

Actions to achieve cost of capital and stock price conscious management (Update)

December 23, 2025

EXEDY Corporation

Amounts are rounded to the nearest billion yen.
Figures are presented based on IFRS.



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Current Situation Analysis and Evaluation

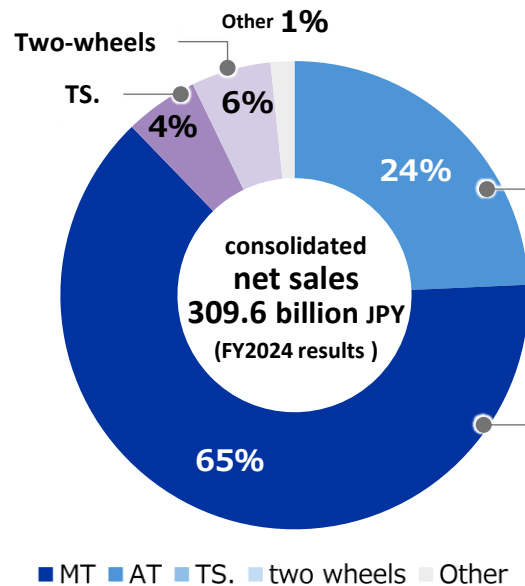
EXEDY Group Business Overview

Drive our future.

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

- ✓ 52 companies in 25 countries, and the world's leading share of clutches/torque converters for OEMs (according to our own estimates).
- ✓ In the aftermarket business, we achieve high profitability through a unique sales network and strong brand power.
- ✓ In addition to the core businesses mentioned above, we are focusing on developing new products, such as those for electrification, as part of our new business initiatives.

Core Business



MT: World Share of Clutches for OEMs

22.1%



Clutch Cover
Clutch Disc

Holds production & sales bases in 25 countries worldwide. Maintains a wide range of OEM customers & aftermarket customers. OEM customers total 59 companies (including 19 Japanese companies), making it a top-class global share. The aftermarket customers amount to 5,500 companies, achieving high profitability in this business.

AT: World Share of Torque Converters for OEMs

23.7%

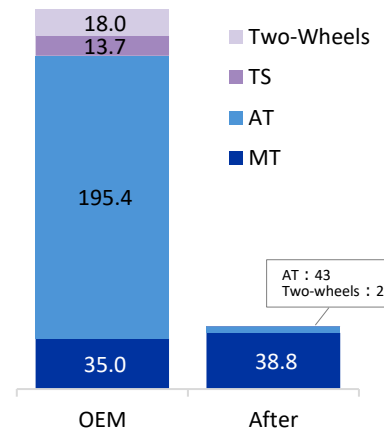


Torque Converter

With a strong expertise in analysis & control technologies related to fluids, and manufacturing & sales bases deployed globally, our products are adopted by all domestic automobile manufacturers & major overseas automobile manufacturers. We hold a top-class world share in torque converters.

OEM/After-sales business Product Configuration

(JPY billion)



New Business

We are progressing with new product development to "make the movement of people & goods comfortable" by leveraging core technologies in friction, vibration, and fluid dynamics that we have cultivated through the development of drive system components so far, adapting to decarbonization & lifestyle changes.



Two-wheel/Three-wheel
BEV drive unit



Drone



Wide-range drive system
for BEV



General Purpose
Electric Drive Unit



Smart robot

Current Situation Analysis and Evaluation

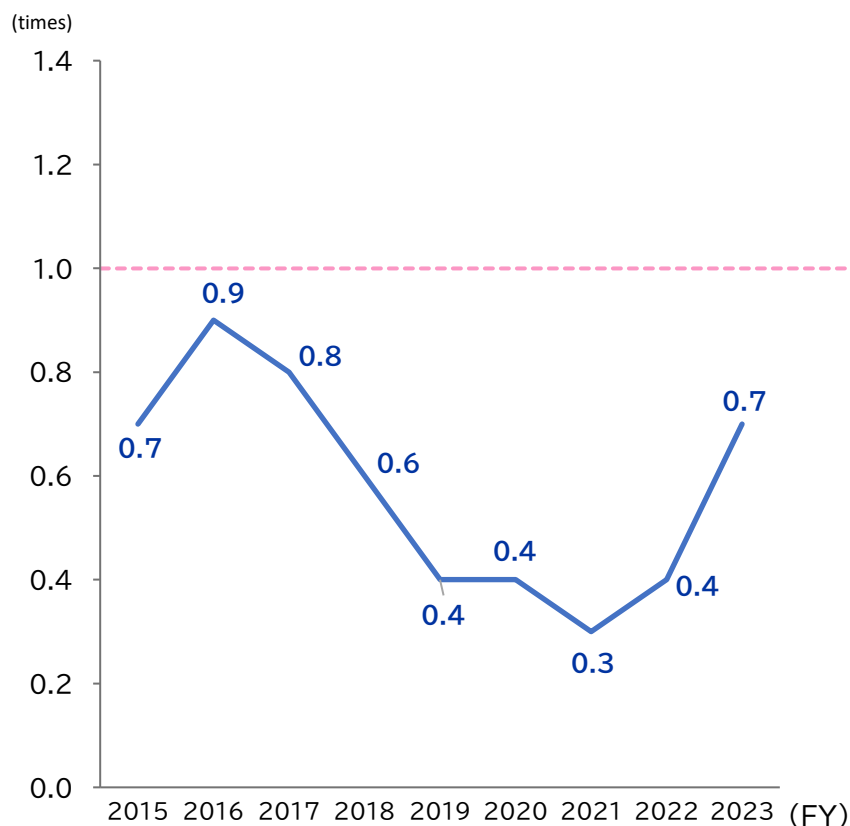
PBR, ROE and Cost of Equity Analysis (as of Sep 30, 2024)

Drive our future.

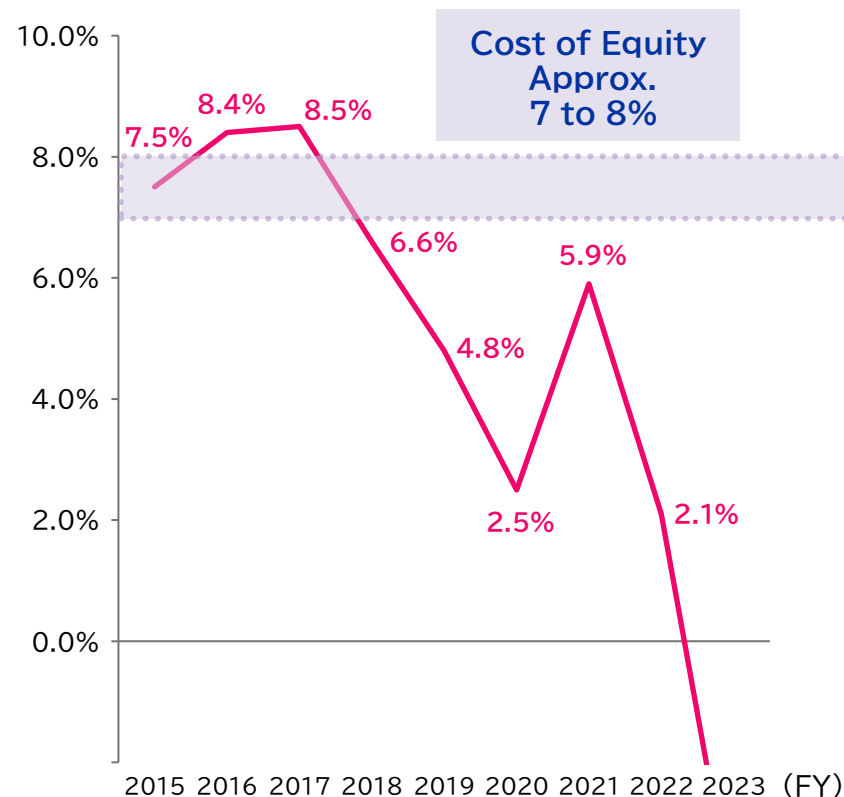
Let's create fulfillment for all, and our future.

As of Sep 30, 2024, stock price is on an upward trend but P/B ratio remains below 1x & ROE remains below cost of equity.

PBR



Trends in ROE and Cost of Equity*1



*1 Calculation based on CAPM (our standard) Details on page 13.

Current Situation Analysis and Evaluation

ROE analysis and Evaluation (as of Sep 30, 2024)

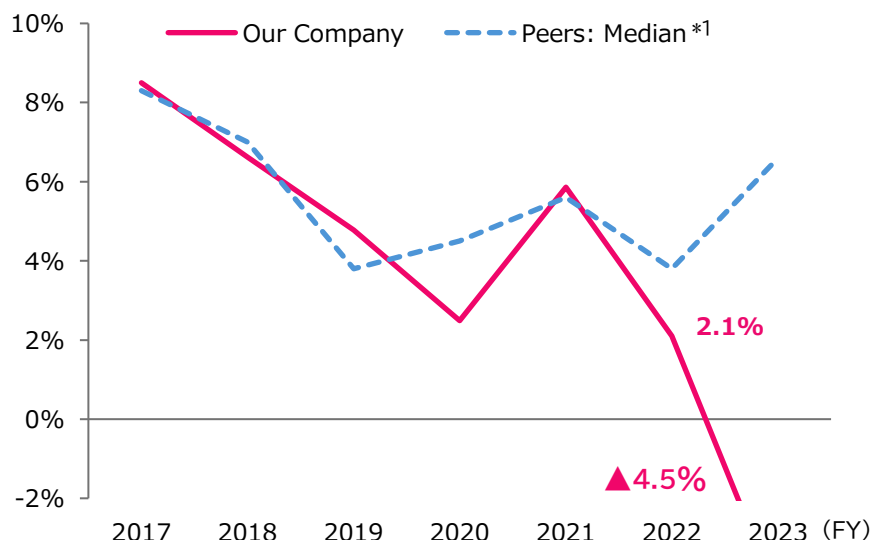
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Let's create fulfillment for all, and our future.

(1) Profit for the Period on sales, (2) Turnover of invested capital, and (3) Financial leverage, all of which need to be improved.

▶▶▶ (1) is to strengthen "earning power" in the business strategy, and
(2) and (3) are to be improved by updating the financial strategy.

Breakdown of ROE



Net Profit
margin on
sales (%)

×

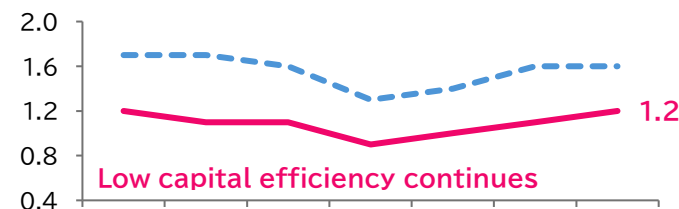
Invested-
capital
turnover
(times)

×

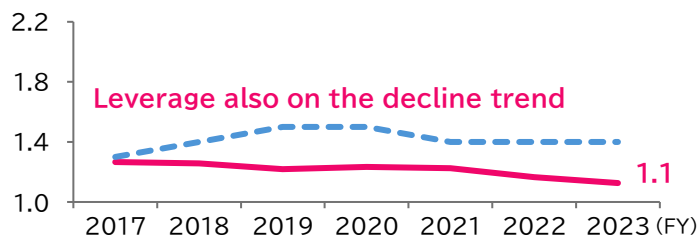
Financial
Leverage
(times)



Need to improve profit margin urgently



Low capital efficiency continues



Leverage also on the decline trend

[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

*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)

Current Situation Analysis and Evaluation

Transition of Capital Adequacy Ratio (as of Sep 30, 2024)

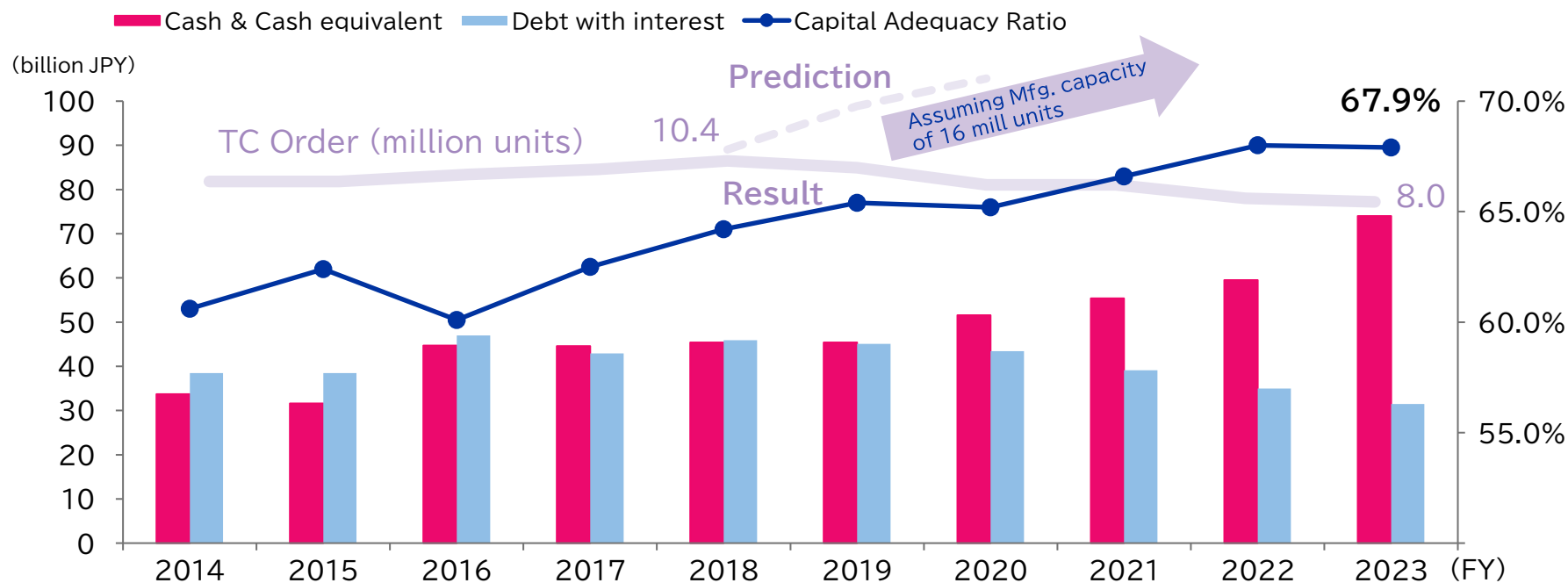
Drive our future.

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- ✓ 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.

Capital Adequacy Ratio & Cash and Cash Equivalents



Current Situation Analysis and Evaluation

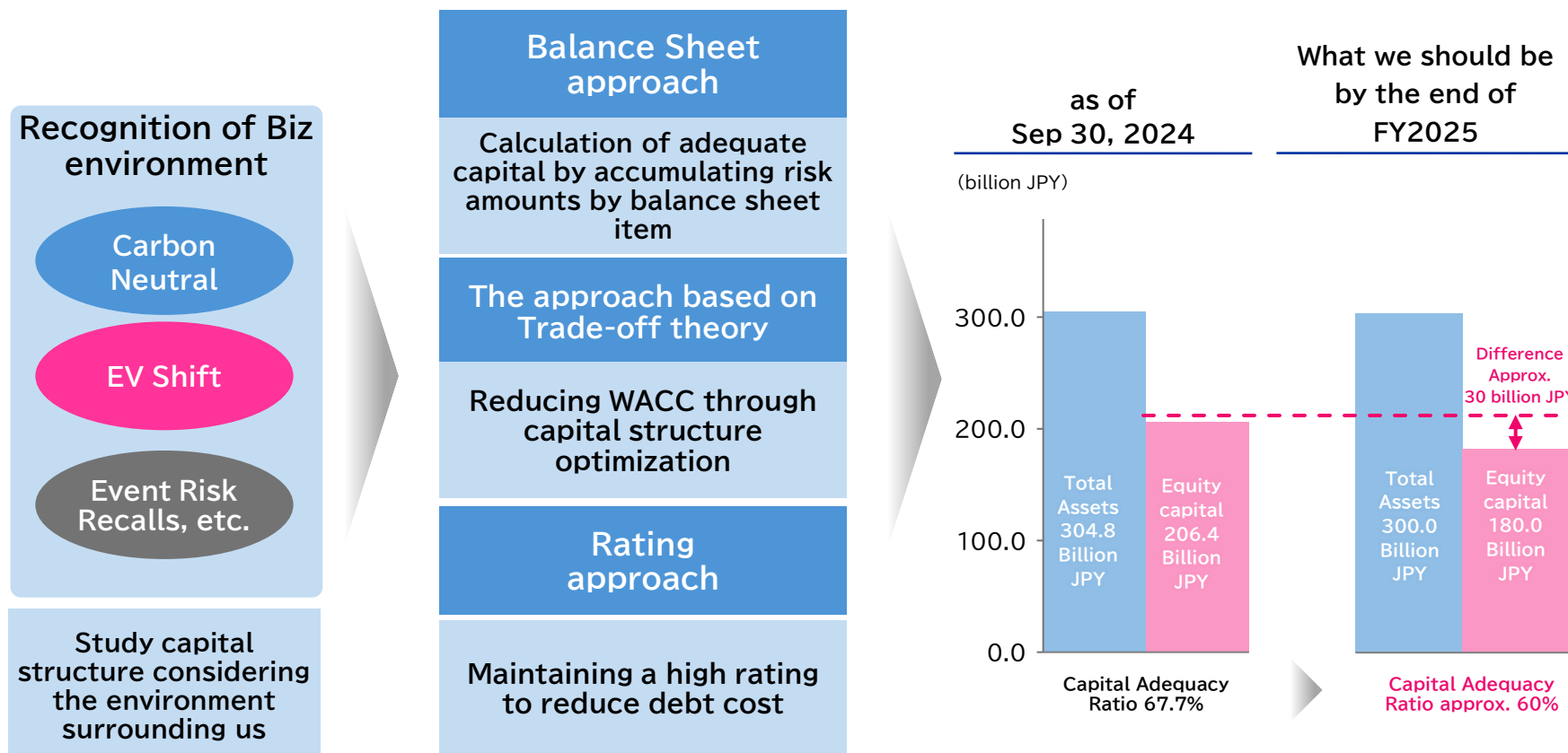
Balance Sheet Analysis (as of Sep 30, 2024)

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- ✓ Calculate an appropriate capital adequacy ratio (approximately 60%) based on recognition of the business environment using three approaches.
 - ▶▶ Achieve this by the end of FY2025 through additional share buyback of 30 billion JPY and increased dividends.

Transformation to appropriate capital adequacy ratio



Assuming total assets are around 300 billion JPY

Current Situation Analysis and Evaluation

Initiatives implemented and results achieved

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- Issue** Prior to FY2024, ROE was below cost of equity and P/B ratios below 1x were the norm.
- Initiatives** Update financial strategy in October 2024 based on dialogue with major shareholders to achieve optimal capital structure.
- Results** REVOLUTION the balance sheet (Equity ratio 67.9% → 59.4%) and achieved the current mid-term plan/ROE target two years ahead of schedule, and eliminated a P/B ratio below 1x.

Challenges (As of End of March 2024)	Main Suggestions from 7 major Shareholders (in June—September 2024)	Updated Financial Strategy (in October 2024)	Initiatives&Results (As of End of September 2025)
Continuation of PBR less than 1 <PBR: 0.7 times> ① ROE below shareholder capital cost <Equity Ratio: 67.9%> ② Decrease in torque converter demand due to BEV shift	ROE Improvement: 7 shareholders	Updating Financial Strategy to achieve ROE goals (FY 2026 6%)	Achieve FY2026/ROE target "2 years ahead of schedule" (ROE: 6.4%) PBR: improved to 1.04x ^{*1}
	Formulation of Balance Sheet (BS) policy: 7 shareholders	Calculated the optimal equity ratio (60%)※1, and formulated an achievement policy by the end of FY 2025.	Optimal BS is established "one year ahead of schedule". (Capital adequacy ratio: 59.4%, JCR rating: A+ maintained ^{*2})
	Review shareholder returns	Reviewed the medium-term plan & capital allocation incorporating financial leverage utilization based on various shareholder preferences & cash flow	Mobilized funds through the utilization of financial leverage (JPY 30 billion) & working capital compression to implement the following:
	Increased Dividends: 4 shareholders		Increased Dividend (from JPY 120 to over JPY 300 ^{*3})
	Not Necessary (Focusing on growth investment): 2 shareholders		Securing Growth Investment Funds (JPY 30 billion)
	Share Buyback: 1 shareholder		Additional Share Buyback JPY 30 billion (total JPY 45 billion)

*1 As of the end of Q2 2025, *2 Announced on Apr 7, 2025, *3 Forecast for FY2025

Current Situation Analysis and Evaluation

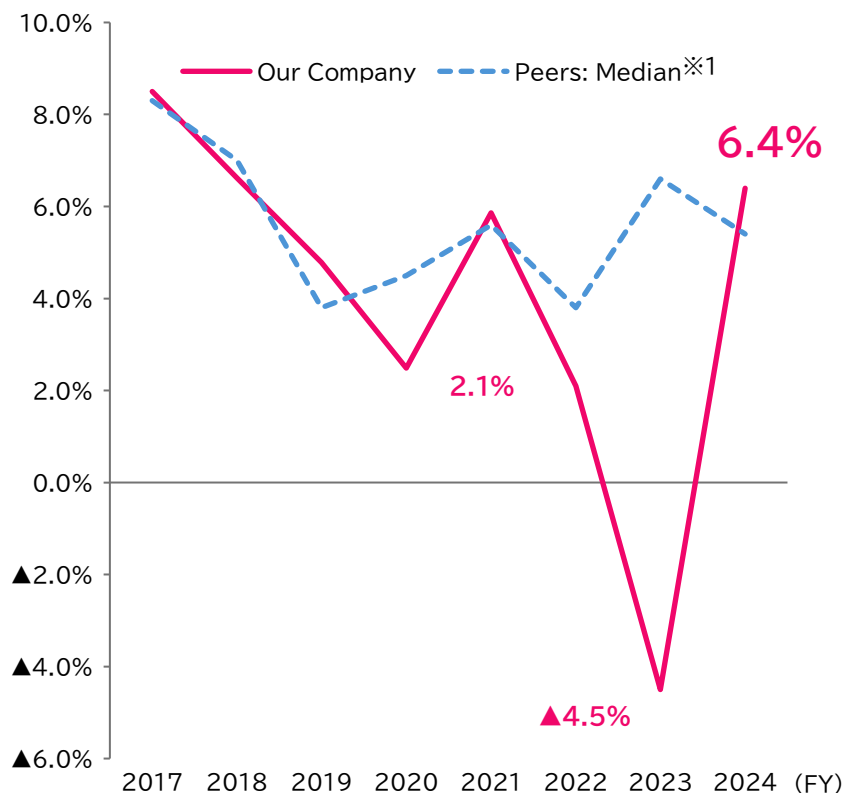
ROE analysis and Evaluation

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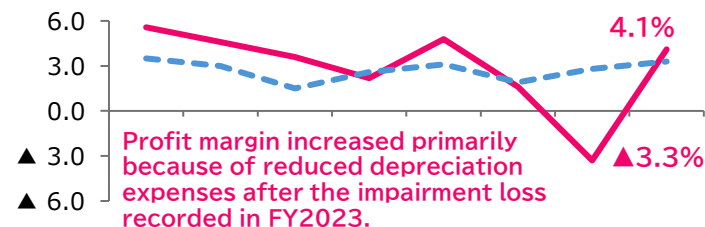
Let's create fulfillment for all, and our future.

- ✓ ROE improved to 6.4% by achieving optimal capital structure.
- ✓ Net Profit for the Period to net sales ratio improved significantly due to impairment losses implemented in FY2023 and cost increases in core businesses being passed on to selling prices, etc.
Aim for further improvement through steady implementation of business strategies in the future.
- ✓ Capital turnover and financial leverage are improving due to the implementation of financial strategies.

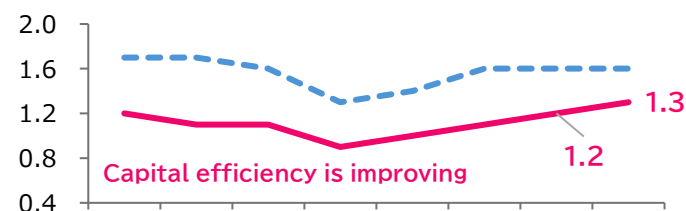
Breakdown of ROE



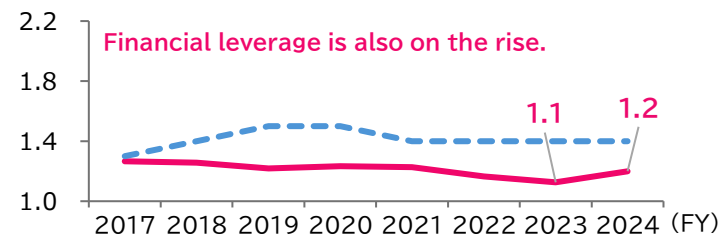
Net Profit
margin on
sales (%)



Invested-
capital
turnover
(times)



Financial
Leverage
(times)



*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)

Current Situation Analysis and Evaluation

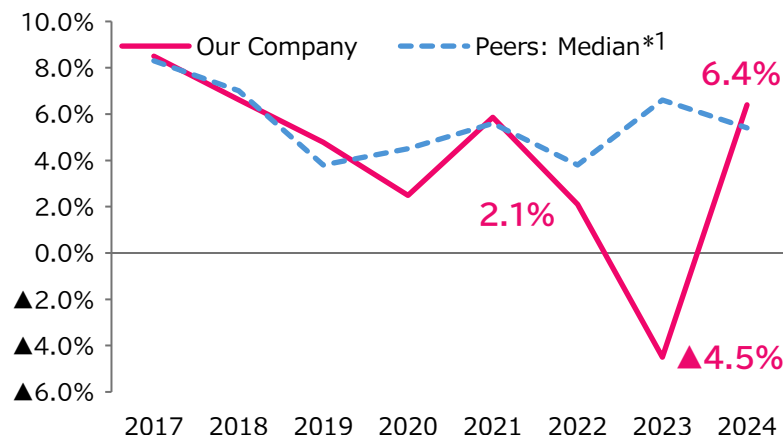
Impact of ROE improvement on PBR and PER

Drive our future.

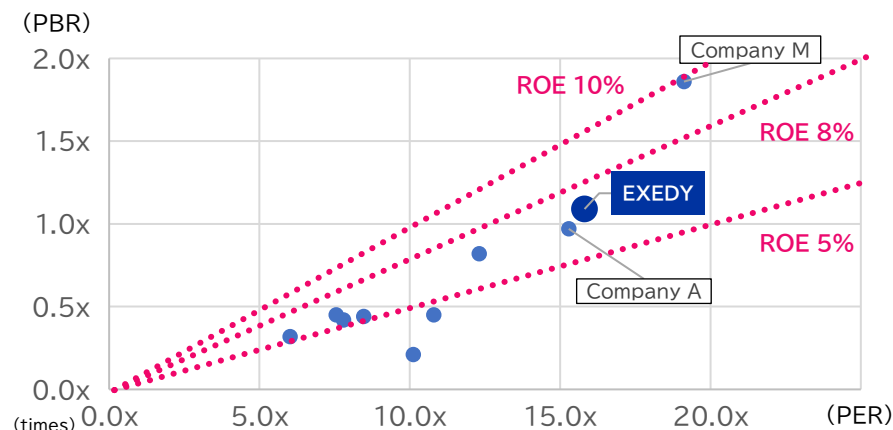
Let's create fulfillment for all, and our future.

- ✓ ROE improved, and PBR and PER also improved, achieving levels not inferior to peers.
- ✓ However, ROE has not yet reached 8%. Room for improvement in PBR and PER through further ROE improvement.

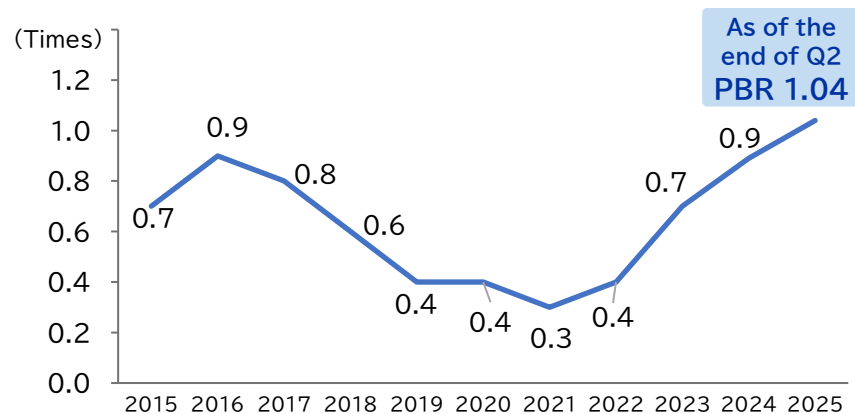
ROE



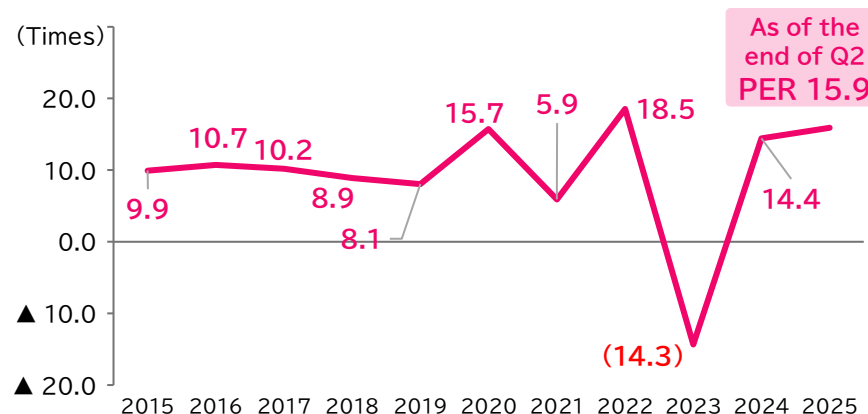
Comparison of PBR and PER with other companies in the same industry*2 *3



PBR



PER



*1: 26 auto parts manufacturers categorized as transportation equipment and listed on the Tokyo Stock Exchange prime market

*2: 10 auto parts manufacturers focusing on drivelines *3: According to our own research (share price as of Oct 15, 2025)

Policies and Objectives: Overall Picture

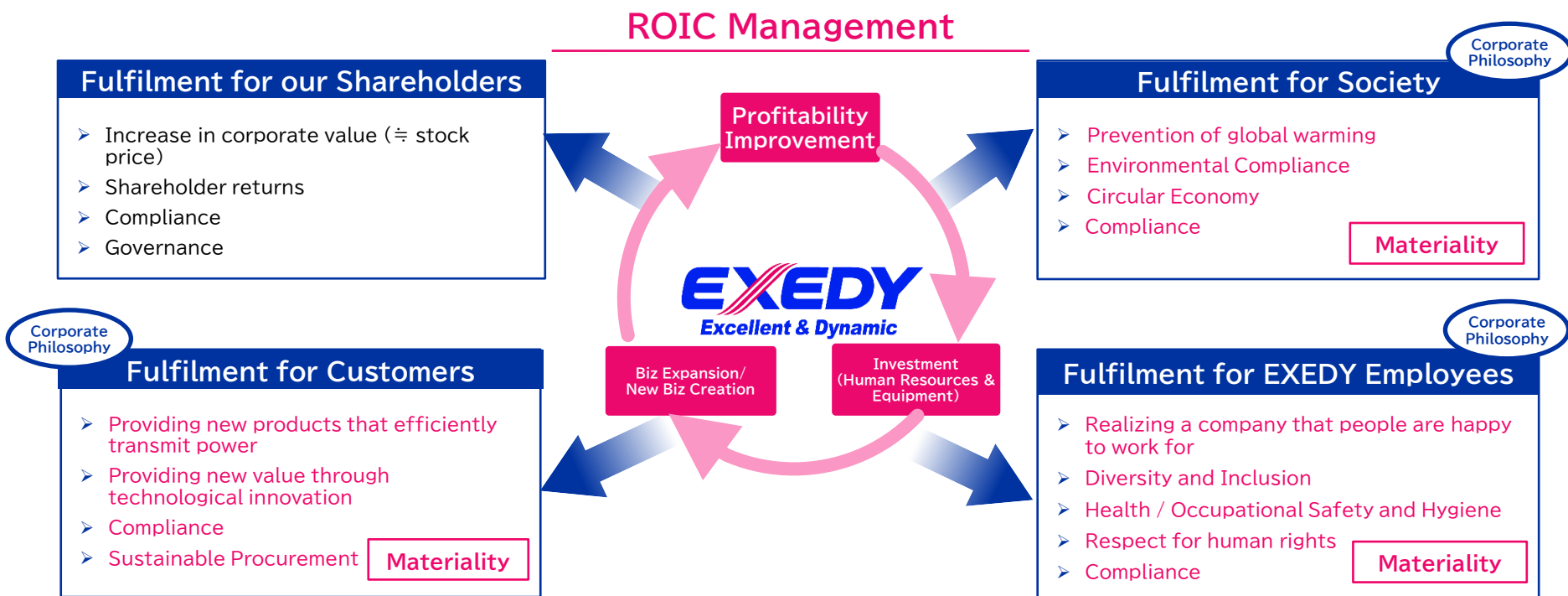
Realization of Corporate Philosophy and Material Issues

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- ✓ Enhancing “Earning Power*” and invest earned capital in growth and human capital to strengthen the business cycle that leads to Biz Expansion/New Biz Creation.
*Evaluate and manage profitability with ROIC.
- ✓ Through this Biz Cycle, realize Corporate Philosophy & improve Corporate Value.

EXEDY's Vision "Creation of Fulfillment" (Realization of Corporate Philosophy and Materiality by Enhancing Earning Power)



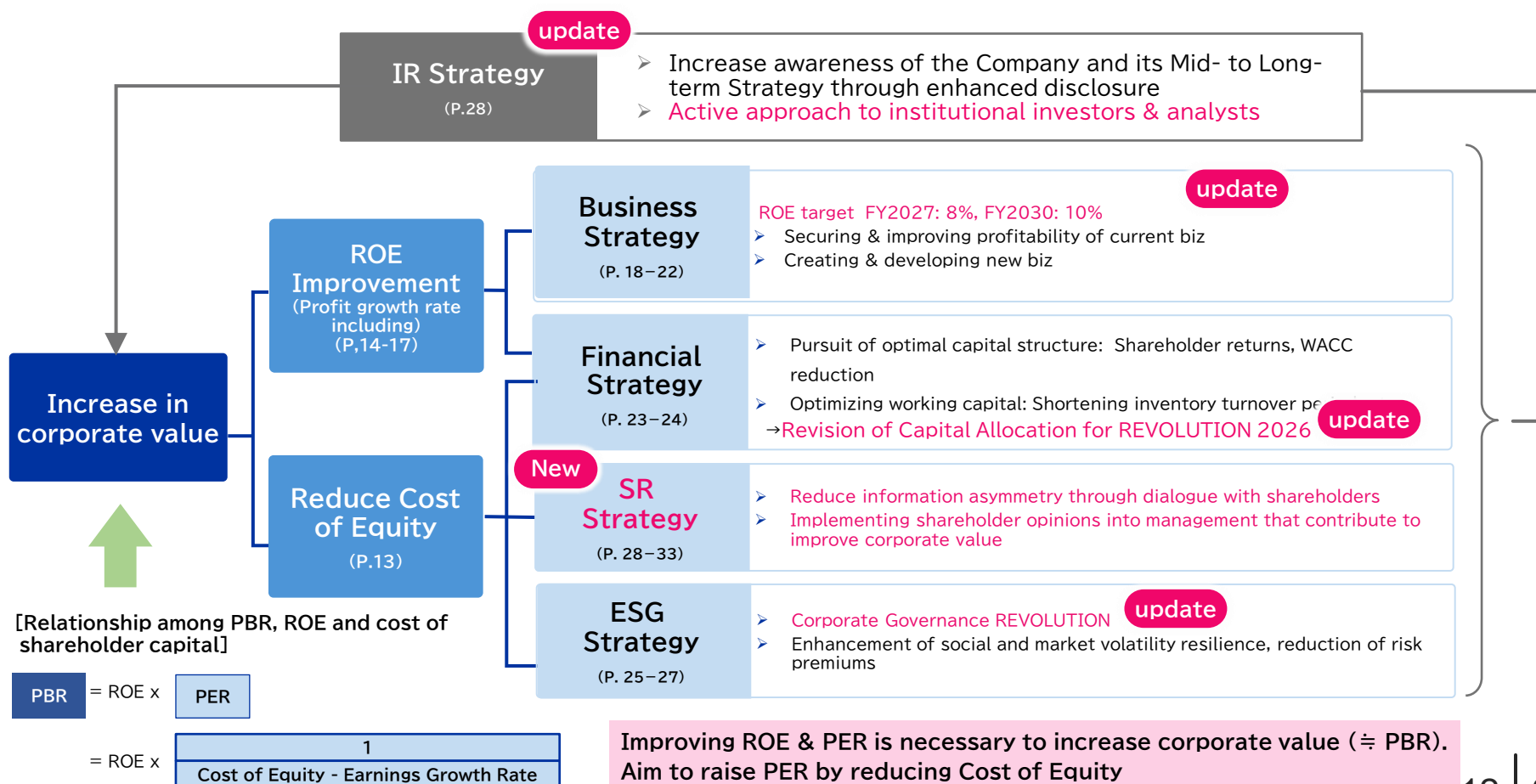
Policies and Objectives: Overall Picture

Overall Picture of Improve Corporate Value Initiatives

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- ✓ We are promoting initiatives to increase corporate value through the execution of our business, financial, ESG, and IR strategies. In October 2025, we disclosed an increase in our ROE target for FY2030 (from 8% to 10%), and we are strengthening our earning power.
- ✓ In Oct 2025, the SR strategy was developed. Reduce asymmetric information and incorporate shareholder opinions (which contribute to improve corporate value) into management through increased dialogue with shareholders, leading to a reduction in the cost of shareholders' equity.



Policies and Objectives: Reduce Cost of Equity

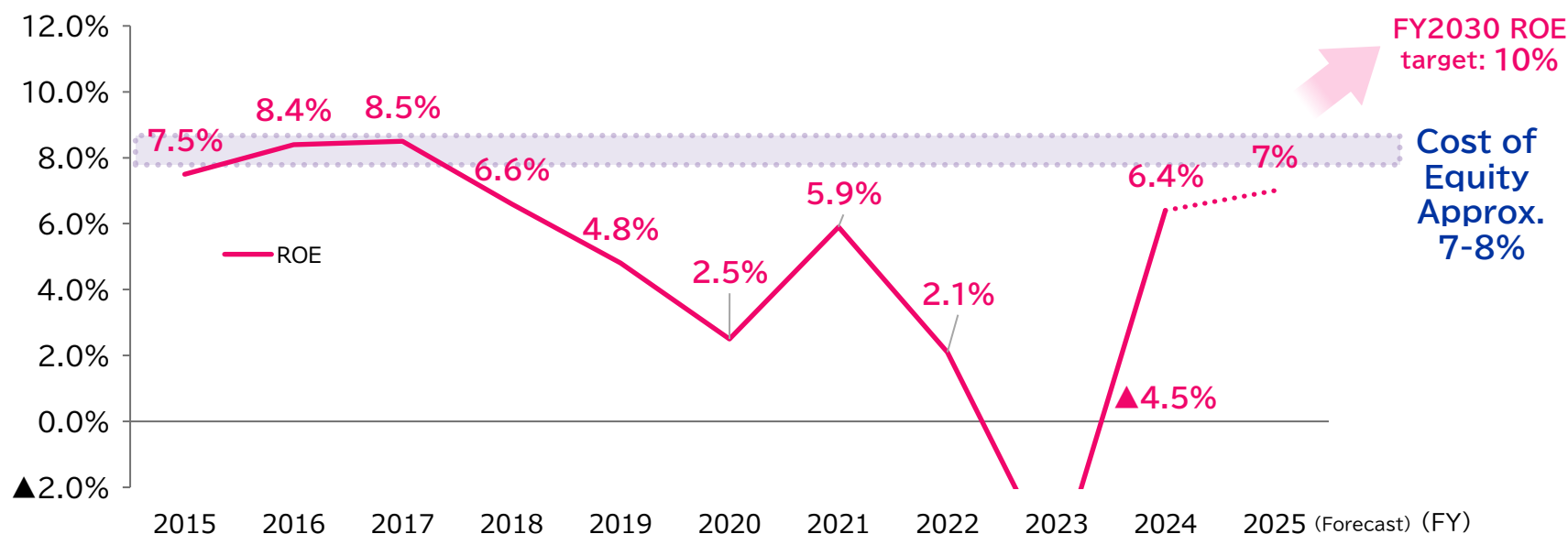
Strategies to reduce the cost of Equity

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- ✓ Cost of shareholders' equity estimated at 7-8%.
- ✓ In addition to financial and ESG strategies, strengthen SR and IR strategies to reduce costs.
(* Details are on pages 28-33)

Trends in ROE and Cost of Equity



$$\text{Cost of Equity} = \text{Risk-free rate}^{*1} + \beta^{*2} + \text{Market risk premium}^{*3}$$

*1: The 10-year average of the yield on newly issued 10-year government bonds

*2: Historical TOPIX Beta

*3: The average value of the historical method and the implied method

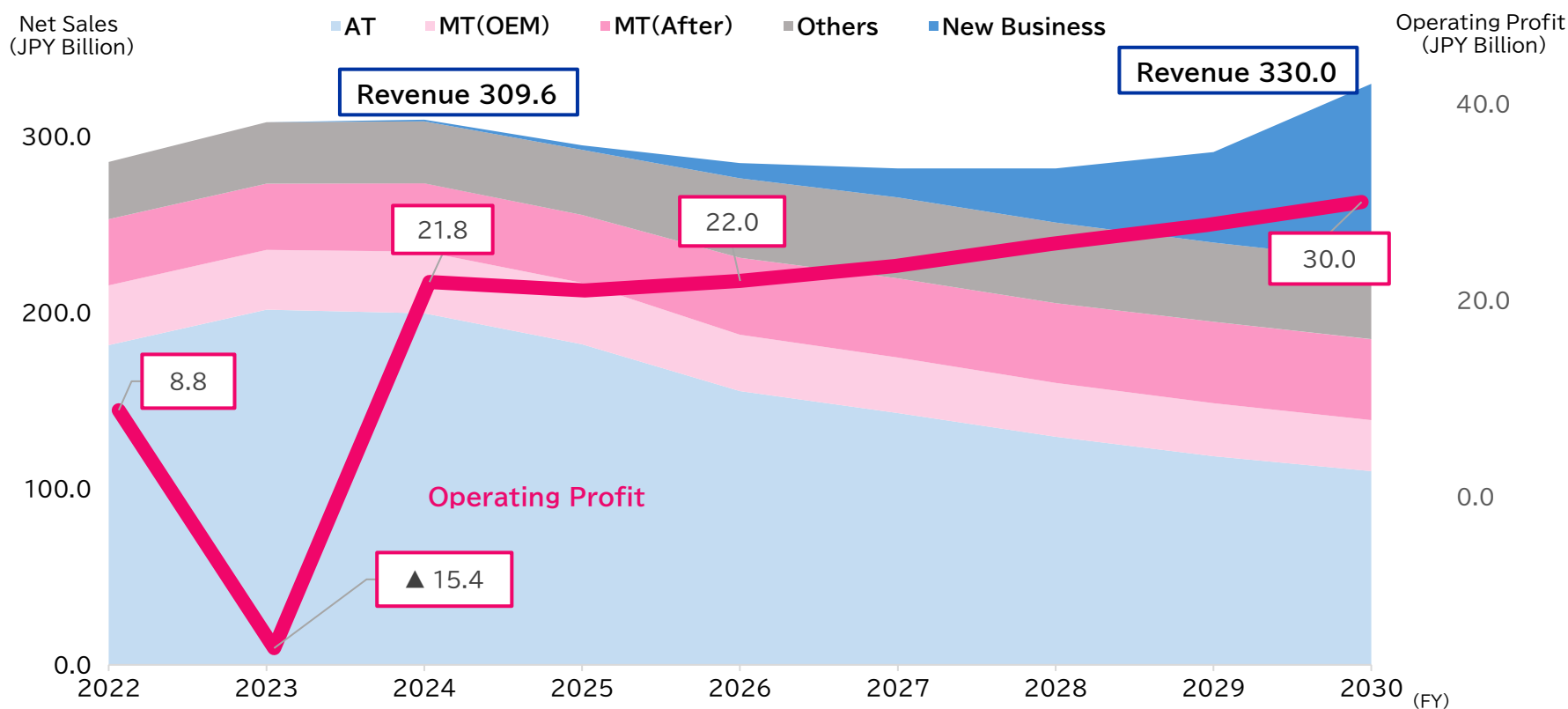
Policies and Objectives: ROE Improvement Road Map to FY2030

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- ✓ Aim to shift from an AT business bias to a balanced business portfolio of three businesses (AT, MT, and new businesses) by promoting Mid- to Long-term Strategy

Transform the Business Portfolio by 2030 to improve “Earning Power”.



Policies and Objectives: ROE Improvement

Mid- to Long-term Strategy for FY2030

Drive our future.

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

- ✓ In the automotive industry, which is undergoing a major transformation, the reduction of internal combustion engine vehicles inevitably leads to a contraction of the OEM (AT) business.
- ✓ Based on the mid-to-long-term strategy formulated in April 2024, we will improve the earning power of our core business while concentrating management resources on creating new businesses to transform our business portfolio.

Business Portfolio Transformation

- Improve earning power in core businesses and focus human resources and capital on new business creation

Securing & improving profitability of Core Biz

- Aftermarket:
Expansion of product lines and development of the spare parts market in emerging countries
- OEM:
Pursuit of efficient management through optimization of the production system, and strengthening profitability by achieving appropriate pricing

Creation & Development of New Businesses

- Accelerate the Electrification Strategy by acquiring lacking resources through collaboration, etc.
- Prioritize management resources for Projects & achieve early realization
- Create more new businesses

Business Strategy KPIs (FY 2030 Targets)

ROE **update**
8%→10%

Operating Profit
JPY 30 billion
<Operating Profit
Margin 9%>

Net Sales
JPY 330 billion

New product
sales ratio
30%

Policies and Objectives: ROE Improvement

ROE targets brought forward & revised upward

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- ✓ The return on equity (ROE) for the fiscal year ending March 2025 reached 6.4%, surpassing the original target of 6% for the final year of the medium-term plan, achieving this milestone two years earlier than planned.
- ✓ Given consistent progress, the ROE target for fiscal year 2030, initially set at 8%, will be brought forward and adjusted upward.

	Unit: JPY Billion	FY 2024 Results <1st Year of the Mid-term Plan>	FY 2025 Forecast <2nd Year of the Mid-term Plan>	Target for FY 2026 <3rd Year of the Mid-term Plan>	Target for FY 2027 <4th Year of the Mid-term Plan>	Target for FY 2030
Before update	Revenue	309.6	285.0	280.0	No disclosure	330.0
	Operating Profit	21.8	19.0	20.0		30.0
	Ratio to Revenue	7.1%	6.7%	7.1%		9.1%
	ROE	6.4%	6.6%	6.7%*		8.0%
After update	Revenue	309.6	295.0	285.0	282.0	330.0
	Operating Profit	21.8	21.0	22.0	23.5	30.0
	Ratio to Revenue	7.1%	7.1%	7.7%	8.3%	9.1%
	Net Profit	12.7	12.5	13.8	14.8	18.6
	Ratio to Revenue	4.1%	4.2%	4.8%	5.2%	5.6%
	ROE	6.4%	7.0%	7.5%	8.0%	10.0%

*Target at the time of the announcement of the Mid-Term Management Plan in Apr 2024: 6.0%, updated in Apr 2025.

Policies and Objectives: ROE Improvement Medium- and long-term targets for FY2030

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- ✓ Core Businesses : AT : Sales declined gradually due to volume decline, but profitability improved due to optimization of selling prices, etc.
MT: Profit amount increased due to growth of profitable after-sales business.
- ✓ New Businesses : Create new businesses with the funds earned from core businesses and develop them into one of the pillars of our business by 2030.

		Revenue(JPY Billion) / Sales composition ratio			Operating Profit(JPY Billion) / Ratio to Revenue		
		FY 2024 Results	Target for FY 2027	Target for FY 2030	FY 2024 Results	Target for FY 2027	Target for FY 2030
Core Business	AT (OEM&After)	199.7	143.0	110.0	12.4	10.0	8.5
		65%	51%	33%	6%	7%	8%
	MT (OEM)	35.0	31.5	29.0	2.2	1.5	1.5
		11%	11%	9%	6%	5%	5%
	MT (After)	38.8	45.0	46.0	8.6	10.5	11.5
		13%	16%	14%	22%	23%	25%
	Others (TS・Two-wheels / OEM & After)	35.2	46.0	45.0	3.3	4.0	3.5
		11%	16%	14%	10%	9%	8%
		308.7	265.5	230.0	26.5	26.0	25.0
		100%	94%	70%	8.6%	9.8%	10.9%
New Business		0.9	16.5	100.0	▲ 1.7	1.0	10.0
		—	6%	30%	—	6%	10%
TOTAL*		309.6	282.0	330.0	21.8 7%	23.5 8%	30.0 9%
		ROE			6.4%	8.0%	10.0%

* Operating profit is the figure after considering company-wide expenses.

Measures to be Implemented Business Strategy (Structure change)

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To achieve the Medium- to Long-term Strategy, implement organizational reforms on 1 April 2025

Medium to Long-term Strategy	Business Portfolio Transformation	
	➤ Improve earning power in core businesses and focus human resources and capital on new business creation	
	Securing & improving profitability of Core Biz	Creation & Development of New Businesses
	➤ Aftermarket : Expansion of product lines and development of the spare parts market in emerging countries ➤ OEM : Pursuit of efficient management through optimization of the production system, and strengthening profitability by achieving appropriate pricing	➤ Accelerate the Electrification Strategy by acquiring lacking resources through collaboration, etc. ➤ Prioritize management resources for Projects & achieve early realization ➤ Create more new businesses



- ✓ To achieve "business portfolio transformation" by revolution the organization with clear objectives in order to promptly and appropriately respond to the challenges in promoting the Mid- to Long-term Strategy (improving profitability of core businesses and creating and nurturing new businesses).

Measures to be Implemented

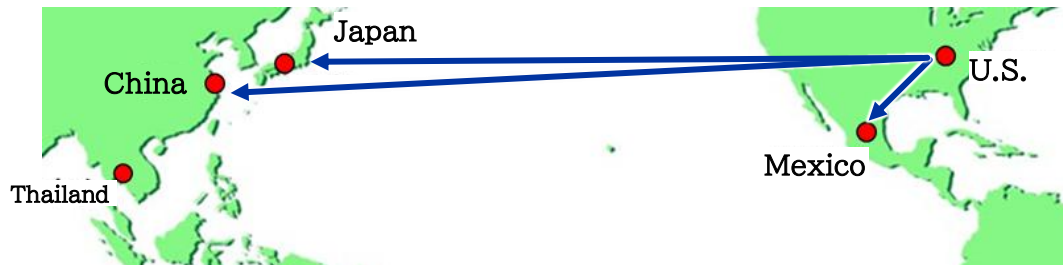
Business Strategy (Core Business: OEM)

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(Initiated measure of FY 2024) To construct an optimal production system in response to environmental changes

- Americas: Liquidated "EXEDY America" and transferred production to other bases (Japan, China, and Mexico).



- China: Streamlining of personnel structure through early retirement at two bases (less than 20%).

- Japan: Improving efficiency through small-lot, multi-product, mixed-flow production in the torque converter assembly process.



Small batch production line for torque converters

(Measures of FY 2025 & beyond) Achieving appropriate pricing & pursuing efficient operations, Capturing demand for 2-wheelers in emerging countries

- Global: Passing on higher costs to customers & strengthening activities to realize fair prices
Pursuit of efficient operations, including optimization of production systems
(Line stop, multi-product mixed flow line, etc.)
- Americas: Improvement of deficit at friction material manufacturing base "DYNAX America"
(reduction of unprofitable products, reduction of defects, etc.)
- Asia: Capture demand for motorcycles in India and Indonesia

- ✓ Start optimization of global production system from FY2024 and implement further efficiency improvement measures in FY 2025 and beyond.
- ✓ Aiming to improve profit margins and capture demand for motorcycles in emerging countries by passing on higher costs to customers and realizing reasonable prices.

Measures to be Implemented

Business Strategy (Core Business: Aftermarket)

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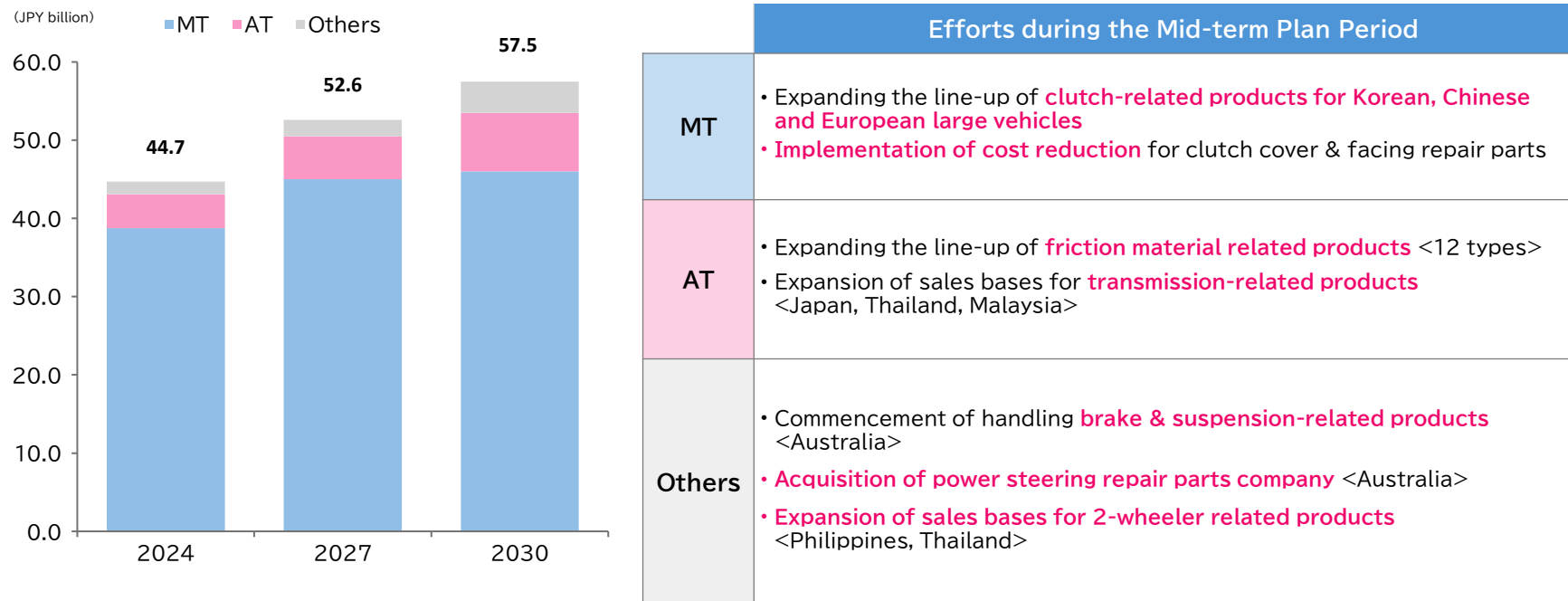
Let's create fulfillment for all, and our future.

FY2030 Targets & Strategy

Aftermarket Product Sales
JPY 57.5 billion

- Expansion of MT repair parts lineup & price competitiveness by cost reduction
- Expansion of AT repair parts business (deployment of Oceania model within the group)
- Strengthening of business in Other repair parts such as brakes & suspensions

Sales Plan by Segment (Consolidated Basis) & Initiatives during the Mid-Term Plan



- ✓ To leverage the global sales network developed aftermarket of MT, we will promote the expansion of the lineup of existing products & the introduction of new products.

Measures to be Implemented

Business Strategy / New Business: Overall Picture

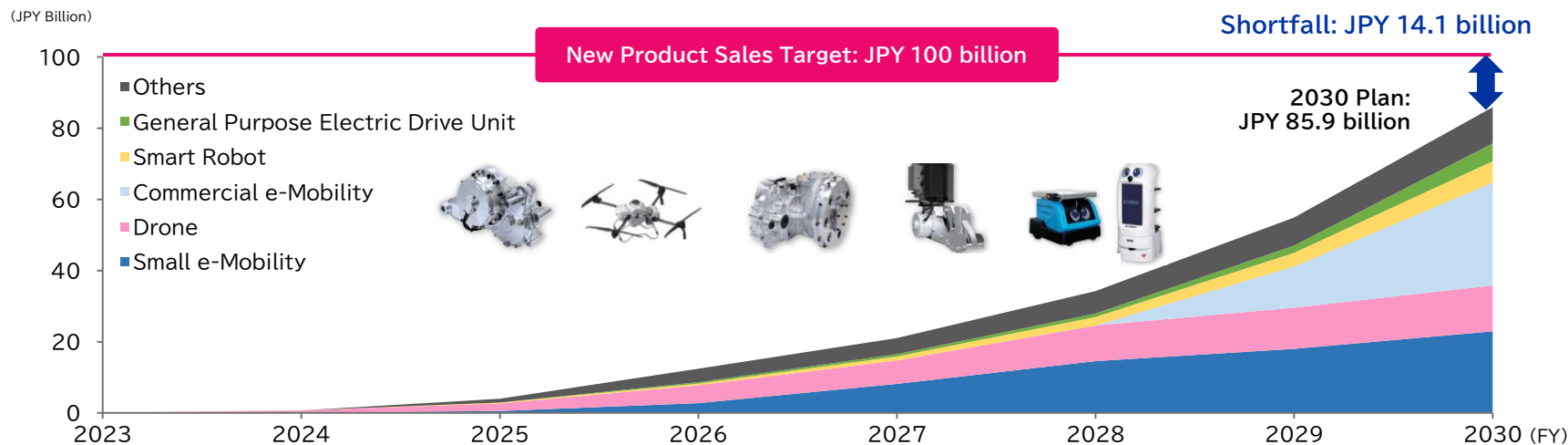
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New Business Target & Measures for FY 2030

New product sales
JPY 100 billion

- Accelerate Electrification Strategies by acquiring insufficient resources from outside through collaboration etc. (EXEDY's strengths x External knowledge)
- Prioritize allocation of management resources to Projects for early realization
- Creating more further New Businesses



- ✓ Including 5 items, the sales plan for FY 2030 is JPY 85.9 billion. To achieve the target of JPY 100 billion, creating & nurturing even more new businesses.
(1) Small electric (2) Commercial e-mobility (3) Drone (4) Smart robot (5) General-purpose electric drive unit
- ✓ In April 2025, new division for new businesses (Strategic Business HQ) & departments (New Business Development Support Department, M&A Strategy Department and Business Incubation Department) were established to accelerate creating & nurturing of new businesses.

Measures to be Implemented

Business Strategy / New Business: 5 electrification products

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	Small e-Mobility	Commercial e-Mobility	Drone	Smart Robot	General Purpose Electric Drive Unit
Products					
FY 2030 Sales Plan	JPY 24.2 billion	JPY 28.9 billion	JPY 12.9 billion	JPY 6.0 billion	JPY 5.0 billion
Target Market	India/2-wheel & 3-wheel market National policy to promote electrification needs are great.	Japan/Commercial Vehicle Market ·National policy to promote electrification needs are great. ·Current technology lacks drivability & cruising range	Japan and North America/Industrial drone market (inspection, agriculture, logistics) High demand for Japanese products	Japan/U.S./Hauling/Indoor Delivery/Customer Service Market Automation and manpower saving needs due to labor shortage	Japan/overseas/manufacturing/factory, logistics/warehouse Increasing need for safe and comfortable transportation
product superiority (Our technology to be utilized)	Increased driving force at startup & smooth gear shifting with motor size unchanged (CVT)	[WREV] Realization of increased driving force at startup & smooth gear shifting with motor size unchanged (torque converter) [SHEV] Smaller battery ensures longer cruising range.	Provide in-vehicle quality products with absolutely no accidents allowed (quality assurance system)	Provide APIs that easily connect to no-code applications and other systems and services on a highly customizable platform (system design capabilities)	Realization of smooth starting, soft stopping, and automatic braking (analytical technology for stress, structure, etc.)
Product Video	CVT unit for 3-wheel BEVs 【 video link 】	SHEV System 【 video link 】	Firefighting Drone 【 video link 】	Neibo Powerful Robot 【 Youtube 】	Electric Assist Tagger 【 Youtube 】

✓ Clarify the needs of the target market and actively communicate and promote the above advantages.

Measures to be Implemented

Financial Strategy :Capital Allocation

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Capital Allocation for FY2024-FY2026

Cash Flow (3-years cumulative)

IN

OUT

Operating CF:
JPY 81 billion

↓
JPY 87 billion

Renewal Investment:
JPY 15 billion

Growth Investment:
JPY 30 billion

Investment for growth or shareholder
return Under consideration
(Return to shareholders if not allocated to
growth investments) JPY 7.5 billion

Reduction of Working Capital, etc.
:JPY 7 billion

Sale of cross-shareholdings:
JPY 1.5 billion

Utilization of Financial
Leverage:
JPY 30 billion

Shareholder Returns

Dividends:
JPY 28 billion

Acquisition of Treasury
Stock:
JPY 45 billion

Renewal Investment:

FY2024 actual: JPY 3.9 billion FY2025 forecast: JPY 6.1 billion

Growth Investment:

- Strategically & Flexibly Invest Funds to create new business
- Establish a dedicated M&A department to achieve Medium-Term profit target

FY2024 actual: JPY 4.9 billion FY2025 forecast: JPY 4.0 billion

Shareholder Returns:

- 100% total return policy to maintain optimal capital structure

① Shareholder Dividends

Maintain stable dividend with a minimum DOE of 5%.
Increase dividend per share to more than 300 JPY per share
per year from fiscal 2025

② Acquisition of Treasury Stock

Implement share buyback of 45 billion JPY in FY2024 to
improve corporate value & capital efficiency

- ✓ Cash-IN is expected to increase by 7.5 billion JPY due to an upswing in operating CF and the sale of all strategic shareholdings.
- ✓ To improve corporate value, we plan to give priority to investment in growth. If not allocated to growth, we will return profits to shareholders.

Measures to be Implemented

Financial Strategy :Shareholder Returns

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Shareholder returns aimed at enhancing corporate value & capital efficiency

					Transformation/REVOLUTION 2026 (3 years)		
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Per Share Dividend	JPY 60	JPY 90	JPY 90	JPY 120	JPY 250		
	Mid-year: JPY 30 Year-end: JPY 30	Mid-year: JPY 40 Year-end: JPY 50	Mid-year: JPY 45 Year-end: JPY 45	Mid-year: JPY 60 Year-end: JPY 60	Mid-year: JPY 100 Year-end: JPY 150	Annual JPY 300 Or more	Annual JPY 300 Or more
Total Return Ratio	56%	34%	92%	▲56%	425%	100% total return ratio in 2 years	
DOE*	1.4%	1.9%	1.9%	2.6%	5.2%	DOE 5% as a lower limit	
Treasury Stock Acquisition	-	-	-	-	JPY 45 billion	Consideration based on changes in the business environment	

[FY2025 & FY2026]

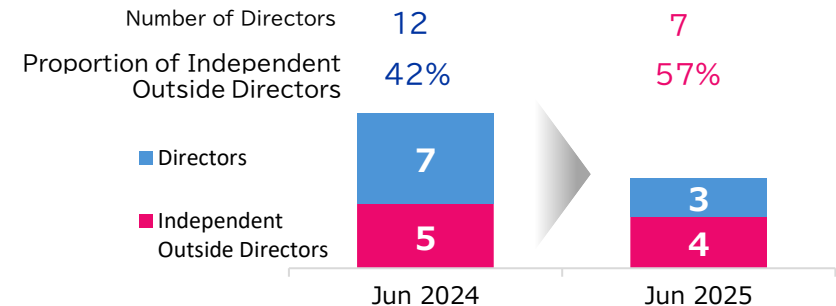
100% total return policy to maintain optimal capital structure (equity ratio of 60%)

- ✓ Maintain stable dividend with a minimum DOE of 5%.
- ✓ Plans to return an appropriate amount of excess shareholders' equity to shareholders after the medium-term management plan period, mainly through dividends.

Enhancement of Management Transparency and Autonomy

At this year's General Meeting of Shareholders, **four independent outside directors were elected, which is a majority of the total number of directors.**

Highly effective supervision from an independent and objective standpoint, and a **more active exchange of opinions by limiting the number of members of the Board of Directors.**



Enhancing the Efficiency of the Nomination and Compensation Committee

The chairpersons of both the Nomination Committee and the Compensation Committee shall be independent outside directors, with a **substantial increase in secretariat personnel** to improve the delivery of information essential for comprehensive discussions.

◆ Nomination Committee Activities

By engaging committee members in meetings alongside full-time directors addressing management matters and involving them in the selection of future executive candidates, the committee aims to enhance the thoroughness of the candidate evaluation process.

Expansion of KPI-linked and variable percentage of executive compensation

Aligning shareholder interests and raising awareness of contributions to corporate value enhancement through an **increased proportion of stock-based compensation.**

◆ Future strategies deliberated by the Compensation Committee

- Evaluating metrics that serve as effective incentives for sustainable growth: ROE, consolidated operating profit, and Net GHG reduction rate
- Implementation of performance-based restricted stock compensation

Presumed Breakdown of Director Remuneration

Reward Type	so far	FY2025 (Estimated)
Basic compensation (monthly compensation)	80	55
Bonuses (short-term incentives)	10	10
Stock compensation (mid- to long-term incentives)	10	35

Measures to be Implemented

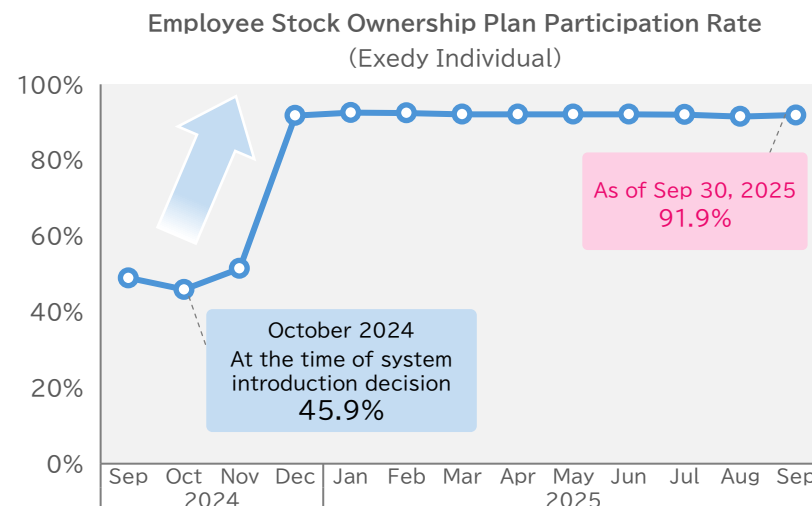
ESG Strategy / Human Capital

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Main initiatives related to the strengthening of Human Capital: Introduction of the Restricted Stock Incentive for Employee Shareholding Association

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)
Target	Employees of EXEDY Corp who agree to this Plan
Number of shares granted	Approximately 1.26 million shares of our company's stock (494 shares/person)
Grant amount	Approximately JPY 5.9 billion (approximately JPY 2 million /person)
Payment due date	28 February 2025



- ✓ Introduced a stock grant program for all employees in anticipation of their determination to complete the Mid-Term Management Plan (This scheme is the first in Japan with a scale of JPY 1 million or more per person)
- ✓ As a result of the Representative Officer Director the policy intentions to all employees at 26 town hall MTGs, the employee stock ownership ratio increased to 91.9%.
- ✓ Shareholder ranking in the Employee Stock Ownership Plan increased from 10th (1.29% at the end of Sep 2024) to 6th (4.80% at the end of Sep 2025)



Representative Director Toyohara explained Restricted Stock Incentive for Employee Shareholding Association at town hall meeting

Employee Awareness Survey & Organizational Performance Relationship Analysis

Graduate School of Management, Kyoto University/
"Correlation analysis by Professor Nobuyuki Isagawa and
Associate Professor Kazuo Yamada*."

【Analysis subject】

Analysis of factory technical staff at former AT Manufacturing HQ.

(Line level) 26 / (Individual level) approx. 1,250

				Organizational Performance Indicators			
				Productivity (Time required to produce one unit)	Number of Disasters	Number of In-Process Defect	Turnover Rate
Employee Awareness Survey	Overall employee satisfaction			-	-	-	△
	Employee engagement	Absorption	I want to exceed expectations in my job.	-	-	○	○
		Attitude	I'm willing to take on any task.	-	○	-	-
	Others than above	Personal Relationships	Openness of the workplace, support from colleagues, etc.	○	○	○	○
		Work Collaboration	Staffing and business coordination	○	○	○	○
		Work-Style	Working environment for women, ease of taking paid holidays, etc.	-	○	-	○

○: Relationship in line with expectations on a line-by-line basis

△: Relationship in line with expectations on an individual basis, but not on a line-by-line basis

-: Cannot say either

✓ The results of the "Employee Awareness Survey & Organizational Performance" analysis of our/AT business and factory technical staff are as follows

(Satisfaction) No significant correlated Organizational Performance Indicators were found on a line-by-line basis.

(Engagement) Some of the questions correlate with Organizational Performance Indicators other than "Productivity".

(Others) "Personal Relationships," "Work Collaboration," and "Work-Style" are correlated with Organizational Performance Indicators.

▶▶ Since this analysis is limited in scope, we will reflect it in our human capital enhancement measures in the future with a view to expanding the scope to factory technicians and administrative overhead in other businesses.

Dialogue with Shareholders and Investors

Newly established SR strategy and updated IR strategy

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SR&IR strategy

New

SR strategy

In order to **reduce the cost of shareholders' equity**, we will strive to **reduce information asymmetry by expanding dialogue with shareholders**, and increase investor confidence in our company's performance by **implementing shareholder proposals in management that contribute to improve corporate value**.

update

IR strategy

To **improve the volume of our stock and revolution the composition of our shareholders** (the ratio of individual shareholders is excessive compared to other companies in our industry), we will **expand disclosed information and proactively approach fundamentally-oriented institutional investors and analysts** who are oriented toward medium- to long-term holdings.

PDCA in Management

Directors' and management meetings include discussions to enhance management practices.

SR&IRI Structure

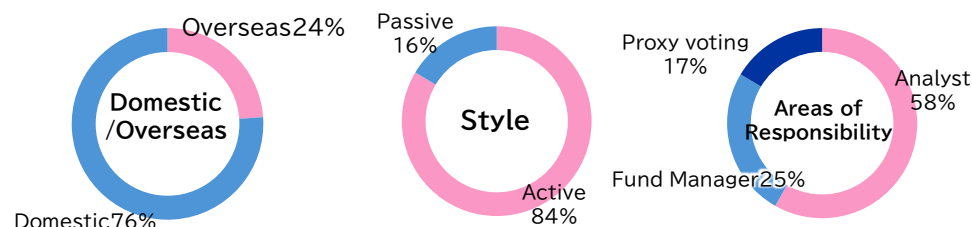
Officer in charge: Representative Director & Senior Executive Managing Officer

Department in charge: ESG-IR Promotion Dept. (2 dedicated staff)

Main Correspondents	Financial Results Briefing	SR MTG	IR Small MTG	IR 1on1 MTG
Representative Director & President	●			
Representative Director & Senior Executive Managing Officer	●	●	●	
Senior Group Manager of Sustainability Group & General Manager of ESG/IR Promotion Department				●

Overview of dialogue with shareholders & investors in FY 2024 H1

Companies engaged in dialogue	FY2024 H1	FY2024 H2	FY2025 H1
*Total number of companies	48	27	67
1 on 1 IRMTG	23	23	23
SR MTG	10	2	11
IR Small MTG	15	—	33
Institutional Investors Collective Engagement Forum	—	2	—



- ✓ Expanding dialogue with shareholders and investors since the establishment of a dedicated department in April 2024
- ✓ SR strategy to **reduce cost of shareholders' equity**, IR strategy to **improve liquidity & revolution shareholder composition**

Dialogue with Shareholders and Investors

SR Strategy / Main Advice from major shareholders

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Item	Advice	Correspondence
ROE Optimal capital structure	① ROE improvement (7 shareholders) ② Raising ROE targets (3 shareholders) ・Aim for ROE of 10% or more (can be after FY 2030)	①②Recently decided to bring forward and raise the ROE target for FY2030. (FY2027) 8% (FY2030) 10%
	Requests to improve Operating Profit margin in OEM business (2 companies) ～Negotiations for appropriate selling prices, including	In the automotive industry, where annual price reductions are the norm, "negotiations on the optimization of selling prices" is an unusual proposal, so we will discuss it at the directors' camps to be held in September and December 2024. In addition, the senior managing director of the company will directly talk with sales representatives to change their mind-set, and will begin to explain our company's situation to customers from January 2025, as it is essential for us to gain their understanding regarding the optimization of selling prices in order to fulfill our supply responsibility as our business shrinks in line with the shift to BEVs. Currently, we are negotiating with our customers on this matter.
	Balance sheet approach to improving ROE (especially capital adequacy level) & how to achieve it should be considered (7 companies)	In October 2024, the optimal capital adequacy ratio (68→60%) & the method to achieve it (dividend increase & additional share buyback of 30 billion JPY) were decided. April 2025, optimal capital structure already achieved
Shareholder Returns Policy	To achieve an optimal capital structure, we would like to see the following and increased shareholder returns ① Increase in dividends (4 shareholders: Domestic/Passive investors) ・Dividends should be at a high level to optimize the capital ratio. ② No need for review (2 shareholders: Domestic/Passive investors) ・Our company is in a period of growing new businesses. Now is not the time for expanding shareholder returns. ③ Share Buyback (1 shareholder: Overseas/Active Investor) ・The company should set a target equity capital amount, and any excess capital should be used to repurchase shares.	As a way to achieve the above "optimal capital structure", we decided to review our shareholder return policy in October 2024, based on a comprehensive assessment of cash flow & various shareholder proposals. Dividend increase & additional share buyback already executed
	Reinforcement of commitment to lower limit dividend (2 companies)	October 2024, DOE introduced to shareholder return policy. (October 2024) Aim for DOE of 4%. (April 2025) Aim for DOE of 5%. (October 2025) DOE 5% as a lower limit.
Governance System	① Separation of monitoring and execution to strengthen governance & speed up execution (1 company) ② Improve effectiveness of nominating and compensation committees (3 companies) ③ Linking executive compensation to KPIs (3 companies) ④ Increase in Director ownership of company stock (1 company)	In the first half of FY2025 ①～③ have already been addressed (see page 25 for details). ① Streamlining the Board of Directors (from 11 to 7) and increasing the number of outside directors to a majority will strengthen governance and increase execution speed. ② Appointment of outside directors as chairpersons of both committees, and the respective secretariats as the Personnel Affairs Department and the Human Resources & Organization Development Department, with duties and authority being reorganized. ③ ROE has already been determined as a KPI to be linked to executive compensation.

Dialogue with Shareholders and Investors

SR Strategy / Main Advice from major shareholders

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(data) item	Advice	Correspondence
disclosure of information	Disclosure of information to ensure the probability of sales and profit targets for FY2030 (sales and profit targets by segment, etc.) (3 companies) Business Strategy Request for enhanced disclosure regarding the following factors that make EXEDY's stock price undervalued (1 company) ① Since future profit growth is not believed, the forecast of profit amount by business for FY2030 target should be disclosed. ② It is necessary to show the maximization of residual benefits of existing businesses as an achievement. Realization of price increases for AT products and disclosure of the results	Already disclosed in the financial results for the second quarter of fiscal year 2025.(P.8-9) ① Already disclosed in the financial results for the second quarter of fiscal year 2025.(P.8-9) ② As mentioned above, we started explaining our situation to our customers in sequence from Jan 2025. Negotiations are currently underway with the customer.
	New business Information to ensure the probability of sales targets for new businesses should be disclosed (3 companies)	Information related to new business & 5 projects already disclosed in Oct 2024 (Sales target including)
	Disclosure of rules for growth investments (2 companies) -Investment criteria, exit rules, etc. for new businesses and M&A	Already disclosed in the "Integrated Report 2025" (P. 47).
	Governance Disclosure of Nominating and Compensation Committee activities (2 companies) Disclosure of the following information pertaining to outside directors ① Activities (2 companies) ② SR interviews (2 companies)	Already disclosed in the "Integrated Report 2025" (P. 84-87,93). ① Already disclosed in the "Integrated Report 2024" (P.82-85) ② Considering disclosure in Integrated Report 2026 to be issued next year
	Human capital Disclosure on Employee Satisfaction Surveys ① Analysis results & countermeasures (1 company) ② Correlation with improve corporate value (1 company)	①② Already disclosed in the "Integrated Report 2024" (P.51-52)
	Financial Results Disclosure of supplemental materials incorporating factors for profit increase/decrease and business and geographic segment matrices for each quarter (2 companies)	Already started to respond from the first quarter of March 2026
	Internal Reporting Disclosure of whistleblower performance (1 company)	Already disclosed in the "Integrated Report 2024" (P.97)
	Stock Compensation for Employees Consideration of creating a mechanism for employees to become major shareholders over the medium to long term through the granting of acquired treasury stock to employees (2 companies)	To strengthen human capital and foster employees' awareness of management participation, we introduced a Restricted Stock Incentive for Employee Shareholding Association in February 2025.(as of Sep 30, 2025, the plan ranked No. 6 in terms of shareholder ranking).

Dialogue with Shareholders and Investors

Excerpts from the dialogue

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(data) item	Question	Answer
Changes in shareholder composition	The offering by AISIN CORPORATION has significantly changed your company's shareholder structure. Did communication with shareholders have any impact on subsequent strategies?	In preparation for the coming timing, we announced our Long-term Vision in July 2021 and started various initiatives, such as establishing a new business division aimed at transforming our business portfolio and creating new businesses, as well as investing in domestic and international startups. As a result, in May 2024, the capital alliance with AISIN CORPORATION was dissolved, and all shares of our company held by the AISIN Group were put up for sale. Although we had been preparing for this, the offering accounts for about 35% of the shares already issued, so there was a risk that it could negatively affect our share price. Although we had clearly stated in our Mid- to Long-term Strategy that we would not further increase our equity capital based on a similar awareness of the problem, we had not yet had a sufficiently in-depth discussion on the optimal capital structure. Therefore, we recognized this proposal as one that would facilitate discussion of our capital policy and promptly shared this information with the Board of Directors. In addition, for the first time, we conducted Shareholder Relations (SR) targeting all seven major shareholders. Five of the seven companies expressed the view that the capital adequacy ratio was too high, while the remaining two companies expressed the view that the current capital structure was appropriate because it was necessary to secure sufficient capacity for investment in growth in light of the future contraction of the internal combustion engine business.
Regarding the achievement of appropriate pricing	It is understood that improving the profitability of our core businesses is key to achieving the ROE target. Could you please elaborate on "achieving appropriate pricing," which is an important strategy for this purpose?	Regarding pricing, we have two concepts: passing on the selling price and achieving appropriate pricing. Passing on the selling price means transferring the increase in steel material costs, labor costs, supplier personnel expenses, and other rises to the customer. A few years ago, we sometimes absorbed part of these increases ourselves, but the cost rises in recent years are now at a level that can no longer be absorbed through internal efforts. Therefore, we carefully inform our customers of our policy to pass on all increased costs, and we consult with them about it.

Dialogue with Shareholders and Investors

Excerpts from the dialogue

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(data) item	Question	Answer
Market share of core businesses	As you work towards Achieving appropriate pricing, do you have any plans to further increase your global market share by, for example, taking over other companies' businesses?	No, we are not aiming to increase our share in the OEM business. Torque converters are designed to correspond one-to-one with current manufacturing lines. Moreover, because the investment required is substantial—ranging from 2 to 3 billion JPY—and the payback period is long, it is difficult to produce products from our company's Line A on a competitor's Line B. Taking on projects that other companies are handling would require us to make significant capital investments as well. We aim not to pursue volume, but rather to achieve fair pricing within our existing market share and improve our profit margins.
Aftermarket Business Strategy	What is your future growth strategy for the "aftermarket business," another key strategy for improving profitability? Are there different strategies for MT and AT?	The market for repair parts is completely different for MT and AT. MT clutches are consumable items that are subject to wear, and there is a demand for periodic replacement, especially in commercial vehicles. Since they are often ultimately exchanged at garages in town, it is easy for us to control prices by building our own sales network. On the other hand, AT transmissions are very complex in structure and cannot be easily repaired at a factory in town. This made it difficult for us to control the price as much as MT. Therefore, we acquired Alltranz, a highly profitable company in the Oceania region, to expand our repair business, which had been focused on MT, into the AT segment. We are preparing to expand this company's business expertise to the ASEAN market and other markets where AT is increasingly being used. In addition, in the future, we would like to expand our sales network to include aftermarket products that we do not currently manufacture, such as power steering and brakes, in order to increase customer convenience and expand our overall business base.

(data) item	Question	Answer
Investment decisions and exit criteria for new businesses	You mentioned that new businesses are necessary to exceed 8% ROE. What are your thoughts on investment decisions and withdrawal criteria?	When creating and nurturing new businesses, we use the "stage gate method" to determine whether or not a business can move to the next stage, which consists of business idea creation, initial research, business plan formulation, product development, verification and preparation for market launch, and market launch. The decision maker for Gate 1 is the Executive General Manager of the drafting department, and the decision maker for Gate 2 and beyond is the Representative Director and President. The overall decision is based on 22 items, including value provided, commercialization plan, EXIT plan, and field test results. Furthermore, from the product development stage onward, we have adopted a project-based system, and evaluate projects based on business scale (sales of 5 billion JPY or more) and return on invested capital (ROIC over 10%). In addition, with the aim of early commercialization, leaders of project-based initiatives are granted authority over budget execution and personnel affairs. Additionally, the "Project Board of Directors," which is held every other month for each project, has attendance by the Representative Director and President, as well as the Executive General Manager of the Corporate Strategy Promotion Headquarters, Strategic Business Headquarters, and Development Headquarters. If it is determined that there is a significant divergence from the original plan's milestones, the rule is to suspend or withdraw from that project. Regarding the new business, we are proceeding as mentioned above, but there are still many challenges. To address these, we established the Strategic Business Headquarters in the organizational restructuring implemented in Apr 2025, and we are working on improving the current stage-gate method as well as strengthening the management and supervision of the business performance of our investment destinations.

(data) item	Question	Answer
Human Capital Enhancement	I have the impression that your company has changed a lot in the past 2 .3 years. Have there been any changes in the attitudes of your executives and employees? Also, please describe your human capital initiatives.	I think both board members and employees are slowly changing; when I spoke about the Long-term Vision at a management meeting around 2019, I honestly got very little response. However, we did not give up and continued to say, "This is what we must do," and actually implemented such measures as dissolving the capital relationship with AISIN CORPORATION, aggressive capital policies, and thorough price shifting.また、In addition, to motivate employees to achieve the mid-term plan, we introduced the "Restricted Stock Incentive for Employee Shareholding Association," which seems to have raised employees' awareness of the stock price, and several questions about the stock price were raised at the Town Hall MTG, a place where management and employees have direct dialogues. This has led to an increase in employee awareness of the stock price. I feel that more and more employees are seeing the measures the company takes and the impact they have on the stock price, and are realizing that the company is really changing. On the other hand, the optimal allocation of human capital in conjunction with business strategies and the development and hiring of skilled human resources are major issues. Although a major reorganization took place in Apr 2025, the essential REVOLUTION is still in progress. The urgent task is to restructure the business operations to balance efficiency and value creation in order to improve the profitability of the core businesses, and to build a human resource portfolio to determine how many people with skills in which areas are needed to create new businesses. We would like to break away from the traditional promotion model and work in a way that recognizes and utilizes the talents of the job function and the individual. We will also use the advice of experts to deepen our analysis and increase the effectiveness of initiatives that contribute to improving employee engagement so that they can maximize their potential. Furthermore, since the development of management personnel is also an essential issue from a medium- to long-term perspective, we have recently strengthened the Nominating Committee structure. First, redefine the roles required of management and select candidates for the next management level, ensuring objectivity and transparency. and will be monitored qualitatively. The Board of Directors then deliberates and determines eligibility through direct interviews with the candidates. Mr. Hayashi, an outside director, will chair the committee, which we believe will further enhance its impartiality and strengthen corporate governance.

Contact for inquiries regarding content

Corporate Strategy Promotion Headquarters
ESG·IR Promotion Department
072-822-1695
info@exedy.com

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