



ANNUAL REPORT 2017

Year Ended March 31, 2017



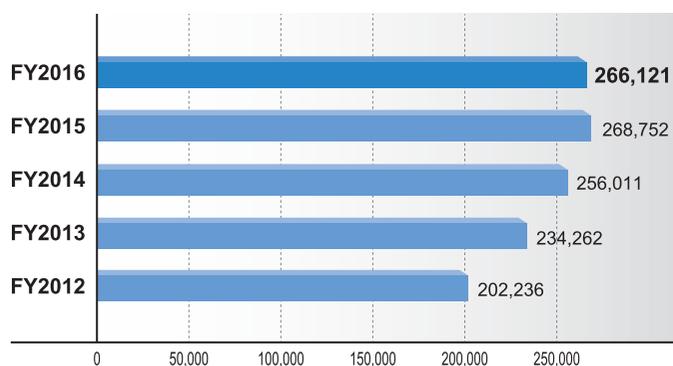
Consolidated Financial Highlights

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2016 and 2017

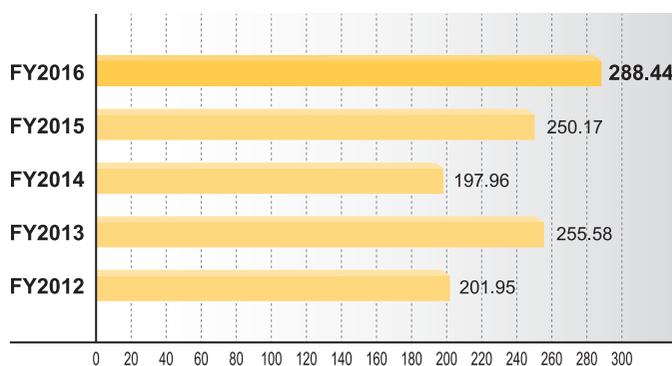
	Japanese yen (millions)		U.S. dollars (thousands)	% Change
	FY2015	FY2016	FY2016	FY2015 / FY2016
For the year:				
Net sales	¥268,752	¥266,121	\$2,372,063	-1.0%
Profit attributable to owners of parent	12,013	13,855	123,496	+15.3%
At year-end:				
Total assets	259,273	280,072	2,496,409	+8.0%
Net assets	173,526	180,069	1,605,038	+3.8%
Per share data:				
	Japanese yen		U.S. dollars	
Profit attributable to owners of parent	¥ 250.17	¥ 288.44	\$ 2.57	+15.3%
Net assets	3,366.87	3,501.19	31.21	+4.0%
Cash dividends	70.00	80.00	0.71	+14.3%

Note: U.S. dollar amounts are included solely for the convenience of readers, translated at the rate of ¥ 112.19 to U.S. \$1.00.

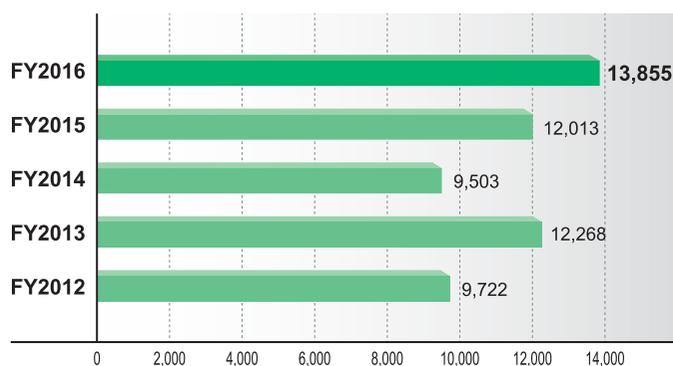
Net Sales (Millions of yen)



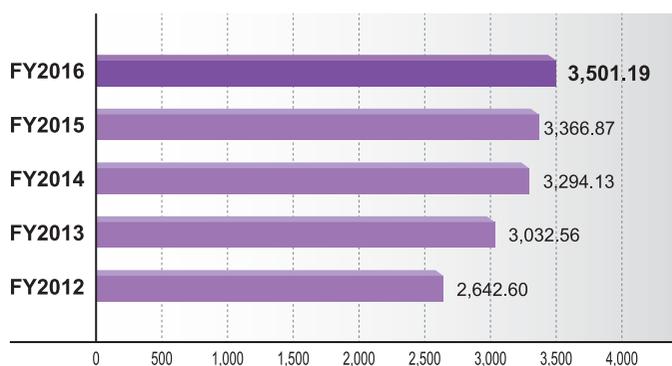
Net Income Per Share of Common Stock (Yen)



Profit attributable to owners of parent (Millions of yen)



Net Assets Per Share of Common Stock (Yen)



Business Operations

Review of Fiscal Year 2016

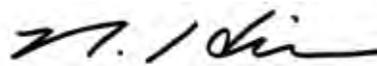
We have, through both steady orders and the increase in orders from products, the delivery of which started during the previous consolidated accounting period, achieved an increase in sales on a by-volume basis, however due to exchange rate fluctuations we have seen a slight decline in net sales for FY 2016' s consolidated accounting period. As for profit, in spite of things such as increases in research and development costs, our operating income rose as a result of our cost reduction activities. Our overall business results for this accounting period are as follows: net sales of ¥266.1 BN (a 1.0% decrease compared to FY 2015), operating income of ¥22.0 BN (a 3.7% increase compared to FY 2015), ordinary profit of ¥20.7 BN (a 14.8% increase compared to FY 2015), and profit attributable to owners of parent amounting to ¥13.8 BN (a 15.3% increase compared to FY 2015).

Outlook of Fiscal Year 2017

Our forecasts for the future estimate that base quantities for orders centered around our overseas operations will remain firm, and bring an increase in sales. As for profit, we expect to experience strict conditions due to changes in the composition of our sales, as well as due to increases in depreciation/amortization costs and personnel expenses in the ASEAN region; however, we will endeavor to secure profit and conduct streamlined operations that will raise the overall strength of EXEDY Group' s business operations, which are centered around our fields of production. Due to the abovementioned items, we expect the following for FY 2017: net sales of ¥270 BN (an increase of 1.5% compared to FY 2016), operating income of ¥20 BN (a decrease of 9.4% from FY 2016), ordinary profit of ¥20 BN (a decrease of 3.8% from FY 2016), and profit attributable to owners of parent amounting to ¥13 BN (a decrease of 6.2% from FY 2016).

July, 2017

Hidehito Hisakawa



President and Chief Executive Officer



Hidehito Hisakawa (President and Chief Executive Officer)

EXEDY

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 SINGAPORE PTE. LTD.
(Singapore)



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



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



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

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



EXEDY Middle East Fzco
(Amman, Jordan)



EXEDY Middle East Fzco
(Riyadh, Saudi Arabia)



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



EXEDY Middle East Fzco
(Nairobi, Kenya)



EXEDY Clutch India Pvt. Ltd.
(Bangalore, India)



EXEDY India Ltd.
(Aurangabad, India)



EXEDY India Ltd.
(Greater Noida, India)



EXEDY Poipet Co., Ltd.
(Cambodia, Poipet)



PT. EXEDY Manufacturing Indonesia
(Karawang, Indonesia)



PT. EXEDY PRIMA INDONESIA
(Surabaya, Indonesia)

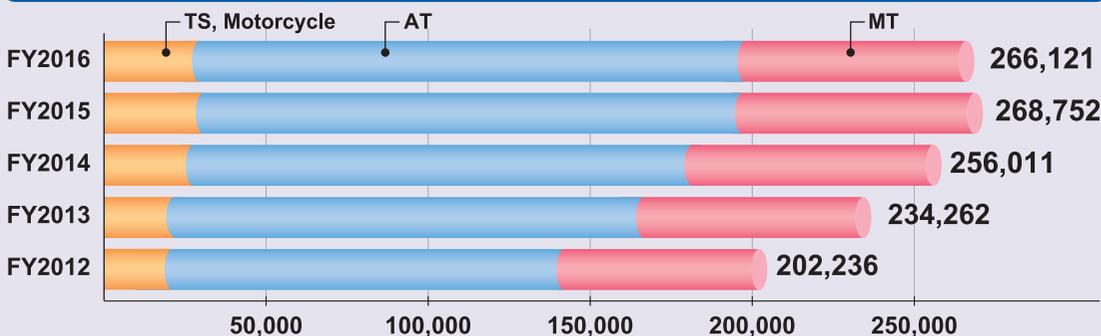


EXEDY SOUTH AFRICA (PTY) LTD
(Johannesburg, South Africa)

EXEDY Australia PTY LTD
(Melbourne, Australia)



Consolidated Sales (Unit : ¥ million)



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



Shanghai Tiger Metal Products Co., Ltd.
(Shanghai, China)



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



EXEDY DYNAX Shanghai Co., Ltd.
(Shanghai, China)



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



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



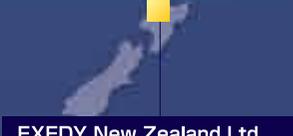
EXEDY Vietnam Co., Ltd.
(Vinh Phuc, Vietnam)



EXEDY Australia PTY LTD
(Brisbane, Australia)



EXEDY Australia PTY LTD
(Sydney, Australia)



EXEDY New Zealand Ltd.
(Auckland, New Zealand)



EXEDY's global strategy expands worldwide

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

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



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



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



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



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



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



Head Office (Osaka)



EXEDY Logistics Co.,Ltd. (Osaka)



EXEDY Sun Co.,Ltd. (Osaka)

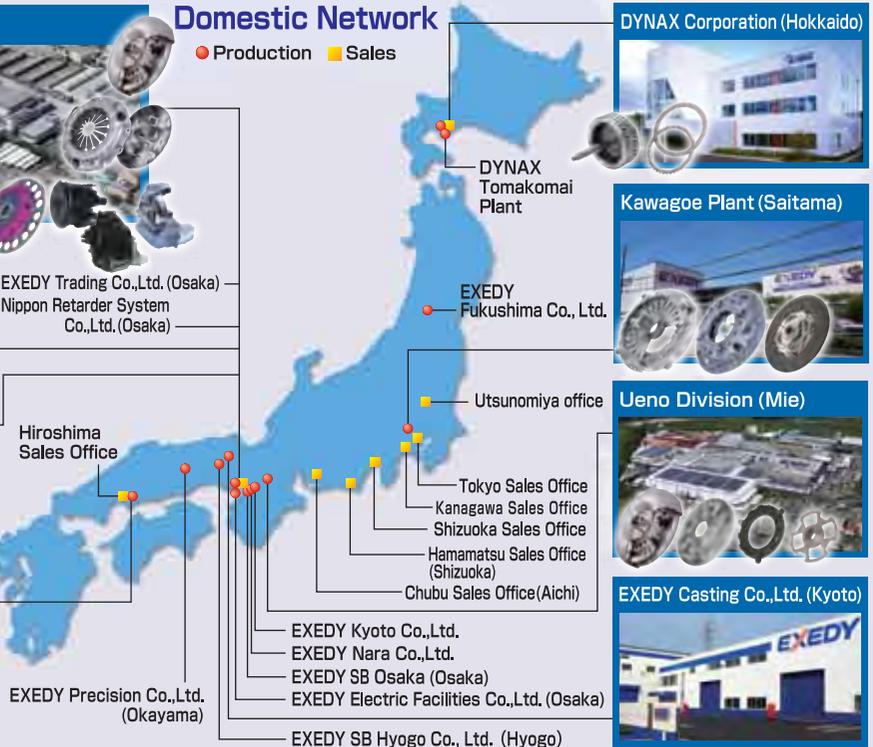


Hiroshima Plant (Hiroshima)



Domestic Network

● Production ■ Sales



DYNAX Corporation (Hokkaido)



Kawagoe Plant (Saitama)



Ueno Division (Mie)



EXEDY Casting Co.,Ltd. (Kyoto)



Topics of the Year

Manufacturing

New Torque Converter Plant at Our Ueno Division

The construction of the new plant at our Ueno Division in Mie Prefecture was completed in September 2016. Production at the plant with a floor space of 20,000m² started on January 26, 2017. The first floor serves a distribution warehouse, where the second floor contains production lines for torque converters and dampers, including a very compact SSC (Simple, Slim, Compact) line. Its area is reduced by more than 20% in comparison to our current lines, while productivity has increased by 50%.



New Production Plant at Ueno Division



Start of Production Ceremony

Expansion of EXEDY-DYNAX Mexico's Facilities

In response to increased demand for our AT products in America, we expanded our plant in Mexico. The construction was completed in November 2016 and the new area is in full use now. The building has a floor space of 8,910m² and houses torque converter production lines for Ford and Hyundai.



New Facility in Mexico

Female Athletes

EXEDY Employee Kae Kabasawa Runner-up in US Open Singles Under 21 Table Tennis Tournament

In December 2016, EXEDY employee Kae Kabasawa won the silver medal in the Singles Under 21 US Open Table Tennis Tournament. EXEDY employs and supports female athletes in various sports such as football, table tennis and formula racing. We aim to create a comfortable working place where women are able to chase their goals.



EXEDY Employee K. Kabasawa

Consolidated Five-Year Summary

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31

	Japanese yen (millions)				U.S. dollars (thousands)	
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016
For the year:						
Net sales	¥202,236	¥234,262	¥256,011	¥268,752	¥266,121	\$2,372,063
Profit attributable to owners of parent	9,722	12,268	9,503	12,013	13,855	123,496
At year-end:						
Total assets	¥196,375	¥230,740	¥260,972	¥259,273	¥280,072	\$2,496,409
Current assets	97,723	114,306	122,941	121,420	135,142	1,204,584
Property, plant and equipment	88,590	103,819	125,182	127,109	133,860	1,193,155
Current liabilities	38,734	48,325	52,093	55,497	55,624	495,804
Bonds and Long-term debt	14,904	19,159	29,020	21,629	35,326	314,877
Net assets	135,710	155,930	170,326	173,526	180,069	1,605,038
Shareholders' equity ratio	64.6 %	63.1 %	60.6 %	62.4 %	60.1%	60.1%
Retained earnings	116,914	126,783	131,668	140,318	150,807	1,344,213
Per share data:						
	Japanese yen				U.S. dollars	
Profit attributable to owners of parent	¥ 201.95	¥ 255.58	¥ 197.96	¥ 250.17	¥ 288.44	\$ 2.57
Profit attributable to owners of parent - diluted	—	—	—	—	—	—
Net assets	2,642.60	3,032.56	3,294.13	3,366.87	3,501.19	31.21

Note : U.S. dollar amounts are included solely for the convenience of readers, translated at the rate of ¥ 112.19 to U.S. \$1.00.

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Consolidated Balance Sheets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2016 and 2017

ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Current Assets:			
Cash and deposits (Notes 17 and 20)	¥ 31,975	¥ 45,523	\$ 405,773
Notes and accounts receivable (Notes 6, 17 and 18)	48,530	49,195	438,498
Inventories (Notes 2 and 6) -			
Finished goods	13,109	13,840	123,369
Work-in process	6,049	5,330	47,515
Raw materials and Supplies	11,120	11,616	103,541
Deferred tax assets (Note 9)	3,873	4,290	38,240
Short-term loans to non-consolidated subsidiaries and affiliates	231	181	1,619
Other current assets	6,751	5,317	47,398
Allowance for doubtful accounts	(223)	(153)	(1,372)
Total current assets	<u>121,420</u>	<u>135,142</u>	<u>1,204,584</u>
Property, Plant and Equipment (Notes 5 and 6):			
Land	11,549	11,925	106,297
Buildings and structures, net	36,089	39,876	355,435
Machinery and vehicles, net	63,210	60,898	542,816
Tools and furniture, net	7,905	7,160	63,825
Construction in progress	8,354	13,999	124,781
Total property, plant and equipment	<u>127,109</u>	<u>133,860</u>	<u>1,193,155</u>
Investments and Other Assets:			
Intangible assets	3,759	3,692	32,910
Investments in securities (Notes 3, 4 and 17)	3,292	3,775	33,648
Long-term loans to non-consolidated subsidiaries and affiliates	311	118	1,053
Asset for retirement benefits (Note 10)	1,049	1,064	9,490
Deferred tax assets (Note 9)	544	722	6,438
Other assets	1,827	1,744	15,551
Allowance for doubtful accounts	(40)	(47)	(423)
Total investments and other assets	<u>10,744</u>	<u>11,069</u>	<u>98,669</u>
Total Assets	<u>¥ 259,273</u>	<u>¥ 280,072</u>	<u>\$ 2,496,409</u>

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

LIABILITIES AND NET ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Current Liabilities:			
Notes and accounts payable (Note 17)	¥ 19,266	¥ 19,892	\$ 177,312
Short-term borrowings (Notes 6, 7 and 17)	9,751	11,609	103,484
Current portion of bonds (Notes 7 and 17)	7,000	—	—
Accrued expenses (Note 17)	8,801	9,838	87,697
Accrued income taxes (Note 17)	1,839	3,506	31,258
Provision for product warranties	1,399	2,880	25,675
Other current liabilities	7,439	7,895	70,376
Total current liabilities	55,497	55,624	495,804
Long-term Liabilities:			
Bonds payable (Notes 7 and 17)	—	10,000	89,134
Long-term debt (Notes 7 and 17)	21,629	25,326	225,743
Long-term other accounts payable	356	218	1,950
Deferred tax liabilities (Note 9)	2,403	2,800	24,963
Liability for retirement benefits (Note 10)	5,178	5,195	46,308
Asset retirement obligations	28	28	257
Other long-term liabilities	653	808	7,209
Total long-term liabilities	30,250	44,378	395,566
Contingent Liabilities (Note 18)			
Net Assets			
Shareholders' Equity:			
Common stock			
Authorized - 168,000 thousand shares at March 31, 2016 and 2017			
Issued - 48,593 thousand shares at March 31, 2016 and 2017	8,284	8,284	73,840
Capital surplus	7,564	7,559	67,381
Retained earnings	140,318	150,807	1,344,213
Treasury stock			
568 thousand shares at March 31, 2016 and 553 thousand shares at March 31, 2017	(1,444)	(1,400)	(12,483)
Total shareholders' equity	154,721	165,250	1,472,953
Accumulated Other Comprehensive Income			
Valuation difference on available-for-sale securities	920	1,164	10,380
Foreign currency translation adjustments	6,224	1,736	15,476
Remeasurements of defined benefit plans (Note 10)	(172)	45	401
Total accumulated other comprehensive income	6,971	2,945	26,258
Non-controlling interests	11,833	11,872	105,827
Total net assets	173,526	180,069	1,605,038
Total Liabilities and Net Assets	¥ 259,273	¥ 280,072	\$ 2,496,409

Consolidated Statements of Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2016 and 2017

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Net Sales	¥268,752	¥266,121	\$2,372,063
Cost of Sales	214,152	208,876	1,861,813
Gross profit	54,600	57,244	510,250
Selling, General and Administrative Expenses			
Packing and haulage expenses	6,349	6,007	53,550
Provision for product warranties	1,125	2,452	21,859
Provision of allowance for doubtful accounts	—	31	276
Director's remuneration, salary and other allowances	8,721	8,389	74,777
Welfare expense	1,765	1,610	14,359
Retirement benefit cost	172	208	1,859
Depreciation	2,296	2,307	20,567
Research and development expenses (Note 11)	5,374	5,763	51,374
Other, net	7,488	8,389	74,781
Total selling, general and administrative expenses	33,294	35,161	313,406
Operating income	21,305	22,083	196,843
Non-operating Income:			
Interest income	139	162	1,448
Dividend income	64	64	577
Rent income	130	134	1,202
Income from sponsorship	151	245	2,191
Gains on sale of property, plant and equipment	46	71	637
Gains on sales of investment securities	375	78	697
Test consignment income	8	38	342
Share of profit of entities accounted for using equity method	51	300	2,674
Other, net	736	996	8,881
Total non-operating income	1,704	2,092	18,652
Non-operating Expenses:			
Interest expense	1,089	959	8,554
Interest on bonds	35	45	402
Losses on sale or disposal of property, plant and equipment	320	412	3,679
Foreign exchange losses	2,677	1,056	9,418
Other, net	776	905	8,070
Total non-operating expenses	4,898	3,379	30,126
Ordinary Profit	18,112	20,796	185,370
Income before income taxes and non-controlling interests	18,112	20,796	185,370
Income Taxes (Note 9)			
Current	4,996	6,351	56,612
Deferred	238	(519)	(4,634)
Profit	12,876	14,965	133,393
Profit attributable to non-controlling interests	863	1,110	9,896
Profit attributable to owners of parent	¥ 12,013	¥ 13,855	\$ 123,496
Per Share Data (Note 15):			
Profit attributable to owners of parent	¥ 250.17	¥ 288.44	\$ 2.57
Profit attributable to owners of parent - diluted	—	—	—
Cash dividends	70.00	80.00	0.71

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, 2016 and 2017

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Profit	¥ 12,876	¥ 14,965	133,393
Other Comprehensive Income			
Valuation difference on available-for-sale securities	(667)	244	2,178
Foreign currency translation adjustments	(4,956)	(5,005)	(44,615)
Remeasurements of defined benefit plans	(185)	217	1,942
Share of other comprehensive income of associates accounted for the using equity method	(4)	(5)	(50)
Total other comprehensive income (Note 19)	(5,814)	(4,548)	(40,546)
Comprehensive Income	¥ 7,062	¥ 10,416	\$ 92,846
Comprehensive Income attributable to:			
Owners of the parent	6,860	9,829	87,612
Non-controlling interests	201	587	5,234

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

Consolidated Statements of Changes in Net Assets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2016 and 2017

	Japanese yen (millions)				
	Shareholders' Equity				Total Shareholders' Equity
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	
Balance at April 1, 2015	¥ 8,284	¥ 7,556	¥ 131,668	¥ (1,480)	¥ 146,028
Profit attributable to owners of parent			12,013		12,013
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		7		36	44
Dividends of surplus			(3,363)		(3,363)
Other, net					
Balance at March 31, 2016	¥ 8,284	¥ 7,564	¥ 140,318	¥ (1,444)	¥ 154,721

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

Japanese yen (millions)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2016	¥ 8,284	¥ 7,564	¥ 140,318	¥ (1,444)	¥ 154,721
Profit attributable to owners of parent			13,855		13,855
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(4)		45	40
Dividends of surplus			(3,365)		(3,365)
Other, net					
Balance at March 31, 2017	¥ 8,284	¥ 7,559	¥ 150,807	¥ (1,400)	¥ 165,250

Japanese yen (millions)

	Accumulated Other Comprehensive Income					Non-controlling interests	Total net Assets
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2016	¥ 920	¥ 6,224	¥ (172)	¥ 6,971	¥ 11,833	¥ 173,526	
Profit attributable to owners of parent						13,855	
Purchase of treasury stock						(0)	
Disposal of treasury stock						40	
Dividends of surplus						(3,365)	
Other, net	244	(4,488)	217	(4,025)	39	(3,986)	
Balance at March 31, 2017	¥ 1,164	¥ 1,736	¥ 45	¥ 2,945	¥ 11,872	¥ 180,069	

U.S. dollars (thousands)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at April 1, 2016	\$ 73,840	\$ 67,421	\$ 1,250,719	\$ (12,879)	\$ 1,379,102
Profit attributable to owners of parent			123,496		123,496
Purchase of treasury stock				(6)	(6)
Disposal of treasury stock		(39)		402	363
Dividends of surplus			(30,002)		(30,002)
Other, net					
Balance at March 31, 2017	\$ 73,840	\$ 67,381	\$ 1,344,213	\$ (12,483)	\$ 1,472,953

U.S. dollars (thousands)

	Accumulated Other Comprehensive Income					Non-controlling interests	Total net Assets
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated Other Comprehensive Income			
Balance at April 1, 2016	\$ 8,201	\$ 55,480	\$ (1,540)	\$ 62,142	\$ 105,472	\$ 1,546,717	
Profit attributable to owners of parent						123,496	
Purchase of treasury stock						(6)	
Disposal of treasury stock						363	
Dividends of surplus						(30,002)	
Other, net	2,178	(40,004)	1,942	(35,883)	354	(35,529)	
Balance at March 31, 2017	\$ 10,380	\$ 15,476	\$ 401	\$ 26,258	\$ 105,827	\$ 1,605,038	

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, 2016 and 2017

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	¥ 18,112	¥ 20,796	\$ 185,370
Adjustments for:			
Depreciation and amortization	16,925	16,894	150,588
(Gains) losses on sale or disposal of property, plant and equipment	274	341	3,042
Increase (decrease) in allowance for doubtful accounts	95	(60)	(535)
(Increase) decrease in asset for retirement benefits	77	(14)	(133)
Increase (decrease) in liability for retirement benefits	84	331	2,952
Increase (decrease) in provision for product warranties	(1,551)	1,551	13,830
Interest and dividend income	(203)	(228)	(2,036)
Interest expense	1,124	1,004	8,957
(Increase) decrease in notes and accounts receivables	(3,296)	(2,224)	(19,831)
(Increase) decrease in inventories	97	(2,062)	(18,386)
Increase (decrease) in notes and accounts payables	(529)	1,758	15,673
Increase (decrease) in long-term other accounts payable	(68)	(124)	(1,110)
Other, net	1,639	4,783	42,636
Subtotal	32,783	42,746	381,016
Interest and dividend income received	244	249	2,220
Interest paid	(1,104)	(1,002)	(8,934)
Income taxes paid	(4,756)	(4,683)	(41,741)
Net cash provided by operating activities	27,166	37,309	332,559
Cash Flows from Investing Activities:			
Increase in time deposits	(376)	(387)	(3,457)
Decrease in time deposits	40	10	93
Payments for purchases of property, plant and equipment	(24,344)	(27,988)	(249,470)
Proceeds from sales of property, plant and equipment	170	228	2,036
Payments for acquisitions of intangible assets	(841)	(1,313)	(11,711)
Payments for purchases of investment in securities	(13)	(32)	(287)
Proceeds from sales of investment securities	558	249	2,225
Payments for acquisition of consolidated subsidiaries involving changes in scope of consolidation	(961)	—	—
Payments of loans receivable	(4)	(0)	(8)
Collection of loans receivable	139	13	117
Other, net	(103)	18	162
Net cash used in investing activities	(25,737)	(29,203)	(260,299)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	144	(1,975)	(17,608)
Proceeds from long-term loans payable	5,784	12,697	113,182
Repayments of long-term loans payable	(4,782)	(3,813)	(33,995)
Issuance of bonds	—	10,000	89,134
Redemption of bonds	—	(7,000)	(62,394)
Payments for acquisitions of treasury stock	(1)	(0)	(6)
Cash dividends paid	(3,363)	(3,365)	(30,002)
Dividends paid to non-controlling interests	(568)	(544)	(4,855)
Other, net	(15)	(26)	(236)
Net cash provided by (used in) financing activities	(2,800)	5,970	53,218
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(777)	(903)	(8,054)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,149)	13,173	117,423
Cash and Cash Equivalents at Beginning of Year	33,710	31,560	281,316
Cash and Cash Equivalents at End of Year (Note 20)	¥ 31,560	¥ 44,734	\$ 398,740

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

Notes to Consolidated Financial Statements

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Summary of Significant Accounting Policies

(a) Basis of presenting the consolidated financial statements

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

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

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to U.S. \$1.00. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Amounts are rounded down to the nearest million yen and thousand dollars. Therefore, the total shown in the consolidated financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 36 (FY2015:35) significant subsidiaries as of March 31, 2017, over which the Company has power of control through majority voting rights or the existence of certain conditions evidencing control by the Company.

Investments in 5 (FY2015:5) non-consolidated subsidiaries and 2 (FY2015:2) affiliates as of March 31, 2017, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for using the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are measured at fair value at the time the Company acquires control of the respective subsidiary. Material intercompany balances, transactions and profits have been eliminated in consolidation.

All the consolidated overseas subsidiaries, except for 2 subsidiaries, EXEDY India Ltd. and EXEDY Clutch India Pvt. Ltd., have the fiscal year ending December 31. Significant transactions occurring during the period between January 1 and March 31, the Company's fiscal year-end, are adjusted for in the consolidated financial statements.

(c) Translation of foreign currencies

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

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

(d) Securities

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

(e) Derivatives

All derivatives are stated at fair value.

(f) Inventories

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

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

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

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

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

(h) Intangible Assets (excluding leased assets)

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

(i) Leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated using the straight-line method over lease terms, as applicable.

(j) Income taxes

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

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

(k) Allowance for doubtful accounts

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

(l) Provision for product warranties

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

(m) Employees' severance and retirement benefits

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

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

(n) Accounting for consumption taxes

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

(o) Per share data

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

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

(p) Goodwill

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

(q) Cash and cash equivalents

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

(r) Reclassification

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

(s) Additional information**Application of Implementation Guidance on Recoverability of Deferred Tax Assets**

The Company has applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016) from the fiscal year ended March 31, 2017.

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

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

(1) Overview of transactions

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

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

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

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

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

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

A. The carrying amount of shares held by the Trust was ¥163 million at the end of the previous fiscal year and ¥139 million (\$1,247 thousand) at the end of the fiscal year.

B. The shares held by the Trust are recorded as treasury stock under shareholders' equity.

C. The number of shares at the end of the year was 65,000 for the previous fiscal year and 55,800 for the fiscal year, while the average number of shares during the year was 69,477 for the previous fiscal year and 59,354 for the fiscal year.

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

Stock-based compensation plan linked to company performance

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

(1) Overview of transactions

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

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

Directors, etc. from the Company by the third-party allotment according to a prescribed rule for granting shares.

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

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

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

A. The carrying amount of shares held by the Trust was ¥109 million at the end of the previous fiscal year and ¥178 million (\$1,592 thousand) at the end of the fiscal year.

B. The shares held by the Trust are recorded as treasury stock under shareholders' equity.

C. The number of shares at the end of the year was 39,226 for the previous fiscal year and 69,081 for the fiscal year, while the average number of shares during the year was 39,345 for the previous fiscal year and 57,025 for the fiscal year.

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

2. Inventories

Inventories as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Finished goods	¥ 13,109	¥ 13,840	\$ 123,369
Work-in process	6,049	5,330	47,515
Raw materials	7,445	7,968	71,031
Supplies	3,675	3,647	32,510
	<u>¥ 30,279</u>	<u>¥ 30,787</u>	<u>\$ 274,426</u>

The ending inventory balance presented above is the net of write-downs of inventories when their carrying amounts become unrecoverable.

The amount recognized in cost of sales were a gain on reversal of write-downs of ¥355 million and a loss on write-down of ¥39 million (\$348 thousand) as of March 31, 2016 and 2017, respectively.

3. Securities

Available-for-sale securities with carrying amounts (fair values) exceeding acquisition costs as of March 31, 2016 and 2017 were as follows:

March 31, 2016	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	¥ 716	¥ 2,059	¥ 1,343	\$ 5,048	\$ 18,191	\$ 13,143
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 716</u>	<u>¥ 2,059</u>	<u>¥ 1,343</u>	<u>\$ 5,048</u>	<u>\$ 18,191</u>	<u>\$ 13,143</u>

March 31, 2017	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	¥ 566	¥ 2,040	¥ 1,474	\$ 5,048	\$ 18,191	\$ 13,143
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 566</u>	<u>¥ 2,040</u>	<u>¥ 1,474</u>	<u>\$ 5,048</u>	<u>\$ 18,191</u>	<u>\$ 13,143</u>

Available-for-sale securities with carrying amounts (fair values) not exceeding acquisition costs as of March 31, 2016 and 2017 were as follows:

March 31, 2016	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	¥ 63	¥ 40	¥ (23)	\$ 3,392	\$ 2,563	\$ (829)
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 63</u>	<u>¥ 40</u>	<u>¥ (23)</u>	<u>\$ 3,392</u>	<u>\$ 2,563</u>	<u>\$ (829)</u>

March 31, 2017	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Equity securities	¥ 380	¥ 287	¥ (93)	\$ 3,392	\$ 2,563	\$ (829)
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 380</u>	<u>¥ 287</u>	<u>¥ (93)</u>	<u>\$ 3,392</u>	<u>\$ 2,563</u>	<u>\$ (829)</u>

The carrying amount of securities with no available fair values as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Available-for-sale securities with no available fair values			
Non-listed equity securities	¥ 50	¥ 40	\$ 356

Available-for-sale securities sold during FY2015 and FY2016 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Amounts sold	Gains on sales of available-for-sale securities	Loss on sales of available-for-sale securities	Amounts sold	Gains on sales of available-for-sale securities	Loss on sales of available-for-sale securities
March 31, 2016						
Equity securities	¥ 558	¥ 375	—			
Bonds	—	—	—			
Others	—	—	—			
	<u>¥ 558</u>	<u>¥ 375</u>	<u>—</u>			
March 31, 2017						
Equity securities	¥ 249	¥ 78	—	\$ 2,225	\$ 697	—
Bonds	—	—	—	—	—	—
Others	—	—	—	—	—	—
	<u>¥ 249</u>	<u>¥ 78</u>	<u>—</u>	<u>\$ 2,225</u>	<u>\$ 697</u>	<u>—</u>

4. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates that were included in "Investments in securities" as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Investment securities	¥ 1,142	¥ 1,406	\$ 12,536

5. Accumulated depreciation

Accumulated depreciation as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Accumulated depreciation	¥ 196,244	¥ 205,947	\$ 1,835,707

6. Assets Pledged as Collateral

The following assets were pledged as collateral for ¥192 million and ¥185 million (\$1,652 thousand) of secured loans as of March 31, 2016 and 2017, respectively:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Accounts receivable and inventories	¥ 1,081	¥ 1,140	\$ 10,162
Property, plant and equipment	1,200	1,111	9,905
	<u>¥ 2,281</u>	<u>¥ 2,251</u>	<u>\$ 20,067</u>

Secured debt as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Short-term borrowings	¥ 192	¥ 185	\$ 1,652
	<u>¥ 192</u>	<u>¥ 185</u>	<u>\$ 1,652</u>

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

Bonds Payable, Short-term borrowings and long-term debt as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	Weighted average interest rates	Years due
	FY2015	FY2016	FY2016		
Short-term borrowings	¥ 5,423	¥ 3,205	\$ 28,572	2.6 %	
Current portion of bond payable	7,000	—	—	0.5	
Current portion of long-term debt	4,327	8,404	74,912	3.9	
Current portion of lease obligation	44	29	266	—	
Bonds payable	—	10,000	89,134	0.4	2026
Long-term debt	21,629	25,326	225,743	1.8	2018-2023
Lease obligations	44	34	303	—	2018-2021
Other interest bearing debt	301	353	3,150	0.5	
	¥ 38,771	¥ 47,353	\$ 422,083		

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

Annual maturities of bonds payable, long-term debt and lease obligations as of March 31, 2017 were as follows:

Long-term Debt		Japanese yen	U.S. dollars
Years ending March 31		(millions)	(thousands)
2019		¥ 3,420	\$ 30,492
2020		2,216	19,752
2021		3,264	29,094
2022		10,020	89,312
2023 and thereafter		6,404	57,090
		¥ 25,326	\$ 225,743

Lease Obligations		Japanese yen	U.S. dollars
Years ending March 31		(millions)	(thousands)
2019		¥ 26	\$ 237
2020		5	44
2021		1	10
2022		1	10
2023 and thereafter		—	—
		¥ 34	\$ 303

8. Leases

(a) Finance leases

(1) Contents of leased assets for finance lease transactions without ownership-transfer

Mainly, vehicles (Machinery and vehicles) and office equipment (Tools and furniture)

(2) Depreciation of leased assets for finance lease transactions

Described in note 1.(i) Leases

(b) Operating leases

The scheduled maturities of future lease payments under non-cancelable operating leases as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Due within one year	¥ 3	¥ 1	\$ 17
Due over one year	3	4	38
	¥ 6	¥ 6	\$ 56

9. Income Taxes

Significant components of the Company and consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Deferred Tax Assets:			
Liability for retirement benefits	¥ 1,584	¥ 1,711	\$ 15,256
Net operating losses carried forward	1,449	880	7,851
Accrued bonuses to employees	826	846	7,546
Losses on write-down of inventories	643	641	5,716
Unrealized gains or losses (inventories)	736	757	6,751
Impairment losses on property, plant and equipment	6	27	246
Unrealized gains or losses (fixed assets)	390	338	3,019
Provision for product warranties	487	927	8,263
Retirement benefits for directors and corporate auditors	69	29	264
Accrued enterprise tax	123	134	1,199
Depreciation	1,133	972	8,666
Remeasurements of defined benefit plans	79	(22)	(204)
Other	1,812	2,329	20,762
Subtotal Deferred Tax Assets	9,345	9,574	85,342
Valuation allowance	(397)	(991)	(8,835)
Total Deferred Tax Assets	8,948	8,583	76,506
Deferred Tax Liabilities:			
Property, plant and equipment	(3,635)	(2,835)	(25,277)
Asset for retirement benefits	(312)	(300)	(2,678)
Retained earnings of overseas subsidiaries	(2,194)	(2,195)	(19,571)
Reserve for advanced depreciation	(265)	(262)	(2,337)
Net unrealized gains on available-for-sale securities	(400)	(513)	(4,579)
Other	(154)	(299)	(2,665)
Total Deferred Tax Liabilities	(6,961)	(6,407)	(57,110)
Net Deferred Tax Assets	¥ 1,987	¥ 2,176	\$ 19,396

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

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Current Assets - Deferred tax assets	3,873	4,290	38,240
Current Liabilities - Other current liabilities	27	35	319
Fixed Assets - Deferred tax assets	544	722	6,438
Fixed Liabilities - Deferred tax liabilities	2,403	2,800	24,963

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 33.1% and 30.9% for the years ended March 31, 2016 and 2017.

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, 2016 and 2017:

	FY2015	FY2016
Statutory Tax Rate	33.1 %	30.9%
Adjustments for:		
Different tax rates applied to overseas subsidiaries	(3.6)	(3.6)
Tax credit for research and development expenses	(4.1)	(3.1)
Per capital inhabitants tax	0.1	0.2
Non-deductible expenses	0.3	0.7
Foreign withholding tax	0.5	0.6
Increase (decrease) of retained earnings of overseas subsidiaries.....	0.1	0.1
Increase (decrease) in valuation allowance	2.5	1.1
Tax-rate change	0.9	—
Net operating losses carried forward of subsidiary	0.8	0.8
Other	(1.7)	0.3
Effective Tax Rate	<u>28.9%</u>	<u>28.0%</u>

10. Employees' Severance and Retirement Benefits

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

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

The following tables provide information on defined benefit plans for the years ended March 31, 2016 and 2017.

Defined benefit plans	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
(1) Rollforward of retirement benefit obligations, except plans applying simplified method			
Beginning balance of retirement benefit obligations	¥ 8,233	¥ 7,189	\$ 64,082
Service costs	240	260	2,317
Interest costs	43	18	169
Actuarial loss (gain)	373	(62)	(555)
Benefits paid	(379)	(369)	(3,291)
Effect of transfer to defined contribution pension plan	(1,321)	—	—
Ending balance of retirement benefit obligations	¥ 7,189	¥ 7,036	\$ 62,723
(2) Rollforward of plan assets			
Beginning balance of plan assets	¥ 4,726	¥ 3,246	\$ 28,936
Expected return on plan assets	70	64	578
Actuarial gain (loss)	(115)	(28)	(252)
Benefits paid	(233)	(205)	(1,832)
Effect of transfer to defined contribution pension plan	(1,202)	—	—
Ending balance of plan assets	¥ 3,246	¥ 3,077	\$ 27,430
(3) Rollforward of liability for retirement benefits related to plans applying simplified method			
Beginning balance of liability for retirement benefits	¥ 176	¥ 185	\$ 1,654
Retirement benefit costs	18	17	152
Benefits paid	(9)	(9)	(80)
Other	—	(23)	(201)
Ending balance of liability for retirement benefits	¥ 185	¥ 171	\$ 1,525
(4) Reconciliation of retirement benefit obligations and plan assets and liability (asset) for retirement benefits			
Funded retirement benefit obligations	¥ 2,180	¥ 2,012	\$ 17,940
Plan assets	(3,246)	(3,077)	(27,430)
	(1,066)	(1,064)	(9,490)
Unfunded retirement benefit obligations	5,194	5,195	46,308
Net liability (asset) for retirement benefits	¥ 4,128	¥ 4,130	\$ 36,817
Liability for retirement benefits	5,178	5,195	46,308
Asset for retirement benefits	(1,049)	(1,064)	(9,490)
Net liability (asset) for retirement benefits	¥ 4,128	¥ 4,130	\$ 36,817
(Note) Include plans applying simplified method			
(5) Retirement benefit costs			
Service costs	¥ 240	¥ 260	\$ 2,317
Interest costs	43	18	169
Expected return on plan assets	(70)	(64)	(578)
Net actuarial loss amortization	220	280	2,501
Retirement benefit costs by simplified method	18	17	152
Total retirement benefit costs	¥ 452	¥ 511	\$ 4,562
Gain (loss) on transfer to defined contribution pension plan	¥ 105	¥ —	\$ —

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
(6) Remeasurements of defined benefit plans, before tax effect			
Recognized actuarial loss (gain)	(268)	314	2,804
	¥ (268)	¥ 314	\$ 2,804
(7) Accumulated remeasurements of defined benefit plans, before tax effect			
Unrecognized actuarial loss (gain)	(249)	65	580
Total accumulated adjustments for retirement benefit	¥ (249)	¥ 65	\$ 580

(8) Plan assets

① Plan assets comprise

	FY2015	FY2016
Bonds	72%	75%
Equity securities	25%	22%
Other	3%	3%
Total	100%	100%

② Long-term expected rate of return

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

(9) Actuarial assumptions

The principal actuarial assumptions (expressed as weighed averages) were as follows:

	FY2015	FY2016
Discount rate	0.2 ~ 0.4%	0.2 ~ 0.5%
Long-term expected rate of return	2.0%	2.0%

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
(10) Payment for defined contribution plan			
	¥ 549	¥ 569	\$ 5,075

11. Research and Development Expenses

Research and development expenses are charged to income as incurred. Research and development expenses for the years ended March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Research and development expenses	¥ 5,374	¥ 5,763	\$ 51,374

12. Derivatives

The following table provides information on derivative instruments as of March 31, 2016 and 2017.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Contract amount	Fair value	Gain (Loss)	Contract amount	Fair value	Gain (Loss)
March 31, 2016						
Forward exchange contracts:						
To sell U.S. dollars	¥ 151	¥ 2	¥ 2			
To sell Euro	105	(1)	(1)			
	<u>¥ 256</u>	<u>¥ 1</u>	<u>¥ 1</u>			
March 31, 2017						
Forward exchange contracts:						
To buy U.S. dollars	¥ 909	¥ 13	¥ 13	\$ 8,104	\$ 118	\$ 118
To sell U.S. dollars	29	1	1	264	15	15
To sell Euro	91	1	1	817	16	16
Currency swap transactions:						
Receipts: U.S. dollars Payments: Mexican pesos	1,090	96	96	9,722	859	859
Receipts: U.S. dollars Payments: Indonesian rupiahs	867	19	19	7,730	177	177
	<u>¥ 2,988</u>	<u>¥ 133</u>	<u>¥ 133</u>	<u>\$ 26,638</u>	<u>\$ 1,187</u>	<u>\$ 1,187</u>

13. Segment Information

(a) General information about reporting segments

The Company and its consolidated subsidiaries are mainly engaged in the manufacture and sale of automotive parts.

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

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

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

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

Reporting segment information for the years ended 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Sales:			
Manual automotive drivetrain operations	¥ 71,776	¥ 68,393	\$ 609,618
Eliminations (inter-segment net sales)	(109)	(128)	(1,148)
Net sales to external customers	71,667	68,264	608,469
Automatic automotive drivetrain operations	167,826	170,335	1,518,276
Eliminations (inter-segment net sales)	(1,432)	(2,031)	(18,108)
Net sales to external customers	166,393	168,303	1,500,168
Reporting segments total	238,061	236,568	2,108,638
Other operations	37,183	35,964	320,565
Eliminations (inter-segment net sales)	(6,492)	(6,410)	(57,139)
Net sales to external customers	30,690	29,553	263,425
	¥268,752	¥266,121	\$ 2,372,063
Operating Income:			
Manual automotive drivetrain operations	¥ 10,891	¥ 10,502	\$ 93,612
Automatic automotive drivetrain operations	9,430	11,336	101,044
Reporting segment total	20,321	21,838	194,656
Other operations	1,395	716	6,388
Sub Total	21,717	22,555	201,045
Corporate and eliminations	(411)	(471)	(4,201)
	¥ 21,305	¥ 22,083	\$ 196,843
Assets:			
Manual automotive drivetrain operations	¥ 67,381	¥ 68,350	\$ 609,240
Automatic automotive drivetrain operations	143,797	157,685	1,405,524
Reporting segment total	211,178	226,036	2,014,764
Other operations	29,265	27,219	242,617
Sub Total	240,444	253,255	2,257,382
Corporate and eliminations	18,829	26,816	239,027
	¥259,273	¥ 280,072	\$ 2,496,409
Depreciation and Amortization:			
Manual automotive drivetrain operations	¥ 3,470	¥ 3,389	\$ 30,214
Automatic automotive drivetrain operations	11,608	11,676	104,078
Reporting segment total	15,078	15,066	134,293
Other operations	2,033	1,980	17,657
Sub Total	17,112	17,047	151,950
Corporate and eliminations	(186)	(152)	(1,362)
	¥ 16,925	¥ 16,894	\$ 150,588
Investment in associates accounted for under the equity method:			
Manual automotive drivetrain operations	¥ 305	¥ 312	\$ 2,788
Automatic automotive drivetrain operations	434	597	5,323
Reporting segment total	740	910	8,112
Other operations	401	496	4,424
Sub Total	1,142	1,406	12,536
Corporate and eliminations	—	—	—
	¥ 1,142	¥ 1,406	\$ 12,536

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Capital Expenditures:			
Manual automotive drivetrain operations	¥ 3,179	¥ 4,068	\$ 36,265
Automatic automotive drivetrain operations	21,389	24,834	221,361
Reporting segment total	24,569	28,903	257,627
Other operations	1,530	908	8,100
Sub Total	26,100	29,812	265,727
Corporate and eliminations	(136)	(196)	(1,755)
	¥ 25,964	¥ 29,615	\$ 263,972

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

2. The details of adjustments are as follows:

- "Corporate and eliminations" of Operating Income ¥(471) million (\$ (4,201) thousand) consists of "Elimination of intersegment transactions" ¥1,487 million (\$13,260 thousand), "Amortization of goodwill" ¥(119) million (\$ (1,064) thousand), "Corporate expense" which is not allocated to reporting segments ¥(1,727) million (\$ (15,397) thousand) and "other adjustments" ¥(112) million (\$ (999) thousand). "Corporate expense" mainly consists of general and administrative expenses and expense for new-product development not attributable to any reporting segments.
- "Corporate and eliminations" of Assets ¥26,816 million (\$239,027 thousand) consists of "Corporate assets" which is not allocated to reporting segments ¥28,171 million (\$251,103 thousand), "Elimination of intersegment transaction" ¥(1,354) million (\$ (12,076) thousand) and "Corporate assets" mainly consists of the cash and deposits and securities that are not attributable to any reporting segments.
- "Corporate and eliminations" of Depreciation and Amortization ¥(152) million (\$ (1,362) thousand) consists of "Adjustment of unrealized gain on intersegment transaction of fixed assets" ¥(152) million (\$ (1,362) thousand).
- "Corporate and eliminations" of Capital Expenditures ¥(196) million (\$ (1,755) thousand) consists of "Adjustment of unrealized gain on intersegment transaction of fixed assets" ¥(196) million (\$ (1,755) thousand).

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

(1) Information about products and services

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

(2) Information about geographic areas for the years ended March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Sales:			
Japan	¥ 106,177	¥ 111,371	\$ 992,708
North, Central America	42,116	36,962	329,461
Asia-Oceania	91,392	71,639	638,551
Other	29,066	46,148	411,343
	¥ 268,752	¥ 266,121	\$ 2,372,063
Property, plant and equipment:			
Japan	¥ 53,842	¥ 62,053	\$ 553,107
North, Central America	20,437	22,906	204,180
Asia-Oceania	49,696	44,820	399,509
Other	3,133	4,079	36,359
	¥ 127,109	¥ 133,860	\$ 1,193,155

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

(3) Information about major customer for the years ended March 31 2016 and 2017 were as follows:

Company Name	Sales Segment	Japanese yen (millions)		U.S. dollars (thousands)
		FY2015	FY2016	FY2016
JATCO Corporation	AT and MT	¥ 20,291	¥ 19,614	\$ 174,830

14. Related Party Transactions

A summary of the significant transactions between the Company and its consolidated subsidiaries and such companies for the years ended March 31, 2016 and 2017 were as follows:

March 31, 2016

Not Applicable.

March 31, 2017

Not Applicable.

15. Per Share Data

Per share data for the years ended March 31, 2016 and 2017 were as follows:

	Japanese yen		U.S. dollars
	FY2015	FY2016	FY2016
Profit attributable to owners of parent	¥ 250.17	¥ 288.44	\$ 2.57
Profit attributable to owners of parent - diluted	—	—	—
Net assets	3,366.87	3,501.19	31.21

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, 2016 and 2017 was as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Net income per share of common stock			
Profit (loss) attributable to owners of parent	¥ 12,013	¥ 13,855	\$ 123,496
Amounts not attributable to common stockholders	—	—	—
Net income attributable to common stockholders of parent	¥ 12,013	¥ 13,855	\$ 123,496
The weighted average number of common stock (thousands)	48,020	48,034	

16. Changes in Net Assets

(a) Shares issued / Treasury stock

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

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

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

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

March 31, 2017	Number of shares as of April 1, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Shares issued:				
Common stock (thousands)	48,593	—	—	48,593
	<u>48,593</u>	<u>—</u>	<u>—</u>	<u>48,593</u>
Treasury stock:				
Common stock (thousands)	568	0	15	553
	<u>568</u>	<u>0</u>	<u>15</u>	<u>553</u>

The decrease in the number of treasury stock-common stock of 15 thousand shares is due to shares delivered from The Master Trust Bank of Japan, Ltd. (ESOP Trust Account) to employees who become beneficiaries of the ESOP based on the Company's rules for granting shares (9 thousand shares) and due to shares delivered from The Master Trust Bank of Japan, Ltd. (BIP Trust Account) to directors and officers who become beneficiaries of the BIP based on the Company's rules for granting shares (6 thousand shares).

The number of treasury stock as of March 31, 2017 includes the Company's stock amounted to 55 thousand shares held by The Master Trust Bank of Japan, Ltd. (ESOP Trust Account) and 69 thousand shares held by The Master Trust Bank of Japan, Ltd. (BIP Trust Account)

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

(b) Dividends

(1) Dividends

March 31, 2016

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 26, 2015	Common stock	¥ 1,684	¥ 35.0	March 31, 2015	June 29, 2015
Board of Directors' meeting on October 27, 2015	Common stock	¥ 1,684	¥ 35.0	September 30, 2015	November 24, 2015

March 31, 2017

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 28, 2016	Common stock	¥ 1,684 \$ 15,014	¥ 35.0 \$ 0.31	March 31, 2016	June 29, 2016
Board of Directors' meeting on October 28, 2016	Common stock	¥ 1,685 \$ 15,026	¥ 35.0 \$ 0.31	September 30, 2016	November 21, 2016

(2) Dividends, of which cut-off date was in the year ended March 31, 2017, and effective date of which will be in the year ending March 31, 2018

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Source of dividends	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 27, 2017	Common stock	¥ 2,167 \$ 19,319	Retained earnings	¥ 45.0 \$ 0.40	March 31, 2017	June 28, 2017

17. Financial Instruments

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

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

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

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

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

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

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

The carrying amounts of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2016 and 2017 were as follows.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
March 31, 2016						
Cash and deposits	¥ 31,975	¥ 31,975	¥ —	\$ 405,773	\$ 405,773	\$ —
Notes and accounts receivable	48,530			438,498		
Allowance for doubtful accounts	(126)			(1,185)		
	48,404	48,404	—	437,312	437,312	—
Investments in securities						
Available-for-sale securities	2,100	2,100	—	20,754	20,754	—
Notes and accounts payable	(19,266)	(19,266)	—	(177,312)	(177,312)	—
Short-term borrowings	(5,423)	(5,423)	—	(28,572)	(28,572)	—
Accrued expenses	(8,801)	(8,801)	—	(87,697)	(87,697)	—
Accrued income taxes	(1,839)	(1,839)	—	(31,258)	(31,258)	—
Bonds payable	(7,000)	(7,000)	—	(89,134)	(89,134)	—
Long-term debt	(25,957)	(26,112)	(155)	(300,655)	(300,704)	(49)
Derivative transactions	1	1	—	(1,187)	(1,187)	—
March 31, 2017						
Cash and deposits	¥ 45,523	¥ 45,523	¥ —	\$ 405,773	\$ 405,773	\$ —
Notes and accounts receivable	49,195			438,498		
Allowance for doubtful accounts	(132)			(1,185)		
	49,062	49,062	—	437,312	437,312	—
Investments in securities						
Available-for-sale securities	2,328	2,328	—	20,754	20,754	—
Notes and accounts payable	(19,892)	(19,892)	—	(177,312)	(177,312)	—
Short-term borrowings	(3,205)	(3,205)	—	(28,572)	(28,572)	—
Accrued expenses	(9,838)	(9,838)	—	(87,697)	(87,697)	—
Accrued income taxes	(3,506)	(3,506)	—	(31,258)	(31,258)	—
Bonds payable	(10,000)	(10,000)	—	(89,134)	(89,134)	—
Long-term debt	(33,730)	(33,736)	(6)	(300,655)	(300,704)	(49)
Derivative transactions	(133)	(133)	—	(1,187)	(1,187)	—

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

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

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

Bonds payable are stated at fair value based on the method in which total amount of principal and interest is discounted at the interest that would be applied if the company issued the same, but new, principal amount.

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 reported in the relevant section of this report.

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

Non-listed equity securities (book value ¥1,446 million (\$12,893 thousand)) have no market price available, also the future cash flows cannot be estimated reliably, and are considered to be financial instruments for which the fair values are difficult to determine. Therefore, these instruments are not included in "Investment in securities (Available-for-sale securities)" in the table above.

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

	Japanese yen (millions)				U.S. dollars (thousands)			
	FY2017	FY2018 ~ FY2021	FY2022 ~ FY2026	FY2027 and thereafter	FY2017	FY2018 ~ FY2021	FY2022 ~ FY2026	FY2027 and thereafter
Cash and time deposits	¥ 45,523	¥ —	¥ —	¥ —	\$ 405,773	\$ —	\$ —	\$ —
Notes and accounts receivable	49,195	—	—	—	438,498	—	—	—
	<u>¥ 94,718</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>\$ 844,272</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

	Japanese yen (millions)				U.S. dollars (thousands)			
	FY2017	FY2018 ~ FY2021	FY2022 ~ FY2026	FY2027 and thereafter	FY2017	FY2018 ~ FY2021	FY2022 ~ FY2026	FY2027 and thereafter
Bonds Payable	¥ —	¥ —	¥ 10,000	¥ —	\$ —	\$ —	\$ 89,134	\$ —
Long-term debt	8,404	18,921	6,404	—	74,912	168,652	57,090	—
	<u>¥ 8,404</u>	<u>¥ 18,921</u>	<u>¥ 16,404</u>	<u>¥ —</u>	<u>\$ 74,912</u>	<u>\$ 168,652</u>	<u>\$ 146,224</u>	<u>\$ —</u>

18. Contingent Liabilities

Contingent liabilities as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Trade notes receivable discounted	¥ 669	¥ 596	\$ 5,319
Trade notes receivable endorsed	34	—	—

19. Comprehensive Income

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

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ (643)	¥ 436	\$ 3,888
Reclassification adjustments	(378)	(78)	(697)
Sub-total, before tax	(1,022)	358	3,191
Tax (expense) or benefit	354	(113)	(1,012)
Sub-total, net of tax	(667)	244	2,178
Foreign currency translation adjustment			
Increase (decrease) during the year	(4,956)	(5,005)	(44,615)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	(488)	33	302
Reclassification adjustments	220	280	2,501
Sub-total, before tax	(268)	314	2,804
Tax (expense) or benefit	82	(96)	(862)
Sub-total, net of tax	(185)	217	1,942
Share of other comprehensive income of associates accounted for using the equity method			
Increase (decrease) during the year	(4)	(5)	(50)
Total other comprehensive income	(5,814)	(4,548)	(40,546)

20. Cash and Cash Equivalents

Cash and Cash Equivalents as of March 31, 2016 and 2017 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	FY2015	FY2016	FY2016
Cash and deposits	¥ 31,975	¥ 45,523	\$ 405,773
Time deposits with maturities of more than three months	(414)	(789)	(7,033)
Cash and cash equivalents	31,560	44,734	398,740

Independent Auditors' Report

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES



Independent Auditor's Report

To the Board of Directors of EXEDY Corporation

We have audited the accompanying consolidated financial statements of EXEDY Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

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

July 6, 2017

PricewaterhouseCoopers Aarata LLC
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Corporate Data

BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 30, 2017

President and Chief Executive Officer:

Hidehito Hisakawa

Director:

Masayuki Matsuda
Shogo Okamura
Hiroshi Toyohara
Kenji Matsuda
Yoshihiro Kojima
Tadashi Nakahara
Makoto Mitsuya
Koji Akita
Ichizo Yoshikawa
Toshiki Takano

Auditors:

Keizo Nishigaki
Kanshiro Toyoda
Tadashi Fukuda
Satoshi Tsubota

EXECUTIVE OFFICERS

As of June 30, 2017

Senior Executive Managing Officer:

Masayuki Matsuda Shogo Okamura
Toshimasa Doi

Executive Managing Officer:

Yoshio Katayama Hiroshi Toyohara
Kenji Matsuda

Senior Executive Officer:

Yoshihiro Kojima Tadashi Nakahara
Shinji Fujimoto Mitsuhiro Gondo
Tetsuya Yoshinaga Yoshimi Osanai

Executive Officer:

Masahito Baba Yoshihiro Yamamura
Shigeo Tabata Tomoaki Goto
Yuzuru Hirose Junji Yamakawa
Ryu Suzuki

OUTLINE OF COMPANY

As of March 31, 2017

Name: EXEDY Corporation *Number of Issued Shares:* 48,593 thousand shares
Established: July 1, 1950 *Number of Shareholders:* 11,543
Paid-in Capital: ¥8,284 million *Average number of shares held by one Shareholder:* 4,210 shares
Number of Employees: 2,672 *Listed on First Sections, Tokyo Stock Exchange*
Number of Authorized Shares: 168,000 thousand shares

DOMESTIC NETWORK

Head Office

1-1-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-8570
Tel: 81-72-824-6933 Fax: 81-72-821-7913

Tokyo Sales Office

Shishido Building 6th Floor, 1-15-14 Sakai, Musashino City, Tokyo, 180-0022
Tel: 81-4-2250-0751 Fax: 81-4-2253-1110

< Utsunomiya Office >

Data Service Utsunomiya Bldg, 5th Floor, 4-8-22 Motoimaizumi, Utsunomiya-shi, Tochigi, 321-0954
Tel: 81-28-614-3620 Fax: 81-28-614-3680

Kanagawa Sales Office

Asahi Mutual Life Insurance Co. Bldg., 7th Floor, 4-1-10 Naka-cho, Atsugi-shi, Kanagawa, 243-0018
Tel: 81-46-297-7051 Fax: 81-46-225-5568

Shizuoka Sales Office

RICOH Solutions Higashi Shizuoka Bldg., 2nd Floor, 6-20 Aratajima-cho, Fuji-shi, Shizuoka, 417-0043
Tel: 81-545-54-0861 Fax: 81-545-54-0862

Hamamatsu Sales Office

CITY21 Bldg., 6th Floor, 320-4 Sunayama-cho, Naka-ku, Hamamatsu-shi, Shizuoka, 430-0926
Tel: 81-53-413-6011 Fax: 81-53-413-6012

Chubu Sales Office

Tosho Bldg., 2nd Floor, 1-16-5 Mikawaanjo-cho, Anjo-shi, Aichi, 446-0056
Tel: 81-566-71-2750 Fax: 81-566-72-7015

Hiroshima Sales Office

Crest Court Kaita Sakaemachi Bldg, Room 202, 6-6 Sakaemachi, Kaita-cho, Aki-gun, Hiroshima, 736-0043
Tel: 81-82-821-0021 Fax: 81-82-823-6620

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

Hiroshima Plant

6-11 Taguchi Kenkyu Danchi, Higashi Hiroshima-shi, Hiroshima, 739-0038
Tel: 81-82-425-3434/5 Fax: 81-82-425-3436

DYNAX Corporation

1053-1 Kamiosatsu, Chitose-shi, Hokkaido, 066-0077
Tel: 81-123-24-3247 Fax: 81-123-49-2050

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 Kizugawa, Kizugawa-shi, Kyoto, 619-0214
Tel: 81-774-73-0631 Fax: 81-774-73-2147

EXEDY Precision Co., Ltd.

104-1 Joden, Mimasaka-shi, Okayama, 701-2625
Tel: 81-868-74-3501 Fax: 81-868-74-3503

EXEDY Logistics Co., Ltd.

1-30-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822
Tel: 81-72-822-1147 Fax: 81-72-824-3871

EXEDY Trading Co., Ltd.

1-1-33 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822
Tel: 81-72-824-7633 Fax: 81-72-822-1016

EXEDY Sun Co., Ltd.

1-16-5 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822
Tel: 81-72-824-7633 Fax: 81-72-822-1016

EXEDY Electric Facilities Co., Ltd.

8-6 Hyuga-cho, Moriguchi-shi, Osaka, 570-0023
Tel: 81-6-6997-3131 Fax: 81-6-6997-3150

Nippon Retarder System Co., Ltd.

1-1-33 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822
Tel: 81-72-820-0911 Fax: 81-72-824-1035

EXEDY Fukushima Co., Ltd.

65, Torimiyama, Matsuyama-machi, Kitakata-shi, Fukushima, 966-0901
Tel: 81-241-823-3100 Fax: 81-241-25-7367

EXEDY SB Hyogo Co., Ltd.

1-10-9, Shir-machi, Nishi-ku, Osaka-shi, Osaka, 550-0013
Tel: 81-6-7634-8017

EXEDY Nara Co., Ltd.

68 Nukatabeteramachi, Yamatokoriyama-shi, Nara, 639-1036
Tel: 81-743-56-6878 Fax: 81-743-56-5033

OVERSEAS NETWORK

EXEDY America Corporation (EAC)

2121 Holston Bend Drive, Mascot, TN 37806, U.S.A.
Tel: 1-865-932-3700 Fax: 1-865-932-2230

EXEDY Globalparts Corporation (EGP)

8601 Haggerty Road South, Belleville, MI 48111, U.S.A.
Tel: 1-734-397-3333 Fax: 1-734-397-7300

DYNAX America Corporation (DXA)

568 East Park Drive, Roanoke, VA 24019, U.S.A.
Tel: 1-540-966-6010 Fax: 1-540-966-6011

EXEDY DYNAX MEXICO, S.A. DE C.V. (EDM)

Circuito Progreso #101, Parque Industrial de Logística Automotriz (Pila), Peñuelas, Aguascalientes, Mexico, CP 20340
Tel: 52-449-176-0000 Fax: 52-449-139-4904

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

Via Adolfo Lopez Mateos 9, Col. Lomas Verdes, Naucalpan, Edo. De Mexico, 53120, Mexico
Tel: 52-55-5572-5127

EXEDY Latin America S.A. (ELA)

Edificio Pailita Office Tower, Oficina # 902, 903, 904, Avenida 8va, Sur y Calle 56 Esta, Corregimiento de San Francisco, Ciudad de Panama, Republica de Panama.
Tel: 507-395-7122 Fax: 507-395-7124

EXEDY Clutch Europe Ltd. (ECE)

Unit2, Rokeby Court, Manor Park, Runcorn, Cheshire, WA7 1RW, U.K.
Tel: 44-1928-571850 Fax: 44-1928-571852

< Moscow Representative Office >

Park Place, Office E311, Leninsky prospect 113/1, Moscow, 117198, RUSSIA
Tel: 7-495-510-6175 Fax: 7-495-510-6176

EXEDY DYNAX Europe Ltd. (EDE)

2800 Talabanya, Szarkalab UT6, HUNGARY
Tel: 36-34-311-117 Fax: 36-34-311-122

EXEDY Australia Pty. Ltd. (EAP)

21 Fiveways Boulevard, Keysborough, Victoria 3173, AUSTRALIA
Tel: 61-3-9701-5556 Fax: 61-3-9701-5684

EXEDY New Zealand Ltd. (ENZ)

151 Wairau Road Glenfield Auckland, NEW ZEALAND
Tel: 64-9-444-0901 Fax: 64-9-444-0903

EXEDY Thailand Co., Ltd. (EXT)

EXEDY Corporation Asean Regional Office (EAR)
700/316 Moo 6, Bangna-Trad Road, Tumbon Don Hua Roh, Amphur Muang, Chonburi 20000, THAILAND
Tel: 66-38-214-423 Fax: 66-38-214-422

EXEDY ENGINEERING ASIA Co., Ltd. (EEA)

700/552 Moo 6, Bangna-Trad Road, Tumbon Don Hua Roh, Amphur Muang, Chonburi 20000, THAILAND
Tel: 66-38-214-423 Fax: 66-38-214-422

EXEDY Friction Material Co., Ltd. (EFM)

700/359 Moo 6, Bangna-Trad Road, Tumbon Don Hua Roh, Amphur Muang, Chonburi 20000, THAILAND
Tel: 66-38-743-923 Fax: 66-38-743-927

EXEDY (Malaysia) Sdn.Bhd. (EXM)

PT 16748, Jalan Permatia 1/5, Arab-Malaysian Industrial Park 71800 Nilai, Negeri Sembilan, MALAYSIA
Tel: 60-6-7992988 Fax: 60-6-7996388

EXEDY SINGAPORE PTE. LTD. (ESP)

37 Ubi Crescent, Singapore 408586
Tel: 65-6749-1395 Fax: 65-6742-6936

PT. EXEDY Manufacturing Indonesia (EMI)

Jl. Permatia V Lot EE 3 Kawasan Industri KIIC Karawang 41361 Jawa Barat, INDONESIA
Tel: 62-21-89114666 Fax: 62-21-89114568

PT. EXEDY PRIMA INDONESIA (EPI)

Jl. Gardu Induk PLN No.5, Margomulyo, Tandés, Surabaya 60187, East Java, Indonesia
Tel: 62-31-2977777 Fax: 62-31-7491739

EXEDY Vietnam Co., Ltd. (EXV)

Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Socialist Republic of VIETNAM
Tel: 84-211-3721252 Fax: 84-211-3721253

EXEDY Chongqing Co., Ltd. (EXC)

No.4 Longjing Road, North New Economic Development Zone, Chongqing, 401122, CHINA
Tel: 86-23-62924439 Fax: 86-23-62900348

EXEDY DYNAX Shanghai Co., Ltd. (EDS)

1399 Chenqiao Road Fengxian District, Shanghai, 201401, CHINA
Tel: 86-21-67109075 Fax: 86-21-37565209

EXEDY Guangzhou Co., Ltd. (EGC)

Shop No.3240 Xingguangcong Auto Parts Market, No.113 Road Baiyun, Baiyun District, Guangzhou, CHINA
Tel: 86-20-83489166 Fax: 86-20-83489370

EXEDY BEIJING Co., Ltd. (EBC)

D4 Area No.218, Wufang Tianya Auto Accessories & Parts Market, Chaoyang District, Beijing, CHINA
Tel: 86-10-67297987

DYNAX Industry (Shanghai) Co., Ltd. (DXS)

No.350 Rongxiang Road, Songjiang Export Processing Zone, Shanghai 201613, CHINA
Tel: 86-21-57748388 Fax: 86-21-57748389

Shanghai Tiger Metal Products Co., Ltd. (STM)

698 Wudu Road Jiading District, Shanghai, CHINA
Tel: 86-21-6900-8606 Fax: 86-21-6900-8605

EXEDY India Ltd. (EIL)

< Aurangabad Plant >
Plot No.L-4, M.I.D.C. Industrial Area, Chikalthana, Aurangabad 431 210, Maharashtra, INDIA
Tel: 91-240-2484014 Fax: 91-240-2484403

< Greater Noida Plant >

Plot No.9, Udyog Kendra Industrial Area, Greater Noida, 201 304, U.P., INDIA
Tel: 91-750-3131000 Fax: 91-120-2397086

EXEDY Clutch India Pvt. Ltd. (ECI)

Plot No 5-P, 9-18, 19P, 32-38, Narsapura Industrial Area, Appasandra Village, Appasandra Village, Kolar, INDIA
Tel: 91-8152-244-004

EXEDY Poipet Co., Ltd. (EXP)

Techno Park Poi Pet, Plotno. C005 & C010, Sanco Poi Pet SEZ, Phum Phsar Kandal, Sangkat Phsar Kandal, Poi Pet city, Banteay Meanchey Province, Cambodia

EXEDY Middle East FZCO (EME)

P.O.BOX 18199, Warehouse No. ZE5 & ZE6 Jebel Ali Free Zone, Jebel Ali Dubai, U.A.E.
Tel: 971-4-883-2244 Fax: 971-4-883-2500

< Amman Representative Office >

Room No.103, 1st Floor, Al Housain Bldg, #6 Salem Moh'd Al-Ekdah Street Sweifheh, Wadi Al-Saier, Amman, JORDAN
Tel: 962-658-13215 Fax: 962-658-13015

< Nairobi Representative Office >

International House, 1st Floor, Room No.12, Mama Ngina Street, P.O. Box 41931-00100, Nairobi, KENYA
Tel: 254-20-221-1214 Fax: 254-20-221-5700

< Riyadh Representative Office >

Room #1 Al Adressi Bldg, Price Fahed Bin Ibrahim St. In front of AL-Majal Centre, Riyadh, Kingdom SAUDI ARABIA
Tel: 966-121-48431 Fax: 966-121-48728

EXEDY SOUTH AFRICA (PTY) LTD (ESA)

Glen Erasmia Blvd Estate P O Box 270 Glen Erasmia 1638 South Africa



Mission Statement

The Shape of Our Future: “Creation of Fulfillment”

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

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

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



EXEDY Corporation

1-1-1, Kidamotomiya, Neyagawa-shi, Osaka, 572-8570, Japan
Tel: 81-72-822-1152 Fax: 81-72-822-7552
URL <http://www.exedy.com>