



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.