

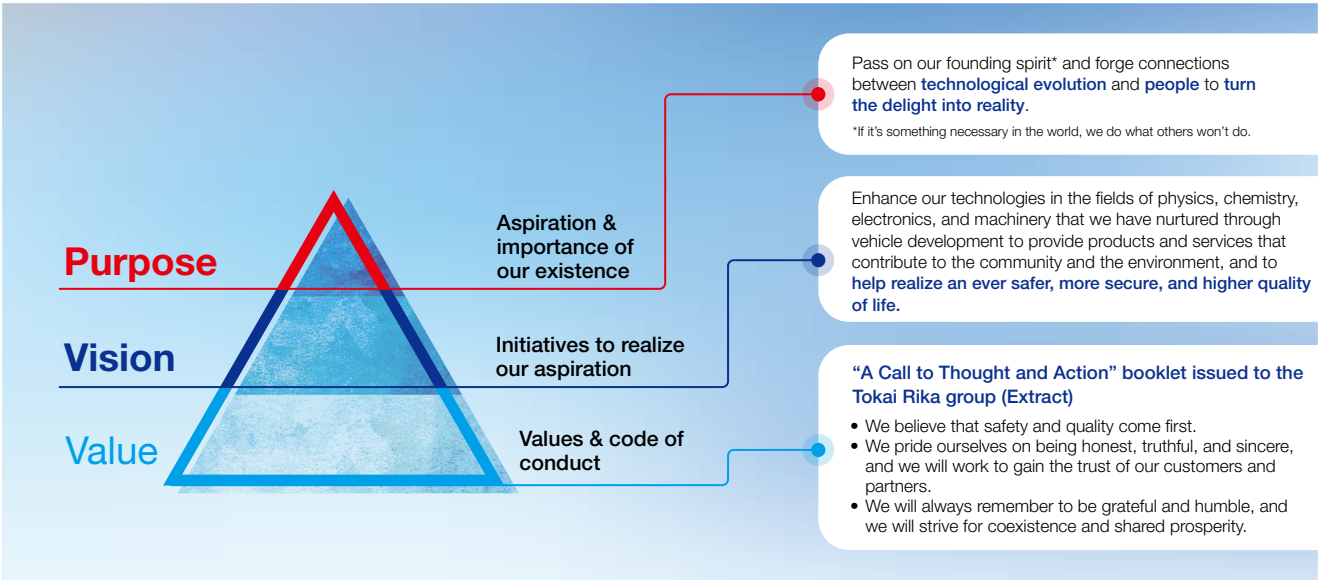
Message from the President

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

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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.

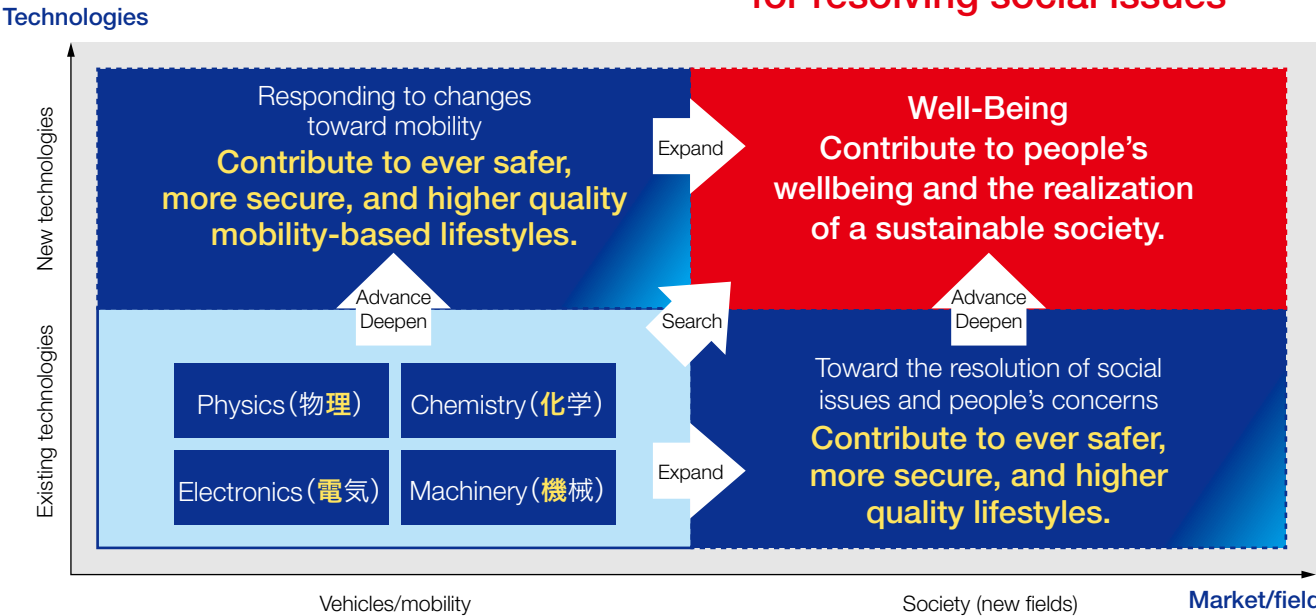
The urgent issue is to return Tokai Rika to profitability on a stand-alone basis, which is also in sight thanks to the steady progress in fixed cost reduction that we have seen since FY 2022. The next two years will be critical. Unless the yen suddenly strengthens to 100 yen to the dollar, we expect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