October 29, 2024

To whom it may concern

Company name	EXEDY Corporation
Representative	Tetsuya Yoshinaga, Representative Director, President
Code	7278, TSE Prime Market
Contact	Hiroshi Toyohara Representative Director, Senior Executive Managing Officer, Executive General Manager of Administrative Headquarters
TEL	+81-72-822-1152

Announcement regarding the Status of actions to achieve for cost of capital and stock price conscious management

EXEDY Corporation (the “Company”) had conducted an evaluation of current status towards actions to achieve for cost of capital and stock price conscious management, and the Company announced as of December 27, 2023, "Announcement regarding actions to achieve for cost of capital and stock price conscious management."

In this notice, the Company indicated two major factors for our Price-to-Book Ratio (PBR) being below 1x: ① Low capital profitability ② Uncertainty Ahead (Prospect the global shift to electrification of vehicle will reduce demand for one of the main products of the Company, the torque converter, is causing uncertainty about the future).
Based on this assessment, the Company developed “Mid- to long-term strategy of EXEDY” with an eye on FY2030 to achieve capital profitability exceeding Cost of Equity and enhancement of corporate value over the mid- to long-term. And the Company announced the strategy on April 25, 2024, as, "Announcement Regarding the Development of Med to Long-Term Strategy."
This mid to long-term strategy contains: 1. Business strategy 2. Financial strategy 3. ESG strategy and aimed at boosting corporate value over the medium to long term via improving capital profitability and reducing Cost of Equity.

Now the Company have recently reanalyzed our current status and updated the mid to long-term strategy. Details are in the attached document.

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Actions to achieve cost of capital and stock price conscious management



October 29, 2024

EXEDY Corporation
President and CEO
Tetsuya Yoshinaga

summary

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

Reanalysis of the current situation

- ✓ Although our stock price is at its highest level since 2018, our PBR is still below 1x
- ✓ Capital profitability is low, and improvements are needed in the current profit margin and capital structure

Update of mid- to long-term strategy

- ✓ We are working to improve the current profit margin by promoting the mid- to long-term strategy announced in April 2024
- ✓ Updated financial strategy to achieve optimal capital structure
  Transform capital adequacy ratio to approx. 60% by the end of FY2025
- ✓ Decided to implement additional shareholder return to achieve optimal capital structure
  Dividend increase (120 => 200 JPY/year) & additional share buyback of 30 billion JPY
  Aim to achieve DOE of 4% even after the end of the mid-term plan period

Status of mid- to long-term strategy implementation

- ✓ Business strategy: Utilize customer networks at the current aftermarket business
  Promote our tech strengths & collaboration at new business development
- ✓ ESG Strategy : Decided to implement a Restricted Stock Incentive Plan for employee to strengthen human capital and to enhance employees' awareness of participation in management
- ✓ IR Policy : Strengthen dialogue with investors. Discuss opinions obtained from investors through dialogue at the BOD and reflects them in mid- to long-term strategies

1. Reanalysis of the current situation

2. Update of mid- to long-term strategy

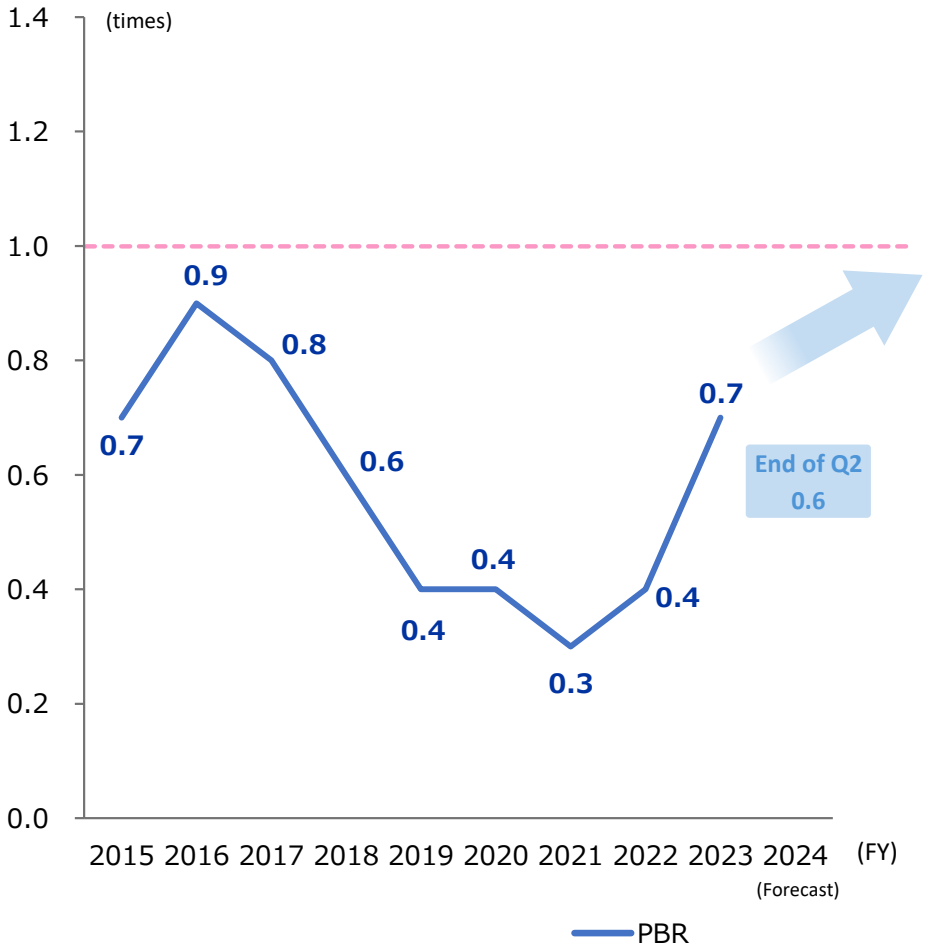
3. Status of mid- to long-term strategy implementation



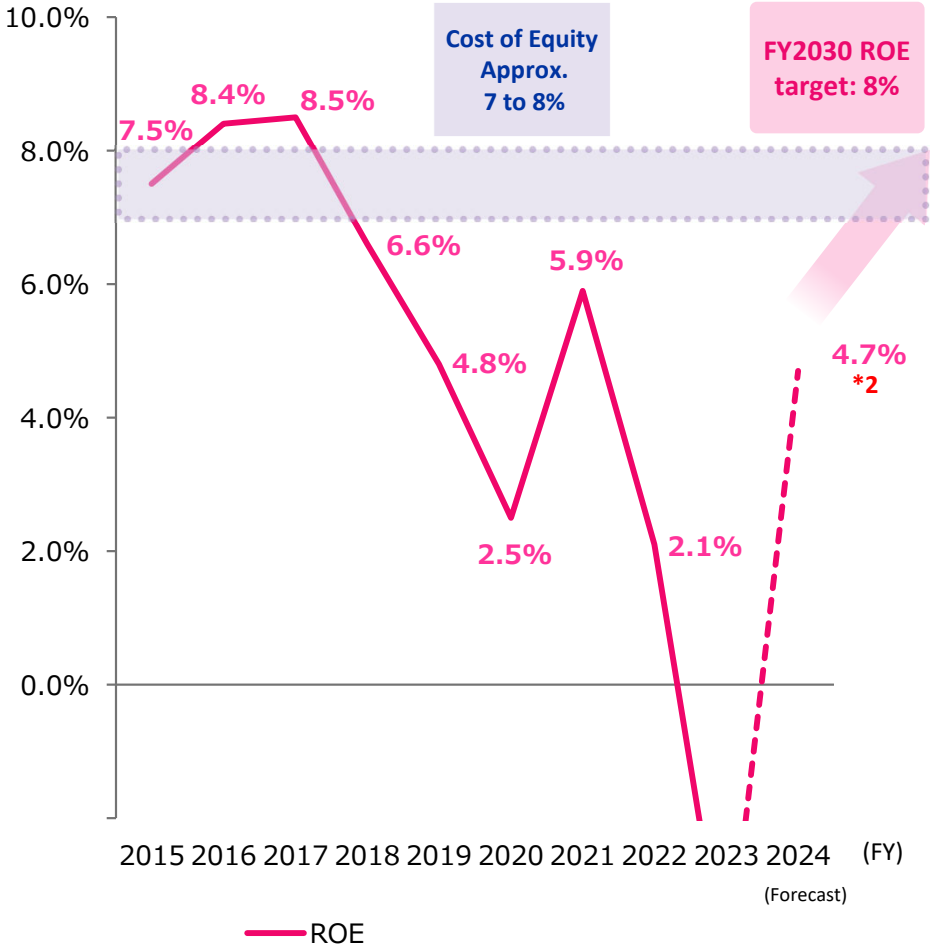
1. Reanalysis of the current situation (Trends in PBR & ROE)

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PBR



Trends in ROE and Cost of Equity*1



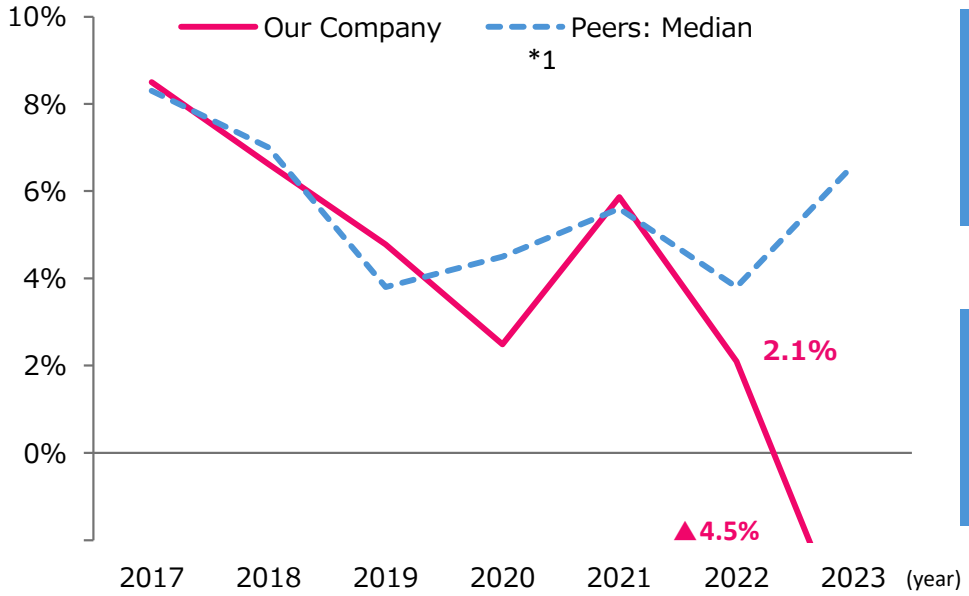
➢ **Although the stock price is rising, PBR remains below 1x, and ROE remains below the cost of equity**

*1 Calculation based on CAPM (our standard) *2 Does not consider the acquisition and disposal of treasury stock disclosed on Oct. 29, 2024

1. Reanalysis of the current situation (ROE analysis)

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ROE



[Reasons for decline in ROE (until FY2023)]

① Declining profitability in the AT biz due to advances in electrification (recognition of impairment losses)

② Automobile production cuts due to COVID-19 and semiconductor shortages

③ Rising raw material prices

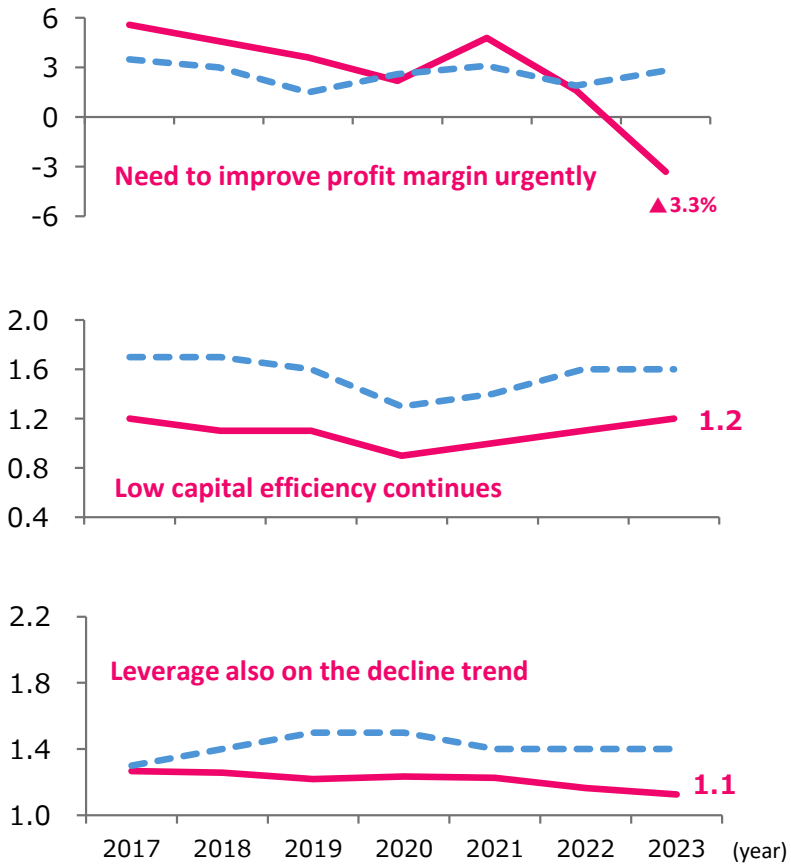
Net Profit margin on sales (%)

×

Invested-capital turnover (times)

×

Financial Leverage (times) *2



➢ **① Net profit margin on sales, ② Invested-capital turnover, ③ Financial leverage, all need improvement ➡ ① :Working on through business strategy, ②&③ require updating of financial strategy**

*1 26 automotive parts manufacturers listed on the TSE Prime Mkt that are classified as transportation equipment
*2 Calculated formula: Invested capital / shareholders' equity (average of beginning and end of the FY)

1. Reanalysis of the current situation

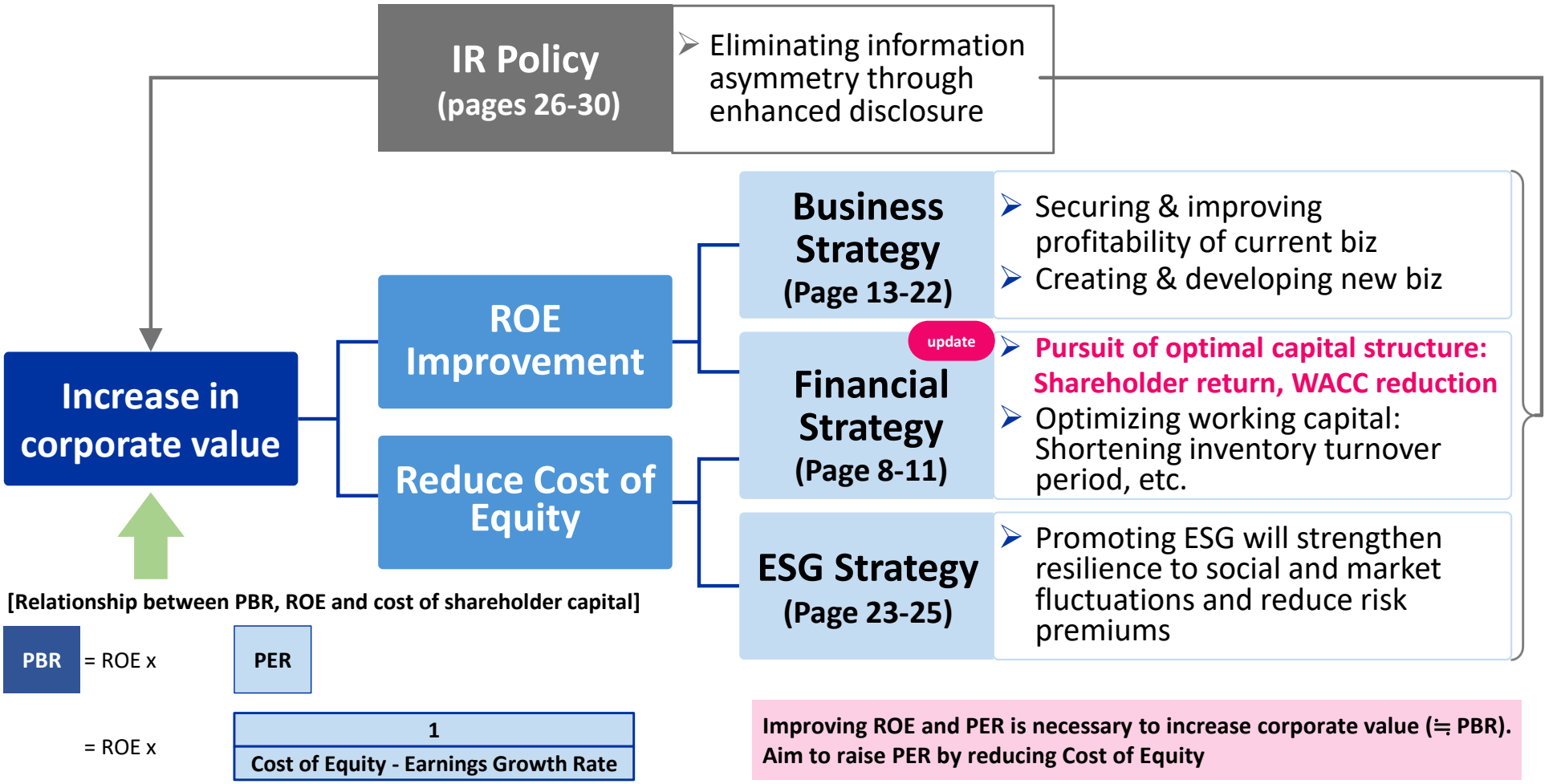
2. Update of mid- to long-term strategy

3. Status of mid- to long-term strategy implementation



2. Update of mid- to long-term strategy (Initiatives to improve corporate value)

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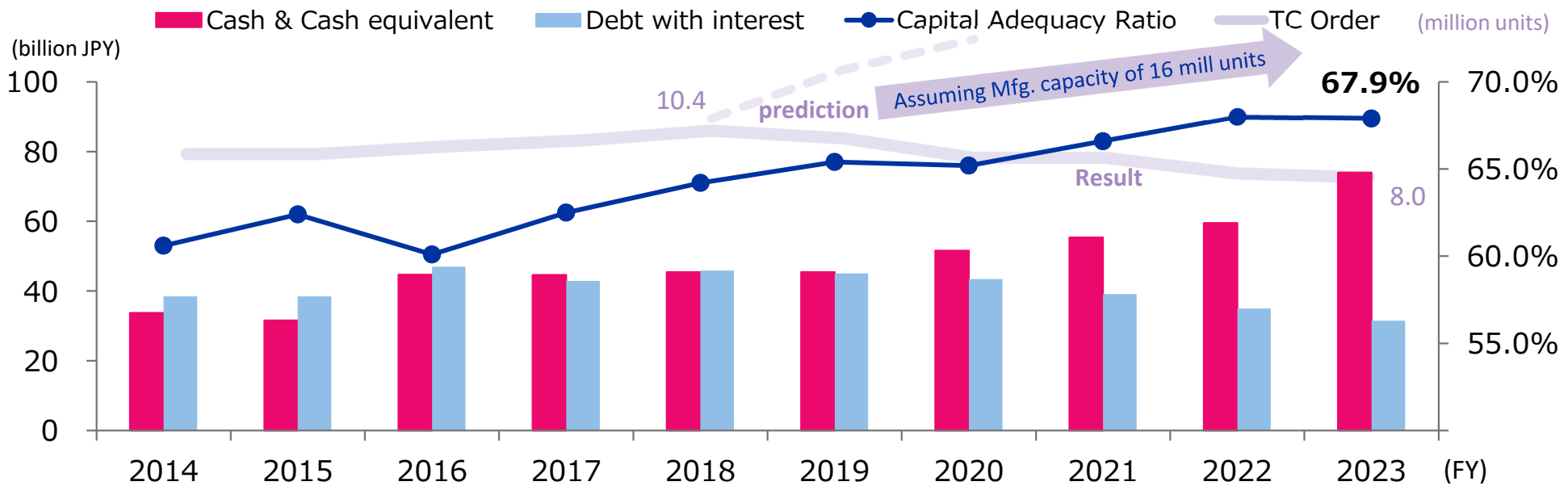


➢ **As part of our med- to long-term strategy, updated our financial strategy**
Decided to pursue optimal capital structure

2. Update of mid- to long-term strategy
(Financial strategy: Changes in Capital Adequacy Ratio)

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Capital Adequacy Ratio & Cash and Cash Equivalents



- Until around 2019, in line with the growth of the AT biz (especially in China), we carried out CAPEX to achieve production capacity of 16 million units/year. Torque converters (TC) have low profit margins and require long payback period, so such CAPEX was funded by cash on hand rather than borrowing
- Since 2019, TC demand has been declining due to China's BEV policy, and the demand for CAPEX and working capital has also decreased
  As a result, cash on hand has been accumulated and the company has been repaying its debt, which has led to the Capital Adequacy Ratio rising to just under 70%

➡ Review capital adequacy ratio in light of changes in the business environment

2. Update of mid- to long-term strategy (Financial strategy: Optimal capital structure)

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Transformation to appropriate capital adequacy ratio

Recognition of Biz environment

- Carbon Neutral
- EV Shift
- Event Risk Recalls, etc.

Study capital structure considering the environment surrounding us

Balance Sheet approach

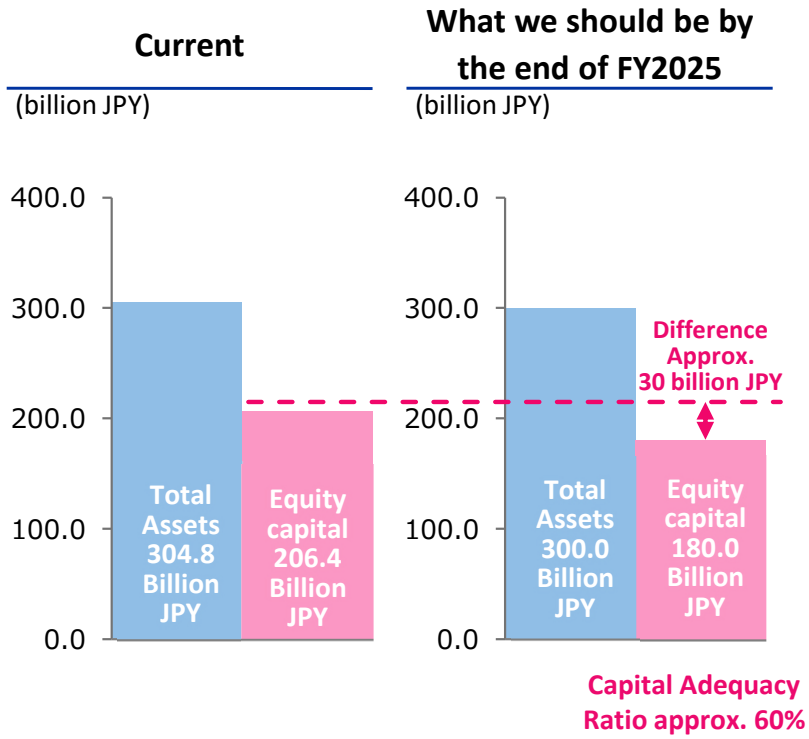
Calculation of adequate capital by accumulating risk amounts by balance sheet item

The approach based on Trade-off theory

Reducing WACC through capital structure optimization

Rating approach

Maintaining a high rating to reduce debt cost



Assuming total assets are around 300 billion JPY

➢ **Calculated an appropriate capital adequacy ratio (around 60%) using 3 approaches**
→ **Achieve this by the end of FY2025 through additional share buyback of 30 billion JPY and increased dividends**

2. Update of mid- to long-term strategy
(Financial strategy: Medium-term shareholder return policy)

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Shareholder Return Policy (Updated)

	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
DPS	60 JPY Interim: 30 JPY Year-end 30 JPY	90 JPY Interim: 40 JPY Year-end: 50 JPY	90 JPY Interim: 45 JPY Year-end: 45 JPY	120 JPY Interim: 60 JPY Year-end: 60 JPY	REVOLUTION 2026 (3 years) 200 JPY planned update Interim: 100 JPY Year-end: 100 JPY (planned)	200 JPY or more per year	200 JPY or more per year
Share Buyback	-	-	-	-	45 billion JPY (15 bn JPY + 30 bn JPY*)	Respond flexibly to changes in the business environment	

Strengthening Returns

update

Shareholder Benefit Program

Benefits: Shareholders' benefit web catalog gift (worth 3,000 JPY)

Eligible shareholders: Shareholders who have held 100 or more shares continuously for more than 1 year



- **Set additional share buyback limit up to 30 billion JPY**
- **DPS during the current mid-term plan will be updated to 200 JPY or more per year (previously: 120 JPY or more)**
- **Even after the end of the mid-term plan, we plan to return the excess of the appropriate amount of equity capital mainly through dividends (aiming for a DOE of 4%)**

* The share buyback period is from October 30, 2024 to October 29, 2025.

2. Update of mid- to long-term strategy (Financial strategy: Capital allocation)

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Capital Allocation FY2024-FY2026 (Updated)

Cash Flow (3-year cumulative)

IN	OUT
Operating CF 75 billion JPY	Growth investment: 30 billion JPY
	Replacement investment: 15 billion JPY
	Shareholder return: 30 billion JPY
Working capital reduction, etc. 6 to 7 billion JPY	Dividend (additional): 6 to 7 billion JPY
Use of financial leverage 30 billion JPY	Share buyback (additional): 30 billion JPY

update

Growth Investment

① **Strategic Investments**
Strategically and flexibly invest (M&A, etc.) to create new biz

② **R&D**
Concentrate human resources and funds on new product development
<New product ratio> 63% in FY2026, 70% in FY2030

Shareholder returns (updated)

① **Increase shareholder dividends**
Increase DPS to 200 JPY or more

② **Additional share acquisition**
Sets up additional 30 billion JPY share buyback limit to improve corporate value and capital efficiency

➢ **The funds for "share buybacks and dividends" (additional) are plan to be raised using financial leverage and by working capital reduction, etc.**

1. Reanalysis of the current situation
2. Update of mid- to long-term strategy
3. Status of mid- to long-term strategy implementation



3. Status of mid- to long-term strategy implementation (Business strategy: Aftermarket business ① Overall picture)

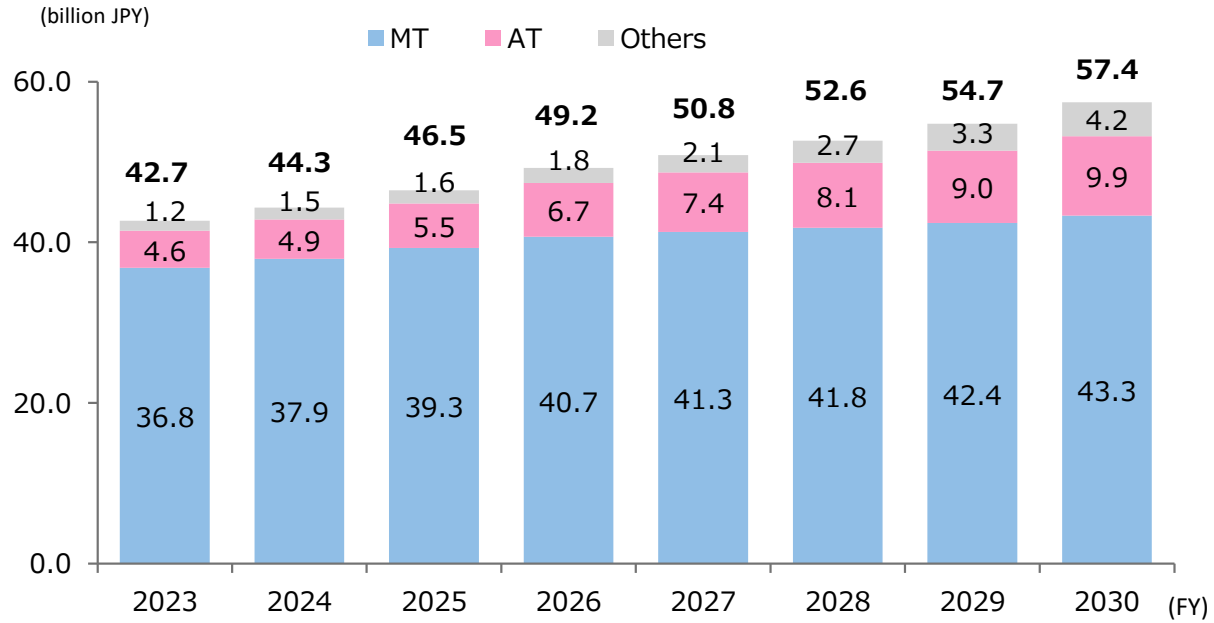
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FY2030 Goals & Strategies

Aftermarket product sales
57.4 billion JPY
(FY2023 actual result + 14.7 billion JPY)

- **Expansion of AT repair parts business (expanding Oceania model within the Group)**
- **Expanded lineup of MT repair parts and improved price competitiveness**
- **Strengthening brake and suspension repair parts business**

Sales Plan by Segment (Consolidated Basis)



FY2030 target (compared to FY2023)	
MT	+6.5 billion JPY
AT	+5.3 billion JPY
Others	+3.0 billion JPY

- **Plan to achieve sales of 57.4 billion JPY (FY2030) through the customer network which is cultivated through MT after-sales & by expanding the Oceania model within the group**

※1USD = 143JPY

3. Status of mid- to long-term strategy implementation (Business strategy: Aftermarket business ② AT repair parts)

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Current status of the AT repair parts business

(million units, billion JPY)	Oceania	ASEAN	Latin America	Middle East	Europe
Number of AT vehicles owned in the region*	12	28	32	28	126
AT repair parts sales results in FY2023	2.2	0.003	0.20	0.06	0.08

- Most sales of AT repair parts by Oceania subsidiaries were by Alltranz, which was acquired in 2023 and is the second largest AT repair parts seller in the region
- Room for expansion in the AT repair parts biz
  ➡Expand into ASEAN, Latin America, the Middle East, and Europe

Expansion of AT repair parts biz (Expanding Oceania model within Grp) (+5.3 billion JPY)

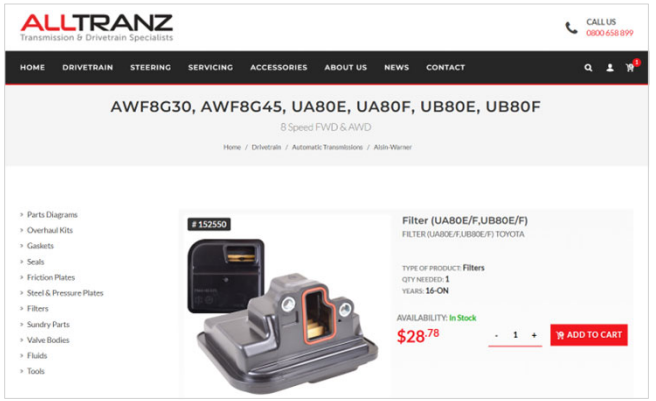
- Expanding strengths of Alltranz to our ASEAN, Latin America, Middle East and European

(Strengths of the Alltranz)

✓An overwhelming lineup of transmission repair parts for AT vehicles

✓Web catalogs and EC sites with high customer convenience
  – Tools available at other locations

✓Technical knowledge and info on repair items held by our staff
  – Compared to MT, AT has a more complex structure
  – Customer base (MT: repair shop, AT :rebuilder) is different, we plan to share the knowledge with staff at other bases



➢ **Utilizing the Oceania model, develop the AT repair parts market in ASEAN, Latin America, the Middle East and Europe**

*Our calculations

3. Status of mid- to long-term strategy implementation (Business strategy: Aftermarket business ③ MT repair parts)

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Current status of the MT repair parts business

(million units, billion JPY)	Oceania	ASEAN	Latin America	Middle East
Number of manual transmission vehicles owned in the region*	12	49	38	43
MT repair parts sales results in FY2023	4.9	10.0	4.8	3.8

- The Oceania base has offices in seven major cities in AUS and NZL. Although it is a small market, we offer a wide lineup of products, immediate delivery, and direct shipping.
  As a result, we have established the No. 1 customer network (over 2,000 retailers) within our grp.
- Considering the market size and competitive situation, the MT repair parts business on ASEAN, Latin America, and the Middle East are promising markets

Expanded lineup of MT repair parts and improved price competitiveness (+6.5 billion JPY)

- Expanding product lineup through collaboration between headquarters and local subsidiaries
  - ✓ Customers in ASEAN, Latin America, and the Middle East are mainly wholesalers. The customer demand to procure all wide variety of products, including clutches applied to Korean and Chinese cars, from one supplier.
    To respond such One-Stop-Buy needs, we will expand our product lineup.
- Increased price competitiveness through global procurement
  - ✓ To meet Sales losses due to lack of price competitiveness on some model, we will promote globalization of parts procurement sources to strengthen price competitiveness. Additionally, we will streamline product specifications.

➢ **Cultivate the MT repair parts market in ASEAN, Latin America, and the Middle East by improving product lineup & price competitiveness**

*Our calculations

3. Status of mid- to long-term strategy implementation (Business strategy: Aftermarket business ④ Other repair products)

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Strengthening brake and suspension repair parts business (+3 billion JPY)

- **Expanding brake and suspension repair parts lineup at Oceania base**
  - ✓ **Reasons for product selection**
    - – **Many of the repair shops that are customers of MT repair parts also handle brake and suspension parts, so we can utilize their existing customer network.**
  - ✓ **Reasons for selecting this location**
    - – **The base has 12 offices in the region that have built close relationships with over 2,000 retailers, making it easy to obtain and reflect customer feedback on new product lineups.**
    - – **Compared to other locations, we have sufficient skillful staff, and we can expect to develop sales tactics, create catalog data, and build a business model that can be expanded to other locations.**
- **In the med to long term, we plan to expand the above repair parts business model we have established in Oceania to ASEAN and other regions.**

- **Utilizing Oceania base as pilot base to strengthen brake and suspension repair parts business**

3. Status of mid- to long-term strategy implementation (Business strategy: New business ① Overall picture)

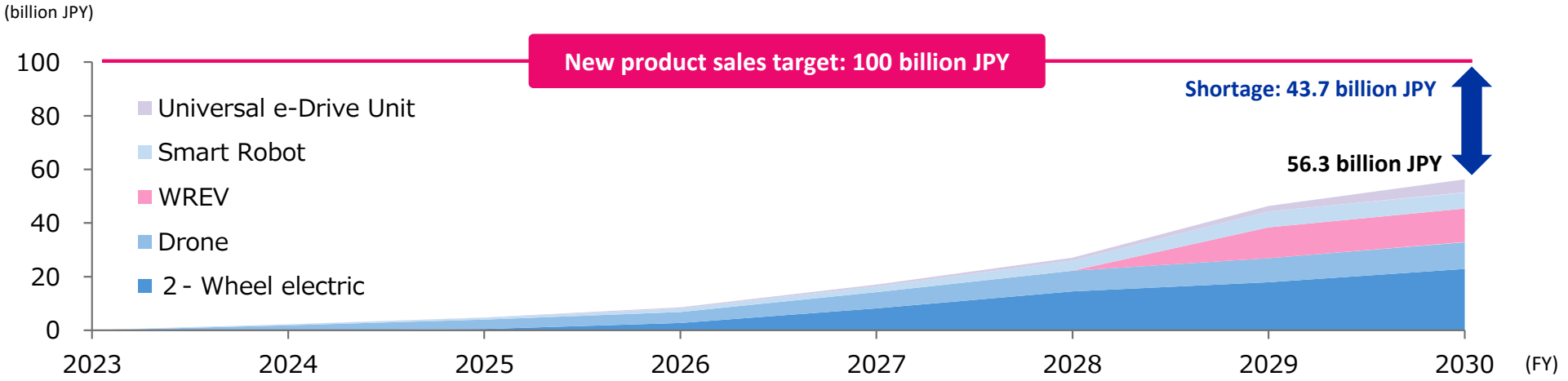
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New business Target and strategies for FY2030

New product sales
100 billion JPY

- Accelerate electrification strategies by acquiring insufficient resources from outside through collaboration etc. (our strengths x external knowledge)
- Prioritize allocation of management resources to projects for early realization
- Creating more further new businesses

Sales plan for electrified products : on going project



- Basic approach to creating new businesses is utilizing "EXEDY's strengths" and "external knowledge"
- Countermeasure for 43.7 billion JPY shortfall in new product sales targets for FY2030 :
  - ✓ Accelerate development and realization by prioritizing the allocation of funds and human resources to projects
  - ✓ Create further new businesses by utilizing Silicon Valley office, M&A, etc.

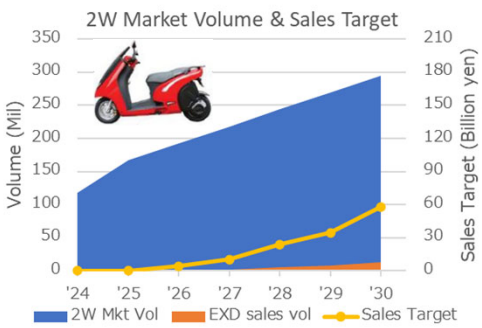
3. Status of mid- to long-term strategy implementation (Business strategy: New business ② 2-Wheel electric project)

Drive our future.
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FY2030 sales target (Target customers, market characteristics, etc.)

Sales target	22.9 billion JPY
product	Drive unit with CVT, drive unit with clutch-integrated transmission
Target customers	2-wheel/3-wheel BEV manufacturers (high-power models)
Country/ Region	India (ASEAN in the future)
Market Characteristics	National policy to shift to BEVs (2W and 3W vehicles: 80% by 2030)







Mass production of drive units with CVT for 3W BEVs for OSM is scheduled to begin in Mar 2025.

Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages	By gear shifting functions* like CVT improve driving torque when starting & smooth gear shifting. It improve off-road performance and ride comfort
Utilizing our technology	Utilizing friction characteristics control technology & material technology, provides the function of disconnection of rotational power & Torque amplification.

EXEDY

Invested in Jun 2024	Invested in Jan 2022	Invested in May 2023
OSM OMEGA SEIKI MOBILITY	ASTER	STARYA
Vehicle manufacturer (India)	**Motor manufacturer (Japan)**	**Motor manufacturer (India)**
➢ **2nd place share in Indian 3W BEV** ➢ Over 200 Dealer network ➢ Customer of our products. Through OSM, keep up with the market trend in Indian.	➢ **Strength in highly efficient, compact motors** ➢ Supplying motors for 2-wheeled BEVs to our Grp company	➢ **Strengths in IoT and vehicle adaptation** ➢ Supplying motors for 3-wheeled BEVs to our Grp company

➢ **By the superiority of our products (variable gear units) and collaborating with major local 3W BEV manufacturers, working to achieve sales of over 20 billion JPY**
Mass production is scheduled to start in March 2025

* Most 2-wheel/3-wheel BEVs in India do not have gear shifting functions.

3. Status of mid- to long-term strategy implementation (Business strategy: New business ③ WREV Project)

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FY2030 sales target (Target customers, market characteristics, etc.)

Sales target	12.49 billion JPY
product	Wide-range drive system for BEV
Expected customers	OEM, Truck body manufacturer
Country/ Region	Heavy-duty trucks (Japan, North America, China), Commercial dump trucks (Japan), Industrial construction machinery (Japan)
Market Characteristics	Despite needs for electrified trucks, there is no solution due to the lack of driving force with current technology.

Market size of wide-range drive systems for BEVs (FY2030)

(Thousand Units)	Market size	Our Target	share
Heavy Load Truck	35	3.5	10%
Commercial Dump Truck	22	1.7	8%
Industrial and Construction Machinery	10	0.4	4%
total	67	5.6	





Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages	Improved driving force at the start of electric trucks, realizing smooth acceleration without changing motor size
Utilizing our technology	Utilizing fluid analysis technology and fluid behavior control technology, it provides functions for connecting and disconnecting rotational power and amplifying torque.

EXEDY

Invested in Aug 2024

KAWAMATA SEIKI

Electric motor Mfg. (Japan)

Strength in developing high-output motors for industrial/xEVs

Invested in Jul 2024

PRE-EV

R&D and Mfg. of electric drive systems for commercial vehicles (Japan)

Strengths in electric drive control systems



REx-EV※ for WREV completed

Formed a consortium & development is underway with a vehicle perspective



➢ **To achieve target sales of over 10 billion JPY, currently utilizing our partners' knowledge & REx-EV to verify the effectiveness of electric drive systems and update our plans**

*Vehicle used to verify effectiveness

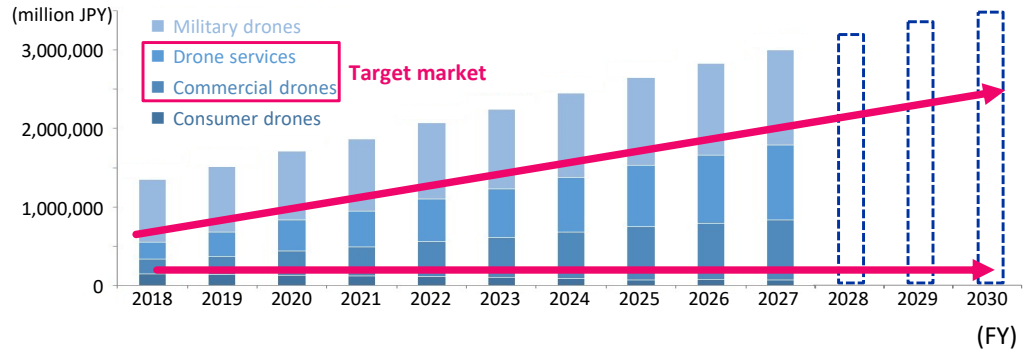
3. Status of mid- to long-term strategy implementation (Business strategy: New business ④: Drone Project)

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FY2030 sales target (Target customers, market characteristics, etc.)

Sales target	10 billion JPY
Business Content	Drone-related planning & design, mfg. and sales of drones and parts, maintenance, and related services
Target market	Industrial (inspection, agriculture, logistics) drone mfg. and services
Country/ Region	Japan, North America, ASEAN, EU
Market Characteristics	Growth worldwide, with regional differences. DJI (China) owns 70% of the drone market share, but geopolitical risks are increasing the need to De-China in North America, Japan, and other areas.

Drone market size*



Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages	① long-time, low-noise flights ② Providing products De-China amid rising geopolitical risks ③ Products with in-vehicle quality, that no accidents are allowed, provide a sense of secure.
Utilizing our technology	Utilizing analysis, design, and reliability evaluation technologies related to electromagnetics, fluids, and vibrations, as well as a utilizing quality assurance system



EXEDY

Invested in Jan 2022	Invested in Oct 2024	Invested in May 2024	Invested in Oct 2023
ASTER	WorldLink & Company	EAMS ROBOTICS	baibars
Motor Mfg. (Japan)	**Drone sales and service (Japan)**	**Drone Mfg. (Japan)**	**Drone Mfg. (Türkiye)**
Lightweight, highly functional motor with excellent dust and water resistance Strength in	Strength in providing a wide range of solutions, including repair parts sales, maintenance, agricultural, inspection and surveying services	Strengths in Japanese standard type-certified machines and control software	Focusing on inexpensive pesticide sprayers, with strengths in large machines

➢ **By investing in WorldLink, the entire drone-related value chain (planning, mfg., sales, related services, etc.) get into our hands. Working for target sales of 10 billion JPY**

*Our estimation

3. Status of mid- to long-term strategy implementation (Business strategy: New business ⑤ Smart robot Project)

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FY2030 sales target (Target customers, market characteristics, etc.)

Sales target	6 billion JPY
product	Powerful robots, Multi robots, etc.
Target business	Transportation, food Serving, indoor delivery, security, customer service, etc.
Country/ Region	Japan, US
Market Characteristics	Chronic labor shortages continue across all industries. Service robot market forecast (FY2030) is 200 billion JPY*

Smart robot market size (FY2030)

(billion JPY)	Market size	Our Target	share	Target country
Smart Robot*	127.0	3.0	2%	Japan
Open Platform*	40.0	1.5	4%	Japan
Overseas expansion*	216.0	1.5	1%	US
total	**383.0**	**6.0**		

Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages	➢ **Highly customizable platform** Provides no-code apps and APIs that easily connect to other systems and services ✓ **Multi robot** Functions can be shared between different software, allowing one robot to play multiple roles ✓ **Powerful robot** With a towing capacity of 600KG, capable of following and autonomous driving
Utilizing our technology	Utilizing the system design capabilities cultivated through the in-house development of our core IS system "EXPRESS", we provide platforms tailored to customer needs.



Multi Robot


Powerful Robot

➢ **Aiming for target sales of 6 billion JPY, currently conducting demonstration experiments on robots that are highly customizable and equipped with cutting-edge technology. Powerful robots will be available for limited sale from Sep 2024**

*Our estimation

3. Status of mid- to long-term strategy implementation (Business strategy: New business ⑥ Universal e-Drive Unit Project)

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FY2030 sales target (Target customers, market characteristics, etc.)

Sales target	4.95 billion JPY
product	Assist pallet truck, assist tugger, etc.
Expected customers	Transportation work for manufacturers/factories, logistics companies/warehouses, railway companies/maintenance shops, etc.
Country/ Region	Japan → Global
Market Characteristics	As the working population declines and improving working conditions have progressed, the needs "anyone can transport things safely and easily" is expanding. Although there are manual and autonomous models, assisted models are rare, and demand is expected to grow.

General-purpose electric drive unit market size (FY2030)

(billion JPY)	Market size	Our Target	share	Target country
Assist Pallet Truck	777.0	2.10	0.3%	Japan →Global
Assist tugger (general-purpose towing machine)	777.0	1.90	0.2%	
Others	-	0.95		
Total	1,554.0	4.95		

Product advantages (utilizing our technology and the strengths of our partners)

Product Advantages	By achieving smooth starts, soft stops and automatic braking, we provide our customers with products that are safe, secure, convenient and easy to operate.
Utilizing our technology	Stress and structural analysis technology, reliability evaluation technology, control logic development capabilities



Assist Pallet Truck



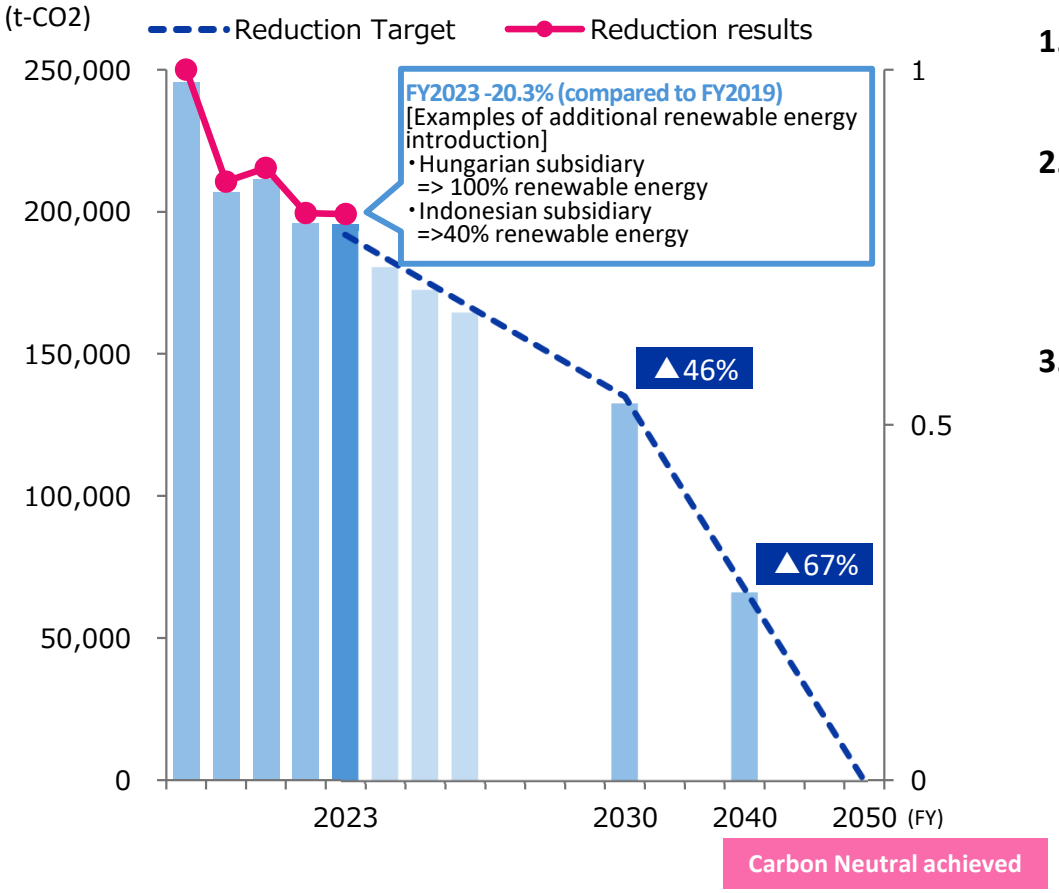
Assist Tager

➢ **Aiming for sales target of 5 billion JPY, begin limited sales of units for assisted pallet trucks through a partner from May 2024 (200 units sold)**

3. Status of mid- to long-term strategy implementation (ESG strategy: Environment and Society ①)

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Roadmap to Carbon Neutral by FY2050



Main Initiatives to Strengthen Human Capital

1. Implement a Restricted Stock Incentive Plan for employee

(See page 24 for details)

2. Practical training at startups (partner companies)

(Objective) To develop executive candidates through the practice of creating new businesses

(Number of participants) 23

3. Appointment of a Project Director (PD) for new business

(Objective) To develop executive candidates through the practice of creating new businesses

(Number of participants) 6

(Stock compensation) Granted 300 Shares per person upon appointment as PD

- **The environmental area: Focuses on reducing GHG emissions**
  The social area : Focuses on strengthening human capital
- **For strengthening human capital, Stock Incentive is used to enhancing employees' awareness of participation in management**

3. Status of mid- to long-term strategy implementation (ESG strategy: Environment and Society ②)

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Main initiatives to strengthen human capital: Implement a Restricted Stock Incentive Plan for employee

(Purpose)

① Expanding employee benefits as part of strengthening human capital

② Enhancing employees' awareness of participation in management

③ Promoting the medium-term management plan (REVOLUTION2026)

(Apply to)

Employees of EXEDY Corp who agree to this Plan

(Number of shares granted)

500 shares (max)

(Date of grant)

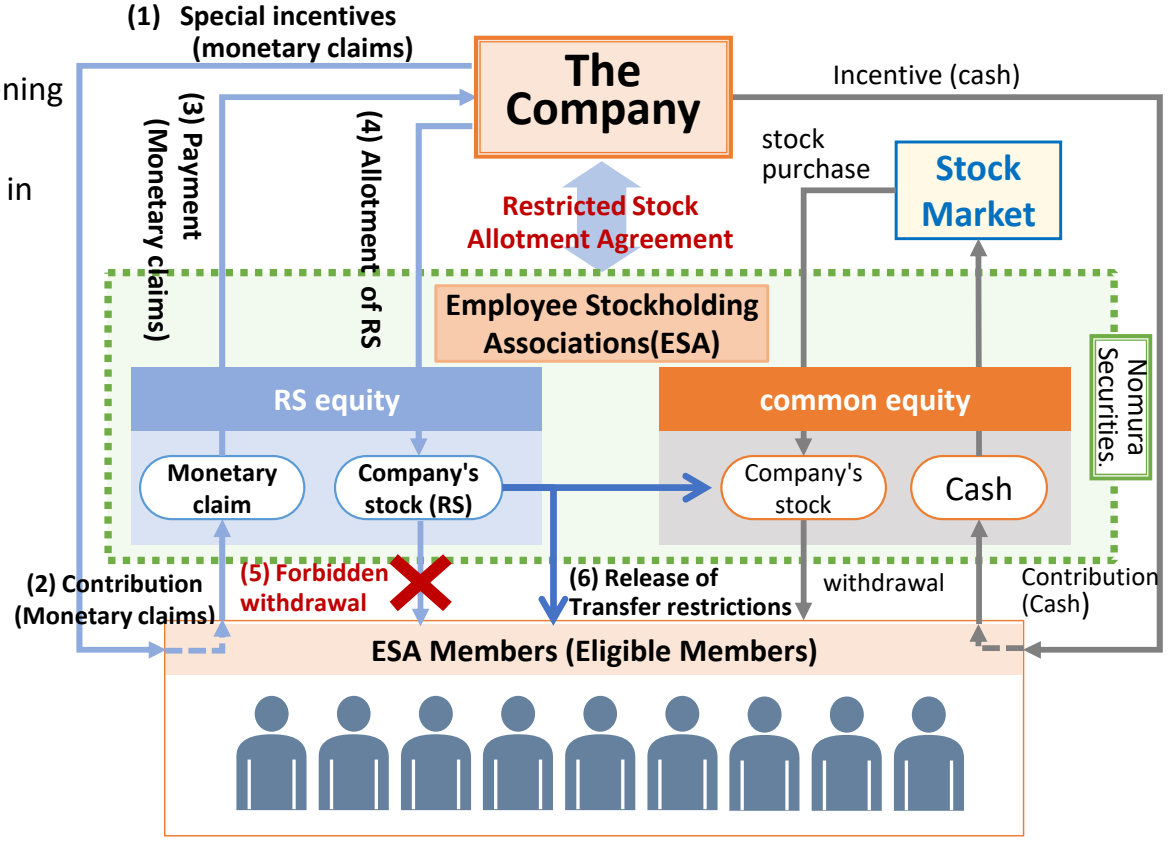
Feb 28, 2025

(Transfer Restrictions)

2 years and 3 months

(Allocation method)

Disposal of treasury stock

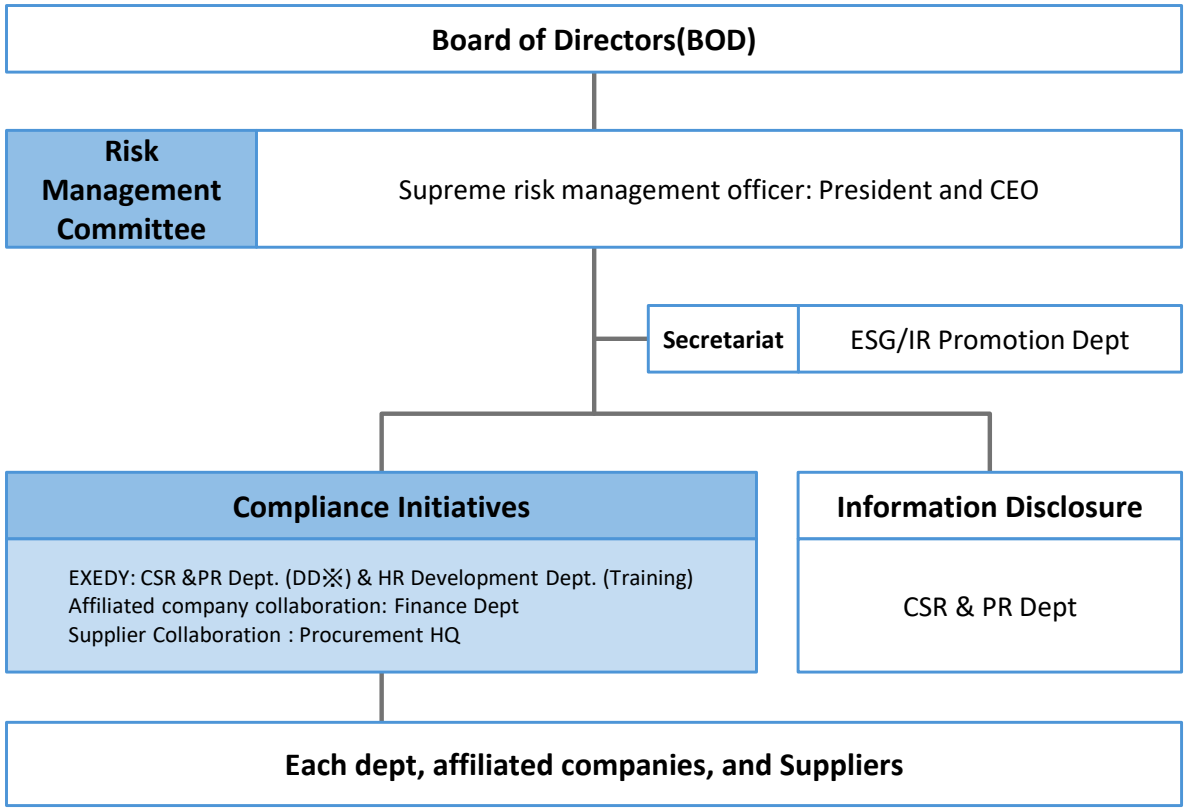


➢ **Decision made to Implement a Restricted Stock Incentive Plan with the expectation that employees will think from the same perspective as shareholders and will be determined to complete the mid-term management plan (REVOLUTION2026) through their own efforts**
The plan will apply to all employees who agree to this plan

3. Status of mid- to long-term strategy implementation (ESG strategy: Governance)

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Compliance system & compliance training by position level



subject	Training topics	Month
Supervisor	Antitrust Law	Oct-Nov 2024
	Subcontract Law	
	Anti-Bribery	
	Export Admin Regulations	
All Staff	Harassment	Dec 2024 – Jan 2025
	Personal Info Protection Law	
	Insider Trading	
	Antisocial forces	

➢ **In the 1st half of FY2024, established a compliance system and conduct a compliance awareness survey for all employees**

✓ **In the 2nd half, plan to analyze the survey results, evaluate compliance risks and determine countermeasures. Will conduct compliance training by position level**

*Due Diligence; The process of identifying & analyzing compliance risks, and formulating & implementing countermeasures

3. Status of mid- to long-term strategy implementation (IR policy: Status of dialogue with shareholders)

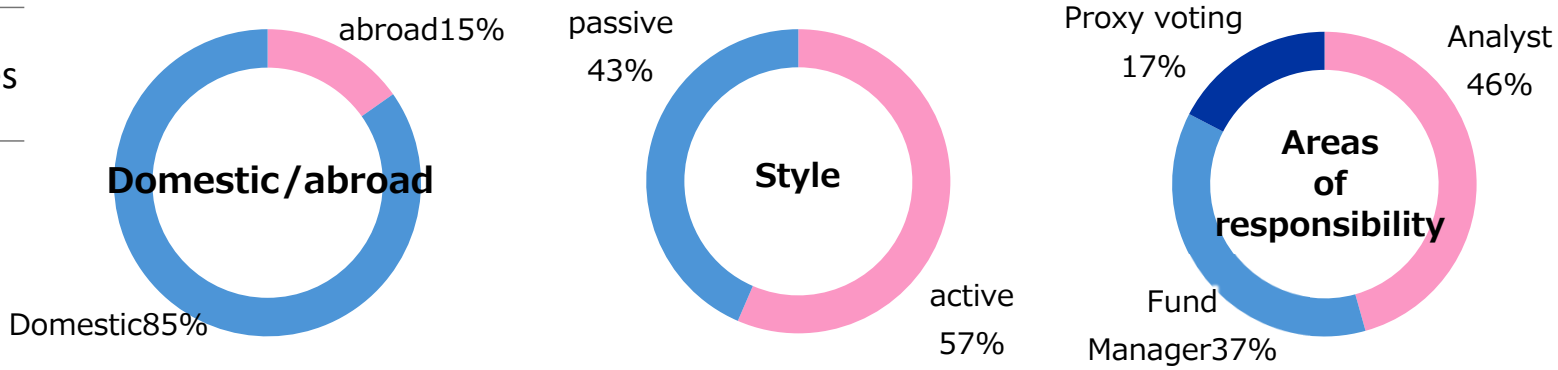
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Main contact with shareholders and investors

Financial Results Briefing	President and CEO, Senior Executive Managing Officer and Executive General Manager of Administration HQ
Small MTG	Senior Executive Managing Officer and Executive General Manager of Administration HQ
1on1 MTG	Administrative Headquarters Deputy Executive General Manager (General Manager of Finance Dept, ESG/IR Promotion Dept)

Overview of dialogue with shareholders and investors (1st half of FY2024)

Number of dialogue	46 times



Feedback to management etc.

Feedback to management etc.	The requests identified in the above dialogue (pages 27-28) were fed back to the BOD (in Sep 2024) and the Management Meeting (in Oct 2024), and discussions were made based on this feedback.

➢ **Established a system to promote dialogue with shareholders from Apr 2024 onwards**

3. Status of mid- to long-term strategy implementation (IR policy: Main requests from major shareholders ②)

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item	request	correspondence
Shareholder Return Policy	① Increase in dividends: 4 companies - Dividends should be increased to optimize capital adequacy ratios <Domestic/Passive investors> ② No need to review: 2 companies - EXEDY is in a period to expand its new business. Now is not the time to increase shareholder returns <Domestic/Passive investors> ③ Share buyback: 1 company - Set a target capital amount and use surplus capital to buy back shares <Overseas/Active investor>	Discussed at the BOD based on cash flow and various shareholder requests. Review shareholder return policy based on comprehensive consideration (page 10)
ROE	① Improve ROE ② Raise the ROE target – Request to aim ROE of 10% or more (even after FY2030) <Domestic: Passive investor>	① Aiming for ROE of 8% or more, we are promoting a mid- to long-term strategy ② Reported to BOD and Management Meeting for discussion. Currently considering revising targets for FY2030 and beyond

- Requests from major shareholders identified through dialogue were discussed at the Board of Directors and Management Meetings
- Since the request for shareholder returns differ depending on the investment style of each shareholder, we reviewed the policy/target with a comprehensive consideration

3. Status of mid- to long-term strategy implementation (IR policy: Main requests from major shareholders ②)

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item		request	correspondence
Corporate Governance Structure		① Strengthening governance and speeding up execution by separating monitoring and execution ② Improving the effectiveness of the Nomination Committee and the Remuneration Committee ③ Linking executive compensation to KPIs	①-③ Reported to the BOD and Management Meeting for discussion. ① and ②; we have begun research into the optimal governance structure for our company. ③: Plan to consider it under the new governance structure.
Disclosure	New business related	Disclosure of info that ensures the probability of achieving sales targets for new businesses by FY2030	Disclosed on the philosophy regarding new business creation & development and the outline of 5 projects (Page 17-22)
	Optimal capital structure	Disclosure of the target B/S (particularly capital level) and milestones to reach that target	Based on this request, discussed at BOD and disclosed the target capital level and way to the target (pages 8-9)
Employee Stock Incentive		Create a mechanism for employees to become major shareholders in the medium to long term by granting treasury stock to employees	Based on this request, discussed at BOD and decided to implement a Restricted Stock Incentive Plan to strengthen human capital and to enhancing employees' awareness of participation in management (Page 24)

- **Regarding Corporate Governance Structure, we have begun research into the optimal system for our company**
- **Regarding Disclosure and Employee Stock Incentive, Measures have been implemented and/or decisions have been made**

3. Status of mid- to long-term strategy implementation (IR policy: Main Q&A with shareholders ①)

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item	question	answer
Impact of dissolution of capital alliance	What is the reason behind the dissolution of the capital alliance with Aisin, a major shareholder?	**[How Aisin became a major shareholder]** Aisin became our major shareholder in 2001; until then Nissan Motor had been our major shareholder. The background was that Nissan Motor was reducing its cross-shareholdings under then-president Ghosn's revival plan. **[Significance of capital alliance with Aisin]** Since 2001, Aisin and our company have been working together under a capital alliance to globally expand automatic transmission business for AT vehicles, and we have been supplying Aisin with torque converters, the largest component of AT transmission. **[Background to the dissolution of capital alliance]** **The shift to EVs has accelerated since around 2018, and the trend has become definitive after the COVID-19 pandemic. Both our company and Aisin have been working on electrification businesses, but due to the lack of business synergies and differences in priority allocation of management resources in the electrification business, we have come to the decision to reset our capital relationship.**

➢ **We received many questions regarding the dissolution of the capital alliance with Aisin, and we explained the circumstances and background**

3. Status of mid- to long-term strategy implementation (IR policy: Main Q&A with shareholders ②)

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item	question	answer
Impact of dissolution of capital alliance	Will EXEDY be okay in the future?	**[Preparations we have made for this event]** Anticipating this event, we began formulating a long-term vision centered around transforming our business portfolio and creating new businesses from 2019. After extensive discussions at management meetings and BOD meetings, the vision and KPI targets were announced in July 2021. This goal aims the preferential allocation of management resources to new businesses and based on the concept of creating new businesses by combining core technologies (friction, vibration, and fluids) with external knowledge, the company is working towards its goal of achieving new business sales of 100 billion JPY in FY2030, including investing in over 10 startups. In addition, we will be issuing an Integrated Reports from 2023, communicating our corporate value creation activities to shareholders and investors. **[Future relationship with Aisin]** **Although the capital relationship has been dissolved, Aisin will remain a major customer of our torque converters. The relationship between manufacturer and supplier will remain the same as before, and the dissolution of the capital alliance is not expected to have any important impact.**

➢ **Some people misunderstand the dissolution of the capital alliance as "Termination of the transaction," so we will explain the facts in detail**

➢ Contact for inquiries regarding the contents

Administrative Headquarters ESG・IR Promotion Department 072-822-1152

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

The forward-looking statements contained in this document are based on information available at the time of their preparation. Actual results may differ depending on future changes in the business environment.