

# **Annual Securities Report**

90th term (from April 1, 2019 to March 31, 2020)

**F.C.C. CO., LTD.**

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Fiscal year	90th term (from April 1, 2019 to March 31, 2020)
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.
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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

Summary of consolidated financial data

Term	86th term	87th term	88th term	89th term	90th term
Fiscal year-end	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Revenue (Millions of yen)	167,429	157,217	173,174	177,605	171,060
Profit before income taxes (Millions of yen)	8,118	11,419	14,083	16,503	6,653
Profit attributable to owners of parent (Millions of yen)	6,162	7,204	9,691	11,779	3,921
Comprehensive income (Millions of yen)	(1,155)	7,027	7,935	12,380	(2,068)
Equity attributable to owners of parent (Millions of yen)	107,010	111,624	117,311	125,875	120,869
Total assets (Millions of yen)	159,212	162,708	170,302	173,644	161,727
Equity attributable to owners of parent per share (Yen)	2,132.18	2,224.12	2,337.43	2,533.32	2,432.56
Basic earnings per share (Yen)	122.79	143.54	193.11	235.05	78.92
Diluted earnings per share (Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	67.21	68.60	68.88	72.49	74.74
Ratio of profit to equity attributable to owners of parent (%)	5.67	6.59	8.47	9.69	3.18
Price earnings ratio (PER) (Times)	15.49	15.48	15.48	9.96	20.01
Net cash flows from (used in) operating activities (Millions of yen)	25,108	24,165	24,120	23,622	25,079
Net cash flows from (used in) investing activities (Millions of yen)	(17,369)	(15,846)	(19,122)	(8,695)	(10,597)
Net cash flows from (used in) financing activities (Millions of yen)	96	(7,641)	(2,657)	(7,981)	(8,990)
Cash and cash equivalents at end of period (Millions of yen)	23,450	23,474	25,230	32,444	35,350
Number of employees	7,893	8,189	8,555	8,829	8,718
[Separately, average number of temporary employees]	[3,235]	[3,210]	[3,637]	[4,017]	[3,777]

Notes: 1. Revenue does not include consumption taxes.

2. 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 LIMITED, 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 shares of Tohoku Chemical Industries, Ltd.
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 LIMITED (currently a consolidated subsidiary) in Haryana, India.
	December	Acquires 100% of shares of FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LIMITED, a consolidated subsidiary).
2015	November	FCC INDIA MANUFACTURING PRIVATE LIMITED has been merged by FCC CLUTCH INDIA PRIVATE LIMITED.
2017	September	Acquires 100% of shares of Flint Co.,Ltd. (currently a consolidated subsidiary).
2018	December	Transferred all of the shares of Tohoku Chemical Industries, Ltd.

### 3. Description of business

The Group, comprising the Company, 23 subsidiaries and one associate, 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
Sales	PT. FCC PARTS INDONESIA [Indonesia]
Manufacture and sales	The Company, KYUSHU F.C.C. CO., LTD., TENRYU SANGYO CO., LTD., Flint Co.,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 LIMITED [India], PT. FCC INDONESIA [Indonesia], FCC (VIETNAM) CO., LTD. [Vietnam], FCC DO BRASIL LTDA. [Brazil]

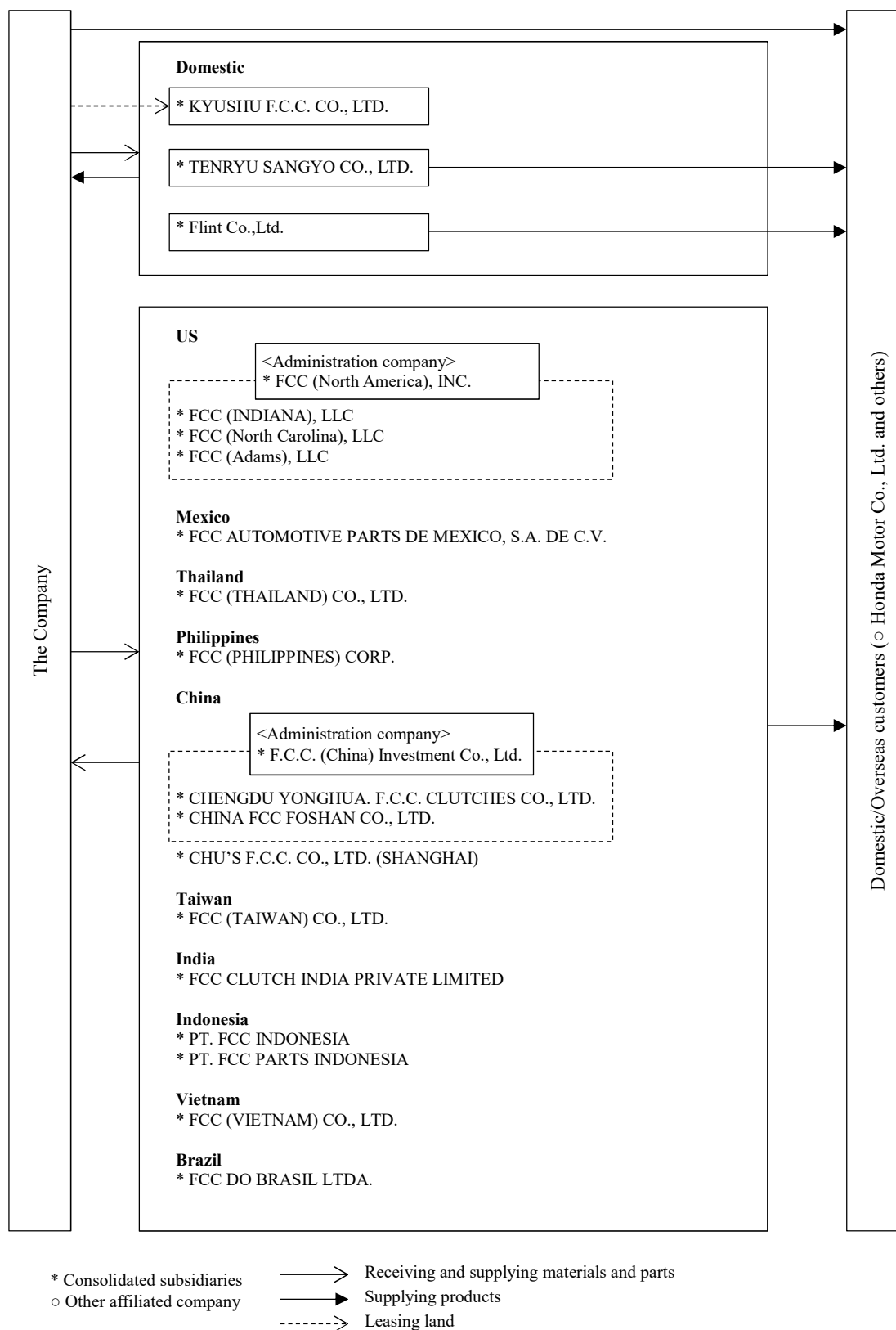
#### *Automobile clutches*

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

Business category	Principal companies
Manufacture and sales	The Company, KYUSHU F.C.C. CO., LTD., 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], FCC (PHILIPPINES) CORP. [Philippines], CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. [China], CHINA FCC FOSHAN CO., LTD. [China], FCC CLUTCH INDIA PRIVATE LIMITED [India], PT. FCC INDONESIA [Indonesia], FCC (VIETNAM) CO., LTD. [Vietnam], FCC DO BRASIL LTDA. [Brazil]

## Group business structure chart

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



#### 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 and capital assistance.
Flint Co.,Ltd.	Ongatown, Onga-gun, Fukuoka	¥10,000,000	Motorcycle clutches	100	Purchasing Flint Co.,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	MXN500,000,000	Automobile clutches	100 [40.60]	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 LIMITED (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 LIMITED'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 and automobile 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 and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC DO BRASIL LTDA.'s products and components. Capital assistance.
<Other affiliate>  Honda Motor Co., Ltd. (Note 5)	Minato-ku, Tokyo	¥86,067,000,000	Manufacture and sales of automobiles and engines	21.90 (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, FCC CLUTCH INDIA PRIVATE LIMITED and PT. FCC INDONESIA, 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	¥34,939 million
(2) Ordinary profit	¥737 million
(3) Profit	¥522 million
(4) Net assets	¥16,066 million
(5) Total assets	¥21,588 million

• FCC (Adams), LLC

(1) Net sales	¥32,345 million
(2) Ordinary profit	¥518 million
(3) Profit	¥381 million
(4) Net assets	¥6,035 million
(5) Total assets	¥22,862 million

• PT. FCC INDONESIA

(1) Net sales	¥23,694 million
(2) Ordinary profit	¥3,103 million
(3) Profit	¥2,156 million
(4) Net assets	¥14,696 million
(5) Total assets	¥17,780 million

• FCC CLUTCH INDIA PRIVATE LIMITED

(1) Net sales	¥20,912 million
(2) Ordinary profit	¥(258 million)
(3) Profit	¥(193 million)
(4) Net assets	¥1,264 million
(5) Total assets	¥13,804 million

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

## 5. Information about employees

### (1) Consolidated companies

As of March 31, 2020

Segment name	Number of employees	
Motorcycle clutches	4,597	[3,423]
Automobile clutches	3,625	[253]
Total of reportable segments	8,222	[3,676]
Corporate (common)	496	[101]
Total	8,718	[3,777]

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, 2020

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,105 [171]	41.8	17.3	6,861,276

Segment name	Number of employees	
Motorcycle clutches	227	[48]
Automobile clutches	382	[22]
Total of reportable segments	609	[70]
Administration (general operations)	496	[101]
Total	1,105	[171]

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. 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 "make a contribution to society by supplying products that make the best of ideas and technology to satisfy customers in every way, and which are also safe and environmentally friendly."

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," "carry out our work in a speedy and timely manner" and "honor harmony among people and make our offices a place where people enjoy what they do in a bright working atmosphere."

#### (2) Management environment, business strategy, issues to address, etc.

Looking at the future management environment, the risk of further downturn in the economy due to the impact of the novel coronavirus disease (COVID-19) requires attention, and the outlook is extremely uncertain. Regarding urgent issues, the Group will strive to minimize the impact on the business while continuing to prioritize safety.

Meanwhile, as a medium- to long-term issue, an era of significant structural changes has arrived for not only the automotive industry but also other industries, as developments, including measures for addressing fuel consumption regulations, advances in technologies for the electrification of cars and automated driving, and the spread of car sharing, indicate.

Under such a management environment, the Group will ensure the implementation of the 11th Medium-Term Management Plan starting in FY2020, and strive to further expand existing businesses and generate new businesses.

The 11th Medium-Term Management Plan (FY2020 – FY2022)

Go! Reach Beyond Evolution II

—Strengthen product development capabilities and on-site capabilities, digital evolution, new business—

Policies

Establish a sustainable competitive advantage by strengthening product development capabilities and on-site capabilities

Manufacturing and work revolution through digital evolution

Ensure future growth and radical change in thinking by strengthening new business development

The Group is actively involved in new business development for paper application products and EV products as well as the digital evolution that utilizes AI while also leading to a stronger business structure at even higher dimensions for the "Go! Reach Beyond Evolution" put forward in the 10th Medium-Term Management Plan. Earning power will be improved through enhancements to the competitiveness of the clutch business by further strengthening product development capabilities and on-site capabilities, which will be used as a basis for accelerating growth investment into new business. Through this, the Group aims for sustainable improvement in corporate value even in times of drastic change.

Please note that the forecast for the fiscal year ending March 31, 2021 and the performance targets for the 11th Medium-Term Management Plan, etc. are undetermined given the difficulties in making a reasonable estimate at the current point in time. These will be disclosed promptly once calculation becomes possible.

## 2. Business risks

Of the items related to the overview of business and financial information described in this Annual Securities Report, the following are major risks that management recognizes could have significant effect on the financial position, operating results and cash flows of consolidated companies. 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 clutch products 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 automobiles and motorcycles that are not driven by internal combustion engines.

The automotive industry is currently facing an era of significant structural change. While there are various opinions concerning the pace at which electric vehicles are spreading, near-term growth is anticipated for both motorcycle clutches and automobile clutches, so the Group is definitely responding by evolving the existing businesses. Regarding new business, the Group is actively promoting the use of the Company's technologies and know-how in paper application products and EV products that are currently being developed as well as in other business areas, while also looking at alliances and M&A.

### (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 revenue from the Honda Motor Group accounted for approximately 44% of the Group's revenue in the fiscal year ended March 31, 2020. 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.

The Group is striving to acquire new customers through sales expansion in addition to sales to the Honda Motor Group, which has led to the receipt of orders, and the Group continues to actively make proposals to customers.

### (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.

To conduct business while having an appropriate understanding and reducing country risk, the Group strives to collect and appropriately address local information through overseas subsidiaries, etc. while utilizing a system of mutual synergies within the Group.

### (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.

The Group strives for further expansion of its global share by improving product competitiveness in areas such as quality, cost, and delivery.

### (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.

The Group aims to further improve quality throughout all business activities and is taking initiatives to strengthen the quality assurance structure.

(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.

The Group has taken action necessary to continue operations in emergencies triggered by major natural disasters. This includes the preparation of a risk response manual and the creation of a business continuity plan (BCP). In response to COVID-19, initiatives have been implemented to prevent the spread of infection, prioritizing the safety of employees and their families as well as related person. Measures have also been taken to minimize the impact on business in light of requests from each country's government and local government bodies, etc.

### 3. Management analysis of financial position, operating results and cash flows

(1) Overview of operating results, etc.

The Group's financial position, operating results and cash flows (hereinafter "operating results, etc.") for the fiscal year ended March 31, 2020 were as follows.

1) Financial position and operating results

In the fiscal year ended March 31, 2020, the Japanese economy had been gradually recovering against a backdrop of stronger employment and income environments, but weakness was evident in exports and production in part because of US-China trade friction and the consumption tax hike. Overseas, the U.S. economy remained firm mainly for consumer spending, while in Asia, the Chinese and Indian economies remained weak. Meanwhile, domestic and international economic activity plummeted through the end of the fiscal year due to the impact of COVID-19 with a sudden slowdown in the global economy.

In the automotive industry, in Japan, sales of both registered vehicles and lightweight mini vehicles fell in the automobile market, resulting in a decline in the number of new vehicles sold for the first time in four years. Overseas, although sales of passenger vehicles in the U.S. continued to struggle, sales of light trucks remained at reasonable levels. In China, sales by Japanese manufacturers had remained strong amid decreased sales of new vehicles, but circumstances became severe due to factors such as the suspension of operations because of the impact of COVID-19. In the motorcycle market, demand fell in India, resulting in lower sales year on year.

Under these circumstances, the Group has worked to strengthen development capabilities and on-site capabilities in the final year of the 10th Medium-Term Management Plan. In the motorcycle business, amid a weak market in India, the Group strived to ensure profitability by thoroughly controlling costs. In the automobile business, amid the overall solid sales of light trucks in the U.S., the Group worked to increase production of clutches for 10-speed ATs. In terms of development, the Group focused on developing friction materials and clutches with new mechanisms, and also promoted the development of new business for paper application products and EV products with an eye to the future. In response to COVID-19, initiatives have been implemented to prevent the spread of infection, prioritizing the safety of employees and their families as well as related person. Measures have also been taken to minimize the impact on business in light of requests from each country's government and local government bodies, etc.

As a result, during the fiscal year ended March 31, 2020, although there was an increase in sales of automobile clutches in the U.S., in addition to a decrease in sales of automobile clutches in China, a decrease in sales of motorcycle clutches in India led to revenue shrinking by 3.7% from the previous

fiscal year to ¥171,060 million. Operating profit decreased by 50.2% from the previous fiscal year to ¥7,896 million, reflecting compensation costs attributed to recalls and impairment losses. Profit before income taxes decreased by 59.7% from the previous fiscal year to ¥6,653 million. Profit attributable to owners of parent decreased by 66.7% from the previous fiscal year to ¥3,921 million.

The following are the business results in each operating segment.

#### *Motorcycle clutches*

Although there was an increase in sales of motorcycle clutches in Indonesia, a decrease in sales of motorcycle clutches in India and Japan led to revenue decreasing by 5.0% from the previous fiscal year to ¥80,090 million. Operating profit decreased by 15.0% from the previous fiscal year to ¥9,963 million.

#### *Automobile clutches*

Although there was an increase in sales of automobile clutches in the U.S., a decrease in sales of automobile clutches in China led to revenue shrinking by 2.5% from the previous fiscal year to ¥90,970 million. Operating loss was ¥1,096 million (compared with operating profit of ¥4,122 million in the previous fiscal year), reflecting compensation costs attributed to recalls and impairment losses.

## 2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter “net cash”) totaled ¥35,350 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 ¥25,079 million.

This is mainly due to profit before income taxes of ¥6,653 million and depreciation and amortization expense of ¥13,838 million.

#### *Cash flows from (used in) investing activities*

Net cash used in investing activities was ¥10,597 million.

This is mainly due to purchase of property, plant and equipment of ¥8,584 million and purchase of intangible assets of ¥1,307 million.

#### *Cash flows from (used in) financing activities*

Net cash used in financing activities was ¥8,990 million.

This is mainly due to net increase (decrease) in short-term borrowings of ¥5,527 million and cash dividends paid of ¥2,882 million.

## 3) Performance of production, orders received and sales

### i) Production performance

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

Segment name	Fiscal year ended March 31, 2020	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	75,787	93.5
Automobile clutches (Millions of yen)	87,578	96.1
Total (Millions of yen)	163,365	94.9

Notes: 1. Amounts are based on sales prices.

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

ii) Performance of orders received

Performance 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	75,620	90.2	2,191	32.9
Automobile clutches	84,655	90.0	2,077	24.8
Total	160,275	90.1	4,268	28.4

- Notes: 1. Amounts are based on sales prices.  
2. Consumption taxes are not included in the above amounts.  
3. In the fiscal year ended March 31, 2020, there was significant fluctuation in the order backlog. This was attributed to the spread of COVID-19 that has led to a recent substantial decline in orders.

iii) Sales performance

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

Segment name	Fiscal year ended March 31, 2020	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	80,090	95.0
Automobile clutches (Millions of yen)	90,970	97.5
Total (Millions of yen)	171,060	96.3

- 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, 2019		Fiscal year ended March 31, 2020	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	28,512	16.1	29,926	17.5
Honda Motor Co., Ltd.	11,418	6.4	10,078	5.9

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



- (2) Details of analysis and considerations regarding the status of operating results etc., from management's perspective

The details of analysis and considerations regarding the status of operating results etc., from management's perspective are as follows. Please note that matters concerning the future in this article were determined as of the filing date of this Annual Securities Report.

- 1) Recognition as well as details and considerations of status of financial position and operating results

Analysis of operating results

(Revenue)

Revenue for the fiscal year under review decreased by 3.7% from the previous fiscal year to ¥171,060 million.

Although sales of automobile clutches rose in the U.S., sales of automobile clutches fell in China while sales of motorcycle clutches fell in India.

Although sales of passenger cars in the U.S. continued to struggle up until the third quarter, sales of light trucks remained at reasonable levels. In China, sales by Japanese manufacturers remained strong amid decreased sales of new vehicles. Demand in the Indian motorcycle market fell. Meanwhile, some overseas production bases suspended operations due to the impact of COVID-19 through the end of the fiscal year.

(Operating profit)

Operating profit for the fiscal year under review decreased by 50.2% from the previous fiscal year to ¥7,896 million.

The main factors contributing to the decline in operating profit included a decline in profit due to lower sales, an increase in research and development expense, the impact of foreign exchange, compensation cost and impairment loss.

Regarding compensation cost, there were defects in some products (lock-up clutches) produced by the Company and vehicle models equipped with such products were recalled by the Company's customer. Consequently, provision for product warranty of ¥2,880 million was recorded as other expense. Regarding impairment loss, as a result of investigating the future recoverability of non-current assets owned by the Company's consolidated subsidiary FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. and some domestic consolidated subsidiaries based on the business environment and profitability, the carrying amount was reduced to the recoverable amount and the amount of reduction was recorded as an impairment loss of ¥2,167 million in other expense.

(Profit before income taxes)

Profit before income taxes for the fiscal year under review decreased by 59.7% from the previous fiscal year to ¥6,653 million.

In addition to the decline in operating profit, finance costs also increased because of foreign exchange losses.

(Profit attributable to owners of parent)

Profit attributable to owners of the parent for the fiscal year under review decreased by 66.7% from the previous fiscal year to ¥3,921 million.

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥82,759 million, down ¥2,261 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥3,850 million in trade and other receivables and ¥1,136 million in inventories in spite of an increase of ¥2,906 million in cash and cash equivalents.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥78,968 million, down ¥9,655 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥8,294 million in property, plant and equipment and ¥864 million in other financial assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥29,645 million, down ¥5,401 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥5,585 million in borrowings and ¥1,595 million in trade and other payables in spite of an increase of ¥2,880 million in provisions.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥9,596 million, down ¥1,473 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥1,503 million in deferred tax liabilities.

(Equity)

At the end of the fiscal year under review, equity was ¥122,486 million, down ¥5,041 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥6,220 million in other components of equity in spite of an increase of ¥1,214 million in retained earnings.

2) Details of analysis and considerations regarding cash flows and information pertaining to capital resources and funding liquidity

Analysis of cash flows

Cash flows for the fiscal year under review are provided in “II. Overview of business, 3. Management analysis of financial position, operating results and cash flows, (1) Overview of operating results, etc., 2) Cash flows.”

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. The Group procures working funds, funds for capital investment and funds for research and development investment from internal funds, mainly sourced from cash flows from operating activities, and bank borrowings. The Group considers that it has sufficiently secured the level of funds currently required.

3) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group 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.

Note that the significant accounting policies, accounting estimates and assumptions used in such estimates applied in the consolidated financial statements of the Group are provided in “V. Financial information, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 2. Basis of preparation, (5) Significant accounting estimates and judgments, and 3. Significant accounting policies.”

**4. Critical contracts for operation**

Not applicable.

**5. 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 has conducted research on porous fiber catalytic sheet (paper catalyst) and R&D on its application as a paper catalyst to clean engine exhaust emissions, using technologies it has accumulated through experience in manufacturing clutches (and friction materials employed in clutches) and in making improvements to existing products. However, the Group is also taking initiatives in new business development in areas such as paper application products and EV products with the aim of expanding into business areas other than clutches.

During the fiscal year ended March 31, 2020, research and development expense (including expenses recognized as development assets) amounted to ¥4,953 million.

The following is a summary of research and development expense by segment during the fiscal year ended March 31, 2020.

#### *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.

Research and development expense in the motorcycle clutches segment amounted to ¥2,671 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 and CVTs and dry friction materials for manual transmissions provided a foundation for these activities.

Research and development expense in the automobile clutches segment amounted to ¥2,282 million.

### III. Information about facilities

#### 1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2020, the Company made total capital investments (including investments on intangible assets) of ¥8,858 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 ¥3,037 million for motorcycle clutches, ¥4,977 million for automobile clutches, and ¥844 million for the common segment.

##### (1) Reporting company

Manufacturing facilities to produce new models at Watagashima Factory

Testing apparatus and measuring instruments in the R&D Division

##### (2) Subsidiaries

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

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

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

#### 2. Major facilities

Major facilities of the Group are as follows:

##### (1) Reporting company

As of March 31, 2020

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
Hamakita Factory (Hamakita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,275	1,505	595 (85,261)	321	3,698	202 [7]
Watagashima Factory (Tenryu-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,559	950	766 (61,268)	57	3,334	182 [14]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,823	999	1,228 (50,477)	87	4,139	196 [46]
R&D Division (Kita-ku, Hamamatsu-shi, Shizuoka)	Common	Testing apparatus and measuring instruments	411	816	216 (12,093)	95	1,539	171 [85]

##### (2) Domestic subsidiaries

As of March 31, 2020

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
KYUSHU F.C.C. CO., LTD. (Uki-shi, Kumamoto)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	190	310	11 (20,474)	119	631	122 [18]

### (3) Overseas subsidiaries

As of March 31, 2020

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
FCC (INDIANA), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,612	5,188	79 (246,263)	316	7,197	700
FCC (North Carolina), LLC	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	3,487	2,173	30 (366,274)	210	5,902	316 [4]
FCC (Adams), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	2,894	10,966	50 (161,880)	2,263	16,174	619
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	340	513	46 (81,837)	110	1,011	476
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	612	813	623 (87,890)	456	2,505	434 [458]
FCC CLUTCH INDIA PRIVATE LIMITED	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	839	2,615	462 (114,619)	1,821	5,738	811 [2,390]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	397	582	— (72,812)	81	1,061	1,218 [487]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycle and automobile clutches	Manufacturing facilities for clutches	754	1,910	— (45,816)	804	3,469	1,249

Notes: 1. The carrying amount of “Other” assets relates to tools, furniture and fixtures, right-of-use assets 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 m<sup>2</sup> was leased from the reporting company.

3. Of the land of FCC (North Carolina), LLC of 366,274 m<sup>2</sup>, 11,266 m<sup>2</sup> was leased.

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

### **3. Planned additions, retirements, etc. of facilities**

#### **(1) Planned additions, etc. of important facilities**

The capital investments planned for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021) are yet to be determined as of the filing date due to the difficulties in making a reasonable calculation given the many undetermined elements due to the impact of COVID-19.

#### **(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, 2020

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	–	42	22	118	203	7	14,377	14,769	–
Number of shares held (Units)	–	138,576	4,915	142,983	119,537	14	120,300	526,325	11,530
Shareholding ratio (%)	–	26.33	0.93	27.17	22.71	0.00	22.86	100.00	–

Notes: 1. 2,956,099 treasury shares are included in “Individuals, etc.” as 29,560 units and “Shares less than one unit” as 99 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, 2020

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Honda Motor Co., Ltd.	2-1-1 Minami-Aoyama, Minato-ku, Tokyo	10,881	21.90
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-1, Nishi-Shimbashi, Minato-ku, Tokyo	2,483	5.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	2,379	4.79
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	4.06
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	1,867	3.76
National Mutual Insurance Federation of Agricultural Cooperatives	JA Kyosai Building, 2-7-9 Hirakawa-cho, Chiyoda-ku, Tokyo	1,539	3.10
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.65
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.62
THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	885	1.78
F.C.C. Supplier Stock Ownership Association	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	807	1.63
Total	—	25,480	51.28

Notes: 1. In addition to the above, the Company held 2,956 thousand treasury shares.

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

SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,483 thousand shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,379 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account)	1,867 thousand shares
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,315 thousand shares

3. Mondrian Investment Partners Limited made the change report for the substantial shareholding report available for public inspection as of July 6, 2018, describing that this company held shares as follows as of July 2, 2018. Since the Company could not confirm the actual number of shares held by this company as of March 31, 2020, 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 2,138,600	4.06

4. Nomura Securities Co., Ltd. and its joint holders, NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd., made the change report for the substantial shareholding report available for public inspection as of November 22, 2018, describing that each of these companies held shares as follows as of November 15, 2018. Since the Company could not confirm the actual number of shares held by them as of March 31, 2020, they were not included in the above major shareholders.



Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	1-9-1 Nihombashi, Chuo-ku, Tokyo	Shares 1,986	0
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 126,800	0.24
Nomura Asset Management Co., Ltd.	1-12-1 Nihombashi, Chuo-ku, Tokyo	Shares 3,146,500	5.98

5. Sumitomo Mitsui DS 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 June 21, 2019, describing that each of these companies held shares as follows as of June 14, 2019. Since the Company could not confirm the actual number of shares held by them as of March 31, 2020, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Sumitomo Mitsui DS Asset Management Company, Limited	Atago Green Hills MORI Tower 28F, 2-5-1 Atago, Minato-ku, Tokyo	Shares 661,600	1.26
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 ¥58 per share (of which ¥29 was paid out as an interim dividend). This resulted in a dividend payout ratio of 73.5%.

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 November 5, 2019	1,440	29
Resolution at the Ordinary General Meeting of Shareholders held on June 23, 2020	1,440	29

### 3. Status of corporate governance, etc.

#### (1) Overview of corporate governance

##### 1) 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 >

“F.C.C. Co., Ltd. is committed to making a contribution to society by supplying products that make the best of ideas and technology to satisfy customers in every way, and which are also safe and environmentally friendly.”

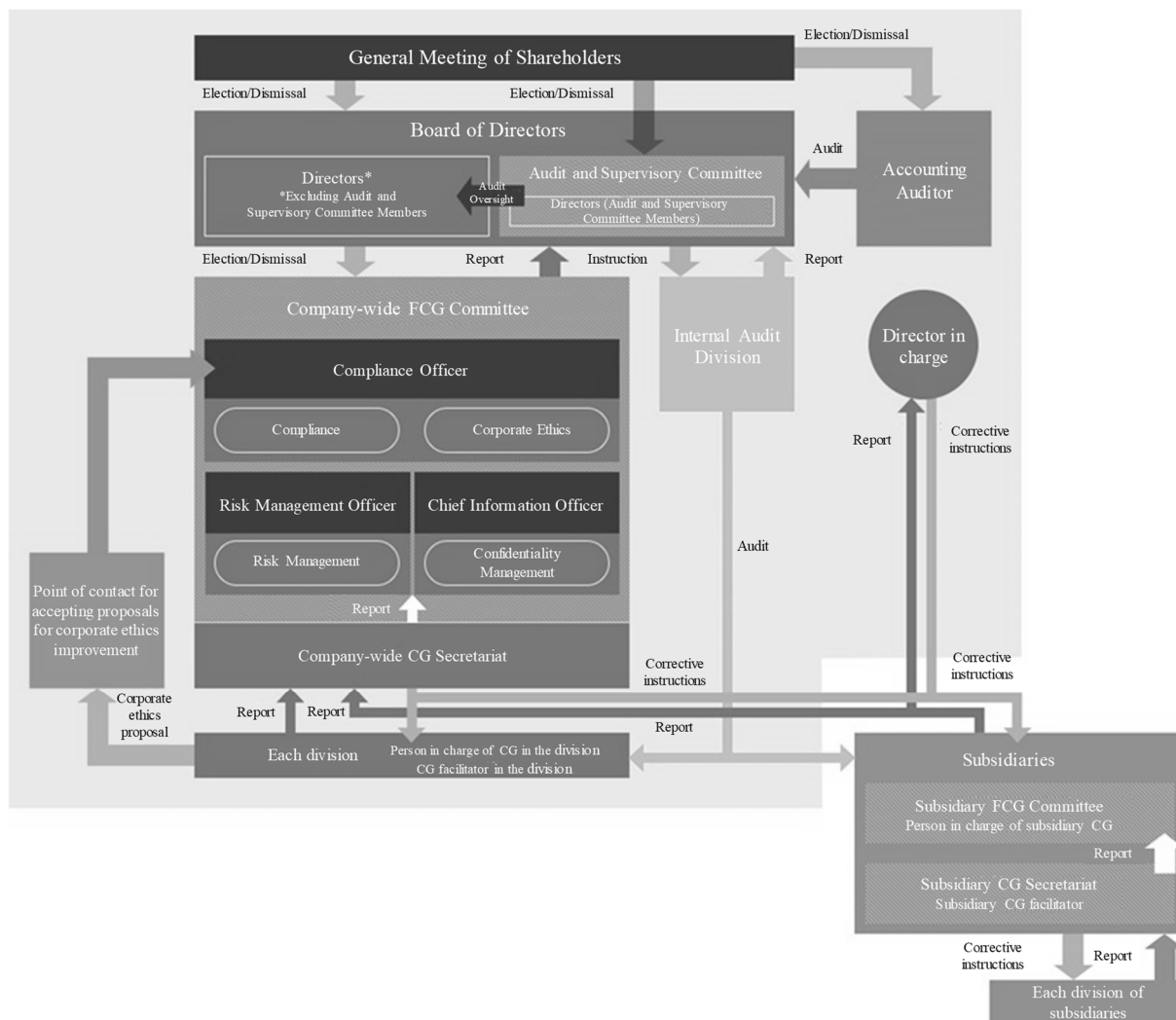
#### 2) Summary of system of corporate governance and reasons for adopting the system

##### 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, and the President and Representative Director serves as its chairperson. 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 four Directors who are Audit and Supervisory Committee Members, of whom three are Outside Directors, and the Audit and Supervisory Committee Member (full time) serves as its chairperson. 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 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 25, 2020.



Note: Members of the Board of Directors and the Audit and Supervisory Committee are provided in “(2) Information about officers, 1) Officers.”

## 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.

## 3) 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 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 charter of corporate 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.

Apart from appointing the Compliance Officer, who is in control of compliance, 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 the information management policy and various regulations, 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 Company shall appoint a Risk Management Officer, who is in control of risk management, identify risk in the Group's business activities and develop a system for the appropriate management of the identified risk.

The Company's Board of Directors shall evaluate the management risk of important matters for the entire Group and determine the response.

- 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 the charter of corporate conduct, group policies, group guidelines and various 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 Division of the Company 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 Division 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 Division, and the appointment, dismissal, personnel change, and revision of wages of employees in the Internal Audit Division 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 Division.

#### 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.

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 said Act within the limits stipulated by laws and regulations based on a resolution of the Board of Directors.

#### 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).

#### 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.

#### 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) Information about officers

1) Officers

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

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Chairman 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</p> <p>Jun. 2020 Chairman and Representative Director of the Company (incumbent)</p>	(Note 2)	129

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
President and Representative Director	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)</p> <p>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</p> <p>Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company</p> <p>Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company</p> <p>Jun. 2020 President and Representative Director of the Company (incumbent)</p>	(Note 2)	157
Managing Director, Head of business operation in North America and Head of Next-generation Development for Customers in Europe and the United States	Kazuhiro Itonaga	March 11, 1960	<p>Mar. 1982 Joined the Company</p> <p>Apr. 2009 General Manager of R&amp;D Division of the Company</p> <p>Jun. 2009 Director and General Manager of R&amp;D Division of the Company</p> <p>Jun. 2010 Director, Head of Research and Development and General Manager of R&amp;D Division of the Company</p> <p>Jun. 2013 Managing Director, Head of Research and Development and General Manager of R&amp;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</p> <p>Apr. 2019 Managing Director, Head of business operation in North America and Head of Next-generation Development for Customers in Europe and the United States of the Company</p> <p>President and Director of FCC (North America), INC. (incumbent)</p>	(Note 2)	30



Title and 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 business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing	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</p> <p>Jun. 2018 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and South America and Risk Management Officer of the Company</p> <p>Apr. 2019 Managing Director, Head of business operation of motorcycles business, Head of business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing of the Company (incumbent)</p>	(Note 2)	38

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Head of New Business Development and in charge of Sales of the Company	Terufumi Nishimura	December 5, 1960	Jul. 1989 Joined the Company Jan. 2011 General Manager of Sales Division of the Company Apr. 2013 Executive Officer, Head of Sales and General Manager of Sales Division of the Company Apr. 2015 Senior Executive Officer, Head of Sales and General Manager of Sales Division of the Company Jun. 2018 Director, Head of Sales and Purchasing and General Manager of Sales Division of the Company Apr. 2019 Director, Head of New Business Development and in charge of Sales of the Company (incumbent)	(Note 2)	40
Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development	Atsuhiko Mukoyama	July 31, 1963	Apr. 1984 Joined the Company Apr. 2012 Head of Production of Automobile Components of the Company Jun. 2012 Director and Head of Production of Automobile Components of the Company Apr. 2013 Director and Head of business operation of automobiles business of the Company Apr. 2015 Director, Head of Production Engineering and Head of Environment and Safety of the Company Apr. 2019 Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development of the Company (incumbent)	(Note 2)	28
Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China	Satoshi Nakaya	March 17, 1964	Apr. 1986 Joined the Company Jan. 2012 General Manager of Corporate Planning Office of the Company Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company 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 Apr. 2017 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. Apr. 2019 Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China of the Company (incumbent)	(Note 2)	53
Director, Head of Research and Development and General Manager of R&D Division	Toshinari Mohara	November 11, 1965	May 1985 Joined Honda R&D Co., Ltd. Apr. 2017 President of Honda R&D (India) Private Limited Apr. 2019 Joined the Company, Executive Officer and Head of Research and Development of Motorcycle Components Apr. 2020 Executive Officer, Head of Research and Development and General Manager of R&D Division of the Company Jun. 2020 Director, Head of Research and Development and General Manager of R&D Division of the Company (incumbent)	(Note 2)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Head of Production Engineering	Tomoyuki Goto	May 21, 1962	Apr. 1987 Joined Honda Motor Co., Ltd. Apr. 2017 Engineer of Power Train Strategy Planning Department, Production Operations of Honda Motor Co., Ltd. Apr. 2018 Joined the Company, Assistant to President Jun. 2018 Director, Head of production in North America and Deputy Head of Production Engineering of the Company Apr. 2019 Director, Head of Production Engineering of the Company (incumbent)	(Note 2)	21
Director, Audit and Supervisory Committee Member (full time)	Ryujiro Matsumoto	June 4, 1962	Jul. 2005 Joined the Company Jan. 2011 General Manager of FCC (THAILAND) CO., LTD. Jun. 2011 Director, Head of Production of Motorcycle Components and Head of business operation in Asia of the Company Jun. 2012 Director and Head of business operation in Asia of the Company Apr. 2013 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Compliance Officer and Chief Information Officer of the Company Jun. 2013 Director, Head of Management and Administration, Compliance Officer and Chief Information Officer of the Company Apr. 2020 Director of the Company Jun. 2020 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)	(Note 3)	22
Director, Audit and Supervisory Committee Member	Yoshinori Tsuji	April 17, 1959	Mar. 1986 Graduated from The Legal Training and Research Institute of Japan Apr. 1986 Registered as an attorney (Nagoya Bar Association) Apr. 1987 Transferred registration to the Shizuoka Bar Association Established Yoshinori Tsuji Law Office (to present) Jun. 2007 Audit & Supervisory Board Member of the Company Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	—
Director, Audit and Supervisory Committee Member	Masahide Sato	February 10, 1964	Oct. 1992 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Apr. 1996 Registered as Certified Public Accountant Sep. 2005 Established Masahide Sato Accounting Firm (to present) Jun. 2010 Audit & Supervisory Board Member of the Company Apr. 2015 Director of CRESTEC Inc. (incumbent) Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	—

Title and 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					518

- 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 23, 2020  
3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2020

## 2) Outside Officers

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 of the Company 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.

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.

## 3) Coordination between supervision or auditing by Outside Directors and internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationship with divisions involved in internal control

The Company has established the Internal Audit Division as an organization to assist the duties of the Audit and Supervisory Committee. Outside Directors are performing audits and supervision in sufficient cooperation with the Internal Audit Division, the Audit and Supervisory Committee and the Accounting Auditor, receiving periodic reports from them and asking them for explanations as needed.

### (3) Audits

#### 1) Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of four Directors who are Audit and Supervisory Committee Members, of whom three are Outside Directors, and the Audit and Supervisory Committee Member (full time) serves as its chairperson.

In the fiscal year under review, the Company convened 12 meetings of the Audit and Supervisory Committee and the status of attendance of each individual Audit and Supervisory Committee Member is as follows.

Name	Number of committee meetings held	Number of committee meetings attended
Katsuyoshi Fukatsu	12	12
Yoshinori Tsuji	12	11
Masahide Sato	12	12
Kazumoto Sugiyama	12	12

The key matters for consideration at the Audit and Supervisory Committee include auditing policies, auditing plans, development of the internal control system and its operational status, the Accounting Auditor's method of audit and reasonableness of results.

In terms of the activities of the Audit and Supervisory Committee, 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 Directors and the development and operation of the Company's internal control system by examining the status of operations and assets of the Company. 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 Division to ensure the effectiveness of audits.

The Company appoints a full time Audit and Supervisory Committee Member with the aim of enhancing the collection of information and improving the effectiveness of the Audit and Supervisory Committee.

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

#### 2) Internal audits

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

The Internal Audit Division 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 eight staff members, including the General Manager, carry out periodic and unscheduled audits in collaboration with the Audit and Supervisory Committee.

### 3) Accounting audits

#### a. Name of the audit corporation

Yasumori Audit Corporation

#### b. Length of continuous tenure

32 years

#### c. CPAs who conducted audits

Satoru Saigusa, Takashi Yamazaki

#### d. Assistant accountants who participated in audits

Assistant accountants who participated in accounting audits of the Company are nine CPAs.

#### e. Policy and reason for selecting the audit corporation

The Company has selected Yasumori Audit Corporation, taking factors, including the Audit Corporation's specialization, independence and suitability as the Accounting Auditor, quality control systems and thorough knowledge of the Company's operations, comprehensively into consideration. The policy on decisions concerning the dismissal or non-reappointment of the Accounting Auditor is as follows.

In the event that there is an obstacle preventing the Accounting Auditor from performing its duties, the Audit and Supervisory Committee, if it is deemed necessary, will determine the content of a proposal to be proposed to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the Accounting Auditor.

Also, the Audit and Supervisory Committee will dismiss the Accounting Auditor if it judges that any of the items stipulated in Article 340, paragraph 1 of the Companies Act is applicable to the Accounting Auditor, based on the consent of all members of the Audit and Supervisory Committee. In this case, an Audit and Supervisory Committee Member appointed by the Audit and Supervisory Committee will report the fact of dismissal and the reasons thereof at the first General Meeting of Shareholders convened after the dismissal.

#### f. Evaluation of the audit corporation conducted by the Audit and Supervisory Committee

The Audit and Supervisory Committee decides on the propriety of the reappointment of the Accounting Auditor by evaluating the suitability and validity of audits conducted by the Accounting Auditor based on the policy on decisions concerning the dismissal or non-reappointment of the Accounting Auditor.

### 4) Details of audit fee, etc.

#### a. Remuneration to independent auditors

Category	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020	
	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	—

- b. Remuneration to the same network as independent auditors (excluding a.)

Not applicable.

- c. Details of other major remuneration for audit certification services

Not applicable.

- d. Policy on determining audit fee

The Company has not formulated a policy on determining fees for audits conducted by independent auditors. However, the Company has implemented procedures for deciding the remuneration by obtaining the approval of the Audit and Supervisory Committee, taking factors, such as audit plans, audit details and the number of days spent on audits submitted by the Audit Corporation, into consideration.

- e. Reasons for approval of the Accounting Auditor's remuneration, etc. by the Audit and Supervisory Committee

The Audit and Supervisory Committee has approved remuneration for the Accounting Auditor based on the scale and characteristics of the Company's businesses, and the content of documents submitted by the Audit Corporation including the summaries of audit plans.

#### (4) Remuneration, etc. for officers

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

The Board of Directors of the Company has resolved as follows with regard to the policy on determining remuneration for officers.

Policy on determining remuneration for officers

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.

The President and Representative Director authorized by the Board of Directors based on its resolution decided remuneration amounts for the fiscal year under review based on the policy on

determining remuneration for officers stated above, taking factors such as job responsibilities by position, into consideration. No indicator and the like showing profit status has been established for bonuses 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)	288	243	45	9
Directors, Audit and Supervisory Committee Members [Outside Directors]	35 [12]	35 [12]	— [—]	4 [3]
Total [Outside Directors]	324 [12]	279 [12]	45 [—]	13 [3]

- 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) (number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of this Ordinary General Meeting of Shareholders: eight).
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 (number of Directors who are Audit and Supervisory Committee Members at the conclusion of this Ordinary General Meeting of Shareholders: five).

## (5) Share ownership

### 1) Policy and concept of the classification of investment shares

The Company has classified investment shares into shares held for the purpose of net investment aimed entirely at achieving profits from fluctuations in their value or dividends on them and cross-held shares owned from viewpoints, including the maintenance and strengthening of business relationships.

### 2) Investment shares whose purpose of holding is other than for net investment

- i) Method for inspecting the holding policy and the rationality of ownership, and the details of inspections by the Board of Directors and the like concerning the propriety of the ownership of individual issues

The Company may hold investment shares from viewpoints, including the maintenance and strengthening of business relationships with customers and transaction partners, in cases where it judges their ownership contributes to enhancing its corporate value in the medium and long term. The Board of Directors inspects the propriety of owning cross-held shares every year, taking benefits, risks and the like involved in holding them into consideration, in addition to the nature and scale of transactions.

One issue of unlisted shares and two issues of shares other than unlisted shares were sold in the fiscal year under review as follows. As of the end of the fiscal year under review, cross-held shares accounted for less than 1% of total equity, and the impact on the consolidated financial statements is recognized as insignificant.



ii) Number of issues and total amount of balance sheet amount

	Number of issues (Issues)	Total amount of balance sheet amount (Millions of yen)
Unlisted shares	8	39
Shares other than unlisted shares	8	1,056

(Issues whose number of shares increased in the fiscal year ended March 31, 2020)

	Number of issues (Issues)	Total acquisition costs associated with increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	—	—	—
Shares other than unlisted shares	1	0	Contributions to Supplier Stock Ownership Association

(Issues whose number of shares decreased in the fiscal year ended March 31, 2020)

	Number of issues (Issues)	Total sale value associated with decrease in number of shares (Millions of yen)
Unlisted shares	1	0
Shares other than unlisted shares	2	10

iii) Information about the numbers of specified investment shares by issue, balance sheet amounts, etc.

Specified investment shares

Issue	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
KANEMATSU CORPORATION	740,200	740,200	Primarily engaged in the sale of motorcycle clutches to U.S. and European customers through this Group, which accounted for 3.4% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	820	936		
SUZUKI MOTOR CORPORATION	52,500	52,500	A customer for motorcycle clutches, etc. with sales to this Group accounting for 2.1% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	No
	135	257		
Mizuho Financial Group, Inc.	532,169	532,169	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No
	65	91		
Sumitomo Mitsui Financial Group, Inc.	5,755	5,755	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No
	15	22		
MUSASHI SEIMITSU INDUSTRY CO., LTD.	12,000	12,000	Purchase clutch components from this Group and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	10	18		

Issue	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
YAMABIKO CORPORATION	6,347	5,613	A customer for general-purpose exhaust gas purification catalysts and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value. Number of shares increased due to contributions to Supplier Stock Ownership Association.	No
	5	5		
TANAKA SEIMITSU KOGYO CO., LTD.	4,000	4,000	Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	2	3		
Yutaka Giken Company Limited	1,000	1,000	Sell automobile clutches (lock-up clutches), etc. to customers through this Group and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	No
	1	1		
Nissin Kogyo Co., Ltd.	—	4,500	Although the shares had been held to maintain and strengthen the transactional relationship in the business, all shares were sold in the fiscal year under review.	No
	—	6		
G-TEKT CORPORATION	—	2,400	Although the shares had been held to maintain and strengthen the transactional relationship in the business, all shares were sold in the fiscal year under review.	No
	—	3		

Note: The quantitative effects of holding the specified investment shares are difficult to state, but the rationality of their ownership is inspected as stated in the above item i).

## **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, the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2020 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, 2019	As of March 31, 2020
Assets			
Current assets			
Cash and cash equivalents	7, 28	32,444	35,350
Trade and other receivables	8, 28	28,080	24,229
Other financial assets	9, 28	1,625	2,114
Inventories	10	20,503	19,366
Other current assets	11	2,366	1,697
Total current assets		85,020	82,759
Non-current assets			
Property, plant and equipment	12, 14, 18, 31	69,786	61,491
Goodwill and intangible assets	13, 31	4,201	4,520
Investments accounted for using the equity method	15	89	63
Other financial assets	9, 28	11,238	10,374
Deferred tax assets	16	2,775	2,388
Other non-current assets	11, 20	532	129
Total non-current assets		88,624	78,968
Total assets		173,644	161,727

(Millions of yen)			
	Notes	As of March 31, 2019	As of March 31, 2020
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19, 28	12,794	11,199
Borrowings	17, 28	12,791	7,206
Other financial liabilities	9, 28	152	345
Income taxes payable	16	2,704	2,133
Provisions	21	—	2,880
Other current liabilities	11	6,604	5,881
Total current liabilities		35,046	29,645
Non-current liabilities			
Borrowings	17, 28	19	1
Other financial liabilities	9, 28	488	1,189
Defined benefit liability	20	2,144	1,470
Provisions	21	29	29
Deferred tax liabilities	16	8,129	6,625
Other non-current liabilities	11	258	280
Total non-current liabilities		11,069	9,596
Total liabilities		46,116	39,241
Equity			
Issued capital	22	4,175	4,175
Retained earnings	22	122,365	123,579
Treasury shares	22	(4,787)	(4,787)
Other components of equity		4,122	(2,098)
Total equity attributable to owners of parent		125,875	120,869
Non-controlling interests		1,652	1,617
Total equity		127,527	122,486
Total liabilities and equity		173,644	161,727

(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, 2019	Fiscal year ended March 31, 2020
Revenue	4, 5	177,605	171,060
Cost of sales		(145,564)	(142,919)
Gross profit		32,041	28,141
Selling, general and administrative expenses	23	(15,496)	(15,813)
Other income	24	1,070	950
Other expense	14, 24	(1,770)	(5,381)
Operating profit	4	15,843	7,896
Finance income	25	992	1,025
Finance costs	25	(299)	(2,253)
Share of profit (loss) in investments accounted for using the equity method	15	(32)	(15)
Profit before income taxes		16,503	6,653
Income tax expense	16	(4,537)	(2,624)
Profit		11,965	4,028
Profit attributable to			
Owners of parent		11,779	3,921
Non-controlling interests		186	106
Profit		11,965	4,028
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	27	235.05	78.92
Diluted earnings per share (Yen)	27	—	—

(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, 2019	Fiscal year ended March 31, 2020
Profit		11,965	4,028
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	26	(30)	166
Changes in the fair value of financial assets measured at fair value through other comprehensive income	26	(915)	(912)
Total		(945)	(745)
Components that may be reclassified to profit or loss			
Exchange differences of foreign operations	26	1,356	(5,343)
Share of other comprehensive income of associates accounted for using equity method	15, 26	3	(8)
Total		1,360	(5,351)
Total other comprehensive income		414	(6,097)
Comprehensive income		12,380	(2,068)
Comprehensive income attributable to			
Owners of parent		12,187	(2,124)
Non-controlling interests		192	55
Comprehensive income		12,380	(2,068)

(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, 2018	4,175	112,828	(3,409)	(1,156)	4,872
Changes in accounting policies	—	(37)	—	—	(4,872)
Balance after restatement	4,175	112,791	(3,409)	(1,156)	—
Profit	—	11,779	—	—	—
Other comprehensive income	—	—	—	1,344	—
Total comprehensive income	—	11,779	—	1,344	—
Purchase of treasury shares	22	—	(1,378)	—	—
Dividends	22	(2,208)	—	—	—
Transfer from other components of equity	—	2	—	—	—
Total transactions with the owners	—	(2,205)	(1,378)	—	—
Balance as of March 31, 2019	4,175	122,365	(4,787)	187	—
Profit	—	3,921	—	—	—
Other comprehensive income	—	—	—	(5,310)	—
Total comprehensive income	—	3,921	—	(5,310)	—
Purchase of treasury shares	22	—	(0)	—	—
Dividends	22	(2,881)	—	—	—
Transfer from other components of equity	—	175	—	—	—
Total transactions with the owners	—	(2,706)	(0)	—	—
Balance as of March 31, 2020	4,175	123,579	(4,787)	(5,122)	—

Equity attributable to owners of parent						
Other components of equity						
Note	Changes in the fair value of financial assets measured at fair value through other compre- hensive income	Remeasur ements 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	Millions of yen
Balance as of April 1, 2018	—	—	3,716	117,311	1,589	118,900
Changes in accounting policies	4,872	—	—	(37)	—	(37)
Balance after restatement	4,872	—	3,716	117,274	1,589	118,863
Profit	—	—	—	11,779	186	11,965
Other comprehensive income	(905)	(30)	408	408	5	414
Total comprehensive income	(905)	(30)	408	12,187	192	12,380
Purchase of treasury shares 22	—	—	—	(1,378)	—	(1,378)
Dividends 22	—	—	—	(2,208)	(129)	(2,337)
Transfer from other components of equity	(32)	30	(2)	—	—	—
Total transactions with the owners	(32)	30	(2)	(3,586)	(129)	(3,716)
Balance as of March 31, 2019	3,934	—	4,122	125,875	1,652	127,527
Profit	—	—	—	3,921	106	4,028
Other comprehensive income	(901)	166	(6,045)	(6,045)	(51)	(6,097)
Total comprehensive income	(901)	166	(6,045)	(2,124)	55	(2,068)
Purchase of treasury shares 22	—	—	—	(0)	—	(0)
Dividends 22	—	—	—	(2,881)	(90)	(2,972)
Transfer from other components of equity	(8)	(166)	(175)	—	—	—
Total transactions with the owners	(8)	(166)	(175)	(2,882)	(90)	(2,972)
Balance as of March 31, 2020	3,024	—	(2,098)	120,869	1,617	122,486

(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, 2019	Fiscal year ended March 31, 2020
Cash flows from (used in) operating activities			
Profit before income taxes		16,503	6,653
Depreciation and amortization expense		12,549	13,838
Impairment loss		1,601	2,167
Finance income and finance costs		(628)	(959)
Share of loss (profit) in investments accounted for using the equity method		32	15
Loss (gain) on sales and retirement of non-current assets		(87)	9
Decrease (increase) in inventories		(2,540)	(503)
Decrease (increase) in trade and other receivables		744	2,413
Increase (decrease) in trade and other payables		(2,490)	189
Increase (decrease) in defined benefit liability		204	(236)
Increase (decrease) in provisions		—	2,880
Other		1,229	1,682
Subtotal		27,117	28,148
Interest and dividend income received		773	945
Interest expenses paid		(160)	(126)
Income taxes paid		(4,148)	(4,004)
Income taxes refund and interest on refund received		40	116
Net cash flows from (used in) operating activities		23,622	25,079
Cash flows from (used in) investing activities			
Payments into time deposits		(1,236)	(1,239)
Proceeds from withdrawal of time deposits		1,898	457
Purchase of property, plant and equipment		(10,277)	(8,584)
Proceeds from sales of property, plant and equipment		707	567
Purchase of intangible assets		(1,242)	(1,307)
Proceeds from sales of intangible assets		0	0
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	6	1,828	—
Payments of loans receivable		(184)	(119)
Collection of loans receivable		159	137
Purchase of investments		(61)	(482)
Proceeds from sales of investments		44	10
Other		(331)	(38)
Net cash flows from (used in) investing activities		(8,695)	(10,597)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		(4,130)	(5,527)
Repayments of lease liabilities		—	(489)
Purchase of treasury shares		(1,378)	(0)
Cash dividends paid	22	(2,209)	(2,882)
Cash dividends paid to non-controlling shareholders		(129)	(90)
Other		(133)	—
Net cash flows from (used in) financing activities		(7,981)	(8,990)

	Note	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net increase (decrease) in cash and cash equivalents		6,945	5,491
Cash and cash equivalents at beginning of period	7	25,230	32,444
Effect of exchange rate change on cash and cash equivalents		268	(2,585)
Cash and cash equivalents at end of period	7	<u>32,444</u>	<u>35,350</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 (<https://www.fcc-net.co.jp/>). The Company’s consolidated financial statements were prepared with the end of the fiscal year on March 31, 2020 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 23, 2020.

#### (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.

None of the main accounting standards and interpretations published as being newly established or amended by the approval date of the consolidated financial statements that have not been early applied by the Group have a significant effect.

#### (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 6. Business combinations

Note 14. Impairment loss

Note 16. Income taxes

Note 20. Employee benefits

Note 21. Provisions

#### (Additional information)

Apart from the suspension of production because of lockdown by some of the Group’s overseas subsidiaries, there has recently been a substantial decline in sales both domestically and overseas due to the worldwide spread of COVID-19, which has had a major impact.

Under such circumstances, when applying the impairment loss on non-current assets and tax effect accounting as of the end of the fiscal year under review, the Group forecasts a gradual recovery of such impact in the second half of the fiscal year ending March 31, 2021 and estimates future cash flows and the recoverability of deferred tax assets following adjustments to the initial business plan.

However, there are many uncertainties over the impact of the spread of COVID-19, which could affect the Group's financial position, operating results and cash flows for the fiscal year ending March 31, 2021.

#### (6) Changes in accounting policies

##### Application of IFRS 16 "Leases"

Effective from the fiscal year ended March 31, 2020, the Group has applied IFRS 16 "Leases."

With the application of IFRS 16 "Leases" (hereinafter "IFRS 16"), the Group has adopted the method whereby the cumulative effect of initially applying the standard is recognized at the date of initial application as a transition measure and there has been no restatement of comparative fiscal years.

In transitioning to IFRS 16, the Group has applied the practical expedient provided in IFRS 16 paragraph C3 and maintained its assessment of whether a contract contains a lease under IAS 17 "Leases" (hereinafter "IAS 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease."

Except for short-term leases or leases of low-value assets, leases as lessee which the Group previously classified as operating leases applying IAS 17 are recognized as right-of-use assets and lease liabilities at the date of application.

Right-of-use assets are depreciated on a systematic basis over the lease term.

The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

Lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate is 0.31%.

The Group recognizes right-of-use assets at the same amount as the lease liabilities when recognizing lease liabilities, so there is no impact on the retained earnings at the beginning of the fiscal year.

In the transition to IFRS 16, the Group used the following practical expedients:

- A lessee may exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application, and
- A lessee may use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

As for leases as lessee which the Group previously classified as finance leases applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application are measured respectively as the carrying amounts of leased assets and lease obligations based on IAS 17 immediately before the date of initial application.

As a result, the right-of-use assets and lease liabilities additionally recognized in the consolidated statement of financial position at the date of application are both respectively ¥884 million.

The impact on the consolidated statement of income is immaterial.

In addition, for the consolidated statement of cash flows, cash flows pertaining to leases previously reported as operating leases had been presented as cash flows from (used in) operating activities, but with the application of IFRS 16, are presented as repayments of lease liabilities in the cash flows from (used in) financing activities, excluding short-term leases and leases of low-value assets, etc. not included in the measurement of lease liabilities, but including the repayment amount of lease liabilities previously reported as finance leases.

### 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 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 classifies the financial assets into financial assets measured at fair value through profit or loss (hereinafter “financial assets at FVTPL”), financial assets measured at fair value through other comprehensive income (hereinafter “financial assets at FVTOCI”), and financial assets measured at amortized cost. This classification is determined at initial recognition.

All financial assets are initially measured at fair value plus transaction costs, except for the case of being classified as financial assets at FVTPL.

Financial assets are classified as financial assets measured at amortized cost, on the condition that they meet both of the following conditions:

- Assets are held based on the business model to hold assets for the purpose of collecting contractual cash flows.
- Contractual terms associated with financial assets give rise to cash flows on specified dates, consisting only of payment of the principal and interest on the principal balance.

Among financial assets not classified as those measured at amortized cost, equity financial instruments held for purposes other than trading for which ex post facto fair value changes are selected to be presented through other comprehensive income at the time of initial recognition are classified as financial assets at FVTOCI.

For equity financial instruments measured at fair value through other comprehensive income, changes in the fair value are recognized as other comprehensive income, and when the equity financial instruments are derecognized, the accumulated other comprehensive income is transferred to retained earnings.

###### (ii) Impairment of financial assets

For financial assets measured at amortized cost, the Group has adopted the method of recognizing allowance for credit losses to deal with such losses expected in relation to the concerned financial assets. In this method, the Group evaluates, at the end of each fiscal year, whether credit risk of each financial asset has significantly increased since the initial recognition. If credit risk of a financial asset has not increased significantly since the initial recognition, 12-month expected credit losses on the financial asset are recognized as allowance for credit losses.

On the other hand, if credit risk of a financial asset has increased significantly since the initial recognition, an amount equal to the lifetime expected credit losses is recognized as allowance for credit losses.

However, with regard to trade receivables that do not contain a significant financing component, allowance for credit losses is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether credit risk has increased significantly since the initial recognition.

###### (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) Offsetting financial instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated statement of financial position, if the Group holds a legal right to offset the balance and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4) 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 measured at fair value through profit or loss” or “financial liabilities measured 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) Leases

The Group judges whether a contract is a lease or contains a lease when entering into the contract. If the contract conveys the right to control the use of identified assets for a period of time in exchange for consideration, the Group judges whether such contract is a lease or contains a lease.

If the contract is judged to be a lease or contains a lease, the right-of-use assets and lease liabilities are recognized as of the commencement date of the lease. Lease liabilities are measured at the present value of the total amount of accrued lease payments and right-of-use assets are measured at cost, which comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, etc.

Following initial recognition, right-of-use assets are depreciated on a systematic basis over the lease term.

In the consolidated statement of financial position, right-of-use assets are presented in "property, plant and equipment" and lease liabilities are presented in "other financial liabilities."

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method with finance costs recognized in the consolidated statement of income.

However, right-of-use assets and lease liabilities are not recognized for short-term leases with lease terms of 12 months or less and leases where the underlying assets are of low value, and lease payments are recognized as an expense over the lease term using the straight-line method.

(10) 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 the end of each 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.

#### (11) 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 calculate 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.

#### (12) 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.

#### (13) Revenue

The Group recognizes revenues based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group is principally engaged in the sales and manufacture of motorcycle and automobile clutches. With regard to the sales of these products, the Group recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. Revenue is measured at the amount of consideration promised in contracts with customers less discounts, etc.

(14) 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.

(15) 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.

(16) 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 as of the reporting date 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.

The Company and some of its domestic subsidiaries have applied the consolidated taxation system.

(17) 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 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.

(18) 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, 2019

	Reportable segments			Adjustments	Consolidated
	Motorcycle clutches	Automobile clutches	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
External revenue	84,288	93,317	177,605	—	177,605
Intersegment revenue	—	—	—	—	—
Total	84,288	93,317	177,605	—	177,605
Depreciation and amortization expense	(4,599)	(7,950)	(12,549)	—	(12,549)
Other profit (loss)	(67,967)	(81,244)	(149,212)	—	(149,212)
Operating profit	11,720	4,122	15,843	—	15,843
Finance income					992
Finance costs					(299)
Share of profit (loss) in investments accounted for using the equity method					(32)
Profit before income taxes					16,503

Note: Other profit (loss) includes ¥1,601 million of impairment loss (¥1,601 million for automobile clutches).

Fiscal year ended March 31, 2020

	Reportable segments			Adjustments	Consolidated
	Motorcycle clutches	Automobile clutches	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
External revenue	80,090	90,970	171,060	—	171,060
Intersegment revenue	—	—	—	—	—
Total	80,090	90,970	171,060	—	171,060
Depreciation and amortization expense	(5,133)	(8,640)	(13,773)	(64)	(13,838)
Other profit (loss)	(64,993)	(83,425)	(148,418)	(906)	(149,325)
Operating profit (loss)	9,963	(1,096)	8,867	(970)	7,896
Finance income					1,025
Finance costs					(2,253)
Share of profit (loss) in investments accounted for using the equity method					(15)
Profit before income taxes					6,653

Note: Other profit (loss) includes ¥2,167 million of impairment loss (¥480 million for motorcycle clutches, ¥1,687 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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Japan	18,977	16,668
U.S.	66,068	66,078
Indonesia	20,114	20,256
India	23,435	20,403
Other	49,009	47,653
Total	177,605	171,060

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, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Japan	21,498	21,099
U.S.	32,666	28,631
China	1,771	1,373
Other	18,540	14,988
Total	74,476	66,093

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, 2019	Fiscal year ended March 31, 2020
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	40,295	39,158
	Automobile clutches	40,696	36,560
Ford and its group	Automobile clutches	30,406	30,671

## 5. Revenue

The Group is principally engaged in the sales and manufacture of motorcycle and automobile clutches. With regard to the sales of these products, the Group recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. Revenue is measured at the amount of consideration promised in contracts with customers less discounts, etc.

The statement of disclosed information about disaggregated revenue is omitted on the basis of judgment that information stated in “4. Segment information” fulfills disclosure requirements prescribed in IFRS 15.

### (1) Balance of contracts

Balance of contract liability is as follows:

Fiscal year ended March 31, 2019

	As of April 1, 2018 Millions of yen	As of March 31, 2019 Millions of yen
Contract liability	8	78

Fiscal year ended March 31, 2020

	As of April 1, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Contract liability	78	10

The amount of revenue recognized in the balance of contract liability at the beginning of the period was ¥8 million in the previous fiscal year and ¥78 million in the fiscal year under review.

Note: Contract liability is included in “other current liabilities” in the consolidated statement of financial position.

(2) Transaction price allocated to the remaining performance obligations

The statement of information about remaining performance obligations is omitted because there is no significant transaction whose predicted individual term of contract exceeds one year in the Group. Considerations arising from contracts with customers contain no significant amount not included in transaction prices.

(3) Performance obligations

1) Point in time at which performance obligations are satisfied

Unless set forth otherwise in contracts, in principle, the point in time at which performance obligations are satisfied is the point in time at which products are delivered to customers.

There is no contract for fulfilling performance obligations over a fixed period in step with the provision of services.

2) Conditions for the payment of considerations

Payments normally become due one month to five months after the fulfillment of performance obligations. They do not include any significant financial component.

3) Content of goods or services transferred to customers

The goods transferred to customers are principally motorcycle and automobile clutches.

The Group does not conduct transactions as an agent.

4) Transaction price allocated to the remaining performance obligations at the end of the fiscal year

The statement of allocated transaction prices and their breakdown by forecasted net sales recording period is omitted because no unfulfilled performance obligation existed as of the last day of the fiscal year under review.

(4) Assets recognized from the costs to obtain or fulfill a contract with a customer

There was no asset recognized from the costs of contracts as of the end of the previous fiscal year and as of the end the fiscal year under review.

## 6. Business combinations

Fiscal year ended March 31, 2019

(1) Summary of loss of control

On December 25, 2018, the Company transferred all of the shares of its consolidated subsidiary, Tohoku Chemical Industries, Ltd., to ALCONIX CORPORATION Group.



(2) Assets and liabilities involving loss of control

	Millions of yen
Current assets	1,463
Non-current assets	662
Total assets	2,126
Current liabilities	231
Non-current liabilities	165
Total liabilities	397

(3) Cash flows resulting from loss of control

	Millions of yen
Cash and cash equivalents received as consideration for loss of control	2,600
Cash and cash equivalents of subsidiaries over which control is lost	(771)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,828

(4) Profit or loss resulting from loss of control

A profit of ¥121 million was recognized with the loss of control of Tohoku Chemical Industries, Ltd. and recorded in “other income” in the consolidated statement of income.

Fiscal year ended March 31, 2020

Not applicable.

**7. Cash and cash equivalents**

Breakdown of cash and cash equivalents

	As of March 31, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Cash and deposits	32,444	35,350

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.

**8. Trade and other receivables**

Breakdown of trade and other receivables

	As of March 31, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Notes and accounts receivable - trade	26,381	22,345
Accounts receivable - other	1,705	1,891
Allowance for credit losses	(6)	(7)
Total	28,080	24,229

Note: Information on management of credit risk and liquidity risk to “trade and other receivables” is provided in the note “28. Financial instruments.”

## 9. Other financial assets and other financial liabilities

### Breakdown of other financial assets

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Loans and receivables	1,625	2,114
Other non-current financial assets		
Financial assets measured at fair value through other comprehensive income	9,997	8,968
Financial assets measured at amortized cost		
Loans and receivables	1,301	1,460
Allowance for credit losses	(60)	(54)
Total	11,238	10,374

### Breakdown of other financial liabilities

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease obligations	152	—
Lease liabilities	—	345
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Long-term accounts payable - other	127	127
Lease obligations	288	—
Lease liabilities	—	864
Financial liabilities measured at fair value through profit or loss (derivatives)	72	196
Total	487	1,189

## 10. Inventories

### Breakdown of inventories

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Finished goods	4,243	3,745
Work in process	3,714	2,620
Raw materials and supplies	12,544	12,999
Total	20,503	19,366

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Amount of write-down	909	1,030
Amount of inventories	145,564	142,919

## 11. Other assets and liabilities

### Breakdown of other assets

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	1,611	824
Prepaid expenses	383	345
Suspense payments	25	60
Other	345	466
Total	2,366	1,697
Other non-current assets		
Land use rights	397	—
Long-term prepaid expenses	91	81
Other	44	48
Total	532	129

### Breakdown of other liabilities

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	1,866	1,797
Accrued bonuses	1,890	1,803
Other	2,847	2,280
Total	6,604	5,881
Other non-current liabilities		
Deferred income	160	9
Other	97	270
Total	258	280

## 12. Property, plant and equipment

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

### (1) Cost

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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	Millions of yen
April 1, 2018	40,795	112,778	18,801	7,791	—	710	9,592	190,469
Acquisition	234	3,921	729	0	—	—	5,210	10,095
Disposal	(1,279)	(3,507)	(1,559)	(330)	—	—	(62)	(6,738)
Transfer of line items	633	10,615	1,060	—	—	—	(12,310)	—
Exchange differences on translation	575	2,072	138	(8)	—	31	348	3,156
Other	—	—	—	—	—	—	(163)	(163)
March 31, 2019	40,959	125,880	19,171	7,452	—	742	2,614	196,820
Adjustment due to application of IFRS 16	—	—	—	(809)	2,832	(742)	—	1,281
April 1, 2019	40,959	125,880	19,171	6,643	2,832	—	2,614	198,101
Acquisition	196	2,419	713	—	475	—	5,006	8,810
Disposal	(698)	(1,871)	(1,211)	(235)	(50)	—	(98)	(4,166)
Transfer of line items	535	2,798	991	—	—	—	(4,325)	—
Exchange differences on translation	(1,302)	(5,453)	(783)	(201)	(68)	—	(77)	(7,887)
Other	(32)	30	2	93	(111)	—	(22)	(40)
March 31, 2020	39,657	123,803	18,883	6,299	3,078	—	3,097	194,818

### (2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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	Millions of yen
April 1, 2018	20,417	79,715	16,048	1,128	—	142	74	117,527
Depreciation expense	1,494	8,946	1,392	—	—	—	—	11,834
Impairment loss	479	850	142	—	—	—	14	1,486
Disposal	(1,009)	(3,007)	(1,451)	—	—	—	—	(5,468)
Exchange differences on translation	147	1,325	137	—	—	43	—	1,654
Other	—	—	—	—	—	—	—	—
March 31, 2019	21,530	87,830	16,269	1,128	—	185	88	127,033
Adjustment due to application of IFRS 16	—	—	—	—	185	(185)	—	—
April 1, 2019	21,530	87,830	16,269	1,128	185	—	88	127,033
Depreciation expense	1,525	9,212	1,575	—	393	—	—	12,705
Impairment loss	670	1,250	—	247	—	—	—	2,167
Disposal	(588)	(1,753)	(1,011)	—	(12)	—	—	(3,365)
Exchange differences on translation	(667)	(3,926)	(587)	(14)	(18)	—	—	(5,214)
Other	(7)	6	0	—	—	—	—	—
March 31, 2020	22,462	92,619	16,246	1,361	547	—	88	133,326

### (3) Carrying amounts

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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	Millions of yen
Balance as of April 1, 2018	20,377	33,063	2,752	6,662	—	568	9,518	72,942
Balance as of March 31, 2019	19,429	38,049	2,901	6,323	—	556	2,525	69,786
Balance as of March 31, 2020	17,194	31,183	2,637	4,937	2,530	—	3,008	61,491

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 “31. Commitments.”

### 13. Goodwill and intangible assets

Changes in cost and accumulated amortization and impairment loss of goodwill and intangible assets, and carrying amounts 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, 2018	1,246	2,093	4,073	7,413
Acquisition	—	185	—	185
Increase due to internal development	—	—	1,056	1,056
Disposal	(756)	(309)	(1,011)	(2,077)
Transfer of line items	—	—	—	—
Exchange differences on translation	—	2	—	2
Other	—	(11)	—	(11)
March 31, 2019	489	1,961	4,117	6,568
Acquisition	—	165	—	165
Increase due to internal development	—	—	1,141	1,141
Disposal	—	(43)	(45)	(88)
Transfer of line items	—	—	—	—
Exchange differences on translation	—	(29)	—	(29)
Other	—	4	—	4
March 31, 2020	489	2,057	5,213	7,760

(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, 2018	—	1,828	1,187	3,016
Amortization expense	—	91	585	677
Impairment loss	—	0	—	0
Disposal	—	(306)	(1,011)	(1,317)
Exchange differences on translation	—	0	—	0
Other	—	(11)	—	(11)
March 31, 2019	—	1,604	761	2,366
Amortization expense	—	117	855	972
Impairment loss	—	—	—	—
Disposal	—	(43)	(45)	(88)
Exchange differences on translation	—	(13)	—	(13)
Other	—	3	—	3
March 31, 2020	—	1,668	1,571	3,240

(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, 2018	1,246	264	2,885	4,396
March 31, 2019	489	356	3,356	4,201
March 31, 2020	489	389	3,642	4,520

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 “31. Commitments.”

## 14. Impairment loss

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Buildings and structures	479	670
Machinery, equipment and vehicles	850	1,250
Tools, furniture and fixtures	142	—
Land	—	247
Construction in progress	14	—
Total property, plant and equipment	1,486	2,167
Software, etc.	115	—
Total other non-current assets, etc.	115	—
Total impairment loss	1,601	2,167

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, 2019

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 (¥1,601 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.

#### Fiscal year ended March 31, 2020

In consideration of business environment and profitability, the Company has conducted an impairment test with regard to TENRYU SANGYO CO., LTD. and FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V., subsidiaries 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 (¥2,167 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.

## 15. 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, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Total carrying amount	89	63
	Fiscal year ended March 31, 2019 Millions of yen	Fiscal year ended March 31, 2020 Millions of yen
Profit	(32)	(15)
Other comprehensive income	3	(8)
Comprehensive income	(28)	(23)

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



## 16. 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, 2019

	April 1, 2018	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	703	166	—	—	22	892
Accrued bonuses	411	3	—	—	—	414
Accruals	216	2	—	—	(8)	210
Non-current assets	1,996	(23)	—	—	39	2,012
Defined benefit liability	717	(100)	11	—	18	647
Other	681	68	—	—	(13)	737
Total	4,727	116	11	—	58	4,914
Deferred tax liabilities						
Non-current assets	(3,804)	(980)	—	—	(222)	(5,006)
Available-for-sale financial assets	(2,112)	—	434	—	—	(1,678)
Retained surplus of overseas consolidated subsidiaries	(3,047)	(517)	—	—	—	(3,564)
Other	(114)	87	—	—	8	(18)
Total	(9,079)	(1,409)	434	—	(213)	(10,268)

Fiscal year ended March 31, 2020

	April 1, 2019	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	892	(270)	—	—	149	771
Accrued bonuses	414	(6)	—	—	—	408
Accruals	210	(36)	—	—	(24)	149
Non-current assets	2,012	(754)	—	—	402	1,659
Defined benefit liability	647	(276)	(61)	—	109	418
Other	737	744	—	—	(2)	1,479
Total	4,914	(600)	(61)	—	634	4,886
Deferred tax liabilities						
Non-current assets	(5,006)	1,428	—	—	(804)	(4,383)
Available-for-sale financial assets	(1,678)	—	389	—	—	(1,289)
Retained surplus of overseas consolidated subsidiaries	(3,564)	88	—	—	—	(3,476)
Other	(18)	34	—	—	8	25
Total	(10,268)	1,552	389	—	(796)	(9,123)

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, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Unused tax losses	6,611	7,583
Deductible temporary differences	742	562
Total	7,354	8,145

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

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
1st year	1,009	656
2nd year	656	395
3rd year	395	166
4th year	166	970
5th year and onward	4,384	5,394
Total	6,611	7,583

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥41,488 million as of March 31, 2019 and ¥47,023 million as of March 31, 2020. 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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Current tax expense	3,244	3,576
Deferred tax expense	1,293	(951)
Total	4,537	2,624

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	%	%
Effective statutory tax rate	30.0	29.9
Non-deductible expenses in calculation of taxable profits	1.2	5.2
Unrecognized deferred tax assets	2.9	8.5
Tax credits	(3.2)	7.5
Difference from the applicable tax rate of overseas subsidiaries	(6.1)	(12.3)
Other	2.7	0.7
Effective tax rate	27.5	39.5

## 17. Borrowings

Breakdown of borrowings

	As of March 31, 2019 Millions of yen	As of March 31, 2020 Millions of yen	Average interest rate %	Due
Current				
Financial liabilities measured at amortized cost				
Short-term borrowings	12,429	7,188	0.56	—
Current portion of long- term borrowings	361	18	0.65	—
Total	<u>12,791</u>	<u>7,206</u>		
Non-current				
Financial liabilities measured at amortized cost				
Long-term borrowings	19	1	0.65	April 2021
Total	<u>19</u>	<u>1</u>		

Notes: 1. “Average interest rate” shows weighted average interest rate on the balance as of March 31, 2020.

2. “Due” shows the repayment due for the balance as of March 31, 2020.

3. For the breakdown of the balance of borrowings by due date, refer to the note “28. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

## 18. Leases

Breakdown of the expense relating to leases is as follows.

	Fiscal year ended March 31, 2020 Millions of yen
Depreciation expense for right-of-use assets	
Land, buildings and structures	333
Machinery, equipment and vehicles	40
Tools, furniture and fixtures	18
Total	<u>393</u>
Interest expense for lease liabilities	21
Expense for short-term leases	2
Expense for low-value asset leases	3
Total	<u>26</u>

The breakdown of the carrying amounts of right-of-use assets is as follows.

	As of April 1, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Right-of-use assets		
Land, buildings and structures	2,507	2,263
Machinery, equipment and vehicles	128	131
Tools, furniture and fixtures	11	135
Total	<u>2,647</u>	<u>2,530</u>

Notes: 1. The amount of increase in the right-of-use assets in the fiscal year ended March 31, 2020 was ¥475 million.

2. The total cash outflow for leases for the fiscal year ended March 31, 2020 is ¥489 million.

3. The amount of lease liabilities was ¥345 million (current) and ¥864 million (non-current). Lease liabilities are respectively included in the consolidated statement of financial position under “other financial liabilities” of current liabilities and non-current liabilities.
4. The breakdown of the balances of lease liabilities by due date are provided in “28. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

## 19. Trade and other payables

### Breakdown of trade and other payables

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Notes and accounts payable - trade	9,847	8,196
Electronically recorded obligations - operating	1,003	1,066
Accounts payable - other	1,943	1,935
Total	12,794	11,199

## 20. 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 Kigyo 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 liability and defined benefit asset recognized in consolidated statement of financial position

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Funded defined benefit obligations	8,984	9,020
Plan assets	(8,037)	(8,672)
Subtotal	947	348
Unfunded defined benefit obligations	1,153	1,074
Net amount of liabilities and assets recognized in consolidated statement of financial position	2,100	1,422
Defined benefit liability	2,144	1,470
Defined benefit asset	(44)	(48)
Net amount of liabilities and assets recognized in consolidated statement of financial position	2,100	1,422

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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	753	804

#### 3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	9,755	10,138
Service cost	670	718
Interest cost	112	133
Past service cost	25	(49)
Remeasurement	186	(301)
Retirement benefits paid	(465)	(344)
Decrease resulting from sale of subsidiaries	(162)	—
Exchange differences on translation	15	(199)
Defined benefit obligations at end of period	10,138	10,095

Note: The weighted average duration of defined benefit obligations was 12.3 to 20 years as of March 31, 2019 and 11.9 to 18 years as of March 31, 2020.

#### 4) Reconciliation of plan assets

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Plan assets at beginning of period	7,773	8,037
Interest income	52	46
Remeasurement	105	(59)
Contributions by the employer	388	944
Retirement benefits paid	(283)	(276)
Exchange differences on translation	1	(19)
Plan assets at end of period	8,037	8,672

#### 5) Composition of plan assets

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Debentures	4,734	4,764
Shares	1,501	631
Other	1,801	3,276
Total	8,037	8,672

#### 6) Major actuarial assumptions

	As of March 31, 2019	As of March 31, 2020
	%	%
Discount rate (Japan)	0.3	0.5
Discount rate (Overseas)	3.0 to 8.7	3.0 to 8.8

#### 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, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(555)	(539)
0.5% decrease in the discount rate	603	561

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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Amount recorded as expenses	271	266

### (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 ¥186 million in the previous fiscal year and ¥188 million in the fiscal year under review.

#### 1) Latest funding position of multi-employer plan

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Plan assets	64,840	62,661
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	54,687	53,613
Difference	10,153	9,047

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

	As of March 31, 2018	As of March 31, 2019
	%	%
Proportion of contributions by the Group	6.1	6.2

## 21. Provisions

### Breakdown of and changes in provisions

	Provision for product warranty	Asset retirement obligations	Total
	Millions of yen	Millions of yen	Millions of yen
April 1, 2018	—	33	33
Interest expense during the period in discounting	—	0	0
Decrease during the period (intended use)	—	—	—
Decrease during the period (reversal)	—	(3)	(3)
March 31, 2019	—	29	29
Increase during the period	2,880	—	2,880
Interest expense during the period in discounting	—	0	0
Decrease during the period (intended use)	—	—	—
Decrease during the period (reversal)	—	0	0
March 31, 2020	2,880	29	2,909
Current	2,880	—	2,880
Non-current	—	29	29

#### (1) Provision for product warranty

Provision for product warranty is recorded based on the estimate of the amount to be borne by the Company due to defects in some products previously manufactured by the Company where vehicle models equipped with such products were recalled by the Company's customer.

## (2) Asset retirement obligations

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.

## 22. 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, 2018	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2019	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2020	90,000,000	52,644,030	4,175

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 exchange 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, 2018	2,455,841	3,409
Change during the period	500,134	1,378
As of March 31, 2019	2,955,975	4,787
Change during the period	124	0
As of March 31, 2020	2,956,099	4,787

Note: Changes during the previous fiscal year are due to purchase of treasury shares of 500,000 shares based on a resolution of the Board of Directors and purchase of shares less than one unit of 134 shares.

Changes during the fiscal year under review are due to purchase of shares less than one unit of 124 shares.



#### (4) Dividends

##### Fiscal year ended March 31, 2019

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 19, 2018 Ordinary General Meeting of Shareholders	1,053	21.00	March 31, 2018	June 20, 2018
October 31, 2018 Board of Directors meeting	1,154	23.00	September 30, 2018	November 27, 2018

##### Fiscal year ended March 31, 2020

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 25, 2019 Ordinary General Meeting of Shareholders	1,440	29.00	March 31, 2019	June 26, 2019
November 5, 2019 Board of Directors meeting	1,440	29.00	September 30, 2019	November 27, 2019

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

##### Fiscal year ended March 31, 2019

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 25, 2019 Ordinary General Meeting of Shareholders	1,440	29.00	March 31, 2019	June 26, 2019

##### Fiscal year ended March 31, 2020

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 23, 2020 Ordinary General Meeting of Shareholders	1,440	29.00	March 31, 2020	June 24, 2020

## 23. Selling, general and administrative expenses

### Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Packing and shipping expenses	1,759	1,598
Personnel expenses	5,054	5,132
Depreciation and amortization expense	427	427
Research and development expense	3,192	3,812
Other	5,062	4,842
Total	15,496	15,813

## 24. Other income and expense

### (1) Breakdown of other income

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Gain on sales of non-current assets	157	192
Gain on sales of shares of subsidiaries and associates	121	—
Grant income	—	45
Other	791	711
Total	1,070	950

### (2) Breakdown of other expense

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	69	202
Impairment loss	1,601	2,167
Provision for product warranty	—	2,880
Other	99	131
Total	1,770	5,381

Notes: 1. Refer to the note “14. Impairment loss” for impairment loss.

2. Refer to the note “21. Provisions” for provision for product warranty.

## 25. Finance income and finance costs

### (1) Breakdown of finance income

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, financial assets measured at amortized cost	538	744
Dividend income		
Changes in the fair value of financial assets measured at fair value through other comprehensive income	271	281
Foreign exchange gains	182	—
Total	992	1,025

### (2) Breakdown of finance costs

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Interest expense		
Borrowings	157	44
Lease liabilities	—	21
Other	23	0
Foreign exchange losses	—	2,030
Other	118	157
Total	299	2,253

## 26. 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, 2019

	Amount arising	Reclassifi- cation 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	(41)	—	(41)	11	(30)
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(1,350)	—	(1,350)	434	(915)
Subtotal	(1,392)	—	(1,392)	446	(945)
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	1,356	—	1,356	—	1,356
Share of other comprehensive income of associates accounted for using equity method	3	—	3	—	3
Subtotal	1,360	—	1,360	—	1,360
Total	(31)	—	(31)	446	414

Fiscal year ended March 31, 2020

	Amount arising	Reclassifi- cation 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	227	—	227	(61)	166
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(1,305)	—	(1,301)	389	(912)
Subtotal	(1,073)	—	(1,073)	327	(745)
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	(5,343)	—	(5,343)	—	(5,343)
Share of other comprehensive income of associates accounted for using equity method	(8)	—	(8)	—	(8)
Subtotal	(5,351)	—	(5,351)	—	(5,351)
Total	(6,424)	—	(6,424)	327	(6,097)

## 27. Earnings per share

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

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit attributable to ordinary equity holders of parent (Millions of yen)	11,779	3,921
Weighted-average number of ordinary shares (Thousands of shares)	50,114	49,688
Basic earnings per share (Yen)	235.05	78.92

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

## 28. 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, 2019 Millions of yen	As of March 31, 2020 Millions of yen
Financial assets		
Financial assets measured at amortized cost		
Trade and other receivables	28,080	24,229
Other financial assets	2,866	3,520
Cash and cash equivalents	32,444	35,350
Financial assets measured at fair value through other comprehensive income		
Other financial assets (shares)	8,034	7,178
Other financial assets	1,963	1,789
Total financial assets	73,389	72,068
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (derivatives)		
Other financial liabilities	72	196
Financial liabilities measured at amortized cost		
Trade and other payables	12,794	11,199
Borrowings	12,810	7,207
Other financial liabilities	567	1,337
Total financial liabilities	26,246	19,941

### (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.

The credit risks on trade receivables from the customer group are always measured at an amount equal to lifetime expected credit losses. The Group considers significant increase in credit risk, financial circumstances of debtors at year-end, history of recorded losses from past bad debts, and information on past overdue payments, etc. The Group classifies financial assets of "Debtors not experiencing significant issues in operating conditions" and financial assets of "Debtors experiencing significant issues in payment of their debt." With respect to each of those categories, the Group estimates the expected credit losses and records the allowance for credit losses. "Debtors not experiencing significant issues in operating conditions" are debtors that do not show any indication of issues in payment of their debt or do not have issues in their ability to pay their debt. The allowance for credit loss for the credit of the applicable debtors is recorded collectively using a ratio taking into account future circumstances and the past bad debt rate. "Debtors experiencing significant issues in payment of their debt" are debtors that are experiencing significant issues in payment of their debt or show a high likelihood of experiencing such issues. The allowance for credit loss for the credit of the applicable debtors is recorded based on the individually estimated recoveries related to the applicable assets.

#### Information about trade receivables

The carrying amounts of the allowance for credit loss related to trade receivables and the credit concerned are as follows.

#### Trade receivables

As of March 31, 2019

(Millions of yen)			
	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	668	—	668
Balance at end of period	779	—	779

As of March 31, 2020

(Millions of yen)			
	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	779	—	779
Balance at end of period	638	—	638

# Allowance for credit losses

As of March 31, 2019

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period under IAS 39	89	—	89
Adjustment on initial application of IFRS 9	—	—	—
Balance at beginning of period under IFRS 9	89	—	89
Increase in the period	1	—	1
Decrease in the period	(22)	—	(22)
Other	0	—	0
Balance at end of period	67	—	67

As of March 31, 2020

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	67	—	67
Increase in the period	2	—	2
Decrease in the period	(6)	—	(6)
Other	0	—	0
Balance at end of period	62	—	62

## 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, 2019

	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	12,794	12,794	12,794	—	—	—	—	—
Borrowings	12,810	12,924	12,904	18	1	—	—	—
Other financial liabilities	640	719	169	178	13	13	13	330
Total	26,246	26,437	25,868	196	14	13	13	330

As of March 31, 2020

	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	11,199	11,199	11,199	—	—	—	—	—
Borrowings	7,207	7,238	7,237	1	—	—	—	—
Lease liabilities	1,210	1,285	358	222	117	105	79	400
Other financial liabilities	324	324	27	—	—	—	—	296
Total	19,941	20,046	18,822	224	117	105	79	697

### 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 or 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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
US dollar	146	130
RMB	41	16

#### (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 ¥691 million in the previous fiscal year and ¥562 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) Equity financial instruments measured at fair value through other comprehensive income

The Group holds shares in listed companies with which it has business relationships. In light of the purpose of holding to maintain and strengthen business relationships, those equity financial instruments are designated as financial assets measured at fair value through other comprehensive income.



### 1) Major financial instruments and their fair value

Major financial instruments and their fair value are as follows:

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Honda Motor Co., Ltd.	5,532	4,546
KANEMATSU CORPORATION	936	820
SUZUKI MOTOR CORPORATION	257	135
Mizuho Financial Group, Inc.	91	65
Kawasaki Heavy Industries, Ltd.	37	22
Sumitomo Mitsui Financial Group, Inc.	22	15

### 2) Derecognized equity financial instruments measured at fair value through other comprehensive income

During the period, the Company derecognized equity financial instruments measured at fair value through other comprehensive income. The fair value and cumulative gain or loss at the date of derecognition of those equity financial instruments measured at fair value through other comprehensive income are as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Fair value at the date of derecognition	44	10
Cumulative gain (loss) on disposal	32	8

- Notes: 1. Primarily with the purpose of reviewing business relationships, in the fiscal year under review, a portion of those equity financial instruments measured at fair value through other comprehensive income was derecognized due to sale.
2. When equity financial instruments measured at fair value through other comprehensive income are derecognized, the cumulative gain or loss of other comprehensive income is transferred to retained earnings.

### 3) Dividend income

The breakdown of dividend income recognized from those equity financial instruments measured at fair value through other comprehensive income is as follows:

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Equity financial instruments derecognized during the period	0	0
Equity financial instruments held at the end of the period	259	266
Total	259	266

### (5) Fair value of financial instruments

#### 1) Method of fair value measurement

*Financial assets and liabilities measured 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.

*Financial assets measured at amortized cost*

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

Other financial assets are measured by the discounted cash flow method or other appropriate valuation methods.

*Financial assets measured at fair value through other comprehensive income*

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 principally measured by valuation techniques based on net asset value. Other financial assets are measured by the discounted cash flow method or other appropriate valuation methods.

*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, 2019		As of March 31, 2020	
	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)	381	380	19	19

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, 2019

	Level 1 Millions of yen	Level 2 Millions of yen	Level 3 Millions of yen	Total Millions of yen
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Listed shares	6,919	—	—	6,919
Unlisted shares	—	—	1,115	1,115
Other	—	—	1,963	1,963
Total	6,919	—	3,078	9,997
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (derivatives)	—	72	—	72
Total	—	72	—	72

As of March 31, 2020

	Level 1 Millions of yen	Level 2 Millions of yen	Level 3 Millions of yen	Total Millions of yen
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Listed shares	5,627	—	—	5,627
Unlisted shares	—	—	1,551	1,551
Other	—	—	1,789	1,789
Total	5,627	—	3,340	8,968
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (derivatives)	—	196	—	196
Total	—	196	—	196

Note: No transfers between Level 1, Level 2 and Level 3 were made in the fiscal year under review and the previous fiscal year.

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

	Fiscal year ended March 31, 2019 Millions of yen	Fiscal year ended March 31, 2020 Millions of yen
Balance at beginning of period	909	3,078
Acquisition	—	—
Total gains and losses		
Other comprehensive income	210	262
Other changes	1,958	—
Balance at end of period	3,078	3,340

- 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 the fair value of financial assets measured at fair value through other comprehensive income” 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.
3. In the previous fiscal year, other changes were revised with changes to the classification of financial instruments due to the application of IFRS 9.

## 29. 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
Flint Co.,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 [40.60]
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 LIMITED	India	Motorcycle and automobile clutches	100
PT. FCC INDONESIA	Indonesia	Motorcycle and automobile clutches	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycle and automobile clutches	90
FCC DO BRASIL LTDA.	Brazil	Motorcycle and automobile 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.

### 30. Related parties

#### (1) Related party transactions

Fiscal year ended March 31, 2019

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	11,418	1,693

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

Fiscal year ended March 31, 2020

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	10,078	1,478

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, 2019	Fiscal year ended March 31, 2020
	Millions of yen	Millions of yen
Remuneration and bonuses	317	350

Note: For the basic policy, etc. for remuneration of key management personnel, refer to "A. Company information, IV. Information about reporting company, 3. Status of corporate governance, etc., (4) Remuneration, etc. for officers."

### 31. Commitments

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

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	2,617	861

### 32. 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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	3,079	4,969
Notes receivable - trade	0	—
Electronically recorded monetary claims - operating	222	188
Accounts receivable - trade	8,712	8,420
Merchandise and finished goods	915	858
Work in process	854	682
Raw materials and supplies	2,096	2,392
Prepaid expenses	56	63
Short-term loans receivable from subsidiaries and associates	16,170	9,123
Other	2,914	2,478
Allowance for doubtful accounts	(2)	(2)
Total current assets	35,020	29,176
Non-current assets		
Property, plant and equipment		
Buildings	4,995	5,024
Structures	406	364
Machinery and equipment	4,153	4,571
Vehicles	61	60
Tools, furniture and fixtures	713	678
Land	3,942	3,878
Construction in progress	620	92
Total property, plant and equipment	14,894	14,670
Intangible assets		
Software	136	162
Software in progress	—	11
Other	0	0
Total intangible assets	137	174
Investments and other assets		
Investment securities	3,545	3,470
Shares of subsidiaries and associates	22,139	21,214
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	119	113
Long-term loans receivable from subsidiaries and associates	5,191	4,029
Long-term prepaid expenses	57	52
Deferred tax assets	—	1,031
Other	688	687
Allowance for doubtful accounts	(31)	(772)
Total investments and other assets	40,629	38,747
Total non-current assets	55,661	53,591
Total assets	90,681	82,768

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes payable - trade	—	36
Accounts payable - trade	2,591	2,634
Short-term loans payable	12,771	7,188
Accounts payable - other	921	870
Electronically recorded obligations - operating	1,003	1,066
Accrued expenses	444	379
Income taxes payable	361	18
Advances received	4	6
Deposits received	123	51
Provision for bonuses	1,233	1,199
Provision for product warranties	—	2,880
Other	50	50
Total current liabilities	19,506	16,382
Non-current liabilities		
Deferred tax liabilities	234	—
Provision for retirement benefits	842	375
Asset retirement obligations	29	29
Other	27	27
Total non-current liabilities	1,133	432
Total liabilities	20,639	16,814
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	484
General reserve	52,500	54,500
Retained earnings brought forward	6,776	2,200
Total retained earnings	62,890	59,829
Treasury shares	(4,787)	(4,787)
Total shareholders' equity	66,845	63,783
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,196	2,170
Total valuation and translation adjustments	3,196	2,170
Total net assets	70,041	65,953
Total liabilities and net assets	90,681	82,768

## 2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	40,850	38,337
Cost of sales		
Beginning finished goods	1,026	915
Cost of products manufactured	29,050	28,037
Purchase of finished goods	790	595
Total	30,867	29,548
Ending finished goods	915	858
Cost of finished goods sold	29,952	28,689
Gross profit	10,898	9,647
Selling, general and administrative expenses		
Packing and delivery expenses	773	748
Salaries and allowances	1,625	1,704
Provision for bonuses	281	251
Retirement benefit expenses	202	200
Depreciation	76	90
Research and development expense	4,179	4,834
Other	2,087	1,952
Total selling, general and administrative expenses	9,226	9,781
Operating profit (loss)	1,671	(134)
Non-operating income		
Interest income	607	461
Interest on capital receivable	37	86
Interest on securities	512	495
Dividend income	2,715	3,050
Rental income	14	11
Commissions on equipment sales	239	121
Foreign exchange gains	441	—
Technical advisory fee	149	89
Other	92	79
Total non-operating income	4,809	4,395
Non-operating expenses		
Interest expenses	167	63
Rent expenses	4	5
Foreign exchange losses	—	904
Provision of allowance for doubtful accounts	—	747
Other	13	37
Total non-operating expenses	185	1,757
Ordinary profit	6,295	2,503
Extraordinary income		
Gain on sales of non-current assets	47	63
Gain on sales of investment securities	32	8
Gain on sales of shares of subsidiaries and associates	81	—
Settlement received	—	166
Total extraordinary income	161	238
Extraordinary losses		
Loss on sales and retirement of non-current assets	54	122
Loss on valuation of shares of subsidiaries and associates	386	—
Provision for product warranties	—	2,880
Total extraordinary losses	441	3,002
Profit (loss) before income taxes	6,016	(260)



(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Income taxes - current	903	758
Income taxes - deferred	(125)	(839)
Total income taxes	778	(81)
Profit (loss)	5,237	(179)

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

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surpluses	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	968	50,500	5,748	59,861
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							1		(1)	—
Provision of general reserve								2,000	(2,000)	—
Dividends of surplus									(2,208)	(2,208)
Profit									5,237	5,237
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	—	1	2,000	1,028	3,029
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	969	52,500	6,776	62,890

	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	(3,409)	65,193	4,191	4,191	69,385
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		(2,208)			(2,208)
Profit		5,237			5,237
Purchase of treasury shares	(1,378)	(1,378)			(1,378)
Net changes of items other than shareholders' equity			(994)	(994)	(994)
Total changes of items during period	(1,378)	1,651	(994)	(994)	656
Balance at end of current period	(4,787)	66,845	3,196	3,196	70,041

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surpluses	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	52,500	6,776	62,890
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(485)		485	—
Provision of reserve for advanced depreciation of non-current assets										
Provision of general reserve								2,000	(2,000)	—
Dividends of surplus									(2,881)	(2,881)
Loss									(179)	(179)
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	—	(485)	2,000	(4,575)	(3,061)
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	484	54,500	2,200	59,829

	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	(4,787)	66,845	3,196	3,196	70,041
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		(2,881)			(2,881)
Loss		(179)			(179)
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			(1,026)	(1,026)	(1,026)
Total changes of items during period	(0)	(3,061)	(1,026)	(1,026)	(4,088)
Balance at end of current period	(4,787)	63,783	2,170	2,170	65,953

## **[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

The Company records investments in limited liability investment partnerships and similar partnerships (deemed to be securities under the provisions set forth in Article 2, paragraph 2 of the Financial Instruments and Exchange Act) using the net amount of ownership in such partnerships computed based on the most recent financial statements available for the report date stipulated in the partnership agreement.

##### **(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 15 years) at the time of occurrence in each fiscal year.

#### **(4) Provision for product warranties**

The Company anticipates that claims for already sold products will be made, so the individual estimates for such expense are recorded as provision for product warranties for the fiscal year under review.

### **4. Other significant matters for preparing financial statements**

#### **(1) 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.

#### **(2) Application of consolidated taxation system**

The Company has applied the consolidated taxation system in Japan with the Company as the consolidated taxpayer parent company.

#### **(3) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system**

As for items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020), the Company has not applied the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

**(Additional information)**

Apart from the suspension of production due to lockdown by some of the Company's overseas subsidiaries, there has recently been a substantial decline in sales both domestically and overseas due to the worldwide spread of COVID-19, which has had a major impact.

Under such circumstances, when recording allowance for doubtful accounts on subsidiaries and applying tax effect accounting as of the end of the fiscal year under review, the Company forecasts a gradual recovery of such impact in the second half of the fiscal year ending March 31, 2021 and estimates future cash flows and the recoverability of deferred tax assets following adjustments to the initial business plan.

However, there are many uncertainties over the impact of the spread of COVID-19, which could affect the Company's financial position and operating results for the fiscal year ending March 31, 2021.



#### 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	4,995	338	39	269	5,024	7,336
	Structures	406	2	0	43	364	1,206
	Machinery and equipment	4,153	1,555	26	1,111	4,571	19,103
	Vehicles	61	18	0	20	60	138
	Tools, furniture and fixtures	713	435	190	281	678	5,351
	Land	3,942	–	63	–	3,878	–
	Construction in progress	620	1,047	1,575	–	92	–
	Total	14,894	3,399	1,896	1,726	14,670	33,137
Intangible assets	Right of using water facilities	0	–	–	0	0	3
	Software	136	82	–	56	162	131
	Software in progress	–	15	4	–	11	–
	Total	137	97	4	56	174	135
Investments and other assets	Long-term prepaid expenses	57	13	18	–	52	–

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

Property, plant and equipment

[Increase]

Machinery and equipment	Hamakita Factory	Manufacturing facilities for clutches	¥445 million
Machinery and equipment	R&D Division	Testing apparatus and measuring instruments	¥436 million
Machinery and equipment	Watagashima Factory	Manufacturing facilities for clutches	¥417 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	33	747	6	774
Provision for bonuses	1,233	1,199	1,233	1,199
Provision for product warranties	—	2,880	—	2,880

**(2) Components of major assets and liabilities**

This information has been omitted as the consolidated financial statements have been prepared.

**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: <a href="https://www.fcc-net.co.jp/">https://www.fcc-net.co.jp/</a>
Special benefits for shareholders	<ul style="list-style-type: none"> <li>Content of the shareholder special benefit plan</li> </ul> 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.