



## Enhancing Corporate Value and Sustainable Social Contributions

### Creating One-of-a-Kind, Top-Tier Technologies to Shape the Future and Proactive Intellectual Property Strategy

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"We do what others won't do." This phrase, coined by our founder Yoshio Kato, remains a timeless spirit passed down through generations of Tokai Rika employees. To fulfill our Purpose—forge connections between technological evolution and people to turn their delight into reality—we aim to reexamine our intellectual property strategy moving forward.

Until now, our intellectual property strategy has primarily focused on "defense"—protecting our own products from imitation and infringement. By filing and securing patents in tandem with product development, we have ensured differentiation from competitors and secured market advantage, thereby supporting product reliability and brand value.

Moving forward, we will build upon this defensive foundation and transition to an offensive intellectual property strategy. We will focus on creating unique, top-tier technologies. These technologies will not only be commercialized into products but also leveraged as intellectual property rights for licensing-based business ventures. A business model centered on patent licensing offers high profit margins relative to sales and has proven to support overall corporate profitability. By providing the

technology itself as a valuable asset, we will establish a new revenue pillar distinct from the traditional product sales model. By "providing experiences" rather than just "selling products," we will build a structure capable of achieving high profitability even with a small workforce.

The cornerstone supporting this intellectual property strategy is technological development. We will build a development framework that combines speed and flexibility, not confined to in-house development, but actively engaging in external co-creation, investments, and M&A. This will enable us to simultaneously enhance technological capabilities and cultivate talent, laying the foundation for future business.

To ensure these initiatives function effectively, it is essential not only to strengthen development capabilities but also to enhance the intellectual property department's functions and deepen its collaboration with management. By integrating management strategy, development strategy, and intellectual property strategy as a unified whole, we will maximize the value of our technologies.

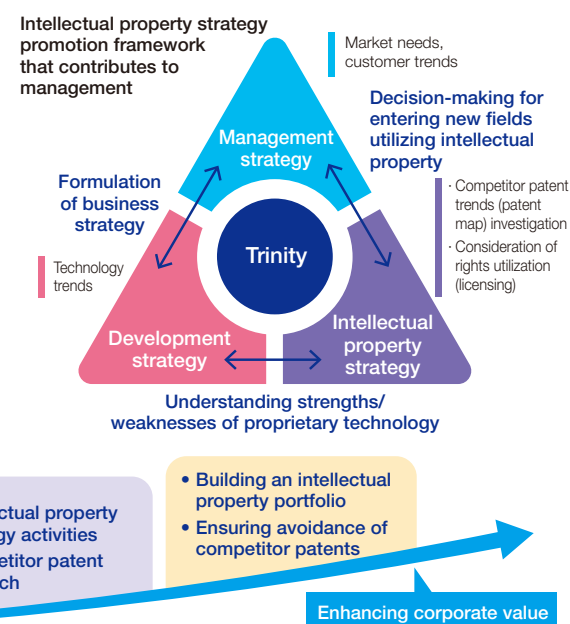
As a result, we aim to enhance corporate value and achieve sustainable social contribution.

### Corporate Value Enhancement Scenario

Our company challenges itself to solve societal issues and create new value based on our core technologies—technologies that connect people and vehicles—such as "human interface systems," "security systems," and "safety systems." Supporting this challenge is our intellectual property strategy. Through intellectual property strategy activities, we strive to build an intellectual property portfolio early on and secure competitive advantage.

Furthermore, based on TRV 2030, we position intellectual property as a key management resource and strengthen its integration with our management and development strategies. By collaborating early with management strategy and development departments, and comprehensively organizing and analyzing patent and non-patent information, we provide insights that support management decisions, optimizing business direction and investment.

These initiatives enable the selection of development themes that support management, achieving sustainable growth and enhanced competitiveness. We position the creation and utilization of intellectual property as a key management priority and will accelerate efforts to enhance corporate value.



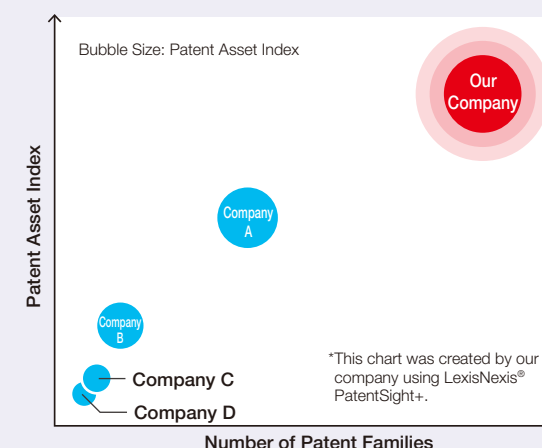
### Human Capital in Intellectual Property Activities

Our company aims to foster a corporate culture that generates innovation and nurtures talent by promoting activities where employees propose inventions. As part of these efforts, we are reviewing our inventor incentive program (reward system) and will strengthen appropriate evaluation and rewards for inventors, including engineers. Particularly for inventions that significantly contribute to corporate growth and enhanced competitiveness, we will design a system that fairly rewards creative efforts, thereby driving improvements in both technical capabilities and the quality of intellectual property. Moving forward, we will continue to maximize the value of human capital through intellectual property activities and ensure fair evaluation and compensation for inventors.

### Example of Securing Patent Advantage

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#### Building a Proactive Patent Portfolio by Learning from Difficult Experiences



In our company's past, regarding a dial-type shift-by-wire shifter, a patent that applied the shifter's basic performance to the dial type was acquired by another company ahead of us, and we had the difficult experience of being forced to accept a license agreement.

Learning from this experience, we have preemptively secured patents for new shifter types like toggle and steering column styles, which are expected to enter the market but were not yet patented, ensuring we hold the intellectual property before any competitors. As a result, we have built a robust patent portfolio for each type.

As shown in the left figure, our patents related to shift-by-wire shifters exceed competing companies in both quantity (number of patent families) and quality (Patent Asset Index: the comprehensive competitiveness of our patent portfolio). We will powerfully drive product sales using this intellectual property as a strategic weapon.

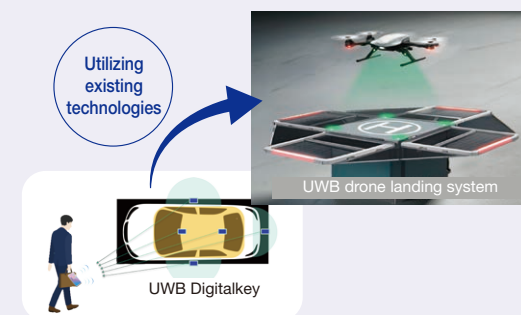
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#### Creating Markets Through Standardization and Intellectual Property

The high-precision UWB ranging technology we have cultivated for smart keys and Digitalkeys can be applied to solve landing accuracy challenges in drone delivery.

Currently, international standards for drone landing are not yet established. We are working to develop these standards by proposing our technology to industry associations, aiming to accelerate their implementation in society. Concurrently, we are strategically advancing technology development and intellectual property acquisition. This allows us to secure the technological domains tied to the standards, building a sustainable framework to continuously solve societal challenges as a profitable business.

Through this dual-pronged approach of standardization and intellectual property, we will realize the creation of new markets.



### Intellectual Property Strategy Details

Our company is implementing both "defensive strategies" and "offensive strategies" utilizing intellectual property to achieve sustainable business growth and enhance competitiveness.

For existing automotive products, we maintain market advantage through "defensive strategies" aimed at protecting our proprietary rights.

For next-generation automotive products, we will advance an "offensive strategy" alongside the "defensive strategy." This involves leveraging patent information to identify key focus areas and file applications intensively, aiming to secure competitive advantage.

In new non-automotive domains, we collaborate with relevant departments from the planning stage to leverage patent and non-patent information for market entry decisions and strategy formulation, accelerating commercialization. Based on these strategies, we will intensify our "offensive strategy" by thoroughly pursuing proactive invention creation activities to build an intellectual property portfolio ahead of competitors.

Category	Purpose	Strategy
A Existing automotive products	Protect existing products	Defensive strategy
B Next-generation automotive products	Secure competitive advantage	Offensive and defensive strategy
C New non-automotive domains	Accelerate commercialization	Offensive strategy

■ Defense ■ Offense

### Intellectual Property Training and Talent Development

Based on our established intellectual property strategy, we conduct IP education tailored to different employee groups, such as mid-level engineers and new hires, striving to enhance IP literacy.

Furthermore, for new initiatives in IP strategy activities, we ensure internal adoption by utilizing external seminars and providing practical, on-the-job training (OJT) in collaboration with development and IP departments.