

Integrated Report 2024



CONTENTS

▶ On issuance

EXEDY decides to publish an Integrated Report to provide investors and other stakeholders about the value-creation process, including financial and non-financial information in a narrative manner. This issue contains the medium- to long-term strategy published in April 2024 and the updated version of the same strategy published in October of the same year, the results of the monitoring of our company's management by outside directors, and requests from major shareholders and our response measures, so please take a look. We will continue to disclose information to our stakeholders in a timely and accurate manner. Finally, we hereby state that the process used to prepare this report is justified.

Hiroshi Toyohara

Representative Director, Senior Executive Managing Officer
Executive General Manager of Administrative Headquarters



• Editorial Policy

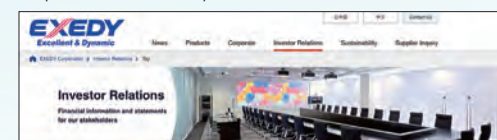
In addition to providing financial information such as business performance, business results, and management strategies, this Integrated Report also includes non-financial information on ESG (Environmental, Social, and Governance) initiatives in support of sustainable growth. For publishing this Integrated Report, we referred to "International Integrated Reporting Framework" proposed by the International Integrated Reporting Council (IIRC) and the "Guidance for Integrated Corporate Disclosure and Company-investor Dialogue for Collaborative Value Creation" issued by the Ministry of Economy, Trade and Industry (METI). For more detailed information on our environmental reports, etc., please refer to the "Sustainability" section on our corporate website.

• Cautionary Note Regarding Future Outlook

The non-historical facts contained in this report are forward-looking statements based on estimates and plans. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and performance to be different from those described in this report.

• Position of the Integrated Report

Financial Statements
EXEDY Homepage
Investor Relations
<https://www.exedy.com/en/stockholder/>



• Scope of Reporting

Target organization: EXEDY Corporation and the EXEDY Group (Where "EXEDY Corporation" or " (non-consolidated)" is indicated, it refers to EXEDY Corporation on a non-consolidated basis.

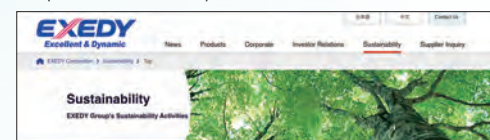
Reporting period: Primary reporting period is FY2023 (April 2023 - March 2024), partially includes activities after April 2024.

Target readers: all stakeholders of the EXEDY Group

• Terms Used in the Integrated Report
(names of different types of electric vehicles)

BEV: Battery Electric Vehicle
HEV: Hybrid Electric Vehicle

Non-Financial Information
EXEDY Homepage
Sustainability
<https://www.exedy.com/en/csr/>



Integrated Report



Financial Results /
Notice for Convocation of
Annual Shareholders
Meeting, etc.

Corporate Governance /
Respect for Human Rights /
Our Contributions to
Society, etc.



Index and Logical Structure

This report uses the following logical structure to explain EXEDY's value creation story.

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Chapter 1: Message from Top Management	4	■The President's Determination Under the title "EXEDY's mid- to long-term strategy with the Determination to 'REVOLUTION,'" President Yoshinaga introduces, in his own words, how EXEDY is improve corporate value through dialogue with stakeholders.
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Chapter 3: Strategy for strengthening management capital	42	■Strengthening management capital to promote mid- to long-term strategies The six types of management capital that we have built up will serve as capital to increase our corporate value through our business activities. We will introduce strategies to strengthen these management capitals that are necessary for promoting our mid- to long-term strategies. In addition, the section on financial capital also explains the requests we received during dialogue with major shareholders and the measures we took to address them.
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A year of improved business performance and stock price

About a year has passed since I declared in the Integrated Report 2023 published on March 28 last year, "Please look forward to the EXEDY Group's 'REVOLUTION' in fiscal year 2024 and beyond. At that time, the stock price was 3,025 yen (PBR: 0.61), sales for the fiscal year ended March 2024 were 308.3 billion yen, and the current loss was 10 billion yen. We then announced our mid- to long-term strategy in April 2024 and, as a result of painful structural reforms and optimization of our production system, we expect to exceed our initial plans for the fiscal year ending March 2025, with sales of 300 billion yen and net income of 11.5 billion yen. The stock price has also risen to 4,745 yen (PBR: 0.96) (as of February 14, 2025), approaching a PBR of just 1.0. Given that we improved our share price and business performance, I believe that this year was one in which we were able to meet the expectations of our stakeholders.

In particular, the events that had a significant impact on our share price were the "dissolution of capital alliance with our largest shareholder and secondary offering" and the "announcement and update of our mid- to long-term strategy," so I would like to explain the background to each of these events and our thoughts on them.

Five-year preparation period for dissolving capital alliance with largest shareholder

First, I would like to explain the background to and our thoughts on the dissolution of the capital alliance with AISIN CORPORATION ("AISIN"), our largest shareholder. In May 2024, we announced the dissolution of our capital alliance with AISIN and the sale of all of our shares held by AISIN group. At the time, we received a number of concerns from stakeholders, as the party dissolving the company was the largest shareholder. Given that the AT business, which had been growing, began to slow down around 2019 due to China's BEV policy and other factors, we assumed that AISIN would eventually make an offer to sell our shares. This is because the purpose of the capital alliance with the company was to globally expand its automatic transmission business for automatic vehicles, and no synergy effects were expected in the electrification business that both parties were pursuing. So we have been preparing for that day.

The first step was to develop a Long-term Vision. In 2019, our business was in a passive posture from the automakers, so we did not have a long-term plan in place for more than three years.

Therefore, after two years of discussion at the Management Committee and Board of Directors meetings, in July 2021 we announced our Long-term Vision, which is based on business portfolio transformation and the creation of new businesses. Under this vision, we have been

working on new business creation activities, such as holding new business idea contests, establishing a new business department, setting up a Silicon Valley office, and investing in domestic and overseas startups. We have also strengthened our efforts to increase corporate value, including sustainability activities through improving our ESG rankings in external evaluations by FTSE and CDP, and IR activities such as issuing an integrated report.

Then, in June 2023, AISIN made an offer to sell our company shares. Taking into consideration the market impact at the time of sale, the number of shares offered was only a portion of the shares held. However, as we were concerned that AISIN's remaining shares would weigh on the share price in the future, and given that we had been making preparations in anticipation of this offer, we asked AISIN to sell all of its shares, which led to the sale of all of its shares. This is the background to this matter. Although we dissolved our capital alliance last year, AISIN remains a major supplier of torque converters to us, and we continue to have a good relationship, so we hope that our stakeholders can rest assured.

Announcement of mid- to long-term strategy with determination to "REVOLUTION"

Next, I would like to explain the background and our thinking behind our mid- to long-term strategy that we announced in April 2024. Although we had been making preparations, the offering would have involved approximately 35% of our issued shares, and there was a risk that it would have a negative impact on our share price. Therefore, in order to help individual investors, mainly those with a medium to long-term intention to hold shares, understand our corporate value creation story, including our corporate philosophy and strengths, we spent six months developing a mid- to long-term strategy and announced it in April 2024*1. At the time, we announced its mid-term management plan REVOLUTION2026, which has the slogan "REVOLUTION," a loss for fiscal year 2023 due to an impairment loss of 32.2 billion yen, and efforts to increase corporate value by implementing business strategies, financial strategies, ESG strategies, and IR policies. All of these are firsts for our company. It was the first time that we had published a mid management plan, the first time that we had posted a loss, and the first time that I, as president, had explained to investors "Action to Implement Management

*1: Details are explained on pages 26 to 41.

that is Conscious of the Cost of Capital and the Stock Price." The aim of these efforts was to make investors aware of our determination to bring about "REVOLUTION." As a result, given that our share price has progressed steadily since the offering and that this offering was ranked fourth in the equity category of Nikkei Veritas' "Deal of the Year 2024, Selected by Professionals," we believe that this series of efforts has been appropriately evaluated by investors.

Update of mid- to long-term strategy prompted by dialogue with major shareholders

Next, I would like to explain the background and our thinking behind the update to our mid- to long-term strategy announced in October 2024. This update came just six months after the announcement in April 2024, but the main update is to our financial strategy, and the impetus for this was the dialogue we had with a major overseas shareholder in June 2024. The shareholder proposed that "the main reason our PBR is below 1 is our low ROE, and our equity ratio is too high. You should reconsider your optimal capital structure, and as a way to achieve it, you should consider using financial leverage and increasing shareholder returns." We had also expressed a similar concern and had clearly stated in our mid- to long-term strategy that we would not increase our equity capital any further, but there had been no in-depth discussion regarding the optimal capital structure. Thus, we viewed the shareholder's proposal as a stepping stone to our discussions and shared the information at the Board of Directors meeting. At that time, we conducted a shareholder relations (SR) process for the first time, in which we sought the opinions of all seven major shareholders, rather than just a select few.*2 Five of the seven companies expressed the view that capital adequacy ratios were excessively high, whereas the remaining two considered the capital structure to be reasonable in light of the decline in our core internal combustion engine business. In addition, when we asked the five companies that were of the opinion that capital adequacy ratios were too high about shareholder return measures to improve them, four companies (passive investors) wanted to increase dividends, while the remaining company (active investor) wanted to buy back treasury stock. Taking into account the intentions of these major shareholders and our understanding of the business environment, the Board of

*2: Details are explained on pages 48 to 49.

Directors held repeated discussions regarding the optimal capital structure and calculated that our appropriate capital adequacy ratio would be approximately 60% (shareholders' equity of 180 billion yen). We have positioned this as the state we aim to achieve by the end of fiscal year 2025, and as a means to achieve this, we have decided to acquire an additional 30 billion yen of treasury stock and increase dividends (from 120 yen or more/year to 200 yen or more/year). This is the background to the update of our mid- to long-term strategy. In January 2025, we announced a forecast for a further dividend increase (250 yen/year), which is also in line with the contents of the updated version (our policy of returning the amount in excess of the appropriate amount of equity capital (180 billion yen) mainly through dividends).

Status of efforts to tackle mid- to long-term strategic issues

Next, I would like to explain the status of our efforts in the areas of "Creation and Development of New Businesses"*1 and "strengthening human capital"*2, which are particularly important themes in advancing our mid- to long-term strategy.

①Issues in Creation and Development of New Businesses

In Creation and Development of New Businesses, we have reviewed various promotion rules (new investment and discontinuation rules, PDCA management) to address the issue of further speeding up.

Regarding rules for new investments, we adopt an investment decision criterion called the stage-gate method. Projects that meet these standards can begin work on commercialization, but with so many new business projects currently being run simultaneously, a shortage of human resources is an issue. Thus, for new business projects that are expected to be of a suitable scale and profitability (sales of 5 billion yen and ROIC of 10% or more) in fiscal year 2030, the project proposers submitted a business proposal, including a projected balance sheet and profit and loss statement, to our management, and we prioritized the allocation of human resources to projects that have been approved. In fiscal year 2024, six projects were approved and became projects. In addition, the person who had proposed the project was appointed as the project director, given authority over budget

*1: Details are explained on pages 34 to 37.

execution and personnel management, and was entrusted with running the project as a pseudo-company. Regarding PDCA management, we hold project board meetings every other month, and our management, including myself, monitors the status of deviations from the initial planned milestones and provides advice as necessary. We also hold a regular meeting every Thursday where all project directors gather to discuss any concerns they may have and exchange information. About a year has passed since we introduced the project system, and I feel that our project directors have grown into more reliable individuals than they were at the beginning. Yet, not all projects are successful. We had a project to produce parts for electric vehicles at our overseas subsidiary in collaboration with an electronic parts manufacturer due to the slowdown of the shift to BEVs worldwide, we were unable to achieve the milestones set in the initial plan, so we have decided to suspend the project. The aim is to deploy the human resources that have grown through this project in the next project. As such, we have established a rule that new businesses that do not achieve the milestones set out in the initial plan will be discontinued, and we will continue to adhere to this rule in order to speed up the creation and development of new businesses.

②Challenges in strengthening human capital

In terms of strengthening human capital, improving employee satisfaction has been an issue for the past few years at our company, and one of the factors behind low satisfaction levels was the low sense of fairness in compensation. Thus, we decided to introduce a "Restricted Stock Incentive for Employee Shareholding Association" which will represent a human capital investment of up to just over 5 billion yen. The background to this is that 1) although our company has traditionally implemented base pay increases that are not inferior to other companies, this has not translated into improved employee satisfaction, 2) a major shareholder proposed considering "Create a mechanism for employees to become major shareholders by granting treasury stock to employees," and 3) employee motivation needs to be increased in order to achieve the mid-term management plan REVOLUTION 2026. For those reasons, the implementation target has been set on a large scale for all employees who consented to the promotion of REVOLUTION2026, with the number of allocated shares equivalent to 2 million

*2: Details are explained on pages 50 to 55.



yen (494 shares, condition determination date: Nov 5, 2024). Furthermore, we determined the number of shares to be granted in anticipation of the amendment to the Cabinet Office Ordinance (which will change the upper limit per person from 1 million yen to 2 million yen from January 1, 2025), making EXEDY the first company in Japan to grant more than 1 million yen per person. Additionally, upon implementation, we accurately communicated to all employees through town hall meetings that the purpose of this is an incentive to promote the Mid-Term Management Plan, not a temporary bonus. In addition to watching my explanatory video in advance, Representative Director and Senior Managing Executive Officer Toyohara visited each department's office on 26 separate occasions to explain the purpose of this project face-to-face and hold Q&A sessions. As a result, the Employee Shareholding Association membership rate increased to 92.5% (as of the end of January 2025; 48.5% as of the end of March 2024). The other day, an employee told me, "This is the first time I've owned stocks, and I find myself checking our company's stock price every day. I get excited when the stock price goes up even a little, less than 1%." This gave me the sense that this initiative is working. At the same time, I realized once again that steadily increasing our company's corporate value and share price will lead to the joy of our employees and shareholders, and that this is one of my missions.

Issues and measures for FY2025 and beyond

In addition to the above, other high priority issues include "measures to increase ROE (i.e., improving earning power)" and "strengthening the governance system, including enhancing the effectiveness of the Nomination and Remuneration Committees."

Regarding the former, as outlined in our mid-

*3: Details are explained on pages 70 to 97.

to long-term strategy, we plan to improve the profitability of existing businesses and use the funds earned there to create and develop new businesses. To accelerate this, we will implement optimal organizational changes to promote this strategy, effective April 1, 2025. Within this organization, existing businesses will be positioned as core businesses, related functional departments will be consolidated, and the company will work to streamline future initiatives. With regard to new businesses, we have also consolidated related functions that were spread across multiple divisions and established a structure to accelerate activities to establish new business pillars. In promoting new businesses, securing and developing human resources is an urgent issue, so in addition to utilizing external talent, we also plan to reskill our in-house staff and to actively promote personnel exchanges and training between Group locations with the aim of expanding the business models of our overseas affiliates to other locations. Additionally, to support the creation of new businesses at our global bases, we are utilizing a human resources development program that originated in Silicon Valley, which allows several group companies and a few people from each company to go through the process of coming up with a business idea and pitching their business concept. The first round of presentations, which began last year, brought people from all over the country to Silicon Valley, and I was there to listen to the reports myself. One of the reports has already involved collaboration with a new business venture in Japan and Europe, and the launch of a production line in North America is imminent. We are currently running the second round.

The Board of Directors is also currently discussing ways to strengthen the governance system*3 and will be taking concrete steps to address this issue. In order to increase transparency as a global company and further strengthen investor trust, we are considering transitioning to a company with a nominating committee, etc. as soon as possible, and I would like to go ahead and operate our Board of Directors and Nomination and Remuneration Committees in a manner similar to that.

As I mentioned above, the EXEDY Group's "transformation" has just begun. I will be at the forefront of promoting our mid-to long-term strategies, so please look forward to further transformation of the EXEDY Group from fiscal year 2025 onwards.

Chapter 2

Value Creation Story and Mid- to Long-Term Strategy

Since its founding in 1950, EXEDY has responded to customer needs while developing and providing products that contribute to solving social issues. By utilizing the strengths we have developed and the management capital we have accumulated over the years, we aim to contribute to the realization of a sustainable society and achieve sustained growth for our group.

In 2021, we formulated a long-term vision for where we want to be in fiscal 2050. This was created based on our corporate philosophy and in light of the major changes in the business environment surrounding our company. In order to realize this vision, in 2024, we announced a mid- to long-term strategy consisting of a business strategy, a financial strategy, and an ESG strategy. By implementing this strategy, the Company aims to increase its corporate value.

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Investment in Indian three-wheeled BEV manufacturer OMEGA SEIKI Ltd.



Demonstration flight of a drone manufactured by Balbars (Turkey), a company in which we have invested



Exhibiting at Europe's hottest festival USC through brand strategy



Acquires WorldLink & Company, a drone sales and service company, as a subsidiary



Two-wheel electric drive unit exhibited for the first time at an exhibition in India



President Yoshinaga & AT Member of Alltranz (New Zealand), a repair parts sales subsidiary



Exhibiting at the Middle East & Africa's largest aftermarket exhibition held in Dubai



Tetsuya Yamano, an athlete supported by EXEDY (JAF All Japan Gymkhana Championship 2024 Series Champion)



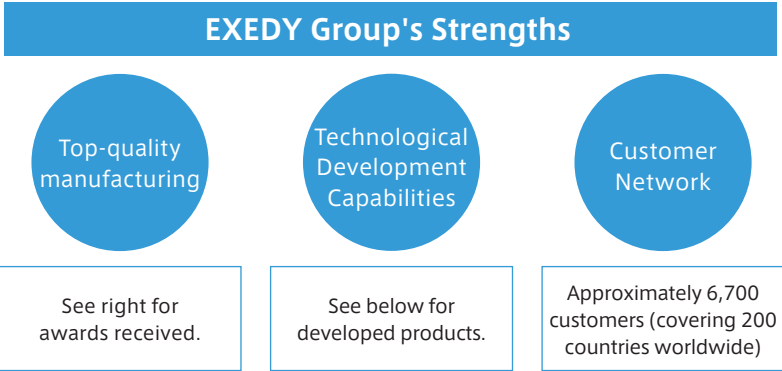
Acquires assets and intellectual property rights of Saietta Electric Powertrain Development Limited (UK)



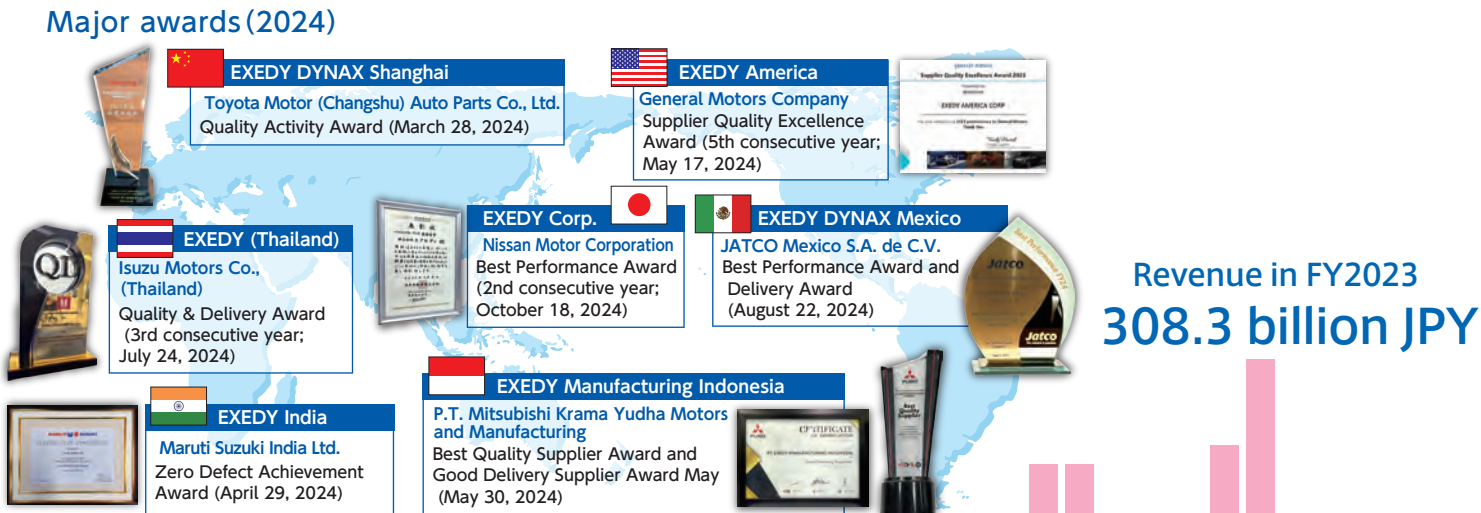
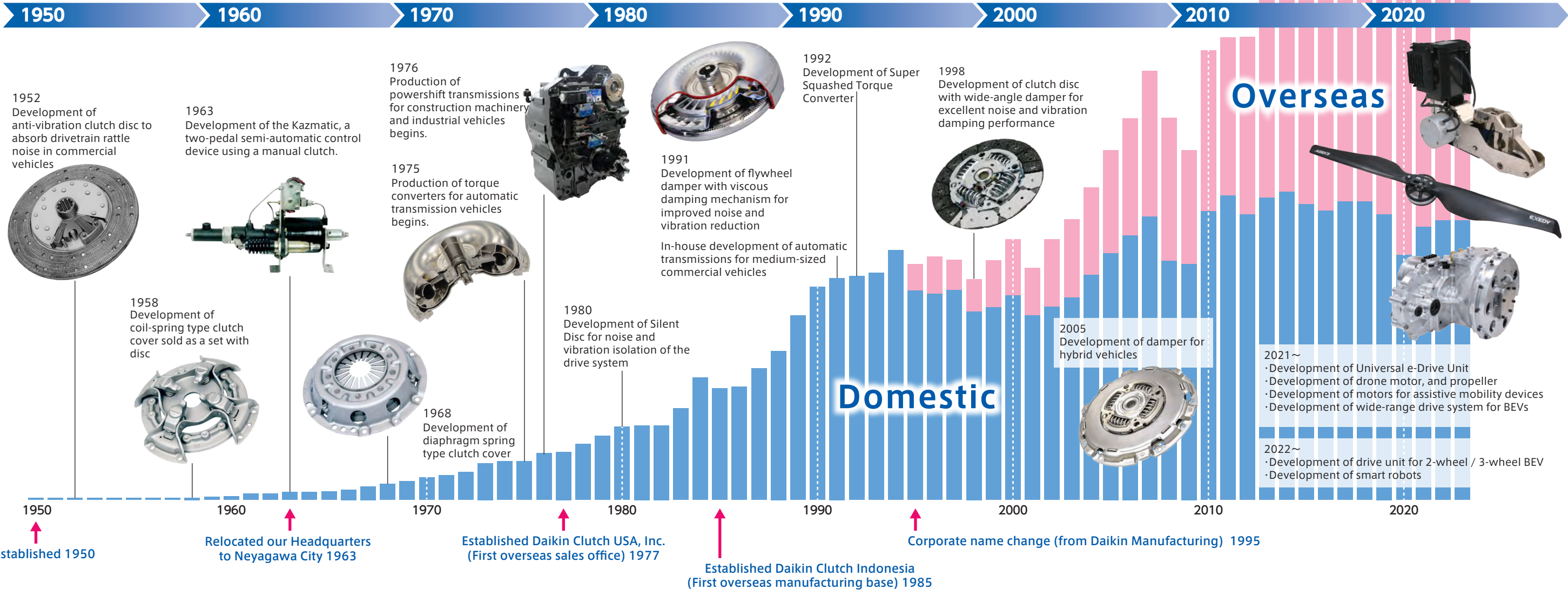
A prototype vehicle equipped with an electric drive system is scheduled to be completed in the first half of fiscal year 2025.

1. Milestones in Value Creation

Since its established in 1950, the EXEDY Group has developed and delivered products to meet various customer needs (noise and vibration reduction, fuel efficiency improvement, lightweight/compact design). By developing and delivering these products, EXEDY Group has refined its core strengths—top-quality manufacturing, advanced technological development capabilities, and a strong customer network—and has established a solid global position as a leading manufacturer of clutches and torque converters.



Consolidated sales history and main products developed since establishment



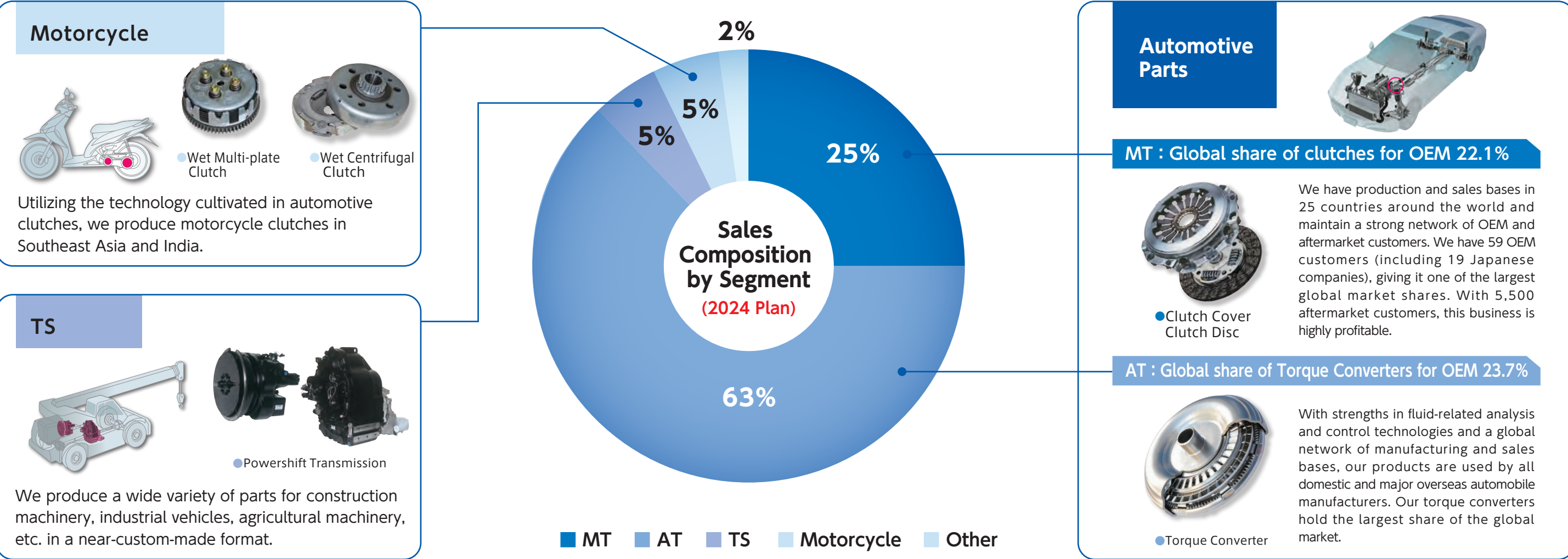
Certifications
·ISO9001: 1999 ·ISO14001: 2000 ·IATF16949: 2004

2. Our Business

We are a comprehensive manufacturer involved in everything from development to production of drivetrain parts for automobiles, motorcycles, construction machinery, industrial vehicles, agricultural machinery, and other applications, and we operate globally with 48 companies in 25 countries around the world. *As of the end of March 2024

Automotive parts (MT & AT) account for approximately 90% of our sales, giving us one of the world's largest shares.

Additionally, in order to contribute to the creation of a carbon-free society, we are focusing on developing environmentally friendly next-generation products and electrified products as new businesses.



Next-generation products and electrified products

Utilizing the core technologies of friction, vibration, and fluids that we have cultivated in the development of drivetrain components, we are promoting the development of new products in line with decarbonization and changes in lifestyles, with the aim of "making the movement of people and goods more comfortable."



Drive Unit for 2-wheel / 3-wheel BEV



Drone



Wide Range Drive System for BEV



Universal e-Drive Unit (E³-Drive Technology)



Smart Robots

MT: Manual transmission related business, AT: Automatic transmission related business, TS: Industrial machinery drive device business
Share calculated by our company

3. Strengths

EXEDY's three strengths that realize value creation

In the process of value creation, we have built three strengths: “top-quality manufacturing,” “technological development capabilities,” and “customer network” . We are currently working to create new businesses by applying these strengths.

Top-quality Manufacturing

A solid production system that flexibly responds to customer requests and achieves "zero defects"

(1) Company-wide Zero-Defect Activities

Since automobile accidents directly affect human lives, defective automobile parts are absolutely unacceptable. Our group strives to improve development quality by managing the transition between stages from development to mass production, and also promotes ASA ZERO activities after mass production, which are activities to resolve defects that occur during the process with multiple functions. In addition, our in-house developed IoT system (EX-PRESS) enables us to collect quality records and manufacturing conditions globally, which we use to improve quality across the entire group.



(2) Production Technology Capabilities that Meet Customer Needs

Our group not only assembles products, but also processes the components and produces friction materials, which are the core of power transmission and interruption, in-house. Furthermore, by designing and manufacturing the molds, jigs, and equipment required for this process ourselves, we are able to realize a wide variety of product specifications related to design, function, etc. The technology we have cultivated over the years has been organized as EXEDY technical standards in the fields of design, production engineering, and quality control, and by providing feedback on the latest results through our IoT system, we are able to realize speedy process design.

(3) A global production system that enables stable supply

Our group has production bases in 11 countries around the world, and we have established a global supply system which all bases have process settings at the same level as in Japan. This allows us to establish an in-house BCP system, enabling alternative production and mutual complementation between our bases.

Technological Development Capabilities

Solid technological development capabilities to continue meeting the needs of customers around the world

(1) Core Technologies (Friction, Vibration, Fluid)

Our group has applied and utilized our proprietary friction, vibration, and fluid technologies to develop products such as clutches and torque converters that meet customer needs. These core technologies are supported by fundamental technologies that have been developed through the accumulation of know-how over many years.

(2) Basic Technologies (Materials Technology, Analysis Technology, and Reliability Evaluation Technology)

The core technologies mentioned above are supported by fundamental technologies, which consist of materials technology, analysis technology, and reliability evaluation technology. Materials technology is the technology that allows us to correctly understand the properties of materials and utilize them appropriately, while analytical technology is the technology that allows us to elucidate the mechanisms of fluids, vibrations, structures, and mechanisms. We are currently working on a new business venture, drone products, and are leveraging the fluid technology we have cultivated in the development of torque converters to deepen our analytical technology for the air flow of drone propellers and other components. Reliability evaluation technology is a technology that can reproduce any phenomenon according to the conditions of use. As a specialist manufacturer of drivetrain parts, we have a wide variety of testing equipment, and by taking advantage of this strength, we are working to improve the reliability of our simulation technology, propose products to customers, and engage in model-based development using simulation models.

(3) A global development system that handles every thing from planning to mass production

In order to respond to the different regional needs of our customers, we have established development bases (7 bases in total) not only in Japan (2 bases), but also in North America (1 base in the U.S.), China (2 bases), and ASEAN (2 bases in Thailand), and have the resources to carry out development and evaluation on a par with that of the head office. We are able to provide stable quality and detailed technical services to customers around the world. In addition, by providing a one-stop service from planning to development, prototyping, and mass production, we are able to provide top-quality mass-produced products and shorten delivery times. Accumulating development know-how within the group leads to better planning proposals.

Customer Network

Global sales network for OEM transactions and repair parts business with manufacturers around the world

(1) Transactions with Automobile, Motorcycle, and Construction Equipment Manufacturers in Japan, China, Europe, Asia and the United States (OEM products)

As an independent manufacturer, we are not tied to a specific manufacturer, and we supply clutches, torque converters, and other products to automobile, motorcycle, and construction machinery/industrial vehicle/agricultural machinery manufacturers around the world. We have OEM transactions with almost all automobile and motorcycle manufacturers in Japan, and have a system in place to meet our customers' requirements. Also, for non-Japanese companies too, we provide OEM products to major manufacturers in North America, Europe, China, India, and South-east Asia (over 50 companies). In particular, for both clutches and torque converters, we have a top-level market share worldwide.

(2) Global Sales Network (Aftermarket Business)

With the establishment of Daikin Clutch USA in 1977, we have expanded our aftermarket business. As of the end of March 2023, the total number of customers will be approximately 6,700, of which the number of customers involved in the aftermarket business has increased to more than 5,500.

● Expansion of our network of bases

We have 14 sales companies in 11 countries around the world, and have worked to popularize and promote our brand through participation in exhibitions around the world. In January 2023, we will acquire a major company that manufactures replacement parts for automatic transmission vehicles, and will expand our supply to Asia, the Middle East, Latin America, and other regions where growth is expected. We also utilize manufacturing companies in seven locations in six countries around the world to manufacture repair products.

● Effective use of digital tools

In the after-sales business, we are focusing on web and cloud management and app development with the aim of improving marketing and customer satisfaction. We also utilize information sharing tools for important catalogs and expanding our product lineup. Additionally, we have established an ordering system called EXEDY Express Delivery (EED) to provide products to domestic and overseas markets, enhancing our immediate delivery system. With this system, the ordering party can check various shipping information on their computer screen.

(Reference) EXEDY’s Technology System

The EXEDY Groupe's technology system is as follows, with basic technologies supported by core technologies, and the application of both technologies has provided value to our customers. Both of these technologies have been cultivated through the development of various part numbers, and offer exceptional reliability in terms of quality and cost.

Our Group is actively pursuing the creation of new businesses by applying both technologies. For example, improving driving performance during hill climbing and when starting is an issue for large electric vehicles, so we have begun developing a wide-range drive system for BEVs (see 13 page) aiming to enhance driving power and increasing efficiency without increasing motor size by applying torque amplification technology.

Core Technologies		Basic Technologies	
Friction	This technology controls frictional energy through the design of pressing load, friction characteristics, and heat capacity. By optimally designing the pressing force between contact surfaces, friction materials, and surface treatment, friction characteristics such as the coefficient of friction and wear rate are controlled to reduce heat loss and damage during operation.	Materials Technology	EXEDY products are composed of various materials. We use special organic and metal as well as paper materials for friction materials, and cast iron for parts that absorb frictional energy. We also use steel plates and spring materials that have received special heat treatment. By making full use of various materials, we achieve both durability and light weight with low inertia.
Vibration	This technology makes full use of damper design and torsional characteristic design to control vibrations generated by the engine and vibrations and shocks input to related parts. Dampers absorb and reduce vibrations and shocks, enhancing the ride comfort for drivers and passengers and improving the durability of related parts. Torsional characteristics determine a damper's performance and can control the resonance phenomenon of a vehicle body caused by vibration.	Analysis Technology	We make comprehensive use of material mechanics, thermodynamics, fluid dynamics, and mechanical dynamics, which are important for designing mechanical products, to propose optimal shapes. This is rooted in our analysis technology that allows us to faithfully reproduce actual performance. As a result, we can provide our customers with the highest quality products in the shortest time and at a low cost.
Fluid	By controlling fluid behavior, this technology uses energy efficiently. By optimizing the flow path inside the torque converter, allows the torque generated by the engine to increase smoothly while maximizing the function of the fluid coupling. Fluids are also used to cool frictional heat and actuate the clutch in the torque converter.	Reliability Evaluation Technology	There are many types of vehicles, from motorcycles and compact cars to heavy trucks and industrial machinery. It is important to ensure optimal durability, comfort, and safety in every vehicle, as well as affordability. EXEDY makes full use of various analysis technologies—including stress, structural, thermal, and fluid analysis as well as actual vehicle and bench testing to provide the highest quality products to vehicle manufacturers worldwide.

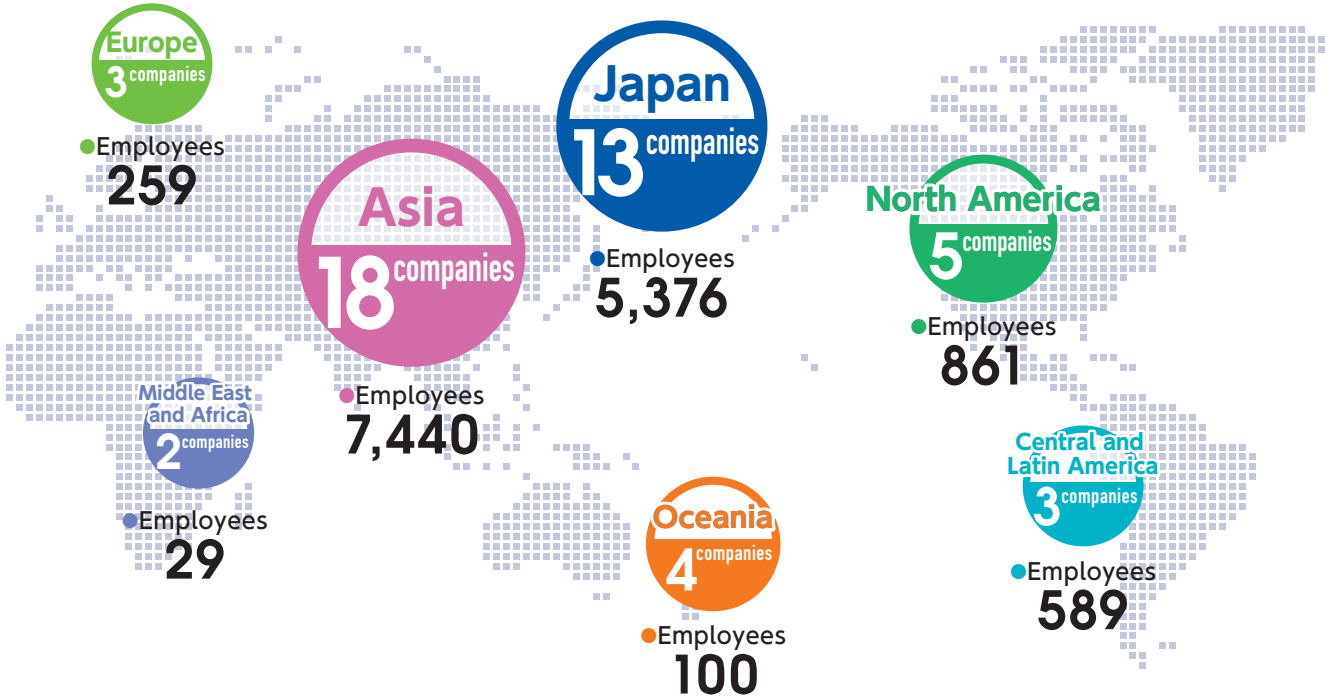
Value Proposition		
■Disconnection of rotational power	■Suppression of rotation fluctuation	■Torque amplification
We have developed clutches that can properly transmit engine rotational power when needed and disengage it when not required. By applying the control and materials technologies for friction characteristics we cultivated through this development process, we provide products that can reduce heat loss and damage during friction while properly transferring frictional energy.	We have developed dampers that improve occupant comfort and durability of related parts in various vehicles. By applying the damper and torsional characteristic design and analysis technologies we cultivated through this development process, we provide products that can attenuate vibration and noise generated during rotational fluctuation.	We have developed torque converters that contribute to powerful acceleration and improved fuel efficiency. By applying the fluid analysis and control technologies we cultivated through this development process, we provide products that can smoothly and efficiently amplify torque.*

*The magnitude of the force acting on an object when it rotates = Force × Distance

(Reference) Overseas Network

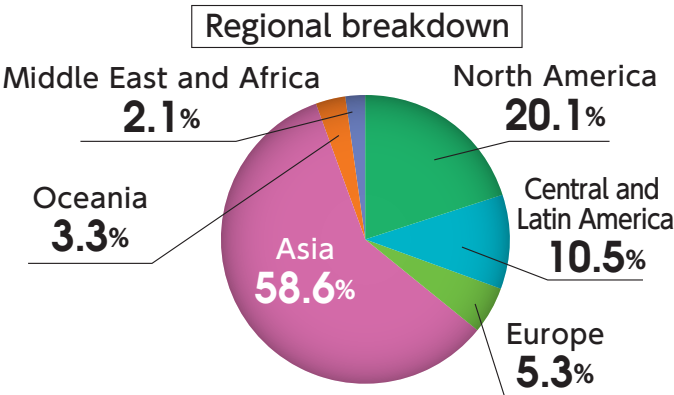
EXEDY Group: 48 companies

*As of the end of March 2024



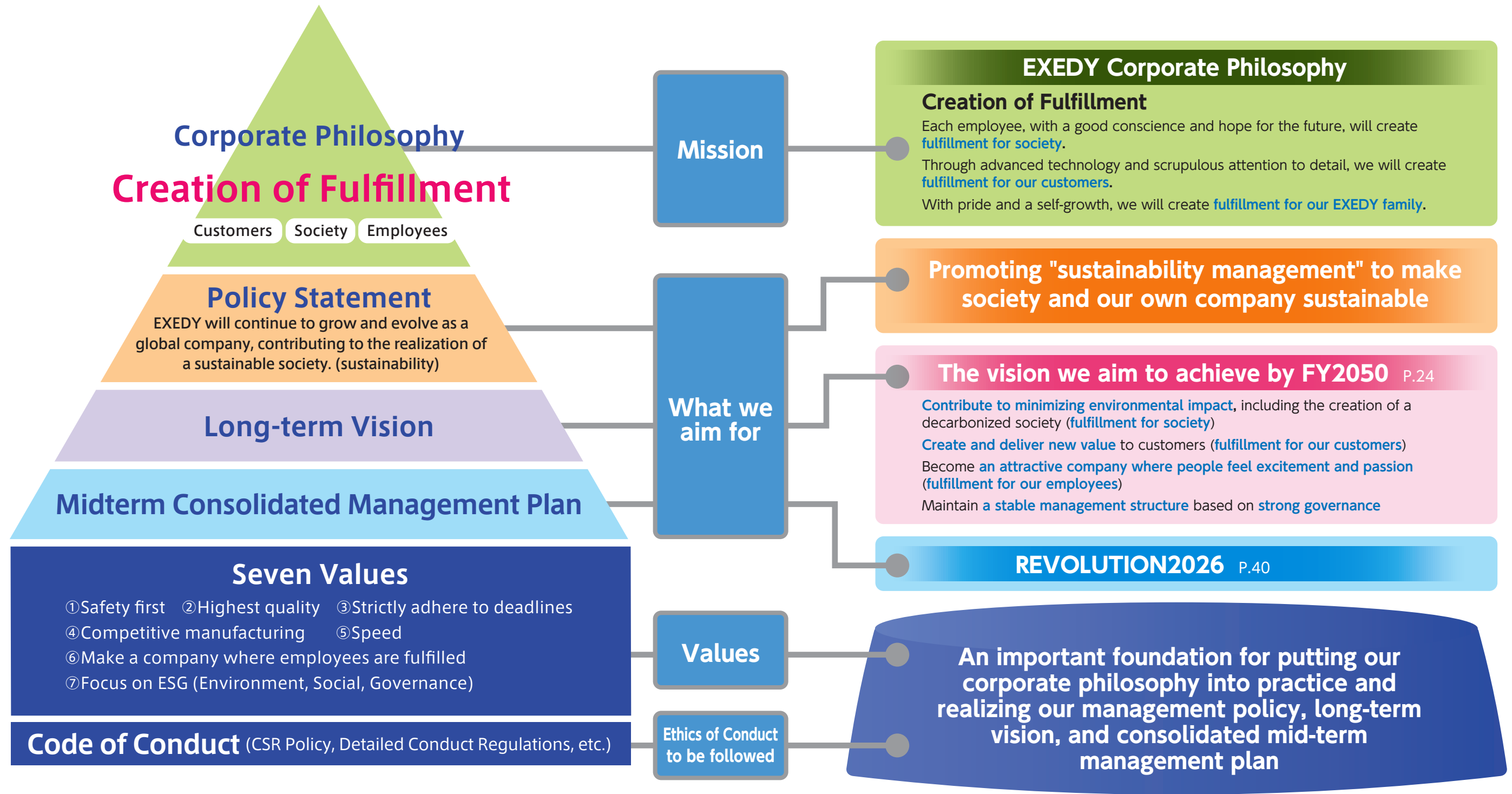
EXEDY Group overseas sales ratio 59.3%

FY2023 results



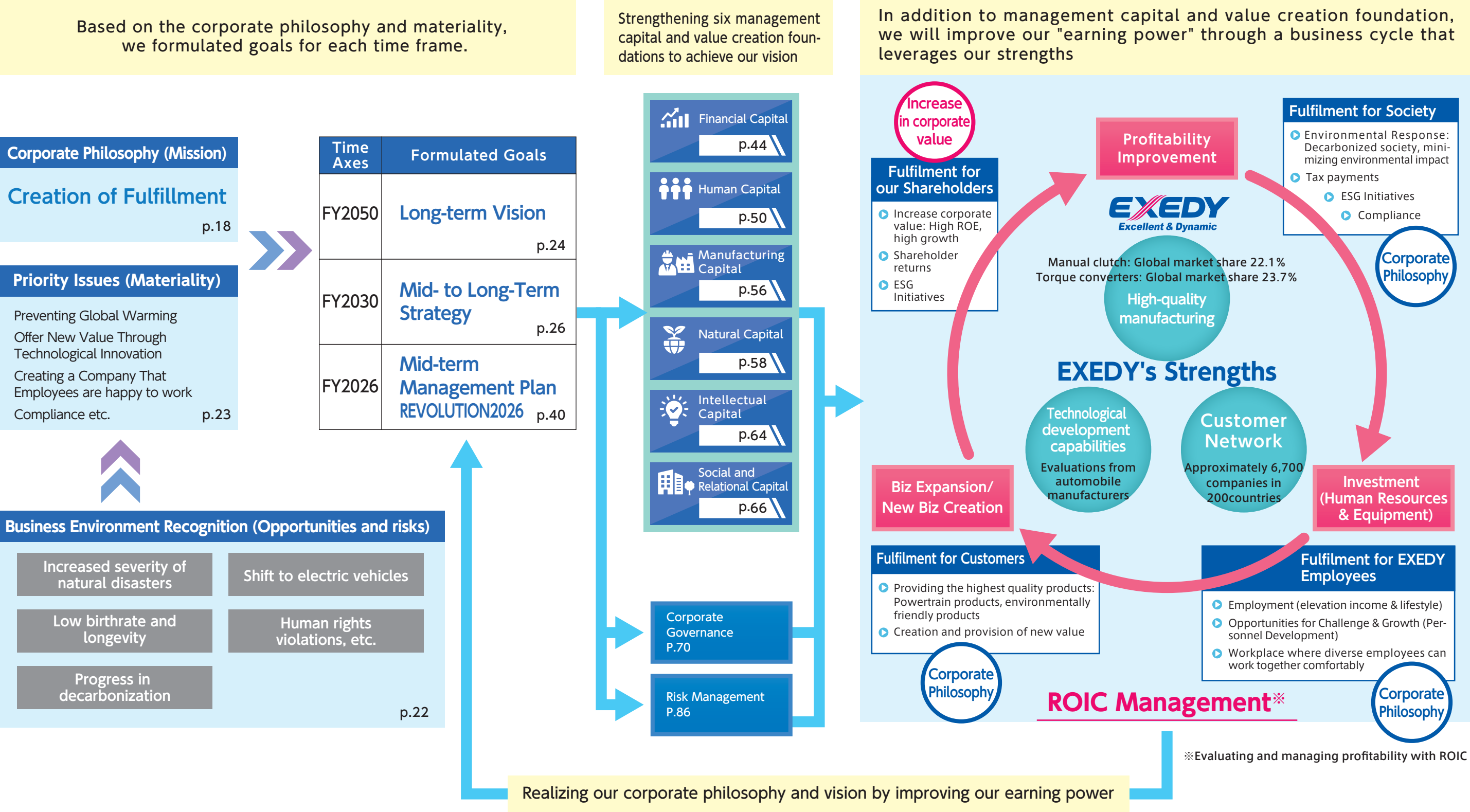
4. Corporate Philosophy

EXEDY's corporate philosophy system consists of missions, aims, and values. In 2021, in the company's Sustainability Declaration, we declared that we would carry out activities to create a sustainable society and sustainable growth of the company (sustainability activities) and made sustainability a management policy. The Long-term Vision is based on the aforementioned recognition of the business environment, corporate philosophy, and management policy, and clearly states what EXEDY aims to become by FY2050. The Seven Values are the concepts (values) that we will emphasize in our business activities in order to put our corporate philosophy into practice and achieve our Long-term Vision. By achieving our Long-term Vision and adhering to the 7Values, EXEDY will continue to create joy for society, our customers, and ourselves, and contribute to the realization of a sustainable society.



5. Value Creation Process

EXEDY Group has formulated goals for each time frame based on the priority issues (materiality) derived from an understanding of the business environment and its corporate philosophy. To achieve our vision, we will increase our "earning power" by utilizing our six capitals, value creation platform, and our own strengths, and through a business cycle in which we reinvest the capital we earn into growth investments and human capital, we will realize our corporate philosophy and improve our corporate value.



6. Recognition of Business Environment

Identifying priority issues and goals based on business environment recognition

The world is undergoing rapid changes, including accelerated international cooperation to prevent global warming, the growth of emerging economies, and the reduction of the labor force due to declining birth rate and aging population. The automotive industry is also undergoing a once-in-a-century transformation, driven by advances in CASE as a result of the evolution of IoT and AI. At EXEDY, we used the PEST analysis method to forecast the future, identify risks and opportunities, and derive our priorities and objectives.

PEST Analysis	Future Outlook	Risks	Opportunities	Priority Issues (Materiality)	What we aim for
Politics	Acceleration of international cooperation for the prevention of global warming. Increased government regulation of greenhouse gas emissions. Intensification of U.S.-China trade friction. Legislation to strengthen efforts to address human rights and environmental issues in the supply chain.	Decrease in sales due to suspension of internal combustion engine vehicles. Increase in direct costs associated with introduction of renewable energy. Loss of customers and investors due to failure to address human rights and environmental issues.	Increase in sales due to higher demand for products for BEVs and HEVs Further increase in demand for energy-saving products	① Prevention of global warming ② Respect for human rights ③ Environmental Compliance ④ Sustainable Procurement	① ③ Contribute to minimizing the environmental impact, including creating a carbon-free society ② ③④ Promote business activities that take into consideration social issues such as the environment and human rights together with suppliers
Economy	Growth of emerging economies, and further global diversification Changes in car ownership patterns, such as "car sharing" Expansion of ESG-focused investments.	Decline in automobile sales due to shift to sharing economy. Divestment due to lack of ESG initiatives.	Sales increase due to expansion in emerging markets.	① Providing new products that efficiently transmit power ② Circular Economy	① Expanding products that contribute to decarbonization and creating and providing new value ② Contribute to minimizing environmental impact
Society	Reduction of labor force due to worldwide declining birth rates and an aging population Progress in diversity initiative The advancement of the replacement of work by AI, robots, etc., and the transformation of the perspectives on work Growing demand for stronger corporate governance	Shortage of labor force Deterioration in turnover due to lack of response to diversity issues Deterioration of management due to lack of governance	Generation of technological innovation by diversifying human resources. Establish a strong management foundation through enhanced corporate governance	① Realizing a company that people are happy to work for ② Diversity and Inclusion ③ Governance ④ Compliance ⑤ Health / Occupational Safety and Hygiene	① Creating an environment that encourages growth and challenge ② ⑤ Expanding systems to allow diverse employees to work with peace of mind ③ ④ Strong governance and shared values between management and employees
Technology	Technological innovation in new technologies (IoT, AI, etc.) and their implementation in society. Acceleration of connected technology. Evolution of charging and storage technologies, including electric vehicles.	Decrease in sales due to shift from internal combustion engine vehicles to electric vehicles	Sales increase from new product development through technological innovation	Providing new value through technological innovation	Creating new value in existing business domains & creating new value in new business domains

7. Long-term vision and Key Management Indicators (KPIs)

Based on our priority initiatives and goals derived from our recognition of the business environment, and our corporate philosophy, we have formulated a "long-term vision" and "slogan." For the long-term vision, we have also set key performance indicators (KPIs) and long-term goals (for fiscal year 2030 and 2050) through deliberation at the Management Committee and the Board of Directors. In addition, to achieve this vision and KPIs, the Sustainability Meeting formulates mid-term targets and action plans and manages progress. The actual results for fiscal year 2023 are as follows:

slogan

Drive our future. Let’s create fulfillment for all, and our future.

"Drive" means "to actively move ourselves" and "our" means "all stakeholders, including ourselves". We hope that "Drive" and "Our" mean "We will drive our future, including society, our customers, our employees, and our society.employees, and our society.

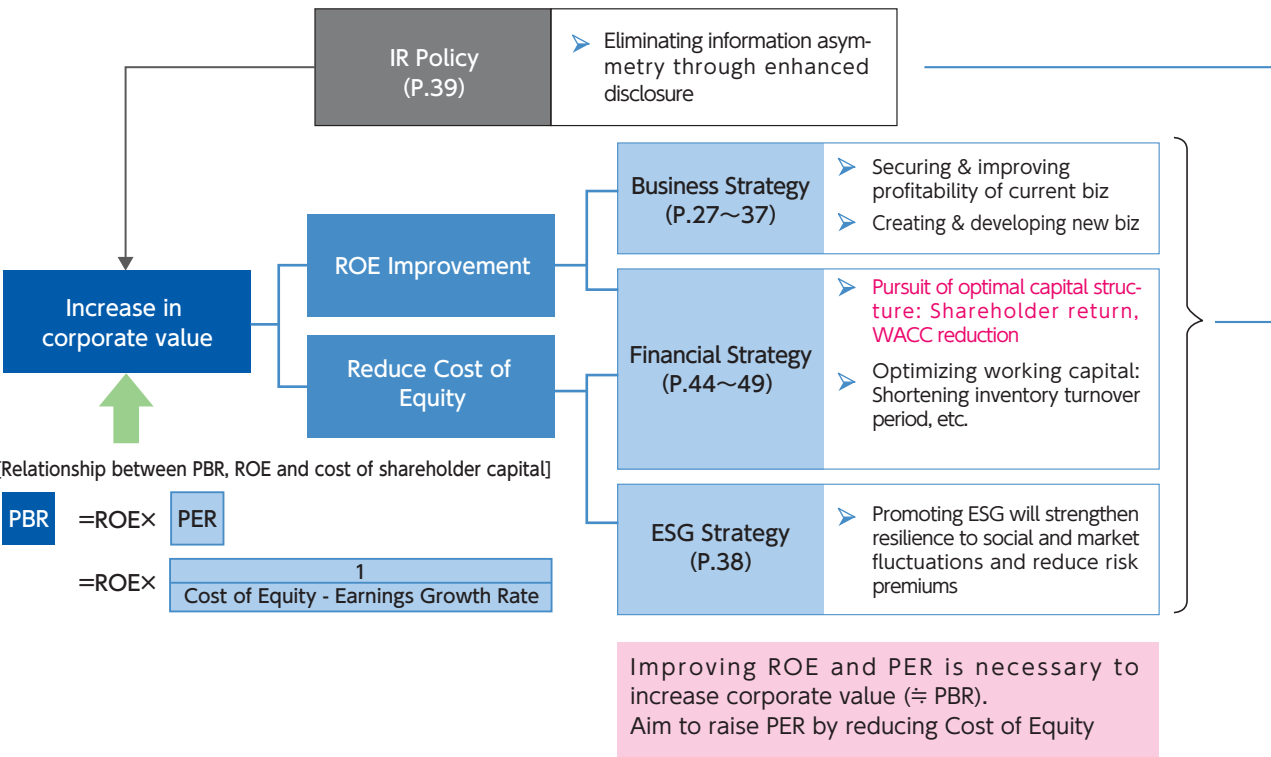
	Priority Issues (Materiality)	Long-term Vision (The vision we aim to achieve by FY2050)	
			Our Approach and the Way Forward
Creation of Fulfillment	Prevention of Global Warming	Contribute to the minimization of the environmental impact including the creation of a decarbonized society (fulfillment for society)	Transform the business portfolio and expand products that contribute to decarbonization
	Environmental Compliance		Establish a manufacturing system that is carbon neutral and minimizes environmental impact
	Circular Economy		
	Provide New Products That Transmit Power Efficiently	Create and deliver new value to customers (fulfillment for our customers)	Create new products that efficiently transmit power in addition to those that make the transportation of people and goods more comfortable
	Offer New Value Through Technological Innovation		Actively enter new business areas to become a unique company with unrivaled capabilities
Management Structure	Creating a Company That Employees Are Happy to Work	Be an attractive company where people can feel excitement and passion (fulfillment for our employees)	Develop an environment that actively encourages challenges and proposals that stimulate growth
	Promotion of Diversity and Inclusion		Expand systems that allow diverse employees to work with comfort (nationality, gender, age, disability status, family structure, etc.)
	Safety and Health		
	Respect for Human Rights		
	Compliance Governance	Maintain a stable management structure based on strong governance	Comply with the laws and regulations of each country and region and maintain high ethical standards
	Sustainable Procurement		Improve fairness and transparency of the Board of Directors
			Strive to share values and aim for a bottom-up business foundation

KPI	Subjects	Long term target			Mid-term target				
		Base point	FY2030	FY2050	FY2023 Target	FY2023 Actual	FY2024 Target	FY2025 Target	FY2026 Target
Percentage of Sales of Products Contributing to Decarbonization (including products for BEVs, HEVs, etc.)	Consolidated	0.2% (FY2019)	21%	83%	5.1%	5.8%	5.7%	7.5%	10.0%
Net GHG(Greenhouse Gas) Emissions Reduction Rate <scope> 1 + 2		FY2019	▲46%	▲100%	▲23.25%	▲20.7%	▲ 26.5%	▲ 29.8%	▲ 33.0%
Number of Environmental Incidents		FY2019	0		0	0	0	0	0
Ratio of R&d Expenses for New Product Development Over Total R&d Expenses		29% (FY2019)	70%	90%	53%	37%	57%	61%	65%
Ratio of New product sales	Non-consolidated	0% (FY2022)	30%	94%	0.02%	0.02%	0.3%	1.4%	4.4%
Employee Awareness Survey (Overall Satisfaction)		34.9% (FY2019)	70%		50.0%	46.0%	52.0%	54.0%	57.2%
Human Resource Development (Training Hours/Person/Year)		5.4 hours (FY2020)	48 hours		20.4 hours	31.4hours	24.3hours	28.3hours	32.3hours
Percentage of Female Employees in Management Positions		3.4% (FY2019)	7.0%	13.9% (Changes in the percentage of female employees)	4.2%	3.4%	4.9%	5.2%	5.2%
Total Working Hours	Consolidated	2,021 hours (FY2019)	Less than 1,900 hours		Less than 1,977 hours	1,915 hours	Less than 1,966 hours	Less than 1,955 hours	Less than 1,944 hours
Paid Leave Utilization Rate Figure in <> is the Percentage of Employees Taking Paid Leave		77.7%<20%> (FY2019)	100%<100%>		85.8% <49%>	96.8% <49.4%>	87.8% <56%>	89.9% <63%>	91.9% <71%>
Number of Major Accidents		-	0		0	0	0	0	0
Human Rights Training Attendance Rate		-	100%		100%	100%	100%	100%	100%
Number of Major Law Violations	Non-consolidated	-	0		0	0	0	0	0
Independent Outside Director		3<27%> (FY2020)	More than 1/3	More than 1/2	More than 1/3	5 (42%)	More than 1/3	More than 1/3	More than 1/3
Female and Foreign Directors		-	2	3	2	2	2	2	2
Town Hall Meeting Held		-	52 times in a year (2 series)		52 times in a year (2 series)	26 times in a year (1 series)	52 times in a year (2 series)		

8. Mid- to Long-Term Strategy

Initiatives aimed at improving corporate value

Our Group will strive to improve our corporate value (≡ PBR) by implementing business strategies, financial strategies, ESG strategies, and IR policies, while being conscious of capital costs and share prices.



Overall business strategy for FY 2030

We will improve the profitability of our current businesses and transform our business portfolio by concentrating management resources on creating new businesses, aiming to achieve an ROE of 8% (sales of 330 billion yen and operating profit of 30 billion yen) by FY 2030.

Business Portfolio Transformation

Strengthen the earning power of our existing businesses while focusing human resources and capital on the creation of new businesses

Securing & improving profitability of existing Biz

- MT* : Develop the aftermarket in emerging countries and further improve profitability by improving product lines, etc.
- AT&TS* : Pursue efficient management, including optimization of the production system
- 2-Wheel : Capture demand expansion in emerging markets, including India

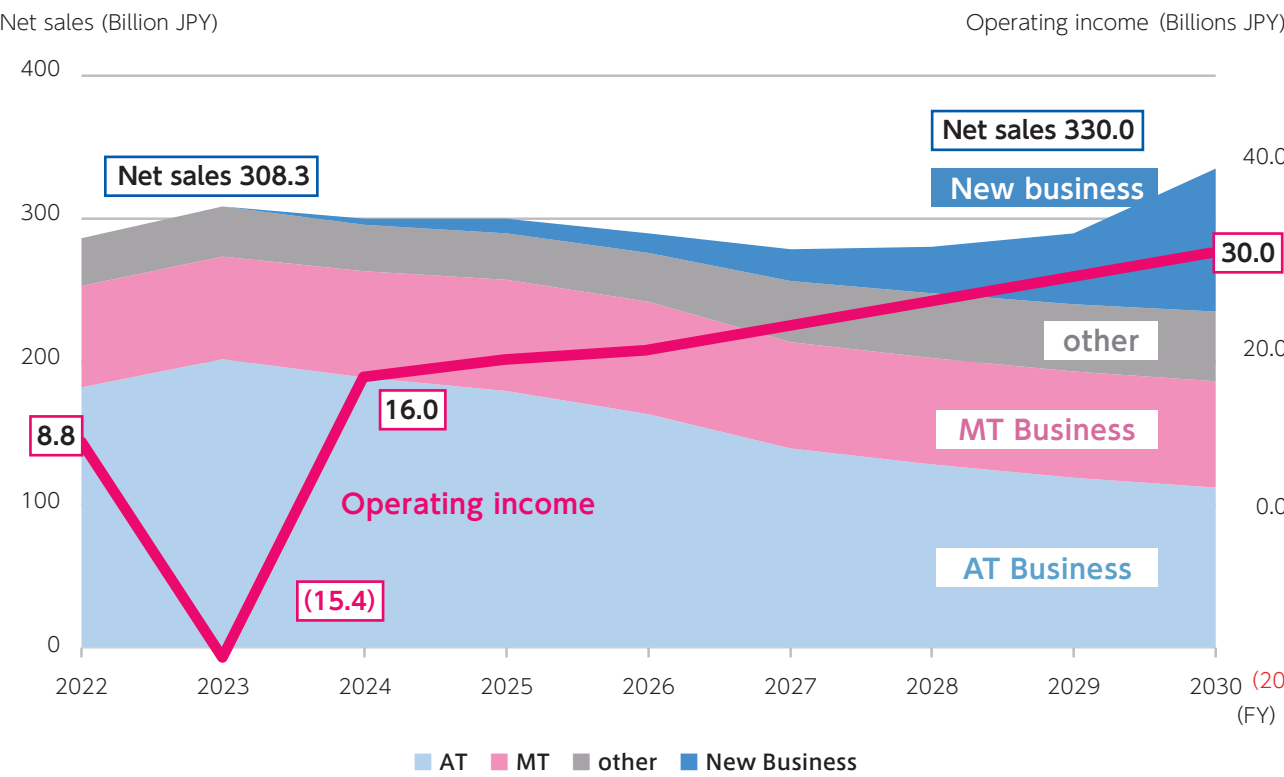
Creation and Development of New Businesses

- Accelerate the Electrification Strategy by acquiring lacking resources through collaboration, etc.
- Prioritize management resources for projects and achieve early realization
- Create more new businesses

Business Strategy KPIs (FY2030 Targets)

Net sales JPY 330 billion	Operating income JPY 30 billion <Operating Profit Margin 9%>
ROE 8%	New product sales ratio 30%

Road Map to FY2030

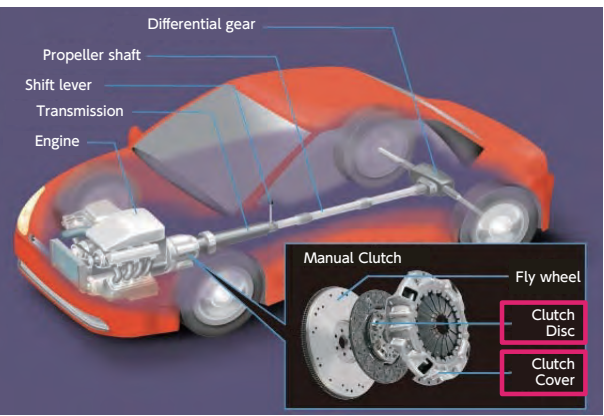


Business Strategy for FY2030 (Current Business: MT Business)

Business Contents

As the world's leading manufacturer of clutches for manual transmission vehicles, our strength lies in the quality and technical capabilities we have cultivated over many years. We have 59 OEM customers (19 Japanese and 40 non-Japanese), and our global OEM share in 2024 will be 22.1% (our estimate). With production and sales bases in 25 countries around the world, we can respond quickly to diverse customer needs. Furthermore, there is strong demand for manual transmission vehicles, particularly for commercial vehicles (trucks and buses), due to their maintainability, reasonable price, and power transmission.

Main Products & Functions of Clutch



A clutch is a power transmission device situated between the engine and the transmission

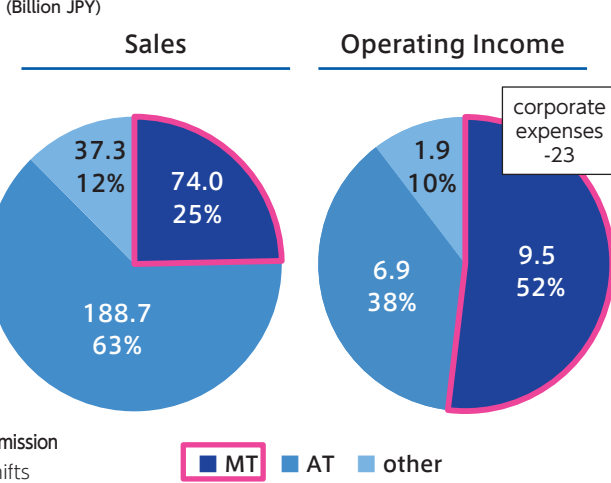
Reliable disconnection: Reliably disconnect engine power during gear shifts

Smooth engagement: Ensure smooth engagement for comfortable shifting

Reduce noise and vibrations: Reduce noise and vibrations for a smoother ride

Protective fuse: Serve as a protective fuse in the drivetrain against excessive power

Breakdown of Net Sales and Operating Income



Major Clutch-equipped Vehicle Types



Commercial Vehicles such as Trucks and Buses, and High-End Sport Cars are equipped with clutches

- Compared to AT vehicles, which are equipped with automatic gear change parts, MT vehicles are less expensive due to their simpler structure
- Trucks are often driven on unpaved roads such as forest roads, and the efficient power transmission function unique to MT vehicles that maximizes engine performance is effective on "unpaved roads x slopes"

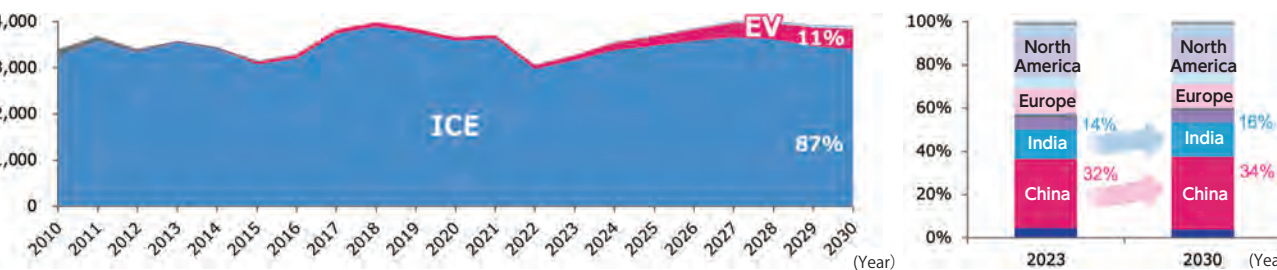


Market Environment

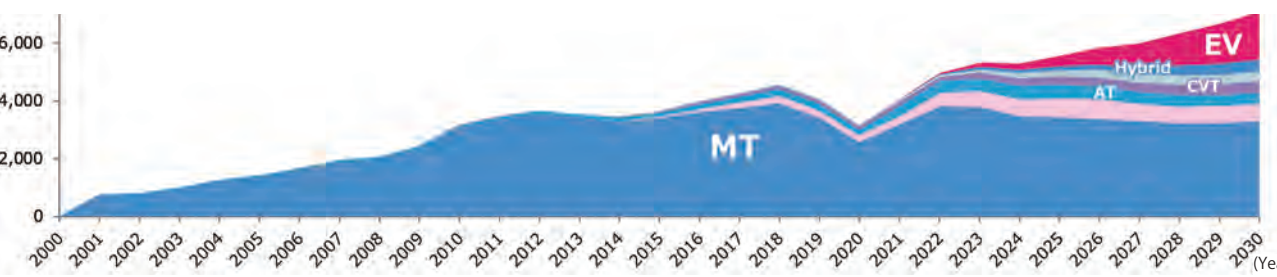
①OEM Market

It will take time for medium and large vehicles to be converted to EVs due to factors such as drive performance and infrastructure development, and demand for MT is expected to remain strong in the future. Additionally, it is predicted that demand for manual transmissions will remain for vehicles weighing 6 tons or less in emerging countries such as India.

Medium/Heavy-Duty Vehicles/Production by Power (Global: 1,000 units) & Regional breakdown



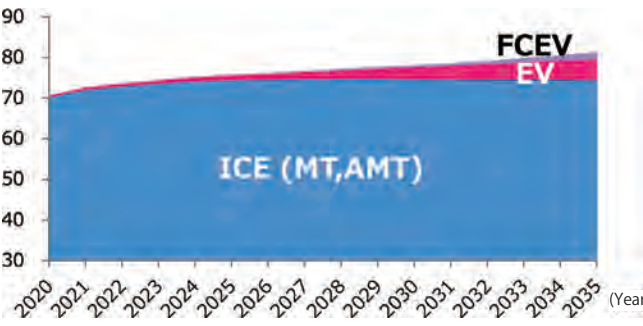
Production of Vehicles under 6t (India: 1,000 units)



②After Market

Even after the shift to EVs, the aftermarket demand for replacement parts will remain proportional to the number of vehicles owned. We respond to customer needs with a global sales network and prompt delivery system that we have built over 50 years of experience.

Number of vehicles over 6 tons ownership



Aftermarket Characteristics

- ①Demand exists for periodic replacement of repair parts for commercial vehicles
In Japan, small and medium-sized commercial vehicles are replaced clutch every 3 to 5 years, and large commercial vehicles are replaced every 5 to 8 years
*Note: This can vary. Route buses and short-haul delivery trucks, with frequent starts and stops, may require replacements every 1 to 2 years, while long-haul trucks may go 10 years or 1 million kilometers without replacements
- ②Thanks to our high OEM market share, customers are more likely to choose our products at the time of replacement
- ③Customers have a strong need for quick delivery
Our order fulfillment system (EXEDY Express Delivery) enables us to provide rapid delivery, eliminating the need for distributors to carry excess inventory. This differentiates us from competitors and fosters customer loyalty

■ 14 distributors in 11 countries covers nearly 200 countries worldwide



*Squares indicate head offices or affiliates ●Circles indicate sales offices, business locations, and other such facilities
*AMT: Automated Manual Transmission, FCEV: Fuel Cell Electric VehicleSource: S&P Global,2023

Top 7 Distributors by Net Sales in FY2023

(Billion JPY)			
	Company Name	Country	Net Sales
1	EXEDY Globalparts	U.S.	7.3
2	EXEDY SINGAPORE	Singapore	6.7
3	EXEDY Australia	Australia	5.5
4	EXEDY Latin America	Panama	4.5
5	EXEDY Clutch Europe	UK	4.2
6	EXEDY MIDDLE EAST	UAE	3.9
7	EXEDY Guangzhou	China	1.5

Business Strategy for FY2030 (Current Business: Aftermarket Business)

Overall picture

In the aftermarket business, we plan to increase sales to 57.4 billion yen in fiscal 2030 by expanding the customer network and Oceania base model cultivated through MT aftermarket throughout the group. (Up 14.7 billion yen from FY2023)

FY2030 Goals & Strategies

Aftermarket product sales
57.4 billion JPY

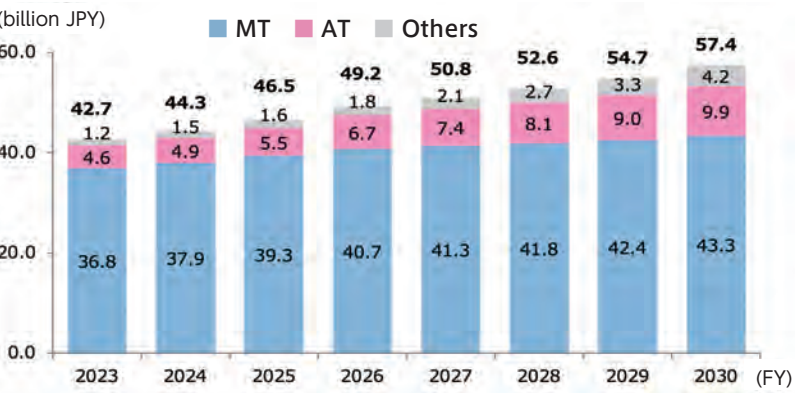
FY2023 actual result + 14.7 billion JPY

Expansion of AT repair parts business
(expanding Oceania model within the Group)

Expanded lineup of MT repair parts and improved price competitiveness

Strengthening brake and suspension repair parts business

Sales Plan by Segment (Consolidated Basis)



FY2030 target (compared to FY2023)	
MT	+6.5 billion JPY
AT	+5.3 billion JPY
Others	+3.0 billion JPY

① AT repair parts business

We will utilize the business model of our Oceania base (a major distributor of AT repair parts) that we acquired in 2023 to develop the AT repair parts market in ASEAN, Latin America, the Middle East, and Europe.

Current status of the AT repair parts business

(million units, billion JPY)	Oceania	ASEAN	Latin America	Middle East	Europe
Number of AT vehicles owned in the region*	12	28	32	28	126
AT repair parts sales results in FY2023	2.2	0.003	0.20	0.06	0.08

- ▶ Most sales of AT repair parts by Oceania subsidiaries were by Alltranz, which was acquired in 2023 and is the second largest AT repair parts seller in the region
- ▶ Room for expansion in the AT repair parts biz
→ Expand into ASEAN, Latin America, the Middle East, and Europe

Expansion of AT repair parts biz (Expanding Oceania model within Grp) (+5.3 billion JPY)

- ▶ Expanding strengths of Alltranz to our ASEAN, Latin America, Middle East and European (Strengths of the Alltranz)

- ✔ An overwhelming lineup of transmission repair parts for AT vehicles

✔ Web catalogs and EC sites with high customer convenience
— Tools available at other locations

✔ Technical knowledge and info on repair items held by our staff
— Compared to MT, AT has a more complex structure
— Customer base (MT: repair shop, AT :rebuilder) is different, we plan to share the knowledge with staff at other bases



② MT repair parts business

By expanding our product lineup through collaboration between our head office and local subsidiaries and improving our price competitiveness through global procurement, we will further cultivate the MT repair parts markets in ASEAN, Central and South America, and the Middle East.

Current status of the MT repair parts business

(million units, billion JPY)	Oceania	ASEAN	Latin America	Middle East
Number of manual transmission vehicles owned in the region*	12	49	38	43
MT repair parts sales results in FY2023	4.9	10.0	4.8	3.8

- ▶ The Oceania base has offices in seven major cities in AUS and NZL. Although it is a small market, we offer a wide lineup of products, immediate delivery, and direct shipping. As a result, we have established the No. 1 customer network (over 2,000 retailers) within our grp.
- ▶ Considering the market size and competitive situation, the MT repair parts business on ASEAN, Latin America, and the Middle East are promising markets

Expanded lineup of MT repair parts and improved price competitiveness (+6.5 billion JPY)

- ▶ Expanding product lineup through collaboration between headquarters and local subsidiaries

✔ Customers in ASEAN, Latin America, and the Middle East are mainly wholesalers. The customer demand to procure all wide variety of products, including clutches applied to Korean and Chinese cars, from one supplier. To respond such One-Stop-Buy needs, we will expand our product lineup.
- ▶ Increased price competitiveness through global procurement

✔ To meet Sales losses due to lack of price competitiveness on some model, we will promote globalization of parts procurement sources to strengthen price competitiveness. Additionally, we will streamline product specifications.

③ Brake and suspension repair parts business

We will use our Oceania base, which has strong customer relationships, as a pilot base to strengthen our brake and suspension repair parts business.

Strengthening brake and suspension repair parts business (+3 billion JPY)

- ▶ Expanding brake and suspension repair parts lineup at Oceania base

✔ Reasons for product selection
— Many of the repair shops that are customers of MT repair parts also handle brake and suspension parts, so we can utilize their existing customer network.

✔ Reasons for selecting this location
— The base has 12 offices in the region that have built close relationships with over 2,000 retailers, making it easy to obtain and reflect customer feedback on new product lineups.
— Compared to other locations, we have sufficient skillful staff, and we can expect to develop sales tactics, create catalog data, and build a business model that can be expanded to other locations.

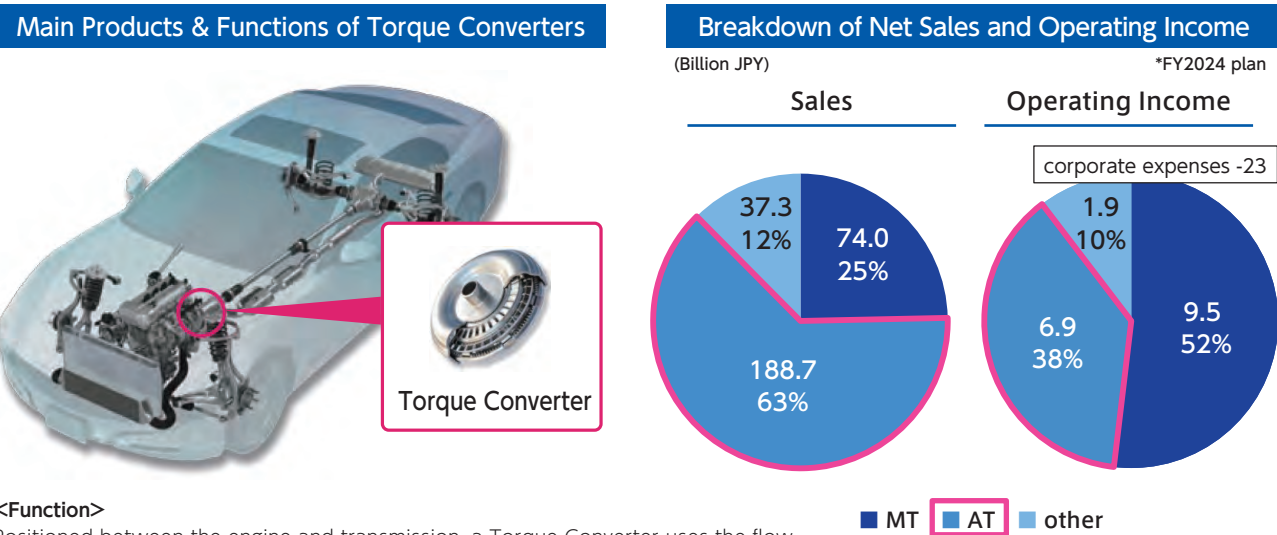
- ▶ In the med to long term, we plan to expand the above repair parts business model we have established in Oceania to ASEAN and other regions.

Business Strategy for FY2030 (Current Business: AT Business)

Business Contents

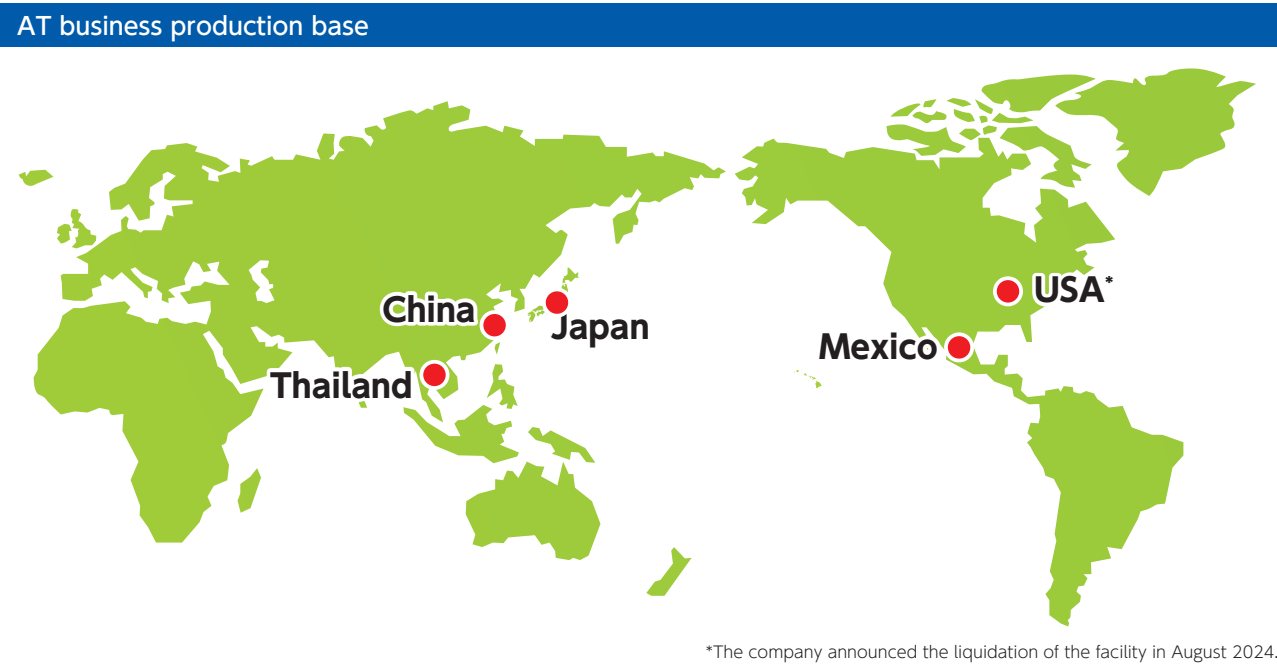
As a world-leading manufacturer of torque converters for automatic transmission vehicles, we have strengths in the quality and technical capabilities we have cultivated over many years, and we are expected to have a 23.7% global share of the OEM market in fiscal 2024 (our estimate).

As the shift to BEVs continues, the number of internal combustion engine vehicles will decrease, leading to a decline in the production volume of torque converters. In response to this, we will work with our customers to pursue more efficient operations, including optimizing our production systems, on a global basis. We will also strive to provide fair prices.



<Function>
Positioned between the engine and transmission, a Torque Converter uses the flow of oil to transmit power from the engine to the transmission.

<EXEDY's Strong point>
Thanks to excels in fluid analysis & control technologies and extensive global manufacturing & sales network, it supplies its products to all domestic and several major international automakers



Business Strategy for FY2030 (New Business)

Overall picture

We are focusing on Creation and Development of New Businesses by utilizing "EXEDY's strengths" and "external knowledge."

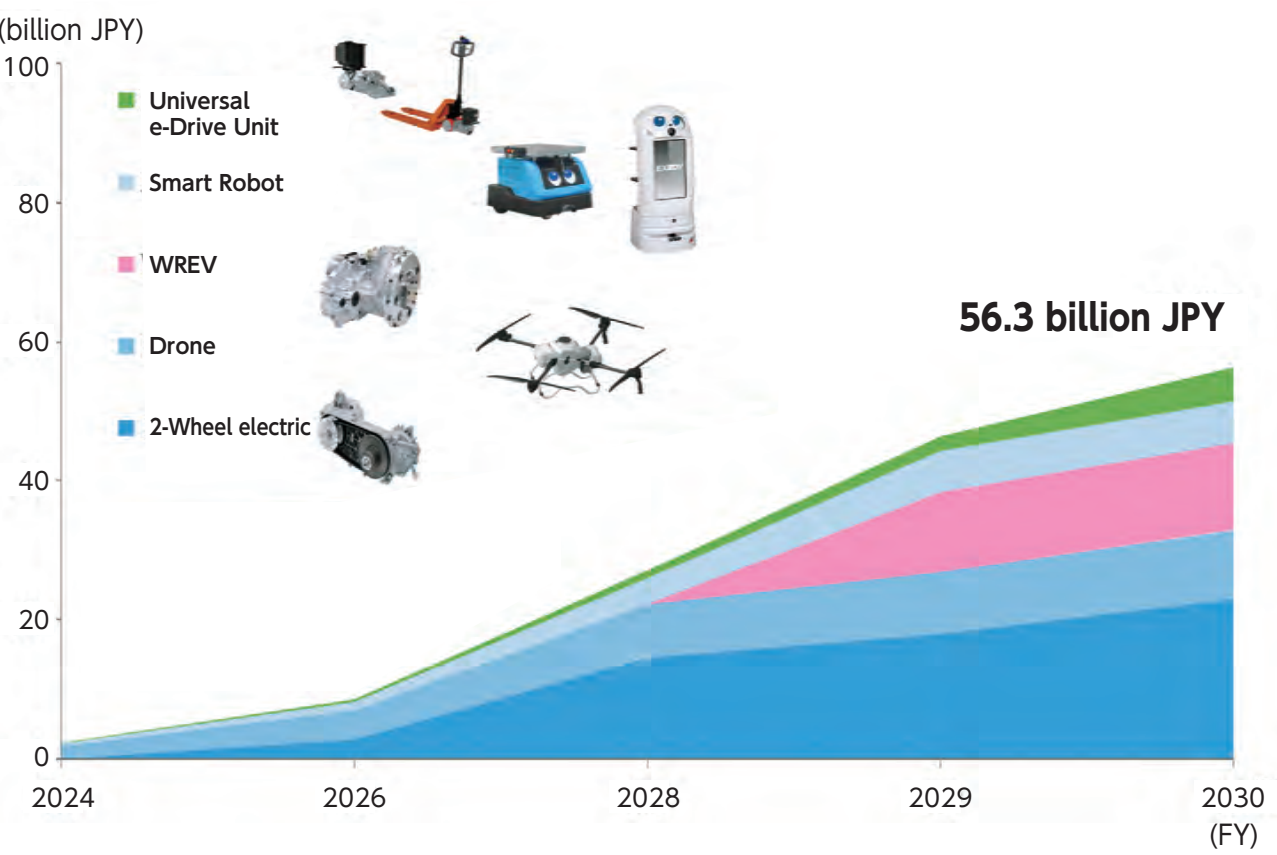
The five electrified products currently under project have a sales target of 56.3 billion yen in fiscal year 2030. We will prioritize the allocation of funds and human resources to this project to accelerate its development. To manage the progress of projects, we hold project board meetings every other month, attended by our directors, to monitor any deviations from the initial plan and provide advice as necessary. To further create new businesses, we will establish a dedicated M&A organization in fiscal 2025 to strengthen our efforts to collect candidate cases and assess the effectiveness of collaboration. Additionally, we will suspend any new business projects that deviate significantly from the initial plan and allocate our human resources to the next projects.

New business Target and strategies for FY2030

New product sales
100 billion JPY

- ▶ Accelerate electrification strategies by acquiring insufficient resources from outside through collaboration etc. (our strengths x external knowledge)
- ▶ Prioritize allocation of management resources to projects for early realization
- ▶ Creating more further new businesses

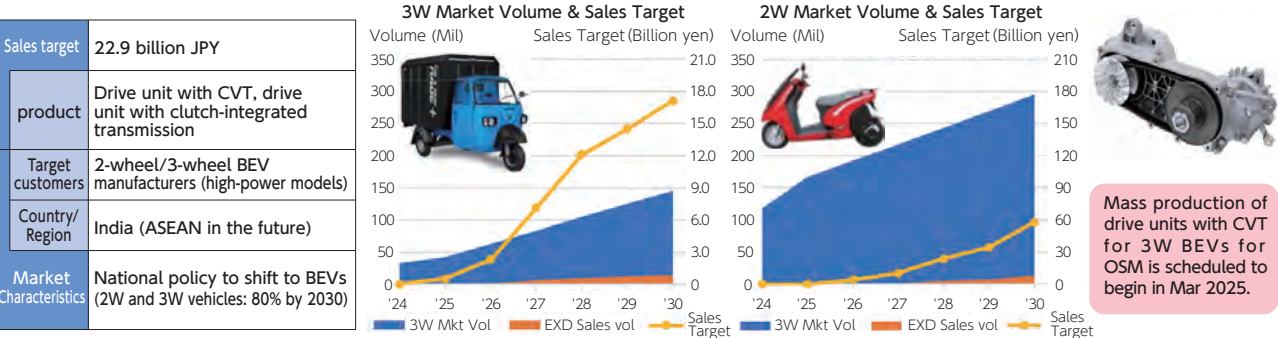
Sales plan for electrified products : on going project



Small e-Mobility Project

Targeting the Indian two- and three-wheeled vehicle market, where the shift to BEVs is underway as a national policy, the company is working to achieve sales of over 20 billion yen by leveraging the superiority of its products (transmission-equipped units) and collaborating with major local three-wheeled BEV manufacturers.

FY2030 sales target (Target customers, market characteristics, etc.)



Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages

- By gear shifting functions* like CVT improve driving torque when start & smooth gear shifting.
- It improve off-road performance and ride comfort.

Utilizing our technology

- Utilizing friction characteristics control technology & material technology, provides the function of disconnection of rotational power & Torque amplification.

EXEDY

Invested in Jun 2024

OSM

Vehicle manufacturer (India)

- ▶ 2nd place share in Indian 3W BEV
- ▶ Over 200 Dealer network
- ▶ Customer of our products. Through OSM, keep up with the market trend in Indian.

Invested in Jan 2022

ASTER

Motor manufacturer (Japan)

- ▶ Strength in highly efficient, compact motors
- ▶ Supplying motors for 2-wheeled BEVs to our Grp company

Invested in May 2023

STARYA

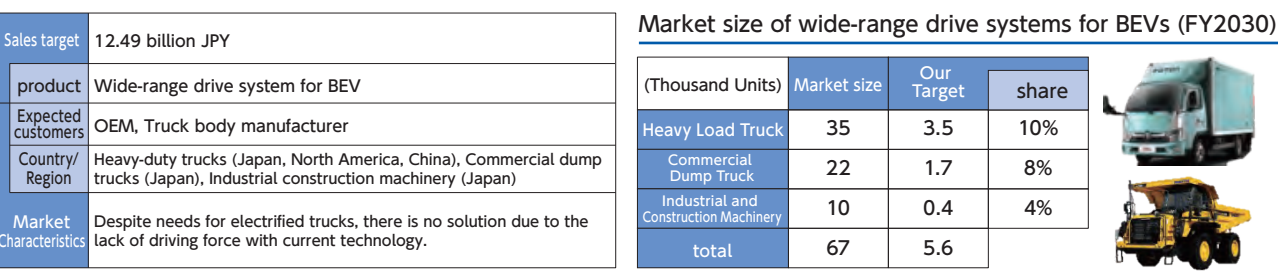
Motor manufacturer (India)

- ▶ Strengths in IoT and vehicle adaptation
- ▶ Supplying motors for 3-wheeled BEVs to our Grp company

WREV Project

Targeting the electric vehicle market for medium and large trucks and dump trucks, where current technology lacks driving force, the company is promoting the verification of the effectiveness of electric drive systems and standard updates by leveraging the advantages of its products (improving driving force at the start without changing the motor size) and collaborating with electric vehicle motor manufacturers, with the aim of achieving sales of over 10 billion yen.

FY2030 sales target (Target customers, market characteristics, etc.)



Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages

- Improved driving force at the start of electric trucks, realizing smooth acceleration without changing motor size

Utilizing our technology

- Utilizing fluid analysis technology and fluid behavior control technology, it provides functions for connecting and disconnecting rotational power and amplifying torque.

EXEDY

Invested in Aug 2024

KAWAMATA ELECTRIC

Electric motor Mfg. (Japan)

- Strength in developing high-output motors for industrial/xEVs

Invested in Jul 2024

PRE-EV

R&D and Mfg. of electric drive systems for commercial vehicles (Japan)

- Strengths in electric drive control systems

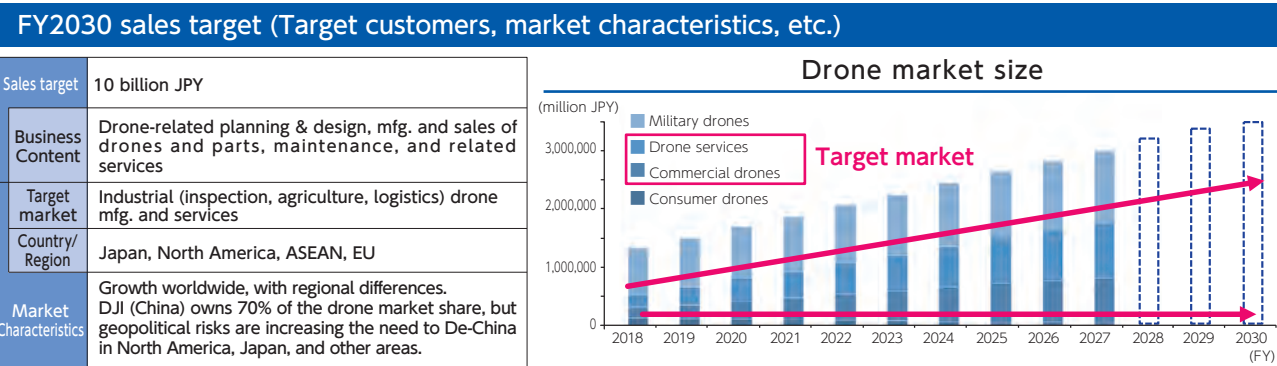
A prototype vehicle* equipped with an electric drive system is scheduled to be completed (first half of fiscal year 2025)

*Vehicle for verifying effectiveness

Formed a consortium & development is underway with a vehicle perspective

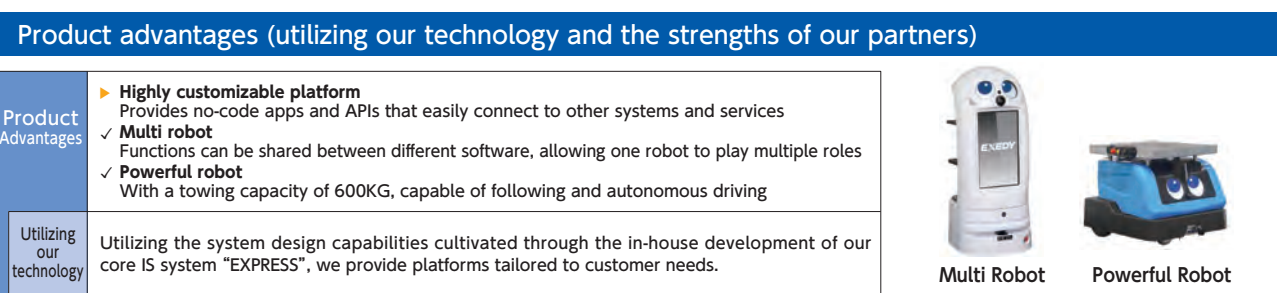
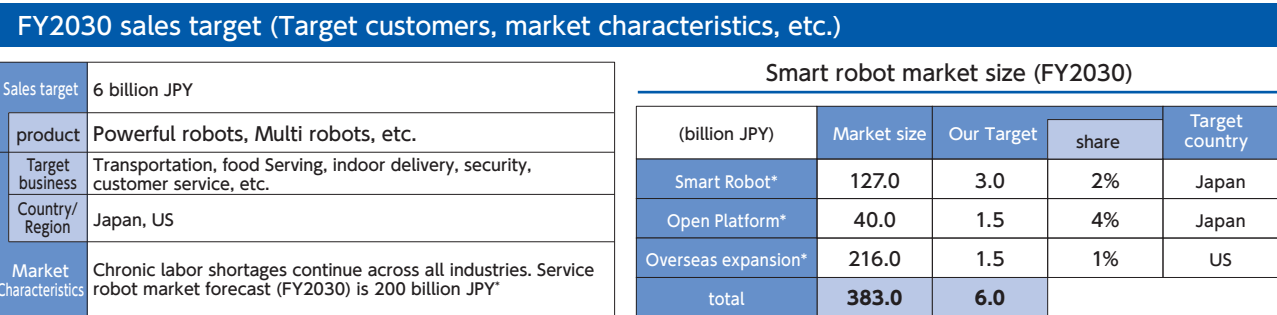
Drone Project

Targeting the industrial aircraft manufacturing and service markets in North America and Japan, where there is a growing need to move away from China due to geopolitical risks, we are establishing a system with the aim of achieving sales of 10 billion yen through product superiority (in-vehicle quality that does not allow for any accidents) and collaboration with motor manufacturers, aircraft manufacturers, aircraft sales and services, etc.



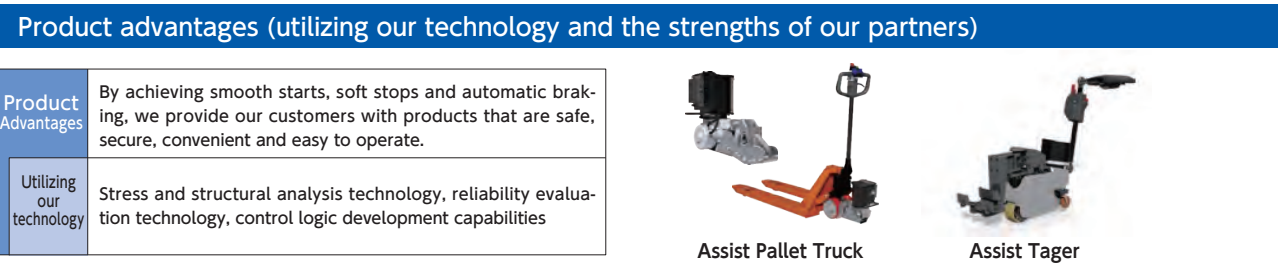
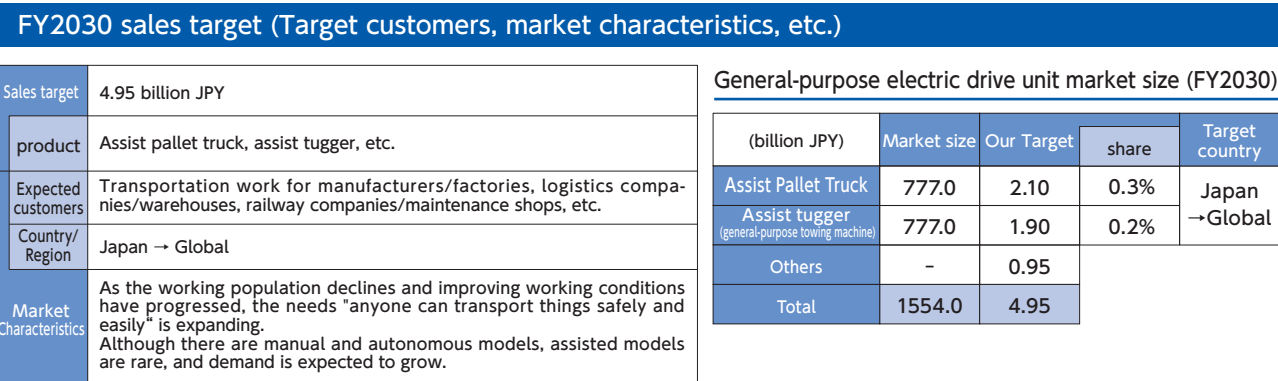
Smart Robot Project

Targeting the transportation, indoor delivery, and customer service markets in Japan and North America, where there are ongoing chronic labor shortages, the company is offering limited sales of the product, leveraging its superiority (highly customizable platform), with the goal of achieving sales of 6 billion yen.



General Purpose Electric Drive Unit Project

Targeting the Japanese market, where the working population is declining and the working environment is improving, we are offering limited sales based on the product's superiority (safety and operability), aiming for sales of over 5 billion yen.

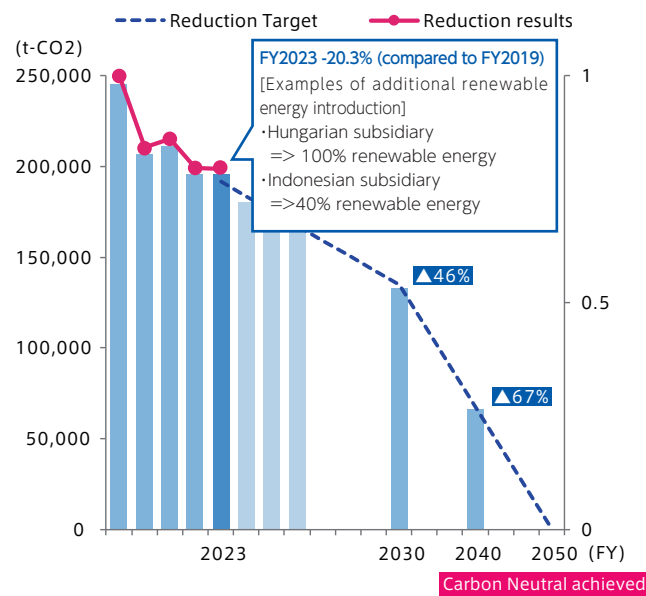


ESG Strategy for FY2030

Environment (E) & Society (S)

In the environmental area, we are focusing on activities to reduce GHG emissions, and in the social area, we are focusing on strengthening human capital.

Roadmap to Carbon Neutral by FY2050



Main Initiatives to Strengthen Human Capital

- 1. Implement a Restricted Stock Incentive Plan for employee (See page 24 for details)
- 2. Practical training at startups (partner companies) (Objective) To develop executive candidates through the practice of creating new businesses (Number of participants) 23
- 3. Appointment of a Project Director (PD) for new business (Objective) To develop executive candidates through the practice of creating new businesses (Number of participants) 6 (Stock compensation) Granted 300 Shares per person upon appointment as PD

Main initiatives to strengthen human capital: Implement a Restricted Stock Incentive Plan for employee

In strengthening our human capital, we have introduced a restricted stock grant system for our employee stock ownership plan with the aim of fostering a sense of participation in management among employees. Following the revision of the law, this is the first time in Japan that the amount granted per employee in the form of Restricted Stock Incentive for Employee Shareholding Association exceeds 1 million yen.

(Purpose)

- ① Expanding employee benefits as part of strengthening human capital
- ② Enhancing employees' awareness of participation in management
- ③ Promoting the mid-term management plan (REVOLUTION2026)

(Apply to)

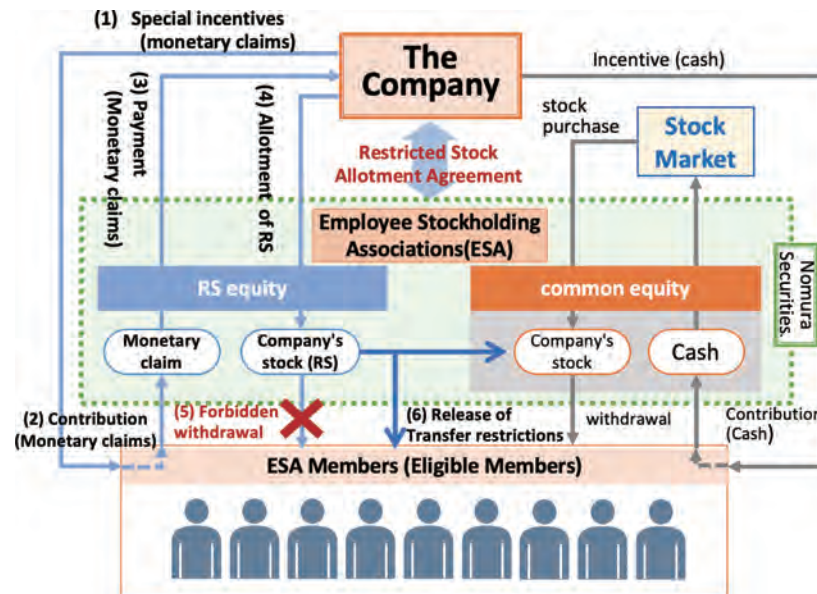
Employees of EXEDY Corp who agree to this Plan

(Number of shares granted) 500 shares (max)

(Date of grant) Feb 28, 2025

(Transfer Restrictions) 2 years and 3 months

(Allocation method) Disposal of treasury stock



IR Policy for FY2030

We will establish a new ESG/IR Promotion Department in April 2024 to communicate the progress of our business strategy, ESG strategy, and financial strategy and to expand dialogue with shareholders and investors.

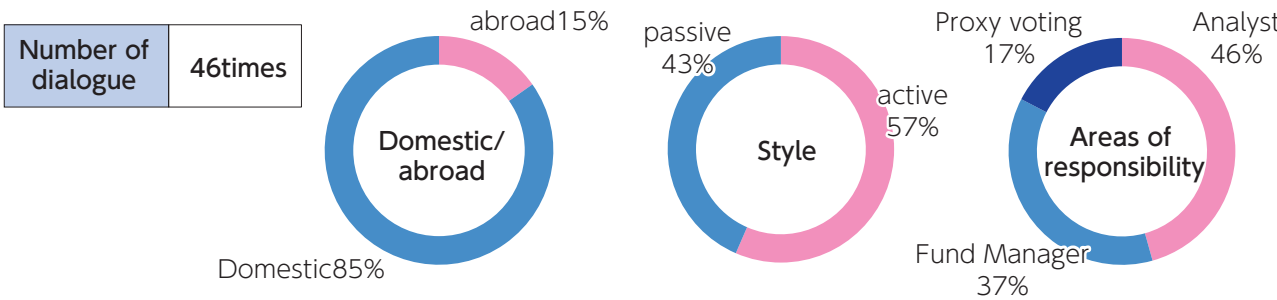
Establishment of a dedicated department	• To enhanced communication with shareholders and investors and improve disclosure, we established the ESG・IR Promotion Department in Apr. 2024
Increased involvement by management	• Resumption of in-person earnings presentations (president attending) • At the FY2023 earnings presentation, the CFO and CSO also took part to discuss our mid-to long-term Strategy
Engage in dialogue Provide updates	• Share shareholder and investor feedback with management and disclose the outcomes of our deliberations • We are evaluating our internal feedback mechanisms for shareholder and investor input, how we disclose discussions outcomes, and how we communicate progress on our business Strategies

Major IR Initiatives

From April 2024 onwards, we will establish a system for promoting dialogue with shareholders and investors and share the content of these dialogues with management and others.

Main contact with shareholders and investors	
Financial Results Briefing	President and CEO, Senior Executive Managing Officer and Executive General Manager of Administration HQ
Small MTG	Senior Executive Managing Officer and Executive General Manager of Administration HQ
1on1 MTG	Administrative Headquarters Deputy Executive General Manager (General Manager of Finance Dept, ESG/IR Promotion Dept)

Overview of dialogue with shareholders and investors (1st half of FY2024)



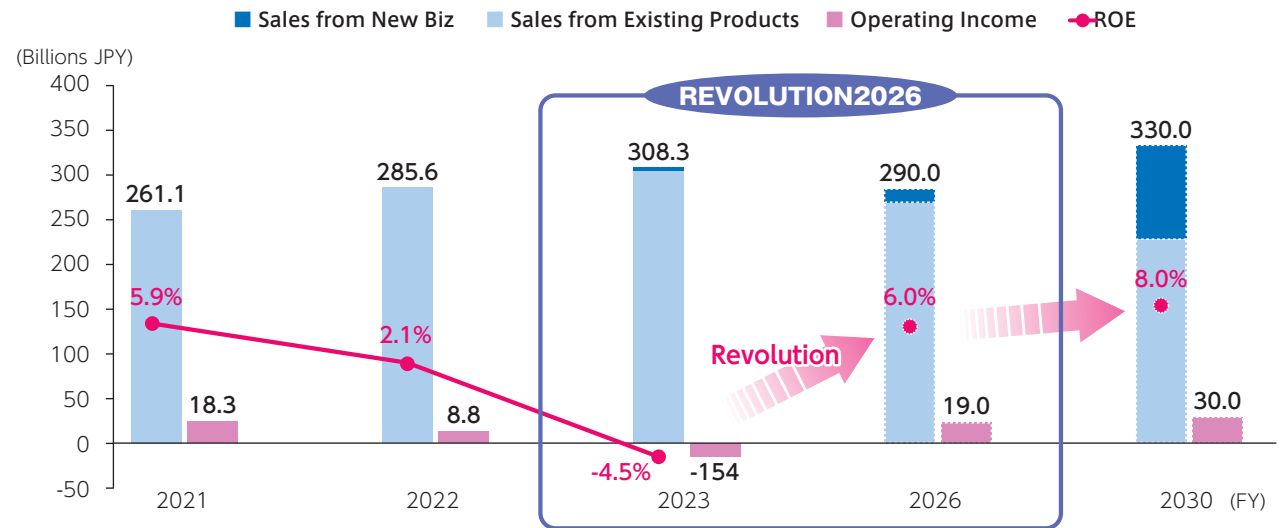
Feedback to management etc.

Feedback to management etc.	The requests identified in the above dialogue (pages 27-28) were fed back to the BOD (in Sep 2024) and the Management Meeting (in Oct 2024), and discussions were made based on this feedback.
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9. Mid-term Management Plan "REVOLUTION2026"

Positioning of REVOLUTION 2026

To reach our 2030 targets, we need to REVOLUTION our portfolio. The current mid-term management plan is a period for REVOLUTION our company by improving the profitability of our existing businesses and using the funds earned there to create and develop new businesses.



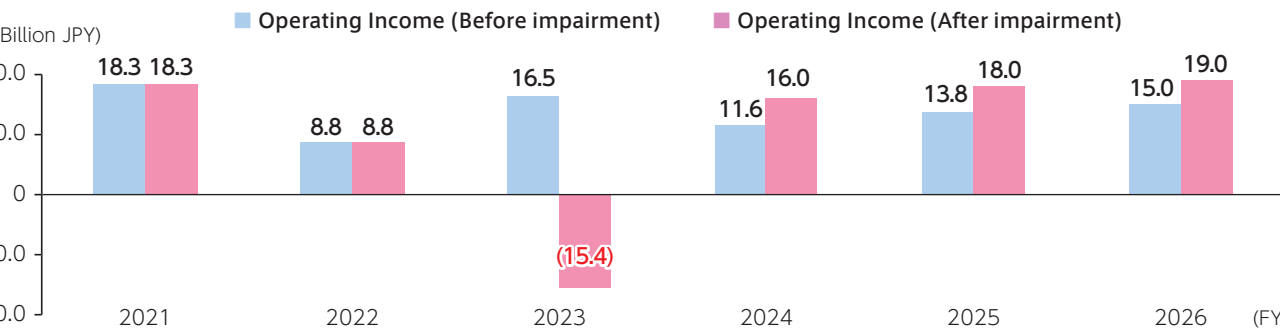
Measure 1: Painful structural reforms

As part of the structural reforms aimed at REVOLUTION, we implemented an impairment loss (32.2 billion yen) on the AT business, reducing the depreciation burden and "REVOLUTION" the profitability of the AT business. Additionally, the company decided to liquidate its AT manufacturing base in the United States and transferred production to bases in Japan, China, and Mexico. We will continue to pursue the optimization of our production system on a global basis.

Target Company	Area	Amount	Target Businesses
EXEDY	Japan	17.7 billion JPY	AT (Torque Converter)
EXEDY DYNAX Shanghai	China	14.2 billion JPY	Same as above

Production sites for Torque Converters for AT vehicles (underline = Impairment Sites)

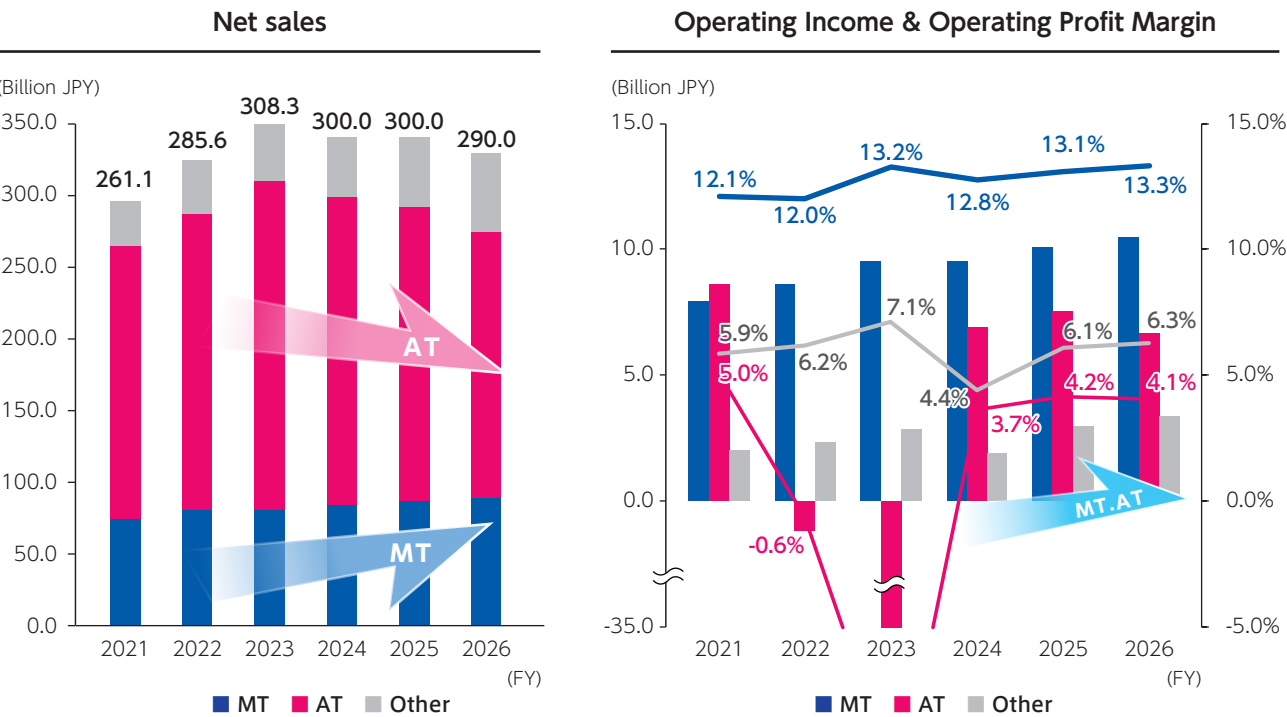
Although the impairment indicator assessment (two consecutive fiscal years of losses) did not indicate impairment, it is clear that the Torque Converter business in Japan and China will shrink rapidly as the shift to BEVs progresses. Therefore, based on the impairment test, we recorded an impairment loss of 31.9 billion JPY related to business assets for Torque Converters in the AT business.



Due to this impairment, the effect of reducing depreciation costs will be approximately JPY 4.3 billion per year in FY2024-2026

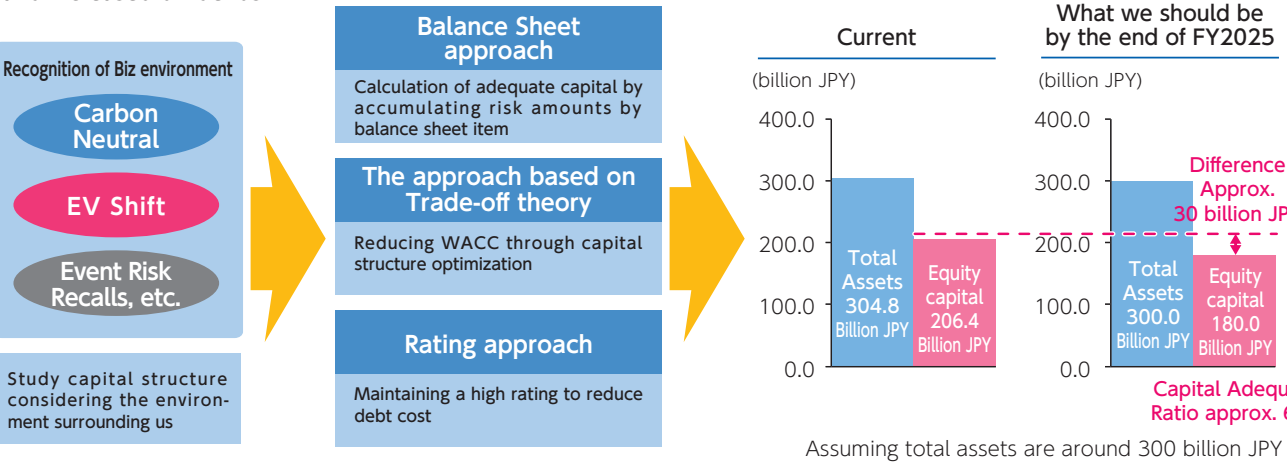
Measure 2: Securing and improving profitability of current business

In the MT business, we will work to increase sales and improve profitability through growth in the aftermarket business. By expanding our business model of a global sales network and Oceania bases across the group, we will develop the repair parts market in emerging countries. In the AT business, we will improve profitability by pursuing fair prices in addition to efficient management, including optimizing our production system.



Measure 3: REVOLUTION to an optimal capital structure

Based on our understanding of the business environment and three approaches, we have calculated that the appropriate capital adequacy ratio is approximately 60%. We aim to achieve this by the end of fiscal year 2025 through an additional 30 billion yen in treasury stock buybacks and increased dividends.



Chapter 3

Strengthening management capital to promote mid- to long-term strategies

The six types of management capital that EXEDY has accumulated since its founding will serve as capital for realizing a sustainable society through its business activities and ensuring the sustainable growth of the Group. In order to promote the mid- to long-term strategy described in Chapter 2, we are implementing strategies to strengthen each of our management capital. We also engage in dialogue with shareholders and other stakeholders, discuss their opinions and requests at Board of Directors meetings, and reflect in our management those that we determine will contribute to increasing our corporate value.

1. Financial Capital	44
2. Human Capital	50
3. Manufacturing Capital	56
4. Natural Capital	58
5. Intellectual Capital	64
6. Social & Relational Capital	66



External companies are invited to hold new business creation workshops



Toyohara explains Restricted Stock Incentive for Employee Shareholding Association at town hall meeting



Our employee was awarded the Yellow Ribbon Medal for his machine maintenance skills



New business creation activities at Silicon Valley office in collaboration with venture capital firms



Analyzing the relationship between human capital and organizational performance through industry-academia collaboration with Kyoto University



New business creation training in Silicon Valley

1. Strategies to Strengthen Financial Capital

1) Value Creation Approach

In order to transform our business portfolio and create new value, we need funds for growth investments such as research and development for new products and M&A. We aim to increase our corporate value by formulating business strategies, maintaining and improving the profitability of our current businesses, and allocating the funds earned from these to the creation and development of new businesses. Furthermore, we will proactively return profits to shareholders based on a financial strategy centered on pursuing an optimal capital structure and optimizing working capital.



Representative Director, Senior Executive Managing Officer
Executive General Manager of Administrative Headquarters

Hiroshi Toyohara

2) Target and Actual

	Target (FY2030)	Target (FY2026)	Actual (FY2023)	Compared to the previous fiscal year
ROE	8.0%	6.0%	▲ 4.5%	—
Stable shareholder returns	Dividend payout ratio: 100% DOE: 4%	Dividend: 200 yen or more/year* Total return ratio: 100%	Dividend: 120 yen per share per year*	+30 yen/year

*The dividend payout for FY2024 is scheduled to increase to ¥250 per year

3) Actions to Realize Management With an Awareness of the Cost of Capital and Stock Prices

In April 2024, we announced our "EXEDY mid- to long-term strategy," which consists of our business strategy, financial strategy, ESG strategy, and IR policy, in order to increase our corporate value. Subsequently, based on dialogue with major shareholders regarding this strategy, we published an updated version in October of the same year entitled "Actions to achieve cost of capital and stock price conscious management." Through the promotion of mid- to long-term strategy and dialogue with shareholders and investors, we are committed to managing our business with an awareness of capital costs and stock prices.

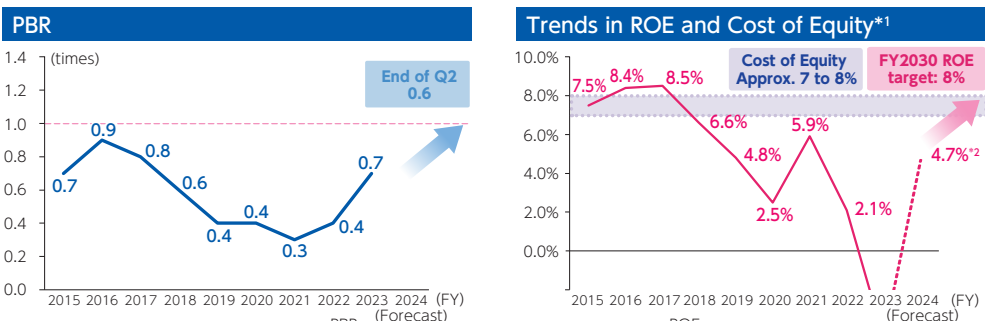
[EXEDY Mid- to Long-term Strategy](#)

[Actions to achieve cost of capital and stock price conscious management](#)

(1) Re-analysis of the current situation

① Trends in PBR and ROE

Although our stock price has remained at its highest level since 2018, our PBR remains below 1. We believe that one of the major factors behind this is the continued low ROE that is below the cost of shareholder capital.



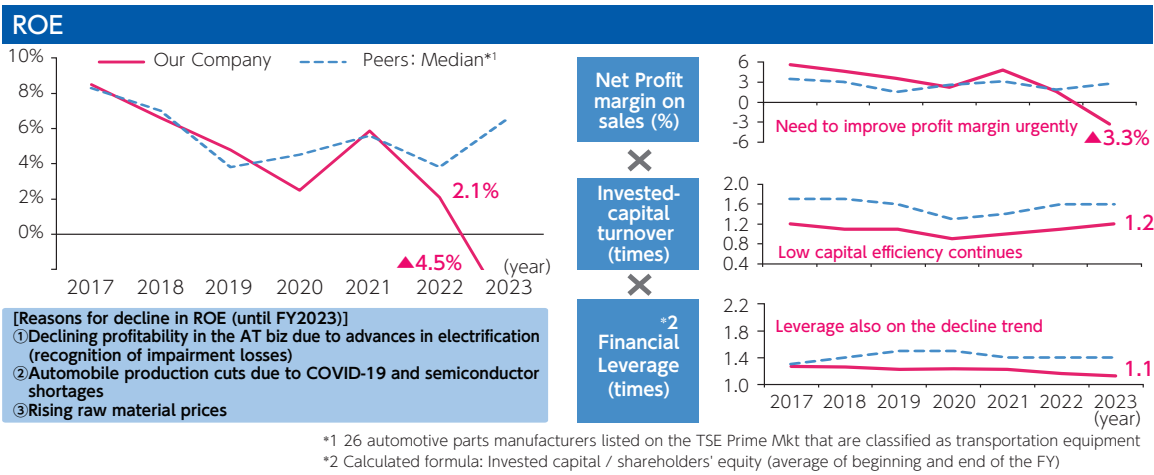
② ROE Analysis

The main factors behind the decline in ROE are the decline in profitability of the AT business due to the advancement of electrification and rising raw material prices.

In addition, when we look at the components that make up ROE, ① profit margin, ② invested capital turnover, and ③ financial leverage are all lower than those of our competitors, indicating that improvement is required.

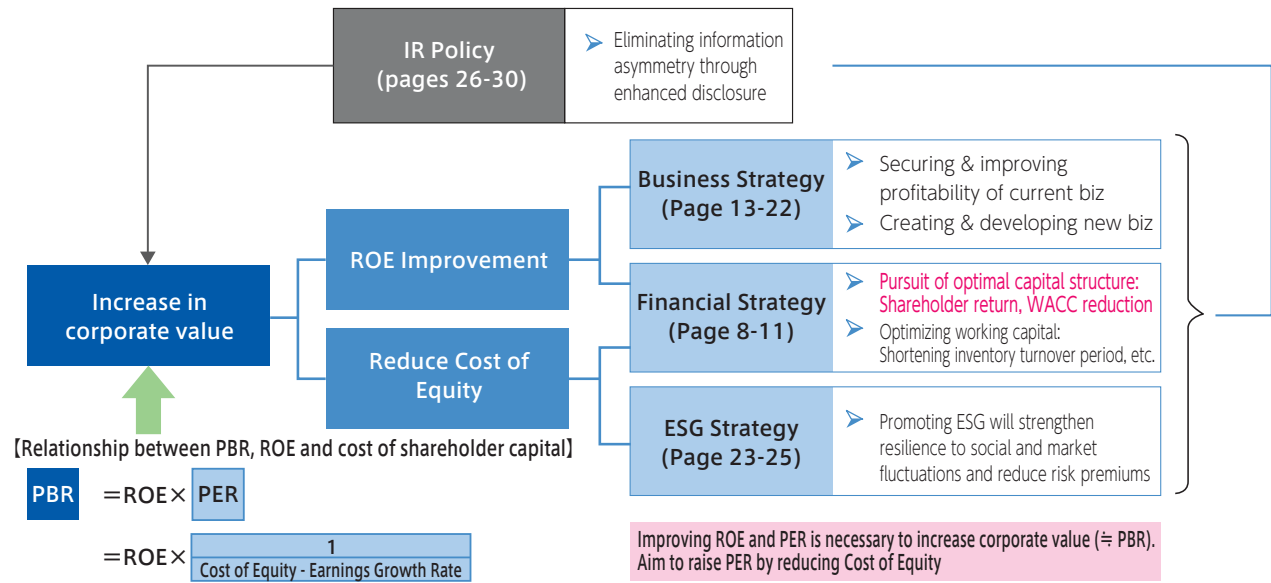
Regarding ①, in the business strategy announced in April 2024, we are working to improve the profitability of our current businesses.

Regarding ② and ③, we have decided to update our financial strategy based on dialogue with our major shareholders.



③ Initiatives to improve corporate value (≡ PBR)

Based on the above analysis, our company updated financial strategy in October 2024 to pursue an optimal capital structure and optimize working capital in order to improve ROE and increase enterprise value (≡ PBR).



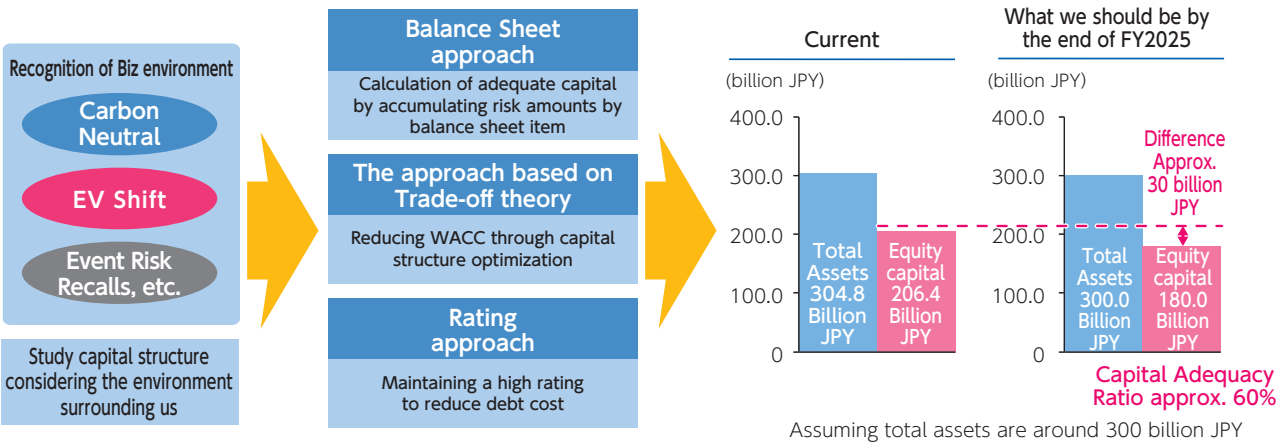
(2) Initiatives

① Update financial strategy (pursue optimal capital structure)

❶ Transformation to appropriate capital adequacy ratio

Taking into consideration the business environment, including the shift to electric vehicles, we have calculated that the appropriate capital adequacy ratio is approximately 60% (equity capital of 180 billion yen) using a balance sheet approach, an approach based on trade-off theory, and a rating approach.

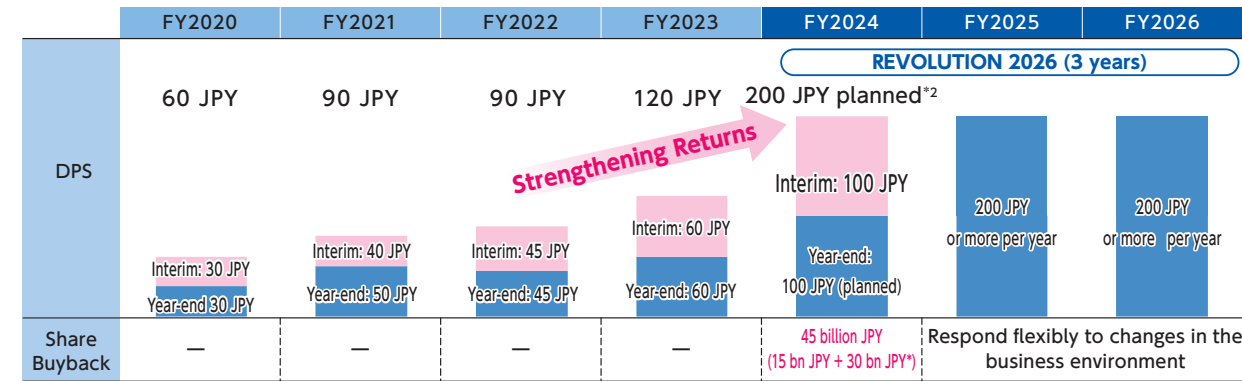
In order to achieve this target by the end of FY2025, the company announced an additional share buyback (30 billion yen) and increased dividends in October 2024.



❷ Shareholder Return Policy

As a result of the above, we have updated our dividend policy per share in our mid-term management plan REVOLUTION2026, covering the period from FY2024 to FY2026, to an annual dividend of at least 200 yen (previously at least 120 yen). In January 2025, when we revised our financial results forecast for the fiscal year ending March 2025 upward, we announced that we would set our dividend forecast for the same period at 250 yen per year, which is in line with the above policy.

Furthermore, even after the end of the current mid-term management plan, we plan to return any excess over the appropriate amount of shareholders' equity (180 billion yen) to shareholders primarily through dividends, aiming for a DOE of 4%.

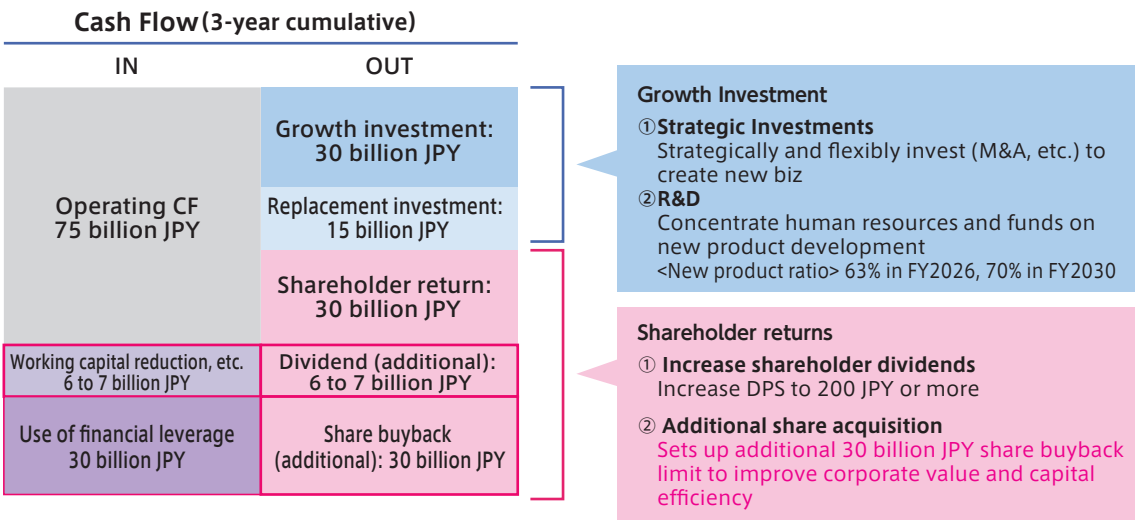


^{*1} The share repurchase period is from October 30, 2024 to October 29, 2025.
^{*2} In January 2025, the company announced a year-end dividend forecast of 150 yen and an annual dividend forecast of 250 yen.

❸ Capital Allocation

Under the current mid-term management plan, we will actively allocate cash earned from our current businesses to growth investments and shareholder returns.

Additionally, we plans to raise funds for additional share buybacks through financial leverage, and for additional dividends through the reduction of working capital.

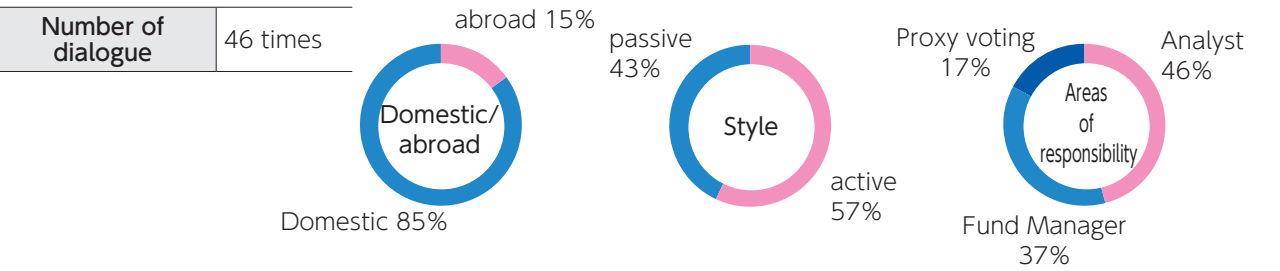


② Implementation of IR policy
① Status of dialogue with shareholders and investors

In April 2024, we established a new ESG/IR Promotion Department and established a structure to promote dialogue with shareholders and investors.

Main contact with shareholders and investors	
Financial Results Briefing	President and CEO, Senior Executive Managing Officer and Executive General Manager of Administration HQ
Small MTG	Senior Executive Managing Officer and Executive General Manager of Administration HQ
1on1 MTG	Administrative Headquarters Deputy Executive General Manager (General Manager of Finance Dept, ESG/IR Promotion Dept)

Overview of dialogue with shareholders and investors (1st half of FY2024)



Feedback to management etc.	
Feedback to management etc.	The requests identified in the above dialogue (pages 27-28) were fed back to the BOD (in Sep 2024) and the Management Meeting (in Oct 2024), and discussions were made based on this feedback.

② Main requests from major shareholders
Between August and September 2024, we conducted our first Shareholder Relations (SR) with seven major shareholders.
The requests received at that time regarding optimal capital structure, shareholder return policy, governance system, etc. were discussed at the Board of Directors and Executive Committee, and those that were determined to contribute to increasing our corporate value were reflected in our management.

item	request	correspondence
ROE	① ROE improvement (7 shareholders) ② Raising ROE targets (3 shareholders) • Aim for ROE of 10% or more (can be after FY 2030)	① Aiming for ROE of 8% or more, we are promoting a mid- to long-term strategy ② Reported to BOD and Management Meeting for discussion. Currently considering revising targets for FY2030 and beyond
Optimal capital structure	Considering the Balance Sheet concept for ROE improvement (especially the level of equity capital) & methods to achieve it (7 shareholders)	Discussed at BOD and In October 2024, disclosed optimal capital ratio (60%) & methods to achieve it (increase in dividends & additional share buybacks).
Shareholder Return Policy	① Increase in dividends: 4 shareholders : Domestic/Passive investors • Dividends should be increased to optimize capital adequacy ratios ② No need to review: 2 shareholders : Domestic/Passive investors • EXEDY is in a period to expand its new business. Now is not the time to increase shareholder returns ③ Share buyback: 1 shareholder : Overseas/Active investor • Set a target capital amount and use surplus capital to buy back shares	As a method to achieve the above "optimal capital structure," the shareholder returns policy had been discussed by the Board of Directors. Taking into account cash flow & the diverse expectations of shareholders, a comprehensive review of the shareholder returns policy has been conducted in October 2024.

item	request	correspondence
Governance System	① Strengthening governance through the separation of monitoring and execution & increased execution speed (1 shareholder) ② Improving the effectiveness of the Nomination & Compensation Committees (3 shareholders) ③ Linking executive compensation with KPIs (3 shareholders) ④ Increase in Director ownership of company shares (1 shareholder)	Reported these requests to the Board of Directors & Management Meetings, and discussed • For ① & ② , initiated research on the optimal system • For ③ & ④ , the Compensation Committee is considering implementing them in FY 2025
Disclosure	New business	Information to ensure the probability of sales targets related to the new business (3 shareholders) Information related to the new business & 5 Projects disclosed in October 2024 (Including sales targets)
	Human capital	① Analysis results & measures regarding Employee Satisfaction Survey (1 shareholder) ② Disclosure related to the relationship between Employee Satisfaction & Corporate Value Enhancement (1 shareholder) ① Disclosed in this report. (Details are explained on pages 51 to 52.) ② Disclosed in this report. (Details are explained on pages 51 to 52.)
	Internal Reporting	Information on Internal Reporting Performance (1 shareholder) Disclosed in this report. (Details are explained on pages 97)
Stock Compensation for Employees	Considering a mechanism where employees can become major shareholders in the medium to long term through the allocation of treasury shares held. (2 shareholders)	Discussed at the Board of Directors.Aimed at enhancing Human Capital & fostering employees' awareness of management participation, the decision was made in October 2024 to Restricted Stock Incentive for Employee Shareholding Association.

2. Strategies to Strengthen Human Capital

1) Value-creation Approach

Our long-term vision is to "become an attractive company where employees can feel excited and passionate," and we aim to be a company that employees are glad to work for by creating an environment that encourages challenges and proposals that will encourage employee growth and expanding systems that allow a diverse range of employees to work with peace of mind. Additionally, we will create and promote a human resources strategy that is linked to our business strategy, which will lead to value creation in the medium to long term.

2) Targets and Actual

	Target (FY2030)	Actual (FY2023)	Compared to the previous fiscal year
Employee Awareness Survey (Overall Satisfaction)	70%	46.0%	▲ 3.0points
Human resource development (training hours/person/year)	48hours	31.4hours	▲ 0.4hours
Percentage of female managers	7%	3.4%	▲ 0.2points
Total Working Hours	Less than 1,900 hours	1,915hours	▲ 27hours
Paid Leave Utilization Rate	100%	96.8%	▲ 4.4points

3) Policies

(1) Promoting diversity and inclusion (expanding systems that allow diverse employees to work with peace of mind)

Approach/Policy

EXEDY is a global company with a diverse workforce.To make full use of this diversity and create new value, we are promoting diversity and inclusion, and improving our internal environment. In promoting the empowerment of female employees, we have set a KPI for the proportion of women in management and provide step-by-step training courses, etc. according to the career plans of eligible persons to support the realization of this goal. To achieve work-life balance, we have set KPIs for total working hours and the paid leave utilization rate, and are reviewing the leave system and making it easier for employees to take time off. In addition, we are working to improve the internal environment so that diverse human resources can maximize their abilities by expanding work systems such as remote work, flextime work, and limited working hours, as well as initiatives that make each employee feel more satisfied in their work.

Initiatives

① Work Environment Diversity

In order to enable employees to work in a way that is not bound by "place" or "time," we have established systems such as working from home, flextime, and limited working hours, and employees are taking advantage of these systems as shown in the table on the right. Starting in FY2021, we are introducing a career support leave system that can be taken for up to about one year as a leave system to ensure diversity in work styles for employees, provide opportunities for skill improvement and development, and gain new knowledge and experience, and support their careers. We have also introduced a career refreshment support system, which provides allowances at certain milestones to support independent career development.

Number of users of each system (person)

Classification	System Name	FY2019	FY2020	FY2021	FY2022	FY2023	Compared to FY2019
Place	Remote working system	26	212	647	267	264	1,015%
Time	Flexible working system	427	591	663	654	655	153%
	Childcare / limited working hours system	50	51	77	69	71	142%
	Shortened working hours for childcare	50	51	54	32	26	52%
	Limited working hours system	(Newly established in FY2021)		23	37	45	-
	Career support leave system	(Newly established in FY2021)		1	4	1	-

② Revolution a workplace from "easy to work in" to "workplace that is rewarding to work in"

With the aim of becoming "an attractive company where employees can feel excitement and passion," starting from FY2021, we have set overall satisfaction (percentage of positive responses) as our KPI. We believe that overall satisfaction can be increased by expanding systems that allow a diverse range of employees to work with peace of mind and by creating an environment that encourages employee growth. We therefore conduct an employee awareness survey every year to confirm the effectiveness of each measure and overall satisfaction.

① Analysis of employee opinion survey results and measures for FY2023

[Analysis results]

"Overall satisfaction" in FY2023 was 46.0%, down 3.0 points from the previous year. Of the items that were thought to have a high correlation with overall satisfaction (correlation coefficient > 0.5), the items with a low rate of positive responses (agree & somewhat agree) were "expectations for the company's future," "appropriateness of compensation levels," and "communication with management," and for each of these, we have formulated the following measures.

[Countermeasure]

As for "expectations for the company's future," this is thought to be an indication of employee anxiety about the decline in orders for torque converters due to the advancement of BEVs, so as a countermeasure, we formulated and announced a medium- to long-term strategy in April 2024. The strategy aims to transform our business portfolio by improving the earning power of our current business toward FY2030 and concentrating our human resources and funds on creating new businesses. We will dispel employee anxiety by steadily implementing the strategy and sharing the progress with employees by holding town hall meetings (twice a year).

Regarding the "appropriateness of compensation levels," we have implemented wage increases that generally exceed the average for Japanese companies (with more than 1,000 employees), but we felt that these did not meet employees' expectations. As a countermeasure, we have increased average wages by more than usual in FY2024 (+4.34%) and paid the highest bonuses ever (2.8 months in both summer and winter). In addition, we have decided to allocate restricted stock (RS) to our employee stock ownership plan in October 2024. This scheme involves granting each person 2 million yen worth of Company shares, and following amendments to the law, this is the first such scheme in Japan to grant each person more than 1 million yen. In addition, as a result of this implementation, the participation rate in the employee stock ownership plan has increased from 48.5% at the end of March 2024 to 92.5% (as of the end of January 2025).

Regarding "communication with management," we felt that holding town hall meetings online since the COVID-19 outbreak might have had a negative impact, so starting in FY2024 we switched to video explanations and face-to-face Q&A sessions. Representative Director Senior Executive Managing Officer visited each department on 26 separate occasions to conduct face-to-face Q&A sessions and engage in dialogue with all employees. We believe that we were able to gain the understanding of employees by carefully explaining the outline and background of our medium- to long-term strategy and the introduction of a restricted stock grant system for the Employee Stock Ownership Plan at this meeting, and also by holding a question-and-answer session. In addition to the above, employees also requested that an explanatory meeting be held regarding the dissolution of the capital alliance with Aisin and that subsidies for event activities be reinstated, and both were carried out.

② Analysis of the relationship between human capital (satisfaction and job satisfaction) and increased corporate value (organizational performance)

We had received a request from a major shareholder to "analyze how employee satisfaction, which is a KPI, is related to increasing corporate value," and so we wanted to academically analyze the relationship between the two.

[Analysis contents and results by Professor Nobuyuki Isagawa and Associate Professor Kazuo Yamada of the Graduate School of Mangement, Kyoto University]

We therefore asked Professor Isagawa Nobuyuki and Associate Professor Yamada Kazuo of Graduate School of Management, Kyoto University, who are conducting joint research with companies on the quantitative analysis of ESG performance and financial performance, to analyze the relationship between "employee satisfaction/employee engagement" and "organizational performance." The subject of analysis was the AT Manufacturing Headquarters (line unit) because of the large number of participants and the ease of obtaining organizational performance data. Additionally, organizational performance data consisted of "productivity (time required to produce one unit)," "turnover rate," "in-process defect rate," and "rate of lost-time injuries," and correlation and regression analyses were conducted with employee satisfaction and employee engagement for each. As a result, the following trends were confirmed.

(This analysis was conducted in collaboration with Kyoto University Original Co., Ltd., a wholly owned subsidiary of Kyoto University.)

<The relationship between employee satisfaction and organizational performance>

- No significant correlation was found between employee satisfaction and any of the following items: turnover rate, productivity, in-process defect rate, or rate of lost-time injuries. However, when analyzing at an individual level rather than a line level, employee satisfaction was only highly correlated with "turnover rate."

<The relationship between employee engagement and organizational performance>

- Some of the employee engagement questions (e.g., "I want to work harder than is required of me") showed a reasonable correlation* with "turnover rate," "in-process defect rate," and "rate of lost-time injuries," but no significant correlation was found with "productivity."

*Although it did not reach statistical significance (10%), the sign was in line with our expectations.

[Advice from Professor Inoue of the Graduate School of Business, Doshisha University (our company's outside director)]

In light of the above survey results, we consulted with Outside Director Inoue regarding changing our company's KPI from employee satisfaction to employee engagement, and she provided us with the following advice:

<Advice from Outside Director Inoue>

- According to the analysis by Professor Isagawa and Professor Yamada, I think that "employee engagement" is a more suitable KPI linked to business strategy than "employee satisfaction" because it has a stronger correlation with organizational performance.
- This time, the verification was limited to employees of the AT Manufacturing Headquarters, from the perspective of ease of obtaining data. Therefore, in the future, it will be necessary to obtain data on both "employee satisfaction" and "employee engagement" for all employees and proceed with verifying the KPIs while analyzing the data taking into account differences in job types within the company.
- The questions in the Utrecht Work Engagement Scale are too positive* and may not be compatible with Japanese culture. I think it would be fine to revise the wording as long as it doesn't change the meaning, however, it should be noted that this would make it difficult to compare the results.

*"I feel more energetic and vigorous at work," "I get so absorbed in my work," etc.

[Countermeasure]

Based on the analysis results of Professor Isagawa and Associate Professor Yamada of the Kyoto University Business School and the advice of Outside Director Inoue, we are considering changing our KPI from employee satisfaction to employee engagement from FY2025. However, we will position engagement as an indicator primarily for indirect employees, and we plan to revise the wording of the questions to ensure that it can be measured correctly. Additionally, although employee satisfaction will no longer be included as a KPI, we will continue to measure it company-wide as it has been found to have a high correlation with turnover rates when analyzed on an individual basis.



Commemorative photo with the students from Graduate School of Management, Kyoto University

③ Promoting women's participation in the workforce and men taking childcare leave

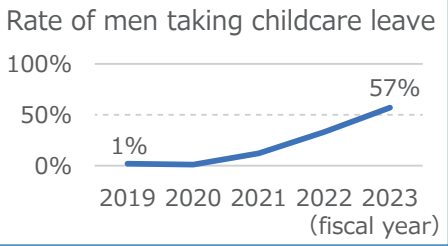
We have set the ratio of women in management positions as a KPI, and have established a goal of increasing the ratio of women to the entire workforce by FY2050. To achieve this goal, we have established a three-stage training course for female employees. The content of this course is tailored to the job rank and career plans of each participant, helping them to realize their career plans. Specific activities included implementing logical thinking training to equip participants with logical thinking skills, and hosting two lectures in which current managers

spoke about the rewards and appeal of being a manager. In addition, to enable men to be actively involved in child-rearing, from April 2022, we will be informing employees about individual childcare leave systems and confirming their intention to take leave, as well as working to ensure that childcare-related systems are fully implemented within the company.

As a result, the rate of male employees taking childcare leave will increase by 56 percentage points, from 1% in FY2019 to 57% in FY2023.

In addition, to support employees in balancing work and childcare, we have introduced a corporate babysitter discount coupon system in FY2024.

This is a system whereby companies purchase discount vouchers issued by the government and employees can receive financial assistance when they use these vouchers to hire a babysitter. Comments from within the company include, "When my husband is away on a business trip or at home looking after the child after he gets sick, the babysitter discount voucher allows me to concentrate on my work from home, so it's a great help," and "I haven't used it yet, but it's reassuring to know that the system exists. I'd like to use it if I come across a job where I can't take time off."



(2) Human resource strategies linked to business strategies (creating an environment that encourages employee growth)

Approach/Policy

Based on the business strategy announced in April 2024, we will formulate and promote a human resources strategy. We will employ new talent and improve the skills of existing employees so that we can create new products, such as electrified products, by leveraging our strengths, including our core technologies. Additionally, to improve the job satisfaction of each employee, we will provide support for self-directed career development through a career challenge system and other measures.

Initiatives

By promoting internal transfers through mid-career recruitment and career challenge systems, and by reskilling existing employees, we will quickly improve the expertise and technical capabilities of our employees and enhance the performance of the entire organization.

① Hiring new business talent

In response to the rapid electrification of the automotive industry, we are stepping up our recruitment activities for mid-career employees.

They provide existing members with fresh perspectives and innovative ideas to accelerate the development of electric drive technology.

Of the 22 mid-career hires for FY2023, 11 were hired as personnel involved in the technology or planning of new businesses and new electric products.

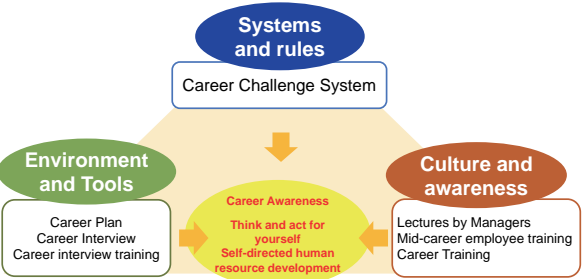
In FY2024, we are hiring 23 people to further enhance our ability to create new businesses and new products. (As of the end of February 2025)

② Promoting support for independent career development

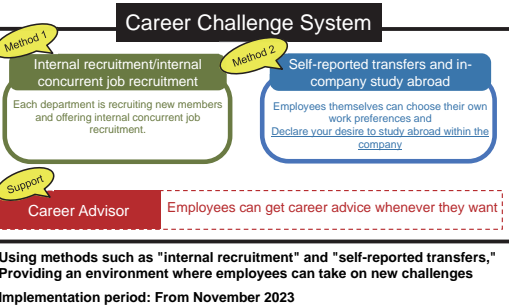
In order to improve the job satisfaction of each individual, we support independent career development from the perspectives of "system," "environment," and "culture."

Starting in November 2023, we will introduce a "Career Challenge System" that allows employees to take on challenges to realize their careers, and have established a system to support employees in realizing their own careers, such as internal job openings and self-reported transfers. As of the end of FY2023, there were 23 applications for internal public recruitment and 12 applications for self-reported transfers, of which 22 transfers were approved.

Initiatives to improve career awareness



Career Challenge System Overview



③ Continue to provide electrification education (practical course)

Regarding the electrification education that began in FY2022, as the next step after the basic education, in FY2023 we held a "Brush DC Motor Course: Learn while Making" as practical education using actual products, mainly for employees in the development and production technology departments, with 27 employees taking the course. By actually building a motor, students gain an understanding of the principles and mechanisms of electrical equipment.



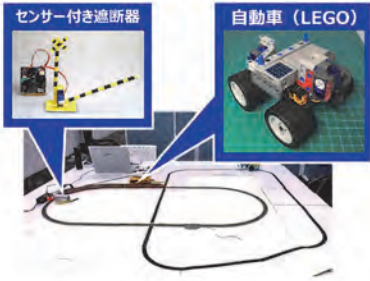
・ IT literacy ・ Programming (Python, C language)

④ Developing human resources who can create new value

① DX Human Resources Training (Practical Edition)

In order to develop human resources who are well-versed in digital technologies and data utilization, which are at the heart of promoting DX, we have implemented IT literacy improvement training from FY2023 to equip employees with the ability to understand and appropriately utilize IT knowledge.

In addition, for employees who will need programming skills to create new businesses and new enterprises, an introductory programming training course and a practical course in which employees actually created and executed programs were held, with 24 employees taking the course.



② New business creation training (applied version)

In order to create businesses other than existing businesses, in addition to the new business creation training (basic level) that started in FY2022, we also conducted the "Business Model Campus Training" to learn how to plan specific business models and the "Planning and Concept Ability Training" to learn about planning. 66 employees, mainly from the sales, development, and production technology departments, took the courses.

③ New business creation training in Silicon Valley (RakuNest Zero One Program)

We have begun participating in a dispatch program to Silicon Valley in the United States with the aim of developing human resources capable of creating new businesses and fostering a corporate culture of new business creation. The program began in FY2023 and will run until the end of March 2024, with six people dispatched.

As part of their pre-training in Japan, they learn basic knowledge about new businesses and then experience everything from coming up with new business ideas to pitching them to investors in Silicon Valley. This gives them a taste of the actual process of creating a new business, and they then provide feedback to the company.

In the future, in addition to aiming to accelerate the launch of new businesses, we also plan to consider recruiting participants through an open application process as a way to provide motivated and capable people with an opportunity to advance their careers.



④ Startup work experience

We dispatch employees to startup companies with which we collaborate in order to develop executive candidates through practical work experience and to help them gain a feel for the speed of startup management. To date, 23 employees have been sent there. Additionally, we have introduced a project director system for new businesses, with the aim of nurturing executive candidates and accelerating the pace of project progress through the delegation of authority. The new business required us to break away from our previous business model, so we conducted a total of six project development training sessions to make up for the lack of know-how within the company. A total of 18 people participated, including five project directors and 13 project members, and learned methods for effectively progressing projects, with an emphasis on shared leadership and agile thinking.

⑤ Psychological safety training

Various studies have shown that organizations and teams with high "psychological safety" have high member engagement and performance. Therefore, we recognize that "creating a culture that accepts failure" is important to generate innovation at our company, which is currently undergoing a period of REVOLUTION, and we aim to create a psychologically safe environment. First, we are working to improve management and supervisory positions through training on creating an environment where members feel comfortable speaking up and how to actively listen. Going forward, we plan to hold training for department managers and accelerate our efforts towards achieving REVOLUTION2026.

3. Strategies to Strengthen Manufacturing Capital

1) Value Creation Approach

By designing and manufacturing our own production lines and equipment, we have always provided high-quality, competitive products to the world. We will continue to leverage the manufacturing know-how and global production system we have cultivated since our founding, while also responding flexibly to changes in the external environment, such as electrification, in order to further improve our competitiveness. In addition, by using AI to convert the digital data accumulated through our in-house developed IoT system (EXPRESS) from tacit knowledge to explicit knowledge and by rolling out RPA across the company, we will accelerate digital process innovation and evolve into a Smart Factory. With regard to eco-efficiency, we are working to reduce CO2 emissions from our production processes through continuous improvements along with continuous productivity improvements.



Domestic production and sales base	9 companies	Overseas production and sales base	30 companies	Tangible fixed assets	115.2 billion yen
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*Production and sales bases: as of the end of March 2024, Tangible fixed assets: as of the end of December 2024

2) Target and Actual

	Target (FY2030)	Actual (FY2023)
Capital Expenditure	—	15.5 billion yen
Greenhouse Gas Emissions (Compared to FY2019)	▲ 46%	▲ 20.7%

3) Policies

(1) Building an optimal production system

We are building an optimal production system to adapt to changes in the environment, such as the reduction in production of products for internal combustion engine vehicles, the expansion of production of products for hybrid vehicles, and the start of production of new products. At the Ueno Plant, we consolidated small-lot torque converter models and restructured the production line to enable mixed production of a wide variety of products. In response to the decline in demand in the United States, we have also transferred production to other bases (Japan, China, and Mexico) within our global production structure. On the other hand, in response to the increasing demand for hybrid vehicle products, we are building damper production lines in Japan and China. Additionally, for new products such as drone propellers, we have begun production under a reliable quality assurance system, by comparing our existing production know-how with the specific needs of the new products.



Small-lot production line for torque converters



HEV damper production line



Drone propeller shipping ceremony

(2) Digitalization Initiatives

Since the 2010s, we have begun to use production data collected through our in-house IoT system "EXPRESS" to calculate optimal conditions using AI. Using digital technology, we will evolve domain knowledge, which has become tacit knowledge in production, into explicit knowledge that anyone can use in the future. By deploying RPA company-wide, we are replacing people performing routine tasks in each department and improving work efficiency.



In-house developed IoT system "EXPRESS" screen



Improve business efficiency with RPA

(3) Initiatives towards achieving carbon neutrality

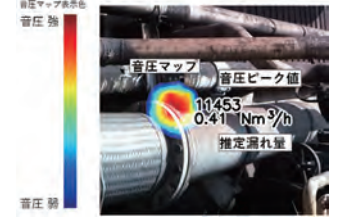
With a view to achieving carbon neutrality by FY2050, we are promoting energy conservation activities and the introduction of renewable energy at our factories around the world.

① Energy conservation activities

The casting process that had been carried out at the Ueno Plant (Iga City, Mie Prefecture) since 1975 has been renovated and relocated to the Kameyama Plant (Kameyama City, Mie Prefecture) in July 2023. In this renovation, in addition to changing to energy-saving equipment, the know-how of skilled workers was quantified using the latest sensing technology, and through analysis and prediction, the factory was transformed into a highly efficient, high-quality facility. We are also working to reduce CO2 emissions in our existing production processes through continuous improvements. At the Ueno Plant, we have been visualizing air flow rates throughout the entire factory since FY2020, making it possible to identify and improve air leaks and detect abnormalities at an early stage on a factory-by-factory basis. In addition, by using the air leak viewer, it is now possible to visualize air leak locations, enabling early correction. Additionally, for the brazing furnace, which requires a large amount of energy, an insulating jacket was installed to improve thermal efficiency, which not only reduced power consumption but also improved the surrounding work environment.



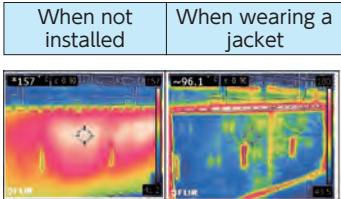
Air Leak Viewer



Visualization of air leak locations



Brazing furnace with thermal insulation jacket



Thermography showing the effect of wearing an insulating jacket

② Introduction of renewable energy

Each location investigates the most suitable scheme and implements it. The Neyagawa Head Office, Ueno Office, and group companies both in Japan and overseas have already installed solar panels on the roofs of their factories. DYNAX has introduced renewable energy through the use of biomass boilers, solar carports and off-site PPAs (power purchase agreements). EXEDY Clutch India and EXEDY DYNAX Europe have also begun introducing renewable energy. (See page 58 for other implementation examples.)

(4) Developing human resources for manufacturing

We are focusing on improving our training system for factory technicians who are responsible for manufacturing. We focus on developing skilled workers who support manufacturing, through hierarchical education programs from basic to advanced levels, multi-skill education based on skill improvement plans for each workplace, and reskilling to handle new products. Additionally, to accelerate digital transformation, we will strengthen IT literacy education and company-wide working groups to promote RPA in each department, and respond to the digitalization of society.

4. Strategies to Strengthen Natural Capital

1) Value Creation Approach

Through our business activities, we utilize mineral resources, industrial water, energy resources, etc. as raw materials for our products, and therefore strive to use natural capital efficiently and reduce the environmental impact. In particular, because energy resources are used during the manufacturing process and when the final product is used, and thus affect climate change, we have set a long-term vision of "Contribute to minimizing environmental impact, including the creation of a decarbonized society," and will work to preserve the global environment and create economic value.

2) Value Creation Approach

	Target (FY2030)	Actual (FY2023)
Greenhouse Gas Emissions (Compared to FY2019)	▲ 46%	▲ 20.7%

3) Initiatives

(1) Initiatives Regarding Environmental Issues

At EXEDY, each group company operates an environmental management system such as ISO 14001 and promotes daily environmental conservation activities based on group policies and Midterm Consolidated Management Plan. In consideration of laws, regulations, and stakeholder requirements, each division addresses environmental issues specific to its region and business category, such as pollution prevention, legal compliance, coexistence with local communities, and reduction of environmental impact. We regularly hold issue-specific and region-specific environmental meetings to obtain synergistic effects for the entire EXEDY group through environmental conservation activities that utilize the characteristics and strengths of each subsidiary. We are taking initiatives to strengthen our environmental management system on a global basis by formulating and implementing group policies and environmental goals, sharing responsibilities and best practices among our subsidiaries, and monitoring their progress. For details on our environmental policy, management system, and initiatives, please refer to the following.

- [Environment / EXEDY Corporation \(exedy.com\)](#)
- [Environmental Management / EXEDY Corporation \(exedy.com\)](#)
- [Efforts to Reduce Environmental Impact / EXEDY Corporation \(exedy.com\)](#)

In addition, we recognize the reduction of greenhouse gas emissions as one of the most important environmental issues. So we have established long-term targets at the Board of Directors meeting and medium-term targets at the Sustainability Meeting chaired by the President & CEO to manage progress.

(2) Examples of Renewable Energy for Reducing Greenhouse Gas Emissions

Power generation by solar panels

EXEDY Group companies have installed solar panels on the roofs of each factory and building to generate our own electricity. In FY2023, the EXEDY Group as a whole generated 6,988.5 kWh of electricity, and the in-house consumption rate was 0.51%. We are also promoting the purchase of electricity derived from renewable energy sources at each of our bases. The results for FY2023 are as follows.

Company	Country	Purchased (thousand kWh)
EXEDY Clutch India	India	12,620
EXEDY-DYNAX Europe	Hungary	5,846
EXEDY Friction Material	Thailand	5,000

(3) Contribution to Natural Environment Protection and Biodiversity Conservation

To protect the natural environment and biodiversity of each country and region, the EXEDY Group sympathizes with and supports new international initiatives such as the Kunming-Montreal Global Biodiversity Framework and the WASH (Water, Sanitation, and Hygiene) program, and is working on sustainability activities rooted in the local community at each of its bases.



Cooperation and booth exhibit at the Yodogawa Marugoto Taikenkai (beautification of the Yodogawa River landscape)



Museum clean-up activities carried out by EXEDY Vietnam

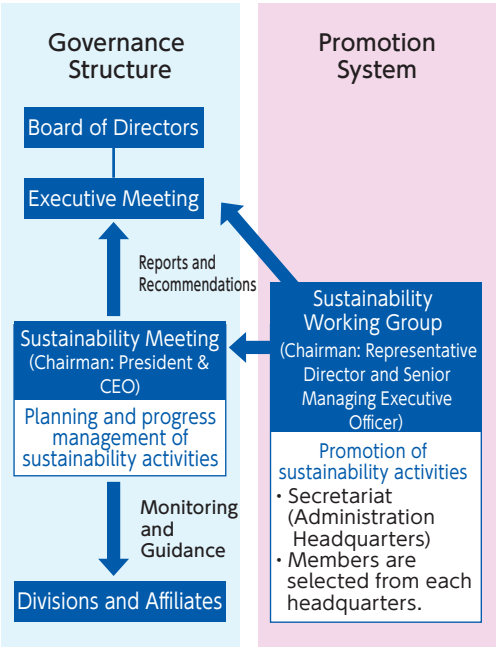


(4) Information Disclosure Under the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

The EXEDY Group aims to achieve carbon neutrality (substantially zero greenhouse gas emissions) by 2050 in response to the international challenge of preventing global warming. We are working on the introduction and development of next-generation electrified products and future products. In addition, we have expressed our support for the Climate-related Financial Disclosure Task Force (TCFD), the TCFD Consortium, and the Japan Climate Initiative (JCI), and are working to strengthen the resilience of our strategies (ability to adapt and survive) by analyzing the impact of climate change on our business and the resulting risks and opportunities based on multiple scenarios and reflecting them in our management strategies and financial plans.

① Governance

The EXEDY Group recognizes climate change as an important environmental issue, and after deliberation by the Management Committee and the Board of Directors, has chosen to contribute to the creation of a decarbonized society as one of its Long-term Visions, and has established climate-related KPIs (key performance indicators). In addition, to achieve the vision and KPIs, we have established a Sustainability Committee as a meeting body that formulates sustainability action plans and manages progress. This meeting is chaired by the President & CEO, and attended by all executive officers (including those stationed overseas) and the full-time corporate auditors, and is held twice a year. The committee deliberates and decides on medium- to long-term goals and the necessary responses based on laws and regulations and the needs of interested parties, and discusses matters that are deemed to have a significant impact on the business at the meeting of the Management Committee and the Board of Directors. In addition, we have formed the Sustainability Working Group as a working force to promote sustainability activities. The group is chaired by a director and senior managing executive officer, and its members are elected from each headquarters, promoting activities across the company.



② Strategy
A.Scenario Assumption

To understand the potential financial impact of climate change on EXEDY Group's operations and to identify climate-related risks and opportunities, we referred to external scenarios such as the International Energy Agency's (IEA) World Energy Outlook and the 2° Investing Initiative as benchmarks. We also reviewed the scenario analysis for the automotive industry, assumed an overall scenario based on the company's perception of its long-term business environment, and identified climate-related risks and opportunities by analyzing the differences between the scenario and our long-term strategy. The scenarios were defined based on an analysis of all global businesses, and categorized into IEA NZE, IEA STEPS and a 4°C scenario (a case in which little progress is made in mitigating global warming) against two axes: transition risk and physical risk.

	Parameter	FY2023	STEPS 2.4°C	NZE 1.5°C	Provenance
Transition risk	Carbon price	Carbon price (US\$/t-CO2)	EU FY2030 140 FY2040 149 FY2050 158	developed countries FY2030 140 FY2040 205 FY2050 250	IEA"WEO2024""5
	Changes in the energy mix	Electricity rate ① Coal ② Solar (US\$/MWh)	USA ① ② FY2023 105 55 FY2030 165 35 FY2050 n.a. 25	USA ① ② FY2023 195 55 FY2030 n.a. 30 FY2050 n.a. 25	
		CO2 conversion index (t-CO2/MWh)	FY2030 0.312 FY2035 0.219 FY2040 0.164 FY2050 0.111	FY2030 0.195 FY2035 0.050 FY2040 0.003 FY2050 -0.004	
	Raw material price	Iron price ① Conventional method ② Groundbreaking Construction Method (US\$/t)	FY2023 ① 470-560 ② 650-870 FY2050 ① 470-560 ② 650-870	FY2030 ① 550-750 ② 730-910 FY2050 ① 730-850 ② 680-830	
	Changes in customer behavior	EV sales volume	FY2020 4% FY2022 14% FY2023 about20%	FY2030 45% FY2035 55%	

		Parameter	FY2016	4℃ *3	2℃ (1.5℃) *4	Provenance
Transition Risk	Changes in customer behavior	Gasoline diesel vehicle sales volume	Current status (=100%)	100% in 2050 LCT *1	90% reduction in 2050 ACT *2	2ii 「The Transition Risk-o-Meter Reference Scenarios for Financial Analysis」 *6
Physical risk	Average Temperature Rise	Air conditioning cost (US\$/person/year)	about 19	FY2030 : about30 FY2050 : about60	FY2030 : about30 FY2050 : about35	IEA “The Future of Cooling”
	Intensification of extreme weather	Flood frequency	FY2018:(100%)	FY2040 : 400%	FY2040 : 200%	MLIT “Recommendations for Flood Protection Planning in the Context of Climate Change” 2019
		Occurrence of typhoons and cyclones	26 cases/year in 2016	Decrease in frequency, potential increase in intensity		Japan Meteorological Agency / Environment Agency

*1 : Limited Climate Transition, *2 : Ambitious Climate Transition, *3 : Case where global warming countermeasures do not make much progress,*4 : Case where global warming countermeasures are accelerated (1.5°C scenario in some cases),*5 : International Energy Agency "World Energy Outlook",*6 : Investing Initiative

B.Identifying climate-related risks and opportunities

After analyzing the differences between the above scenarios and our understanding of the business environment, which is the premise for the EXEDY Group's long-term strategy, we have identified the key items that we believe will have a huge potential financial impact on our business, as follows.

[Time axis] Short-term <0-2 years>, medium-term <3-9 years>, long-term <10 years or more> [Impact] Impact on EXEDY Group's business

Key Items	Potential Financial Impact	Time axis Impact	Countermeasures
Main risks	Tighter Government Regulations on Greenhouse Gas Emissions Increase in direct costs due to introduction of renewable energy • Greenhouse gas emission reduction target (FY2030) -46% compared to FY2019. Measures: energy conservation activities (annual reduction of 1%) and introduction of renewable energy • If energy conservation activities are carried out as planned, the estimated cost of renewable energy in FY2030 is 1.31 billion JPY/year. <Carbon price in 2030: 140 US\$/t-CO2>	Medium-term High	■ Internal carbon pricing will be introduced from FY2023 (JPY11,000/t-CO2, as of the end of August 2024) ■ Research and introduction of methods to reduce greenhouse gas emissions, including renewable energy both in Japan and overseas (Major implementation results and reduction effects in FY2023<t-CO2/year>) Investment amount: 7.98 billion yen • DYNAX introduces biomass boiler: 3,501t (investment amount: 700 million yen) • EXEDY Thailand, solar panel installation: 1,416t (investment amount: 120 million yen) • DYNAX introduces solar carports and solar power generation: 1,580t (investment amount: 740 million yen) • EXEDY to abolish (relocate) pressurized furnace: 481t (investment amount: 6.42 billion yen)
	Tighter regulations on existing products and market changes Decrease in sales due to suspension of sales of internal combustion engine vehicles and accelerated transition to electric vehicles • In the 2DII scenario, sales of internal combustion engine vehicles will decrease by 90%. <FY2050> • Of the EXEDY Group's sales, 89% is for internal combustion engines, and the impact on sales in FY2050 will be approximately -250 billion JPY.	Medium-term High	■ Collection of information on regulations and customer trends related to internal combustion engine vehicles in Japan and overseas ■ Cultivate and further create new businesses by introducing a project system ~ April 2024, 6 projects formed <71 members / labor costs 450 million yen, FY2030 / new business sales target 100 billion yen> (Electrified products under development & mass production/limited sales start date) • Drone: FY2023 <Propeller> • Smart robots: FY2025 • CVT drive unit for 2-wheel/3-wheel BEV: FY2024 • Electric assisted pallet truck: FY2024 • Wide-range drive system for BEV: FY2028
	Increased severity and frequency of extreme weather events such as cyclones and floods Decrease in sales due to factory shutdowns and supply chain disruptions • According to the MLIT's "Recommendations for Flood Protection Planning in the Context of Climate Change", the frequency of flooding is expected to double (2°C) to quadruple (4°C) by FY2040. • If operations are suspended (for 5 days) in Japan and Asia (69% of total manufacturing), where flooding is most likely to occur, the impact on sales will be -4.4 billion JPY.	Medium-term High	• Implementation of risk assessment using hazard maps • Implementation of measures in line with risk assessment ~ Completion of relocation of plants with the greatest risk in FY2020 ~ Installation of temporary flood barriers, etc. • Formulation of business continuity plan that includes suppliers

Regarding the transition risk, we evaluated that the potential financial impact on the EXEDY Group's business is high due to stricter government regulations on greenhouse gas emissions, stricter regulations on existing products, and market changes. Regarding physical risks, we evaluated the above impact of increasing severity and frequency of extreme weather events to be high.

[Time axis] Short-term <0-2 years>, medium-term <3-9 years>, long-term <10 years or more> [Impact] Impact on EXEDY Group's business

Key Items	Potential Financial Impact	Time axis Impact	Countermeasures
Main opportunities	More efficient production and logistics process utilization Lower energy costs through more efficient production • One of the measures of the Long-term Vision/reduction of greenhouse gas emissions (-46% in FY2030 compared to FY2019) is -1% annually in energy-saving activities (-11% in FY2030). This action is expected to reduce costs by approximately 1.29 billion JPY.	Medium-term High	• Continuation of energy-saving activities • Promotion of production technology development that contributes to further production efficiency • Examination of optimal production system with consideration of sales forecasts for existing flagship products - The above activities result in cost savings of 410 million yen per year in FY2023

Main opportunities	Development and sales expansion of low emission products	Increase in sales due to higher demand for products for HEVs (Japan and China) ・ While regulations on internal combustion engine vehicles are becoming stricter in Europe and the United States, HEVs (hybrid vehicles) are not subject to regulations in Japan and China. In addition, the slowdown in the shift to BEVs has led to an increase in HEV demand worldwide. ・ Global HEV sales forecast for FY2030 is 34.8 million units (18.1 million units in FY2023). Products for full HEVs (damper) and mild HEVs that contribute to decarbonization Technological developments (torque converters, flywheels, friction materials, clutches, etc.) are expected to have an impact of 12.19 billion yen on sales of HEV products in FY2030.	Medium-term High	■ The target for the "sales ratio of products that contribute to decarbonization," established in July 2021, will be raised to January 2024, and the creation and expansion of products for HEVs and BEVs will be accelerated. - The revised targets are 21% for FY2030, 79% for FY2040, and 83% for FY2050. - June 2023: Establish a new production line for HEV dampers at the head office factory (investment amount: 480 million yen). Orders for this product are expected to grow from 413,000 units in FY2022 to 600,000 units in FY2027.
	Development of new products through R&D and technological innovation	Sales increase due to increased demand for electrified products such as BEV - Although there is a recent slowdown in sales, the mid- to long-term trend towards BEVs remains unchanged, with global BEV sales forecast for FY2030 at 42 million units (12 million units in FY2023). Developing electrified products for automobiles through technological development of wide-range drive systems for BEV - In addition to automobiles, the company is working on developing new products for drones, smart robots, electric two-wheeled and three-wheeled vehicles, etc., aiming to have a 100 billion yen impact on sales of new products in FY2030	Medium-term High	In July 2021, "Ratio of R&D expenses for new product development" was set as a KPI. - Target of increasing the ratio to 70% by FY2030 and 90% by FY2050 "New product sales ratio" was added as a KPI in January 2024 - Target of 30% in FY2030, 86% in FY2040, and 94% in FY2050 Strengthening the system for cultivating and creating new businesses - Introduction of project-based system, establishment of R&D centers in India and the UK, and increase in staff at Silicon Valley office - From April 2023, the company invests a total of 5.8 billion yen in nine startups and other companies that have the necessary knowledge in motor and drone-related technologies.
	ESG evaluation leads to higher stock prices	Improvement in PBR and increase in market capitalization due to higher valuations at ESG rating agencies - There are more than 4,000 signatories to the UN/ PRI (Principles for Responsible Investment), with total assets under management of US\$120 trillion. They incorporate ESG issues into their investment analysis and decision-making process, and improved ratings from ESG rating agencies are one of the incentives for investors to hold the company's shares. - As part of efforts to improve corporate value (≠ PBR), we are promoting ESG strategy through improving its ESG evaluation. If we can improve PBR from the current level (0.66x, market capitalization of 155.7 billion yen) to 1x, it is expected that the market capitalization will increase by approximately 80 billion yen.	Medium-term High	Promoting ESG strategies through activities to improve FTSE scores and CDP ratings - FTSE score improved from 3.7 to 4.3, CDP rating maintained at B - Since February 2023, when we first issued our integrated report, our stock price (+81%) has outperformed the Nikkei average (+37%) In April 2024, we will establish a new ESG/IR Promotion Department to further promote our ESG strategy (expenses of 31 million yen).

As for opportunities, we believe that the utilization of more efficient production and logistics processes, the development and sales expansion of low-emission products, and the development of new products through R&D and technological innovation have a high potential financial impact on the EXEDY Group's business.

C.Impact on management strategy

In light of the global trend toward carbon neutrality, the progress of BEVs, and the shrinking of business for internal combustion engine vehicles, which were recognized through the identification of the risks and opportunities mentioned above, the Management Committee and the Board of Directors deliberated on the matter, and in April 2024, we formulated and announced mid- to long-term strategy and mid-term management plan "REVOLUTION 2026."

The mid- to long-term strategy is comprised of a business strategy, a financial strategy, and an ESG strategy, and the core of the business strategy for FY2030 is the transformation of our business portfolio. This is a strategy to improve the profitability of current businesses and concentrate human resources and funds on creating new businesses. Our targets for FY2030 are sales of 330 billion yen, operating profit of 30 billion yen, ROE of 8%, and a new product sales ratio of 30%.

In addition, Mid-Term Management Plan "REVOLUTION2026" is a three-year mid-term plan through FY2026 with a view to FY2030, and is a plan to revolutionize the time axis, approach methods, business models, etc. The core of the business strategy in this plan is 1) painful structural reform, 2) optimization of production system, and 3) Creation and Development of New Businesses. To further accelerate 3), we have introduced a project system, established R&D centers in India and the UK, and increased staff at our Silicon Valley office. In addition, a core element of our ESG strategy is the promotion of sustainability activities through activities to improve our evaluations from external evaluation organizations, and we established the ESG/IR Promotion Department in April 2024 to promote these activities.

D.Impact on financial planning

The main impacts on the financial plan are (1) Impairment loss due to painful structural reforms and (2) increased investment in creating and nurturing new businesses.

This matter is also being discussed by the Management Committee and the Board of Directors. As for (1), it became clear that the torque converter business in Japan & China will rapidly shrink as the shift to BEVs

continues, and based on the impairment test in the FY2023 financial statements, we recorded an Impairment loss of 31.9 billion JPY related to business assets for torque converters in the AT business.

The Company plans to reduce the depreciation burden of the AT business from FY2024 onward and to REVOLUTION the profitability of this business.

All torque converter production bases in the AT business (Japan, China, U.S.A. and Mexico) except for Thailand have already been impaired.

For (2), in addition to the ratio of R&D expenses for new products, we have set the ratio of new product sales to total sales as an additional KPI, with the target of 30% in FY2030, 86% in FY2040, and 94% in FY2050.

Accordingly, we plan to invest 30 billion JPY in growth in our capital allocation for FY2024-FY2026. We will invest flexibly in M&A as a strategic investment and concentrate human and financial resources in new product development as an R&D investment.

As for M&A, since April 2023, we have invested a total of 5.8 billion JPY in 9 startups and other companies that possess the necessary knowledge of motors, drone-related technologies, etc. We have also dispatched human resources to promote the creation and development of new businesses.

In addition, in order to strengthen new business creation activities, the company has budgeted 450 million JPY in personnel expenses, with the introduction of a project system from April 2024.

③ Risk Management

The EXEDY Group's risk management action guideline is to prepare in advance to prevent emergencies and minimize damage. To ensure that these measures are implemented, we conduct risk management after evaluating and identifying risks. We identify major risk items related to safety and health, environmental preservation activities, and business continuity management activities, based on the frequency of occurrence, degree of impact, and surrounding conditions. We are working to strengthen our management system by clarifying the department responsible for each risk, the degree of impact of each risk, the causes of its occurrence, and proactive preventive measures.

Regarding climate-related risks, the Sustainability Committee plays a central role in analyzing scenarios, assessing and identifying risks, and managing the progress of response measures. The status of the response to major risks is as follows. Regarding the risk of sales decline due to the suspension of sales of internal combustion engine vehicles, etc., the Management Committee and the Board of Directors have discussed the issue, and developed a Long-term Vision, and strengthened the product development system. Regarding the risk of increased direct costs from the introduction of renewable energy due to stricter government regulations, the Sustainability Working Group is researching and studying measures to address this issue, including gathering information on renewable energy options. Regarding the risk of supply chain disruptions due to floods and other disasters, the Risk Management Committee, consisting of the President & CEO, (Senior) Executive Managing Officers, and full-time Audit and Supervisory Board Members, is discussing and promoting business continuity plans for suppliers and other parties.

④ Metrics and Targets

The EXEDY Group is working to achieve carbon neutrality by FY2050, and has set the following targets for FY2030 and FY2050 based on the "NET GHG (greenhouse gas) emission reduction rate" as a climate-related KPI, and is confirming progress at the Sustainability Conference.

Metrics	NET GHG Emissions Reduction Rate Scope 1 (direct emissions) + 2 (indirect emissions: electricity, etc.)
Targets	FY2030 -46% <compared to FY2019> FY2050 -100% <same as above>
Actual (FY2023)	Reduction rate -20.7% <Compared to FY2019> Emissions (1000t-CO2) Scope 1: 31.2, Scope 2: 163.5, Scope 3: 1,573.4

As described above, the EXEDY Group recognizes climate change as an important environmental issue and has positioned the Board of Directors and the Sustainability Committee as governance and the Sustainability Working Group as the business promotion organization to establish KPIs and promote sustainability activities. Also, we have analyzed the circumstances surrounding our company based on multiple scenarios to identify significant risks and opportunities, and have estimated the potential financial and strategic impact of climate change on our business, and reflected this information in our management strategies and financial plans. In particular, we have incorporated measures to address major risks and opportunities into our Long-term Vision and consolidated mid-term management plan. By steadily implementing these measures, we will strengthen the EXEDY Group's resilience against the impact of these risks on product demand and other factors.

⑤ Independent third-party assurance

We have received independent third-party assurance of the Group's GHG emissions as described below.

Period: April 1, 2023 to March 31, 2024

Coverage: Energy-derived CO2 emissions from the Group

Scope 1 and Scope 2 (location-based and market-based)

Independent Assurance Report:

[Environmental Reports / EXEDY Corporation \(exedy.com\)](#)



5. Strategies to Strengthen Intellectual Capital

1) Value Creation Approach

EXEDY's Long-term Vision is to "create and deliver new value" by "creating new value to make the transportation of people and goods more comfortable" and "Actively enter new business areas to become a unique company with unrivaled capabilities," we will realize "fulfillment for our customers" and create long-term value for the company. We see the global shift to electric vehicles as an opportunity for new business expansion and aim to shift development resources to new businesses (new products and new business areas) and promote open innovation.

2) Target and Actual

		Target (FY2030)	Actual (FY2023)	Compared to the previous fiscal year
Total R&D expenditures Ratio of R&D expenses for new product development *1		70%	37%	+2%
Number of patent applications *2	Domestic	—	52 (other than internal combustion engines 42) *3	—
	Overseas		88 (other than internal combustion engines 70)	
Number of patents held *2	Domestic	—	372 (other than internal combustion engines 97) *3	—
	Overseas		554 (other than internal combustion engines 157)	

*1: New products, systems, services and creation of new value for current products *2: EXEDY + DYNAX + EXEDY Globalparts *3: Electrification-related products + HEV
• EXEDY is increasing the proportion of R&D expenditures related to new products and has applied for patents mainly for electrification-related technologies in FY2023 (the percentage of applications filed excluding internal combustion engines is about 80% each in japan and overseas.)

3) Policies

(1) Shift to new businesses

Approach/Policy

In anticipation of changes in our business portfolio due to the expanding global BEV and HEV markets, we are strengthening our new product development structure by reorganizing our R&D resources.

Initiatives

① Strengthening long-term strategies and management strategies

In order to strengthen the promotion of our business strategies, the New Business Promotion Office, which reports directly to the President, has been renamed the Business Strategy Department, which is responsible for deliberating on activity plans for existing and new businesses and for managing and supervising their activities. We also consider M&A cases.

② Strengthening marketing capabilities

We have established the Innovation Center to create new businesses and conduct market trend research. By digging deep into and assessing the resources of the EXEDY Group and analyzing trends in all fields, including society, the economy, and politics, we are working to propose the value that EXEDY should create and generate innovation.

③ Strengthening new business development (introduction of project system)

In order to improve our ability to develop new businesses, we have turned five new business cases into projects. We give priority to allocating human resources and funds to projects that have been established. In addition, the person who proposes each project is appointed as the project director, who is given the authority to execute the budget and appoint project members, and is entrusted with running the project as a pseudo-company.

Five projects

- ① Small e-Mobility Project ② WREV Project
③ Drone Project ④ Smart Robot Project ⑤ General Purpose Electric Drive Unit Project

(2) Open Innovation

Approach/Policy

We aim to incorporate external knowledge and technology beyond the boundaries of the EXEDY Group to create new products, services, and business models. By utilizing external technology and knowledge, we aim to reduce development costs and speed up time to market.

Initiatives

- ① For Small e-Mobility Project, we invested in OMEGA SEIKI, an India-based company that develops, manufactures, and sells electric mobility vehicles. By promoting electrification in India, we will contribute to achieving carbon neutrality.
② As part of the WREV project, we have acquired PRE-EV Mobility, Inc. (Japan), a company that develops electric drive systems for commercial vehicles. We will accelerate research and development of electric drive systems for commercial trucks and contribute to carbon neutrality.
③ For the drone project, we invested in and acquired three UAV (unmanned aerial vehicle) manufacturers, sales companies, and service companies. We will collaborate with EXEDY's drone business to accelerate business growth together.
 Baibars (Turkey: investment)
 EAMS Robotics (Japan: Investment)
 WorldLink & Company (Japan: subsidiary)
④ We have acquired the assets and intellectual property rights of Saietta Plc (UK), a developer of electric powertrains. By effectively utilizing its assets, the EXEDY Group will accelerate the development of electrified products.

6. Strategies to Strengthen Social & Relational Capital

1) Value Creation Approach

EXEDY's business activities consist of relationships with various stakeholders. We aim to further enhance our corporate value by building good relationships with our stakeholders and incorporating their opinions and demands into our business activities.

Stakeholders	Approach
Customers	Based on our customer base, we will identify customer needs and create new businesses. We will also leverage our worldwide sales network (approximately 6,700 companies) to expand business opportunities by providing products that meet end-user needs with maximum speed.
Shareholders / Investors	We aim to foster mutual understanding and create value through the dissemination of information and promotion of dialogue with shareholders and investors.
Employees	We will promote communication with our employees to share our values and incorporate their feedback in our corporate activities.
Suppliers	By promoting dialogue with suppliers, we will work together to promote sustainability activities and resolve social issues.
Local Communities	Through collaboration with local communities, we strive to achieve "diversity," "community development," and "nurturing the next generation," aiming for sustainable growth for both society and our company.

2) Initiatives and Achievements

(1) Strengthening dialogue with shareholders and investors

In April 2024, we established the ESG/IR Promotion Department and established a system to promote dialogue with shareholders and investors. Please see pages 48-49 for information on the status of dialogue and key requests from major shareholders.

(2) Holding town hall meetings and management council meetings with employees

In order to disseminate the "thoughts of management" to employees and to reflect the "opinions of employees" in management, we hold town hall meetings for all employees. In FY2024, the meetings transitioned from online to face-to-face, with the Representative Director and Senior Managing Executive Officer visiting all departments on 26 separate occasions. In June 2024, the dialogue focused on the company's mid-term management plan, and in November of the same year, the dialogue focused on Restricted Stock Incentive for Employee Shareholding Association. At the time of the former, employees expressed their opinions, such as "We would like you to hold an explanatory meeting regarding the dissolution of the capital alliance with AISIN" and "We would like you to reinstate the event activity subsidy," and both of these were implemented. In addition, regarding the latter, by directly communicating the purpose of this initiative (an incentive for promoting the medium-term management plan), we were able to gain employees' support for promoting the plan and increase participation in Employee Shareholding Association from 48.5% (as of the end of March 2024) to 92.5% (as of the end of January 2025).

(3) Holding procurement policy briefings for suppliers

Every year, we hold a procurement policy briefing for suppliers, where we request their compliance with our CSR guidelines for suppliers and to address social and environmental issues up the supply chain. In February 2024, we solicited examples of decarbonization efforts from our suppliers and shared the best examples with them. We introduced this activity again at the procurement policy briefing session and requested continued efforts in reducing greenhouse gas emissions.

For details about our collaboration with suppliers, please see the link on the right.

[Supply Chain | EXEDY Corporation](#)

(4) Collaboration with local communities

To promote diversity, EXEDY's Ueno Office (Iga City, Mie Prefecture), which employs a large number of foreign workers, participates in the Iga City Multicultural Coexistence Promotion Committee and is working in line with the "Iga City Multicultural Coexistence Promotion Plan (First Phase (2023-2026))" to ensure that foreign residents are not subject to social disadvantages, that they are on an equal footing with Japanese residents, and that they can participate together in city development, creating an Iga City where everyone can "feel comfortable living." Additionally, athletes from the EXEDY Women's Table Tennis Club (Japan Corporate League) and Iga FC Kunoichi Mie (Nadeshiko League), which includes our employees, as well as the DYNAX Ice Hockey Club, an affiliated company, are involved in community contribution activities through sports, such as holding table tennis, soccer, and ice hockey classes for children.

Reference : [Other activities of the Women's Table Tennis Team / EXEDY Corporation \(exedy.com\)](#)
[Ice Hockey Club Other Activities | DYNAX Corporation \(dynax-j.com\)](#)
[Hometown activities / Iga FC Kunoichi Mie website](#)

DYNAX accepts children of non-employees at its on-site childcare facilities, supporting the promotion of women's participation in the workforce in the local community.

We are actively working to employ people with disabilities in the local community, and in March 2022, EXEDY Logistics received certification the Ministry of Health, Labor and Welfare's Monisu program, a certification system for excellent small and medium-sized business owners regarding the employment of people with disabilities. In December 2024, EXEDY Thailand and EXEDY Friction Material were recognized for their support of people with disabilities and were awarded by the Royal Thai Government.

Regarding urban development, we are providing land adjacent to our headquarters free of charge to Osaka Prefecture and Neyagawa City as the EXEDY Disaster Prevention Park.

Our group donated 5 million yen through the Japanese Red Cross Society to help with relief efforts for those affected by the Noto Peninsula earthquake that occurred in January 2024 and to support the reconstruction of the affected areas.

EXEDY and its affiliated companies both in Japan and overseas continue to contribute to local environmental improvement, continuing to engage in social contribution activities such as beautifying and cleaning local areas, protecting the natural environment, supporting local activities and educational institutions, and making donations and contributions. In recognition of these community contribution activities, EXEDY Thailand received the CSR-DIW Award from the Ministry of Industry of the Kingdom of Thailand for the second consecutive year in September 2023. (DIW: Department of Industrial Works)

To develop the next generation, we provide internship opportunities, accept work experience from local junior high school students, and accept factory tours from elementary school students. Our group companies in Thailand, Vietnam and other countries visit elementary schools and childcare centers to help improve the educational environment, provide scholarships, donate teaching materials and equipment, and provide education through games and quizzes, thereby supporting an environment where children can receive a good education in safety and with peace of mind.

Please refer to the link below for more details on collaboration with local communities.

Reference : [Our Contributions to Society | EXEDY Corporation](#)



DYNAX Ice Hockey Club hosts hockey school for elementary school students



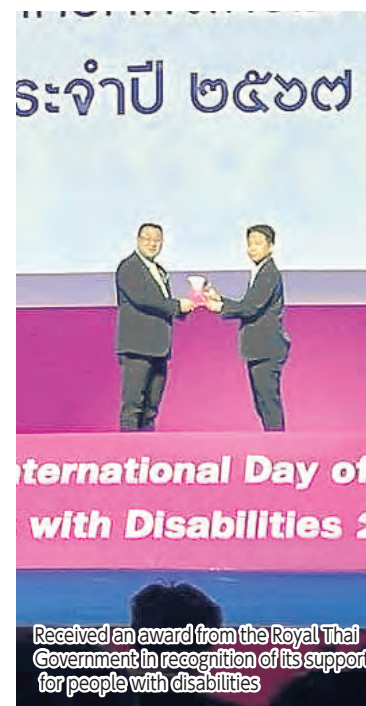
EXEDY Friction Material (Thailand) visits elementary schools in depopulated areas to help improve the educational environment

Chapter 4

Various Systems and Initiatives to Support Value Creation

In order to execute its mid- to long-term strategy and sustainably increase our corporate value, we have established a system and formulated policies related to corporate governance, and are promoting various initiatives. In addition, the progress of Mid- to Long-term Strategy and other management actions are monitored by outside Director.

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1. Corporate Governance

Corporate Governance Policy

We at EXEDY recognize that constructing a system of corporate governance and thoroughly carrying out compliance management serves as the basis for management. More specifically, we have established a system that monitors and reviews the actions of our directors through our Board of Directors and our Audit and Supervisory Board, and we will make our management more transparent and strive to strengthen our governance and compliance management system by improving the functionality of our internal controls and building an organization that responds promptly to changes in our management environment.

Basic Policy

- 1) We will strive to ensure the equality and rights of our stockholders.
- 2) We will endeavor to cooperate with all stakeholders outside of our stockholders, including customers, business counterparts, creditors, the local community, employees, etc.
- 3) We will strive to ensure both the transparency and proper disclosure of information.
- 4) We will endeavor to ensure have our Board of Directors properly carries out its functions and obligations in a manner that it both makes decisions in a quick responsive and decisive, as well as manner and remains fair and transparent.
- 5) We will strive to have a constructive dialogue with stockholders so that we can improve our mid-to long-term business value and continue to grow.

Initiatives to Enhance Corporate Governance

In order to grow and evolve as a global company and realize a sustainable society, our long-term vision is to "maintain stable management based on strong governance," and we are working to improve the fairness and transparency of our Board of Directors. We have been making various efforts to improve corporate governance. In June 2009, we introduced an executive officer system and reduced the number of directors to speed up decision-making and execution. In FY2014, we introduced a stock compensation program for full-time directors and executive officers, intending to raise awareness of their contribution to improving our business performance and increasing our corporate value. In June 2016, we appointed two independent outside directors. Since then, the number of independent outside directors has increased step by step, and as of June 2024, 5 out of 12 directors are independent outside directors, which is more than 1/3 of the total number of directors. In June 2023, we appointed two female directors (ratio of female directors: 12.5%), and we are striving to ensure diversity in terms of gender and other aspects. Since FY2021, we have been holding town hall meetings for dialogue between management and employees to reinforce shared values and improve our bottom-up management foundation, and these continued in FY2024. In addition, starting in April 2024, we will introduce a project system in which project directors appointed for each new business will be given broad discretion within the budget in order to quickly launch new businesses. In addition, in FY2022, we promoted the transfer of authority and created an environment for the Board of Directors to further deepen discussions of management strategies for the sustainable growth of the company. We will continue our efforts to enhance corporate governance as the foundation for our sustainable growth.

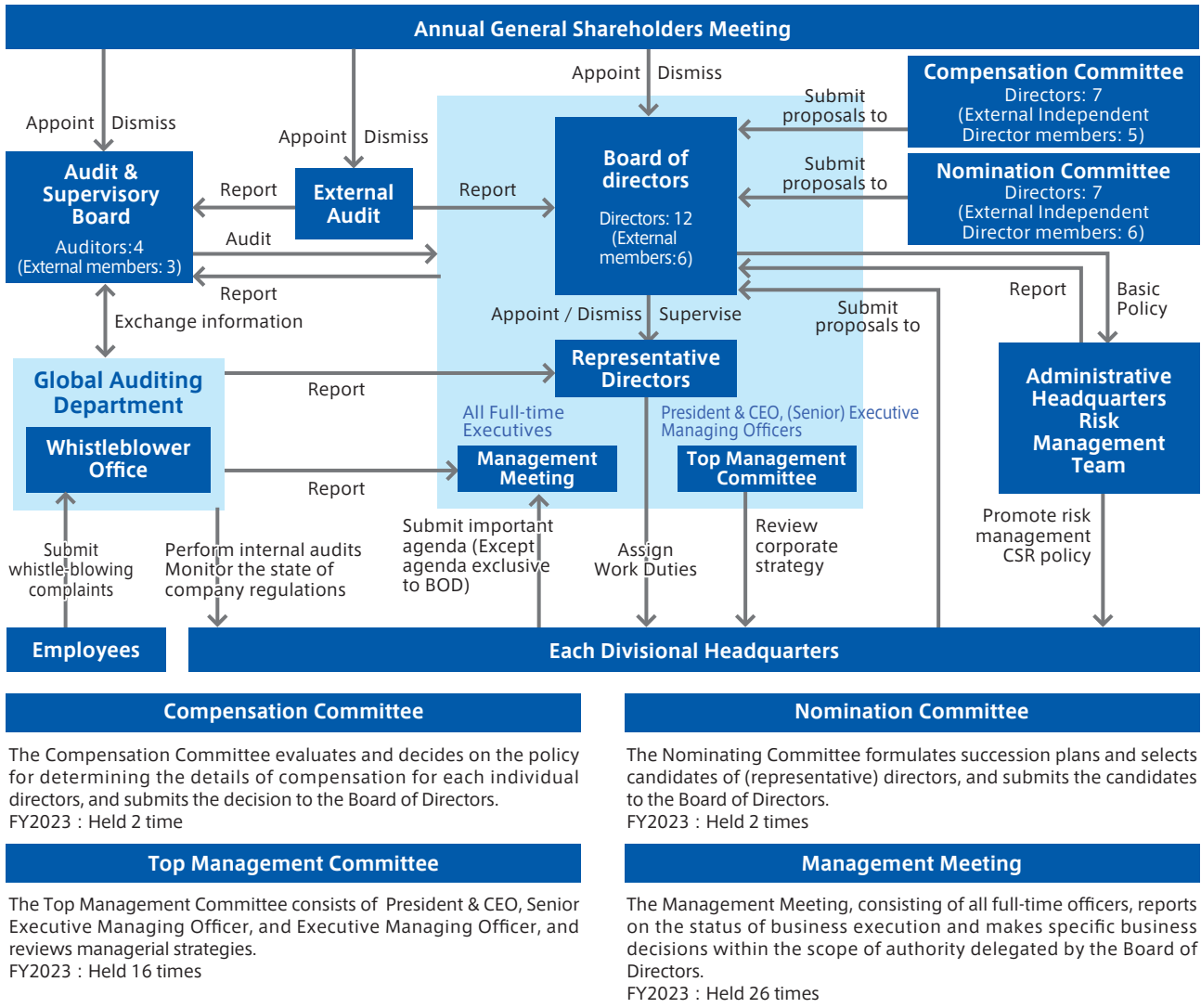
An Outline of Our System of Corporate Governance

EXEDY is a company with an Audit and Supervisory Board and has established a General Meeting of Shareholders, a Board of Directors, a Board of Auditors, and an Accounting Auditor as corporate bodies. In addition, to carry out corporate affairs in a manner that responds promptly to any changes in the management environment, we have set the number of directors at 12 or less as stipulated in our Articles of Incorporation, and we have established an executive officer system to ensure more flexible business operations by appointing personnel with expertise in business operations as executive officers. The term of directors and executive officers is set at one year in order to build a flexible management structure that can respond to changes in the management environment and to further clarify management responsibility. The corporate governance structure is explained on the following page "A schematic of our system of corporate governance."

Our Reasons for Selecting Our Current System of Corporate Governance

We at EXEDY are carrying out efficient work operations and exercising prompt decision-making through the introduction of our executive officer system, where five of our directors concurrently serve as executives managing corporate affairs. On the other hand, we have adopted a company structure with a Board of Auditors, which ensures management transparency by having 12 directors and 4 auditors who attend board meetings, of which 9 are outside officers (including 5 independent outside directors and 2 independent outside auditors).

A schematic of our system of corporate governance



Board of Directors

EXEDY's board of directors is comprised of 12 individuals, six of whom serve as outside directors. Our Board of Directors holds regular meetings once a month, and, when deemed necessary, additional meetings are held under special circumstances, where directors thoroughly discuss the matters at hand and make management decisions regarding them. In FY2023, 12 meetings were held. By appointing five independent outside directors, more than one-third of the 12 directors, the Company strives to strengthen its monitoring and supervisory functions and to enhance the Company's sustainable growth and corporate value over the mid-to long term. In addition, we appoint directors from among executive officers who are familiar with our business and individuals with experience as representatives of major subsidiaries, while also appointing female directors and outside directors and auditors with advanced expertise, thereby achieving a balance in the diversity of the Board of Directors and their overall knowledge, experience, and ability.

Discussion content of the Board of Directors

The number of major items discussed (resolutions and reports) at the Board of Directors meeting in FY2023 is as follows:
During the fiscal year, discussions were held on formulating a mid-to long-term strategy to achieve the long-term vision, restructuring production capacity of current businesses to transform the business portfolio, and collaboration with and investment in startups.

Main topics and number of agenda discussed at the Board of Directors meetings in FY2023

Category	Number
Governance, risk management and internal control	16
Accounts and finance	13
Business execution report	12
Business Strategy	9
Human resources	7
Deliberations on individual Proposal	9
Grand total	66

Assessment of Board of Directors’ Effectiveness

We conduct a survey every year to evaluate the effectiveness of our Board of Directors.
Along with a quantitative evaluation, we receive recommendations regarding issues and areas for improvement. The identified issues and areas for improvement are reported and discussed at the Board of Directors meeting, and efforts are being made to improve the effectiveness of the Board of Directors.

Evaluation items for the questionnaire survey to evaluate the effectiveness of the Board of Directors

- Composition and operation of the Board of Directors
- Support for outside directors
- Delegation of authority and enhancing deliberation
- Status of discussions on corporate philosophy and business strategy

Issues identified for FY2023 and efforts to improve the effectiveness of the Board of Directors

Overall, Directors evaluate that the effectiveness of the Board of Directors is largely ensured.
However, in order to further enhance substantive deliberations at Board of Directors meetings, in response to requests to know detailed information about the items to be discussed in advance, from June 2024, in addition to sending out materials one week prior to the Board of Directors meeting, the responsible full time director will provide outside directors with an explanation of the items to be discussed at the Board of Directors meeting, including their background.
Based on the opinions of directors and auditors, the Company will continue to make improvements to further enhance the effectiveness of the Board of Directors.

Policies and Procedures for the Election and Dismissal of Directors and Executive Officers

Nominations of director candidates are determined by the Board of Directors after the Nominating Committee's selection, with consideration for the balance between quick decision-making and diverse viewpoints. The Board of Directors will decide on the election and dismissal of Executive Officers. Proposal or dismissal of director will be submitted to the Annual General Shareholders' Meeting by the following criteria.
(1) In the event of conduct that violates laws and ordinances or public order and morals
(2) In the event of omission of duties or acts in violation of company regulations
(3) In addition to the above, any inappropriate conduct which gives significant damage to corporate value.

Criteria for Independent Outside Directors

In appointing independent outside directors, we emphasize their abundant experience and high-level insight into their fields of expertise, in addition to the outsider requirements of the Company Law. The criteria for designation as an independent outside director are that he/she meets the qualifications for an independent director as stipulated by the Financial Instruments Exchange and that there is no risk of a conflict of interest with general shareholders.

Business Execution Structure

To realize expeditious decision-making, the Board of Directors has established various regulations, such as the "Rules of the Board of Directors" and the "Regulations for Executive Officers," and determined the decision-making authority of the Board of Directors, the Management Meeting, the President, and the Executive General Managers, based on the degree of management importance and influence. In principle, the Management Meeting holds a meeting twice a month, which is composed of all full-time executives, including executive officers, and reports on the status of business execution and makes specific decisions on business execution within the scope of authority delegated by the Board of Directors.
In addition, management strategies are discussed at the Top Management Committee, consisting of four members, President & CEO, Senior Executive Managing Officer and Executive Managing Officer.

Supervision and Audit of Management

By appointing five independent outside directors, more than one-third of the 12 directors, we strive to strengthen the supervision of the Board of Directors and to enhance the company's sustainable growth and corporate value over the mid-to long-term. The four auditors, including three outside auditors, attend meetings of the Board of Directors, provide audit opinions on management decision-making, and audit the execution of duties by directors.

Transactions between Related Parties

Following the Companies Act, EXEDY has established in the Regulations of the Board of Directors that any self-dealing or conflicting interest transaction with the company's directors are subject to prior approval. In addition, even in cases where we conduct transactions with major shareholders or others, prices and other terms and conditions of transactions are determined through negotiations, considering the market conditions, as is the case with other third parties.

Auditors and Board of Auditors

The four corporate auditors (one of whom is a certified public accountant and has considerable knowledge of finance and accounting) determine audit policies and plans and other matters related to the execution of their duties at the Board of Corporate Auditors Meetings (held at least once a month) following the Board of Corporate Auditors' Regulations. Auditors and the Board of Auditors receive reports from the accounting auditor on the fiscal year's accounting audit plan and the results of the accounting audit and hold discussions as appropriate. In addition, the full-time corporate auditor and the Global Auditing Department exchange information on audit planning, progress, and results of audits as appropriate. Full-time auditor exchange information and work closely with the Global Auditing Department and accounting auditors.

Activities of Board of Auditors

The Board of Auditors not only conducts legality audits and preventive audits to establish a corporate governance system that meets social trust, but also raises issues and provides advice regarding new business risks that arise as the Company puts into practice the important concepts (values) for the Company or as the Company moves forward with the transformation of its business portfolio.
In addition, the full-time and outside auditors personally conduct audits, and they also hold auditor liaison meetings with the auditors of domestic affiliated companies to share the status and issues of their audits, as well as collaborate with the internal audit department, in order to ensure the effectiveness of audits across the entire Group.
In addition, starting from FY2024, they will hold auditor liaison meetings with the auditors of DYNAX, our group's largest subsidiary, once every two months to strengthen cooperation.

Main topics and number of agenda discussed at the Board of Auditors meetings in FY2023

Category	Number
Audit activity report	18
Accounting Audit	10
Internal control system audit	10
Audit Policy and Plan	3
Company Management Status	2
Individual projects	8
grand total	51

FY2023 Audit & Supervisory Board / Auditors Performance

Board of Auditors	16times
Attending important meetings such as the Board of Directors (Board of Directors Meeting, Management Meeting, Executive GD*, Sustainability Meeting)	166times
Visiting group companies (4 overseas, 7 domestic)	17times

* Executive Group Discussion: A meeting for intensive discussion of management issues among executives

FY2023 Audit Cooperation Status

Cooperation with accounting auditors	7times
Collaboration with the Internal Audit Department (Sharing of audit results and issues for our company and the group, exchanging opinions on issues in business operations, etc.)	6times
Liaison Meeting of Auditors of Domestic Affiliated Companies	1times

Composition of the Board of Auditors

Candidates for Audit & Supervisory Board Members will be nominated in prior consultation with each Audit & Supervisory Board Member, taking into consideration their knowledge of finance, accounting, taxation, legal affairs, etc., as well as their knowledge of our business and corporate management, in order to ensure a well-balanced composition of the Board of Auditors as a whole.

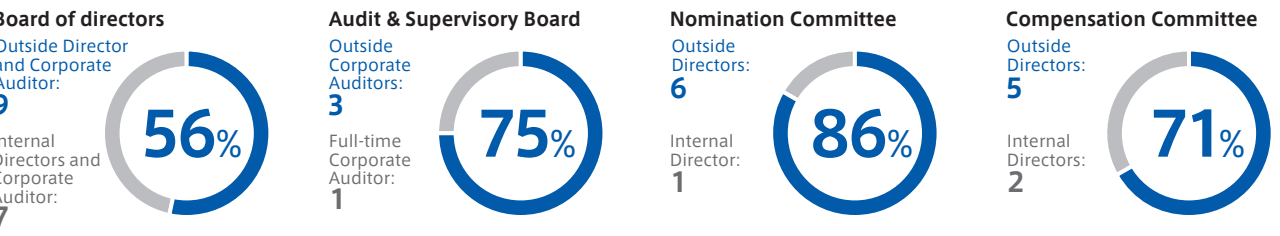
Internal Audit Department

The Global Auditing Department sets annual audit themes, formulates audit plans and audits the operations of each department, and conducts ad hoc audits as needed to ensure internal governance. In addition, the Global Auditing Department enhances cooperation with full-time auditors and accounting auditors by exchanging information as necessary, including periodic meetings on audit planning, progress and results of audits, and other matters as required.

Support System for Outside Directors (Outside Auditors)

When convening a Board of Directors meeting, outside directors and outside auditors are provided with the same materials as internal directors and auditors in advance to share information on business execution. Additionally, the executive officer in charge provides explanations to outside directors regarding the agenda to be discussed at the Board of Directors meetings, including their background.

Ratio of outside directors



The Board of Directors, Audit and Supervisory Board, Nominating Committee, Compensation Committee's Attending Members

◎ Chairman ○ Attending Members

				Board of Directors	Audit and Supervisory Board	Nomination Committee	Compensation Committee
Director	President & CEO	Tetsuya Yoshinaga	male	◎		◎	◎
	Representative Director	Hiroshi Toyohara	male	○			○
	Director	Yuzuru Hirose	male	○			
	Director	Junji Yamakawa	male	○			
	Director	Mitsugu Yamaguchi	male	○			
	Director	Hisashi honjo	male	○			
	Director	Moritaka Yoshida	male	○		○	
	Director	Ichizo Yoshikawa	male	○		○	○
	Director	Toshiki Takano	male	○		○	○
	Director	Takashi Hayashi	male	○		○	○
Auditor	Director	Fukuko Inoue	female	○		○	○
	Director	Kimiko ito	female	○		○	○
	Full-time Corporate Auditor	Ryu Suzuki	male	○	◎		
	Auditor	Shintaro Ito	male	○	○		
	Auditor	Tadashi Fukuda	male	○	○		
	Auditor	Satoshi Tsubota	male	○	○		

Compensation Committee Activities (FY2023)

Number of times held: 2
Attendance rate: 100%
Main topics of discussion
Consideration of compensation levels (comparison with other companies/comparison with employees)
Determination of individual compensation amount
Compensation structure for executives

Nomination Committee Activities (FY2023)

Number of times held: 2
Attendance rate: 93%
Main topics of discussion
Diversity and Skill Balance of the Board of Directors
Executive structure from June 2024 onwards

Compensation for Board Members

The Board of Directors approved the following resolution on May 27, 2022, regarding the policy for determining the details of compensation, etc. for individual directors.

Basic Policy

The Company's basic policy is to link the compensation of directors to shareholders' profits in order to provide sufficient incentive for the sustainable enhancement of corporate value. The Company's basic policy is to set the compensation of each director at an appropriate level based on their responsibilities. In concrete terms, the compensation of executive directors shall consist of base compensation as fixed compensation, bonuses, and stock-based compensation, while outside directors, who are responsible for supervisory functions, shall be paid only base compensation in view of their duties.

Policy on determining the amount of monetary compensation (base compensation and bonus) paid to individuals (including the policy regarding the determination of the timing or conditions for granting compensation, etc.)

The Company's basic compensation of directors shall be a monthly fixed compensation, and bonuses shall be paid at a fixed time annually. The amount of bonuses shall be determined by a comprehensive review of position, responsibility, and years in office, while also taking into consideration standards at other companies, the Company's performance, employee salary etc.

Policy for determining the amount of non-monetary compensation and the method for calculation, etc.
(including the policy regarding the determination of the timing or conditions for granting compensation, etc.)
The Company's non-monetary compensation, etc. for directors shall be stock compensation (restricted stock). The compensation shall be determined with comprehensive consideration of the scope of responsibilities, our management plan and performance, an appropriate ratio of base compensation and bonuses, compensation level, etc. It shall be determined annually at a meeting of the Board of Directors, which is held within one month of the date of the Annual General Shareholders' Meeting.

Policy on Determining the Ratio of the Amount of Monetary or Non-monetary Compensation, etc. of Individual Directors
The ratio of compensation of executive directors by type will be determined individually, so that, in principle, the weight of stock-based compensation will increase with higher executive positions, considering the compensation level of other companies in the same business size and related industries and business categories as our company.

Matters Concerning Determination of Compensation, etc., for Individual Directors
The Compensation Committee shall deliberate and determine the amount of monetary compensation for each director and report to the Board. The Board of Directors shall take into account the report and decide on the compensation. As for stock-based compensation, the number of shares to be allocated to each director shall be resolved by the Board of Directors.

Approach to compensation structure
The compensation structure for directors (excluding outside directors) consists of "basic compensation," "bonuses," and "stock-based compensation."
The composition of compensation will vary depending on position, performance, stock price level, etc., but generally consists of the following:

Reward Type	Estimated reward rate
Basic compensation (monthly compensation)	80
Bonuses (short-term incentives)	10
Stock compensation (mid- to long-term incentives)	10

Amount of Compensation for Directors and Auditors (FY2023)

Category	Total amount of compensation, etc. (Mil. JPY)	Total amount of compensation, etc. by category (Mil. JPY)			Number of Board Members
		Basic Compensation	Bonus	Non-monetary compensation, etc.	
Director (Outside Director)	217 (36)	206 (36)	6 (-)	5 (-)	13 (6)
Auditor (Outside Auditor)	35 (17)	35 (17)	- (-)	- (-)	5 (3)
Total (Outside Board Member)	252 (53)	241 (53)	6 (-)	5 (-)	18 (9)

1. The amount of compensation does not include employee salaries and bonuses for directors who also serve as employees.
2. Non-monetary compensation consists of stock-based compensation (restricted stock), and 2,349 shares were issued to six directors based on a resolution of the Board of Directors on June 27, 2023.
3. Limit of monetary compensation according to the resolution of the 56th Annual General Shareholders' Meeting held on June 27, 2006.

Director: ¥300 million per year Auditor: ¥60 million per year

The above maximum amount of compensation for directors does not include employee salaries and bonuses for directors who also serve as employees. As of the close of this Annual General Shareholders' Meeting, the number of directors was 14 and the number of auditors was 4. In addition, the following resolution was passed regarding stock-based compensation, which is separate from monetary compensation.

Resolution on share-based compensation at the 68th Annual Shareholders' Meeting held on June 26, 2018.

Stock-based compensation: Up to ¥200 million per year
Maximum number of shares: Up to 50,000 shares per year (Outside directors and non-executive directors are not eligible)
As of the close of the said Annual General Shareholders' Meeting, the number of directors (excluding outside directors and part-time directors) was 7.

Cross-shareholdings

Policy on Cross-Shareholdings
In principle, we do not hold listed shares as "cross-shareholdings", except when it is necessary to maintain and strengthen trust and business relationships with business partners and various stakeholders from the viewpoint of improving our group's corporate value in the mid- to long-term.

Verification of Cross-Shareholdings
The Board of Directors evaluates each issue related to cross-shareholdings, including whether the risks and benefits exceed the cost of capital. At present, we assess that all of our cross-shareholdings meet the criteria, and we will continue to review their appropriateness.

Criteria for Voting Rights Concerning Cross-Shareholdings
In EXEDY, voting rights shall not be exercised on a uniform basis, but shall be exercised after careful consideration and comprehensive judgment from the viewpoint of improving the group's corporate value, especially with respect to proposals concerning the following.
(1) Reorganization Proposal
(2) Takeover Defense Proposal
(3) Appointment of Directors Proposal (in the event of misconduct, in the event of being in the red for a certain period of time in a row, etc.)

Cross-Shareholdings Status (Year Ended March 31, 2024)

	Number of Issues		
	Balance Sheet Amount (Mil. JPY)	Issues whose shares increased in FY2023	Issues whose shares decreased in FY2023
Unlisted stock	9 1,858	2 2,514	- -
Stock other than unlisted stock	8 1,694	2 13	- -

*Stocks whose number of shares increased in FY2023 are mainly due to investments in start-up companies aimed at creating new businesses.

1 Tetsuya Yoshinaga (January 3, 1960)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Jul. 1988	Joined the Company
Mar. 2009	President of EXEDY America Corporation
Jun. 2009	Executive Officer of the Company
Apr. 2016	President of EXEDY DYNAX Shanghai Co., Ltd.
Apr. 2017	Senior Executive Officer of the Company
	Director of the company
	Executive General Manager, AT Manufacturing Headquarters of the Company
Jun. 2019	Ueno Division General Manager of the Company
Apr. 2020	Executive Managing Officer of the Company
Apr. 2021	Senior Executive Managing Officer of the Company
Jun. 2022	President and Representative Director of the Company (to present)

Reasons for candidacy:
Mr. Tetsuya Yoshinaga has long worked overseas as an expatriate and has been in charge of China-related business for many years. He has been broadly engaged in management of the Group's business operations, including serving as Director and President of the Company.

Number of Board Meetings attended	12 / 12 (100%)
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3 Yuzuru Hirose (February 21, 1972)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 2001	Joined the Company
Mar. 2011	President of EXEDY Globalparts
Apr. 2014	Executive Officer of the Company
Apr. 2018	Senior Executive Officer
	Executive General Manager, Sales Headquarters of the Company (to present)
Jun. 2019	Director of the Company (to present)
Apr. 2023	Executive Managing Officer of the Company (to present)

Reasons for candidacy:
Mr. Yuzuru Hirose has long worked overseas as an expatriate and has extensive experience and achievements in all aspects of sales and marketing and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

Number of Board Meetings attended	12 / 12 (100%)
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5 Mitsugu Yamaguchi (August 9, 1962)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Mar. 1985	Joined the Company
Jul. 2006	Deputy Executive General Manager of Engineering & Development Headquarters
Jun. 2009	Executive Officer of the Company
Apr. 2015	Special Technical Advisor
Nov. 2017	President of EXEDY America Corporation
Apr. 2018	Executive Officer of the Company
	Senior Executive Officer of the Company (to present)
Apr. 2021	Executive General Manager of Motorcycle Clutch Headquarters
	Director of the Company (to present)
Jun. 2021	Executive General Manager of Development Headquarters (to present)

Reasons for candidacy:
Mr. Mitsugu Yamaguchi has long worked overseas as an expatriate and accumulated experience and achievements in development field in general, and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

Number of Board Meetings attended	12 / 12 (100%)
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2 Hiroshi Toyohara (August 19, 1962)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Jan. 1995	Joined the Company
Apr. 2010	Executive Officer of the Company
Apr. 2011	Executive General Manager, Financial Planning Headquarters of the Company
Jun. 2012	Director of the Company
	Senior Executive Officer of the Company
Apr. 2013	Executive General Manager, Administrative Headquarters (to present)
Apr. 2016	Executive Managing Officer of the Company
	Senior Executive Managing Officer of the Company (to present)
Apr. 2020	Representative Director of the Company (to present)
Jun. 2022	Representative Director of the Company (to present)

Reasons for candidacy:
Mr. Hiroshi Toyohara has abundant experience and achievements in general administrative operations, starting as head of the financial and planning department and has been broadly engaged in the execution of the Group business serving as a Director and Senior Executive Managing Officer of the Company.

Number of Board Meetings attended	12 / 12 (100%)
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4 Junji Yamakawa (March 16, 1968)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Aug. 2000	Joined the Company
Apr. 2014	President of EXEDY DYNAX Shanghai Co., Ltd.
Apr. 2015	Executive Officer of the Company
	President of Exedy DYNAX Mexico, S.A. DE C.V.
Jan. 2018	Senior Executive Officer of the Company (to present)
Apr. 2018	Director of the Company (to present)
	Executive General Manager, Quality Assurance Headquarters of the Company
Jun. 2019	Executive General Manager, Procurement Headquarters of the Company (to present)
Jun. 2022	Executive General Manager, Procurement Headquarters of the Company (to present)

Reasons for candidacy:
Mr. Junji Yamakawa has long worked overseas as an expatriate and has extensive experience and achievements in North Central America-related business operations, etc., and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

Number of Board Meetings attended	12 / 12 (100%)
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6 Hisashi Honjo (August 16, 1963)



male

► Career summary, position and duties at the Company (Important concurrent positions)

Mar. 1986	Joined the Company
Apr. 2010	Deputy Executive General Manager of Quality Assurance Headquarters
Apr. 2019	Executive Officer of the Company
	Executive General Manager, Quality Assurance Headquarters of the Company (to present)
Jun. 2022	Senior Executive Officer of the Company (to present)
Apr. 2023	Director of the Company (to present)
Jun. 2023	Director of the Company (to present)

Reasons for candidacy:
Reasons for candidacy:
Mr. Hisashi Honjo has abundant experience and achievements in all aspects of quality and has been broadly engaged in management of the Group business, including serving as a Senior Executive Officer of the Company.

Number of Board Meetings attended	10 / 10 (100%)
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7 Moritaka Yoshida (July 12, 1957)



male

Outside

► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 1980	Joined Toyota Motor Co., Ltd.
Jun. 2009	Managing Officer of Toyota Motor Corporation
Apr. 2014	Senior Managing Officer of Toyota Motor Corporation
Jan. 2018	Executive Vice President of Toyota Motor Corporation
Jun. 2020	Representative Director & Chairman of TOYOTA CENTRAL R&D LABS., INC.
Jun. 2021	President, Member of the Board of AISIN CORPORATION (to present)
Jun. 2022	Director of the Company (to present)

Reasons for candidacy:
Mr. Moritaka Yoshida has held important positions at Toyota Motor Corporation and AISIN CORPORATION and accumulated abundant expertise in the automotive industry.

Number of Board Meetings attended	12 / 12 (100%)
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9 Toshiki Takano (August 31, 1954)



male

Outside

Independent

► Career summary, position and duties at the Company (Important concurrent positions)

Jan. 1984	Joined ROHM Co., Ltd.
Jun. 2010	Director of ROHM Co., Ltd.
Jun. 2015	Retired from the post of director of ROHM Co., Ltd.
Jun. 2017	Director of the Company (to present)

Reasons for candidacy:
Mr. Toshiki Takano has long accumulated abundant expertise as a corporate manager, by fulfilling his responsibilities as a director of ROHM Co., Ltd.

Number of Board Meetings attended	12 / 12 (100%)
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11 Fukuko Inoue (October 18, 1963)



female

Outside

Independent

► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 1987	Joined UCC UESHIMA COFFEE CO., LTD.
Sep. 1996	Human Resources Officer, Training Officer at Budget Personnel Bureau of Human Resources Department of Human Resources Development Manager at General Affairs and Human Resources Headquarters of Vodafone Japan Co., Ltd.
May. 2004	Human Resources Manager of Tiffany & Co.
Jun. 2006	Executive Officer of Human Resources, General Manager of Human Resources Headquarters of SAP Japan Co., Ltd.
Sep. 2011	Section Chief, Human Resources Planning Division at Human Resources Department of International Atomic Energy Agency
Jan. 2013	Senior Human Resources Officer, Management Bureau of the above institution
Jul. 2017	Professor, Doshisha Business School at Doshisha University (to present)
Apr. 2018	Director of the Company (to present)
Jun. 2022	Director of the Company (to present)
Jun. 2023	June 2023 Outside Director of ROHM Co., Ltd. (to present)

Reasons for candidacy:
Ms. Fukuko Inoue is serving as a professor at a university after holding important positions of human resources at global companies and international organizations, and accumulated abundant expertise as an academic expert in organizational development and human resource management.

Number of Board Meetings attended	12 / 12 (100%)
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8 Ichizo Yoshikawa (May 20, 1946)



male

Outside

Independent

► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 1970	Joined Suminoe Textile Co., Ltd. (Current SUMINOE CO., Ltd.)
Aug. 1997	Director of Suminoe Textile Co., Ltd.
Aug. 2005	Representative Director and President of Suminoe Textile Co., Ltd.
May. 2016	Outside Director of KINTETSU Department Store Co., Ltd. (to present)
	Representative Director and Chairman of Suminoe Textile Co., Ltd.
Jun. 2016	Director of the Company (to present)
Jul. 2016	Representative Director and Chairman and President of Suminoe Textile Co., Ltd.
Aug. 2021	Director and Chairman of Suminoe Textile Co., Ltd. (to present)

Reasons for candidacy:
Mr. Ichizo Yoshikawa has long accumulated abundant expertise as a manager of a listed company, by fulfilling corporate management responsibilities as a representative director of Suminoe Textile Co., Ltd.

Number of Board Meetings attended	12 / 12 (100%)
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10 Takashi Hayashi (April 22, 1956)



male

Outside

Independent

► Career summary, position and duties at the Company (Important concurrent positions)

Mar. 1979	Joined Nihon Radiator Co., Ltd. (Currently Marelli)
Jun. 2008	Director and Senior Executive Managing Officer of the above company
Jun. 2011	Representative Director, President and CEO of TOKYO RADIATOR MFG Co., Ltd.
Jun. 2019	Director and Chairman of TOKYO RADIATOR MFG Co., Ltd.
Jun. 2020	Director of the Company (to present)

Reasons for candidacy:
Mr. Takashi Hayashi has long accumulated abundant expertise as a corporate manager in automobile component business, by fulfilling his responsibilities as a director of TOKYO RADIATOR MFG Co., Ltd.

Number of Board Meetings attended	12 / 12 (100%)
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12 Kimiko Ito (January 20, 1949)



female

Outside

Independent

► Career summary, position and duties at the Company (Important concurrent positions)

Jun. 1995	Representative Director and President of Tashima Co., Ltd. (to present)
Apr. 2013	Regular executive board member, Kobe Association of Corporate Executives (to present)
Nov. 2016	Deputy chairperson of, Kobe Chamber of Commerce and Industry (to present)
Sep. 2017	Deputy Chairperson, Kobe City University of Foreign Studies (to present)
Jun. 2023	Director of the Company (to present)

Reasons for candidacy:
Reasons for candidacy:
Ms. Kimiko Ito has been involved in management for many years and has extensive managerial knowledge as the President of Tashima Co., Ltd. She has also contributed to regional development by serving as Vice President of the Kobe Chamber of Commerce and Industry.

Number of Board Meetings attended	10 / 10 (100%)
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1 Ryu Suzuki (Nov 28, 1966)



► Career summary, position and duties at the Company (Important concurrent positions)

Mar. 1991	Joined the Company
Apr. 2013	President of EXEDY (Thailand) Co., Ltd.
Apr. 2017	Executive Officer, Executive General Manager of Production Engineering Headquarters of the Company
Jun. 2023	Auditor of the Company (to present)

Reasons for candidacy:
Mr. Ryu Suzuki has been engaged in Group management for many years, serving as an Executive Officer of the Company and managing overseas subsidiaries, and his extensive experience and insight can be reflected in audits.

Number of Board Meetings attended	10 / 10 (100%)
Number of Audit & Supervisory Board Meetings Attended	12 / 12 (100%)

3 Tadashi Fukuda (March 4, 1953)



► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 1986	Registered as an attorney-at-law and joined Daiichi Law Office (now Daiichi Legal Professional Corporation)
Jun. 2000	Outside Auditor of SHINYEI KAISHA
Jun. 2015	Outside Director of the above company Auditor of the Company (to present)
Mar.2016	Representative Partner of Daiichi Legal Professional Corporation (to present)
Jun. 2016	Outside Auditor of Mitsubishi Tanabe Pharma Corporation
Mar. 2020	Outside Director of ES-CON JAPAN Ltd. (to present)

Reasons for candidacy:
Mr. Tadashi Fukuda has extensive expertise in the legal profession.

Number of Board Meetings attended	12 / 12 (100%)
Number of Audit & Supervisory Board Meetings Attended	16 / 16 (100%)

2 Shintaro Ito (March 19, 1961)



► Career summary, position and duties at the Company (Important concurrent positions)

Apr. 1983	Joined AISIN SEIKI CO., LTD. (current AISIN CORPORATION)
Jun. 2010	Managing Officer of AISIN SEIKI CO., LTD.
Apr. 2017	Senior Managing Officer of AISIN SEIKI CO., LTD.
Apr. 2019	Executive Officer of AISIN SEIKI CO., LTD.
Apr. 2021	Executive Vice President of AISIN SEIKI CO., LTD.
Jun. 2021	Representative Director of AISIN CORPORATION (to present)
Apr. 2022	Senior Executive Officer of AISIN CORPORATION (to present)
Jun. 2022	Auditor of the Company (to present)

Reasons for candidacy:
Mr. Shintaro Ito is involved in the management of Aisin Corporation for many years and possesses extensive knowledge as an executive in the automotive parts industry.

Number of Board Meetings attended	10 / 12 (83%)
Number of Audit & Supervisory Board Meetings Attended	15 / 16 (94%)

4 Satoshi Tsubota (August 12, 1961)



► Career summary, position and duties at the Company (Important concurrent positions)

Oct. 1984	Joined AOYAMA AUDIT CORPORATION/ PricewaterhouseCoopers
Aug. 1988	Registered as a Certified Public Accountant
Apr. 1999	Registered as a certified Public Tax Accountant
Jul. 2001	Joined Kaisei Certified Public Accountants Joint Office (to present)
Jun. 2005	Outside Auditor of O-WELL CORPORATION
Jun. 2015	Auditor of the Company (to present)
Jun. 2020	Outside Director (Audit & Supervisory Committee Member) of O-WELL CORPORATION

Reasons for candidacy:
Mr. Satoshi Tsubota has extensive expertise in accounting and taxation.

Number of Board Meetings attended	12 / 12 (100%)
Number of Audit & Supervisory Board Meetings Attended	16 / 16 (100%)

The expertise and experience of each Director is as follows. Manufacturing,Quality

	Name	Corporate Management	Engineering, Development	Manufacturing, Quality	Sales, Purchasing	Finance, Accounting	Human Resource Development	Safety, Environment, Sustainability	Legal, Risk Management	Global
Directors	Tetsuya Yoshinaga male	●		●	●			●		●
	Hiroshi Toyohara male	●				●	●	●	●	
	Yuzuru Hirose male	●			●					●
	Junji Yamakawa male	●		●	●					●
	Mitsugu Yamaguchi male	●	●							●
	Hisashi Honjo male	●		●						
	Moritaka Yoshida male Outside	●	●							●
	Ichizo Yoshikawa male Outside Independent	●			●					
	Toshiki Takano male Outside Independent	●	●		●			●		
	Takashi Hayashi male Outside Independent	●			●	●				●
Auditors	Fukuko Inoue female Outside Independent						●			●
	Kimiko Ito female Outside Independent	●					●			●
	Ryu Suzuki male		●			●				●
	Shintaro Ito male Outside	●				●	●		●	●
	Tadashi Fukuda male Outside Independent								●	
	Satoshi Tsubota male Outside Independent					●				

2. Governance Roundtable

Realizing mid- to long-term strategies by transforming business portfolio and improving profitability

In order to respond to major changes in the business environment, the EXEDY Group disclosed its mid- to long-term strategy in April 2024, and a revised version with an enhanced financial strategy in October of the same year. On this occasion, the three outside directors and our Representative Director and Senior Executive Managing Officer, Hiroshi Toyohara, exchanged frank opinions about the evaluation of the efforts being made toward realizing the mid- to long-term strategy and the challenges that the company is facing.

Discussion theme 01
Challenges in realizing EXEDY's mid- to long-term strategy

Toyohara : We have formulated a mid- to long-term strategy to increase our corporate value by implementing our business strategy, financial strategy, ESG strategy, and IR policy. Regarding our efforts, I have regularly explained the current situation and received advice from you all, but I would like to ask you to frankly tell us your assessment of our progress and any issues you feel we need to address.

Need for speed to respond to changes in the external environment

Takano : I have long been involved in the semiconductor business, where technological evolution is rapid, so I get the impression that EXEDY's time axis is slower in comparison. As the wave of electrification hits the automotive industry, I believe that employees are working hard to speed up efforts to achieve mid-to long-term strategies, but looking at it from the outside, it seems that there is still a long way to go. The target sales for the new business in FY2030 is 100 billion yen, but at the planning stage it is only 50 billion yen. We also need to improve the profit margins of our existing businesses. I would like to have a more concrete discussion about the story the management team has in mind for achieving this goal. There are probably some parts of the new business that employees don't know what to do.



(From the left) Representative Director, Senior Executive Managing Officer, Executive General Manager of Administrative Headquarters: Hiroshi Toyohara
Outside Director: Toshiki Takano
Outside Director: Fukuko Inoue
Outside Director: Takashi Hayashi

From my own past experience, I know how difficult it is to grow a business in a new industry. In order to quickly grasp the industrial structure, expand our business, and gain market share, it is effective to partner with players in that industry. By studying what they are doing, we may be able to accomplish in three years or even less what would have taken us ten years to achieve. I would like you to work on this with even greater urgency. On the other hand, we believe that the Company's financial and ESG strategies have made relatively progress over the past year.

Clarify "what we want to be and what we want to become" and create a system for sharing information

Hayashi : I am also concerned about the business strategy, as I feel that even employees of the company do not have confidence that we will be able to make that much profit. In order to achieve our goals, we need to be clear about what we want to be and



what we want to become. One way to achieve this is through M&A. Although it involves risks, I would like to be able to have a thorough discussion about such matters. Additionally, in order to be more committed to management as a director, I would like to see the progress of each project with my own eyes. For example, create a "project room" where anyone can see KPIs, milestones, and progress. If there is a system in place such as posting notes of any questions and holding regular review meetings, all parties involved will have the peace of mind that progress is being made and will be able to move the discussions forward in a positive manner. If the target values are clearly quantified and made into specific items, and the current situation is also clear, the subtracted part will become apparent as an activity that needs to be carried out. This will also make it easier to get opinions from person who is not part of the project. This may be a bit extreme, but we would appreciate it if you could create an environment where we can get involved. I also want to feel engaged with the company.

EXEDY's new brand and human resources strategy for further growth

Inoue : I have the impression that things have changed recently, especially in the past year. I also appreciate that the company is taking action to implement management that is conscious of cost of capital and stock price, and has established a new department to oversee ESG strategies and strengthen its driving force. However, I feel that there are still some elements that are lacking in order to achieve our mid- to long-term strategies. EXEDY's existing businesses have brands that have been built up over

a long history, but this is not yet clear for its new businesses. The important thing is how to create it. By clearly outlining what kind of business we intend to provide, we will find companies that agree with us, our employees will understand better, the situation of "not knowing what to do" will improve, and we can expect motivation to increase. In addition, I think the "Restricted Stock Incentive for Employee Stock Ownership Plans" initiative announced in October 2024 is an excellent way to accelerate growth. I imagine that the company's passion was conveyed to them and it motivated them to do their best. All that's left now is for each individual to clarify the direction of their actions, and the path forward will become clear. And above all, we need a human resources strategy that is linked to our business strategy.

Toyohara : Thank you everyone for your valuable opinions. First of all, we would like to implement the "project room" proposed by Hayashi. Our company has a policy of treating the project as if it were one company and running it accordingly. Our president, Yoshinaga, and I join the board meetings of the project in which we review and discuss where we are now compared to the picture we had initially drawn and what issues we face, so I would like to invite you to these meetings to begin with. We would also like to consider a "virtual room" as a means to ensure that we can always share the latest information. We also received opinions regarding the need to clarify "what we want to be and what we want to become" and the need for M&A as a means to achieve it. As you mention, given time constraints, we recognize that we cannot move quickly enough using internal resources alone. Therefore, our capital allocation policy for the period of our mid-term management plan through FY2026 assumes allocating 30 billion yen to growth investments. On the other hand, I also believe that we need to careful select which projects have potential and which don't. As the business environment changes, there may be times when we must revise the ways of thinking that we have cultivated in our existing businesses over the years. However, we would like to approach these issues with a flexible mindset, centered on our corporate philosophy and long-term vision.

Discussion theme 02
Initiatives to strengthen governance

① Improving the effectiveness of the
Nomination Committee

Toyohara : Next, I would like to discuss the efforts we are making to strengthen our management foundation as well as our business strategies. In dialogue with institutional investors, there were opinions such as, "Is it possible for the nomination committee to evaluate candidates by meeting once or twice a year?" and "Shouldn't you nominate person with skills that match the mid- to long-term strategy (M&A, finance, new business creation, etc.)?" How do you evaluate our Nomination Committee? Also, what areas do you think need improvement?

Prior information sharing through individual interviews etc. is essential

Takano : To be honest, I have barely had any conversations with the executive officers who may eventually become candidates for director position, so I think the problem is that even if someone is nominated as the next director, we won't know what kind of person they are. In order for me to function effectively as a member of the Nomination Committee, could you provide an opportunity for me to obtain information that can serve as the basis for my decisions, such as by conducting individual interviews in advance?

Toyohara : It should not happen that someone chosen solely by an internal group becomes a director, so I also believe that



in order for the Nominating Committee to function properly, it is necessary to create opportunities for dialogue between committee members and person at the department manager level or above, to facilitate effective nominations.

Clarifying the skills required to run a company
and matching them with human resources

Inoue : If business execution is based, on the ability of individuals, on the idea that they should do this or that, or that they can do this, then the company's growth will be restricted. When nominating directors, the first thing to do is to determine what the company wants to do, and then clarify what skills, knowledge, and experience are needed to carry it out, and then match them with candidates and fill in any gaps. Therefore, we need to devise a system that allows us to check the profiles of employees with a certain evaluation criteria. By listening to the person in charge in the "project room" mentioned earlier, I think we can get an idea of what kind of backgrounds and skills the person there has. Furthermore, in this era of rapid change, it will be difficult to keep up unless we recruit professional talent from outside the company in addition to internal talent.

The company's "team building" approach is
also important

Hayashi : I have experience as a human resources manager, so I think it's also important to consider how the company can build a team. Rather than having the nominating committee decide everything, the company should carefully consider what the organization should become, including how to develop human resources and how to include talent from outside the company. For us to judge whether it is going well or not, I think that we should have regular interviews with employees up to department manager level so that we know what activities they are doing and what level of ability they have. However, I also do not want to impose overburdens on the company in order to do this.

Toyohara : In order to provide you with information about our human resources, it may be

effective for us to share the management system that centralizes human resources data on our company's intranet. You can see the background of each employee and what kind of work they do. We will arrange for you to view it as soon as possible.

② Compensation for executives

Toyohara : Next, with regard to executive compensation, institutional investors also pointed out that "Executive compensation should be linked to KPIs and ROE," "Directors' shareholding in the company should be increased," and "The calculation method for executive compensation should be disclosed." Could you please let me know your thoughts on this?

Expanding the proportion and range of
fluctuations linked to business performance

Takano : Currently, EXEDY's executive compensation is determined by first setting a total amount which is then split roughly 90:10, with 90% being paid monthly as basic compensation, and the remaining 10% being a variable portion linked to performance. I believe it would be better to increase the variable portion and further increase the range of fluctuation, both positive and negative, based on business performance.

Variable compensation structure linked to KPIs
for each executive

Hayashi : I also think it would be good to increase the variable portion linked to performance, etc. from 10% to 30%, and if all goes well, it would be good to become 35% or even 40% from 30%. However, to do this, it is important to decide what kind of KPIs should we use. I believe that, we need to have individual KPIs that correspond to responsibilities to each executive as well as KPIs common to all executives. Shouldn't there be a difference in compensation between those who achieve KPIs and those who don't? I also think it's important to take into account the time frame of the KPIs. For example, it might be a good idea to divide KPIs into two categories: one is short-term KPIs that come from breaks down single-year business plan and assigns it individually, thereby realizing variable compensation, and another one is long-



term KPIs that is uses for fixed salaries and promotions.

Stock-based compensation from a long-term
perspective

Inoue : There has been discussion at Board of Directors meetings about the need to increase the variable portion, and I would like to use this opportunity to advance discussions that take into account KPIs and individual targets. However, since performance may rise or fall in a single year due to various influences, it may be a good idea to provide stock compensation from a long-term perspective. Designing this requires a great deal of specialized knowledge, but I think members of the compensation committee could provide advice.

Toyohara : Thank you. We would also like to actively discuss reforms to our compensation structure, so we would appreciate your continued feedback.

The environment surrounding EXEDY is undergoing rapid change. As everyone has pointed out, I feel a sense of crisis that our company will not be able to survive if we continue with our current timeframe, approach, and business model. In order to swift and drastic REVOLUTION, I would like to continue to have frank discussions with you all, so I look forward to your continued support. Thank you very much for today.

3. Risk Management

Our Basic Approach to Risk Management

The EXEDY Group recognizes that risk management is one of the most important management tasks and is working to enhance and strengthen it. With changes in the business environment surrounding the company, the risks faced by the EXEDY Group are expected to become increasingly diversified in the future. In order to respond to these circumstances, the EXEDY Group's action guideline for risk management is to prepare for emergencies by taking preventive measures and preparing in advance to minimize damage and to assess and identify risks to ensure their implementation. We identify major risk items related to safety and health, environmental preservation activities, and business continuity management activities, based on the frequency of occurrence, degree of impact, and surrounding conditions. We are working to strengthen our management system by clarifying the department responsible for each risk, the degree of impact of each risk, the causes of its occurrence, and proactive preventive measures.

Risk Management Committee

The Risk Management Committee, consisting of the President & CEO, (Senior) Executive Managing Officers, and Audit and Supervisory Board Members, convene as necessary to address group-wide issues and to discuss recurrence prevention measures.

Organization of the Risk Management Committee

Board of Directors		
Risk Management Committee		
Director in Charge	Chairperson	Secretariat

The Risk Management Committee Schedule

In FY2023, the Risk Management Committee gathered 3 times to respond to group-wide problems and discuss recurrence prevention measures. In addition, information on risk issues is shared among group companies to ensure appropriate business execution.

Examples of Dealing with Risks

1. Business Continuity Plan (BCP) and Climate-related Risks

In the Great East Japan Earthquake of March 2011, the Kawagoe Plant suffered no severe damage but a tremor with a seismic intensity of lower 5 required a temporary evacuation of all employees. Fortunately, no damage was caused to the plant, and we took the necessary actions in response to the situation, such as shifting to nighttime production in response to production stoppages by automobile manufacturers and planned power outages. Having keenly realized the importance of prompt and efficient business recovery we have since established a BCP crisis management program as part of our Mid-Term Management Plan and built an organization capable of responding to contingencies.

In addition to earthquakes, the EXEDY Group also recognizes climate change as an important environmental issue, including the increasing severity and frequency of extreme weather events. Concerning climate-related risks, the Sustainability Committee, a meeting body that formulates the Company's sustainability action plan and manages the progress and other matters, plays a central role in analyzing scenarios, evaluating and identifying risks, and managing the progress of response measures. The status of our responses to major risks is as follows. The risk of sales decline due to the suspension of sales of internal combustion engine vehicles, etc. is discussed at the Management Committee and Board of Directors meetings, leading to the formulation of a long-term vision and the strengthening of the product development system. Regarding the risk of increased direct costs from the introduction of renewable energy due to stricter government regulations, the Sustainability Working Group is researching and studying measures to address this issue, including gathering information on renewable energy options. Concerning the risk of supply chain disruptions due to floods, etc., the Risk Management Committee and other committees discussed and promoted business continuity plans that include suppliers. The risk scenarios were partially revised in FY2024, taking into account changes in the business environment, etc.

2. Initiatives Regarding Information Security

Our Basic Approach

In order to properly protect confidential information and personal information from threats such as cyberattacks, we have developed and deployed policies and regulations concerning information security. By periodically educating employees, we strive to strengthen our information security and prevent information leakage.

Initiatives for Information Management

With the support of external experts with a deep knowledge of cyber security and internal fraud, we established a system to respond to information security incidents and warnings. While sharing information with external organizations, we, including its affiliates, work to make improvements to this environment.

And, in FY2023, we will conduct targeted email training six times and hold "information security study sessions" for employees who open the mails by mistake, in order to ensuring prevent computer virus infections and respond in the event of an infection.

In addition, we strive to raise awareness of information security by providing security training to new employees and holding information security courses every year for group companies.

3. Initiatives Regarding Compliance Risk

Through our business activities in different regions around the world, we have learned that prompt and reliable compliance with the laws and regulations of each country and transparent management are essential for earning the trust of our stakeholders.

Furthermore, it is essential to respect human rights, to consider the health and working environment of employees, to treat employees fairly and appropriately, and to conduct fair and appropriate business transactions with suppliers to ensure better compliance.

And to prevent compliance violations, it's necessary to raise each employee's awareness of ethics and norms. To this end, we conduct compliance awareness surveys and provide appropriate education and awareness-raising activities to our employees.

Early Detection and Correction of Problems through the Internal Reporting System

We have established an internal reporting system to identify and correct compliance violations. In the event of a serious compliance violation, we will report it to the Board of Directors and consider countermeasures.

The reporting desk also collects information internally and externally and promptly responds to problems as they arise.

Internal Consultation/Reporting Reception System

In addition to an internal reporting desk, the Company has established a consultation service for the entire Group concerning ethics in business conduct. In addition, the "EXEDY Hotline" has been established to allow employees to consult and report directly to outside attorneys for the prevention and early detection of misconduct and other illegal activities. To ensure that all employees are fully aware of the above, the EXEDY Code of Conduct, which is distributed to all Group employees, clearly specifies the contact point for consultation and raises awareness of compliance issues.

[Internal Consultation Desk]

Handles any matters regarding the Code of Conduct, ethical issues, working environment, etc. Phone numbers and email addresses can be found in the Code of Conduct.

[Internal Reporting Desk]

Handles violations of laws and company regulations. Phone and fax number and email address can be found in the Code of Conduct.

[External Consultation and Whistleblowing Contact "EXEDY Hotline"]

An external lawyer's office can be contacted by telephone, email, or letter. Phone number, address, and email address can be found in the Code of Conduct.

4. Respect for Human Rights

Our Approach

Respect for human rights is the foundation of our business activities, and we recognize that we are required to have a deep understanding of and appropriate responses to human rights issues related to the countries and businesses in which we operate.

EXEDY Group Human Rights Policy

The EXEDY Group Human Rights Policy was formulated in 2022 after deliberation and approval by the Management Committee. This human rights policy is based on the United Nations Guiding Principles on Business and Human Rights (hereinafter referred to as the UN Guiding Principles) and is established to ensure that the EXEDY Group, as a global enterprise, respects human rights and complies with relevant laws and regulations in the countries where we operate, and is positioned as the highest policy in our business activities. For more information, please refer to this page.

[Respect for Human Rights](#) | [EXEDY Corporation \(exedy.com\) Japanese only](#)

Promotion System

In EXEDY, we have assigned oversight responsibility for respect for human rights to our Risk Management Committee. In the committee, the President & CEO is ultimately responsible for risk management, and the Representative Director and Senior Executive Managing Officer of the Administrative Headquarters is responsible for overall risk management, deliberating and deciding on systems and activity plans related to respect for human rights. Also, the Administrative Headquarters serves as the secretariat for these initiatives and promotes them in cooperation with related departments.



Initiatives

1) Human Rights Due Diligence

In FY2024, as in FY2023, we have made prohibiting forced labor a top priority issue. We have identified “foreign technical training” and “migrant workers” as risks of forced labor in Japan in light of the increasing movement around the world to protect the rights of migrant workers, such as the Modern Slavery Act, the growing public concern in Japan over foreign technical trainees, and the recognition of the challenge by our shareholders, customers, etc.

(1) Actual conditions of acceptance for foreign technical intern training

In FY2023, we conducted self-audits and on-site audits at two Group locations that accept technical intern trainees under the group supervision system in Japan to investigate the actual situation of these trainees. As a result of both audits, no violations that could lead to human rights infringement were found. However, it was confirmed that the expenses borne by individuals from some countries to come to Japan were high compared to local prices. Therefore, we are working with the supervising organizations and our group companies to switch to sending countries where the expenses borne by individuals are lower. We will continue to conduct surveys at bases that accept technical intern trainees.

(2) Migrant labor survey

In FY2024, we conducted a migrant labor survey of 29 overseas Group companies to identify risks that could constitute forced labor. As a result of the investigation, we confirmed that there are no risks related to the hiring process or employment conditions

(3) Understanding the actual situation in relation to human rights risks in general

Starting in FY2023, we began a human rights self-check for all Group companies both in Japan and overseas in order to check the awareness, response level, and issues regarding human rights within the Group and supply chain. As a result, it was found that there were some locations where the validity of the responses needed to be confirmed. Going forward, we will continue to communicate with them to improve the accuracy of their responses and continue the cycle of understanding the actual situation, identifying risks, and taking corrective measures.

2) Education and Engagement Activities

In order to deepen understanding of our efforts to respect human rights, in FY2024 we conducted human rights education for all 3,353 employees of EXEDY (including officers, associate employees, contract employees, and technical intern trainees), as well as for 36 group companies in Japan and overseas (10 domestic and 26 overseas). The training content covers society and our company's efforts regarding respect for human rights, human rights due diligence, etc. The training method is online so that students can take the course at their own convenience, and a confirmation test is also conducted after the course to check the students' understanding of the training content. We will continue to provide education to deepen understanding of respect for human rights.

3) Consultation and Reporting Desk

We have established a consultation and reporting desk for human rights issues for the entire Group. In addition, we have established the “EXEDY Hotline,” a counter where employees can consult and report directly to outside attorneys, to prevent and detect human rights issues as well as other issues at an early stage. To ensure that all employees are aware of this, we specify the Consultation Desk in the EXEDY Code of Conduct, which is distributed to all group members, to raise awareness of our commitment toward respect for human rights. Furthermore, we clearly state that we will protect the privacy of the person consulting or reporting and that we will not take any disadvantageous action because the person consulted or reported.

4) Expansion into the supply chain

Regarding efforts to respect human rights, we have expanded the CSR Guidelines for suppliers to our suppliers in Japan and overseas and have requested their compliance with the guidelines through procurement policy briefings. We also evaluate our suppliers on the status of their compliance with the guidelines and provide feedback on the results.

5) Payment of wages

We comply with the laws and regulations of each country in which we pay wages and set amounts exceeding those specified in each country and region, by industry sector, etc., to guarantee a living wage. In addition, based on the concept of equal pay for equal work, we carry out effective management to prevent unreasonable disparities between non-regular and regular employees. We also ask our suppliers to comply with the applicable laws and regulations of each country in our CSR Guidelines.

5. Health and Safety Activities

“Going home the same as we arrived in the morning”

EXEDY’s basic stance is to prioritize safety in everything we do, and we are steadily implementing activities to create workplaces where people can work with a smile and peace of mind. Going home the same as we arrived in the morning is our greatest joy.

Safety & Health Policy

【Basic Policy】

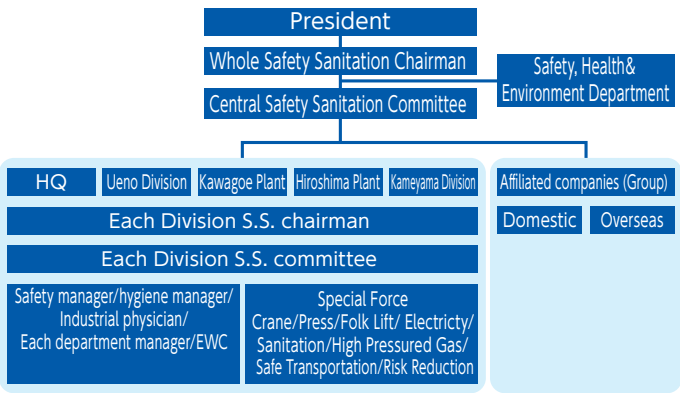
Ensuring the safety and health of our employees serves as the foundation of our corporate activities and social responsibility. With respect for human life and safety as our highest priority, we are committed to promoting health and strive to create a safe, comfortable, and pleasant workplace where people can work with peace of mind.

【Action Policy】

- 1. If our employees are not safe, our company cannot do business. In order to achieve ‘zero defects’ and ‘zero hospital visits’, we will adhere strictly to health and safety laws and internal regulations.
- 2. By creating a healthy and comfortable workplace, we will improve communication, prevent work-related illnesses, and maintain and promote physical and mental health.
- 3. When an abnormality occurs, we will thoroughly follow our STOP, CALL and WAIT procedure.
- 4. We will conduct risk assessments to eliminate all hazards and harmful factors in the workplace, and continuously implement kaizen and 5S5T to reduce risks.

Health and Safety Activities Promotion System

To protect all employees from occupational accidents, EXEDY has established a health and safety activities system led by the Central Health and Safety Committee (meeting twice a year). The Committee brings together safety officers and other safety experts from Group companies to review the latest information on the Industrial Safety and Health Act, formulates corrective measures based on accident trends, and deploys these measures to Group companies



Target and Actual (EXEDY Group)

	Actual (FY2023)	Target (FY2024)
Significant and semi-significant accidents	0	0
Furnace fires and explosions	0	0
On-site subcontracting work accidents	0	0

*Definition of a significant accident:
(1) The worker’s death; or (2) the worker’s injury or illness has resulted in or is likely to result in any of the disabilities listed in the physical disability columns of Grade of Disability 1 to 8 in the Grade of Disability Table in Appended Table 1 of the Enforcement Regulations of the Industrial Accident Compensation Insurance Act.

Initiatives

1) Cultivating Safe Workers

Safety First is our company policy. No matter what it is that we do, at the EXEDY Group we make our judgments with safety being the top priority. The status of safety-related training in FY2023 is as follows.

(1) Safety education

After disseminating accident reports throughout the Group, each company holds monthly Health and Safety Committee meetings to educate all employees (100% employee attendance rate). In addition, we provide safety training at the time of recruitment and before assignment.

(2) Basic safety education

To enable our employees to carry out their work in the plants in absolute safety, and predict and prevent danger in advance, we offer training consisting of safety lectures and practical education in our safety dojo, a training room equipped with 17 simulators that were made based on accidents that actually occurred. Once you have taken this course and mastered the basics of safety within our company, you will be issued a "Certificate of Completion of Basic Safety Course." In 2023 this safety training for employees was held 20 times. In response to requests from outside the company, we have conducted similar training, which has resulted in receiving a very high evaluation. In addition, when working at height, all employees, whether they are our employees or on-site construction workers, must take certified training in the use of fall prevention equipment and safety ropes at a training dojo for working at height, and only those who pass the training are allowed to work at height, as a rule to prevent falls.

(3) Basic Life Support Training Course

Since 2012, first-aid instructors have been carrying out basic life support training courses and more than 1000 employees have participated in the course. We will continue promoting this activity in the future so that EXEDY employees can protect lives, not only at the company but also in daily life.

(4) Risk assessment

In accordance with the guidelines for health and safety risk assessment, we define compliance items and conduct detailed assessments of health, safety and health risks in order to pursue essential safety in machinery and equipment (existing equipment and newly introduced equipment), chemical substances and work in both new and existing businesses. Based on the results, we also are taking action against identified risks.

(5) Global safety measures

We hold local safety training sessions for affiliated companies both in Japan and overseas with the aim of raising safety awareness throughout the entire Group. In addition, twice a year we carry out priority activities to prevent accidents at overseas bases, and provide general guidance on safety.

2) Various Training and Education

The EXEDY Group conducts training and education on a daily basis to prevent accidents and to minimize damage in case of an emergency.

(1) Company-wide Earthquake Disaster Drills

Every year, we conduct a company-wide earthquake disaster drill, to develop an organization that is able to respond calmly and smoothly in case of an emergency. In the first part, we set up an in-house firefighting department and conducted firefighting and lifesaving activities. In the second part, we set up a disaster countermeasure department to train to collect information and report on the situation, and prepare plans to restart production.

(2) In-house Firefighting Team

We have established a self-defense fire brigade at domestic bases and sales offices. We carry out regular training such as table-top exercises and training with the portable pump. Members of the Self-Defense Firefighting Unit regularly attend external training courses on self-defense firefighting operations and are trained to give appropriate instructions and take appropriate action in the event of an emergency.

6. Health Activities

Our Basic Approach

The EXEDY Group recognizes that the health of each and every employee is an important company asset, and this is why we have clearly defined our health policy in our Health Management Action Policy.

Safety & Health Action Policy	2. By creating a healthy and comfortable workplace, we will improve communication, prevent work-related illnesses, and maintain and promote physical and mental health.
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The EXEDY Group's Long-term Vision identifies Health/Occupational Health and Safety as a priority issue (materiality). We aim to realize our Long-term Vision through various initiatives related to health.

Priority Issues (Materiality)	Long-term Vision / Our Approach and the Way Forward	Initiatives to realize the Long-Term Vision and expected effects		
		Initiatives to realize the Long-Term Vision	Indexes (and targets)	Expected effects
Safety and Health	Expand systems that allow diverse employees to work with comfort	Early detection and prevention of aggravation of diseases	Percentage receiving detailed examinations (Target: 80%)	• Maximize the performance of each and every employee • Increase labor productivity
			Medical checkups - Findings rate	
			Number of employees on leave due to injury or illness (other than mental)	
		Mental health disorder prevention	Stress checks High stress rate Number of employees on leave due to mental illness	

*For details of specific initiatives, refer to the health-related initiatives on the next page

Promotion System

The company-wide General Health and Safety Manager (executive officer in charge at the Administration Headquarters) is in charge, and related departments, including the health management division, industrial physicians, health staff, the health insurance association, and the EXEDY Workers Community (EWC; labor union), work together to promote health promotion activities. In addition, at the EXEDY Collaborative Health Meeting, which is composed of the health insurance association, each division, affiliated companies, and EWC, the insurer and the divisions discuss health issues twice a year and work together to promote health.



Indexes (medical checkups, stress checks, employees on leave/returning to work)

(Target: EXEDY alone)			
FY	2021	2022	2023
Regular medical checkups Examination rate	100%	100%	100%
Findings rate	78.4%	78.0%	79.9%
Percentage receiving detailed examinations	80.4%	70.3%	67.0%
Health guidance implementation rate	72.2%	72.3%	77.4%

(Target: EXEDY alone)				
FY	2021	2022	2023	
Stress checks	Response rate	90.8%	86.6%	87.9%
	High stress rate	22.0%	16.6%	16.2%
	Number of employees interviewed	3	7	5
Employees on leave	Mental	21	15	33
	Other injuries and illnesses	52	36	30
Employees returning to work	Mental	16	13	16
	Other injuries and illnesses	50	35	26

Initiatives

To maintain and promote the physical and mental health of each and every employee, the health management division of each company, industrial physicians, health staff, and the health insurance association cooperate in various initiatives.

Target: In principle, EXEDY alone. * indicates all EXEDY Health Insurance subscribers

Purpose	Field	Initiative	Eligible employees	Implementation details	Responsible organization	Number of participants/ participation rate (2023)
Early detection and prevention of aggravation of diseases	Lifestyle diseases	Medical checkups and follow-up measures	All employees *Health insurance services are for subscribers	• Tests for statutory items and lifestyle disease items (Target ages exist) • Support for people at high risk for lifestyle diseases	Company health insurance	100%
	Dentistry	Dental checkups	All employees *Health insurance services are for subscribers	Dental checkups (Cavities, periodontal disease, mucosal disease, etc.)	Company health insurance	73.5%
	Cancer	Cancer screening	Health insurance subscribers (Target ages exist)	• Stomach cancer screening (gastric X-ray, ABC test) • Colorectal cancer screening (fecal occult blood) • Prostate cancer screening (PSA test)	health insurance	49.0% (stomach) 95.1% (large intestine) PSA is not applicable year
	Female-specific diseases	Female-specific diseases	Health insurance subscribers (Female, age 30 and older)	• Breast and cervical cancer screening (Once a year)	health insurance	53.3% (breast) 41.5% (uterus)
Mental health disorder prevention	Stress check		All employees	• Implementation of stress checks and follow-up measures (Doctor interview) • Conduct group analysis and workplace improvement activities based on results	Company	Participation rate: 87.9% Doctor interviews: 5 people
	Support for returning to work		All employees	• Regular follow-up during leave of absence • Four-party interview upon return to work (The individual, superior, HR, industrial physician) • Regular follow-up after returning to work	Company	Follow-up rate: 100%
	Mental health education		Supervisors (Department managers, section managers)	• Self care education • Line care education	Company	34
Infectious disease prevention	Workplace vaccinations		All employees	• Influenza vaccinations (costs are subsidized) • Workplace vaccinations against COVID-19	Company	1,597
Healthy working environment support	Support for balancing work and family life	Balancing fertility treatment	All employees	Fertility treatment leave system (up to 5 days per year)	Company	No applicable applicants
	Smoking cessation	Smoking cessation treatment support	All employees *Health insurance services are for subscribers	• Taking a smoking cessation program (online) and cost assistance • Treatment for smoking cessation at workplace clinics (covered by insurance)	Company health insurance	16 people attended the smoking cessation program (*)
Exercise recommendations	Walking events		Health insurance subscribers (Over 19 years old)	Holding walking events using ICT (twice a year)	health insurance	519 (*)

At the EXEDY Clinic, industrial physicians, public health nurses, and nurses follow up with employees after their medical checkups, and we are working to prevent serious illness. Medical treatment by physicians, as well as interview guidance and health consultations by public health nurses and psychotherapists, are also available, and we are working to help employees maintain their physical and mental health. In addition, dental hygienists are stationed at the dental clinics of the Head Office and Ueno Division, and employees can receive treatment from dentists. We conduct dental checkups in conjunction with regular checkups at all of our plants, leading to early detection and treatment.



7. Sustainable Procurement

1) Building Relationships of Trust as a Good Business Partner

EXEDY receives various parts and raw materials from a number of suppliers around the world in its production activities. In accordance with the principles of good faith and integrity, we believe that production sharing based on mutual trust is to be established as the basic principle of transactions. In addition, we believe that it is important to clarify and deepen our understanding of each party's terms of business in advance to attain mutual trust, and we will work to build relationships of trust with suppliers.

2) Our approach to procurement

EXEDY conducts procurement activities based on the following four basic policies and "Promotion of Appropriate Transactions (Compliance with the Antimonopoly Act and Subcontract Act)" in order to provide products and services that satisfy our customers.

(1)Open, Fair and Impartial Transactions

In selecting Suppliers, we will provide fair and impartial opportunities regardless of nationality, corporate size, or business experience, and will make comprehensive judgments based on quality, delivery, cost, technology, and other capabilities, as well as management stance toward continuous improvement, and efforts toward social responsibility such as environmental issues.

(2)Coexistence and Co-prosperity Based on Mutual Trust

Through close two-way communication with suppliers, we share necessary information with each other and build a relationship of trust. Based on this relationship, we will strive for mutual improvement and coexistence and co-prosperity as partners in strengthening our competitiveness.

(3)Promoting Green Procurement

We will promote the supply of products and services with low environmental impact in accordance with the Green Procurement Guidelines for suppliers.

(4)Compliance

We will comply with all applicable laws and regulations, as well as the "Guideline for Appropriate Transactions in the Automobile Industry" (formulated by the Ministry of Economy, Trade and Industry) and its spirit.

3) Supply Chain

The number of primary suppliers with which EXEDY does direct business is 209 for main material companies, and 482 if auxiliary material companies are included.

*Number of companies with purchasing record in FY2023

4) Promoting Sustainability Together with Suppliers

When entering into transactions with new suppliers, we evaluate their safety, health, and environmental efforts. We form contracts that include provisions on "environmental conservation," "resource conservation," and "elimination of antisocial forces". When signing contracts with new suppliers, we distribute our Green Procurement Guidelines (for environmental conservation) and CSR Guidelines for suppliers(CSR compliance) (we provide an English version for companies outside Japan). We have started doing business with suppliers after showing them the social issues that we are seeking to address and informing them that we are seeking similar initiatives not only internally but also upstream in the supply chain.

In addition, we visit existing suppliers on a regular basis for the purpose of conducting on-site audits of safety, health, and environmental aspects, and provide guidance for improvement if any deficiencies are found.

In FY2023, we conducted audits of 25 companies in order to further raise our level.

5) CSR Guidelines for Suppliers & Green Procurement Guidelines

At EXEDY we believe CSR efforts throughout the automotive industry's supply chain are of vital importance, if we want to keep developing in a way that is sustainable to earth and society. Therefore, we established the "CSR Guidelines for Suppliers". We ask our suppliers to comply with these guidelines and to forward them to their suppliers.

In addition, with the publication of our Green Procurement Guidelines, we require our suppliers to reduce CO2 and other greenhouse gases, recycle resources including waste, conserve water, and conserve biodiversity.

Each guideline is revised in from time to time in line with trends around the world. We are working to build consensus by asking for the changes to be rolled out at the procurement policy briefings in FY2023 and to be extended within our suppliers and the supply chain, as well as by receiving written confirmation that they understand the main purpose of the guidelines and will work to implement them.

6) Risk Assessment and Response to Suppliers

EXEDY conducts quality audits to improve the quality level of suppliers. In Japan, the priority and frequency of these audits are determined based on risk analysis, including suppliers for parts with high quality requirements such as special processes, non-acquisition of IATF 16949 certification, and a track record of quality defects occurring. Audits of approximately 150 companies are planned to be conducted at least once every five years to determine the status of development and compliance with the quality management system. In FY2023, audits of 42 companies were conducted as planned. During these audits, compliance with quality standards is confirmed. If there is a problem, an improvement plan is prepared, and advice and verification continue until the improvement is completed. In addition to natural disasters and fires, infectious diseases and geopolitical risks have recently increased. For risks that threaten the stable procurement of purchased products, information provided by suppliers regarding the manufacturing process of purchased parts and raw materials is registered in a database and used, and we have established a system for swift initial responses and recovery action. In the event of an emergency, we identify impacts in a timely manner based on supply chain information. Otherwise, we are also assessing risks to continuity of supply due to management, successors, and aging equipment, and taking action.

7) Mutual Improvement With Suppliers

EXEDY provides human resource development support to major suppliers with the aim of improving the skills of our suppliers and strengthening their corporate structure. Specifically, we accept students into EXEDY Technical School, our in-house educational institute, in line with the needs of our major partner companies. In addition, we regularly hold the EXEDY Olympics with the aim of improving the technical skills of each employee and having them acquire the ability to engage in more difficult tasks. Competitions include those aimed at improving safety awareness and technical skills such as forklift operation and die change work, and measurement skills competitions aimed at acquiring accurate and speedy measurement skills. We encourage mutual improvement by having not only our employees participate in these competitions but also participants from our suppliers.

In addition, we develop and share information on safety and environmental activities with suppliers. We are pursuing developments related to the prevention of occupational accidents, cybersecurity, the status of the latest legislative revisions, and so on.

In FY2023, we also invited outside lecturers to hold online climate change workshops for suppliers, and together we were able to deepen our understanding of public trends in climate change issues and how to calculate Scope 1 and 2 (our company's Scope 3).

8) Initiatives for Appropriate Transactions

To enable each and every employee engaged in procurement activities at EXEDY to promote fair and honest procurement activities, we have set out compliance with the Subcontracting Act and specific actions as detailed rules of conduct in the EXEDY Code of Conduct, which is distributed to all Group employees. In addition, every November is set as "Subcontracting Transaction Improvement Promotion Month," and all employees engaged in procurement activities encouraged to attend seminars by external organizations.

8. Compliance

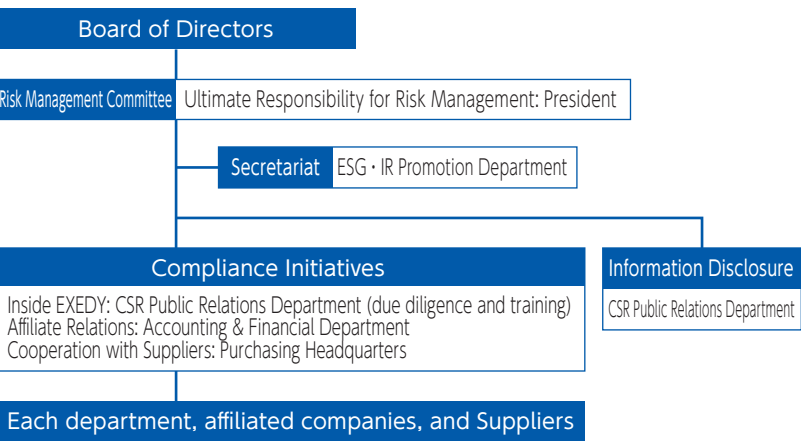
Our Approach

Through our corporate activities in each region, we have come to realize that swift and reliable compliance with the laws and regulations of each country and transparent management are essential to gaining the trust of all relevant stakeholders.

With "fairness and transparency" as our key concepts, we will thoroughly implement compliance management, which is the foundation of our management, and establish a corporate governance system. Through this, we will work to create an organization that can quickly respond to changes in the business environment and to improve our internal checks and balances, and we will establish a culture in which corporate activities are carried out with an understanding of the laws and regulations that apply to our work.

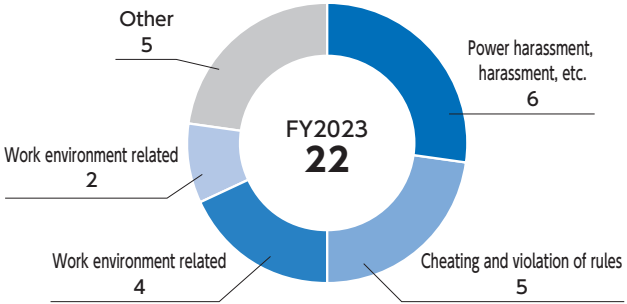
Promotion System

In order to strengthen our compliance efforts, we have decided to give oversight responsibility for these efforts to the Risk Management Committee starting from FY2024. The committee is headed by the Representative Director and President as the final person responsible for risk management, and the Representative Director and Senior Managing Executive Officer, Head of the Management Division, as the overall person responsible for risk management. The committee will also deliberate and decide on compliance-related structures and action plans. The ESG・IR Promotion Department will act as the secretariat for the practical implementation of the initiative, and the CSR・Public Relations Department will take the lead in promoting the initiative in collaboration with related departments.



Initiatives

- (1)Read-through of the Code of Conduct**
We distribute codes of conduct in each local language to all employees of our group companies and read them aloud at daily morning meetings in each department and team to ensure that everyone is fully aware of their contents. Please see below for more details.
[Our CSR Approach | EXEDY Corporation](#)
- (2)Utilizing the internal reporting and consultation system**
In addition to an internal reporting system, we have set up a compliance hotline for the entire Group. Furthermore, we have set up the "EXEDY Hotline," which allows employees to directly consult with an outside lawyer and report any issues, in an effort to prevent and detect misconduct at an early stage. To ensure that everyone is aware of these issues, the EXEDY Code of Conduct, which is distributed to all employees of the group, clearly states where to find a consultation desk and aims to raise awareness of compliance. In addition, this hotline protects privacy and ensures that those who make inquiries are not harmed, and responds promptly if a compliance violation occurs. If any serious compliance violations occur, they are reported to the Board of Directors and measures to be taken are considered.



- (3)Compliance awareness survey**
In July 2024, we conducted our first compliance awareness survey of all employees. The survey covers the level of compliance activities, the presence or absence of various potential risks, and awareness of internal reporting and consultation hotlines. Based on the results of this investigation and the analysis of the above-mentioned internal reports and consultations, the Risk Management Committee met in December 2024 to discuss the issue and identified the key risk areas for our company as power harassment, quality risks, and management of working hours, and decided to implement compliance training on these areas as a countermeasure. We will also work to further raise awareness of and promote the use of the internal reporting and consultation hotline (including emphasizing that those who seek advice or report issues will be protected).In July 2024, we conducted our first compliance awareness survey of all employees. The survey covers the level of compliance activities, the presence or absence of various potential risks, and awareness of internal reporting and consultation hotlines. Based on the results of this investigation and the analysis of the above-mentioned internal reports and consultations, the Risk Management Committee met in December 2024 to discuss the issue and identified the key risk areas for our company as power harassment, quality risks, and working hour management, and decided to implement compliance training on these areas as a countermeasure. We will also work to further raise awareness of and promote the use of the internal reporting and consultation hotline (including emphasizing that those who seek advice or report issues will be protected).
- (4)Compliance training for each employee level**
Considering the occurrence of fraudulent cases such as certification fraud in the automotive industry and sexual assault and harassment cases in other industries, we conducted the following compliance training by rank from October 2024 to January 2025.
(For all employees) 2,517 participants (harassment, personal information protection law, insider trading, antisocial forces)
(For managers and supervisors) 189 participants (Antitrust Law, Subcontract Law, Bribery, Export Control Regulations)

Chapter 5

Financial and Corporate Information

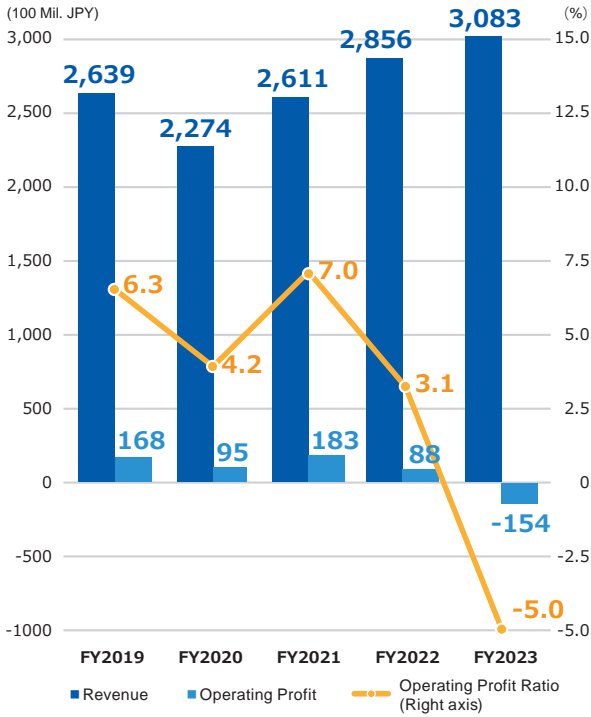
EXEDY creates value in both financial and non-financial aspects through its business activities.

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4. Environmental Reports.....	111
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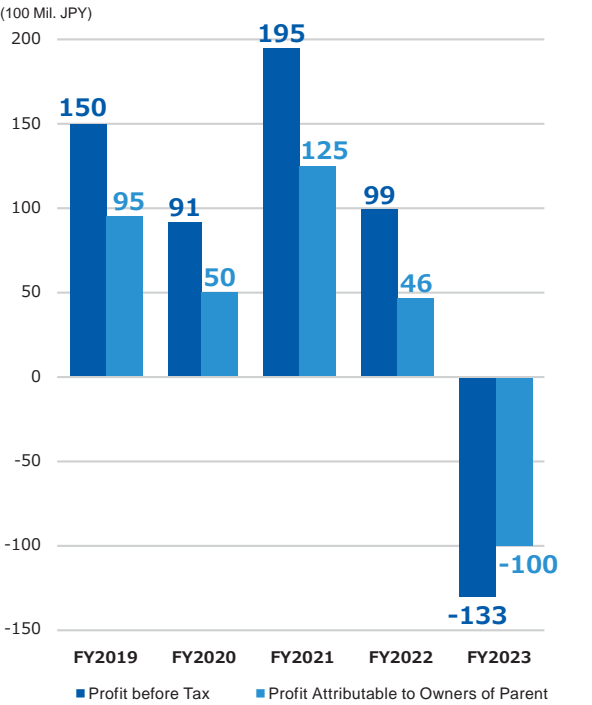


1. Financial and Non-Financial Highlights

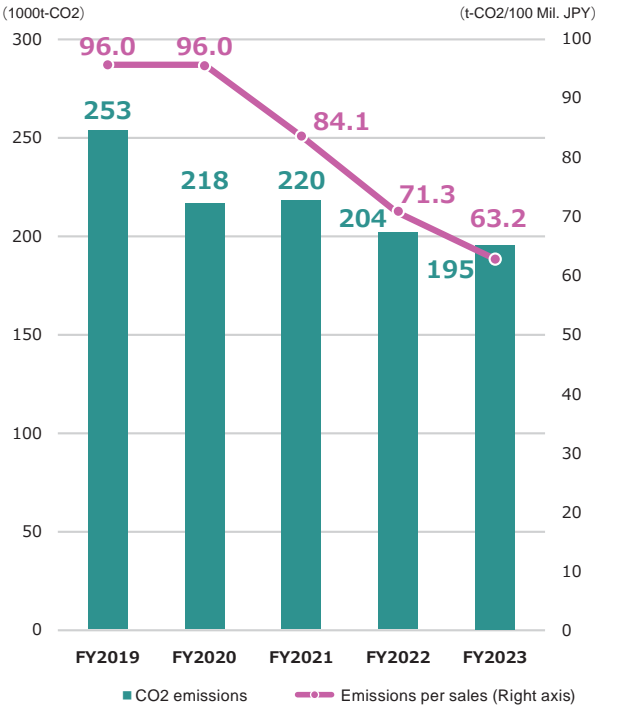
Revenue/Operating Profit/Operating Profit Ratio



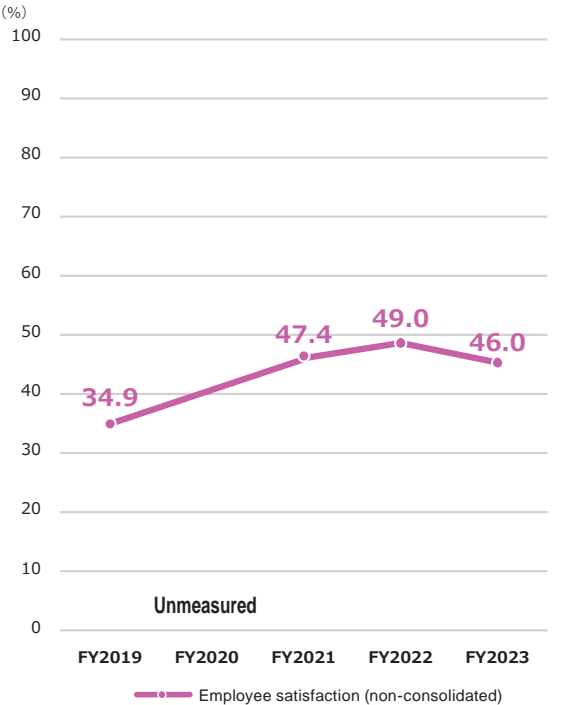
Profit before Tax/Profit Attributable to Owners of Parent



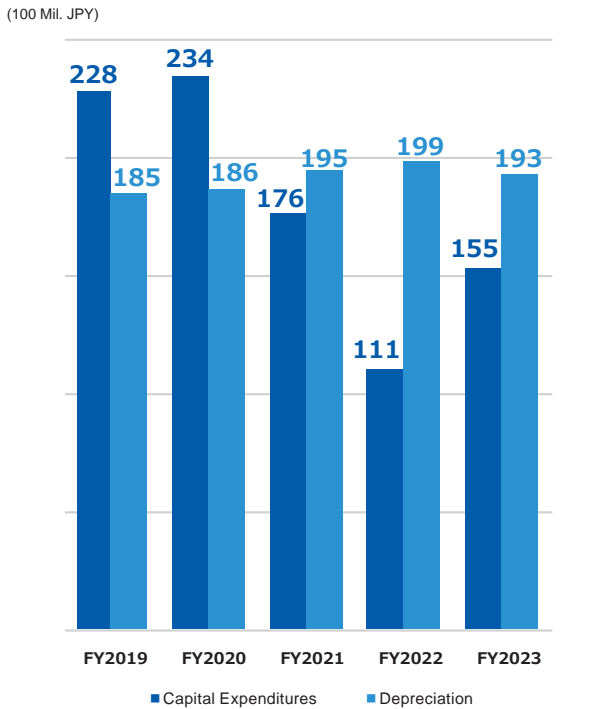
CO2 emissions/CO2 emissions per unit of net sales



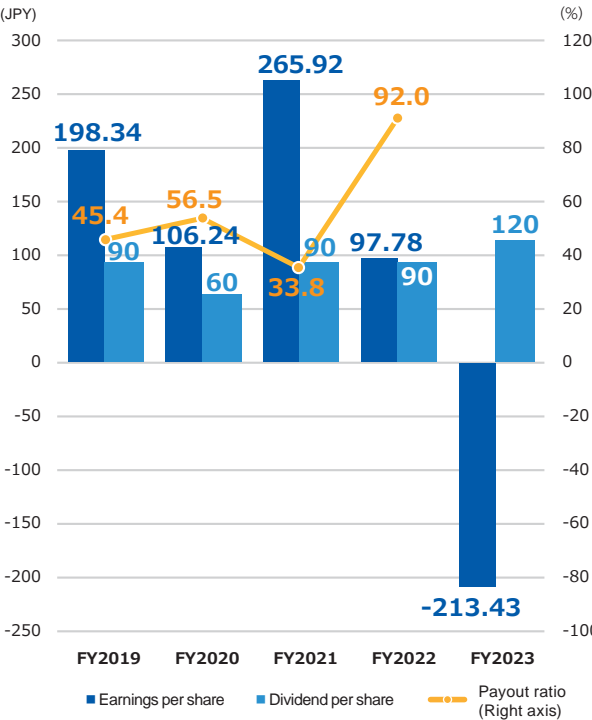
Employee satisfaction (non-consolidated)



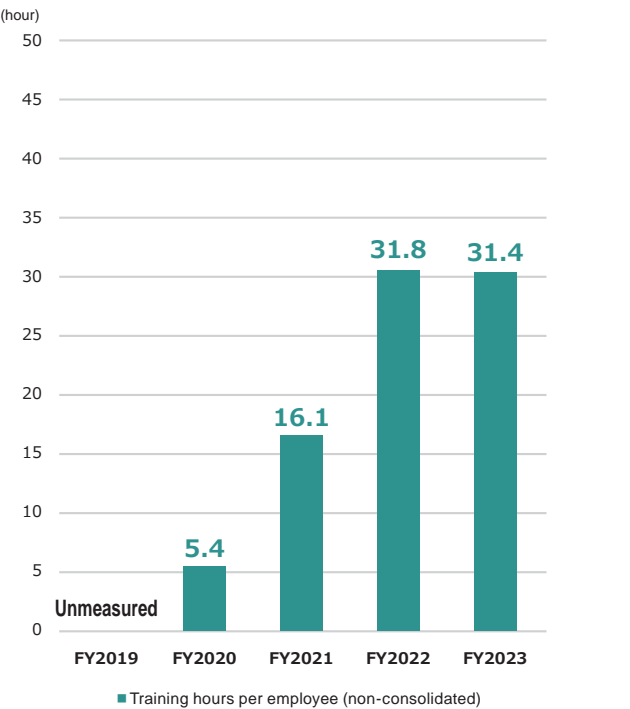
Capital Expenditures / Depreciation



Earnings per share/Dividend per share/Payout ratio



Training hours per employee (non-consolidated)



Percentage of female managers (non-consolidated)



2. Financial and Non-Financial Summary

Financial Summary		FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)	FY2021 (Fiscal year ended March 31, 2022)	FY2022 (Fiscal year ended March 31, 2023)	FY2023 (Fiscal year ended March 31, 2024)	(Unit)
Revenue	(Consolidated)	263,899	227,420	261,095	285,639	308,338	Mil. JPY
Overseas Sales Revenue Ratio	(Consolidated)	52.7	53.1	54.5	57.1	59.3	%
Operating Profit	(Consolidated)	16,751	9,513	18,328	8,760	△ 15,438	Mil. JPY
Profit Before Taxes	(Consolidated)	14,964	9,066	19,467	9,916	△ 13,274	Mil. JPY
Profit attributable to owners of parent	(Consolidated)	9,492	4,983	12,477	4,591	△ 10,023	Mil. JPY
Comprehensive income attributable to owners of parent	(Consolidated)	3,854	10,481	21,074	8,222	△ 2,113	Mil. JPY
Equity attributable to owners of parent	(Consolidated)	196,938	203,927	221,756	225,563	218,548	Mil. JPY
Total Assets	(Consolidated)	301,019	312,741	332,785	331,875	321,935	Mil. JPY
Total Equity	(Consolidated)	208,709	216,730	236,023	239,901	233,539	Mil. JPY
Capital Investment	(Consolidated)	22,824	23,365	17,578	11,146	15,487	Mil. JPY
Amortization Expenses	(Consolidated)	18,464	18,563	19,463	19,923	19,269	Mil. JPY
R&D Expenditure	(Consolidated)	5,862	5,292	5,787	6,593	6,465	Mil. JPY
R&D to Revenue	(Consolidated)	2.2	2.3	2.2	2.3	2.1	%
EPS (Basic Earnings per Share)	(Consolidated)	198.34	106.24	265.92	97.78	△ 213.43	JPY
BPS (Net Assets per Share)	(Consolidated)	4,200.17	4,347.73	4,725.44	4,803.89	4,653.32	JPY
Dividend	(Consolidated)	90	60	90	90	120	JPY
Dividend Payout Ratio	(Consolidated)	45.4	56.5	33.8	92.0	-	%
Ratio of equity attributable to owners of the parent	(Consolidated)	65.4	65.2	66.6	68.0	67.9	%
Return on equity attributable to owners of parent	(Consolidated)	4.8	2.5	5.9	2.1	△ 4.5	%
Price-earnings ratio	(Consolidated)	8.06	15.75	5.92	18.54	-	times
Cash flows from operating activities	(Consolidated)	36,103	30,105	28,434	27,224	37,609	Mil. JPY
Cash flows from investing activities	(Consolidated)	△ 26,515	△ 16,765	△ 15,494	△ 12,794	△ 13,407	Mil. JPY
Cash flows from financing activities	(Consolidated)	△ 8,638	△ 8,450	△ 10,540	△ 11,179	△ 11,406	Mil. JPY
Free cash flows	(Consolidated)	9,588	13,340	12,940	14,430	24,202	Mil. JPY
Cash and cash equivalents at end of period	(Consolidated)	45,416	51,567	55,407	59,538	74,043	Mil. JPY
Operating Profit Ratio	(Consolidated)	6.3	4.2	7.0	3.1	△ 5.0	%
ROE (Return on equity attributable to owners of parent)	(Consolidated)	4.8	2.5	5.9	2.1	△ 4.5	%
Exchange Rate		109.10	106.17	112.86	134.95	144.40	US dollar

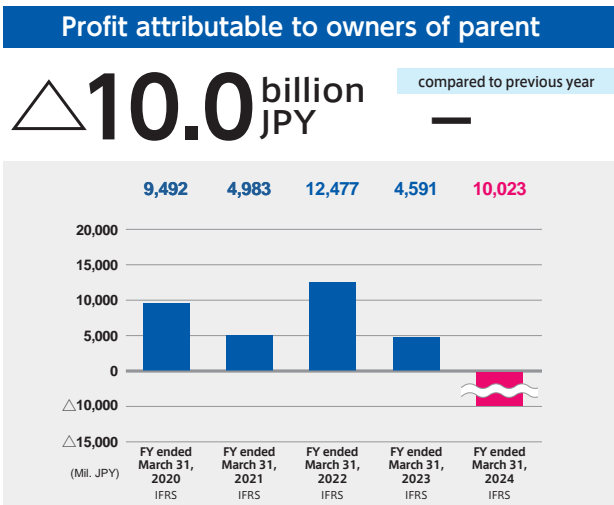
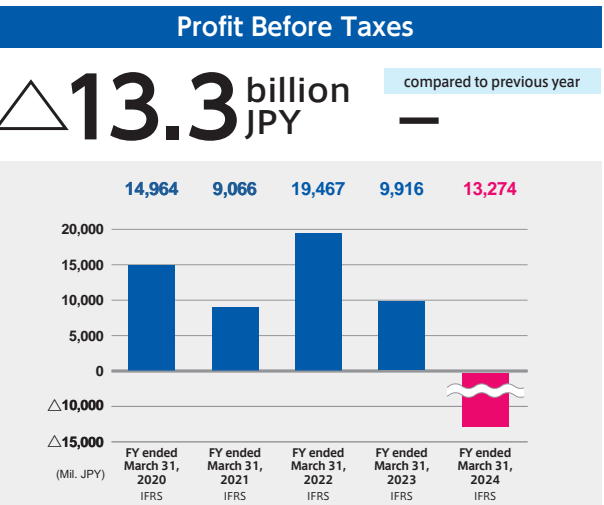
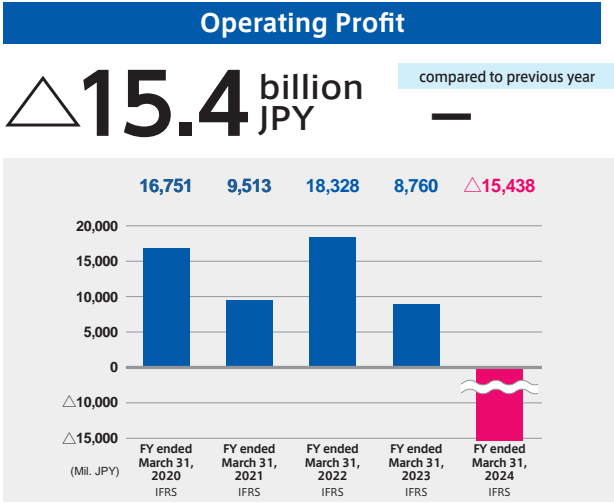
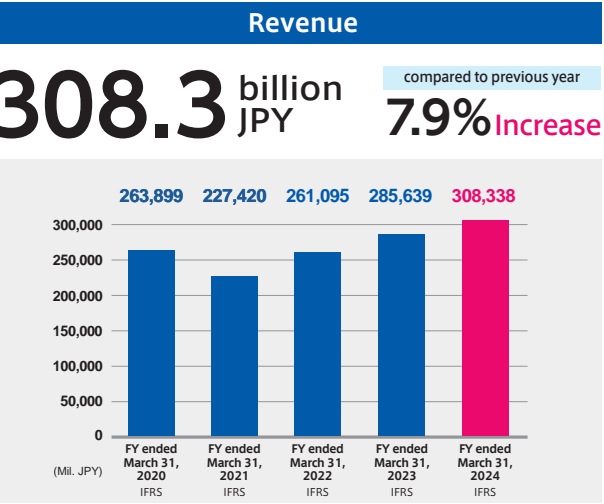
Non-Financial Summary		FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)	FY2021 (Fiscal year ended March 31, 2022)	FY2022 (Fiscal year ended March 31, 2023)	FY2023 (Fiscal year ended March 31, 2024)	(Unit)
Number of Employees	(Consolidated)	17,355	16,253	15,740	15,081	14,654	people
Male employees		13,236	12,488	12,058	11,581	11,228	people
Female employees		4,119	3,765	3,682	3,500	3,426	people
Female employees ratio		23.7	23.2	23.4	23.2	23.4	%
Number of Employees	(Non-Consolidated)	3,798	3,657	3,533	3,358	3,233	people
Male employees		3,262	3,169	3,071	2,902	2,789	people
Female employees		536	488	462	456	444	people
Female employees ratio		14.1	13.3	13.1	13.6	13.7	%
Number of Managers	(Non-Consolidated)	132	137	135	138	147	people
Male managers		125	132	130	133	142	people
Female managers		7	5	5	5	5	people
Female managers ratio		5.3	3.6	3.7	3.6	3.4	%
Employee Satisfaction	(Non-Consolidated)	34.9	-	47.4	49.0	46.0	%
Training hours per employee	(Non-Consolidated)	-	5.4	16.1	31.8	31.4	h/year
Total Working Hours	(Non-Consolidated)	2,021	1,688	1,898	1,888	1,915	hour
Paid Leave Utilization Rate	(Non-Consolidated)	77.7	72.9	76.3	101.2	96.8	%
Voluntary turnover rate of full-time employees	(Non-Consolidated)	5.8	3.5	4.2	4.0	4.6	%
Number of Accidents resulting in work leave	(Consolidated)	19	16	10	20	16	case
Accidents resulting in work leave frequency rate		1.12	0.35	0.71	1.22	1.22	%
Total CO2 Emissions	(Consolidated)	253,403	218,405	219,658	203,625	194,768	t-CO2
Emissions per sales index		96.0	96.0	84.1	71.3	63.2	t-CO2/100 Mil. JPY
Waste emissions	(Consolidated)	20,982	16,509	18,619	15,825	15,189	t
Emissions per sales index		7.95	7.26	7.13	5.54	4.93	t/100 Mil. JPY

3. Financial Review

Overview of Operating Results for Current Period

In the current consolidated cumulative period, the revenue increased due to passing on raw material price increase to the selling price, and the impact of foreign exchange conversion due to depreciation of the yen. In terms of profits, despite increase in revenue, the profitability of the AT (Automatic Automotive Drivetrain related business) segment production facilities is expected to decline due to a significant change in the business environment, namely a decrease in demand resulting from the shift to EVs, and we have identified indication of impairment and tested for impairment on the subject assets. As a result, the book value of the subject assets

was reduced to the recoverable value, and we recognized an impairment loss of ¥ 32.2 billion as "Other expenses". The results for the current consolidated fiscal year were, Revenue ¥ 308.3 Billion (increased by 7.9% from the previous fiscal year), Operating Loss ¥ 15.4 billion (¥ 8.8 billion Operating profit in the previous fiscal year), Loss before tax ¥ 13.3 billion (¥ 9.9 billion Profit before tax in the previous fiscal year), Loss attributable to owners of the parent company was ¥ 10.0 billion (¥ 4.6 billion profit attributable to owners of the parent company in the previous fiscal year).



Segment Information

AT (Automatic Transmission Related Business)

Revenue was ¥201.7 billion (increased by 11.1% from the previous fiscal year). This was due to passing on raw material price increase to the selling price, and the impact of foreign exchange conversion due to depreciation of the yen. Despite sales increase the segment loss was ¥25.9 billion (¥ 1.1 billion Segment loss in the previous fiscal year) due to impairment loss. The profitability of the AT segment production facilities is expected to decline due to a significant change in the business environment, namely a decrease in demand resulting from the shift to EVs, and we have identified indication of impairment and tested for impairment on the subject assets. As a result, the book value of the subject assets was reduced to the recoverable value, and we recognized an impairment loss of ¥ 32.2 billion as "Other expenses".

MT (Manual Transmission Related Business)

Revenue was ¥71.6 billion (increased by 0.2% from the previous fiscal year). Segment profit was ¥9.5 billion (increased by 10.4% from the previous fiscal year) due to passing on higher costs caused by high inflation to the selling price etc.

TS (Industrial machine Drivetrain operations)

Revenue was ¥15.0 billion (increased by 6.7% from the previous fiscal year). Segment profit was ¥2.1 billion (increased by 32.2% from the previous fiscal year), due to increase in sales and cost reduction efforts.

Others

Revenue was ¥20.0 billion (increased by 7.8% from the previous fiscal year). Segment profit was ¥0.8 billion (increased by 1.5% from the previous fiscal year) due to increase in sales of motorcycle clutches in the ASEAN region and cost reduction efforts.

Location Information

Japan

Revenue was ¥125.6 billion (increased by 2.5% from the previous fiscal year). Operating loss was ¥6.4 billion (¥ 7.0 billion profit in the previous fiscal year) due to recognition of impairment loss on the company.

North and Central America

Revenue was ¥59.3 billion (increased by 17.4% from the previous fiscal year). Despite revenue increased by the impact of exchange conversion due to depreciation of the yen, the operating loss was ¥4.2 billion (¥4.6 billion operating loss in the previous year) due to higher costs caused by productivity decline and high inflation etc.

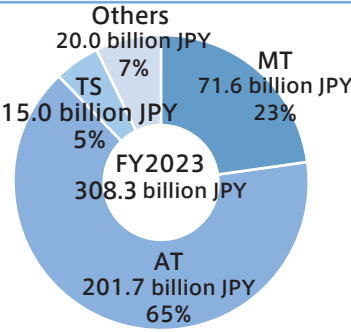
Asia and Oceania

Revenue was ¥112.2 billion (increased by 8.2% from the previous fiscal year). Operating loss was ¥5.3 billion (¥ 6.9 billion profit in the previous fiscal year) due to recognition of impairment loss on Chinese subsidiary of the company.

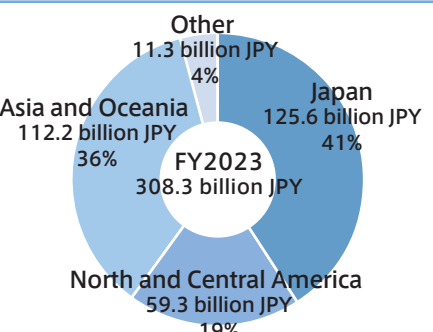
Others

Revenue was ¥11.3 billion (increased by 25.6% from the previous fiscal year). Operating profit was ¥0.5 billion (increased by 89.4% from the previous fiscal year) due to increase in sales etc.

Sales Composition Ratio by Business Segment (Reference)



Sales Composition Ratio by Region (Reference)



* Revenue refers to sales to external customers.

3. Financial Review

Overview of Financial Position for Current Period.

In terms of the assets at the end of this consolidated accounting period, the total assets were ¥321.9 billion (¥331.9 billion at the end of the previous consolidated fiscal year), it decreased by ¥9.9 billion (3.0%) from the end of the previous fiscal year. The main contents are ¥36.8 billion decrease in Tangible fixed assets and ¥10.2 billion increased in Deferred tax assets due to recognition of impairment loss, ¥14.5 billion increased in Cash and cash equivalents, ¥3.0 billion increased in Investments in Equity Instruments.

Total liabilities were ¥88.4 billion (¥92.0 billion at the end of the previous consolidated fiscal year), it decreased by ¥3.6 billion (3.9%) from the end of the previous fiscal year. The main contents are ¥3.7 billion decrease in corporate Bonds and borrowings due to to repayment of borrowings,

¥0.6 billion decrease in Trade and other payables and ¥1.1 billion increased in Income taxes payable.

Total equity was ¥233.5 billion (¥239.9 billion in the previous consolidated fiscal year), it decreased by ¥6.4 billion (2.7%) from the end of the previous fiscal year. The main contents are ¥14.7 billion decreased in Retained earnings (¥10.0 billion decreased due to loss attributable to owners of the parent company, and ¥4.9 billion decrease due to Appropriation of surplus (dividend)), ¥7.6 billion increased in Other components of equity due to increase in the conversion difference of foreign operation due to depreciation of the yen and ¥0.7 billion increase in Non-controlling interests. The ownership equity ratio attributable to owners of the parent company was 67.9% (68.0% at the end of the previous consolidated fiscal year).

Overview of Cash Flow for the Current Period

Funds earned from cash flows from operating activities in the current consolidated fiscal year was ¥ 37.6 billion which increased by ¥ 10.4 billion (38.1%) from the same period of the previous year (¥ 27.2 billion). This is because Income before Income Taxes decreased by ¥ 23.2 billion, the changes in Trade and other payables decreased by ¥ 3.0 billion, however, the impairment loss increased by ¥ 28.0 billion, the changes in inventories increased by ¥ 3.9 billion, changes in income tax paid increased by ¥ 3.1 billion, and the changes in Trade and other receivables increased by ¥ 1.9 billion.

Funds used for cash flows from investing activities was ¥ 13.4 billion which increased by ¥ 0.6 billion (4.8%) from the same period of the previous year (¥ 12.8 billion). This was due to the increase of ¥ 2.9 billion in Purchase of investment securities, the decrease of ¥ 0.9 billion in Pro-

ceeds from sale of investment securities, and the decrease of ¥ 3.1 billion in expenditures for the acquisition of tangible fixed assets.

Funds used for cash flows from financing activities was ¥ 11.4 billion which increased by ¥ 0.2 billion (2.0%) from the same period of the previous year (¥ 11.2 billion). This was due to the increase in expenditure of ¥ 0.5 billion due to the dividend payment.

In addition to the above, there was the increase of ¥ 1.7 billion (¥ 0.9 billion increase in the same period of the previous year) due to the conversion difference for cash and cash equivalents, as the results the balance of cash and cash equivalents in the current consolidated fiscal year was ¥ 74.0 billion which increased by ¥ 14.5 billion (24.4%) from ¥ 59.5 billion at the end of the previous consolidated fiscal year.

Consolidated Statement of Financial Position

(Mil. JPY)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	59,538	74,043
Trade and other receivables	53,929	53,513
Other financial assets	2,155	2,105
Inventories	44,198	44,278
Other current assets	3,634	2,949
Total current assets	163,454	176,889
Non-current assets		
Property, plant and equipment	154,632	117,824
Goodwill and intangible assets	2,939	2,412
Investments accounted for using equity method	272	1,043
Investments in Equity Instruments	1,810	4,767
Other financial assets	96	80
Deferred tax assets	6,366	16,592
Retirement benefit asset	1,206	1,418
Other non-current assets	1,100	909
Total non-current assets	168,421	145,047
Total assets	331,875	321,935
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	8,228	6,348
Trade and other payables	37,789	37,149
Other financial liabilities	545	664
Income taxes payable	1,664	2,739
Employee benefits accruals	2,336	2,591
Provisions	2,186	2,061
Other current liabilities	3,379	3,121
Total current liabilities	56,127	54,674
Non-current liabilities		
Bonds and borrowings	25,423	23,630
Other financial liabilities	1,076	943
Retirement benefit liability	6,609	6,566
Deferred tax liabilities	697	30
Other non-current liabilities	2,042	2,552
Total non-current liabilities	35,848	33,723
Total liabilities	91,975	88,396
Equity		
Share capital	8,284	8,284
Capital surplus	7,541	7,543
Treasury shares	(3,709)	(3,682)
Other components of equity	10,639	18,274
Retained earnings	202,808	188,129
Total equity attributable to owners of parent	225,563	218,548
Non-controlling interests	14,338	14,991
Total equity	239,901	233,539
Total liabilities and equity	331,875	321,935

3. Financial Review

Consolidated Statement of Income

(Mil. JPY)

	FY2022 (April 1, 2022 through March 31, 2023)	FY2023 (April 1, 2023 through March 31, 2024)
Revenue	285,639	308,338
Cost of sales	240,872	254,489
Gross profit	44,767	53,850
Selling, general and administrative expenses	32,895	37,425
Other income	2,431	1,326
Other expenses	5,544	33,189
Operating profit (loss)	8,760	(15,438)
Finance income	2,149	3,277
Finance costs	1,051	1,162
Share of profit of investments accounted for using equity method	57	50
Profit (loss) before tax	9,916	(13,274)
Income tax expense	4,680	(4,184)
Profit (loss)	5,236	(9,090)
Profit (loss) attributable to		
Owners of parent	4,591	(10,023)
Non-controlling interests	646	933
Profit (loss)	5,236	(9,090)
Earnings (loss) per share		
Basic and diluted earnings (loss) per share	97.78	(213.43)

Consolidated Statement of Comprehensive Income

(Mil. JPY)

	FY2022 (April 1, 2022 through March 31, 2023)	FY2023 (April 1, 2023 through March 31, 2024)
Profit (loss)	5,236	(9,090)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(736)	(276)
Remeasurements of defined benefit plans	187	275
Total of items that will not be reclassified to profit or loss	(549)	(1)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,952	8,923
Share of other comprehensive income of investments accounted for using equity method	4	9
Total of items that may be reclassified to profit or loss	4,956	8,932
Total other comprehensive income	4,406	8,931
Comprehensive income	9,643	(158)
Comprehensive income attributable to		
Owners of parent	8,222	(2,113)
Non-controlling interests	1,421	1,954
Comprehensive income	9,643	(158)

Consolidated Statement of Changes in Equity

(Mil. JPY)

	Equity attributable to owners of parent						
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balances as of April 1, 2023	8,284	7,541	(3,709)	11,454	(815)	-	10,639
Profit (Loss)	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	7,911	(276)	275	7,910
Total	-	-	-	7,911	(276)	275	7,910
Purchase of treasury shares	-	-	(1)	-	-	-	-
Disposal of treasury shares	-	2	27	-	-	-	-
Dividends of surplus	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	(275)	(275)
Total transactions with owners	-	2	27	-	-	(275)	(275)
Total changes in equity	-	2	27	7,911	(276)	-	7,635
Balances as of March 31, 2024	8,284	7,543	(3,682)	19,365	(1,091)	-	18,274

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balances as of April 1, 2023	202,808	225,563	14,338	239,901
Profit (Loss)	(10,023)	(10,023)	933	(9,090)
Other comprehensive income	-	7,910	1,021	8,931
Total	(10,023)	(2,113)	1,954	(158)
Purchase of treasury shares	-	(1)	-	(1)
Disposal of treasury shares	-	29	-	29
Dividends of surplus	(4,931)	(4,931)	(1,301)	(6,232)
Share-based payment transactions	-	-	-	-
Transfer to retained earnings	275	-	-	-
Total transactions with owners	(4,656)	(4,902)	(1,301)	(6,203)
Total changes in equity	(14,679)	(7,015)	653	(6,362)
Balances as of March 31, 2024	188,129	218,548	14,991	233,539

3. Financial Review

Consolidated Statement of Cash Flows

(Mil. JPY)

	FY2022 (April 1, 2022 to March 31, 2023)	FY2023 (April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (Loss) before tax	9,916	(13,274)
Depreciation and amortization	19,923	19,269
Impairment losses	4,222	32,183
Interest and dividend income	(284)	(407)
Interest expenses	833	682
Share of loss (profit) of investments accounted for using equity method	(57)	(50)
Foreign exchange loss (gain)	9	4
Decrease (increase) in inventories	(549)	3,392
Decrease (increase) in trade and other receivables	1,258	3,157
Increase (decrease) in trade and other payables	308	(2,708)
Other	31	344
Subtotal	35,610	42,592
Interest and dividends received	292	475
Interest paid	(853)	(737)
Income taxes paid	(7,826)	(4,722)
Net cash provided by (used in) operating activities	27,224	37,609
Cash flows from investing activities		
Payments into time deposits	(4,912)	(5,978)
Proceeds from withdrawal of time deposits	4,796	6,151
Purchase of property, plant and equipment	(11,973)	(8,900)
Proceeds from sale of property, plant and equipment	82	67
Purchase of intangible assets	(472)	(576)
Purchase of investment securities	(517)	(3,430)
Proceeds from sale of investment securities	944	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(746)	-
Other	4	(742)
Net cash provided by (used in) investing activities	(12,794)	(13,407)
Cash flows from financing activities		
Proceeds from short-term borrowings	9,857	9,398
Repayments of short-term borrowings	(7,933)	(10,523)
Proceeds from long-term borrowings	1,468	491
Repayments of long-term borrowings	(8,225)	(3,998)
Dividends paid	(4,468)	(4,927)
Other	(1,877)	(1,848)
Net cash provided by (used in) financing activities	(11,179)	(11,406)
Effect of exchange rate changes on cash and cash equivalents	881	1,709
Net increase (decrease) in cash and cash equivalents	4,131	14,505
Cash and cash equivalents at beginning of period	55,407	59,538
Cash and cash equivalents at end of period	59,538	74,043

4. Environmental Reports (EXEDY)
Environment Accounting

Cost of Environmental Conservation for the 2022 Fiscal Year (Mil. JPY)

Item	Investment	Cost	Details
Anti-pollution Measures	0	47	Wastewater treatment facilities, installation of environmental equipment
Preservation of the Global Environment	30	25	Solar panels, LED lighting, air conditioning upgrade
Recycling Natural Resources	0	46	Waste Disposal, Recycling Processing
Management Activities	0	20	Environmental month events, ISO periodic audits
Research Activities	0	3,370	Fuel efficient products, development of recycled materials, and weight reduction
Social Activities	0	7	Greening of business offices, environmental education
Total	30	3,517	

Environmental Conservation Cost (Mil. JPY)

	FY2019	FY2020	FY2021	FY2022	FY2023
Investment	47	258	53	78	30
Cost	3,146	2,938	3,141	3,550	3,517
Total	3,193	3,196	3,194	3,628	3,547

Economic and material benefits associated with environmental conservation (Mil. JPY)

Economic Benefits	FY2019	FY2020	FY2021	FY2022	FY2023
Cost of Waste Disposal	94	43	50	38	41
Sale of valuables	512	548	1,180	1,001	1,034

(tons of CO2)

Quantity Effect	FY2019	FY2020	FY2021	FY2022	FY2023
*CO2 Emissions	62,223	48,593	47,935	42,143	46,665
Volume of valuables sold	33,529	29,494	28,916	26,064	28,843

Amount of industrial waste discharged	Reduction and Recycling	2,813	2,081	2,351	2,165	1,785
	Final disposal (landfill)	128	123	256	136	133

*CO2 conversion factor : From FY2019 onward, adjusted CO2 conversion factors (residuals) by electric vehicle are used.
(<https://ghg-santeikohyo.env.go.jp/calc/denki>)

Material Balance

Amount used and purchased

Item	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Electricity	thousand kWh	139,553	115,363	122,494	108,775	99,910
Kerosene	KL	120	112	140	114	44
Gasoline	KL	75	25	36	52	68
Diesel	KL	166	75	127	63	67
City gas	thousand m ³	31	23	22	21	16
LPG	t	509	435	461	392	326

Amount Recycled Unit:tons

Scrap (Recycling)	FY2019	FY2020	FY2021	FY2022	FY2023
Within EXEDY	11,376	9,900	12,204	9,113	6,505

Item	Unit	FY2019	FY2020	FY2021	FY2022	FY2023
Steel	t	127,816	110,193	112,939	99,598	96,954
Casting	t	10,652	8,606	9,804	11,545	12,265
Forging	t	15,134	12,794	14,603	13,715	12,335
Friction Materials	Mil. Facings	10.1	8.3	10.3	10.1	7.4
Tap Water	1,000 m ³	132	100	110	111	105
Industrial Water	1,000 m ³	104	80	75	49	34

Amount of Chemical Substances Discharged and Transferred

PRTR Subject Chemical Substance (FY2022) Unit:kg

Location	No.	Class I Designated Chemical Substance	Amount Discharged	Consumed	Transferred
		Name	Atmospheric Emissions		Industrial Waste
Headquarters	80	Xylene	1,100	0.0	0.0
	300	Toluene (Methylbenzene)	480	0.0	0.0
	384	1-Bromopropane	1,800	0.0	0.0
Ueno Division	20	Ethanolamine	0.0	0.0	1,200
	384	1-Bromopropane	22,000	0.0	0.0

*Kameyama Division, Kawagoe Plant, Hiroshima Plant: not applicable

Emissions to the atmosphere Unit:kg

VOCs emissions (unit:kg)	FY2023	NOx emissions	SOx emissions
FY2023	26,627	Head office etc.	No applicable facilities
		Kameyama Division	0.64(*1) 0.57(*2)

VOCs emissions: Substances with a boiling point of less than 150°C among the substances reported under the PRTR Law and those with a boiling point of 150°C or higher for painting, cleaning, and adhesive purposes.
Target facilities: Facilities notified under the PRTR Law

NOx, SOx emissions
Sulfur Oxide (SOx) emissions (t) = SOx concentration (ppm) x 10÷6 x dry gas emissions (Nm³/h) x facility annual operating hours (h) x 64/22.4 x 10÷3
Nitrogen Oxide (NOx) emissions (t) = Amount of NOx per hour (Nm³/h) x facility annual operating hours (h) x 46/22.4 x 10

*1 Result: Less than 5ppm detection limit → Calculated as 5ppm
*2 Result: Less than 1ppm detection limit → Calculated as 1ppm

Legal compliance status and monitoring measurement results

Item / Division		Headquarters	Ueno Division	Kameyama Division	Kawagoe Plant	Hiroshima Plant
Air		OK	OK	OK	-	-
Water		OK	OK	NG	-	-
Noise		OK	OK	OK	OK	OK
Vibration		OK	-	OK	-	OK
Waste	Manifest Delivery Status	OK	OK	OK	OK	OK
	Disposal site	OK	OK	OK	OK	OK
	Waste residue analysis	No measurements in FY2023	-	-	-	-
Groundwater pumping volume		Reported	-	-	-	-
Freon		OK: Simple/Periodical measurement leakage less than 1t				
Chemical substance usage/transfer (PRTR)		Reported	Reported	-	-	-

*- means that these locations are not obliged to report or measure their operations

Penalties and fines for exceeding standards, violating laws, etc.

During the subject period, no penalties were applied or associated costs paid due to exceeding standards or violations of laws and regulations.

Regarding Environmental Reports

This report covers the domestic production bases: EXEDY Headquarters, Ueno Division, Kameyama Division, Kawagoe Plant and Hiroshima Plant.

Preparing this report, we referred to the Environmental Report Guideline (2018 Edition) issued by the Ministry of the Environment.

The report covers the period from April 1, 2023 to March 31, 2024. However, matters from other periods that were deemed necessary, have been included as well.

4. Environmental Reports (Global*)

GHG data

* The scope of each data is as follows
FY2021: EXEDY and 37 domestic/overseas affiliates
FY2022: EXEDY and 38 domestic/overseas affiliates
FY2023: EXEDY and 38 domestic/overseas affiliates

				(Unit:tons of CO2)		
Market-based				Location-based		
CO2 Emissions (by Scope)	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
the Entire Group (Scope1)	33,734.59	33,032.32	31,220.86	33,734.59	33,032.32	31,220.86
the Entire Group (Scope2)	184,619.56	170,165.84	163,546.73	204,426.69	187,791.79	183,224.07
the Entire Group (Scope1+2)	218,354.15	203,198.17	194,767.60	238,161.28	220,824.12	214,444.93
CO2 Emissions (by Country)				CO2 Emissions (by Country)		
Australia	222.46	194.15	180.10	Australia	222.46	194.15
Cambodia	-	86.32	70.00	Cambodia	-	86.32
China	44,591.34	42,688.49	43,451.87	China	48,174.19	42,688.49
Hungary	2,759.36	2,935.00	1,155.69	Hungary	2,814.55	2,676.76
India	11,453.35	10,726.86	10,625.86	India	19,624.96	19,660.18
Indonesia	4,533.67	4,439.72	2,560.15	Indonesia	3,978.19	4,439.72
Japan	95,082.48	85,883.24	88,978.97	Japan	107,594.13	97,674.95
Malaysia	1,265.52	1,458.90	1,094.80	Malaysia	1,265.52	1,458.90
Mexico	4,536.39	3,223.51	4,564.52	Mexico	4,264.80	2,958.89
New Zealand	-	50.57	41.83	New Zealand	-	50.57
Panama	42.73	20.05	18.64	Panama	42.73	20.05
Singapore	25.01	26.09	26.46	Singapore	25.01	26.09
South Africa	-	7.55	7.82	South Africa	-	7.55
Thailand	22,518.32	19,517.05	18,344.59	Thailand	22,935.83	22,292.60
United Arab Emirates	50.41	47.13	48.02	United Arab Emirates	52.07	47.13
United Kingdom	66.92	73.39	68.02	United Kingdom	66.92	73.39
United States of America	29,177.37	29,521.95	21,807.49	United States of America	25,071.10	24,170.18
Vietnam	2,028.83	2,298.20	1,722.78	Vietnam	2,028.83	2,298.20
Total	218,354.15	203,198.17	194,767.60	Total	238,161.28	220,824.12
Other GHG Emissions (CH4, N2O, CFCs)				Other GHG Emissions (CH4, N2O, CFCs)		
the Entire Group (Scope1)	1,303.41	426.58	695.39	the Entire Group (Scope1)	1,303.41	426.58

CO2 Conversion Factor

CO2 conversion factor of electricity (Market-based)

Country	FY2021	Country	FY2022
China	0 Yuhao Hydropower Development Co., Ltd.	Hungary	0.2640 MVM Zrt.
Hungary	0.2180 MVM Zrt.	India	0 Atria energy services pvt.ltd
India	0.8500 BESCOM/IEX	Mexico	0.4350 CFE (Comision Federal de Electricidad)
Indonesia	0 Atria energy services pvt.ltd	Thailand	0.3989 AMATA B-Grim Power
Mexico	0.8700 Purusahaan Listrik Negara	Thailand	0.4586 AMATA B-Grim Power
	CFE(Comision Federal de Electricidad)	Thailand	0.4431 PEA (SALE ELECTRICITY FROM EGAT)
Thailand	0.4960 AMATA B-Grim Power	United States of America	0.5537 PEA (SALE ELECTRICITY FROM EGAT)
Thailand	0.4130 AMATA B-Grim Power	United States of America	0.7737 Appalachian Power
Thailand	0.4960 PROVINCIAL ELECTRICITY AUTHORITY	United States of America	0.2840 KUB Combined Meters/TVA
United States of America	0.7740 AEP	Japan	0.5370 Hokkaido Electric Power Co.,Inc.
United States of America	0.2780 KUB Combined Meters/TVA	Japan	0.4880 Tohoku Electric Power Co.,Inc.
Japan	0.5500 Hokkaido Electric Power Co.,Inc.	Japan	0.4570 Tokyo Electric Power Co.,Inc.
Japan	0.4570 Tohoku Electric Power Co.,Inc.	Japan	0.3880 Chubu Electric Power Co.,Inc.
Japan	0.4430 Tokyo Electric Power Co.,Inc.	Japan	0.3110 The Kansai Electric Power Company, Inc.
Japan	0.3790 Chubu Electric Power Co.,Inc.	Japan	0.5450 The Chugoku Electric Power Co.,Inc.
Japan	0.3510 The Kansai Electric Power Company, Inc.	Japan	0.4410 ESS
Japan	0.5210 The Chugoku Electric Power Co.,Inc.	Japan	0.3240 CD Energy Direct
Japan	0.5950 ESS		
Japan	0.3640 CD Energy Direct		

CO2 conversion factor of electricity (Location-based)

FY2023

- IEA : Source: IEA (2022) Emission Factors (https://www.iea.org/t_c/termsandconditions/) CO2 emissions per kwh of electricity only (gCO2/kWh) 2020

Fuel CO2 conversion factor

FY2023

- Japan: Emissions coefficients by electric power supplier (for calculating greenhouse gas emissions by specific emitters) - Results for fiscal year 2022 - Published by the Ministry of the Environment and the Ministry of Economy, Trade and Indus-try on December 22, 2023

Electric Power Data

				Unit:MWh		
Country	FY2021	FY2022	FY2023	Country	FY2021	FY2022
Australia	222.25	197.76	177.31	New zealand	-	59.30
Cambodia	-	172.92	140.27	Panama	60.27	60.81
China	72,049.28	64,561.21	66,099.89	Singapore	43.44	46.38
Hungary	5,748.96	5,842.55	5,846.12	South Africa	-	8.17
India	24,508.86	25,372.28	24,870.98	Thailand	44,882.46	41,928.66
Indonesia	5,129.10	5,673.08	5,430.56	United Arab Emirates	58.91	50.66
Japan	188,175.63	172,978.90	162,193.71	United Kingdom	79.71	73.13
Malaysia	1,858.87	2,168.10	1,616.76	united states of america	44,061.55	45,218.43
Mexico	10,529.86	7,271.86	10,233.59	Vietnam	2,815.00	3,563.00
Amount of solar power generated				Total	400,224.13	375,247.19
Self-consumption	1,546.67	1,459.28	1,861.80			
Amount of solar power generated				Unit:MWh		
Country	FY2021	FY2022	FY2023	Country	FY2021	FY2022
Sold	5,090.75	5,314.14	5,126.70			
Total	6,637.42	6,773.41	6,988.50			

Total Energy Consumption

Fuel Consumption	Unit	FY2021	FY2022	FY2023
Petroleum	KL	187.11	252.04	286.03
Kerosene	KL	274.50	250.60	167.12
Diesel	KL	366.81	439.98	448.82
Bunker A	KL	52.79	0.00	0.00
Unit:TJ				
Total Energy Consumption		FY2021	FY2022	FY2023
Petroleum		6.13	8.26	9.55
Kerosene		9.68	8.84	6.10
Diesel		13.17	15.80	17.06
Bunker A		2.06	0.00	0.00
LPG		106.51	102.29	92.95
City gas		242.12	238.84	209.55
Natural gas/LNG		199.51	193.04	248.74
biomass		-	-	11.41
Total		579.18	567.07	595.35
Unit:TJ				
Total Energy Consumption		FY2021	FY2022	FY2023
Electricity		1,440.81	1,350.89	1,324.68
Conversion Factor				
CDP technical note				
●Petroleum LHV 44.3 TJ/Gg ●Diesel LHV 43TJ/Gg				
●Kerosene LHV 43.8 TJ/Gg ●Natural gas/LNG LHV 48TJ/Gg				
Greenhouse Gas Emissions Calculation, Reporting and Publication System				
https://ghg-santeikohyo.env.go.jp/				
●Bunker A 39.1GJ/KL ●LPG 50.8GJ/ t ●City gas 44.8GJ/MNm3				
1TJ=277.778MWh				

Water

				Unit:1000m³		
Type	FY2021	FY2022	FY2023	Emissions per treatment level	FY2021	FY2022
Total water withdrawals	2,368	2,400	2,283	Breakdown: Tertiary treatment	1,776	1,732
Water withdrawal (water-stressed area)	503	526	442	Breakdown: Primary treatment	274	249
Breakdown: Water source: rivers, lakes and marshes	1,200	0	0	Breakdown: Primary treatment	14	67
Breakdown: Water source: Groundwater	201	178	155	Breakdown: No treatment	239	264
Breakdown: Water source: City water	967	2,222	2,127			
Amount Consumed	65	87	84	Unit:1000m³		
Amount Recycled	315	376	287	Definition of water-stressed areas: water stress at the time of Aqueduct's reporting "Baseline water stress" is confirmed to be medium or higher in July of the following year of actual.		
Total Discharged Water Volume	2,303	2,312	2,199	Primary treatment : Physical removal of suspended solids by sedimentation, etc.		
Breakdown: Discharges to: rivers, lakes and marshes	1,377	1,421	1,414	Secondary treatment : Primary treatment + decomposition of organic matter by biological treatment, etc.		
Breakdown: Discharges to: soil	65	114	58	Tertiary treatment : secondary treatment + many processes such as suspension, colloidal, dissolved components, etc.		
Breakdown: Discharges to: sewage	854	774	725			
Unit:cases				Unit:1000 tons		
Water Quality	FY2021	FY2022	FY2023	Type	FY2021	FY2022
Emission standards exceeded	0	0	2	Breakdown: Recycled amount	13.1	10.6
Accidents and serious leaks	0	0	0	Breakdown: Final disposal	5.5	5.1

Waste

				Unit: 1000 tons		
Type	FY2021	FY2022	FY2023	Type	FY2021	FY2022
Total waste	18.6	15.8	15.2	Breakdown: Recycled amount	13.1	10.6
				Breakdown: Final disposal	5.5	5.1

Environmental Management System Certification Status (as of March 31, 2024)

by Sector	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies
Manufacturing	21	23	Japan	11	12	Southeast Asia	4	8
Sales	0	13	North and Central America	3	8	India	2	2
Other	3	7	Europe	1	2	Oceania	0	4
Total	24	43	China	3	5	Other	0	2
						Total	24	43

Manufacturing site ISO14001 certification acquisition rate: 91%

*Target locations: Consolidated subsidiaries

5. Company / Stock information

Company Outline

Company Name	EXEDY Corporation
Established	July 1950
Capital	¥8,284 million
President & CEO	Tetsuya Yoshinaga
Headquarters	1-1-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-8570
Number of employees	Consolidated:14,654 Non-consolidated: 3,233 (as of March 31, 2024)
Number of group companies	Japan 13 (EXEDY Corporation included), overseas 35
Fiscal year	April 1 to March 31 of the following year
Annual General Shareholders Meeting	June
Share unit value	100 shares
Number of issued shares	48,593,736 shares (as of March 31, 2024)
Number of shareholders	64,082 (as of March 31,2024)
Securities code	7278
Listed on	Tokyo Stock Exchange

ESG-related external evaluation

EXEDY has been selected for a leading ESG (Environmental, Social, and Governance) investment stock index and has received high external recognition.



FTSE Blossom Japan

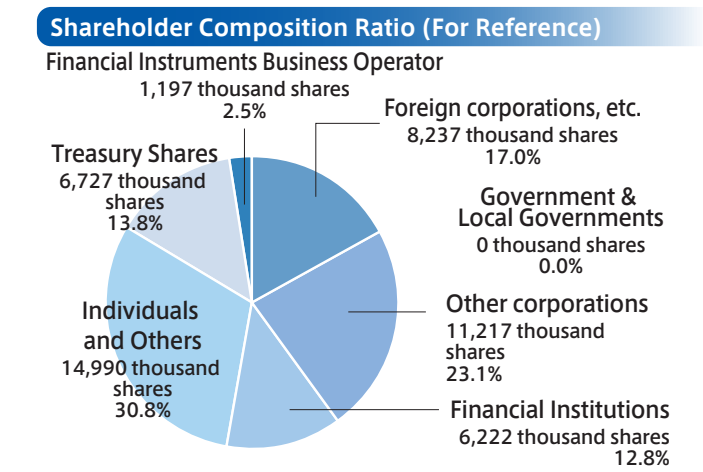
FTSE Blossom Japan Sector Relative Index

Major Shareholders (Top 10)

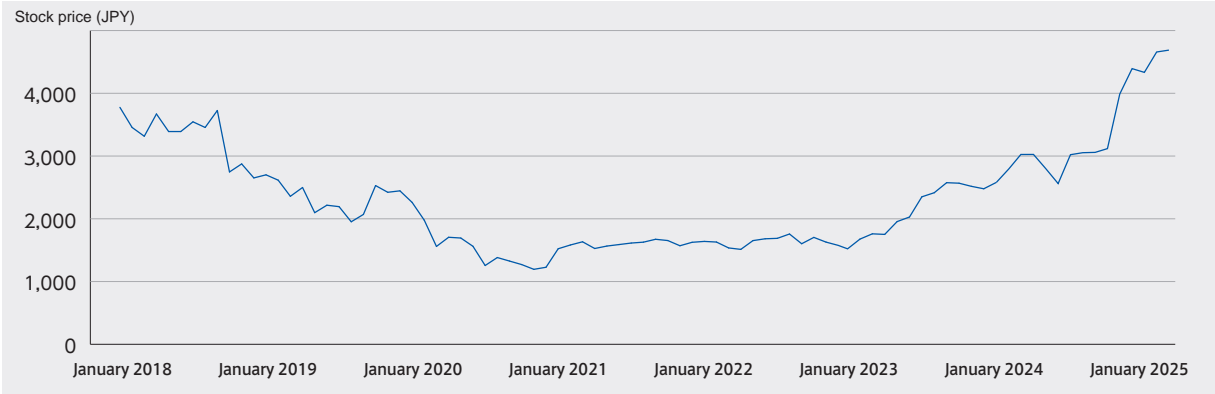
September 30, 2024

Shareholder	Number of sharesheld (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,505	10.8%
Minami Aoyama Fudosan Co., Ltd.	4,211	10.1 %
City Index Eleventh Co., Ltd.	3,769	9.0 %
Bashokai (Basho Association of Japan)	1,329	3.2 %
Custody Bank of Japan (Trust Account)	1,225	2.9 %
S-GRANT. CO., LTD.	1,197	2.9 %
STATE STREET BANK AND TRUST COMPANY 505223	875	2.1 %
STATE STREET BANK AND TRUST COMPANY 505001	541	1.3 %
EXEDY's Employee Shareholding Association	539	1.3 %
BNYM AS AGT/CLTS 10 PERCENT	532	1.3 %

Notes: 1. EXEDY holds 6,727,827 shares of treasury stock but is excluded from the above major shareholders.
2. Shareholding ratio is calculated excluding treasury stock.



Stock Price Trend (Tokyo Stock Exchange)





EXEDY Corporation

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<https://www.exedy.com/en/>

