

# Realizing the Target Vision for the Future of Tokai Rika

## - Growth Strategy for Enhancing Corporate Value

May 29, 2024

TOKAI RIKAI CO., LTD.

Securities Identification Code: 6995

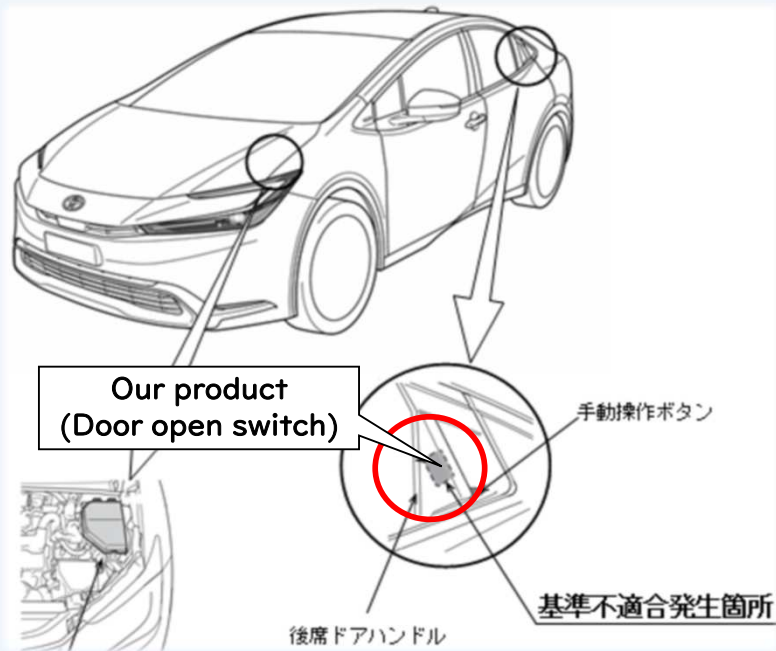
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## Actions for quality and market issues



### For market quality:

- June 14: Start free of charge repairs at dealers.
- June 17: Restart vehicle production.

### Future actions:

- Ensure the incorporation of defect-free conditions (ryohin joken) throughout all processes from design to production.
- Enhance traceability (individual product management).
- Train and nurture quality-oriented human resources (human capital capable of proactively expressing opinions).

## ◇Realizing the Target Vision for the Future of Tokai Rika (Growth Strategy)

1. The Vision of Tokai Rika for the future
2. Realizing the Future Vision
3. Promotion of Carbon Neutral Strategy

## ◇Human Capital-Related Initiatives

1. Promotion of Legal Compliance and Fraud Prevention
2. Active Participation of All Employees  
(Promotion of Human Capital management)

## ◇Progress of Mid-Term Business Plan

1. Progress of Mid-Term Business Plan
2. Actions for Enhancing Corporate Value

# ◇Realizing the Target Vision for the Future of Tokai Rika (Growth Strategy)

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# I. The Vision of Tokai Rika for the future

Purpose

Pass on our founding spirit\* and forge connections between technological evolution and people to turn the delight into reality.

\* If it's something necessary in the world, we do what others won't do.  
Yoshio Kato (Founder of Tokai Rika)



Vision

Enhance our technologies in the fields of physics, chemistry, electronics, and machinery that we have nurtured through vehicle development to provide products and services that contribute to the community and the environment, and to help realize an ever safer, more secure, and a higher quality of life.

Value

**“A Call to Thought and Action”  
booklet issued to the Tokai Rika group**

(Extract)

- We believe that safety and quality come first.
- We pride ourselves on being honest, truthful, and sincere, and we will work to gain the trust of our customers and partners.
- We will always remember to be grateful and humble, and we will strive for coexistence and shared prosperity.



A Call to Thought and Action



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## 2. Realizing the Future Vision

### ◆ Growth strategy

Enhance our technologies to expand the scope of our business to goods and services needed by society.

Technologies

New technologies

Existing technologies

Develop and propose new products and services in reaction to changes in mobility.

Contribute to ever safer, more secure, and higher quality mobility-based lifestyles.

Advance  
Deepen



Security Systems >

We offer advanced security products you can trust, preventing water theft, and other threats to your car - one of your most important assets. Our products are also environmentally sound.



Human Interface Systems and Controls >

Our interface products enhance high performance, high levels of usability, and functional beauty, ensuring the driver's will to the car.



Safety Systems >

We offer products that improve the safety of your vehicle in a number of ways - making your steering accurate, monitoring a car's view to the rear, and alerting concerning vehicle occupants. Our products provide not only superior performance but also combine increasing usability with attractive styling.



Expand

Search

Advance  
Deepen

Contribute to people's wellbeing and the realization of a sustainable society.

Toward the resolution of social issues and people's concerns.

Contribute to ever safer, more secure, and higher quality lifestyles.

Expand

Vehicles/mobility

Society (new fields)

Market/field

## 2. Realizing the Future Vision

### ◆ Contribute to ever safer, more secure, and higher quality mobility-based lifestyles.

Utilize mobility technology to make travel an ever safer, more secure, and higher quality experience!

- Ornamentation and hidden technology to create more relaxing interior spaces.
- HMIs suited to the state, emotions, and health of the occupants.

Proactive collaborative development with interior and display manufacturers



**INELLIGENT COCKPIT**  
Concept 2024

### In-Cabin Experience

安全で快適な運転環境と社会とつながっている空間を提供

**Multimodal Control**

- ・その人に合わせた直観的な操作が可能
- ・感覚（視覚、触覚、聴覚、嗅覚）連携によるフィードバック

**Understand Feelings**

- ・気持ちを察し、先読みして最適な体験を提案

**Within Comfortable Reach**

- ・ユーザーの利用シーンを読み取り、快適な姿勢を提供する可動ディスプレイやセンターコンソール

**Sustainable Material & Interactive Space**

- ・里山を守る持続可能な資源素材「Bamboo+」の活用
- ・人の気持ちに呼応する光による演出

**Application Service**

## 2. Realizing the Future Vision

### ◆ Contribute to ever safer, more secure, and higher quality mobility-based lifestyles.

Utilize mobility technology to make travel an ever safer, more secure, and higher quality experience.

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- HMIs suited to state, emotions, health of the occupant

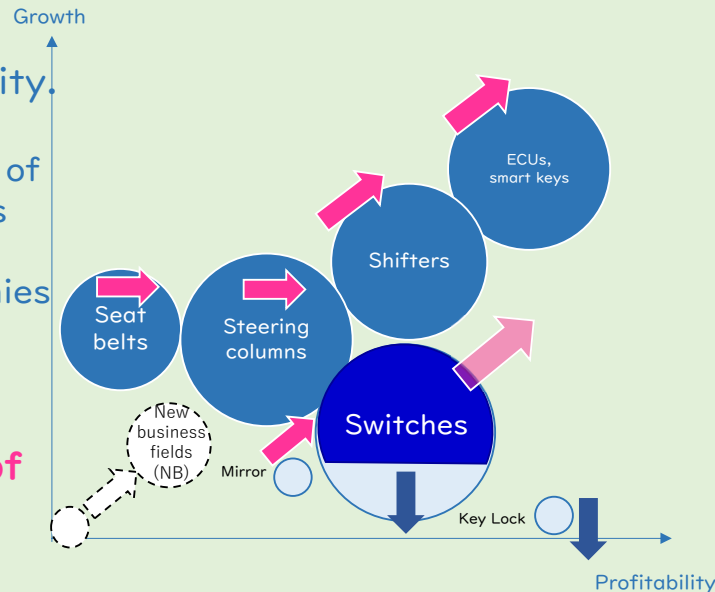
Commodity products must also change in accordance with mobility.

Continue development and proposal of HMI products in reaction to changes in mobility as volume is forecast to decrease and the number of companies involved in these fields declines.



**Also expand new added value of HMI products.**

**Proactive collaborative development with interior and display manufacturers**



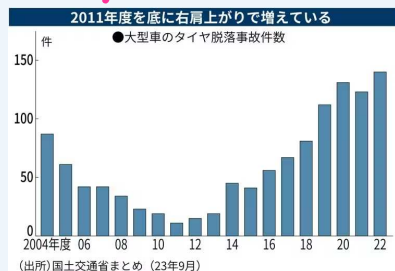
可動ディスプレイやセンターコンソール

・人の気持ちに呼応する光による演出  
「人々の生活に貢献する」の活用



## 2. Realizing the Future Vision

### ◆ Contribute to ever safer, more secure, and higher quality lifestyles.



Detect signs of wheels coming off →  
Eliminate tire separation incidents.



Bqey → Eliminate drinking and driving.

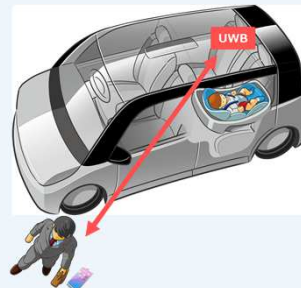


Bqey

アルコールチェック、こんな悩みありませんか？



Detect children that have been left behind →  
Eliminate tragic accidents.



Through products and services, we are aiming to help realize an ever happier future by preventing tragic accidents !

## 2. Realizing the Future Vision

### ◆ Contribute to ever safer, more secure, and higher quality lifestyles.

Achieve higher quality free time – Taking on the challenge of maximizing the utilization of valuable time

ZENAIM 



This challenge was prompted by a single comment from a young employee, leading to the creation of a business emblematic of the transformation of Tokai Rika.

Zenaim: an original brand dedicated to winning.

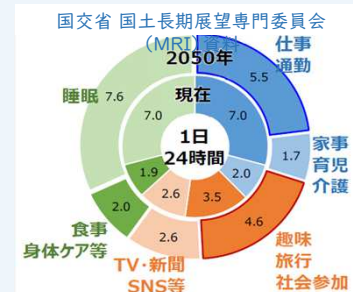
Finally, we will take on the challenge of the **North American market**, described as the home of gaming devices and e-Sports!



Connect rental cars and users with digital keys.

Resolve staff shortages and eliminate troublesome matters while traveling.

Gradual expansion of service areas!



福岡エリアの企業の皆様へ  
法人向けレンタカーサービス開始!

スマホで完結! (Complete with smartphone!)

レンタカーお届け! (Deliver rental car!)

当日利用OK! (OK for same-day use!)

月会費・初期費用無料 (Monthly fee and initial fee free)

で料金は使った分だけ! (Only pay for what you use!)

(料金は 1.2 時間 4,200 円 ~ 24 時間 6,000 円 ~)

Through products and services, we are aiming to help realize ever higher quality time, lifestyles, and people!

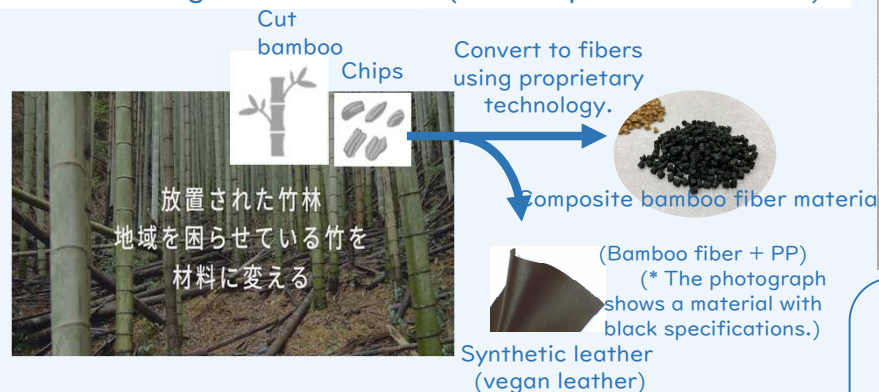
## 2. Realizing the Future Vision

Target sales in FY 2030:  
1.0 billion yen or more

### ◆ Contribute to people's wellbeing and the realization of a sustainable society.

#### Biomass material: BAMBOO+®

- Contribution to local communities: Bamboo harvesting and preservation of bamboo forests in healthy condition
- Environmentally friendly: Approx. 50% reduction\* in manufacturing CO2 emissions (\* Compared to ABS)



- Working to start production in the middle of 2025.
  - Company started up inside Tokai Rika (January 2024).
  - Company factory space acquired (March 2024).

- New value: Wholly **unique patterns** derived from bamboo fiber
- Refined gloss texture and smooth-touch finish



- ✓ Applicable physical properties for use as automotive interior material
- ✓ Bamboo fiber content: 51% or higher

Production due to start in the middle of 2025.

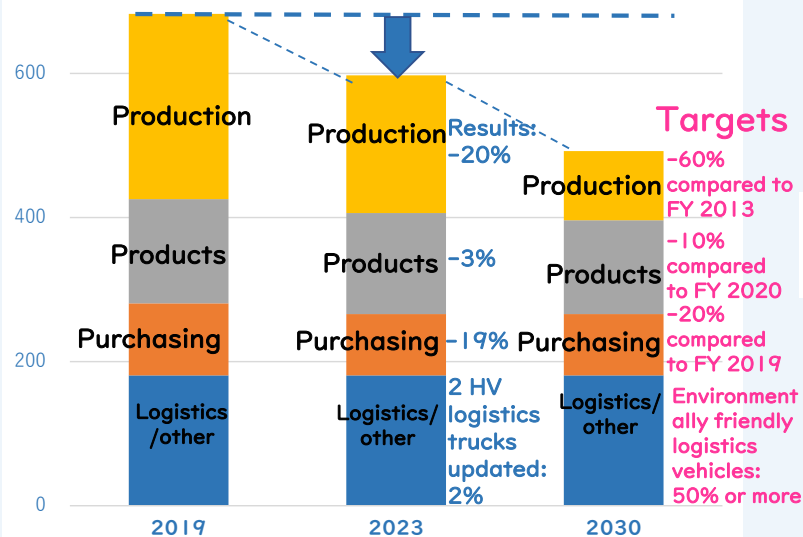


# 3. Promotion of Carbon Neutral Strategy

**Progress: We are making progress toward the realization of a sustainable society while introducing new technologies and working with local communities.**

Tokai Rika group

Progress of reduction in life cycle CO2 emissions



■ Tokai Rika Tohoku: From the start. 100% local renewable energy from Akita

Opening in June 2024



**Akita Pre.**

■ Development and operation of innovative production technology

Highly efficient and compact electric casting machine



Innovation directed at power-hungry equipment  
60% lower CO2 emissions than conventional equipment

CO2  
Conventional equipment  
Developed machine

**TOKAI RIKAI**

## ◇Human Capital-Related Initiatives

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# I. Promotion of Legal Compliance and Fraud Prevention

◆ Creation of systems and workplace culture that encourage frank and honest reporting (initiatives based on best practices of other companies)

## Utilization of whistleblowing system

(Number of reports)

| FY  | 2021 | 2022 | 2023 |
|---|------|------|------|
| (1) Hotlines for whistleblowing and consultation                    | 62   | 29   | 67   |
| (Of which, reports made to external attorneys-at-law)               | (5)  | (4)  | (2)  |
| (2) Hot line direct to the president<br>(Newly established in 2023) | —    | —    | 2    |
| (3) Workplace consultant system<br>(Newly established in 2023)      | —    | 55   | 45   |
| Total   | 62   | 84   | 114  |

Other consultation hotlines:

- Family consultation hotline
- Consultation hotline for suppliers
- “All Toyota Speak Up Hotline”

We have established a wide range of hotlines to create a system that makes it easier for people to speak out.

## Legal compliance questionnaire

Running parallel to the passive whistleblowing system, we are also implementing a system that communicates directly to employees.

## Returning to our starting line (Tokai Rika-ism)

### A Call to Thought and Action (extract)

- We believe that safety and quality come first.
- We pride ourselves on being honest, truthful, and sincere, and we will work to gain the trust of our customers and partners.
- We will always remember to be grateful and humble, and we will strive for coexistence and shared prosperity.



## 2. Active Participation of All Employees

(Promotion of Human Capital management)

### Growth strategy of Tokai Rika

Business strategy

Human resources strategy

Basic human resources policy: Encourage and utilize the diverse individuality of our employees to build a working environment and human resources capable of creating new value by taking on challenges.

#### ② Human resources with the necessary challenging spirit and evolving capabilities

Provide support to create self-reliant human resources capable of taking on challenges and carrying out actions.

#### ③ Nurturing and utilizing the required human resources

Utilize our human resources to build systems that create results.

Tokai Rika Human Capital Management

= We aim to be a company for which everyone is highly motivated to work.

#### ① Team building to realize active participation by all employees

Build an organization and workplace culture that enables all our human resources to work and participate enthusiastically.

# 2. Active Participation of All Employees

## (Promotion of Human Capital management)

### Three pillars

①

Build workplace cultures that facilitate active participation by all employees.

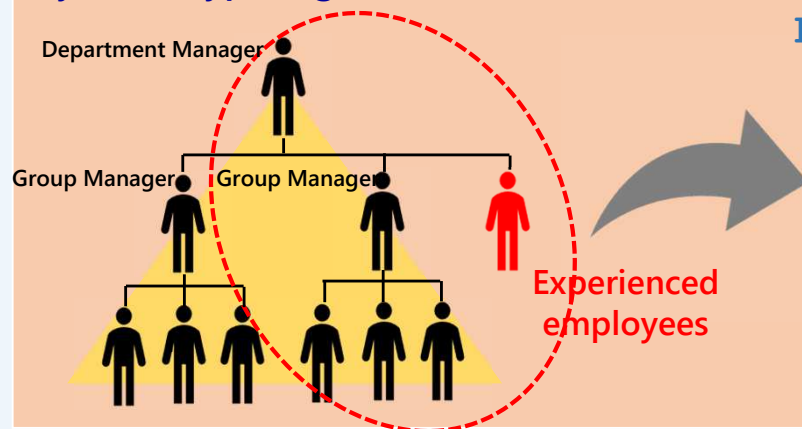
### Main initiatives

- Promotion of health and productivity management
- Building of workplaces with excellent emotional wellbeing
- Work-life balance (child raising, family care, medical treatment)
- Building of teams based on creative collaboration
- Introduction of stock-based compensation system for employees

### Main KPIs (2023 results → 2025 targets)

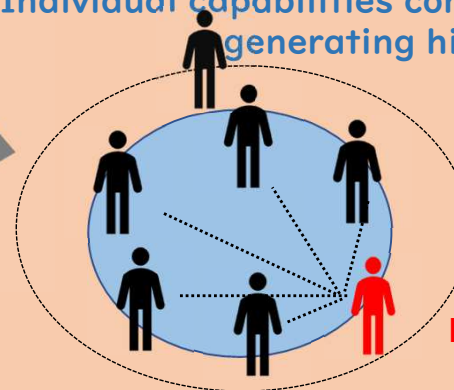
|                | 2023  | 2025           |
|----------------|-------|----------------|
| - Absenteeism  | 3.9%  | Less than 2.0% |
| - Presenteeism | 22.4% | Less than 18%  |

### Pyramid-type organization



### Creative collaboration teams

Individual capabilities converted into team capabilities, generating high-level performance.



Experienced employees provide advice and guidance to individual team members at an equal level.

Experienced employees



# 2. Active Participation of All Employees

## (Promotion of Human Capital management)

### Three pillars

② Human resources with the necessary challenging spirit and evolving capabilities

③ Nurturing and utilizing the required human resources

### Main initiatives

- Support for self-reliant career development (promotion of transfers, expansion of calls for submission of ideas from inside the company)
- Promotion of networking with or transfers to different industries
- Renewal of educational systems (enhancement of skills related to business, management levels, and quality)

- Nurturing of innovative human resources
- Construction of pay structures for different staff categories
- Further development of software engineers

### Main KPIs (2023 results → 2025 targets)

|   |      |      |
|---|------|------|
| - No. of Participants in networking with different industries | 2023 | 2025 |
|   | 50   | 150  |

- 2025: Introduction of business and management training

- 2025: Introduction of pay structures for different staff categories

- 2025: New establishment of software course at the Tokai Rika Training School

|   |      |      |
|---|------|------|
| - No. of employees participating in re-skilling (development of software engineers) | 2023 | 2025 |
|   | 60   | 100  |

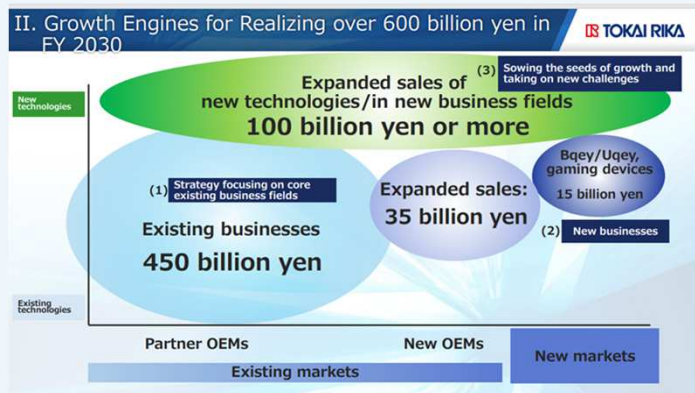
## ◇Progress of Mid-Term Business Plan

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# I. Progress of Mid-Term Business Plan

Source: May 2023 IR materials



## Existing businesses/sales expansion (target: 485 billion yen)

Forecast to meet target due to sales activities, including sales expansion.

Promote and complete establishment of production system in response to sales expansion.

- Tokai Rika Tohoku (opening in June 2024)
- New factory in India (opening in August 2024)
  - Reorganization in North America (production in Indiana factory ended in April 2024 and expansion of Mexico factory due to be completed in July 2024)

Japan

India

Opening in August 2024

Opening in June 2024

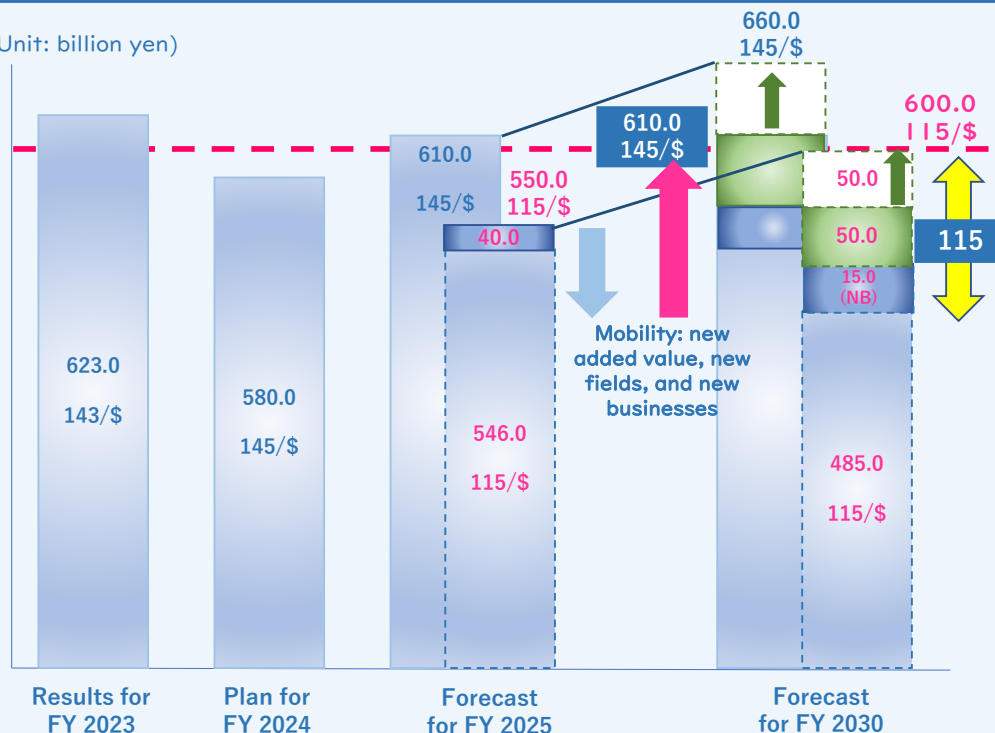
Mexico

Expansion to be completed in July 2024

**Secured production capacity to achieve the existing business sales target.**

# I. Progress of Mid-Term Business Plan

(Unit: billion yen)



The risk of decreasing sales is eventualizing more slowly than anticipated.

→ Forecast is for increase in FY 2025.

Orders realized for new technologies and products.

Continue venturing into new business fields.

→ Definite progress toward FY 2030 targets

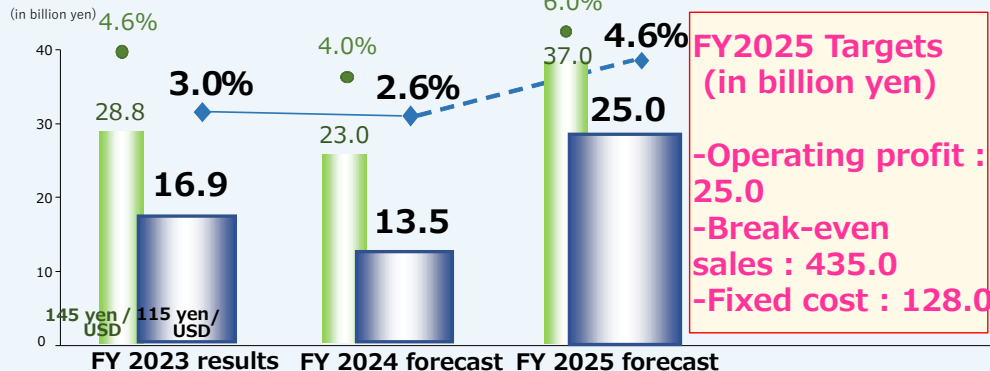
Consider revising targets next FY in response to changes in the business environment and the most recent exchange trends.

Promote initiatives for meeting FY 2030 targets through new added value etc. in the mobility field.

# I. Progress of Mid-Term Business Plan

## Consolidated operating profit

Operating profit  
6.0%    Operating profit ratio



## Situation in FY 2023 and 2024

### <Operating Profit>

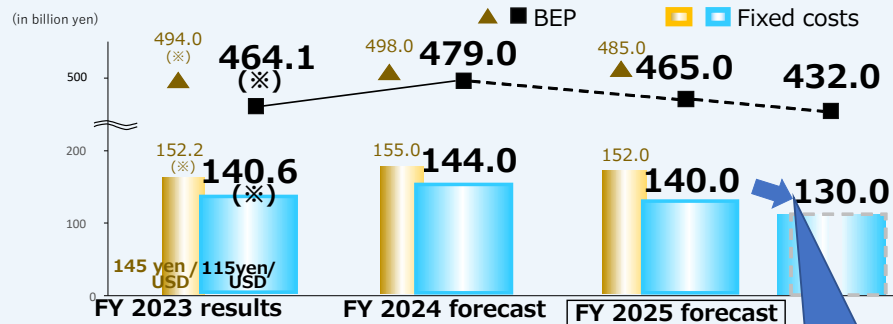
FY2023: OP ensured by volume increase and price adjustment of inflation costs

FY2024: OP decrease by volume decline and advanced investment / costs

### <Profit Structure>

Even though variable costs improved, BES rose due to increased fixed costs.

## Break-even sales (BES) and consolidated fixed costs



\* Excluding quality-related expenses of 11 billion yen

Excluding advanced investment costs

## Forecast towards FY2025 and FY2030

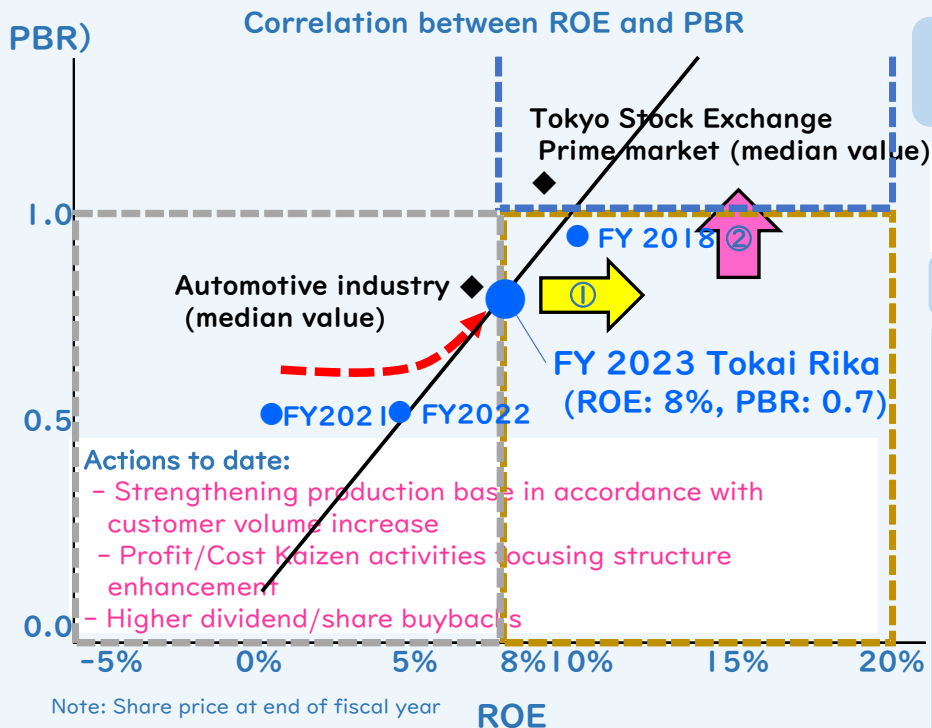
### <FY2025 Target>

- OP : In line with achieving the target due to sales expansion
- BES /fixed costs : Not achieved yet due to advanced investment  
(achieve target level excluding advanced investment)

- To strengthen profit structure in FY2030, taking actions to monetize future investment, enhance cost planning activities, and promote optimized global production

## 2. Actions for Enhancing Corporate Value

### - Actions to improve PBR -



- Achieved ROE target = 8%
- Raising expected growth ratio is our challenge

Concerns about negative growth from

- Our core business due to change in vehicle interiors
- Quality issues

### Initiatives toward achieving $PBR \geq 1$

| Item                        | Actions for FY 2025   | ① | ② |
|-----------------------------|---|---|---|
| Higher sales /income        | - Increase in added value on existing business and sales expansion  | ● | ● |
|                             | - I/n investment, smooth startup of new factories   | ● | ● |
|                             | - Resource shifting to new fields, including Mirai investment   |   | ● |
|                             | - Revision of quality business structure for Recall Free  | ● | ● |
| Reduction of equity capital | - Selling assets, etc.  | ● |   |
| Human Resources investment  | - Increase engagement by introduction of stock-based compensation system for employees  |   | ● |
| Dialogue with investors     | - Regular dialogue with investors inside and outside Japan<br>- Enhancement of information communication, such as IR activities to individual investors |   | ● |

## 2. Actions for Enhancing Corporate Value

### - Cash allocation for future growth -

#### FY 2022 to 2023

(Past cash allocation)

| Cash in                         | Cash out<br>(in billion yen)   |
|---------------------------------|--|
| CF from Operating items<br>80.0 | Capital investment: 38.5   |
|                                 | Strategic/<br>Mirai investment: 13.0                                   |
|                                 | Shareholder return: 26.5<br>(Dividend: 11.8 +<br>share buybacks: 14.7) |
|                                 | Net increase in funds: 2.0   |

#### FY 2024 to 2025

(in billion yen)

| Fund for growth  | Main item                                  |                               | Purpose of investment   | Allocation |
|--|--|-------------------------------|---|------------|
| CF from Operating items<br>85.0 + $\alpha$<br>(selling assets, etc.) | Capital investment                         | Existing businesses           | - Making new products<br>- New factory establishment and expansion in locally and overseas      | 50.0       |
|  |  | New businesses                | - Expanding ZENAIM sales overseas   |            |
|  |  | New fields/<br>new businesses | - Proposals for new products and services reacting to changes to vehicle cockpits               |            |
|  | Future business creation investment        | Bamboo+                       | - Contribution to sustainable society   | 20.0       |
|  |  | External semiconductor sales  | - Challenge for small-lot/multiple semiconductor market   |            |
|  | Other enhancements to business foundations |                               | - Human resources investment<br>- Enhancement of quality and safety structures                  | 15.0       |
|  | Shareholder return                         |                               | - Consideration of dividend policy/<br>additional share buyback factoring in DOE/dividend yield | —          |

Actual fund balance at end of FY 2021 92.0 billion yen

Actual fund balance at end of FY 2023 94.0 billion yen

(Cash and deposits + public and corporate bonds - bonds payable)

# Cautionary Statement with Respect to these Materials<sup>24</sup>

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These materials contain forward-looking statements determined by the management of Tokai Rika Co. Ltd. based on currently available information. These forward-looking statements incorporate assumptions and assumption-based reasonings. Information and reasonings that are based on assumptions related to the business environment may differ from actual results. Although these forward-looking statements reflect the plans and expectations of future performance as determined by the management of Tokai Rika Co., Ltd., these forward-looking statements are not guarantees that these plans or expectations of future performance will be achieved in full or part. In addition, unless otherwise stated, Tokai Rika Co., Ltd. shall be under no legal obligation to ensure that any forward-looking statements remain up to date.



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