



TR TOKAI RIKA

Measures for Achieving Mid-Term Business Plan



Framework of mid-term business plan (Plan formulated: May 2022)

Next generation growth cores
- Taking on the challenge of new business fields
- Sowing the seeds of next-generation technologies

II

2030
Over 600 billion yen

Create the foundations for lift-off in 2030

I. Promotion of business strategy

II. Reinforcement of business foundations

III

2025
520 billion yen
Operating income:
25 billion yen
ROE 8%

I

IV

Safety and quality

Status of Measures for Mid-Term Business Plan

May 2023

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I. Activities for FY 2025

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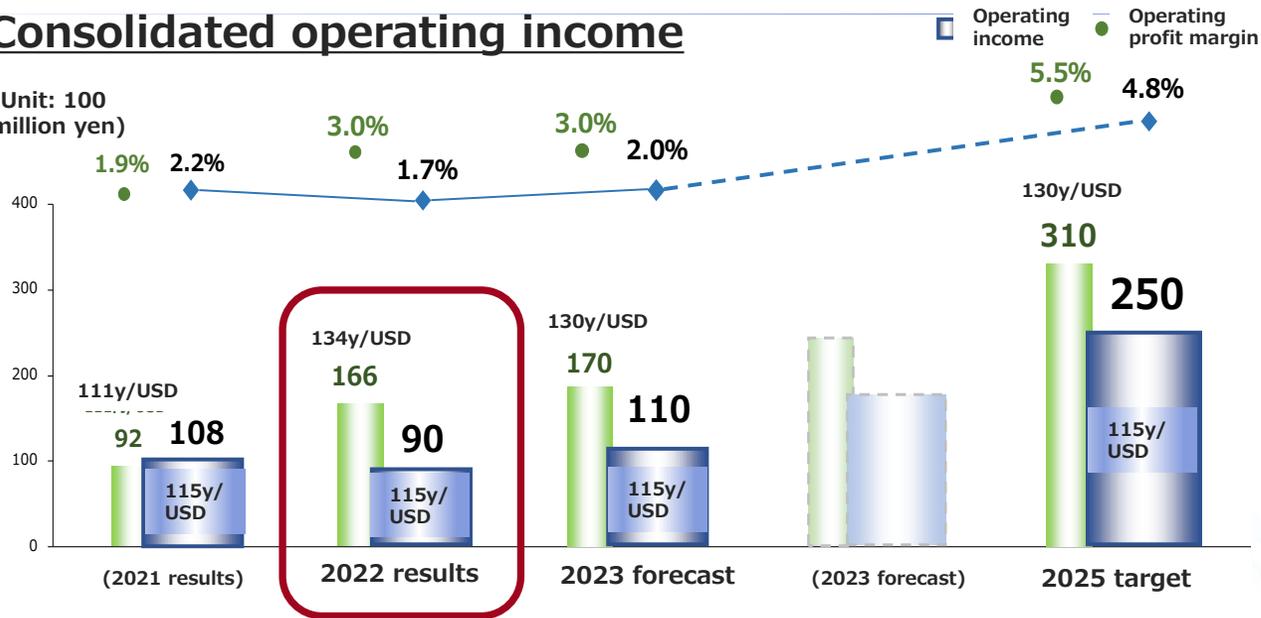
- Secure orders for strategic product groups starting up in FY 2025.
- New measures for expanding sales in North American and Indian markets, etc. As a result, we expect to achieve our mid-term sales targets for FY 2025.



I. Activities for FY 2025

Consolidated operating income

(Unit: 100 million yen)



Situation from 2022 to 2023

Operating income floor: FY 2022

- Income is forecast to recover from its low point in FY 2022, supported by exchange rates, the passing on of inflation costs, and a recovery in customer production volumes.

Profit foundation floor: FY 2023

- Both fixed costs and break-even point sales are forecast to deteriorate due to inflation costs that cannot be completely offset and the costs associated with starting up new businesses.

Toward achieving targets for FY 2025

Operating income: 25 billion yen
Consolidated fixed costs: 128 billion yen
(reduction of 11 billion yen)
Break-even point sales: 435 billion yen

(1) Starting up of Revenue Reformation Group (reorganization of Business Planning Div. and Finance & Accounting Div.)

- [1] Thorough cost reduction for existing products
- [2] New product cost planning activities with full utilization of DX

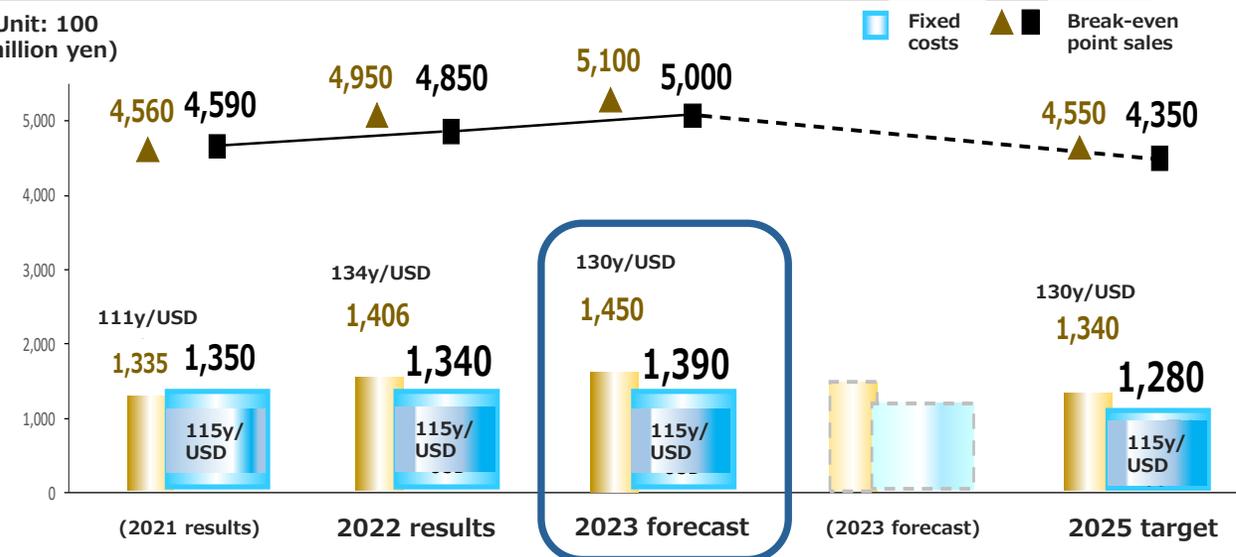
[3] Reduction of 11 billion yen by controlling fixed costs
 (selection and concentration, effective utilization of resources by reskilling, etc.)

(2) Optimization of production on global level

(3) Rapidly achieving profitability from new businesses

Consolidated fixed costs and break-even point sales

(Unit: 100 million yen)



II. Growth Engines for Realizing over 600 billion yen in FY 2030

II. Growth Engines for Realizing over 600 billion yen in FY 2030



India

Expanded sales of Smart keys etc. Response to increased customer production in Northwest.

New north plant at TRMN

Opening in Rajasthan state, India. Due to start operations in May 2024.

Mexico

Expansion of plant at TRMX

Additional building work to be completed by end of 2023. Aiming to increase production from 2024.



Expanded sales of SbW etc. Greater competitiveness in North America.

JAPAN

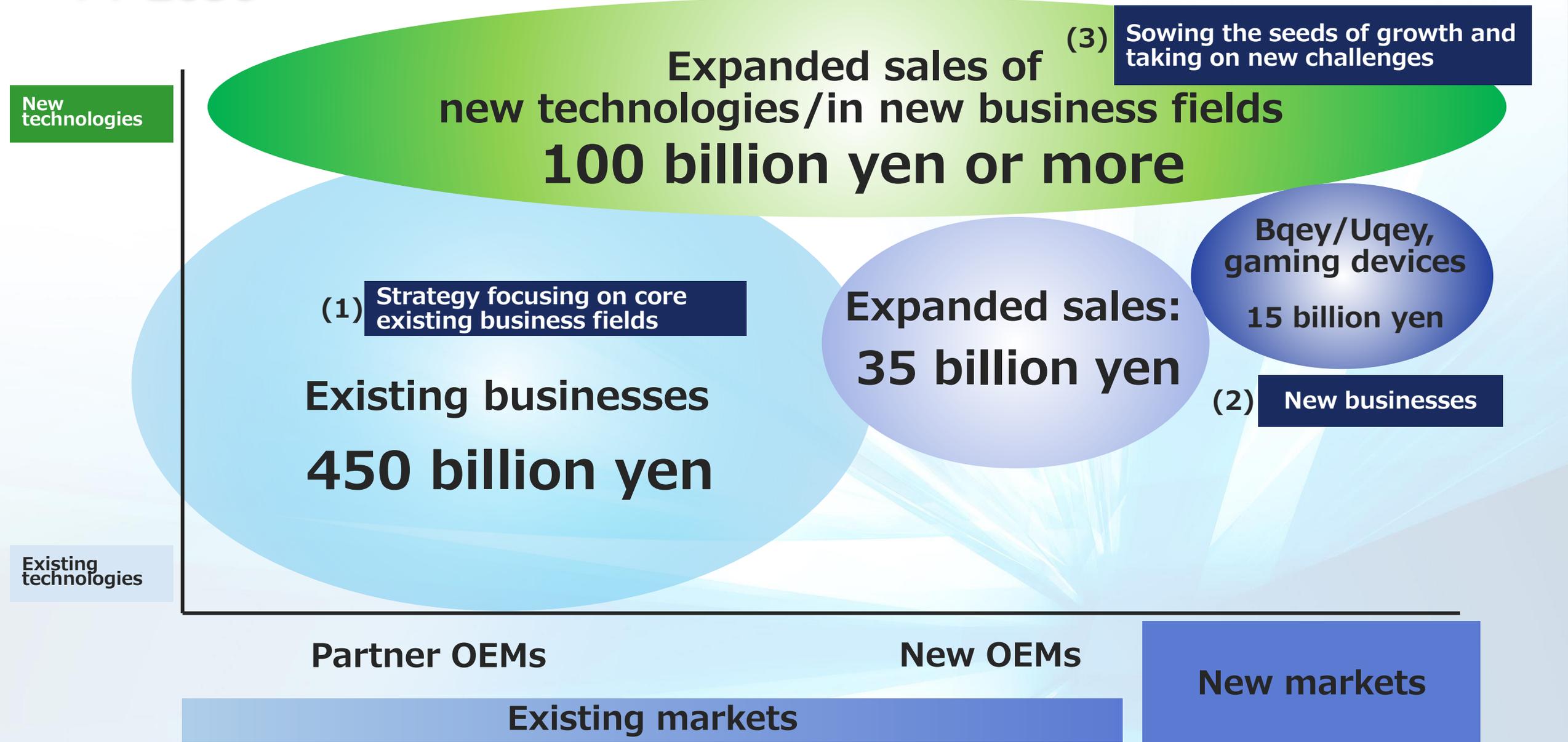
Tokai Rika Tohoku

Opening in Yokote City, Akita Pref. Due to start operations in January 2025.



Greater competitiveness by production closer to customers. Contribution to local community through production.

II. Growth Engines for Realizing over 600 billion yen in FY 2030



II. Growth Engines for Realizing over 600 billion yen in FY 2030

(1) Strategy focusing on core existing business fields: Switches around steering column/instrument panel, shift-by-wire

HMIs that meet evolving vehicle needs

Results

- Shift-by-wire

- Expand lineup toward achieving global No. 1 share



New orders in the U.S. and India



- New order for Lotus

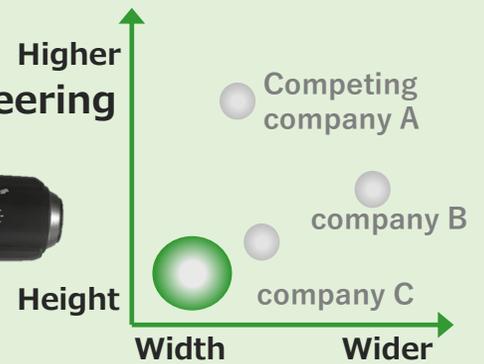


- Completed development of switches for automated driving/electrified vehicle cockpits.

- Transparent ornamentation



- World's smallest steering column switches



Future strategy

- Expand sales of standardized switches by making thoroughly effective use of development assets and production investment.

- Expand cooperation with other companies toward fusion of display and interior.

II. Growth Engines for Realizing over 600 billion yen in FY 2030

(1) Strategy focusing on core existing business fields: Smart/digital key systems, ECUs/sensors, seatbelts

Realization of a safe and secure mobility society

* Communication technologies for realizing digital key systems

UWB : Ultra-Wide Band
NFC : Near field communication
BLE : Bluetooth Low Energy

Results

- Orders of digital keys from OEMs
 - Operation of key server
 - Development of related devices and new orders (UWB/NFC/BLE*)
- New orders in the Indian market (Smart access systems/digital keys/seatbelts)



- New orders for motorcycle digital keys (advanced)
- New orders for body control system ECUs

Future strategy

- Expand service platform. (utilization of server)
- Create added value using related devices and sensors.
 - Wheel detachment detection system
 - Child protection detection



- Enhance protective performance tailored to physique.

Development to comply with automotive safety assessments in each country from 2026 onward

II. Growth Engines for Realizing over 600 billion yen in FY 2030

(2) New businesses (digital key services, products for esports)

Realization of a safe and secure mobility society

Taking on new challenges utilizing switch/sensor technologies

Results



Resolution of issues involved in company vehicle management

Contracted companies: over 130
Contracted vehicles: over 2,500



Making rental car management more convenient and speedy

Application downloads: over 2,400
Member registrations: over 1,700 people

Launch of keyboard for esports using Tokai Rika's sensors



Supervision of top professional esports team Zeta Division

Future strategy

- Accelerate activities toward meeting sales target of 15 billion yen in FY 2050.
 - Promote awareness with users and establish branding.
 - Rapidly identify market needs and establish organization to reflect these needs into development and products.

Investment in TANAACK Inc.



II. Growth Engines for Realizing over 600 billion yen in FY 2030

(3) Sowing the seeds of growth and taking on new challenges

Mobility Realization of more comfortable, secure, and safe society Non-mobility

● Next-generation HMI cockpit

Occupant sensing
Coordination between display and interior suppliers



● Automated driving remote monitoring system



● Digital key server business : collaboration with service providers

● Current sensors/control ECUs for BEVs

● External sales of semiconductors (sensors/ICs)

● ECU and software that can contribute to more sophisticated mobility



The strengths that we have nurtured: Tokai Rika's core technologies

Ergonomics

Design development



Sensing technologies
Communication encryption technologies

Manufacturing capabilities that can turn technology development into reality



Semiconductor development/fabrication

Safety support technologies



Key business field: Expansion of semiconductor business

Strengths of Tokai Rika

- Production lines that can realize low-volume/low-cost production. (1.0 μm processes).
- Short production lead times (30 days)



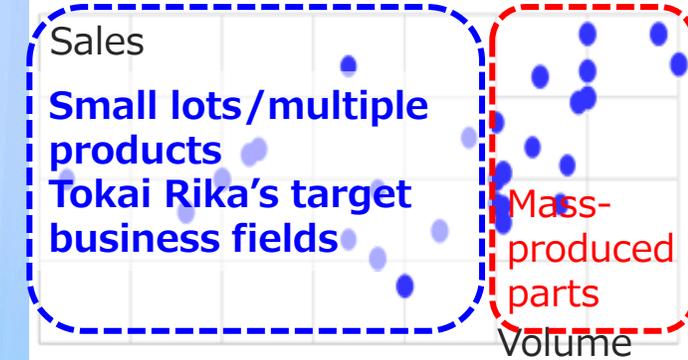
Flexible transfer Small scale, short turnaround

Marketing activities

Activities to identify needs in various industries

- > Opportunity to enter business fields requiring the production of small lots of multiple products.
- Products needed rapidly (research institutes)
- Only small volumes required (aerospace)
- Concerns related to EOL* of custom ICs (production machines)
- Digitalization desired (home electronics)
- > No manufacturers are available or the available manufacturers are too expensive.

* EOL: end of life (parts that are no longer sold or supported)



Tokai Rika's strategy

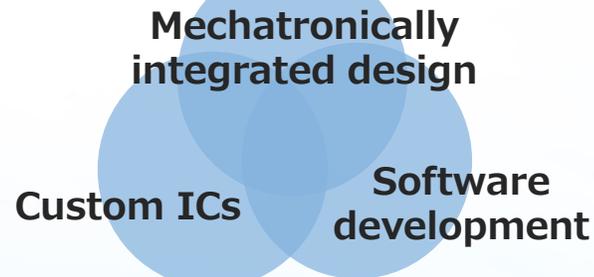
- Utilize our strengths and target the production of small lots/multiple products (long tail products)
 - > External sales of custom ICs for long tail products.
- Open new markets (semiconductor sales, exhibition displays, collaboration with trading companies).
- Build production lines that meet market needs.
 - > Add digital functions to analog ICs (conversion to 0.35 μm) and shorten lead times (20 days).
 - > Invest in semiconductor fabs (decide in FY 2023).

➡ Target sales for FY 2030: 5 billion yen

Key business field: Expansion of ECU business

Strengths of Tokai Rika

Development in peripheral ECU fields

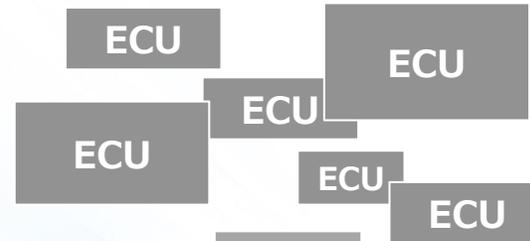


-> Cost/size reduction in accordance with product and application.

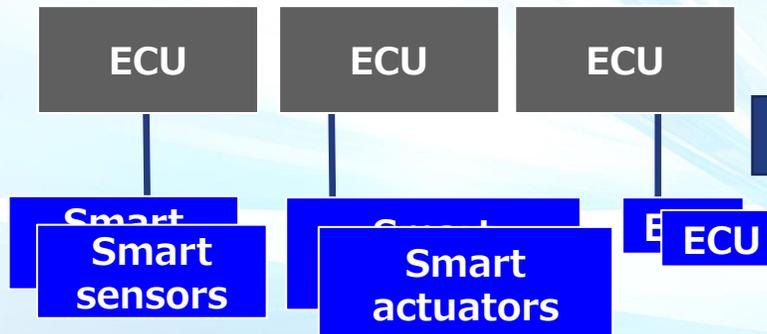
Development and mass-production of various ECUs

Smart system ECUs
Mirror ECUs
Seat ECUs
Power sliding door ECUs
etc.

Vehicle evolution



Centralization of ECUs



Tokai Rika's strategy

- Expand business targeting smart sensors and actuators integrating peripheral ECUs and their functions.
- Expand sales by identifying needs of existing OEMs, new OEMs, and tier 1 suppliers for size and cost reduction.
- Nurture software engineers through re-skilling

(target 100 people by 2025).

FY 2022: Completed training of 20 people and allocated to workplaces.

FY 2023: 19 people currently undergoing training.

The need for peripheral ECUs and smart devices below centralized ECUs is expanding.



**Target sales for FY 2030:
24 billion yen**

III. Initiatives for Reinforcing Business Foundations

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Maximize value of human resources and realize sustainable corporate growth.

Initiatives to create results

Allocation focused on business strategy

- 65 people
(new applicants from inside the company and existing employees)
- 2025: 200 people

Reskilling
(Software engineer training)

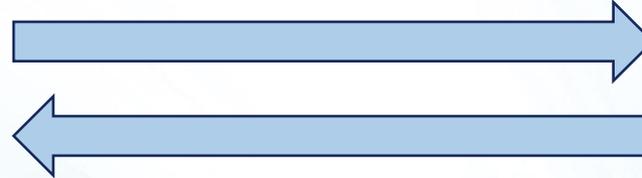
- 39 people
- 2025: 100 people

- FY 2022 results
- Target

Individual



Spontaneous development of spirit to take on new challenges
Full utilization of all employees



Provision of/support for opportunities to take on new challenges
Respect for individual diversity

Company



Initiatives to create sustainable impacts

Care leave for men

- Take-up rate: 74.1%
- 2025: 100%

Health and productivity management

- Recognition as Certified Health & Productivity Management Outstanding Organization ("White 500")
- Further evolution of activities (active involvement of management)

Individual employees and the company grow together and contribute to society.

External challenges
(side jobs)

- 62 people
- 2025: 100 people

Respect for diversity
(promotion of D&I)

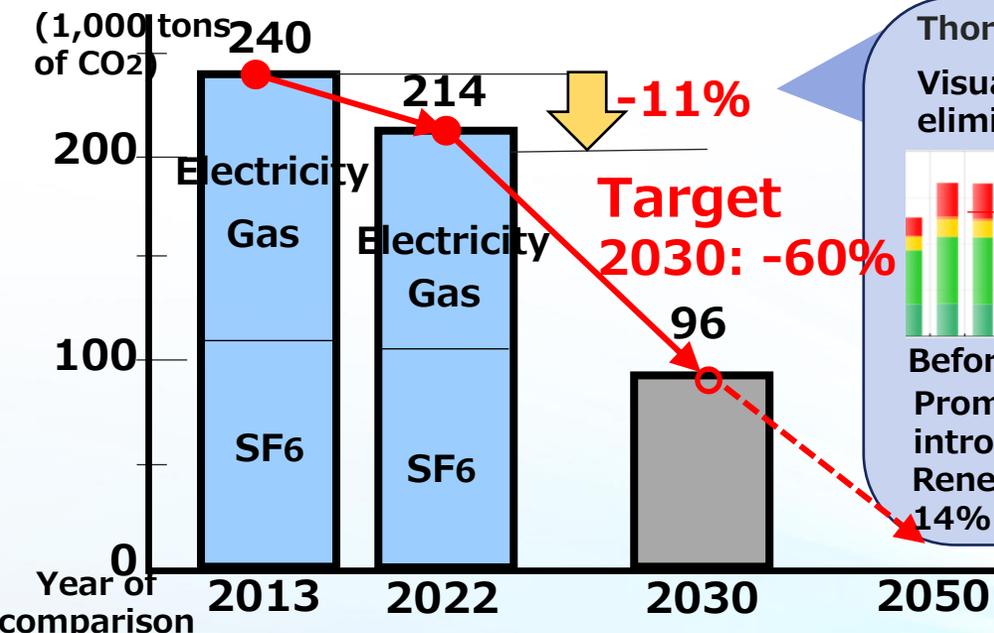
- Female managers: 16 people (1.6%)
- 2026: 20 or more

Transfers or networking with different industries

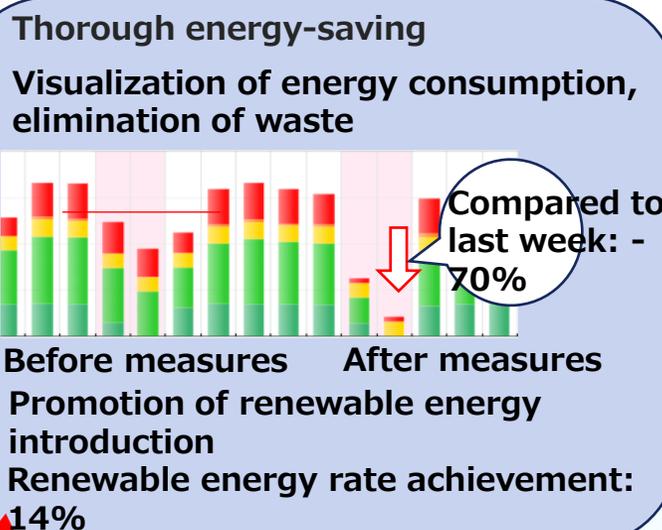
- 3 people
- 2025: 20 people

Steady promotion of carbon neutrality

Production strategy:



CO2 reduction effect



Product strategy:

Development of bamboo composite material

Bamboo



Customer evaluation:

Award for Environmental Excellence

Received from Toyota Motor Corporation two years in succession

Purchasing strategy:

Joint purchasing of renewable energy power with 12 partner companies

Press release in November 2022



Solar power on roof of logistics warehouse

Renewable energy

3 GWh

12 suppliers of Tokai Rika



III. Initiatives for Reinforcing Business Foundations

Promotion of fraud prevention and legal compliance activities

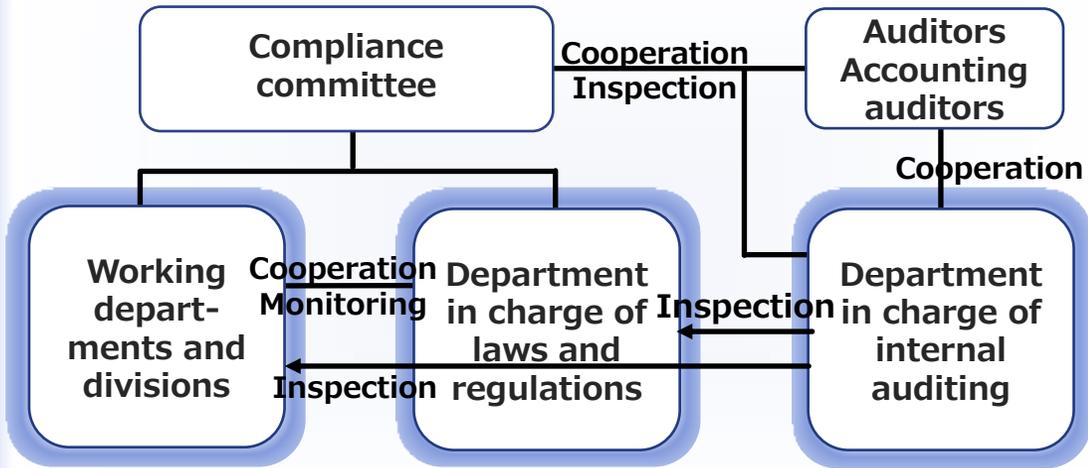


Declaration of action (2021)
Common values based on the spirit of our founders

A workplace culture with integrity that is honest, transparent, open, and allows anything to be discussed.

Enhancement of whistleblowing organization (consultation contact points):
Establish multiple contact points, including external attorneys-at-law.
Introduce system of consultants.
Establish contact points for family members of employees.
Establish additional hot lines direct to the president.
Building of workplaces with excellent emotional wellbeing:
Enhance working environment by utilizing results of stress checks.

Organization and systems to promote this culture



Strengthening of auditing organization

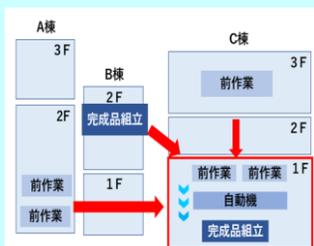
Initiatives related to certification and inspections (ensuring independence and self-inspection):
Urgent implementation of company-wide inspections based on cases occurring in other companies:
Hold interviews with all departments related to production and quality.
Carry out individual investigations of departments in charge of product evaluations.

Steady promotion of production system reorganization

Production Center

Higher productivity through object flows and greater efficiency

Bring processes closer together



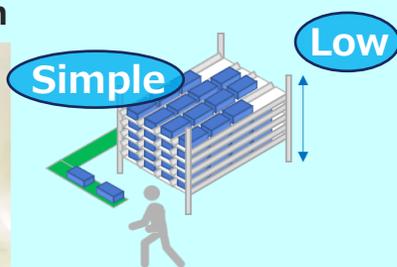
Eliminate transportation between buildings

Automate transportation



In-house manufacturing of AGVs

Automate sorting



Introduction of concentrated stores

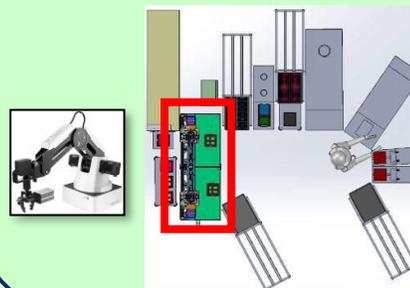
Mutual collaboration



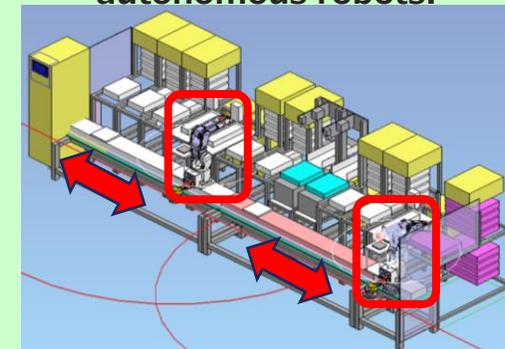
Production Engineering Center

Reduction of workforce on production lines and space saving (1/N activities)

Introduce compact robots.



Study introduction of autonomous robots.



Case study: Seatbelt production process (consolidation of service part lines, 1/N)

(1) Bring processes closer together (consolidate on floor).

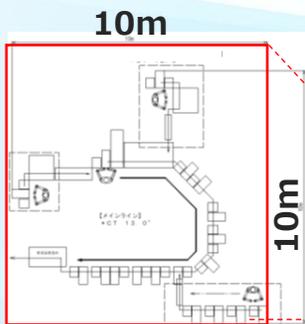
(2) Apply 1/N and versatile production lines.

(3) Carry out multi-skilled robot development.

Toyota Plant



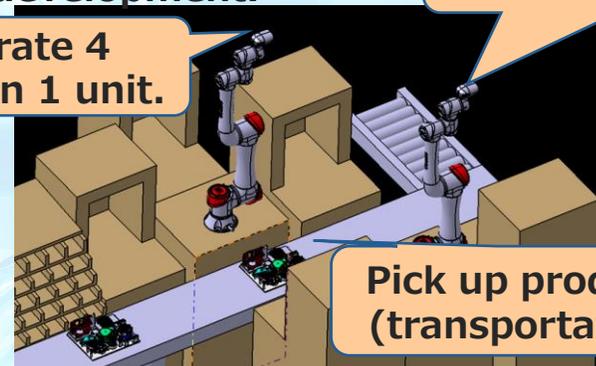
Insufficient space



Space reduction
100m² → 14.8m²
(85% reduction)



Incorporate 4 drivers in 1 unit.



Press of start switch, check OK lamp.

Pick up products (transportation)

Involvement in local communities: Cooperate with communities to find ways of resolving local issues (local creative collaboration)

Fields that have fallen out of cultivation × employment of people with disabilities × strawberry farming (Oguchi-cho, Aichi Pref.)



Participation in the Yokote Kamakura Festival (a snow festival in Yokote, Akita Pref.) close to the new Tokai Rika Tohoku plant



Activities in Minato-machi, Aizuwakamatsu, city, Fukushima Pref.



Free distribution of leftover vegetables from market stands to children's cafeterias

Preservation of the traditional satoyama ecosystem by participation in sports events



Renovation of empty houses and utilization as hands-on education centers or student dormitories

IV. Capital Strategy

To realize ROE \geq 8.0%:
(1) increase net income and (2) realize more active shareholder return.

Reasoning behind shareholder return:

Dynamically return surplus funds above requirements to shareholders.

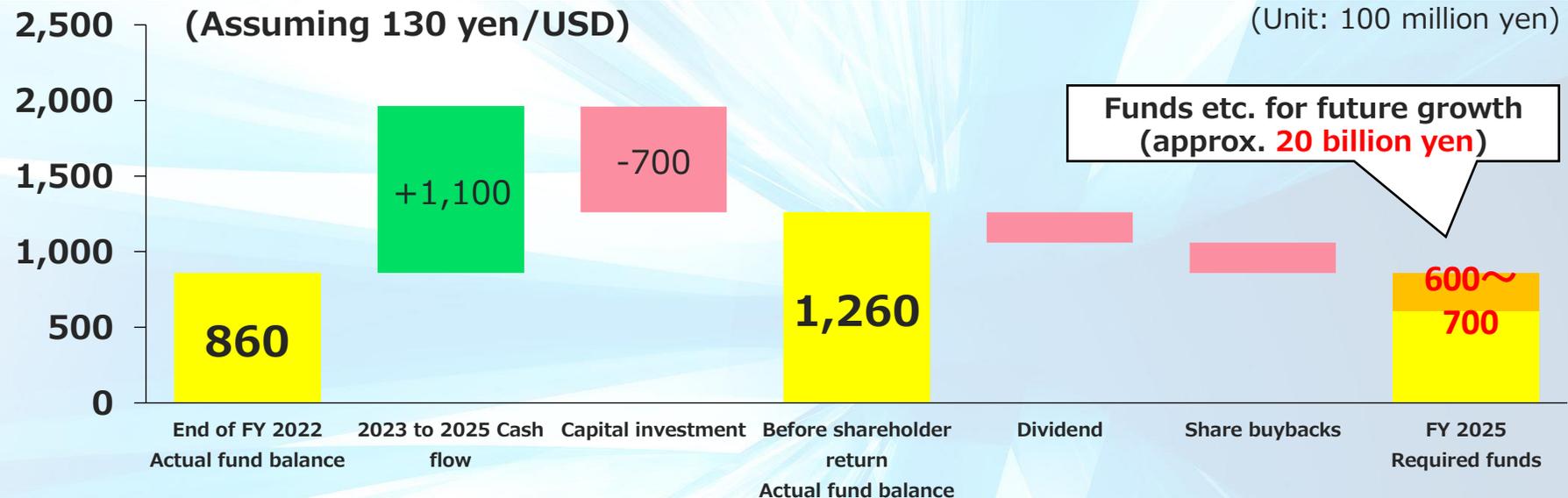
Definition of required funds:

- Retain the equivalent of 6 months of fixed costs in preparation for unexpected events **(60 to 70 billion yen)**.
- Retain additional amount of approximately **20 billion yen** as investment for development in new business fields for future growth.

Business indices

ROE 4.0 %
 (As of end FY 2022)
 (Target ROE:8.0% or higher)

PBR 0.6
 (As of May 25, 2023, closing
 share price: 1,885 yen)



The Mid-Term Business Plan includes forecast that is based on the decisions of our Company's managements, and also includes assumptions and hypothetical evidences. Therefore, the forecasts written in the plan may differ from the actual results, depending on the environmental aspects.

The Company or/and the Company's managements indicate the forecasts with expectation and certainty, but we do not guarantee any of the result written in the plan. Unless otherwise legally prescribed, we shall not be required to keep the information to be the newest version.

In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail.