



ANNUAL REPORT 2018

Year Ended March 31, 2018



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Business Operations

Review of Fiscal Year 2017

Through a steady increase in mainly domestic orders for AT products and from China, we have achieved an increase in sales revenues for FY 2017's consolidated accounting period.

As for profit, in spite of intensifying price competition in MT products and fluctuations in steel market conditions, our operating income rose as a result of increased sales revenues and cost reduction activities.

Our overall business results for this accounting period are as follows: revenues of ¥283.3 BN (a 5.6% increase compared to FY 2016), operating income of ¥23.8 BN (a 3.6% increase compared to FY 2016), profit before income taxes of ¥22.5 BN (a 3.5% increase compared to FY 2016), and profit attributable to owners of parent amounting to ¥15.8 BN (a 10.9% increase compared to FY 2016).

Outlook of Fiscal Year 2018

Our forecasts for the future estimate that base quantities for orders centered around our overseas operations will remain firm, and bring an increase in revenues.

As for profit, we expect to experience strict conditions due to changes in the composition of our sales, as well as due to the effects of exchange rate fluctuations; 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 2018: sales revenues of ¥285 BN (an increase of 0.6% compared to FY 2017), operating income of ¥25 BN (an increase of 5.0% from FY 2017), ordinary profit of ¥24 BN (an increase of 6.7% from FY 2017), and profit attributable to owners of parent amounting to ¥16 BN (an increase of 1.3% from FY 2017).

July, 2018

Hidehito Hisakawa



President & Chief Executive Officer



Hidehito Hisakawa (President and Chief Executive Officer)

The leading company for drivetrain components

EXEDY is a general drivetrain systems manufacturer with a main focus on automotive clutches and torque converters, which we manage from development to production. With our core technologies specializing in friction, vibration and fluid, EXEDY's products have been greatly recognized by car manufacturers around the world and widely adopted as a genuine brand. EXEDY Group continues to hold a large share in both domestic and international markets, with 44 companies in 25 countries.



Core Technologies

FRICITION

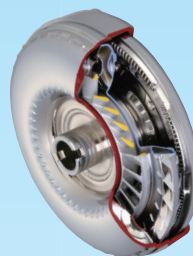
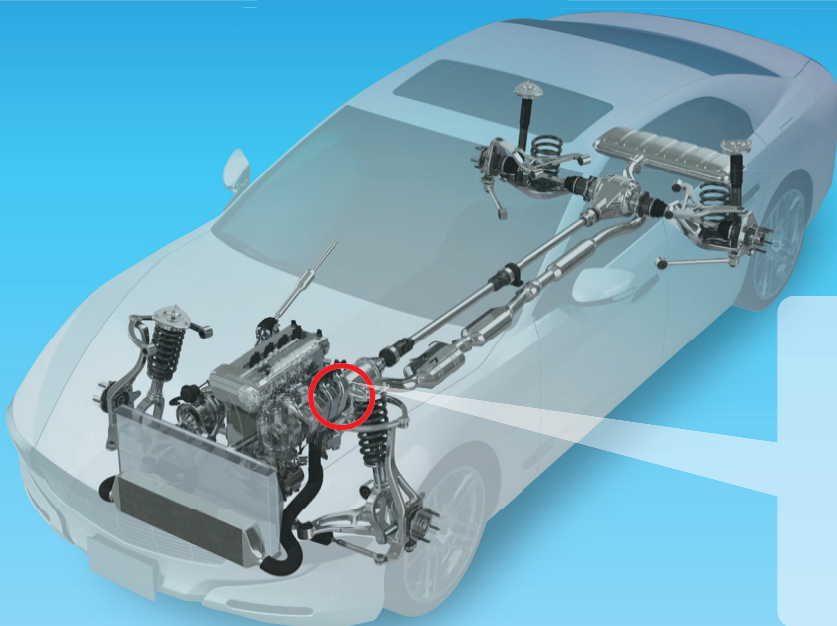
We develop friction materials that display top tier performance.

VIBRATION

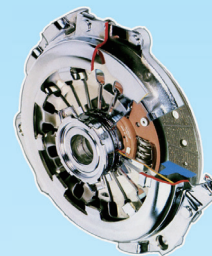
Vibrations from the engine are absorbed using the technology found within our high performance dampers.

FLUID

We are able to offer high performance products to our customers by analyzing how fluid flows within torque converters.

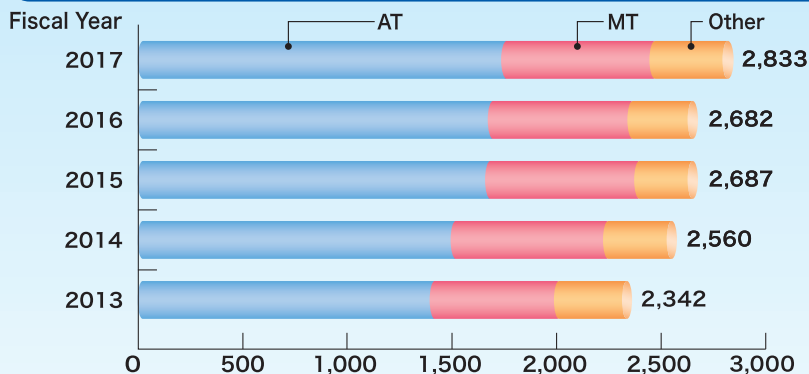


Torque Converter



Manual Clutch

Consolidated Sales (Unit : ¥100 million)





Global Market Leader

44 Companies in 25 Countries

Global Network

● Production & Sales ● Sales

AT products

EXEDY manufactures torque converters and clutch packs, providing today's drivers with a smooth and comfortable ride. Our Super Squashed Torque Converter, which is very efficient and grounded in hydrodynamics, has been making great advances in the American and Chinese automotive markets.



Low Speed Lock-up Torque Converter



Damper for Plug-in Hybrid Vehicles



Clutch Pack



Paper Disc



Clutch for Passenger Vehicles



Clutch for Large-sized Commercial-Vehicles



Sports Clutch

MT products

EXEDY Group members manufacture clutch covers and clutch disc assemblies around the world. EXEDY also develops dampers with very efficient noise and vibration control, as well as high performance motor sports clutches.

TS products

EXEDY supplies uncompromising, high-quality products with virtually made-to-order, multi-item, small-sized production. EXEDY's power shift transmission for construction and industrial vehicles powerfully supports Japan's key industries.



Power Shift Transmission



Retarder



DSP Wet Type Multi-plate Clutch



Wet Type Multi-plate Clutch with Coil Springs



Dry Type Centrifugal Clutch with Pulley



Wet Type Centrifugal Clutch



One-way Clutch

Motorcycle products

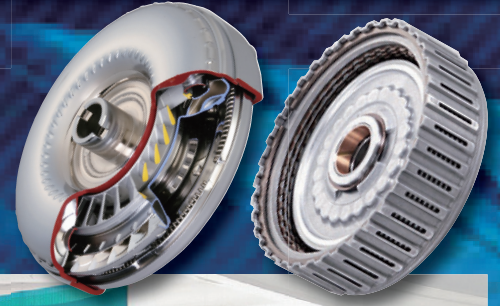
EXEDY manufactures motorcycle clutches in the expanding markets of Southeast Asia. Utilizing our expertise accumulated in automotive clutches, EXEDY Group companies in the region produce and supply Wet Type Multi-plate Clutches and One-way Clutches for motorcycles.

Manufacturing

New Plant Opening Ceremony Held at EXEDY DYNAX Mexico

In response to increased orders of AT products in North America, the plant at EXEDY DYNAX Mexico was expanded.

On May 3, 2017 the opening ceremony was held and production at the plant was started.



R&D Facility Established in the United States

On May 1, 2017 EXEDY Globalparts (United States) held a ceremony to mark the opening of the newly established R&D facility. The aim is to increase our speed by carrying out development near our customers.



SSC (Simple, Slim & Compact) Line Commencement of Operation

Based on the concept of Simple, Slim & Compact, a new torque converter production line was established at our Ueno Division and operation was started. While using only half of the installation area of a conventional production line, production volume per hour is drastically increased.



Electric Technology

Investment in a Company Developing Compact EVs

In preparation of future development of electric technology, DYNAX (EXEDY Group) invested in FOMM Corporation, a company that works on the development of compact EVs.



Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

	The Date of Transition (April 1, 2016)	FY2016 (March 31, 2017)	FY2017 (March 31, 2018)
	millions of yen	millions of yen	millions of yen
Assets			
Current Assets			
Cash and Cash Equivalents	32,923	42,392	44,698
Trade and Other Receivables	48,808	53,352	55,063
Other Current Financial Assets	763	1,023	1,642
Inventories	30,509	31,433	32,892
Other Current Assets	5,747	4,026	3,907
Total Current Assets	118,749	132,226	138,202
Non-current Assets			
Tangible Fixed Assets	141,968	152,782	156,867
Goodwill and Intangible Assets	3,970	3,809	3,564
Investments Accounted for Using the Equity Method	182	145	137
Investments in Equity Instruments	2,168	2,369	3,610
Other Non-current Financial Assets	310	269	153
Deferred Tax Assets	1,688	2,099	2,523
Retirement Benefit Assets	982	992	1,071
Other Non-current Assets	1,507	1,397	1,258
Total Non-current Assets	152,776	163,863	169,183
Total Assets	271,526	296,089	307,385

	The Date of Transition (April 1, 2016)	FY2016 (March 31, 2017)	FY2017 (March 31, 2018)
	millions of yen	millions of yen	millions of yen
Liabilities and Equities			
Liabilities			
Current Liabilities			
Bonds and Borrowings	17,135	11,358	8,676
Trade and Other Payables	34,978	37,632	39,573
Other Current Financial Liabilities	82	58	150
Income Tax Payables	2,050	3,960	4,093
Short-term Employee Benefits	1,381	1,340	1,330
Provisions	1,300	2,881	3,267
Other Current Liabilities	1,285	1,658	2,714
Total Current Liabilities	58,211	58,888	59,803
Non-current Liabilities			
Bonds and Borrowings	21,300	34,770	35,052
Other Non-current Financial Liabilities	356	229	155
Retirement Benefit Liabilities	5,587	5,735	5,849
Deferred Tax Liabilities	3,309	3,402	2,204
Other Non-current Liabilities	546	674	691
Total Non-current Liabilities	31,097	44,810	43,950
Total Liabilities	89,308	103,697	103,754
Equity			
Capital	8,284	8,284	8,284
Capital Surplus	7,564	7,606	7,656
Treasury Shares	△1,445	△1,400	△1,367
Other Components of Equity	920	△409	△926
Retained Earnings	155,100	166,046	177,808
Total Equity Attributable to Owners of Parent	170,423	180,127	191,455
Non-controlling Interests	11,795	12,265	12,177
Total Equity	182,218	192,392	203,631
Total Liabilities and Equity	271,526	296,089	307,385

(2) Consolidated Statement of Income/Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

	(From: April 1, 2016 To: March 31, 2017)	(From: April 1, 2017 To: March 31, 2018)
	millions of yen	millions of yen
Revenue	268,188	283,319
Cost of Sales	210,799	225,619
Gross Profit	57,388	57,700
Selling, General and Administrative Expenses	34,234	33,275
Other Operating Income	1,671	1,195
Other Operating Expenses	1,845	1,812
Operating Profit	22,980	23,808
Financial Income	214	175
Financial Expenses	1,464	1,497
Equity in Earnings of Affiliates	13	12
Income before Income Taxes	21,744	22,499
Income Taxes	6,353	5,986
Profit	15,390	16,513
Attribution of Profits		
Owners of Parent	14,237	15,791
Non-controlling Interests	1,154	722
Profit	15,390	16,513
Basic and Diluted Earnings per Share (yen)	296.39	328.66

(Consolidated Statement of Comprehensive Income)

	(From: April 1, 2016 To: March 31, 2017)	(From: April 1, 2017 To: March 31, 2018)
	millions of yen	millions of yen
Profit	15,390	16,513
Other Comprehensive Income		
Items that will Not Be Reclassified to Profit or Loss		
Equity Instruments Measured at Fair Value through Other Comprehensive Income	299	166
Re-measurements of Defined Benefit Plans	21	61
Total of Items that will Not Be Reclassified to Profit or Loss	319	226
Items that may Be Reclassified to Profit or Loss		
Exchange Differences on Translation of Foreign Operations	△1,707	△612
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method	△2	7
Total of Items that may Be Reclassified to Profit or Loss	△1,709	△605
Other Comprehensive Income	△1,389	△378
Comprehensive Income	14,001	16,135
Attribution of Comprehensive Income		
Owners of Parent	12,983	15,335
Non-controlling Interests	1,018	801
Comprehensive Income	14,001	16,135

(3) Consolidated Statement of Changes in Equity

	Capital	Capital Surplus	Treasury Shares	Other Components of Equity			Total
				Exchange Differences on Translation of Foreign Operations	Equity Instruments Measured at Fair Value through Other Comprehensive Income	Re-measurements of Defined Benefit Plans	
	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen	millions of yen
Balances as of April 1, 2016	8,284	7,564	△1,445	-	920	-	920
Profit	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	△1,573	299	21	△1,254
Total Comprehensive Income for the Period	-	-	-	△1,573	299	21	△1,254
Acquisition of Treasury Shares	-	-	△1	-	-	-	-
Disposal of Treasury Shares	-	△4	45	-	-	-	-
Dividends of Surplus	-	-	-	-	-	-	-
Share-based Payment Transactions	-	47	-	-	-	-	-
Transfer to Retained Earnings	-	-	-	-	△54	△21	△75
Total Transaction Amount with Owners	-	42	44	-	△54	△21	△75
Changes for the Period	-	42	44	△1,573	244	-	△1,329
Balances as of March 31, 2017	8,284	7,606	△1,400	△1,573	1,165	-	△409
Profit	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	-	△683	166	61	△457
Total Amount of Comprehensive Income for the Period	-	-	-	△683	166	61	△457
Acquisition of Treasury Shares	-	-	△0	-	-	-	-
Disposal of Treasury shares	-	6	33	-	-	-	-
Dividends of Surplus	-	-	-	-	-	-	-
Share-based Payment Transactions	-	44	-	-	-	-	-
Transfer to Retained Earnings	-	-	-	-	-	△61	△61
Total Transaction Amount with Owners	-	49	33	-	-	△61	△61
Changes for the Period	-	49	33	△683	166	-	△517
Balances as of March 31, 2018	8,284	7,656	△1,367	△2,256	1,330	-	△926

	Equity Attributable to Owners of Parent		Non-controlling Interests	Total Equity
	Retained Earnings	Total		
	millions of yen	millions of yen		
Balances as of April 1, 2016	155,100	170,423	11,795	182,218
Profit	14,237	14,237	1,154	15,390
Other Comprehensive Income	-	△1,254	△136	△1,389
Total Comprehensive Income for the Period	14,237	12,983	1,018	14,001
Acquisition of Treasury Shares	-	△1	-	△1
Disposal of Treasury Shares	-	41	-	41
Dividends of Surplus	△3,366	△3,366	△548	△3,914
Share-based Payment Transactions	-	47	-	47
Transfer To Retained Earnings	75	-	-	-
Total Transaction Amount with Owners	△3,291	△3,279	△548	△3,827
Changes Amount for the Period	10,946	9,704	470	10,174
Balances as of March 31, 2017	166,046	180,127	12,265	192,392
Profit	15,791	15,791	722	16,513
Other Comprehensive Income	-	△457	78	△378
Total Amount of Comprehensive Income for the Period	15,791	15,335	801	16,135
Acquisition of Treasury Shares	-	△0	-	△0
Disposal of Treasury Shares	-	39	-	39
Dividends of Surplus	△4,089	△4,089	△888	△4,978
Share-based Payment Transactions	-	44	-	44
Transfer to Retained Earnings	61	-	-	-
Total Transaction Amount with Owners	△4,029	△4,007	△888	△4,895
Changes for the Period	11,763	11,328	△88	11,240
Balances as of March 31, 2018	177,808	191,455	12,177	203,631

(4) Consolidated Statement of Cash Flows

	FY2016 (From: April 1, 2016 To: March 31, 2017)	FY2017 (From: April 1, 2017 To: March 31, 2018)
	millions of yen	millions of yen
Cash Flows from Operating Activities		
Income before Income Taxes	21,744	22,499
Depreciation and Amortization Expenses	16,456	17,104
Interest and Dividend Income	△214	△175
Interest Expenses	1,031	995
Equity in Earnings of Affiliates (△ is Profit)	△13	△12
Profit or Loss from Foreign Exchange (△ is Profit)	200	△108
Changes of Inventories (△ is Increase)	△1,619	△1,932
Changes of Trade and Other Receivables (△ is Increase)	△5,434	△1,731
Changes of Trade and Other Payables (△ is Decrease)	2,703	2,200
Other	4,776	2,420
Subtotal	39,629	41,259
Interest and Dividends Received	234	258
Interest Paid	△1,040	△981
Income Taxes Paid	△5,461	△7,531
Cash Flows from Operating Activities	33,362	33,006
Cash Flows from Investing Activities		
Payments into Time Deposit	△348	△428
Payments for Acquisition of Tangible Fixed Assets	△27,499	△20,924
Proceeds from Sales of Tangible Fixed Assets	131	369
Payments for Acquisition of Intangible Assets	△1,302	△969
Other	391	△970
Cash Flows from Investing Activities	△28,628	△22,921
Cash Flows from Financing Activities		
Increase by Short-term Borrowings	10,968	12,921
Repayments of Short-term Borrowings	△13,096	△12,843
Proceeds from Non-current Borrowings	13,041	4,632
Repayments of Non-current Borrowings	△4,819	△7,340
Proceeds from Issue of Bonds	10,000	-
Redemption of Bonds	△7,000	-
Dividends Paid	△3,366	△4,089
Other	△563	△897
Cash Flows from Financing Activities	5,166	△7,616
Effect of Exchange Rate Changes on Cash & Cash Equivalents	△431	△162
Changes of Cash and Cash Equivalents (△ is Decrease)	9,469	2,306
Balances of Cash and Cash Equivalents at the Beginning of Period	32,923	42,392
Cash and Cash Equivalents at the End of Period	42,392	44,698

(5) Notes for Consolidated Financial Statements (Notes for Going Concern)
Not applicable.

【Segment Information】

1. General Information

The reportable segments are components of business activities for which discrete, and such information is regularly reviewed by the Company's Board of Directors in order to make decisions about the allocation of resources and assess its performance.

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 corporation 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 to 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.

2. Information about Revenue and Profit/Loss for the each Reportable Segment

FY2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment			Other (Note)	Adjustments	Consolidated
	MT	AT	Total			
Revenue						
External Customers	66,700	169,956	236,656	31,532	-	268,188
Intersegments	129	2,966	3,095	7,586	△10,681	-
Total	66,829	172,921	239,750	39,118	△10,681	268,188
Segment Profit	11,035	10,978	22,014	1,074	△107	22,980
Financial Income						214
Finance Expenses						1,464
Equity in Earnings of Affiliates						13
Income before Income Taxes						21,744

(Note) 1. Others includes businesses which is not part of any of the 2 reportable segments, and contain industrial machine drivetrain operation, clutches for motorcycle operation, transport operation, etc.

2. Amount of intersegments transactions is based on market price.

3. Segment profit is based on operating profit on consolidated statement of income.

4. Elimination of intersegment transactions and corporate expenses are included in adjustments.

FY2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable Segment			Other (Note)	Adjustments	Consolidated
	MT	AT	Total			
Revenue						
External Customers	70,840	177,776	248,616	34,703	-	283,319
Intersegments	183	2,591	2,774	7,517	△10,291	-
Total	71,023	180,367	251,390	42,220	△10,291	283,319
Segment Profit	10,050	11,974	22,024	3,223	△1,439	23,808
Financial Income						175
Finance Expenses						1,497
Equity in Earnings of Affiliates						12
Income before Income Taxes						22,499

(Note) 1. Others includes businesses which is not part of any of the 2 reportable segments, and contain industrial machine drivetrain operation, clutches for motorcycle operation, transport operation, etc.

2. Amount of intersegments transactions is based on market price.

3. Segment profit is based on operating profit on consolidated statement of income.

4. Elimination of intersegment transactions and corporate expenses are included in adjustments.

【Per Share Information】

Basis for calculating profit per share is as follows. There are no potentially dilutive ordinary shares during previous consolidated fiscal year and current consolidated fiscal year.

1. Profit Attributable to Owners of Parent

(Millions of yen)

	FY2016 (From: April 1, 2016 To: March 31, 2017)	FY2017 (From: April 1, 2017 To: March 31, 2018)
Profit Attributable to Owners of Parent	14,237	15,791

2. Average Number of Shares Outstanding during the Period

(Thousand shares)

	FY2016 (From: April 1, 2016 To: March 31, 2017)	FY2017 (From: April 1, 2017 To: March 31, 2018)
Average Number of Shares Outstanding during the Period	48,034	48,047

【Significant Subsegment Events】

Not applicable.

Our approach

At EXEDY Group, we value our corporate philosophy “Creation of Fulfillment”, while we continue to grow as a global company contributing to society. This “Creation of Fulfillment” includes fulfillment for our customers through quality, cost and design, contribution to society by returning profits to shareholders and the payment of taxes, and happiness for our employees. Further, while carrying out our corporate activities in a healthy, fair and transparent manner, we aim to realize a sustainable development on both societal and global levels through “Creation of Fulfillment”.

Corporate Philosophy = Creation of Fulfillment

- | | |
|---|---|
| 1) Fulfillment for Our Customers | Excellence in QCD ※ +D (Design) |
| 2) Contributing to Society | CSR · Taxes · Dividend · Creation of Shareholder Value |
| 3) Happiness for Our Employees | I LOVE EXEDY |

※Quality, Cost, Delivery

Activities

At the EXEDY Group we ensure that we raise the awareness of all employees regarding our CSR activities, and promote CSR as a “way for our employees to approach their work”. After learning the basics during the new employee training, we acquire a wide range of ideas of CSR through regular reading sessions of the Code of Conduct and incorporate them in our everyday work.

The code for putting our CSR into practice

● The code for putting our CSR into practice

The EXEDY Code of Conduct is distributed to all employees, including employees of our affiliated companies with the aim of spreading the basic policies, action guidelines and business manners to each and every member of the EXEDY Group working across the globe. The 2018 edition of our Code of Conduct was distributed to approx. 18,000 employees in 44 locations in 25 different countries.

The EXEDY Code of Conduct, first published in 1998 has been revised a total of 11 times, including the revision of the latest version issued on April 1, 2018, to respond to changes in various laws and regulations and changes in the social environment. Since 2013, we revise the Code of Conduct once a year so all employees can be informed on the latest information regarding our “EXEDY WAY” and “Midterm Consolidated Management Plan” showing our growth strategies.

In 2014 we started the localization of the Code of Conduct and it is now available in the following ten languages: Japanese, English, Chinese, Thai, Indonesian, Vietnamese, Spanish, Portuguese, Malaysian and Kannada.

In addition to the Corporate Philosophy, Midterm Consolidated Management Plan and basic policies, it contains basic rules regarding compliance and corporate ethics and business manner, and through reading sessions at each department employees gain a thorough understanding.



● CSR Training

■ New Employee Training

Every year in April we carry out CSR training at our Headquarters and Ueno Division for all our new employees, including employees at our affiliated companies. Here our employees learn about the basics of CSR and the importance of adhering to the Code of Conduct.

■ Stratified Education

In our management training, newly appointed managers learn about managing their employees (labor management, power harassment training, mental health etc.) and subcontracting law to enable them to carry out fair transactions with cooperating companies. With this training we aim to develop the participants into leaders who support our company in a way that earns the trust of our stakeholders, by reconfirming and further raising awareness regarding the basis of our manufacturing: Safety→Quality→Donpisha*→Cost and its order of priority.

*Donpisha...The company-wide activities of instilling ‘what is needed, when it is needed, in the quantity needed’, in all processes of manufacturing from purchasing to shipment.

CSR Policy

Basic Policy

We at EXEDY Group are contributing to sustainable development on both societal and global levels, which, through our corporate activities, we carry out at each of our business locations. To accomplish this, we, based on the subsequent ten items, will, irrespective of domestic or overseas location, act with a sense of social decency, as well as uphold all human rights, laws, and international rules.

Course of Action

1. Compliance: Fairness and Transparency

We will uphold a spirit of compliance with the laws of each country and region, and will conduct business recognizing that the fundamental rule for corporate activities is to ensure that competition is fair, transparent, and free.

2. Guaranteeing an Enjoyable Workplace Environment

Along with providing a rich and abundant life for our executives and employees and guaranteeing an enjoyable and safe workplace environment, we also offer a corporate climate that both respects the unique personalities of all of our employees and encourages their creativity.

3. The Provision and Development of Products and Services That Satisfy Society

We always ensure that the standard of the products and services that we provide are such that customers and consumers throughout the world feel the greatest level of satisfaction. We act with an awareness that this is our social obligation.

4. Prompt Disclosure of Business Information

As we do with our stockholders, we will continue to communicate with society at large and release corporate information in a prompt, accurate, and fair manner.

5. Proactive Efforts Towards Environmental Problems

In order to help build a world where our societies and nature can coexist, we will pursue our corporate philosophy of creation of fulfillment, and we will endeavor to be environmentally friendly in all aspects of our corporate activities.

6. Activities Aimed at Contributing to Society

As an exceptional corporate citizen, we will place emphasis on our relationships with local communities and conduct activities that contribute to these societies.

7. Our Countermeasures Towards Organized Crime

We resolutely assume countermeasures to organized crime syndicates that threaten the order and safety of civilian societies.

8. Being a Global Enterprise

As a global enterprise that has overseas facilities, we respect the cultures and traditions of each and every nation, and we pledge to contribute to the development of the regions and countries that these facilities are located in.

9. Business Ethics

Our top levels of management will lead by example, do their utmost to manifest the spirit found within our code of conduct, maintain our corporate structure, and strive to thoroughly apply our business ethics.

10. Resolving Problems

In the worst case scenario, if a violation of our conduct standards were to occur, our top levels of management would declare, both internally and externally, their stance on resolving the problem, would inquire into the causes of the violation, and would do all that they could to prevent a recurrence of that violation.

Furthermore, we will execute our responsibility of explaining and disclosing this information to society in an accurate and prompt manner, and, upon determining who was responsible, we will punish them without bias.

Corporate Governance

Corporate Governance Policy

We at EXEDY recognize that constructing a system of corporate governance and thoroughly carrying out compliance management serve as the basis for management.

More specifically, we have arranged a system that monitors and audits the actions of our directors through our board of directors and our audit and supervisory board, and, by improving the functionality of our internal controls and building an organization that immediately responds to changes in our managerial environment, we will make our management more transparent and endeavor to strengthen our system of governance and compliance management.

Basic Policy

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

Business Management Organ Related to Managerial Decision-making, Performance of Duties, and Supervision of Such (Our System of Corporate Governance)

Organizational Structure and Administration

Organizational System

Company with Audit and Supervisory Board Members

Board of Directors

Chairman of the Board	President & CEO
Number of Directors	11
Outside Directors Present	Yes
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Executives	2

Corporate Auditors

Audit and Supervisory Board Present	Yes
Number of Audit and Supervisory Board Members	4
Outside Audit and Supervisory Board Members Present	Yes
Number of Outside Audit and Supervisory Board Members	3

● An Outline of Our Current System of Corporate Governance: Matters Regarding Corporate Affairs, Appointments, Audits and Supervision, and Remuneration

EXEDY's board of directors is comprised of 11 individuals, three of whom serve as outside directors. Our board of directors holds regular meetings once a month, and, when deemed necessary, additional meetings are held under special circumstances, where directors thoroughly discuss the matters at hand and make managerial decisions regarding them.

EXEDY's audit and supervisory board is made up of four members, three of whom are outside members. These audit and supervisory board members, along with participating in meetings alongside the board of directors where they give advice on managerial decisions from an auditing perspective, also supervise the board of directors in its performance of duties.

As part of our administrative strategies, we convene managing directors meetings, where five individuals from our upper management, consisting of our president and CEO, executive managing officers, and senior executive managing officers, assemble for a corporate review. In addition to this administration of corporate affairs, we also hold management meetings approximately twice a month, the participants of which include all full-time executives. At these meetings, members actively exchange their ideas and opinions, thoroughly conducting both reviews and discussions.

Moreover, in order to carry out corporate affairs in a manner that promptly responds to any changes in our managerial situation, we have been endeavoring to flexibly operate our business by: a.) constructing a board of directors with a small number of members, b.) introducing our executive officer system, and c.) appointing human resources that are knowledgeable and well-informed about business and work-related duties to executive positions.

EXEDY's financial audits are handled by the certified public accountants Kazuhiko Tomoda and Kengo Yamamoto, who are in the employ of PricewaterhouseCoopers Aarata. These auditors perform periodic audits of our corporation as well as provide us with consulting services regarding accounting matters.

As per our advisory agreements, our legal advisers will, even for matters related to financial affairs, enter into contracts with external specialists, and, as the situation demands, receive any pertinent or relevant advice from them.

With regards to EXEDY's internal control system, our Global Auditing Department, the division that performs operational audits independent of the direct control of the company president, carries out both compliance checks and operational audits for each and every one of our departments.

● Our Reasons for Selecting Our Current System of Corporate Governance

We at EXEDY are carrying out efficient work operations and exercising prompt decision-making through the introduction of our executive officer system, where six of our directors concurrently serve as executives managing corporate affairs. At the same time, so that we can ensure transparency in all business operations, we made our board of directors consist of 11 directors and four auditors, of which six individuals are outside executives (and of these six two individuals serve as an independent outside directors and two individuals serve as independent outside auditors), and we have deemed that our present structure of a company with an audit and supervisory board is currently the optimum choice.

Measures We Implement for Our Shareholders and Stakeholders

1. Our efforts aimed at invigorating the General Shareholders Meeting and streamlining the shareholder voting process

When We Send the General Shareholders Meeting Convocation Notice	We distribute the convocation notice for the General Shareholders Meeting approximately three weeks prior to when it convenes.
Exercising voting rights through electromagnetic means	It is possible for shareholders to execute their voting rights online.
Efforts aimed at improving the voting process environment for institutional investors, such as using a platform that allows for the electronic execution of voting rights etc.	We are currently using ICJ Inc.'s platform which allows for the electronic execution of voting rights.
English Summary of the Convocation Notice	We provide a summary of the convocation notice in English.
Additional Points	We are striving to manage our general meetings, so that our stockholders can further understand the current status of our corporation, through using visualizations such as slides for our business reports and sign language interpreting.

2. Investor relations efforts

Holding Periodic Financial Briefings for Analysts and Institutional Investors	We hold semiannual financial briefings in Tokyo for our institutional investors and stock analysts.
Holding Periodic Financial Briefings for Foreign Investors	We hold periodical briefings overseas for our institutional investors and foreign stock analysts.
Disclosing Documents Regarding Investor Relations on Our Company Website	On our webpage http://www.exedy.com , account settlements, the convocation notices for our General Shareholders Meetings are available for access. In addition, convocation notices for our General Shareholders Meetings (summary) and fluctuations in our business performance are posted on our homepage in English as well.

3. Never forgetting the importance of our stakeholders

Company Regulations That Always Keep in Mind the Importance of Our Stakeholders	By contributing to society, satisfying the needs of our customers, and improving the well-being of our employees, we have achieved an even higher standard as a company, and, through our perpetual corporate development, are fulfilling our responsibility to our stockholders and other concerned parties. We include all of the above in our management philosophy, which we put into practice as per our code of conduct. This is distributed to all of our executives and employees, who then familiarize themselves with its contents.
The Implementation of Environmental Safety and Corporate Social Responsibility Activities	We at EXEDY recognize that we have a responsibility as a corporation to take into consideration the impact that our corporate operations have on both our natural and social environments. Because of this, we are continually moving forward with our environmental efforts, and we summarize the results of these efforts, which include each and every one of our businesses, in our annual environmental report. You can view this report at any time on our company's website.
Additional Points	Regarding the policies and efforts that we have established to encourage the success of our female employees We at EXEDY Group, along with moving forward with employing more women at our production facilities, are also making efforts to encourage our female employees to pursue opportunities in executive and managerial positions. Furthermore, within our network, we currently have female employees serving as directors at some of our locations.

Regarding Our System of Internal Control

● Our Approach Towards and Management of Our System of Internal Control

Our management policy includes the extent at which we fulfill our corporate responsibility, how we improve ourselves so that we can be held in high esteem by the society we live in, our corporate ideology and compliance, and our response to environmental issues.

Adhering to the above, our board of directors has resolved to implement a fundamental policy for our system of internal control that upholds all applicable corporate laws and ordinances, and it is detailed as follows. Please note that the status of the following is reported to the board of directors as the situation demands.

■ 1. Managing and saving information related to the duties of our directors

We will properly manage and save information related to the execution of corporate affairs, acting in accordance with our regulations for managing confidential information, preserving documents, and saving documents.

■ 2. Regulations for risk management

We designate our Administrative Headquarters as the department in charge of comprehensive risk assessment, and are developing methods to prevent losses before they happen.

■ 3. Ensuring that our directors conduct their duties in an effective manner

In addition to holding periodic board meetings once a month, we also hold management meetings twice a month that both our full-time directors and executives participate in. At these meetings, we have discussions and examine managerial issues, and, depending on the circumstances, put into place a flexible system that is able to deal with the issue at hand.

■ 4. Ensuring that the duties of our directors and employees conform to all laws and articles of association

EXEDY has established its own code of conduct, and we strive to keep our employees, directors, and executives informed about all laws, articles of association, and company regulations. We ensure that we adhere to compliance management by combining the aforementioned with regulations concerning the protection of whistleblowers.

■ 5. Ensuring that all work done in EXEDY Group is done in a fair manner

Following our regulations for managing affiliates, we unify all administrative tasks pertaining to EXEDY Group at our Administrative Headquarters.

1) System for reporting to EXEDY about matters regarding EXEDY Group directors' execution of work duties

The manner in which work is being conducted at group companies is confirmed through monthly reports submitted by each company. Important matters regarding how work is conducted are reported and discussed at board of directors meetings and management meetings.

2) System for regulations regarding the management of dangerous losses for group companies etc.

Based on our risk management/compliance regulations, which are also used at our group companies, we will spread our activities conducted to prevent losses.

3) System to ensure that the execution of directors' work duties at our group companies is carried out efficiently

In order to materialize our midterm consolidated management plan that we have created, we are sharing our objectives and issues with the entire group and endeavoring to ensure a system where work duties are executed effectively.

■ 6. Ensuring that the work conducted by both directors and employees of group companies complies with both the law and our articles of association

We distribute our code of conduct, which comes in the form of a small booklet, to all directors, executive officers, and employees, translating its contents whenever necessary.

Based on our regulations for the management of group companies and our regulations for internal audits, our Global Auditing Department inspects the extent to which regulations are upheld and how the organizations and systems of our group companies are being operated.

■ 7. Employees will assist our audit and supervisory board members as required

Our audit and supervisory board members will, when they deem it necessary, appoint employees to assist them in their duties.

■ 8. Assuring the independence that employees assisting audit and supervisory board members have from directors

All matters concerning employees assisting our audit and supervisory board members, such as their relocation, evaluation, punishment, etc., must first be discussed with and reported to an audit and supervisory board member.

■ 9. Ensuring the effectiveness of instructions given to employees assisting audit and supervisory board members

When an employee is put in the service of audit and supervisory board members, this employee will not serve concurrently with another department, and they must follow all instructions given by any audit and supervisory board members.

■ 10. Reporting to audit and supervisory board members

1) A system for directors and employees to report to audit and supervisory board members

All directors and executives, when discovering any information that could cause considerable damage to EXEDY Group, will immediately report these contents to an audit and supervisory board member.

2) A system for directors, audit and supervisory board members, assistants, or anyone who has received reports from any of the aforementioned to report to audit and supervisory board members

Both executives and employees of EXEDY Group must, when requested by the audit and supervisory board to make a report regarding matters relating to work duties, make both immediate and appropriate reports.

■ 11. Ensuring that individuals who report matters to the audit and supervisory board are not subject to unfavorable treatment due to the nature of their reports

Based on our regulations for protecting whistleblowers, employees will not be dismissed or punished for reporting or speaking about a whistleblowing matter.

■ 12. Matters concerning policies related to liabilities handling and expenses caused by the execution of work duties, such as repayment procedures and the paying of expenses caused by advance payments for the work of audit and supervisory board members

When it is requested that we, regarding the execution of work duties of an audit and supervisory board member, pay in advance for expenses based on corporate law, any expenses and liabilities related to this request, excluding cases where it is not deemed necessary for audit and supervisory board members to execute their work duties, will immediately be processed. We set aside a specific budget each year in order to pay for any expenses etc., which result from the execution of audit and supervisory board members work duties.

■ 13. Ensuring that that the audits of our audit and supervisory board members are being performed in an efficient manner

Full-time audit and supervisory board members will participate in management conferences as well as all other meetings where decision-making occurs, maintaining a system that is always able to grasp the current status of the execution of corporate affairs.

■ 14. Our countermeasures against organized crime

As written in our code of conduct, we resolutely assume countermeasures against organized crime syndicates that threaten the order and safety of civilian societies.

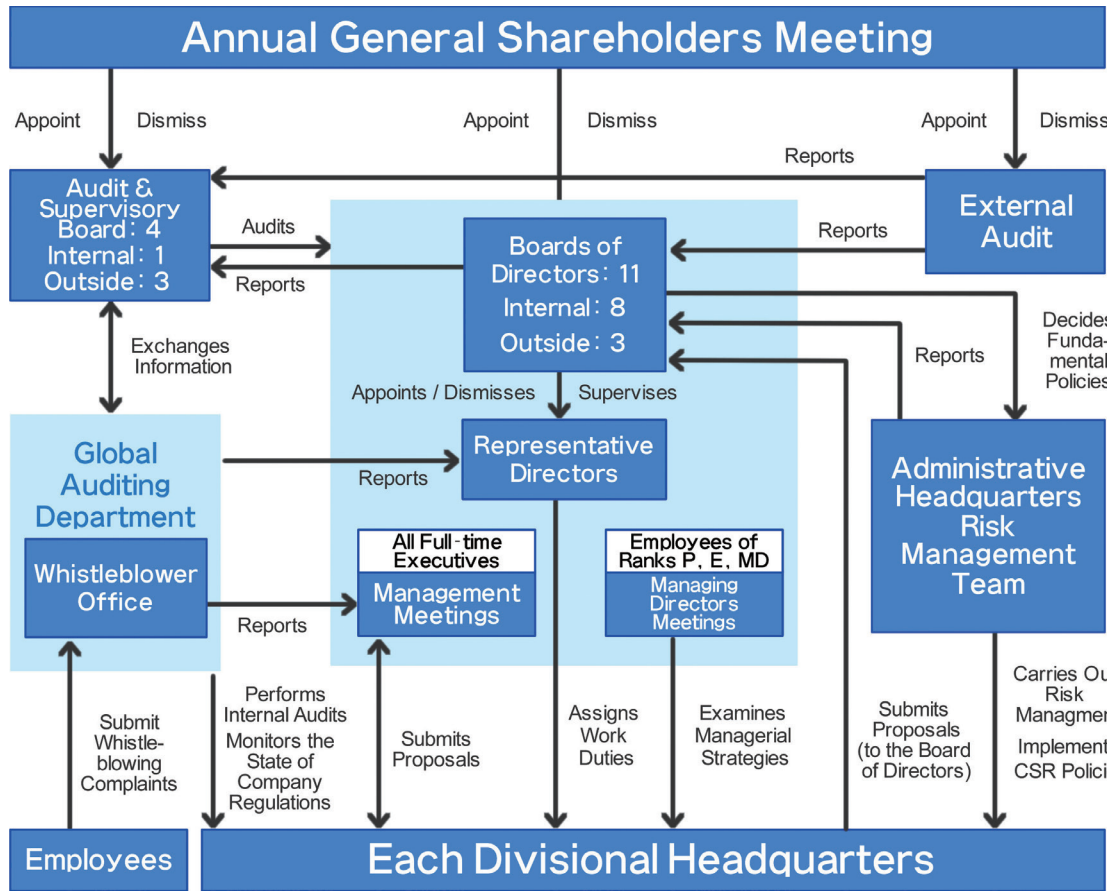
● Our Basic Policy and Countermeasures Against Organized Crime

As aforementioned, we resolutely assume countermeasures against organized crime syndicates that threaten the order and safety of civilian societies.

In order to accomplish this, we have established a division within our company that is prepared to deal with organized crime syndicates and is equipped to handle any unjust demands or illegal acts.

We have also included this policy inside of our code of conduct, and we have made sure to distribute it to all of our employees so that they can familiarize themselves with its contents.

■ A schematic of our system of corporate governance



Board of Directors Meetings and Management Meeting Schedules

In the current fiscal year, we held 12 Board of Directors Meetings and 24 Management Meetings to efficiently operate business and, in addition, held three Risk Management Committee Meetings to respond to group-wide problems and discuss recurrence prevention measures. The Global Auditing Department systematically carries out both compliance checks and operational audits for EXEDY and its group companies and regularly reports to audit and supervisory board members.

Full-time Corporate Auditors attend the Management Meeting and the Risk Management Committee to oversee the company's operating performance. In addition to a contact point for whistleblowers, we have a corporate ethics consultation desk in place for the entire EXEDY Group.

Further, we opened the "EXEDY Hotline", a consultation desk where employees can report matter to an external lawyer directly. With this initiative we try to prevent and detect illegal activities in an early stage.

In order to thoroughly disseminate this information, we clearly mention the consultation desk in the "EXEDY Code of Conduct", a booklet distributed to every employee of the entire EXEDY Group, to improve awareness regarding compliance.

Total Amount of Remuneration for Directors and Audit and Supervisory Board Members

Category	Number	Remuneration Amount
Directors (Outside)	12 (4)	246 million yen (16 million yen)
Audit and Supervisory Board Members (Outside)	4 (3)	35 million yen (17 million yen)
Total Amount (Outside)	16 (7)	281 million yen (33 million yen)

Note)

- 1.The table above includes two directors who retired at the conclusion of the General Shareholders Meeting held on Tuesday, June 27, 2017. One director who serves without compensation is not included in the table above.
- 2.The remuneration amount shown above does not include the salary and bonus paid as employees to directors who serve concurrently as employees.
- 3.The upper limit on total compensation decided at the 56th General Meeting of Shareholders held on June 27, 2006:

Directors	Annual Amount	300 million yen
Supervisors	Annual Amount	60 million yen
- 4.The amounts shown above include directors' bonuses during the fiscal year under review.
- 5.Apart from the above, a cost of 26 million yen was appropriated in relation to remuneration by stock option to seven directors.

Analysis and Evaluation of the Board of Directors' Effectiveness

We conducted a questionnaire at the FY 2017 Board of Directors Meeting regarding the effectiveness of our Board of Directors. Based on the results, we determined that the effectiveness of the Board of Directors has been ensured. At EXEDY, we will continue our activities to further improve the effectiveness of the Board of Directors.

Corporate Ethics Consultation Desk

Our company has established three kinds of consultation desks to deal with employees' problems and questions: an internal consultation desk, a contact point for whistleblowers and external consultation desk. After confirming the facts, we respond promptly when problems are confirmed.

Internal Consultation Desk

At this desk we help employees with matters concerning the Code of Conduct, ethics, working environment, etc.

Whistleblowers Contact Point

Here we deal with violations of laws and company regulations.

External Consultation Desk "EXEDY Hotline"

Established at an external law firm, can be contacted by telephone, email and letters.

Corporate Governance

Risk Management

Our approach

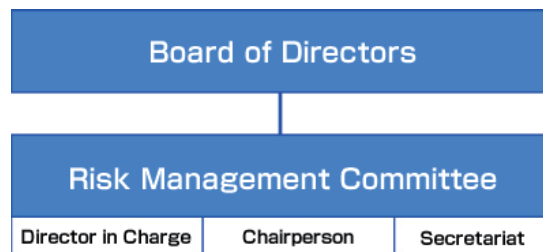
The EXEDY Group has established the following action guidelines for risk management:

1. Prevent occurrence of emergency situations, take preventative measures to minimize damage, make preparations in advance
2. In the event of an emergency, we will respond with quick initial action, minimize damage while promptly making all necessary effort for a speedy recovery

To ensure a reliable implementation of the guidelines, we determined the necessary measures and procedures. Further, our group companies comply with the concerned regulations, procedures and processes.

Organization

Ultimate responsibility of our company's risk management is assigned to the President & CEO, while the Executive General Manager of the Administrative Headquarters is charged with overseeing risk management and the General Affairs Department is assigned to supervise Risk Management. The Risk Management Committee may be convened whenever necessary. The Risk Management Committee consists of the President & CEO, (Senior) Executive Managing Officers and Audit & Supervisory Board Members.



The Risk Management Committee Schedule

In FY2017, the Risk Management Committee gathered three times to respond to group-wide problems and discuss recurrence prevention measures. Important matters were reported at the Board of Directors meeting. Full-time Corporate Auditors attend the Management Meeting and the Risk Management Committee and to oversee the company's operating performance.

Specific Action

● Initiatives Regarding Information Security

■ Basic Approach

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

■ Information Management

With the support of external experts with a deep knowledge of cyber security and internal fraud, we established a system to respond to information security incidents and advance warnings. While sharing information with external organizations, our company, including its affiliates, works to make improvements to this environment. We also conduct regular targeted e-mail training for all employees, provide education regarding personal information protection and security, and promote thorough personal information protection and information security.

● Business Continuity Management (BCM)

Although our company did not suffer any major damage during the Great East Japan Earthquake of March 2011, all employees at the Kawagoe Plant, where a lower scale 5 on the Japanese intensity scale of 7 was registered, had to be evacuated temporarily. Fortunately our plant was not damaged, however after the earthquake we implemented necessary measures, such as night-time production in accordance with automobile manufacturers' production stops and scheduled blackouts, etc. Based on the lessons learned, EXEDY, keenly aware of the importance of quick and reliable business recovery, has incorporated a strengthened BCP Crisis Management Program in its Consolidated Medium-Term Management Plan and is structuring an organization that can cope well with emergencies.

■ Activities

Since the Great East Japan Earthquake, we introduced BCP training in addition to the company-wide evacuation drill held every March. Through this training in order to quickly complete the process from setting up a countermeasure headquarters to the establishment of a business recovery system, cooperation among departments is strengthened. In addition, as a regular activity, we conduct periodic training and information sharing, led by the Fire and Disaster Prevention Committees at the Headquarters in Neyagawa and Ueno Division and local fire departments.

Our approach

Through our business activities in different regions around the world, we found it is essential to comply with laws of each country in a quick and reliable manner, and to have a transparent approach to management in order to gain the trust of all stakeholders.

With “fairness and transparency” as our keywords and thorough compliance management and a corporate governance system at basis of our operations, we organize our company in a way that enables us to quickly respond to changes in the business environment, improve internal checking functions and carry out business activities with an understanding of the laws relating to our work.

Excerpt of our CSR Policy

1. Compliance: Fairness and Transparency

We will uphold a spirit of compliance with the laws of each country and region, and will conduct business recognizing that the fundamental rule for corporate activities is to ensure that competition is fair, transparent, and free.

Activities

Our employees learn about following compliance-related laws and rules through reading the EXEDY Code of Conduct: We emphasize the importance of a speedy Hou Ren Sou (Report, Contact, Consult) from subordinates to superiors when it comes to learning about laws relating to our daily work. It enables us to acquire knowledge, find the right stance and comply with laws and regulations.

- Antitrust law
- Subcontracting law
- Intellectual Property Right (Patents, Trademarks, Copyright and Know-how)
- Insider trading
- Personal information protection
- Rules Regarding Entertainment and Gifts
- Our Response to Illegal Activities and Organized Crime

Safety and Environment Policy

Basic Policy

Ensuring the safety of our employees, as well as preserving the environment, serve as the foundation of our corporate activities and social responsibility (CSR). While promoting health and with safety as our highest priority, we will strive to create an environment that is gentle to earth.

Safety and Health Action Policy

- 1.If our employees are not safe, our company cannot do business. In order to achieve 'zero defects' and 'zero hospital visits', we will adhere strictly to health and safety laws and internal regulations.
- 2.We will continuously undertake Pika Pika and 5S5T activities to maintain our equipment and workplace.
- 3.By creating a healthy and comfortable workplace, we prevent work related illness and maintain and promote physical and mental health.
- 4.We will continue to carry out activities to eliminate all dangers and harmful factors in the workplace with F2F communication and at a speed of 2-2-2.
- 5.When an abnormality occurs, we will thoroughly follow our STOP, CALL and WAIT procedure.

Environment Action Policy

- 1.We will comply with laws and stakeholders' requirements and prevent environmental pollution.
- 2.In the areas of production, products and service, we will implement and continuously improve our environmental management system to reduce environmental impact.
- 3.We will thoroughly carry out energy and natural resource conservation and limit their use and emissions to a minimum.
- 4.In cooperation with local communities, we will actively support and participate in nature and environmental protection activities.

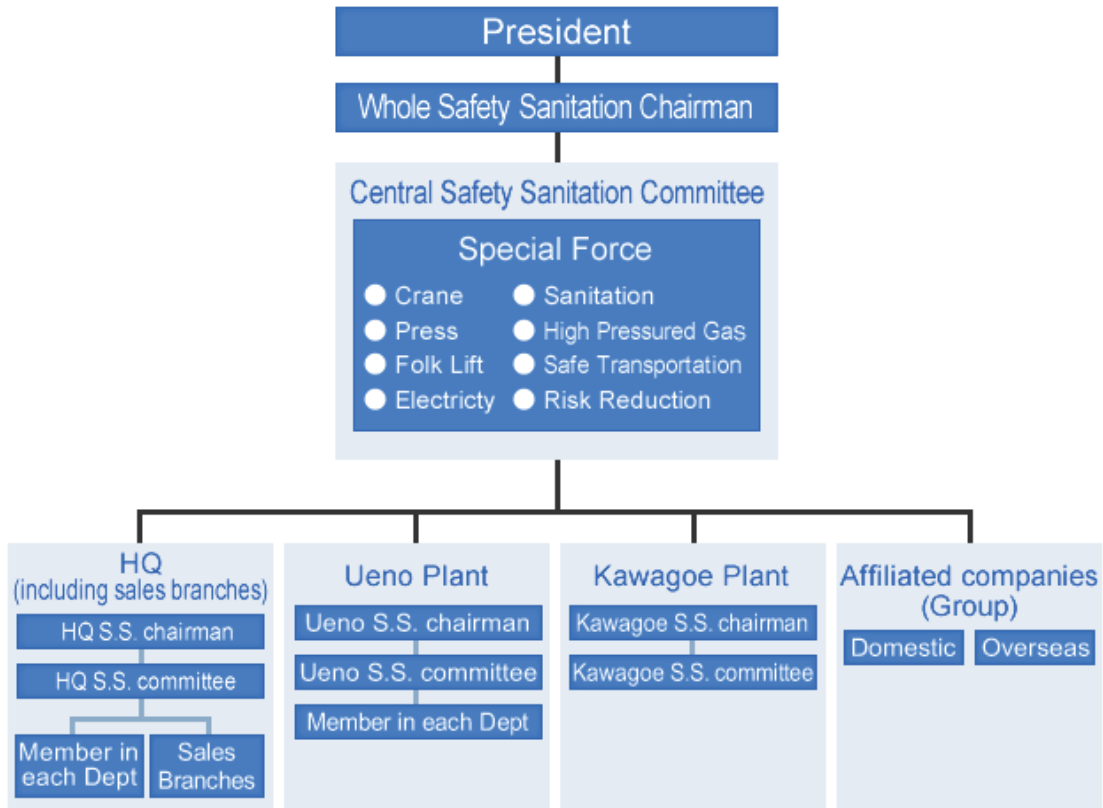
April 01, 2017
President & CEO



Health and Safety Organizational Structure

We at EXEDY have constructed a system headed by our Central Health and Safety Committee that supervises and manages all health and safety activities.

Furthermore, matters decided upon by the committee will be implemented as specific programs under the supervision of those in charge of safety at each and every one of our locations, who will relentlessly endeavor to improve these programs.



Health and Safety Activities

Based on the policy “Our corporation cannot exist without safety”, we promote activities to maintain and improve employee safety to achieve “zero accidents”.

Cultivating Safe Workers

Our corporate policy of Safety • Quality • Donpisha (Just in Time) • Cost. No matter what it is that we do, at the EXEDY Group we make our judgments with safety being the top priority. Afterwards, we treat quality as your second highest priority, followed by donpisha (the delivery date and amount), and lastly cost.

Activities

Safety Basics Education

A safe worker possesses the following qualities:

- A familiarity with all safety rules
 - An ability to predict when safety hazards will occur
 - A propensity to stop activities when something is either unsafe or acting irregularly
- To enable our employees to carry out their work in the plants in absolute safety, and predict and prevent danger in advance, we offer training consisting of safety lectures and practical education in our safety dojo, a training room equipped with 17 simulators that were made based on accidents that actually occurred. Employees who pass this training are certified as a safe workers, and receive “Safe Worker Certificate”. In 2017 this safety training for employees was held 29 times. We also get requests from outside the company to provide this highly valued training.

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



Basic Life Support Training Course

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

Risk Assessment Training

We have set up a risk committee to promote safety improvements in the workplace environment and are conducting activities to identify hazards in advance.

Activities (overseas)

Global Safety Summit

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



Global Safety Instructor Training

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

Overseas Go-and-See Activities

Twice a year we carry out priority activities to prevent accidents at overseas bases, and provide general guidance on safety.



Various Training and Education

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

● Various Training

■ Company-wide Earthquake Disaster Drills

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



■ Fire Fighting Drills

In addition earthquake disaster drills, we regularly conduct firefighting drills for all new employees joining the company.

■ In-house Firefighting Team

We have established a self-defense fire brigade at domestic bases and sales offices. We carry out regular training such as table-top exercises and training with the portable pump. In addition, the fire prevention committee members participate in in-house seminars on fire prevention and disaster prevention knowledge, held twice a year, to solidify the basis of disaster prevention knowledge.

■ Evacuation Training at Affiliates (EXEDY Logistics)

We carry out actual evacuation training after confirming the location of emergency bells, fire extinguishers, fire hydrants, operating the fire shutters, checking evacuation guidance lights (evacuation doors).



Evacuation training

■ Training at Overseas Base

On December 2, 2016, EXEDY DYNAX Shanghai (EDS) conducted a firefighting drill simulating ammonia leakage, with two fire trucks of the local fire department and nine fire fighters.



Fire fighting training



Disaster drill

● Education



■ Traffic Safety Lectures

As part of our traffic safety education, we invite instructors from police stations and driving schools, and hold traffic safety workshops at the headquarters three times a year. Employees participate on a voluntary basis. Every time, over 200 employees participate and learn not only about driving a car, but also about rules that apply when riding a bicycle and safety protection when riding a motorcycle etc.

Our Health Management

Based on the policy “Our corporation cannot exist without safety”, we promote activities to maintain and improve employee health to achieve “zero illness”.

Course of Action

By creating a healthy and comfortable workplace, we prevent work related illness and maintain and promote physical and mental health.

Our Health Initiatives

At EXEDY, we carry out various activities, with the goal of increasing the number of people who take necessary actions themselves to maintain and improve their health.

● Clinic

Nursing staff is stationed at the on-premise clinic to carry out health checks of employees and prevent serious illness. Medical interviews are carried out by the company nurse or psychosomatic physician to ensure our employees are both physically and mentally in good shape.

We also provide oral health care. A dental hygienist is stationed at the Headquarters' clinic's dentistry and employees can receive treatment by a dentist. We also conduct dental checkups as a part of our routine health examinations for all of our factory employees, to enable early detection and early treatment of any possible problem.



● Education

For our employees to develop an interest in and gain a correct understanding of health management and mental health care, we carry out stratified health management education and mental health care education adjusted to the employee's lifestyle.

● Promoting Sports

We have a gymnasium and gym facilities at our company premises that our employees can use freely. Since 2016, we organize global sports events to promote sports throughout the entire EXEDY Group and improve communication.



● Communication with others

Since 2011, we hold summer festivals at our Headquarters, Ueno Division and Kawagoe Plant, for our employees, their families and members of the local community to enjoy together.

In addition, we provide support to the social gatherings held in each department. We aim to improve communication within departments and contribute to the creation of a healthy and comfortable workplace.

Through various activities, we will continue to promote the physical and mental health of our employees.



2018 Certified Health and Productivity Management Organization (White 500)

On February 20, 2018, our company was recognized under the 2018 Health and Productivity Management Organization Recognition Program (White 500), organized by METI in cooperation with the Nippon Kenko Kaigi.

Under the recognition program, the Nippon Kenko Kaigi examines large enterprises, SMEs and other organizations engaging in initiatives for overcoming health-related challenges in regional communities or for promoting health-conscious activities led by the Nippon Kenko Kaigi, and recognizes outstanding enterprises engaging in efforts for health and productivity management.

Based on the policy “Our corporation cannot exist without safety”, we will continue to promote activities to maintain and improve employee health to achieve “zero illness”.



2018

健康経営優良法人

Health and productivity

ホワイト500



Quality Policy

Basic Policy

We will continue to provide the highest quality levels of products and services that customers around the world appreciates. It is our social responsibility.

Course of Action

We will continuously enhance the quality management system to achieve the highest levels of customer satisfaction (CS); we will achieve zero defects and be “the company where zero defects are the standard”.

1. We value the voice of our customers and subsequent processes, endeavor to attain the highest levels of quality from upstream process and respond with sincerity at all times.
2. We always take action with the speed of 2-2-2 based on “Go & See” and adherence to the rules.
3. We always refine and improve our traceability capabilities.
4. So that zero defects are produced, we will:
 - a.) Control progression through stage transitions[※]
 - b.) Fully adhere to manufacturing change management
 - c.) Improve nonstop through QCC activities

April 01, 2015
President & CEO



※The activity of designing product drawings at the Development Department and designing processes at the Production Engineering Department that allow easy manufacturing of quality products in the Manufacturing Department.

Our Commitment to Quality

Under the Quality Policy and the Detailed Conduct Regulations described below, the EXEDY Group, as a specialized manufacturer of drivetrain components such as clutches, torque converters, AT parts, transmission for construction and industrial vehicles and motorcycle clutches, etc., is committed to carry out its production activities maintaining the highest quality and manufacturing capabilities, and provide reliable quality in response to customers' individual needs.

Our approach

In order to implement this Quality Policy, all employees engage in their work with the following Detailed Conduct Regulations in mind.

Detailed Conduct Regulations

So that we may provide our customers with products and services that give them the highest level of satisfaction, we will continue to ensure that our products are always manufactured with safety as a priority, and that their quality meets the demands of all our customers.

1. Guaranteeing Quality

1. So that zero defects are produced, we will:

- Control progression through stage transitions
- Fully adhere to manufacturing change management and the handling of abnormal conditions

2. We will act based on the idea of guaranteeing our own process.

This means:

We will not take in defects from any preceding processes

- We will not create defects within our own process
- We will not pass defects on to any subsequent processes

3. We will act based on the idea that the subsequent process is the customer.

This means:

- We will work such that there is no need to go back and do it again
- We will work once we have obtained a clear image of what it is that will be outputted, and will eliminate time wasted by having to redo work
- We will summarize what is needed, and improve our own work
- We will output products that both please and satisfy our customers

4. We will thoroughly use statistical quality control (SQC) and guarantee the quality of our products.

This means:

- We will not rely on our own experience, intuition, or gut feeling
- We will use statistical methods, such as the seven basic tools of quality (QC7), in response to any problems
- We will always base our quality judgments on data

5. In order to achieve the four points listed above, we will strive to work in cooperation with not just those in our department, but also with our affiliates and customers.

2. Market Information

1. We will establish systems that are always able to acquire information about the value of both our products and those of our competitors.

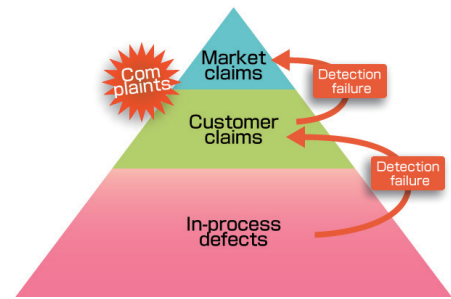
2. We will immediately relay all feedback regarding customer satisfaction and consumer requests back to EXEDY

Quality

Zero Defect Activities

At the EXEDY Group we promote zero defect activities based on the idea that “zero in-process defect lead to zero customers claims and will results in zero market claims”. These activities involve not only the Manufacturing Department but also Design, Production Engineering, Quality Control, and Inspection Departments, as well as other related divisions. We work together with the entire company to achieve “Zero Defects” on an everyday basis.

The progress of these activities are reported to the top management on a regular basis, raising the motivation of the members.



1. Improve process credibility Target: Cpk ≥ 1.67	Secure process capability
2. Improve process guarantee level Target: Occurrence (O) × Detection (D) ≤ 12	
3. ASA Zero Activities Speed up defect countermeasures	Secure reliability
4. Evaluate detection ability Maintain / improve in-process and shipment inspectors detection ability	
5. Standard operation patrol / standard maintenance, standard time ± 10%, optimization of maintenance frequency	



AT Senior Executive Managing Officer Report Meeting



Meeting MT/TS Senior Executive Managing Officer Report Meeting

ASA ZERO Activities

As a part of our “Zero Defect Activities”, we conduct “ASA ZERO Activities” every day to be able to take quick measures whenever a defect occurs, and the related departments (Manufacturing, Production Engineering, Quality Control) carry out patrols.

We have expanded these activities globally and we are working to achieve “Zero Defects” at every base of the EXEDY Group around the world.

Zero Defect Activities

ASA ZERO Activities

Every morning between 9:00 and 10:00 related departments (Manufacturing, Quality Control and Production Engineering) carry out company-wide inspections.



To prevent everyday defects and make quick decisions regarding measurements.



Sharing the latest information face to face



“Quality Month” Activities

At the EXEDY Group, every year in November during “Quality Month”, we carry out activities based on a company-wide theme that contributes to the quality awareness of all our employees. To raise the employees’ awareness, the Executive General Managers of each Headquarters give quality lectures, and we conduct activities so that both departments directly and indirectly related to manufacturing can achieve “zero defects”.

Manufacturing Change Management Handbook

The Manufacturing Change^{※1} Management Handbook was first published in July 2014 and handed out to all employees, including employees of domestic and overseas affiliates with the aim of ensuring thoroughness in Manufacturing Change Management^{※2} to achieve the “Zero Defects” goal specified in the Quality Policy. In August 2014 it was handed out to employees of more than 270 domestic cooperating companies. The Handbook is effectively being used as a tool to appropriately carry out Manufacturing Change Management.

Besides Japanese, the Handbook is available in 10 languages including English, Portuguese, Chinese, Thai, Spanish, Indonesian, Hungarian, Vietnamese and Malay and distributed to local staff of overseas affiliates and cooperating companies, in an effort to globally strengthen our Manufacturing Change Management.

It would be ideal if we could continuously produce under the same specified manufacturing conditions, however, in reality there are always changes in the manufacturing process. Therefore, it is necessary to confirm that the quality levels before and after a manufacturing change are equal to or higher than than usual, before we start production.

Our Manufacturing Change Management Handbook includes the following easy-to-understand guidelines in case manufacturing change occurs:

- Different kinds of manufacturing change
- Points of concern in case of a manufacturing change
- Solutions

This handbook is updated once every two years, reflecting feedback from each company using the handbook, making it more convenient to use.



※1 What is Manufacturing Change?

We speak of manufacturing change when a change occurs to the 4M[※] related to the environment where products are made as compared with the initial production plan.

- **Man:** ... when a regular worker needs to be replaced by a worker less experienced, etc.
- **Material:** ... when the raw materials for a product change, etc.
- **Machine:** ... when equipment is replaced or restarted after large-scale maintenance, etc.
- **Method:** ... when work procedures or processing methods are changed, etc.

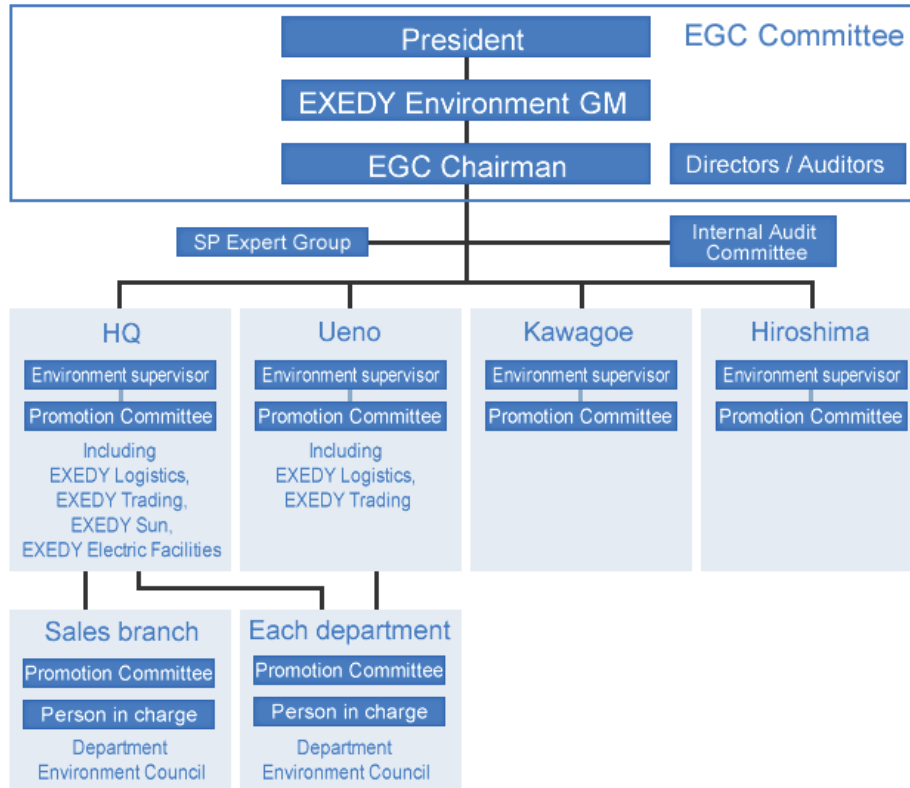
※1 What is Manufacturing Change Management?

Manufacturing Change Management is the history management, verification and confirmation of quality beforehand in order to prevent various problems occurring during a manufacturing change.

Environmental Management

Environmental Management System

Here at EXEDY, we have constructed a system of management known as the EXEDY Global Clean Committee, otherwise known as the EGC, that presides over all employees responsible for environmental matters.



■ ISO14001 Certification Acquired on June 16, 2000

Environmental Audit (ISO 14001)

We have two separate levels of audits and inspections: internal audits, and audits performed by external organizations.

● ISO 14001 Renewal Audit

From February 5, 2018, to February 9, 2018, the ISO 14001 renewal audit was conducted by DQS Japan Inc. and we received the ISO 14001:2015 Standard certification.

In this audit our efforts to promote products with improved fuel economy and energy saving in our plants were highly evaluated.

In order to address the items that were pointed out during this inspection, we will from now on involve peer groups horizontally in each of our divisions, and continue to develop our systems that are currently in place.

Costs of and Investments in Environmental Activities and Environmental Accounting

We display here both the costs of environmental conservation as well as the economic and environmental results obtained from our conservation activities so that we can determine how to efficiently proceed with our conservation efforts.

● Cost of Environmental Conservation for the 2017 Fiscal Year

(JPY Million)

Item	Investment	Cost	Details
Anti-pollution Measures	31	74	Introduction of waste water treatment equipment and environmental installations
Preservation of the Global Environment	125	62	Solar panels, switch over to LED lighting, renewing air conditioning
Recycling Natural Resources	0	109	Waste disposal, recycling
Management	0	21	Monthly environmental events; periodic ISO inspections
Research Activities	0	2,713	The development of fuel-efficient products and recyclable materials; reductions in weight.
Social Activities	0	7	Planting of trees around our offices; environmental education
Subtotal	156	2,986	
Total		3,142	

● The Economic Benefits and Amount of Waste Reduced from Environmental Conservation

■ Economic Benefits

(JPY Million)

Item	2015	2016	2017
CO2 Emission Reduction Costs (Compared to Previous Year)	64	0	6
Reduction of Waste Disposal Costs (Compared to Previous Year)	0	75	38
Subtotal	64	75	44

Item	2015	2016	2017
Selling off Recyclable Waste	383	463	651

■ Quantity of Waste and Emissions Reduced

Item	2015	2016	2017
Amount of Industrial Waste Discharged*	73 tons	44 tons	49 tons
CO2 Emissions	64.6 kilotons of CO2	66.8 kilotons of CO2	69.3 kilotons of CO2

* Amount of Industrial Waste does not include recycled waste.

Environmental Risk Management

We carry out exercises with a scenario specified for each location, to prepare for accidents and emergency situations that can lead to environmental pollution. We clarify procedures and conduct training regularly, and familiarize ourselves with the procedures and improve them.

● Example of an Emergency Situation and Response Training

■ Chemical Substance Leakage Response Training

At least once a year, we conduct training for each facility, based on an emergency response flow.

Example: Oil Leakage from a Delivery Truck



Headquarters:
Oil leakage from delivery truck



Removing chemical substances
from the gutter

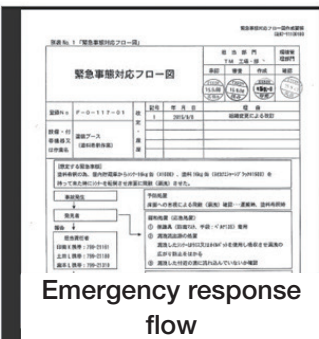


Applying oil processing agent

Chemical leakage response training (carried out once a year for equipment using chemical substance)



Training carried out based on emergency response flow



Emergency response
flow



Checking emergency
equipment stock



Cleaning the chemical substance

Environmental Performance Data

At EXEDY Group, we proactively implement measures to reduce CO2 emissions and waste in our products and the production process.

Our Successes in 2017 and Our Targets for 2018

Item	FY 2017		FY 2018	
	Target	Result	Target	
Energy Saving Activities	Amount of energy used Base Unit 55.6 tons of CO2/10 Mil. JPY	Base Unit: 0.5% reduction relative to previous year 55.9 tons of CO2/10 Mil. JPY	×	Base Unit 55.0 tons of CO2/10 Mil. JPY
3R Promotion Zero Emission	Waste resulting from production Base Unit 2.49 tons/10 Mil. JPY	Base Unit: 0.4% reduction relative to previous year 2.51 tons of CO2/10 Mil. JPY	×	Base Unit 2.47 tons/10 Mil. JPY
Product Development Improving Fuel Economy	Develop line-up of low fuel consumption products	Mass production delivered	○	Develop line-up of low fuel consumption products
Reduction/Abolition and Management of Substances Impacting the Environment	Management based on PRTR Comply with environmental regulations Strengthen product chemical substance management system	Reported to government and JAPIA Emergency response training Lecture at Osaka Pref. Chemical Substances Countermeasures Seminar	○	Management based on PRTR Comply with environmental regulations Strengthen product chemical substance management system

*1 Basic Unit: CO2 emissions ÷ sales (in hundreds of millions of yen)

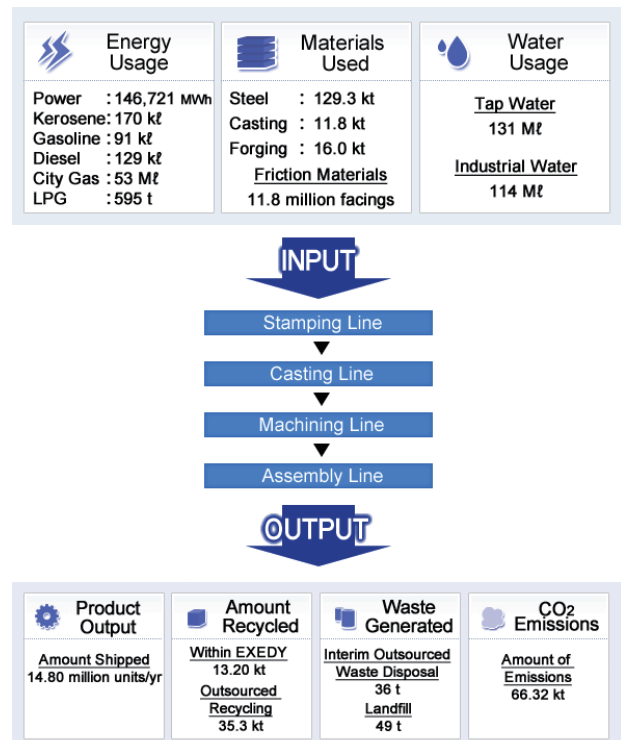
*2 3Rs: Recycle, Reduce, Reuse

*3 PRTR: Pollutant Release and Transfer Registers (A system used to gather and disperse information on the release of toxic substances from industrial facilities etc. to the environment)

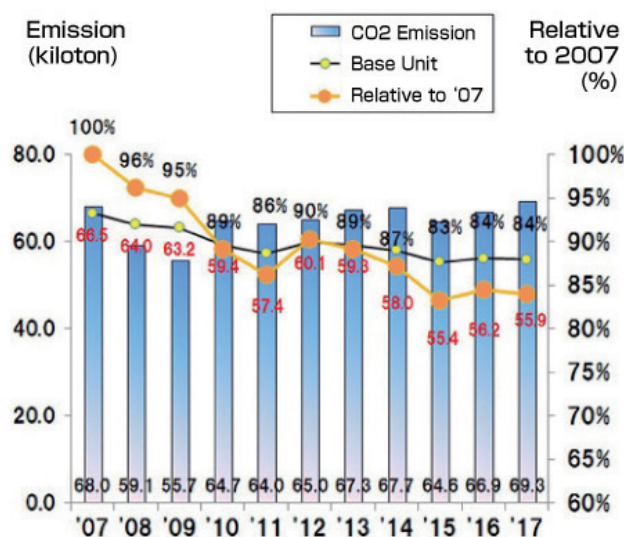
*4 JAPIA: Japan Auto Parts Industries Association

Material Balance

In order to limit the energy and materials we use for manufacturing our products, we visualize the environmental burden of our production process. Knowing the exact numbers helps us reducing our environmental burden.

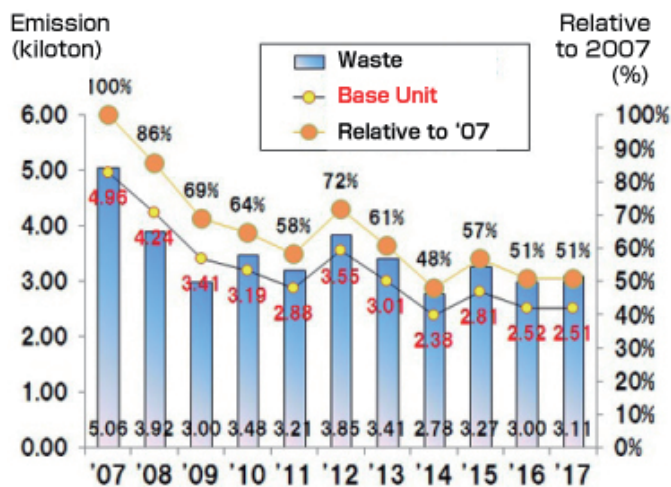


● ※1 CO₂ Emissions per Sales ※2 (2007 base year)



※1 Source of CO₂ conversion factor of electricity: Japan Auto Parts Industries Association 0.453 t CO₂/1000 kWh
 ※2 Japan Auto Parts Industries Association Activities in accordance with the 8th "Voluntary Environmental Action Plan"

● Amount of Waste Discharged and the Basic Unit (2007 base year)



■ Emissions per Division (2017)

Division	Amount of Power (1000 kWh)	Fuel Consumption (ton CO ₂)	CO ₂ Emission (kiloton CO ₂)	Processed Waste (ton)	
				Recycled	Landfill
HQ	32,580	891	15,649	32,220	39
Ueno	111,282	1,787	52,197	3,451	8
Kawagoe	1,535	174	869	128	2
Hiroshima	1,324	5	605	431	0
Total	146,721	2,856	69,321	36,230	49

※1 Sales branches added to HQ

CO ₂ Emissions Basic Unit (2007 Base Year) ※2	16% Reduction	Waste Basic Unit (2007 Base Year) ※2	49% Reduction
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● Amount of Chemical Substances Discharged and Transferred

PRTR Subject Chemical Substance (FY2017)

(Unit: kg)

Location	Class I Designated Chemical Substance		Amount Discharged	Consumed	Transferred
	No.	Name	Atmospheric Emissions		Industrial Waste
Headquarters	80	Xylene	1,300	0	0
	384	1-Bromopropane	1,600	0	0
Ueno Division	80	Xylene	120	0	0
	296	1, 2, 3, 4 -Trimethyl-benzene	7.5	0	0
	384	1-Bromopropane	24,000	0	0

Kawagoe Plant, Hiroshima Plant: not applicable

Regarding Environmental Reports

·This report covers the domestic production bases: EXEDY Headquarters, Ueno Division, Kawagoe Plant and Hiroshima Plant. Also, a part of the activities of our affiliated companies is introduced.

·Preparing this report, we referred to the Environmental Report Guideline (2012 Edition) issued by the Ministry of the Environment. The report covers the period from April 1, 2017 to Saturday, March 31, 2018. However, matters from other periods that were deemed necessary, have been included as well.

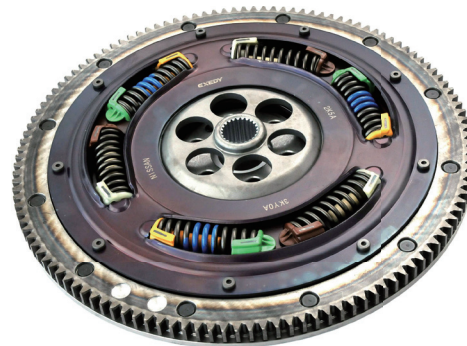
·Published June 2018

Efforts to Reduce Environmental Impact

Efforts to Reduce Environmental Impact in Product Development

Development of Low Fuel Consumption Products

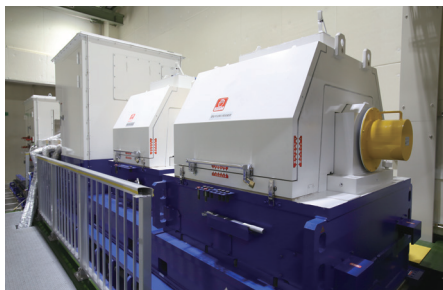
We at EXEDY have our sights set on eco-friendly product development, and are working to make products that contribute to smaller, lightweight, and fuel-efficient vehicles. In addition, we are contributing to the creation of societies that use vehicles in an environmentally friendly manner, with many of our products equipped within hybrid, plug-in hybrid, and other eco-friendly vehicles.



Our Ultra Thin Flywheel Damper for Hybrid Vehicles

Our Efforts to Reduce Energy Consumption and CO₂ Emissions Resulting from Tests Run During Product Development (Development Headquarters)

In order to contribute to our society and make products that please our customers, we, in 2015, introduced our transient dynamometer, a testing machine that simulates the conditions of an actual vehicle, and we have actively been developing products that can handle reduced CO₂ emissions and improvements in fuel efficiency.



Transient Dynamometer Testing Equipment

We also have been moving forward with energy conservation at our currently existing facilities, carrying out energy-saving design that includes a switch from hydraulic power sources to electric ones and the establishment of regenerative power mechanisms. While maintaining required functionality, we have been able to make improvements to power consumption and keep it below 10%. In addition to this, we have been able to reduce power consumption by 20% by moving forward with switching each of our testing facilities over to LED lighting, all the while making sure that the rooms remain appropriately lit for the work being done.

Efforts to Reduce Environmental Impact in Our Business Operations

Renewal of waste water treatment facility at the Headquarters

In September 2017, we renewed the waste water treatment equipment at the EXEDY HQ Plant to process the waste water generated in the plant and discharge it to the sewage system. (total construction cost approx. 40 million yen)

Processing the waste water inside the plant ourselves not only enables us to reduce the amount of industrial waste generated, but also allows us to discharge water with a higher quality than the established sewage water quality standard.

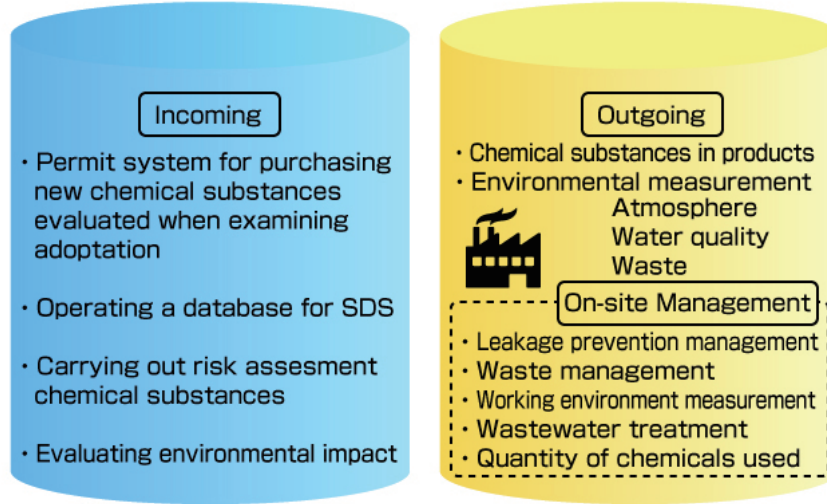
Before discharging the water, through activated carbon filtration and coagulating sedimentation processes in our waste water treatment facility, the water is clean enough for fish to live in. Next to our waste water treatment facility, we actually keep fish in an aquarium filled with processed waste water.



Chemical Substance Regulations

In order to comply with environmental laws and regulations, prevent environmental pollution and reduce risks, we have introduced an evaluation system before adopting chemical substances and work to reduce environmental impact.

Chemical Substance Management



EXEDY Lectures at the Osaka Prefectural Seminar for Countermeasures against Chemical Substances



EXEDY received a request from Osaka Prefecture to deliver a lecture at the Seminar for Countermeasures against Chemical Substances for 500 Osaka businesspersons in February 2018.

At the seminar, as an example of our management of incoming chemical substances, we introduced our initiatives when introducing new chemical substances and a case in which we replaced anti-rust oil with a product that has a low impact on the environment, health and safety.

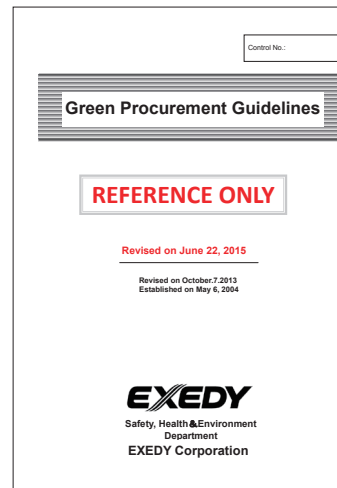
Efforts to Reduce Environmental Impact in Our Purchasing and Transportation

Efforts to Reduce Environmental Impact in Our Business Purchasing

Green Procurement Guidelines (Outline)

Our Request to Cooperating Companies

1. Compliance with Ordinance and Regulations etc.
2. Establishment and Maintenance of Our Environmental Management System
3. Management of Chemical Substances
4. Environmental Efforts in Our Business Operations
 - A. Reduction of Greenhouse Gas Emissions
 - B. VOC Reduction
 - C. Reduction of PRTR Substance
 - D. Promotion of Waste Reduction and Recycling
 - E. Reducing Impact on Water Resources and Water Quality
5. Management of the Supply Chain



■ Example

In January 2017, we held the Green Procurement Briefing. Here we requested the 98 participating companies for their cooperation in strengthening our product chemical substance management system.



Green Procurement Briefing

● Efforts to Reduce Environmental Impact in Our Transportation (Streamlining Transportation Efficiency)

In order to reduce CO₂ generated in the transportation process of products, we work together with our affiliate EXEDY Logistics Co., Ltd. to improve packaging and packaging materials to improve loading efficiency, and we are continually looking to implement improvements such as shorter transportation routes, etc.

Activities Aimed at Contributing to Society and Preserving Biodiversity

● Visiting Lecture ISO14001 for Kids

We support the activities of ISO14001 for Kids, an initiative of Mie Prefecture and every year we visit elementary schools in Mie to give lectures. The children who participate in the program, work on conservation of energy and resource in their homes with cooperation from their families.



● EXEDY Eco

In an effort to create the 'Ultimate Eco Vegetable Factory', EXEDY Electric Facilities Co., Ltd. established EXEDY Eco in June 2016. At EXEDY Eco, we use solar powered LEDs etc. to create the optimal environment for photosynthesis, and cultivate frill lettuce, tomato and other kinds of vegetables and fruits. Based on our theme of "safe vegetable cultivation", EXEDY Eco aims to utilize solar power generation while manifesting our goal of social participation of handicapped people. We also hope to provide a spark so similar facilities will spread across the country.



● Wall Surface Greening Activities - Kawagoe Plant

As a part of the greening activities at the Kawagoe Plant, the plant's wall surface is being used to cultivate fruits. In FY 2017, employees cultivated grapes, kiwis, etc., and harvested the fruits that grew on the walls. Through these activities we raise our employees' environmental awareness and contribute to CO₂ reduction, while enjoying the fruit that we grow ourselves.



Efforts to Reduce Environmental Impact

CSR Guidelines for Cooperating Companies

At EXEDY we believe CSR efforts throughout the automotive industry's supply chain are of vital importance, if we want to keep developing in a way that is sustainable to earth and society. Therefore, in May 2017, we established the "CSR Guidelines for Cooperating Companies". We ask our cooperating companies to comply with these guidelines and to forward them to their suppliers.

Outline

- I.Guidelines
- II.EXEDY's Corporate Philosophy and CSR Policy
- III.Basic Procurement Policy
- IV.CSR Guidelines for Cooperating Companies
 - 1.Compliance
 - 2.Human Rights and Labor
 - 3.Local and Global Societies
 - 4.Share with Your Suppliers



● Respect for Human Rights

Regarding the following eight items stipulated in CSR Guidelines for Cooperating Companies, we request that cooperating companies carry out activities and education, etc. to respect human rights.

- 1.Elimination of Discrimination
- 2.Respect for Human Rights
- 3.Child Labor
- 4.Forced Labor
- 5.Wages
- 6.Working Hours
- 7.Dialogue and Consultation with Employees
- 8.Safe and Healthy Working Environment

Initiatives Involving Our Suppliers

Environmental Action

In order to respond to environmental problems in our business activities, we have been continually working on improving our environmental management system since acquiring an ISO 14001 certification. In order to implement production with consideration for the environmental impact, we realized that the management of the entire supply chain is indispensable. Therefore, we established the “Green Procurement Guidelines” in May 2004. We revise it in accordance with changes in environmental regulations and we ask our affiliates to cooperate with the company’s initiatives and policies in environmental conservation activities throughout the supply chain.



Green Procurement Guidelines

Introduction

1. Basic Environmental Policy
2. Management of Specific Substances
3. Our Request to Cooperating Companies
 - A. Compliance with Ordinance and Regulations etc.
 - B. Establishment and Maintenance of Our Environmental Management System
 - C. Handling Specific Substances

Activities

1. Dealing with companies that are yet to acquire ISO 14001 certification

In FY2016, we requested self-audits regarding environmental initiatives for companies that have not yet acquired ISO 14001. We requested the companies that did not meet the desired standards to improve and hereby we were able to raise the overall level.

2. Management of chemical substances briefing

We conducted a survey and held a briefing session for cooperating companies that need further understanding. It was held in January 2017 and 82 companies participated.

3. Inviting cooperation companies to attend external seminars

Following the revision of Eco Action 21, we informed cooperating companies about the “New Eco Action 21 Introduction Seminar” organized by the Ministry of the Environment.

Preventing Bribery in Our Supply Chain

In order to promote fair and transparent corporate and procurement activities, we have set the following two points on corruption prevention in our “CSR Guidelines for Cooperating Companies”. We request that all cooperating companies understand and follow them.

1. We carry out all political contributions and donations, etc. abiding by each country’s respective laws and endeavor to build fair and transparent relationships with governments and administrations of these countries.
2. We shall neither offer nor accept entertainment, gifts and money with the objective of gaining profit in an unfair manner.

As a part of our education, the Code of Conduct is distributed to all employees and we hold reading sessions to gain a thorough understanding.

Employees are expected to politely refuse offers of entertainment and gifts. In case employees are unable to refuse, they will immediately report the matter to their superior and make sure matters are carried out openly.

CSR Workshops



In order to understand CSR correctly, we participate in CSR workshops organized by our customers and deepen our understanding.

For cooperating companies to understand and carry out CSR activities, we introduce the “CSR Guidelines for Cooperating Companies” in our Purchasing Guidelines Briefings, and we ask our cooperating companies to pass it on to their suppliers.

In addition, we inform our cooperating companies regarding various seminars on promoting fair and transparent transactions to raise their awareness.

● Seminars

- November 1, 2016 SME Guidelines for Appropriate Transactions for in the Automobile Industry Seminar
- February 3, 2017 Guidelines for Appropriate Transactions in the Automobile Industry - Subcontracting Seminar
- July 3, 2017 Regarding Compliance with the Act For Special Measures to Prevent and Correct Actions Interfering with Shifting Consumption Taxes
- January 1, 2018 Guidelines for Appropriate Transactions in the Automobile Industry - Subcontracting Seminar

Education of Our Employees

We carry out training for our employees on a regular basis to promote appropriate transactions.

● Code of Conduct Reading Sessions

Every week everyone gathers for the morning meeting and where we read the Code of Conduct together and deepen our understanding

● Appropriate Transaction Classes



Every year in November during “Appropriate Subcontracting Promotion Month”, we organize a lecture with instructors from within and outside the company, to raise awareness regarding appropriate transactions (Subcontract Law etc.) among employees of our company and its affiliated companies.

Further, we attend seminars promoting appropriate transactions hosted by the various organizations.

■ Attended Seminars

Briefing Relating to Voluntary Action Plan Details and Revisions to Promotion Standards

Organized by: Japan Auto Parts Industries Association

Date: Wednesday, February 01, 2017

Place: Red Cross Japan, Osaka Branch

Guidelines for Transactions in the Formed and Fabricated Materials Industries · Subcontractor Law Seminar “Towards Fair Transaction in Formed and Fabricated Materials Industries”

Organized by: Sokeizai Center

Date: Friday, September 15, 2017

Place: Shin-Osaka Brick Building

Conflict Minerals

The EXEDY Group carries out its procurement activities taking into consideration the impact of conflict minerals* (raw materials that may cause social problems relating to human rights and the environment) on local communities. With our “Cooperating Company CSR Guidelines” we request cooperating companies to do the same. Since 2013, in accordance with customers and the activities of the Japan Auto Parts Industries Association, we conduct a yearly survey of our domestic and overseas cooperation companies and their supply chain. In 2017, 142 companies answered our request.

*Conflict Minerals

Four minerals “tin”, “tantalum”, “tungsten” and “gold”, produced in the Democratic Republic of Congo and its neighboring countries in Africa are used to fund armed groups etc.

Supply Chain Management

The Group conducts activities to minimize the disruption of the supply chain at the time of a bankruptcy, disaster, etc., at a cooperating company, or natural disaster, so that we can recover as soon as possible. In particular, to minimize the damage when a disaster strikes, we regularly confirm the location information of each production base, the earthquake resistance status of buildings and production facilities, and emergency contact information. We request improvements from cooperating companies where necessary.

● Supporting Suppliers Affected by Disaster

Hoping for a speedy recovery of the affected cooperating companies, we sent gasoline and diesel after the Great East Japan Earthquake. After the Central Tottori Earthquake, we send plastic tarpaulins as a material support to the affected area.

Collaborations with Our overseas Bases

Purchasing staff at overseas production bases gather at the EXEDY Headquarters and hold a Global Purchasing Meeting. Here we review, share and improve the supply chain risk management activities of each company.



Our Contributions to Society

As an exceptional corporate citizen, contributing to local communities is essential. At the EXEDY Group, each company carries out these activities in line with their specific circumstances.

Establishment of the Disaster Prevention Park at the Headquarters in Neyagawa

EXEDY donated a piece of land near the Headquarters to Neyagawa City and Osaka Prefecture, and completed the construction including the surrounding roads. The Disaster Prevention Park serves as an evacuation site and is equipped with solar-powered LED lighting and emergency toilets etc.



Clean-up and Tree Planting Activities

Together with the EXEDY Workers' Community (workers' union), employees and management united their efforts to carry out environmental activities. Every year, we carry out the Clean Campaign (clean-up and tree planting in the areas surrounding the company) and participate in the Clean River Neyagawa (cleaning activities of the Neyagawa River).

Clean River Neyagawa



Clean Campaign



Supporting Student Auto Racing Competitions (EXEDY)

We at EXEDY support student formula and solar car races in order to develop future engineers as well as improve automobile technologies. We have hopes that these students, through the process of building a vehicle, will work hard at improving fuel efficiency and lowering production costs, and from this grow into engineers that can create automobiles that are environmentally friendly.



Student Formula



Solar Car Race

Volunteer Activities

Here we introduce the volunteer activities carried out by EXEDY Group.

EXEDY DYNAX Shanghai Volunteer Team Initiatives



The volunteer team established in December 2008 at EXEDY DYNAX Shanghai carries out activities contributing to the local community. The volunteer team initially consisting of only two members at its foundation, currently exceeds 100 members. Activities include cleaning of the company premises and neighboring housing complexes, cleaning and supporting the childrens' study at the welfare institution for children, and organizing the books at the library. In 2016, the volunteer team was awarded the prize of 'Leading Organization' from the development district where the company is located and from the Fengcheng District Library they received the 'Excellent Volunteer Team Award'. The team even made an appearance in the media.



Cleaning-up Neighboring Housing Complexes



Volunteer Activities at the Welfare Institution for Children



Organizing the Books at the Library

EXEDY DYNAX Shanghai Volunteer Team Awards



2016 Shanghai Development District 'Leading Organization Award'



2017 Fengcheng District Library 'Excellent Volunteer Team Award'



● **Maintaining the National Park (EXEDY Thailand)**

On June 24, 2017, as a part of their CSR activities, EXEDY Thailand visited Kao Chamau Kao Wang National Park, where they built a dam, planted banana trees and installed a mineral supply for wild elephants. Everyone enjoyed the fulfilling activities together.



● **Blood Donation Campaign (EXEDY Malaysia)**

On August 12, 2016, EXEDY Malaysia hosted a blood drive at their training room. 80 people, including employees from neighboring companies, participated. This activity raised awareness among the employees about their part in Malaysian society, and it increased the sense of solidarity with the other companies.



Donations

Here we introduce EXEDY Group's donations.

● Donation of Practice Manikins for Clearing Blocked Airway Caused by a Foreign Body (EXEDY)

On May 23, 2014, the Hirakata Neyagawa Fire Department presented our company with a letter of appreciation for our donation of the “Choking Charlie” practice torsos to the Fire Department. We donated four choking manikins to the Fire Department. They were able to train CPR and AED methods in their life saving trainings, however, they were unable to practice choking rescue methods until now. The Fire Department expressed its gratitude, letting us know that they will not only use the manikins for regular life-saving training, but also for improving the skills of the firefighters.



● Letter of Appreciation for Our AED Donation (EXEDY)

In June 2015, we received a letter of gratitude from the Hirakata-Neyagawa Firefighters' Union for our donation of AEDs. We will continue to diligently make contributions to our local communities.



● Volunteer Activities to Collect Supplies to Support Reconstruction after East Japan Great Earthquake Disaster (EXEDY)

EXEDY participated in the “East Japan Great Earthquake Disaster Reconstruction Support Volunteer Activities” organized by Nihokai (Kyohokai and Eihokai), held every year, and collected and donated unneeded mobile phones, postcards, unused stamps, telephone cards and bellmark points.

● Money donation to the Kumamoto Earthquake-stricken Area (EXEDY)

Through the Kansai Association of Corporate Executives, we donated 1 million yen to the affected areas of the Kumamoto earthquake. On June 13, 2016, Hiroyuki Suzuki, Representative Director of the Kansai Association of Corporate Executives visited the Kumamoto Prefectural Office and handed over a logbook to the Vice-Governor of the Kumamoto Prefecture, Taisuke Ono. We hope for a quick recovery for everyone affected by the disaster.

● Donation of a Water Purification System to an Elementary School (EXEDY Thailand)

120 employees, including Ryu Suzuki, (former) President of EXEDY Thailand, visited a neighboring elementary school on May 29, 2016 for the donation of the water purification system and volunteering activities. Together with the children our employees painted the walls and cleaned up the school building. They also played games and in the end all 97 students sang a song of gratitude. Our employees thoroughly enjoyed their involvement in the activities.



● Contribution to Arts Support Kansai

Since March 2016, we cooperate with Arts Support Kansai, an organization supporting art and culture in the Kansai Region. For every drink sold at the vending machines installed at the EXEDY Headquarters, Ueno Division and EXEDY Nara, one yen is donated. On a yearly basis this accumulates to an amount of approximately 1 million yen.

Contributing to the Region

The EXEDY Group has strong connections with local societies.

Workplace Experience for Junior High School Students

Neyagawa City (EXEDY Headquarters)

Every year we invite junior high school students to the headquarters in Neyagawa for a workplace experience. The students go on a plant tour and study about the products, get practical inspection training, create drawings and make their own business cards; they learn what it means to “work”.



Mimasaka City (EXEDY Precision)

We have been inviting 2nd grade students of Mimasaka Junior High School in Okayama Prefecture for a workplace experience since 2013. The children interact with many different people, and we hope they draw confidence from achieving the goals set for the day. We hope these children, after graduating high school and university, will develop into leaders of the region with “love for their hometown” and “healthy development” as their driving forces.



Fire Fighting Competition (EXEDY Fukushima)

New employees take part in the fire fighting competition sponsored by the Kitakata City Fire Department in Fukushima Prefecture, held in June every year. Here new employees put the skills they acquired during the new recruitment training into practice, and compete for the top places every year.



Handing Out Reusable Shopping Bags at the Local Bon Dance Event (DYNAX)

Our employees participate in the Bon Dances held in August every year in the cities of Tomakomai and Chitose and hand out reusable shopping bags. All employees wearing matching yukatas (Japanese summer kimono) dance together with the local residents with much enthusiasm.



Employees

Growing as a Global Company

The personal development of employees is development of the EXEDY Group. The strategic direction of this growth is defined in the “EXEDY Way”. We promote “Challenge Activities” (management activities) based on the company policy of “Safety • Quality • Donpisha (Just in Time) • Cost” (our system of prioritization), so employees will feel lucky that they work for EXEDY. In order to continue to be successful as a global company, we believe that developing global human resources and contributing to society and self-fulfillment through our work will lead to “Creation of Fulfillment”, our corporate philosophy.

Global Human Resources Development Headquarters

In order to prevail in global competition, our management activities focus on “how to develop global human resources” and “how to develop human resources that are capable of working on their own initiative, producing results”. As a first step, in April 2016 we established the “Global Human Resources Development Headquarters” that specializes in creating mechanisms for human resources development, training plans and planning work. While undertaking its role as the base of human development for the EXEDY Group, a structure will be developed that trains human resources who are able to contribute to customers and society.

Global Human Resources Development

Global Training for New Graduates

At the EXEDY Group, we put effort in the development of new graduates. Since FY2016, we set up individual “ten-year training plans” for each new graduate, and carry out training based this plan. Once every four months, Human Resources representatives hold one-on-one interviews and discuss work and the workplace environment. Each department prepares detailed yearly plans on which we base the education so employees acquire technologies and know-how in a timely way. We also carry out strategic rotation including overseas training. This system allows our employees to gain valuable experience at a young age.

GETS Lectures

GETS (Global EXEDY Technical School) was established in 2012 to support the employees trying to learn on their own initiative. Here we mainly carry out stratified education and specialized manufacturing training. In this specialized manufacturing training, in addition to practical basic skills and knowledge, we teach skills that can be used in the workplace, in levels ranging from basic to expert. Rather than learning while seated at a desk, we incorporate a lot of education where employees get to master skills by practicing. We hand down technology taking advantage of the experience of in-house and OB lecturers. Some courses are attended by people outside our company to learn the basics of manufacturing.

Global Management Training

The EXEDY Group, with bases all over the world, carries out management training to strengthen the management of overseas production bases and sales companies. The EXEDY WAY, which is the core of our company, embodies our values and way of thinking and leads the way to growth globally. As managers at the various locations share this way of thinking, we are able to achieve further development.



Top Seminars

Since 2012 we have been inviting well-known individuals to EXEDY Headquarters, where they lecture about their personal challenges. Until 2016, we held a total of 21 lectures. Through these lectures our employees learn about different ideas and perspectives. We hope this encourages them to grow, while keeping a broad perspective, and that they will incorporate this in their daily work.



QC Circle Activities

There are 300 active QC circles at EXEDY Corporation and worldwide there are around 1,100 circles. While employees grow through these activities solving work-related problems, we revitalize communication at the workplace. In the course of these activities, employees learn the problem-solving procedure that is the basis of quality, as well as nurture leadership and membership skills and improve field capabilities. In addition, we organize domestic and global QC Circle competitions to stimulate QC activities throughout the company while increasing the sense of unity and raising awareness towards improvement activities in the EXEDY Group. The best QC circles at the EXEDY tournament will participate in the various external QC Circle Conferences. Below we listed the major awards received by EXEDY’s QC circles.



Elite circles that won domestic and international qualifications get to participate in the yearly Global QC Tournament



A creative and entertaining presentation by an overseas QC Circle

■ QC Circle Convention Achievements

— QC Circle Headquarters / Union of Japanese Scientists and Engineers —

[Event] The 6th Clerical, Sales and Service Section (Including Medical and Welfare)
Nationwide QC Circle Conference (Small-group Activities)

[Date] June 14, 2013

[Result] Director's Award Gold Prize

[Circle Name] The Problem Solver Experts (Global Strategy Headquarters)

[Event] The 46th Nationwide QC Circle Conference (Small-group Activities)

[Date] November 29, 2016

[Result] Director's Award Silver Prize

[Circle Name] Material Technology (Development Headquarters)

[Event] The 10th Clerical, Sales and Service Section (Including Medical and Welfare)
Nationwide QC Circle Conference (Small-group Activities)

[Date] June 09, 2017

[Result] Director's Award Gold Prize

[Circle Name] Fruit Nodoame (Purchasing Headquarters)

— QC Circle Kinki Regional Chapter —

[Event] The 5981th QC Circle Kinki Regional Chapter Hyogo Area Convention

[Date] November 17, 2017

[Result] Regional Chapter Director's Award

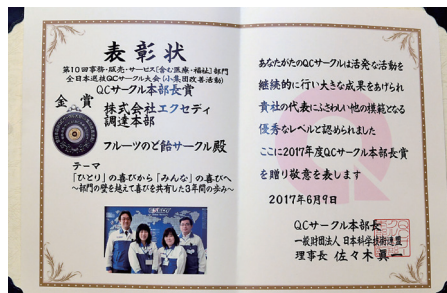
[Circle Name] Right Now (Information Systems Department)

[Event] The 16th QC Circle Champions Tournament in Osaka

[Date] January 18, 2018

[Result] Governor's Prize

[Circle Name] CAMCAM (Production Engineering Plant)



The Fruit Nodoame Circle (Purchasing Headquarters) was awarded the Director's Award Gold Prize on June 9, 2017 at the Nationwide QC Circle Conference

● Improving Technical Skills

In order to improve the technological capabilities of our employees, we carry out various activities throughout the entire EXEDY Group. The EXEDY Olympics are held with the aim of increasing the motivation of employees involved in manufacturing. Various members of the EXEDY Group compete their skills in disciplines such as forklift, measurement skills, crane, insert change and die exchange.



Forklift Olympic Event



Measurement Skill Olympic Event

Diversity

We believe it is essential to be a company where every employee can achieve his or her full potential making use of individual differences such as age, nationality or gender. In addition to current efforts, we established our “Diversity Policy” on July 2, 2018 to further promote diversity.

● Diversity Policy

Basic Policy

We will continue to grow as a global company, making full use of the abilities of diverse human resources and create new value by increasing our organizational strength.

Course of Action

We aim to be a company that all employees are happy to work for, regardless of their differences in attributes, values, experience, etc.

1. We mutually accept and respect each other regardless of gender, age, nationality, religion and beliefs, academic background, possible disabilities and differences in values and experiences.
2. With emphasis on dialogue, we will make use of diverse opinions to find better ways.
3. All our employees will continue to grow while keeping a professional mindset, and mutually acknowledge each other other's abilities.
4. We respect the work-life balance that each employee aims for.

We will create the environment and structure to make this a reality.

July 2, 2018
President & CEO
M. Ichi

● Female Advancement Initiative

Our company focuses on creating a comfortable working environment for women. Because quality is of vital importance in the manufacturing industry, we try to incorporate the ideas, viewpoints and sense of our female employees in various ways. In November 2009, we established a torque converter production line operated exclusively by women. After hearing the opinions of the female workers, we made various adjustments to the production line such as lowering the the operation panels and start switches by 5 cm. We also established a women-only break room. Our company will continue to improve the working environment for women.

● Promoting Childcare and Nursing Care



There are 16 female employees who took childcare leave in FY 2016 and the return-to-work rate is 100%. Also, support is provided at the start of the leave period and when returning to work. Our employees are able to take nursing leave up to three times for a period of two years, exceeding the legally stipulated 93 days; we meet the needs of an aging society. From now on, we will focus on expanding the use of childcare leave among our male employees, to support the generation of double-income households.

● Employing Foreigners

Currently we employ 670 foreigners from 19 different countries. Working with people with different backgrounds on a daily basis, cultivates a global perspective and way of thinking. Even though nationalities and background of our employees differ, we share our way of thinking, the “EXEDY WAY”. Based on our “Challenge Activities”, we all cooperate in workplaces such as Accounting, Human Resources, Sales and Development, making full use of our individual strengths.



● Technical Trainee System

In 2017, a total of 190 people came to the mother plant in Japan through the Technical Trainee System from affiliated companies in various countries such as Thailand, Vietnam, Indonesia, Mexico, etc., to polish their technical skills. We welcome them with a spirit of Japanese hospitality and provide job-specific training, QC lectures and Japanese language education during the weekends. We support the trainees to make sure their training is fruitful, and hold events like intercultural exchange meetings and informal gatherings with company directors.



● Employing People with Disabilities

We believe that people with disabilities are of great value to our company, and in March 2011 we established EXEDY Sun Co., Ltd., a special subsidiary where employees with disabilities play an active role. Including this special subsidiary, our company employs 51 people with disabilities, which is 2.15% of our total number of employees. With this number we surpass the legally mandated employment ratio of 2.0% (as of March 2017). In addition to our support in every aspect of their daily work, we hold meetings with hearing impaired employees once every two months, with the help of a sign language interpreter. Using their suggestions we strive to create a better workplace.

● Participation of Employees Older than 60

At EXEDY we have a system in place to enable employees to continue their work after reaching retirement age at 60. Employees over 60 years old stay motivated and play an active role, mainly in guiding junior employees and handing down skills and expertise.

I LOVE EXEDY Activities

Because it's better to work at a company that is enjoyable to be at, we want to make our employees feel lucky that they work at EXEDY. In order to achieve this, we are carrying out our I LOVE EXEDY activities.

Summer Festival

Since 2011 we have been organizing summer festivals at our Headquarters and other locations. The festivals are very popular events and are visited by local residents as well as employees and their families; in 2017 the combined summer festivals attracted over 4,000 visitors. Each location plans their own exciting events. The festival's fair and food stalls are free of charge, and also the lottery with great prizes is very popular.

● Headquarters

In 2017 the summer festival at the Headquarters attracted 3,056 visitors, a new record. Highlights of the event were the on-site daycare pupils' dance, the performance by the Baton Twirling Club of the Shijonawate Gakuen High School, tug-of-war and ball-toss contests between departments. At the food stalls we served sausages, fried chicken, ice cream and pineapple.



Bouncy ball scooping



Food stalls



Tug-of-war contest



Lottery



Lottery

● Ueno Division

At the festival at our Ueno Division we enjoyed the traditional Thai dance of our technical trainees, tug-of-war and ball-toss contests between departments and dance performance by the junior cheerleaders with Kunon-chan, the mascot of Iga FC Kunoichi, womens football team playing in the Nadeshiko league. The SuperGT500 race car we had on display, attracted a lot attention as well. The summer festival at the Ueno Division attracted 1,151 local residents and employees and their families.



Traditional Thai dance by our technical trainees



● Kawagoe Plant

At our Kawagoe Plant, visitors enjoyed a performance of the Kawagoe Technical High School brass band, played table tennis with members of the EXEDY womens' table tennis team and there was an EXEDY-sponsored race car on display. At the stalls we had a shooting gallery and we served ice cream, fried soba noodles and pop corn. The lively event was attended by 174 people.



Tug-of-war contest between departments



Race car on display



Shooting gallery



Lottery



Kawagoe Technical High School brass band

● EXEDY Nara

In July 2017, we held the first summer festival at EXEDY Nara. Sausages, fried soba noodles, fried chicken and drinks were served at the food stalls. The family members enjoyed Yoyo and gold fish scooping. The main event of the festival was the gold fish scooping tournament between teams. Thanks to the local nature (Yamato-koriyama City) of the events all participants were very excited.



Lottery



Gold fish scooping tournament



Lottery

Cultural Festival

Employees show another side of themselves, playing folk guitar or performing with their band. The music resonated across the cafeteria transforming it into a music hall with a capacity of over 400 people. The first edition was held in 2015 and more than 900 people participated, making for a lively event that really brought the musicians and spectators together.



Global Sports Events

To deepen camaraderie between employees, we have been organizing sport events since 2016. We held the 1st and 2nd Badminton Tournaments. Teams from overseas and domestic affiliates that won their qualifiers also competed in these lively events, bringing the entire EXEDY Group together.



Employees Support Racing Driver Employed by EXEDY

EXEDY employee Ai Miura is the only women to compete in the Japanese Formula 3 Championship. She won round 2 of the 2014 season, becoming the first women to win a race in the N Class. Especially the Ai Miura supporters' tour, where many of her colleagues follow her to the circuit to watch her race, is a highlight of the season, and gives our employees a sense of unity. At our company there is a supporters club for Ai Miura, and since 2016 we organize a karting event where race loving employees compete with each other. We divided drivers in different categories so even beginners could easily participate in the event. The fastest drivers won a prize.

Japanese Formula 3 Championship Supporters' Tour



Headquarters, Ueno Division and EXEDY Nara supporters' tour



Technical trainee supporters' tour



Kawagoe Plant supporters' tour



EXEDY Fukushima supporters' tour

Employee Karting Event



Table Tennis Team

The women's table tennis team that was founded in 1988, celebrates its 30th anniversary in 2018. The team participates in the Japan Table Tennis League, the pinnacle of domestic table tennis, and finished the second half of the season in fifth place of the highest division. In addition, the team has finished in the best eight at the All-Japan Women's Corporate Tennis Championships on two occasions.

In preparation of the National Sports Festival of Japan to be held in Mie in 2021, the members of our table tennis team have been training 18 boys and girls as a part of the '2017 Mie Table Tennis Association Elementary and Junior High School Development Program' organized by the Mie Table Tennis Association. In February 2017, the 'Kawagoe Table Tennis Class' was held with 45 students of Yoshino Junior High School table tennis club and Sun Life Kawagoe in Kawagoe, Saitama Prefecture. We will continue our involvement with local communities through such activities.



Kawagoe Table Tennis Class



2017 Mie Table Tennis Association Elementary and Junior High School Development Program

Iga FC Kunoichi

Our company became the main sponsor of the Iga FC Kunoichi Womens' Football Team, playing in the Plenus Nadeshiko League. Founded in 1976, Iga FC Kunoichi is a team with a long history and celebrated its 40th anniversary in 2016. All members of the 2017 squad are employed by EXEDY. We provide an environment where the players work until 2 pm every day, and can focus on training in the afternoon. This is how we help create an environment for womens' football and contribute to its development.





Mission Statement

The Shape of Our Future: “Creation of Fulfillment”

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

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

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



EXEDY Corporation

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