



# *ANNUAL REPORT 2016*

*Year Ended March 31, 2016*



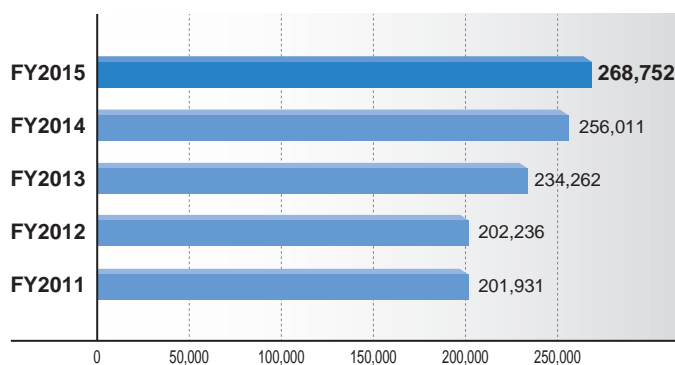
# Consolidated Financial Highlights

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

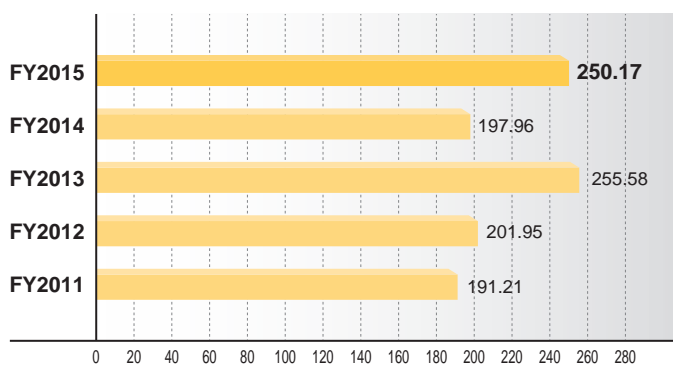
	Japanese yen (millions)		U.S. dollars (thousands)	% Change
	FY2014	FY2015	FY2015	FY2014 / FY2015
<b>For the year:</b>				
Net sales	¥256,011	¥268,752	\$ 2,385,092	+5.0%
Profit attributable to owners of parent	9,503	12,013	106,615	+26.4%
<b>At year-end:</b>				
Total assets	260,972	259,273	2,300,975	-0.7%
Net assets	170,326	173,526	1,539,991	+1.9%
<b>Per share data:</b>				
	Japanese yen		U.S. dollars	
Profit attributable to owners of parent	¥ 197.96	¥ 250.17	\$ 2.22	+26.4%
Net assets	3,294.13	3,366.87	29.88	+2.2%
Cash dividends	70.00	70.00	0.62	—

Note : U.S. dollar amounts are included solely for the convenience of readers, translated at the rate of ¥ 112.68 to U.S. \$1.00.

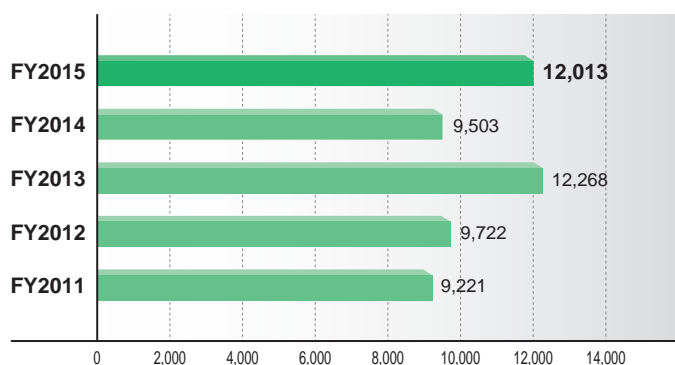
## Net Sales (Millions of yen)



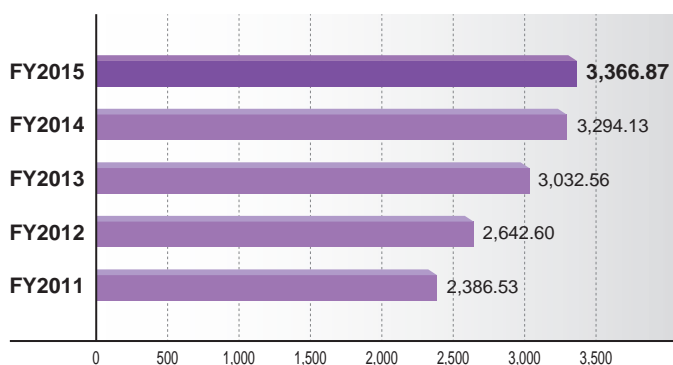
## Net Income Per Share of Common Stock (Yen)



## Profit attributable to owners of parent (Millions of yen)



## Net Assets Per Share of Common Stock (Yen)



## Business Operations

### Review of Fiscal Year 2015

We have, through both steady orders and the increase in orders from products, the delivery of which started during the previous consolidated accounting period, reached record sales for FY 2015' s consolidated accounting period. As for profit, in spite of things such as increases due to depreciation and amortization costs caused by investments in facilities and equipment, our operating income rose as a result of increased sales and a drop in the exchange rate for the yen. Our overall business results for this accounting period are as follows: net sales of ¥268.7 BN (a 5.0% increase compared to FY 2014), operating income of ¥21.3 BN (a 19.1% increase compared to FY 2014), ordinary profit of ¥18.1 BN (a 7.5% decrease compared to FY 2014), and Profit attributable to owners of parent amounting to ¥12 BN (a 26.4% increase compared to FY 2014).

### Outlook of Fiscal Year 2016

Our forecasts for the next period estimate that in spite of having steady base quantities for orders centered around our overseas operations, the recent effect caused by the rise in the exchange rate of the yen will cause a decrease in sales. As for profit, we expect to experience strict conditions due to changes in the composition of our sales, as well as due to increases in depreciation/amortization costs and personnel expenses in the ASEAN region; however, we will endeavor to secure profit and conduct streamlined operations that will raise the overall strength of EXEDY Group' s business operations, which are centered around our fields of production. Due to the abovementioned items, we expect the following for FY 2016: net sales of ¥250 BN (a decrease of 7.0% compared to FY 2015), operating income of ¥18.5 BN (a decrease of 13.2% from FY 2015), ordinary profit of ¥18 BN (a decrease of 0.6% from FY 2015), and Profit attributable to owners of parent amounting to ¥12 BN (a decrease of 0.1% from FY 2015).

July, 2016

Hidehito Hisakawa



President and Chief Executive Officer



Hidehito Hisakawa (President and Chief Executive Officer)



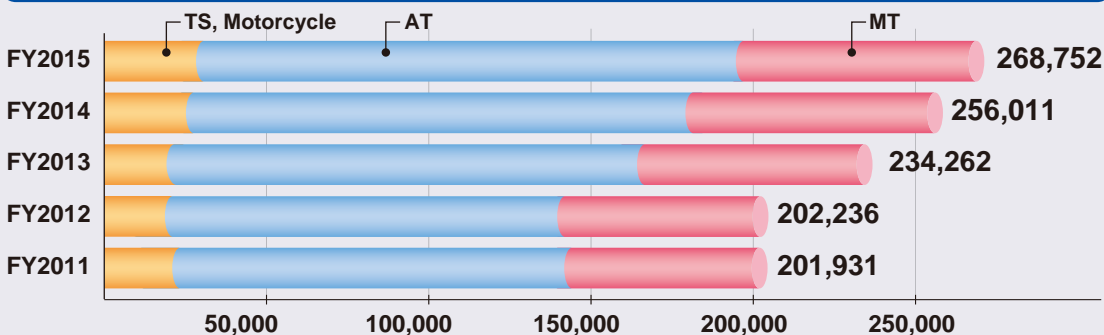
# EXEDY

## Global Network

● Production & Sales    ■ Sales



Consolidated Sales (Unit : ¥ million)





**EXEDY BEIJING Co., Ltd.**  
(Beijing, CHINA)



**DYNAX Industry (Shanghai) Co.,Ltd.**  
(Shanghai, China)



**EXEDY DYNAX SHANGHAI CO., LTD.**  
(Shanghai, China)



**EXEDY Chongqing Co., Ltd.**  
(Chongqing, China)



**EXEDY Guangzhou Co., Ltd.**  
(Guangzhou, China)



**EXEDY Vietnam Co., Ltd.**  
(Vinh Phuc, Vietnam)



**EXEDY Australia PTY LTD**  
(Brisbane, Australia)



**EXEDY Australia PTY LTD**  
(Sydney, Australia)



**EXEDY New Zealand Ltd.**  
(Auckland, New Zealand)



# EXEDY's global strategy expands worldwide

EXEDY's global corporate activities are expanding in America, Europe, Asia, Oceania, Middle East, Mexico and Japan. We are structuring an optimal production system from a global point of view to sustain the top level of quality. Also, we are continuously and actively challenging ourselves in the manufacturing of new products by utilizing our solid technology such as production of Motorcycle Clutches in ASEAN countries.

**EXEDY Globalparts Corporation**  
(Michigan, U.S.A.)



**EXEDY DYNAX America Corporation**  
(Michigan, U.S.A.)

**EXEDY America Corporation**  
(Tennessee, U.S.A.)



**EXEDY DYNAX Mexico S.A.de C.V.**  
(Aguascalientes, Mexico)



**EXEDY Mexico Aftermarket Sales, S.A. de C.V.**  
(Mexico City, Mexico)



**DYNAX America Corporation**  
(Virginia, U.S.A.)



**EXEDY Latin America S.A.**  
(Panama City, Panama)



**Head Office (Osaka)**



**EXEDY Logistics Co.,Ltd. (Osaka)**



**EXEDY Sun Co.,Ltd. (Osaka)**

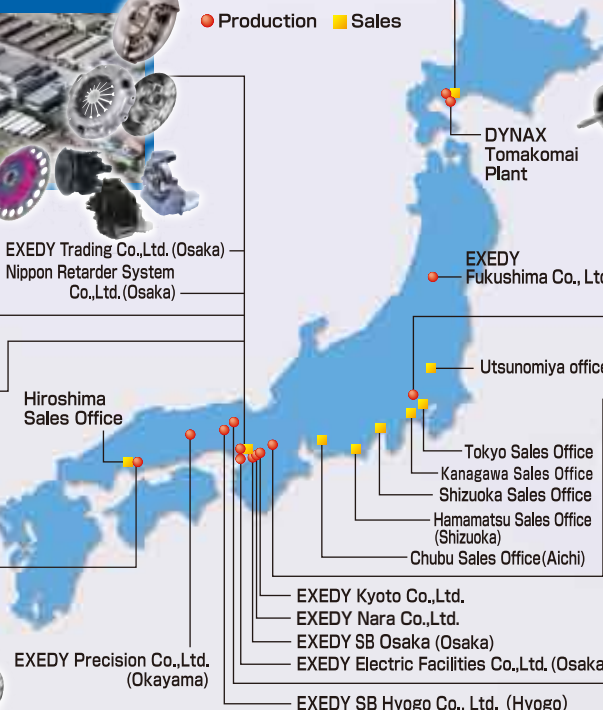


**Hiroshima Plant (Hiroshima)**



## Domestic Network

● Production ■ Sales



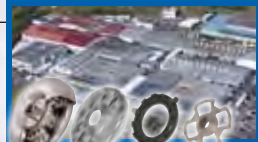
**DYNAX Corporation (Hokkaido)**



**Kawagoe Plant (Saitama)**



**Ueno Division (Mie)**



**EXEDY Casting Co.,Ltd. (Kyoto)**





## Manufacturing

### New Automated Lines Introduced at EXEDY Headquarters and Ueno Division

EXEDY's automated torque converter line, which is located at our Ueno Division, was established and has entered manufacturing operations. We also, at our headquarters located in Osaka, established an automated clutch cover line that has already entered production.

Automated Torque Converter Line



Automated Clutch Cover Line



### EXEDY Produces a Total of 300 Million Clutch Cover Units

The total number of clutch covers produced by EXEDY Group has reached 300 million units. In order to celebrate this, we, on December 1, 2015, held a commemorative ceremony at one of EXEDY Headquarters' factories.



## Sales

### EXEDY Establishes a New Company in Singapore and Begins Sales Operations

On August 4, 2015, EXEDY established its new company EXEDY Singapore (ESP) as a new sales location aimed at the Southeast Asian market, and, on October 1, 2015, ESP began sales operations.



# Consolidated Five-Year Summary

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31

	Japanese yen (millions)					U.S. dollars (thousands)
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2015
<b>For the year:</b>						
Net sales .....	¥201,931	¥202,236	¥234,262	¥256,011	<b>¥268,752</b>	<b>\$2,385,092</b>
Profit attributable to owners of parent .....	9,221	9,722	12,268	9,503	<b>12,013</b>	<b>106,615</b>
<b>At year-end:</b>						
Total assets .....	¥176,038	¥196,375	¥230,740	¥260,972	<b>¥259,273</b>	<b>\$2,300,975</b>
Current assets .....	96,138	97,723	114,306	122,941	<b>121,420</b>	<b>1,077,565</b>
Property, plant and equipment .....	71,091	88,589	103,819	125,182	<b>127,109</b>	<b>1,128,059</b>
Current liabilities .....	37,487	38,734	48,325	52,093	<b>55,497</b>	<b>492,524</b>
Long-term debt .....	9,837	14,903	19,159	29,020	<b>21,629</b>	<b>191,956</b>
Net assets .....	122,041	135,710	155,930	170,326	<b>173,526</b>	<b>1,539,991</b>
Shareholders' equity ratio .....	65.3 %	64.6 %	63.1 %	60.6 %	<b>62.4 %</b>	<b>62.4%</b>
Retained earnings .....	109,607	116,914	126,783	131,668	<b>140,318</b>	<b>1,245,280</b>
<b>Per share data:</b>						
	Japanese yen					U.S. dollars
Profit attributable to owners of parent .....	¥ 191.21	¥ 201.95	¥ 255.58	¥ 197.96	<b>¥ 250.17</b>	<b>\$ 2.22</b>
Profit attributable to owners of parent - diluted .....	—	—	—	—	—	—
Net assets .....	2,386.53	2,642.60	3,032.56	3,294.13	<b>3,366.87</b>	<b>29.88</b>

Note : U.S. dollar amounts are included solely for the convenience of readers, translated at the rate of ¥ 112.68 to U.S. \$1.00.

## Financial Section

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# Consolidated Balance Sheets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Current Assets:</b>			
Cash and deposits (Notes 17 and 20) .....	¥ 33,808	¥ 31,975	\$ 283,775
Notes and accounts receivable (Notes 6, 17 and 18) .....	46,651	48,530	430,697
Inventories (Notes 2 and 6) -			
Finished goods .....	14,001	13,109	116,342
Work-in process .....	6,148	6,049	53,683
Raw materials and Supplies .....	11,529	11,120	98,693
Deferred tax assets (Note 9) .....	3,774	3,873	34,377
Short-term loans to non-consolidated subsidiaries and affiliates .....	331	231	2,058
Other current assets .....	6,818	6,751	59,921
Allowance for doubtful accounts .....	(122)	(223)	(1,983)
Total current assets .....	<u>122,941</u>	<u>121,420</u>	<u>1,077,565</u>
<b>Property, Plant and Equipment (Notes 5 and 6) :</b>			
Land .....	11,383	11,549	102,502
Buildings and structures, net .....	35,201	36,089	320,282
Machinery and vehicles, net .....	58,586	63,210	560,977
Tools and furniture, net .....	8,344	7,905	70,157
Construction in progress .....	11,665	8,354	74,139
Total property, plant and equipment .....	<u>125,182</u>	<u>127,109</u>	<u>1,128,059</u>
<b>Investments and Other Assets:</b>			
Intangible assets .....	3,695	3,759	33,362
Investments in securities (Notes 3, 4 and 17) .....	4,394	3,292	29,216
Long-term loans to non-consolidated subsidiaries and affiliates .....	346	311	2,760
Asset for retirement benefits (Note 10) .....	1,126	1,049	9,316
Deferred tax assets (Note 9) .....	1,611	544	4,835
Other assets .....	1,715	1,827	16,215
Allowance for doubtful accounts .....	(41)	(40)	(357)
Total investments and other assets .....	<u>12,848</u>	<u>10,744</u>	<u>95,350</u>
<b>Total Assets</b> .....	<u>¥ 260,972</u>	<u>¥ 259,273</u>	<u>\$ 2,300,975</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.



LIABILITIES AND NET ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Current Liabilities:</b>			
Notes and accounts payable (Note 17) .....	¥ 20,870	¥ 19,266	\$ 170,988
Short-term borrowings (Notes 6, 7 and 17) .....	9,319	9,751	86,540
Current portion of bonds (Notes 7 and 17) .....	—	7,000	62,122
Accrued expenses (Note 17) .....	8,638	8,801	78,108
Accrued income taxes (Note 17) .....	1,562	1,839	16,325
Provision for product warranties .....	2,963	1,399	12,417
Other current liabilities .....	8,738	7,439	66,020
Total current liabilities .....	52,093	55,497	492,524
<b>Long-term Liabilities:</b>			
Bonds payable (Notes 7 and 17) .....	7,000	—	—
Long-term debt (Notes 7 and 17) .....	22,020	21,629	191,956
Long-term other accounts payable .....	463	356	3,159
Deferred tax liabilities (Note 9) .....	3,691	2,403	21,330
Liability for retirement benefits (Note 10) .....	4,809	5,178	45,956
Asset retirement obligations .....	28	28	255
Other long-term liabilities .....	538	653	5,801
Total long-term liabilities .....	38,552	30,250	268,459
<b>Contingent Liabilities (Note 18)</b>			
<b>Net Assets</b>			
<b>Shareholders' Equity:</b>			
Common stock			
Authorized - 168,000 thousand shares at March 31, 2015 and 2016			
Issued - 48,593 thousand shares at March 31, 2015 and 2016 .....	8,284	8,284	73,519
Capital surplus .....	7,556	7,564	67,128
Retained earnings .....	131,668	140,318	1,245,280
Treasury stock			
583 thousand shares at March 31, 2015 and 568 thousand shares at March 31, 2016 .....	(1,480)	(1,444)	(12,823)
Total shareholders' equity .....	146,028	154,721	1,373,104
<b>Accumulated Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities .....	1,587	920	8,165
Foreign currency translation adjustments .....	10,524	6,224	55,239
Remeasurements of defined benefit plans (Note 10) .....	12	(172)	(1,533)
Total accumulated other comprehensive income .....	12,124	6,971	61,872
<b>Non-controlling interests</b> .....	12,172	11,833	105,014
Total net assets .....	170,326	173,526	1,539,991
<b>Total Liabilities and Net Assets</b> .....	¥ 260,972	¥ 259,273	\$ 2,300,975

# Consolidated Statements of Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Net Sales</b>	¥ 256,011	¥ 268,752	\$ 2,385,092
<b>Cost of Sales</b>	206,284	214,152	1,900,533
Gross profit	49,727	54,600	484,559
<b>Selling, General and Administrative Expenses</b>			
Packing and haulage expenses	6,752	6,349	56,354
Provision for product warranties	304	1,125	9,991
Provision of allowance for doubtful accounts	44	—	—
Director's remuneration and salary and other allowances	8,224	8,721	77,404
Welfare expense	1,546	1,765	15,664
Retirement benefit cost	77	172	1,527
Depreciation	2,108	2,296	20,376
Research and development expenses (Note 11)	5,208	5,374	47,699
Other, net	7,572	7,488	66,456
Total selling, general and administrative expenses	31,839	33,294	295,475
Operating income	17,887	21,305	189,083
<b>Non-operating Income :</b>			
Interest income	182	139	1,237
Dividend income	79	64	568
Rent income	133	130	1,159
Income from sponsorship	118	151	1,343
Gains on sale of property, plant and equipment	85	46	414
Gains on sales of investment securities	—	375	3,336
Foreign exchange gains	1,675	—	—
Examination trust profit	62	8	77
Share of profit of entities accounted for using equity method	121	51	454
Other, net	593	736	6,539
Total non-operating income	3,051	1,704	15,130
<b>Non-operating Expenses :</b>			
Interest expense	774	1,089	9,667
Bond interest	35	35	313
Losses on sale or disposal of property, plant and equipment	163	320	2,846
Foreign exchange losses	—	2,677	23,757
Other, net	382	776	6,890
Total non-operating expenses	1,356	4,898	43,475
Ordinary Profit	19,582	18,112	160,738
<b>Special Loss :</b>			
Provision for product warranties	2,200	—	—
Losses on sales of investment securities	68	—	—
Total special loss	2,269	—	—
Income before income taxes and non-controlling interests	17,313	18,112	160,738
<b>Income Taxes (Note 9)</b>			
Current	5,755	4,996	44,344
Deferred	1,060	238	2,118
<b>Profit</b>	10,496	12,876	114,275
<b>Profit attributable to non-controlling interests</b>	992	863	7,660
<b>Profit attributable to owners of parent</b>	¥ 9,503	¥ 12,013	\$ 106,615
<b>Per Share Data (Note 15) :</b>			
Profit attributable to owners of parent	¥ 197.96	¥ 250.17	\$ 2.22
Profit attributable to owners of parent - diluted	—	—	—
Cash dividends	70.00	70.00	0.62

The accompanying notes to the consolidated financial statements are an integral part of these statements.



# Consolidated Statements of Comprehensive Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Profit</b> .....	¥ 10,496	¥ 12,876	114,275
<b>Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities .....	529	(667)	(5,927)
Foreign currency translation adjustments .....	8,604	(4,956)	(43,990)
Remeasurements of defined benefit plans .....	(71)	(185)	(1,645)
Share of other comprehensive income of associates accounted for the using equity method .....	(23)	(4)	(37)
Total other comprehensive income (Note 19) .....	9,038	(5,814)	(51,600)
<b>Comprehensive Income</b> .....	¥ 19,535	¥ 7,062	\$ 62,675
<b>Comprehensive Income attributable to:</b>			
Owners of the parent .....	17,176	6,860	60,885
Non-controlling interests .....	2,358	201	1,790

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

	Japanese yen (millions)				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2014</b>	¥ 8,284	¥ 7,543	¥ 126,783	¥ (1,478)	¥ 141,132
Cumulative effects of changes in accounting policies			(777)		(777)
<b>Restated balance</b>	¥ 8,284	¥ 7,543	¥ 126,005	¥ (1,478)	¥ 140,354
Profit attributable to owners of parent			9,503		9,503
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		13		(1)	12
Dividends of surplus			(3,840)		(3,840)
Other, net					
<b>Balance at March 31, 2015</b>	¥ 8,284	¥ 7,556	¥ 131,668	¥ (1,480)	¥ 146,028

	Japanese yen (millions)					
	Accumulated Other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Non-controlling interests	Total net Assets
<b>Balance at April 1, 2014</b>	¥ 1,058	¥ 3,308	¥ 84	¥ 4,451	¥ 10,346	¥ 155,930
Cumulative effects of changes in accounting policies						(777)
<b>Restated balance</b>	¥ 1,058	¥ 3,308	¥ 84	¥ 4,451	¥ 10,346	¥ 155,153
Profit attributable to owners of parent						9,503
Purchase of treasury stock						(0)
Disposal of treasury stock						12
Dividends of surplus						(3,840)
Other, net	529	7,215	(71)	7,672	1,826	9,498
<b>Balance at March 31, 2015</b>	¥ 1,587	¥ 10,524	¥ 12	¥ 12,124	¥ 12,172	¥ 170,326

Japanese yen (millions)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2015</b>	¥ 8,284	¥ 7,556	¥ 131,668	¥ (1,480)	¥ 146,028
Cumulative effects of changes in accounting policies					
<b>Restated balance</b>	¥ 8,284	¥ 7,556	¥ 131,668	¥ (1,480)	¥ 146,028
Profit attributable to owners of parent			12,013		12,013
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		7		36	44
Dividends of surplus			(3,363)		(3,363)
Other, net					
<b>Balance at March 31, 2016</b>	¥ 8,284	¥ 7,564	¥ 140,318	¥ (1,444)	¥ 154,721

Japanese yen (millions)

	Accumulated Other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Non-controlling interests	Total net Assets
<b>Balance at April 1, 2015</b>	¥ 1,587	¥ 10,524	¥ 12	¥ 12,124	¥ 12,172	¥ 170,326
Cumulative effects of changes in accounting policies						—
<b>Restated balance</b>	¥ 1,587	¥ 10,524	¥ 12	¥ 12,124	¥ 12,172	¥ 170,326
Profit attributable to owners of parent						12,013
Purchase of treasury stock						(1)
Disposal of treasury stock						44
Dividends of surplus						(3,363)
Other, net	(667)	(4,299)	(185)	(5,152)	(339)	(5,492)
<b>Balance at March 31, 2016</b>	¥ 920	¥ 6,224	¥ (172)	¥ 6,971	¥ 11,833	¥ 173,526

U.S. dollars (thousands)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2015</b>	\$ 73,519	\$ 67,061	\$1,168,518	\$ (13,138)	\$1,295,961
Cumulative effects of changes in accounting policies					
<b>Restated balance</b>	\$ 73,519	\$ 67,061	\$1,168,518	\$ (13,138)	\$1,295,961
Profit attributable to owners of parent			106,615		106,615
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		66		326	393
Dividends of surplus			(29,853)		(29,853)
Other, net					
<b>Balance at March 31, 2016</b>	\$ 73,519	\$ 67,128	\$1,245,280	\$ (12,823)	\$1,373,104

U.S. dollars (thousands)

	Accumulated Other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income	Non-controlling interests	Total net Assets
<b>Balance at April 1, 2015</b>	\$ 14,092	\$ 93,397	\$ 111	\$ 107,602	\$ 108,031	\$1,511,594
Cumulative effects of changes in accounting policies						—
<b>Restated balance</b>	\$ 14,092	\$ 93,397	\$ 111	\$ 107,602	\$ 108,031	\$1,511,594
Profit attributable to owners of parent						106,615
Purchase of treasury stock						(11)
Disposal of treasury stock						393
Dividends of surplus						(29,853)
Other, net	(5,927)	(38,157)	(1,645)	(45,729)	(3,017)	(48,747)
<b>Balance at March 31, 2016</b>	\$ 8,165	\$ 55,239	\$ (1,533)	\$ 61,872	\$ 105,014	\$1,539,991

The accompanying notes to the consolidated financial statements are an integral part of these statements.



# Consolidated Statements of Cash Flows

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2015 and 2016

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and non-controlling interests	¥ 17,313	¥ 18,112	\$ 160,738
Adjustments for:			
Depreciation and amortization	14,363	16,925	150,210
(Gains) losses on sale or disposal of property, plant and equipment	72	274	2,432
Increase (decrease) in allowance for doubtful accounts	(0)	95	850
(Increase) decrease in asset for retirement benefits	(210)	77	684
Increase (decrease) in liability for retirement benefits	275	84	749
Increase (decrease) in provision for product warranties	1,804	(1,551)	(13,768)
Interest and dividend income	(261)	(203)	(1,805)
Interest expense	809	1,124	9,980
(Increase) decrease in notes and accounts receivables	(1,126)	(3,296)	(29,251)
(Increase) decrease in inventories	(1,744)	97	869
Increase (decrease) in notes and accounts payables	(592)	(529)	(4,695)
Increase (decrease) in long-term other accounts payable	(25)	(68)	(603)
Other, net	(3,577)	1,639	14,551
Subtotal	27,101	32,783	290,943
Interest and dividend income received	330	244	2,167
Interest paid	(803)	(1,104)	(9,798)
Income taxes paid	(8,932)	(4,756)	(42,216)
Net cash provided by operating activities	17,696	27,166	241,096
<b>Cash Flows from Investing Activities:</b>			
Increase in time deposits	(0)	(376)	(3,339)
Decrease in time deposits	1	40	355
Payments for purchases of property, plant and equipment	(25,304)	(24,344)	(216,047)
Proceeds from sales of property, plant and equipment	225	170	1,510
Payments for acquisitions of intangible assets	(814)	(841)	(7,470)
Payments for purchases of investment in securities	(36)	(13)	(115)
Proceeds from sales of investment securities	—	558	4,953
Payments for acquisition of consolidated subsidiaries involving changes in scope of consolidation	—	(961)	(8,530)
Additions to loans receivable	(1)	(4)	(43)
Collection of loans receivable	273	139	1,237
Other, net	9	(103)	(918)
Net cash used in investing activities	(25,647)	(25,737)	(228,409)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term borrowings, net	240	144	1,286
Proceeds from long-term loans payable	10,833	5,784	51,339
Repayments of long-term loans payable	(2,357)	(4,782)	(42,439)
Payments for acquisitions of treasury stock	(0)	(1)	(11)
Cash dividends paid	(3,846)	(3,363)	(29,853)
Dividends paid to non-controlling interests	(532)	(568)	(5,043)
Other, net	(35)	(15)	(135)
Net cash provided by (used in) financing activities	4,302	(2,800)	(24,857)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	2,125	(777)	(6,902)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,523)	(2,149)	(19,072)
<b>Cash and Cash Equivalents at Beginning of Year</b>	35,233	33,710	299,166
<b>Cash and Cash Equivalents at End of Year (Note 20)</b>	¥ 33,710	¥ 31,560	\$ 280,093

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

## 1. Summary of Significant Accounting Policies

### (a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of EXEDY Corporation ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act in Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform to Japanese GAAP. The accompanying consolidated financial statements have been rearranged and translated into English from the consolidated financial statements of the Company and its consolidated subsidiaries prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act in Japan. Certain supplementary information included in the statutory consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S. \$1.00. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Amounts are rounded down to the nearest million yen and thousand dollars. Therefore, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 35 (FY2014:32) significant subsidiaries as of March 31, 2016, over which the Company has power of control through majority voting rights or the existence of certain conditions evidencing control by the Company.

Investments in 5 (FY2014:4) non-consolidated subsidiaries and 2 (FY2014:2) affiliates as of March 31, 2016, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for using the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are measured at fair value at the time the Company acquires control of the respective subsidiary. Material intercompany balances, transactions and profits have been eliminated in consolidation. All the consolidated overseas subsidiaries, except for 2 subsidiaries, EXEDY India Ltd. and EXEDY Clutch India Pvt. Ltd., have the fiscal year ending December 31. Significant transactions occurring during the period between January 1 and March 31, the Company's fiscal year-end, are adjusted for in the consolidated financial statements.

### (c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at current rates at each balance sheet date and the resulting translation gains or losses are charged to income for the current year.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at the average rates during the year. Translation adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Foreign currency translation adjustments" in a component of net assets and non-controlling interests.

### (d) Securities

Securities consist principally of marketable and nonmarketable equity securities. Available-for-sale securities with available fair value are stated at fair value. Valuation differences on available-for-sale securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average cost method. Available-for-sale securities with no available fair value are stated at moving average cost. If the fair value of available-for-sale securities declines significantly, such securities are stated at fair value and the difference between the fair value and the carrying amount is recognized as a loss in the year of decline. If the net asset value of available-for-sale securities with no available fair value declines significantly, such securities should be written down to the net asset value by charging to income.

### (e) Derivatives

All derivatives are stated at fair value.

### (f) Inventories

Inventories held for sale except for supplies are mainly stated at the lower of cost (moving average method) or net realizable value at the balance sheet date. Supplies are mainly stated at cost determined by the last purchase cost method.

### (g) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries compute the depreciation of property, plant and equipment by using the declining-balance method and its overseas consolidated subsidiaries mainly by using the straight-line method. The depreciation of buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 is computed by using the straight-line method.

Estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10 - 30 years
Machinery and vehicles	7 - 20 years
Tools and furniture	4 - 7 years

### (h) Intangible Assets (excluding leased assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over estimated in-house working life of 3 to 5 years.



### **(i) Leases**

Finance leases, except for certain immaterial leases, are capitalized and depreciated over lease terms, as applicable.

### **(j) Income taxes**

The Company and its consolidated subsidiaries recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

### **(k) Allowance for doubtful accounts**

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus the estimated uncollectible amount based on the analysis of individual accounts.

### **(l) Provision for product warranties**

The Company and its consolidated subsidiaries provide for warranty claim costs relating to quality of products. The provision is estimated based on historical warranty claims ratio and other individual conditions during a certain reference period.

### **(m) Employees' severance and retirement benefits**

The Company and its consolidated subsidiaries provide for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial differences are fully recognized in expenses in the year following the fiscal year in which the actuarial differences are incurred or in the year in which they are incurred. Prior service costs are fully recognized in expenses in the year in which they are incurred.

### **(n) Accounting for consumption taxes**

Consumption taxes withheld upon sale and consumption taxes paid by the Company and its consolidated subsidiaries on their purchases of goods and services are not included in the amounts of respective revenue, cost or expense items in the accompanying consolidated statements of income.

### **(o) Per share data**

The computation of net income per share is based on the weighted average number of shares outstanding during each year, excluding the Company's treasury stock, and based on net income attributable to common stockholders, excluding bonuses to directors and corporate auditors, etc. The computation of net assets per share is based on the number of shares of common stock outstanding at the year-end, excluding the Company's treasury stock, and based on net assets attributable to common stockholders, excluding non-controlling interests.

Cash dividends per share shown in the statements of income are the amounts attributable to the respective years.

### **(p) Goodwill**

Goodwill, except for minor goodwill, is amortized by the straight-line method over five years. Minor goodwill is expensed as incurred.

### **(q) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments which have maturities of three months or less when purchased, are easily convertible into cash and have little risk of fluctuation in value.

### **(r) Reclassification**

Certain comparative figures have been reclassified to conform to the current year's presentation.

### **(s) Change in Accounting Policy**

#### **(Application of accounting standards for business combinations)**

Following the adoption from the current fiscal year of Accounting Standards Board of Japan (ASBJ) Statement No.21"Accounting Standard for Business Combinations" (September 13,2013), and ASBJ Statement No. 22 "Accounting Standard for Consolidated Financial Statements" (September 13, 2013), and ASBJ Statement No.7 "Accounting Standard for Business Divestitures" (September 13, 2013), the accounting method was changed to record the difference arising from changes in the Company's equity in its subsidiaries that remain under its control as capital surplus, and to record acquisition-related costs as expenses for the fiscal year in which such expenses are incurred. In addition, regarding business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to reflect the adjustment to the allocated amount of the acquisition cost associated with the finalization of the provisional accounting treatment, in the consolidated financial statements of the fiscal year in which the date of business combination belongs. Furthermore, changes have been made to the presentation of net income, etc. while minority interests have been changed to non-controlling interests.

The Accounting Standard for Business Combinations, etc. are adopted in accordance with the transitional handling set forth in Article 58-2(4) of the Accounting Standard for Business Combinations, Article 44-5(4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4(4) of the Accounting Standard for Business Divestitures, effective from the beginning of the current fiscal year onward.

Impacts of this change in accounting policies in the fiscal year ended March 31, 2016 are minor.

In the Consolidated Statement of Cash Flows, cash flows related to purchases or sales of subsidiary shares not resulting in change in scope of consolidation are listed under "Cash flows from financing activities," while cash flows for costs related to purchases of subsidiary shares resulting in change in scope of consolidation or costs arising in relation to purchases or sales of subsidiary shares not resulting in change in scope of consolidation are listed in "Cash flows from operating activities."

#### **(t) Accounting standard issued but not yet adopted**

##### **(Implementation Guidance on Recoverability of Deferred Tax Assets)**

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, December 28, 2015)

##### **(1) Overview**

The accounting treatment on recoverability of deferred tax assets still basically follows the framework of the Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets outlined in the JICPA Industry Audit Committee Statement No. 66, i.e. a framework for estimating deferred tax assets by classifying entities into five categories and calculating the amount according to those categories, but it has made the following necessary revisions on treatment.

##### **(2) Effective date**

The above revisions are scheduled to be applied from the beginning of the fiscal year beginning on April 1, 2016.

**(3) Effects of application of the Accounting Standards and relevant regulations**  
The effects of the application are under assessment at the time of preparing these consolidated financial statements.

## (u) Additional information

Application of the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts

The Company conducts transactions of delivering its own shares to its employees through a trust with the aim of improving employee welfare.

### (1) Overview of transactions

At the Board of Directors meeting held on April 27, 2011, the Company resolved the launch of "stock-granting Employee Stock Ownership Plan ("ESOP")", a trust-type employee incentive plan, for the purpose of improving corporate value in the medium-and-long term by promoting management that aims to enhance stock value as well as further improvement in employee motivation and willingness to participate in management. The Company instituted the plan on May 16, 2011.

A Trust is established by the company in which its employees who meet certain requirements are the beneficiaries and the Company contributes the amount required to purchase its own shares to the Trust. Mitsubishi UFJ Trust and Banking, Ltd. (stock-granting ESOP trust account) purchases the number of shares expected to be delivered to our employees from the Company by the third-party allotment according to a rule for granting shares.

According to the rule for granting shares, the Trust delivers the Company's shares to the employees with no charge during the periods of services, based on the employees' promotion and appointment as management positions during the period of trust.

As the Company contributes the full amount required for the Trust to purchase its own shares, the employees pay no costs. Because the launch of the Trust enables the employees to receive economic benefits from increase in the Company's stock price, improvement in employee motivation can be expected. Also, exercise of voting rights related to the Company's shares categorized as trust assets of the Trust should reflect the employees' intentions as candidates for beneficiaries in this scheme, and it is effective as a plan for enhancing corporate value to promote employees' participation in management.

(2) The Company has applied the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ PITF No.30, March 26, 2015); however, it is accounted for using the same method as the previous method.

### (3) Matters relating to the Company shares held by the Trust

- A. The carrying amount of shares held by the Trust was ¥197 million at the end of the previous fiscal year and ¥163 million (\$1,446thousand) at the end of the fiscal year.
- B. The shares held by the Trust are recorded as treasury stock under shareholders' equity.
- C. The number of shares at the end of the year was 78,800 for the previous fiscal year and 65,000 for the fiscal year, while the average number of shares during the year was 80,308 for the previous fiscal year and 69,477 for the fiscal year.

D. For the purposes of calculating per-share data, the number of shares at the end of the year and the average number of shares for the year are included in the treasury stock which should be deducted.

## Stock-based compensation plan linked to company performance

The company has instituted a stock-based compensation plan linked to company performance (the "Plan") for directors (excluding outside directors and part-time directors) and executive officers (excluding personnel assigned overseas) ("Directors, etc."). The Plan is closely linked to company performance, which helps improve the Company's performance and enhance the awareness of contributions to increase corporate value. The Plan adopts a scheme called executive compensation BIP trust.

### (1) Overview of transactions

At the Board of Directors meeting held on May 28, 2014, the launch of the Plan was resolved for Directors, etc. and proposition for the Plan was approved at the 64th Ordinary General Meeting of Shareholders held on June 24, 2014. The Company's shares that the Trust acquires will be delivered to Directors, etc., in a quantity corresponding to the number of points awarded to them based on performance indicators and titles under the Plan.

The Trust is established by the company in which Directors, etc. who meet certain requirements are the beneficiaries and the Company contributes the amount required to purchase its own shares to the Trust. The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account) purchases the number of shares expected to be delivered to Directors, etc. from the Company by the third-party allotment according to a prescribed rule for granting shares.

According to the rule for granting shares, the Trust delivers the Company's shares to Directors, etc. who meets certain requirements for beneficiaries upon their retirement in the number of shares determined based on the performance indicators, etc. for each fiscal year.

Voting rights related to the Company's shares categorized as trust assets of the Trust shall not be exercised during the period of trust.

### (2) Matters relating to the Company shares held by the Trust

- A. The carrying amount of shares held by the Trust was ¥111 million at the end of the previous fiscal year and ¥109 million (\$973thousand) at the end of the fiscal year.
- B. The shares held by the Trust are recorded as treasury stock under shareholders' equity.
- C. The number of shares at the end of the year was 40,000 for the previous fiscal year and 39,226 for the fiscal year, while the average number of shares during the year was 12,308 for the previous fiscal year and 39,345 for the fiscal year.
- D. For the purposes of calculating per-share data, the number of shares at the end of the year and the average number of shares for the year are included in the treasury stock which should be deducted.

## 2. Inventories

Inventories as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Finished goods .....	¥ 14,001	¥ 13,109	\$ 116,342
Work-in process .....	6,148	6,049	53,683
Raw materials .....	8,009	7,445	66,072
Supplies .....	3,520	3,675	32,620
	<u>¥ 31,679</u>	<u>¥ 30,279</u>	<u>\$ 268,719</u>

The ending inventory balance presented above is net of write-downs of inventories when their carrying amounts become unrecoverable. The amount of write-downs recognized in cost of sales were ¥143 million and ¥(355) million (\$(3,158)thousand) as of March 31, 2015 and 2016, respectively. The figure shown in minus ( ) means gains on reversal.



### 3. Securities

Available-for-sale securities with carrying amounts (fair values) exceeding acquisition costs as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
<b>March 31, 2015</b>						
Equity securities	¥ 1,101	¥ 3,127	¥ 2,026			
Bonds	—	—	—			
Others	—	—	—			
	<u>¥ 1,101</u>	<u>¥ 3,127</u>	<u>¥ 2,026</u>			
<b>March 31, 2016</b>						
Equity securities	¥ 716	¥ 2,059	¥ 1,343	\$ 6,354	\$ 18,281	\$ 11,926
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 716</u>	<u>¥ 2,059</u>	<u>¥ 1,343</u>	<u>\$ 6,354</u>	<u>\$ 18,281</u>	<u>\$ 11,926</u>

Available-for-sale securities with carrying amounts (fair values) not exceeding acquisition costs as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
<b>March 31, 2015</b>						
Equity securities	¥ 194	¥ 153	¥ (40)			
Bonds	—	—	—			
Others	—	—	—			
	<u>¥ 194</u>	<u>¥ 153</u>	<u>¥ (40)</u>			
<b>March 31, 2016</b>						
Equity securities	¥ 63	¥ 40	¥ (23)	\$ 560	\$ 352	\$ (207)
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 63</u>	<u>¥ 40</u>	<u>¥ (23)</u>	<u>\$ 560</u>	<u>\$ 352</u>	<u>\$ (207)</u>

The carrying amount of securities with no available fair values as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Available-for-sale securities with no available fair values			
Non-listed equity securities	¥ 50	¥ 50	\$ 444

Available-for-sale securities sold during FY2014 and FY2015 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Amounts sold	Gains on sales of available-for-sale securities	Loss on sales of available-for-sale securities	Amounts sold	Gains on sales of available-for-sale securities	Loss on sales of available-for-sale securities
<b>March 31, 2015</b>						
Equity securities	—	—	—			
Bonds	—	—	—			
Others	—	—	—			
	<u>—</u>	<u>—</u>	<u>—</u>			
<b>March 31, 2016</b>						
Equity securities	¥ 558	¥ 375	—	\$ 4,953	\$ 3,336	—
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 558</u>	<u>¥ 375</u>	<u>—</u>	<u>\$ 4,953</u>	<u>\$ 3,336</u>	<u>—</u>

#### 4. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates that were included in "Investments in securities" as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Investment securities (equity securities) .....	¥ 1,062	¥ 1,142	\$ 10,138

#### 5. Accumulated depreciation

Accumulated depreciation as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Accumulated depreciation .....	¥ 188,425	¥ 196,244	\$ 1,741,613

#### 6. Assets Pledged as Collateral

The following assets were pledged as collateral for ¥330 million and ¥192 million (\$1,708 thousand) of secured loans as of March 31, 2015 and 2016, respectively :

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Accounts receivable and inventories .....	¥ 1,305	¥ 1,081	\$ 9,594
Property, plant and equipment .....	1,454	1,200	10,657
	<u>¥ 2,759</u>	<u>¥ 2,281</u>	<u>\$ 20,251</u>

Secured debt as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Short-term borrowings .....	¥ 330	¥ 192	\$ 1,708
	<u>¥ 330</u>	<u>¥ 192</u>	<u>\$ 1,708</u>

## 7. Bonds Payable, Short-term Borrowings and Long-term Debt

Bonds Payable, Short-term borrowings and long-term debt as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	Weighted average interest rates	Year due
	FY2014	FY2015	FY2015		
Short-term borrowings	¥ 5,142	¥ 5,423	\$ 48,133	3.6 %	
Current Portion of Bond Payable	—	7,000	62,122	0.5	FY2016
Current portion of long-term debt	4,177	4,327	38,407	3.1	
Current portion of lease obligation	49	44	392	—	
Bonds Payable	7,000	—	—	0.5	
Long-term debt	22,020	21,629	191,956	1.6	FY2016-FY2020
Lease obligations	82	44	397	—	FY2016-FY2020
Other interest bearing debt	751	301	2,677	0.3	
	<u>¥ 39,223</u>	<u>¥ 38,771</u>	<u>\$ 344,088</u>		

Average interest rates for lease obligations are omitted because lease obligations include assumed interest amounts.

Annual maturities of bonds payable, long-term debt and lease obligations as of March 31, 2016 were as follows:

<b>Long-term Debt</b>		Japanese yen	U.S. dollars
Years ending March 31		(millions)	(thousands)
2018		¥ 10,809	\$ 95,932
2019		4,476	39,730
2020		2,398	21,285
2021		527	4,682
2022 and thereafter		3,417	30,324
		<u>¥ 21,629</u>	<u>\$ 191,956</u>

<b>Lease Obligations</b>		Japanese yen	U.S. dollars
Years ending March 31		(millions)	(thousands)
2018		¥ 27	\$ 241
2019		11	106
2020		4	44
2021		0	5
2022 and thereafter		—	—
		<u>¥ 44</u>	<u>\$ 397</u>



## 8. Leases

### (a) Finance leases

As discussed in Note 1 (i), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Information relating to finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, is described below.

Pro forma information regarding leased property such as acquisition cost, accumulated depreciation, accumulated losses on impairment and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)				U.S. dollars (thousands)			
	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Ending balance	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Ending balance
<b>March 31, 2015</b>								
Machinery and vehicles .....	¥ 134	¥ 134	¥ —	¥ 0	\$ —	\$ —	\$ —	\$ —
Tools and furniture .....	90	90	—	—	—	—	—	—
	<u>¥ 225</u>	<u>¥ 225</u>	<u>¥ —</u>	<u>¥ 0</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>March 31, 2016</b>								
Machinery and vehicles .....	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —	\$ —
Tools and furniture .....	—	—	—	—	—	—	—	—
	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The scheduled maturities of future lease payments under such lease contracts as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Due within one year .....	¥ 0	¥ —	\$ —
Due over one year .....	—	—	—
	<u>¥ 0</u>	<u>¥ —</u>	<u>\$ —</u>
Lease payments for the year .....	¥ 21	¥ 0	\$ 3

The amounts of acquisition costs and future minimum lease payments under finance leases includes relevant interest expenses.

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, calculated by the straight-line method, were ¥21 million and ¥0 million (\$3 thousand) for the years ended March 31, 2015 and 2016, respectively.

The Company had no leased assets on which impairment should have been recognized for the years ended March 31, 2015 and 2016.

### (b) Operating leases

The scheduled maturities of future lease payments under non-cancelable operating leases as of March 31, 2015 and 2016, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Due within one year .....	¥ 5	¥ 3	\$ 31
Due over one year .....	3	3	28
	<u>¥ 9</u>	<u>¥ 6</u>	<u>\$ 59</u>

## 9. Income Taxes

Significant components of the Company and consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Deferred Tax Assets:</b>			
Liability for retirement benefits .....	¥ 1,637	¥ 1,584	\$ 14,061
Net operating losses carried forward .....	1,855	1,449	12,866
Accrued bonuses to employees .....	855	826	7,334
Impairment losses on property, plant and equipment .....	8	6	59
Unrealized gains or losses (inventories) .....	711	736	6,539
Losses on write-down of inventories .....	709	643	5,715
Unrealized gains or losses (fixed assets) .....	445	390	3,469
Provision for product warranties .....	1,004	487	4,328
Accrued enterprise tax .....	139	123	1,097
Retirement benefits for directors and corporate auditors .....	75	69	619
Remeasurements of defined benefit plans .....	—	79	707
Depreciation .....	867	1,133	10,055
Other .....	1,294	1,812	16,088
<b>Subtotal Deferred Tax Assets</b> .....	<b>9,606</b>	<b>9,345</b>	<b>82,942</b>
Valuation allowance .....	(693)	(397)	(3,527)
<b>Total deferred Tax Assets</b> .....	<b>8,912</b>	<b>8,948</b>	<b>79,415</b>
<b>Deferred Tax Liabilities:</b>			
Property, plant and equipment .....	(3,448)	(3,635)	(32,265)
Asset for retirement benefits .....	(364)	(312)	(2,769)
Retained earnings of overseas subsidiaries .....	(2,172)	(2,194)	(19,472)
Reserve for advanced depreciation .....	(284)	(265)	(2,352)
Net unrealized gains on available-for-sale securities .....	(736)	(400)	(3,551)
Remeasurements of defined benefit plans .....	(6)	—	—
Other .....	(212)	(154)	(1,367)
<b>Total deferred tax liabilities</b> .....	<b>(7,224)</b>	<b>(6,961)</b>	<b>(61,780)</b>
<b>Net Deferred Tax Assets</b> .....	<b>¥ 1,688</b>	<b>¥ 1,987</b>	<b>\$ 17,635</b>

(Note) Net deferred tax asset for the prior and current fiscal year is included in the following line items of consolidated balance sheet:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Current Assets - Deferred tax assets .....	3,774	3,873	34,377
Current Liabilities - Other current liabilities .....	6	27	246
Fixed Assets - Deferred tax assets .....	1,611	544	4,835
Fixed Liabilities - Deferred tax liabilities .....	3,691	2,403	21,330

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 35.6% and 33.1% for the years ended March 31, 2015 and 2016.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2016:

	FY2014	FY2015
<b>Statutory Tax Rate</b> .....	<b>35.6 %</b>	<b>33.1 %</b>
Adjustments for:		
Different tax rates applied to overseas subsidiaries .....	<b>(4.3)</b>	<b>(3.6)</b>
Tax credit for research and development expenses .....	<b>(3.5)</b>	<b>(4.1)</b>
Per capital inhabitants tax .....	<b>0.2</b>	<b>0.1</b>
Non-deductible expenses .....	<b>0.3</b>	<b>0.3</b>
Foreign withholding tax .....	<b>0.4</b>	<b>0.5</b>
Increase(decrease) of retained earnings of overseas subsidiaries .....	<b>2.2</b>	<b>0.1</b>
Increase (decrease) in valuation allowance .....	<b>(0.2)</b>	<b>2.5</b>
Tax-rate change .....	<b>2.1</b>	<b>0.9</b>
Net operating losses carried forward of subsidiary .....	<b>7.6</b>	<b>0.8</b>
Other .....	<b>(1.0)</b>	<b>(1.7)</b>
<b>Effective Tax Rate</b> .....	<b>39.4 %</b>	<b>28.9 %</b>

#### Revision of the amounts of deferred tax assets and deferred tax liabilities due to the change in corporate income tax rate

"Following the enactment of the "Act for Partial Revision of the Income Tax Act, etc. " and the "Act for the Partial Revision of the Local Tax Act, etc. " on March 29, 2016, the statutory effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2016 has been changed from the 33.1% of the previous fiscal year to 30.9% for those expected to be collected or paid during the fiscal years beginning on April 1, 2016 and 2017, and to 30.6% for those expected to be collected or paid on and after April 1, 2018.

As a result of these changes, deferred tax assets (net of deferred tax liabilities) decreased by ¥ 139 million(\$ 1,242 thousand) and, valuation difference on available-for-sale securities, remeasurements of defined benefit plans and deferred income taxes increased by ¥ 22 million(\$ 203 thousand) , ¥ 9 million(\$ 87 thousand) and ¥ 162 million(\$ 1,446 thousand), respectively.



## 10. Employees' Severance and Retirement Benefits

The Company and its domestic consolidated subsidiaries have adopted defined benefit retirement plans such as cash balance plans and lump-sum payment plans, as well as defined contribution pension plans. Some domestic consolidated subsidiaries use the simplified method for the calculation of projected benefit obligation.

Certain consolidated subsidiary transferred part of its defined benefit retirement plan to a defined contribution pension plan as of April 1, 2015.

The following tables provide information on defined benefit plans for the years ended March 31, 2015 and 2016.

Defined benefit plans	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>(1) Rollforward of retirement benefit obligations, except plans applying simplified method</b>			
Beginning balance of retirement benefit obligations	¥ 6,834	¥ 8,233	\$ 73,069
Cumulative effects of changes in accounting policies	1,229	—	—
Restated balance	8,064	8,233	73,069
Service costs	332	240	2,131
Interest costs	84	43	388
Actuarial loss (gain)	376	373	3,311
Benefits paid	(624)	(379)	(3,367)
Effect of transfer to defined contribution pension plan	—	(1,321)	(11,730)
Ending balance of retirement benefit obligations	¥ 8,233	¥ 7,189	\$ 63,803
<b>(2) Rollforward of plan assets</b>			
Beginning balance of plan assets	¥ 4,609	¥ 4,726	\$ 41,950
Expected return on plan assets	109	70	625
Actuarial gain (loss)	376	(115)	(1,022)
Contributions paid by the employer	77	—	—
Benefits paid	(445)	(233)	(2,069)
Effect of transfer to defined contribution pension plan	—	(1,202)	(10,673)
Ending balance of plan assets	¥ 4,726	¥ 3,246	\$ 28,810
<b>(3) Rollforward of liability for retirement benefits related to plans applying simplified method</b>			
Beginning balance of liability for retirement benefits	¥ 162	¥ 176	\$ 1,565
Retirement benefit costs	19	18	162
Benefits paid	(5)	(9)	(81)
Ending balance of liability for retirement benefits	¥ 176	¥ 185	\$ 1,646
<b>(4) Reconciliation of retirement benefit obligations and plan assets and liability (asset) for retirement benefits</b>			
Funded retirement benefit obligations	¥ 3,612	¥ 2,180	\$ 19,349
Plan assets	(4,726)	(3,246)	(28,810)
	(1,114)	(1,066)	(9,461)
Unfunded retirement benefit obligations	4,797	5,194	46,101
Net liability (asset) for retirement benefits	¥ 3,682	¥ 4,128	\$ 36,639
Liability for retirement benefits	4,809	5,178	45,956
Asset for retirement benefits	(1,126)	(1,049)	(9,316)
Net liability (asset) for retirement benefits	¥ 3,682	¥ 4,128	\$ 36,639
(Note) Include plans applying simplified method			
<b>(5) Retirement benefit costs</b>			
Service costs	¥ 351	¥ 258	\$ 2,294
Interest costs	84	43	388
Expected return on plan assets	(109)	(70)	(625)
Net actuarial loss amortization	(112)	220	1,956
Total retirement benefit cost for defined benefit plans	¥ 215	¥ 452	\$ 4,013
Gain (loss) on transfer to defined contribution pension plan	¥ —	¥ 105	\$ 935

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>(6) Remeasurements of defined benefit plans, before tax effect</b>			
Recognized actuarial loss (gain)	(130)	(268)	(2,378)
	¥ (130)	¥ (268)	\$ (2,378)

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>(7) Accumulated remeasurements of defined benefit plans, before tax effect</b>			
Unrecognized actuarial loss (gain)	18	(249)	(2,211)
Total accumulated adjustments for retirement benefit	¥ 18	¥ (249)	\$ (2,211)

	Japanese yen (millions)	
	FY2014	FY2015
<b>(8) Plan assets</b>		
① Plan assets comprise		
Bonds	70%	72%
Equity securities	27%	25%
Cash and deposits	0%	0%
Other	3%	3%
Total	100%	100%

② Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

	FY2014	FY2015
<b>(9) Actuarial assumptions</b>		
The principal actuarial assumptions (expressed as weighed averages) were as follow:		
Discount rate	0.5 ~ 0.7%	0.2 ~ 0.4%
Long-term expected rate of return	2.0%	2.0%

**(10) Other matters in detail concerning employees' Severance and Retirement Benefits**

The effects of the partial transfer of the defined benefit pension plans to the defined contribution pension plan are as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2015	FY2015
Decrease of retirement benefit obligations	¥ 1,321		\$ 11,730
Decrease of plan assets	(1,210)		(10,741)
Unrecognized actuarial gains and losses	(6)		(53)
Decrease of Liability for retirement benefits	105		935

(Note) The total amount of the plan assets transferred to the defined contribution pension plan was ¥ 1,210 million (\$10,741).

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>(11) Payment for defined contribution plan</b>			
	¥ 471	¥ 549	\$ 4,872

## 11. Research and development expenses

Research and development expenses are charged to income as incurred. Research and development expenses for the years ended March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Research and development expenses .....	¥ 5,208	¥ 5,374	\$ 47,699

## 12. Derivatives

The following table provides information on derivative instruments as of March 31, 2015 and 2016.

March 31, 2015	Japanese yen (millions)			U.S. dollars (thousands)		
	Contract amount	Fair value	Gain (Loss)	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:						
To sell U.S. dollars .....	¥ 581	¥ (2)	¥ (2)			
To sell Euro .....	102	2	2			
To sell New Zealand dollars .....	13	(0)	(0)			
	<u>¥ 696</u>	<u>¥ (0)</u>	<u>¥ (0)</u>			
<b>March 31, 2016</b>						
	Japanese yen (millions)			U.S. dollars (thousands)		
	Contract amount	Fair value	Gain (Loss)	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:						
To sell U.S. dollars .....	¥ 151	¥ 2	¥ 2	\$ 1,342	\$ 25	\$ 25
To sell Euro .....	105	(1)	(1)	933	(14)	(14)
	<u>¥ 256</u>	<u>¥ 1</u>	<u>¥ 1</u>	<u>\$ 2,275</u>	<u>\$ 10</u>	<u>\$ 10</u>



## 13. Segment Information

### (a) General information about reporting segments

The Company and its consolidated subsidiaries are mainly engaged in the manufacture and sale of automotive parts. Based on function, technological specification and productive structure, the product lines of the Company are classified into two groups, "Manual Transmission Parts" and Automatic Transmission Parts". The Company, in cooperation with its consolidated subsidiaries, designs strategies and conducts business for these two product lines in Japan and overseas. For each of these product lines, separate financial information is available among the constituent units of the Company and is regularly reviewed by the company's Board of Directors in determining how to allocate resources and in performance evaluation. Accordingly, the reporting segments of the Company consist of "MT (Manual automotive drivetrain related business)" which manufactures and sells manual transmission parts and "AT (Automatic automotive drivetrain related business)" which manufactures and sells automatic transmission parts.'

### (b) Basis of measurement for reporting segment profit or loss, segment assets, segment liabilities and other material items

The accounting policies of the reporting segments are mainly consistent with what is described in Note 1 "Summary of Significant Accounting and Reporting Policies". The segment profit (loss) is based on operating income before amortization of goodwill. The prices of the goods traded or transferred among the segments are mainly determined by considering market prices of the goods.

### (c) Information about reporting segment profit or loss, segment assets, segment liabilities and other material items

Reporting segment information for the years ended 31, 2015 and 2016 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Sales:</b>			
Manual automotive drivetrain operations	¥ 71,905	¥ 71,776	\$ 636,997
Eliminations (inter-segment net sales)	(457)	(109)	(967)
Net sales to external customers	71,447	71,667	636,029
Automatic automotive drivetrain operations	159,431	167,826	1,489,407
Eliminations (inter-segment net sales)	(2,484)	(1,432)	(12,714)
Net sales to external customers	156,947	166,393	1,476,692
Reporting segments total	228,395	238,061	2,112,722
Other operations	34,920	37,183	329,990
Eliminations (inter-segment net sales)	(7,304)	(6,492)	(57,619)
Net sales to external customers	27,616	30,690	272,370
	¥ 256,011	¥ 268,752	\$ 2,385,092
<b>Operating Income:</b>			
Manual automotive drivetrain operations	¥ 9,374	¥ 10,891	\$ 96,657
Automatic automotive drivetrain operations	9,797	9,430	83,691
Reporting segment total	19,171	20,321	180,349
Other operations	(302)	1,395	12,387
Sub Total	18,869	21,717	192,736
Corporate and eliminations	(981)	(411)	(3,652)
	¥ 17,887	¥ 21,305	\$ 189,083
<b>Assets:</b>			
Manual automotive drivetrain operations	¥ 67,501	¥ 67,381	\$ 597,986
Automatic automotive drivetrain operations	139,139	143,797	1,276,159
Reporting segment total	206,640	211,178	1,874,145
Other operations	38,682	29,265	259,723
Sub Total	245,323	240,443	2,133,868
Corporate and eliminations	15,649	18,829	167,106
	¥ 260,972	¥ 259,273	\$ 2,300,975
<b>Depreciation and Amortization:</b>			
Manual automotive drivetrain operations	¥ 3,117	¥ 3,470	\$ 30,797
Automatic automotive drivetrain operations	9,840	11,608	103,023
Reporting segment total	12,958	15,078	133,820
Other operations	1,572	2,033	18,048
Sub Total	14,530	17,112	151,868
Corporate and eliminations	(167)	(186)	(1,658)
	¥ 14,363	¥ 16,925	\$ 150,210
<b>Investment in associates accounted for under the equity method:</b>			
Manual automotive drivetrain operations	¥ 294	¥ 305	\$ 2,714
Automatic automotive drivetrain operations	382	397	3,531
Reporting segment total	676	703	6,246
Other operations	385	401	3,566
Sub Total	1,062	1,105	9,812
Corporate and eliminations	—	—	—
	¥ 1,062	¥ 1,105	\$ 9,812

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Capital Expenditures:</b>			
Manual automotive drivetrain operations .....	¥ 4,595	¥ 3,179	\$ 28,215
Automatic automotive drivetrain operations .....	19,597	21,389	189,828
Reporting segment total .....	24,192	24,569	218,043
Other operations .....	3,406	1,530	13,585
Sub Total .....	27,599	26,100	231,629
Corporate and eliminations .....	(235)	(136)	(1,207)
	<u>¥ 27,363</u>	<u>¥ 25,964</u>	<u>\$ 230,422</u>

Note : 1. "Other operations" includes businesses which are not part of any of the two reporting segments and contains industrial machine drivetrain operation, clutches for motorcycle operation, and transport operation, etc.

2. The details of adjustments are as follows :

- (a) "Corporate and eliminations" of Operating Income ¥(411) million (\$3,652) thousand consists of "Elimination of intersegment transactions" ¥961 million (\$8,531 thousand), "Amortization of goodwill" ¥(67) million (\$602) thousand "Corporate expense" which is not allocated to reporting segments ¥(1,366) million (\$12,126) thousand and "other adjustments" ¥61 million (\$544) thousand.  
"Corporate expense" mainly consists of general and administrative expenses and expense for new-product development not attributable to any reporting segments.
- (b) "Corporate and eliminations" of Assets ¥18,829 million (\$167,106 thousand) consists of "Corporate assets" which is not allocated to reporting segments ¥20,005 million (\$177,542 thousand), "Elimination of intersegment transaction" ¥(1,175) million (\$10,436) thousand and "Corporate assets" mainly consists of the cash and deposits and securities that are not attributable to any reporting segments.
- (c) "Corporate and eliminations" of Depreciation and Amortization ¥(186) million(\$1,658) thousand consists of "Adjustment of unrealized gain on intersegment transaction of fixed assets" ¥(186) million(\$1,658) thousand).
- (d) "Corporate and eliminations" of Capital Expenditures ¥(136) million(\$1,207) thousand consists of "Adjustment of unrealized gain on intersegment transaction of fixed assets" ¥(136) million(\$1,207) thousand).

3. The segment income is adjusted to conform to operating income of "consolidated statement of income".

(1) Information about products and services

As the segment of products and services are the same as the reporting segment, description of this item is omitted.

(2) Information about geographic areas for the years ended March 31, 2015 and 2016 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Sales:</b>			
Japan .....	¥ 120,818	¥ 106,177	\$ 942,289
America .....	46,557	42,116	373,768
Asia-Oceania .....	72,702	91,392	811,081
Other .....	15,933	29,066	257,952
	<u>¥ 256,011</u>	<u>¥ 268,752</u>	<u>\$ 2,385,092</u>
<b>Property, plant and equipment:</b>			
Japan .....	¥ 46,263	¥ 53,842	\$ 477,833
America .....	22,532	20,437	181,372
Asia-Oceania .....	55,774	49,696	441,043
Other .....	610	3,133	27,810
	<u>¥ 125,182</u>	<u>¥ 127,109</u>	<u>\$ 1,128,059</u>

The Company's operations are classified into geographical areas as follows: Japan, America (including Mexico, Panama), Asia-Oceania (Thailand, Malaysia, China, Korea, Indonesia, Vietnam, Australia, United Arab Emirates, New Zealand and India) and Other (mainly Europe).

(3) Information about major customer for the years ended March 31 2015 and 2016 were as follows :

Company Name	Sales Segment	Japanese yen (millions)		U.S. dollars (thousands)
		FY2014	FY2015	FY2015
JATCO Corporation	AT and MT	¥ 22,562	¥ 20,291	\$ 180,080

## 14. Related Party Transactions

For the years ended March 31, 2016, the Company and its consolidated subsidiaries had operational transactions with Aisin AW Co., Ltd and Aisin Holdings of America, Inc., which are the subsidiaries of Aisin Seiki Co., Ltd., holding 33.7% of the Company's voting rights.

A summary of the significant transactions between the Company and its consolidated subsidiaries and such companies for the years ended March 31, 2015 and 2016 were as follows:

March 31, 2015

Not Applicable.

March 31, 2016

Not Applicable.

## 15. Per Share Data

Per share data for the years ended March 31, 2015 and 2016 were as follows :

	Japanese yen		U.S. dollars
	FY2014	FY2015	FY2015
Profit attributable to owners of parent	¥ 197.96	¥ 250.17	\$ 2.22
Profit attributable to owners of parent - diluted	—	—	—
Net assets	3,294.13	3,366.87	29.88

Diluted net income per share is not disclosed because potentially dilutive securities have not been issued.

The information on which per share data was calculated for the years ended March 31, 2015 and 2016 was as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
<b>Net income per share of common stock</b>			
Profit (loss) attributable to owners of parent	¥ 9,503	¥ 12,013	\$ 106,615
Amounts not attributable to common stockholders	—	—	—
Net income attributable to common stockholders of parent	¥ 9,503	¥ 12,013	\$ 106,615
The weighted average number of common stock (thousands)	48,009	48,020	

## 16. Changes in Net Assets

### (a) Shares issued / Treasury stock

March 31, 2015	Number of shares as of April 1, 2014	Increase	Decrease	Number of shares as of March 31, 2015
Shares issued:				
Common stock (thousands)	48,593	—	—	48,593
	48,593	—	—	48,593
Treasury stock:				
Common stock (thousands)	586	0	3	583
	586	0	3	583

The decrease in the number of treasury stock-common stock of 3 thousand shares is due to shares delivered from Mitsubishi UFJ Trust and Banking Corporation (ESOP Trust Account) to employees who become beneficiaries of the ESOP based on the Company's rules for granting shares.

The number of treasury stock as of March 31, 2015 includes the Company's stock amounted to 78 thousand shares held by The Master Trust Bank of Japan ,Ltd. (ESOP Trust Account) and 40 thousand shares held by The Master Trust Bank of Japan, Ltd. (BIP Trust Account)

The increase in the number of treasury stock-common stock of 0 thousand shares is due to purchase of fractional shares of the stock.



<b>March 31, 2016</b>	Number of shares as of April 1, 2015	Increase	Decrease	Number of shares as of March 31, 2016
Shares issued:				
Common stock (thousands) .....	<b>48,593</b>	—	—	<b>48,593</b>
	<b>48,593</b>	—	—	<b>48,593</b>
Treasury stock:				
Common stock (thousands) .....	<b>583</b>	0	14	<b>568</b>
	<b>583</b>	0	14	<b>568</b>

The decrease in the number of treasury stock-common stock of 14 thousand shares is due to shares delivered from Mitsubishi UFJ Trust and Banking Corporation (ESOP Trust Account) to employees who become beneficiaries of the ESOP based on the Company's rules for granting shares. (13 thousand shares) and due to investing stock from Mitsubishi UFJ Trust and Banking Corporation (BIP Trust Account) to directors and officers who become beneficiaries of the BIP based on the Company's rules for granting shares. (0 thousand shares)

The number of treasury stock as of March 31, 2016 includes the Company's stock amounted to 65 thousand shares held by The Master Trust Bank of Japan, Ltd. (ESOP Trust Account) and 39 thousand shares held by The Master Trust Bank of Japan, Ltd. (BIP Trust Account)

The increase in the number of treasury stock-common stock of 0 thousand shares is due to purchase of fractional shares of the stock.

## (b) Dividends

### (1) Dividends

March 31, 2015

Resolution	Type of shares	Cash dividends paid Japanese yen (millions)	Dividends per share (Japanese yen)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 24, 2014	Common stock	¥ 2,164	¥ 45.0	March 31, 2014	June 25, 2014
Board of Directors' meeting on October 30, 2014	Common stock	¥ 1,683	¥ 35.0	September 30, 2014	November 25, 2014

March 31, 2016

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 26, 2015	Common stock	¥ 1,684 \$ 14,949	¥ 35.0 \$ 0.31	March 31, 2015	June 29, 2015
Board of Directors' meeting on October 27, 2015	Common stock	¥ 1,684 \$ 14,949	¥ 35.0 \$ 0.31	September 30, 2015	November 24, 2015

### (2) Dividends, of which cut-off date was in the year ended March 31, 2016, and effective date of which will be in the year ending March 31, 2016

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Source of dividends	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 28, 2016	Common stock	¥ 1,684 \$ 14,949	Retained earnings	¥ 35.0 \$ 0.31	March 31, 2016	June 29, 2016

## 17. Financial Instruments

The Company and its consolidated subsidiaries manage funds only in short-term deposits, raise funds by bonds or loans and engage in derivative transactions for the purpose of avoiding the risk of foreign exchange rate fluctuation and ensuring steady cash flow, and not for trading or speculative purposes. Hedging accounting of derivative transactions was not applied as the necessary conditions were not met.

Notes and accounts receivable and other receivables have exposure to the credit risk of customers. The Company and its consolidated subsidiaries manage such risk by controlling the due date and balance of receivables from customers and monitoring their credit risk conditions in accordance with the Group credit regulations. Furthermore, to avoid the risk of foreign exchange rate fluctuation and to ensure steady cash flows from accounts receivable, the Company and its consolidated subsidiaries engage in derivative transactions (forward currency exchange contracts).

Equity securities have exposure to the risk of market price fluctuations. The Company and its consolidated subsidiaries hold such securities for the purpose of maintaining relationships with customers or suppliers and not for trading purposes. The fair values of the securities are periodically reported to the Board of Directors at the board meeting of the Company.

Due dates of notes and accounts payable and other payables are mainly within one year.

Short-term borrowings are mainly for the purpose of fluctuations working capital and bonds payable and long-term debt are mainly for the purpose of funding capital investment.

Derivative transactions are entered and controlled by the financial department with approval of the financial manager under the rules of each company, which prescribe details such as the department in charge of transactions and the limits for transaction. To reduce credit risk, transaction counterparties are limited to major financial institutions.

Notes and accounts payable and borrowings have exposure to liquidity risk. The Company and its consolidated subsidiaries are controlling such risk by developing monthly cash planning.

The carrying amounts of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2015 and 2016 were as follows.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
<b>March 31, 2015</b>						
Cash and deposits	¥ 33,808	¥ 33,808	¥ —	\$283,775	\$283,775	\$ —
Notes and accounts receivable	46,651	46,651	—	430,697	430,697	—
Investments in securities						
Available-for-sale securities	3,281	3,281	—	18,634	18,634	—
Notes and accounts payable	(20,870)	(20,870)	—	(170,988)	(170,988)	—
Short-term borrowings	(5,142)	(5,142)	—	(48,133)	(48,133)	—
Accrued expenses	(8,638)	(8,638)	—	(78,108)	(78,108)	—
Accrued income taxes	(1,562)	(1,562)	—	(16,325)	(16,325)	—
Bonds payable	(7,000)	(7,041)	(41)	(62,122)	(62,122)	—
Long-term debt	(26,197)	(25,660)	(△537)	(230,364)	(231,735)	(1,371)
Derivative transactions	(0)	(0)	—	10	10	—
<b>March 31, 2016</b>						
Cash and deposits	¥ 31,975	¥ 31,975	¥ —	\$283,775	\$283,775	\$ —
Notes and accounts receivable	48,530	48,530	—	430,697	430,697	—
Investments in securities						
Available-for-sale securities	2,100	2,100	—	18,634	18,634	—
Notes and accounts payable	(19,266)	(19,266)	—	(170,988)	(170,988)	—
Short-term borrowings	(5,423)	(5,423)	—	(48,133)	(48,133)	—
Accrued expenses	(8,801)	(8,801)	—	(78,108)	(78,108)	—
Accrued income taxes	(1,839)	(1,839)	—	(16,325)	(16,325)	—
Bonds payable	(7,000)	(7,000)	—	(62,122)	(62,122)	—
Long-term debt	(25,957)	(26,112)	(155)	(230,364)	(231,735)	(1,371)
Derivative transactions	1	1	—	10	10	—

1. The methods used to determine the fair value of financial instruments and derivative transactions are as follows:

As cash and deposits, notes and accounts receivable, notes and accounts payable, short-term borrowings, accrued expenses and accrued income taxes are settled in the short term, the carrying amounts are considered to approximate fair values. Therefore, they are stated at carrying amounts.

Investments in securities (Available-for-sale securities) are stated at fair value. The fair values of equity securities are their market prices. Information regarding investments in securities classified by the purposes for which they are held is discussed in the relevant section of this report.

Bonds payable is stated at carrying amount which approximates fair value because the date of redemption comes within one year.

Long-term debt is stated at fair value based on the method in which total amount of principal and interest is discounted at the interest rate that would be applied if each company borrowed the same, but new, principal amount.

Derivative information is discussed in the relevant section of this report.

2. Financial instruments for which the fair values are considered difficult to determine

Non-listed equity securities (book value ¥1,192 million (\$10,582 thousand)) have no market price available, also the future cash flows cannot be estimated reliably, and are considered to be financial instruments for which the fair values are difficult to determine. Therefore, these instruments are not included in "Investment in securities (Available-for-sale securities)" in the table above.

3. Receipt schedule for receivables after the consolidated balance sheet date

	Japanese yen (millions)				U.S. dollars (thousands)			
	FY2016	FY2017 ~ FY2020	FY2021 ~ FY2025	FY2026 and thereafter	FY2016	FY2017 ~ FY2020	FY2021 ~ FY2025	FY2026 and thereafter
Cash and time deposits	¥ 31,975	¥ —	¥ —	¥ —	\$ 283,775	\$ —	\$ —	\$ —
Notes and accounts receivable	48,530	—	—	—	430,697	—	—	—
	<u>¥ 80,506</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>\$ 714,472</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

4. Payment schedule for long-term debt after the consolidated balance sheet date

	Japanese yen (millions)				U.S. dollars (thousands)			
	FY2016	FY2017 ~ FY2020	FY2021 ~ FY2025	FY2026 and thereafter	FY2016	FY2017 ~ FY2020	FY2021 ~ FY2025	FY2026 and thereafter
Bonds Payable	¥ 7,000	¥ —	¥ —	¥ —	\$ 62,122	\$ —	\$ —	\$ —
Long-term debt	¥ 4,327	¥ 18,212	¥ 3,417	¥ —	\$ 38,407	\$ 161,631	\$ 30,324	\$ —
	<u>¥ 11,327</u>	<u>¥ 18,212</u>	<u>¥ 3,417</u>	<u>¥ —</u>	<u>\$ 100,530</u>	<u>\$ 161,631</u>	<u>\$ 30,324</u>	<u>\$ —</u>

## 18. Contingent Liabilities

Contingent liabilities as of March 31, 2015 and 2016 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Trade notes receivable discounted .....	¥ 3,652	¥ 669	\$ 5,937
Trade notes receivable endorsed .....	5	34	301

## 19. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ 697	¥ (643)	\$ (5,709)
Reclassification adjustments	—	(378)	(3,361)
Sub-total, before tax	697	(1,022)	(9,071)
Tax (expense) or benefit	(167)	354	3,144
Sub-total, net of tax	529	(667)	(5,927)
Foreign currency translation adjustment			
Increase (decrease) during the year	8,604	(4,956)	(43,990)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	18	(488)	(4,334)
Reclassification adjustments	(130)	220	1,956
Sub-total, before tax	(111)	(268)	(2,378)
Tax (expense) or benefit	39	82	733
Sub-total, net of tax	(71)	(185)	(1,645)
Share of other comprehensive income of associates accounted for using the equity method			
Increase (decrease) during the year	58	(4)	(37)
Reclassification adjustments	(81)	—	—
Sub-total, net of tax	(23)	(4)	(37)
Total other comprehensive income	9,038	(5,814)	(51,600)

## 20. Cash and Cash Equivalents

Cash and Cash Equivalents as of March 31, 2015 and 2016 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2014	FY2015	FY2015
Cash and deposits	¥ 33,808	¥ 31,975	\$ 283,775
Time deposits with maturities of more than three months	(98)	(414)	(3,681)
Cash and cash equivalents	33,710	31,560	280,093



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## 21. Significant Subsequent Event (Funds Borrowed)

As shown below, the Company, in preparation for future capital investment increases, has financed a total of 10 billion Japanese yen by long-term borrowing from financial institutions on May 31, 2016

- |   |  |
|---|--|
| (1) Loan contract with The Bank of Tokyo-Mitsubishi UFJ, Ltd. | (2) Loan contract with Sumitomo Mitsui Banking Corporation |
| ① Borrowed from The Bank of Tokyo-Mitsubishi UFJ, Ltd.        | ① Borrowed from Sumitomo Mitsui Banking Corporation        |
| ② Amount borrowed: 7 billion Japanese yen                     | ② Amount borrowed: 3 billion Japanese yen                  |
| ③ Interest rate: Fixed rate                                   | ③ Interest rate: Fixed rate                                |
| ④ Date borrowed: May 31, 2016                                 | ④ Date borrowed: May 31, 2016                              |
| ⑤ Repayment date: May 31, 2021                                | ⑤ Repayment date: May 31, 2021                             |
| ⑥ Collateral etc.: unsecured and unguaranteed                 | ⑥ Collateral etc.: unsecured and unguaranteed              |
| ⑦ Fund usage : Mainly for capital expenditure                 | ⑦ Fund usage: Mainly for capital expenditure               |

# Independent Auditors' Report

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES



## Independent Auditor's Report

To the Board of Directors of EXEDY Corporation

We have audited the accompanying consolidated financial statements of EXEDY Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### *Convenience translation*

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers Aarata LLC'.

July 5, 2016

PricewaterhouseCoopers Aarata LLC  
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## Mission Statement

### ***The Shape of Our Future: “Creation of Fulfillment”***

***Each employee, with a good conscience and hope for the future, will create fulfillment for our society.***

***Through advanced technology and scrupulous attention to detail, we will create fulfillment for our customers.***

***With pride and a desire to grow, we will create fulfillment for the EXEDY family.***



**EXEDY Corporation**

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