

# ***ANNUAL REPORT 2014***

*Year Ended March 31, 2014*



**EXEDY**



**EXEDY**  
***Focus on Basics***

# Consolidated Financial Highlights

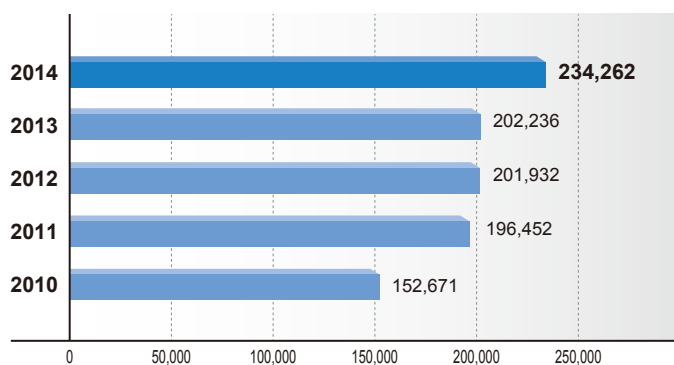
EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2013 and 2014

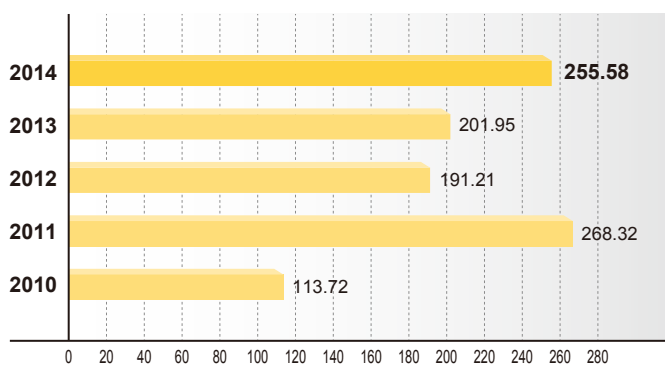
	Japanese yen (millions)		U.S. dollars (thousands)	% Charge
	2013	2014	2014	2013/2014
<b>For the year:</b>				
Net sales .....	¥ 202,236	¥ <b>234,262</b>	\$ <b>2,276,156</b>	+15.8%
Net income .....	9,723	<b>12,269</b>	<b>119,209</b>	+26.2%
<b>At year-end:</b>				
Total assets .....	196,375	<b>230,741</b>	<b>2,241,945</b>	+17.5%
Net assets .....	135,711	<b>155,931</b>	<b>1,515,070</b>	+14.9%
<b>Per share data:</b>				
	Japanese yen		U.S. dollars	
Net income .....	¥ 201.95	¥ <b>255.58</b>	\$ <b>2.48</b>	+26.6%
Net assets .....	2,642.60	<b>3,032.56</b>	<b>29.47</b>	+14.8%
Cash dividends .....	50.00	<b>70.00</b>	<b>0.68</b>	+40.0%

Note : Dollar figures are translated, for convenience only, at the rate of ¥ 102.92 to U.S. \$1.00.

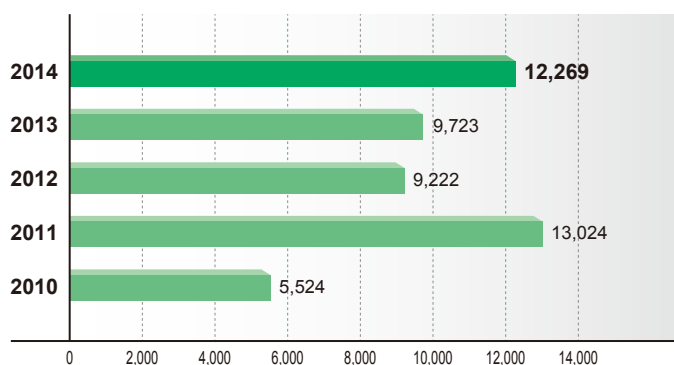
## Net Sales (Millions of yen)



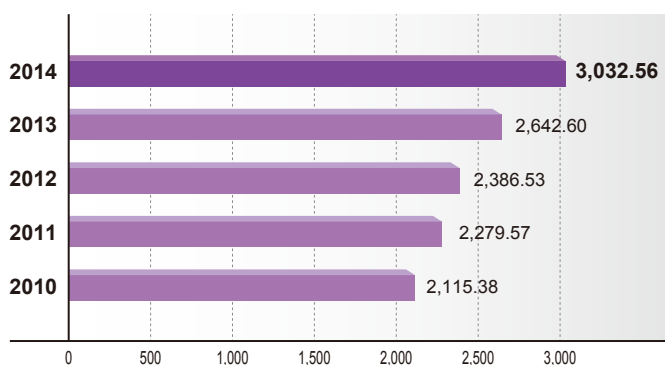
## Net Income Per Share of Common Stock (Yen)



## Net Income (Millions of yen)



## Net Assets Per Share of Common Stock (Yen)





# EXEDY

## Global Network

● Production & Sales    ■ Sales

**EXEDY Clutch Europe Ltd.**  
(Cheshire, U.K.)

**EXEDY Clutch Europe Ltd.**  
(Moscow, Russia)

**EXEDY VIS RUS LLC**  
(Togliatti, Russia)

**EXEDY DYNAX Europe Ltd.**  
(Tatabanya, Hungary)

**EXEDY Middle East Fzco**  
(Amman, Jordan)

**EXEDY Middle East Fzco**  
(Riyadh, Saudi Arabia)

**EXEDY Middle East Fzco**  
(Dubai, U.A.E.)

**EXEDY Middle East Fzco**  
(Nairobi, Kenya)

**EXEDY Clutch India Pvt. Ltd.**  
(Bangalore, India)

**EXEDY India Ltd.**  
(Aurangabad, India)

**EXEDY India Ltd.**  
(Greater Noida, India)

**EXEDY (Malaysia) Sdn.Bhd.**  
(Negeri Sembilan, Malaysia)

**EXEDY (Thailand) Co.,Ltd.**  
(Chonburi, Thailand)

**EXEDY ENGINEERING ASIA Co., Ltd.**  
(Chonburi, Thailand)

**EXEDY Friction Material Co.,Ltd.**  
(Chonburi, Thailand)

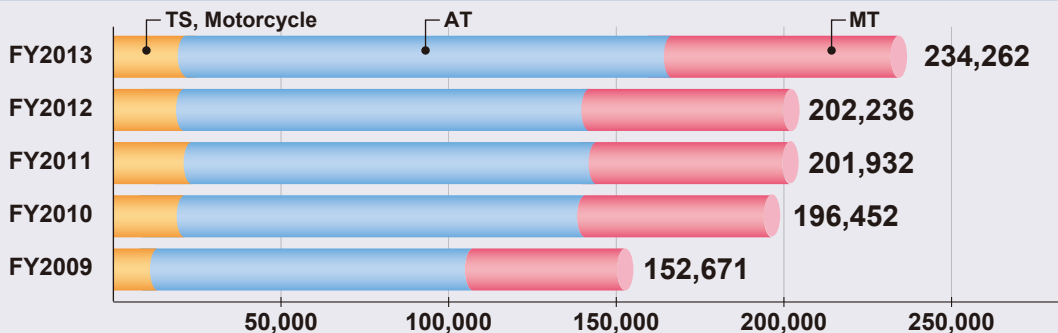
**PT. EXEDY Manufacturing Indonesia**  
(Karawang, Indonesia)

**PT. EXEDY PRIMA INDONESIA**  
(Surabaya, Indonesia)

**EXEDY SOUTH AFRICA (PTY) LTD**  
(Johannesburg, South Africa)

**EXEDY Australia Pty.Ltd.**  
(Melbourne, Australia)

Consolidated Sales (Unit : ¥ million)



**EXEDY BEIJING Co., Ltd.**  
(Beijing, CHINA)



**DYNAX Industry (Shanghai) Co.,Ltd.**  
(Shanghai, China)



**EXEDY DYNAX SHANGHAI Co., Ltd.**  
(Shanghai, China)



**EXEDY Chongqing Co., Ltd.**  
(Chongqing, China)



**EXEDY Guangzhou Co., Ltd.**  
(Guangzhou, China)



**EXEDY Vietnam Co., Ltd.**  
(Vinh Phuc, Vietnam)



**EXEDY Australia Pty.Ltd.**  
(Brisbane, Australia)



**EXEDY Australia Pty.Ltd.**  
(Sydney, Australia)



**EXEDY New Zealand Ltd.**  
(Auckland, New Zealand)



# EXEDY's global strategy expands worldwide

EXEDY's global corporate activities are expanding in America, Europe, Asia, Oceania, Middle East, Mexico and Japan. We are structuring an optimal production system from a global point of view to sustain the top level of quality. Also, we are continuously and actively challenging ourselves in the manufacturing of new products by utilizing our solid technology such as production of Motorcycle Clutches in ASEAN countries.

**EXEDY Globalparts Corporation**  
(Michigan, U.S.A.)



**EXEDY DYNAX America Corporation**  
(Michigan, U.S.A.)

**EXEDY America Corporation**  
(Tennessee, U.S.A.)



**EXEDY DYNAX Mexico S.A.de C.V.**  
(Aguascalientes, Mexico)



**DYNAX America Corporation**  
(Virginia, U.S.A.)



**EXEDY Latin America S.A.**  
(Panama City, Panama)



**Head Office (Osaka)**



**EXEDY Logistics Co.,Ltd. (Osaka)**



**EXEDY Sun Co.,Ltd. (Osaka)**

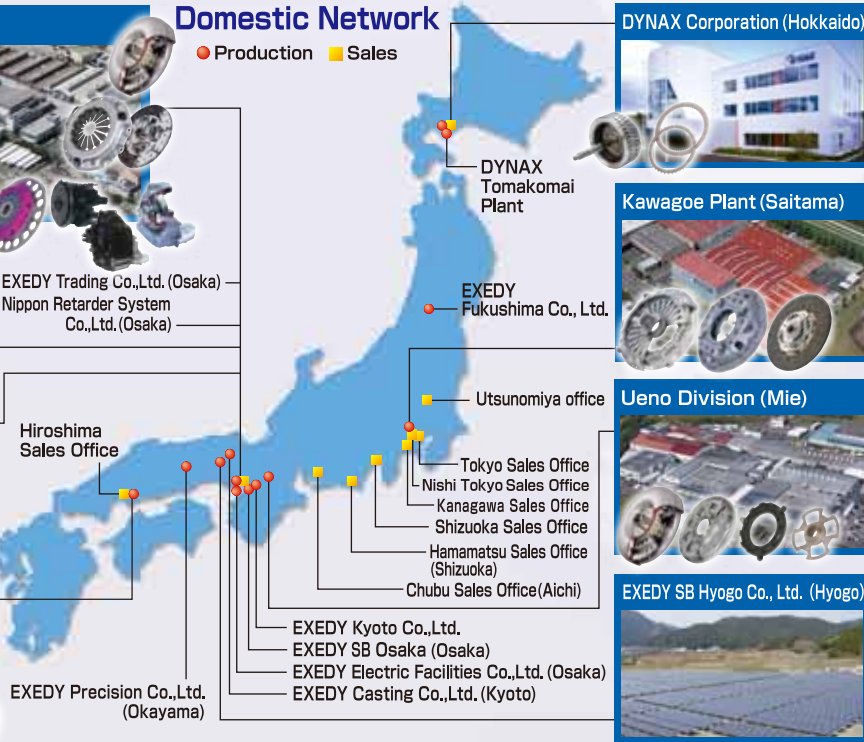


**Hiroshima Plant (Hiroshima)**



## Domestic Network

● Production ■ Sales



# Topics of the Year

## Manufacturing

### Starting Manufacturing at the New Factory in Mexico and India.

The new factory which was proceeding construction in EXEDY DYNAX MEXICO, S.A. C.V. was completed and production has started up in order to cope with the expansion of demand for automobiles in North America and Latin America.



EXEDY Clutch India Pvt. Ltd. which was proceeding construction was completed and production has started up in order to cope with the expansion of demand for automobiles and motorcycles in India.



## Ecology

### EXEDY's Evacuation Area Construction Completion.

The completion of construction of EXEDY's evacuation area was celebrated on Aug. 29th, 2013. The facility includes solar panels that operate LED lighting as well as toilets that can be assembled during emergencies.



## Support Activities

### The Activity of female athletes at the 2014 Sochi Olympics.

Employees of DYNAX Corporation, a company affiliated with EXEDY, had participated in the Sochi Olympics as members of Japan women's national ice hockey team.



Haruna Yoneyama

Chiho Osawa

Tomoko Sakagami

# Consolidated Five-Year Summary

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31

	Japanese yen (millions)					U.S. dollars (thousands)
	2010	2011	2012	2013	2014	2014
<b>For the year:</b>						
Net sales .....	¥ 152,671	¥ 196,452	¥ 201,932	¥ 202,236	¥ 234,262	\$ 2,276,156
Net income .....	5,524	13,024	9,222	9,723	12,269	119,209
<b>At year-end:</b>						
Total assets .....	¥ 153,426	¥ 164,417	¥ 176,038	¥ 196,375	¥ 230,741	\$ 2,241,945
Current assets .....	81,478	91,136	96,138	97,723	114,307	1,110,639
Property, plant and equipment .....	64,986	65,395	71,092	88,590	103,820	1,008,745
Current liabilities .....	32,911	36,156	37,487	38,734	48,326	469,549
Long-term debt .....	3,099	4,200	9,838	14,904	19,160	186,164
Net assets .....	109,096	116,820	122,042	135,711	155,931	1,515,070
Shareholders' equity ratio .....	67.0 %	67.0 %	65.3 %	64.6 %	63.1 %	63.1%
Retained earnings .....	92,140	102,979	109,607	116,914	126,783	1,231,860
<b>Per share data:</b>						
	Japanese yen					U.S. dollars
Net income .....	¥ 113.72	¥ 268.32	¥ 191.21	¥ 201.95	¥ 255.58	\$ 2.48
Net income - diluted .....	—	—	—	—	—	—
Net assets .....	2,115.38	2,279.57	2,386.53	2,642.60	3,032.56	29.47

Note : Dollar figures are translated, for convenience only, at the rate of ¥ 102.92 to U.S. \$1.00.

## Financial Section

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# Consolidated Balance Sheets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

As of March 31, 2013 and 2014

ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Current Assets:</b>			
Cash and cash equivalents (Note 15)	¥ 25,593	¥ 35,233	\$ 342,334
Time deposits	71	95	923
Notes and accounts receivable (Notes 4, 15 and 17) -			
Trade	39,816	43,047	418,257
Non-consolidated subsidiaries and affiliates	5	12	117
Allowance for doubtful accounts	(103)	(118)	(1,147)
Inventories (Notes 2 and 4)	24,938	27,558	267,761
Deferred tax assets (Note 7)	3,141	3,742	36,358
Short-term loans to non-consolidated subsidiaries and affiliates	518	549	5,334
Other current assets	3,744	4,189	40,702
Total current assets	<u>97,723</u>	<u>114,307</u>	<u>1,110,639</u>
<b>Property, Plant and Equipment (Note 4) :</b>			
Land	9,037	9,478	92,091
Buildings and structures	50,489	60,179	584,716
Machinery and vehicles	125,840	146,309	1,421,580
Tools and furniture	44,472	49,623	482,151
Construction in progress	17,038	11,079	107,647
	<u>246,876</u>	<u>276,668</u>	<u>2,688,185</u>
Less - accumulated depreciation	(158,286)	(172,848)	(1,679,440)
Total property, plant and equipment	<u>88,590</u>	<u>103,820</u>	<u>1,008,745</u>
<b>Investments and Other Assets:</b>			
Investments in securities (Notes 3 and 15)	2,093	2,606	25,321
Investments in and loans to			
non-consolidated subsidiaries and affiliates	856	1,501	14,584
Long-term loans	307	103	1,001
Asset for retirement benefits (Note 8)	—	1,321	12,835
Deferred tax assets (Note 7)	1,927	1,447	14,059
Other assets	4,879	5,636	54,761
Total investments and other assets	<u>10,062</u>	<u>12,614</u>	<u>122,561</u>
<b>Total Assets</b>	<u>¥ 196,375</u>	<u>¥ 230,741</u>	<u>\$ 2,241,945</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.



LIABILITIES AND NET ASSETS	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Current Liabilities:</b>			
Short-term borrowings including			
current portion of long-term debt (Notes 4, 5 and 15)	¥ 5,185	¥ 6,939	\$ 67,421
Notes and accounts payable (Note 15) -			
Trade	17,586	23,448	227,827
Construction	4,573	3,079	29,916
Non-consolidated subsidiaries and affiliates	23	41	398
Accrued expenses (Note 15)	7,311	9,286	90,225
Accrued income taxes	2,685	4,597	44,666
Other current liabilities	1,371	936	9,096
Total current liabilities	<u>38,734</u>	<u>48,326</u>	<u>469,549</u>
<b>Long-term Liabilities:</b>			
Long-term debt (Notes 4, 5 and 15)	14,904	19,160	186,164
Deferred tax liabilities (Note 7)	2,086	2,721	26,438
Employees' severance and retirement benefits (Note 8)	3,938	—	—
Liability for retirement benefits (Note 8)	—	3,709	36,038
Other long-term liabilities	1,002	894	8,686
Total long-term liabilities	<u>21,930</u>	<u>26,484</u>	<u>257,326</u>
<b>Contingent Liabilities (Note 17)</b>			
<b>Net Assets</b>			
<b>Shareholders' Equity (Note 16):</b>			
Common stock			
Authorized - 168,000 thousand shares in 2013 and 2014			
Issued - 48,594 thousand shares in 2013 and 2014	8,284	8,284	80,490
Capital surplus	7,541	7,543	73,290
Retained earnings	116,914	126,783	1,231,860
Treasury stock			
594 thousand shares in 2013 and 587 thousand shares in 2014	(1,498)	(1,478)	(14,361)
Total shareholders' equity	<u>131,241</u>	<u>141,132</u>	<u>1,371,279</u>
<b>Accumulated Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities	737	1,059	10,290
Foreign currency translation adjustments	(5,136)	3,309	32,151
Accumulated adjustments for retirement benefit (Note 8)	—	84	816
Total accumulated other comprehensive income	<u>(4,399)</u>	<u>4,452</u>	<u>43,257</u>
<b>Minority Interests</b>	8,869	10,347	100,534
Total net assets	<u>135,711</u>	<u>155,931</u>	<u>1,515,070</u>
<b>Total Liabilities and Net Assets</b>	<u>¥ 196,375</u>	<u>¥ 230,741</u>	<u>\$ 2,241,945</u>

# Consolidated Statements of Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2013 and 2014

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Net Sales</b> .....	¥202,236	¥234,262	\$2,276,156
<b>Cost of Sales</b> .....	161,836	184,358	1,791,275
Gross profit .....	40,400	49,904	484,881
<b>Selling, General and Administrative Expenses (Note 9)</b> .....	26,039	30,470	296,055
Operating income .....	14,361	19,434	188,826
<b>Other Income (Expenses) :</b>			
Interest and dividend income .....	269	249	2,419
Interest expense .....	(523)	(635)	(6,170)
Gains (losses) on sale or disposal of property, plant and equipment .....	266	(403)	(3,916)
Equity in gains (losses) of non-consolidated subsidiaries and affiliates .....	(48)	(4)	(39)
Foreign exchange gains (losses), net .....	1,772	1,891	18,373
Other, net .....	229	493	4,792
	1,965	1,591	15,459
Income before income taxes and minority interests .....	16,326	21,025	204,285
<b>Income Taxes (Note 7)</b>			
Current .....	5,179	7,296	70,890
Deferred .....	350	367	3,566
<b>Income before Minority Interests</b> .....	10,797	13,362	129,829
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b> .....	1,074	1,093	10,620
<b>Net Income</b> .....	¥ 9,723	¥ 12,269	\$ 119,209
<b>Per Share Data (Note 13) :</b>			
Net income .....	¥ 201.95	¥ 255.58	\$ 2.48
Net income - diluted .....	—	—	—
Cash dividends .....	50.00	70.00	0.68

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2013 and 2014

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Income before Minority Interests</b> .....	¥ 10,797	¥ 13,362	129,829
<b>Other Comprehensive Income</b>			
Valuation difference on available-for-sale securities .....	301	322	3,129
Foreign currency translation adjustments .....	5,511	9,946	96,638
Share of other comprehensive income of associates accounted for using equity method .....	13	14	136
Total other comprehensive income (Note18) .....	5,825	10,282	99,903
<b>Comprehensive Income</b> .....	¥ 16,622	¥ 23,644	\$ 229,732
<b>Comprehensive Income attribute to:</b>			
Owners of the parent .....	14,633	21,035	204,382
Minority interests .....	1,989	2,609	25,350

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2013 and 2014

	Japanese yen (millions)				
	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2012</b>	¥ 8,284	¥ 7,541	¥ 109,607	¥ (1,180)	¥ 124,252
Net income			9,723		9,723
Purchase of treasury stock				(340)	(340)
Disposal of treasury stock			(8)	22	14
Cash dividends paid			(2,408)		(2,408)
Other, net					
<b>Balance at March 31, 2013</b>	¥ 8,284	¥ 7,541	¥ 116,914	¥ (1,498)	¥ 131,241

	Japanese yen (millions)					
	Accumulated other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustments for Retirement Benefit	Total Accumulated other Comprehensive Income	Minority Interests	Total net Assets
<b>Balance at April 1, 2012</b>	¥ 436	¥ (9,749)	¥ —	¥ (9,313)	¥ 7,103	¥ 122,042
Net income						9,723
Purchase of treasury stock						(340)
Disposal of treasury stock						14
Cash dividends paid						(2,408)
Other, net	301	4,613		4,914	1,766	6,680
<b>Balance at March 31, 2013</b>	¥ 737	¥ (5,136)	¥ —	¥ (4,399)	¥ 8,869	¥ 135,711

Japanese yen (millions)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2013</b>	¥ 8,284	¥ 7,541	¥ 116,914	¥ (1,498)	¥ 131,241
Net income			12,269		12,269
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		2		22	24
Cash dividends paid			(2,400)		(2,400)
Other, net					
<b>Balance at March 31, 2014</b>	¥ 8,284	¥ 7,543	¥ 126,783	¥ (1,478)	¥ 141,132

Japanese yen (millions)

	Accumulated other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustments for Retirement Benefit	Total Accumulated other Comprehensive Income	Minority Interests	Total net Assets
<b>Balance at April 1, 2013</b>	¥ 737	¥ (5,136)	¥ —	¥ (4,399)	¥ 8,869	¥ 135,711
Net income						12,269
Purchase of treasury stock						(2)
Disposal of treasury stock						24
Cash dividends paid						(2,400)
Other, net	322	8,445	84	8,851	1,478	10,329
<b>Balance at March 31, 2014</b>	¥ 1,059	¥ 3,309	¥ 84	¥ 4,452	¥ 10,347	¥ 155,931

U.S. dollars (thousands)

	Shareholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
<b>Balance at April 1, 2013</b>	\$ 80,490	\$ 73,270	\$1,135,970	\$ (14,555)	\$1,275,175
Net income			119,209		119,209
Purchase of treasury stock				(19)	(19)
Disposal of treasury stock		20		213	233
Cash dividends paid			(23,319)		(23,319)
Other, net					
<b>Balance at March 31, 2014</b>	\$ 80,490	\$ 73,290	\$1,231,860	\$ (14,361)	\$1,371,279

U.S. dollars (thousands)

	Accumulated other Comprehensive Income					
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustments	Accumulated Adjustments for Retirement Benefit	Total Accumulated other Comprehensive Income	Minority Interests	Total net Assets
<b>Balance at April 1, 2013</b>	\$ 7,161	\$ (49,903)	\$ —	\$ (42,742)	\$ 86,174	\$1,318,607
Net income						119,209
Purchase of treasury stock						(19)
Disposal of treasury stock						233
Cash dividends paid						(23,319)
Other, net	3,129	82,054	816	85,999	14,360	100,359
<b>Balance at March 31, 2014</b>	\$ 10,290	\$ 32,151	\$ 816	\$ 43,257	\$ 100,534	\$1,515,070

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Cash Flows

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES  
Years ended March 31, 2013 and 2014

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests	¥ 16,326	¥ 21,025	\$ 204,285
Adjustments for :			
Depreciation and amortization	11,734	12,210	118,636
Losses (gains) on sale or disposal of property, plant and equipment	(298)	341	3,313
Increase (decrease) in allowance for doubtful accounts	(1)	4	39
Increase (decrease) in employees' severance and retirement benefits	(668)	(3,854)	(37,447)
Increase (decrease) in liability for retirement benefits	—	3,709	36,038
Decrease (increase) in asset for retirement benefits	—	(1,321)	(12,835)
Interest and dividend income	(269)	(249)	(2,419)
Interest expense	523	635	6,170
Decrease (increase) in notes and accounts receivables	1,606	(115)	(1,117)
Increase (decrease) in inventories	(871)	621	6,034
Increase (decrease) in notes and accounts payables	(3,551)	2,085	20,258
Other, net	(568)	476	4,624
Subtotal	23,963	35,567	345,579
Interest and dividend income received	306	290	2,817
Interest paid	(536)	(633)	(6,150)
Income taxes paid	(4,329)	(5,395)	(52,419)
Net cash provided by operating activities	19,404	29,829	289,827
<b>Cash Flows from Investing Activities:</b>			
Increase in time deposits	(65)	(74)	(719)
Decrease in time deposits	83	57	554
Payments for purchases of property, plant and equipment	(21,849)	(20,027)	(194,588)
Proceeds from sales of property, plant and equipment	683	315	3,061
Payments for acquisitions of intangible assets	(895)	(1,663)	(16,158)
Payments for purchases of investment in securities	(17)	(14)	(136)
Payments for additional portions of consolidated subsidiaries	(27)	(442)	(4,295)
Additions to loans receivable	(142)	(212)	(2,060)
Collection of loans receivable	153	216	2,099
Other, net	(38)	(345)	(3,352)
Net cash used in investing activities	(22,114)	(22,189)	(215,594)
<b>Cash Flows from Financing Activities:</b>			
Increase (decrease) in short-term borrowings, net	403	433	4,207
Proceeds from long-term loans payable	4,835	6,155	59,804
Repayments of long-term loans payable	(2,358)	(2,915)	(28,323)
Payments for acquisitions of treasury stock	(340)	(3)	(29)
Cash dividends paid	(2,407)	(2,404)	(23,358)
Cash dividends paid to minority shareholders	(479)	(579)	(5,626)
Other, net	(31)	(96)	(933)
Net cash provided (used) in financing activities	(377)	591	5,742
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	757	1,409	13,690
<b>Net Increase in Cash and Cash Equivalents</b>	(2,330)	9,640	93,665
<b>Cash and Cash Equivalents at Beginning of Year</b>	27,923	25,593	248,669
<b>Cash and Cash Equivalents at End of Year</b>	¥ 25,593	¥ 35,233	\$ 342,334

The accompanying notes to the consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

## 1. Summary of Significant Accounting and Reporting Policies

### (a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of EXEDY Corporation ("the Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of the Company's overseas subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, and partially reflect the adjustments which are necessary to conform with Japanese GAAP. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S. \$1.00. The convenience translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

### (b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and 33 (2013: 30) significant subsidiaries as of March 31, 2014, over which the Company has power of control through majority voting rights or the existence of certain conditions evidencing control by the Company.

Investments in 4 (2013 : 4) non-consolidated subsidiaries and 3 (2013 : 2) affiliates as of March 31, 2014, over which the Company has the ability to exercise significant influence over operating and financial policies of the investees, are accounted for using the equity method.

In the elimination of investments in consolidated subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are valued using the fair value at the time the Company acquired control of the respective subsidiary. Material intercompany balances, transactions and profits have been eliminated in consolidation. All the overseas subsidiaries except for 2 consolidated subsidiaries, are consolidated using a fiscal period ending December 31. Significant transactions occurring from January 1 to March 31, the Company's fiscal year-end, are adjusted for in the consolidated financial statements.

### (c) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into Japanese yen at current rates at each balance sheet date and the resulting translation gains or losses are charged to income for the current period.

The balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for shareholders' equity accounts, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at the average rates during the year. Translation adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Foreign currency translation adjustments" in a component of net assets and minority interests.

### (d) Securities

Securities consist principally of marketable and nonmarketable equity securities. Other securities with available fair market value are stated at fair market value. Valuation difference on available-for-sale securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using the moving average cost method.

Other securities with no available fair market value are stated at moving average cost, net of the amount considered uncollectible.

If the fair market value of other securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as a loss in the period of decline. If the net asset value of other securities with no available fair market value declines significantly, such securities should be written down to the net asset value by charging to income.

### (e) Derivatives

All derivatives are stated at fair value.

### (f) Inventories

Inventories held for sale except for supplies are mainly stated at the lower of cost (moving average method) or net realizable value at the balance sheet date. Supplies are mainly stated at cost determined by the last purchase cost method.

### (g) Property, plant and equipment

The Company and its domestic consolidated subsidiaries compute the depreciation of property, plant and equipment by using the declining-balance method and its overseas consolidated subsidiaries mainly by using the straight-line method. The depreciation of buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 is computed by using the straight-line method.

Estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	.....	10 - 30 years
Machinery and vehicles	.....	7 - 20 years
Tools and furniture	.....	4 - 7 years

### (h) Software

Software is amortized using the straight-line method over the useful lives (3-5 years) of the software.

### (i) Leases

Finance leases, except for certain immaterial leases, are capitalized and depreciated over lease terms, as applicable. However, as permitted, the Company and consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating lease with disclosure of certain "as if capitalized" information in Note 7.

### (j) Income taxes

The Company and its consolidated subsidiaries recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

### (k) Allowance for doubtful accounts

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus the estimated uncollectible amount based on the analysis of individual accounts.

### (l) Allowance for product warranties

The Company and its consolidated subsidiaries provide for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period plus the estimated uncollectible amount based on the analysis of individual accounts.

### (m) Employees' severance and retirement benefits

The Company and its consolidated subsidiaries provide for employees' severance and retirement benefits at the end of the fiscal year based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial differences are fully recognized in expenses in the year following the fiscal year in which the actuarial differences are incurred or in the year in which they are incurred. Prior service costs are recognized in expenses in the year in which they are incurred.

**(Additional information)**

Effective from April 1, 2014, the Company and a certain consolidated subsidiary transferred a part of the defined benefit pension plan for current employees to a defined contribution pension plan as a result of a resolution of EXEDY corporate pension plan representative committee.

The Company applied the Guidance on Accounting for Transfers between Retirement Benefit Plans (ASBJ Guidance No. 1, January 31, 2002) and accounted for this transfer in the year ended March 31, 2014. The effect of the transfer affected on profit and loss was immaterial.

In principal, actuarial differences are fully recognized in expenses in the year following the fiscal year in which the actuarial differences are incurred. However, actuarial differences arising from the portion of the defined benefit pension plan for retired former employees are fully recognized in expenses in the fiscal year in which they are incurred. As a result, in the year ended March 31, 2014, income before income taxes and minority interest increased by ¥166 million (\$1,612 thousand).

**(Change in Accounting Policy)**

Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefit (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the "Standard")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, the "Guidance")) except for Article 35 of the Standard and the Article 67 of the Guidance). Under the Standard, the difference between the amount of retirement benefit obligations and the value of plan assets has been recognized as a liability for retirement benefits, and actuarial gains and losses and past service costs that were unrecognized in the past fiscal year have been recognized as asset/liability for retirement benefits.

In accordance with the transitional accounting in Article 37 of the Standard, the effect of the changes in accounting policies arising from the initial application has been recognized in accumulated adjustments for retirement benefit in accumulated other comprehensive income at the current fiscal year-end.

As a result of the application, an asset for retirement benefits in the amount of ¥1,321 million (\$12,835 thousand) and a liability for retirement benefits in the amount of ¥3,709 million (\$36,038 thousand) have been recognized, and accumulated other comprehensive income has increased by ¥84 million (\$816 thousand) in the consolidated balance sheet at the fiscal year-end. Net assets per share increased by ¥1.76 (\$0.02).

**(n) Accounting for consumption taxes**

Consumption taxes withheld upon sale and consumption taxes paid by the Companies on their purchases of goods and services are not included in the amounts of respective revenue or cost or expense items in the accompanying consolidated statements of income.

**(o) Per share data**

The computation of net income per share is based on the weighted average number of shares outstanding during each year, excluding the Company's treasury stock, and based on net income attributed to ordinary shareholders, excluding bonuses to directors and corporate auditors, etc. The computation of net assets per share is based on the number of shares of common stock outstanding at the year-end, excluding the Company's treasury stock, and based on net assets attributed to ordinary shareholders, excluding minority interests.

Cash dividends per share shown in the statements of income are the amounts attributable to the respective years.

**(p) Goodwill**

Goodwill, except for minor goodwill is amortized by the straight-line method over five years. Minor goodwill is expensed as incurred.

**(q) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments which have maturities of three months or less when purchased, are easily convertible into cash and have little risk of fluctuation in value.

**(r) Reclassification**

Certain comparative figures have been reclassified to conform to the current year's presentation.

**(s) Accounting Standards issued but not yet effective**

**(Accounting Standard for Retirement Benefits)**

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

**1. Summary**

The accounting standard and guidance contains amendments to method of amortizing unrecognized actuarial gains and losses and prior service costs, and the method of determining the discount rate. Under the revised accounting standard, it is newly allowed to use the benefit formula basis as an option in addition to the straight line basis with respect to the method of attributing the projected benefits to period of service.

**2. Effective dates**

Effective from beginning of fiscal year ending March 31, 2015 for computing projected benefit obligation and service costs. However, The accounting standard and guidance are subject to transitional accounting treatment. Accordingly, it will not be applied retroactively to consolidated financial statements from past years.

**3. Effect of application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the new standard on the consolidated financial statements.

Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)

Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)

Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)

Accounting Standard for Earnings per Share (ASBJ Statement No. 2, September 13, 2013)

Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)

Guidance on Accounting Standard for Earnings per Share (ASBJ Guidance No. 4, September 13, 2013)

**1. Outline**

These accounting standards and guidance contains amendments to the accounting treatment for:

- (1) Changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares therein,
- (2) Acquisition related Costs,
- (3) Presentation method of net income and amendment of "minority interests" to "non-controlling interests," and
- (4) Transitional provisions for accounting treatments.

**2. Effective dates**

Effective from beginning of fiscal year ending March 31, 2016. However, the transitional provisions for accounting treatments will be applied from business combinations performed on or after the beginning of the fiscal year ending March 31, 2016.

**3. Effect of application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the new standard on the consolidated financial statements.

**(Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)**

**(Practical Solution No. 30, December 25, 2013)**

**1. Summary**

The practical solution establishes the accounting treatment on transactions of delivering the Company's own stock to employees etc. through trusts.

**2. Effective dates**

Effective from beginning of fiscal year ending March 31, 2015.

**3. Effect of application of the standard**

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the new standard on the consolidated financial statements.

## 2. Inventories

Inventories as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Finished goods .....	¥ 11,012	¥ 12,078	\$ 117,353
Work-in process .....	4,973	4,749	46,143
Raw materials .....	6,326	7,511	72,979
Supplies .....	2,627	3,220	31,286
	<u>¥ 24,938</u>	<u>¥ 27,558</u>	<u>\$ 267,761</u>

The ending inventory balance presented above is the net of write-downs of inventories when their carrying amounts become unrecoverable, and the write-downs recognized in cost of sales were ¥263 million and ¥69 million (\$670 thousand) as of March 31, 2013 and 2014, respectively.

## 3. Securities

Other securities with book values (fair values) exceeding acquisition costs as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
<b>March 31, 2013</b>						
Equity securities .....	¥ 432	¥ 1,428	¥ 996			
Interest-bearing securities .....	—	—	—			
Others .....	—	—	—			
	<u>¥ 432</u>	<u>¥ 1,428</u>	<u>¥ 996</u>			
<b>March 31, 2014</b>						
Equity securities .....	¥ 863	¥ 2,515	¥ 1,652	\$ 8,385	\$ 24,436	\$ 16,051
Interest-bearing securities .....	—	—	—	—	—	—
Others .....	—	—	—	—	—	—
	<u>¥ 863</u>	<u>¥ 2,515</u>	<u>¥ 1,652</u>	<u>\$ 8,385</u>	<u>\$ 24,436</u>	<u>\$ 16,051</u>

Other securities with book values (fair values) not exceeding acquisition costs as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)			U.S. dollars (thousands)		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
<b>March 31, 2013</b>						
Equity securities .....	¥ 949	¥ 635	¥ (314)			
Interest-bearing securities .....	—	—	—			
Others .....	—	—	—			
	<u>¥ 949</u>	<u>¥ 635</u>	<u>¥ (314)</u>			
<b>March 31, 2014</b>						
Equity securities .....	¥ 77	¥ 61	¥ (16)	\$ 748	\$ 593	\$ (155)
Interest-bearing securities .....	—	—	—	—	—	—
Others .....	—	—	—	—	—	—
	<u>¥ 77</u>	<u>¥ 61</u>	<u>¥ (16)</u>	<u>\$ 748</u>	<u>\$ 593</u>	<u>\$ (155)</u>

The book value of securities with no available fair values as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Other securities with no fair value Non-listed equity securities .....	¥ 30	¥ 30	\$ 291



#### 4. Assets Pledged as Collateral

The following assets were pledged as collateral for ¥275 million and ¥317 million (\$3,080 thousand) of secured loans as of March 31, 2013 and 2014, respectively :

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Accounts receivable and inventories .....	¥ 1,555	¥ 1,643	\$ 15,964
Property, plant and equipment .....	1,717	1,301	12,641
	<u>¥ 3,272</u>	<u>¥ 2,944</u>	<u>\$ 28,605</u>

#### 5. Bonds Payable, Short-term Borrowings and Long-term Debt

Bonds Payable, Short-term borrowings and long-term debt as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)	Weighted average interest rates	Year due
	2013	2014	2014		
Short-term borrowings .....	¥ 3,365	¥ 4,380	\$ 42,557	5.2 %	
Current Portion of Bond Payable .....	66	—	—	—	
Current portion of long-term debt .....	1,754	2,559	24,864	4.0	
Current portion of lease obligation .....	40	40	389	—	
Bonds Payable .....	7,000	7,000	68,014	0.5	2017
Long-term debt .....	7,904	12,160	118,150	3.5	2015-2019 and thereafter
Lease obligations .....	125	96	933	—	2015-2019 and thereafter
Other interest bearing debt .....	685	302	2,934	0.4	
	<u>¥ 20,939</u>	<u>¥ 26,537</u>	<u>\$ 257,841</u>		

Average interest rates for lease obligations are omitted because lease obligations include assumed interest amounts.

Annual maturities of bonds payable, long-term debt and lease obligations as of March 31, 2014 were as follows:

##### Bonds Payable

Years ending March 31	Japanese yen (millions)	U.S. dollars (thousands)
2017 .....	<u>7,000</u>	<u>68,014</u>
	<u>¥ 7,000</u>	<u>\$ 68,014</u>

##### Long-term Debt

Years ending March 31	Japanese yen (millions)	U.S. dollars (thousands)
2016 .....	¥ 3,472	\$ 33,735
2017 .....	2,540	24,679
2018 .....	2,082	20,229
2019 .....	3,017	29,314
2020 and thereafter .....	1,049	10,193
	<u>¥ 12,160</u>	<u>\$ 118,150</u>

##### Lease Obligation

Years ending March 31	Japanese yen (millions)	U.S. dollars (thousands)
2016 .....	¥ 39	\$ 379
2017 .....	32	311
2018 .....	19	185
2019 .....	6	58
2020 and thereafter .....	—	—
	<u>¥ 96</u>	<u>\$ 933</u>

## 6. Leases

### (a) Finance leases

As discussed in Note 1 (i), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases.

Information relating to finance leases, except those leases for which the ownership of the leased assets is considered to be transferred to the lessee, is described below.

Pro forma information regarding leased property such as acquisition cost, accumulated depreciation, accumulated losses on impairment and future minimum lease payments under finance leases that do not transfer the ownership of the leased property to the lessee for the years ended March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)				U.S. dollars (thousands)			
	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance
<b>March 31, 2013</b>								
Machinery and vehicles .....	¥ 135	¥ 106	¥ —	¥ 29				
Tools and furniture .....	91	69	—	22				
	<u>¥ 226</u>	<u>¥ 175</u>	<u>¥ —</u>	<u>¥ 51</u>				
<b>March 31, 2014</b>								
Machinery and vehicles .....	¥ 134	¥ 123	¥ —	¥ 11	\$ 1,302	\$ 1,195	\$ —	\$ 107
Tools and furniture .....	91	81	—	10	884	787	—	97
	<u>¥ 225</u>	<u>¥ 204</u>	<u>¥ —</u>	<u>¥ 21</u>	<u>\$ 2,186</u>	<u>\$ 1,982</u>	<u>\$ —</u>	<u>\$ 204</u>

The scheduled maturities of future lease payments, on such lease contracts for the years ended March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Due within one year .....	¥ 29	¥ 21	\$ 204
Due over one year .....	22	0	0
	<u>¥ 51</u>	<u>¥ 21</u>	<u>\$ 204</u>
Lease payments for the year .....	¥ 29	¥ 29	\$ 282

The amounts of acquisition costs and future minimum lease payments under finance leases includes the interest expense portions.

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, calculated by the straight-line method, were ¥29 million and ¥29 million (\$282 thousand) for the years ended March 31, 2013 and 2014, respectively.

The Company had no leased assets on which impairment should have been recognized for the years ended March 31, 2013 and 2014.

### (b) Operating leases

The scheduled maturities of future lease payments under non-cancelable operating leases as of March 31, 2013 and 2014, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Due within one year .....	¥ 10	¥ 10	\$ 97
Due over one year .....	19	9	88
	<u>¥ 29</u>	<u>¥ 19</u>	<u>\$ 185</u>

## 7. Income Taxes

Significant components of the Company and consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Deferred Tax Assets:</b>			
Employees' severance and retirement benefits .....	¥ 1,443	¥ —	\$ —
Liability for retirement benefits .....	—	1,420	13,797
Net operating losses carried forward .....	1,151	1,502	14,594
Accrued bonuses to employees .....	879	960	9,328
Impairment losses on property, plant and equipment .....	219	—	—
Unrealized profit eliminated in consolidation (inventories) .....	578	826	8,026
Losses on devaluation of inventories .....	532	651	6,325
Unrealized profit eliminated in consolidation (fixed assets) .....	391	456	4,431
Accrued warranty costs .....	133	346	3,362
Accrued enterprise tax .....	191	290	2,818
Retirement benefits for directors and corporate auditors .....	151	88	855
Depreciation .....	731	881	8,560
Other .....	1,209	1,187	11,533
<b>Total Deferred Tax Assets</b> .....	<u>7,608</u>	<u>8,607</u>	<u>83,629</u>
Valuation allowance .....	(442)	(252)	(2,449)
<b>Deferred Tax Assets</b> .....	<u>7,166</u>	<u>8,355</u>	<u>81,180</u>
<b>Deferred Tax Liabilities:</b>			
Depreciation and amortization .....	(1,888)	(2,496)	(24,252)
Asset for retirement benefits .....	—	(470)	(4,567)
Retained earnings of overseas subsidiaries .....	(1,342)	(1,786)	(17,353)
Reserve for advanced depreciation .....	(325)	(319)	(3,099)
Net unrealized holding gains on other securities .....	(399)	(576)	(5,597)
Accumulated adjustments for retirement benefit .....	—	(46)	(447)
Other .....	(233)	(199)	(1,933)
<b>Total Deferred Tax Liabilities</b> .....	<u>(4,187)</u>	<u>(5,892)</u>	<u>(57,248)</u>
Valuation allowance .....	—	—	—
<b>Deferred Tax Liabilities</b> .....	<u>(4,187)</u>	<u>(5,892)</u>	<u>(57,248)</u>
<b>Net Deferred Tax Assets</b> .....	<u>¥ 2,979</u>	<u>¥ 2,463</u>	<u>\$ 23,932</u>

The Company and its consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 38.0% for the years ended March 31, 2013 and 2014.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the year ended March 31, 2013.

The note is omitted for the year ended March 31, 2014, because the difference between the statutory tax rate and the Companies' effective tax rate after adoption of tax-effect accounting is less than 5%.

	2013	2014
<b>Statutory Tax Rate</b> .....	38.0 %	— %
Adjustments for:		
Different tax rates applied to overseas subsidiaries .....	(4.5)	—
Adjustment for write-down of investment on subsidiaries .....	(0.3)	—
Tax credit for research and development expenses .....	(1.7)	—
Increase (decrease) in valuation allowance .....	(1.6)	—
Per capita inhabitants tax .....	0.1	—
Increase(decrease) of retained earnings of overseas subsidiaries .....	1.9	—
Non-deductible expenses .....	0.4	—
Foreign withholding tax .....	0.5	—
Other .....	1.1	—
<b>Effective Tax Rate</b> .....	<u>33.9 %</u>	<u>— %</u>

### Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2014 amendments to the Japanese tax regulations were enacted into law, which will reduce the corporation tax rate. Consequently, the effective statutory tax rate used to measure deferred tax assets and liabilities has been reduced from 38.01% to 35.64%.

Due to this change in statutory income tax rate, net deferred tax assets decreased by ¥127 million (\$1,234 thousand) as of March 31, 2014 and deferred income tax recognized for the year ended March 31, 2014 increased by ¥127 million (\$1,234 thousand).

## 8. Employees' Severance and Retirement Benefits

The Company and its domestic consolidated subsidiaries have adopted defined benefit retirement plans: cash balance plans and lump-sum payment plans, as well as defined contribution pension plans.

The liability for employees' severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2013 consisted of the following:

	Japanese yen (millions)
	2013
Projected benefit obligation .....	¥ (11,722)
Fair value of plan assets .....	8,542
	(3,180)
Unrecognized actuarial differences .....	(758)
Employees' severance and retirement benefits .....	¥ (3,938)

The expenses of employees' severance and retirement benefits included in the consolidated statements of income as of March 31, 2013 consisted of the following:

	Japanese yen (millions)
	2013
Service costs .....	¥ 509
Interest costs .....	230
Expected return on plan assets .....	(140)
Amortization of actuarial differences .....	61
Employees' severance and retirement benefit expenses .....	660
Others .....	194
	¥ 854

(Note) "Others" represents the payments to defined contribution pension plans.

Assumptions used in the calculation of the above information were as follows:

	2013
Method of attributing the projected benefits to periods of service	Straight-line basis
Discount rate .....	2.0%
Expected rate of return on plan assets .....	2.0%
Amortization of prior service costs .....	1 year
Amortization of actuarial differences .....	1 year

The following tables provide information on defined benefit plans for the years ended March 31, 2014.

Defined benefit plans	Japanese yen (millions)	U.S. dollars (thousands)
(1) Movements in retirement benefit obligations, except plan applied simplified method	2014	2014
Beginning balance of retirement benefit obligations .....	¥ 11,576	\$ 112,476
Service costs .....	581	5,645
Interest costs .....	232	2,254
Actuarial loss (gain) .....	(120)	(1,166)
Benefits paid .....	(896)	(8,706)
Effect of transfer to defined contribution pension plan .....	(4,539)	(44,102)
Ending balance of retirement benefit obligations .....	¥ 6,834	\$ 66,401

	Japanese yen (millions)	U.S. dollars (thousands)
<b>(2) Movements in plan assets</b>	<b>2014</b>	<b>2014</b>
Beginning balance of plan assets	¥ 8,542	\$ 82,997
Expected return on plan assets	171	1,661
Actuarial loss (gain)	567	5,509
Contributions paid by the employer	918	8,920
Benefits paid	(597)	(5,801)
Effect of transfer to defined contribution pension plan	(4,992)	(48,504)
Ending balance of plan assets	<u>¥ 4,609</u>	<u>\$ 44,782</u>
<b>(3) Movement in liability for retirement benefits, plan applying simplified method</b>	<b>2014</b>	<b>2014</b>
Beginning balance of liability for retirement benefits	¥ 147	\$ 1,428
Retirement benefit costs	36	350
Benefits paid	(20)	(194)
Ending balance of liability for retirement benefits	<u>¥ 163</u>	<u>\$ 1,584</u>
<b>(4) Reconciliation form retirement benefit obligations and plan assets to liability (asset) for retirement benefits</b>	<b>2014</b>	<b>2014</b>
Funded retirement benefit obligations	¥ 3,188	\$ 30,976
Plan assets	(4,609)	(44,782)
	<u>(1,421)</u>	<u>(13,806)</u>
Unfunded retirement benefit obligations	3,809	37,009
Total net liability (asset) for retirement benefits	<u>¥ 2,388</u>	<u>\$ 23,203</u>
Liability for retirement benefits	3,709	36,038
Asset for retirement benefits	(1,321)	(12,835)
Total net liability (asset) for retirement benefits	<u>¥ 2,388</u>	<u>\$ 23,203</u>
(Note) Include plan applying simplified method		
<b>(5) Retirement benefit costs</b>	<b>2014</b>	<b>2014</b>
Service costs	¥ 617	\$ 5,995
Interest costs	232	2,254
Expected return on plan assets	(171)	(1,661)
Net actuarial loss amortization	(924)	(8,978)
Other	266	2,585
Total retirement benefit costs	<u>¥ 20</u>	<u>\$ 195</u>
Gain (loss) on transfer to contributed pension plan	<u>¥ 15</u>	<u>\$ 146</u>
<b>(6) Accumulated adjustments for retirement benefit, before income tax effect</b>	<b>2014</b>	<b>2014</b>
Unrecognized actuarial loss (gain)	130	1,263
Total accumulated Adjustments for retirement benefit	<u>¥ 130</u>	<u>\$ 1,263</u>
<b>(7) Plan assets</b>	<b>2014</b>	
① Plan assets comprise	<u>25%</u>	
Bonds	25%	
Equity securities	19%	
Cash and cash equivalents	55%	
Other	1%	
Total	<u>100%</u>	
		② Long-term expected rate of return
		Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.
<b>(8) Actuarial assumptions</b>	<b>2014</b>	<b>(9) Payment for contribution plan</b>
The principal actuarial assumptions (expressed as weighed averages) follow:		Japanese yen (millions)
Discount rate	2.0%	<b>2014</b>
Long-term expected rate of return	2.0%	<u>¥ 193</u>
		U.S. dollars (thousands)
		<b>2014</b>
		<u>\$ 1,875</u>

## 9. Research and development expenses

Research and development expenses are charged to income as incurred. Research and development expenses for the years ended March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Research and development expenses .....	¥ 4,178	¥ 4,573	\$ 44,433

## 10. Derivatives

The following table provides information on derivative instruments as of March 31, 2013 and 2014.

March 31, 2013	Japanese yen (millions)		
	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:			
To sell U.S. dollars .....	¥ 887	¥ 3	¥ 3
To sell Euro .....	327	8	8
To sell Australia dollars .....	63	(1)	(1)
To sell New zealand dollars .....	28	(0)	(0)
To buy Japanese Yen .....	5	0	0
	<u>¥ 1,310</u>	<u>¥ 10</u>	<u>¥ 10</u>

March 31, 2014	Japanese yen (millions)			U.S. dollars (thousands)		
	Contract amount	Fair value	Gain (Loss)	Contract amount	Fair value	Gain (Loss)
Forward exchange contracts:						
To sell U.S. dollars .....	¥ 574	¥ 2	¥ 2	\$ 5,577	\$ 19	\$ 19
To sell Euro .....	299	1	1	2,905	10	10
To sell New zealand dollars .....	15	0	0	146	0	0
To sell Japanese Yen .....	26	16	16	253	156	156
To buy Japanese Yen .....	3	0	0	29	0	0
	<u>¥ 917</u>	<u>¥ 19</u>	<u>¥ 19</u>	<u>\$ 8,910</u>	<u>\$ 185</u>	<u>\$ 185</u>

## 11. Segment Information

### (a) General information about reportable segments

The Company and its consolidated subsidiaries are mainly engaged in the manufacture and sale of automotive parts. From the aspects of function, technological specification and productive structure, the product lines of the Company are classified roughly into 2 group, "Manual Transmission Parts" and "Automatic Transmission Parts". The Company, in cooperation with its consolidated subsidiaries, design business strategy and conduct business for these 2 product lines inside Japan and overseas. And concerning these 2 product lines, separate financial information is accessible among the constituent units of the Company and that are subject to periodical examination, in order for the Board of Directors of the Company to determine the allocation of management resources. Accordingly, the reportable segments of the Company are composed of 2 segments, "MT (Manual automotive drivetrain related business)" which manufactures and sells Manual Transmission Parts and "AT (Automatic automotive drivetrain related business)" which manufactures and sells Automatic Transmission Parts.

### (b) Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting policies of the reportable segment are mainly consistent to what is described in Note 1 "Summary of Significant Accounting and Reporting Policies". The segment profit (loss) is based on operating income before amortization of goodwill. The prices of the goods traded or transferred among the segments are mainly determined by considering market prices of the goods.

**(c) Information about reported segment profit or loss, segment assets, segment liabilities and other material items**

Reported segment information for the years ended 31, 2013 and 2014 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Sales:</b>			
Manual automotive drivetrain operations	¥ 60,455	¥ 67,964	\$ 660,357
Automatic automotive drivetrain operations	122,889	144,487	1,403,877
Reporting segment total	183,344	212,451	2,064,234
Other operations	28,330	32,675	317,480
Sub Total	211,674	245,126	2,381,714
Eliminations (inter-segment net sales)	(9,438)	(10,864)	(105,558)
	<u>¥202,236</u>	<u>¥234,262</u>	<u>\$2,276,156</u>
<b>Operating Costs and Expenses:</b>			
Manual automotive drivetrain operations	¥ 52,348	¥ 57,737	\$ 560,988
Automatic automotive drivetrain operations	116,313	134,065	1,302,614
Reporting segment total	168,661	191,802	1,863,602
Other operations	27,650	32,580	316,557
Sub Total	196,311	224,382	2,180,159
Non-allocated operating expenses and eliminations	(8,436)	(9,554)	(92,829)
	<u>¥187,875</u>	<u>¥214,828</u>	<u>\$2,087,330</u>
<b>Operating Income:</b>			
Manual automotive drivetrain operations	¥ 8,107	¥ 10,227	\$ 99,369
Automatic automotive drivetrain operations	6,576	10,422	101,263
Reporting segment total	14,683	20,649	200,632
Other operations	680	95	923
Sub Total	15,363	20,744	201,555
Non-allocated operating expenses and eliminations	(1,002)	(1,310)	(12,729)
	<u>¥ 14,361</u>	<u>¥ 19,434</u>	<u>\$ 188,826</u>
<b>Assets:</b>			
Manual automotive drivetrain operations	¥ 51,243	¥ 60,816	\$ 590,906
Automatic automotive drivetrain operations	99,271	117,533	1,141,984
Reporting segment total	150,514	178,349	1,732,890
Other operations	31,437	32,877	319,442
Sub Total	181,951	211,226	2,052,332
Corporate and eliminations	14,424	19,515	189,613
	<u>¥196,375</u>	<u>¥230,741</u>	<u>\$2,241,945</u>
<b>Depreciation and Amortization:</b>			
Manual automotive drivetrain operations	¥ 2,966	¥ 2,874	\$ 27,925
Automatic automotive drivetrain operations	7,767	8,056	78,274
Reporting segment total	10,733	10,930	106,199
Other operations	1,155	1,439	13,982
Sub Total	11,888	12,369	120,181
Corporate and eliminations	(154)	(159)	(1,545)
	<u>¥ 11,734</u>	<u>¥ 12,210</u>	<u>\$ 118,636</u>
<b>Capital Expenditures:</b>			
Manual automotive drivetrain operations	¥ 4,460	¥ 3,739	\$ 36,329
Automatic automotive drivetrain operations	13,752	12,692	123,319
Reporting segment total	18,212	16,431	159,648
Other operations	5,989	3,492	33,930
Sub Total	24,201	19,923	193,578
Corporate and eliminations	(147)	(125)	(1,215)
	<u>¥ 24,054</u>	<u>¥ 19,798</u>	<u>\$ 192,363</u>

Note : 1. "Other operations" includes businesses which is not part of any of the 2 reportable segments, and contain industrial machine drivetrain operation, clutches for motorcycle operation, transport operation, etc.

2. The contents of adjustments are as follows :

(a) "Non-allocated operating expenses and eliminations" of Operating Income ¥(1,310) million(\$12,729) thousand consists of "Elimination of intersegment transactions" ¥219 million(\$2,127 thousand), "Amortization of goodwill" ¥(4) million(\$39) thousand, "Company-wide expense" which is not allocated to reportable segments ¥(1,490) million(\$14,477) thousand and "other adjustments" ¥(35) million(\$340) thousand.

"Company-wide expense" mainly consists of general and administrative expenses and expense for new-product development not attributable to any reportable segments.

(b) "Corporate and eliminations" of Assets ¥19,515 million(\$189,613 thousand) consists of "Company-wide assets" which is not allocated to reportable segments ¥24,386 million(\$236,941 thousand), "Elimination of intersegment transaction" ¥(4,699) million (\$45,657) thousand and "other adjustments" ¥(172) million(\$1,671) thousand.

"Company-wide assets" mainly consists of the cash and cash equivalents and securities that are not attributable to any reportable segments.

(c) "Corporate and eliminations" of Depreciation and Amortization ¥(159) million(\$1,545) thousand consists of "Adjustment of unrealized gain for intersegment transaction of fixed assets" ¥(159) million(\$1,545) thousand).

(d) "Corporate and eliminations" of Capital Expenditures ¥(125) million(\$1,215) thousand consists of "Adjustment of unrealized gain for intersegment transaction of fixed assets" ¥(125) million(\$1,215) thousand).

3. The segment income is adjusted to accord with operating income of "consolidated statement of income".

(1) Information about products and services

Due to the segment of products and services are same as the reportable segment, description of this item is omitted.

(2) Information about geographic areas for the years ended March 31, 2013 and 2014 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Sales:</b>			
Japan .....	¥ 101,125	¥ 109,863	\$ 1,067,460
America .....	38,121	48,218	468,500
Asia-Oceania .....	51,014	63,005	612,175
Other .....	11,976	13,176	128,021
	<u>¥ 202,236</u>	<u>¥ 234,262</u>	<u>\$ 2,276,156</u>
<b>Tangible Assets:</b>			
Japan .....	¥ 39,986	¥ 39,626	\$ 385,017
America .....	14,839	20,318	197,415
Asia-Oceania .....	33,381	43,401	421,696
Other .....	384	475	4,617
	<u>¥ 88,590</u>	<u>¥ 103,820</u>	<u>\$ 1,008,745</u>

The Company's operations are classified into geographical areas as follows: Japan, America (including Mexico and Panama), Asia-Oceania (Thailand, Malaysia, China, Korea, Indonesia, Vietnam, Australia, United Arab Emirates, New Zealand and India) and Other (Europe).

(3) Information about major customer for the years ended March 31 2013 and 2014 were as follows :

Company Name	Sales Segment	Japanese yen (millions)		U.S. dollars (thousands)
		2013	2014	2014
JATCO Corporation	AT and MT	¥ 28,814	¥ 27,303	\$ 265,284

## 12. Related Party Transactions

For the years ended March 31, 2013 and 2014, the Company and its consolidated subsidiaries had operational transactions with Aisin AW Co., Ltd and Aisin Holdings of America, Inc., which are subsidiaries of Aisin Seiki Co., Ltd. which holds 33.8% of the Company's voting rights.

A summary of the significant transactions between the Company and its consolidated subsidiaries and such companies for the years ended March 31, 2013 and 2014 were as follows:

### March 31, 2013

Subjects	Categories	Name	Address	Capital Japanese yen (millions) U.S. dollars (thousands)	Operation	Voting rights (%)	Relationship Business relationship	Trade	Amount Japanese yen (millions) U.S. dollars (thousands)	Accounts	Balance Japanese yen (millions) U.S. dollars (thousands)
The Company	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480	Manufacturing automotive parts	—	Sale of products	Sale of products Concurrently serving as directors	¥ 4,130	Accounts receivable	¥ 818
										Advanced received	¥ 7
Dynax Corporation	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480	Manufacturing automotive parts	—	Sale of products	Sale of products	¥ 2,859	Accounts receivable	¥ 532
EXEDY America Corporation	Other related company's subsidiary	Aisin Holdings of America, Inc.	Indiana U.S.A.	\$ 282,290	Administration of overall North American operations	40% (directly held)	Dept	Interest expense	¥ 16	Long-term debt	¥ 1,455



**March 31, 2014**

Subjects	Categories	Name	Address	Capital Japanese yen (millions) U.S. dollars (thousands)	Operation	Voting rights (%)	Relationship Business relationship	Trade	Amount Japanese yen (millions) U.S. dollars (thousands)	Accounts	Balance Japanese yen (millions) U.S. dollars (thousands)
The Company	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480 \$ 257,287	Manufacturing automotive parts	—	Sale of products	Sale of products Concurrently serving as directors	¥ 4,440 \$ 43,140	Accounts receivable Advanced received	¥ 970 \$ 9,425 ¥ 22 \$ 214
Dynax Corporation	Other related company's subsidiary	Aisin AW Co., Ltd.	Anjo City Aichi pref.	¥ 26,480 \$ 257,287	Manufacturing automotive parts	—	Sale of products	Sale of products	¥ 2,735 \$ 26,574	Accounts receivable	¥ 466 \$ 4,528
EXEDY America Corporation	Other related company's subsidiary	Aisin Holdings of America, Inc.	Indiana U.S.A.	\$ 282,290	Administration of overall North American operations	40% (directly held)	Dept	Interest expense	¥ 17 \$ 165	Long-term debt	¥ 1,771 \$ 17,208

(Transaction terms and policy determination thereof)

With regard to sale of products and debt, prices and other transaction terms are determined by negotiation in consideration of market situations.

Consumption taxes are included in the balance, but not in the trade amounts.

### 13. Per Share Data

Per share data for the years ended March 31, 2013 and 2014 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Net income	¥ 201.95	¥ 255.58	\$ 2.48
Net income - diluted	—	—	—
Net assets	2,642.60	3,032.56	29.47

Diluted net income per share is not disclosed because potentially dilutive securities have not been issued.

The information on which per share data was calculated for the years ended March 31, 2013 and 2014 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
<b>Net income per share of common stock</b>			
Net income	¥ 9,723	¥ 12,269	\$ 119,209
Amounts not attributed to ordinary shareholders	—	—	—
Net income attributed to ordinary shareholders	¥ 9,723	¥ 12,269	\$ 119,209
The weighted average number of shares (thousands)	48,146	48,004	

### 14. Changes in Net Assets

#### (a) Shares issued / Treasury stock

March 31, 2013	Number of shares as of March 31, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Shares issued:				
Common stock (thousands)	48,594	—	—	48,594
	48,594	—	—	48,594
Treasury stock:				
Common stock (thousands)	432	170	8	594
	432	170	8	594

The increase of treasury stock - common stock 100 thousand is due to open-market purchase of treasury stock pursuant to a resolution of the board of directors' meeting held on January 30, 2013, and common stock 70 thousand is due to purchase of treasury stock pursuant to Clause 1, Article 797 corporate code of Japan.

The decrease of treasury stock-common stock 8 thousand is due to investing stock from Mitsubishi UFJ Trust and Banking Corporation (ESOP Trust Account) in employees who become beneficiaries of the ESOP based on the Company's policy of investing stock.

The number of treasury stock as of March 31, 2013 includes the Company's stock amounted to 91 thousand shares held by The Master Trust Bank of Japan, Ltd. (ESOP Trust Account)

The increase of treasury stock - common stock 0 thousand is due to purchase of the stocks less than standard unit 2 hundred.

<b>March 31, 2014</b>	Number of shares as of March 31, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Shares issued:				
Common stock (thousands) .....	<b>48,594</b>	—	—	<b>48,594</b>
	<b>48,594</b>	—	—	<b>48,594</b>
Treasury stock:				
Common stock (thousands) .....	<b>594</b>	<b>0</b>	<b>7</b>	<b>587</b>
	<b>594</b>	<b>0</b>	<b>7</b>	<b>587</b>

The decrease of treasury stock-common stock 8 thousand is due to investing stock from Mitsubishi UFJ Trust and Banking Corporation (ESOP Trust Account) in employees who become beneficiaries of the ESOP based on the Company's policy of investing stock.

The number of treasury stock as of March 31, 2014 includes the Company's stock amounted to 82 thousand shares held by The Master Trust Bank of Japan, Ltd. (ESOP Trust Account)

The increase of treasury stock - common stock 0 thousand is due to purchase of the stocks less than standard unit 2 hundred.

## (b) Dividends

### (1) Dividends

March 31, 2013

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 22, 2012	Common stock	¥ 1,207	¥ 25.0	March 31, 2012	June 25, 2012
Board of Directors' meeting on October 29, 2012	Common stock	¥ 1,207	¥ 25.0	September 30, 2012	November 26, 2012

March 31, 2014

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 21, 2013	Common stock	¥ 1,202 \$ 11,679	¥ 25.0 \$ 0.24	March 31, 2013	June 24, 2013
Board of Directors' meeting on October 29, 2013	Common stock	¥ 1,202 \$ 11,679	¥ 25.0 \$ 0.24	September 30, 2013	November 25, 2013

### (2) Dividends, of which cut-off date was in the year ended March 31, 2014, and effective date of which will be in the year ending March 31, 2015

Resolution	Type of shares	Cash dividends paid Japanese yen (millions) U.S. dollars (thousands)	Source of dividends	Dividends per share (Japanese yen) (U.S. dollars)	Cut-off date	Effective date
Ordinary general meeting of the shareholders on June 24, 2014	Common stock	¥ 2,164 \$ 21,026	Retained earnings	¥ 45.0 \$ 0.44	March 31, 2014	June 25, 2014

## 15. Financial Instruments

The Company and its consolidated subsidiaries manage funds only in short-term deposits, raise funds by bonds or loans and engage in derivative transactions for the purpose of avoiding the risk of foreign exchange rate fluctuation and ensuring steady cash flow, and not for trading or speculative purposes. Hedging accounting of derivative transactions was not applied as the necessary conditions were not met.

Notes and accounts receivable have exposure to the credit risk of customers. The Company and its consolidated subsidiaries are managing such a risk by controlling the due date and balance of receivables from customers and watching their credit risk conditions in accordance with the Group credit regulations. Furthermore, to avoid the risk of foreign exchange rate fluctuation and to ensure steady cash flow of accounts receivable, the Company and its consolidated subsidiaries engage in derivative transactions (forward currency exchange contracts).

Certain securities include exposure to market risk. The Company and its consolidated subsidiaries holds such securities for the purpose of maintaining relationships with customers or suppliers and not for trading purposes. The fair values of the securities are periodically reported to the Board of Directors of the board meeting of the Company.

Due dates of notes and accounts payable are mainly within one year.

Short-term borrowings are mainly for the purpose of working capital and bonds payable and long-term debt is mainly for the purpose of funding investment in equipment.

Derivative transactions are entered and controlled by the financial department with approval of the financial manager under the rules of each company, which prescribes details such as the department in charge of transactions and the limits for transaction. To reduce credit risk, transaction counterparties are limited to major financial institutions.

Notes and accounts payable and borrowings have exposure to liquidity risk. The Company and its consolidated subsidiaries are controlling such risk by planning monthly budgets of payment.

The book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2013 and 2014 were as follows.

	Japanese yen (millions)			U.S. dollars (thousands)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
<b>March 31, 2013</b>						
Cash and time deposit .....	¥ 25,664	¥ 25,664	¥ —			
Notes and accounts receivable .....	39,818	39,818	—			
Investments in securities						
Other securities .....	2,063	2,063	—			
Notes and accounts payable .....	(15,472)	(15,472)	—			
Short-term borrowings .....	(3,365)	(3,365)	—			
Accrued expenses .....	(6,894)	(6,894)	—			
Accrued income taxes .....	(2,685)	(2,685)	—			
Bonds payable .....	(7,066)	(7,125)	(59)			
Long-term debt .....	(9,658)	(9,593)	(△65)			
Derivative transactions .....	10	10	—			
<b>March 31, 2014</b>						
Cash and time deposit .....	¥ 35,328	¥ 35,328	¥ —	\$ 343,257	\$ 343,257	\$ —
Notes and accounts receivable .....	43,051	43,051	—	418,296	418,296	—
Investments in securities						
Other securities .....	2,576	2,576	—	25,029	25,029	—
Notes and accounts payable .....	(19,845)	(19,845)	—	(192,820)	(192,820)	—
Short-term borrowings .....	(4,380)	(4,380)	—	(42,557)	(42,557)	—
Accrued expenses .....	(8,299)	(8,299)	—	(80,635)	(80,635)	—
Accrued income taxes .....	(4,597)	(4,597)	—	(44,666)	(44,666)	—
Bonds payable .....	(7,000)	(7,042)	(42)	(68,014)	(68,422)	(408)
Long-term debt .....	(14,719)	(14,484)	(△235)	(143,014)	(140,731)	(△2,283)
Derivative transactions .....	19	19	—	185	185	—

1. The methods used to determine the fair value of financial instruments and derivative transactions are as follows:

Cash and time deposit, notes and accounts receivable, notes and accounts payable, short-term borrowings, accrued expenses and accrued income taxes are settled in the short term and the fair values are considered to be equal to book values. Therefore, fair values are stated at book values.

Investments in securities (Other securities) are stated at fair market value. Information regarding investments in securities classified by the purposes for which they are held is noted in the relevant section of this report.

Bonds payable is stated at fair value based on the method in which total amount of principal and interest is discounted at the interest rate that would be applied if each company borrowed the same, but new, principal amount.

Long-term debt is stated at fair value based on the method in which total amount of principal and interest is discounted at the interest rate that would be applied if each company borrowed the same, but new, principal amount.

Derivative information is noted in the relevant section of this report.

2. Financial instruments for which the fair value is considered difficult to determine

Non-listed equity securities and investments in non-consolidated subsidiaries and affiliates (book value ¥1,234 million (\$11,990 thousand)) have no market price available and are considered to be financial instruments for which the fair market value is difficult to determine. Therefore, these instruments are not included in "Investment insecurities (Other securities)" in the table above.

3. Receipt schedule for current credit after consolidated date

	Japanese yen (millions)				U.S. dollars (thousands)			
	2015	2016~2019	2020~2024	2025 and thereafter	2015	2016~2019	2020~2024	2025 and thereafter
Cash and time deposit	¥ 35,328	¥ —	¥ —	¥ —	\$ 343,257	\$ —	\$ —	\$ —
Notes and accounts receivable	43,051	—	—	—	418,296	—	—	—
	<u>¥ 78,379</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>	<u>\$ 761,553</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

4. Payment schedule for long-term debt after consolidated date

	Japanese yen (millions)				U.S. dollars (thousands)			
	2015	2016~2019	2020~2024	2025 and thereafter	2015	2016~2019	2020~2024	2025 and thereafter
Bonds Payable	¥ —	¥ 7,000	¥ —	¥ —	\$ —	\$ 68,014	\$ —	\$ —
Long-term debt	¥ 2,559	¥ 11,111	¥ 1,049	¥ —	\$ 24,864	\$ 107,958	\$ 10,192	\$ —
	<u>¥ 2,559</u>	<u>¥ 18,111</u>	<u>¥ 1,049</u>	<u>¥ —</u>	<u>\$ 24,864</u>	<u>\$ 175,972</u>	<u>\$ 10,192</u>	<u>\$ —</u>

## 16. Net Assets

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Additional paid-in-capital is included in capital surplus and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit and could be capitalized by a resolution of the shareholders' meeting.

Under the Law, additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, by a resolution of the shareholders' meeting, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

## 17. Contingent Liabilities

Contingent liabilities as of March 31, 2013 and 2014 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Trade notes receivable discounted	¥ 725	¥ 980	\$ 9,522
Trade notes receivable endorsed	12	2	19

## 18. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows

	Japanese yen (millions)		U.S. dollars (thousands)
	2013	2014	2014
Valuation difference on available-for-sale securities			
Increase (decrease) during the year	¥ 463	¥ 489	\$ 4,751
Reclassification adjustments	(2)	—	—
Sub-total, before tax	461	489	4,751
Tax (expense) or benefit	(160)	(167)	(1,622)
Sub-total, net of tax	301	322	3,129
Deferred gains or losses on hedges			
Increase (decrease) during the year	5,511	9,946	96,638
Share of other comprehensive income of associates accounted for using equity method			
Increase (decrease) during the year	13	14	136
Total other comprehensive income	5,825	10,282	99,903

## 19. Subsequent Event

At the Board of Directors meeting held on May 28, 2014, a resolution was made to introduce a stock-based compensation system linked to company performance ("the system") for directors (excluding outside directors and non-executive directors) and for executive officers (excluding personnel assigned overseas, hereinafter, directors and executive officers are referred to as "Directors, etc.") as a highly transparent and objective Directors' compensation system that is closely linked to company performance. The purpose of the system is to improve the Company's performance and enhance the awareness of contributions to increase corporate value.

The proposal with regard to the adoption of the system was approved at the annual shareholders meeting held on June 24, 2014.

### (a) Outline of the System

The System will commence from the year ended March 31, 2015, for a period of two (2) years, to the year ended March 31, 2016. Company stock that the trust acquires will be distributed to Directors, etc., in a quantity corresponding to the number of points awarded to them in accordance with performance indicators and rank.

#### Contents of the Trust Agreement

( 1 ) Type of trust	"Monetary trust other than that managed for a particular single purpose (Third-Party-Benefit Trust)"
( 2 ) Purpose of trust	Incentives for Directors, etc.
( 3 ) Consignor	Our Company
( 4 ) Trustee	"Mitsubishi UFJ Trust and Banking Corporation (Planned) (Co-trustee : The Master Trust Bank of Japan, Ltd. (Planned))"
( 5 ) Beneficiaries	Directors, etc. who have retired and meet beneficiary requirements
( 6 ) Custodian	Third party without conflict of interest with the Company (Certified Public Accountants)
( 7 ) Trust contract date	August 25, 2014 (Planned)
( 8 ) Trust period	August 25, 2014 (Planned) - August 31, 2016 (Planned)
( 9 ) Starting date of the System	"October 1, 2014 (Planned) (Points will be awarded from March 31, 2015.)"
(10) Voting rights	Shall not be exercised
(11) Type of shares acquired	Company common stock
(12) Maximum amount of trust money	240 million yen (Including trust expenses)
(13) Holder of Vested Rights	Our Company
(14) Residual assets	Residual assets that can be received by the Company as the Holder of Vested Rights shall be the net after subtracting the funds necessary for the stock acquisition from the trust money.

### (b) The number of shares planned to be distributed to Directors, etc.

At the end of every March during the trust period, a number of points will be awarded to Directors, etc. in accordance with their rank and performance indicators for the fiscal year. One (1) share of Company stock equates to one (1) point. Company stock calculated based on accumulated points shall be distributed to each Directors, etc., at the time of their retirement.

### (c) Beneficiaries

Directors, etc. who have retired and met beneficiary requirements

# Independent Auditors' Report

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

## Independent Auditor's Report

To the Board of Directors of EXEDY Corporation:

We have audited the accompanying consolidated financial statements of EXEDY Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EXEDY Corporation and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA LLC*

June 30, 2014  
Osaka, Japan

# Corporate Data

## BOARD OF DIRECTORS AND CORPORATE AUDITORS

As of June 30, 2014

*President and Chief Executive Officer:*

Haruo Shimizu

*Director:*

Hidehito Hisakawa  
Hisayasu Masaoka  
Masayuki Matsuda  
Hiroshi Toyohara  
Tadashi Nakahara  
Yoshihiro Kojima  
Fumio Fujimori  
Kagenori Fukumura

*Auditors:*

Keizo Nishigaki  
Kanshiro Toyoda  
Koji Okada  
Takenori Yamasaki

## EXECUTIVE OFFICERS

As of June 30, 2014

*Senior Executive Managing Officer:*

Hidehito Hisakawa  
Masayuki Matsuda  
Hisayasu Masaoka  
Toshimasa Doi

*Executive Managing Officer:*

Shogo Okamura  
Yoshio Katayama

*Senior Executive Officer:*

Hiroshi Toyohara  
Yoshihiro Kojima  
Koji Akita  
Kenji Matsuda  
Makoto Ichikawa

*Executive Officer:*

Tadashi Nakahara  
Masahito Baba  
Yoshihiro Yamamura  
Shigeho Tabata  
Mitsuhiro Gondo  
Yuzuru Hirose  
Yoshihiro Kojima  
Tetsuya Yoshinaga  
Shinji Fujimoto  
Yoshimi Osanai  
Tomoaki Goto

## OUTLINE OF COMPANY

As of March 31, 2014

*Name:* EXEDY Corporation  
*Number of Issued Shares:* 48,594 thousand shares  
*Established:* July 1, 1950  
*Number of Shareholders:* 9,285  
*Paid-in Capital:* ¥8,284 million  
*Average number of shares held by one Shareholder:* 5,234 shares  
*Number of Employees:* 2,551  
*Listed on First Sections, Tokyo Stock Exchange*  
*Number of Authorized Shares:* 168,000 thousand shares

## DOMESTIC JAPANESE NETWORK

### Head Office

1-1-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-8570  
Tel: 81-72-824-6933 Fax: 81-72-821-7913

### Tokyo Sales Office

EXEDY Trading Bldg., 5th Floor, 2-17-2 Iwamoto-cho, Chiyoda-ku, Tokyo, 101-0032  
Tel: 81-3-3862-2771 Fax: 81-3-3864-1547

### Nishi Tokyo Sales Office

Mitaka Mitsubishi Bldg., 6th Floor, 3-26-12 Shimorenjaku, Mitaka-shi, Tokyo, 181-0013  
Tel: 81-422-76-5241/2 Fax: 81-422-76-5243

### < Utsunomiya Office >

Data Service Utsunomiya Bldg. 5th Floor, 4-8-22 Motoimaizumi, Utsunomiya-shi, Tochigi, 321-0954  
Tel: 81-28-614-3620 Fax: 81-28-614-3680

### Kanagawa Sales Office

Asahi Mutual Life Insurance Co. Bldg., 2nd Floor, 4-1-10 Naka-cho, Atsugi-shi, Kanagawa, 243-0018  
Tel: 81-46-297-7051 Fax: 81-46-225-5568

### Shizuoka Sales Office

RICOH Solutions Higashi Shizuoka Bldg., 2nd Floor, 6-20 Aratajima-cho, Fuji-shi, Shizuoka, 417-0043  
Tel: 81-545-54-0861 Fax: 81-545-54-0862

### Hamamatsu Sales Office

CITY21 Bldg., 6th Floor, 320-4 Sunayama-cho, Naka-ku, Hamamatsu-shi, Shizuoka, 430-0926  
Tel: 81-53-413-6011 Fax: 81-53-413-6012

### Chubu Sales Office

Tosho Bldg., 2nd Floor, 1-16-5 Mikawaanjo-cho, Anjo-shi, Aichi, 446-0056  
Tel: 81-566-71-2750 Fax: 81-566-72-7015

### Hiroshima Sales Office

EXEDY Trading Bldg., Room202, 6-6 Sakaemachi, Kaita-cho, Aki-gun, Hiroshima, 736-0043  
Tel: 81-82-821-0021 Fax: 81-82-823-6620

### Ueno Division

2418 Ota-cho, Iga-shi, Mie, 518-0825  
Tel: 81-595-23-8101 Fax: 81-595-24-5521

### Kawagoe Plant

1-103-25 Yoshinodai, Kawagoe-shi, Saitama, 350-0833  
Tel: 81-49-225-0601 Fax: 81-49-225-0600

### Hiroshima Plant

6-11 Taguchi Kenyu Danchi, Higashi Hiroshima-shi, Hiroshima, 739-0038  
Tel: 81-82-425-3434/5 Fax: 81-82-425-3436

### DYNAX Corporation

1053-1 Kamiosatsu, Chitose-shi, Hokkaido, 066-8585  
Tel: 81-123-24-3247 Fax: 81-123-49-2050

### EXEDY Casting Co., Ltd.

112 Haishi, Fukuchiyama-shi, Kyoto, 620-0955  
Tel: 81-773-22-1156 Fax: 81-773-23-8477

### EXEDY Kyoto Co., Ltd.

15 Kizuogawa, Kizugawa-shi, Kyoto, 619-0214  
Tel: 81-774-73-0631 Fax: 81-774-73-2147

### EXEDY Precision Co., Ltd.

104-1 Joden, Mimasaka-shi, Okayama, 701-2625  
Tel: 81-868-74-3501 Fax: 81-868-74-3503

### EXEDY Logistics Co., Ltd.

1-30-1 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822  
Tel: 81-72-822-1462 Fax: 81-72-822-1174

### EXEDY Trading Co., Ltd.

1-1-33 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822  
Tel: 81-72-824-7633 Fax: 81-72-822-1016

### EXEDY Sun Co., Ltd.

1-16-5 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822  
Tel: 81-72-822-1147 Fax: 81-72-824-3871

### EXEDY Electric Facilities Co., Ltd.

6-17, Kamiki-cho, Moriguchi-shi, Osaka, 570-0024  
Tel: 81-6-6997-3131 Fax: 81-6-6997-3150

### Nippon Retarder System Co., Ltd.

1-1-33 Kidamotomiya, Neyagawa-shi, Osaka, 572-0822  
Tel: 81-72-820-0911 Fax: 81-72-824-1035

### EXEDY Fukushima Co., Ltd.

65, Torimiyama, Matsuyama-machi, Kitakata-shi, Fukushima, 966-0901  
Tel: 81-241-23-3100 Fax: 81-241-25-7367

### EXEDY SB Hyogo Co., Ltd.

1-10-9, Shin-machi, Nishi-ku, Osaka-shi, Osaka, 550-0013  
Tel: 81-6-7634-8017

## OVERSEAS NETWORK

### EXEDY America Corporation (EAC)

2121 Holston Bend Drive, Mascot, TN 37806, U.S.A.  
Tel: 1-865-932-3700 Fax: 1-865-932-2230

### EXEDY Globalparts Corporation (EGP)

8601 Haggerty Road South, Belleville, MI 48111, U.S.A.  
Tel: 1-734-397-3333 Fax: 1-734-397-7300

### EXEDY-DYNAX America Corporation (EDA)

8601 Haggerty Road South, Belleville, MI 48111, U.S.A.  
Tel: 1-734-397-6556 Fax: 1-734-397-6566

### DYNAX America Corporation (DXA)

568 East Park Drive, Roanoke, VA 24019, U.S.A.  
Tel: 1-540-966-6010 Fax: 1-540-966-6011

### EXEDY DYNAX MEXICO, S.A. DE C.V. (EDM)

CIRCUITO PROGRESO #101, PARQUE INDUSTRIAL DE LOGÍSTICA AUTOMOTRIZ (PILA), PEÑUELAS, AGUASCALIENTES, MEXICO, CP 20340  
Tel: 52-449-929-2104 Fax: 52-449-139-4904

### EXEDY Latin America S.A. (ELA)

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Tel: 507-395-7122 Fax: 507-395-7124

### EXEDY Clutch Europe Ltd. (ECE)

Unit2, Rokeby Court, Manor Park, Runcorn, Cheshire, WA7 1RW, U.K.  
Tel: 44-1928-571850 Fax: 44-1928-571852

### < Moscow Representative Office >

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Tel: 7-495-510-6175 Fax: 7-495-510-6176

### EXEDY VIS RUS LLC (EVR)

Makarova Street 23, Togliatti, 445015, RUSSIA  
Tel: 7-8482-758547 Fax: 7-8482-691660

### EXEDY DYNAX Europe Ltd. (EDE)

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Tel: 36-34-311-117 Fax: 36-34-311-122

### EXEDY Australia Pty. Ltd. (EAP)

21 Fiveways Boulevard, Keysborough, Victoria 3173, AUSTRALIA  
Tel: 61-3-9701-5556 Fax: 61-3-9701-5684

### EXEDY New Zealand Ltd. (ENZ)

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Tel: 64-9-444-0901 Fax: 64-9-444-0903

### EXEDY Thailand Co., Ltd. (EXT)

### EXEDY Corporation Asean Regional Office (EAR)

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Tel: 66-38-214-423 Fax: 66-38-214-422

### EXEDY ENGINEERING ASIA Co., Ltd. (EEA)

700/552 Moo 6, Bangna-Trad Road, Tumbon Don Hua Roh, Amphur Muang, Chonburi 20000, THAILAND  
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### EXEDY Friction Material Co., Ltd. (EFM)

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### EXEDY (Malaysia) Sdn.Bhd. (EXM)

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### PT. EXEDY Manufacturing Indonesia (EMI)

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### PT. EXEDY PRIMA INDONESIA (EPI)

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### EXEDY Chongqing Co., Ltd. (EXC)

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### EXEDY DYNAX Shanghai Co., Ltd. (EDS)

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Tel: 86-21-67109075 Fax: 86-21-37565209

### EXEDY Guangzhou Co., Ltd. (EGC)

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Tel: 86-20-83489166 Fax: 86-20-83489370

### EXEDY BEIJING Co., Ltd. (EBC)

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### DYNAX Industry (Shanghai) Co., Ltd. (DXS)

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### EXEDY India Ltd. (EIL)

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Tel: 91-240-2484014 Fax: 91-240-2484003

### < Greater Noida Plant >

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### EXEDY Clutch India Pvt. Ltd. (ECI)

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Tel: 91-8152-244-004

### EXEDY Middle East FZCO (EME)

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### < Riyadh Representative Office >

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### EXEDY SOUTH AFRICA (PTY) LTD (ESA)

49 Loper Avenue, Airport, Kempton Park, South Africa



## Mission Statement

### ***The Shape of Our Future: “Creation of Fulfillment”***

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

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

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



**EXEDY Corporation**

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