EXEDY

EXEDY Corporation

Annual Report 2005

Year Ended March 31, 2005

Profile

In the nearly 80 years since we began operations and more than 50 years since our foundation, EXEDY Corporation has grown steadily, together with the evolution of power trains. Many of our outstanding products, developed from our original technology and constant research, have ensured safe, comfortable travel and operability of vehicles and industrial machinery, thus contributing to all areas of industry. Through our efforts to manufacture the best products in response to current needs, we aim to deliver satisfaction to our direct customers, and ultimately to the general public. With this in mind we are constantly striving to advance our special technology even further, which has been developed over many years. Efforts to expand our overseas production facilities are backed by a simple principle: products should be produced where they are needed by members of the local community.

We work to undertake business activities that contribute to the local communities, regions and countries that we serve. As a comprehensive engineering manufacturer of driving systems, we are determined to continue our quest to become the world's best company.

Automatic Automotive Drivetrain Operations

Torque converters, automatic transmissions/parts, etc.

Comprehensive Engineering Manufacturer of Driving Systems

Manual Automotive Drivetrain Operations

Clutch discs, clutch covers, 2 mass flywheels, etc.

Other Operations

Power shift transmissions, torque converters, hydraulic clutches, machine devices, molding devices, shipping agent, clutches for motorcycles, etc.

C o n t e n t s

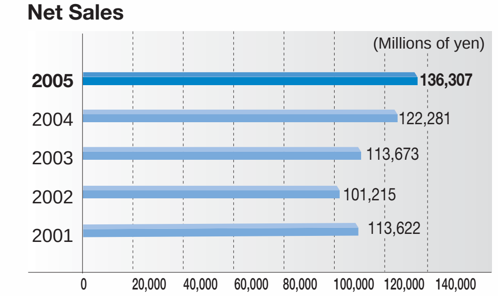
Consolidated Financial Highlights

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended as of March 31, 2004 and 2005

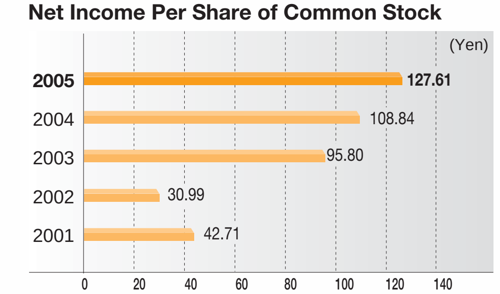
	Japanese yen (Millions)		U.S. dollars (thousands)	Change %
	2004	2005	2005	2004/2005
For the year :				
Net sales	¥ 122,281	**¥ 136,307**	**$ 1,269,271**	+ 11.5
Net income	5,179	**6,300**	**58,665**	+ 21.6
At Year-End:				
Total assets	¥ 110,799	**¥ 123,289**	**$ 1,148,047**	+ 11.3
Shareholders' equity	69,614	**76,032**	**708,000**	+ 9.2
Per Share Data:	Japanese yen		U.S. dollars	
Net income	¥ 108.84	**¥ 127.61**	**$ 1.19**	+ 17.2
Shareholders' equity	1,432.90	**1,525.24**	**14.20**	+ 6.4
Cash dividends	15.00	**18.00**	**0.17**	+ 20.0

Notes.1: Dollar figures are translated, for convenience only, at the rate of ¥107.39 to U.S. $1.00.
2: Effective as of April 1, 2002, per share data are stated under "Accounting Standards for the computing net income per share of common stock (Standards of Enterprise accounting No.2)" and "Implementation Guideline of Standards for the computing net income per share of common stock (Implementation Guideline of Standards of Enterprise accounting No.4)".
3: In fiscal year 2004, the new accounting standard for impairment of fixed assets was adopted as referred to in Notes 1(g) and 12.
4: In fiscal year 2005, the method of accounting for employees' severance and retirement benefits was changed as referred to in Notes 1(k) and 7.

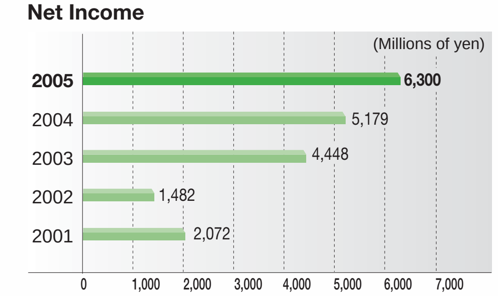
Net Sales



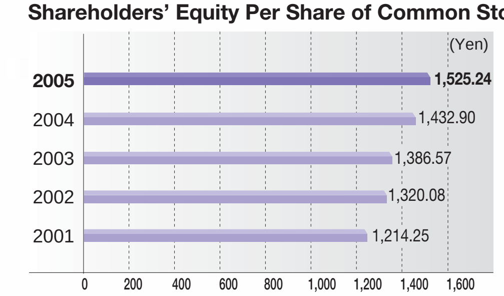
Net Income Per Share of Common Stock



Net Income



Shareholders' Equity Per Share of Common Stock



To Our Shareholders

Takeshi Nakano
President and Chief Executive Officer

Business Operations

Review of Fiscal Year 2004

The sales in the auto parts industry saw favorable bullish trends due to the effects of Japanese automakers in marketing new cars and the upward movement in the North American and Asian car markets. However, there are growing concerns over increasing costs reflecting the expected higher costs from price increases in steel material and oil.

In such an environment, in order to expand its management base, the EXEDY Group focused mainly on the automatic automotive drivetrain business in Japan and the U.S., where its outsourcing is increasing, and the manual automotive drivetrain business in Asia, where its market is expanding. During the fiscal year 2004, the EXEDY Group achieved an increase in orders in the automatic automotive drivetrain business for Japanese automakers in addition to an upward movement in business in the Asian and U.S. markets. As a result, the EXEDY Group had sales of 136.3 billion yen (an increase of 11.5% over the previous year). Despite the increase in procurement costs resulting from the rise in prices of steel material and costs to cope with increased orders, due to the increase in sales and thorough cost improving activities, the EXEDY Group had operating profits of 12.7 billion yen (an increase of 11.0% over the previous year), an ordinary income of 11.6 billion yen (an increase of 6.4% over the previous year), and a net income of 6.2 billion yen (an increase of 21.6% over the previous year). Meanwhile, the EXEDY Group revised its retirement benefits plans in the second half of the fiscal year 2004. As a result, the EXEDY Group is now capable of remarkably reducing actuarial differences in the future. Accordingly, the EXEDY Group changed its accounting policy and charged the actuarial difference from the prior years and costs relating to the revision of retirement benefits plans to the income in fiscal year 2004. Moreover, in order to reduce its manufacturing costs, Daikin Clutch Corporation, which had produced and marketed manual clutches in the U.S., transferred its manufacturing department to the EXEDY head office in Japan and EXEDY America Corporation in Tennessee, U.S., and started concentrating on marketing. As a result, the EXEDY Group charged the costs for business realignment to the income.

Outlook for Fiscal Year 2005

We expect that the domestic market will expand based on the growing automatic automotive drivetrain business centering on torque converters and the Asian market will continue to expand, but the future prospects of the U.S. market will become increasingly unclear. The EXEDY Group continues to develop eco-friendly products that improve fuel economy and suppress noise and vibration in vehicles with fuel-efficient engines under the complete quality management. Regarding earnings, we are determined to secure solid profitability by streamlining operations given the severe financial condition and the expected higher costs from price increases of steel material. Consequently, we expect sales of 140 billion yen (an increase of 2.7% over the previous year), an ordinary income of 12.5 billion yen (an increase of 6.9% over the previous year), and a net income of 7 billion yen (an increase of 11.1% over the previous year) for the next fiscal year.

Financial Position

Review of cash flows in Fiscal Year 2004

Our cash flow from operating activities was 13.3 billion yen, a decrease of 200 million yen over fiscal year 2003. The main breakdown is as follows: net income before income taxes was 8.8 billion yen (compared to 9.3 billion yen for fiscal year 2003) and depreciation expenses were 7.9 billion yen, an increase of 300 million yen over fiscal year 2003. The introduction of defined contribution pension plans generated outstanding transfer, which resulted in the increase of long-term accrued liabilities by 2.1 billion yen. Trade account receivables, and inventory increased by 5 billion yen in total, and accounts payables increased by 1.8 billion yen due to good sales. The corporate tax paid was 3.3 billion yen. Cash flow from investments was 10.8 billion yen, which was the same level as the previous year. Expenses for capital investment were 10.8 billion yen (9.4 billion yen for the previous year). Proceeds from sale of investments in securities were 1.7 billion yen, and payments for loans were 1.9 billion yen. Cash flow from financial activities was 300 million yen, a decrease of 1.8 billion yen over the previous year. The payment of dividends was 800 million yen and the long/short term loan payments were 1.4 billion yen. In addition, gain from treasury stock issued in March 2005 was 2 billion yen.

Outlook for Fiscal Year 2005

Cash flow obtained from operating activities will increase by 1.2 billion yen compared to fiscal year 2004 due to increases in net income before income taxes and depreciation expenses, decrease in corporate tax expenses, and variations in working capital. Cash flow from investment activities will increase by 5.4 billion yen over fiscal year 2004 reflecting capital investment mainly in response to the expanded AT business. Cash flow from financing activities will total 1 billion yen due to the payment of dividends and other items. As the results indicate, cash and cash equivalents at the end of the fiscal year 2005 will total 16.5 billion yen (a decrease of 2.3 billion yen compared to the end of current year).

July 2005
Takeshi Nakano

T. Nakano

Management goals

EXEDY Group will put our corporate climate reform activities named NC21 (New Century 21) into practice based on our corporate principle "Creation of Fulfillment" as the key basis.
The backbone is "being competitive as we fulfill our corporate responsibilities in society including compliance, corporate principle, and eco-friendly operation to improve our social standing."

Top management policies

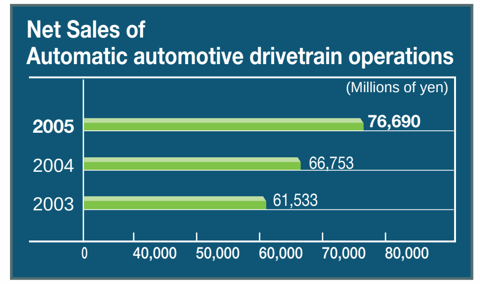
Accomplish the world's best quality, cost performance, and manufacturing promptly to transform our corporate structure as the world's leader.

1) *Keep focusing on customer needs and supply products in a timely manner*
2) *Achieve order-of-magnitude quality improvements; the key factor to increase the reliability*
3) *Accomplish the world's best cost performance by establishing a system of global production and supply*
4) *Do all work based on "5S5TEI" to continuously enhance "Work Quality" and "Product Quality"*
5) *Establish a corporate structure to accomplish each target with complete commitment to activities*
6) *Establish better communication to create an active and well-communicated corporate climate*

Business Results by Division

AT

Due to the effects of Japanese auto makers in marketing new cars and increased exports to South Korea, net sales were 76.6 billion yen (an increase of 14.9% over the previous year) and operating profits were 6.8 billion yen (an increase of 8.1% over the previous year).



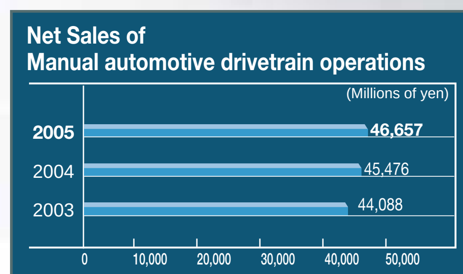
Integrated production of torque converters required for driving convenience, in AT segment, future automobiles are in perspective through continuous development of new products and technology, such as the development of a highly efficient, small size, long, flat torque converter based on fluid mechanics and the world's smallest, lightest FRU (forward/rear switch unit) essential for the CVT.
In addition, EXEDY's business field is expanding into the whole automatic transmission including development and production of AT parts.

Automatic automotive drivetrain operations

Super-elliptical type torque converter | Unity torque converter | Lock-up damper | Clutch Pack | Friction Plates

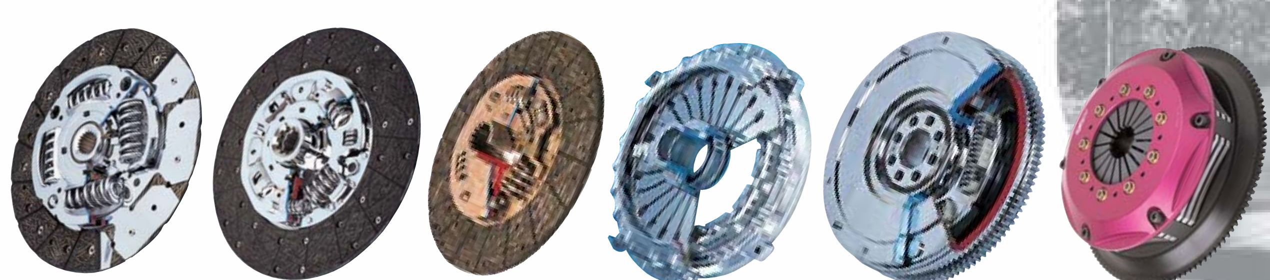
MT

Due to a slight increase in demand in Japan reflecting increased repairs in overseas markets and upward movement in the Asian market, net sales were 46.6 billion yen (an increase of 2.6% over the previous year) and operating profits were 5.7 billion yen (an increase of 4.3% over the previous year).



In the MT business, EXEDY develops, manufactures, and assembles components for manual transmissions, such as clutch discs and clutch covers. Our advanced engineering has led to a number of innovations, including sports clutches and WAD (wide-angle dampers), hydrodamp systems that provide the superior anti-noise, anti-vibration performance needed in today's compact, lightweight cars.

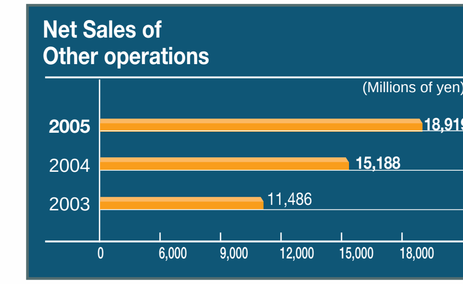
Manual automotive drivetrain operations



WAD (wide angle damper) | Large sized unity disc | Silent disc | Large sized pull-type clutch | Hydrodamp system | Multi-plate clutch

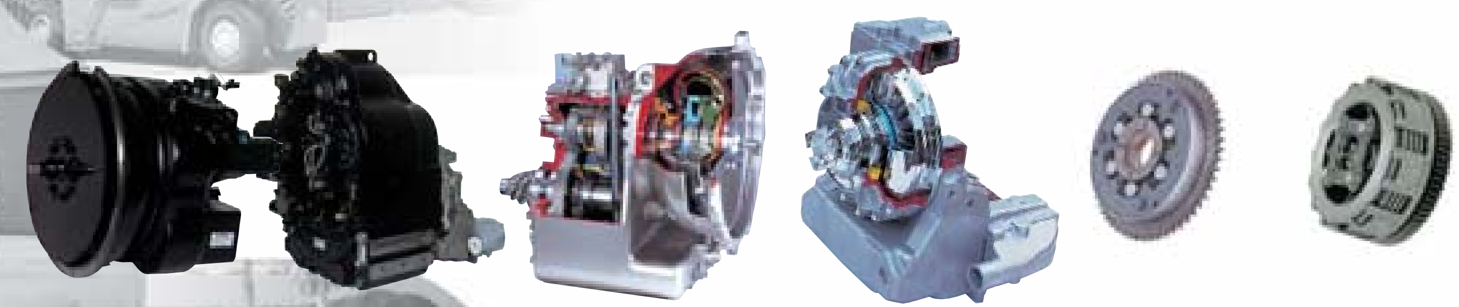
Other

Due to the increase in sales of forklifts and motorcycles, and the recovery of orders for construction machinery products, net sales were 18.9 billion yen (an increase of 24.6% over the previous year) and operating profits were 800 million yen (an increase of 50.4% over the previous year).

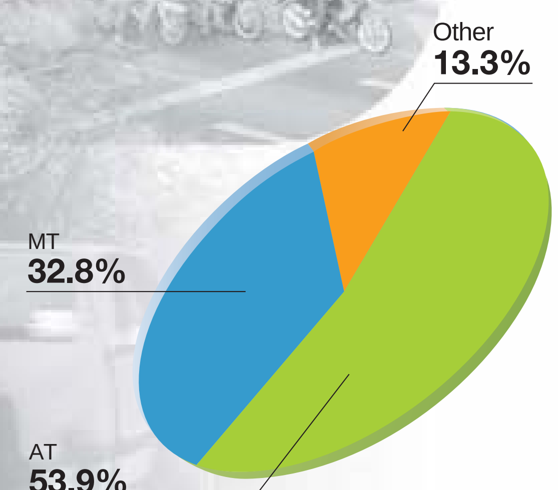


We supply products for construction machinery and industrial vehicles that keep Japanese industry on the move. Because this field involves custom manufacturing of a wide variety of products in small lots, great flexibility is required. EXEDY develops, manufactures, and assembles power shift transmissions that stand out for their quality. In addition, EXEDY is expanding its motorcycle clutch business in the Southeast Asian market based on our clutch technology developed for automobiles.

Industrial drivetrain operations, Motorcycle drivetrain operations and other operations



Transmission for a rough-terrain crane | Forklift transmission | Retarder | One-way clutch for mortor cycle | Multiplate wet clutch for mortor cycle

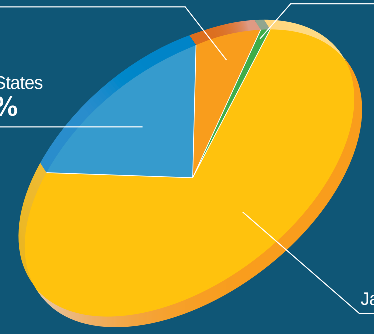


The graph above shows the percentage of sales to customers outside the Group.

Net sales by Division

	Japanese yen (millions) 2004	Japanese yen (millions) 2005	U.S. dollars (thousands) 2005
AT	¥ 66,753	¥ 76,690	$ 714,122
MT	45,476	46,657	434,467
Other (Europe)	15,188	18,919	176,174
Eliminations	(5,136)	(5,959)	(55,492)
Total	¥ 122,281	¥ 136,307	$ 1,269,271

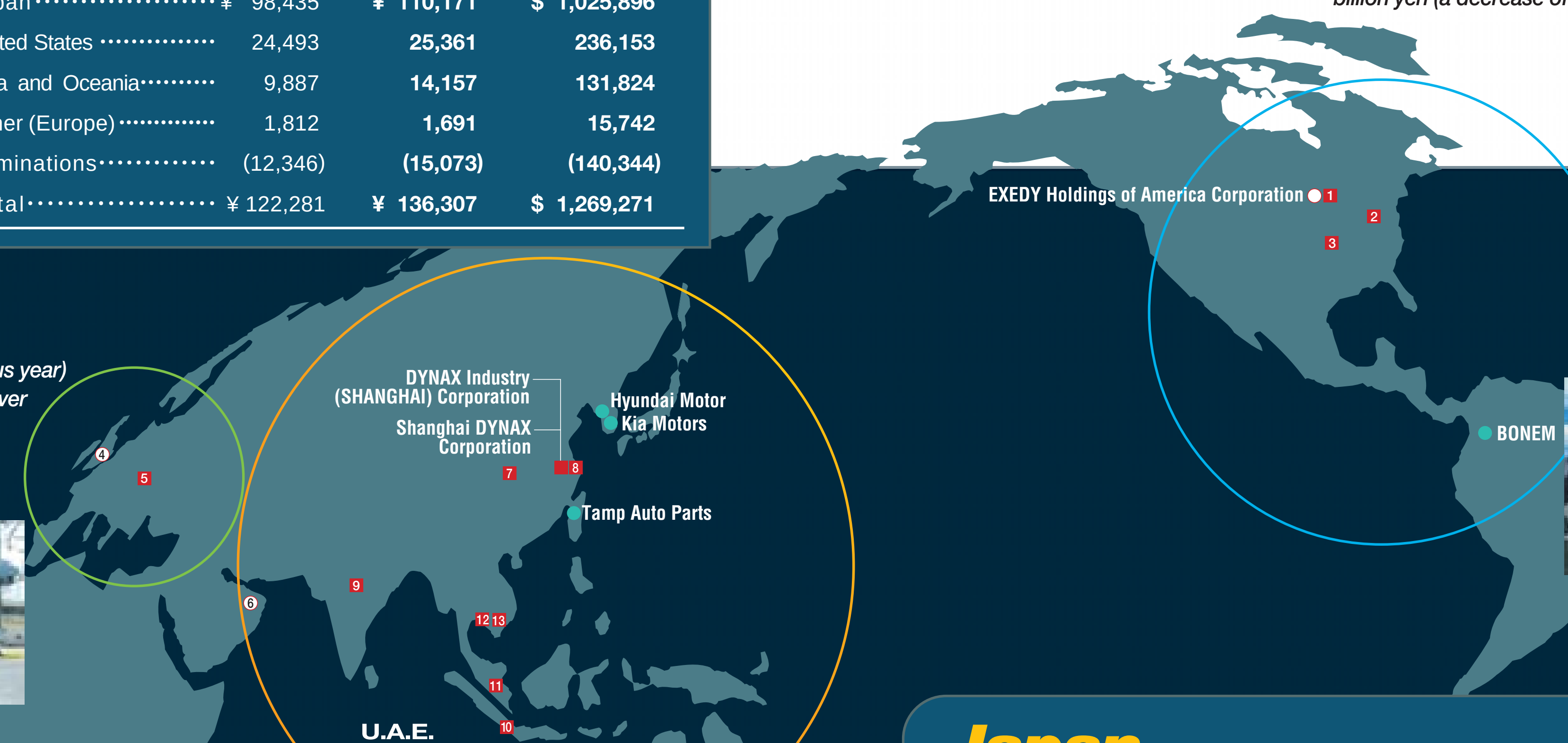
Business Results by Market



The graph above shows the percentage of sales to customers outside the Group.

Net Sales by Location

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Japan	¥ 98,435	¥ 110,171	$ 1,025,896
United States	24,493	25,361	236,153
Asia and Oceania	9,887	14,157	131,824
Other (Europe)	1,812	1,691	15,742
Eliminations	(12,346)	(15,073)	(140,344)
Total	¥ 122,281	¥ 136,307	$ 1,269,271



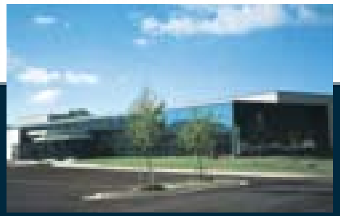
United States

Due to the increase of sales of the automatic automotive drivetrain products, net sales were 25.3 billion yen (an increase of 3.5% from the previous year) and operating profits were 1.2 billion yen (a decrease of 10.8% over the previous year).

U..S.A.

1 Daikin Clutch Corporation

U.S.A.



2 DYNAX America Corporation

U.S.A.

3 EXEDY America Corporation

Other (Europe)

Net sales were 1.6 billion yen (a decrease of 6.7% over the previous year) and operating profits were 100 million yen (a decrease of 20.8% over the previous year).

England

4 EXEDY Clutch Europe Ltd.

Hungary

5 Euro EXEDY Clutch Ltd.

Asia and Oceania

Due to the stable growth of automobile production in Asian countries and increased sales of motorcycle products, net sales were 14.1 billion yen (an increase of 43.2% over the previous year) and operating profits were 1.7 billion yen (an increase of 60.3% over the previous year).

U.A.E.

6 EXEDY Middle East Fzco

China

7 EXEDY Chongqing Co., Ltd.

China

8 EXEDY (Shaghai) Friction Material Co.,Ltd.

India

9 Ceekay Daikin Ltd.

Indonesia

10 P.T. Daikin Clutch Indonesia

Malaysia

11 EXEDY (MALAYSIA) SDN. BHD.

Thailand

12 EXEDY(Thailand)Co.,Ltd.

Thailand

13 EXEDY Friction Material Co., Ltd.

Australia

14 EXEDY Australia PTY. Ltd.

Japan

Due to the effects of Japanese automakers in marketing new cars and increased exports of repair parts to South Korea, net sales were 110.1 billion yen (an increase of 11.9% over the previous year) and operating profits were 9.6 billion yen (an increase of 9.1% over the previous year).

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Hiroshima 739-0038, Japan
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Hokkaido 066-8585, Japan
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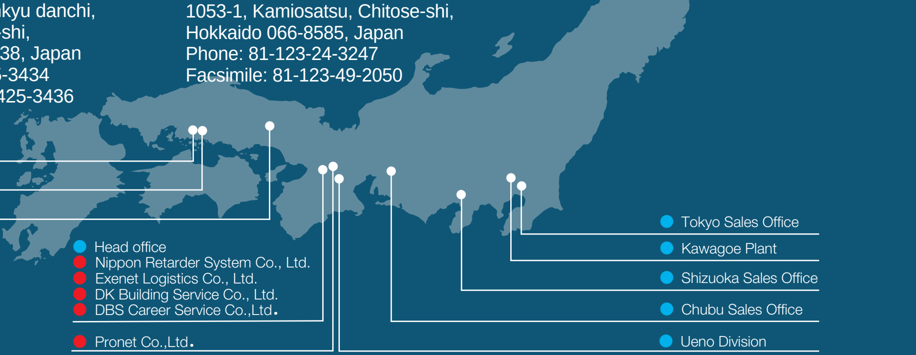

EXEDY World-Tour 2005

EXEDY (Thailand) Co., Ltd.

EXEDY (Thailand) Co., Ltd. (EXT) is an EXEDY Group company located in Chonburi, Thailand. They changed their name from Siam DK Technology Co., Ltd. (SDK) in January 2005 as part of efforts to strategically strengthen the EXEDY brand. EXT makes clutch discs and clutch covers for passenger cars, and motorcycle clutches. Since their founding in 1995, they have earned the strong trust of customers inside and outside Thailand.

EXT has departments specializing in die design, manufacture and maintenance, and features a total production system from coil material procurement to press-stamping, machining, heat treatment and assembly. EXT is outfitted for testing and evaluation so they are set up to do everything in-house from material procurement to assembly and testing.

The first motorcycle clutch produced by EXT was a one-way clutch for a self-starter that they began delivering to Thai Honda in December 2001. Utilizing the torque converter technology that EXEDY has long nurtured, the finished clutch was simple, high capacity and easy to assemble. At present 3 types are produced on 2 lines and turnout has reached 160,000 per month, making it one of the company's leading products.

Since April 2004, EXT has been producing multiplate wet clutches for Thai Honda's NOVA SONIC 125 cc scooter and, as of April 2005, have been producing 2 models as a new clutch was added for the Wave 125i.

As they expand business from automobile clutches to motorcycle clutches, EXT will be making a concerted effort to develop new products and broaden their reputation for high quality and high performance.

Multiplate wet clutch for Thai Honda's NOVA SONIC 125cc

EXEDY (Shanghai) Friction Material Co., Ltd.

EXEDY (Shanghai) Friction Material Co., Ltd. (ESF) was founded in May 2004 as a wholly-owned subsidiary of EXEDY Corporation with headquarters in Shanghai, China. ESF started making dry friction material, a primary component of manual clutches, in June 2005.

The EXEDY Group already had a subsidiary that was making dry friction material that being EXEDY Friction Material Co., Ltd. (EFM) located in Thailand, but ESF was founded to avoid the risk of concentrating the groups production of dry friction material in EFM, to increase purchasing activities within the group and to open routes to the Chinese market, which is expected to grow considerably in the future. For this reason, ESF can produce friction materials for all sizes of vehicles from compact cars to trucks. The same production system at EFM is used, that being a new and original eco-friendly system developed by EXEDY.

This year, ESF is supplying dry friction material for the aftercare market to EXEDY, but come 2006 plans are to supply the OEM and aftercare markets of EXEDY Chongqing Co., Ltd. (EXC), a subsidiary that manufactures and sells manual clutches in China. By supplying dry friction material from China as a primary component of manual clutches to EXC, ESF expects to further enhance price competitiveness.

ESF has a 130,000 m^2 site located about 30 km south of downtown Shanghai. It can be very easily accessed by sea, highway and air and is only about 20 km away from group companies Shanghai DYNAX Corporation (DXC) and DYNAX Industry (Shanghai) Corporation (DXS) who produce friction material and component parts for automatic transmissions.

Topics of the Year

Motorcycle Clutch Lineup
Expanding the Motorcycle Business in Asia

Riding the wave of the motorcycle business in Asia, local EXEDY subsidiaries in Thailand, EXEDY (Thailand) Co., Ltd. and EXEDY Friction Material Co., Ltd., continue to increase the production of motorcycle clutches for Thai Honda and Thai Yamaha. The two companies have built a lineup of cost-competitive motorcycle clutches by internally producing friction materials and procuring most components locally. Preparations are also moving forward to expand lines and increase production further because of the strong outlook for future growth of the motorcycle market.

One-way clutch

Multiplate wet clutch

Multiplate wet clutch

World's First Technology from DYNAX
DYNAX Contributes to the Development of SH-AWD (Super Handling All-Wheel Drive System) for Honda's Legend

In February 2005, EXEDY affiliate DYNAX Corporation was given the Supplier Award by Honda Motor for their contribution to the development of the SH-AWD (Super Handling All-Wheel Drive) built into the Honda Legend.

- 2004-2005 Car of the Year JAPAN Award
- "Most Advanced Technology" Award
- 2005 RJC Technology of the Year Award

Tradeshows Worldwide
Strategically Strengthening the EXEDY Brand

To help the EXEDY brand penetrate the world market, EXEDY shows aggressively at automotive parts tradeshows inside and outside Japan. In 2004, EXEDY exhibited at 5 shows in 4 countries around the world (USA x 2, Germany, China and United Arab Emirates) and 4 shows in Japan (Yokohama, Chiba x 2, Osaka), effectively improving recognition of EXEDY brand and products.

AUTO MECHANIKA GULF 2004 (UAE Dubai)

SEMA SHOW 2004 (USA Las Vegas)

Miss Motor Show visited EXEDY Booth at Bangkok International Motor Show (Thailand)

2004 Major Global Vehicles Using EXEDY Products

Nissan Fuga
DYNAX AT Parts
(2005 RJC Car of the Year)

Ford Escape Hybrid
EXEDY Torque Limiter Damper

VW Golf
DYNAX AT Parts

Status of the EXEDY Group

The EXEDY Group, consisted of EXEDY Corporation, 26 affiliates and 1 related company, is mainly engaged in production and sales of manual automotive drivetrain components (MT) and automatic automotive drivetrain components (AT), as well as provides a wide range of service activities related to the main business.

The domestic business structure is composed of manufacture and sales of products and parts by EXEDY Corporation and DYNAX Corporation, and subcontracted manufacture and other businesses by other Group companies.

Overseas, each Group company manufactures and markets MT, AT and other products for local users; EXEDY Corporation and DYNAX Corporation export to international customers and also provide technical support, products and parts to Group companies located overseas.

The business outline of EXEDY Corporation, affiliates and related company is classified as follows;

Outline of the EXEDY Group

Automatic Automotive Drivetrain Operations

- *EXEDY Corporation*
- *Dynax Corporation*
- *EXEDY America Corporation*
- *Dynax America Corporation*
- *Dynax North America Sales Corporation*
- *EXEDY Australia PTY. Limited*
- *EXEDY (Thailand) Co., Ltd.*
- *Shanghai Dynax Corporation*
- *Dynax Industry (Shanghai) Corporation*
- *2 other companies*

Manual Automotive Drivetrain Operations

- *EXEDY Corporation*
- *Dynax Corporation*
- *DK Pronac Co., Ltd.*
- *EXEDY America Corporation*
- *Daikin Clutch Corporation*
- *EXEDY Australia PTY. Limited*
- *EXEDY Middle East Fzco*
- *EXEDY Clutch Europe Limited*
- *Euro EXEDY Clutch Limited*
- *EXEDY (Thailand) Co., Ltd.*
- *EXEDY Friction Material Co., Ltd.*
- *EXEDY (Malaysia) SDN. BHD.*
- *EXEDY Chongqing Co., Ltd.*
- *EXEDY (Shanghai) Friction Material Co., Ltd.*
- *P.T. Daikin Clutch Indonesia*
- *Ceekey Daikin Limited*
- *3 other companies*

Other Operations

- *EXEDY Corporation*
- *Dynax Corporation*
- *Exenet Logistics Co., Ltd.*
- *EXEDY America Corporation*
- *Daikin Clutch Corporation*
- *Dynax America Corporation*
- *EXEDY (Thailand) Co., Ltd.*
- *EXEDY Friction Material Co., Ltd.*
- *Shanghai Dynax Corporation*
- *6 other companies*

=Consolidated subsidiaries
=Equity-method applied companies
A holding company, EXEDY Holdings of America Corporation, that is one of the consolidated subsidiaries, is not listed above.

Consolidated Five-Year Summary

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended as of March 31

	Japanese yen (millions)					U.S. dollars (thousands)
	2001	2002	2003	2004	**2005**	**2005**
For the year:						
Net sales	¥ 113,622	¥ 101,215	¥ 113,673	¥ 122,281	**¥ 136,307**	**$ 1,269,271**
Net income	2,072	1,482	4,448	5,179	**6,300**	**58,665**
At year-end:						
Total assets	¥ 105,952	¥ 106,576	¥ 108,907	¥ 110,799	**¥ 123,289**	**$ 1,148,047**
Current assets	51,419	50,817	54,213	55,399	**63,783**	**593,937**
Property, plant and equipment	47,005	48,514	48,108	47,041	**49,719**	**462,972**
Current liabilities	33,106	28,325	24,733	25,074	**27,647**	**257,439**
Long-term debt	6,382	5,914	8,354	2,594	**2,687**	**25,025**
Shareholders' equity	58,908	60,081	63,192	69,614	**76,032**	**708,000**
Shareholders' equity / Total assets (%)	55.60	56.37	58.02	62.83	**61.67**	**61.67**
Retained earnings	45,111	47,219	51,136	55,406	**60,808**	**566,235**
Per share data:	Japanese yen					U.S. dollars
Net income	¥ 42.71	¥ 30.99	¥ 95.80	¥ 108.84	**¥ 127.61**	**$ 1.19**
Net income-diluted	42.23	30.84	93.32	106.12	**127.59**	**1.19**
Shareholders' equity	1,214.25	1,320.08	1,386.57	1,432.90	**1,525.24**	**14.20**

Notes: 1. Dollar figures are translated, for convenience only, at the rate of ¥107.39 to U.S. $1.00.
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3. In fiscal year 2004, the new accounting standard for impairment of fixed assets was adopted as referred to in Notes 1(g) and 12.
4. In fiscal year 2005, the method of accounting for employees' severance and retirement benefits was changed as referred to in Notes 1(k) and 7.

Financial Section

Consolidated Balance Sheets

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2004 and 2005

ASSETS	Japanese yen (millions) 2004	2005	U.S. dollars (thousands) 2005
Current Assets:			
Cash and cash equivalents [Notes 1(p) & 6]	¥ 16,752	¥ 18,893	$ 175,926
Time deposits	59	67	628
Notes and accounts receivable-			
Trade	25,317	28,922	269,319
Non-consolidated subsidiaries and affiliates	364	187	1,739
Allowance for doubtful accounts	(218)	(1,239)	(11,536)
Inventories (Note 2)	10,339	11,856	110,399
Deferred tax assets (Note 4)	1,593	2,437	22,695
Short-term loans	249	1,321	12,300
Other current assets	944	1,339	12,467
Total current assets	55,399	63,783	593,937
Property, Plant and Equipment (Notes 6 & 12):			
Land	7,036	7,118	66,279
Buildings and structures	28,077	28,930	269,393
Machinery and vehicles	76,068	79,960	744,577
Tools and furniture	23,781	26,055	242,624
Construction in progress	2,647	3,282	30,557
	137,609	145,345	1,353,430
Less-accumulated depreciation	(90,568)	(95,626)	(890,458)
Total property, plant and equipment	47,041	49,719	462,972
Investments and Other Assets:			
Investment in securities (Note 3)	2,884	1,127	10,497
Investments in and loans to non-consolidated subsidiaries and affiliates	471	723	6,734
Long-term loans	214	193	1,799
Deferred tax assets (Note 4)	2,366	5,291	49,271
Other assets	2,424	2,453	22,837
Total investments and other assets	8,359	9,787	91,138
	¥ 110,799	¥ 123,289	$1,148,047

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Japanese yen (millions) 2004	2005	U.S. dollars (thousands) 2005
Current Liabilities:			
Short-term borrowings including current portion of long-term debt (Note 5)	¥ 5,026	¥ 3,617	$ 33,678
Notes and accounts payable -			
Trade	13,014	14,985	139,539
Construction	702	863	8,038
Non-consolidated subsidiaries and affiliates	91	174	1,619
Accrued expenses	4,227	4,792	44,618
Accrued income taxes (Note 4)	1,647	2,964	27,596
Other current liabilities	367	252	2,351
Total current liabilities	25,074	27,647	257,439
Long-term Liabilities:			
Long-term debt (Note 5)	2,594	2,687	25,025
Deferred tax liabilities (Note 4)	368	487	4,538
Employees' severance and retirement benefits (Note 7)	7,928	8,115	75,567
Retirement benefits for directors and corporate auditors	450	375	3,492
Other long-term liabilities	683	2,802	26,087
Total long-term liabilities	12,023	14,466	134,709
Minority Interests	4,088	5,144	47,899
Contingent Liabilities (Note 10)			
Shareholders' Equity (Note 8):			
Common stock			
Authorised-168,000 thousand shares in 2004 and 2005			
Outstanding-48,520 thousand shares in 2004 and 49,794 thousand shares in 2005	7,227	8,284	77,141
Capital surplus	7,712	8,768	81,643
Retained earnings	55,406	60,808	566,235
Net unrealized holding gains on securities	1,113	414	3,853
Foreign currency translation adjustments [Note 1(c)]	(1,843)	(2,237)	(20,825)
Treasury stock			
2 thousand shares in 2004 and 4 thousand shares in 2005	(1)	(5)	(47)
Total shareholders' equity	69,614	76,032	708,000
	¥110,799	¥123,289	$1,148,047

Consolidated Statements of Income

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended as of March 31, 2004 and 2005

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Net Sales	¥ 122,281	**¥ 136,307**	**$1,269,271**
Cost of Sales	92,234	**104,010**	**968,528**
Gross profit	30,047	**32,297**	**300,743**
Selling, General and Administrative Expenses	18,527	**19,513**	**181,697**
Operating income	11,520	**12,784**	**119,046**
Other (Income) Expenses:			
Interest and dividend income	(55)	**(104)**	**(968)**
Interest expense	194	**158**	**1,472**
Losses on sale or disposal of property, plant and equipment	310	**295**	**2,745**
Allowance for doubtful accounts	—	**886**	**8,249**
Gains on sale of investments in securities	(2)	**(1,192)**	**(11,099)**
Loss on reorganization of subsidiary's business	—	**479**	**4,458**
Amortization of the net transition obligation for employees' severance and retirement benefits	607	**607**	**5,651**
Losses on change of plan for employees' severance and retirement benefits (Note 7)	—	**2,923**	**27,218**
Equity in losses (gains) of non-consolidated subsidiaries and affiliates	(48)	**70**	**655**
Foreign exchange loss, net	404	**76**	**712**
Impairment losses on property, plant and equipment [Notes 1(g) & 12]	1,079	**—**	**—**
Other, net	(279)	**(306)**	**(2,851)**
	2,210	**3,892**	**36,242**
Income before income taxes and minority interests	9,310	**8,892**	**82,804**
Income Taxes (Note 4)			
Current	3,878	**4,524**	**42,129**
Deferred	(554)	**(3,223)**	**(30,014)**
Minority Interests in Net Income of Consolidated Subsidiaries	807	**1,291**	**12,024**
Net Income	¥ 5,179	**¥ 6,300**	**$ 58,665**
	Japanese Yen		U.S.dollars
Per Share Data (Note 11):			
Net income	¥ 108.84	**¥ 127.61**	**$ 1.19**
Net income-diluted	106.12	**127.59**	**1.19**
Cash dividends	15.00	**18.00**	**0.17**

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

Consolidated Statements of Shareholders' Equity

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years ended as of March 31, 2004 and 2005

	Number of outstanding shares (thousands)	Japanese yen (millions) Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance as of 31 March, 2003	48,514	¥ 7,223	¥ 6,481	¥ 51,136	¥ 277	¥ (372)	¥ (1,553)
Net income	—	—	—	5,179	—	—	—
Net unrealized holding gains on securities	—	—	—	—	836	—	—
Adjustments from translation of foreign currency financial statements	—	—	—	—	—	(1,471)	—
Exercise of warrants	6	4	4	—	—	—	—
Sale of treasury stock	—	—	1,227	—	—	—	1,555
Purchase of treasury stock	—	—	—	—	—	—	(3)
Cash dividends paid	—	—	—	(820)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(89)	—	—	—
Balance as of 31 March, 2004	48,520	7,227	7,712	55,406	1,113	(1,843)	(1)
Net income	**—**	**—**	**—**	**6,300**	**—**	**—**	**—**
Net unrealized holding gains on securities	**—**	**—**	**—**	**—**	**(699)**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**(394)**	**—**
Exercise of warrants	**74**	**46**	**46**	**—**	**—**	**—**	**—**
Public stock offering	**1,200**	**1,011**	**1,010**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**
Cash dividends paid	**—**	**—**	**—**	**(801)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**(97)**	**—**	**—**	**—**
Balance as of 31 March, 2005	**49,794**	**¥ 8,284**	**¥ 8,768**	**¥ 60,808**	**¥ 414**	**¥(2,237)**	**¥ (5)**

	Number of outstanding shares (thousands)	U.S. dollars (thousands) Common stock	Capital surplus	Retained earnings	Net unrealized holding gains on securities	Foreign currency translation adjustments	Treasury stock
Balance as of 31 March, 2004	48,520	$ 67,293	$71,816	$515,933	$ 10,364	$(17,161)	$ (10)
Net income	**—**	**—**	**—**	**58,665**	**—**	**—**	**—**
Net unrealized holding gains on securities	**—**	**—**	**—**	**—**	**(6,511)**	**—**	**—**
Adjustments from translation of foreign currency financial statements	**—**	**—**	**—**	**—**	**—**	**(3,664)**	**—**
Exercise of warrants	**74**	**428**	**428**	**—**	**—**	**—**	**—**
Public stock offering	**1,200**	**9,420**	**9,399**	**—**	**—**	**—**	**—**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(37)**
Cash dividends paid	**—**	**—**	**—**	**(7,460)**	**—**	**—**	**—**
Bonuses to directors and corporate auditors	**—**	**—**	**—**	**(903)**	**—**	**—**	**—**
Balance as of 31 March, 2005	**49,794**	**$ 77,141**	**$ 81,643**	**$566,235**	**$ 3,853**	**$(20,825)**	**$ (47)**

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 as of March 31, 2004 and 2005

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 9,310	¥ 8,892	$ 82,804
Adjustments for :			
Depreciation and amortization	7,630	7,999	74,483
Losses on sale or disposal of property, plant and equipment	310	295	2,745
Gains on sale of investments in securities	(2)	(1,192)	(11,099)
Impairment losses on property, plant and equipment	1,079	—	—
Increase in allowance for doubtful accounts	204	1,065	9,918
Increase in employees' severance and retirement benefits	442	187	1,744
Interest and dividend income	(55)	(104)	(968)
Interest expense	194	158	1,472
Increase in notes and accounts receivables	(956)	(3,650)	(33,986)
Increase in inventories	(988)	(1,366)	(12,716)
Increase in notes and accounts payables	808	1,845	17,183
Other, net	1,031	2,662	24,779
Sub-total	19,007	16,791	156,359
Interest and dividend income received	57	104	970
Interest paid	(192)	(149)	(1,389)
Income taxes paid	(5,259)	(3,377)	(31,447)
Net cash provided by operating activities	13,613	13,369	124,493
Cash Flows from Investing Activities:			
Increase in time deposits	(668)	(41)	(385)
Decrease in time deposits	168	31	293
Payments for purchase of property, plant and equipment	(9,492)	(10,882)	(101,330)
Proceeds from sale of property, plant and equipment	72	132	1,230
Payments for acquisitions of intangible assets	(208)	(545)	(5,077)
Payments for investments in securities	(9)	(12)	(116)
Proceeds from sale of investments in securities	103	1,767	16,458
Payments for additional investments in consolidated subsidiaries	(697)	—	—
Acquisition of consolidated subsidiary, net of cash acquired [Note 13(a)]	—	(103)	(961)
Payments for investments in non-consolidated subsidiaries	—	(100)	(931)
Additions to loans receivable	(42)	(1,926)	(17,937)
Collection of loans receivable	62	694	6,466
Other, net	(68)	146	1,361
Net cash used in investing activities	(10,110)	(10,797)	(100,544)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(214)	1,648	15,345
Proceeds from long-term loans payable	—	159	1,480
Repayments of long-term loans payable	(1,763)	(3,236)	(30,130)
Proceeds from issuance of common stock	—	2,021	18,818
Cash dividends paid	(820)	(801)	(7,460)
Cash dividends paid to minority shareholders	(151)	(212)	(1,975)
Proceeds from sale of treasury stock	713	—	—
Other, net	5	88	820
Net cash used in financing activities	(2,230)	(333)	(3,102)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(382)	(56)	(526)
Net Increase in Cash and Cash Equivalents	890	2,182	20,321
Cash and Cash Equivalents at Beginning of Year	16,530	16,752	155,990
Cash and Cash Equivalents at End of Year	¥ 17,420	¥ 18,934	$ 176,311

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 consolidated financial statements
EXEDY Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Overseas consolidated subsidiaries have adopted accounting generally accepted in their respective countries and no adjustment has been made to their financial statements on consolidation, as allowed under accounting principles and practices generally accepted in Japan. Certain accounting principles and practices generally accepted in Japan are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the director of Kanto Finance Bureau in Japan as required by the Securities and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate as at March 31, 2005 which was ¥107.39 to U.S. $1.00. The convenience translations should not be construed as representations 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 significant companies over which the Company has power of control through majority voting rights or existence of certain conditions evidencing control by the Company.

Investments in non-consolidated subsidiaries and affiliates 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 subsidiaries. Material intercompany balances, transactions and profits have been eliminated in consolidation.

(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.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at 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 shareholder's equity and minority interests.

(d) Securities
Securities consist principally of marketable and nonmarketable equity securities and interest-bearing securities.

Other securities with available fair market value are stated at fair market value. Net unrealized holding gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity.

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 not collectible.

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, except for interest-bearing 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 except for supplies are mainly stated at the lower of cost (first-in, first-out) or market value. Supplies are mainly stated at cost determined by the last purchase cost method.

(g) Property, plant and equipment
Depreciation of property, plant and equipment is mainly computed using the declining-balance method over their estimated useful lives as follows:

Buildings and structures	3-60 years
Machinery and vehicles	2-15 years
Tools and furniture	2-20 years

Buildings acquired by the Company and its domestic consolidated subsidiaries on and after April 1, 1998 are depreciated using the straight-line method.

Maintenance and repairs including minor renewals and betterments are charged to income as incurred.

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

From the year ended March 31, 2004, the Company adopted new Japanese accounting standards for Impairment of Fixed Assets ("Opinion concerning establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guideline of Standards for Impairment of fixed assets (Implementation Guideline of Standards of Enterprise accounting No.6 issued on October 31, 2003)". On the balance sheet, impairment losses are subtracted from the book cost of each asset type.

(h) Leases
The Company and its domestic consolidated subsidiaries account for leases which transfer substantially all the risks and rewards of ownership of the leased assets as capital leases, except that leases which do not transfer ownership of the leased assets at the end of the lease term are accounted for as operating leases, in accordance with accounting principles and practices generally accepted in Japan. Overseas consolidated subsidiaries of the Company account for leases that transfer substantially all risks and rewards of ownership of the leased assets as capital leases.

(i) 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.

(j) 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.

(k) Employees' severance and retirement benefits
The Company and most of 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.

The net transition obligation is recognized in expenses in equal amounts primarily over 5 years commencing with the year ended March 31, 2001. Actuarial differences are fully amortized in the year following the year in which the actuarial differences are recognized. The prior service cost is recognized in expenses in the year in which they are incurred.

(Accounting change)
In order to reduce actuarial differences, reflect employees' performance on retirement payments and shift to new pension plans, the Company and its domestic consolidated subsidiaries revised their retirement benefits plans effective as of March 31, 2005: implemented retirement benefits plans fully based on employees' performance, adopted pension plans known as "Cash balance plans" and transferred a certain portion of the defined benefit pension plans to defined contribution pension plans.

In accordance with the revision of retirement benefits plans, the Company and its domestic consolidated subsidiaries changed their accounting policies related to employees' severance and retirement benefits as follows:

Through the year ended March 31, 2004, actuarial differences were amortized on a straight-line basis over 15 years, which was within the estimated average remaining service lives of employees, beginning in the year following the year in which the actuarial differences were recognized. From the year ended March 31, 2005, the Company and its domestic consolidated subsidiaries changed their method of accounting for actuarial differences and adopted the policy of charging the entire amount of actuarial differences to income in the year following the year in which the actuarial differences are recognized.

In previous years, prior service costs were amortized using the straight-line method over 15 years, which was within the estimated average remaining service lives of employees, beginning in the year in which the prior service costs were recognized. From the year ended March 31, 2005, the Company and its domestic consolidated subsidiaries changed their method of accounting for prior service costs and adopted the policy of charging the prior service costs to income as incurred.

In relation to the change of accounting policies described above, in the year ended March 31, 2005, income before income taxes and minority interests decreased by ¥2,581 million ($24,033 thousand) compared with what would have been recorded under the previous accounting policies.

(l) Retirement benefits for directors and corporate auditors
The Company and domestic subsidiaries have unfunded retirement allowances plans for directors and corporate auditors. The amounts required under the plans have been fully accrued.

(m) Accounting for consumption taxes
Consumption taxes are imposed at the flat rate of 5% on all domestic consumption of goods and services (with certain exemptions).

The 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 and cost or expense items in the accompanying consolidated statements of income.

(n) Research and development expenses
Research and development expenses are charged to income as incurred. Research and development expenses charged to income amounted to ¥4,206 million and ¥3,945 million ($36,738 thousand) for the years ended March 31, 2004 and 2005, respectively.

(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 attributing to ordinary shareholders, excluding bonuses to directors and corporate auditors, etc. The computation of net income-diluted per share assumes the full exercise of outstanding warrants and full conversion of convertible bonds at the beginning of the year (or at the time of issuance, if it is after beginning of the year) with an applicable adjustment for related net-of tax interest expense. The computation of Shareholders' equity per share is based on the number of common stock shares outstanding at year end, excluding the Company's treasury stock.
Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

(p) Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits which have maturities of three months or less when purchased.

(q) Reclassification
Certain comparative figures have been reclassified to confirm with the current year's presentation.

2. Inventories

Inventories as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Finished goods	¥ 5,140	¥ 5,411	$ 50,386
Work-in process	1,912	3,633	33,827
Raw materials	2,762	2,213	20,611
Supplies	525	599	5,575
	¥ 10,339	¥ 11,856	$ 110,399

3. Securities

Other securities with book values (fair values) exceeding acquisition costs as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		
March 31,2004	Acquisition cost	Book value	Difference
Equity securities	¥ 927	¥ 2,791	¥ 1,864
Interest-bearing securities	—	—	—
Others	4	5	1
	¥ 931	¥ 2,796	¥ 1,865

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31,2005	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 362	¥ 1,045	¥ 683	$ 3,368	$ 9,729	$ 6,361
Interest-bearing securities	—	—	—	—	—	—
Others	—	—	—	—	—	—
	¥ 362	¥ 1,045	¥ 683	$ 3,368	$ 9,729	$ 6,361

Other securities with book values (fair values) not exceeding acquisition costs as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		
March 31,2004	Acquisition cost	Book value	Difference
Equity securities	¥ 36	¥ 28	¥ (8)
Interest-bearing securities	—	—	—
Others	—	—	—
	¥ 36	¥ 28	¥ (8)

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31,2005	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 18	¥ 18	¥ —	$ 169	$ 169	¥ —
Interest-bearing securities	—	—	—	—	—	—
Others	—	—	—	—	—	—
	¥ 18	¥ 18	¥ —	$ 169	$ 169	¥ —

The book value of securities with no available fair values as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Other securities with no fair value			
Non-listed equity securities			
Carrying amount	¥ 61	¥ 64	$ 600

Maturities of other securities with maturities as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Corporate bonds			
Within one year	¥ —	¥ —	$ —
After one year through five years	—	—	—
After five years through ten years	—	—	—
Over ten years	—	—	—
Other			
Within one year	—	—	—
After one year through five years	5	—	—
After five years through ten years	—	—	—
Over ten years	—	—	—

Other securities sold in the year ended March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Sales value	¥ 103	¥ 1,767	$16,458
Gains	2	1,192	11,099
Losses	—	—	—

4. Income Taxes

Significant components of the Company's deferred tax assets and liabilities as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 3,030	¥ 3,191	$ 29,717
Net operating loss carryforwards	3,333	2,666	24,825
Accrued defined contribution pension to employees	—	1,199	11,164
Accrued bonuses to employees	741	765	7,123
Allowance for doubtful accounts	130	536	4,994
Losses on devaluation of inventories	195	286	2,664
Unrealized income (inventories)	171	221	2,058
Accrued enterprise tax	227	211	1,963
Unrealized income (fixed assets)	188	210	1,960
Accrued warranty costs	107	173	1,613
Retirement benefits for directors and corporate auditors	182	152	1,411
Other	830	717	6,676
Total deferred tax assets	9,134	10,327	96,168
Valuation allowance	(3,684)	(811)	(7,560)
Deferred tax assets	¥ 5,450	¥ 9,516	$ 88,608
Deferred tax liabilities:			
Property, plant and equipment	¥ (968)	¥ (817)	$ (7,612)
Retained earnings of overseas subsidiaries	(348)	(487)	(4,537)
Reserve for advanced depreciation	(349)	(346)	(3,218)
Net unrealized holding gains on securities	(750)	(276)	(2,570)
Reserve for special depreciation	(255)	(202)	(1,883)
Other	(214)	(177)	(1,644)
Total deferred tax liabilities	(2,884)	(2,305)	(21,464)
Valuation allowance	1,026	30	283
Deferred tax liabilities	¥(1,859)	¥ (2,275)	$(21,181)
Net deferred tax assets	¥ 3,591	¥ 7,241	$ 67,427

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 41.7% for the year ended March 31, 2004, and 40.4% for the year ended March 31, 2005.
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 years ended March 31, 2004 and 2005:

	2004	2005
Statutory tax rate	41.7 %	40.4 %
Adjustments for:		
Non-deductible expenses	0.9	0.4
Per capita inhabitant tax	0.2	0.2
Effect of operating loss carryforwards of overseas subsidiaries	(6.7)	(5.6)
Write-off of valuation allowance	—	(21.4)
Other	(0.4)	0.6
Effective tax rate	35.7 %	14.6 %

5. Short-term Borrowings and Long-term Debt

Short-term borrowings are notes payable to banks due in 30-180 days. The interest rates on these loans as at March 31, 2005 ranged from 0.34 percent to 8.99 percent.

Long-term debt as of March 31, 2004 and 2005 is summarized below:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Loans from banks and others, due in installments through 2010, with interest rates ranging from 0.50% to 4.94% - Unsecured	¥ 5,063	¥ 2,384	$ 22,206
Loans from government sponsored agencies due in installments through 2009, with interest rate at 1.6% - Secured	712	563	5,238
	5,775	2,947	27,444
Less: Current portion	(3,181)	(260)	(2,419)
	¥ 2,594	¥ 2,687	$ 25,025

Annual maturities of long-term debt as of March 31,2005 were as follows:

Year ending March 31,	Japanese yen (millions)	U.S. dollars (thousands)
2007	¥ 493	$ 4,595
2008	1,977	18,412
2009	187	1,739
2010	30	279
	¥ 2,687	$ 25,025

6. Assets Pledged as Collateral

The following assets were pledged as collateral for ¥52 million of secured short-term loan from banks and ¥712 million of secured long-term loans from government sponsored agencies as of March 31, 2004, and for ¥563 million ($5,328 thousand) of secured long-term loans from government sponsored agencies as of March 31, 2005:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Land	¥ 152	¥ 152	$ 1,418
Buildings and structures, net	327	12	112
Machinery and vehicles, net	18	261	2,426
	¥ 497	¥ 425	$ 3,956

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that additional security and guarantees for present and future indebtedness will be given at the request of the bank under certain circumstances, and that any collateral so furnished will be applicable to all indebtedness to that bank.
To date, the Company and its consolidated subsidiaries have not received such requests from their banks.

A cash deposit of ¥9 million ($80 thousand) was also pledged for deferred payment of electricity as of March 31,2005.

7. Employees' Severance and Retirement Benefits

As a result of revision of the retirement benefits plans effective March 31, 2005, the Company and its domestic subsidiaries adopt 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, 2004 and 2005 consists of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
Projected benefit obligations	¥17,620	¥12,104	$112,710
Fair value of pension assets	(3,424)	(4,364)	(40,635)
	14,196	7,740	72,075
Unrecognized net transition obligation	(607)	—	—
Unrecognized actuarial differences	(5,661)	375	3,492
Liability for employees' severance and retirement benefits	¥ 7,928	¥ 8,115	$ 75,567

(Notes) 1. The decrease in liability for employees' severance and retirement benefits arising from the transition to the revised plan effective March 31, 2005 is summarized as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Decrease in projected benefit obligation	¥ (6,329)	$ (58,932)
Unrecognized actuarial differences	547	5,090
Unrecognized prior service costs	3,156	29,393
Decrease in liability for employees' severance and retirement benefits	¥ (2,626)	$ (24,449)

The total pension liabilities to be transferred over 4 years to the defined contribution plan system amounted to ¥2,967 million ($27,629 thousand). The amount to be transferred subsequent to March 31, 2005 amounted to ¥2,967 million ($27,629 thousand), which was included under "Notes and accounts payable" and "Other long-term liabilities".

2. The increase in liability for employee's severance and retirement benefits due to the change of accounting polices is summarized as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Unrecognized actuarial differences	¥ 5,737	$ 53,426
Unrecognized prior service costs	(3,156)	(29,393)
Increase in liability for employees' severance and retirement benefits	¥ 2,581	$ 24,033

Included in the consolidated statements of income for the years ended March 31, 2004 and 2005 were employees' severance and retirement benefit expenses comprised of the following:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Service costs	¥ 816	**¥ 820**	**$ 7,632**
Interest costs	337	**350**	**3,263**
Expected return on plan assets	(69)	**(103)**	**(956)**
Amortization of net transition obligation	607	**607**	**5,651**
Amortization of actuarial differences	414	**429**	**3,994**
Employees' severance and retirement benefit expenses	2,105	**2,103**	**19,584**
Losses on change of plan for employees' severance and retirement benefits	—	**2,923**	**27,218**
	¥ 2,105	**¥ 5,026**	**$ 46,802**

(Notes) 1. ¥342 million ($3,185 thousand) of the increase in expenses relating to the transfer of a certain portion of defined benefit plans to defined contribution plans, was included in "Losses on change of plan for employees' severance and retirement benefits".

2. ¥2,581 million ($24,033 thousand) of the increase in expenses due to the change of accounting policies was included in "Losses on change of plan for employees' severance and retirement benefits".

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

	2004	**2005**
Method of attributing the projected benefits to periods of service	straight-line basis	**straight-line basis**
Discount rate	2.0%	**2.0%**
Expected rate of return on plan assets	3.0%	**3.0%**
Amortization of net transition obligation	5years	**5years**
Amortization of prior service costs	—	**1year**
Amortization of actuarial differences	15years	**1year**

8. Shareholders' Equity

The Company is subject to the Japanese Commercial Code (the "Code"), to which certain amendments became effective on October 1, 2001.

The Code provides that all appropriations of retained earnings, except interim cash dividends, must be approved at an ordinary general meeting of shareholders. In accordance with customary practice in Japan, appropriations of retained earnings are not accrued in the financial statements for the year to which they relate but are recorded in the subsequent accounting year after shareholders' approval has been obtained.

The Code provides that an amount equal to at least 10% of cash dividends and directors' bonuses, etc., to be paid be appropriated as a legal reserve. Before September 30, 2001, no further appropriation was required when the legal reserve equaled 25% or more of common stock. Pursuant to the amendments to the Code, no further appropriation is required when the sum of the capital surplus and legal reserve equals 25% or more of common stock. If the amount of accumulated capital surplus and legal reserve exceeds the required amount, the excess amount is allowed to be appropriated by a resolution at an ordinary general meeting of shareholders.
The legal reserve might be used to reduce a deficit or it might be transferred to common stock through the appropriate legal procedures.

The following appropriations of retained earnings of the Company were proposed and approved at the general meeting of shareholders held on June 28, 2005:

	Japanese yen (millions)	U.S. dollars (thousands)
Balance at March 31, 2005	**¥ 60,808**	**$ 566,235**
Appropriations-Cash dividends paid (¥10.5 per share outstanding at March 31, 2005)	**523**	**4,869**
Bonuses to directors and corporate auditors	**65**	**605**
Balance after appropriations	**¥ 60,220**	**$ 560,761**

9. Leases

(a) Finance 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 the 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 year ended March 31, 2004 and 2005 was as follows:

	Japanese yen (millions)			
March 31,2004	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance
Machinery and vehicles	¥ 900	¥ 401	¥ —	¥ 499
Tools and furniture	355	215	—	140
Other	246	148	—	98
	¥1,501	¥ 764	¥ —	¥ 737

	Japanese yen (millions)				U.S. dollars (thousands)			
March 31,2005	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance	Acquisition cost	Accumulated depreciation	Accumulated losses on impairment	Balance
Machinery and vehicles	**¥ 1,027**	**¥ 200**	**¥ —**	**¥ 827**	**$ 9,559**	**$ 1,862**	**$ —**	**$ 7,697**
Tools and furniture	**274**	**188**	**—**	**86**	**2,556**	**1,751**	**—**	**805**
Other	**190**	**136**	**—**	**54**	**1,770**	**1,269**	**—**	**501**
	¥ 1,491	**¥ 524**	**¥ —**	**¥ 967**	**$13,885**	**$ 4,882**	**$ —**	**$ 9,003**

The scheduled maturities of future lease payments, on such lease contracts as of March 31, 2004 and 2005, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Due within one year	¥ 250	**¥ 202**	**$ 1,879**
Due over one year	487	**765**	**7,124**
	¥ 737	**¥ 967**	**$ 9,003**
Lease payments for the year	¥ 257	**¥ 211**	**$ 1,968**

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

Depreciation expenses, which are not reflected in the accompanying consolidated statements of income, calculated by the straight-line method, would be ¥257 million and ¥211 million ($1,968 thousand) for the years ended March 31, 2004 and 2005, respectively.

The Company had no leased assets on which impairment shall be recognized for the years ended March 31, 2004 and 2005.

(b) Operating leases

The scheduled maturities of future lease payments under non-cancelable operating leases as of March 31, 2004 and 2005, were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Due within one year	¥ 6	**¥ 6**	**$ 58**
Due over one year	8	**2**	**18**
	¥ 14	**¥ 8**	**$ 76**

10. Contingent Liabilities

Contingent liabilities for guarantees by the Company as of March 31, 2004 and 2005 were as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Guarantees of loans from banks of affiliates under the equity method	¥ 500	**¥ 950**	**$ 8,846**

11. Per Share Data

Per share data as of March 31, 2004 and 2005 were as follows:

	Japanese yen		U.S. dollars
	2004	**2005**	**2005**
Net income	¥ 108.84	**¥ 127.61**	**$ 1.19**
Net income-diluted	106.12	**127.59**	**1.19**
Shareholders' equity	1,432.90	**1,525.24**	**14.20**

The information on which per share data was calculated as of March 31, 2004 and 2005 was as follows:

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	**2005**	**2005**
Net income per share of common stock			
Net income	¥ 5,179	**¥ 6,300**	**$ 58,665**
Amounts not attributed to ordinary shareholders	92	**90**	**842**
(Bonuses to directors and corporate auditors)	(92)	**(90)**	**(842)**
Net income attributed to ordinary shareholders	¥ 5,087	**¥ 6,210**	**$ 57,823**
The weighted average number of shares (thousands)	46,739	**48,662**	**48,662**

	Japanese yen		U.S. dollars
	2004	**2005**	**2005**
Net income-diluted per share of common stock			
Effect of dilutive securities			
On net income (net-of-tax interest expense)	¥ 1	**¥ —**	**$ —**
On the weighted average number of shares (thousands)	1,208	**6**	**6**

12. Impairment of Property, plant and equipment

The Company evaluated profitability in each business category: Manual automotive drivetrain operations, Automatic automotive drivetrain operations, Industrial drivetrain operations and Other (Plants and other facilities), and the result indicates that each business will return the investments in the future. However, the company has some assets which do not belong to any business category and the carrying amount of these assets may not be recoverable. Therefore the Company recognized impairment losses on those assets where the recoverable value was less than the net book value. The recoverable value of land was based on valuation of property and equipment taxes and the recoverable value of other assets was based on fair value to sell. Impairment losses were recognized for the excess of the net book value over the recoverable value.

Impairment losses on fixed assets for the years ended March 31, 2004 and 2005 were as follows:

March 31,2004	Asset Group	Asset Type	Location	Usage	Japanese yen (millions)
	Asset, not belonging to any business category	Land	Hyogo Pref.	Idle	¥ 473
		Land	Osaka Pref.	Idle	589
		Buildings and Structures	Osaka Pref.	Idle	17
		Tools and Furniture	Osaka Pref.	Idle	0
					¥ 1,079

March 31,2005	Asset Group	Asset Type	Location	Usage	Japanese yen (millions)	U.S. dollars (thousands)
	—	—	—	—	¥ —	¥ —
					¥ —	¥ —

13. Cash flows

(a) Acquisition of newly consolidated subsidiaries

In the year ended March 31, 2005, the Company acquired a majority of the outstanding shares of P. T. Daikin Clutch Indonesia, which was previously accounted for using the equity method. The assets and liabilities of P. T. Daikin Clutch Indonesia upon consolidation with the Company and the reconciliation between the acquisition cost and net cash used for the acquisition are as follows:

	Japanese yen (millions)	U.S. dollars (thousands)
Current assets	¥ 669	$ 6,230
Non-current assets	223	2,074
Consolidation difference	79	734
Current liabilities	(654)	(6,091)
Non-current liabilities	(27)	(253)
Minority interest	(98)	(910)
Acquisition cost	192	1,784
The Company's interest prior to acquisition	(49)	(460)
Cash and cash equivalents of newly consolidated subsidiary	(40)	(363)
Net acquisition cost	¥ 103	$ 961

(b) Non-cash investing and financing activities

In the year ended March 31, 2004, convertible bonds were converted and the Company resold treasury stock instead of issuing new stock.

	Japanese yen (millions)
Decrease of treasury stock	¥ 1,265
Increase of capital surplus	804
Decrease of convertible bonds	¥ 2,069

14. Derivatives

The only derivative transactions the Company engages in are forward currency exchange contracts and for the purpose of hedging against exchange rate risks. The Company does not engage in derivative transactions for trading or speculative purposes.
Hedging accounting through derivative transactions was not applied as the necessary conditions were not met.
Forward currency exchange contracts bear risk due to changes in the exchange rate. However, as the company trades only with banking facilities, there is no credit risk. The Company has established a control system which includes policies and procedures regarding derivative transactions. All derivative transactions were processed under control and with the necessary approval.

The following table provides information on derivative instruments as of March 31, 2004 and 2005.

	Japanese yen (millions)		
March 31,2004	Contract amount	Fair value	Gain (loss)
Forward exchange contracts:			
To sell U.S. dollars	¥ 482	¥ 474	¥ 7
To sell Euro	93	90	4
	¥ 575	¥ 564	¥ 11

	Japanese yen (millions)			U.S. dollars (thousands)		
March 31, 2005	Contract amount	Fair value	Gain (loss)	Contract amount	Fair value	Gain (loss)
Forward exchange contracts:						
To sell U.S. dollars	¥ —	¥ —	¥ —	$ —	$ —	$ —
To sell Euro	—	—	—	—	—	—
	¥ —	¥ —	¥ —	$ —	$ —	$ —

15. Segment Information

The Company and its consolidated subsidiaries operate three business segments, Manual automotive drivetrain operations, Automatic automotive drivetrain operations and Other. The Manual automotive drivetrain segment manufactures and sells clutch discs, clutch covers, flywheels and other manual transmissions. The Automatic automotive drivetrain segment is engaged in the manufacture and sale of torque converters and wet friction clutch plates. The Other segment consists of industrial machine drivetrain operations, that is, the manufacture and sale of powershift transmissions, and other operations including the sale and manufacture of clutches for motorcycle, plants and other facilities.
Effective for the year ending March 31, 2004, the Company and its subsidiaries changed the segment category as shown below because the Automatic automotive drivetrain segment is expanding its business significantly and this new categorization shall provide investors with more useful information.

Former segment	New segment
Automotive drivetrain operations	Manual automotive drivetrain operations Automatic automotive drivetrain operations
Industrial drivetrain operations Other operations	Other operations

Business segment information for the years ended as of March 31, 2004 and 2005 was as follows :

		Japanese yen (millions)		U.S. dollars (thousands)
		2004	2005	2005
Sales:	Manual automotive drivetrain operations	¥ 45,476	¥ 46,657	$ 434,467
	Automatic automotive drivetrain operations	66,753	76,690	714,122
	Other operations	15,188	18,919	176,174
	Eliminations(inter-segment net sales)	(5,136)	(5,959)	(55,492)
		¥ 122,281	¥ 136,307	$1,269,271
Operating Costs and Expenses:	Manual automotive drivetrain operations	¥ 39,920	¥ 40,862	$ 380,504
	Automatic automotive drivetrain operations	60,455	69,883	650,740
	Other operations	14,600	18,036	167,946
	Non-allocated operating expenses and eliminations	(4,214)	(5,258)	(48,965)
		¥ 110,761	¥ 123,523	$1,150,225
Operating Income (Loss):	Manual automotive drivetrain operations	¥ 5,556	¥ 5,795	$ 53,963
	Automatic automotive drivetrain operations	6,299	6,807	63,381
	Other operations	587	884	8,228
	Non-allocated operating expenses and eliminations	(922)	(702)	(6,526)
		¥ 11,520	¥ 12,784	$ 119,046
Assets:	Manual automotive drivetrain operations	¥ 34,950	¥ 35,642	$ 331,896
	Automatic automotive drivetrain operations	51,530	61,607	573,676
	Other operations	12,920	12,022	111,943
	Corporate and eliminations	11,399	14,018	130,532
		¥ 110,799	¥ 123,289	$1,148,047
Depreciation and Amortization:	Manual automotive drivetrain operations	¥ 2,430	¥ 2,587	$ 24,092
	Automatic automotive drivetrain operations	4,325	4,860	45,257
	Other operations	958	629	5,855
	Corporate and eliminations	(83)	(77)	(721)
		¥ 7,630	¥ 7,999	$ 74,483
Impairment Losses on Fixed Assets:	Manual automotive drivetrain operations	¥ —	¥ —	$ —
	Automatic automotive drivetrain operations	—	—	—
	Other operations	—	—	—
	Corporate and eliminations	1,079	—	—
		¥ 1,079	¥ —	$ —
Capital Expenditures:	Manual automotive drivetrain operations	¥ 2,907	¥ 3,814	35,512
	Automatic automotive drivetrain operations	5,802	6,874	64,006
	Other operations	996	990	9,216
	Corporate and eliminations	(212)	(118)	(1,090)
		¥ 9,493	¥ 11,560	$ 107,644

Geographic area information for the years ended as of March 31, 2004 and 2005 was as follows :

		Japanese yen (millions)		U.S. dollars (thousands)
		2004	2005	2005
Sales:	Japan	¥ 98,435	¥ 110,171	$1,025,896
	America	24,493	25,361	236,153
	Asia-Oceania	9,887	14,157	131,824
	Other	1,812	1,691	15,742
	Eliminations(inter-segment net sales)	(12,346)	(15,073)	(140,344)
		¥ 122,281	¥ 136,307	$1,269,271
Operating Costs and Expenses:	Japan	¥ 89,556	¥ 100,486	$ 935,707
	America	23,060	24,083	224,254
	Asia-Oceania	8,803	12,419	115,644
	Other	1,574	1,502	13,987
	Non-allocated operating expenses and eliminations	(12,232)	(14,967)	(139,367)
		¥ 110,761	¥ 123,523	$1,150,225
Operating Income (Loss):	Japan	¥ 8,878	¥ 9,685	$ 90,189
	America	1,432	1,278	11,899
	Asia-Oceania	1,084	1,738	16,180
	Other	238	189	1,755
	Non-allocated operating expenses and eliminations	(112)	(106)	(977)
		¥ 11,520	¥ 12,784	$ 119,046
Assets:	Japan	¥ 71,923	¥ 77,005	$ 717,055
	America	17,565	18,853	175,556
	Asia-Oceania	11,202	15,097	140,582
	Other	968	1,182	11,010
	Corporate and eliminations	9,141	11,152	103,844
		¥ 110,799	¥ 123,289	$1,148,047

Notes : The Company's operations are classified into geographical areas as follows: Japan, America, Asia-Oceania (Thailand, Malaysia, China, Australia and United Arab Emirates) and Other (Europe).

Net sales outside Japan for the years ended as of March 31, 2004 and 2005 were as follows :

	Japanese yen (millions)		U.S. dollars (thousands)
	2004	2005	2005
America	¥ 24,035	¥ 25,823	$ 240,464
Asia-Oceania	14,738	19,659	183,065
Other	5,290	6,132	57,093
	¥ 44,063	¥ 51,614	$ 480,622

Report of Independent Auditor

EXEDY CORPORATION AND CONSOLIDATED SUBSIDIARIES

To the Board of Directors and Shareholders of EXEDY Corporation

We have audited the accompanying consolidated balance sheets of EXEDY Corporation and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards, generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EXEDY Corporation and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 1(g), effective for the year ended March 31, 2004, EXEDY Corporation and its subsidiaries adopted new Japanese accounting standards for impairment of fixed assets.
As described in Note 1(k), effective for the year ended March 31, 2005, EXEDY Corporation and its subsidiaries changed accounting policies related to employees' severance and retirement benefits.
As described in Note 15, effective for the year ended March 31, 2004, EXEDY Corporation and its subsidiaries changed the segment category.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1(a) to the accompanying consolidated financial statements.

Osaka, Japan
June 28, 2005

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying consolidated financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Corporate Data

BOARD OF DIRECTORS

As of June 30, 2005

President and Chief Executive Officer:
Takeshi Nakano

Executive Managing Directors:
Haruo Shimizu
Etsuji Terada

Managing Directors:
Tsuyoshi Hirata
Hisayasu Masaoka
Masayuki Matsuda

Directors:
Mikio Natsume
Kenji Takehara
Kouji Kajitani
Yoshitsugu Sakamoto
Katsumi Shintou
Hideki Miura
Osamu Fujiwara
Masanori Motoura
Shougo Okamura

Auditors:
Naoaki Sawada
Kanshirou Toyoda
Yusho Dejima
Koji Okada

OUTLINE OF COMPANY

As of March 31, 2005

Name:
EXEDY Corporation

Established:
July 1, 1950

Paid-in Capital:
¥8,284 million

Number of Employees:
1,622

Number of Authorized Shares:
168,000 thousand shares

Number of Issued Shares:
49,794 thousand shares

Number of Shareholders:
5,686

Average number of shares held by one Shareholder:
8,757 shares

Listed on First Sections, Tokyo/Osaka Stock Exchange

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Saitama 350-0833, Japan

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EXEDY Corporation
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.

Our Guiding Principles

Every one of us

participates with strong self-motivation.
-A company that meets challenges with vitality.

cooperates and strives for performance.
-A company whose efforts are rewarded.

practices what we preach.
-A company that accomplishes its stated goals.

builds mutual respect and trust.
-A company with pride.

encourages workers to grow as individuals.
-A company that makes the most of individual talent.

Business Domain

With advanced technology, dedication to service and a firm base in manufacturing drivetrain components, we aim to be a world-leader in our field.

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