



YUHO REPORT
Annual

Fiscal Year Ended	March 31, 2013
Traded	TSE1
Stock Code	7296



F.C.C. CO., LTD.

YUHOREPORT

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This report is based on the Company's Japanese-language annual filing with the Financial Services Agency and supplemented with materials that facilitate comparison with the Company's peers. The materials from the annual filing with the Financial Services Agency have been edited and reorganized in a format more familiar to the international investment community. All information contained in this report has been obtained from sources believed to be reliable, but the accuracy of the data and the translation and the completeness and timeliness of the information are not warranted by the Company, Pacific Associates, or PRONEXUS. None of the above parties shall be responsible for any error or omission or for results obtained from the use of this information. Also, because a reporting company may sometimes request that terminology be tailored as closely as possible to the XBRL taxonomy, this report may contain English expressions that are incorrect.

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Company Profile

Financial highlights

Years ended March 31; Millions of yen	2009	2010	2011	2012	2013	Change 2013/2009
Consolidated						
Net sales	121,279	96,943	117,621	117,068	126,245	104%
Ordinary income	7,867	6,075	12,672	11,494	13,124	167%
Net income	3,882	2,250	8,041	7,276	7,942	205%
Comprehensive income	-	-	5,518	6,244	17,707	
Net assets	73,124	73,792	77,268	81,208	97,491	133%
Total assets	93,560	94,634	98,531	103,937	122,258	131%
Net assets per share (Yen)	1,292.91	1,350.16	1,412.95	1,497.72	1,780.34	138%
Net income per share (Yen)	74.30	44.10	160.23	144.98	158.26	213%
Net income per share, fully diluted (Yen)	-	-	-	-	-	
Net cash provided by (used in) operating activities	10,989	9,619	14,991	12,360	13,491	123%
Net cash provided by (used in) investing activities	(8,607)	(3,701)	(5,350)	(10,309)	(11,355)	
Net cash provided by (used in) financing activities	(4,218)	(5,410)	(1,657)	(3,204)	(2,176)	
Cash and cash equivalents at end of period	14,654	15,473	22,545	20,591	23,369	159%
Employees	5,778	5,717	5,701	5,946	7,011	121%

Peer comparisons

Years ended March 31	2009	2010	2011	2012	2013
Net income / net sales (%)	3.2	2.3	6.8	6.2	6.3
Peers	(1.8)	0.2	3.7	2.9	2.5
Ordinary income / net sales (%)	6.5	6.3	10.8	9.8	10.4
Peers	0.8	2.6	6.3	5.5	4.9
Net income / assets (%)	3.8	2.4	8.3	7.2	7.0
Peers	(2.2)	0.7	4.7	3.6	2.8
Ordinary income / assets (%)	7.6	6.5	13.1	11.4	11.6
Peers	1.2	3.4	8.0	6.7	5.8
Equity / assets (%)	71.4	71.6	72.0	72.3	73.1
Peers	41.7	40.5	42.8	43.1	45.1
Net income / equity (%)	5.5	3.4	11.6	10.0	9.7
Peers	(8.5)	0.4	12.1	8.8	5.8

Peers include 49 motorcycle and automobile parts manufacturers in the transportation equipment industry listed on the First and Second sections of the TSE.

Business Overview

Description of business

The FCC Group, comprising the Company and 23 subsidiaries, is engaged in the manufacture and sales of clutches for motorcycles and automobiles.

The following breaks down the FCC Group's businesses into its operating segments, and indicates where each company falls within those segments.

Motorcycle clutches

This segment is engaged primarily in the manufacture and sales of clutches for motorcycles, scooters, all-terrain vehicles, and power products; it is also involved in the manufacture and sale of components and parts for motorcycles and automobiles.

Manufacturing	KYUSHU F.C.C. CO., LTD.
Manufacturing and sales	The Company, TENRYU SANGYO CO., LTD., Tohoku Chemical Industries, Ltd., FCC (PHILIPPINES) CORP. (Philippines), CHU'S F.C.C. CO., LTD. (SHANGHAI) (China), CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. (China), FCC DO BRAZIL LTDA. (Brazil), FCC (THAILAND) CO., LTD. (Thailand), FCC (TAIWAN) CO., LTD. (Taiwan), FCC RICO LTD. (India), FCC (North Carolina), LLC. (United States), PT. FCC INDONESIA (Indonesia), FCC (VIETNAM) CO., LTD. (Vietnam)

Automobile clutches

This segment is engaged primarily in the manufacture and sales of clutches for automatic and manual transmission automobiles.

Manufacturing	KYUSHU F.C.C. CO., LTD., FCC (PHILIPPINES) CORP. (Philippines), FCC (North Carolina), LLC. (United States)
Manufacturing and sales	The Company, FCC (THAILAND) CO., LTD. (Thailand), FCC RICO LTD. (India), PT. FCC INDONESIA (Indonesia), FCC (INDIANA), LLC. (United States), FCC (Adams), LLC. (United States), CHINA FCC FOSHAN CO., LTD. (China)

Group companies

Name	Operations	Capital stock Millions of yen or as indicated	Percent ownership
(Consolidated subsidiaries)			
KYUSHU F.C.C. CO., LTD.	Motorcycle and automobile clutches	30	100
TENRYU SANGYO CO., LTD.	Motorcycle clutches	22.5	67.11
Tohoku Chemical Industries, Ltd.	Motorcycle clutches	125	100
FCC (North America), INC.	Administration of U.S. subsidiaries	US\$42,800,000	100
FCC (INDIANA), LLC.	Automobile clutches	US\$17,800,000	100*
FCC (North Carolina), LLC.	Motorcycle and automobile clutches	US\$10,000,000	100*
FCC (Adams), LLC.	Automobile clutches	US\$15,000,000	100*
FCC (THAILAND) CO., LTD.	Motorcycle and automobile clutches	THB60,000,000	58*
FCC (PHILIPPINES) CORP.	Motorcycle and automobile clutches	PHP200,000,000	100
F.C.C.(China) Investment Co., Ltd.	Administration of China subsidiaries	US\$20,000,000	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	Motorcycle and automobile clutches	US\$28,000,000	100*
CHU'S F.C.C. CO., LTD. (SHANGHAI)	Motorcycle clutches	US\$9,800,000	100
CHINA FCC FOSHAN CO., LTD.	Automobile clutches	US\$18,000,000	87.4*
FCC (TAIWAN) CO., LTD.	Motorcycle clutches	NT\$195,000,000	70*
FCC RICO LTD.	Motorcycle and automobile clutches	INR79,000,000	50
PT. FCC INDONESIA	Motorcycle and automobile clutches	US\$11,000,000	100*
FCC (VIETNAM) CO., LTD.	Motorcycle clutches	US\$10,000,000	70
FCC DO BRASIL LTDA.	Motorcycle clutches	BRL31,600,000	100
		Company stock owned	
(Affiliated company)		Shares	Percent
HONDA MOTOR CO., LTD.	Manufacture and sales of automobiles and engines	86,067	21.68

* The Company owns subsidiaries marked with asterisks indirectly.

History

Year	Month	Event
1939	June	Fuji Lite Industries Co., Ltd. is established in Sato-cho, Hamamatsu-shi, Shizuoka Prefecture; the Company begins manufacturing clutch plates, gears and other products employing compression molding of Bakelite resins.
1943	March	Changes name to Fuji Chemical Co., Ltd.
1982	February	Establishes Kyushu Fuji Chemical Industries Co., Ltd. (now KYUSHU F.C.C. CO., LTD., a consolidated subsidiary) in Matsubase-machi, Shimomashiki-gun, Kumamoto Prefecture.
1984	July	Changes name to F.C.C. CO., LTD.
1988	July	Establishes JAYTEC, INC. (now FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
1989	March	Establishes FCC (THAILAND) CO., LTD. (now a consolidated subsidiary) in Bangkok, Thailand.
	June	Moves corporate head office to current address.
1992	September	Makes equity investment in KWANG HWA SHING INDUSTRIAL CO., LTD. of Tainan Province, Taiwan.
1993	September	Establishes FCC (PHILIPPINES) CORP. (now a consolidated subsidiary) in Laguna, Philippines.
	October	Acquires shares of TENRYU SANGYO CO., LTD. (now a consolidated subsidiary)
1994	August	Registers its shares for OTC trading with the Securities Dealers Association of Japan.
	December	Establishes CHENGDU JIANG HUA. F.C.C. CLUTCHES. CO., LTD. (now CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a consolidated subsidiary) in Chengdu, Szechuan Province, China.
1995	March	Establishes CHU'S F.C.C. CO., LTD. (SHANGHAI) (now a consolidated subsidiary) in Shanghai, China.
	September	Establishes FCC (EUROPE) LTD. in Milton Keynes, UK.
1997	April	Establishes FCC RICO LTD. (now a consolidated subsidiary) in Haryana, India.
1998	November	Establishes FCC DO BRASIL LTDA. (now a consolidated subsidiary) in Amazonas, Brazil.
2000	April	Establishes FCC (North Carolina), INC. (now FCC (North Carolina), LLC., a consolidated subsidiary) in North Carolina, U.S.A.
2001	April	Establishes PT. FCC INDONESIA (now a consolidated subsidiary) in Karyawan, Indonesia.
2002	December	Establishes FCC (North America), INC. (now a consolidated subsidiary) and FCC (INDIANA), INC. (now FCC(INDIANA) LLC.) in Indiana, U.S.A.
2003	February	Lists its shares on the Second Section of the Tokyo Stock Exchange.
	May	Establishes FCC (Adams), LLC. (now a consolidated subsidiary) in Indiana, U.S.A.
2004	March	Lists its shares on the First Section of the Tokyo Stock Exchange.
2005	June	Increases investment in KWANG HWA SHING INDUSTRIAL CO., LTD. (now FCC (TAIWAN) CO., LTD.), making the company a consolidated subsidiary.
	November	Establishes FCC (VIETNAM) CO., LTD. (now a consolidated subsidiary) in Hanoi, Vietnam.
2006	January	Establishes CHINA FCC FOSHAN CO., LTD. (now a consolidated subsidiary) in Guangdong Province, China.
2010	November	Acquires 100% of Tohoku Chemical Industries, Ltd. (now a consolidated subsidiary) in Shinagawa-ku, Tokyo.
2012	September	Establishes F.C.C. (China) Investment Co., Ltd. (now a consolidated subsidiary) in Chengdu, Szechuan Province, China.
	December	Completes liquidation of FCC (EUROPE) LTD.
2013	February	Establishes FCC SEOJIN CO., LTD. in Siheung, Gyeonggi Province, Korea.

Risk factors

(1) Business strategies centered on clutches

The FCC Group continues to evolve as a specialist in clutches. Although the clutches that are currently manufactured and sold by the Group are an important functional component of automobile and motorcycle drive trains, there is no guarantee that a replacement for the clutch will not be developed and put into general use hereafter. In addition, clutches may be unnecessary as drive train components in next-generation vehicles.

(2) Dependence on certain industries and customers

1) Most of the FCC Group's products are sold to the automobile and motorcycle industries, creating a heavy dependence on the fortunes of those two industries. The financial performance of the FCC Group could be significantly affected, therefore, by changes in automobile and motorcycle production volumes and by demand trends for specific models.

2) Sales to the Honda Motor Group account for roughly 65% of the FCC Group's sales. The financial performance of the Company could be significantly affected, therefore, by sales trends at Honda and by Honda's procurement policies and other decisions.

(3) Development of overseas markets

1) In recent years, the FCC Group has maintained a high ratio of overseas production.

2) The Group's financial performance could consequently be impacted by factors such as the following: fluctuations in foreign exchange markets; economic trends in various foreign markets; unforeseen changes in the legal and regulatory environment in overseas markets; international tax-related risks, such as transfer pricing taxation; and political upheavals and natural disasters.

(4) Competition in the automobile components industry

Competition in the automobile components industry has become extremely fierce, both within Japan and internationally. While the FCC Group is endeavoring to sustain and raise its cost competitiveness by adding greater value, enhancing manufacturing efficiency, reducing expenses, etc., certain obstacles may make it difficult to do so in the future, in which case the Group's earnings capability could decline.

(5) Compensation for product defects

Although the FCC Group is doing all it can to ensure sufficient quality control, it is not possible to prevent all defects and deficiencies. In addition, large-scale recalls by final assemblers initiated as a result of defects in products supplied by the FCC Group could result in enormous costs to the Group as well as in serious damage to its reputation. In such event, product defect liability could exert a serious impact on both the Group's financial performance and its financial condition.

(6) Impact of natural disasters, earthquakes, etc.

The FCC Group is enacting measures to minimize the potential effects of work stoppages on its production lines. There is no guarantee, however, that it will be able to fully avoid or ameliorate the impact of work stoppages caused by disasters, electrical outages or other events at its manufacturing facilities. In this respect, the concentration of the Group's principal manufacturing facilities in western Shizuoka Prefecture is particularly notable, because this area lies within the region that is likely to be affected by the widely predicted Tokai and Tonankai earthquakes. Such a disaster could exert an enormous impact on the Group's manufacturing facilities and cause a significant reduction in its manufacturing capabilities.

(Note) All forward-looking statements made in items (1) through (6) are based on information available as of the date of submission of the filing with the Financial Services Agency.

Research and development

As a manufacturer of functional components for transportation vehicles, the FCC Group has adopted the basic R&D policy of identifying customer needs and providing products that give customers excellent performance through the application of creative ideas and technologies. Accordingly, it carries out both basic research on friction materials for use in motorcycle, automobile and power equipment clutches and R&D on clutches themselves (including R&D on production technologies for use in their manufacture).

The Group also works on the development of new products by making improvements in existing products and by utilizing the technologies it has accumulated through its experience in manufacturing clutches (and the friction materials employed in the clutches). Among R&D efforts aimed at protecting the environment, it is developing a porous fiber catalytic sheet ("paper catalyst"), which it believes can be employed as a paper catalyst to clean engine exhaust.

During the year under review, R&D expenditures amounted to 2,983 million yen.

The following is a summary of R&D activities by segment during the year.

Motorcycle clutches: where the aim is to develop new wet friction materials for motorcycles and dry friction materials for scooters to improve clutch operability and reduce costs.

Principal achievements:

- 1) In ASEAN, began mass production of pulley assemblies and clutches for commuter-use motorcycles targeting global consumer market
- 2) Began mass production of clutches for large-displacement sports model motorcycles incorporating the Company's proprietary A&S technology; also commenced mass production of limited slip differentials for multi-utility vehicles
- 3) Continued development of new friction materials that offer enhanced product appeal and durability

Paper catalyst:

Continued R&D aimed at expanding applications for paper catalysts, for which mass production began in March 2011. Paper catalysts are currently being used as exhaust filters in power equipment.

R&D expenses in the motorcycle clutch segment amounted to 1,237 million yen.

Automobile clutches: where the aim is to develop new wet friction materials for automatic transmissions (including CVTs) and new dry friction materials for manual transmissions to make clutches more compact, less expensive to manufacture and more fuel efficient.

Principal achievements:

- 1) Began mass production of a torque limiter for use in hybrid vehicles employing technologies based on the following:
 - Elements of the Company's proprietary "segment" method of manufacturing friction plates, and
 - Methods used to manufacture wet process friction material and wet process clutches developed to enhance the fuel efficiency and durability of automatic transmissions
- 2) Designed a new clutch for recently developed multi-stage automatic transmissions.

R&D expenses in the automobile clutch segment amounted to 1,745 million yen.

Analysis of financial condition and results of operations

(1) Important accounting principles and estimates

The FCC Group's financial statements are prepared in accordance with accounting standards generally deemed to be fair and appropriate in Japan. In the course of preparing these financial statements, a number of important estimates and suppositions must be made. The following is a discussion of areas in which important judgments are required in the application of accounting principles and in which such judgments have a significant impact on the Group's financial condition and operating performance.

Retirement benefit expenses and retirement benefit liabilities

To ensure their ability to pay benefits to retiring employees, F.C.C. CO., LTD. and its subsidiaries recognize a provision for retirement benefits based on estimates of retirement benefit liabilities and pension assets as of the end of the fiscal year.

Calculations of retirement benefit expenses rest on a number of assumptions, including assumptions concerning discount rates, rates of pay increases and expected rates of return on investments. The companies take interest rates and other market trends into account to determine discount rates and expected rates of return on investments. Their estimates of rates of pay increases reflect the actual rates of increase as well as their most recent projections.

The Company considers its accounting estimate of retirement benefit liabilities to be an "important accounting estimate." This is because any change in the assumptions used to estimate this liability could have a material impact on its financial standing and operating performance. Differences in retirement benefit liabilities resulting from such changes in assumptions are amortized over future periods, with these differences reflected in the financial statements for future periods as expenses and liabilities. Although management believes that its current assumptions are appropriate, any changes in these assumptions could exert an effect on retirement benefit expenses and liabilities.

(2) Analysis of financial condition

1) Current assets

Current assets at year-end were 62,927 million yen, 7,972 million yen higher than at the end of March 2012. This increase was attributable primarily to an increase in cash and deposits of 3,332 million yen, an increase in inventories of 2,804 million yen and an increase in short-term loans receivable of 478 million yen.

2) Noncurrent assets

Noncurrent assets amounted to 59,330 million yen at year-end, an increase of 10,348 million yen compared to the end of March 2012. A decrease in goodwill led to a 77 million yen decrease in intangible assets, which was more than offset by a 8,795 million yen increase in property, plant and equipment and a 1,630 million yen increase in investments and other assets.

3) Current liabilities

Current liabilities at year-end registered 19,360 million yen, 1,647 million yen greater than at the end of March 2012. Most of this change was accounted for by a 1,375 million yen increase in income taxes payable, which offset declines in notes and accounts payable-trade of 261 million yen, in factoring liabilities of 450 million yen, and in a provision for loss on business liquidation of 336 million yen.

4) Noncurrent liabilities

Noncurrent liabilities at year-end were 5,405 million yen, 390 million yen greater than at the end of March 2012.

5) Net assets

Net assets at year-end were 97,491 million yen, an increase of 16,282 million yen from the end of March 2012. This growth was attributable primarily to a 6,936 million yen increase in retained earnings, a 6,697 million yen increase in foreign currency translation adjustment and a 2,098 million yen increase in minority interests.

(3) Analysis of operating results (year-on-year percentage changes)

1) Net sales

Net sales increased by 7.8% to 126,245 million yen.

By segment:

- Motorcycle clutches: up 0.5% to 71,004 million yen
- Automobile clutches: up 19.0% to 55,240 million yen

Impact of exchange rates when translating sales of overseas subsidiaries into yen:

- Negative in the motorcycle clutches segment
- Positive in the automobile clutches segment

2) Operating income

Operating income decreased by 0.8% to 10,964 million yen.

By segment:

- Motorcycle clutches: down 24.2% to 7,165 million yen
- Automobile clutches: up 137.3% to 3,798 million yen

Analysis:

- Increase in costs associated with new product launches
- Lower sales of high-margined motorcycle clutches as a result of a tightening of consumer loan-related credit controls in Indonesia and Brazil
- Declines in the value of the Indonesian, Indian and Brazilian currencies

3) Income before income taxes and minority interests

Income before income taxes and minority interests increased by 15.9%, to 13,073 million yen.

Non-operating accounts: the positive balance increased from 438 million yen to 2,160 million yen as a result of a large swing in foreign exchange gains and losses from a loss of 272 million yen in the year ended March 2012 to a gain of 1,368 million yen in the year ended March 2013.

Extraordinary accounts: decline in extraordinary losses from 217 million yen to 50 million yen

- Larger gains on sales of noncurrent assets
- Elimination of losses on the liquidation of a British subsidiary recognized in the year ended March 2012

4) Net income

Net income increased by 9.2% to 7,942 million yen.

The corporate tax rate on income before income taxes and minority interests increased by 3.92 percentage points to 31.28%.

The reasons for the difference between this rate and normal effective statutory tax rates were as follows:

- Effects of motorcycle clutch operations in Indonesia, Brazil and Thailand, which are countries with low corporate tax rates
- Effects of automobile clutch operations in China
- Exclusion of dividends received from overseas subsidiaries, and credits for foreign taxes paid

(4) Liquidity and sources of funds

The financial policies of the FCC Group revolve around three objectives: generating an appropriate amount of capital for its operations; maintaining an appropriate amount of liquidity; and sustaining a healthy balance sheet. Its basic policy is to fund all capital investments and R&D expenditures from cash generated by operations. During the year, cash flow from operations amounted to 13,491 million yen (up 9.2% from the previous year); cash used in investing activities amounted to 11,355 million yen (up 10.1%); and cash used in financing activities amounted to 2,176 million yen (down 32.1%).

In the year ending March 2014, the Company plans to finance capital investment and R&D primary through cash and cash equivalents on hand and through cash and cash equivalents generated through operations.

1) Research and development

R&D-related expenses during the year amounted to 2,983 million yen (up 1.7% from the previous year).

2) Capital investment

Principal categories of expenditure: at overseas subsidiaries, equipment for the launch of new models and for expansion of manufacturing capacity; in Japan, new equipment for capacity increases on production lines for friction materials, and upgrading of production control systems

Capital investment during the year amounted to 11,774 million yen (up 6.5% from the previous year). The breakdown of capital investment by business segment is as follows:

Millions of yen	2013	
	Amount	Year-on-year comparison
Motorcycle clutches	5,059	90.5%
Automobile clutches	6,038	123.7%
Segment reporting total	11,097	105.9%
General operations	677	117.7%
	11,774	106.5%

(5) Factors exerting a material impact on operating performance and the Group's responses

The Company's operating performance is affected by changes in currency rates, and these changes had an impact on net sales, gross profit, operating income, ordinary income, net income and retained earnings. Among efforts to minimize trading risks, the Company is seeking to increase the ratio of local content in manufacturing by overseas subsidiaries and to create an effective system of parts and product sharing among the Group companies.

HONDA MOTOR CO., LTD. and its affiliates accounted for approximately 65% of the Company's total sales for the year. The Honda group's product trends and procurement policies consequently exert a significant impact on the Company's financial performance. The Company is pursuing aggressive efforts to expand its sales outside the Honda group in order to develop a more stable business base. It is also taking steps to strengthen its R&D capabilities in order to expand its new product lineup.

(Note) All forward-looking statements made in items (1) through (5) are based on information available as of the date of submission of the filing with the Financial Services Agency.

Corporate governance

Basic policy regarding corporate governance

In the Company's view, the goals of corporate governance are threefold: to increase returns to all stakeholders who interact with the Company in various capacities, including shareholders, creditors, customers, employees and local community residents; to construct systems that facilitate efficient, ethical management of the Company; and to increase the Company's corporate value. The Company thus considers fostering better corporate governance to be a critically important task for management, and it is working diligently to achieve it.

(1) Structure of corporate governance

1) Summary of features and systems of corporate governance

The Company's oversight and auditing functions are carried out by the Board of Directors and Board of Corporate Auditors.

The Board of Directors comprises 11 directors. In addition to making decisions on important matters concerning operations and fulfilling functions required by law, the Board oversees the execution of the Company's operations.

The Board of Corporate Auditors is composed of four auditors, of whom two are external auditors. In accordance with the auditing policies and divisions of responsibility established by the Board of Corporate Auditors, each auditor audits the performance of the Board of Directors based on his/her participation in Board of Directors' meetings and in other important meetings and on examinations of the Company's operations and assets.

2) Reasons for adopting the features and systems of corporate governance described above

In view of its size and the nature of its businesses, the Company has elected to become a "company with corporate auditors." In addition to providing a means of overseeing and auditing the execution of duties by the directors, the use of corporate auditors enables the Company to create an organization that is in accord with the Company's basic policy on internal control systems. Of the Company's four corporate auditors, two are external auditors, who by virtue of their professional knowledge and experience bring an external perspective to the task of auditing. The Company believes that this ensures the maintenance of objectivity and neutrality in its management oversight function.

3) Internal control systems

In September 2003, the FCC Group established a set of “Action Guidelines” as a means of fostering enhanced trust among shareholders, customers and local communities and of increasing its corporate value. It is now implementing them on a Group-wide basis.

The Company’s President is responsible for overseeing the operations of the Group as a whole, while the presidents of the various subsidiaries assume these responsibilities for their companies. The Board members in charge of the respective divisions are responsible for establishing, promoting and executing the FCG (“F.C.C. Corporate Governance”) system in their respective divisions.

4) Risk management

A risk management officer is responsible for overseeing risk management for the FCC Group as a whole. A managing director currently performs this role. In addition, in the interest of promoting early detection of potential legal or ethical violations at the level of individual business units, and in the interest of guarding against recurrence should such violations occur, the Group has also established a department to which any Group employee can make proposals concerning improvements in corporate ethics. All such proposals are processed by this department and submitted to the Corporate Ethics Committee. The Corporate Ethics Committee is led by the Corporate Compliance Officer (currently a director) with two other directors also serving on the committee. It is the committee’s job to protect persons who submit proposals and, in cases of serious violations, to investigate the problems and take appropriate corrective action.

In addition, the Group has established an Auditing Office, which is responsible for monitoring the state of regulatory compliance by each business unit and for examining the effectiveness of the risk management mechanisms that have been put into place. The Auditing Office submits its findings directly to the President. The Corporate Auditors and the Board of Corporate Auditors examine the functioning of governance at the overall Group level and make determinations concerning the effectiveness of mechanisms set up to deal with regulatory compliance and risk management.

If an important legal issue arises, or if the Group believes it is faced with a serious regulatory problem, it consults with its outside legal advisers and involves them in all requisite examinations of the issue. In addition to regular

financial auditing, the Group consults with its financial auditors on all important accounting-related issues as they arise.

(2) Internal audits and audits by corporate auditors

- Internal audits

To protect the Company's assets, rationalize its management, and improve and enhance its operating efficiency, this office examines whether the organization is being run in accordance with the Company's policies and plans and in accordance with its directives, orders and regulations. This office's five staff members (including the Chief Audit Officer) carry out periodic audits of operations in collaboration with the Board of Corporate Auditors and conduct unscheduled audits at the direction of the President.

- Audits by corporate auditors

The Company's four corporate auditors, of whom two are internal auditors (standing) and two are external auditors (non-standing), audit the management performance of the directors, the Company's system of internal control and other aspects of operations by attending Board of Directors' meetings, senior management meetings and other important meetings, collaborating closely with the Office of Auditing, and examining the operations and assets of the Company's divisions and domestic and overseas subsidiaries. Such audits are carried out in accordance with auditing policies, plans and divisions of responsibility established by the Board of Corporate Auditors based on the "Regulations of the Board of Corporate Auditors" and the "Auditing Standards for Corporate Auditors." The statutory auditors also exchange information and opinions with the financial auditors in an effort to improve the effectiveness and efficiency of their audits.

The Corporate Ethics Committee receives letters and opinions dealing with compliance-related issues through an office responsible for accepting proposals for improving corporate ethics. The corporate auditors examine these documents and follow up on the reported issues during their regular audits. In matters of sufficient importance, the Company-wide Corporate Governance Secretariat (administered by the General Affairs Department) provides occasional updates on the issues concerned on an as-required basis. As concerns financial and accounting-related matters, the corporate auditors are briefed in detail by senior Accounting Department personnel on the Company's monthly financial results, in addition to its quarterly and annual results.

External auditor Masahide Sato is a licensed CPA with abundant knowledge of finance and accounting.

(3) External corporate auditors

- The Company has two external corporate auditors, Yoshinori Tsuji and Masahide Sato, neither of whom has any other relationship with the Company—whether personal or based on shareholdings or business transactions.
- The function and role of the external auditors is oversight. In this capacity, their aim is to ensure that the directors execute their duties in a manner that is increasingly appropriate and effective.
 - The Board of Corporate Auditors establishes auditing policies, auditing plans, and divisions of responsibility based on the “Regulations of the Board of Corporate Auditors” and “Auditing Standards for Corporate Auditors.”
 - Guided by these policies, plans and divisions of responsibility, the external auditors audit the management performance of the directors and the Company’s system of internal control by attending Board of Directors’ meetings, collaborating with the Office of Auditing, and examining the operations and assets of the Company’s divisions and domestic and overseas subsidiaries.
 - The external auditors also exchange opinions and information with the financial auditors in an effort to improve the effectiveness and efficiency of their audits.
 - Further, as noted in the preceding section on Audits by the corporate auditors, the external auditors are briefed when necessary on issues of compliance and finance and accounting by the Company-wide Corporate Governance Secretariat and the Accounting Department.
- In selecting external auditors, the primary consideration is independence, but there are no clear standards or policies with regard to selection.
 - Mr. Tsuji is an attorney with abundant experience and broad-ranging knowledge of his profession.
 - Mr. Sato is a CPA with abundant experience and broad-ranging knowledge of his profession.

- In consideration of the high degree of independence and the absence of any conflict of interest between them and the ordinary shareholders, the Company has designated Mr. Tsuji and Mr. Sato as independent auditors in accordance with the provisions established by the Tokyo Stock Exchange Group, Inc., and registered them with said exchange.

The Company has no external directors. It believes that, in corporate governance, the important thing is to have objective and neutral management oversight from external parties. Because the audits by its two external auditors fully provide such oversight, the Company has chosen not to elect external directors.

(4) Compensation paid to directors and corporate auditors

1) Compensation by category of board members, breakdown by type of compensation and number of board members in each category

Millions of yen	Amount paid	Amount paid out to board members by type of compensation		Number of board members in each category
		Compensation	Bonuses	
Directors	304	223	80	14
Corporate Auditors (excluding External Corporate Auditors)	45	33	11	3
External Corporate Auditors	7	7	-	2

(Notes)

1. The total amount of directors' compensation does not include salaries paid to persons who are concurrently directors and employees.
 2. At the 78th Ordinary General Meeting of Shareholders held on June 19, 2008, the compensation paid to directors was capped at 500 million yen per year (which, however, does not include salaries paid for work performed as employees).
 3. At the 76th Ordinary General Meeting of Shareholders held on June 22, 2006, the compensation paid to corporate auditors was capped at 90 million yen per year.
- 2) Policy regarding amounts paid to board members and the method of calculation of such amounts

The Board of Directors determines the compensation paid to each director by considering trends in the economy and the industry and by weighing financial contributions and other factors. The Board of Corporate Auditors decides, through consultation, on the amounts of compensation to be paid to the corporate auditors.

(5) Shareholdings in other companies

- 1) Of shares held for investment purposes, the number of shares purchased for reasons other than pure investment and the value of such shares on the balance sheet

Number of issues: 24

Total value on balance sheet: 657 million yen

- 2) Investments in shares held for reasons other than pure investment: type of holding; specific securities; number of shares; balance sheet value; and reasons for investment

Shares of specifically designated small and medium-sized companies

Millions of yen	2012		2013		Reason for purchase
	Number of shares	Book value	Number of shares	Book value	
Stanley Electric Co., Ltd. (6923)	137,975	181	137,975	228	To maintain and strengthen business relationships
SUZUKI MOTOR CORPORATION (7269)	52,500	103	52,500	110	To maintain and strengthen business relationships
KANEMATSU CORPORATION (8020)	821,000	81	821,000	100	To maintain and strengthen business relationships
Mizuho Financial Group, Inc. (8411)	178,688	24	178,688	35	To maintain and strengthen business relationships
Sumitomo Mitsui Financial Group, Inc. (8316)	5,755	15	5,755	21	To maintain and strengthen business relationships
MUSASHI SEIMITSU INDUSTRY CO., LTD. (7220)	6,000	11	6,000	12	To maintain and strengthen business relationships
SHIMIZU CORPORATION (1803)	39,000	12	39,000	11	To maintain and strengthen business relationships
Mitsubishi UFJ Financial Group, Inc. (8306)	15,360	6	15,360	8	To maintain and strengthen business relationships
Nissin Kogyo Co., Ltd. (7230)	4,500	6	4,500	6	To maintain and strengthen business relationships
TANAKA SEIMITSU KOGYO CO., LTD. (7218)	4,000	3	4,000	3	To maintain and strengthen business relationships
G-TEKT CORPORATION (5970)	1,200	2	1,200	3	To maintain and strengthen business relationships
Yutaka Giken Company Limited (7229)	1,000	1	1,000	1	To maintain and strengthen business relationships

(6) Financial audits

The Company's financial auditors are Yasumori Audit Corporation. The following information covers the names of the certified public accountants involved in the financial audit for the term under review, and the number of assistant accountants who participated in the audit with them.

- Names of CPAs participating in the audit

Engagement partner: Masakazu Wakabayashi

Engagement partner: Makoto Tsukura

Assistant accountants participating in the audit: 9 CPAs

(7) Matters normally requiring the adoption of a resolution by the General Meeting of Shareholders, which may be decided by the Board of Directors

- Acquisition of treasury shares

To carry out capital market-related strategies in a flexible and timely manner in response to changes in the economic environment, the Company provides in its Articles of Incorporation that, in accordance with Article 165-2 of the Corporation Law, it may acquire treasury shares through market transactions based on a resolution of the Board of Directors.

- Interim dividends

The Company provides in its Articles of Incorporation that, in accordance with Article 454-5 of the Corporation Law, it may pay a dividend of surplus (interim dividend) based on a resolution of the Board of Directors. The aim of such dividends shall be to return profits quickly and effectively to shareholders.

(8) Number of directors

The Company states in its Articles of Incorporation that it shall have no more than fifteen directors.

(9) Requirements for the election of directors

The Company states in its Articles of Incorporation that adoption of resolutions for the election of directors shall require that at least one-third of the shareholders entitled to execute voting rights be present, and that an affirmative vote be cast by a majority of such shareholders.

(10) Requirements for the adoption of special resolutions by the General Meeting of Shareholders

The Company states in its Articles of Incorporation that the adoption of resolutions based on Article 309-2 of the Corporation Law shall require that at least one-third of the shareholders entitled to execute voting rights be present and that an affirmative vote be cast by at least two-thirds of such shareholders. The aim of this provision is to further ensure that quorums are available for the adoption of special resolutions by the General Meeting of Shareholders and that the General Meeting of Shareholders is conducted without impediments.

Professional fees paid to financial auditors

Compensation paid to CPAs and accounting firms

Millions of yen	2012		2013	
	Financial audit services	Non-audit services	Financial audit services	Non-audit services
The Company	53	-	53	-
Subsidiaries	-	-	-	-
	53	-	53	-

Directors

Name	Title	Date joined Company	Previous or current employers/ occupations	Date of birth	Term	Hundreds of shares
Shiro Sumita	Representative Director, Chairman	Sep-74		21-Apr-47	1 year from the General Meeting of Shareholders (GMS) held on June 24, 2013	310
Toshimichi Matsuda	Representative Director, President	Mar-75		9-Dec-52	1 year from GMS held on June 24, 2013	90
Yoshitaka Saito	Managing Director	Feb-09		29-Nov-73	1 year from GMS held on June 24, 2013	40
Kazuhiro Itonaga	Managing Director	Mar-82		11-Mar-60	1 year from GMS held on June 24, 2013	13
Yoshinobu Isobe	Director	Apr-09	HONDA MOTOR CO., LTD.	28-Sep-53	1 year from GMS held on June 24, 2013	55
Kazuto Suzuki	Director	Apr-84		27-May-61	1 year from GMS held on June 24, 2013	23
Tomokazu Takeda	Director	Apr-11		26-Oct-54	1 year from GMS held on June 24, 2013	10
Ryujiro Matsumoto	Director	Jul-05		4-Jun-62	1 year from GMS held on June 24, 2013	10
Atsuhiko Mukoyama	Director	Apr-84		31-Jul-63	1 year from GMS held on June 24, 2013	14
Satoshi Nakaya	Director	Apr-86		17-Mar-64	1 year from GMS held on June 24, 2013	41
Kenichi Inoue	Director	Apr-13		3-May-57	1 year from GMS held on June 24, 2013	10

Name	Title	Date joined Company	Previous or current employers/ occupations	Date of birth	Term	Hundreds of shares
Hiomichi Suzuki	Standing Corporate Auditor	Mar-78		20-Sep-52	4 years from GMS held on June 28, 2011	46
Katsuyoshi Fukatsu	Standing Corporate Auditor	Mar-77		30-Nov-54	4 years from GMS held on June 25, 2012	47
Yoshinori Tsuji	Corporate Auditor	Jun-07	Attorney at Law	17-Apr-59	4 years from GMS held on June 28, 2011	-
Masahide Sato	Corporate Auditor	Jun-10	CPA	10-Feb-64	4 years from GMS held on June 25, 2012	-
	15					709

Current assignments and previous positions in the Company have been omitted.

Employees

Consolidated	
Business segment	Number
Motorcycle clutches	4,551
Automobile clutches	2,015
Segment reporting total	6,566
Administration (general operations)	445
	7,011
Parent	
	Total or average
Number	1,118
Average age	37.4
Average years of service	13.5
Average annual salary (Yen)	6,122,907
Business segment	Number
Motorcycle clutches	243
Automobile clutches	430
Segment reporting total	673
Administration (general operations)	445
	1,118

The number noted under "Administration (general operations)" refers to employees in management and technical research divisions and the production engineering center.

The increase in consolidated number of employees by 1,065 compared to the previous fiscal year is due to increases in manufacturing capacity at subsidiaries in Indonesia, India and the United States.

Unions

Parent company

The Company's labor union, known as the F.C.C. Labor Union, had 1,063 members as of March 31, 2013. It is a member of the Japanese Association of Metal, Machinery and Manufacturing Workers ("JAM"). Since its formation, the union has enjoyed amicable relations with the Company, and there are currently no unresolved issues between the two parties.

Labor-management relations at the Company's consolidated subsidiaries are also stable, with no unresolved issues requiring reporting. The situations with respect to labor unions at the Company's principal subsidiaries are as follows.

FCC (THAILAND) CO., LTD.

The Company's labor union, known as the F.C.C. Workers' Union, had 362 members as of March 31, 2013. Since its formation, the union has enjoyed amicable relations with the Company, and there are currently no unresolved issues between the two parties.

PT. FCC INDONESIA

The Company's labor union, known as the F.C.C. Indonesia Metalworkers' Union, had 1,312 members as of March 31, 2013. It is a member of the Indonesian Metalworkers' Union. When necessary, the Company engages in negotiations with the union in response to its demands.

Cash Flows

Consolidated statements of cash flows

Years ended March 31; Millions of yen	2012	2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,277	13,073
Depreciation and amortization	6,335	5,999
Amortization of goodwill	275	275
Increase (decrease) in allowance for doubtful accounts	(2)	(2)
Increase (decrease) in provision for bonuses	(42)	53
Increase (decrease) in provision for retirement benefits	229	(52)
Increase (decrease) in provision for directors' retirement benefits	(23)	-
Interest and dividends income	(481)	(501)
Interest expenses	19	13
Foreign exchange losses (gains)	(21)	(724)
Equity in (earnings) losses of affiliates	(23)	21
Loss (gain) on sales and retirement of noncurrent assets	60	101
Gain on bargain purchase	(83)	-
Subsidy income	(50)	(2)
Reversal of provision for loss on business liquidation	-	(48)
Loss on liquidation of business	291	-
Decrease (increase) in notes and accounts receivable - trade	(3,040)	1,963
Decrease (increase) in inventories	(1,804)	(1,495)
Decrease (increase) in other assets	(143)	(280)
Increase (decrease) in notes and accounts payable - trade	2,202	(1,762)
Increase (decrease) in factoring liabilities	119	(432)
Increase (decrease) in other liabilities	(340)	9
Increase (decrease) in accrued consumption taxes	(56)	(194)
Subtotal	14,697	16,013
Interest and dividends income received	627	615
Interest expenses paid	(26)	(15)
Payments for loss on disaster	(1)	-
Income taxes paid	(2,936)	(3,121)
Net cash provided by (used in) operating activities	12,360	13,491

Years ended March 31; Millions of yen	2012	2013
Net cash provided by (used in) investing activities		
Payments into time deposits	(252)	(712)
Proceeds from withdrawal of time deposits	246	296
Purchase of property, plant and equipment	(9,541)	(11,012)
Proceeds from sales of property, plant and equipment	144	526
Purchase of intangible assets	(66)	(194)
Proceeds from sales of intangible assets	-	1
Purchase of investment securities	(146)	(53)
Proceeds from sales of investment securities	-	12
Payments for purchases of other investment instruments	(30)	(135)
Proceeds from sales of other investment instruments	12	17
Payments of loans receivable	(5,238)	(3,978)
Collection of loans receivable	4,514	3,898
Other, net	49	(22)
Net cash provided by (used in) investing activities	(10,309)	(11,355)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,045)	184
Repayment of long-term loans payable	(71)	(136)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,605)	(1,705)
Cash dividends paid to minority shareholders	(480)	(519)
Net cash provided by (used in) financing activities	(3,204)	(2,176)
Effect of exchange rate change on cash and cash equivalents	(799)	1,879
Net increase (decrease) in cash and cash equivalents	(1,953)	1,839
Cash and cash equivalents at beginning of period	22,545	20,591
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	-	938
Cash and cash equivalents at end of period	20,591	23,369

Relationship between balance of cash and cash equivalents as of term-end and balance sheet items

Years ended March 31; Millions of yen	2012	2013
Cash and deposit accounts	20,865	24,198
Time deposits, etc., with terms of over 3 months	(273)	(828)
Cash and cash equivalents, end of period	20,591	23,369

Capital expenditures

The FCC Group makes investments with a focus on products and R&D-related projects with medium-to-long term growth potential that contribute to labor savings, rationalization and enhanced product reliability. During the fiscal year ended March 2013, it made a total of 11,774 million yen in capital investments, which included the following major projects.

Millions of yen	Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total book value
			Book value	Square meters		
Parent company						
Suzuka Factory						
Motorcycle and automobile clutches	109	68	-	-	744	922
R&D Division						
Integrated research	8	403	-	-	(68)	344
Hosoe Factory						
Motorcycle and automobile clutches	11	181	-	-	9	202
Ryuyo Factory						
Motorcycle and automobile clutches	-	24	-	-	120	145
Domestic subsidiaries						
Tohoku Chemical Industries, Ltd.						
Motorcycle clutches	230	18	-	-	(123)	126
Overseas subsidiaries						
PT. FCC INDONESIA						
Motorcycle and automobile clutches	418	1,053	-	-	450	1,922
FCC (Adams), LLC.						
Automobile clutches	535	325	-	-	613	1,474
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.						
Motorcycle and automobile clutches	683	84	-	-	471	1,239
FCC RICO LTD.						
Motorcycle and automobile clutches	165	694	67	-	267	1,194
FCC (THAILAND) CO., LTD.						
Motorcycle and automobile clutches	54	677	-	-	273	1,005

Capital expenditure and disposal plan

The FCC Group develops and adopts capital investment plans based on broad-ranging considerations of economic forecasts, industry trends and investment efficiency. As a rule, investment plans are initiated by the individual Group companies. The reporting Company then functions as the coordinator in formulating the final plan.

Millions of yen	Budgeted amount	Expenditures to date	Date commenced	Date to be completed
Hamakita Factory				
Automobile clutches	1,066	-	2013/4	2014/3
R&D Division				
Integrated research	350	-	2013/4	2014/3
Ryuyo Factory				
Motorcycle and automobile clutches	151	-	2013/4	2014/3
Suzuka Factory				
Motorcycle and automobile clutches	151	-	2013/4	2014/3
FCC (North Carolina), LLC.				
Motorcycle and automobile clutches	7,160	-	2013/4	2014/3
FCC (THAILAND) CO., LTD.				
Motorcycle and automobile clutches	2,086	-	2013/4	2014/3
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.				
Motorcycle and automobile clutches	2,072	-	2013/1	2013/12
FCC (INDIANA), LLC.				
Automobile clutches	1,805	-	2013/4	2014/3
FCC (Adams), LLC.				
Automobile clutches	1,330	-	2013/4	2014/3
PT. FCC INDONESIA				
Motorcycle and automobile clutches	824	-	2013/4	2014/3

Dividend policy

The Company considers dividend policy to be one of most important decision-making areas for management. The automobile and automobile component industries engage in businesses around the world from a global perspective. Against this background, the Company's fundamental stance toward dividends is to make payouts that are backed by performance, which in turn requires that it carry out aggressive programs of capital investment and R&D, that it develop new products and technologies and translate them successfully into high-volume production, and that it maintain and consolidate its competitive position in the industry.

The Company's basic policy is to pay dividends twice a year in the form of an interim dividend and a year-end dividend.

Decisions on the year-end dividend are made by the shareholders at their General Meeting; decisions on interim dividends are made by the Board of Directors.

Based on the foregoing policy, the Company paid a total dividend for the year under review of 36 yen per share (of which 18 yen was paid out as an interim dividend). This resulted in a dividend payout ratio of 22.75%.

The Company allocates retained earnings toward investments conducted in response to challenges arising in the changing operating environment. Specifically, these are investments aimed at increasing the Company's cost competitiveness, strengthening its ability to develop technologies and products that meet customer needs, and implementing steps to further its global expansion.

The Company has included a provision in its Articles of Incorporation stating that "By resolution of the Board of Directors, the Company shall have the right to pay an interim dividend, with a date of record of September 30 each year."

Dividends for the year under review were as follows.

Date of decision	Dividend payout	Dividend per share
	(Millions of yen)	(Yen)
October 26, 2012 Resolution by Board of Directors	903	18
June 24, 2013 Resolution by General Meeting of Shareholders	903	18

Operations

Consolidated statements of income

Years ended March 31; Millions of yen	2012	2013
Net sales	117,068	126,245
Cost of sales	95,287	103,801
Gross profit	21,781	22,443
Selling, general and administrative expenses		
Packing and delivery expenses	1,210	1,266
Salaries and allowances	2,648	2,956
Provision for bonuses	228	271
Retirement benefit expenses	268	254
Depreciation	201	205
Research and development expenses	2,933	2,983
Other	3,233	3,540
Total selling, general and administrative expenses	10,724	11,478
Operating income	11,056	10,964
Non-operating income		
Interest income	353	352
Dividends income	127	149
Equity in earnings of affiliates	23	-
Foreign exchange gains	-	1,368
Other	275	350
Total non-operating income	779	2,220
Non-operating expenses		
Interest expenses	19	13
Equity in losses of affiliates	-	21
Foreign exchange losses	272	-
Other	49	25
Total non-operating expenses	341	60
Ordinary income	11,494	13,124
Extraordinary income		
Gain on sales of noncurrent assets	53	120
Gain on bargain purchase	83	-
Subsidy income	50	2
Reversal of provision for loss on business liquidation	-	48
Total extraordinary income	187	171

Years ended March 31; Millions of yen	2012	2013
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	113	222
Loss on liquidation of business	291	-
Total extraordinary losses	404	222
Income before income taxes and minority interests	11,277	13,073
Income taxes - current	2,545	4,451
Income taxes - deferred	540	(361)
Total income taxes	3,085	4,089
Income before minority interests	8,191	8,984
Minority interests in income	915	1,041
Net income	7,276	7,942

Consolidated statements of comprehensive income

Years ended March 31; Millions of yen	2012	2013
Income before minority interests	8,191	8,984
Other comprehensive income		
Valuation difference on available-for-sale securities	264	560
Foreign currency translation adjustment	(2,221)	8,171
Share of other comprehensive income of associates accounted for using equity method	9	(8)
Total other comprehensive income	(1,947)	8,723
Comprehensive income	6,244	17,707
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,869	15,310
Comprehensive income attributable to minority interests	374	2,397

Consolidated statements of changes in net assets

Years ended March 31; Millions of yen	2012	2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	4,175	4,175
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,175	4,175
Capital surplus		
Balance at the beginning of current period	4,566	4,566
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,566	4,566
Retained earnings		
Balance at the beginning of current period	73,050	78,720
Changes of items during the period		
Dividends from surplus	(1,606)	(1,706)
Net income	7,276	7,942
Changes in fiscal year-end of consolidated subsidiaries	-	699
Total changes of items during the period	5,670	6,936
Balance at the end of current period	78,720	85,657
Treasury stock		
Balance at the beginning of current period	(3,407)	(3,407)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(3,407)	(3,407)
Total shareholders' equity		
Balance at the beginning of current period	78,384	84,054
Changes of items during the period		
Dividends from surplus	(1,606)	(1,706)
Net income	7,276	7,942
Purchase of treasury stock	(0)	(0)
Changes in fiscal year-end of consolidated subsidiaries	-	699
Total changes of items during the period	5,670	6,936
Balance at the end of current period	84,054	90,991

Years ended March 31; Millions of yen	2012	2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	2,792	3,076
Changes of items during the period		
Net changes of items other than shareholders' equity	284	550
Total changes of items during the period	284	550
Balance at the end of current period	3,076	3,626
Foreign currency translation adjustment		
Balance at the beginning of current period	(10,262)	(11,962)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,700)	6,697
Total changes of items during the period	(1,700)	6,697
Balance at the end of current period	(11,962)	(5,264)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(7,470)	(8,886)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,416)	7,247
Total changes of items during the period	(1,416)	7,247
Balance at the end of current period	(8,886)	(1,638)
Minority interests		
Balance at the beginning of current period	6,354	6,039
Changes of items during the period		
Changes in fiscal year-end of consolidated subsidiaries	-	151
Net changes of items other than shareholders' equity	(314)	1,946
Total changes of items during the period	(314)	2,098
Balance at the end of current period	6,039	8,138
Total net assets		
Balance at the beginning of current period	77,268	81,208
Changes of items during the period		
Dividends from surplus	(1,606)	(1,706)
Net income	7,276	7,942
Purchase of treasury stock	(0)	(0)
Changes in fiscal year-end of consolidated subsidiaries	-	851
Net changes of items other than shareholders' equity	(1,730)	9,194
Total changes of items during the period	3,939	16,282
Balance at the end of current period	81,208	97,491

Results of operations

Fiscal year ended March 31, 2013

Overview of financial results (year-on-year percentage changes)

Despite lower sales of motorcycle clutches in Indonesia and Brazil and the negative impact of public boycotts against Japanese products in China, sales benefited from a recovery of automobile production by the Company's major customers. Expenses associated with new product launches impacted operating income, but exchange gains boosted ordinary and pre-tax income. Net income, while higher, grew at a slightly lower rate than ordinary and pre-tax income because of increases in corporate taxes. The following results ensured:

- 1) Net sales: up 7.8%, to 126,245 million yen
- 2) Operating income: down 0.8%, to 10,964 million yen
- 3) Ordinary income: up 14.2%, to 13,124 million yen
- 4) Income before income taxes and minority interests: up 15.9%, to 13,073 million yen
- 5) Net income: up 9.2%, to 7,942 million yen

Segment breakdown

Motorcycle clutches

Sales remained roughly unchanged, rising by 0.5% to 71,004 million yen; segment income declined by 24.2%:

- 1) The end of flood-related disruptions in Thailand helped sales offset the negative impacts of tighter consumer loan-related credit controls in Indonesia and Brazil and weaker currencies in Indonesia, India and Brazil.
- 2) The decline in segment income primarily reflected lower sales in Indonesia and Brazil as well as lower values for the currencies of Indonesia, India and Brazil.

Automobile clutches

Sales and segment income both increased, the former by 19.0% to 55,240 million yen, and the latter by 137.3% to 3,798 million yen:

- 1) Despite anti-Japanese boycotts in China, sales and segment income benefited from a significant recovery in manufacturing by the Company's major customers in Japan and North America.
- 2) The improved financial performance in this segment also reflected continuing

strong momentum in sales to Ford.

Fiscal year ended March 31, 2012

Overview of financial results (year-on-year percentage changes)

While impacted by severe flooding in Thailand, the Company's motorcycle clutch sales were buoyant, benefiting from strength in Indonesia and India. On the other hand, disruptions of automobile manufacturing by major customers following the Great East Japan Earthquake and the flooding in Thailand, along with the negative effects of the stronger yen, weighed significantly on the Company's sales and profits. The following results ensued:

- 1) Net sales: down 0.5% to 117,068 million yen
- 2) Operating income: down 14.0% to 11,056 million yen
- 3) Ordinary income: down 9.3% to 11,494 million yen
- 4) Income before income taxes and minority interests: down 10.3% to 11,277 million yen
- 5) Net income: down 9.5% to 7,276 million yen

Segment breakdown

Motorcycle clutches

Sales increased by 3.6% to 70,642 million yen, but segment income declined by 4.5% to 9,455 million yen:

- 1) Despite the negative impact of the record flooding in Thailand, sales benefited from rising demand for motorcycles in Indonesia and India.
- 2) In Japan, sales also increased because of a pickup in exports of large-displacement bikes.

Automobile clutches

Sales and segment income both declined, falling by 6.1% to 46,426 million yen and 45.7% to 1,601 million yen, respectively:

- 1) Continued positive trends in sales to Ford Motor Co.
- 2) Disaster-related impacts and the stronger yen nevertheless resulted in reductions in production, both domestically and overseas, by the Company's major customers.

Segment information

1. Segment reporting

The Company's segment reporting is based on organizational units for which clearly separable financial information can be obtained. These units are also subject to regular reviews by the Board of Directors to determine resource allocation and evaluate financial performance.

Divisional units that administer manufacturing in the motorcycle clutch business and the automobile clutch business provide the primary leadership for these operations, each developing comprehensive strategies for domestic and overseas markets where these businesses are conducted.

Consequently, the FCC Group adopts "motorcycle clutches" and "automobile clutches" as its reporting segments.

The former segment manufactures clutches for motorcycles, scooters and ATVs, while the latter manufactures clutches for manual and automatic transmission automobiles.

2. Method of calculating segment net sales, profits and losses, assets, liabilities, etc.

The accounting methods used in segment reporting are identical to those cited under "Fundamental and Important Matters for the Preparation of Consolidated Financial Statements."

"Segment profits" are identical to the individual segments' operating income.

The Company determined changes in depreciation method and useful lives of property, plant and equipment beginning from the year ended March 2013.

(Change in method of depreciation)

- 1) From the declining-balance method to the straight-line method (Refer to accounting policies on page 64.)
- 2) An assessment by the Company determined that the straight-line method would better reflect the manner in which the F.C.C. Group operates as it prepares for significant capital investments and upgrades in the future; it based its judgment on the following:
 - A reassessment of how such property, plant and equipment are actually being used

- The need to unify accounting methods as the F.C.C. Group develops further as a global enterprise

3) Financial effects of this change in depreciation methods: in the motorcycle clutches segment, segment profits increased by 1,019 million yen; in the automobile clutches segment, segment profits increased by 382 million yen.

(Change in useful lives for property, plant and equipment)

- 1) As a result of a reassessment of how property, plant and equipment are actually employed, the useful lives of certain property, plant and equipment owned by overseas subsidiaries have been changed.
- 2) Financial effects of this change in estimates: in the motorcycle clutches segment, segment profits decreased by 376 million yen; in the automobile clutches segment, segment profits decreased by 339 million yen.

3. Figures for segment net sales, profits and losses, assets, liabilities, etc.

Millions of yen	Motorcycle clutches	Automobile clutches	Total	Adjustments	Book value
2013					
Net sales					
External customers	71,004	55,240	126,245	-	126,245
Inter-area	-	-	-	-	-
	71,004	55,240	126,245	-	126,245
Segment profits	7,165	3,798	10,964	-	10,964
Segment assets	61,072	48,992	110,064	12,193	122,258
Other items					
Depreciation and amortization	2,798	3,200	5,999	-	5,999
Amortization of goodwill	275	-	275	-	275
Increase in property, plant and equipment and Intangible assets	5,059	6,038	11,097	677	11,774
2012					
Net sales					
External customers	70,642	46,426	117,068	-	117,068
Inter-area	-	-	-	-	-
	70,642	46,426	117,068	-	117,068
Segment profits	9,455	1,601	11,056	-	11,056
Segment assets	52,889	41,016	93,906	10,031	103,937
Other items					
Depreciation and amortization	2,865	3,470	6,335	-	6,335
Amortization of goodwill	275	-	275	-	275
Increase in property, plant and equipment and Intangible assets	5,593	4,883	10,476	575	11,051

Notes:

1. Adjustments:

(1) The adjustments to segment assets of 10,031 million yen (2012) and 12,193 million yen (2013) represent assets attributable to the Company as a whole, comprising largely investment securities and property, plant and equipment that are not attributable to any segment (R&D facilities, production engineering center and Corporate Headquarters).

(2) The increases of 575 million yen (2012) and 677 million yen (2013) to property, plant and equipment and to intangible assets represent assets attributable to the Company as a whole, comprising largely increases in property, plant and equipment and intangible assets (R&D facilities, production engineering center and Corporate Headquarters).

2. The total of segment income coincides with operating income in the financial statements.

Related information

Information on products and services

Millions of yen	2012			2013		
	Motorcycle clutches	Automobile clutches	Total	Motorcycle clutches	Automobile clutches	Total
External customers	70,642	46,426	117,068	71,004	55,240	126,245

Information by region

Millions of yen	Japan	United States	Indonesia	India	Others	Total
2013						
Sales	25,972	34,623	20,698	12,800	32,150	126,245
2012						
Sales	27,537	25,743	19,178	12,405	32,204	117,068

Principal countries in the "Others" category are as follows: Thailand, China, Brazil and Vietnam.

Millions of yen	Japan	United States	China	Others	Total
2013					
Property, plant and equipment	16,222	12,647	4,892	13,536	47,299

Millions of yen	Japan	United States	Others	Total
2012				
Property, plant and equipment	15,910	10,064	12,528	38,504

Information by principal customer

Millions of yen	Sales		Segment
	2012	2013	
HONDA MOTOR CO., LTD. and its group companies	74,255	81,480	Motorcycle and automobile clutches

Information on goodwill: amortization and unamortized balances by segment

Millions of yen	2012				2013			
	Motorcycle clutches	Automobile clutches	Eliminations	Total	Motorcycle clutches	Automobile clutches	Eliminations	Total
Amortization	275	-	-	275	275	-	-	275
Ending balance	1,032	-	-	1,032	756	-	-	756

Issues requiring action

There are reasons for concern about the potential negative impacts on motorcycle clutch sales of financial system instability in Europe, slowing economic trends in emerging nations, and the adoption of Islamic financial practices in Indonesia (regulations concerning down payments required for purchases financed by consumer loans). The outlook is for downward adjustments of the yen exchange rate to continue, on the other hand, and for sales of automobile clutches to new customers to increase. In this environment, the following have been identified as key issues:

- 1) Implementing the major policies of the Company's 8th Medium Term Management Plan, which covers the period through the fiscal year ending March 31, 2014
- 2) Increasing manufacturing efficiency, and reducing the risks associated with tsunamis and ground liquefaction which may result from major earthquakes in the Tokai and Tonankai regions, which many scientists predict—through smooth implementation of plans to redistributing manufacturing assets in Japan (entailing the transfer of major manufacturing processes that are currently handled at the coastal Ryuyo and Tenryu factories to plants in the interior of the country as well as to overseas subsidiaries)
- 3) Expediting decision-making and improving operating efficiency
 - Through the adoption of the executive corporate officer system implemented by the Company on April 1, 2013
 - The new system will enable Company to respond rapidly and flexibly to changes in the operating environment.
- 4) Tackling the extremely important issue of building a new business which, over the medium-to-long term, can become a second pillar of operations complementing clutch manufacturing.
- 5) By segment
 - Motorcycle clutches: reorganizing the manufacturing base in Japan and enhancing its efficiency; in the emerging nations, developing policies for labor management and increasing the added value of scooter components
 - Automobile clutches: realigning the manufacturing base in Japan and enhancing its efficiency; in the United States and China, broadening and deepening manufacturing capabilities and preparing and implementing production systems capable of handling new models and of responding to the needs of new customers

Production and sales

Production

Millions of yen	2013	
	Amount	Year-on-year comparison (%)
Motorcycle clutches	71,443	100.2
Automobile clutches	55,609	120.0
	127,053	108.0

Orders

Millions of yen	2013			
	Orders		Orders outstanding	
	Amount	Year-on-year comparison (%)	Amount	Year-on-year comparison (%)
Motorcycle clutches	71,463	100.9	6,308	107.9
Automobile clutches	55,587	116.0	4,888	107.6
	127,051	107.0	11,196	107.8

Sales by product

Millions of yen	2013	
	Amount	Year-on-year comparison (%)
Motorcycle clutches	71,004	100.5
Automobile clutches	55,240	119.0
	126,245	107.8

Principal customers

Millions of yen	2012		2013	
	Amount	% of net sales	Amount	% of net sales
HONDA MOTOR CO., LTD.	20,220	17.3	18,373	14.6

Capital Structure

Consolidated balance sheets

Assets

March 31; Millions of yen	2012	2013
Current assets		
Cash and deposits	20,865	24,198
Notes and accounts receivable - trade	16,769	17,554
Merchandise and finished goods	2,077	2,348
Work in process	2,569	2,923
Raw materials and supplies	8,572	10,751
Deferred tax assets	1,152	1,327
Short-term loans receivable	509	988
Other	2,444	2,843
Allowance for doubtful accounts	(4)	(8)
Total current assets	54,955	62,927
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	23,280	26,929
Accumulated depreciation	(11,764)	(13,581)
Buildings and structures, net	11,516	13,347
Machinery, equipment and vehicles	62,852	71,577
Accumulated depreciation	(47,703)	(53,384)
Machinery, equipment and vehicles, net	15,148	18,192
Tools, furniture and fixtures	10,697	11,883
Accumulated depreciation	(9,308)	(10,131)
Tools, furniture and fixtures, net	1,388	1,751
Land	7,367	7,465
Construction in progress	3,082	6,543
Total property, plant and equipment	38,504	47,299
Intangible assets		
Goodwill	1,032	756
Other	467	665
Total intangible assets	1,499	1,422
Investments and other assets		
Investment securities	6,829	7,823
Long-term loans receivable	440	532
Deferred tax assets	900	1,306
Other	857	992
Allowance for doubtful accounts	(49)	(45)
Total investments and other assets	8,978	10,608
Total noncurrent assets	48,982	59,330
Total assets	103,937	122,258

Liabilities and net assets

March 31; Millions of yen	2012	2013
Current liabilities		
Notes and accounts payable - trade	8,851	8,590
Factoring liabilities	2,453	2,003
Short-term loans payable	206	291
Income taxes payable	899	2,275
Provision for bonuses	1,331	1,382
Provision for loss on business liquidation	336	-
Other	3,634	4,817
Total current liabilities	17,713	19,360
Noncurrent liabilities		
Deferred tax liabilities	2,648	3,171
Provision for retirement benefits	1,571	1,586
Other	795	648
Total noncurrent liabilities	5,015	5,405
Total liabilities	22,728	24,766
Net assets		
Shareholders' equity		
Capital stock	4,175	4,175
Capital surplus	4,566	4,566
Retained earnings	78,720	85,657
Treasury stock	(3,407)	(3,407)
Total shareholders' equity	84,054	90,991
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,076	3,626
Foreign currency translation adjustment	(11,962)	(5,264)
Total accumulated other comprehensive income	(8,886)	(1,638)
Minority interests		
Total net assets	81,208	97,491
Total liabilities and net assets	103,937	122,258

Market value of securities**Other quoted securities**

Millions of yen	2012			2013		
	Book value	Cost of acquisition	Unrealized gains (losses)	Book value	Cost of acquisition	Unrealized gains (losses)
Securities valued on the consolidated balance sheet at amounts greater than the purchase cost						
Shares	6,026	1,197	4,829	6,916	1,243	5,673
Bonds						
JGB, local government bonds, etc.	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
	6,026	1,197	4,829	6,916	1,243	5,673
Securities valued on the consolidated balance sheet at amounts not greater than the purchase cost						
Shares	0	0	(0)	0	0	(0)
Bonds						
JGB, local government bonds, etc.	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other	-	-	-	-	-	-
	0	0	(0)	0	0	(0)
	6,027	1,198	4,829	6,916	1,243	5,673

Facilities

Millions of yen	Buildings and structures	Machinery, equipment and vehicles	Land		Other	Total book value	Number of employees
			Book value	Square meters			
Parent company							
Hosoe Factory							
Motorcycle and automobile clutches	193	367	270	18,080	13	845	137
Hamakita Factory							
Automobile clutches	411	192	731	26,216	44	1,380	55
Ryuyo Factory							
Motorcycle and automobile clutches	430	686	1,047	59,045	186	2,352	216
Tenryu Factory							
Motorcycle and automobile clutches	336	216	1,022	32,511	18	1,593	48
Suzuka Factory							
Motorcycle and automobile clutches	2,563	822	1,292	75,130	884	5,562	217
R&D Division							
Integrated research	507	500	216	12,093	62	1,286	187
Domestic subsidiaries							
KYUSHU F.C.C. CO., LTD.							
Motorcycle and automobile clutches	188	193	11	20,474	40	433	129
Overseas subsidiaries							
FCC (Adams), LLC.							
Automobile clutches	1,484	1,866	43	161,880	2,472	5,866	224
PT. FCC INDONESIA							
Motorcycle and automobile clutches	843	2,844	294	72,812	693	4,675	1,399
FCC (INDIANA) LLC.							
Automobile clutches	1,043	1,557	68	246,263	951	3,621	721
FCC (North Carolina), LLC.							
Motorcycle and automobile clutches	820	1,790	4	269,064	914	3,530	173
FCC (THAILAND) CO., LTD.							
Motorcycle and automobile clutches	861	1,297	600	87,890	436	3,195	417
FCC RICO LTD.							
Motorcycle and automobile clutches	520	1,925	341	82,680	259	3,047	547
CHINA FCC FOSHAN CO., LTD.							
Automobile clutches	482	2,298	-	59,108	236	3,016	226
FCC (VIETNAM) CO., LTD.							
Motorcycle clutches	452	1,130	-	45,816	493	2,076	893

Borrowings

Millions of yen	Outstanding at Beginning of term	Outstanding at end of term	Average rate	Maturity
Short-term loans payable	73	291	3.05%	-
Current portion of long-term loans payable	132	-	-	-
Current portion of lease obligations	-	-	-	-
Long-term loans payable (except current portion of long-term loans payable)	-	-	-	-
Lease obligations (except current portion of lease obligations)	-	-	-	-
Other interest-bearing liabilities	-	-	-	-
	206	291	-	-

Retirement benefits

Outline of retirement benefit system

The Company and its consolidated subsidiaries offer employees the following options in terms of defined benefit pension plans: Employees' Welfare Pension Fund (*koseinenkin*); qualified retirement annuity plan; and lump-sum payment at retirement.

A number of consolidated subsidiaries have established defined contribution pension plans.

Effective October 1, 2010, the Company switched from the tax-qualified pension plan it had used previously to a defined contribution pension plan. In doing so, it applied the Guidance in Accounting for Transfers between Retirement Benefit Plans (ASBJ Guidance No. 1 issued on January 31, 2002).

Matters related to retirement benefit liabilities

Millions of yen	2012	2013
Retirement benefit obligations	(6,482)	(6,797)
Pension plan assets	4,458	5,411
Unfunded retirement benefit obligations	(2,023)	(1,386)
Unrecognized actuarial gains or losses	511	(154)
Unrecognized prior service costs	(51)	(36)
Net retirement benefit obligations recognized on the consolidated balance sheets	(1,563)	(1,576)
Prepaid pension costs	(8)	(10)
Provision for retirement benefits	(1,571)	(1,586)

Matters related to retirement benefit expenses

Millions of yen	2012	2013
Service costs	950	1,068
Interest costs	83	85
Expected returns on pension plan assets	-	-
Amortization of actuarial gains or losses	69	(21)
Amortization of prior service costs	(14)	(14)
Retirement benefit expenses	1,089	1,118

Service costs include amounts contributed to the Japan Auto Parts Industries Association Employees Pension Fund, which is an "integrated-type fund (sogo-gata)" involving multiple employers.

The following is information related to multiple employer pension plans, which treat required contributions as retirement expenses.

(1) Status of funding for the system as a whole

Millions of yen	2011	2012
Amount of pension assets	140,751	140,010
Pro forma pension obligations assumed under the pension program	163,335	164,426
Difference	(22,583)	(24,416)

(2) Premiums contributed by the FCC Group as a percentage of overall system premiums: 4.63% (for the month of March 2011) and 4.57% (for the month of March 2012)

(3) Supplemental remarks

The principal reasons for the difference shown in item (1) above are 19,710 million yen in past service costs and 4,705 million yen in reserve shortfalls, which are taken into consideration in calculations of pension financing. Under this system, past service costs are amortized in equal amounts over 19 years. In its financial statements, the FCC Group recognized a special contribution of 72 million yen for the year ended March 2011 and expensed 72 million yen for the year ended March 2012.

Assumptions underlying the calculation of retirement benefit liabilities

	2012	2013
Term allocation of the estimated amount of retirement benefits	Prior fixed amount basis	
Discount rate	1.5%	1.5%
Expected rate of return on pension plan assets	0.0%	0.0%
Amortization period of prior service costs	5 years	5 years
Amortization period of actuarial gains or losses	18 years (using the fixed-rate method based on the average number of years remaining in the tenure of employees as of the date on which the gains or losses arise; differences are expensed during the fiscal year in which they occur.)	

Deferred taxes

Millions of yen	2012	2013
Deferred tax assets (current)	1,380	1,655
Deferred tax assets (noncurrent)	1,856	2,063
	3,236	3,719
Deferred tax liabilities (current)	(158)	(169)
Deferred tax liabilities (noncurrent)	(3,674)	(4,088)
	(3,833)	(4,257)
Deferred tax assets (liabilities) - net	(596)	(537)
Percentage		
Statutory tax rate	39.75%	37.20%
Differences in tax rates of overseas subsidiaries	(11.38)%	(7.04)%
Dividends and excluded income from overseas subsidiaries	(3.01)%	(4.31)%
Overseas tax credits	(3.47)%	(2.53)%
Tax credits for testing and research-related expenses	(2.64)%	(1.81)%
Taxes withheld at source by overseas subsidiaries	0.72%	0.91%
Valuation allowance	2.11%	1.96%
Consolidated eliminations of dividends received	3.28%	4.68%
Other	2.00%	2.22%
Effective tax rates	27.36%	31.28%

Related Parties

Transactions with related parties

March 31; Millions of yen	Address	Capital or investment	% of voting rights held (held by others)	Relationship with related party	Type of transaction	Value of transactions	Accounting classification	Balance at term-end
2013								
Parent company and primary institutional shareholders, etc.								
HONDA MOTOR CO., LTD.	Minato-ku, Tokyo	86,067	Owned: Direct 21.68	Sales of products and procurement of raw materials and components	Sales of the Company's products	18,373	Accounts receivable - trade	1,461
					Procurement of raw materials and components	3,264	Accounts payable - trade	312
2012								
Parent company and primary institutional shareholders, etc.								
HONDA MOTOR CO., LTD.	Minato-ku, Tokyo	86,067	Owned: Direct 21.68	Sales of products and procurement of raw materials and components	Sales of the Company's products	20,220	Accounts receivable - trade	3,783
					Procurement of raw materials and components	3,526	Accounts payable - trade	603

Investments in non-consolidated companies

March 31; Millions of yen	2012	2013
Investment securities (equity)	733	828

Non-consolidated Financial Statements

Non-consolidated statements of income

Years ended March 31; Millions of yen	2012	2013
Net sales	43,759	45,260
Cost of sales		
Beginning finished goods	665	684
Cost of products manufactured	32,594	32,939
Purchase of finished goods	2,104	2,287
Total	35,364	35,911
Ending finished goods	684	809
Cost of finished goods sold	34,679	35,102
Gross profit	9,079	10,158
Selling, general and administrative expenses		
Packing and delivery expenses	688	765
Salaries and allowances	1,356	1,465
Provision for bonuses	195	232
Retirement benefit expenses	210	193
Depreciation	47	40
Research and development expenses	2,834	2,924
Other	1,363	1,474
Total selling, general and administrative expenses	6,695	7,095
Operating income	2,384	3,062
Non-operating income		
Interest income	48	94
Interest on capital receivable	120	105
Dividends income	1,017	1,745
Rental income	2	1
Commissions on equipment sales	685	590
Foreign exchange gains	-	986
Technical advisory fee	67	145
Other	54	61
Total non-operating income	1,997	3,731
Non-operating expenses		
Interest expenses	8	-
Rent expenses	0	0
Foreign exchange losses	27	-
Other	0	0
Total non-operating expenses	36	0
Ordinary income	4,345	6,793

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Years ended March 31; Millions of yen	2012	2013
Extraordinary income		
Gain on sales of noncurrent assets	0	6
Subsidy income	40	-
Total extraordinary income	41	6
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	52	141
Loss on valuation of stocks of subsidiaries and affiliates	268	-
Total extraordinary losses	320	141
Income before income taxes	4,065	6,658
Income taxes - current	773	1,755
Income taxes - deferred	18	68
Total income taxes	791	1,823
Net income	3,274	4,834

Non-consolidated statements of changes in net assets

Years ended March 31; Millions of yen	2012	2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	4,175	4,175
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,175	4,175
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	4,555	4,555
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,555	4,555
Other capital surplus		
Balance at the beginning of current period	10	10
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	10	10
Total capital surplus		
Balance at the beginning of current period	4,566	4,566
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	4,566	4,566
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	1,043	1,043
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,043	1,043
Other retained earnings		
Reserve for dividends		
Balance at the beginning of current period	1,600	1,600
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	1,600	1,600
Reserve for special depreciation		
Balance at the beginning of current period	2	-
Changes of items during the period		
Reversal of reserve for special depreciation	(3)	-
Provision of reserve for special depreciation	0	-
Total changes of items during the period	(2)	-
Balance at the end of current period	-	-

Years ended March 31; Millions of yen	2012	2013
Reserve for advanced depreciation of noncurrent assets		
Balance at the beginning of current period	813	905
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(0)	(0)
Provision of reserve for advanced depreciation of noncurrent assets	92	-
Total changes of items during the period	91	(0)
Balance at the end of current period	905	904
General reserve		
Balance at the beginning of current period	32,000	34,000
Changes of items during the period		
Provision of general reserve	2,000	2,500
Total changes of items during the period	2,000	2,500
Balance at the end of current period	34,000	36,500
Retained earnings brought forward		
Balance at the beginning of current period	4,436	4,015
Changes of items during the period		
Reversal of reserve for special depreciation	3	-
Provision of reserve for special depreciation	(0)	-
Reversal of reserve for advanced depreciation of noncurrent assets	0	0
Provision of reserve for advanced depreciation of noncurrent assets	(92)	-
Provision of general reserve	(2,000)	(2,500)
Dividends from surplus	(1,606)	(1,706)
Net income	3,274	4,834
Total changes of items during the period	(420)	628
Balance at the end of current period	4,015	4,644
Total retained earnings		
Balance at the beginning of current period	39,896	41,564
Changes of items during the period		
Reversal of reserve for special depreciation	-	-
Provision of reserve for special depreciation	-	-
Reversal of reserve for advanced depreciation of noncurrent assets	-	-
Provision of reserve for advanced depreciation of noncurrent assets	-	-
Provision of general reserve	-	-
Dividends from surplus	(1,606)	(1,706)
Net income	3,274	4,834
Total changes of items during the period	1,668	3,128
Balance at the end of current period	41,564	44,692
Treasury stock		
Balance at the beginning of current period	(3,407)	(3,407)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(3,407)	(3,407)

Years ended March 31; Millions of yen	2012	2013
Total shareholders' equity		
Balance at the beginning of current period	45,231	46,899
Changes of items during the period		
Dividends from surplus	(1,606)	(1,706)
Net income	3,274	4,834
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	1,668	3,127
Balance at the end of current period	46,899	50,027
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	2,692	2,945
Changes of items during the period		
Net changes of items other than shareholders' equity	253	530
Total changes of items during the period	253	530
Balance at the end of current period	2,945	3,476
Total valuation and translation adjustments		
Balance at the beginning of current period	2,692	2,945
Changes of items during the period		
Net changes of items other than shareholders' equity	253	530
Total changes of items during the period	253	530
Balance at the end of current period	2,945	3,476
Total net assets		
Balance at the beginning of current period	47,923	49,845
Changes of items during the period		
Dividends from surplus	(1,606)	(1,706)
Net income	3,274	4,834
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	253	530
Total changes of items during the period	1,921	3,658
Balance at the end of current period	49,845	53,503

Cost of goods sold

Years ended March 31; Millions of yen	2012	%	2013	%
Cost of materials	23,523	67.0	24,369	68.3
Labor costs	6,190	17.6	5,900	16.6
Manufacturing overhead				
Subcontracted processing expenses	1,620		1,707	
Depreciation	1,545		1,227	
Expenses for electricity and power	401		400	
Other	1,843		2,058	
	<u>5,409</u>	15.4	<u>5,393</u>	15.1
Total manufacturing costs for the term	35,124	100.0	35,664	100.0
Beginning work in process	1,186		1,129	
	<u>36,310</u>		<u>36,793</u>	
Transfers to other accounts	2,586		2,887	
Ending work in process	1,129		967	
Cost of products manufactured	<u>32,594</u>		<u>32,939</u>	
Transfers to other accounts				
Supplies	2,241		2,495	
Construction in progress	170		255	
Research and development expenses	174		135	
Selling, general and administrative expenses, etc.	0		0	
	<u>2,586</u>		<u>2,887</u>	

Non-consolidated balance sheets**Assets**

March 31; Millions of yen	2012	2013
Current assets		
Cash and deposits	6,527	8,249
Notes receivable - trade	3	6
Accounts receivable - trade	8,703	7,355
Merchandise and finished goods	684	809
Work in process	1,129	967
Raw materials and supplies	2,207	2,257
Prepaid expenses	51	47
Deferred tax assets	720	770
Short-term loans receivable from subsidiaries and affiliates	2,723	2,600
Accounts receivable - other	759	866
Other	116	138
Allowance for doubtful accounts	(2)	(5)
Total current assets	23,626	24,064
Noncurrent assets		
Property, plant and equipment		
Buildings	10,275	10,326
Accumulated depreciation	(5,596)	(6,091)
Buildings, net	4,679	4,234
Structures	1,548	1,549
Accumulated depreciation	(956)	(1,047)
Structures, net	592	501
Machinery and equipment	22,566	21,464
Accumulated depreciation	(19,452)	(18,257)
Machinery and equipment, net	3,113	3,206
Vehicles	152	161
Accumulated depreciation	(138)	(137)
Vehicles, net	14	24
Tools, furniture and fixtures	5,743	5,206
Accumulated depreciation	(5,414)	(4,762)
Tools, furniture and fixtures, net	329	443
Land	5,382	5,382
Construction in progress	255	817
Total property, plant and equipment	14,367	14,611

March 31; Millions of yen	2012	2013
Intangible assets		
Telephone subscription right	3	3
Software	87	87
Software in progress	-	32
Other	2	1
Total intangible assets	93	125
Investments and other assets		
Investment securities	539	657
Stocks of subsidiaries and affiliates	18,676	18,725
Investments in capital	4	4
Investments in capital of subsidiaries and affiliates	3,022	4,586
Long-term loans to employees	154	156
Long-term loans receivable from subsidiaries and affiliates	400	1,000
Long-term prepaid expenses	-	23
Long-term deposits	648	648
Other	59	55
Allowance for doubtful accounts	(43)	(38)
Total investments and other assets	23,461	25,819
Total noncurrent assets	37,922	40,556
Total assets	61,548	64,620

Liabilities and net assets

March 31; Millions of yen	2012	2013
Current liabilities		
Notes payable - trade	560	458
Accounts payable - trade	3,720	2,625
Factoring liabilities	2,342	1,918
Accounts payable - other	733	794
Accrued expenses	301	304
Income taxes payable	153	1,078
Advances received	3	1
Deposits received	94	96
Provision for bonuses	1,048	1,097
Other	0	1
Total current liabilities	8,958	8,376
Noncurrent liabilities		
Deferred tax liabilities	1,587	1,971
Provision for retirement benefits	794	626
Asset retirement obligations	37	37
Other	325	105
Total noncurrent liabilities	2,744	2,740
Total liabilities	11,703	11,116

March 31; Millions of yen	2012	2013
Net assets		
Shareholders' equity		
Capital stock	4,175	4,175
Capital surplus		
Legal capital surplus	4,555	4,555
Other capital surplus	10	10
Total capital surpluses	4,566	4,566
Retained earnings		
Legal retained earnings	1,043	1,043
Other retained earnings		
Reserve for dividends	1,600	1,600
Reserve for advanced depreciation of noncurrent assets	905	904
General reserve	34,000	36,500
Retained earnings brought forward	4,015	4,644
Total retained earnings	41,564	44,692
Treasury stock	(3,407)	(3,407)
Total shareholders' equity	46,899	50,027
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,945	3,476
Total valuation and translation adjustments	2,945	3,476
Total net assets	49,845	53,503
Total liabilities and net assets	61,548	64,620

Trade credits

Notes receivable — trade

Millions of yen	2013
ASAHI RUBBER GROUP CO., LTD	3
Chuo Seiko Co., Ltd.	2
Yamaha Motor Powered Products Co., Ltd.	0
FUJI MACHINERY CO., LTD.	0
	6

Accounts receivable — trade

Millions of yen	2013
HONDA MOTOR CO., LTD.	1,461
FCC RICO LTD.	1,246
PT. FCC INDONESIA	706
KANEMATSU CORPORATION	566
FCC (INDIANA) LLC.	456
Other	2,918
	<u>7,355</u>

Turnover of accounts receivable

Millions of yen	2013
Beginning balance	8,703
Increase	46,704
Collected	48,052
Ending balance	7,355
Turnover	86.7%
Average days for collection	63

Notes payable — trade

Millions of yen	2013
NOK CORPORATION	93
aitech. inc. co., ltd.	93
MARUICHI KOGYO CO., LTD.	68
ACE GIKEN CO., LTD.	48
SAGINOMIYA SEISAKUSHO, INC.	43
Other	110
	<u>458</u>

Accounts payable — trade

Millions of yen	2013
HONDA MOTOR CO., LTD.	312
KYUSHU F.C.C. CO., LTD.	149
NHK SPRING CO., LTD.	124
PT. FCC INDONESIA	112
FCC (PHILIPPINES) CORPORATION	87
Other	1,839
	<u>2,625</u>

Securities

Financial instruments

Policy with respect to financial instruments

The Company limits its investments of surplus cash to short-term deposits, etc., and finances its operations through bank loans. It does not, as a rule, engage in derivative transactions.

Types of financial instruments and their attendant risks; the Company's policies for managing these risks

Trade receivables:

The Company is exposed to the credit risks of its customers. It deals with these risks by monitoring the timeliness of each customer's payments and managing outstanding balances in accordance with the Group's credit management policies. In addition, the Company carries out periodic assessments of the credit status of its major customers.

Foreign currency-denominated receivables:

The Company deals with risks associated with fluctuating foreign currencies through measures aimed at minimizing such risks.

Stocks:

The Company is exposed to the risk of fluctuations in the market prices of stocks. Its holdings, however, are primarily in companies with which it has operational relationships. It monitors the market prices of these shares on a quarterly basis.

Trade payables and factoring-related liabilities:

Payment terms are less than one year.

Bank debt:

Short-term loans payable are used mainly to finance operating transactions.

The assumption of trade payables and bank debt exposes the Company to liquidity risk, which each company in the Group deals with by preparing a monthly cash flow plan and managing its liabilities according to this plan.

Items related to current value

Millions of yen	2012			2013		
	Book value	Current value	Unrealized gain (loss)	Book value	Current value	Unrealized gain (loss)
Cash and deposits	20,865	20,865	-	24,198	24,198	-
Notes and accounts receivable - trade	16,769	16,769	-	17,554	17,554	-
Investment securities	6,027	6,027	-	6,916	6,916	-
Total assets	43,662	43,662	-	48,669	48,669	-
Notes and accounts payable - trade	8,851	8,851	-	8,590	8,590	-
Factoring liabilities	2,453	2,453	-	2,003	2,003	-
Short-term loans payable	206	206	-	291	291	-
Total liabilities	11,511	11,511	-	10,885	10,885	-

Methods of calculating current value

Cash and deposits; notes and accounts receivable - trade: book value

Investment securities: market value

Notes and accounts payable - trade; factoring liabilities; short-term loans payable: book value

Financial instruments with no easily ascertainable current value

Millions of yen	2012	2013
Unlisted stocks	802	906

Repayment schedule for receivables after accounting date

Millions of yen	Up to 1 year	Greater than 1 and up to 5 years	Greater than 5 and up to 10 years	Greater than 10 years
2013				
Cash and deposits	24,198	-	-	-
Notes and accounts receivable - trade	17,554	-	-	-
	41,753	-	-	-
2012				
Cash and deposits	20,865	-	-	-
Notes and accounts receivable - trade	16,769	-	-	-
	37,635	-	-	-

Marketable and investment securities

Millions of yen		
Stocks		
	Number of shares	Book value
Investment securities		
Other securities		
Stanley Electric Co., Ltd. (6923)	137,975	228
SUZUKI MOTOR CORPORATION (7269)	52,500	110
KANEMATSU CORPORATION (8020)	821,000	100
Mizuho Financial Group, Inc. (preferred stock)	100,000	70
Mizuho Financial Group, Inc. (8411)	178,688	35
Nikkan Co., Ltd.	33,582	33
Sumitomo Mitsui Financial Group, Inc. (8316)	5,755	21
MUSASHI SEIMITSU INDUSTRY CO., LTD. (7220)	6,000	12
SHIMIZU CORPORATION (1803)	39,000	11
Mitsubishi UFJ Financial Group, Inc. (8306)	15,360	8
Others (14 shares)	24,831	22
	1,414,691	657

Property, plant and equipment

Millions of yen	Beginning of term	Increase	Decrease	End of term	Depreciation		End of term, net
					Accumulated	Current	
Property, plant and equipment							
Buildings	10,275	133	82	10,326	6,091	534	4,234
Structures	1,548	0	0	1,549	1,047	91	501
Machinery and equipment	22,566	950	2,052	21,464	18,257	639	3,206
Vehicles	152	15	7	161	137	5	24
Tools, furniture and fixtures	5,743	240	778	5,206	4,762	120	443
Land	5,382	-	-	5,382	-	-	5,382
Construction in progress	255	1,193	630	817	-	-	817
	45,924	2,535	3,551	44,909	30,297	1,392	14,611
Intangible assets							
Patent right	88	-	-	88	88	-	-
Telephone subscription right	3	-	-	3	-	-	3
Software	188	35	-	224	137	35	87
Software in progress	-	32	-	32	-	-	32
Others	4	-	-	4	2	0	1
	285	68	-	353	228	35	125
Long-term prepaid expenses	-	26	3	23	-	-	23

Allowances

Millions of yen	Beginning of term	Increase	Decrease	End of term
Allowance for doubtful accounts	45	3	4	43
Provision for bonuses	1,048	1,097	1,048	1,097

Accounting Policies

Summary of accounting policies: consolidated

Basis of presentation	Japanese GAAP
Marketable and investment securities	Other securities: Quoted securities: The market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the periodic average method. Unquoted securities: valued at cost using the periodic average method
Inventories	Finished goods and work in process: valued at cost, computed on a periodic average basis (where amounts shown on the balance sheet take into account declines in book values based on reduced outlooks for profitability). Raw materials and supplies: valued at cost, computed on a FIFO basis (where amounts shown on the balance sheet take into account declines in book values based on reduced outlooks for profitability).
Depreciation	Property, plant and equipment: straight-line method Intangible assets: straight-line method Software for internal use is amortized on a straight-line basis (based on a length of useful internal life of 5 years).
Allowance for doubtful accounts	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated based on the historical default ratio for general accounts receivable, plus an amount for specific accounts for which collection appears doubtful.
Provision for bonuses	Recognized based on standards for estimated bonus expenses.
Provision for retirement benefits	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the fiscal year to March 2013.
Provision for loss on business liquidation	To provide for losses arising from the liquidation of businesses, the Company recognizes the amount of the projected loss.
Opinion of independent auditors	Auditors: Yasumori Audit Corporation Opinion: unqualified

(Change in method of depreciation)

- From the declining-balance method to the straight-line method

The Company and its consolidated subsidiaries in Japan had been using the declining-balance method (except with respect to buildings purchased after April 1, 1998, which were depreciated using the straight-line method). An assessment by the Company determined that the straight-line method would better reflect the manner in which the F.C.C. Group operates as it prepares for significant capital investments and upgrades in the future; it based its judgment on the following:

- A reassessment of how such property, plant and equipment are actually being used
- The need to unify accounting methods as the F.C.C. Group develops further as a global enterprise

- The financial effects of this change in policy

Operating income, ordinary income, and income before income taxes and minority interests each increased by 1,402 million yen

Summary of accounting policies: non-consolidated

Basis of presentation	Japanese GAAP
Marketable and investment securities	Shares in subsidiaries and affiliated companies: valued at cost using the periodic average method Other securities: Quoted securities: The market value method is applied, based on the market value as of the fiscal year-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the periodic average method. Unquoted securities: valued at cost using the periodic average method
Inventories	Finished goods and work in process: valued at cost, computed on a periodic average basis (where amounts shown on the balance sheet take into account declines in book values based on reduced outlooks for profitability). Raw materials and supplies: valued at cost, computed on a FIFO basis (where amounts shown on the balance sheet take into account declines in book values based on reduced outlooks for profitability).
Depreciation	Property, plant and equipment: straight-line method Intangible assets: straight-line method Software for internal use is amortized on a straight-line basis (based on a length of useful internal life of 5 years).
Allowance for doubtful accounts	To provide for potential losses from doubtful accounts, the Company recognizes an amount calculated based on the historical default ratio for general accounts receivable, plus an amount for specific accounts for which collection appears doubtful.
Provision for bonuses	Recognized based on standards for estimated bonus expenses.
Provision for retirement benefits	To provide for employees' retirement benefits, the Company recognizes an amount based on retirement benefit liabilities and estimated pension assets as of the end of the fiscal year to March 2013.
Opinion of independent auditors	Auditors: Yasumori Audit Corporation Opinion: unqualified

(Change in method of depreciation)

- From the declining-balance method to the straight-line method
 - The Company had been using the declining-balance method (except with respect to buildings purchased after April 1, 1998, which were depreciated using the straight-line method)
- An assessment by the Company determined that the straight-line method would better reflect the manner in which the Company operates as it prepares for significant capital investments and upgrades in the future; it based its judgment on the following:
 - A reassessment of how such property, plant and equipment are actually being used
- The financial effects of this change in policy: non-consolidated operating income, ordinary income, and income before income taxes each increased by 535 million yen

Share-related Information

Shares in issue

Types of stock	Common
Number of shares authorized	90,000,000
Issued	
As of March 31, 2013	52,644,030
As of June 25, 2013	52,644,030
Stock exchange listings	Tokyo Stock Exchange, First Section
Comments	100-share min. trading unit

Changes in capital stock and number of shares outstanding

	Shares outstanding		Capital stock		Legal capital surplus		Remarks
	Increase or decrease	Balance	Increase or decrease	Balance	Increase or decrease	Balance	
	Shares		Millions of yen		Millions of yen		
April 1, 2006	26,322,015	52,644,030	-	4,175	-	4,555	Split 2 for 1

Shareholders by type of investor

Type of investor	Number of shareholders	Number of units owned	% owned
Financial institutions	38	103,708	19.71
Financial instrument firms	21	1,334	0.25
Business and other corporations	109	143,178	27.20
Non-residents (businesses and corporations)	135	144,829	27.52
Non-residents (individuals)	4	44	0.01
Individuals and other	11,630	133,229	25.31
	11,937	526,322	100.00
Shares less than one unit		11,830	

Largest shareholders

Name	Hundreds of shares owned	% of shares outstanding
HONDA MOTOR CO., LTD.	108,812	20.66
Japan Trustee Services Bank, Ltd.	55,509	10.54
Yoshihide Yamamoto	22,623	4.29
BNP Paribas Sec Service Luxembourg Jasdec Aberdeen Global Client Assets	20,418	3.87
Y.A Co., Ltd.	20,194	3.83
Trust & Custody Services Bank, Ltd.	19,835	3.76
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	17,452	3.31
State Street Bank and Trust Company	15,428	2.93
Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension	13,766	2.61
Ei Yamamoto	13,009	2.47
	<u>307,049</u>	<u>58.32</u>

Share information

Business year	April 1 - March 31
Ex-rights date	March 31
Dates of record for dividends	September 30 and March 31
Annual General Meeting of Shareholders	June
Trading unit	100 shares
Transfer agent	Mizuho Trust & Banking Co., Ltd., 1-2-1 Yaesu, Chuo-ku, Tokyo
Publication of record	<i>The Nihon Keizai Shimbun</i>

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