

# Business Report for Fiscal Year 2015

(From April 1, 2014 to March 31, 2015)

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 2015 (from April 1, 2014 to March 31, 2015) and report on the challenges and opportunities ahead.



**Kenji Miura**  
President

### Review of Operations

In the fiscal year under review, the Japanese economy was affected by a reactionary decline from the last-minute demand accompanying the consumption tax hike. Although growth of certain emerging economies, such as China, Thailand, and Brazil, slowed, in the U.S., personal consumption was robust, while in Europe, the economy continued to recover. As such, the world economy maintained moderate growth, continuing from the previous year.

In the automotive industry, although auto sales volumes were lower than the previous year in Japan due to the reactionary decline from the last-minute demand accompanying the consumption tax hike and in certain emerging economies, such as Thailand and Brazil, where economic growth was slowing, sales volumes increased in the U.S. thanks to buoyant personal consumption, in China where motorization made progress due to rising incomes, and in Europe due to the continuing economic recovery. As a result, worldwide auto sales volumes increased from the previous year.

In these circumstances, we worked to ensure quality throughout the Group, reinforce manufacturing globally, develop next-generation products, establish a strong earnings base, and strengthen the Group's global sites. As specific initiatives, for quality and manufacturing, we focused on building quality in processes and preparation for production at our global sites and at suppliers in order to smoothly ramp up production of products for our customer's global strategic model whose production is scheduled to start in fiscal 2015.

Regarding new product development, we received commendations from customers for the development of Japan's first touchpad remote control device for vehicles, which is adopted for Lexus NX and RC of Toyota Motor Corporation; the next-generation automatic transmission shift lever, which is compatible across all models, regions and generations, developed through cooperation between customers and our design, production engineering, and manufacturing departments; and the new decoration technology for steering wheels, which were adopted for the ALPHARD and VELLFIRE of Toyota Motor Corporation and enhances product attractiveness through high-grade design. The Company established Tokai Rika Advanced Co., Ltd., a wholly owned subsidiary, in order to strengthen software development

in the electronics business. With regards to strengthening of global sites, with the start of operation of a new factory at the site in Indonesia and expansion of factories at sites in China, India, and the Philippines, we strengthened our production structure in an effort to enhance competitiveness. Through these initiatives, we pursued establishment of a strong earnings base.

Regarding financial results for the year under review, net sales increased 14,388 million yen or 3.3% year on year to 452,195 million yen thanks to increased production volumes of customers in North America despite the reactionary decline from the last-minute demand accompanying the consumption tax hike in Japan. With respect to profit, despite an increase in fixed costs, such as labor costs and depreciation, a weaker

yen and the impact of initiatives across the Group to reduce costs led to a 1,077 million yen or 3.6% increase in operating income to 31,192 million yen. Ordinary income decreased 81 million yen or 0.3% to 32,242 million yen owing to a decrease in non-operating income. Net income increased 2,472 million yen or 14.3% to 19,730 million yen owing to a decrease in provision for product warranties despite reversal of deferred tax assets from tax reform.

The Company paid out an interim dividend of 25 yen per share in November 2014. The year-end dividend was 33 yen per share. As a result, total dividends for the year under review, including the interim dividend, amounted to 58 yen per share, 12 yen higher than for the previous year.

### Challenges and Opportunities

With regard to the world economy, the pace of growth in emerging economies will likely slow in view of China's excess production capacity and Brazil's tight fiscal and monetary policies. On the other hand, in the U.S., personal consumption remained robust, and the Japanese economy is expected to recover owing to improvement of household incomes through wage increases and expansion of employment as corporate earnings improve. Recovery of the economy in Europe is expected to continue, supported by large-scale quantitative easing. 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, affected by the stricter criteria for eligibility for tax deductions for eco-friendly vehicles from April 2015. However, a moderate increase in worldwide auto sales volumes is expected because of robust sales in the U.S. and China, and rising sales volume in Europe.

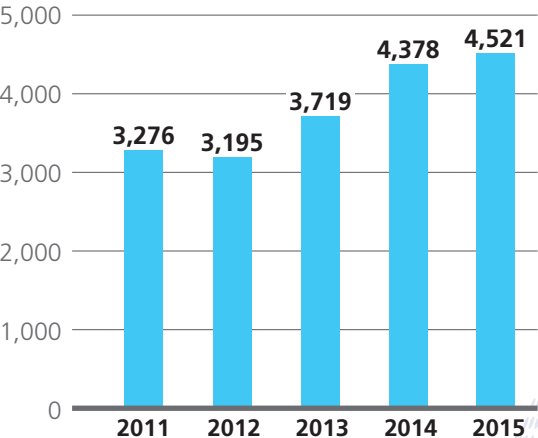
With respect to the business environment of the Group, in view of expansion overseas and shrinkage in Japan of the automotive market, growing preoccupation with quality, severe price competition, and automotive manufacturers' strategic shift to more modular products, competition is expected to intensify in the global

automotive industry.

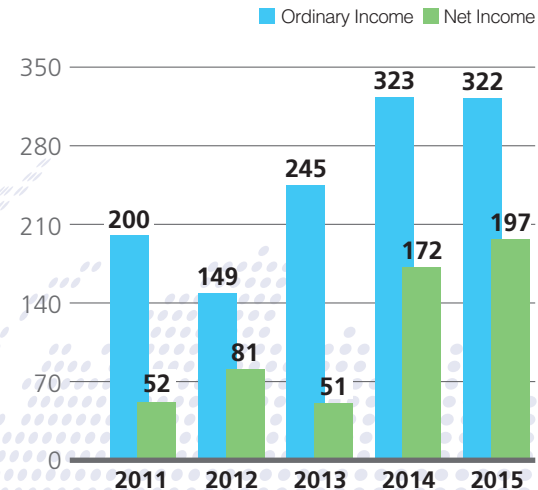
In these circumstances, the Group will strengthen and continue with the initiatives launched in the previous year that have become deep and broad, namely, ensuring of quality throughout the Group, reinforcement of manufacturing globally, development of next-generation products, establishment of a strong earnings base, and strengthening of the Group's global sites. Concrete measures include enhancement of our initiatives in Japan to prevent occurrence of major trouble and application of these initiatives to global sites to entrench them and thus maintain and strengthen quality control. Moreover, we will pursue creation of next-generation products in step with the evolution of automotive vehicles, as well as creation of more attractive products offering both enhanced product capabilities and cost reductions. 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.

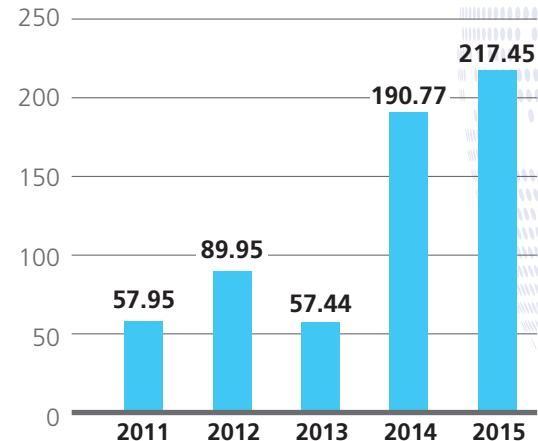
Net Sales (100 million yen)



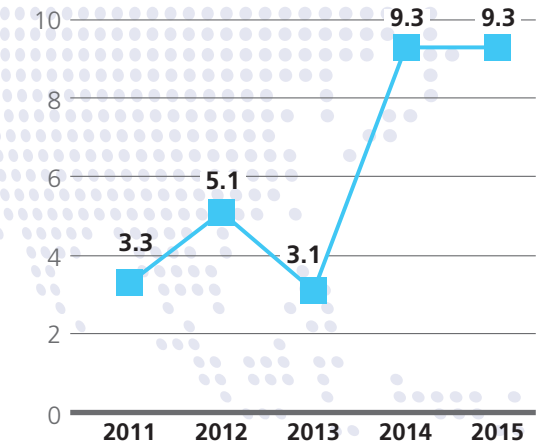
Ordinary Income and Net Income (100 million yen)



Net Income per Share (Yen)



Return on Equity (ROE) (%)



Japan

Composition of Net Sales  
54.2%

Net sales decreased 9,715 million yen (3.4%) year on year to 278,782 million yen. Operating income decreased 2,458 million yen (14.3%) to 14,772 million yen owing to a decrease in sales despite rationalization efforts and the impact of a weaker yen.

Asia

Composition of Net Sales  
19.4%

Net sales increased 6,561 million yen (7.1%) year on year to 99,589 million yen. Operating income decreased 1 million yen (0.0%) to 9,138 million yen owing to the adverse impact of a decrease in facility utilization in China and Thailand.

North America

Composition of Net Sales  
20.9%

Net sales rose 20,197 million yen (23.2%) year on year to 107,143 million yen. Operating income increased 3,601 million yen (135.1%) to 6,265 million yen owing to increased sales.

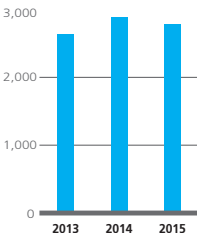
Europe and elsewhere

Composition of Net Sales  
5.5%

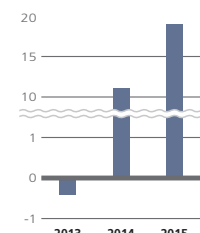
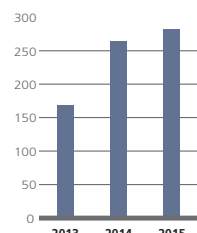
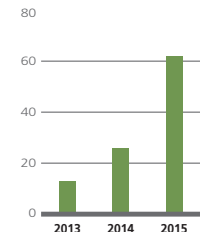
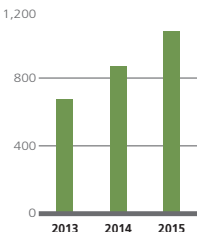
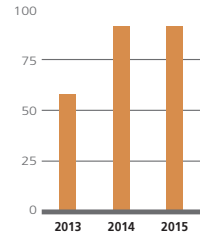
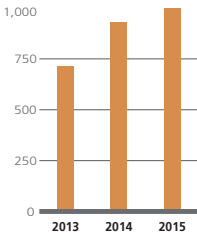
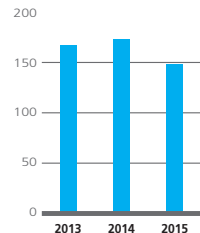
Net sales rose 1,906 million yen (7.3%) year on year to 28,089 million yen. Operating income increased 556 million yen (48.7%) to 1,697 million yen mainly as a result of increased sales.

Results by Geographical Region

Net Sales (100 million yen)



Operating Income (100 million yen)



\*Net sales include intersegment sales.

## Highly Evaluated by Customers in Diverse Fields

At the global supplier conference of Toyota Motor Corporation in February 2015, Tokai Rika received the Toyota New Global Architecture (TNGA) Promotion Superior Award, which is part of Toyota's initiatives to create ever-better cars. The Company's contribution to promotion of TNGA initiatives through the development of an automatic transmission shift lever was recognized.



In addition, hologram wood-grain pattern, a new decorative technology for steering wheels adopted for the new models ALPHARD and VELLFIRE produced at Toyota Auto Body Co., Ltd. received a project commendation (CE special mention) and a metallic door mirror visor using the indium evaporation method, which was adopted for Aqua produced at Toyota Motor East Japan, Inc., received a technology development award (parts category).



Moreover, the Company received the best partner award from Suzuki Motor Corporation, which is an award for suppliers that contributed throughout the year, and a transaction performance superior award from Mazda Motor Corporation. Recently, overseas subsidiaries received seven commendations from local customers, and our technological capabilities and manufacturing capabilities in diverse fields are highly evaluated by our customers.

## New Factory of Filipino Subsidiary TRP Starts Operation

In February 2015, TRP, Inc., our subsidiary in Laguna, the Philippines, held a ceremony inaugurating its new factory. TRP, a manufacturer of switches, which is our mainstay product, will celebrate its 20th anniversary this year. The new factory is TRP's fourth expansion project and it is expected to increase TRP's production capacity by 50%. TRP will help meet the expected increase in demand for parts for the Tokai Rika Group companies in ASEAN and elsewhere.



## New Company to be Established in Mexico

In April 2015 Tokai Rika decided to establish a new company in Nuevo León, Mexico. The name of new company is TOKAI RIKA MEXICO, S.A. DE C.V. (TRMX) and it will be our first base in Mexico. TRMX will produce Tokai Rika's principal products, such as switches, key sets and seatbelts, and preparation is underway for the start of operation in fall 2016. Our aim is to strengthen our business foundation in North America where the market is expected to show sustained growth.

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.



Remote Key and Receiver



Smart Key Portable Device and Emergency Key



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

#### Housing Facilities and Equipment

Applying technologies originally employed in automotive applications, we offer convenient products meeting today's housing-security needs.



#### 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, 2015	As of March 31, 2014
<b>ASSETS</b>		
<b>Current assets</b>	<b>188,464</b>	<b>189,121</b>
Cash and deposits	25,828	25,840
Notes and accounts receivable	61,353	58,446
Electronically recorded monetary claims-operating	9,833	9,925
Marketable securities	37,234	46,191
Inventories	35,745	31,106
Other current assets	18,468	17,610
<b>Fixed assets</b>	<b>186,731</b>	<b>149,814</b>
Tangible fixed assets	104,147	88,322
Intangible fixed assets	2,059	1,701
Inventories and other assets	80,523	59,790
Investment securities	52,205	42,097
Other	28,318	17,692
<b>Total assets</b>	<b>375,195</b>	<b>338,935</b>

	As of March 31, 2015	As of March 31, 2014
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>108,918</b>	<b>110,666</b>
Notes and accounts payable	40,407	39,018
Electronically recorded obligations-operating	17,383	17,480
Short-term borrowings	3,437	9,319
Other current liabilities	47,691	44,848
<b>Long-term liabilities</b>	<b>27,060</b>	<b>21,601</b>
Long-term borrowings	1,658	2,615
Other long-term liabilities	25,402	18,986
<b>Total liabilities</b>	<b>135,978</b>	<b>132,268</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>	<b>204,607</b>	<b>188,814</b>
Common stock	22,856	22,856
Capital surplus	25,432	25,225
Retained earnings	162,175	147,302
Less: Treasury stock, at cost	(5,856)	(6,569)
<b>Accumulated other comprehensive income</b>	<b>22,769</b>	<b>7,273</b>
Net unrealized loss on available-for-sale securities	4,778	3,158
Foreign currency translation adjustments	9,268	1,054
Remeasurements of defined benefit plans	8,723	3,060
<b>Stock acquisition rights</b>	<b>239</b>	<b>530</b>
<b>Minority interests</b>	<b>11,599</b>	<b>10,048</b>
<b>Total net assets</b>	<b>239,216</b>	<b>206,667</b>
<b>Total liabilities and net assets</b>	<b>375,195</b>	<b>338,935</b>

### Consolidated Statements of Income (Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
<b>Net sales</b>	<b>452,195</b>	<b>437,807</b>
Cost of sales	384,525	373,146
Gross profit	67,670	64,661
Selling, general and administrative expenses	36,478	34,546
<b>Operating income</b>	<b>31,192</b>	<b>30,115</b>
Non-operating income	1,618	2,875
Non-operating expenses	568	667
<b>Ordinary income</b>	<b>32,242</b>	<b>32,323</b>
Extraordinary gains	68	861
Extraordinary losses	2,716	5,830
<b>Income before income taxes and minority interests</b>	<b>29,593</b>	<b>27,353</b>
Income taxes-current	8,825	9,191
Income taxes-deferred	(168)	(432)
<b>Income before minority interests</b>	<b>20,936</b>	<b>18,594</b>
Minority interests in income	1,206	1,336
<b>Net income</b>	<b>19,730</b>	<b>17,258</b>

### Consolidated Cash Flow Statements (Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2014
<b>Cash flows from operating activities</b>	<b>40,571</b>	<b>31,312</b>
<b>Cash flows from investing activities</b>	<b>(36,413)</b>	<b>(40,255)</b>
<b>Cash flows from financing activities</b>	<b>(11,375)</b>	<b>(3,200)</b>
<b>Effect of foreign currency translation adjustments on cash and cash equivalents</b>	<b>1,265</b>	<b>419</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,952)</b>	<b>(11,724)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>56,385</b>	<b>68,110</b>
<b>Cash and cash equivalents at end of year</b>	<b>50,432</b>	<b>56,385</b>

## Stock Information/Dividends

### Stock Information (as of March 31, 2015)

#### Total number of shares

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

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

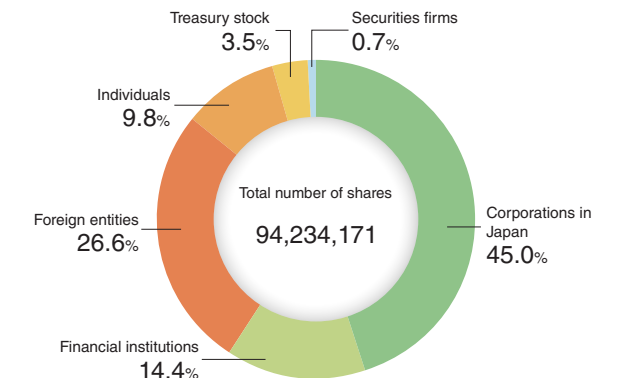
Number of shareholders: 6,521

#### Major shareholders (Top 10)

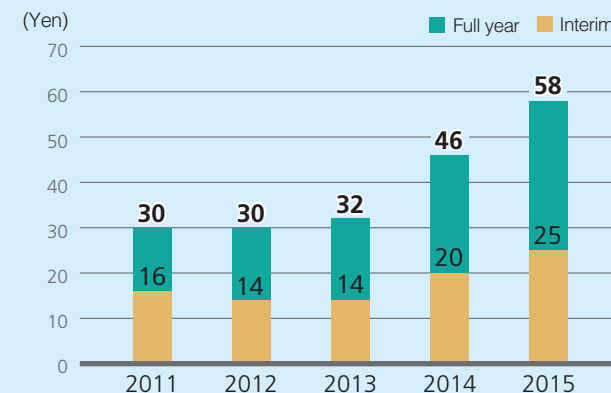
Shareholder	Number of shares (thousands of shares)	Equity participation (%)
Toyota Motor Corporation	29,367	32.28
Denso Corporation	8,839	9.71
Northern Trust Co. (AVFC) Re 15PCT Treaty Account	2,478	2.72
The Dai-ichi Life Insurance Company, Limited	2,275	2.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,834	2.01
Japan Trustee Services Bank, Ltd. (Trust Account)	1,650	1.81
State Street Bank and Trust Company 505223	1,473	1.61
Tokai Rika Employee Stock Ownership Plan	1,117	1.22
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,062	1.16
State Street Bank and Trust Company 505103	988	1.08

Note: The Company holds 3,256 thousand shares of treasury stock but is excluded from the major shareholders stated above.

#### Composition of Shareholders by Shareholder Type



### Cash Dividends

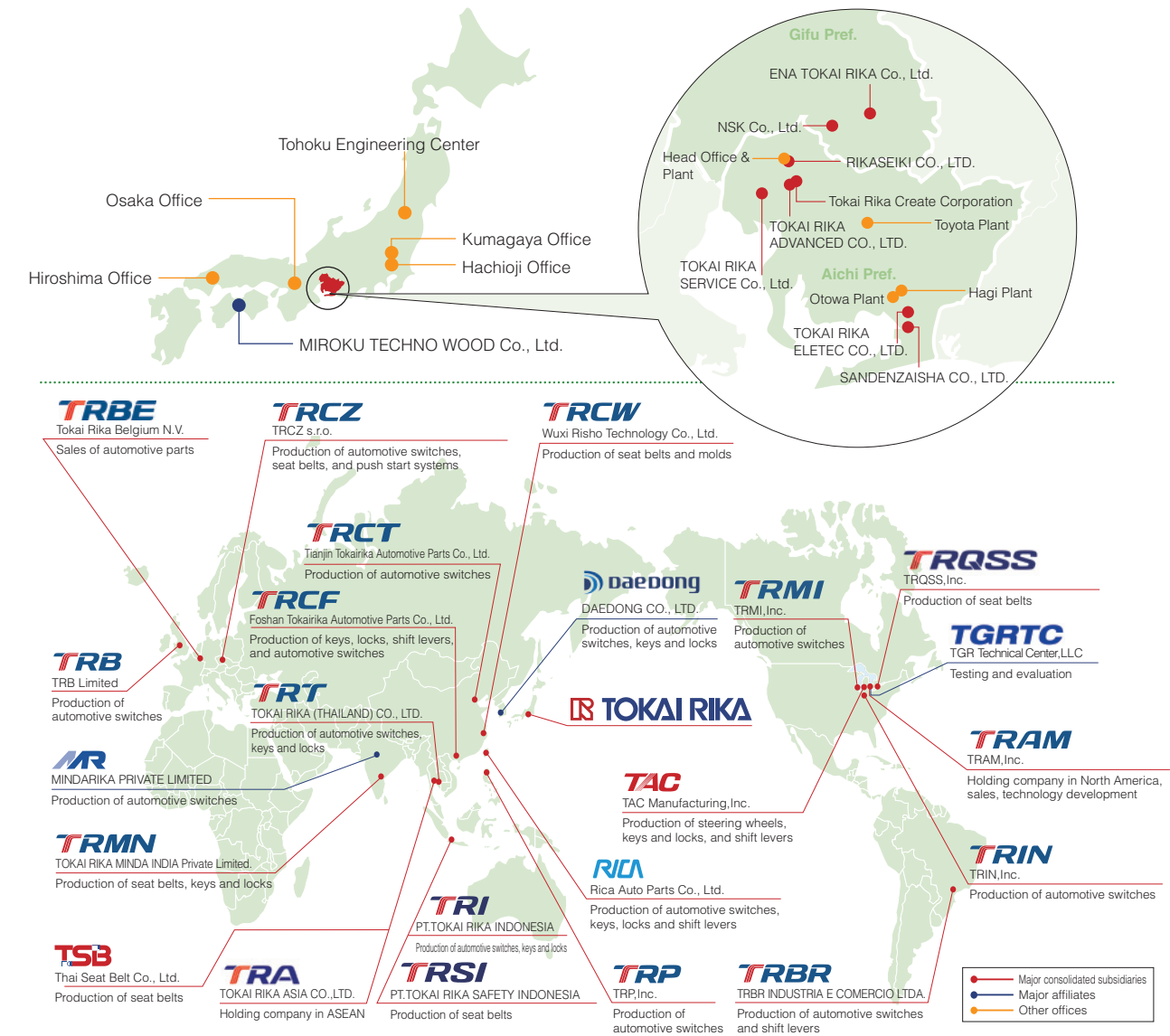


**At the 68th annual general meeting of shareholders held on June 10, 2015, the Company's proposal to pay the year-end dividend to shareholders on the record date of March 31, 2015, was approved.**

1	Year-end cash dividend	33 yen per share
2	Effective date for year-end dividend (payment commencement date)	June 11, 2015

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 RIKO CO., LTD.

**Establishment:**  
August 30, 1948

**Paid-in capital:**  
22.8 billion yen

**Number of employees:**  
17,348 (consolidated)  
6,051 (non-consolidated)

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

**Consolidated subsidiaries:**  
35

**Affiliates accounted for by the equity method:**  
5

Executive Management (as of June 10, 2015)

*President	Kenji Miura	Senior Managing Director	Kouji Buma
*Executive Vice President	Yoshihiro Obayashi	Managing Director	Koki Sato
*Executive Vice President	Tadashi Wakiya	Managing Director	Yoshihiro Tanaka
Senior Managing Director	Tadanao Hamamoto	Managing Director	Kazuhiko Noguchi
Senior Managing Director	Kenji Kawaguchi	Managing Director	Toshimasa Yamamoto
Senior Managing Director	Hiroyuki Nakamura	Director	Yasushi Yamanaka
Senior Managing Director	Masaharu Tanino		
Audit & Supervisory Board Member	Mikihiro Mori	Audit & Supervisory Board Member	Takahiko Ijichi
Audit & Supervisory Board Member	Masakazu Goto	Audit & Supervisory Board Member	Kiyotaka Ise
		Audit & Supervisory Board Member	Yoshinori Yamada
Corporate Officer (with Senior Managing Director status)	Mikio Kato	Corporate Officer	Kiyomune Hayashi
Corporate Officer	Shigeru Hayashi	Corporate Officer	Koki Imaeda
Corporate Officer	Isaki Sugiura	Corporate Officer	Masami Nagaya
Corporate Officer	Kazuhiro Ikai	Corporate Officer	Masato Hotta
Corporate Officer	Toshiki Nogami	Corporate Officer	Hiroshi Nishida
Corporate Officer	Toshiki Akita	Corporate Officer	Yasutaka Watanabe

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

# Shareholder Information

<b>Business year</b>	From April 1 to March 31 of the following year
<b>Annual general meeting of shareholders</b>	June
<b>Record date for distribution of surplus</b>	Year-end dividend: March 31 Interim dividend: September 30
<b>Number of shares constituting one unit of stock</b>	100 shares
<b>Stock code</b>	6995
<b>Transfer agent</b>	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
<b>Agency administration office</b>	Stock Transfer Agent Department, Sumitomo Mitsui Trust Bank, Ltd. 3-15-33 Sakae, Naka-ku, Nagoya
<b>For inquiry/postal address</b>	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: <a href="http://www.smtb.jp/personal/agency/index.html">http://www.smtb.jp/personal/agency/index.html</a> Tokyo Stock Exchange, Nagoya Stock Exchange
<b>Listing stock exchanges</b>	
<b>Method of public notice</b>	Electronic public notice at <a href="http://www.tokai-rika.co.jp/">http://www.tokai-rika.co.jp/</a> 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

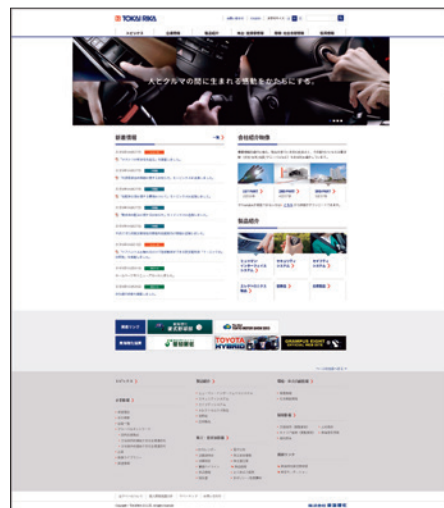
A dividend statement sent by the Company to shareholders upon payment of dividends also serves as the payment advice pursuant to the Act on Special Measures concerning Taxation. It may be used as evidence when filing a final tax return.

\*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.