

Annual Securities Report

87th term (from April 1, 2016 to March 31, 2017)

F.C.C. CO., LTD.

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Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Tokai Local Finance Bureau
Filing date	June 22, 2017
Fiscal year	87th term (from April 1, 2016 to March 31, 2017)
Company name	株式会社エフ・シー・シー (<i>Kabushiki Kaisha F.C.C.</i>)
Company name in English	F.C.C. CO., LTD.
Title and name of representative	Toshimichi Matsuda, President and Representative Director
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Telephone number	+81-53-523-2400 (Main)
Name of contact person	Ryujiro Matsumoto, Director, Head of Management and Administration
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

A. Company information

I. Overview of the Company

1. Trends in selected financial data

(1) Summary of consolidated financial data

Term	IFRS				
	Transition date	84th term	85th term	86th term	87th term
Fiscal year-end	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017
Revenue (Millions of yen)	–	145,433	154,395	167,429	157,217
Profit before income taxes (Millions of yen)	–	16,871	12,104	8,118	11,419
Profit (Millions of yen)	–	13,012	8,042	6,907	7,498
Comprehensive income (Millions of yen)	–	14,937	16,809	(1,155)	7,027
Equity attributable to owners of the parent (Millions of yen)	90,507	104,004	110,190	107,010	111,624
Total assets (Millions of yen)	124,924	139,195	163,819	159,212	162,708
Equity attributable to owners of parent per share (Yen)	1,803.34	2,072.27	2,195.52	2,132.18	2,224.12
Basic earnings per share (Yen)	–	257.13	144.07	122.79	143.54
Diluted earnings per share (Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	72.45	74.72	67.26	67.21	68.60
Ratio of profit to equity attributable to owners of parent (%)	–	13.27	6.75	5.67	6.59
Price earnings ratio (PER) (Times)	–	7.14	13.03	15.49	15.48
Net cash flows from (used in) operating activities (Millions of yen)	–	15,530	13,002	25,108	24,165
Net cash flows from (used in) investing activities (Millions of yen)	–	(17,665)	(20,308)	(17,369)	(15,846)
Net cash flows from (used in) financing activities (Millions of yen)	–	(2,856)	4,106	96	(7,641)
Cash and cash equivalents at end of period (Millions of yen)	23,571	19,046	17,557	23,450	23,474
Number of employees [Separately, average number of temporary employees]	6,961 [3,641]	7,235 [3,489]	7,603 [3,647]	7,893 [3,235]	8,189 [3,210]

Notes: 1. Effective from the 85th term, the consolidated financial statements are prepared based on International Financial Reporting Standards (hereinafter “IFRS”).

2. Revenue does not include consumption taxes.

3. Information on diluted earnings per share is omitted due to an absence of potential shares.

Term	Japanese GAAP		
	83rd term	84th term	85th term
Fiscal year-end	March 31, 2013	March 31, 2014	March 31, 2015
Net sales (Millions of yen)	126,245	144,890	153,939
Ordinary profit (Millions of yen)	13,124	16,115	12,952
Profit attributable to owners of parent (Millions of yen)	7,942	13,148	6,760
Comprehensive income (Millions of yen)	17,707	16,269	16,702
Net assets (Millions of yen)	97,491	111,099	115,948
Total assets (Millions of yen)	122,258	137,909	162,348
Net assets per share (Yen)	1,780.34	2,075.83	2,195.73
Basic earnings per share (Yen)	158.26	261.99	134.70
Diluted earnings per share (Yen)	–	–	–
Equity ratio (%)	73.09	75.54	67.88
Return on equity (ROE) (%)	9.66	13.59	6.31
Price earnings ratio (PER) (Times)	14.27	7.01	13.93
Net cash provided by (used in) operating activities (Millions of yen)	13,491	13,646	13,465
Net cash provided by (used in) investing activities (Millions of yen)	(11,355)	(15,120)	(21,783)
Net cash provided by (used in) financing activities (Millions of yen)	(2,176)	(2,771)	4,129
Cash and cash equivalents at end of period (Millions of yen)	23,369	20,147	17,403
Number of employees	7,011	7,214	7,564
[Separately, average number of temporary employees]	[3,641]	[3,444]	[3,676]

Notes: 1. An audit pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan has not been conducted for the consolidated financial statements for the 85th term prepared in accordance with Japanese GAAP.

2. Net sales do not include consumption taxes.

3. Information on diluted earnings per share is omitted due to an absence of potential shares.

2. Company history

Year	Month	Event
1939	June	Fuji Lite Industries Co., Ltd. is established in Sato-cho, Hamamatsu-shi, Shizuoka. 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. (currently KYUSHU F.C.C. CO., LTD., a consolidated subsidiary) in Matsubase-machi, Shimomashiki-gun, Kumamoto (currently Uki-shi, Kumamoto).
1984	July	Changes name to F.C.C. CO., LTD.
1988	July	Establishes JAYTEC, INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
1989	March	Establishes FCC (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Bangkok, Thailand.
	June	Moves its corporate head office to the current address.
1992	September	Makes equity investment in KWANG HWA SHING INDUSTRIAL CO., LTD. of Tainan, Taiwan.
1993	September	Establishes FCC (PHILIPPINES) CORP. (currently a consolidated subsidiary) in Laguna, Philippines.
	October	Acquires shares of TENRYU SANGYO CO., LTD. (currently a consolidated subsidiary)
1994	August	Registers its shares for OTC trading with Japan Securities Dealers Association.
	December	Establishes CHENGDU JIANG HUA. F.C.C. CLUTCHES. CO., LTD. (currently CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a consolidated subsidiary) in Chengdu, Sichuan, China.
1995	March	Establishes CHU'S F.C.C. CO., LTD. (SHANGHAI) (currently a consolidated subsidiary) in Shanghai, China.
	September	Establishes FCC (EUROPE) LTD. in Milton Keynes, UK.
1997	April	Establishes FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD., a consolidated subsidiary) in Haryana, India.
1998	November	Establishes FCC DO BRASIL LTDA. (currently a consolidated subsidiary) in Amazonas, Brazil.
2000	April	Establishes FCC (North Carolina), INC. (currently FCC (North Carolina), LLC., a consolidated subsidiary) in North Carolina, U.S.A.
2001	April	Establishes PT. FCC INDONESIA (currently a consolidated subsidiary) in Karawang, Indonesia.
2002	December	Establishes FCC (North America), INC. (currently a consolidated subsidiary) and FCC (INDIANA), INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
2003	February	Lists its shares on the Second Section of the Tokyo Stock Exchange.
	May	Establishes FCC (Adams), LLC. (currently 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. (currently FCC (TAIWAN) CO., LTD.), making the company a consolidated subsidiary.
	November	Establishes FCC (VIETNAM) CO., LTD. (currently a consolidated subsidiary) in Hanoi, Vietnam.
2006	January	Establishes CHINA FCC FOSHAN CO., LTD. (currently a consolidated subsidiary) in Foshan, Guangdong, China.
2010	November	Acquires 100% of Tohoku Chemical Industries, Ltd. (currently a consolidated subsidiary).
2012	September	Establishes F.C.C. (China) Investment Co., Ltd. (currently a consolidated subsidiary) in Chengdu, Sichuan, China.
	December	Completes liquidation of FCC (EUROPE) LTD.
2013	February	Establishes FCC SEOJIN CO., LTD. in Siheung, Gyeonggi-do, Korea.
	June	Establishes FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (currently a consolidated subsidiary) in San Luis Potosi, Mexico.
2014	November	Establishes FCC CLUTCH INDIA PRIVATE LTD. (currently a consolidated subsidiary) in Haryana, India.
	December	Acquires 100% of FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD., a consolidated subsidiary).
2015	November	FCC INDIA MANUFACTURING PRIVATE LTD. has been merged by FCC CLUTCH INDIA PRIVATE LTD.

3. Description of business

The Group, comprising the Company, 23 subsidiaries and two associates, is engaged primarily in the manufacture and sale of clutches for motorcycles and automobiles.

The following breaks down the Group's businesses into operating segments and indicates in which segment each company falls. These operating segments are the same as those in "V. Financial information, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 4. Segment information."

Motorcycle clutches

This segment is engaged primarily in the manufacture and sale of motorcycles, scooters, all-terrain vehicles (ATVs) and general-purpose clutches; it also manufactures and sells components and parts for motorcycles and automobiles.

Business category	Principal companies
Manufacture	KYUSHU F.C.C. CO., LTD.
Sales	PT. FCC PARTS INDONESIA [Indonesia]
Manufacture and sales	The Company, TENRYU SANGYO CO., LTD., Tohoku Chemical Industries, Ltd., FCC (North Carolina), LLC. [U.S.], FCC (THAILAND) CO., LTD. [Thailand], FCC (PHILIPPINES) CORP. [Philippines], CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. [China], CHU'S F.C.C. CO., LTD. (SHANGHAI) [China], FCC (TAIWAN) CO., LTD. [Taiwan], FCC CLUTCH INDIA PRIVATE LTD. [India], PT. FCC INDONESIA [Indonesia], FCC (VIETNAM) CO., LTD. [Vietnam], FCC DO BRASIL LTDA. [Brazil]

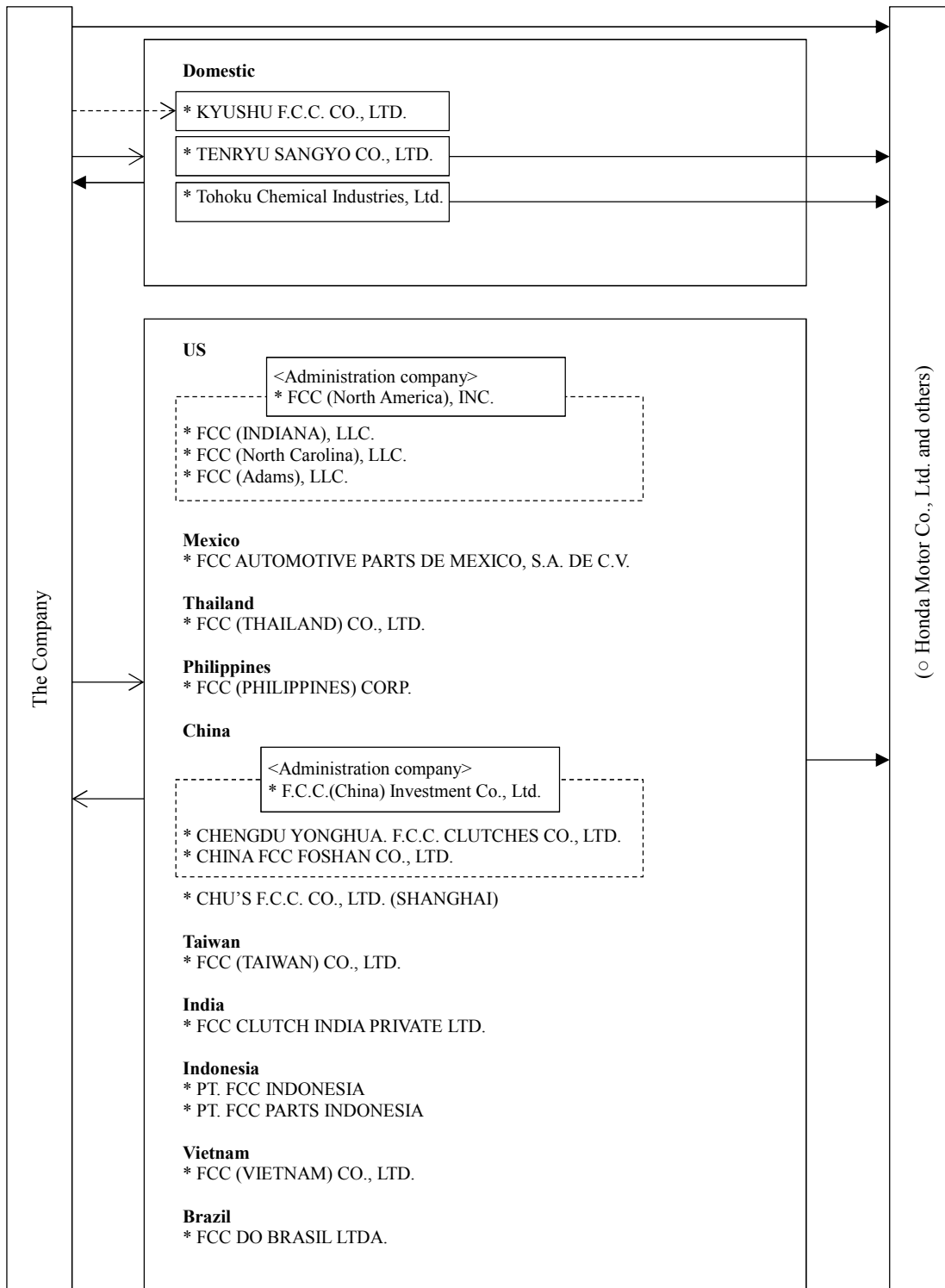
Automobile clutches

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

Business category	Principal companies
Manufacture	KYUSHU F.C.C. CO., LTD., FCC (North Carolina), LLC. [U.S.], FCC (PHILIPPINES) CORP. [Philippines]
Manufacture and sales	The Company, FCC (INDIANA), LLC. [U.S.], FCC (North Carolina), LLC. [U.S.], FCC (Adams), LLC. [U.S.], FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. [Mexico], FCC (THAILAND) CO., LTD. [Thailand], CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. [China], CHINA FCC FOSHAN CO., LTD. [China], FCC CLUTCH INDIA PRIVATE LTD. [India], PT. FCC INDONESIA [Indonesia]

Group business structure chart

The following Group business structure chart shows the matters described above.



- * Consolidated subsidiaries
- o Other affiliated company
- > Receiving and supplying materials and parts
- > Supplying products
- > Leasing land

4. Overview of subsidiaries and other affiliates

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
<Consolidated subsidiaries> KYUSHU F.C.C. CO., LTD.	Uki-shi, Kumamoto	¥30,000,000	Motorcycle and automobile clutches	100	Manufacturing the Company's product components and products. Interlocking officers and leasing land.
TENRYU SANGYO CO., LTD.	Higashi-ku, Hamamatsu-shi, Shizuoka	¥22,500,000	Motorcycle clutches	80.22	Purchasing motorcycle, automobile and general-purpose components. Interlocking officers.
Tohoku Chemical Industries, Ltd.	Nasukarasuyama-shi, Tochigi	¥125,000,000	Motorcycle clutches	100	Purchasing Tohoku Chemical Industries, Ltd.'s products. Interlocking officers.
FCC (North America), INC. (Note 2)	Indiana, U.S.	US\$42,800,000	Administration of subsidiaries in the U.S.	100	Interlocking officers and capital assistance.
FCC (INDIANA), LLC. (Notes 2, 4)	Indiana, U.S.	US\$17,800,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (INDIANA), LLC.'s products and components. Interlocking officers.
FCC (North Carolina), LLC. (Note 2)	North Carolina, U.S.	US\$10,000,000	Motorcycle and automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (North Carolina), LLC.'s products and components. Interlocking officers.
FCC (Adams), LLC. (Notes 2, 4)	Indiana, U.S.	US\$15,000,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (Adams), LLC.'s products and components. Interlocking officers.
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (Note 2)	San Luis Potosi, Mexico	MXN300,000,000	Automobile clutches	100 [1]	Selling the Company's products, components and raw materials. Interlocking officers and capital assistance.
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	THB60,000,000	Motorcycle and automobile clutches	100 [0.07]	Selling the Company's products, components and raw materials. Purchasing FCC (THAILAND) CO., LTD.'s products and components. Interlocking officers.
FCC (PHILIPPINES) CORP. (Note 2)	Laguna, Philippines	PHP200,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC (PHILIPPINES) CORP.'s products and components. Interlocking officers.
F.C.C. (China) Investment Co., Ltd. (Note 2)	Sichuan, China	US\$30,000,000	Administration of subsidiaries in China	100	Interlocking officers.
CHENGDU YONGHUA F.C.C. CLUTCHES CO., LTD. (Note 2)	Sichuan, China	US\$28,000,000	Motorcycle and automobile clutches	100 [71.43]	Selling the Company's products, components and raw materials. Purchasing CHENGDU YONGHUA F.C.C. CLUTCHES CO., LTD.'s products and components. Interlocking officers and capital assistance.
CHU'S F.C.C. CO., LTD. (SHANGHAI) (Note 2)	Shanghai, China	US\$9,800,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing CHU'S F.C.C. CO., LTD. (SHANGHAI)'s products and components. Interlocking officers.

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
CHINA FCC FOSHAN CO., LTD. (Note 2)	Guangdong, China	US\$28,000,000	Automobile clutches	100 [61.43]	Selling the Company's products, components and raw materials. Purchasing CHINA FCC FOSHAN CO., LTD.'s products and components. Interlocking officers.
FCC (TAIWAN) CO., LTD. (Note 2)	Tainan, Taiwan	NT\$195,000,000	Motorcycle clutches	70 [15]	Selling the Company's products, components and raw materials. Purchasing FCC (TAIWAN) CO., LTD.'s products and components. Interlocking officers.
FCC CLUTCH INDIA PRIVATE LTD. (Notes 2, 4)	Haryana, India	INR2,800,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC CLUTCH INDIA PRIVATE LTD.'s products and components. Interlocking officers and capital assistance.
PT. FCC INDONESIA (Notes 2, 4)	Karawang, Indonesia	US\$11,000,000	Motorcycle and automobile clutches	100 [0.55]	Selling the Company's products, components and raw materials. Purchasing PT. FCC INDONESIA's products and components. Interlocking officers.
PT. FCC PARTS INDONESIA	Karawang, Indonesia	US\$300,000	Motorcycle clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing PT. FCC PARTS INDONESIA's products and components.
FCC (VIETNAM) CO., LTD. (Note 2)	Hanoi, Vietnam	US\$25,000,000	Motorcycle clutches	90	Selling the Company's products, components and raw materials. Purchasing FCC (VIETNAM) CO., LTD.'s products and components. Interlocking officers.
FCC DO BRASIL LTDA. (Note 2)	Amazonas, Brazil	BRL31,600,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC DO BRASIL LTDA.'s products and components.
<Other affiliate> Honda Motor Co., Ltd. (Note 5)	Minato-ku, Tokyo	¥86,067,000,000	Manufacture and sales of automobiles and engines	21.68 (held)	Selling the Company's products and purchasing raw materials and components.

Notes: 1. Descriptions in the "Principal contents of business" column are names of segments.

2. These companies are classified as "Specified Subsidiaries" under the Financial Instruments and Exchange Act of Japan.

3. The figures in brackets in the "Ratio of voting rights holding" column are indirect holding ratio included in the figures outside the brackets.

4. For FCC (INDIANA) LLC., FCC (Adams), LLC., PT. FCC INDONESIA and FCC CLUTCH INDIA PRIVATE LTD., the percentage of their net sales (excluding internal sales between consolidated companies) to consolidated net sales exceeded 10%. Key profit and loss information in each company's financial statements prepared under the generally accepted accounting standards in Japan is as follows:

Key profit and loss information

• FCC (INDIANA), LLC.

(1) Net sales	¥34,027 million
(2) Ordinary profit	¥1,041 million
(3) Profit	¥756 million
(4) Net assets	¥13,288 million
(5) Total assets	¥18,180 million

• FCC (Adams), LLC.

(1) Net sales	¥20,930 million
(2) Ordinary profit	¥25 million
(3) Profit	¥(275 million)
(4) Net assets	¥3,986 million
(5) Total assets	¥21,869 million

• PT. FCC INDONESIA

(1) Net sales	¥20,174 million
(2) Ordinary profit	¥2,390 million
(3) Profit	¥1,765 million
(4) Net assets	¥13,679 million
(5) Total assets	¥17,229 million

• FCC CLUTCH INDIA PRIVATE LTD.

(1) Net sales	¥20,031 million
(2) Ordinary profit	¥(615 million)
(3) Profit	¥(374 million)
(4) Net assets	¥3,752 million
(5) Total assets	¥17,057 million

5. This company files its Annual Securities Report.
6. In addition to the above, there are five affiliates.

5. Information about employees

(1) Consolidated companies

As of March 31, 2017

Segment name	Number of employees	
Motorcycle clutches	4,459	[2,875]
Automobile clutches	3,259	[271]
Total of reportable segments	7,718	[3,146]
Corporate (common)	471	[64]
Total	8,189	[3,210]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during the fiscal year under review is given in brackets separately.

2. The number in the Corporate (common) segment indicates employees in the administration department, the R&D Division and the Manufacturing Technology Center.

(2) Reporting company

As of March 31, 2017

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,108 [123]	40.0	15.8	6,595,005

Segment name	Number of employees	
Motorcycle clutches	216	[46]
Automobile clutches	421	[13]
Total of reportable segments	637	[59]
Administration (general operations)	471	[64]
Total	1,108	[123]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during the fiscal year under review is given in brackets separately.

2. Average annual salary includes bonuses and surplus wages.

3. The number in the Administration (general operations) segment indicates employees in the administration department, the R&D Division and the Manufacturing Technology Center.

(3) Status of labor union

The reporting company and some of its consolidated subsidiaries have labor unions. However, these companies have no labor-management issues to note.

II. Overview of business

1. Overview of business results

(1) Business results

During the fiscal year ended March 31, 2017, although there was an increase in sales of automobile clutches in the U.S., the impact of the strong yen and a decrease in sales of motorcycle clutches in Indonesia led to revenue shrinking by 6.1% from the previous fiscal year to ¥157,217 million. Operating profit increased by 15.4% from the previous fiscal year to ¥11,236 million due to the effect of cost reduction, etc., in addition to the lack of the effect of impairment loss that was recorded in the previous fiscal year, and despite the impact of the strong yen and increases in expenses associated with new product launches in the U.S. Profit before income taxes increased by 40.7% from the previous fiscal year to ¥11,419 million due to a decrease in foreign exchange losses. Profit attributable to owners of the parent increased by 16.9% from the previous fiscal year to ¥7,204 million.

The following are the business results in each operating segment.

Motorcycle clutches

The impact of the strong yen and a decrease in sales of motorcycle clutches in Indonesia led to revenue shrinking by 9.1% from the previous fiscal year to ¥73,294 million. Operating profit increased by 0.2% from the previous fiscal year to ¥8,332 million due to the effect of cost reduction, etc. in Indonesia and the lack of the effect of impairment loss that was recorded in the previous fiscal year.

Automobile clutches

Although there was an increase in sales of automobile clutches in the U.S., the impact of the strong yen led to revenue shrinking by 3.3% from the previous fiscal year to ¥83,922 million. Operating profit increased by 104.3% from the previous fiscal year to ¥2,903 million due to sales growth in Mexico and the lack of the effect of impairment loss that was recorded in the previous fiscal year, despite the impact of the strong yen and increases in expenses associated with new product launches in the U.S.

(2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter “net cash”) totaled ¥23,474 million.

Cash flow positions in the fiscal year under review and the factors thereof are as follows.

Cash flows from (used in) operating activities

Net cash flows from operating activities was ¥24,165 million.

This is mainly due to profit before income taxes of ¥11,419 million and depreciation and amortization expense of ¥12,182 million.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥15,846 million.

This is mainly due to purchase of property, plant and equipment of ¥14,650 million.

Cash flows from (used in) financing activities

Net cash used in financing activities was ¥7,641 million.

This is mainly due to payments for acquisition of interests in subsidiaries from non-controlling interests of ¥3,101 million, cash dividends paid of ¥2,006 million and cash dividends paid to non-controlling shareholders of ¥1,357 million.

- (3) Differences between main items in consolidated financial statements prepared in accordance with IFRS and equivalent items in consolidated financial statements if prepared in accordance with Japanese GAAP

Fiscal year ended March 31, 2016

Certain development expense that was expensed under Japanese GAAP is capitalized under IFRS.

Consequently, goodwill and intangible assets in the consolidated statement of financial position increased by ¥1,755 million.

In the consolidated statement of income, cost of sales increased by ¥610 million, and research and development expense included in selling, general and administrative expenses decreased by ¥838 million.

Fiscal year ended March 31, 2017

Certain development expense that was expensed under Japanese GAAP is capitalized under IFRS.

Consequently, goodwill and intangible assets in the consolidated statement of financial position increased by ¥2,420 million.

In the consolidated statement of income, cost of sales increased by ¥489 million, and research and development expense included in selling, general and administrative expenses decreased by ¥1,153 million.

2. Overview of production, orders received and sales

(1) Production performance

Production performance by segment for the fiscal year under review is as shown below.

Segment name	Fiscal year ended March 31, 2017	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	73,555	91.2
Automobile clutches (Millions of yen)	84,393	97.8
Total (Millions of yen)	157,949	94.6

- Notes: 1. Amounts are based on sales prices.
2. Consumption taxes are not included in the above amounts.

(2) Status of orders received

Status of orders received by segment for the fiscal year under review is as shown below.

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)	Order backlog (Millions of yen)	Year-on-year comparison (%)
Motorcycle clutches	72,956	90.8	5,760	94.5
Automobile clutches	83,304	95.0	6,069	90.8
Total	156,261	93.0	11,829	92.5

- Notes: 1. Amounts are based on sales prices.
2. Consumption taxes are not included in the above amounts.

(3) Sales performance

Sales performance by segment for the fiscal year under review is as shown below.

Segment name	Fiscal year ended March 31, 2017	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	73,294	90.9
Automobile clutches (Millions of yen)	83,922	96.7
Total (Millions of yen)	157,217	93.9

- Notes: 1. The table below shows sales results by major transaction partner and the ratio of those sales results to total sales results for the last two fiscal years.

Transaction partner	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Honda Motor Co., Ltd.	10,150	6.1	9,110	5.8
Ford Motor Company	18,880	11.3	21,051	13.4

2. Consumption taxes are not included in the amounts in the above table.

3. Management policy, management environment, issues to address, etc.

Please note that matters concerning the future in this article were determined by the Group as of the filing date of this Annual Securities Report.

(1) Basic corporate management policy

The Group's fundamental policy of corporate philosophy is to "give thoughtful attention to safety and the environment, and use creative ideas and technology to contribute to society by supplying products that give joy to customers."

In line with this corporate philosophy, the Group's officers and employees "place safety and the environment first when conducting business," "employ ingenuity and creative thinking for the greater purpose of advancing our business," "renew and improve ourselves and our business, every day," "work in a speedy and timely manner" and "respect harmony among people and create workplaces where people can enjoy what they do in a positive working atmosphere."

(2) Medium- and long-term business strategy of the Company

Looking at the future business environment, the risk of global economic downturn deserves continuing attention with factors such as the increase in uncertainty accompanying political and economic trends in the U.S. and the issue of the UK leaving the EU. In the automotive industry, demand is expected to continue growing both in the motorcycle and automobile markets over the medium- to long-term. However, it is also expected that global competition among parts manufacturers will increase further following their responses to fuel consumption regulations and development of technology for the electrification of cars.

Under such a management environment, the Group will ensure the implementation of the 10th Medium-Term Management Plan starting in FY2017, and strive for sustainable growth and improved corporate value.

The 10th Medium-Term Management Plan (FY2017 – FY2019)

Go! Reach beyond evolution.

Business policy

To promote sustainability and increase corporate value.

To build a business structure that has overwhelming competitive strength by progressing with the details of strengthening product development capabilities and on-site capabilities.

Performance targets (FY2019)

Revenue:	¥185.0 billion	ROE:	8.3%
Operating profit:	¥15.5 billion	Dividend payout ratio:	30%

(3) Issues to address

The Company will ensure implementation of the priority measures set out in the 10th Medium-Term Management Plan to build a business structure that has overwhelming competitive strength. In particular, the Company will focus on launching new models in the U.S. and improving profitability.

The following are the principal issues to be addressed by each operating segment.

Motorcycle clutches

Expand production capacity in India

Automobile clutches

Launch new models in the U.S., build a stable mass production structure, and improve productivity

4. Business risks

Of the items related to the overview of business and financial information described in this Annual Securities Report, the following may have a considerable impact on the investment decisions of investors.

Please note that matters concerning the future in this article were determined by the Group as of the filing date of this Annual Securities Report.

(1) Business development centered on clutch products

The Group continues to evolve as a specialist in clutch products. Although the clutch products currently manufactured and sold by the Group are important functional components of drive trains for automobiles and motorcycles driven by internal combustion engines, there is no guarantee that a replacement for a clutch product will not be developed and put into general use in the future.

In addition, clutch products may become unnecessary as drive train components in next-generation automobiles and motorcycles that are not driven by internal combustion engines.

(2) Dependence on certain industries and customers

Most clutch products manufactured and sold by the Group are for the automobile and motorcycle industries. As a result, the financial performance of the Group may be affected by future trends in these industries. In addition, the Group's sales revenue from the Honda Motor Group accounted for approximately 50% of the Group's sales revenue in the fiscal year ended March 31, 2017. The financial performance of the Group could be significantly affected, therefore, by the Honda Motor Group's future business strategy, procurement policies and other decisions.

(3) Development of overseas business

The Group operates globally, centering on Japan, the U.S. and Asia. Accordingly, the Group's financial performance could be affected by following factors: political and economic trends in various countries; fluctuations in foreign exchange markets; unforeseen changes in laws and regulations; international tax-related risks, such as transfer pricing taxation; and the occurrence of natural disasters.

(4) Competition faced by the Group

International competition in the automobile and motorcycle industries has become extremely fierce. While the Group is endeavoring to sustain and strengthen its competitiveness in various areas, ranging from product development and manufacturing to quality assurance, certain obstacles may make it difficult to do so in the future, in which case the Group's market share and earnings capability could decline.

(5) Compensation for product defects

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

(6) Impacts of natural disasters and earthquakes, etc.

The Group is implementing measures to minimize potential risks of disruptions to its production lines caused by major natural disasters. There is no guarantee, however, that it will be able to completely avoid or reduce damage. In this respect, the Group's principal manufacturing facilities are concentrated notably in western Shizuoka, and this area lies within a region that is likely to be affected by the widely predicted Tokai and Tonankai earthquakes. The occurrence of such a major disaster could have an enormous impact on the Group's manufacturing facilities and cause a significant reduction in its production capacity.

5. Critical contracts for operation

Not applicable.

6. Research and development activities

As a manufacturer of functional components for transportation vehicles, the 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 general-purpose clutches and R&D on the clutches themselves, including R&D on production technologies for use in their manufacture.

The Group also develops new products by making improvements to existing products and using technologies it has accumulated through experience in manufacturing clutches (and friction materials employed in clutches). Among R&D activities 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 emissions.

During the fiscal year ended March 31, 2017, research and development expense (including expenses recognized as development assets) amounted to ¥3,713 million.

The following is a summary of R&D activities by segment during the fiscal year ended March 31, 2017.

Motorcycle clutches

Research and development activities are underway to improve product appeal, including clutch operability, and reduce costs. Research and development of wet friction materials for motorcycles and dry friction materials for scooters provided a foundation for these activities.

Principal achievements during the fiscal year ended March 31, 2017:

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

In addition, the Company is conducting R&D activities aimed at expanding applications for paper catalysts to clean engine exhaust emissions of general-purpose machinery, for which mass production began in March 2011.

Research and development expense in the motorcycle clutches segment amounted to ¥1,507 million.

Automobile clutches

Research and development activities are underway to make clutches more compact and lightweight, less expensive to manufacture, and more fuel efficient. Research and development of wet friction materials for automatic transmissions (including ATs/CVTs) and dry friction materials for manual transmissions provided a foundation for these activities.

Principal achievements during the fiscal year ended March 31, 2017:

- 1) Began mass production of clutch assemblies for ATs based on the following:
 - Elements of the Company's proprietary segment method for manufacturing friction plates, and
 - Elements of the Company's proprietary technologies that increase fuel efficiency and achieve weight reductions;
- 2) Began mass production of lock-up clutches featuring a new damper structure with excellent damping properties; and
- 3) Developed new friction materials with enhanced product appeal and durability.

Research and development expense in the automobile clutches segment amounted to ¥2,206 million.

7. Analysis of financial position, operating results and cash flows

Please note that matters concerning the future in this article were determined by the Group as of the filing date of this Annual Securities Report.

(1) Significant accounting policies and estimates

The consolidated financial statements of the Company have been prepared in accordance with IFRS pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements. Estimates that are deemed necessary have been made based on reasonable criteria.

Significant accounting policies applied in the consolidated financial statements of the Company are provided in “V. Financial information, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 3. Significant accounting policies.”

(2) Analysis of financial position for the fiscal year ended March 31, 2017

1) Current assets

At the end of the fiscal year under review, current assets were ¥71,620 million, down ¥14 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥1,968 million in other current assets in spite of an increase of ¥1,587 million in trade and other receivables.

2) Non-current assets

At the end of the fiscal year under review, non-current assets were ¥91,087 million, up ¥3,511 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥2,455 million in property, plant and equipment, ¥756 million in other financial assets and ¥692 million in goodwill and intangible assets.

3) Current liabilities

At the end of the fiscal year under review, current liabilities were ¥35,652 million, up ¥5,382 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥3,379 million in borrowings, ¥929 million in other current liabilities, ¥578 million in income taxes payable and ¥392 million in trade and other payables.

4) Non-current liabilities

At the end of the fiscal year under review, non-current liabilities were ¥13,901 million, down ¥2,444 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥4,386 million in borrowings in spite of increases of ¥1,174 million in deferred tax liabilities and ¥578 million in other financial liabilities.

5) Equity

At the end of the fiscal year under review, equity was ¥113,155 million, up ¥558 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥5,188 million in retained earnings in spite of decreases of ¥4,055 million in non-controlling interests and ¥573 million in other components of equity.

(3) Analysis of operating results for the fiscal year ended March 31, 2017

Please refer to “II. Overview of business, 1. Overview of business results, (1) Business results.”

(4) Factors that may have a significant impact on the operating results

Please refer to “II. Overview of business, 4. Business risks.”

Regarding the Group’s response, please refer to “II. Overview of business, 3. Management policy, management environment, issues to address, etc.”

(5) Present conditions and outlook of business strategy

Please refer to “II. Overview of business, 3. Management policy, management environment, issues to address, etc.”

(6) Analysis of capital resources and funding liquidity

The Group’s financial policy is to maintain the sound balance sheet taking into account appropriate liquidity, etc. in securing funds for business activities. Cash flows for the fiscal year under review are provided in “II. Overview of business, 1. Overview of business results, (2) Cash flows.”

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2017, the Company made total capital investments (including investments on intangible assets) of ¥15,367 million. The principal capital investment details were: expanding production capacity for automobile clutches in the U.S.; and expanding production capacity for motorcycle clutches in India. The breakdown of capital investments by business segment is ¥2,856 million for motorcycle clutches, ¥11,942 million for automobile clutches, and ¥569 million for the common segment.

(1) Reporting company

Acquisition of land and buildings at Watagashima Factory

(2) Subsidiaries

Manufacturing facilities to produce new models and production capacity expansion at FCC (Adams), LLC.

Manufacturing facilities to produce new models and production capacity expansion at FCC (INDIANA), LLC.

Manufacturing facilities to produce new models and production capacity expansion at FCC (VIETNAM) CO., LTD.

Manufacturing facilities to produce new models and production capacity expansion at FCC CLUTCH INDIA PRIVATE LTD.

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2017

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
Hosoe Factory (Kita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	160	497	270 (18,080)	37	966	110 [4]
Hamakita Factory (Kita-ku, Hamamatsu-shi, Shizuoka)	Automobile clutches	Manufacturing facilities for clutches	1,841	1,702	676 (26,216)	597	4,818	197 [4]
Tenryu Factory (Iwata-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	213	941	595 (32,511)	83	1,833	112 [2]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	2,219	1,121	1,292 (75,130)	154	4,787	218 [44]
R&D Division (Kita-ku, Hamamatsu-shi, Shizuoka)	Common	Testing apparatus and measuring instruments	448	607	216 (12,093)	61	1,333	191 [59]

(2) Domestic subsidiaries

As of March 31, 2017

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
KYUSHU F.C.C. CO., LTD. (Uki-shi, Kumamoto)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	184	144	11 (20,474)	299	638	115 [21]

(3) Overseas subsidiaries

As of March 31, 2017

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
FCC (North Carolina), LLC.	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	4,447	5,936	31 (366,274)	828	11,243	424 [27]
FCC (Adams), LLC.	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	3,764	8,992	52 (161,880)	2,898	15,706	534 [17]
FCC (INDIANA), LLC.	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,765	5,019	82 (246,263)	1,509	8,376	739
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	642	1,972	– (72,812)	100	2,715	1,261 [476]
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	893	1,113	610 (87,890)	279	2,896	410 [389]
CHENGDU YONGHUA F.C.C. CLUTCHES CO., LTD.	Sichuan, China	Motorcycle and automobile clutches	Manufacturing facilities for clutches	311	891	– (27,826)	452	1,654	338
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	1,264	1,964	147 (81,837)	35	3,411	335
FCC CLUTCH INDIA PRIVATE LTD.	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	507	2,487	1,410 (82,680)	1,027	5,432	725 [1,895]

Notes: 1. The carrying amount of "Other" assets relates to tools, furniture, leased assets and fixtures and intangible assets and includes construction in progress. The amounts shown above do not include consumption taxes.

2. Of the land of KYUSHU F.C.C. CO., LTD., 19,174 m² was leased from the reporting company.

3. Of the land of FCC (North Carolina), LLC. of 366,274 m², 11,266 m² was leased.

4. The number of employees shown in brackets is the number of temporary employees at the end of the period.

5. Tenryu Factory was relocated on April 1, 2017 and its name was changed to Watagashima Factory (Tenryu-ku, Hamamatsu-shi, Shizuoka).

3. Planned additions, retirements, etc. of facilities

(1) Planned additions, etc. of important facilities

During the next fiscal year (from April 1, 2017 to March 31, 2018), the Company plans to make total capital investments of ¥17,939 million.

The principal capital investment items will be manufacturing facilities to produce new models and expansion of production capacity in the U.S., Vietnam and Japan, and investments accompanying expansion of production capacity in India. The breakdown of planned capital investments by business segment will be ¥3,766 million for motorcycle clutches, ¥13,363 million for automobile clutches, and ¥810 million for the shared segment.

- Reporting company

Capacity expansion of testing apparatus, etc. at the R&D Division and manufacturing facilities to produce new models and production capacity expansion at Hamakita Factory

- Subsidiaries

Manufacturing facilities to produce new models and production capacity expansion at FCC (Adams), LLC.

Manufacturing facilities to produce new models and production capacity expansion at FCC (INDIANA), LLC.

Manufacturing facilities to produce new models and production capacity expansion at FCC (VIETNAM) CO., LTD.

Manufacturing facilities to produce new models and production capacity expansion at FCC CLUTCH INDIA PRIVATE LTD.

(2) Retirement, etc. of important facilities

The Company has no plan for the sales/retirement of important facilities, with the exception of the regular upgrading of facilities.

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

Total number of shares

Class	Total number of authorized shares (Shares)
Ordinary shares	90,000,000
Total	90,000,000

(2) Changes in number of shares issued, issued capital, etc.

Date	Increase (decrease) in total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase (decrease) in issued capital (Millions of yen)	Balance of issued capital (Millions of yen)	Increase (decrease) in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
April 1, 2006 (Note)	26,322,015	52,644,030	–	4,175	–	4,555

Note: This was due to a 2-for-1 share split.

(3) Shareholding by shareholder category

As of March 31, 2017

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders	–	39	24	135	166	3	13,820	14,187	–
Number of shares held (Units)	–	131,653	4,843	144,323	123,398	8	122,103	526,328	11,230
Shareholding ratio (%)	–	25.01	0.92	27.42	23.45	0.00	23.20	100.00	–

Notes: 1. 2,455,809 treasury shares are included in “Individuals, etc.” as 24,558 units and “Shares less than one unit” as 9 shares.

2. “Other corporations” column above includes 37 units of shares held in the name of Japan Securities Depository Center, Incorporated.

(4) Major shareholders

As of March 31, 2017

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Honda Motor Co., Ltd.	2-1-1 Minami-Aoyama, Minato-ku, Tokyo	10,881	20.67
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	1-8-11 Harumi, Chuo-ku, Tokyo	2,508	4.76
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,044	3.88
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	3.84
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,633	3.10
Yoshihide Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,535	2.92
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.50
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.47
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11 Harumi, Chuo-ku, Tokyo	1,278	2.43
THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	225 LIBERTY STREET, NEW YORK, NEW YORK, U.S.A. (Shinagawa Intercity Tower A, 2-1-15 Konan, Minato-ku, Tokyo)	1,064	2.02
Total	—	25,582	48.60

Notes: 1. In addition to the above, the Company held 2,455 thousand treasury shares.

2. Of the above number of shares held, the number of shares in association with fiduciary activities is as follows:

Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	2,508 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account)	2,044 thousand shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,633 thousand shares
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,315 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,278 thousand shares

3. NOMURA INTERNATIONAL PLC and its joint holder, Nomura Asset Management Co., Ltd., made the substantial shareholding report available for public inspection as of April 21, 2016, describing that each of these companies held shares as follows as of April 15, 2016. Since the Company could not confirm the actual number of shares held by them at the year-end, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 70,981	0.13
Nomura Asset Management Co., Ltd.	1-12-1 Nihombashi, Chuo-ku, Tokyo	Shares 2,578,300	4.90

4. Mondrian Investment Partners Limited made the change report for the substantial shareholding report available for public inspection as of June 30, 2016, describing that this company held 2,663 thousand shares as of June 24, 2016. Since the Company could not confirm the actual number of shares held by this company at the year-end, it was not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mondrian Investment Partners Limited	Fifth Floor, 10 Gresham Street, London EC2V 7JD, United Kingdom	Shares 2,663,200	5.06

5. Mizuho Bank, Ltd. and its joint holders, Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. made the change report for the substantial shareholding report available for public inspection as of October 21, 2016, describing that each of these companies held shares as follows as of October 14, 2016. Since the Company could not confirm the actual number of shares held by them at the year-end, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	Shares 1,315,200	2.50
Mizuho Trust & Banking Co., Ltd.	1-2-1 Yaesu, Chuo-ku, Tokyo	Shares 429,000	0.81
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 1,620,200	3.08

6. Sumitomo Mitsui Asset Management Company, Limited and its joint holder, Sumitomo Mitsui Banking Corporation made the change report for the substantial shareholding report available for public inspection as of November 22, 2016, describing that each of these companies held shares as follows as of November 15, 2016. Since the Company could not confirm the actual number of shares held by them at the year-end, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Sumitomo Mitsui Asset Management Company, Limited	Atago Green Hills MORI Tower 28F, 2-5-1 Atago, Minato-ku, Tokyo	Shares 231,300	0.44
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 2,508,000	4.76

2. Dividend policy

The Company considers returning profits to shareholders to be one of the top management issues. Our basic policy is to continue to pay a stable dividend from a comprehensive point of view based on consolidated financial performance and dividend payout ratio, etc., while striving to improve corporate value by making capital investments and carrying out research and development activities necessary for future growth and thus maintaining and strengthening its competitiveness.

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

Decisions on year-end dividends are made by the General Meeting of Shareholders, and decisions on interim dividends are made by the Board of Directors.

Based on the foregoing policy, the Company paid a total dividend for the fiscal year under review of ¥40 per share (of which ¥20 was paid out as an interim dividend). This resulted in a dividend payout ratio of 27.9%.

The Company uses internal reserves to make investments for future business expansion, etc.

The Company stipulates in the Articles of Incorporation that it is able to pay an interim dividend, with September 30 as the record date, based on a resolution of the Board of Directors.

Dividends for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on October 31, 2016	1,003	20
Resolution at the Ordinary General Meeting of Shareholders held on June 20, 2017	1,003	20

3. Information about officers

Men: 13, Women: – (Percentage of female officers: –%)

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
President and Representative Director		Toshimichi Matsuda	December 9, 1952	<p>Mar. 1975 Joined the Company</p> <p>Apr. 1996 President and Director of FCC (EUROPE) LTD.</p> <p>Jun. 2001 Director and General Manager of Sales Division of the Company</p> <p>Jun. 2005 Director, in charge of Sales and Purchasing of the Company</p> <p>Jun. 2006 Director, in charge of Sales and Purchasing and Risk Management Officer of the Company</p> <p>Apr. 2007 Director, Head of Sales and Purchasing, Head of business operation in China and Risk Management Officer of the Company</p> <p>Jun. 2008 Managing Director, Head of Sales and Purchasing and Head of business operation in China of the Company</p> <p>Jun. 2010 Managing Director, Head of Sales and Purchasing and Compliance Officer of the Company</p> <p>Jun. 2011 Managing Director, Head of Sales and Compliance Officer of the Company</p> <p>Jun. 2012 Senior Managing Director, Head of Sales and Compliance officer of the Company</p> <p>Apr. 2013 Senior Managing Director of the Company</p> <p>Jun. 2013 President and Representative Director of the Company (incumbent)</p>	(Note 2)	97
Managing Director	Head of Purchasing, Head of business operation in China and Risk Management Officer	Yoshitaka Saito	November 29, 1973	<p>Feb. 2009 Joined the Company</p> <p>Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC. (currently FCC (INDIANA), LLC.) and President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC.)</p> <p>Jun. 2011 Director of the Company</p> <p>Apr. 2012 Director and Head of business operation in North America of the Company</p> <p>President and Director of FCC (North America), INC.</p> <p>Jun. 2012 Managing Director and Head of business operation in North America of the Company</p> <p>Apr. 2013 Managing Director and Head of business operation of motorcycles business of the Company</p> <p>Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company (incumbent)</p>	(Note 2)	123

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director	Head of business operation of automobiles business and in charge of New Business Development Division	Kazuhiro Itonaga	March 11, 1960	<p>Mar. 1982 Joined the Company</p> <p>Apr. 2009 General Manager of R&D Division of the Company</p> <p>Jun. 2009 Director and General Manager of R&D Division of the Company</p> <p>Jun. 2010 Director, Head of Research and Development and General Manager of R&D Division of the Company</p> <p>Jun. 2013 Managing Director, Head of Research and Development and General Manager of R&D Division of the Company</p> <p>Apr. 2015 Managing Director, Head of business operation of automobiles business and Head of Research and Development of Automobile Components of the Company</p> <p>Apr. 2016 Managing Director, Head of business operation of automobiles business of the Company</p> <p>Nov. 2016 Managing Director, Head of business operation of automobiles business and in charge of New Business Development Division of the Company (incumbent)</p>	(Note 2)	16

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director	Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America	Kazuto Suzuki	May 27, 1961	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2009 General Manager of Corporate Planning Office of the Company</p> <p>Jun. 2010 Director, Head of business operation in China and South America and General Manager of Corporate Planning Office of the Company</p> <p>Jun. 2011 Director, Head of business operation in China and South America, General Manager of Corporate Planning Office and Risk Management Officer of the Company</p> <p>Jan. 2012 Director, Head of business operation in China and South America and Risk Management Officer of the Company</p> <p>Apr. 2012 Director, Head of Production Engineering, Head of business operation in China and South America and Risk Management Officer of the Company</p> <p>Jun. 2012 Director, Head of Production of Motorcycle Components, Head of Production Engineering and Head of business operation in China and South America of the Company</p> <p>Apr. 2013 Director, Head of business operation of motorcycles business in Japan, Head of business operation in China and South America and Risk Management Officer of the Company</p> <p>Apr. 2014 Director, Head of business operation of motorcycles business, Head of business operation in ASEAN and India and Head of business operation in South America of the Company</p> <p>Apr. 2016 Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company</p> <p>Jun. 2017 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company (incumbent)</p>	(Note 2)	25

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director	Head of Management and Administration, Compliance Officer and Chief Information Officer	Ryujiro Matsumoto	June 4, 1962	<p>Jul. 2005 Joined the Company</p> <p>Jan. 2011 General Manager of FCC (THAILAND) CO., LTD.</p> <p>Jun. 2011 Director, Head of Production of Motorcycle Components and Head of business operation in Asia of the Company</p> <p>Jun. 2012 Director and Head of business operation in Asia of the Company</p> <p>Apr. 2013 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Compliance Officer and Chief Information Officer of the Company</p> <p>Jun. 2013 Director, Head of Management and Administration, Compliance Officer and Chief Information Officer of the Company (incumbent)</p>	(Note 2)	12
Director	Head of Production Engineering and Head of Environment and Safety	Atsuhiko Mukoyama	July 31, 1963	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2012 Head of Production of Automobile Components of the Company</p> <p>Jun. 2012 Director and Head of Production of Automobile Components of the Company</p> <p>Apr. 2013 Director and Head of business operation of automobiles business of the Company</p> <p>Apr. 2015 Director, Head of Production Engineering and Head of Environment and Safety of the Company (incumbent)</p>	(Note 2)	16
Director	Head of business operation in North America	Satoshi Nakaya	March 17, 1964	<p>Apr. 1986 Joined the Company</p> <p>Jan. 2012 General Manager of Corporate Planning Office of the Company</p> <p>Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company</p> <p>Apr. 2013 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. President and Director of FCC (INDIANA), LLC.</p> <p>Apr. 2017 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. (incumbent)</p>	(Note 2)	43
Director	Head of production in North America	Kenichi Inoue	May 3, 1957	<p>Apr. 1978 Joined Honda Motor Co., Ltd.</p> <p>Apr. 2011 Senior Vice President of Honda Manufacturing of Alabama, LLC</p> <p>Apr. 2013 Joined the Company, Assistant to President and Head of Production Engineering of the Company</p> <p>Jun. 2013 Director and Head of Production Engineering of the Company</p> <p>Apr. 2014 Director, Head of Production Engineering and Head of Environment and Safety of the Company</p> <p>Apr. 2015 Director and Head of production in North America of the Company (incumbent)</p>	(Note 2)	12

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member (full time)		Hikomichi Suzuki	September 20, 1952	<p>Mar. 1978 Joined the Company</p> <p>Dec. 2004 General Manager of Oversea Business Division of the Company</p> <p>Jun. 2006 Director, Head of business operation in Asia, in charge of Production of Motorcycle Components and General-purpose Components and General Manager of Oversea Business Division of the Company</p> <p>Apr. 2007 Director, Head of business operation in Asia and Head of Production of Motorcycle Components of the Company</p> <p>Jun. 2011 Audit & Supervisory Board Member (full time) of the Company</p> <p>Jun. 2016 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)</p>	(Note 3)	46
Director, Audit and Supervisory Committee Member (full time)		Katsuyoshi Fukatsu	November 30, 1954	<p>Mar. 1977 Joined the Company</p> <p>Apr. 2009 President and Director of FCC (INDIANA) Mfg., LLC. (currently FCC (INDIANA), LLC.)</p> <p>Jun. 2009 Director and Head of business operation in North America of the Company</p> <p>President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC.)</p> <p>Jun. 2010 President and Director of FCC (North America), INC.</p> <p>Jun. 2012 Audit & Supervisory Board Member (full time) of the Company</p> <p>Jun. 2016 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)</p>	(Note 3)	47
Director, Audit and Supervisory Committee Member		Yoshinori Tsuji	April 17, 1959	<p>Mar. 1986 Graduated from The Legal Training and Research Institute of Japan</p> <p>Apr. 1986 Registered as an attorney (Nagoya Bar Association)</p> <p>Apr. 1987 Transferred registration to the Shizuoka Bar Association Established Yoshinori Tsuji Law Office (to present)</p> <p>Jun. 2007 Audit & Supervisory Board Member of the Company</p> <p>Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)</p>	(Note 3)	–
Director, Audit and Supervisory Committee Member		Masahide Sato	February 10, 1964	<p>Oct. 1992 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Apr. 1996 Registered as Certified Public Accountant</p> <p>Sep. 2005 Established Masahide Sato Accounting Firm (to present)</p> <p>Jun. 2010 Audit & Supervisory Board Member of the Company</p> <p>Apr. 2015 Director of CRESTEC Inc. (incumbent)</p> <p>Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)</p>	(Note 3)	–

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member		Kazumoto Sugiyama	May 27, 1969	Sep. 2006 Graduated from The Legal Training and Research Institute of Japan Oct. 2006 Registered as an attorney (Shizuoka Bar Association) Joined Toshio Sugiyama Law Office (currently Sugiyama Law Office) Sep. 2008 President of Sugiyama Law Office (to present) Jun. 2014 Director of the Company Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
Total						437

- Notes: 1. Mr. Yoshinori Tsuji, Mr. Masahide Sato and Mr. Kazumoto Sugiyama are Outside Directors.
 2. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 20, 2017
 3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2016

4. Status of corporate governance, etc.

(1) Status of corporate governance

Basic policy regarding corporate governance

Based on its corporate philosophy, the Company endeavors to enhance its corporate governance as one of the top management issues, aiming to build trust of its stakeholders, including shareholders, customers, employees, and local communities, conduct an agile and decisive decision-making in a fair and transparent way and pursue its continuous growth and an increase in corporate value over the medium- to long-term.

< Corporate philosophy >

“Give thoughtful attention to safety and the environment, and use creative ideas and technology to contribute to society by supplying products that give joy to customers.”

1) System of corporate governance

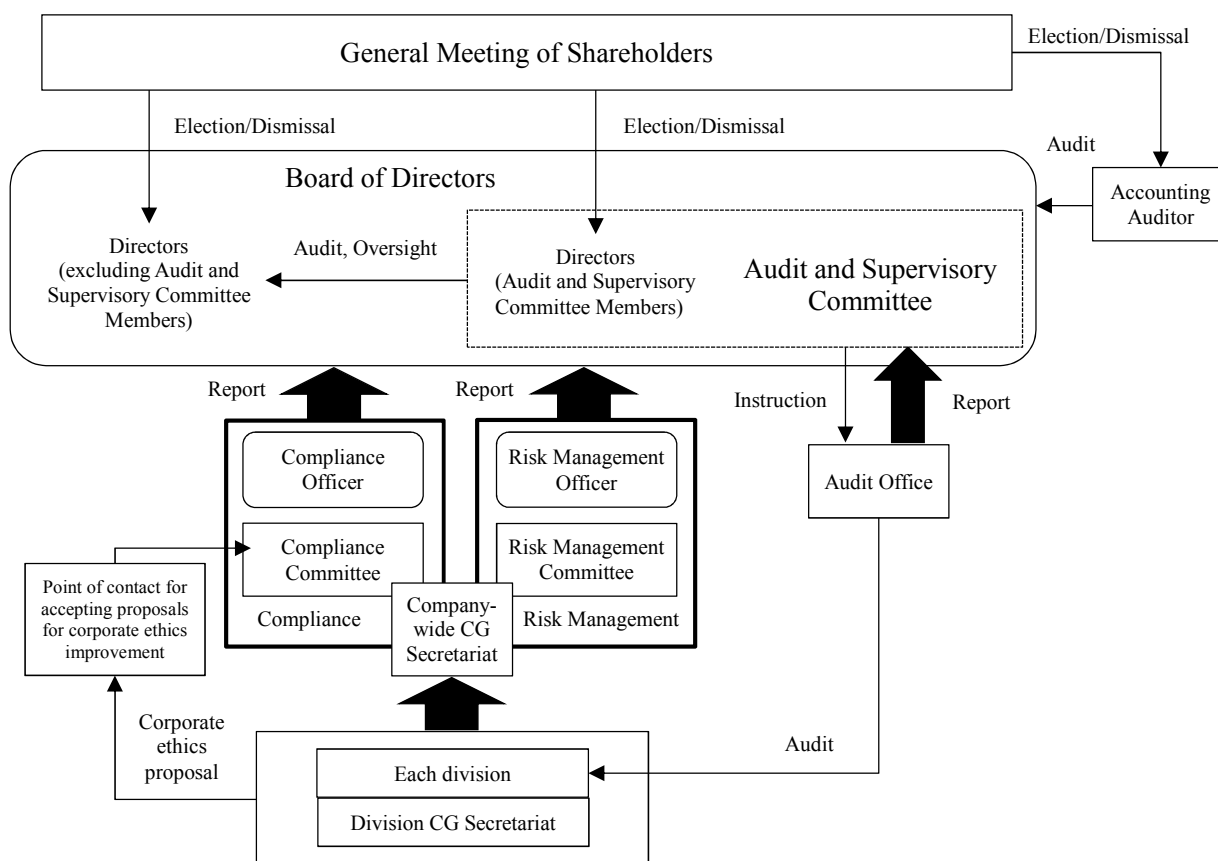
i) Summary of the system of corporate governance

Partial amendments to the Articles of Incorporation have been resolved at the 86th Ordinary General Meeting of Shareholders held on June 22, 2016. Consequently, the Company made the transition to a Company with an Audit and Supervisory Committee on the same date.

The Board of Directors comprises 13 Directors, of whom three are Outside Directors. In addition to making decisions on matters prescribed by laws and regulations and execution of important operations, the Board of Directors oversees the execution of duties of the Directors. The Audit and Supervisory Committee is composed of five Directors who are Audit and Supervisory Committee Members, of whom three are Outside Directors. In accordance with auditing policies, plans and division of responsibility established by the Audit and Supervisory Committee, each Audit and Supervisory Committee Member participates in meetings of the Board of Directors and other important meetings, and audits and oversees the execution of duties of the Board of Directors and the development and operation of the Company’s internal control system by examining the status of operations and assets of the Company. Accounting Auditor has concluded an audit contract with Yasumori Audit Corporation pertaining to accounting audits in compliance with the Companies Act and Financial Instruments and Exchange Act and undergoes its audit.

The following diagram shows the relationships among the Company’s organizations and internal control as of June 22, 2017.

[Diagram of corporate governance system]



ii) Reasons for adopting the system of corporate governance described above

With the aim of strengthening the oversight function of the Board of Directors, improving the transparency and soundness of management and accelerating decision-making, the Company has adopted an institutional design of a company with an Audit and Supervisory Committee. The Company has a Board of Directors to oversee the execution of duties of the Directors. The Board of Directors comprises Directors who are well versed in the operations of the Company and Outside Directors with an objective, broad-ranging and in-depth perspective. In light of its business contents and scale, the Company considers its current corporate structure as appropriate.

iii) Other matters regarding corporate governance

Basic policy regarding the internal control system

The Company resolved the following basic policy regarding the systems to ensure the proper execution of operations prescribed in the Companies Act of Japan (hereinafter the “Companies Act”) at a meeting of the Board of Directors.

- System to ensure that the execution of duties by Directors and employees of the Company and Group companies complies with laws and regulations and the Articles of Incorporation

The Company shall establish a code of conduct that is shared by the entire Group and implement it thoroughly to ensure that the execution of duties by Directors and employees complies with laws and regulations and the Articles of Incorporation and earns the trust of society.

The Company shall establish a Compliance Committee in which a Compliance Officer serves as Chairman as an organization to control compliance. In addition, the Company shall establish an internal reporting system to promote compliance.

- System for storing and managing information on the execution of duties by the Company's Directors

The Company shall establish various regulations based on the basic policy for information management, and appropriately store and manage information regarding the execution of duties by the Directors.

- Regulations and other systems for managing risk of losses of the Company and Group companies

The management risk of the entire Group shall be acknowledged and evaluated at a meeting of the Company's Board of Directors. The Board of Directors of the Company shall elect Directors to manage the acknowledged and evaluated management risk.

The Company shall establish a Risk Management Committee in which a Risk Management Officer serves as Chairman as an organization that controls risk management. The Risk Management Committee shall manage risks in daily operations and cross-functional risks of the entire Group.

- System to ensure the efficient execution of duties by Directors of the Company and Group companies

A meeting of the Board of Directors of the Company shall be held once or more in three months and on an extraordinary basis whenever necessary to take decisions on legally required matters and important operations, and oversee the execution of duties by the Directors.

The Company shall expedite and increase the efficiency of the management decision-making process using meetings such as management meetings and the executive officer system.

The Company shall draw up a medium-term management plan and annual business plan to manage the progress of operations and promote the effective use of management resources of the entire Group.

The Company shall establish segregation of duties, reporting lines, and other organizational standards in the regulations for executing duties, etc.

- System for reporting from Group companies to the Company and other systems to ensure the proper execution of operations within the corporate group comprising the Company and Group companies

The Company shall establish subsidiary management regulations, with the aim of properly managing Group companies in accordance with their scale of business and significance, etc.

The Company shall oblige Group companies to report to it on a regular basis and develop a system for having them report specified important matters promptly.

The internal audit office of the Group shall audit the Company and Group companies regularly or whenever necessary.

- Matters concerning Directors and employees who assist the Audit and Supervisory Committee of the Company in its duties

The Company shall establish the internal audit office as an organization to assist the duties of the Audit and Supervisory Committee. The Audit and Supervisory Committee shall have responsibility for the internal audit office, and the appointment, dismissal, personnel change, and revision of wages of employees in the internal audit office shall be determined by the Board of Directors upon consent of the Audit and Supervisory Committee. The Company shall not have Directors who assist the Audit and Supervisory Committee in its duties.

- System for reporting to the Audit and Supervisory Committee of the Company

Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and other important meetings, and be allowed to request Directors and employees of the Company and Group companies to report to them whenever necessary.

Upon receiving a request from the Audit and Supervisory Committee for a report, the Director or employee shall report to it promptly and appropriately.

The Company shall establish an internal reporting system to ensure an appropriate system for reporting to the Audit and Supervisory Committee.

The Company shall develop a system to prohibit unfavorable treatment of a reporting party in its operation rules for the internal reporting system.

- Matters regarding the policy for handling expenses and debts incurred for executing duties by the Audit and Supervisory Committee Members of the Company

If the Audit and Supervisory Committee requests payment of expenses needed for executing its duties, the Company shall pay such expenses promptly.

The Audit and Supervisory Committee shall factor expenses deemed necessary for executing its duties into the budget in advance. Provided, however, that the Audit and Supervisory Committee shall be allowed to request reimbursement of emergency or extraordinary expenses after the fact.

- Other systems to ensure audits by the Audit and Supervisory Committee of the Company are conducted effectively

The Audit and Supervisory Committee shall exchange opinions with Representative Director, Directors and Accounting Auditor regularly or whenever necessary.

The Audit and Supervisory Committee shall conduct audits effectively by cooperating closely with the internal audit office.

iv) Overview of limited liability agreements

In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company has concluded agreements limiting the extent of any liability for statutory compensation as stipulated in Article 423, paragraph 1 of the said Act with the Directors who are Audit and Supervisory Committee Members. The limits on compensation stipulated in these agreements are the minimum amounts prescribed in Article 425, paragraph 1 of the said Act.

2) Internal audits and audits by the Audit and Supervisory Committee

- Internal audits

The Company has established the internal audit office as an organization to assist the duties of the Audit and Supervisory Committee. The Audit and Supervisory Committee has responsibility for the internal audit office, and the appointment, dismissal, personnel change, and revision of wages of employees in the internal audit office are determined by the Board of Directors upon consent of the Audit and Supervisory Committee.

The internal audit office audits the status of development and operations of internal controls of the entire Group with the aim of improving the effectiveness and efficiency of operations, increasing the reliability of financial reporting, ensuring compliance with laws and regulations relating to business activities, and protecting the Company's assets.

This office's seven staff members, including the General Manager, carry out periodic and unscheduled audits in collaboration with the Audit and Supervisory Committee.

- Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee Members audit and oversee the execution of duties by the Directors, the development and operation of the Company's internal control system, and other aspects of operations by, among other things, attending meetings of the Board of Directors and other important meetings, and examining the operations and assets of the Company. Such audits are carried out in accordance with auditing policies, plans, and division of responsibility established by the Audit and Supervisory Committee. The Company has a system where Audit and Supervisory Committee Members exchange opinions with Representative Director, Directors, and Accounting Auditor regularly or whenever necessary, and collaborate with the internal audit office to ensure the effectiveness of audits.

Outside Director Masahide Sato is a licensed CPA with considerable knowledge of finance and accounting.

3) Accounting audits

The Company's Accounting Auditor is Yasumori Audit Corporation. The following information covers the names of the certified public accountants involved in accounting audits of the operations of the Company and the number of assistant accountants who participated in audits.

- Names of CPAs who conducted audits:

Engagement partner: Satoru Saigusa

Engagement partner: Takashi Yamazaki

- Assistant accountants who participated in accounting audits:

Twelve CPAs

4) Outside Directors

The Company has three Outside Directors.

No conflict of interest of any personal, financial, or commercial nature exists between the Company and Mr. Yoshinori Tsuji, Mr. Masahide Sato and Mr. Kazumoto Sugiyama.

The function and role of the Outside Directors in corporate governance is to provide management with objective advice related to corporate management from the standpoint of experts and objective viewpoints based on extensive experience.

Mr. Yoshinori Tsuji was elected as an Outside Director in the light of his specialized expertise and extensive experience of corporate legal affairs acquired as a lawyer.

Mr. Masahide Sato was elected as an Outside Director in the light of his specialized expertise and extensive experience of corporate finance and accounting affairs acquired as a certified public accountant.

Mr. Kazumoto Sugiyama was elected as an Outside Director in the light of his specialized expertise and extensive experience of corporate legal affairs acquired as a lawyer.

While the Company has not established any specific standards or policy regarding independence when electing Outside Directors, the Company gives due consideration to ensure that no conflict of interest exists between them and the Company's ordinary shareholders and that there is independence from the Company in view of the Companies Act, the standards set by financial instruments exchanges, and the like.

In accordance with the requirements of the Tokyo Stock Exchange, Mr. Yoshinori Tsuji, Mr. Masahide Sato and Mr. Kazumoto Sugiyama are designated as independent officers and are registered with the said stock exchange as such.

5) Remuneration, etc. for officers

- Total amount of remuneration, etc., total amount of remuneration, etc. by type and number of payees by category

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)		Number of payees
		Remuneration	Bonuses	
Directors (excluding Directors who are Audit and Supervisory Committee Members) [Outside Directors]	212 [0]	154 [0]	58 [-]	9 [1]
Directors, Audit and Supervisory Committee Members [Outside Directors]	45 [8]	45 [8]	- [-]	5 [3]
Audit & Supervisory Board Members [Outside Audit & Supervisory Board Members]	11 [1]	11 [1]	- [-]	4 [2]

Notes: 1. The amount of remuneration, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members) does not include employee salaries paid to persons who are concurrently Directors and employees.

2. At the 86th Ordinary General Meeting of Shareholders held on June 22, 2016, remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) was capped at ¥500 million per year (which, however, does not include salaries paid for work performed as employees). Also, at the 78th Ordinary General Meeting of Shareholders held on June 19, 2008, Directors' remuneration, before the transition to a Company with an Audit and Supervisory Committee, was capped at ¥500 million per year (which, however, does not include salaries paid for work performed as employees).
3. At the 86th Ordinary General Meeting of Shareholders held on June 22, 2016, remuneration of Directors who are Audit and Supervisory Committee Members was capped at ¥90 million per year. Also, at the 76th Ordinary General Meeting of Shareholders held on June 22, 2006, remuneration of Audit and Supervisory Board Members, before the transition to a Company with an Audit and Supervisory Committee, was capped at ¥90 million per year.

ii) Policy for determining remuneration amounts paid to officers and the method of calculating such amount as well as the method of determination thereof

The Company sets remuneration, etc. for officers as an appropriate level for their duties and responsibilities so that it shall serve as sound and proper incentives. The amounts paid to Directors (excluding Directors who are Audit and Supervisory Committee Members) comprise the officer's remuneration of fixed amount paid in exchange for executing duties and bonuses paid in consideration of the Company's financial performance and economic and industry trends during the relevant fiscal year and set based on the Medium-Term Management Plan. The amounts paid to Directors who are Audit and Supervisory Committee Members consist solely of the officer's remuneration of fixed amount paid in exchange for executing duties. The amounts paid will be within the limit approved by resolution of the General Meeting of Shareholders. Those paid to Directors (excluding Directors who are Audit and Supervisory Committee Members) will be based on a resolution of the Board of Directors. Those paid to Directors who are Audit and Supervisory Committee Members will be based on deliberations among the Directors who are Audit and Supervisory Committee Members.

With the aim of promoting the Company's continuous growth and an increase in corporate value over the medium- to long-term by sharing interests with shareholders through the holding of the Company's shares, Directors (excluding Directors who are Audit and Supervisory Committee Members) contribute a portion of their fixed remuneration to Officers Stock Ownership Plan and acquire the Company's shares, while continuing its holding during their term and for a year after their retirement from office.

6) Share ownership

i) Number of issues and total amount of balance sheet amount for investment shares whose purpose of holding is other than for net investment

Number of issues:	19
Total amount of balance sheet amount:	¥1,235 million

- ii) Type of holding, issue, number of shares, balance sheet amount and purpose of holding for investment shares whose purpose of holding is other than for net investment

Fiscal year ended March 31, 2016

Specified investment shares

Issue	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Reason for shareholding
KANEMATSU CORPORATION	3,701,000	606	To maintain and strengthen business relationships
SUZUKI MOTOR CORPORATION	52,500	158	To maintain and strengthen business relationships
Mizuho Financial Group, Inc.	178,688	30	To maintain and strengthen business relationships
SHIMIZU CORPORATION	39,000	37	To maintain and strengthen business relationships
Sumitomo Mitsui Financial Group, Inc.	5,755	19	To maintain and strengthen business relationships
MUSASHI SEIMITSU INDUSTRY CO., LTD.	6,000	13	To maintain and strengthen business relationships
Nissin Kogyo Co., Ltd.	4,500	6	To maintain and strengthen business relationships
YAMABIKO CORPORATION	3,868	3	To maintain and strengthen business relationships
TANAKA SEIMITSU KOGYO CO., LTD.	4,000	2	To maintain and strengthen business relationships
Yutaka Giken Company Limited	1,000	2	To maintain and strengthen business relationships
G-TEKT CORPORATION	2,400	3	To maintain and strengthen business relationships

Fiscal year ended March 31, 2017

Specified investment shares

Issue	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Reason for shareholding
KANEMATSU CORPORATION	3,701,000	740	To maintain and strengthen business relationships
SUZUKI MOTOR CORPORATION	52,500	242	To maintain and strengthen business relationships
Mizuho Financial Group, Inc.	532,169	108	To maintain and strengthen business relationships
SHIMIZU CORPORATION	39,000	38	To maintain and strengthen business relationships
Sumitomo Mitsui Financial Group, Inc.	5,755	23	To maintain and strengthen business relationships
MUSASHI SEIMITSU INDUSTRY CO., LTD.	6,000	17	To maintain and strengthen business relationships
Nissin Kogyo Co., Ltd.	4,500	8	To maintain and strengthen business relationships
YAMABIKO CORPORATION	4,556	5	To maintain and strengthen business relationships
TANAKA SEIMITSU KOGYO CO., LTD.	4,000	3	To maintain and strengthen business relationships
Yutaka Giken Company Limited	1,000	2	To maintain and strengthen business relationships
G-TEKT CORPORATION	2,400	4	To maintain and strengthen business relationships

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

- Acquisition of own shares

To carry out capital policy 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 the provisions of Article 165, paragraph 2 of the Companies Act, it may acquire own shares through market transactions, etc. based on a resolution of the Board of Directors.

- Interim dividends

To make a flexible return of profits to shareholders, the Company provides in its Articles of Incorporation that, in accordance with Article 454, paragraph 5 of the Companies Act, it may pay dividends of surplus (interim dividends) based on a resolution of the Board of Directors.

- Exemption of Directors from liability

To create an environment where Directors are able to fulfill their expected roles adequately, the Company provides in its Articles of Incorporation that, pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, it may exempt Directors (including former Directors) from liability as set forth in Article 423, paragraph 1 of the Companies Act within the limits stipulated by laws and regulations based on a resolution of the Board of Directors.

8) Number of Directors

The Company states in its Articles of Incorporation that it shall have no more than 20 Directors (of which, no more than 5 Directors are Audit and Supervisory Committee Members).

9) Requirements for 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 present. The Company also states in its Articles of Incorporation that cumulative voting shall not be used for the election of Directors.

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

With the aim of ensuring the smooth operation of the General Meeting of Shareholders, the Company states in its Articles of Incorporation that the adoption of a special resolution based on Article 309, paragraph 2 of the Companies Act 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 present.

(2) Details of audit fee, etc.

Details of remuneration to independent auditors

Category	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	53	–	53	–
Consolidated subsidiaries	–	–	–	–
Total	53	–	53	–

V. Financial information

1. Preparation policy of the consolidated and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the “Ordinance on Financial Statements, etc.”).

The Company is qualified as a company submitting financial statements prepared in accordance with special provision and has prepared financial statements pursuant to the provisions of Article 127 of the Ordinance on Financial Statements, etc.

2. Audit certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2017 were audited by Yasumori Audit Corporation.

3. Special efforts to ensure the appropriateness of consolidated financial statements, etc., and development of a system for fair preparation of consolidated financial statements, etc. in accordance with IFRS

The Company is making special efforts to ensure the appropriateness of consolidated financial statements, and developing a system for the appropriate preparation of consolidated financial statements, in accordance with IFRS. The content thereof is as follows:

- (1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars held by the foundation and audit corporations.
- (2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements, etc. under IFRS, the Company has developed accounting policies of the Group in accordance with IFRS and performs accounting procedures based on these policies.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statement of financial position

		(Millions of yen)	
	Notes	As of March 31, 2016	As of March 31, 2017
Assets			
Current assets			
Cash and cash equivalents	6, 26	23,450	23,474
Trade and other receivables	7, 26	25,398	26,986
Other financial assets	8, 26	905	1,294
Inventories	9	18,007	17,961
Other current assets	10	3,873	1,905
Total current assets		<u>71,635</u>	<u>71,620</u>
Non-current assets			
Property, plant and equipment	11, 13, 29	72,066	74,521
Goodwill and intangible assets	12, 13, 29	2,716	3,408
Investments accounted for using the equity method	14	542	140
Other financial assets	8, 26	8,632	9,389
Deferred tax assets	15	3,126	2,983
Other non-current assets	10	492	644
Total non-current assets		<u>87,576</u>	<u>91,087</u>
Total assets		<u>159,212</u>	<u>162,708</u>

(Millions of yen)

	Notes	As of March 31, 2016	As of March 31, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	17, 26	13,981	14,373
Borrowings	16, 26	9,887	13,266
Other financial liabilities	8	–	103
Income taxes payable	15	1,517	2,095
Other current liabilities	10	4,883	5,812
Total current liabilities		30,269	35,652
Non-current liabilities			
Borrowings	16, 26	8,426	4,040
Other financial liabilities	8, 26	29	607
Defined benefit liability	18	1,903	2,021
Provisions	19	36	36
Deferred tax liabilities	15	5,688	6,863
Other non-current liabilities	10	262	333
Total non-current liabilities		16,346	13,901
Total liabilities		46,616	49,553
Equity			
Issued capital	20	4,175	4,175
Retained earnings	20	99,720	104,908
Treasury shares	20	(3,408)	(3,409)
Other components of equity		6,523	5,949
Total equity attributable to owners of parent		107,010	111,624
Non-controlling interests		5,585	1,530
Total equity		112,596	113,155
Total liabilities and equity		159,212	162,708

(Note) The accompanying notes are an integral part of these financial statements.

2) Consolidated statement of income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Sales revenue	4	167,429	157,217
Cost of sales		(139,599)	(132,648)
Gross profit		27,830	24,568
Selling, general and administrative expenses	21	(14,099)	(13,109)
Other income	22	578	766
Other expense	13, 22	(4,572)	(989)
Operating profit	4	9,736	11,236
Finance income	23	809	739
Finance costs	23	(2,422)	(545)
Share of profit (loss) in investments accounted for using the equity method	14	(4)	(10)
Profit before income taxes		8,118	11,419
Income tax expense	15	(1,211)	(3,921)
Profit		6,907	7,498
Profit attributable to			
Owners of parent		6,162	7,204
Non-controlling interests		744	294
Profit		6,907	7,498
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	25	122.79	143.54
Diluted earnings per share (Yen)	25	–	–

(Note) The accompanying notes are an integral part of these financial statements.

3) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit		6,907	7,498
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24	(299)	133
Total		(299)	133
Components that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets	24	(997)	547
Exchange differences of foreign operations	24	(6,767)	(1,097)
Share of other comprehensive income of associates accounted for using equity method	14, 24	2	(54)
Total		(7,762)	(603)
Total other comprehensive income		(8,062)	(470)
Comprehensive income		(1,155)	7,027
Comprehensive income attributable to			
Owners of parent		(1,173)	6,763
Non-controlling interests		18	264
Comprehensive income		(1,155)	7,027

(Note) The accompanying notes are an integral part of these financial statements.

4) Consolidated statement of changes in equity

Equity attributable to owners of parent					
Note	Issued capital	Retained earnings	Treasury shares	Other components of equity	
				Exchange differences of foreign operations	Changes in fair value of available-for-sale financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2015	4,175	95,864	(3,408)	8,960	4,597
Profit		6,162	–	–	–
Other comprehensive income	–	–	–	(6,053)	(982)
Total comprehensive income	–	6,162	–	(6,053)	(982)
Purchase of treasury shares	20	–	(0)	–	–
Dividends	20	(2,007)	–	–	–
Increase (decrease) through changes in interests	–	1	–	–	–
Transfer from other components of equity	–	(300)	–	–	–
Total transactions with the owners	–	(2,306)	(0)	–	–
Balance as of March 31, 2016	4,175	99,720	(3,408)	2,907	3,615
Profit	–	7,204	–	–	–
Other comprehensive income	–	–	–	(1,114)	540
Total comprehensive income	–	7,204	–	(1,114)	540
Purchase of treasury shares	20	–	(0)	–	–
Dividends	20	(2,007)	–	–	–
Increase (decrease) through changes in interests	–	(141)	–	–	–
Transfer from other components of equity	–	133	–	–	–
Total transactions with the owners	–	(2,016)	(0)	–	–
Balance as of March 31, 2017	4,175	104,908	(3,409)	1,792	4,156

Equity attributable to owners of parent						
Other components of equity						
	Note	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2015		–	13,558	110,190	6,131	116,321
Profit		–	–	6,162	744	6,907
Other comprehensive income		(300)	(7,335)	(7,335)	(726)	(8,062)
Total comprehensive income		(300)	(7,335)	(1,173)	18	(1,155)
Purchase of treasury shares	20	–	–	(0)	–	(0)
Dividends	20	–	–	(2,007)	(561)	(2,569)
Increase (decrease) through changes in interests		–	–	1	(2)	(0)
Transfer from other components of equity		300	300	–	–	–
Total transactions with the owners		300	300	(2,006)	(564)	(2,570)
Balance as of March 31, 2016		–	6,523	107,010	5,585	112,596
Profit		–	–	7,204	294	7,498
Other comprehensive income		133	(440)	(440)	(30)	(470)
Total comprehensive income		133	(440)	6,763	264	7,027
Purchase of treasury shares	20	–	–	(0)	–	(0)
Dividends	20	–	–	(2,007)	(1,359)	(3,366)
Increase (decrease) through changes in interests		–	–	(141)	(2,960)	(3,101)
Transfer from other components of equity		(133)	(133)	–	–	–
Total transactions with the owners		(133)	(133)	(2,149)	(4,319)	(6,468)
Balance as of March 31, 2017		–	5,949	111,624	1,530	113,155

(Note) The accompanying notes are an integral part of these financial statements.

5) Consolidated statement of cash flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from (used in) operating activities			
Profit before income taxes		8,118	11,419
Depreciation and amortization expense		11,908	12,182
Impairment loss		4,167	650
Finance income and finance costs		(652)	(504)
Share of loss (profit) in investments accounted for using the equity method		4	10
Loss (gain) on sales and retirement of non-current assets		186	59
(Increase) decrease in inventories		1,417	(263)
(Increase) decrease in trade and other receivables		(1,291)	(1,573)
Increase (decrease) in trade and other payables		306	261
Increase (decrease) in defined benefit liability		495	134
Other		1,989	1,756
Subtotal		26,651	24,132
Interest and dividend income received		615	718
Interest expenses paid		(189)	(156)
Income taxes paid		(5,533)	(2,436)
Income taxes refund and interest on refund received		3,564	1,907
Net cash flows from (used in) operating activities		25,108	24,165
Cash flows from (used in) investing activities			
Payments into time deposits		(882)	(1,885)
Proceeds from withdrawal of time deposits		1,045	1,505
Purchase of property, plant and equipment		(16,704)	(14,650)
Proceeds from sales of property, plant and equipment		174	196
Purchase of intangible assets		(954)	(1,248)
Proceeds from sales of intangible assets		2	0
Proceeds from liquidation of subsidiaries and associates		–	377
Payments of loans receivable		(147)	(119)
Collection of loans receivable		184	170
Purchase of investments		(54)	(54)
Proceeds from sales of investments		–	0
Other		(32)	(137)
Net cash flows from (used in) investing activities		(17,369)	(15,846)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		790	(1,004)
Proceeds from long-term borrowings		1,874	–
Payments for acquisition of interests in subsidiaries from non-controlling interests		–	(3,101)
Purchase of treasury shares		(0)	(0)
Cash dividends paid	20	(2,007)	(2,006)
Cash dividends paid to non-controlling shareholders		(561)	(1,357)
Other		–	(170)
Net cash flows from (used in) financing activities		96	(7,641)

	Note	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net increase (decrease) in cash and cash equivalents		7,835	677
Cash and cash equivalents at beginning of period	6	17,557	23,450
Effect of exchange rate change on cash and cash equivalents		(1,942)	(653)
Cash and cash equivalents at end of period	6	<u>23,450</u>	<u>23,474</u>

(Note) The accompanying notes are an integral part of these financial statements.

[Notes to consolidated financial statements]

1. Reporting entity

F.C.C. CO., LTD. (hereinafter the “Company”) is a public company incorporated under the laws of Japan. The addresses of the registered headquarters and major business offices have been disclosed on the website (<http://www.fcc-net.co.jp/>). The Company’s consolidated financial statements were prepared with the end of the financial year on March 31, 2017 and consist of accounts of the Company and its subsidiaries as well as interests in its associates (hereinafter the “Group”).

The Group is principally engaged in the sales and manufacture of motorcycle and automobile clutches.

2. Basis of preparation

(1) Applicable accounting standards

The consolidated financial statements of the Group have been prepared in accordance with IFRS as pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976), since all the requirements of a “Specified Company under Designated International Accounting Standards” set forth in Article 1-2 of this Ordinance have been fulfilled.

These consolidated financial statements were approved by the Board of Directors on June 20, 2017.

(2) Basis of measurement

As described in the note “3. Significant accounting policies,” the consolidated financial statements of the Group have been prepared on the basis of cost, except for certain financial instruments, etc. that are measured at fair value.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency. All financial information presented is rounded down to the nearest million yen.

(4) Accounting standards and interpretations that have been published but not yet applied.

The following accounting standards and interpretations were newly established or amended by the approval date of the consolidated financial statements. The Group has not early applied these standards and interpretations.

The impact of application of these standards and interpretations is under consideration and cannot be estimated at this point.

	IFRS	Mandatory effective date (fiscal year beginning on the date)	Timing of application by the Group	Overview of the new standard or amendment
IAS 12	Income taxes	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of recognition of deferred tax assets for unrealized losses
IFRS 9	Financial instruments	January 1, 2018	Fiscal year ending March 31, 2019	Amendment concerning classification, measurement and recognition of financial instruments
IFRS 15	Revenue from contracts with customers	January 1, 2018	Fiscal year ending March 31, 2019	Amendment concerning accounting treatment for revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment concerning accounting treatment for leases

(5) Significant accounting estimates and judgments

In preparing IFRS-compliant consolidated financial statements, the management makes judgments, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Because actual results may differ from these estimates, such estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized in the accounting period in which the estimate is revised and future periods that are affected.

Of items for which the management made estimates and judgments, those that have significant effects on the amounts recognized in the consolidated financial statements are as follows:

Note 5. Business combinations

Note 13. Impairment loss

Note 15. Income taxes

Note 18. Employee benefits

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group is deemed to control an entity when the Group has exposures or rights to variable returns arising from the Group's involvement in the investee and has an ability to affect those returns through power over the investee.

The acquisition date is the date when the Group obtained control, and the entity is consolidated from that date to the date when the Group loses the control.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements where needed.

The Group's balances of payables and receivables and transactions as well as unrealized gains or losses arising from intra-group transactions are offset in preparing the consolidated financial statements. Comprehensive income of subsidiaries is attributable to owners of the parent and non-controlling interests, even if the balance of non-controlling interests is negative.

Accounts of all subsidiaries that comprise the Group were reflected in the consolidated financial statements with March 31 as the reporting date.

2) Associates

Associates are entities over which the Group has significant influence in terms of financial and marketing policies but which the Group does not control or jointly control.

Investments in associates are recognized at cost at the time of acquisition and subsequently accounted for using equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Considerations for acquisition are measured as the total of fair values of assets transferred and liabilities assumed in exchange for the control over the acquired entity and equity financial instruments on the acquisition date. If the consideration for acquisition exceeds fair values of identifiable assets and liabilities, the excess is recorded as goodwill in the consolidated statement of financial position. If the consideration for acquisition is less than those fair values, the shortfall is immediately recorded as revenue. Any change in ownership interests in subsidiaries that does not result in a loss of control is accounted for as equity transaction.

(3) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity in the Group using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each fiscal year are translated into the functional currencies using the exchange rates at that date.

Foreign exchange differences arising from the translation or settlement are recognized as profit or loss.

2) Financial statements of foreign operations

To prepare consolidated financial statements, assets and liabilities of the Group's foreign subsidiaries, etc. are translated into Japanese yen using exchange rates at the end of the fiscal year. Profit or loss items are translated using the average exchange rate during the fiscal period, unless exchange rates fluctuate significantly during that period. If there is any significant fluctuation in exchange rates, the exchange rate on the transaction date is used.

Exchange differences on translation are recognized as other comprehensive income in the consolidated statement of comprehensive income and cumulative translation differences are included in other components of equity in the consolidated statement of financial position.

Cumulative translation differences of a foreign operation are reclassified to profit or loss when the Group loses control and significant influence over the foreign operation.

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

The Group recognizes financial assets when the Group becomes a relevant contracting party and classifies the financial assets into "financial assets at fair value through profit or loss," "held-to-maturity investments," "loans and receivables" or "available-for-sale financial assets." This classification is determined at initial recognition according to the nature and purpose for the acquisition.

Financial assets are measured at fair value at the time of initial recognition, and transaction costs that are directly attributable to the acquisition are added except for financial assets at fair value through profit or loss.

(a) Financial assets at fair value through profit or loss

When financial assets are designated as financial assets held for trading or at fair value through profit or loss, these financial assets are classified as "financial assets at fair value through profit or loss."

Financial assets classified as "financial assets at fair value through profit or loss" are measured at fair value and any related changes are recognized as profit or loss.

(b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has clear intention and ability to hold to maturity are classified as "held-to-maturity investments."

Held-to-maturity investments are measured by deducting impairment loss from amortized cost using the effective interest method, and interest income calculated using the effective interest method is recognized in profit or loss.

The Group holds no financial assets classified as "held-to-maturity investments."

(c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments for which there is no quoted price in active markets are classified as "loans and receivables."

Loans and receivables are measured by deducting impairment loss from amortized cost using the effective interest method, and interest income calculated using the effective interest method is recognized in profit or loss.

(d) Available-for-sale financial assets

Non-derivative financial assets that are designated as “available-for-sale financial assets” or not classified as any of “financial assets at fair value through profit or loss,” “held-to-maturity investments” and “loans and receivables” are classified as “available-for-sale financial assets.”

Available-for-sale financial assets are measured at fair value with changes in fair value recognized as other comprehensive income.

Dividend income on available-for-sale financial assets is recognized as profit or loss. When an available-for-sale financial asset is derecognized or impairment loss is recognized, cumulative gains or losses that were recorded as other comprehensive income are reclassified to profit or loss.

(ii) Impairment of financial assets

For financial assets other than “financial assets at fair value through profit or loss,” the Group considers in each period whether there is objective evidence of impairment. When objective evidence for a financial asset indicates that a loss event arose after the initial recognition and negative effects of the loss event on estimated future cash flows of the financial asset can be reasonably predicted, impairment loss is recognized.

Objective evidence indicating that a financial asset is impaired includes significant financial difficulties of the issuer or debtor, default or delinquency in interest or principal payments, and a higher probability of bankruptcy or financial reorganization of the debtor. For equity financial instruments classified as “available-for-sale financial assets,” in cases where the fair value falls below the cost significantly or over a long period of time, it is also deemed that there is objective evidence of impairment.

When there is objective evidence of impairment for “loans and receivables” or “held-to-maturity investments,” a difference between the carrying amount of the asset and the present value after discounting estimated future cash flows at the initial effective interest rate is recognized as impairment loss in profit or loss.

For loans and receivables, impairment loss is recognized using allowance for credit losses. When subsequently the receivables are considered uncollectible, the carrying amount is directly reduced by offsetting it with allowance for credit losses. If any event that reduces impairment loss occurs after recognition of impairment loss, reversal of impairment loss is recognized in profit or loss.

When there is objective evidence of impairment for “available-for-sale financial assets,” cumulative losses that were recognized as other components of equity are reclassified to profit or loss. If fair value of an equity financial instrument that was classified as “available-for-sale financial assets” recovers after impairment, the amount of recovery is fully recognized as other comprehensive income.

(iii) Derecognition of financial assets

If contractual rights to cash flows arising from a financial asset are extinguished, or if a financial asset is transferred and substantially all risks and economic rewards relating to ownership of the asset are transferred, the financial asset is derecognized.

2) Financial liabilities

Financial liabilities are initially measured at fair value after the deduction of transaction costs, and subsequently measured at amortized cost using the effective interest method.

When a financial liability is extinguished, that is, the debt is dismissed, cancelled or expired, the Group derecognizes the financial liability.

3) Derivatives

The Group enters into currency swap contracts as risk management against fluctuations in foreign exchange rates.

As its policy, the Group does not conduct derivative transactions for speculative purposes.

Derivatives to which hedge accounting is not applied are classified as either “financial assets at fair value through profit or loss” or “financial liabilities at fair value through profit or loss” and they are accounted for in accordance with the aforesaid classification.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with maturities or repayment terms of three months or less from the date of acquisition that are readily convertible to cash and subject to an insignificant risk of changes in value.

(6) Inventories

Inventories are measured at cost, or if lower, at net realizable value. Net realizable value is calculated by deducting estimated costs and estimated costs to sell required up to the completion from the estimated selling price in the normal course of business. The cost is calculated principally based on the progressive average inventory method and includes material costs, labor costs and manufacturing expenses.

(7) Property, plant and equipment

The cost model is applied in measurement of property, plant and equipment. Property, plant and equipment are recorded at the value calculated as cost less any accumulated depreciation and any accumulated impairment loss.

The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, and the initial estimated costs of dismantling and removing the assets and restoration costs for the places where the assets were located. Depreciation of these assets is started when the assets become available for use.

Maintenance costs arising on a daily basis for property, plant and equipment are recognized in profit or loss when incurred.

Depreciation expense for assets except for land and construction in progress is recorded by the straight-line method over the following estimated useful lives.

Buildings and structures	5 to 31 years
Machinery, equipment and vehicles	3 to 9 years
Tools, furniture and fixtures	2 to 6 years

(8) Goodwill and intangible assets

1) Goodwill

Goodwill is recorded at the value calculated as cost less any accumulated impairment loss. Goodwill is not amortized. As a result of impairment test performed each fiscal year, impairment loss is recorded if necessary. Impairment loss of goodwill is recognized in the consolidated statement of income and not reversed subsequently.

2) Intangible assets

The cost model is applied in measurement of intangible assets. Intangible assets are recorded at the value calculated as cost less any accumulated amortization and any accumulated impairment loss.

(i) Properties for development

Expenditure incurred in development activities are capitalized only if it can be verified that all the following conditions are met:

- Technical practicability of completing the intangible asset so that the asset can be used or sold
- The entity's intention to complete the intangible asset and then use or sell the asset
- Ability to use or sell the intangible asset
- Highly probable method for the intangible asset to generate future economic benefits

- Usability of appropriate technical, financial and other resources necessary to complete development of the intangible asset and then use or sell the asset
- Ability to reliably measure expenditure attributable to the intangible asset during the development period

The amount of initial recognition of properties for development is the total of expenses arising in the period from the date when an intangible asset meets all the above recognition requirements for the first time to the completion of development. Properties for development are amortized using the straight-line method over a period in which funds spent for the development are expected to be recovered. The amortization method and useful life are reviewed at the end of each fiscal year and revised as needed.

(ii) Other intangible assets

Other intangible assets consist of software. Software is amortized using the straight-line method over its estimated useful life of five years from the time when it becomes usable. The amortization method and useful life are reviewed at the end of each fiscal year and revised as needed.

(9) Impairment

The Group assesses whether there is any indication of impairment at the end of each fiscal year for the carrying amounts of non-financial assets except for inventories and deferred tax assets. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of goodwill is estimated at the same time in each fiscal period.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use or its fair value less costs to sell. In calculation of value in use, estimated future cash flows are discounted to the present value using the pretax discount rate that reflects time value of money and risks inherent to the asset. Assets that are not individually tested for impairment are integrated in the smallest cash-generating unit that generates cash inflow substantially independent of cash inflow of other assets or asset groups through continued use. Impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the estimated recoverable amount.

For previously recognized impairment loss, the Group assesses whether there is any indication of a decrease or disappearance of the loss at each end of fiscal year.

For assets or cash-generating units for which there is any indication of reversal of impairment loss, the recoverable amount is estimated, and the impairment loss is reversed if the recoverable amount exceeds the carrying amount. Reversal of impairment loss is recognized in profit or loss to the extent that the carrying amount assuming that impairment loss recognized for the asset in the past period had not existed is not exceeded. Impairment loss relating to goodwill is not reversed.

(10) Employment benefits

1) Defined benefit plans

For defined-benefit retirement benefit plans, the net amount of the present value of defined benefit obligations and the fair value of plan assets is recognized as liabilities or assets. The present value of defined benefit obligations and related service costs are, as a general rule, calculated using the projected unit credit method. The discount rate used to the present value of defined benefit obligations is, as a general rule, determined by reference to the market yield on high quality corporate bonds as of the end of the fiscal year.

The Group recognizes remeasurements arising from defined-benefit retirement benefit plans as other comprehensive income and immediately transfers the amounts to retained earnings.

2) Defined contribution plans

Expenses for defined-contribution retirement benefits are recognized as current expenses at the amount of contributions required.

3) Multi-employer plans

Multi-employer plans, for which the amount of plan assets corresponding to the entity's own contributions cannot be calculated reasonably, are accounted for in the same manner as defined contribution plans.

4) Short-term employee benefits

Short-term employee benefits are expensed when an employee renders the related service.

Bonus accrual and paid absences are recognized as liabilities when the Group has legal or constructive obligations to pay them and when a reliable estimate of the amount of obligations can be made.

(11) Provisions

When there are present legal or constructive obligations as a result of past events, it is highly probable that outflows of resources with economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations, provisions are recognized by estimating expenditure necessary to settle the present obligations taking into account uncertainties related to the obligations at the end of the fiscal year.

If the time value of money for provisions is significant, the provisions are measured at discounted present value.

(12) Revenue

The Group is principally engaged in the sales and manufacture of motorcycle and automobile clutches. Revenue from the sales of these goods is recognized when the significant risks and economic value incidental to ownership of the goods have been transferred to the buyer, the Group retains neither continuing involvement nor effective control over the goods, it is probable that the future economic benefits will flow to the Group, and such benefits and the corresponding cost can be measured reliably. Normally, revenue is recognized at the time of delivery of goods.

Revenue is measured at fair value of the consideration received or receivable net of discounts, rebates and consumption taxes, etc.

(13) Government grants

Government grants are measured at fair value and recognized when there is reasonable assurance that the Group will comply with the conditions attached to the grants and that the grants will be received. Grants for expenses incurred are recorded as revenue in the fiscal year during which the expenses occurred. Grants for the acquisition of an asset are recorded as other income regularly over the useful life of the asset, and unearned grant income is recorded as deferred income in liabilities.

(14) Finance income and finance costs

Finance income principally consists of interest income, dividend income, gains on sales of financial assets and foreign exchange gains.

Interest income is recognized using the effective interest method when the income arises. Dividend income is recognized when the Group's right to receive the income is established.

Finance costs principally consist of interest expense, losses on sales of financial assets and foreign exchange losses. Interest expense is recognized using the effective interest method when incurred.

(15) Income taxes

Income taxes consist of current taxes and deferred taxes. These taxes are recognized in profit or loss, except for those related to business combinations and items recognized directly in equity or other comprehensive income.

Current taxes are measured at the amount of expected tax payment to or expected tax refund from tax authorities. The amount of taxes is computed in accordance with tax rates and tax laws that are in effect or substantially in effect by the end of the fiscal year in countries where the Group conducts business activities and earns taxable profits or losses.

Deferred taxes are recognized for temporary differences between accounting carrying amounts of assets and liabilities and amounts of them for tax purposes, unused tax losses and unused tax credits.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences could be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

The carrying amount of deferred tax assets is reviewed in every period, and reduced by the amount of deferred tax assets for which taxable profit sufficient to use all or part of the deferred tax assets are unlikely to be earned. Unrecognized deferred tax assets are reassessed in every fiscal period and recognized to the extent that it is highly probable that deferred tax assets are realizable with future taxable profit.

Deferred tax assets and liabilities are not recorded for the following temporary differences:

- Temporary differences arising from initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities which occur through transactions that affect neither accounting profit nor taxable profit for tax purposes, except for business combinations
- In cases where, for taxable temporary differences associated with investments in subsidiaries, timing of reversal can be controlled and it is highly probable that such temporary differences are not reversed in a foreseeable period

Deferred tax assets and liabilities are measured in accordance with tax rates and tax laws expected to be applied in the period in which the assets are realized or the liabilities are settled based on tax rates and tax laws that are in effect or substantially in effect at the end of the fiscal year.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

(16) Earnings per share (attributable to owners of parent)

Basic earnings per share are calculated by dividing profit or loss for the year attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares issued during the period that is adjusted by the number of treasury shares. Diluted earnings per share are not calculated because there are no potential ordinary shares with dilutive effects.

(17) Shareholders' equity

1) Ordinary shares

Ordinary shares issued by the Company are recorded at the issuance value in issued capital and share premium.

2) Treasury shares

When treasury shares are acquired, the consideration paid is recognized as deduction from equity. When treasury shares are sold, the difference between the carrying amount and consideration at the time of the sale is recognized as share premium.

4. Segment information

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about managerial resources to be allocated to the segments and assess their performances. In the Group, principally the Head of business operation of motorcycles business and the Head of business operation of automobiles business develop domestic and overseas comprehensive strategies and build businesses for the motorcycle clutches business and the automobile clutches business, respectively. Thus the Group has two reportable segments: "motorcycle clutches" and "automobile clutches." The motorcycle clutches segment manufactures clutches for

motor cycles, scooters and ATVs and other products, while the automobile clutches segment manufactures clutches for manual and automatic transmission automobiles and other products.

(2) Revenue and performance for reportable segments

Fiscal year ended March 31, 2016

	Reportable segments			Adjustments	Consolidated
	Motorcycle clutches	Automobile clutches	Total		
	Millions of yen	Millions of yen	Millions of yen		
Revenue					
External revenue	80,607	86,821	167,429	–	167,429
Intersegment revenue	–	–	–	–	–
Total	80,607	86,821	167,429	–	167,429
Depreciation and amortization expense	(4,653)	(7,255)	(11,908)	–	(11,908)
Other profit (loss)	(67,639)	(78,145)	(145,784)	–	(145,784)
Operating profit	8,314	1,421	9,736	–	9,736
Finance income					809
Finance costs					(2,422)
Share of profit (loss) in investments accounted for using the equity method					(4)
Profit before income taxes					8,118

Note: Other profit (loss) includes ¥4,167 million of impairment loss (¥759 million for motorcycle clutches, ¥3,407 million for automobile clutches).

Fiscal year ended March 31, 2017

	Reportable segments			Adjustments	Consolidated
	Motorcycle clutches	Automobile clutches	Total		
	Millions of yen	Millions of yen	Millions of yen		
Revenue					
External revenue	73,294	83,922	157,217	–	157,217
Intersegment revenue	–	–	–	–	–
Total	73,294	83,922	157,217	–	157,217
Depreciation and amortization expense	(4,367)	(7,814)	(12,182)	–	(12,182)
Other profit (loss)	(60,594)	(73,204)	(133,799)	–	(133,799)
Operating profit	8,332	2,903	11,236	–	11,236
Finance income					739
Finance costs					(545)
Share of profit (loss) in investments accounted for using the equity method					(10)
Profit before income taxes					11,419

Note: Other profit (loss) includes ¥650 million of impairment loss (¥650 million for automobile clutches).

(3) Geographic information

The regional breakdown of revenue and non-current assets is as follows:

Revenue from external customers

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Japan	18,031	18,235
U.S.	65,453	60,236
Indonesia	19,665	16,482
India	19,860	19,389
Other	44,418	42,874
Total	167,429	157,217

- Notes: 1. Revenue is classified by country based on the location of customers.
2. Major countries belonging to “Other” category are Thailand, China, Brazil and Vietnam.

Non-current assets

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Japan	21,179	22,627
U.S.	32,784	34,168
China	4,163	3,732
Other	17,147	18,046
Total	75,275	78,574

- Notes: 1. Non-current assets are classified based on the location of assets and do not include financial assets, deferred tax assets and defined benefit assets.
2. Main countries belonging to “Other” category are Indonesia, Thailand, India and Vietnam.

(4) Information about major customers

Counterparties of which revenue accounts for 10% or more of revenue of the entire Group

	Related segment	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	39,270	35,555
	Automobile clutches	45,041	43,293
Ford and its group	Automobile clutches	26,438	26,082

5. Business combinations

Fiscal year ended March 31, 2016

Not applicable.

Fiscal year ended March 31, 2017

(1) Summary of business combinations

The Company made an additional acquisition of 42% of shares in FCC (THAILAND) CO., LTD., a consolidated subsidiary of the Company, to further strengthen cooperation within the Group. As a result, the Group’s ratio of voting rights of the said company was increased to 100%.

The resulting change in ownership interest arising from the additional acquisition was recorded as a decrease in retained earnings. Consequently, retained earnings decreased by ¥145 million.

6. Cash and cash equivalents

Breakdown of Cash and cash equivalents

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Cash and deposits	23,450	23,474

Note: Cash and cash equivalents recorded in the consolidated statement of financial position are equal to cash and cash equivalents recorded in the consolidated statement of cash flows.

7. Trade and other receivables

Breakdown of trade and other receivables

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	23,270	25,168
Accounts receivable - other	2,163	1,847
Allowance for credit losses	(36)	(29)
Total	<u>25,398</u>	<u>26,986</u>

Note: Information on management of credit risk and liquidity risk to “notes and accounts receivable – trade” is provided in the note “26. Financial instruments.”

8. Other financial assets and other financial liabilities

Breakdown of other financial assets

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Other current financial assets		
Loans and receivables	905	1,294
Other non-current financial assets		
Financial assets at fair value through profit or loss (derivatives)	–	36
Loans and receivables	1,415	1,304
Allowance for credit losses	(55)	(55)
Available-for-sale financial assets	7,273	8,103
Total	8,632	9,389

Breakdown of other financial liabilities

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease obligations	–	103
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Long-term accounts payable - other	29	26
Lease obligations	–	580
Total	29	607

9. Inventories

Breakdown of inventories

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Finished goods	3,077	3,442
Work in process	2,759	2,961
Raw materials and supplies	12,170	11,557
Total	18,007	17,961

The amounts of write-down of inventories recognized as expenses and inventories recognized as expenses

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Amount of write-down	1,025	852
Amount of inventories	139,508	132,555

10. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	2,755	961
Prepaid expenses	357	433
Suspense payments	62	103
Other	697	406
Total	<u>3,873</u>	<u>1,905</u>
Other non-current assets		
Land use rights	437	605
Long-term prepaid expenses	54	38
Total	<u>492</u>	<u>644</u>

Breakdown of other liabilities

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	1,925	1,353
Accrued bonuses	1,615	1,662
Other	1,341	2,796
Total	<u>4,883</u>	<u>5,812</u>
Other non-current liabilities		
Deferred income	183	175
Other	78	158
Total	<u>262</u>	<u>333</u>

11. Property, plant and equipment

Changes in cost and accumulated depreciation and impairment loss of property, plant and equipment, and carrying amount thereof

(1) Cost

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2015	37,603	104,775	14,912	7,794	–	9,974	175,060
Acquisition	238	3,371	788	–	–	14,880	19,278
Disposal	(50)	(4,904)	(561)	(19)	–	(2,532)	(8,068)
Transfer of line items	2,107	8,471	424	–	–	(11,003)	–
Exchange differences on translation	(2,074)	(6,557)	(938)	(317)	–	(808)	(10,696)
Other	–	–	–	–	–	(460)	(460)
March 31, 2016	37,824	105,157	14,625	7,456	–	10,050	175,114
Acquisition	116	3,824	1,292	197	749	11,673	17,852
Disposal	(1,187)	(1,496)	(920)	–	–	(1,605)	(5,209)
Transfer of line items	2,941	8,666	769	766	–	(13,145)	–
Exchange differences on translation	(153)	(3,249)	2,684	36	–	(245)	(928)
Other	–	–	–	(248)	–	(0)	(249)
March 31, 2017	39,541	112,902	18,450	8,208	749	6,727	186,579

(2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2015	16,583	69,544	12,477	987	–	–	99,593
Depreciation expense	1,472	9,216	1,107	–	–	–	11,796
Impairment loss	511	2,281	7	–	–	71	2,871
Disposal	(46)	(4,641)	(557)	–	–	–	(5,246)
Exchange differences on translation	(768)	(4,430)	(768)	–	–	–	(5,966)
Other	–	–	–	–	–	–	–
March 31, 2016	17,751	71,969	12,267	987	–	71	103,047
Depreciation expense	1,514	8,547	1,450	–	112	–	11,625
Impairment loss	218	1	0	427	–	2	650
Disposal	(1,122)	(1,246)	(864)	–	–	–	(3,233)
Exchange differences on translation	(13)	(2,777)	2,758	–	–	–	(32)
Other	–	(0)	–	–	–	–	(0)
March 31, 2017	18,348	76,495	15,612	1,414	112	74	112,058

(3) Carrying amounts

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2015	21,019	35,230	2,435	6,806	–	9,974	75,467
Balance as of March 31, 2016	20,072	33,187	2,358	6,469	–	9,979	72,066
Balance as of March 31, 2017	21,192	36,406	2,838	6,793	637	6,652	74,521

Notes: 1. Depreciation expense of property, plant and equipment is recorded in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

2. Information on commitments related to purchase of property, plant and equipment is provided in the note “29. Commitments.”

12. Goodwill and intangible assets

Changes in cost and accumulated amortization and impairment loss of goodwill and intangible assets, and carrying amount thereof

(1) Cost

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2015	756	1,906	2,767	5,431
Acquisition	–	107	–	107
Increase due to internal development	–	–	838	838
Disposal	–	(37)	(626)	(664)
Transfer of line items	–	4	–	4
Exchange differences on translation	–	(23)	–	(23)
Other	–	3	–	3
March 31, 2016	756	1,960	2,980	5,697
Acquisition	–	94	–	94
Increase due to internal development	–	–	1,153	1,153
Disposal	–	(1)	(646)	(647)
Transfer of line items	–	–	–	–
Exchange differences on translation	–	1	–	1
Other	–	–	–	–
March 31, 2017	756	2,054	3,487	6,299

(2) Accumulated amortization and impairment loss

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2015	–	443	1,240	1,683
Amortization expense	–	66	610	677
Impairment loss	–	1,296	–	1,296
Disposal	–	(33)	(626)	(659)
Exchange differences on translation	–	(17)	–	(17)
Other	–	1	–	1
March 31, 2016	–	1,756	1,224	2,981
Amortization expense	–	67	489	556
Impairment loss	–	–	–	–
Disposal	–	(1)	(646)	(647)
Exchange differences on translation	–	0	–	0
Other	–	–	–	–
March 31, 2017	–	1,823	1,067	2,890

(3) Carrying amounts

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2015	756	1,463	1,527	3,748
March 31, 2016	756	203	1,755	2,716
March 31, 2017	756	230	2,420	3,408

Notes: 1. Amortization expense of software is recorded in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income, while amortization expense of properties for development is recorded in “cost of sales.”

2. Information on commitments related to purchase of intangible assets is provided in the note “29. Commitments.”

13. Impairment loss

(1) Breakdown of assets for which impairment loss is recognized by type

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Buildings and structures (Chengdu)	511	–
Buildings and structures (Tenryu Factory)	–	218
Machinery and equipment, etc. (Chengdu)	2,169	–
Machinery and equipment, etc. (Ryuyo Factory)	119	–
Machinery and equipment, etc. (Tenryu Factory)	–	2
Land (Tenryu Factory)	–	427
Construction in progress (head office, etc.)	71	–
Construction in progress (Tenryu Factory)	–	2
Total property, plant and equipment	2,871	650
Software (head office, etc.)	1,296	–
Total intangible assets	1,296	–
Total impairment loss	4,167	650

Note: The impairment loss is included and recorded in “other expense” in the consolidated statement of income.

(2) Cash-generating unit

The Group groups assets based on the smallest unit of asset groups identifiable as a unit generating cash inflow that is substantially independent of cash inflow of other assets or asset groups, by company and type of business. Idle assets that are not expected to be used in the future are determined by individual asset unit.

(3) Impairment loss

Fiscal year ended March 31, 2016

1) In view of a deterioration of business environment and profitability due to the slowdown of Chinese economy, the Company has conducted an impairment test with regard to CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a subsidiary of the Company, based on the latest plan. Consequently, the carrying amount of the assets held by the subsidiary was reduced to the recoverable amount and recorded as impairment loss (¥2,681 million) in other expense. The recoverable amount is calculated with the value in use, obtained by discounting the estimated amount of cash flows based on the future business plan approved by management to the present value using the pretax weighted average cost of capital (6.8%) for the cash-generating unit.

2) The Group has reorganized domestic business units to increase production efficiency and for risk management, in the wake of the Great East Japan Earthquake.

As a result, due to transfer of the major manufacturing process to other production bases, assets held by Ryuyo Factory have been transferred to Hamakita Factory. Of these assets, those not expected to be used in the future have been identified as idle assets and its residual value upon the transfer was recorded as impairment loss (¥119 million) in other expense.

3) The Group has developed a system for production management. In line with a termination of the development of the system, software recorded in intangible assets and a portion of construction in progress recorded in property, plant and equipment previously were recorded as impairment loss (¥1,367 million) in other expense.

Fiscal year ended March 31, 2017

The Group has been proceeding with reorganization of the domestic business units to increase production efficiency and for risk management. As a result, due to transfer of the major manufacturing process to other production bases, land and buildings, etc. for Tenryu Factory were reduced to the recoverable amount and recorded as impairment loss (¥650 million) in other expense.

The recoverable amount is calculated with the value in use, obtained by discounting the estimated amount of cash flows based on the future business plan to the present value using the pretax weighted average cost of capital for the cash-generating unit.

14. Investments accounted for using the equity method

Summary of financial information aggregating accounts of associates accounted for using the equity method

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Total carrying amount	542	140
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Profit	(4)	(10)
Other comprehensive income	2	(54)
Comprehensive income	(1)	(64)

Note: There is no associate that has quoted market prices of its shares.

15. Income taxes

(1) Deferred tax assets and liabilities

Breakdown of and changes in deferred tax assets and deferred tax liabilities by major cause

Fiscal year ended March 31, 2016

	April 1, 2015	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2016
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	770	109	–	–	(45)	834
Accrued bonuses	400	14	–	–	–	414
Accruals	215	(128)	–	–	5	92
Non-current assets	2,431	(513)	–	–	(103)	1,814
Defined benefit liability	253	126	152	–	(17)	514
Other	380	518	–	–	79	978
Total	<u>4,451</u>	<u>127</u>	<u>152</u>	<u>–</u>	<u>(81)</u>	<u>4,650</u>
Deferred tax liabilities						
Non-current assets	(5,052)	(487)	–	–	207	(5,332)
Available-for-sale financial assets	(2,141)	–	584	–	–	(1,557)
Other	(368)	70	–	–	(25)	(322)
Total	<u>(7,562)</u>	<u>(416)</u>	<u>584</u>	<u>–</u>	<u>182</u>	<u>(7,212)</u>

Fiscal year ended March 31, 2017

	April 1, 2016	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2017
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	834	(33)	–	–	134	935
Accrued bonuses	414	(12)	–	–	–	402
Accruals	92	(13)	–	–	137	216
Non-current assets	1,814	(218)	–	–	(3)	1,593
Defined benefit liability	514	(5)	(49)	–	70	529
Other	978	156	–	–	(94)	1,041
Total	<u>4,650</u>	<u>(126)</u>	<u>(49)</u>	<u>–</u>	<u>244</u>	<u>4,718</u>
Deferred tax liabilities						
Non-current assets	(5,332)	(16)	–	–	(431)	(5,779)
Available-for-sale financial assets	(1,557)	–	(245)	–	–	(1,802)
Retained surplus of overseas consolidated subsidiaries	(215)	(771)	–	–	–	(986)
Other	(107)	112	–	–	(34)	(30)
Total	<u>(7,212)</u>	<u>(675)</u>	<u>(245)</u>	<u>–</u>	<u>(466)</u>	<u>(8,598)</u>

The amounts of unused tax losses and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Unused tax losses	3,868	5,025
Deductible temporary differences	634	195
Total	<u>4,503</u>	<u>5,220</u>

Expiration of unused tax losses for which deferred tax assets have not been recognized is as follows:

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
1st year	-	-
2nd year	-	-
3rd year	-	-
4th year	-	-
5th year and onward	3,868	5,025
Total	<u>3,868</u>	<u>5,025</u>

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥57,348 million as of March 31, 2016 and ¥52,473 million as of March 31, 2017. For these taxable differences, deferred tax liabilities have not been recognized since the Group may control timing of their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period.

(2) Breakdown of income tax expense

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Current tax expense	922	3,119
Deferred tax expense	289	801
Total	<u>1,211</u>	<u>3,921</u>

Note: Current tax expense for the fiscal year ended March 31, 2016 includes refund of income taxes due to reassessment based on the agreement under the mutual agreement procedure regarding the transfer pricing taxation (¥1,531 million).

(3) Factors of differences between the effective statutory tax rate and the effective tax rate

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	%	%
Effective statutory tax rate	32.3	30.2
Non-deductible expenses in calculation of taxable profits	2.3	2.5
Unrecognized deferred tax assets	7.8	1.7
Tax credits	2.8	1.5
Difference from the applicable tax rate of overseas subsidiaries	(7.2)	(7.9)
Refund of income taxes	(18.9)	-
Other	(4.2)	6.3
Effective tax rate	<u>14.9</u>	<u>34.3</u>

16. Borrowings

Breakdown of borrowings

	As of March 31, 2016	As of March 31, 2017	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Current borrowings	4,730	8,894	1.12	–
Current portion of long-term borrowings	5,157	4,371	0.75	–
Total	<u>9,887</u>	<u>13,266</u>		
Non-current				
Financial liabilities measured at amortized cost				
Long-term borrowings	8,426	4,040	0.88	April 2018 to October 2019
Total	<u>8,426</u>	<u>4,040</u>		

Notes: 1. “Average interest rate” shows weighted average interest rate on the balance as of March 31, 2017.

2. “Due” shows the repayment due for the balance as of March 31, 2017.

3. For the breakdown of the balance of borrowings by due date, refer to the note “26. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

17. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Notes and accounts payable - trade	10,390	11,306
Factoring payables	1,863	1,679
Accounts payable - other	1,727	1,388
Total	<u>13,981</u>	<u>14,373</u>

18. Employee benefits

To provide for retirement benefits of employees, the Group has adopted funded and unfunded defined benefit plans and defined contribution plans and has joined Nihon Jidosha Buhin Kogyo Kosei Nenkin Kikin, which is a multi-employer corporate pension fund.

(1) Defined benefit plans

Under defined benefit plans, a lump-sum benefit or pension is granted based on salaries and periods of service.

1) Amounts recognized in the consolidated statement of financial position

The year-end balances of defined benefit obligations and plan assets, and defined benefit liabilities and defined benefit assets recognized in consolidated statement of financial position

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Funded defined benefit obligations	8,051	8,250
Plan assets	(7,065)	(7,308)
Subtotal	985	941
Unfunded defined benefit obligations	917	1,079
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,903	2,021
Defined benefit liability	1,903	2,021
Defined benefit asset	(0)	-
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,903	2,021

Note: Defined benefit assets are included in "other non-current assets" in the consolidated statement of financial position.

2) Amounts recognized as retirement benefit expenses

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	740	762

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	8,334	8,969
Service cost	678	687
Interest cost	126	112
Remeasurement	218	(56)
Retirement benefits paid	(307)	(377)
Exchange differences on translation	(82)	(4)
Defined benefit obligations at end of period	8,969	9,329

Note: The weighted average duration of defined benefit obligations was 13.1 to 23 years as of March 31, 2016 and 13.3 to 23 years as of March 31, 2017.

4) Reconciliation of plan assets

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Plan assets at beginning of period	7,056	7,065
Interest income	64	36
Remeasurement	(167)	131
Contributions by the employer	338	367
Retirement benefits paid	(210)	(288)
Exchange differences on translation	(15)	(3)
Plan assets at end of period	<u>7,065</u>	<u>7,308</u>

5) Composition of plan assets

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Debentures	4,411	2,289
Shares	1,119	2,023
Other	1,535	2,995
Total	<u>7,065</u>	<u>7,308</u>

6) Major actuarial assumptions

	As of March 31, 2016	As of March 31, 2017
	%	%
Discount rate (Japan)	0.4	0.5
Discount rate (Overseas)	4.0 to 8.7	4.0 to 8.6

7) Sensitivity analysis

The impact of 0.5% changes in the key actuarial assumption on defined benefit obligations is as follows:

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(533)	(545)
0.5% decrease in the discount rate	583	596

Note: The sensitivity analysis is calculated in a manner that keeps assumptions other than variable factors constant and does not take into account interdependencies between the assumptions.

(2) Defined contribution plans

Amounts recognized as expenses for defined contribution plans

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Amount recorded as expenses	251	235

(3) Multi-employer plan

To the multi-employer plan, the amount calculated by multiplying salaries in the period employees rendered services by a constant rate is contributed and contributions during the fiscal period are recognized as retirement benefit expenses in profit or loss.

The total amount of expenses recognized for the employees' pension fund that is a multi-employer plan, which is accounted for in the same manner as defined contribution plans, was ¥396 million in the previous fiscal year and ¥178 million in the fiscal year under review.

1) Latest funding position of multi-employer plan

	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
	Millions of yen	Millions of yen
Plan assets	194,022	187,558
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	199,101	188,657
Difference	<u>(5,079)</u>	<u>(1,099)</u>

2) Proportion of contributions by the Group to total contributions of the multi-employer plan

	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
	%	%
Proportion of contributions by the Group	5.9	5.7

19. Provisions

Breakdown of and changes in provisions

	<u>Asset retirement obligations</u>
	Millions of yen
April 1, 2015	36
Interest expense during the period in discounting	0
Decrease during the period (intended use)	-
Decrease during the period (reversal)	-
March 31, 2016	<u>36</u>
Interest expense during the period in discounting	0
Decrease during the period (intended use)	-
Decrease during the period (reversal)	-
March 31, 2017	<u><u>36</u></u>

Note: To prepare for removal of toxic substances related to buildings, the Group recognizes and measures the provision by estimating asset retirement obligations based on the period in which the building is expected to be used in light of useful lives of fixtures inside the building and other factors, taking into account the status of each property individually and specifically. The payment is made in a period after one year or more passed from the end of each fiscal year.

20. Equity and other equity items

(1) Issued capital

Breakdown of changes in number of shares authorized, number of shares issued and issued capital

	Number of shares authorized	Number of shares issued	Issued capital
	Shares	Shares	Millions of yen
As of April 1, 2015	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2016	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2017	<u>90,000,000</u>	<u>52,644,030</u>	<u>4,175</u>

Note: All shares issued by the Company are ordinary shares with no rights limitations and without par value. Issued shares are fully paid up.

(2) Retained earnings

Retained earnings consist of earned reserve and unappropriated retained surplus. Retained earnings include the amount of remeasurements of defined benefit plans recognized in other comprehensive income when the amount arose and immediately transferred to retained earnings, and cumulative translation differences of foreign operations as of the date of transition to IFRS.

(3) Treasury shares

Changes in the number and the amount of treasury shares are as follows:

	Number of shares	Amount
	Shares	Millions of yen
As of April 1, 2015	2,455,400	3,408
Change during the period	324	0
As of March 31, 2016	2,455,724	3,408
Change during the period	85	0
As of March 31, 2017	<u>2,455,809</u>	<u>3,409</u>

Note: Changes during the period are due to purchase of shares less than one unit.

(4) Dividends

- Amount of dividends paid

Fiscal year ended March 31, 2016

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 23, 2015 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2015	June 24, 2015
October 30, 2015 Board of Directors meeting	1,003	20.00	September 30, 2015	November 26, 2015

Fiscal year ended March 31, 2017

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 22, 2016 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2016	June 23, 2016
October 31, 2016 Board of Directors meeting	1,003	20.00	September 30, 2016	November 28, 2016

- Dividends for which record date is in the current fiscal year with effective date in the following fiscal year

Fiscal year ended March 31, 2016

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 22, 2016 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2016	June 23, 2016

Fiscal year ended March 31, 2017

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 20, 2017 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2017	June 21, 2017

21. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Packing and shipping expenses	1,704	1,588
Personnel expenses	4,813	4,568
Depreciation and amortization expense	431	391
Research and development expense	2,578	2,559
Other	4,570	4,000
Total	14,099	13,109

22. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Gain on sales of non-current assets	88	133
Subsidy income	2	0
Other	486	632
Total	<u>578</u>	<u>766</u>

(2) Breakdown of other expense

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	275	193
Impairment loss	4,167	650
Other	129	145
Total	<u>4,572</u>	<u>989</u>

Note: Refer to the note "13. Impairment loss" for impairment loss.

23. Finance income and finance costs

(1) Breakdown of finance income

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, loans and receivables	351	487
Dividend income		
Available-for-sale financial assets	199	214
Interest on refund of income taxes	258	-
Other	-	36
Total	<u>809</u>	<u>739</u>

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Interest expense		
Borrowings	156	96
Other	0	101
Foreign exchange losses	2,265	347
Total	<u>2,422</u>	<u>545</u>

24. Other comprehensive income

Amount arising during year, reclassification adjustments to profit or loss and tax effects for each component of other comprehensive income

Fiscal year ended March 31, 2016

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	(452)	–	(452)	152	(299)
Subtotal	(452)	–	(452)	152	(299)
Components that may be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets	(1,581)	–	(1,581)	584	(997)
Exchange differences of foreign operations	(6,767)	–	(6,767)	–	(6,767)
Share of other comprehensive income of associates accounted for using equity method	2	–	2	–	2
Subtotal	(8,346)	–	(8,346)	584	(7,762)
Total	(8,799)	–	(8,799)	737	(8,062)

Fiscal year ended March 31, 2017

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	183	–	183	(49)	133
Subtotal	183	–	183	(49)	133
Components that may be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets	792	–	792	(245)	547
Exchange differences of foreign operations	(1,097)	–	(1,097)	–	(1,097)
Share of other comprehensive income of associates accounted for using equity method	(54)	–	(54)	–	(54)
Subtotal	(358)	–	(358)	(245)	(603)
Total	(175)	–	(175)	(294)	(470)

25. Earnings per share

Basis of calculating basic earnings per share attributable to ordinary equity holders

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Profit attributable to ordinary equity holders of parent (Millions of yen)	6,162	7,204
Weighted-average number of ordinary shares (Thousands of shares)	50,188	50,188
Basic earnings per share (Yen)	122.79	143.54

Note: Information on diluted earnings per share is omitted due to an absence of potential shares.

26. Financial instruments

(1) Capital management

The Group's basic policy for capital risk management is to build and maintain the stable financial base in order to firmly maintain soundness and efficiency of the management and achieve sustainable growth. In line with this policy, the Group returns profits to shareholders through investments in effect, dividends and other means based on operating cash flows.

(2) Classification of financial assets and financial liabilities

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Financial assets		
Financial assets at fair value through profit or loss (derivatives)		
Other financial assets	–	36
Loans and receivables		
Trade and other receivables	25,398	26,986
Other financial assets	2,264	2,543
Available-for-sale financial assets		
Other financial assets	7,273	8,103
Cash and cash equivalents	23,450	23,474
Total financial assets	58,387	61,144
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	13,981	14,373
Borrowings	18,313	17,306
Other financial liabilities	29	710
Total financial liabilities	32,324	32,391

(3) Financial risk management

The Group is exposed to financial risks (credit risks, liquidity risks and market risks) in the course of business activities. In order to avoid or mitigate these risks, the Group conducts risk management under certain policies. As its policy, the Group does not conduct derivative transactions for speculative purposes.

1) Credit risk management

Credit risks are risks that result in financial losses incurred by the Group when a customer becomes in default for contractual obligations.

Most clutch products manufactured and sold by the Group are for the automobile and motorcycle industries.

The certain customer group accounts for a large percentage of the Group's revenue. For the risks, the Group has a system where it manages due dates and outstanding balances for each business partner and periodically grasps information on the credit status of major business partners in accordance with its credit management regulations.

The carrying amount of financial assets after impairment loss presented in the consolidated financial statements is the maximum amount of exposure to credit risks to financial assets of the Group when the appraisal value of collateral obtained is not taken into account.

Age analysis of financial assets that were past due but not impaired as of the end of fiscal year

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Within one month past due	267	359
Over one month and within six months past due	273	124
Over six months and within one year past due	24	21
Over one year past due	93	19
Total	659	524

The Group examines recoverability of trade receivables, etc. according to the credit status of business partners and recognizes allowance for credit losses. Changes in allowance for credit losses are as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Balance at beginning of period	72	92
Increase during the period	23	4
Decrease during the period (intended use)	-	(10)
Decrease during the period (reversal)	(1)	(0)
Other changes	(1)	(1)
Balance at end of period	92	84

2) Liquidity risk management

Liquidity risks are risks of failure to make payments on the due date in situations when the Group is required to fulfill its repayment obligations for financial liabilities due. The Group manages liquidity risks by securing credit lines available at any time in financial institutions and continuously monitoring a cash flow plan and actual performance while raising appropriate funds for repayment.

Breakdown of the balances of financial liabilities by due date

As of March 31, 2016

	Carrying amount	Contractual amount	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Trade and other payables	13,981	13,981	13,981	–	–	–	–	–
Borrowings	18,313	18,519	10,006	4,436	3,726	350	–	–
Other financial liabilities	29	29	–	–	–	–	29	–
Total	32,324	32,530	23,987	4,436	3,726	350	29	–

As of March 31, 2017

	Carrying amount	Contractual amount	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Trade and other payables	14,373	14,373	14,373	–	–	–	–	–
Borrowings	17,306	17,454	13,386	3,719	348	–	–	–
Other financial liabilities	710	843	132	159	171	180	13	187
Total	32,391	32,672	27,892	3,878	520	180	13	187

3) Market risk management

(i) Exchange risks

Because the Group has business operations on a global basis, it is exposed to risks that transactions denominated in currencies other than its functional currency may affect profit and loss and cash flows and risks that equity and profit or loss may be affected when equity and profit or loss denominated in currencies other than its functional currency are translated into the functional currency, both due to currency fluctuations. The Group strives to mitigate these risks due to currency fluctuations by monitoring currency fluctuations.

- Sensitivity analysis of foreign exchange

For financial instruments held by the Group as of the reporting date, the impact of a 1% depreciation of Japanese yen against US dollars and renminbi on profit before income taxes in the consolidated statement of income is as follows.

The effects of translation of financial instruments denominated in the functional currency, assets and liabilities and revenue and expenses of foreign operations into yen are not included. This analysis is based on the assumption that other variable factors are constant.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
US dollar	140	145
RMB	39	35

(ii) Price fluctuation risks

Although the Group is exposed to risks of fluctuations in share prices, which arising from equity financial instruments (shares), these instruments are shares in companies with which the Group has business relationships and the Group grasps information on market prices of the shares quarterly.

- Sensitivity analysis on market prices

The impact of a 10% fluctuation in market prices of equity financial instruments held by the Group as of the end of fiscal year on other comprehensive income (before tax effects) was ¥655 million in the previous fiscal year and ¥734 million in the fiscal year under review.

This analysis is based on the assumption that other variable factors are constant.

(iii) Interest rate risks

Since borrowings are raised with fixed interest rates and interest rate risks are considered insignificant to the Group, the sensitive analysis of interest rates has not been performed.

(4) Fair value of financial instruments

1) Method of fair value measurement

Financial assets and liabilities at fair value through profit or loss

The fair value of derivatives to which hedge accounting is not applied is obtained from the counterparty financial institutions.

Loans and receivables

The carrying amounts of loans and receivables reasonably approximate the fair values, since the period to maturity is short or there is no significant difference between the contracted interest rate and the rate assumed if a similar contract is newly executed.

Available-for-sale financial assets

The fair values of listed shares are measured based on market prices at the end of the fiscal year. The fair values of unlisted shares are measured by a reasonable method.

Cash and cash equivalents

The carrying amounts of cash and cash equivalents reasonably approximate the fair values, since the period to maturity is short.

Financial liabilities measured at amortized cost

The fair values of borrowings are measured by the discounted cash flow method using the interest rate for the case where funds are borrowed under the same conditions with the same remaining period. The carrying amounts of liabilities other than the above reasonably approximate the fair values since they are principally settled in a short period of time.

2) Fair value hierarchy

The fair value hierarchy of financial instruments is categorized as follows:

Level 1: Fair value measured at the quoted price in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

When multiple inputs are used for fair value measurement, the level of the fair value is determined based on the lowest level of significant input in the entire measurement of the fair value.

Transfers between levels of the fair value hierarchy are recognized as if they had occurred at the beginning of each quarter.

3) Carrying amount and fair value of financial instruments

	As of March 31, 2016		As of March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Long-term borrowings (Note 1)	13,583	13,668	8,411	8,425

Notes: 1. Include current portion of long-term borrowings.

The fair value of long-term borrowings is in Level 2.

2. Financial instruments measured at fair value and financial instruments of which the fair value extremely approximates the carrying amount are not included in the above table.

4) Financial instruments measured at fair value on a recurring basis

Classification of financial instruments measured at fair value on a recurring basis based on the fair value hierarchy is as follows:

As of March 31, 2016

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Available-for-sale financial assets				
Listed shares	6,553	–	–	6,553
Unlisted shares	–	–	714	714
Other	–	–	4	4
Total	6,553	–	719	7,273

As of March 31, 2017

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Financial assets at fair value through profit or loss (derivatives)	–	36	–	36
Available-for-sale financial assets				
Listed shares	7,340	–	–	7,340
Unlisted shares	–	–	758	758
Other	–	–	4	4
Total	7,340	36	762	8,140

Note: No transfers between Level 1, Level 2 and Level 3 were made in one year ended March 31, 2016 and one year ended March 31, 2017.

Changes in financial instruments classified as Level 3 are as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Balance at beginning of period	692	719
Total gains and losses		
Other comprehensive income	27	43
Balance at end of period	719	762

- Notes: 1. Gains and losses included in other comprehensive income relate to shares, etc. held as of the reporting date that were not traded at a market. These gains and losses are included in “changes in fair value of available-for-sale financial assets” and “exchange differences of foreign operations” in the consolidated statement of comprehensive income.
2. Financial assets classified as Level 3 mainly consist of unlisted shares. The fair values of unlisted shares are principally measured by valuation techniques based on net asset value, and results of the fair value measurement are approved by an appropriate authorized person.

27. Important subsidiaries

Status of important subsidiaries at the end of the fiscal year under review

Name	Location	Principal contents of business	Ratio of voting rights holding (%)
KYUSHU F.C.C. CO., LTD.	Japan	Motorcycle and automobile clutches	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycle clutches	80.22
Tohoku Chemical Industries, Ltd.	Japan	Motorcycle clutches	100
FCC (North America), INC.	U.S.	Administration of subsidiaries in the U.S.	100
FCC (INDIANA), LLC.	U.S.	Automobile clutches	100 [100]
FCC (North Carolina), LLC.	U.S.	Motorcycle and automobile clutches	100 [100]
FCC (Adams), LLC.	U.S.	Automobile clutches	100 [100]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Mexico	Automobile clutches	100 [1]
FCC (THAILAND) CO., LTD.	Thailand	Motorcycle and automobile clutches	100 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycle and automobile clutches	100
F.C.C. (China) Investment Co., Ltd.	China	Administration of subsidiaries in China	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	China	Motorcycle and automobile clutches	100 [71.43]
CHU'S F.C.C. CO., LTD. (SHANGHAI)	China	Motorcycle clutches	100
CHINA FCC FOSHAN CO., LTD.	China	Automobile clutches	100 [61.43]
FCC (TAIWAN) CO., LTD.	Taiwan	Motorcycle clutches	70 [15]
FCC CLUTCH INDIA PRIVATE LTD.	India	Motorcycle and automobile clutches	100
PT. FCC INDONESIA	Indonesia	Motorcycle and automobile clutches	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycle clutches	90
FCC DO BRASIL LTDA.	Brazil	Motorcycle clutches	100

Note: The figures in brackets in the "Ratio of voting rights holding" column are indirect holding ratio included in the figures outside the brackets.

28. Related parties

(1) Related party transactions

Fiscal year ended March 31, 2016

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	10,150	1,368
		Purchase of raw materials and parts	1,858	227

Note: Related party transactions are conducted on the basis of arm's length transactions.

Fiscal year ended March 31, 2017

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	9,110	1,550

Note: Related party transactions are conducted on the basis of arm's length transactions.

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of yen	Millions of yen
Remuneration and bonuses	290	304

Note: For the basic policy, etc. for remuneration of key management personnel, refer to "A. Company information, IV. Information about reporting company, 4. Status of corporate governance, etc., (1) Status of corporate governance, 5) Remuneration, etc. for officers."

29. Commitments

Breakdown of commitments related to expenditures at and after the end of the fiscal year

	As of March 31, 2016	As of March 31, 2017
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	3,677	4,089

30. Subsequent events

Not applicable.

Opinion of independent auditors

Auditors: Yasumori Audit Corporation

Opinion: unqualified

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	2,164	938
Notes receivable - trade	3	3
Electronically recorded monetary claims - operating	131	154
Accounts receivable - trade	7,660	7,694
Merchandise and finished goods	777	835
Work in process	954	839
Raw materials and supplies	2,447	2,119
Prepaid expenses	66	62
Short-term loans receivable from subsidiaries and associates	16,309	19,170
Deferred tax assets	455	604
Other	3,636	2,197
Allowance for doubtful accounts	(4)	(4)
Total current assets	34,601	34,616
Non-current assets		
Property, plant and equipment		
Buildings	5,313	4,791
Structures	373	343
Machinery and equipment	5,102	5,334
Vehicles	36	44
Tools, furniture and fixtures	741	928
Land	4,340	4,679
Construction in progress	867	1,335
Total property, plant and equipment	16,775	17,458
Intangible assets		
Software	86	103
Software in progress	18	47
Other	4	4
Total intangible assets	109	155
Investments and other assets		
Investment securities	982	1,235
Shares of subsidiaries and associates	23,069	26,672
Bonds of subsidiaries and associates	5,846	5,846
Investments in capital	4	4
Investments in capital of subsidiaries and associates	3,069	3,069
Long-term loans to employees	144	147
Long-term loans receivable from subsidiaries and associates	7,740	5,581
Long-term prepaid expenses	26	12
Other	707	703
Allowance for doubtful accounts	(46)	(46)
Total investments and other assets	41,544	43,228
Total non-current assets	58,429	60,842
Total assets	93,030	95,458

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes payable - trade	324	379
Accounts payable - trade	2,553	2,658
Factoring liabilities	1,706	1,679
Short-term loans payable	8,761	13,266
Accounts payable - other	435	734
Accrued expenses	365	378
Income taxes payable	17	145
Advances received	5	27
Deposits received	47	46
Provision for bonuses	1,182	1,143
Other	0	75
Total current liabilities	15,399	20,536
Non-current liabilities		
Long-term loans payable	8,426	4,040
Deferred tax liabilities	1,440	1,632
Provision for retirement benefits	572	661
Asset retirement obligations	32	32
Other	27	27
Total non-current liabilities	10,499	6,395
Total liabilities	25,899	26,931
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 non-current assets	969	969
General reserve	46,500	48,500
Retained earnings brought forward	8,628	7,527
Total retained earnings	58,742	59,640
Treasury shares	(3,408)	(3,409)
Total shareholders' equity	64,075	64,973
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,056	3,553
Total valuation and translation adjustments	3,056	3,553
Total net assets	67,131	68,527
Total liabilities and net assets	93,030	95,458

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	39,920	36,756
Cost of sales		
Beginning finished goods	731	777
Cost of products manufactured	28,507	27,393
Purchase of finished goods	1,354	1,112
Total	30,593	29,282
Ending finished goods	777	835
Cost of finished goods sold	29,815	28,447
Gross profit	10,104	8,308
Selling, general and administrative expenses		
Packing and delivery expenses	815	779
Salaries and allowances	1,500	1,542
Provision for bonuses	235	213
Retirement benefit expenses	209	160
Depreciation	47	49
Research and development expenses	3,417	3,713
Other	1,671	1,717
Total selling, general and administrative expenses	7,898	8,176
Operating profit	2,205	131
Non-operating income		
Interest income	382	408
Interest on capital receivable	108	60
Interest on securities	593	522
Dividend income	2,498	3,275
Rental income	23	49
Commissions on equipment sales	472	111
Technical advisory fee	350	95
Other	59	74
Total non-operating income	4,488	4,597
Non-operating expenses		
Interest expenses	124	159
Rent expenses	17	29
Foreign exchange losses	1,678	267
Other	0	13
Total non-operating expenses	1,820	469
Ordinary profit	4,873	4,259
Extraordinary income		
Gain on sales of non-current assets	9	48
Interest on refund of income taxes and other	258	–
Total extraordinary income	267	48
Extraordinary losses		
Loss on sales and retirement of non-current assets	109	108
Impairment loss	1,483	650
Loss on valuation of investments in capital of subsidiaries and associates	2,518	–
Total extraordinary losses	4,111	758
Profit before income taxes	1,029	3,549

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Income taxes - current	440	805
Refund of income taxes	(1,531)	—
Income taxes - deferred	392	(162)
Total income taxes	(698)	643
Profit	1,728	2,905

3) Non-consolidated statements of changes in shareholders' equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings	
					Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	948	43,500	11,928	59,021
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Provision of reserve for advanced depreciation of non-current assets							21		(21)	-
Provision of general reserve								3,000	(3,000)	-
Dividends of surplus									(2,007)	(2,007)
Profit									1,728	1,728
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	-	21	3,000	(3,300)	(279)
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	969	46,500	8,628	58,742

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(3,408)	64,355	4,007	4,007	68,362
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		-			-
Provision of reserve for advanced depreciation of non-current assets		-			-
Provision of general reserve		-			-
Dividends of surplus		(2,007)			(2,007)
Profit		1,728			1,728
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			(951)	(951)	(951)
Total changes of items during period	(0)	(279)	(951)	(951)	(1,231)
Balance at end of current period	(3,408)	64,075	3,056	3,056	67,131

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	969	46,500	8,628	58,742
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Provision of general reserve								2,000	(2,000)	-
Dividends of surplus									(2,007)	(2,007)
Profit									2,905	2,905
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	-	(0)	2,000	(1,100)	898
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	969	48,500	7,527	59,640

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(3,408)	64,075	3,056	3,056	67,131
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		-			-
Provision of general reserve		-			-
Dividends of surplus		(2,007)			(2,007)
Profit		2,905			2,905
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			497	497	497
Total changes of items during period	(0)	898	497	497	1,395
Balance at end of current period	(3,409)	64,973	3,553	3,553	68,527

[Notes to non-consolidated financial statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Shares of subsidiaries and associates

Stated at cost determined by the weighted-average method

Available-for-sale securities (securities classified as other securities under Japanese GAAP)

Securities with readily determinable fair value

Stated at fair value based on market price and others as of the fiscal year-end date (unrealized gains and losses, net of applicable taxes, are recognized in a separate component of net assets, and costs of securities sold are determined by the weighted-average method).

Securities without readily determinable fair value

Stated at cost determined by the weighted-average method.

(2) Valuation basis and methods for inventories

Finished goods and work in process

Stated at cost determined by the weighted-average method (the carrying amounts in the non-consolidated balance sheet are calculated by the method in which carrying amounts are written down due to a decline in profitability of assets)

Raw materials and supplies

Stated at cost determined by the first-in, first-out method (the carrying amounts in the non-consolidated balance sheet are calculated by the method in which carrying amounts are written down due to a decline in profitability of assets)

2. Depreciation methods for non-current assets

(1) Property, plant and equipment

The straight-line method is applied.

Major useful lives are as follows:

Buildings	10 to 38 years
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Machinery and equipment	9 years
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(2) Intangible assets

The straight-line method is applied.

For software for internal use, the straight-line method based on the estimated usable period (five years) in the Company is applied.

3. Recognition of reserves

(1) Allowance for doubtful accounts

To cover losses from bad debts for trade receivables, loans, etc., allowance for doubtful accounts is provided in the amount expected to be uncollectible based on historical experience of bad debts for general receivables and individual collectability for specific receivables such as doubtful receivables.

(2) Provision for bonuses

To prepare for bonus payments to employees, provision for bonuses is provided based on the estimated amount of payments.

(3) Provision for retirement benefits

To prepare for payment of retirement benefits to employees, provision for retirement benefits is provided based on the estimated amounts of retirement benefit obligations and plan assets at the end of the fiscal year under review.

1) Method of attributing expected retirement benefits to periods

In calculation of retirement benefit obligations, the benefit formula basis is applied to attribute expected retirement benefits to periods up to the end of the fiscal year under review.

2) Amortization of actuarial gains or losses and past service cost

Past service cost is amortized on a straight-line basis from the fiscal year in which the cost occurred over a period equal to or less than the average remaining service period of eligible employees (five years) at the time of occurrence.

Actuarial gains or losses are amortized by the declining-balance method from the fiscal year in which the gains or losses occurred over a period equal to or less than the average remaining service period of eligible employees (mainly 18 years) at the time of occurrence in each fiscal year.

4. Other significant matters for preparing financial statements

Accounting for retirement benefits

Accounting treatment for unrecognized actuarial gains or losses and unrecognized past service cost for retirement benefits are different from accounting treatment for them in the consolidated financial statements.

4) Supplementary statements

[Detailed schedule of property, plant and equipment and others]

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase in the period	Decrease in the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	5,313	23	271 [210]	273	4,791	6,057
	Structures	373	7	7 [7]	30	343	1,127
	Machinery and equipment	5,102	1,417	49 [1]	1,135	5,334	17,372
	Vehicles	36	23	2	12	44	129
	Tools, furniture and fixtures	741	572	0 [0]	384	928	5,028
	Land	4,340	766	427 [427]	–	4,679	–
	Construction in progress	867	2,555	2,087 [2]	–	1,335	–
	Total	16,775	5,366	2,847 [650]	1,836	17,458	29,715
Intangible assets	Telephone subscription right	3	–	–	–	3	–
	Right of using water facilities	1	–	–	0	0	3
	Software	86	60	–	42	103	293
	Software in progress	18	76	47	–	47	–
	Total	109	136	47	42	155	297
Investments and other assets	Long-term prepaid expenses	26	1	14	–	12	–

(Note 1) The figure in brackets in the “Decrease in the period” column, which shows the number included in the figure outside the brackets, represents the amount of impairment loss recorded in the fiscal period.

(Note 2) Principal increases and decreases in the period are as follows:

Property, plant and equipment

[Increase]

Machinery and equipment	Hamakita Factory	Manufacturing facilities for clutches	¥454 million
	Hosoe Factory	Manufacturing facilities for clutches	¥277 million
Land	Head Office	New Watagashima Factory	¥766 million
Construction in progress	Head Office	Refurbishment of New Watagashima Factory	¥1,966 million

[Decrease]

Buildings	Tenryu Factory	Impairment loss in accordance with the accounting standard for impairment loss of non-current assets	¥210 million
Land	Tenryu Factory	Impairment loss in accordance with the accounting standard for impairment loss of non-current assets	¥427 million

[Detailed schedule of allowances]

(Millions of yen)

Category	Balance at beginning of period	Increase in the period	Decrease in the period	Balance at end of period
Allowance for doubtful accounts	51	–	–	51
Provision for bonuses	1,182	1,143	1,182	1,143

Opinion of independent auditors

Auditors: Yasumori Audit Corporation

Opinion: unqualified

VI. Overview of operational procedures for shares of the reporting company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Securities Agent Department, Head Office, Mizuho Trust & Banking Co., Ltd.
Shareholder register administrator	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Forwarding office	—
Handling charge for purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	Electronic public notice will be made. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. The Company's URL for public notice: http://www.fcc-net.co.jp/
Special benefits for shareholders	<ul style="list-style-type: none"> Content of the shareholder special benefit plan Regional goodies worth ¥2,500 are offered to each shareholder holding 200 shares or more who is on the list of shareholders as of March 31 and September 30 every year.

Note: Pursuant to the provision of the Company's Articles of Incorporation, the Company's shareholders may not exercise any right, in relation to their holding shares less than one unit, other than rights set forth in each item of Article 189, paragraph 2 of the Companies Act.