

# Business Report for Fiscal Year 2010

(From April 1, 2009 to March 31, 2010)

*Turn the delight into reality* >>

 TOKAI RIKAI

TOKAI RIKAI CO.,LTD.



**Yuzo Ushiyama**  
President

**Kiyoshi Kinoshita**  
Chairman of the Board

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 2010 (from April 1, 2009 to March 31, 2010) and report on the challenges and opportunities ahead.

### Review of Operations

In the fiscal year under review, the global recession bottomed out thanks to the economic stimulus measures implemented by various countries and a moderate recovery took hold. In the automotive industry, although sales volumes decreased in the U.S. from the previous year's level, measures implemented by governments contributed to rising sales volumes in Europe, China, India, and Brazil. In Japan, despite sluggish sales at the beginning of the year owing to a deep recession, the government's incentives in the form of tax cuts and subsidies for purchases of environmentally friendly cars

boosted sales volumes to slightly above the previous year's level.

In these circumstances, through emergency measures to secure profits and a structural reform project launched at the end of 2008, Tokai Rika Group endeavored to strengthen product cost competitiveness and the fundamentals of subsidiaries in Japan and overseas, while developing products attuned to superior environmental performance and the needs of compact cars. We executed SE activities to enhance the efficiency

of manufacturing and also worked to raise the efficiency of indirect operations. In order to ensure high product quality to satisfy customer expectations, despite the challenging operating environment, we put into practice *jikotei kanketsu*—a concept of defect-free process completion to ensure that no defective product leaves any production process. While accelerating development of new products for next-generation automobiles in parallel with development of the key technologies they embody, we enhanced the supply system in emerging economies by expanding a factory in China and prepared for the start of operations at a new factory in India.

In financial results for the year under review, net sales decreased 6,403 million yen from the previous year to 331,014 million yen. Despite appreciation of the yen and other adverse factors, ongoing rationalization of operations led to higher profits. Ordinary income increased 19,352 million yen to 20,372 million yen and net income increased 11,540 million yen to 12,603 million yen.

The Company paid out an interim dividend of 8 yen per share in November 2009. The year-end dividend was 24 yen per share. As a result, total dividends for the year under review, including the interim dividend, amounted to 32 yen per share, unchanged from the previous year.

### Challenges and Opportunities

In view of the uncertain business environment, Tokai Rika Group forecasts sluggish automobile sales. Costs of vehicles and parts will come under increasing pressure as the center of gravity of the global automotive market continues to shift toward the emerging economies, making it more difficult to secure profits. In these circumstances, we intend to pursue structural reform. We will strive to strengthen advanced development of next-generation mainstream products, enhance the competitiveness of low-cost products, and configure the optimum production and supply chain alliance (SCA) worldwide. Ensuring high product quality to satisfy customer expectations remains our key policy, unchanged from the previous fiscal year. For this purpose, we intend to reinforce the quality infrastructure by vigorously implementing initiatives to prevent quality

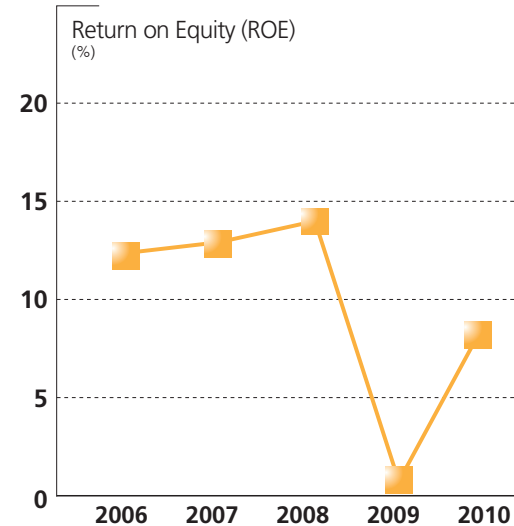
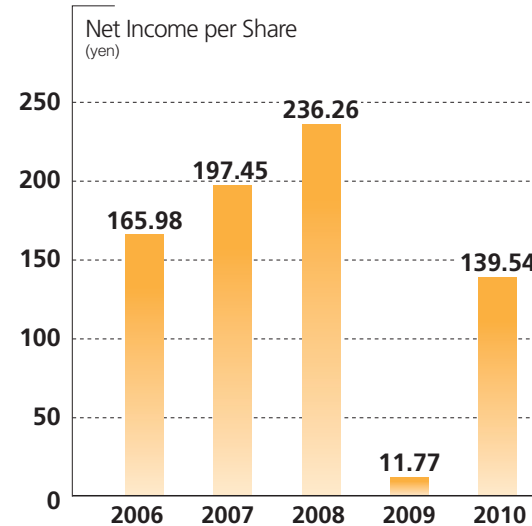
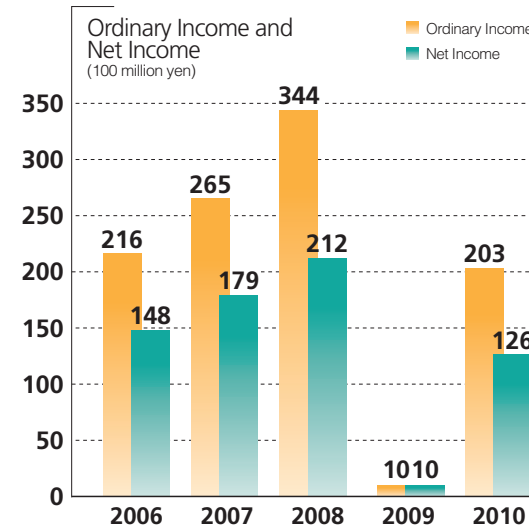
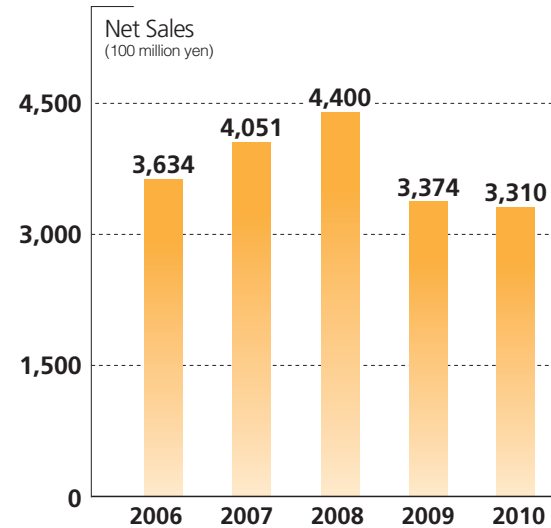
problems, establish a framework for global quality assurance, and rapidly deal with any field failures that arise.

We are resolved to make a Group-wide effort to tackle these challenges and achieve good results with “speed,” “execution” and “follow-up” as our watchwords. At the same time, we will strive to enhance corporate value by fulfilling our social responsibility, including legal compliance and social contribution.

In these endeavors devoted to the development of Tokai Rika, we ask our shareholders for their continued understanding and support.

June 2010

## » Consolidated Financial Highlights



## » Business Performance by Geographic Region

### Japan

Net sales decreased 1,714 million yen (0.7%) year on year to 244,399 million yen. Despite lower sales and the impact of the appreciation of the yen, operating income of 7,840 million yen was recorded, an improvement of 12,570 million yen from the operating loss for the previous year, owing to thorough rationalization.

### North America

Net sales increased 1,883 million yen (3.4%) year on year to 57,507 million yen. Despite the impact of appreciation of the yen, operating income of 1,496 million yen was recorded, an improvement of 4,339 million yen from the operating loss for the previous year, owing to higher sales and the impact of rationalization.

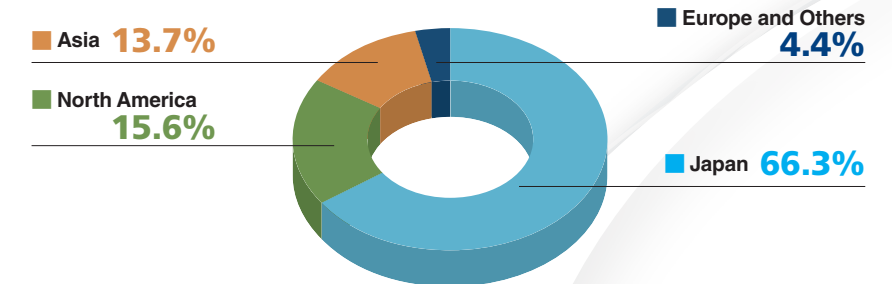
### Asia

Net sales increased 77 million yen (0.2%) year on year to 50,453 million yen. Operating income increased 49 million yen (0.7%) year on year to 7,189 million yen thanks to the impact of rationalization.

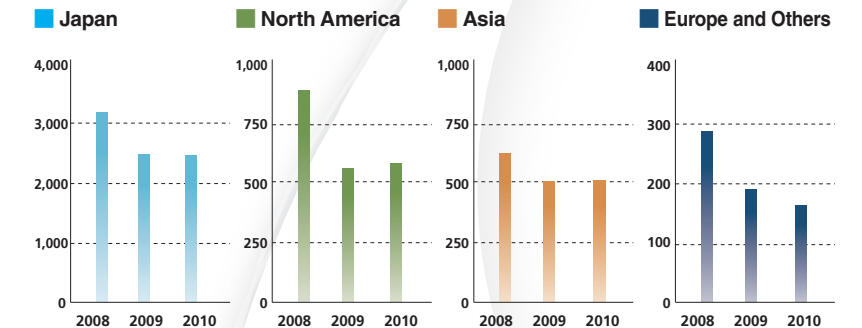
### Europe and Others

Net sales decreased 2,693 million yen (14.3%) year on year to 16,100 million yen. Despite the decrease in net sales, operating income increased 795 million yen (567.4%) to 935 million yen thanks to the impact of rationalization.

### Composition of Net Sales by Geographic Region

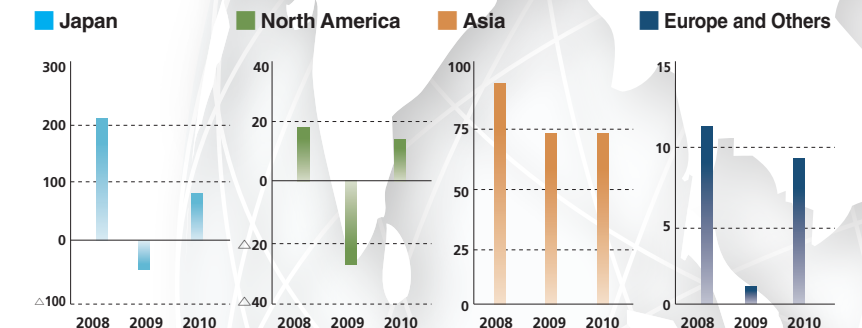


### Net Sales by Geographic Region (100 million yen)



\*Net sales include intersegment sales.

### Operating Income by Geographic Region (100 million yen)







### Technology Development Award from Toyota Motor

At Toyota Motor Corporation's global supplier convention held in February this year, Tokai Rika's Hydrogen Leak Tester received the Technology Development Award in recognition of its unique advanced technology. Use of this Hydrogen Leak Tester on production lines for plug-in hybrid vehicles will contribute to improvement of productivity.

### Construction completed of TRMN, a new factory in India

TOKAIRIKA MINDA INDIA Private Limited (TRMN), established in August 2008, is our second production base in India. Following completion of the construction of TRMN's plant, a handover ceremony was held on February 27. Facilities and equipment will be installed in preparation for trial mass production in the run-up to the start of full-scale operation of the factory scheduled for November 2010.



### Expansion of TRCF, a subsidiary in Guangzhou

We are now expanding the facilities of Foshan Tokairika Automotive Parts Co., Ltd. (TRCF), our manufacturing subsidiary in Guangdong province, China, following postponement of the project in response to the drastic deterioration of the operating environment in autumn 2008. We aim to increase the plant's production capacity by 50% to strengthen our ability to satisfy the needs of the rapidly evolving market in China. The work is scheduled for completion in September 2010.



### Second semiconductor plant up and running

Following the completion of our second semiconductor plant, we have been expanding production output of intelligent sensors (for highly reliable non-contact switches applied in hybrid vehicles and electric vehicles, for shifters, and for paddle switches) and custom ICs (for immobilizers etc.). As production has switched to two shifts (day and night), the capacity utilization rate has reached the initial level anticipated in the plan. The factory is scheduled to be operating at full capacity by 2012. By leveraging advances in ICs and sensor technologies for automotive applications, we intend to continue to offer our customers compact, sophisticated, highly reliable products for automobiles that are increasingly reliant on computerized controls.



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. In these three domains where people and automobiles intersect, we deliver comfort, safety and security by fully utilizing the underpinning 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 enable to enhance visibility.



Seatbelt Equipped with Pre-Tensioner



Door Mirror with Side-Turn Lamp and Foot Illumination



Real Wood Steering Wheel (\*)

## Electronics & Others

### Electronics & Others

#### Automotive Electronics Products



Power Supply ECU



La Lock, Halfway Immobilizer Key System

#### Automotive Accessories



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

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

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

\* 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, 2010	As of March 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>	<b>151,620</b>	<b>97,523</b>
Cash and cash equivalents	23,484	16,060
Notes and accounts receivable	59,796	35,766
Marketable securities	34,811	12,564
Inventories	21,640	20,349
Other	11,887	12,782
<b>Fixed assets</b>	<b>118,117</b>	<b>129,061</b>
<b>Tangible fixed assets</b>	<b>74,113</b>	<b>80,057</b>
Buildings and structures	27,933	27,689
Other	46,179	52,367
<b>Intangible fixed assets</b>	<b>2,518</b>	<b>3,136</b>
<b>Investments and other assets</b>	<b>41,485</b>	<b>45,867</b>
<b>Total assets</b>	<b>269,737</b>	<b>226,584</b>

	As of March 31, 2010	As of March 31, 2009
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>79,789</b>	<b>56,630</b>
Notes and accounts payable	46,250	28,928
Accrued expenses	10,349	7,741
Other	23,189	19,959
<b>Long-term liabilities</b>	<b>26,397</b>	<b>19,574</b>
Long-term borrowings	8,286	1,308
Liability for retirement benefits	17,094	17,360
Other	1,014	905
<b>Total liabilities</b>	<b>106,187</b>	<b>76,204</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>	<b>164,189</b>	<b>153,069</b>
Common stock	22,856	22,856
Capital surplus	25,134	25,142
Retained earnings	123,234	112,118
Less: Treasury stock, at cost	(7,035)	(7,047)
<b>Valuation and translation adjustments</b>	<b>(4,908)</b>	<b>(6,246)</b>
Net unrealized gain on available-for-sale securities	507	(1,322)
Foreign currency translation adjustments	(5,415)	(4,923)
<b>Stock acquisition rights</b>	<b>524</b>	<b>360</b>
<b>Minority interests</b>	<b>3,744</b>	<b>3,196</b>
<b>Total net assets</b>	<b>163,550</b>	<b>150,379</b>
<b>Total liabilities and net assets</b>	<b>269,737</b>	<b>226,584</b>

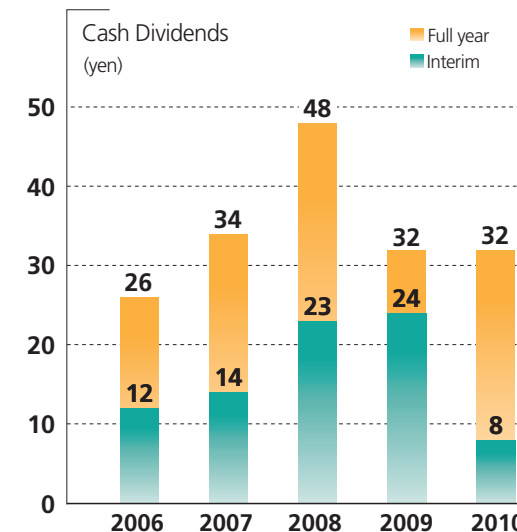
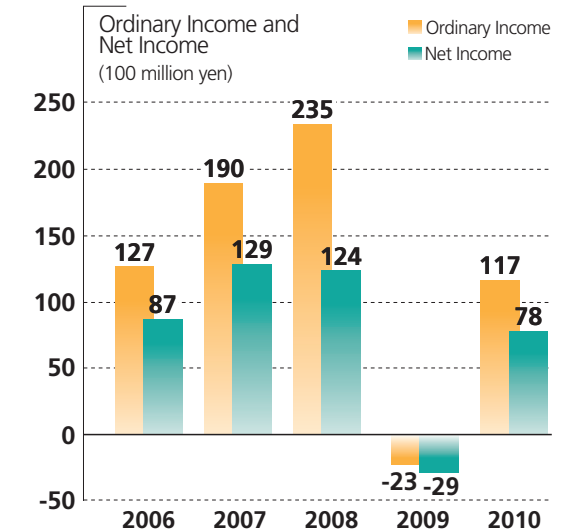
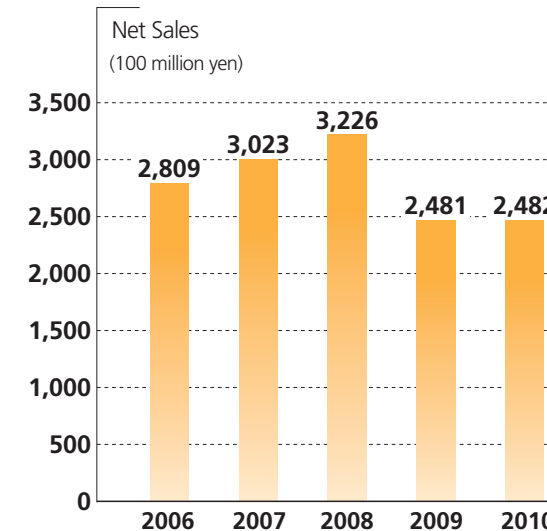
### Consolidated Statements of Income (Millions of yen)

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Net sales</b>	<b>331,014</b>	<b>337,417</b>
<b>Cost of sales</b>	<b>283,607</b>	<b>302,710</b>
<b>Gross profit</b>	<b>47,406</b>	<b>34,706</b>
Selling, general and administrative expenses	29,374	33,895
<b>Operating income</b>	<b>18,032</b>	<b>811</b>
<b>Non-operating income</b>	<b>2,847</b>	<b>1,795</b>
<b>Non-operating expenses</b>	<b>506</b>	<b>1,586</b>
<b>Ordinary income</b>	<b>20,372</b>	<b>1,020</b>
<b>Extraordinary gains</b>	<b>14</b>	<b>1</b>
<b>Extraordinary losses</b>	<b>54</b>	<b>118</b>
<b>Income before income taxes and minority interests</b>	<b>20,331</b>	<b>902</b>
Income taxes—current	5,605	132
Income taxes—deferred	1,409	(1,034)
Minority interests in income	713	741
<b>Net income</b>	<b>12,603</b>	<b>1,063</b>

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

	Year ended March 31, 2010	Year ended March 31, 2009
<b>Cash flows from operating activities</b>	<b>32,650</b>	<b>20,066</b>
<b>Cash flows from investing activities</b>	<b>(9,213)</b>	<b>(25,253)</b>
<b>Cash flows from financing activities</b>	<b>5,612</b>	<b>(3,720)</b>
Effect of foreign currency translation adjustments on cash and cash equivalents	271	(1,667)
<b>Net increase in cash and cash equivalents</b>	<b>29,320</b>	<b>(10,574)</b>
Cash and cash equivalents at beginning of year	25,008	35,419
Increase in cash and cash equivalents from newly consolidated subsidiary	—	80
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(12)
<b>Increase in cash and cash equivalents resulting from merger</b>	<b>—</b>	<b>94</b>
<b>Cash and cash equivalents at end of year</b>	<b>54,329</b>	<b>25,008</b>

## » Non-consolidated Financial Highlights



### Year-end Cash Dividend

At the 63rd annual general meeting of shareholders held on June 22, 2010, the Company's proposal to pay the year-end dividend to shareholders on the record date of March 31, 2010, was approved.

1	Year-end cash dividend	24 yen per share
2	Effective date (Date on which payment of year-end dividends starts)	June 23, 2010

## » Stock Information (as of March 31, 2010)

### 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

10,324

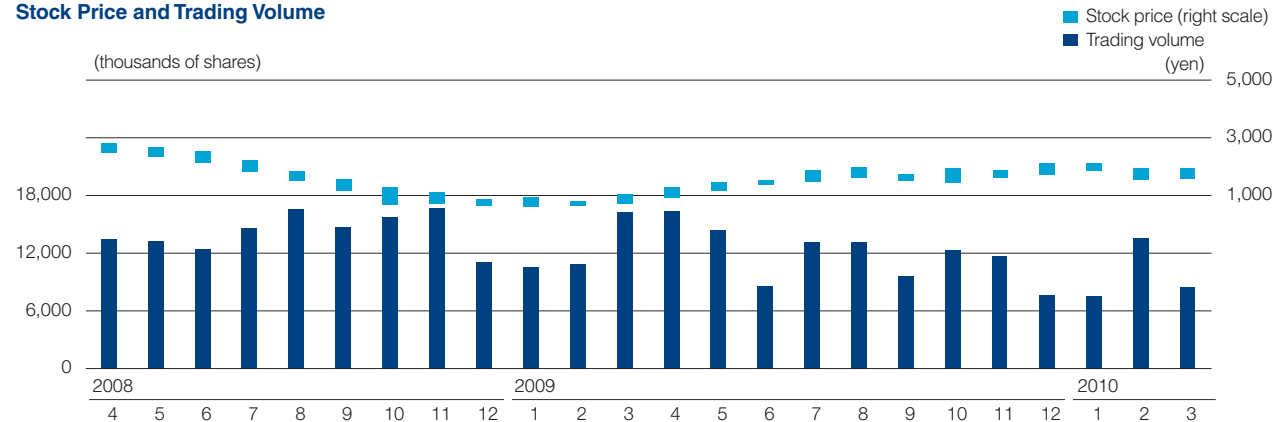
### Major shareholders (Top 10)

Shareholder	Number of shares (thousands of shares)	Equity participation (%)
Toyota Motor Corporation	29,367	31.16
Denso Corporation	8,839	9.38
Japan Trustee Services Bank, Ltd. (Trust Account)	8,637	9.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,722	5.01
The Dai-ichi Mutual Life Insurance Company	2,375	2.52
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,014	1.07
Tokai Rika Employee Stock Ownership Plan	834	0.88
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	805	0.85
CB London RE Fund 116	799	0.84
Aioi Insurance Co., Ltd.	730	0.77

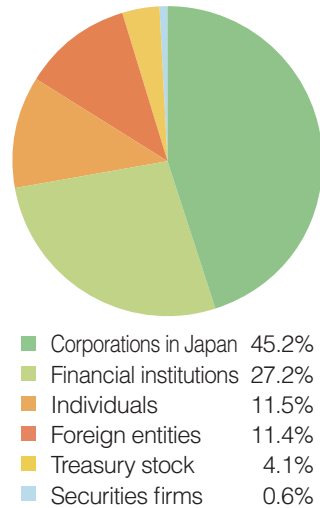
Notes: 1. The Company holds 3,910 thousand shares of treasury stock but is excluded from the major shareholders listed above.

2. The Dai-ichi Mutual Life Insurance Company changed its trade name to The Dai-ichi Life Insurance Company, Limited as of April 1, 2010.

### Stock Price and Trading Volume



Composition of Shareholders by Shareholder Type



## » Corporate Profile

### Corporate Overview (as of March 31, 2010)

<b>Paid-in capital:</b>	22.8 billion yen
<b>Number of employees:</b>	15,028 (consolidated) 6,054 (non-consolidated)
<b>Head office:</b>	3-260 Toyota, Oguchi-cho, Niwa-gun, Aichi 480-0195, Japan Tel: +81-587-95-5211
<b>Main plants and offices:</b>	Head Plant, Nishibiwajima Plant, Toyota Plant, Otowa Plant, Hagi Plant (These 5 plants are in Aichi prefecture) Tokyo Office (Yokohama), Osaka Office (Osaka), Hiroshima Office (Hiroshima prefecture) Tohoku Technical Center (Yamagata prefecture)
<b>Consolidated subsidiaries:</b>	28 (8 in Japan, 6 in North America, 10 in Asia, 4 in Europe and elsewhere)
<b>Affiliates accounted for by the equity method:</b>	6 (3 in Japan, 1 in North America, 2 in Asia)

### Main Overseas Consolidated Subsidiaries and Associated Companies



Consolidated Subsidiaries		
TRAM, Inc.	U.S.A.	TOKAI RIKAI (THAILAND) CO., LTD.
TRMI, Inc.	U.S.A.	Thai Seat Belt Co., Ltd.
TAC Manufacturing, Inc.	U.S.A.	TOKAI RIKAI MINDA INDIA Private Limited
TRIN, Inc.	U.S.A.	TRB Limited
Quality Safety Systems Company	Canada	TRCZ s.r.o.
Tianjin Tokairika Automotive Parts Co., Ltd.	China	Tokai Rika Belgium N.V.
Wuxi Risho Technology Co., Ltd.	China	TRBR INDUSTRIA E COMERCIO LTDA.
Foshan Tokairika Automotive Parts Co., Ltd.	China	
Rica Auto Parts Co., Ltd.	Taiwan	Associated Companies
TRP, Inc.	Philippines	TGR Technical Center, LLC
TOKAI RIKAI ASIA CO., LTD.	Thailand	Shinchang Electrics Co., Ltd.
		STF Co., Ltd.
		MINDARIKA PRIVATE LIMITED

### Directors and Corporate Auditors

(as of June 22, 2010)

Chairman of the Board	Kiyoshi Kinoshita
President	Yuzo Ushiyama
Executive Vice President	Takaoki Tsuchiya
Executive Vice President	Shigeru Kato
Senior Managing Director	Yoshiteru Sasaki
Senior Managing Director	Takafumi Mizuno
Senior Managing Director	Kiyoshi Tsunekawa
Senior Managing Director	Makoto Goto
Senior Managing Director	Hitoshi Iwata
Managing Director	Mineo Hattori
Managing Director	Shoji Ishida
Managing Director	Tadanao Hamamoto
Managing Director	Hitoshi Hirano
Managing Director	Mikihiko Mori
Managing Director	Kenji Kawaguchi
Director	Hiroyuki Nakamura
Director	Tadashi Wakiya
Director	Kouji Buma
Director	Yoshihiro Obayashi
Director	Masaharu Tanino
Director	Masaki Matsuyama
Director	Kouki Sato
Full-time Corporate Auditor	Kazuhisa Kubota
Full-time Corporate Auditor	Hiroshi Nishio
Corporate Auditor	Yoshio Uesaka
Corporate Auditor	Mitsuhsa Kato
Corporate Auditor	Shinji Shirasaki



# 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>Registration of transfer of shares:</b>	
<b>Transfer agent:</b>	The Chuo Mitsui Trust and Banking Co., Ltd. 3-33-1 Shiba, Minato-ku, Tokyo
<b>Agency administration office:</b>	Stock Transfer Agent Department, Nagoya Branch, The Chuo Mitsui Trust and Banking Co., Ltd. 3-15-33 Sakae, Naka-ku, Nagoya 460-8685, Japan Tel: 0120-78-2031 (Toll free in Japan)
<b>Listing stock exchanges:</b>	Tokyo Stock Exchange, Nagoya Stock Exchange
<b>Method of public notice:</b>	Electronic public notice If electronic public notice is unavailable, the Company shall post a public notice in the Nihon Keizai Shimbun. (Public notices will be posted on the following website) <a href="http://www.tokai-rika.co.jp/">http://www.tokai-rika.co.jp/</a>

## 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/>



## Notice:

### 1. Receipt of uncollected dividends

Please contact the transfer agent indicated above.

### 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 The Chuo Mitsui Trust and Banking Co., Ltd., which is the agent for managing special accounts.

- Toll-free number: 0120-87-2031 (24 hours, automated voice guidance)
- Website: [http://www.chuomitsui.co.jp/person/p\\_06.html](http://www.chuomitsui.co.jp/person/p_06.html)

### 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. Starting this year, the Company also sends a dividend statement upon payment of dividends to shareholders who receive dividends with a dividend warrant.

Please retain the dividend statement for your final tax return.

