

# Mid- to Long-term Strategy of EXEDY

April 26, 2024

Exedy Corporation  
President and CEO  
Tetsuya Yoshinaga



## ➤ **Medium- to Long-Term Goals**

- ✓ Transformation of business portfolio & improvement of earning power toward FY2030
- ✓ Realization of Corporate Philosophy & Enhancement of Corporate Value by Strengthening "Earning Power"

## ➤ **REVOLUTION2026**

- ✓ **Business Strategy**: Implement painful structural reforms & Improve profitability of existing business & Create and Develop of new businesses
- ✓ **Financial Strategy**: Aggressive investment in growth & shareholder returns (120 JPY or more/year)
- ✓ **ESG Strategy** : Maintain high evaluation from external rating agency
- ✓ **IR Policy** : Establish ESG・IR Promotion Department & strengthen dialogue with investors & enhance disclosure

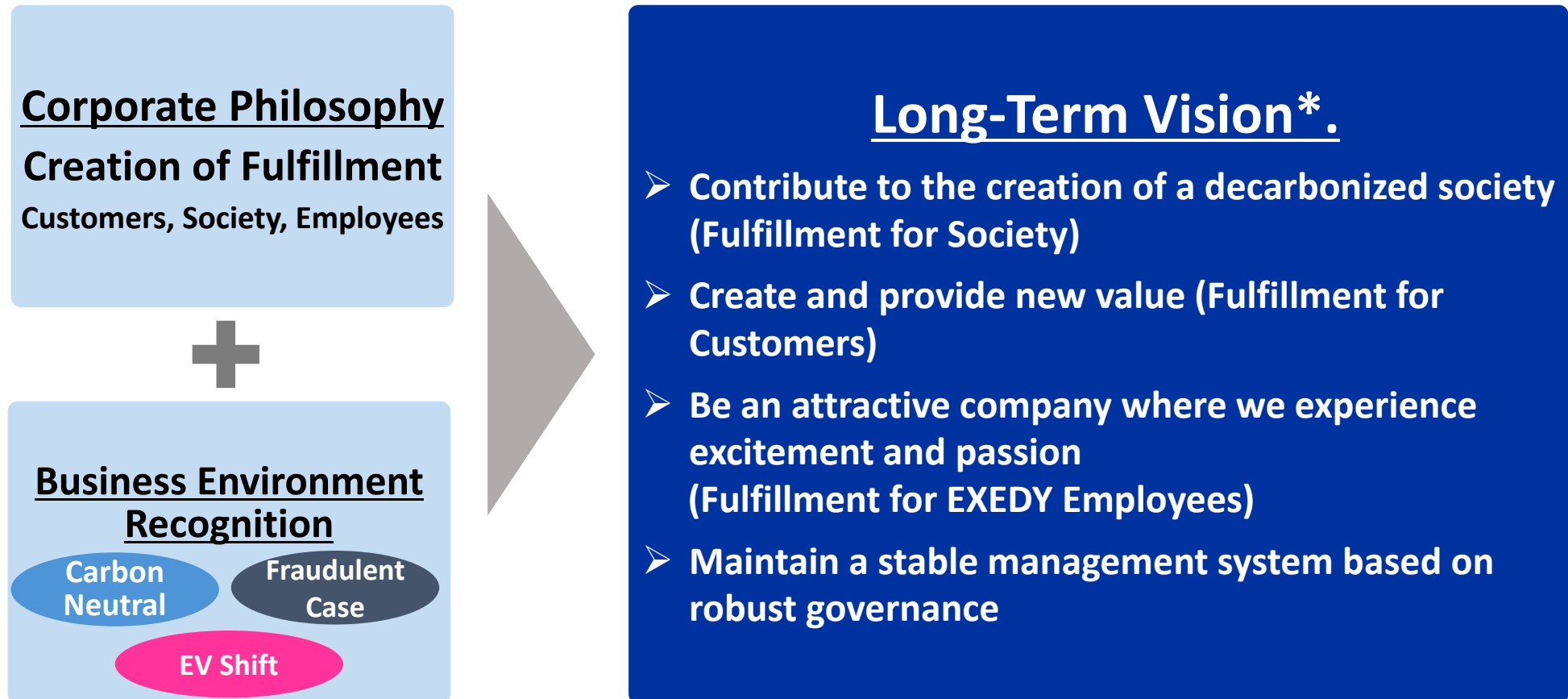
- 1. EXEDY's Vision "Creation of Fulfillment"**
2. REVOLUTION2026
3. Business Strategy for Existing and New Businesses
4. Financial Strategy & ESG Strategy and Strengthen dialogue with investors



# 1. EXEDY's Vision "Creation of Fulfillment" (Corporate Philosophy & Long-Term Vision)

**Drive our future.**

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



The environment surrounding the automotive industry is undergoing drastic changes.

- EXEDY's corporate philosophy is "Creation of Fulfillment" for Customers, Society, Employees
- Long-Term Vision is a vision based on Corporate Philosophy & Business Environment Recognition

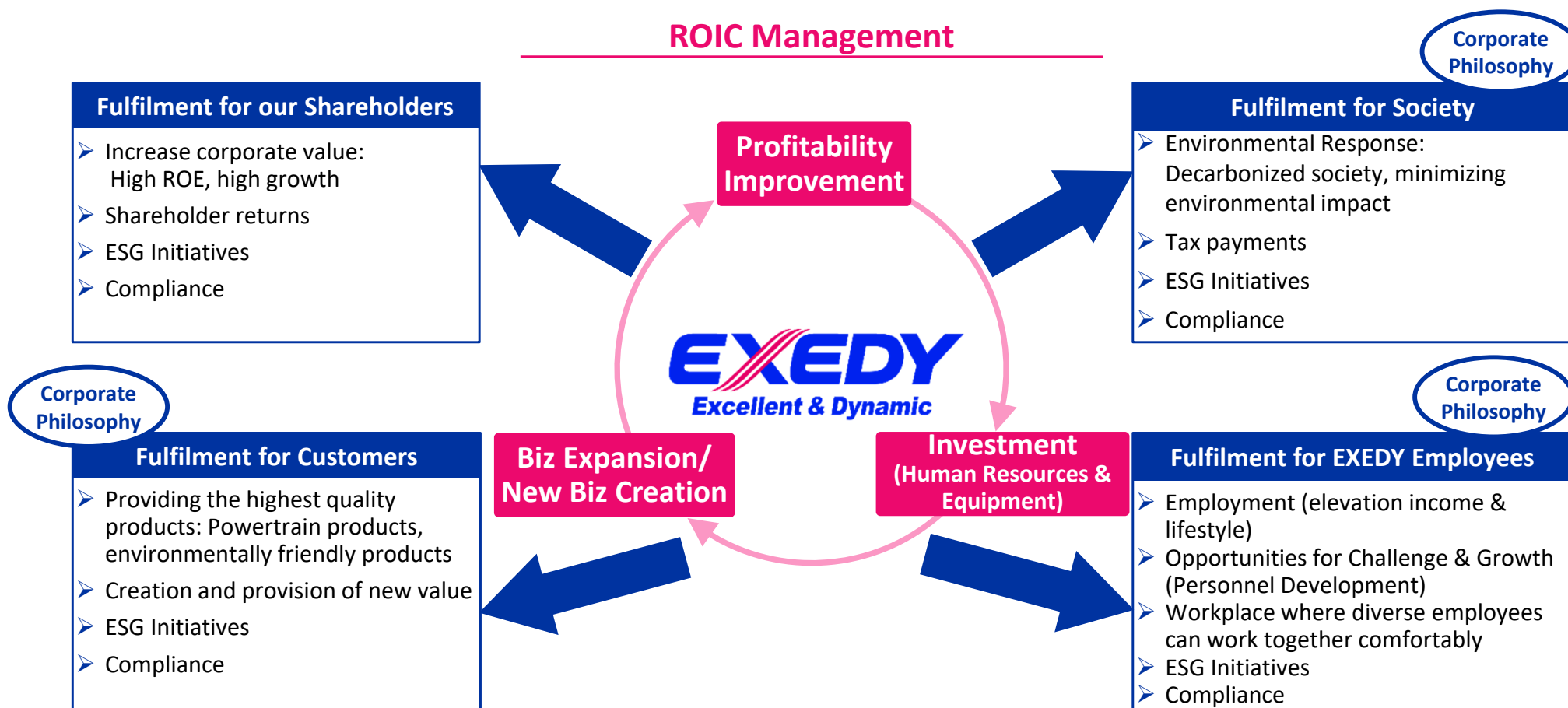
\*Long-term vision is a vision that we aim to achieve by 2050.

# 1. EXEDY's Vision "Creation of Fulfillment"

(Realization of Corporate Philosophy by Enhancing Earning Power)

Drive our future.

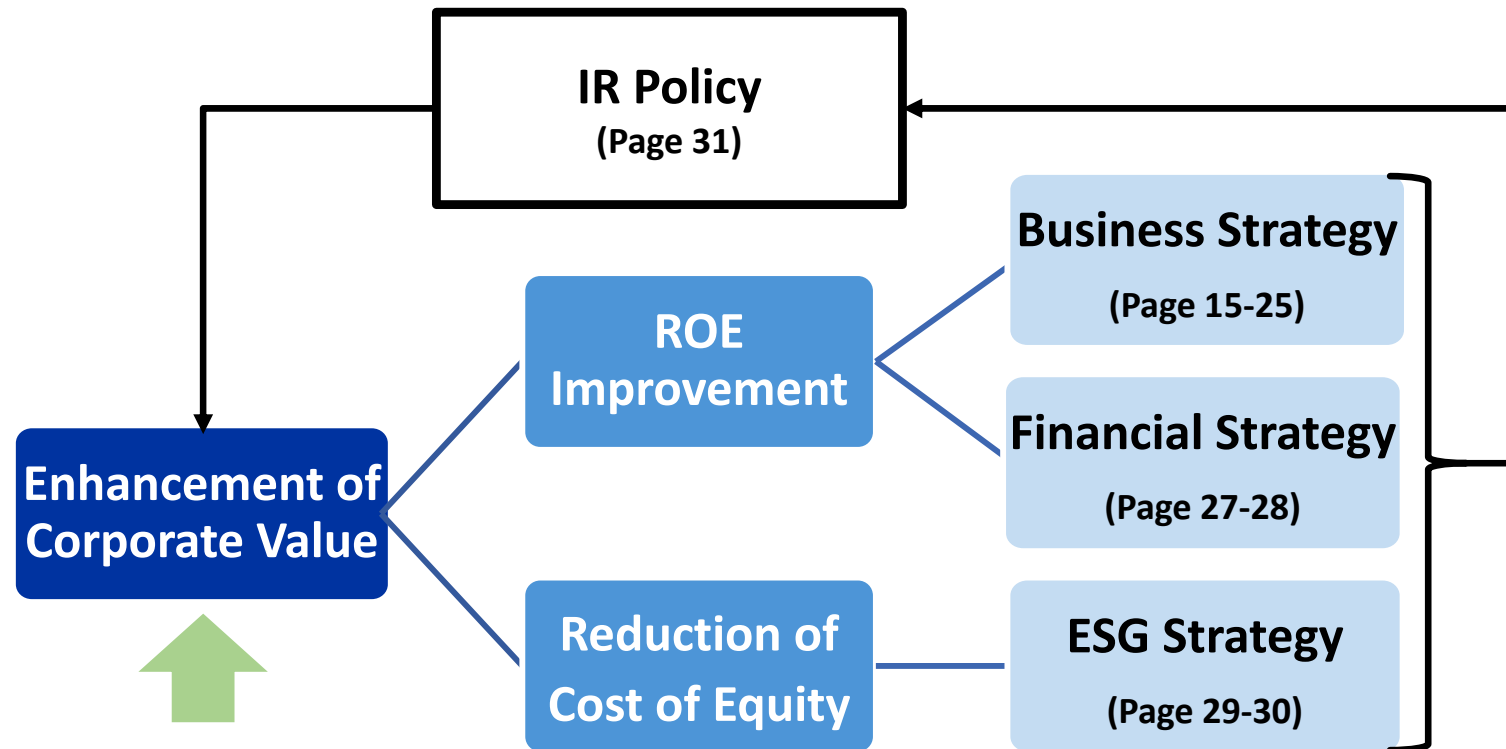
Let's create fulfillment for all, and our future.



- 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
- Through this Biz Cycle, realize Corporate Philosophy & improve Corporate Value

\*Evaluate and manage profitability with ROIC

# 1. EXEDY's Vision "Creation of Fulfillment" (Initiatives to Enhance Corporate Value)



【The relationship between PBR,ROE and Cost of Equity】

$$\begin{aligned}
 \text{PBR} &= \text{ROE} \times \text{PER} \\
 &= \text{ROE} \times \frac{1}{\text{Cost of Equity} - \text{Income Growth Rate}}
 \end{aligned}$$

Improvement of ROE & PER is necessary to increase corporate value ( $\approx$ PBR).  
Aim to raise PER by reducing cost of Equity

- Strive to enhance Corporate Value by executing the recently developed 3 Strategies (Business, Financial, and ESG) & IR Policy, with an awareness of the Cost of Capital and Stock Price

# 1. EXEDY's Vision "Creation of Fulfillment" (Business Strategy for FY2030 ①)

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## Business Portfolio Transformation

- Strengthen the earning power of our existing businesses while focusing human resources and capital on the creation of new businesses

## Securing & improving profitability of existing Biz

- MT\* : Develop the aftermarket in emerging countries and further improve profitability by improving product lines, etc.
- AT&TS\* : Pursue efficient management, including optimization of the production system
- 2-Wheel: Capture demand expansion in emerging markets, including India

## Creation and Development of New Businesses

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

## Business Strategy KPIs (FY2030 Targets)

Net sales  
**JPY 330 billion**

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

ROE  
**8%**

New product sales ratio  
**30%**

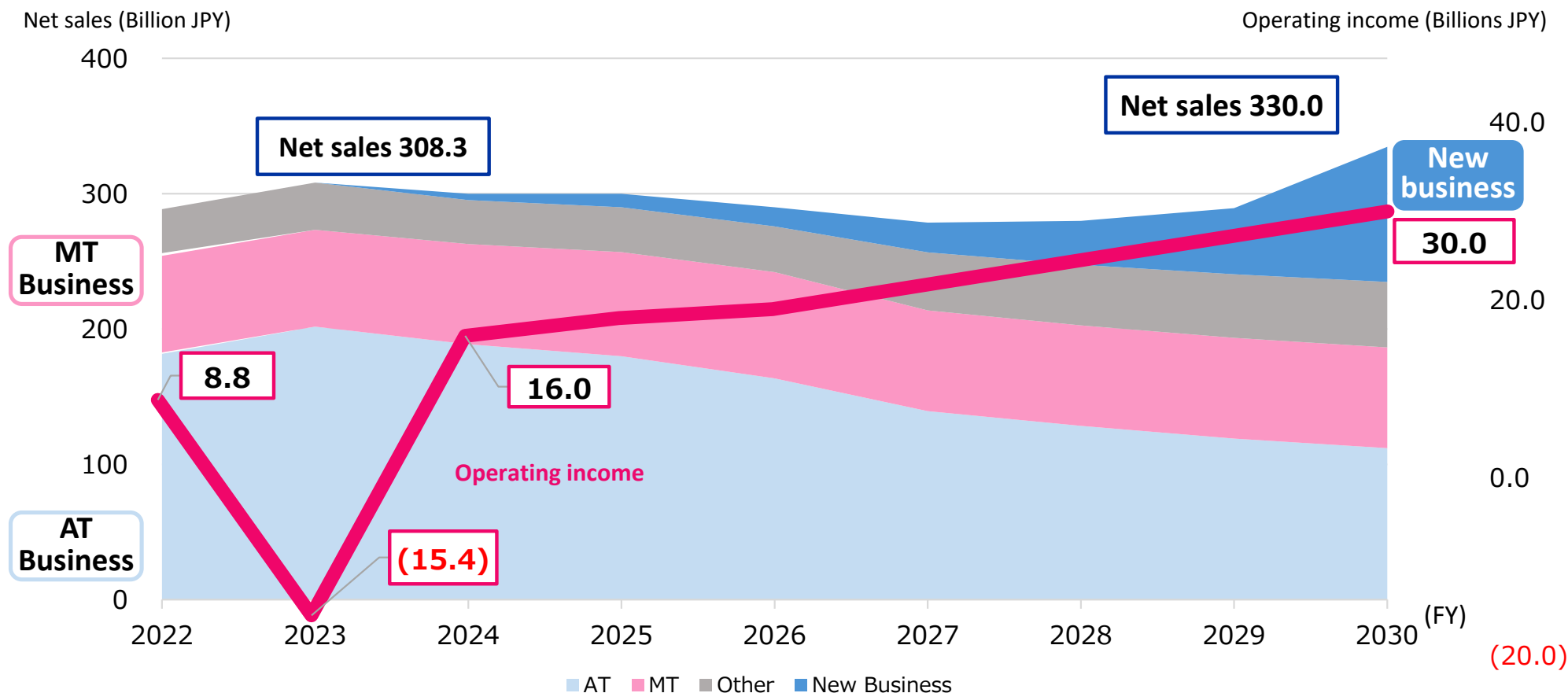
- **As for Business Strategy for FY2030,  
Decided to Business portfolio transformation & Set KPIs**

# 1. EXEDY's Vision "Creation of Fulfillment" (Business Strategy for FY2030 ②)

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## Road Map to FY2030



➤ While the decline of ICE (Internal Combustion Engines) will inevitably lead to a downsizing of the AT Biz, transform business portfolio to improve earning power toward FY2030



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## 2. REVOLUTION2026

(New Mid-Term Management Plan looking ahead FY2030)

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Slogan

**“REVOLUTION 2026”**

**Fundamental** change and renewal

- Developed New Mid-Term Management Plan until FY2026, looking ahead FY2030
- The slogan of the plan is “REVOLUTION 2026”.
  - ✓ In response to the rapidly changing business landscape in Japan and around the world, the new Mid-Term Plan reflects the company's commitment to swift and fundamental transformation across its operations, including its approach to timelines, business methods, and business models

## 2. REVOLUTION2026

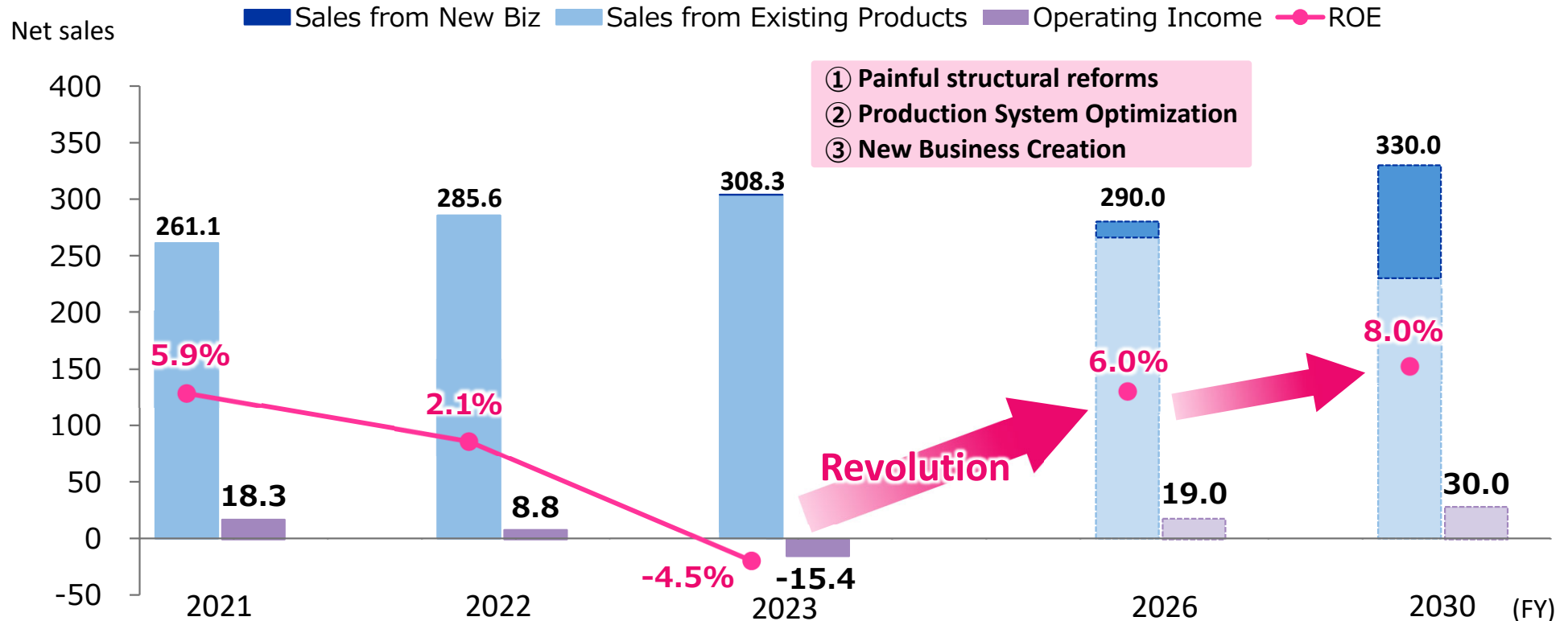
### (Positioning of New Mid-Term Management Plan)

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FY2024-FY2026 is "A transformative period" to respond rapidly changing business landscape

(Billions JPY)



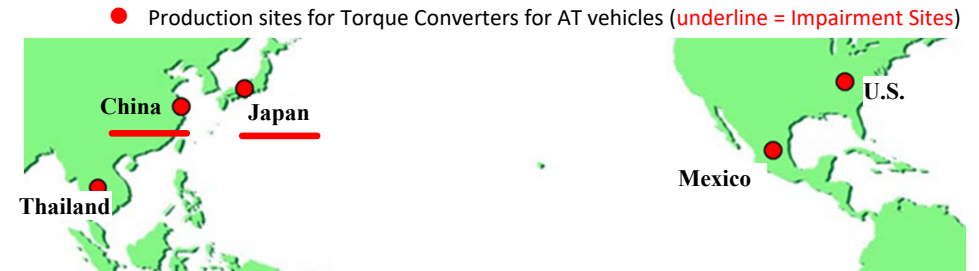
- Recognized Impairment loss (32.2 billion JPY) on AT Biz as part of structural reforms for revolution, and reform profitability through appropriate resource allocation
- Profitability improved due to painful structural reforms and reduced depreciation

## 2. REVOLUTION2026

### (Supplementary explanation regarding impairment loss of AT Biz)

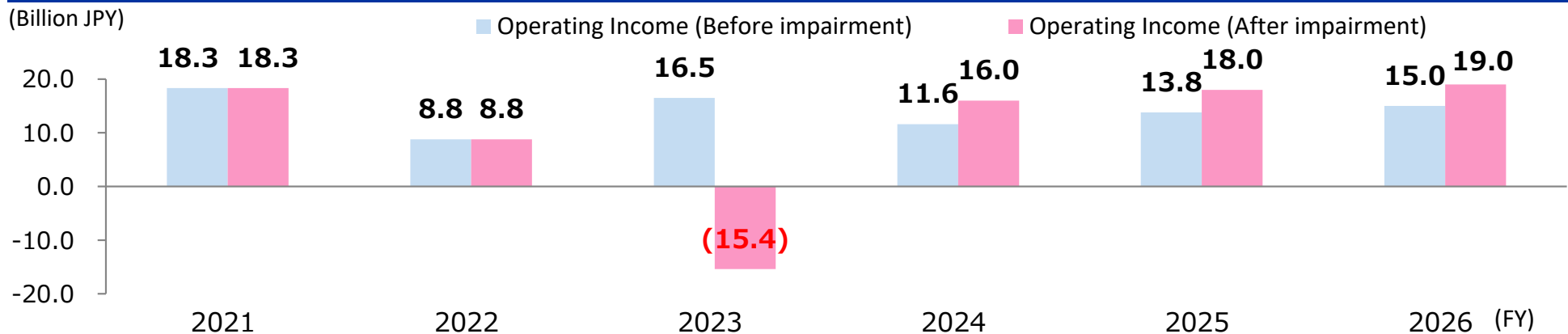
#### Main Impairment Details

Target Company	Area	Amount	Target Businesses
EXEDY	Japan	17.7 billion JPY	AT (Torque Converter)
EXEDY DYNAX Shanghai	China	14.2 billion JPY	Same as above



Although the impairment indicator assessment (two consecutive fiscal years of losses) did not indicate impairment, it is clear that the Torque Converter business in Japan and China will shrink rapidly as the shift to BEVs progresses. Therefore, based on the impairment test, **we recorded an impairment loss of 31.9 billion JPY related to business assets for Torque Converters in the AT business.**

#### Financial Impact of Impairment



Due to this impairment, **the effect of reducing depreciation costs will be approximately JPY 4.3 billion per year in FY2024-2026**

- This impairment is part of a painful structural reform
- It reduced the depreciation burden of the AT biz and "revolutionize" its profitability

## 2. REVOLUTION2026

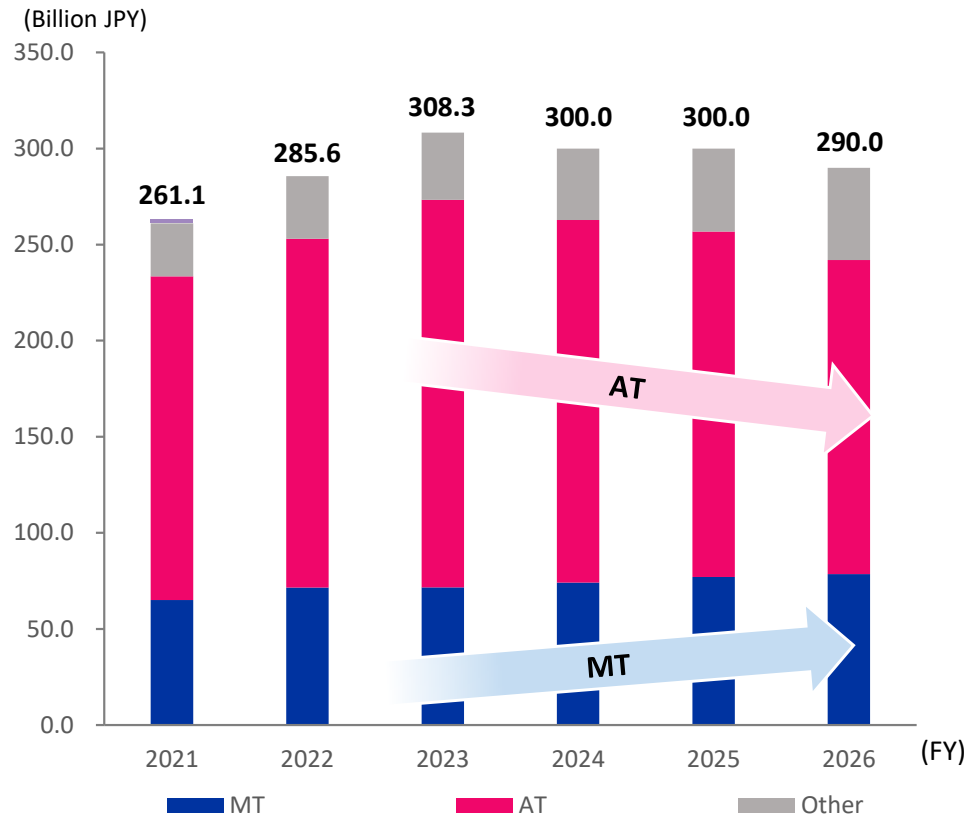
(Performance targets in the New Mid-Term Management Plan)

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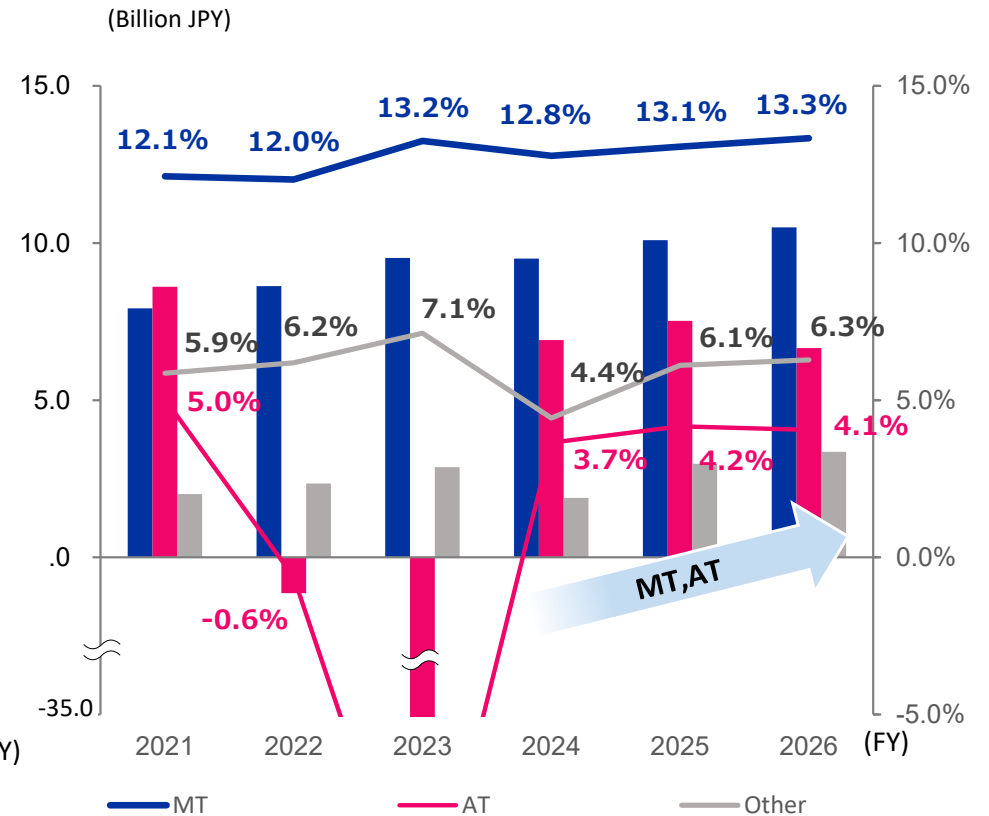
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### Net Sales and Operating income by Business Segment (After Impairment Considering)

Net sales



Operating Income & Operating Profit Margin



- AT business : Profitability will improve despite sales decline
- MT business: Trying to improve profitability as well as increase sales

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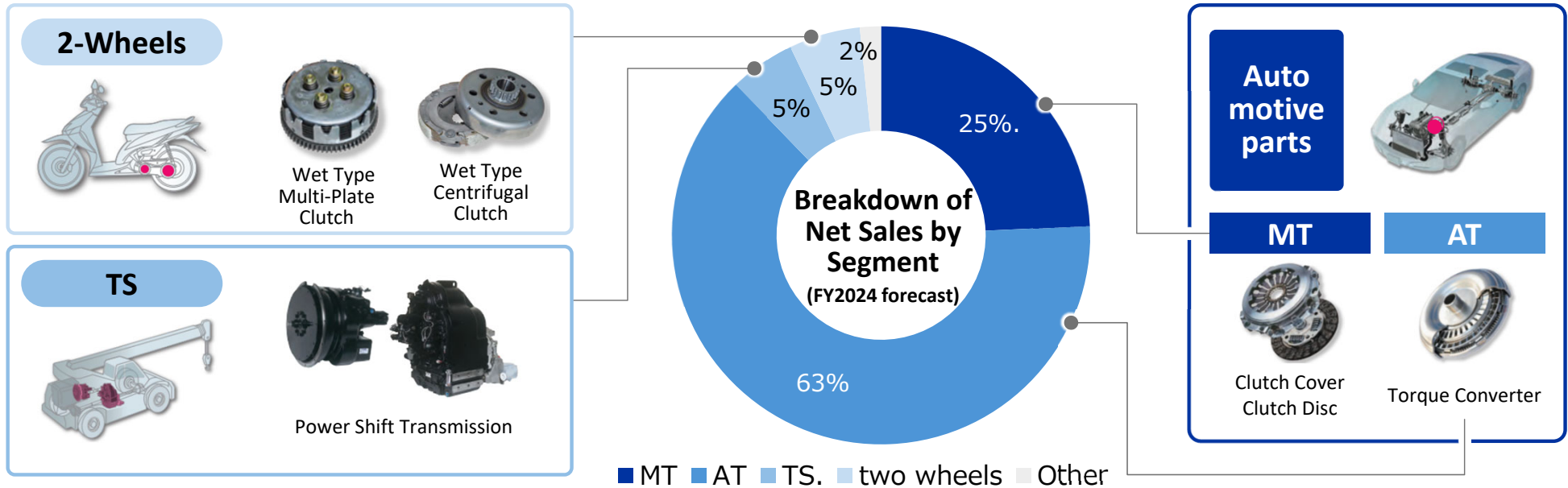


### 3. Business Strategy for Existing & New Businesses (Business Operation & Main Products)

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#### Business Operation



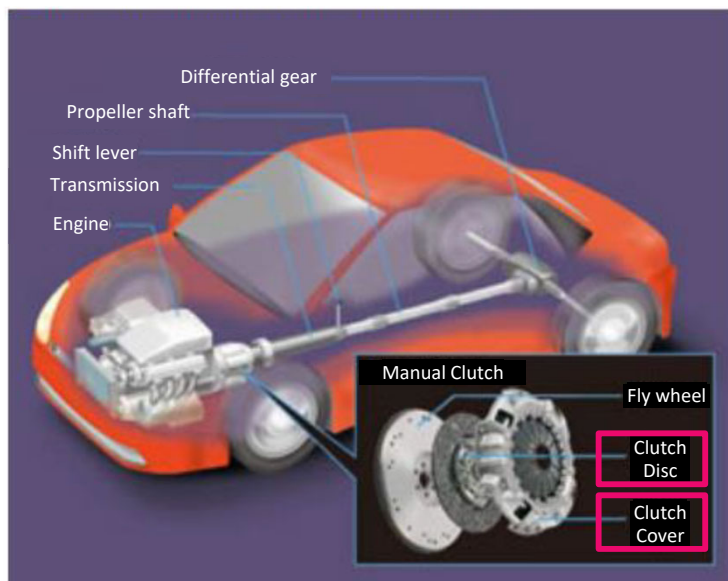
#### New Products and Electrified Products



- Automotive parts (MT & AT) generate about 90% of sales revenue
- Focusing on the development of Electrified Products to contributing to a decarbonized society

### 3. Business Strategy for Existing & New Businesses (MT : Business Operation)

#### Main Products & Functions of Clutch



- A clutch is a power transmission device situated between the engine and the transmission
- Reliable disconnection: Reliably disconnect engine power during gear shifts
- Smooth engagement: Ensure smooth engagement for comfortable shifting
- Reduce noise and vibrations: Reduce noise and vibrations for a smoother ride
- Protective fuse: Serve as a protective fuse in the drivetrain against excessive power

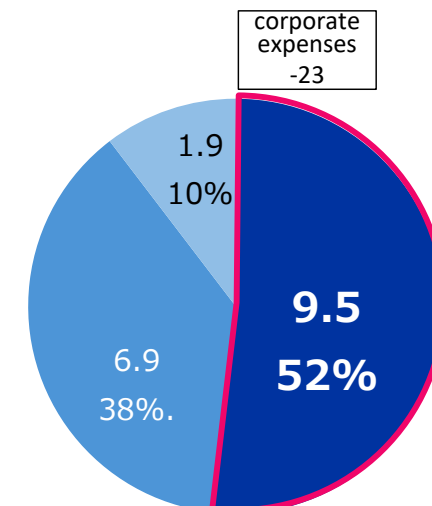
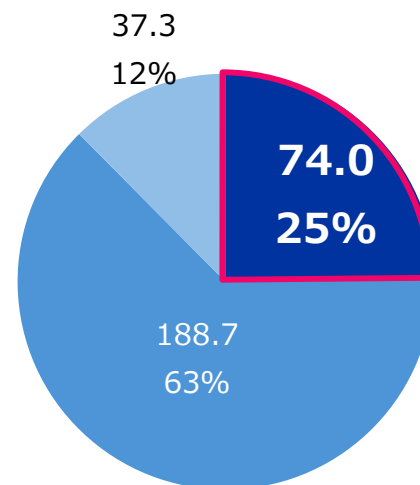
#### Breakdown of Net Sales and Operating Income

(Billion JPY)

\*FY2024 plan

Sales

Operating Income



■ MT ■ AT ■ Other

- As a global leader in Clutches, leverages its core technologies to uphold high standards of quality and expertise
  - ✓ FY2022: 4.2 million units for OEMs (21.9% share of global market\*) \*Research by the company
- Production and sales locations in 25 countries to respond various customer demands quickly
  - ✓ 59 OEMs/customers (19 Japanese Customers & 40 Non-Japanese Customers)
  - ✓ 5,500 After-sales/Customers

\*OEM: To produce products under the consignor's brand, an abbreviation for Original Equipment Manufacturing.



### 3. Business Strategy for Existing & New Businesses (MT : Features of Clutch-equipped vehicle)

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#### Major Clutch-equipped Vehicle Types



#### Commercial Vehicles such as Trucks and Buses, and High-End Sport Cars are equipped with clutches

- Compared to AT vehicles, which are equipped with automatic gear change parts, MT vehicles are less expensive due to their simpler structure
- Trucks are often driven on unpaved roads such as forest roads, and the efficient power transmission function unique to MT vehicles that maximizes engine performance is effective on "unpaved roads x slopes"



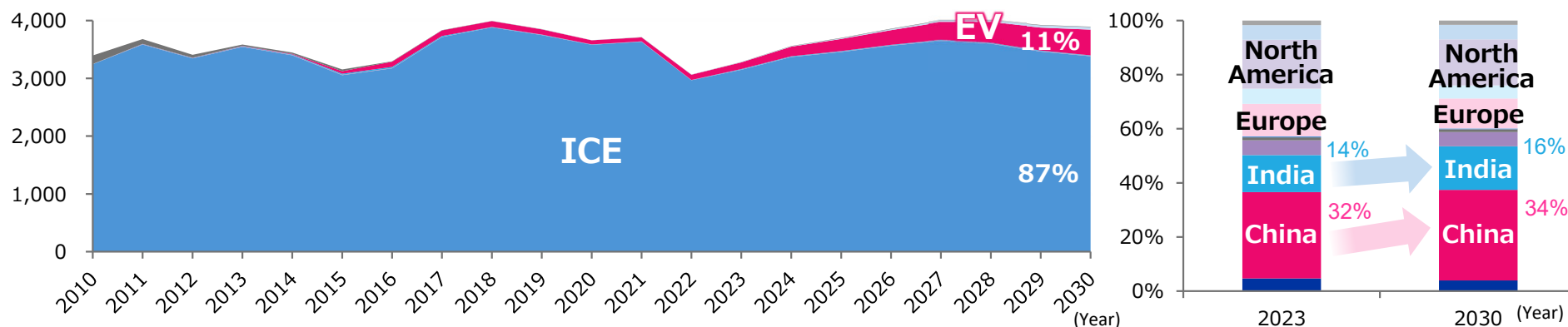
- **MT vehicles have persistent demand, especially for commercial vehicles (trucks and buses), because they are easy to replace on a periodic maintenance, inexpensive, and efficient in power transmission**

### 3. Business Strategy for Existing & New Businesses (MT : Market conditions <OEM>)

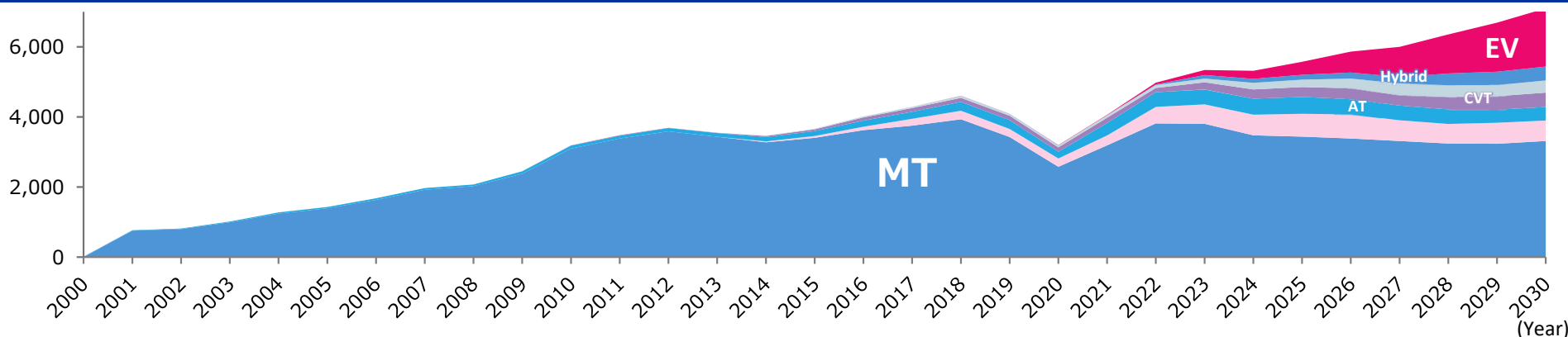
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#### Medium/Heavy-Duty Vehicles/Production by Power (Global: 1,000 units) & Regional breakdown



#### Production of Vehicles under 6t (India: 1,000 units)

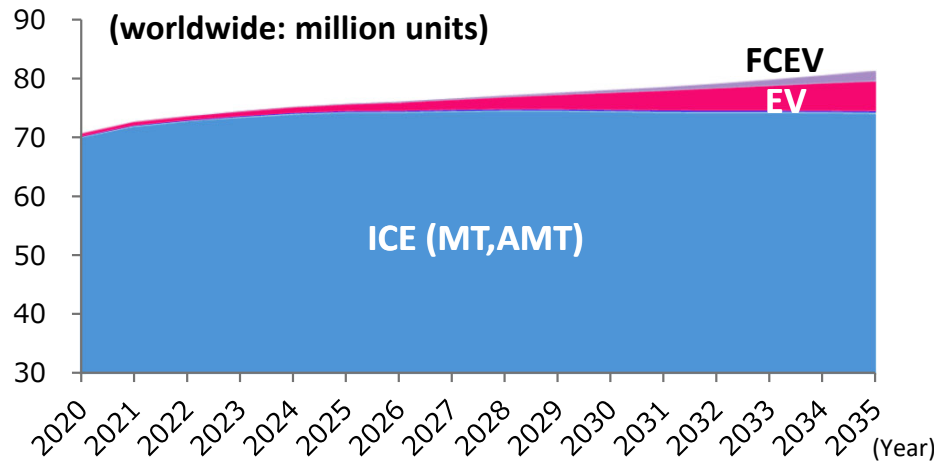


- Medium and Heavy-Duty Vehicles will take time to shift to EVs due to factors such as drive performance and infrastructure development, therefore MT demand is expected to continue in the future
- As for Vehicles U-6t, MT demand is expected to remain in emerging markets like India

\*ICE: Internal Combustion Engine Vehicle, EV: Electric Vehicle, CVT: Continuously Variable Transmission, Hybrid: Vehicle with two or more power sources (internal combustion engine & electric motor)  
Source: S&P Global,2023

### 3. Business Strategy for existing & New Businesses (MT : Market conditions <Aftermarket>)

#### Number of vehicles over 6 tons ownership



#### EXEDY Overseas Network

14 distributors in 11 countries covers nearly 200 countries worldwide



- Demand in the aftermarket will remain, as it is driven by the number of vehicles in operation even after the shift to EVs
- We are meeting customer needs with our global sales network and rapid delivery system

#### Aftermarket Characteristics

- (1) Demand exists for periodic replacement of repair parts for commercial vehicles  
In Japan, small and medium-sized commercial vehicles are replaced clutch every 3 to 5 years, and large commercial vehicles are replaced every 5 to 8 years  
\* Note: This can vary. Route buses and short-haul delivery trucks, with frequent starts and stops, may require replacements every 1 to 2 years, while long-haul trucks may go 10 years or 1 million kilometers without replacements
- (2) Thanks to our high OEM market share, customers are more likely to choose our products at the time of replacement
- (3) Customers have a strong need for quick delivery  
Our order fulfillment system (EXEDY Express Delivery) enables us to provide rapid delivery, eliminating the need for distributors to carry excess inventory. This differentiates us from competitors and fosters customer loyalty

#### Top 7 Distributors by Net Sales in FY2023

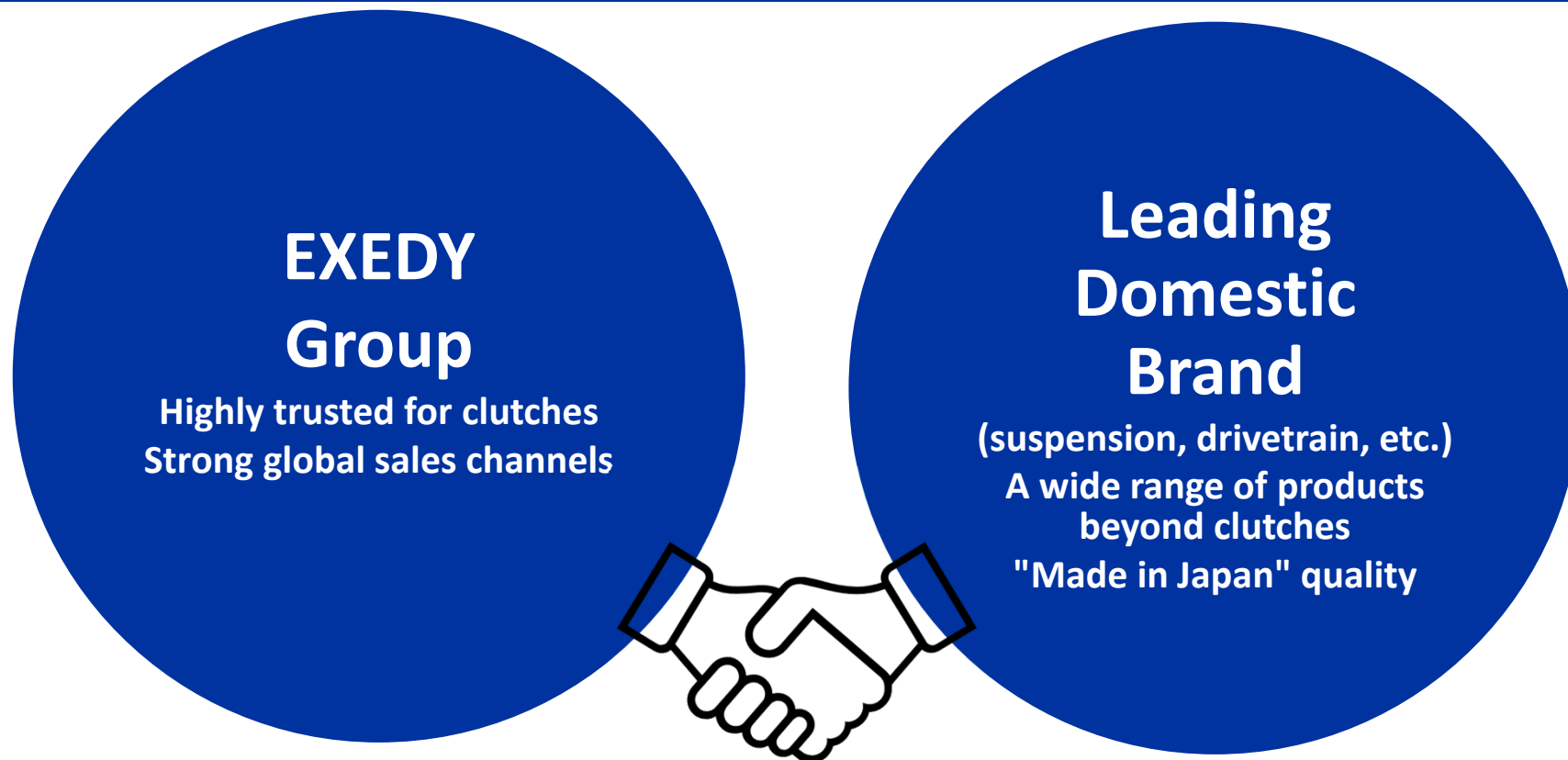
(Billion JPY)			
	Company Name	Country	Net Sales
1	EXEDY Globalparts	U.S.	7.3
2	EXEDY SINGAPORE	Singapore	6.7
3	EXEDY Australia	Australia	5.5
4	EXEDY Latin America	Panama	4.5
5	EXEDY Clutch Europe	UK	4.2
6	EXEDY MIDDLE EAST	UAE	3.9
7	EXEDY Guangzhou	China	1.5

### 3. Business Strategy for Existing & New Businesses (MT : Collaboration at Aftermarket)

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#### Collaboration with Leading Aftermarket Brands



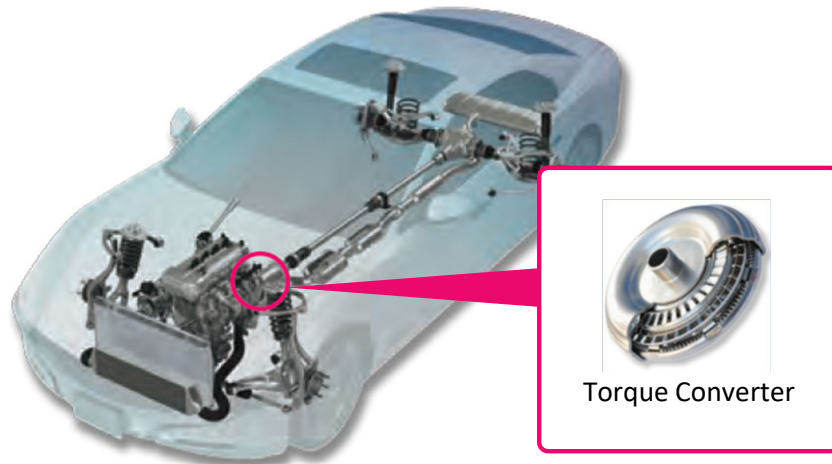
- By providing leading aftermarket brands in Japan with access to our extensive distribution network
- Expand product lineup and aim for win-win relationship
  - ✓ Expanding our offerings of non-functional parts and general-purpose products (coolants, etc.) to enhance customer convenience

### 3. Business Strategy for Existing & New Businesses (AT : Business Operation)

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#### Main Products & Functions of Torque Converters



<Function>

Positioned between the engine and transmission, a Torque Converter uses the flow of oil to transmit power from the engine to the transmission.

<EXEDY's Strong point>

Thanks to excels in fluid analysis & control technologies and extensive global manufacturing & sales network, it supplies its products to all domestic and several major international automakers

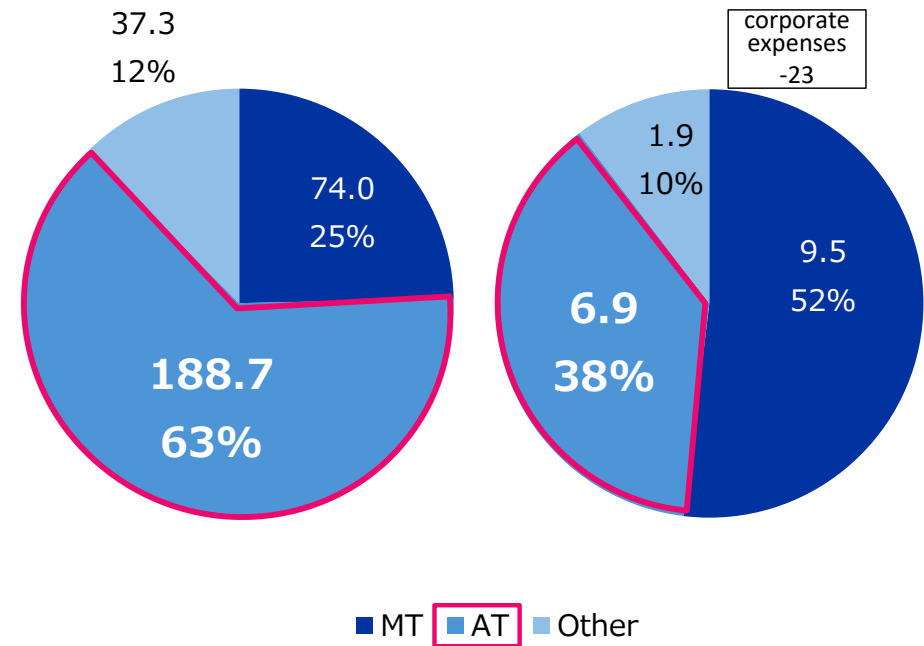
#### Breakdown of Net Sales and Operating Income

(Billion JPY)

\*FY2024 plan

Sales

Operating Income



➤ As a global leader in Torque Converters, leverages its core technologies to uphold high standards of quality and expertise

✓ FY2022: 8.2 million units for OEMs (24.9% share of global market\*) \*Research by the company

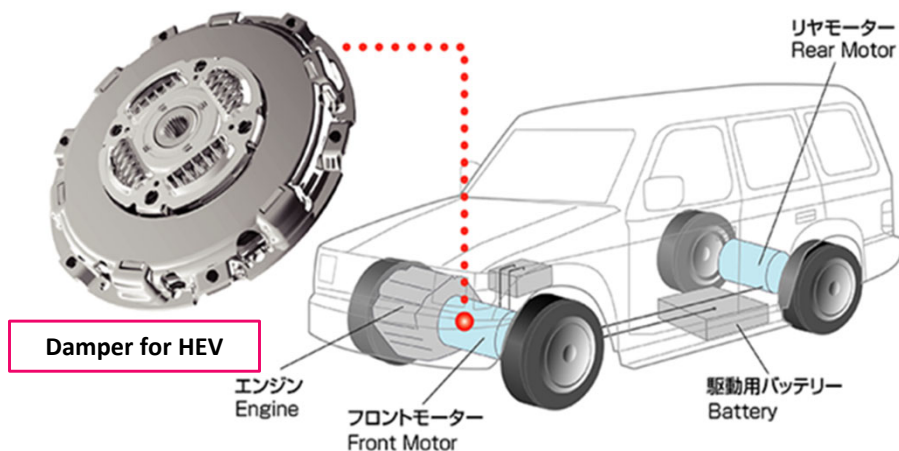
➤ In order to decrease production volume due to the decline in ICE, plan to reorganize production capacity on a global basis in consultation with customers (32.2 billion JPY impairment has been implemented in Japan & China)

### 3. Business Strategy for Existing & New Businesses (AT : Meet demand for HEV)

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#### Main Products and Functions of Damper for HEVs



<Function>

Positioned between the engine and transmission, this device dampens engine speed fluctuations and transmits engine torque. By utilizing a low-rigidity damper, we effectively reduce engine speed fluctuations, minimizing noise and vibration.

<EXEDY's Strong point>

Possession of advanced analytical and design capabilities related to friction and vibration. Have extensive expertise in meeting diverse HEV damper requirements. Leveraging our existing MT production lines to HEV production allows us to respond to global HEV demand

#### Initiatives to increasing demand for HEVs

##### 1 Expansion of the HEV market

BEV shift softens, especially in European markets; HEV demand on the rise

##### 2 Preparation for increase production

In June 2023, a new production line for HEV dampers was established at the main plant in Japan

##### 3 Order Receipt Forecast

Orders for this product are expected to grow from 413 thousand units in FY2022 to 1,320 thousand units in FY2026

➤ Expanding sales of HEV damper to meet HEV demand in Japan, China, and other countries around the world

### 3. Business Strategy for Existing & New Businesses

(New Business : Leveraging Company Strengths and External Expertise)<sup>et's create fulfillment for all, and our future.</sup>

#### EXEDY's Strengths

<b>Commitment to delivering the highest quality manufacturing</b>	Achieving both in-vehicle quality* and mass production capabilities	
<b>Technology Development</b>	<b>Core Technology</b>	Friction
		Vibration
		Fluid
	<b>Fundamental Technologies</b>	Materials Technologies
		Analysis Technology
		Reliability/Assessment Technology
<b>Customer Network</b>	OEMs (automotive, etc.): 59 companies	
	Aftermarket: 5,500 companies	

#### Existing Business

Product name	Value Proposition		Applied Technology
<b>Clutch</b>	Engaging and Disengaging Rotational Power	Efficiently transmit friction energy while minimizing heat loss and damage	Friction control technology, materials technology, etc.
<b>Damper</b>	Vibration Damping	Attenuate vibration and noise generated by rotational fluctuations	Torsional characteristic design and analysis technologies
<b>Torque Converter</b>	Torque Amplification	Smoothly and efficiently amplify torque	Fluid dynamics analysis and control technologies

#### New Business

Product name	External Expertise	Value Proposition/Applied Technologies	
<b>Two-wheeled/Three-wheeled BEV Drive Unit</b>	STARVA's motor technology	Engaging and disengaging rotational power & torque amplification	Ensuring sufficient off-road capability and ride comfort, while realizing compact, lightweight, and low-cost products.
<b>Drone Propulsion System</b>	Baibars' drone technology	Fluid dynamics-related expertise in design, evaluation, and quality assurance	Delivering in-vehicle quality products with uncompromising safety and reliability
<b>Wide-Range Drive System for BEVs</b>	-	Torque Amplification	Enhance the launch performance and speed of large electric vehicles without increasing motor size

\*Automotive accidents directly impact human lives, so defective products are absolutely unacceptable. (This is the essence of in-vehicle quality.)







➤ Accelerate creation and development of New Businesses by leveraging EXEDY's strengths, cultivated through Existing Businesses, and integrating external expertise

### 3. Business Strategy for Existing & New Businesses (New Business : Products Under Development)

#### Long-term Vision & KPI

	Long-Term Vision	KPI	Target	Goal (Consolidated Basis)		
	Approach and Direction Forward			FY2030	FY2040	FY2050
Creating and Providing New Value (Fulfillment for Customers)	In addition to products that enhance mobility for people and goods, new products related to power development expenditure	Ratio of new product R&D expenses to total R&D expenses	FY2019: 29%	70%	80%	90%
	Expand into new business domains to establish market leadership with unique offerings	New product sales ratio	FY2022: 0%	30%	86%	94%

#### Electrification products under development

Start of Mass Production	FY2024			FY2025	FY2027	FY2029
New Product						
	Smart robots	2-Speed Transmission Unit for 2/3-Wheel BEVs	CVT Drive Unit for 2/3-Wheel BEVs	Electric-Assist Pallet Truck	Wide-Range Drive System for BEVs	In-Wheel Motor for BEVs
Prospective Customers	Karaoke store operators, logistics operators	Electric 2/3-wheeler manufacturers (India)		Material handling equipment manufacturers	EV truck operators	-
Business Partners	-	STARYA (Motors & Controllers for 2/3-Wheel EVs)		-	-	-

- Developing electrified products through prioritized allocation of management resources and utilization of technologies of business partners
- By leveraging our strengths (highest quality manufacturing & customer network), deploy and expand these products on a global scale



### 3. Business Strategy for Existing & New Businesses (New Business : Drive Unit for 2-wheel/3-wheel BEVs)

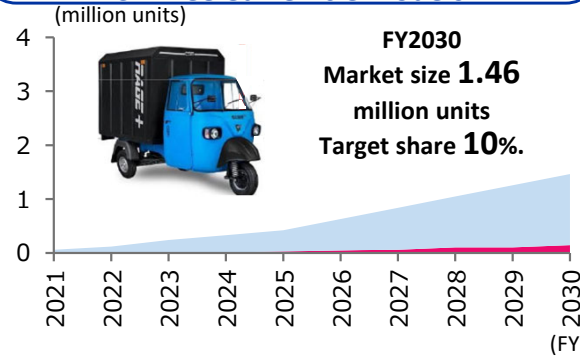
## Indian Market Size & Our New Products

### 2-wheeled EV vehicle

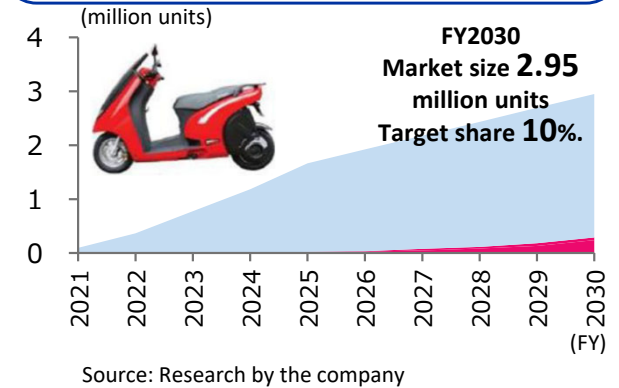
Government of India Target (FY2030)	80%
Track Record (FY2022)	4.6% (730,000 units)

Source: JETRO, 2023

### Market size for high-output 3-wheeled vehicle models



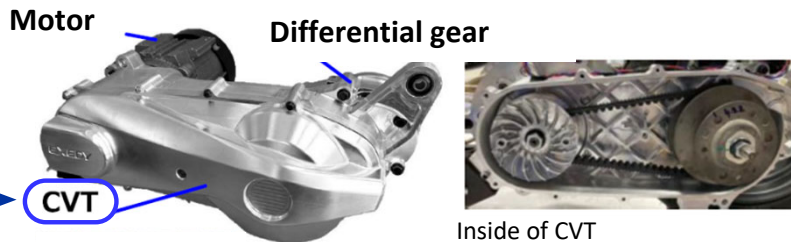
### Market size of high-output 2-wheeled vehicle models



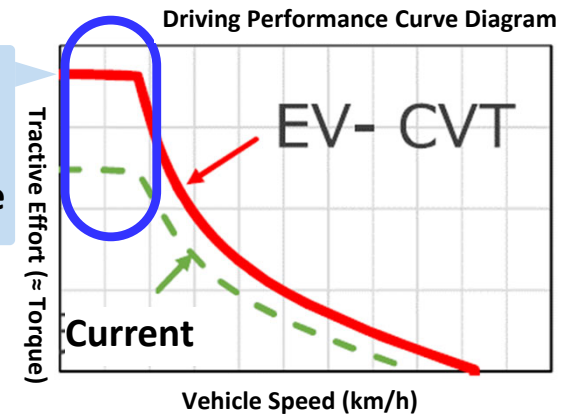
### Continuously Variable Transmission

Unlike MTs and ATs, CVTs utilize a pair of pulleys connected by a rubber belt to seamlessly adjust gear ratios

Sources of Value



Our CVT drive unit enhances starting torque



- We aim to capitalize on the growing Indian EV market by targeting high-output models where our transmission expertise provides a competitive edge (beginning with 3-wheeled vehicles)

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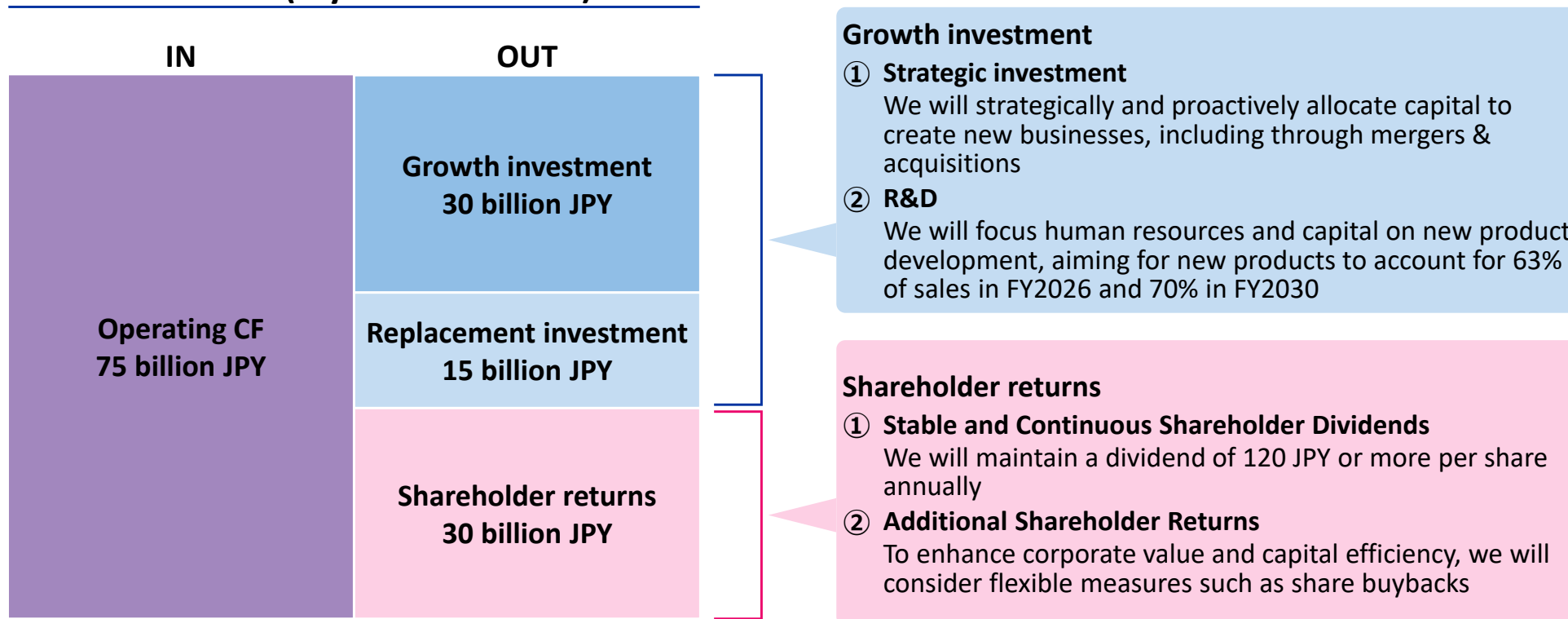
## 4. Financial and ESG Strategy & Dialogue with investors (Financial Strategy : Capital allocation)

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### Capital Allocation FY2024-FY2026

#### Cash Flow (3-year cumulative)



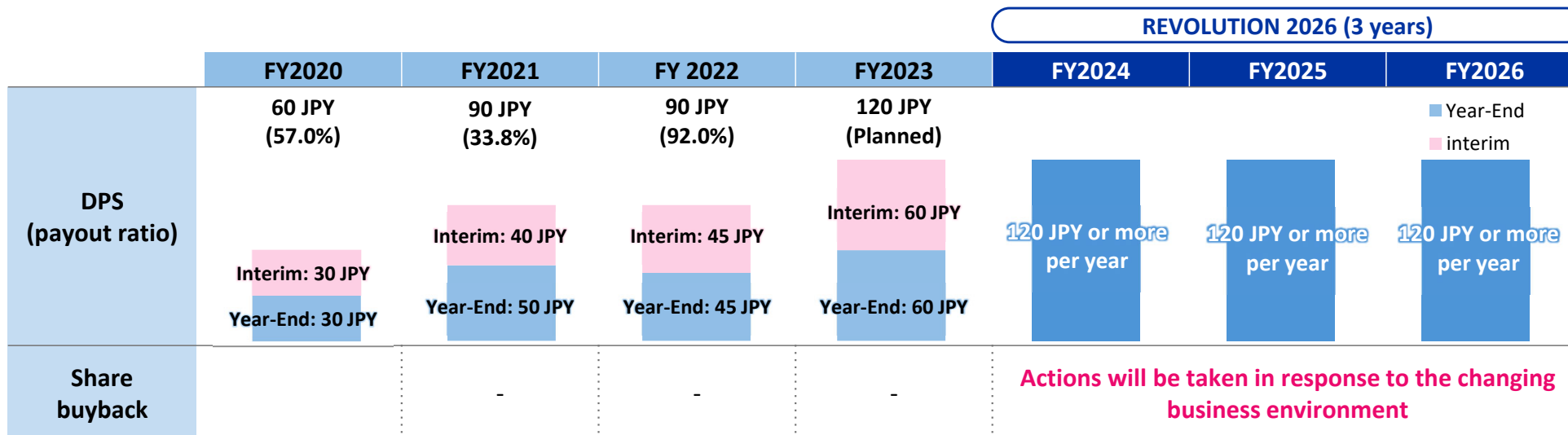
- **Maintain current equity level (218.5 billion JPY, 68% equity ratio) as outlined in the current medium-term plan. Utilize loans when necessary to actively pursue growth investments and shareholder returns**
- **Aim to maintain our A+ rating (JCR)**

## 4. Financial and ESG Strategy & Dialogue with investors (Financial Strategy : Mid-Term Shareholder Return Policy)

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### Dividend Policy



### 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



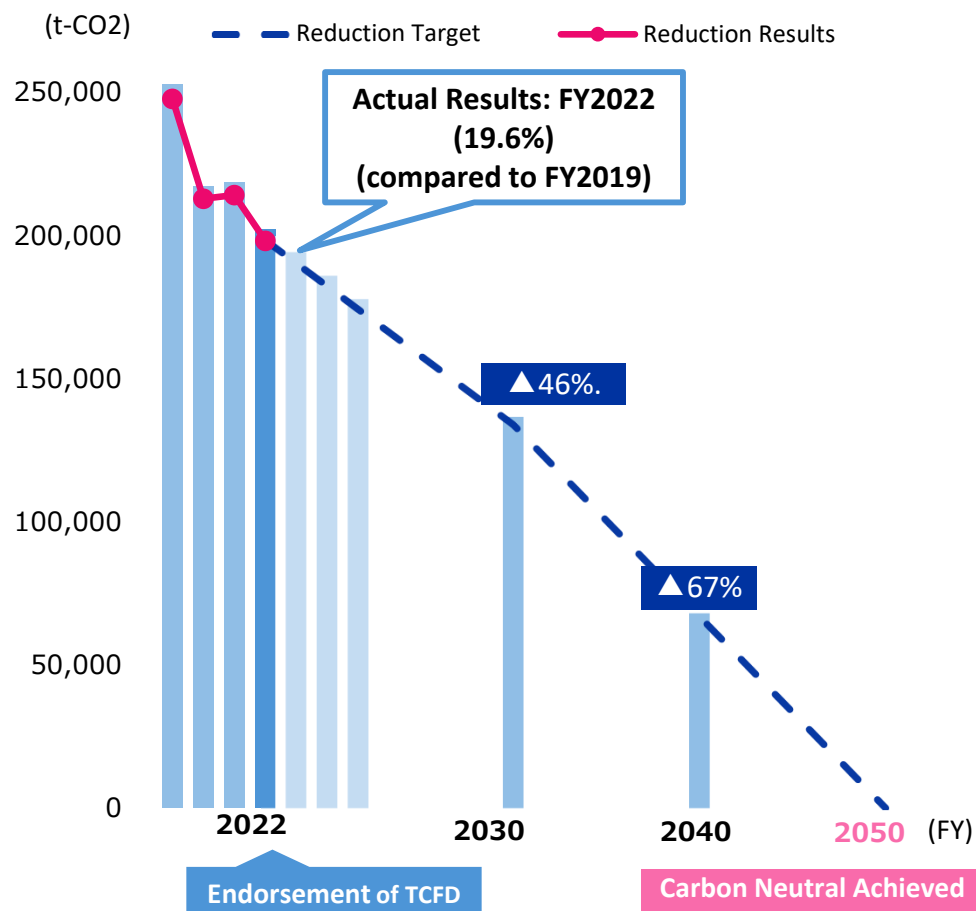
- Plan to pay annual DPS of 120 JPY or more for the 3 years of “REVOLUTION 2026”
- The shareholder benefit program will continue

## 4. Financial and ESG Strategy & Dialogue with investors (ESG Strategy : Environment & Society)

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### Roadmap to Carbon Neutrality by FY2050



### Initiatives to strengthen human capital

#### 1. Human Resource Development

- 1) Start of practical learning by dispatching employees to startups (collaborators)
- 2) Continue to support self career development · Enhance "career interview training" for supervisors and internal recruitment system
- 3) Continuation of electrification tech training, new business creation training, and DX training

#### 2. Promote diversity and inclusion (create a comfortable workplace)

- 1) Review of employee compensation
  - ① Raise average wage
  - ② Raise employee stock ownership incentive ratio to 30% (to enhance awareness of participation in management)
- 2) Further expansion of systems that allow diverse employees to work in comfort
- 3) Promotion of women's active engagement in workplace  
Continue training programs for female employees and hire external candidates for female management positions

### Respect for Human Rights

#### 1. Human Rights Due Diligence

Identify a key issue of forced labor risk to foreign technical internship & migrant labor. Conduct fact-finding survey & corrective actions

#### 2. Education and Retention Activities

Conduct training on human rights initiatives for the head office and 38 affiliates in Japan and overseas

➤ The environmental area, focuses on initiatives to achieve Carbon Neutral, and in the social area, focuses on strengthening human capital and respecting human rights

## 4. Financial and ESG Strategy & Dialogue with investors (ESG Strategy : Governance)

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### Progress in Enhancing Corporate Governance

KPI	Target (FY2030)	Actuals (FY2023)	Year on Year
Number of Independent External Directors	1/3 or more	42% (5 persons)	+6Pt (+1 person)
Number of Female and Foreign Directors	2 persons	2 persons	+1 person
Number of Significant Legal Violations	0	0	±0
Number of Town Hall Meetings Held	52 times/year (2 series)	52 times/year (2 series)	±0

- Working to improve the fairness and transparency of the BOD to achieve "maintaining stable management based on robust governance" outlined on Long term Vision

### Strengthening of the Compliance System

Considering ethical concerns arising across automotive industry, plan to implement the followings in FY2024

- (1) Risk assessment to identify potential compliance risks, (2) Expansion of compliance training menu suitable for job content

### External ESG Evaluating

ESG Investments by the Government Pension Investment Fund (GPIF)			CDP Climate Change
FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	S&P/JPX Carbon-Efficient Index	
Adopted	Adopted	Adopted	B

- Selected leading ESG investment indexes and currently receiving high external evaluation
- ✓ Plans to continue ESG Strategies through actions to improve external evaluation

## 4. Financial and ESG Strategy & Dialogue with investors (IR Policy)

**Drive our future.**

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

### Establishment of a dedicated department

- To enhanced communication with shareholders and investors and improve disclosure, we established the ESG • IR Promotion Department in Apr. 2024

### Increased involvement by management

- Resumption of in-person earnings presentations (president attending)
- At the FY2023 earnings presentation, the CFO and CSO also took part to discuss our mid-to long-term Strategy

### Engage in dialogue Provide updates

- Share shareholder and investor feedback with management and disclose the outcomes of our deliberations
- We are evaluating our internal feedback mechanisms for shareholder and investor input, how we disclose discussions outcomes, and how we communicate progress on our business Strategies

- **ESG • IR Promotion Department established in Apr. 2024**
- **We communicate progress on Business, ESG, and Financial Strategies in accordance with IR policies**

➤ **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.