



INTEGRATED REPORT 2023



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 report contains a long-term vision EXEDY has formulated as the aspirational figure for FY2050, as well as the strategies and initiatives to realize this vision. Our company strives to create economic and social value through the realization of this long-term vision. 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

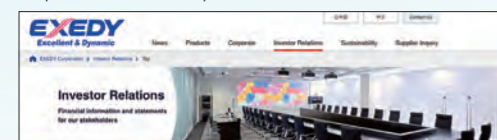
In addition to providing financial information such as business performance, business results, and management strategies, this Integrated Report also includes non-financial information on ESG (Environmental, Social, and Governance) initiatives in support of sustainable growth. For publishing this Integrated 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/>



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

• 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 FY2022 (April 2022 - March 2023), partially includes activities after April 2023.

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/>



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 2: Value Creation Process	8	<p>■ Current Value Creation Approach While we touch on our milestones in value creation and the strengths we have cultivated, we would also like to introduce how we keep creating value today.</p>
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Chapter 4: Strategies for Value Creation	34	<p>■ Strategies to Strengthen Management Capital to Achieve the Long-term Vision EXEDY's six management capitals, which we have accumulated since our establishment, serve as the foundation for increasing our corporate value through business activities. We hereby introduce strategies to strengthen these management capitals as a path to achieve the above Long-term Vision and KPIs.</p>
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1.The Environment Surrounding EXEDY

The carbon neutral trend to prevent global warming remains constant

In FY2023, our revenue has been on a recovery track with the recovery in order volumes, particularly in the AT (automatic transmission-related business) segment due to the easing of semiconductor shortages, promotion of passing on higher raw material prices to selling prices, and the ongoing depreciation of the yen. However, the global economic environment remains in a state of turmoil, with ongoing tensions between the U.S. and China and deadlocks in Ukraine and the Middle East, and the situation leaves no room for optimism. In the automotive industry, there has been an accelerating shift to carbon-neutral electric vehicles around the world to prevent global warming, but demand for BEVs has begun to soften in Western markets since the second half of 2023. However, conversely, it is HEVs that are growing in both markets, and we believe that the shift to electric vehicles, including HEVs, is unstoppable, although the speed of the changeover will be different due to energy

conditions and industrial policies in different countries and regions. As a company that mainly handles products for internal combustion engine vehicles, the flow of the shift to electric vehicles is an important risk, but at the same time, we recognize it as an opportunity to expand our business for electric vehicles.

The growing demand for companies to strengthen governance

Meanwhile, in 2023, there were several serious incidents of fraud in the automotive industry, including certification test fraud and insurance claim fraud, which became major social issues. In addition, human rights violations such as sexual abuse and power harassment have occurred at prominent companies in other industries, and in some cases, this led to changes of representatives and company dissolution. I believe that in each incident, the background was a lack of sufficient monitoring and supervision functions by the board of directors. There is a risk that such incidents could potentially occur at any company, and we recognize that as a public company on the TSE Prime Market, we are required to strengthen our governance to a higher standard.

2.Initiatives in 2023 Related to Our Long-term Vision Based on Our External Environment and Corporate Philosophy

EXEDY's Long-term Vision

In the external environment described above, we have formulated our Long-term Vision based on our corporate philosophy of "fulfillment for society," "fulfillment for our customers," and "fulfillment for our EXEDY family." The Vision consists of four visions: "Contribute to minimizing environmental impact, including the creation of a decarbonized society" as fulfillment for society, "Create and deliver new value to customers" as fulfillment for our customers, "Become an attractive company where people feel excitement and passion" as fulfillment for our employees, and "Maintain a stable management structure based on strong governance" as the development of the management foundation that supports these visions.

Contributing to the Creation of a Decarbonized Society With Our Production System and by Expanding Our Product Lineup

To contribute to the creation of a decarbonized society, we declared in July 2021 that we will be carbon neutral by FY2050. Since then, we have been working to reduce GHG emissions on a Group basis, and as of the end of March 2023, we have achieved a 19.6% reduction in CO2 emissions compared to FY2019 by promoting energy-saving activities and introducing renewable energy.

To further activate our energy-saving activities, we have added internal carbon pricing to the criteria for determining capital investment since April 2023. In February 2024, we were also able to obtain independent third-party assurance for GHG emissions, which had been an issue, and we are now advancing development of a production system to achieve carbon neutrality. We are also working to expand our lineup of products for BEVs and HEVs, which contribute to decarbonization, and in June 2023, we established a new production line for HEV damper products at our Headquarters plant to meet the increasing demand for HEVs in Japan and China. Our HEV damper products are lighter and have a lower cost due to the reduced diameter of the frame, and we expect

that orders will grow from 413,000 units in FY2022 to 1,320,000 units in FY2026.

We will continue to contribute to the creation of a decarbonized society through both our production system and expanding our product lineup.

The Challenge of Creating and Delivering New Value to Our Customers

As mentioned above, EXEDY views the global shift from internal combustion engine vehicles to electric vehicles as an opportunity to launch and expand new businesses. To seize this opportunity, we need to create new value to deliver to our customers, so we are prioritizing committing our management resources, such as human resources and funds, to the development of new products. Accordingly, the ratio of total R&D expenses for new products is expected to rise from 29% in FY2019 to 40% in FY2023, and we aim to raise the ratio to 70% by FY2030 to further accelerate the creation of new products.

In addition, at this time, to go back to the basics and raise the resolution of our own strengths, we have broken down and organized the elements of our technology. (See "EXEDY's Technology System" on page 18 for details.) Our technology consists of core technologies and basic technologies, of which the former can be broken down into friction, vibration, and fluid technologies, and the latter into materials, analysis, and reliability evaluation technologies. By combining these elemental technologies, we have created and provided value such as functions for disconnection of rotational power, suppression of rotation fluctuation, and torque amplification. We aim to create new value by combining these elemental breakdowns of technologies and functions, or by combining them with external knowledge and technologies.

For example, in BEV drive units for two-wheeled and three-wheeled vehicles, we aim to satisfy user needs (road handling ability and ride comfort) and realize compact and lightweight low-cost products by combining our power transmission and disconnection functions and torque amplification functions with motor technology possessed by a startup. The product is primarily targeted at the increasingly electrified Indian market, and we plan to utilize technology from the startup company Sarya, in which our local subsidiary in India invested in June 2023.



For drone thrust systems (propellers, motors, and controllers), we are considering starting with mass production of propellers that can take advantage of our design and evaluation technologies related to fluids and the quality assurance system we have developed in automotive products, and combining them with the drone-related technology and knowledge of Baibars, a Turkish startup in which EXEDY invested in December 2023.

In wide-range drive systems for BEVs, our torque amplification function aims to improve drive performance and vehicle speed when starting in large electric vehicles without changing the motor size. In this way, new products that can create and deliver new value are putting out buds, and we will work to commercialize them as soon as possible.

Toward an Attractive Company Where People Feel Excitement and Passion

Aiming to be “an attractive company where people feel excitement and passion,” EXEDY has announced policies including human resource development (creating an environment that fosters employee growth) and promotion of diversity and inclusion (expanding systems that allow diverse employees to work with peace of mind).

In the former, training for human resources for electrification, for new business creation, and for digital transformation (DX) was expanded in synchronization with EXEDY’s business strategy, resulting in an increase in training hours (people/year) to 31.8 hours in FY2022, just under six times more than in FY2019. In addition, to achieve work-life balance, we have worked to create an environment that makes it easier for employees to take paid leave by promoting multi-skill development and setting paid leave utilization promotion days, resulting in a total of 1,888 hours worked and a paid leave utilization rate of 101.2%, thus achieving our FY2030 targets for both ahead of schedule. However, the 2023 results for the overall employee satisfaction rate, which we intended to improve through the promotion of the above measures, was 46.0%, down three points from the previous year. Unfortunately, we recognize that our progress in becoming “an attractive company where people feel excitement and passion” has stalled, and we are currently analyzing the causes. Based on the results, we will take measures in FY2024.

Strengthening Governance by Promoting Diversity in the Board of Directors

With the aim of strengthening governance by the Board of Directors, EXEDY has set KPIs for the ratio of independent outside directors and female and non-Japanese directors to further improve the fairness and transparency of the Board of Directors. In June 2023, we appointed five independent outside directors (ratio of 41.7%) and two female directors (ratio of 16.7%), thus achieving both targets for FY2030 ahead of schedule. In addition, our outside directors consist of people with management experience not only in the automotive parts manufacturing industry but also in the textile, electronic parts manufacturing, and cosmetics planning and development industries, as well as a graduate school of business studies professor, and they have a different sense of speed and knowledge from our in-house directors. At the monthly meetings of the Board of Directors, we receive opinions that are painfully true in addition to encouragement on the early creation of new businesses and other topics, and I myself have experienced the effects of the diversification of the Board of Directors.

3.Future Initiatives to Realize Management With an Awareness of the Cost of Capital and Stock Prices

As stated in a press release issued on December 27, 2023, EXEDY is committed to management with an awareness of the cost of capital and stock prices. (See “Strategies to Strengthen Financial Capital” on pages 52 to 53 for details.)

Analysis of the Current Situation

EXEDY’s PBR has been below 1 for the last ten years, and even in the most recent period, when the stock price recovered, it was only 0.57 as of February 22, 2024. In our analysis, the reasons for the low PBR are low return on capital and uncertainty about the future of EXEDY’s business.

Future initiatives

Based on this analysis of the current situation, we will improve our earning power by maintaining and improving profitability in existing businesses, and by preferentially using the funds earned from this process

for investment in growth, we will promote the creation and development of new businesses and increase the return on capital. Regarding our financial strategy, we will also consider actively returning cash generated to shareholders, excluding funds for investment in growth. In addition, we will strive to gain the understanding of investors and other stakeholders through proactive IR activities and to dispel the uncertainty surrounding the future of EXEDY’s business.

Maintaining and Improving Profitability in Existing Businesses

With regard to the torque converter business in the AT segment, where volume is expected to decline in the future, we will be holding discussions with our customers to restructure production capacity on a global basis. This will reduce fixed costs and halt the deterioration in profitability. At the same time, we will promote sales expansion of HEV damper products, for which demand is expected to increase. In the MT business, a high level of production volume is expected in the Indian passenger car market, and demand in the repair market is also expected to remain strong, so EXEDY will continue to win orders in these markets.

Creation and Development of New Businesses

Currently, although the trend of shifting to BEVs has weakened, EXEDY still sees this trend as unchanging over the long term, and the Group will continue to develop the electrified products business as one of our core businesses going forward. Since many companies are already engaged in this business, for essential technologies, we will proceed with a view to collaboration and M&A with companies that possess these technologies. At the same time, we will continue to engage in open innovation activities, such as making use of our Silicon Valley office and collaborating with venture capital, to create an environment where new business ideas can spring up.

Strengthening Human Capital

EXEDY recognizes the need to further strengthen human capital to promote the creation and development of new businesses. The current situation is that we are promoting the development of human resources through employee training and the recruitment of human resources with knowledge about

new businesses, and we have decided to add dispatching employees to startups with which we collaborate as a human resource development method. Since joining EXEDY from another company, I have been able to grow and realize my own dreams by gaining diverse experiences in different cultures, including sales subsidiaries in the U.S. and Australia, the manufacturing subsidiary in the U.S., the manufacturing subsidiary in China, and the Ueno Division. For human resources who take the initiative to create their own future without waiting for the company to give them learning opportunities, we want them to experience various things by jumping into startups with different cultures and to grow up big and resilient through practical experience.

Proactive IR activities

We are at the stage of finalizing the details of the specific measures and targets for the future initiatives mentioned above, and we will disclose them as soon as we can. We will also work to enhance disclosure and strengthen dialogue with shareholders and investors so that shareholders and investors can understand our progress going forward. At the same time, we will strive to strengthen the dissemination of information through integrated reports, the EXEDY website, and so on.

Please look forward to the transformation of the EXEDY Group in FY2024 and beyond.

Tetsuya Yoshinaga
President & CEO

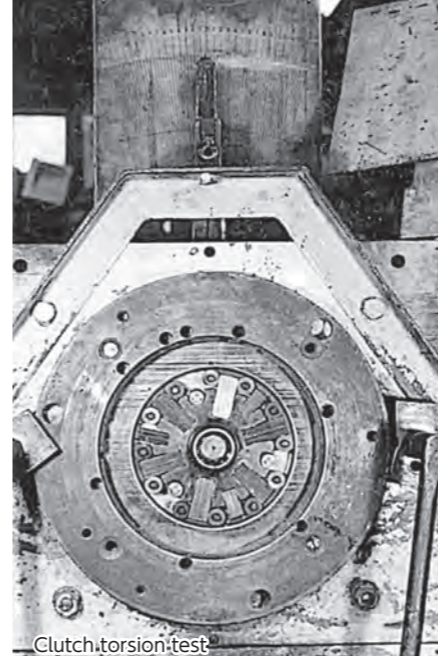



Chapter 2

Value Creation Process

Since its establishment in 1950, EXEDY has developed and provided products that meet the needs of our customers and contribute to solving social issues. By leveraging the strengths we have developed over the course of our history and the management capital we have accumulated, we aim to contribute to the realization of a sustainable society and achieve sustainable growth for the EXEDY Group.

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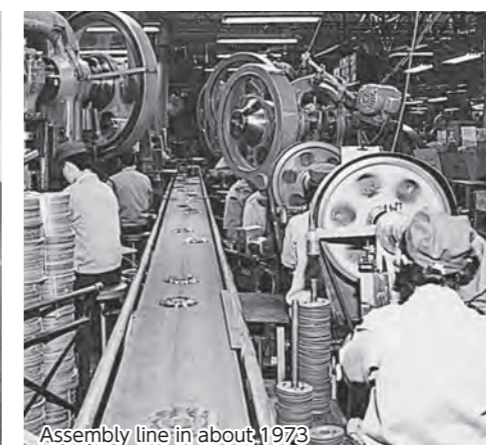
Clutch torsion test



Daikin RM (currently DYNAX) builds a plant in Chitose City



Ford Q1 certification ceremony



Assembly line in about 1973



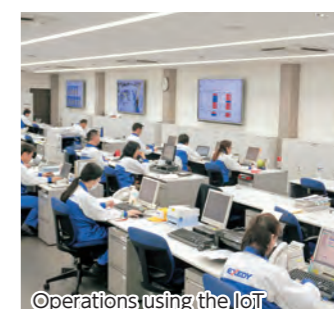
Aerial photo of the Headquarters plant during relocation to Neyagawa City



Smart robots at an exhibition



Established EXEDY Siam Sales Thailand



Operations using the IoT



Actual vehicle evaluations of motorcycle clutches



First shipment ceremony for drone propellers

1. Milestones in Value Creation

its establishment 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 strengths (highest quality manufacturing, technological development capabilities, and customer network) and built a solid position worldwide as a manufacturer of clutches and torque converters.

EXEDY Group's Strengths

Top-quality manufacturing

See right for awards received.

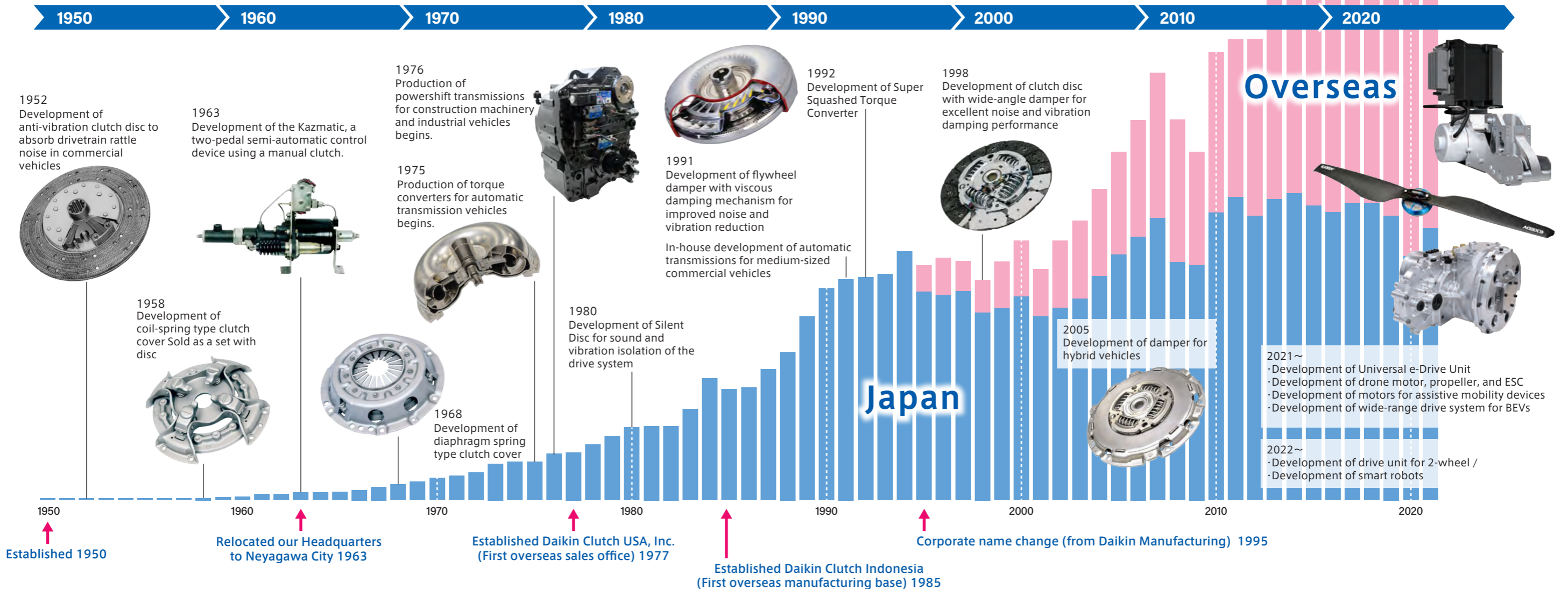
Technological Development Capabilities

See below for developed products.

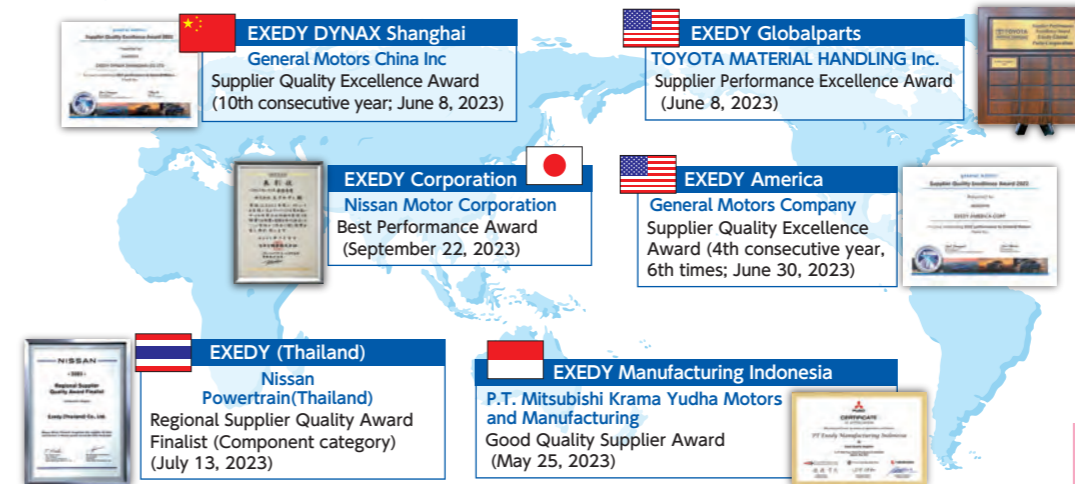
Customer Network

Approximately 6,700 customers (covering 200 countries worldwide)

Consolidated sales history and main products developed since establishment



Major awards (2023)



Certifications

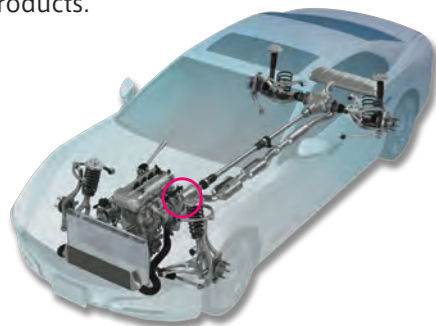
·ISO9001: 1999 ·ISO14001: 2000 ·IATF16949: 2004

2. Our Business

EXEDY is a comprehensive manufacturer of drivetrain components for automobiles, motorcycles, construction machinery, industrial vehicles, agricultural machinery, etc., from development to production, with global operations comprising 45 companies in 25 countries around the world. In addition, with our new business, we are focusing on the development of Electric Products and Next-generation Products that are environmentally friendly.

Automotive Parts

EXEDY manufactures torque converters, for comfortable driving in automatic transmission vehicles, and clutches for manual transmission vehicles. Our products are highly regarded by automobile manufacturers around the world and are widely used as genuine products.



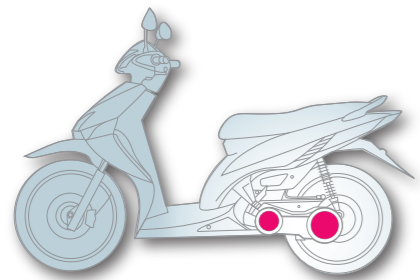
Clutch Cover
Clutch Disc



Torque
Converter

Parts for Motorcycles

By utilizing the technology cultivated in automotive clutches, we produce clutches for motorcycles in Southeast Asia and India.



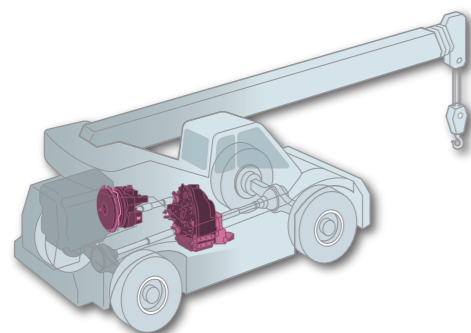
Wet Type Multi-Plate Clutch
with Coil Springs



Wet Type Centrifugal Clutch

Parts for Construction Machinery / Industrial Vehicles / Agricultural Machinery

We strongly support Japanese industry by producing a wide variety of products in small quantities that are equivalent to custom-made items.



Power Shift Transmission

Next-generation Products and Electric Products

Taking advantage of the core technologies for friction, vibration, and fluid we have cultivated so far in the development of drivetrain components, we aim to make the transportation of people and goods more comfortable, and we are developing new products to enter new business domains in response to changes in the industrial structure and social environment, such as decarbonization and lifestyle changes.

Wide Range Drive System for BEV

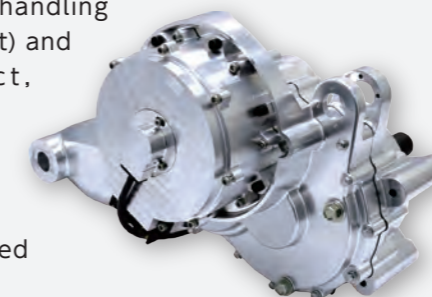
A torque converter specially designed for BEVs is placed on the output side of an electric vehicle's motor, and the system features smooth power transmission without shock from the transmission. With the torque amplification function, we can achieve both BEV's hill climbing/starting and higher vehicle speeds.



Drive Unit for 2-wheel / 3-wheel BEV

This three-in-one system combines EXEDY's power transmission technology with a motor and inverter for the increasingly electrified motorcycle and three-wheeler market.

The power transmission and shutoff and the torque amplification function can reduce motor output to ensure user needs (road handling ability and comfort) and realize compact, lightweight, and low-cost products. We are developing two types of units: CVTs and two-speed units.



Products for Drones

For the drone market, which is expected to grow to \$43 billion worldwide by 2025, this is a high-performance made-in-Japan product for drones that increases drone thrust by combining a small, lightweight motor and a controller in addition to a propeller developed by applying our core technology of fluid analysis.



Universal e-Drive Unit (E³-Drive Technology)

This highly versatile electric drive unit was developed by utilizing drive and electrification technologies to reduce the burden on workers in transportation work and provide safety and security.

It can be retrofitted for low-speed mobility, such as pallet trucks, to assist in transporting heavy loads.



Smart Robots

Anticipating that robots will penetrate deeper into our everyday life due to the decreasing working population and increasing number of elderly people, we are making use of automated transport systems in factories to develop powerful transport robots as well as multi-robots for food and beverage and commercial facilities.

We will continue to support people's lives in logistics, commercial facilities, and public institutions.



3. Current Strengths

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.

1) Top-quality Manufacturing

The EXEDY Group is committed to providing the highest quality products that satisfy customers around the world. To achieve this, while working on zero defect activities, we are accelerating improvement activities and taking on the challenge of advancing our own production technology capabilities by visualizing the situation at our plants using our proprietary IoT system (EXPRESS). In addition, we are developing our overseas production system to achieve the highest quality on a global scale while focusing on training the human resources that will be responsible for this process.

(1) Company-wide Zero-Defect Activities

Since automobile accidents directly affect human lives, defective automobile parts are unacceptable. The EXEDY Group strives to improve development quality through inter-stage transition management at milestones from development to mass production, and we are also promoting ASA ZERO activities after mass production, which are activities to resolve defective products generated in the process with multiple functions. In addition, with EXPRESS, we can collect quality records and manufacturing conditions globally, so we use it throughout the Group to improve quality.

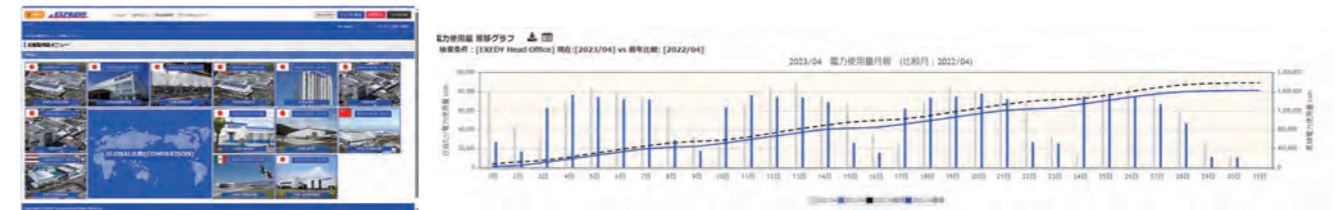


(2) Production Technology Capabilities that Meet Customer Needs

The EXEDY Group not only assembles products, but also conducts in-house production of component parts (casting, forging, pressing, heat treatment, bonding, welding, and various other processes) and friction materials, which are the core of power transmission shutoff, within the Group. Also, by designing and manufacturing the dies, jigs, and equipment to realize these processes ourselves, we can also realize a wide variety of product specifications related to design and functionality. Moreover, we organize the technologies we have cultivated over many years as EXEDY technical standards in the fields of design, production technology, and quality control, and utilize them for speedy process design through the latest performance feedback from EXPRESS.

(3) Proprietary IoT System: EXPRESS

We developed EXPRESS to coincide with the renewal of our core system in 2012. In this system, production monitoring functions such as production volume and quality records as well as various check sheets and equipment condition monitoring, die history management, and other production-related data are linked and used to improve quality and productivity. In addition, as part of our efforts in recent years to become carbon neutral, it has become possible for us to check energy and compressed air consumption at each plant in a timely manner.



(4) Global Production System

The EXEDY Group has production bases in 11 countries around the world, and we have built a global supply system with process settings at all bases at the same level as those in Japan. As a result, we are building our own in-house BCP system by enabling alternate production and complementarity among our bases (see 21 page for details).

(5) Training of Factory Technicians and Skilled Professionals

The EXEDY Group is focusing on enhancing its skilled worker training system. In 1995, we established a technical school (Current name: GETS: Global EXEDY Technical School) to provide training at different levels, from beginner to advanced, to put EXEDY’s skills and knowledge to practical use. In addition, we have established a system of technical support for highly skilled workers, and highly skilled technicians* provide on-site guidance in four areas (welding, machining, plastic forming, and materials technology). Each plant is also systematically upgrading the technical skills of its technicians to make them multi-skilled and improve their knowledge of equipment and production methods.

2) Technological Development Capabilities

The EXEDY Group has developed a wide variety of products by refining its core technologies (friction, vibration, and fluid) and establishing a development system to meet the needs of customers around the world. Also, to incorporate the latest technology, we are conducting research and development in collaboration with academia.

(1) Core Technologies (friction, vibration, fluid)

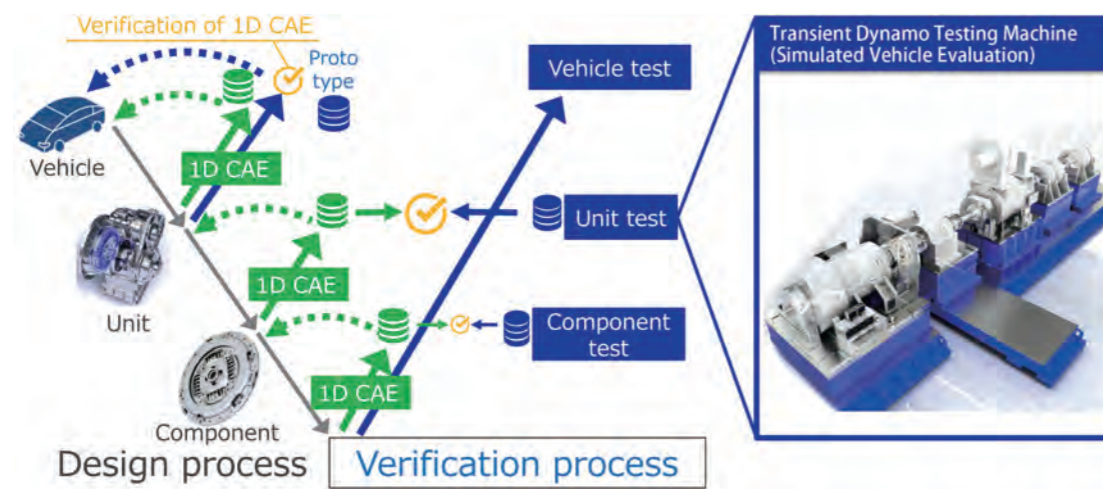
The EXEDY Group has applied its friction, vibration, and fluid technologies to develop clutches that absorb noise and vibration and torque converters with high energy transmission efficiency in response to customer needs. These core technologies are supported by basic technologies we have developed through years of accumulated know-how (see “EXEDY’s Technology System” on page 18 for details).

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

The core technologies mentioned above are supported by our basic technologies: materials technology, analysis technology, and reliability evaluation technology.

Materials technology is the technology of correctly understanding and being able to appropriately utilize the properties of materials.

Analysis technology is the technology for elucidating the mechanisms of fluids, vibrations, structures, and mechanisms. For products for drones, which we are currently working on as a new business, we are striving to deepen our analysis technology related to air fluids with drone propellers and other structures by utilizing the fluid technologies we cultivated through the development of torque converters.)



(3) Global Development System

To meet various customer needs in different regions, we have established development sites (7 sites in total) not only in Japan (2 sites) but also in North America (1 site), China (2 sites), and ASEAN countries (2 sites in Thailand), and possess resources that enable development and evaluation on par with those at our headquarters. This makes it possible for us to provide stable quality and meticulous technical services to customers worldwide (see 21 page for details).

(4) Vertically Integrated Development

Our integrated approach of planning, development, prototyping, and mass production enables us to provide high-quality products in mass production and shorten delivery time. It also allows us to pool development expertise within the group, which leads to better solution proposals.

(5) Research and Development of the Latest Technology through Industry-academia Collaboration

To proactively incorporate the latest technology, EXEDY conducts research and development in collaboration with academia, including Hokkaido University, Kobe University, Hosei University, and Kyushu Institute of Technology. Similarly, DYNAX is conducting R&D with Hokkaido University, Tohoku University, Niigata University, and other universities.

3) Customer Network

The EXEDY Group receives a wide range of OEM orders from automobile, motorcycle, and construction equipment manufacturers in Japan, China, Europe, Asia and the United States. In our aftermarket parts business, we have also built a global sales network covering nearly 200 countries worldwide. Through these transactions, we are always aware of our customers' needs, and when necessary, we conduct joint development with them, leading to the creation of new businesses.

(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 Southeast 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)

Since the establishment of Daikin Clutch U.S.A., Inc. in 1977, we have been expanding our aftermarket business. As of the end of March 2023, we had approximately 6,700 customers, of which the number of customers involved in the aftermarket business has increased to more than 5,500 companies.

① Expansion of our network of bases

We have established 14 sales companies in 11 countries around the world to be close to our customers and to hear directly from customers, who vary according to the country or region. As part of our sales promotion activities, we have participated in exhibitions around the world and have been expanding our aftermarket business while striving to promote and spread the EXEDY brand. In January 2023, we acquired a leading company in the AT (automatic transmission) vehicle repair parts market. With this, we will continue to expand our supply of products to the whole world, including Asia, the Middle East, and Latin America, which are expected to grow in the future. We are also working to manufacture repair products in local production for local consumption, and in addition to Japan, we utilize manufacturing companies in seven bases in six countries around the world (see 21 page for details).



Automechanika Ho Chi Minh City



SEMA SHOW (Las Vegas U.S.)



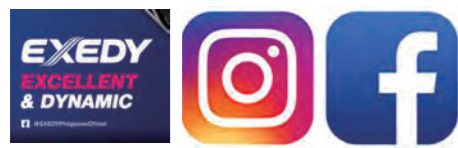
Automechanika Dubai



EXEDY Middle East (U.A.E.) 20th anniversary of establishment ceremony

② Effective use of digital tools

The EXEDY Group is continuing to actively take on the challenge of the global trend of digital transformation (DX). In particular, in our aftermarket business, we are focusing on the Web, cloud management, and app development with the goals of marketing and improving customer satisfaction. We also utilize information-sharing tools for important catalogs and to expand our product range. By effectively making use of these tools for marketing, this also contributes to improving customer satisfaction. In addition, we have established an order-receiving system called EXEDY Express Delivery (EED) to provide products to Japanese and overseas markets and have enhanced our immediate delivery system. The system makes it possible to check various shipping information on a computer screen on the ordering side.



SNS



Facebook



EED

(Reference) EXEDY's Technology System

The EXEDY Group's technology system is as follows, with basic technologies supporting 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 have overwhelming reliability in terms of quality and cost.

Our Group is working to create new businesses by applying both technologies. For example, improving driving performance when 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) with the aim of improving driving power and increasing efficiency without increasing motor size by applying torque amplification technology.

Core Technologies

Friction	This technology controls frictional energy using pressing load design, friction characteristic design, and heat capacity design. 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 friction.
Vibration	This technology makes full use of damper design and torsional characteristic design to control vibrations produced by the engine and vibrations and shocks input to related parts. Dampers absorb and attenuate vibrations and shocks, improving 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.
Fluid	By controlling fluid behavior, this technology uses energy efficiently. By optimizing the flow path inside the torque converter, the torque produced by the engine smoothly increases while maximizing the function of the fluid coupling. Fluids are also used to cool frictional heat and actuate the clutch in the torque converter.

Basic Technologies

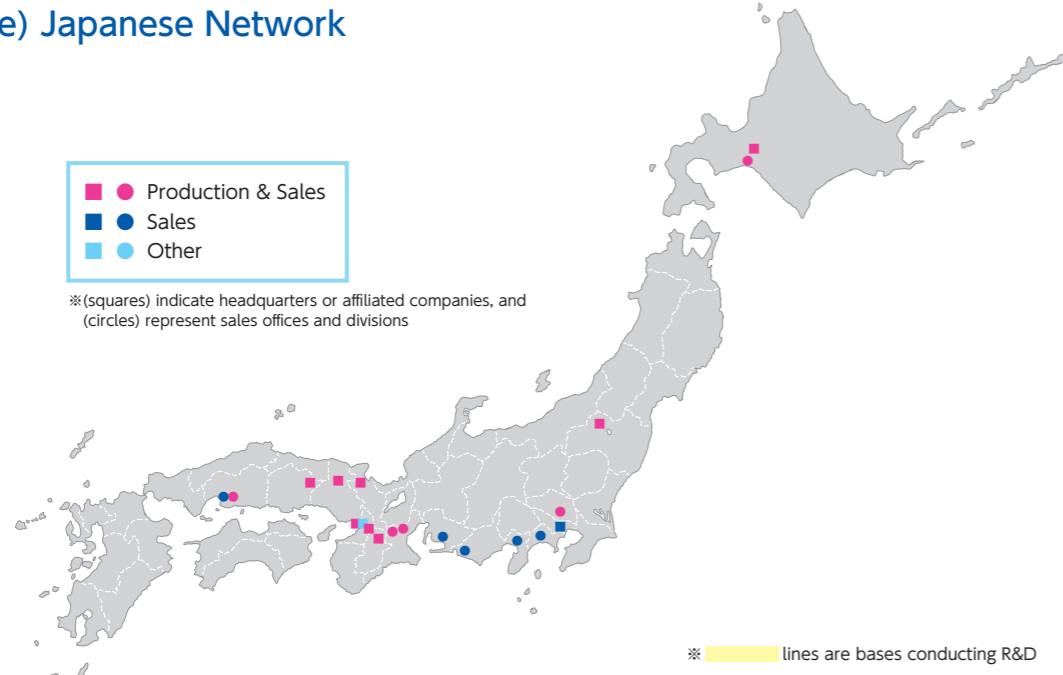
Materials Technology	EXEDY products are composed of various materials. We use special organic and metal as well as paper materials for friction materials, and cast iron for parts that receive frictional energy. We also use steel plates and spring materials that have received special heat treatment. By making full use of various materials, we achieve both durability and light weight with low inertia.
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. With this, we can provide our customers with the highest quality products in the shortest time and at a low cost.
Reliability Evaluation Technology	There are many kinds of vehicles, from motorcycles and light vehicles 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 stress, structure, heat, fluid, and various other analysis technologies as well as actual vehicle and bench evaluations to provide the highest quality products to vehicle manufacturers worldwide.

Value Proposition

- Disconnection of rotational power**
 We have developed clutches that can properly transmit engine rotational power when it is desired and shut it off when it is not necessary. By applying the control technology and materials technology 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.
- Suppression of rotation fluctuation**
 We have developed dampers that improve occupant comfort and durability of related parts in various vehicles. By applying the design technology and analysis technology for dampers and torsional characteristics we cultivated through this development process, we provide products that can attenuate vibration and noise generated during rotational fluctuation.
- Torque amplification**
 We have developed torque converters that contribute to powerful acceleration and improved fuel efficiency. By applying the fluid analysis technology and fluid behavior control technology we cultivated through this development process, we provide products that can smoothly and efficiently amplify torque.*

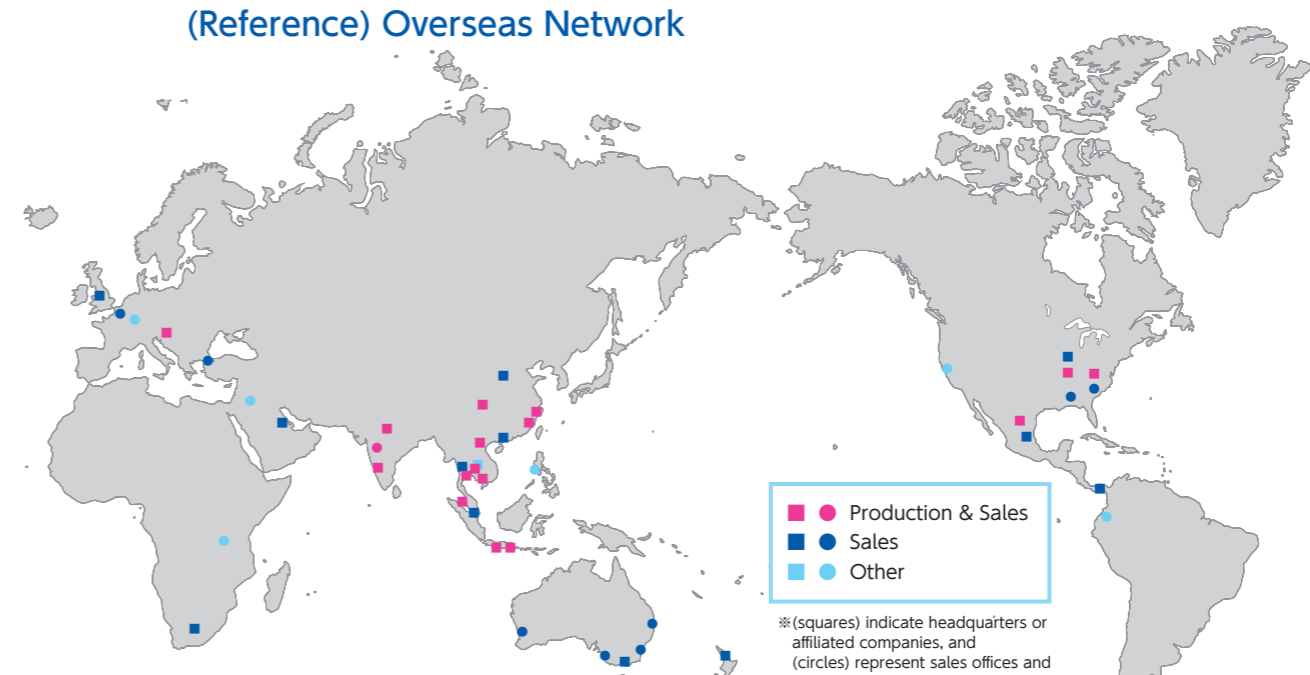
*The magnitude of the force acting on an object when it rotates = Force × Distance

(Reference) Japanese Network



- **EXEDY Corporation** (Neyagawa-shi, Osaka)
- Ueno Division (Iga-shi, Mie) ● Kawagoe Plant (Kawagoe-shi, Saitama)
- Hiroshima Plant (Higashi Hiroshima-shi, Hiroshima) ● Kameyama Division (Kameyama-shi, Mie)
- Tokyo Sales Office (Musashino-shi, Tokyo) ● Kanagawa Sales Office (Atsugi-shi, Kanagawa)
- Shizuoka Sales Office (Fuji-shi, Shizuoka) ● Hamamatsu Sales Office (Hamamatsu-shi, Shizuoka)
- Chubu Sales Office (Anjo-shi, Aichi) ● Hiroshima Sales Office (Aki-gun, Hiroshima)
- **Dynax Corporation** (Chitose-shi, Hokkaido)
- **Tomakomai Plant - R&D Center** (Tomakomai-shi, Hokkaido)
- **EXEDY Casting Co., Ltd.** (Fukuchiyama-shi, Kyoto)
- **EXEDY Kiko Co., Ltd.** (Tenri-shi, Nara)
- **EXEDY Precision Co., Ltd.** (Mimasaka-shi, Okayama)
- **EXEDY Logistics Co., Ltd.** (Neyagawa-shi, Osaka)
- **EXEDY Trading Co., Ltd.** (Neyagawa-shi, Osaka)
- Ueno Branch (Iga-shi, Mie)
- **EXEDY Electric Facilities Co., Ltd.** (Moriguchi-shi, Osaka)
- **Hokkaido Branch** (Tomakomai-shi, Hokkaido)
- **EXEDY Fukushima Co., Ltd.** (Kitakata-shi, Fukushima)
- **EXEDY Sun Co., Ltd.** (Neyagawa-shi, Osaka)
- **Ayagane Plant** (Kitakata-shi, Fukushima)
- **Nippon Retarder System Co., Ltd.** (Neyagawa-shi, Osaka)
- **EXEDY Nara Co., Ltd.** (Yamatokoriyama-shi, Nara)
- **EXEDY SB Hyogo Co., Ltd.** (Tanba-shi, Hyogo)
- **Imago Plant** (Yamatokoriyama-shi, Nara)

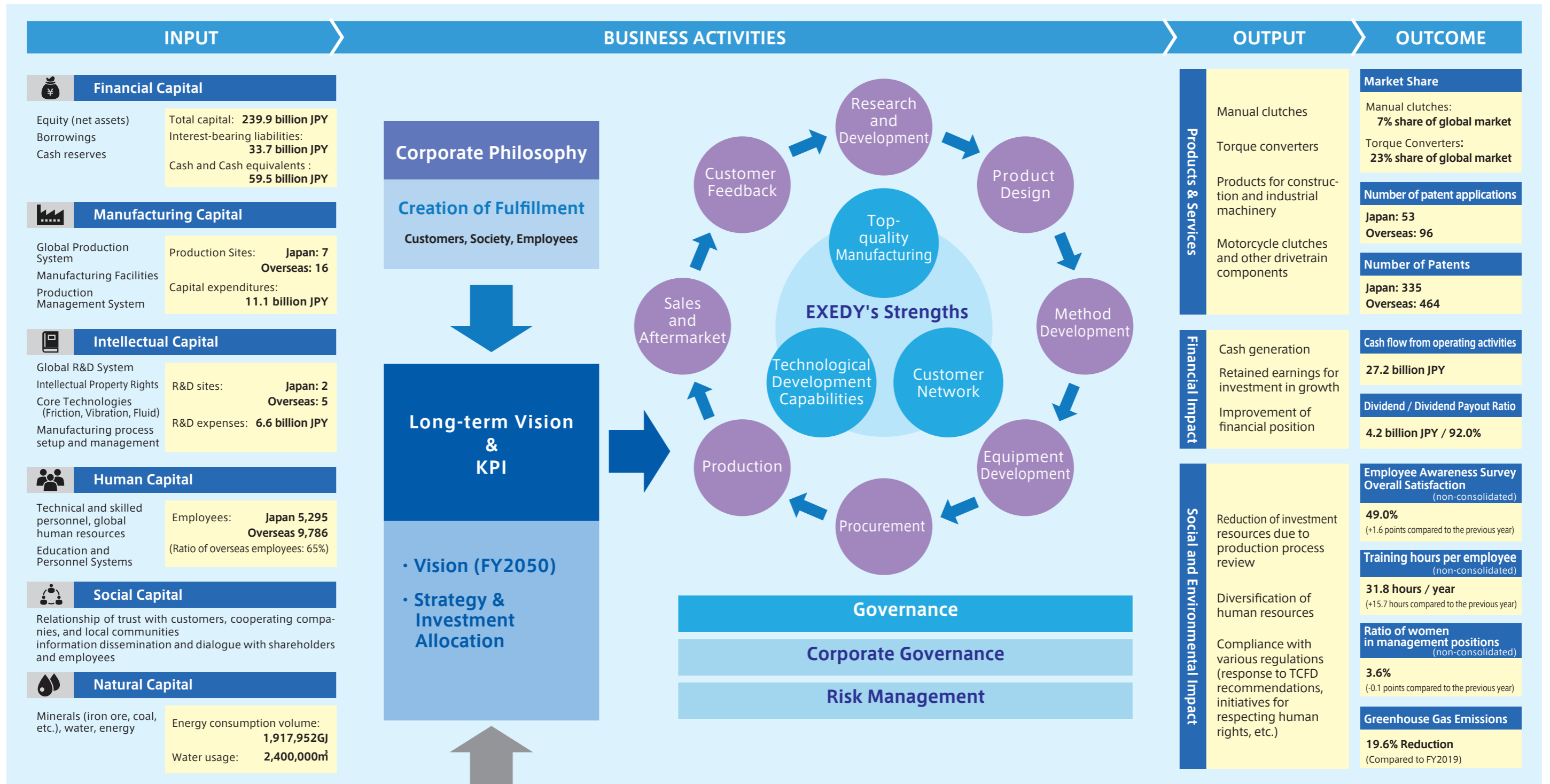
(Reference) Overseas Network



- **EXEDY America Corporation** (TN, USA)
- **EXEDY Globalparts Corporation** (MI USA)
- Atlanta Sales Representative Office (GA, USA)
- **EXEDY DYNAX MEXICO, S.A. DE C.V.** (Aguascalientes, Mexico)
- **EXEDY Mexico Aftermarket Sales, S.A. de C.V.** (Mexico City)
- **EXEDY Latin America S.A.** (Panama City)
- **Ecuador representative office** (Ecuador)
- **EXEDY Clutch Europe Ltd.** (Cheshire, UK)
- **Netherlands Office** (Utrecht, Netherlands)
- **EXEDY DYNAX Europe Ltd.** (Tatabanya, Hungary)
- **Turkey Office** (Istanbul, Turkey)
- **DYNAX Stuttgart Office** (Stuttgart, Germany)
- **EXEDY AUSTRALIA PTY LTD** (Melbourne, Australia)
- **Sydney Office** (Sydney Office)
- **Brisbane Office** (Brisbane, Australia)
- **Perth Branch Office** (Perth, Australia)
- **Adelaide Branch Office** (Adelaide, Australia)
- **ALLTRANZ Pty Ltd.** (NSW, Australia)
- **Victoria Office** (VIC, Australia)
- **Queensland Office** (QLD, Australia)
- **EXEDY New Zealand Ltd.** (Auckland, New Zealand)
- **Christchurch Office** (Christchurch, New Zealand)
- **ALLTRANZ Limited** (Auckland, New Zealand)
- **Christchurch Office** (Christchurch, New Zealand)
- **EXEDY CHONGQING CO., LTD.** (Chongqing, China)
- **EXEDY DYNAX Shanghai Co., Ltd.** (Shanghai, China)
- **EXEDY Guangzhou Co., Ltd.** (Guangzhou, China)
- **EXEDY BEIJING Co., Ltd.** (Beijing, China)
- **Dynax Industry (Shanghai) Co., Ltd.** (Shanghai, China)
- **EXEDY (Thailand) Co., Ltd.** (Chonburi, Thailand)
- **EXEDY ENGINEERING ASIA Co., Ltd.** (Chonburi, Thailand)
- **EXEDY Friction Material Co., Ltd.** (Chonburi, Thailand)
- **EXEDY POIPET Co., Ltd.** (Poipet, Cambodia)
- **EXEDY SIAM SALES (THAILAND) CO., LTD.** (Bangkok, Thailand)
- **EXEDY (MALAYSIA) SDN. BHD.** (Negeri Sembilan, Malaysia)
- **PT. EXEDY Manufacturing Indonesia** (Karawang, Indonesia)
- **PT. EXEDY PRIMA INDONESIA** (Surabaya, Indonesia)
- **EXEDY Vietnam Co., Ltd.** (Vinh Phuc, Vietnam)
- **EXEDY SINGAPORE PTE. LTD.** (Singapore)
- **Philippines Manila Representative Office** (Manila, Philippines)
- **EXEDY India Ltd.** (Greater Noida, India)
- **Aurangabad Plant** (Aurangabad, India)
- **EXEDY Clutch India Pvt. Ltd.** (ইন্দো বেন্গালুরু)
- **EXEDY MIDDLE EAST FZCO** (Dubai, UAE)
- **Amman Representative Office** (Amman, Jordan)
- **Nairobi Representative Office** (Nairobi, Kenya)
- **EXEDY SOUTH AFRICA (PTY) LTD** (Johannesburg, South Africa)

4.Value Creation Process

In consideration of the external environment, the EXEDY Group has established a Long-term Vision and key performance indicators (KPIs) based on its corporate philosophy to promote its business activities. We will contribute to the realization of a sustainable society and aim for the sustainable growth of the EXEDY group through the efficient application of our six capitals and the utilization of our strengths.



(Numbers are as of March 31, 2023)

Chapter 3

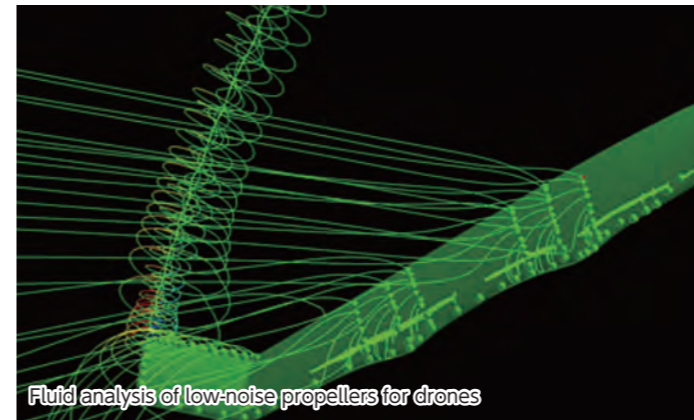
Long-term Vision

In 2021, EXEDY formulated a Long-term Vision of what it aims to become in the fiscal year 2050. It is based on our corporate philosophy, and it takes into account the significant changes in the business environment in which we operate. To contribute to the realization of a sustainable society and to achieve sustainable growth for the EXEDY Group, we have also set key performance indicators and numerical targets.

- 1. Recognition of Business Environment.... 26
- 2. Corporate Philosophy..... 28
- 3. Long-term Vision 30
- 4. Key Performance Indicators (KPI)... 32



Presentation of new EXEDY products in Silicon Valley



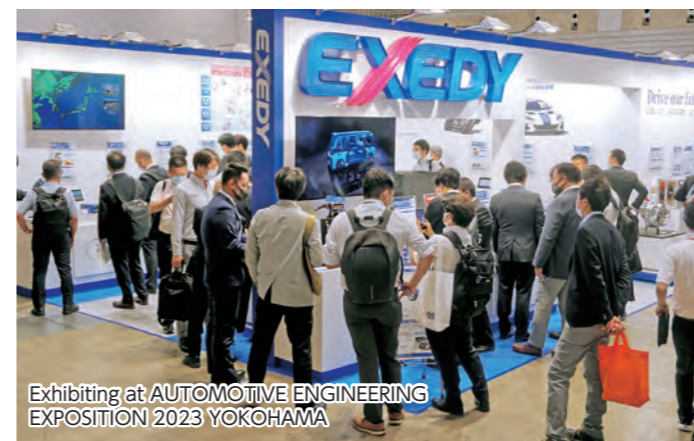
Fluid analysis of low-noise propellers for drones



Operation started at Hokkaido's largest in-house consumption mega-solar system



Family Day at EXEDY Manufacturing Indonesia



Exhibiting at AUTOMOTIVE ENGINEERING EXPOSITION 2023 YOKOHAMA



Solar panels installed on the roof of EXEDY Logistics



Biomass boiler lighting ceremony

1. Recognition of Business Environment

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 prospects, identify risks and opportunities, and derive our priorities and objectives.

	Politics	Economy	Society	Technology
Future Outlook	<ul style="list-style-type: none"> Acceleration of international cooperation on 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. 	<ul style="list-style-type: none"> Growth of emerging economies, and further global diversification Changes in car ownership patterns, such as "car sharing" Expansion of ESG-conscious investments. 	<ul style="list-style-type: none"> Reduction of labor force due to worldwide declining birth rate 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 	<ul style="list-style-type: none"> 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.
Risks	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Decline in automobile sales due to shift to sharing economy. Divestment due to lack of ESG initiatives. 	<ul style="list-style-type: none"> Shortage of labor force Deterioration in turnover due to lack of response to diversity issues Deterioration of management due to lack of governance 	<ul style="list-style-type: none"> Decrease in sales due to shift from internal combustion engine vehicles to electric vehicles
Opportunities	<ul style="list-style-type: none"> Increase in sales due to higher demand for products for BEVs and HEVs Further increase in demand for energy-saving products 	<ul style="list-style-type: none"> Sales increase due to expansion in emerging markets. 	<ul style="list-style-type: none"> Generation of technological innovation by diversifying human resources. Establish a strong management foundation through enhanced corporate governance 	<ul style="list-style-type: none"> Sales increase from new product development through technological innovation
Priority issues (Materiality)	<ul style="list-style-type: none"> ① Prevention of Global Warming ② Respect for human rights ③ Environmental Compliance ④ Sustainable Procurement 	<ul style="list-style-type: none"> ① Provide new products that transmit power efficiently ② Circular economy 	<ul style="list-style-type: none"> ① Make a company where employees are fulfilled ② Diversity and Inclusion ③ Governance ④ Compliance ⑤ Health / Occupational Health and Safety 	<ul style="list-style-type: none"> Provide new value through technological innovation
What we aim for	<ul style="list-style-type: none"> ①③ Contribute to minimization of the environmental impact, including the creation of a decarbonized society ②③④ Promote business activities that consider environmental issues, human rights, and other social issues with cooperating companies 	<ul style="list-style-type: none"> ① Expand decarbonization-contributing products and create and deliver new value ② Contribute to minimizing environmental impact 	<ul style="list-style-type: none"> ① Create an environment that encourages employees to grow and take on new challenges ②⑤ Expand systems that allow diverse employees to work with peace of mind ③④ Maintain strong governance and shared values between management and employees 	<ul style="list-style-type: none"> Create value in the current and new business areas

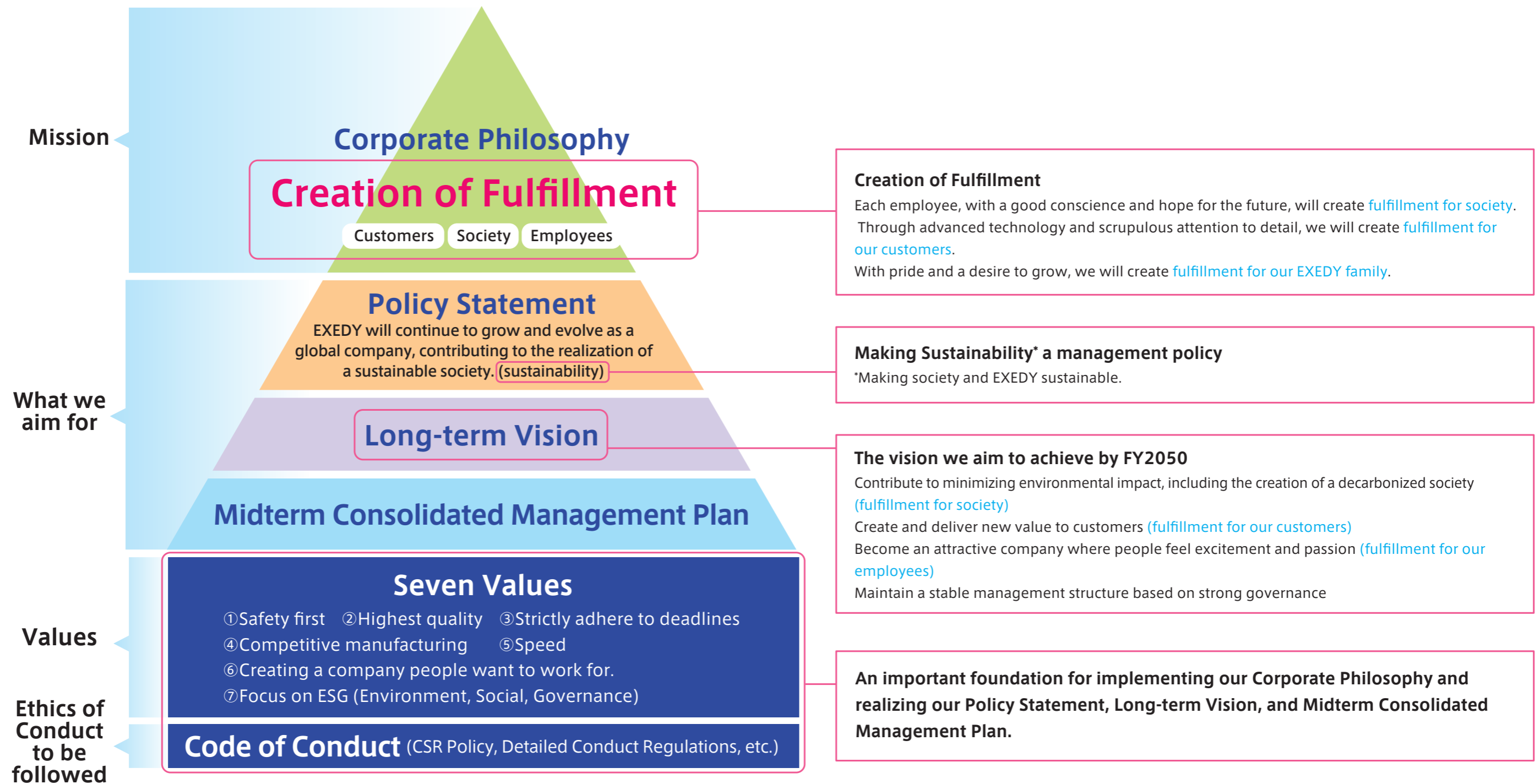
Our vision, derived from the above recognition of the business environment, is as follows.

<Our vision>

"Contribute to minimization of the environmental impact, including the creation of a decarbonized society" "Promote business activities that consider environmental issues, human rights, and other social issues with cooperating companies" "Maintain strong governance and shared values between management and employees" "Create new value in current and new business areas" "Create an environment that encourages employees to grow and take on new challenges" "Expand systems that allow diverse employees to work with peace of mind" "Expand decarbonization-contributing products"

2. 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.



3. Long-term Vision

EXEDY establishes its "Long-term Vision" and "Slogan" after deliberation by the Board of Directors, based on the priorities and goals derived from the recognition of the business environment and the corporate philosophy of "fulfillment for our society," "fulfillment for our customers," and "fulfillment for the EXEDY employees."

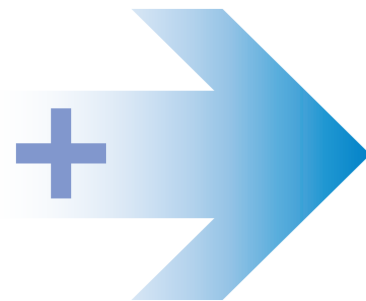
Also, we have set SDG targets that we will contribute through our business activities to realize this Long-term Vision.

SLOGAN

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

"Drive" means "we are actively involved," and "our" means "all stakeholders including ourselves." It is our wish that "with our will, we can drive our future, including society, our customers, and our employees."

Corporate Philosophy
Creation of Fulfillment



Business Environment Recognition
Priorities & Goals

	Priority Issues (Materiality)	Long-term Vision (what we aim to achieve by FY2050)		Related SDGs
			Our Approach and the Way Forward	
Creation of Fulfillment	Prevention of Global Warming Environmental Compliance Circular Economy	Contribute to 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 Establish a manufacturing system that is carbon neutral and minimizes environmental impact	
	Provide New Products That Transmit Power Efficiently Offer New Value Through Technological Innovation	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 Actively enter new business areas to become a unique company with unrivaled capabilities	
	Creating a Company That Employees Are Happy to Work Promotion of Diversity and Inclusion Safety and Health Respect for Human Rights	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 Expand systems that allow diverse employees to work with comfort (nationality, gender, age, disability status, family structure, etc.)	
Management Structure	Compliance Governance Sustainable Procurement	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 Improve fairness and transparency of the Board of Directors Strive to share values and aim for a bottom-up business foundation Work with cooperating companies to promote business activities that address environmental issues, human rights, and other social issues into consideration	

To achieve the above Long-term Vision, we are working as follows.

We are taking on the challenge of "contributing to minimizing environmental impact, including creating a decarbonized society," by expanding our product lineup and building a production system.

For "creating and delivering new value," we are focusing our management resources on new product development in both existing and new businesses.

Through "Be an attractive company where people can feel excitement and passion," we are developing an environment in which employees can grow. We are also expanding systems that allow employees to work with comfort.

On "maintaining a stable management structure based on strong governance," we are further improving governance and promoting business activities that take into account environmental issues, etc., in cooperation with cooperating companies.

4. Key Performance Indicators (KPI)

Key performance indicators (KPIs) for the Long-term Vision and targets for FY2030 and FY2050 are set after deliberation by the Executive Committee and the Board of Directors.

In addition, the Sustainability Committee (see 47 page) formulates medium-term targets and action plans and manages progress to achieve the vision and KPIs.

The results for FY2022 are as follows.

Priority issues (Materiality)	KPI	Subjects	Long term target			Mid-term target				
			Base point	FY2030	FY2050	FY2022 Target	FY2022 Actual	FY2023 Target	FY2024 Target	FY2025 Target
Prevention of Global Warming Environmental Compliance Circular Economy	Percentage of Sales of Products Contributing to Decarbonization (including products for BEVs, HEVs, etc.)	Consolidated	0.2% (FY2019)	29%	83%	0.5%	3.5%	5.1%	5.3%	6.0%
	Net GHG(Greenhouse Gas) Emissions Reduction Rate <scope> 1 + 2		FY2019	▲46%	▲100%	▲3.0%	▲19.6%	▲23.25%	▲26.5%	▲29.75%
	Number of Environmental Incidents		FY2019	0		0	0	0	0	0
Provide New Products That Transmit Power Efficiently Offer New Value Through Technological Innovation	Ratio of R&d Expenses for New Product Development (*1) Over Total R&d Expenses	Consolidated	29% (FY2019)	70%	90%	36%	35%	53%	57%	61%
	Ratio of New product sales		0% (FY2022)	30%	94%	-	-	0.02%	0.3%	3.7%
Creating a Company That Employees Are Happy to Work Promotion of Diversity and Inclusion Safety and Health Respect for Human Rights	Employee Awareness Survey (Overall Satisfaction)	Non-consolidated	34.9% (FY2019)	70%		49.4%	49.0%	50.0%	52.0%	54.0%
	Human Resource Development (Training Hours/Person/Year)		5.4 hours (FY2020)	48 hours		10.8 hours	31.8 hours	20.4 hours	24.3 hours	28.3 hours
	Percentage of Female Employees in Management Positions		3.4% (FY2019)	7.0%	13.9%(Changes in the percentage of female employees)	4.4%	3.6%	4.2%	4.9%	5.6%
	Total Working Hours		2,021 hours (FY2019)	Less than 1,900 hours		Less than 1,988 hours	1,888hours	Less than 1,977 hours	Less than 1,966 hours	Less than 1,955 hours
	Paid Leave Utilization Rate Figure in < > is the Percentage of Employees Taking Paid Leave		77.7%<20%> (FY2019)	100% <100%>		83.8% <42%>	101.2% <54.3%>	85.8% <49%>	87.8% <56%>	89.9% <to be decided>
	Number of Major Accidents		-	0		0	0	0	0	0
	Human Rights Training Attendance Rate		-	100%		-	-	100%	100%	100%
Compliance Governance Sustainable Procurement	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	4 <36%>	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)	52 times in a year (2 series)	52 times in a year(2 series)		

Chapter 4

Strategies for Value Creation

The six management capitals that EXEDY has accumulated since its establishment are the source for achieving a sustainable society through our business activities and enabling EXEDY to grow sustainably. To achieve the Long-term Vision and KPIs described in Chapter 3, EXEDY is implementing a strengthening strategy for each management capital.

- 1. Strategies to Strengthen Human Capital 36
- 2. Strategies to Strengthen Intellectual Capital 40
- 3. Strategies to Strengthen Manufacturing Capital 42
- 4. Strategies to Strengthen Social and Relational Capital 44
- 5. Strategies to Strengthen Natural Capital 46
- 6. Strategies to Strengthen Financial Capital 52



Partnership signing ceremony with Starya



Signing ceremony with Baibars



DYNAX Ice Hockey Team



Head Office of Astor Co., Ltd., a business partner in motor development



Silicon Valley Office networking activities



In-house practical course on electrification



Employees at TS Manufacturing Headquarters achieved the quality tree targets for the second consecutive year



EXEDY Olympics (skill improvement activities) die replacement competition



Employees participating in Raku-Nest training



Family workplace visit



Halloween event at in-house nursery school



Table tennis workshop for children by the Women's Table Tennis Team

1. Strategies to Strengthen Human Capital

1) Value-creation Approach

With our Long-term Vision of "being an attractive company that inspires excitement and passion," we aim to be a company that fulfills its employees by creating an environment where employees can actively take on challenges and make suggestions that promote their growth and by expanding systems that enable a diverse range of employees to work with peace of mind.

Senior Executive Officer Executive General Manager Global Human Resources Development Headquarters
Yoshihiro Yamamura



2) Targets and Actual

	Target (FY2030)	Actual (FY2022)	Compared to the previous fiscal year
Employee Awareness Survey (Overall Satisfaction)	70%	49.0%	+ 1.6points
Human resource development (training hours/person/year)	48hours	31.8hours	+ 15.7hours
Percentage of female managers	7%	3.6%	- 0.1points
Total Working Hours	Less than 1,900hours	1,888hours	- 10hours
Paid Leave Utilization Rate	100%	101.2%	+ 24.9points

3) Policies

(1) Human Resource Development (create an environment that fosters employee growth)

Approach/Policy

EXEDY is working to refine our core technologies while creating new products, such as electrified products, and focusing on human resource development to continue to grow as a global company. To provide learning opportunities for employees, we have set annual training hours per employee as a KPI and formulated a plan to significantly increase these hours by FY2030. To develop human resources that will contribute to the sustainable growth of our group, we have established training and development programs by job level, taking into account each level and its objectives.

Initiatives

① Education on Electrification

To train human resources who can contribute to the development of the electrification-compatible products we are promoting, since FY2022, we have been inviting specialist lecturers from outside the company to provide education on electrification, mainly for employees in the Development Department and Production Engineering Department.

General Electric System Basic Training I = Foundations of Electrical and Electronic Engineering

General Electric System Basic Training II = Foundations of Power Electronics

General Electric System Basic Training III = Motor Engineering

The training was created by dividing it into the above three steps. In FY2022, a total of 311 employees attended lectures, contributing to increased knowledge of electrified products and reskilling.



General Electric System Basic Training

② New Business Creation Training (Basic Courses)

To create new business other than our existing business, we started New Business Creation Training (basic courses) from 2022. The training is carried out divided into two parts (Creative Training to learn how to come up with ideas and strengthen creativity and Marketing Training to create and implement effective strategies) and 101 employees, mainly from the Sales Department, Development Department, and Production Engineering Department, attended the training.

From 2023 onward, in addition to these basic courses, we will also offer courses to learn about devising business models and devising plans (applied courses).



New Business Creation Training (held online)

③ Digital Transformation Promotion

In each department, to develop human resources who are familiar with digital technologies and data utilization, which are central to promoting digital transformation (DX), we first conducted IT literacy training in the first half of FY2023 so they will acquire the ability to appropriately understand and utilize knowledge about IT. At the same time, on the subjects of creating new businesses and new projects, we also conducted programming education utilizing external materials for employees who need programming skills.

④ Support for Autonomous Career Development

We provide support for autonomous career development to improve the job satisfaction of each employee. On building career awareness, which has emerged as an issue in the Employee Awareness Survey in the past, the results of the FY2022 survey show signs of gradual improvement, but the absolute value is not high, and we recognize that it remains a major issue in the human resources field. We believe that building career awareness is an important factor that leads to job satisfaction (engagement) for employees, and we will continue to focus on these activities.

As specific activities, we first prepare individual career plans so that each of our employees can take the initiative and positively envision their careers. These career plans are shared with supervisors at the workplace, and career interviews are also conducted so they can obtain support for realizing their career plans.

In FY2022, Career Interview Training was held for managers at each department head level to conduct effective career interviews, and 78 employees participated in the training to work on implementing better career interviews.

The Career Interview Training program was expanded in FY2023 to include supervisors at the team leader level. In addition, during FY2023, we introduced a system that allows employees to take on the challenge of realizing their career development by themselves, called the Career Challenge System, and established a system to support them in realizing their own career development, such as internal recruitment and self-application transfers.



The Career Interview Training program

(2) Promotion of Diversity and Inclusion (expand 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

We have established systems such as remote work, flextime work, and limited working hours so employees can work in a way that is not restricted by place and time. The use of these systems is shown in the table below. In FY2021, we established a new career support leave system that allows employees to take up to one year of leave to ensure diversity in employee work styles, provide opportunities to improve and develop their abilities, gain new knowledge and experience, and support their careers. In addition, a new career refresh support system has been established to provide allowances to support autonomous career development at certain milestones.

<Number of users of each system (person)>

Classification	System Name	FY2019	FY2020	FY2021	FY2022	Compared to
						FY2019
Place	Remote working system	26	212	647	267	1027%
Time	Flexible working system	427	591	663	654	153%
	Childcare / limited working hours system	50	51	77	69	138%
		Shortened working hours for childcare	50	51	54	32
	Limited working hours system	(Newly established in FY2021)		23	37	-
	Career support leave system	(Newly established in FY2021)		1	4	-

② Creating a comfortable work environment

With the aim to “Become an attractive company where people feel excitement and passion,” we set overall satisfaction (ratio of positive responses) as a KPI. We believe that overall satisfaction will increase through diversity-conscious initiatives and efforts to enhance job satisfaction, and we conduct an annual Employee Awareness Survey to confirm the effectiveness of each initiative and overall satisfaction. The activities to increase overall satisfaction include company-wide efforts and efforts by headquarters units. From FY2021, labor and management have been working together at MT Manufacturing Headquarters to remedy problems at each workplace. Issues were prioritized and the process for determining measures was disclosed to employees as we proceeded. As a result, overall satisfaction improved by 13.7 points. Initiatives like this by each headquarters are shared among members of the Sustainability Working Group, which includes staff members and executives from each headquarters, at the Sustainability Meeting held twice a year, and then rolled out horizontally to other headquarters.

We are also committed to creating a comfortable work environment where employees naturally express gratitude, admiration, and respect for each other’s work and actions in words.

We have created educational videos on how to listen to and consult with supervisors and colleagues in their daily work so they can respect each other’s opinions and actively exchange opinions, which are shared at department manager meetings and distributed company-wide.

③ Female Employees Empowerment, Men taking childcare leave

In EXEDY, we have set a KPI to increase the proportion of women in management and a target to increase the proportion of female employees by FY2050. To achieve this goal, we have established a three-level training course for female employees. This course is tailored to each employee’s position and

career plan to help them to achieve their career goals. In addition, in order to create a culture free from unconscious bias, such as the belief that only male employees can achieve management positions, we provide education on unconscious bias as part of training for new managers and supervisors. Also, to enable male employees to be actively involved in raising children, from April 2022, we have been publicizing individual systems for childcare leave and confirming intentions to take leave, as well as spreading systems related to childcare throughout the company. As a result, the percentage of male employees taking childcare leave increased by 32 points, from 1% in FY2019 to 33% in FY2022.

<Three-level training course for female employees>

Training Course	Aim	Format
A	On-the-job training for management appointments	Individual training (up to 5 years)
B	Improve job performance abilities and raise awareness as management candidates	Individual training
C	Boosting motivation	Group training

④ Expansion of Employment of People with Disabilities

EXEDY established EXEDY Sun, a special subsidiary, in March 2011, and employed 28 people with disabilities (as of March 31, 2022). Employees with intellectual disabilities receive the support they need and perform the tasks that utilize their attributes and skills, such as blade alignment, assembly, and other precision work encompassed in torque converters, cleaning product containers, and labeling cosmetic boxes.

EXEDY Logistics is working to promote the employment of people with disabilities and to develop a system for accepting them once they are employed, for example, by providing on-site pre-recruitment training and training for employees to support them. In March 2022, we acquired certification under the system for outstanding small and medium-sized employers related to the employment of people with disabilities (Ministry of Health, Labour and Welfare Monisu Certification System).



Blade assembly work at EXEDY Sun



EXEDY Logistics acquires Monisu Certification



⑤ Promotion of reduction of total working hours and increasing paid leave utilization rate

To respect the work-life balance of our employees, we have set KPIs to reduce total working hours and increase the paid leave usage rate. In addition to promoting multi-skill development in each department so that multiple employees can take charge of a single operation (process), we have set aside five paid leave utilization promotion days a year for employees to take paid leave at the same time throughout the company, and plant operations are suspended at headquarters units and business site units according to busy and off-peak periods, as paid leave promotion days making it easier for employees to take paid leave. In manufacturing departments, labor and management work together to collaborate on the issue of night shift workers having a particularly hard time taking paid leave, based on opinions obtained through the Employee Awareness Survey and opinion exchange meetings for younger employees, and we are taking measures such as labor and management reviewing production plans to make it easier for employees to obtain paid leave. Since January, we have also established a backup leave system where employees can take three days off if they have to be absent at short notice one month or more after taking 100% of their paid leave, thus promoting the systematic use of paid leave. In FY2022, 196 employees took backup leave.

2. 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.

Director, Senior Executive Officer Executive General Manager Development Headquarters
Mitsugu Yamaguchi



2) Target and Actual

	Target (FY2030)	Actual (FY2022)	Compared to the previous fiscal year
Total R&D expenditures Ratio of R&D expenses for new product development *1	70%	35%	+7%
Number of patent applications *2	—	Japan 53 (other than internal combustion engines 42) *3 Overseas 96 (other than internal combustion engines 80)	—
Number of patents held *2	—	Japan 335 (other than internal combustion engines 55) *3 Overseas 464 (other than internal combustion engines 94)	—

*1: New products, systems, services and creation of new value for current products *2: EXEDY + DYNAX + EXEDY Globalparts *3: Electrification-related products + HEVs

• EXEDY is increasing the proportion of R&D expenditures related to new products and has applied for patents mainly for electrification-related technologies in FY2022 (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

To share the progress and issues of new business projects undertaken by each division and to consider the optimal allocation of resources, we established the New Business Promotion Section under the direct control of the President. The Executive General Managers of the Development Headquarters, Sales Headquarters, Production Engineering Headquarters, and Administration Headquarters also serve concurrently as members to discuss areas for future initiatives.

② Strengthening marketing capabilities

The Business Development Department was established to carry out various marketing activities such as sales strategies, public relations strategies, business model studies, and research activities. By deploying human resources with a wide variety of abilities, we are working to create new businesses with a flexible mindset that is not bound by fixed ideas.

③ Strengthening new product development capabilities

Along with the transition to the mass production phase of electric product development, the department was reorganized into the Mass Production Development Department and Advanced Development Department. The Mass Production Development Department handles mass production of new products across functions at the Electric Product Development Center, which brings together people in charge from product design, parts procurement, production technology, and quality assurance.

In addition, to improve the efficiency of developing electric products, we have established the Element Technology Department and the System Analysis Technology Department by integrating the element development and analysis technology functions that had been scattered throughout various departments.

(2) Open Innovation

Approach/Policy

We aim to create new value by combining EXEDY's accumulated strengths and outside resources from external organizations.

Initiatives

- ① We established an open innovation base in Silicon Valley, U.S.A. By having a base in Silicon Valley, where technology and startup information from around the world is gathered, we will create new value by promoting global information gathering and collaboration with startups and research institutions.
- ② We invested in Starya, a company that plans, develops, and sells BEV motors and controllers for motorcycles and three-wheelers to build a partnership with them. We will collaborate to accelerate the motorcycle and three-wheeler EV conversion business in India and ASEAN countries.
- ③ We will continue to strengthen our partnerships with VCs, as well as cooperation between industry and academia (Hokkaido University, Kobe University, etc.).



Information gathering by the Silicon Valley Office



Joining shoulders with venture capital in open innovation activities

3. Strategies to Strengthen Manufacturing Capital

1) Value Creation Approach

One of EXEDY's strengths is its ability to provide high-quality life-carrying automotive and motorcycle products worldwide. While leveraging the manufacturing expertise and global production system developed since our inception, we are pursuing the highest quality manufacturing (see page 14 for details) by promoting human resource development and production system evolution. We are also working to reduce the environmental impact of our business activities by improving environmental efficiency and productivity through the use of our in-house developed IoT system (EXPRESS).



2) Target and Actual

	Target (FY2030)	Actual (FY2022)
Capital Expenditure	—	11.1 Billion Yen
Greenhouse Gas Emissions (Compared to FY2019)	-46%	-19.6%

3) Policies

(1) Developing human resources for manufacturing

EXEDY is committed to enhancing its training system for factory technicians responsible for manufacturing. We focus on human resource development of technicians who support manufacturing, such as stratified training programs from basic to advanced levels, multi-skill engineer training based on skill improvement plans for each workplace, and reskilling to respond to new products.

(2) Initiatives toward carbon-neutral production systems

EXEDY is promoting energy conservation activities at its plants worldwide and considering introducing renewable energy sources to achieve carbon neutrality by FY2050.



① Energy-saving activities

The casting process, which had been produced at the Ueno Division (Iga City, Mie Prefecture) since 1975, was renewed and relocated to the Kameyama Division (Kameyama City, Mie Prefecture) in July 2023. In this renewal, along with a change to energy-saving equipment, the know-how of skilled technicians was quantified with the latest sensing technology, and the plant has been transformed into a high-efficiency, high-quality plant through analysis and prediction.

② Introduction of renewable energy

Each plant is investigating and implementing the most appropriate scheme. Neyagawa Headquarters and the Ueno Division and other domestic and overseas group companies have already installed solar panels on the roofs of their plants. DYNAX has decided and is preparing to introduce renewable energy using a biomass boiler and an off-site PPA model with direct supply from self-owned lines. EXEDY Clutch India and EXEDY Fukushima have also begun installing renewable energy.

4. Strategies to Strengthen Social and 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 at the fastest possible 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 reflect their opinions in our corporate activities.
Partner Companies	By promoting dialogue with cooperating companies, we will work together to promote sustainability activities and resolve social issues.
Partner Companies	Through collaboration with local communities, we strive to achieve "diversity," "community building," and "nurturing the next generation," aiming for sustainable growth for both society and our company.

2) Initiatives and Achievements

(1) Disclosure and promotion of dialogue with shareholders and investors

In the area of disclosure, in addition to the financial statements, we newly started disclosing financial reporting documents on our website and disclosed information in compliance with the recommendations of the Task Force on Climate-related Financial Information (TCFD), which is in line with the Corporate Governance Code. We have been striving to enhance the disclosure of both financial and non-financial information. As a result, we are selected as an FTSE Blossom Japan and FTSE Blossom Japan Sector Relative Index stock. In addition, we held 50 discussions with shareholders and analysts through one-on-one meetings and conference calls related to the financial statements.

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

There were a total of 104 town hall meetings held by the President and Senior Executive Managing Director in two series for all employees (approx. 2,600). Management and employees engaged in dialogue to share values, such as Long-term Vision and information about new product development. In addition, four management council meetings were held between management and employee representatives to discuss various issues in corporate management.

(3) Holding procurement policy briefings for cooperating companies

Every year, we hold procurement policy briefings for our cooperating companies, and ask them to comply with our CSR guidelines for cooperating companies and to address social and environmental issues that go back through the supply chain. This year, in addition to the above, we invited outside lecturers to hold online climate change workshops for partner companies, 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).

Please refer to the link to the right for more details on collaboration with cooperating companies.

[Supply Chain / EXEDY Corporation \(exedy.com\)](https://www.exedy.com/en/supply-chain)

(4) Collaboration with local communities

In terms of achieving diversity, EXEDY Ueno Division (Iga City, Mie Prefecture), which employs many foreign workers, participated in a study of measures for transnational exchanges as a member of the Iga City Multicultural Coexistence Promotion Committee, and the Iga City Multicultural Promotion Plan (2023-2026) was formulated in February 2023. In line with this, we aim to make Iga City a place where all people can feel comfortable living, by establishing an equal relationship with Japanese residents, participating in town planning together, and preventing foreign residents from suffering social disadvantages.

In addition, the athletes of the EXEDY Women's Table Tennis Team (Japan Company Team League) and Iga FC Kunoichi Mie (Nadeshiko League), to which our employees belong, conduct community contribution activities through sports, such as holding table tennis and soccer classes for children.

[Other activities of the Women's Table Tennis Team / EXEDY Corporation \(exedy.com\)](#)

[Hometown activities / Iga FC Kunoichi Mie website](#)

DYNAX supports the promotion of women's activities in the community by accepting children of non-employees at its on-site childcare facilities.

We are actively working to employ people with disabilities in the local community. In 2020, EXEDY Trading was recognized by the Osaka Employment Development Association as an excellent workplace hiring people with disabilities. In March 2022, EXEDY Logistics acquired certification under the system for outstanding small and medium-sized employers related to the employment of people with disabilities (Ministry of Health, Labour and Welfare Monisu Certification System).

With regard to community development, we have offered our land adjacent to our headquarters as EXEDY Disaster Prevention Park free of charge to Osaka Prefecture and Neyagawa City.

EXEDY donated 6.5 million yen to support victims of the earthquakes in Turkey and Syria that occurred in February 2022. EXEDY Clutch Europe and EXEDY Middle East, which are operating in the region, are also providing support in the form of donations and relief supplies. In response to the major earthquake that hit West Java, Indonesia, in November 2022, EXEDY Manufacturing Indonesia held an in-house fundraising campaign and distributed relief supplies to the victims.

At EXEDY and our affiliated companies in Japan and overseas, we are continuously working to improve the local environment and continue CSR activities such as community beautification and cleanup, protection of the natural environment, support for local activities and educational institutions, and donations and contributions. In recognition of these community contribution activities, EXEDY Thailand was awarded the CSR-DIW Award by the Thai Ministry of Industry in August 2022 (DIW: Department of Industrial Works).

In the area of next-generation development, EXEDY supports student automobile races and provides internship opportunities. Workplace experience for neighborhood junior high school students, which had been suspended due to the COVID-19 pandemic, resumed in August 2023. EXEDY Thailand and EXEDY Friction Materials (Thailand) also visit elementary schools and children's centers to support a safe and secure environment for children to receive a good education by improving the educational environment, providing scholarships, donating teaching materials and equipment, and providing education with games and quizzes.

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

[社会貢献活動 | 株式会社エクセディ \(exedy.com\)](#)



Table tennis class for elementary school students by the Women's Table Tennis Team



CSR activities at elementary schools (Thailand)



Donation to earthquake-hit areas (Indonesia)

5. Strategies to Strengthen Natural Capital

1) Value Creation Approach

Through our business activities, we utilize mineral resources, industrial water, energy resources, and other resources as raw materials for our products, so we strive to efficiently use natural capital and reduce our environmental impact. In particular, because energy resources are used in the manufacturing process and in the use of final products, which has an impact on climate change, we are committed to maintaining the global environment and creating economic value under our Long-term Vision of “contributing to creating a decarbonized society.”

2) Target and Actual

	Target (FY2030)	Actual (FY2022)
Greenhouse Gas Emissions (Compared to FY2019)	▲ 46%	▲ 19.6%

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 \(exedy.com\)](https://www.exedy.com/en/environment)

[Environmental Management / EXEDY Corporation \(exedy.com\)](https://www.exedy.com/en/environmental-management)

[Efforts to Reduce Environmental Impact / EXEDY Corporation \(exedy.com\)](https://www.exedy.com/en/efforts-to-reduce-environmental-impact)

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 FY2022, the EXEDY Group as a whole generated 6,773,411 kWh of electricity, and the in-house consumption rate was 0.39%. We are also promoting the purchase of electricity derived from renewable energy sources at each of our bases. The results for FY2022 are as follows.

Company	Country	Purchased (thousand kWh)
EXEDY Clutch India	India	12,960
EXEDY Friction Material	Thailand	4,500
EXEDY Fukushima	Japan	649

(3) Contribution to Natural Environment Protection and Biodiversity Conservation

To protect the natural environment and biodiversity of each country and region, the EXEDY Group actively engages in community-based biodiversity conservation and nature conservation activities at each base.



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



EXEDY Thailand (EXT) tree-planting activity

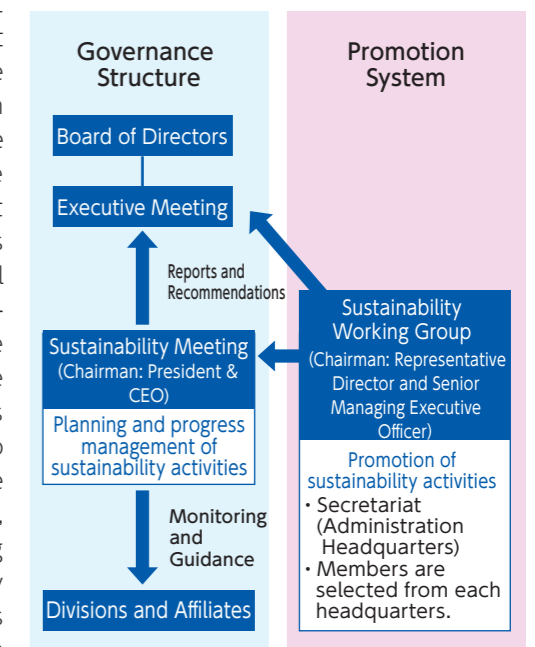


(4) Information Disclosure Under the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

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 scenario definition was based on the analysis of all projects on a global basis and classified into two categories: 4 ° C scenario (case of little progress in addressing global warming) and below 2° C scenario (case of accelerated global warming), for the two axes of transition risk and physical risk.

Transition risk

	Parameter	Current	4° C scenario*3	Below 2° C scenario*4	Provenance
Carbon price	Carbon price <developed countries> (US\$/t-CO2)	—	—	FY2030: 100 FY2040: 140 FY2050: 160	IEA "WEO 2021" *5 (SDS/Sustainable Development Scenario)
Changes in the energy mix	Electricity rate (US\$/MWh)	216	FY2050: 184	FY2050: 242	IEA "WEO 2018"
	CO2 conversion index (t-CO2/MWh)	FY2019 : 0.46	FY2030: 0.31	FY2030: 0.16	IEA "WEO 2020"
Raw material price	Iron price (US\$/t)	350	FY2050: 382	FY2050: 506	2DII The Transition Risk-o-MeterReferenceScenarios forFinancial Analysis *6
Changes in customer behavior	Gasoline diesel vehicle sales volume	Current status (=100%)	100% in 2050 LCT *1	90% reduction in 2050 ACT *2	2DII The Transition-Risk-o-MeterReferenceScenarios forFinancial Analysis
	EV penetration rate	0.3%	FY2030 5%	FY2030 39%	Global Calculator

Physical risk

	Parameter	Current	4° C scenario*3	Below 2° C scenario*4	Provenance
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 : 2° Investing Initiative (2DII)

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.

Main risks

Key Items	Potential Financial Impact	Time axis Impact	Countermeasures
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 590 million JPY/year./ <FY2021: ¥2.93/kWh>	Medium-term High	·Introduction of internal carbon pricing to stimulate the introduction of energy-saving equipment. ·Gathering and researching information on renewable energy options in Japan and overseas to minimize the cost of introducing renewable energy.
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 -180 billion JPY.	Long-term High	·Collection of information on regulations and customer trends related to internal combustion engine vehicles in Japan and overseas ·Development of new products for electric vehicles with features that improve efficiency during rotational energy transfer (EXEDY's strength)
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 (81% of total manufacturing), where flooding is most likely to occur, the impact on sales will be -4.6 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 cooperating companies

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.

Main opportunities

Key Items	Potential Financial Impact	Time axis impact	Countermeasure
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 (-1.1% in FY2030). This action is expected to reduce costs by approximately 600 million 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
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 exempt from regulations in Japan and China. ·Global HEV sales in FY2032 will be six times higher than in FY 2019 (35 million units). The impact on sales in FY2030 is expected to be 37 billion JPY due to the development of technologies such as HEV damper and direct drive iSG for HEVs, contributing to decarbonization.	Medium-term High	·Set the "sales ratio of products that contribute to decarbonization" as a KPI. Set a target of 15% by FY2030 and 51% by FY2050, and focus on creating and expanding sales of products for HEVs and BEVs ·Also set the "Ratio of R&D expenses for new product development" as a KPI. Set a target of raising this ratio to 70% in FY2030 and 90% in FY2050 and strengthen the development structure.
Development of new products through R&D and technological innovation	Increased sales due to increased demand for drive unit products centered on motors for BEVs ·The global BEV (electric vehicle) sales share in FY2032 is expected to be 42% (2% in FY 2019), and the global sales volume to be 43 million units. We assume that the development of BEV wide-range drive systems and other technologies will have an impact of 5 billion JPY on sales in FY2030. ·The market for drive unit products centered on motors for new fields such as drones is also expected to grow in the future.	Medium-term High	·In addition to the above, we concluded a capital and business alliance with Aster, a company with strengths in high-output, compact motors. (EXEDY/drive technology × Aster/motor technology) ·Accelerate technology development of the following motor-centric drive unit products ~BEV wide-range drive systems, motorcycle electric units, drone propulsion systems, Universal e-Drive Units

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 order to strengthen the resilience to the impact of the carbon-neutral movement on the EXEDY Group's product development and production system, which we have recognized by identifying the risks and opportunities mentioned above, we are implementing the following two points.

The first is the formulation of a Long-term Vision that incorporates climate change countermeasures and the announcement of a sustainability declaration. In our Long-term Vision, we aim to contribute to the creation of a decarbonized society through both product expansion and production systems. In addition, in the sustainability declaration, we have announced that we will achieve carbon neutrality by 2050.

Secondly, we are strengthening our product development structure through open innovation and organizational restructuring. As for open innovation, we concluded a capital and business alliance with Aster, a company with strengths in high-output, compact motors. As part of our organizational restructuring, we have integrated the Development Headquarters and the Motorcycle Clutch Headquarters, and newly established the Development Planning Department, Smart Technology Department, and other departments. In addition, electric product representatives from the Development, Purchasing, Production Engineering, Quality Assurance, and Manufacturing Headquarters have been assembled to prepare for the mass production of electric products across the entire company. By strengthening these product development systems, we will accelerate the technological development of motor-centered drive unit products, including BEV wide-range drive systems and motorcycle electric units, utilizing EXEDY's drive technology and Aster's motor technology.

D.Impact on financial planning

There are also two main impacts on financial planning.

The first is an increase in the R&D expense ratio for new product development. As mentioned earlier, against the backdrop of carbon neutrality, it is necessary to expand the number of new products that contribute to decarbonization and strengthen the development system for new products. Accordingly, in our financial plan, we plan to increase the ratio of new product development expenses to R&D expenses from 29% in 2019 to 90% by FY2050.

The second point is to account for the purchase of renewable energy. As part of our production system for carbon neutrality, we plan to start purchasing renewable energy sources in FY2024 and have incorporated this into our consolidated medium-term management plan.

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 2050, 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 (FY2022)	Reduction rate -19.6% <Compared to FY2019> Emissions (1000t-CO2) Scope 1: 33.5, Scope 2: 170.2, Scope 3: 1,491.8

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 medium-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, 2022 to March 31, 2023

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 \(exedy.com\)](https://www.exedy.com/en/environmental-reports)

6. Strategies to Strengthen Financial Capital

1) Value Creation Approach

To transform our business portfolio and create new value, we will need resources for R&D for new products, M&A, and other growth investments. We aim to increase our corporate value by maintaining and improving profitability in our existing businesses and preferentially allocating the funds earned from them for the creation and development of new businesses. In addition, EXEDY has been able to maintain a sound financial position, and we believe that an increase in retained earnings beyond the current status would result in a deterioration in capital efficiency. This is why, after deducting investment in growth and so on, we will return surplus funds to shareholders more proactively than ever before.

Representative Director Senior Executive Managing Officer Executive General Manager Administrative Headquarters



Hiroshi Toyohara

2) Target and Actual

	Target (FY2030)	Actual (FY2022)	Compared to the previous fiscal year
ROE	More than 10%	2.1%	-3.8 points
Stable shareholder returns	Dividend payout ratio of 30% or more + maintenance of stable dividends	Dividend: 90 yen per share per year ※ Dividend payout ratio: 92.0%	± ¥0 per share per year

※ The dividend payout for FY2023 is scheduled to increase to ¥120 per year

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

At the Board of Directors meeting held on December 27, 2023, EXEDY deliberated and decided on the following, and we are committed to management with an awareness of the cost of capital and stock prices.

(1) Current status assessment

The Group's return on equity attributable to owners of the parent (ROE) for the fiscal year ended March 31, 2023, was 2.1%, down sharply from 5.9% for the fiscal year ended March 31, 2022. Although this was largely due to the impact of impairment losses of a total of ¥4.2 billion recorded at subsidiaries in North America and Japan in the fiscal year ended March 31, 2023, we recognize that even if these impairment losses had not been recorded, the ROE would have been around 4%, which is significantly lower than the rate of return expected by our shareholders.

Meanwhile, our PBR has been consistently below 1 for about the last ten years, and was 0.33 as of March 31, 2022, and 0.38 as of March 31, 2023. Even with the most recent recovery in the stock price, as of February 22, 2024, it was 0.57 (using the parent company owner's equity per share as of the end of September 2023 as the denominator).

In our analysis, there are two major reasons why PBR has remained at a low level: firstly, low return on capital, and secondly, uncertainty about the future. Explanations of each are given below.

① Low return on capital

In response to the increased production of automatic transmissions by our customer automobile manufacturers and transmission manufacturers in the 2010s, the EXEDY Group had been aggressively conducting capital investment, but to ensure financial stability, we had been using retained earnings as the source of funds. However, due to the decline in vehicle production volume during the COVID-19 pandemic, followed by the

decrease in production volumes of internal combustion engine vehicles due to the ongoing trend toward EVs, our production capacity has become excessive.

ROE is broken down into "return on net sales × total asset turnover × financial leverage," but excessive production capacity has put pressure on profits in the form of higher fixed costs, total asset turnover has also declined, and financial leverage has declined as we have accumulated equity, leading to the current low return on capital.

② Uncertainty about the future

The EXEDY Group's main products are clutches for manual transmission (MT) vehicles and torque converters for automatic transmission (AT) vehicles, both of which perform the function of transmitting engine power to the transmission. As production of internal combustion engine vehicles decreases due to the shift to electric vehicles, demand for our products will also decrease.

For EXEDY to survive in the future, it will be necessary to develop and sell new mainstay products, but our analysis indicates that the lack of a clear plan for this is a factor that is causing anxiety about the future and hindering a rise in the stock price.

(2) Future initiatives

Based on the above current status assessment, the Group will proceed with the following policy initiatives. Note that discussions on specific measures and targets are ongoing, and we will report them as soon as they are formulated.

① Maintaining and improving profitability in existing businesses

Among the Group's existing businesses, with regard to the torque converter business in the AT segment, where volume is expected to decline in the future, we will hold discussions with our customers to implement a bold restructuring of production capacity, taking into account customer demand trends. This will reduce fixed costs and halt the deterioration in profitability. At the same time, we will promote sales expansion of damper products for hybrid vehicles, for which production volume is expected to increase in the future.

Meanwhile, in the MT business, a high level of production volume is expected in the Indian passenger car market, and demand in the repair market is expected to remain strong, so EXEDY will continue to win orders in these markets.

Creation and development of new businesses

As the shift to EVs is expected to accelerate further in the future, the Group will continue to develop the electrified products business as one of our core businesses. Since this is also an area that many companies are already engaged in, for essential technologies, we will consider collaboration with companies that already possess such technologies, as well as M&A. We are also promoting the retraining of employees to acquire the skills and knowledge necessary to develop electrified products, as well as hiring human resources with such knowledge.

At the same time, we will promote open innovation activities, such as making use of our Silicon Valley office and collaborating with venture capital, to create an environment in which new business ideas will spring up more and more, not just for electrified products.

③ Financial strategy

Although the EXEDY Group maintains a sound financial position with a consolidated capital adequacy ratio (ratio of equity attributable to owners of the parent) of 68.0% at the end of March 2023, the Group has determined that an increase in retained earnings beyond the current status would result in a deterioration in capital efficiency, and our policy is to return surplus funds to shareholders more proactively than ever before.

④ Carrying out proactive IR activities

We will work to proactively disclose information and engage in active dialogue with investors to make them aware of the progress of the initiatives described above. At the same time, we will strengthen the dissemination of information in the Integrated Report and on the EXEDY website to help shareholders and investors gain a deeper understanding of the Group.

Chapter 5

Foundation for Value Creation

In order to execute the strategies for value creation described in Chapter 4 and sustainably enhance corporate value, EXEDY has established a system and formulated policies related to corporate governance, etc., and is promoting various initiatives.

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- 2. Directors and Auditors 62
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Healthy walking activities held at EXEDY DYNAX Shanghai



Meeting scene



Blood donation campaign at EXEDY Malaysia



Conducting BCM training



Greetings at the conclusion of technical intern training



Conducting a firefighting drill



EXEDY Friction Material receives a Platinum Safety Award from the government of Thailand for the sixth consecutive year

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 medium to long-term business value and continue to grow.

Initiatives to Enhance Corporate Governance

To continue growing as a global company that can contribute to society, we have adopted a Long-term Vision of "maintaining a stable management structure based on strong governance," and are striving to improve the fairness and transparency of the 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 2023, 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 FY2023.

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.

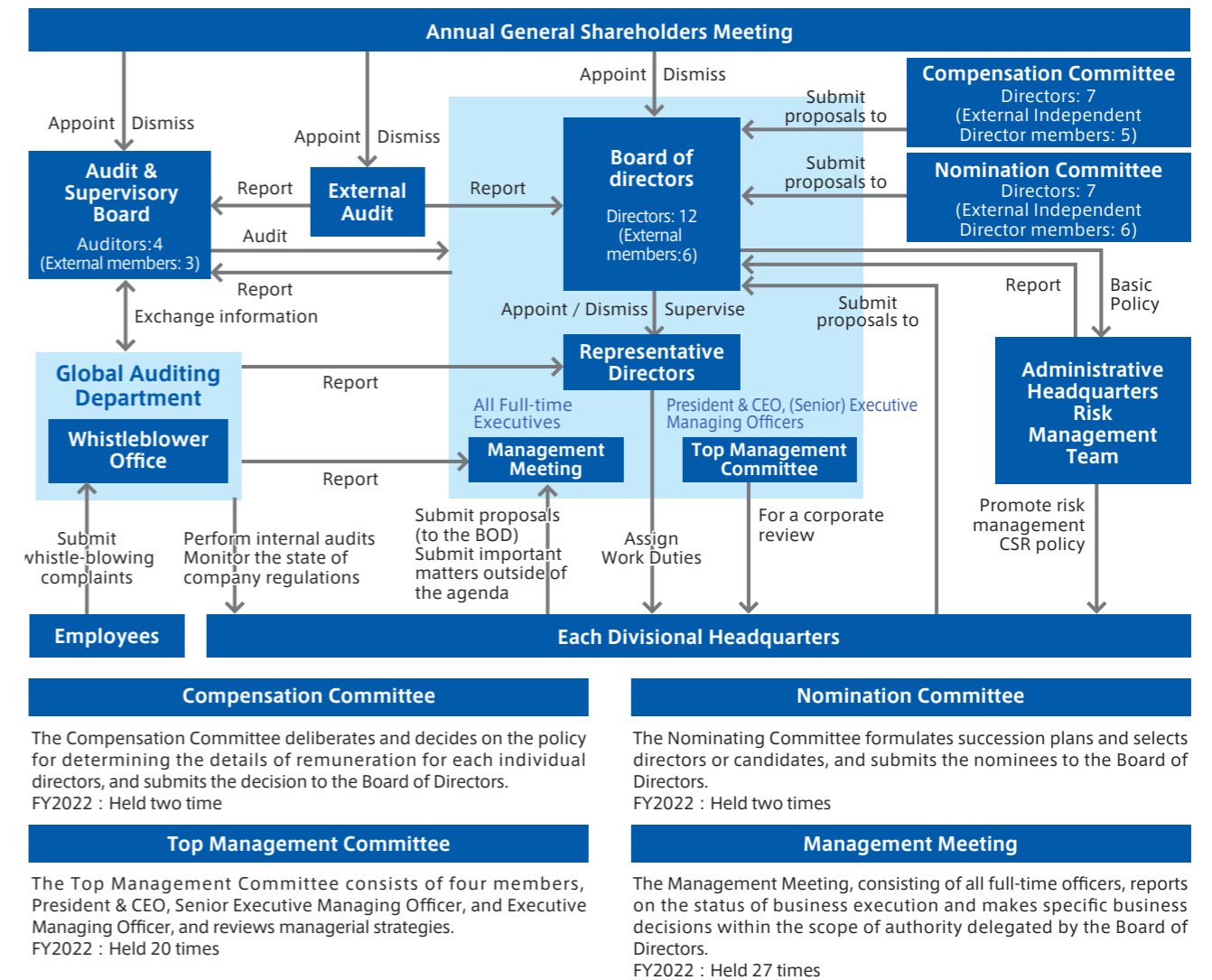
An Outline of Our System of Corporate Governance

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. At the same time, so that we can ensure transparency in all business operations, we made our board of directors consist of 12 directors and four auditors, of which nine individuals are outside executives (and of these five individuals serve as independent outside directors and two individuals serve as independent outside auditors), and we have deemed that our present structure of a company with an Audit and Supervisory Board is currently the optimum choice.

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 FY2022, 12 meetings were held. By appointing four 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 medium to long term. Moreover, in order to balance the diversity of the Board of Directors and its overall knowledge, experience, and abilities, we aim to appoint executive officers who are familiar with EXEDY's operations and experienced representatives of major subsidiaries as directors, as well as outside directors and corporate auditors with a high level of expertise.

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 given to the balance between quick decision-making and diverse viewpoints. The Board of Directors will decide on the election and dismissal of Executive Officers. Proposals for the dismissal 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, in the event of significant damage to corporate value.

Assessment of Board of Directors' Effectiveness

Every year, we conduct a questionnaire on the effectiveness of the Board of Directors, and in FY2022, we conducted the same questionnaire. Based on the results, we believe that the effectiveness of the Board of Directors has been generally secured. Based on feedback from Directors and Auditors, we will continue to make improvements to further enhance the effectiveness of the Board of Directors.

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 Executive Committee, the President, and the Executive General Managers, based on the degree of management importance and influence. In principle, the Management Committee 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 Managing Directors' Meeting, 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 medium 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 proprietary or competing transactions 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 prevailing 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 statutory auditor and the Global Auditing Department exchange information on audit planning, progress, and results of audits as appropriate. Full-time auditors exchange information with each other and work closely with the Global Auditing Department and accounting auditors.

Composition of the Board of Auditors

When nominating the auditor candidates, besides considering their knowledge in various fields such as finance, accounting, taxation, legal, etc., and in our business and corporate management, we also consult with the current

auditor individually in advance, and determine a balanced composition of the Board of Auditors as a whole.

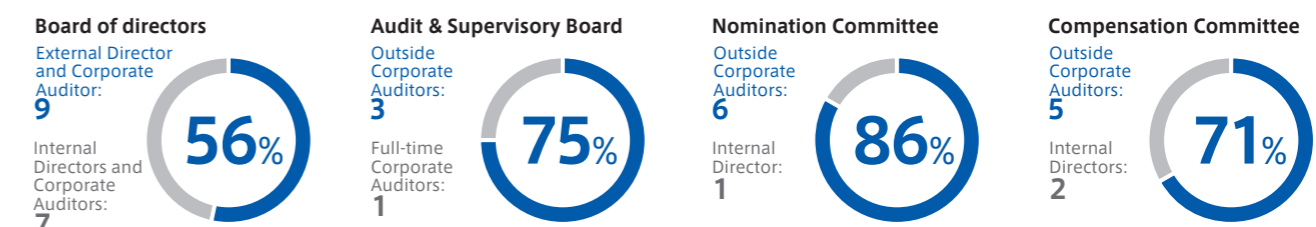
Internal Audit Department

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.

Ratio of Outside Board Members



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	(Outside)	○	○	
	Director	Ichizo Yoshikawa	male	(Outside) (Independent)	○		○
	Director	Toshiki Takano	male	(Outside) (Independent)	○		○
	Director	Takashi Hayashi	male	(Outside) (Independent)	○		○
	Director	Fukuko Inoue	female	(Outside) (Independent)	○		○
	Director	Kimiko ito	female	(Outside) (Independent)	○		○
Auditor	Full-time Corporate Auditor	Ryu Suzuki	male	○	◎		
	Auditor	Shintaro Ito	male	○	○		
	Auditor	Tadashi Fukuda	male	○	○		
	Auditor	Satoshi Tsubota	male	○	○		

Remuneration for Board Members

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

Basic Policy

The Company's basic policy is to link the remuneration 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 remuneration of each director at an appropriate level based on their responsibilities. In concrete terms, the remuneration of executive directors shall consist of base remuneration as fixed remuneration, bonuses, and stock-based remuneration, while outside directors, who are responsible for supervisory functions, shall be paid only base remuneration in view of their duties.

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

The basic remuneration of directors in EXEDY shall be a monthly fixed remuneration, 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, our company's performance, employee salary etc.

Policy for determining the amount of non-monetary remuneration and the method for calculation, etc. (including the policy regarding the determination of the timing or conditions for granting remuneration, etc.)

The Company's non-monetary remuneration, etc. for directors shall be stock remuneration (restricted stock). The remuneration shall be determined with comprehensive consideration of the scope of responsibilities, our management plan and performance, an appropriate ratio of base remuneration and bonuses, remuneration 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 Remuneration, etc. of Individual Directors

The ratio of remuneration of executive directors by type will be determined individually, so that, in principle, the weight of stock-based remuneration will increase with higher executive positions, considering the remuneration level of other companies in the same business size and related industries and business categories as our company.

Matters Concerning Determination of Remuneration, 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 remuneration. As for stock-based remuneration, the number of shares to be allocated to each director shall be resolved by the Board of Directors.

Amount of Remuneration for Directors and Auditors (FY2022)

Category	Total amount of remuneration, etc. (Mil. JPY)	Total amount of remuneration, etc. by category (Mil. JPY)			Number of Board Members
		Basic Remuneration	Bonus	Non-monetary compensation, etc.	
Director (Outside Director)	264 (30)	222 (30)	24 (-)	18 (-)	13 (6)
Auditor (Outside Auditor)	35 (17)	35 (17)	- (-)	- (-)	5 (4)
Total (Outside Board Member)	299 (47)	257 (47)	24 (-)	18 (-)	18 (10)

1. The amount of remuneration does not include employee salaries and bonuses for directors who also serve as employees.

2. Non-monetary remuneration consists of stock-based compensation (restricted stock), and 10,500 shares were issued to six directors based on a resolution of the Board of Directors on June 28, 2022.

3. Limit of monetary remuneration 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 remuneration 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 four. In addition, the following resolution was passed regarding stock-based remuneration, which is separate from monetary remuneration. Resolution on share-based remuneration 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 seven.

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, 2023)

	Number of Issues Balance Sheet Amount (Mil. JPY)	Issues whose shares increased in FY2022	Issues whose shares decreased in FY2022
Unlisted stock	8 344	1 306	- -
Stock other than unlisted stock	8 1,077	2 11	3 1,011

* The main reason for the growth in the stocks with an increased number of shares in FY2022 mainly resulted from the necessary acquisition for our group's medium- and long-term business strategy.

2. Directors and Auditors

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
 President and Representative Director of the Company (to present)
 Jun. 2022

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 Senior Managing Executive Officer of the Company.

Number of Board Meetings attended 12 / 12 (100%)

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
 Executive General Manager, Administrative Headquarters (to present)
 Apr. 2013
 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

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%)

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)
 Apr. 2019
 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%)

4 Junji Yamakawa (March 16, 1968)



male

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

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

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%)

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)
 Executive General Manager of Development Headquarters (to present)
 Jun. 2021

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%)

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
 Apr. 2023 Senior Executive Officer 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's business, including serving as a Senior Executive Officer of the Company.

取締役会出席回数 —

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 10 / 10 (100%)

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.
 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%)

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%)

10 Takashi Hayashi (April 22, 1956)



male Outside Independent

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

Joined Nihon Radiator Co., Ltd. (Currently Marelli)
 Mar. 1979
 Director and Executive Vice President of the above company
 Jun. 2008
 Representative Director, President and CEO of TOKYO RADIATOR MFG Co., Ltd.
 Jun. 2011
 Director and Chairman of TOKYO RADIATOR MFG Co., Ltd.
 Jun. 2019
 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%)

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
 Jun. 2006 Human Resources Manager of Tiffany & Co.
 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
 Jul. 2017 Senior Human Resources Officer, Management Bureau of the above institution
 Apr. 2018 Professor, Doshisha Business School at Doshisha University (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 10 / 10 (100%)

6 Kimiko Ito (January 20, 1949)



female Outside Independent

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

Representative Director and President of Tashima Co., Ltd. (to present)
 Jun. 1995
 Executive Secretary, Kobe Association of Corporate Executives (to present)
 Apr. 2013
 Vice President, Kobe Chamber of Commerce and Industry (to present)
 Nov. 2016
 Vice Chairperson, Kobe City University of Foreign Studies (to present)
 Sep. 2017
 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.

取締役会出席回数 —

2. Directors and Auditors

1 Ryu Suzuki (Nov 28, 1966)



male

► 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:

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.

取締役会出席回数	—
監査役会出席回数	—

2 Shintaro Ito (March 19, 1961)



male Outside

► 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	
Jun. 2022	Auditor of the Company (to present)

Reasons for candidacy:

Number of Board Meetings attended	—
Number of Audit & Supervisory Board Meetings Attended	—

3 Tadashi Fukuda (March 4, 1953)



male Outside Independent

► 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 Outside Director of the above company
Jun. 2015	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%)

4



male Outside Independent

► 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 (to present)

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.

	Name	Corporate Management	Engineering, Development	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	●			●	●			●
	Fukuko Inoue female Outside Independent						●		●
	Kimiko Ito female Outside Independent	●					●		●
Auditors	Ryu Suzuki male		●		●				●
	Shintaro Ito male Outside	●			●	●		●	●
	Tadashi Fukuda male Outside Independent							●	
	Satoshi Tsubota male Outside Independent				●				

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) Managing Executive 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 FY2022, the Risk Management Committee gathered 4 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 Midterm Consolidated 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.

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, our company, including its affiliates, we work to make improvements to this environment.

We also conduct regular targeted e-mail training for all employees, provide education regarding personal information protection and security, and promote thorough personal information protection and information security.

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 achieve this goal, we continuously conduct various training and educational activities for our employees.

We also establish a whistle-blowing system and other measures to identify and correct compliance violations.

Early Detection and Correction of Problems through the Internal Reporting System

In the unlikely 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 March 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 FY2023, as in FY2022, 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

Regarding the acceptance status of technical intern trainees under the organization-supervised model in Japan, we conducted both voluntary and on-site audits in FY2022 at three group sites that accept technical intern trainees under this model. The audits did not reveal any violations leading to human rights abuses; however, it was confirmed that the personal expenses borne by individuals from certain countries to come to Japan were high relative to the local cost of living in their home countries. Although within local regulatory limits, these high expenses, coupled with recent yen depreciation, pose a risk of debt bondage. Therefore, we are working with supervising organizations and our group companies to consider switching to countries of origin where the personal expense burden is lower. Additionally, we will continue to conduct ongoing investigations at sites accepting trainees in FY2023.

(2) Migrant labor survey

In FY2023, we conducted a migrant labor survey of 27 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 employment conditions.

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

To confirm awareness of human rights in the Group and our supply chain, the level of responses, issues, etc., we began conducting human rights self-checks at Group companies in Japan and overseas in FY2023. As a result, (1) bases where management systems had not yet been established were instructed to establish them, and (2) the rules were disseminated throughout the Group. We will continue to conduct regular monitoring.

2) Education

In FY2022, we conducted human rights training for 3,032 employees (including directors, associate employees, contract employees, and technical interns) with the aim of deepening their understanding of initiatives to respect human rights. The training will cover topics such as society's and our company's efforts to respect human rights, risks of harassment and other human rights violations that need to be recognized, and human rights due diligence. The training is conducted online so that trainees can take the course at their convenience, and a comprehension test is given afterward to ensure an understanding of the training content. The scope of this program was expanded in FY2023 to cover 38 Group companies in Japan and overseas (11 in Japan and 27 overseas).

3) Consultation Service

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 Cooperating Companies 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】

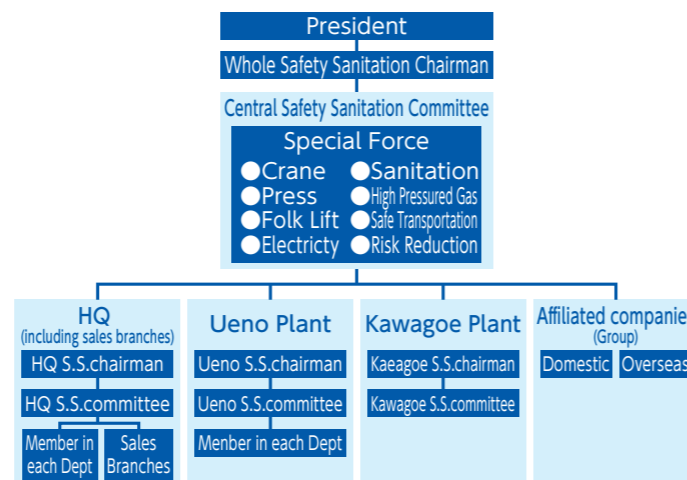
Ensuring the safety and health of our employees serves as the foundation of our corporate activities and social responsibility. With respect for human life and safety as our highest priority, we are committed to promoting health and strive to create a safe, comfortable, and pleasant workplace where people 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 (FY2022)	Target (FY2023)
Significant and semi-significant accidents	0件	0件
Furnace fires and explosions	0件	0件
On-site subcontracting work accidents	0件	0件

*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 7 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 FY2022 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. Employees who pass this training are certified as a safe workers, and receive “Safe Worker Certificate”. In 2018 this safety training for employees was held 43 times. We also get requests from outside the company to provide this highly valued training.

In addition, in 2018, we renewed the ‘working at heights training room’ to ensure that work at height is carried out safely.

(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 Health and Safety Risk Assessment Procedure, we conduct detailed assessments of health and safety risks in new and existing operations, and establish compliance requirements in pursuit of creating essential safety of machinery and equipment (existing and newly introduced equipment) and operations. Based on the results, we also are taking action against identified risks.

(5) Global safety measures

Once a year, we hold the EXEDY Global Safety Summit to raise safety awareness throughout the entire EXEDY Group, share cases of accidents of each company and conduct cross-check activities.

Three times a year we hold the Safety Instructor Training. We invite safety staff and plant managers from overseas affiliates and share company-wide safety and health activities. We provide English and Chinese language support.

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 in March, 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. In addition, the fire prevention committee members participate in in-house seminars on fire prevention and disaster prevention knowledge, held twice a year, to solidify the basis of disaster prevention knowledge.

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 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%)	<ul style="list-style-type: none"> Maximize the performance of each and every employee Increase labor productivity
			Medical checkups - Findings rate	
		Mental health disorder prevention	Number of employees on leave due to injury or illness (other than mental)	
			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)

(EXEDY Corp.)				
FY	2020	2021	2022	
Regular medical checkups Examination rate	100%	100%	100%	
	81.4%	78.4%	78.0%	
	70.1%	80.4%	70.3%	
Health guidance implementation rate	74.1%	72.2%	72.3%	
Stress checks	Response rate	90.80%	86.60%	88.20%
	High stress rate	22.00%	16.60%	16.20%
	Number of people interviewed	3	7	5
Employees on leave	Mental	15	21	15
	Other injuries and illnesses	38	52	36
People returning to work	Mental	8	16	13
	Other injuries and illnesses	38	50	35

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.

Purpose	Field	Initiative	Eligible persons	Implementation details	Responsible organization
Early detection and prevention of aggravation of diseases	Lifestyle diseases	Medical checkups and follow-up measures	All employees *Health insurance services are for subscribers	<ul style="list-style-type: none"> Tests for statutory items and lifestyle disease items (Target ages exist) Support for people at high risk for lifestyle diseases 	Company health insurance
	Dentistry	Dental checkups	All employees *Health insurance services are for subscribers	Dental checkups (Cavities, periodontal disease, mucosal disease, etc.)	Company health insurance
	Cancer	Cancer screening	Health insurance subscribers (Target ages exist)	<ul style="list-style-type: none"> Stomach cancer screening (gastric X-ray, ABC test) Colorectal cancer screening (fecal occult blood) Prostate cancer screening (PSA test) 	health insurance
	Female-specific diseases	Female-specific diseases	Health insurance subscribers (Female, age 30 and older)	Breast and cervical cancer screening (Once a year)	health insurance
Mental health disorder prevention	Stress check		All employees	<ul style="list-style-type: none"> Implementation of stress checks and follow-up measures (Doctor interview) Conduct group analysis and workplace improvement activities based on results 	Company
	Support for returning to work		All employees	<ul style="list-style-type: none"> 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
	Mental health education		Supervisors (Department managers, section managers)	<ul style="list-style-type: none"> Self care education Line care education 	Company
Infectious disease prevention	Workplace vaccinations		All employees	<ul style="list-style-type: none"> Influenza vaccinations (costs are subsidized) Workplace vaccinations against COVID-19 	Company
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
	Smoking cessation	Smoking cessation treatment support	All employees *Health insurance services are for subscribers	<ul style="list-style-type: none"> Taking a smoking cessation program (online) and cost assistance Treatment for smoking cessation at workplace clinics (covered by insurance) 	Company health insurance
Exercise recommendations	Walking events		Health insurance subscribers (Under 19 years old)	Holding walking events using ICT (twice a year)	health insurance

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 partner companies 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 our partner companies.

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 business partners, 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 our partner companies, we share necessary information with each other and build a relationship of trust. Based on this, 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 Cooperating Companies.

(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

エクセディが直接取引している1次の協力企業数は主資材企業で214社、副資材企業を加えると490社です。

4) Promoting Sustainability Together with Partner Companies

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 Cooperating Companies (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 FY2022, we carried out audits at eight of our existing partner companies and identified 47 improvements, all of which have been completed.

5) CSR Guidelines for Cooperating Companies & 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 Cooperating Companies". We ask our cooperating companies 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 partner companies to reduce CO2 and other greenhouse gases, recycle resources including waste, conserve water, and conserve biodiversity.

Each guideline was revised in March 2023 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 partner companies 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 Partner Companies

EXEDY conducts quality audits to improve the quality level of partner companies. In Japan, the priority and frequency of these audits are determined based on risk analysis, including partner companies 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 FY2022, audits of 49 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 partner companies 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 Partner Companies

EXEDY provides human resource development support to major partner companies with the aim of improving the skills of our partner companies 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 partner companies.

In addition, we develop and share information on safety and environmental activities with partner companies. 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 partner companies, 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 everyone involved with procurement functions is encouraged to attend seminars by external organizations.

Chapter
6

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 89
- 5. Company and Stock Information 92



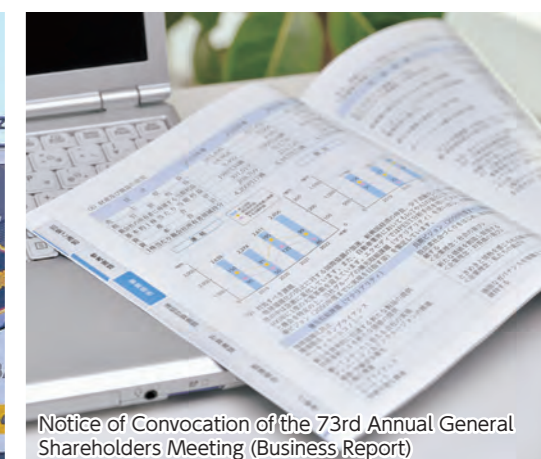
Commemorative photo of employees receiving in-house awards



Iga FC Kunoichi Mie



Employee Tatsuya Osaki won the GR86 BRZ Cup Clubman Class



Notice of Convocation of the 73rd Annual General Shareholders Meeting (Business Report)



Panoramic view of the office floor

TS Manufacturing Headquarters achieved quality tree targets for the second consecutive year

Shift Zero 2025

QUALITY 360° TS 製造本部



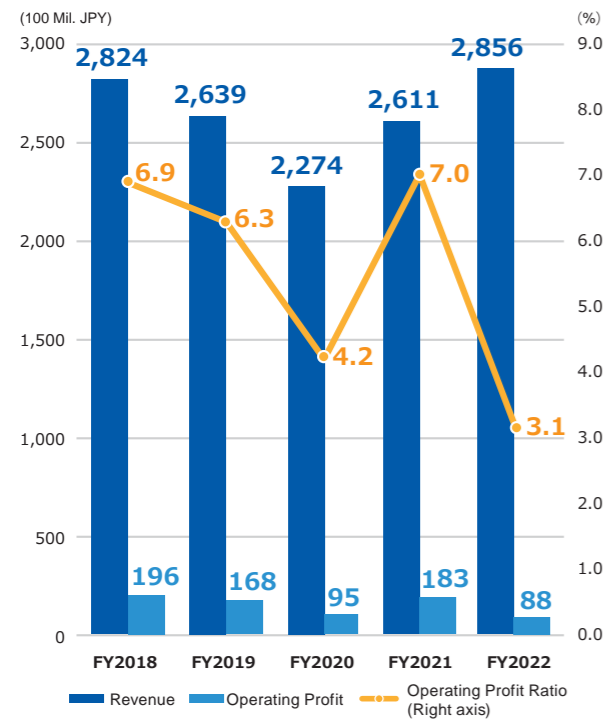
Panoramic view of EXEDY Hall



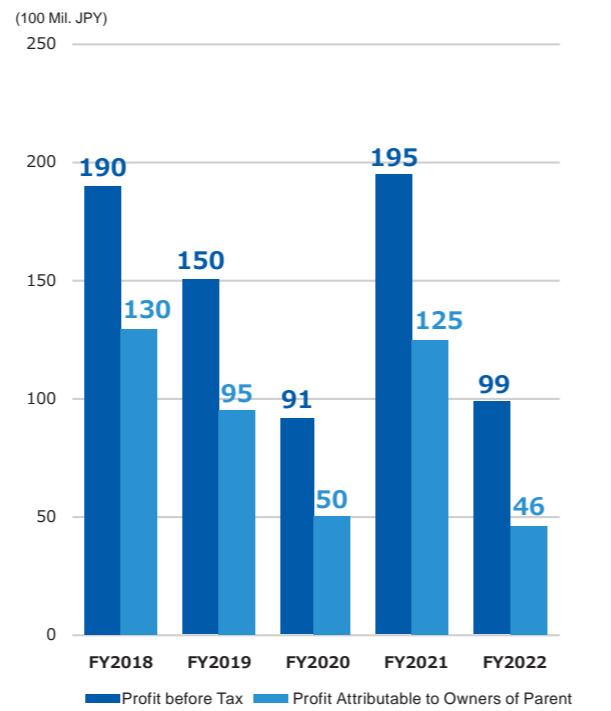
Boardroom

1. Financial and Non-Financial Highlights

Revenue/Operating Profit/Operating Profit Ratio



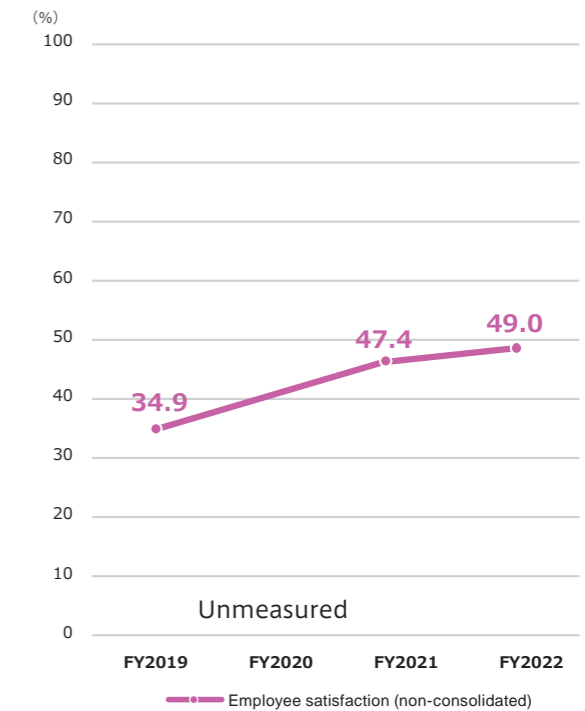
Profit before Tax/Profit Attributable to Owners of Parent



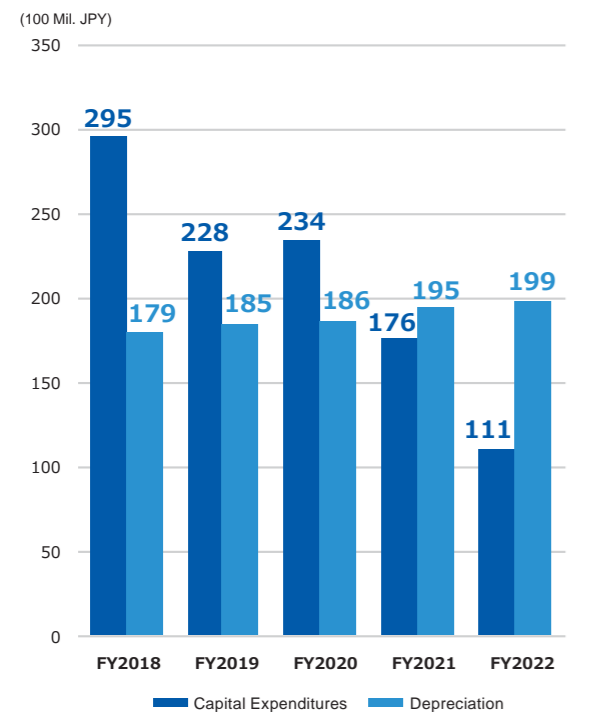
CO2 emissions/CO2 emissions per unit of net sales



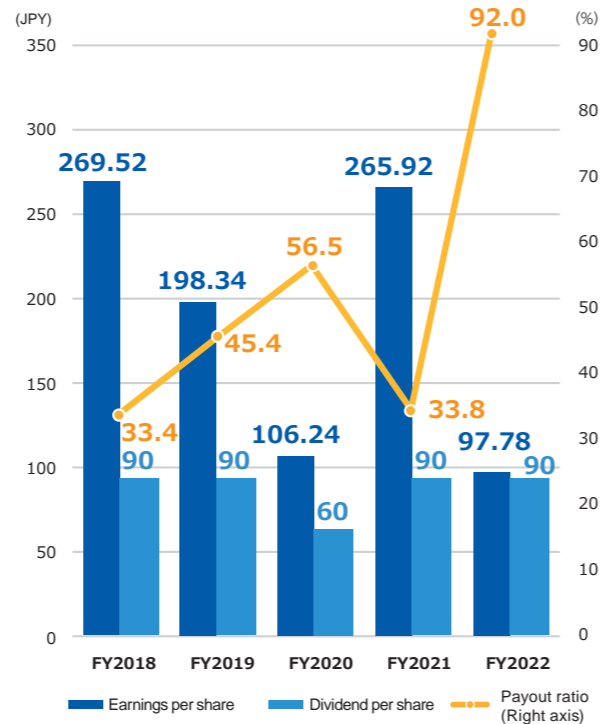
Employee satisfaction (non-consolidated)



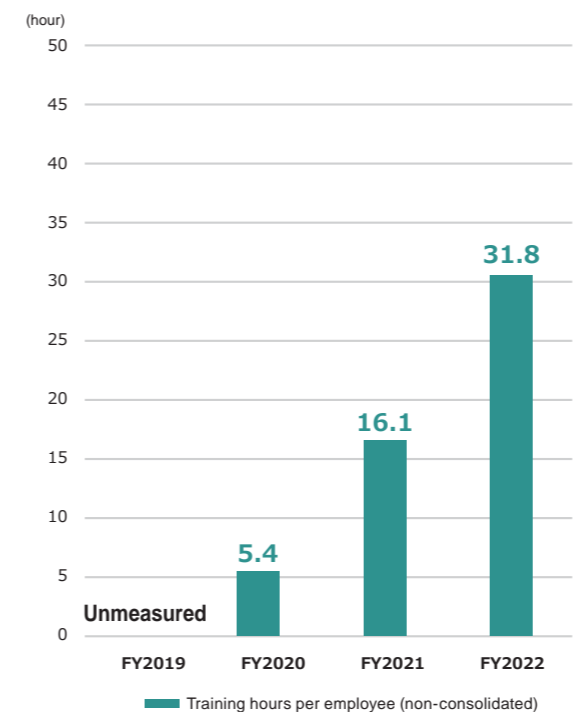
Capital Expenditures / Depreciation



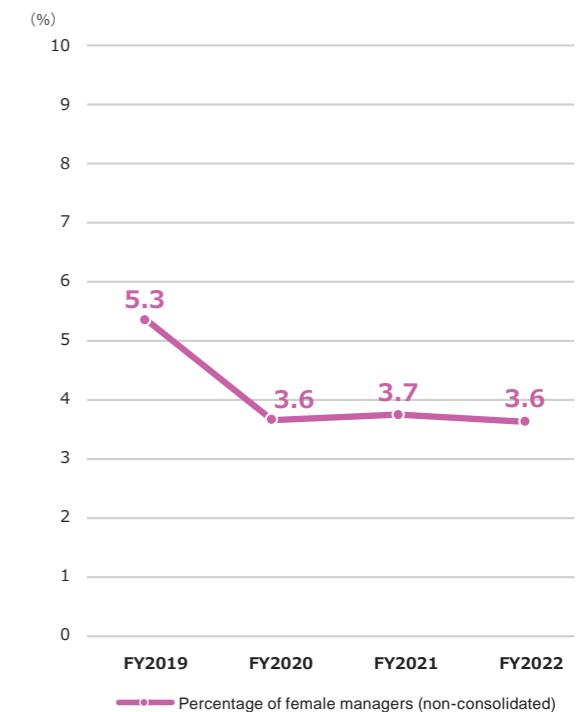
Earnings per share/Dividend per share/Payout ratio



Training hours per employee (non-consolidated)



Percentage of female managers (non-consolidated)



2. Financial and Non-Financial Summary

Financial Summary		FY2018 (Fiscal year ended March 31, 2019)	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)	(Unit)
Revenue	(Consolidated)	282,398	263,899	227,420	261,095	285,639	Mil. JPY
Overseas Sales Revenue Ratio	(Consolidated)	53.8	52.7	53.1	54.5	57.1	%
Operating Profit	(Consolidated)	19,626	16,751	9,513	18,328	8,760	Mil. JPY
Profit Before Taxes	(Consolidated)	19,039	14,964	9,066	19,467	9,916	Mil. JPY
Profit attributable to owners of parent	(Consolidated)	12,967	9,492	4,983	12,477	4,591	Mil. JPY
Comprehensive income attributable to owners of parent	(Consolidated)	13,113	3,854	10,481	21,074	8,222	Mil. JPY
Equity attributable to owners of parent	(Consolidated)	200,153	196,938	203,927	221,756	225,563	Mil. JPY
Total Assets	(Consolidated)	311,975	301,019	312,741	332,785	331,875	Mil. JPY
Total Equity	(Consolidated)	212,026	208,709	216,730	236,023	239,901	Mil. JPY
Capital Investment	(Consolidated)	29,477	22,824	23,365	17,578	11,146	Mil. JPY
Amortization Expenses	(Consolidated)	17,882	18,464	18,563	19,463	19,923	Mil. JPY
R&D Expenditure	(Consolidated)	5,726	5,862	5,292	5,787	6,593	Mil. JPY
R&D to Revenue	(Consolidated)	2.0	2.2	2.3	2.2	2.3	%
EPS (Basic Earnings per Share)	(Consolidated)	269.52	198.34	106.24	265.92	97.78	JPY
BPS (Net Assets per Share)	(Consolidated)	4,157.72	4,200.17	4,347.73	4,725.44	4,803.89	JPY
Dividend	(Consolidated)	90	90	60	90	90	JPY
Dividend Payout Ratio	(Consolidated)	33.4	45.4	56.5	33.8	92.0	%
Ratio of equity attributable to owners of the parent	(Consolidated)	64.2	65.4	65.2	66.6	68.0	%
Return on equity attributable to owners of parent	(Consolidated)	6.6	4.8	2.5	5.9	2.1	%
Price-earnings ratio	(Consolidated)	8.90	8.06	15.75	5.92	18.54	times
Cash flows from operating activities	(Consolidated)	31,760	36,103	30,105	28,434	27,224	Mil. JPY
Cash flows from investing activities	(Consolidated)	△ 27,763	△ 26,515	△ 16,765	△ 15,494	△ 12,794	Mil. JPY
Cash flows from financing activities	(Consolidated)	△ 3,260	△ 8,638	△ 8,450	△ 10,540	△ 11,179	Mil. JPY
Free cash flows	(Consolidated)	3,997	9,588	13,340	12,940	14,430	Mil. JPY
Cash and cash equivalents at end of period	(Consolidated)	45,413	45,416	51,567	55,407	59,538	Mil. JPY
Operating Profit Ratio	(Consolidated)	6.9	6.3	4.2	7.0	3.1	%
ROE (Return on equity attributable to owners of parent)	(Consolidated)	6.6	4.8	2.5	5.9	2.1	%
Exchange Rate		110.69	109.10	106.17	112.86	134.95	US dollar

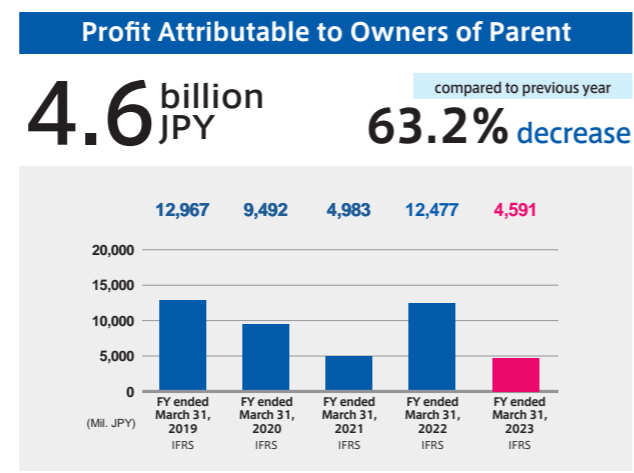
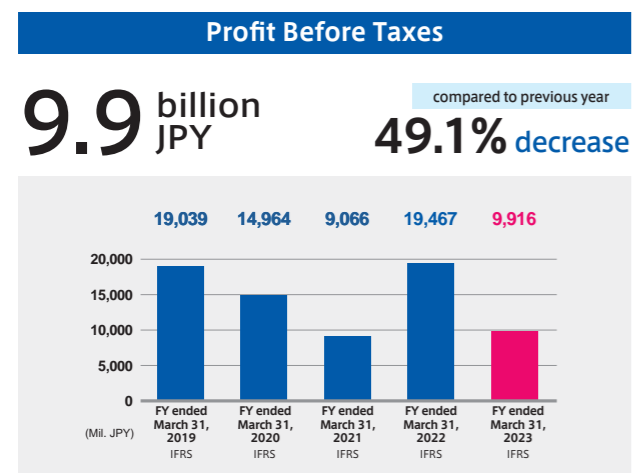
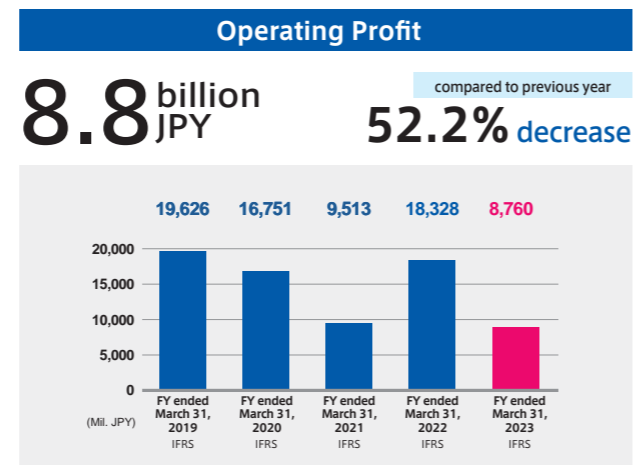
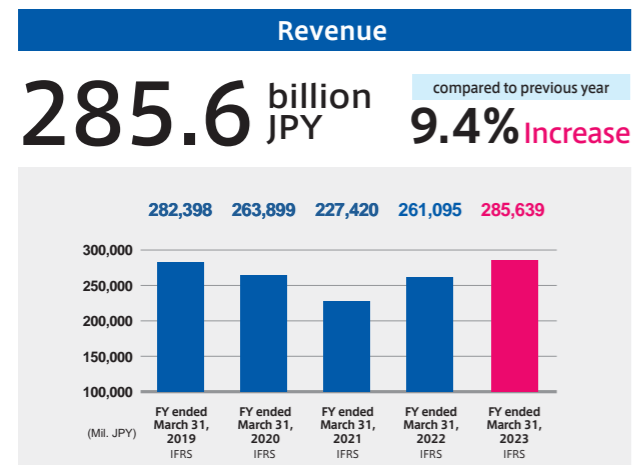
Non-Financial Summary		FY2018 (Fiscal year ended March 31, 2019)	FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)	FY2021 (Fiscal year ended March 31, 2022)	FY2022 (Fiscal year ended March 31, 2023)	(Unit)
Number of Employees	(Consolidated)	18,116	17,355	16,253	15,740	15,081	people
Male employees		13,802	13,236	12,488	12,058	11,581	people
Female employees		4,314	4,119	3,765	3,682	3,500	people
Female employees ratio		23.8	23.7	23.2	23.4	23.2	%
Number of Employees	(Non-Consolidated)	3,948	3,798	3,657	3,533	3,358	people
Male employees		3,363	3,262	3,169	3,071	2,902	people
Female employees		585	536	488	462	456	people
Female employees ratio		14.8	14.1	13.3	13.1	13.6	%
Number of Managers	(Non-Consolidated)	123	132	137	135	138	people
Male managers		116	125	132	130	133	people
Female managers		7	7	5	5	5	people
Female managers ratio		5.7	5.3	3.6	3.7	3.6	%
Employee Satisfaction	(Non-Consolidated)	-	34.9	-	47.4	49.0	%
Training hours per employee	(Non-Consolidated)	-	-	5.4	16.1	31.8	h/year
Total Working Hours	(Non-Consolidated)	2,131	2,021	1,688	1,898	1,888	hour
Paid Leave Utilization Rate	(Non-Consolidated)	69.1	77.7	72.9	76.3	101.2	%
Number of Accidents resulting in work leave	(Consolidated)	14	19	16	10	20	case
Accidents resulting in work leave frequency rate		0.43	1.12	0.35	0.71	1.22	%
Total CO2 Emissions	(Consolidated)	-	253,403	218,405	219,658	203,625	t-CO2
Emissions per sales index		-	96.0	96.0	84.1	71.3	t-CO2/100 Mil. JPY
Waste emissions	(Consolidated)	-	20,982	16,509	18,619	15,825	t
Emissions per sales index		-	7.95	7.26	7.13	5.54	t/100 Mil. JPY

3. Financial Review

Overview of Operating Results for Current Period

In the current consolidated fiscal year, the revenue increased by the impact of foreign exchange conversion due to the depreciation of the yen, although orders decreased due to the lockdown in China and production cuts by customers because of the semiconductor shortages. In terms of profits, Operating profit decreased due to the decline in orders, soaring global raw material prices and supply chain disruptions. In addition, the decrease in profit was due in part to impairment losses on fixed assets at the Company, its US subsidiary, and its domestic

subsidiaries due to expected declines in profitability because of changes in the business environment. The results for current consolidated fiscal year were, Revenue ¥285.6 billion (increased by 9.4% from the previous fiscal year), Operating profit ¥8.8 billion (decreased by 52.2% from the previous fiscal year), Profit before tax ¥9.9 billion (decreased by 49.1% from the previous fiscal year), Profit attributable to owners of the parent company was ¥4.6 billion (decreased by 63.2% from the previous fiscal year).



Segment Information

AT (Automatic Transmission Related Business) Business

Revenue was ¥181.6 billion (increased by 7.8% from the previous fiscal year). Although sales increased by the impact of foreign exchange conversion because of the depreciation of the yen, the segment loss was ¥1.1 billion (¥8.6 billion operating profit in the previous fiscal year) due to the lockdown in China, production cuts by customers because of the semiconductor shortages and soaring raw material costs and an impairment loss recorded at the US subsidiary.

MT (Manual Transmission Related Business)

Revenue was ¥71.5 billion (increased by 10.0% from the previous fiscal year). Segment profit was ¥8.6 billion (increased by 8.9% from the previous fiscal year), despite soaring raw material prices which was proceeded with passing on to the selling price.

Others

Revenue was ¥32.6 billion (increased by 18.0% from the previous fiscal year). Segment profit was ¥2.4 billion (increased by 16.7% from the previous fiscal year) due to an increase in sales, despite soaring raw material prices.

Location Information

Japan

Revenue was ¥122.5 billion (increased by 3.0% from the previous fiscal year). Operating profit was ¥7.0 billion (decreased by 37.6% from the previous fiscal year) due to a decrease in orders by the lockdown in China, production cuts by customers because of the semiconductor shortages and soaring raw material costs and an impairment loss recorded at the Company and its subsidiaries.

North and Central America

Revenue was ¥50.5 billion (increased by 19.4% from the previous fiscal year). Although revenue increased by the impact of exchange conversion due to the depreciation of the yen, the operating loss was ¥4.6 billion (¥1.3 billion operating loss in the previous year) due to soaring raw material prices and an impairment loss recorded at the US subsidiary

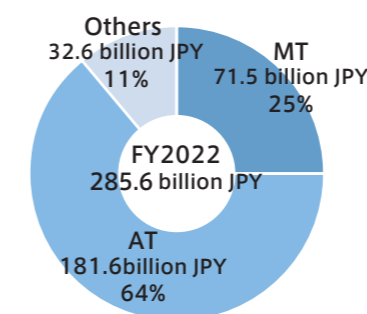
Asia and Oceania

Revenue was ¥103.7 billion (increased by 12.6% from the previous fiscal year). Operating profit was ¥6.9 billion (decreased by 24.7% from the previous fiscal year) due to the lockdown in China and the impact of production cuts by customers due to semiconductor shortages, although revenue increased from the impact of exchange conversion due to the depreciation of the yen.

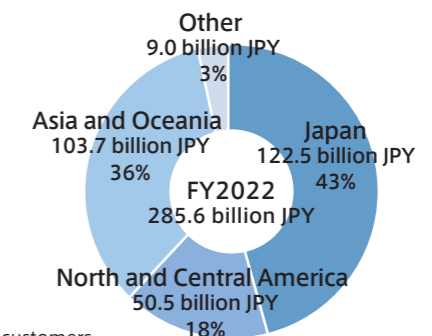
Others

Revenue was ¥9.0 billion (increased by 15.2% from the previous fiscal year). Operating profit was ¥0.3 billion (decreased by 54.2% from the previous fiscal year) due to soaring raw material prices and other factors, despite an increase in sales by the impact of foreign exchange conversion because of the yen depreciation.

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 ¥331.9 billion (¥332.8 billion at the end of the previous consolidated fiscal year), it decreased by ¥0.9 billion (0.3%) from the end of the previous fiscal year. The main contents are ¥8.3 billion decrease in tangible fixed assets due to impairment losses, ¥1.5 billion decrease in investments in Equity Instruments, ¥2.5 billion increase in inventories and ¥4.1 billion increase in cash and cash equivalents. Total liabilities were ¥92.0 billion (¥96.8 billion at the end of the previous consolidated fiscal year), it decreased by ¥4.8 billion (4.9%) from the end of the previous fiscal year. The main contents are ¥4.3 billion decrease in corporate bonds and borrowings due to the repayment of borrowings, ¥2.3 billion decrease in income taxes payable, and ¥1.7 billion increase in trade and other payables.

Total equity was ¥239.9 billion (¥236.0 billion in the previous consolidated fiscal year), it increased by ¥3.9 billion (1.6%) from the end of the previous fiscal year. The main contents were ¥0.6 billion increase in retained earnings (¥4.6 billion increase due to the profit attributable to owners of the parent company, ¥4.5 billion decrease due to the appropriation of surplus (dividend), and ¥0.5 billion increased by transfer of other components of equity to retained earnings due to sale of investment securities) and ¥3.1 billion increase in other components of equity due to an increase in the conversion difference of foreign operation due to the depreciation of the yen. The ownership equity ratio attributable to owners of the parent company was 68.0% (66.6% 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 ¥ 27.2 billion which decreased by ¥ 1.2 billion (4.3%) from the same period of the previous year (¥ 28.4 billion). This is because Income before Income Taxes decreased by ¥ 9.6 billion, Income taxes paid increased by ¥ 4.1 billion, however, the changes in trade receivables and other receivables increased by ¥ 5.9 billion, the impairment loss increased by ¥ 4.1 billion, also the changes in inventories increased by ¥ 3.6 billion.

Funds used for cash flows from investing activities was ¥ 12.8 billion which decreased by ¥ 2.7 billion (17.4%) from the same period of the previous year (¥ 15.5 billion). This was due to the decrease of ¥ 2.0 billion in

expenditures for the acquisition of tangible fixed assets. Funds used for cash flows from financing activities was ¥ 11.2 billion which increased by ¥ 0.6 billion (6.1%) from the same period of the previous year (¥ 10.5 billion). This was due to the increase in expenditure of ¥ 1.2 billion due to the dividend payment.

In addition to the above, there was the increase of ¥ 0.9 billion (¥ 1.4 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 ¥ 59.5 billion which increased by ¥ 4.1 billion (7.5%) from ¥ 55.4 billion at the end of the previous consolidated fiscal year.

Forward-Looking Information

Regarding the forward-Looking information, although the global economy is on a recovery trend due to factors such as China's shift away from its zero-COVID policy and the fact that the surge in resource and energy prices is subsiding, the outlook remains uncertain due to factors such as high inflation rates and continued monetary tightening by central banks around the world will increase instability in the financial system which will affect the global economy. Under such a business environment, revenue is expected to remain firm for the full year, despite the risk that the shortage of semiconductors may have a prolonged impact.

In terms of profits, we will strive to secure profits

by improving overall management efficiency, such as improving capacity utilization rates and reducing overhead costs, along with passing on higher parts, raw material cost and energy cost to selling prices.

As a result, we expect the revenue for the fiscal year ended March 2024 will be ¥310.0 billion (8.5% increase from this fiscal year), operating income will be ¥13.0 billion (48.4% increase), and income before income taxes will be ¥14.0 billion (41.2% increase). Profit attributable to owners of the parent company is expected to be ¥9.0 billion (96% increase).

The exchange rate is assumed to be ¥141 yen per US dollar.

Consolidated Statement of Financial Position

(Mil. JPY)

	previous fiscal year (March 31, 2022)	current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	55,407	59,538
Trade and other receivables	53,824	53,929
Other financial assets	1,974	2,155
Inventories	41,726	44,198
Other current assets	2,262	3,634
Total Current Assets	155,192	163,454
Non-current assets		
Property, plant and equipment	162,964	154,632
Goodwill and intangible assets	2,802	2,939
Investments accounted for using equity method	195	272
Investments in equity instruments	3,305	1,810
Other financial assets	45	96
Deferred tax assets	6,022	6,366
Retirement benefit asset	1,233	1,206
Other non-current assets	1,027	1,100
Total Non-current Assets	177,593	168,421
Total Assets	332,785	331,875
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	10,381	8,228
Trade and other payables	36,093	37,789
Other financial liabilities	594	545
Income taxes payable	4,005	1,664
Employee benefits accruals	1,954	2,336
Provisions	2,240	2,186
Other current liabilities	3,636	3,379
Total current liabilities	58,903	56,127
Non-current liabilities		
Bonds and borrowings	27,533	25,423
Other financial liabilities	879	1,076
Retirement benefit liability	6,724	6,609
Deferred tax liabilities	1,245	697
Other non-current liabilities	1,479	2,042
Total non-current liabilities	37,859	35,848
Total liabilities	96,762	91,975
Equity		
Share Capital	8,284	8,284
Capital Surplus	7,555	7,541
Treasury Shares	△3,768	△3,709
Other components of equity	7,524	10,639
Retained Earnings	202,160	202,808
Total equity attributable to owners of parent	221,756	225,563
Non-controlling interests	14,267	14,338
Total Equity	236,023	239,901
Total liabilities and equity	332,785	331,875

3. Financial Review

Consolidated Profit and Loss Statement

(Mil. JPY)

	previous fiscal year (April 1, 2021 to March 31, 2022)	current fiscal year (April 1, 2022 to March 31, 2023)
Revenue	261,095	285,639
Cost of sales	213,151	240,872
Gross profit	47,944	44,767
Selling, general and administrative expenses	30,647	32,895
Other income	2,072	2,431
Other expenses	1,041	5,544
Operating Profit	18,328	8,760
Finance income	2,080	2,149
Finance costs	961	1,051
Share of profit of investments accounted for using equity method	20	57
Profit Before Taxes	19,467	9,916
Income tax expense	5,645	4,680
Profit	13,822	5,236
Profit attributable to		
Owners of parent	12,477	4,591
Non-controlling interests	1,345	646
Profit	13,822	5,236
Earnings per share		
Basic and diluted earnings (JPY) per share	265.92	97.78

Consolidated Statement of Changes in Equity

(Mil. JPY)

	previous fiscal year (April 1, 2021 to March 31, 2022)	current fiscal year (April 1, 2022 to March 31, 2023)
Profit	13,822	5,236
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	△37	△736
Remeasurements of defined benefit plans	89	187
Total of items that will not be reclassified to profit or loss	53	△549
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	9,473	4,952
Share of other comprehensive income of investments accounted for using equity method	6	4
Total of items that may be reclassified to profit or loss	9,479	4,956
Total other comprehensive income	9,532	4,406
Comprehensive income	23,354	9,643
Comprehensive income attributable to		
Owners of parent	21,074	8,222
Non-controlling interests	2,279	1,421
Comprehensive income	23,354	9,643

Consolidated Statement of Changes in Equity

(Mil. JPY)

	Equity attributable to owners of parent						Total
	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	
Balances as of April 1, 2022	8,284	7,555	△3,768	7,274	250	-	7,524
Profit	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	4,181	△736	187	3,631
Total	-	-	-	4,181	△736	187	3,631
Purchase of treasury shares	-	-	△0	-	-	-	-
Disposal of treasury shares	-	△15	59	-	-	-	-
Dividends of surplus	-	-	-	-	-	-	-
Share-based payment transactions	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	△329	△187	△516
Total transactions with owners	-	△15	59	-	△329	△187	△516
Total changes in equity	-	△15	59	4,181	△1,066	-	3,115
Balances as of March 31, 2023	8,284	7,541	△3,709	11,454	△815	-	10,639

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained Earnings	Total		
Balances as of April 1, 2022	202,160	221,756	14,267	236,023
Profit	4,591	4,591	646	5,236
Other comprehensive income	-	3,631	775	4,406
Total	4,591	8,222	1,421	9,643
Purchase of treasury shares	-	△0	-	△0
Disposal of treasury shares	-	44	-	44
Dividends of surplus	△4,459	△4,459	△1,350	△5,809
Share-based payment transactions	-	-	-	-
Transfer to retained earnings	516	-	-	-
Total transactions with owners	△3,943	△4,415	△1,350	△5,765
Total changes in equity	647	3,807	71	3,878
Balances as of March 31, 2023	202,808	225,563	14,338	239,901

3. Financial Review

Consolidated Statement of Cash Flows

(Mil. JPY)

	previous fiscal year (April 1, 2021 to March 31, 2022)	current fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit Before Taxes	19,467	9,916
Depreciation and amortization	19,463	19,923
Impairment losses	103	4,222
Interest and dividend income	△281	△284
Interest expenses	776	833
Share of loss (profit) of investments accounted for using equity method (△=profit)	△20	△57
Foreign exchange loss (gain) (△=profit)	△15	9
Decrease (increase) in inventories (△=increase)	△4,186	△549
Decrease (increase) in trade and other receivables (△=increase)	△4,676	1,258
Increase (decrease) in trade and other payables (△=decrease)	△165	308
Other	2,245	31
Subtotal	32,710	35,610
Interest and dividends received	265	292
Interest paid	△804	△853
Income taxes paid	△3,737	△7,826
Net cash provided by (used in) operating activities	28,434	27,224
Cash flows from investing activities		
Payments into time deposits	△844	△4,912
Proceeds from withdrawal of time deposits	909	4,796
Purchase of property, plant and equipment	△13,938	△11,973
Proceeds from sale of property, plant and equipment	352	82
Purchase of intangible assets	△866	△472
Proceeds from sale of investment securities	2	944
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	△746
Other	△1,109	△513
Net cash provided by (used in) investing activities	△15,494	△12,794
Cash flows from financing activities		
Proceeds from short-term borrowings	16,837	9,857
Repayments of short-term borrowings	△16,698	△7,933
Proceeds from long-term borrowings	10,392	1,468
Repayments of long-term borrowings	△16,548	△8,225
Dividends paid	△3,285	△4,468
Other	△1,237	△1,877
Net cash provided by (used in) financing activities	△10,540	△11,179
Effect of exchange rate changes on cash and cash equivalents	1,439	881
Net increase (decrease) in cash and cash equivalents	3,840	4,131
Cash and cash equivalents at beginning of period	51,567	55,407
Cash and cash equivalents at end of period	55,407	59,538

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	28	Wastewater treatment facilities, installation of environmental equipment
Preservation of the Global Environment	78	48	Solar panels, LED lighting, air conditioning upgrade
Recycling Natural Resources	0	44	Waste Disposal, Recycling Processing
Management Activities	0	17	Environmental month events, ISO periodic audits
Research Activities	0	3,406	Fuel efficient products, development of recycled materials, and weight reduction
Social Activities	0	7	Greening of business offices, environmental education
Total	78	3,550	
Total		3,628	

Environmental Conservation Cost (Mil. JPY)

	FY2018	FY2019	FY2020	FY2021	FY2022
Investment	60	47	258	53	78
Cost	3,292	3,146	2,938	3,141	3,550
Total	3,352	3,193	3,196	3,194	3,628

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

Economic Benefits	FY2018	FY2019	FY2020	FY2021	FY2022
Cost of Waste Disposal	83	94	43	50	38
Sale of valuables	796	512	548	1,180	1,001

(tons of CO₂)

Quantity Effect	FY2018	FY2019	FY2020	FY2021	FY2022
*CO ₂ Emissions	71,164	62,223	48,593	47,935	42,143
Volume of valuables sold	34,595	33,529	29,494	28,916	26,064

Amount of Industrial Waste Discharged	Reduction and Recycling	FY2018	FY2019	FY2020	FY2021	FY2022
		3,119	2,813	2,081	2,351	2,165
	Final disposal (landfill)	137	128	123	256	136

* CO₂ conversion factor: Based on FY2017-18 Voluntary Action Plan for the Environment, JAPIA (0.453 t-CO₂/thousand kWh)
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	FY2018	FY2019	FY2020	FY2021	FY2022
Electricity	thousand kWh	150,999	139,553	115,363	122,494	108,775
Kerosene	KL	140	120	112	140	114
Gasoline	KL	85	75	25	36	52
Diesel	KL	165	166	75	127	63
City gas	thousand m ³	35	31	23	22	21
LPG	t	552	509	435	461	392

Amount Recycled

Scrap (Recycling)	FY2018	FY2019	FY2020	FY2021	FY2022
Within EXEDY	12,874	11,376	9,900	12,204	9,113

Item	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Steel	t	131,677	127,816	110,193	112,939	99,598
Casting	t	11,519	10,652	8,606	9,804	11,545
Forging	t	16,515	15,134	12,794	14,603	13,715
Friction Materials	Mil. Facings	11.0	10.1	8.3	10.3	10.1
Tap Water	1000 m ³	134	132	100	110	111
Industrial Water	1000 m ³	104	104	80	75	49

Amount of Chemical Substances Discharged and Transferred

PRTR Subject Chemical Substance (FY2022)

Location	No.	Class I Designated Chemical Substance Name	Amount Discharged Atmospheric Emissions	Unit: kg	
				Consumed	Transferred Industrial Waste
Headquarters	80	Xylene	850	0	0
	384	1-Bromopropane	2,000	0	0
Ueno Division	20	Ethanolamine	0.0	0.0	1,100
	80	Xylene	12	0.0	0.0
	296	1,2,4-Trimethylbenzene	6.9	0.0	0.0
	384	1-Bromopropane	25,000	0.0	0.0

*Kawagoe Plant, Hiroshima Plant: not applicable

Emissions to the atmosphere

VOCs emissions (unit: kg)	FY2022	Nox emissions	SOx emissions
	30,153	Headquarters Ueno Division	No applicable facilities 0.20127 (#1) 0.50633 (#2)

VOCs emissions
Target substances: 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 10⁻³

*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	Kawagoe Plant	Hiroshima Plant
Air	OK	OK	-	-
Water	OK	OK	-	-
Noise	OK	OK	OK	OK
Vibration	OK	-	-	OK
Waste	Manifest Delivery Status	OK	OK	OK
	Disposal site		OK	
Waste residue analysis	No measurements in FY2022	-	-	-
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, 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, 2022 to March 31, 2023. However, matters from other periods that were deemed necessary, have been included as well.

4. Environmental Reports (Global*)

*The scope of each data is as follows
 FY2020: EXEDY and 28 domestic/overseas affiliates
 FY2021: EXEDY and 37 domestic/overseas affiliates
 FY2022: EXEDY and 38 domestic/overseas affiliates

GHG data

(Unit: tons of CO2)

Market-based				Location-based			
CO2 Emissions (by Scope)	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	
the Entire Group (Scope1)	31,890.49	33,734.59	33,032.32	31,890.49	33,734.59	33,032.32	
the Entire Group (Scope2)	185,166.76	184,619.56	170,165.84	197,207.26	204,426.69	187,791.79	
the Entire Group (Scope1+2)	217,057.25	218,354.15	203,198.17	229,097.75	238,161.28	220,824.12	

CO2 Emissions (by Country)	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	
Australia	-	222.46	194.15	-	222.46	194.15	
China	41,890.48	44,591.34	42,688.49	48,758.66	48,174.19	42,688.49	
Cambodia	-	-	86.32	-	-	86.32	
Hungary	2,770.68	2,759.36	2,935.00	2,368.15	2,814.55	2,676.76	
India	14,063.81	11,453.35	10,726.86	18,286.94	19,624.96	19,660.18	
Indonesia	3,600.20	4,533.67	4,439.72	3,178.93	3,978.19	4,439.72	
Japan	91,594.61	95,082.48	85,883.24	100,794.75	107,594.13	97,674.95	
Malaysia	1,177.96	1,265.52	1,458.90	1,177.96	1,265.52	1,458.90	
Mexico	5,102.39	4,536.39	3,223.51	4,145.04	4,264.80	2,958.89	
New Zealand	-	-	50.57	-	-	50.57	
Panama	-	42.73	20.05	-	42.73	20.05	
Singapore	-	25.01	26.09	-	25.01	26.09	
South Africa	-	-	7.55	-	-	7.55	
Thailand	21,036.99	22,518.32	19,517.05	20,973.68	22,935.83	22,292.60	
United Arab Emirates	0	50.41	47.13	-	52.07	47.13	
United Kingdom	0	66.92	73.39	-	66.92	73.39	
United States of America	34,086.71	29,177.37	29,521.95	27,680.23	25,071.10	24,170.18	
Vietnam	1,733.41	2,028.83	2,298.20	1,733.41	2,028.83	2,298.20	
Total	217,057.25	218,354.15	203,198.17	229,097.75	238,161.28	220,824.12	

Other GHG Emissions (CH4, N2O, CFCs)	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022
the Entire Group (Scope1)	1,347.54	1,303.41	426.58	1,347.54	1,303.41	426.58

CO2 Conversion Factor

CO2 conversion factor of electricity (Market-based)

Unit:t-CO2/MWh

Country	FY2020	Country	FY2021	Country	FY2022
China	0	China	0	Hungary	0.2640
Hungary	0.3280	Hungary	0.2180	India	0
India	0.7100	India	0.8500	Mexico	0.4350
Indonesia	0.8700	Indonesia	0.8700	Thailand	0.3989
Mexico	0.4940	Mexico	0.4230	Thailand	0.4586
Thailand	0.4800	Thailand	0.4130	United States of America	0.4431
United States of America	1.0100	United States of America	0.4960	United States of America	0.7740
Japan	0.6010	Japan	0.4430	Japan	0.5370
	0.5220		0.3790		0.4880
	0.4420		0.3510		0.4570
	0.3180		0.5210		0.3880
	0.5850		0.5950		0.3110
			0.3640		0.5450
					0.4410
					0.3240

CO2 conversion factor of electricity (Location-based)

Unit:t-CO2/MWh

Country	FY2020	FY2021	FY2022
Australia	0.7090	0.6850	0.6783
China	0.6370	0.6230	0.6144
Hungary	0.2520	0.2270	0.2198
India	0.7450	0.7220	0.6893
Indonesia	0.7670	0.7620	0.7707
Japan	0.4960	0.4870	0.4761
Malaysia	0.6590	0.6620	0.6510
Mexico	0.4000	0.3970	0.3986
Panama	0.6630	0.7090	0.3297
Singapore	0.3890	0.3850	0.3841
Thailand	0.4790	0.4610	0.4718
United Arab Emirates	0.5200	0.5050	0.5278
England	0.2290	0.2080	0.1932
United states of america	0.4100	0.3820	0.3534
Vietnam	0.5530	0.6490	0.6284
Cambodia	-	-	0.4937
new zealand	-	-	0.1294
South Africa	-	-	0.9238

CO2 conversion factor of electricity (FY2019 ~ common-standard)

by Fuel Type	CO2 conversion factor	Unit	Notes
Petroleum	2.321660	t-CO2/kl	
Kerosene	2.489483	t-CO2/kl	
Diesel	2.584963	t-CO2/kl	
LPG	2.998893	t-CO2/t	
City gas	2.234027	t-CO2/1,000Nm ³	
Bunker A	2.709630	t-CO2/t	
Natural gas	2.217050	t-CO2/1,000Nm ³	

Location-based: IEA, Emissions from Fuel Combustion
 Market Standard: Residual Mix values for each country. Countries that could not be identified adopted Location-base Value
 Ministry of the Environment: List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication System
<https://ghg-santeikohyo.env.go.jp/>

Electric Power Data

Unit:MWh

Country	FY2020	FY2021	FY2022	by country	FY2020	FY2021	FY2022
Australia	-	222.25	197.76	New Zealand	-	-	59.30
Cambodia	-	-	172.92	Panama	-	60.27	60.81
China	71,436.93	72,049.28	64,561.21	Singapore	-	43.44	46.38
Hungary	5,296.47	5,748.96	5,842.55	South Africa	-	-	8.17
India	22,170.24	24,508.86	25,372.28	Thailand	40,077.25	44,882.46	41,928.66
Indonesia	4,070.22	5,129.10	5,673.08	United Arab Emirates	-	58.91	50.66
Japan	173,785.38	188,175.63	172,978.90	England	-	79.71	73.13
Malaysia	1,788.58	1,858.87	2,168.10	United states of america	45,380.11	44,061.55	45,218.43
Mexico	10,206.33	10,529.86	7,271.86	Vietnam	2,732.00	2,815.00	3,563.00
				Total	376,943.50	400,224.13	375,247.19

Amount of solar power generated	FY2020	FY2021	FY2022	Amount of solar power generated	FY2020	FY2021	FY2022
Self-consumption	1,646.62	1,546.67	1,459.28	Sold	5,134.32	5,090.75	5,314.14
				Total	6,780.94	6,637.42	6,773.41

Total Energy Consumption

Fuel Consumption	Unit	FY2020	FY2021	FY2022	Fuel Consumption	Unit	FY2020	FY2021	FY2022
Petroleum	KL	88.30	187.11	252.04	LPG	t	2,031.25	2,096.68	2,013.56
Kerosene	KL	254.45	274.50	250.60	City gas	1000	53.99	5,404.42	5,331.23
Diesel	KL	279.78	366.81	439.98	Natural gas	1000	10,790.48	5,937.74	5,745.21
Bunker A	KL	71.47	52.79	0.00					

Total Energy Consumption	FY2020	FY2021	FY2022	Total Energy Consumption	FY2020	FY2021	FY2022
Petroleum	2.89	6.13	8.26	Electricity	1,357.00	1,440.81	1,350.89
Kerosene	8.97	9.68	8.84				
Diesel	10.05	13.17	15.80				
Bunker A	2.79	2.06	0.00				
LPG	103.19	106.51	102.29				
City gas	2.42	242.12	238.84				
Natural gas/LNG	362.56	199.51	193.04				
Total	492.87	579.18	567.07				

Water

Unit: 1000m³

Type	FY2020	FY2021	FY2022	Emissions per treatment level	FY2020	FY2021	FY2022
Total water withdrawals	2,266	2,368	2,400	Breakdown: Tertiary treatment	1,713	1,776	1,732
Water withdrawal (water-stressed area)	443	503	526	Breakdown: Secondary treatment	203	274	249
Breakdown: Water source: rivers, lakes and marshes	1,199	1,200	0	Breakdown: Primary treatment	2	14	67
Breakdown: Water source: Groundwater	194	201	178	Breakdown: No treatment	286	239	264
Breakdown: Water source: City water	873	967	2,222				
Amount Consumed	62	65	87				
Amount Recycled	233	315	376				
Total Discharged Water Volume	2,204	2,303	2,312				
Breakdown: Discharges to: rivers, lakes and marshes	1,372	1,377	1,421				
Breakdown: Discharges to: soil	60	65	114				
Breakdown: Discharges to: sewage	770	854	774				

Waste

Unit: 1000 tons

Type	FY2020	FY2021	FY2022	Type	FY2020	FY2021	FY2022
Total waste	16.5	18.6	15.8	Breakdown: Recycled amount	11.9	13.1	10.6
				Breakdown: Final disposal	4.6	5.5	5.1

Environmental Management System Certification Status (as of January 2024)

by Sector	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies
Manufacturing	20	23	Japan	11	13	Southeast Asia	4	10
Sales	0	14	North and Central America	3	7	India	2	2
Other	4	8	Europe	1	2	Oceania	0	4
Total	24	45	China	3	5	Other	0	2
						Total	24	45

Manufacturing site ISO14001 certification acquisition rate: 87%

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: 15,081 Non-consolidated: 3,358 (as of March 31, 2023)
Number of group companies	Japan 13 (EXEDY Corporation included), overseas 32
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, 2023)
Number of shareholders	56,271 (as of March 31, 2023)
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

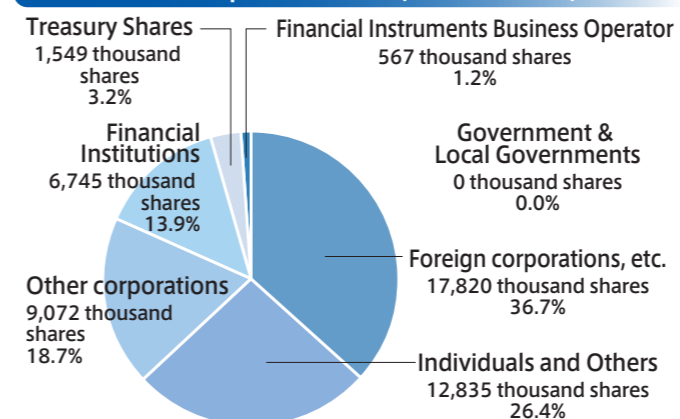
Major Shareholders (Top 10)

(As of March 31, 2023)

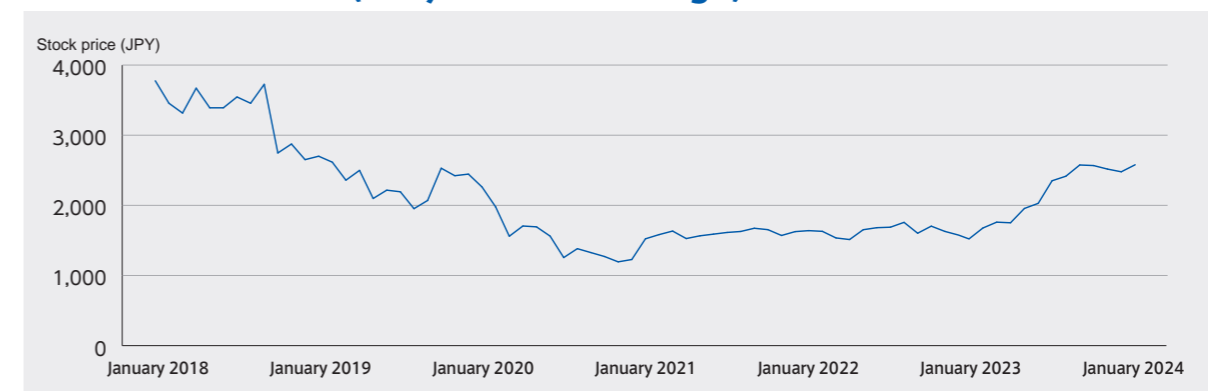
Shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
AISIN CORPORATION	7,230	15.4%
Aisin Holdings of America, Inc.	4,500	9.6%
Aisin Europe SA	4,500	9.6%
The Master Trust Bank of Japan, Ltd.	4,435	9.4%
The Custody Bank of Japan, Ltd.	1,735	3.7%
Bashokai (Basho Association of Japan)	1,355	2.9%
RE FUND 107-CLIENT AC	747	1.6%
EXEDY's Employee Shareholding Association	633	1.3%
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE CLIENTS NON-TREATY ACCOUNT	614	1.3%
DFA INTL SMALL CAP VALUE PORTFOLIO	610	1.3%

Notes: 1. EXEDY holds 1,549,737 shares of treasury stock but is excluded from the above major shareholders.
2. Shareholding ratio is calculated excluding treasury stock.

Shareholder Composition Ratio (For Reference)



Stock Price Trend (Tokyo Stock Exchange)





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