

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

President

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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.”

