

Business Report for Fiscal Year 2014

(From April 1, 2013 to March 31, 2014)

TOKAI RIKAI CO., LTD.

Stock code: 6995



TURN THE DELIGHT INTO REALITY

Tokai Rika is grateful to its shareholders for their continued support.

In this business report, we present the Company's business results for fiscal year 2014 (from April 1, 2013 to March 31, 2014) and report on the challenges and opportunities ahead.



Yuzo Ushiyama
President

Review of Operations

In the fiscal year under review, although growth of certain emerging economies, such as India and Thailand slowed, in the U.S., personal consumption and residential investment were both robust, while in Europe, a recovery trend became apparent. In Japan, domestic demand was boosted by rush demand before the consumption tax hike and the economic recovery continued. Thus, the world economy grew at a modest pace, continued from the previous year.

In the automotive industry, while auto sales volumes in certain emerging economies such as India and Thailand were lower than the previous year, auto sales volumes increased in the U.S. where replacement demand is solid, in China where motorization is fueled by rising incomes, in Japan thanks to rush demand before the consumption tax hike, and in Europe where economic recovery gained traction. As a result, worldwide auto sales volumes increased from the previous year.

In these circumstances, we accorded priority to strengthening product competitiveness including quality and reinforcing the competitiveness of each of our operations. Specifically, regarding quality, we promoted initiatives to prevent recurrence of major trouble by sharing the root causes and communicating them, and also established guidelines for integrating our quality assurance systems throughout the world. Regarding new products, we developed new products such as a static heater control switch, which is installed in the Toyota Lexus IS series, and a touchpad automotive interface, which was exhibited as a concept model at the 43rd Tokyo Motor Show. Moreover, in view of further evolution of automotive components, we expanded our engineering base in the Tohoku region in order to strengthen next-generation core technology development focusing on the field of display consoles. Also, to reinforce the competitiveness of our operations, we worked to establish production systems of our mainstay product fields, namely switches, security, and safety, in

Indonesia, etc., where expansion of the automotive markets is expected.

Regarding financial results for the year under review, net sales increased 65,875 million yen or 17.7% year on year to 437,807 million yen. Thanks to weaker yen, in addition to gains from high utilization due to increased net sales and the impact of initiatives to reduce costs, ordinary income increased 7,818 million yen or 31.9% to

32,323 million yen and net income increased 12,071 million yen or 232.7% to 17,258 million yen.

The Company paid out an interim dividend of 20 yen per share in November 2013. The year-end dividend was 26 yen per share. As a result, total dividends for the year under review, including the interim dividend, amounted to 46 yen per share, 14 yen higher than for the previous year.

Challenges and Opportunities

With regard to the world economy, growth of the Japanese economy is expected to slow as a result of the consumption tax hike and in the aftermath of the rush demand, and the pace of growth in emerging economies will likely slow as the Chinese government is implementing measures to control investment and housing prices, while India and Brazil are applying tight fiscal and monetary policies. In contrast, in the U.S., both personal consumption and residential investment are expected to remain robust, while the recovery of European economies is expected to continue along with export increase as the principal driver. Therefore, the world economy is expected to continue growing at a modest pace.

In the automotive industry, auto sales volumes are expected to be below the previous year's level in Japan as a result of the consumption tax hike and in the aftermath of the rush demand. However, a moderate increase in worldwide auto sales volumes is expected because of robust sales in the U.S. and China, and rising sales in Europe.

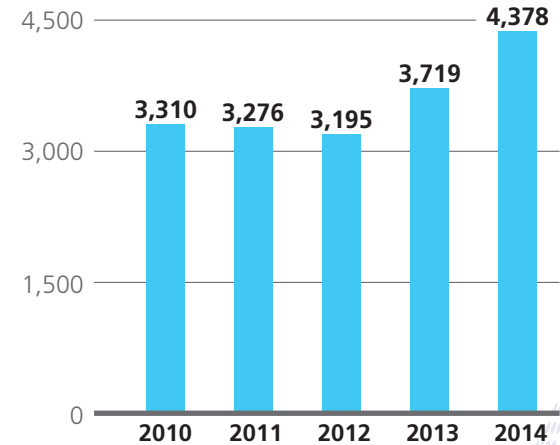
The business environment for the Group is expected to remain challenging in view of intensifying competition in the global automotive industry as well as the shrinking of the Japanese automotive market, automotive manufacturers' strategies to adopt more module

products, and severe price competition. In these circumstances, the Group will pursue consistently excellent quality, reinforcement of manufacturing globally, development of next-generation products, strengthening of fundamental initiatives to establish a stronger earnings base, and strengthening of global sites. Concrete measures include strengthening of quality improvement activities through product design and evaluation from customer viewpoints, creation of next-generation products in step with the evolution of automotive vehicles, creation of more secure, safer, cheaper and attractive products, and strengthening of cost competitiveness through cost reduction. We will also implement a strategy attuned to the market environment of each site in the Group's global network. Through these measures, we intend to secure competitiveness in the years to come and establish a stable foundation for growth.

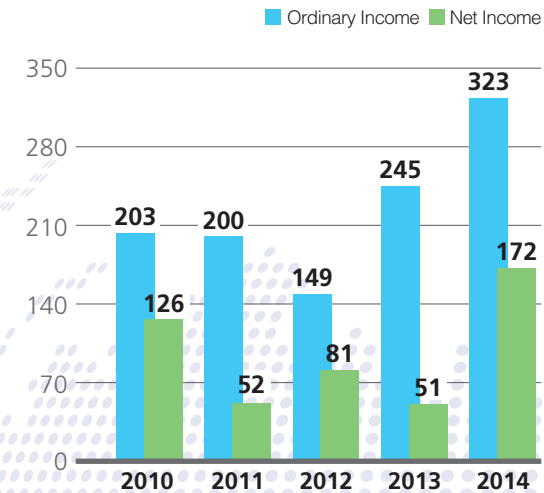
In these endeavors, we request our shareholders to favor us with their continued support and guidance.

Consolidated Financial Highlights

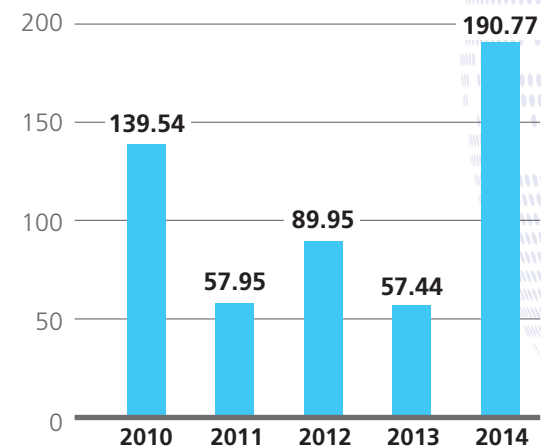
Net Sales (100 million yen)



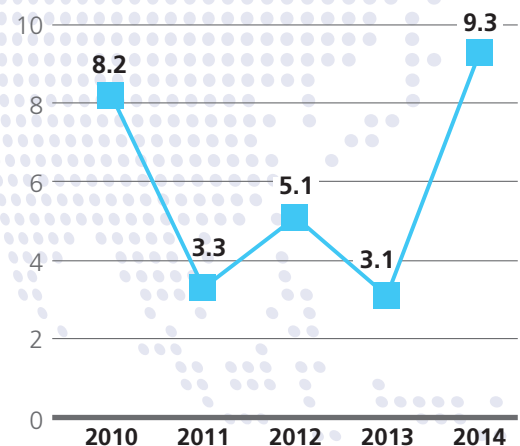
Ordinary Income and Net Income (100 million yen)



Net Income per Share (Yen)



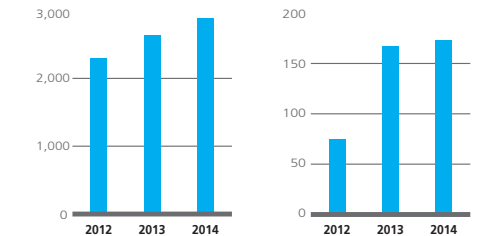
Return on Equity (ROE) (%)



Business Performance by Geographic Region

Results by Geographical Region

Net Sales (100 million yen) Operating Income (100 million yen)



Japan

Composition of Net Sales

58.3%

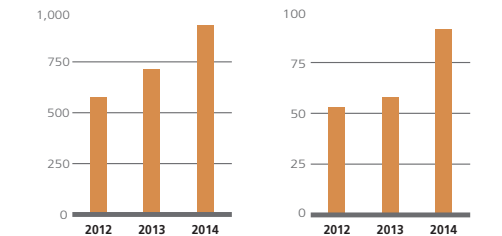
Net sales increased 24,837 million yen (9.4%) year on year to 288,497 million yen. Operating income increased 598 million yen (3.6%) to 17,230 million yen thanks to a weaker yen and vigorous rationalization.

Asia

Composition of Net Sales

18.8%

Net sales increased 21,259 million yen (29.6%) year on year to 93,028 million yen. Operating income soared 3,336 million yen (57.5%) to 9,139 million yen owing to increased sales.

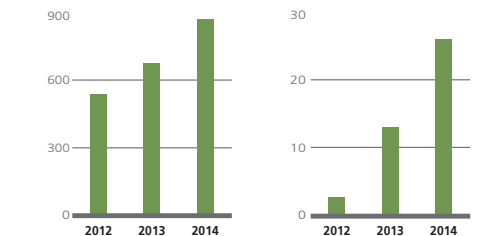


North America

Composition of Net Sales

17.6%

Net sales rose 19,464 million yen (28.8%) year on year to 86,946 million yen. Operating income nearly doubled, having increased 1,296 million yen (94.7%) to 2,664 million yen owing to increased sales.

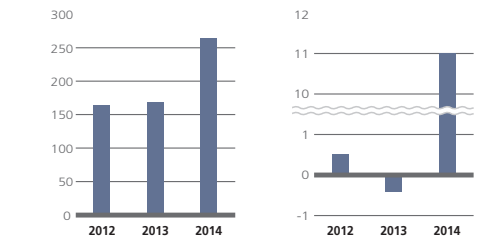


Europe and elsewhere

Composition of Net Sales

5.3%

Net sales surged 9,400 million yen (56.0%) year on year to 26,183 million yen. Operating income of 1,141 million yen was recorded compared with an operating loss of 42 million yen for the previous year.



*Net sales include intersegment sales.

Indonesian Subsidiaries TRI and TRSI Take Action to Boost Production Capacity

In October 2013, PT. Tokai Rika Safety Indonesia (TRSI), a new subsidiary manufacturing automotive seat belts in Tangerang, Indonesia, having acquired land in Karawang, held a ground-breaking ceremony there for construction of a new factory.

In February 2014, PT. Tokai Rika Indonesia (TRI), a subsidiary in an industrial park in Bekasi, Indonesia, held an opening ceremony at its new factory.

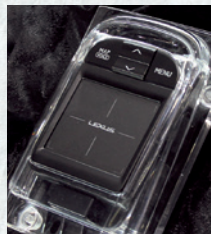
Plans call for the total number of employees of TRI and TRSI to exceed 500 by the end of 2015.

Vigorously and swiftly responding to customer needs, we will boost production capacity to serve the Indonesian market that is expected to further expand.



Exhibiting the Latest Technologies at the 43rd Tokyo Motor Show

We participated in the 43rd Tokyo Motor Show held at Tokyo Big Sight in November 2013. Under the concept “The evolution of human machine interface—Easier use, safer and more secure” we introduced our latest technologies, including a presentation of the next-generation cockpit on the stage, and exhibited as a concept model, the interface to be installed in the forthcoming Toyota Lexus cars.



Engineering Base in the Tohoku Region Expanded

In December 2013, Tokai Rika announced a plan to change the name of the Tohoku Technical Center in Yamagata City, Yamagata Prefecture, to the Tohoku Engineering Center, and to expand and strengthen the Company's engineering development systems in the Tohoku region.

As automotive parts grow in sophistication and complexity, computerization and mechatronics (i.e., technology that integrates mechanical and electronic elements) will play an increasingly important role in vehicle development. The Tohoku Engineering Center will work on the development of next-generation core technologies, focusing on the field of display consoles, centering on image recognition technologies and Organic Electro-Luminescence (OEL) application technologies.

Human Machine Interface Systems, notably switches to accurately relay human commands, security systems to prevent unauthorized access to automobiles, and safety systems to protect human lives. Wherever people and automobiles intersect, we deliver comfort, safety and security by fully utilizing the underlying electronics technologies.

Switch/Interface

Switches/Human Machine Interface Systems

Precise operability accurately conveying the drivers' commands, simplicity, and functional elegance are the hallmarks of our products.



Electro Shiftmatic



Multi-Function Switch



Push Start Switch

Security

Security Systems

Sophisticated mechanical and electronic anti-theft functions ensure both security and ease of use.



Smart Key Portable Device and Emergency Key



Remote Key and Receiver



Immobilizer

Safety

Safety Systems

Our safety devices include seatbelts to protect drivers and passengers in the event of collision, stylish steering wheels optimized for excellent handling, and mirrors that enhance visibility.



Seatbelt for Pre-Crash Safety System



Door Mirror with Side-Turn Lamp and Foot Illumination



Real Wood Steering Wheel*

Electronics & Others

Electronics & Others



La Lock Hallway Immobilizer Key System

Automotive Accessories



We are a source of vehicle décor with design flair. These products allow owners to enhance the appeal of their vehicles through customization.

Automotive Electronics Products



Power Supply ECU

We offer products for function control and status detection as well as various types of connectors in response to the ongoing computerization of automobile controls.

*The steering wheel business is co-operated with Toyoda Gosei Co., Ltd.

Consolidated Financial Statements

Consolidated Balance Sheets (Millions of yen)

	As of March 31, 2014	As of March 31, 2013
ASSETS		
Current assets	189,121	178,585
Cash and deposits	25,840	27,143
Notes and accounts receivable	58,446	50,658
Electronically recorded monetary claims-operating	9,925	10,674
Marketable securities	46,191	47,089
Inventories	31,106	26,844
Other current assets	17,610	16,174
Fixed assets	149,814	129,454
Tangible fixed assets	88,322	82,279
Intangible fixed assets	1,701	1,617
Inventories and other assets	59,790	45,557
Investment securities	42,097	30,877
Other	17,692	14,679
Total assets	338,935	308,039

	As of March 31, 2014	As of March 31, 2013
LIABILITIES		
Current liabilities	110,666	99,674
Notes and accounts payable	39,018	52,575
Electronically recorded obligations-operating	17,480	—
Short-term borrowings	9,319	5,867
Other current liabilities	44,848	41,231
Long-term liabilities	21,601	24,489
Long-term borrowings	2,615	5,755
Other long-term liabilities	18,986	18,733
Total liabilities	132,268	124,164
NET ASSETS		
Shareholders' equity	188,814	174,431
Common stock	22,856	22,856
Capital surplus	25,225	25,135
Retained earnings	147,302	133,479
Less: Treasury stock, at cost	(6,569)	(7,039)
Accumulated other comprehensive income	7,273	(381)
Net unrealized loss on available-for-sale securities	3,158	1,865
Foreign currency translation adjustments	1,054	(2,246)
Remeasurements of defined benefit plans	3,060	—
Stock acquisition rights	530	642
Minority interests	10,048	9,182
Total net assets	206,667	183,875
Total liabilities and net assets	338,935	308,039

Consolidated Statements of Income (Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2013
Net sales	437,807	371,932
Cost of sales	373,146	320,269
Gross profit	64,661	51,663
Selling, general and administrative expenses	34,546	28,424
Operating income	30,115	23,238
Non-operating income	2,875	1,704
Non-operating expenses	667	438
Ordinary income	32,323	24,505
Extraordinary gains	861	818
Extraordinary losses	5,830	15,700
Income before income taxes and minority interests	27,353	9,622
Income taxes-current	9,191	6,729
Income taxes-deferred	(432)	(2,822)
Income before minority interests	18,594	5,715
Minority interests in income	1,336	527
Net income	17,258	5,187

Consolidated Cash Flow Statements (Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2013
Cash flows from operating activities	31,312	32,767
Cash flows from investing activities	(40,255)	(18,487)
Cash flows from financing activities	(3,200)	(5,005)
Effect of foreign currency translation adjustments on cash and cash equivalents	419	2,366
Net increase (decrease) in cash and cash equivalents	(11,724)	11,640
Cash and cash equivalents at beginning of year	68,110	56,581
Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries	—	(112)
Cash and cash equivalents at end of year	56,385	68,110

Stock Information/Dividends

Stock Information (as of March 31, 2014)

Total number of shares

Total number of shares authorized to be issued: 200,000,000

Number of shares issued and outstanding: 94,234,171

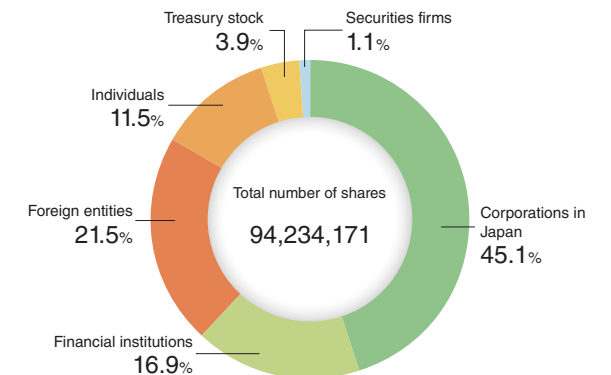
Number of shareholders: 8,830

Major shareholders (Top 10)

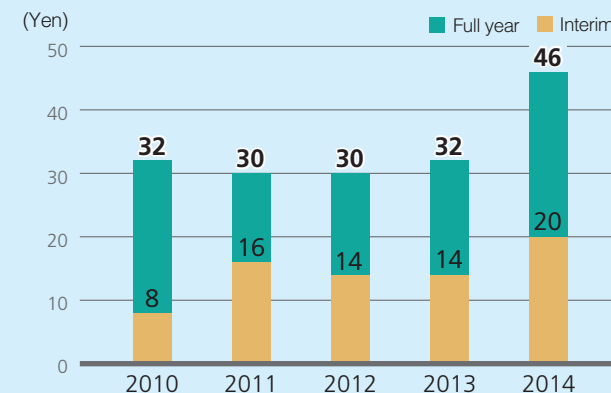
Shareholder	Number of shares (thousands of shares)	Equity participation (%)
Toyota Motor Corporation	29,367	32.42
Denso Corporation	8,839	9.75
Northern Trust Co. (AVFC) Re 15PCT Treaty Account	3,123	3.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,597	2.86
The Dai-ichi Life Insurance Company, Limited	2,275	2.51
Japan Trustee Services Bank, Ltd. (Trust Account)	1,927	2.12
Tokai Rika Employee Stock Ownership Plan	1,135	1.25
Tokai Rika Kyoeikai	866	0.95
JP Morgan Chase Bank 385632	793	0.87
Japan Trustee Services Bank, Ltd. (Trust Account 1)	737	0.81

Note: The Company holds 3,653 thousand shares of treasury stock but is excluded from the major shareholders stated above.

Composition of Shareholders by Shareholder Type



Cash Dividends

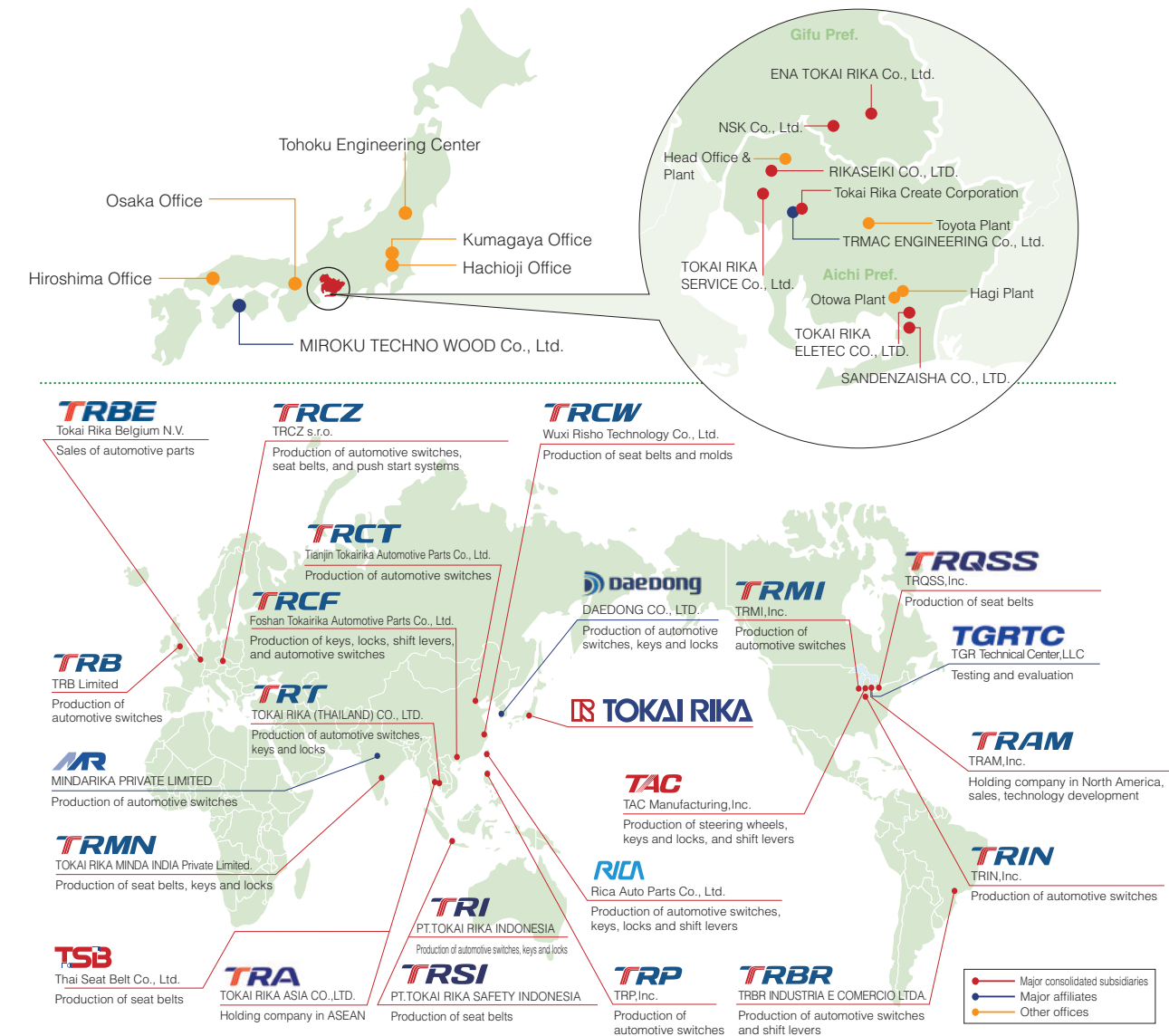


At the 67th annual general meeting of shareholders held on June 12, 2014, the Company's proposal to pay the year-end dividend to shareholders on the record date of March 31, 2014, was approved.

1	Year-end cash dividend	26 yen per share
2	Effective date for year-end dividend (payment commencement date)	June 13, 2014

Global Network

Tokai Rika is establishing globally standardized business processes in a manufacturing system consistent from development through to production and quality assurance.



Corporate overview

Company name:
TOKAI RIKAI CO., LTD.

Establishment:
August 30, 1948

Paid-in capital:
22.8 billion yen

Number of employees:
16,721 (consolidated)
6,046 (non-consolidated)

Head office:
3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan
Tel: +81-587-95-5211

Consolidated subsidiaries:
34

Affiliates accounted for by the equity method:
7

Executive Management (as of June 12, 2014)

*President	Yuzo Ushiyama	Senior Managing Director	Masaharu Tanino
*Executive Vice President	Kenji Miura	Senior Managing Director	Kouji Buma
*Executive Vice President	Yoshihiro Obayashi	Senior Managing Director	Mikihiro Mori
Senior Managing Director	Shoji Ishida	Managing Director	Koki Sato
Senior Managing Director	Tadanao Hamamoto	Managing Director	Yoshihiro Tanaka
Senior Managing Director	Kenji Kawaguchi	Managing Director	Kazuhiko Noguchi
Senior Managing Director	Tadashi Wakiya	Managing Director	Toshimasa Yamamoto
Senior Managing Director	Hiroyuki Nakamura	Director	Shinji Shirasaki
Audit & Supervisory Board Member	Hiroshi Nishio	Audit & Supervisory Board Member	Kyoji Sasazu
Audit & Supervisory Board Member	Masakazu Goto	Audit & Supervisory Board Member	Kiyotaka Ise
		Audit & Supervisory Board Member	Masaki Horie
Corporate Officer (with Managing Director status)	Mikio Kato	Corporate Officer	Toshiki Nogami
Corporate Officer	Shigeru Hayashi	Corporate Officer	Toshiki Akita
Corporate Officer	Isaki Sugiura	Corporate Officer	Kiyomune Hayashi
Corporate Officer	Kazuhiro Ikai	Corporate Officer	Koki Imaeda

Note: Persons marked with an asterisk (*) are representative directors.

Shareholder Information

Business year	From April 1 to March 31 of the following year
Annual general meeting of shareholders	June
Record date for distribution of surplus	Year-end dividend: March 31 Interim dividend: September 30
Number of shares constituting one unit of stock	100 shares
Stock code	6995
Transfer agent	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Agency administration office	Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Ltd. 3-15-33 Sakae, Naka-ku, Nagoya
For inquiry/postal address	Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Ltd. 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Tel: 0120-782-031 (toll free in Japan) Website: http://www.smtb.jp/personal/agency/index.html
Listing stock exchanges	Tokyo Stock Exchange, Nagoya Stock Exchange
Method of public notice	Electronic public notice at http://www.tokai-rika.co.jp/ If electronic public notice is unavailable, the Company shall post a public notice in the Nihon Keizai Shimbun.

● Notice

1. Receipt of uncollected dividends

Please contact the transfer agent Sumitomo Mitsui Trust Bank, Ltd.

Please note that under the Articles of Incorporation of the Company, the Company is not obliged to pay dividends that are unclaimed for three full years from the date on which they first became payable. You are requested to collect your dividends at your earliest convenience.

2. Address change, purchase and sale of shares constituting less than one trading unit, and specification of the method of receiving dividends

Please contact the securities firm with which you have your securities account. If you have a special account, please contact Sumitomo Mitsui Trust Bank, Ltd., which is the agent for managing special accounts.

3. Dividend Statement

A dividend statement sent by the Company to shareholders upon payment of dividends also serves as the payment advice pursuant to the Act on Special Measures concerning Taxation. It may be used as evidence when filing a final tax return.

*Please retain the dividend statement for your final tax return.

Visit Our Website

The Tokai Rika Website provides a range of information on the Company. Public notices are also posted on the website. We encourage you to visit us online.

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



Vegetable oil ink and FSC-certified paper are used for the purpose of protecting the environment.