

Business Report for Fiscal Year 2016

(From April 1, 2015 to March 31, 2016)

TOKAI RIKA 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 2016 (from April 1, 2015 to March 31, 2016) and report on the challenges and opportunities ahead.



Kenji Miura
President

Review of Operations

During the year under review, while economic growth slowed in China and certain other emerging economies, the U.S. economy experienced robust personal consumption and economic growth remained firm in Europe. The moderate recovery of the Japanese economy continued despite weakness in personal consumption. As a result, the world economy maintained moderate growth.

In the automotive industry, although sales volumes in certain emerging economies were lower than in the previous year, they increased in the U.S. where personal consumption was brisk, in China where the vehicle acquisition tax was reduced, and in Europe where the economic recovery continues. In Japan, sales volumes were lower than in the previous year because of the continuing impact of the consumption tax increase, in addition to an increase in tax on compact cars.

In these circumstances, we continued initiatives 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.

For quality and manufacturing, we applied the latest activities implemented in Japan to global sites and worked to share and entrench them. Meanwhile, certain products manufactured by the Company in the past were found to be defective, resulting in a recall by the customer. In order to prevent recurrence of major defects, we are strengthening quality assurance systems.

Regarding new product development, we received commendations from customers in diverse fields. For the automatic transmission shift lever, the customer and the Company worked together based on the Toyota New Global Architecture (TNGA) concept and we simplified the assembly process and realized standardization across all car models and regions. The newly developed automatic transmission shift lever has been adopted for the Lexus RX of Toyota Motor Corporation. We also applied the same approach to steering column peripheral components, such as lever combination switches and achieved enhanced performance, smaller size, and optimization of the components layout. The La Lock II developed by the Company is a unique anti-theft electric home door lock, which can be operated by a simple touch of the front door handle. This lock has been adopted for the Sincé Vietrois and Sincé Hugmi homes of Toyota Housing Corporation. In addition, we built a new wind tunnel testing facility for the development of more competitive door mirrors that meet customers' requirements for greater quietness. With

regard to strengthening of global sites, we established a new company in Mexico and are preparing for the start of operation in the fall of 2016. All these initiatives are designed to contribute to establishment of a strong earnings base.

Regarding financial results for the year under review, net sales increased 24,006 million yen or 5.3% year on year to 476,202 million yen. This increase reflected increased auto sales volumes in the U.S. where personal consumption was brisk, in China where the government reduced the vehicle acquisition tax, and in Europe where the economic recovery continued, whereas Japan was affected by the increased tax on compact cars as well as the protracted decline in sales volumes following the consumption tax hike. 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 3,416 million yen or 11.0% increase in operating income to 34,608 million yen. Ordinary income increased 2,431 million yen or 7.5% to 34,673 million yen because of an increase in operating income despite an increase in non-operating expenses. Profit attributable to owners of the parent decreased 14,138 million yen or 71.7% to 5,591 million yen owing to an increase in provision for product warranties.

The Company paid out an interim dividend of 30 yen per share in November 2015. The year-end dividend was 30 yen per share. As a result, total dividends for the year under review, including the interim dividend, amounted to 60 yen per share, 2 yen higher than for the previous year.

Challenges and Opportunities

With regard to the world economy, certain emerging economies, notably China, where investment and production are slowing, are likely to continue to decelerate. On the other hand, expectations are that economic expansion driven by domestic demand will continue in the U.S. and personal consumption will remain robust in Europe. The Japanese economy is expected to experience a moderate recovery as the labor market and personal incomes improve. Therefore, the world economy is expected to continue growing at a modest pace.

In the automotive industry, auto sales volumes are expected to be robust in the U.S. where economic expansion is continuing and in China where the impact of the reduction in the vehicle acquisition tax remains a positive factor. Auto sales volumes in Europe are also expected to rise moderately. Some forecasters predict that auto sales volumes in Japan will also increase. Thus, a moderate increase in worldwide auto sales volumes is expected to continue.

The business environment of the Company is expected to be increasingly challenging despite expansion of the worldwide automotive market, and in view of the greater demand for quality, intensifying price competition, and other factors. The evolution of cars brought about by new technologies, such as autonomous driving, preventive safety, and IoT, requires the Company to also further evolve.

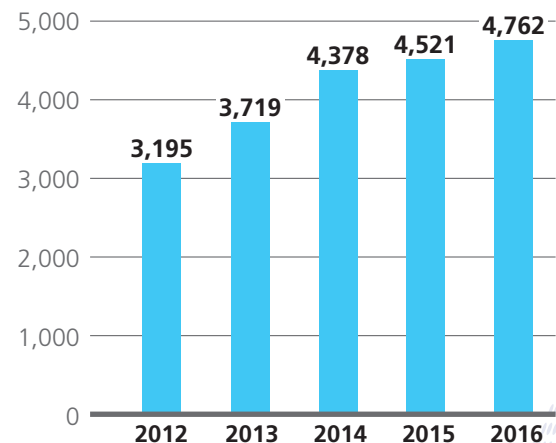
In these circumstances, the Group will continue with its initiatives, namely, those to ensure quality throughout the

Group, reinforcement of manufacturing globally, development of next-generation products, establishment of a strong earnings base, and strengthening of the Group's global sites. Specifically, in view of the extraordinary loss recorded in the year under review because of a quality problem, adhering to the principle of putting quality first, we will focus on fostering human resources capable of supporting quality at each global site and thoroughly implement initiatives to prevent occurrence of major defects, including at suppliers. With regard to next-generation products, we will accelerate development of products and reinforce key technologies in step with the evolution of automotive vehicles centering on advanced safety and computerization. Over the medium- to long-term, we intend to pursue development of new human machine interface (HMI) functions that will contribute to enhancement of communication between people and cars to address new user needs brought about by autonomous driving. In addition, we will implement a strategy attuned to the market environment of each site in the Group's global network and promote fostering human resources who can compete in a global setting. Along with these measures, we intend to further enhance efficiency of management resources in order to ensure profit while securing resources to continue and reinforce our initiatives for future growth.

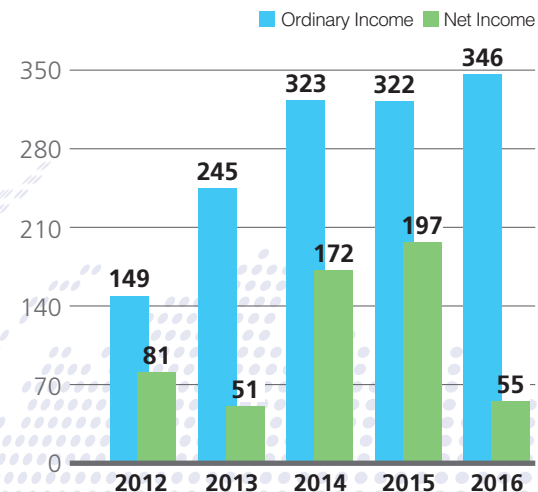
In these endeavors, we request our shareholders to favor us with their continued support and guidance.

Consolidated Financial Highlights

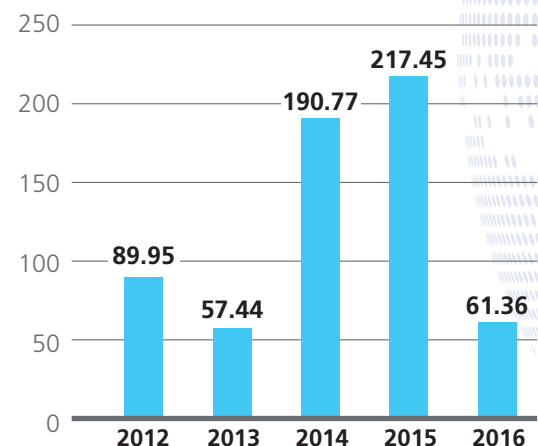
Net Sales (100 million yen)



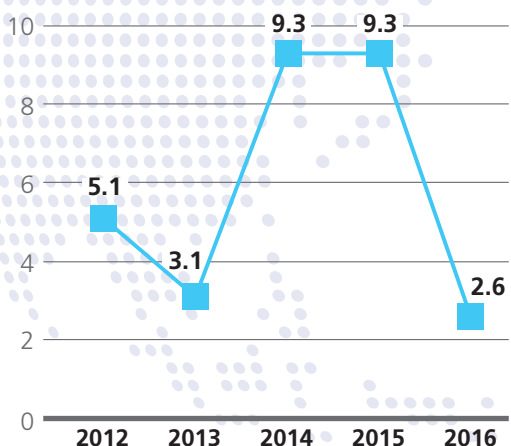
Ordinary Income and Net Income (100 million yen)



Net Income per Share (Yen)



Return on Equity (ROE) (%)



Business Performance by Geographic Region

Japan

Composition of Net Sales

50.3%

Net sales decreased 10,123 million yen (3.6%) year on year to 268,659 million yen. Operating income decreased 3,492 million yen (23.6%) to 11,280 million yen owing to a decrease in sales despite rationalization efforts and the impact of a weaker yen.

Asia

Composition of Net Sales

21.9%

Net sales increased 17,359 million yen (17.4%) year on year to 116,948 million yen. Operating income increased 2,930 million yen (32.1%) to 12,068 million yen owing to increased sales despite an increase in fixed costs such as depreciation and amortization.

North America

Composition of Net Sales

22.8%

Net sales rose 14,835 million yen (13.8%) year on year to 121,978 million yen. Operating income increased 3,475 million yen (55.5%) to 9,740 million yen owing to increased sales and rationalization efforts.

Europe and elsewhere

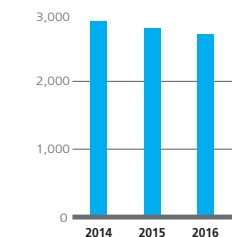
Composition of Net Sales

5.0%

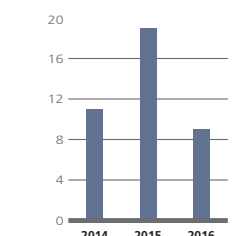
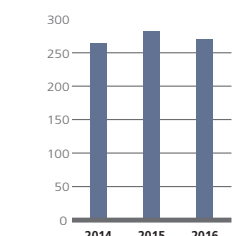
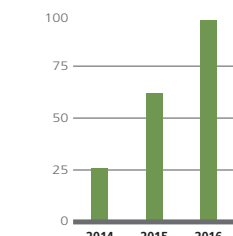
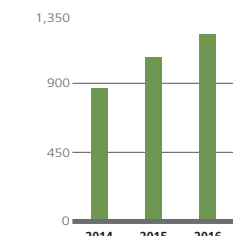
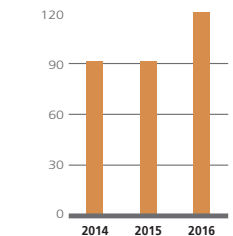
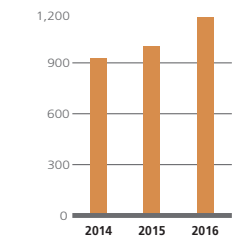
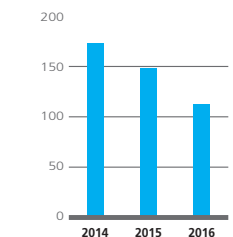
Net sales decreased 1,326 million yen (4.7%) year on year to 26,763 million yen. Operating income decreased 722 million yen (42.5%) to 975 million yen.

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

In November 2015, at the line-off ceremony for the new Lexus RX held at the Miyata Plant of Toyota Motor Kyushu, Inc., the automatic transmission shift lever and the front seatbelt developed by Tokai Rika received project awards in the technology category and the cost category, respectively.

In December 2015, at the line-off ceremony for the new Prius held at the Tsutsumi Plant of Toyota Motor Corporation, the shift-by-wire shifter of Tokai Rika received a project award in the cost category.



At the global supplier conference of Toyota Motor Corporation in February 2016, Tokai Rika received the Toyota New Global Architecture (TNGA) Promotion Superior Award for the second consecutive year. TNGA is part of Toyota's initiatives to create ever-better cars. The Company's contribution to promotion of TNGA through the enhancement of functions and cost reduction of steering peripheral components was recognized.

We also received the Parts Standardization Award (Service Parts), which is presented to suppliers whose achievements are outstanding with respect to reduction of types and cost through development of standardized components, and the Cost Reduction Superior Award, which is presented to suppliers that greatly contributed to cost reduction activities.

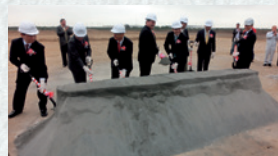


In addition, Tokai Rika received various awards from Daihatsu Motor Co., Ltd., Suzuki Motor Corporation, Mitsubishi Motors Corporation, and Mazda Motor Corporation. Our overseas subsidiaries also received commendations from their customers. Customers highly evaluate our technological capabilities and manufacturing capabilities in diverse fields.

Groundbreaking Ceremony at a Site for TRMX, a Subsidiary in Mexico

In November 2015, TOKAI RIKA MEXICO, S.A. DE C.V. (TRMX) held a groundbreaking ceremony in Nuevo León, Mexico, at the site where its plant will be constructed. There was news coverage by Mexican media, indicating high interest.

TRMX, our first base in Mexico established in June 2015, will produce Tokai Rika's principal products, including switches, key sets, and seatbelts. Preparation is underway for the start of operation in fall 2016. The aim is to strengthen the fundamentals of the business in North America where the market is expected to show sustained growth.



Completion of Construction of a new building at Toyota Plant

In August 2015, construction of a new building was completed at the Toyota Plant where seatbelts are produced. Emphasizing efficiency of logistics, parts are produced on the first floor and assembly is conducted on the second floor of the building.

We are reestablishing the Toyota Plant step by step. Completion of the new building will enable us to strengthen seatbelt production systems to proactively and flexibly meet a wider range of customer needs.



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



Touch Pad

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
(Selectable Force-Limiter)



Door Mirror
(With Blind-Spot Monitoring Function and Glare Protection)



Steering Wheel
(Hologram Decoration)

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

Electronics & Others

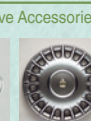
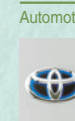
Electronics & Others



La Lock II Anti-Theft Electric Door Lock

Housing Facilities and Equipment

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



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, 2016	As of March 31, 2015
ASSETS		
Current assets	197,161	188,464
Cash and deposits	40,009	25,828
Notes and accounts receivable	60,130	61,353
Electronically recorded monetary claims-operating	10,625	9,833
Marketable securities	14,516	37,234
Inventories	32,656	35,745
Other current assets	39,221	18,468
Fixed assets	166,182	186,731
Tangible fixed assets	98,548	104,147
Intangible fixed assets	2,480	2,059
Inventories and other assets	65,153	80,523
Investment securities	40,116	52,205
Other	25,036	28,318
Total assets	363,343	375,195

	As of March 31, 2016	As of March 31, 2015
LIABILITIES		
Current liabilities	114,365	108,918
Notes and accounts payable	37,803	40,407
Electronically recorded obligations-operating	18,083	17,383
Short-term borrowings	2,623	3,437
Other current liabilities	55,855	47,691
Long-term liabilities	27,227	27,060
Long-term borrowings	807	1,658
Other long-term liabilities	26,420	25,402
Total liabilities	141,593	135,978
NET ASSETS		
Shareholders' equity	204,069	204,607
Common stock	22,856	22,856
Capital surplus	25,600	25,432
Retained earnings	161,071	162,175
Less: Treasury stock, at cost	(5,458)	(5,856)
Accumulated other comprehensive income	6,509	22,769
Net unrealized loss on available-for-sale securities	4,078	4,778
Foreign currency translation adjustments	1,456	9,268
Remeasurements of defined benefit plans	973	8,723
Stock acquisition rights	74	239
Non-controlling interests	11,097	11,599
Total net assets	221,750	239,216
Total liabilities and net assets	363,343	375,195

Consolidated Statements of Income (Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2015
Net sales	476,202	452,195
Cost of sales	403,372	384,525
Gross profit	72,829	67,670
Selling, general and administrative expenses	38,221	36,478
Operating income	34,608	31,192
Non-operating income	1,842	1,618
Non-operating expenses	1,777	568
Ordinary income	34,673	32,242
Extraordinary gains	161	68
Extraordinary losses	23,115	2,716
Income before income taxes and minority interests	11,719	29,593
Income taxes-current	6,481	8,825
Income taxes-deferred	(1,277)	(168)
Net income	6,515	20,936
Profit attributable to non-controlling interests	924	1,206
Profit attributable to owners of the parent	5,591	19,730

Consolidated Cash Flow Statements (Millions of yen)

	Year ended March 31, 2016	Year ended March 31, 2015
Cash flows from operating activities	20,747	40,571
Cash flows from investing activities	(22,347)	(36,413)
Cash flows from financing activities	(7,713)	(11,375)
Effect of foreign currency translation adjustments on cash and cash equivalents	(1,805)	1,265
Net increase (decrease) in cash and cash equivalents	(11,118)	(5,952)
Cash and cash equivalents at beginning of year	50,432	56,385
Cash and cash equivalents at end of year	39,314	50,432

Stock Information/Dividends

Stock Information (as of March 31, 2016)

Total number of shares

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

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

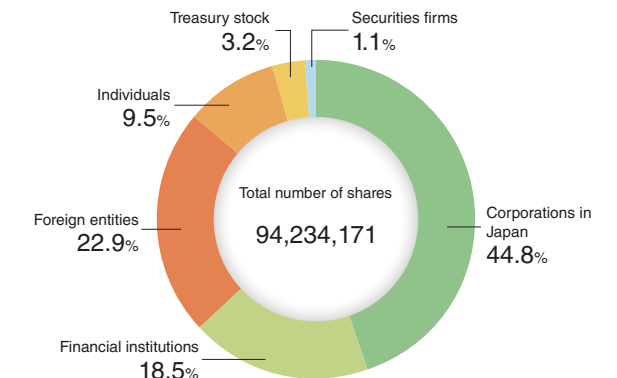
Number of shareholders: 6,795

Major shareholders (Top 10)

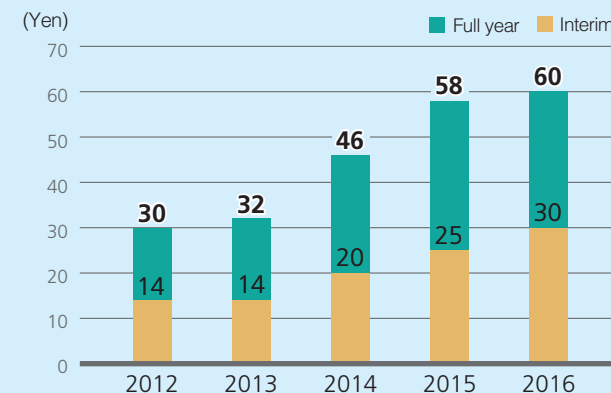
Shareholder	Number of shares (thousands of shares)	Equity participation (%)
Toyota Motor Corporation	29,367	32.20
Denso Corporation	8,839	9.69
Japan Trustee Services Bank, Ltd. (Trust Account)	3,007	3.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,605	2.85
The Dai-ichi Life Insurance Company, Limited	2,275	2.49
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,102	1.20
Tokai Rika Employee Stock Ownership Plan	1,061	1.16
CBNY-GOVERNMENT OF NORWAY	1,052	1.15
State Street Bank and Trust Company 505223	1,028	1.12
State Street Bank and Trust Company 505103	888	0.97

Note: The Company holds 3,033 thousand shares of treasury stock but is excluded from the major shareholders stated above.

Composition of Shareholders by Shareholder Type



Cash Dividends

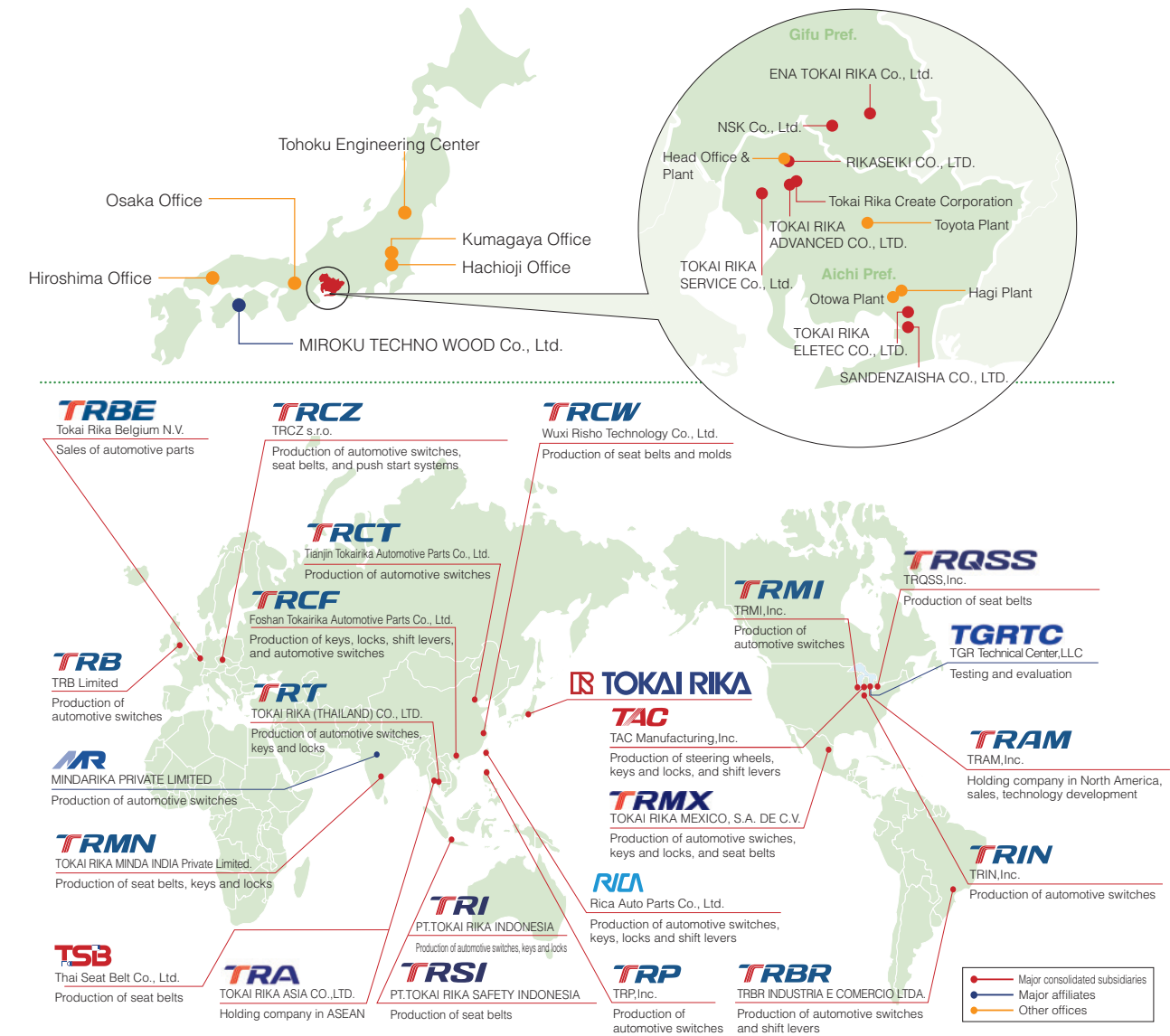


At the 69th annual general meeting of shareholders held on June 9, 2016, the Company's proposal to pay the year-end dividend to shareholders on the record date of March 31, 2016, was approved.

1	Year-end cash dividend	30 yen per share
2	Effective date for year-end dividend (payment commencement date)	June 10, 2016

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 RIKA CO., LTD.

Establishment:
August 30, 1948

Paid-in capital:
22.8 billion yen

Number of employees:
17,720 (consolidated)
6,061 (non-consolidated)

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

Consolidated subsidiaries:
38

Affiliates accounted for by the equity method:
5

Executive Management (as of June 9, 2016)

*President	Kenji Miura	Senior Managing Director	Yoshihiro Tanaka
*Executive Vice President	Yoshihiro Obayashi	Managing Director	Kazuhiko Noguchi
*Executive Vice President	Tadashi Wakiya	Managing Director	Toshimasa Yamamoto
Senior Managing Director	Masaharu Tanino	Director	Kiyomune Hayashi
Senior Managing Director	Kouji Buma	Director	Yasushi Yamanaka
Senior Managing Director	Koki Sato		
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	Shigeru Hayashi	Corporate Officer	Masato Hotta
Corporate Officer	Isaki Sugiura	Corporate Officer	Hiroshi Nishida
Corporate Officer	Kazuhiro Ikai	Corporate Officer	Yasutaka Watanabe
Corporate Officer	Toshiki Nogami	Corporate Officer	Hideki Ono
Corporate Officer	Toshiki Akita	Corporate Officer	Naohiko Inoue
Corporate Officer	Koki Imaeda	Corporate Officer	Masahiko Sato
Corporate Officer	Masami Nagaya		

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.

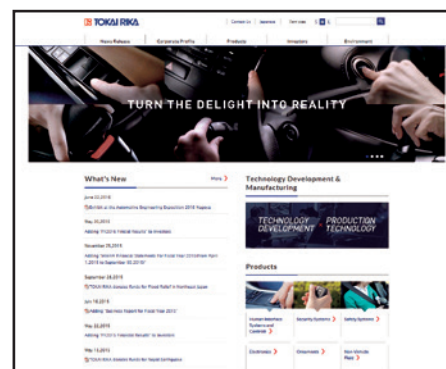
2. Address change, purchase and sale of shares constituting less than one trading unit, and specification of the method of receiving dividends

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.

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/en/>



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