

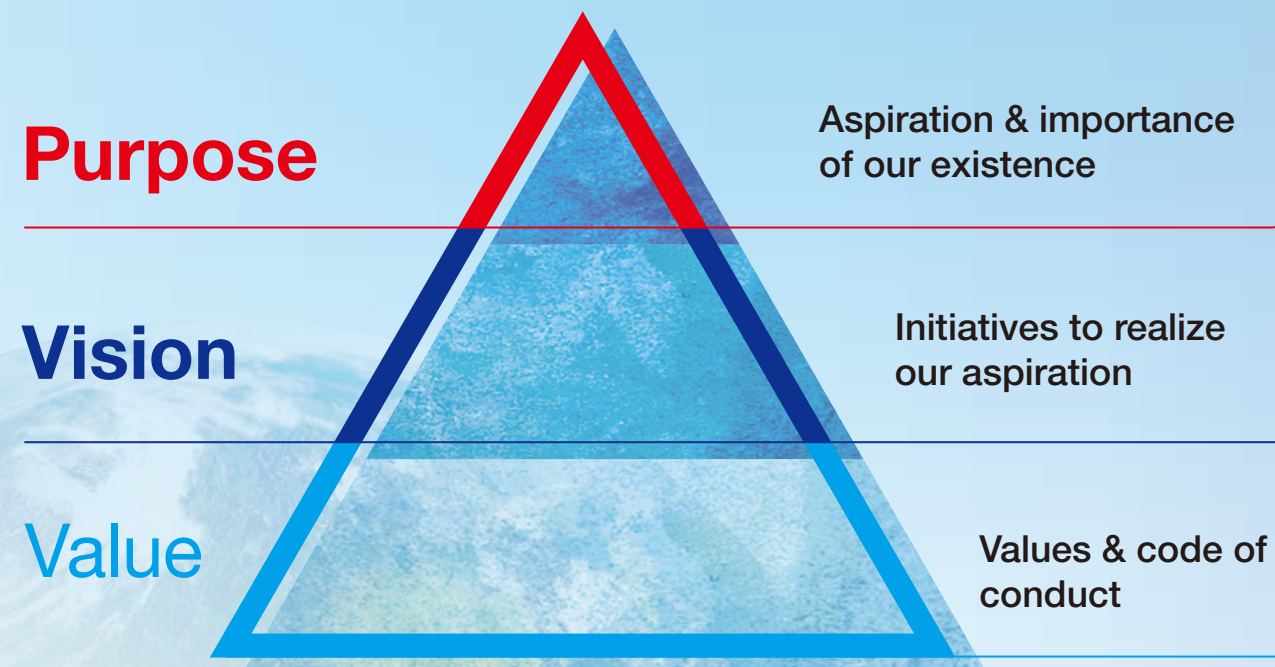
TOKAI RIKA

Integrated Report 2024



Purpose, Vision, and Value

In 1948, three years after the end of the War, it was explained to our founder 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. Returning to the spirit of Tokai Rika’s founding, we have clarified our Purpose (our aspiration and the importance of our existence), our Vision (the initiatives to realize our aspiration), and our Value (the values and code of conduct shared by our employees), as the future ideal we should aim for.



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

*If it's something necessary in the world, we do what others won't do.



Yoshio Kato,
Founder

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

“A Call to Thought and Action” booklet issued to the Tokai Rika group (Extract)

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



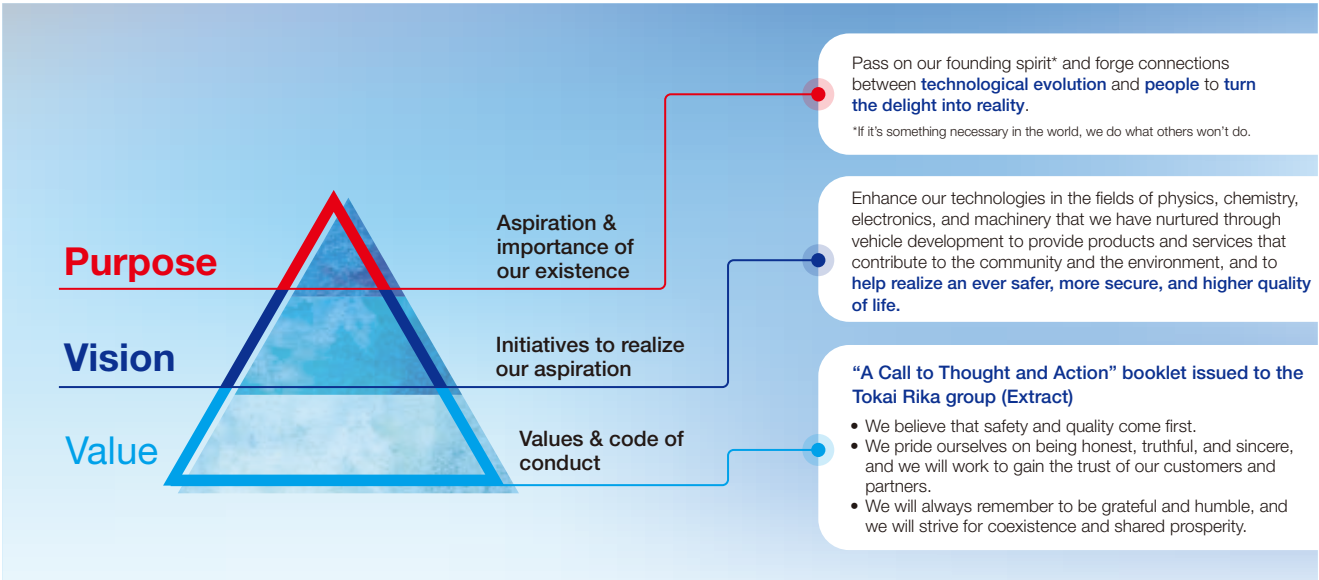
Message from the President

Returning to the spirit of its founding, Tokai Rika continues to create products that make people happy while taking on the challenge of doing what others won't do to create what is truly needed in the world.

Tokai Rika's Purpose, Vision, and Value based on its founding spirit

When I became the President of Tokai Rika in 2020, I announced the Declaration of Change, which contained the message that we could not continue with the status quo and that we needed to transform the company. The following year, in 2021, we drew up scenarios for how and what we would change according to product and region, and as the next step, in 2022, we formulated a mid-term management plan and set a target of 600 billion yen in sales by 2030. What has emerged from this process is a new perspective on what Tokai Rika will look like in 10 years' time. I did not enter into these discussions, but instead instructed our people to draw their own plans for what they would do this year, next year,

and the year after that using a backcasting approach. This resulted in the creation of our new Purpose, Vision and Value announced this year. Our Purpose continues the company's founding spirit of "if it's something necessary in the world, we do what others won't do," while valuing the management theme of "giving shape to a sense of excitement between people and vehicles," and retains the words "people" and "excitement" as they are. The resulting Purpose is now "Forging connections between technological evolution and people to turn delight into reality." Our Vision is an expression of the company's determination to provide products and services that benefit people, society, and the environment by expanding our DNA of being able to do everything—physics, chemistry, electricity, and machinery—from which our company name is derived. We have also positioned the six parts of A Call to Thought and Action,



Our new Purpose, Vision and Value formulated in May 2024



based on the important words left to us by our predecessors, including our first president, as the values that will help us realize our Purpose and Vision.

By reorganizing and revamping our Purpose, Vision, and Value, we have been able to demonstrate both inside and outside the company our strong desire to achieve both a better society and Tokai Rika's further growth toward the future. The next question is how to spread this message. I really feel that the speed of communication is much faster once top management themselves start using the slogan frequently. Such slogans are realized when top management constantly says them out loud. I have experienced that if we don't thoroughly verbalize and make this slogan concrete, it will end up being just talk, which is why I keep emphasizing persistence. It is important to have a clear understanding of what is going on, not just a superficial understanding. In this regard, we have done a lot of work to convey our background and thoughts through videos and illustrations.

This time, for the first time in 13 years, the company's slogan has been changed to: Let's create the future with health, thought and action, and smiles! The new slogan uses words that have never been used before, such as "health" and "smile," and is based on the Purpose, Vision, and Value.

Awareness of the environment surrounding Tokai Rika

The environment surrounding the automotive industry is very severe, and some automotive companies in the U.S. and elsewhere are spinning out their automotive-related businesses. Conversely, this has led to some companies asking us if we can manufacture their products, and we are seeing the strengths of companies that have somehow persevered in this difficult environment emerge. The market as a whole is shrinking, but

Message from the President

on the other hand, there are opportunities for us to take over the work of companies that have withdrawn from the market, and we are in the midst of both.

The industry's overarching trend is heading toward EVs. Naturally, however, this trend will not solidify overnight. Rather than EVs accelerating, the current stage is to rethink once again how to proceed toward that drastic change and the steps to be taken. We had thought that Tokai Rika would not be so affected by the shift to EVs, but the emerging manufacturers that have entered the scene along with EVs have changed everything in terms of car interiors. This is the trend toward so-called soft switching, in which our mainstay products do not require switches and various solutions can be incorporated into the display. If the product only changes, we can deal with it somehow, but if the product itself disappears, there is no way to deal with it, and this is our biggest fear.

However, this does not involve an all-or-nothing approach. There are some products that should actually be put into use. The product and the product's position will change depending on the customer's perspective, and we believe it is important to continue to create products that the customer wants while talking with the customer.

In the future, undoubtedly products will not be able to exist on their own. We need to work on joint planning and development with companies that make seats in the case of seatbelts and with companies that make other interior products, in the case of interiors.

Review of performance and management in FY 2023 and progress of the mid-term business plan

As for our current performance, our operating profit for FY 2023 came to 28.8 billion yen. This was driven by the significant increase in operations of OEM companies in the post-pandemic and the positive impact of foreign exchange rates. We also believe that our efforts to strengthen our profit structure through fixed cost reductions and other measures have borne fruit. In addition, in FY 2023, we continued to make strategic investments as we did in FY 2022. Furthermore, in 2023, we increased our dividend by 5 yen per share with a commemorative dividend to mark our 75th anniversary. We revised our dividend policy in FY 2024 to better return profits to our shareholders.

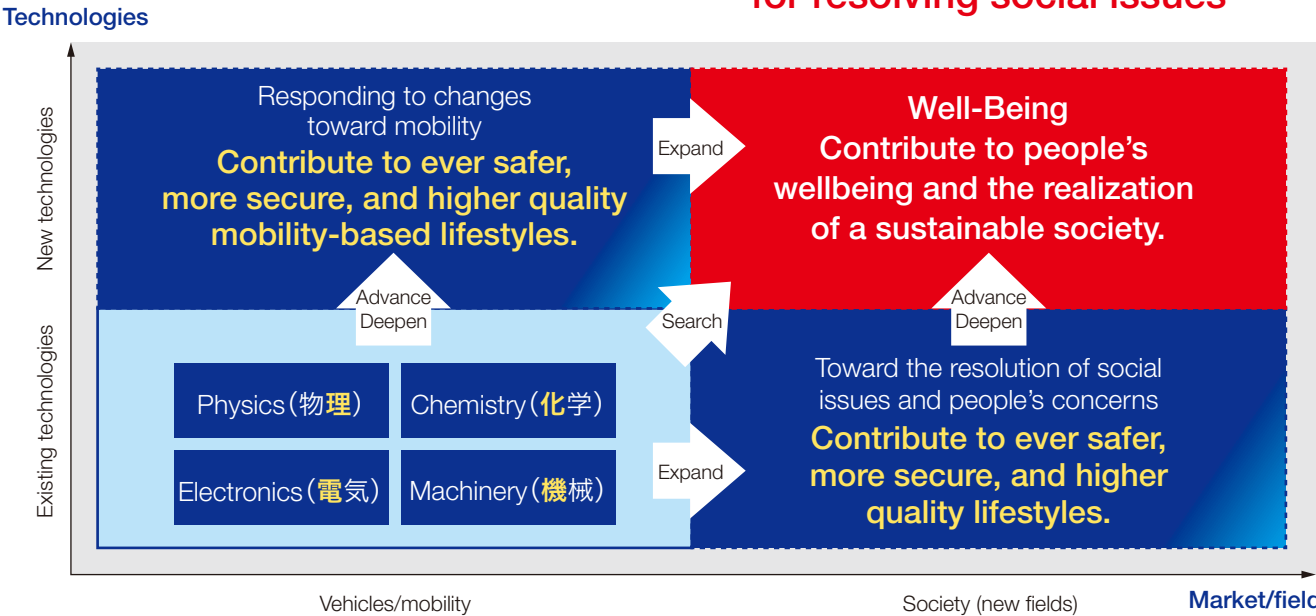
The urgent issue is to return Tokai Rika to profitability on a stand-alone basis, which is also in sight thanks to the steady progress in fixed cost reduction that we have seen since FY 2022. The next two years will be critical. Unless the yen suddenly strengthens to 100 yen to the dollar, we expect to

achieve the sales and operating profit targets set in the mid-term management plan for 2025, although there may be some positive or negative effects. As for investment for growth, we will commit 30 billion yen in FY 2022 and 20 billion yen in FY 2023 in the form of investment for future value creation, including the construction of a new work base and development building, as planned. On the other hand, the improvement of corporate value, including P/B ratio, is still an issue, and we are now at a major turning point where we need to fundamentally change our management policies. However, I do not believe that small steps, such as buying a company, will make any sense at all. What we need to do is to transform our capital structure.

Looking at the business portfolio (four quadrants with the vertical axis representing existing and new technologies and the horizontal axis representing existing and new business areas), which is the growth strategy of the mid-term management plan, we are still in the process of addressing the new business areas, expected to generate 100 billion yen of the 600 billion yen. Most of the sales that are steadily increasing are still in the existing business areas. This is only because the decline in sales was slower than initially expected, and as a result, sales have been boosted. Looking at the breakdown of the 600 billion yen, the current situation suggests that our efforts in new fields are weak. We feel a sense of urgency that we need to be more aggressive in taking on new business areas, especially in the automotive field.

Nevertheless, it is no surprise that tapping into new business areas is no easy task. I believe that the odds can only be read once the product is out in the world, which is something I view as a cost of doing business (something to learn from). However, it is too expensive to consider it a mere cost, so I would like to at least break even. Or, if we can get people to recognize the value, there may be people who will buy the business itself instead of the product. In other words, this is the thinking of a start-up company. This is one of the reasons why we have named our new business field BAMBOO+ as a company. I want our people to take on more challenges.

Growth strategy



Creating one-of-a-kind products that make people happy

It is clear that the demand for switches, which used to be the face of Tokai Rika's products, will disappear in the future. Seatbelts and shift by wire shifters have replaced switches as our next mainstay products. In creating a plan for 2030, we need to go after more and more new business areas, especially in the automobile industry. So, what kind of technology will we use to compete in these new areas?

I strongly believe that we need to create products that convey our commitment, especially in the new area of automobiles. For example, customers do not know that a vehicle's current sensor is a Tokai Rika product. For decades, we have been accustomed to receiving specifications from OEMs and manufacturing products that meet those specifications. This has resulted in a more passive corporate stance of waiting and seeing. From now on, however, we would like to make our own proposals. In particular, we would like to create products that can directly communicate to users that our products help resolve social issues. This means placing emphasis on producing products that have great value, even if they do not generate billions or tens of billions of yen in sales. The easiest way to motivate us to change from our previous "wait-and-see" stance, a norm for many years, to something we can propose ourselves is to make something that provides a direct contribution to society.

Fusion of goods and services for resolving social issues

The product I feel that is attracting the most attention is one that reduces accidents to zero. We are about to launch Tengu Furai, a system that detects signs of wheels falling off trucks, on a trial basis. We also have a product that uses digital keys and sensing technology to detect children being left behind in a vehicle, and we hope to make this product more directly appealing to customers.

I always say that we will create one-of-a-kind products, but these products do not have to be readily visible to customers. We have expertise in fields such as current sensors and position sensors, and we are making products that other companies cannot make. Even if other companies have them, we ask our people to take on the challenge of making our products more precise and with the same performance even in harsh environments.

The important thing is to ask, "Isn't this something that doesn't exist in the world yet?" and, "Wouldn't people be happy to have this?" It is not a matter of "Let's make it because we were asked to," but rather, we need to create products that customers will be happy to have. However, perhaps it is the nature of engineers to be satisfied when they develop a new technology, but if people do not use it, it is completely meaningless. This is because products will not be treated as one-of-a-kind if they are not a hit. We must become a developer who feels pleasure not from what we have developed, but from the fact that people are actually pleased with it.

Transforming into an R&D system targeting agile development

Taking on challenges in new business areas requires a completely new approach to development that is different from what we have taken in the past. In other words, the organizational structure for research and development itself must be changed. The first step we took was to change from a division-based organization to a product-based organization. The challenge now is to change from a conventional pyramid organization to a co-creation organization like an amoeba. We are transforming what used to be a discussion only after the product was created into a system that aims at so-called agile development, in which each person in the roles of design, evaluation, production engineering, procurement, and sales is involved from the early stages of research and development.

This in turn requires an environment where employees can physically be in close proximity and engage in dialogue. As a trial, last year we created Cross Base, a demonstration area for new ways of working, to encourage employee interaction in a more open environment and to provide a catalyst for innovation. In addition, we have decided to construct a New Technology Development Building on our Head Office premises, and are moving forward with the plan to commission the building in 2027. With this New Technology Development Building as a flagship, we are also restructuring the current development building and the Manufacturing Center to foster a co-creation-oriented organization where various departments can come together at an early stage to make and implement decisions immediately.

Giving employees reasons to like the company even more

In order to push ahead with these reforms, we need to create an environment in which all employees who work for us are motivated. In other words, we want our employees to like the company even more.

To this end, we have been renovating each office since 2022 as part of the Future Creation Work Base Construction project. Specifically, we have replaced desks and chairs with new ones, and renovated the lobbies, restrooms, breakrooms, meeting spaces, and other areas to create a comfortable work space suited to the current era. In the past, tours of the company given to prospective university student job hunters, they have unfortunately resulted in a negative image of the company. It is no good to have a manufacturing plant where parts are carried on carts, or to talk about utilizing AI and robots only to have robots carry things. Such an environment will make it impossible to develop new

technologies. In this sense, it is very important to improve the work environment.

There are many opinions on how to accomplish this. Since we established our plants, we have been following the motto of “simplicity and fortitude.” While it is true that it is aesthetically pleasing to continue to use old things, we also wondered if the younger generation would be able to work there comfortably. We found that it was necessary to make improvements. We decided to utilize the assets left to us by our predecessors as part of these improvements.

From the perspective of human capital management, another area of focus is the expansion of training opportunities. To ensure that each and every employee feels a sense of job satisfaction and growth, we have prepared a system that encourages training through e-learning, reskilling for software engineer development, and outside challenges, while also rewarding those who acquire national certifications. In addition, reflecting on the fact that there have been few training opportunities for female employees in the past, we provide equal opportunities to employees of all ranks, regardless of gender. Also, the opportunity to visit other companies through cross-industrial exchange seems to be very stimulating. We are beginning to see positive changes, as employees are making suggestions more proactively after going to other companies and gaining new insights. It is the role of management to make this vortex of change that has begun to move in various areas grow, and if we can energize the middle management, I am hopeful that the vortex will continue to grow, with small becoming medium, and medium becoming large.

It is also undesirable to work with a sense of uncertainty about the future. With a cycle in place where employees have opportunities to learn outside the company, and they are able to grow and develop by continuing to learn new things, it will surely give our employees a sense of security.



New Technology Development Building fusing co-creation and manufacturing (completion slated for 2027)

Of course it is important for people to appreciate that Tokai Rika has ample opportunities for training; in other words, that we invest money in our people, but what we really expect is for people to simply think, “The company has been interesting lately,” and, “I want to work for Tokai Rika as long as possible.” I believe that is the best thing.

Tokai Rika’s vision beyond the realization of its growth strategy

We have formulated our Purpose on this occasion. We believe that Tokai Rika exists for its employees and for the people and communities around us. We want to be a company where employees can work with peace of mind and enjoy their work, and where the community and customers can rely on us. To achieve this, of course, we must survive and continue to generate profits. What we know is that our existing business will shrink in the future. We need to deliver our products to our customers while firmly protecting those parts of our business that will not be reduced to zero, and we need to develop new businesses in the world of cars and in the world outside of cars.

As I have said, we cannot rely on automobiles forever and look to new opportunities. We must also look to novel approaches. That is, we must be a company that can engage in businesses other than cars on an equal footing.

Gaming keyboards are the best example of this, but there may be another way of saying that we are a company that does everything.

In that sense, as we use backcasting from our Purpose for the next 10 years, we want to create new pillars. Up until now, we have been directed one way or another by automobile companies to create these pillars. Going forward, we will independently create our own pillars in areas other than automobiles. At this point, we do not yet have anything that we can say is a new pillar, but we are working together toward this end.

To achieve this, the organization must also change to an amoeba-like co-creation style. Time has run out for our conventional organization that cannot take even a single step forward until it receives permission from top management. If something is not working, it can be stopped at any stage, so we are building an organization that can make decisions and execute them immediately without worry.

The last thing I want to say is that the happiness of our employees is my happiness. There is a saying, “For the sake of the world and for the sake of others.” You can say this only when people are truly happy. I believe that pursuing the happiness of our employees will lead to the realization of our Purpose.



President Ninoyu, Vice President Sato, and company employees congratulate fellow employee Tokito Oda, a wheelchair tennis athlete who won a gold medal in singles and a silver medal in doubles at the Paris Paralympic Games.



TOKAI RIKA Integrated Report 2024



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Editorial policy

We have been publishing the Tokai Rika Report as an integrated report since 2017. This year's report has been renamed the "Tokai Rika Integrated Report" and focuses on the value creation story centered on our newly defined Purpose and Vision, showing what we aim to achieve and how we will achieve sustainable growth through value creation, supplemented by details of our sustainability promotion on our sustainability website.

Applicable scope

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

Target period

From April 1, 2023 to March 31, 2024

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

January 2025 (Previous issue: September 2023, Next issue: Scheduled for September 2025, issued once a year)

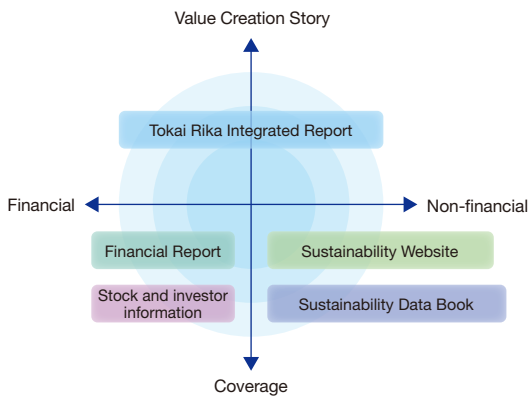
Reference guidelines

- ISO 26000 (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 2023). (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



Other Certifications



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 sustainability based on our business philosophy and growth strategy (mid-term management plan).

INPUT

Management Capital [P17-18](#)

	Financial capital <ul style="list-style-type: none"> Operating 28.8 billion yen profit ROE 8.3% Shareholders' 248.9 billion yen Equity
	Production capital <ul style="list-style-type: none"> Bases 10 domestic locations 24 overseas locations Capital 23.5 billion yen expenditures
	Intellectual capital <ul style="list-style-type: none"> R&D expenses 30.5 billion yen No. of patents held 2,530
	Human capital P37-42 <ul style="list-style-type: none"> No. of non-consolidated 6,061 people employees No. of consolidated 20,247 people employees Unconsolidated training 11,000 yen cost per person
	Social capital <ul style="list-style-type: none"> No. of suppliers 1,332 companies Dialogue with institutional investors and analysts (unconsolidated) 75 times
	Natural capital <ul style="list-style-type: none"> Energy usage (consolidated) 1.14 million GJ Raw material input (unconsolidated) 23,282 t Water withdrawal 909 thousand m³ (consolidated)

(FY 2023 figures)

Business Model [P19-20](#)

Growth Strategy [P23-30](#)

Expanding the scope of our business to goods and services needed by society



Appeals from society and social issues

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

OUTCOME

Value Created



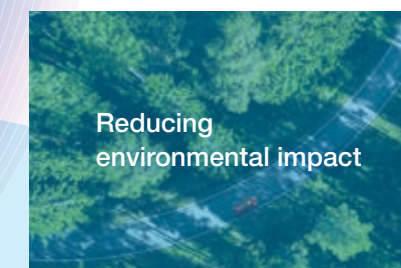
- Consolidated net sales of 623.5 billion yen in FY 2023
- Acquisition of BAMBOO+ factory (March 2024) [P31-32](#)
- Bqey (company-car management system): over 360 companies and 9,000 vehicles under contract (March 2024)
- Uqey (rental car system: 37,000 app downloads, 17,000 registered members (March 2024)
- ZENAIM (gaming keyboard): achieved sales of 100 million yen in FY 2023



- 4,049 employees attended the exhibition on past quality defects
- Renewed the Ministry of Economy, Trade and Industry certification as a "DX-Certified Operator" (September 2023)



- 68.4% of employees feel their work is worthwhile, up 8.6% year on year
- Female manager ratio: 1.9%, up 0.3% year on year

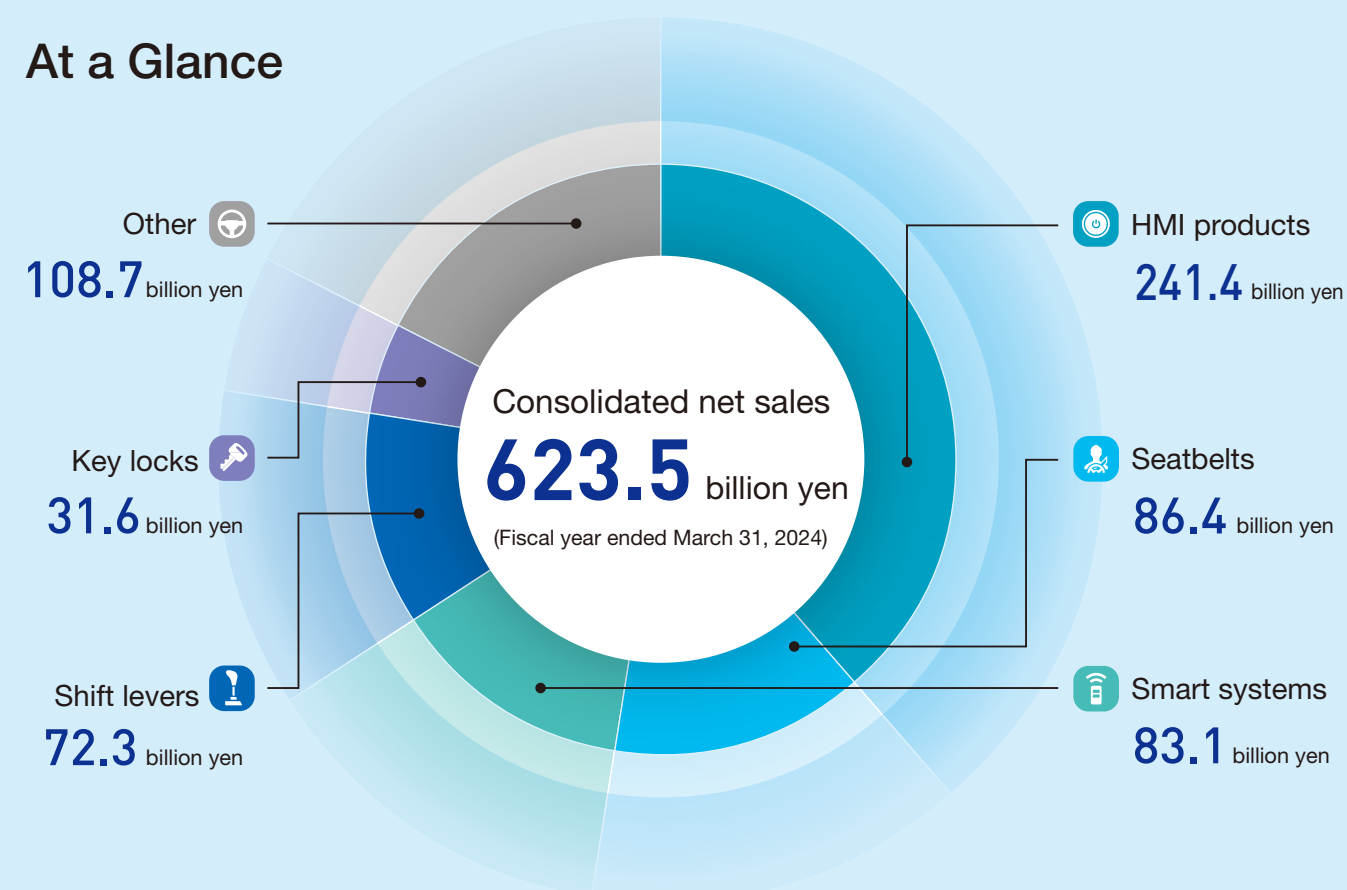


- CO₂ emissions reduction rate (consolidated) -11.3% (compared to FY 2019)
- Reduction rate of water usage (consolidated) -20.2% (compared to FY 2019)
- Waste materials reduction rate (unconsolidated) -14.7% (compared to FY 2019)



- Ratio of independent directors: 50% (3 out of 6)
- Number of consultations and reports: 60
- Total employees who participated in compliance education: 1,519

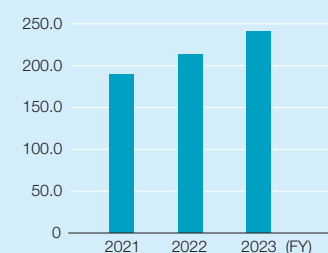
At a Glance



HMI products

Consolidated net sales: **241.4** billion yen

HMI products net sales (billion yen)



Main products

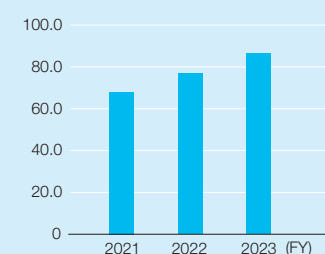
- Multi-function switch
- Steering switch
- Power window switch
- Heater control switch



Seatbelts

Consolidated net sales: **86.4** billion yen

Seatbelts net sales (billion yen)



Main product

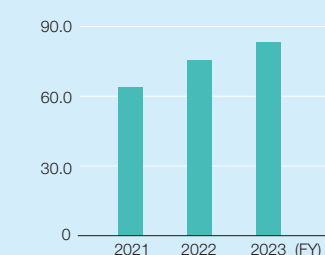
- Seatbelt



Smart systems

Consolidated net sales: **83.1** billion yen

Smart systems net sales (billion yen)



Main products

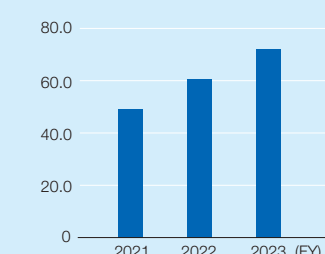
- Smart key portable device
- Power supply ECU
- Receiver
- Antenna



Shift levers

Consolidated net sales: **72.3** billion yen

Shift levers net sales (billion yen)



Main products

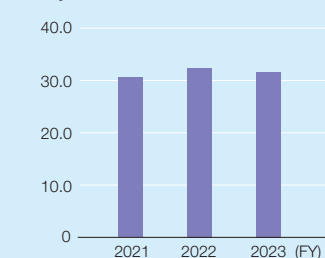
- Shift by wire shifter
- Shift lever



Key locks

Consolidated net sales: **31.6** billion yen

Key locks net sales (billion yen)



Main products

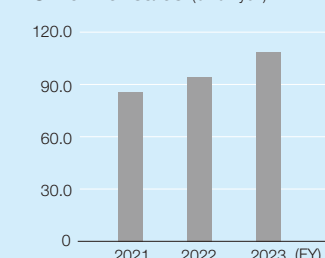
- Electronic key
- Immobilizer key
- Key cylinder



Other

Consolidated net sales: **108.7** billion yen

Other net sales (billion yen)



Main products

- Steering wheel
- Outer mirror
- Emblem
- Custom IC
- Digitalkey
- Gaming keyboard



Progress in Solving Social Issues

Since its foundation, Tokai Rika has been working to reduce traffic accidents, prevent theft, and reduce fatalities in traffic accidents through its products.

Although our business has expanded beyond the automotive industry, our commitment to solving social issues remains unchanged.

Company History

1948–1970

From company founding to business expansion

1971–1985

Establishment of technology and quality

1986–2000

Progression to a global company

2001–

Toward further growth

Progress in Solving Social Issues

Traffic Accident Reduction

Controls are placed at your fingertips, allowing you to concentrate on driving

1963

Lever-style Blinker Switch

We moved switches on the instrument panel to the area around the steering column.

1967

Shift Lever

Recognizing that automatic transmissions were becoming more and more common in the United States, we developed a shift lever.

1970s

Multi-function Switch

In addition to blinkers, we moved the various light and wiper switches to the area around the steering column for improved operability and safety.

1982

Collective Switch

We concentrated the switches most used while driving in the area around the steering wheel.

1993

Power Window Switch (with Anti-pinch Function)

We built in an electronic protective circuit to improve safety with regard to pinching accidents.

2003

Shift by Wire Shifter

We developed an electronic shift lever ideal for hybrid vehicles and electric vehicles.

2014

Touch Pad

We developed an advanced control device based on smartphone-style touch control and pulsation feedback.

Theft Prevention

We developed mechanical and electronic controls for door locks and ignition

1963

Steering Lock Assembly (Mechanical)

We developed a mechanical steering lock device to prevent theft.

1966

Reversible Key

We cut grooves on both sides of the key, developing a key that could be inserted either way.

1983

Wireless Key

At the request of a courier company, we developed an electric key that enables locking and unlocking doors at a distance from the vehicle.

1989

Inner Sidewinder Groove Key

We developed a key that is difficult for ordinary locksmiths to duplicate due to its inner sidewinder groove.

1994

Immobilizer

We adopted encryption technology due to the ever-growing need for vehicle theft prevention, and we hastened the pace of making security products electronic.

1999

Key Free System

We developed Japan's first smart key system, which combines theft prevention with convenience.

2003

Smart Entry and Start System

We developed a smart key system that provided even more advanced theft prevention and convenience.

2022

TOKAI RIKA Digitalkey® Full-scale launch of digital key business and establishment of TOKAI RIKA Digitalkey® brand

In FY 2022, we launched Bqey, a company car management system service, and Uqey, an unmanned car rental system service.

Reducing Fatalities in Traffic Accidents

Pursuing realistic passenger protection capabilities while complying with laws and regulations

1962

Two-point Seatbelt

We developed a seatbelt based on our estimation that a time was coming in which vehicle occupants would demand greater safety.

1968

Three-point Seatbelt

We developed a three-point seatbelt that secures not only the waist but also the shoulders.

1976

Seatbelt with Tension Reducer

We added a function to loosen the seatbelt while it is being worn.

1994

Seatbelt with Pretensioner

We added a function that improves vehicle occupant restraint by sensing the impact in the event of a collision and retracting the seatbelt.

1997

Seatbelt with Force Limiter

We added a function to lower the force of seatbelt being wound up by the pretensioner.

2003

Seatbelt with Motor Retractor

We developed a seatbelt for a pre-crash safety system that improves safety by activating before an impact.

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

P33-36

Our earning power is steadily improving due to the post-pandemic recovery of sales and the price pass-through of inflationary costs.

In FY 2023, we were able to secure a record level of operating profit in real terms, excluding the impact of quality-related expenses.

In FY 2024, we expect operating profit to increase compared to the previous year, despite the burden of advance investments in growth strategies and human resources.

We will work to further enhance our corporate value through our business and capital strategies.

FY 2023 Results

Operating profit **28.8 billion yen**

ROE **8.3%**

Shareholders' equity **248.9 billion yen**



Production Capital

In order to improve our production system in response to orders, we plan to complete the tertiary expansion: our Tokai Rika Tohoku plant to respond to sales expansion mainly to Toyota, our northern India base to respond to sales expansion to Suzuki, and our Mexico base to respond to sales expansion to North American OEMs, such as Ford.

FY 2023 Results

Bases **10 domestic locations**

24 overseas locations

Capital expenditures **23.5 billion yen**

➤ **Establishment of a new company and expansion of factory sales in conjunction with sales expansion**



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.

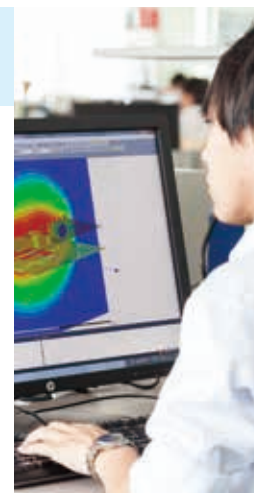
Additionally, as our B-to-C business expands, we are also focusing on protecting confidential information, including personal information and intellectual property. In May 2023, we obtained the Information Security Management System (ISMS) International Standard "ISO27001" certification.

FY 2023 Results

R&D expenses **30.5 billion yen**

No. of patents held **2,530**

➤ **Invest 5-6% of sales in R&D expenses every year**



Human Capital

P37-42

We believe that the key to realizing Tokai Rika's growth strategy is to promote our business strategy, which is the foundation for realizing our growth strategy, and our human resource strategy, which is linked to the business strategy. We will also accelerate the reinforcement of our corporate functions

We regard our employees as important assets or "capital" of the company, and have set forth three pillars in our basic human resources policy to continuously increase their value.

FY 2023 Results

Employees
Unconsolidated **6,061 people**

Consolidated **20,247 people**

Unconsolidated training cost per person **11,000 yen**

➤ **Reinforcement of corporate functions**



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.

FY 2023 Results

No. of suppliers **1,332 companies**

Dialogue with institutional investors and analysts **75 meetings**

➤ **Conducting dialogue with multiple stakeholders**



Natural Capital

P45-48

As part of the process to achieve carbon neutrality by 2050, we have set the goal of "Carbon Neutral Strategy 2030" and are steadily advancing our activities in the areas of production, products, and procurement to achieve its targets.

In order to further reduce carbon emissions after 2030, we will take on the challenge of making innovative changes to our designs, including the materials and construction methods we currently use, without being bound by conventional methods.

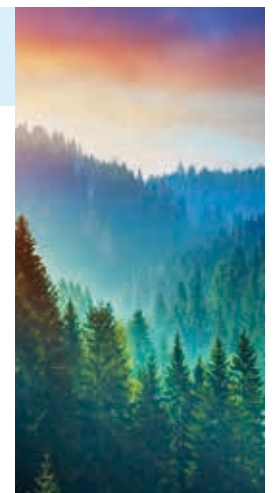
FY 2023 Results

Energy usage
Consolidated **1.14 million GJ**

Raw material input
Non-consolidated **23,282 t**

Water withdrawal
Consolidated **909 thousand m³**

➤ **Making innovating changes to our designs**



Business Model

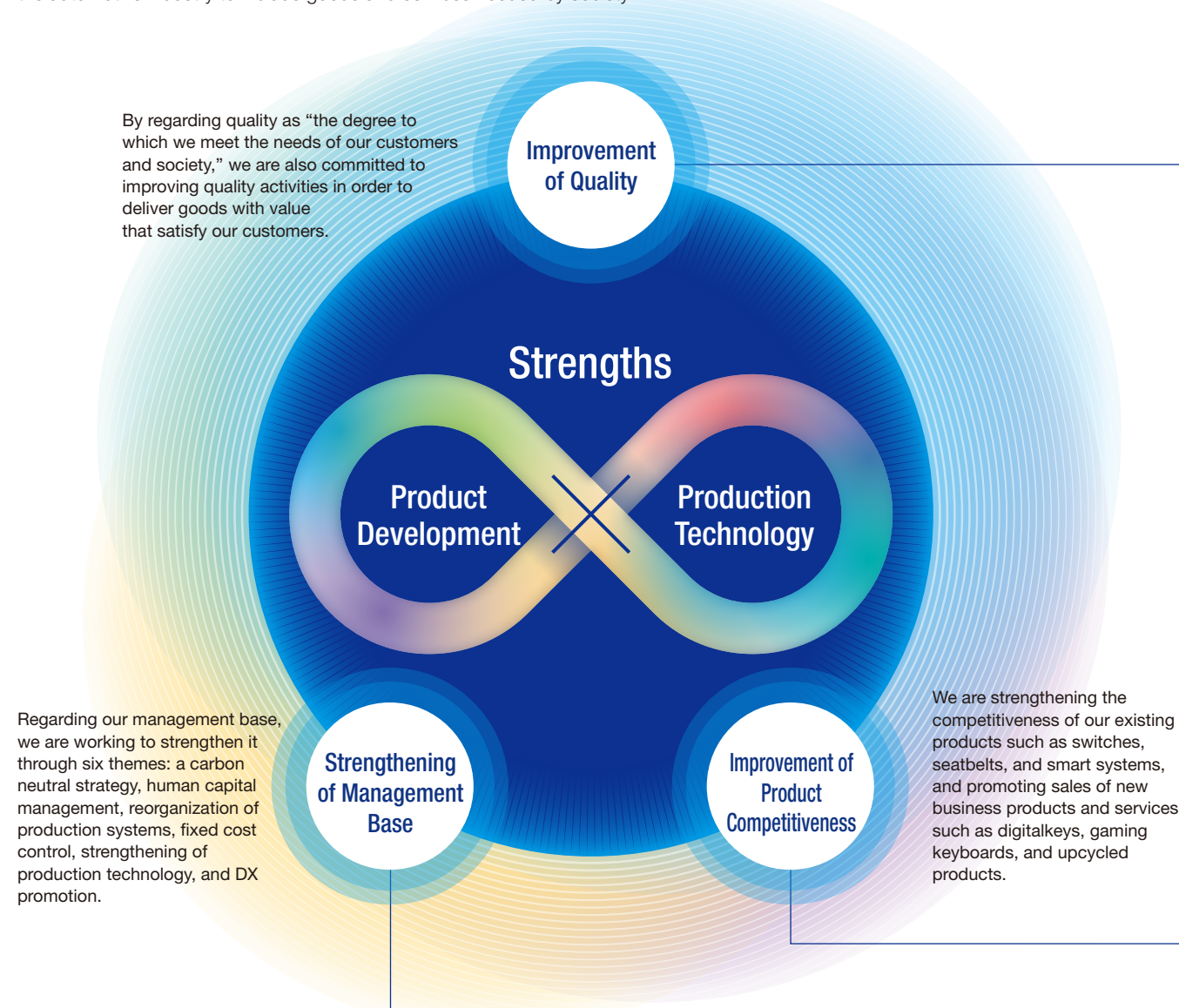
We have built a manufacturing structure that makes full use of core technologies supporting technological development and world-class production technologies through improvement of quality, increasing product competitiveness, and a management base that supports these efforts.

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 inhouse, 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.

In our growth strategy announced in May 2024, we are exploring new business models to expand the scope of our business beyond the automotive industry to include goods and services needed by society.



Strengths

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.



Materiality

After identifying risks and opportunities for materiality, goals (KPIs) are set and policies are managed.
The materiality was reviewed by the Board of Directors in September 2024.

Solving problems through business

Solve social issues through innovative product development

- Product development that solves social issues



Support customer safety and security

- Customer safety and quality assurance
- Promotion of information security and cyber security



Basic activities that support business

Increase motivation to work and promote growth and contribution to society

- Health and safety
- Human resource development
- Diversity & inclusion



Reduce the burden on the environment

- Response to climate change
- Sustainable resource use



Reduce barriers to fair business practices

- Respect for human rights
- Fair trade (anti-corruption and anti-competitive behavior)
- Sustainability penetration in the supply chain



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)

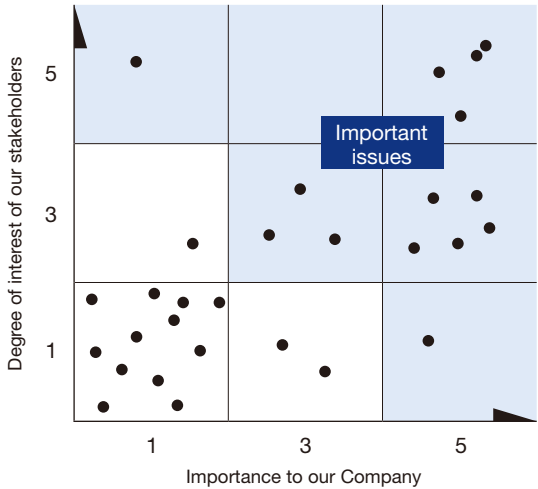
Adding points to the issues that the external evaluation organization pays attention to and the number of companies that consider items important among the four benchmark companies, we stratified them into three grades (evaluated by a third-party organization).










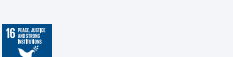

3 Confirmation of important issues (materiality)

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 11 important issues (14 issues were aggregated) have been identified.



	Materiality	Ideal situation	Risks	Opportunities	Initiatives for FY 2023	Goals (KPIs) for FY 2024	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 marketing 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 and cyber security	Appropriate management of information assets to prevent confidentiality leakage, falsification of information, and discontinuance of services	• Shutdowns due to cyber attacks • Impact on customer operations • Decreased reputation	• New customer development	• Implementation of training on recovery using backups • Provision of guidance and education to suppliers	• Implemented activities to achieve Level 2 of the Automotive Industry Cyber Security Guideline • Conducted recovery drills for 24-hour production recovery in the event of an incident	
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 lifestyle improvement activities • Promotion of mental health activities • Continuous acquisition of “White 500”	• Reduction of employees with obesity → BMI of 25 or more: 26% • Decrease in mental health issues → Leave of absence: 3.5% Presenteeism: 20.0% • 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	• Secondment to different industries • Reinforcement of rank-based training	• Training for problem-solving training instructors → Improvement of leadership skills → Appropriate advice to trainees → Improved understanding • Introduction of on-demand training → No. of trainees: 600	
	Diversity & inclusion	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	• Creation of opportunities for organizational climate reform through cross-industrial exchanges • Lectures by leaders of different industries • Courses on information sensitivity (lectures, self-management seminars, etc.) • Initiatives to support the endeavors of athlete human resources • Promoting understanding of employment of people with disabilities • Initiatives for career autonomy	• Support for information communication and activities of subsidiaries, affiliated companies, and partner companies • Holding lectures by leaders of different industries and cross-industrial exchange meetings • Holding self-management training • Holding diversity management training • Information disclosure about job openings in a variety of career paths (outside of the company) as post-retirement options • Introduction of a training program for athlete human resources for their post-retirement	
	Response to climate change	Achievement of carbon neutrality	• Increase of natural disasters • Increase of energy costs.	• Contribution to solving global warming problems	• Expansion of the introduction of renewable energy • Reduction of energy consumption through rigorous energy conservation • Development of low-CO ₂ material BAMBOO+	• Energy-related CO ₂ emissions • Consolidated: 102,882 t-CO ₂ or less, Unconsolidated: 43,495 t-CO ₂ or less • Renewable energy rate: 12.8% or more • Transport CO ₂ emissions: 2,863 t-CO ₂ or less	
	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	• Reuse of plastics • Reduction of packaging materials in logistics • Development of upcycled products • Use of recycled water (semiconductors, plating)	• Waste materials base unit: 0.37 t/million pieces • Packaging and wrapping materials base unit: 0.542 t/100 million yen • Water intake (unconsolidated): 551,000 m ³	
	Respect for human rights	Consideration of the human rights of all stakeholders	• Decline in competitiveness of recruitment and stock price due to loss of reputation • Suspension of transactions due to failure to meet procurement standards	• Increase in productivity through heightened motivation of employees and suppliers • Increase in orders received by improving customer confidence	• Implementation of human rights due diligence (DD) on some suppliers • Continuous study sessions with suppliers • Revitalization of the consultation service and workplace counselor system as part of the relief mechanism	• Human rights education for the Group and suppliers • Human rights DD on the Group and suppliers	
	Fair trade (anti-corruption and anti-competitive behavior)	Conducting business activities in a fair and corruption-free manner	• Participation in misuse of power and position • Promotion of unhealthy markets	• Promotion of sound public-private and private-private exchanges • Establishment of a fair free competitive market	• Education for preventing bribery (education before overseas assignment)	• Continuation of legal checks prior to all meals with public officials, etc.	
	Sustainability penetration in the supply chain	Prevention of indirect involvement in anti-environmental and anti-social activities	• Aiding and abetting anti-environmental and anti-social behavior	• Improvement of environmental and social sustainability	• Dissemination and promotion of supplier Sustainability Guidelines • Activities to spread sustainability among suppliers through supplier meetings • Deep understanding of the content of the human rights DD part → Revision of supplier Sustainability Guidelines	• Assessment of the current status using the revised Sustainability Guidelines checklist	

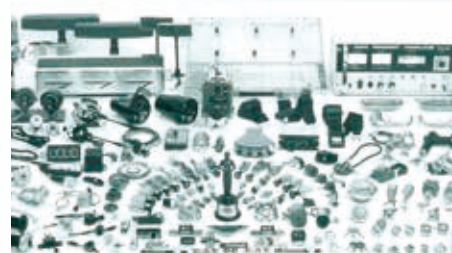
Tokai Rika's Growth Strategy

As vehicles have evolved, Tokai Rika has improved its technologies and provided products that connect people and vehicles.

Going forward, we will make good use of the strengths we have cultivated and, along with proceeding to develop products and services in the field of mobility, which has evolved from the concept of vehicles, we will pursue the improvement and deepening of our technologies in other fields, thereby expanding our reach to include goods and services. We will also develop and propose goods and services that contribute to well-being and a sustainable society, and aim for harmony between these goods and services.

TOKAI RIKA'S ORIGIN

Origin of the name
TOKAI RIKA



Doing anything and everything, that is our DNA

東海理化電機製作所

Tokai Rika's DNA can also be seen in our name. Our full company name in Japanese (above) includes some of the same characters used in the Japanese words for "physics (物理)," "chemistry (化学)," "electronics (電気)," and "machinery (機械)." Our founder included these concepts to represent us as a company that is capable of anything.

TOKAI RIKA'S PRESENT



The strength of having delivered products that connect people and vehicles

We didn't stop with the assembly of switches. By working on molding, machine pressing, casting, forging, dies, facilities, semiconductors, electronic assembly, and software we gave ourselves a wide range of proprietary technology. We also responded to the changes in vehicles, and have changed our product lineup through mechatronics, computerization, and moving to software.

Vision

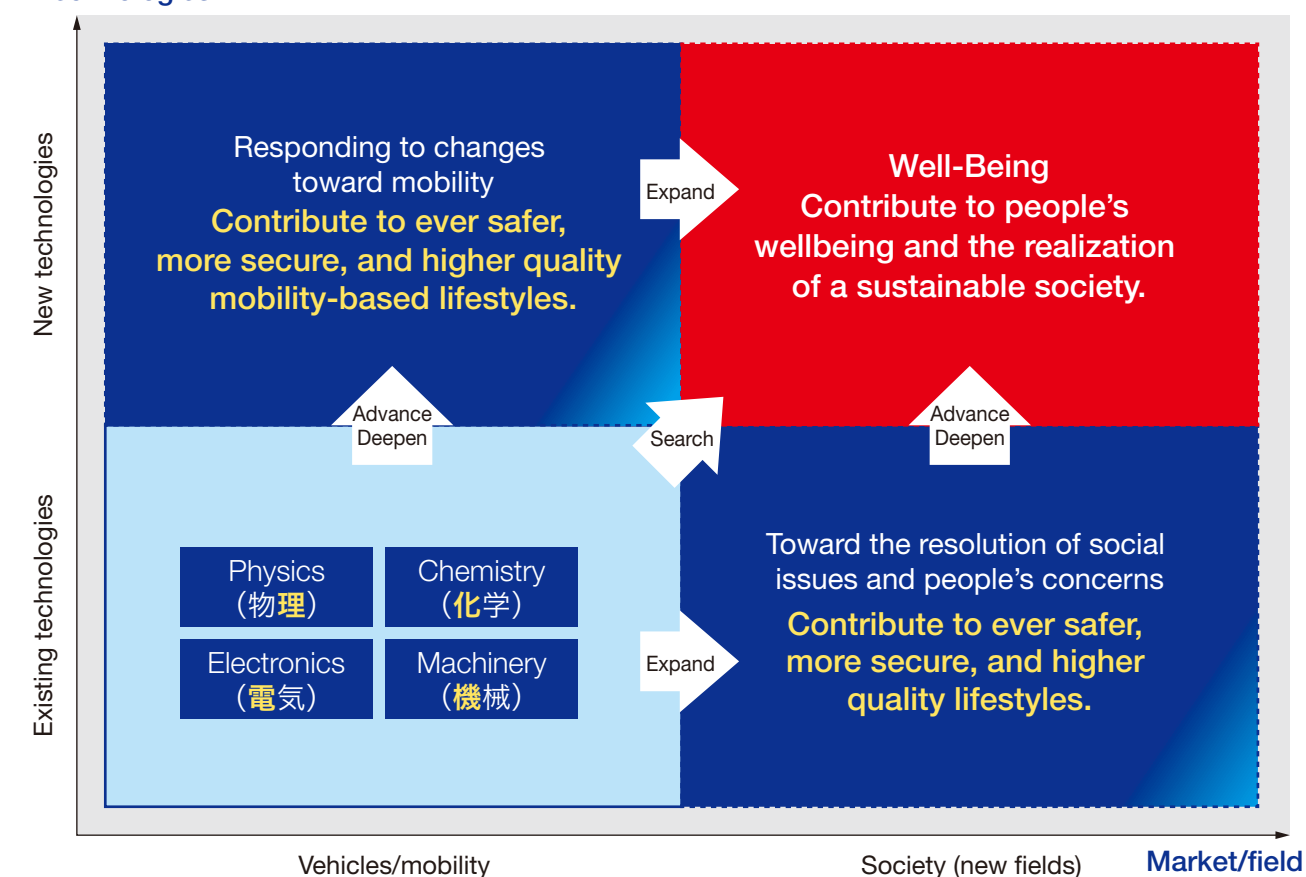
Enhance our technologies in the fields of physics, chemistry, electronics, and machinery that we have nurtured through vehicle development to provide products and services that contribute to the community and the environment, and to

help realize an ever safer, more secure, and a higher quality of life.

TOKAI RIKA'S FUTURE

■ Growth strategy

Technologies



Fusion of goods and services for resolving social issues

To fulfill our purpose:

Putting on the final touch

Even the most advanced technology and systems are useless if there is a discrepancy with human sensibilities. In order to implement technological advancements into society, it is necessary to put on the "final touch" to resolve the discrepancy. Tokai Rika will contribute to the realization of a sustainable society by putting on these final touches.

Tokai Rika delivers the world's first digital outer mirrors



In comparison with conventional optical mirrors, digital outer mirrors have a greater field of view, better viewing conditions in bad weather, and various other improvements for vehicular safety.

To make it practical, it was necessary to develop a housing to mount the camera on a car and maintain the camera's functionality in all environments, such as rain, snow, and fog.

We contributed to the realization of the world's first digital outer mirror by working on the final touches with the housing, lens, and heater to meet regulatory requirements and to keep the camera's field of view in all environments.

Tokai Rika's Growth Strategy Initiatives for Existing Products

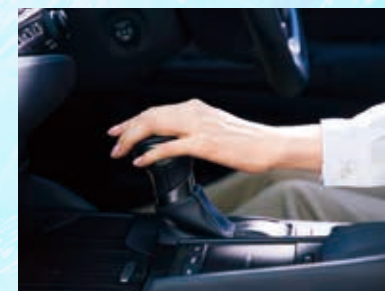
There is a shift to adding value to products and services that respond to changes in the vehicle cockpit, such as moving to Software Defined Vehicle (SDV), which increases and enhances functionality through software updates. On the other hand, vehicles and mobility are not complete without a company that continues to improve and supply existing products that are still necessary even as the cockpit changes.

Based on our Purpose: "Pass on our founding spirit and forge connections between technological evolution and people to turn the delight into reality," Tokai Rika is committed to contributing to customers and users by both taking on the challenge of adding new value and both improving and supplying existing products.



Comfort Delivering comfort

Building human interface systems that convey the driver's intent to the vehicle



Security Supporting ease of mind

Protecting one of your most valuable assets, your vehicle with our advanced security systems



Safety Maintaining safety

Protecting the lives of you and your passengers safety products you can trust



1 Steering column switches

To improve functionality and safety, switches and other interfaces will gradually be moved from the instrument panel/console to the steering column area. We are making proposals, such as optimal functional arrangement in the steering column area.



2 Dashboard switches

Euro NCAP, The European New Car Assessment Programme, has recommended that direct operation continue to be used for functions related to safety and driving, to ensure safety. In response to this, we will continue to supply products that contribute to safe and reliable driving.



3 Shift-by-wire shifter

This product uses electric signals to operate the transmission. When compared to conventional shifters, shift-by-wire allows for compactness and designability. We expect adoption of shift-by-wire to increase based on the trend toward auto-drive and electrification, and we will aim for the top share in the world.



4 Smart systems

In response to digitalkeys, we will develop and propose system components such as mobile transmitters, receivers, and antennas.



5 Seatbelts

In response to changes in demands for functionality of seatbelts, which are the last defense to ensure safety, and increasing demands for safety, we are developing and making proposals.



Production system improvement

As vehicle cockpits evolve, the reduction of switches (and other physical interfaces) has been occurring at a slower pace than expected, and the importance of direct operation is being re-discovered.

With this in mind, we are focusing on our major business regions as we continue to improve our production and distribution systems for existing product orders. (Japan/North America/India)

Japan



TOKAI RIKI TOHOKU CO., LTD.

North America



New TRMX plant

India



New RMN plant

Tokai Rika's Growth Strategy

Contribute to Ever Safer, More Secure, and Higher Quality Mobility-based Lifestyles

Our goal is to further subliminate the technologies we have cultivated to create a relaxing space and develop products that adjust to the state, emotions, and health of passengers to make travel even safer and more secure. A representative initiative is our research into intelligent cockpits.



A conventional cockpit



A next-generation mobility cockpit



Development and proposals for new products and services that align with changes in mobility

We will continue to create products that notice people, predict their intentions, and respond to them.

Development concepts for intelligent cockpits: Developers' thoughts



Naofumi Kato

New Product
Development Division

Vehicle cockpits traditionally focus on safety and security during movement, but today there is also demand for richer user experiences (UX).

There are expectations that vehicles be not only a means of getting to one's destination, but also be comfortable spaces and provide a new lifestyle. UX will likely be even more important going forward, and it will be necessary to bring about innovations that meet the needs of people riding in the cockpit.

But no matter how much technology evolves, we have to remember that it is people that ride in vehicles. In order to properly implement new ideas in automobiles, we must fully

understand people's fundamental needs, then provide designs and functions based on those needs. That is important in the evolution of cars.

We're always "people-centric" when we consider automobiles and mobility, and this has guided our commitment to providing fulfilling experiences that meet our users' expectations. In addition to technology, we believe that personal experiences and ease of use will become ever more important for drivers and passengers.

This way of thinking is embedded in our development process for intelligent cockpits that notice people, predict their intentions, and respond to them.

When creating the latest cockpit, it is vital to provide safe and comfortable environments for driving and spaces that connect with society, and this is part of our goal to improve the overall value of cars by contributing to more fulfilling user experiences (UX).

In our efforts to achieve this goal and make new advancements, we are focusing on providing society with next-generation technologies such as sensing of vital signs, estimation of emotions, and sensing of skeletal structure.

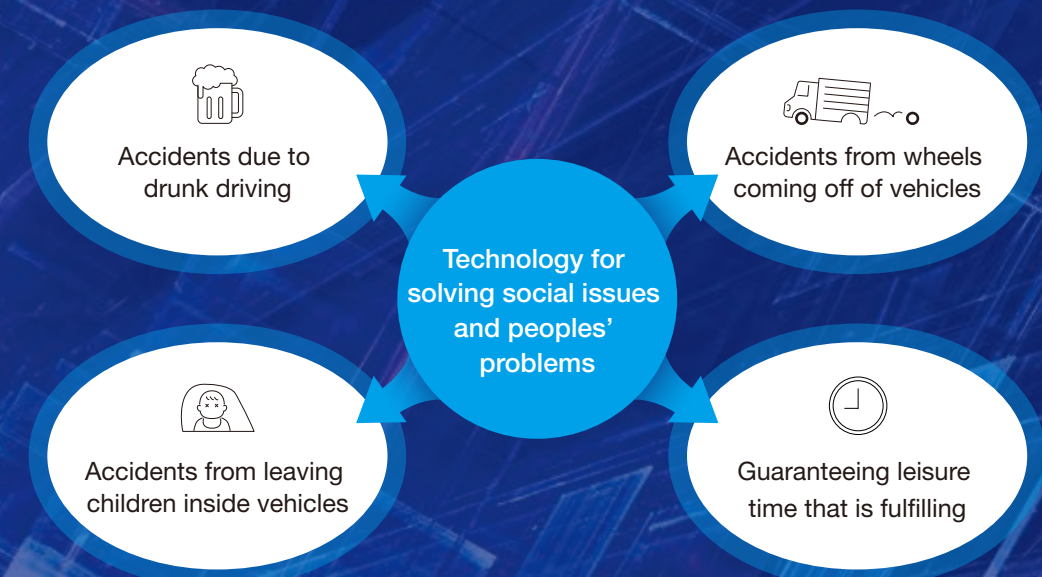


Tokai Rika's Growth Strategy

Contribute to Ever Safer, More Secure, and Higher Quality Lifestyles

By making good use of the technologies we have cultivated and our experience and developing solutions for social issues and people's problems, we can aim to realize better lives for the people in society.

Safety and security are the number one priority in people's lives, and we use this as a starting point in our pursuit of fulfilling time and lives that meet the values and preferences of various people.



Aim to bring about a better society and better lives for people by using the technologies and experience we have cultivated with vehicles.

| Safety and security

Vehicles make society and people's lives more convenient and comfortable, not only as a means of transportation but also for logistics and other purposes. At the same time, however, there have been unfortunate accidents caused by vehicles, such as drunk driving, accidents caused by wheels coming off, and accidents involving children left inside vehicles.

By using the technologies we have cultivated and our experience to create new value, we can prevent the accidents that occur in relation to the vehicles that are essential to the development of society going forward, and we can aim for the realization of a society where anyone can enjoy safety and security.



In response to the longstanding social issue of drunk driving, our company car management system, Bqey, was one of the first services introduced to respond to mandatory alcohol checks for corporate clients when travelling on business. Truck wheels coming off is another problem that has been occurring more frequently. We are currently developing a system that can predict wheels coming off, and we are currently proceeding with preparations to put it on the market. We were also one of the first to provide a system for preventing children from being left in school buses, and we are now working toward methods for preventing such accidents in private vehicles.



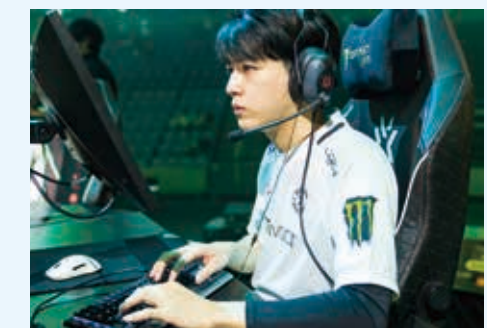
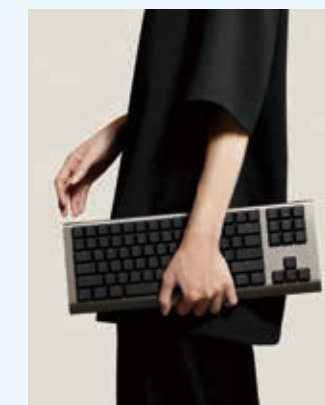
| Leisure

With a bit of a playful spirit, we are also trying to bring about the "higher quality" of "safer, more secure, and higher quality," and are working on businesses with the theme of how to enhance free time for activities that are expected to increase in the future.

We have launched the Uqey service that connects rent-a-car companies and customers that use digitalkeys in the diversifying travel and tourism industries. The ZENAIM KEYBOARD for gaming is another symbol of the evolution in Tokai Rika.

One of our younger employees, who is a fan of gaming, wondered if Tokai Rika's technologies and experience could be used to solve the problems in existing gaming devices. This is how the ZENAIM KEYBOARD project was born.

Management didn't object, and our young employee's enthusiasm and vigor helped the project come to fruition.



Special
Feature 1

BAMBOO+ Paving the Way for the Future

As global warming and resource depletion become more serious, we urgently need to realize a sustainable society. Particularly in the manufacturing and materials industries, there is a growing emphasis on creating business models that reduce environmental impact and are in harmony with local communities. BAMBOO+, a biomass composite material, is moving forward toward new possibilities to contribute to wellbeing, environmental responsiveness, and local economies by maximizing the use of bamboo, a sustainable resource.

Contribution to the community and the Earth

The community and the Earth

This project is being carried out in cooperation with local communities. Regular harvesting of bamboo preserves the beauty of bamboo forests and satoyama, and the material also contributes to reducing the use of petroleum-derived materials.

We aim to realize a nature-positive future by building a sustainable business model that utilizes domestic bamboo.

BAMBOO+

Bamboo: a sustainable resource in Japan

Bamboo grows quickly and has less environmental impact than other materials, and has been a part of our lives for centuries. Today, however, bamboo forests are not well managed, and their rapid growth is actually causing problems. If left unattended, bamboo forests can encroach on surrounding forests, negatively impacting the ecosystem and landscape, as well as causing disasters. That is why it is important that we utilize bamboo as a resource and properly maintain it to make it sustainable again. Bamboo is a material whose supply is sustainable and of great value to our future.



The technological revolution of BAMBOO+

BAMBOO+ is a biomass material made from locally collected bamboo chips that have been converted into fiber using our proprietary technology and then composited with resin for industrial molding use.

BAMBOO+ BP5300 and BAMBOO+ BP5100 are composite materials containing at least 50% bamboo fiber with the addition of polypropylene-based resin. In particular, BAMBOO+ BP5300 contains half the amount of petroleum-derived components as conventional materials and has physical properties that can be used in automotive parts. Tokai Rika, which has been involved in the production of automotive interior parts that we touch with our hands, was able to speed up the development of this material by targeting the needs for the material and the strong desire of members to bring this material to the world as soon as possible. This material does not require painting or film decoration, and can be designed to take advantage of natural patterns and textures. It is expected to be well received by consumers seeking sustainable design. Further market expansion is anticipated, especially in the automotive industry, through its application as an interior material.

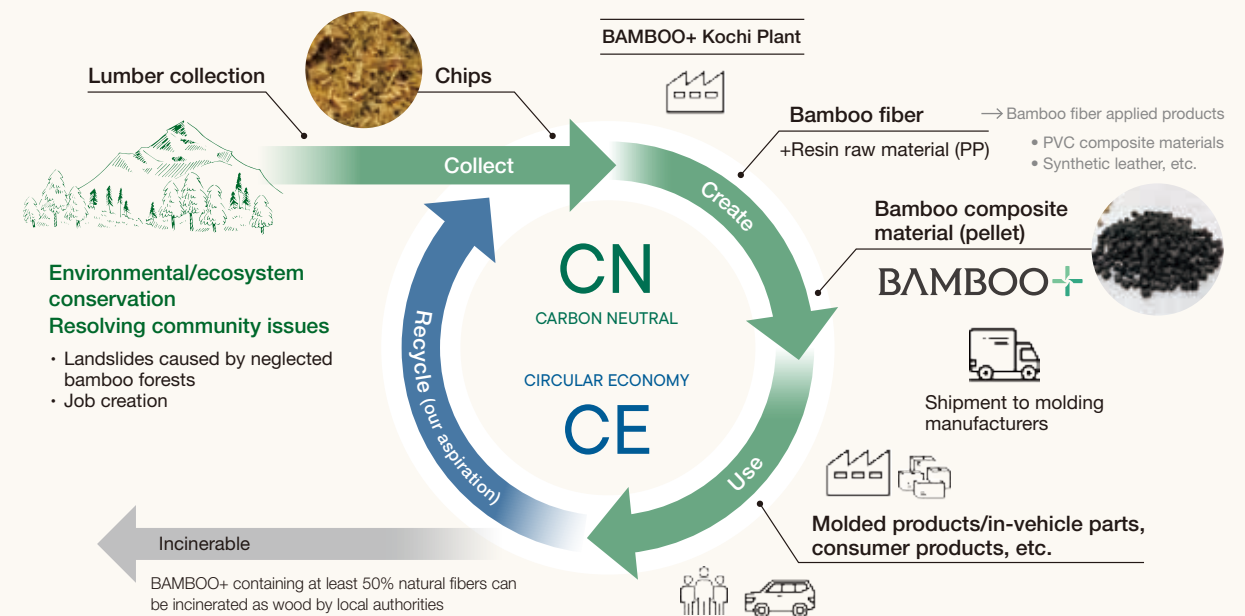
BAMBOO+
(pellet)



We have acquired the "Biomass Mark" certification of the Japan Organics Recycling Association



This material is made from plant-derived raw materials.



BAMBOO+ lets us envision a future that is not only environmentally friendly, but also contributes to the local economy and improves the wellbeing of society as a whole. Products made from sustainable bamboo fiber materials will play an even more important role in our daily lives.

With BAMBOO+, we will continue to take on the challenge of achieving the grand goal of carbon neutrality by 2050. We will continue to develop innovative technologies and strengthen our partnerships with local communities to create a future that is friendly to the earth and its people in order to realize a sustainable society.

We will strengthen our alliances with partners who share our vision and who will work together to shape our future.

Strategies and goals for growth

We plan to expand the BAMBOO+ business with the goal of achieving sales of 1 billion yen or more by FY 2030. As an important step toward this goal, we launched an in-house company in January 2024 to develop a business operation structure. This is not only increasing the speed of project development, but also revolutionizing the traditional way of working and promote innovative business development. Furthermore, in March 2024, we acquired our own plant in Kochi Prefecture and plan to begin full-scale production in the summer of 2025.

By FY 2030

Sales

At or above
1 billion yen





Eiji Kagohashi

General Manager of the
Profit Optimization Group

To improve our corporate value,
we will implement management
that satisfies all stakeholders driven
by both business strategy and
capital strategy.

Review of FY 2023 and Outlook for FY 2024

In FY 2023, sales increased significantly as the recovery in automobile production, which had begun in the second half of the previous fiscal year, continued throughout the full year. In terms of costs, the global inflation trend remained unchanged, with raw material prices continuing their upward trend. However, because our customers bore part of the increased costs, we were able to reduce the impact on our profits.

As a result, and also partly due to the effects of cost improve-

ment and the weaker yen, our net sales were 623.5 billion yen, an increase of 70.4 billion yen (12.7%) compared to the previous fiscal year, and our operating profit was 28.8 billion yen, an increase of 12.2 billion yen (73.0%).

For FY 2024 we will set an aggressive target for cost improvement beyond FY 2023, assuming that globally automobile production and sales will be uncertain in some regions and the inflation trend will continue, and all group companies will work together to promote our activities.

The revenue forecast for FY 2024 is for net sales of 600 billion yen and an operating profit of 30 billion yen as of the announcement of the second quarter results.

FY 2023 Consolidated Results (YoY)

Unit: billion yen Figures in parentheses show profit margin	FY 2023	FY 2024	Amount of change	Percentage change (%)
Net sales	553.1	☆623.5	+70.4	12.7%
Operating profit (Operating profit ratio)	16.6 (3.0%)	28.8* (4.6%)	+12.2	73.0%
Ordinary profit (Ordinary profit ratio)	24.0 (4.4%)	☆39.5 (6.3%)	+15.5	64.5%
Ordinary profit attributable to owners of parent (Ordinary profit ratio)	10.9 (2.0%)	☆24.8 (4.0%)	+13.9	128.0%
USD rate	134 yen	143 yen	+9 yen	—
EUR rate	139 yen	155 yen	+16 yen	—

*Includes 11.0 billion yen in back seat door handle opener switch quality expenses.

FY 2024 Consolidated Results Forecast as of 2Q (YoY)

Unit: billion yen Figures in parentheses show profit margin	FY 2023	FY 2024	Amount of change	Percentage change (%)
Net sales	☆623.5	600.0	-23.5	-3.8%
Operating profit (Operating profit ratio)	28.8 (4.6%)	30.0 (5.0%)	+1.2	4.1%
Ordinary profit (Ordinary profit ratio)	☆39.5 (6.3%)	28.0 (4.7%)	-11.5	-29.3%
Ordinary profit attributable to owners of parent (Ordinary profit ratio)	☆24.8 (4.0%)	20.0 (3.7%)	-2.8	-11.5%
USD rate	143 yen	149 yen	+6 yen	—
EUR rate	155 yen	160 yen	+5 yen	—

☆Indicates all-time high

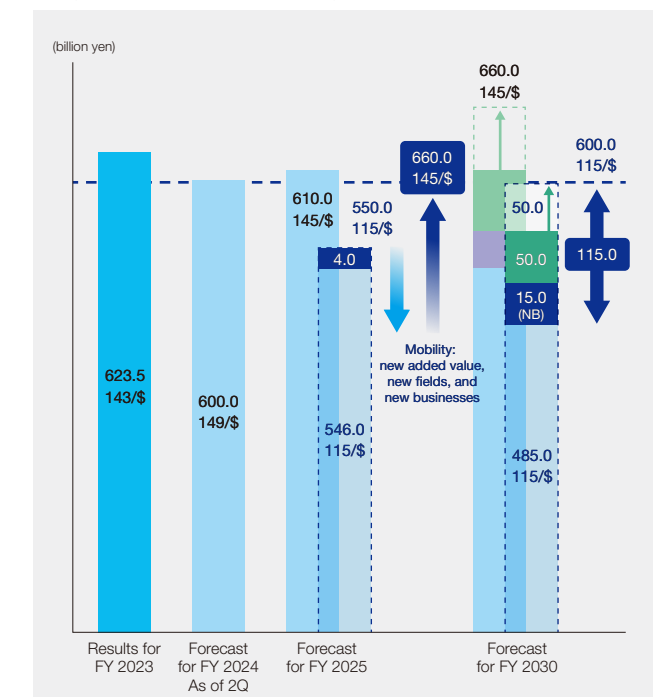
Mid-term Management Plan

In the mid-term management plan announced in May 2024, we shared with our stakeholders the progress of our initiatives as well as the challenges (growth strategy) for achieving our target vision for the future.

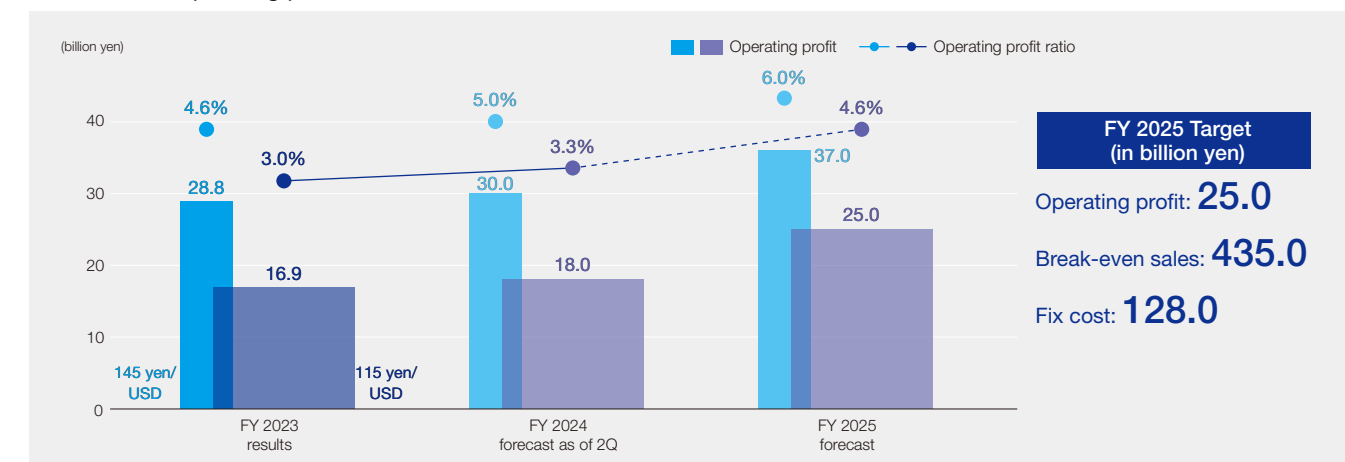
As our KPI targets for FY 2025, we set net sales of 520 billion yen, operating profit of 25 billion yen, break-even sales of 435 billion yen, fixed costs of 128 billion yen, and ROE of 8% or more, based on an assumed exchange rate of USD1: ¥115.

We are on course to achieve our targets for sales and operating profit as a result of increased automobile production, sales expansion, and cost reductions, and we aim to further increase these targets in the future. On the other hand, break-even sales and fixed costs will be impacted by advanced investment and increased labor costs. Therefore, we will pursue activities including thorough cost improvement for existing products, cost planning activities for new products, strengthening Simultaneous Engineering (SE) activities and front-loading, and effective use of resources, while maintaining balance with our growth strategy to achieve the KPIs for 2025.

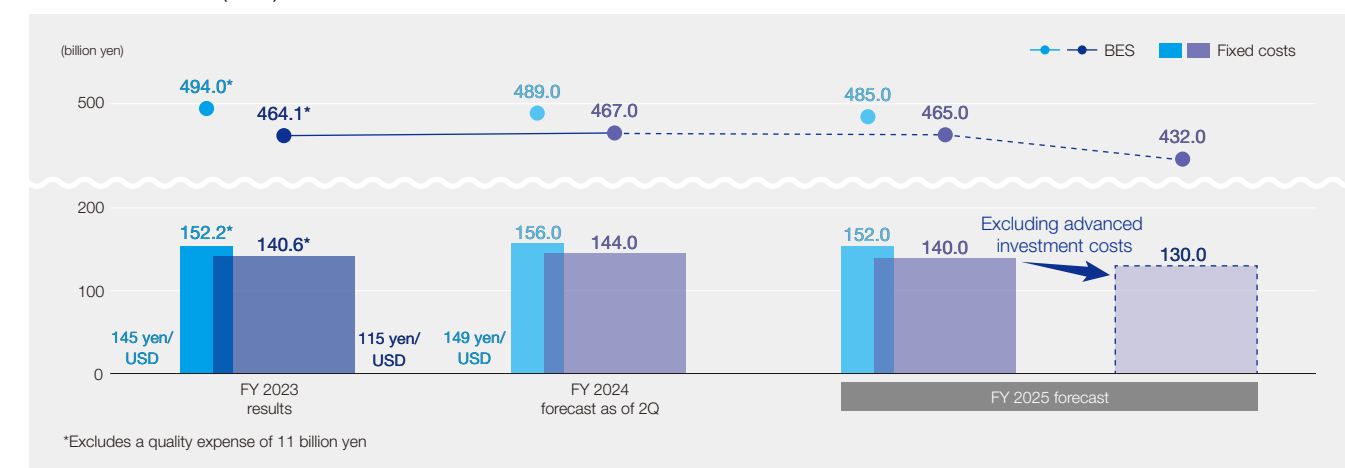
Progress of Mid-term Management Plan



Consolidated operating profit



Break-even sales (BES) and consolidated fixed costs



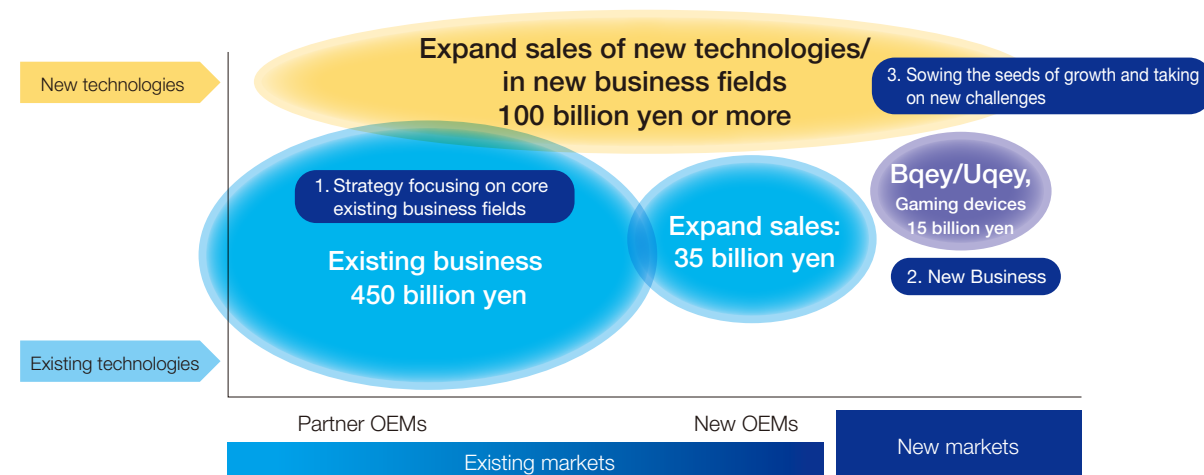
*Excludes a quality expense of 11 billion yen

For FY 2030, we have set a KPI target of realizing over 600 billion yen in net sales by realizing orders for new technologies and products and continuing to venture into new fields. In 2024, we established Tokai Rika Tohoku, a new company in Akita Prefecture, completed expansion work in Mexico, and completed and began operation of a new plant at TRMN in northern India. All of these initiatives will establish the production framework for expanding sales and strengthening competitiveness, and the preparations for realizing the sales targets for existing businesses have been completed.

In terms of our growth strategy and venturing into new businesses and fields for the future, we have developed the biomass material BAMBOO+ to contribute to the realization of a sustainable society. We have established a production plant in

Kochi Prefecture and we are currently preparing to start production. In addition, to contribute to ever safer, more secure, and higher quality lifestyles, we are also developing a remote monitoring system for a utomated driving, the wheel drop detection system Tengo Furai, and a support system to prevent children from being left behind in vehicles. We are also taking on the challenge of achieving higher quality free time with plans to sell gaming devices in the North American market, described as the home of e-sports, and are gradually expanding the service area for our digital key business. To ensure that these products and businesses steadily generate revenue, we will reallocate resources, control fixed costs and direct investment to areas where it is needed, as we continue to take on the challenge of realizing the future vision for Tokai Rika.

Growth engines for realizing over 600 billion yen in FY 2030



Existing businesses/ sales expansion

▶ Target: 485 billion yen

Forecast to meet target due to sales activities, including sales expansion. Promote and complete establishment of production system in response to sales expansion.

- Start of operations at Tokai Rika Tohoku
- Start of operations at new Indian plant
- Reorganization in North America (production in Indiana factory ended in April 2024 and expansion of Mexico factory due to be completed in July 2024)

New business

▶ Target: 15 billion yen

North American sales of gaming devices

Expansion of service area for digitalkeys

Addition of gaming device variations

Sales expansion in new fields/new technologies

▶ Target: 100 billion yen

BAMBOO+

Automated driving remote monitoring system

Wheel drop detection system

Support system to prevent children being left behind in vehicles

Next-generation cockpit
BEV current sensor

Initiatives to Improve Corporate Value

We are promoting initiatives to improve our corporate value driven by both business strategy and capital strategy.

In terms of businesses strategy, we will work to increase value added and expand sales in existing businesses to improve sales and profits, while ensuring that new businesses steadily generate revenue.

In terms of capital strategy initiatives, we will improve capital efficiency by implementing a dividend policy, reducing equity capital, investing in human resources, and engaging in dialogue with investors.

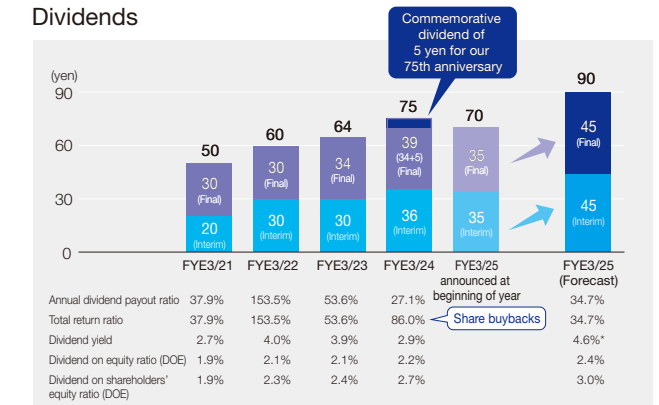
We revised our dividend policy in FY 2024. Based on the principle of maintaining stable dividends, we will determine the amount of dividends using a dividend on equity (DOE) of 3% as a guideline and by comprehensively taking into account factors such as earnings and financial position, together with the consolidated dividend payout ratio and the dividend yield. Based on this policy, for FY 2024 we plan to pay an interim dividend of 45 yen and a final dividend of 45 yen for a full-year dividend of 90 yen, an increase of 15 yen from the previous fiscal year.

Regarding cash allocation for future growth, based on cash in and cash out for the past two years, for FY 2024 to 2025 we plan to invest a total of 50 billion yen in existing businesses, new businesses and new fields, with 20 billion yen in future business

creation investment, to lay the foundation for achieving our mid-term management plan. We will also implement a more proactive capital policy than in the past, including the recent review of our dividend policy, further reduction of cross-shareholdings, and consideration of share buybacks.

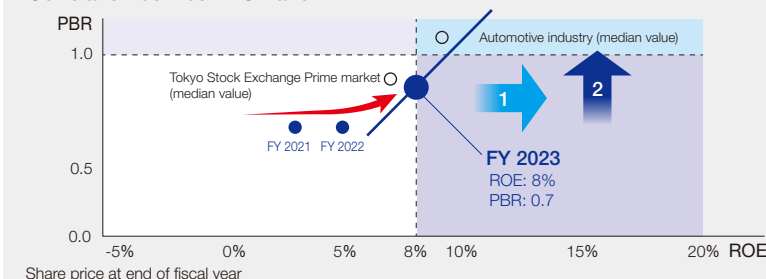
Finally, in implementing these measures, we keep in mind management that satisfies all stakeholders, including shareholders, business partners, local communities, and employees. The entire company will work together to achieve further growth and improve our corporate value. We appreciate your continued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

Dividends



Actions to improve PBR

Correlation between ROE and PBR



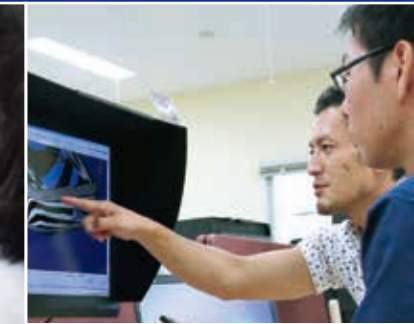
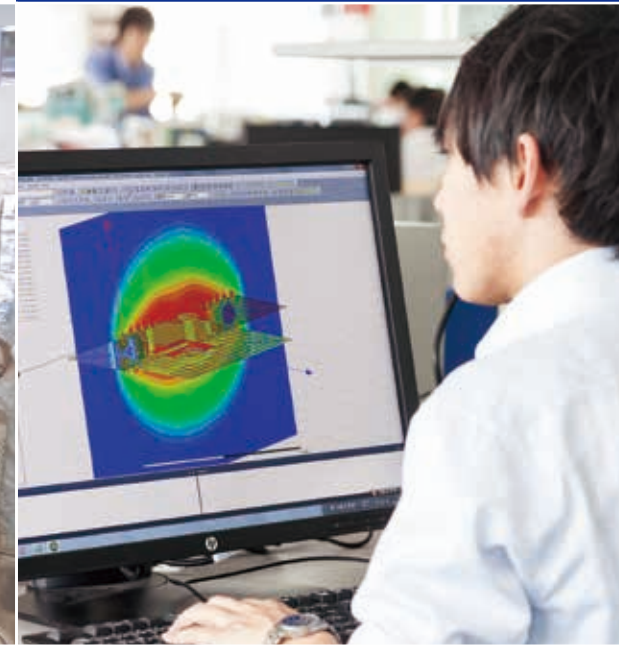
Initiatives toward achieving PBR ≥ 1

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

Cash allocation for future growth

FY 2024 to 2025

Fund for growth	Main item (Cash in)	Purpose of investment (Cash out)	Allocation
CF from Operating items 85.0 + α (selling assets, etc.)	Capital investment	Existing businesses	50
		New businesses	
		New fields/ new businesses	
	Mirai investment	Bamboo+	20
		External semiconductor sales	
	Other enhancements to business foundations		15
	Shareholder return		—

Special
Feature 2

Human Capital Management

To realize sustainable growth through human capital management based on our philosophy, vision, and business strategy, we aim to create an environment and human resources approach which creates new value by making the most of diverse individuals and taking on challenges.

Message

Since the establishment of Tokai Rika in 1948, we have been conducting our business based on our business philosophy which undertakes “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.”

Moreover, in 2021, we summarized the values we have cultivated over many years and which we will cherish going forward as Tokai Rika-ism and shared the importance of thinking and acting for the future with all employees.

In order to realize a growth strategy based on our business philosophy and Tokai Rika-ism, we are working toward Tokai Rika Human Capital Management in which everyone can play an active role.

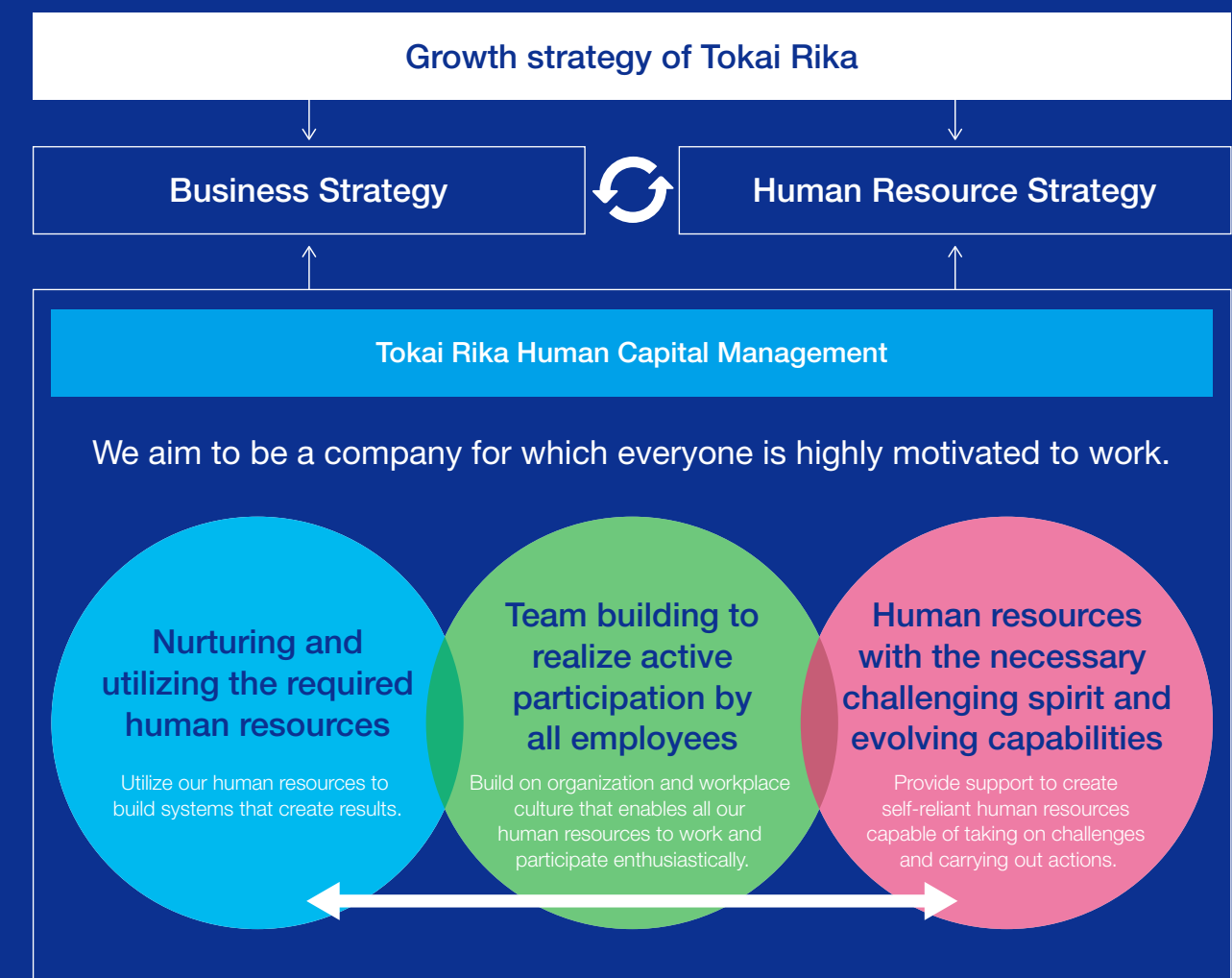
We aim to realize the sustainable growth of the company by implementing various measures with three central themes that combine “nurturing and utilizing the required human resources” with “human resources with the necessary challenging spirit and evolving capabilities” based on a foundation of “team building to realize active participation by all employees to maximize their abilities and skills.”



Sumikazu Sasaki

Corporate Officer,
General Manager of Corporate Group, in charge of Diversity
Promotion Department

Human Resource Strategy to Realize Active Participation by All Employees



Team building to realize active participation by all employees

Team building to realize active participation by all employees serves as the foundation of our human resource strategy. As part of this, we have positioned promotion of health and productivity management, increasing psychological safety, and support for self-reliant career development as essential initiatives for realizing active participation by all employees, and we have continued making proactive efforts in these areas.

1 Health and productivity management initiatives

Aim

We aim to reduce mental and physical health risks for employees and their families and increase productivity in the company by achieving a state in which every individual can take the initiative in health promotion and continue to work vigorously in good physical and mental health.

Specifically, we are implementing many initiatives that leverage the power of our workplaces, which is one of our strengths. Such initiatives include holding lectures on health, improving body fat percentages at the workplace level through our InBody Challenge, and decreasing the smoking rate through our No Smoking Challenge.

Example InBody Challenge

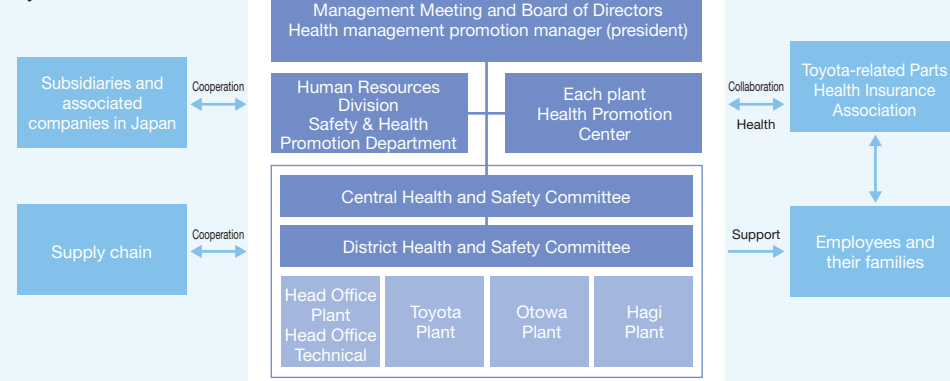


We have been holding the TR InBody Challenge, leveraging the power of our workplaces with the aim of promoting employees' health by increasing their muscle mass and reducing their body fat. Every year, we invite participation at the departmental level, and we have also set up a system of awards for both individuals and departments.

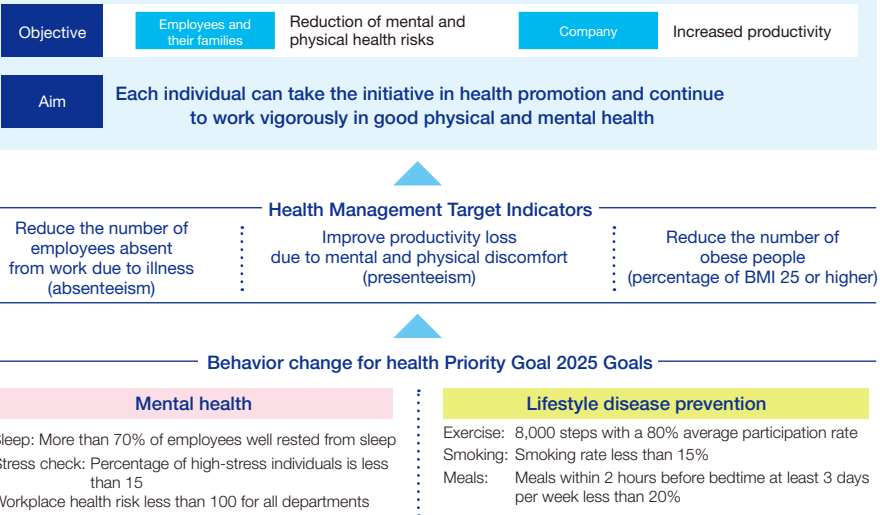
Promotion system

At Tokai Rika, the president serves as the health management promotion manager, and the Safety & Health Promotion Department of the Human Resources Division, which serves as the secretariat, the Health Promotion Center at each plant, and each District Health and Safety Committee cooperate to promote health and productivity management company-wide.

Diagram of promotion system



Certified as a "Health and Productivity Management Outstanding Organization White 500"



We established our Health Management 2030 Vision to further promote health and productivity management. We have developed a health policy centered on two principles that employees should strive to maintain and promote their health themselves (duty of personal health) and should take care to ensure they can work safely and in good mental and physical health (duty of care for safety). Based on this, we are promoting health activities and working to create a safe and secure workplace. In recognition of such initiatives, we have been selected as a "Health and Productivity Management Outstanding Organization" for five consecutive years.



2 Increasing psychological safety

From 2023 through 2024, we provided training for managers to improve the quality of communication between them and their subordinates and create workplaces that are free of harassment with the ability to deliver a high level of performance. Approximately 800 employees participated in the training. We have also put efforts into strengthening management and mechanisms to detect harassment at an early stage by establishing a counselor system in each workplace, in addition to the compliance questionnaire, to promote the creation of workplaces where employees can easily obtain advice.

Harassment guidance (April 2022)

For officers/number of participants: 36

Sharing and discussion of cases

Communication training (2023-2024)

For officers and departmental general managers/number of participants: 80

For section managers and group leaders/number of participants: 712

Facts on harassment at Tokai Rika, communication methods (listening, 1 on 1)

Compliance questionnaire (March 2024)

For all employees/number of respondents: 4,791

(Response rate: Approx. 70%)

Example Counselor system

In order to prevent harassment and promote the development of workplaces with an even higher level of psychological safety, we established a counselor system in each workplace in April 2022 and appointed staff to deal with a wide range of workplace issues. Counselors observe strict confidentiality and provide support in cooperation with the relevant department only when the person who sought advice consents.

As a result of this system, the number of people seeking advice has increased and this has helped to create workplaces where individual employees feel free to say what they think. We have also established a family help desk which provides advice for family members of employees on concerns about the work life of employees with consultations always available by email or LINE (a popular social media service in Japan).

Message



Akiko Hayama

Representative Director
Pallet Inc

Since 2019, we have been working with Tokai Rika in the areas of human resource, career, and organizational development to create a workplace environment with a high level of psychological safety where every individual can value their own thoughts (will) and share their wisdom to reach their full potential.

When the initiative first began, I recall being impressed by the way Tokai Rika employees approached their work with a spirit of altruism about "doing it for the customer," as well as their steadfast and honest way of pursuing and completing whatever they had decided to do, with a commitment to quality. On the other hand, I also surmised that, as is often seen in organizations with a strong craftsperson mindset, the emphasis on "doing it for the customer" can sometimes be too strong. I wondered whether this means leaders can be hard on themselves and their interactions with their team, although loving, can become harsh, which can be difficult for the leaders.

Based on this hypothesis, we have conducted training to increase psychological safety and to move toward an organization that delivers results. This includes coaching training and career development workshops for leaders and communication training for all line managers. In particular, the communication training we conducted in 2024 for all the more than 700 line managers explored the question of what communication that switches on the mind of each individual is like, taking its cue from the "switches" in the story of Tokai Rika's establishment. The training content was about considering the kind of words and attitude that switch the mind on, and conversely switch it off, and creating change in the behavior of leaders. Following the training, we have been pleased to hear that there has been a steady increase in high quality communication with an awareness of psychological safety and improving engagement on the ground and change has started to appear in the atmosphere of the organization.

Transformation of an organization's culture requires time, but there is no doubt that improving the quality of every individual's communication creates a better culture and paves the way to individual and corporate growth. I feel convinced that, based on the spirit of respect for humanity valued by Tokai Rika, leaders will take the initiative in continuing to turn on the mental switch to create new value without fearing challenges, and this is something I am looking forward to.

3 Support for self-reliant career development

Introduction of stock compensation plan

Tokai Rika introduced a stock compensation plan in August 2024. The aim of the plan is to foster a sense of belonging and participation in management among employees through their ownership of the Company's shares to enhance its corporate value over the medium to long term by raising awareness of our business performance and share price growth.

Strengthening of career interviews

We revised the items on the career design sheet to make it easier for employees to think for themselves about what they want their future to be like and held briefing sessions for the interviewers (workplace superiors) who play an important role in supporting self-reliant career development.

Development plan for employees who want a transfer

For three years in a row, we have identified employees who want a transfer and drawn up development plans in each department. Based on these development plans, we have created a system that enables employees who want a transfer to be transferred.

Human resources with the necessary challenging spirit and evolving capabilities

We have developed and offer systems so that Tokai Rika's human resources can continue to provide value. More specifically, in addition to providing a variety of internal and external opportunities to employees who put themselves forward, we provide support for growth aligned with career aspirations including business administration management, and specialization through on-demand training and networking events with other industries among other initiatives.

4 Initiatives to support a challenging spirit

Networking with other industries

For all employees

Information sensitivity courses (e.g. cross-industry seminars, lectures, workshops), training secondments

Example

We provide various opportunities for networking with other industries in order to increase the diversity of knowledge and experience within the company and to encourage the development of an environment in which culture can be passed on and new cultures can be created.

In addition to acquiring ideas not found at employees' own companies through joint seminars, workshops, and leaders' lectures with other companies, we have also launched a training secondment initiative to help employees enhance their skills and transform their behavior through experiences outside of their own company.

360-degree feedback

For department general managers, office managers, and section managers

Feedback for individuals based on the gaps between self-evaluation and evaluation by others

Example

With the aim of strengthening leadership and improving management skills, we introduced 360-degree feedback for department general managers, office managers, and section managers in 2024. Once a year, we carry out self-evaluations and evaluations by others on items that are based on role qualification requirements and provide feedback. By doing this, we seek to raise awareness among line managers and improve engagement as an organization.

On-demand training

For all employees

Providing a six-month learning platform ID for employees who want to take part

Example

As part of our support for employees' self-reliant career development, superiors and subordinates discussed their careers and decided to introduce on-demand training as an opportunity to acquire the necessary knowledge and skills to become what they want to be and realize their goals.

All employees were eligible to take part in training, and around 600 employees actually put themselves forward, which is 9.3% of all employees.

Voice

As one of our initiatives on networking with other industries, we have been holding networking events for female employees in production divisions in partnership with DAIKIN INDUSTRIES, LTD., which manufactures and sells air conditioners, since 2023. As of September 2024, we had held four such events at which participants discussed issues from the perspective of production sites and concerns that are specific to women, and encountered diverse values, leading to awareness and learning. We have also received feedback from DAIKIN INDUSTRIES' employees who participated in the networking events, which are featured in this section.



Working at a manufacturing site is difficult for women. I had never really heard much feedback from young employees, so it was good to be able to listen to their stories together, and I was able to feel the strong commitment and determination of all the Tokai Rika and DAIKIN INDUSTRIES employees about their work.

Ms. Okuda, Shiga Manufacturing Department

The networking events allowed me to have experiences that I cannot have during my normal work, such as roundtable discussions and plant tours. This is my personal opinion, but I got the impression that Tokai Rika's initiatives to promote women's active participation are very advanced. I wanted to take them back to our workplaces.

Ms. Matsuzaka, Shiga Manufacturing Department

It was great to be able to talk honestly and make connections as equals at the roundtable discussions. Every company has the same concerns that are specific to women working on production sites, and I was happy to share those concerns.

Ms. Sakaguchi, Sakai Manufacturing Department

The Tokai Rika employees seemed to feel that there are significant hurdles for women to become managers. Even so, many of them had a strong desire to be a leader. Knowing that there are many people with such strong desires inspired me and made me want to work even harder. I wish there were workplaces where both men and women can succeed equally. I believe that if there are more women in management positions, more people will aim for such positions, so I would like to pave the way.

Ms. Hamada,
Shiga Manufacturing Department

Nurturing and utilizing the required human resources

To fill the shortage of software human resources resulting from the transformation of our business structure, we have been recruiting applicants internally and developing human resources by providing reskilling programs for some time. In 2025, we will continue to further strengthen our efforts to secure the human resources required for business expansion, including commencing training for software human resources at Tokai Rika Training School.

5 Initiatives to secure and develop human resources

Example

Training software human resources through a reskilling program

Based on the needs of business, we conducted open recruitment for those in non-executive positions (regardless of current occupation or experience) and received applications from over 100 employees with the desire to acquire software skills. Around 30 employees transferred to the software design department after a 6-month basic software training program or a 5-month specialized software training program depending on their level of electronics knowledge and experience. Approximately 60 new employees are now playing active roles as software human resources, including people who have improved their skills within the Software Design Department.

Example

Establishing a new computer control department at Tokai Rika Training School

We have established a new computer control department to train software human resources and are now preparing to open the department in 2025 with an intake of around 10 trainees in the first year. Preparations include training computer control instructors, developing a 1,760-hour curriculum, and creating an instruction framework to support training and practical application for the skills necessary to promote and expand our business.

Indicators and targets

We implement measures using the following indicators to realize the strategies described above, and the targets and results related to the indicators are as shown below.

For more detailed data, see (Sustainability Data Book 2024).

Indicators		FY 2023	FY 2025 Targets	Measures
Team building to realize active participation by all employees	Percentage of respondents who are happy to work for their current company	68.4%	70% or higher	Strengthening career interviews/training to improve communication
	Rate of absence from work due to illness	4.0%	2.0%	Secondary examination (attendance at medical institution) 100%
	Decrease in productivity due to mental and physical ill health	22.4%	12.4%	Holding health events and lectures
	Rate of obesity	28.4%	20.0%	InBody events/guidance for improving diet
	Pay gap between men and women	65%	68% or higher	Training to support career development for female employees/encouraging acquisition of childcare leave by male employees
	Percentage of female managers	1.9%	2.1% or higher	Education for management/lectures by leaders of other industries
	Childcare leave acquisition rate for male employees	72.2%	75% or higher	Education for management/sharing examples of acquisition
Human resources with the necessary challenging spirit and evolving capabilities	Number of participants in measures aimed at cross-sectoral networking both within and outside the company	14.6% (981 people)	30.0%	Measures for networking with other industries, company-wide measures to foster environment, activities by attribute (women, people with disabilities, LGBTQ, etc.)
Nurturing and utilizing the required human resources	Training of software engineers through reskilling	60 people	100 people	Internal open recruitment Training of software engineers through reskilling
	Securing of software engineers through course-based recruitment of new graduates	No results	16 people*	*Around 10 are employed by Tokai Rika Training School's computer control department

Now is the time to think and act to protect our future. We will intensify our activities on all fronts.



Katsuyuki Imaeda

General Manager of
the Production
Engineering Center

The Japanese government's Sixth Basic Environmental Plan, released in May 2024, positions the period up to 2030 as a “critical decade” for resolving the three challenges that the earth now faces: climate change, biodiversity loss, and pollution. I, too, have been feeling the climate changes in my daily life, such as the recent heat wave that stretched on all summer long and the frequent torrential rains. I believe that the next few years will be the turning point to determine if we can protect the earth as we know it.

To overcome this major challenge, we must urgently make social changes as described in the Basic Environmental Plan. To achieve this, we, as companies that burden the environment by using a large amount of resources and energy, must take the initiative to change ourselves. Therefore, Tokai Rika has revised its environmental policy in order to clarify our aims for 2030 and beyond. The emphasis of this policy is “creating a holistically circular society” that “all employees think and act with the future of the earth in mind” in order to achieve. Considering what each of us can contribute, we will promote carbon neutrality, a circular economy, and nature positive initiatives on all fronts in cooperation with our customers, suppliers, and local communities. We have also embarked on initiatives in new areas to enrich the environment not only for ourselves but for society as a whole by pursuing environmental technologies, such as the development of low-CO₂ resin materials and invasive alien species control agents.

With the conviction that we can change the future if we think and act now, we are amping up our efforts to realize a sustainable society under the slogan “TRy for the future.”

Basic Ideas and Strategies

The Tokai Rika Group has adopted the environmental slogan “Try for the future (which we can change with our thoughts and actions)” and has defined the direction of its environmental activities for the conservation of the global environment and the realization of a sustainable society in its Environmental Policy. Each of our employees will maintain a constant awareness of these five policies, and will think and act on them for the sake of the future of the earth.

Environmental slogan



Mid-term targets

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.

Environmental action plan

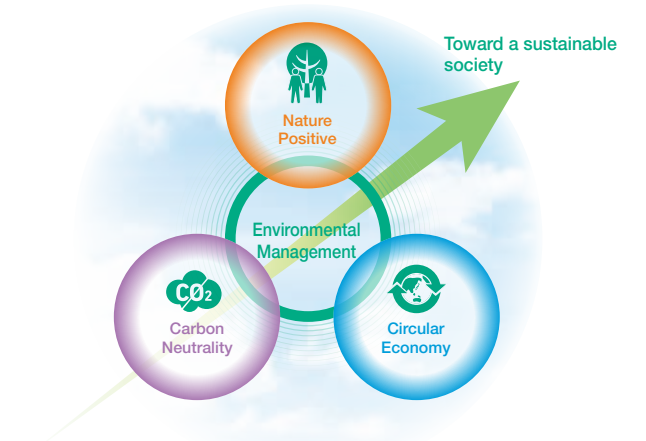
To contribute to the realization of a sustainable society, we are promoting initiatives based on the three pillars of Carbon Neutrality, Circular Economy, and Nature Positive.

To achieve our 2030 mid-term targets, we have set the period from FY 2021 to FY 2025 as the 7th Environmental Action Plan, and have set targets for CO₂ emissions, waste emissions, water withdrawal, and other targets. Targets for each fiscal year are set backcasting from the final fiscal year (FY 2025) targets, and we are promoting efforts on all fronts to achieve them.

Environmental policy

1. Take the initiative in promoting activities on all fronts
2. Pursue environmental technologies for the future
3. Go beyond legal compliance to enrich local nature
4. Increase and expand our circle with society
5. Everyone thinks and acts for the Earth

	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 2040: -30% 2030: -10%
Production strategy	<ul style="list-style-type: none"> Substitution of greenhouse gases Energy saving Renewable energy/new energy 	Plant CO ₂ 2030: -60% Renewable energy rate 2030: 25%
Procurement strategy	<ul style="list-style-type: none"> CO₂ reduction of suppliers <ul style="list-style-type: none"> CO₂ reduction by horizontal expansion of improvements Supplier cooperation in each strategy 	Partner companies CO ₂ 2030: -30%
Logistics strategy	<ul style="list-style-type: none"> Improvement of logistics Change of packing materials Change of truck fuel 	Environmentally friendly vehicles ratio 2030: 50%



Topics

Received the “Environmental Promotion Excellence Award” from Toyota Motor Corporation for three years in a row

Tokai Rika received the “Environmental Promotion Excellence Award” for the third year in a row for its efforts to achieve carbon neutrality at the fastest pace in the industry.

In the area of production technology, the company was highly evaluated for its in-mold coating technology, which reduces electricity consumption by integrating the molding, coating, and drying processes of plastic components inside a mold using an injection molding machine, for the first time in Japan for small parts. In addition, the development of BAMBOO+, a low-CO₂ composite resin material with high bamboo fiber content, as an endeavor into a new field, was praised as contributing not only to carbon neutrality but also to regional revitalization.



Carbon Neutrality

Risks and opportunities

We have introduced the scenario analysis recommended by the TCFD (Task Force on Climate-related Financial Disclosures), identified risks and opportunities, and are working to address them. Details of our response to the TCFD's recommended disclosure items are posted on our website.

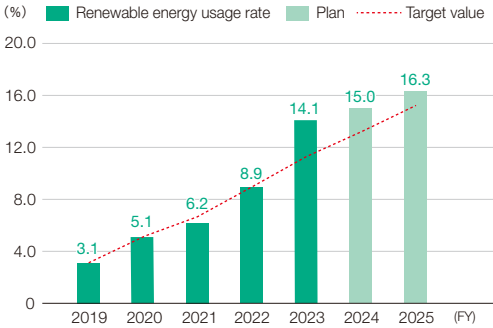
Risk/Opportunity		Response
Risks	Increase in operating costs due to the introduction of a carbon tax	•Promotion of thorough energy-saving activities •Expansion of introduction of renewable energy •Substitution of greenhouse gases
Opportunities	Cost reduction by reducing greenhouse gases (carbon tax, electricity charges, etc.)	
Risks	Termination of business with customers due to not aiming for decarbonization	•Declaration of virtually zero CO ₂ emissions goal for 2050 •Announcement of Carbon-neutral Strategy 2030
Opportunities	Stable funding through information disclosure regarding carbon neutral measures	
Risks	Increase in material costs due to material changes aimed at lower carbonization	•Increase of orders through development of low CO ₂ products •Promotion of alternatives to fossil-resource plastics
Opportunities	Development and expansion of use of lower CO ₂ materials	
Risks	Sales decline due to plant suspension and supply chain disruption due to rise in average temperature	•Formulation of Business Continuity Plan (BCP)
Risks	Increase in air conditioning costs due to rise in average temperature	•Update of air-conditioning equipment to top-runner equipment
Risks	Water-supply shortage due to change in precipitation	•Water reuse in the manufacturing process

Expanding the introduction of renewable energy

We are expanding the introduction of solar power generation throughout the Group. In FY 2023, we introduced 3,600 kW of solar power generation at our subsidiaries in Japan and at five overseas locations. We are also promoting the introduction of off-site PPA* to procure new and additional renewable energy sources, and in addition to two sites in Nagano and Osaka prefectures, a new solar power plant has been constructed in Yatomi City, Aichi Prefecture, and is now in operation. As a result, the renewable energy rate in FY 2023 increased to 14.1%.

*An agreement whereby the operator installs a solar power plant outside the customer's premises and the customer purchases the electricity

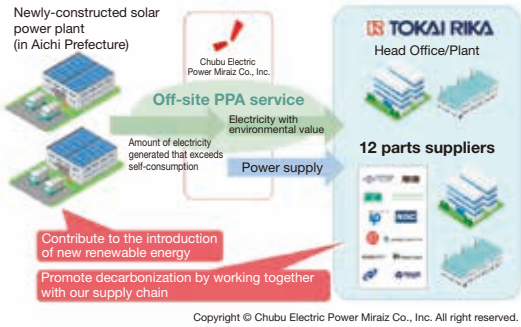
Renewable energy usage rate



Joint procurement of renewable energy with suppliers

At the off-site PPA power plant in Yatomi City, Aichi Prefecture, which began generating power in FY 2023, we have concluded an agreement with 12 suppliers who are members of Tokai Rika Kyouryoku-kai and Chubu Electric Power Miraiz Co., Ltd.

We will jointly procure renewable energy-derived surplus electricity from a solar power plant installed on the vast roof space of the distribution warehouse (panel output: 5,770 kW). By doing so, our supply chain will work together to promote decarbonization and contribute to the introduction of new renewable energy.



Use of carbon offset city gas

Our head office and plant are supplied with carbon offset city gas (formerly known as carbon neutral city gas) by Toho Gas Co. This city gas utilizes carbon offset LNG (liquefied natural gas), which is CO₂ emitted in the process from mining to combustion of natural gas, and is offset with CO₂ credits (carbon offset). The amount of city gas used in FY 2023 was 1,156,548 m³ (3,022 tons offset), all of which was certified by SOCOTEC Certification Japan K.K. as carbon offset city gas.



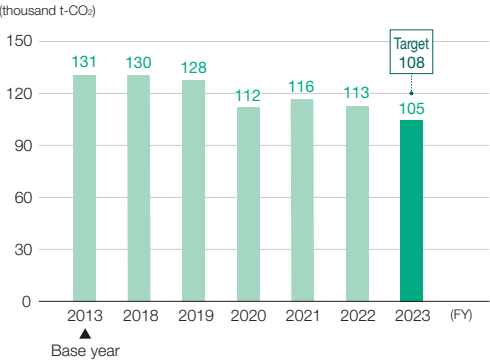
Reduction of energy use

Aiming to minimize energy use to achieve carbon neutrality, we have formulated energy conservation guidelines that outline our approach to adopting high-efficiency equipment, steam-less, heat insulation/shielding, non-operation stoppages, airless, and other energy conservation methods. By determining equipment specifications based on these guidelines, we ensure that energy conservation is incorporated from the stage of new equipment installation. We have made a list of examples of past projects and shared examples with partner companies so that all employees can see the progress of each department, thereby ensuring that the horizontal exhibitions are completed.

We are also 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.

Energy-related CO₂ emissions (Global consolidated)

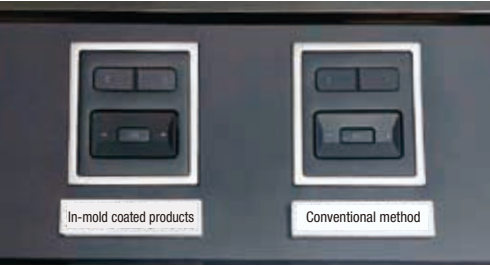


Developed Japan's first in-mold coating for small parts

In partnership with Seikoh Giken Co., Ltd., we have developed Japan's first in-mold coating technology for small parts.

The molding, painting, and drying processes, which were previously performed separately, can now be performed consistently inside the mold using an injection molding machine, thereby eliminating both the painting and drying processes, which generate a high volume of CO₂.

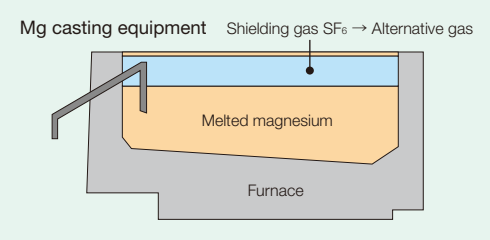
By introducing this technology, CO₂ emissions can be reduced by approximately 60% while maintaining the same appearance as conventionally manufactured products. We are moving forward with the goal of commercialization in 2025.



Reduction of greenhouse gases

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.

*SF₆ has high global warming potential, 23,500 times greater than that of CO₂, our standard, so it has been specified as one of the targets of emission control.



Internal Carbon Pricing System

We are introducing Internal Carbon Pricing (ICP) to promote capital investment that can contribute to the reduction of CO₂ emissions. By setting an in-house carbon price of 16,000 yen/t-CO₂ and evaluating the economic effect of CO₂ reduction as an investment effect, we are promoting carbon-neutral strategy investment. The introduction of ICP makes it possible to visualize the economic impact of CO₂ emissions, leading to appropriate investment decisions. It is also applied to risk and opportunity scenario analysis to provide a quantitative assessment of the impact of climate change on the company, its countermeasures, and strategies.

Development of low-CO₂ materials

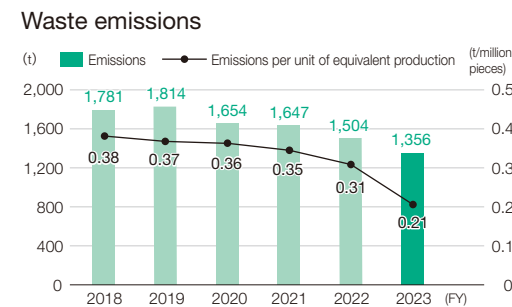
We have developed a new material, BAMBOO+, which is a composite of thermoplastic and bamboo, which grows quickly and can be used sustainably.

It also greatly reduces the use of limited fossil resources. More details are available on the special feature page.

Circular Economy

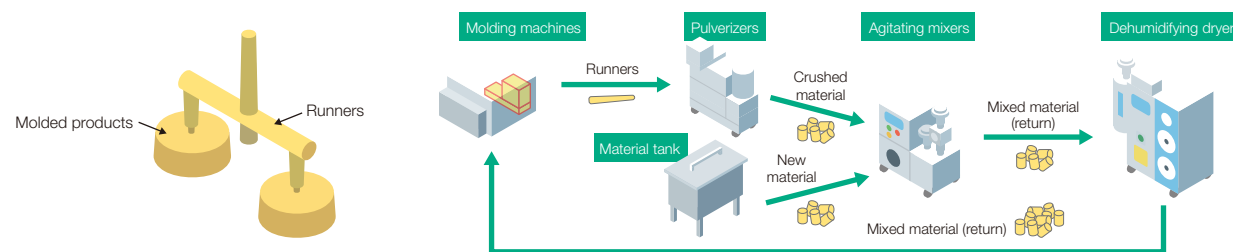
Reduction of waste materials in production

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. In addition, once a year, we confirm that waste disposal is being conducted properly through on-site inspections and written confirmation with waste disposal contractors.



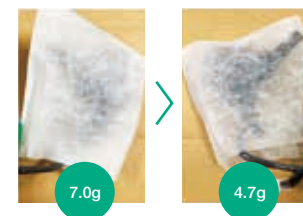
Plastic reuse

We are working on in-process reuse of runners generated in the molding process. The runners generated are crushed in a crusher, and then mixed with crushed material and new material at a certain ratio in an agitator-type mixer, allowing them to be reused in molding materials without affecting quality. This eliminates runner waste and allows plastic materials to be used without waste. In addition, to reduce plastic waste throughout the supply chain, we have established a resource recycling system in cooperation with our suppliers. Plastic scraps from suppliers are collected from empty spaces in logistics trucks, processed into recycled materials at recycling plants, and sold.



Reduction of packaging and wrapping materials in logistics

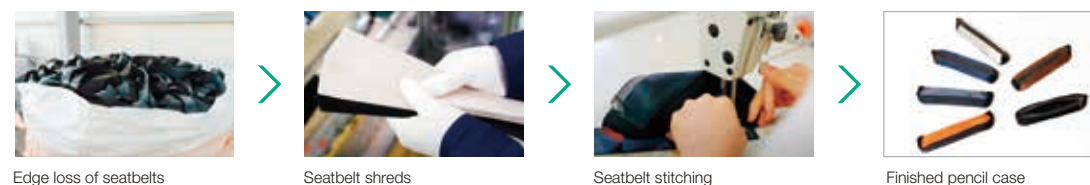
To reduce the environmental impact of logistics, we are actively promoting efforts to reduce the use of packaging and wrapping materials. For steering switches, we have reduced the thickness of the nonwoven fabric bags used to protect the design surface during transportation, thereby reducing the amount of packaging materials used while maintaining product quality. We are also making improvements to minimize the use of packaging and wrapping materials without sacrificing quality by switching from corrugated cardboard to reusable plastic for returnable packaging, simplifying packaging, and reassessing packing methods.



Change in thickness of non-woven fabric

Development of upcycled products

Among the new business ideas of our employees, many of them suggested that we could contribute to a recycling-oriented society by utilizing the seatbelt scraps that are inevitably produced in the production process. In addition to improvement activities to reduce the amount of scrap materials, we are taking advantage of the material's durability and high quality to recycle and commercialize it as pen cases and fashion accessories. We will continue our sustainable activities by calling on sewing factories and companies that manufacture vinyl curtains in Aichi Prefecture to cooperate with us and contribute to the revitalization of local communities by combining the scraps of vinyl curtains provided into their designs, thereby increasing the product value.



Use of recycled water

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

Nature Positive

Risks and opportunities

We have adopted the scenario analysis recommended by the Task Force on Nature-related Financial Disclosures (TNFD) to identify risks and opportunities, and are working to address them. Details of our response to the TNFD's recommended disclosure items are posted on our website.

Risk/Opportunity		Response
Opportunities	Improvement of evaluation from stakeholders through active efforts in biodiversity conservation activities	•Promotion of biodiversity conservation activities that contribute to local communities
Opportunities	Stable funding through information disclosure regarding nature and biodiversity conservation measures	•Acquisition of Aichi Biodiversity Company Certification •Information disclosure through website and integrated report
Opportunities	Increasing orders by developing products that contribute to biodiversity conservation	•Active entry into new businesses
Risks	Suspension of product manufacturing due to unavailability of natural resources as a result of loss of the natural environment	•Sustainable use of forest resources
Risks	Suspension of plant operations due to stricter water quality regulations for river discharge water and the inability to discharge water into the river	•Understanding of the legal and regulatory trends •Thorough water quality management

Community relations activities

Aiming to be a company that coexists in harmony with nature and local communities, we are continuously implementing activities in cooperation with local communities at each of our locations.

In Oguchi Town, Aichi Prefecture, where our Head Office and plant are located, and in the neighboring city of Konan, we are working together with the local government and neighboring companies to exterminate coreopsis lanceolata, a specific invasive alien species, in the region. The number of participants has been increasing every year, and activities are being promoted while expanding the area. In addition, to encourage local children to learn about biodiversity, we participate in activities to maintain and manage the biotope at the nearby Oguchi Nishi Elementary School, and work with the elementary school and local residents.

The Toyota Plant has been continuously engaged in preservation activities for the Yanami wetlands in cooperation with Toyota City and local preservation groups.

The Yanami wetlands is a wetland registered under the Ramsar Convention as one of the "Tokai Hilly Land Spring-fed Mires."

Rare species and plants, such as the endangered Shiratama-hoshikusa and Mikawa-shiogama, also inhabit the area, and activities such as removing dead leaves are being conducted to prevent eutrophication of the wetlands.



Biotope preservation activities



Extermination of coreopsis lanceolata

Develop products that contribute to biodiversity conservation

We have developed and started selling to the government an ant repellent, "Puritto Bait," for the specified invasive species, Argentine ants. Argentine ants are designated as one of the world's 100 invasive alien species (by the International Union for Conservation of Nature) and are dangerous for destroying ecosystems worldwide due to their high aggressiveness and abnormal reproductive capacity. They are expanding their habitat in Japan as well, contributing to the loss of biodiversity. We have entered a cooperative agreement with Kani City, Gifu Prefecture, regarding the control of Argentine ants, and have been engaged in surveys of Argentine ant habitats and control operations. In the process of this work, we have succeeded in significantly reducing the Argentine ant's habitat distribution by using our "Puritto Bait."

While commonly used extermination bait agents are granular or semi-solid pastes, Puritto Bait uses grease as its base material, taking advantage of the knowledge and technology we have cultivated as an automobile parts manufacturer, so it can be applied to vertical locations such as trees, concrete walls, and stone walls. It is not easily washed away by wind or water and can be applied directly to a variety of locations. We will continue to contribute to efforts to protect biodiversity in cooperation with various governments and communities that are struggling to exterminate specified invasive alien species.



Ants swarming around the applied "Puritto Bait"



Pesticide "Puritto Bait"

Aichi Biodiversity Company Certification

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, and acquired Aichi Biodiversity Company Certification. In order to further expand the ecological network, we plan to develop a habitat for local target species on our own property.



あいち生物多様性
優良認証企業

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.



We will promote sustainability by starting with the happiness of our employees.



Sumikazu Sasaki

General Manager of
Corporate Group

Looking back on FY 2023, in June we were selected for the first time to be included in the MSCI Japan Empowering Women Index (WIN), one of the ESG indices by the U.S.-based MSCI.

In the same month, we were also appointed by Aichi Prefecture as an Aichi Women's Advancement Promotion Leader. In order for Aichi Prefecture to promote women's advancement at companies in the prefecture, companies that cooperate with the prefecture's efforts among the "Aichi Shining Women Companies" are appointed to this position.

In August, Tokai Rika was selected as a constituent of the FTSE Blossom Japan Sector Relative Index, a stock price index that meets global ESG standards, for the second consecutive year.

In March 2024, we were selected for the fifth consecutive year from 2020 as one of the "2024 Certified Health and Productivity Management Outstanding Organizations" jointly implemented by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Council). In this way, our diversity and inclusion and health and productivity management appear to be highly regarded by society, but I feel that we still haven't done enough.

As discussed in this special feature, since this fiscal year, we have been promoting human capital management based on the three pillars of "nurturing and utilizing the required human resources," "team building to realize active participation by all employees," and "human resources with the necessary challenging spirit and evolving capabilities," with the aim of becoming "a company for which everyone is highly motivated to work."

We also believe that what is required of us in the future is to contribute to society and make society happy, and that in order to do so, it is necessary for our employees to be happy and smile, so we have renewed the annual slogan that we have used since 2011 to "Let's create the future with health, thought and action, and smiles!"

"Thought and action" refers to "A Call to Thought and Action" formulated in April 2021 as a guidepost for us to think and act, which incorporates the values that the Tokai Rika Group has cultivated over the years and should continue to value in the future.

We will continue to promote sustainability in this way, starting with the happiness of our employees.

Respect for Human Rights

At Tokai Rika, 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.

<https://www.tokai-rika.co.jp/en/sustainability/society/human-rights/pdf/policy.pdf>

Specifically, we identify human rights issues at our own company, domestic and overseas subsidiaries, and suppliers, and respond to the issues we have identified.

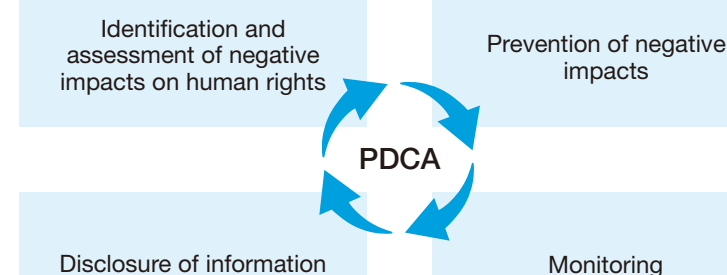
Since there are many cases of accepting foreign technical interns in our supply chain, we confirm not only compliance with laws and regulations, but also the maintenance of an appropriate working environment. We believe that the spread of A Call to Thought and Action and the Employee Code of Conduct will lead to respect for human rights, and we are conducting educational activities through internal newsletters at our bases around the world.

Conducting human rights due diligence

Based on the Tokai Rika Group Human Rights Policy, we will identify and assess the negative impact of our business activities on human rights, and conduct appropriate measures, monitoring, and information disclosure based on the assessment results.

We will also feed back to our own activities through dialogue with internal and external stakeholders to achieve sustainable business activities that respect human rights.

Human rights due diligence



№	大分類	企業活動に関連する人権に関するリスク	深刻度	発生可能性	リスクの重要性
1	①資金の不足・未払、生活賃金	1.事業を行う拠点および事業地域の最低賃金を確認せず、基準に満たない賃金を支払う	中	小	X
2		2.管理者が、部下の公平な勤務時間の申請を承認し、または不正な処理をし、残業代を支払わない	中	小	X
3		3.深夜残業したにもかかわらず、割増賃金が一部しか支払われない(支払われる仕組みがない)	大	中	B
4		4.退職者が賃金の支払を請求したにもかかわらず、規定の給料日までに支払われない ⇒使用者は請求から7日以内に賃金を支払う義務が課せられている(労働基準法第23条)	小	小	Z
5		5.労働者とその家族が生活する地域の物価を勘案せず、またその家族の平均生活費を考慮せず賃金を決定する	小	小	Z
6	②過剰・不当な労働時間	6.繁忙期に長時間労働が続いた結果、メンタル疾患を発生させている	小	小	Z
7		7.人手不足により8時間以上連続して業務が続き、適切な休憩を取ることができない	小	小	Z
8		8.無理な納期等により、サプライヤー内部における長時間労働を誘発	小	小	Z
9		9.就業時間外に業務を行っているからといって法定労働時間の延長を超えた時間数を時間外労働と認めない	小	小	Z
10		10.非正規雇用の労働者に対して労働時間の上限を考慮しない	小	小	Z
11	③労働安全衛生	11.就業中に転倒、転落、怪我等をする可能性があることへの対策を行わない	小	小	Z
12		12.工場内の換気不足による衛生状態の悪化を放置する	小	小	Z
13		13.従業員が定期健康診断を受診できない	小	小	Z
14		14.取引先の労働環境が劣悪であることを知りながら改善要求をせず取引を継続する	小	小	Z
15		15.新型コロナウイルス感染症等への従業員の感染を防止するための対策を講じない	小	小	Z
16	④社会保障を受ける権利	16.労働者に対し、契約上承諾された業務災害手当を給付しない	小	小	Z
17		17.企業が労働者に対して、差別的な加入要件をもつ民間の団体保険プランを提供する	小	小	Z
18		18.社会保険の加入要件を満たしている可能性があるにもかかわらず、「パート社員は社会保険に入ることができない」と伝える	小	小	Z
19	⑤パワーハラスメント(パワハラ)	19.部下の前で超えた言葉、大声で長時間怒鳴り続ける	小	小	Z
20		20.部下が仕事ができない人間であると決めつけ、何の説明もなく役職に見合った業務を与えない	小	小	Z
21		21.不要不急にもかかわらず、休みの日や夜間に出勤を要請する	小	小	Z
22		22.簡単な仕事だけを要求する(過少な要求)	小	小	Z

Excerpt from Human Rights Due Diligence Risk Self-Assessment Questionnaire (SAQ) Sheet

Diversity & Inclusion



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 hold various events related to diversity.

Last fiscal year, we held a lecture meeting for leaders from different industries, inviting experts from a wide range of fields, including a long-time engineer from an information and telecommunications company, a female leader from a company involved in the robotics business, and this year, an athlete-turned-manager.

In addition, in order to foster a corporate culture that embraces diverse values within the company, we actively hold exchange meetings with people from industries other than the automotive industry (electrical equipment, printing, office supplies, design, etc.).

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, 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 2020). Therefore, we are actively working to enhance the system, foster awareness, and foster the corporate culture.

As an opportunity for employees to think about their own careers, exchange meetings were held with people from different industries in categories such as female engineers and production site leaders. In addition, we held a luncheon among employees to discuss balancing work and home life, child rearing, and fathers' meetings.

We will continue to develop and support an environment in which female employees can work energetically and demonstrate their abilities to the fullest, while respecting their individual ways of thinking.

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.



Study session on disability characteristics



OB interview article

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.

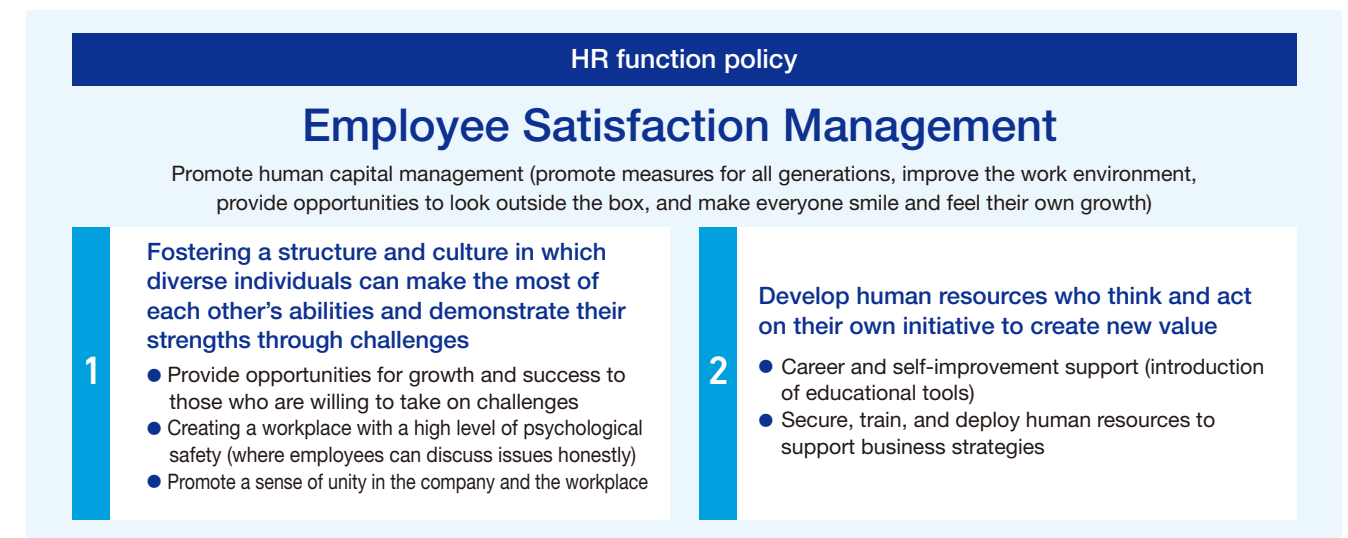
Second career support

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 our former employees, who are now living out their retirement, 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.

Human Resource Development

Nurturing the spirit of originality, enthusiasm and innovative challenge, we aim to build an energetic and promising workplace where dreams abound by stimulating our workplaces and raising the level of organizational capabilities through improvement activities.



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.



Initiatives to encourage human resource development and endeavors

We are launching creative collaboration teams that are not bound by conventional organizational frameworks in order to create new business opportunities and growth areas and promote innovation throughout the organization.

Creative collaboration teams consist of members with different skills, knowledge, and perspectives who can make decisions and think autonomously. This eliminates the barriers between departments, enabling quick decision-making and high productivity. In addition to appointed (transferred) team members, the concurrent employment system will maximize the use of internal human resources, allowing members to participate in new projects while continuing to work in their current departments, thereby promoting employee career autonomy and increasing work speed.



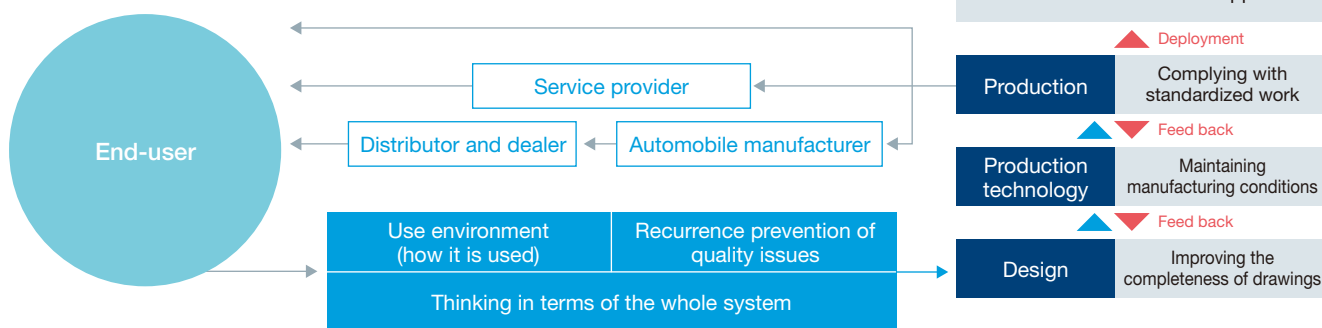
Customer Safety and Quality Policy

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. We will continue to make improvements and take on the challenge of becoming top in the industry in quality.

Quality cross-functional prioritized implementation items for the Tokai Rika Group

Concept of quality improvement promotion activities



1 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.

2 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, strengthening systems to prevent the recurrence of defects, and enhancing the development of quality human resources who work with quality as a first priority.

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.



Exhibition of past quality defects

Creating a quality culture

We have a permanent quality legacy room where anyone can come to learn about the quality defects that caused inconvenience to customers in the past and the lessons learned from them to pass on to future generations. This raises the quality consciousness of all employees and helps to maintain a culture that always prioritizes product safety.

Major awards

Our customers highly evaluated our technical and manufacturing capabilities, and we received awards in a wide range of fields.

Received “Excellence in Technology Development Award” from Hino Motors, Ltd.

Our non-contact transmission sensor for heavy-duty trucks received the “Excellence in Technology Development Award” at the award ceremony of the general meeting of suppliers of Hino Motors, Ltd.



Received “Certificate of Appreciation for Superior Quality” from Nissan Motor Co.

Nissan Motor Co., Ltd. awarded us the “Certificate of Appreciation for Superior Quality” in recognition of our superior quality performance in FY 2023.



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.

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 deepen collaboration on various activities and goals, such as safety and disaster prevention, CSR, quality assurance, reinforcement of our foundations, and strengthening competitiveness. We also praise and present awards to suppliers who have achieved outstanding results with regard to quality and cost reduction.



Purchasing Policy explanation

Declaration of Partnership Building

We have formulated and announced the “Declaration of Partnership Building” with the aim of increasing added value through mutually-beneficial nature with our business partners and new collaboration.



Declaration of Partnership Building logo

Supplier support

We are making efforts to strengthen our suppliers’ structures and to ensure sustainability in the supply chain, including the environment, respect for human rights, and labor safety, where expectations from stakeholders are increasing. Specifically, we visit each of our suppliers’ sites to conduct various activities (for carbon neutrality, quality improvement, BCP, productivity improvement) and provide training for key suppliers (on respect for human rights).

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

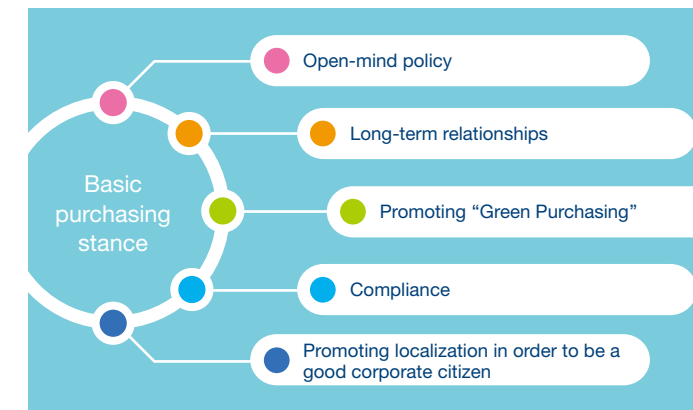
Sustainability guidelines for suppliers

Aiming to promote sustainability throughout our supply chain, we have developed the Supplier Sustainability Guidelines, a set of requirements for suppliers with regard to compliance, human rights, labor, the environment, and other issues. In addition, key suppliers are asked to conduct self-inspections to further disseminate the guidelines and confirm compliance.

Education and training for employees

From the viewpoint of penetrating sustainability among suppliers, we provide education to Supply Chain Planning Division members who are responsible for their roles. Additionally, from the perspective of legal compliance, we regularly conduct education on the Subcontract Act for Tokai Rika Group employees.

Basic purchasing stance



Activity Report for FY 2023

1 Safety/disaster prevention	<ul style="list-style-type: none"> Enhancing promotion of STOP6 Sharing of accidents with absence from work Prevention and minimization of fire and flood damage
2 Quality assurance	<ul style="list-style-type: none"> Monthly confirmation of improvement plans based on quality targets On-site physical inspection in the occurrence of defects
3 Reinforcement of our foundations	<ul style="list-style-type: none"> Promoting BCP activities
4 Development of information infrastructure	<ul style="list-style-type: none"> Improvement of operational efficiency through the use of IT Self-diagnosis of information security
5 Realization of carbon neutrality	<ul style="list-style-type: none"> CO₂ emissions reduction of suppliers
6 Strengthening competitiveness	<ul style="list-style-type: none"> Supplier proposals from the development stage
7 Social responsibility	<ul style="list-style-type: none"> Promotion of CSR



Kei Fujioka
External Director

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 appointed him as an external officer in 2017 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
External Director

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 appointed her as an external officer in 2022 in the hope that we could receive her extensive experience, perception, and wisdom to provide advice on management reforms from her objective and scientific perspective.



Kazushi Ambe
External Director

Mr. Kazushi Ambe not only has experience in the human resources and general affairs divisions at Sony Group Corporation, but he also has experience managing an overseas corporation of that group. We appointed him as an external director in 2024 in the hope that he will use his broad and abundant experience, knowledge, and insight to supervise and provide advice on overall management, with a focus on human resources strategy and organizational reform.

Breathing new life into Tokai Rika during a period of change, we will continue to provide backup while fulfilling our management and supervisory roles.

Three external directors who support Tokai Rika from an outside perspective gave their candid opinions on the state of our corporate governance, our newly formulated Purpose, Vision, and Value, the progress of our mid-term management plan, and the promotion of human capital management.

About our corporate governance

How do you feel about our company's corporate governance and Board of Directors?

Fujioka: The company is currently undergoing dynamic changes, as evidenced by the three external directors and three internal directors on the Board of Directors. I have been an external director for nine years now, and since the time I first took office, I have been saying that we should create a vision that shows the goals we are aiming for as a company and a management plan, and I feel that the various improvements we have made since the time of the previous president are finally taking shape. In particular, due to the first mid-term management plan in 2022, there has been an immediate drive to make major changes in the allocation of human resources. On the other hand, we are aware that this drive for rapid change caused some friction, resulting in quality problems this fiscal year. While maintaining our speed, we must respond with sincerity to prevent recurrence.

Miyama: When I took office three years ago, under President Ninoyu's leadership, I had the impression that everyone was a bit restrained, as if they understood the need for change in their heads, but were not keeping up. Now, I feel that the entire company is moving in the same way. However, when everyone is aiming in the same direction with energy, some things inevitably get left behind. I feel that it will be important for us, as external directors, to be aware of this, and to play a role in not neglecting it.

Ambe: Being able to take part in Tokai Rika, which has evolved considerably, my first impression of the company is that it is a very open company. I think it is wonderful that the external directors share all kinds of information and are willing to input as much value as possible. After listening to what both of you have said, I believe that what is required of Tokai Rika's current external directors, as the company continues to take on the challenge of growth, is to suggest the right direction so that the company does not go down the wrong path. From this perspective, I have the impression that the information provided is rather broad. I feel that we could evolve into a more efficient form of information sharing in order to properly fulfill our supervisory role.

Fujioka: It is true that the company is becoming more and more aggressive in its originally serious corporate culture, and it is now producing more and more information. On the other hand, this fiscal year we have reviewed the transfer of authority to the executive side and the themes to be discussed at the Board of Directors meetings, and have changed the meetings to a space where business strategies, tactics, and directions are discussed more than before. We have made a major shift to a form where we are now responsible for management and supervisory functions, and I look forward to seeing how this will change in the future.

Miyama: I have high expectations for future Board of Directors.

Formulation of our Purpose, Vision, and Value

What are your thoughts on our Purpose, Vision, and Value formulated in May 2024?

Fujioka: At a consumer goods company I used to work with, I had the experience of witnessing how the corporate philosophy, which was a common guideline for the entire company, had permeated the company and was shared even by the local staff overseas. I have been suggesting since I arrived at Tokai Rika that they should create a purpose and management plan. Although the original order is reversed, the mid-term management plan was created in 2022, and our Purpose, Vision, and Value were finally put into words this year.

Ambe: For a company, maintaining the status quo is synonymous with degeneration, so there must be constant change. In this day and age, the pace of change is much faster than ever before, so I think that if you define what must not be changed, you will be more prepared to change everything else. In this sense, I think it is important to have a universal set of values—a "Purpose"—so that there is no longer any hesitation to make changes.

Fujioka: Indeed, it just needed to be put into words. We have always had a clear goal, but we simply had not articulated it. Now that it has all been clearly stated, I expect that everyone will understand what we are trying to achieve, and that it will give a big boost to the implementation of the mid-term management plan.

Miyama: What impressed me when I came to Tokai Rika was the founding spirit of "If it's something necessary in the world, we do what others won't do," and "A Call to Thought and Action," which means "thinking and acting." I think it is wonderful that the company's new Purpose, Vision, and Value, which were already in existence, have been established in a form that is easy for employees to understand and can be clearly communicated to those outside the company.

Ambe: What made me realize how serious they were about the Purpose was when I heard that they wanted to present the Purpose to stakeholders in the form of a story. I understood that they wanted to tell the story of how they seriously discussed and debated the issue thoroughly in formulating the Purpose, including the thoughts they put into the Purpose and how they came to it, which I felt was a sign that the Purpose is authentic.



Evaluation of the mid-term management plan

What are your thoughts on our efforts and progress toward the mid-term management plan?

Fujioka: If you set high goals, gaps will appear, and the external environment is constantly changing, so it is necessary to review strategies on a regular basis. Unfortunately, we have not been able to roll up the three phases of Vision, mid-term management plan, and annual policies, always going back and forth between them. I have been saying this since the mid-term management plan was created in 2022, and I said the same thing last year, so perhaps the executive side is doing something about it, but I strongly hope that the company will systematically and firmly address this issue.

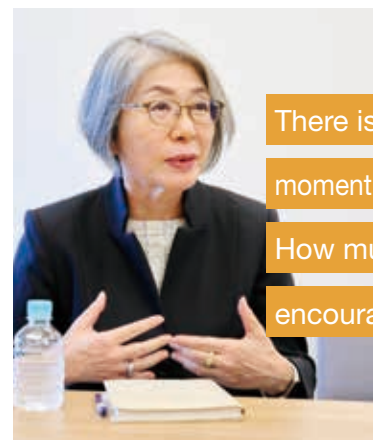
Miyama: When I first came to Tokai Rika, my initial impression was that they had been in the business of supplying parts to large clients for many years, and that their business had been established within the framework of their clients setting the target figures. Behind Mr. Fujioka's point about the lack of roll-up, I imagine that there is a part of the organizational culture that has become complacent with making plans. I also had a historical background at DNP (Dai Nippon Printing) in the order-based business, so I can somewhat understand what he is saying.



We'll work together to figure out how to reach the next plateau

Fujioka: The moment before a major business transformation is a time of birth pains for any company. Right now, it is the most difficult period for this company as well. That is why I think we should be more careful in our evaluation of where we have differed from initial assumptions, where we need to revise our strategies, and where we need to proceed as planned.

Miyama: Mr. Ambe has joined on as an external director as we take up the challenge of changing the business format. I am looking forward to seeing how Tokai Rika will be changed



There is a growing momentum to try new things. How much can we encourage that change?

by the synergistic effect of Mr. Ambe's knowledge, including his many years of experience fighting for the Sony brand.

Ambe: I think the mid-term management plan, which is divided into four quadrants and specifies each direction, is very well done. I believe that the role of external directors is to monitor progress and make necessary proposals to ensure that the plan is steadily implemented. In doing so, it is important to have a correct understanding of progress.

There are two types of progress that can be monitored: those that can be approached quantitatively, and those that are qualitative and difficult for us to understand. I think it is important to use quantitative information more effectively to make drastic discussions, such as the size of the business and its portfolio. In addition, one of the most difficult qualitative pieces of information to measure is the shift in people's mindset. If we could conduct a kind of awareness survey to see if everyone is really working positively with a clear mind under the strong leadership of President Ninoyu, how much progress has been made in sharing the vision and changing mindsets, and make an effort to monitor the progress of the mid-term management plan from a fixed point, we could have a lively exchange of opinions while observing the progress of the mid-term management plan.

Promotion of human capital management

What initiatives do you think are necessary to promote human capital management?

Miyama: All of Tokai Rika's employees are really serious, sincere, and hardworking. I often hear that the younger generation, in particular, is energetic and motivated to take on new challenges, and I myself have a sense that the environment must change in order for this to happen. Since changes are steadily taking place, I wonder how much more those in their fifties and sixties will be able to push for such changes. It may be that I just don't see it yet, but I believe that the acceleration of change will differ greatly depending on how much you encourage the change.

Ambe: When President Ninoyu invited me to join the board, he told me that he envied Sony employees because they are all self-motivated and willing to take on challenges. However, I don't think that all of our approximately 110,000 employees



Corporate culture, clear direction, Passionate leaders, Positive employees. The ingredients are already in place.

globally could possibly be full of this proactive spirit, and it's only human to fear change. If you just have some curiosity, then you will get the urge to try something new. I believe that it is the role of management and leaders to ignite that fire.

Since Tokai Rika already has all the ingredients in place—a wonderful corporate culture, a clear direction, passionate leaders, and positive employees—I have spoken about one idea to encourage employee autonomy. Although we tend to view this from a management perspective as Tokai Rika “hiring,” “training,” and “utilizing” employees, what if we instead put the employees as the subject? What if we put it as employees “choosing” Tokai Rika, that they “grow” and “play an active role” at Tokai Rika? When we put employees as the subject, it may become clearer how everyone feels, needs, and wants.

Fujioka: I like that idea. We come so far as a result of moving a large number of people to change the business format. However, we are now stuck at a plateau where we have to move on to the next point. Management is taking various measures to develop new technologies to challenge new areas, but we have not yet reached a state where employees are readily coming up their own new plans. As Mr. Ambe said, I think it is time for us to put the employees in the lead and work together to find a way to take the company to the next stage.

Expectations for Tokai Rika in the future

What are your expectations for the future, and what are some of the issues that need to be addressed in the long term?

Miyama: It would be interesting to see Tokai Rika become a company that in years to come people will wonder what it is that we even make. It is not an easy task, but it is my hope. Here I once again recognize my role as bringing forth the first female executives. To use Mr. Ambe's employee-as-subject formulation, letting the first female executives bring themselves forth.

The same is true of DNP, but while women are steadily making progress, such as by becoming executives, it is difficult to see who will follow in their footsteps. How do we progress in this area? President Ninoyu is working on this issue with great passion, and I believe that all of the executive officers need to support him in this endeavor more than ever before.

Ambe: I am still working on deepening my understanding of Tokai Rika, but if I may say so, I have the impression that the movement to create new value is led mainly by domestic employees, while overseas employees are specialized in manufacturing. Since the growth of a company is the sum total of the growth of each and every employee, I expect that excellent human resources will play an active role by removing the boundaries between domestic and overseas employees, and that all 20,000 employees will together lead to the growth of Tokai Rika. In this sense, I feel that there are still opportunities for growth.

Fujioka: Again, I have to notice how cool it is that we are going to take on the challenge of entering a new area of business, moving from being “a company for some car parts” to now being marketed under the brand name of Tokai Rika. The corporate culture that has been cultivated over the company's history of being a behind-the-scenes company will naturally have a different feel when it comes out under its own brand.

Employees who have taken the next step will not wait to be told what to do explicitly but will embrace a new culture of trying and suggesting new things on their own. I think the emergence of the Tokai Rika brand in the world will mean such a change.

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 three external directors and two 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.

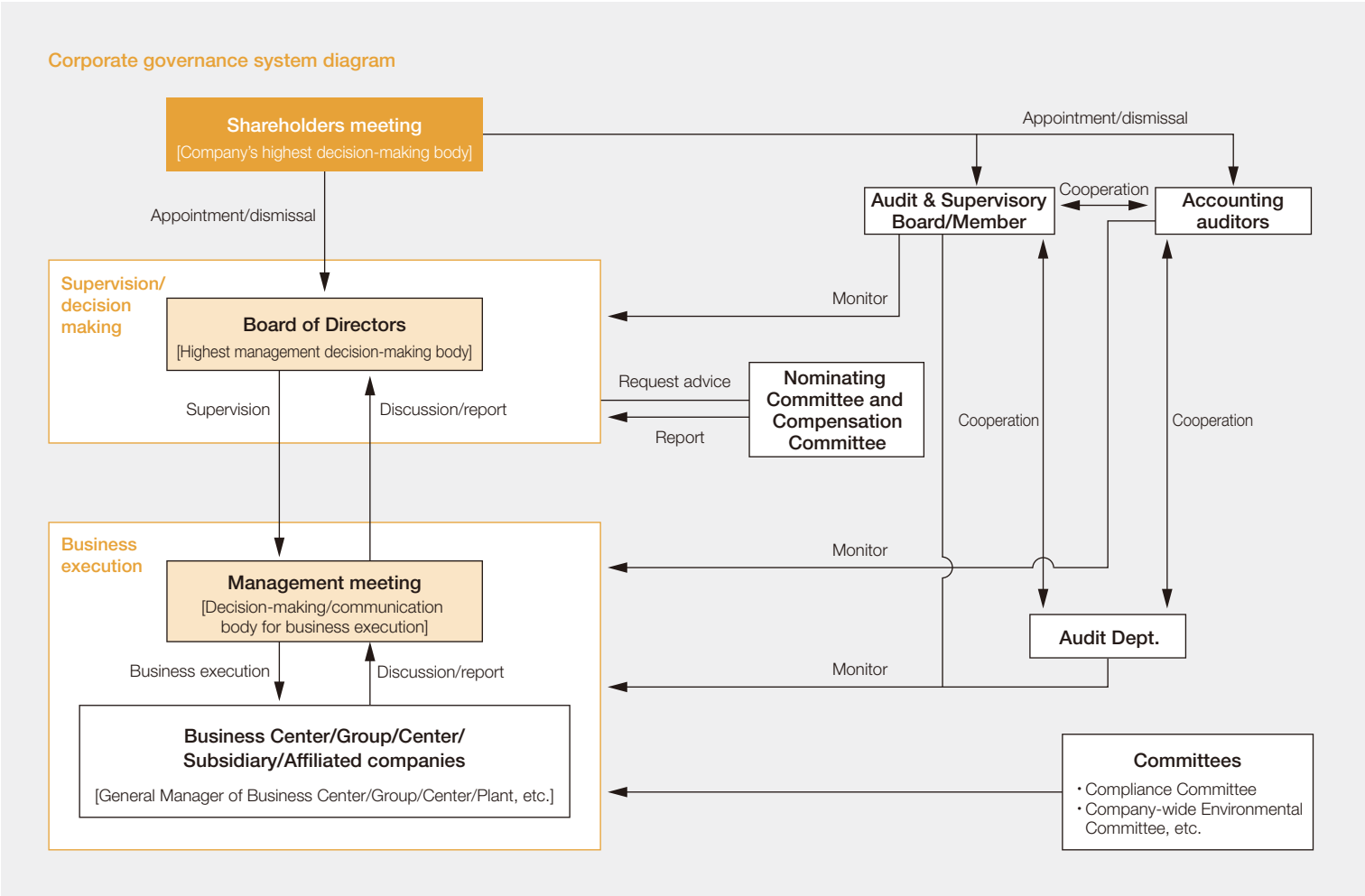
Audit & Supervisory Board

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 2021	June 2022	June 2023	June 2024
Director	Internal/External	4/2	3/3	3/3	3/3
	Total	6	6	6	6
Composition of external directors		Kei Fujioka	Kei Fujioka	Kei Fujioka	Kei Fujioka
		Shoji Tsuzuki	Shoji Tsuzuki	Minako Miyama	Minako Miyama
			Minako Miyama	Motomi Niwa	Kazushi Ambe
Audit & Supervisory Board Member	Internal/External	2/3	2/3	2/2	2/2
	Total	5	5	4	4
Composition of external Audit & Supervisory Board Members		Tadashi Yamashina	Tadashi Yamashina	Yoshinori Yamada	Yoshinori Yamada
		Minoru Chida	Minoru Chida	Minoru Chida	Minoru Chida
		Yoshinori Yamada	Yoshinori Yamada		
Ratio of external directors		33%	50% •First female director	50%	50%



Nominating Committee

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

Members	Hiroyoshi Ninoyu, Representative Director and President
	Masahiko Sato, Representative Director
	Kei Fujioka, Director (external and chair)
	Minako Miyama, Director (external)
	Kazushi Ambe, 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.)

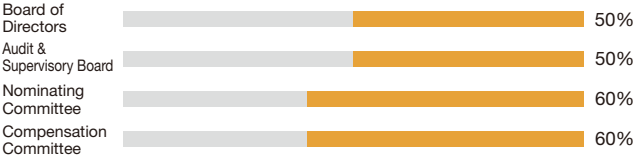
Members	Hiroyoshi Ninoyu, Representative Director and President
	Masahiko Sato, Representative Director
	Kei Fujioka, Director (external and chair)
	Minako Miyama, Director (external)
	Kazushi Ambe, Director (external)

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,” “Establishment of a Recycling-based Society,” and “Establishment of a Society in Harmony with Nature.”

Ratio of external officers



Members (attendance rate)

Name	Position	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Hiroyoshi Ninoyu	Representative Director President	◎ 13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Masahiko Sato	Representative Director Executive Vice President	13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Katsuyuki Imaeda	Director Operating Officer	Attended from June 2024	-	-	-
Kei Fujioka External	Director	13 times/13 times (100%)	◎ 2 times/2 times (100%)	◎ 2 times/2 times (100%)	-
Minako Miyama External	Director	13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Kazushi Ambe External	Director	Attended from June 2024	Attended from June 2024	Attended from June 2024	-
Toshiaki Tsuchiya	Full-time Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	◎ 13 times/13 times (100%)
Toshiki Akita	Full-time Audit & Supervisory Board Member	Attended from June 2024	-	-	Attended from June 2024
Yoshinori Yamada External	Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	13 times/13 times (100%)
Minoru Chida External	Audit & Supervisory Board Member	12 times/13 times (92%)	-	-	13 times/13 times (100%)

*◎ indicates the chairperson or committee chairperson.

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 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 society and the 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 the following items for the skill matrix.

Skill matrix

Position	Name	Gender	Corporate management governance	Technology development	SDGs			Compliance	Foreign operation	Manufacturing	Sales	Finance
					Diversity	Carbon neutrality	IT・DX					
Representative Director President	Hiroyoshi Ninoyu	Male	●		●	●	●	●	●	●		●
Representative Director Executive Vice President	Masahiko Sato	Male	●		●	●	●		●		●	
Director Operating Officer	Katsuyuki Imaeda	Male	●	●		●				●		
Director External	Kei Fujioka	Male	●		●			●	●		●	●
Director External	Minako Miyama	Female	●	●	●		●					
Director External	Kazushi Ambe	Male	●		●			●	●			
Full-time Audit & Supervisory Board Member	Toshiaki Tsuchiya	Male	●		●	●			●		●	
Full-time Audit & Supervisory Board Member	Toshiki Akita	Male	●	●			●			●		
Audit & Supervisory Board Member External	Yoshinori Yamada	Male	●					●				●
Audit & Supervisory Board Member External	Minoru Chida	Male	●	●		●	●			●		

Effectiveness of the Board of Directors

We have set an ideal for what the Board of Directors should be like through a resolution at a meeting of the Board of Directors (in July 2021), and we will evaluate the effectiveness of the Board of Directors each year and work to improve it to realize the ideal.

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, the ease of reading, and the creation of an atmosphere conducive to speaking up at the meetings of the Board of Directors, etc., and we evaluate that a certain level of effectiveness has been secured.

Going forward, we will work to further improve our operational methods and increase the effectiveness of the Board of Directors through discussion of the important themes set for each year by the board based on a schedule with policy- and decision-making followed by management of progress as necessary.

Improvements

- By revising the regulations of the Board of Directors, review of the criteria for submitting proposals for discussing the direction of the company
- Discussion of human capital management and compliance
- 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
- Controlling the agenda to enable further discussion of the direction and strategy of the company
- Providing support to enable external directors to easily understand abbreviations and terminology unique to 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 extensive 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.
	Kazushi Ambe	Mr. Kazushi Ambe has experience working in the Human Resources and General Affairs Department of Sony Group Corporation in addition to management experience at an overseas subsidiary of that company. We have appointed him as an independent officer in the expectation that we can receive supervision, advice, etc. on management overall centered on human resources strategy and organizational reform, making use of his wide-ranging 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 him or her 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,

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 60%	Bonus 30%	Stock compensation 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.

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.

Bonus

Bonuses for each director (excluding external directors) and corporate officers are drafted based on consolidated operating profit 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

	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

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

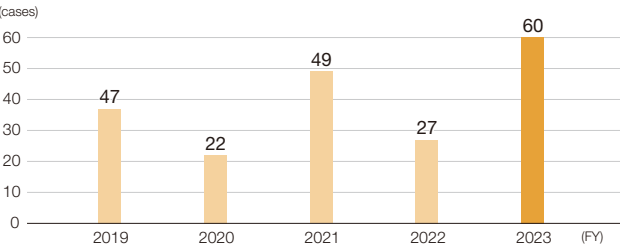
With the compliance management division and divisions in charge of legal compliance as our core, our domestic and overseas subsidiaries have been jointly organizing systems and carrying out awareness activities in accordance with the status and circumstances of each company.

Consultation reporting

In order to detect and solve internal problems at an early stage, we have established a consultation and whistleblowing service. To make the service more accessible, we named it "Nandemo Soudan Madoguchi (Consult-us-about-anything Service)." Inside the company, a consultation and whistleblowing service has been established at the Head Office and in each plant, in order to collect knowledge of problems from a broad range at an early stage as far as possible and we have also introduced a system that allows direct reporting to the President. Furthermore, outside the company, 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. We have also set up a service that enables consultation with the labor union. Confidentiality will be strictly maintained to ensure the anonymity of the caller.

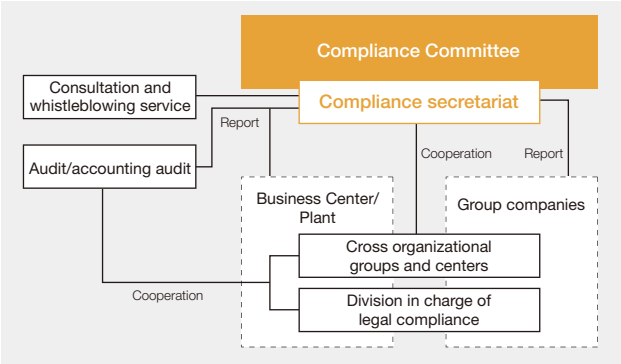
As shown in the following graph, there are a certain number of consultations every year, and the service is bringing early resolutions to problems.

Number of consultations and reports



be conducted continuously through not only the compliance management division, but also by appointing a compliance general manager/compliance manager in each department.

Organization and system diagram



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 bribery prevention 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 a lawyer who specializes in Antitrust Law cases to provide training related to the basics of Antitrust Law for all employees, including new employees, and training for officers and executives using past violations as themes to prevent them from being forgotten.

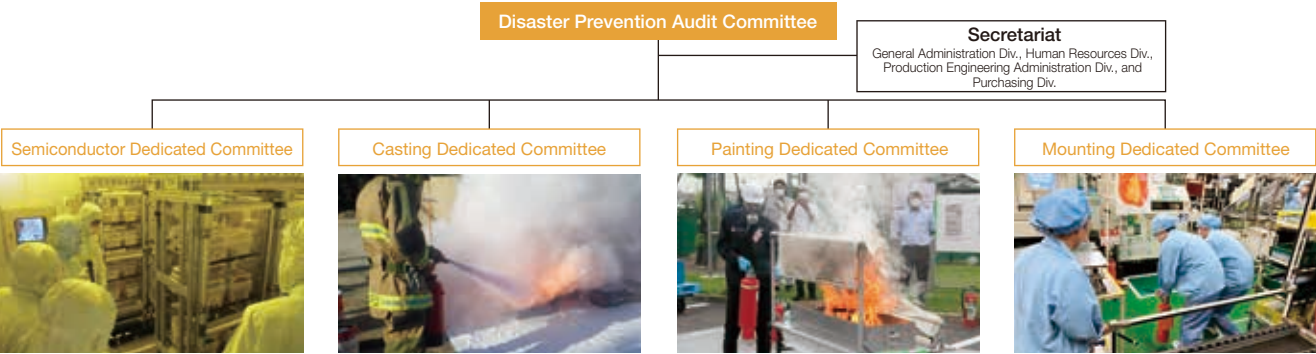
The supervising division continues to respond to daily compliance consultation regarding Antitrust Law from trading divisions and conduct prior checks under Antitrust Law in transactions with other parties. In particular, we continue to conduct more detailed prior checks before proceeding with collaborative projects.

Risk Management

Risk management

We have organized dedicated committees for each of the four priority areas with high disaster risk: semiconductor manufacturing, casting process, painting process, and mounting process. These 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 day shift and night shift 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. This fiscal year, we clarified the roles of each department leading from the occurrence of a disaster to the restoration of production and implemented and enhanced training on these roles. At workplaces that have special processes that may cause a fire, fire extinguishing training is provided regularly to strengthen initial fire extinguishing response. This training is conducted under the guidance of the local fire department. This fiscal year, employees at manager level and above visited Toyota Motor Corporation's disaster prevention training center Kodokan (Think-and-Act Center) with the aim of realizing workplaces with zero fires. We have 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 provide smooth and reliable support to the community, aiming 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 were 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." This fiscal year, 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.

Information security CIA diagram




Establishment of information security policy

We are working on the following education and awareness activities, and will continue to do so in the future. We have been making efforts to ensure that activities appropriate for the workplace can be implemented continuously through the appointment of managers.

- 1 Training by job grade at the time of joining the company or at the time of promotion
- 2 Security training for managers
- 3 Training on responding to suspicious emails for all employees
- 4 Awareness-raising activities through Confidentiality Management Reinforcement Month and the internal bulletin board
- 5 Activities to raise the level of security incident countermeasures by suppliers

Information security policy

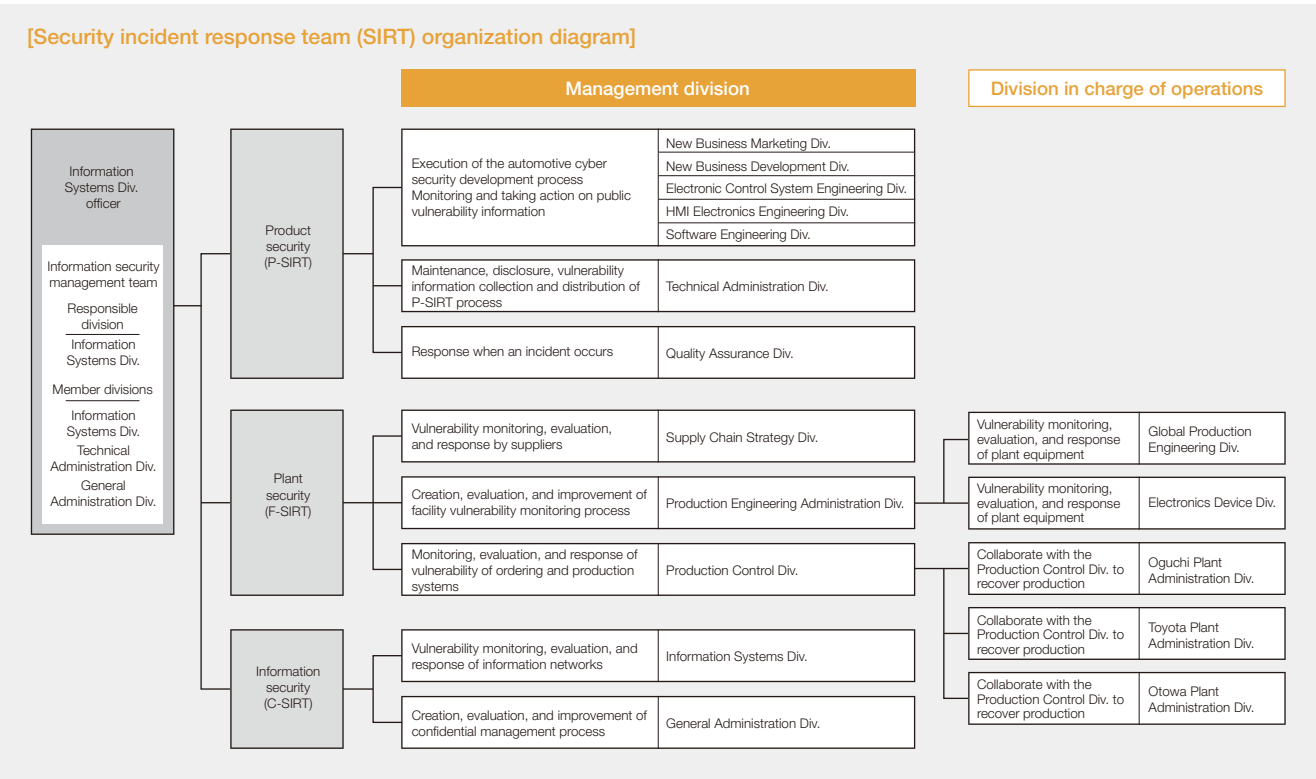
1. We regard information security as an important management issue and, after establishing an information security management system, we will continue to engage in information security activities.
2. We evaluate and analyze information security risks and implement appropriate human, organizational, technical, 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 manage-

ment 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



Masahiko Sato

CEO

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



Katsuyuki Imaeda

Director

April 1990 Joined Tokai Rika Co., Ltd.
June 2016 General Manager, Security Production Engineering Division, Security Business Group
April 2019 Corporate Officer
Jan. 2020 Higher Senior Management
April 2021 Corporate Officer, to the present
June 2024 Director, 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



Toshiki Akita

Full-time Audit & Supervisory Board Member

April 1985 Joined Tokai Rika Co., Ltd.
June 2009 General Manager, Switch Engineering Division, Switch Business Group
June 2013 Corporate Officer
June 2017 Managing Director, Member of the Board
June 2018 Director, Member of the Board (retired in June 2020)
Jan. 2020 Corporate Officer, to the present
June 2024 Audit & Supervisory Board Member, to the present

Kazuhiro Ikai

Toshiki Nogami

Taketoshi Sakurai

Katsuyuki Imaeda

Koichiro Yamagishi

Satoru Ishida

Sumikazu Sasaki



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 External 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.
July 2014 General Manager of Recruiting and Training Dept., Dai Nippon Printing Co., Ltd.
June 2018 Corporate Officer, Dai Nippon Printing Co., Ltd.
June 2021 Director, Dai Nippon Printing Co., Ltd.
June 2022 External Director, Tokai Rika Co., Ltd., to the present
June 2024 Managing Director, Dai Nippon Printing Co., Ltd., to the present



Kazushi Ambe

External Director

April 1984 Joined Sony Corporation (currently Sony Group Corporation)
Oct. 2001 VP, Sony Ericsson Mobile Communications AB
April 2006 SVP, Sony Corporation of America
Nov. 2014 Corporate Executive and SVP, Sony Corporation
June 2018 Executive Vice President and Corporate Executive Officer
June 2020 Senior Executive Vice President and Corporate Executive Officer
April 2021 Senior Executive Vice President and Corporate Executive Officer, Sony Group Corporation, to the present
June 2024 External 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 Pricewaterhouse Coopers 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 External 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., Vehicle Development Center, to the present
June 2020 External Audit & Supervisory Board Member, to the present

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.”



We clearly state in our basic purchasing policy that we are committed to building sound and good business relationships with our suppliers over the long term and take action based on this.

Every April, we hold the “Tokai Rika Group Policy” and “Purchasing Policy” briefing and “Supplier Awards,” and in April 2023, 106 major suppliers participated.

Business partners

Customers

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 exhibitions and contact point for end-user inquiries.



Tokai Rika

Local communities

Shareholders, investors

Employees



Based on the principle of “local cocreation,” we consider local issues from the same perspective as the local residents, and seek solutions to their concerns.

In Oguchi Town, Aichi Prefecture, where our Head Office is located, we cultivated strawberries to utilize abandoned farmland and create opportunities for people with disabilities to play active roles. Meanwhile, in Yokote City, Akita Prefecture, where our new base Tokai Rika Tohoku is located, we aim to become a company rooted in the community by interacting with local residents through traditional events.



We have been selected as a “Health and Productivity Management Outstanding Organization” for four consecutive years since 2020.

In addition, in an internal survey, 59.8% of respondents in FY 2022 responded favorably to the question, “I am very happy to work for my current company,” and this figure increased to 68.4% in FY 2023.



In addition to quarterly earnings announcements, we report on our business and growth strategies to enhance corporate value at the full-year financial results briefing held in May and the shareholders meeting held in June. In addition, at the shareholders meeting, we hold facility tours for shareholders. Other than these, in the past few years we have been focusing on dialogues with institutional investors and analysts, increasing from 59 dialogues in 2020 to 75 in 2023.

We are actively announcing new products and services associated with our new business expansion and business alliances.

Corporate Data

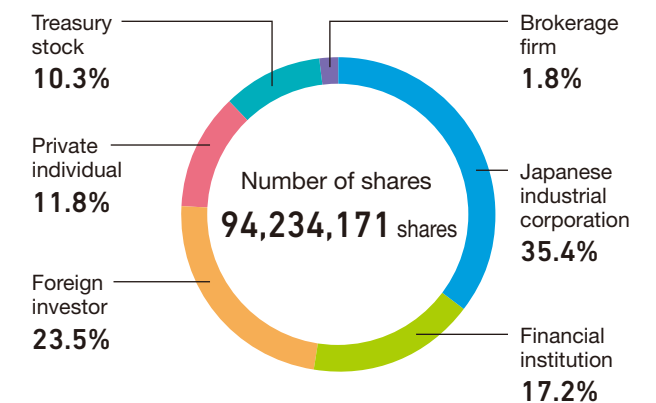
Company name	TOKAI RIKO CO., LTD.
Head Office location	3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan
Establishment	August 30, 1948
Employees	20,247 (Consolidated, as of March 31, 2024)
Capital	22.8 billion yen (as of March 31, 2024)
Net sales	Consolidated: 623.5 billion yen, Unconsolidated: 269.9 billion yen (Year ended March 2024)
Ordinary profit	Consolidated: 39.5 billion yen, Unconsolidated: 18.6 billion yen (Year ended March 2024)

Stock Information

Total number of shares authorized to be issued	200,000,000 shares
Number of shares issued and outstanding	94,234,171 shares (including 9,654,293 treasury stock)
Number of shareholders	9,269
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

Status of Distribution of Shares, by Holder

(as of March 2024)



Major Shareholders

Shareholders	No. of shares held (thousand shares)	Shareholding ratio (%)
Toyota Motor Corporation	29,367	34.72
The Master Trust Bank of Japan, Ltd. (trust account)	8,521	10.07
The Dai-ichi Life Insurance Company, Limited	2,275	2.69
Custody Bank of Japan, Ltd. (trust account)	1,785	2.11
Tokai Rika Employee Shareholding Association	1,681	1.98
SSBTC CLIENT OMNIBUS ACCOUNT	1,400	1.65
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,340	1.58
State Street Bank and Trust Company 505001	1,231	1.45
Tokai Rika Kyoekai	1,201	1.42
State Street Bank and Trust Company 505223	1,019	1.20

Note: The shareholding ratio is calculated by deducting the number of treasury stocks from the number of shares issued and outstanding

Inquiries about “TOKAI RIKO Integrated Report 2024”

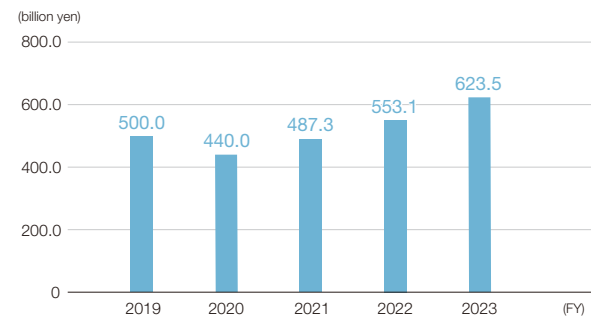
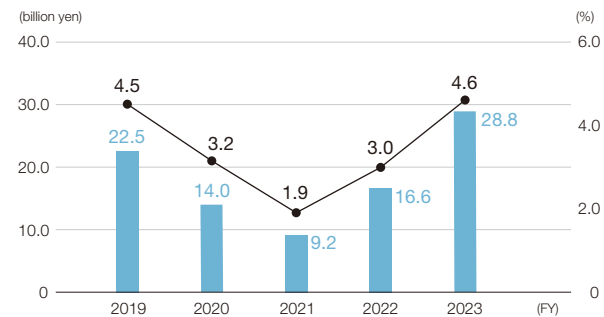
CSR Promotion Dept., General Administration Div., Tokai Rika Co., Ltd.
3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan

TEL: +81-(0) 587-95-5211
FAX: +81-(0) 587-95-0337

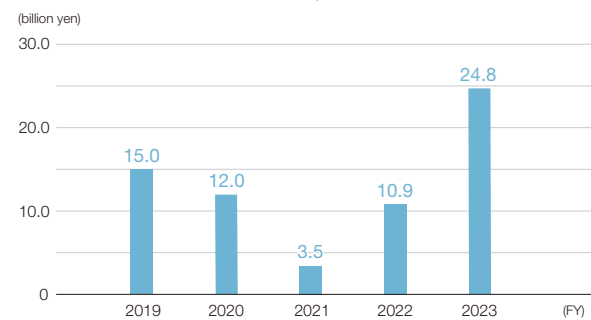
Financial and Non-financial Highlights

Financial highlights

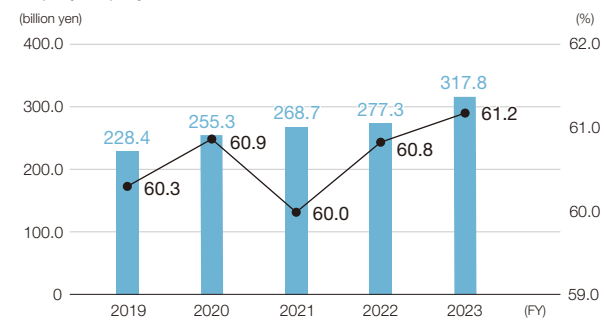
Net sales

Operating profit/
Operating profit ratio

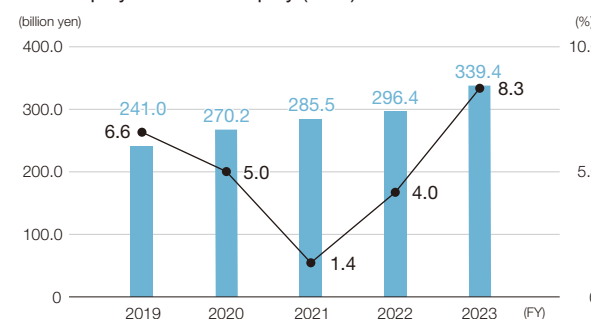
Profit attributable to owners of parent



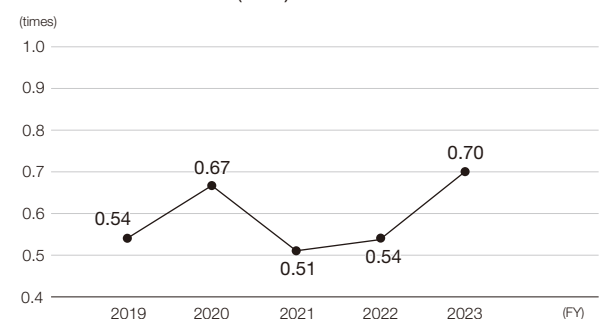
Equity/Equity ratio



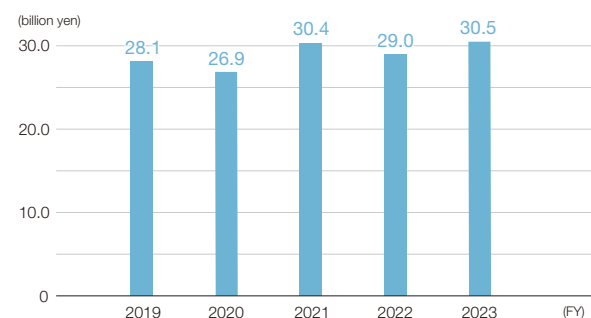
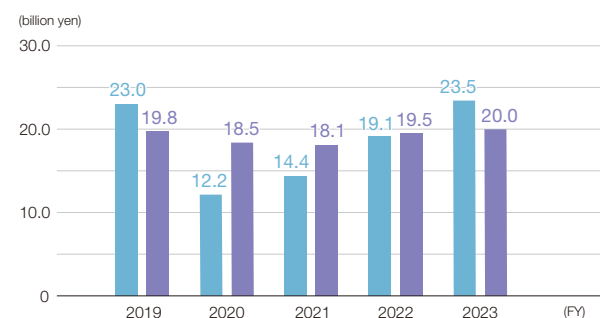
Total equity/Return on Equity (ROE)



Price-book value ratio (PBR)

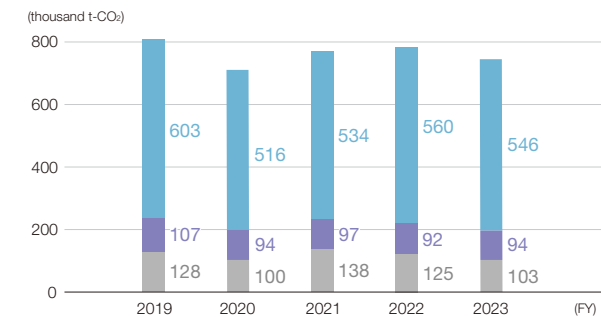


R&D expenses

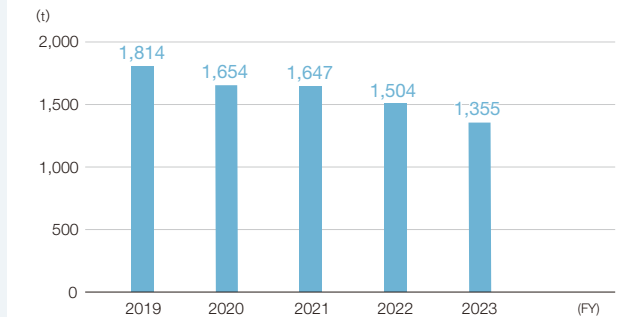
Capital expenditure/
Depreciation

Non-financial highlights

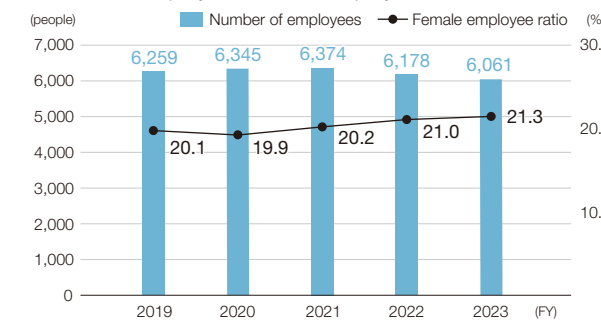
GHG discharge (Tokai Rika Group)



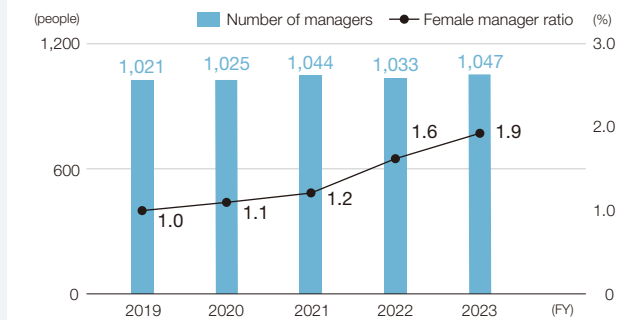
Discharge of waste materials (Tokai Rika Group)



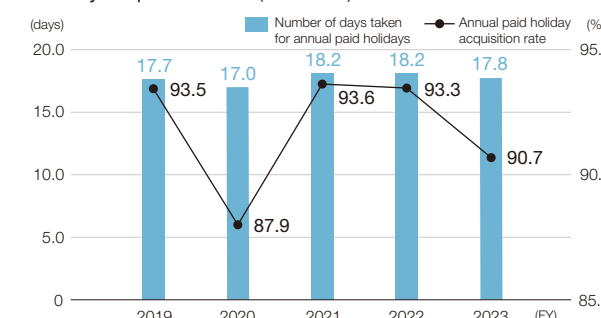
Number of employees/Female employee ratio (Tokai Rika)



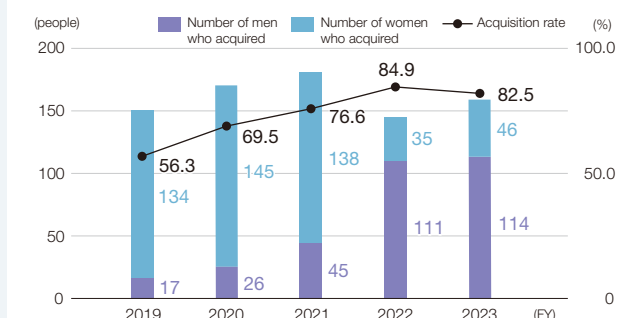
Number of managers/Female manager ratio (Tokai Rika)



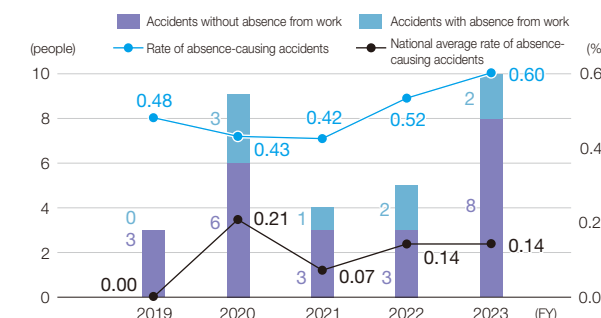
Number of days taken for annual paid holidays/Annual paid holiday acquisition rate (Tokai Rika)



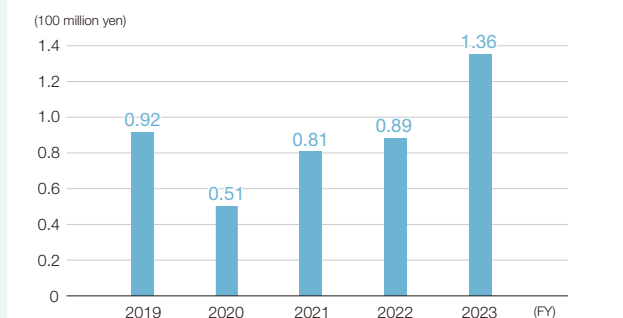
Number and rate of childcare leave acquired by men and women (Tokai Rika)



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



Social contribution expenditure (Tokai Rika)



Eleven-year Consolidated Financial Summary

(Unit: Million yen)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Net sales	437,807	452,195	476,202	459,070	481,945	507,645	500,002	440,061	487,303	553,124	623,558
Cost of sales	373,146	384,525	403,372	394,486	414,318	436,242	435,663	387,937	432,334	488,478	531,983
Selling, general and administrative expenses	34,546	36,478	38,221	34,061	36,756	41,784	41,741	38,078	45,758	47,989	62,753
Operating profit	30,115	31,192	34,608	30,522	30,871	29,618	22,597	14,045	9,211	16,656	28,822
Profit attributable to owners of parent	17,258	19,730	5,591	-4,336	22,014	18,090	15,067	12,026	3,569	10,900	24,850
Capital expenditure	25,220	24,186	21,908	22,299	20,139	25,307	23,065	12,210	14,401	19,190	23,502
R&D expenses	20,262	22,527	25,006	25,669	25,398	25,856	28,119	26,976	30,470	29,080	30,505
Cash flows from operating activities	31,312	40,571	20,747	33,497	20,826	37,919	40,346	34,682	14,677	26,755	53,266
Cash flows from investing activities	-40,255	-36,413	-22,347	-11,606	-19,769	-31,933	-22,289	-27,505	-26,005	-8,695	-31,446
Cash flows from financing activities	-3,200	-11,375	-7,713	-7,020	3,539	-8,033	-6,772	-4,525	-6,437	-6,078	-22,574
Profit per share (yen)	190.77	217.45	61.36	-47.54	241.26	198.25	165.12	131.77	39.10	119.37	276.80
Annual dividend (yen)	46.00	58.00	60.00	60.00	64.00	64.00	62.00	50.00	60.00	64.00	75.00
Dividend payout ratio (%)	24.1	26.7	97.8	-	26.5	32.3	37.5	37.9	153.5	53.6	27.1
Total assets	338,935	375,195	363,343	368,666	382,880	387,556	378,489	419,259	447,834	456,146	519,718
Total equity	206,667	239,216	221,750	212,343	232,127	241,435	241,023	270,276	285,538	296,401	339,488
Equity ratio (%)	57.9	60.6	58.0	54.5	57.5	59.0	60.3	60.9	60.0	60.8	61.2
Return on Equity (ROE) (%)	9.3	9.3	2.6	-2.1	10.5	8.1	6.6	5.0	1.4	4.0	8.3
Price-book value ratio (PBR) (times)	0.8	1.1	0.9	1.0	0.9	0.8	0.5	0.7	0.5	0.5	0.7



Cover Illustration

A Life Sowing the Seeds of
Happiness
by Aimi Mine

Paralym Art World Cup 2023*
Tokai Rika Award winning work

*An art content held by the Shougaisha Jiritsu Suishin Kikou Association holds a contest for people with disabilities around the world, of which we are a co-sponsor.

TOKAI RIKA CO.,LTD.

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Administration Division

3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan

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