

## Message from the President

**Embracing challenges and driving transformation, we harness the power to turn change into growth opportunities and co-create the future—a challenge to generate new value**

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Hiro Yoshi Ninoyu  
President

### Preparation and Resolve to Adapt to Environmental Changes

Looking back on FY 2024, amidst a turbulent business environment, our company achieved sales of 617.6 billion yen (down 0.9% year-on-year) and an operating profit of 35.4 billion yen (up 23.0% year-on-year), the highest in our history. This enabled us to achieve the targets set in our mid-term management plan formulated in 2022 (hereinafter referred to as the previous mid-term plan) one year ahead of schedule. This achievement, attained while continuing proactive investments for the future, demonstrates the steady enhancement

of our earning power. The environment surrounding the automotive industry is still one where it's "anyone's game." Unpredictable changes—such as the shift toward EVs, geopolitical risks, and political factors—are occurring one after another. However, we have built a structure capable of responding swiftly to change, based on the assumption that "predictions rarely hold true." This flexibility and responsiveness are the very source of our competitiveness.

### FY 2024 Results and New Developments

Several key factors contributed to the improved performance in FY 2024. Externally, the weak yen boosted sales and profits. Internally, significant contributions came from cost reduction efforts following the establishment of the Profit Optimization Group, alongside profitability improvements achieved in parallel with investments for the future.

Additionally, orders for switches, which we had anticipated would decline, remained resilient, supporting our performance. Historically, the market transitioned toward touch panel switches, prompting some competitors to exit switch manufacturing. Consequently, we projected a sales decrease of approximately 80 billion yen in our previous mid-term plan. However, as touch panel switches proliferated, questions arose regarding their operability and safety. In Europe, the Euro NCAP (European New Car Assessment Programme), which evaluates automotive safety performance, announced plans to adopt direct operability as an evaluation criterion starting in 2026. This led to the established practice of using physical switches and touch panel switches selectively for different functions, resulting in switch demand declining less than anticipated. While competitors withdrew, Tokai Rika persisted in its business,

guided by its founding principle: "Do what others won't do." This persistence led to unexpected orders and kept the decline in sales modest.

In terms of business expansion, FY 2024 saw the launch of a new production base. TOKAI RIKKA TOHOKU CO., LTD. (Yokote City, Akita Prefecture) is our first base in the Tohoku region. Located near our major client Toyota Motor Corporation, it enables us to respond swiftly to customer needs. This base also symbolizes our commitment to regional contribution. We will deepen our ties with the local community through projects aimed at creating local employment and addressing regional challenges.

Furthermore, our northern India factory, located in a region with projected economic and automotive market growth, aims to expand business with numerous automakers, including Maruti Suzuki, which holds the top market share. This marks our first factory primarily serving customers other than Toyota Motor Corporation, embodying our strategic direction to move away from a manufacturing structure focused on a single company. We believe this global perspective in business development will be a key factor supporting our future growth.





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Technologically, we have developed the groundbreaking “Hidden Light Effect” technology, which has received very positive feedback from our customers. This technology uses a translucent decorative process to make switches invisible under normal conditions, only to appear when the engine is started. It can be installed on panels made of resin, metal, or leather. As a touch panel switch, it creates a simple, sophisticated, and premium cabin atmosphere, offering new value. We expect this technological innovation to enhance our brand value and contribute to increased customer satisfaction. Furthermore, we have developed the “WFO® (Wheel Full Ornament),” a resin cap for automakers’ aluminum wheels, and its deployment has begun starting with Toyota Motor Corporation’s Crown Estate. Automakers place great importance on aluminum wheels as a key design

element of the vehicle. However, the need for different aluminum wheels for each model type presented challenges, including an increase in part numbers and the required amount of aluminum material.

WFO® not only achieves the metallic luster of high-brightness machined aluminum wheels through a newly developed coating, but also contributes to improved vehicle fuel/electric efficiency (aerodynamic performance) by reducing the weight of the aluminum wheels. Furthermore, the cap-type WFO® is highly regarded for enabling diverse design variations through standardized aluminum wheels while reducing the number of part numbers and saving factory space. It is expected to be a groundbreaking solution.

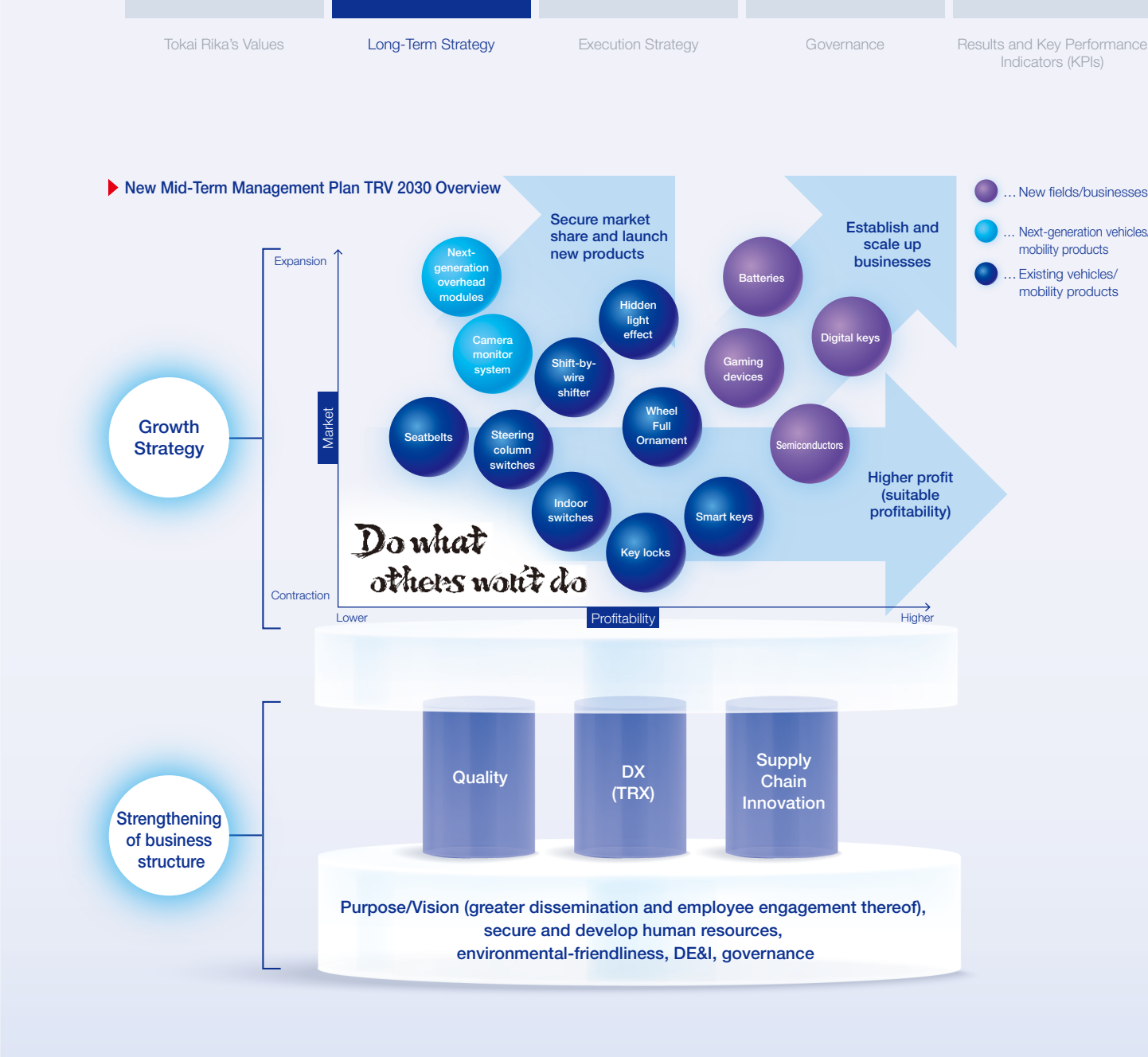
New Mid-term Management Plan “TRV 2030” Made by Leaders Shaping the Future

The new mid-term management plan “Tokai Rika Vision 2030 (TRV 2030),” launched in 2025, was formulated using an approach fundamentally different from a simple extension of previous plans. We deliberately did not include me, as the president, or Vice President Sato. Instead, we formed three task forces with members from our board, mid-career, and junior employees, and had them outline a vision for our company 10 years from now, guided by our Purpose, Vision, and Value. TRV 2030 was then created by backcasting from that vision. This symbolizes the very transformation of our corporate culture—where those who will shape the future take the lead in determining the company’s path, embodying the principle of “creating our own future.” The members of the task forces shared feedback such as, “It expanded my perspective beyond my own territory to discuss the company’s future,” and, “While envisioning that future, we considered what new products and services we could create and develop into businesses.” Hearing this, our directors felt renewed determination. They recognized that as automakers shift to mobility companies, they, the directors, themselves must be the first to change and demonstrate this new mindset to every single employee. Through this process, I believe we found the path our company should take.

Underpinning this initiative is the founding spirit: “Do what others won’t do.” For 77 years since our founding, we have consistently embraced new challenges, yet we also sensed the danger of resting on our stable business foundation. To navigate this era of rapid change, it is essential to redefine the founding spirit, empowering each employee to take ownership and become agents of transformation. Our purpose serves as the guiding principle for this endeavor.

Our purpose, “Forge connections between technological evolution and people to turn the delight into reality,” has evolved from the previous concept of connecting “technological evolution” and “cars” to one that more directly provides value to people’s lives. This shift reflects our aim to transform beyond being merely an automotive parts manufacturer into a company that enriches people’s lives, striving for our technology to help improve quality of life. This shift is already embodied in products within new domains, one being ZENAIM, launched as a gaming gear brand for e-sports. We are introducing products leveraging existing technologies into the PC gaming market, with the ZENAIM KEYBOARD gaming keyboard receiving positive reviews. We deliberately avoid prominently featuring the Tokai Rika company name. Instead, we provide products previously unavailable in the market under the ZENAIM brand, gaining recognition from consumers. Customers who purchase our keyboards only learn about our company through the name listed on the warranty card. We hope that through the ZENAIM brand, consumers will appreciate our technology and, ultimately, recognize the value Tokai Rika provides.

TRV 2030 sets numerical targets of 700 billion yen in sales, a 7% operating profit margin, and a 10% ROE. We aim to achieve these not through M&A-driven scale expansion, but by building a lean and muscular corporate structure. Securing 49 billion yen in operating profit (7% operating profit margin) is set as the necessary level to sustain shareholder returns, employee benefits, and future investments. These targets serve as benchmarks for achieving sustainable growth while fulfilling our responsibilities to all stakeholders. Achieving this requires the united efforts of every employee.



Evolution of Growth Strategy: Value Creation Through Co-Creation

TRV 2030 adds a market growth axis to the traditional four-quadrant growth strategy, aiming to achieve more strategic business portfolio management. The core of this growth strategy lies in co-creation with diverse stakeholders both inside and outside the company. To create new business opportunities and growth areas, and to promote innovation across the entire organization, we form “co-creation teams” composed of members with diverse skills, knowledge, and perspectives, free from traditional organizational frameworks. By breaking down departmental silos and delegating appropriate authority, we enable swift, autonomous decision-making and high productivity. Already, new products have emerged in these areas, such as the “FamiCa,” which supports safe and secure driving for parents raising children, and the previously introduced gaming keyboard, ZENAIM KEYBOARD. These new products symbolize our challenges.

A symbolic success story in external co-creation is the development of an engine start system with alcohol detection capability, which can be added to our corporate

vehicle management system Bqey. This was achieved through collaboration with Global Mobility Service Inc., a company providing financial services utilizing IoT and FinTech to financial institutions and others. This contributes to solving the social issue of drunk driving prevention while also opening up new business areas for our company. In this way, we are actively deepening collaboration with external partners to create value that cannot be achieved by our company alone.

Construction is progressing on our New Technology Development Building, scheduled for completion in 2027. From design to operational policies, young and mid-career employees who will lead our future are taking the lead in making decisions. This is not merely facility construction; it is building a framework to foster new ways of working and new ideas. We are shifting from traditional top-down decision-making to field-led, rapid judgment and execution. This New Technology Development Building will become a crucial hub supporting our company’s future.

## Strengthening Our Business Structure

To execute our growth strategy and deliver results, TRV 2030 also focuses on strengthening our business structure, identifying three key priorities: Quality, DX (TRX), and Supply Chain Innovation. Reflecting on past quality issues, we will enhance the development of personnel responsible for quality while advancing the creation of systems that reduce reliance on human labor through DX implementation. We will transform operations and change how we work by leveraging data across the engineering chain and supply chain. This will enhance the efficiency of our business and strengthen our competitiveness.

Historically, the automotive industry has developed through individual companies building supply chains with numerous partner firms. Within Japanese manufacturing, small and medium-sized enterprises (SMEs) predominantly consist of specialized companies focused on specific tasks or firms dedicated to a single technology or process. Currently, this structure leads to inefficiencies and reduced competitiveness within the supply chain, making it difficult for

participating companies to gain benefits. To overcome this challenge, we will strengthen collaboration with our partner companies and jointly build a sustainable business model.

I believe that for our company to develop as a sustainable enterprise, it is essential that our partner companies, primarily small and medium-sized manufacturers, adopt a sustainable approach to manufacturing. By helping each partner company evolve into a business capable of handling multiple processes, we aim to secure the future of Japanese SMEs and enhance the competitiveness of Japan's entire manufacturing sector. We are currently engaging with an organization formed by volunteers, primarily successor candidates from partner companies, to work on building this sustainable business model. We are approaching supply chain reform with a medium-to-long-term perspective. In the immediate term, we support partner companies' operations through sharing necessary technologies and leveraging DX for data sharing, aiming to optimize the entire supply chain.

## Advancing Sustainability Management

Sustainability management requires a foundation of purpose, vision permeation, and initiatives focused on human resources and ESG. Regarding the environment, we have formulated the Carbon-neutral Strategy 2030, challenging ourselves to achieve carbon neutrality at our headquarters and main factory by 2030, with a global target of achieving it by 2050. Guided by the fundamental principle that "we take responsibility for the pollution we cause," we are not relying on carbon credits or renewable energy certificates from the outset. Instead, we are using our own funds to implement measures across the entire product manufacturing lifecycle. This is how we are walking the path of fulfilling our social responsibility regarding environmental challenges.

Regarding human resources, they are the driving force behind TRV 2030, and we are focusing on human capital management. While we are committed to developing human resources who lead health and productivity management and transformation, the foundation for advancing human capital management is DE&I (Diversity, Equity & Inclusion). Currently, the Diversity Promotion Department is advancing initiatives. For example, much of the existing workplace environment, including production equipment, is designed assuming use by able-bodied men. Providing the same environment uniformly without considering differences in physical capabilities may create disadvantageous conditions for female employees and those with disabilities. Furthermore, ensuring fair opportunities and environments for employees during childcare periods requires systems

enabling more flexible working arrangements than ever before. Moving forward, it is undeniably necessary to create an environment where employees can work fairly, including improvements to factory equipment. We expect these efforts to enrich our corporate culture and guide us toward becoming an organization that respects diversity.

Globally, DE&I policies are reaching a major turning point, particularly in the United States. However, Japan should not base its discussions solely on the same framework. Compared to Europe and the US, Japan's utilization of diverse talent is inherently limited. Both the government and companies have significant work to do. For our company, we will further advance DE&I to secure the talent needed to achieve the challenges and transformations outlined in TRV 2030. This will advance human capital management and strengthen our business structure.

Regarding talent utilization at overseas locations, we intend to strengthen management tailored to local cultures and increase the number of overseas subsidiaries led by local talent at the top. We believe the company should adopt a mindset focused on leveraging local talent capabilities and learning local approaches, rather than relying on technical guidance or management by Japanese expatriates. At the same time, we will firmly communicate Tokai Rika's Purpose and Vision to overseas subsidiaries and implement global governance to ensure they fulfill their responsibilities as members of the Group.



## Capital Strategy

In our capital strategy, we aim to achieve a 10% ROE by FY 2030. We will advance management that considers all stakeholders, driven by both our business strategy and capital strategy.

Funds generated through improved capital efficiency will be strategically allocated toward capital expenditures for sustainable growth, future-creating investments, investments in the people who will support the company's future, and enhanced shareholder returns.

Over the three-year period from FY 2025 to FY 2027, we will execute investments exceeding 95 billion yen as growth investments toward 2030. Regarding shareholder returns,

while prioritizing stable dividends based on sustained corporate value enhancement and valuing trust with long-term shareholders, we anticipate returns totaling approximately 55 billion yen over these three years. These investments are crucial measures to strengthen our competitiveness and support medium- to long-term corporate value growth.

While we hold 100 billion yen in cash as of the end of FY 2024, we expect this to be reduced to approximately 60 billion yen by the end of FY 2027 as a result of these activities. In this way, we will meet expectations by achieving sustainable growth and broadly returning the results to our stakeholders.

## Toward Enhancing Corporate Value

I believe my role in enhancing corporate value lies in raising our company's profile and driving cultural transformation. While low visibility is an inherent challenge for BtoB companies, it is crucial to actively communicate our advanced technological capabilities and social contribution activities so that all stakeholders understand our value. Through initiatives like sponsoring the Aichi Ekiden relay race and showcasing the achievements of our athlete, Kaito Oda—currently ranked world number one in men's wheelchair tennis singles (as of August 2025) and a gold medalist at the 2024 Paris Paralympics—we communicate our "corporate culture of taking on challenges" to society. These efforts also contribute to boosting employee motivation.

Precisely because we live in an era of rapid change, we return to our founding spirit of "do what others won't do" and persistently challenge ourselves to create new value.

TRV 2030 is not merely a business plan; it is a transformation program toward the corporate vision we aspire to achieve. We will leverage the strengths cultivated over 77 years while driving a cultural transformation to enhance our adaptability to change. We will work to create an environment where every employee can become an agent of change. This includes shifting mindsets from "defense" to "offense," promoting dialogue across hierarchical boundaries, and fostering a culture that embraces challenges without fear of failure. We believe this transformation will make our future brighter.

Together with all our stakeholders, we aim to realize a sustainable society and enhance corporate value. With the power to turn change into opportunity and the strength to co-create the future, Tokai Rika will advance to a new stage. I sincerely thank you for your continued support.