Annual Securities Report

91st term (from April 1, 2020 to March 31, 2021)

F.C.C. CO., LTD.

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Tokai Local Finance Bureau
Filing date	June 24, 2021
Fiscal year	91st term (from April 1, 2020 to March 31, 2021)
Company name	株式会社エフ・シー・シー (*Kabushiki Kaisha F.C.C.*)
Company name in English	F.C.C. CO., LTD.
Title and name of representative	Yoshitaka Saito President and Representative Director
Address of registered headquarters	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
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Name of contact person	Yasutaka Oishi, Operating Officer, Head of Management and Administration
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

A. Company information

I. Overview of the Company

1. Trends in selected financial data

Summary of consolidated financial data

Term	87th term	88th term	89th term	90th term	91st term
Fiscal year-end	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Revenue (Millions of yen)	157,217	173,174	177,605	171,060	146,157
Profit before income taxes (Millions of yen)	11,419	14,083	16,503	6,653	8,313
Profit attributable to owners of parent (Millions of yen)	7,204	9,691	11,779	3,921	4,462
Comprehensive income (Millions of yen)	7,027	7,935	12,380	(2,068)	12,067
Equity attributable to owners of parent (Millions of yen)	111,624	117,311	125,875	120,869	130,239
Total assets (Millions of yen)	162,708	170,302	173,644	161,727	175,644
Equity attributable to owners of parent per share (Yen)	2,224.12	2,337.43	2,533.32	2,432.56	2,621.16
Basic earnings per share (Yen)	143.54	193.11	235.05	78.92	89.81
Diluted earnings per share (Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	68.60	68.88	72.49	74.74	74.15
Ratio of profit to equity attributable to owners of parent (%)	6.59	8.47	9.69	3.18	3.55
Price earnings ratio (PER) (Times)	15.48	15.48	9.96	20.01	20.69
Net cash flows from (used in) operating activities (Millions of yen)	24,165	24,120	23,622	25,079	12,971
Net cash flows from (used in) investing activities (Millions of yen)	(15,846)	(19,122)	(8,695)	(10,597)	(8,522)
Net cash flows from (used in) financing activities (Millions of yen)	(7,641)	(2,657)	(7,981)	(8,990)	(3,175)
Cash and cash equivalents at end of period (Millions of yen)	23,474	25,230	32,444	35,350	39,607
Number of employees [Separately, average number of temporary employees]	8,189 [3,210]	8,555 [3,637]	8,829 [4,017]	8,718 [3,777]	8,360 [3,369]

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. (SHANGHAI) CO., LTD. (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 two associates, is engaged primarily in the manufacture and sale of clutches for motorcycles and automobiles.

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

Motorcycle clutches

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

Business category	Principal companies
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. (SHANGHAI) CO., LTD. [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]

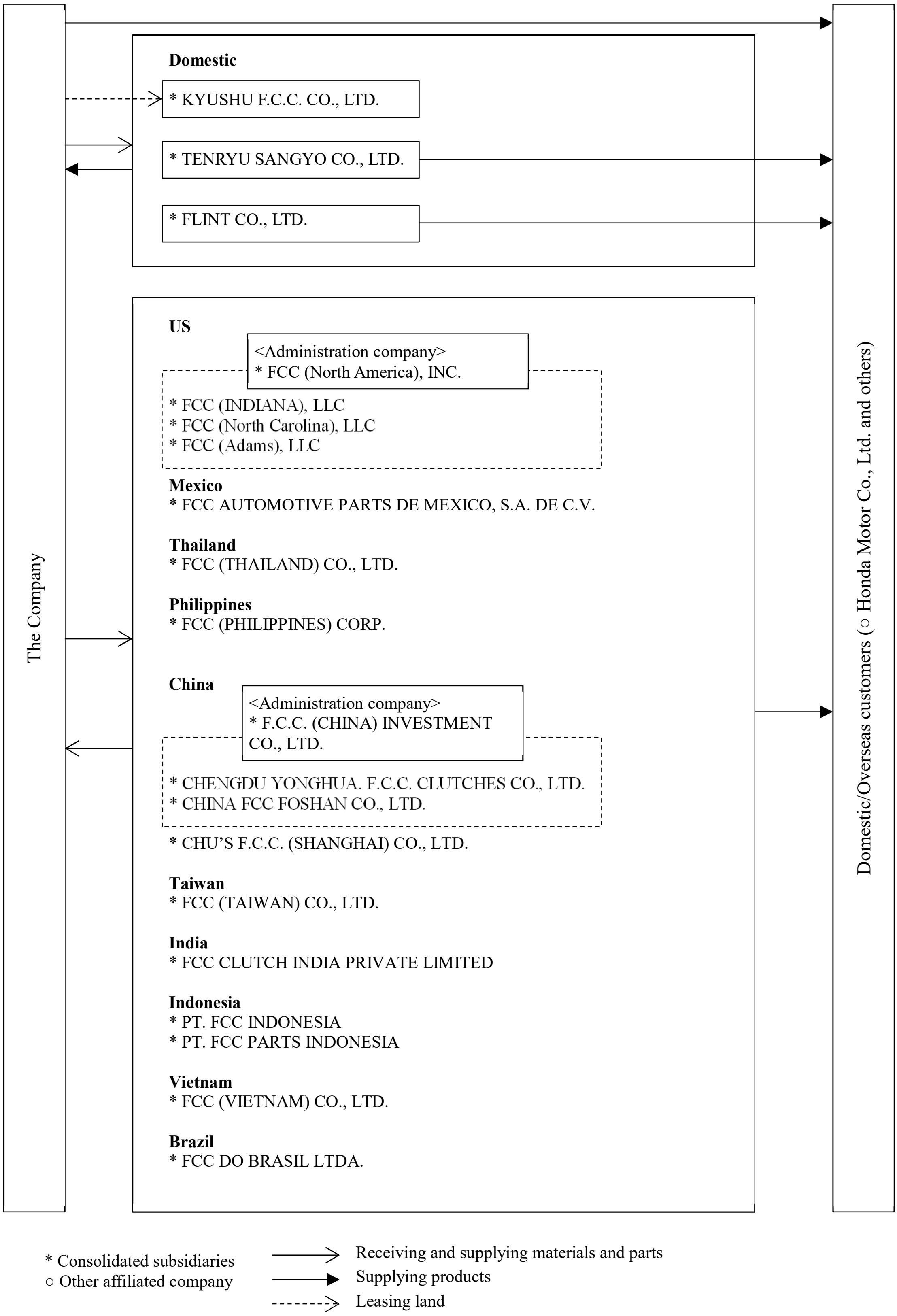
Automobile clutches

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	MXN1,000,000,000	Automobile clutches	100 [45.30]	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. (SHANGHAI) CO., LTD. (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. (SHANGHAI) CO., LTD.’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	INR3,875,000,000	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 (Note 2)	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 and FCC CLUTCH INDIA PRIVATE LIMITED, 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 ¥28,790 million
(2) Ordinary profit ¥693 million
(3) Profit ¥524 million
(4) Net assets ¥16,874 million
(5) Total assets ¥31,016 million

• FCC (Adams), LLC

(1) Net sales ¥29,700 million

(2) Ordinary profit	¥970 million
(3) Profit	¥770 million
(4) Net assets	¥6,928 million
(5) Total assets	¥23,102 million

- FCC CLUTCH INDIA PRIVATE LIMITED

(1) Net sales	¥16,991 million
(2) Ordinary profit	¥100 million
(3) Profit	¥(265 million)
(4) Net assets	¥3,004 million
(5) Total assets	¥15,322 million

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

5. Information about employees

(1) Consolidated companies

As of March 31, 2021

Segment name	Number of employees
Motorcycle clutches	4,445 [3,088]
Automobile clutches	3,403 [166]
Total of reportable segments	7,848 [3,254]
Administration (general operations)	512 [115]
Total	8,360 [3,369]

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

(2) Reporting company

As of March 31, 2021

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,116 [189]	42.2	17.7	6,723,789

Segment name	Number of employees
Motorcycle clutches	218 [59]
Automobile clutches	386 [15]
Total of reportable segments	604 [74]
Administration (general operations)	512 [115]
Total	1,116 [189]

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 Center 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 basic policy of corporate philosophy is to "make a contribution to society by supplying products and services that make the best of ideas and technology to satisfy customers in every way."

In line with this corporate philosophy, it is the course of action for the Group's officers and employees to "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, there is anticipation that COVID-19 will be contained through development of vaccines and the rollout of vaccination, but risks such as a resurgence of infections due to variants, resumption of lockdowns and shortages of semiconductor supplies require attention, and the outlook remains uncertain.

COVID-19 has brought about rapid change in new social values and industrial structures such as significant transformation of people's lifestyles, and increased opportunities for advancements in digitalization and achievement of carbon neutral.

In addition, an era of structural change has arrived for not only the automotive industry but also other industries with accelerated advances in new technologies such as connected, automated driving, car sharing, electrification of cars with "CASE" and "MaaS (Mobility as a Service)."

Under such a management environment, the Group will ensure the implementation of the 11th Medium-Term Management Plan and strive to increase the value of core businesses and generate value with 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

Performance targets (FY2022)

Revenue ¥176.0 billion

Operating profit ¥15.0 billion

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, clutch products may not be required in future with the spread of automobiles and motorcycles, etc. 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 electrification of cars is 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 41% of the Group’s revenue in the fiscal year ended March 31, 2021. 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, 2021 were as follows.

1) Financial position and operating results

In the fiscal year ended March 31, 2021, there were substantial constraints on economic activity globally due to COVID-19, but the Japanese economy showed signs of overall recovery after bottoming in the first quarter. In Japan, although there was a recovery trend mainly for consumer spending and exports, there was uncertainty until the end of the fiscal year such as with another State of Emergency Declaration in January. Overseas, the U.S. economy continued to recover and also benefitted from economic stimulus measures. In Asia, China was on a recovery trend throughout the year with its quick resumption of economic activity while India and ASEAN regions also recovered.

In the automotive industry, conditions were extremely challenging with a decline in sales of motorcycles and automobiles in Japan and overseas as well as suspension of production, but the recovery trend continued from the second quarter. In the automobile market, new vehicles sales in Japan fell for the second consecutive year for the full year, but there was year on year growth from October. Overseas, sales recovered in the U.S. mainly for light trucks. In China, sales of new vehicles were solid overall. In addition, in the motorcycle market, there was a sharp recovery in demand from the second quarter in India and a moderate recovery in ASEAN regions.

Under these circumstances, the Group strived to maintain the product supply system, while implementing measures to prevent infection, and introduced measures to minimize the impact on business, implementing initiatives such as thorough control of costs to deal with production fluctuations and improvements in the operational efficiencies. In addition, the Group has worked to strengthen development capabilities and on-site capabilities in the first year of the 11th Medium-Term Management Plan, advanced the digitalization of the production and development processes and strived to ensure increased competitiveness, while actively promoting the development of new businesses such as paper application products and EV products.

As a result, during the fiscal year ended March 31, 2021, sales of motorcycle clutches and automobile clutches fell, and revenue decreased by 14.6% from the previous fiscal year to ¥146,157 million. Operating profit decreased by 11.8% from the previous fiscal year to ¥6,966 million, reflecting a decline in profits from lower revenues even though the impact of compensation cost and impairment loss recorded in the previous fiscal year ceased to be an issue. Profit before income taxes increased by 25.0% from the previous fiscal year to ¥8,313 million due to lower finance costs. Profit attributable to owners of the parent increased by 13.8% from the previous fiscal year to ¥4,462 million.

The following are the business results in each operating segment.

Motorcycle clutches

A decrease in sales of motorcycle clutches in Indonesia and India led to revenue decreasing by 18.6% from the previous fiscal year to ¥65,197 million. Operating profit decreased by 40.7% from the previous fiscal year to ¥5,904 million.

Automobile clutches

Although sales of automobile clutches in China were firm, a decrease in sales of automobile clutches in the U.S. led to revenue shrinking by 11.0% from the previous fiscal year to ¥80,959 million. Operating profit was ¥2,177 million (compared with operating loss of ¥1,096 million in the previous fiscal year), reflecting a decline in profits from lower revenues even though the impact of compensation cost and impairment loss recorded in the previous fiscal year ceased to be an issue.

2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter "net cash") totaled ¥39,607 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 ¥12,971 million. The reasons for the increase are mainly due to profit before income taxes of ¥8,313 million, depreciation and amortization expense of ¥13,557 million and an increase in trade and other payables of ¥3,247 million. The reasons for the decrease are mainly due to an increase in trade and other receivables of ¥5,989 million, income taxes paid of ¥3,999 million and a decrease in provisions of ¥2,880 million.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥8,522 million. This is mainly due to purchase of property, plant and equipment of ¥5,488 million and payments into time deposits of ¥2,456 million.

Cash flows from (used in) financing activities

Net cash used in financing activities was ¥3,175 million. This is mainly due to cash dividends paid of ¥2,434 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, 2021	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	63,862	84.3
Automobile clutches (Millions of yen)	78,374	89.5
Total (Millions of yen)	142,236	87.1

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	69,559	92.0	6,552	299.1
Automobile clutches	87,693	103.6	8,811	424.1
Total	157,252	98.1	15,364	359.9

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, 2021, there was significant fluctuation in the order backlog. This was attributed to a recent substantial increase in orders compared to the previous year when there was a substantial decline in order backlog due to COVID-19.

(iii) Sales performance

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

Segment name	Fiscal year ended March 31, 2021	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	65,197	81.4
Automobile clutches (Millions of yen)	80,959	89.0
Total (Millions of yen)	146,157	85.4

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, 2020		Fiscal year ended March 31, 2021	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	29,926	17.5	23,916	16.4
Honda Motor Co., Ltd.	10,078	5.9	9,574	6.6

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 recognition as well as analysis and considerations regarding the status of operating results etc. of the Group, 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 analysis and considerations of status of financial position and operating results

Analysis of operating results

(Revenue)

Revenue for the fiscal year under review decreased by 14.6% from the previous fiscal year to ¥146,157 million.

Although sales of automobile clutches were firm in China, sales of automobile clutches fell in the U.S. in addition to a decline in sales of motorcycle clutches in Indonesia and India.

The situation was extremely challenging in the first quarter with lower sales of motorcycles and automobiles in Japan and overseas as well as suspension of production, etc. The recovery trend continued from the second quarter, but revenues were down as this was not sufficient to cover the large drop in revenues in the first quarter.

(Operating profit)

Operating profit for the fiscal year under review decreased by 11.8% from the previous fiscal year to ¥6,966 million.

The main factors contributing to the decline in operating profit included a decline in profit due to lower sales, and the impact of foreign exchange even though the impact of compensation cost and impairment loss recorded in the previous fiscal year ceased to be an issue.

(Profit before income taxes)

Profit before income taxes for the fiscal year under review increased by 25.0% from the previous fiscal year to ¥8,313 million.

This was attributed to the reduction in finance costs due to foreign exchange losses recorded in the previous fiscal year.

(Profit attributable to owners of parent)

Profit attributable to owners of the parent for the fiscal year under review increased by 13.8% from the previous fiscal year to ¥4,462 million.

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥99,548 million, up ¥16,789 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥7,481 million in trade and other receivables and ¥4,257 million in cash and cash equivalents and ¥2,379 million in other financial assets.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥76,096 million, down ¥2,872 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥3,921 million in property, plant and equipment in spite of an increase of ¥1,702 million in other financial assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥33,336 million, up ¥3,691 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥4,801 million in trade and other payables and an increase of ¥1,537 million in other current liabilities in spite of a decrease of ¥2,880 million in provisions.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥10,311 million, up ¥715 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥706 million in deferred tax liabilities.

(Equity)

At the end of the fiscal year under review, equity was ¥131,996 million, up ¥9,509 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥7,007 million in other components of equity and ¥2,363 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 in order to prepare for the consolidated financial statements 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 as component, 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, 2021, research and development expense (including expenses recognized as development assets) amounted to ¥4,885 million.

The following is a summary of research and development expense by segment during the fiscal year ended March 31, 2021.

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 ¥2,616 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 ¥2,269 million.

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2021, the Company made total capital investments (including investments on intangible assets) of ¥6,309 million. The principal capital investment details were: expanding production capacity for automobile clutches in the U.S.; and expanding production capacity for motorcycle clutches in India. The breakdown of capital investments by business segment is ¥2,043 million for motorcycle clutches, ¥3,253 million for automobile clutches, and ¥1,013 million for the general operations segment.

(1) Reporting company

Testing apparatus and measuring instruments in the R&D Center

Manufacturing facilities to produce new models at Watagashima Factory

(2) Subsidiaries

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

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, 2021

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
Hamakita Factory (Hamakita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,229	1,260	595 (85,261)	390	3,475	198 [7]
Watagashima Factory (Tenryu-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,501	929	766 (61,268)	162	3,360	181 [16]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,695	827	1,228 (50,477)	128	3,881	195 [83]
R&D Center (Kita-ku, Hamamatsu-shi, Shizuoka)	General operations	Testing apparatus and measuring instruments	433	872	216 (12,093)	68	1,590	168 [81]

(2) Domestic subsidiaries

As of March 31, 2021

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
KYUSHU F.C.C. CO., LTD. (Uki-shi, Kumamoto)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	176	456	11 (20,474)	99	743	127 [15]

(3) Overseas subsidiaries

As of March 31, 2021

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
FCC (INDIANA), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,515	3,992	81 (246,263)	1,114	6,703	638
FCC (North Carolina), LLC	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	2,965	1,206	31 (366,274)	220	4,423	285 [4]
FCC (Adams), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	3,613	8,968	51 (161,880)	1,338	13,972	529
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	481	688	69 (81,837)	114	1,354	425
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	571	635	662 (87,890)	444	2,313	434 [411]
FCC CLUTCH INDIA PRIVATE LIMITED	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	838	2,427	484 (114,619)	1,666	5,417	799 [2,318]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	407	465	– (72,812)	193	1,066	1,209 [359]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycle and automobile clutches	Manufacturing facilities for clutches	738	1,780	– (45,816)	814	3,333	1,136

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^2 was leased from the reporting company.
3. Of the land of FCC (North Carolina), LLC of 366,274 m^2, 11,266 m^2 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

During the next fiscal year (from April 1, 2021 to March 31, 2022), the Company plans to make total capital investments of ¥12,570 million. The principal capital investment items will be manufacturing facilities to produce new models and expansion of production capacity in Japan, Indonesia, India and the U.S. The breakdown of planned capital investments by business segment will be ¥5,340 million for motorcycle clutches, ¥5,450 million for automobile clutches, and ¥1,780 million for the general operations segment.

・Reporting company

Manufacturing facilities to produce new models at Hamakita Factory

Testing apparatus and measuring instruments in the R&D Center

・Subsidiaries

Acquisition of land and buildings, and production capacity expansion at FLINT CO., LTD.

Manufacturing facilities to produce new models and production capacity expansion at PT. FCC INDONESIA

Production capacity expansion at FCC CLUTCH INDIA PRIVATE LIMITED

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

(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, 2021

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	–	32	31	126	193	12	16,814	17,208	–
Number of shares held (Units)	–	139,364	7,044	142,384	108,345	25	129,161	526,323	11,730
Shareholding ratio (%)	–	26.48	1.34	27.05	20.59	0.00	24.54	100.00	–

Notes: 1. 2,956,232 treasury shares are included in "Individuals, etc." as 29,562 units and "Shares less than one unit" as 32 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, 2021

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
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	3,075	6.19
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,531	5.09
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-1, Nishi-Shimbashi, Minato-ku, Tokyo	2,483	5.00
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	4.06
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.65
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.62
GOVERNMENT OF NORWAY (Standing Proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2, 0107 OSLO 1 OSLO 0107 NO (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	920	1.85
F.C.C. Supplier Stock Ownership Association	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	825	1.66
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	716	1.44
Subtotal	–	26,068	52.47

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:

The Master Trust Bank of Japan, Ltd. (Trust Account)	3,075 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	2,531 thousand shares
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,483 thousand shares
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,315 thousand shares
Custody Bank of Japan, Ltd. (Trust Account 9)	716 thousand shares

3. 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 February 5, 2021, describing that each of these companies held shares as follows as of January 29, 2021. Since the Company could not confirm the actual number of shares held by them as of March 31, 2021, 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	Toranomon Hills Business Tower 26F, 1-17-1 Toranomon, Minato-ku, Tokyo	Shares 157,800	0.30
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 2,483,600	4.72

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 February 5, 2021, describing that each of these companies held shares as follows as of January 29, 2021. Since the Company could not confirm the actual number of shares held by them as of March 31, 2021, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 165,000	0.31
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	Shares 2,880,700	5.47

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.

Based on the foregoing policy, the Company paid a total dividend for the fiscal year under review of ¥40 per share (of which ¥20 was paid out as an interim dividend). This resulted in a dividend payout ratio of 44.5%.

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

The Articles of Incorporation were amended at the 91st Ordinary General Meeting of Shareholders held on June 22, 2021 to allow for dividends from surplus in accordance with a resolution of the Board of Directors based on the provisions of Article 459, paragraph 1 of the Companies Act.

Dividends for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on October 30, 2020	993	20
Resolution at the Ordinary General Meeting of Shareholders held on June 22, 2021	993	20

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 and services that make the best of ideas and technology to satisfy customers in every way."

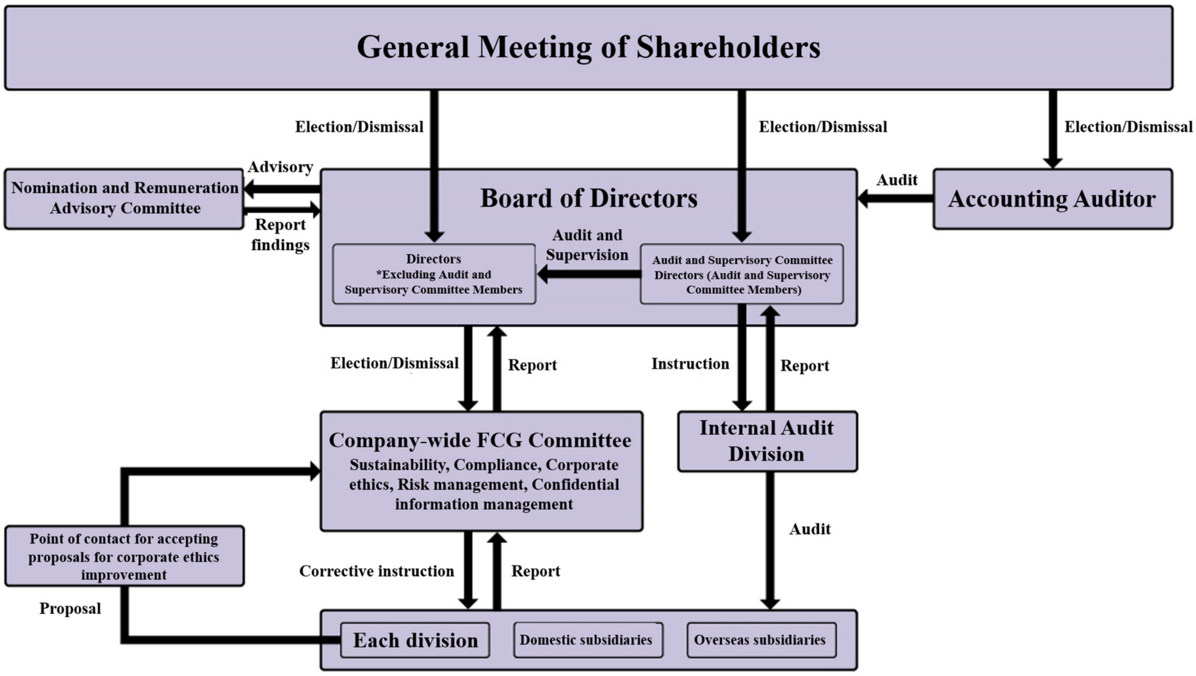
2) Summary of system of corporate governance and reasons for adopting the system

(i) Summary of the system of corporate governance

The Company has adopted an institutional design of a company with an Audit and Supervisory Committee.

The Board of Directors comprises 7 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. In addition, the Nominations and Remuneration Advisory Committee comprises four Directors, of whom three are Outside Director and the President and Representative Director serves as its chairperson, and deliberates and reports on findings pertaining to the nomination and remuneration of Directors, etc.

The following diagram shows the relationships among the Company's organizations and internal control as of June 24, 2021.



Note: The names of the Members of the Board of Directors, the Audit and Supervisory Committee and the Nominations and Remuneration Advisory 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. The Nominations and Remuneration Advisory Committee has been established to strengthen the independence and objectivity of the Board of Directors' functions pertaining to the nomination and remuneration of Directors, etc. and the accountability of the Board of Directors. 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.

Overview of a directors and officers liability insurance policy

The Company has concluded a Directors and Officers liability insurance agreement with an insurance company, as prescribed in Article 430-3, paragraph 1 of the Companies Act, and the Company bears the total amount of premiums. Under this agreement the insurance company covers damages that may arise from the insured persons assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility and the agreement is renewed annually. The Company plans to renew the agreement under the same terms and conditions when it is next renewed.

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

- Decision-making body for dividends of surplus

  To enable flexible return of profits to shareholders, the Company provides in its Articles of Incorporation that, except as otherwise prescribed by laws and regulations, it may make decisions on dividends of surplus and other matters set forth in each item of Article 459, paragraph 1 of the Companies Act by 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 12 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: 7, Women: – (Percentage of female officers: –%)

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	Feb. 2009 Joined the Company Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC (currently FCC (INDIANA), LLC) President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC) Jun. 2011 Director of the Company Apr. 2012 Director and Head of business operation in North America of the Company President and Director of FCC (North America), INC. Jun. 2012 Managing Director and Head of business operation in North America of the Company Apr. 2013 Managing Director and Head of business operation of motorcycles business of the Company Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company Jun. 2020 President and Representative Director of the Company (incumbent)	(Note 2)	164

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	Apr. 1984 Joined the Company Apr. 2009 General Manager of Corporate Planning Office of the Company Jun. 2010 Director, Head of business operation in China and South America and General Manager of Corporate Planning Office of the Company 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 Jan. 2012 Director, Head of business operation in China and South America and Risk Management Officer of the Company Apr. 2012 Director, Head of Production Engineering, Head of business operation in China and South America and Risk Management Officer of the Company 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 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 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 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 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 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 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)	(Note 2)	46

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 automobiles business and in charge of Stacked Mold Technology Development	Atsuhiro 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 June 2021 Managing Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development of the Company (incumbent)	(Note 2)	37
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)	23
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)	–

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	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)	–
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					270

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 22, 2021
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 supervise overall management and the decision process for the nomination and remuneration of Directors, etc. from the standpoint of experts and objective viewpoints based on extensive experience.

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

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

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

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

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

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	2	2
Ryujiro Matsumoto	10	10
Yoshinori Tsuji	12	11
Masahide Sato	12	12
Kazumoto Sugiyama	12	12

Notes: 1. Katsuyoshi Fukatsu retired as of the conclusion of the 90th Ordinary General Meeting of Shareholders held on June 23, 2020 and the table lists the number of committee meetings he attended up until retirement.

2. Ryujiro Matsumoto was appointed from the 90th Ordinary General Meeting of Shareholders held on June 23, 2020 and the table lists the number of committee meetings he attended following appointment.

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

33 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 ten 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, 2020		Fiscal year ended March 31, 2021	
	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	–	50	–
Consolidated subsidiaries	–	–	–	–
Total	53	–	50	–

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

1) Policy for determining remuneration, etc. 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.

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 after receiving the findings of the Nominations and

Remuneration Advisory Committee. 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 Representative Director Toshimichi Matsuda delegated by the Board of Directors based on its resolution decided remuneration, etc. 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. The reason for the delegation is that the Representative Director is judged to be appropriate in evaluating the business for which each director is responsible while having an overarching view of the performance of the Company and the Board of Directors judged those details to be in line with the decision-making policy.

The Company introduced a new officer remuneration system in accordance with a resolution of the 91st Ordinary General Meeting of Shareholders held on June 22, 2021, for the purpose of further promoting shared value with shareholders while aiming for sustained increase in corporate value.

Category	Type of remuneration	Form of payment	Limit on remuneration
Directors (excluding Directors who are Audit and Supervisory Committee Members)	Basic remuneration, remuneration based on individual assessment, performance-based bonus	Cash	Within ¥300 million per year
	Share-based remuneration	Shares	Within ¥100 million per year

Policy regarding the determination of details of remuneration, etc. for individual Directors is as follows.

1. Basic policy

The Company's remuneration for Directors is a remuneration system that is linked to business performance and shareholder benefit so that it can function as a sound and appropriate incentive for sustainable growth. The Company's basic policy on remuneration for individual Directors is to pay reasonable levels based on factors such as work responsibilities. Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) comprises basic remuneration, remuneration based on individual assessment, performance-based bonus, and share-based remuneration. Remuneration for Directors who are Audit and Supervisory Committee Members comprises only basic remuneration considering the duties involved in this role.

2. Basic remuneration

Basic remuneration is a fixed monthly remuneration paid in cash and is determined comprehensively taking into account factors including position, work responsibilities, and levels at other companies.

3. Remuneration based on individual assessment and performance-based bonus

Remuneration based on individual assessment is cash remuneration based on factors such as a qualitative assessment of the individual Director's contribution to business performance which is paid monthly as an addition to basic remuneration in the following business year.

Performance-based bonus is cash remuneration that reflect key performance indicators (KPI) aimed at enhancing awareness regarding improving business performance each business year. An amount calculated in accordance with consolidated operating profit for each business year is paid as bonus at a fixed time each year.

4. Share-based remuneration

Share-based remuneration is the granting of common shares subject to transfer restrictions (“restricted shares”) until the time of retirement at a fixed time each year with the purpose of promoting shared value with shareholders.

5. Ratio of remuneration

This is considered by the Nomination and Remuneration Advisory Committee using remuneration levels, etc. at companies of a similar size and that belong in the same sector and business category as the Company as benchmarks. The target ratio of different types of remuneration, etc. at standard times is basic remuneration : remuneration based on individual assessment : performance-based bonus : share-based remuneration = 65:10:15:10.

6. Method for determining details of remuneration, etc.

Regarding items related to remuneration for officers, remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) is decided by resolution of the Board of Directors within the scope of the maximum amount approved by the General Meeting of Shareholders after receiving recommendations from the Nomination and Remuneration Advisory Committee, of which Outside Directors form a majority, to ensure appropriateness and the objectivity and transparency of the decision making process. Remuneration for Directors who are Audit and Supervisory Committee Members is determined through discussions among Directors who are Audit and Supervisory Committee Members within the scope of the maximum amount approved by the General Meeting of Shareholders.

The determination of the specific amount of remuneration for individual Directors has been entrusted to the President and Representative Director by resolution of the Board of Directors and the President and Representative Director makes these decisions based on recommendations from the Nomination and Remuneration Advisory Committee.

At the 91st Ordinary General Meeting of Shareholders held on June 22, 2021, the amount of cash remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) was capped at ¥300 million per year (which, however, does not include salaries paid for work performed as employees) and the amount of share-based remuneration was capped at ¥100 million per year (number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of this Ordinary General Meeting of Shareholders: three).

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).

In the fiscal year under review the Nominations and Remuneration Advisory Committee convened four times. The Nominations and Remuneration Advisory Committee referred to office remuneration survey data from an external research institution and deliberated and reported the findings after considering the size of the Company’s business, etc., and the Board of Directors decided after receiving the report of findings.

Performance-based bonus

The Company shall pay performance-based bonus corresponds to profit-related remuneration provided for in Article 34, paragraph 1, item 3 of the Corporation Tax Act for the fiscal year ending March 31, 2022 as follows.

• Eligible Persons

Directors and Managing Officers corresponds to “executive officers” provided for in Article 34, paragraph 1, item 3 of the Corporation Tax Act

Excludes Directors who are Audit and Supervisory Committee Members.

• Method of calculating

The specific calculation method for each position shall be as follows. However, the amount paid shall be 0 if consolidated operating profit does not exceed ¥4 billion.

President and Representative Director (Consolidated operating profit - ¥4.0 billion) ×0.1725%

Managing Director (Consolidated operating profit - ¥4.0 billion) ×0.0805%

Managing Officer (Consolidated operating profit - ¥4.0 billion) ×0.0575%

Notes: 1. "Index indicating the status of profit" prescribed in Article 34, paragraph 1, item 3 (a) of the Corporation Tax Act shall be the "consolidated operating profit" for the fiscal year ending March 31, 2022.

2. The "consolidated operating profit" used in the above calculation shall be the amount of such payment amount before accounting for a loss.

3. The payment amount in the above formula shall be rounded down to the nearest ¥10,000.

• Defined amount

"Defined amount" prescribed in Article 34, paragraph 1, item 3 (a) of the Corporation Tax Act shall have a ceiling of ¥70 million.

• Other

The payment amount if a person retires during the term for unavoidable circumstances shall be the amount calculated on the basis that the person completed his or her term office with such amount proportionally calculated according to the number of months employed (rounded down to the nearest ¥10,000). The number of months shall be calculated in accordance with calendar, and if there are fractions less than one month the calculation will be rounded up to the nearest number of months.

Share-based remuneration

The intent is to pay in accordance with the details determined at the 91st Ordinary General Meeting of Shareholders held on June 22, 2021.

Eligible Persons	Directors (excluding Directors who are Audit and Supervisory Committee Members)
share-based remuneration allocation	Within ¥100 million per year Within 50,000 shares
Amount of payments	Determined at the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the day of each resolution of the Board of Directors, in a range that is not particularly beneficial to eligible Directors
Transfer restriction period	The period until the day of retirement or resignation as a Company Director or other position determined by the Company's Board of Directors
Conditions for removing the transfer restrictions	Removed when the transfer restriction period expires However, transfer restrictions are removed in the event of retirement or resignation due to reasons deemed reasonable by the Company's Board of Directors
Free acquisition by the Company	If there is a breach of laws and regulations, internal rules or the Allotment Agreement or other reasons equivalent obtaining such stock free of charge, the Company shall obtain such stock free of charge if this corresponds to a reason determined by the Company's Board of Directors

2) 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)	273	237	36	10
Directors, Audit and Supervisory Committee Members [Outside Directors]	37 [13]	37 [13]	– [–]	5 [3]
Total [Outside Directors]	310 [13]	274 [13]	36 [–]	15 [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 (number of Directors who are Audit and Supervisory Committee Members at the conclusion of this Ordinary General Meeting of Shareholders: eight). The details resolved at the 91st Ordinary General Meeting of Shareholders held on June 22, 2021 are listed in 1) above.

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).

4. No indicator and the like showing profit status has been established for bonuses for officers.

(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 shares other than unlisted shares was 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 1.2% 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	7	1,505

(Issues whose number of shares increased in the fiscal year ended March 31, 2021)

	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, 2021)

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

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

Specified investment shares

Issue	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	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	Principally engaged in the sale of motorcycle clutches to U.S. and European customers through this Group, which accounted for 3.3% 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
	1,099	820		
SUZUKI MOTOR CORPORATION	52,500	52,500	A customer for motorcycle clutches, etc. with sales to this Group accounting for 1.8% 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
	263	135		
Mizuho Financial Group, Inc.	53,216	532,169	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No
	85	65		
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
	23	15		
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
	22	10		

Issue	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	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	7,093	6,347	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
	8	5		
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		
TANAKA SEIMITSU KOGYO CO., LTD.	–	4,000	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.	Yes
	–	2		

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, 2021 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, 2020	As of March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	6, 27	35,350	39,607
Trade and other receivables	7, 27	24,229	31,710
Other financial assets	8, 27	2,114	4,493
Inventories	9	19,366	21,276
Other current assets	10	1,697	2,459
Total current assets		82,759	99,548
Non-current assets			
Property, plant and equipment	11, 13, 17, 30	61,491	57,570
Goodwill and intangible assets	12, 30	4,520	3,934
Investments accounted for using the equity method	14	63	152
Other financial assets	8, 27	10,374	12,076
Deferred tax assets	15	2,388	2,213
Other non-current assets	10, 19	129	148
Total non-current assets		78,968	76,096
Total assets		161,727	175,644

(Millions of yen)

	Notes	As of March 31, 2020	As of March 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 27	11,199	16,000
Borrowings	16, 27	7,206	7,208
Other financial liabilities	8, 27	345	492
Income taxes payable	15	2,133	2,217
Provisions	20	2,880	–
Other current liabilities	10	5,881	7,418
Total current liabilities		29,645	33,336
Non-current liabilities			
Borrowings	16, 27	1	–
Other financial liabilities	8, 27	1,189	1,238
Defined benefit liability	19	1,470	1,251
Provisions	20	29	29
Deferred tax liabilities	15	6,625	7,331
Other non-current liabilities	10	280	460
Total non-current liabilities		9,596	10,311
Total liabilities		39,241	43,648
Equity			
Issued capital	21	4,175	4,175
Retained earnings	21	123,579	125,943
Treasury shares	21	(4,787)	(4,788)
Other components of equity		(2,098)	4,908
Total equity attributable to owners of parent		120,869	130,239
Non-controlling interests		1,617	1,756
Total equity		122,486	131,996
Total liabilities and equity		161,727	175,644

(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, 2020	Fiscal year ended March 31, 2021
Revenue	4, 5	171,060	146,157
Cost of sales		(142,919)	(123,291)
Gross profit		28,141	22,866
Selling, general and administrative expenses	22	(15,813)	(15,624)
Other income	23	950	851
Other expense	13, 23	(5,381)	(1,126)
Operating profit	4	7,896	6,966
Finance income	24	1,025	1,396
Finance costs	24	(2,253)	(29)
Share of profit (loss) in investments accounted for using the equity method	14	(15)	(19)
Profit before income taxes		6,653	8,313
Income tax expense	15	(2,624)	(3,668)
Profit		4,028	4,644
Profit attributable to			
Owners of parent		3,921	4,462
Non-controlling interests		106	182
Profit		4,028	4,644
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	26	78.92	89.81
Diluted earnings per share (Yen)	26	–	–

(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, 2020	Fiscal year ended March 31, 2021
Profit		4,028	4,644
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	25	166	334
Changes in the fair value of financial assets measured at fair value through other comprehensive income	25	(912)	1,532
Total		(745)	1,867
Components that may be reclassified to profit or loss			
Exchange differences of foreign operations	25	(5,343)	5,575
Share of other comprehensive income of associates accounted for using equity method	14, 25	(8)	(19)
Total		(5,351)	5,555
Total other comprehensive income		(6,097)	7,423
Comprehensive income		(2,068)	12,067
Comprehensive income attributable to			
Owners of parent		(2,124)	11,805
Non-controlling interests		55	262
Comprehensive income		(2,068)	12,067

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

4) Consolidated statement of changes in equity

	Notes	Equity attributable to owners of parent			Other components of equity	
		Issued capital	Retained earnings	Treasury shares	Exchange differences of foreign operations	Changes in the fair value of financial assets measured at fair value through other compre-hensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2019		4,175	122,365	(4,787)	187	3,934
Profit		–	3,921	–	–	–
Other comprehensive income		–	–	–	(5,310)	(901)
Total comprehensive income		–	3,921	–	(5,310)	(901)
Purchase of treasury shares	21	–	–	(0)	–	–
Dividends	21	–	(2,881)	–	–	–
Transfer from other components of equity		–	175	–	–	(8)
Total transactions with the owners		–	(2,706)	(0)	–	(8)
Balance as of March 31, 2020		4,175	123,579	(4,787)	(5,122)	3,024
Profit		–	4,462	–	–	–
Other comprehensive income		–	–	–	5,490	1,517
Total comprehensive income		–	4,462	–	5,490	1,517
Purchase of treasury shares	21	–	–	(0)	–	–
Dividends	21	–	(2,434)	–	–	–
Transfer from other components of equity		–	335	–	–	(0)
Total transactions with the owners		–	(2,098)	(0)	–	(0)
Balance as of March 31, 2021		4,175	125,943	(4,788)	367	4,541

	Notes	Equity attributable to owners of parent: Other components of equity: Remeasurements of defined benefit plans	Equity attributable to owners of parent: Other components of equity: Total	Equity attributable to owners of parent: Total	Non-controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2019		–	4,122	125,875	1,652	127,527
Profit		–	–	3,921	106	4,028
Other comprehensive income		166	(6,045)	(6,045)	(51)	(6,097)
Total comprehensive income		166	(6,045)	(2,124)	55	(2,068)
Purchase of treasury shares	21	–	–	(0)	–	(0)
Dividends	21	–	–	(2,881)	(90)	(2,972)
Transfer from other components of equity		(166)	(175)	–	–	–
Total transactions with the owners		(166)	(175)	(2,882)	(90)	(2,972)
Balance as of March 31, 2020		–	(2,098)	120,869	1,617	122,486
Profit		–	–	4,462	182	4,644
Other comprehensive income		334	7,343	7,343	79	7,423
Total comprehensive income		334	7,343	11,805	262	12,067
Purchase of treasury shares	21	–	–	(0)	–	(0)
Dividends	21	–	–	(2,434)	(123)	(2,557)
Transfer from other components of equity		(334)	(335)	–	–	–
Total transactions with the owners		(334)	(335)	(2,434)	(123)	(2,558)
Balance as of March 31, 2021		–	4,908	130,239	1,756	131,996

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

5) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from (used in) operating activities			
Profit before income taxes		6,653	8,313
Depreciation and amortization expense		13,838	13,557
Impairment loss		2,167	777
Finance income and finance costs		(959)	(918)
Share of loss (profit) in investments accounted for using the equity method		15	19
Loss (gain) on sales and retirement of non-current assets		9	11
Decrease (increase) in inventories		(503)	(655)
Decrease (increase) in trade and other receivables		2,413	(5,989)
Increase (decrease) in trade and other payables		189	3,247
Increase (decrease) in defined benefit liability		(236)	26
Increase (decrease) in provisions		2,880	(2,880)
Other		1,682	536
Subtotal		28,148	16,046
Interest and dividend income received		945	965
Interest expenses paid		(126)	(50)
Income taxes paid		(4,004)	(3,999)
Income taxes refund and interest on refund received		116	9
Net cash flows from (used in) operating activities		25,079	12,971
Cash flows from (used in) investing activities			
Payments into time deposits		(1,239)	(2,456)
Proceeds from withdrawal of time deposits		457	1,203
Purchase of property, plant and equipment		(8,584)	(5,488)
Proceeds from sales of property, plant and equipment		567	130
Purchase of intangible assets		(1,307)	(1,449)
Proceeds from sales of intangible assets		0	–
Purchase of investments in associates		–	(108)
Payments of loans receivable		(119)	(163)
Collection of loans receivable		137	142
Purchase of investments		(482)	(1,231)
Proceeds from sales and redemption of investments		10	1,876
Other		(38)	(977)
Net cash flows from (used in) investing activities		(10,597)	(8,522)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		(5,527)	(18)
Repayments of lease liabilities		(489)	(599)
Purchase of treasury shares		(0)	(0)
Cash dividends paid	21	(2,882)	(2,434)
Cash dividends paid to non-controlling shareholders		(90)	(123)
Net cash flows from (used in) financing activities		(8,990)	(3,175)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net increase (decrease) in cash and cash equivalents		5,491	1,273
Cash and cash equivalents at beginning of period	6	32,444	35,350
Effect of exchange rate change on cash and cash equivalents		(2,585)	2,983
Cash and cash equivalents at end of period	6	35,350	39,607

(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, 2021 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 22, 2021.

(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 13. Impairment loss

Note 15. Income taxes

Note 19. Employee benefits

Note 20. Provisions

Information concerning uncertainty in the process and estimates that are risks that could cause significant adjustments for the following fiscal year is as follows:

Impairment loss on non-current assets (Note 13. Impairment loss)

Recoverability of deferred tax assets (Note 15. Income taxes)

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, 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).

Fiscal year ended March 31, 2021

	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	65,197	80,959	146,157	–	146,157
Intersegment revenue	–	–	–	–	–
Total	65,197	80,959	146,157	–	146,157
Depreciation and amortization expense	(5,189)	(8,246)	(13,435)	122	(13,557)
Other profit (loss)	(54,103)	(70,536)	(124,640)	(992)	(125,632)
Operating profit	5,904	2,177	8,081	(1,115)	6,966
Finance income					1,396
Finance costs					(29)
Share of profit (loss) in investments accounted for using the equity method					(19)
Profit before income taxes					8,313

Note: Other profit (loss) includes ¥777 million of impairment loss (¥777 million for motorcycle 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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Japan	16,668	15,154
U.S.	66,078	55,925
Indonesia	20,256	12,527
India	20,403	16,552
Other	47,653	45,997
Total	171,060	146,157

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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Japan	21,099	20,145
U.S.	28,631	24,597
China	1,373	2,265
Other	14,988	14,557
Total	66,093	61,566

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, 2020	Fiscal year ended March 31, 2021
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	39,158	29,986
	Automobile clutches	36,560	30,524
Ford and its group	Automobile clutches	30,671	24,527

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, 2020

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

Fiscal year ended March 31, 2021

	As of April 1, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Contract liability	10	28

The amount of revenue recognized in the balance of contract liability at the beginning of the period was ¥78 million in the previous fiscal year and ¥10 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. Cash and cash equivalents

Breakdown of cash and cash equivalents

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Cash and deposits	35,350	39,607

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

7. Trade and other receivables

Breakdown of trade and other receivables

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	22,345	29,311
Accounts receivable - other	1,891	2,407
Allowance for credit losses	(7)	(7)
Total	24,229	31,710

Note: Information on management of credit risk and liquidity risk to “trade and other receivables” is provided in the note “27. Financial instruments.”

8. Other financial assets and other financial liabilities

Breakdown of other financial assets

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Loans and receivables	2,114	3,513
Debentures	–	980
Total	2,114	4,493
Other non-current financial assets		
Financial assets measured at fair value through other comprehensive income	8,968	9,655
Financial assets measured at amortized cost		
Loans and receivables	1,460	1,498
Debentures	–	980
Allowance for credit losses	(54)	(57)
Total	10,374	12,076

Breakdown of other financial liabilities

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	345	437
Financial liabilities measured at fair value through profit or loss (derivatives)	–	54
Total	345	492
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Long-term accounts payable - other	127	–
Lease liabilities	864	1,238
Financial liabilities measured at fair value through profit or loss (derivatives)	196	–
Total	1,189	1,238

9. Inventories

Breakdown of inventories

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Finished goods	3,745	4,220
Work in process	2,620	3,049
Raw materials and supplies	12,999	14,006
Total	19,366	21,276

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Amount of write-down	1,030	1,176
Amount of inventories	142,919	123,291

10. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	824	1,192
Prepaid expenses	345	383
Suspense payments	60	92
Other	466	791
Total	1,697	2,459
Other non-current assets		
Long-term prepaid expenses	81	61
Other	48	87
Total	129	148

Breakdown of other liabilities

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	1,797	3,124
Accrued bonuses	1,803	1,758
Other	2,280	2,536
Total	5,881	7,418
Other non-current liabilities		
Deferred income	9	166
Other	270	294
Total	280	460

11. 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
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
Acquisition	171	1,822	575	–	1,004	–	3,520	7,094
Disposal	(43)	(1,566)	(1,570)	(7)	–	–	(179)	(3,367)
Transfer of line items	785	1,559	858	–	–	–	(3,202)	–
Exchange differences on translation	1,046	4,148	471	105	161	–	69	6,003
Other	–	–	(2)	8	(20)	–	(25)	(40)
March 31, 2021	41,617	129,766	19,216	6,404	4,223	–	3,279	204,508

(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
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
Depreciation	1,489	8,417	1,663	–	429	–	–	12,000
Impairment loss	114	123	2	46	–	–	–	286
Disposal	(38)	(1,444)	(1,474)	–	–	–	–	(2,957)
Exchange differences on translation	541	3,286	410	–	42	–	–	4,280
Other	–	–	0	–	–	–	–	0
March 31, 2021	24,568	103,004	16,848	1,408	1,019	–	88	146,937

(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, 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
Balance as of March 31, 2021	17,048	26,761	2,368	4,996	3,204	–	3,190	57,570

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 "30. Commitments."

12. 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	Patent right	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 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
Acquisition	–	115	–	109	225
Increase due to internal development	–	–	1,243	–	1,243
Disposal	–	(15)	(291)	–	(307)
Transfer of line items	–	–	–	–	
Exchange differences on translation	–	27	–	–	27
Other	–	4	–	–	4
March 31, 2021	489	2,189	6,165	109	8,953

(2) Accumulated amortization and impairment loss

	Goodwill	Intangible assets: Software	Intangible assets: Properties for development	Intangible assets: Patent right	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 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
Amortization expense	–	135	1,437	1	1,574
Impairment loss	489	1	–	–	490
Disposal	–	(15)	(291)	–	(307)
Exchange differences on translation	–	18	–	–	18
Other	–	2	–	–	2
March 31, 2021	489	1,811	2,716	1	5,018

(3) Carrying amount

	Goodwill	Intangible assets: Software	Intangible assets: Properties for development	Intangible assets: Patent right	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2019	489	356	3,356	–	4,201
March 31, 2020	489	389	3,642	–	4,520
March 31, 2021	–	378	3,448	108	3,934

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 “30. Commitments.”

13. Impairment loss

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Buildings and structures	670	114
Machinery, equipment and vehicles	1,250	123
Tools, furniture and fixtures	–	2
Land	247	46
Total property, plant and equipment	2,167	286
Goodwill	–	489
Software, etc.	–	1
Total other non-current assets, etc.	–	490
Total impairment loss	2,167	777

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, 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.

Fiscal year ended March 31, 2021

The Company has conducted an impairment test with regard to some of the Group's domestic consolidated subsidiaries, based on the latest plan, taking account of the business environment and profitability. Consequently, the carrying amount of the assets held by such Group companies was reduced to the recoverable amount and recorded as impairment loss (¥777 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.

(4) Significant accounting estimates and assumptions

1) The amount of impairment loss recorded in the consolidated financial statements for the fiscal year ended March 31, 2021: ¥777 million (domestic consolidated subsidiaries)

(Note) Of the impairment loss recorded in the consolidated financial statements for the fiscal year ended March 31, 2021, the amount of impairment loss that could have a significant impact on consolidated financial statements from subsequent fiscal years is ¥288 million.

2) Information for understanding the details of accounting estimates

(i) Calculation method

Impairment is measured for assets indicating impairment and asset groups, and if the recoverable amount is below the carrying amount, such difference is recorded as impairment loss. The Group measures the recoverable amount of such asset groups by value in use and such value in use is calculated as the discounted present value of the estimated future cash flows.

The above impairment amount includes assets scheduled to be sold and under such circumstances if the net estimated selling price of such assets is below the carrying amount, such difference is recorded as impairment loss.

(ii) Major assumption

It is very hard to forecast the impact that changes in the Japanese economy, including the timing for containment of COVID-19, will have on the Group's performance, but considering the business environment of companies subject to the above impairment based on certain assumptions with improved estimates, the Company calculates the future cash flows using a revised business plans with somewhat conservative views for the amount of orders relative to the initial plan. In addition, we presume that the economic conditions will gradually recover as COVID-19 is contained with the rollout of the vaccines, etc.

(iii) Impact on the consolidated financial statements for the next fiscal year

The future performance of the companies subject to the above impairment may be affected by the future uncertain economic conditions and change in the business environment. If the recoverability of the impairment loss recorded in the fiscal year ended March 31, 2021 increases, there could be an impact on the consolidated financial statements of subsequent fiscal years due to reversal of such impairment loss, etc.

14. Investments accounted for using the equity method

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

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Total carrying amount	63	152

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Profit	(15)	(19)
Other comprehensive income	(8)	(19)
Comprehensive income	(23)	(39)

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

15. Income taxes

(1) Deferred tax assets and liabilities

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

Fiscal year ended March 31, 2020

	April 1, 2019	Recognized through profit or loss	Recognized in other comprehensive 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)

Fiscal year ended March 31, 2021

	April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Other	March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	771	80	–	–	10	861
Accrued bonuses	408	(24)	–	–	–	384
Accruals	149	15	–	–	5	170
Non-current assets	1,659	(202)	–	–	(41)	1,416
Defined benefit liability	418	41	(120)	–	16	355
Other	1,479	(162)	–	–	(19)	1,297
Total	4,886	(252)	(120)	–	(27)	4,485
Deferred tax liabilities						
Non-current assets	(4,383)	534	–	–	180	(3,668)
Available-for-sale financial assets	(1,289)	–	(648)	–	–	(1,937)
Retained surplus of overseas consolidated subsidiaries	(3,476)	(387)	–	–	–	(3,863)
Other	25	(132)	–	–	(27)	(134)
Total	(9,123)	14	(648)	–	153	(9,603)

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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Unused tax losses	7,583	7,224
Deductible temporary differences	562	657
Total	8,145	7,881

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

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
1st year	656	395
2nd year	395	166
3rd year	166	970
4th year	970	1,684
5th year and onward	5,394	4,007
Total	7,583	7,224

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥47,023 million as of March 31, 2020 and ¥47,734 million as of March 31, 2021. 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) Significant accounting estimates and assumptions pertaining to the recoverability of deferred tax assets

1) The amount of deferred tax assets recorded in the consolidated financial statements for the fiscal year ended March 31, 2021 ¥2,213 million

2) Information for understanding the details of accounting estimates

(i) Calculation method

Deferred tax assets are recorded as the tax amount pertaining to deductible temporary differences and unused tax losses (hereinafter, deductible temporary differences, etc.) after deducting the amount of taxes thought unlikely to be recovered in future fiscal years.

The amount deducted as though unlikely to be recovered is judged to be the amount of such deductible temporary differences, etc. that cannot be scheduled from forecast taxable income based on the future business plan.

(ii) Major assumption

It is very hard to forecast the impact that changes in the Japanese economy will have on the Group's performance, but we presume that the economic conditions will gradually recover as COVID-19 is contained with the rollout of the vaccines, etc. as a certain assumption for making an improved estimate, and estimate the future taxable income, while estimating the recoverability of deferred tax assets for accounting purposes.

(iii) Impact on the consolidated financial statements for the next fiscal year

We record deferred tax assets based on the currently anticipated forecast improvements, but future tax income could be substantially affected by future changes in economic conditions and the business environment and the timing of containment of COVID-19, etc., which could have a major impact on the recoverability of deferred tax assets.

(3) Breakdown of income tax expense

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Current tax expense	3,576	3,431
Deferred tax expense	(951)	237
Total	2,624	3,668

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	%	%
Effective statutory tax rate	29.9	29.9
Non-deductible expenses in calculation of taxable profits	5.2	4.1
Unrecognized deferred tax assets	8.5	2.5
Tax credits	7.5	5.2
Difference from the applicable tax rate of overseas subsidiaries	(12.3)	(8.3)
Retained surplus of overseas subsidiaries	–	4.7
Impact of change in tax laws	–	4.1
Income taxes for prior periods	–	3.8
Other	0.7	(1.9)
Effective tax rate	39.5	44.1

16. Borrowings

Breakdown of borrowings

	As of March 31, 2020	As of March 31, 2021	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Short-term borrowings	7,188	7,207	0.27	–
Current portion of long-term borrowings	18	1	0.65	–
Total	7,206	7,208		
Non-current				
Financial liabilities measured at amortized cost				
Long-term borrowings	1	–	–	–
Total	1	–		

Notes: 1. “Average interest rate” shows weighted average interest rate on the balance as of March 31, 2021.
2. “Due” shows the repayment due for the balance as of March 31, 2021.
3. For the breakdown of the balance of borrowings by due date, refer to the note “27. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

17. Leases

Breakdown of the expense relating to leases is as follows.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Depreciation expense for right-of-use assets		
Land, buildings and structures	333	372
Machinery, equipment and vehicles	40	37
Tools, furniture and fixtures	18	18
Total	393	429
Interest expense for lease liabilities	21	14
Expense for short-term leases	2	7
Expense for low-value asset leases	3	3
Total	26	24

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

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Right-of-use assets		
Land, buildings and structures	2,263	2,965
Machinery, equipment and vehicles	131	112
Tools, furniture and fixtures	135	127
Total	2,530	3,204

Notes: 1. The amount of increase in the right-of-use assets was ¥475 million in the fiscal year ended March 31, 2020 and ¥1,004 million in the fiscal year ended March 31, 2021.

2. The total cash outflow for leases was ¥489 million in the fiscal year ended March 31, 2020 and ¥599 in the fiscal year under ended March 31, 2021.

3. The amount of lease liabilities was ¥345 million (current) and ¥864 million (non-current) in the fiscal year ended March 31, 2020 and ¥437 million (current) and ¥1,238 million (non-current) in the fiscal year ended March 31, 2021. 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 "27. Financial instruments, (3) Financial risk management, 2) Liquidity risk management."

18. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Notes and accounts payable - trade	8,196	11,722
Electronically recorded obligations - operating	1,066	1,120
Accounts payable - other	1,935	3,157
Total	11,199	16,000

19. 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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Funded defined benefit obligations	9,020	9,322
Plan assets	(8,672)	(9,512)
Subtotal	348	(190)
Unfunded defined benefit obligations	1,074	1,353
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,422	1,163
Defined benefit liability	1,470	1,251
Defined benefit asset	(48)	(87)
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,422	1,163

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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	804	790

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	10,138	10,095
Service cost	718	702
Interest cost	133	151
Past service cost	(49)	(44)
Remeasurement	(301)	47
Retirement benefits paid	(344)	(450)
Exchange differences on translation	(199)	175
Defined benefit obligations at end of period	10,095	10,676

Note: The weighted average duration of defined benefit obligations was 11.9 to 18 years as of March 31, 2020 and 11.5 to 17 years as of March 31, 2021.

4) Reconciliation of plan assets

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Plan assets at beginning of period	8,037	8,672
Interest income	46	63
Remeasurement	(59)	376
Contributions by the employer	944	732
Retirement benefits paid	(276)	(356)
Exchange differences on translation	(19)	24
Plan assets at end of period	8,672	9,512

5) Composition of plan assets

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Debentures	4,764	4,395
Shares	631	2,086
Other	3,276	3,030
Total	8,672	9,512

6) Major actuarial assumptions

	As of March 31, 2020	As of March 31, 2021
	%	%
Discount rate (Japan)	0.5	0.5
Discount rate (Overseas)	3.0 to 8.8	3.0 to 7.9

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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(539)	(549)
0.5% decrease in the discount rate	561	575

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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Amount recorded as expenses	266	221

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

1) Latest funding position of multi-employer plan

	As of March 31, 2019	As of March 31, 2020
	Millions of yen	Millions of yen
Plan assets	62,661	60,452
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	53,613	52,861
Difference	9,047	7,590

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

	As of March 31, 2019	As of March 31, 2020
	%	%
Proportion of contributions by the Group	6.2	6.3

20. 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, 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
Interest expense during the period in discounting	–	0	0
Decrease during the period (intended use)	(2,880)	–	(2,880)
Decrease during the period (reversal)	–	0	0
March 31, 2021	–	29	29
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.

21. 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, 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
Change during the period	–	–	–
As of March 31, 2021	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, 2019	2,955,975	4,787
Change during the period	124	0
As of March 31, 2020	2,956,099	4,787
Change during the period	133	0
As of March 31, 2021	2,956,232	4,788

Note: Changes during the previous fiscal year are due to purchase of shares less than one unit of 124 shares.
Changes during the fiscal year under review are due to purchase of shares less than one unit of 133 shares.

(4) Dividends

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

Fiscal year ended March 31, 2021

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
October 30, 2020 Board of Directors meeting	993	20.00	September 30, 2020	November 26, 2020

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

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

Fiscal year ended March 31, 2021

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 22, 2021 Ordinary General Meeting of Shareholders	993	20.00	March 31, 2021	June 23, 2021

22. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Packing and shipping expenses	1,598	1,818
Personnel expenses	5,132	4,915
Depreciation and amortization expense	427	424
Research and development expense	3,812	3,642
Other	4,842	4,824
Total	15,813	15,624

23. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Gain on sales of non-current assets	192	61
Grant income	45	13
Other	711	775
Total	950	851

(2) Breakdown of other expense

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	202	73
Impairment loss	2,167	777
Provision for product warranty	2,880	–
Other	131	275
Total	5,381	1,126

Notes: 1. Refer to the note “13. Impairment loss” for impairment loss.
2. Refer to the note “20. Provisions” for provision for product warranty.

24. Finance income and finance costs

(1) Breakdown of finance income

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, financial assets measured at amortized cost	744	715
Dividend income		
Changes in the fair value of financial assets measured at fair value through other comprehensive income	281	232
Foreign exchange gains	–	283
Other	–	165
Total	1,025	1,396

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Interest expense		
Borrowings	44	15
Lease liabilities	21	14
Other	0	0
Foreign exchange losses	2,030	–
Other	157	–
Total	2,253	29

25. 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, 2020

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	227	–	227	(61)	166
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(1,301)	–	(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)

Fiscal year ended March 31, 2021

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	455	–	455	(120)	334
Changes in the fair value of financial assets measured at fair value through other comprehensive income	2,181	–	2,181	(648)	1,532
Subtotal	2,637	–	2,637	(769)	1,867
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	5,575	–	5,575	–	5,575
Share of other comprehensive income of associates accounted for using equity method	(19)	–	(19)	–	(19)
Subtotal	5,555	–	5,555	–	5,555
Total	8,192	–	8,192	(769)	7,423

26. Earnings per share

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

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit attributable to ordinary equity holders of parent (Millions of yen)	3,921	4,462
Weighted-average number of ordinary shares (Thousands of shares)	49,688	49,687
Basic earnings per share (Yen)	78.92	89.81

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

27. 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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Financial assets		
Financial assets measured at amortized cost		
Trade and other receivables	24,229	31,710
Other financial assets	3,520	6,914
Cash and cash equivalents	35,350	39,607
Financial assets measured at fair value through other comprehensive income		
Other financial assets (shares)	7,178	9,651
Other financial assets	1,789	4
Total financial assets	72,068	87,889
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (derivatives)		
Other financial liabilities	196	54
Financial liabilities measured at amortized cost		
Trade and other payables	11,199	16,000
Borrowings	7,207	7,208
Other financial liabilities	1,337	1,676
Total financial liabilities	19,941	24,939

(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 past due and credit are as follows.

Trade receivables past due

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

As of March 31, 2021

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	638	–	638
Balance at end of period	151	–	151

Allowance for credit losses

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

As of March 31, 2021

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	62	–	62
Increase in the period	1	–	1
Decrease in the period	(55)	–	(55)
Other	–	–	–
Balance at end of period	7	–	7

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, 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

As of March 31, 2021

	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	16,000	16,000	16,000	–	–	–	–	–
Borrowings	7,208	7,218	7,218	–	–	–	–	–
Lease liabilities	1,676	1,747	432	317	164	136	115	581
Other financial liabilities	54	54	54	–	–	–	–	–
Total	24,939	25,021	23,706	317	164	136	115	581

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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
US dollar	130	94
RMB	16	7

(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 ¥562 million in the previous fiscal year and ¥780 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, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Honda Motor Co., Ltd.	4,546	6,250
KANEMATSU CORPORATION	820	1,099
SUZUKI MOTOR CORPORATION	135	263
Mizuho Financial Group, Inc.	65	85
Kawasaki Heavy Industries, Ltd.	22	41
Sumitomo Mitsui Financial Group, Inc.	15	23

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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Fair value at the date of derecognition	10	2
Cumulative gain (loss) on disposal	8	0

Notes: 1. Primarily with the purpose of reviewing business relationships, 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, 2020	Fiscal year ended March 31, 2021
	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	266	212
Total	266	212

(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

The carrying amounts of financial instruments measured at amortized cost reasonably approximate the fair values.

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, 2020

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	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

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Listed shares	7,800	–	–	7,800
Unlisted shares	–	–	1,851	1,851
Other	–	–	4	4
Total	7,800	–	1,855	9,655
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (derivatives)	–	54	–	54
Total	–	54	–	54

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, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Balance at beginning of period	3,078	3,340
Acquisition	–	–
Total gains and losses		
Other comprehensive income	262	476
Balance at end of period	3,340	3,816

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.

28. 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 [45.30]
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. (SHANGHAI) CO., LTD.	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.

29. Related parties

(1) Related party 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

Notes: 1. Of the above amounts, the transaction amount does not include consumption tax, etc. and the balance at the end of the fiscal year includes consumption tax, etc.

2. The method for determining the sales price is to create a quotation considering the economically rational market price and the Company's production technology, etc. with determination made by negotiation of the price following submission of the quotation.

Fiscal year ended March 31, 2021

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	9,574	1,747

Notes: 1. Of the above amounts, the transaction amount does not include consumption tax, etc. and the balance at the end of the fiscal year includes consumption tax, etc.

2. The method for determining the sales price is to create a quotation considering the economically rational market price and the Company's production technology, etc. with determination made by negotiation of the price following submission of the quotation.

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
	Millions of yen	Millions of yen
Remuneration and bonuses	350	340

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."

30. Commitments

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

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	861	1,182

31. 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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	4,969	3,900
Electronically recorded monetary claims - operating	188	324
Accounts receivable - trade	8,420	7,619
Securities	–	980
Merchandise and finished goods	858	726
Work in process	682	688
Raw materials and supplies	2,392	2,540
Prepaid expenses	63	67
Short-term loans receivable from subsidiaries and associates	9,123	5,781
Other	2,478	2,323
Allowance for doubtful accounts	(2)	(2)
Total current assets	29,176	24,951
Non-current assets		
Property, plant and equipment		
Buildings	5,024	4,854
Structures	364	323
Machinery and equipment	4,571	4,309
Vehicles	60	49
Tools, furniture and fixtures	678	620
Land	3,878	3,878
Construction in progress	92	300
Total property, plant and equipment	14,670	14,336
Intangible assets		
Patent right	–	108
Software	162	166
Software in progress	11	–
Other	0	–
Total intangible assets	174	274
Investments and other assets		
Investment securities	3,470	3,372
Shares of subsidiaries and associates	21,214	24,874
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	113	121
Long-term loans receivable from subsidiaries and associates	4,029	3,321
Long-term prepaid expenses	52	34
Deferred tax assets	1,031	10
Other	687	687
Allowance for doubtful accounts	(772)	(772)
Total investments and other assets	38,747	40,570
Total non-current assets	53,591	55,182
Total assets	82,768	80,133

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes payable - trade	36	6
Accounts payable - trade	2,634	2,915
Short-term loans payable	7,188	7,207
Accounts payable - other	870	660
Electronically recorded obligations - operating	1,066	1,120
Accrued expenses	379	344
Income taxes payable	18	336
Advances received	6	4
Deposits received	51	63
Provision for bonuses	1,199	1,129
Provision for product warranties	2,880	–
Other	50	45
Total current liabilities	16,382	13,834
Non-current liabilities		
Provision for retirement benefits	375	116
Asset retirement obligations	29	29
Other	27	–
Total non-current liabilities	432	145
Total liabilities	16,814	13,980
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	484	483
General reserve	54,500	54,500
Retained earnings brought forward	2,200	817
Total retained earnings	59,829	58,445
Treasury shares	(4,787)	(4,788)
Total shareholders' equity	63,783	62,399
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,170	3,754
Total valuation and translation adjustments	2,170	3,754
Total net assets	65,953	66,153
Total liabilities and net assets	82,768	80,133

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	38,337	34,224
Cost of sales		
Beginning finished goods	915	858
Cost of products manufactured	28,037	25,520
Purchase of finished goods	595	377
Total	29,548	26,756
Ending finished goods	858	726
Cost of finished goods sold	28,689	26,029
Gross profit	9,647	8,194
Selling, general and administrative expenses		
Packing and delivery expenses	748	694
Salaries and allowances	1,704	1,736
Provision for bonuses	251	219
Retirement benefit expenses	200	232
Depreciation	90	92
Research and development expense	4,834	4,857
Other	1,952	1,872
Total selling, general and administrative expenses	9,781	9,706
Operating loss	(134)	(1,511)
Non-operating income		
Interest income	461	160
Interest on capital receivable	86	51
Interest on securities	495	584
Dividend income	3,050	3,432
Rental income	11	9
Commissions on equipment sales	121	158
Foreign exchange gains	–	150
Technical advisory fee	89	36
Other	79	146
Total non-operating income	4,395	4,730
Non-operating expenses		
Interest expenses	63	22
Rent expenses	5	2
Foreign exchange losses	904	–
Provision of allowance for doubtful accounts	747	–
Other	37	17
Total non-operating expenses	1,757	42
Ordinary profit	2,503	3,175
Extraordinary income		
Gain on sales of non-current assets	63	2
Gain on sales of investment securities	8	0
Settlement received	166	–
Total extraordinary income	238	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	122	22
Loss on valuation of shares of subsidiaries and associates	–	696
Provision for product warranties	2,880	–
Total extraordinary losses	3,002	718
Profit (loss) before income taxes	(260)	2,460

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Income taxes - current	758	737
Income taxes for prior periods	–	316
Income taxes - deferred	(839)	355
Total income taxes	(81)	1,409
Profit (loss)	(179)	1,050

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
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 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 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

Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	484	54,500	2,200	59,829
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	–
Provision of general reserve										–
Dividends of surplus									(2,434)	(2,434)
Profit									1,050	1,050
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	–	(0)	–	(1,383)	(1,383)
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	483	54,500	817	58,445

	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)	63,783	2,170	2,170	65,953
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		–			–
Provision of general reserve					
Dividends of surplus		(2,434)			(2,434)
Profit		1,050			1,050
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			1,583	1,583	1,583
Total changes of items during period	(0)	(1,383)	1,583	1,583	199
Balance at end of current period	(4,788)	62,399	3,754	3,754	66,153

[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
Machinery and equipment	9 years

(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. 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.

Significant accounting estimates

1. Recoverability of deferred tax assets

(1) The amount recorded in the non-consolidated financial statement for the fiscal year under review
¥10 million

(2) Information for understanding the details of accounting estimates

This description is omitted because the relevant information is described in "15. Income taxes."

2. Recognition of allowance for doubtful accounts

(1) The amount recorded in the non-consolidated financial statement for the fiscal year under review
¥774 million

(2) Information for understanding the details of accounting estimates

1) Calculation method

Allowance for doubtful accounts is recorded against loans to some overseas subsidiaries, and the entire amount of the difference between the present value, calculated by applying a certain discount rate based on the recovery plan in light of the estimated future cash flows and cash positions, etc. from such borrowers' future business plans, and the carrying amount and the scheduled recovery amount for the term beyond the production plan indicated by the customer is recorded as allowance for doubtful accounts as a type of suspended claim.

2) Major assumption

It is very hard to forecast the impact that changes in the Japanese economy will have on the Group's performance, but we estimate such allowance for doubtful accounts based on a recovery plan that incorporates certain adjustments to the future business plan in light of the gap between the plan and actual performance to date as a certain assumption for making an improved estimate.

3) Impact on the non-consolidated financial statements for the next fiscal year

We record allowance for doubtful accounts based on the currently anticipated forecast improvements, but the acquisition of future cash flows could be substantially affected by future changes in economic conditions and the business environment, which could have a major impact on the recoverability of loans and the amount recorded for allowance for doubtful accounts.

Changes in presentation

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the non-consolidated financial statements from the fiscal year ended March 31, 2021, and included in the notes concerning significant accounting estimates in the non-consolidated financial statements.

However, in accordance with the transitional provisions prescribed in the proviso of paragraph 11 of such Accounting Standard, such notes do not show the details relating to the previous fiscal year.

4) Supplementary statements

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

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase in the period	Decrease in the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	5,024	106	2	274	4,854	7,586
	Structures	364	0	0	41	323	1,247
	Machinery and equipment	4,571	1,033	32	1,263	4,309	19,945
	Vehicles	60	11	1	20	49	145
	Tools, furniture and fixtures	678	308	79	286	620	5,498
	Land	3,878	–	–	–	3,878	–
	Construction in progress	92	751	543	–	300	–
	Total	14,670	2,212	658	1,887	14,336	34,423
Intangible assets	Patent right	–	109	–	1	108	1
	Right of using water facilities	0	–	–	0	–	4
	Software	162	71	–	68	166	184
	Software in progress	11	–	11	–	–	–
	Total	174	181	11	69	274	189
Investments and other assets	Long-term prepaid expenses	52	–	18	–	34	–

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

Property, plant and equipment

[Increase]

Machinery and equipment	R&D Center	Testing apparatus and measuring instruments	¥423 million
Machinery and equipment	Watagashima Factory	Manufacturing facilities for clutches	¥212 million
Machinery and equipment	Manufacturing Technology Center	Equipment for making equipment and gold molds	¥190 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	774	–	–	774
Provision for bonuses	1,199	1,129	1,199	1,129
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.

(3) Other

Not applicable.

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: https://www.fcc-net.co.jp/
Special benefits for shareholders	• Content of the shareholder special benefit plan Regional goodies worth ¥2,500 are offered to each shareholder holding 200 shares or more who is on the list of shareholders as of March 31 and September 30 every year.

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