries in June 2022. This new company will combine the piezoelectric MEMS design, deposition and device processing technologies cultivated by I-PEX with the single-crystal piezoelectric technology (KRYSTAL® Wafer) as well as lead-free deposition research and development of KRYSTAL. In doing so, we aim to acquire personnel with a high level of technical expertise and specialized knowledge, and to expand our business as a piezoelectric MEMS foundry capable of a broad range of solutions.

Single-crystal deposition for lead-free piezoelectric materials is a “sharpest tip” technology in which we have overwhelming strength. PZT are used in a variety of applications thanks to their superior characteristics. However, they contain trace amounts of lead, so their

impact on the environment is a concern. This is why the development of lead-free piezoelectric materials was an issue.

We have already succeeded in single-crystal deposition for lead-free piezoelectric materials such as aluminum nitride (ALN), which is expected to be utilized in next-generation 5G high band applications. Moreover, from the end of fiscal year 2022 to January 2023, we became the first in the world (according to our research) to succeed in single-crystal deposition of lithium niobate (LN) on a silicon wafer. Single-crystal films are characterized by high optical transmittance compared to common poly-crystal films. If such films can be commercialized, they can be expected to contribute significantly to further accelerating communication speeds in the 5.5G and 6G eras.

### Single-Crystal Films a Key to Higher-Speed Communications



When light is shone on a common poly-crystal film from one direction, the light is dispersed at the seams between the crystals. However, single-crystals are uniform in size and form a line, thus light is delivered perfectly straight. This optical transmittance is a key to increasing the speed of communication devices and RF filters\*<sup>2</sup>.

\*<sup>2</sup> A device used in the transceiver circuits of communication terminals; characterized by accepting only signals in the specified frequency band



For details on KRYSTAL® Wafer, refer to the following:  
<https://www.i-pex.com/ips/info/articles/single-crystal-technology>



### Innovative Product development & Engineering solutions eXperts Continuing to Take on Challenges

MEMS is an important fundamental technology of the I-PEX Group, and we can handle every process involved in its manufacture, from design to deposition and processing.

Many applications exist in the world, but there is a limited number of companies that possess the fundamental technologies on which they are founded. When products can be commercialized using these fundamental technologies, value is provided to society in a manner that maximizes the potential of the materials. In this respect, we have a competitive advantage that cannot be matched by other companies.

In particular, the smell sensor, our first proprietary brand and a product we are looking to develop for the B2C market, is our product that is closest to consumers. By sustainably fulfilling needs and working to strengthen partnerships via communication through our products,

we hope to accelerate the shift from so-called “product-out” manufacturing to innovation for value-adding, which is more service oriented.

We previously developed technologies primarily for passive parts. However, with digitalization rapidly progressing and lifestyles changing, MEMS will be a growth area going forward, which is why we decided to enter the market in 2015. We see MEMS as a potential test case for expanding our business from manufacturing to value-adding in all the business areas in which we are involved, from connectors, sensors, molds and assembly parts to machinery and equipment. Going forward, we will continue to take on challenges in the spirit of a startup company and push forward as a united I-PEX Group to be the “Innovative Product development & Engineering solutions eXpert” that solves problems for customers pioneering the next generation.

### Utilization of “Sharpest Tip” Technologies

#### Wine Quality Evaluations Using Smell Sensors

We are working with customers to help them use our smell sensors more effectively in their chosen applications, supporting the demonstration of this technology in the field.

Specifically, working with professors of the Research Faculty of Agriculture at Hokkaido University, we developed a real-time remote monitoring system with smell sensors for the wine fermentation process and aroma constituents. The system was exhibited at Agribusiness Creation Fair 2022 held in October last year. Visually rendering the aroma simplifies the highly involved measurements that normally require a keen sense of smell and expert technique. This includes measuring for the ripeness of the grapes and the level of alcohol fermentation and evaluating quality before and after shipping. The system is expected to help alleviate farming labor

shortages and facilitate technology transfer related to the fermentation process.



Exhibiting at Agribusiness  
Creation Fair



Using a wireless device to  
confirm wine fermentation  
progress and aroma constituents  
via smell sensors



## Challenge & Innovation

# Innovation

## Building a Foundation for Creating Innovation

### Changing Behavior and Reforming Organizational Culture

Aware that a foundation that supports innovation is essential to realizing the Group's I-PEX Vision 2030, we are working hard to build such a foundation. This involves changing the conservative mindset and way of acting of the past as well as adopting a mindset of not fearing failure and the spirit to take on challenges without giving up, fostering a renewed corporate culture to proactively support this behavior.

### A Foundation for Creating Innovation

To more fully embody our corporate identity (CI) and contribute to a comfortable and secure digital society, we are working to create an environment in which diverse personnel can demonstrate and enhance their talents and generate better ideas. I-PEX Campus, an office complex using a college campus we renovated under the "KNOT" concept, serves both as a venue fostering more active communication both inside and outside the company and as the I-PEX Group's core base bringing together the technical and corporate divisions as a place for creating innovation where ideas and inspiration are born. As the main site for human resource development, the campus is also helping us enhance our corporate value through stronger branding, by

hosting factory tours where we showcase our products and the history of the company.



I-PEX Campus received an award in the Best Renovation category at the 31st BELCA Awards, February 2022

### A Place for Technology Transfer

The Engineering Academy is a place for young employees to learn the basics of being an "Innovative Product development & Engineering solutions eXpert." It hosts six courses: resin molding die design, press die design, automated assembly machine, electrical design, die manufacturing, and automated assembly machine manufacturing. The courses are taught by highly experienced company instructors, and the intensive curriculum is designed to impart knowledge and skills in a short period of time through classroom lectures with custom teaching

materials and hands-on training based on actual job requirements. The academy speeds up the skill acquisition process of participants through a systematic course of study and the attentive support of the instructors. This, along with the practical training provided, serves to develop personnel who are ready to start making a contribution immediately. Going forward, we will begin accepting participants from overseas sites and take steps to expand the curriculum to include technologies not limited to proprietary Group technologies.



Courses in progress.  
(From the left: die design, automated assembly machine design, electrical design, die manufacturing, automatic assembly machine manufacturing)

### Accelerating New Business Development and Open Innovation\*

Pursuing a growth strategy through a combination of core and priority businesses, we are focusing on new business development supported by our core technologies.

The Okinawa Innovation Center is pursuing development related to hydrogen and renewable energy in partnership with universities and other corporations within the prefecture, with support from the Cabinet Office and the prefectural government. This development will lead to the creation of environmental businesses that fulfill our commitment to the points of materiality of helping to tackle climate change and contribute to a recycling-based society needed for the contribution to a comfortable and safe digital society supported by innovation. We are working to help bring about a carbon-free society by providing solutions that combine a series of mechanisms for generating

electricity with renewable energy and creating, storing, transporting, and using hydrogen without wasting surplus electricity.



Okinawa Innovation Center that will serve as a co-working factory

### A Co-Working Factory for People Inside and Outside the Company to Come Together for Co-Creation

In recent years, co-working spaces and offices have been coming into use for stimulating business co-creation (= generating new ideas). The Okinawa Innovation Center will serve as a co-working factory, where ideas take shape for the purpose of the co-creation of manufacturing.

Along with the use of hydrogen and renewable energy, the Center is also currently working on the application of the smell sensor in the awamori (an Okinawan distilled spirit) industry. Going forward, as a

co-working factory, the Center will continue to partner with universities, research institutes, and companies inside and outside the prefecture to create a manufacturing infrastructure that gives shape to ideas. By pursuing the practical application and joint development of the technology, expertise, and ideas held by universities, research institutes, and co-creation partner companies, we will rapidly expand into as-yet-unexplored business areas.

\* Creating new ideas with an outside partner



### Creating a New Foundation

#### Development of High-Frequency, High-Speed Transmission Routes Supporting the Digital Society

Communication services that are indispensable to everyday life are spreading throughout the world. With the rapid increase in data volume, data transmission is getting faster and electricity consumption is also increasing substantially.

Through the development of optical electronic technologies in addition to conventional high-frequency and high-speed electrical transmission technologies, we will work to meet demand for the large-capacity, high-speed communication of various electronic devices and for a lower environmental impact.

At the new Tokyo R&D Center, under construction, we aim to contribute to a comfortable and safe digital society supported by innovation by expanding resources for the design, measurement, and analysis of high-frequency, high-speed transmission and optical and wireless transmission, centering on a 3m anechoic chamber. We will continue to take on the challenge of developing optical, electrical, and wireless transmission technologies that cater to demand for high-speed, large-capacity communication and low power consumption.



A computer rendering of the new Tokyo R&D Center scheduled to open in 2025 in Machida, Tokyo.



## Message from the President



In addition to building a robust business structure, we aim to become an “Innovative Product development & Engineering solutions eXpert,” that provides inspiration and surprise as values by translating awareness-raising into actions and results.

Takaharu Tsuchiyama

President, CEO

### 01 Overview and Progress since Becoming President

#### Moving from awareness-raising to actions and results

The I-PEX Group has been carrying out reforms aimed at raising medium- to long-term corporate value. These reforms began in 2019 when we formulated a new corporate identity (CI) and have included changing the company's name, identifying points of materiality, and establishing a medium- to long-term management strategy, I-PEX Vision 2030.

To steadily execute these reforms, I have worked over the past three years to raise awareness of our CI, which is the starting point of our business activities, as well as to clarify the reason for the Group's existence and our future vision. As a result, I think we have made progress in widening the purview of discussions, which tended to focus on near-term measures, to include medium- and long-term perspectives.

However, the issue is that the CI has yet to fully translate into actions and results. It is no easy task for individual employees to take the initiative in changing the corporate culture of an organization they have long been a part of—the process needs to move forward from the top down.

This specifically means clearly presenting a roadmap and goals, what needs to be done and by when. To this end, the actions that each workplace should and should not do need to be narrowed down. Over these past few years, because of the COVID-19 pandemic, the communication with workplaces needed to make these decisions was not sufficient. The next phase of the process going forward will involve new initiatives to translate CI awareness into actions and results. I also plan to actively visit each site and increase opportunities for face-to-face communication.

### 02 FY2022 Results and Issues Going Forward

#### The challenge of changing the business structure

Results for fiscal year 2022 reversed course from the record-high profit registered in fiscal year 2021 as both revenue and profit declined. In the first quarter, operating income exceeded our forecast thanks to solid performance in connectors and other electronic parts, which have a high profit margin, and also because of exchange rates. However, from the second quarter on, orders stagnated due to the lockdown in Shanghai and other supply chain disruptions, slowing demand for products like personal computers, production cuts by automakers, and production adjustments due to shortages of materials. Factory utilization rates were also sluggish. We expected that the situation would subsequently recover, but against a backdrop of rising recessionary concerns, demand decelerated further and we did not achieve our forecasts.

I fully realize that a major factor in this year's results is our field of business, which does not adequately disperse risk.

We have experienced many ups and downs over the past 20 years, but downswings in one business have always been offset by performance in others. In fiscal year 2022, however, the markets for all of our major segments stagnated, causing a drop in earnings. Given this situation, achieving stable earnings requires us to have an earnings structure that does not depend on specific markets, and so it is essential that we create a new business. For this reason, we are currently preparing to make the MEMS business, which holds major demand potential in diverse markets, a new business pillar.

Along with creating this major new business, we will work to expand the market domain of our mainstay connector business. The personal computer market, which accounts for a majority of our connector sales, tends to ramp up at a rapid pace, and it is very difficult to anticipate exactly when that will be. To address this issue, we are diversifying markets by enabling any given connector to be used in other applications as well, such as in-vehicle applications. In addition, to further evolve our existing connectors, we will focus on developing new technologies to make inroads into the enterprise market, including for data centers and communication base stations, and expand sales.

By taking these steps we are aiming to build a robust business structure.



Message from the President

03 Creation of New Businesses

Creating new value from research and development

The Group has currently set a medium-term goal of pursuing initiatives designed to tie awareness to actions and results pivoting on the CI and under the slogan “Challenge & Innovation.” To this end, we are taking on “new business challenges that showcase the inspiration and surprise of innovation” and working to “transform the consciousness, behavior, organizational climate, and organizational culture to support innovation.”

In terms of the first initiative, that of taking on “new business challenges that showcase the inspiration and surprise of innovation,” both research and development will be key.

For some time now, one focus of our research aiming to strengthen and expand fundamental technologies has been MEMS. For example, we established I-PEX Piezo Solutions Inc. in January 2023 as a piezoelectric MEMS foundry specializing in single-crystal technologies for piezoelectric films. This was the latest stage in our research into piezoelectric technologies that began around eight years ago. We have now finally gotten one application up and running, and the MEMS business is moving into a stage from which we can expect it to be a third business pillar for the Group.

In addition, in the area of storage batteries, we are developing technology that can increase a battery’s capacity or extend its life by changing the surface structure of the current collector within the battery. The Group has patents related to battery materials, which we are using to create evaluation samples that can be used in various fields while focusing on specialty applications for industrial drones and other areas where growth can be expected.

Furthermore, to address our point of materiality of tackling climate change and contributing to a recycling-oriented society, we have developed a solution that combines a battery management system and used automotive lithium-ion batteries, and are also moving ahead with research into businesses that utilize the water, oxygen, and heat given off in hydrogen production.

In December 2022, we established the Okinawa Innovation Center and are currently developing product prototypes that use hydrogen energy in cooperation with universities, research institutes, and companies inside and outside of Okinawa Prefecture.

Regarding the second key point, development, in our case this means development related to applications—what will be used to make what kind of product. Within a basic technological fabric, we will develop needed applications in line with the changing times. In particular, we are accelerating the development of high-frequency, high-speed transmission technology that will be essential in the migration from 5G to 6G.

By combining these two key points, research and development, we will work to achieve sustainable growth to reach its management targets.

At the same time, to maintain financial soundness, we will decide on investment allocations to research and development while being constantly aware of the return on investment. Specifically, we will focus on development that promises high profitability for the near term and on research as a medium- to long-term initiative.

04 A Culture of Taking on Challenges to Create Innovation

Framework for smooth communication and speedy decision-making

The second initiative is to “transform the consciousness, behavior, organizational climate, and organizational culture to support innovation.”

The world is changing at an unprecedented pace and customer needs are changing rapidly as well. Even if a new idea for manufacturing or technology arises in the workplace, it takes too much time to implement it within an appropriate timeframe under the old top-down organizational framework. To speed up decision-making and boost efficiency, we are changing to an organizational framework under which necessary authority is delegated.

I and other members of management will be visiting workplaces and increasing opportunities for close communication, which is also very important. Through conversations with employees, I have come to realize that our Group has extremely high potential for innovation. It is important to offer encouragement by being positive about taking on challenges and to connect ideas to action.

This holds true not only in Japan but at overseas Group companies as well. Until recently, our basic awareness and perspective was “from Japan to overseas,” but this caused the issue of development overseas not making much progress. We have therefore assembled a glocalization team, and are putting a framework in place for making quick decisions locally at overseas sites and transitioning to an organization that can generate a series of innovations around the world.

05 Capital Policy

Working to reduce assets, shifting to efficiency-focused operations

With regard to our capital policy, we will reduce assets and work to optimize our operating systems.

One strength of the Group thus far has been a supply system made possible by integrated production with advanced technical capabilities, and we have generally prepared and operated plants and production facilities on our own. In recent years, we have worked to bolster our production framework and plants, which has resulted in fixed assets taking up a relatively high proportion of total assets compared to other companies in the same industry, which I feel is an issue.

More recently, customer needs are increasingly diversifying and lifecycles are also getting shorter. To accommodate these changes in a timely and flexible manner, we have to change to a structure that is lighter in terms of fixed assets by more skillfully making use of outside partnerships instead of focusing mainly on integrated, in-house production as we have done. Specifically, our plan is to make fixed assets 50% or less of total assets.

Going forward, while striking a balance between profitability, shareholder returns, and financial soundness, we will consolidate and adjust assets, reduce idle capital, establish ROE as a key financial indicator, and work to convert to a lean corporate structure that generates a high level of cash with an appropriate amount of capital. With regard to ROIC as well, we will set targets for each business division and monitor progress to work for further improvement.

With respect to capital costs, utilizing liabilities up to an equity ratio of around 50%, we will minimize costs while striking a balance with capital.

06 To Our Stakeholders

Becoming an “Innovative Product development & Engineering solutions eXpert”

I want us to be a group of specialists that not only manufacture products but also add value by proposing services and ideas to address the concerns of client companies and in turn help address major social issues.

With digitalization accelerating and society changing at a rapid pace, simply repeating the same approach to manufacturing day after day will not lead to sustainable growth. With the conviction that we, too, have to change, our CI makes clear the reason for the Group’s existence and our vision for its future. If we share this awareness, it will translate into action. This is the significance of the CI awareness-raising activities we have conducted since I became president, and we intend to continue these activities to steadfastly translate this awareness into actions and results.

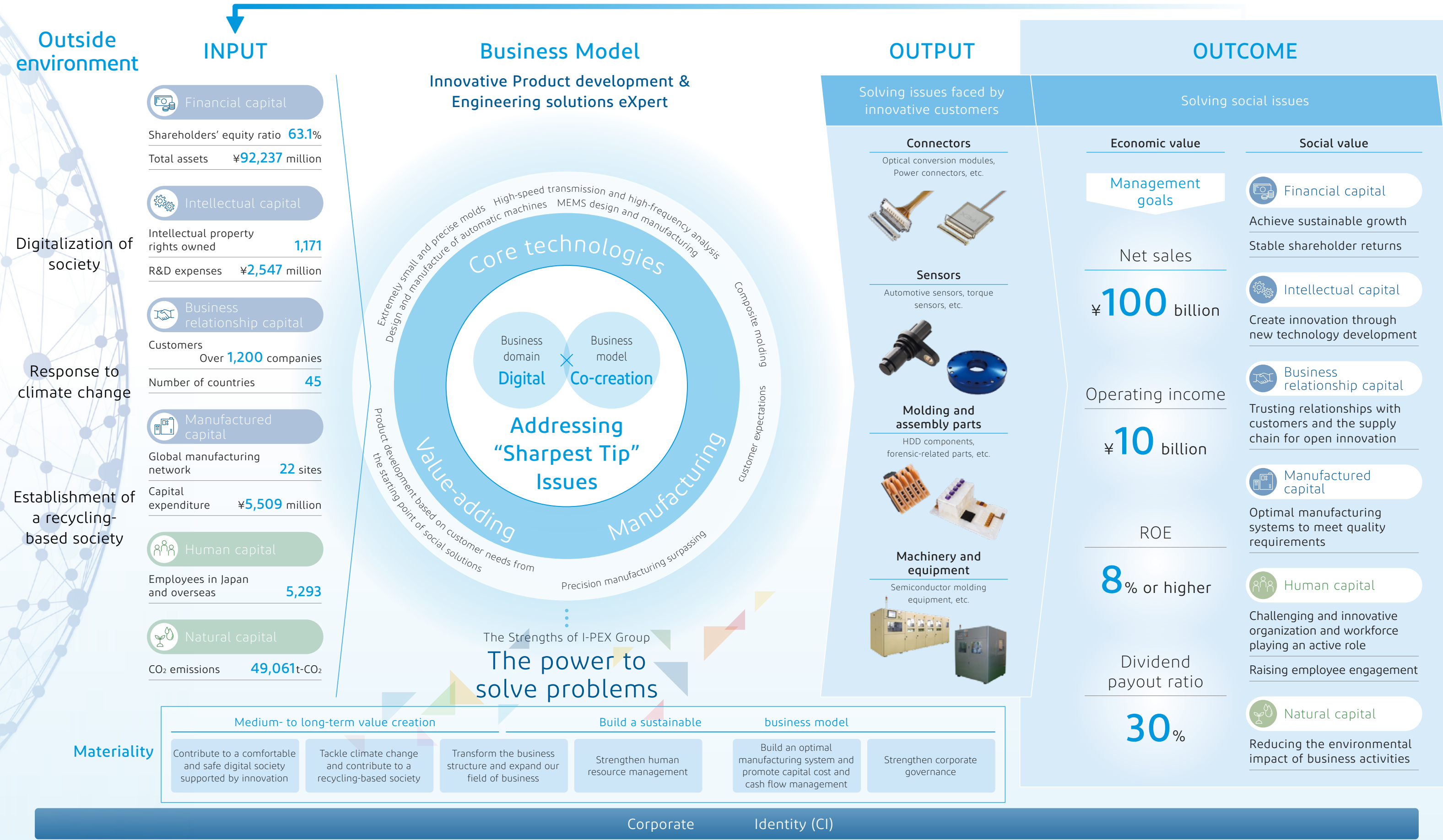
In addition, we regard dialogue with shareholders, investors, and other stakeholders as an important opportunity for us as we work to raise corporate value. In this year’s Integrated Report, which we are publishing for the second year, we have clearly laid out the strengths of the Group’s businesses and a sustainable business model within the value-creation process. We have also shown the progress we have made toward establishing our CI, in terms of building a new framework and carrying out initiatives, putting in place the sustainable business model, addressing the six points of materiality we have identified as key issues for creating medium- to long-term value, and steadily implementing the I-PEX Vision 2030, the medium- to long-term strategy derived from the points of materiality. Our hope through this report is to continue to engage in constructive dialogue and co-create value with all of our stakeholders. We appreciate your ongoing support.



Takaharu Tsuchiyama  
President, CEO

Value Creation Process

With strengths in core technologies, manufacturing, and value-adding, the I-PEX Group is working to solve problems in various fields, focusing particularly on digital arenas. Going forward, we will strive to create new value as an “Innovative Product development & Engineering solutions eXpert” with the technological abilities that will also enable us to put digital manufacturing into practice.





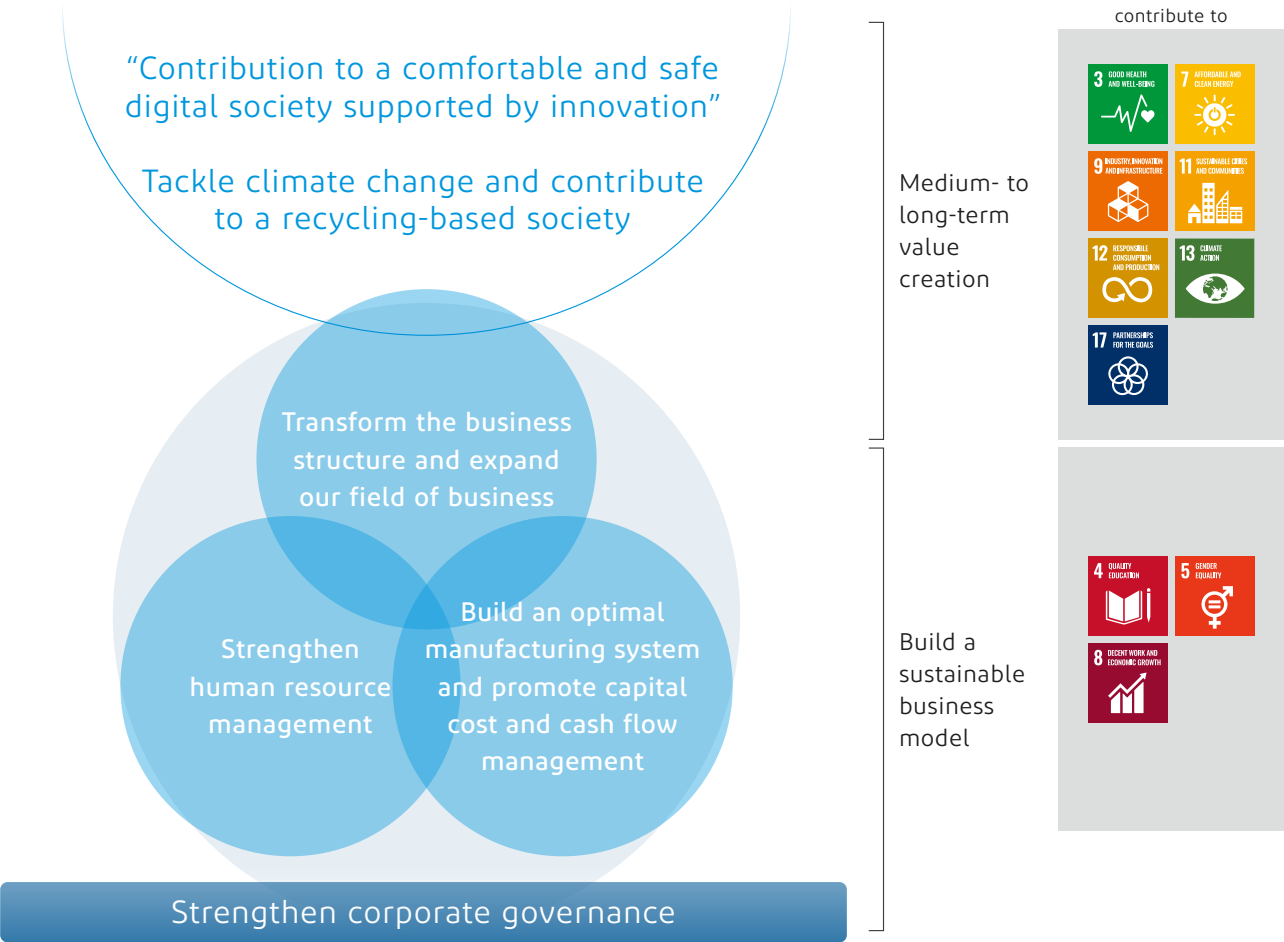
Materiality

In formulating the I-PEX Vision 2030, our medium- to long-term management strategy, we considered what would be important to achieve our vision while accommodating changes in society and we defined and systematized points of materiality on that basis. By implementing business initiatives derived from this, we will work to raise sustainable corporate value and help solve social issues.

Six Points of Materiality for Sustainable Value Creation

The I-PEX Group has designated “Contribution to a comfortable and safe digital society supported by innovation” as its most important issue from a CSR perspective. To help bring about a comfortable and secure digital society, it is essential that we “tackle climate change and contribute to a recycling-oriented society.” To promote this effort, we will take a three-pronged approach, that of “transforming the business structure and expanding our field of business,” “strengthening human resource management,” and “building optimal manufacturing systems and promoting capital cost and cash flow management,” while “strengthening corporate governance” will serve as the foundation of our management. This will be our framework for building a sustainable business model. Through efforts to solve these issues, we will contribute to building a comfortable and secure digital society, and, by securing a medium- to long-term competitive advantage, we will seek to create new value.

Materiality System Diagram



➤ P.20

\*1 Co-creation and collaboration with other companies and groups

\*2 Listening to the feedback of customers and identifying their requests and concerns in order to launch new products that address them

\*3 Economic activities that generate added value while reducing resource inputs and consumption to utilize resources effectively

\*4 Utilizing waste to generate new value

\*5 Energy created from renewable energy sources such as solar, wind power, hydropower, geothermal and biomass

\*6 Balancing greenhouse gas emissions and absorption amounts

\*7 Think global, act local

\*8 Working in an environment where diverse human resources are given fair opportunities and diversity is accepted

\*9 Return on Invested Capital

\*10 Cash Conversion Cycle

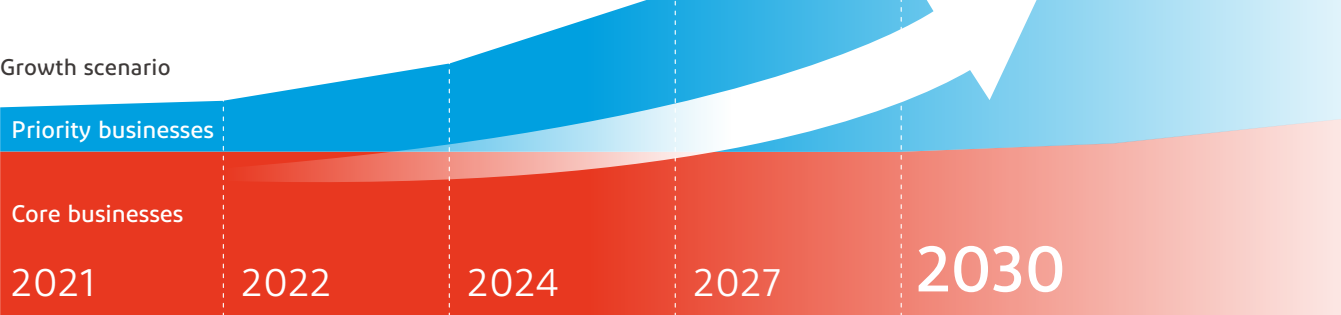
Activity results and future goals

Materiality and direction of initiatives	Results of main activities in FY2022	FY2023 goals	FY2030 goals
<div><b>Contribute to a comfortable and safe digital society supported by innovation</b></div> <div><ul style="list-style-type: none"><li>Contribute to the “Super Smart Society (Society 5.0)” through “sharpest tip” technologies</li><li>Develop new technologies and applications through partnerships*1 and “market-in”*2 approach</li><li>Utilize proprietary technologies at advanced levels through business synergies</li><li>Raise awareness of innovation and change mindsets</li></ul></div>	<div><ul style="list-style-type: none"><li>Corporate acquisitions to expand the MEMS business ➤ P.09</li><li>Product development for the enterprise market</li><li>Opened Okinawa Innovation Center ➤ P.12</li></ul></div>	<div><ul style="list-style-type: none"><li>Establish working group for new value creation (company-wide)</li><li>Create innovation plan utilizing proprietary technologies by continuing to engage in open innovation, etc.</li></ul></div>	<div><ul style="list-style-type: none"><li>Commercialize new businesses that contribute to the digital society</li></ul></div>
<div><b>Environment (E)</b> <b>Tackle climate change and contribute to a recycling-based society</b></div> <div><ul style="list-style-type: none"><li>Raise energy efficiency in production and expand use of renewable energy</li><li>Contribute to an energy-saving society through “sharpest tip” technologies</li><li>Build new business models via circular economy*3 and upcycling*4</li></ul></div>	<div><ul style="list-style-type: none"><li>Set target for CO<sub>2</sub> emissions reduction ➤ P.31</li><li>Established solar power facilities at Malaysia and Singapore plants ➤ P.32</li><li>Developed recyclable materials through collaboration with a materials company ➤ P.32</li></ul></div>	<div><ul style="list-style-type: none"><li>Reduce electricity consumption</li><li>Install solar facilities at the Philippines Plant (scheduled for the end of 2023)</li><li>Switch to green energy*5</li><li>Complete development of recyclable materials and evaluate them for inclusion in I-PEX products</li></ul></div>	<div><ul style="list-style-type: none"><li>Reduce CO<sub>2</sub> emissions by 40% (2021 as base-line year)</li><li>Continuing initiatives aimed at carbon neutrality*6 by 2050</li></ul></div>
<div><b>Transform the business structure and expand our field of business</b></div> <div><ul style="list-style-type: none"><li>Consolidate and specialize in connection with existing products and narrow focus for new areas of development</li><li>Convert to an earnings structure resistant to cyclical fluctuations and create new business pillars</li><li>Allocate management resources to new and growth businesses from a company-wide perspective</li><li>Shift from manufacturing to value-adding</li></ul></div>	<div><ul style="list-style-type: none"><li>Strategic focus on key existing products</li><li>Followed up on priority businesses</li><li>Created a glocalization*7 system</li></ul></div>	<div><ul style="list-style-type: none"><li>Move forward on changes to business portfolio</li><li>Strengthen profitability of core and priority businesses</li></ul></div>	<div><ul style="list-style-type: none"><li>Net sales of ¥100.0 billion or more and operating income of ¥10.0 billion or more</li><li>Achieve mixed growth strategy and business model evolution as stated in I-PEX Vision 2030</li></ul></div>
<div><b>Society (S)</b> <b>Strengthen human resource management</b></div> <div><ul style="list-style-type: none"><li>Strengthen HR management from a company-wide perspective, perform global personnel evaluations and build career advancement programs</li><li>Secure and develop personnel with high specialization and the potential to create future businesses</li><li>Promote diversity, equity and inclusion*8</li><li>Enhance employee engagement and motivation</li></ul></div>	<div><ul style="list-style-type: none"><li>Started succession plan training and detailed career course plan ➤ P.33</li><li>Increased training time per domestic employee twofold (compared to FY2021) and implemented basic technical education (molding technologies and image processing/AI) ➤ P.34</li><li>Female employment ratio of 22.0% (Japan) Female manager ratio of 2.6% (Japan) Reformed post-retirement re-employment system ➤ P.35</li><li>Increased points assigned to “job satisfaction,” a general indicator used for Japanese employees ➤ P.35</li></ul></div>	<div><ul style="list-style-type: none"><li>Prepare for the introduction of the career course system and compensation system (expected to be implemented in 2025)</li><li>Initiate second step of HR development system, prepare to extend education system globally</li><li>Provide ongoing career support in order to gradually increase the female manager ratio</li><li>Increases points for the general indicators “job satisfaction” and “motivation”</li></ul></div>	<div><ul style="list-style-type: none"><li>Female manager ratio (Japan) of 10%</li></ul></div>
<div><b>Build an optimal manufacturing system and promote capital cost and cash flow management</b></div> <div><ul style="list-style-type: none"><li>Build a speedy, flexible production system, consolidate production sites, and promote allocation (transfer)</li><li>Promote an outsourcing policy based on profitability and added-value standards</li><li>Promote capital cost management by introducing ROIC*9 and cash flow management by improving the CCC*10</li></ul></div>	<div><ul style="list-style-type: none"><li>Shifting from single-site to multi-site production and from in-house to contract manufacturing (two companies) ➤ P.24</li><li>Introduced, developed and provided training on ROIC for each division ➤ P.23</li><li>Perspective of raising capital efficiency was added to management accounting</li></ul></div>	<div><ul style="list-style-type: none"><li>Expand shift from single-site to multi-site production and optimize procurement and transport</li><li>Include ROIC figures by business division in period-start targets</li><li>Set targets and manage target/ results comparisons based on the characteristics of each business division</li></ul></div>	<div><ul style="list-style-type: none"><li>ROE of 8%</li><li>Payout ratio of 30%</li></ul></div>
<div><b>Governance (G)</b> <b>Strengthen corporate governance</b></div> <div><ul style="list-style-type: none"><li>Further raise awareness of the corporate philosophy</li><li>Strengthen supervision of important matters related to management</li><li>Strengthen global group governance</li></ul></div>	<div><ul style="list-style-type: none"><li>Awareness-raising activities conducted on corporate philosophy ➤ P.40</li><li>Evaluated the effectiveness of the Board of Directors and addressed issues ➤ P.38</li><li>Launched group governance task force ➤ P.40</li></ul></div>	<div><ul style="list-style-type: none"><li>Create a system to embody the Corporate Identity (CI) in business operations</li><li>Appropriately assess Board of Director effectiveness evaluations and make improvements</li><li>Establish governance system at the Group level</li></ul></div>	<div><ul style="list-style-type: none"><li>Build corporate governance system with both rapid, decisive decision-making and supervision over management and execution</li></ul></div>

# I-PEX Vision 2030 Medium- to Long-Term Management Strategy

## Medium- to Long-Term Management Goals

Through growth by mixing core businesses and priority businesses, expansion of our field of business, and evolution of business models, we will improve business profitability and capital efficiency and work to achieve, as our medium- to long-term goals, net sales of ¥100 billion, an operating income percentage of 10% and ROE of 8%.



Priority Measure 1

## Growth by Mixing Core Businesses and Priority Businesses

Since our founding in 1963 as a producer of high-precision molds, we have expanded our field of business to become a commissioned component manufacturer and solutions provider, accumulating the core technologies that underpin I-PEX today, namely, automatic machine design and manufacturing, composite molding, high-speed transmission and high-frequency analysis. Based on these varied technologies, we will pursue the further evolution of core businesses that currently produce revenue in the consumer, automotive, and industrial segments, and, moreover, we will position businesses with potential for development in these segments, businesses in the life science segment—a new area of challenge for us—and businesses like MEMS that cut across segments as medium- to

long-term priority businesses and work for their creation and development. In particular, our acquisition of a company with single-crystal piezoelectric thin film (PZT film) technology in fiscal year 2022 put in place the framework for a piezoelectric MEMS foundry that can consistently handle everything from piezoelectric MEMS design support and single-crystal deposition to MEMS processing. We have thus made great strides toward achieving our medium- to long-term goals for the MEMS business.

Through a growth strategy based on a mix of core and priority businesses that will each create innovative new products and technologies, we will continue to seek to achieve our management goals as quickly as possible.

➤ P.22 Figure 1

Priority Measure 2

## Evolution of Business Models

As indicated in the section on materiality, it is necessary for us to create economic value while simultaneously addressing the digitized society, tackling climate change, and helping to build a recycling-based society. By expanding our business into the digital sector (from manufacturing to value-adding) and facilitating the evolution of business models from self-reliance to collaboration, we will pursue models that further raise corporate value.

Specifically, the matrix is made up of business fields we plan to augment in stages—production, hardware, and aggregation—and business models we will expand in phases—internal resources, the company brand, external resources, and ecosystems. In areas where these two axes cross, we will pursue the evolution of new product creation and existing products to add comprehensive capabilities that will enable us to respond flexibly in any business environment.

➤ P.22 Figure 2

Figure 1 Business direction in each sector

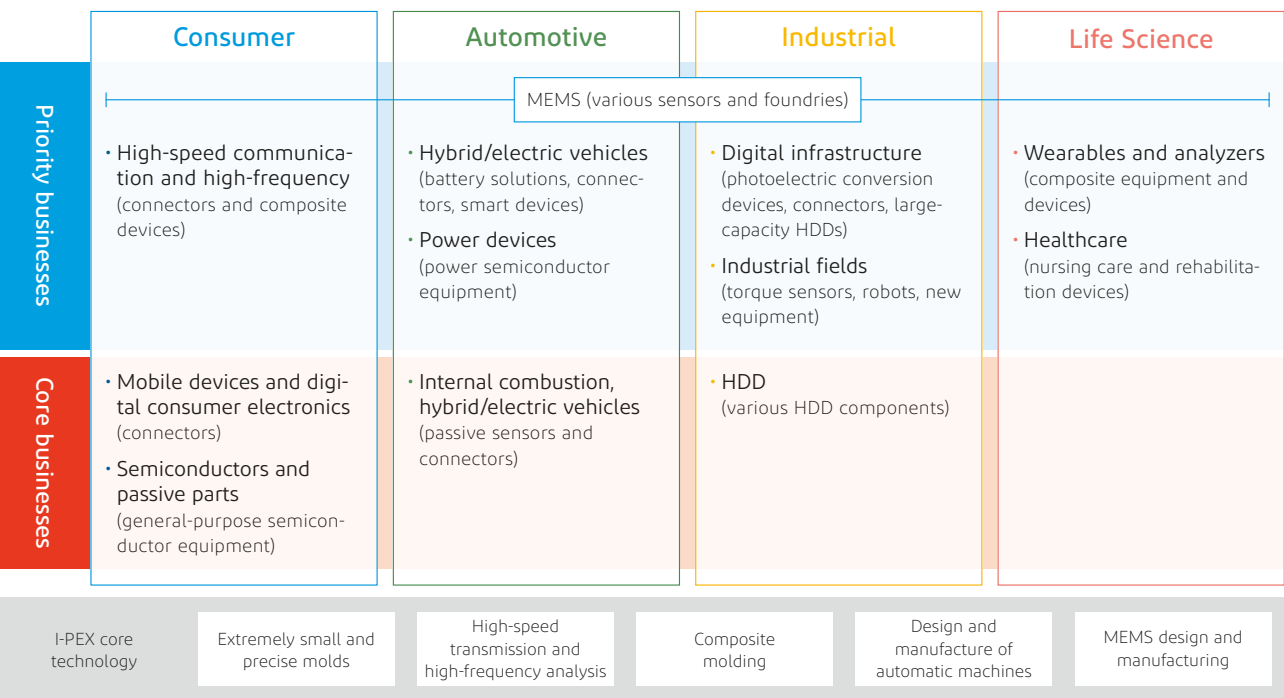
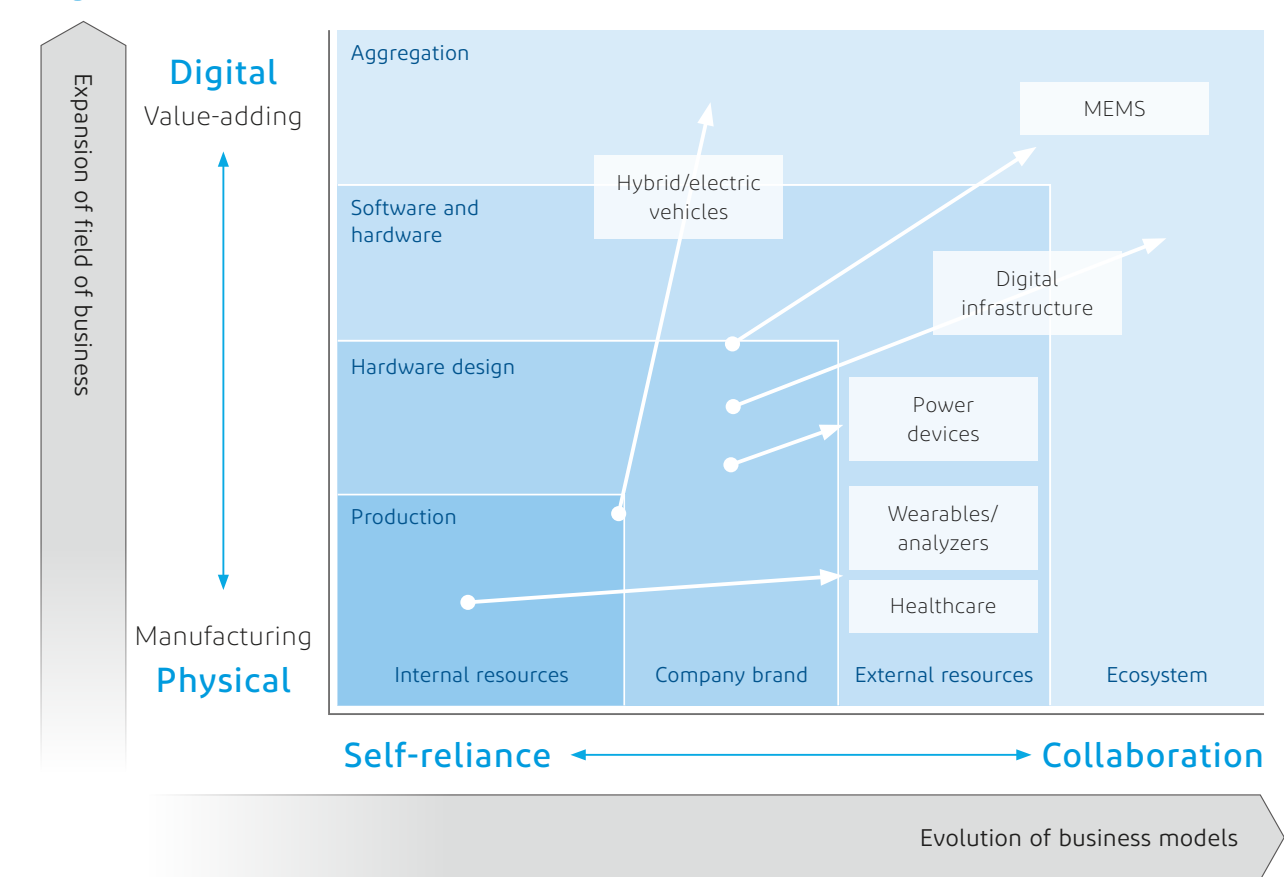


Figure 2 Innovative Product development & Engineering solutions eXpert business sector







# Capital Efficiency and Optimization

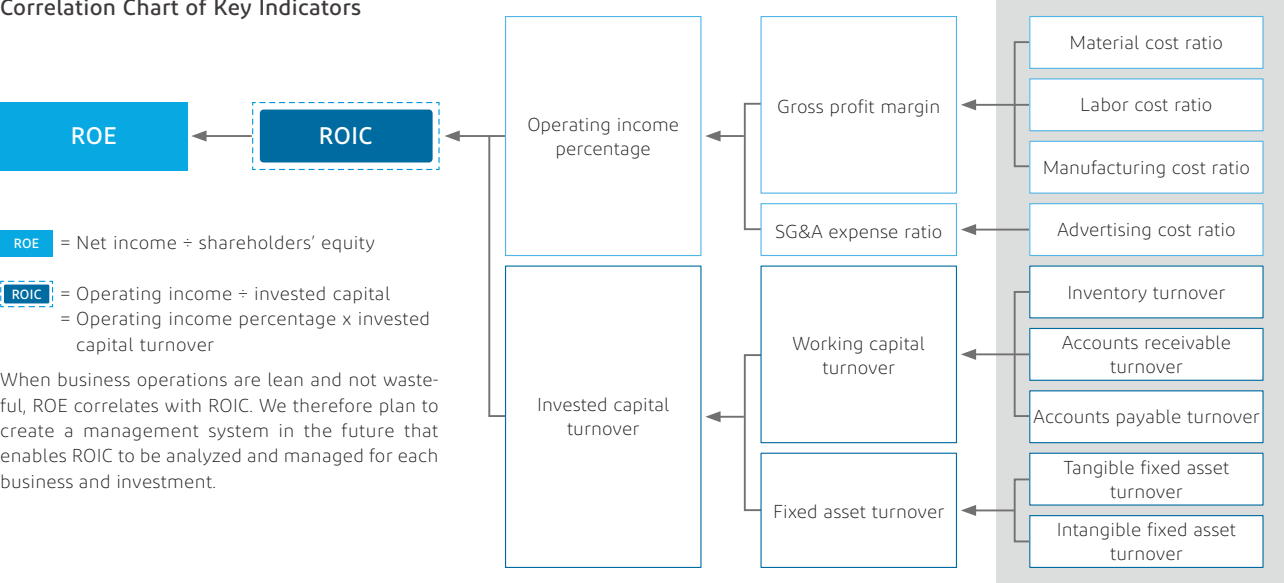
Corresponding  
Materiality  
P.20

The I-PEX Group uses return on invested capital (ROIC) as a key performance indicator for financial matters. The goal is to achieve growth strategies by investing in management resources that create added value while freeing up more management resources. In addition, we organize elements of the ROIC concept into a tree structure that extends all the way down to the manufacturing floor. Everyone, from executive management to frontline employees, will work together to generate ideas for the “ideal manufacturing system” based on profit improvement activities and then take action based on these ideas.

## Raising the Profit Margin, Pursuing ROIC Management

By integrating the concept of ROIC, we will manage the business with greater awareness of capital efficiency and strive to achieve ROE of over 8% for the medium term. Taking into account past performance, we will set targets and manage outcomes to take advantage of the characteristics of each business.

Correlation Chart of Key Indicators

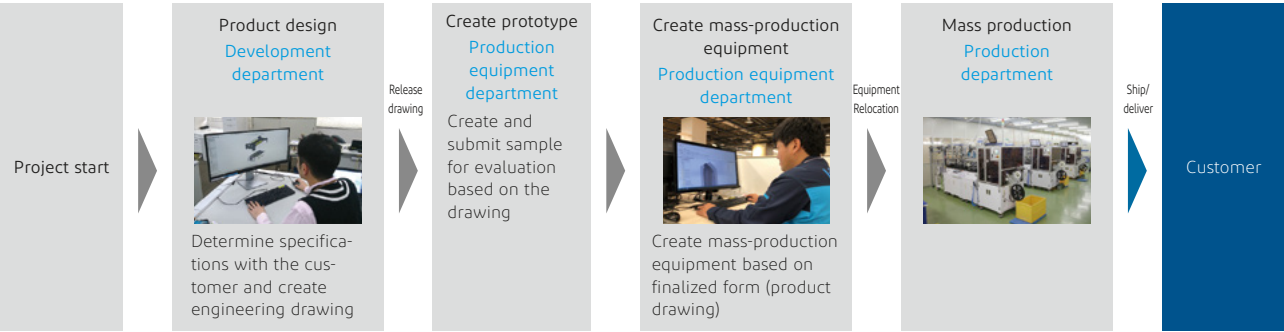


## Overall Process Optimization

To increase investment efficiency and boost profitability, we are updating the rules used for processes from order reception to equipment manufacturing and mass production. For mass-produced items, we will promote automatic ordering via a parts management system (BOM\* system). By standardizing order items and automating the ordering process, we will work to raise order accuracy and reduce man-hours required to process orders.

\* Abbreviation of bill of materials.

## Manufacturing flow



## BOM System Advantages

- Increases efficiency of parts management
- Reduces human error
- Standardizes order items

## Promoting DX to Increase Business Efficiency

We are moving forward with digital transformation (DX) by working to digitize business processes.

In the production and equipment departments, as a first step, we are working to increase business efficiency by introducing digital tools. This currently involves deploying IoT systems to production equipment and manufacturing lines to increase work efficiency as well as implementing and further developing a manufacturing execution system (MES) as a tool for analyzing daily production to make improvements. For our second step, we will move forward with introducing robotics and AI to further raise productivity.

In the procurement division, we upgraded our electronic ordering system (EDI) and initiated connections with suppliers in Japan. As a first step, we established ties with around 100 companies and are currently setting up operations for electronic ordering. Going forward, our second step will be to initiate connections with suppliers of overseas sites and further expand the EDI system.

## Optimization of Production Allocation

In addition to building a stable global supply framework, we are optimizing production allocation taking into account profitability and risk control measures. Specifically, we have shifted from in-house to contract production by partnering with strategic suppliers and utilizing global sites to diversify the production of key items. Going forward, we will expand the list of items produced in this way and work to maintain supply lines and strengthen competitiveness as we respond to an increased level of uncertainty.

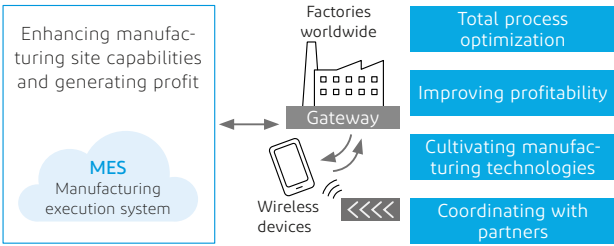
## Optimization of Invested Capital/Improving the Cash Conversion Cycle\*

We will achieve our growth strategy by emphasizing ROIC as a management indicator and investing in management resources that generate added value. Seeking to become an asset-light organization, while putting a check on premature capital investment in new businesses, we are drawing on wisdom and ideas from both within and outside the Group as well as capitalizing on unused and external resources.

In addition, we will free up management resources and expedite the capital recovery cycle by reviewing existing contracts and production efficiency to bolster the cash conversion cycle.

\*Cash Conversion Cycle (CCC): An indicator that shows the number of days from payment of accounts payable incurred when a company purchases products or raw materials, etc. to the time when it receives payment for accounts receivable generated by subsequent sales.  
Cash conversion cycle = Inventory turnover period + Accounts receivable recovery period - Accounts payable turnover period

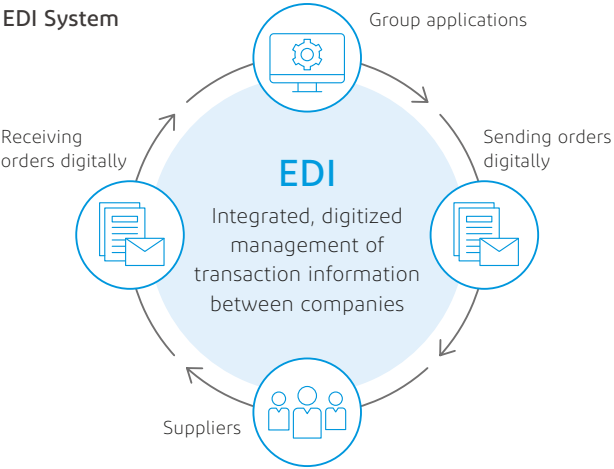
## MES



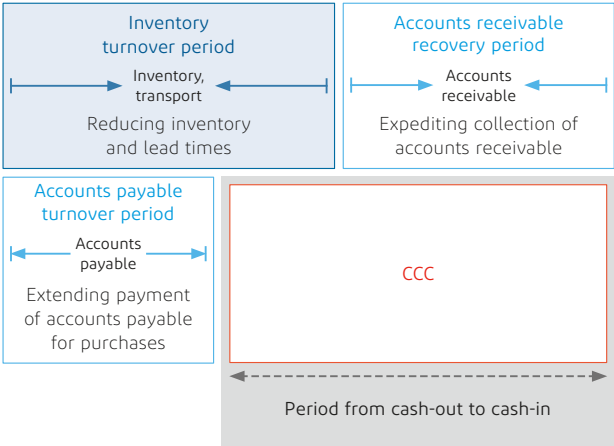
## DX Promotion Project Example

Increasing efficiency via system utilization	Streamlining production burden by reducing man-hours
<ul style="list-style-type: none"><li>Promoting IoT operations monitoring system</li><li>Use of MES</li><li>Digitizing maintenance records</li><li>Visualizing plant management indicators</li></ul>	<ul style="list-style-type: none"><li>Utilizing IT in equipment department</li><li>Promoting improvement activities</li><li>Automated inspection</li></ul>

## EDI System



## Capital Recovery Cycle

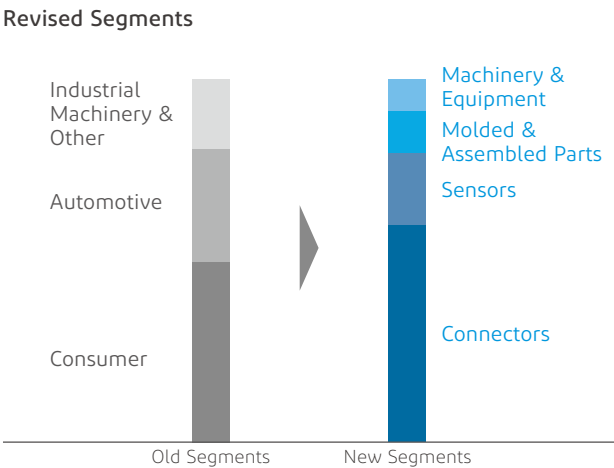


# Segment Overview



## Segment Revision

The I-PEX Group has worked to build business value in three segments: Consumer, Automotive, and Industrial Machinery & Other. However, to achieve the I-PEX Vision 2030 we formulated last year—aiming to be a company with technical capabilities to implement digital manufacturing—and to more clearly convey our progress and present our business activities in a more understandable way, we reorganized our businesses into four product-based segments: Connectors, Sensors, Molded & Assembled Parts, and Machinery & Equipment. We will visually communicate our growth strategy by presenting our product-based segments by markets.



Old segments replaced by new segments

By Market	Life	Mobility	Digital infrastructure	Industry
By Product				
Connectors	(Consumer) PCs (Consumer) Smartphones	(Consumer) Car electronics (Automotive) Connectors	(Consumer) Networks (Consumer) Server/Base stations	(Consumer) Other
Sensors		(Automotive) Sensors		(Industrial Machinery & Other) Torque sensors
Molded & Assembled Parts	(Industrial Machinery & Other) Forensic-related parts	(Automotive) Modules & other	(Industrial Machinery & Other) HDDs	(Industrial Machinery & Other) Other
Machinery & Equipment				(Industrial Machinery & Other) semiconductor molding equipment

\* The old segments are written in brackets

## Segment Sales (by Product)

Amid the lingering impact of COVID-19, the global economy in the fiscal year under review was marked by sharp increases in the costs of resources and energy stemming from the prolonged crisis in Ukraine, shortages of components and raw materials caused by supply chain disruptions, and ongoing inflation. Uncertainties in the economic outlook thus increased and instability continued.

In this economic context, we faced a very challenging year, after having posted record-high profit the previous

fiscal year. Net sales were down due to a variety of factors, including supply chain disruptions from the lockdown in Shanghai and other developments, a slowdown in demand for computers and other products, and production cutbacks by automakers facing semiconductor shortages. Net income dropped by a significant margin, reflecting lower capacity utilization at our plants amid the drop in sales as well as higher depreciation and labor costs.

Connectors

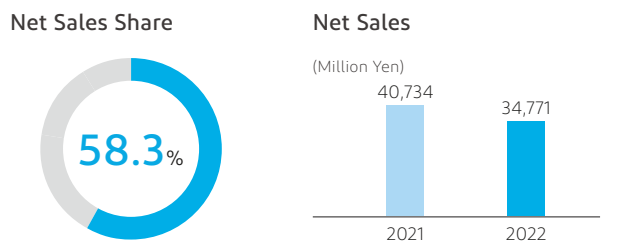
For more information on I-PEX's connectors:  
<https://www.i-pex.com/>

## 2022 Business Environment and Results

Demand for digital products was down amid mounting concerns over recession. Sales flagged as a result, particularly sales of connectors for notebook computers. Automotive connectors saw growth in power terminals used in electric vehicles, but ongoing sluggishness in automobile production led to a decline in connectors for LED headlights and other applications.

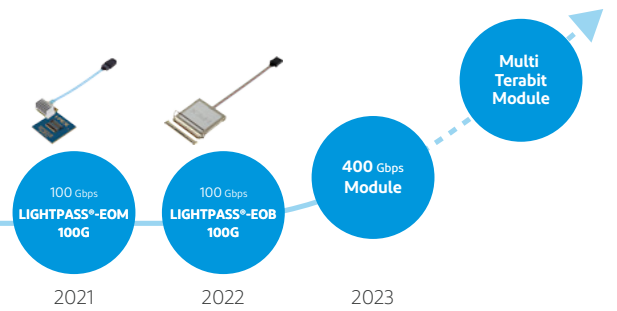
### Outlook

To diversify the revenue structure, we will leverage our mainstay high-frequency, high-speed transmission technologies to enter the enterprise market, with a focus on expanding sales. As data transmission volumes continue to increase every year, we will focus in particular on the further development of LIGHTPASS® Series products and other electrical and optical solutions, targeting the data



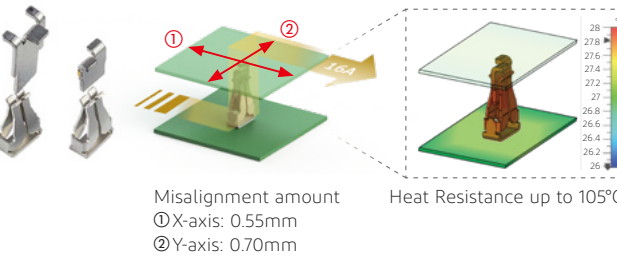
centers and communication base stations that undergird data transmission. With respect to automotive connectors, in line with increasing popularity of electric vehicles (EVs) following tighter regulations in response to environmental considerations worldwide, we project rising demand for high current, high temperature compact connectors to support the shift to EVs.

## LIGHTPASS® Series Development Roadmap



For details on the LIGHTPASS® series:  
<https://www.i-pex.com/library/video/lightpass>

## Details on AP-10 (16 amp high-power supply terminal for board-to-board connection)



For details on the AP-10 high power terminal Connector:  
<https://www.i-pex.com/product/ap-10>



## Segment Overview

### Sensors



For details on I-PEX's sensors:  
<https://corp.i-pex.com/en/product/sensor>



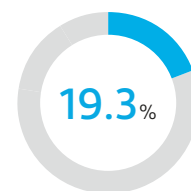
#### 2022 Business Environment and Results

Demand for automotive sensors was down as semiconductor shortages and supply chain disruptions impeded production at automakers. There were signs of a moderate recovery in the automobile market in the second half of the year, but there was no major improvement in supply-side constraints on automotive components, preventing a full-fledged turnaround in performance. We are working to boost production efficiency to stabilize the revenue structure.

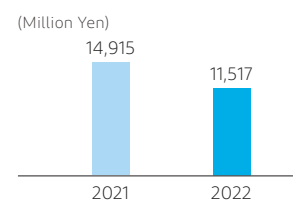
#### Outlook

We see supply-side constraints on automakers caused by semiconductor shortages and supply chain disruptions subsiding gradually, making way for a turnaround in demand for automotive sensors. Going forward, we expect growth in sensors for air bags in particular, buoyed by mounting demand related to safe driving. For torque

#### Net Sales Share

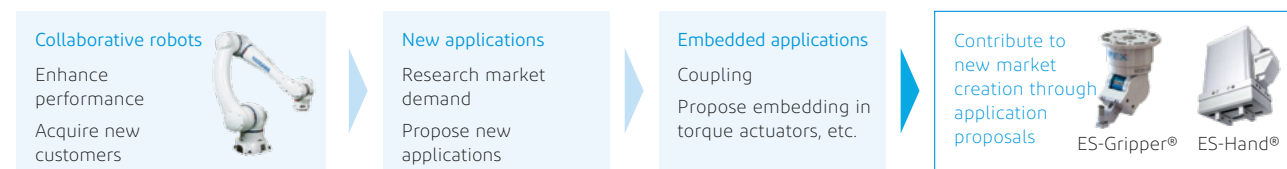


#### Net Sales



sensors used in the joint shafts of robots designed to work side-by-side with people, we will carry out activities aimed at acquiring new customers and expanding applications, drawing on our track record of sales to robot manufacturers in Japan.

#### ESTORQ® Development Strategy



### Machinery & Equipment



For details on I-PEX's machinery and equipment:  
<https://corp.i-pex.com/en/product/semiconductor>



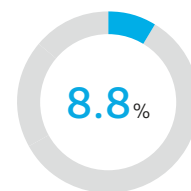
#### 2022 Business Environment and Results

Semiconductor molding equipment performed briskly throughout the year. The semiconductor market saw a slowdown from the middle of the year, primarily among general-purpose semiconductors. However, demand for manufacturing equipment for automotive semiconductors and power semiconductors—particular areas of strength for the I-PEX Group—remained robust, with sales growth outstripping initial projections.

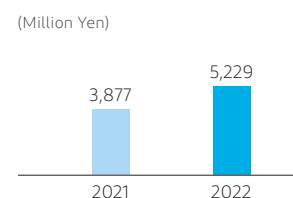
#### Outlook

In the area of semiconductor manufacturing equipment, we expect ongoing brisk demand for sealing devices for power and automotive semiconductors, fueled by the push for carbon neutrality and the electrification and computerization of automobiles. Here, to capture more orders, we will draft customized proposals drawing on our distinctive technologies. Also, harnessing the thermosetting sealing techniques we cultivated in our semiconductor manufacturing equipment, we will work to strengthen the revenue base by expanding into manufacturing equipment for products other than semiconductors, such as electronic components.

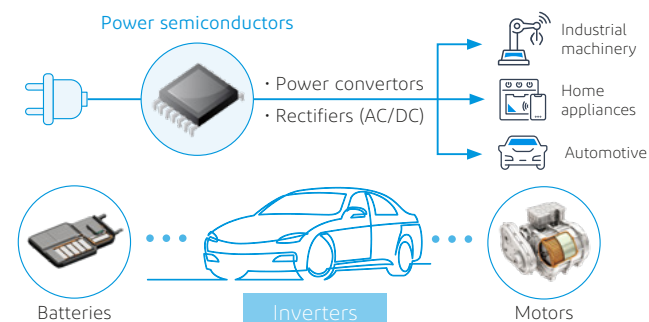
#### Net Sales Share



#### Net Sales



#### Manufacturing Equipment for Power Semiconductors



### Molded & Assembled Parts



For more information on I-PEX's molded and assembled parts:  
<https://corp.i-pex.com/en/product/cm>



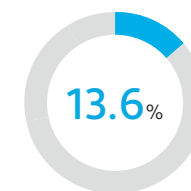
#### 2022 Business Environment and Results

Sales of HDD-related parts were sluggish overall. Although sales of parts for large-capacity HDDs for data centers were solid, investment in data centers saw a temporary contraction in the fourth quarter due to concerns about recession. Performance of forensic parts was sluggish due to delays in procurement of components and materials caused by supply chain disruptions. We are shifting production of molded and assembled parts to optimal sites and making adjustments to unprofitable businesses to stabilize the revenue structure.

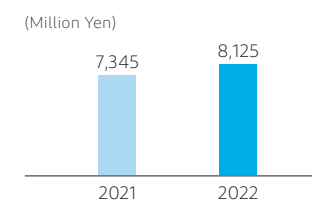
#### Outlook

In HDD-related parts, we expect a turnaround in demand for large-capacity HDDs for data centers (nearline storage). To address technology trends associated with these larger capacities, we will lay the groundwork for the mass production of related parts that involve a high level of difficulty. In forensic-related parts, we expect demand to increase for

#### Net Sales Share



#### Net Sales

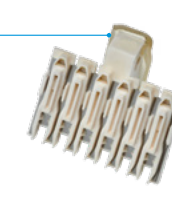


molded parts that use I-PEX's thermosetting technology in conjunction with the mounting complexity of DNA analysis systems. With respect to automotive parts, we expect growth in module components for regenerative braking as automobile production recovers.

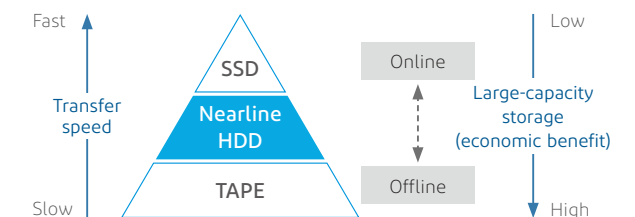
#### HDD-related parts



#### Ramp



#### Type of storage



#### Outlook for MEMS Business

##### ✓ Launch of I-PEX Piezo Solutions Inc.

The I-PEX Group made KRYSTAL, Inc. (now I-PEX Piezo Solutions Inc.) a subsidiary in June 2022. This is the world's first company to succeed in creating a single-crystal version of lead zirconate titanate, or PZT, which is a material used in MEMS. The addition of this company gives us a framework for carrying out all processes of the MEMS business in-house, from materials development to mass production. Going forward, we will channel our efforts into the further growth of the MEMS business as a piezoelectric MEMS foundry that can consistently handle everything from piezoelectric MEMS design support and single crystal deposition to MEMS processing.

#### Examples of MEMS Devices



Mirrors



Speakers



RF filters



Ultrasonic sensors



Ink-jet printer heads



Smell sensors



For details on I-PEX Piezo Solutions Inc., refer to the following:  
<https://www.i-pex.com/ips/about-us/company>



# Message from the Sustainability Officers



## Sustainably Enhancing the I-PEX Group’s Corporate Value and Helping Bring about a Better Society

Reiji Konishi  
Chair of Sustainability Committee

Amid growing awareness of corporate responsibilities toward climate change and human rights issues in recent years, we believe social and environmental sustainability is indispensable to realizing our corporate philosophy. We have identified six points of materiality to achieve sustainable growth for our Group, and are constantly working to address them. We formulated a new Sustainability Policy for the Group in August last year. At the same time, to execute and drive the policy forward in practical terms, we established a Sustainability Committee made up of executive officers from each business, which will help us pursue management that is attentive to the environment (E), society (S), and governance (G).

With regard to the environment, we have begun activities aimed at achieving carbon neutrality by 2050. We will also work to develop products that can address environmental issues and to integrate them into a new business portfolio. In addition, we will identify risks and opportunities for the Group with respect

to climate change and work to disclose information in line with the TCFD recommendations.

With regard to society, since we have long been active in overseas businesses, this is an area in which we are constantly engaged. Our focus is on human capital, an area of growing importance in Japan, and on carrying out business restructuring to further enhance corporate value.

With regard to governance, the Board of Directors consists of Internal and Outside Directors with the skills necessary for the Group to execute its management strategy. However, going forward, we will promote the appointment of female directors to make the board more diverse.

We will make ongoing improvements to our ESG initiatives in light of social demands, seeking to enhance corporate value and help bring about a better society so that we can continue to grow sustainably beyond our 60th anniversary.

## Initiatives for the realization of the six points of materiality

Maiko Hamano  
General Manager in Charge of Sustainability

We have established Working Groups linked to our six points of materiality to help guide our operations for the sustainable growth of the Group. Last year, the Working Groups examined the overall direction of our activities, along with specific initiatives and targets, and submitted proposals to the Sustainability Committee. In particular, for the points of materiality, “Tackle climate change and contribute to a recycling-based society” and “Strengthen human resource management,” we set numerical targets and commenced concrete activities.

From a global perspective, our overseas sites have a high proportion of female managers and have achieved greater diversity, including in terms of nationality. In Japan, however, actions in recent years to promote women to executive positions

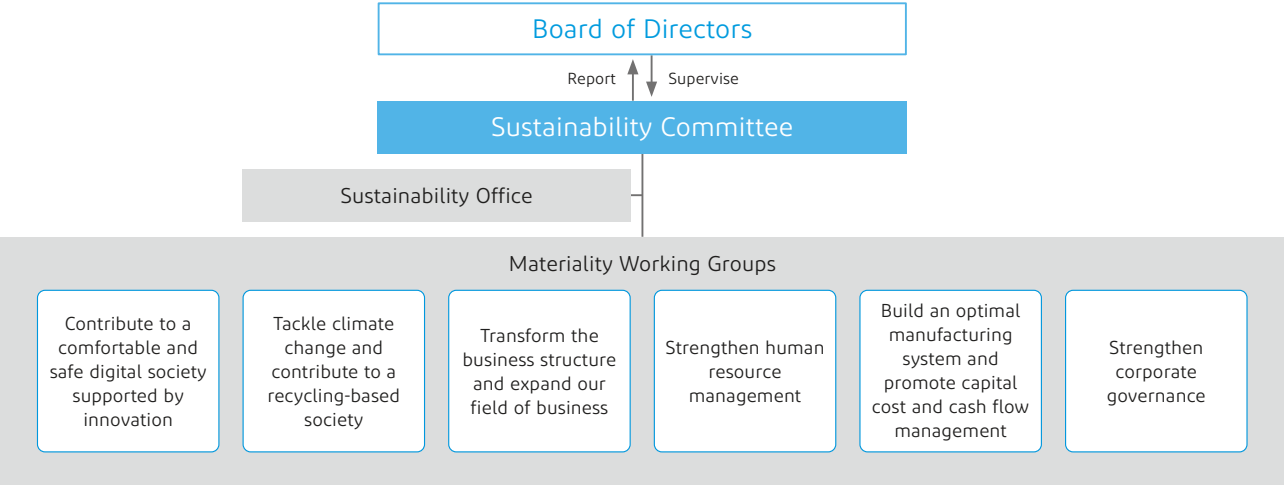
notwithstanding, the proportion is still relatively low. To address this, we will pursue activities aimed at achieving a 10% ratio of female managers in Japan by 2030, focusing on fostering a challenge-taking, innovative organization globally, where not only women but also a wide array of personnel can play an active role. Other Working Groups are also involved in various concrete initiatives. Hydrogen, a next-generation energy, is being developed in particular as a new environmental business aimed at addressing social problems and is expected to contribute to various solutions, from manufacturing to value-adding. As we move steadily forward with initiatives related to the six points of materiality, we will work to change mindsets within the company and raise I-PEX’s corporate value.

\* A general approach and corporate activities aimed at achieving medium- to long-term growth by addressing the company's points of materiality relating to the environment (E), society (S), and corporate governance (G), as well as actions to fulfill corporate responsibilities and work to address social issues through the business.

## I-PEX Group Sustainability Policy

The I-PEX Group believes that contributing to a comfortable and safe digital society supported by innovation, based on our corporate philosophy, will lead to the sustainable enhancement of corporate value and development towards a better society. Based on this philosophy, we have established a long-term vision and, as a member of society, will engage in points of materiality identified from the perspective of management challenges and importance to help resolve issues that occur in society and the natural environment. In this way, we will contribute to social development by building a sustainable business model and creating value over the longer term.

## Sustainability Promotion Organization



### For Greater Understanding of Sustainability

#### SDGs Card Game for New Employee Training

To help employees understand more about sustainability, we held an SDGs card game as part of the training curriculum for new graduates in fiscal year 2022. Through this interactive, hands-on training, participants not only acquired information and knowledge but also engaged in dialogue and exploration during the games, and learned about how companies and individuals are connected and co-exist in society as well as ideals related to this. The training helped participants gain an essential understanding of sustainability, including the SDGs, better preparing them to put it into practice.



#### Online Briefing for Integrated Report

In line with the publication of our first integrated report, we held a briefing for managers and supervisors to deepen their understanding of the purpose of issuing the report, the importance of ESG, and key issues and initiatives for the Group’s sustainable growth. We will continue to conduct briefings and educational programs and work to raise awareness among employees as we move forward with our sustainability activities.





Environment

Corresponding  
Materiality  
➤ P.20



As environmental issues such as climate change grow increasingly severe, we strive to live up to our corporate identity (CI), our ideal as a company, and contribute to a comfortable and safe digital society supported by innovation while growing in a sustainable manner. To do that, we must address climate change through our own environmental initiatives and business activities so that we can promote a mutually reinforcing cycle between social value and economic value. The I-PEX Group has made “Tackle climate change and contribute to a recycling-based society” one of its points of materiality and has set a new medium- to long-term goal of carbon neutrality by 2050. We are focused on initiatives to meet this goal. Along with continuing the earth-friendly business activities we have carried out to date, we will also further strengthen and promote green manufacturing.

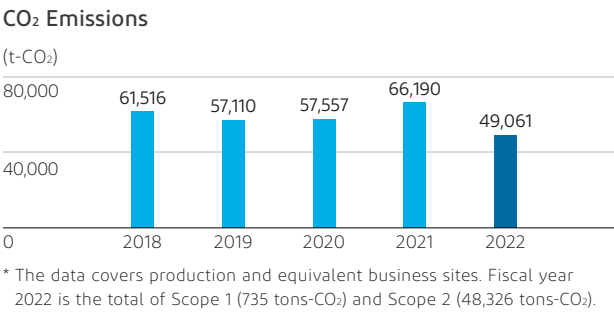
Tackling Climate Change

We are working to reduce CO<sub>2</sub> emissions through initiatives such as promoting energy savings and increasing the use of renewable energy. Last year we set a medium- to long-term goal of reducing Scope 1 and Scope 2\* CO<sub>2</sub> emissions by 40% by 2030 (compared to fiscal year 2021 levels), and, by extension of this goal, we will continue to reduce emissions to achieve carbon neutrality by 2050.

\* Scope 1: GHG emissions directly released from the company  
Scope 2: Indirect GHG emissions released from the energy purchased by the company.

Energy-Saving Initiatives in Production

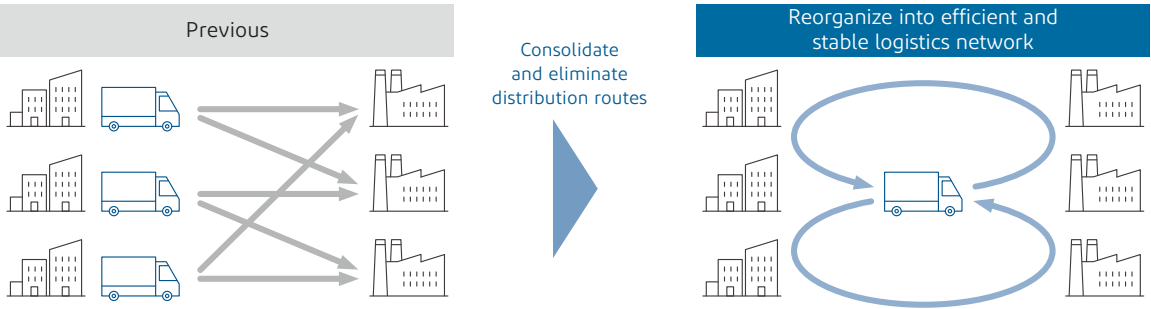
Our electricity consumption is the source of CO<sub>2</sub> emissions with the largest impact on climate change, which is being caused by global warming. In order to ensure all members of the company are involved in reducing electricity consumption, we newly included “reduce electricity use” in the energy-saving activities conducted as a part of ISO 14001 certification activities for 2023 and thereby established it as a shared, company-wide initiative. Based on this, in fiscal year 2023, we intend to gather data, assess the current status, consider reduction methods, and then tie these findings to future reduction activities.



Reducing CO<sub>2</sub> by Streamlining Logistics

To reduce CO<sub>2</sub> in the supply chain and accommodate adjustments to the labor environment in the transport industry, we are reorganizing logistics networks for greater efficiency and stability by consolidating and eliminating distribution routes.

By collaborating with logistics providers and suppliers to streamline transport processes, consolidate distribution centers and increase loading efficiency, we will work to increase energy efficiency upstream and downstream.



Increasing Use of Renewable Energy in Production

In order to carry out energy-saving activities related to production while at the same time contributing to further reductions in CO<sub>2</sub> emissions, in fiscal year 2023 we are planning to begin converting to green energy, another

name for renewable energy. Specifically, at the Ogori Plant, Tachiarai Plant and Shimane Plant, which are our production sites, we plan to switch to green energy for some of our electricity use.

Deploying Solar Power Equipment

With respect to in-house power generation, we already had solar power equipment in China since 2021 (at the Shanghai Plant), but in 2022 we installed solar power equipment at our Malaysia Plant and at our Singapore Plant and commenced in-house generation of renewable energy.

We are also planning to install solar power equipment at our plant in the Philippines. In-house generation of renewable energy is scheduled to commence when construction is completed toward the end of 2023.

Plant	Installation date	Panel area	Installation location	Electricity generated (daily)	Percentage of electricity consumed
Malaysia Plant	March 2022	6,865m <sup>2</sup>	Rooftop	5,400kWh	Approx. 20%
Singapore Plant	August 2022	880m <sup>2</sup>	Rooftop	600kWh	Approx. 4%



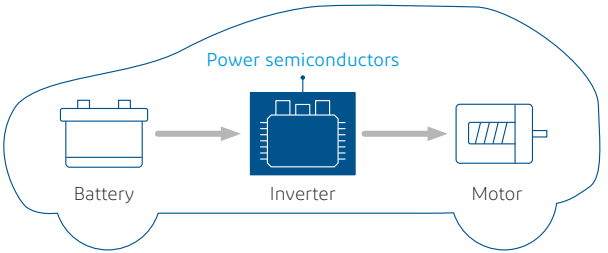
Solar power equipment at the Malaysia Plant

Contributing to Energy Savings in Society with “Sharpest Tip” Technologies

We are promoting environmental improvements in production processes and the development of new technologies and products that contribute to an energy efficient, recycling-based society.

Initiatives for Power Semiconductors

As the shift to decarbonization progresses in industries around the world, power semiconductors have gained prominence as key components for enhancing the energy efficiency of power conversion and motor drives. Through the development, manufacture and sale of semiconductor molding equipment, which is used to produce power semiconductors, we are contributing to the increased use of electronic devices that consume less electricity.



Example: Electro-mobility with in-vehicle semiconductors

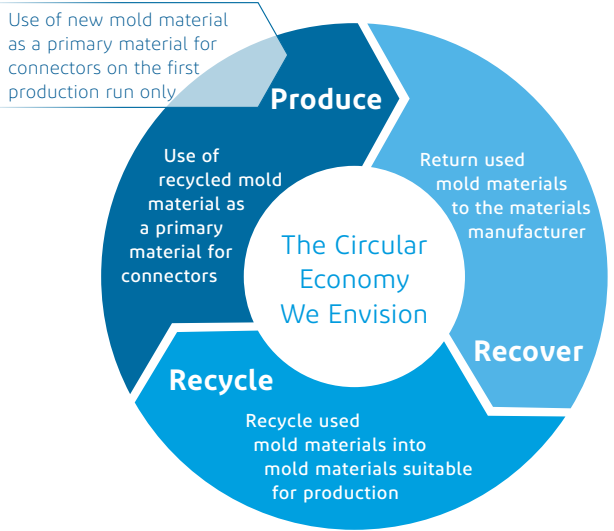
Contributing to a Recycling-Based Society

We have worked to reduce the environmental impact by reducing waste by increasing production efficiency and utilizing recycled materials, reusing water from plating processes, and promoting the recycling of waste materials given off by business activities. We are currently conducting joint development with a mold material manufacturer to establish a sustainable lifecycle for mold materials, and going forward, we will actively promote activities to further contribute to a recycling-based society.

Promoting the Circular Economy

We are currently working with a material manufacturer to develop molding materials with a sustainable lifecycle. Through these activities, we are helping to reduce waste.

- Main Initiatives
- Procurement and research for utilization of recycled materials in production processes
  - Establishment of mechanisms for recycling primary materials
  - Materials with high recycling ratios (materials with additional UL certifications)
  - Reductions to packaging and transport materials by changing specifications of cushioned packing materials, returnable boxes, and packaging materials
  - Other circular uses through recycling



Society

Corresponding  
Materiality  
➤ P.20

For the past 60 years, the I-PEX Group has continued to grow while expanding its business domains. We now have sites in 12 countries and regions worldwide and employ over 5,000 people. Around 60% of our employees are located in countries other than Japan, and mid-career hires, with their wide range of experience, play an active role in Japan and overseas. We also welcomed new colleagues last year through acquisitions.

To create economic and social value and grow sustainably, it is crucial that we continually generate innovation and expand our field of business. A diverse mix of individuals drive these efforts. We believe it is essential to draw actively on a broad range of knowledge, experience, and values, and will focus on maintaining an environment where diverse personnel can fulfil their potential, as well as on strengthening our HR management to foster growth.

Human Resource Management  
Basic Policy on Human Resource Management

Our policy on human resource management is to secure diverse personnel and support the growth of individuals striving to continue to take on challenges.

Employees and Companies Continuing to Grow as Global One I-PEX

1. Create systems that enable diverse personnel to play an active role in various business fields based on their aptitudes

2. Raise the human capital value of each employee and link this to business expansion and growth

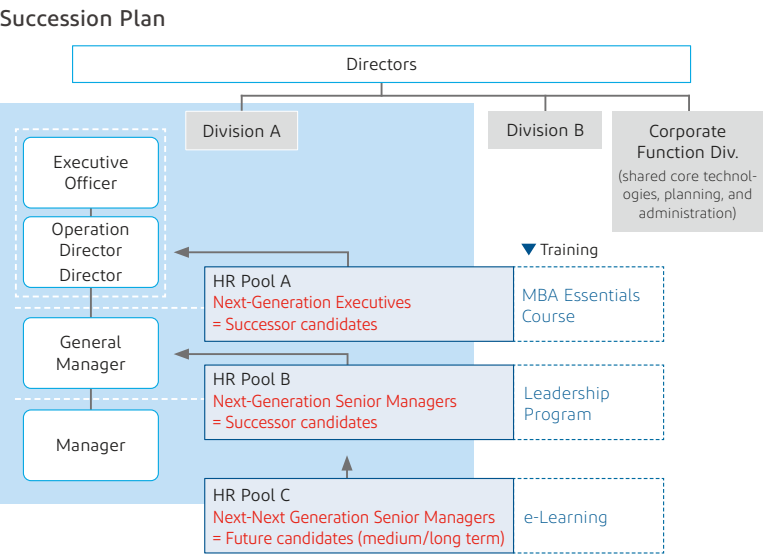
3. Energize the organization to boost its ability to generate innovation

Succession Plan and Career Advancement Programs

We have reinforced our human resource management system in Japan, working to visualize data on human capital, such as educational background, career history, and certifications, to help us in strategically assigning personnel and fostering the growth of each employee. By 2030, we aim to achieve a global HR management system that includes overseas operations.

In terms of career advancement programs, we initiated a succession plan in fiscal year 2022 to systematically educate and train managerial employees who will occupy key positions for the next and following generations. We have defined requirements for each key position, and by conducting necessary training and job rotations in a systematic manner, we are aiming to create a leadership pipeline for stable job succession.

Measures for the next fiscal year include clarifying career paths to enable diverse personnel to perform and advance in the respective business fields in line with their aptitudes and reinforcing multi-track career courses based on roles, work styles, and other factors.



Career Courses (plan)

Level	Career Course
7 Level	Management Course
6 Level	Advanced, Technical Specialty Course
5 Level	
4 Level	Operator/Assistant Course
3 Level	General Area Course
2 Level	General Course
1 Level	

Human Resource Development  
Start of Step 2 of HR Development System

In Japan, the HR development system is divided into basic, shared, and specialized skills, and put into practice through various training programs, including training for the development of necessary and effective job skills and various types of specialized training.

In fiscal year 2022, educational outlays amounted to ¥37 million and time spent on education per employee in Japan was 18.1 hours, double last year's figure, helping to further raise employee awareness of the need to take part in educational programs. To ensure this awareness translates into action, the next step in fiscal year 2023 will be to define the training required for each level and measure the effectiveness of training in various ways. Going forward, we will extend the HR development system to global sites and continue to refine training programs so that educational activities bear fruit in corporate performance.

HR Development System

	Basic Skills			Shared Skills			Specialized Skills		
	Cultural Skills	CI	Communication	Leadership	Management	Solutions	Operations	Specialization	
Executives	Cross-industry, cross-cultural exchanges	Language training, recent trends, culture and etiquette	CI awareness-raising	Executive training (operation directors, directors)			Internal certifications	Job training & OJT	
Managers				Training for general managers and deputy general managers					Public certifications
				Training for managers and deputy managers					
Mid-Level				Selective training	Training for manager candidates	Management			
					Training for staff leaders, supervisors, mid-level employees and junior employees				
Junior		Communication	Manufacturing division training	Basics of Toyota production system	PDCA + S cycle	Logical thinking	Engineering Academy		
	New employee training								

Further Expansion of Educational Opportunities

We respect the values and career aspirations of each employee and offer educational opportunities to develop the skills needed for both employees and the company to grow. We revise the curriculum each year, and in fiscal year 2023 we plan to add an applied course for digital HR development training and a new marketing training program that covers both required knowledge and practical applications.

In addition, the Engineering Academy that opened in 2022 ➤ P.11 currently provides an accelerated development curriculum, primarily to young employees in Japan. Going forward, we plan to extend the scope of this program to participants globally, so that a broad array of personnel can take advantage of this educational opportunity.





Society

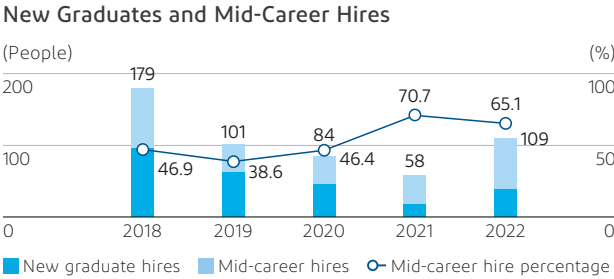
Promoting Diversity, Equity, and Inclusion  
Promoting Women’s Participation and Advancement

We believe that fostering an organization in which personnel with a range of perspectives and different experiences can respect one another and exchange opinions is essential to generating innovation. This is what drives our efforts to manage diversity. In Japan, with the aim of actively promoting women’s empowerment, we are

systematically hiring and training female employees. We set a target of raising the ratio of female managers to 10% by 2030. Along with reinforcing hiring practices for women, we will foster a work environment and provide career development support to allow female employees to continue their careers across various life events.

Mid-Career Hiring

The experience of mid-career hires is an important element in shaping organizational diversity. We aim to generate innovation by bringing in diverse personnel to the organization. Mid-career hires accounted for over half of all employees hired on average over the past five years, and accounted for the same percentage of managers as well. These employees play an active role in the organization by drawing on their previous careers and experience. Moving forward, we plan to continue mid-career hiring efforts.



Reforming the Post-Retirement Reemployment System

Positioning employees reemployed post-retirement as a corporate strength and seeking to actively draw on the experience, knowledge, techniques, skills, and personal connections they have cultivated over the years, we established a new system in fiscal year 2022. The system defines new compensation standards as well as clarifies

roles aligning individual aspirations with organizational needs. These reforms have enabled us to more effectively utilize employees reemployed post-retirement while boosting their motivation, thus fostering an environment where they can continue to work with positive energy and a sense of job fulfillment.

Increasing Engagement and Motivation

With the goal of maintaining comfortable, engaging workplace environments for employees and increasing job fulfillment, we conduct a survey to gauge employee satisfaction and expectations and use it to identify priority issues to be addressed. Having implemented work-style reforms in Japan, we introduced a system that allows

employees to choose from diverse working options to create more comfortable work environments. In fiscal year 2023, we will strive to enhance employee engagement by exploring and implementing mechanisms that are particularly correlated with job fulfillment, to increase engagement and better motivate employees to achieve their goals.

Indicators for Raising Group Engagement Scores (items highly correlated with job fulfillment)

Items	Area	2021	2022	YoY
Work here is fulfilling to me	Japan	3.23	3.30	↑
	Overseas	4.05	4.01	↓
I feel engaged in my work	Japan	3.24	3.27	↑
	Overseas	4.02	3.97	↓
I have a strong desire to achieve the targets I've been assigned	Japan	3.78	3.82	↑
	Overseas	4.16	4.11	↓

Promoting Work-Style Reforms

We are enhancing the HR system to maintain workplace environments in which diverse personnel can consistently perform with confidence, regardless of the diversity of their work styles or changing life stages.

Specific measures in Japan include a remote work program, a system for choosing work schedules, a system for taking paid leave by the hour, establishment of contracted daycare centers, a system for shortened working

hours for childcare beyond statutory requirements, and a system for shorter working hours to fulfill nursing care responsibilities. We also encourage male employees to take childcare leave—here, the leave-taking rate is 23.8% in Japan, higher than the national average. In addition to improving these programs, we have formed a work-style reform team to carry out actions to encourage the more widespread use of our various in-house programs.

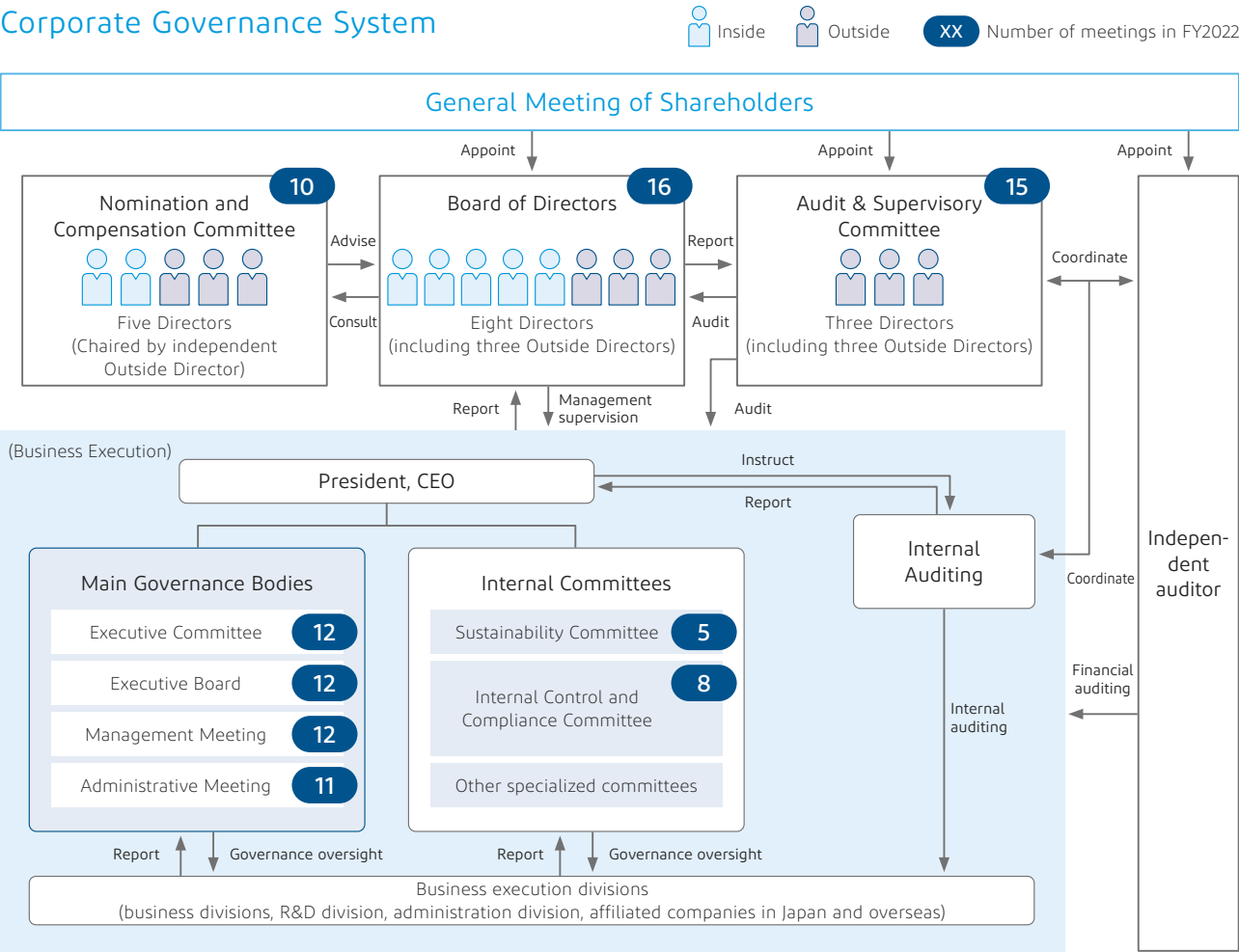
Corporate Governance

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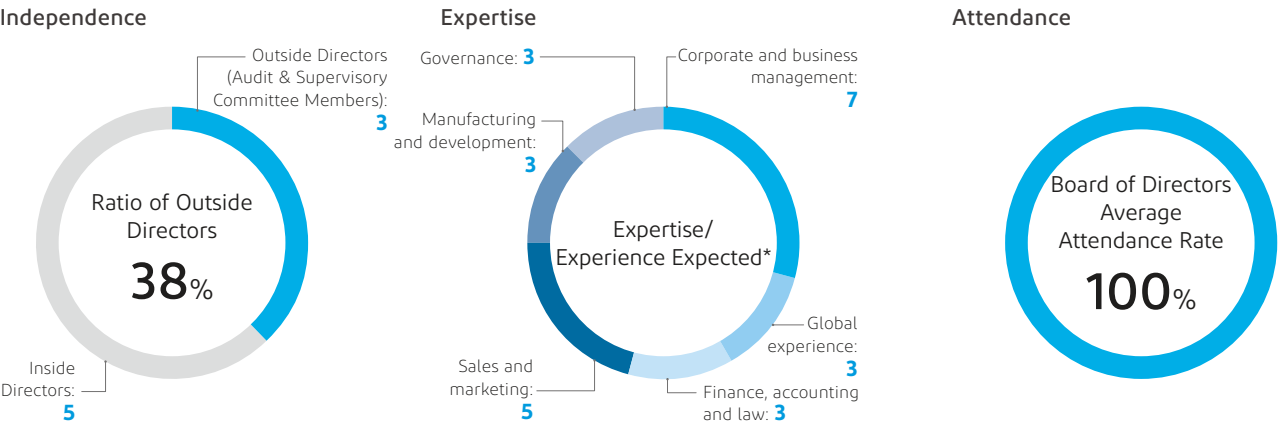
Basic Approach

Our basic approach to the I-PEX Group’s corporate governance is to build relationships of mutual trust with all stakeholders, including shareholders, customers, employees, suppliers and local communities, by working to sustainably increase corporate value through increasing the transparency of corporate management and maintaining fairness and independence.

Corporate Governance System



Corporate Governance Highlights



\* Each officer has multiple areas of expertise and experience.

Corporate Governance

Corporate Governance System

The I-PEX Group’s corporate governance system primarily consists of the Board of Directors, Audit & Supervisory Committee and independent auditors.

Three Outside Directors who are Audit & Supervisory Committee Members attend meetings of the Board of Directors, the highest decision-making body of management, to ensure the objectivity and neutrality of management oversight. In addition, the Audit & Supervisory Committee coordinates internally with the Internal Auditing and externally with the independent auditors. Audits related to compliance with various laws, regulations and internal company rules are appropriately maintained, which is the reason this has been adopted as our current system of corporate governance.

Board of Directors

The Board of Directors is comprised of eight Directors (three of whom are Audit & Supervisory Committee Members) and three are appointed from outside the company (all three of whom are Audit & Supervisory Committee Members). The board, which meets once a month in principle, oversees business execution by the Representative Director and other Directors and makes decisions on important matters.

Audit & Supervisory Committee

The Audit & Supervisory Committee is made up of three members, all of whom are independent Outside Directors. Audit & Supervisory Committee Members attend meetings of the Board of Directors and other important committees, and they supervise and audit overall management as needed. The independent auditor is Deloitte Touche Tohmatsu LLC, which conducts audits based on Article 436.21 and Article 444.4 of the Companies Act and Article 193-2.1 and Article 193.2 of the Financial Instruments and Exchange Act.

Nomination and Compensation Committee (discretionary body)

We have established the Nomination and Compensation Committee, a discretionary consultative body of the Board of Directors, in order to further strengthen corporate governance by raising the objectivity and transparency of evaluation and decision-making processes related to officer nomination and compensation. The committee is consulted on the election, dismissal and compensation of Directors and other officers, considers these matters, and reports back to the Board of Directors. The committee has five members, two Directors and three Outside Directors (including Audit & Supervisory Committee Members). The committee is chaired by Outside Director Junichi Hashiguchi.

Operation of the Board of Directors

The Board of Directors, which is chaired by the Representative Director and made up of eight Directors (three of whom are Outside Directors who are Audit & Supervisory Committee Members), met 16 times in fiscal year 2022. The board makes decisions on important matters such as investments and the next fiscal year’s plan and reviews business execution by Directors and other matters. The Management Meeting is convened apart from the Board of Directors, providing a venue for discussion and debate on various themes related to business administration.

Sample Agenda Items

Reporting	For Resolution	Important Matters for Deliberation
<ul style="list-style-type: none"><li>• Matters related to investment</li><li>• Matters related to equity investment</li><li>• Reporting on IR activities and investor opinions</li><li>• Evaluation of the effectiveness of the Board of Directors and reporting on it</li><li>• Reporting on the activities of the Nomination and Compensation Committee</li><li>• Reporting on the results of internal control effectiveness evaluations</li></ul>	<ul style="list-style-type: none"><li>• Matters related to investment</li><li>• Matters related to M&amp;A</li><li>• Matters related to equity investment</li><li>• Matters related to materiality</li><li>• Matters related to capital policy</li><li>• Annual business and financial plans</li></ul>	<p><b>Policies and progress of I-PEX Vision 2030</b></p> <ul style="list-style-type: none"><li>• Sustainability policies and systems</li><li>• Fiscal year 2023 budgets</li><li>• Capital policy</li></ul> <p><b>Policy and progress of six points of materiality</b></p> <ul style="list-style-type: none"><li>• Response to Governance Code (Diversity of core human resources)</li><li>• Strengthening of HR management</li><li>• Group governance</li><li>• Response to climate change and contribution to a recycling-based society</li></ul> <p><b>Policies and progress related to shareholder engagement</b></p> <ul style="list-style-type: none"><li>• Briefings on financial performance</li></ul>

Evaluation of the Effectiveness of the Board of Directors

Questionnaires (self-evaluation, etc.) are administered to all Directors once each year for the purpose of maintaining an accurate understanding of the current state of the board and further raising its effectiveness. Based on the responses, the effectiveness of the board is analyzed and evaluated, and improvements are made to issues that have been identified. In this way, we are working to strengthen the functions of the Board of Directors.

Overview

Survey method	Questionnaire given to all officers who participate in board meetings, including Audit & Supervisory Committee Members
Surveyed items	Board composition, administration, decision-making process, support system, level of involvement, supervisory function, risk management system, shareholder engagement, committee administration, and other matters related to management
Analysis/evaluation	The Board of Directors’ administrative office analyzes the results and identifies issues; the Board of Directors discusses the issues and considers the evaluation in greater depth  Initiatives from the previous fiscal year are evaluated and improvement measures are considered for issues identified in the current fiscal year’s evaluation

Results of Evaluation of Board of Directors in FY2022

An evaluation was made of the effectiveness of the Board of Directors in fiscal year 2022. It covered all seven Directors, including Audit & Supervisory Committee Members, and also the seven executive officers who participate in board meetings as observers. Scores improved on matters related to allowing time for discussion and deepening discussions, areas that were specifically addressed as a result of the evaluation. Other concrete achievements related to the effectiveness of the Board of Directors were formulating a medium- to long-term growth strategy, holding adequate discussions on M&A projects, formulating policies and establishing a committee related to sustainability management, which includes women’s active participation and measures to address climate change, and also discussions and further initiatives to strengthen capital policy and governance.

FY2021 evaluation	Issues identified	<ul style="list-style-type: none"><li>• Adequate discussion on important company matters</li><li>• Discussions from diverse viewpoints and with a medium- to long-term time horizon</li><li>• Provision of information on I-PEX policies, direction and growth strategies</li></ul>
	Results of initiatives (FY2022)	<ul style="list-style-type: none"><li>• <b>Allow time for discussion of important agenda items by increasing administrative efficiency and closely examining the agenda:</b> Time for discussion was created by streamlining board administration and holding meetings in two sessions. In the second session, board members continued discussion of important matters related to management.</li><li>• <b>Deepen discussions by including a medium- to long-term time horizon and the perspectives of stakeholders</b> I-PEX Vision 2030, the six points of materiality and shareholder engagement were established as agenda items related to important management matters, an agenda schedule was created for the year, and its execution was supervised and discussed.</li></ul>
FY2022 evaluation	Issues identified	<ul style="list-style-type: none"><li>• Allow for adequate discussion on important matters, hold discussions from diverse viewpoints and with a medium- to long-term time horizon, and continue efforts to enhance shareholder engagement, which were issues identified in fiscal year 2021</li><li>• Strengthen the risk management system</li></ul>
	Initiatives planned (FY2023)	<ul style="list-style-type: none"><li>• Increase administrative efficiency, select important agenda items, make an agenda schedule for the year, and continue discussions on agenda items that contribute to raising corporate value over the medium to long term</li><li>• Actively disclose information to shareholders and work for mutual understanding</li><li>• Strengthen risk management by establishing a Group governance system</li></ul>



Corporate Governance

Support System for Outside Directors

While there is no dedicated organization that assists Outside Directors with their duties, there is a system in place in which all divisions provide assistance as needed, starting with the Corporate Planning Division. When it is necessary for personnel to assist the three Audit & Supervisory Committee Members (all of whom are Outside Directors) with their duties, staff are assigned to the committee. Employees who are asked to assist Audit & Supervisory Committee Members with their duties are required to put the highest priority on the requests and instructions of the committee, and their assignment to the position

requires the committee’s consent. These measures are taken to ensure their independence.

Activities in fiscal year 2022 included establishing opportunities for Outside Directors to visit a business site in Japan and two sites overseas in order to increase their understanding of I-PEX. In addition, beginning in fiscal year 2023, we have been working to eliminate the information gap between Inside Directors and Outside Directors by sharing more information with Outside Directors through full-fledged briefings on important agenda items and other matters held in advance of board meetings.

Executive Compensation

Compensation for executive Directors consists of fixed monthly compensation, performance bonuses\*, which are linked to annual business performance, and a performance share unit plan\*\*, which is a stock compensation plan linked to medium-term performance. This compensation package is designed to promote the Group’s sustained growth, raise corporate value over the medium to long term, and share further value with shareholders. The previous retirement benefits program for officers has been eliminated.

Regarding performance bonuses, the total amount of funds available for bonuses is determined based on consolidated sales and consolidated profit, indicators that form the basis of business management activities. With this amount as the upper limit, points are calculated for each eligible Director based on both quantitative

performance indicators and qualitative evaluations. Next, the percentage of the total is calculated for each eligible Director’s points, and the actual amount of bonuses paid to each is calculated based on these percentages.

The performance share unit plan sets a numerical target in advance for company performance (consolidated) during the period covered and calculates the number of I-PEX common shares to be granted and the monetary amount needed for tax payments based on the degree of achievement of the numerical target after the period ends.

Regarding executive compensation, compensation for Directors who are not Audit & Supervisory Committee Members is no more than ¥350 million annually and compensation for Directors who are Audit & Supervisory Committee Members is no more than ¥45 million.

\*1 Compensation plan that is more clearly linked to performance for the fiscal year, making it a short-term incentive.  
\*2 Compensation plan that further enhances motivation to achieve medium-term performance targets and promotes the sharing of benefits and risks with shareholders.

Total Amount of Compensation for Each Officer Category, Total Amount of Compensation by Type, and Number of Eligible Officers\*3

Officer Category	Total amount of compensation (Million Yen)	Total amount of compensation by type (Million Yen)					Number of eligible officers*5
		Fixed compensation	Performance bonuses	Performance-linked stock compensation**4	Retirement benefits	Non-monetary compensation (included in the amounts at left)	
Directors (excluding Audit & Supervisory Committee Members) (excluding Outside Directors)	132	137	7	-35	23	—	5
Directors (Audit & Supervisory Committee Members) (excluding Outside Directors)	—	—	—	—	—	—	—
Outside Directors	21	21	—	—	—	—	3

\*3 Includes one Director who resigned as of the end of the 59th Annual General Meeting of Shareholders on March 29, 2022.  
\*4 Performance-linked stock compensation includes an allowance for the estimated payment amount.  
\*5 The number of eligible officers includes officers who receive performance-linked stock compensation.

Succession Plan

Regarding the succession plan for the Representative Director and other officers, the discretionary Nomination and Compensation Committee (discretionary body), a consultative body to the Board of Directors, regularly deliberates on the plan and reports to the Board of

Directors, which makes decisions on it. The Nomination and Compensation Committee maintains independence by having Outside Directors as the majority and a chair chosen from among them. It functions to provide advice that is objective and effective.

Group Governance

We are currently strengthening corporate governance, a point of materiality that needs to be resolved for us to grow in a sustainable manner. One specific initiative to this end is reinforcing global Group governance. We manage Group companies based on the Group Company Management Rules, but as a result of the evaluation of the effectiveness of the Board of Directors conducted in fiscal year 2022, it was commonly agreed that we needed to strengthen governance of Group companies. Based on

this, in fiscal year 2023 we have created a new Group Governance Task Force and have begun initiatives with a focus on strengthening Group governance. We are now actively visiting even overseas subsidiaries that we could not travel to previously because of the pandemic. Through these activities, we will move discussions forward on the functions of local affiliates and the status of their boards from the standpoint of Group governance and further strengthen systems for the Group overall.

Disclosure

We promote constructive dialogue with shareholders and investors to sustain growth and raise corporate value over the medium to long term. The Representative Director is the chief IR officer and the officer in charge of disclosure (general manager of the Corporate Planning Division), who is appointed by the Representative Director, and supervises dialogue with shareholders and investors. Through this framework, we work to maintain constructive dialogue.

Along with the Corporate Planning Division, the division in charge of IR, the company has also assigned the Financial Division, and under the direction of the officer in charge of disclosure, they coordinate to promote

smooth and rational dialogue and work to ensure that disclosure is appropriate and timely. In addition, earnings briefings, company presentations, facility tours and other events are held to provide further opportunities for dialogue with shareholders and investors. The officer in charge of disclosure reports important feedback and requests that emerge from dialogue back to the Board of Directors or the management team in a timely manner and shares information with them.

In conducting dialogue, insider information is appropriately managed in accordance with laws, regulations and rules related to insider trading.

Sample Initiatives

Initiatives for enhancing the General Meeting of Shareholders and facilitating the voting rights exercise process	Activities related to IR
<ul style="list-style-type: none"><li>Shareholder meeting notice sent at an early date</li><li>Voting rights can be exercised via electronic means</li><li>Participation in electronic voting platform</li><li>Other initiatives for facilitating the voting rights exercise process for institutional investors</li><li>Provision of shareholder meeting notice in English (a summary)</li></ul>	<ul style="list-style-type: none"><li>Creation of disclosure policy (<a href="https://corp.i-pex.com/en/ir/policy">https://corp.i-pex.com/en/ir/policy</a>)</li><li>Regular briefings for analysts and institutional investors</li><li>IR materials available on the company’s website (<a href="https://corp.i-pex.com/en">https://corp.i-pex.com/en</a>)</li><li>Department (personnel) in charge of IR</li></ul>



Corporate Philosophy Awareness-Raising

To Further Raise Awareness of Our Corporate Identity (CI)

We created a new corporate identity (CI) in January 2019 for a new stage of growth and changed our company name in August 2020. Internally, an interdepartmental project team was launched to carry out awareness-raising activities for our CI. Overseas, awareness is being raised in line with local circumstances at each site, and we are moving forward with a sense of unity.

Specifically, we administer an annual employee questionnaire, hold study sessions on our philosophy in each business division, conduct workshops to promote communication within the organization, and host direct talks between employees and the president using “Tsuchiyama-san’s CI Café,” a column published on our internal website. Through these and other measures, we are increasing understanding of our CI and sympathy for it.





Directors, Audit & Supervisory Committee Members,  
and Executive Officers (as of March 29, 2023)



Directors

1

President, CEO

Number of the Company's shares owned: 45,500

• Date of birth: April 29, 1959

• Significant concurrent positions outside the Company  
Chairman of I-PEX Precision Mold & Plastics (Shanghai) Co., Ltd.

Takaharu Tsuchiyama

Career summary

Mar. 1982

Joined the Company

Mar. 1997

Operating Director of Tool & Equipment Dept.

June 2000

Appointed Director

Mar. 2002

Operating Director of Tool & Equipment Dept. and General Manager of R&D Dept. Division 1

July 2003

Operating Director of Electrical Components Division and General Manager of R&D Dept. Division 1

Mar. 2005

Operating Director of Electrical Components Division

Apr. 2007

Chief Components Unit Officer

Apr. 2009

Chief Automobile Components Unit Officer

Mar. 2013

Appointed Senior Vice President

Jan. 2017

Group Manager of Components Business Group, and Chief Automobile Components Unit Officer

Jan. 2019

Chief Sales Div. Officer

June 2019

Appointed President

Jan. 2022

Appointed President, CEO (to present)

3

Board Member, Managing Executive Officer, Chief Operating Officer, Operation Director of Electronic Components & Devices Div.

Number of the Company's shares owned: 9,200

• Date of birth: August 22, 1963

Akihiko Hara

Career summary

Aug. 1985

Joined the Company

Mar. 2007

Operating Director of Electronic Components & Devices Div. of Connector Unit

Jan. 2012

Operating Director of Electronic Components & Devices Div. of I-PEX Unit

Mar. 2012

Appointed Director

Jan. 2017

Deputy Chief I-PEX Unit Officer

Jan. 2019

Chief Connector Unit Officer

Apr. 2020

Appointed Senior Vice President

Jan. 2021

Chief Operating Officer of Electronic Components & Devices Div. (to present)

Jan. 2022

Appointed Board Member, Managing Executive Officer (to present)

2

Board Member, Managing Executive Officer, Chief Technology Officer R&D Div. Director

Number of the Company's shares owned: 42,800

• Date of birth: April 2, 1958

Kenji Ogata

Career summary

Nov. 1983

Joined the Company

Mar. 1998

Operating Director of Production Technology Division

June 2001

Appointed Director

Mar. 2002

Operating Director of Semiconductor Equipment Division and General Manager of R&D Dept. Division 3

Mar. 2005

Operating Director of Semiconductor Equipment Division

Apr. 2007

Chief Equipment Unit Officer

Sept. 2010

Deputy Supervisor on Business, and Chief R&D Div. Officer

Mar. 2013

Appointed Senior Vice President

Apr. 2013

Chief R&D Div. Officer, and in charge of Precision Components Dept. and Equipment Dept.

Jan. 2015

Chief R&D Div. Officer

Jan. 2021

Chief Technology Officer (to present)

Jan. 2022

Appointed Board Member, Managing Executive Officer (to present)

4

Board Member, Managing Executive Officer, Chief Strategy Officer Corporate Planning Div. Director

Number of the Company's shares owned: 101,900

• Date of birth: September 1, 1971

Reiji Konishi

Career summary

July 1996

Joined the Company

Dec. 2003

Seconded to I-PEX Co., Ltd.

Jan. 2014

General Manager of Marketing Dept. of Sales Div. of I-PEX Unit

Jan. 2017

Marketing Div. Director

Jan. 2018

Appointed Executive Officer

Jan. 2021

Corporate Planning Director

Mar. 2021

Appointed Director

Jan. 2022

Appointed Board Member, Executive Officer Chief Strategy Officer (to present)

Apr. 2023

Managing Executive Officer (to present)

As of April 1, 2023

5

Board Member, Executive Officer Sales Director

Number of the Company's shares owned: 3,200

• Date of birth: November 27, 1965

Atsushi Yasuoka

Career summary

May 2005

Joined I-PEX Co., Ltd. (currently the Company)

May 2007

General Manager of International Business of Dept. of Sales Div. of I-PEX Co., Ltd.

Jan. 2012

Joined the Company General Manager of International Business Dept. of Sales Div. of I-PEX Unit

Apr. 2013

Sales Div. Director of I-PEX Unit

Jan. 2015

Appointed Executive Officer

Jan. 2019

Sales Div. Director of Sales Div.

Jan. 2021

Executive Officer and Sales Div. Director (to present)

Mar. 2023

Appointed Board Member (to present)

7

Outside Director (Audit & Supervisory Committee Member) Independent Director

Number of the Company's shares owned: 2,200

• Date of birth: March 24, 1955

Shuji Niwano

Career summary

Apr. 1977

Joined NEC Corporation

June 2003

General Manager of IR Office, Finance Division of NEC Corporation

May 2007

General Manager of Accounting Division of NEC Mobiling, Ltd. (currently MX Mobiling Co., Ltd.)

June 2009

Director, Executive Officer and General Manager of Accounting Division of NEC Mobiling, Ltd.

Apr. 2012

Director, Managing Executive Officer of NEC Mobiling, Ltd.

Feb. 2014

Director, Managing Executive Officer and General Manager of Finance, Accounting and IT Division of MX Mobiling Co., Ltd.

Mar. 2016

Full-time Auditor of the Company

Mar. 2017

Outside Director (Audit & Supervisory Committee Member) (to present)

6

Outside Director (Audit & Supervisory Committee Member) Independent Director

Number of the Company's shares owned: 13,200

• Date of birth: September 9, 1947

• Significant concurrent positions outside the Company  
Outside Director of TSUBAKI NAKASHIMA CO., LTD. Auditor of MarkLines Co., Ltd.

Junichi Hashiguchi

Career summary

Apr. 1970

Joined Nissan Motor Co., Ltd.

July 1996

General Manager of Purchasing Department 1 of Nissan Motor Co., Ltd.

June 2000

Executive Officer, General Manager of Purchasing Division of Unisia Jecs Corporation (currently Hitachi Astemo, Ltd.)

May 2004

Vice President, General Manager of Sales Department of KIRIU CORPORATION

June 2006

Senior Vice President, General Manager of Sales Department and Purchase Department of KIRIU CORPORATION

June 2009

President and Representative Director of KIRIU CORPORATION

June 2014

Chairman and Representative Director of KIRIU CORPORATION

Mar. 2016

Director of the Company

Mar. 2017

Outside Director (Audit & Supervisory Committee Member) of the Company (to present)

Mar. 2019

Outside Director of TSUBAKI NAKASHIMA CO., LTD. (to present)

Mar. 2022

Company Auditor of MarkLines Co., Ltd. (to present)

8

Outside Director (Audit & Supervisory Committee Member) Independent Director

Number of the Company's shares owned: —

• Date of birth: August 2, 1966

• Significant concurrent positions outside the Company  
Attorney (Partner of Oh-Ebashi LPC & Partners)

Yoichi Wakasugi

Career summary

Apr. 1994

Registered as an attorney, joined Oh-Ebashi Law Offices

Apr. 2001

Partner of Oh-Ebashi Law Offices

Aug. 2002

Partner of Oh-Ebashi LPC & Partners (to present)

May 2008

Outside Auditor of PAL Co., Ltd. (currently PAL GROUP Holdings CO., LTD.)

May 2020

Resigned as Outside Auditor of PAL GROUP Holdings CO., LTD.

Mar. 2021

Appointed Outside Director (Audit & Supervisory Committee Member) (to present)

Executive Officers (excluding those concurrently serving as Board Members)

Executive Officer  
Operation Director,  
Equipment Division

Yasumitsu Kikuchi

Executive Officer  
Operation Director,  
Mobility Components  
Division

Hiromichi Nakagawa

Executive Officer  
Supply Chain Director

Tatsuya Konishi

Executive Officer  
General Affairs Director

Koji Saito

Executive Officer  
Operation Director, MFG Solution Division

Tomohiro Nishiyama

Executive Officer  
Finance Director

Takeshi Shimazaki

Composition and Skills Matrix of the Board of Directors

Name	Position and responsibility in the Company	Audit & Supervisory Committee meetings Attendance rate	Expertise and experience particularly expected				
			Management of corporate operations	Global experience	Finance, accounting, and legal affairs	Sales and marketing	Manufacturing and development
Takaharu Tsuchiyama	President, CEO		○			○	○
Kenji Ogata	Board Member, Managing Executive Officer, Chief Technology Officer R&D Div. Director		○			○	○
Akihiko Hara	Board Member, Managing Executive Officer, Chief Operating Officer Operation Director of Electronic Components & Devices Div.		○				○
Reiji Konishi	Board Member, Managing Executive Officer, Chief Strategy Officer Corporate Planning Div. Director		○	○	○	○	
Atsushi Yasuoka	Board Member, Executive Officer Sales Director		○	○		○	
Junichi Hashiguchi	Outside Director (Audit & Supervisory Committee Member) Independent Director	100%	○	○		○	○
Shuji Niwano	Outside Director (Audit & Supervisory Committee Member) Independent Director	100%	○		○		○
Yoichi Wakasugi	Outside Director (Audit & Supervisory Committee Member) Independent Director	100%			○		○

Note: The list above is not intended to show all expertise and experience of the Directors.



# Compliance and Risk Management

## Strengthening Compliance System

We have established the Internal Control and Compliance Committee, which is chaired by a supervising manager appointed by the Representative Director and made up of Directors and other necessary personnel, and an administrative office for it directly under the chairperson. In addition, compliance managers are assigned to each division. Including Directors, the Committee has 13 members (ten men and three women), and there is a framework in place by which members and the administrative office discuss issues from multiple perspectives and carry out related activities. The Committee met eight times in fiscal year 2022 to discuss the progress of internal control activities.

We have also established the Code of Behavior for I-PEX Group Personnel, which is the foundation of our compliance system. A CSR handbook containing excerpts of the code and of the Compliance Reporting Rules, and other related information is posted on an in-house website and communicated to directors and employees. CSR study sessions are also held as appropriate as a part

of continuing efforts to raise compliance awareness. In fiscal year 2022, we held study sessions on internal control twice for managers and higher-ranked personnel, and in this fiscal year we will continue activities to facilitate greater understanding of the importance of legal compliance.

In addition, Internal Auditing conducts compliance audits of the Group from an independent perspective and reports on any compliance-related problems at the internal audit reporting meeting. Moreover, as a part of our efforts to reinforce internal controls, we established a help line for whistleblowers and put in place a framework for receiving information related to compliance from inside and outside the company. We defined the items to be reported to the Board of Directors when there are important findings related to compliance. To protect whistleblowers, we stipulated in-company bylaws that ensure employees providing information will not be treated unfairly.

## Coordination between Audits, Accounting Audits and Internal Audits

Outside Directors who are Audit & Supervisory Committee Members attend meetings of the Board of Directors and other bodies, receive briefings on the status of business execution, internal controls, and other matters, and supervise management. In addition, comprising the Audit & Supervisory Committee, they review internal audits and audits by the committee based on audit plans

and the auditing system and methods of the independent auditors, and also receive reports on the audit findings of the independent auditors and Internal Auditing. The independent auditors and Internal Auditing also exchange information and opinions and work to further enhance audits.

## Role of Internal Auditing

We have established Internal Auditing that is independent of divisions involved in business execution. The office audits the business processes of the divisions and works to discover and prevent non-compliance and to improve processes. Our administrative division (internal control division) guides and checks the overall Group related to business functions on a daily basis, and Internal Auditing (eight members: four permanent members and four with other concurrent duties), which is directly under the president, conducts internal audits, including

onsite audits, and designs and implements the Group's auditing system. In addition, the Audit & Supervisory Committee, Internal Auditing, and independent auditors coordinate with each other, reporting and exchanging information on audit schedules, auditing progress, the status of internal controls, and other matters. They also work to qualitatively improve the internal control division through audits of it and strengthen the Group's overall control and supervisory functions.

## Risk Management System

We created the Internal Manual for Crisis Management, the foundation of our risk management system, and are working to fully integrate it into all divisions. Risk management overall is overseen by the General Affairs Division, which monitors and addresses risks that it identifies in connection with business execution by the Group.

If a major accident, disaster, scandal or other such

event occurs, we establish a crisis management headquarters that is led by the Representative Director and made up of necessary personnel and takes measures in response to the crisis. Also, if it becomes necessary to address new risks that arise, we promptly assign responsibility for them to a Director.

## Business Risks

The following items describe potential risk factors for business expansion by our Group. We have included matters that we do not necessarily consider as risks for our business, but that we consider important for investment decisions and for investors to understand our business activities, in order to actively disclose information to investors.

While we understand the possibility of these risks occurring and try to avoid them while taking action in the event of their occurrence, investors should deliberate over investment decisions concerning our shares by reading this page along with the other sections of this report.

Item	Main risks anticipated	Main measures taken to address risks
Risks regarding quality	Liability incurred or reputation damaged due to product non-conformance, defect or recall	Building and continuing to improve quality systems matched to products and customer requirements and carrying out activities to reduce quality non-conformance and strengthen quality governance
Risks of disasters or accidents	Business activities being impeded by a major natural disaster, an accident, or the spread of an infectious disease, etc. at the location of a production plant for a specified product	Creation of a business continuity plan (BCP), ensuring decentralized inventory, establishment of a response headquarters for pandemics, etc., and prevention of community transmission by establishing internal company rules
Country risks	Production activities impeded by the emergence of country risk or spread of an infectious disease, etc. at the location of an overseas plant	Creation of a BCP, regular exchange of information from multiple perspectives, starting with information on international affairs within the Group, and decentralization of production sites
Risks related to technologies possessed	Competitiveness diminished by greater-than-anticipated technology innovations	Awareness-raising and the cultivation of a corporate culture to minimize risk, carrying out ongoing market environment surveys, and focused investment of management resources in priority R&D areas and themes
Risks related to intellectual property rights	Technology infringement resulting from an intentionally unpatented technology being leaked	Management of company know-how on the intranet, employee education related to the handling of internal expertise, surveys to reduce intellectual property infringement by I-PEX
Competition risks	Decline in the competitiveness of the Group's products and drop of sales prices, etc. due to greater competition	Continuing to provide high-value-added products through development that anticipates market needs and strengthening resiliency to price declines by working constantly to reduce costs and shorten lead times, etc.
Risks associated with large capital investment	Excess depreciation, disposal or impairment loss of used equipment due to failure of product demand to increase as anticipated	Approval screening at time of equipment roll-out, confirmation of trends in long-term stagnant projects, impairment decisions based on fixed standards and impairment accounting
Risks of price fluctuations of raw materials and purchased components	Purchase price increases for primary product materials or for mechanical or electrical components for machinery and equipment	Mitigating the risk of price increases by moving some material inventory off balance sheet, leveling purchase prices by purchasing rare metals in fixed quantities, and multiple sourcing for purchased components, etc.
Risks related to inventory	Valuation or disposal loss on surplus or stagnant inventory	Ongoing confirmation of trends in long-term stagnant inventory via an internal committee, impairment decisions based on fixed standards and impairment accounting
Regulatory risks	Changes in laws and regulations or the enactment of new regulations that cannot be complied with	Establishing rules related to compliance and addressing changes in legislation involving organizations specializing in legal risk and building process flows related to contracts, and monitoring IP infringement by other companies and taking appropriate measures
Foreign exchange risks	Sharp fluctuations in exchange rates	Forward exchange contracts to minimize risk, passing on increases to selling prices, etc.
Risks of dependence on specific buyers	Reduction in parts supply due to changes in the configuration of parts handled by a specific supplier or changes in policies for transactions with a partner company	Multifaceted business development, diversifying earnings through new expansion into medium- to long-term priority businesses, and activities to build stable business relationships with customers
Credit risks	Uncollectible debt due to rapid deterioration in customer business performance	Screening companies when entering into transactions and setting transaction terms based on ongoing considerations related to credit risk
Risks related to demand trends for I-PEX products	Deterioration of the economic environment progresses, slowdown in launch timings of new-model end-products or in the growth of end-products markets and resulting changes in purchase trends and parts procurement trends among customers	Diversifying risk through multifaceted business development, appropriate reallocation of production facilities, and reassignment of necessary personnel based on medium- to long-term demand forecasts
Risks related to goodwill and other intangible fixed assets	Impairment loss due to declining profitability as a result of business not progressing according to plan	Regularly verifying business profitability and risk and revising plans as necessary

# Message from an Outside Director



Report on Audits of Southeast Asian Affiliates

Overseas affiliates initiate improvement activities aiming to become an “Innovative Product development & Engineering solutions eXpert”  
Group governance vision to enhance corporate value going forward

Shuji Niwano  
Outside Director  
(Audit & Supervisory Committee Member)

“Urgent management issues are quickly returning to a growth track and strengthening the earnings base by improving ROE

The Group performance for fiscal year 2022 represented a turn-around from record-high profit in fiscal year 2021, with earnings declining 10% and net income attributable to owners of parent decreasing 97%.  
Investors and other stakeholders are likely to be asking several questions.

- First, what is I-PEX doing to deal with changes in the global industrial structure brought about by COVID-19?
- Second, what is the current status of the company’s business restructuring and portfolio optimization and what issues does it face?
- Finally, how is I-PEX evolving its corporate governance?

In the current context, clearly the urgent management issues facing the Group are to quickly get back on a growth track and to strengthen the earnings base by improving ROE. The market is carefully watching the management goals set forth in I-PEX Vision 2030 and the path to achieving them.  
The Group must move ahead at an even faster pace to enhance corporate value and achieve its management goals.  
It must also work to sustainably enhance corporate value and address social issues by steadfastly engaging in the six points of materiality it has identified. My role as a member of the Audit & Supervisory Committee is to support this.

“Improvement activities aiming to become an “Innovative Product development & Engineering solutions eXpert”

In the fall of 2022, the Audit & Supervisory Committee conducted an on-site audit of affiliates in Singapore and Malaysia, which are the main production facilities for the consumer and automotive components businesses. Audit activities had to be curtailed during the pandemic, but with the situation beginning to return to normal and as travel restrictions were relaxed, we visited the sites after confirming that everything was set locally.  
Partly because they coincided with the downswing in market conditions, the audits offered us an opportunity to find out about the inventive measures the plants were pursuing in their operations during a period of low capacity utilization, as well as the issues they face. First, on the production floor, we saw for ourselves the low utilization rates, the build-up of inventory, and idle floors. In interviews, the affiliates’ managing directors briefed us on a range of management issues, including productivity improvements achieved through collaboration with business divisions at the parent company, the monitoring of KPIs and management of a PDCA cycle related to plant operations,

and the implementation of training plans for technicians. We confirmed that the sites are steadily moving forward with the improvement activities they initiated. The directors also explained that a market downturn can be an opportunity to accelerate steps to raise the level of management, and that they are pursuing improvements in preparation for an upturn. These include rebuilding the supply chain in Southeast Asia in close coordination with the business divisions, paring down inventory, cutting distribution costs, and strengthening facilities maintenance capabilities.  
The visits gave me a keen sense of the way in which activities aiming to become an “Innovative Product development & Engineering solutions eXpert” give rise to the inventiveness of diverse personnel on the production frontlines and generate synergies that support the growth of the Group.

“A vision of group governance for enhancing corporate value

At the same time, taking the standpoint of the management of the local affiliates, I could not say that discussions by their Boards of Directors were necessarily adequate with respect to business planning, risk management, and other key management issues. This is an issue that should be addressed from the standpoint of the development and operation of an internal control framework for the Group overall, led by the parent company headquarters and put in place across the Group as a whole.  
At present, around 70% of the Group’s sales are to overseas customers. Since overseas affiliates will play a pivotal role in the Group’s growth going forward, their Boards of Directors have to go beyond simply making decisions and supervising production as an overseas plant. They need to evolve into companies with their own corporate identity, driving the execution of growth strategies and taking responsibility for the decision-making and supervisory functions needed for growth.  
To this end, there needs to be more in-depth discussion of the functions of the local affiliates and the roles their Boards of Directors play from a Group governance perspective. Once this is redefined, the companies need to take the initiative in carrying out their own activities.  
Raising effectiveness is not an issue only for the Board of Directors of the parent company—it also pertains to the Boards of Directors of the companies that make up the I-PEX Group. To further enhance corporate value, the Audit & Supervisory Committee will continue to pursue Group governance that fully capitalizes on the strengths of the frontlines.



Audit & Supervisory Committee members with managing directors of Singapore and Malaysia affiliates

# Financial Information

## Operating Results

In the consolidated fiscal year under review, the global economy, under the influence of COVID-19, remained unpredictable because of these reasons as below: Sharp price increases for resources and energy as a result of the prolonged situation in Ukraine, a shortage of parts and raw materials owing to disruptions of supply chains, and rising concerns about inflation in the U.S. and European economies.  
The economy in Japan also showed signs of uncertainty, under the influence of COVID-19, because of high

prices for raw materials, a shortage of semiconductors and electrical parts, and price increases due to the ongoing depreciation of the yen.  
As a result, our consolidated net sales decreased 10.8% to ¥59,643 million, compared with the prior year, operating income decreased 85.8% to ¥978 million, ordinary income decreased 72.5% to ¥2,120 million, and net income attributable to owners of parent decreased 97.2 % to ¥168 million.

## Financial Position

Total assets at the end of the consolidated fiscal year under review increased ¥546 million from the end of the previous fiscal year to ¥92,237 million. The main increases were goodwill of ¥2,038 million and machinery, equipment and vehicles of ¥1,803 million, and the main decreases included work in process of ¥2,867 million.  
Liabilities decreased ¥1,023 million to ¥33,891 million. The main decreases were notes and accounts payable—trade of ¥980 million and accounts payable—other of

¥710 million, and the main increases included short-term borrowings of ¥571 million.  
Net assets increased ¥1,570 million to ¥58,346 million as a result of a decrease in retained earnings of ¥921 million attributable to dividends from surplus and other items and an increase in foreign currency translation adjustment of ¥2,897 million from the impact of foreign exchange rate fluctuations.

## Cash Flows

Operating cash flow in the consolidated fiscal year under review increased ¥9,669 million (¥12,809 million increase the previous fiscal year). This was attributable to an increase in inventories of ¥1,144 million, an increase in accounts receivable—other of ¥1,220 million and income taxes paid of ¥1,351 million being more than offset by income before income taxes of ¥1,133 million, depreciation of ¥7,329 million, loss on sale of investment securities of ¥469 million, a decrease in trade receivables of ¥2,359 million, an increase in accounts payable—other of ¥432 million, and a consumption taxes refund of ¥1,079 million.  
Investing cash flow decreased ¥6,165 million (¥7,946 million decrease the previous fiscal year) from proceeds from sale of property, plant and equipment of ¥738 million being more than offset by the purchase of

property, plant and equipment of ¥4,763 million, purchase of intangible assets of ¥504 million, and purchase of shares of subsidiaries of ¥1,241 million resulting from a change in the scope of consolidation.  
Financing cash flow decreased ¥3,690 million (¥3,236 million decrease the previous fiscal year) as a result of a net increase in short-term borrowings of ¥1,060 million and proceeds from long-term borrowings of ¥4,800 million being more than offset by repayments of long-term borrowings of ¥6,510 million, repayments of lease obligations of ¥528 million, repayments of long-term accounts payable—other of ¥1,493 million, and dividends paid of ¥1,019 million.  
As a result, cash and cash equivalents at the end of the period increased ¥471 million from the end of the previous fiscal year to ¥14,269 million.

## Capital Expenditure

Capital expenditure in the consolidated fiscal year under review totaled ¥5,509 million and was primarily for production facilities. In the electric/electronic components business, ¥3,092 million was invested in machinery and equipment, including molds and automatic machines, to augment production capacity. In the automotive components business, investments of ¥1,727

million were made in molds, automatic machines, and other machinery and equipment also for the purpose of augmenting production capacity. In the equipment business, investments of ¥25 million were made to maintain production capacity. Capital expenditures of ¥664 million were also made in administrative divisions.



## Financial Information

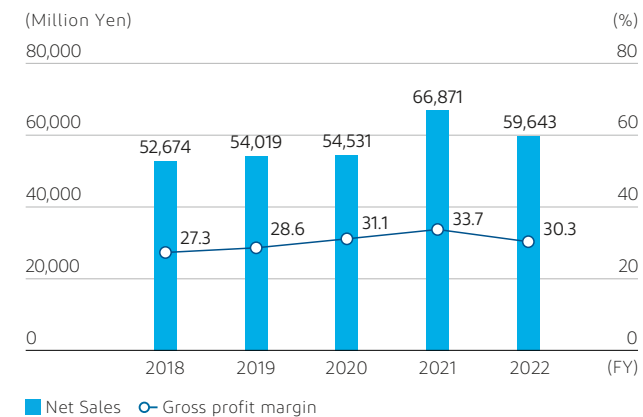
### Seven-Year Financial Summary

Consolidated fiscal year	54th	55th	56th	57th	58th	59th	60th
Fiscal year-end	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022
Operating Performance (Million Yen)							
Net sales	45,834	51,925	52,674	54,019	54,531	66,871	59,643
Cost of sales	33,717	36,343	38,291	38,550	37,584	44,315	41,548
Gross profit	12,116	15,582	14,383	15,468	16,947	22,555	18,095
SG&A expense	11,715	12,978	13,664	13,962	14,036	15,678	17,116
Operating income	401	2,604	719	1,505	2,911	6,877	978
Ordinary income	800	2,509	660	1,382	2,672	7,704	2,120
Net income (loss) attributable to owners of parent	157	1,667	-1,882	925	1,151	5,921	168
Capital expenditure	6,914	11,980	10,535	12,765	9,631	10,697	5,509
Depreciation	5,477	5,730	5,726	5,578	6,429	6,898	7,329
R&D expenses	2,241	2,234	2,530	2,090	2,050	2,077	2,547
Financial Position (Million Yen)							
Current assets	31,094	30,106	29,345	36,030	35,925	41,139	41,193
Total assets	59,175	64,929	66,820	80,421	81,908	91,690	92,237
Current liabilities	9,112	11,144	13,905	16,468	17,991	20,629	19,673
Interest-bearing debt	6,283	7,767	12,983	17,580	17,092	16,735	17,656
Net assets	44,681	46,877	43,845	49,795*	49,515	56,775	58,346
Cash Flows (Million Yen)							
Operating cash flow	4,535	6,805	4,370	5,994	9,195	12,809	9,669
Investing cash flow	-6,400	-10,547	-9,296	-8,485	-6,632	-7,946	-6,165
Financing cash flow	497	792	4,090	7,937	-2,558	-3,236	-3,690
Cash and cash equivalents at end of period	10,964	7,905	6,872	12,182	11,719	13,797	14,269
Per Share Data (Yen)							
Net income (loss) attributable to owners of parent	9.41	99.73	-112.58	54.83	61.50	316.82	9.08
Net assets per share	2,666.11	2,799.15	2,617.79	2,656.10	2,641.63	3,060.94	3,139.58
Dividend per share	15.00	25.00	20.00	25.00	25.00	50.00	40.00
Financial Indicators							
Gross profit margin (%)	26.4	30.0	27.3	28.6	31.1	33.7	30.3
Operating income percentage (%)	0.9	5.0	1.4	2.8	5.3	10.3	1.6
Ordinary income percentage (%)	1.7	4.8	1.3	2.6	4.9	11.5	3.6
ROE (%)	0.3	3.6	-4.2	2.0	2.3	11.2	0.3
ROA (%)	0.3	2.7	-2.9	1.3	1.4	6.8	0.2
Shareholders' equity ratio (%)	75.3	72.1	65.5	61.8	60.4	61.8	63.1
Dividend payout ratio (%)	159.4	25.1	—	49.5	40.7	15.8	440.5

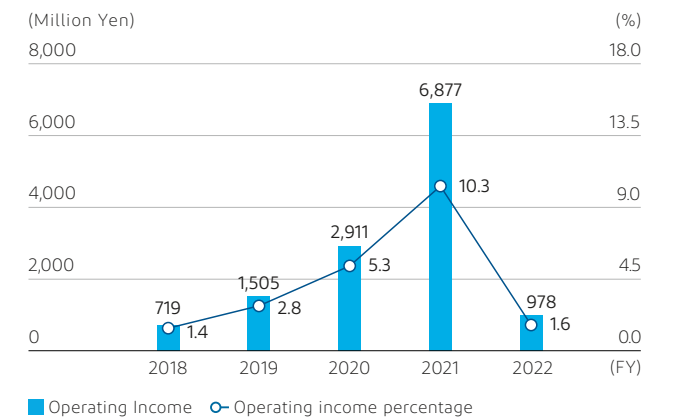
\* The major change in net assets in the 57th fiscal year is the result of a capital increase through a public offering conducted in December 2019.

## Performance Highlights

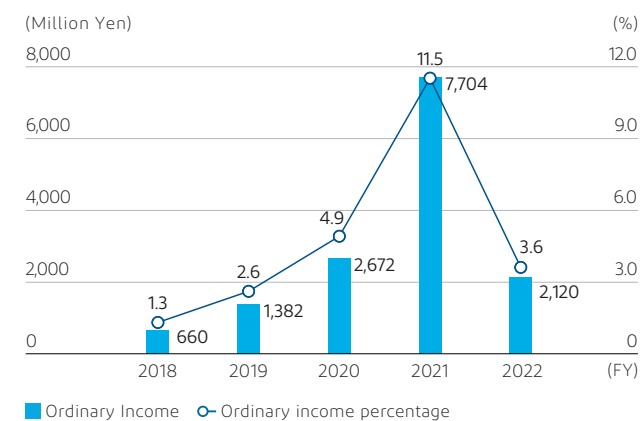
### Net Sales



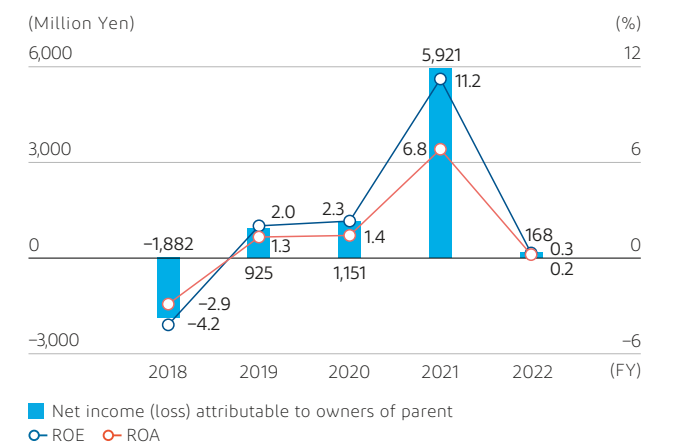
### Operating Income



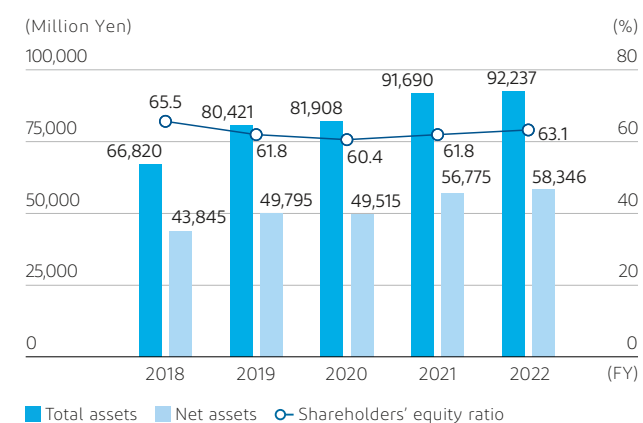
### Ordinary Income



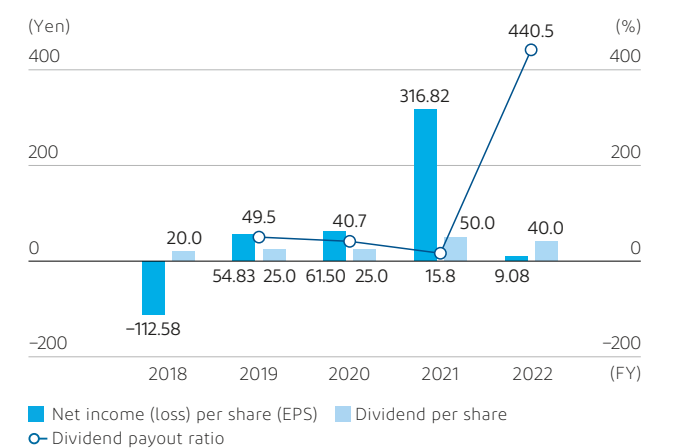
### Net Income (Loss) Attributable to Owners of Parent/ROE/ROA



### Total Assets/Net Assets/Shareholders' Equity Ratio



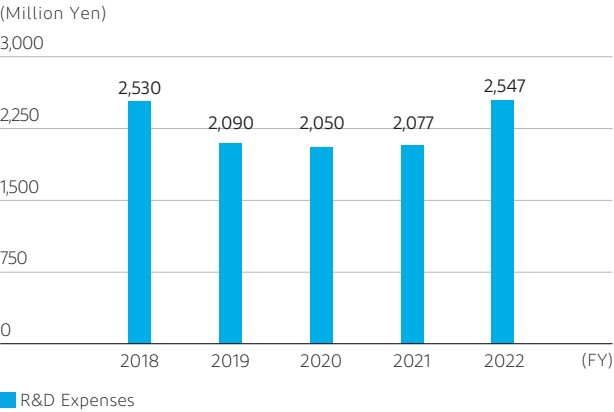
### Net Income (loss) Per Share/Dividend Per Share/Dividend Payout Ratio\*



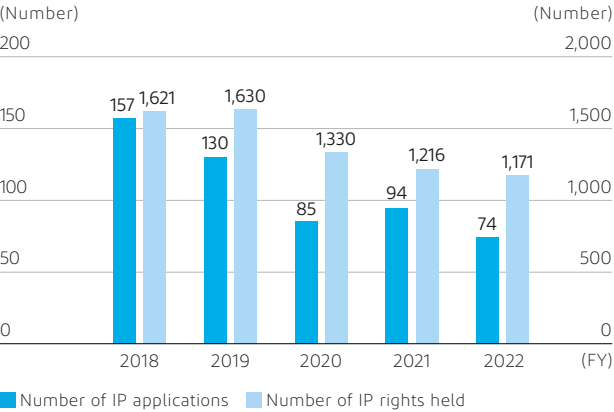
\* The dividend payout ratio is not indicated for fiscal year 2018 because there was a net loss.

Performance Highlights

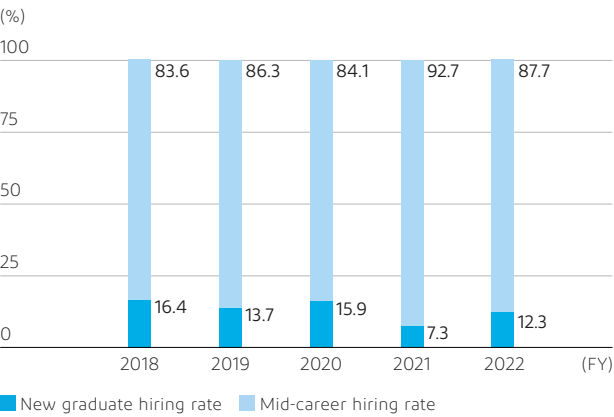
R&D Expenses



Number of IP Applications/Number of IP Rights Held



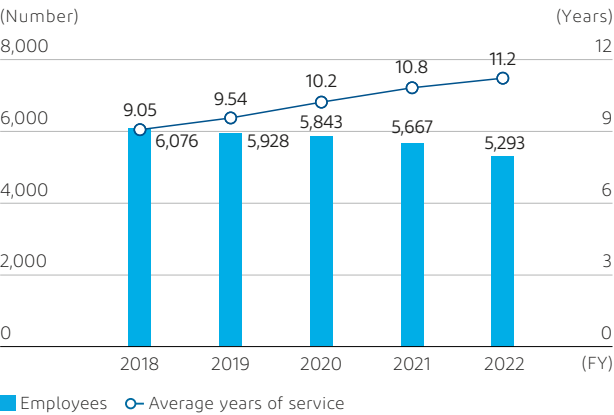
Hiring Rates for New Graduates and Mid-Career Personnel



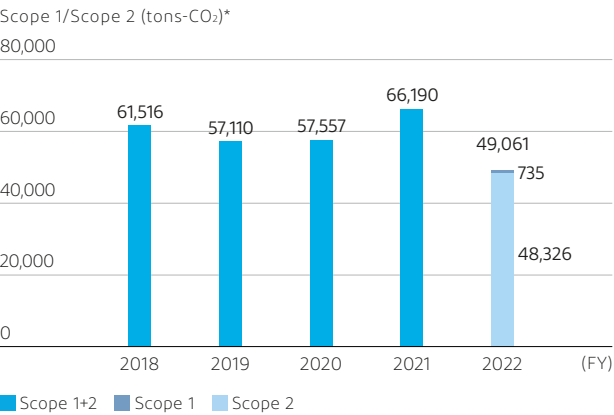
Women in Managerial Positions/  
Percentage of Women in Managerial Positions



Employees/Average Years of Service



CO<sub>2</sub> Emissions



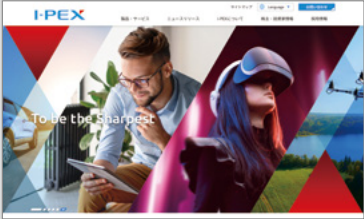
Scope 1: GHG emissions directly released from the company  
Scope 2: Indirect GHG emissions released from the energy purchased by the company.  
\* Figures for fiscal years 2018 to 2021 are the totals of Scope 1 and Scope 2.

Corporate Overview/Stock Information  
(as of December 31, 2022)

Corporate Overview

Trade name	I-PEX Inc.
Head office	12-4 Negoro, Momoyama-cho, Fushimi-ku, Kyoto, JAPAN
Date of incorporation	July 10, 1963
Paid-in capital	10.968 billion yen
Head count	Non-Consolidated: 2,000 Consolidated: 5,293
Main banks	MUFG Bank, The Bank of Kyoto, Sumitomo Mitsui Banking Corporation, Mizuho Bank

Corporate Website  
<https://corp.i-pex.com/en>



Stock Information

Stock exchange listing	Tokyo Stock Exchange, Prime Market
Stock code	6640
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation
Total number of issuable shares	35,000,000
Total number of issued shares	18,722,800
Number of shareholders	9,931

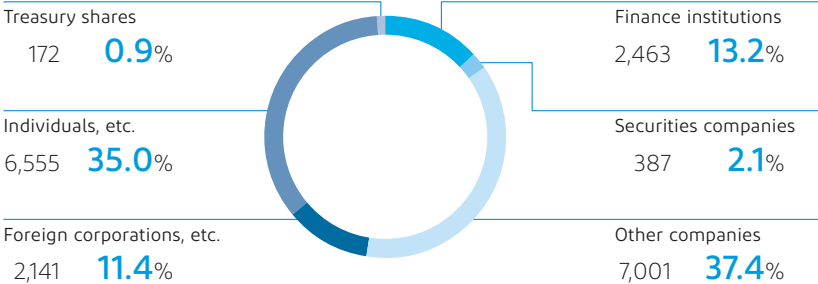
Major Shareholders (Top 10)

Shareholder name	Number of shares held	Shareholding ratio (%)
DMC Co., Ltd.	6,821,400	36.77
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,300,800	7.01
Custody Bank of Japan, Ltd. (Trust Account)	644,400	3.47
Employees' Stockholding	570,580	3.07
Daiki Konishi	300,000	1.61
DFA INTL SMALL CAP VALUE PORTFOLIO	276,100	1.48
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE CLIENTS NON-TREATY ACCOUNT	161,000	0.86
THE BANK OF NEW YORK MELLON 140040	156,200	0.84
STATE STREET BANK AND TRUST COMPANY 505103	131,700	0.70
JP MORGAN CHASE BANK 385781	114,950	0.61

\* The Company owns 172,166 shares of treasury stock, but these have been excluded from the above table. Treasury shares (172,166 shares) have been deducted from the shareholding ratio.

Share Distribution by Owner Category

(Unit: 1,000 Shares)







I-PEX Inc.

12-4 Negoro, Momoyama-cho, Fushimi-ku, Kyoto, JAPAN

Tel: (81) 75-611-7155

<https://corp.i-pex.com/en>

