Annual Securities Report

89th term (from April 1, 2018 to March 31, 2019)

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 27, 2019
Fiscal year	89th term (from April 1, 2018 to March 31, 2019)
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
Address of registered headquarters	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka
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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

Summary of consolidated financial data

Term	IFRS				
	85th term	86th term	87th term	88th term	89th term
Fiscal year-end	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Revenue (Millions of yen)	154,395	167,429	157,217	173,174	177,605
Profit before income taxes (Millions of yen)	12,104	8,118	11,419	14,083	16,503
Profit attributable to owners of parent (Millions of yen)	7,230	6,162	7,204	9,691	11,779
Comprehensive income (Millions of yen)	16,809	(1,155)	7,027	7,935	12,380
Equity attributable to owners of parent (Millions of yen)	110,190	107,010	111,624	117,311	125,875
Total assets (Millions of yen)	163,819	159,212	162,708	170,302	173,644
Equity attributable to owners of parent per share (Yen)	2,195.52	2,132.18	2,224.12	2,337.43	2,533.32
Basic earnings per share (Yen)	144.07	122.79	143.54	193.11	235.05
Diluted earnings per share (Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	67.26	67.21	68.60	68.88	72.49
Ratio of profit to equity attributable to owners of parent (%)	6.75	5.67	6.59	8.47	9.69
Price earnings ratio (PER) (Times)	13.03	15.49	15.48	15.48	9.96
Net cash flows from (used in) operating activities (Millions of yen)	13,002	25,108	24,165	24,120	23,622
Net cash flows from (used in) investing activities (Millions of yen)	(20,308)	(17,369)	(15,846)	(19,122)	(8,695)
Net cash flows from (used in) financing activities (Millions of yen)	4,106	96	(7,641)	(2,657)	(7,981)
Cash and cash equivalents at end of period (Millions of yen)	17,557	23,450	23,474	25,230	32,444
Number of employees [Separately, average number of temporary employees]	7,603 [3,647]	7,893 [3,235]	8,189 [3,210]	8,555 [3,637]	8,829 [4,017]

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
		85th term
Fiscal year-end		March 31, 2015
Net sales	(Millions of yen)	153,939
Ordinary profit	(Millions of yen)	12,952
Profit attributable to owners of parent	(Millions of yen)	6,760
Comprehensive income	(Millions of yen)	16,702
Net assets	(Millions of yen)	115,948
Total assets	(Millions of yen)	162,348
Net assets per share	(Yen)	2,195.73
Basic earnings per share	(Yen)	134.70
Diluted earnings per share	(Yen)	–
Equity ratio	(%)	67.88
Return on equity (ROE)	(%)	6.31
Price earnings ratio (PER)	(Times)	13.93
Net cash provided by (used in) operating activities	(Millions of yen)	13,465
Net cash provided by (used in) investing activities	(Millions of yen)	(21,783)
Net cash provided by (used in) financing activities	(Millions of yen)	4,129
Cash and cash equivalents at end of period	(Millions of yen)	17,403
Number of employees [Separately, average number of temporary employees]		7,564 [3,676]

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

2. Net sales do not include consumption taxes.

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

2. Company history

Year	Month	Event
1939	June	Fuji Lite Industries Co., Ltd. is established in Sato-cho, Hamamatsu-shi, Shizuoka. The Company begins manufacturing clutch plates, gears and other products employing compression molding of Bakelite resins.
1943	March	Changes name to Fuji Chemical Co., Ltd.
1982	February	Establishes Kyushu Fuji Chemical Industries Co., Ltd. (currently KYUSHU F.C.C. CO., LTD., a consolidated subsidiary) in Matsubase-machi, Shimomashiki-gun, Kumamoto (currently Uki-shi, Kumamoto).
1984	July	Changes name to F.C.C. CO., LTD.
1988	July	Establishes JAYTEC, INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
1989	March	Establishes FCC (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Bangkok, Thailand.
	June	Moves its corporate head office to the current address.
1992	September	Makes equity investment in KWANG HWA SHING INDUSTRIAL CO., LTD. of Tainan, Taiwan.
1993	September	Establishes FCC (PHILIPPINES) CORP. (currently a consolidated subsidiary) in Laguna, Philippines.
	October	Acquires shares of TENRYU SANGYO CO., LTD. (currently a consolidated subsidiary).
1994	August	Registers its shares for OTC trading with Japan Securities Dealers Association.
	December	Establishes CHENGDU JIANG HUA. F.C.C. CLUTCHES. CO., LTD. (currently CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a consolidated subsidiary) in Chengdu, Sichuan, China.
1995	March	Establishes CHU'S F.C.C. CO., LTD. (SHANGHAI) (currently a consolidated subsidiary) in Shanghai, China.
	September	Establishes FCC (EUROPE) LTD. in Milton Keynes, UK.
1997	April	Establishes FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LTD., a consolidated subsidiary) in Haryana, India.
1998	November	Establishes FCC DO BRASIL LTDA. (currently a consolidated subsidiary) in Amazonas, Brazil.
2000	April	Establishes FCC (North Carolina), INC. (currently FCC (North Carolina), LLC., a consolidated subsidiary) in North Carolina, U.S.A.
2001	April	Establishes PT. FCC INDONESIA (currently a consolidated subsidiary) in Karawang, Indonesia.
2002	December	Establishes FCC (North America), INC. (currently a consolidated subsidiary) and FCC (INDIANA), INC. (currently FCC (INDIANA) LLC., a consolidated subsidiary) in Indiana, U.S.A.
2003	February	Lists its shares on the Second Section of the Tokyo Stock Exchange.
	May	Establishes FCC (Adams), LLC. (currently a consolidated subsidiary) in Indiana, U.S.A.
2004	March	Lists its shares on the First Section of the Tokyo Stock Exchange.
2005	June	Increases investment in KWANG HWA SHING INDUSTRIAL CO., LTD. (currently FCC (TAIWAN) CO., LTD.), making the company a consolidated subsidiary.
	November	Establishes FCC (VIETNAM) CO., LTD. (currently a consolidated subsidiary) in Hanoi, Vietnam.
2006	January	Establishes CHINA FCC FOSHAN CO., LTD. (currently a consolidated subsidiary) in Foshan, Guangdong, China.
2010	November	Acquires 100% of shares of Tohoku Chemical Industries, Ltd.
2012	September	Establishes F.C.C. (China) Investment Co., Ltd. (currently a consolidated subsidiary) in Chengdu, Sichuan, China.
	December	Completes liquidation of FCC (EUROPE) LTD.
2013	February	Establishes FCC SEOJIN CO., LTD. in Siheung, Gyeonggi-do, Korea.
	June	Establishes FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (currently a consolidated subsidiary) in San Luis Potosi, Mexico.
2014	November	Establishes FCC CLUTCH INDIA PRIVATE LTD. (currently a consolidated subsidiary) in Haryana, India.
	December	Acquires 100% of shares 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.
2017	September	Acquires 100% of shares of Flint Co.,Ltd (currently a consolidated subsidiary).
2018	December	Transferred all of the shares of Tohoku Chemical Industries, Ltd.

3. Description of business

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

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

Motorcycle clutches

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

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

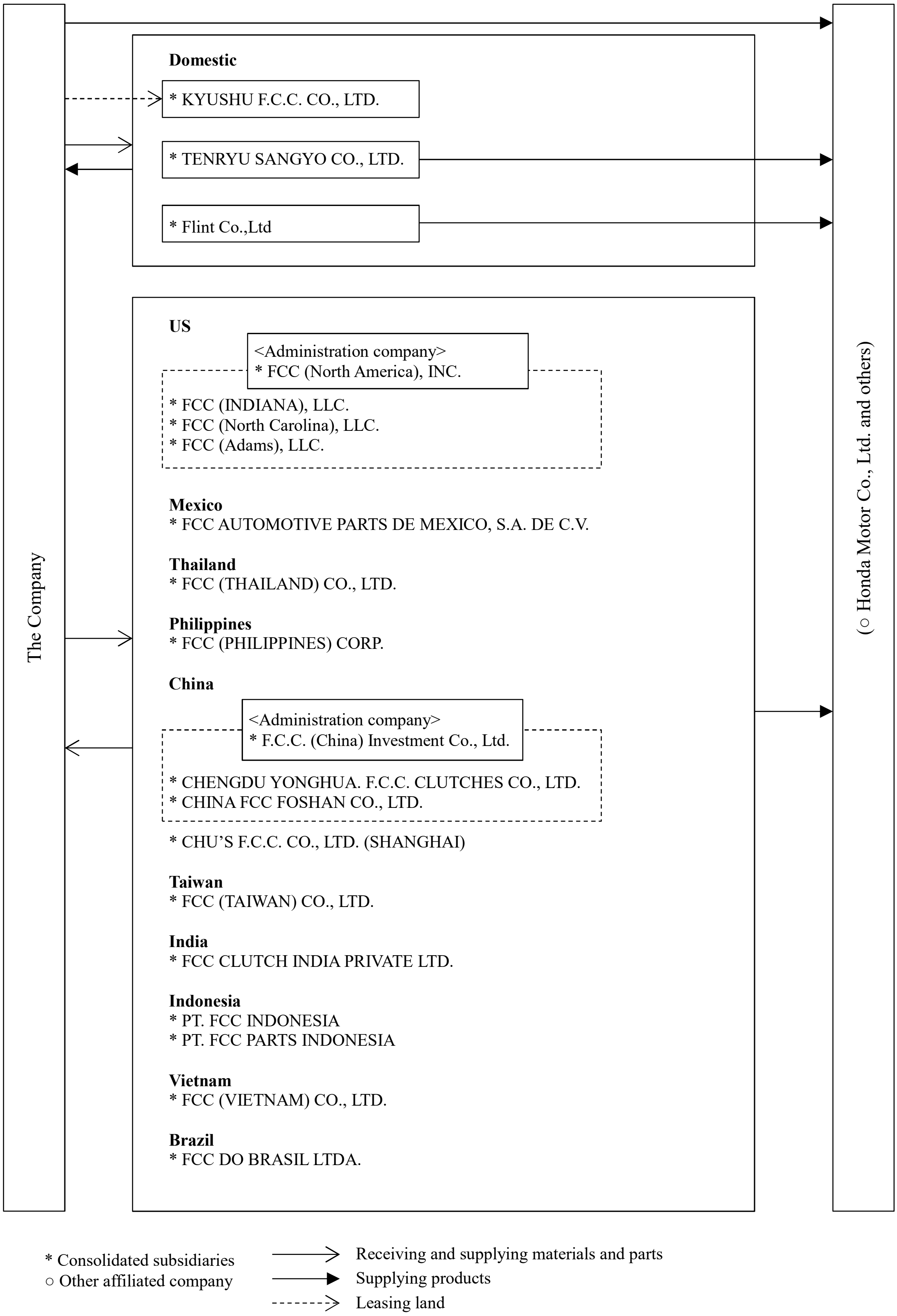
Automobile clutches

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

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

Group business structure chart

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



4. Overview of subsidiaries and other affiliates

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
<Consolidated subsidiaries> KYUSHU F.C.C. CO., LTD.	Uki-shi, Kumamoto	¥30,000,000	Motorcycle and automobile clutches	100	Manufacturing the Company's product components and products. Interlocking officers and leasing land.
TENRYU SANGYO CO., LTD.	Higashi-ku, Hamamatsu-shi, Shizuoka	¥22,500,000	Motorcycle clutches	80.22	Purchasing motorcycle, automobile and general-purpose components. Interlocking officers and capital assistance.
Flint Co.,Ltd	Ongatown, Onga-gun, Fukuoka	¥10,000,000	Motorcycle clutches	100	Purchasing Flint Co.,Ltd's products. Interlocking officers.
FCC (North America), INC. (Note 2)	Indiana, U.S.	US$42,800,000	Administration of subsidiaries in the U.S.	100	Interlocking officers and capital assistance.
FCC (INDIANA), LLC. (Notes 2, 4)	Indiana, U.S.	US$17,800,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (INDIANA), LLC.'s products and components. Interlocking officers.
FCC (North Carolina), LLC. (Note 2)	North Carolina, U.S.	US$10,000,000	Motorcycle and automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (North Carolina), LLC.'s products and components. Interlocking officers.
FCC (Adams), LLC. (Notes 2, 4)	Indiana, U.S.	US$15,000,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (Adams), LLC.'s products and components. Interlocking officers.
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (Note 2)	San Luis Potosi, Mexico	MXN500,000,000	Automobile clutches	100 [40.60]	Selling the Company's products, components and raw materials. Interlocking officers and capital assistance.
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	THB60,000,000	Motorcycle and automobile clutches	100 [0.07]	Selling the Company's products, components and raw materials. Purchasing FCC (THAILAND) CO., LTD.'s products and components. Interlocking officers.
FCC (PHILIPPINES) CORP. (Note 2)	Laguna, Philippines	PHP200,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC (PHILIPPINES) CORP.'s products and components. Interlocking officers.
F.C.C. (China) Investment Co., Ltd. (Note 2)	Sichuan, China	US$30,000,000	Administration of subsidiaries in China	100	Interlocking officers.
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. (Note 2)	Sichuan, China	US$28,000,000	Motorcycle and automobile clutches	100 [71.43]	Selling the Company's products, components and raw materials. Purchasing CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.'s products and components. Interlocking officers and capital assistance.
CHU'S F.C.C. CO., LTD. (SHANGHAI) (Note 2)	Shanghai, China	US$9,800,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing CHU'S F.C.C. CO., LTD. (SHANGHAI)'s products and components. Interlocking officers.

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
CHINA FCC FOSHAN CO., LTD. (Note 2)	Guangdong, China	US$28,000,000	Automobile clutches	100 [61.43]	Selling the Company’s products, components and raw materials. Purchasing CHINA FCC FOSHAN CO., LTD.’s products and components. Interlocking officers.
FCC (TAIWAN) CO., LTD. (Note 2)	Tainan, Taiwan	NT$195,000,000	Motorcycle clutches	70 [15]	Selling the Company’s products, components and raw materials. Purchasing FCC (TAIWAN) CO., LTD.’s products and components. Interlocking officers.
FCC CLUTCH INDIA PRIVATE 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 and automobile clutches	90	Selling the Company’s products, components and raw materials. Purchasing FCC (VIETNAM) CO., LTD.’s products and components. Interlocking officers.
FCC DO BRASIL LTDA. (Note 2)	Amazonas, Brazil	BRL31,600,000	Motorcycle and automobile clutches	100	Selling the Company’s products, components and raw materials. Purchasing FCC DO BRASIL LTDA.’s products and components. Capital assistance.
<Other affiliate> Honda Motor Co., Ltd. (Note 5)	Minato-ku, Tokyo	¥86,067,000,000	Manufacture and sales of automobiles and engines	21.90 (held)	Selling the Company’s products and purchasing raw materials and components.

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

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

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

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

   Key profit and loss information

   • FCC (INDIANA), LLC.

(1) Net sales	¥33,929 million
(2) Ordinary profit	¥1,615 million
(3) Profit	¥1,214 million
(4) Net assets	¥15,876 million
(5) Total assets	¥20,919 million

   • FCC (Adams), LLC.

(1) Net sales	¥32,549 million
(2) Ordinary profit	¥1,383 million
(3) Profit	¥1,192 million
(4) Net assets	¥5,784 million
(5) Total assets	¥25,755 million

   • FCC CLUTCH INDIA PRIVATE LTD.

(1) Net sales	¥23,799 million
(2) Ordinary profit	¥(251 million)
(3) Profit	¥(174 million)
(4) Net assets	¥2,578 million
(5) Total assets	¥15,861 million

   • PT. FCC INDONESIA

(1) Net sales	¥23,066 million
(2) Ordinary profit	¥2,862 million
(3) Profit	¥2,228 million
(4) Net assets	¥15,742 million
(5) Total assets	¥19,036 million

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

5. Information about employees

(1) Consolidated companies

As of March 31, 2019

Segment name	Number of employees
Motorcycle clutches	4,717 [3,659]
Automobile clutches	3,642 [267]
Total of reportable segments	8,359 [3,926]
Corporate (common)	470 [91]
Total	8,829 [4,017]

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

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

(2) Reporting company

As of March 31, 2019

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,102 [161]	41.3	17.0	6,750,365

Segment name	Number of employees
Motorcycle clutches	238 [49]
Automobile clutches	394 [21]
Total of reportable segments	632 [70]
Administration (general operations)	470 [91]
Total	1,102 [161]

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

2. Average annual salary includes bonuses and surplus wages.

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

(3) Status of labor union

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

II. Overview of business

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

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

(1) Basic corporate management policy

The Group's fundamental policy of corporate philosophy is to "make a contribution to society by supplying products that make the best of ideas and technology to satisfy customers in every way, and which are also safe and environmentally friendly."

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

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

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

Go! Reach beyond evolution.

Business policy

To promote sustainability and increase corporate value.

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

Performance targets (FY2019 revised targets)

Revenue:	¥180.0 billion	ROE:	9.1%
Operating profit:	¥16.0 billion	Dividend payout ratio:	24.8%

(3) Issues to address

Looking at the future business environment, the risks of downturn in the global economy, such as US-China trade friction, trends concerning Brexit and effects caused by fluctuations in financial and capital markets, require attention. In the automotive industry, demand is expected to grow in both motorcycle and automobile markets over the medium to long term. However, an era of significant structural changes has arrived for not only the automotive industry but also other industries, as developments, including measures for addressing fuel consumption regulations, advances in technologies for the electrification of cars and automated driving, and the spread of car sharing, indicate.

Under such a management environment, the Group will ensure the implementation of the 10th Medium-Term Management Plan ending in FY2019, and strive to further expand existing businesses and generate new businesses with a sense of speed, looking hard at the next Medium-Term Management Plan.

2. 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 Revenue from the Honda Motor Group accounted for approximately 46% of the Group's Revenue in the fiscal year ended March 31, 2019. 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.

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

(1) Overview of operating results, etc.

The Group's financial position, operating results and cash flows for the fiscal year ended March 31, 2019 were as follows.

1) Financial position and operating results

In the fiscal year ended March 31, 2019, the Japanese economy gradually recovered against a backdrop of stronger employment and income environments despite signs of weakness in some areas due to such factors as the growing sense of uncertainty concerning the global economy outlook. Overseas, the U.S. economy remained firm mainly for consumer spending. In Asia, economies recovered in ASEAN countries in general. However, a growth rate decline was observed in India from the first half to the second half of the fiscal year, in addition to a trend toward a moderate slowdown in China.

In the automotive industry, in Japan, sales of registered vehicles remained unchanged in the automobile market, but due to an increase in sales of lightweight mini vehicles, the number of new vehicles sold increased for the third consecutive year. Overseas, although sales of passenger cars in the U.S. continued to struggle, sales of light trucks remained solid. In China, sales by Japanese manufacturers remained strong amid decreased sales of new vehicles. In the motorcycle market, demand grew in Indonesia. Sales rose year on year in India, even though demand there fell in the second half.

Under these circumstances, the Group has worked to strengthen development capabilities and on-site capabilities in the second year of the 10th Medium-Term Management Plan. In the motorcycle business, in India, we began mass production in the new Ahmedabad Plant and strove to expand production capacity. In the automobile business, amid the solid sales of light trucks in the U.S., we have worked to build a stable mass production structure and improve profitability of clutches for 10-speed ATs. In terms of development, we focused on developing friction materials and clutches with new mechanisms. Outside of the clutches business, we worked on the development of fuel cell systems, thin paper and thin film technologies, and EV (electric vehicle) products with an eye to the future. Furthermore, the Company established the New Business Development Division effective as of April 1, 2019 by integrating the New Business Development Division, the EV product development block of R&D Division, and the catalyst development department of the research block, R&D Division that had taken charge of the development of those new businesses, with the aim of enhancing business development functions more.

As a result, during the fiscal year ended March 31, 2019, in addition to an increase in sales of motorcycle clutches in Indonesia and Thailand, an increase in sales of automobile clutches for Ford and GM in the U.S. led to revenue increasing by 2.6% from the previous fiscal year to ¥177,605 million, and operating profit increasing by 12.7% from the previous fiscal year to ¥15,843 million due to an increase in profit accompanying sales growth and the effect of cost reduction, etc. Profit before income taxes increased by 17.2% from the previous fiscal year to ¥16,503 million. Profit attributable to owners of parent increased by 21.5% from the previous fiscal year to ¥11,779 million.

The following are the business results in each operating segment.

Motorcycle clutches

An increase in sales of motorcycle clutches in Indonesia and Thailand led to revenue increasing by 1.6% from the previous fiscal year to ¥84,288 million. Operating profit increased by 4.1% from the previous fiscal year to ¥11,720 million.

Automobile clutches

An increase in sales of automobile clutches for Ford and GM in the U.S. led to revenue increasing by 3.4% from the previous fiscal year to ¥93,317 million. Operating profit increased by 47.4% from the previous fiscal year to ¥4,122 million due to an increase in profit accompanying sales growth and the effect of cost reduction, etc.

The financial position is as follows.

At the end of the fiscal year under review, total assets were ¥173,644 million, up ¥3,341 million compared with the end of the previous fiscal year.

At the end of the fiscal year under review, total liabilities were ¥46,116 million, down ¥5,285 million compared with the end of the previous fiscal year.

At the end of the fiscal year under review, equity was ¥127,527 million, up ¥8,626 million compared with the end of the previous fiscal year.

2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter "net cash") totaled ¥32,444 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 ¥23,622 million.

This is mainly due to profit before income taxes of ¥16,503 million and depreciation and amortization expense of ¥12,549 million.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥8,695 million.

This is mainly due to purchase of property, plant and equipment of ¥10,277 million and proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation of ¥1,828 million.

Cash flows from (used in) financing activities

Net cash used in financing activities was ¥7,981 million.

This is mainly due to net increase (decrease) in short-term borrowings of ¥4,130 million, cash dividends paid of ¥2,209 million and purchase of treasury shares of ¥1,378 million.

3) Performance of production, orders received and sales

i) Production performance

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

Segment name	Fiscal year ended March 31, 2019	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	81,034	100.3
Automobile clutches (Millions of yen)	91,151	103.9
Total (Millions of yen)	172,186	102.2

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

ii) Performance of orders received

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

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)	Order backlog (Millions of yen)	Year-on-year comparison (%)
Motorcycle clutches	83,867	99.4	6,661	92.2
Automobile clutches	94,105	102.5	8,391	110.4
Total	177,973	101.0	15,053	101.5

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

(iii) Sales performance

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

Segment name	Fiscal year ended March 31, 2019	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	84,288	101.6
Automobile clutches (Millions of yen)	93,317	103.4
Total (Millions of yen)	177,605	102.6

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, 2018		Fiscal year ended March 31, 2019	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	24,301	14.0	28,512	16.1
Honda Motor Co., Ltd.	10,436	6.0	11,418	6.4

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

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

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

1) 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) Recognition as well as details and considerations of status of operating results etc., for the fiscal year under review

Analysis of operating results

Please refer to "II. Overview of business, 3. Management analysis of financial position, operating results and cash flows, (1) Overview of operating results, etc. 1) Financial position and operating results."

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥85,020 million, up ¥8,127 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥7,214 million in cash and cash equivalents and ¥2,074 million in inventories.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥88,624 million, down ¥4,786 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥3,156 million in property, plant and equipment and ¥1,322 million in other financial assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥35,046 million, down ¥6,096 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥3,388 million in borrowings and ¥3,250 million in trade and other payables.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥11,069 million, up ¥810 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥1,042 million in deferred tax liabilities in spite of a decrease of ¥345 million in borrowings.

(Equity)

At the end of the fiscal year under review, equity was ¥127,527 million, up ¥8,626 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥9,536 million in retained earnings in spite of a decrease of ¥1,378 million due to the purchase of treasury shares.

Present conditions and outlook of business strategy

In terms of progress made in FY2018, the second year of the 10th Medium-Term Management Plan, both motorcycle clutches and automobile clutches generally performed well. Based on these results, future demand trends, and other factors, the performance targets of the 10th Medium-Term Management Plan have been revised. The new performance targets are provided in "II. Overview of business, 1. Management policy, management environment, issues to address, etc."

Analysis of capital resources and funding liquidity

The Group's financial policy is to maintain the sound balance sheet taking into account appropriate liquidity, etc. in securing funds for business activities. The Group procures working funds and funds for equipment from internal funds and bank borrowings, and believes that it has sufficiently secured the level of funds currently required. Cash flows for the fiscal year under review are provided in "II. Overview of business, 3. Management analysis of financial position, operating results and cash flows, (1) Overview of operating results, etc., 2) Cash flows."

(3) Information about differences in main items in the overview of operating results, etc.

The following are 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, 2018

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

Consequently, goodwill and intangible assets in the consolidated statement of financial position increased by ¥2,885 million.

In the consolidated statement of income, cost of sales increased by ¥603 million, and research and development expense included in selling, general and administrative expenses decreased by ¥1,068 million.

Fiscal year ended March 31, 2019

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 ¥3,356 million.

In the consolidated statement of income, cost of sales increased by ¥585 million, and research and development expense included in selling, general and administrative expenses decreased by ¥1,056 million.

4. Critical contracts for operation

Not applicable.

5. Research and development activities

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

The Group 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, 2019, research and development expense (including expenses recognized as development assets) amounted to ¥4,179 million.

The following is a summary of R&D activities by segment during the fiscal year ended March 31, 2019.

Motorcycle clutches

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

Principal achievements during the fiscal year ended March 31, 2019:

1) In ASEAN, began mass production of pulley assemblies and clutches for commuter-use motorcycles targeting the global consumer market;
2) Expanded development of clutches for large-displacement sports model motorcycles incorporating the Company's proprietary A&S technology; and
3) Developed new friction materials with 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 ¥1,876 million.

Automobile clutches

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

Principal achievements during the fiscal year ended March 31, 2019:

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

Research and development expense in the automobile clutches segment amounted to ¥2,302 million.

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2019, the Company made total capital investments (including investments on intangible assets) of ¥10,861 million. The principal capital investment details were: expanding production capacity for automobile clutches in the U.S.; and expanding production capacity for motorcycle clutches in India. The breakdown of capital investments by business segment is ¥3,550 million for motorcycle clutches, ¥6,815 million for automobile clutches, and ¥496 million for the common segment.

(1) Reporting company

Manufacturing facilities to produce new models at Hamakita Factory

(2) Subsidiaries

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

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

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

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

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2019

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
Hamakita Factory (Hamakita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,325	1,357	595 (85,261)	815	4,092	211 [9]
Watagashima Factory (Tenryu-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,379	734	766 (61,268)	138	3,018	192 [13]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,964	1,090	1,292 (75,130)	55	4,402	198 [54]
R&D Division (Kita-ku, Hamamatsu-shi, Shizuoka)	Common	Testing apparatus and measuring instruments	405	712	216 (12,093)	113	1,447	193 [82]

(2) Domestic subsidiaries

As of March 31, 2019

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	179	246	11 (20,474)	114	552	117 [29]

(3) Overseas subsidiaries

As of March 31, 2019

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Other	Total	
FCC (INDIANA), LLC.	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,789	6,798	81 (246,263)	143	8,813	750
FCC (North Carolina), LLC.	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	3,995	3,437	31 (366,274)	325	7,788	378 [8]
FCC (Adams), LLC.	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	3,081	12,550	51 (161,880)	1,411	17,094	680 [10]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	1,091	2,197	141 (81,837)	51	3,482	470
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	721	1,099	653 (87,890)	251	2,725	425 [509]
FCC CLUTCH INDIA PRIVATE LTD.	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	951	3,273	1,326 (114,619)	790	6,341	811 [2,229]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	509	811	– (72,812)	196	1,518	1,227 [458]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycle and automobile clutches	Manufacturing facilities for clutches	830	1,954	– (45,816)	545	3,329	1,270

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

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

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

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

3. Planned additions, retirements, etc. of facilities

(1) Planned additions, etc. of important facilities

During the next fiscal year (from April 1, 2019 to March 31, 2020), the Company plans to make total capital investments of ¥11,298 million.

The principal capital investment items will be manufacturing facilities to produce new models and expansion of production capacity in the U.S., Japan, India and Vietnam. The breakdown of planned capital investments by business segment will be ¥3,852 million for motorcycle clutches, ¥6,312 million for automobile clutches, and ¥1,134 million for the common segment.

- Reporting company

  Production capacity expansion at Watagashima Factory and acquisition of testing apparatus, etc. at the R&D Division

- 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 CLUTCH INDIA PRIVATE LTD.

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

(2) Retirement, etc. of important facilities

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

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

Total number of shares

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

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

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

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

(3) Shareholding by shareholder category

As of March 31, 2019

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: Companies, etc.	Foreign investors: Individuals	Individuals, etc.	Total	
Number of shareholders	–	42	31	123	206	4	13,220	13,626	–
Number of shares held (Units)	–	147,054	4,208	143,865	113,681	8	117,508	526,324	11,630
Shareholding ratio (%)	–	27.94	0.80	27.33	21.60	0.00	22.33	100.00	–

Notes: 1. 2,955,975 treasury shares are included in “Individuals, etc.” as 29,559 units and “Shares less than one unit” as 75 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, 2019

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Honda Motor Co., Ltd.	2-1-1 Minami-Aoyama, Minato-ku, Tokyo	10,881	21.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	2,539	5.11
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-1 Nishi-Shimbashi, Minato-ku, Tokyo	2,508	5.05
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	4.06
Japan Trustee Services Bank, Ltd. (Trust Account)	1-8-11 Harumi, Chuo-ku, Tokyo	1,672	3.37
National Mutual Insurance Federation of Agricultural Cooperatives	JA Kyosai Building, 2-7-9 Hirakawa-cho, Chiyoda-ku, Tokyo	1,539	3.10
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.65
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11 Harumi, Chuo-ku, Tokyo	1,024	2.06
THE BANK OF NEW YORK MELLON 140044 (Standing Proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	1,001	2.02
Total	–	25,801	51.93

Notes: 1. In addition to the above, the Company held 2,955 thousand treasury shares.

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

The Master Trust Bank of Japan, Ltd. (Trust Account)	2,539 thousand shares
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,508 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account)	1,672 thousand shares
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,315 thousand shares
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,024 thousand shares

3. Mizuho Bank, Ltd. and its joint holders, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. made the change report for the substantial shareholding report available for public inspection as of June 22, 2017, describing that each of these companies held shares as follows as of June 15, 2017. Since the Company could not confirm the actual number of shares held by them as of March 31, 2019, 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 Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	Shares 90,600	0.17
Mizuho Trust & Banking Co., Ltd.	1-2-1 Yaesu, Chuo-ku, Tokyo	Shares 429,000	0.81
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 1,034,700	1.97

4. Mondrian Investment Partners Limited made the change report for the substantial shareholding report available for public inspection as of July 6, 2018, describing that this company held shares as follows as of July 2, 2018. Since the Company could not confirm the actual number of shares held by this company as of March 31, 2019, it was not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mondrian Investment Partners Limited	Fifth Floor, 10 Gresham Street, London EC2V 7JD, United Kingdom	Shares 2,138,600	4.06

5. Nomura Securities Co., Ltd. and its joint holders, NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd., made the change report for the substantial shareholding report available for public inspection as of November 22, 2018, describing that each of these companies held shares as follows as of November 15, 2018. Since the Company could not confirm the actual number of shares held by them as of March 31, 2019, they were not included in the above major shareholders.

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

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 ¥52 per share (of which ¥23 was paid out as an interim dividend). This resulted in a dividend payout ratio of 22.1%.

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

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

Dividends for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on October 31, 2018	1,154	23
Resolution at the Ordinary General Meeting of Shareholders held on June 25, 2019	1,440	29

3. Status of corporate governance, etc.

(1) Overview of corporate governance

1) Basic policy regarding corporate governance

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

< Corporate philosophy >

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

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

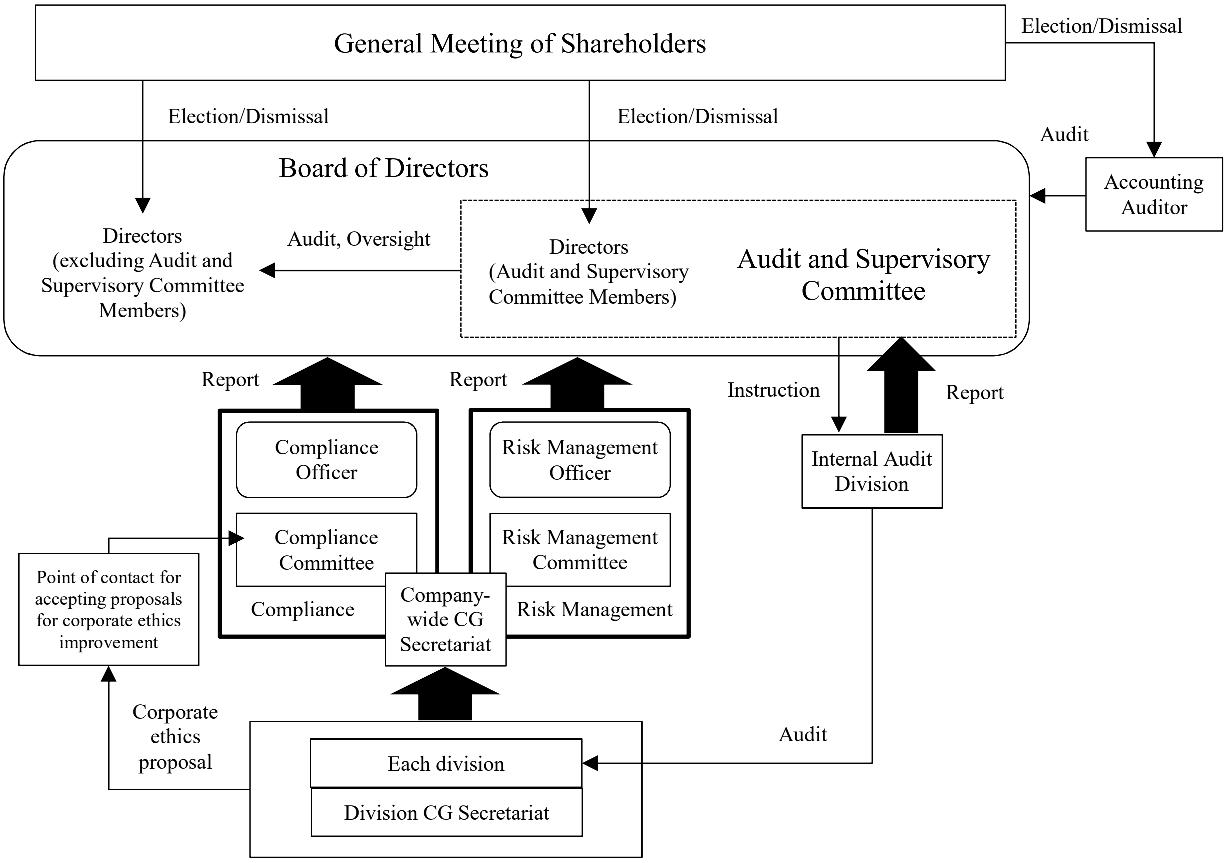
i) Summary of the system of corporate governance

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

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

The following diagram shows the relationships among the Company's organizations and internal control as of June 27, 2019.

[Diagram of corporate governance system]



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

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

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

3) Other matters regarding corporate governance

Basic policy regarding the internal control system

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

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

  The Company shall establish a 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 Division of the Company shall audit the Company and Group companies regularly or whenever necessary.

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

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

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

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

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

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

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

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

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

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

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

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

The Audit and Supervisory Committee shall conduct audits effectively by cooperating closely with the Internal Audit Division.

Overview of limited liability agreements

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

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

• Acquisition of own shares

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

• Interim dividends

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

• Exemption of Directors from liability

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

Number of Directors

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

Requirements for election of Directors

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

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

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

(2) Information about officers

1) Officers

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

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
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)	114
Vice President and Representative Director and in charge of Alliance	Yoshitaka Saito	November 29, 1973	Feb. 2009 Joined the Company Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC. (currently FCC (INDIANA), LLC.) President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC.) Jun. 2011 Director of the Company Apr. 2012 Director and Head of business operation in North America of the Company President and Director of FCC (North America), INC. Jun. 2012 Managing Director and Head of business operation in North America of the Company Apr. 2013 Managing Director and Head of business operation of motorcycles business of the Company Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company (incumbent)	(Note 2)	152

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director, Head of business operation in North America and Head of Next-generation Development for Customers in Europe and the United States	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 Nov. 2016 Managing Director, Head of business operation of automobiles business and in charge of New Business Development Division of the Company Apr. 2019 Managing Director, Head of business operation in North America and Head of Next-generation Development for Customers in Europe and the United States of the Company President and Director of FCC (North America), INC. (incumbent)	(Note 2)	25

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director, Head of business operation of motorcycles business, Head of business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing	Kazuto Suzuki	May 27, 1961	Apr. 1984 Joined the Company Apr. 2009 General Manager of Corporate Planning Office of the Company Jun. 2010 Director, Head of business operation in China and South America and General Manager of Corporate Planning Office of the Company Jun. 2011 Director, Head of business operation in China and South America, General Manager of Corporate Planning Office and Risk Management Officer of the Company Jan. 2012 Director, Head of business operation in China and South America and Risk Management Officer of the Company Apr. 2012 Director, Head of Production Engineering, Head of business operation in China and South America and Risk Management Officer of the Company Jun. 2012 Director, Head of Production of Motorcycle Components, Head of Production Engineering and Head of business operation in China and South America of the Company Apr. 2013 Director, Head of business operation of motorcycles business in Japan, Head of business operation in China and South America and Risk Management Officer of the Company Apr. 2014 Director, Head of business operation of motorcycles business, Head of business operation in ASEAN and India and Head of business operation in South America of the Company Apr. 2016 Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company Jun. 2017 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company Jun. 2018 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and South America and Risk Management Officer of the Company Apr. 2019 Managing Director, Head of business operation of motorcycles business, Head of business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing of the Company (incumbent)	(Note 2)	33

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Head of New Business Development and in charge of Sales of the Company	Terufumi Nishimura	December 5, 1960	Jul. 1989 Joined the Company Jan. 2011 General Manager of Sales Division of the Company Apr. 2013 Executive Officer, Head of Sales and General Manager of Sales Division of the Company Apr. 2015 Senior Executive Officer, Head of Sales and General Manager of Sales Division of the Company Jun. 2018 Director, Head of Sales and Purchasing and General Manager of Sales Division of the Company Apr. 2019 Director, Head of New Business Development and in charge of Sales of the Company (incumbent)	(Note 2)	36
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)	18
Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development	Atsuhiro Mukoyama	July 31, 1963	Apr. 1984 Joined the Company Apr. 2012 Head of Production of Automobile Components of the Company Jun. 2012 Director and Head of Production of Automobile Components of the Company Apr. 2013 Director and Head of business operation of automobiles business of the Company Apr. 2015 Director, Head of Production Engineering and Head of Environment and Safety of the Company Apr. 2019 Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development of the Company (incumbent)	(Note 2)	22

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China	Satoshi Nakaya	March 17, 1964	Apr. 1986 Joined the Company Jan. 2012 General Manager of Corporate Planning Office of the Company Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company Apr. 2013 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. President and Director of FCC (INDIANA), LLC. Apr. 2017 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. Apr. 2019 Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China of the Company (incumbent)	(Note 2)	49
Director, Head of Production Engineering	Tomoyuki Goto	May 21, 1962	Apr. 1987 Joined Honda Motor Co., Ltd. Apr. 2017 Engineer of Power Train Strategy Planning Department, Production Operations of Honda Motor Co., Ltd. Apr. 2018 Joined the Company, Assistant to President Jun. 2018 Director, Head of production in North America and Deputy Head of Production Engineering of the Company Apr. 2019 Director, Head of Production Engineering of the Company (incumbent)	(Note 2)	16
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)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member	Masahide Sato	February 10, 1964	Oct. 1992 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Apr. 1996 Registered as Certified Public Accountant Sep. 2005 Established Masahide Sato Accounting Firm (to present) Jun. 2010 Audit & Supervisory Board Member of the Company Apr. 2015 Director of CRESTEC Inc. (incumbent) Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
Director, Audit and Supervisory Committee Member	Kazumoto Sugiyama	May 27, 1969	Sep. 2006 Graduated from The Legal Training and Research Institute of Japan Oct. 2006 Registered as an attorney (Shizuoka Bar Association) Joined Toshio Sugiyama Law Office (currently Sugiyama Law Office) Sep. 2008 President of Sugiyama Law Office (to present) Jun. 2014 Director of the Company Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
Total					512

Notes: 1. Mr. Yoshinori Tsuji, Mr. Masahide Sato and Mr. Kazumoto Sugiyama are Outside Directors.
2. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2019
3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 19, 2018

2) Outside Officers

The Company has three Outside Directors.

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

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

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

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

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

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

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

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

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

(3) Audits

1) Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee 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 Division to ensure the effectiveness of audits.

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

2) Internal audits

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

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

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

3) Accounting audits

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, Takashi Yamazaki

• Assistant accountants who participated in accounting audits:

Ten CPAs

Policy and reason for selecting the audit corporation

The Company has selected Yasumori Audit Corporation, taking factors, including the Audit Corporation's specialization, independence and suitability as the Accounting Auditor, quality control systems and thorough knowledge of the Company's operations, comprehensively into consideration.

The policy on decisions concerning the dismissal or non-reappointment of the Accounting Auditor is as follows.

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

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

Evaluation of the audit corporation conducted by the Audit and Supervisory Committee

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

Details of audit fee, etc.

Details of remuneration to independent auditors

Category	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	53	–	53	–
Consolidated subsidiaries	–	–	–	–
Total	53	–	53	–

Policy on determining audit fee

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

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

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

(4) Remuneration, etc. for officers

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

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

Policy on determining remuneration for officers

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

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

The President and Representative Director authorized by the Board of Directors based on its resolution decided remuneration amounts for the fiscal year under review based on the policy on determining remuneration for officers stated above, taking factors such as job responsibilities by position, into consideration. No indicator and the like showing profit status has been established for bonuses for officers.

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

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)		Number of payees
		Remuneration	Bonuses	
Directors (excluding Directors who are Audit and Supervisory Committee Members)	257	216	41	9
Directors, Audit and Supervisory Committee Members [Outside Directors]	34 [11]	34 [11]	– [–]	4 [3]
Total [Outside Directors]	292 [11]	250 [11]	41 [–]	13 [3]

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

2. At the 86th Ordinary General Meeting of Shareholders held on June 22, 2016, remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) was capped at ¥500 million per year (which, however, does not include salaries paid for work performed as employees) (number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of this Ordinary General Meeting of Shareholders: eight).

3. At the 86th Ordinary General Meeting of Shareholders held on June 22, 2016, remuneration of Directors who are Audit and Supervisory Committee Members was capped at ¥90 million per year (number of Directors who are Audit and Supervisory Committee Members at the conclusion of this Ordinary General Meeting of Shareholders: five).

(5) Share ownership

1) Policy and concept of the classification of investment shares

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

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

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

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

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

	Number of issues (Issues)	Total amount of balance sheet amount (Millions of yen)
Unlisted shares	9	39
Shares other than unlisted shares	10	1,346

(Issues whose number of shares increased in the fiscal year ended March 31, 2019)

	Number of issues (Issues)	Total acquisition costs associated with increase in number of shares (Millions of yen)	Reason for increase in number of shares
Unlisted shares	–	–	–
Shares other than unlisted shares	2	0	Share split and contributions to stock ownership plans at client companies

(Issues whose number of shares decreased in the fiscal year ended March 31, 2019)

	Number of issues (Issues)	Total sale value associated with decrease in number of shares (Millions of yen)
Unlisted shares	–	–
Shares other than unlisted shares	1	44

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

Specified investment shares

Issue	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
KANEMATSU CORPORATION	740,200	740,200	To maintain and strengthen business relationships	Yes
	936	1,082		
SUZUKI MOTOR CORPORATION	52,500	52,500	To maintain and strengthen business relationships	No
	257	300		
Mizuho Financial Group, Inc.	532,169	532,169	Primarily to maintain and strengthen financial transaction relationships	No
	91	101		
SHIMIZU CORPORATION	–	39,000	To maintain and strengthen business relationships	Yes
	–	37		
Sumitomo Mitsui Financial Group, Inc.	5,755	5,755	Primarily to maintain and strengthen financial transaction relationships	No
	22	25		
MUSASHI SEIMITSU INDUSTRY CO., LTD.	12,000	6,000	To maintain and strengthen business relationships Number of shares increased due to share split	Yes
	18	21		
Nissin Kogyo Co., Ltd.	4,500	4,500	To maintain and strengthen business relationships	No
	6	8		
YAMABIKO CORPORATION	5,613	5,039	To maintain and strengthen business relationships Number of shares increased due to contributions to stock ownership plans at client companies	No
	5	7		
TANAKA SEIMITSU KOGYO CO., LTD.	4,000	4,000	To maintain and strengthen business relationships	Yes
	3	3		
Yutaka Giken Company Limited	1,000	1,000	To maintain and strengthen business relationships	No
	1	2		
G-TEKT CORPORATION	2,400	2,400	To maintain and strengthen business relationships	No
	3	4		

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

V. Financial information

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

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

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

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

2. Audit certification

In accordance with the provisions of Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements and the non-consolidated financial statements for the fiscal year ended March 31, 2019 were audited by Yasumori Audit Corporation.

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

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

(1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars held by the foundation and audit corporations.

(2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements, etc. under IFRS, the Company has developed accounting policies of the Group in accordance with IFRS and performs accounting procedures based on these policies.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

1) Consolidated statement of financial position

(Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Assets			
Current assets			
Cash and cash equivalents	7, 27	25,230	32,444
Trade and other receivables	8, 27	28,855	28,080
Other financial assets	9, 27	2,339	1,625
Inventories	10	18,428	20,503
Other current assets	11	2,038	2,366
Total current assets		76,892	85,020
Non-current assets			
Property, plant and equipment	12, 14, 30	72,942	69,786
Goodwill and intangible assets	13, 30	4,396	4,201
Investments accounted for using the equity method	15	117	89
Other financial assets	9, 27	12,561	11,238
Deferred tax assets	16	2,734	2,775
Other non-current assets	11	657	532
Total non-current assets		93,410	88,624
Total assets		170,302	173,644

(Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 27	16,044	12,794
Borrowings	17, 27	16,179	12,791
Other financial liabilities	9, 27	128	152
Income taxes payable	16	2,784	2,704
Other current liabilities	11	6,006	6,604
Total current liabilities		41,143	35,046
Non-current liabilities			
Borrowings	17, 27	365	19
Other financial liabilities	9, 27	448	488
Defined benefit liability	19	2,027	2,144
Provisions	20	33	29
Deferred tax liabilities	16	7,086	8,129
Other non-current liabilities	11	297	258
Total non-current liabilities		10,258	11,069
Total liabilities		51,402	46,116
Equity			
Issued capital	21	4,175	4,175
Retained earnings	21	112,828	122,365
Treasury shares	21	(3,409)	(4,787)
Other components of equity		3,716	4,122
Total equity attributable to owners of parent		117,311	125,875
Non-controlling interests		1,589	1,652
Total equity		118,900	127,527
Total liabilities and equity		170,302	173,644

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

2) Consolidated statement of income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	4, 5	173,174	177,605
Cost of sales		(142,877)	(145,564)
Gross profit		30,297	32,041
Selling, general and administrative expenses	22	(15,070)	(15,496)
Other income	23	657	1,070
Other expense	14, 23	(1,831)	(1,770)
Operating profit	4	14,052	15,843
Finance income	24	808	992
Finance costs	24	(763)	(299)
Share of profit (loss) in investments accounted for using the equity method	15	(13)	(32)
Profit before income taxes		14,083	16,503
Income tax expense	16	(4,160)	(4,537)
Profit		9,923	11,965
Profit attributable to			
Owners of parent		9,691	11,779
Non-controlling interests		231	186
Profit		9,923	11,965
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	26	193.11	235.05
Diluted earnings per share (Yen)	26	–	–

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

3) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit		9,923	11,965
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	25	286	(30)
Changes in the fair value of financial assets measured at fair value through other comprehensive income	25	–	(915)
Total		286	(945)
Components that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets	25	720	–
Exchange differences of foreign operations	25	(2,988)	1,356
Share of other comprehensive income of associates accounted for using equity method	15, 25	(6)	3
Total		(2,274)	1,360
Total other comprehensive income		(1,988)	414
Comprehensive income		7,935	12,380
Comprehensive income attributable to			
Owners of parent		7,744	12,187
Non-controlling interests		190	192
Comprehensive income		7,935	12,380

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

4) Consolidated statement of changes in equity

		Equity attributable to owners of parent				
					Other components of equity	
	Note	Issued capital	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
Balance as of April 1, 2017		4,175	104,908	(3,409)	1,792	4,156
Profit		–	9,691	–	–	–
Other comprehensive income		–	–	–	(2,949)	716
Total comprehensive income		–	9,691	–	(2,949)	716
Purchase of treasury shares	21	–	–	(0)	–	–
Dividends	21	–	(2,057)	–	–	–
Transfer from other components of equity		–	286	–	–	–
Total transactions with the owners		–	(1,771)	(0)	–	–
Balance as of March 31, 2018		4,175	112,828	(3,409)	(1,156)	4,872
Changes in accounting policies		–	(37)	–	–	(4,872)
Balance after restatement		4,175	112,791	(3,409)	(1,156)	–
Profit		–	11,779	–	–	–
Other comprehensive income		–	–	–	1,344	–
Total comprehensive income		–	11,779	–	1,344	–
Purchase of treasury shares	21	–	–	(1,378)	–	–
Dividends	21	–	(2,208)	–	–	–
Transfer from other components of equity		–	2	–	–	–
Total transactions with the owners		–	(2,205)	(1,378)	–	–
Balance as of March 31, 2019		4,175	122,365	(4,787)	187	–

	Note	Equity attributable to owners of parent					
		Other components of equity					
		Changes in the fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Total	Non-controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017		–	–	5,949	111,624	1,530	113,155
Profit		–	–	–	9,691	231	9,923
Other comprehensive income		–	286	(1,947)	(1,947)	(41)	(1,988)
Total comprehensive income		–	286	(1,947)	7,744	190	7,935
Purchase of treasury shares	21	–	–	–	(0)	–	(0)
Dividends	21	–	–	–	(2,057)	(131)	(2,189)
Transfer from other components of equity		–	(286)	(286)	–	–	–
Total transactions with the owners		–	(286)	(286)	(2,057)	(131)	(2,189)
Balance as of March 31, 2018		–	–	3,716	117,311	1,589	118,900
Changes in accounting policies		4,872	–	–	(37)	–	(37)
Balance after restatement		4,872	–	3,716	117,274	1,589	118,863
Profit		–	–	–	11,779	186	11,965
Other comprehensive income		(905)	(30)	408	408	5	414
Total comprehensive income		(905)	(30)	408	12,187	192	12,380
Purchase of treasury shares	21	–	–	–	(1,378)	–	(1,378)
Dividends	21	–	–	–	(2,208)	(129)	(2,337)
Transfer from other components of equity		(32)	30	(2)	–	–	–
Total transactions with the owners		(32)	30	(2)	(3,586)	(129)	(3,716)
Balance as of March 31, 2019		3,934	–	4,122	125,875	1,652	127,527

(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, 2018	Fiscal year ended March 31, 2019
Cash flows from (used in) operating activities			
Profit before income taxes		14,083	16,503
Depreciation and amortization expense		12,766	12,549
Impairment loss		1,454	1,601
Finance income and finance costs		(599)	(628)
Share of loss (profit) in investments accounted for using the equity method		13	32
Loss (gain) on sales and retirement of non-current assets		133	(87)
(Increase) decrease in inventories		(1,156)	(2,540)
(Increase) decrease in trade and other receivables		(2,619)	744
Increase (decrease) in trade and other payables		1,812	(2,490)
Increase (decrease) in defined benefit liability		331	204
Other		1,512	1,229
Subtotal		27,732	27,117
Interest and dividend income received		649	773
Interest expenses paid		(207)	(160)
Income taxes paid		(4,312)	(4,148)
Income taxes refund and interest on refund received		259	40
Net cash flows from (used in) operating activities		24,120	23,622
Cash flows from (used in) investing activities			
Payments into time deposits		(3,887)	(1,236)
Proceeds from withdrawal of time deposits		2,737	1,898
Purchase of property, plant and equipment		(14,199)	(10,277)
Proceeds from sales of property, plant and equipment		301	707
Purchase of intangible assets		(1,196)	(1,242)
Proceeds from sales of intangible assets		4	0
Payments for acquisition of newly consolidated subsidiaries		(791)	–
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation		–	1,828
Payments of loans receivable		(115)	(184)
Collection of loans receivable		196	159
Purchase of investments		(2,070)	(61)
Proceeds from sales of investments		–	44
Other		(100)	(331)
Net cash flows from (used in) investing activities		(19,122)	(8,695)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		(365)	(4,130)
Purchase of treasury shares		(0)	(1,378)
Cash dividends paid	21	(2,058)	(2,209)
Cash dividends paid to non-controlling shareholders		(131)	(129)
Other		(101)	(133)
Net cash flows from (used in) financing activities		(2,657)	(7,981)

	Note	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net increase (decrease) in cash and cash equivalents		2,340	6,945
Cash and cash equivalents at beginning of period	7	23,474	25,230
Effect of exchange rate change on cash and cash equivalents		(584)	268
Cash and cash equivalents at end of period	7	25,230	32,444

(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 fiscal year on March 31, 2019 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 25, 2019.

(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
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 6. Business combinations
Note 14. Impairment loss
Note 16. Income taxes
Note 19. Employee benefits

(6) Changes in accounting policies

1) Application of IFRS 9 "Financial Instruments"

Effective from the fiscal year ended March 31, 2019, the Group has applied IFRS 9 "Financial Instruments."

The impact on the Group's consolidated financial statements is immaterial.

2) Application of IFRS 15 "Revenue from Contracts with Customers"

Effective from the fiscal year ended March 31, 2019, the Group has applied IFRS 15 "Revenue from Contracts with Customers."

With the application of this standard, the Group has adopted the method whereby the cumulative effect of initially applying the standard is recognized at the date of initial application as a transition measure. With the adoption of the method, the balance of retained earnings at the beginning of the fiscal year under review decreased by ¥37 million.

The impact on the Group's consolidated financial statements for the fiscal year ended March 31, 2019 is immaterial.

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

2) Associates

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

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

(2) Business combinations

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

2) Financial statements of foreign operations

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

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

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

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

With the application of IFRS 9, the Group changed the classification of financial assets as follows on the day application began.

The Group classifies financial assets classified in the past as loans and receivables pursuant to IAS 39 as financial assets at FVTOCI or financial assets measured at amortized cost and equity financial instruments previously classified as financial assets available for sale pursuant thereto as financial assets at FVTOCI. The Group applies a transition measure which permits no correction and restatement of consolidated financial statements for prior fiscal years in connection with these classification and measurement changes.

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

(ii) Impairment of financial assets

In recognizing the impairment of financial assets measured at amortized cost, the Group made a switch to the method of recognizing allowance for credit losses to deal with such losses expected in relation to the concerned financial assets with the application of IFRS 9. In this method, the Group evaluates, at the end of each fiscal year, whether credit risk of each financial asset has significantly increased since the initial recognition. If credit risk of a financial asset has not increased significantly since the initial recognition, 12-month expected credit losses on the financial asset are recognized as allowance for credit losses.

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

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

(iii) Derecognition of financial assets

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

2) Financial liabilities

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

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

3) Offsetting financial instruments

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

4) Derivatives

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill and intangible assets

1) Goodwill

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

2) Intangible assets

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

(i) Properties for development

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

- Technical practicability of completing the intangible asset so that the asset can be used or sold
- The entity’s intention to complete the intangible asset and then use or sell the asset
- Ability to use or sell the intangible asset
- Highly probable method for the intangible asset to generate future economic benefits
- Usability of appropriate technical, financial and other resources necessary to complete development of the intangible asset and then use or sell the asset
- Ability to reliably measure expenditure attributable to the intangible asset during the development period

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

(ii) Other intangible assets

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

(9) Impairment

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

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

For previously recognized impairment loss, the Group assesses whether there is any indication of a decrease or disappearance of the loss at the end of each fiscal year. For assets or cash-generating units for which there is any indication of reversal of impairment loss, the recoverable amount is estimated, and the impairment loss is reversed if the recoverable amount exceeds the carrying amount. Reversal of impairment loss is recognized in profit or loss to the extent that the carrying amount assuming that impairment loss recognized for the asset in the past period had not existed is not exceeded. Impairment loss relating to goodwill is not reversed.

(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 calculate the present value of defined benefit obligations is, as a general rule, determined by reference to the market yield on high quality corporate bonds as of the end of the fiscal year.

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

2) Defined contribution plans

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

3) Multi-employer plans

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

4) Short-term employee benefits

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

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

(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 recognizes revenues based on the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

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

(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 as of the reporting date and amounts of them for tax purposes, unused tax losses and unused tax credits.

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

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

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

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

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

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

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

(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 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, 2018

	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	82,936	90,238	173,174	–	173,174
Intersegment revenue	–	–	–	–	–
Total	82,936	90,238	173,174	–	173,174
Depreciation and amortization expense	(4,685)	(8,081)	(12,766)	–	(12,766)
Other profit (loss)	(66,994)	(79,360)	(146,354)	–	(146,354)
Operating profit	11,256	2,796	14,052	–	14,052
Finance income					808
Finance costs					(763)
Share of profit (loss) in investments accounted for using the equity method					(13)
Profit before income taxes					14,083

Note: Other profit (loss) includes ¥1,454 million of impairment loss (¥1,454 million for automobile clutches).

Fiscal year ended March 31, 2019

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

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

(3) Geographic information

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

Revenue from external customers

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Japan	19,051	18,977
U.S.	62,591	66,068
Indonesia	17,461	20,114
India	23,691	23,435
Other	50,377	49,009
Total	173,174	177,605

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, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Japan	22,077	21,498
U.S.	33,395	32,666
China	3,666	1,771
Other	18,811	18,540
Total	77,951	74,476

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, 2018	Fiscal year ended March 31, 2019
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	39,588	40,295
	Automobile clutches	41,912	40,696
Ford and its group	Automobile clutches	28,748	30,406

5. Revenue

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

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

(1) Balance of contracts

Balance of contract liability is as follows:

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

Of revenue recognized in the fiscal year under review, ¥8 million was included in the balance of contract liability as of April 1, 2018.

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

(2) Transaction price allocated to the remaining performance obligations

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

(3) Performance obligations

1) Point in time at which performance obligations are satisfied

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

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

2) Conditions for the payment of considerations

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

3) Content of goods or services transferred to customers

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

The Group does not conduct transactions as an agent.

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

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

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

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

6. Business combinations

Fiscal year ended March 31, 2018

(1) Summary of business combinations

1) Name and business description of the acquired company

Company name: Flint Co.,Ltd

Business description: Design, production and processing of precision press metal molds

2) Primary reason for the business combination

In order to promote product evolution in the Group's clutches business, and to promote the commercialization of next-generation businesses, we acquired all of the shares of Flint Co.,Ltd, thereby making the company a wholly-owned subsidiary.

3) Date of the business combination

September 29, 2017

4) Legal form of the business combination

Share acquisition in exchange for cash

5) Percentage of voting rights acquired

100%

(2) Consideration for acquisition and breakdown thereof

	Millions of yen
Cash	903
Total consideration for acquisition	903

(3) Assets acquired and liabilities assumed

	Millions of yen
Current assets	305
Non-current assets	398
Total assets	704
Current liabilities	105
Non-current liabilities	185
Total liabilities	290
Net assets	413
Goodwill	489

(4) Impact on the Group's business results

Details have been omitted due to the fact that this has minimal impact on the consolidated statement of income.

Fiscal year ended March 31, 2019

(1) Summary of loss of control

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

(2) Assets and liabilities involving loss of control

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

(3) Cash flows resulting from loss of control

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

(4) Profit or loss resulting from loss of control

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

7. Cash and cash equivalents

Breakdown of cash and cash equivalents

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Cash and deposits	25,230	32,444

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

8. Trade and other receivables

Breakdown of trade and other receivables

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	27,104	26,381
Accounts receivable - other	1,780	1,705
Allowance for credit losses	(29)	(6)
Total	28,855	28,080

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

9. Other financial assets and other financial liabilities

Breakdown of other financial assets

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Loans and receivables	2,339	1,625
Other non-current financial assets		
Financial assets measured at fair value through other comprehensive income	–	9,997
Financial assets measured at fair value through profit or loss (derivatives)	46	–
Financial assets measured at amortized cost		
Loans and receivables	3,296	1,301
Allowance for credit losses	(60)	(60)
Financial assets measured at fair value		
Available-for-sale financial assets	9,277	–
Total	12,561	11,238

Breakdown of other financial liabilities

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease obligations	128	152
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Long-term accounts payable - other	26	127
Lease obligations	421	288
Financial liabilities measured at fair value through profit or loss (derivatives)	–	72
Total	448	487

10. Inventories

Breakdown of inventories

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Finished goods	3,770	4,243
Work in process	3,320	3,714
Raw materials and supplies	11,337	12,544
Total	18,428	20,503

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Amount of write-down	882	909
Amount of inventories	142,877	145,564

11. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	1,301	1,611
Prepaid expenses	325	383
Suspense payments	32	25
Other	379	345
Total	2,038	2,366
Other non-current assets		
Land use rights	561	397
Long-term prepaid expenses	50	91
Other	45	44
Total	657	532

Breakdown of other liabilities

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	1,613	1,866
Accrued bonuses	1,890	1,890
Other	2,502	2,847
Total	6,006	6,604
Other non-current liabilities		
Deferred income	168	160
Other	128	97
Total	297	258

12. Property, plant and equipment

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

(1) Cost

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2017	39,541	112,902	18,450	8,208	749	6,727	186,579
Acquisition	432	2,703	708	613	–	11,358	15,815
Disposal	(143)	(2,583)	(419)	(1,023)	–	(331)	(4,501)
Transfer of line items	2,205	4,495	890	19	–	(7,611)	–
Exchange differences on translation	(1,080)	(5,654)	(849)	(70)	(39)	(448)	(8,142)
Other	(160)	914	21	43	–	(101)	718
March 31, 2018	40,795	112,778	18,801	7,791	710	9,592	190,469
Acquisition	234	3,921	729	0	–	5,210	10,095
Disposal	(1,279)	(3,507)	(1,559)	(330)	–	(62)	(6,738)
Transfer of line items	633	10,615	1,060	–	–	(12,310)	–
Exchange differences on translation	575	2,072	138	(8)	31	348	3,156
Other	–	–	–	–	–	(163)	(163)
March 31, 2019	40,959	125,880	19,171	7,452	742	2,614	196,820

(2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2017	18,348	76,495	15,612	1,414	112	74	112,058
Depreciation expense	1,572	8,729	1,586	–	29	–	11,918
Impairment loss	683	629	–	141	–	–	1,454
Disposal	109	(2,172)	(391)	(427)	–	–	(2,880)
Exchange differences on translation	(419)	(4,386)	(778)	–	–	–	(5,584)
Other	122	418	19	–	–	–	560
March 31, 2018	20,417	79,715	16,048	1,128	142	74	117,527
Depreciation expense	1,494	8,946	1,392	–	–	–	11,834
Impairment loss	479	850	142	–	–	14	1,486
Disposal	(1,009)	(3,007)	(1,451)	–	–	–	(5,468)
Exchange differences on translation	147	1,325	137	–	43	–	1,654
Other	–	–	–	–	–	–	–
March 31, 2019	21,530	87,830	16,269	1,128	185	88	127,033

(3) Carrying amounts

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Leased assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2017	21,192	36,406	2,838	6,793	637	6,652	74,521
Balance as of March 31, 2018	20,377	33,063	2,752	6,662	568	9,518	72,942
Balance as of March 31, 2019	19,429	38,049	2,901	6,323	556	2,525	69,786

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

2. Information on commitments related to purchase of property, plant and equipment is provided in the note "30. Commitments."

13. Goodwill and intangible assets

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

(1) Cost

	Goodwill	Intangible assets		Total
		Software	Properties for development	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2017	756	2,054	3,487	6,299
Acquisition	489	127	–	616
Increase due to internal development	–	–	1,068	1,068
Disposal	–	(91)	(482)	(574)
Transfer of line items	–	–	–	–
Exchange differences on translation	–	(2)	–	(2)
Other	–	5	–	5
March 31, 2018	1,246	2,093	4,073	7,413
Acquisition	–	185	–	185
Increase due to internal development	–	–	1,056	1,056
Disposal	(756)	(309)	(1,011)	(2,077)
Transfer of line items	–	–	–	–
Exchange differences on translation	–	2	–	2
Other	–	(11)	–	(11)
March 31, 2019	489	1,961	4,117	6,568

(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, 2017	–	1,823	1,067	2,890
Amortization expense	–	88	603	691
Impairment loss	–	–	–	–
Disposal	–	(87)	(482)	(570)
Exchange differences on translation	–	0	–	0
Other	–	4	–	4
March 31, 2018	–	1,828	1,187	3,016
Amortization expense	–	91	585	677
Impairment loss	–	0	–	0
Disposal	–	(306)	(1,011)	(1,317)
Exchange differences on translation	–	0	–	0
Other	–	(11)	–	(11)
March 31, 2019	–	1,604	761	2,366

(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, 2017	756	230	2,420	3,408
March 31, 2018	1,246	264	2,885	4,396
March 31, 2019	489	356	3,356	4,201

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

2. Information on commitments related to purchase of intangible assets is provided in the note “30. Commitments.”

14. Impairment loss

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Buildings and structures	683	479
Machinery, equipment and vehicles	629	850
Tools, furniture and fixtures	–	142
Land	141	–
Construction in progress	–	14
Total property, plant and equipment	1,454	1,486
Software, etc.	–	115
Total other non-current assets, etc.	–	115
Total impairment loss	1,454	1,601

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, 2018

The Group has worked to improve production efficiency through the reorganization of domestic production bases. However, after considering the business environment and profitability, etc. of the domestic automobiles business, buildings, machinery and equipment, and land were reduced to the recoverable amount and recorded as impairment loss (¥1,454 million) in other expense.

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

Fiscal year ended March 31, 2019

In view of a deterioration of business environment and profitability due to the slowdown of Chinese economy, the Company has conducted an impairment test with regard to CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a subsidiary of the Company, based on the latest plan. Consequently, the carrying amount of the assets held by the subsidiary was reduced to the recoverable amount and recorded as impairment loss (¥1,601 million) in other expense.

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

15. Investments accounted for using the equity method

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

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Total carrying amount	117	89

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Profit	(13)	(32)
Other comprehensive income	(6)	3
Comprehensive income	(19)	(28)

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

16. Income taxes

(1) Deferred tax assets and liabilities

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

Fiscal year ended March 31, 2018

	April 1, 2017	Recognized through profit or loss	Recognized in other comprehen-sive income	Recognized directly in equity	Other	March 31, 2018
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	935	(229)	–	–	(2)	703
Accrued bonuses	402	9	–	–	–	411
Accruals	216	0	–	–	0	216
Non-current assets	1,593	402	–	–	0	1,996
Defined benefit liability	529	278	(89)	–	0	717
Other	1,041	(360)	–	–	1	681
Total	4,718	100	(89)	–	(1)	4,727
Deferred tax liabilities						
Non-current assets	(5,779)	1,940	–	–	34	(3,804)
Available-for-sale financial assets	(1,802)	–	(310)	–	–	(2,112)
Retained surplus of overseas consolidated subsidiaries	(986)	(2,061)	–	–	–	(3,047)
Other	(30)	(84)	–	–	0	(114)
Total	(8,598)	(205)	(310)	–	35	(9,079)

Fiscal year ended March 31, 2019

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

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, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Unused tax losses	5,875	6,611
Deductible temporary differences	762	742
Total	6,638	7,354

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

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
1st year	–	1,009
2nd year	1,009	656
3rd year	656	395
4th year	395	166
5th year and onward	3,815	4,384
Total	5,875	6,611

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were ¥40,501 million as of March 31, 2018 and ¥41,488 million as of March 31, 2019. 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, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Current tax expense	4,055	3,244
Deferred tax expense	104	1,293
Total	4,160	4,537

Fiscal year ended March 31, 2018

In accordance with the tax reform act enacted in the U.S. in December 2017, the federal corporate tax rate has been reduced to 21% from 2018. As a result, deferred tax liabilities decreased by ¥1,600 million.

In addition, deferred tax liabilities increased by ¥2,202 million as a result of additional recognition of taxable temporary differences associated with investments in subsidiaries, etc. for some overseas subsidiaries.

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	%	%
Effective statutory tax rate	30.2	30.0
Non-deductible expenses in calculation of taxable profits	1.7	1.2
Unrecognized deferred tax assets	5.4	2.9
Tax credits	(0.5)	(3.2)
Difference from the applicable tax rate of overseas subsidiaries	(8.4)	(6.1)
Other	1.1	2.7
Effective tax rate	29.5	27.5

17. Borrowings

Breakdown of borrowings

	As of March 31, 2018	As of March 31, 2019	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Short-term borrowings	12,556	12,429	0.98	–
Current portion of long-term borrowings	3,623	361	1.40	–
Total	16,179	12,791		
Non-current				
Financial liabilities measured at amortized cost				
Long-term borrowings	365	19	0.65	April 2020 to April 2021
Total	365	19		

Notes: 1. "Average interest rate" shows weighted average interest rate on the balance as of March 31, 2019.

2. "Due" shows the repayment due for the balance as of March 31, 2019.

3. For the breakdown of the balance of borrowings by due date, refer to the note "27. Financial instruments, (3) Financial risk management, 2) Liquidity risk management."

18. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Notes and accounts payable - trade	12,268	9,847
Electronically recorded obligations - operating	1,119	1,003
Accounts payable - other	2,656	1,943
Total	16,044	12,794

19. Employee benefits

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

(1) Defined benefit plans

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

1) Amounts recognized in the consolidated statement of financial position

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

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Funded defined benefit obligations	8,847	8,984
Plan assets	(7,773)	(8,037)
Subtotal	1,074	947
Unfunded defined benefit obligations	907	1,153
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,981	2,100
Defined benefit liability	2,027	2,144
Defined benefit asset	(45)	(44)
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,981	2,100

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, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	776	753

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	9,329	9,755
Service cost	805	670
Interest cost	139	112
Past service cost	–	25
Remeasurement	(112)	186
Retirement benefits paid	(315)	(465)
Decrease resulting from sale of subsidiaries	–	(162)
Exchange differences on translation	(91)	15
Defined benefit obligations at end of period	9,755	10,138

Note: The weighted average duration of defined benefit obligations was 12.8 to 21 years as of March 31, 2018 and 12.3 to 20 years as of March 31, 2019.

4) Reconciliation of plan assets

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Plan assets at beginning of period	7,308	7,773
Interest income	48	52
Remeasurement	217	105
Contributions by the employer	393	388
Retirement benefits paid	(174)	(283)
Exchange differences on translation	(20)	1
Plan assets at end of period	7,773	8,037

5) Composition of plan assets

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Debentures	3,937	4,734
Shares	1,852	1,501
Other	1,983	1,801
Total	7,773	8,037

6) Major actuarial assumptions

	As of March 31, 2018	As of March 31, 2019
	%	%
Discount rate (Japan)	0.4	0.3
Discount rate (Overseas)	2.8 to 7.7	3.0 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, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(536)	(555)
0.5% decrease in the discount rate	582	603

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, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Amount recorded as expenses	252	271

(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 ¥181 million in the previous fiscal year and ¥186 million in the fiscal year under review.

1) Latest funding position of multi-employer plan

	As of March 31, 2017	As of March 31, 2018
	Millions of yen	Millions of yen
Plan assets	178,928	64,840
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	178,704	54,687
Difference	223	10,153

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

	As of March 31, 2017	As of March 31, 2018
	%	%
Proportion of contributions by the Group	5.9	6.1

20. Provisions

Breakdown of and changes in provisions

	Asset retirement obligations
	Millions of yen
April 1, 2017	36
Interest expense during the period in discounting	0
Decrease during the period (intended use)	–
Decrease during the period (reversal)	(3)
March 31, 2018	33
Interest expense during the period in discounting	0
Decrease during the period (intended use)	–
Decrease during the period (reversal)	(3)
March 31, 2019	29

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.

21. Equity and other equity items

(1) Issued capital

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

	Number of shares authorized	Number of shares issued	Issued capital
	Shares	Shares	Millions of yen
As of April 1, 2017	90,000,000	52,644,030	4,175
Change during the period	–	–	–
As of March 31, 2018	90,000,000	52,644,030	4,175
Change during the period	–	–	–
As of March 31, 2019	90,000,000	52,644,030	4,175

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

(2) Retained earnings

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

(3) Treasury shares

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

	Number of shares	Amount
	Shares	Millions of yen
As of April 1, 2017	2,455,809	3,409
Change during the period	32	0
As of March 31, 2018	2,455,841	3,409
Change during the period	500,134	1,378
As of March 31, 2019	2,955,975	4,787

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

(4) Dividends

Fiscal year ended March 31, 2018

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 20, 2017 Ordinary General Meeting of Shareholders	1,003	20.00	March 31, 2017	June 21, 2017
October 27, 2017 Board of Directors meeting	1,053	21.00	September 30, 2017	November 27, 2017

Fiscal year ended March 31, 2019

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

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

Fiscal year ended March 31, 2018

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 19, 2018 Ordinary General Meeting of Shareholders	1,053	21.00	March 31, 2018	June 20, 2018

Fiscal year ended March 31, 2019

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

22. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Packing and shipping expenses	1,721	1,759
Personnel expenses	4,941	5,054
Depreciation and amortization expense	435	427
Research and development expense	2,984	3,192
Other	4,987	5,062
Total	15,070	15,496

23. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Gain on sales of non-current assets	49	157
Gain on sales of shares of subsidiaries and associates	–	121
Grant income	11	–
Other	596	791
Total	657	1,070

(2) Breakdown of other expense

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	182	69
Impairment loss	1,454	1,601
Other	194	99
Total	1,831	1,770

Note: Refer to the note "14. Impairment loss" for impairment loss.

24. Finance income and finance costs

(1) Breakdown of finance income

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, loans and receivables	558	–
Cash and cash equivalents, financial assets measured at amortized cost	–	538
Dividend income		
Available-for-sale financial assets	236	–
Changes in the fair value of financial assets measured at fair value through other comprehensive income	–	271
Foreign exchange gains	–	182
Other	13	–
Total	808	992

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Interest expense		
Borrowings	166	157
Other	29	23
Foreign exchange losses	568	–
Other	–	118
Total	763	299

25. Other comprehensive income

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

Fiscal year ended March 31, 2018

	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	375	–	375	(89)	286
Subtotal	375	–	375	(89)	286
Components that may be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets	1,030	–	1,030	(310)	720
Exchange differences of foreign operations	(2,988)	–	(2,988)	–	(2,988)
Share of other comprehensive income of associates accounted for using equity method	(6)	–	(6)	–	(6)
Subtotal	(1,964)	–	(1,964)	(310)	(2,274)
Total	(1,588)	–	(1,588)	(399)	(1,988)

Fiscal year ended March 31, 2019

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

26. Earnings per share

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit attributable to ordinary equity holders of parent (Millions of yen)	9,691	11,779
Weighted-average number of ordinary shares (Thousands of shares)	50,188	50,114
Basic earnings per share (Yen)	193.11	235.05

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

27. Financial instruments

(1) Capital management

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

(2) Classification of financial assets and financial liabilities

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Financial assets		
Financial assets measured at fair value through profit or loss (derivatives)		
Other financial assets	46	–
Loans and receivables		
Trade and other receivables	28,855	–
Other financial assets	5,575	–
Available-for-sale financial assets		
Other financial assets	9,277	–
Cash and cash equivalents	25,230	–
Total financial assets	68,986	–
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	16,044	–
Borrowings	16,545	–
Other financial liabilities	576	–
Total financial liabilities	33,166	–

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Financial assets		
Financial assets measured at amortized cost		
Trade and other receivables	–	28,080
Other financial assets	–	2,866
Cash and cash equivalents	–	32,444
Financial assets measured at fair value through other comprehensive income		
Other financial assets (shares)	–	8,034
Other financial assets	–	1,963
Total financial assets	–	73,389
Financial liabilities		
Financial liabilities measured at fair value through profit or loss (derivatives)		
Other financial liabilities	–	72
Financial liabilities measured at amortized cost		
Trade and other payables	–	12,794
Borrowings	–	12,810
Other financial liabilities	–	567
Total financial liabilities	–	26,246

(3) Financial risk management

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

1) Credit risk management

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

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

The certain customer group accounts for a large percentage of the Group’s revenue.

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

Information about trade receivables

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

Trade receivables

As of March 31, 2019

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	668	–	668
Balance at end of period	779	–	779

Allowance for credit losses

As of March 31, 2019

(Millions of yen)

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

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, 2018

	Carrying amount	Contractual amount	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Trade and other payables	16,044	16,044	16,044	–	–	–	–	–
Borrowings	16,545	16,651	16,283	348	18	1	–	–
Other financial liabilities	576	675	150	162	171	12	12	164
Total	33,166	33,371	32,478	510	190	14	12	164

As of March 31, 2019

	Carrying amount	Contractual amount	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Trade and other payables	12,794	12,794	12,794	–	–	–	–	–
Borrowings	12,810	12,924	12,904	18	1	–	–	–
Other financial liabilities	640	719	169	178	13	13	13	330
Total	26,246	26,437	25,868	196	14	13	13	330

3) Market risk management

(i) Exchange risks

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

• Sensitivity analysis of foreign exchange

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

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
US dollar	147	146
RMB	39	41

(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 ¥836 million in the previous fiscal year and ¥691 million in the fiscal year under review.

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

(iii) Interest rate risks

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

(4) Equity financial instruments measured at fair value through other comprehensive income

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

1) Major financial instruments and their fair value

Major financial instruments and their fair value are as follows:

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

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

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

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

Notes: 1. Primarily with the purpose of reviewing business relationships, in the fiscal year under review, a portion of those equity financial instruments measured at fair value through other comprehensive income was derecognized due to sale.

2. When equity financial instruments measured at fair value through other comprehensive income are derecognized, the cumulative gain or loss of other comprehensive income is transferred to retained earnings.

3) Dividend income

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

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

(5) Fair value of financial instruments

1) Method of fair value measurement

Financial assets and liabilities measured at fair value through profit or loss

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

Financial assets measured at amortized cost

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

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

Financial assets measured at fair value through other comprehensive income

The fair values of listed shares are measured based on market prices at the end of the fiscal year. The fair values of unlisted shares are principally measured by valuation techniques based on net asset value. Other financial assets are measured by the discounted cash flow method or other appropriate valuation methods.

Financial liabilities measured at amortized cost

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

2) Fair value hierarchy

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

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

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

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

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

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

3) Carrying amount and fair value of financial instruments

	As of March 31, 2018		As of March 31, 2019	
	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)	3,988	3,982	381	380

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, 2018

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Financial assets measured at fair value through profit or loss (derivatives)	–	46	–	46
Available-for-sale financial assets				
Listed shares	8,368	–	–	8,368
Unlisted shares	–	–	904	904
Other	–	–	4	4
Total	8,368	46	909	9,324

As of March 31, 2019

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

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

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Balance at beginning of period	762	909
Acquisition	78	–
Total gains and losses		
Other comprehensive income	68	210
Other changes	–	1,958
Balance at end of period	909	3,078

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

2. Financial assets classified as Level 3 mainly consist of unlisted shares. The fair values of unlisted shares are principally measured by valuation techniques based on net asset value, and results of the fair value measurement are approved by an appropriate authorized person.
3. In the fiscal year under review, other changes have been revised with changes to the classification of financial instruments due to the application of IFRS 9.

28. Important subsidiaries

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

Name	Location	Principal contents of business	Ratio of voting rights holding (%)
KYUSHU F.C.C. CO., LTD.	Japan	Motorcycle and automobile clutches	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycle clutches	80.22
Flint Co.,Ltd	Japan	Motorcycle clutches	100
FCC (North America), INC.	U.S.	Administration of subsidiaries in the U.S.	100
FCC (INDIANA), LLC.	U.S.	Automobile clutches	100 [100]
FCC (North Carolina), LLC.	U.S.	Motorcycle and automobile clutches	100 [100]
FCC (Adams), LLC.	U.S.	Automobile clutches	100 [100]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Mexico	Automobile clutches	100 [40.60]
FCC (THAILAND) CO., LTD.	Thailand	Motorcycle and automobile clutches	100 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycle and automobile clutches	100
F.C.C. (China) Investment Co., Ltd.	China	Administration of subsidiaries in China	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	China	Motorcycle and automobile clutches	100 [71.43]
CHU'S F.C.C. CO., LTD. (SHANGHAI)	China	Motorcycle clutches	100
CHINA FCC FOSHAN CO., LTD.	China	Automobile clutches	100 [61.43]
FCC (TAIWAN) CO., LTD.	Taiwan	Motorcycle clutches	70 [15]
FCC CLUTCH INDIA PRIVATE LTD.	India	Motorcycle and automobile clutches	100
PT. FCC INDONESIA	Indonesia	Motorcycle and automobile clutches	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycle and automobile clutches	90
FCC DO BRASIL LTDA.	Brazil	Motorcycle and automobile clutches	100

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

29. Related parties

(1) Related party transactions

Fiscal year ended March 31, 2018

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	10,436	1,748

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

Fiscal year ended March 31, 2019

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	11,418	1,693

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

(2) Remuneration for key management personnel

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	Millions of yen	Millions of yen
Remuneration and bonuses	312	317

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

30. Commitments

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

	As of March 31, 2018	As of March 31, 2019
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	2,469	2,617

31. Subsequent events

Not applicable.

Opinion of independent auditors

Auditors: Yasumori Audit Corporation
Opinion: unqualified

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	1,267	3,079
Notes receivable - trade	0	0
Electronically recorded monetary claims - operating	186	222
Accounts receivable - trade	7,956	8,712
Merchandise and finished goods	1,026	915
Work in process	802	854
Raw materials and supplies	2,283	2,096
Prepaid expenses	60	56
Short-term loans receivable from subsidiaries and associates	20,425	16,170
Other	2,692	2,914
Allowance for doubtful accounts	(4)	(2)
Total current assets	36,697	35,020
Non-current assets		
Property, plant and equipment		
Buildings	4,819	4,995
Structures	411	406
Machinery and equipment	4,348	4,153
Vehicles	44	61
Tools, furniture and fixtures	784	713
Land	3,943	3,942
Construction in progress	135	620
Total property, plant and equipment	14,487	14,894
Intangible assets		
Software	139	136
Software in progress	6	–
Other	0	0
Total intangible assets	146	137
Investments and other assets		
Investment securities	3,629	3,545
Shares of subsidiaries and associates	26,129	22,139
Bonds of subsidiaries and associates	5,846	5,846
Investments in capital	4	4
Investments in capital of subsidiaries and associates	3,069	3,069
Long-term loans to employees	130	119
Long-term loans receivable from subsidiaries and associates	3,594	5,191
Long-term prepaid expenses	0	57
Other	688	688
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	43,062	40,629
Total non-current assets	57,697	55,661
Total assets	94,394	90,681

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes payable - trade	234	–
Accounts payable - trade	3,104	2,591
Short-term loans payable	16,160	12,771
Accounts payable - other	590	921
Electronically recorded obligations - operating	1,119	1,003
Accrued expenses	396	444
Income taxes payable	132	361
Advances received	2	4
Deposits received	122	123
Provision for bonuses	1,175	1,233
Other	47	50
Total current liabilities	23,085	19,506
Non-current liabilities		
Long-term loans payable	327	–
Deferred tax liabilities	789	234
Provision for retirement benefits	750	842
Asset retirement obligations	29	29
Other	27	27
Total non-current liabilities	1,923	1,133
Total liabilities	25,009	20,639
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	968	969
General reserve	50,500	52,500
Retained earnings brought forward	5,748	6,776
Total retained earnings	59,861	62,890
Treasury shares	(3,409)	(4,787)
Total shareholders' equity	65,193	66,845
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,191	3,196
Total valuation and translation adjustments	4,191	3,196
Total net assets	69,385	70,041
Total liabilities and net assets	94,394	90,681

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	39,663	40,850
Cost of sales		
Beginning finished goods	835	1,026
Cost of products manufactured	28,327	29,050
Purchase of finished goods	890	790
Total	30,052	30,867
Ending finished goods	1,026	915
Cost of finished goods sold	29,026	29,952
Gross profit	10,636	10,898
Selling, general and administrative expenses		
Packing and delivery expenses	808	773
Salaries and allowances	1,568	1,625
Provision for bonuses	257	281
Retirement benefit expenses	179	202
Depreciation	70	76
Research and development expenses	4,052	4,179
Other	1,722	2,087
Total selling, general and administrative expenses	8,659	9,226
Operating profit	1,977	1,671
Non-operating income		
Interest income	521	607
Interest on capital receivable	41	37
Interest on securities	555	512
Dividend income	3,136	2,715
Rental income	35	14
Commissions on equipment sales	371	239
Foreign exchange gains	–	441
Technical advisory fee	133	149
Other	79	92
Total non-operating income	4,874	4,809
Non-operating expenses		
Interest expenses	173	167
Rent expenses	28	4
Foreign exchange losses	739	–
Other	13	13
Total non-operating expenses	954	185
Ordinary profit	5,897	6,295
Extraordinary income		
Gain on sales of non-current assets	2	47
Gain on sales of investment securities	–	32
Gain on sales of shares of subsidiaries and associates	–	81
Transfer pricing taxation adjustment	255	–
Total extraordinary income	257	161
Extraordinary losses		
Loss on sales and retirement of non-current assets	13	54
Impairment loss	1,454	–
Loss on valuation of shares of subsidiaries and associates	2,031	386
Total extraordinary losses	3,499	441
Profit before income taxes	2,655	6,016
Income taxes - current	890	903

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Income taxes - deferred	(512)	(125)
Total income taxes	377	778
Profit	2,278	5,237

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

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	969	48,500	7,527	59,640
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										
Provision of general reserve								2,000	(2,000)	–
Dividends of surplus									(2,057)	(2,057)
Profit									2,278	2,278
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	–	(0)	2,000	(1,778)	220
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	968	50,500	5,748	59,861

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(3,409)	64,973	3,553	3,553	68,527
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		(2,057)			(2,057)
Profit		2,278			2,278
Purchase of treasury shares	(0)	(0)			(0)
Net changes of items other than shareholders' equity			637	637	637
Total changes of items during period	(0)	220	637	637	858
Balance at end of current period	(3,409)	65,193	4,191	4,191	69,385

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	968	50,500	5,748	59,861
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	–
Provision of reserve for advanced depreciation of non-current assets							1		(1)	–
Provision of general reserve								2,000	(2,000)	–
Dividends of surplus									(2,208)	(2,208)
Profit									5,237	5,237
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	–	1	2,000	1,028	3,029
Balance at end of current period	4,175	4,555	10	4,566	1,043	1,600	969	52,500	6,776	62,890

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(3,409)	65,193	4,191	4,191	69,385
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		–			–
Provision of reserve for advanced depreciation of non-current assets		–			–
Provision of general reserve		–			–
Dividends of surplus		(2,208)			(2,208)
Profit		5,237			5,237
Purchase of treasury shares	(1,378)	(1,378)			(1,378)
Net changes of items other than shareholders' equity			(994)	(994)	(994)
Total changes of items during period	(1,378)	1,651	(994)	(994)	656
Balance at end of current period	(4,787)	66,845	3,196	3,196	70,041

[Notes to non-consolidated financial statements]

Significant accounting policies

1. Valuation basis and methods for assets

(1) Valuation basis and methods for securities

Shares of subsidiaries and associates

Stated at cost determined by the weighted-average method.

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

Securities with readily determinable fair value

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

Securities without readily determinable fair value

Stated at cost determined by the weighted-average method.

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

(2) Valuation basis and methods for inventories

Finished goods and work in process

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

Raw materials and supplies

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

2. Depreciation methods for non-current assets

(1) Property, plant and equipment

The straight-line method is applied.

Major useful lives are as follows:

Buildings	10 to 38 years
Machinery and equipment	9 years

(2) Intangible assets

The straight-line method is applied.

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

3. Recognition of reserves

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

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

1) Method of attributing expected retirement benefits to periods

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

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

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

Actuarial gains or losses are amortized by the declining-balance method from the fiscal year in which the gains or losses occurred over a period equal to or less than the average remaining service period of eligible employees (mainly 16 years) at the time of occurrence in each fiscal year.

4. Other significant matters for preparing financial statements

(1) Accounting for retirement benefits

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

(2) Application of consolidated taxation system

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

Changes in presentation

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets (if any) were presented under "investments and other assets" and deferred tax liabilities (if any) were presented under "non-current liabilities."

As a result, in the non-consolidated balance sheet for the fiscal year ended March 31, 2018, deferred tax assets of ¥535 million under current assets were offset against deferred tax liabilities of ¥1,325 million under non-current liabilities and presented as deferred tax liabilities of ¥789 million under non-current liabilities, and there has been a decrease of ¥535 million in total assets compared with before the change.

4) Supplementary statements

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

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase in the period	Decrease in the period	Depreciation during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	4,819	434	3	254	4,995	7,482
	Structures	411	37	–	41	406	1,216
	Machinery and equipment	4,348	894	112	976	4,153	18,855
	Vehicles	44	35	1	17	61	131
	Tools, furniture and fixtures	784	292	58	304	713	5,280
	Land	3,943	–	0	–	3,942	–
	Construction in progress	135	1,298	814	–	620	–
	Total	14,487	2,992	990	1,595	14,894	32,965
Intangible assets	Right of using water facilities	0	–	–	0	0	3
	Software	139	49	–	52	136	117
	Software in progress	6	–	6	–	–	–
	Total	146	49	6	52	137	121
Investments and other assets	Long-term prepaid expenses	0	60	4	–	57	–

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

Property, plant and equipment

[Increase]

Buildings	Watagashima Factory	Refurbishment of Watagashima Factory	¥418 million
Machinery and equipment	Watagashima Factory	Manufacturing facilities for clutches	¥344 million
	R&D Division	Testing apparatus and measuring instruments	¥292 million

[Decrease]

Buildings	Hamakita Factory	Decrease due to relocation of process operations to a domestic subsidiary	¥564 million
Tools, furniture and fixtures	Hamakita Factory	Decrease due to relocation of process operations to a domestic subsidiary	¥221 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	36	–	2	33
Provision for bonuses	1,175	1,233	1,175	1,233

(2) Components of major assets and liabilities

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

Opinion of independent auditors

Auditors: Yasumori Audit Corporation
Opinion: unqualified

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

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Securities Agent Department, Head Office, Mizuho Trust & Banking Co., Ltd.
Shareholder register administrator	(Special account) 1-2-1 Yaesu, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Forwarding office	—
Handling charge for purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	Electronic public notice will be made. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. The Company's URL for public notice: https://www.fcc-net.co.jp/
Special benefits for shareholders	• Content of the shareholder special benefit plan Regional goodies worth ¥2,500 are offered to each shareholder holding 200 shares or more who is on the list of shareholders as of March 31 and September 30 every year.

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