

# Business Report for Fiscal Year 2013

(From April 1, 2012 to March 31, 2013)

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 2013 (from April 1, 2012 to March 31, 2013) and report on the challenges and opportunities ahead.



**Yuzo Ushiyama**  
President

### Review of Operations

In the fiscal year under review, the world economy grew at a modest pace overall. The European economies remained stagnant due to the sovereign debt crisis and growth of certain emerging economies such as China and India slowed. On the other hand, the U.S. economy was supported by buoyant personal consumption and residential investment and in Japan, demand was boosted by the subsidy program for purchasers of environmentally friendly vehicles and construction associated with recovery from the Great East Japan Earthquake. In addition, weakening of the yen and an upward trend in the stock market from the end of 2012 had a positive impact on the Japanese economy.

In the automotive industry, while demand in Europe remained sluggish, demand for replacements in the U.S. was robust, supported by the brisk economy and auto sales volumes in Japan increased, assisted by government policies such as the eco-car subsidy program. Regarding emerging economies, sales volumes continued to increase at a moderate rate in China, India, and Brazil, and sales volumes in Thailand surged following the introduction of a subsidy program by the Thai government for purchases of new vehicles and also as an aftermath of the flooding in the previous year. As a result, worldwide auto sales volumes increased from the previous year.

In order to address the changing business environment—notably the ongoing expansion of emerging economies, the diversification of needs, the continuing shift of car manufacturing overseas, and intensifying price competition globally—Tokai Rika Group implemented a growth strategy focused on four key themes: quality, new product development, prevailing in Asia, and reinforcing the management constitution. Specifically, we meticulously reflected the actual usage of vehicles in markets around the world into our product design and evaluation and created new products attuned to user and market needs. We established a new seatbelt manufacturing company in Indonesia where the market is rapidly growing. In addition, we sought to establish a

simple business structure capable of flexibly responding to change in the business environment and took action to reduce fixed costs.

Regarding financial results for the year under review, net sales increased 52,355 million yen or 16.4% year on year to 371,932 million yen. Ordinary income increased 9,528 million yen or 63.6% to 24,505 million yen thanks to gains from high utilization due to increased net sales and the impact of initiatives to reduce costs. Net income,

### Challenges and Opportunities

With regard to the world economy, domestic demand in the U.S. is expected to remain firm and the Chinese economy will likely continue to achieve modest growth thanks to the government's economic stimulus measures. Domestic demand is expected to be the principal driver of economic growth in Thailand and Indonesia. On the other hand, European economies are expected to remain stagnant owing to low personal consumption and tight fiscal policy. The shift of the Japanese economy onto a recovery path is expected to become evident, assisted by an improved export environment following the weakening of the yen, as well as by large government expenditures and a spike in demand in the run-up to the increase in the consumption tax. Overall, continued growth of the world economy at a modest pace is in prospect. However, there may still be the need to be cautious as the stagnation in the European economies could undermine the exports of China, India and other emerging economies.

In the automotive industry, auto sales volumes are expected to be lower in Japan as an aftermath to the spike in 2012 attributable to the eco-car subsidy program, and will likely remain subdued in Europe where personal consumption are low. In contrast, auto sales volumes are expected to be robust in the U.S., China, India, the ASEAN countries and other emerging-market countries. Overall, although worldwide auto sales

however, decreased 2,936 million yen or 36.1% to 5,187 million yen, because the Company recorded a provision for product warranties as an extraordinary loss in line with product recall on the customer side.

The Company paid out an interim dividend of 14 yen per share in November 2012. The year-end dividend was 18 yen per share. As a result, total dividends for the year under review, including the interim dividend, amounted to 32 yen per share, 2 yen higher than for the previous year.

volumes are expected to continue increasing, the rate of growth is expected to slow.

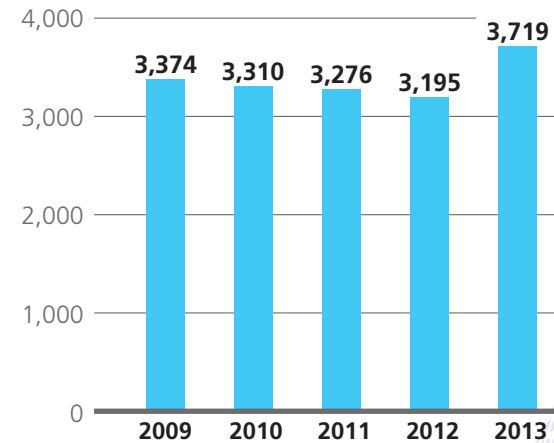
Despite positive developments, such as the weakening of the yen, the Group's business environment is expected to remain challenging in view of intensifying competition in the global automotive industry as well as the shrinking of the Japanese automotive market and uncertainty of the future posed to auto sales by the stagnation in the European economies.

In these circumstances, we will accord priority to strengthening product competitiveness and reinforcing the earning power of each of our operations. Specifically, we will strive to expand the scope of our initiatives to prevent major trouble occurring in our operations overseas and also at our suppliers with the aim of further improving quality, create new products to respond to the rapid evolution of automobiles, and work to strengthen cost competitiveness by reducing costs. By strengthening the fundamentals of all business operations in Japan and overseas, promoting local procurement and local production, and by deploying a system whereby our operations complement one another, we will endeavor to rigorously control fixed costs and establish a simple yet robust foundation for further development of the business.

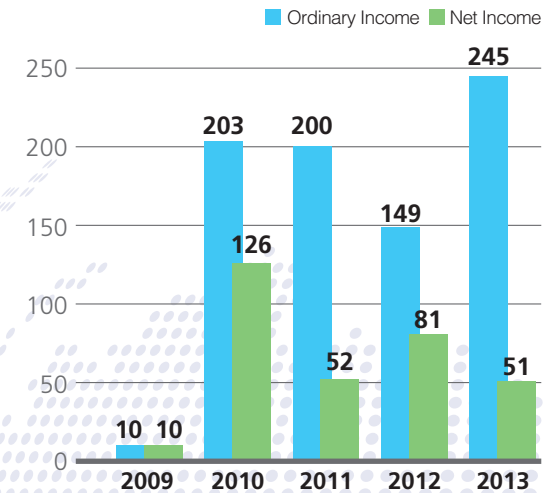
In these endeavors, we request our shareholders to favor us with their continued support and guidance.

## Consolidated Financial Highlights

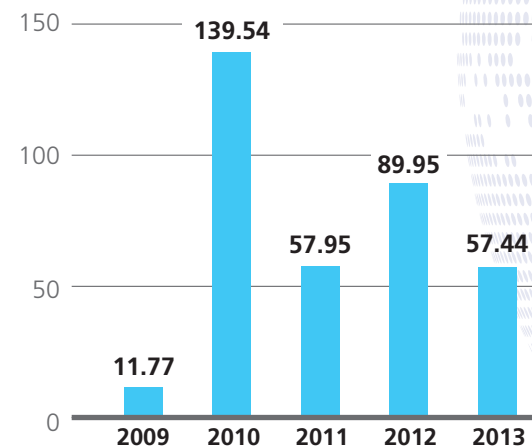
### Net Sales (100 million yen)



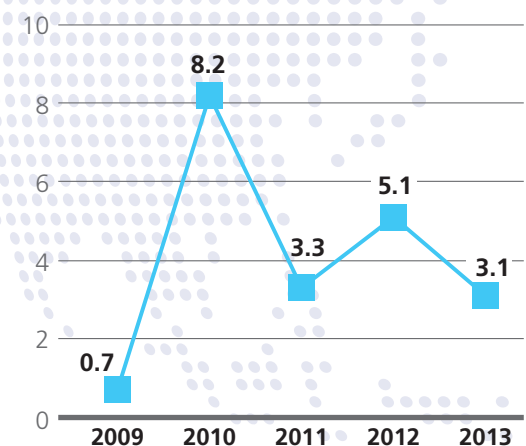
### Ordinary Income and Net Income (100 million yen)



### Net Income per Share (Yen)



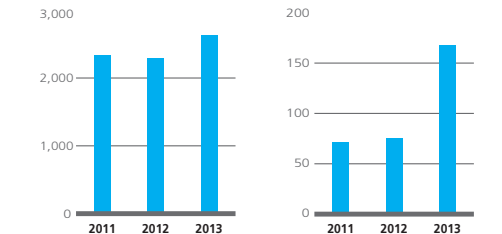
### Return on Equity (ROE) (%)



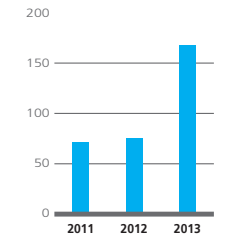
## Business Performance by Geographic Region

### Results by Geographical Region

#### Net Sales (100 million yen)



#### Operating Income (100 million yen)



### Japan

#### Composition of Net Sales

62.8%

Net sales increased 33,827 million yen (14.7%) year on year to 263,660 million yen. Operating income surged 9,170 million yen (122.9%) to 16,632 million yen owing to increased sales and vigorous rationalization.

### North America

#### Composition of Net Sales

16.1%

Net sales rose 14,053 million yen (26.3%) year on year to 67,482 million yen, mainly due to an increase in customers' production volumes. Operating income soared 1,098 million yen (405.1%) to 1,368 million yen, reflecting higher sales.

### Asia

#### Composition of Net Sales

17.1%

Net sales increased 14,036 million yen (24.3%) year on year to 71,769 million yen, mainly due to an increase in customers' production volumes. Operating income increased 533 million yen (10.1%) to 5,803 million yen.

### Europe and elsewhere

#### Composition of Net Sales

4.0%

Net sales increased 413 million yen (2.5%) year on year to 16,783 million yen. An operating loss of 42 million yen was recorded compared with operating income of 52 million yen for the previous year.

\*Net sales include intersegment sales.



## Transfer Technology for Decorative Panels Receives Award from Toyota Motor Corporation

In January 2013, Tokai Rika's project for producing gold-thread-woven-style decorative panels by 3D dry transfer printing received an award in the technology category from Toyota Motor Corporation at the line-off ceremony of the new Crown. This technology enables transfer with high-precision positioning. Applying sequential patterns to various components creates a sense of consistency of the decor that contributes to the enhancement of the attractiveness of the product.



## Tokai Rika Joins Tree-planting Event Commemorating Local Community's 50th Anniversary

In March 2013, Oguchi-cho, Niwa-gun, Aichi Prefecture, where Tokai Rika's head office is located, celebrated the 50th anniversary of the municipality with a tree-planting event. Our employees volunteered to help prepare for this event and take part in planting trees. Nearly 200 people, including our employees, planted some 450 oak saplings.



## New Plant of Indonesian Subsidiary TRI

Construction of a new plant of subsidiary PT. Tokai Rika Indonesia (TRI) in an industrial park in Bekasi, West Java, Indonesia, was completed in April 2013. In preparation for the start of full-scale operation this autumn, equipment and facilities are being installed. The production capacity of this new plant will be increased to serve the expanding Indonesian market.



## Tokai Rika Create Corporation Became a Subsidiary

In November 2012, Tokai Rika Create Corporation (Create), which had been an affiliate, became a consolidated subsidiary. In a challenging business environment subject to fluctuating foreign currency exchange rates and raw material prices, we are establishing a delivery structure capable of flexibly responding to needs, such as for high-mix low-volume production, by capitalizing on Create's trading company functions in our material procurement. Through consolidated management, we aim to strengthen the relationship with Create to enhance corporate value.

### Major merchandise



Various industrial materials



Components for agricultural and construction equipment



Housing Equipment

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

## 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\*

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

## 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 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.



## Consolidated Financial Statements

### Consolidated Balance Sheets (Millions of yen)

	As of March 31, 2013	As of March 31, 2012
<b>ASSETS</b>		
<b>Current assets</b>	<b>178,585</b>	<b>156,598</b>
Cash and deposits	27,143	21,749
Notes and accounts receivable	50,658	54,954
Electronically recorded monetary claims-operating	10,674	4,627
Marketable securities	47,089	40,243
Inventories	26,844	23,004
Other current assets	16,174	12,018
<b>Fixed assets</b>	<b>129,454</b>	<b>116,619</b>
Tangible fixed assets	82,279	72,870
Intangible fixed assets	1,617	1,601
Inventories and other assets	45,557	42,147
Investment securities	30,877	26,705
Other	14,679	15,441
<b>Total assets</b>	<b>308,039</b>	<b>273,217</b>

	As of March 31, 2013	As of March 31, 2012
<b>LIABILITIES</b>		
<b>Current liabilities</b>	<b>99,674</b>	<b>84,340</b>
Notes and accounts payable	52,575	50,240
Short-term borrowings	5,867	7,234
Other current liabilities	41,231	26,865
<b>Long-term liabilities</b>	<b>24,489</b>	<b>23,678</b>
Long-term borrowings	5,755	5,956
Other long-term liabilities	18,733	17,722
<b>Total liabilities</b>	<b>124,164</b>	<b>108,018</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>	<b>174,431</b>	<b>171,375</b>
Common stock	22,856	22,856
Capital surplus	25,135	25,134
Retained earnings	133,479	130,434
Less: Treasury stock, at cost	(7,039)	(7,049)
<b>Accumulated other comprehensive income</b>	<b>(381)</b>	<b>(10,293)</b>
Net unrealized loss on available-for-sale securities	1,865	(278)
Foreign currency translation adjustments	(2,246)	(10,015)
<b>Stock acquisition rights</b>	<b>642</b>	<b>777</b>
<b>Minority interests</b>	<b>9,182</b>	<b>3,339</b>
<b>Total net assets</b>	<b>183,875</b>	<b>165,198</b>
<b>Total liabilities and net assets</b>	<b>308,039</b>	<b>273,217</b>

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Net sales</b>	<b>371,932</b>	<b>319,577</b>
Cost of sales	320,269	280,552
Gross profit	51,663	39,025
Selling, general and administrative expenses	28,424	25,868
<b>Operating income</b>	<b>23,238</b>	<b>13,156</b>
Non-operating income	1,704	2,364
Non-operating expenses	438	543
<b>Ordinary income</b>	<b>24,505</b>	<b>14,977</b>
Extraordinary gains	818	103
Extraordinary losses	15,700	524
<b>Income before income taxes and minority interests</b>	<b>9,622</b>	<b>14,556</b>
Income taxes-current	6,729	2,734
Income taxes-deferred	(2,822)	3,587
<b>Income before minority interests</b>	<b>5,715</b>	<b>8,234</b>
Minority interests in income	527	110
<b>Net income</b>	<b>5,187</b>	<b>8,123</b>

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Cash flows from operating activities</b>	<b>32,767</b>	<b>13,833</b>
<b>Cash flows from investing activities</b>	<b>(18,487)</b>	<b>(22,341)</b>
<b>Cash flows from financing activities</b>	<b>(5,005)</b>	<b>(1,827)</b>
Effect of foreign currency translation adjustments on cash and cash equivalents	2,366	(545)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,640</b>	<b>(10,881)</b>
Cash and cash equivalents at beginning of year	56,581	67,462
<b>Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries</b>	<b>(112)</b>	<b>—</b>
<b>Cash and cash equivalents at end of year</b>	<b>68,110</b>	<b>56,581</b>

## Stock Information/Dividends

### Stock Information (as of March 31, 2013)

#### Total number of shares

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

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

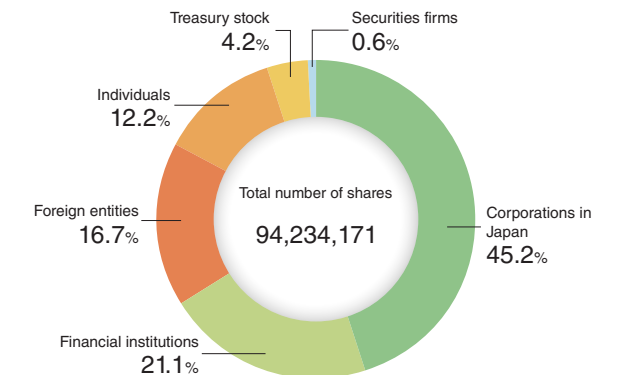
Number of shareholders: 8,983

#### Major shareholders (Top 10)

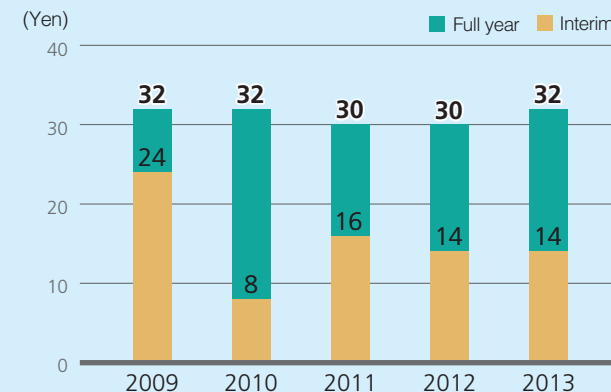
Shareholder	Number of shares (thousands of shares)	Equity participation (%)
Toyota Motor Corporation	29,367	31.16
Denso Corporation	8,839	9.38
Japan Trustee Services Bank, Ltd. (Trust Account)	4,036	4.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,978	4.22
The Dai-ichi Life Insurance Company, Limited	2,275	2.41
Northern Trust Company AVFC Re Northern Trust Guernsey Irish Clients	1,435	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,289	1.36
Tokai Rika Employee Stock Ownership Plan	1,172	1.24
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1,029	1.09
Tokai Rika Kyoeikai	842	0.89

Note: The Company holds 3,915 thousand shares of treasury stock but is excluded from the major shareholders stated above.

#### Composition of Shareholders by Shareholder Type



### Cash Dividends

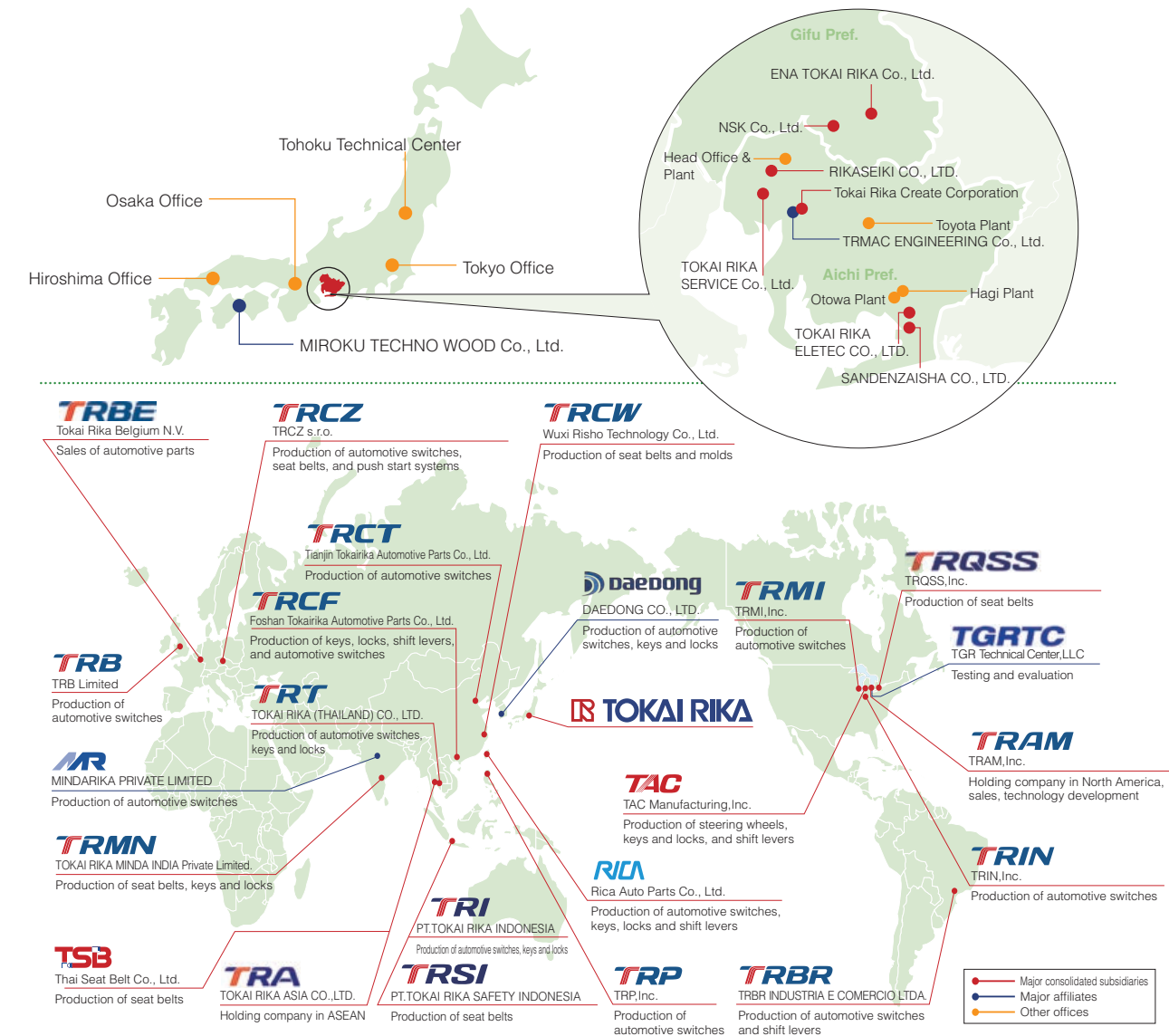


**At the 66th annual general meeting of shareholders held on June 12, 2013, the Company's proposal to pay the year-end dividend to shareholders on the record date of March 31, 2013, was approved.**

1	Year-end cash dividend	18 yen per share
2	Effective date for year-end dividend (payment commencement date)	June 13, 2013

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:**  
16,192 (consolidated)  
5,971 (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, 2013)

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

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.