



**INTEGRATED
REPORT
2022**



CONTENTS

▶ On issuance

EXEDY has decided to publish an Integrated Report to provide investors and other stakeholders about the value-creation process, including financial and non-financial information in a narrative manner. This report contains a long-term vision EXEDY has formulated as the aspirational figure for FY2050, as well as the strategies and initiatives to realize this vision. Our company strives to create economic and social value through the realization of this long-term vision. We will continue to disclose information to our stakeholders in a timely and accurate manner. Finally, we hereby state that the process used to prepare this report is justified.



Hiroshi Toyohara
Representative Director, Senior Executive Managing Officer
Executive General Manager of Administrative Headquarters

• Editorial Policy

In addition to providing financial information such as business performance, business results, and management strategies, this Integrated Report also includes non-financial information on ESG (Environmental, Social, and Governance) initiatives in support of sustainable growth. Reference was made to the "International Integrated Reporting Framework" proposed by the International Integrated Reporting Council (IIRC) and the "Guidance for Integrated Corporate Disclosure and Company-investor Dialogue for Collaborative Value Creation" issued by the Ministry of Economy, Trade and Industry (METI). For more detailed information on our environmental reports, etc., please refer to the "Sustainability" section on our corporate website.

• Cautionary Note Regarding Future Outlook

The non-historical facts contained in this report are forward-looking statements based on estimates and plans. These forward-looking statements involve risks, uncertainties, and other factors that may cause actual results and performance to be different from those described in this report.

• Position of the Integrated Report

Financial Statements
EXEDY Homepage
Investor Relations
<https://www.exedy.com/en/stockholder/>



• Scope of Reporting

Target organization: EXEDY Corporation and the EXEDY Group (Where "EXEDY Corporation" or " (non-consolidated)" is indicated, it refers to EXEDY Corporation on a non-consolidated basis.

Reporting period: Primary reporting period is FY2021 (April 2021 - March 2022), partially includes activities after April 2022.

Target readers: all stakeholders of the EXEDY Group

• Terms Used in the Integrated Report (names of different types of electric vehicles)

BEV: Battery Electric Vehicle
HEV: Hybrid Electric Vehicle

Non-Financial Information
EXEDY Homepage
Sustainability
<https://www.exedy.com/en/csr/>



Integrated Report



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



Corporate Governance /
Respect for Human Rights
/ Our Contributions to
Society, etc.

Index and Logical Structure

This report uses the following logical structure to explain EXEDY's value creation story.

Index	Page	Logical Structure
Chapter 1: Message from Top Management	4	<p>■ Summary of Our Value Creation Story The business environment in which we operate and the value creation strategies we have formulated based on that environment are presented here in the words of our President.</p>
Chapter 2: Value Creation Process	8	<p>■ Current Value Creation Approach While we touch on our milestones in value creation and the strengths we have cultivated, we would also like to introduce how we keep creating value today.</p>
<ul style="list-style-type: none"> 1. Milestones in Value Creation 10 2. Our Business 12 3. Current Strengths 14 4. Process of Value Creation 16 		
Chapter 3: Long-term Vision	18	<p>■ Business Environment and Long-term Vision Based on our corporate philosophy, and considering the significant changes in the business environment, we present our Long-term Vision and key performance indicators (KPIs) for the fiscal year 2050.</p>
<ul style="list-style-type: none"> 1. Recognition of Business Environment 20 2. Corporate Philosophy 22 3. Long-term Vision 24 4. Key Performance Indicators (KPI) 26 		
Chapter 4: Strategies for Value Creation	28	<p>■ Strategies to Strengthen Management Capital to Achieve the Long-term Vision EXEDY's six management capitals, which we have accumulated since our establishment, serve as the foundation for increasing our corporate value through business activities. We hereby introduce strategies to strengthen these management capitals as a path to achieve the above Long-term Vision and KPIs.</p>
<ul style="list-style-type: none"> 1. Strategies to Strengthen Human Capital 30 2. Strategies to Strengthen Intellectual Capital 32 3. Strategies to Strengthen Manufacturing Capital 33 4. Strategies to Strengthen Social & Relational Capital 34 5. Strategies to Strengthen Natural Capital 35 6. Strategies to Strengthen Financial Capital 40 		
Chapter 5: Foundation for Value Creation	42	<p>■ Various Systems and Initiatives to Support Value Creation We will introduce various systems and initiatives related to corporate governance, etc., to execute the above strategies and enhance sustainable corporate value.</p>
<ul style="list-style-type: none"> 1. Corporate Governance 44 2. Directors & Auditors 50 3. Risk Management 54 4. Respect for Human Rights 56 		
Chapter 6: Financial and Corporate Information	58	<p>■ Key Financial and Non-financial Results We will present key financial and non-financial performance results generated through our value-creating business activities.</p>
<ul style="list-style-type: none"> 1. Financial and Non-Financial Highlights 60 2. Financial and Non-Financial Summary 62 3. Financial Review 64 4. Environmental Reports 71 5. Company / Stock information 74 		

1. Changes in the External Environment Surrounding EXEDY

With top-quality manufacturing, technological development capabilities and customer network as our strengths, we hold a top-level global market share for clutches and torque converters. However, the environment surrounding the automotive industry has changed rapidly over the past several years. Not only have countries around the world announced their commitment to carbon neutrality, but national regulations for internal combustion vehicles are becoming increasingly stringent. The 2°C Investment Initiative scenario forecasts a 90% decline in global sales of internal combustion engines, EXEDY's main market, by FY2050. The current global production share of internal combustion engine vehicles is 80%, and the share of BEVs and HEVs is 20%. However, according to a medium- to long-term forecast by another research firm, this ratio is expected to reverse (by FY2033).

This shift to BEVs and HEVs poses the risk of a decline in orders for torque converters, our

main product line. However, there are opportunities to increase BEV product orders. Similar opportunities exist in Japan and China for HEV products, including HEV dampers. Orders for clutches are also expected to increase slightly in our mid-term forecast (through FY2025-2027), and we see opportunities to increase sales in the aftermarket in India and the ASEAN region.

Most of our strengths have been cultivated on the premise of doing business for internal combustion engine vehicles. Since the shift to electric vehicles is accelerating, we do not believe that all our strengths will last until FY2030. In some cases, our current strengths may become a stumbling block for us. We must take on the challenge of creating new businesses beyond our current ones while determining what to inherit and what to change.



2. Strategies for Creating New Value

1) Formulation of Long-term Vision

Last year, in response to the changes and other factors occurring in society, EXEDY formulated and announced its Sustainability Declaration and Long-term Vision. The Sustainability Declaration is a declaration of our commitment to activities (sustainability activities) aimed at achieving a sustainable society and continuous growth of the company. The Long-term Vision is based on our corporate philosophy and clearly states the vision that we aim to achieve by FY2050. In this vision, EXEDY aims to "contribute to minimizing environmental impact, starting with the creation of a decarbonized society" that brings fulfillment to society, to "create and deliver new value to customers" that brings fulfillment to our customers, to "be an attractive company where people can feel excitement and passion" that brings fulfillment to employees, and to "maintain a stable management structure based on strong governance" that supports these three goals.

2) Contributing to the Creation of a Decarbonized Society and Minimization of Our Environmental Impact

The prevention of global warming is an international issue, and the Japanese government has pledged to achieve carbon neutrality by the year 2050. As part of EXEDY's Sustainability Declaration, we have also announced our goal of achieving carbon neutrality by FY2050, and we are taking on this challenge in both product expansion and production systems. In terms of product expansion, we have long been committed to developing and delivering environmentally friendly products. We will continue to create products that contribute to decarbonization, including products for BEVs and HEVs, by leveraging our expertise in this area. In terms of our production system, we have set targets to reduce greenhouse gas

(GHG) emissions by 46% from FY2019 levels by FY2030 and by 100% by FY2050, and we are promoting energy-saving initiatives and the introduction of renewable energy. Starting from the Neyagawa Headquarters and the Ueno Division, many of our group companies have installed solar panels on the roofs of their factories, and DYNAX has decided to install a biomass boiler as an energy-saving initiative and PPA as a renewable energy initiative. EXEDY Clutch India and EXEDY Fukushima have also started to install renewable energy.

3) Creating and Delivering New Value to Our Customers

EXEDY believes that the global shift from internal combustion engine vehicles to electric vehicles poses a risk of shrinking our current business, but at the same time, it offers an opportunity to start up and expand new businesses. To seize this opportunity, we must create and deliver new value to our customers, and we will accelerate the new product development in both our existing and new business domains. Therefore, we have formulated a plan to significantly increase the ratio of R&D expenses for new products from 29% (FY2019 actual) to 70% (FY2030 target). In line with this plan, we are strengthening our development structure through open innovation and reorganization. In terms of open innovation, in January 2022, we concluded a capital and business alliance with Aster, a company with strengths in high-output, compact motors. In terms of reorganization, in April this year, we merged the Development Headquarters and the Motorcycle Clutch Headquarters, and established new departments such as the Business Development Department, Development Planning Department and Smart Technology Department. In addition, we gathered the people in charge of electric products from all

headquarters (Development, Purchasing, Production Engineering, Quality Assurance, and Manufacturing) in a large room and prepared the entire company for mass production.

By strengthening these development systems, we will accelerate the technological development of motor-centric drive unit products (Wide Range Drive System for BEV, electric units for motorcycles, etc.) that combine EXEDY's drive technology and Aster's motor technology. Furthermore, we aim to create new value by breaking down and combining elements of our core technologies that we have cultivated up to now, or by combining them with external technologies. We also actively consider investments in M&A and corporate venture capital.

4) An Attractive Company That Inspires Excitement and Passion

We have always held "the happiness of our employees" as one of our corporate philosophies and have strived to be a company where people are happy to work. However, with an overall satisfaction rate of 34.9% in the 2019 Employee Attitude Survey, it was hard to say that the company was a good place to work. Therefore, we have decided to set "Being an attractive company where people can feel excitement and passion" as our Long-term Vision and aim to create an environment that fosters employee growth and expand systems that allow diverse employees to work with confidence. In the area of creating an environment conducive to employee growth, we have established a plan to increase the annual training hours per employee from 5.4 hours (FY2020 actual) to 48 hours (FY2030 target), nearly 10 times more than the previous plan, to provide learning opportunities. We plan to prepare a hands-on training menu that meets the needs of our employees, including electrification training, coaching training for supervisors on how to coach their staff, and training on how to counter unconscious bias. In expanding systems

that enable diverse employees to work comfortably, we have formulated a plan to increase the proportion of women in management positions from 3.4% (FY 2019 results) to 13.9% (FY 2050 target).

Above mentioned target of 13.9% is the same as the current percentage of women in the Company's workforce. We will continue to challenge ourselves to create an environment where women feel comfortable working and to provide training for candidates for managerial positions.

5) Maintain a Stable Management Structure Based on Strong Governance

In terms of the management foundation that supports our business activities, our Long-term Vision is to "maintain a stable management structure based on strong governance," and we aim to improve the fairness of the Board of Directors and share our values within the company. In terms of improving the fairness of the Board of Directors, we have set targets for FY2030 of having at least one-third of independent outside directors and one female and one non-Japanese director. We will achieve fairness among our Board of Directors by ensuring diversity. In addition, to share the same sense of values, a town hall meeting was started by the President and the Senior Executive Managing Officer in September 2021. The meeting was divided into 26 sessions with a limited number of participants to allow for a two-way dialogue rather than a one-way flow of information from the President and Senior Executive Managing Officer. We are pleased with the response we have received from the employees, some of whom commented that they had not had the opportunity to talk with the President and Senior Executive Managing Officer before, and they hope that this will be continued in the future. It does take time to organize these meetings because they are open to all employees. However, in order for the entire company to overcome this rapidly

changing situation as one, it is essential to communicate management's thoughts to employees and to listen to their opinions directly.

6) Drive Our Future. (Our Will to Move the Future by Ourselves)

This year marks the 100th anniversary(*) of our company's founding. Since our establishment, we have faced many difficulties. However, we have developed a series of products such as anti-vibration type clutch discs and flat-model torque converters and have brought our clutch and torque converter business to a world-class level by refining our expertise and actively incorporating outside knowledge and technology.

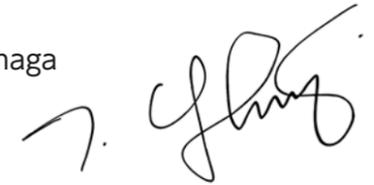
The slogan "Drive our future." which we adopted along with our Long-term Vision in 2021, expresses "our will to move the future by ourselves." It expresses the desire for all employees to be in the driver's seat, to fulfill our roles, to set our direction, and to create fulfillment for every-

one and our future. The current environment surrounding our company is harsh and does not promise a bright future.

However, we have 100 years of accumulated management resources, including human capital. We believe that we can drive our future by focusing our accumulated management resources on new businesses while maintaining profitability in our current businesses over the medium term. I want to make sure our company will continue to grow in the next 100 years. It will not be easy, but I will lead the way and take on the challenge. Please look forward to the continued evolution of the EXEDY Group.

*EXEDY Corporation was established in 1950, but its first President, Kazuma Adachi, founded the company as a private enterprise in 1923.

Tetsuya Yoshinaga
President & CEO



Chapter 2

Value Creation Process

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

- 1. Milestones in Value Creation..... 10
- 2. Our Business 12
- 3. Current Strengths..... 14
- 4. Value Creation Process 16



1. Milestones in Value Creation

its establishment in 1950, the EXEDY Group has developed and delivered products to meet various customer needs (noise and vibration reduction, fuel efficiency improvement, lightweight/compact design). By developing and delivering these products, EXEDY Group has refined its strengths (highest quality manufacturing, technological development capabilities, and customer network) and built a solid position worldwide as a manufacturer of clutches and torque converters.



2013 "Special Award" from Daihatsu Motor Co., Ltd. for 13th consecutive year

Certifications

- ISO9001: 1999
- ISO14001: 2000
- IATF16949: 2004

EXEDY Group's Strengths

Top-quality manufacturing

See right for awards received.

Technological Development Capabilities

See below for developed products.

Customer Network

Approximately 6,700 customers (covering 200 countries worldwide)

Major awards (2021)

Daihatsu Grand Award (Received Product Enhancement Award and Monozukuri Activity Award)



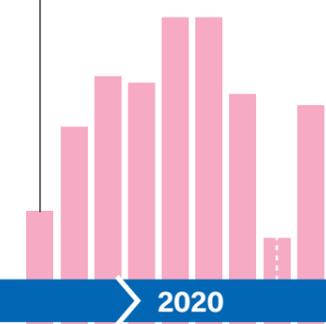
Best Performance Award from Nissan Motor Corporation for 12th consecutive year



from Isuzu Motors Ltd. Five Consecutive Years Special Award



Revenue in FY2021
261.1 billion JPY



Consolidated sales history and main products developed since establishment

1950

1952 Development of anti-vibration clutch disc to absorb drivetrain rattle noise in commercial vehicles

1958 Development of coil-spring type clutch cover Sold as a set with disc

1960

1963 Relocated our Headquarters to Neyagawa City 1963

1963 Development of the Kazmatic, a two-pedal semi-automatic control device using a manual clutch.

1968 Development of diaphragm spring type clutch cover

1970

1975 Production of torque converters for automatic transmission vehicles begins.

1976 Production of powershift transmissions for construction machinery and industrial vehicles begins.

1977 Established Daikin Clutch USA, Inc. (First overseas sales office) 1977

1980

1980 Development of Silent Disc for sound and vibration isolation of the drive system

1985 Established Daikin Clutch Indonesia (First overseas manufacturing base) 1985

1990

1991 Development of flywheel damper with viscous damping mechanism for improved noise and vibration reduction

In-house development of automatic transmissions for medium-sized commercial vehicles

1992 Development of Super Squashed Torque Converter

1995 Corporate name change (from Daikin Manufacturing) 1995

2000

1998 Development of clutch disc with wide-angle damper for excellent noise and vibration damping performance

2005 Development of damper for hybrid vehicles

2010

2021~

- Development of Universal e-Drive Unit
- Development of drone motor, propeller, and ESC
- Development of motors for assistive mobility devices
- Development of wide-range drive system for EVs

Japan

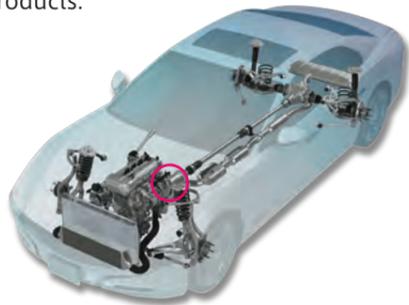
Overseas

2. Our Business

EXEDY is a comprehensive manufacturer of drivetrain components for automobiles, motorcycles, construction machinery, industrial vehicles, agricultural machinery, etc., from development to production, with global operations comprising 44 companies in 25 countries around the world. In addition, with our new business, we are focusing on the development of Electric Products and Next-generation Products that are environmentally friendly.

Automotive Parts

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



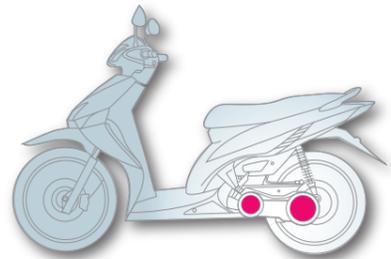
Clutch Cover
Clutch Disc



Torque
Converter

Parts for Motorcycles

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



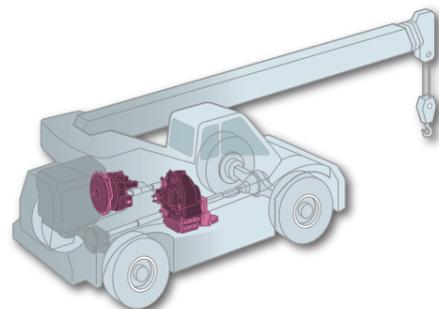
Wet Type Multi-Plate Clutch
with Coil Springs



Wet Type Centrifugal Clutch

Parts for Construction Machinery / Industrial Vehicles / Agricultural Machinery

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



Power Shift Transmission

Next-generation Products and Electric Products

To realize a sustainable society, we are developing Next-generation Products and Electric Products that are carbon neutral and environmentally friendly.

Wide Range Drive System for BEV

A drive system that amplifies torque, improving BEV performance during acceleration and hill starts and reduces vibrations.



Products for Drones

Compact, lightweight motors are matched with propellers that have been developed utilizing fluid technology for high-performance drone applications.



Electric Unit for Motorcycles

A compact, yet powerful drive unit for electric motorcycles that combines the motor and transmission.



Universal e-Drive Unit (E³-Drive Technology)

This is a versatile electric drive unit that can be retrofitted to pallet trucks and other low-speed mobility devices.



Robot System

Using AI and automated driving technologies, we are developing robots to assist people in their daily lives with logistics, in commercial facilities and public institutions.



3. Current Strengths

In the process of value creation, we have built three strengths: "top-quality manufacturing," "technological development capabilities," and "customer network".

1. Top-quality Manufacturing

The EXEDY Group is committed to providing the highest quality products that satisfy customers around the world. To achieve this goal, we are working on Zero Defect activities while challenging ourselves to evolve our production technology capabilities. In addition, we are developing our overseas production system to achieve the highest quality on a global scale while focusing on training the human resources that will be responsible for this process.

1) Company-wide Zero-Defect Activities

Since automobile accidents directly affect human lives, defective automobile parts are unacceptable. At EXEDY Group, manufacturing, production engineering, and quality control departments work together to discuss measures to prevent the recurrence of defective products in the process under the name of ASA ZERO activities. This is conducted every morning at all global locations.

2) Production Technology Capabilities that Meet Customer Needs

The EXEDY Group can meet a wide variety of customer needs in terms of design and functionality by designing and manufacturing our equipment, dies, jigs, and tools from prototyping to mass production, and by producing in-house technologies for casting, forging, pressing, heat treatment, bonding, welding, processing, assembly and a variety of other processes. We are also improving production efficiency by introducing information technology, starting with a production management system.

3) Global Production System

EXEDY has manufacturing plants in 11 countries and has established a global supply system with process settings at all plants on the same level as those in Japan. In addition, we have established a mutual backup production system for torque converters in Japan, China, the U.S., and Mexico. Moreover, we utilize our proprietary production management system (EXPRESS) to visualize the status of production, quality, dies, maintenance, and other operations in real-time and on a global scale.

Number of Manufacturing Companies by Region (as of January 2023)
23 Companies



4) Training of Factory Technicians and Skilled Professionals

The EXEDY Group is focusing on enhancing its skilled worker training system. In 1995, we established a technical school (Current name: GETS: Global EXEDY Technical School) to provide training at different levels, from beginner to advanced, to put EXEDY's skills and knowledge to practical use. Currently, we also accept and train overseas-based technicians. In addition, highly skilled technicians* provide on-site guidance in four areas (welding, lathing, plastic forming, and materials technology).

* Technicians who are active on the front lines of manufacturing etc. within the company, have a solid position and skill level (excellent skills and experience), contribute internally and externally, contribute to the training of future generations, and have a wealth of leadership experience.

2. Technological Development Capabilities

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

1) Core Technologies (friction, vibration, fluid)

The EXEDY Group has applied its friction, vibration, and fluid technologies to develop clutches that absorb noise and vibration and torque converters with high energy transmission efficiency in response to customer needs. We have also established a prediction and analysis system for drivetrain products, and feedback test results to product design and development immediately. DYNAX handles wet friction materials from the raw material stage and possesses proprietary technologies in papermaking, impregnation, and evaluation capabilities.

2) Global Development System

To meet various customer needs in different regions, we have established development sites (7 sites in total) not only in Japan (2 sites) but also in North America (1 site), China (2 sites), and ASEAN countries (2 sites in Thailand), and possess resources that enable development and evaluation on par with those at our headquarters.

3) Vertically Integrated Development

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

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

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



3. Customer Network

The EXEDY Group receives a wide range of OEM orders from automobile, motorcycle, and construction equipment manufacturers in Japan, China, Europe, and the United States. We are always aware of our customers' needs, and when necessary, we conduct joint development with them to create new businesses.

1) Transactions with Automobile, Motorcycle, and Construction Equipment Manufacturers in Japan, China, Europe, and the United States (OEM products)

As an independent manufacturer we are not tied to a specific manufacturer, and we supply clutches and torque converters as OEM products to 12 Japanese companies and 50 non-Japanese companies.

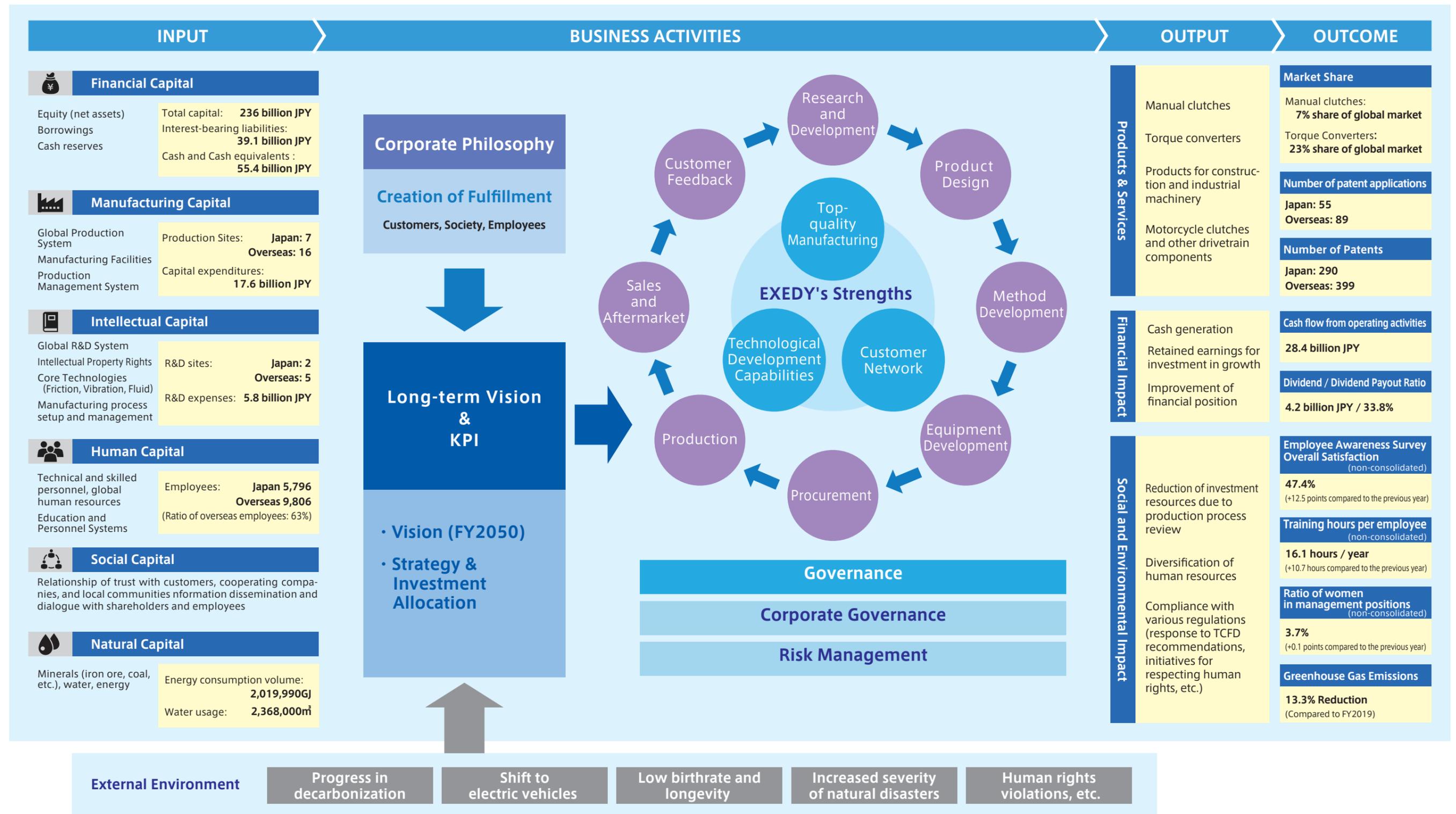
For both of these products we have a top-level market share worldwide.

2) Global Sales Network (Aftermarket Parts)

The global sales network was established in 1977 with the establishment of Daikin Clutch U.S.A., Inc. Since then, we have established overseas sales companies, built an order-acceptance system using IT, and streamlined logistics to enhance our immediate delivery system for aftermarket parts, and have built a sales network that now covers nearly 200 countries around the world, with approximately 6,700 customers.

4. Value Creation Process

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



Chapter 3

Long-term Vision

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

- 1. Recognition of Business Environment.... 20
- 2. Corporate Philosophy..... 22
- 3. Long-term Vision 24
- 4. Key Performance Indicators (KPI)... 26



1. Recognition of Business Environment

The world is undergoing rapid changes, including accelerated international cooperation to prevent global warming, the growth of emerging economies, and the reduction of the labor force due to declining birth rate and aging population. The automotive industry is also undergoing a once-in-a-century transformation, driven by advances in CASE as a result of the evolution of IoT and AI.

At EXEDY, we used the PEST analysis method to forecast the prospects, identify risks and opportunities, and derive our priorities and objectives.

	Politics	Economy	Society	Technology
Future Outlook	<ul style="list-style-type: none"> Acceleration of international cooperation on the prevention of global warming. Increased government regulation of greenhouse gas emissions. Intensification of U.S.-China trade friction. Legislation to strengthen efforts to address human rights and environmental issues in the supply chain. 	<ul style="list-style-type: none"> Growth of emerging economies, and further global diversification Changes in car ownership patterns, such as "car sharing" Expansion of ESG-conscious investments. 	<ul style="list-style-type: none"> Reduction of labor force due to worldwide declining birth rate and an aging population Progress in diversity initiative The advancement of the replacement of work by AI, robots, etc., and the transformation of the perspectives on work Growing demand for stronger corporate governance 	<ul style="list-style-type: none"> Technological innovation in new technologies (IoT, AI, etc.) and their implementation in society. Acceleration of connected technology. Evolution of charging and storage technologies, including electric vehicles.
Risks	<ul style="list-style-type: none"> Decrease in sales due to suspension of internal combustion engine vehicles. Increase in direct costs associated with introduction of renewable energy. Loss of customers and investors due to failure to address human rights and environmental issues. 	<ul style="list-style-type: none"> Decline in automobile sales due to shift to sharing economy. Divestment due to lack of ESG initiatives. 	<ul style="list-style-type: none"> Shortage of labor force Deterioration in turnover due to lack of response to diversity issues Deterioration of management due to lack of governance 	<ul style="list-style-type: none"> Decrease in sales due to shift from internal combustion engine vehicles to electric vehicles
Opportunities	<ul style="list-style-type: none"> Increase in sales due to higher demand for products for BEVs and HEVs Further increase in demand for energy-saving products 	<ul style="list-style-type: none"> Sales increase due to expansion in emerging markets. 	<ul style="list-style-type: none"> Generation of technological innovation by diversifying human resources. Establish a strong management foundation through enhanced corporate governance 	<ul style="list-style-type: none"> Sales increase from new product development through technological innovation
Priority issues (Materiality)	<ul style="list-style-type: none"> ① Prevention of Global Warming ② Respect for human rights ③ Environmental Compliance ④ Sustainable Procurement 	<ul style="list-style-type: none"> ① Provide new products that transmit power efficiently ② Circular economy 	<ul style="list-style-type: none"> ① Make a company where employees are fulfilled ② Diversity and Inclusion ③ Governance ④ Compliance ⑤ Health / Occupational Health and Safety 	<ul style="list-style-type: none"> ① Provide new value through technological innovation
What we aim for	<ul style="list-style-type: none"> ①③ Contribute to minimization of the environmental impact, including the creation of a decarbonized society ②③④ Promote business activities that consider environmental issues, human rights, and other social issues with cooperating companies 	<ul style="list-style-type: none"> ① Expand decarbonization-contributing products and create and deliver new value ② Contribute to minimizing environmental impact 	<ul style="list-style-type: none"> ① Create an environment that encourages employees to grow and take on new challenges ②⑤ Expand systems that allow diverse employees to work with peace of mind ③④ Maintain strong governance and shared values between management and employees 	<ul style="list-style-type: none"> ① Create value in the current and new business areas

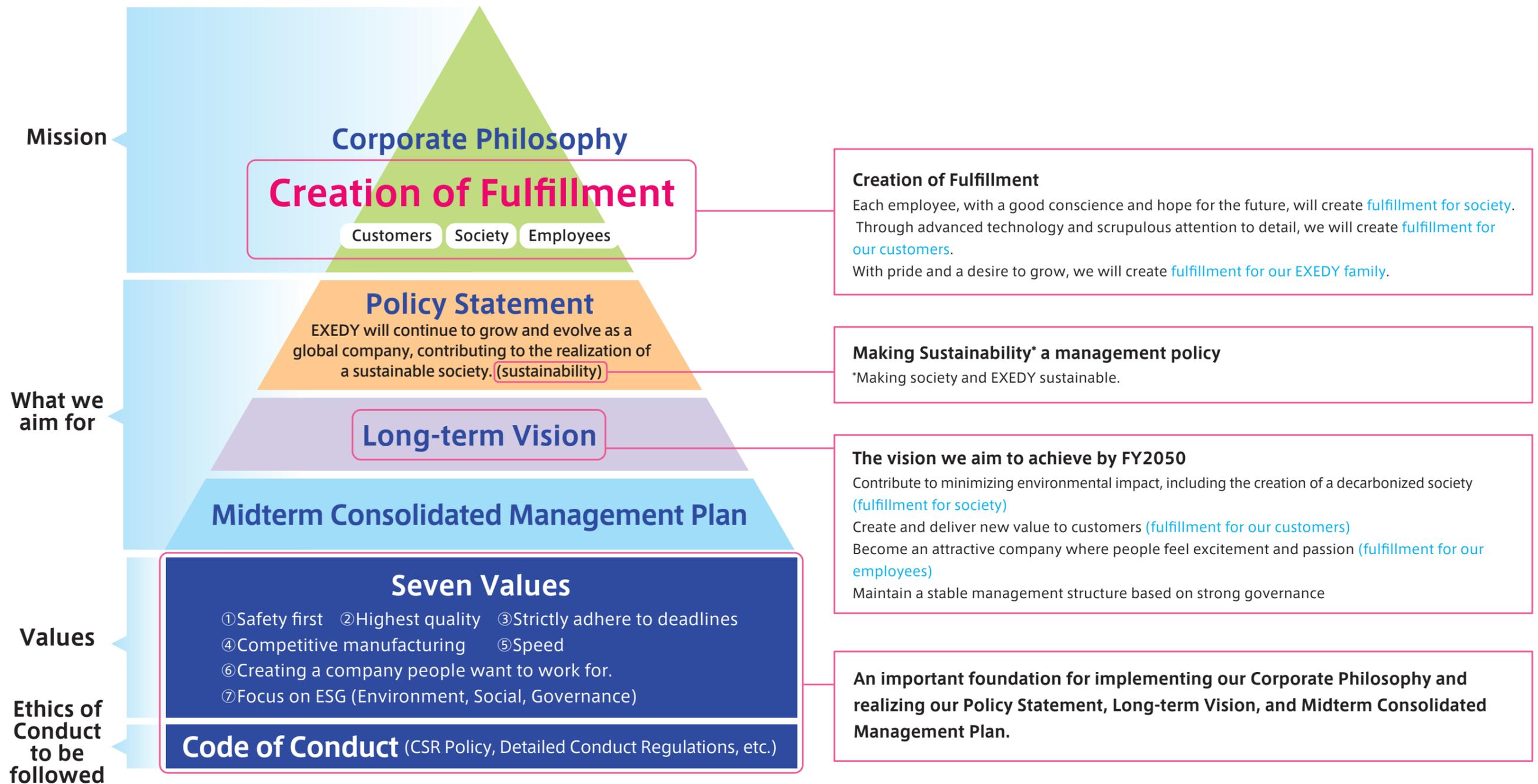
Our vision, derived from the above recognition of the business environment, is as follows.

<Our vision>

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

2. Corporate Philosophy

EXEDY's corporate philosophy system consists of missions, aims, and values. In 2021, in the company's Sustainability Declaration, we declared that we would carry out activities to create a sustainable society and sustainable growth of the company (sustainability activities) and made sustainability a management policy. The Long-term Vision is based on the aforementioned recognition of the business environment, corporate philosophy, and management policy, and clearly states what EXEDY aims to become by FY2050. The Seven Values are the concepts (values) that we will emphasize in our business activities in order to put our corporate philosophy into practice and achieve our Long-term Vision. By achieving our Long-term Vision and adhering to the 7Values, EXEDY will continue to create joy for society, our customers, and ourselves, and contribute to the realization of a sustainable society.



3. Long-term Vision

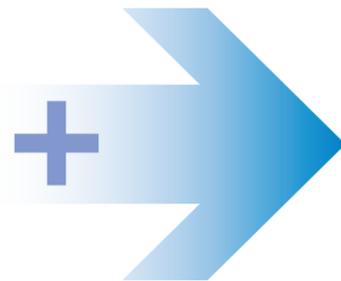
EXEDY establishes its "Long-term Vision" and "Slogan" after deliberation by the Board of Directors, based on the priorities and goals derived from the recognition of the business environment and the corporate philosophy of "fulfillment for our society," "fulfillment for our customers," and "fulfillment for the EXEDY employees." Also, we have set SDG targets that we will contribute through our business activities to realize this Long-term Vision.

SLOGAN

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

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

Corporate Philosophy
Creation of Fulfillment



Business Environment Recognition
Priorities & Goals

	Priority Issues (Materiality)	Long-term Vision (what we aim to achieve by FY2050)		Related SDGs
			Our Approach and the Way Forward	
Creation of Fulfillment	Prevention of Global Warming Environmental Compliance Circular Economy	Contribute to minimization of the environmental impact, including the creation of a decarbonized society (fulfillment for society)	Transform the business portfolio and expand products that contribute to decarbonization Establish a manufacturing system that is carbon neutral and minimizes environmental impact	
	Provide New Products That Transmit Power Efficiently Offer New Value Through Technological Innovation	Create and deliver new value to customers (fulfillment for our customers)	Create new products that efficiently transmit power in addition to those that make the transportation of people and goods more comfortable Actively enter new business areas to become a unique company with unrivaled capabilities	
	Creating a Company That Employees Are Happy to Work Promotion of Diversity and Inclusion Safety and Health Respect for Human Rights	Be an attractive company where people can feel excitement and passion (fulfillment for our employees)	Develop an environment that actively encourages challenges and proposals that stimulate growth Expand systems that allow diverse employees to work with comfort (nationality, gender, age, disability status, family structure, etc.)	
Management Structure	Compliance Governance Sustainable Procurement	Maintain a stable management structure based on strong governance	Comply with the laws and regulations of each country and region and maintain high ethical standards Improve fairness and transparency of the Board of Directors Strive to share values and aim for a bottom-up business foundation Work with cooperating companies to promote business activities that address environmental issues, human rights, and other social issues into consideration	

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

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

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

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

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

4. Key Performance Indicators (KPI)

Key performance indicators (KPIs) for the Long-term Vision and targets for FY2030 and FY2050 are set after deliberation by the Executive Committee and the Board of Directors. In addition, the Sustainability Committee (see page 36) oversees formulating action plans and managing progress to achieve the vision and KPIs.

Priority issues (Materiality)	KPI	Subjects	Base point	Actual		Target	
				FY2020	FY2021	FY2030	FY2050
Prevention of Global Warming Environmental Compliance Circular Economy	Percentage of Sales of Products Contributing to Decarbonization (including products for BEVs, HEVs, etc.)	Consolidated	FY2019:0.2%	0.2%	0.3%	15%	51%
	Net GHG(Greenhouse Gas) Emissions Reduction Rate <scope> 1 + 2		FY2019	▲ 13.8%	▲ 13.3%	▲ 46%	▲ 100%
	Number of Environmental Incidents		-	0	0	0	
Provide New Products That Transmit Power Efficiently Offer New Value Through Technological Innovation	Ratio of R&d Expenses for New Product Development (*1) Over Total R&d Expenses		FY2019:29%	23%	28%	70%	90%
Creating a Company That Employees Are Happy to Work Promotion of Diversity and Inclusion Safety and Health Respect for Human Rights	Employee Awareness Survey (Overall Satisfaction)	Non-consolidated	FY2019:34.9%	-	47.4%	70%	
	Human Resource Development (Training Hours/Person/Year)		FY2020:5.4 hours	5.4 hours	16.1 hours	48 hours	
	Percentage of Female Managers Percentage of Female Employees in Management Positions (*2) (Senior Employees)		FY2019:5.3%	3.6%	3.7%	7%	13.9%(※ 3)
	Total Working Hours		FY2019:2,021 hours	1,670 hours	1,898 hours	Less than 1,900 hours	
	Paid Leave Utilization Rate Figure in () is the Percentage of Employees Taking Paid Leave		FY2019:77.7%(20%)	75.4%(19.6%)	76.3%(22.0%)	100%(100%)	
	Number of Major Accidents	Consolidated	-	0	0	0	
	Human Rights Training Attendance Rate		-	-	-	100%	
Compliance Governance Sustainable Procurement	Number of Major Law Violations		-	0	0	0	
	Independent Outside Director	Non-consolidated	FY2020:3 (27%)	3(27%)	4(36%)	More than 1/3	More than 1/2
	Female and Foreign Directors		-	0	0	1	3
	Town Hall Meeting Held	Non-consolidated	-	-	104 times per year (2 series)	52 times in a year (2 series)	

*1: Creation of new value for new products, systems, services, and existing products. *2: Management positions are defined as senior employees with subordinates

*3: The target for the ratio of female managers in FY2050 is the ratio of female employees at that time (13.9% in FY 2019)

The above targets were established based on the following approaches.

- Percentage of Sales of Products Contributing to Decarbonization: leveraging our expertise in developing energy-saving products, we will shift our main products from those related to internal combustion engine-related products to those related to decarbonization.
- NET GHG Discharge Reduction Rate: We challenge to achieve 46% reduction by FY2030 and 100% reduction (carbon neutral) by FY2050, based on the targets of each country including Japan and customer trends.
- Ratio of R&d Expenses for New Product Development: We will significantly increase the proportion of R&d spending on new products in anticipation of the risk of a decline in demand for current flagship products.
- Overall Employee Satisfaction: In response to the current low level of employee satisfaction, we aim to achieve the industry-leading levels in order to make the company "a place where employees are fulfilled".
- Human Resource Development: We will increase training hours per employee by approximately ten times (compared to FY2019) to provide learning opportunities as part of our efforts to create an environment that promotes employee growth.
- Percentage of Women in Management Positions: Despite the characteristics of our industry, we aim to increase the proportion of female employees first, as diversified human resources lead to competitiveness.
- Independent Outside, Female and Foreign Directors: We are committed to improving the fairness and diversity of the Board of Directors in light of shareholder demands and societal trends.
- Town Hall Meetings: We will provide regular opportunities for direct dialogue between management and employees to share values.

Chapter

4

Strategies for Value Creation

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

1. Strategies to Strengthen Human Capital	30
2. Strategies to Strengthen Intellectual Capital	32
3. Strategies to Strengthen Manufacturing Capital	33
4. Strategies to Strengthen Social and Relational Capital	34
5. Strategies to Strengthen Natural Capital	35
6. Strategies to Strengthen Financial Capital	40



1. Strategies to Strengthen Human Capital

1. Value-creation Approach

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

2. Targets and Actual

	Target (FY2030)	Actual (FY2021)	Compared to the previous fiscal year
Employee Awareness Survey (Overall Satisfaction)	70%	47.4%	+12.5 points
Human resource development (training hours/person/year)	48 hours	16.1 hours	+ 10.7 hours
Percentage of female managers	7%	3.7%	+ 0.1 points

3. Policies

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

Approach/Policy

EXEDY is working to refine our core technologies while creating new products, such as electrified products, and focusing on human resource development to continue to grow as a global company. To provide learning opportunities for employees, we have set annual training hours per employee as a KPI and formulated a plan to significantly increase these hours by FY2030. To develop human resources that will contribute to the sustainable growth of our group, we have established training and development programs by job level, taking into account each level and its objectives. In addition, an in-house study program was initiated in FY2022 to encourage employees' growth by providing them with opportunities to experience different divisions.

For more information on stratified education, please visit here.

Global Human Resources Development / EXEDY Corporation (exedy.com)

<https://www.exedy.com/en/csr/employees/globalhr/>

Initiatives

(1) Expansion of Training Programs for Managers and Supervisors

With the drastic changes in the internal and external environment, the expectations of managers and supervisors are increasing, and we are placing a special emphasis on expanding our training programs for this level. We enhanced the content of leadership training for new senior managers and new section managers and added harassment prevention (Applied). Leadership training is designed to help participants learn teaching and coaching techniques to improve the instruction of their subordinates and the performance of their teams. In addition, Harassment Prevention (application) includes case studies and aims to create a comfortable work environment.

(2) Training of Managers at Overseas Offices

EXEDY is a global company with 44 offices in 25 countries around the world, and the training of managers to support the operation of overseas offices is an important task. We invite local executives and general managers from each of our overseas offices to Japan for overseas management training. In this training, in addition to discussing the topic of the mid-term plan, we also convey our growth strategy "EXEDY Way," which consists of our corporate philosophy, Long-term Vision, values, etc.

	New Hire	Mid-level staff	Supervisor	Manager	Senior Management
Next-generation			Department Manager Training Business School	Management Training Business School	Executive Officer Training Business School
Stratified training	Group Training Follow-up Training	Mid-level staff Training	New Section Manager Training	New Senior-level Employee Training	Training for new department managers
Technical Skills	Global EXEDY Technical School GETS Equipment /Maintenance/Production Engineering Design / Development Quality Manufacturing Common Technology Global Management Safety / Environment Other				
Specialist	TPS training Guest Engineer Training Skill Development Center (external organization)				
Globalization	Overseas A Training Program OJT for Oversea Trainees		Overseas Senior Management Training		
Personal Development Support	Correspondence Education · e-learning TOEIC Course				
Company-wide training	Compliance training (human rights, harassment, etc.) Diversity training				

(3) Establishment of New Training Programs that Contribute to New Value-creation

To create new value, we have established two new training programs, General Electric System Basic Training and New Business Creation Training, to enhance expertise in technology and skills. For the General Electric System Basic Training, we have already started with 154 employees in the manufacturing, development, procurement, quality control, production engineering, and sales departments, with the goal of early introduction of new electrical products. Also, for the New Business Creation Training, we are preparing to begin this training in the second half of FY2022 as part of our efforts to create an environment where employees can make proposals proactively.

2) Promotion of Diversity and Inclusion (expand systems that allow diverse employees to work with peace of mind)

Approach/Policy

EXEDY is a global company with a diverse workforce. We aim to create new value by utilizing this diversity. In July 2018, we established our Diversity Policy to make EXEDY a company where each employee, regardless of differences in attributes, values, or experience, can feel happy to work. This policy promotes diversity and inclusion based on: "Respect for each other's differences," "Emphasis on communication," "Appreciate individual abilities," and "Respect for work-life balance."

Initiatives

(1) Work Environment Training

To ensure that our diversity policy is understood and put into practice, we conduct diversity training as part of the training for new department managers and section managers. This training covers everyday work-related topics such as how to interact with diverse subordinates and how to talk (listen) in a way that allows employees and managers to understand each other.

(2) Female Employees Empowerment

In EXEDY, we have set a KPI to increase the proportion of women in management and a target to increase the proportion of female employees by FY2050. To achieve this goal, we have established a three-level training course for female employees. This course is tailored to each employee's position and career plan to help them to achieve their career goals. In addition, to create a culture free of unconscious bias, such as "only male employees can achieve management positions," we conduct unconscious bias seminars for managers and supervisors. In the future, we plan to expand the target group and provide training for all employees.

(3) Work Environment Diversity

EXEDY strives to diversify the working environment so that each individual can maximize his or her abilities. To support work-life balance, we have set KPIs for total hours worked and paid leave usage, and are reviewing the leave system and making it easier for employees to take time off. In addition, to encourage employees to work from anywhere and at any time, we have established systems for remote work, flextime work, limited working hours, etc. The number of our employees using these systems is growing as well, as shown in the table below.

Number of users of each system (person)

Classification	System Name	FY2019	FY2020	FY2021	Compared to FY2019
Place	Remote working system	26	212	230	885%
	Flexible working system	427	591	581	136%
Time	Childcare / limited working hours system	50	51	77	154%
	Shortened working hours for childcare	50	51	54	108%
	Limited working hours system	(Newly established in FY2021)		23	-

(4) Expansion of Employment of People with Disabilities

EXEDY established EXEDY Sun, a special subsidiary, in March 2011, and employed 28 people with disabilities (as of March 31, 2022). Employees with intellectual disabilities receive the support they need and perform the tasks that utilize their attributes and skills, such as blade alignment, assembly, and other precision work encompassed in torque converters, cleaning product containers, and labeling cosmetic boxes. EXEDY Logistics is working to promote the employment of people with disabilities and to develop a system for accepting them once they are employed, for example, by providing on-site pre-recruitment training and training for employees to support them. EXEDY Trading has made proactive efforts to employ people with disabilities by providing specific information about the tasks they are responsible for, and in October 2020, the company received an award from the Osaka Employment Development Association as an excellent workplace for people with disabilities. In addition, EXEDY's employment rate of people with disabilities is 2.38% (as of June 2022).

2. Strategies to Strengthen Intellectual Capital

1. Value Creation Approach

EXEDY's Long-term Vision is to "create and deliver new value" by "creating new value to make the transportation of people and goods more comfortable" and "Actively enter new business areas to become a unique company with unrivaled capabilities," we will realize "fulfillment for our customers" and create long-term value for the company. We see the global shift to electric vehicles as an opportunity for new business expansion and aim to shift development resources to new businesses (new products and new business areas) and promote open innovation.

2. Target and Actual

	Target (FY2030)	Actual (FY2021)	Compared to the previous fiscal year
Total R&D expenditures Ratio of R&D expenses for new product development *1	70%	28%	+5 points
Number of patent applications *2	—	Japan 55 (other than internal combustion engines 34) *3 Overseas 89 (other than internal combustion engines 42)	—
Number of patents held *2	—	Japan 290 (other than internal combustion engines 23) *3 Overseas 399 (other than internal combustion engines 45)	—

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

EXEDY is increasing the proportion of R&D expenditures related to new products and has applied for patents mainly for electrification-related technologies in FY2021 (the percentage of applications filed excluding internal combustion engines is 60% in Japan and less than 50% overseas.)

3. Policies

1) Shift to new businesses

Approach/Policy

In anticipation of changes in our business portfolio due to the expanding global BEV and HEV markets, we are strengthening our new product development structure by reorganizing our R&D resources.

Initiatives

(1) We merged the Development Headquarters and the Motorcycle Clutch Headquarters to consolidate product development and planning for BEVs. This merger aims to benefit from the synergistic effects of integrating the BEV-related knowledge held by both headquarters.

(2) We have newly established the Business Development Department, Smart Technology Department, and Development Planning Department to strengthen our ability to create new value. The Business Development Department will create new business pillars for EXEDY, the Smart Technology Department will design and manufacture A.I. robots, and the Development Planning Department will develop new products to make the transportation of people and goods smoother.

(3) To achieve early mass production of electric products, we have newly established the Electric Product Development Center, which brings together the people in charge of product design, parts procurement, production technology, and quality assurance.

2) Open Innovation

Approach/Policy

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

Initiatives

(1) We have concluded a capital and business alliance with Aster, a company with strengths in high-output, compact motors. By combining our drive technology with Aster's motor technology, we intend to develop core devices for next-generation mobility and eco-friendly products, such as drive systems with torque converters for BEVs and BEV drive systems for motorcycles. For more information, please refer here.

EXEDY announces business alliance with Aster Co., Ltd. for next-generation mobility and environmentally friendly products/EXEDY Corporation <https://www.exedy.com/ja/news/2022/01/14/20220114/> (Japanese only)

(2) We invested in Monozukuri Fund 2, a Limited Liability Partnership for Investment led by Monozukuri Ventures. Through this investment, we will support and partner with startup companies to accelerate new business creation and expansion. For more information, please refer here.

Investment in Monozukuri Fund 2 (a Limited Liability Partnership for Investment) <https://www.exedy.com/ja/news/2022/09/09/20220909/> (Japanese only)

(3) We will continue to strengthen our partnerships with CVCs and VCs, as well as cooperation between industry and academia (Hokkaido University, Kobe University, etc.)

3. Strategies to Strengthen Manufacturing Capital

1. Value Creation Approach

One of EXEDY's strengths is its ability to provide high-quality life-carrying automotive and motorcycle products worldwide. While leveraging the manufacturing expertise and global production system developed since our inception, we are pursuing the highest quality manufacturing (see page 14 for details) by promoting human resource development and production system evolution.

2. Target and Actual

	Target (FY2030)	Actual (FY2021)
Capital Expenditure	—	17.6 billion JPY
Greenhouse Gas Emissions (Compared to FY2019)	▲ 46%	▲ 13.3%

3. Policies

1) Developing human resources for manufacturing

EXEDY is committed to enhancing its training system for factory technicians responsible for manufacturing. Traditionally, we have established and provided stratified training programs from the basic to the advanced levels so that employees can apply their skills and knowledge in practice. However, this training method leaves the training to the field, and the training status varies. To address this issue, a Skill Map, which lists the skills and knowledge required for the job, has been prepared for all manufacturing lines. This year, all lines will use this map to formulate skill improvement plans for each employee and conduct systematic guidance and training.

2) Initiatives toward carbon-neutral production systems

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

(1) Energy-saving activities

We are studying improvement measures centered on processes and operations with high power consumption. For the casting process, we are taking measures to reduce molten metal holding power. For the heat treatment process, we are changing from a continuous furnace to high-frequency heating. And for compressors, we are taking measures to prevent air leaks.

(2) Introduction of renewable energy

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



4. Strategies to Strengthen Social and Relational Capital

1. Value Creation Approach

EXEDY's business activities consist of relationships with various stakeholders. We aim to further enhance our corporate value by building good relationships with our stakeholders and incorporating their opinions and demands into our business activities.

Stakeholders	Approach
Customers	Based on our customer base, we will identify customer needs and create new businesses. We will also leverage our worldwide sales network (approximately 6,700 companies) to expand business opportunities by providing products that meet end-user needs at the fastest possible speed.
Shareholders / Investors	We will deepen mutual understanding and create value by disseminating information and promoting dialogue with shareholders and investors.
Employees	We will promote communication with our employees to share our values and reflect their opinions in our corporate activities.
Partner Companies	By promoting dialogue with cooperating companies, we will work together to promote sustainability activities and resolve social issues.
Local Communities	We will work together with local communities to "realize diversity," "develop communities," and "nurture the next generation" to achieve sustainable growth for society and our company.

2. Initiatives and Achievements

1) Disclosure and promotion of dialogue with shareholders and investors

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

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

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

3) Promote sustainability activities with cooperating companies for sustainable procurement

(1) Risk assessment and response to cooperating companies

EXEDY offers a CSR evaluation chart to new and existing suppliers to assess risks related to environmental and social issues (86 questions in 18 categories). Additionally, we convert the monitoring results into 100-point scores, rank the suppliers, and create a radar chart of the scores for each item. Of the 271 suppliers, 87%, or 236 companies, have been assessed for this evaluation.

(2) Training for cooperating companies

In support of suppliers, we held training sessions on "Human Rights Initiatives Required of Businesses by the UN Guiding Principles" and "Carbon Neutral Trends in Different Countries and the Automotive Industry" as part of the procurement policy briefing, which raised awareness of environmental issues and social challenges among partner companies.

Please refer here for more details on collaboration with cooperating companies.

Supply Chain / EXEDY Corporation (exedy.com) <https://www.exedy.com/en/csr/supplychain/>

4) Collaboration with local communities

In terms of achieving diversity, our company, as a member of the Iga City Multiculturalism Promotion Committee, is studying measures to promote interaction across nationalities and plans to formulate a promotion plan in FY2022. DYNAX supports the promotion of women's activities in the community by accepting children of non-employees at its on-site childcare facilities. EXEDY Sun and EXEDY Trading are working to employ people with disabilities in the local community. As for community development, we have offered our land adjacent to our headquarters as EXEDY Disaster Prevention Park free of charge to Osaka Prefecture and Neyagawa City. EXEDY Dynax Shanghai and EXEDY Thailand are working to improve the local environment and have received commendations from the authorities. In the area of next-generation development, EXEDY supports student automobile races and provides internship opportunities.

Please refer here for more details on collaboration with cooperating companies.

Our Contributions to Society / EXEDY Corporation (exedy.com) <https://www.exedy.com/en/csr/society/>

5. Strategies to Strengthen Natural Capital

1. Value Creation Approach

Energy, resources, and water are the shared assets of mankind, and EXEDY's business activities are supported by natural capital in many ways. In order to minimize environmental impact through the efficient use of natural capital and to create fulfillment for society by providing products that promote the optimal use of energy, we are committed to creating economic value and protecting the global environment under our Long-term Vision of "contributing to minimizing environmental impact, including creating a decarbonized society."

2. Target and Actual

	Target (FY2030)	Actual (FY2021)
Greenhouse Gas Emissions (Compared to FY2019)	▲ 46%	▲ 13.3%

3. Initiatives

1) Initiatives Regarding Environmental Issues

At EXEDY, each group company operates an environmental management system such as ISO 14001 and promotes daily environmental conservation activities based on group policies and Midterm Consolidated Management Plan. In consideration of laws, regulations, and stakeholder requirements, each division addresses environmental issues specific to its region and business category, such as pollution prevention, legal compliance, coexistence with local communities, and reduction of environmental impact. We regularly hold issue-specific and region-specific environmental meetings to obtain synergistic effects for the entire EXEDY group through environmental conservation activities that utilize the characteristics and strengths of each subsidiary. We are taking initiatives to strengthen our environmental management system on a global basis by formulating and implementing group policies and environmental goals, sharing responsibilities and best practices among our subsidiaries, and monitoring their progress. For details on our environmental policy, management system, and initiatives, please refer to the following.

Environment / EXEDY Corporation (exedy.com) <https://www.exedy.com/en/csr/environment/>
 Environmental Management / EXEDY Corporation (exedy.com) <https://www.exedy.com/en/csr/environment/management/>
 Efforts to Reduce Environmental Impact / EXEDY Corporation (exedy.com) <https://www.exedy.com/en/csr/environment/activities/>

In addition, we recognize the reduction of greenhouse gas emissions as one of the most important environmental issues. So we have established long-term targets at the Board of Directors meeting and medium-term targets at the Sustainability Meeting chaired by the President & CEO to manage progress.

2) Examples of Renewable Energy for Reducing Greenhouse Gas Emissions

(1) Power generation by solar panels

EXEDY Group companies have installed solar panels on the roofs of each factory and building to generate our electricity. 6,637,419 kWh of electricity was generated by the entire EXEDY Group in FY2021, and the in-house consumption rate was 0.38%. In addition, Dynax Tomakomai Plant has decided to introduce an off-site PPA (Power Purchase Agreement) model with direct supply by proprietary lines. This will be one of the largest self-consumption mega solar power plants in Hokkaido. Approximately 7,000 solar panels will be installed on idle land nearby (63,721 m²), with a panel output of 3.85 MW. This is equivalent to 12% of the plant's electricity output. Power generation is scheduled to start in November 2023 and is expected to reduce CO₂ emissions by approximately 2,400 t-Co₂ per year.

For more information, please refer here.

PressRelease_Dynax Tomato Solar PPA Amendment - 221021 for final HP.pdf (dynax-j.com) https://www.dynax-j.com/ja/wp-content/uploads/2023/02/PressRelease_20231021.pdf (Japanese only)

(2) Purchase of electricity derived from renewable energy sources

EXEDY Clutch India purchased some renewable energy on a trial basis but switched to renewable energy on a full-scale basis in May 2022. EXEDY Fukushima also started purchasing a portion of renewable energy in May 2022, and this purchase is expected to reduce the company's greenhouse gas emissions by -5%.

(3) Introduction of biomass boilers

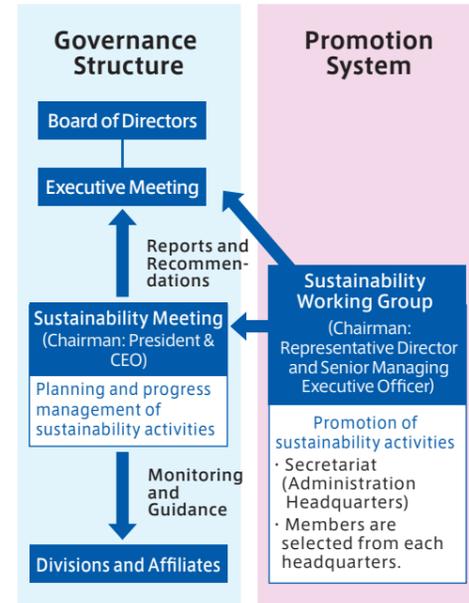
DYNAX Tomakomai Plant has decided to install a biomass boiler. The steam boiler currently in use uses fossil fuels, whereas the biomass boiler is fueled by paper sludge, an industrial waste product generated at the plant. The biomass boiler is scheduled to start operation in January 2024. It is estimated to reduce CO₂ emissions by 3,501 tons per year and waste by 333 tons per year.

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

The EXEDY Group aims to achieve carbon neutrality (substantially zero greenhouse gas emissions) by 2050 in response to the international challenge of preventing global warming. We are working on the introduction and development of next-generation electrified products and future products. In addition, we have expressed our support for the Climate-related Financial Disclosure Task Force (TCFD), the TCFD Consortium, and the Japan Climate Initiative (JCI), and are working to strengthen the resilience of our strategies (ability to adapt and survive) by analyzing the impact of climate change on our business and the resulting risks and opportunities based on multiple scenarios and reflecting them in our management strategies and financial plans.

(1) Governance

The EXEDY Group recognizes climate change as an important environmental issue, and after deliberation by the Management Committee and the Board of Directors, has chosen to contribute to the creation of a decarbonized society as one of its Long-term Visions, and has established climate-related KPIs (key performance indicators). In addition, to achieve the vision and KPIs, we have established a Sustainability Committee as a meeting body that formulates sustainability action plans and manages progress. This meeting is chaired by the President & CEO, and attended by all executive officers (including those stationed overseas) and the full-time corporate auditors, and is held twice a year. The committee deliberates and decides on medium- to long-term goals and the necessary responses based on laws and regulations and the needs of interested parties, and discusses matters that are deemed to have a significant impact on the business at the meeting of the Management Committee and the Board of Directors. In addition, we have formed the Sustainability Working Group as a working force to promote sustainability activities. The group is chaired by a director and senior managing executive officer, and its members are elected from each headquarters, promoting activities across the company.



(2) Strategy

① Scenario Assumption

To understand the potential financial impact of climate change on EXEDY Group's operations and to identify climate-related risks and opportunities, we referred to external scenarios such as the International Energy Agency's (IEA) World Energy Outlook and the 2° Investing Initiative as benchmarks. We also reviewed the scenario analysis for the automotive industry, assumed an overall scenario based on the company's perception of its long-term business environment, and identified climate-related risks and opportunities by analyzing the differences between the scenario and our long-term strategy. The scenario definition was based on the analysis of all projects on a global basis and classified into two categories: 4°C scenario (case of little progress in addressing global warming) and below 2°C scenario (case of accelerated global warming), for the two axes of transition risk and physical risk.

Transition risk

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

Physical risk

	Parameter	Current	4° C scenario*3	Below 2° C scenario*4	Provenance
Average Temperature Rise	Air conditioning cost (US\$/person/year)	about 19	FY2030 : about30 FY2050 : about60	FY2030 : about30 FY2050 : about35	IEA "The Future of Cooling"
Intensification of extreme weather	Flood frequency	FY2018:(100%)	FY2040 : 400%	FY2040 : 200%	MLIT "Recommendations for Flood Protection Planning in the Context of Climate Change" 2019
	Occurrence of typhoons and cyclones	26 cases/year in 2016	Decrease in frequency, potential increase in intensity		Japan Meteorological Agency / Environment Agency

*1: Limited Climate Transition, *2: Ambitious Climate Transition, *3: Case where global warming countermeasures do not make much progress
*4: Case where global warming countermeasures are accelerated (1.5°C scenario in some cases), *5: International Energy Agency "World Energy Outlook"
*6: 2° Investing Initiative (2DII)

② Identifying climate-related risks and opportunities

After analyzing the differences between the above scenarios and our understanding of the business environment, which is the premise for the EXEDY Group's long-term strategy, we have identified the key items that we believe will have a huge potential financial impact on our business, as follows.

Main risks

Key Items	Potential Financial Impact	Time axis Impact	Countermeasures
Tighter Government Regulations on Greenhouse Gas Emissions	Increase in direct costs due to introduction of renewable energy ·Greenhouse gas emission reduction target (FY2030) -46% compared to FY2019. Measures: energy conservation activities (annual reduction of 1%) and introduction of renewable energy ·If energy conservation activities are carried out as planned, the estimated cost of renewable energy in FY2030 is 590 million JPY/year./ <FY2021 : ¥2.93/kWh>	Medium-term High	·Consideration of the introduction of internal carbon pricing to stimulate the introduction of energy-saving equipment. ·Gathering and researching information on renewable energy options in Japan and overseas to minimize the cost of introducing renewable energy.
Tighter regulations on existing products and market changes	Decrease in sales due to suspension of sales of internal combustion engine vehicles and accelerated transition to electric vehicles ·In the 2DII scenario, sales of internal combustion engine vehicles will decrease by 90%. <FY2050> ·Of the EXEDY Group's sales, 89% is for internal combustion engines, and the impact on sales in FY2050 will be approximately -180 billion JPY.	Long-term High	·Collection of information on regulations and customer trends related to internal combustion engine vehicles in Japan and overseas ·Development of new products for electric vehicles with features that improve efficiency during rotational energy transfer (EXEDY's strength)
Increased severity and frequency of extreme weather events such as cyclones and floods	Decrease in sales due to factory shutdowns and supply chain disruptions ·According to the MLIT's "Recommendations for Flood Protection Planning in the Context of Climate Change", the frequency of flooding is expected to double (2°C) to quadruple (4°C) by FY2040. ·If operations are suspended (for 5 days) in Japan and Asia (81% of total manufacturing), where flooding is most likely to occur, the impact on sales will be -4.6 billion JPY.	Medium-term High	·Implementation of risk assessment using hazard maps ·Implementation of measures in line with risk assessment ·Completion of relocation of plants with the greatest risk in FY2020 ·Installation of temporary flood barriers, etc. ·Formulation of business continuity plan that includes cooperating companies

Regarding the transition risk, we evaluated that the potential financial impact on the EXEDY Group's business is high due to stricter government regulations on greenhouse gas emissions, stricter regulations on existing products, and market changes. Regarding physical risks, we evaluated the above impact of increasing severity and frequency of extreme weather events to be high.

Main opportunities

Key Items	Potential Financial Impact	Time axis impact	Countermeasure
More efficient production and logistics process utilization	Lower energy costs through more efficient production ·One of the measures of the Long-term Vision/reduction of greenhouse gas emissions (-46% in FY2030 compared to FY2019) is -1% annually in energy-saving activities (-11% in FY2030). This action is expected to reduce costs by approximately 600 million JPY.	Medium-term High	·Continuation of energy-saving activities ·Promotion of production technology development that contributes to further production efficiency ·Examination of optimal production system with consideration of sales forecasts for existing flagship products
Development and sales expansion of low emission products	Increase in sales due to higher demand for products for HEVs (Japan and China) ·While regulations on internal combustion engine vehicles are becoming stricter in Europe and the United States, HEVs (hybrid vehicles) are exempt from regulations in Japan and China. ·Global HEV sales in FY2032 will be six times higher than in FY 2019 (35 million units). The impact on sales in FY2030 is expected to be 37 billion JPY due to the development of technologies such as HEV damper and direct drive iSG for HEVs, contributing to decarbonization.	Medium-term High	·Set the "sales ratio of products that contribute to decarbonization" as a KPI. Set a target of 15% by FY2030 and 51% by FY2050, and focus on creating and expanding sales of products for HEVs and BEVs ·Also set the "Ratio of R&D expenses for new product development" as a KPI. Set a target of raising this ratio to 70% in FY2030 and 90% in FY2050 and strengthen the development structure.
Development of new products through R&D and technological innovation	Increased sales due to increased demand for drive unit products centered on motors for BEVs ·The global BEV (electric vehicle) sales share in FY2032 is expected to be 42% (2% in FY 2019), and the global sales volume to be 43 million units. We assume that the development of BEV wide-range drive systems and other technologies will have an impact of 5 billion JPY on sales in FY2030. ·The market for drive unit products centered on motors for new fields such as drones is also expected to grow in the future.	Medium-term High	·In addition to the above, we concluded a capital and business alliance with Aster, a company with strengths in high-output, compact motors. (EXEDY/drive technology × Aster/motor technology) ·Accelerate technology development of the following motor-centric drive unit products "BEV wide-range drive systems, motorcycle electric units, drone propulsion systems, Universal e-Drive Units

As for opportunities, we believe that the utilization of more efficient production and logistics processes, the development and sales expansion of low-emission products, and the development of new products through R&D and technological innovation have a high potential financial impact on the EXEDY Group's business.

③ Impact on management strategy

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

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

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

④ Impact on financial planning

There are also two main impacts on financial planning.

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

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

(3) Risk Management

The EXEDY Group's risk management action guideline is to prepare in advance to prevent emergencies and minimize damage. To ensure that these measures are implemented, we conduct risk management after evaluating and identifying risks. We identify major risk items related to safety and health, environmental preservation activities, and business continuity management activities, based on the frequency of occurrence, degree of impact, and surrounding conditions. We are working to strengthen our management system by clarifying the department responsible for each risk, the degree of impact of each risk, the causes of its occurrence, and proactive preventive measures.

Regarding climate-related risks, the Sustainability Committee plays a central role in analyzing scenarios, assessing and identifying risks, and managing the progress of response measures. The status of the response to major risks is as follows. Regarding the risk of sales decline due to the suspension of sales of internal combustion engine vehicles, etc., the Management Committee and the Board of Directors have discussed the issue, and developed a Long-term Vision, and strengthened the product development system. Regarding the risk of increased direct costs from the introduction of renewable energy due to stricter government regulations, the Sustainability Working Group is researching and studying measures to address this issue, including gathering information on renewable energy options. Regarding the risk of supply chain disruptions due to floods and other disasters, the Risk Management Committee, consisting of the President & CEO, (Senior) Executive Managing Officers, and full-time Audit and Supervisory Board Members, is discussing and promoting business continuity plans for suppliers and other parties.

(4) Metrics and Targets

The EXEDY Group is working to achieve carbon neutrality by 2050, and has set the following targets for FY2030 and FY2050 based on the "NET GHG (greenhouse gas) emission reduction rate" as a climate-related KPI, and is confirming progress at the Sustainability Conference.

Metrics	NET GHG Emissions Reduction Rate Scope 1 (direct emissions) + 2 (indirect emissions: electricity, etc.)
Targets	FY2030 -46% <compared to FY2019> FY2050 -100% <same as above>
Actual (FY2021)	Reduction rate 13.3% <Compared to FY2019> Emissions (1000t-CO2) Scope 1: 35.0, Scope 2: 184.6, Scope 3: 1,487.4

As described above, the EXEDY Group recognizes climate change as an important environmental issue and has positioned the Board of Directors and the Sustainability Committee as governance and the Sustainability Working Group as the business promotion organization to establish KPIs and promote sustainability activities. Also, we have analyzed the circumstances surrounding our company based on multiple scenarios to identify significant risks and opportunities, and have estimated the potential financial and strategic impact of climate change on our business, and reflected this information in our management strategies and financial plans. In particular, we have incorporated measures to address major risks and opportunities into our Long-term Vision and consolidated medium-term management plan. By steadily implementing these measures, we will strengthen the EXEDY Group's resilience against the impact of these risks on product demand and other factors.

6. Strategies to Strengthen Financial Capital

1. Value Creation Approach

To transform the business portfolio and create new value, we will need resources for R&D for new products, M&A, and other growth investments. EXEDY aims to increase corporate value by using funds generated through business activities in growth investment. We will also continue to meet the expectations of our shareholders by maintaining stable shareholder returns.

2. Target and Actual

	Target (FY2030)	Actual (FY2021)	Compared to the previous fiscal year
ROE	More than 10%	5.9%	+3.4 points
Stable shareholder returns	Dividend payout ratio of 30% or more + Maintenance of stable dividends	Dividend: ¥90 per share per year Dividend payout ratio: 33.8%	+¥30 per share per year

3. Policies

1) Strengthening Profitability

$$ROE = \frac{\text{Current Net Income}}{\text{Shareholders' Equity}} = \frac{\text{After-tax operating profit}}{\text{Invested Capital}} \times \frac{\text{Invested Capital}}{\text{Shareholders' Equity}} + \frac{\text{Non-business profit and loss}}{\text{Shareholders' Equity}}$$

⇒ROIC
⇒Financial leverage
⇒Financial balance

To achieve consolidated ROE of 10%, one of the goals of our Long-term Vision, in addition to promoting ROIC management initiatives, we are also working to improve our financial leverage through stable shareholder returns and efficient fundraising procurement, and our financial balance through effective hedging of foreign exchange risks and efficient asset management.

(1) Establish a management accounting system using ROIC as an indicator

$$ROIC = \frac{\text{After-tax operating profit}}{\text{Shareholders' Equity}} = \frac{\text{Operating Profit} - \text{Corporate tax}}{\text{Investment Capital} + \text{Working Capital}}$$

ROIC is an index calculated by the above formula, and ROIC can be improved by increasing the numerator or decreasing the denominator in this formula.

To increase the numerator, we have been striving to improve profitability by expanding sales of highly profitable products and reducing costs. And to reduce the denominator, we have established criteria for determining whether or not the ROIC of a new investment exceeds a certain rate calculated based on WACC (Weighted Average Cost of Capital), and have created and are operating a system to ensure that efficient investments are made. As another effort to reduce the denominator, we are studying the establishment and operation of management indicators that can be incorporated into the daily activities of each department, such as the manufacturing plant, production management, sales, and procurement, to optimize working capital.

(2) Optimal allocation of management resources

Our Group's existing products are mainly used in internal combustion engine vehicles, and the recent trend toward BEVs is pushing us to make a major shift in our business portfolio. Under these circumstances, to maintain the profitability of existing products while at the same time developing high-profit businesses that could become the

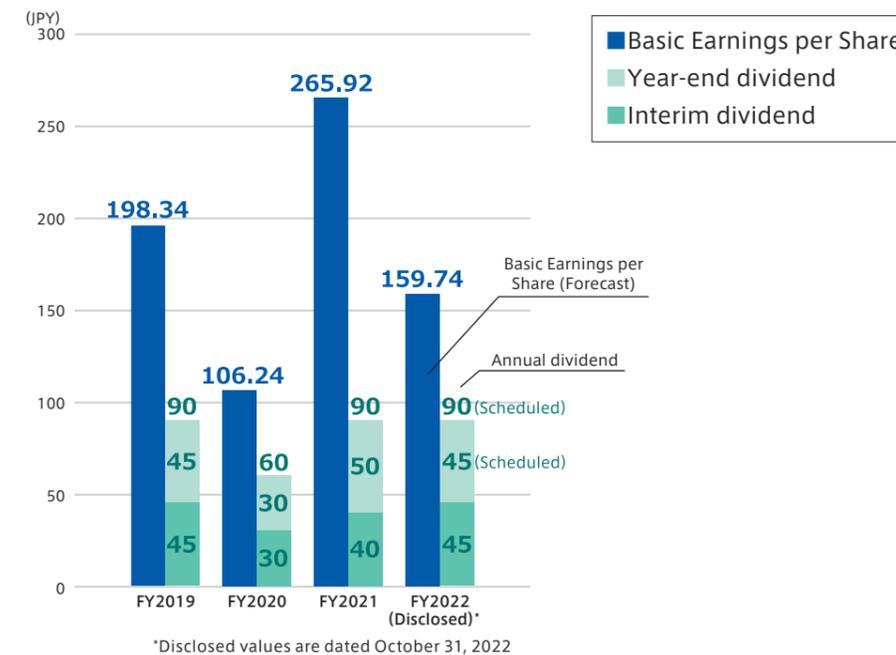
future pillars of our Group, we have established a new organization under the direct management of the President. It will examine the potential and growth of various new products and business ideas and decide whether or not to launch them, monitor the progress of those that have been launched, and flexibly allocate the necessary type and amount of management resources at any given time.

2) Stable shareholder returns

Our basic policy on shareholder returns is to pay stable dividends, with a target payout ratio of 30%.

■ History of dividend payouts

Dividend per share (JPY)



Chapter 5

Foundation for Value Creation

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

- 1. Corporate Governance 44
- 2. Directors and Auditors 50
- 3. Risk Management 54
- 4. Respect for Human Rights 56



1. Corporate Governance

Corporate Governance Policy

We at EXEDY recognize that constructing a system of corporate governance and thoroughly carrying out compliance management serves as the basis for management. More specifically, we have established a system that monitors and reviews the actions of our directors through our Board of Directors and our Audit and Supervisory Board, and we will make our management more transparent and strive to strengthen our governance and compliance management system by improving the functionality of our internal controls and building an organization that responds promptly to changes in our management environment.

Basic Policy

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

Initiatives to Enhance Corporate Governance

To continue growing as a global company that can contribute to society, we have adopted a Long-term Vision of "maintaining a stable management structure based on strong governance," and are striving to improve the fairness and transparency of the Board of Directors. We have been making various efforts to improve corporate governance. In June 2009, we introduced an executive officer system and reduced the number of directors to speed up decision-making and execution. In FY2014, we introduced a stock compensation program for full-time directors and executive officers, intending to raise awareness of their contribution to improving our business performance and increasing our corporate value. In June 2016, we appointed two independent outside directors. Since then, the number of independent outside directors has increased step by step, and as of June 2022, 4 out of 11 directors are independent outside directors, which is more than 1/3 of the total number of directors. Since FY2021, we have been holding town hall meetings for dialogue between management and employees to reinforce shared values and improve our bottom-up management foundation. In June 2022, we appointed one female director to ensure diversity in gender and other aspects. We will continue our efforts to enhance corporate governance as the foundation for our sustainable growth.

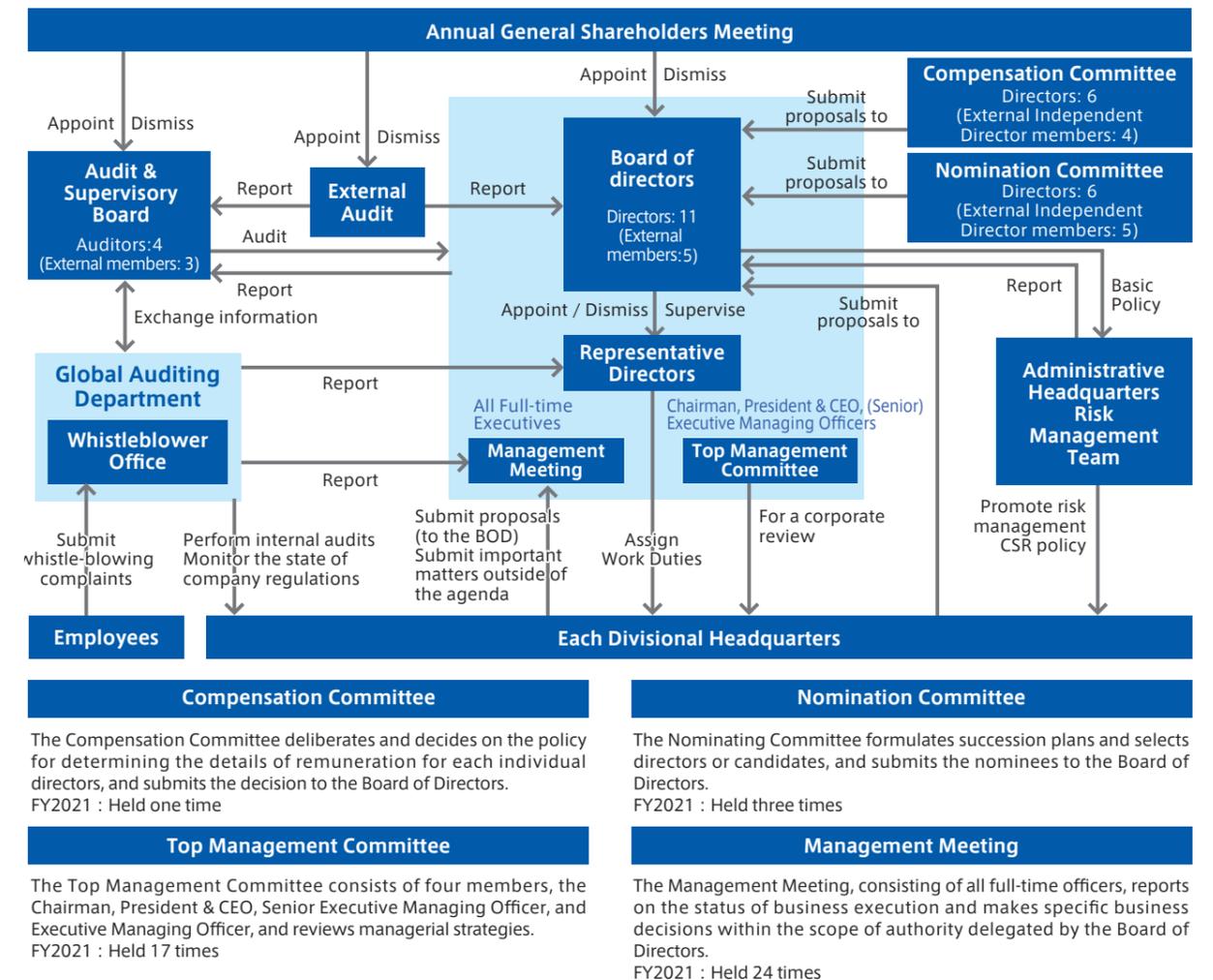
An Outline of Our System of Corporate Governance

EXEDY is a company with an Audit and Supervisory Board and has established a General Meeting of Shareholders, a Board of Directors, a Board of Auditors, and an Accounting Auditor as corporate bodies. In addition, to carry out corporate affairs in a manner that responds promptly to any changes in the management environment, we have set the number of directors at 12 or less as stipulated in our Articles of Incorporation and have a small Board of Directors, while at the same time establishing an executive officer system and appointing personnel with expertise in business operations as executive officers to ensure more flexible business management. The term of directors and executive officers is set at one year in order to build a flexible management structure that can respond to changes in the management environment and to further clarify management responsibility. The corporate governance structure is explained on the following page "A schematic of our system of corporate governance."

Our Reasons for Selecting Our Current System of Corporate Governance

We at EXEDY are carrying out efficient work operations and exercising prompt decision-making through the introduction of our executive officer system, where four 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 eight individuals are outside executives (and of these eight two individuals serve as independent outside directors and two individuals serve as independent outside auditors), and we have deemed that our present structure of a company with an Audit and Supervisory Board is currently the optimum choice.

A schematic of our system of corporate governance



Board of Directors

EXEDY's board of directors is comprised of 11 individuals, five of whom serve as outside directors. Our Board of Directors holds regular meetings once a month, and, when deemed necessary, additional meetings are held under special circumstances, where directors thoroughly discuss the matters at hand and make management decisions regarding them. In FY2021, 12 meetings were held. By appointing four independent outside directors, more than one-third of the 11 directors, the Company strives to strengthen its monitoring and supervisory functions and to enhance the Company's sustainable growth and corporate value over the medium to long term. Moreover, in order to balance the diversity of the Board of Directors and its overall knowledge, experience, and abilities, we aim to appoint executive officers who are familiar with EXEDY's operations and experienced representatives of major subsidiaries as directors, as well as outside directors and corporate auditors with a high level of expertise.

Policies and Procedures for the Election and Dismissal of Directors and Executive Officers

Nominations of director candidates are determined by the Board of Directors after the Nominating Committee's selection, with consideration given to the balance between quick decision-making and diverse viewpoints. The Board of Directors will decide on the election and dismissal of Executive Officers. Proposals for the dismissal will be submitted to the Annual General Shareholders' Meeting by the following criteria.

- (1) In the event of conduct that violates laws and ordinances or public order and morals
- (2) In the event of omission of duties or acts in violation of company regulations
- (3) In addition to the above, in the event of significant damage to corporate value.

Assessment of Board of Directors' Effectiveness

Every year, we conduct a questionnaire on the effectiveness of the Board of Directors, and in FY2021, we conducted the same questionnaire. Based on the results, we believe that the effectiveness of the Board of Directors has been secured. We will continue to make improvements to further enhance the effectiveness of the Board of Directors.

Criteria for Independent Outside Directors

In appointing independent outside directors, we emphasize their abundant experience and high-level insight into their fields of expertise, in addition to the outsider requirements of the Company Law. The criteria for designation as an independent outside director are that he/she meets the qualifications for an independent director as stipulated by the Financial Instruments Exchange and that there is no risk of a conflict of interest with general shareholders.

Business Execution Structure

To realize expeditious decision-making, the Board of Directors has established various regulations, such as the "Rules of the Board of Directors" and the "Regulations for Executive Officers," and determined the decision-making authority of the Board of Directors, the Executive Committee, the President, and the Executive General Managers, based on the degree of management importance and influence. In principle, the Management Committee holds a meeting twice a month, which is composed of all full-time executives, including executive officers, and reports on the status of business execution and makes specific decisions on business execution within the scope of authority delegated by the Board of Directors.

In addition, management strategies are discussed at the Managing Directors' Meeting, consisting of four members, the Chairman, President & CEO, Senior Executive Managing Officer and Executive Managing Officer.

Supervision and Audit of Management

By appointing four independent outside directors, more than one-third of the 11 directors, we strive to strengthen the supervision of the Board of Directors and to enhance the company's sustainable growth and corporate value over the medium to long term. The four auditors, including three outside auditors, attend meetings of the Board of Directors, provide audit opinions on management decision-making, and audit the execution of duties by directors.

Transactions between Related Parties

Following the Companies Act, EXEDY has established in the Regulations of the Board of Directors that any proprietary or competing transactions with the company's directors are subject to prior approval. In addition, even in cases where we conduct transactions with major shareholders or others, prices and other terms and conditions of transactions are determined through negotiations, considering the prevailing market conditions, as is the case with other third parties.

Auditors and Board of Auditors

The four corporate auditors (one of whom is a certified public accountant and has considerable knowledge of finance and accounting) determine audit policies and plans and other matters related to the execution of their duties at the Board of Corporate Auditors Meetings (held at least once a month, in principle) following the Board of Corporate Auditors' Regulations. Auditors and the Board of Auditors receive reports from the accounting auditor on the fiscal year's accounting audit plan and the results of the accounting audit and hold discussions as appropriate. In addition, the full-time statutory auditor and the Global Auditing Department exchange information on audit planning, progress, and results of audits as appropriate. Full-time auditors exchange information with each other and work closely with the Global Auditing Department and accounting auditors.

Composition of the Board of Auditors

When nominating the auditor candidates, besides considering their knowledge in various fields such as finance, accounting, taxation, legal, etc., and in our business and corporate management, we also consult with the current auditor individually in advance, and determine a balanced composition of the Board of Auditors as a whole.

Internal Audit Department

The Global Auditing Department sets annual audit themes, formulates audit plans and audits the operations of each department, and conducts ad hoc audits as needed to ensure internal governance. In addition, the Global Auditing Department enhances cooperation with full-time auditors and accounting auditors by exchanging information as necessary, including periodic meetings on audit planning, progress and results of audits, and other matters as required.

Support System for Outside Directors (Outside Auditors)

When convening a Board of Directors meeting, outside directors and outside auditors are provided with the same materials as internal directors and auditors in advance to share information on business execution.

Ratio of Outside Board Members



The Board of Directors, Audit and Supervisory Board, Nominating Committee, Compensation Committee's Attending Members

◎ Chairman ○ Attending Members

				Board of Directors	Audit and Supervisory Board	Nomination Committee	Compensation Committee
Director	Director and Chairman	Hidehito Hisakawa	male	○			
	President & CEO	Tetsuya Yoshinaga	male	◎		◎	◎
	Representative Director	Hiroshi Toyohara	male	○			○
	Director	Yuzuru Hirose	male	○			
	Director	Junji Yamakawa	male	○			
	Director	Mitsugu Yamaguchi	male	○			
	Director	Moritaka Yoshida	male	(Outside)	○	○	
	Director	Ichizo Yoshikawa	male	(Outside) (Independent)	○		○
	Director	Toshiki Takano	male	(Outside) (Independent)	○		○
	Director	Takashi Hayashi	male	(Outside) (Independent)	○		○
Auditor	Director	Fukuko Inoue	fe-male	(Outside) (Independent)	○	○	○
	Full-time Corporate Auditor	Keizo Nishigaki	male	○	◎		
	Auditor	Shintaro Ito	male	(Outside)	○	○	
	Auditor	Tadashi Fukuda	male	(Outside) (Independent)	○	○	
Auditor	Satoshi Tsubota	male	(Outside) (Independent)	○	○		

Remuneration for Board Members

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

Basic Policy

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

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

The basic remuneration of directors in EXEDY shall be a monthly fixed remuneration, and bonuses shall be paid at a fixed time annually. The amount of bonuses shall be determined by a comprehensive review of position, responsibility, and years in office, while also taking into consideration standards at other companies, our company's performance, employee salary etc.

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

The Company's non-monetary remuneration, etc. for directors shall be stock remuneration (restricted stock). The remuneration shall be determined with comprehensive consideration of the scope of responsibilities, our management plan and performance, an appropriate ratio of base remuneration and bonuses, remuneration level, etc. It shall be determined annually at a meeting of the Board of Directors, which is held within one month of the date of the Annual General Shareholders' Meeting.

Policy on Determining the Ratio of the Amount of Monetary or Non-monetary Remuneration, etc. of Individual Directors

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

Matters Concerning Determination of Remuneration, etc., for Individual Directors

The Compensation Committee shall deliberate and determine the amount of monetary compensation for each director and report to the Board. The Board of Directors shall take into account the report and decide on the remuneration. As for stock-based remuneration, the number of shares to be allocated to each director shall be resolved by the Board of Directors.

Amount of Remuneration for Directors and Auditors (FY2021)

Category	Total amount of remuneration, etc. (Mil. JPY)	Total amount of remuneration, etc. by category (Mil. JPY)			Number of Board Members
		Basic Remuneration	Bonus	Non-monetary compensation, etc.	
Director (Outside Director)	276 (23)	235 (23)	23 (—)	18 (—)	12 (4)
Auditor (Outside Auditor)	35 (17)	35 (17)	— (—)	— (—)	4 (3)
Total (Outside Board Member)	311 (40)	270 (40)	23 (—)	18 (—)	16 (7)

- The amount of remuneration does not include employee salaries and bonuses for directors who also serve as employees.
- Non-monetary remuneration consists of stock-based compensation (restricted stock), and 11,100 shares were issued to seven directors based on a resolution of the Board of Directors on June 24, 2021.
- Limit of monetary remuneration according to the resolution of the 56th Annual General Shareholders' Meeting held on June 27, 2006.
Director: ¥300 million per year Auditor: ¥60 million per year

The above maximum amount of remuneration for directors does not include employee salaries and bonuses for directors who also serve as employees. As of the close of this Annual General Shareholders' Meeting, the number of directors was 14 and the number of auditors was four. In addition, the following resolution was passed regarding stock-based remuneration, which is separate from monetary remuneration. Resolution on share-based remuneration at the 68th Annual Shareholders' Meeting held on June 26, 2018.

Stock-based compensation: Up to ¥200 million per year

Maximum number of shares: Up to 50,000 shares per year (Outside directors and non-executive directors are not eligible)

As of the close of the said Annual General Shareholders' Meeting, the number of directors (excluding outside directors and part-time directors) was seven.

Cross-shareholdings

Policy on Cross-Shareholdings

In principle, we do not hold listed shares as "cross-shareholdings", except when it is necessary to maintain and strengthen trust and business relationships with business partners and various stakeholders from the viewpoint of improving our group's corporate value in the mid- to long-term.

Verification of Cross-Shareholdings

The Board of Directors evaluates each issue related to cross-shareholdings, including whether the risks and benefits exceed the cost of capital. At present, we assess that all of our cross-shareholdings meet the criteria, and **we will continue to review their appropriateness.**

Criteria for Voting Rights Concerning Cross-Shareholdings

In EXEDY, voting rights shall not be exercised on a uniform basis, but shall be exercised after careful consideration and comprehensive judgment from the viewpoint of improving the group's corporate value, especially with respect to proposals concerning the following.

- Reorganization Proposal
- Takeover Defense Proposal
- Appointment of Directors Proposal (in the event of misconduct, in the event of being in the red for a certain period of time in a row, etc.)

Cross-Shareholdings Status (Year Ended March 31, 2022)

	Number of Issues Balance Sheet Amount (Mil. JPY)	Issues whose shares increased in FY2021	Issues whose shares decreased in FY2021
Unlisted stock	7 1,038	1 1,000	1 2
Stock other than unlisted stock	11 2,063	2 11	— —

* The main reason for the growth in the stocks with an increased number of shares in FY2021 mainly resulted from the necessary acquisition for our group's medium- and long-term business strategy.

* In FY2022, the Company sold three stocks other than unlisted stocks.

2. Directors and Auditors

1 Hidehito Hisakawa (January 24, 1955)



male

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

Apr. 1978	Joined the Company
Jun. 2006	Director of the Company in charge of overseas businesses
Apr. 2009	Executive General Manager, Sales Headquarters of the Company
Jun. 2009	Executive Managing Officer of the Company
Apr. 2011	Senior Executive Managing Officer of the Company
Apr. 2012	Representative Director of the Company
Apr. 2015	President & CEO of the Company
Jun. 2022	Chairman (to present)

Reasons for candidacy:

Mr. Hidehito Hisakawa has been involved in the management of the Company for years, including serving as President & CEO, and has abundant experience and versatile perspective on corporate management.

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

2 Tetsuya Yoshinaga (January 3, 1960)



male

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

Jul. 1988	Joined the Company
Mar. 2009	President of EXEDY America Corporation
Jun. 2009	Executive Officer of the Company
Apr. 2016	President of EXEDY DYNAX Shanghai Co., Ltd.
Apr. 2017	Senior Executive Officer of the Company
	Director of the company
	Executive General Manager, AT Manufacturing Headquarters of the Company
Jun. 2019	Ueno Division General Manager of the Company
Apr. 2020	Executive Managing Officer of the Company
Apr. 2021	Senior Executive Managing Officer of the Company
Jun. 2022	President and Representative Director of the Company (to present)

Reasons for candidacy:

Mr. Tetsuya Yoshinaga has long worked overseas as an expatriate and has been in charge of China-related business for many years. He has been broadly engaged in management of the Group's business operations, including serving as Director and Senior Managing Executive Officer of the Company.

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

7 Moritaka Yoshida (July 12, 1957)



male Outside

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

Apr. 1980	Joined Toyota Motor Co., Ltd.
Jun. 2009	Managing Officer of Toyota Motor Corporation
Apr. 2014	Senior Managing Officer of Toyota Motor Corporation
Jan. 2018	Executive Vice President of Toyota Motor Corporation
Jun. 2020	Representative Director & Chairman of TOYOTA CENTRAL R&D LABS., INC.
Jun. 2021	President, Member of the Board of AISIN CORPORATION (to present)
Jun. 2022	Director of the Company (to present)

Reasons for candidacy:

Mr. Moritaka Yoshida has held important positions at Toyota Motor Corporation and AISIN CORPORATION and accumulated abundant expertise in the automotive industry.

Number of Board Meetings attended	—
-----------------------------------	---

8 Ichizo Yoshikawa (May 20, 1946)



male Outside Independent

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

Apr. 1970	Joined Suminoe Textile Co., Ltd.
Aug. 1997	Director of Suminoe Textile Co., Ltd.
Aug. 2005	Representative Director and President of Suminoe Textile Co., Ltd.
May. 2016	Outside Director of KINTETSU Department Store Co., Ltd. (to present)
Jun. 2016	Representative Director and Chairman of Suminoe Textile Co., Ltd.
Jul. 2016	Representative Director and Chairman and President of Suminoe Textile Co., Ltd.
Aug. 2021	Director and Chairman of Suminoe Textile Co., Ltd. (to present)

Reasons for candidacy:

Mr. Ichizo Yoshikawa has long accumulated abundant expertise as a manager of a listed company, by fulfilling corporate management responsibilities as a representative director of Suminoe Textile Co., Ltd.

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

3 Hiroshi Toyohara (August 19, 1962)



male

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

Jan. 1995	Joined the Company
Apr. 2010	Executive Officer of the Company
Apr. 2011	Executive General Manager, Financial Planning Headquarters of the Company
Jun. 2012	Director of the Company
	Senior Executive Officer of the Company
	Executive General Manager, Administrative Headquarters (to present)
Apr. 2013	Executive General Manager, Administrative Headquarters (to present)
Apr. 2016	Executive Managing Officer of the Company
	Senior Executive Managing Officer of the Company (to present)
Apr. 2020	Representative Director of the Company (to present)
Jun. 2022	Representative Director of the Company (to present)

Reasons for candidacy:

Mr. Hiroshi Toyohara has abundant experience and achievements in general administrative operations, starting as head of the financial and planning department and has been broadly engaged in the execution of the Group business serving as a Director and Senior Executive Managing Officer of the Company.

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

4 Yuzuru Hirose (February 21, 1972)



male

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

Apr. 2001	Joined the Company
Mar. 2011	President of EXEDY Globalparts
Apr. 2014	Executive Officer of the Company
Apr. 2018	Senior Executive Officer of the Company (to present)
Apr. 2019	Executive General Manager, Sales Headquarters of the Company (to present)
Jun. 2019	Director of the Company (to present)

Reasons for candidacy:

Mr. Yuzuru Hirose has long worked overseas as an expatriate and has extensive experience and achievements in all aspects of sales and marketing and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

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

9 Toshiki Takano (August 31, 1954)



male Outside Independent

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

Jan. 1984	Joined ROHM Co., Ltd.
Jun. 2010	Director of ROHM Co., Ltd.
Jun. 2015	Retired from the post of director of ROHM Co., Ltd.
Jun. 2017	Director of the Company (to present)

Reasons for candidacy:

Mr. Toshiki Takano has long accumulated abundant expertise as a corporate manager, by fulfilling his responsibilities as a director of ROHM Co., Ltd.

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

10 Takashi Hayashi (April 22, 1956)



male Outside Independent

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

Mar. 1979	Joined Nihon Radiator Co., Ltd. (Currently Marelli)
Jun. 2008	Director and Executive Vice President of the above company
Jun. 2011	Representative Director, President and CEO of TOKYO RADIATOR MFG Co., Ltd.
Jun. 2019	Director and Chairman of TOKYO RADIATOR MFG Co., Ltd.
Jun. 2020	Director of the Company (to present)

Reasons for candidacy:

Mr. Takashi Hayashi has long accumulated abundant expertise as a corporate manager in automobile component business, by fulfilling his responsibilities as a director of TOKYO RADIATOR MFG Co., Ltd.

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

5 Junji Yamakawa (March 16, 1968)



male

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

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

Reasons for candidacy:

Mr. Junji Yamakawa has long worked overseas as an expatriate and has extensive experience and achievements in North Central America-related business operations, etc., and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

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

6 Mitsugu Yamaguchi (August 9, 1962)



male

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

Mar. 1985	Joined the Company
Jul. 2006	Deputy Executive General Manager of Engineering & Development Headquarters
Jun. 2009	Executive Officer of the Company
Apr. 2015	Special Technical Advisor
Nov. 2017	President of EXEDY America Corporation
Apr. 2018	Executive Officer of the Company
	Senior Executive Officer of the Company (to present)
Apr. 2021	Executive General Manager of Motorcycle Clutch Headquarters
	Director of the Company (to present)
Jun. 2021	Executive General Manager of Development Headquarters (to present)

Reasons for candidacy:

Mr. Mitsugu Yamaguchi has long worked overseas as an expatriate and accumulated experience and achievements in development field in general, and has been broadly engaged in management of the Group business serving as Director and Senior Executive Officer of the Company.

Number of Board Meetings attended	10 / 10 (100%)
-----------------------------------	----------------

11 Fukuko Inoue (October 18, 1963)



female Outside Independent

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

Apr. 1987	Joined UCC UESHIMA COFFEE CO., LTD.
Sep. 1996	Human Resources Officer, Training Officer at Budget Personnel Bureau of Human Resources Department of
May. 2004	Human Resources Development Manager at General Affairs and Human Resources Headquarters of Vodafone Japan Co., Ltd.
Jun. 2006	Human Resources Manager of Tiffany & Co.
Sep. 2011	Executive Officer of Human Resources, General Manager of Human Resources Headquarters of SAP Japan Co., Ltd.
Jan. 2013	Section Chief, Human Resources Planning Division at Human Resources Department of International Atomic Energy Agency
Jul. 2017	Senior Human Resources Officer, Management Bureau of the above institution
Apr. 2018	Professor, Doshisha Business School at Doshisha University (to present)
Jun. 2022	Director of the Company (to present)

Reasons for candidacy:

Ms. Fukuko Inoue is serving as a professor at a university after holding important positions of human resources at global companies and international organizations, and accumulated abundant expertise as an academic expert in organizational development and human resource management.

Number of Board Meetings attended	—
-----------------------------------	---

2. Directors and Auditors

1 Keizo Nishigaki (September 11, 1957)



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

Mar. 1981	Joined the Company
Nov. 2000	President of EXEDY Friction Material Co., Ltd.
Apr. 2010	Executive Officer, Executive General Manager of General Affairs Headquarters of the Company
Jun. 2013	Auditor of the Company (to present)

Reasons for candidacy:

Mr. Keizo Nishigaki He has long accumulated abundant expertise and insight in group management, serving as the General Manager of the General Affairs Headquarters of the Company and in the management of overseas subsidiaries.

Number of Board Meetings attended	12 / 12 (100%)
Number of Audit & Supervisory Board Meetings Attended	16 / 16 (100%)

2 Shintaro Ito (March 19, 1961)



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

Apr. 1983	Joined AISIN SEIKI CO., LTD. (current AISIN CORPORATION)
Jun. 2010	Managing Officer of AISIN SEIKI CO., LTD.
Apr. 2017	Senior Managing Officer of AISIN SEIKI CO., LTD.
Apr. 2019	Executive Officer of AISIN SEIKI CO., LTD.
Apr. 2021	Executive Vice President of AISIN SEIKI CO., LTD.
Jun. 2021	Representative Director of AISIN CORPORATION (to present)
Apr. 2022	Executive Officer, Executive Vice President Chief Administrative Officer of AISIN CORPORATION (to present)
Jun. 2022	Auditor of the Company (to present)

Reasons for candidacy:

Mr. Shintaro Ito has long been engaged in management of AISIN CORPORATION and accumulated abundant expertise in the automotive component industry.

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

3 Tadashi Fukuda (March 4, 1953)



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

Apr. 1986	Registered as an attorney-at-law and joined Daiichi Law Office (now Daiichi Legal Professional Corporation)
Jun. 2000	Outside Auditor of SHINYEI KAISHA Outside Director of the above company
Jun. 2015	Auditor of the Company (to present)
Mar. 2016	Representative Partner of Daiichi Legal Professional Corporation (to present)
Jun. 2016	Outside Auditor of Mitsubishi Tanabe Pharma Corporation
Mar. 2020	Outside Director of ES-CON JAPAN Ltd. (to present)

Reasons for candidacy:

Mr. Tadashi Fukuda has extensive expertise in the legal profession.

Number of Board Meetings attended	12 / 12 (100%)
Number of Audit & Supervisory Board Meetings Attended	16 / 16 (100%)

4 Satoshi Tsubota (August 12, 1961)



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

Oct. 1984	Joined AOYAMA AUDIT CORPORATION/ PricewaterhouseCoopers
Aug. 1988	Registered as a Certified Public Accountant
Apr. 1999	Registered as a certified Public Tax Accountant
Jul. 2001	Joined Kaisei Certified Public Accountants Joint Office (to present)
Jun. 2005	Outside Auditor of O-WELL CORPORATION
Jun. 2015	Auditor of the Company (to present)
Jun. 2020	Outside Director (Audit & Supervisory Committee Member) of O-WELL CORPORATION (to present)

Reasons for candidacy:

Mr. Satoshi Tsubota has extensive expertise in accounting and taxation.

Number of Board Meetings attended	12 / 12 (100%)
Number of Audit & Supervisory Board Meetings Attended	16 / 16 (100%)

The expertise and experience of each Director is as follows.

	Name	Corporate Management	Engineering Development	Manufacturing Quality	Sales, Purchasing	Finance, Accounting	Human Resource Development	Safety, Environment, Sustainability	Legal, Risk Management	Global
Directors	Hidehito Hisakawa male	●	●		●					●
	Tetsuya Yoshinaga male	●		●	●			●		●
	Hiroshi Toyohara male	●				●	●	●	●	
	Yuzuru Hirose male	●			●					●
	Junji Yamakawa male	●		●	●					●
	Mitsugu Yamaguchi male	●	●							●
	Moritaka Yoshida male Outside	●	●							●
	Ichizo Yoshikawa male Outside Independent	●			●					
	Toshiki Takano male Outside Independent	●	●		●			●		
	Takashi Hayashi male Outside Independent	●			●	●				●
Fukuko Inoue female Outside Independent							●		●	
Auditors	Keizo Nishigaki male					●				●
	Shintaro Ito male Outside	●				●	●		●	●
	Tadashi Fukuda male Outside Independent								●	
	Satoshi Tsubota male Outside Independent					●				

3. Risk Management

Our Basic Approach to Risk Management

The EXEDY Group recognizes that risk management is one of the most important management tasks and is working to enhance and strengthen it. With changes in the business environment surrounding the company, the risks faced by the EXEDY Group are expected to become increasingly diversified in the future. In order to respond to these circumstances, the EXEDY Group's action guideline for risk management is to prepare for emergencies by taking preventive measures and preparing in advance to minimize damage and to assess and identify risks to ensure their implementation. We identify major risk items related to safety and health, environmental preservation activities, and business continuity management activities, based on the frequency of occurrence, degree of impact, and surrounding conditions. We are working to strengthen our management system by clarifying the department responsible for each risk, the degree of impact of each risk, the causes of its occurrence, and proactive preventive measures.

Risk Management Committee

The Risk Management Committee, consisting of the President & CEO, (Senior) Managing Executive Officers, and Audit and Supervisory Board Members, convene as necessary to address group-wide issues and to discuss recurrence prevention measures.

Organization of the Risk Management Committee

Board of Directors		
Risk Management Committee		
Director in Charge	Chairperson	Secretariat

The Risk Management Committee Schedule

In FY2021, the Risk Management Committee gathered once to respond to group-wide problems and discuss recurrence prevention measures. In addition, information on risk issues is shared among group companies to ensure appropriate business execution.

Examples of Dealing with Risks

1. Business Continuity Plan (BCP) and Climate-related Risks

In the Great East Japan Earthquake of March 2011, the Kawagoe Plant suffered no severe damage but a tremor with a seismic intensity of lower 5 required a temporary evacuation of all employees. Fortunately, no damage was caused to the plant, and we took the necessary actions in response to the situation, such as shifting to night-time production in response to production stoppages by automobile manufacturers and planned power outages. Having keenly realized the importance of prompt and efficient business recovery we have since established a BCP crisis management program as part of our Midterm Consolidated Management Plan and built an organization capable of responding to contingencies.

In addition to earthquakes, the EXEDY Group also recognizes climate change as an important environmental issue, including the increasing severity and frequency of extreme weather events. Concerning climate-related risks, the Sustainability Committee, a meeting body that formulates the Company's sustainability action plan and manages the progress and other matters, plays a central role in analyzing scenarios, evaluating and identifying risks, and managing the progress of response measures. The status of our responses to major risks is as follows. The risk of sales decline due to the suspension of sales of internal combustion engine vehicles, etc. is discussed at the Management Committee and Board of Directors meetings, leading to the formulation of a long-term vision and the strengthening of the product development system. Regarding the risk of increased direct costs from the introduction of renewable energy due to stricter government regulations, the Sustainability Working Group is researching and studying measures to address this issue, including gathering information on renewable energy options. Concerning the risk of supply chain disruptions due to floods, etc., the Risk Management Committee and other committees discussed and promoted business continuity plans that include suppliers.

2. Initiatives Regarding Information Security

Our Basic Approach

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

Initiatives for Information Management

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

3. Initiatives Regarding Compliance Risk

Through our business activities in different regions around the world, we have learned that prompt and reliable compliance with the laws and regulations of each country and transparent management are essential for earning the trust of our stakeholders.

Furthermore, it is essential to respect human rights, to consider the health and working environment of employees, to treat employees fairly and appropriately, and to conduct fair and appropriate business transactions with suppliers to ensure better compliance.

And to prevent compliance violations, it's necessary to raise each employee's awareness of ethics and norms.

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

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

Early Detection and Correction of Problems through the Internal Reporting System

In the unlikely event of a serious compliance violation, we will report it to the Board of Directors and consider countermeasures.

The reporting desk also collects information internally and externally and promptly responds to problems as they arise.

Internal Consultation/Reporting Reception System

In addition to an internal reporting desk, the Company has established a consultation service for the entire Group concerning ethics in business conduct. In addition, the "EXEDY Hotline" has been established to allow employees to consult and report directly to outside attorneys for the prevention and early detection of misconduct and other illegal activities. To ensure that all employees are fully aware of the above, the EXEDY Code of Conduct, which is distributed to all Group employees, clearly specifies the contact point for consultation and raises awareness of compliance issues.

[Internal Consultation Desk]

Handles any matters regarding the Code of Conduct, ethical issues, working environment, etc.

Phone numbers and email addresses can be found in the Code of Conduct.

[Internal Reporting Desk]

Handles violations of laws and company regulations.

Phone and fax number and email address can be found in the Code of Conduct.

[External Consultation and Whistleblowing Contact "EXEDY Hotline"]

An external lawyer's office can be contacted by telephone, email, or letter.

Phone number, address, and email address can be found in the Code of Conduct.

4. Respect for Human Rights

Our Approach

Respect for human rights is the foundation of our business activities, and we recognize that we are required to have a deep understanding of and appropriate responses to human rights issues related to the countries and businesses in which we operate.

EXEDY Group Human Rights Policy

The EXEDY Group Human Rights Policy was formulated in March 2022 after deliberation and approval by the Management Committee.

This human rights policy is based on the United Nations Guiding Principles on Business and Human Rights (hereinafter referred to as the UN Guiding Principles) and is established to ensure that the EXEDY Group, as a global enterprise, respects human rights and complies with relevant laws and regulations in the countries where we operate, and is positioned as the highest policy in our business activities.

For more information, please refer to this page.

Respect for Human Rights / EXEDY Corporation (exedy.com)

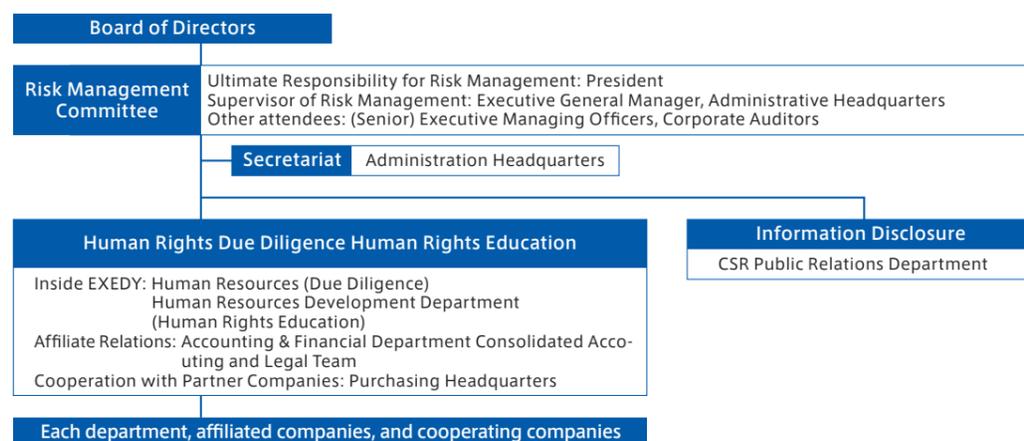
<https://www.exedy.com/ja/csr/rights.html> (Japanese only)

Promotion System

In EXEDY, we have assigned oversight responsibility for respect for human rights to our Risk Management Committee.

In the committee, the President & CEO is ultimately responsible for risk management, and the Representative Director and Senior Executive Managing Officer of the Administrative Headquarters is responsible for overall risk management, deliberating and deciding on systems and activity plans related to respect for human rights.

Also, the Administrative Headquarters serves as the secretariat for these initiatives and promotes them in cooperation with related departments.



Initiatives

1. Human Rights Due Diligence

In FY2021, we have set the risk of forced labor in "foreign technical training" as the top priority issue, in light of the increasing movement around the world to protect the rights of migrant workers, such as the Modern Slavery Act, the growing public concern in Japan over foreign technical trainees, and the recognition of the challenge by our shareholders, customers, etc.

1) Actual conditions of acceptance for foreign technical intern training

First, we conducted a survey of all EXEDY companies in Japan regarding the actual status of acceptance of supervising-organization-type technical intern trainees.

As of the end of June 2022, a total of 124 students were accepted by three EXEDY companies.

Breakdown: There were 100 trainees from the Philip-pines (1 company) and 24 from Vietnam (2 companies).

2) Self- and on-site audits regarding technical intern training (supervising-organization-type)

We then conducted self-audits and on-site audits of all three companies that accept supervising-organization-type technical intern trainees. In the self-audits, of the items audited by OTIT, 11 items related to human rights violations were conducted. In addition, in the on-site audits, interviews with trainees, inspections of work-places and accommodations, inspections of operations (safety and health considerations), treatment (accommodations, etc.), and protective measures (assaults and other illegal acts, etc.) were also conducted. As a result of both audits, no violations leading to hu-man rights violations were found. However, for the 24 Vietnamese trainees, it was confirmed that the number of expenses incurred by the trainees before coming to Japan was high compared to local prices, although it was within the scope of local regulations (maximum fee of US\$3,600 and maximum advance education fee of 5.9 million Vietnamese dong).

3) Rectification

Because of the high-cost burden, combined with the recent depreciation of the JPY, there is a risk that it could cause workers in debt. Therefore, in cooperation with the supervisory organization and our group companies, we are considering hiring trainees from the Philippines or Indonesia, where the cost burden is lower than in Vietnam.

2. Education

Since the establishment of the new EXEDY Group Human Rights Policy in March 2022, we have conducted human rights training in October 2022 for all EXEDY's and ten domestic affiliates' employees (including directors, associate employees, contract employees, and technical interns), intending to deepen their understanding of our efforts to respect human rights. The training will cover topics such as society's and our company's efforts to respect human rights, risks of harassment and other human rights violations that need to be recognized, and human rights due diligence. The training is conducted online so that trainees can take the course at their convenience, and a comprehension test is given afterward to ensure an understanding of the training content.

3. Consultation Service

We have established a consultation and reporting desk for human rights issues for the entire Group.

In addition, we have established the "EXEDY Hotline," a counter where employees can consult and report directly to outside attorneys, to prevent and detect human rights issues as well as other issues at an early stage.

To ensure that all employees are aware of this, we specify the Consultation Desk in the EXEDY Code of Conduct, which is distributed to all group members, to raise awareness of our commitment toward respect for human rights.

Furthermore, we clearly state that we will protect the privacy of the person consulting or reporting and that we will not take any disadvantageous action because the person consulted or reported.

Chapter

6

Financial and Corporate Information

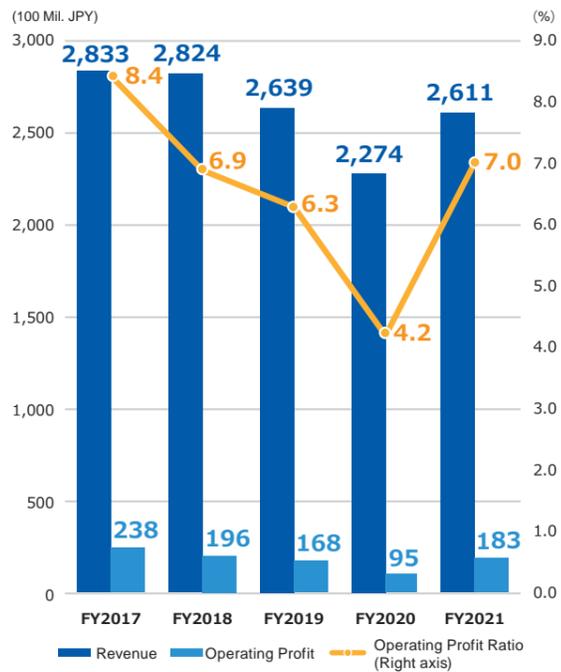
EXEDY creates value in both financial and non-financial aspects through its business activities.

1. Financial and Non-Financial Highlights 60
2. Financial and Non-Financial Summary..... 62
3. Financial Review 64
4. Environmental Reports 71
5. Company and Stock Information74

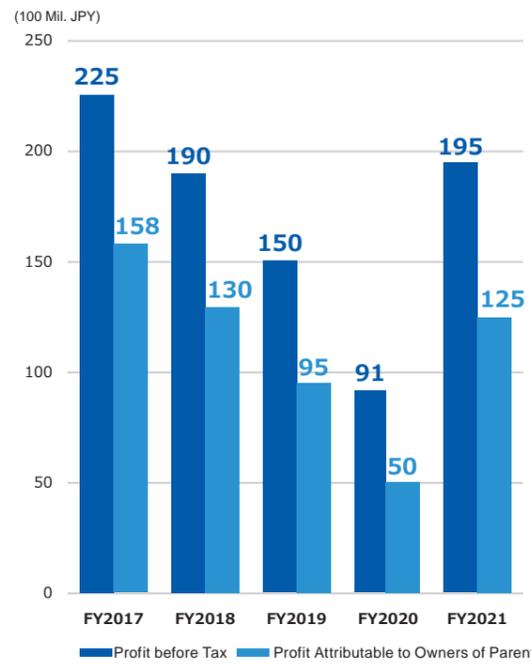


1. Financial and Non-Financial Highlights

Revenue/Operating Profit/Operating Profit Ratio



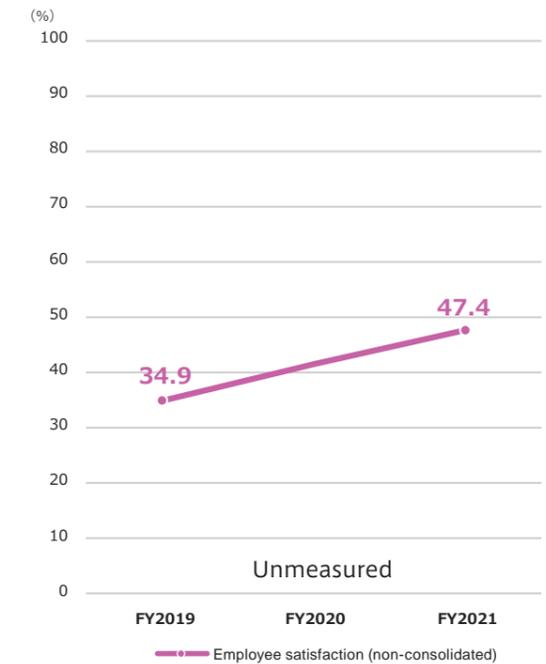
Profit before Tax/Profit Attributable to Owners of Parent



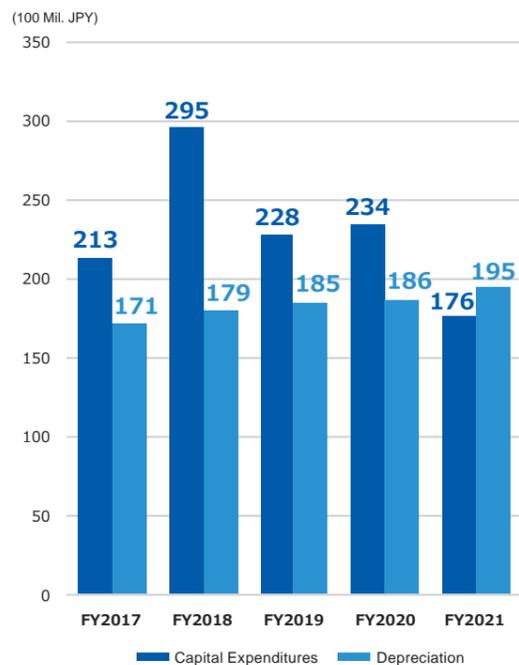
CO2 emissions/CO2 emissions per unit of net sales



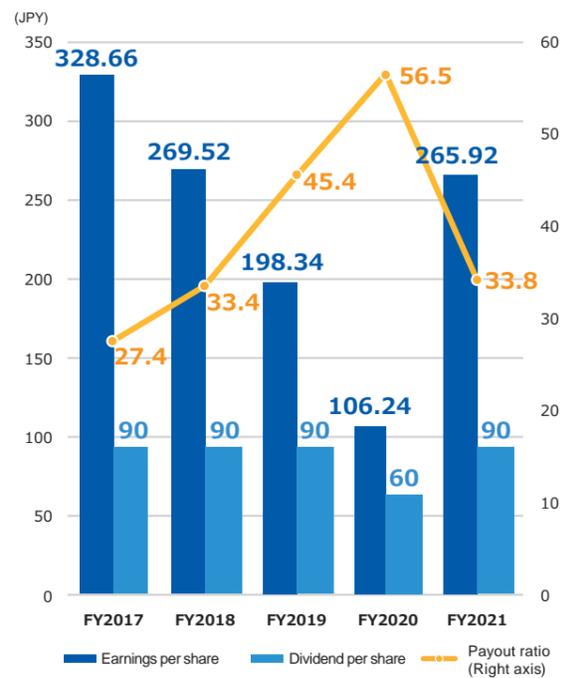
Employee satisfaction (non-consolidated)



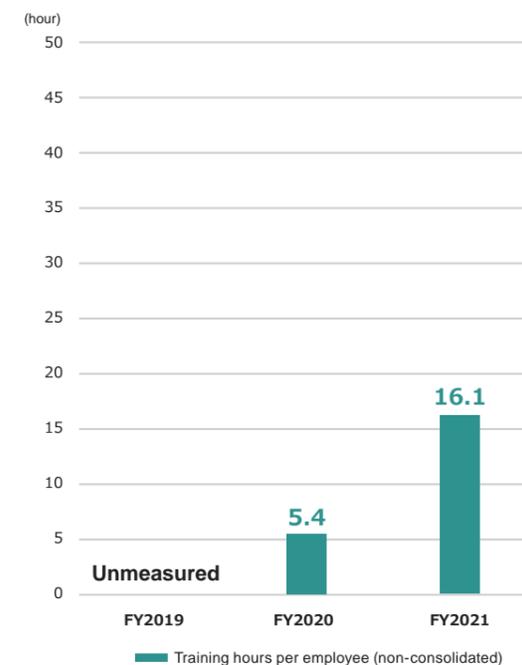
Capital Expenditures / Depreciation



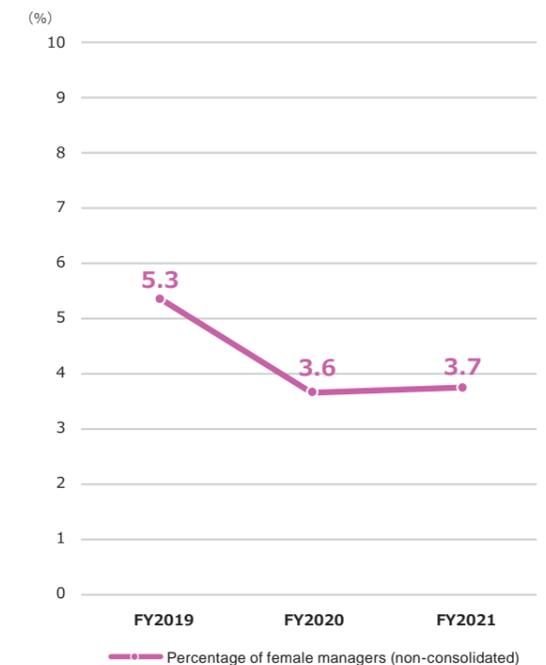
Earnings per share/Dividend per share/Payout ratio



Training hours per employee (non-consolidated)



Percentage of female managers (non-consolidated)



2. Financial and Non-Financial Summary

Financial Summary		FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)	FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)	FY2021 (Fiscal year ended March 31, 2022)	(Unit)
Revenue	(Consolidated)	283,319	282,398	263,899	227,420	261,095	Mil. JPY
Overseas Sales Revenue Ratio	(Consolidated)	53.9	53.8	52.7	53.1	54.5	%
Operating Profit	(Consolidated)	23,808	19,626	16,751	9,513	18,328	Mil. JPY
Profit Before Taxes	(Consolidated)	22,499	19,039	14,964	9,066	19,467	Mil. JPY
Profit attributable to owners of parent	(Consolidated)	15,791	12,967	9,492	4,983	12,477	Mil. JPY
Comprehensive income attributable to owners of parent	(Consolidated)	15,335	13,113	3,854	10,481	21,074	Mil. JPY
Equity attributable to owners of parent	(Consolidated)	191,455	200,153	196,938	203,927	221,756	Mil. JPY
Total Assets	(Consolidated)	307,385	311,975	301,019	312,741	332,785	Mil. JPY
Total Equity	(Consolidated)	203,631	212,026	208,709	216,730	236,023	Mil. JPY
Capital Investment	(Consolidated)	21,261	29,477	22,825	23,365	17,578	Mil. JPY
Amortization Expenses	(Consolidated)	17,104	17,882	18,464	18,563	19,463	Mil. JPY
R&D Expenditure	(Consolidated)	5,768	5,726	5,862	5,292	5,787	Mil. JPY
R&D to Revenue	(Consolidated)	2.0	2.0	2.2	2.3	2.2	%
EPS (Basic Earnings per Share)	(Consolidated)	328.66	269.52	198.34	106.24	265.92	JPY
BPS (Net Assets per Share)	(Consolidated)	3,984.29	4,157.72	422.17	4,347.73	4,725.44	JPY
Dividend	(Consolidated)	90	90	90	60	90	JPY
Dividend Payout Ratio	(Consolidated)	27.4	33.4	45.4	56.5	33.8	%
Ratio of equity attributable to owners of the parent	(Consolidated)	62.3	64.2	65.4	65.2	66.6	%
Return on equity attributable to owners of parent	(Consolidated)	8.5	6.6	4.8	2.5	5.9	%
Price-earnings ratio	(Consolidated)	10.21	8.90	8.06	15.75	5.92	times
Cash flows from operating activities	(Consolidated)	33,006	31,760	36,103	30,105	28,434	Mil. JPY
Cash flows from investing activities	(Consolidated)	△ 22,921	△ 27,763	△ 26,515	△ 16,765	△ 15,494	Mil. JPY
Cash flows from financing activities	(Consolidated)	△ 7,616	△ 3,260	△ 8,638	△ 8,450	△ 10,540	Mil. JPY
Free cash flows	(Consolidated)	10,085	3,997	9,588	13,340	12,940	Mil. JPY
Cash and cash equivalents at end of period	(Consolidated)	44,698	45,413	45,416	51,567	55,407	Mil. JPY
Operating Profit Ratio	(Consolidated)	8.4	6.9	6.9	4.2	7.0	%
ROE (Return on equity attributable to owners of parent)	(Consolidated)	8.5	6.6	4.8	2.5	5.9	%
Exchange Rate		110.81	110.69	109.10	106.17	112.86	US dollar

Non-Financial Summary		FY2017 (Fiscal year ended March 31, 2018)	FY2018 (Fiscal year ended March 31, 2019)	FY2019 (Fiscal year ended March 31, 2020)	FY2020 (Fiscal year ended March 31, 2021)	FY2021 (Fiscal year ended March 31, 2022)	(Unit)
Number of Employees	(Consolidated)	18,621	18,116	17,355	16,253	15,740	people
Male employees		13,775	13,802	13,236	12,488	12,058	people
Female employees		4,846	4,314	4,119	3,765	3,682	people
Female employees ratio		26.0	23.8	23.7	23.2	23.4	%
Number of Employees	(Non-Consolidated)	3,874	3,948	3,798	3,657	3,533	people
Male employees		3,314	3,363	3,262	3,169	3,071	people
Female employees		560	585	536	488	462	people
Female employees ratio		14.5	14.8	14.1	13.3	13.1	%
Number of Managers	(Non-Consolidated)	-	123	132	137	135	people
Male managers		-	116	125	132	130	people
Female managers		-	7	7	5	5	people
Female managers ratio		-	5.7	5.3	3.6	3.7	%
Employee Satisfaction	(Non-Consolidated)	-	-	34.9	-	47.4	%
Training hours per employee	(Non-Consolidated)	-	-	-	5.4	16.1	h/year
Total Working Hours	(Non-Consolidated)	2,139	2,131	2,021	1,688	1,898	hour
Paid Leave Utilization Rate	(Non-Consolidated)	55.7	69.1	77.7	72.9	76.3	%
Number of Accidents resulting in work leave	(Consolidated)	-	14	19	16	10	case
Accidents resulting in work leave frequency rate		-	0.43	1.12	0.35	0.71	※
Total CO2 Emissions	(Consolidated)	-	-	252,658	217,057	218,354	t-CO2
Emissions per sales index		-	-	95.7	95.4	83.6	t-CO2/100 Mil. JPY
Waste emissions	(Consolidated)	-	-	20,982	16,509	18,619	t
Emissions per sales index		-	-	7.95	7.26	7.13	t/100 Mil. JPY

※ Accidents resulting in work leave frequency rate
= Number of deaths and injuries due to occupational accidents ÷ total actual working hours × 1 million hours

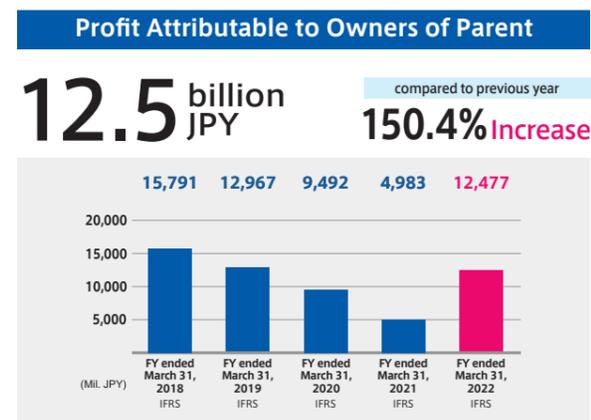
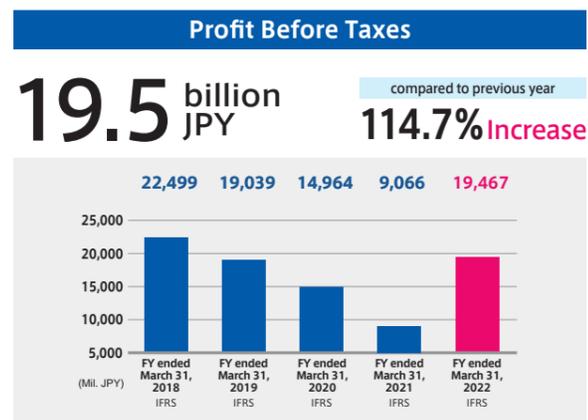
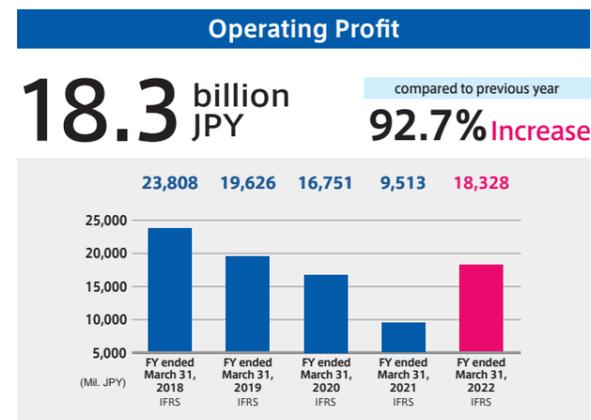
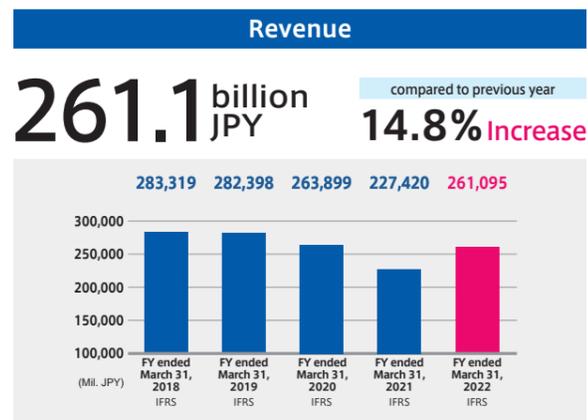
3. Financial Review

Overview of Operating Results for the Fiscal Year Ended March 31, 2022

In the fiscal year ended March 31, 2022 (hereinafter referred to as the current fiscal year), despite lockdowns and emergency declarations due to the resurgence of COVID-19 in some countries and regions, economic activity showed a certain recovery and sales revenue increased significantly. Profitability increased despite the effects of the global surge in raw material prices, semiconductor shortages, and supply chain disruptions, due to higher revenue and

profit, as well as group-wide efforts to improve overall management efficiency, including higher asset utilizations and overhead cost reductions.

For the current consolidated fiscal year, we reported sales revenue of 261.1 billion JPY (+14.8% y-o-y), operating income of 18.3 billion JPY (+92.7% y-o-y), profit before tax of 19.5 billion JPY (+114.7% y-o-y) and profit attributable to owners of the parent of 12.5 billion JPY (+150.4% y-o-y).



Overview by Segment

MT (Manual Transmission Related Business)

Revenue was 65.0 billion JPY (+26.6% y-o-y). Segment profit was 7.9 billion JPY (+45.2% y-o-y), mainly due to the increase in revenue, despite the soaring cost of raw materials and other factors.

AT (Automatic Transmission Related Business)

Revenue was 168.5 billion JPY (+9.4% y-o-y). Segment profit was 8.6 billion JPY (+211.6% y-o-y), mainly due to the increase in revenue and the absence of impairment losses recorded in the previous year at the Mexican subsidiary, despite soaring raw material prices and other factors.

Other

Revenue was 27.6 billion JPY (+25.2% y-o-y). Segment profit was 2.0 billion JPY (+90.5% y-o-y) due to the increase in revenue, despite the soaring cost of raw materials.

Overview by Region

Japan

Revenue was 118.9 billion JPY (+11.5% y-o-y). Operating profit was 11.2 billion JPY (+98.2% y-o-y) due to the increase in revenue, despite the soaring cost of raw materials and other factors.

North and Central America

Revenue was 42.3 billion JPY (+16.7% y-o-y). Despite the increase in sales revenue and the absence of the above-mentioned impairment loss recorded by the Mexican subsidiary in the previous fiscal year, operating loss amounted to 1.3 billion JPY (4.6 billion JPY operating loss in the same period of the previous year).

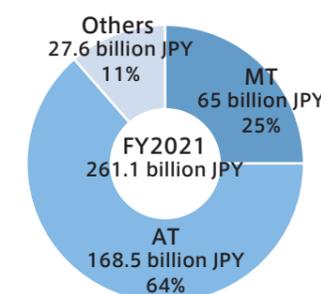
Asia and Oceania

Revenue was 92.1 billion JPY (+17.5% y-o-y). Operating profit was 9.1 billion JPY (+22.6% y-o-y) due to the increase in revenue, despite the soaring cost of raw materials and other factors.

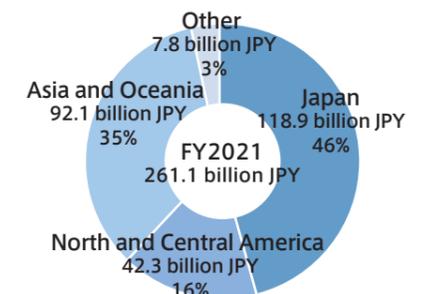
Other

Revenue was 7.8 billion JPY (+26.2% y-o-y), and operating profit was 0.6 billion JPY (+54.4% y-o-y) due to the increase in revenue, despite the soaring cost of raw materials and other factors.

Sales Composition Ratio by Business Segment (Reference)



Sales Composition Ratio by Region (Reference)



* Revenue refers to sales to external customers.

3. Financial Review

Overview of Financial Position as of March 31, 2022

Total assets at the current fiscal year-end were 332.8 billion JPY (312.7 billion JPY at the previous fiscal year-end), an increase of 20 billion JPY (6.4%) year-on-year. The main components were a 7.6 billion JPY increase in trade and other receivables, a 7.3 billion JPY increase in inventories, and a 3.8 billion JPY increase in cash and cash equivalents. Total liabilities were 96.8 billion JPY (96.0 billion JPY at the previous fiscal year-end), an increase of 0.8 billion JPY (0.8%) year-on-year. The main components were a 4.4 billion JPY decrease in bonds and borrowings due to repayment of debt and a 2.5 billion JPY increase in accrued income taxes. Total equity

Overview of Cash Flows

Cash flow provided by operating activities in the current consolidated fiscal year was 28.4 billion JPY, a decrease of 1.7 billion JPY (5.5%) from the previous consolidated fiscal year (30.1 billion JPY).

It was mainly due to a 5.0 billion JPY decrease in inventories, a 5.0 billion JPY decrease in impairment losses, and a 3.0 billion JPY decrease in trade and other receivables, despite a 10.4 billion JPY increase in pre-tax profit from higher revenue.

Cash flow used in investing activities was 15.5 billion JPY, a decrease of 1.3 billion JPY (7.6%) from the previous fiscal year (16.8 billion JPY). It was mainly due to a 0.5 billion JPY increase in purchase of intangible assets,

Future Outlook

In the first half of the fiscal year ending March 31, 2023, net sales increased 12.0% year on year to 138.2 billion JPY due to an increase in foreign currency-denominated sales resulting from the weaker JPY and the passing on of higher raw material prices to customers, despite a decrease in orders received due to the lockdown in China and semiconductor shortages.

In terms of profit, operating income decreased 58.8% to 3.6 billion JPY due to a decrease in orders received and an increase in raw material prices.

Net income attributable to shareholders of the parent company was 3.9 billion JPY, down 34.8% from the same period of the previous fiscal year. In the second half of the fiscal year ending March 31, 2023, we expect net sales to increase 17.1% from the first half to 161.8 billion JPY due to increased orders in China and Japan, foreign exchange effects, and the passing on of higher raw material prices to customers. On the other hand, in terms of profit, al-

was 236.0 billion JPY (216.7 billion JPY at the previous fiscal year-end), an increase of 19.3 billion JPY (8.9%) year-on-year. The main components were an increase in retained earnings of 9.3 billion JPY (an increase of 12.5 billion JPY due to profit attributable to owners of the parent and a decrease of 3.3 billion JPY due to appropriation of retained earnings (dividends)) and an increase in other components of equity of 8.5 billion JPY due to the depreciation of Japanese yen in exchange rates. The ratio of equity attributable to owners of the parent was 66.6%, up from 65.2% at the previous fiscal year-end.

and a 2.7 billion JPY decrease in purchase of tangible fixed assets. Cash flow used in financing activities was 10.5 billion JPY, an increase of 2.1 billion JPY (24.7%) from the previous fiscal year (8.5 billion JPY). It was mainly due to a 2.5 billion JPY increase in expenditures resulting from the balance of borrowings and repayments. In addition to the above, there was an increase of 1.4 billion JPY (an increase of 1.3 billion JPY in the previous consolidated fiscal year) due to the effect of exchange rate changes on cash and cash equivalents. Cash and cash equivalents were 55.4 billion JPY, up 3.8 billion JPY (7.4%) from the previous consolidated fiscal year end (51.6 billion JPY).

though material and subcontracting costs are expected to deteriorate due to further increases in raw material prices, operating income is projected to increase 51.9% from the first half to 5.4 billion JPY due to the impact of increased orders. Net income attributable to owners of the parent is projected to decrease 6.1% from the first half to 3.6 billion JPY, as foreign exchange gains recorded in the first half are not expected in the second half.

As a result of the above, for the fiscal year ending March 31, 2023, we forecast revenue of 300 billion JPY (up 14.9% from the current fiscal year), operating income of 9 billion JPY (down 50.9%), income before income taxes of 11 billion JPY (down 43.5%), and net income attributable to shareholders of the parent company of 7.5 billion JPY (down 39.9%). The above consolidated earnings forecast for the fiscal year ending March 31, 2023, which was announced on October 31, 2022, remains unchanged. We assume an exchange rate of 140 JPY per U.S. dollar.

Consolidated Statement of Financial Position

(Mil. JPY)

	previous fiscal year (March 31, 2021)	current fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	51,567	55,407
Trade and other receivables	46,249	53,824
Other financial assets	1,777	1,974
Inventories	34,399	41,726
Other current assets	2,702	2,262
Total Current Assets	136,695	155,192
Non-current assets		
Property, plant and equipment	163,963	162,964
Goodwill and intangible assets	2,648	2,802
Investments accounted for using equity method	155	195
Investments in equity instruments	2,349	3,305
Other financial assets	116	45
Deferred tax assets	4,677	6,022
Retirement benefit asset	1,193	1,233
Other non-current assets	945	1,027
Total Non-current Assets	176,046	177,593
Total Assets	312,741	332,785
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	18,514	10,381
Trade and other payables	35,886	36,093
Other financial liabilities	566	594
Income taxes payable	1,525	4,005
Employee benefits accruals	1,669	1,954
Provisions	2,294	2,240
Other current liabilities	2,334	3,636
Total current liabilities	62,788	58,903
Non-current liabilities		
Bonds and borrowings	23,752	27,533
Other financial liabilities	789	879
Retirement benefit liability	6,613	6,724
Deferred tax liabilities	887	1,245
Other non-current liabilities	1,182	1,479
Total non-current liabilities	33,222	37,859
Total liabilities	96,011	96,762
Equity		
Share Capital	8,284	8,284
Capital Surplus	7,571	7,555
Treasury Shares	△ 3,822	△ 3,768
Other components of equity	△ 984	7,524
Retained Earnings	192,878	202,160
Total equity attributable to owners of parent	203,927	221,756
Non-controlling interests	12,803	14,267
Total Equity	216,730	236,023
Total liabilities and equity	312,741	332,785

3. Financial Review

Consolidated Statement of Cash Flows

(Mil. JPY)

	previous fiscal year (April 1, 2020 to March 31, 2021)	current fiscal year (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit Before Taxes	9,066	19,467
Depreciation and amortization	18,563	19,463
Impairment losses	5,090	103
Interest and dividend income	△ 243	△ 281
Interest expenses	819	776
Share of loss (profit) of investments accounted for using equity method (△=profit)	△ 8	△ 20
Foreign exchange loss (gain) (△=profit)	△ 61	△ 15
Decrease (increase) in inventories (△=increase)	776	△ 4,186
Decrease (increase) in trade and other receivables (△=increase)	△ 1,640	△ 4,676
Increase (decrease) in trade and other payables (△=decrease)	912	△ 165
Other	1,910	2,245
Subtotal	35,182	32,710
Interest and dividends received	268	265
Interest paid	△ 837	△ 804
Income taxes paid	△ 4,508	△ 3,737
Cash flows from operating activities	30,105	28,434
Cash flows from investing activities		
Payments into time deposits	△ 192	△ 844
Proceeds from withdrawal of time deposits	238	909
Purchase of property, plant and equipment	△ 16,665	△ 13,653
Proceeds from sales of property, plant and equipment	117	66
Purchase of intangible assets	△ 335	△ 866
Other	71	△ 1,107
Cash flows from investing activities	△ 16,765	△ 15,494
Cash flows from financing activities		
Proceeds in short-term loans payable	6,213	16,837
Repayments in short-term loans payable	△ 6,453	△ 16,698
Proceeds from long-term loans payable	2,851	10,392
Repayments of long-term loans payable	△ 6,148	△ 16,548
Dividends paid	△ 3,517	△ 3,285
Other	△ 1,396	△ 1,237
Cash flows from financing activities	△ 8,450	△ 10,540
Effect of exchange rate changes on cash and cash equivalents	1,261	1,439
Net increase (decrease) in cash and cash equivalents (△=decrease)	6,151	3,840
Cash and cash equivalents at beginning of period	45,416	51,567
Cash and cash equivalents at end of period	51,567	55,407

4. Environmental Reports (EXEDY)

Environment Accounting

Cost of Environmental Conservation for the 2021 Fiscal Year (Mil. JPY)

Item	Investment	Cost	Details
Anti-pollution Measures	1	87	Wastewater treatment facilities, installation of environmental equipment
Preservation of the Global Environment	52	34	Solar panels, LED lighting, air conditioning upgrade
Recycling Natural Resources	0	106	Waste Disposal, Recycling Processing
Management Activities	0	11	Environmental month events, ISO periodic audits
Research Activities	0	2,899	Fuel efficient products, development of recycled materials, and weight reduction
Social Activities	0	5	Greening of business offices, environmental education
Total	53	3,141	

Environmental Conservation Cost (Mil. JPY)

	FY2017	FY2018	FY2019	FY2020	FY2021
Investment	156	60	47	258	53
Cost	2,986	3,292	3,146	2,938	3,141
Total	3,142	3,352	3,193	3,196	3,194

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

Economic Benefits	FY2017	FY2018	FY2019	FY2020	FY2021
Cost of Waste Disposal	64	83	94	43	50
Sale of valuables	651	796	512	548	1,180

(tons of CO₂)

Quantity Effect	FY2017	FY2018	FY2019	FY2020	FY2021
*CO ₂ Emissions	69,321	71,164	62,223	48,593	47,935
Volume of valuables sold	33,171	34,595	33,529	29,494	28,916

Amount of Industrial Waste Discharged	Reduction and Recycling	FY2017	FY2018	FY2019	FY2020	FY2021
		2,950	3,119	2,813	2,081	2,351
	Final disposal (landfill)	160	137	128	123	256

* CO₂ conversion factor: Based on FY2017-18 Voluntary Action Plan for the Environment, JAPIA (0.453 t-CO₂/thousand kWh)
From FY2019 onward, adjusted CO₂ conversion factors (residuals) by electric vehicle are used.
(<https://ghg-santeikohyo.env.go.jp/calc/denki>)

Material Balance

Amount used and purchased

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Electricity	thousand kWh	146,721	150,999	139,553	115,363	122,494
Kerosene	KL	170	140	120	112	140
Gasoline	KL	91	85	75	25	36
Diesel	KL	129	165	166	75	127
City gas	thousand m ³	53	35	31	23	22
LPG	t	595	552	509	435	461

Item	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Steel	t	129,345	131,677	127,816	110,193	112,939
Casting	t	11,804	11,519	10,652	8,606	8,636
Forging	t	16,012	16,515	15,134	12,794	14,603
Friction Materials	Mil. Facings	11.8	11	10.1	8.3	7.4
Tap Water	1000 m ³	131	134	132	100	110
Industrial Water	1000 m ³	114	104	104	80	75

Amount Recycled

Scrap (Recycling)	FY2017	FY2018	FY2019	FY2020	FY2021
Within EXEDY	13,196	12,874	11,376	9,900	12,204

Amount of Chemical Substances Discharged and Transferred

PRTR Subject Chemical Substance (FY2021)

Location	No.	Class I Designated Chemical Substance Name	Amount Discharged Atmospheric Emissions	Consumed	Transferred	
					Industrial Waste	Other
Headquarters	80	Xylene	980	0	0	0
	384	1-Bromopropane	2,100	0	0	0
	20	Ethanolamine	0	0	0	0
Ueno Division	80	Xylene	14	0	0	0
	151	1,3-Dioxolane	1,000	0	0	0
	296	1,2,4-Trimethylbenzene	8	0	0	0
	384	1-Bromopropane	26,000	0	0	0

*Kawagoe Plant, Hiroshima Plant: not applicable

Emissions to the atmosphere

VOCs emissions (unit: kg)	FY2021	Nox emissions	SOx emissions
FY2021	32,287	Headquarters 0.017	No applicable facilities
		Ueno Division 0.224*1	0.062*2

VOCs emissions
Target substances: Substances with a boiling point of less than 150°C among the substances reported under the PRTR Law and those with a boiling point of 150°C or higher for painting, cleaning, and adhesive purposes.
Target facilities: Facilities notified under the PRTR Law

NOx, SOx emissions
Sulfur Oxide (SOx) emissions (t) = SOx concentration (ppm) x 10⁻⁶ x dry gas emissions (Nm³/h) x facility annual operating hours (h) x 64/22.4 x 10⁻³
Nitrogen Oxide (NOx) emissions (t) = Amount of NOx per hour (Nm³/h) x facility annual operating hours (h) x 46/22.4 x 10⁻³

*1 Result: Less than 5ppm detection limit → Calculated as 5ppm
*2 Result: Less than 1ppm detection limit → Calculated as 1ppm

Legal compliance status and monitoring measurement results

Item / Division	Headquarters	Ueno Division	Kawagoe Plant	Hiroshima Plant
Air	OK	OK	-	-
Water	OK	OK	-	-
Noise	-	OK	OK	OK
Vibration	OK	-	-	OK
Manifest Delivery Status	OK	OK	OK	OK
Waste	Disposal site Not checked due to COVID-19			
	Waste residue analysis	OK	-	-
Groundwater pumping volume	Reported	-	-	-
Freon	OK: Simple/Periodical measurement leakage less than 1t			
Chemical substance usage/transfer (PRTR)	Reported	Reported	-	-

* means that these locations are not obliged to report or measure their operations

Penalties and fines for exceeding standards, violating laws, etc.

During the subject period, no penalties were applied or associated costs paid due to exceeding standards or violations of laws and regulations.

Regarding Environmental Reports

This report covers the domestic production bases: EXEDY Headquarters, Ueno Division, Kawagoe Plant and Hiroshima Plant.

Preparing this report, we referred to the Environmental Report Guideline (2018 Edition) issued by the Ministry of the Environment.

The report covers the period from April 1, 2021 to March 31, 2022. However, matters from other periods that were deemed necessary, have been included as well.

4. Environmental Reports (Global*)

GHG data

*The scope of each data is as follows
 FY2019: EXEDY and 34 domestic/overseas affiliates
 FY2020: EXEDY and 28 domestic/overseas affiliates
 FY2021: EXEDY and 37 domestic/overseas affiliates

(Unit: tons of CO2)

CO2 Emissions (by Scope)	Market-based		
	FY2019	FY2020	FY2021
the Entire Group (Scope1)	36,282.18	31,890.49	33,734.59
the Entire Group (Scope2)	216,375.50	185,166.76	184,619.56
the Entire Group (Scope1+2)	252,657.68	217,057.25	218,354.15

CO2 Emissions (by Country)	Location-based		
	FY2019	FY2020	FY2021
Australia	-	-	222.46
China	46,565.49	48,758.66	48,174.19
Hungary	2,641.38	2,368.15	2,814.55
India	21,919.29	18,286.94	19,624.96
Indonesia	5,000.81	3,178.93	3,978.19
Japan	123,964.81	100,794.75	107,594.13
Malaysia	1,356.18	1,177.96	1,265.52
Mexico	7,104.64	4,145.04	4,264.80
Panama	-	-	42.73
Singapore	22.54	-	25.01
Thailand	24,544.23	20,973.68	22,935.83
United Arab Emirates	46.03	-	52.07
United Kingdom	75.82	-	66.92
United States of America	31,127.79	27,680.23	25,071.10
Vietnam	1,763.47	1,733.41	2,028.83
Total	266,132.48	229,097.75	238,161.28

CO2 Emissions (by Country)	FY2019	FY2020	FY2021
Australia	-	-	222.46
China	40,450.68	41,890.48	44,591.34
Hungary	2,997.42	2,770.68	2,759.36
India	18,077.88	14,063.81	11,453.35
Indonesia	5,664.38	3,600.20	4,533.67
Japan	115,840.04	91,594.61	95,082.48
Malaysia	1,356.18	1,177.96	1,265.52
Mexico	7,510.35	5,102.39	4,536.39
Panama	-	-	42.73
Singapore	22.54	-	25.01
Thailand	22,618.90	21,036.99	22,518.32
United Arab Emirates	44.35	0	50.41
United Kingdom	75.82	0	66.92
United States of America	36,235.69	34,086.71	29,177.37
Vietnam	1,763.47	1,733.41	2,028.83
Total	252,657.68	217,057.25	218,354.15

CO2 Emissions (by Country)	FY2019	FY2020	FY2021
Australia	-	-	222.46
China	46,565.49	48,758.66	48,174.19
Hungary	2,641.38	2,368.15	2,814.55
India	21,919.29	18,286.94	19,624.96
Indonesia	5,000.81	3,178.93	3,978.19
Japan	123,964.81	100,794.75	107,594.13
Malaysia	1,356.18	1,177.96	1,265.52
Mexico	7,104.64	4,145.04	4,264.80
Panama	-	-	42.73
Singapore	22.54	-	25.01
Thailand	24,544.23	20,973.68	22,935.83
United Arab Emirates	46.03	-	52.07
United Kingdom	75.82	-	66.92
United States of America	31,127.79	27,680.23	25,071.10
Vietnam	1,763.47	1,733.41	2,028.83
Total	266,132.48	229,097.75	238,161.28

Other GHG Emissions (CH4, N2O, CFCs)	FY2019	FY2020	FY2021
the Entire Group (Scope1)	745.18	1,347.54	1,303.41

Other GHG Emissions (CH4, N2O, CFCs)	FY2019	FY2020	FY2021
the Entire Group (Scope1)	745.18	1,347.54	1,303.41

CO2 Conversion Factor

CO2 conversion factor of electricity (Market-based)

Unit:t-CO2/MWh

Country	FY2019	Country	FY2020	Country	FY2021
China	0	China	0	China	0
Hungary	0.328	Hungary	0.328	Hungary	0.218
India	0.726	India	0.710	India	0.850
Indonesia	0.870	Indonesia	0.870	Indonesia	0.870
Mexico	0.505	Mexico	0.494	Mexico	0.423
Thailand	0.410	Thailand	0.480	Thailand	0.496
United States of America	0.356	United States of America	0.271	United States of America	0.774
Japan	0.656	Japan	0.601	Japan	0.550
	0.528		0.522		0.457
	0.455		0.442		0.443
	0.452		0.426		0.379
	0.334		0.318		0.351
	0.636		0.585		0.521
					0.595
					0.364

CO2 conversion factor of electricity (Location-based)

Unit:t-CO2/MWh

Country	FY2019	FY2020	FY2021
Australia	0.747	0.709	0.685
China	0.631	0.637	0.623
Hungary	0.266	0.252	0.227
India	0.728	0.745	0.722
Indonesia	0.767	0.767	0.762
Japan	0.517	0.496	0.487
Malaysia	0.650	0.659	0.662
Mexico	0.477	0.400	0.397
Panama	0.758	0.663	0.709
Singapore	0.395	0.389	0.385
Thailand	0.484	0.479	0.461
United Arab Emirates	0.533	0.520	0.505
United Kingdom	0.246	0.229	0.208
United States of America	0.421	0.410	0.382
Vietnam	0.474	0.553	0.649

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

by Fuel Type	CO2 conversion factor	Unit	Notes
Petroleum	2.321660	t-CO2/kl	Source: Ministry of the Environment: List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication System (https://ghg-santeikohyo.env.go.jp/)
Kerosene	2.489483	t-CO2/kl	
Diesel	2.584963	t-CO2/kl	
LPG	2.998893	t-CO2/t	
City gas	2.234027	t-CO2/1,000Nm3	
Bunker A	2.709630	t-CO2/t	
Natural gas	2.217050	t-CO2/1,000Nm3	

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

Electric Power Data

Unit:MWh

by country	FY2019	FY2020	FY2021
Australia	-	-	222.25
China	68,089.12	71,436.93	72,049.28
Hungary	5,705.74	5,296.47	5,748.96
India	26,398.58	22,170.24	24,508.86
Indonesia	6,467.52	4,070.22	5,129.10
Japan	207,428.40	173,785.38	188,175.63
Malaysia	2,086.42	1,788.58	1,858.87
Mexico	14,649.19	10,206.33	10,529.86

by country	FY2019	FY2020	FY2021
Panama	-	-	60.27
Singapore	40.97	-	43.44
Thailand	46,132.62	40,077.25	44,882.46
United Arab Emirates	49.03	-	58.91
United Kingdom	96.86	-	79.71
United States of America	51,809.34	45,380.11	44,061.55
Vietnam	3,122.00	2,732.00	2,815.00
Total	432,075.79	376,943.50	400,224.13

Amount of solar power generated	FY2019	FY2020	FY2021
Self-consumption	711.44	1,646.62	1,546.67

Amount of solar power generated	FY2019	FY2020	FY2021
Sold	4,855.12	5,134.32	5,090.75
Total	5,566.56	6,780.94	6,637.42

Total Energy Consumption

Fuel Consumption	Unit	FY2019	FY2020	FY2021
Petroleum	KL	167.54	88.3	187.11
Kerosene	KL	285.78	254.45	274.5
Diesel	KL	453.51	279.78	366.81
Bunker A	KL	95.41	71.47	52.79

Fuel Consumption	Unit	FY2019	FY2020	FY2021
LPG	Ton	2,556.98	2,031.25	2,096.68
City gas	1000 m³	92.85	53.99	5,404.42
Natural gas	1000 m³	11,671.10	10,790.48	5,937.74

Total Energy Consumption	FY2019	FY2020	FY2021
Petroleum	5.49	2.89	6.13
Kerosene	10.08	8.97	9.68
Diesel	16.28	10.05	13.17
Bunker A	3.73	2.79	2.06
LPG	129.89	103.19	106.51
City gas	4.16	2.42	242.12
Natural gas/LNG	392.15	362.56	199.51
Total	561.79	492.87	579.18

Total Energy Consumption	FY2019	FY2020	FY2021
Electricity	1,555.47	1,357.00	1,440.81

Conversion Factor
 CDP technical note
 ●Petroleum LHV 44.3 TJ/Gg ●Diesel LHV 43TJ/Gg
 ●Kerosene LHV 43.8 TJ/Gg ●Natural gas/LNG LHV 48TJ/Gg
 Greenhouse Gas Emissions Calculation, Reporting and Publication System
<https://ghg-santeikohyo.env.go.jp/>
 ●Bunker A 39.1Gj/kl ●LPG 50.8Gj/t ●City gas 44.8Gj/MNm3
 1TJ=277.778MWh

Water

Unit:1000m³

Type	FY2019	FY2020	FY2021
Total water withdrawals	2,357	2,266	2,368
Water withdrawal (water-stressed area)	451	443	503
Breakdown: Water source: rivers, lakes and marshes	1,218	1,199	1,200
Breakdown: Water source: Groundwater	233	194	201
Breakdown: Water source: City water	907	873	967
Amount Consumed	60	62	65
Amount Recycled	164	233	315
Total Discharged Water Volume	2,297	2,204	2,303
Breakdown: Discharges to: rivers, lakes and marshes	1,430	1,372	1,377
Breakdown: Discharges to: soil	70	60	65
Breakdown: Discharges to: sewage	796	770	854

Emissions per treatment level	FY2019	FY2020	FY2021
Breakdown: Tertiary treatment	-	1,713	1,776
Breakdown: Secondary treatment	-	203	274
Breakdown: Primary treatment	-	2	14
Breakdown: No treatment	-	286	239

Definition of water-stressed areas: water stress at the time of Aqueduct's reporting "Baseline water stress" is confirmed to be medium or higher in July of the following year of actual.
 Primary treatment: Physical removal of suspended solids by sedimentation, etc.
 Secondary treatment: Primary treatment + decomposition of organic matter by biological treatment, etc.
 Tertiary treatment: secondary treatment + many processes such as suspension, colloidal, dissolved components, etc.

Water Quality	FY2019	FY2020	FY2021
Emission standards exceeded	0	0	0

Water Quality	FY2019	FY2020	FY2021
Accidents and serious leaks	0	0	0

Waste

(Unit: 1000 tons)

Type	FY2019	FY2020	FY2021
Total waste	21	16.5	18.6

Type	FY2019	FY2020	FY2021
Breakdown: Recycled amount	15.7	11.9	13.1
Breakdown: Final disposal	5.3	4.6	5.5

Environmental Management System Certification Status (as of January 2021)

by Sector	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies	By Region	ISO14001 Certified	Number of Companies
Manufacturing	19	20	Japan	10	11	Southeast Asia	5	8
			North and Central America	3	8	India	2	2
			Europe	1	2	Oceania	0	2
Other	5	9	China	4	5	Other	1	2
			Total	26	40	Total	26	40

Manufacturing site ISO14001 certification acquisition rate: 95%

5. Company / Stock information

Company Outline

Company Name	EXEDY Corporation
Established	July 1950
Capital	¥8,284 million
President & CEO	Tetsuya Yoshinaga
Headquarters	1-1-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-8570
Number of employees	Consolidated: 15,602 Non-consolidated: 3,533 (as of March 31, 2022)
Number of group companies	Japan 13 (EXEDY Corporation included), overseas 31
Fiscal year	April 1 to March 31 of the following year
Annual General Shareholders Meeting	June
Share unit value	100 shares
Number of issued shares	48,593,736 shares (as of March 31, 2022)
Number of shareholders	44,252 (as of March 31, 2022)
Securities code	7278
Listed on	Tokyo Stock Exchange

ESG-related external evaluation

EXEDY has been selected for a leading ESG (Environmental, Social, and Governance) investment stock index and has received high external recognition.



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index

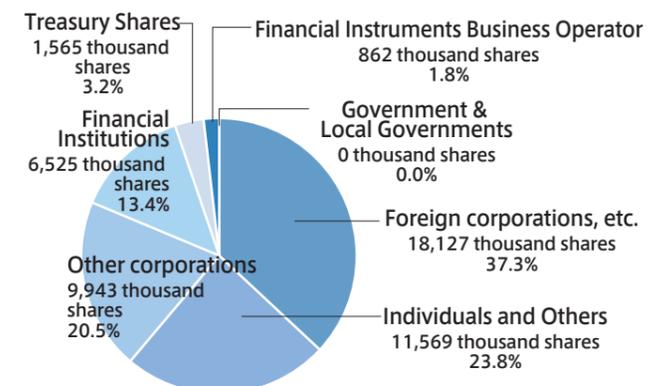
Major Shareholders (Top 10)

(As of March 31, 2022)

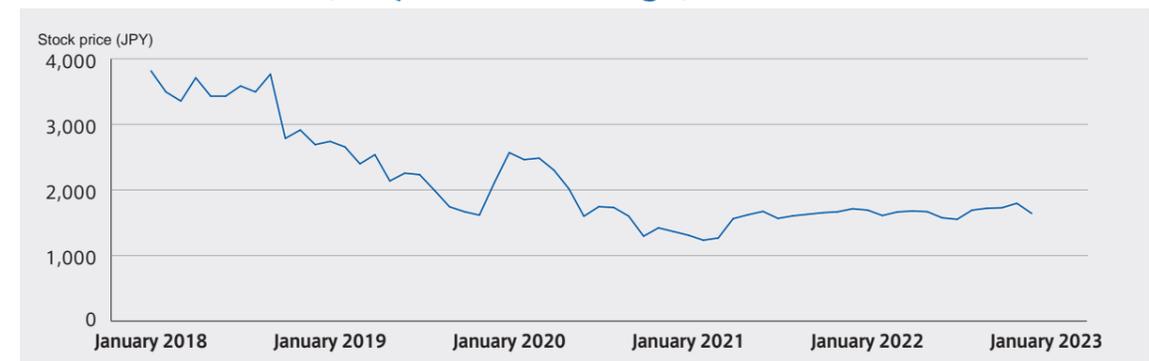
Shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
AISIN CORPORATION	7,230	15.4%
Aisin Holdings of America, Inc.	4,500	9.6%
Aisin Europe SA	4,500	9.6%
The Master Trust Bank of Japan, Ltd.	4,476	9.5%
The Custody Bank of Japan, Ltd.	1,441	3.1%
Bashokai (Basho Association of Japan)	1,272	2.7%
Daihatsu Motor Co, Ltd.	840	1.8%
EXEDY's Employee Shareholding Association	588	1.3%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ACCT BP2S DUBLIN CLIENTS-AIFM	565	1.2%
DFA INTL SMALL CAP VALUE PORTFOLIO	540	1.1%

Notes: 1. EXEDY holds 1,565,564 shares of treasury stock but is excluded from the above major shareholders.
2. Shareholding ratio is calculated excluding treasury stock.

Shareholder Composition Ratio (For Reference)



Stock Price Trend (Tokyo Stock Exchange)





EXEDY Corporation

1-1-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-8570, Japan

Tel: 81-72-822-1152

<https://www.exedy.com/en/>

