



Create new value through comfort, security, and safety technologies that put people first.

We want to provide tactile and visual experiences that make communication with your vehicle more comfortable and abundant.

We here at Tokai Rika always put people first. We manufacture user-friendly products, and are committed to creating new value in an abundant society with cars, focusing on the themes of comfort, security, and safety.



Comfort

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



Security

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



Safety

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



The Tokai Rika Report's defining process of applicable scope, content, and items

The scope, content, and items described in this report were defined using the following steps.

STEP1 Grasp and extract posted issues
Issues that were posted were grasped and extracted with reference to economic, environmental, and social conditions, the GRI "Sustainability Reporting Standard 2016,"¹ and SDGs "Sustainable Development Goals."²

STEP2 Specify posted information
With regard to the issues extracted in STEP1, posted information was specified based on "management policy, management environment and issues to be handled (stated in the securities report)," and information from each division and requests from stakeholders.³

STEP3 Confirm the priority of posted information and its validity
The issuing department, including each division, confirmed the priority and validity of the posted information.

¹: GRI "Sustainability Reporting Standard 2016"
GRI (Global Reporting Initiative) is a NGO that formulates international standards regarding the organization's non-financial information report. "GRI Standard" is a standard index used in reports regarding impacts on the economy, the environment, and society.

²: SDGs "Sustainable Development Goals"
These are the 17 international goals and 169 targets to achieve "Agenda 2030 for Sustainable Development" and stand as the successor of the Millennium Development Goals (MDGs) that were adopted at the UN summit held in 2015.



³: Requests from stakeholders
Please refer to page 22 "Social Activities Report" in regard to the approach with stakeholders.

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Technology that connects people, their vehicles, and society.



Interlocutor
Managing Officer
General Manager of Research & Development Center
Toshiki Akita

Associate Professor
Faculty of Human Informatics, Aichi Shukutoku University
Miwa Takahara

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Faculty of Human Informatics, Aichi Shukutoku University
Miwa Takahara, Associate Professor





President of
TOKAI RIKA CO., LTD.
Kenji Miura

Creating new value to enrich connections between people and vehicles all over the world

We, the Tokai Rika Group, are listening to your voices humbly and making it our mission to contribute to the development of a society in which people and vehicles exist together, we will continue to deliver products such as human interface systems, security systems, safety systems, and more, in order to turn “Comfort, Security, and Safety” into a reality for our customers all over the world.

Currently, although the global expansion of the automobile market continues, the business environment around us is growing tougher and tougher, with increasing demands for better quality, intensifying price competition, and so on. Furthermore, to respond to innovations in vehicles resulting from new technologies such as autonomous driving, electrification, connected cars, and car sharing, our products also need to keep on evolving.

Amid circumstances such as these, to strengthen our revenue base, we are pressing forward with the strengthening of our products' competitiveness, and with maintaining our preparedness with regard to supplying on a global scale. Furthermore, for future growth, in order to strengthen the development of systems that make use of electronic products, our development of new products and our response to the march of highly systematized, highly electronic products, we are moving forward with further streamlining of our management resources and with the securing of resources in general. In addition, the whole of our group is also working on the things that form the very foundation of our business: securing safety and quality, human resources development, and the arrangement of work environments.

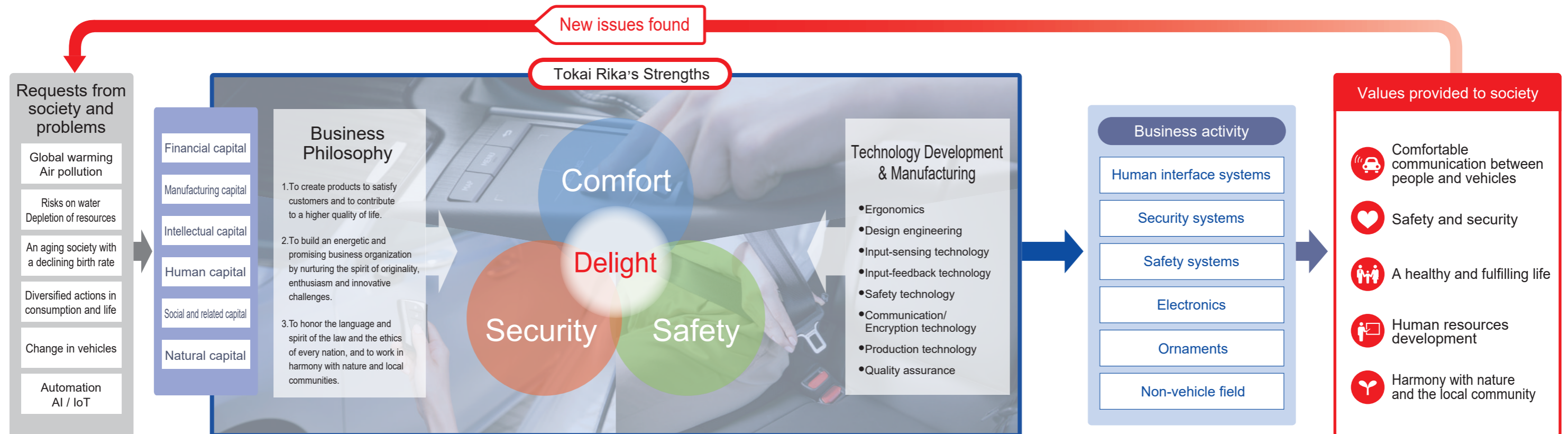
Furthermore, we declare working in harmony with nature and society as a business philosophy, and also place great importance on initiatives aimed at the environment and society.

For our environmental initiatives, the increase of natural disasters and the effects of climate change are appearing in various entities including global warming throughout the world. We understand that we are at a turning point now when it comes to saving our beautiful environment for the future. To this end, we have established a targeted amount of CO₂ emissions for 2030 as a milestone to look ahead. Toward this goal, we will carry out the minimization of energy use and shift to renewable energy in a planned manner as we move forward.

As our society initiatives, we are promoting activities aimed at coexistence with it, for example, social contribution activities such as volunteer activities for local communities, and the development of work environments in which each employee can feel enthusiasm and motivation.

With “Speed, Action & Follow-Through” as its motto, the Tokai Rika Group is striving to increase its corporate value by fulfilling its social responsibilities with regard, for example, to legal compliance and social contribution. At the same time, each and every one of us are striving for higher quality and more advanced technology. We will do our best to advance forward in this new era. We would like once again to ask for you, our stakeholders, for your continued support and guidance.

Tokai Rika's Value Creation Model



Tokai Rika Profile

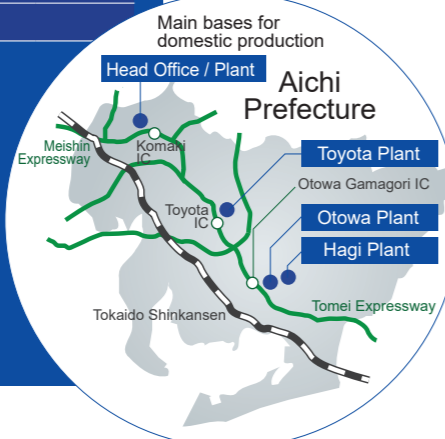
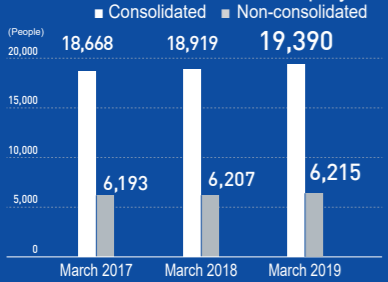


Corporate profile

(As of the end of March 2019)

Company name	TOKAI RIKA CO., LTD.		
Founded	August 30, 1948		
Business description	Manufacturing/distribution of automotive parts		
Capital	22.8 billion yen		
Group companies	Consolidated subsidiaries	10 domestic companies	29 overseas companies
	Affiliated companies	2 domestic companies	4 overseas companies
		Total 45 companies	
Stock listing	Tokyo stock exchange 1st section / Nagoya stock exchange 1st section		
	Securities code: 6995		

Transitions in number of employees



Main subsidiaries & affiliated companies

- Consolidated subsidiary companies
- Affiliated companies

Europe

- TRBE**
 - Tokai Rika Belgium N.V. (Belgium)
- TRB**
 - TRB Limited (United Kingdom)
- TRCZ**
 - TRCZ s.r.o. (Czech Republic)

Southeast Asia

- TRA**
 - Tokai Rika Asia Co., Ltd. (Thailand)
- TRT**
 - Tokai Rika (Thailand) Co., Ltd. (Thailand)
- TSB**
 - Thai Seat Belt Co., Ltd. (Thailand)
- TRP**
 - TRP, Inc. (Philippines)
- TRI**
 - PT. TOKAI RIKA INDONESIA (Indonesia)
- TRSI**
 - PT. TOKAI RIKA SAFETY INDONESIA (Indonesia)

East Asia

- TRCJ**
 - Tokai Rika (Jiangsu) Automotive Parts Co., Ltd. (China)
- TRCT**
 - Tianjin Tokairika Automotive Parts Co., Ltd. (China)
- TRCW**
 - Wuxi Risho Technology Co., Ltd. (China)
- TRCF**
 - Foshan Tokairika Automotive Parts Co., Ltd. (China)
- RICA**
 - Rica Auto Parts Co., Ltd. (Taiwan)

North America

- TRAM**
 - TRAM, Inc. (U.S.A.)
- TRMI**
 - TRMI, Inc. (U.S.A.)
- TAC**
 - TAC Manufacturing, Inc. (U.S.A.)
- TRIN**
 - TRIN, Inc. (U.S.A.)
- TGRTC**
 - TGR Technical Center, LLC (U.S.A.)
- TRQSS**
 - TRQSS, Inc. (Canada)
- TRMX**
 - TOKAI RIKA MEXICO, S.A. DE C.V. (Mexico)

South Asia

- MR**
 - MINDARIKA PRIVATE LIMITED (India)
- TRMN**
 - TOKAI RIKA MINDA INDIA Private Limited (India)

South America

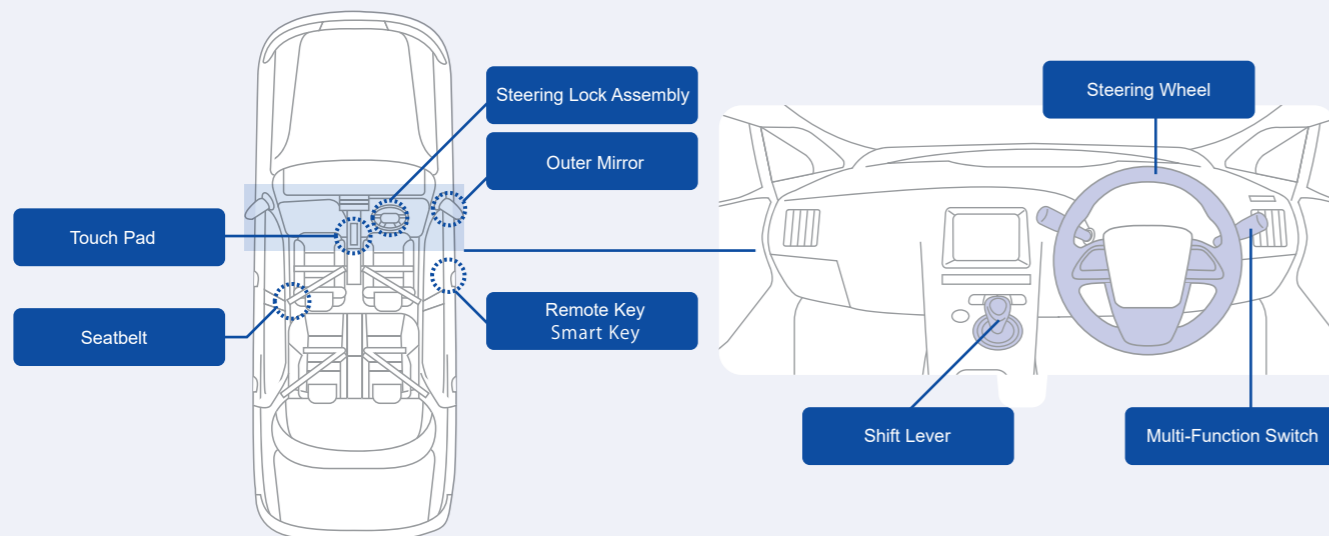
- TRBR**
 - TRBR INDUSTRIA E COMERCIO LTDA. (Brazil)



- TOKAI RIKA ELETEC CO., LTD.
- ENA TOKAI RIKA Co., Ltd.
- RIKASEIKI Co., Ltd.
- NSK Co., Ltd.
- TOKAI RIKA SERVICE Co., Ltd.
- SANDENZAISHA CO., LTD.
- Tokai Rika Create Corporation
- TOKAI RIKA ADVANCED Co., LTD.
- MIROKU TECHNO WOOD Co., Ltd.

Tokai Rika Products Introduction

We are contributing to the creation of an abundant society with vehicles through the manufacturing and distribution of products that will create better communication between people and vehicles, such as secure security parts that protect vehicles and safety products that protect lives, and human interface parts that communicate people's intentions to their vehicles.



Human Interface Systems Multi-Function Switch Shift Lever Touch Pad	Security Systems Remote Key & Receiver Smart Key Portable Device Steering Lock Assembly	Safety Systems Seatbelt Digital Outer Mirror Outer Mirror Steering Wheel
Electronics Immobilizer ECU Custom IC Tire Pressure Monitoring System (transmitter)	Ornaments Emblem LEXUS Full Wheel Cover	Home Devices Window Lock Monitoring System A Touch-Sensitive Anti-Theft Electric Door Lock

* Tokai Rika works in cooperation with Toyoda Gosei Co., Ltd. in the steering wheel business.

Technology that connects people, their vehicles, and society.



Toshiki Akita

Managing Officer General Manager of Research & Development Center

Dialogue

Associate Professor Faculty of Human Informatics
Aichi Shukutoku University

Miwa Takahara



What is the technological ability Tokai Rika has cultivated during its 70 years of history? What kind of challenges did Tokai Rika take on when the automobile industry faced a period of change that is said to occur “once in a century?”

We have invited Associate Professor Miwa Takahara of Aichi Shukutoku University who is a researcher of Human Sciences and asked her to speak with our Managing Officer Toshiki Akita, General Manager of the Research & Development Center.

Tokai Rika’s strength is that it has “User-friendly technology.”

Takahara Looking at 70 years of your products history, I can see that you have been working on manufacturing a variety of products, such as switches, seat belts, shift levers, mirrors, steering wheels, and more.

Akita We have been working mainly on “products that connect people and vehicles,” and the products that people see, touch, and operate. For this purpose, we have been pursuing “Ergonomics” as one of our core technologies. For example, we quantified “the feeling of pressing” a switch and used that to make a better press sensation that fit the concept of our vehicles. We

also developed products adopting “universal design” so men and women of all ages can use them without stress. Technologies that care about people is our strength as well as our history. I was told that your field of research is “human science.” May I ask what kind of research themes you have been working on?

Takahara I started my research in measuring the cognitive function of elderly people. After that, I have been working on analyzing elderly drivers’ driving behavior and investigating support for their driving based on the problems found.

Akita That is a recent theme that has been drawing a lot of social attention, isn’t it? Is the field of human science a little different from Ergonomics?

Takahara I think human engineering is a field concerning manufacturing whereas human science includes a wider range of ideas to provide bases for human technology. Human science evaluates and analyzes human behaviors from psychological and physiological aspects.

Akita We have been using human engineering as “a tool to evaluate products,” but from now on, I think it is necessary to consider and use engineering as “a tool to create new products.” If that is achieved, the human science perspective you just mentioned seems like it will become an important factor.

Takahara Is the perspective to “think of people at first as a base and then connect it to manufacturing,” rather than “thinking of manufacturing as a base?”

Akita Exactly. I think it is now important to show our company’s founding spirit, “Do what other people don’t do,” especially in this period of change we are facing now.

We must show our company’s founding spirit, especially now in a period of great change that occurs once a century.

Akita Our company’s history started in 1948, when founder, Yoshio Kato happened to pick up a switch abandoned in a corner of a parts warehouse belong-

ing to Toyota Motor Company (currently Toyota Motor Corporation) when he visited there. He was told that “manufacturing switches took a lot of trouble and nobody wanted to do it.” “Even if nobody wants to do it, somebody has to. This is just the field that we should expand into,” he thought and that led him to the foundation of the company.

Takahara However, even a company that focuses on “doing what nobody wants to do,” cannot survive if the importance of the product is not acknowledged by society. It is not a matter of simply getting into a niche market. I admire the fact that the production has been developed into a robust business.

Akita Although it started from the idea to “Do what other people don’t do,” there were times that we had to improve and develop our products in accordance with the evolution of vehicles. The major evolution of them is represented by the progress of computerization and now we are facing the age of software. Meanwhile, our products have improved, for example, from the mechanical key, the remote key, to the smart entry & start system. Both vehicles and our products have developed in the field of “normal evolution” up to now.

Takahara Does normal evolution mean improving products to a greater degree while inheriting a basic way of thinking?

Akita That is right. However, the automobile industry is now facing a period of change that occurs “once in a century” which cannot be explained in the terms of normal evolution. In order for our company to expand



further while continuously growing amidst such change, we need to challenge ourselves by taking on new product development and recall our company's founding spirit, "Do what other people don't do." Our Research & Development Division is changing their mind and working on that.

Takahara It seems that one of the major points is how to deal with automatic driving, isn't it?

Akita You are right. We have dealt with a variety of products we operate while driving. The most important point for these products was how to make people not look aside or interrupt driving awareness. We think these functions are also important in the future, but entirely new technologies will be used for these functions if driving become easier with automated driving technologies.

So we would like to propose new ideas apart from normal evolution. When that time comes, it will be important to discover people's potential needs from a human science perspective. We are promoting the strength of that plan as we head into the next age.

Even when technologies are developed, our determination never changes.

Takahara The accident rate of elderly drivers is increasing. The spread of automated driving is largely seen as a solution.

Akita But, it will be significantly expensive if automated driving vehicles are running in the city. I think, at first, small mobility vehicles for the elderly will become popular to travel short distances safely.



Takahara If vehicles get smaller, it becomes increasingly important that passenger protection capabilities are secure. Elderly persons tend to get injured even if the impact is weak.

Akita That is right. One of our important themes is to develop products that support "safety." For example, the development of a highly functional seatbelt is now in progress and we have already commercialized a seatbelt with a remote retractor (seatbelt winding device) which controls tightening force electronically. When this product is evolved further, it will automatically optimize tightening force by judging a passenger's body size and age with a camera and sensors inside the vehicle. I think such a time is upon us.

Takahara Everyone takes it as a matter of course to fasten their seatbelt, but sometimes it is difficult to fasten it depending on one's body size, age, or the driver's body condition. For example, some people use a supporting device when pregnant. So it is considerate to have a seatbelt control tightening force in accordance with the conditions of the person.

Akita Even if an automated vehicle can avoid collision, there is a possibility for sudden stops or a sudden operation to occur when someone jumps out into the road. In that situation, passengers will be injured if they do not use a seatbelt. So I think the need for a highly functional seatbelt will increase more in the age of automated driving.

Takahara There is a problem that elderly drivers cannot keep up with evolving vehicles. What do you think

about that? In my survey, there are elderly people who still do not use a navigation system. It is true that many elderly people feel uncomfortable using a new function, even if it is convenient. How can we overcome such difficulties?

Akita We are developing products which can be customized for every user. Specifically, for users who feel uncomfortable operating new functions, the product will only display functions that are often used in a simple and clear way. For users who want to use more functions, the display will quickly switch to one where many functions are easily accessible. We will never change our thought "to be gentle with people and to be easily used." We continue to place great importance on it even when technologies are developed.

From "A company that connects people and vehicles" to "A company that connects people to a mobility society."

Takahara Market characteristics are different by country so product planning directions may change depending on whether the target of the product is overseas or in Japan.

Akita Our policy when making a plan is "incorporate diversity." This year, we have required each overseas technological base to send out their own plans, as well. Even within Japan, there are completely different issues in regions where cars are indispensable for daily life compared to those in central Tokyo, where people are now turning away from driving. To address these differences, we have also established a section to provide ideas for Tokyo. We are telling them to "send out plans specific to the region that are based on real experiences." We are expecting to receive ideas with a variety of perspectives.

Takahara I think it is very important to focus on the problems that each region has. There are arguments such as "People have to return their driver's license when they reach a certain age," but if elderly people living in depopulated areas return their driver's license where cars are indispensable for everyday life, the problem of alternative transportation will arise. Furthermore,

there are personal differences when it comes to driving ability. As a researcher, I've been in settings where I've seen many elderly people drive and I feel that it is unreasonable to put them all together and think of them as "elderly drivers." We have to focus on such a reality and need to discuss how regions' traffic environments should be.

Akita Now we are building safe driving support systems in cooperation with a vehicle operation management company. We are taking on work such as analyzing driving by sending information on what kind of driving operations were made under what setting or providing data to family members "worrying about their grandpa's driving."

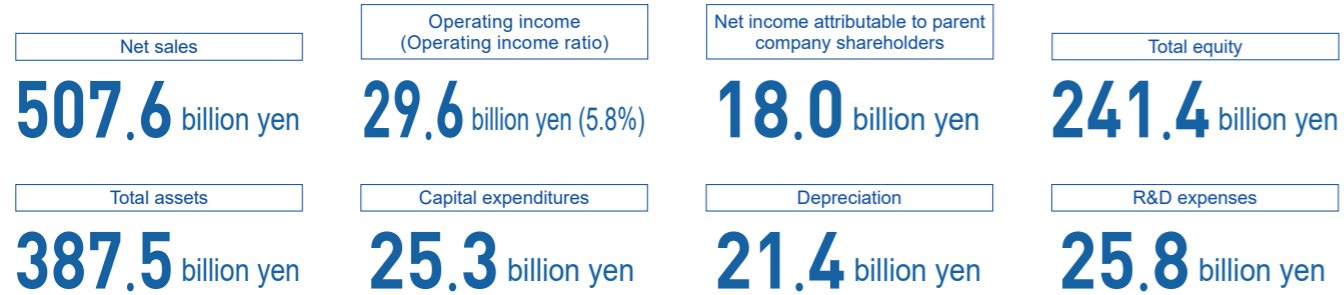
Takahara If these kinds of data are used in cooperation with the community, it will lead to the construction of safer traffic environments and can also give feedback for ideas on our product plans.

Akita We have to exceed the mindset "how vehicles must be" and think how mobility society should be and solve problems with technologies. From now on, it will become increasingly important to take on such work. Tokai Rika will evolve from "A Company that connects people and vehicles" to "A Company that connects people to a mobility society." We have many things to learn from you concerning human science research. We ask for your continued guidance and support. Thank you very much.



▼ Financial Highlights

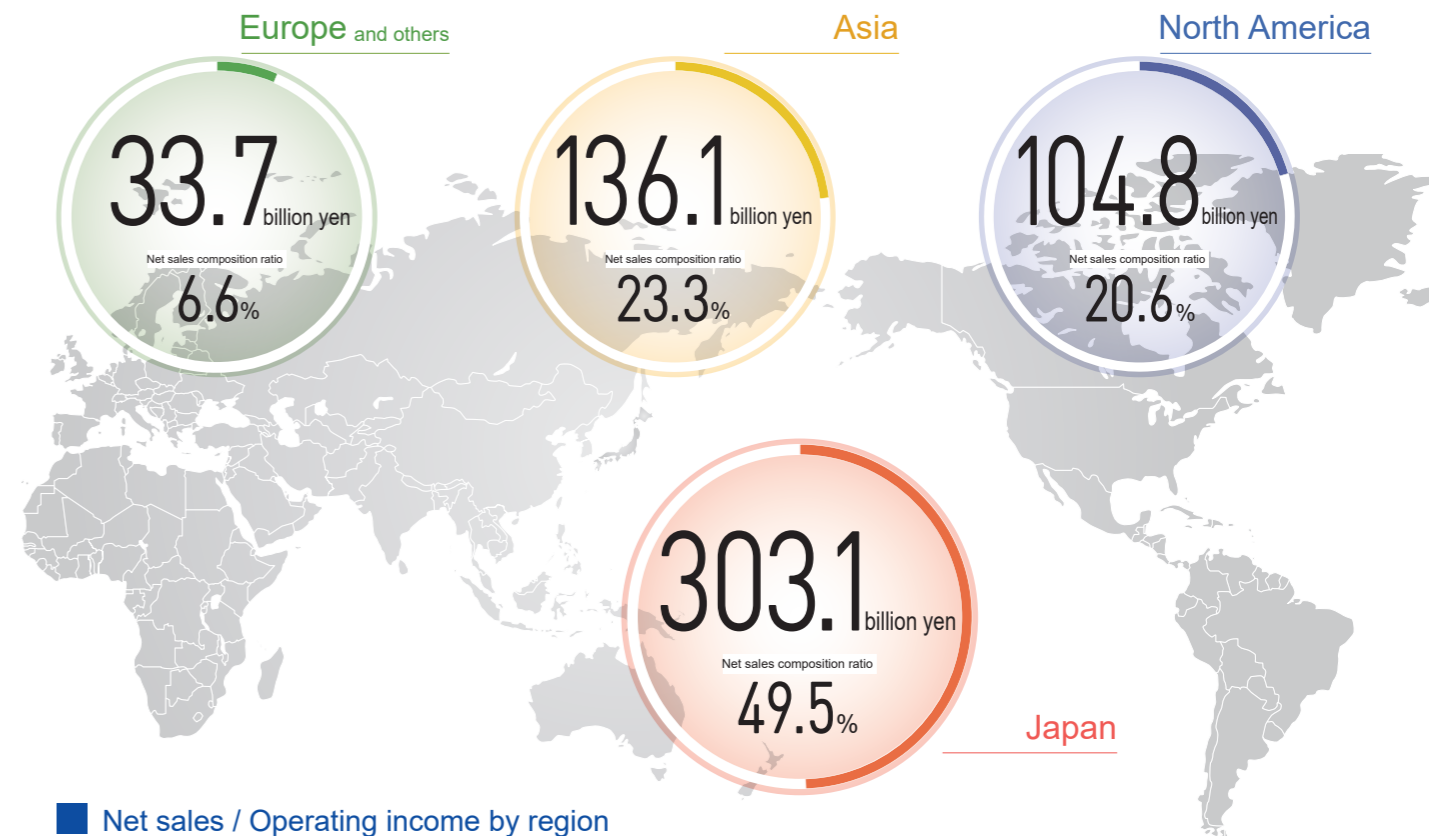
■ Main consolidated data for fiscal year 2019 (Year ended March 2019)



■ Main consolidated data charts



■ Sales by region for fiscal year 2019 (Year ended March 2019)



■ Net sales / Operating income by region



*The figures for each category are shown before adjustment.

For details of each product, see the summary of quarterly financial statements on our web site (<http://www.tokai-rika.co.jp/en/investors/>)

▼ Analysis related to financial status

▶ Assets, liabilities, and total equity status

With regard to the world economy for this consolidated accounting year, the economy has continued to recover in the United States, and has also shown resilience in Europe. In China, economic growth slowed while stable economic expansion continued in ASEAN. The economy of Japan recovered slightly despite the affected cost of continuing natural disasters. There was moderate growth in the world economy as a whole.

In the automobile industry, the numbers of sales were down year on year in the United States with rising interest rates of automobile loans. Europe had unstable economical and political situations and China had lowered economic growth, respectively. Whereas in ASEAN, the number of automobile sales increased thanks to a recovering economy.

In Japan, the number of vehicles sold was more than in the previous year because of, for example, the effects of new model cars. Globally, the number of vehicles sold fell short of that of the previous year.

In this kind of environment, our group continued to commit to “ensuring quality at a Group-level,” “developing and securing human resources and enhancement of quality of labor,” “steadily enhancing global Monozukuri and supply structures,” “developing next-generation products,” and “establishing a strong revenue base.”

With regard to quality, we have worked to secure it all across the company through designing and evaluating with the consideration of the operating environment and quality upgrading campaign in global Monozukuri.

In the development of new products, we took part in the Automotive Engineering Exhibition 2018 Nagoya and exhibited a “future cockpit mock.” As a new part of our work, we have introduced new approaches to exhibits under the theme of furthering human and evolving car interactions. From the human interface field, we introduced a “steering wheel with a hand-off detection function” (under development with Toyota Gosei Co., Ltd.). From the security field, we introduced a “cloud key distribution system,” which is a key system that supports cloud society and offers relief and safety. From the security field, we introduce an “electronic seat belt” that looks ahead to the future of autonomous driving.

We also invested in KAMUY Innovation Corporation, a venture business with digital image processing expertise to strengthen our image recognition technologies. We have already seen collaboration in regard to technologies with the company and as a

result, we will accelerate further development of more comfortable, safe, and secure products with greater advancement in image-related technologies.

Mass production of new products has started with one noteworthy product being the “digital outer mirror” installed in the Lexus ES by Toyota Motor Corporation. It is the world’s first in-production model where we developed a “visor section,” an “electric folding mechanism,” and a “camera heater.” We won the “Technology Development Award” from Toyota Motor Corporation.

In addition, we opened the Kita Kanto Sales Office in Utsunomiya City, Tochigi Prefecture to explore further business chances. In attention to convenience for our customers, we will further reinforce our sales activities. Moreover, we established a new corporation in Wuxi, Jiangsu Province, China where more market growth is expected. The corporation will act as a sales and technologies functional division group that is independent from existing production bases. By establishing a system to respond to customer needs faster and more actively, we will aim to strengthen our business foundation in China even more.

Through these activities, we have been striving to establish a stronger revenue base.

In commemoration of our 70th anniversary in August 2018, we have donated to the two municipalities and one township in Aichi Prefecture where our plants are located. We want to thank our shareholders and everyone for their support and cooperation in bringing about these achievements.

With regard to the business performance for this consolidated accounting year, the net sales were 507,645 million yen, which was an increase of 25,700 million yen (an increase by 5.3%) in revenue compared to the previous consolidated accounting year. With regard to profit for this consolidated accounting year, the consolidated operating income was 29,618 million yen, which was a decrease of 1,253 million yen (a decrease by 4.1%) in revenue compared to the previous consolidated accounting year. The consolidated ordinary income was 30,110 million yen, which was a decrease of 2,168 million yen (a decrease by 6.7%) in revenue compared to the previous consolidated accounting year. The net income that attributes to the shareholders of the parent company was 18,090 million yen, which was a decrease of 3,924 million yen (a decrease by 17.8%) compared to the previous consolidated accounting year.

▼ Analysis Related to Management Performance and Financial Status

▶ Assets, liabilities, and total equity status

■ Assets

Assets were 387,556 million yen, which was a 10,554-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in securities and inventories.

■ Liabilities

Liabilities were 146,121 million yen, which was a 1,246-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in provisions for product warranties.

■ Total equity

Total equity was 241,435 million yen, which was a 9,308-million-yen increase from the end of the previous consolidated accounting year.

▶ Cash flows status

Cash and cash equivalents (hereinafter referred to as “funds”) for the consolidated base at the end of this consolidated accounting year were 55,727 million yen, which was a 2,143-million-yen decrease from the end of the previous consolidated accounting year.

■ Cash flows from operating activities

Funds acquired as a result of operating activities were 37,919 million yen, an increase of 17,093 million yen compared to the previous consolidated accounting year. This is mainly the result of the Other account having increased by 9,199 million yen.

■ Cash flows from investing activities

Funds acquired as a result of investing activities were 31,933 million yen, an increase of 12,164 million yen compared to the previous consolidated accounting year. This is mainly a result of an increase of 5,174 million yen in expenditures from purchases of securities for investments.

■ Cash flows from financing activities

Funds acquired as a result of financing activities were 8,033 million yen, an increase of 11,572 million yen compared to the previous consolidated accounting year. This is mainly a result of an income of 10,000 million by issuance of debentures.

Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	61,566	60,698
Notes and accounts receivable	62,575	65,608
Electronically recorded monetary claims-operating	13,632	15,861
Marketable securities	3,304	11,606
Finished goods	13,927	15,933
Work-in-process	19,215	22,536
Raw materials and supplies	5,797	6,723
Other current assets	11,725	11,355
Less: Allowance for doubtful accounts	(69)	(58)
Total current assets	191,675	210,265
Noncurrent assets		
Tangible noncurrent assets		
Buildings and structures	84,804	89,654
Accumulated depreciation	(51,763)	(54,347)
Buildings and structures (net)	33,041	35,307
Machinery and vehicle	141,900	149,980
Accumulated depreciation	(110,478)	(116,643)
Machinery and vehicle (net)	31,422	33,336
Tools and furniture	130,455	129,232
Accumulated depreciation	(117,750)	(119,695)
Tools and furniture (net)	12,704	9,536
Land	13,175	13,067
Tangible lease assets	598	737
Accumulated depreciation	(331)	(203)
Tangible lease assets (net)	267	534
Construction in progress	8,739	7,164
Total tangible noncurrent assets	99,351	98,947
Intangible noncurrent assets		
Goodwill	32	-
Software	2,241	1,978
Others	310	291
Total intangible noncurrent assets	2,585	2,269
Investments and other assets		
Investments securities	36,176	29,901
Long-term loans	371	372
Net defined benefit asset	24,489	22,223
Deferred tax assets	2,601	3,614
Others	19,865	20,074
Less: Allowance for doubtful accounts	(114)	(112)
Total investments and other assets	83,390	76,074
Total noncurrent assets	185,327	177,291
Total	377,002	387,556

(Unit: Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities and Equity		
Current liabilities		
Notes and accounts payable	41,080	41,247
Electronically recorded obligations-operating	10,442	10,982
Short-term borrowings	2,071	297
Short-term lease liabilities	53	91
Accrued expenses	27,467	25,833
Income taxes payable	2,690	3,243
Accrued bonuses to employees	8,372	8,756
Accrued bonuses to directors	254	283
Provision for accrued product warranty	7,811	10,105
Others	7,015	8,539
Total current liabilities	107,259	109,381
Noncurrent liabilities		
Bonds payable	10,000	10,000
Long-term lease liabilities	56	314
Deferred tax liabilities	1,853	685
Retirement allowances for directors and corporate auditors	358	343
Net defined benefit liability	24,849	25,054
Long-term asset retirement obligations	143	121
Others	354	220
Total noncurrent liabilities	37,615	36,739
Total liabilities	144,875	146,121
Equity		
Shareholders' equity		
Common stock	22,856	22,856
Capital surplus	25,654	25,864
Retained earnings	167,619	181,796
Treasury common stock, at cost	(5,369)	(5,369)
Total shareholders' equity	210,760	225,147
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	5,629	2,889
Foreign currency translation adjustments	(171)	(279)
Remeasurements of defined benefit plans	3,853	1,077
Total accumulated other comprehensive income	9,311	3,687
Non-controlling interests	12,055	12,600
Total equity	232,127	241,435
Total	377,002	387,556

▼ Consolidated Financial Statements

(Unit: Million yen)

▶ Consolidated Statement of Income

	Year ended March 31, 2018	Year ended March 31, 2019
Net sales	481,945	507,645
Cost of sales	414,318	436,242
Gross profit	67,627	71,402
Selling, general and administrative expenses	36,756	41,784
Operating income	30,871	29,618
Non-operating income		
Interest income	450	511
Dividend income	468	458
Share of profit of entities accounted for using equity method	86	397
Foreign exchange gain	-	176
Other	753	670
Total non-operating income	1,757	2,213
Non-operating expenses		
Interest expenses	50	78
Foreign exchange loss	191	-
Bond issuance cost	62	-
Custom duties for prior periods	-	1,518
Other	45	124
Total non-operating expenses	350	1,721
Ordinary income	32,278	30,110
Extraordinary income		
Gain on sales of non-current assets	60	-
Reversal of stock acquisition rights	21	-
Total extraordinary income	81	-
Extraordinary loss		
Loss on sales and retirement of non-current assets	11	98
Impairment loss	-	3,738
Loss on violation of antitrust law	2,253	-
Total extraordinary loss	2,264	3,836
Income before income taxes	30,096	26,273
Income taxes current	5,461	6,855
Income taxes deferred	1,569	236
Total income taxes	7,031	7,092
Profit	23,064	19,181
Profit attributable to non-controlling interests	1,050	1,090
Profit attributable to owners of parent	22,014	18,090

(Unit: Million yen)

▶ Consolidated Statement of Comprehensive Income

	Year ended March 31, 2018	Year ended March 31, 2019
Profit	23,064	19,181
Other comprehensive income		
Net unrealized gain on available-for-sale securities	1,215	(2,780)
Foreign currency translation adjustments	117	112
Remeasurements of defined benefit plans	1,402	(2,792)
Share of other comprehensive income of entities accounted for using equity method	-	(82)
Total other comprehensive income	2,736	(5,542)
Comprehensive income	25,800	13,638
(Breakdown)		
Comprehensive income attributable to owners of parent	24,652	12,466
Comprehensive income attributable to non-controlling interests	1,148	1,172

(Unit: Million yen)

▶ Consolidated Statements of Cash Flows

	Year ended March 31, 2018	Year ended March 31, 2019
Cash flows from operating activities		
Income before income taxes	30,096	26,273
Depreciation	20,937	21,387
Impairment loss	-	3,738
Amortization of goodwill	32	32
Increase (Decrease) in allowance for doubtful accounts	(113)	(12)
Increase (Decrease) in accrued bonuses to employees	542	392
Increase (Decrease) in accrued bonuses to directors	13	29
Increase (Decrease) in provision for accrued product warranty	1,220	2,258
Increase (Decrease) in retirement allowances for directors and corporate auditors	4	(14)
Increase (Decrease) in net defined benefit liability	872	2,578
Increase (Decrease) in net defined benefit asset	(1,424)	(1,840)
Interest and dividend income	(918)	(969)
Interest expenses	50	78
Equity in earnings of affiliated companies	(86)	(397)
Foreign exchange gain or loss	328	261
Gain on sales of property, plant and equipment	(420)	361
Increase (Decrease) in notes and accounts receivable	(3,108)	(5,044)
Increase (Decrease) in inventories	(2,412)	(4,396)
Increase (Decrease) in notes and accounts payable	(8,221)	605
Increase (Decrease) in consumption taxes payable	275	(191)
Others, net	(12,187)	(2,987)
Sub - Total	25,482	42,143
Interest and dividend income received	938	1,043
Interest expenses paid	(39)	(79)
Income taxes paid	(5,555)	(5,187)
Net cash provided by operating activities	20,826	37,919
Cash flows from investing activities		
Proceeds from sales of marketable securities	5,500	3,300
Purchases of tangible fixed assets	(21,726)	(25,207)
Proceeds from sales of tangible fixed assets	62	128
Purchases of investment securities	(3,026)	(8,200)
Proceeds from sales of investment securities	2	2
Disbursement for originating loans	(421)	(260)
Proceeds from collections of loans	422	268
Others, net	(582)	(1,965)
Net cash used in investing activities	(19,769)	(31,933)
Cash flows from financing activities		
Increase (Decrease) in short-term borrowings, net	344	(1,864)
Decrease in long-term borrowings	(685)	-
Proceeds from issuance of bonds	10,000	-
Lease liabilities paid	(122)	(60)
Dividends paid	(5,659)	(5,838)
Dividends paid to non-controlling interests	(358)	(250)
Purchases of treasury stock	(2)	(0)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(19)
Others, net	23	0
Net cash provided by (used in) financing activities	3,539	(8,033)
Effect of foreign currency translation adjustments on cash and cash equivalents	(98)	(96)
Net increase (decrease) in cash and cash equivalents	4,498	(2,143)
Cash and cash equivalents, beginning of period	53,372	57,870
Cash and cash equivalents, end of period	57,870	55,727

Corporate Governance

Tokai Rika is striving to increase its corporate value. The basic philosophy guiding our business practice is to earn trust and keep meeting the expectations of all stakeholders, especially shareholders. On the basis of a healthy corporate culture, we are committed to further enhancing our corporate governance in order to increase our competitiveness as a global company even further.

Description of company organizations, and development status of the internal control system

We hold a meeting of the board of directors, chaired by the president, once a month in principle, in order to decide on statutory matters and important matters and to supervise business execution. As an activity for enhancing the health and effectiveness of the board of directors meeting, we implement the following:

- 1 We explain topics to be discussed in advance to external directors and external Audit & Supervisory Board Member, and ask them to attend the meeting after deepening their understanding of the topics.
- 2 We regularly hold meetings between external directors, external Audit & Supervisory Board Member, our President and Executive Vice Presidents, and exchange opinions regarding, for example, management of the board of directors.
- 3 In relation to matters that are discussed by the board of directors (mainly capital investment), they actually observe and assess the facility, the production line, and more as necessary.

Also, we hold management meetings which, as a subordinate body of the board of directors, make decisions about and reports on business execution.

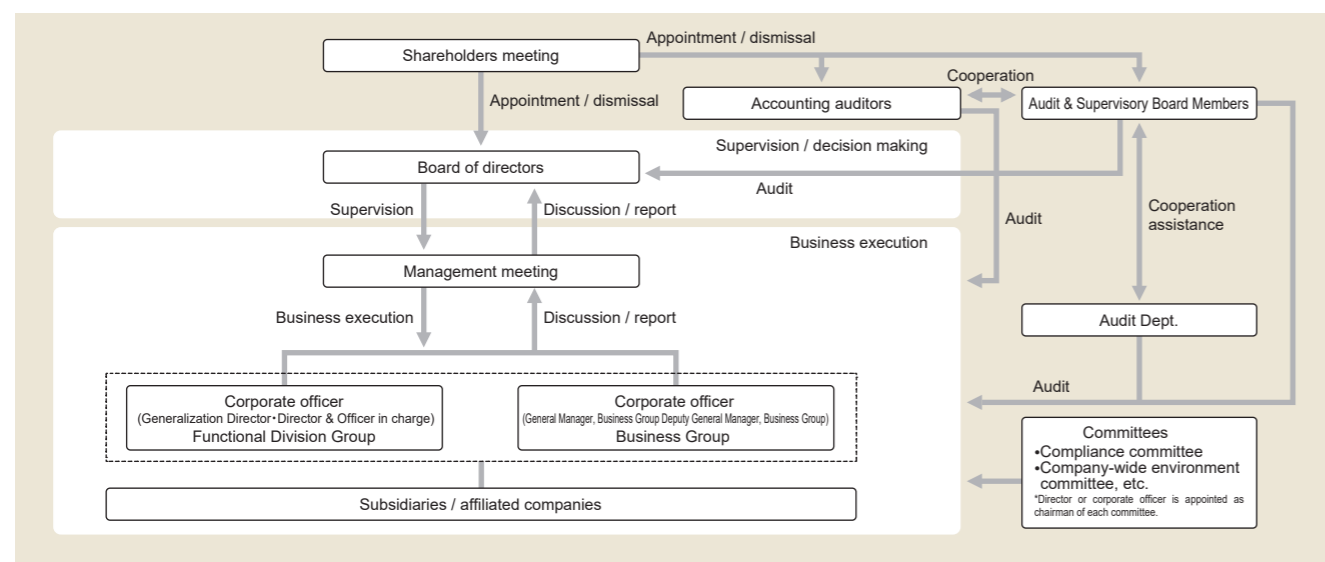
Our basic attitude toward internal control is for directors and corporate officers themselves to be an example and comply

with laws and ordinances and corporate ethics, so that they permeate throughout the company through the behavior of directors and corporate officers, and business is conducted in an appropriate manner.

Moreover, we have made it a principle to integrate internal control into the process of business execution, so that we verify the appropriateness of the business conducted in each process ourselves, and correct things ourselves. 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, etc., while respecting their independence. In addition, we have our subsidiaries establish a compliance system that is suitable for themselves, and we have also made our internal reporting system available to each of them.

Please refer to the Annual Securities Report and the Corporate Governance Report for information in regard to directors and corporate officers.

Diagram of corporate governance system



Audit system (Threefold audit)

We have established an annual audit plan and perform audits in accordance with the Audit & Supervisory Board Member auditing standards and the regulations of the board of Audit & Supervisory Board Members. Specifically, we attend important meetings and committees, including the board of directors, and present our opinions to them, exchange views with management through audits conducted by visiting affiliated companies, and inspect forms, in order to confirm the governance status of our corporate group.

The actual audit work, such as administrating the board of Audit & Supervisory Board Member office, revising rules and planning visiting audits are handled by Audit & Supervisory Board Member staff. We hold meetings periodically between internal auditing departments and accounting auditors as necessary in order to exchange a wide range of information regarding each other's audit policies and audit plans, summaries of audits performed during the term, future tasks, and more.

Compliance

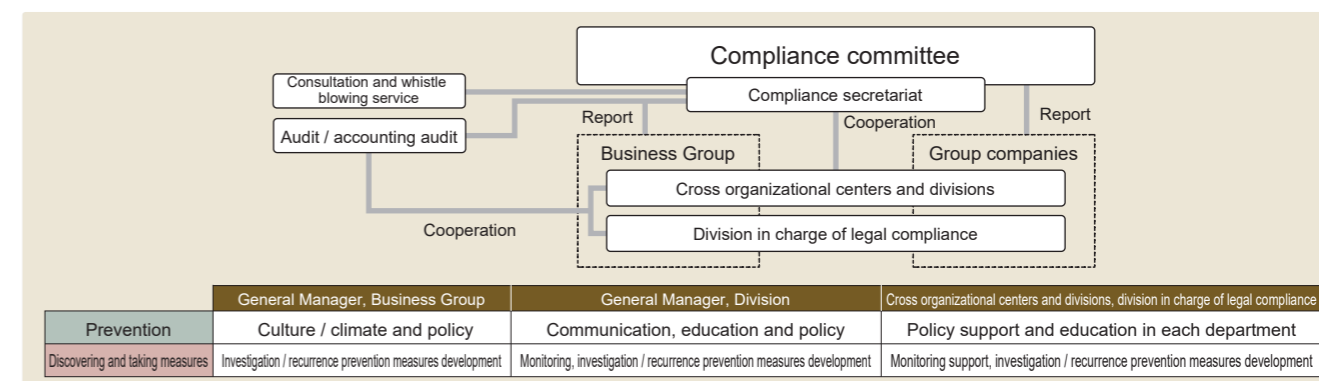
In line with our basic philosophy, we declare, "By honoring the spirit of the law and ethics, the company aims to be a corporate citizen that coexists with nature and the local community." To meet social and ethical standards, our thorough compliance activities ensure we achieve more than the minimum.

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 that are suitable for the workplace

can 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



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.

Education and enlightenment

We believe that in order to be a business organization which will live up to the expectations of society and earn its trust, it is essential for each one of our employees to act with awareness and dignity, and therefore, we hold training categorized by rank and by theme (Antitrust Law, Product Liability Law, etc.). Also, we periodically present actual compliance examples that can arise on a daily basis through the company newsletter and news, in order to promote enlightenment.

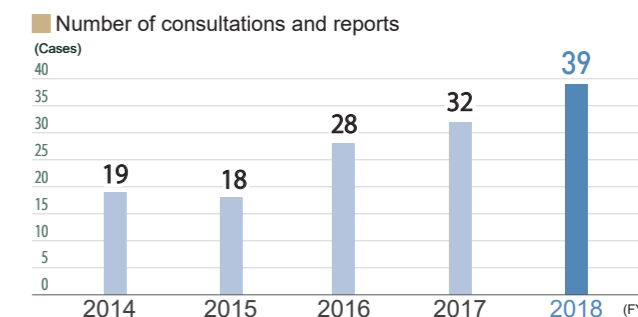
Commitment to group compliance

With the compliance management division and divisions in charge of legal compliance as our core, domestic and overseas subsidiaries have been jointly organizing systems and carrying out enlightenment 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 whistle blowing service inside and outside the company. Inside the company, a consultation and whistle blowing service has been established at the Head Office, in each plant and at labor union, in order to gather up problems from a broad range at an early stage as much as possible. Also, we have named the service "Nandemo Soudan Madoguchi" so as to make the service more easily accessible. Furthermore, we have established a whistle blowing service in the external law firm as a "compliance call" service so that employees who feel apprehensive about using the internal consultation will feel more at ease. Confidentiality will be strictly maintained in order to assure that the consuler will not be specified.

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



Confidentiality Control and Information Security

We consider the prevention of confidential information leakage and defense against external attacks on information as indispensable for business activities.

We promote confidentiality control and information security activities on the basis of the recognition that not only our company's information, but also our clients' information is property which needs to be appropriately controlled and handled.



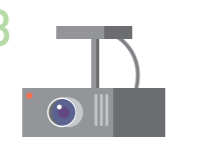
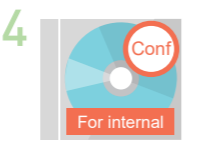

Basic way of thinking

We are striving to increase awareness regarding confidentiality control by stipulating "We will strictly control confidential information in compliance with the rules and endeavor to prevent disclosure" in the "Employee Code of Conduct," appointing confidential information management supervisors and confidential information handlers in each department and conducting meetings and self-checks in workplaces.

Also, in order to protect the company, and thus our

employees, we are working on the development of a work environment that is safe and easy to work in through physical and technological defenses such as restrictions on access rights and lock controls, psychological controls such as computer operation log records and confidential category identification, and the dissemination of leakage cases, etc., as the "five measures against information leakage," the content of which complies with guidelines in Japan and overseas.

Five measures

Physical and technological defenses		Psychological controls		Development of a work environment that is safe and easy to work in
Access control  Measures that make it difficult for people to get close to confidential information • Restrictions of access rights • Lock control • Paperless	Making it difficult to take out  Measures that make it difficult for people to take out confidential information • Prohibition of using / bringing in private USB memory sticks • Encryption of electronic data • Restrictions on uploading to places outside the company	Securing visibility  Creating an environment in which leakage is easily detected • "No admittance except for authorized persons" signboards • Keeping the workplace neat and in order • Computer operation log records	Improved awareness regarding confidential information  Indicate that the information is confidential • "Confidential" indication • Conclusion of non-disclosure agreement • Conducting training <small>* Created on the basis of the "Protection and Use of Trade Secrets" published by the Ministry of Economy, Trade and Industry in June 2016</small>	Sustainment and improvement of trusting relationships  Raise awareness of employees • Promotion of communication • Notification of leakage cases

Examples of physical and technological defenses

Aiming to reduce the risk of information leakage, we introduced multifunctional machines for IC card authentication in November 2017.

Also, we conduct unannounced belongings checks every half a year in order to enhance employees' awareness of confidentiality control.



Introduction of multifunctional machines for IC card authentication

Belongings check

Examples of psychological controls

We held an e-learning course aimed at general employees in October 2018 and approximately 4,000 people took the course.

We dealt with anticipated scenarios that we could expect to see in various, every day work situations. We deepened our knowledge of such risks through that course.

Also, we revised the Guide to Confidentiality Control in December 2017. The guide explains everything from the definition of confidentiality to how to respond in the event of an incident, in an easy-to-understand manner with illustrations.



E-learning screen

Guide to Confidentiality Control (extract)

Implementation
 Approximately **4,000** people

Risk Management

With regard to the risks surrounding the company including natural disasters, we are working at a company level to reduce and prevent any impact in the event that they manifest themselves.

With the assumption that a large-scale earthquake will occur (something which is expected to happen in the near future), we place substantial importance on various activities for the purpose of "the safety of our employees' lives," "support for the recovery of our local community" and "prompt production recovery."

Conducting preventive activities against risks (including natural disasters) and initial action drills

We are striving to build a system by which employees can take initial action quickly in the event of incidents and to raise employees' awareness regarding disaster prevention,

by conducting a variety of disaster countermeasure drills throughout the year, including company-wide disaster prevention months in March and September.



Earthquake-simulation vehicle experience

Fire hydrant drills

Evacuation training (initial disaster response headquarters)

CPR training and how to use an AED



Cafeteria fire drill attendees

62 people

Evacuation training (currently evacuating)

Electronic device fire drill attendees

8 people

Risk management

We implement periodic disaster prevention audits through specialized committees for each process which consist of officers and relevant departments, and through audit activities, we are striving to increase awareness of disaster prevention by conducting practical drills, holding study sessions, inspections, and more.



Directors and corporate officers' audit at a mounting process

Workshop at a casting supplier



Directors and corporate officers' audit at a semiconductor process

Business continuity plan

We have continued to roll out our company-wide Business Continuity Plan since 2012. The plan has come to expect that a large-scale earthquake will occur. Under this premise, we have taken specific measures, and have implemented a production recovery trial. We have developed a system that can take appropriate measures before a problem gets out of hand, even in cases in which production stops due to issues with a supplier. This system is one in which each department takes the initiative by recognizing the jobs that fall under their department and executing them.



Production recovery trial at the Head Plant

Production recovery trail at the Otowa Plant



Production recovery trial at the Toyota Plant

Company-wide emergency measures headquarters

Social Activities Report

■ Tokai Rika Stakeholders



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- ▶ Measures for return to shareholders
- ▶ Communication with investors

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- ▶ Assuring manufacturing quality
- ▶ Assuring product safety for new products
- ▶ Constant improvement of work processes by learning from failures
- ▶ Main awards

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- ▶ Strengthening cooperation with suppliers

Relations with Society ▶ 33

- ▶ Special donation celebrating the 70th anniversary of the company
- ▶ Lending a part of our land to Oguchi Town for free
- ▶ Hosting of local social gatherings



Relations with Employees

Nurturing originality and the spirit of innovative challenge, we aim to create energetic workplaces where dreams abound, by stimulating workplaces and raising the level of organizational capabilities through improvement activities.

▶ HR function policy

We are promoting development of human resources who can play active roles in largely changing environments, are developing work environments where each and every one of our employees can work safely and healthily, and are building various systems to bring out employees' enthusiasm toward work and capability.

Thorough implementation of safety first

- Promotion of risk assessment activities toward zero industrial accidents
- Creation of workplaces where major industrial accidents will not be allowed to happen

Development and acquisition of human resources, and improvement in labor quality

- Construction of a human resources development system that can develop people (Creation of a framework for human development)
- Construction of a structure that constantly produces the next generation's successors
- Development of work environments for new value creation (Work-style reforms)

Activities as a corporate citizen and the maintenance and construction of healthy employer-employee relationships

- Promotion of activities for preventing violation of legal compliance obligations and corporate scandals
- Strengthening of the labor foundation which contributes to the stable operation of overseas companies

● Human resources development policy

In order to develop our employees' abilities, we provide training by job grade, by function and by workplace, and work on the development of creative personnel who will be able to inherit and pass on specialized knowledge and respond to diverse changes. We make everyone aware of what their individual role is and clarify attainable work objectives. We clarify an employee's "strengths" and "weaknesses." With the goal of connecting those two points, we hold a meeting twice a year for superiors and employees.

We develop creative human resources who will be able to inherit and pass on specialized knowledge and respond to diverse changes.

■ Training system chart (Summary)

Training categories	Training by job grade						Training by workplace
	Recognition of roles / management		Problem solving		Human resources development		
Job grade	Clerical / engineering	Technical skills	Clerical / engineering	Technical skills	Clerical / engineering	Technical skills	
General manager	Training for new general managers		Problem solving training for division managers and department managers				Training in each workplace
Deputy general manager	Training for new deputy general managers						
Section manager	Training for new section managers						
Assistant manager	Training for new assistant managers				OJT training		
Instructional positions		Training for new team leaders	Problem solving training for mentors	Problem solving training for team leaders	OJT training for mentors for new employees	TWI-JI (Training on how to teach work) ; TWI-JR (Training on how to handle people)	
Staff	Training for new employees		Problem solving training for staff				

Training categories	Training by function						Global human resources development (Employees in overseas companies)
	3E activities (Small group activities)	Training for functional divisions	Training on specific techniques and skills	Global human resources development (Domestic employees)	Support for self development	Other	
General manager							Overseas employees acceptance training <Indirect> · ICT training <Direct> · HIDA training · Production engineering skills training
Deputy general manager				Training for personnel who have been notified of an expatriate transfer	TOEIC / IP	· Education on legal affairs · Statutory education related to general affairs · PL education · Education on health and safety · Education on labor affairs management · Education on cost management · Education on quality management · Education on technology development · CAE education · Education on production engineering · Technical education on high pressure gases · Environmental education · Education on production control · TPS education	
Section manager	Supporter / promoter training	"How-to-teach improvement training" for functional divisions	<Education on production engineering and skills> · Education on advanced skills · Education on basic skills	(Training on language, culture, and by function)			
Assistant manager	Advisor training		<Development of professional engineers> · National trade skills tests · In-house trade skills tests				
Instructional positions							
Staff			Tokai Rika Training School Training for TR Training School students				

Relations with Employees

Tokai Rika Training School
(Faculty of Machinery Processing, Faculty of Electronics, Faculty of Electric Machinery)

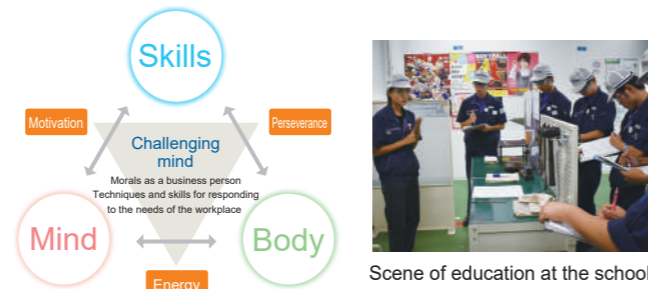
We develop human resources who are outstanding in terms of their minds, skills and physical condition, and who simultaneously possess the attributes “a challenging mind,” “morals as a business person” and “the techniques and skills required to be able to respond to the needs of the workplace,” in order for them to be the “core” of Tokai Rika in the future. The Electric Machinery will be established in FY 2019 and the school is continuing to further what education it offers.

Education policy

- Emphasizing education that is rich in humanity and engenders a spirit of self-motivation and cooperation
- Emphasizing education in the practical skills and practical business which form the basis of Monozukuri
- Developing core human resources who will carry our Monozukuri on their shoulders
- Developing human resources who are strong in terms of both their hard-side and soft-side skills

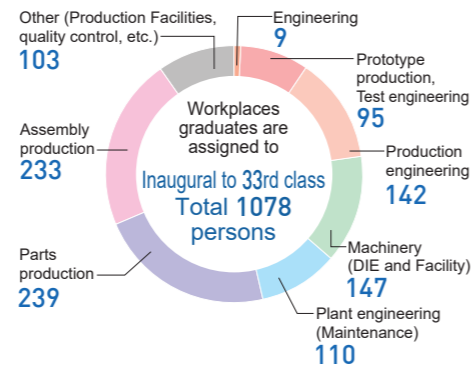
Education on specialized knowledge and skills

We aim to pass on and raise the level of the “TR Core Skills” required to achieve the top level in the industry and the same quality around the world, and support the development of human resources who will function as axes in their workplaces. (We also accept people from overseas and domestic affiliated companies.)



Scene of education at the school

List of divisions the graduates belong to



Tokai Rika Technical Skills Competition

From FY 2018, we adopted the new name “skills competition” from the “skills exchange meeting,” which originally focused on an exchange and social get-together among certified skilled workers. We hold this competition as a means to develop skilled human resources. 63 contestants from 12 departments participated.

Contestants demonstrate skills they developed on the job and craftsmanship. We hold 6 competitions that involve mechatronics, product inspection, surface grinding machines, machine inspection, electrical maintenance, and jigs and tools finishing. We also hold a competition where senior workers from each department put the finishing touches on surfaces.



Tokai Rika Technical Skills Competition

Event name	Number of participants (people)
Mechatronics	8
Electric system maintenance	5
Machine inspection	6
Product inspection	22
Surface grinder	6
Jig and tool finishing	5
Surface finishing	11
Total	63

Topics

Examples of training

TRP (Philippines)

TRP conducted training regarding the principles of molding and the basics of plastics. The company aims to develop human resources who have acquired expert knowledge about the properties of materials and methods for investigating causes, etc. and are able to give guidance to local staff.



Voice

We comply with standardized work so we don't risk recalls and disseminate our knowledge of materials throughout our workplace.

TRP (Philippines)
Vicente Teope De gracia Jr.



Voice

We leave our records when conducting facility inspections and think of correct counteractive plans when problems occur.

TRP (Philippines)
Riestone Parcon Gonzaga



Businesses that use local technicians

In order to pass on practical skills and knowledge to high school students and develop human resources who are responsible for manufacturing production, we dispatched skilled technicians from our plant in the region to Toyokawa Technical High School. We wish for students to pass the 3rd grade trade skill test grade (electronic equipment assembling). Certified skilled workers of this company have been dispatched from FY 2016 to FY 2018 and the passing rate of the skills qualification test was 67 percent in FY 2018.



Taking part in Craftsman III

There are 17 industrial high schools in the prefecture that have a connection to manufacturing companies, having established an educational program that lets one acquire practical skills that meet the needs of local industries with a hands-on approach. This scheme started with the idea in mind to develop human resources that can handle the future of Aichi Prefecture's manufacturing industry. We have been pairing up with the Aichi Prefectural Board of Education and Toyokawa Technical High School since FY 2017. We participate in activities and offer practical guidance on the grade 3 trade skill test (electronic equipment assembling).



Topics

Employee skills awards Here, we introduce seven employees who received awards and recognition this fiscal year.

Prefectural “Aichi no Meiko” (“Master Craftsmen of Aichi”) Award

In order to raise general awareness of certified skilled workers, their place in society, and the advancement of technical standards, those who have excellent skills that work within the prefecture, and have contributed to society with their skills are awarded the “Aichi no Meiko” (“Master Craftsmen of Aichi”) award. Seven employees from our company received an award in FY 2018.



(From the back left row) Ikehata, Ono, Rokugawa, Fujishiro
(From the front left row) Matsui, Kokubo, Mitsuda

Award winners

Name	Affiliation (as of awarding)
Tatsuo Ikehata	Oguchi Electronics Production Division
Akio Ono	Oguchi Production Engineering Division
Hiroyuki Mitsuda	Quality Assurance Division
Yoshio Kokubo	Human Resources Development Division
Hiromichi Matsui	Human Resources Development Division
Tsunehiro Fujishiro	Temporary transfer in Japan (Enshu Co., Ltd.)
Yoshio Rokugawa	Temporary transfer in Japan (Toshin Kasei Co., Ltd.)

Voice

I think that I was able to be an Aichi no Meiko as a result of my seniors' guidance and being surrounded by good friends. I want to continue to take care of my juniors and nurture more skilled personnel.

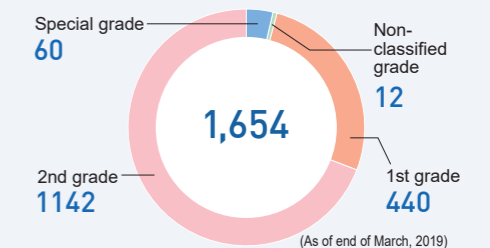


Human Resources Division
Yoshio Kokubo

People who have passed technical skills tests

Test Type	Number of people
National technical skills tests	Special grade tests 7 people 1st grade 30 people 2nd grade 46 people Combined skilled workers 12 people
In-house technical skills tests	Advanced-level tests 8 people Mid-level tests 30 people

Total number of people who passed national trade skills tests



Relations with Employees

Creating workplaces where people can work with peace of mind

With keeping employees safe and healthy and aiming to achieve comfortable workplace environments as our basic principles, we are promoting health and safety activities and are working to create safe and secure workplaces.

With the aim of achieving “zero industrial accidents,” we are implementing continuous initiatives under our basic policy on health and safety.

- Basic policy on health and safety**
- 1 Safety takes priority over everything else
 - 2 Following the rules is the basis of safety
 - 3 Our health is a treasure we protect by ourselves
 - 4 Our wish is to achieve “0 (zero) accidents”

- Safety activities**
- Inspection activities to ensure safety
 - Activities to raise safety awareness
 - Activities to create comfortable workplaces
 - Environmental improvement activities for workplaces where harmful substances are handled
 - Activities for building mental and physical health

Slogan Safety takes priority over everything else, and our wish is to achieve “0 (zero) accidents”

Safety-awareness Dojo

In order to prevent industrial accidents involving employees of and persons related to our company, we conduct experiential and participatory health and safety education. Together with getting them to learn about how frightening the dangers are, about the dangers that lurk nearby, how necessary the idea of health and safety is, and how to reflect and deploy these in everyday safe work, we improve their skills with regard to health and safety.

Health management initiatives

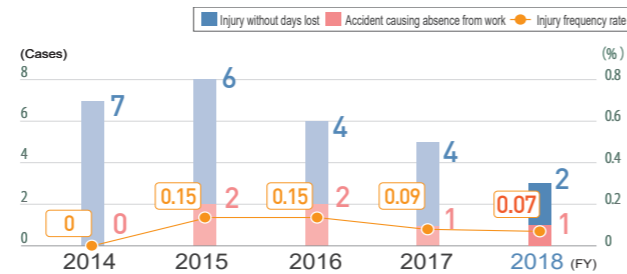
We have developed a health management declaration which aims to balance employees’ mind, body, and health, and bring about a great lifestyle.

Taking into consideration employees’ health, we run events to encourage lifestyle improvements with regard to nutrition and exercise, for example providing healthy menus in the cafeteria, and holding exercise classes, health classes and in-house relay marathons.

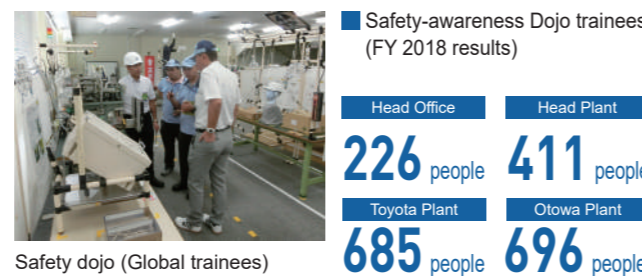
Safety & Health Committee

We have appointed a Safety and Health Committee on the basis of the Industrial Safety and Health Act. Our central Safety and Health Committee meeting is held twice a year and our regional Health and Safety committee meeting is held once a month. At these meetings, we discuss labored-related accidents, confirm operations related to health, improvement activities, and more. We strive to create a workplace that is safe and pleasant.

Status of industrial accident occurrence in FY 2018



Education for new employees on KY Safety convention for constructors (hazard prediction)



Health management declaration Health event Exercise classes In-house relay marathon



Safety & Health Committee

Work-life balance

Cut out zero annual paid holidays

Labor and management carried out leave-taking promotion activities toward “cutting out zero,” in order to refresh minds and bodies, reduce the total working hours, and improve planning and efficiency. Specifically, we developed an annual acquisition plan for each individual, held progress check meetings between labor and management, and conducted follow-ups to achieve the target.

Activities for reducing working hours

Since April 2017, we have strove to reduce working hours in order to correct working long hours. We are promoting the improvement of work efficiency through work-style reforms and activities at each workplace, and this has been bringing good results. We will continue to work on it, aiming to get the climate firmly established.

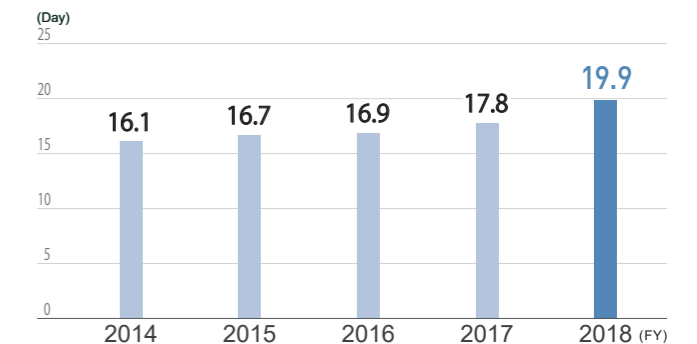
Activities for nursing care support

We provide support to balance work and nursing care by, for example, establishing a nursing care leave system that goes beyond what is legally required (within 365 days, no limitations on the number of times it can be taken), and providing a short working hours system for nursing care (within three consecutive years starting from the date of using the system, no limitations on the number of times it can be taken). In 2018, we held a nursing care seminar, personal consultations on nursing care, and distributed a “work and nursing care coexistence support handbook” to employees who were over the age of 40.

Activities for childcare support

We continue to work on balancing work and childcare by, for example, establishing a childcare leave system that goes beyond what is legally required (until the child turns two years old, regardless of the childcare situation), and a childcare shortened working hours system (until completion of the first grade at elementary school). In 2008, we acquired “Kurumin” a certification mark for the “Act on Advancement of Measures to Support Raising Next-Generation Children.” Since September 2018, we have been offering childcare for employees’ children (up to third grade at elementary school) in the Head Plant, Toyota and Otowa Plants on holiday working days.

Average number of days taken during the year

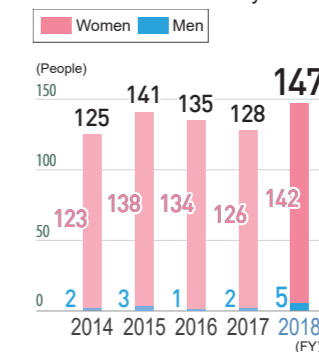


Nursing care seminar

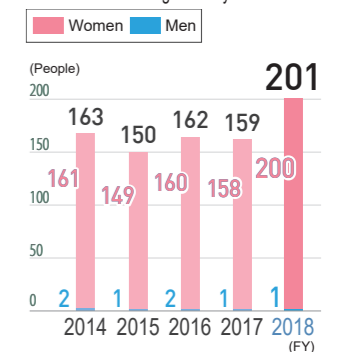


Nursing care handbook

Number of people who used the childcare leave system



Number of people who used the childcare shortened working hours system



Childcare on holidays

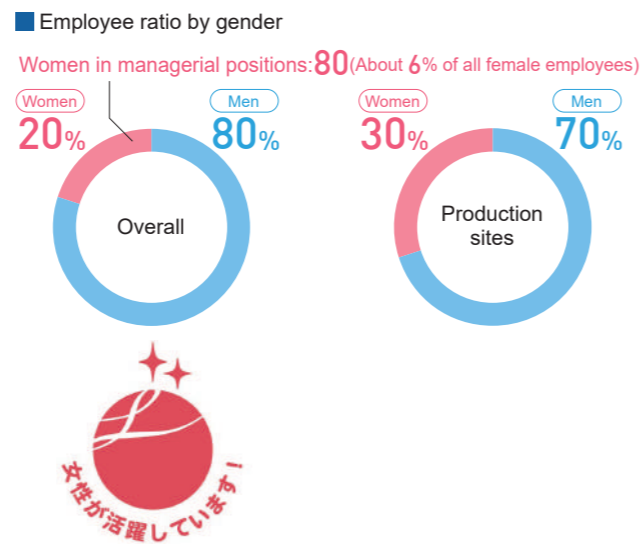


“Kurumin” a certification mark for the “Act on Advancement of Measures to Support Raising Next Generation Children”

Relations with Employees

Diversity activities

We deal with many small and delicate parts, including switch products. Our production sites, in particular, have become a place of active participation for women, who are good at detailed jobs. We work on creating environments that continuously support active participation for women in order to bring out to the maximum the skills each individual has honed. In November 2017, we received the “Eruboshi” certification based on the Act on Promotion of Women’s Participation and Advancement in the Workplace (also called the Act on Promotion of Women’s Active Participation).



Harmonizing with the labor union

We have built a good employer-employee relationship with the Tokai Rika Labor Union, on the basis of the idea of “mutual trust and mutual responsibility between employer and employees.” Respecting each other’s standpoints, we have established works councils, safety and health committee meetings, etc., and periodically hold discussions with the aim of creating workplaces that are easy to work in.



New equipment inspection

Building bridges to local communities and families

Holding sports lessons

Sport clubs owned by our company, namely our Baseball Club and Softball Club, not only boost the unity of the company and the morale of employees, but also actively take part in volunteer activities to become a bridge between local communities and the company.



Baseball lesson (Baseball Club)



Softball lesson (Softball Club)

Open House 2018 (Children visit parents workplace)

Holding an open house, where we invite our employees’ children to the company, plays a role in improving family communication by raising the children’s interest in society and work through getting to know about their parents’ company and workplaces. Furthermore, we aim to promote a good balance between work and life (work-life balance) by creating an atmosphere in workplaces that values employees’ families, at a company level.



Opening ceremony



Plant tour



Relations with Shareholders and Investors

We are committed to fair, timely and appropriate disclosure of information to our shareholders and investors.

IR activity policy

We provide necessary information through a timely disclosure system and our website. In addition, we strive to enhance communication through various briefings and facility tours for shareholders, institutional investors and analysts. We are actively working to make ourselves understood by them more deeply.

IR activities schedule

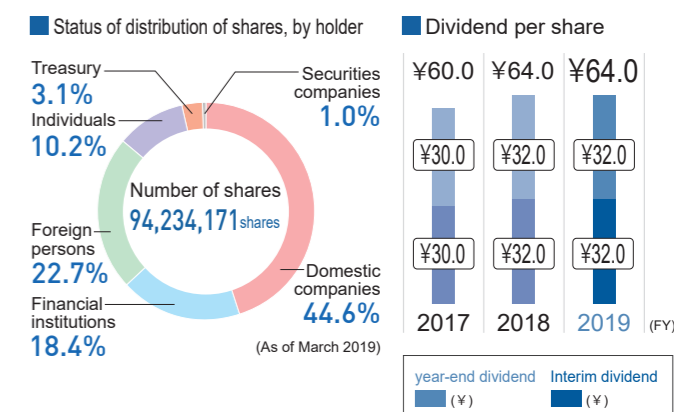
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Announcement of financial results		• Whole year results			• Q1 results			• Q2 results				• Q3 results
Financial results briefing		• Briefing on financial results for the whole fiscal year					• Briefing on financial results for the interim of the fiscal year					
Dividend			• Payment of year-end dividend					• Payment of interim dividend				
Shareholders meeting			• General shareholders meeting									
Facility tours			• Facility tour (for individual shareholders)						• Facility tour (for institutional investors and analysts)			

Measures for return to shareholders

The Company regards the interest of shareholders as an important management policy, and has a basic dividend policy of determining the amount of dividends by comprehensively considering business performance, etc. as well as a target dividend payout ratio of 30% as a guide, while striving to maintain stable dividend payment.

We give first priority to paying dividends as a measure for return to shareholders, and have made it our basic principle to return the surplus through two dividends: an interim dividend and a year-end dividend.

As of the end of March 2019, we have set the annual dividend to ¥64 per share.



Communication with investors

We hold financial results briefings for institutional investors and analysts twice a year to report on our work with regard to improving business performance and quality, and our work on the development of new products for the future.

In addition, we conducted a facility tour in December 2018, for which we invited institutional investors and analysts to our company. They confirmed our initiatives for semiconductors in which direction our development is headed.

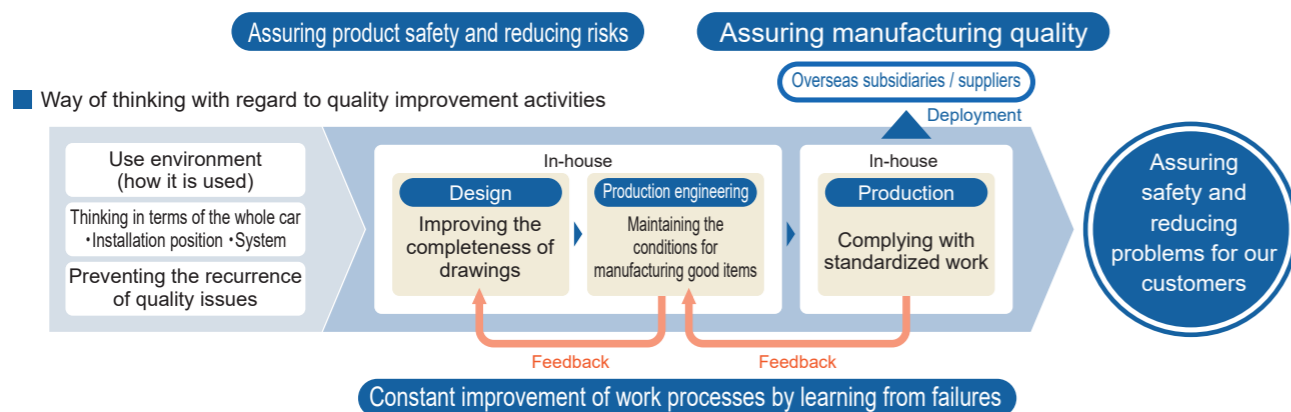


Facility tour for institutional investors and analysts

Relations with Customers

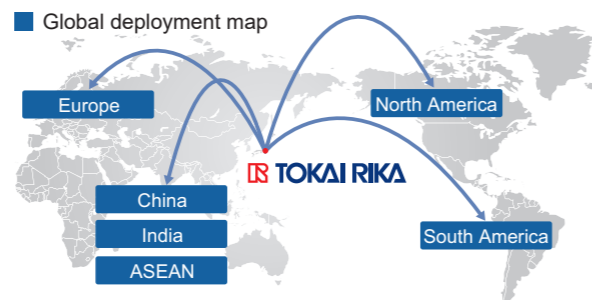
We promote “the creation of safe, secure and comfortable products” so that cars will become more comfortable and safer vehicles, and will remain an indispensable presence in a social system in which they support people’s lives, and industrial and economic activities. We are also committed to developing a full quality assurance system, by stipulating a basic policy for quality assurance and pulling the whole group together in order to deliver products that our customers can use with peace of mind.

Quality policy for the Tokai Rika Group



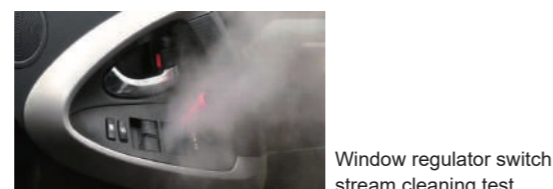
Assuring manufacturing quality

We deploy the creation of standardized work that is easy to follow for workers and improvement activities with regard to “changes” and “abnormality handling” (which interfere with standardized work) to overseas subsidiaries and suppliers, and work on continuously improving in manufacturing quality.



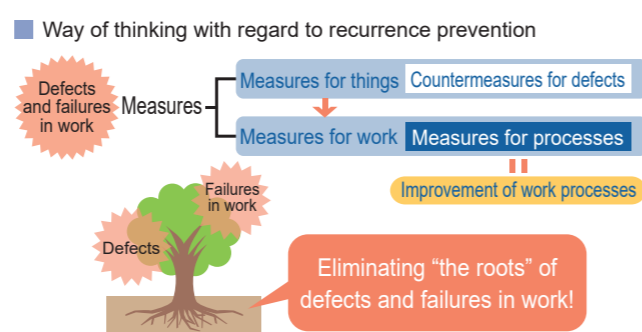
Assuring product safety for new products

We are working to ensure that we provide safer products to customers, by obtaining market information from around the world, and conducting our own original tests and evaluations for “ways the products are used” that we were unaware of, in addition to customer requirements.



Constant improvement of work processes by learning from failures

We are improving both work quality and productivity by considering defects and failures in work as “treasures,” and improving work processes by investigating the root causes for omissions regarding how we carry out work.



Main awards

Our technological and manufacturing capabilities have received high recognition from customers and we were awarded over a broad range of fields.

Toyota Suppliers Convention Awards

Toyota Motor Corporation presented awards to suppliers who had made significant contributions in FY 2018. We received a “Technology Development Award” for the development of the digital outer mirror installed on the Lexus ES.

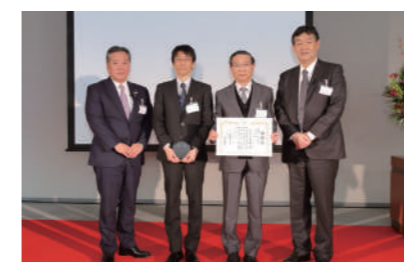
We have greatly improved aerodynamics, operational stability, fuel efficiency, and visibility performance in order to increase the product capability of cars. In doing so, we have achieved a smaller and lighter housing design.

In addition, we received the “Project Award” in the “Category of Technology” at the line-off ceremony for the Lexus ES, as well.



Toyota Motor Corporation Project Awards

At the line-off ceremony for the new RAV4 model, we received the Project Award “CE Special Award” for the “development of the drive mode select switch.”



Hino Motors, Ltd. Supplier General Meeting Awards

At the Hino Motors, Ltd. Supplier General Meeting Award Ceremony, we received the “Technology Development Award of Excellence” for the development of the emergency break switch installed in the Hino S'ELEGA, a large sightseeing bus.



Toyota Motor Corporation Motomachi Plant Awards

We received the “Motomachi Plant Supplier Quality Improvement Activity Excellence Award” from the Toyota Motor Corporation Motomachi Plant for achieving great results in market quality improvement activities.



Maruti Suzuki India Limited Supplier General Meeting Awards

During the Maruti Suzuki India Limited Supplier General Meeting Awards, our subsidiary company, TRMN (India), received the “Best Supplier Award.”



Changan Ford Automobile Co., Ltd. Supplier General Meeting Awards

At the Changan Ford Automobile Co., Ltd. Supplier General Meeting Award Ceremony, our subsidiary company, TRCF (China), received the “Best Strategic Partner Award.”



Relations with Suppliers

Seeking opportunities for business activities all over the world, we procure parts, materials, equipment and so on that are the absolute best in terms of quality, quantity and cost, from regions all over the world. Furthermore, as a good corporate citizen, we aim to achieve "Optimized Global Procurement" that will also meet social requirements such as environmental preservation, through cooperation with suppliers on the basis of proper and fair business.

Purchasing basic policy

Tokai Rika is developing global purchasing of parts, materials and equipment which are superior in terms of quality, cost and delivery, on the basis of the following 5 principles for purchasing.

We have stipulated that we will provide fair trade opportunities, no matter what nationality or company size, and develop 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

In order to present the business environment that surrounds us and the direction we should take, and to enable people to understand our annual purchasing basic policy for the fiscal year on the basis of that, we hold a Supplier meeting in April each year.

We invite our main suppliers of products, processing, materials, equipment and molds to the supplier meeting, and make cooperation with suppliers close by giving a briefing on cooperation with regard to safety, quality, cost, technology, business development and various activities as a "Tokai Rika Group Policies" and "purchasing Policy." We also praise and present awards to suppliers who have achieved outstanding results with regard to safety, quality, cost, and so on.

FY 2018 Supplier meeting

On April 12, 2018, we held a Supplier meeting at our Head Office. With about 130 suppliers from among our main suppliers in attendance, including 50 suppliers of Tokai Rika Kyouryoku-kai, among 400 parts suppliers, we explained on our group policies, purchasing policy, and also our policy regarding quality, and initiatives with regard to environmental activities, and more.

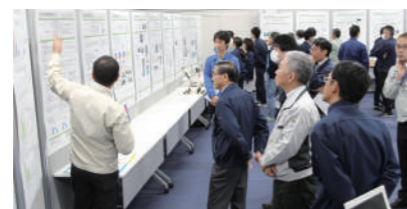


FY 2018 Supplier meeting



Activities of Tokai Rika Kyouryoku-kai

With a view to achieving cross-industrial exchange as well, we have been conducting section meeting activities every other month for 50 suppliers of the Tokai Rika Kyouryoku-kai with "safety," "quality" and "personnel and labor affairs" being the three pillars. Through these activities, we are working toward mutual improvement in each field, by introducing actual examples from both within and outside our company. These examples include ones related to "safety," "quality" and "personnel and labor affairs," and by introducing things such as information on changes to laws and ordinances pertaining to "environment" and actual examples of environmental near-misses.



A scene at Tokai Rika Kyouryoku-kai Quality improvement exhibition

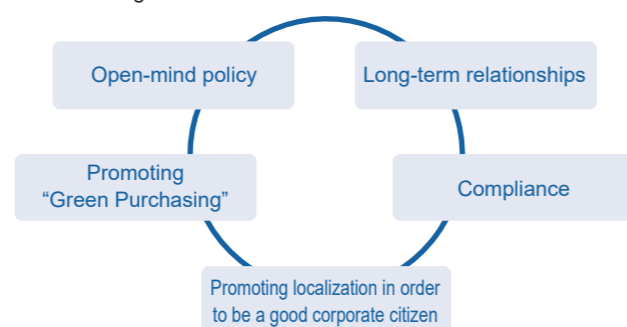
Disaster prevention activities

Our Purchasing Div. positions painting processes, casting processes, substrate mounting processes, semiconductor processes and power receiving/transforming facilities as the main areas for disaster prevention, and conducts joint inspections of facilities in cooperation with suppliers and in-house dedicated committees. In FY 2018 as well, we conducted joint inspections on the status of management at a total of 60 suppliers in the field of painting processes, casting processes, substrate mounting processes, semiconductor processes and power receiving/transforming facilities management on the basis of the activity plan.



Joint study session led by casting suppliers

Purchasing basic stance



Relations with Society

Under our business philosophy, "Coexisting with nature and the local community," we actively engage with stakeholders, are committed to continuous activities to contribute to the local community, and also promote independent and voluntary participation by employees in volunteer activities and community involvement, through opportunities for exchange and interaction that everyone can take part in easily.

Social contribution activities policy

With regard to our policy for activities in relation to social contribution, firstly, among our initiatives as a business organization, we conduct activities that focus on three areas: "development of youth," "support for the independence of people with disabilities" and "environmental preservation." As another initiative, we are also committed to support and enlightenment for various social contribution activities and volunteer activities conducted by employees.



Special donation celebrating the 70th anniversary of the company

As a part of the memorial events in which we celebrated the 70th anniversary of the company, commemorative gifts were specially donated to cities, towns, and villages where the Head Office and each plant are located, in order to express our gratitude to the communities. Upon selecting gifts, we surveyed the request of each municipality and we presented an ESTIMA HYBRID to Oguchi Town, an assisted-transfer bath systems to Toyota City, and an all-weather drone to Toyokawa City.



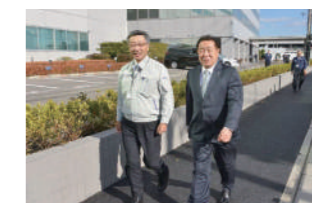
Donation to Oguchi Town



Donation to Toyokawa City

Lending a part of our land to Oguchi Town for free

As a cooperative project with Oguchi Town, we lent a part of our company's land to the town for free to use it as a pedestrian walkway for traffic safety.



The completed pedestrian walkway



Oguchi town presented us a certificate of appreciation

Hosting of local social gatherings

At each office in Japan, we hold an annual local social gathering by inviting representatives in neighboring regions. We explain our business activities such as social contribution activities, environmental maintenance activities, and volunteer activities conducted by employees.



Head Office Area



Other social contribution activities



Cooperation by operating company-owned buses
We provide company-owned buses to use as pickup buses for local events planned by the local government.



Instructing introductory lifesaving to students
We dispatch first aid treatment instructors to trainings planned by fire departments, elementary schools, and junior high schools.



In-house blood donation activity
We cooperate with blood donation and bone marrow donor registration in each office every year.



Participation in the Children's Center Festival
We participate in the local Children's Center Festival with balloon art.

Environmental

Activities Report

Environmental Slogan

We are reducing the environmental burden of our corporate activities while achieving harmony between people and their vehicles.

Environmental Policy

- 1 We promote environmental efforts based on our management philosophy and code of business conduct.

Main initiative items

Global warming prevention, resource saving, recycling, waste reduction, chemicals control, active use and development of new eco-friendly technology, promotion of LCA, biodiversity conservation, etc.

- 2 We comply with laws, act responsively toward customers and local communities, and set voluntary targets to prevent pollution.

- 3 We continue to increase environmental efforts by forming an environment committee.

The 6th Environmental Action Plan

2016 to 2020

In order to contribute to establishing a sustainable society through business activities such as development, production, and logistics, we promote environmental initiatives supported by three pillars: "establishing a low-carbon society," "establishing a society in harmony with nature" and "establishing a recycling-based society."



Close-up

Initiatives toward Solving Climate Change Problems

Recognition of risks and opportunities in Tokai Rika

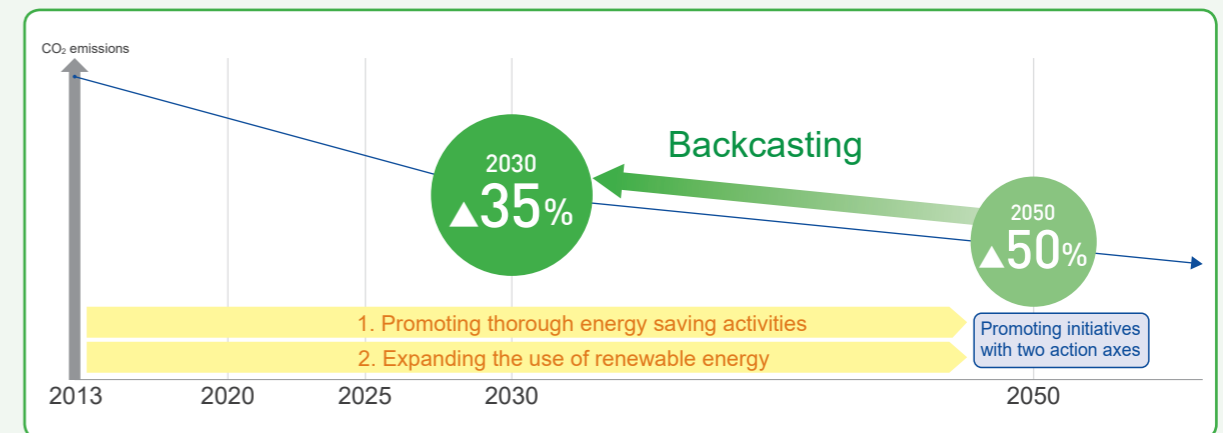
There are risks that bring about climate change problems throughout business activities from development and design, to procurement, production, logistics, and product sales. Therefore, we have been discussing risks and opportunities related to climate change at various meetings including the corporate environment meeting. We decide long-term and short-term countermeasures and put our work into action at these meetings.

We see an impact on production caused by abnormal weather as an expected risk. We also see cost increases as a result of carbon tax and energy efficiency regulations as a loss of sale opportunities, and the possibility of stagnation in business activities. On the other hand, we recognize that promptly responding to these risks will contribute toward solving climate change problems as well as sustaining business and chances to create sales opportunities.

The entire Tokai Rika Group is working to promote environmental activities, and is planning countermeasures against risks and seeking opportunities. At the same time, we are formulating a long-term vision for CO₂ reduction, and promoting activities according to plan in order to contribute to solutions for climate change problems.

Action | Long-term vision for CO₂ reduction

In the Tokai Rika Group, we have set 2050 as the target for long-term reduction to reduce CO₂ by half. Based on our backcasting (a method of thinking about what to do by looking at future goals) target from 2050, we have set a mid-term target of 35% to achieve an ideal situation in 2030. We will accumulate CO₂ reduction items, and steadily advance to achieve the target.



1. Energy saving activities

With regard to the reduction of energy used in business activities, we will promote minimizing usage through energy-saving improvements.

Energy saving in the production process

- Promotion of obtaining energy JIT (just in time)
- Promoting the development of low CO₂ production technologies

Energy saving constructions and utilities

- Design with consideration for energy saving
- High efficiency
- Energy conversion

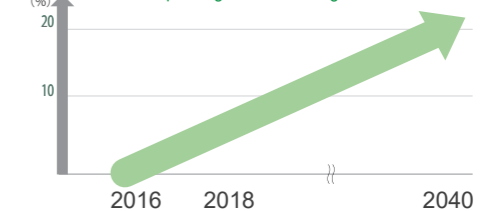
Energy management

- Promoting the visualization of energy usage

2. Use of renewable energy

In the Tokai Rika Group, we have set a target to achieve a utilization rate of 20% or more for renewable energy by 2040, and will systematically introduce this plan.

We will systematically proceed with the introduction of solar power generation on a global level



FY 2018 Environmental Activities Summary

Results for the 6th Environmental Action Plan (2016 to 2020)

Tokai Rika has established the "6th Environmental Action Plan" to guide its environmental activities, has set specific figures as its targets, and is working toward achieving them. We successfully achieved all of our targets in FY 2018.

	Action items	FY 2018 activities results	FY 2018 target value	FY 2018 results	Assessment	Page to refer to
Establishing a Low-carbon Society						
Reduction of CO ₂ emissions	● Use or development of low-CO ₂ production engineering	● Introduction of renewable energy ● Improvement of energy-saving production equipment through an Energy Saving Subcommittee ● Horizontal development activities for energy-saving improvement ● Horizontal development activities for example cases of Karakuri mechanisms ● Enlightenment activities (Exhibitions, Outstanding Example Award)	Tokai Rika Group 92.6 t-CO ₂ / 100 million yen	Tokai Rika Group 85.4 t-CO ₂ / 100 million yen	○	▶ P.38
	● CO ₂ reduction by daily improvement activities		Tokai Rika 47.6 t-CO ₂ / 100 million yen	Tokai Rika 43.3 t-CO ₂ / 100 million yen		
	Promotion of more compact and lightweight designs for products	● More compact and lightweight	—	—	○	▶ P.42
	Reduction in greenhouse gases	● Substituting for SF ₆ in magnesium alloy casting processes	—	—	○	▶ P.43
Pursuit of efficient transportation in logistics activities and reducing CO ₂ emissions	● Promotion of CO ₂ reduction activities by further improving transportation efficiency	● Improvement of transportation efficiency, by reviewing the routes ● Improvement of transportation efficiency, by improving the packaging	Tokai Rika 1.27 t-CO ₂ / 100 million yen	Tokai Rika 1.15 t-CO ₂ / 100 million yen	○	▶ P.43
Establishing a Society in Harmony with Nature						
Reducing environmentally hazardous substances in production activities	● Continuous management of PRTR substances and promotion of reduction activities	● Reducing consumption of PRTR substances ● Reducing emission of VOCs	—	—	○	▶ P.44
Enhancing the management of chemical substances in products	● Enhancing the management of chemical substances contained in products based on regulatory trends in each country and each region, and promotion of changing over to substances with a lower environmental load	● Promotion of lead-free soldering ● Switching to products that do not contain newly regulated substances	—	—	○	▶ P.45
Promotion of social contribution activities that will assist the establishing of a society in harmony with nature	● Active social contribution through links with local communities, and promotion of volunteer activities ● Enhancement of grants to environmental activities	● Social contribution and volunteer activities through links with local communities	—	—	○	▶ P.45
Promotion of environmental preservation / conservation of biodiversity	● Promotion of environmental preservation / conservation of biodiversity in accordance with the biodiversity guidelines shared by All Toyota and the needs of each region ● Implementation of education that is rooted in the local community and makes use of offices and in-the-field locations in each region	● Tree planting and conservation of Satoyama activities ● Participation in All Toyota cooperative activities	—	—	○	▶ P.46
Establishing a Recycling-based Society						
Promoting product designs and technological developments to make recycling easy	● Promotion of more recyclable product designs and the use of more recyclable materials	● Improvement of ease of disassembly, by reviewing the design ● Promotion of the use of recycled materials	—	—	○	▶ P.47
Effective use of resources and reduction of packaging and wrapping materials in logistics activities	● Promotion of improvement centered on making wrapping materials returnable and lightweight	● Reduction of packing and wrapping materials, by reviewing the packing methods ● Making packing materials reusable	Tokai Rika 0.60 t / 100 million yen	Tokai Rika 0.55 t / 100 million yen	○	▶ P.47
Reduction of waste in production activities and efficient use of natural resources	● Waste reduction by daily improvements, and use or development of waste reduction production engineering	● Improvement of production yields ● Promotion of 3R (reduce, reuse, recycle) activities	Tokai Rika 2.31 t / 100 million yen	Tokai Rika 1.79 t / 100 million yen	○	▶ P.48
Reduction of use of water in production activities	● Promotion of continuous reduction activities for water consumption, taking into consideration the situation regarding the aquatic environment in each country and region	● Use of recycled water (semiconductors, plating processes) ● Risk assessment on water	—	—	○	▶ P.49
Environmental Management						
Enhancing and promoting consolidated environment management	● Enhanced environment committee activities in and outside of Japan for the execution of activities to ensure the top-level environmental performance of different countries and regions ● Complying with the environment-related laws of different countries and regions, and strengthening environmental risk prevention activities	● Enhancing and promoting consolidated environmental management ● Acquisition of EMS external certification at overseas production bases ● Appropriate treatment of PCBs	—	—	○	▶ P.50
Promotion of environmental activities in cooperation with business partners	● Enhancing further cooperation with suppliers and promoting global activities to improve the environment together	● Deployment of environmental information to partner companies ● Actual-location study activities with partner companies	—	—	○	▶ P.52
Improvement of the urban air environment in each country and region	● Expansion of the introduction of low-emission vehicles in each country and region	● Expansion of the introduction of low-emission vehicles	—	Tokai Rika 44.4%	○	▶ P.52
Enhancing global employee education / enlightenment activities	● Promotion of enlightenment for awareness regarding environmental preservation, through global environmental education	● Environment for training key persons through education ● Development of enlightenment activities during environment month	—	—	○	▶ P.53
Proactive disclosure of environment information and enhancement of communication activities	● Further enhancing the content of information disclosure related to environment ● Enhancing environmental communication activities in each region	● Issuing of the Tokai Rika Report and Eco Data File ● Hosting of local social gatherings	—	—	○	▶ P.53

Establishing a Low-carbon Society

While the worldwide movement of decarbonization has shown signs of acceleration amid growing concern about global warming, the Tokai Rika Group has been enhancing activities we consider to be the responsibility of a global company, and has been promoting CO₂ reduction activities in the whole group. These activities include downsizing and reducing the weight of products, which contribute to the improvement of fuel efficiency of vehicles, and improving the efficiency of the use of energy in production and transportation.

Reduction of CO₂ emissions

By performing activities such as the thorough elimination of wasteful energy consumption in production processes, horizontal deployment of energy saving improvements on a global scale, and the introduction and expansion of renewable energy, we have achieved both Tokai Rika's and the Tokai Rika Group's basic-unit targets for CO₂ emissions for FY 2018.

Expanding the use of renewable energy

The Tokai Rika Group aims to achieve renewable energy to account for more than 20% of power consumption by 2040, and are introducing solar power generation systematically. In FY 2018, we introduced 1.5 MW at TRT (Thailand), and mega solar panels for 1 MW at TRCW (China). Starting from FY 2019, we are planning to introduce them to Japan and overseas. We are expanding their introduction as a target to improve the average 1% per annum.



Mega solar panels installed at TRT (Thailand)

Renewable energy use rate

An improvement of **0.9%**

Topics

Activities that promote energy saving by TRT (Thailand)

At TRT (Thailand), the organization, made up of members elected from each division, was created to promote improvement on energy saving and has promoted such activities. Countermeasures were considered among the members for the issues that were extracted. In FY 2018, improvements on 150 cases were performed out of 173 cases that fell under improvement themes. The details of the activity were to categorize the equipment into three types: A, B, and C. A is the equipment that can be stopped during break, B is the equipment that can be stopped during days off, and C is the equipment that cannot be stopped. We improved B and C so that they could be converted to A as much as possible. In addition, they are corresponding to this by clarifying the persons assigned to stopping the equipment. This activity has been assessed, and was awarded the EAPA (Environment Activity Performance Achievement) Level "A" prize by the TOYOTA Co-operation Club.



EAPA commendation

Voice

At TRT (Thailand), we have been performing energy saving through an activity called ERI (Energy Reduction Innovation). The cases that I handled dealt with the improvement of compressors. Because the compressors consume the largest input of energy inside the factory, we have performed this activity, thinking it will be a great success if we can improve that situation. As we discussed countermeasures between members, we learned that some of the compressors can be stopped during break time when the equipment is not operating. Six out of 11 compressors were stopped, and we were able to reduce an electricity amount of 17,000 kWh / year.

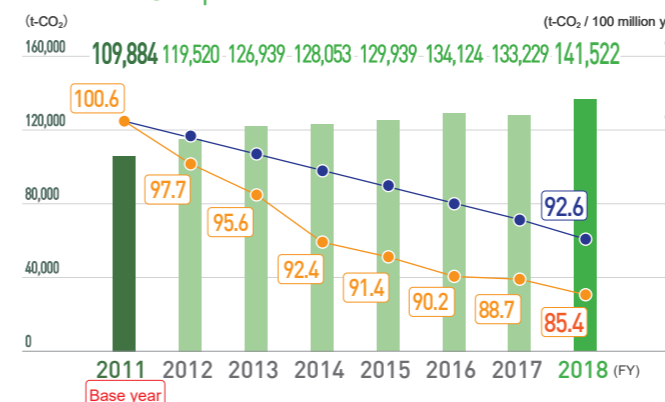
We believe that there are more instances of energy being wasted beside this, so we will continue to work on waste energy improvements.



TRT (Thailand)
Monchai Mongkonkaew

Trends in CO₂ emissions per processing expenses

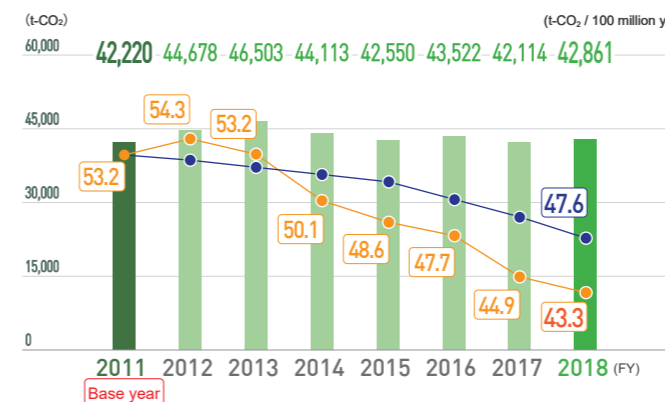
Tokai Rika Group



Legend: Emissions (t-CO₂), Emissions per processing expenses (t-CO₂ / 100 million yen), Base-unit target (t-CO₂ / 100 million yen)

Target value for FY 2018: **92.6** t-CO₂ / 100 million yen
Actual result for FY 2018: **85.4** t-CO₂ / 100 million yen

Tokai Rika



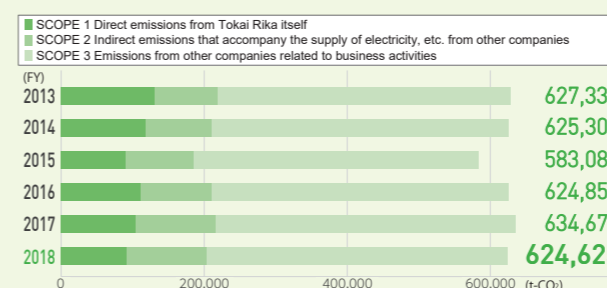
Legend: Emissions (t-CO₂), Emissions per processing expenses (t-CO₂ / 100 million yen), Base-unit target (t-CO₂ / 100 million yen)

Target value for FY 2018: **47.6** t-CO₂ / 100 million yen
Actual result for FY 2018: **43.3** t-CO₂ / 100 million yen

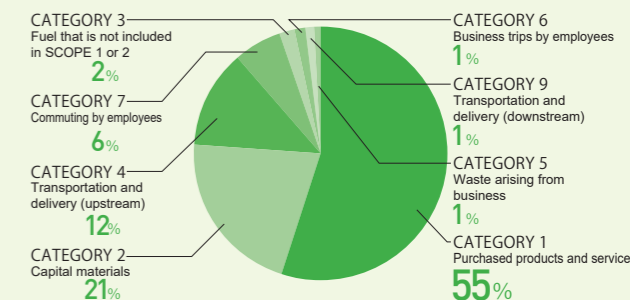
CO₂ emissions in the supply chain

The Tokai Rika Group recognizes that in order to control global warming, it is necessary to reduce not only CO₂ emitted through activities conducted by the company, but also emissions throughout the life cycle. We have been monitoring the amount of CO₂ emissions throughout the supply chain, including upstream and downstream, and are deploying activities for reduction.

Trends in emissions in the supply chain



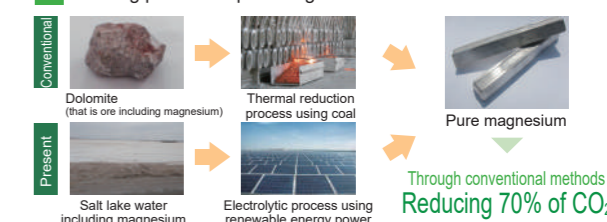
Breakdown for SCOPE 3 in FY 2018



CO₂ reduction in the upstream

We are using magnesium that is light weight and has strong intensity on the steering wheels and paddle switches produced in Tokai Rika. In order to reduce the consumption of CO₂ in the entire life cycle of pure magnesium, the material for those products, we are adopting materials that are prepared with renewable energy as the power during the refining process.

Refining process of pure magnesium



▶ Establishing a Low-carbon Society

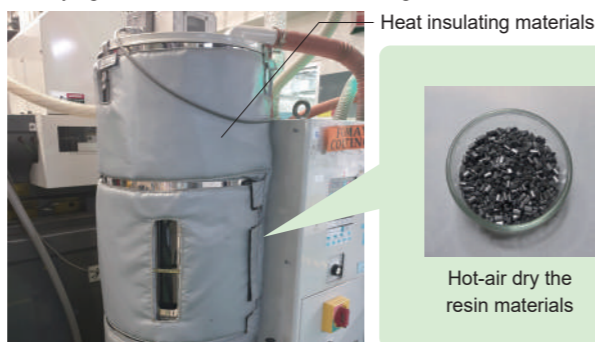
● Measures against radiation heat loss of drying machine for resin materials

In the process of injection molding in resin products, resin materials are being dried before molding in order to prevent quality defects caused by hydrolysis. We aimed to improve energy efficiency at TRP (Philippines). For 71 hot air dryers on shop floors, we installed insulating covers to prevent energy loss due to heat radiation and energy efficiency increased.

Reduction in amount of CO₂

10 t-CO₂ / year

■ Drying machine that has heat insulating materials installed



● Energy saving control of heat source in semiconductor plants

At semi-conductor plants, the entire plant is made into a clean room where we maintain air cleanliness, aiming to prevent dust dispersion, and more. The boiler used as a heat source inside the clean room used to be operated under two steps: "high combustion - low combustion." With the equipment renewal, we changed it to a three-step operation: "high combustion - mid combustion - low combustion." By assembling a controlled set operation, we were able to operate more efficiently, corresponding to load. We aim to reduce gas consumption by taking the exhaust heat from the boiler and using it to preheat feed water.

Reduction in amount of CO₂

218 t-CO₂ / year

■ Boiler for heat source of air conditioning



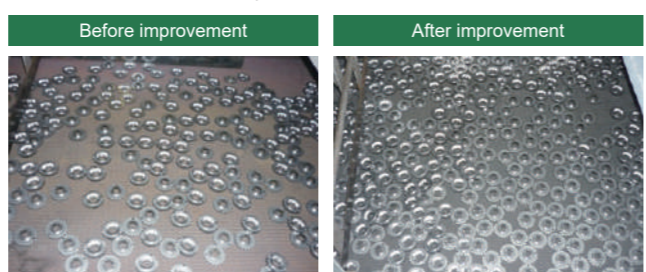
● Productivity improvement of heat treatment process

The heat-treatment process of a gear lock, a component part of a seat belt, is placed on the conveyor and continuously receives heat-treatment. By adding vibration we were able to prevent the products on the conveyor from overlapping and minimize the gaps, and we were able to increase efficiency of heat-treatment to 13%, so we were able to contribute significantly by reducing energy consumption.

Reduction in amount of CO₂

96 t-CO₂ / year

■ The products on the conveyor that are put into the heat-treatment furnace



There are many gaps and the production efficiency is low

Minimize the gaps by means of vibration

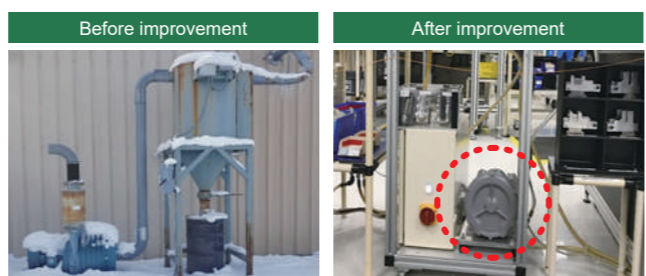
● Distribution placement of the dust collector

In the assembly process at TRIN (America), the dust collector was used to collect the minor fragments of the material being produced during injection in order to prevent spreading. Until then, we had been using the larger dust collector to collect dust on the entire floor. However, we removed the larger dust collector and placed small dust collectors in each line. As a result, the collection efficiency improved and energy consumption was reduced at the same time.

Reduction in amount of CO₂

50 t-CO₂ / year

■ Placement of dust collector

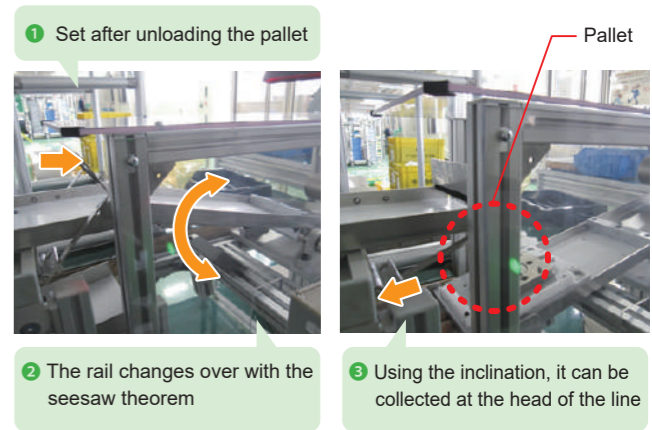


By means of the large dust collector, fragments of the material on the entire floor have been collected

Small dust collectors were distributed by line

● Pallet returner that uses Karakuri mechanisms

The Tokai Rika Group is promoting the use of Karakuri mechanisms, as an initiative toward "Monozukuri that makes the best use of originality and ingenuity." At the parts assembly line, assembly work is performed above the jig set on a rail called the "pallet." The pallet returner which utilizes the seesaw theorem, can collect the unloaded pallets at the head of the line by means of the inclination and the pallet's own weight. Minimizing the motion of workers and improving productivity has also helped contribute to energy saving.



● Green power certificate

At the office building at the Head Office, green power is being used, by making use of the Green Power Certificate* system with an annual biomass generation of 100,000 kWh.

* The Green Power Certificate is issued by a third-party agency and certifies the amount of environmental added-values of power generated by means of natural energy.



● Energy Saving Exhibition

Tokai Rika is seeking to be a company that encourages energy saving and for the purpose of expanding our horizons on energy efficiency, we organize an Energy Saving Exhibition every year. In the exhibition, workers who participated were able to deepen their understanding towards energy saving by featuring not only exhibitions of company's outstanding examples, but also other exhibitions to learn about energy saving perspectives, experiencing actual equipment, and more related to energy saving mechanisms and properties.



Energy Saving Exhibition

Interactive learning corner

● Outstanding Example Award for CO₂ Reduction

In order to boost employees' activities for reducing CO₂, Tokai Rika has established an award system for outstanding examples, and presents in-house awards. In FY 2018, an example conducted by Security Production Division No. 2, in which they worked on high-cycle metal processing, was chosen for the Gold Award.

Voice

We made improvements thinking we could reduce the cycle time by changing the process of opening a hole from the drill machining to press processing. The process did not go well at first, but we tried many times until the hole was successfully opened, and it resulted in improvement. We are very glad that our efforts are recognized.



SEC Prod. Div. No. 2
Satoshi Inagaki

■ FY 2018 Outstanding Examples

Gold Award	High-cycle processing by stamping	SEC Production Division No. 2
Silver Award	Non-operational stopping of mold temperature controllers	SEC Production Engineering Division
	Control energy saving for air conditioning heat source boilers	Oguchi Plant Administration Division

Bronze Award	Reducing inspection time for wafer inspection machine	EL Device Division
	Non-operational stop for agitating fans of heat treating batch furnace	SAF Production Engineering Division
	Electrification of pump for circulating the plating solutions	SAF Production Engineering Division

▶ Establishing a Low-carbon Society

Promotion of more compact and lightweight designs for products

We are contributing to the improvement of fuel efficiency by promoting more compact and lightweight products. Furthermore, in anticipation of the need to respond to next-generation eco-friendly cars, we are moving forward with technological developments to improve environmental performance, taking into consideration not only the shapes and materials of products, but also their internal structure and properties in relation to mounting in vehicles.

● Digital outer mirror that contributes to weight saving

The installed cameras on the door mirror position display the camera view inside the vehicle's monitor, and the digital outer mirrors can check rear views from those visual images. It has fewer blind spots than conventional door mirrors, and visibility increases during the night, rainy weather, and more so it significantly enhances safety, and it contributes by being more compact and lighter in weight.

Digital outer mirror

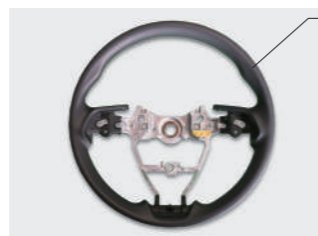


Product weight
45% reduction

● Lightweight steering wheel

We are adopting polyurethane for the steering wheel's outside material. We are able to conduct lightweight without losing its performance, such as operation feeling and wear resistance, by lowering the density of steering wheel with raising expansion rate of polyurethane.

Steering wheel



Polyurethane material

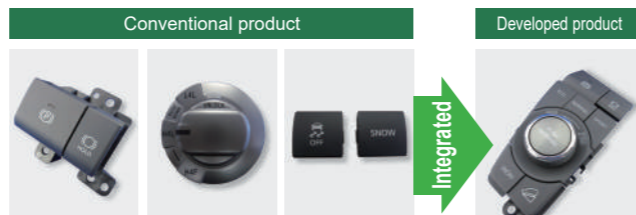
Expansion rate increased
Lightweight

Product weight
10% reduction

● Driving switch made lightweight by means of integration

The drive-related, changing switches such as 4WD mode and drive mode used to be placed in different locations by function. However, modularizing the switches and integrating them into the console has improved handling, creates more space, and reduces weight at the same time.

Driving switch integration



EPB* switch 4WD switch Driving mode switch Driving modular switch
* Electric Parking Brake

Product weight
25% reduction

Voice

The demands for redesigning the control switches to create more space on the automotive console are getting higher every year. We had some difficulties in completing a mold while maintaining the robust design in the process of modularizing the switches with different operating modes. We were able to resolve this problem by reviewing the design with other divisions countless times.



Personnel at Switch Engineering Division from the left: Misato Uchida, Masaya Tamiya, Ryosuke Okuda, Yuki Kubo, and Seiji Ishigaki

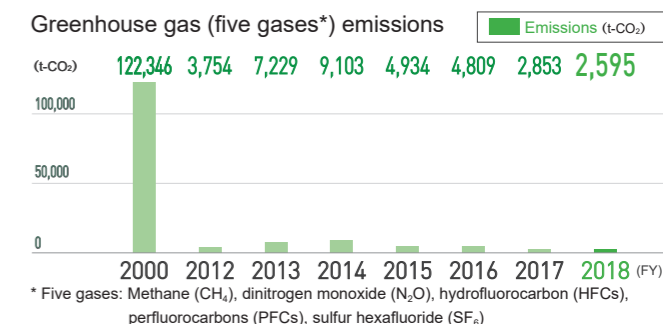
Reduction in greenhouse gases

We have been promoting reduction of not only CO₂ emissions that accompany energy use, but also of emissions that occur when using greenhouse gases (five gases), by taking measures for emission control such as replacing and detoxifying the target gases.

● Initiatives for reducing SF₆ emissions

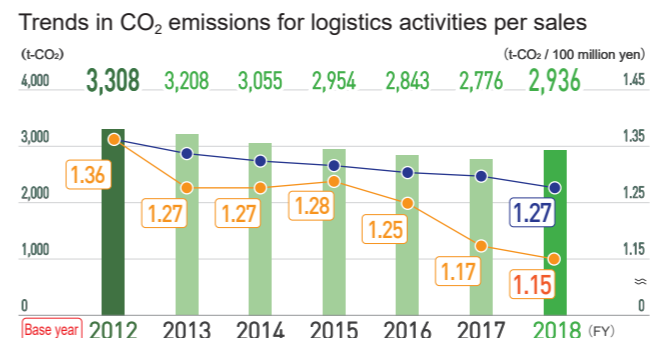
Shielding gas is necessary to shut off air from the liquid surface in the magnesium casting process to prevent melted materials from burning when exposed to air. We had been using SF₆ for the shielding gas, but we promoted a changeover to FK (fluorinated ketone) gas, which has a smaller greenhouse gas effect, and changeover in all casting processes in Japan was completed.

* SF₆ has a high global warming potential, 23,900 times greater than that of CO₂, our standard (IPCC guideline No. 2), and has a long life span, so it has been specified as one of the targets of emission control.



Pursuit of transportation efficiency and reduction of CO₂ emissions in logistics activities

We have been working on the reduction of CO₂ emissions, for example by reviewing the transportation routes to make them more efficient and improving packaging so that more items can be packed together. As a result, we successfully achieved our basic-unit target for CO₂ emissions in FY 2018.



Emissions (t-CO₂) Emissions per sales (t-CO₂ / 100 million yen) Base-unit target (t-CO₂ / 100 million yen)

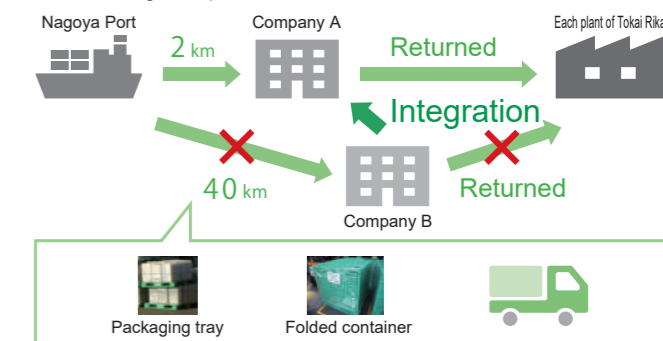
Target value for FY 2018: 1.27 t-CO₂ / 100 million yen
Actual result for FY 2018: 1.15 t-CO₂ / 100 million yen

● Shortening transportation distance of packaging containers

Folded containers and packing trays returned by overseas bases will be transported by truck from Nagoya Port to the packagers who temporarily store them and return them to each plant. Until now, we had been storing them temporarily at two packaging companies, but we are now able to reduce CO₂ regarding transportation by integrating to one company which has a shorter transportation distance.

Reduction in amount of CO₂
22.2 t-CO₂ / year

Shortening transportation distance



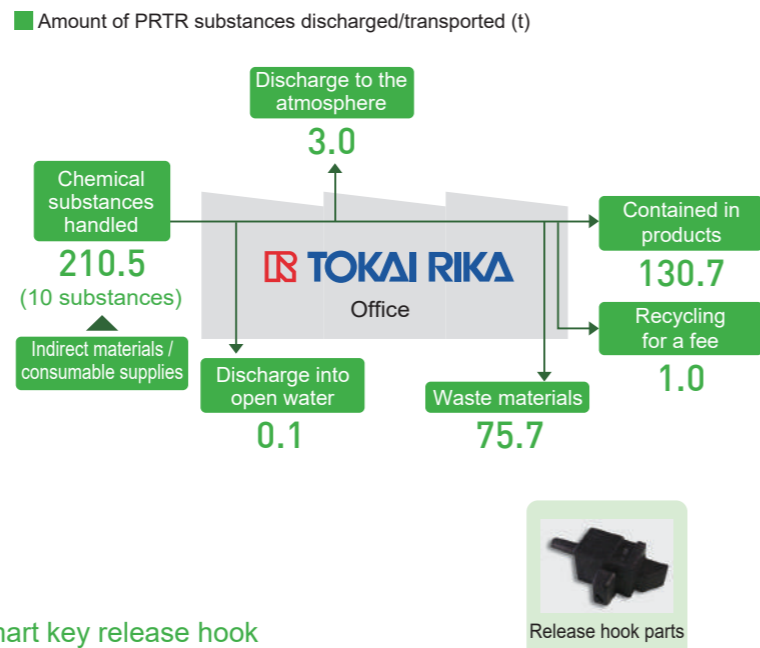
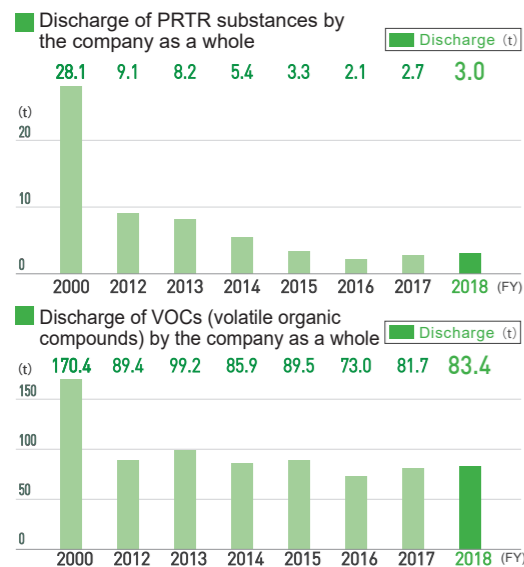


Establishing a Society in Harmony with Nature

We are seeing the tightening and creation of laws and regulations that deals with chemical substance management within and outside Japan. The Tokai Rika Group is working to respond to this international trend, together with reducing environmental loads, with regard to both product development and production process development. Also, we are deploying activities toward the achievement of a society that is in harmony with nature, through biodiversity conservation activities and cooperative activities performed with the local community.

Reducing environmentally hazardous substances in production activities

In order to minimize risk to the environment and people, we are working on the reduction of VOCs (volatile organic compounds) and substances subject to the PRTR Law used in production processes, for example by switching materials and improving painting processes.



Switching to low VOC materials for the smart key release hook

We changed the materials for the release hook, which was originally used to remove the mechanical key within the Smart Key, to low VOC materials which have less VOC emissions compared to conventional materials. Not only are we reducing the environmental load, but we are also contributing to the improvement of work environments.

Formaldehyde emissions
93% reduced



Reduction of organic solvents consumption by changing paint

We are using a light-shielding coating for a part of the shift lever cover to make indicators such as P (Parking), and N (Neutral) illuminate clearly. We have reduced the consumption of organic solvents by changing the coating with a higher light-shielding effect than the conventional one, as it is possible to have a thinner membrane while maintaining light shielding. Furthermore, we are contributing to CO₂ reduction using less power from robots by shortening coating time.



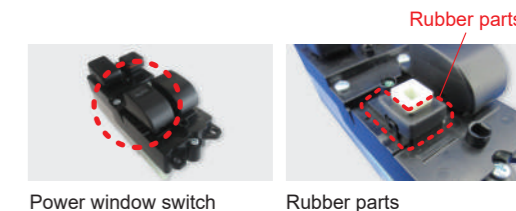
Enhancement of the management of chemical substances contained in products

The Tokai Rika Group understands the trends in regulations on chemicals in each country, and is carrying out activities from the stage of design and development in regard to those regulations.

Regulation status	2015	2016	2017	2018
Global	• GHS Rev. 6		• GHS Rev. 7	• Minamata Convention on Mercury came into effect
Europe	• EU RoHS2 Directive brought into force	• EU REACH Regulation	• EU ELV Directive Annex II revision	• RoHS 2 Directive revision
North America	• EU REACH Regulation EU BPR	• EU CLP (Categories / labeling for mixed substances)	• EU ELV Directive Annex II revision	• EU ELV Directive Annex II revision
Asia	• EU REACH Regulation EU BPR	• EU CLP (Categories / labeling for mixed substances)	• EU ELV Directive Annex II revision	• EU ELV Directive Annex II revision

Promotion of changing to phthalate

We are switching to products that contain substances that are not the subject of REACH Regulation. In regard to power window switches, we have switched from rubber products that include phthalate, which is a regulated substance, for products not only aimed at the European market, but also voluntarily in Japan.



Promotion of social contribution activities that will assist the establishing of a society in harmony with nature

Under our business philosophy of "working in harmony with nature and the local community," we conduct initiatives to contribute to environmental protection through continuous social contribution activities for local communities.

Cleanup activities for the local community

The Head Plant, Otowa Plant, and Hagi Plant have registered with Adopt Programs, collaborative activities with local governments, and have continued to clean the public space around their sites. The Toyota Plant has been cleaning the Sengoku Park near Toyota Bridge. Every March before the cherry blossoms bloom, our employees and their families participate in a cleanup activity at the Gojo River. The river, which flows near the Head Office, is famous for its line of cherry blossom trees on its banks.

Voice

In the beginning when we just started participating in the Adopt Programs, there was so much trash to the point where we couldn't pick all of it up in time. However, trash has visibly reduced each time we participate. I feel that our activities have contributed to beautifying Oguchi Town.



Cleanup activities at the Head Office / Plant

Cleanup activities at the Otowa Plant

Cleanup activities at the Sengoku Park

Gojo River cleanup activities

▶ Establishing a Society in Harmony with Nature

Promotion of environmental preservation / conservation of biodiversity

Aiming to be a society with sustainable development and in harmony with nature, we have established initiative guidelines and are pressing forward with initiatives in the whole of the Tokai Rika Group.

Biodiversity initiative guidelines

Guideline	Matters for implementation	Guideline	Matters for implementation
1 Working together with society to foster nature	<ul style="list-style-type: none"> Building a society that nurtures biodiversity, through cooperation with local communities and All Toyota Raising employees' awareness by means of enlightenment, and encouraging them to take action 	3 Promoting business activities that are in harmony with nature	<ul style="list-style-type: none"> Preserving water areas, reducing CO₂, circulating resources, reducing environmentally hazardous substances
2 Introducing eco-friendly technologies	<ul style="list-style-type: none"> Lightweight / recyclable product designs, management of chemical substances 	4 Actively disclosing information on the content of initiatives	<ul style="list-style-type: none"> Transmitting information

● Global deployment of tree planting activities

We are globally promoting a tree planting activity that focuses on the environment and biodiversity conservation, in cooperation with the local community and NGOs. We aim to enhance our consciousness toward the environment by interacting with nature. The employees plant native and symbol trees on the plants' premises.



Topics

Biodiversity initiatives that contribute to communities

We have been participating in a partnership activity, the "All Toyota Coexisting with Nature Working Group" with every company that is affiliated with Toyota since 2016. In FY 2018, 14 members from our company and group companies participated in activities to eliminate the lanceleaf tickseed in Miyoshi City. These activities were carried out by local government and related companies.

Furthermore, each plant and group company actively partic-

ipate in wetlands and Satoyama conservation activities that are held by the government and local organizations. With regard to the wetlands of Yanami registered in the Ramsar Convention in Toyota City, we participate in its cleanup activities twice a year, and contribute to the protection of its rare plants and insects. We thinned out and replanted trees at Todagawa Park in Nagoya City, and cleared trees that were an obstacle out while maintaining hiking paths at Ooda no Mori in Okazaki City.



Activities to eliminate the lanceleaf tickseed



Wetlands and Satoyama preservation activities



Todagawa Tree Festival



Ooda no Mori and Satoyama conservation activities

Voice

This was the first time that I participated in the Ooda no Mori conservation activity. We climbed steep slopes, and the work for clearing away undergrowth using a saw and a hatchet was really hard. However, my exhaustion dissipated when I saw the beautiful scenery at the highest position in Ooda no Mori. In the end, it was a really good experience. After the work, there was also an opportunity to meet all the participants and I was able to spend quality time there. I want to participate again next time.



RIKASEIKI Co., Ltd. Kazunari Fujimori



Establishing a Recycling-based Society

In order to achieve a recycling-based society, it is necessary to reduce wastes and use limited resources while recycling them. Because a variety of resources, including metals, resins, and solvents, are used in products that the Tokai Rika Group produces, we are promoting the effective use of resources in all processes.

Promoting product designs and technological developments to make recycling easy

We are working to develop technologies that make use of recycled materials and to improve our products' ease of disassembly, and are promoting product manufacturing that will contribute to the formation of a recycling-based society.

● Switching to raw materials that contain recycled materials

To support the effective use of natural resources, we actively promote the use of recycled materials. In some parts of the electric parking brake cover, we are working to further the effective use of natural resources by adopting resin materials which contain recycled materials that are made from crash-processing after resin molding, while maintaining product requirements.

Use of recycled materials
Approx. **0.5** t / year



Electric parking brake switch

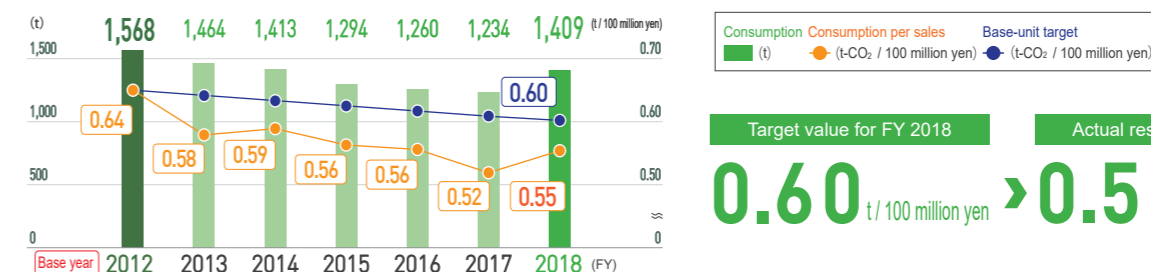


Usage areas of recycled materials (cream colored parts)

Effective use of resources and reduction of packaging and wrapping materials in logistics activities

In order to reduce environmental loads from distribution, we are actively reducing the consumption of wrapping and packaging materials, and are enhancing their recycling rate, for example by simplifying packaging and making packaging and wrapping materials returnable.

Trends in the amount of packaging and wrapping materials per sales



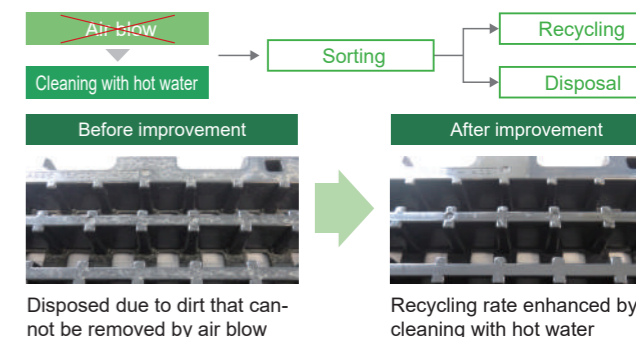
Target value for FY 2018: 0.60 t / 100 million yen
Actual result for FY 2018: 0.55 t / 100 million yen

● Enhancing tray recycling rates by changing the cleaning methods

We sort the packaging trays for connector parts returned by our overseas subsidiaries by checking if there are deformations or dirt before they are reused. The trays had been disposed because of dirt until recently, but changing the cleaning method from air blow to hot water resulted in the enhancement of the recycling rate, and helped contribute to the reduction of packing material consumption.

Recycling rate
Improvement of **30%**

Change of cleaning methods

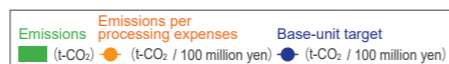
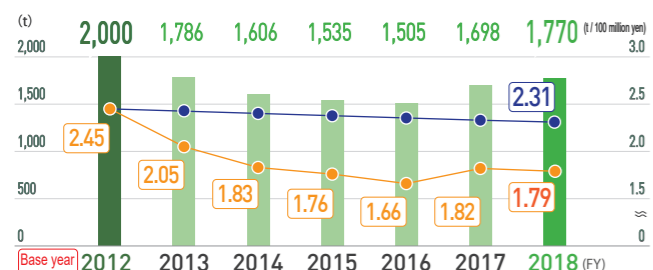


▶ Establishing a Recycling-based Society

Reduction of waste in production activities and efficient use of natural resources

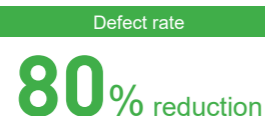
We are continuously working on reducing the discharge of waste materials by using limited resources efficiently including improvement of production yield, reducing the rate of defects, implementation of 3R, and recycling natural resources.

Trends in discharge of waste materials per processing expenses



● Defect reduction of zinc casting parts

With regards to the garnishing of smart keys (decorative parts), we have adopted zinc casting parts that can achieve excellent design characteristics. Zinc casting develops a defect called flow marks in which the design surface solidifies before the molten metal is injected into the mold. In order to reduce this defect, we stabilized the mold temperature by applying feedback control, and modifying the equipment and molds to inject the molten metal into the mold smoothly. This resulted in the eradication of flow marks. We were able to simplify the secondary fabrication and reduce defect rates.



■ Smart key

- Equipment and mold modified
- Mold temperature stabilized

Less flow marks



● Recycling of waste materials from resin molding

Although we have used waste materials from resin molding from processes including injection molding and so on as recycled materials for some parts, we started to recycle waste materials we couldn't fully use because we were disposing them as industrial waste. We could sell them to some agents for thermal recycling. However, the transportation cost was an issue because the waste materials from resin molding are bulky. We were able to promote recycling and resolve this issue by reducing the waste volume by grinding the waste materials within our premises after introducing grinders.



■ Waste materials from resin molding

Before grinding process



Reduced to 1/50

After grinding process



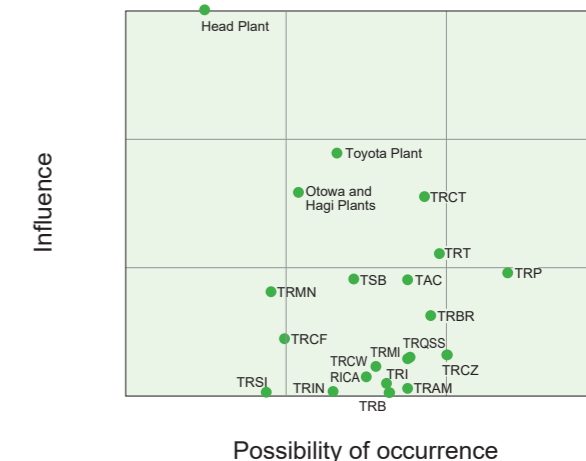
Reduction of the use of water in production activities

Due to an increase in the world's population and economic development, the problem of water shortages is getting more serious. In Tokai Rika, we understand that water is a precious resource, and are working on reduction of the use of water by increasing the efficiency of use and adopting reuse.

● Risk assessment on water at production sites

With the strengthening of regulations accompanying greater water demands due to climate change and population growth, and deteriorating water quality in rivers, the problem surrounding water is one of many important issues in business activities. At Tokai Rika Group, we are working to reduce water consumption by grasping whether water withdrawal is restricted in respective production sites in and out of the country, the amount of precipitation, and water withdrawal in order to conduct a risk assessment with "Aqueduct," the water tool for risk assessment by the World Resources Institute (WRI).

■ Risk assessment on water



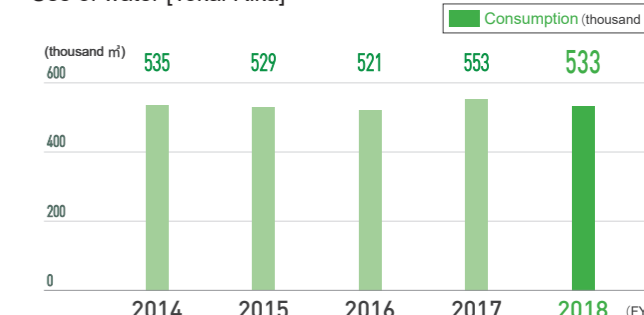
● Reuse of waste water in the semiconductor production process at the Head Plant

We use pure water to clean, and remove the smallest particles of dirt in the semiconductor manufacturing process. We are aiming to reduce the amount of waste water and the water we use by processing concentrated waste water that is produced in the manufacturing pure water process and some pure water used in dirt removal.



Water purification apparatus

Use of water [Tokai Rika]



* For data details, see the "2019 Eco Data File (<http://www.tokai-rika.co.jp/society/report/2019/index.html>)" on our website.

Topics

TRBR received the Toyota Brasa awards 2018

The project to reduce water consumption conducted at TRBR (Brazil) received the "Toyota Brasa Awards 2018." By changing the treatment method for waste water produced by the painting process, recycling waste water used after treatment has become possible. TRBR can significantly reduce water consumption and the amount of discharged paint sludge contained in waste water.



Awarded TRBR members

Water consumption



* Brasa: Brazil Automotive Supplier Association (Toyota Motor Corporation's overseas supplier cooperative association)

Voice

It was challenging to make improvements focusing on waste water from the painting process without affecting product quality. We have been able to contribute to the reduction of water consumption in cooperation with the coating department and the environment department. We are extremely pleased that our efforts have been recognized in this way.



TRBR (Brazil)
Edson Takao



Environmental Management

Positioning environmental preservation as an important challenge in management, the Tokai Rika Group establishes an Environmental Action Plan that constitutes our mid-term action plan every five years, and we are developing activities to achieve compatibility between Monozukuri and environmental preservation, based on the environmental policy.

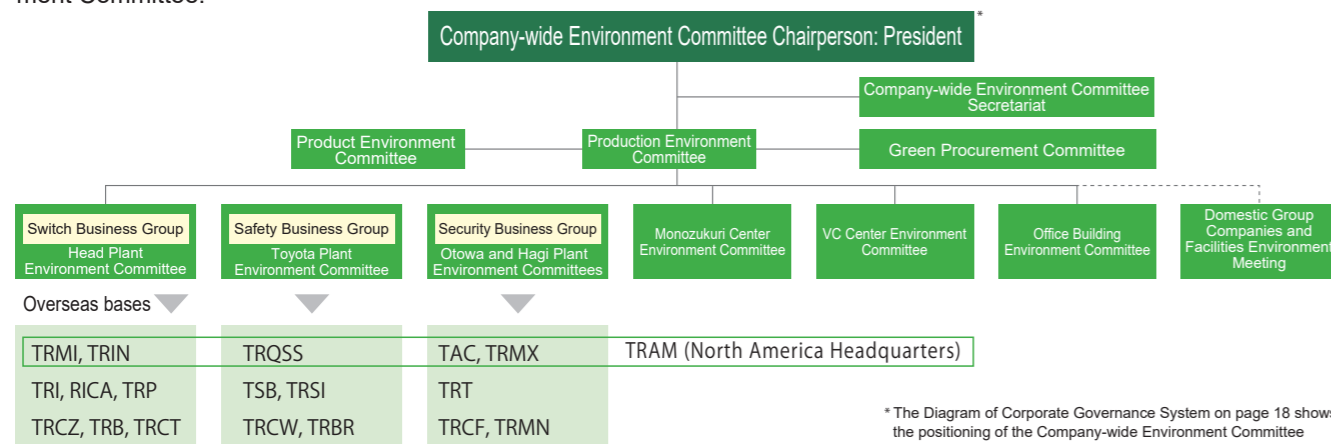
Enhancing and promoting consolidated environmental management

As a response toward global environmental challenges, we recognize “risks” and “opportunities” including climate change and promote consolidated environmental management under organizational structures built in cooperation with our group companies and suppliers in Japan and overseas.

Promotion system

Policy related to the environment, mid-to-long-term targets, and actions toward important challenges are discussed and decided by the Company-wide Environment Committee which is chaired by the President. There are three committees that act as lower-level organizations: the Production Environment Committee, the Product Environment Committee, and the Green Procurement Committee. They are promoting initiatives in each field on the basis of matters decided by the Company-wide Environment Committee.

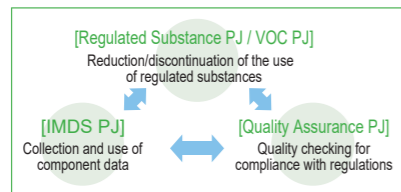
There are regional environmental committees that are lower-level organizations of the Product Environment Committee. With regard to overseas bases, the Plant Environment Committee of the mother plant in each business group supports their initiatives. In addition, we have established the Facilities Environment Meeting as a place to share information with domestic group companies.



* The Diagram of Corporate Governance System on page 18 shows the positioning of the Company-wide Environment Committee

Product Environment Committee

With regard to chemical substances contained in the products, the Product Environment Committee decides on compliance policies and reflects them in the product design in a planned manner after understanding the regulatory trends and customer requirements in each country. In order to decide on policies to respond to, conduct planned reduction / discontinuation of the use of regulated substances, the collection and use of component data, and quality checking for compliance with regulations, the committee carries out activities in four projects: the regulated substance project, the VOC project, the IMDS project and the quality assurance project. In the Product Environment Committee, we confirm the progress of each project, respond to it correctly, and see that it is reflected in product design.



Production Environment Committee

We promote initiatives in production such as the reduction of CO₂ and wastes, and comply with environmental regulations. Plant generalization director, center general director, and managing officer are chairpersons of regional environmental committees, who are conducting initiatives toward achieving targets and deliberating direction as committee members. Also, we have established the Energy Saving Subcommittee and Logistics Streamlining Subcommittee from a more professional point of view. Initiatives of each plant are horizontally deployed and they are contributing to performance improvement as a whole. Activity results are deployed to our group companies and suppliers in Japan and overseas.



Production Environment Committee

Establishment and implementation of an environmental management system

In order to continuously improve environmental performance in each region, we are setting up environmental management systems in each base and acquiring external certifications. In FY 2018, TRMX (Mexico) newly acquired the ISO14001 certification. Furthermore, our domestic group companies have acquired the Eco Action 21 certification in addition to the ISO14001, and all production bases of the Tokai Rika Group have acquired external certifications for environmental management systems.

Environmental risk management

Response to emergencies

We evaluate environmental risks regarding production equipment and work done on our premises. We are promoting measures for equipment such as automatic detection of an abnormality, emergency stops, and switching to emergency tanks in order to respond to emergencies such as leakage and outflow of abnormal waste water. In order to respond promptly if an emergency occurs, we maintain procedures, a communication network, necessary fixtures, and are periodically conducting practical drills.



Batch type final effluent tank



Conducting night drill



Changing the zinc plating activation method

Toyota Plant Waste water is subject to regulation for the total amount of nitrogen. There was a concern that as production volume increased, the nitrogen amount would exceed the total regulatory standard value per day. Nitric acid is a chemical used to activate the plating process and this was common knowledge to the industry. We changed nitric acid to sulfuric acid, which had not been used before. With this, we could considerably reduce nitrogen emissions.

Nitrogen emissions
26% reduction

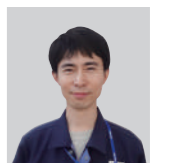
Changing chemicals used in the plating process

Before improvement: Nitric acid ▶ After improvement: Sulfuric acid



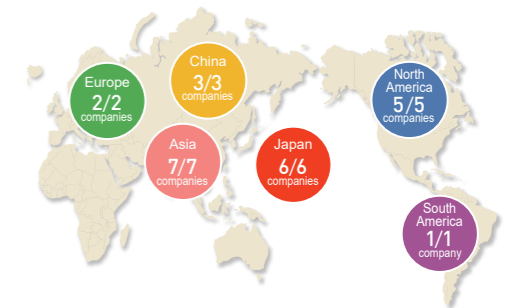
Voice

We had difficulty setting conditions for a good product, but as we received advice from many people, we were able to reduce nitrogen emissions. We are happy that we could contribute not only to environment, but also to cost reduction.



SAF Prod. Engineering Div.
Daisuke Yamauchi

Situation regarding acquisition of EMS external certification at production bases



Countermeasures against soil and underground water contamination

We are working on remediation of soil and underground water contamination caused by harmful substances such as trichloroethylene that were used in the past. At the former Nishibiwajima Plant, the soil was contaminated by hexavalent chromium and fluorine, and the soil and underground water were contaminated by trichloroethylene and its decomposition products. We have completed countermeasures in 2016, and, after monitoring for two years, we completed remediation of contaminated soil and underground water, except for fluorine contamination, in March 2019. There is no risk of propagation in soil contamination of fluorine because the surface has been covered, but we are following that up by periodically monitoring underground water.

Storage and processing of PCB (polychlorobiphenyl) waste

At present, production of PCB (polychlorobiphenyl) is prohibited, but it is still used in some old capacitors, transformers, and fluorescent lighting ballasts. It is mandatory to process PCB waste no later than 2027, so we are conducting planned processing. In FY 2018, we processed large-sized transformers. In addition, we sorted stored ballasts, separated capacitors, and processed remaining materials.

Soil contamination countermeasures at each plant

Name of business office	Status of countermeasures
Head Plant	There is no soil / underground water contamination.
Toyota Plant	Soil: There is contamination by fluorine, boron and hexavalent chromium. We are conducting scattering prevention using covers and periodic checks of underground water. Underground water: There is contamination by trichloroethylene and its decomposition products, and remediation pumping is ongoing.
Otowa Plant	Underground water: There is contamination by trichloroethylene and its decomposition products, and remediation pumping is ongoing.
Hagi Plant	There is no soil / underground water contamination.

Storage status regarding PCB waste (Qty)

Name of business office	Capacitors	Ballasts	Transformers	Surge absorber
Head Plant	0	0	0	0
Toyota Plant	0	0	0	0
Otowa Plant	0	496	0	6
Hagi Plant	0	0	0	0

▶ Environmental Management

● Domestic Group Companies and Facilities Environment Meeting

We regularly hold meetings for the purpose of mutual improvement of the seven domestic group companies. We take up a wide range of themes including not only those related to the environment, but also maintenance and management of power facilities. Introducing examples of quality improvement with Genchi-Genbutsu (“actual place and actual thing”), conducting energy-saving patrols, rolling out examples of defects, and study sessions with persons in charge of practical work are a few examples.



Facilities Environment Meeting



Power receiving / transforming maintenance and management study session

Promotion of environmental activities in cooperation with business partners

We are promoting environmental activities in cooperation with suppliers to strengthen environmental management that includes supply chains, such as the reduction of environmental loads throughout a whole life cycle and the reduction of environmental risks.

● Green Procurement Guidelines

The Green Procurement Committee has established Green Procurement Guidelines and is working on environmental management including suppliers while cooperating with relevant divisions. We added items such as the enhancement of environmental management through a life cycle as a whole including supply chains, response to risks on water, and understanding and striving for a society that coexists with nature. In FY 2016, we revised the guidelines

and stipulated them as the “Tokai Rika Group Green Purchasing Guideline” to enforce initiatives. Furthermore, in FY 2018, we published an English version of the Green Procurement Guidelines and are promoting cooperation with overseas suppliers.



Green Purchasing Guideline

● Cooperation with suppliers

We are rolling out cooperative environmental activities with member companies of Kyouryoku-kai organized by suppliers. At the bimonthly executive meeting we share information, such as revisions to environment-related laws, examples of energy-saving improvements, environmental problems, and near-miss incidents. In order to improve the levels of both the Tokai Rika Group and our suppliers, we have been conducting study activities with Genchi-Genbutsu on a continuous basis since FY 2015. In FY 2018, we visited 14 suppliers and used the Genchi-Genbutsu method to check and study about things like compliance with environment-related laws, sup-

port for appropriate waste management and ways to make energy-saving improvements, and were able to successfully link this to reduction of environmental risks.

We have deployed the Green Purchasing Guideline to overseas suppliers and suppliers at our overseas bases, as well. We are grasping actual situations through questionnaire surveys on situations such as the establishment of an environmental management system. We will continue to conduct self-development activities to deepen the understanding of the Tokai Rika Group’s initiatives and to enhance initiatives as we continue surveys.

Improvement of the urban air environment in each country and region

In order to reduce VOC emissions in painting processes and reduce the impact of automobile gas emissions to the air, which is the main cause of urban air pollution, we are proceeding with a changeover to low-emission company cars.

Introduction status of low-emission vehicles

Name of business office	Total number of company cars (vehicles)	Number of introduced HVs and FCVs (vehicles)	Low-emission vehicle introduction rate (%)
Head Plant	127	64	50.4
Toyota Plant	16	10	62.5
Otowa and Hagi Plants	40	8	20.0
Others	6	2	33.3
Total	189	84	44.4

Actual result for FY 2018

44.4%

Enhancing global employee education / enlightenment activities

We are expanding training curriculum and are enforcing enlightenment activities. We have established an education system to not only acquire expert skills, but also to create a culture where each and every one of our employees works on environmental preservation as “their own problem.”

● Enhancement of environmental education

We conduct human resources development by implementing systematic environmental education programs. These programs include training by job grade for new employees and promoted employees, training by job function in which specialized knowledge, skills, and more are acquired, such as ISO14001 internal auditor training, environment laws education, and energy-saving dojo. Systematic training by workplace in accordance with the characteristics of each workplace is being carried out.



Education for new employees



Energy-saving dojo

● Initiatives during Environment Month

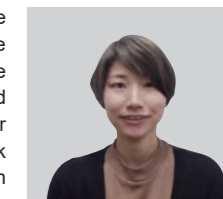
During the Environment Month of June every year, we carry out a variety of events, in order to create a good opportunity for employees to deepen their understanding and interest toward the environment so that employees feel encouraged to act on their own. In addition to our usual practice, such as holding environment lectures, issuing an Environment Month Magazine, and creating green walls, in FY 2018, we asked for the submission of environment posters as a new event and received many submissions from employees and their families.



The 1st Environment Poster Award

Voice

I am very happy to be selected for the Award this year. In accordance with the theme, I designed the poster to make sure everyone understood that it represented global warming at first sight. I would like for more people to see this poster and think that countermeasures need to be taken against global warming.



General Administration Division

Sayaka Ishida

Proactive disclosure of environment information and enhancement of communication

In response to increasing interest toward non-financial information such as environmental initiatives, we are promoting proactive disclosure of information and activities aiming to further enhance communication with our stakeholders.

● Disclosure of environment information

In addition to the Tokai Rika Report, we are issuing the Eco Data File and disclosing environmental information (through the Eco Data File comparison sheet) with the GRI Standard as reference. Since 2018, we have disclosed answers regarding the CDP* Climate Change Questionnaire and its scores. We have disclosed information on the Tokai Rika Group’s activity policy and way of thinking, such

as greenhouse gas emissions, risks and opportunities of climate change, and reduction targets to institutional investors among others. We will further disclose environmental information and enhance communication while strengthening initiatives with the CDP score as reference.

* An NGO that requests disclosure of environmental strategy and green house gas emissions of CDP companies.

Topics

Holding the 3rd Environment Lecture

In line with Environment Month in June, we are holding environment lectures. In FY 2018, which was the third year for the lectures to be held, we invited Mr. Keisuke Takegahara from Development Bank of Japan Inc. and held a lecture with the theme “Expansion of ESG investment and the response required from a corporation.” Many of the employees, including the management, have learned actual situations where institutional investors are shifting to ESG investment which focuses on non-financial information such as corporate environmental activities. They have also learned that enhancing the disclosure of ESG information and activities will lead to the improvement of corporate values. We were both able to recognize the need for the enforcement of these activities.



The 3rd Environment Lecture

Environmental Management

Environmental accounting

At Tokai Rika, we ascertain the investments/expenses involved in environmental preservation and their effects, and use them as guidelines to advance environmental preservation activities more practically. The cost for environmental preservation in FY 2018 was an investment of 248 million yen, an expense of 1,586 million yen, and had an economic effect of 1,378 million yen.

Way of thinking with regard to environmental accounting

We ascertain and add up environment costs on a payment basis. Therefore, we understand capital investments as investment amounts, and do not record depreciation costs. With regard to items that are implemented together for purposes other than the environment, we record the figures by means of proportional division. With regard to economic effects that accompany environmental preservation activities, we add up the figures under three items through which we are able to soundly understand the amount of the costs for each fiscal year.

Environmental preservation costs		Unit: million yen			
Details of main activities		FY 2017		FY 2018	
		Investment	Expenses	Investment	Expenses
In-business-area costs	Costs for pollution prevention	1	264	2	270
	Costs for global environmental preservation	133	464	243	480
	Resource circulation costs	0	165	3	179
Up/downstream costs	Difference arising from purchasing products, fuels, materials, etc. with less environmental load	0	23	0	23
Management activity costs	Costs for construction/operation of an environmental management system, monitoring of environmental loads and nature preservation/greening accompanying business activities	0	177	0	189
Research and development costs	Costs required for the research and development for products, etc. that contribute to environmental preservation	0	424	0	385
Social activity costs	Costs for measures to improve environments such as nature preservation, greening and beautification, excluding with regard to offices	0	40	0	40
Environmental damage costs	Costs for remediation of environmental pollution, insurance premiums for environmental damage, etc.	0	18	0	20
Total		134	1,575	248	1,586

Economic effect			Unit: million yen	
Items	FY 2017	FY 2018		
Sales amount for recycled materials	1,193	1,296		
Cost reduction from energy saving	96	80		
Waste disposal cost reduction	0	2		
Total	1,289	1,378		

Effects in terms of quantities				
Items	FY 2017	FY 2018		
Energy saving effects (t-CO ₂)	2,533	1,639		
Amount of recycled materials sold (t)	9,459	10,295		
Waste disposal amount compared to the previous year (t)	-49	-31		

Initiatives at Each Plant

Initiatives at Head Plant

Head Plant Environment Committee Chairperson
Corporate Officer
Sadayuki Aoki



3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan
TEL: 0587-95-5211 FAX: 0587-95-1917

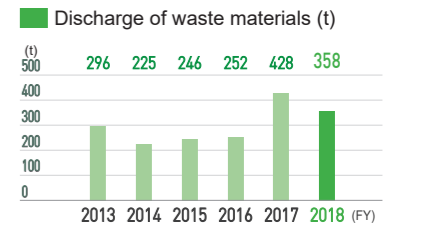
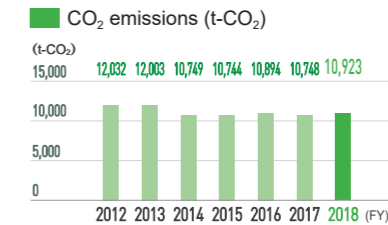
Main production items	Multi-Function switches, power window switches, push start switches, various other kinds of switches, electronics products, mirrors
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At the Honsha Plant, we manufacture switch products, products for electronics applications, etc. that are mounted in vehicles.

In FY 2018, with regard to CO₂ reduction activities, we have promoted reduction improvement, with the Energy Saving Expert Subcommittee playing the central role. We achieved huge results in higher efficiency regarding both boilers and energy savings control in semiconductor plants. Next, with regard to waste reduction, we started recycling in Japan through the in-house grinding processing of waste plastics and have promoted the reduction of emissions.

In addition, we periodically check processes on the spot where oils and chemicals are used as an activity to reduce environmental risks and are striving for prevention of problems.

We will continue to work on improvements in energy saving and on reducing our environmental load with a spirit of challenge, and to engage in clean Monozukuri with the aim of living in harmony with the local community.



Initiatives at Toyota Plant

Toyota Plant Environment Committee Chairperson
Managing Officer
Yoshihiro Kondo



2-47-1 Konosu-cho, Toyota, Aichi 471-0836, Japan
TEL: 0565-28-1141 FAX: 0565-28-5792

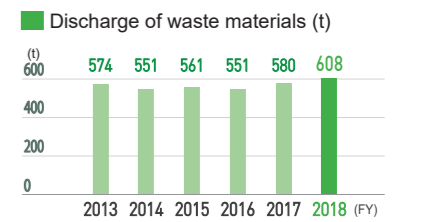
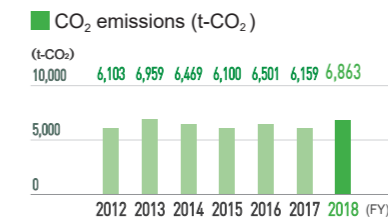
Main production items	Seatbelts, resin wheel covers, ornaments
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The Toyota Plant performs integrated manufacturing from materials processing to assembly, for seatbelts that protect drivers' and passengers' lives and emblems that decorate vehicles.

In FY 2018, as a CO₂ reduction activity, we promoted energy saving improvements in parts processing processes with the Energy Saving Expert Subcommittee members playing the central role. We were able to greatly contribute to CO₂ reduction by reducing equipment operation time through higher efficiency of heat treatment processes and improving the low temperature plating tank through reexamining chemicals in the plating process.

We are currently carrying out construction at the Toyota Plant. Taking this opportunity, we worked on CO₂ energy-saving improvements in power facilities such as the integration and stoppage of air conditioning facilities and optimization of warm water. With regard to reduction waste activities, we are promoting the reuse of wastes produced in the plating process to strive for discharge reduction.

We will continue to promote initiatives for the environment, with the aim of working in harmony with nature and the local community.2



Initiatives at Otowa and Hagi Plants

Otowa and Hagi Plants Environment Committee Chairperson
Corporate Officer
Naohiko Inoue



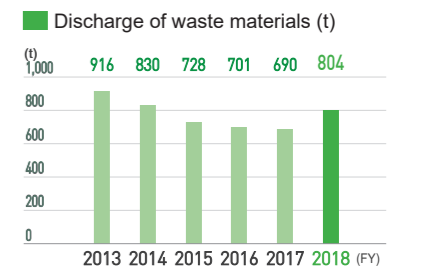
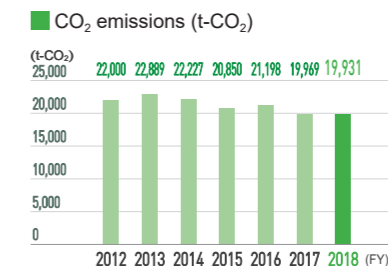
[Otowa Plant]
1 Hirayama, Akasaka-cho, Toyokawa, Aichi 441-0295, Japan
TEL: 0533-88-4111 FAX: 0533-88-2244

Main production items	Key locks, shift levers, steering wheels, accessory sockets, molds
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The Otowa and Hagi Plants perform integrated manufacturing from materials processing to assembly of parts such as key lock systems, shift levers and interior panels that require high precision.

Regarding the CO₂ reduction activities conducted in FY 2018, we strived to thoroughly reduce waste energy through non-operational stops in the unmanned operation of molding machines, a planned change over to LED lighting, and the integration and stoppage of facilities in response to changes in production quantity. Next, with regard to waste reduction activity, we have continuously promoted reducing the amount of waste through intensive sorting of waste plastics. Furthermore, looking toward a low-carbon society, we are promoting the introduction of solar power generation on the Hagi Plant's rooftop, setting the FY 2040 renewable energy utilization rate of 20% as our target.

We will also actively work on coexisting with the local communities and continue to strive for the effective use of natural resources and the reduction of environmental load.



[Hagi Plant]
1-3 Nakayama, Hagi-cho, Toyokawa, Aichi 441-0201, Japan
TEL: 0533-88-7051 FAX: 0533-88-7055

Main production items	Seatbelts, neutral start switches
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Input resources and emission to environment in business activities

We are trying to reduce the environmental load by understanding the whole picture regarding the energy and resources that are used in business activities and the discharge from our business offices, such as CO₂ and wastes.



*For data details, see the "2019 Eco Data File (<http://www.tokai-rika.co.jp/society/report/2019/index.html>)" on our website.

Tokai Rika Report 2019

Editorial policy

For this report, we are reporting business activities, financial information, activities related to environment, and the social responsibility of the Tokai Rika Group. In order to further achieve better communication with all stakeholders, we have posted a URL, shown on the right, for your access to our public relations / IR information.

Also, with regard to our company's activities, sections considered important in the previous year report are modified and re-stated in this report.

We asked Associate Professor Miwa Takahara of Aichi Shukutoku University to give a "third-party opinion" in order to improve the objectivity and reliability of the report, and present the results.

Applicable scope

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

Target term

From April 1, 2018 to March 31, 2019

* Some activities and plans for April 2019 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.

Situation of the report

Issuance date: July 2019 (Next planned issuance date: July 2020)
Report cycle: Annual (previous issue: June 2018)

Reference guidelines

- Ministry of the Environment "Environmental Reporting Guidelines (Fiscal Year 2018 Version)"
 - GRI "Sustainability Reporting Standard 2016"
- The data published in this report has been revised to the latest data (as of the end of FY 2018). (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.

Contact for inquiries regarding "Tokai Rika Report 2019"

Public Affairs Dept., General Administration Div., Tokai Rika Co., Ltd.

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

TEL:0587-95-5211 FAX:0587-95-1917

Public relations / IR tool

<Tokai Rika Website>



<http://www.tokai-rika.co.jp/en/>

Company profile



<http://www.tokai-rika.co.jp/company/profile/pdf/companyprofile.pdf>

Shareholders, investors information

<http://www.tokai-rika.co.jp/en/investors/>

Posted information is identified with the value creation model and sustainability in mind

What we should note in this year's Tokai Rika Report is that it is describing the value creation model. It can help us more easily understand the link between Tokai Rika's business philosophy and its product development with society's requests and expectations and what values those products provide on the basis of that link. The report is a composition that can be held in high regard by having the creation of new values written alongside a Message from the President. This facilitates understanding on created values in detail.

From the next fiscal year, it will be effective to show mid- and long-term visions and the achievement level of targets. Environmental activities are reported in detail, but I think progress on strategies could be understood more effectively if other non-financial KPIs could be quantified. Furthermore, this time, posted information was identified with SDGs (Sustainable Development Goals), and more in mind. I think that is a new approach. From now on, I hope Tokai Rika will specifically describe what activities they take part in and how they specifically relate and contribute to targets.

Product development that is useful to society and motivation that is emphasized in human resources development

The most impressive product is the "Digital outer mirror" installed on production vehicles for the first time in the world. Tokai Rika is responsible for manufacturing its housing and contributed to fuel efficiency improvement by achieving smaller, lighter, and outstanding aerodynamic characteristics. Also, various measures were taken to secure visibility of the camera section. For those reasons, the company received the supplier award. I could feel from your product that new technologies are continuously developing in order to achieve a comfortable, safe, and secure society. On the other hand, I am sure many people do not know about this product in general. Introducing



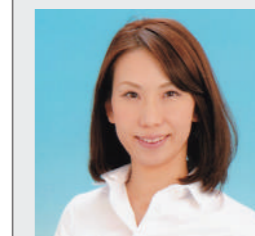
product details will let a wide range of stakeholders understand the innovativeness of the product.

It is thought that the environment in which innovative manufacturing can be conducted is cultivated through various human resource development commitments. For example, in the Tokai Rika Training School, human resources not only simply acquire skills, but also have high motivation, aiming for improvement in the level of skills with a challenging mind as a core. Capable engineers were awarded from outside the company such as by the Aichi Prefectural Government, so it can be said that there is a high standard for human resource development.

Planned activities for the reduction of environmental load

A unique characteristic point from the environmental activity report is that the mid-term target for 2030 has been set toward the CO₂ reduction target for 2050. This made the plan toward a decarbonization society more distinct and I felt positive toward such activities. In the Activities Summary, action items and the performance of each item are clearly stated both qualitatively and quantitatively, so I can understand their progress in detail.

Regarding the initiatives of this fiscal year, I am impressed with the report that waste was reduced through circulating many resources, such as planning to introduce renewable energy domestically, promoting waste plastic recycling, and reusing waste water in the semiconductor process. Using resources inside the company as much as possible and promoting recycling will lead to the support of stable business without being affected by unstable social conditions. I am expecting that Tokai Rika will continue to actively work on many activities that aim at to reduce the environmental load.



Faculty of Human Informatics, Aichi Shukutoku University
Miwa Takahara, Associate Professor

Associate professor in the Faculty of Human Informatics, Aichi Shukutoku University. After completing a doctoral course at the Graduate School of Human Sciences, Osaka University and working in positions such as a visiting researcher at Toyota Central R&D Labs., Inc. and lecturer at the Faculty of Human Informatics, Aichi Shukutoku University, Professor Takahara took up her current post in April 2016. Ph.D. (Human Sciences). She conducts research into changes in cognitive functions that accompany aging, and research in which she analyzes elderly drivers' driving behaviors and verifies the factors behind them.

Our response to the third-party opinion

I am very grateful that we have been receiving Professor Takahara's opinion since 2017.

This time, we received valuable opinions regarding the activities of our technological development which is also found in the dialogue in the Special Feature pages. Once again, I would like to express our appreciation. In order to respond to the transformation of automobiles by means of new technologies such as automated driving, electrification, connected cars, and car sharing, we are focusing on developing next-generation products that provide a higher level of "comfort, security, and safety."

In addition, in order to develop and secure human resources and improve the quality of labor, we will continue to work on the work-style reform of employees. Also, looking toward the target of halving CO₂ emissions by 2050, we will continue to work on that in a planned manner.

Including the "quantification of non-financial KPIs" and the "detailed introduction of new products" Professor Takahara indicated, we will keep reaching out to understand demands from society and stakeholders, and in order to convey our wide range of initiatives in a concrete and easy-to-understand manner, we will provide new values to society, so as to obtain their greater trust and have them expect even more from us.



Director / Managing Officer
Supervisor of General Administration Div., Human Resources Div., and Finance & Accounting Div.
Hiroshi Nishida



* Excluding the cover page

TOKAI RIKA CO.,LTD.

Issued: August 2019

Issuing department: Public Affairs Dept., General Administration Div., Tokai Rika Co., Ltd.

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