

TOKAI RIKA Report 2023

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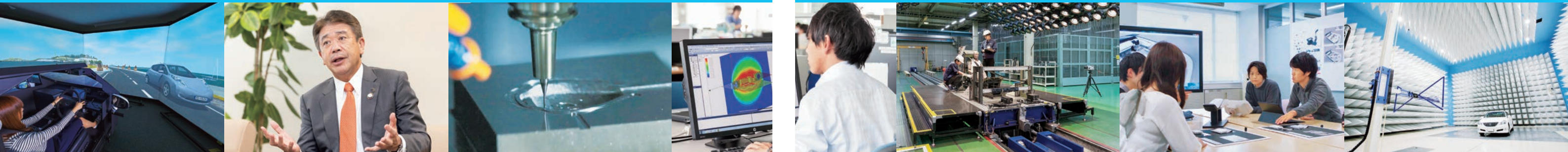
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Editorial policy

We have been publishing the Tokai Rika Report as an integrated report since 2017. This year, we increased its volume from 63 pages last year to 75 pages. This is to enhance reporting on the business overview and social and environmental initiatives. In addition, while referring to the Ministry of Economy, Trade and Industry's Guidance for Collaborative Value Creation 2.0, we demonstrated the effect that enhancing management capital would have on our management.

Applicable scope

This document reports the activities of Tokai Rika Co., Ltd. and the Tokai Rika Group.

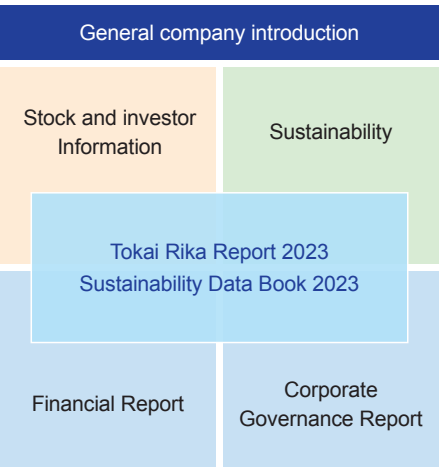
Target period

From April 1, 2022 to March 31, 2023

*Some activities and plans for April 2023 and onward are also introduced, in order to give a deeper understanding of our activities. The job titles and positions stated are those that were held at the time of the activities.

Issuance date

September 2023 (Previous issue: September 2022, Next issue: Scheduled for September 2024, issued once a year)



Reference guidelines

- ISO26000 (ISO)
- The International Integrated Reporting Framework (IIRC)
- GRI Standard (Global Reporting Initiative)
- Guidance for Collaborative Value Creation 2.0 (Ministry of Economy, Trade and Industry)
- Environmental Reporting Guidelines 2018 (Ministry of the Environment)

The data published in this report has been revised to the latest data (as of the end of FY 2022). (It may vary from the data published in previous reports.)

[Note regarding future prospects]

This report contains plans and strategies regarding the company's future and forecasts, and prospects regarding business performance. These descriptions are expectations based on assumptions and beliefs that are founded on judgments made from the information available to us at the present time. Please understand that they may vary from the actual results as a result of changing circumstances, and actual business performance may differ from the company's expectations.

External Assessment

ESG Assessment



FTSE Blossom
Japan Sector
Relative Index



Other Certifications



The Importance of Tokai Rika's Existence

Do what others won't do



In 1948, three years after the end of the War, when our founder Kato visited a parts warehouse belonging to Toyota Motor Company he found an automotive part abandoned in a corner. He asked, "What is this?" and got the reply, "It's a switch." It was explained to Kato that manufacturing switches took a lot of trouble and nobody wanted to do it. He thought, "Even if nobody wants to do it, somebody has to. This is just the field that we should expand into." He decided to produce switches and established "Tokai Rika Co., Ltd." in Nishibiwajima Town.

Our company started with 35 employees, and our original plant was a rented part of a confectionery plant. Our company name, Tokai "Ri Ka Den Ki" Seisakusho, is a statement of our intention to do anything: "Ri" stands for science, "Ka" stands for chemistry, "Den" stands for electricity, and "Ki" stands for machinery. The aspiration and the spirit of challenge of "Even if nobody wants to do it, somebody has to" from the time of our founding has been passed down through our business philosophy.



Tokai Rika's Business Philosophy

Business philosophy

Our company's business philosophy was established in August 1998 to commemorate our 50th anniversary, and embodies the philosophy of our founder, Yoshio Kato. Based on our business philosophy, which includes keywords such as "to contribute to a higher quality of life," "to nurture the spirit of originality, enthusiasm and innovative challenges," and "to work in harmony with nature and local communities," the "SDGs management" announced in May 2021, which aims to solve social issues in a wide range of fields, and the mid-term management plan announced in May 2022 have been formulated.

1. To create products to satisfy customers and to contribute to a higher quality of life.
2. To build an energetic and promising business organization by nurturing the spirit of originality, enthusiasm and innovative challenges.
3. To honor the language and spirit of the law and the ethics of every nation, and to work in harmony with nature and local communities.



Yoshio Kato,
Founder

Tokai Rika-ism

In April 2021, the booklet "Tokai Rika-ism", which summarizes the "Words of our predecessors" and "A Call to Thought and Action," was published.

The "Words of our predecessors" acknowledges various beliefs, values, and manufacturing methods that have been handed down within Tokai Rika, while "A Call to Thought and Action" serves as a guidepost for us to think and act.

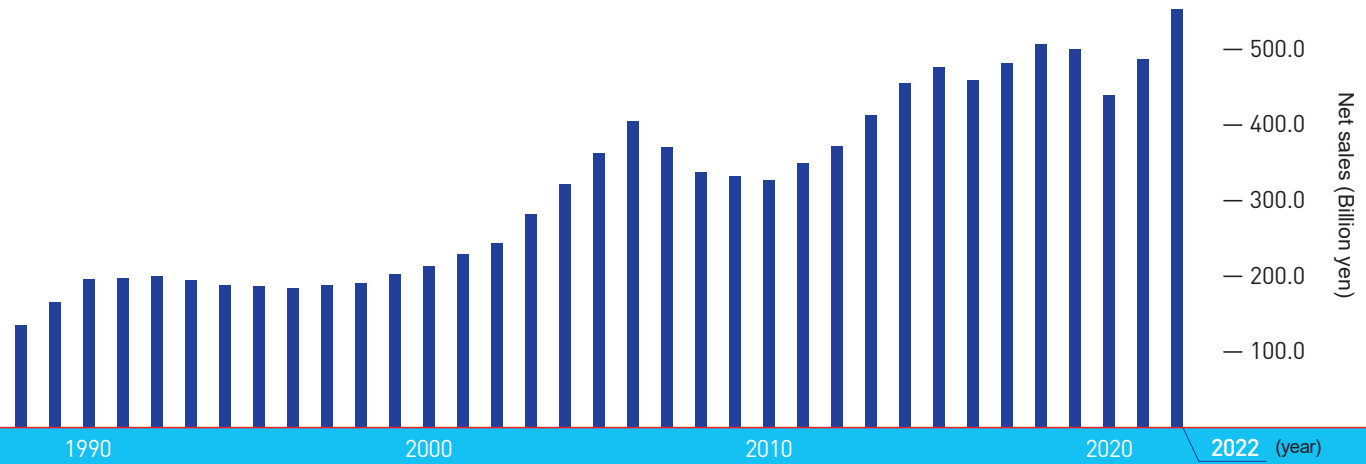


Tokai Rika Group's History

For more than 70 years, we have introduced many world-first and Japan-first products to the world.

From now on, products and services that support CASE, MaaS, and SaaS will be required.

Even as the form of products and services changes, our commitment to giving shape to a sense of excitement between people and vehicles remains unchanged.



Corporate History

1948-1970 Founding to business expansion

1971-1985 Establishment of technology and quality

1986-2000 Leap to become a global company

2001- Towards further growth

Shortly after our founding, as early as 1951 we began producing key locks, starter switches, lighting switches, turn signal switches, etc.

The Toyota Plant began operations in 1964 and the Otowa Plant in 1966. We also began producing our main products such as seatbelts in 1962, lever-type turn signal switches in 1963, reversible keys in 1966, and shift levers in 1967.

In 1973, founder Yoshio Kato passed away suddenly. President Imura, who took office, said the following in front of anxious employees: "We're all in the same boat, so I won't let it sink. I won't leave anyone out" and "We have to become a first-class company." President Imura promoted the company's listing on the first section of the stock market and steered it towards winning the Deming Prize, both of which were achieved in 1978.

We started producing door mirrors in 1981 and steering wheels in 1983. In other words, by around this time most of our main products were available.

In 1986, Tokai Rika U.S.A., Inc., our first overseas subsidiary, was established in Michigan, U.S.A.

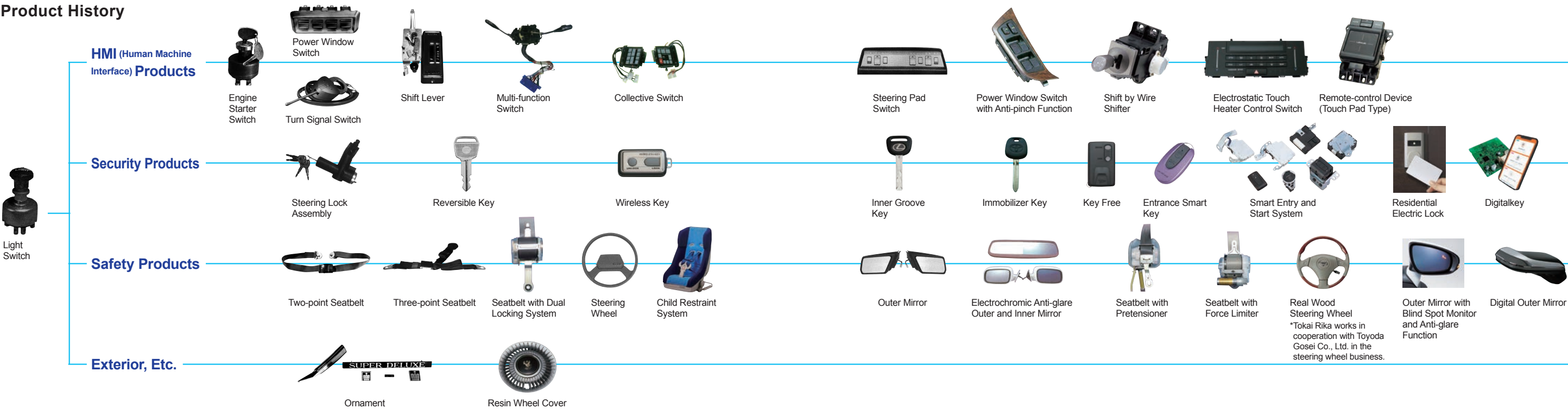
We established subsidiaries and joint ventures in Taiwan in 1987, the United States in 1991, Thailand in 1994, the Philippines and India in 1995, and Thailand and the United States in 1997.

We started producing immobilizer systems in 1994 and key-free systems in 1999.

Further international expansion took place: China, Brazil, and the Czech Republic in 2001, China in 2004, Thailand and India in 2008, Indonesia in 2011 and 2012, and Mexico in 2015. We have now grown into a group with 10 bases in Japan and 24 bases in 12 countries around the world.

We are also participating in the B to C business by starting the company-car DX service "Bqey" in 2022 and the unmanned rental car service "Uqey" in 2023.

Product History



Tokai Rika Group's Business

The Tokai Rika Group has expanded its bases around the world to meet global market needs. We have also worked to establish global standard business processes and built an integrated manufacturing system from development to production and quality assurance.

Japan 10 companies/Net sales: 270.2 billion yen

Number of employees: 7,899 people

- Head Office/Plant
- Toyota Plant
- Otowa Plant
- Hagi Plant
- Kita Kanto Office
- Hachioji Office
- Hiroshima Office
- New Business Center Nagoya Office
- Tokyo Office
- TOKAI RIKA NEXt CO., LTD.
- SANDENZAISHA CO., LTD.
- TOKAI RIKA ELETEC CO., LTD.
- Tokai Rika Create Corporation
- TOKAI RIKA SERVICE Co., Ltd.
- TOKAI RIKA Smart Craft CO., LTD.
- TOKAI RIKA ADVANCED CO., LTD.
- TOKAI RIKA TOHOKU CO., LTD.
- MIROKU TECHNO WOOD Co., Ltd.

Global Network

- Main consolidated subsidiary companies
- Main affiliated companies
- Other offices

Europe 3 companies/Net sales: 40.3 billion yen

- 1 Tokai Rika Belgium N.V.
- 2 TRCZ s.r.o.
- 3 TRB Limited

Asia 13 companies/Net sales 193.7 billion yen

- 4 Rica Auto Parts Co., Ltd.
- 5 Foshan Tokairika Automotive Parts Co., Ltd.
- 6 Tianjin Tokairika Automotive Parts Co., Ltd.
- 7 Wuxi Risho Technology Co., Ltd.
- 8 Tokai Rika (Jiangsu) Automotive Parts Co., Ltd
- 9 TRP, Inc.
- 10 TOKAI RIKA ASIA CO., LTD.
- 11 Thai Seat Belt Co., Ltd.
- 12 TOKAI RIKA (THAILAND) CO., LTD.
- 13 TOKAI RIKA MINDA INDIA Private Limited.
- 14 PT. TOKAI RIKA INDONESIA
- 15 PT. TOKAI RIKA SAFETY INDONESIA
- 16 Uno Mindarika Private Limited

North America

7 companies/Net sales: 133.5 billion yen

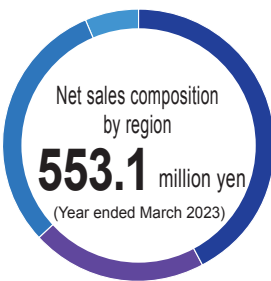
Number of employees: 3,595 people

- 17 TRAM, Inc.
- 18 TAC Manufacturing, Inc.
- 19 TRIN, Inc.
- 20 TRMI, Inc.
- 21 TRQSS, Inc.
- 22 TOKAI RIKA MEXICO, S.A. DE C.V.
- 23 TGR Technical Center, LLC

South America

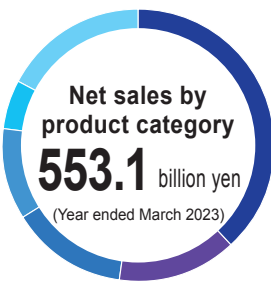
1 company

- 24 TRBR INDUSTRIA E COMERCIO LTDA.

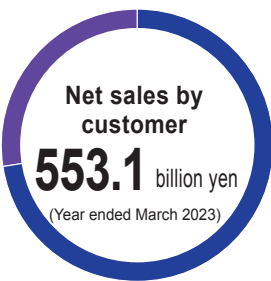


Japan	270.2 billion yen
North America	133.5 billion yen
Asia	193.7 billion yen
Europe, America, and South America	40.3 billion yen

Note: Sales totals do not match due to inter-company transactions.



HMI products	211.4 billion yen
Smart systems	77.6 billion yen
Seatbelts	76.8 billion yen
Shift levers	60.8 billion yen
Key locks	32.4 billion yen
Other	94.1 billion yen



Toyota and Toyota affiliates	402.0 billion yen
Subaru, Suzuki, Ford, etc.	151.1 billion yen

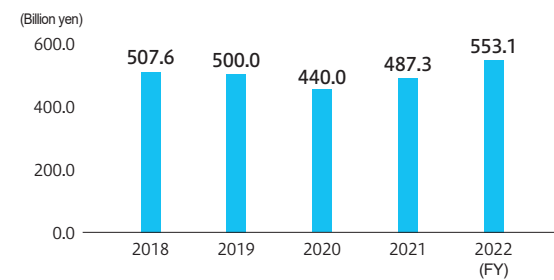


Japan	7,899 people
North America	3,595 people
Asia	7,122 people
Europe, America, and South America	1,390 people

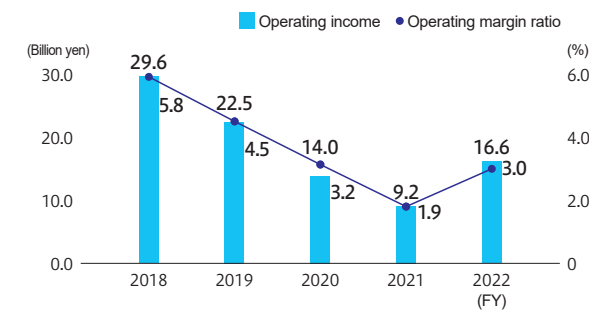
Financial and Non-financial Highlights

Financial Highlights

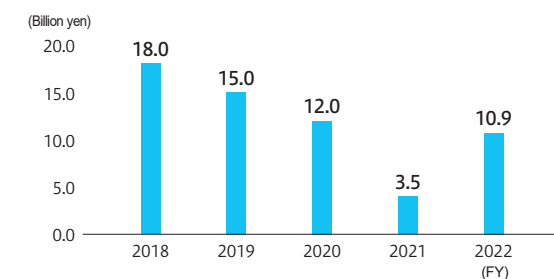
Net sales



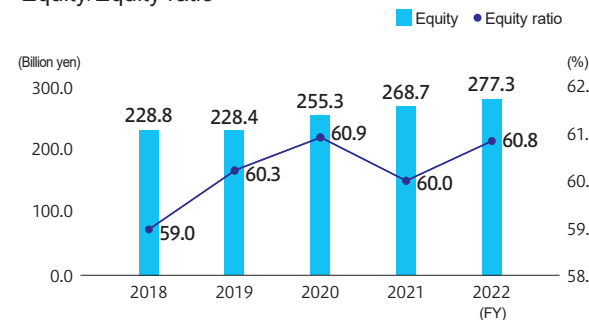
Operating income / Operating margin ratio



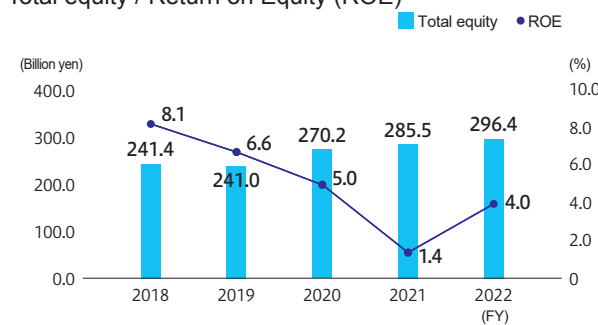
Profit attributable to owners of parent



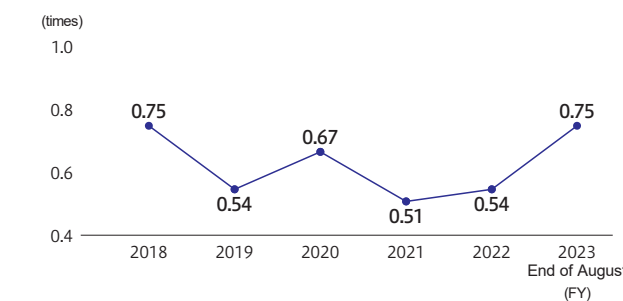
Equity/Equity ratio



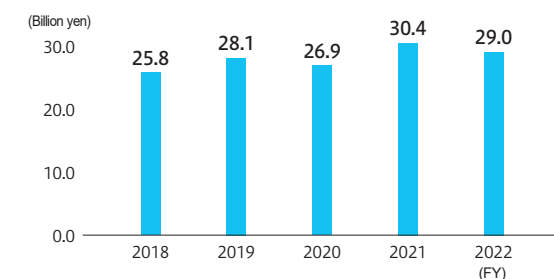
Total equity / Return on Equity (ROE)



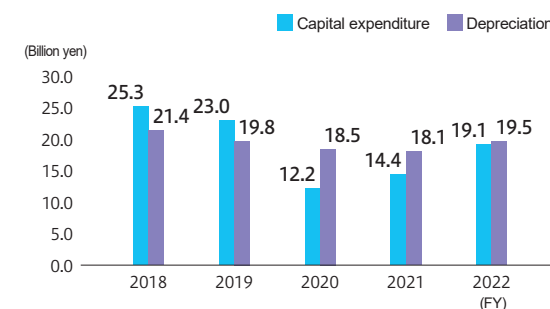
Price-book value ratio (PBR)



R&D expenses

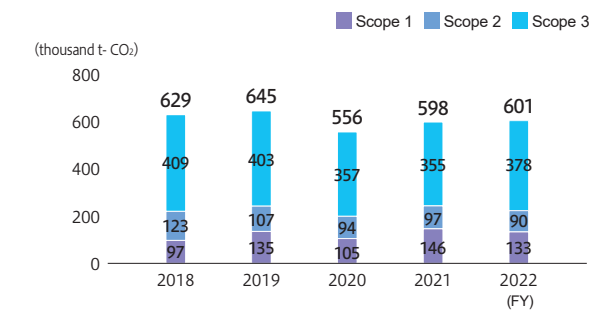


Capital expenditure / Depreciation

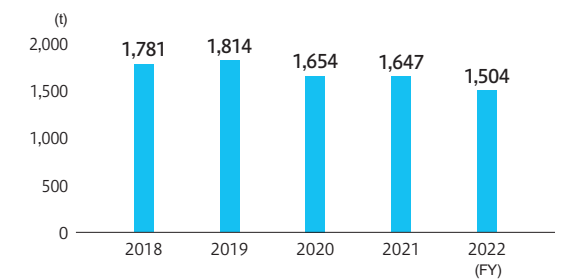


Non-financial Highlights

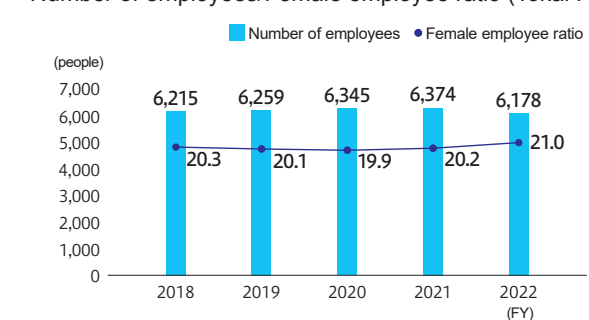
GHG discharge (Tokai Rika Group)



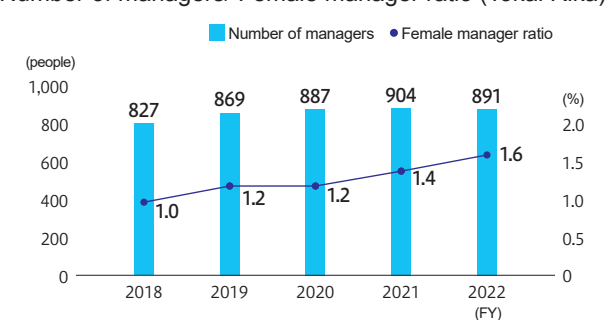
Discharge of waste materials (Tokai Rika)



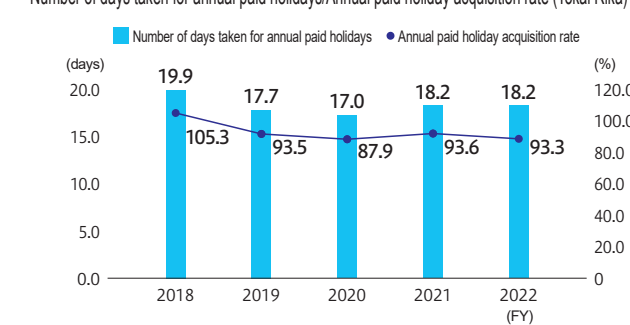
Number of employees/Female employee ratio (Tokai Rika)



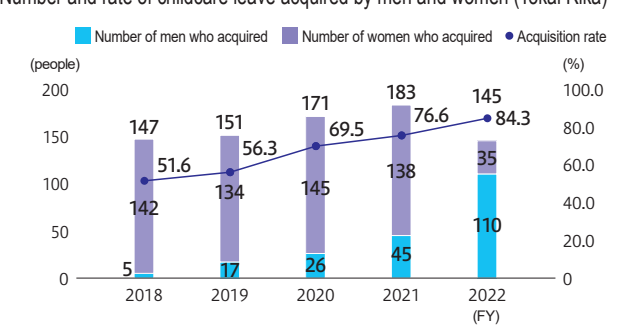
Number of managers/ Female manager ratio (Tokai Rika)



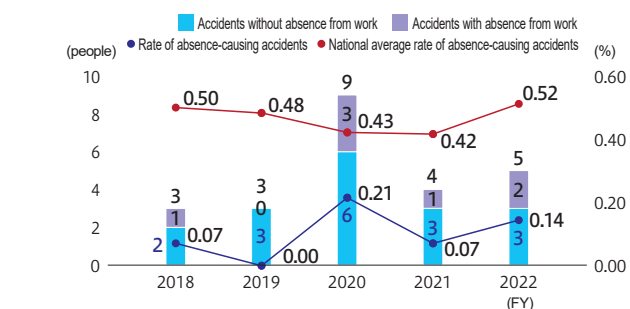
Number of days taken for annual paid holidays/Annual paid holiday acquisition rate (Tokai Rika)



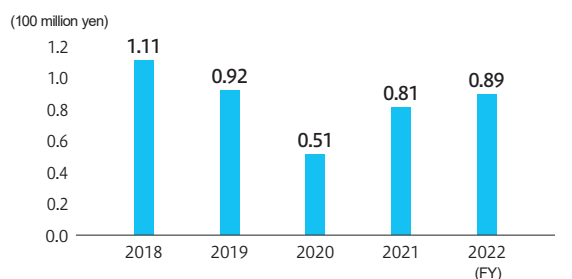
Number and rate of childcare leave acquired by men and women (Tokai Rika)



Rate of absence-causing accidents/ National average rate of absence-causing accidents (Tokai Rika)



Social contribution expenditure (Tokai Rika)



“Do what others won’t do.”
Looking to 2030 and beyond,
we aim to create something “one-of-a-kind.”

President

二之夕裕美
Hiroyoshi Ninoyu

To The Next Stage of Creating Something “One-of-a-kind”

Our company's business philosophy includes the following three principles: First, to create products to satisfy customers. Second, to nurture the spirit of originality, enthusiasm and innovative challenges. Third, to work in harmony with nature and local communities. In order to realize these principles, I place particular importance on our company's founding spirit: “Do what others won't do.” Since the beginning of my appointment as president, I have constantly communicated this fact both inside and outside the company. This is because I believe that it is only with this spirit that we can create “one-of-a-kind” products.

Currently, our company has reached sales of over 500 billion yen by supplying parts to automobile companies. By the way, most of our existing products have competitors that are almost equal in terms of cost and quality. I feel that our biggest challenge is whether there really is something that only Tokai Rika can make.

A one-of-a-kind item is not always obvious from the outside. There are many Japanese manufacturers that have strengths in materials. For example, the iPhone uses many Japanese-made parts. The Boeing 787 also uses many Japanese-made materials. These mean that Japanese-made one-of-a-kind products are used in various products.

We developed a new material called “Bamboo+” and announced it last fall. It is a mixture of bamboo and thermoplastic material. The bamboo blend ratio of 55% is a very high figure, making it a one-of-a-kind product. By increasing the number of examples like this, I would like to see completely new things being created one after another from various fields within our company. If this happens, competition within the company will become more intense, and even more one-of-a-kind products will be created.

I believe that there is almost no difference in the potential of an employee as a person, no matter what company they work for. The type of opportunities and motivation a company provides its employees will determine how well they can realize their potential. That is why I would like to continue to point out the direction in which we should aim by continuing to say, “Do what others won't do.” Of course, it is also important to steadily grow existing businesses. However, in order for us to grow further, I believe that we should move to a stage where we are creating more and more one-of-a-kind products.

Looking back on FY 2022

Looking back at the automobile industry in FY 2022, most importantly, the recovery in production volume was significant. In FY 2020 and 2021, our profits were significantly affected by the sudden suspension of operations at automobile companies due to COVID-19, and sudden production cuts due to a shortage of semiconductors. However, we were able to maintain relatively stable production in FY 2022. Additionally, the yen's significant depreciation to the 140-yen level created favorable conditions for our company.

Another change in the business environment that had a big impact was the expansion of battery EVs. Following the lead of American electric vehicle manufacturer Tesla, Chinese companies have started moving into this field, and cars without conventional switches are becoming a trend. Our main product has always been switches, so this is a big change.

In terms of profit in FY 2022, production volume and the weaker yen were major factors. On the other hand, from a medium- to long-term perspective, the challenge will be whether we can demonstrate our product capabilities in response to changes in automobile interiors.

Under these circumstances, in FY 2022 our company made various moves that will lead to future growth. A major initiative was the establishment of a new northern plant of TRMN in India. This was in response to the customer's increased production in northwestern India. Another initiative was the establishment of a new company called Tokai Rika Tohoku in Yokote City, Akita, to oversee business with TMEJ (Toyota Motor East Japan, Inc.). We aim to strengthen our competitiveness by doing our production in the vicinity of our customers.

Our notable new businesses include the full-scale launch of “Bqey,” which supports company-car management related to digitalkey services, and the start of test operations for the rental car matching app “Uqey.” Additionally, in order to prevent children from being left behind on school buses, which has become a major social problem, we have developed a support system to help prevent this from happening. Our technology field responded so quickly that we were able to adopt this system ahead of other companies.

Regarding our involvement with the local community, we have established a strawberry farm, Oguchi SAKURA Farm, in Oguchi Town, Aichi. The farm, which aims to make use of abandoned farmland and employ people with disabilities, was completed in the fall of 2022 and had its first harvest in February 2023. This is also our effort to strengthen our business foundation through regional co-creation.

In terms of business performance, in FY 2022 we achieved increased sales and profits compared to FY 2020 and FY 2021, which I think reassured our shareholders and investors. However, the profit ratio was not very high, so we would like to improve it in the future, including ROE.

Mid-term Management Plan

Initiatives to Achieve Goals for FY 2025

FY 2022 is the second year of our mid-term management plan. During FY 2022, we worked on three major initiatives toward achieving our goals for FY 2025.

The first initiative was the establishment of the Profit Optimization Group. In the past we had not been able to improve our cost structure well, which did not lead to profit reforms. Therefore, we reorganized the Business Planning Div. and Finance & Accounting Div. and established the Group. In addition to visualizing costs, we have established the Cost Restructuring Promotion Div. within the Group. The Promotion Div. is working to encourage each field, such as design, procurement, and production to thoroughly reduce costs for both existing and new products. In response to this initiative, each field has begun to take action, and we will further push forward with this initiative toward the second half of FY 2022.

The second initiative was to optimize our production system on a global level. While there are regions in the world where markets are expanding, the European market is shrinking. In the North American market we are also being forced to review our production system. In the Asian market we are doing well so far, but if Chinese cars start being sold there in the future, we cannot rest assured. We are currently considering expanding and consolidating our production bases while keeping an eye on trends in each market. Our new plant in India is also part of this effort.

Regarding the third initiative, monetization of our new businesses, we have positioned customer acquisition as our top priority and are working hard to promote those businesses. However, I think it is time for us to be patient, as it will not be profitable right away. We will continue our activities toward our goal of “over 600 billion yen in FY 2030.”

Mid-term Management Plan

Challenge to “over 600 billion yen in FY 2030”

The goal of “over 600 billion yen in FY 2030” is by no means easy to achieve. However, in order to achieve this goal we have set three pillars: expanding sales in existing businesses, new businesses, and new fields and new technologies.

Regarding the sales expansion of our existing business, while the switch market is shrinking, “shift by wire shifter” will become a strategic product in the future. In this regard, we are working to expand our product lineup with the aim of gaining the No. 1 global market share, and we have actually received new orders in the United States and India. Regarding our new business, the sales of the digitalkey service that I mentioned earlier has been achieved, which is a big step forward. Regarding these two pillars, we are beginning to see a path toward achieving our goals.

In terms of expanding sales in new fields and new



technologies, we will focus on external sales of next-generation HMI cockpits and semiconductors, and ECU-related products and software that contribute to higher functionality in mobility. As we take on new challenges, we should be able to create one-of-a-kind products, so we will continue to sow the seeds for our growth while actively investing. The awareness of our employees is changing, and I can see some of them taking concrete actions, so I feel that we are seeing a certain level of change.

Our challenge is sales ability. Even though there is a large market, and we have excellent products for that market, there are areas where we are not finding customers. Previously, our company had stuck to a “wait-and-wait” approach regarding our sales activities. There, we were constantly adapting to the cycle of model changes for the cars manufactured by our customers. Customers wanted this as well. However, as society and the market have undergone rapid changes, customer attitudes have also changed. In the future, active proposals from the technical and sales fields will be welcomed in the market. We strive to deepen our ties with our customers as quickly as possible. In some cases, we will send our staff to the customer’s site to work with them on their issue. In this way, we are also transforming the way of conducting our sales activities.

Aiming to Strengthen Our Management Base and Improve Our Corporate Value

Aiming to strengthen our management base and improve our corporate value is also a major reason for formulating our current mid-term management plan. In the past we have focused on creating business plans to increase profits, but we have been lax in addressing how to improve corporate value.

We have a diverse range of stakeholders, including customers, shareholders, investors, employees and their families, and local communities. And what each stakeholder expects from us is different. For example, foreign investors would be interested in ROE and the number of female directors, the Tokyo Stock Exchange would be interested in PBR improvement, and general investors would be

interested in stable improvement in stock prices. While investing in the future even with a loan will lead to a company’s reputation, it is important for employees and their families that the company’s profits are stable and that they can live with peace of mind. For the sake of the communities that support our business activities on a daily basis, we actively engage in activities such as utilizing abandoned farmland and participating in local festivals.

In order to gain recognition and support for our company from each of our stakeholders, we would like to strengthen our business base and improve our corporate value by implementing measures based on our management strategy.

Sustainability Management and Human Capital Strengthening

When thinking about sustainability from a business perspective, I think the key to sustainability is how quickly you can take the next step. It is too late to start thinking “We are in trouble” after our business performance declines. In other words, it is important to always look ahead, conduct research and development, and aim to expand our customer base. However, we are no longer living in an era where we can be selfish and think that only our company should make a profit. Using the example of carbon neutrality efforts, I believe that they are based on the idea that we should take responsibility for cleaning up the Earth that we ourselves have polluted. We cannot continue our business if we forget to return the profits we earn to the Earth and society.

I feel that it is not a good idea to place too much emphasis on indicators such as ROE and PBR. In addition to investing for future growth, it is important to spend money and give back to society, local communities, and employees. The key is balance.

Regarding sustainability management, strengthening human capital is another important issue. There are various aspects to strengthening human capital. Among these, we are currently focusing on software-related human resources. In the future, software development will become important for us to respond to changes in the business environment. However, companies are competing for human resources for this purpose, making it difficult for us to secure those human resources from outside. Therefore, we are recruiting human resources from within our company who have been in charge of mechanical design, and are reskilling them to be able to do software design. Other initiatives include appointing female employees to work as on-site supervisors and increasing career options for veteran employees so that they can work with greater motivation. Through these initiatives, we are placing particular emphasis on strengthening human capital, which is the foundation of corporate sustainability. The office space “Cross base” that we have opened within our Head Office is one such initiative. The aim of this space is to encourage interaction between employees in a more open environment and provide a springboard for innovation.

Additionally, we have been certified as a “Health and

Productivity Management Outstanding Organization White 500” by the Ministry of Economy, Trade and Industry for four consecutive years, and we will continue to work on health and productivity management.

To Our Stakeholders

As a direction that looks even further beyond FY 2030, one thing we want to do is to make sure our company has many “one-of-a-kind” products and services, as I mentioned at the beginning. And one more thing: I do not think it is necessary to be obsessed with automobiles.

Indeed, automobiles are an important item that accounts for the majority of our sales. If we supply a product of ours that costs 10,000 yen each to the 10 million automobiles manufactured each year, a simple calculation would yield sales of 100 billion yen. On the other hand, in the digitalkey business, for example, we have to create new customers every month. Accordingly, the quality of the effort is completely different from the parts supply business we have done so far. However, we would like to continue working on B-to-C business. Also, regarding B-to-B business, we would like to create products that can be used and enjoyed by customers in a wide variety of industries, not just the automobile industry. By taking on such new challenges, we should be able to create something one-of-a-kind. Even if you try to create a one-of-a-kind product, it is not easy, and requires many and wide-ranging opportunities. We create something one-of-a-kind, and when other companies follow suit, we create the next one. We are steadily moving forward with the aim of growing into a company full of energy and competitiveness that can do just that.

Our entire company will continue to work together to achieve the goals of the mid-term management plan. At the same time, we will do our best to become a company that is sought after by all stakeholders by “creating products to satisfy customers and to contribute to a higher quality of life.”





We aim to further grow our company and improve its corporate value while keeping in mind management that satisfies all stakeholders.

Eiji Kagohashi, General Manager of the Profit Optimization Group

Review of FY 2022 and Outlook for FY 2023

In FY 2022, automobile production experienced a temporary adjustment due to the continuing shortage of semiconductor supplies from the previous year and the impact of the COVID-19, but it recovered significantly from the fourth quarter.

In terms of costs, the global inflation trend remains unchanged, with raw material and energy prices remaining high. However, because our customers bore part of the increased costs, we were able to reduce the impact on our profits by that amount.

As a result, our net sales were 553.1 billion yen, an increase of 65.8 billion yen (13.5%) compared to the previous fiscal year, and our operating income was 16.6 billion yen, an increase of 7.4 billion yen (80.8%), partly due to the effect of the weaker yen.

For FY 2023 we will set an aggressive target for cost improvement beyond FY 2022, assuming that production and sales will be at a high level and inflation will continue, and all group companies will work together to promote our activities.

The revenue forecast for FY 2023 is for net sales of 580 billion yen and an operating income of 20 billion yen as of the first quarter results.

(Unit: billion yen)

	Year ended March 2023 full-year results	Year ending March 2024 full-year forecast*
Net sales	553.1	580.0
Operating income	16.6	20.0
Ordinary income	24.0	21.0
Net income	10.9	13.0

*As of first quarter announcement

Mid-term Management Plan

In May 2022, we formulated our mid-term management plan and clarified the activity guidelines for “what we should do” within our company. Additionally, through this plan, we were able to share our vision for the company with our stakeholders. In May 2023 we updated the progress of our initiatives under the plan.

Step 1 FY 2025 target

[Assumption: Exchange rate 115 yen/ USD]

Net sales: 520 billion yen, operating income: 25 billion yen, ROE: 8.0 or higher

Earnings from automobile parts are influenced by the number of automobiles produced by customers. However, this is basically a stable business model based on the cycle listed below, with only 10% to 20% of products changing per year:

- Proposal activities corresponding to vehicle models
- Confirmed order received two years before vehicle launch
- Steady design development and cost planning
- Smooth production preparation and start-up

Through our activities over the past year and the upcoming activities listed below, we will create a path to achieving our 2025 goals while securing investment funds for future growth.

- Thorough cost improvement of existing products
- Cost planning activities for new products
- Fixed costs reduced by 11 billion yen through effective use of resources, etc.
- Production optimization at global level

We will lead each activity by establishing the Profit Optimization Group as an organization for implementation.

An example of this initiative is Tokai Rika Tohoku, which is scheduled to start its operations in FY 2024. It is trying to introduce shared services at its Head Office in order to achieve a leaner organization. In addition, we will close one base in North America in FY 2024 and proceed with rebuilding our production system. Meanwhile, we will establish a new plant of TRMN in the northern part of India, which is experiencing rapid growth, scheduling to begin operations in FY 2025. We will also try to expand our sales in that area.

Step 2 FY 2030 target

[Assumption: Exchange rate 115 yen/ USD]

Net sales: over 600 billion yen

In this mid-term management plan, we have focused on initiatives toward FY 2030 in order to achieve further growth. In setting our targets, we have also factored in the risk of a decline in sales of switches, which have been our specialty, as switch functions are incorporated into panels. To increase our sales, we will (1) expand sales in existing business areas, (2) monetize commercialized digitalkey services and gaming devices, and (3) utilize the know-how we have cultivated to manufacture high-mix low-volume semiconductors, and expand our ECU business regarding new fields and new technologies.

When taking on challenges in new fields such as (2) and (3), we provide solid support with resources to ensure that opportunities are not missed. We also apply the accelerator and brake appropriately on projects while monitoring the progress of commercialization KPIs.

Investing in human resources is essential as a foundation to support a company's growth. We will carry out systematic human resource development measures such as reskilling, taking on challenges outside the company, and creating an environment that is easy for women to work in.

<Reference: Progress of growth investment>

As an investment for our future growth, we have set a strategic investment frame of approximately 30 billion yen starting in 2021, and this amount is also taken into account in our mid-term plan.

Total strategic investment (*total capital expenditure and expenses) fund base (Unit: billion yen)

	Cumulative amount from FY 2021 to FY 2022	Forecast for FY ending Mar. 2024	Cumulative amount for 3 years	5-year plan total	Progress rate
New business	3.8	0.8	4.6	6.1	76%
DX	1.8	2.3	4.1	9.6	42%
Carbon	0.9	2.6	3.5	9.4	38%
Production reorganization	0.9	3.5	4.4	5.5	80%
Total	7.5	9.2	16.6	30.6	54%

Capital Strategy

We received an announcement from the Tokyo Stock Exchange to further improve our capital efficiency and work toward improving our PBR to 1 or higher.

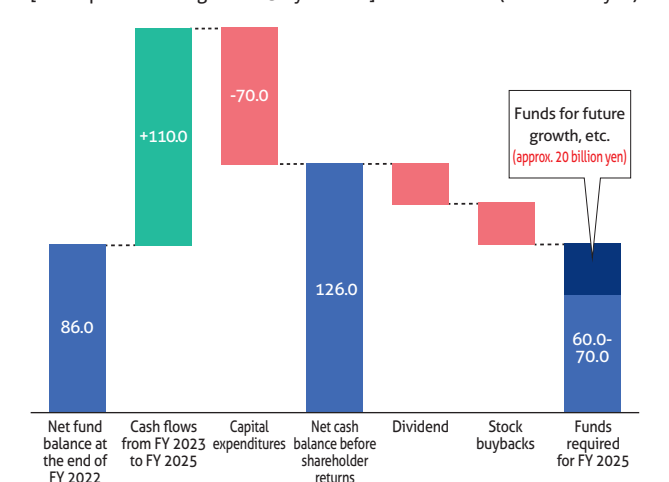
We take seriously the fact that our PBR is low, and we will continue to analyze its causes and consider solutions. First and foremost, as stated in our mid-term management plan, we will focus on steadily increasing net income, aiming for an ROE of 8% or higher.

Regarding cash allocation as our capital strategy, we have set the necessary funds in preparation for unforeseen circumstances at 60-to-70-billion-yen, equivalent to six months of fixed costs. In addition, we will secure approximately 20 billion yen as additional investment funds for further growth in the future. With regard to surplus funds exceeding this amount, we would like to return surplus to our shareholders through dividends and stock buybacks, and other means.

Finally, in implementing these mid-term measures, we keep in mind management that satisfies all stakeholders, including shareholders, business partners, local communities, and employees. The entire company will work together to achieve further growth and improve our corporate value. We appreciate your continued support.

[Assumption: Exchange rate 130 yen/ USD]

(Unit: billion yen)



Value Creation Process

The Tokai Rika Group will utilize its management capital to the fullest, using appeals from society and social issues as triggers. We will provide value to society through our products and services by promoting ESG based on our business philosophy and achieving our mid-term management plan.

Input

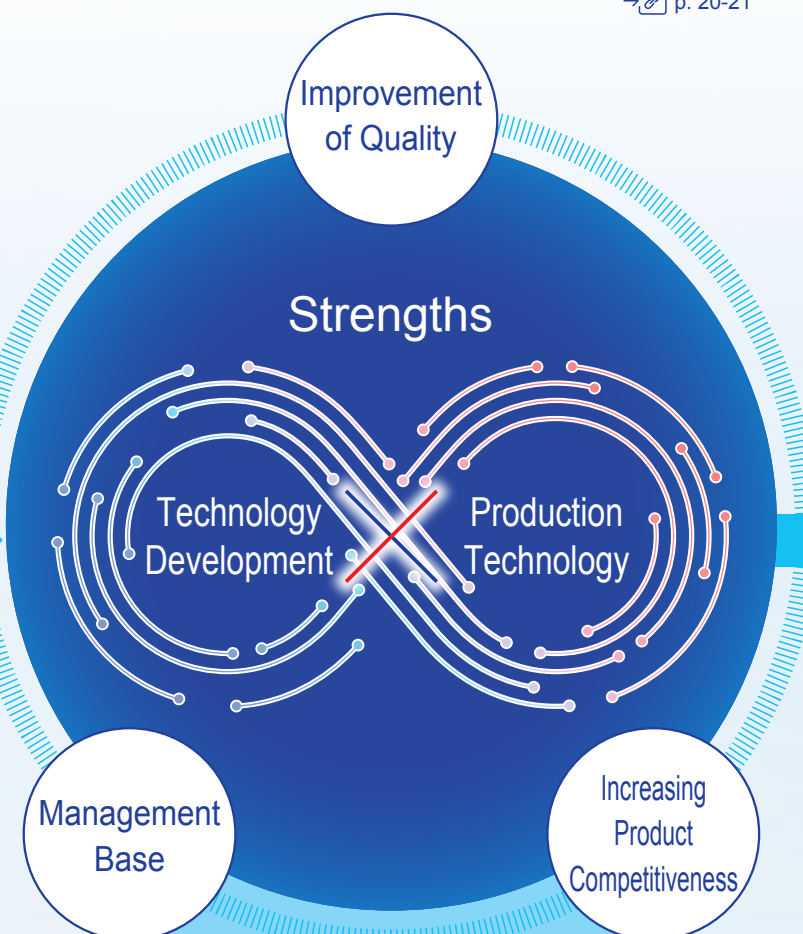
Management Capital

→ p. 18-19

Financial capital	
• ROE	4.0%
• PBR	0.54
Production capital	
• Bases	10 domestic locations 24 overseas locations
• Capital expenditures	19.1 billion yen
Intellectual capital	
• R&D expenses	29.0 billion yen
• No. of patents held	2,652
Human capital	
• No. of non-consolidated employees	6,178 people
• No. of consolidated employees	20,006 people
• Unconsolidated training cost per person	30,000 yen
Social capital	
• Number of suppliers: 1,325 companies	
Feedback to management based on information disclosure and dialogue	
Natural capital	
• Energy usage (consolidated)	1.20 million GJ
• Raw material input (unconsolidated)	22,125 t
• Water withdrawal (consolidated)	895 thousand m ³
(FY 2022 figures)	

Business Model

→ p. 20-21



Output

Products and Services

→ p. 24-27, p. 32-37

HMI Products (Human Machine Interface)
• Multi-function Switch
• Touch Pad
• Shift by Wire Shifter
Security Products
• Smart Key Portable Device
• Steering Lock Assembly
• Remote Key & Receiver
• Digitalkey
Safety Products
• Seatbelt
• Outer Mirror
• Digital Outer Mirror
• Steering Wheel
Exterior, Etc.
• Full Wheel Cover
• Emblems

Outcome

Value Provided to Society

Financial capital	
• Net sales	553.1 billion yen
• Dividend	5.8 billion yen
Production capital	
• Achievement of zero defect outflow	
Intellectual capital	
• No. of patent applications	463
Human capital	
• Annual total working hours per person	1,984 hrs
• Female manager ratio	1.6%
Social capital	
• Dialogue with institutional investors and analysts	70 times
Natural capital	
• CO ₂ emissions reduction rate	-7.0%
• Reduction rate of water usage	-9.6%
• Waste materials reduction rate	-8.7%
(FY 2022 figures)	

Appeals from society and issues

- Global warming and air pollution
- Aging society with declining birth rate
- Change in vehicles
- Diversification of consumption and lifestyle behaviors
- IT innovation

Six Capitals That Support Our Value Creation

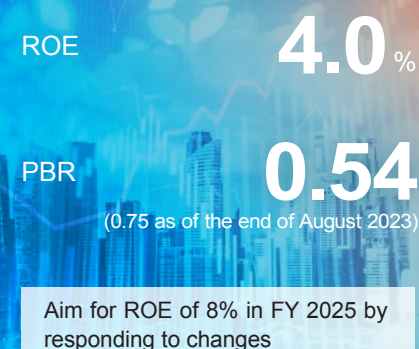
Management capital is used as the foundation to respond to appeals from society and social issues. The Tokai Rika Group aims to achieve both social and corporate sustainability by repeating our value creation process and the cycle of enriching our management capital.

Financial Capital

Aiming to create a profitable structure that is unaffected by fluctuations in customer operation, we are systematically developing and introducing tools such as cost visualization for variable costs. Also, regarding fixed costs, we are working to improve efficiency through drastic reforms of business processes such as DX.

On the other hand, with the business environment undergoing major changes, we have set up a new “strategic investment” frame separately from regular investment.

In our mid-term management plan announced last year, we clarified our capital strategy and set an ROE target of 8% for FY 2025.

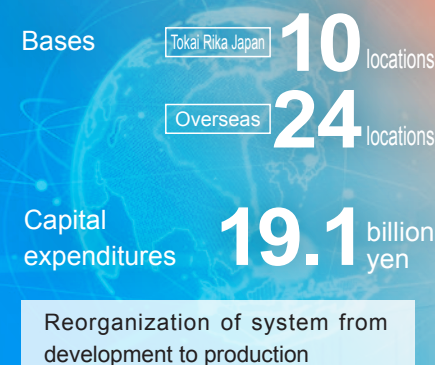


Production Capital

We are working to share product data based on 3DA information company-wide, and implement AI engineering as design guide functions from the development to production preparation stages.

In production, we are rebuilding the manufacturing part list and digitizing the production site. In addition, we are utilizing the space we have secured through automated lines, which handle everything from material supply to finished product inspection, to incorporate new business in-house production.

In addition, our production system is based on the concept of “Production under one roof”, and we are working to bring processes closer together, consolidate them, simplify the flow of materials and parts, and streamline them.

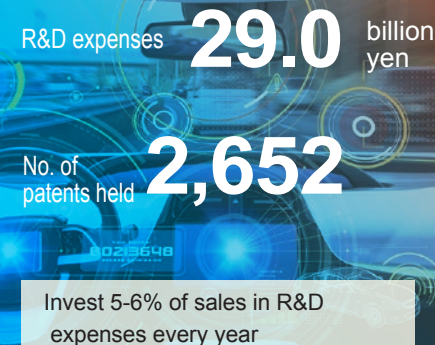


Intellectual Capital

We invest 5-6% of our sales into research and development every year.

Research and development is essential for growth over the next 5 to 10 years. In recent years, R&D expenses in B-to-C businesses, such as digitalkey businesses and new businesses, which are growing fields, have continued to increase.

Additionally, as our B-to-C business expands, we are also focusing on protecting confidential information, including personal information and intellectual property. In May 2023, we obtained the Information Security Management System (ISMS) International Standard “ISO27001” certification.



Human Capital

In order to maximize the abilities of our diverse human resources and improve corporate value, we are promoting specific diversity activities from the perspectives of gender, generation, nationality, and disability.

In 2020, our President made a “Health Declaration”, and we are implementing goal management using KPIs. We have also been certified as a Health and Productivity Management Outstanding Organization (White 500) for four consecutive years.

In addition, by 2025 we will reskill employees selected from among new graduate recruits, industry-ready recruits, and designers in existing fields, and secure 200 human resources capable of handling the IT and cloud necessary for new businesses.



Social Capital

We are building relationships of trust through repeated dialogue with multiple stakeholders.

As our President made his declaration of “SDGs management” in 2021, we believe that multiple stakeholders are essential in order to proactively promote the resolution of social issues. Therefore, in addition to annual supplier briefings, we visit our suppliers proactively and increase dialogue with institutional investors and analysts. Furthermore, we hold a community meeting once a year with residents living near our plants, and also hold a meeting to listen to the requests of the local government as a whole.

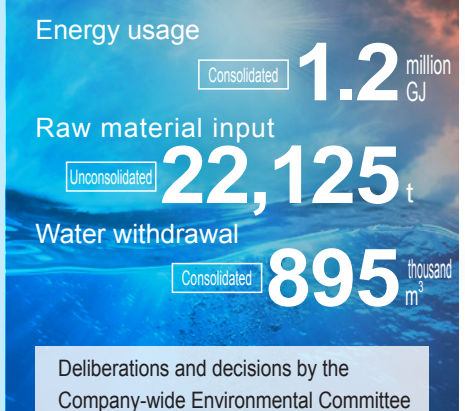


Natural Capital

Environmental preservation activity policies, medium- to long-term goals, and how to respond to important issues are deliberated and determined by the Company-wide Environmental Committee, chaired by the President.

We aim to reduce production CO₂ by 60%, increase the adoption rate of environmentally-friendly vehicles in logistics to 50%, reduce product CO₂ by 40%, and reduce procurement CO₂ by 20% based on the “Carbon-neutral Strategy 2030” formulated in 2021.

Regarding biodiversity preservation, we are cooperating with local governments to exterminate specified invasive species, and regarding circular economy initiatives, we are collaborating with suppliers to collect resin offcuts.



Business Model

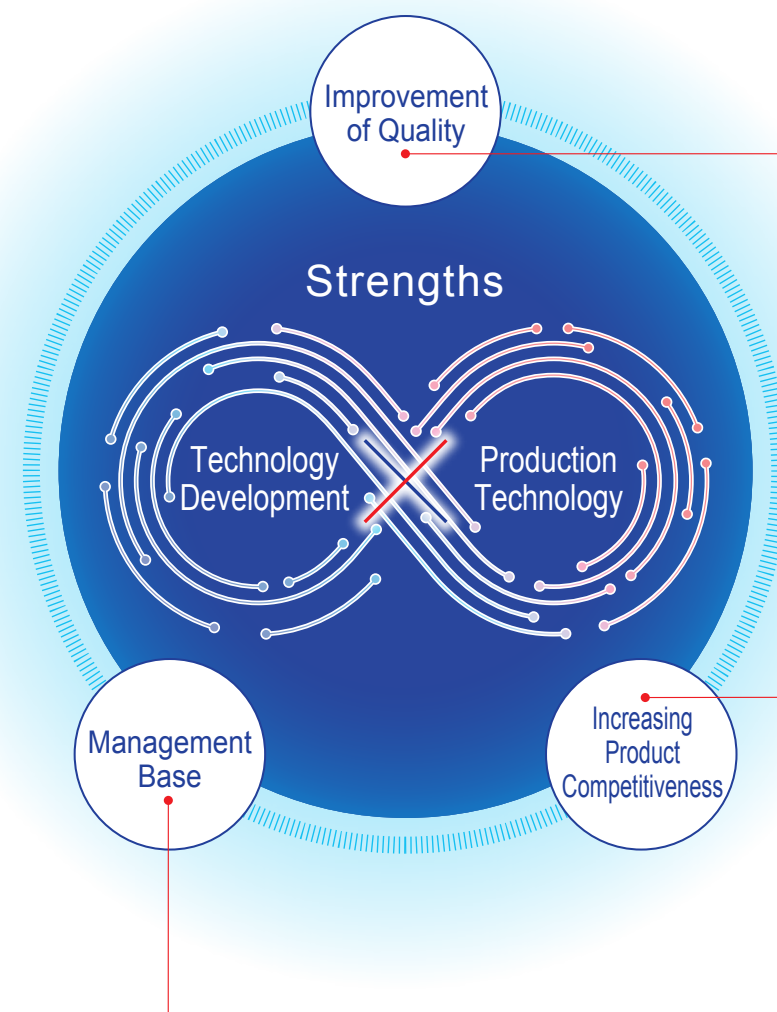
Our business model consists of technological development comprised of six core technologies and four world-class production technologies, based on continuous quality improvement, improved product competitiveness, and the management base that supports them.

Characteristics of our business model

Since its founding, Tokai Rika has been involved in products that require a variety of processing such as resin molding, metal press processing, and die-casting, and are comprised of parts with complex structures such as switches. Through this process, we have refined our equipment development and manufacturing technology with the aim of producing molds in-house, understanding material properties, improving quality, and strengthening our business base.

Additionally, as automobiles become more multifunctional, there is a need for ergonomics, design engineering, input-sensing technology, and input feedback technology to pursue switch placement, operation modes, and how the driver is feeling.

Added to these are safety technology for evaluating safety devices such as seatbelts and door mirrors, and communication/encryption technology for evaluating smart keys and digitalkeys that provide both security and convenience. These are the sources of improving the competitiveness of our products.



By regarding quality as “the degree to which we meet the needs of our customers and society,” we are also committed to improving quality activities in order to deliver goods with value that satisfy our customers.

We are strengthening the competitiveness of our existing products such as switches, seatbelts, and smart systems, and promoting sales of new business products and services such as digitalkeys, haptic application products, and upcycled products.

Regarding our management base, we are working to strengthen it through six themes: DX promotion, strengthening of production technology, reorganization of production systems, human resource development, a carbon-neutral strategy, and fixed cost control.



Tokai Rika has strengths cultivated over a history of more than 70 years. As we manufacture the most familiar products that drivers come into direct contact with, we focus on sensitivity. The continuation of such manufacturing is the reason why Tokai Rika's growth has traction. Now that we are facing a once-in-a-century change, we will further enhance our strengths and increase the value created by Tokai Rika.

Technology Development

Core technologies that support technology development



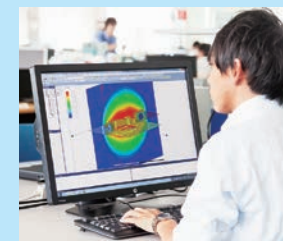
Ergonomics

We conduct quantitative analyses and evaluations on how the human body functions physically, physiologically, and psychologically while operating the controls of an automobile.



Design Engineering

Our products are designed so that joy and attractiveness are added to the ergonomics and each of our technological initiatives.



Input-sensing Technology

The driver's intentions and actions are read as information, which is then incorporated into our development of advanced sensor technologies.



Input-feedback Technology

Changing the tactile sensation given to the fingertips in accordance with the type of operation being performed allows the driver to operate intuitively.



Safety Technology

We are improving the safety of seatbelts for all vehicle occupants from children to the elderly, and developing rearward visibility support devices for enhanced safe driving.



Communication/Encryption Technology

We are continuously developing security measures in order to protect your vehicle from automobile theft, making full use of one of Japan's largest anechoic chambers.

Production Technology

World-class production technology



Tool and Die Technology Development

We have achieved high-quality product manufacturing thanks to highly-refined mold technology developed from many years of inhouse mold production.



Materials Development

We continually engage in analysis, development, and application from a variety of angles in order to identify the material characteristics that will be required in next-generation vehicles.



Production Equipment Development

We produce our own production equipment, which combines automation, high speed, and high quality. We support best-in-class manufacturing throughout the world.



Manufacturing Technology

We have achieved world-class manufacturing with many advanced manufacturing technologies, such as mounting our inhouse manufactured semiconductor on a printed circuit board.

Materiality

After identifying risks and opportunities for materiality, goals (KPIs) are set and policies are managed.

Materiality formulation process

Regarding materiality, we work with third-party organizations to determine it so that we do not become complacent.

1 Internal evaluation of international guideline items (stratified by importance to us)

From the viewpoint of importance to our company, we interviewed related divisions in our company regarding a total of 37 items, 36 items from GRI and 1 item from SDGs, and scored them (three-grade evaluation).

2 External evaluation of international guideline items (stratified by the degree of interest of our stakeholders)

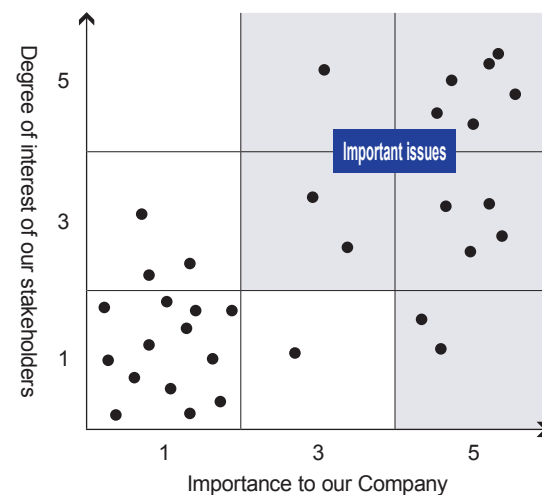
Adding points to the issues that the external evaluation organization pays attention to and the number of companies that consider items important among the four benchmark companies, we stratified them into three grades (evaluated by a third-party organization).






























3 Confirmation of important issues (materiality)

Items that are located in the “particularly high area” of importance to our Company and degree of interest of our stakeholders are judged to be the most important issues.

4 Identification of important issues (materiality)

Five important themes and 15 important issues have been identified.



	Materiality	Ideal situation	Risks	Opportunities	Initiatives for FY 2022	Goals (KPIs) for FY 2023	Related SDGs
Solving problems through business	Product development that solves social issues	Development stance to grasp global social issues and seek contributions	• Decline in competitiveness	• Value creation beyond the framework of existing businesses	• Expansion of sales of digitalkey business “Bqey” and test launch of “Uqey” • Development and sale of products that transcend the boundaries of existing areas, such as upcycled products	Targeting sales of 15 billion yen in 2030: • Development of cloud business infrastructure and strengthening of sales activities centered on digitalkeys • Development of consumer products and strengthening of sales activities	   
	Customer safety and quality assurance	Provision of safe and secure products and services to customers (end users, automobile manufacturers, and service providers)	• Damage to customers, decrease in productivity	• Gain of customer trust	• Reinforcement of foundations to support “Tokai Rika quality” • Securing the quality that achieves the No. 1 position in the industry • Improvement of customer satisfaction from our new businesses	• Sold vehicles dealt with: 0 cases • Defects at delivery (regulations and functions): 0 cases • Serious incidents: 0 cases	  
	Promotion of information security	Appropriate management of information assets to prevent confidentiality leakage, falsification of information, and discontinuance of services	• Decreased reputation	• New customer development	• Implementation of targeted email countermeasure training • Establishment of subsidiaries' C-SIRT organizational structure	• Security incidents affecting the supply chain: 0 cases	  
Basic activities that support business	Health and safety	Achievement of physical and mental health of all employees (including indirect employment)	• Decrease of employee motivation • Difficulty in securing human resources	• Fostering and securing excellent human resources	• Promotion of health management	• Promotion of lifestyle improvement activities • Promotion of mental health activities • Continuous acquisition of “White 500”	 
	Human resource development	Provision of the education that employees need or desire, on an equal basis	• Depletion of human resources who will lead the next generation	• Sustainable growth	• Implementation of individual human resource development based on the “cycle of active participation and growth” using career design sheets and 2-way communication sheets	• Implementation of problem-solving training • Implementation of line manager training	 
	Diversity	Prohibition of all discrimination based on age, gender, disability, race, ethnicity, origin, religion, etc. and co-operation that recognizes others	• Uniform thinking and judgment	• Promotion of innovation	• Holding of lectures and study sessions to promote communication and encourage employees' commitment to their own careers. • Information deployment to help employees develop their commitment to their own careers • Establishment of a system for human resource development with an eye toward promotion to team leader • Career support activities for club recruits • Introduction of communication support tools for the hearing impaired	• Initiatives for maintaining motivation and career autonomy for each age group based on life events • Creation of an environment where everyone can learn • Creation of opportunities to input a wide variety of information • Identification and improvement of factors that hinder employee success • Making friends and improving sense of belonging • Promotion of diversity across Tokai Rika	 
	Response to climate change	Achievement of carbon neutrality	• Increase of natural disasters • Increase of energy costs	• Contribution to solving global warming problems	• Energy-saving improvement in production equipment through subcommittee activities • Introduction of renewable energy • Improvement of transportation efficiency by reviewing the routes	• Energy CO ₂ emissions: 107,844 t-CO ₂ or less (consolidated) 44,671 t-CO ₂ or less (unconsolidated) • Renewable energy rate: 10.5% or more (to whole power consumption) • Transport CO ₂ emissions: 2,895 t-CO ₂ or less	 
	Prevention of environmental pollution	Continuation of zero environmental abnormalities and complaints	• Production suspension due to law violation • Loss of trust due to pollution	• Improvement of reliability from the local community	• Enhancement and promotion of environmental management system • Environmental risk reduction activities	• Environmental abnormalities and complaints: 0 cases	   
	Sustainable resource use	Building of a circular economy through effective use of resources	• Increase of costs for resource procurement and waste disposal	• Building of a sustainable production system • Increase to added value of products by using ecofriendly materials	• Waste reduction activities through 3R activities • Activities to reduce packing materials by reviewing packing methods • Use of recycled water (semiconductors, plating processes)	• Waste materials base unit: 0.37 t / million pieces • Packaging and wrapping materials base unit: 0.549 t / 100 million yen • Effective use of water resources according to the water conditions in each region: 551 thousand m ³ (unconsolidated)	 
	Initiatives for biodiversity	Realization of a community where people and nature coexist	• Destabilization of procurement of natural resources	• Improving the corporate image by contributing to the local community	• Conservation activities of Satoyama and wetlands through links with local communities • Global tree-planting activities	• Biodiversity preservation activities at each plant that contribute to the local community	
	Corporate governance	Building of a non-self-righteous organization that respects the opinions of stakeholders as much as possible through a CSR system that functions as a management system	• Difficulty in financing	• Increase of market value	• Building of an organizational structure to promote the mid-term management plan	• At the board of directors meetings, important management matters and the direction of business for the future will be discussed, and the progress made on the mid-term management plan will be confirmed.	
	Restructuring the company-wide CSR system		• Activities with uncertain priorities and directions	• Contribution to the sustainability of society	• Reflection and implementation of materiality in company policy		
	Anti-corruption	Preventing various forms of bribery in consideration of employee safety	• Participation in misuse of power and position	• Promotion of sound public-private and private-private exchanges	• Education for preventing bribery (education before overseas assignment)	• Establishment of prohibited items based on relevant laws, and regulations and guidelines for response • Narrowing down of countries with high risk and formulating activity policies	
	Anti-competitive behavior	Prevention of recurrence throughout the company	• Promotion of unhealthy markets	• Establishment of a fair free competitive market	• Antitrust Law education	• Efforts to keep past examples from fading	
	Permeation of CSR into the supply chain	Prevention of indirect human rights violations	• Assistance for indirect antisocial behavior	• Raising the level of CSR in society	• Dissemination and promotion of supplier CSR guidelines • Activities to spread CSR among suppliers through supplier meetings	• Continuation of grasping the current situation using the CSR checklist • Deep understanding of the content of the human rights due diligence (DD) part ⇒ Revision of supplier CSR guidelines	 

Special Feature

01

Possibilities of Digitalkeys: Bqey and Uqey

History of digitalkey development

Tokai Rika has been manufacturing automobile keys since shortly after its founding. It has reached the point where it has acquired the world's top class market share.

We launched Japan's first electronic key in 1983 and an immobilizer system in 1994. In 1999, we introduced a key-free system to the market that unlocks the doors when you approach your automobile and allows you to start the engine without having to insert your key into the ignition. This system is a product unique to our company that combines the convenience of an electronic key with the security features of an immobilizer system.

Twenty years later, in 2019, Tokai Rika launched TOKAI RIKA Digitalkey, a digitalkey business that distributes keys in the cloud using a smartphone app.

Utilizing the key technology and know-how cultivated in the automobile industry, we provide the company-car management DX service "Bqey" and rental car matching "Uqey."



Key-free system



Bqey DX service to solve company-car management issues

Company-car management DX service "Bqey"



In-vehicle QEY box / QEY pocket

Company-car management DX service "Bqey"

In April 2022, we launched the DX service "FREEKEY company-car reservation" to solve company-car management issues.

This service is Tokai Rika's first SaaS (Software as a Service) product, and provides software and application functions via the Internet (cloud).

Everything from reserving and confirming a company car, filling out alcohol check records, car inspection records, daily driving reports, and even locking and unlocking the car with a digitalkey can be completed with just a smartphone. This dramatically improves driver convenience, making it easier for drivers to concentrate on their main tasks. Additionally, administrators are freed from the troublesome task of managing and handing over physical keys. Furthermore, all information such as reservation status, car inspection records, daily driving reports, and key authorization status is centrally managed in the cloud, significantly improving operational efficiency. For both drivers and administrators, "FREEKEY company-car reservation" provides a solution to company-car management issues and promotes DX.

The service name was changed to "Bqey" in December 2022. We are steadily increasing the number of contracted companies and contracted cars. This service is a new business that we are putting our utmost effort into.



Number of contracted companies:
200 or more

<https://bqey.com/>



Rental car matching app "Uqey."

In September 2022, we announced the development of a new rental car matching app that utilizes digitalkeys. In February 2023, we introduced it in advance in Okinawa Prefecture and began test operation.

This service has functions such as car search, reservation, in-app payment, driver's license verification



(identity verification), rental certificate issuance, and locking/unlocking with a digitalkey.

In March we added a function to take photos of rental cars when renting and returning them. As of May, we are operating this service in Okinawa, Hokkaido, and Fukuoka prefectures.

We will continue to regularly update features based on feedbacks from rental car operators and users, and strive to make the service even easier to use, tailored to each customer's needs.

<https://uqey.com/>



Obtained ISO27001 certification, an international standard for information security.

In May 2023, we obtained ISO27001 certification, an international standard for information security.

This certification requires the establishment and operation of appropriate information security policies, procedures, and measures that incorporate an information security management system.

In the process of planning, developing, operating,

and maintaining the digitalkey, we worked on employee training and security measures for the maintenance system, which led us to obtain this certification.



Special Feature

02

Development of Products and Services that Solve Social Issues

Tokai Rika and its history of solving social issues

Tokai Rika has a history of addressing social issues with the founding spirit of “Do what others won’t do.”

In 1962, we were among the first to pay attention to legislation in the United States and developed the two-point seatbelt, contributing to a reduction in the number of casualties in traffic accidents.

In 1963, we contributed to safer driving by concentrating the switches on the instrument panel around the steering column to minimize the driver’s eye movement.

In 1994, we focused on the requirement to install devices to prevent unauthorized use of vehicles due to the rapid increase in car thefts in Europe, and commercialized an immobilizer system, contributing to help reduce theft.

In this way, we have been among the first to address social issues related to the automobile industry.



Think Scrap: An upcycled brand born from scrap materials

In 2020, we held an internal call for new business ideas for all Tokai Rika employees. We carefully narrowed down the 1,904 submitted ideas and categorized them into 10 themes. Many of them included the idea of contributing to the SDGs by utilizing seatbelt scraps.

At our plants, approximately 300 kg of seatbelt scraps are generated every day. The idea of “using scrap materials to create valuable products” led to the creation of Think Scrap. At Tokai Rika, we were at a loss because we could not do the complicated sewing work for seatbelts; then we met Maruka Inc. Thanks to their understanding of Tokai Rika’s idea, we were able to begin manufacturing products that involve complex sewing.

Further, when we thought that our product lineup was not enough with just seatbelt scraps, we came up with the idea: “Aren’t manufacturers in other industries also struggling with how to utilize scraps generated during their production process?”. So, after reaching out to various companies, we were able to receive scrap materials from Team Like Co., Ltd., which manufactures vinyl curtains. We have also developed tote bags with cute designs based on ideas from local university students.

We contribute to SDGs by collaborating with local companies and students, even though product development is difficult for our company to do alone.

Think Scrap

<https://www.thinkscrap.jp/>



“Think Scrap” various products
*Collaboration with Maruka Inc., a local sewing factory in Aichi Prefecture



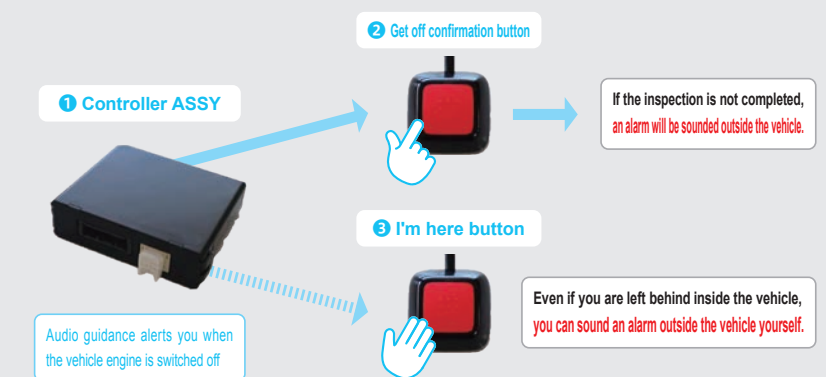
Some of the tote bag products developed with students

Support system for preventing people from being left behind in vehicles: Commercialized in an extremely short lead time after a tragic accident

In September 2022, a tragic accident occurred in which a kindergartener was left behind on the school bus. Faced with this news, and with the belief that such a sad accident should never happen again, all our relevant divisions worked together to develop countermeasures. We made a presentation to the Ministry of Land, Infrastructure, Transport and Tourism, introduced our product to Toyota and Nissan, and worked closely with outside parties to successfully commercialize the product at an unprecedented speed, with sales beginning as early as March 2023.

By having developed products based on mass-produced products, we were able to develop them in a short period of time and ensure in-vehicle quality. Additionally, the device can be started and stopped using only

the vehicle’s ignition signal, making it easy to install in existing vehicles. Furthermore, the in-vehicle alarm with audio guidance makes it easy to operate even for first-time users.



Future products and services that solve social issues

Tokai Rika has the spirit of challenge of “Even if nobody wants to do it, somebody has to.”

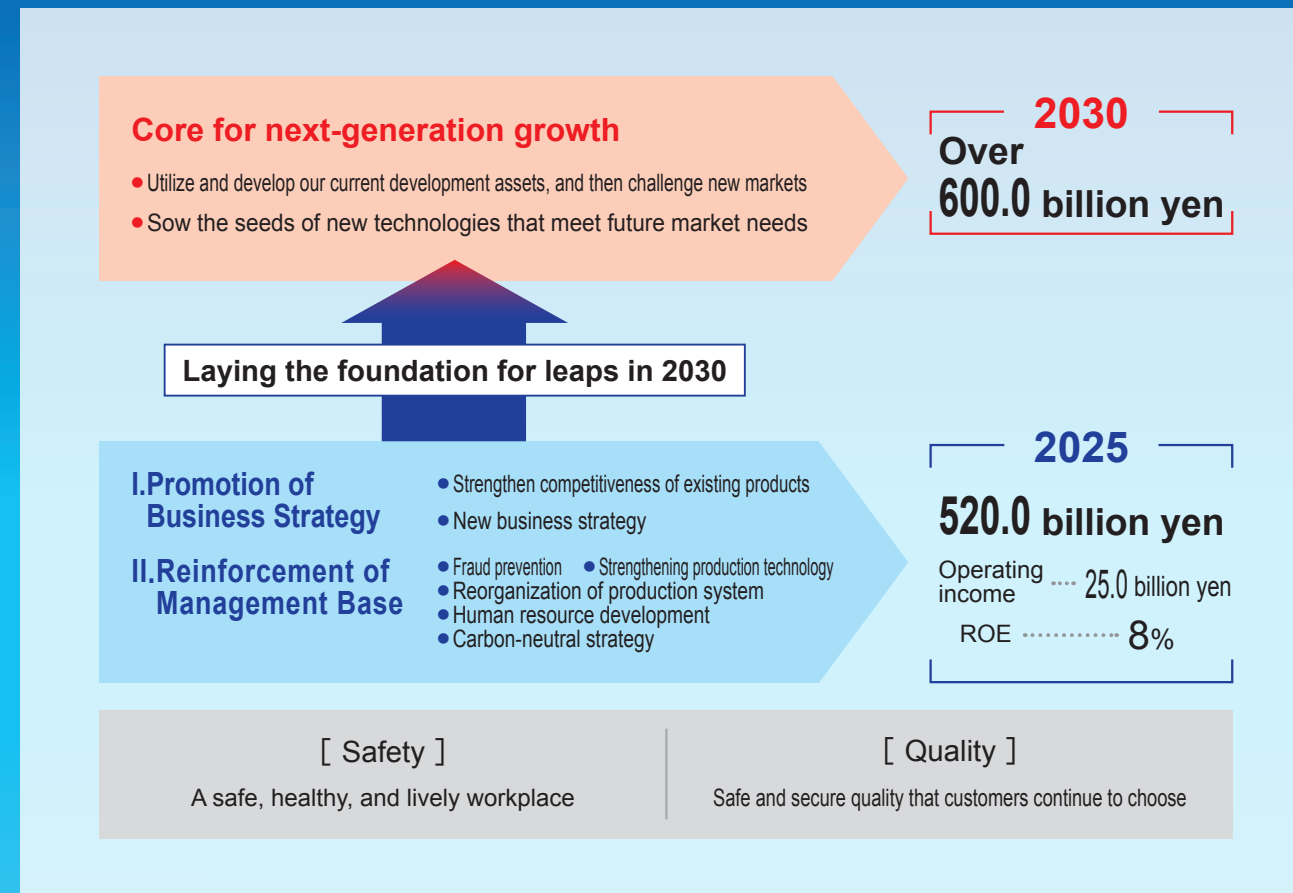
While adhering to this spirit, we have produced products such as switches with complex structures that make it difficult to ensure profitability, keys and locks that are facing increasingly sophisticated theft techniques, and seatbelts whose performance

requirements are increasing year by year as laws and regulations are updated regularly.

We will continue to focus on social issues and collaborate with other industries as necessary to develop products and services that help solve social issues.

Mid-term Management Plan

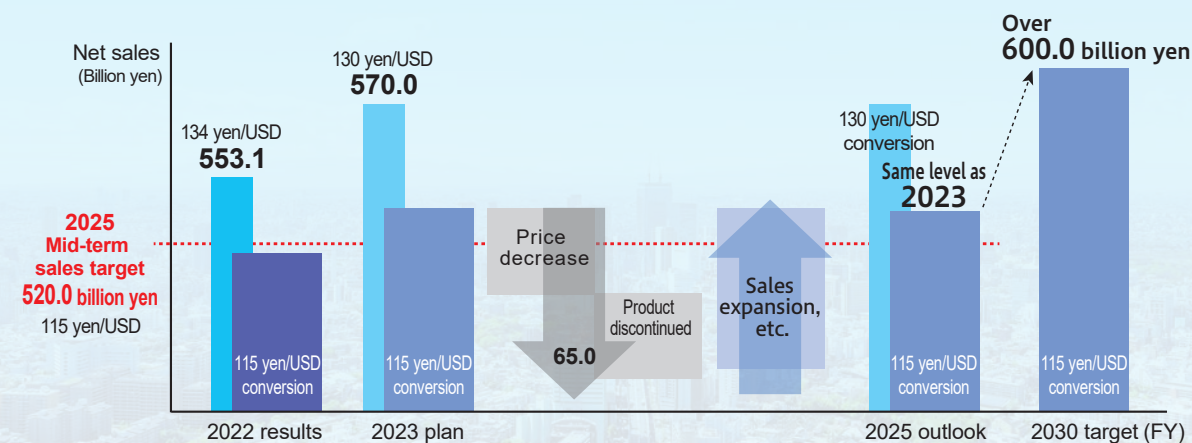
In our mid-term management plan, we formulated a vision for 2030 and strategies for 2025 to lay the foundation for that leap forward. Here the overall picture of our mid-term management plan will be explained.



Mid-term management plan: Sales target

- Secure orders for strategic product groups to be launched in FY 2025
- The mid-term sales target for FY 2025 is expected to be achieved due to new sales expansion in the North American and Indian markets, etc.

Core for next-generation growth
—Challenge new fields
—Sow the seeds of new technologies



I. Promotion of Business Strategy

Strengthen competitiveness of existing products

In the Human Machine Interface area, we have expanded our shift by wire shifter lineup. At the same time, we are working to differentiate ourselves from other companies through decoration and modularization, and are expanding the adoption of these products.

In order to support autonomous driving and electric

cockpits, we have completed the development of transparent lighting decorations and the world's smallest column switch.

Additionally, we are steadily expanding our sales in India, including acquiring new orders for smart entry and digitalkeys.



New business strategy

We are continuing sales activities to expand our new business, focusing on digitalkeys and gaming keyboards.

We have rebranded the company-car management service as Bqey, and the non-face-to-face rental car app as Uqey. Regarding Bqey, we are striving to popularize it while improving its services, such as adding an alcohol detection function that complies with laws and regulations.

We will strengthen our semiconductor business as a growth core for our future.

By leveraging the characteristics and strengths of our semiconductor business, which we have previously manufactured for our own products, we are taking on the challenge of external sales, aiming to achieve sales of

5 billion yen in FY 2030. Additionally, with the electrification and automation of cars, the need for software is increasing. We will strengthen and expand our ECU business to support these changes.



TOPICS esports brand “ZENAIM”

We have launched the esports gaming gear brand “ZENAIM,” utilizing the technology we have cultivated through the manufacturing of switches and sensors. We have started selling the “ZENAIM KEYBOARD” as our first brand.

During the development stage, we asked top esports professional team “ZETA DIVISION” to supervise. Thanks to this, we have achieved the world's highest level of performance.



II. Reinforcement of Management Base

Fraud prevention

We are working hard to improve our audit system and internal reporting system from the perspective of fraud prevention and compliance.

We are working to maintain the effectiveness of our consultation services, which include not only an in-house consultation service but also one provided by external lawyers, a counselor system in each workplace, and a dedicated counseling service for employees' families.

Regarding certification and inspection, we have an

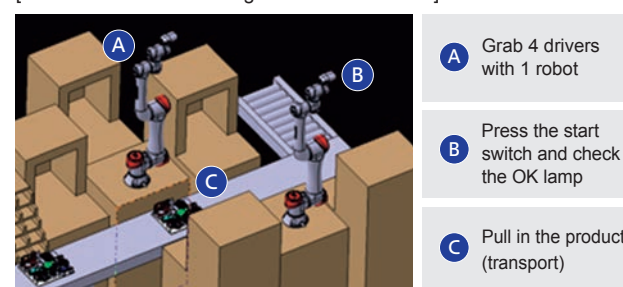
organization that allows each function such as design, evaluation, and certification to maintain independence. In addition, each year we carry out voluntary confirmation of fraud in our inspection and evaluation divisions. Furthermore, we conduct interviews with all divisions involved in production and quality, as well as individual surveys of divisions in charge of evaluation, with reference to examples from other companies.

Strengthening production technology

With the aim of increasing the efficiency of the production line itself and realizing space savings (1/n concept), we are working to strengthen our competitiveness while cooperating with the Production Center.

While working to bring the lines closer together and significantly reduce space, we have introduced collaborative robots to create a versatile line that can handle a wide variety of products.

[Multi-skilled workers using collaborative robots]



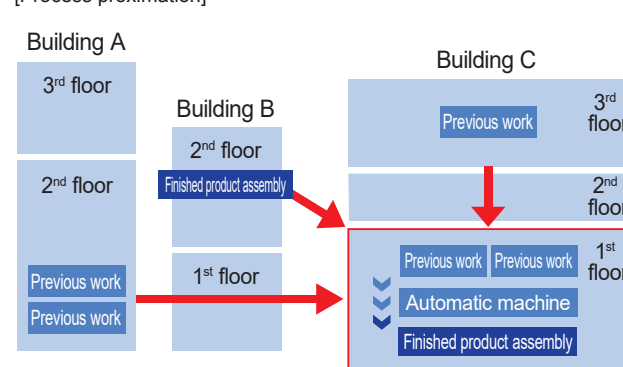
Reorganization of production system

Adhering to the keywords “Do not store, do not carry, and do not touch,” we are thoroughly pursuing efficiency in the flow of goods and logistics, and steadily promoting the reorganization of our production system. We are reducing transportation by minimizing transportation between buildings and bringing processes closer together, automating unavoidable transportation, and taking on challenges such as in-house production of AGVs.



In-house manufactured AGV

[Process proximation]



Human resource development

For a company to grow sustainably, it is essential to maximize the value of human resources.

In order to realize our mid-term business plan formulated in 2022, the Thought and Action of each and every employee who drives Tokai Rika's growth engine are essential.

In order to expand sales in priority business areas as well as new fields and new technologies, we are

promoting “initiatives that generate results” such as priority allocation and reskilling.

We also provide our employees with opportunities to take on challenges, support them, and work to respect the diversity of individuals. Furthermore, we will link the voluntary challenges and activities of all employees to sustainable value creation.

[Maximize the value of human resources and achieve sustainable growth of the company]



Carbon-neutral strategy

We are promoting activities with the aim of achieving the goals of the “Carbon-neutral Strategy 2030” announced in 2021.

Regarding production, we are promoting energy visualization and the introduction of renewable energy with the goal of reducing production CO₂ by 60% by 2030. In terms of products, we are developing “Bamboo+,” a composite material of bamboo and resin.

Many customers have expressed interest in Bamboo+

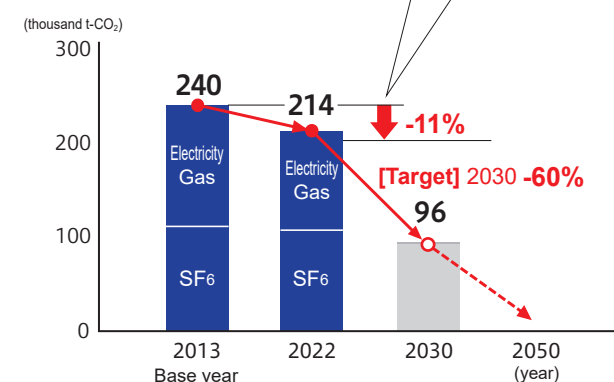
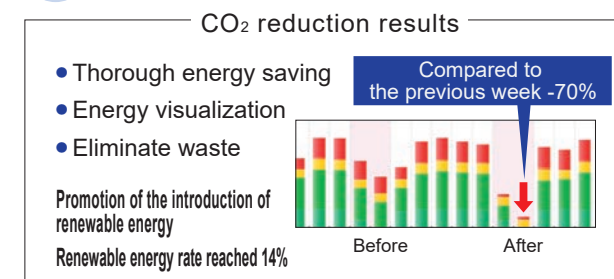
because by mixing bamboo and resin materials, the amount of CO₂ contained in the material itself can be halved.

Additionally, in order to accelerate the introduction of renewable energy in our supply chain, we conducted joint renewable energy procurement with the Kyouryoku-kai as a first in the region.

In recognition of these activities, we received the Environmental Promotion Excellence Award from Toyota Motor Corporation for the second consecutive year.

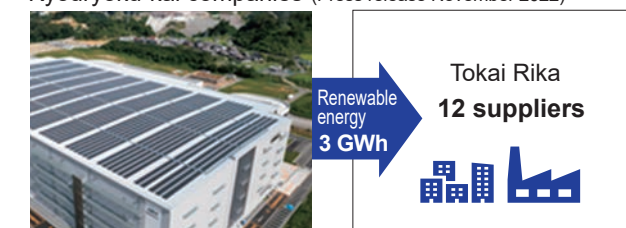
[Steady promotion of carbon neutrality]

Production strategy



Procurement strategy

Joint procurement of renewable energy power with 12 Kyouryoku-kai companies (Press release November 2022)



Rooftop solar panels on a distribution warehouse

Product strategy

Development of bamboo composite material



Customer evaluation

[2 years in a row] Environmental Promotion Excellence Award Awarded by Toyota Motor Corporation



Business Overview

We will proceed with the reorganization of our development and production systems to adapt to the unprecedented speed of change in the market environment.



Koki Sato,
Executive Vice President

Toward strengthening our constitution

This year, Tokai Rika introduced a next-generation intelligent cockpit that allows cars to read people's intentions at the Automotive Engineering Exposition 2023.

We proposed to revolutionize the cockpit through the following products and services:

- Entry system evolving from keys to smart keys to digitalkeys using smartphones
- Various sensors that read people's intentions
- Electrostatic touch switches that look like part of the design
- Seatbelts and steering wheels with driving support functions, etc.

Furthermore, as the following examples show, the market environment surrounding our products is changing at an unprecedented speed:

- A full lineup of diverse shift by wire shifters to meet the needs of each vehicle model.
- Expanding electronics, including software development, etc.

In particular, in order to secure human resources to keep up with the rapid expansion of the electronics business, including software, our 39 engineers have already been reskilled and have developed into excellent software engineers. By 2025, we will reskill more than 100 engineers and maximize the value of our technical human resources. We will also create an environment where each employee can play an active role, and above all, where they can grow with high motivation.

Another major change in the market environment is that global price competition involving Chinese manufacturers has become more severe than ever. Under these circumstances, Tokai Rika has decided to proceed with a fundamental reorganization of its production system in order to further solidify its future business, in addition to its traditional cost reduction activities. By effectively utilizing the funds from the strategic investment frame established two years ago, we will proceed with plant reorganization by reviewing the items produced at each plant under the concept of Production under One Roof.

Specifically, we are introducing in-house manufactured AGVs, implementing centralized storing, and consolidating processes that spread across buildings and floors. These will not only improve the efficiency and streamlining of internal and external logistics, but also allow us to maximize Tokai Rika's comprehensive strengths from the perspective of cost competitiveness.

At the same time, we began "1/n" activities to reduce equipment and process sizes and production preparation lead times by more than half. The Toyota Plant was the first to introduce collaborative robots and achieved a 1/n line, thereby creating new production space for new products. In particular, in the development of new products and new manufacturing methods, by incorporating TPS concepts from the early stages of development we will mass-produce products while ensuring a high level of competitiveness.

Achieving "1/n" requires new ideas that go beyond conventional wisdom. To achieve this, we need innovation and speed. In order to create a source for this, we have established the Diversity Promotion Dept. and the DX Promotion Dept. under the direct control of the executive office, and have been promoting human resource development and operational reforms. As a result, we are now seeing employees take on new challenges on their own initiative. This has never happened before. In particular, as we see examples of taking on new businesses other than automobile parts, utilizing digital technology, developing new markets, and challenging new materials and manufacturing methods, we can see that a culture of continuing to take on challenges without fear of failure is growing. We will continue to provide opportunities for our employees to take on challenges, which will lead to sustainable value creation at Tokai Rika.

In parallel with these activities, by visualizing all costs, including fixed costs, we discover and eliminate hidden wasteful expenditure that was previously unnoticed. We will also fundamentally strengthen our constitution by promoting timely and innovative cost reductions across the company.

We will adapt to changes in the business environment in each region and strengthen our competitiveness.



Masahiko Sato,
Executive Vice President

Business expansion in the global market

Looking at the market from a global perspective, the business environment is changing in every region, and competition is becoming more intense. Against this backdrop, we have worked to strengthen our competitiveness by quickly adapting to the environment and market needs of each region.

In particular, we recognize the following as priorities:

- In the Indian market, we will expand and grow in collaboration with our joint venture partner (Uno Minda Group).
 - In the Japanese and North American markets, maintain and expand market share and strengthen profit structure.
 - In the Chinese market, narrow down products/customers and localization
- Specifically, we have steadily achieved results through the following initiatives:
- Confirmed new business order for Maruti Suzuki, which has the largest share in the Indian market
 - Various constitution strengthening activities in Japan, as explained earlier
 - New business orders for Ford in the US and Europe
 - Sales of shift by wire shifters and orders from local Chinese OEM (Lotus)

In India, we have decided to build a new plant for smart

systems and shift by wire shifters (TRMN Northern Plant) in the northern region, and are preparing to start operations in 2025.

In addition, by leveraging the respective strengths of our company and our joint venture partner, we are working together with our joint venture partner to propose and sell to local Indian OEMs as well as Japanese OEMs such as Maruti Suzuki, aiming to further expand our business in the Indian market.

Meanwhile, we have begun expansion of our Mexican subsidiary (TRMX), which is scheduled to expand its production items and production volume, and plan to complete the plant expansion by the end of 2023. Our Mexican subsidiary (TRMX) will be the largest production base among our subsidiaries. They will continue to provide proposal and sales activities to Japanese and American OEMs.

Furthermore, while keeping a close eye on future market and economic conditions, we will develop an optimal production and supply system in North America, including our bases in the United States and Canada.

Regarding the Chinese market, localization in various fields is key. In particular, localization of marketing and product planning is becoming increasingly important for doing successful business in China. We will strengthen our systems to speed up our response.



New plant in northern India



Mexico plant expansion



Tohoku new base

Provision of a Comfortable and Safe Mobility Space

We have been providing HMI products such as various switches and shift levers that are easy to use and safely convey the driver's intentions to the car. In addition to improving the quality of sensitivity that impresses users, by using advanced technology to read the driver's condition and intention, we will create HMI products that provide a more comfortable and safe mobility space.

Strengths	<ul style="list-style-type: none"> • Ergonomic technology that enables ease of use • Design ability and decoration technology that enhances quality of sensitivity • Input-sensing technology using in-house manufactured semiconductors 	Risks and opportunities	<ul style="list-style-type: none"> • Fewer switches due to touch panel operation or voice operation • Due to electrification, shift levers will be replaced by switches at an accelerated rate • Productization that supports updates and customization required in the software-first era
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Looking back on FY 2022

[HMI products]

We have completed the development of a product group for autonomous driving and electric cockpits, and orders for those products are increasing. For example, a device with a design that is completely invisible until the car starts, and whose display pops up once the car starts, and which uses feedback to ensure reliable operation, much like a smartphone; the world's smallest steering column switch that is effective for mounting on the car and securing space inside the car. We aim to mass produce these products by 2025.

In order to further expand the business of these products, we will reuse our development assets, including circuits and software, and make effective use of our production facilities. By doing so, we aim to expand sales of these products while meeting the needs of a variety of customers.

[Shift levers]

As vehicle manufacturers are also exploring various operation modes, shift by wire shifters compatible with vehicle electrification are available in a variety of forms, including lever types mounted on the floor or column, toggle operation types, rotary types, and push switch types.

We have also decided to respond with a full lineup, and are currently accelerating development by devoting development resources for mechanical shift levers, which have traditionally been our mainstream, to shift by wire shifters. In addition, with regard to activities to promote sales to new customers, a toggle-operated shifter has been adopted for Lotus' new SUV-type sports EV, and its mass production has begun.

Future prospects

[HMI products]

As technological innovation progresses in a new field called "CASE," cockpits are required to have a textured interior and an advanced feel, and the number of switches operated by conventional knobs will further decrease. However, switches that need to be operated while driving are placed near the steering wheel, and it is expected that by-wire steering will become more common in the future. Therefore, we will consider the steering column area as our priority area and will promote product development and collaboration with other companies.

To compensate for the decrease in the number of switches, we are developing a new business with the aim of realizing an advanced cockpit that is comfortable, secure, and safe by reading people's conditions and intentions using the sensors we proposed in our recently announced "Intelligent Cockpit."

[Shift levers]

As the shift to EVs progresses, we predict that shift by wire shifters will be installed in nearly half of all cars around the world by around 2030, and we will therefore be working on shift by wire shifters as a priority product.

Our goal is to achieve a 20% global market share by 2030. Therefore, we aim to complete the development of a full lineup in 2023 and further expand our sales.

We will propose not only shifters but also the entire cockpit operation, display layout and design, and optimal proposals that take into consideration evolving vehicle systems. We will also thoroughly review our design and manufacturing methods, promote cost reforms, and respond to intensifying competition.

Realization of a Safe and Secure Mobility Society

Regarding electronic keys, we commercialized a remote key in 1983, an immobilizer system in 1994, and Japan's first key-free system that combines the convenience of a remote key with the security features of an immobilizer system in 1999.

Regarding seatbelts, we were quick to catch up on legislative trends and began producing two-point seatbelts in 1962, and in 1997 we commercialized seatbelts with force limiters. Since then, we have responded to regulations in each country that have become stricter year by year.

Strengths	<p>[Electronic keys]</p> <ul style="list-style-type: none"> • Communication/encryption technology essential for security of electronic key systems. <p>[Seatbelts]</p> <ul style="list-style-type: none"> • A system that enables short-term development by synergistically evaluating safety through experiments and CAE analysis. 	Risks and opportunities	<p>[Electronic keys]</p> <ul style="list-style-type: none"> • Electronic keys alone cannot maintain superiority over other companies. <p>[Seatbelts]</p> <ul style="list-style-type: none"> • Possibility that sales expansion will not proceed as planned
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Looking back on FY 2022

[Electronic keys]

In the Indian market, we were able to receive orders that included not only the digitalkey, but also the server to distribute keys and the communication technology necessary to configure the system.

In addition, demand for digitalkeys is expected in the motorcycle market, and we have received orders for advanced development products.

In terms of digitalkey sales, B-to-C transactions, Bqey/Uqey, are leading the way. However, while the market for OEM-equipped digitalkeys is larger, there are also many competitors, so we will continue to make proposals to new customers in addition to existing customers by leveraging the know-how we have cultivated over the years.

[Seatbelts]

First, we won an order for Maruti Suzuki in India. This will contribute to our sales from 2025 onwards.

TSB (Thailand) will be in charge of production and is expected to serve as a stepping stone to expanding sales in the Indian market.

Next, in terms of new products, we have completed development of a new retractor (belt winding device) for small cars.

This retractor is so versatile that it is installed in the front seats of small cars and the rear seats of medium-sized and large cars. By expanding sales to new customers, we aim to improve profitability by reducing fixed costs without increasing the number of employees.

Future prospects

[Electronic keys]

The needs of markets around the world are so diverse that some markets prefer full digitalkeys, while others prefer physical keys.

Therefore, we do not think that the market for conventional smart keys and remote keys will disappear anytime soon. However, there is a risk that market preferences may change rapidly, as in the Chinese market, and demand for conventional electronic keys may decline sharply. Therefore, we will carefully monitor market trends.

Our strength is that we can independently develop, design, and manufacture electronic keys and the necessary related software. In the future we will focus on securing software-related human resources, including reskilling, in response to rapid business expansion.

[Seatbelts]

If car active safety advances and collisions disappear, occupant restraints such as seatbelts and airbags may become unnecessary. However, we believe that it will still be some time before all vehicles become like this, and seatbelts will continue to be a necessary product.

In our overseas business, we will proceed with the reorganization of North American production plants in Canada and Mexico.

In addition, in response to car safety evaluations in various countries starting in FY 2029, we will introduce THOR-5F, a crash test dummy that is more similar to the human body, in FY 2024. We plan to improve the protection performance according to the physique of the occupant.

Semiconductors and ECUs

We began manufacturing custom ICs at our own plant in 1991, and have mainly used them in our own products.

Regarding ECUs that control electronic devices installed in cars, we have produced individual ECUs such as ECUs built into switches and steering locks, door ECUs, and smart ECUs.

As mobility becomes more sophisticated, demand for control circuits for sensors and actuators around ECUs is increasing. We believe there are business opportunities in this area.

Strengths	[Semiconductor]	Risks and opportunities	[Semiconductor]
	[ECU]		[ECU]
	<ul style="list-style-type: none">• Know-how to develop and manufacture high-mix low-volume semiconductors at low cost and with short lead times.• Development and design of software incorporated into ECUs		<ul style="list-style-type: none">• Price competitiveness is weak for general-purpose semiconductors.• Reduction in the number of ECUs due to integration of ECU functions

Looking back on FY 2022

[Semiconductor]

Since a year or two ago, when the semiconductor shortage became serious, we have been producing custom ICs for our own products in-house. When external parties found out about this, they approached us.

Through various marketing activities, we realized that the characteristics of our in-house semiconductor manufacturing, namely high-mix low-volume production with short lead times, can provide solutions to market needs. Many companies that provide semiconductors for industrial equipment, medical equipment, and aerospace were struggling to procure semiconductors in small quantities and a wide variety of types. Furthermore, we found that many of these applications are long-lived long-tail products. We believe that by leveraging our strengths cultivated in the automobile industry, we can create a positive cycle that will lead to solving problems in other industries.

[ECU]

We have accumulated experience in designing and mass-producing integrated mechanical and electrical products that combine mechanics and electronics. We have also manufactured individual ECUs such as smart ECUs, mirror ECUs, seat ECUs, and power sliding door ECUs.

As cars become more sophisticated, the importance of ECUs that control actuators – mechanical components – is increasing. We actually received multiple orders for our ECUs from other companies that had been specializing in manufacturing mechanical parts. Our ECUs will be incorporated into their products.

In this way, we are finding a way to expand our business not only as a Tier 1 (first-tier subcontractor to vehicle manufacturers), but also as a Tier 2 supplier by collaborating with other Tier 1 suppliers.

Future prospects

[Semiconductor]

We assume that we will undertake the entire process from specifications, design and development, manufacturing, inspection, and delivery of custom ICs that meet customer needs, and then sell them externally.

After confirming customer needs in advance at exhibitions and other events, we realized that existing equipment could not fully meet their needs. For this reason, we are planning to make a drastic investment totaling several billion yen for external sales, whereas previously we had only invested a few hundred million yen a year in renewals.

By introducing new equipment, shortening lead time from 30 days to 20 days, and increasing annual production capacity from 50 million units to 67 million units, we aim to achieve sales of 5 billion yen in FY 2030.

[ECU]

Cars are becoming more sophisticated, and ECUs are being integrated to control the increasing number of functions. In-vehicle communication methods will also shift to serial communication, which allows information to be transmitted quickly with fewer wires.

Amid these major changes, we believe that the individual ECUs that play their respective roles, as well as the sensors and actuators with their respective functions, will become increasingly important, and the needs for them will also increase.

We are aiming for sales of 24 billion yen by FY 2030 by expanding our sales channels by leveraging the development and provision of software to be incorporated into ECUs and filling the shortage of personnel through reskilling.

New Business

Our company has grown in size thanks to the growth of our core business. However, in light of recent drastic changes in the business environment, we will be unable to survive if we rely solely on growth from our core business.

In order to get on a new growth trajectory, we need to take initiatives to reform the way we do our core business. Get to know our users. Come up with ideas for the world and its people, and make them come true.

Reviving our entrepreneurial spirit is what we need to make our new businesses successful.

Strengths	<ul style="list-style-type: none">• The quality and reliability that we have cultivated over many years in the manufacturing of automobile parts, and the founding spirit that is ingrained in us, which is to “Do what others won’t do.”	Risks and opportunities	<ul style="list-style-type: none">• Know the world• Marketing with no previous experience• One-of-a-kind technology and products

Looking back on FY 2022

We have launched and expanded our services and products, centering on digitalkeys.

We have widely rolled out Bqey, a digitalkey service for company-cars, specifically, a DX service that allows one-stop reservations, usage, and management of company-cars, throughout Japan. We have also added a function that can be linked with alcohol detection, which is required to comply with the law, and this has also been well received by customers.

The number of customers using Bqey has increased to 133 companies and 2,500 vehicles (as of the end of FY 2022).

We also conducted a demonstration experiment of a matching service for rental cars called Uqey, which is derived from Bqey. In this way, we have worked to improve the level of service. Through experiments in two

types of market: tourist areas (Okinawa and Hokkaido) and urban areas (Fukuoka), we received many positive reviews from both rental car companies and rental car users. We will continue to strive to improve our service level.

Furthermore, we have launched a new brand called “Think Scrap” to contribute to solving social issues. We have developed, produced, and sold upcycled products using seatbelt scraps and other materials.

A local sewing company in Aichi Prefecture cooperated in the production of Think Scrap products.

Furthermore, we decided to enter the esports business, which is currently popular among young people. We concluded a sponsorship contract with a famous esports team (Zeta Division) and began developing keyboards under their supervision.

Future prospects

We will strive to expand our customer base by continually improving and adding features and services to Bqey and Uqey. By doing so, we are working towards achieving sales of 10 billion yen in the digitalkey business in FY 2030. In order to expand our sales channels, we have entered into an agency agreement with a company that has a network. In addition, regarding Uqey, we will steadily advance collaboration with rental car companies in both tourist and urban areas, and strive to increase the number of customers using our service.

Regarding the esports business, we have released keyboards with ultra-short stroke, high precision and durable magnetic sensing that are made in Japan under the brand name “ZENAIM,” and have received high praise from the market. In the future, we will expand the lineup of keyboards under the “ZENAIM” brand, and work on the

development and release of new products such as mice, contributing to the expansion of eSports fans in Japan and around the world.

With new businesses centered on digitalkeys, “ZENAIM,” and “Think Scrap,” we aim to achieve sales of 15 billion yen in FY 2030 and work to create new value.

In addition, we will develop and produce biomass materials using domestically produced bamboo composite materials, contributing to carbon neutrality. This product will be sold under the brand name “Bamboo+” and will be used not only for car applications but also for other industries.

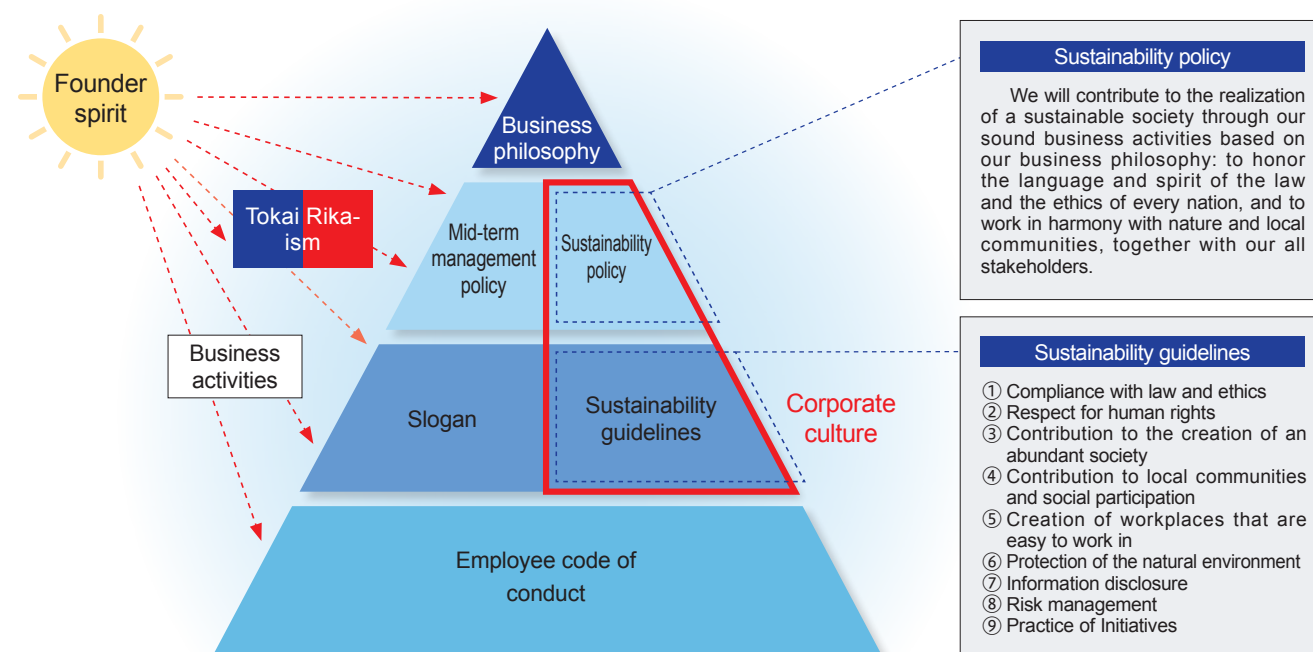
By taking on new business challenges such as those mentioned above, we will lead to reforms in our business structure and, ultimately, in our corporate culture.

Tokai Rika Group's Sustainability

For more than 70 years, we have introduced many world-first and Japan-first products to the world.
From now on, products and services that support CASE, MaaS, and SaaS will be required.
Even as the form of products and services changes, our commitment to giving shape to a sense of excitement between people and vehicles remains unchanged.

Establishment of sustainability policy and sustainability guidelines

For the purpose of sharing our basic concept of sustainability, we have established a sustainability policy based on the demands of society and our business philosophy. In addition, we have issued sustainability guidelines as a commentary on our sustainability policy.

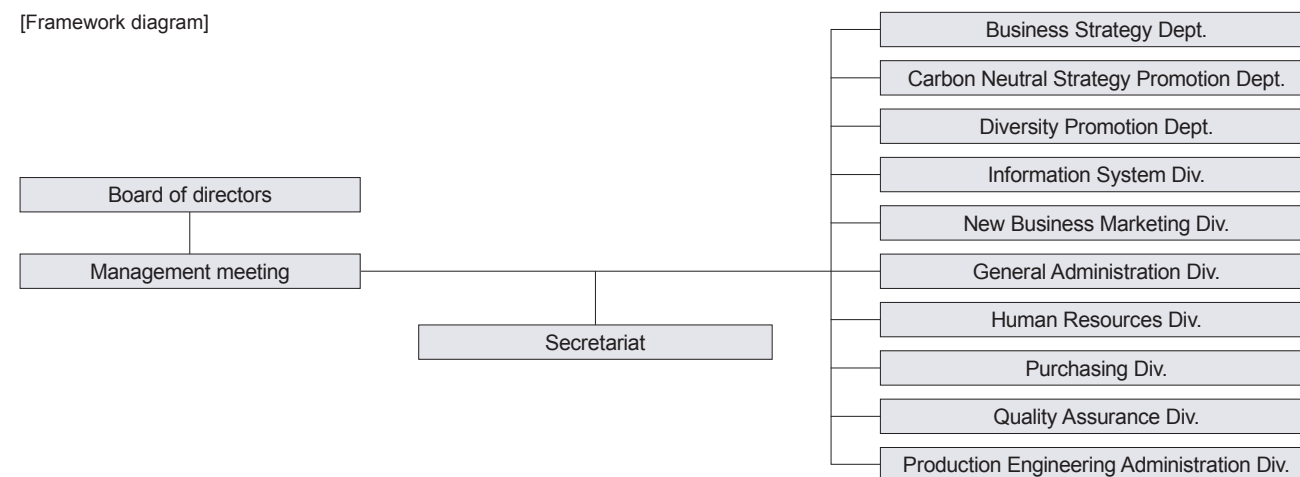


Sustainability promotion system

In the process of formulating materiality, we identify the divisions involved in social issues, manage policies, and report to management.

Also, the sustainability policy is not formulated separately from the management policy, but is integrated to promote sustainability company-wide.

[Framework diagram]



Stakeholder Engagement

We strive to maintain sincere dialogue with our stakeholders.
Rather than just making statements and listening to each other, we are having repeated discussions from the perspective of "what we can do for a sustainable society."

Every April, we hold the "Tokai Rika Group Policy" and "Purchasing Policy" briefing and "Supplier Awards", and in April 2022, 130 major suppliers participated.

We regularly hold new product exhibitions for automobile and auto body manufacturers.
In addition to regular sales activities, in the digitalkey business, business-to-consumer (B-to-C) business is expanding; therefore we are enhancing the contact point for end-user inquiries.





Promoting sustainability that values both employee satisfaction and solving social issues



Sumikazu Sasaki,
General Manager of
Corporate Group

Since its founding in 1948, Tokai Rika has cherished the founder spirit of “Do what others won’t do.” In addition, we have been conducting our business based on our business philosophy with its keywords of “to contribute to a higher quality of life,” “to nurture the spirit of originality, enthusiasm and innovative challenges,” and “to work in harmony with nature and local communities.”

Looking back on FY 2022, in April we were selected as a constituent stock of the “FTSE Blossom Japan Sector Relative Index,” a stock index that meets global ESG standards.

In September, we received “Platinum Kurumin” Certification, and in October, “Aichi Women’s Shining Company” Certification from Aichi Prefecture. These awards were given in recognition of our proactive efforts to promote diversity and inclusion (D&I), including promoting childcare leave for male employees and increasing the number of female managers.

In November we established a “Human Rights Policy” under the name of our President to summarize our approach to human rights for multiple stakeholders. Also, in March 2023, we

have been certified as a “Health and Productivity Management Outstanding Organization White 500” for four consecutive years.

In addition, we are promoting “local co-creation,” in which we consider local issues from the same perspective as local residents, and seek solutions to their concerns. Specifically, in Oguchi Town, Aichi Prefecture, where our Head Office is located, we utilized abandoned farmland and created a place for people with disabilities to thrive through strawberry cultivation. At our new base in Yokote City, Akita Prefecture, we interacted with local residents at the “Kamakura Festival,” aiming to become a company with strong roots in the community. Furthermore, in Aizuwakamatsu City, Fukushima Prefecture, we are taking on a variety of initiatives to resolve issues in the mountainous region, such as delivering vegetables and holding self-sufficient corporate training programs using vacant houses.

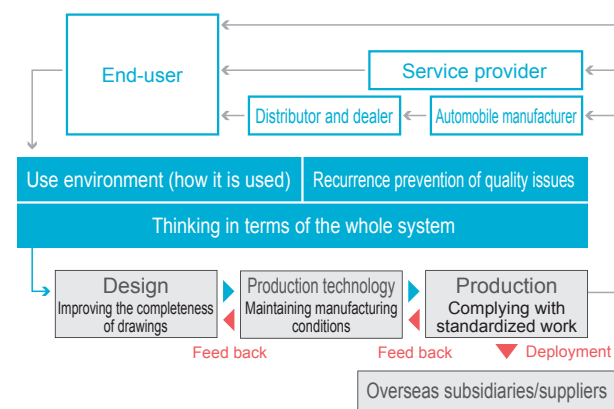
We promote sustainability based on the idea that we value both employee satisfaction and solving social issues.

Customer Safety and Quality Policy

We promote “the creation of safe, secure, and comfortable products” so that Tokai Rika’s products will remain an indispensable presence in a social system in which they support people’s lives, as well as industrial and economic activities. By regarding quality as “the degree to which we meet the needs of our customers and society,” our entire group works together to be committed to improving quality activities, by stipulating a quality function policy in order to deliver products with value that satisfy our customers, not to mention ensuring their safety and security.

Quality Cross-Functional Prioritized Implementation Items for the Tokai Rika Group

[Concept of quality improvement promotion activities]



- ① Reinforcement of foundations to support “Tokai Rika quality”
- ② Securing the quality that achieves the No. 1 position in the industry
- ③ Improvement of customer satisfaction from our new businesses

1 Reinforcement of foundations to support “Tokai Rika quality”

In addition to manufacturing quality products, we are working to strengthen the foundation for maintaining and improving quality by improving Ryohin Joken and strengthening systems to prevent the recurrence of defects.

2 Securing the quality that achieves the No. 1 position in the industry

By promoting the assurance of product safety based on design and evaluation that thoroughly considers safety and security, and further advancing the assurance of manufacturing quality that “does not allow” and “does not cause” defects, we aim to achieve “No.1 in the industry” quality.

3 Improvement of customer satisfaction from our new businesses

We are working to develop and realize a system that can provide after-sales service that always stays close to our customers and solves their problems.

Creating a quality culture

We have a permanent quality room where anyone can come to learn in order to pass down the “quality defects” that caused inconvenience to customers in the past and “learning” from them for future generations, and to maintain a culture that prioritizes product safety.



Exhibition of past quality defects



A mock-up that allows you to experience product defects from the customer's perspective

Health and Safety

— Basic policy on health and safety —

1. Safety takes priority over everything
2. Following the rules is the basis of safety
3. Our health is a treasure we protect by ourselves
4. Our wish is to achieve “0 (zero) accidents”

Creating workplaces where people can work with peace of mind

With the basic principles of keeping employees safe and healthy and aiming to achieve workplace environments in which everyone can play an active role regardless of age or gender, we are promoting health and safety activities and are working to create safe and secure workplaces. With the aim of achieving “zero industrial accidents,” we are implementing continuous initiatives under our basic policy on health and safety.

1. Inspection activities to ensure safety
2. Activities to raise safety awareness
3. Activities to create comfortable workplaces
4. Environmental improvement activities for workplaces where toxic substances are handled
5. Activities for building mental and physical health

At the Safety Awareness Dojo, in order to prevent industrial accidents involving employees of and persons related to our company, we conduct experiential and participatory health and safety training. We have people learn about how frightening the dangers are, about the dangers that lurk nearby, how necessary the idea of health and safety is, and how to reflect these in safe daily work.

[No. of Safety Awareness Dojo trainees (FY 2022 results)] (people)

Head Office	Head Plant	Toyota Plant	Otowa Plant
103	291	40	205

Experience-based safety education using VR

We provide safety training that allows employees to experience serious accidents, such as falling from a high place and being caught in equipment.



Safety education using VR

Disaster case study using videos

In order to prevent recurrence of industrial accidents within the Tokai Rika Group, we analyze the causes of accidents based on the occurrence situation, explain countermeasures in an easy-to-understand video, and use them to prevent accidents at other plants.



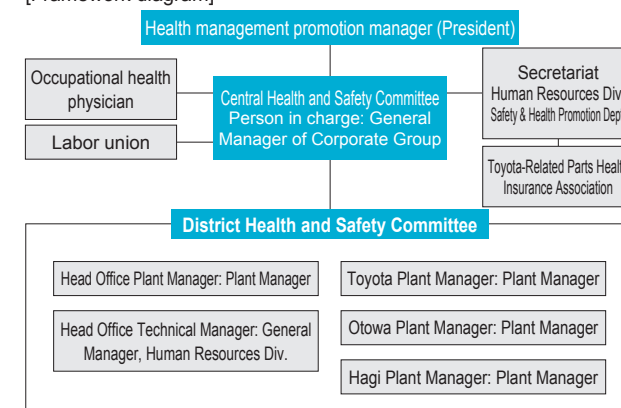
Preventive education using safety videos

Health management

Framework

The President serves as the “health management promotion manager,” and each District Health and Safety Committee, labor union, Toyota-Related Parts Health Insurance Association, and the Safety & Health Promotion Dept., Human Resources Div. as the secretariat, cooperate to promote health management.

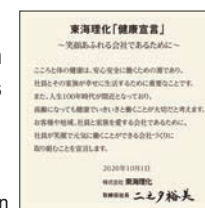
[Framework diagram]



Health Declaration

We are actively working to maintain and improve health under the President’s health declaration.

Tokai Rika Group Health Declaration



White 500

Our health management efforts have been recognized, and we have been certified as a “Health and Productivity Management Outstanding Organization White 500” for four consecutive years.



Main activities

We implement various measures to maintain and improve employees’ health so that they can work healthily and vigorously.

- Health Challenge 10 (an activity in which each employee works on improving 10 lifestyle habits)
- Health promotion activities (walking events for all employees/ TR Inbody Challenge)
- Installing health-conscious signs and distributing health information within the company to foster a healthy culture



Health challenge group mark



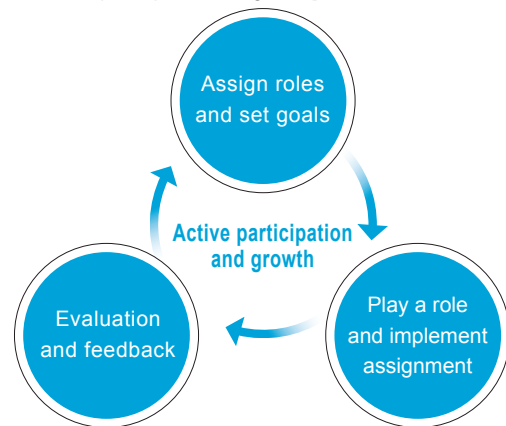
Walking event awards ceremony

Human Resource Development

Human resource development initiatives

To enable each and every employee to maximize their abilities, we firmly implement the “cycle of active participation and growth” by having a regular interview three times a year between superiors and subordinates and conducting various types of training consisting of training by job grade, function, and workplace. In particular, in training by job grade, we implement “preparatory training” to acquire the mindset, stance, and skills equivalent to higher role qualifications, aiming to smooth role fulfillment after promotion. We also provide reskilling opportunities to existing employees. Specifically, by learning the skills to respond to digitalization in line with market needs, we will expand the field of activity and realize the growth of the employees and the company. Along with this, Tokai Rika Training School's educational curriculum is also shifting to a focus on software.

[Cycle of active participation and growth]



[Main training conducted in 2022]

Training name	Timing of implementation	Training period	No. of participants	Eligible employees
Training for new employees	April 2022	One month	89 people	New employees
Preparatory training (managerial position/ assistant manager/ instructional position)	Jun.-Nov. 2022	7 days	424 people	Assistant manager/ instructional position/staff 3
Problem-solving training for second-year employees	Dec. 2022	1 day	45 people	Second year employees (administrative and engineering)
Training for instructors of second year employees	Jun.-Aug. 2022	2 days	45 people	Mentors of new employees
Language training for overseas expats	Year round	Up to 80 hours	40 people	Overseas expats

Development of human resources who will function as an axis in the technical workplace

The environment surrounding us is undergoing major changes, including protection of the global environment, coexistence with society, the global economy, and the pursuit of true wealth for people. In this changing environment, we must respond quickly to the globalization of the market and continue to provide world-class products. To achieve this, we need human resources with solid core skills, the ability to discover and solve problems on their own, and a rich sense of humanity to lead others.

《School student education》

- Basics, practical skills, and academics of manufacturing
- Human resources who are familiar with both hardware and software
- Human resources with a rich sense of humanity, initiative and cooperation.



Production employee training

We aim to pass on and raise the level of the “Tokai Rika Core Skills” required to provide outstanding specialized skills, achieve industry-leading manufacturing quality, and support the development of human resources who will function as an axis in their workplaces. To that end, we are working to teach technical skills to school students, improve the skills of experienced employees, and develop technicians.

[Number of participants in 2022]

Tokai Rika Japan	Domestic affiliated companies	Overseas subsidiaries	Total
1,053	206	0	1,259

Prefectural “Aichi no Meiko” (“Master craftsman of Aichi”) Award

In order to raise general awareness of certified skilled workers, their place in society, and the advancement of technical standards, those who have excellent skills that work within the prefecture and have contributed to society with their skills are awarded the “Aichi no Meiko” (“Master Craftsman of Aichi”) award. Three employees from our company received the award in FY 2021, and 65 people, including the winners this time, have been selected as “Aichi no Meiko.”

Comment from the “Aichi no Meiko” (“Master craftsman of Aichi”) Award winner

In 2022 nine people received the award, the highest number ever

Shinichi Ayukawa, Human Resources Div. and Tokai Rika Training School

In receiving the “Aichi no Meiko” Award, I would like to express my gratitude to everyone at my workplace and related parties for their continued guidance. In order to live up to the name of “Aichi no Meiko”, I will continue to work hard to improve the skills of the Tokai Rika Group, through providing national skill certification training for younger generations.



Diversity

Positioning diversity and inclusion (D&I) as one of the most important human resources strategies, we are working to foster systems and awareness that allow diverse human resources to play an active role.

As part of our efforts to disseminate the idea of diversity within the company, we have designated April and October as “Diversity Promotion Months” and hold various events related to diversity: In October 2022, we welcomed wheelchair tennis player Tokito Oda and held a talk discussion and wheelchair trial session, as well as a Crossroad Diversity Game trial session where employees could learn about the differences in their values and ways of thinking. In April 2023, we held a lecture by the former Japan men's national volleyball team coach Mr. Tatsuya Ueta, a discussion between the President and the labor union chairperson, and a painting class by para-art artist Ms. Megumi Mine.

- Distribution of the video “Tell me diversity” about Tokai Rika's approach to diversity and the current situation
- “Yu-Café”, an after-hours social gathering for employees
- Mutual tours between Tokai Rika plants, discussions to promote understanding between own and other divisions



Talk discussion with Mr. Tokito Oda

Promotion of women's active participation

We aim to create a work environment where motivated employees can play an active role regardless of differences in gender, generation, and nationality, or whether they have a handicap. In particular, regarding the active participation of female employees, we have set a goal of more than doubling the number of female managers by 2026 (compared to 2021). Therefore, we are actively working to enhance the system, foster awareness, and foster the corporate culture.

We held career development support seminars to give employees an opportunity to think about their own careers, a roundtable discussion between Ms. Minako Miyama, External Director, and female engineers, and a “Working Moms meeting” as a place for mothers who work while raising children to interact with each other. While valuing individual perspectives, we will promote the development of a comfortable working environment in which female employees can work enthusiastically and demonstrate their abilities to the fullest.

In September 2022, we received “Platinum Kurumin” (the highest rank) Certification from the Minister of Health, Labor and Welfare as a company that supports childcare.

Going forward, we will not only promote the active participation of female employees, but also develop initiatives to support the active participation of diverse human resources. By doing so, we will illuminate the

abilities and individual characteristics of each employee and link the synergies generated by them to the sustainable growth of the company.



“Kurumin,” a certification mark for the “Act on Advancement of Measures to Support Raising Next-generation Children”

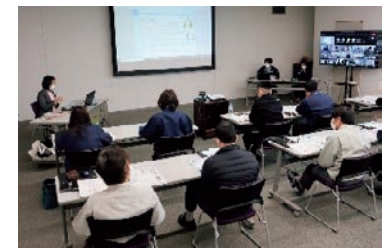


Roundtable discussion with Ms. Miyama, Director

Promotion of active participation of people with disabilities

In order to create an environment where employees with disabilities can work energetically, we are focusing on activities to deepen understanding of disability among workplace supervisors and co-workers.

For example, we visit a special needs school in the neighborhood and see with our own eyes the environment in which people with disabilities learn, and this helps us improve the environment in our own workplaces. We also hold lectures and study sessions by experts such as government officials and specialists, and create and distribute manuals to support people with disabilities to help them stay in the workplace. Furthermore, we provide hardware support that can be used by people with disabilities, such as introducing an automatic transcription tool for hearing impaired.



Study session on disability characteristics

Second career support

As support for senior employees, we hold roundtable discussions with employees who continue to work at our company after retirement and employees in their 40s and above, with a focus on “cultivating a culture of thinking about their own future.” We also interviewed former employees, who have already retired from our company and are living a second life, about their current lives and their outlook on life. In this way, we continue to carry out activities that allow our current employees to imagine how they would live in an era where people live for 100 years.

In addition, while assuming that our employees will continue to work within our company after retirement, we also support employees who wish to transfer outside our company for various reasons. Specifically, we collaborate with public institutions, NPOs, and other private companies to carry out support activities related to their reemployment.



OB interview article

Labor

Creation of an environment for improving job satisfaction

In a rapidly changing environment, we promote the creation of a vibrant workplace with a high degree of psychological safety where each and every employee can frankly express their ideas and opinions, in order to encourage them to take on challenges they have never experienced before. As part of our efforts all employees, including the President, made a “zero harassment declaration” with the aim of eradicating harassment in our workplace. At the “workshop to improve job satisfaction,” in which top management and labor union executives participate, labor and management are working to identify and eliminate factors that hinder job satisfaction. We will work to improve our workplace environment. Specifically, we aim to create an environment where all employees can thrive by respecting the diversity of individuals, continually providing opportunities for them to take on challenges, and supporting them.

Work-style reforms

The purpose of our work-style reforms is for each employee to experience self-growth and to work enthusiastically while feeling job satisfaction, and to improve the company by accumulating these employees' self-growth and satisfaction. We are preparing our workplace environment as a company so that we can respond to changes in the environment speedily, and realize each employee's “desire to do it like this.” For systems, we have introduced a remote working system and an external challenge (side job) system.

[Achievement status of avoiding cutting of annual paid leave]

Year	No. of target people (people)	No. of achievements (people)	Achievement rate (%)	Avg. No. of days taken (days)	Avg. No. of days taken per month (days)
2020	4,898	4,744	96.9	18.7	1.56
2021	4,935	4,668	94.6	19.8	1.65
2022	4,884	4,659	95.4	20.0	1.64

*For 2020, calculate with the target value of 10/12 months of the number of days carried forward.

[No. of overtime workers over 540 hours] (people)

FY 2017	5	FY 2020	0
FY 2018	7	FY 2021	0
FY 2019	0	FY 2022	23

Regarding the leave-taking promotion for the purpose of refreshing minds and bodies, in addition to “avoiding cutting,” (to take annual paid leave as planned to eliminate the expired annual leave), we recommend rest activities (activities to make employees' private lives healthy and enriched).

Work-life balance

We have created an environment where each employee can choose their own work style according to their life stage, and we are supporting them to work with motivation while balancing job and family. In terms of balancing work and childcare, in addition to support for taking time off, such as the childcare leave of absence system, we have implemented the shortened working hours for childcare system, the remote working system, and childcare on holidays to create an environment in which it is easy for employees who are raising children to work. We also hold an interview before maternity leave and pre-return seminars to encourage employees to think about how to work after returning, to provide a place to share this with their managers, and to support them so that they can return to the workplace with peace of mind. Regarding balancing work and nursing care, we have established systems for nursing care leave of absence, shortened working hours, and remote working to create an environment in which employees can balance work and nursing care. In addition, we hold a nursing care seminar and an information exchange meeting among employees, and also distribute a “Support handbook for balancing work and nursing care” to employees over the age of 40.

[No. of people who used the shortened working hours for childcare system] (people)

FY	Total	Men	Women
2018	201	1	200
2019	199	1	198
2020	196	2	194
2021	190	3	187
2022	194	6	188

[No. of people who used the nursing care leave of absence system (Including continuous users from the previous year)] (people)

FY	Total	Men	Women
2018	5	0	5
2019	6	2	4
2020	4	1	3
2021	6	3	3
2022	9	4	5

Encouraging male employees to take childcare leave of absence

We created the Childcare Challenge (postpartum paternity leave) system so that male employees can flexibly take childcare leave immediately after a baby is born.

Male employees can take paternity leave in two installments of up to four weeks within eight weeks of the birth of their child.

During the Childcare Challenge (postpartum paternity leave), employees can work from home for up to two hours a day, checking emails and following up on work handed over to other employees. (Conditions apply)

[Childcare leave acquisition rate]

FY	No. of female employees who took childcare leave (people)	No. of male employees who took childcare leave (people)	Acquisition rate (%)
2018	142	5	51.6
2019	134	17	56.3
2020	145	26	69.5
2021	138	45	76.6
2022	35	111	84.9

Human Rights

Our principle of human rights

Our philosophy is “to honor the language and spirit of the law and the ethics of every nation, and to work in harmony with nature and local communities,” and we recognize the importance of respecting human rights in all of our business activities. We support the United Nations Guiding Principles on Business and Human Rights, and promote efforts to respect human rights based on our Group Human Rights Policy.

Human rights initiatives

- We carry out awareness-raising activities for group directors and employees through “A Call to Thought and Action,” the “Employee Code of Conduct,” and internal newsletters. Particularly in Japan, we are focusing on education and establishing systems to eradicate harassment.
- We provide consultation services and respond seriously to human rights violations, including safety, health, harassment, and discrimination.

Human rights due diligence

- We recognize the importance of addressing human rights issues throughout the supply chain, including our group companies and suppliers. Specifically, we work to identify, prevent, and reduce negative impacts on human rights through investigations, consultations, and support for our subsidiaries and suppliers.
- We are working to eradicate harassment, especially at our domestic companies.

Comment from male employee who took childcare leave

Shuichi Orui,
Assistant Project Manager,
Human Resources Div.



By working during the Childcare Challenge, I was able to check the progress of work handed over to other employees, so I could take time off with peace of mind.

Also, while I was working reduced hours, I dropped off and picked up my older child from kindergarten, and my wife was happy that I had helped her.

After my wife gave birth, I spent time with her during a time when her health was susceptible to changes, so I was keenly aware of the stress she was experiencing while raising our child and the difficulty of doing housework.

- Shorter working hours for childcare → 2 months before childbirth and 1 month after childbirth
- Childcare Challenge (postpartum paternity leave) → 20 days
- Working during Childcare Challenge → 2 days a week (2 hours a day)
- Childcare leave → 23 days

Human Rights Policy	
<p>One of the Tokai Rika Group's management philosophies is, "By honoring the spirit of the law and ethics, the company aims to be a corporate citizen that coexists with nature and the local community." As we are a company that has been entrusted by customers, employees, and the local community, we recognize the importance of respecting the human rights of everyone involved in all of our business activities. We have established the "Tokai Rika Group Human Rights Policy" (hereinafter referred to as "the Policy") and will promote efforts to respect human rights using this as a guideline.</p> <p>1. Commitment to respect human rights</p> <p>The Tokai Rika Group respects internationally recognized views on human rights, such as the International Bill of Human Rights and the UN Declaration on Fundamental Principles and Rights at Work, and aims to achieve the UN Guiding Principles on Business and Human Rights. We will continue to promote initiatives to respect human rights.</p> <p>The Tokai Rika Group complies with the laws and regulations of the countries and regions in which it conducts business activities. If the laws and regulations of such countries and regions conflict with internationally recognized human rights, we will seek ways to respect internationally recognized human rights to the greatest extent possible.</p> <p>2. Scope of application</p> <p>This Policy applies to all officers and employees of the Tokai Rika Group. We also expect all stakeholders, including suppliers related to Tokai Rika Group's products and services, to understand and support this Policy.</p> <p>3. Human rights due diligence</p> <p>The Tokai Rika Group will establish and continuously implement a human rights due diligence system, which is to promptly implement to identify, prevent, and mitigate adverse impacts on human rights.</p> <p>4. Correction and remedy</p> <p>The Tokai Rika Group corrects human rights violations against others through its own business activities, and if human rights are violated through its own business activities, it will take serious measures to stop it. If the adverse human rights impacts are caused by others or other related parties directly linked to our business, products, or services, we will also seek these business-related parties to respect human rights and not to infringe them.</p>	<p>5. Education and raising awareness</p> <p>The Tokai Rika Group will conduct appropriate education and awareness-raising activities for our officers and employees, and strive to prevent and correct adverse effects on human rights through the penetration of this Policy.</p> <p>In addition, we will reflect this Policy in related policies, guidelines, and other necessary procedures in order to establish this Policy throughout our corporate activities.</p> <p>6. Progress confirmation and information disclosure</p> <p>The Tokai Rika Group will continuously monitor the status of compliance with this Policy, and will appropriately disclose information on efforts to amend this Policy and its progress through its website, integrated report, etc.</p> <p>7. Dialogue with stakeholders</p> <p>We will engage in dialogue with relevant stakeholders regarding negative impacts on human rights and provide feedback on our own activities.</p> <p>November 1, 2022 TOKAI RIKKA CO., LTD. Representative Director and President Hisayoshi Ninoyu</p>

Tokai Rika Group Human Rights Policy



Introduction in internal newsletter

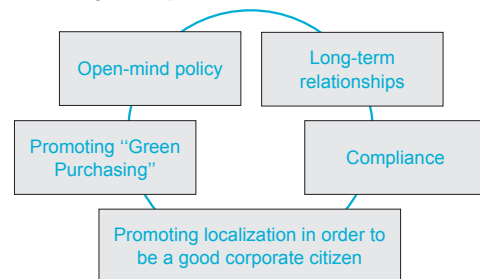
Supply Chain

Basic purchasing policy

Tokai Rika is developing global purchasing of parts, materials and equipment which are superior in terms of environment, quality, delivery, and cost, on the basis of the five principles for purchasing. We have stipulated that we will provide fair trade opportunities, no matter what nationality or company size, and develop healthy and good and long-term cooperative relationships with our suppliers. We carry out our activities in accordance with this.

Upon selecting suppliers, we periodically review order policy on the basis of a comprehensive evaluation for each fiscal year.

[Basic purchasing stance]



Strengthening cooperation with suppliers

Every April, we hold a supplier meeting for our major suppliers. Through explanations of the business environment, group policy, and basic purchasing policy, we share and collaborate on various activities and goals, such as safety and disaster prevention, CSR, quality assurance, reinforcement of our foundations, and competitiveness. We also praise and present awards to suppliers who have achieved outstanding results with regard to quality, cost reduction, and stable supply.



Purchasing Policy explanation

[Initiatives for FY 2022]

Safety/disaster prevention	<ul style="list-style-type: none"> •Realization of "0 (zero) accidents" •Promotion of risk assessment •Disaster prevention audit and fire prevention
Quality assurance	<ul style="list-style-type: none"> •Commitment to zero defects •Audit and improvement of important parts suppliers
Secure competitiveness	<ul style="list-style-type: none"> •Accelerating our global competitiveness •Strengthening competitiveness by improving on-site capabilities
Reinforcement of our foundations	<ul style="list-style-type: none"> •Initiatives for BCP •Carbon-neutral strategy
CSR	<ul style="list-style-type: none"> •Dissemination of CSR guidelines

Education and training for employees

From the perspective of disseminating CSR among suppliers, we provide training to internal Purchasing Division staff in charge of CSR. Additionally, from the perspective of legal compliance, we regularly provide the Subcontract Act training for Tokai Rika Group employees.

Declaration of Partnership Building

We have formulated and announced the "Declaration of Partnership Building" with the aim of increasing added value to our entire supply chain through mutually-beneficial nature with our business partners and new collaboration.



Declaration of Partnership Building logo

Supplier support

We support our suppliers' efforts to strengthen their structure and to ensure sustainability in the supply chain, including the environment, respect for human rights, and labor safety, where expectations from stakeholders are increasing.

We will continue to strengthen the foundations of our supply chain through activities in collaboration with our suppliers.

Social Contribution Activities

Social contribution activities policy

With regard to our policy for activities in relation to social contribution, firstly, among our initiatives as a business organization we conduct activities that focus on four pillars: "local communities," "social welfare," "development of youth," and "environmental preservation." As another initiative, we are also committed to support for and awareness of various social contribution activities and volunteer activities conducted by employees.

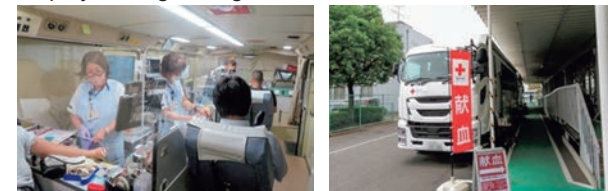
Policies for activities in relation to social contribution

Planning and promotion of social contribution activities conducted by Tokai Rika as a business organization	
Fields of activity	
Local communities	Contributing to regional development and safe and secure town development
Social welfare	Contributing to achieving a barrier-free society
Development of youth	Contributing to the development of children, who will carry the society of the future on their shoulders
Environmental preservation	Conduct that takes into consideration a better relationship with the global environment, for the sake of the future
Support for and awareness of social participation activities and volunteer activities conducted by employees	

In-house blood donation activity

We cooperate with blood donation at each plant every year. Amid blood shortages due to the COVID-19 crisis, we have increased the number of blood donations at each plant and held them twice in summer and winter in FY 2022. (Blood donation: 769 people)

Additionally, since 2003, we have continued our bone-marrow donor registry activities, with a total of 98 employees registering as donors.



Extermination of coreopsis lanceolata as a biodiversity activity

In May 2022, we carried out activities to exterminate coreopsis lanceolata in cooperation with the Oguchi Town (Environmental Measures Section, Community Development Department), Toyota Boshoku Corporation, and Rinnai Corporation in Oguchi Town twice. As a specific alien species, coreopsis lanceolata may affect the ecosystem of Japan.



Co-sponsorship for Paralym Art

We co-sponsored the "Paralym Art World Cup 2022," a contest held by the Shougaisha Jiritsu Suishin Kikou Association to collect artwork from people with disabilities around the world. In December 2022, we presented the Tokai Rika Award to NAMY, an artist from Ehime Prefecture and the author of the work "A Future Where Everyone Shines," which was selected by our internal vote.



Maintenance of abandoned farmland in Oguchi Town and Minatomachi, Aizuwakamatsu City, Fukushima

In Oguchi Town, we cooperated in sowing seeds of seasonal flowers such as sunflowers on abandoned farmland in town with the aim of protecting the local landscape and creating a new flow of people to rural areas. A neglected wasteland has been reborn as a place where local people and those from other prefectures visit for photography.

We carried out activities with the aim of resolving local issues (village maintenance, restoration of old roads, wildlife control) in Minatomachi, Aizuwakamatsu City, Fukushima. At the same time, we maintained abandoned farmland and sowed seeds such as sunflowers in order to improve the landscape and prevent damage from wild animals.



Maintenance of abandoned farmland

Sowing seeds



Abandoned farmland (before our activity)

Sunflower field in July 2022

Donation of can badges commemorating the 60th anniversary of the Oguchi Town

With the help of our employees with disabilities, we handcrafted original can badges commemorating the 60th anniversary of Oguchi Town, where our Head Office is located, and the 70th anniversary of neighboring Fuso Town, and donated them to both towns.





We will further accelerate environmental activities by collaborating with our supply chain and local communities.



Katsuyuki Imaeda,
General Manager of the
Production Engineering Center

Through our daily lives and business activities, we use various resources, chemicals, and energy, and emit greenhouse gases and waste. Such human activities place a burden on the global environment. The magnitude of this effect has been demonstrated in detail through research by experts. It has become clear that the impact is greater than imagined and requires urgent response.

We as companies have a big role to play in solving this major problem, and we need to responsibly take the initiative. However, environmental initiatives are not a competition. It is meaningless if we are the only ones who achieve it, and it is not something that we can achieve alone.

Tokai Rika has formulated the “Carbon-neutral Strategy 2030” in response to climate change, and is expanding its efforts to include emissions in our supply chain. In order to achieve our goals, we will actively collaborate and interact with our customers and suppliers, as well as with our industry, other industries, and local communities. We would like to promote our activities with this kind of cooperation. This attitude is the same for our biodiversity conservation and circular economy initiatives.

Conservation of the global environment is the foundation for realizing a sustainable society and is of the utmost importance. We will further accelerate our activities so that it is not too late.

Environmental Policy

The Tokai Rika Group has established an environmental policy and is promoting environmental initiatives under the environmental slogan “We are reducing the environmental burden of our corporate activities while achieving harmony between people and their vehicles.”

- Main initiative details**
We promote environmental initiatives based on our business philosophy and Employee Code of Conduct.
Global warming prevention, resource saving, recycling, waste reduction, chemicals management, active use and development of new ecofriendly technology, promotion of LCA, biodiversity conservation, etc.
- We comply with laws, act responsively toward customers and local communities, and set voluntary targets to prevent pollution.
- We are continuing to increase environmental initiatives by forming the Environment Committee.

Mid- and long-term term plan

We have set a target to reduce CO₂ emissions to virtually zero by 2050, and have formulated the “Carbon-neutral Strategy 2030” as a milestone. We are promoting activities throughout the entire lifecycle centered on four strategies: products, production, procurement, and logistics.

	Action items	Main goals (KPIs)
Product strategy	<ul style="list-style-type: none"> Establishment and implementation of LCA system Low CO₂ design Promotion of alternatives to fossil resource plastics 	Product CO ₂ '40: -30% '30: -10%
Production strategy	<ul style="list-style-type: none"> Substitution of greenhouse gases Energy saving Renewable energy/new energy 	Plant CO ₂ '30: -60% Renewable energy rate '30: 25%
Procurement strategy	<ul style="list-style-type: none"> CO₂ reduction of suppliers CO₂ reduction by horizontal expansion of improvements Supplier cooperation in each strategy 	Kyouryoku-kai CO ₂ '30: -20%
Logistics strategy	<ul style="list-style-type: none"> Improvement of logistics Change of packing materials Change of truck fuel 	Environmentally friendly vehicles ratio '30: 50%

TOPICS

Received the “Environmental Promotion Excellence Award” from Toyota Motor Corporation

At Tokai Rika, our entire group has worked together to advance initiatives in each field toward carbon neutrality. Therefore, we were evaluated as being able to carry out activities across all aspects. Additionally, we heard from our suppliers that it would be difficult to introduce renewable energy on their own, so we worked with them to jointly procure offsite solar power. This was highly praised as an unprecedented initiative that takes into account the opinions of suppliers. For these efforts, we received the Environmental Promotion Excellence Award from Toyota Motor Corporation.



7th Environmental Action Plan (2021 to 2025)

In order to contribute to the realization of a sustainable society, we promote environmental initiatives supported by three pillars: “establishment of a carbon-neutral society,” “establishment of a recycling-based society,” and “establishment of a society in harmony with nature.”

The goals for each year are set by working backward from the goals for 2025, the final year of the 7th Plan. We are proceeding with our activities in a planned manner to achieve our ultimate goal.

In FY 2022, we were able to achieve all goals through collaborative activities with each plant and overseas bases, including expanding the introduction of renewable energy on a global scale.



[Results for the 7th Environmental Action Plan (FY 2022)]

		FY 2022 activities results	FY 2022 target value	FY 2022 results	Assessment
Establishment of a Carbon-neutral Society	Promotion of more compact and lightweight designs for products	<ul style="list-style-type: none"> Promotion of more compact and lightweight designs LCA (Life Cycle Assessment) evaluation of major products 	—	—	○
	Reduction of CO ₂ emissions	<ul style="list-style-type: none"> Improvement of production equipment through an Energy Saving Subcommittee Horizontal development for energy-saving improvement Awareness activities (Exhibitions, Outstanding Example Award) Implementation of energy-saving education utilizing e-learning Introduction of renewable energy 	Tokai Rika Group 112,806 t-CO ₂	Tokai Rika Group 107,442 t-CO ₂	○
	Reduction in greenhouse gases	<ul style="list-style-type: none"> Promotion of changeover from usage of shielding gas (SF₆) to another shielding gas in magnesium casting process 	—	—	○
	Pursuit of efficient transportation in logistics activities and reduction of CO ₂ emissions	<ul style="list-style-type: none"> Improvement of transportation efficiency by reviewing the routes Improvement of transportation efficiency by improving the packaging 	Tokai Rika 2,927 t-CO ₂	Tokai Rika 2,835 t-CO ₂	○
Establishment of a Society in Harmony with Nature	Reduction of environmentally hazardous substances in production activities	<ul style="list-style-type: none"> Reduction in consumption of PRTR Law substances Reduction in emission of VOCs 	—	—	○
	Enhancement of the management of chemical substances in products	<ul style="list-style-type: none"> Understanding of the trends in regulations on chemicals in each country Switch to products that do not contain regulated substances 	—	—	○
	Promotion of environmental preservation/conservation of biodiversity	<ul style="list-style-type: none"> Conservation activities of Satoyama and wetlands through links with local communities Participation in All Toyota cooperative activities 	—	—	○
	Promotion of social contribution activities that will assist the establishing of a society in harmony with nature	<ul style="list-style-type: none"> Social contribution and volunteering through links with local communities 	—	—	○
Establishment of a Recycling-based Society	Promotion of product designs and technological developments to make recycling easy	<ul style="list-style-type: none"> Improvement of ease of disassembly by reviewing design Promotion of the use of recycled materials 	—	—	○
	Reduction of waste in production activities and efficient use of natural resources	<ul style="list-style-type: none"> Improvement of production yields Promotion of 3R (reduce, reuse, recycle) activities 	Tokai Rika 0.37 t/million pieces	Tokai Rika 0.31 t/million pieces	○
	Reduction of the use of water in production activities	<ul style="list-style-type: none"> Use of recycled water (semiconductors, plating processes) Risk assessment of water 	—	—	○
	Effective use of resources and reduction of packaging material in logistics	<ul style="list-style-type: none"> Reduction of packing materials by reviewing packing methods Making packing materials reusable 	Tokai Rika 0.555 t / 100 million yen	Tokai Rika 0.527 t / 100 million yen	○
Environmental Management	Enhancement and promotion of consolidated environmental management	<ul style="list-style-type: none"> Enhancement and promotion of consolidated environmental management Acquisition of EMS external certification at production bases 	—	—	○
	Promotion of environmental activities in cooperation with business partners	<ul style="list-style-type: none"> Deployment of environmental information to partner companies Actual-location study activities with partner companies 	—	—	○
	Enhancement of global employee education/awareness activities	<ul style="list-style-type: none"> Development of key persons related to the environment through education Development of awareness activities during environment month 	—	—	○
	Improvement of the urban air environment in each country and region	<ul style="list-style-type: none"> Expansion of the introduction of low-emission vehicles 	Tokai Rika 74.0%	Tokai Rika 75.0%	○
	Proactive disclosure of environment information and enhancement of communication activities	<ul style="list-style-type: none"> Issuance of the Tokai Rika Report and Eco Data File Hosting of local social gatherings 	—	—	○

Establishment of a Carbon-neutral Society

While the worldwide movement of decarbonization has accelerated, the Tokai Rika Group has been enhancing activities we consider to be the responsibility of a global company, and has been promoting CO₂ reduction activities within the whole group. These activities include adopting low CO₂ materials for our products, developing new materials, and improving the efficiency of the use of energy in production and transportation.

Product CO₂ reduction

Material change for our shift by wire shifters

The material of the bracket, which is a component of the shift by wire shifter, has been changed to a resin material that emits less CO₂ during material manufacturing. This change reduced CO₂ emissions by 51% compared to the previous product. It also contributes to reducing product weight.



Shift by wire shifter

Development of original material "Bamboo+"

Our affiliated company MIROKU TECHNO WOOD Co., Ltd. (Nangoku City, Kochi Prefecture) and Kochi Prefecture have jointly developed a new material that combines bamboo and thermoplastic material using an original method. This newly developed material contributes to carbon neutrality by reducing CO₂ emissions compared to plastics derived from fossil resources. Furthermore, by using cut-down bamboo for bamboo grove maintenance as a raw material, we can contribute to forest environment conservation through our business activities.



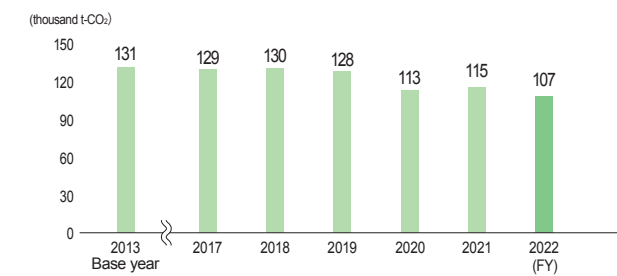
Reduction in greenhouse gases emissions

As we are using SF₆ for the shielding gas to prevent melted magnesium from burning when exposed to air in the magnesium casting process, we are proceeding with a changeover to a substitute gas with a smaller greenhouse effect. All domestic bases have completed

the changeover, and we plan for overseas bases to have completed it in 2030.

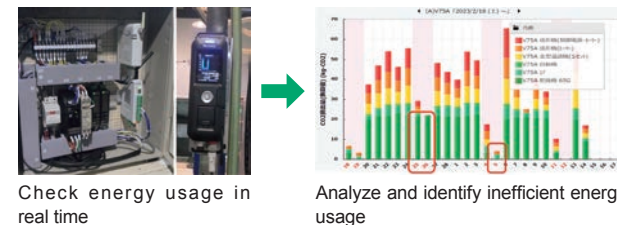
Reduction of energy CO₂ emissions

[Energy CO₂ emissions (globally consolidated)]



Energy visualization

At Tokai Rika, we are proceeding with the introduction of an "energy visualization system" that constantly monitors the energy usage of each production facility and line. Managers at each production line monitor energy usage in real time. This allows us to respond immediately when abnormal usage occurs, and to identify waste through daily usage analysis. In the future, we will link this system with a production management system to perceive the amount of energy used per product. By doing so, we plan to improve the accuracy of LCA. It was introduced at the Head Plant in FY 2022. Subsequently, we plan to introduce this system to other plants by FY 2024.



Training of key energy-saving personnel

We have established an educational curriculum to develop human resources who can promote energy-saving activities in each workplace. The "basic education" that teaches the necessity of energy saving, points of focus for improvement, and how to proceed is provided through e-learning, so participants can take it at any time. We have also opened an energy-saving dojo. At this dojo, techniques acquired through energy-saving patrols and energy-saving improvements to high-consuming equipment are passed down. We offer a "First stage level course" and a "Second stage level course" depending on the level of the participants, and 490 people have taken the course so far, including participants from overseas affiliates and group companies.



Use of renewable energy

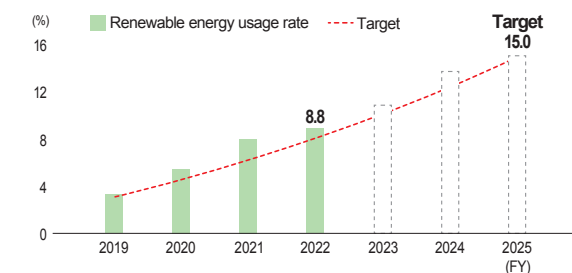
Our entire group is systematically expanding the introduction of solar power generation. In FY 2022, we introduced 3,700 kW of solar power generation at Toyota Plant and eight overseas bases. In addition, outside the plant premises, solar power plants exclusively for our company have been constructed in two locations in Nagano and Osaka Prefectures through offsite PPA*, and we are receiving 3,400 kW of electricity from the panel output. As a result, the renewable energy rate in FY 2022 increased to 8.8%.

*A system in which a PPA operator installs solar power generation equipment outside the customer's premises, and the customer purchases the electricity.



Offsite power plant built on land that used to be a playing field (Nagano)

[Trends in renewable energy usage rate]



Energy-saving award system

Tokai Rika has established an energy-saving proposal system to accumulate and share energy-saving know-how. Among the 636 improvement cases implemented in

FY 2022, those with particularly excellent applicability and viewpoints are given in-house awards to raise employee awareness and horizontally deploy them to other plants.

[FY 2022 Outstanding Energy-Saving Examples]

Gold Award	• Material dryer heater output control
Silver Award	• Change of workpiece discharge method in press process • Improved compressor operating efficiency
Bronze Award	• Measures against heat radiation loss at the material input port of aluminum melting furnaces • Reduced waiting time for loading the quenching furnace
Business and Technology Division Award	• Improved energy saving by optimizing monitor brightness



Introduction of ICP system

We have introduced Internal Carbon Pricing (ICP) to promote capital investment that can contribute to the reduction of CO₂ emissions. By setting an in-house carbon price and evaluating the economic effect of CO₂ reduction as an investment effect, carbon-neutral strategy investment can be promoted. The introduction of ICP makes it possible to visualize the economic impact of CO₂ emissions, leading to appropriate investment decisions.

[Outline of our ICP system]

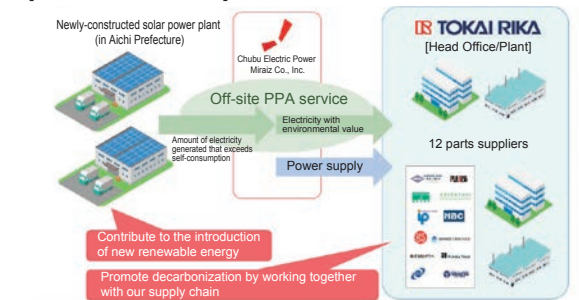
In-house carbon price	16,000 [yen/t- CO ₂]
System target	Carbon-neutral strategic investment

TOPICS

Joint procurement of renewable energy with suppliers

In November 2022, we have concluded an "agreement for off-site PPA service" with Chubu Electric Power Miraiz Co., Ltd., 12 member companies of the Tokai Rika Kyouryoku-kai, with the aim of decarbonizing our supply chain. As a result, each participating company will be able to receive surplus electricity from a solar power plant (scheduled to have a panel output of approximately 5,800 kW) that will be built on the roof of a distribution warehouse in Aichi Prefecture. We will jointly procure renewable energy-derived electricity from a solar power plant installed on the vast roof space of the distribution warehouse. By doing so, our supply chain will work together to promote decarbonization and contribute to the introduction of new renewable energy. (Operating from FY 2023)

[Outline of this initiative]



<Participating companies>

Shinsei-koki Co., Ltd., Sawada Kogyo Co., Ltd., Inaguma Press Industry Co., Ltd., Enshu Co., Ltd., Kawabe Co., Ltd., MARUEI Co., Ltd., Plasess Co., Ltd., Shirafuji Industry Co., Ltd., NBC inc., Enshu Jushi Kogyo Co., Ltd., FUKOKU TOKAI Co., Ltd., Yawata Seibyouso Co., Ltd.

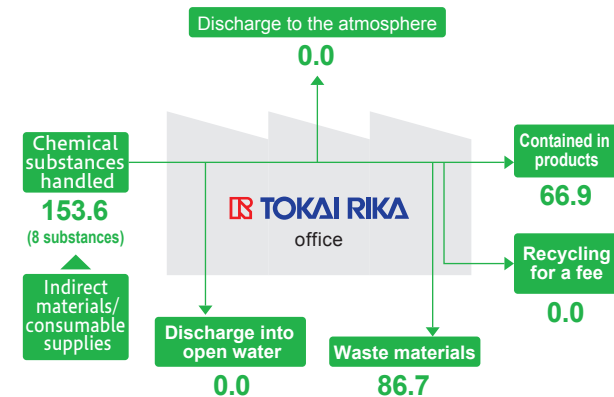
Establishment of a Society in Harmony with Nature

While responding to the tightening and creation of laws and regulations that deal with chemical substance management within and outside Japan, we are working to reduce environmentally hazardous substances in both product development and production processes. We are also deploying activities toward the achievement of a society that is in harmony with nature, through biodiversity conservation activities and cooperative activities performed with the local community.

Reduction of environmentally hazardous substances

Reduction of environmentally hazardous substances in production activities

[Amount of PRTR Law substances discharged/transported (t)]



Switching to REACH compliant products

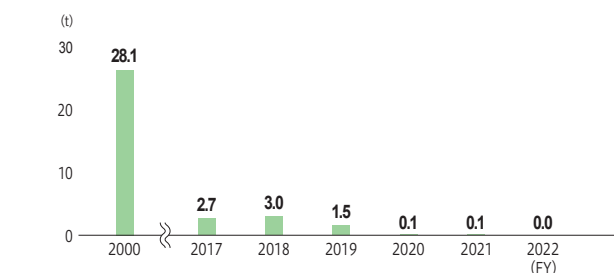
We understand the trends in chemicals in each country and are switching to products that do not contain regulated substances.

The bearing oil used in the vibration response motor of the touchpad and the liquid crystal display of the heater control switch have been changed to REACH compliant products.



Heater control switch

[Amount of PRTR Law substances discharged]



Promotion of environmental preservation/conservation of biodiversity

Aiming for a sustainable society in harmony with nature, we have established biodiversity initiative guidelines and are promoting activities throughout the entire Tokai Rika Group.

[Biodiversity initiative guidelines]

Guidelines	Action items
① Working together with society to foster nature	<ul style="list-style-type: none"> Building a society that nurtures biodiversity, through cooperation with local communities and All Toyota Raising employees' awareness by means of education, and encouraging them to take action
② Introducing ecofriendly technologies	<ul style="list-style-type: none"> Lightweight/recyclable product designs, management of chemical substances
③ Promoting business activities that are in harmony with nature	<ul style="list-style-type: none"> Preserving water areas, reducing CO₂, circulating resources, reducing environmentally hazardous substances
④ Actively disclosing information on the content of initiatives	<ul style="list-style-type: none"> Transmitting information

Aichi biodiversity certification company

We were recognized for our wide range of activities that contribute to biodiversity, such as the extermination of alien species, the conservation of rare species, and the formation of ecosystem networks. We therefore acquired certification under the newly established Aichi Biodiversity Company Certification Program in 2022.



Certification mark



Award ceremony

All Toyota Green Wave Project

We are participating in the All Toyota Green Wave Project, which aims to create a future where humans and nature coexist. By sharing our initiatives and working collaboratively with other Toyota Group companies, we are effectively promoting biodiversity conservation while expanding the scope of our activities.



Eradication of Argentine ants

In cooperation with Kani City, Gifu Prefecture, we are exterminating the Argentine ants. Argentine ants are designated as a specified invasive species because they are highly aggressive and fertile, and can drive out and eradicate existing ants. They also coexist with agricultural pests such as aphids, causing damage to crops, and can also get into the cracks of electronic equipment and cause damage such as short circuits.

We are working to prevent the expansion of the Argentine ant's habitat by sharing our knowledge and techniques.



Argentine ants



Pest control activities

Community contribution activities

Aiming to be a corporate citizen that coexists with nature and the local community, we continually carry out activities that contribute to the local community.

In Oguchi Town, Aichi Prefecture, where our Head Plant is located, we are collaborating with the town and neighboring companies to exterminate the specific alien species, the "coreopsis lanceolata," which lives in the area. The coreopsis lanceolata has a very strong reproductive capacity, so it has driven out plants native to Japan. In this way, local biodiversity is threatened, so we continue to carry out extermination efforts.

Additionally, in order to make the biotope at Oguchinishi Elementary School a home for fireflies and dragonflies, we are collaborating with the school and local residents on its maintenance and management.



Extermination of coreopsis lanceolata



Biotope preservation activities

Promotion of tree-planting activities globally

At TRT (Thailand), our base, we carry out tree-planting activities in Rayong province (local area). The tree-planting event in FY 2022 was held for the first time in two years due to the COVID-19 crisis. 400 employees participated and planted 5,800 saplings. People from nearby companies and employees' families also participated, making it a fun event filled with smiles.



TRT (Thailand) tree planting

An effort to collect empty disposable contact lens cases

We are participating in the "Eyecity Eco Project", an effort to collect empty disposable contact lens cases conducted by the Eye Care Company of HOYA Corporation.

Proper collection and management of single-use plastics will help prevent marine pollution caused by waste plastics. We called on employees to participate at each plant, and have so far collected 69 kg (approximately 69,000 empty cases).



Collected empty contact lens cases

Provision of sustainable seafood

Our commissaries offer menus made with sustainable seafood, caught in sustainable and environmentally friendly fisheries. All of our employees are making the choice to "protect the richness of the ocean" through the everyday activity of eating. We are also working to make them aware of contributing to the SDGs goals in their daily lives and encourage voluntary actions such as ethical consumption.



White fish fritters



Kamakura Don (a bowl of rice topped with deep-fried prawns)

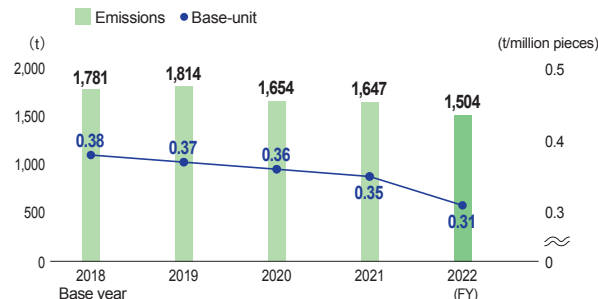
Establishment of a Recycling-based Society

To make effective use of limited resources, the Tokai Rika Group is promoting the cyclical use of various resources such as resins and metals used in the production of products. In addition, as the use of water is indispensable in production activities, we are working to reduce the impact on the discharge destination and reduce the risk of drought by reducing the amount used and thoroughly controlling the water quality.

Reduction of waste materials in production

We are working on reducing the discharge of waste materials and using resources efficiently by engaging in renewable activities such as recycling resin materials and developing upcycled products using waste materials, in addition to thoroughly implementing the 3Rs such as improving production yield, reducing the rate of defects, reusing metal waste materials, and making materials paperless. We manage the amount of waste generated and the status of waste treatment using the comprehensive waste management service GENESYS ECO.

[Trends in the discharge of waste materials and base unit (Tokai Rika)]



Development of upcycled products

We are recycling edge loss generated in the seatbelt manufacturing process into fashion accessories and commercializing them. We are working to realize this upcycle by asking local tent makers for their cooperation, combining the provided tent scraps, and increasing product value with meticulous designs, etc.



Edge loss of seatbelts



Seatbelt shreds



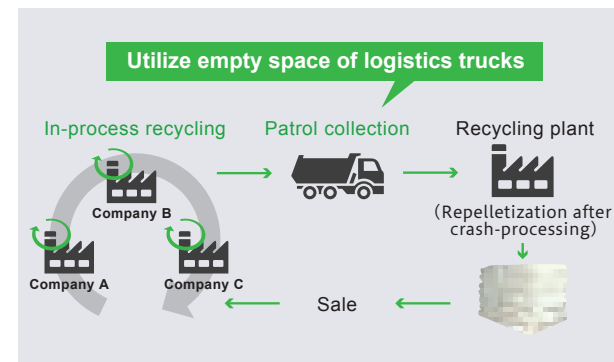
Finished pencil case



Seatbelt stitching

Circular economy initiatives

We have launched a project that utilizes resin waste materials and are strengthening our in-process recycling efforts. In addition, we will build a resource recycling system in our supply chain, including suppliers, and use the amount that cannot be consumed in the process for painting jigs; and we will expand its use as product materials in the future.



Reduction of the amount of plastic used in packaging materials

The precision trays used for packing the connectors have been changed to 100% recycled resin material. As a result, we were able to reduce the amount of plastic used by 41.6 tons.

Although material prices are soaring, using recycled materials suppresses cost increases.



Precision tray made from recycled materials

Material weight **41.6t reduction**

Reduction of the use of water

In the plating process, part of the waste water is treated in the ion exchange tower and then reused in the process. We also reuse the concentrated waste water, produced in the pure water manufacturing process, needed for removing the smallest particles of dirt in the semiconductor manufacturing process and some pure water used in dirt removal, to reduce the water consumption and amount of waste water.

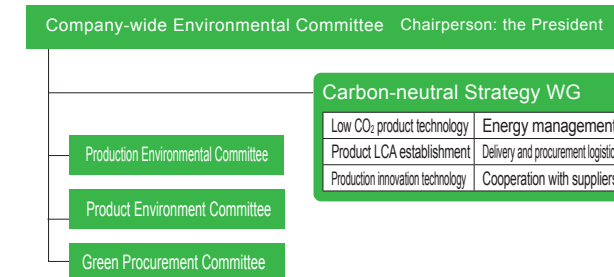


Ion exchange tower

Environmental Management

Positioning environmental preservation as an important challenge in management, the Tokai Rika Group continuously carries out activities through the Environmental Committee organization.

[Environmental Committee organization]



Cooperation with business partners

Tokai Rika and its overseas bases have established Green Procurement Guidelines to understand the concept of environmental conservation, and are strengthening environmental management globally. In addition, we conduct hearings through on-the-spot inspections and provide improvement support to member companies of the Kyouryoku-kai organized by suppliers to improve the levels of both the Tokai Rika Group and our suppliers.



Green Procurement Guidelines

Main items included

1. Establishment of an environmental management system
2. Management of parts and materials delivered to us
3. Reduction of CO₂ emissions and packaging materials related to logistics
4. Environmental initiatives related to the business activities of our business partners

Establishment and implementation of an environmental management system

Situation regarding acquisition of ISO14001

In order to continuously improve environmental performance, we are setting up Environmental Management Systems (EMS) in each base and acquiring external certifications. Tokai Rika and all overseas production bases have acquired ISO14001 certification, and domestic group companies have acquired the Eco Action 21 certification in addition to the ISO14001.

Reduction of environmental risks

We evaluate environmental risks regarding production equipment and work done on our premises, conduct practical drills periodically for anticipated emergencies, and confirm that materials and response procedures function effectively.

In FY 2022, there were no environmental abnormalities or complaints.



Drills for emergency response

Supporting the GX League Basic Concept

In November 2022, we announced our support for the "GX League Basic Concept." While cooperating and holding discussions with companies that are actively working on GX, we will promote our initiatives toward our environmental goal of "Carbon-neutral Strategy 2030."



Disclosure of environmental information

Environmental information is disclosed through the answers to the climate change questionnaire and water security questionnaire by the CDP. We announced our support for the TCFD (Task Force on Climate-Related Financial Information Disclosures) proposal. Detailed environmental data is published in a separate Sustainability Data Book and on our website, and we will continue to disclose related information along with measures for carbon neutrality.



Education that accepts suppliers



Kei Fujioka

Minako Miyama

Motomi Niwa

Roundtable discussion

External Director

Supporting Tokai Rika in a period of change through external perspectives and open discussions

We asked three external directors to look at Tokai Rika from the outside and give us their candid opinions on matters such as the state of our corporate governance and the progress of our mid-term management plan.

About our corporate governance

-As an external director, how do you feel about our company's corporate governance and board of directors?

Fujioka: Ms. Miyama and I are not from the automotive industry, but there is an open atmosphere within the company that makes it easy for us to talk. Members of the company talk about the company's expertise, as well as their thoughts and background. Unlike the typical board of directors of Japanese companies from a while back, the board is no longer closed in, and there is a lot of discussion. In that sense, it can be said that corporate governance is very effective.

Miyama: From the beginning of my appointment in FY 2022, I felt that the company was committed to providing me, who was appointed from outside the company, with accurate information that would serve as a basis for discussions. During the preliminary briefing session for the Board of Directors, time was set aside for each of the three external directors. When I asked questions, the board of directors' meeting materials were updated to reflect those questions. In such a way, they respond sincerely. I am able to speak freely during discussions, and I feel that this is a very good cycle for me to fulfill the role expected of me as an external director.

Niwa: I just took office as an external director in June of this year, but as you both said, I feel that there is a very good sense of openness at this company. Also, my first impression is that the directors come from a variety of backgrounds, both inside and outside the company, and that this background can be put to good use. They also come up with various ideas to help those of us outside the company understand the business. For example, at the

production division meeting, we have the opportunity to visit the plant every month and see what happens on-site.

Miyama: Minutes of management meetings can be viewed before they are distributed to the board of directors. In this way, information sharing is working very well.

Fujioka: Compared to five or six years ago when I took office, information sharing, including how to create materials, has improved considerably. Discussions at board of directors meetings have also begun to focus on the medium-term strategy of a particular business and comprehensive investment concepts, rather than on individual themes.

Miyama: For example, when it comes to investing in the construction of a new plant, it's not just about the amount of money. Even issues such as the ease of working for employees are discussed in detail. I think it's very good that the quality of the investment is being talked about, not just the amount of investment and expected return.

Niwa: As for the future, I think it would be good to have more awareness and discussion about overseas sales, which account for half of our sales. For example, I think it would be a good idea to bring up topics such as how well the governance of overseas group companies is functioning.

Evaluation of our mid-term management plan

-Please let us know your thoughts on the progress of our mid-term management plan.

Fujioka: Previously we had various business plans, and we have combined them into one and started the current mid-term management plan from FY 2022. This is a big step forward. It's good to set goals and challenge yourself

to achieve them, and I think it's working well overall.

However, as the plan progresses, sales may not be as planned due to various changes in circumstances. Based on this, if you do not reach the target, you must take action. Also, if the target is exceeded, the plan must be revised upwards, giving feedback and reviewing the plan. I don't think the roll-up system of reflecting actual results in the plan, making revisions, and then paying close attention to the results for the next half-year is currently fully functioning.

Another point is how to grow our new business. We are currently doing our best in everything we do, but what would we do if for some reason our existing business suddenly had to reduce production? With such risks in mind, it is necessary to differentiate between new businesses that can be maximized and those that have room for growth. This also relates to how to mobilize human resources during DX (digital transformation).

Miyama: I think it's great that we created a mid-term management plan for the first time. Currently, our future challenge is definitely new business. Until now we have been managing our business mainly through made-to-order manufacturing, but when starting a new business, we must start by cultivating new customers. We don't have much experience, so it's difficult for us to do that kind of business. Regarding how we proceed, I feel that the challenge is to further increase the precision of numerical targets and their basis.

Niwa: Among the targets we set in our first mid-term management plan, "over 600 billion yen in FY 2030," the goal of "expanding sales in new fields and new technologies to over 100 billion yen" is the most difficult and time-consuming one. This is the so-called unknown world. Toward that end, thinking in a way that works backwards from our goals is necessary. In other words, it is important for our entire company to change its mindset by asking, "If we want to achieve sales of 100 billion yen or more in FY 2030, what must we do in FY 2023?" Assuming our business portfolio for FY 2030, sales and production staff members should be working out what they should each do. This is something I would like to pay attention to from now on.

Fujioka: This mid-term management plan is the first step in setting goals and milestones to change the way we do business. Roll up according to progress, set goals for cultivating new fields, and develop human resources strategies. If you continue to do this steadily, you will gradually understand what you need and what you lack.

Niwa: Each employee understands the overall direction of the company, recognizes their own responsibilities and roles, and acts to contribute to the company's performance. This mid-term management plan also serves as a good starting point for that purpose. However, if you focus only on numerical targets, compliance issues such as fraud are likely to occur. In this regard, it is important from an organizational governance perspective for each employee to have clear goals and an action plan to achieve them.

Miyama: As an employee of Tokai Rika, it is important that you have a clear understanding of what you need to

do to reach your goals. I feel that such an atmosphere is gradually being created within the company. All of our employees have great potential, so I want them to make the most of it.

What to expect from Tokai Rika in the future

- Please tell us about your expectations and enthusiasm for the future.

Miyama: I believe that one of the roles expected of me as an external director is to promote diversity and inclusion. What I would like to say from this perspective is that when I visited the manufacturing site for the first time for a production division meeting, I noticed that there were a large proportion of women on the manufacturing site. Despite this, all of the people reporting something were men. Therefore, I told them, "Problems and issues are occurring at the manufacturing site, and there are many women here. That's why I would like to talk to various people at the manufacturing site." Then, at some point, women started to be included among the people making reports. Of course, the original purpose is to enable talented people to play an active role, regardless of gender. However, my statement caused a change. I felt that I was able to meet one of their expectations for me. Ultimately, having a female director is a major theme for me.

Niwa: Regarding diversity, there are currently very few local presidents at our overseas bases. I myself have worked overseas under an American president. Through that experience, I felt that since we are operating in that country and region, it would be best for the managers of the people working there to be American. There are still things that can only be understood by people who have lived in the same area. Even when something goes wrong or something good happens, it's better to share your feelings with the local president. As with female directors, as a global company with half of its sales coming from overseas, Tokai Rika should also aim to create a path for such local presidents to emerge.

Fujioka: Over the past few years, Tokai Rika's internal culture has undergone major changes. Our culture is definitely changing, from an attitude befitting a take-to-order business where employees faithfully respond to instructions, to one where employees proactively think about how they should behave by creating their own strategies and tactics. In this context, I believe that what I can help with, from a broader perspective, is to clarify the separation between management and execution. It is a system in which the executive side can move forward on their own initiative under a certain degree of control. The role of the board of directors is to constantly monitor the progress of the management plan and propose what steps should be taken next through discussion. Our company has all the necessary capabilities and materials. The important thing is not to make a mistake in choosing a major direction. If we can manage that, we will not only achieve sales of 600 billion yen, but we will also completely change our company culture. I want that to happen, and I feel like it will happen. I would be happy if I could help in some small way with that.

Corporate Governance

Corporate governance system

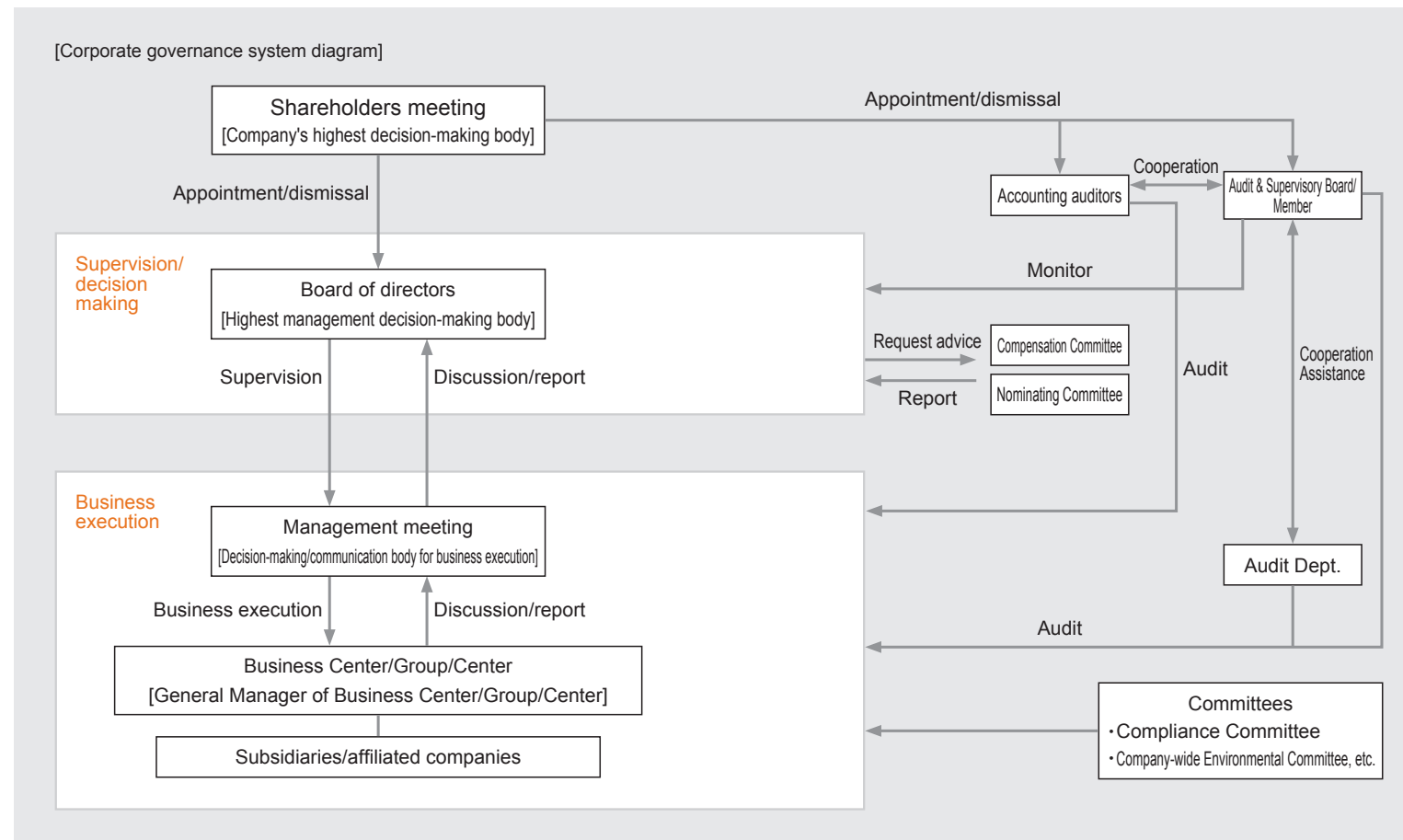
In line with the spirit of innovation “Do what others won’t do,” Tokai Rika is working to achieve sustainable growth and improve corporate value. The basic philosophy guiding our business practice is to earn the trust and keep meeting the expectations of all stakeholders, especially shareholders. By adding one female external director in June 2022, we are working to improve the effectiveness of management from diverse perspectives and further improve corporate governance. We hold a board of directors meeting once a month to decide on statutory and important matters such as management strategy and to supervise business execution, and a management meeting to make decisions about and report on business execution at least twice a month. Additionally, in April 2023, we reorganized our Business Center, our Business Planning Group, and Business Administration Group with the aim of establishing a more rapid new product development system and implementing specific strategies in our mid-term plan. Through this, we will further expedite our managerial responses.

Board of directors

The board of directors, chaired by the President, is composed of internal and external officers, including two external directors and three external Audit & Supervisory Board Members. Therefore, we can combine diverse experiences and wisdom. On the board, we discuss and decide on important management matters and future business directions. Also, we ensure transparency so that we can monitor the soundness of the execution system from a variety of perspectives and make corrections. With an internal control system and a risk management system already in place, we are well prepared for aggressive management.

Audit & Supervisory Board

The Audit & Supervisory Board formulates audit policies and plans for Audit & Supervisory Board Members, reports monthly activity of full-time Audit & Supervisory Board Members, reviews annual audit activities by Audit & Supervisory Board Members, deliberates and prepares audit reports of the Audit & Supervisory Board, and makes



resolutions for the reappointment and non-reappointment of accounting auditors throughout the year. Each Audit & Supervisory Board Member performs audits in accordance with the Audit & Supervisory Board Member Auditing Standards and the Regulations of the Audit & Supervisory Board. Specifically, they attend important meetings such as those of the board of directors and management meetings, audit the proceedings and details of proposals, and express their opinions as necessary.

[Changes in the number of external directors and external Audit & Supervisory Board Members]

		June 2020	June 2021	June 2022	June 2023
Director	Internal/External	4/2	4/2	3/3	3/3
	Total	6	6	6	6
Composition of external directors		Kei Fujioka	Kei Fujioka	Kei Fujioka	Kei Fujioka
		Yasushi Yamanaka	Shoji Tsuzuki	Shoji Tsuzuki	Minako Miyama
				Minako Miyama	Motomi Niwa
Audit & Supervisory Board Member	Internal/External	2/3	2/3	2/3	2/2
	Total	5	5	5	4
Composition of external Audit & Supervisory Board Members		Tadashi Yamashina	Tadashi Yamashina	Tadashi Yamashina	Yoshinori Yamada
		Minoru Chida	Minoru Chida	Minoru Chida	Minoru Chida
		Yoshinori Yamada	Yoshinori Yamada	Yoshinori Yamada	
Ratio of external directors		33% • The number of internal directors decreased due to system changes *Redefining the roles of director, corporate officer	33%	50% • First female director	50%

Nominating Committee

Deliberation and report on proposals for the appointment and dismissal of directors and corporate officers

Members	Hiro Yoshi Ninoyu, Representative Director and President
	Koki Sato, Representative Director
	Kei Fujioka, Director (external and chair)
	Minako Miyama, Director (external)
	Motomi Niwa, Director (external)

Compensation Committee

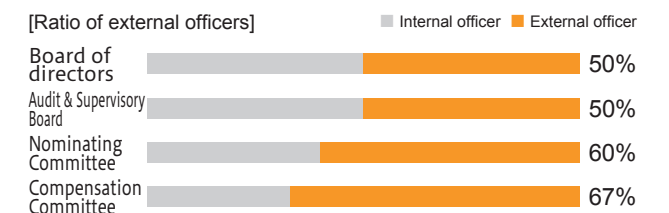
Deliberation and report on compensation system for directors and corporate officers, and individual compensation (Monthly compensation, bonuses, and restricted stock, etc.).

Members	Hiro Yoshi Ninoyu, Representative Director and President
	Kei Fujioka, Director (external and chair)
	Motomi Niwa, Director (external)

Committee (Company-wide Environmental Committee)

The Company-wide Environmental Committee is organized for the purpose of continuous and effective operation of the environmental management system, in order to contribute to the construction of a sustainable society through our business activities.

We are working to address global environmental issues such as climate change from a medium- to long-term perspective under the three pillars of our activities: “Establishment of a Carbon-neutral Society,” a “Establishment of a Recycling-based Society,” and a “Establishment of a Society in Harmony with Nature.”



[Members (attendance rate)]

Name	Position	Board of directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Hiro Yoshi Ninoyu	Representative Director President	13 times/13 times (100%) ◎	2 times/2 times (100%)	3 times/3 times (100%)	-
Koki Sato	Representative Director Executive Vice President	13 times/13 times (100%)	2 times/2 times (100%)	-	-
Masahiko Sato	Director Executive Vice President	Attended from June 2023	-	-	-
Kei Fujioka	External Director	13 times/13 times (100%)	2 times/2 times (100%) ◎	3 times/3 times (100%) ◎	-
Minako Miyama	External Director	11 times/11 times (100%)	2 times/2 times (100%)	-	-
Motomi Niwa	External Director	Attended from June 2023	Attended from June 2023	Attended from June 2023	-
Isaki Sugiura	Full-time Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	13 times/13 times (100%) ◎
Toshiaki Tsuchiya	Full-time Audit & Supervisory Board Member	Attended from June 2023	-	-	Attended from June 2023
Yoshinori Yamada	External Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	13 times/13 times (100%)
Minoru Chida	External Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	13 times/13 times (100%)

*◎ indicates the chairperson or committee chairperson.

*Ms. Minako Miyama was newly elected as a director at the 75th ordinary shareholders meeting held on June 14, 2022. Since her appointment, the board has met 11 times.

Board of directors

Efforts to revitalize the deliberation of the board of directors

We will post the agenda and related materials for the board of directors (including the extraordinary board of directors) to the meeting system of the board of directors three days before the date of the board of directors meeting according to the “three-day-before rule,” so that external directors and external Audit & Supervisory Board Members can view them in advance. In order to facilitate constructive discussions and exchanges of opinions at board of directors meetings, we provide external officers with advance explanations of materials two days before the meetings, and also share materials and minutes of management meetings. Proposals for meetings of the board of

[Skill matrix]

Position	External	Name	Corporate management governance	Technology development	SDGs		IT-DX	Compliance	Foreign operation	Manufacturing	Sales	Finance
					Diversity	Carbon neutrality						
Representative Director President		Hiroyoshi Ninoyu	○		○	○	○	○	○	○		○
Representative Director Executive Vice President		Koki Sato	○	○	○	○	○		○	○	○	
Director Executive Vice President		Masahiko Sato	○		○	○	○		○		○	
Director	Independent External	Kei Fujioka	○		○			○	○		○	○
Director	Independent External	Minako Miyama	○	○	○		○					
Director	Independent External	Motomi Niwa	○		○			○	○			
Full-time Audit & Supervisory Board Member		Isaki Sugiura	○		○	○	○		○	○	○	
Full-time Audit & Supervisory Board Member		Toshiaki Tsuchiya	○		○	○			○		○	
Audit & Supervisory Board Member	Independent External	Yoshinori Yamada	○					○				○
Audit & Supervisory Board Member	External	Minoru Chida	○	○		○	○			○		

Effectiveness of the board of directors

In order to improve the effectiveness of the board of directors, in July 2021 the board of directors conducted an evaluation of how to ensure its effectiveness and how to operate it.

We continue to make improvements in areas such as the degree of advance explanations given by the board of directors, the timing of disclosure of materials, the volume of materials, and the ease of reading, etc., and we evaluate that a certain level of effectiveness has been secured. Going forward, we will further improve our operational methods and increase the effectiveness of the board of directors by setting individual mid-term themes as items for discussion by the board of directors and comprehensively deliberating investment projects that were previously resolved individually.

directors and other conference bodies are explained using simple and clear materials, and we also try to secure the deliberation time. Regarding participation in online conferences and paper deliberations, we always operate them in a timely and accurate manner that satisfies both immediacy and interactivity.

Skill matrix

In order to continue to contribute to society and achieve sustainable growth in the midst of major changes in the times and environment surrounding our company, we need to take on the challenge of solving social issues while strengthening our business foundation. Positioning the above as our future growth strategy, we have selected items for the skill matrix.

Improvements
•By revising the regulations of the board of directors, review of the criteria for submitting proposals for discussing the direction of the company. •Participation of external directors in important internal meetings •Further enhancement of the preparation of materials for officer conference bodies •Setting of the appropriate deliberation time for each proposal
Items that need further improvement
•Deepening discussions through off-site meetings of board members •Further review of the regulations of the board of directors to enhance agenda for discussing the direction of the company

External director/external Audit & Supervisory Board Member

Reason for appointment

Position	Name	Reason for appointment
External Director	Kei Fujioka	Mr. Kei Fujioka has abundant knowledge in a variety of fields such as corporate management, and abundant experience in the logistics field through having worked for Mitsui-Soko Holdings Co., Ltd. We have appointed him as an independent officer in the hope that we can receive supervision, advice etc. on business execution from a professional perspective, regarding overall management centered on the logistics field, making use of his abundant experience, perception, and wisdom.
	Minako Miyama	Ms. Minako Miyama has a proven track record at Dai Nippon Printing Co., Ltd. as a leader in ensuring diversity in addition to her experience in the research, planning and development, and human resource development fields. We have appointed her as an independent officer in the expectation that she will utilize her extensive experience, perception, and wisdom to provide advice on management reforms from her objective and scientific perspective.
	Motomi Niwa	Mr. Motomi Niwa has experience in purchasing, business planning, and human resources departments at DENSO Corporation, as well as experience in managing its overseas subsidiaries. We have appointed him as an independent officer in the hope that we can receive supervision and advice on overall management, making use of his extensive and abundant experience, perception, and wisdom.
External Audit & Supervisory Board Member	Yoshinori Yamada	We have appointed Mr. Yoshinori Yamada as an Audit & Supervisory Board Member to obtain his highly specialized knowledge as a certified public accountant, his wide range of wisdom cultivated through many years of corporate auditing, and his experience as an external auditor and director of other companies to contribute to our auditing. Also, he met the independence standards set by the stock exchange and there is no risk of a conflict of interest with general shareholders.
	Minoru Chida	Mr. Minoru Chida has been involved in the field of development and design related to automobile interiors for many years at Toyota Motor Corporation, and has specialized experience, perception, and wisdom in that field. We have appointed him as an external Audit & Supervisory Board Member so that he can contribute his abundant experience, perception, and wisdom to the auditing of our company.

Support system for external directors and External Audit & Supervisory Board Members

When an external director or external Audit & Supervisory Board Member is appointed, in addition to briefing the outline of the company’s business, finance, organization, products, etc., we do disclosure of management meeting materials and minutes, inspection of manufacturing and improvement status of production sites at a monthly production division meeting. We also ask them to participate in our in-house mid-term management plan formulation meeting, and strive to gain an understanding of our future business initiatives.

Appointment and dismissal of management executives and nomination of candidates for directors

The nomination of candidates for directors and corporate officers is drafted by the President, and deliberated by the Nominating Committee chaired by an external director, which was established to enhance the independence and transparency of the process of selecting and dismissing officers. The board of directors will make a resolution based on the report from the Nominating Committee. In addition, the nomination of candidates for Audit & Supervisory Board Members is comprehensively examined from the perspectives of knowledge of finance and accounting and whether they have various perspectives on corporate management.

Internal control

We adopt group management through common policies, such as the business philosophy and group policies, as a system for ensuring the appropriateness of the business conducted in the corporate group consisting of our company and subsidiaries. Furthermore, with regard to the management of subsidiaries, we maintain control by stipulating matters for approval, reporting, etc., while respecting their independence. By doing so, we have established a system to confirm the appropriateness and legality of the operations of our subsidiaries.

Please refer to the Annual Securities Report and the Corporate Governance Report for information in regard to directors and corporate officers.

Policy for determining officers' compensation

Basic policy

As a basic compensation policy to meet the mandates of shareholders, the compensation system is designed to increase the motivation of officers to improve their business performance and contribute to the long-term increase in corporate value. The compensation level has been established according to the officer's position, taking into consideration the degree of each type of responsibility. It consists of basic compensation (monthly compensation), short-term incentive (bonus), and medium- to long-term incentive (stock compensation).

[Compensation composition and its beneficiaries]

Classification	Monthly compensation	Bonus	Stock compensation
Internal directors/corporate officers	○	○	○
External Director	○	-	-
Audit & Supervisory Board Members/External Audit & Supervisory Board Members	○	-	-

[Compensation composition for internal directors/corporate officers]

Compensation composition	Fixed compensation		Variable compensation	
			Short term	Long term
	Monthly compensation	Bonus	Stock compensation	
	60%	30%	10%	
Payment	Cash		Stock	

The compensation for internal directors and corporate officers is set at approximately 60% monthly compensation: 10% stock compensation: 30% bonus. As external directors are responsible for monitoring and supervising management from an independent standpoint, they are not paid cash bonuses or stock compensation.

Monthly compensation

The monthly compensation for each director and corporate officer is drafted after analyzing their responsibilities, salary levels of employees, and the levels of other companies, decided by the board of directors after deliberation and reports by the Compensation Committee chaired by an external director, which was established as an advisory body to the board of directors to enhance the independence and transparency of the decisions of the board of directors. Also, the compensation for Audit & Supervisory Board Members is determined through discussions among the Audit & Supervisory Board Members. Monthly compensation is determined within the maximum amount of total compensation set by a resolution of the shareholders meeting.

Bonus

Bonuses for each director (excluding external directors) and corporate officers are drafted based on consolidated operating income that reflects the results of the company's primary operating activities, taking into consideration the business environment and bonus payments to employees, and evaluations of the activities of each individual. The draft is deliberated and reported by the Compensation Committee, which was established as an advisory body to the board of directors to enhance the independence and transparency of decisions made by the board of directors and is chaired by an external director; the total bonus payment is approved at the shareholders meeting, after which the board of directors decides the bonus amount.

Stock compensation

The purpose of the stock compensation of each director (excluding external directors) and corporate officers (restricted stock) is to encourage them to make efforts to improve the corporate value of the company over the medium to long term, to take a high degree of responsibility as a manager, and to manage the company from the same perspective as shareholders. Its draft is prepared in consideration of the business environment and the standards of other companies. As with monthly compensation and bonuses, the draft is deliberated and reported by the Compensation Committee, which was established as an advisory body to the board of directors and is chaired by an external director, after which the board of directors decides the amount.

[Outline of restricted stock]

Target persons	Directors (excluding external directors) and corporate officers
Stock compensation allowance	Within 40 million yen per year to directors
Maximum number of shares	Within 40,000 shares per year to directors
Transfer restriction period	Period until the date of retirement from the role of directors, Audit & Supervisory Board Members, and corporate officers

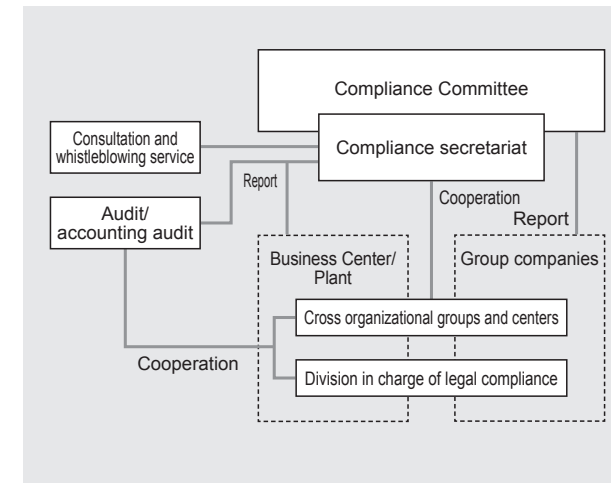
Compliance

Promotion system and structure

We have established a Compliance Committee chaired by the President, in order to deliberate on important measures regarding compliance. Furthermore, in order to support daily activities, we are working to ensure that activities suitable for the workplace can be conducted continuously through not only the compliance management division, but also by appointing a compliance general manager/compliance manager in each department.

	Prevention	Discovering and taking measures
General Manager of Business Center/Plant	Culture/climate and policy	Investigation/recurrence prevention measures development
General Manager, Division	Communication, education and policy	Monitoring, investigation/recurrence prevention measures development
Cross organizational groups and centers, division in charge of legal compliance	Policy support and education in each department	Monitoring support, investigation/recurrence prevention measures development

[Organization and system diagram]



Specific activities

Compliance Highlight Month activities

In the “Compliance Highlight Month activities” implemented in October every year, we aim to maintain and raise awareness regarding compliance. Besides opportunities to debate compliance matters in workplaces, things like messages when starting up PCs, company newsletters, officers' lectures, DVD screenings and so on are also included in the activities.

Group compliance

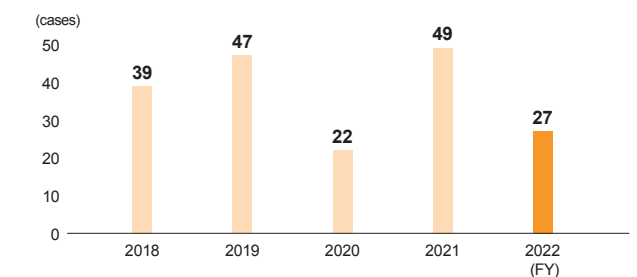
With the compliance management division and divisions in charge of legal compliance as our core, our domestic and

overseas subsidiaries have been jointly organizing systems and carrying out awareness activities in accordance with the status and circumstances of each company.

Consultation reporting

In order to detect and solve internal problems at an early stage, we have established a consultation and whistleblowing service inside and outside the company. Inside the company, a consultation and whistleblowing service has been established at the Head Office, in each plant and at labor unions, in order to collect knowledge of problems from a broad range at an early stage as far as possible. We have also named the service “Nandemo Soudan Madoguchi” (“Consult us on Anything Service”), so as to make the service more easily accessible. Furthermore, we have established a whistleblowing service in an external law firm as a “compliance call” service so that employees who feel apprehensive about using the internal consultation will feel more at ease. Confidentiality will be strictly maintained in order to assure that the consuler will not be specified. As shown in the following graph, there are a certain number of consultations every year, and the service is bringing early resolutions to problems.

[Number of consultations and reports]



Initiatives to prevent bribery and corruption

We conduct a company-wide investigation into the status of entertainment given to public servants, confirm whether there are any violations, and strive to prevent bribery.

We have developed detailed entertainment guidelines for public servants. The compliance division then examines the legality of each case brought up by each division that has the potential to lead to corruption. We also provide consultations throughout the year on how to respond to each case.

Additionally, we are continuing to provide education on bribery risks to employees who will be posted overseas.

Prevention of anti-competitive behavior

We invite an external lawyer who specializes in Antitrust Law to provide company-wide training to prevent recurrence using past violations as themes.

The supervising division continues to respond to daily compliance consultations regarding Antitrust Law from trading divisions. In particular, we conduct prior checks under Antitrust Law before proceeding with collaborative projects.

Furthermore, we conduct Antitrust Law training for all employees, including new employees.

Risk Management

Risk management

We have organized dedicated committees for each of the five priority areas with high disaster risk: semiconductor manufacturing, power receiving/transforming equipment, casting process, painting process, and mounting process; the committees are promoting disaster risk reduction activities based on annual action plans. In addition, regular audits of dedicated committee activities are conducted by officers and Audit & Supervisory Board Members, and we are actively working to “improve the workplace environment and develop human resources to prevent accidents.”



Conducting preventive activities against risks (including natural disasters), and initial action drills

In preparation for large-scale disasters such as Nankai megathrust earthquakes, we conduct evacuation drills for all employees, both daytime and nighttime workers. Additionally, we are conducting training for emergency countermeasures headquarters personnel, simulating what would happen immediately after an earthquake occurs. Through this, we are developing headquarters personnel with crisis management skills who can take the initiative.

At workplaces that have special processes that may cause a fire, fire extinguishing training is conducted to strengthen initial fire extinguishing response. This training is conducted under the guidance of the local fire department.

Firefighters selected from each workplace are regularly trained on fire extinguishing equipment. Two years ago, we concluded a disaster prevention agreement with the local government where our Head Office is located, and made arrangements in advance to accept local residents at our company and provide support such as disaster supplies and food. In the event of a disaster, we will provide smooth and reliable support to the community to contribute to the quick reconstruction of the region.



Business Continuity Plan (BCP)

Regarding our business continuity plan, ever since our Nishibiwajima Plant (assembling automotive switches etc. at the time) experienced large-scale flooding due to heavy rains in the Tokai region in September 2000, we have been working on establishing rules and training recovery personnel.

As the rules were designed for any emergency other than earthquakes, we were able to prevent the spread of COVID-19, which was triggered by an emergency call from our Chinese affiliate in January 2020. Thanks to these rules, we were able to continue our business activities without causing any inconvenience to our customers, along with our overseas bases around the world, including Asia, Europe, North America, and South America.

We have been able to confirm that the risk management activities in our group-wide business continuity plan are functioning effectively even during the pandemic. In other words, our business continuity plan is comprehensively promoted by our company and entire supply chain as “All Hazard BCP.”

In FY 2023, we will take on the challenge of first response training in the event of a major earthquake, targeting people who will actually be responsible for important duties in the event of an emergency. During this training, officers will also experience recovery activities in the event of a major earthquake. In this way, we will increase crisis awareness throughout the company.

When an emergency occurs, we work together to carry out recovery efforts, led by employees who have improved their skills through training, and take measures to resume production at our plants as quickly as possible. We are also working with our suppliers to prepare for wind and flood damage, such as torrential rains that are a concern due to the effects of global warming, and typhoons that have hit Aichi Prefecture multiple times in the past.

In activities based on our business continuity plan, we are working as a group not only to prepare for major earthquakes, but also to prevent natural disasters such as snow damage, wind and flood damage, infectious diseases such as the COVID-19, and threats to communications and networks.

We understand that “disasters happen” and continue to promote risk management activities while evaluating activities such as production recovery drills, in order to develop human resources who have the ability to adapt to disasters and improve the level of our overall Business Continuity Plan (BCP).

Information Security

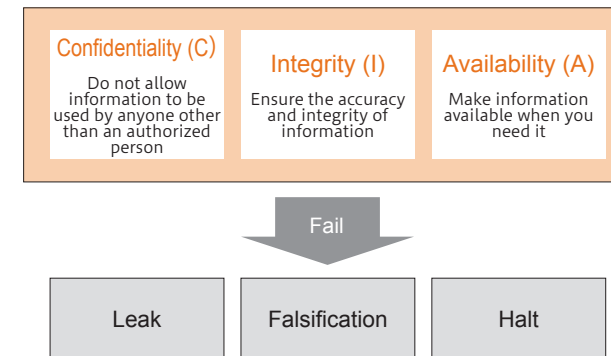
We are working to strengthen security and protect “company information” and “client/customer information” from threats such as information leaks and cyberattacks. Based on the premise that incidents and accidents are unavoidable, we are working to build an information management system and improve its operation.

Establishment of information security policy

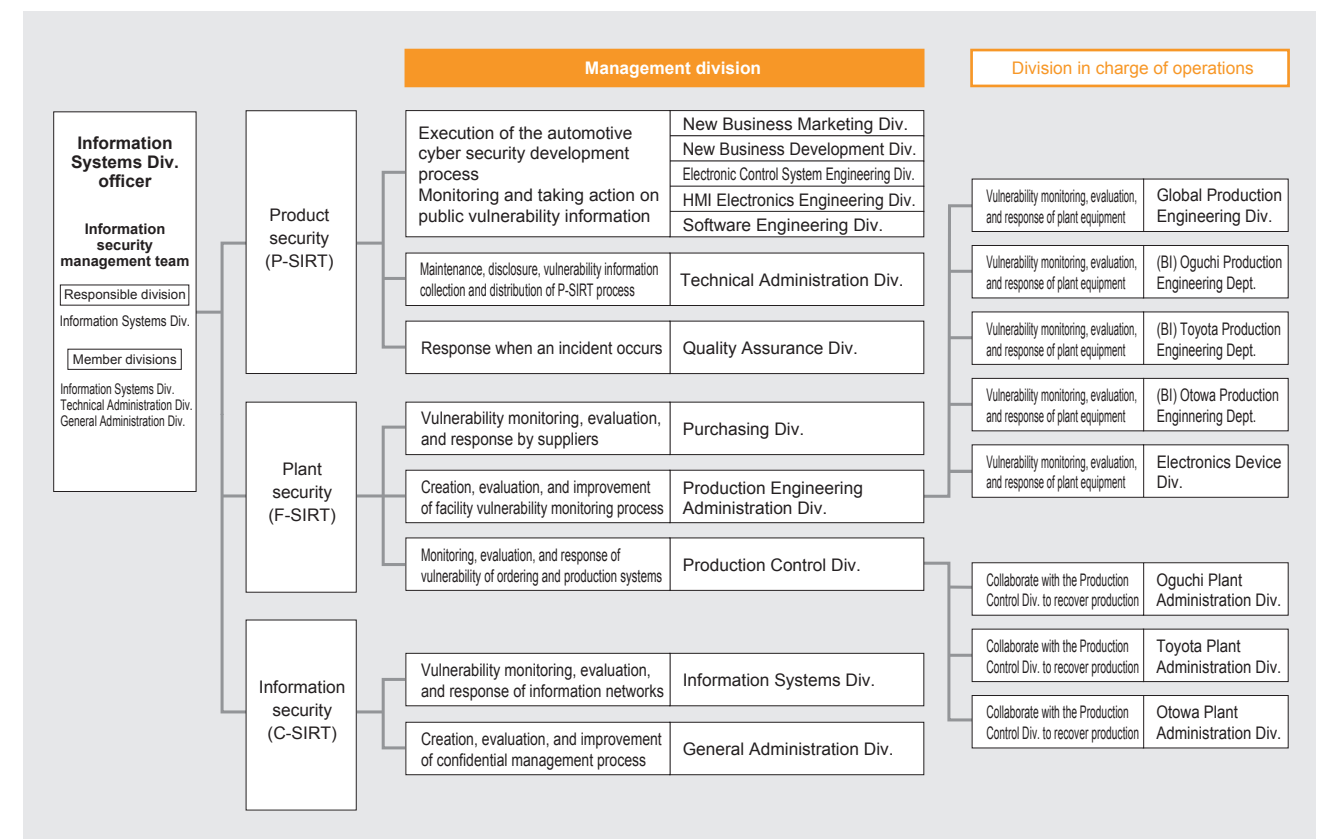
We are working on the following education and awareness activities, and will continue to do so in the future:

- (1) Training by job grade at the time of joining the company or at the time of promotion
- (2) Suspicious email countermeasures training for all employees (once a year)
- (3) Awareness-raising activities through Information Security Reinforcement Month (once a year) and internal bulletin board (once a month)

[Information security CIA diagram]



[SIRT* organization diagram] *Security incident response team



Information security policy

1. We regard information security as an important management issue, and after establishing an information security management system, we will continue to engage in information security activities.
2. We evaluate and analyze information security risks and implement appropriate human, organizational, technical, and physical security measures.
3. We will continue to provide education and training on information security to further improve the information security level of all employees.
4. When an information security incident occurs, we will promptly report it to all concerned parties, take initial measures to prevent further spread of damage, investigate the cause, and take appropriate recurrence prevention measures.
5. We regularly inspect all information security initiatives, such as the management system, compliance with rules, and the effectiveness of measures, and carry out continuous correction and improvement activities.

Establishment of vulnerability monitoring and incident response guidelines

As one of our corporate social responsibilities, we will thoroughly implement information security measures and protect our information assets. We will strengthen governance by assuming risks, formulating rules, and building systems for their management and operation. By doing so, we strive to ensure that the use of information does not impair the rights and interests of the information providers.

Executive Management

Members of the Board



Hiroyoshi Ninoyu

Representative Director and President

April 1984 Joined Toyota Motor Corporation
April 2017 Managing Officer
Jan. 2020 Executive Vice President, Tokai Rika Co., Ltd.
June 2020 Representative Director and President, Tokai Rika Co., Ltd., to the present



Koki Sato

CEO

April 1982 Joined Tokai Rika Co., Ltd.
Jan. 2006 General Manager, Safety Engineering Div., Safety Business Group
June 2008 Executive Vice President, Quality Safety Systems Company (currently TRQSS, Inc)
June 2010 Director
June 2011 Corporate Officer
June 2013 Managing Director, Managing Officer
June 2016 Senior Managing Director, Senior Managing Officer
June 2018 Representative Director and Executive Vice President, to the present



Masahiko Sato

Director

April 1985 Joined Tokai Rika Co., Ltd.
June 2009 General Manager, Sales Div. I
June 2013 Associate Director
June 2016 Corporate Officer
June 2018 Director (retired in June 2020)
April 2023 Executive Vice President, to the present
June 2023 Director, to the present



Isaki Sugiura

Full-time Audit & Supervisory Board Member

April 1984 Joined Tokai Rika Co., Ltd.
Jan. 2003 Executive Vice President, TRCZ s.r.o., our overseas business unit
Jan. 2007 General Manager, Corporate Planning Div.
Jan. 2013 General Manager, Business Management Div. No. 1
June 2013 Corporate Officer, General Manager, Switch Business Group
Jan. 2014 General Manager, Electronics Equipment Div.
Jan. 2016 General Manager, Business Management Center
June 2017 Audit & Supervisory Board Member, to the present



Toshiaki Tsuchiya

Full-time Audit & Supervisory Board Member

Mar. 1991 Joined Tokai Rika Co., Ltd.
June 2012 General Manager, Sales Div. I
Jan. 2014 Executive Vice President, Tokai Rika Belgium N.V.
Jan. 2018 General Manager, General Planning Div.
June 2018 Associate Director
Jan. 2020 General Manager, Business Planning Div.
April 2023 Project General Manager, Business Strategy Dept.
June 2023 Audit & Supervisory Board Member, to the present

Corporate Officers

Kazuhiro Ikai

Toshiki Nogami

Toshiki Akita

Koki Imaeda

Taketoshi Sakurai

Motoyasu Makino

Katsuyuki Imaeda

Koichiro Yamagishi

Satoru Ishida



Kei Fujioka

External Director

April 1977 Joined Mitsui-Soko Co., Ltd.
June 2012 President, Mitsui-Soko Co., Ltd.
Oct. 2014 President & CEO, Mitsui-Soko Holdings Co., Ltd.
June 2017 Director, Tokai Rika Co., Ltd., to the present
June 2017 Corporate Advisor, Mitsui-Soko Holdings Co., Ltd.
June 2021 Retired Corporate Advisor, Mitsui-Soko Holdings Co., Ltd., to present



Minako Miyama

External Director

April 1986 Joined Dai Nippon Printing Co., Ltd.
April 2005 General Manager of VR Planning and Development Office, DB Division, C&I Operations
July 2014 General Manager of Recruiting and Training Dept.
June 2018 Corporate Officer, General Manager of Recruiting and Training Dept., and Diversity Promotion Dept.
October 2019 Corporate Officer, in charge of Recruiting and Training Dept., and Diversity Promotion Dept.
June 2021 Director, to the present
June 2022 Director, Tokai Rika Co., Ltd., to the present



Motomi Niwa

External Director

April 1985 Joined DENSO CORPORATION
April 2007 Head of Functional Products Division
Jan. 2013 General Manager, Human Resources Div.
Aug. 2014 Vice President, DENSO MANUFACTURING TENNESSEE, INC.
June 2018 Standing Audit & Supervisory Board Member, to the present
June 2023 Director, Tokai Rika Co., Ltd., to the present



Yoshinori Yamada

External Audit & Supervisory Board Member

Oct. 1988 Joined Audit Corporation Ito Accounting Office
Sep. 2006 Rep. Partner, Arata Audit Corporation (currently PricewaterhouseCoopers Arata LLC)
July 2012 Director, CPA Yoshinori Yamada Office, to the present
Dec. 2012 Director, Tax Accountant Yoshinori Yamada Office, to the present
July 2013 Senior Researcher, JICPA
June 2015 Audit & Supervisory Board Member, Tokai Rika Co., Ltd., to the present



Minoru Chida

External Audit & Supervisory Board Member

April 1993 Joined Toyota Motor Corporation
Jan. 2019 General Manager, Advanced Body Technology Development Div.
July 2019 General Manager, Body Technology Development Div., to the present
June 2020 Audit & Supervisory Board Member, to the present

Five-year Consolidated Financial Summary

	2018	2019	2020	2021	2022	(FY)
	(Unit: Million yen)					
Net sales	507,645	500,002	440,061	487,303	553,124	
Cost of sales	436,242	435,663	387,937	432,334	488,478	
Selling, general and administrative expenses	41,784	41,741	38,078	45,758	47,989	
Operating income	29,618	22,597	14,045	9,211	16,656	
Profit attributable to owners of parent	18,090	15,067	12,026	3,569	10,900	
Capital expenditures	25,307	23,065	12,210	14,401	19,190	
R&D expenses	25,856	28,119	26,976	30,470	29,080	
Cash flows from operating activities	37,919	40,346	34,682	14,677	26,755	
Cash flows from investing activities	-31,933	-22,289	-27,505	-26,005	-8,695	
Cash flows from financing activities	-8,033	-6,772	-4,525	-6,437	-6,078	
Profit per share (yen)	198.25	165.12	131.77	39.10	119.37	
Annual dividend (yen)	64.00	62.00	50.00	60.00	64.00	
Dividend payout ratio (%)	32.3	37.5	37.9	153.5	53.6	
Total assets	387,556	378,489	419,259	447,834	456,146	
Total equity	241,435	241,023	270,276	285,538	296,401	
Return on Equity (ROE) (%)	59.0	60.3	60.9	60.0	60.8	
Equity ratio (%)	8.1	6.6	5.0	1.4	4.0	
Price-book value ratio (PBR) (times)	0.75	0.54	0.67	0.51	0.54	

Financial Review**Analysis related to management performance
Business progress and results****I Economic situation**

During this fiscal year, the global economy has been on a recovery trend from the COVID-19 crisis in terms of both demand and supply. However, the economic outlook continues to be weighed down by rising energy costs due to issues such as the Russia-Ukraine conflict, global inflation, and monetary tightening mainly in the United States and Europe.

I Initiatives

Our group has set “thorough implementation of safety first and promotion of health,” “providing quality that customers continue to choose,” “developing human resources and improving job satisfaction,” “initiatives to strengthen competitiveness and expand new business based on our mid-term management plan,” “initiatives to strengthen the business base that supports future growth,” and “initiatives to meet the expectations of society as a corporate citizen” as the FY policies, and has continued to make concerted efforts.

[Development of new products]

In the automotive field, we have developed the world's first antibacterial seat belt. In addition, we jointly developed a safety device for school buses, the “support system to help prevent children from being left behind on vehicles,” with a vehicle manufacturer. Both have been adopted by customers. In addition, in terms of autonomous driving technology, we jointly developed a system for remotely monitoring and operating autonomous vehicles with Aisan Technology Co., Ltd., and conducted demonstration experiments of autonomous driving together with Aichi and Chiba prefectures. In the digitalkey field, we are developing new functions for the Uqey app that allows you to reserve, unlock, and return rental cars entirely on your smartphone, and aim to expand the number of stores where you can use it. Regarding the company-car management service “Bqey,” we have entered into a sales agency agreement with TD mobile and are aiming to further expand sales. Regarding our products in new fields, we have started selling the following: digital teaching materials that use vibrating touch pens to make learning more fun and effective, and pen cases and tote bags made from seatbelt scraps (from the upcycle brand “Think Scrap” that contributes to SDGs) and the new product “explorica pen” (from the lifestyle brand “explorica”).

[Environmental initiatives]

We have concluded an “agreement for off-site PPA service implementation” with Chubu Electric Power Miraiz Co., Inc., so that 12 Kyouryoku-kai companies can jointly procure electricity from renewable energy. Additionally, in order to contribute to reducing CO2 emissions, we have developed a new material, “Bamboo+” (co-developed with MIROKU TECHNO WOOD Co., Ltd., Kochi Prefecture) and “in-mold coating technology” (co-developed with Seikoh Giken Co., Ltd.). Regarding biodiversity initiatives, the entire Tokai Rika Group is working toward the realization of a

society where people and nature coexist, and has obtained the Aichi Biodiversity Company Certification.

[Promotion of diversity activities]

We have received the highest “Platinum Kurumin Certification” under the “Kurumin Certification System” (Ministry of Health, Labor and Welfare). Additionally, we received an award as an excellent company under the “Aichi Women's Shining Company” (Aichi Prefecture), a system that certifies companies that proactively promote women's active participation and advancement. We are working to create workplaces where employees mutually recognize diversity.

**Analysis Related to Financial Status
Assets, liabilities, and total equity status****I Assets**

Assets were 456,146 million yen, an 8,312-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in cash and deposits and construction in progress.

I Liabilities

Liabilities were 159,744 million yen, a 2,552-million-yen decrease from the end of the previous consolidated accounting year. This is mainly due to a decrease in accrued expenses.

I Total equity

Total equity was 296,401 million yen, a 10,863-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in foreign currency translation adjustments. As a result, the equity ratio changed from 60.0% at the end of the previous consolidated accounting year to 60.8%.

Cash flows status

Cash and cash equivalents (hereinafter referred to as “funds”) for the consolidated base at the end of this consolidated accounting year were 66,494 million yen, which was a 12,640-million-yen increase from the end of the previous consolidated accounting year.

I Cash flows from operating activities

Funds acquired as a result of operating activities were 26,755 million yen, an increase of 12,078 million yen compared to the previous consolidated accounting year. This is mainly the result of the income before income taxes having increased by 9,276 million yen.

I Cash flows from investing activities

Funds acquired as a result of investing activities were 8,695 million yen, a decrease of 17,310 million yen compared to the previous consolidated accounting year. This is the result of a decrease of 10,202 million yen in expenditures for the acquisition of investment securities.

I Cash flows from financing activities

Funds acquired as a result of financing activities were 6,078 million yen, a decrease of 359 million yen compared to the previous consolidated accounting year. This is mainly the result of an increase of 461 million yen in proceeds from payments from non-controlling interests.

Consolidated Balance Sheet

	(Unit: Million yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	57,977	69,728
Notes and accounts receivable	81,137	83,904
Electronically recorded monetary claims-operating	11,451	12,930
Marketable securities	4,801	299
Finished goods	25,898	26,120
Work-in-process	36,493	36,436
Raw materials and supplies	8,449	9,242
Other current assets	11,580	12,978
Less: Allowance for doubtful accounts	-55	-46
Total current assets	237,732	251,595
Noncurrent assets		
Tangible noncurrent assets		
Buildings and structures	98,966	104,375
Accumulated depreciation	-64,801	-69,153
Buildings and structures (net)	34,164	35,222
Machinery and vehicles	173,978	180,314
Accumulated depreciation	-141,548	-148,925
Machinery and vehicles (net)	32,429	31,388
Tools and furniture	133,660	135,802
Accumulated depreciation	-124,722	-126,481
Tools and furniture (net)	8,937	9,320
Land	13,417	14,543
Tangible lease assets	2,384	2,802
Accumulated depreciation	-1,312	-1,652
Tangible lease assets (net)	1,071	1,150
Construction in progress	7,336	13,207
Total tangible noncurrent assets	97,357	104,833
Intangible noncurrent assets		
Software	2,425	2,552
Others	83	1,014
Total intangible noncurrent assets	2,509	3,567
Investments and other assets		
Investments securities	63,084	51,749
Long-term loans	323	327
Net defined benefit assets	35,032	32,916
Deferred tax assets	4,302	3,254
Others	7,598	8,008
Less: Allowance for doubtful accounts	-105	-106
Total investments and other assets	110,235	96,150
Total noncurrent assets	210,102	204,550
Total	447,834	456,146

	(Unit: Million yen)	
	As of March 31, 2022	As of March 31, 2023
Liabilities and Equity		
Current liabilities		
Notes and accounts payable	51,651	53,374
Electronically recorded obligations-operating	10,631	10,815
Short-term lease liabilities	288	397
Accrued expenses	33,736	27,373
Income taxes payable	2,871	3,296
Accrued bonuses to employees	9,021	8,811
Accrued bonuses to directors	192	177
Provision for accrued product warranty	1,060	2,511
Others	10,057	11,867
Total current liabilities	119,513	118,624
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term lease liabilities	604	592
Deferred tax liabilities	7,939	7,532
Retirement allowances for directors and corporate auditors	296	300
Net defined benefit liabilities	23,793	22,496
Long-term asset retirement obligations	72	72
Others	77	126
Total noncurrent liabilities	42,783	41,120
Total liabilities	162,296	159,744
Equity		
Shareholders' equity		
Capital	22,856	22,856
Capital surplus	25,872	25,613
Retained earnings	196,514	201,936
Treasury common stock at cost	△5,285	△5,238
Total shareholders' equity	239,957	245,167
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	8,389	7,700
Foreign currency translation adjustments	8,173	14,468
Remeasurements of defined benefit plans	12,191	10,038
Total accumulated other comprehensive income	28,755	32,208
Non-controlling interests	16,825	19,026
Total equity	285,538	296,401
Total	447,834	456,146

Consolidated Income Statement

(Unit: Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	487,303	553,124
Cost of sales	432,334	488,478
Gross profit	54,969	64,646
Selling, general and administrative expenses	45,758	47,989
Operating income	9,211	16,656
Non-operating income		
Interest income	264	599
Dividend income	490	526
Share of profit of entities accounted for using equity method	419	467
Foreign exchange gain	4,257	4,312
Other	1,135	1,725
Total non-operating income	6,567	7,632
Non-operating expenses		
Interest expenses	74	79
Other	146	146
Total non-operating expenses	221	225
Ordinary income	15,557	24,063
Extraordinary income		
Loss on sales and retirement of non-current assets	-	25
Impairment loss	1,700	1,100
Loss on valuation of investment securities	195	-
Total extraordinary loss	1,896	1,125
Income before income taxes	13,661	22,937
Income taxes current	6,796	8,821
Income taxes deferred	1,529	1,307
Total income taxes	8,326	10,128
Profit	5,334	12,808
Profit attributable to non-controlling interests	1,765	1,908
Profit attributable to owners of parent	3,569	10,900

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit	5,334	12,808
Other comprehensive Income		
Net unrealized gain on available-for-sale securities	791	-708
Foreign currency translation adjustments	9,644	6,450
Remeasurements of defined benefit plans	5,501	-2,129
Share of other comprehensive income of entities accounted for using equity method	106	1
Total other comprehensive income	16,044	3,613
Comprehensive income	21,379	16,421
(Breakdown)		
Comprehensive income attributable to owners of parent	18,896	14,353
Comprehensive income attributable to non-controlling interests	2,483	2,068

Consolidated Statement of Changes in Net Assets

(Unit: Million yen)

Year ended March 31, 2022	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings	Treasury common stock at cost	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	22,856	25,872	198,421	-5,326	241,824	7,599	-847	6,676	13,428	15,023	270,276
Changes during the period											
Dividend of surplus			-5,477		-5,477					-	-5,477
Profit attributable to owners of parent			3,569		3,569					-	3,569
Purchases of treasury stock				-0	-0					-	-0
Disposal of treasury stock		-0		41	41					-	41
Changes (net) during the period for items other than shareholders' equity					-	790	9,021	5,515	15,326	1,802	17,128
Total changes during the period	-	-0	-1,907	40	-1,866	790	9,021	5,515	15,326	1,802	15,262
Balance at the end of the period	22,856	25,872	196,514	-5,285	239,957	8,389	8,173	12,191	28,755	16,825	285,538

(Unit: Million yen)

Year ended March 31, 2023	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total equity
	Capital	Capital surplus	Retained earnings	Treasury common stock at cost	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the period	22,856	25,872	196,514	-5,285	239,957	8,389	8,173	12,191	28,755	16,825	285,538
Changes during the period											
Dividend of surplus			-5,478		-5,478					-	-5,478
Profit attributable to owners of parent			10,900		10,900					-	10,900
Purchases of treasury stock				-0	-0					-	-0
Disposal of treasury stock		-9		47	38					-	38
Equity changes by share purchase of consolidated subsidiaries		-250			-250					-	-250
Changes (net) during the period for items other than shareholders' equity					-	-688	6,295	-2,152	3,453	2,200	5,653
Total changes during the period	-	-259	5,421	47	5,209	-688	6,295	-2,152	3,453	2,200	10,863
Balance at the end of the period	22,856	25,613	201,936	-5,238	245,167	7,700	14,468	10,038	32,208	19,026	296,401

Consolidated Statements of Cash Flows

(Unit: Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	13,661	22,937
Depreciation	18,166	19,547
Impairment loss	1,700	1,100
Increase (Decrease) in allowance for doubtful accounts	-74	-9
Increase (Decrease) in accrued bonuses to employees	872	-256
Increase (Decrease) in accrued bonuses to directors	-18	-15
Increase (Decrease) in provision for accrued product warranty	-3,722	1,393
Increase (Decrease) in retirement allowances for directors and corporate auditors	-46	4
Increase (Decrease) in net defined benefit liability	-535	-1,213
Increase (Decrease) in net defined benefit assets	-968	-1,261
Interest and dividend income	-755	-1,126
Interest expenses	74	79
Equity in earnings of affiliated companies	-419	-467
Foreign exchange gain or loss	-3,439	-3,586
Gain on sales of property plant and equipment	172	331
Increase (Decrease) in notes and accounts receivable	-4,811	-762
Increase (Decrease) in inventories	-9,742	3,466
Increase (Decrease) in notes and accounts payable	366	-276
Increase (Decrease) in consumption taxes payable	-1,845	303
Others, net	10,981	-6,167
Sub-Total	19,615	34,020
Interest and dividend income received	829	1,241
Interest expenses paid	-76	-79
Income taxes paid	-5,691	-8,426
Net cash provided by operating activities	14,677	26,755
Cash flows from investing activities		
Proceeds from sales of marketable securities	2,800	8,000
Purchases of tangible fixed assets	-18,078	-22,530
Proceeds from sales of tangible fixed assets	95	34
Purchases of investment securities	-11,103	-901
Proceeds from sales of investment securities	197	8,058
Disbursement for originating loans	-197	-232
Proceeds from collections of loans	232	246
Others, net	49	-1,370
Net cash used in investing activities	-26,005	-8,695
Cash flows from financing activities		
Proceeds from payments from non-controlling interests	-	461
Lease liabilities paid	-320	-520
Dividends paid	-5,477	-5,477
Dividends paid to non-controlling interests	-680	-579
Purchases of treasury stock	-0	-0
Others, net	40	38
Net cash provided (used in) financing activities	-6,437	-6,078
Effect of foreign currency translation adjustments on cash and cash equivalents	2,016	657
Net increase (decrease) in cash and cash equivalents	-15,750	12,639
Cash and cash equivalents, beginning of period	69,604	53,854
Cash and cash equivalents, end of period	53,854	66,494

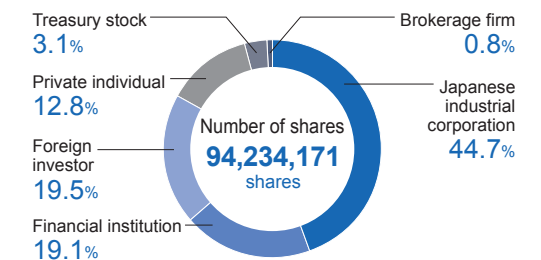
Corporate Data

Company name	TOKAI RIKA CO., LTD.
Head Office location	3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan
Establishment	August 30, 1948
Employees	20,006 (Consolidated, as of March 31, 2023)
Capital	22.8 billion yen (as of March 31, 2023)
Net sales	Consolidated: 553.1 billion yen, Unconsolidated: 232.7 billion yen (Year ended March 2023)
Ordinary income	Consolidated: 24.0 billion yen, Unconsolidated: 12.0 billion yen (Year ended March 2023)
Total number of shares authorized to be issued	200,000,000 shares
Number of shares issued and outstanding	94,234,171 shares (including 2,911,355 treasury stock)
Number of shareholders	9,777
Listing stock exchanges	Tokyo Stock Exchange, Nagoya Stock Exchange Stock code: 6995
Audit corporation	Deloitte Touche Tohmatsu LLC
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Handling Office	3-15-33 Sakae, Naka-ku, Nagoya, Aichi, Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Department

Major Shareholders

Shareholders	No. of shares held (thousand shares)	Shareholding ratio (%)
Toyota Motor Corporation	29,367	32.15
The Master Trust Bank of Japan, Ltd. (trust account)	9,366	10.25
Denso Corporation	8,873	9.71
Custody Bank of Japan, Ltd. (trust account)	2,914	3.19
The Dai-ichi Life Insurance Company, Limited	2,275	2.49
Tokai Rika Employee Shareholding Association	1,691	1.85
SSBTC CLIENT OMNIBUS ACCOUNT	1,329	1.45
State Street Bank and Trust Company	1,287	1.40
The Bank of New York Treaty Jasdec Account	1,215	1.33
Tokai Rika Kyoeikai	1,138	1.24

Note: The shareholding ratio is calculated by deducting the number of treasury stocks from the total number of issued stocks.

Status of distribution of shares, by holder
(as of March 2023)

Inquiries about “Tokai Rika Report 2023”

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