ANNUAL REPORT 2011

Year Ended March 31, 2011

EXEDY

Focus on Basics

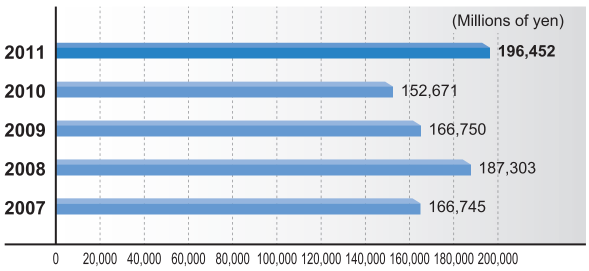
Consolidated Financial Highlights

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2011

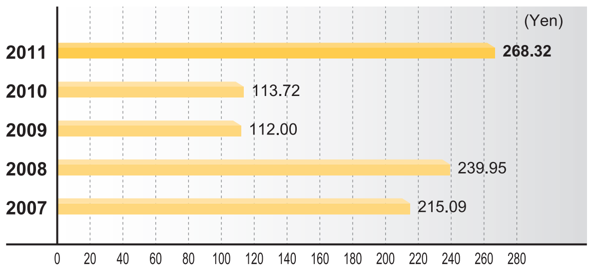
	Japanese yen (millions)		U.S. dollars (thousands)	% Charge
	2010	**2011**	**2011**	2010/2011
For the year:				
Net sales	¥152,671	**¥196,452**	**$2,362,622**	+28.7%
Net income	5,524	**13,024**	**156,633**	+135.8%
At year-end:				
Total assets	153,426	**164,417**	**1,977,354**	+7.2%
Net assets	109,096	**116,820**	**1,404,931**	+7.1%
Per share data:	Japanese yen		U.S. dollars	
Net income	¥ 113.72	**¥ 268.32**	**$ 3.23**	+136.0%
Net assets	2,115.38	**2,279.57**	**27.42**	+7.8%
Cash dividends	35.00	**50.00**	**0.60**	+42.9%

Note : Dollar figures are translated, for convenience only, at the rate of ¥83.15 to U.S. $1.00.

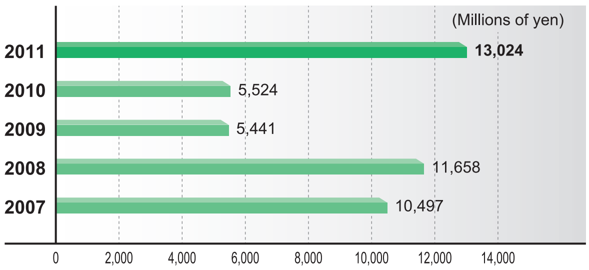
Net Sales



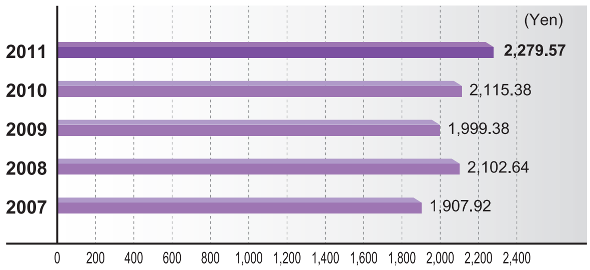
Net Income Per Share of Common Stock



Net Income



Net Assets Per Share of Common Stock



Business Operations

Review of Fiscal Year Ended March 31, 2011

The fall of the Lehman Brothers had taken a toll on automobile makers and resulted in an economic slowdown world-wide where as increasing domestic demand in China and Asia is expected to continue. While the EXEDY Group benefited from the recovery in orders for the most of the year, the Tohoku earthquake that had devastated eastern Japan had as well affected our domestic business as we ended the 2010 year. We have taken action by implementing successful cost-cutting activities which contributed to our positive results in the fiscal year.

For the consolidated results of the fiscal year under review, net sales had risen to ¥196.4 billion (an increase of 28.7% from the previous fiscal year), operating income increased to ¥21.4 billion (an increase of 97.2% from the previous fiscal year), ordinary income climbed to ¥20.8 billion (an increase of 96.3% from the previous fiscal year), and net income edged to ¥13.0 billion (an increase of 135.8% from the previous fiscal year).

Outlook of Fiscal Year Ended March 31, 2012

The Tohoku earthquake that had taken place in eastern Japan has decreased domestic orders and has left car markers as well as transmission makers out of key materials that were being sourced from the Tohoku area.

Eventhough the recovery of the area will take time, the automotive industry is recovering faster than expected.

In this situation, for the consolidated results of fiscal 2011, we forecast a net sales of ¥200.0 billion (an increase of 1.8% from the previous fiscal year), an operating income of ¥18.0 billion (a decrease of 15.9% from the previous fiscal year), an ordinary income of ¥17.9 billion (a decrease of 14.1% from the previous fiscal year), and a net income of ¥11.5 billion (a decrease of 11.7% from the previous fiscal year).

September, 2011

Haruo Shimizu
President and Chief Executive Officer

From left to right: Katsumi Shintou (Director), Masayuki Matsuda (Director), Etsuji Terada (Director), Haruo Shimizu (President and Chief Executive Officer), Hisayasu Masaoka (Director), Hidehito Hisakawa (Director), Hideki Miura (Director)

EXEDY
EXCELLENT & DYNAMIC

Global Network

- Production & Sales
- Sales

EXEDY Clutch Europe Ltd. (Cheshire, U.K.)

EXEDY Clutch Europe Ltd. (Moscow, Russia)

EXEDY DYNAX Europe Ltd. (Tatabanya, Hungary)

EXEDY Middle East Fzco (Riyadh, Saudi Arabia)

EXEDY Middle East Fzco (Amman, Jordan)

EXEDY Middle East Fzco (Dubai, U.A.E.)

EXEDY Middle East Fzco (Nairobi, Kenya)

EXEDY India Ltd. (Aurangabad, India)

EXEDY India Ltd. (Greater Noida, India)

EXEDY (Malaysia) Sdn.Bhd. (Negeri Sembilan, Malaysia)

EXEDY (Thailand) Co.,Ltd. (Chonburi, Thailand)

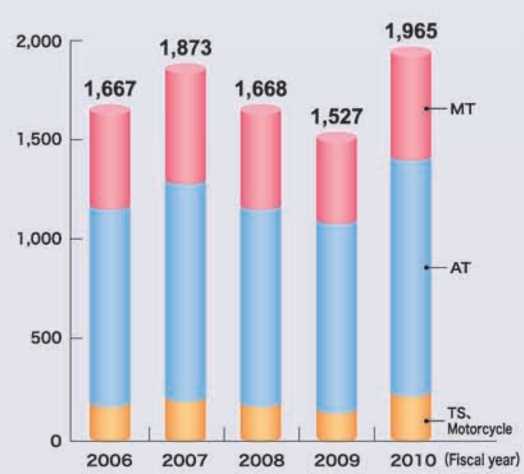
EXEDY Friction Material Co.,Ltd. (Chonburi, Thailand)

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

EXEDY Australia Pty.Ltd. (Melbourne, Australia)

EXEDY Australia Pty.Ltd. (Sydney, Australia)

Consolidated Sales (Unit : ¥100 million)



Main Products

MT Products for Manual Transmission Automobiles: Clutch Cover, Clutch Disc, Sports Clutch

AT Products for Automatic Transmission Automobiles: Torque Converter, Clutch Pack, Paper Disc

TS Products for Construction Machinery, Industrial Vehicles, and Agricultural Machinery: Power Shift Transmission, Retarder

Clutches for Motorcycle: One-Way Clutch, Wet multiplate clutch, Dry type centrifugal clutch with pulley

Friction Facing for Clutch Disc

EXEDY's global strategy expands worldwide

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

Topics of the Year

Manufacturing

EXEDY DYNAX Mexico S.A. de C.V.

In response to the growing demand of automobiles in the North and Central Americas, EXEDY DYNAX Mexico S.A. de C.V. will be in operation starting in January of 2012.

P.T. EXEDY Indonesia
P.T. EXEDY Motorcycle Indonesia

With the increasing demand for automobiles in Indonesia, the new plant of P.T. EXEDY Indonesia and P.T. EXEDY Motorcycle Indonesia has begun operation from December 2010.

Quality

EXEDY received the Daihatsu Special Quality Award for the 11th consecutive year. (Awarded April 14, 2011)

Quality of Production and Appreciation award from PT. ASTRA HONDA MOTOR (Indonesia). (Awarded March 23, 2011)

Technology

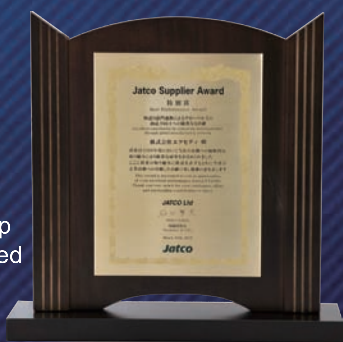
The EXEDY clutch equipped MotoGP bikes had won the 2009 and 2010 series championships!

EXEDY received the Nissan Global Supplier Award (Awarded July 12, 2011)

This award recognized EXEDY's development of small and light torque converters for the next generation CVT.

EXEDY received the 2010 Jatco Supplier Award (Awarded March 15, 2011)

EXEDY's high level of craftsmanship as a global manufacturer is recognized through many awards.



Consolidated Five-Year Summary

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Japanese yen (millions)					U.S. dollars (thousands)
	2007	2008	2009	2010	2011	2011
For the year:						
Net sales	¥166,745	¥187,303	¥166,750	¥152,671	¥196,452	$2,362,622
Net income	10,497	11,658	5,441	5,524	13,024	156,633
At year-end:						
Total assets	¥144,073	¥158,147	¥136,907	¥153,426	¥164,417	$1,977,354
Current assets	70,265	82,000	59,871	81,478	91,136	1,096,043
Property, plant and equipment	65,011	68,220	70,140	64,986	65,395	786,470
Current liabilities	32,932	37,207	24,115	32,911	36,156	434,828
Long-term debt	2,727	2,966	2,627	3,099	4,200	50,511
Net assets	99,847	110,033	103,249	109,096	116,820	1,404,931
Net assets / Total assets	64.3 %	64.6 %	70.9 %	67.0 %	67.0 %	67.0%
Retained earnings	75,049	84,934	87,588	92,140	102,979	1,238,473
	Japanese yen					U.S. dollars
Per share data:						
Net income	¥ 215.09	¥ 239.95	¥ 112.00	¥ 113.72	¥ 268.32	$ 3.23
Net income - diluted	—	—	—	—	—	—
Net assets	1,907.92	2,102.64	1,999.38	2,115.38	2,279.57	27.42

Note : Dollar figures are translated, for convenience only, at the rate of ¥83.15 to U.S. $1.00.

Financial Section

Consolidated Balance Sheets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2010 and 2011

	Japanese yen (millions)		U.S. dollars (thousands)
ASSETS	2010	2011	2011
Current Assets:			
Cash and cash equivalents [Notes 1(q) and 17]	¥ 25,597	¥ **30,038**	$ **361,251**
Time deposits	645	**283**	**3,403**
Notes and accounts receivable (Notes 17 and 19) -			
Trade	33,394	**33,229**	**399,627**
Non-consolidated subsidiaries and affiliates	13	**8**	**96**
Allowance for doubtful accounts	(87)	**(82)**	**(986)**
Inventories (Note 2)	16,455	**21,232**	**255,346**
Deferred tax assets (Note 8)	2,417	**2,819**	**33,903**
Short-term loans	638	**463**	**5,568**
Other current assets	2,406	**3,146**	**37,835**
Total current assets	81,478	**91,136**	**1,096,043**
Property, Plant and Equipment (Note 4) :			
Land	8,275	**8,166**	**98,208**
Buildings and structures	41,732	**42,105**	**506,374**
Machinery and vehicles	106,877	**107,490**	**1,292,724**
Tools and furniture	37,263	**38,741**	**465,917**
Construction in progress	2,052	**6,367**	**76,573**
	196,199	**202,869**	**2,439,796**
Less - accumulated depreciation	(131,213)	**(137,474)**	**(1,653,326)**
Total property, plant and equipment	64,986	**65,395**	**786,470**
Investments and Other Assets:			
Investments in securities (Notes 3 and 17)	1,137	**1,494**	**17,968**
Investments in and loans to			
non-consolidated subsidiaries and affiliates	639	**703**	**8,455**
Long-term loans	124	**141**	**1,696**
Deferred tax assets (Note 8)	2,793	**2,144**	**25,785**
Other assets	2,269	**3,404**	**40,937**
Total investments and other assets	6,962	**7,886**	**94,841**
Total Assets	¥153,426	**¥164,417**	**$1,977,354**

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

LIABILITIES AND NET ASSETS	Japanese yen (millions) 2010	2011	U.S. dollars (thousands) 2011
Current Liabilities:			
Short-term borrowings including			
current portion of long-term debt (Notes 4, 6 and 17)	¥ 4,722	¥ **3,465**	$ **41,672**
Notes and accounts payable (Note 17) -			
Trade	16,496	**19,358**	**232,808**
Construction	724	**1,591**	**19,134**
Non-consolidated subsidiaries and affiliates	25	**33**	**397**
Accrued expenses (Note 17)	6,098	**7,126**	**85,701**
Accrued income taxes	3,902	**3,844**	**46,230**
Other current liabilities	944	**739**	**8,886**
Total current liabilities	32,911	**36,156**	**434,828**
Long-term Liabilities:			
Long-term debt (Notes 4, 6 and 17)	3,099	**4,200**	**50,511**
Deferred tax liabilities (Note 8)	1,069	**1,145**	**13,770**
Employees' severance and retirement benefits (Note 9)	6,106	**5,044**	**60,661**
Retirement benefits for directors and corporate auditors	156	**9**	**108**
Other long-term liabilities	989	**1,043**	**12,545**
Total long-term liabilities	11,419	**11,441**	**137,595**
Contingent Liabilities (Note 19)			
Net Assets			
Shareholders' Equity (Note 18):			
Common stock			
Authorized - 168,000 thousand shares in 2010 and 2011			
Issued - 48,594 thousand shares in 2010 and 2011	8,284	**8,284**	**99,627**
Capital surplus	7,541	**7,541**	**90,691**
Retained earnings	92,140	**102,979**	**1,238,473**
Treasury stock			
12 thousand shares in 2010 and 288 thousand shares in 2011	(39)	**(804)**	**(9,669)**
Total shareholders' equity	107,926	**118,000**	**1,419,122**
Accumulated Other Comprehensive Income			
Net unrealized holding gains on other securities	319	**357**	**4,293**
Foreign currency translation adjustments [Note 1(c)]	(5,477)	**(8,240)**	**(99,098)**
Total accumulated other comprehensive income	(5,158)	**(7,883)**	**(94,805)**
Minority Interests	6,328	**6,703**	**80,614**
Total net assets	109,096	**116,820**	**1,404,931**
Total Liabilities and Net Assets	¥153,426	**¥164,417**	**$1,977,354**

Consolidated Statements of Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2011

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Net Sales	¥152,671	**¥196,452**	**$2,362,622**
Cost of Sales	122,375	**152,344**	**1,832,159**
Gross profit	30,296	**44,108**	**530,463**
Selling, General and Administrative Expenses (Note 10)	19,445	**22,712**	**273,145**
Operating income	10,851	**21,396**	**257,318**
Other Income (Expenses) :			
Interest and dividend income	77	**78**	**938**
Interest expense	(334)	**(323)**	**(3,885)**
Losses on sale or disposal of property, plant and equipment	(612)	**(32)**	**(385)**
Equity in gains of non-consolidated subsidiaries and affiliates	20	**59**	**710**
Foreign exchange gains (losses), net	101	**(860)**	**(10,343)**
Gains on reversal of allowance for doubtful accounts	28	**4**	**48**
Gains on reversal of reserve for warranty	106	**178**	**2,141**
Impairment losses on property, plant and equipment (Note 5)	(571)	**—**	**—**
Other, net	510	**511**	**6,146**
	(675)	**(385)**	**(4,630)**
Income before income taxes and minority interests	10,176	**21,011**	**252,688**
Income Taxes (Note 8)			
Current	4,498	**6,504**	**78,220**
Deferred	(35)	**225**	**2,706**
Income before Minority Interests	5,713	**14,282**	**171,762**
Minority Interests in Net Income of Consolidated Subsidiaries	189	**1,258**	**15,129**
Net Income	¥ 5,524	**¥ 13,024**	**$ 156,633**

Per Share Data (Note 14) :	Japanese yen		U.S. dollars
Net income	¥ 113.72	**¥ 268.32**	**$ 3.23**
Net income - diluted	—	**—**	**—**
Cash dividends	35.00	**50.00**	**0.60**

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

Consolidated Statements of Comprehensive Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2011

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Income before Minority Interests	¥ 5,713	¥ **14,282**	**171,762**
Other Comprehensive Income			
Net unrealized holding gains on other securities	192	**38**	**457**
Foreign currency translation adjustments	820	**(3,122)**	**(37,547)**
Share of other comprehensive income of associates accounted for using equity method	144	**1**	**12**
Total other comprehensive income	1,156	**(3,083)**	**(37,078)**
Comprehensive Income	¥ 6,869	¥ **11,199**	**$ 134,684**
Comprehensive Income attribute to:			
Owners of the parent	6,607	**10,299**	**123,860**
Minority interests	262	**900**	**10,824**

Consolidated Statements of Changes in Net Assets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2011

	Japanese yen (millions)								
	Shareholders' equity					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on other securities	Foreign currency translation adjustments	Minority interests	Total Net Assets
Balance as of March 31, 2009	¥ 8,284	¥ 7,541	¥ 87,588	¥ (38)	¥103,375	¥ 127	¥ (6,368)	¥ 6,115	¥103,249
Increase for unification of accounting policies applied to foreign subsidiaries	—	—	—	—	—	—	—	—	—
Net income	—	—	5,524	—	5,524	—	—	—	5,524
Purchase of treasury stock	—	—	—	(1)	(1)	—	—	—	(1)
Cash dividends paid	—	—	(972)	—	(972)	—	—	—	(972)
Other, net	—	—	—	—	—	192	891	213	1,296
Balance as of March 31, 2010	8,284	7,541	92,140	(39)	107,926	319	(5,477)	6,328	109,096
Net income	—	—	13,024	—	13,024	—	—	—	13,024
Purchase of treasury stock	—	—	—	(765)	(765)	—	—	—	(765)
Cash dividends paid	—	—	(2,185)	—	(2,185)	—	—	—	(2,185)
Other, net	—	—	—	—	—	38	(2,763)	375	(2,350)
Balance as of March 31, 2011	¥ 8,284	¥ 7,541	¥102,979	¥ (804)	¥118,000	¥ 357	¥ (8,240)	¥ 6,703	¥116,820

	U.S. dollars (thousands)								
	Shareholders' equity					Accumulated other comprehensive income			
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on other securities	Foreign currency translation adjustments	Minority interests	Total Net Assets
Balance as of March 31, 2010	$ 99,627	$ 90,691	$1,108,118	$ (469)	$1,297,967	$ 3,836	$ (65,869)	$ 76,104	$1,312,038
Net income	—	—	156,633	—	156,633	—	—	—	156,633
Purchase of treasury stock	—	—	—	(9,200)	(9,200)	—	—	—	(9,200)
Cash dividends paid	—	—	(26,278)	—	(26,278)	—	—	—	(26,278)
Other, net	—	—	—	—	—	457	(33,229)	4,510	(28,262)
Balance as of March 31, 2011	$ 99,627	$ 90,691	$1,238,473	$ (9,669)	$1,419,122	$ 4,293	$ (99,098)	$ 80,614	$1,404,931

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

Consolidated Statements of Cash Flows

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010 and 2011

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 10,176	**¥ 21,011**	**$ 252,688**
Adjustments for :			
Depreciation and amortization	11,994	**11,754**	**141,359**
Losses on sale or disposal of property, plant and equipment	604	**2**	**24**
Impairment losses on property, plant and equipment	571	**—**	**—**
Decrease in allowance for doubtful accounts	(16)	**(0)**	**(0)**
Increase (decrease) in employees' severance and retirement benefits	545	**(1,062)**	**(12,772)**
Interest and dividend income	(77)	**(78)**	**(938)**
Interest expense	334	**323**	**3,885**
Decrease (increase) in notes and accounts receivables	(8,588)	**(814)**	**(9,790)**
Increase in inventories	(1,716)	**(5,644)**	**(67,877)**
Increase (decrease) in notes and accounts payables	3,145	**3,453**	**41,527**
Other, net	2,190	**524**	**6,302**
Subtotal	19,162	**29,469**	**354,408**
Interest and dividend income received	128	**104**	**1,251**
Interest paid	(323)	**(316)**	**(3,801)**
Income taxes paid	547	**(6,449)**	**(77,559)**
Net cash provided by operating activities	19,514	**22,808**	**274,299**
Cash Flows from Investing Activities:			
Increase in time deposits	(290)	**(460)**	**(5,532)**
Decrease in time deposits	16	**809**	**9,729**
Payments for purchases of property, plant and equipment	(7,565)	**(13,965)**	**(167,949)**
Proceeds from sales of property, plant and equipment	52	**354**	**4,257**
Payments for acquisitions of intangible assets	(262)	**(826)**	**(9,934)**
Payments for purchases of investment in securities	(10)	**(286)**	**(3,440)**
Payments for additional portions of consolidated subsidiaries	(42)	**(439)**	**(5,280)**
Payments for acquisitions of consolidated subsidiaries(Note 8)	(448)	**—**	**—**
Additions to loans receivable	(28)	**(52)**	**(625)**
Collection of loans receivable	65	**210**	**2,526**
Other, net	(82)	**(58)**	**(697)**
Net cash used in investing activities	(8,594)	**(14,713)**	**(176,945)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(403)	**(420)**	**(5,051)**
Proceeds from long-term loans payable	913	**2,018**	**24,269**
Repayments of long-term loans payable	(955)	**(1,153)**	**(13,867)**
Payments for acquisitions of treasury stock	(1)	**(765)**	**(9,200)**
Cash dividends paid	(972)	**(2,186)**	**(26,290)**
Cash dividends paid to minority shareholders	(434)	**(368)**	**(4,426)**
Other, net	(11)	**(6)**	**(71)**
Net cash used in financing activities	(1,863)	**(2,880)**	**(34,636)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	205	**(774)**	**(9,308)**
Net Increase in Cash and Cash Equivalents	9,262	**4,441**	**53,410**
Cash and Cash Equivalents at Beginning of Year	16,335	**25,597**	**307,841**
Cash and Cash Equivalents at End of Year	¥ 25,597	**¥ 30,038**	**$ 361,251**

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

Notes to Consolidated Financial Statements

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Summary of Significant Accounting and Reporting Policies

(a) Basis of presenting the consolidated financial statements

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

The accounts of the Company’s overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with consolidation adjustments for the specified six items, which are described in “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements(“PITF No.18”)”, as applicable. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S. $1.00. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or the existence of certain conditions evidencing control by the Company. The consolidated financial statements include the accounts of the Company and its 29 (28 as of March 31, 2010) significant majority owned subsidiaries.

Investments in non-consolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for using the equity method. Investments in 5 (4 as of March 31, 2010) non-consolidated subsidiaries and 1 (1 as of March 31, 2010) affiliate are accounted for using the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are valued using the fair value at the time the Company acquired control of the respective subsidiary. Material intercompany balances, transactions and profits have been eliminated in consolidation. All the overseas subsidiaries except for 1 consolidated subsidiary, are consolidated using a fiscal period ending December 31. Significant transactions occurring from January 1 to March 31, the Company’s fiscal year-end, are adjusted for in the consolidated financial statements.

(c) Translation of foreign currencies

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

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

(d) Securities

Securities consist principally of marketable and nonmarketable equity securities.
Other securities with available fair market value are stated at fair market value. Net unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets.
Realized gains and losses on the sale of such securities are computed using the moving average cost method.
Other securities with no available fair market value are stated at moving average cost, net of the amount considered uncollectible.
If the fair market value of other securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as a loss in the period of decline. If the net asset value of other securities with no available fair market value declines significantly, such securities should be written down to the net asset value by charging to income.

(e) Derivatives

All derivatives are stated at fair value.

(f) Inventories

Inventories possessed for selling except for supplies are mainly stated at the lower of cost (first-in, first-out) or net realizable value at March 31, 2011. Supplies are mainly stated at cost determined by the last purchase cost method.

(g) Property, plant and equipment

The Company and its domestic consolidated subsidiaries compute the depreciation of property, plant and equipment by using the declining-balance method and its overseas consolidated subsidiaries mainly by using the straight-line method. The depreciation of buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 is computed by using the straight-line method.
Estimated useful lives of property, plant and equipment are as follows:
Buildings and structures...........3 - 50 years
Machinery and vehicles…........2 - 15 years
Tools and furniture……….......2 - 20 years

Maintenance and repairs including minor renewals and betterments are charged to income as incurred.

(h) Software

Software is amortized using the straight-line method over the useful lives (3-5 years) of the software.

(i) Leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated over lease terms, as applicable. However, as permitted, the Company and consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating lease with disclosure of certain “as if capitalized” information in Note 7.

(j) Income taxes
The Company and its consolidated subsidiaries recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.
The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

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

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

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

(Changes in accounting policies)
Effective from the fiscal year ended March 31, 2010, the Company and consolidated domestic subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan ("ASBJ") Statement No.19 issued on July 31, 2008). The new accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no material impact on the consolidated financial statements for the year ended March 31, 2010.

(m) Retirement benefits for directors and corporate auditors
Domestic consolidated subsidiaries have unfunded retirement allowance plans for directors and corporate auditors. The amounts required under the plans have been fully accrued.

(Additional information)
The Company abolished the practice of providing for retirement benefits for directors and corporate auditors based on the resolution for the abolishment of the institution for retirement benefits for directors and corporate auditors at the ordinary general meeting of the shareholders on June 24, 2009. As a result of this resolution, the estimated future payment of ¥401 million was transferred from retirement benefits for directors and corporate auditors to other long-term liabilities.

(n) Accounting for consumption taxes
Consumption taxes withheld upon sale and consumption taxes paid by the Companies on their purchases of goods and services are not included in the amounts of respective revenue or cost or expense items in the accompanying consolidated statements of income.

(o) Per share data
The computation of net income per share is based on the weighted average number of shares outstanding during each year, excluding the Company's treasury stock, and based on net income attributed to ordinary shareholders, excluding bonuses to directors and corporate auditors, etc. The computation of net assets per share is based on the number of shares of common stock outstanding at the year-end, excluding the Company's treasury stock, and based on net assets attributed to ordinary shareholders, excluding minority interests.

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

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

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

(r) Reclassification
Certain comparative figures have been reclassified to conform to the current year's presentation.

(s) Changes in accounting policies
Asset Retirement Obligations
Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The effect on operating income, income before income taxes and minority interests, and net income as a result of applying the new accounting standard has been immaterial.

Presentation of Comprehensive Income
Effective March 31, 2011, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010).
As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.
The consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as that for the fiscal year ended March 31, 2011.

(t) Supplemental information
Disclosures about Segments of an Enterprise and Related Information
Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

2. Inventories

Inventories as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Finished goods	¥ 7,312	¥ **10,227**	$ **122,995**
Work-in process	3,458	**4,082**	**49,092**
Raw materials	4,605	**5,678**	**68,286**
Supplies	1,080	**1,245**	**14,973**
	¥ 16,455	¥ **21,232**	$ **255,346**

The ending inventory balance represents after write-down of book value when their carrying amounts become unrecoverable, and the write-down recognized at cost of sales were ¥203 million and ¥260 million ($3,127 thousand) as of March 31, 2010 and 2011, respectively.

3. Securities

Other securities with book values (fair values) exceeding acquisition costs as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		
March 31, 2010	Acquisition cost	Book value	Difference
Equity securities	¥ 334	¥ 910	¥ 576
Interest-bearing securities	—	—	—
Others	—	—	—
	¥ 334	¥ 910	¥ 576

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31, 2010	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ **644**	¥ **1,286**	¥ **642**	$ **7,745**	$ **15,466**	$ **7,721**
Interest-bearing securities	**—**	**—**	**—**	**—**	**—**	**—**
Others	**—**	**—**	**—**	**—**	**—**	**—**
	¥ **644**	¥ **1,286**	¥ **642**	$ **7,745**	$ **15,466**	$ **7,721**

Other securities with book values (fair values) not exceeding acquisition costs as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		
March 31, 2010	Acquisition cost	Book value	Difference
Equity securities	¥ 197	¥ 159	¥ (38)
Interest-bearing securities	—	—	—
Others	—	—	—
	¥ 197	¥ 159	¥ (38)

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31, 2010	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ **174**	¥ **140**	¥ **(34)**	$ **2,093**	$ **1,684**	$ **(409)**
Interest-bearing securities	**—**	**—**	**—**	**—**	**—**	**—**
Others	**—**	**—**	**—**	**—**	**—**	**—**
	¥ **174**	¥ **140**	¥ **(34)**	$ **2,093**	$ **1,684**	$ **(409)**

The book value of securities with no available fair values as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Other securities with no fair value			
Non-listed equity securities	¥ 68	¥ **68**	$ **818**

4. Assets Pledged as Collateral

The following assets were pledged as collateral for ¥107 million and ¥179 million ($2,153 thousand) of secured loans from government-sponsored agencies as of March 31, 2010 and 2011, respectively :

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Accounts receivable and inventories	¥ —	¥ **94**	$ **1,130**
Land	62	**—**	**—**
Buildings and structures, net	35	**—**	**—**
	¥ 97	¥ **94**	$ **1,130**

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given at the request of the bank under certain circumstances, and that any collateral so furnished will be applicable to all indebtedness to that bank. To date, the Company and its consolidated subsidiaries have not received any such requests from their banks.

5. Impairment of Fixed Assets

The Company and its consolidated subsidiaries evaluated the profitability in each business category, which is Manual automotive drivetrain operations, Automatic automotive drivetrain operations, Industrial drivetrain operations and Other (Plants and other facilities). Accounting for impairment of fixed assets shall be applied only when the investment may not be recoverable in the business.

In the year ended March 31, 2010, the result indicates impairment in industrial machine drivetrain business due to deterioration of business environment and can not recover the investment through the future. Therefore the Company and its consolidated subsidiaries recognized impairment losses on those assets where the recoverable value was less than the net book value. The recoverable value of assets was based on value in use. Impairment losses were recognized for the excess of the net book value over the recoverable value.
Moreover, the Company and its consolidated subsidiaries has some assets which belong to Manual automotive drivetrain category and there is no prospect for use. Therefore, the Company and its consolidated subsidiaries recognized impairment losses on those assets where the recoverable value was less than the net book value. The recoverable value of assets was based on net selling price. Impairment losses were recognized for the excess of the net book value over the recoverable value.

Impairment losses on fixed assets for the year ended March 31, 2010 were as follows:

March 31,2010

Asset Group	Asset Type	Usage	Japanese yen (millions)
Industrial machine drivetrain	Buildings and structures	Production	¥ **89**
	Machinery and vehicles		**357**
	Tools and furniture		**70**
	Construction in progress		**44**
	Intangible assets		**2**
MT	Machinery and vehicles	Idle	**9**
			¥ **571**

6. Short-term Borrowings and Long-term Debt

Short-term borrowings and long-term debt as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	Weighted average interest rates	Year due
	2010	2011	2011		
Short-term borrowings	¥ 3,371	¥ **2,775**	$ **33,374**	**4.3 %**	
Current portion of long-term debt	1,351	**690**	**8,298**	**8.8**	
Current portion of lease obligation	16	**22**	**265**	**—**	
Long-term debt	3,099	**4,200**	**50,511**	**4.2**	**2012-2019**
Lease obligations	28	**27**	**325**	**—**	**2012-2015**
Other interest bearing debt	58	**81**	**973**	**0.4**	
	¥ 7,923	¥ **7,795**	$ **93,746**		

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

Annual maturities of long-term debt and lease obligations as of March 31, 2011 were as follows:

Long-term dept Years ending March 31	Japanese yen (millions)	U.S. dollars (thousands)
2013	¥ **1,844**	$ **22,177**
2014	**1,361**	**16,368**
2015	**579**	**6,963**
2016 and thereafter	**416**	**5,003**
	¥ **4,200**	$ **50,511**

Lease obligation Years ending March 31	Japanese yen (millions)	U.S. dollars (thousands)
2013	¥ **14**	$ **169**
2014	**7**	**84**
2015	**4**	**48**
2016 and thereafter	**2**	**24**
	¥ **27**	$ **325**

7. Leases

(a) Finance leases

As discussed in Note 1 (i), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases. Information relating to finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, is described below.

Pro forma information regarding leased property such as acquisition cost, accumulated depreciation, accumulated losses on impairment and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee for the years ended March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)			
March 31, 2011	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance
Machinery and vehicles	¥ **141**	¥ **96**	¥ **—**	¥ **45**
Tools and furniture	**115**	**50**	**—**	**65**
	¥ **256**	¥ **146**	¥ **—**	¥ **110**

	Japanese yen (millions)				U.S. dollars (thousands)			
March 31, 2011	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance
Machinery and vehicles	¥ **80**	¥ **57**	¥ **—**	¥ **23**	$ **962**	$ **685**	$ **—**	$ **277**
Tools and furniture	**96**	**48**	**—**	**48**	**1,155**	**578**	**—**	**577**
	¥ **176**	¥ **105**	¥ **—**	¥ **71**	$ **2,117**	$ **1,263**	$ **—**	$ **854**

The scheduled maturities of future lease payments, on such lease contracts for the years ended March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Due within one year	¥ 38	¥ **26**	$ **313**
Due over one year	72	**45**	**541**
	¥ 110	¥ **71**	$ **854**
Lease payments for the year	¥ 50	¥ **30**	$ **361**

The amounts of acquisition costs and future minimum lease payments under finance leases included the interest expense portions.

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, calculated by the straight-line method, would have been ¥50 million and ¥30 million ($ 361thousand) for the years ended March 31, 2010and 2011, respectively.

The Company had no leased assets on which impairment should have been recognized for the years ended March 31, 2010 and 2011.

(b) Operating leases

The scheduled maturities of future lease payments under non-cancelable operating leases as of March 31, 2010 and 2011, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Due within one year	¥ 6	¥ **8**	$ **96**
Due over one year	16	**22**	**265**
	¥ 22	¥ **30**	$ **361**

8. Income Taxes

Significant components of the Company and consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 2,466	¥ **2,038**	$ **24,510**
Net operating losses carried forward	1,797	**1,169**	**14,059**
Accrued bonuses to employees	892	**1,079**	**12,977**
Impairment losses on property, plant and equipment	703	**659**	**7,925**
Unrealized profit eliminated in consolidation (inventories)	379	**492**	**5,917**
Losses on devaluation of inventories	424	**471**	**5,664**
Unrealized profit eliminated in consolidation (fixed assets)	220	**374**	**4,498**
Accrued warranty costs	343	**328**	**3,945**
Accrued enterprise tax	262	**258**	**3,103**
Retirement benefits for directors and corporate auditors	—	**218**	**2,622**
Accounts payable	162	**—**	**—**
Depreciation	122	**—**	**—**
Other	971	**976**	**11,737**
Total deferred tax assets	8,741	**8,062**	**96,957**
Valuation allowance	(2,014)	**(1,509)**	**(18,148)**
Deferred tax assets	6,727	**6,553**	**78,809**
Deferred tax liabilities:			
Depreciation and amortization	(1,144)	**(1,038)**	**(12,483)**
Retained earnings of overseas subsidiaries	(795)	**(1,001)**	**(12,038)**
Reserve for advanced depreciation	(326)	**(329)**	**(3,957)**
Net unrealized holding gains on other securities	(220)	**(251)**	**(3,019)**
Other	(101)	**(119)**	**(1,431)**
Total deferred tax liabilities	(2,586)	**(2,738)**	**(32,928)**
Valuation allowance	—	**—**	**—**
Deferred tax liabilities	(2,586)	**(2,738)**	**(32,928)**
Net deferred tax assets	¥ 4,141	¥ **3,815**	$ **45,881**

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.4% for the years ended March 31, 2010 and 2011.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2010 and 2011:

	2010	2011
Statutory tax rate	40.4 %	**40.4 %**
Adjustments for:		
Non-deductible expenses	0.6	**0.2**
Per capita inhabitants tax	0.2	**0.1**
Tax credit for research and development expenses	(2.7)	**(1.5)**
Different tax rates applied to overseas subsidiaries	(3.8)	**(5.3)**
Increase(decrease) of retained earnings of overseas subsidiaries	3.2	**1.0**
Dividend	1.3	**—**
Increase in valuation allowance	3.9	**(1.9)**
Other	0.7	**(1.0)%**
Effective tax rate	43.8 %	**32.0**

9. Employees' Severance and Retirement Benefits

The Company and its domestic consolidated subsidiaries have adopted defined benefit retirement plans: cash balance plans and lump-sum payment plans, as well as defined contribution pension plans.

The liability for employees' severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2010 and 2011 consisted of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Projected benefit obligation	¥(11,601)	**¥(11,679)**	**$ (140,457)**
Fair value of plan assets	5,968	**6,446**	**77,523**
	(5,633)	**(5,233)**	**(62,934)**
Unrecognized actuarial differences	(473)	**189**	**2,273**
Employees' severance and retirement benefits	¥ (6,106)	**¥ (5,044)**	**$ (60,661)**

Included in the consolidated statements of income for the years ended March 31, 2010 and 2011 were employees' severance and retirement benefit expenses comprised of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Service costs	¥ 527	**¥ 535**	**$ 6,434**
Interest costs	235	**231**	**2,778**
Expected return on plan assets	(101)	**(119)**	**(1,431)**
Amortization of actuarial differences	1,134	**(473)**	**(5,688)**
Employees' severance and retirement benefit expenses	1,795	**174**	**2,093**
Others	192	**190**	**2,285**
	¥ 1,987	**¥ 364**	**$ 4,378**

(Note) "Others" represents the payments to defined contribution pension plans.

Assumptions used in the calculation of the above information were as follows:

	2010	2011
Method of attributing the projected benefits to periods of service	Straight-line basis	**Straight-line basis**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	2.0%	**2.0%**
Amortization of prior service costs	1 year	**1 year**
Amortization of actuarial differences	1 year	**1 year**

10. Research and development expenses

Research and development expenses are charged to income as incurred. Research and development expenses charged to income for the years ended March 31, 2010 and 2011 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Research and development expenses	¥ 4,370	**¥ 4,596**	**$ 55,274**

11. Derivatives

The following table provides information on derivative instruments as of March 31, 2010 and 2011.

	Japanese yen (millions)		
March 31, 2010	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:			
To sell U.S. dollars	¥ 1,070	¥ (22)	¥ (22)
To sell Euro	24	(1)	(1)
To sell Japanese Yen	90	0	0
To buy U.S. dollars	91	(2)	(2)
To buy Thai bahts	55	(2)	(2)
To buy Japanese Yen	13	(0)	(0)
	¥ 1,343	¥ (27)	¥ (27)

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31, 2011	Contract amount	Fair value	Gain (Loss)	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:						
To sell U.S. dollars	¥ 672	¥ (4)	¥ (4)	$ 8,082	$ (48)	$ (48)
To sell Euro	116	(4)	(4)	1,395	(48)	(48)
To buy U.S. dollars	203	(4)	(4)	2,441	(48)	(48)
To buy Thai bahts	73	(1)	(1)	878	(12)	(12)
To buy Japanese Yen	17	(0)	(0)	205	(0)	(0)
	¥ 1,081	¥ (13)	¥ (13)	$13,001	$ (156)	$ (156)

12. Segment Information

(a) General information about reportable segments

The Company and its consolidated subsidiaries are mainly engaged in the manufacture and sale of automotive parts. From the aspects of function, technological specification and productive structure, the product lines of the Company are classified roughly into 2 group, "Manual Transmission Parts" and "Automatic Transmission Parts". The Company in cooperation with its consolidated subsidiaries design business strategy and conduct business for these 2 product lines inside Japan and overseas. And concerning these 2 product lines, separate financial information is accessible among the constituent units of the Company and that are subject to periodical examination, in order for the Board of Directors of the Company to determine the allocation of management resources. Accordingly, the reportable segments of the Company are composed of 2 segments, "MT (Manual automotive drivetrain related business)" which manufactures and sells Manual Transmission Parts and "AT (Automatic automotive drivetrain related business)" which manufactures and sells Automatic Transmission Parts.

(b) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

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

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

Reported segment information for the years ended 31, 2010 and 2011 was as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2010	2011	2011
Sales:			
Manual automotive drivetrain operations	¥ 45,733	¥ 57,349	$ 689,705
Automatic automotive drivetrain operations	95,651	120,756	1,452,267
Reporting segment total	141,384	178,105	2,141,972
Other operations	17,883	27,964	336,308
Sub Total	159,267	206,069	2,478,280
Eliminations (inter-segment net sales)	(6,596)	(9,617)	(115,658)
	¥152,671	¥196,452	$2,362,622
Operating Costs and Expenses:			
Manual automotive drivetrain operations	¥ 39,837	¥ 47,916	$ 576,259
Automatic automotive drivetrain operations	90,434	110,574	1,329,814
Reporting segment total	130,271	158,490	1,906,073
Other operations	17,579	25,432	305,857
Sub Total	147,850	183,922	2,211,930
Non-allocated operating expenses and eliminations	(6,030)	(8,866)	(106,626)
	¥141,820	¥175,056	$2,105,304

Operating Income:			
Manual automotive drivetrain operations	¥ 5,896	¥ **9,433**	$ **113,446**
Automatic automotive drivetrain operations	5,217	**10,182**	**122,453**
Reporting segment total	11,113	**19,615**	**235,899**
Other operations	304	**2,532**	**30,451**
Sub Total	11,417	**22,147**	**266,350**
Non-allocated operating expenses and eliminations	(566)	**(751)**	**(9,032)**
	¥ 10,851	¥ **21,396**	$ **257,318**
Assets:			
Manual automotive drivetrain operations	¥ 41,524	¥ **43,033**	$ **517,535**
Automatic automotive drivetrain operations	73,995	**78,937**	**949,332**
Reporting segment total	115,519	**121,970**	**1,466,867**
Other operations	17,396	**20,990**	**252,435**
Sub Total	132,915	**142,960**	**1,719,302**
Corporate and eliminations	20,511	**21,457**	**258,052**
	¥153,426	¥**164,417**	$**1,977,354**
Depreciation and Amortization:			
Manual automotive drivetrain operations	¥ 3,032	¥ **2,861**	$ **34,408**
Automatic automotive drivetrain operations	7,937	**7,820**	**94,047**
Reporting segment total	10,969	**10,681**	**128,455**
Other operations	1,142	**1,067**	**12,832**
Sub Total	12,111	**11,748**	**141,287**
Corporate and eliminations	(117)	**6**	**72**
	¥ 11,994	¥ **11,754**	$ **141,359**
Capital Expenditures:			
Manual automotive drivetrain operations	¥ 1,527	¥ **4,266**	$ **51,305**
Automatic automotive drivetrain operations	3,270	**9,218**	**110,860**
Reporting segment total	4,797	**13,484**	**162,165**
Other operations	1,597	**2,291**	**27,552**
Sub Total	6,394	**15,775**	**189,717**
Corporate and eliminations	(103)	**(62)**	**(745)**
	¥ 6,291	¥ **15,713**	$ **188,972**

(Note) 1. "Other operations" is the business segment which doesn't attribute to any reportable segments, and contain industrial machine drivetrain operation, clutches for motorcycle operation, transport operation, etc.
2. The contents of Adjustments are as follows :
(a) "Non-allocated operating expenses and eliminations" of Operationg Income ¥(751) million consists of "Elimination of intersegment transactions" ¥179 million, "Amortization of goodwill" ¥(130) million,"Company-wide expense" which is not allocated to reportable segments ¥(848) million and "other adjstments" ¥48 million. "Company-wide expense" mainly consists general and administrative expenses and expence for new-product development not attributable to any reportable segments.
(b) "Corporate and eliminations" of Assets ¥21,457 million consists of "Company-wide assets" which is not allocated to reportable segments ¥23,371 million, "Elimination of intersegment transaction" ¥(2,190) million "unamortized balance of goodwill" ¥518 million and "other adjstments" ¥242 million. "Company-wide assets" mainly consists of the cash and cash equivalents and securities that are not attributable to any reportable segments.
(c) "Corporate and eliminations" of Capital Expenditures ¥(62) million consists of "Adjustment of unrealized gain for intersegmnet transaction of fixed assets" ¥(62) million.
3. The segment income is adujted to accord with operating income of "consolidated statement of income".

(1) Information about products and services
Due to the segment of products and services are same as the reportable segment, description of this item is omitted.

(2) Information about geographic areas for the years ended March 31, 2011 was as follows :

	Japanese yen (millions) 2011	U.S. dollars (thousands) 2011
Sales:		
Japan	¥ **89,646**	$**1,078,124**
America	**36,994**	**444,907**
Asia-Oceania	**60,400**	**726,398**
Other	**9,412**	**113,193**
	¥**196,452**	$**2,362,622**
Tangible Assets:		
Japan	¥ **38,098**	$ **458,184**
America	**7,816**	**93,999**
Asia-Oceania	**19,091**	**229,597**
Other	**390**	**4,690**
	¥ **65,395**	$ **786,470**

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

(3) Information about major customer for the years ended March 31 2011 was as follows :

Company Name	**Sales Segment**	Japanese yen (millions) 2011	U.S. dollars (thousands) 2011
JATCO Corporation	AT and MT	¥ **29,892**	$ **359,495**

13. Related Party Transactions

For the years ended March 31, 2010 and 2011, the Company and its consolidated subsidiaries had operational transactions with Aisin AW Co., Ltd and Aisin Holdings of America, Inc., which are subsidiaries of Aisin Seiki Co., Ltd. which holds 33.4% of the Company's voting rights.

A summary of the significant transactions between the Company and its consolidated subsidiaries and such companies for the years ended March 31, 2010 and 2011 were as follows:

March 31, 2011

Subjects	Categories	Name	Address	Capital Japanese yen (millions) U.S.dollars (thousands)	Operation	Voting rights (%)	Relationship Business relationship	Trade	Amount Japanese yen (millions) U.S.dollars (thousands)	Accounts	Balance Japanese yen (millions) U.S.dollars (thousands)
The Company	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480	Manufacturing automotive parts		Sale of products	Sale of products Concurrently serving as directors	¥ 4,059	Accounts receivable Advanced received	¥ 1,021 ¥ 5
Dynax Corporation	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480	Manufacturing automotive parts		Sale of products	Sale of products	¥ 2,192	Accounts receivable	¥ 537
Exedy America Corporation	Other related company's subsidiary	Aisin Holdings of America, Inc.	Indiana U.S.A.	$ 282,290	Administration of overall North American operations	40%	Dept	Interest expense	¥ 37	Long-term debt	¥ 1,547

March 31, 2011

Subjects	Categories	Name	Address	Capital Japanese yen (millions) U.S.dollars (thousands)	Operation	Voting rights (%)	Relationship Business relationship	Trade	Amount Japanese yen (millions) U.S.dollars (thousands)	Accounts	Balance Japanese yen (millions) U.S.dollars (thousands)
The Company	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480 $ 318,461	Manufacturing automotive parts		Sale of products	Sale of products Concurrently serving as directors	¥5,693 $68,467	Accounts receivable Advanced received	¥ 1,239 $ 14,901 ¥ 8 $ 96
Dynax Corporation	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480 $ 318,461	Manufacturing automotive parts		Sale of products	Sale of products	¥2,941 $35,370	Accounts receivable	¥ 609 $ 7,324
Exedy America Corporation	Other related company's subsidiary	Aisin Holdings of America, Inc.	Indiana U.S.A.	$ 282,290	Administration of overall North American operations	40%	Dept	Interest expense	¥12 $144	Long-term debt	¥ 1,369 $ 16,464

(Transaction terms and policy determination thereof)
With regard to sale of products and debt, prices and other transaction terms are determined by negotiation in consideration of market situations.

Consumption taxes are included in the balance, but not in the trade amounts.

14. Per Share Data

Per share data for the years ended March 31, 2010 and 2011 were as follows :

	Japanese yen (millions) 2010	Japanese yen (millions) 2011	U.S. dollars (thousands) 2011
Net income	¥ 113.72	¥ **268.32**	$ **3.23**
Net income - diluted	—	—	—
Net assets	2,115.38	**2,279.57**	**27.42**

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

The information on which per share data was calculated for the years ended March 31, 2010 and 2011 was as follows:

	Japanese yen (millions) 2010	Japanese yen (millions) 2011	U.S. dollars (thousands) 2011
Net income per share of common stock			
Net income	¥ 5,524	¥ **13,024**	$ **156,633**
Amounts not attributed to ordinary shareholders	—	—	—
Net income attributed to ordinary shareholders	¥ 5,524	¥ **13,024**	$ **156,633**
The weighted average number of shares (thousands)	48,582	**48,539**	

15. Changes in Net Assets

(a) Shares issued / Treasury stock

March 31, 2010	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2009
Shares issued:				
Common stock (thousands)	48,594	–	–	48,594
	48,594	–	–	48,594
Treasury stock:				
Common stock (thousands)	12	0	–	12
	12	0	–	12

The increase of treasury stock - common stock 0 thousand is due to purchase of the stocks less than standard unit 8 hundred.

March 31, 2011	Number of shares as of March 31, 2010	Increase	Decrease	Number of shares as of March 31, 2011
Shares issued:				
Common stock (thousands)	48,594	–	–	48,594
	48,594	–	–	48,594
Treasury stock:				
Common stock (thousands)	12	276	–	288
	12	276	–	288

The increase of treasury stock - common stock 275 thousand is due to open-market purchase of treasury stock pursuant to a resolution of the board of directors' meeting held on January 27, 2011
The increase of treasury stock - common stock 1 thousand is due to purchase of the stocks less than standard unit 6 hundred.

(b) Dividends

(1) Dividends

March 31, 2010

Resolution	Type of shares	Cash dividends paid Japanese yen (millions)	Dividends per share (Japanese yen)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 24, 2009	Common stock	¥ 486	¥ 10.0	March 31, 2009	June 25, 2009
Board of Directors' meeting on October 29, 2009	Common stock	¥ 486	¥ 10.0	September 30, 2009	November 27, 2009

March 31, 2011

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Cash dividends paid (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 24, 2010	Common stock	¥ 1,215 $ 14,612	¥ 25.0 $ 0.30	March 31, 2010	June 25, 2010
Board of Directors' meeting on October 28, 2010	Common stock	¥ 972 $ 11,690	¥ 20.0 $ 0.24	September 30, 2010	November 26, 2010

(2) Dividends, of which cut-off date was in the year ended March 31, 2011, and effective date of which will be in the year ending March 31, 2012

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Source of dividends	Cash dividends paid (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 28, 2011	Common stock	¥ 1,449 $ 17,426	Retained earnings	¥ 30.0 $ 0.36	March 31, 2011	June 29, 2011

16. Cash flows

Acquisition of newly consolidated subsidiaries

In the year ended March 31, 2010, the Company acquired a part of shares of Ceekay Daikin Limited.

The assets and liabilities of Ceekay Daikin Limited. acquired by the Company and the reconciliation between the acquisition cost and net cash used for the acquisition were as follows:

	Japanese yen (millions)
Current assets	¥ **2,000**
Non-current assets	**1,187**
Goodwill	**404**
Current liabilities	**(1,838)**
Non-current liabilities	**(886)**
Foreign currency translation adjustments	**207**
Minority interests	**(231)**
Transferred from investment in securities	**(201)**
Acquisition cost	**642**
Cash and cash equivalents of newly consolidated subsidiary	**(194)**
Net acquisition cost	¥ **448**

17. Financial instruments

Effective from the year ended March 31, 2010, the Company and its consolidated subsidiaries adopted "Accounting Standard for Financial Instruments"(ASBJ Statement No.10 issued on March 10, 2008) and "Guidance on Disclosing Fair Value of Financial Instruments"(ASBJ Guidance No.19 issued on March 10, 2008).

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

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

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

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

Short-term borrowings are mainly for the purpose of working capital and long-term debt is mainly for the purpose of payment for investment in equipment. Derivative transactions are entered and controlled by the financial department with approval of the financial manager under the rules of each company, which provide the details such as the department in charge and the maximum transaction amount. To reduce credit risk, transaction counterparties are limited to major financial institutions.

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

The book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2010 and 2011 were as follows.

	Japanese yen (millions)		
March 31, 2010	Contract amount	Fair value	Gain (Loss)
Cash and time deposit	¥ **26,242**	¥ **26,242**	¥ **–**
Notes and accounts receivable	**33,405**	**33,405**	**–**
Investments in securities			
Other securities	**1,069**	**1,069**	**–**
Notes and accounts payable	**(14,634)**	**(14,634)**	**–**
Short-term borrowings	**(3,371)**	**(3,371)**	**–**
Accrued expenses	**(5,186)**	**(5,186)**	**–**
Long-term debt	**(4,450)**	**(4,462)**	**(12)**
Derivative transactions	**(27)**	**(27)**	**–**

March 31, 2011	Japanese yen (millions) Book value	Fair value	Difference	U.S. dollars (thousands) Book value	Fair value	Difference
Cash and time deposit	¥ 30,321	¥ 30,321	¥ —	$364,654	$364,654	$ —
Notes and accounts receivable	33,235	33,235	—	399,699	399,699	—
Investments in securities						
Other securities	1,426	1,426	—	17,150	17,150	—
Notes and accounts payable	(17,178)	(17,178)	—	(206,590)	(206,590)	—
Short-term borrowings	(2,775)	(2,775)	—	(33,373)	(33,373)	—
Accrued expenses	(6,223)	(6,223)	—	(74,841)	(74,841)	—
Long-term debt	(4,890)	(4,817)	(△ 73)	(58,809)	(57,931)	(△ 878)
Derivative transactions	(13)	(13)	—	(156)	(156)	—

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

   Cash and time deposit, notes and accounts receivable, notes and accounts payable, short-term borrowings and accrued expenses are settled in the short term and the fair values are considered to be equal to book values. Therefore, fair values are stated at book values.

   Investments in securities (Other securities) are stated at fair market value. Information regarding investments in securities classified by the purposes for which they are held is noted in the relevant section of this report.

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

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

2. Financial instruments for which the fair value is considered difficult to determine

   Non-listed equity securities and investments in nonconsolidated subsidiaries and affiliates (book value ¥771 million ($9,272 thousand)) have no market price available and are considered to be financial instruments for which the fair market value is difficult to determine.
   Therefore, these instruments are not included in "Investment insecurities (Other securities)" in the table above.

3. Refund schedule for current credit after consolidated date

	Japanese yen (millions) 2012	2013～2016	2017～2021	2022 and thereafter	U.S. dollars (thousands) 2012	2013～2016	2017～2021	2022 and thereafter
Cash and time deposit	¥ 30,321	¥ —	¥ —	¥ —	$364,654	$ —	$ —	$ —
Notes and accounts receivable	33,235	—	—	—	399,700	—	—	—
	¥ 63,556	¥ —	¥ —	¥ —	$764,354	$ —	$ —	$ —

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

	Japanese yen (millions) 2012	2013～2016	2017～2021	2022 and thereafter	U.S. dollars (thousands) 2012	2013～2016	2017～2021	2022 and thereafter
Long-term debt	¥ 690	¥ 3,788	¥ 412	¥ —	$ 8,298	$ 45,556	$ 4,955	$ —

18. Shareholders' Equity

Net assets section comprises three subsections, which are shareholders' equity, valuation and translation adjustments and minority interests.
Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.
Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Additional paid-in-capital is included in capital surplus and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and could be capitalized by a resolution of the shareholders' meeting.
Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, by a resolution of the shareholders' meeting, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.
The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

19. Contingent Liabilities

Contingent liabilities as of March 31, 2010 and 2011 were as follows :

	Japanese yen (millions) 2010	2011	U.S. dollars (thousands) 2011
Trade notes receivable discounted	¥ 64	¥ 125	$ 1,503

Indepnedent Auditors' Report

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

To the Board of Directors of EXEDY Corporation:

We have audited the accompanying consolidated balance sheets of EXEDY Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis of our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EXEDY Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC.

Osaka, Japan
June 28, 2011

Corporate Data

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 30, 2011

President and Chief Executive Officer:
Haruo Shimizu

Director: **Etsuji Terada**
Hisayasu Masaoka
Masayuki Matsuda
Hidehito Hisakawa
Katsumi Shinto
Hideki Miura
Mikio Natsume

Auditors: **Shigeru Sugiyama**
Kanshiro Toyoda
Koji Okada
Takenori Yamasaki

EXECUTIVE OFFICERS

As of June 30, 2011

Senior Executive Managing Officer:
Etsuji Terada
Hisayasu Masaoka
Masayuki Matsuda
Hidehito Hisakawa

Executive Managing Officer: **Katsumi Shinto**
Hideki Miura
Shogo Okamura

Senior Executive Officer: **Koji Akita**
Akira Hirai
Yoshio Katayama
Makoto Ichikawa

Executive Officer: **Masahito Baba**
Tadashi Nakahara
Mitsugu Yamaguchi
Tetsuya Yoshinaga
Keizo Nishigaki
Hiroshi Toyohara
Kenji Matsuda

OUTLINE OF COMPANY

As of March 31, 2011

Name:
EXEDY Corporation

Established:
July 1, 1950

Paid-in Capital:
¥8,284 million

Number of Employees:
2,503

Number of Authorized Shares:
168,000 thousand shares

Number of Issued Shares:
48,594 thousand shares

Number of Shareholders:
7,483

Average number of shares held by one Shareholder:
6,494 shares

Listed on First Sections, Tokyo/Osaka Stock Exchange

DOMESTIC JAPANESE NETWORK

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Hamamatsu Sales Office:
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Ueno Division:
2418 Ota-cho, Iga-shi, Mie, 518-0825
Tel: 81-595-23-8101 Fax: 81-595-24-5521

Kawagoe Plant:
1-103-25 Yoshinodai, Kawagoe-shi, Saitama, 350-0833
Tel: 81-49-225-0601 Fax: 81-49-225-0600

DYNAX Corporation:
1053-1 Kamiosatsu, Chitose-shi, Hokkaido, 066-8585
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EXEDY Casting Co., Ltd.:
112 Haishi, Fukuchiyama-shi, Kyoto, 620-0955
Tel: 81-773-22-1156 Fax:81-773-23-8477

EXEDY Kyoto Co., Ltd.:
15 Kizuogawa, Kizugawa-shi, Kyoto, 619-0214
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EXEDY Precision Co., Ltd.:
104-1 Joden, Mimasaka-shi, Okayama, 701-2625
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EXEDY Hiroshima Co., Ltd.:
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EXEDY Electric Facilities Co., Ltd.:
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1-1-33 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822
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EXEDY Sun Co., Ltd.:
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OVERSEAS NETWORK

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EXEDY Globalparts Corporation (EGP)
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EXEDY-DYNAX America Corporation (EDA)
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EXEDY Corporation Asean Regional Office (EAR)
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Mission Statement

The Shape of Our Future: “Creation of Fulfillment”

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

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

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

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