

Six Capitals That Support Our Value Creation

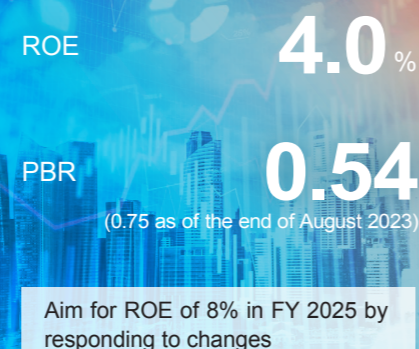
Management capital is used as the foundation to respond to appeals from society and social issues. The Tokai Rika Group aims to achieve both social and corporate sustainability by repeating our value creation process and the cycle of enriching our management capital.

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.

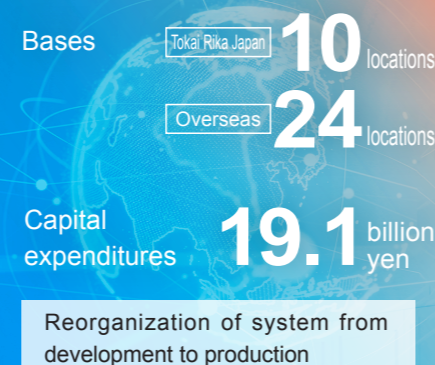


Production Capital

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.

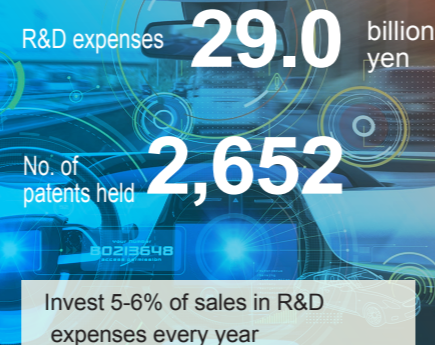


Intellectual Capital

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.

