Annual Securities Report

86th term (from April 1, 2015 to March 31, 2016)

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, 2016
Fiscal year	86th term (from April 1, 2015 to March 31, 2016)
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	Toshimichi Matsuda, President and Representative Director
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Telephone number	+81-53-523-2400 (Main)
Name of contact person	Ryujiro Matsumoto, Director, Head of Management and Administration
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

A. Company information

I. Overview of the Company

1. Trends in selected financial data

(1) Summary of consolidated financial data

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

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

2. Revenue does not include consumption taxes.

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

Term	Japanese GAAP			
	82nd term	83rd term	84th term	85th term
Fiscal year-end	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015
Net sales (Millions of yen)	117,068	126,245	144,890	153,939
Ordinary income (Millions of yen)	11,494	13,124	16,115	12,952
Profit attributable to owners of parent (Millions of yen)	7,276	7,942	13,148	6,760
Comprehensive income (Millions of yen)	6,244	17,707	16,269	16,702
Net assets (Millions of yen)	81,208	97,491	111,099	115,948
Total assets (Millions of yen)	103,937	122,258	137,909	162,348
Net assets per share (Yen)	1,497.72	1,780.34	2,075.83	2,195.73
Basic earnings per share (Yen)	144.98	158.26	261.99	134.70
Diluted earnings per share (Yen)	–	–	–	–
Equity ratio (%)	72.32	73.09	75.54	67.88
Return on equity (ROE) (%)	9.96	9.66	13.59	6.31
Price earnings ratio (PER) (Times)	12.75	14.27	7.01	13.93
Net cash provided by (used in) operating activities (Millions of yen)	12,360	13,491	13,646	13,465
Net cash provided by (used in) investing activities (Millions of yen)	(10,309)	(11,355)	(15,120)	(21,783)
Net cash provided by (used in) financing activities (Millions of yen)	(3,204)	(2,176)	(2,771)	4,129
Cash and cash equivalents at end of period (Millions of yen)	20,591	23,369	20,147	17,403
Number of employees	5,946	7,011	7,214	7,564
[Separately, average number of temporary employees]	[3,345]	[3,641]	[3,444]	[3,676]

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

2. Net sales do not include consumption taxes.

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

2. Company history

Year	Month	Event
1939	June	Fuji Lite Industries Co., Ltd. is established in Sato-cho, Hamamatsu-shi, Shizuoka. The Company begins manufacturing clutch plates, gears and other products employing compression molding of Bakelite resins.
1943	March	Changes name to Fuji Chemical Co., Ltd.
1982	February	Establishes Kyushu Fuji Chemical Industries Co., Ltd. (currently KYUSHU F.C.C. CO., LTD., a consolidated subsidiary) in Matsubase-machi, Shimomashiki-gun, Kumamoto (currently Uki-shi, Kumamoto).
1984	July	Changes name to F.C.C. CO., LTD.
1988	July	Establishes JAYTEC, INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
1989	March	Establishes FCC (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Bangkok, Thailand.
1989	June	Moves its corporate head office to the current address.
1992	September	Makes equity investment in KWANG HWA SHING INDUSTRIAL CO., LTD. of Tainan, Taiwan.
1993	September	Establishes FCC (PHILIPPINES) CORP. (currently a consolidated subsidiary) in Laguna, Philippines.
	October	Acquires shares of TENRYU SANGYO CO., LTD. (currently a consolidated subsidiary)
1994	August	Registers its shares for OTC trading with Japan Securities Dealers Association.
	December	Establishes CHENGDU JIANG HUA. F.C.C. CLUTCHES. CO., LTD. (currently CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a consolidated subsidiary) in Chengdu, Sichuan, China.
1995	March	Establishes CHU'S F.C.C. CO., LTD. (SHANGHAI) (currently a consolidated subsidiary) in Shanghai, China.
	September	Establishes FCC (EUROPE) LTD. in Milton Keynes, UK.
1997	April	Establishes FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD., a consolidated subsidiary) in Haryana, India.
1998	November	Establishes FCC DO BRASIL LTDA. (currently a consolidated subsidiary) in Amazonas, Brazil.
2000	April	Establishes FCC (North Carolina), INC. (currently FCC (North Carolina), LLC., a consolidated subsidiary) in North Carolina, U.S.A.
2001	April	Establishes PT. FCC INDONESIA (currently a consolidated subsidiary) in Karawang, Indonesia.
2002	December	Establishes FCC (North America), INC. (currently a consolidated subsidiary) and FCC (INDIANA), INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
2003	February	Lists its shares on the Second Section of the Tokyo Stock Exchange.
	May	Establishes FCC (Adams), LLC. (currently a consolidated subsidiary) in Indiana, U.S.A.
2004	March	Lists its shares on the First Section of the Tokyo Stock Exchange.
2005	June	Increases investment in KWANG HWA SHING INDUSTRIAL CO., LTD. (currently FCC (TAIWAN) CO., LTD.), making the company a consolidated subsidiary.
	November	Establishes FCC (VIETNAM) CO., LTD. (currently a consolidated subsidiary) in Hanoi, Vietnam.
2006	January	Establishes CHINA FCC FOSHAN CO., LTD. (currently a consolidated subsidiary) in Foshan, Guangdong, China.
2010	November	Acquires 100% of Tohoku Chemical Industries, Ltd. (currently a consolidated subsidiary).
2012	September	Establishes F.C.C. (China) Investment Co., Ltd. (currently a consolidated subsidiary) in Chengdu, Sichuan, China.
	December	Completes liquidation of FCC (EUROPE) LTD.
2013	February	Establishes FCC SEOJIN CO., LTD. in Siheung, Gyeonggi-do, Korea.
	June	Establishes FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (currently a consolidated subsidiary) in San Luis Potosi, Mexico.
2014	November	Establishes FCC CLUTCH INDIA PRIVATE LTD. (currently a consolidated subsidiary) in Haryana, India.
	December	Acquires 100% of FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD., a consolidated subsidiary).
2015	November	FCC INDIA MANUFACTURING PRIVATE LTD. has been merged by FCC CLUTCH INDIA PRIVATE LTD.

3. Description of business

The Group, comprising the Company, 25 subsidiaries and two associates, is engaged primarily in the manufacture and sale of clutches for motorcycles and automobiles.

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

Motorcycle clutches

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

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

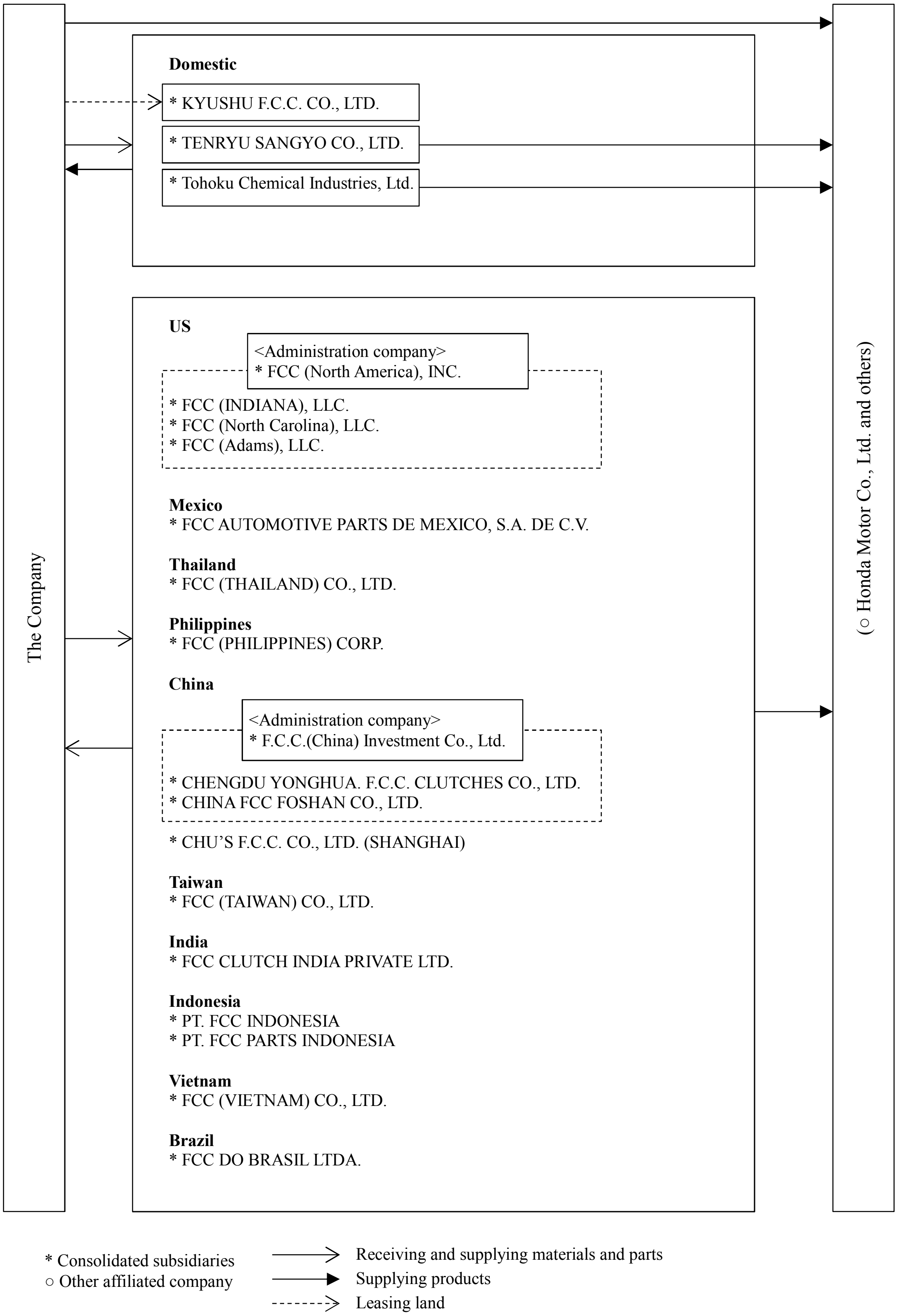
Automobile clutches

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

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

Group business structure chart

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



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	Purchasing motorcycle, automobile and general-purpose components. Interlocking officers.
Tohoku Chemical Industries, Ltd.	Nasukarasuyama-shi, Tochigi	¥125,000,000	Motorcycle clutches	100	Purchasing Tohoku Chemical Industries, Ltd.'s products. Interlocking officers.
FCC (North America), INC. (Note 2)	Indiana, U.S.	US$42,800,000	Administration of subsidiaries in the U.S.	100	Interlocking officers and capital assistance.
FCC (INDIANA), LLC. (Notes 2, 4)	Indiana, U.S.	US$17,800,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (INDIANA), LLC.'s products and components. Interlocking officers.
FCC (North Carolina), LLC. (Note 2)	North Carolina, U.S.	US$10,000,000	Motorcycle and automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (North Carolina), LLC.'s products and components. Interlocking officers.
FCC (Adams), LLC. (Note 2)	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	Mex$300,000,000	Automobile clutches	100 [1]	Selling the Company's products, components and raw materials. Interlocking officers and capital assistance.
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	THB60,000,000	Motorcycle and automobile clutches	58 [0.07]	Selling the Company's products, components and raw materials. Purchasing FCC (THAILAND) CO., LTD.'s products and components. Interlocking officers.
FCC (PHILIPPINES) CORP. (Note 2)	Laguna, Philippines	PHP200,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC (PHILIPPINES) CORP.'s products and components. Interlocking officers.
F.C.C. (China) Investment Co., Ltd. (Note 2)	Sichuan, China	US$30,000,000	Administration of subsidiaries in China	100	Interlocking officers.
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. (Note 2)	Sichuan, China	US$28,000,000	Motorcycle and automobile clutches	100 [71.43]	Selling the Company's products, components and raw materials. Purchasing CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.'s products and components. Interlocking officers and capital assistance.
CHU'S F.C.C. CO., LTD. (SHANGHAI) (Note 2)	Shanghai, China	US$9,800,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing CHU'S F.C.C. CO., LTD. (SHANGHAI)'s products and components. Interlocking officers.

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
CHINA FCC FOSHAN CO., LTD. (Note 2)	Guangdong, China	US$28,000,000	Automobile clutches	91.9 [53.33]	Selling the Company's products, components and raw materials. Purchasing CHINA FCC FOSHAN CO., LTD.'s products and components. Interlocking officers.
FCC (TAIWAN) CO., LTD. (Note 2)	Tainan, Taiwan	NT$195,000,000	Motorcycle clutches	70 [15]	Selling the Company's products, components and raw materials. Purchasing FCC (TAIWAN) CO., LTD.'s products and components. Interlocking officers.
FCC CLUTCH INDIA PRIVATE LTD. (Notes 2, 4)	Haryana, India	INR2,800,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC CLUTCH INDIA PRIVATE LTD.'s products and components. Interlocking officers and capital assistance.
PT. FCC INDONESIA (Notes 2, 4)	Karawang, Indonesia	US$11,000,000	Motorcycle and automobile clutches	100 [0.55]	Selling the Company's products, components and raw materials. Purchasing PT. FCC INDONESIA's products and components. Interlocking officers.
PT. FCC PARTS INDONESIA	Karawang, Indonesia	US$300,000	Motorcycle clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing PT. FCC PARTS INDONESIA's products and components.
FCC (VIETNAM) CO., LTD. (Note 2)	Hanoi, Vietnam	US$25,000,000	Motorcycle clutches	90	Selling the Company's products, components and raw materials. Purchasing FCC (VIETNAM) CO., LTD.'s products and components. Interlocking officers.
FCC DO BRASIL LTDA. (Note 2)	Amazonas, Brazil	BRL31,600,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC DO BRASIL LTDA.'s products and components.
<Other affiliate> Honda Motor Co., Ltd. (Note 5)	Minato-ku, Tokyo	¥86,067,000,000	Manufacture and sales of automobiles and engines	21.68 (held)	Selling the Company's products and purchasing raw materials and components.

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

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

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

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

   Key profit and loss information

   • FCC (INDIANA), LLC.

(1) Net sales	¥37,117 million
(2) Ordinary income	¥2,226 million
(3) Profit	¥1,194 million
(4) Net assets	¥12,574 million
(5) Total assets	¥18,285 million

   • PT. FCC INDONESIA

(1) Net sales	¥24,380 million
(2) Ordinary income	¥2,008 million
(3) Profit	¥1,539 million
(4) Net assets	¥12,670 million
(5) Total assets	¥15,991 million

   • FCC CLUTCH INDIA PRIVATE LTD.

(1) Net sales	¥21,137 million
(2) Ordinary income	¥(961 million)
(3) Profit	¥(871 million)
(4) Net assets	¥4,170 million
(5) Total assets	¥16,005 million

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

5. Information about employees

(1) Consolidated companies

As of March 31, 2016

Segment name	Number of employees
Motorcycle clutches	4,317 [2,724]
Automobile clutches	3,124 [454]
Total of reportable segments	7,441 [3,178]
Corporate (common)	452 [57]
Total	7,893 [3,235]

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

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

3. The number of employees in the Automobile clutches segment increased by 403 from the end of the previous fiscal year due primarily to production capacity expansion in the U.S., Mexico and China.

(2) Reporting company

As of March 31, 2016

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,110 [136]	39.3	15.3	6,443,840

Segment name	Number of employees
Motorcycle clutches	210 [62]
Automobile clutches	448 [17]
Total of reportable segments	658 [79]
Administration (general operations)	452 [57]
Total	1,110 [136]

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

2. Average annual salary includes bonuses and surplus wages.

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

(3) Status of labor union

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

II. Overview of business

1. Overview of business results

(1) Business results

During the fiscal year ended March 31, 2016, robust sales of automobile clutches in the U.S. and China resulted in revenue expanding by 8.4% from the previous fiscal year to ¥167,429 million, despite the slowdown in motorcycle markets in Indonesia and Brazil. Operating profit increased by 11.3% from the previous fiscal year to ¥9,736 million, due to an increase in profit accompanied by sales growth and in-house manufacturing cost reductions, despite increases in depreciation expenses and the effect of an impairment loss. Profit before income taxes decreased by 32.9% from the previous fiscal year to ¥8,118 million due to a decrease in foreign exchange gains. Profit attributable to owners of the parent decreased by 14.8% from the previous fiscal year to ¥6,162 million, partly reflecting a corporate tax refund related to transfer pricing taxation.

The following are the business results in each operating segment.

Motorcycle clutches

In spite of an increase in sales in India and Vietnam, revenue decreased by 2.8% from the previous fiscal year to ¥80,607 million due to the slowdown in motorcycle markets in Indonesia and Brazil. Operating profit decreased by 9.2% from the previous fiscal year to ¥8,314 million, unable to offset the effects of a sales plunge in Brazil and an impairment loss by in-house manufacturing cost reductions.

Automobile clutches

Although a domestic automobile sale has slowed down, sales for Ford and ZF/FCA in the U.S. grew in addition to a sales increase in China. Consequently, revenue increased by 21.5% from the previous fiscal year to ¥86,821 million. Operating profit was ¥1,421 million (compared with operating loss of ¥411 million in the previous fiscal year) reflecting an increase in profit accompanied by sales growth and in-house manufacturing cost reductions, despite increases in depreciation expenses and the effect of an impairment loss.

(2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter “net cash”) totaled ¥23,450 million.

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

Cash flows from (used in) operating activities

Net cash flows from operating activities was ¥25,108 million, an increase of ¥12,106 million compared with the previous fiscal year.

This is mainly due to income taxes refund and interest on refund received of ¥3,564 million, as well as an increase of ¥1,601 million in depreciation and amortization expense and a decrease of ¥3,759 million in inventories.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥17,369 million, a decrease of ¥2,938 million compared with the previous fiscal year.

This is mainly due to a decrease of ¥2,192 million in purchase of property, plant and equipment.

Cash flows from (used in) financing activities

Net cash flows from financing activities was ¥96 million, a decrease of ¥4,009 million compared with the previous fiscal year.

This is mainly due to a decrease of ¥2,589 million in net increase (decrease) in short-term borrowings and a decrease of ¥10,858 million in proceeds from long-term borrowings, in spite of a decrease of ¥9,367 million in payments for acquisition of interests in subsidiaries from non-controlling interests.

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

Fiscal year ended March 31, 2015

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

Consequently, goodwill and intangible assets in the consolidated statement of financial position increased by ¥1,527 million.

In the consolidated statement of income, cost of sales increased by ¥589 million, and research and development expense included in selling, general and administrative expenses decreased by ¥1,011 million.

Fiscal year ended March 31, 2016

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

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

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

2. Overview of production, orders received and sales

(1) Production performance

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

Segment name	Fiscal year ended March 31, 2016	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	80,631	96.5
Automobile clutches (Millions of yen)	86,285	119.4
Total (Millions of yen)	166,916	107.1

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

(2) Status of orders received

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

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)	Order backlog (Millions of yen)	Year-on-year comparison (%)
Motorcycle clutches	80,376	96.1	6,098	87.2
Automobile clutches	87,722	121.8	6,687	105.0
Total	168,098	108.0	12,785	95.7

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

(3) Sales performance

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

Segment name	Fiscal year ended March 31, 2016	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	80,607	97.2
Automobile clutches (Millions of yen)	86,821	121.5
Total (Millions of yen)	167,429	108.4

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, 2015		Fiscal year ended March 31, 2016	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Honda Motor Co., Ltd.	12,558	8.1	10,150	6.1
Ford	13,571	8.8	18,880	11.3

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

3. Issues to address

(1) Basic corporate management policy

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

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

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

Looking at the future business environment, factors such as the economic slowdown in China and other emerging countries, fears for sluggish economies in resource-rich countries due to falling resource prices and the risk of global economic downturn as a result of the future U.S. monetary policy normalization deserve continuing attention. In the automotive industry, demand is expected to continue growing both in the motorcycle and automobile markets over the medium- to long-term despite uncertainty in emerging economies. However, it is also expected that global competition among parts manufacturers will increase further, in terms of responses to fuel consumption regulations among others. To improve its corporate value under such a management environment, the Group formulated the 9th Medium-Term Management Plan covering the three years starting from FY2014 and set the following priority measures.

1) Improve customer satisfaction
2) Promote sales expansion
3) Develop new product and business
4) Increase cost competitiveness
5) Strengthen the Group's business management centering on developing human resources
6) Promote corporate social responsibility (CSR) activities

(3) Issues to address

The Company will ensure implementation of the priority measures set out in the 9th Medium-Term Management Plan to display the Group's comprehensive strengths and build foundations for sustainable growth. In particular, the Company will focus on launching new models in the U.S. and improving profitability.

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

Motorcycle clutches

Improve profitability by restructuring production

Expand production capacity in India

Automobile clutches

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

Improve productivity in the U.S. and China

4. Business risks

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

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

(1) Business development centered on clutch products

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

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

(2) Dependence on certain industries and customers

Most clutch products manufactured and sold by the Group are for the automobile and motorcycle industries. As a result, the financial performance of the Group may be affected by future trends in these industries. In addition, the Group's sales revenue from the Honda Motor Group accounted for approximately 50% of the Group's sales revenue in the fiscal year ended March 31, 2016. The financial performance of the Group could be significantly affected, therefore, by the Honda Motor Group's future business strategy, procurement policies and other decisions.

(3) Development of overseas business

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

(4) Competition faced by the Group

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

(5) Compensation for product defects

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

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

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

5. Critical contracts for operation

Not applicable.

6. Research and development activities

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

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

During the fiscal year ended March 31, 2016, research and development expense (including expenses recognized as development assets) amounted to ¥3,417 million.

The following is a summary of R&D activities by segment during the fiscal year ended March 31, 2016.

Motorcycle clutches

Research and development activities are underway to develop new wet friction materials for motorcycles and dry friction materials for scooters to improve product appeal, including clutch operability, and reduce costs.

Principal achievements during the fiscal year ended March 31, 2016:

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

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

Research and development expense in the motorcycle clutches segment amounted to ¥1,367 million.

Automobile clutches

Research and development activities are underway with the aim of developing new wet friction materials for automatic transmissions (including CVTs) and new dry friction materials for manual transmissions to make clutches more compact and lightweight, less expensive to manufacture, and more fuel efficient.

Principal achievements during the fiscal year ended March 31, 2016:

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

Research and development expense in the automobile clutches segment amounted to ¥2,050 million.

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

(1) Significant accounting policies and estimates

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

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

(2) Analysis of financial position for the fiscal year ended March 31, 2016

1) Current assets

At the end of the fiscal year under review, current assets were ¥71,635 million, up ¥1,190 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥5,893 million in cash and cash equivalents in spite of decreases of ¥3,065 million in inventories and ¥726 million in other current assets.

2) Non-current assets

At the end of the fiscal year under review, non-current assets were ¥87,576 million, down ¥5,797 million compared with the end of the previous fiscal year. This is mainly due to a decreases of ¥3,401 million in property, plant and equipment, ¥1,542 million in other financial assets and ¥1,031 million in goodwill and intangible assets in spite of an increase of ¥488 million in deferred tax assets.

3) Current liabilities

At the end of the fiscal year under review, current liabilities were ¥30,269 million, up ¥2,435 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥5,615 million in borrowings in spite of decreases of ¥1,122 million in trade and other payables and ¥1,573 million in income taxes payable.

4) Non-current liabilities

At the end of the fiscal year under review, non-current liabilities were ¥16,346 million, down ¥3,317 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥3,712 million in borrowings.

5) Equity

At the end of the fiscal year under review, equity was ¥112,596 million, down ¥3,725 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥7,035 million in other components of equity in spite of an increase of ¥3,856 million in retained earnings.

(3) Analysis of operating results for the fiscal year ended March 31, 2016

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

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

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

Regarding the Group's response, please refer to "II. Overview of business, 3. Issues to address."

(5) Present conditions and outlook of business strategy

Please refer to "II. Overview of business, 3. Issues to address."

(6) Analysis of capital resources and funding liquidity

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

Note: Of information in (1) to (6) above, matters concerning the future were determined by the Group as of the filing date of this Annual Securities Report.

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2016, the Company made total capital investments (including investments on intangible assets) of ¥17,164 million. The principal capital investment details were: expanding production capacity for automobile clutches in the U.S. and China; expanding production capacity for motorcycle clutches in India; and manufacturing facilities to produce new models in Japan. The breakdown of capital investments by business segment is ¥3,472 million for motorcycle clutches, ¥13,278 million for automobile clutches, and ¥414 million for the common segment.

(1) Reporting company

Manufacturing facilities to produce new models and production capacity expansion at Hamakita Factory

(2) Subsidiaries

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

Production capacity expansion at FCC CLUTCH INDIA PRIVATE LTD.

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

Manufacturing facilities to produce new models at CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2016

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
Hosoe Factory (Kita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	171	299	270 (18,080)	210	951	126 [2]
Hamakita Factory (Kita-ku, Hamamatsu-shi, Shizuoka)	Automobile clutches	Manufacturing facilities for clutches	1,921	1,556	676 (26,216)	777	4,931	164 [3]
Tenryu Factory (Iwata-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	522	1,069	1,022 (32,511)	21	2,635	116
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	2,348	1,191	1,292 (75,130)	236	5,067	222 [65]
R&D Division (Kita-ku, Hamamatsu-shi, Shizuoka)	Common	Testing apparatus and measuring instruments	464	614	216 (12,093)	69	1,365	187 [53]

(2) Domestic subsidiaries

As of March 31, 2016

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	153	157	11 (20,474)	71	394	113 [15]

(3) Overseas subsidiaries

As of March 31, 2016

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
FCC (North Carolina), LLC.	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	4,996	7,081	31 (366,274)	552	12,662	441 [29]
FCC (Adams), LLC.	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	2,226	5,307	52 (161,880)	6,186	13,771	497 [31]
FCC (INDIANA), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,166	4,781	82 (246,263)	1,308	7,338	774 [28]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	699	2,753	258 (72,812)	23	3,735	1,282 [607]
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,000	1,387	598 (87,890)	250	3,237	434 [343]
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	Sichuan, China	Motorcycle and automobile clutches	Manufacturing facilities for clutches	812	3,412	– (27,826)	35	4,259	336
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	1,444	1,455	160 (81,837)	1,095	4,156	166
FCC CLUTCH INDIA PRIVATE LTD.	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	509	2,492	1,178 (82,680)	547	4,729	687 [1,576]

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

2. Of the land of KYUSHU F.C.C. CO., LTD., 19,174 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, 2016 to March 31, 2017), the Company plans to make total capital investments of ¥18,422 million.

The principal capital investment items will be manufacturing facilities to produce new models and expansion of production capacity in the U.S. and Japan, and investments accompanying expansion of production capacity in India. The breakdown of planned capital investments by business segment will be ¥5,484 million for motorcycle clutches, ¥12,253 million for automobile clutches, and ¥685 million for the shared segment.

- Reporting company

Manufacturing facilities to produce new models and production capacity expansion at Hamakita Factory

- Subsidiaries

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

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

Production capacity expansion at FCC CLUTCH INDIA PRIVATE LTD.

(2) Retirement, etc. of important facilities

The Company has no plan for the disposal/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, 2016

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	–	40	31	127	182	3	13,871	14,254	–
Number of shares held (Units)	–	142,723	1,650	144,566	113,370	6	124,012	526,327	11,330
Shareholding ratio (%)	–	27.12	0.31	27.47	21.54	0.00	23.56	100.00	–

Notes: 1. 2,455,724 treasury shares are included in "Individuals, etc." as 24,557 units and "Shares less than one unit" as 24 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, 2016

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Honda Motor Co., Ltd.	2-1-1 Minami-Aoyama, Minato-ku, Tokyo	10,881	20.66
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	3,758	7.13
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	1-8-11 Harumi, Chuo-ku, Tokyo	2,508	4.76
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	3.83
Yoshihide Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,545	2.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	1,447	2.74
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.49
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.47
Clients' stockholding association	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	934	1.77
NORTHERN TRUST CO. (AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND, L.P. (Standing Proxy: Custody Division, Tokyo branch of the Hong Kong and Shanghai Banking Corporation Limited)	50 BANK STREET CANARY WHARF LONDON E14 5NT, UK (3-11-1 Nihombashi, Chuo-ku, Tokyo)	913	1.73
Total	–	26,624	50.57

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

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

Japan Trustee Services Bank, Ltd. (Trust Account)	3,758 thousand shares
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited)	2,508 thousand shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,447 thousand shares
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	1,315 thousand shares

3. Aberdeen Investment Management K.K. and its joint holder, Aberdeen Asset Management Asia Limited, made the change report for the substantial shareholding report available for public inspection as of September 25, 2015, describing that each of these companies held shares as follows as of September 15, 2015. Since the Company could not confirm the actual number of shares held by them at the year-end, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Aberdeen Investment Management K. K.	Toranomon Seiwa Building 1-2-3 Toranomon, Minato-ku, Tokyo	Shares 74,000	0.14
Aberdeen Asset Management Asia Limited	21 Church Street, #01-01 Capital Square 2 Singapore 049480	Shares 1,999,800	3.80

4. Mondrian Investment Partners Limited made the change report for the substantial shareholding report available for public inspection as of October 21, 2015, describing that this company held 3,196 thousand shares as of October 16, 2015. Since the Company could not confirm the actual number of shares held by this company at the year-end, it was not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mondrian Investment Partners Limited	Fifth Floor, 10 Gresham Street, London EC2V 7JD, United Kingdom	Shares 3,196,900	6.07

5. Mizuho Bank, Ltd. and its joint holders, Mizuho Trust & Banking Co., Ltd. and Mizuho Asset Management Co., Ltd. made the substantial shareholding report available for public inspection as of November 20, 2015, describing that each of these companies held shares as follows as of November 13, 2015. Since the Company could not confirm the actual number of shares held by them at the year-end, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	1-5-5, Otemachi, Chiyoda-ku, Tokyo	Shares 1,315,200	2.50
Mizuho Trust & Banking Co., Ltd.	1-2-1, Yaesu, Chuo-ku, Tokyo	Shares 1,029,100	1.95
Mizuho Asset Management Co., Ltd.	3-5-27, Mita, Minato-ku, Tokyo	Shares 470,600	0.89

2. Dividend policy

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

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

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

Based on the foregoing policy, the Company paid a total dividend for the fiscal year under review of ¥40 per share (of which ¥20 was paid out as an interim dividend). This resulted in a dividend payout ratio of 32.6%.

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

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

Dividends for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on October 30, 2015	1,003	20
Resolution at the Ordinary General Meeting of Shareholders held on June 22, 2016	1,003	20

3. Information about officers

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

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
President and Representative Director		Toshimichi Matsuda	December 9, 1952	Mar. 1975 Joined the Company Apr. 1996 President and Director of FCC (EUROPE) LTD. Jun. 2001 Director and General Manager of Sales Division of the Company Jun. 2005 Director, in charge of Sales and Purchasing of the Company Jun. 2006 Director, in charge of Sales and Purchasing and Risk Management Officer of the Company Apr. 2007 Director, Head of Sales and Purchasing, Head of business operation in China and Risk Management Officer of the Company Jun. 2008 Managing Director, Head of Sales and Purchasing and Head of business operation in China of the Company Jun. 2010 Managing Director, Head of Sales and Purchasing and Compliance Officer of the Company Jun. 2011 Managing Director, Head of Sales and Compliance Officer of the Company Jun. 2012 Senior Managing Director, Head of Sales and Compliance officer of the Company Apr. 2013 Senior Managing Director of the Company Jun. 2013 President and Representative Director of the Company (incumbent)	(Note 2)	90
Managing Director	Head of Purchasing, Head of business operation in China and Risk Management Officer	Yoshitaka Saito	November 29, 1973	Feb. 2009 Joined the Company Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC. (currently FCC (INDIANA), LLC.) and President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC.) 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 (incumbent)	(Note 2)	95

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director	Head of business operation of automobiles business	Kazuhiro Itonaga	March 11, 1960	Mar. 1982 Joined the Company Apr. 2009 General Manager of R&D Division of the Company Jun. 2009 Director and General Manager of R&D Division of the Company Jun. 2010 Director, Head of Research and Development and General Manager of R&D Division of the Company Jun. 2013 Managing Director, Head of Research and Development and General Manager of R&D Division of the Company Apr. 2015 Managing Director, Head of business operation of automobiles business and Head of Research and Development of Automobile Components of the Company Apr. 2016 Managing Director, Head of business operation of automobiles business of the Company (incumbent)	(Note 2)	13
Director	Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America	Kazuto Suzuki	May 27, 1961	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 (incumbent)	(Note 2)	23

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director	Head of Management and Administration, Compliance Officer and Chief Information Officer	Ryujiro Matsumoto	June 4, 1962	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 (incumbent)	(Note 2)	10
Director	Head of Production Engineering and Head of Environment and Safety	Atsuhiro Mukoyama	July 31, 1963	Apr. 1984 Joined the Company Jan. 2011 Factory Manager of Ryuyo Factory and Factory Manager of Tenryu Factory of 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 (incumbent)	(Note 2)	14
Director	Head of business operation in North America	Satoshi Nakaya	March 17, 1964	Apr. 1986 Joined the Company Jan. 2012 General Manager of Corporate Planning Office of the Company Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company Apr. 2013 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. President and Director of FCC (INDIANA), LLC. (incumbent)	(Note 2)	41
Director	Head of production in North America	Kenichi Inoue	May 3, 1957	Apr. 1978 Joined Honda Motor Co., Ltd. Apr. 2011 Senior Vice President of Honda Manufacturing of Alabama, LLC Apr. 2013 Joined the Company, Assistant to President and Head of Production Engineering of the Company Jun. 2013 Director and Head of Production Engineering of the Company Apr. 2014 Director, Head of Production Engineering and Head of Environment and Safety of the Company Apr. 2015 Director and Head of production in North America of the Company (incumbent)	(Note 2)	10

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

Title	Position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member		Kazumoto Sugiyama	May 27, 1969	Sep. 2006 Graduated from The Legal Training and Research Institute of Japan Oct. 2006 Registered as an attorney (Shizuoka Bar Association) Joined Toshio Sugiyama Law Office (currently Sugiyama Law Office) Sep. 2008 President of Sugiyama Law Office (to present) Sep. 2011 Audit & Supervisory Board Member of CRESTEC Inc. (incumbent) Jun. 2014 Director of the Company Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
				Total		389

Notes: 1. Partial amendments to the Articles of Incorporation have been resolved at the 86th Ordinary General Meeting of Shareholders held on June 22, 2016. Consequently, the Company made the transition to a Company with an Audit and Supervisory Committee on the same date.

2. Mr. Yoshinori Tsuji, Mr. Masahide Sato and Mr. Kazumoto Sugiyama are Outside Directors.

3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2016

4. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 22, 2016

4. Status of corporate governance, etc.

(1) Status of corporate governance

Basic policy regarding corporate governance

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

< Corporate philosophy >

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

1) System of corporate governance

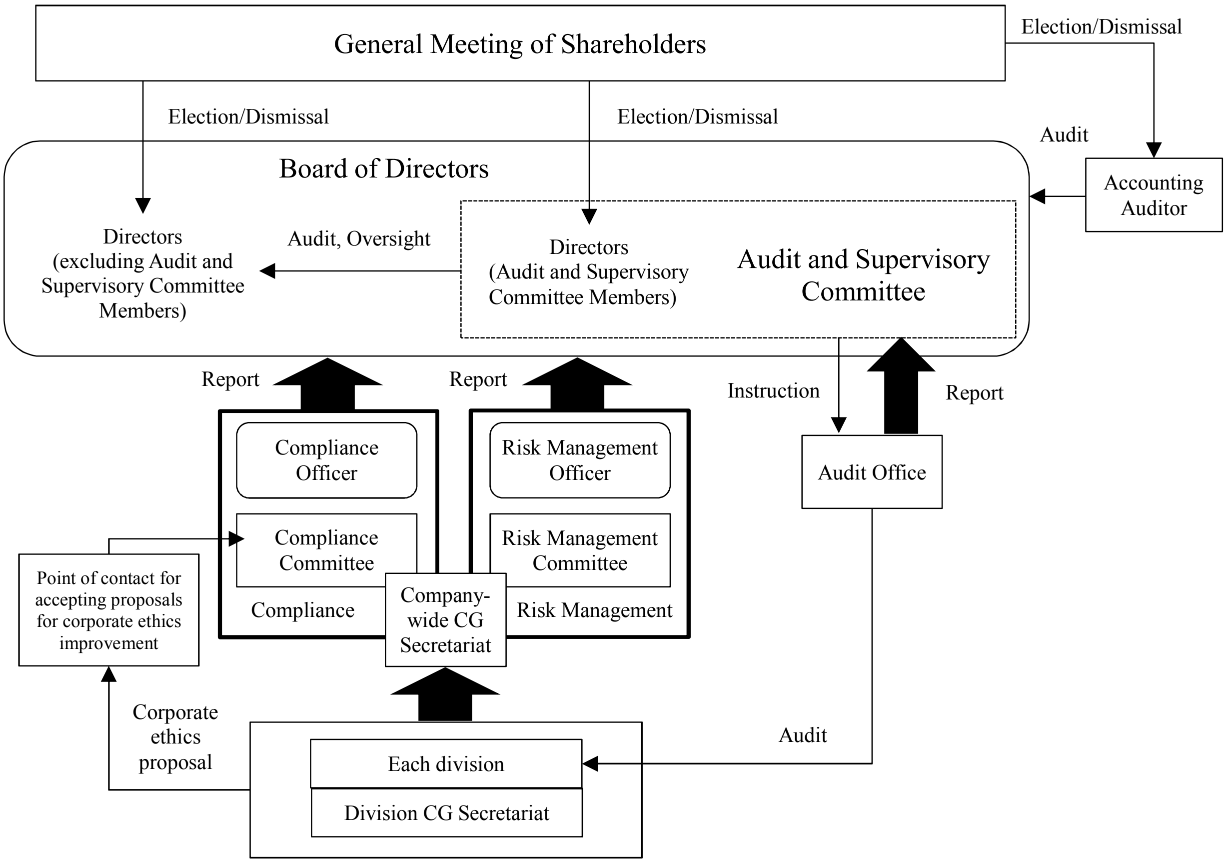
i) Summary of the system of corporate governance

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

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

The following diagram shows the relationships among the Company's organizations and internal control as of June 24, 2016.

[Diagram of corporate governance system]



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

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

iii) Other matters regarding corporate governance

Basic policy regarding the internal control system

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

iv) Overview of limited liability agreements

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

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

- Internal audits

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

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

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

- Audits by the Audit and Supervisory Committee

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

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

3) Accounting audits

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

• Names of CPAs who conducted audits:

Engagement partner: Satoru Saigusa

Engagement partner: Takashi Yamazaki

• Assistant accountants who participated in accounting audits:

Ten CPAs

4) Outside Directors

The Company has three Outside Directors.

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

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

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

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

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

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

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

5) Remuneration, etc. for officers

i) Total amount of remuneration, etc., total amount of remuneration, etc. by type and number of payees by Director and Supervisory Board Member 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 Outside Directors)	200	141	58	8
Outside Directors	3	3	–	1
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	48	36	12	2
Outside Audit & Supervisory Board Members	7	7	–	2

Notes: 1. The amount of remuneration, etc. of Directors does not include employee salaries paid to persons who are concurrently Directors and employees.

2. At the 78th Ordinary General Meeting of Shareholders held on June 19, 2008, Directors' remuneration was capped at ¥500 million per year (which, however, does not include salaries paid for work performed as employees).

3. At the 76th Ordinary General Meeting of Shareholders held on June 22, 2006, Audit & Supervisory Board Members' remuneration was capped at ¥90 million per year.
4. At the 86th Ordinary General Meeting of Shareholders held on June 22, 2016, the upper limit of remuneration was resolved as follows:

Directors (excluding Directors who are Audit and Supervisory Committee Members): Within ¥500 million per year

(which, however, does not include salaries paid for work performed as employees)

Directors who are Audit and Supervisory Committee Members: Within ¥90 million per year

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

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

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

6) Share ownership

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

Number of issues: 20

Total amount of balance sheet amount: ¥982 million

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

Fiscal year ended March 31, 2015

Specified investment shares

Issue	Number of shares (Shares)	Balance sheet amount (Millions of yen)	Reason for shareholding
KANEMATSU CORPORATION	3,701,000	647	To maintain and strengthen business relationships
SUZUKI MOTOR CORPORATION	52,500	189	To maintain and strengthen business relationships
Mizuho Financial Group, Inc.	178,688	37	To maintain and strengthen business relationships
SHIMIZU CORPORATION	39,000	31	To maintain and strengthen business relationships
Sumitomo Mitsui Financial Group, Inc.	5,755	26	To maintain and strengthen business relationships
MUSASHI SEIMITSU INDUSTRY CO., LTD.	6,000	15	To maintain and strengthen business relationships
Nissin Kogyo Co., Ltd.	4,500	8	To maintain and strengthen business relationships
YAMABIKO CORPORATION	810	4	To maintain and strengthen business relationships
TANAKA SEIMITSU KOGYO CO., LTD.	4,000	3	To maintain and strengthen business relationships
Yutaka Giken Company Limited	1,000	2	To maintain and strengthen business relationships
G-TEKT CORPORATION	2,400	2	To maintain and strengthen business relationships

Fiscal year ended March 31, 2016

Specified investment shares

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

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

• Acquisition of own shares

To carry out capital policy in a flexible and timely manner in response to changes in the economic environment, the Company provides in its Articles of Incorporation that, in accordance with the provisions of Article 165, paragraph 2 of the Companies Act, it may acquire own shares through market transactions, etc. based on a resolution of the Board of Directors.

• Interim dividends

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

• Exemption of Directors from liability

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

8) Number of Directors

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

9) Requirements for election of Directors

The Company states in its Articles of Incorporation that adoption of resolutions for the election of Directors shall require that at least one-third of the shareholders entitled to execute voting rights be present, and that an affirmative vote be cast by a majority of such shareholders present. The Company also states in its Articles of Incorporation that cumulative voting shall not be used for the election of Directors.

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

With the aim of ensuring the smooth operation of the General Meeting of Shareholders, the Company states in its Articles of Incorporation that the adoption of a special resolution based on Article 309, paragraph 2 of the Companies Act shall require that at least one-third of the shareholders entitled to execute voting rights be present, and that an affirmative vote be cast by at least two-thirds of such shareholders present.

(2) Details of audit fee, etc.

Details of remuneration to independent auditors

Category	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	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	3	53	–
Consolidated subsidiaries	–	–	–	–
Total	53	3	53	–

V. Financial information

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

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

(2) The non-consolidated financial statements of the Company are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter the "Ordinance on Financial Statements, etc.").

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

2. Audit certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2016 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.

Consolidated financial statements

1) Consolidated statement of financial position

(Millions of yen)

	Notes	As of March 31, 2015	As of March 31, 2016
Assets			
Current assets			
Cash and cash equivalents	6, 26	17,557	23,450
Trade and other receivables	7, 26	26,024	25,398
Other financial assets	8, 26	1,190	905
Inventories	9	21,073	18,007
Other current assets	10	4,599	3,873
Total current assets		70,445	71,635
Non-current assets			
Property, plant and equipment	11, 13, 29	75,467	72,066
Goodwill and intangible assets	12, 13, 29	3,748	2,716
Investments accounted for using the equity method	14	604	542
Other financial assets	8, 26	10,175	8,632
Deferred tax assets	15	2,638	3,126
Other non-current assets	10	740	492
Total non-current assets		93,374	87,576
Total assets		163,819	159,212

(Millions of yen)

	Notes	As of March 31, 2015	As of March 31, 2016
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	17, 26	15,103	13,981
Borrowings	16, 26	4,271	9,887
Income taxes payable	15	3,090	1,517
Other current liabilities	10	5,368	4,883
Total current liabilities		27,834	30,269
Non-current liabilities			
Borrowings	16, 26	12,139	8,426
Other financial liabilities	8, 26	26	29
Defined benefit liability	18	1,486	1,903
Provisions	19	36	36
Deferred tax liabilities	15	5,748	5,688
Other non-current liabilities	10	227	262
Total non-current liabilities		19,663	16,346
Total liabilities		47,498	46,616
Equity			
Issued capital	20	4,175	4,175
Retained earnings	20	95,864	99,720
Treasury shares	20	(3,408)	(3,408)
Other components of equity		13,558	6,523
Total equity attributable to owners of parent		110,190	107,010
Non-controlling interests		6,131	5,585
Total equity		116,321	112,596
Total liabilities and equity		163,819	159,212

(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, 2015	Fiscal year ended March 31, 2016
Sales revenue	4	154,395	167,429
Cost of sales		(131,084)	(139,599)
Gross profit		23,311	27,830
Selling, general and administrative expenses	21	(13,812)	(14,099)
Other income	22	567	578
Other expense	13, 22	(1,320)	(4,572)
Operating profit	4	8,746	9,736
Finance income	23	3,569	809
Finance costs	23	(47)	(2,422)
Share of profit (loss) in investments accounted for using the equity method	14	(163)	(4)
Profit before income taxes		12,104	8,118
Income tax expense	15	(4,061)	(1,211)
Profit		8,042	6,907
Profit attributable to			
Owners of parent		7,230	6,162
Non-controlling interests		811	744
Profit		8,042	6,907
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	25	144.07	122.79
Diluted earnings per share (Yen)	25	–	–

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

3) Consolidated statement of comprehensive income

(Millions of yen)

	Note	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit		8,042	6,907
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	24	151	(299)
Total		151	(299)
Components that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets	24	622	(997)
Exchange differences of foreign operations	24	8,000	(6,767)
Share of other comprehensive income of associates accounted for using equity method	24	(7)	2
Total		8,615	(7,762)
Total other comprehensive income		8,766	(8,062)
Comprehensive income		16,809	(1,155)
Comprehensive income attributable to			
Owners of parent		15,351	(1,173)
Non-controlling interests		1,457	18
Comprehensive income		16,809	(1,155)

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

4) Consolidated statement of changes in equity

	Note	Equity attributable to owners of parent					
						Other components of equity	
		Issued capital	Share premium	Retained earnings	Treasury shares	Exchange differences of foreign operations	Changes in fair value of available-for-sale financial assets
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2014		4,175	4,916	92,709	(3,407)	1,630	3,979
Profit		–	–	7,230	–	–	–
Other comprehensive income		–	–	–	–	7,330	617
Total comprehensive income		–	–	7,230	–	7,330	617
Purchase of treasury shares	20	–	–	–	(0)	–	–
Dividends	20	–	–	(2,007)	–	–	–
Increase (decrease) through changes in interests		–	(4,916)	(2,241)	–	–	–
Transfer from other components of equity		–	–	172	–	–	–
Total transactions with the owners		–	(4,916)	(4,076)	(0)	–	–
Balance as of March 31, 2015		4,175	–	95,864	(3,408)	8,960	4,597
Profit		–	–	6,162	–	–	–
Other comprehensive income		–	–	–	–	(6,053)	(982)
Total comprehensive income		–	–	6,162	–	(6,053)	(982)
Purchase of treasury shares	20	–	–	–	(0)	–	–
Dividends	20	–	–	(2,007)	–	–	–
Increase (decrease) through changes in interests		–	–	1	–	–	–
Transfer from other components of equity		–	–	(300)	–	–	–
Total transactions with the owners		–	–	(2,306)	(0)	–	–
Balance as of March 31, 2016		4,175	–	99,720	(3,408)	2,907	3,615

	Note	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, 2014		–	5,610	104,004	7,332	111,337
Profit		–	–	7,230	811	8,042
Other comprehensive income		172	8,120	8,120	645	8,766
Total comprehensive income		172	8,120	15,351	1,457	16,809
Purchase of treasury shares	20	–	–	(0)	–	(0)
Dividends	20	–	–	(2,007)	(607)	(2,615)
Increase (decrease) through changes in interests		–	–	(7,158)	(2,051)	(9,209)
Transfer from other components of equity		(172)	(172)	–	–	–
Total transactions with the owners		(172)	(172)	(9,166)	(2,659)	(11,825)
Balance as of March 31, 2015		–	13,558	110,190	6,131	116,321
Profit		–	–	6,162	744	6,907
Other comprehensive income		(300)	(7,335)	(7,335)	(726)	(8,062)
Total comprehensive income		(300)	(7,335)	(1,173)	18	(1,155)
Purchase of treasury shares	20	–	–	(0)	–	(0)
Dividends	20	–	–	(2,007)	(561)	(2,569)
Increase (decrease) through changes in interests		–	–	1	(2)	(0)
Transfer from other components of equity		300	300	–	–	–
Total transactions with the owners		300	300	(2,006)	(564)	(2,570)
Balance as of March 31, 2016		–	6,523	107,010	5,585	112,596

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

5) Consolidated statement of cash flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from (used in) operating activities			
Profit before income taxes		12,104	8,118
Depreciation and amortization expense		10,307	11,908
Impairment loss		987	4,167
Finance income and finance costs		(554)	(652)
Share of loss (profit) in investments accounted for using the equity method		163	4
Loss (gain) on sales and retirement of non-current assets		153	186
(Increase) decrease in inventories		(2,341)	1,417
(Increase) decrease in trade and other receivables		(1,143)	(1,291)
Increase (decrease) in trade and other payables		(662)	306
Increase (decrease) in defined benefit liability		529	495
Other		(2,149)	1,989
Subtotal		17,394	26,651
Interest and dividend income received		463	615
Interest expenses paid		(28)	(189)
Income taxes paid		(4,827)	(5,533)
Income taxes refund and interest on refund received		–	3,564
Net cash flows from (used in) operating activities		13,002	25,108
Cash flows from (used in) investing activities			
Payments into time deposits		(2,049)	(882)
Proceeds from withdrawal of time deposits		2,330	1,045
Purchase of property, plant and equipment		(18,896)	(16,704)
Proceeds from sales of property, plant and equipment		346	174
Purchase of intangible assets		(1,685)	(954)
Proceeds from sales of intangible assets		0	2
Payments of loans receivable		(1,546)	(147)
Collection of loans receivable		1,812	184
Purchase of investments		(562)	(54)
Other		(56)	(32)
Net cash flows from (used in) investing activities		(20,308)	(17,369)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		3,380	790
Proceeds from long-term borrowings		12,733	1,874
Payments for acquisition of interests in subsidiaries from non-controlling interests		(9,367)	–
Purchase of treasury shares		(0)	(0)
Cash dividends paid	20	(2,006)	(2,007)
Cash dividends paid to non-controlling shareholders		(633)	(561)
Net cash flows from (used in) financing activities		4,106	96
Net increase (decrease) in cash and cash equivalents		(3,199)	7,835
Cash and cash equivalents at beginning of period	6	19,046	17,557
Effect of exchange rate change on cash and cash equivalents		1,710	(1,942)
Cash and cash equivalents at end of period	6	17,557	23,450

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

[Notes to consolidated financial statements]

1. Reporting entity

F.C.C. CO., LTD. (hereinafter the "Company") is a public company incorporated under the laws of Japan. The addresses of the registered headquarters and major business offices have been disclosed on the website (http://www.fcc-net.co.jp/). The Company's consolidated financial statements were prepared with the end of the financial year on March 31, 2016 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, 2016.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

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

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

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

(5) Significant accounting estimates and judgments

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

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

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

Note 5. Business combinations
Note 13. Impairment loss
Note 15. Income taxes
Note 18. Employee benefits

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

2) Associates

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

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

(2) Business combinations

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

2) Financial statements of foreign operations

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

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

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

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

The Group holds no financial assets classified as "financial assets at fair value through profit or loss."

(b) Held-to-maturity investments

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

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

(ii) Impairment of financial assets

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

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

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

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

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

(iii) Derecognition of financial assets

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

2) Financial liabilities

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

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

3) Derivatives

As a general rule, the Group does not conduct derivative transactions.

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

(9) Impairment

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

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

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

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

(10) Employment benefits

1) Defined benefit plans

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

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

2) Defined contribution plans

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

3) Multi-employer plans

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

4) Short-term employee benefits

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

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

(11) Provisions

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

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

(12) Revenue

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

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

(13) Government grants

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

(14) Finance income and finance costs

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

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

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

(15) Income taxes

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

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

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

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

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

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

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

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

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

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

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

(17) Shareholders' equity

1) Ordinary shares

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

2) Treasury shares

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

4. Segment information

(1) Overview of reportable segments

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

(2) Revenue and performance for reportable segments

Fiscal year ended March 31, 2015

	Reportable segments				
	Motorcycle clutches	Automobile clutches	Total	Adjustments	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
External revenue	82,961	71,434	154,395	–	154,395
Intersegment revenue	–	–	–	–	–
Total	82,961	71,434	154,395	–	154,395
Depreciation and amortization expense	(4,172)	(6,134)	(10,307)	–	(10,307)
Other profit (loss)	(69,631)	(65,710)	(135,342)	–	(135,342)
Operating profit	9,157	(411)	8,746	–	8,746
Finance income					3,569
Finance costs					(47)
Share of profit (loss) in investments accounted for using the equity method					(163)
Profit before income taxes					12,104

Note: Other profit (loss) includes ¥987 million of impairment loss (¥987 million for automobile clutches).

Fiscal year ended March 31, 2016

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

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

(3) Geographic information

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

Revenue from external customers

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Japan	19,786	18,031
U.S.	54,039	65,453
Indonesia	22,253	19,665
India	18,683	19,860
Other	39,633	44,418
Total	154,395	167,429

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, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Japan	20,380	21,179
U.S.	32,619	32,784
China	7,360	4,163
Other	19,388	17,147
Total	79,748	75,275

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, 2015	Fiscal year ended March 31, 2016
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	42,539	39,270
	Automobile clutches	42,600	45,041
Ford and its group	Automobile clutches	17,100	26,438

5. Business combinations

Fiscal year ended March 31, 2015

(1) Summary of business combinations

Due to the additional acquisition of 50% of shares in FCC RICO LTD. (currently FCC INDIA MANUFACTURING PRIVATE LTD.), a consolidated subsidiary of the Company, the Group has held 100% of shares in this company. The purpose of this acquisition is to strengthen the Group's business foundation in the Indian market as well as to further increase business efficiency and enhance and speed up the management system. At the end of the fiscal year under review, share premium and retained earnings decreased by ¥4,916 million and ¥2,268 million, respectively.

Fiscal year ended March 31, 2016

Not applicable.

6. Cash and cash equivalents

Breakdown of Cash and cash equivalents

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Cash and deposits	17,557	23,450

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, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	23,495	23,270
Accounts receivable - other	2,547	2,163
Allowance for credit losses	(17)	(36)
Total	26,024	25,398

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

8. Other financial assets and other financial liabilities

Breakdown of other financial assets

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Other current financial assets		
Loans and receivables	1,190	905
Other non-current financial assets		
Loans and receivables	1,436	1,415
Allowance for credit losses	(54)	(55)
Available-for-sale financial assets	8,794	7,273
Total	10,175	8,632

Breakdown of other financial liabilities

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Other non-current financial liabilities		
Financial liabilities measured at amortized cost	26	29

9. Inventories

Breakdown of inventories

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Finished goods	3,734	3,077
Work in process	4,170	2,759
Raw materials and supplies	13,167	12,170
Total	21,073	18,007

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Amount of write-down	835	1,025
Amount of inventories	131,018	139,508

10. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	2,778	2,755
Prepaid expenses	1,206	357
Suspense payments	163	62
Other	451	697
Total	4,599	3,873
Other non-current assets		
Land use rights	506	437
Long-term prepaid expenses	26	54
Other	207	0
Total	740	492

Breakdown of other liabilities

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	2,486	1,925
Accrued bonuses	1,613	1,615
Other	1,267	1,341
Total	5,368	4,883
Other non-current liabilities		
Deferred income	188	183
Other	39	78
Total	227	262

11. Property, plant and equipment

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

(1) Cost

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2014	28,783	84,622	12,794	7,599	11,796	145,597
Acquisition	6,738	3,680	947	1	10,508	21,876
Disposal	(120)	(2,673)	(488)	(1)	(1,748)	(5,031)
Transfer of line items	222	10,844	897	–	(11,964)	–
Exchange differences on translation	1,979	8,300	761	194	1,761	12,997
Other	–	–	–	–	(379)	(379)
March 31, 2015	37,603	104,775	14,912	7,794	9,974	175,060
Acquisition	238	3,371	788	–	14,880	19,278
Disposal	(50)	(4,904)	(561)	(19)	(2,532)	(8,068)
Transfer of line items	2,107	8,471	424	–	(11,003)	–
Exchange differences on translation	(2,074)	(6,557)	(938)	(317)	(808)	(10,696)
Other	–	–	–	–	(460)	(460)
March 31, 2016	37,824	105,157	14,625	7,456	10,050	175,114

(2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2014	14,356	59,241	10,942	–	–	84,540
Depreciation expense	1,635	6,843	1,177	–	–	9,656
Impairment loss	–	–	–	987	–	987
Disposal	(81)	(2,406)	(489)	–	–	(2,976)
Exchange differences on translation	671	5,866	847	–	–	7,385
Other	–	–	–	–	–	7,026
March 31, 2015	16,583	69,544	12,477	987	–	99,593
Depreciation expense	1,472	9,216	1,107	–	–	11,796
Impairment loss	511	2,281	7	–	71	2,871
Disposal	(46)	(4,641)	(557)	–	–	(5,246)
Exchange differences on translation	(768)	(4,430)	(768)	–	–	(5,966)
Other	–	–	–	–	–	–
March 31, 2016	17,751	71,969	12,267	987	71	103,047

(3) Carrying amounts

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2014	14,426	25,381	1,852	7,599	11,796	61,056
Balance as of March 31, 2015	21,019	35,230	2,435	6,806	9,974	75,467
Balance as of March 31, 2016	20,072	33,187	2,358	6,469	9,979	72,066

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

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

12. Goodwill and intangible assets

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

(1) Cost

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2014	756	1,208	2,381	4,347
Acquisition	–	676	–	676
Increase due to internal development	–	–	1,011	1,011
Disposal	–	–	(625)	(625)
Transfer of line items	–	–	–	–
Exchange differences on translation	–	22	–	22
Other	–	(1)	–	(1)
March 31, 2015	756	1,906	2,767	5,431
Acquisition	–	107	–	107
Increase due to internal development	–	–	838	838
Disposal	–	(37)	(626)	(664)
Transfer of line items	–	4	–	4
Exchange differences on translation	–	(23)	–	(23)
Other	–	3	–	3
March 31, 2016	756	1,960	2,980	5,697

(2) Accumulated amortization and impairment loss

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2014	–	365	1,276	1,642
Amortization expense	–	61	589	651
Impairment loss	–	–	–	–
Disposal	–	–	(625)	(625)
Exchange differences on translation	–	15	–	15
Other	–	–	–	–
March 31, 2015	–	443	1,240	1,683
Amortization expense	–	66	610	677
Impairment loss	–	1,296	–	1,296
Disposal	–	(33)	(626)	(659)
Exchange differences on translation	–	(17)	–	(17)
Other	–	1	–	1
March 31, 2016	–	1,756	1,224	2,981

(3) Carrying amounts

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2014	756	842	1,105	2,705
March 31, 2015	756	1,463	1,527	3,748
March 31, 2016	756	203	1,755	2,716

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

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

13. Impairment loss

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Buildings and structures (Chengdu)	–	511
Machinery and equipment, etc. (Chengdu)	–	2,169
Machinery and equipment, etc. (Ryuyo Factory)	–	119
Land (Ryuyo Factory)	987	–
Construction in progress (head office, etc.)	–	71
Total property, plant and equipment	987	2,871
Software (head office, etc.)	–	1,296
Total intangible assets	–	1,296
Total impairment loss	987	4,167

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

(2) Cash-generating unit

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

(3) Impairment loss

Fiscal year ended March 31, 2015

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

As a result, due to transfer of the major manufacturing process to other production bases, land for Ryuyo Factory was reduced to the recoverable amount and the amount of reduction was recorded as impairment loss (¥987 million) in other expense.

The recoverable amount was measured at fair value and assessed by deducting costs of disposal from the appraisal value of real estate.

Fiscal year ended March 31, 2016

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

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

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

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

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, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Total carrying amount	604	542

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Profit	(163)	(4)
Other comprehensive income	(7)	2
Comprehensive income	(171)	(1)

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, 2015

	April 1, 2014	Recognized through profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Other	March 31, 2015
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	589	194	–	–	(13)	770
Accrued bonuses	433	(33)	–	–	–	400
Accruals	232	(18)	–	–	–	215
Non-current assets	2,066	355	–	–	9	2,431
Defined benefit liability	11	289	(60)	–	13	253
Other	484	(170)	–	–	67	380
Total	3,817	618	(60)	–	77	4,451
Deferred tax liabilities						
Non-current assets	(3,111)	(1,491)	–	–	(449)	(5,052)
Available-for-sale financial assets	(2,197)	–	55	–	–	(2,141)
Other	(166)	(178)	–	–	(22)	(368)
Total	(5,475)	(1,670)	55	–	(471)	(7,562)

Fiscal year ended March 31, 2016

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

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, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Unused tax losses	1,348	3,868
Deductible temporary differences	574	634
Total	1,922	4,503

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

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
1st year	–	–
2nd year	–	–
3rd year	–	–
4th year	–	–
5th year and onward	1,348	3,868
Total	1,348	3,868

The total amount of taxable temporary differences associated with investments in subsidiaries, etc. for which deferred tax liabilities have not been recognized were ¥56,979 million as of March 31, 2015 and ¥57,348 million as of March 31, 2016. For these taxable differences, deferred tax liabilities have not been recognized since the Group may control timing of their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period.

(2) Breakdown of income tax expense

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Current tax expense	3,009	922
Deferred tax expense	1,052	289
Total	4,061	1,211

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

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	%	%
Effective statutory tax rate	34.8	32.3
Non-deductible expenses in calculation of taxable profits	1.9	2.3
Unrecognized deferred tax assets	4.8	7.8
Tax credits	(2.0)	2.8
Difference from the applicable tax rate of overseas subsidiaries	(6.5)	(7.2)
Refund of income taxes	–	(18.9)
Other	0.6	(4.2)
Effective tax rate	33.6	14.9

Note: Adjustment of the amount of deferred tax assets and deferred tax liabilities due to a change of income tax rate

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, and income tax rates, etc. are to be lowered from fiscal years beginning on or after April 1, 2016. In line with this, the effective statutory tax rate used for the calculation of deferred tax assets and liabilities was changed from the previously used rate at 31.57% to 30.21% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2016 and the fiscal year beginning on April 1, 2017, and to 29.99% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2018.

Due to this change in the tax rate, the amount of deferred tax assets (the amount after deducting the amount of deferred tax liabilities) increased by ¥47 million, income tax expense increased by ¥21 million, and changes in fair value of available-for-sale financial assets increased by ¥68 million.

16. Borrowings

Breakdown of borrowings

	As of March 31, 2015	As of March 31, 2016	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Current borrowings	3,604	4,730	1.01	–
Current portion of long-term borrowings	667	5,157	0.73	–
Total	4,271	9,887		
Non-current				
Financial liabilities measured at amortized cost				
Long-term borrowings	12,139	8,426	0.82	April 2017 to October 2019
Total	12,139	8,426		

Notes: 1. "Average interest rate" shows weighted average interest rate on the balance as of March 31, 2016.

2. "Due" shows the repayment due for the balance as of March 31, 2016.

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

17. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Notes and accounts payable - trade	11,138	10,390
Factoring payables	2,170	1,863
Accounts payable - other	1,794	1,727
Total	15,103	13,981

18. Employee benefits

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

(1) Defined benefit plans

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

1) Amounts recognized in the consolidated statement of financial position

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

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Funded defined benefit obligations	7,515	8,051
Plan assets	(7,056)	(7,065)
Subtotal	459	985
Unfunded defined benefit obligations	819	917
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,278	1,903
Defined benefit liability	1,486	1,903
Defined benefit asset	(207)	(0)
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,278	1,903

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, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	703	740

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	7,507	8,334
Service cost	663	678
Interest cost	123	126
Remeasurement	486	218
Retirement benefits paid	(478)	(307)
Exchange differences on translation	32	(82)
Defined benefit obligations at end of period	8,334	8,969

Note: The weighted average duration of defined benefit obligations was 13.6 years as of March 31, 2015 and 13.1 to 23 years as of March 31, 2016.

4) Reconciliation of plan assets

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Plan assets at beginning of period	6,362	7,056
Interest income	83	64
Remeasurement	535	(167)
Contributions by the employer	345	338
Retirement benefits paid	(290)	(210)
Exchange differences on translation	18	(15)
Plan assets at end of period	7,056	7,065

5) Composition of plan assets

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Debentures	3,378	4,411
Shares	1,934	1,119
Other	1,743	1,535
Total	7,056	7,065

6) Major actuarial assumptions

	As of March 31, 2015	As of March 31, 2016
	%	%
Discount rate (Japan)	0.8	0.4
Discount rate (Overseas)	4.0 to 9.0	4.0 to 8.7

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, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(516)	(533)
0.5% decrease in the discount rate	577	583

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, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Amount recorded as expenses	178	251

(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 ¥493 million in the previous fiscal year and ¥396 million in the fiscal year under review.

1) Latest funding position of multi-employer plan

	As of March 31, 2014	As of March 31, 2015
	Millions of yen	Millions of yen
Plan assets	176,930	194,022
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	189,167	199,101
Difference	(12,237)	(5,079)

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

	As of March 31, 2014	As of March 31, 2015
	%	%
Proportion of contributions by the Group	5.9	5.9

19. Provisions

Breakdown of and changes in provisions

	Asset retirement obligations
	Millions of yen
April 1, 2014	41
Interest expense during the period in discounting	0
Decrease during the period (intended use)	(5)
Decrease during the period (reversal)	–
March 31, 2015	36
Interest expense during the period in discounting	0
Decrease during the period (intended use)	–
Decrease during the period (reversal)	–
March 31, 2016	36

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

20. Equity and other equity items

(1) Equity and share premium

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

	Number of shares authorized	Number of shares issued	Issued capital	Share premium
	Shares	Shares	Millions of yen	Millions of yen
As of April 1, 2014	90,000,000	52,644,030	4,175	4,916
Change during the period (Note 2)	–	–	–	(4,916)
As of March 31, 2015	90,000,000	52,644,030	4,175	–
Change during the period	–	–	–	–
As of March 31, 2016	90,000,000	52,644,030	4,175	–

Notes: 1. All shares issued by the Company are ordinary shares with no rights limitations and without par value. Issued shares are fully paid up.

2. As a result of the acquisition of shares in FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD.), etc., share premium decreased by ¥4,916 million.

(2) Retained earnings

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

(3) Treasury shares

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

	Number of shares	Amount
	Shares	Millions of yen
As of April 1, 2014	2,455,222	3,407
Change during the period	178	0
As of March 31, 2015	2,455,400	3,408
Change during the period	324	0
As of March 31, 2016	2,455,724	3,408

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

(4) Dividends

• Amount of dividends paid

Fiscal year ended March 31, 2015

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 24, 2014 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2014	June 25, 2014
October 28, 2014 Board of Directors meeting	1,003	20.00	September 30, 2014	November 26, 2014

Fiscal year ended March 31, 2016

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

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

Fiscal year ended March 31, 2015

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 23, 2015 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2015	June 24, 2015

Fiscal year ended March 31, 2016

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

21. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Packing and shipping expenses	1,625	1,704
Personnel expenses	4,379	4,813
Depreciation and amortization expense	308	431
Research and development expense	2,151	2,578
Other	5,347	4,570
Total	13,812	14,099

22. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Gain on sales of non-current assets	81	88
Subsidy income	3	2
Other	482	486
Total	567	578

(2) Breakdown of other expense

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	234	275
Impairment loss	987	4,167
Other	98	129
Total	1,320	4,572

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

23. Finance income and finance costs

(1) Breakdown of finance income

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, loans and receivables	409	351
Dividend income		
Available-for-sale financial assets	192	199
Foreign exchange gains	2,967	–
Interest on refund of income taxes	–	258
Total	3,569	809

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Interest expense		
Borrowings	47	156
Other	0	0
Foreign exchange losses	–	2,265
Total	47	2,422

24. Other comprehensive income

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

Fiscal year ended March 31, 2015

	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	206	–	206	(55)	151
Subtotal	206	–	206	(55)	151
Components that may be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets	566	–	566	55	622
Exchange differences of foreign operations	8,000	–	8,000	–	8,000
Share of other comprehensive income of associates accounted for using equity method	(7)	–	(7)	–	(7)
Subtotal	8,559	–	8,559	55	8,615
Total	8,766	–	8,766	0	8,766

Fiscal year ended March 31, 2016

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

25. Earnings per share

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Profit attributable to ordinary equity holders of parent (Millions of yen)	7,230	6,162
Weighted-average number of ordinary shares (Thousands of shares)	50,188	50,188
Basic earnings per share (Yen)	144.07	122.79

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

26. Financial instruments

(1) Capital management

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

(2) Classification of financial assets and financial liabilities

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Financial assets		
Loans and receivables		
Trade and other receivables	26,024	25,398
Other financial assets	2,571	2,264
Available-for-sale financial assets		
Other financial assets	8,794	7,273
Cash and cash equivalents	17,557	23,450
Total financial assets	54,948	58,387
Financial liabilities		
Financial liabilities at amortized cost		
Trade and other payables	15,103	13,981
Borrowings	16,410	18,313
Other financial liabilities	26	29
Total financial liabilities	31,540	32,324

(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 carry out derivative transactions in principle.

1) Credit risk management

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

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

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

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

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

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Within one month past due	47	267
Over one month and within six months past due	126	273
Over six months and within one year past due	29	24
Over one year past due	77	93
Total	280	659

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Balance at beginning of period	56	72
Increase during the period	17	23
Decrease during the period (intended use)	(1)	–
Decrease during the period (reversal)	(4)	(1)
Other changes	3	(1)
Balance at end of period	72	92

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, 2015

	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	15,103	15,103	15,103	–	–	–	–	–
Borrowings	16,410	16,640	4,377	5,142	3,912	3,208	–	–
Other financial liabilities	26	27	–	–	–	–	–	27
Total	31,540	31,772	19,481	5,142	3,912	3,208	–	27

As of March 31, 2016

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

3) Market risk management

(i) Exchange risks

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

- Foreign exchange sensitivity

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, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
US dollar	142	140
RMB	48	39

(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 ¥810 million in the previous fiscal year and ¥655 million in the fiscal year under review.

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

(iii) Interest rate risks

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

(4) Fair value of financial instruments

1) Method of fair value measurement

Loans and receivables

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Financial liabilities measured at amortized cost

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

2) Fair value hierarchy

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

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

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

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

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

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

3) Carrying amount and fair value of financial instruments

	As of March 31, 2015		As of March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Long-term borrowings (Note 1)	12,806	12,824	13,583	13,668

Notes: 1. Include current portion of long-term borrowings.
The fair value of long-term borrowings is in Level 2.
2. Financial instruments measured at fair value and financial instruments of which the fair value extremely approximates the carrying amount are not included in the above table.

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

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

As of March 31, 2015

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Available-for-sale financial assets				
Listed shares	8,101	–	–	8,101
Unlisted shares	–	–	687	687
Other	–	–	4	4
Total	8,101	–	692	8,794

As of March 31, 2016

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

Note: No transfers between Level 1, Level 2 and Level 3 were made in one year ended March 31, 2015 and one year ended March 31, 2016.

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

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Balance at beginning of period	645	692
Total gains and losses		
Other comprehensive income	47	27
Balance at end of period	692	719

Notes: 1. Gains and losses included in other comprehensive income relate to shares, etc. held as of the reporting date that were not traded at a market. These gains and losses are included in “changes in fair value of available-for-sale financial assets” and “exchange differences of foreign operations” in the consolidated statement of comprehensive income.

2. Financial assets classified as Level 3 mainly consist of unlisted shares. The fair values of unlisted shares are principally measured by valuation techniques based on net asset value, and results of the fair value measurement are approved by an appropriate authorized person.

27. Important subsidiaries

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

Name	Location	Principal contents of business	Ratio of voting rights holding (%)
KYUSHU F.C.C. CO., LTD.	Japan	Motorcycle and automobile clutches	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycle clutches	80
Tohoku Chemical Industries, Ltd.	Japan	Motorcycle clutches	100
FCC (North America), INC.	U.S.	Administration of subsidiaries in the U.S.	100
FCC (INDIANA), LLC.	U.S.	Automobile clutches	100 [100]
FCC (North Carolina), LLC.	U.S.	Motorcycle and automobile clutches	100 [100]
FCC Adams, LLC.	U.S.	Automobile clutches	100 [100]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Mexico	Automobile clutches	100 [1]
FCC (THAILAND) CO., LTD.	Thailand	Motorcycle and automobile clutches	58 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycle and automobile clutches	100
F.C.C. (China) Investment Co., Ltd.	China	Administration of subsidiaries in China	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	China	Motorcycle and automobile clutches	100 [71.43]
CHU'S F.C.C. CO., LTD. (SHANGHAI)	China	Motorcycle clutches	100
CHINA FCC FOSHAN CO., LTD.	China	Automobile clutches	91.9 [53.33]
FCC (TAIWAN) CO., LTD.	Taiwan	Motorcycle clutches	70 [15]
FCC CLUTCH INDIA PRIVATE LTD.	India	Motorcycle and automobile clutches	100
PT. FCC INDONESIA	Indonesia	Motorcycle and automobile clutches	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycle clutches	90
FCC DO BRASIL LTDA.	Brazil	Motorcycle clutches	100

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

28. Related parties

(1) Related party transactions

Fiscal year ended March 31, 2015

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	12,585	1,247
		Purchase of raw materials and parts	2,196	241

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

Fiscal year ended March 31, 2016

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

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

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	Millions of yen	Millions of yen
Remuneration and bonuses	285	290

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

29. Commitments

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

	As of March 31, 2015	As of March 31, 2016
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	7,584	3,677

30. Subsequent events

Not applicable.

Opinion of independent auditors

Auditors: Yasumori Audit Corporation
Opinion: unqualified

2. Non-consolidated financial statements, etc.

Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	1,692	2,164
Notes receivable - trade	31	3
Electronically recorded monetary claims - operating	86	131
Accounts receivable - trade	7,998	7,660
Merchandise and finished goods	731	777
Work in process	1,759	954
Raw materials and supplies	2,520	2,447
Prepaid expenses	59	66
Short-term loans receivable from subsidiaries and associates	14,517	16,309
Deferred tax assets	619	455
Other	2,941	3,636
Allowance for doubtful accounts	–	(4)
Total current assets	32,959	34,601
Non-current assets		
Property, plant and equipment		
Buildings	3,860	5,313
Structures	402	373
Machinery and equipment	3,922	5,102
Vehicles	30	36
Tools, furniture and fixtures	685	741
Land	4,340	4,340
Construction in progress	1,859	867
Total property, plant and equipment	15,101	16,775
Intangible assets		
Software	115	86
Software in progress	1,269	18
Other	5	4
Total intangible assets	1,390	109
Investments and other assets		
Investment securities	1,084	982
Shares of subsidiaries and associates	24,395	23,069
Bonds of subsidiaries and associates	5,846	5,846
Investments in capital	4	4
Investments in capital of subsidiaries and associates	5,587	3,069
Long-term loans to employees	143	144
Long-term loans receivable from subsidiaries and associates	6,554	7,740
Long-term prepaid expenses	–	26
Other	707	707
Allowance for doubtful accounts	(46)	(46)
Total investments and other assets	44,278	41,544
Total non-current assets	60,770	58,429
Total assets	93,730	93,030

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Notes payable - trade	529	324
Accounts payable - trade	2,959	2,553
Factoring liabilities	2,116	1,706
Short-term loans payable	1,868	8,761
Accounts payable - other	644	435
Accrued expenses	342	365
Income taxes payable	1,291	17
Advances received	–	5
Deposits received	44	47
Provision for bonuses	1,157	1,182
Other	0	0
Total current liabilities	10,954	15,399
Non-current liabilities		
Long-term loans payable	12,139	8,426
Deferred tax liabilities	1,740	1,440
Provision for retirement benefits	474	572
Asset retirement obligations	32	32
Other	27	27
Total non-current liabilities	14,412	10,499
Total liabilities	25,367	25,899
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	948	969
General reserve	43,500	46,500
Retained earnings brought forward	11,928	8,628
Total retained earnings	59,021	58,742
Treasury shares	(3,408)	(3,408)
Total shareholders' equity	64,355	64,075
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,007	3,056
Total valuation and translation adjustments	4,007	3,056
Total net assets	68,362	67,131
Total liabilities and net assets	93,730	93,030

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	42,560	39,920
Cost of sales		
Beginning finished goods	786	731
Cost of products manufactured	29,808	28,507
Purchase of finished goods	1,601	1,354
Total	32,196	30,593
Ending finished goods	731	777
Cost of finished goods sold	31,465	29,815
Gross profit	11,095	10,104
Selling, general and administrative expenses		
Packing and delivery expenses	805	815
Salaries and allowances	1,629	1,500
Provision for bonuses	242	235
Retirement benefit expenses	205	209
Depreciation	42	47
Research and development expenses	3,163	3,417
Other	1,936	1,671
Total selling, general and administrative expenses	8,024	7,898
Operating income	3,070	2,205
Non-operating income		
Interest income	250	382
Interest on capital receivable	130	108
Interest on securities	209	593
Dividend income	3,299	2,498
Rental income	7	23
Commissions on equipment sales	945	472
Foreign exchange gains	3,100	–
Technical advisory fee	412	350
Other	58	59
Total non-operating income	8,414	4,488
Non-operating expenses		
Interest expenses	26	124
Rent expenses	1	17
Foreign exchange losses	–	1,678
Other	0	0
Total non-operating expenses	28	1,820
Ordinary income	11,455	4,873
Extraordinary income		
Gain on sales of non-current assets	0	9
Interest on refund of income taxes and other	–	258
Total extraordinary income	0	267
Extraordinary losses		
Loss on sales and retirement of non-current assets	154	109
Impairment loss	987	1,483
Loss on valuation of investments in capital of subsidiaries and associates	–	2,518
Total extraordinary losses	1,141	4,111
Profit before income taxes	10,314	1,029

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Income taxes - current	2,793	440
Refund of income taxes	–	(1,531)
Income taxes - deferred	(101)	392
Total income taxes	2,692	(698)
Profit	7,622	1,728

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

Fiscal year ended March 31, 2015

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	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	903	38,500	11,306	53,354
Cumulative effects of changes in accounting policies									52	52
Restated balance	4,175	4,555	10	4,566	1,043	1,600	903	38,500	11,358	53,406
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	–
Provision of reserve for advanced depreciation of non-current assets							45		(45)	–
Provision of general reserve								5,000	(5,000)	–
Dividends of surplus									(2,007)	(2,007)
Profit									7,622	7,622
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	–	44	5,000	570	5,614
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	948	43,500	11,928	59,021

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(3,407)	58,688	3,476	3,476	62,164
Cumulative effects of changes in accounting policies		52			52
Restated balance	(3,407)	58,740	3,476	3,476	62,216
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		–			–
Provision of reserve for advanced depreciation of non-current assets		–			–
Provision of general reserve		–			–
Dividends of surplus		(2,007)			(2,007)
Profit		7,622			7,622
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			531	531	531
Total changes of items during period	(0)	5,614	531	531	6,146
Balance at end of current period	(3,408)	64,355	4,007	4,007	68,362

Fiscal year ended March 31, 2016

(Millions of yen)

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

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

[Notes to non-consolidated financial statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Shares of subsidiaries and associates

Stated at cost determined by the weighted-average method

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

Securities with readily determinable fair value

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

Securities without readily determinable fair value

Stated at cost determined by the weighted-average method.

(2) Valuation basis and methods for inventories

Finished goods and work in process

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

Raw materials and supplies

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

2. Depreciation methods for non-current assets

(1) Property, plant and equipment

The straight-line method is applied.

Major useful lives are as follows:

Buildings	10 to 38 years
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 (18 years) at the time of occurrence in each fiscal year.

4. Other significant matters for preparing financial statements

Accounting for retirement benefits

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

4) Supplementary statements

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

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase in the period	Decrease in the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	3,860	1,593	0	139	5,313	6,535
	Structures	402	12	0	41	373	1,207
	Machinery and equipment	3,922	2,349	167 [111]	1,002	5,102	16,771
	Vehicles	30	16	0	10	36	133
	Tools, furniture and fixtures	685	359	17 [7]	286	741	4,815
	Land	4,340	–	–	–	4,340	–
	Construction in progress	1,859	3,166	4,157 [68]	–	867	–
	Total	15,101	7,498	4,343 [187]	1,480	16,775	29,464
Intangible assets	Telephone subscription right	3	–	–	–	3	–
	Right of using water facilities	1	–	–	0	1	2
	Software	115	15	2	42	86	251
	Software in progress	1,269	44	1,296 [1,296]	–	18	–
	Total	1,390	60	1,298 [1,296]	43	109	254
Investments and other assets	Long-term prepaid expenses	–	29	3	–	26	–

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

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

Property, plant and equipment

[Increase]

Buildings	Hamakita Factory	New establishment of Hamakita Factory	¥1,473 million
Machinery and equipment	Tenryu Factory	Manufacturing facilities for clutches	¥894 million
	Hamakita Factory	Manufacturing facilities for clutches	¥884 million
Construction in progress	Hamakita Factory	Manufacturing facilities for clutches	¥1,376 million

[Decrease]

Machinery and equipment	Ryuyo Factory	Impairment loss in accordance with the accounting standard for impairment loss of non-current assets	¥111 million

Construction in progress	Head Office	Impairment loss in accordance with the accounting standard for impairment loss of non-current assets	¥68 million

Intangible assets

[Decrease]

Software in progress	Head Office	Impairment loss in accordance with the accounting standard for impairment loss of non-current assets	¥1,296 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	46	4	–	51
Provision for bonuses	1,157	1,182	1,157	1,182

Opinion of independent auditors

Auditors: Yasumori Audit Corporation
Opinion: unqualified

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

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Securities Agent Department, Head Office, Mizuho Trust & Banking Co., Ltd.
Shareholder register administrator	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Forwarding office	—
Handling charge for purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	Electronic public notice will be made. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. The Company's URL for public notice: http://www.fcc-net.co.jp/
Special benefits for shareholders	• 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.