

# **Annual Securities Report**

92nd term (from April 1, 2021 to March 31, 2022)

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

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Place of filing	Director-General of the Tokai Local Finance Bureau
Filing date	June 23, 2022
Fiscal year	92nd term (from April 1, 2021 to March 31, 2022)
Company name	株式会社エフ・シー・シー ( <i>Kabushiki Kaisha F.C.C.</i> )
Company name in English	F.C.C. CO., LTD.
Title and name of representative	Yoshitaka Saito President and Representative Director
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Name of contact person	Yasutaka Oishi, Operating Officer, Head of Management and Administration
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

## A. Company information

### I. Overview of the Company

#### 1. Trends in selected financial data

##### Summary of consolidated financial data

Term	88th term	89th term	90th term	91st term	92nd term
Fiscal year-end	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Revenue (Millions of yen)	173,174	177,605	171,060	146,157	170,971
Profit before income taxes (Millions of yen)	14,083	16,503	6,653	8,313	11,944
Profit attributable to owners of parent (Millions of yen)	9,691	11,779	3,921	4,462	8,551
Comprehensive income (Millions of yen)	7,935	12,380	(2,068)	12,067	18,929
Equity attributable to owners of parent (Millions of yen)	117,311	125,875	120,869	130,239	146,625
Total assets (Millions of yen)	170,302	173,644	161,727	175,644	195,364
Equity attributable to owners of parent per share (Yen)	2,337.43	2,533.32	2,432.56	2,621.16	2,950.09
Basic earnings per share (Yen)	193.11	235.05	78.92	89.81	172.07
Diluted earnings per share (Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets (%)	68.88	72.49	74.74	74.15	75.05
Ratio of profit to equity attributable to owners of parent (%)	8.47	9.69	3.18	3.55	6.18
Price earnings ratio (PER) (Times)	15.48	9.96	20.01	20.69	7.81
Net cash flows from (used in) operating activities (Millions of yen)	24,120	23,622	25,079	12,971	15,456
Net cash flows from (used in) investing activities (Millions of yen)	(19,122)	(8,695)	(10,597)	(8,522)	(9,627)
Net cash flows from (used in) financing activities (Millions of yen)	(2,657)	(7,981)	(8,990)	(3,175)	(4,202)
Cash and cash equivalents at end of period (Millions of yen)	25,230	32,444	35,350	39,607	44,627
Number of employees	8,555	8,829	8,718	8,360	8,115
[Separately, average number of temporary employees]	[3,637]	[4,017]	[3,777]	[3,369]	[3,425]

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

## 2. Company history

Year	Month	Event
1939	June	Fuji Lite Industries Co., Ltd. is established in Sato-cho, Hamamatsu-shi, Shizuoka. The Company begins manufacturing clutch plates, gears and other products employing compression molding of Bakelite resins.
1943	March	Changes name to Fuji Chemical Co., Ltd.
1982	February	Establishes Kyushu Fuji Chemical Industries Co., Ltd. (currently KYUSHU F.C.C. CO., LTD., a consolidated subsidiary) in Matsubase-machi, Shimomashiki-gun, Kumamoto (currently Uki-shi, Kumamoto).
1984	July	Changes name to F.C.C. CO., LTD.
1988	July	Establishes JAYTEC, INC. (currently FCC (INDIANA), LLC, a consolidated subsidiary) in Indiana, U.S.A.
1989	March	Establishes FCC (THAILAND) CO., LTD. (currently a consolidated subsidiary) in Bangkok, Thailand.
	June	Moves its corporate head office to the current address.
1992	September	Makes equity investment in KWANG HWA SHING INDUSTRIAL CO., LTD. of Tainan, Taiwan.
1993	September	Establishes FCC (PHILIPPINES) CORP. (currently a consolidated subsidiary) in Laguna, Philippines.
	October	Acquires shares of TENRYU SANGYO CO., LTD. (currently a consolidated subsidiary).
1994	August	Registers its shares for OTC trading with Japan Securities Dealers Association.
	December	Establishes CHENGDU JIANG HUA. F.C.C. CLUTCHES. CO., LTD. (currently CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a consolidated subsidiary) in Chengdu, Sichuan, China.
1995	March	Establishes CHU'S F.C.C. (SHANGHAI) CO., LTD. (currently a consolidated subsidiary) in Shanghai, China.
	September	Establishes FCC (EUROPE) LTD. in Milton Keynes, UK.
1997	April	Establishes FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LIMITED, a consolidated subsidiary) in Haryana, India.
1998	November	Establishes FCC DO BRASIL LTDA. (currently a consolidated subsidiary) in Amazonas, Brazil.
2000	April	Establishes FCC (North Carolina), INC. (currently FCC (North Carolina), LLC, a consolidated subsidiary) in North Carolina, U.S.A.
2001	April	Establishes PT. FCC INDONESIA (currently a consolidated subsidiary) in Karawang, Indonesia.
2002	December	Establishes FCC (North America), INC. (currently a consolidated subsidiary) and FCC (INDIANA), INC. (currently FCC (INDIANA), LLC, a consolidated subsidiary) in Indiana, U.S.A.
2003	February	Lists its shares on the Second Section of the Tokyo Stock Exchange.
	May	Establishes FCC (Adams), LLC (currently a consolidated subsidiary) in Indiana, U.S.A.
2004	March	Lists its shares on the First Section of the Tokyo Stock Exchange.
2005	June	Increases investment in KWANG HWA SHING INDUSTRIAL CO., LTD. (currently FCC (TAIWAN) CO., LTD.), making the company a consolidated subsidiary.
	November	Establishes FCC (VIETNAM) CO., LTD. (currently a consolidated subsidiary) in Hanoi, Vietnam.
2006	January	Establishes CHINA FCC FOSHAN CO., LTD. (currently a consolidated subsidiary) in Foshan, Guangdong, China.
2010	November	Acquires 100% of shares of Tohoku Chemical Industries, Ltd.
2012	September	Establishes F.C.C. (CHINA) INVESTMENT CO., LTD. (currently a consolidated subsidiary) in Chengdu, Sichuan, China.
	December	Completes liquidation of FCC (EUROPE) LTD.
2013	February	Establishes FCC SEOJIN CO., LTD. in Siheung, Gyeonggi-do, Korea.
	June	Establishes FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (currently a consolidated subsidiary) in San Luis Potosi, Mexico.
2014	November	Establishes FCC CLUTCH INDIA PRIVATE LIMITED (currently a consolidated subsidiary) in Haryana, India.
	December	Acquires 100% of shares of FCC RICO LTD. (currently FCC CLUTCH INDIA PRIVATE LIMITED, a consolidated subsidiary).
2015	November	FCC INDIA MANUFACTURING PRIVATE LIMITED has been merged by FCC CLUTCH INDIA PRIVATE LIMITED.
2017	September	Acquires 100% of shares of FLINT CO., LTD. (currently a consolidated subsidiary).
2018	December	Transferred all of the shares of Tohoku Chemical Industries, Ltd.

### 3. Description of business

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

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

#### *Motorcycle clutches*

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

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

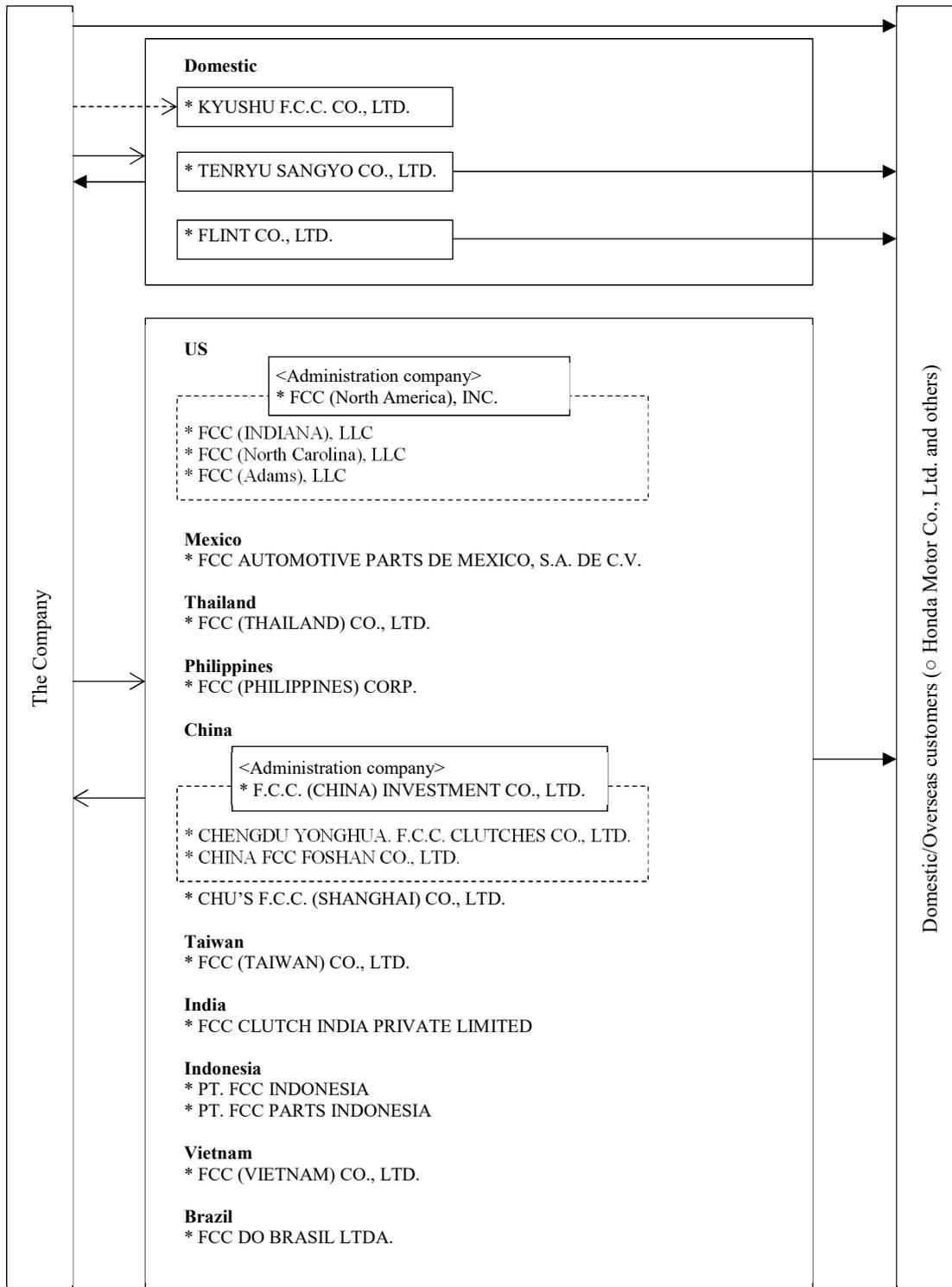
#### *Automobile clutches*

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

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

## Group business structure chart

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



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

#### 4. Overview of subsidiaries and other affiliates

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
<Consolidated subsidiaries>					
KYUSHU F.C.C. CO., LTD.	Uki-shi, Kumamoto	¥30,000,000	Motorcycle and automobile clutches	100	Manufacturing the Company's product components and products. Interlocking officers and leasing land.
TENRYU SANGYO CO., LTD.	Higashi-ku, Hamamatsu-shi, Shizuoka	¥22,500,000	Motorcycle clutches	80.22	Purchasing motorcycle, automobile and general-purpose components. Interlocking officers and capital assistance.
FLINT CO., LTD.	Ongatown, Ongagun, Fukuoka	¥10,000,000	Motorcycle clutches	100	Purchasing FLINT CO., LTD.'s products. Interlocking officers and capital assistance.
FCC (North America), INC. (Note 2)	Indiana, U.S.	US\$42,800,000	Administration of subsidiaries in the U.S.	100	Interlocking officers and capital assistance.
FCC (INDIANA), LLC (Notes 2, 4)	Indiana, U.S.	US\$17,800,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (INDIANA), LLC's products and components. Interlocking officers.
FCC (North Carolina), LLC (Note 2)	North Carolina, U.S.	US\$10,000,000	Motorcycle and automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (North Carolina), LLC's products and components. Interlocking officers.
FCC (Adams), LLC (Notes 2, 4)	Indiana, U.S.	US\$15,000,000	Automobile clutches	100 [100]	Selling the Company's products, components and raw materials. Purchasing FCC (Adams), LLC's products and components. Interlocking officers.
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. (Note 2)	San Luis Potosi, Mexico	MXN1,000,000,000	Automobile clutches	100 [45.30]	Selling the Company's products, components and raw materials. Interlocking officers and capital assistance.
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	THB60,000,000	Motorcycle and automobile clutches	100 [0.07]	Selling the Company's products, components and raw materials. Purchasing FCC (THAILAND) CO., LTD.'s products and components. Interlocking officers.
FCC (PHILIPPINES) CORP. (Note 2)	Laguna, Philippines	PHP200,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC (PHILIPPINES) CORP.'s products and components. Interlocking officers.
F.C.C. (CHINA) INVESTMENT CO., LTD. (Note 2)	Sichuan, China	US\$30,000,000	Administration of subsidiaries in China	100	Interlocking officers.
CHENGDU YONGHUA F.C.C. CLUTCHES CO., LTD. (Note 2)	Sichuan, China	US\$28,000,000	Motorcycle and automobile clutches	100 [71.43]	Selling the Company's products, components and raw materials. Purchasing CHENGDU YONGHUA F.C.C. CLUTCHES CO., LTD.'s products and components. Interlocking officers and capital assistance.
CHU'S F.C.C. (SHANGHAI) CO., LTD. (Note 2)	Shanghai, China	US\$9,800,000	Motorcycle clutches	100	Selling the Company's products, components and raw materials. Purchasing CHU'S F.C.C. (SHANGHAI) CO., LTD.'s products and components. Interlocking officers.

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
CHINA FCC FOSHAN CO., LTD. (Note 2)	Guangdong, China	US\$28,000,000	Automobile clutches	100 [61.43]	Selling the Company's products, components and raw materials. Purchasing CHINA FCC FOSHAN CO., LTD.'s products and components. Interlocking officers.
FCC (TAIWAN) CO., LTD. (Note 2)	Tainan, Taiwan	NT\$195,000,000	Motorcycle clutches	70 [15]	Selling the Company's products, components and raw materials. Purchasing FCC (TAIWAN) CO., LTD.'s products and components. Interlocking officers.
FCC CLUTCH INDIA PRIVATE LIMITED (Notes 2, 4)	Haryana, India	INR3,875,000,000	Motorcycle and automobile clutches	100	Selling the Company's products, components and raw materials. Purchasing FCC CLUTCH INDIA PRIVATE LIMITED's products and components. Interlocking officers and capital assistance.
PT. FCC INDONESIA (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, PT. FCC INDONESIA, and FCC CLUTCH INDIA PRIVATE LIMITED, the percentage of their net sales (excluding internal sales between consolidated companies) to consolidated net sales exceeded 10%. Key profit and loss information in each company's financial statements prepared under the generally accepted accounting standards in Japan is as follows:

Key profit and loss information

- FCC (INDIANA), LLC

- (1) Net sales ¥33,184 million
- (2) Ordinary profit ¥(60 million)
- (3) Profit ¥(24 million)
- (4) Net assets ¥20,072 million
- (5) Total assets ¥26,584 million

- FCC (Adams), LLC

- (1) Net sales ¥35,187 million

(2) Ordinary profit	¥2,087 million
(3) Profit	¥1,624 million
(4) Net assets	¥9,494 million
(5) Total assets	¥22,884 million

- PT. FCC INDONESIA

(1) Net sales	¥21,235 million
(2) Ordinary profit	¥1,288 million
(3) Profit	¥1,074 million
(4) Net assets	¥16,391 million
(5) Total assets	¥20,751 million

- FCC CLUTCH INDIA PRIVATE LIMITED

(1) Net sales	¥20,338 million
(2) Ordinary profit	¥116 million
(3) Profit	¥(32 million)
(4) Net assets	¥3,679 million
(5) Total assets	¥15,271 million

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

## 5. Information about employees

### (1) Consolidated companies

As of March 31, 2022

Segment name	Number of employees	
Motorcycle clutches	4,351	[3,104]
Automobile clutches	3,239	[197]
Total of reportable segments	7,590	[3,301]
Administration (general operations)	525	[124]
Total	8,115	[3,425]

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

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

### (2) Reporting company

As of March 31, 2022

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,104 [259]	42.5	18.0	6,712,637

Segment name	Number of employees	
Motorcycle clutches	208	[103]
Automobile clutches	371	[32]
Total of reportable segments	579	[135]
Administration (general operations)	525	[124]
Total	1,104	[259]

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

2. Average annual salary includes bonuses and surplus wages.

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

### (3) Status of labor union

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

## II. Overview of business

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

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

#### (1) Basic corporate management policy

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

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

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

In the future business environment, while the Group expects that social and economic activities to head toward normalization, it is important to heed downward risks, including a resurgence of the COVID-19 pandemic, supply line constraints, increased raw materials prices, and changes to financial and capital markets. As such, the outlook remains uncertain.

Further, new social values and industry structural changes are proceeding swiftly, such as digitalization and global trends toward realizing carbon neutrality. Even in the automotive industry, the move toward electrification is accelerating as competition between companies, even those in other industries, not just the automotive industry, is growing fiercer.

In this business environment, in addition to strengthening the competitiveness of existing businesses, the Group is placing more weight on initiatives to expand its business area and strive to increase sustainable corporate value in an electrified and decarbonized society in the final year of its 11th Medium-Term Management Plan.

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

Shift initiatives toward sustainability

Strengthen competitiveness in motorcycles business

Increase profitability in automobiles business

Further strengthen on-site capabilities

Accelerate initiatives for electrification

Accelerate new business development and business creation

Improve business efficiency and evolve

#### Performance targets (FY2022)

Revenue ¥194.0 billion

Operating profit ¥13.0 billion

## 2. Business risks

Of the items related to the overview of business and financial information described in this Annual Securities Report, the following are major risks that management recognizes could have significant effect on the financial position, operating results and cash flows of consolidated companies. Please note that matters concerning the future in this article were determined by the Group as of the filing date of this Annual Securities Report.

### (1) Business development centered on clutch products

The Group continues to evolve as a specialist in clutch products. Although clutch products are important functional components of drive trains for automobiles and motorcycles driven by internal combustion engines, clutch products may not be required in future with the spread of automobiles and motorcycles, etc. that are not driven by internal combustion engines.

The automotive industry is currently facing an era of significant structural change. Near-term growth is anticipated for both motorcycle clutches and automobile clutches, so the Group is definitely responding by evolving the existing businesses. The Group is also proactively proceeding with new business development based on themes of electrified products, energy solutions, and environmental purification.

### (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 39% of the Group's revenue in the fiscal year ended March 31, 2022. The financial performance of the Group could be significantly affected, therefore, by the Honda Motor Group's future business strategy, procurement policies and other decisions.

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

### (3) Development of overseas business

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

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

### (4) Competition faced by the Group

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

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

### (5) Compensation for product defects

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

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

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

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

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

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

(1) Overview of operating results, etc.

The Group's financial position, operating results and cash flows (hereinafter "operating results, etc.") for the fiscal year ended March 31, 2022 were as follows.

1) Financial position and operating results

Observing the economic status as of the fiscal year ended March 31, 2022, while there were some signs of recovery from the previous fiscal year, when the economy retracted significantly due to the impact of the COVID-19 pandemic, the pace of recovery was sluggish due to the resurgence of COVID-19, supply chain constraints, and increased geopolitical risks at the end of the year. In Japan, consumer spending has ebbed and flowed along with repeated State of Emergency Declarations. Further, recovery in company production activities and imports and exports have been muted due to the supply chain constraints. Overseas, the U.S. economy continued to be on track for recovery. In Asia, China's recovery showed weakness and the economies of India and the ASEAN region saw a gradual recovery.

In the automotive industry, the first quarter saw a significant recovery in production of motorcycles and automobiles compared to the same period of the previous year, when there was significant impact felt from COVID-19. However, impact remained from inflated prices of materials and lower production due to the semiconductor shortage. In the automobile market, new car sales in Japan were up year-over-year in the first quarter, but fell year-over-year after this to shrink for the third consecutive year. Overseas, weakness was seen from the second quarter, even in the U.S. market. In China, results were weak compared to the previous year, when performance was solid. In the motorcycle market, Indonesian demand recovered and results in India recovered significantly in the first quarter. Despite this, the recovery after the first quarter was very gradual.

In this situation, the Group has taken efforts to improve efficiency of operations and strengthen response to production changes in order to secure profitability. In addition, based on the swift changes to the business environment, the Group has worked to strengthen development capabilities and on-site capabilities, advanced the digitalization of the production and development processes and strived to ensure increased competitiveness, while actively promoting the development of new businesses based on themes of electrified products, energy solutions, and environmental purification, etc.

As a result, during the fiscal year ended March 31, 2022, sales of motorcycle clutches and automobile clutches increased, and revenue increased by 17.0% from the previous fiscal year to ¥170,971 million. Operating profit increased by 44.3% from the previous fiscal year to ¥10,051 million due to higher sales. Profit before income taxes increased by 43.7% from the previous fiscal year to ¥11,944 million. Profit attributable to owners of parent increased by 91.6% from the previous fiscal year to ¥8,551 million.

The following are the business results in each operating segment.

*Motorcycle clutches*

Despite the impact of a resurgence of COVID-19, an increase in sales of motorcycle clutches in Indonesia and India led to revenue increasing by 24.3% from the previous fiscal year to ¥81,012 million. Operating profit increased by 40.3% from the previous fiscal year to ¥8,287 million.

*Automobile clutches*

Despite the impact of the semiconductor shortage, an increase in sales of automobile clutches in the U.S. led to revenue increasing by 11.1% from the previous fiscal year to ¥89,959 million. Operating profit increased by 33.6% from the previous fiscal year to ¥2,907 million.

2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter “net cash”) totaled ¥44,627 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 ¥15,456 million. The reasons for the increase are mainly due to profit before income taxes of ¥11,944 million, depreciation and amortization expense of ¥12,803 million and an increase in provisions of ¥1,669 million. The reasons for the decrease are mainly due to an increase in inventories of ¥6,814 million and income taxes paid of ¥4,344 million.

*Cash flows from (used in) investing activities*

Net cash used in investing activities was ¥9,627 million. This is mainly due to purchase of property, plant and equipment of ¥9,859 million.

*Cash flows from (used in) financing activities*

Net cash used in financing activities was ¥4,202 million. This is mainly due to cash dividends paid of ¥2,285 million and net increase (decrease) in short-term borrowings of ¥1,093 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, 2022	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	79,883	125.1
Automobile clutches (Millions of yen)	87,088	111.1
Total (Millions of yen)	166,971	117.4

Note: Amounts are based on sales prices.

(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	82,138	118.1	7,678	117.2
Automobile clutches	91,141	103.9	9,993	113.4
Total	173,279	110.2	17,671	115.0

Note: Amounts are based on sales prices.

(iii) Sales performance

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

Segment name	Fiscal year ended March 31, 2022	Year-on-year comparison (%)
Motorcycle clutches (Millions of yen)	81,012	124.3
Automobile clutches (Millions of yen)	89,959	111.1
Total (Millions of yen)	170,971	117.0

Note: The table below shows sales results by major transaction partners and the ratio of those sales results to total sales results for the last two fiscal years.

Transaction partner	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	23,916	16.4	25,910	15.2
Honda Motor Co., Ltd.	9,574	6.6	8,807	5.2

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

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

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

Analysis of operating results

(Revenue)

Revenue for the fiscal year under review increased by 17.0% from the previous fiscal year to ¥170,971 million.

Sales of automobile clutches grew in the U.S. in addition to an increase in sales of motorcycle clutches in Indonesia and India. In the first quarter, revenue recovered significantly compared to the same period of the previous year. However, from the second quarter the recovery was gradual due to the resurgence of the COVID-19 pandemic and the semiconductor shortage.

(Operating profit)

Operating profit for the fiscal year under review increased by 44.3% from the previous fiscal year to ¥10,051 million.

The major reason the operating profit increased was increase in profits resulting from higher sales, lower depreciation expenses, and the currency exchange impact of weaker yen, despite increases in R&D expenses and other SG&A expenses.

(Profit before income taxes)

Profit before income taxes for the fiscal year under review increased by 43.7% from the previous fiscal year to ¥11,944 million.

This is due to higher finance income from a weak yen.

(Profit attributable to owners of parent)

Profit attributable to owners of the parent for the fiscal year under review increased by 91.6% from the previous fiscal year to ¥8,551 million.

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥115,010 million, up ¥15,462 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥9,504 million in inventories and ¥5,019 million in cash and cash equivalents.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥80,354 million, up ¥4,257 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥2,458 million in property, plant and equipment and ¥1,531 million in other financial assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥35,577 million, up ¥2,240 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥2,253 million in trade and other payables and ¥1,669 million in provisions in spite of a decrease of ¥1,108 million in borrowings.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥11,255 million, up ¥943 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥642 million in deferred tax liabilities and ¥393 million in defined benefit liabilities.

(Equity)

At the end of the fiscal year under review, equity was ¥148,532 million, up ¥16,536 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥10,053 million in other components of equity and ¥6,308 million in retained earnings.

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

Analysis of cash flows

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

Analysis of capital resources and funding liquidity

The Group’s financial policy is to maintain the sound balance sheet taking into account appropriate liquidity, etc. in securing funds for business activities. The Group procures working funds, funds for capital investment and funds for research and development investment from internal funds, mainly sourced from cash flows from operating activities, and bank borrowings. The Group considers that it has sufficiently secured the level of funds currently required.

- 3) Significant accounting estimates and assumptions used in such estimates

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

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

#### **4. Critical contracts for operation**

Not applicable.

#### **5. Research and development activities**

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

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

During the fiscal year ended March 31, 2022, research and development expense (including expenses recognized as development assets) amounted to ¥5,191 million.

The following is a summary of research and development expense by segment during the fiscal year ended March 31, 2022.

*Motorcycle clutches*

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

Research and development expense in the motorcycle clutches segment amounted to ¥3,154 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 for automatic transmissions, CVTs and wet friction materials for hybrids provided a foundation for these activities.

Research and development expense in the automobile clutches segment amounted to ¥2,037 million.

### III. Information about facilities

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

During the fiscal year ended March 31, 2022, the Company made total capital investments (including investments on intangible assets) of ¥10,420 million. The principal capital investment details were: acquisition of land and buildings in Japan; 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 ¥4,842 million for motorcycle clutches, ¥3,586 million for automobile clutches, and ¥1,992 million for the general operations segment.

##### (1) Reporting company

Acquisition of land

Manufacturing facilities to produce new models at Hamakita Factory

##### (2) Subsidiaries

Acquisition of land and buildings at FLINT CO., LTD.

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

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

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 (VIETNAM) CO., LTD.

#### 2. Major facilities

Major facilities of the Group are as follows:

##### (1) Reporting company

As of March 31, 2022

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
Hamakita Factory (Hamakita-ku, Hamamatsu-shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,183	1,339	595 (85,261)	356	3,474	191 [11]
Watagashima Factory (Tenryu-ku, Hamamatsu- shi, Shizuoka)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,430	1,088	766 (61,268)	68	3,353	183 [27]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	1,565	733	1,228 (50,477)	121	3,649	180 [103]
R&D Center (Kita-ku, Hamamatsu- shi, Shizuoka)	General operations	Testing apparatus and measuring instruments	450	944	216 (12,093)	143	1,755	192 [81]

## (2) Domestic subsidiaries

As of March 31, 2022

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
KYUSHU F.C.C. CO., LTD. (Uki-shi, Kumamoto)	Motorcycle and automobile clutches	Manufacturing facilities for clutches	164	596	11 (20,474)	87	859	126 [14]

## (3) Overseas subsidiaries

As of March 31, 2022

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m <sup>2</sup> )	Other	Total	
FCC (INDIANA), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	1,550	4,146	89 (246,263)	182	5,968	594
FCC (North Carolina), LLC	North Carolina, U.S.	Motorcycle and automobile clutches	Manufacturing facilities for clutches	3,072	736	34 (366,274)	106	3,949	269 [7]
FCC (Adams), LLC	Indiana, U.S.	Automobile clutches	Manufacturing facilities for clutches	3,789	8,329	56 (161,880)	738	12,913	460 [7]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobile clutches	Manufacturing facilities for clutches	498	539	77 (81,837)	87	1,203	348
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycle and automobile clutches	Manufacturing facilities for clutches	520	604	690 (87,890)	351	2,166	423 [455]
FCC CLUTCH INDIA PRIVATE LIMITED	Haryana, India	Motorcycle and automobile clutches	Manufacturing facilities for clutches	879	2,450	519 (114,619)	1,614	5,464	733 [2,030]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycle and automobile clutches	Manufacturing facilities for clutches	420	434	- (72,812)	1,024	1,879	1,198 [337]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycle and automobile clutches	Manufacturing facilities for clutches	768	1,860	- (45,816)	877	3,505	1,202

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

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

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

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

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

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

During the next fiscal year (from April 1, 2022 to March 31, 2023), the Company plans to make total capital investments of ¥9,500 million. The principal capital investment items will be manufacturing facilities to produce new models and expansion of production capacity in Japan, India and the U.S. The breakdown of planned capital investments by business segment will be ¥4,450 million for motorcycle clutches, ¥3,670 million for automobile clutches, and ¥1,380 million for the general operations segment.

- Reporting company

Manufacturing facilities to produce new models at Watagashima Factory

Testing apparatus and measuring instruments in the R&D Center

- Subsidiaries

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

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

Production capacity expansion at FCC CLUTCH INDIA PRIVATE LIMITED

#### (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, 2022

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders	–	26	30	168	190	25	25,453	25,892	–
Number of shares held (Units)	–	126,584	12,236	142,681	85,212	78	159,488	526,279	16,130
Shareholding ratio (%)	–	24.05	2.33	27.11	16.19	0.01	30.30	100.00	–

Notes: 1. 2,941,879 treasury shares are included in “Individuals, etc.” as 29,418 units and “Shares less than one unit” as 79 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, 2022

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	21.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	4,934	9.93
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	2,483	5.00
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,397	4.82
Y.A Co., Ltd.	38-28 Yamate-cho, Naka-ku, Hamamatsu-shi, Shizuoka	2,019	4.06
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1-8-12 Harumi, Chuo-ku, Tokyo	1,315	2.65
Ei Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	1,300	2.62
F.C.C. Supplier Stock Ownership Association	7000-36 Nakagawa, Hosoe-cho, Kita-ku, Hamamatsu-shi, Shizuoka	850	1.71
Setsuko Yamamoto	Naka-ku, Hamamatsu-shi, Shizuoka	694	1.40
SSBTC CLIENT OMNIBUS ACCOUNT (Standing Proxy: Custody Operations Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	475	0.96
Total	–	27,354	55.04

Notes: 1. In addition to the above, the Company held 2,941 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)	4,934 thousand shares
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,483 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	2,397 thousand shares
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,315 thousand shares

3. 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 May 21, 2021, describing that each of these companies held shares as follows as of May 14, 2021. Since the Company could not confirm the actual number of shares held by them as of March 31, 2022, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 126,900	0.24
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	Shares 2,380,700	4.52

4. SMBC Nikko Securities Inc. and its joint holders, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui DS Asset Management Company, Limited, made the change report for the substantial shareholding report available for public inspection as of September 24, 2021, describing that each of these companies held shares as follows as of September 15, 2021. Since the Company could not confirm the actual number of shares held by them as of March 31, 2022, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	Shares 591,030	1.12
Sumitomo Mitsui Banking Corporation	1-1-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 2,483,600	4.72
Sumitomo Mitsui DS Asset Management Company, Limited	Toranomon Hills Business Tower 26F, 1-17-1 Toranomon, Minato-ku, Tokyo	Shares 283,500	0.54

## 2. Dividend policy

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

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

Based on the foregoing policy, the Company paid a total dividend for the fiscal year under review of ¥52 per share (of which ¥26 was paid out as an interim dividend). This resulted in a dividend payout ratio of 30.2%.

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

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

Dividends for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution at a Board of Directors meeting held on November 4, 2021	1,292	26
Resolution at a Board of Directors meeting held on May 11, 2022	1,292	26

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

#### (1) Overview of corporate governance

##### 1) Basic policy regarding corporate governance

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

##### < Corporate philosophy >

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

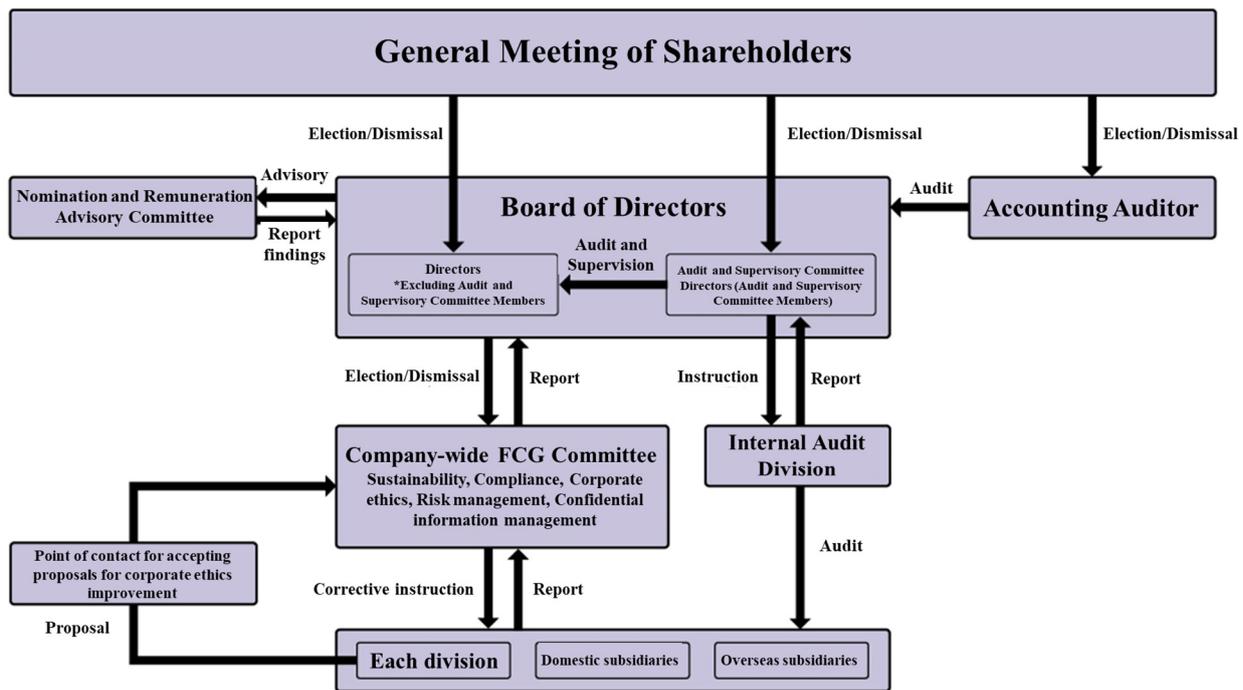
#### 2) Summary of system of corporate governance and reasons for adopting the system

##### (i) Summary of the system of corporate governance

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

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

The following diagram shows the relationships among the Company’s organizations and internal control as of June 23, 2022.



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

The Nomination and Remuneration Advisory Committee is comprised of the President and Representative Director and Outside Directors who are Audit and Supervisory Committee Members.

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

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

3) Other matters regarding corporate governance

Basic policy regarding the internal control system

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

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

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

Apart from appointing the Compliance Officer, who is in control of compliance, the Company shall establish an internal reporting system to promote compliance.

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

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

- Regulations and other systems for managing risk of losses of the Company and Group companies  
The Company shall appoint a Risk Management Officer, who is in control of risk management, identify risk in the Group's business activities and develop a system for the appropriate management of the identified risk.  
The Company's Board of Directors shall evaluate the management risk of important matters for the entire Group and determine the response.
- System to ensure the efficient execution of duties by Directors of the Company and Group companies  
A meeting of the Board of Directors of the Company shall be held once or more in three months and on an extraordinary basis whenever necessary to take decisions on legally required matters and important operations, and oversee the execution of duties by the Directors.  
The Company shall expedite and increase the efficiency of the management decision-making process using meetings such as management meetings and the executive officer system.  
The Company shall draw up a medium-term management plan and annual business plan to manage the progress of operations and promote the effective use of management resources of the entire Group.  
The Company shall establish segregation of duties, reporting lines, and other organizational standards in the regulations for executing duties, etc.
- System for reporting from Group companies to the Company and other systems to ensure the proper execution of operations within the corporate group comprising the Company and Group companies  
The Company shall establish the charter of corporate conduct, group policies, group guidelines and various regulations with the aim of properly managing Group companies in accordance with their scale of business and significance, etc.  
The Company shall oblige Group companies to report to it on a regular basis and develop a system for having them report specified important matters promptly.  
The Internal Audit Division of the Company shall audit the Company and Group companies regularly or whenever necessary.
- Matters concerning Directors and employees who assist the Audit and Supervisory Committee of the Company in its duties  
The Company shall establish the Internal Audit Division as an organization to assist the duties of the Audit and Supervisory Committee. The Audit and Supervisory Committee shall have responsibility for the Internal Audit Division, and the appointment, dismissal, personnel change, and revision of wages of employees in the Internal Audit Division shall be determined by the Board of Directors upon consent of the Audit and Supervisory Committee. The Company shall not have Directors who assist the Audit and Supervisory Committee in its duties.
- System for reporting to the Audit and Supervisory Committee of the Company  
Audit and Supervisory Committee Members shall attend meetings of the Board of Directors and other important meetings, and be allowed to request Directors and employees of the Company and Group companies to report to them whenever necessary.  
Upon receiving a request from the Audit and Supervisory Committee for a report, the Director or employee shall report to it promptly and appropriately.  
The Company shall establish an internal reporting system to ensure an appropriate system for reporting to the Audit and Supervisory Committee.  
The Company shall develop a system to prohibit unfavorable treatment of a reporting party in its operation rules for the internal reporting system.
- Matters regarding the policy for handling expenses and debts incurred for executing duties by the Audit and Supervisory Committee Members of the Company

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

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

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

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

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

#### Overview of limited liability agreements

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

#### Overview of a directors and officers liability insurance policy

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

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

- Decision-making body for dividends of surplus

To enable flexible return of profits to shareholders, the Company provides in its Articles of Incorporation that, except as otherwise prescribed by laws and regulations, it may make decisions on dividends of surplus and other matters set forth in each item of Article 459, paragraph 1 of the Companies Act by resolution of the Board of Directors.

- Exemption of Directors from liability

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

#### Number of Directors

The Company states in its Articles of Incorporation that it shall have no more than 12 Directors (of which, no more than 5 Directors are Audit and Supervisory Committee Members).

#### Requirements for election of Directors

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

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

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

**(2) Information about officers**

1) Officers

Men: 8, Women: 1 (Percentage of female officers: 11.1%)

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
President and Representative Director	Yoshitaka Saito	November 29, 1973	<p>Feb. 2009 Joined the Company</p> <p>Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC (currently FCC (INDIANA), LLC) President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC)</p> <p>Jun. 2011 Director of the Company</p> <p>Apr. 2012 Director and Head of business operation in North America of the Company</p> <p>President and Director of FCC (North America), INC.</p> <p>Jun. 2012 Managing Director and Head of business operation in North America of the Company</p> <p>Apr. 2013 Managing Director and Head of business operation of motorcycles business of the Company</p> <p>Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company</p> <p>Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company</p> <p>Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company</p> <p>Jun. 2020 President and Representative Director of the Company (incumbent)</p>	(Note 2)	209

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
<p>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</p>	<p>Kazuto Suzuki</p>	<p>May 27, 1961</p>	<p>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)</p>	<p>(Note 2)</p>	<p>68</p>

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director Head of business operation of automobiles business of the Company	Atsuhiko Mukoyama	July 31, 1963	<p>Apr. 1984 Joined the Company</p> <p>Apr. 2012 Head of Production of Automobile Components of the Company</p> <p>Jun. 2012 Director and Head of Production of Automobile Components of the Company</p> <p>Apr. 2013 Director and Head of business operation of automobiles business of the Company</p> <p>Apr. 2015 Director, Head of Production Engineering and Head of Environment and Safety of the Company</p> <p>Apr. 2019 Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development of the Company</p> <p>Jun. 2021 Managing Director, Head of business operation of automobiles business of the Company (incumbent)</p>	(Note 2)	59
Director	Kunihiro Koshizuka	September 30, 1955	<p>Apr. 1981 Joined Konishiroku Photo Industry Co., Ltd. (currently KONICA MINOLTA, INC.)</p> <p>Apr. 2012 Executive Officer, General Manager of Technology Strategy Division of KONICA MINOLTA, INC.</p> <p>Apr. 2014 Executive Vice President &amp; Executive Officer, General Manager of Corporate R&amp;D Headquarters of KONICA MINOLTA, INC.</p> <p>Apr. 2015 Executive Vice President &amp; Executive Officer, General Manager of Business Development Headquarters of KONICA MINOLTA, INC.</p> <p>Jun. 2015 Director, Executive Vice President &amp; Executive Officer, and General Manager of Business Development Headquarters of KONICA MINOLTA, INC.</p> <p>Apr. 2016 Director, Executive Vice President &amp; Executive Officer of KONICA MINOLTA, INC.</p> <p>Jun. 2019 Senior Technical Advisor of KONICA MINOLTA, INC. (retired in March 2021)</p> <p>May 2020 Outside Director of AEON MALL Co., Ltd. (incumbent)</p> <p>Jun. 2021 External Director of TOKYU CONSTRUCTION CO., LTD. (incumbent)</p> <p>Jun. 2022 Outside Director of WILL GROUP, INC. (incumbent)</p> <p>Jun. 2022 Director of the Company (incumbent)</p>	(Note 2)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director	Kazunori Kobayashi	June 2, 1958	Apr. 1981 Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation) Jun. 2013 Operating Officer, General Manager of Professional Audio Business Department of Electronics Business Headquarters of Yamaha Corporation Aug. 2013 Operating Officer, General Manager of Business Development of Yamaha Corporation Jul. 2016 Operating Officer of Yamaha Corporation Representative Director and President of YAMAHA MUSIC JAPAN CO., LTD. Jun. 2018 Advisor of Yamaha Corporation (retired in June 2020) Jun. 2022 Director of the Company (incumbent)	(Note 2)	–
Director, Audit and Supervisory Committee Member (full time)	Ryujiro Matsumoto	June 4, 1962	Jul. 2005 Joined the Company Jan. 2011 General Manager of FCC (THAILAND) CO., LTD. Jun. 2011 Director, Head of Production of Motorcycle Components and Head of business operation in Asia of the Company Jun. 2012 Director and Head of business operation in Asia of the Company Apr. 2013 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Compliance Officer and Chief Information Officer of the Company Jun. 2013 Director, Head of Management and Administration, Compliance Officer and Chief Information Officer of the Company Apr. 2020 Director of the Company Jun. 2020 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)	(Note 3)	23
Director, Audit and Supervisory Committee Member	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 External 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)	–

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	Mayumi Yamamoto	July 28, 1971	Oct. 2001 Joined Shin Nihon & Co. (currently Ernst & Young ShinNihon LLC) Apr. 2005 Registered as Certified Public Accountant Aug. 2006 Established Mayumi Yamamoto Certified Public Accountant Office (to present) Jul. 2008 Joined Tokiwa Audit Corporation Jul. 2016 Representative Partner of Tokiwa Audit Corporation (incumbent) Jun. 2022 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
Total					360

Notes: 1. Kunihiro Koshizuka, Kazunori Kobayashi, Masahide Sato, Kazumoto Sugiyama, and Mayumi Yamamoto are candidates for Outside Directors.

2. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2022

3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2022

## 2) Outside Officers

The Company has five Outside Directors.

Directors (excluding Directors who are Audit and Supervisory Committee Members)

Kunihiro Koshizuka, Kazunori Kobayashi

Directors who are Audit and Supervisory Committee Members

Masahide Sato, Kazumoto Sugiyama, Mayumi Yamamoto

No conflict of interest of any personal, financial, or commercial nature exists between the Company and these officers.

The function and role of the Outside Directors in corporate governance of the Company is to supervise overall management and the decision process for the nomination and remuneration of Directors, etc. from the standpoint of experts and objective viewpoints based on extensive experience.

Mr. Kunihiro Koshizuka was elected as an Outside Director in the light of his extensive experience and knowledge of technological strategy, new business creation, and digital and scientific technology at global companies.

Mr. Kazunori Kobayashi was elected as an Outside Director in the light of his extensive experience and knowledge related to sales, business planning, and new business creation at global companies.

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.

Ms. Mayumi Yamamoto was elected as an Outside Director in the light of her specialized expertise and extensive experience of corporate finance and accounting affairs acquired as a Certified Public Accountant.

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, the officers 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 who are Audit and Supervisory Committee Members are performing audits and supervision in sufficient cooperation with the Internal Audit Division, the Audit and Supervisory Committee and the Accounting Auditor, receiving periodic reports from them and asking them for explanations as needed.

### (3) Audits

- 1) Audits by the Audit and Supervisory Committee

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

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

Name	Number of committee meetings held	Number of committee meetings attended
Ryujiro Matsumoto	12	12
Yoshinori Tsuji	12	12
Masahide Sato	12	12
Kazumoto Sugiyama	12	12

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

In terms of the activities of the Audit and Supervisory Committee, in accordance with auditing policies, plans and division of responsibility established by the Audit and Supervisory Committee, each Audit and Supervisory Committee Member participates in meetings of the Board of Directors and other important meetings, and audits and oversees the execution of duties of the Directors and the development and operation of the Company's internal control system by examining the status of operations and assets of the Company. The Company has a system where Audit and Supervisory Committee Members exchange opinions with Representative Director, Directors, and Accounting Auditor regularly or whenever necessary, and collaborate with the Internal Audit Division to ensure the effectiveness of audits.

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

Outside Directors Masahide Sato and Mayumi Yamamoto are licensed CPAs with considerable knowledge of finance and accounting.

- 2) Internal audits

The Company has established the Internal Audit Division as an organization to assist the duties of the Audit and Supervisory Committee. The Audit and Supervisory Committee has responsibility for the

Internal Audit Division, and the appointment, dismissal, personnel change, and revision of wages of employees in the Internal Audit Division are determined by the Board of Directors upon consent of the Audit and Supervisory Committee.

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

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

3) Accounting audits

a. Name of the audit corporation

Yasumori Audit Corporation

b. Length of continuous tenure

34 years

c. CPAs who conducted audits

Takashi Yamazaki, Nobuko Inaba

d. Assistant accountants who participated in audits

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

e. Policy and reason for selecting the audit corporation

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

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

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

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

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

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

##### a. Remuneration to independent auditors

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	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	50	–	50	–
Consolidated subsidiaries	–	–	–	–
Total	50	–	50	–

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

Not applicable.

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

Not applicable.

##### d. Policy on determining audit fee

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

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

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

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

##### 1) Policy for determining remuneration, etc. amounts paid to officers and the method of calculating such amount as well as the method of determination thereof

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

###### 1. Basic policy

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

###### 2. Basic remuneration

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

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

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

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

### 4. Share-based remuneration

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

### 5. Ratio of remuneration

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

### 6. Method for determining details of remuneration, etc.

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

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

The Board of Directors decides the above policy after receiving reports from the Nomination and Remuneration Advisory Committee. Also, the Board of Directors confirms that the reports from the Nomination and Remuneration Advisory Committee about the remuneration for individual Directors in that fiscal year are respected and judges that the details and method of deciding remuneration, etc. are in line with the policy.

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

(Note) In the Board of Directors meeting held June 21, 2022, a part of the above policy was changed as follows. Outside Directors who are not Audit and Supervisory Committee Members only receive basic remuneration. Ratio of remuneration is 65:10:10:15. The performance indicator for performance-based bonuses are consolidated business profit. The Nomination and Remuneration Advisory Committee deliberates when special items require consideration.

## Performance-based bonus

The performance indicator for performance-based bonuses are consolidated operating profit, appropriately reflecting the profit generated from the business. Targets for payment decisions are not set, but performance on this fiscal year was ¥10,051 million.

The Company shall pay performance-based bonus corresponds to profit-related remuneration provided for in Article 34, paragraph 1, item 3 of the Corporation Tax Act for the fiscal year ending March 31, 2023 as follows.

- Eligible Persons

Directors and Managing Officers corresponds to “executive officers” provided for in Article 34, paragraph 1, item 3 of the Corporation Tax Act Excludes Outside Directors and Directors who are Audit and Supervisory Committee Members.

- Method of calculating

The specific calculation method for each position shall be as follows. However, the amount paid shall be 0 if consolidated business profit does not exceed ¥6 billion.

President and Representative Director (Consolidated business profit - ¥6.0 billion) ×0.115%

Managing Director (Consolidated business profit - ¥6.0 billion) ×0.05367%

Managing Officer (Consolidated business profit - ¥6.0 billion) ×0.03833%

- Notes: 1. “Index indicating the status of profit” prescribed in Article 34, paragraph 1, item 3 (a) of the Corporation Tax Act shall be the “consolidated business profit” for the fiscal year ending March 31, 2023.
2. “Consolidated business profit” used in the above calculation shall be “gross profit - SG&A expenses” in the consolidated statement of income.
3. The “consolidated business profit” used in the above calculation shall be the amount of such payment amount before accounting for a loss.
4. The payment amount in the above formula shall be rounded down to the nearest ¥10,000.

- Defined amount

“Defined amount” prescribed in Article 34, paragraph 1, item 3 (a) of the Corporation Tax Act shall have a ceiling of ¥50 million.

- Other

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

## Share-based remuneration

Overview of the restricted share-based remuneration plan is as follows.

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

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

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)				Number of payees
		Basic remuneration	Remuneration based on individual assessment	Performance-based bonus	Share-based remuneration	
Directors (excluding Directors who are Audit and Supervisory Committee Members)	164	125	8	20	10	9
Directors, Audit and Supervisory Committee Members [Outside Directors]	41 [16]	41 [16]	– [–]	– [–]	– [–]	4 [3]
Total [Outside Directors]	205 [16]	166 [16]	8 [–]	20 [–]	10 [–]	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. Performance-based bonuses include the planned payment amount.
3. Share-based remuneration includes booking expenses for the current fiscal year.
4. At the 91st Ordinary General Meeting of Shareholders held on June 22, 2021, the amount of remuneration of Directors (excluding Directors who are Audit and Supervisory Committee Members) was capped at ¥300 million per year (which, however, does not include salaries paid for work performed as employees) and the amount of share-based remuneration to grant restricted shares was capped at ¥100 million per year (number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of this Ordinary General Meeting of Shareholders: three).
5. 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).
6. The President and Representative Director Yoshitaka Saito delegated by the Board of Directors based on its resolution decided remuneration, etc. amounts for the fiscal year under review based on the policy on determining remuneration for officers, taking factors such as job responsibilities by position, into consideration. The reason for the delegation is that the Representative Director is judged to be appropriate in evaluating the business for which each director is responsible while considering the performance of the Company. The Nomination and Remuneration Advisory Committee confirmed beforehand that the details of delegated decisions were appropriate.

(5) Share ownership

1) Policy and concept of the classification of investment shares

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

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

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

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

One issue of shares other than unlisted shares was sold in the fiscal year under review as follows. As of the end of the fiscal year under review, cross-held shares accounted for less than 1.2% of total equity, and the impact on the consolidated financial statements is recognized as insignificant.

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

	Number of issues (Issues)	Total amount of balance sheet amount (Millions of yen)
Unlisted shares	10	97
Shares other than unlisted shares	6	1,350

(Issues whose number of shares increased in the fiscal year ended March 31, 2022)

	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	3	249	Capital investment in new businesses
Shares other than unlisted shares	1	0	Contributions to Supplier Stock Ownership Association

(Issues whose number of shares decreased in the fiscal year ended March 31, 2022)

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

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

Specified investment shares

Issue	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding, quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
KANEMATSU CORPORATION	740,200	740,200	Principally engaged in the sale of motorcycle clutches to U.S. and European customers through this Group, which accounted for 4.0% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	993	1,099		
SUZUKI MOTOR CORPORATION	52,500	52,500	A customer for motorcycle clutches, etc. with sales to this Group accounting for 1.9% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	No
	221	263		
Mizuho Financial Group, Inc.	53,216	53,216	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No
	83	85		
Sumitomo Mitsui Financial Group, Inc.	5,755	5,755	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No
	22	23		
MUSASHI SEIMITSU INDUSTRY CO., LTD.	12,000	12,000	Purchase clutch components from this Group and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	18	22		

YAMABIKO CORPORATION	7,758	7,093	A customer for general-purpose exhaust gas purification catalysts and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value. Number of shares increased due to contributions to Supplier Stock Ownership Association.	No
	11	8		
Yutaka Giken Company Limited	—	1,000	Although the shares had been held to maintain and strengthen the transactional relationship in the business, all shares were sold in the fiscal year under review.	No
	—	1		

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, 2022 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, 2021	As of March 31, 2022
Assets			
Current assets			
Cash and cash equivalents	6,28	39,607	44,627
Trade and other receivables	7,28	31,710	34,203
Other financial assets	8,28	4,493	2,413
Inventories	9	21,276	30,780
Other current assets	10	2,459	2,985
Total current assets		99,548	115,010
Non-current assets			
Property, plant and equipment	11,13,17, 31	57,570	60,029
Goodwill and intangible assets	12,31	3,934	3,805
Investments accounted for using the equity method	14	152	168
Other financial assets	8,28	12,076	13,607
Deferred tax assets	15	2,213	2,595
Other non-current assets	10,19	148	146
Total non-current assets		76,096	80,354
Total assets		175,644	195,364

		(Millions of yen)	
	Notes	As of March 31, 2021	As of March 31, 2022
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18,28	16,000	18,254
Borrowings	16,28	7,208	6,100
Other financial liabilities	8,28	492	385
Income taxes payable	15	2,217	2,125
Provisions	20	–	1,669
Other current liabilities	10	7,418	7,042
<b>Total current liabilities</b>		<b>33,336</b>	<b>35,577</b>
<b>Non-current liabilities</b>			
Other financial liabilities	8,28	1,238	1,260
Defined benefit liability	19	1,251	1,644
Provisions	20	29	14
Deferred tax liabilities	15	7,331	7,973
Other non-current liabilities	10	460	362
<b>Total non-current liabilities</b>		<b>10,311</b>	<b>11,255</b>
<b>Total liabilities</b>		<b>43,648</b>	<b>46,832</b>
<b>Equity</b>			
Issued capital	21	4,175	4,175
Retained earnings	21	125,943	132,252
Treasury shares	21	(4,788)	(4,764)
Other components of equity		4,908	14,962
<b>Total equity attributable to owners of parent</b>		<b>130,239</b>	<b>146,625</b>
Non-controlling interests		1,756	1,906
<b>Total equity</b>		<b>131,996</b>	<b>148,532</b>
<b>Total liabilities and equity</b>		<b>175,644</b>	<b>195,364</b>

(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, 2021	Fiscal year ended March 31, 2022
Revenue	4, 5	146,157	170,971
Cost of sales		(123,291)	(143,234)
Gross profit		22,866	27,737
Selling, general and administrative expenses	22	(15,624)	(17,867)
Other income	23	851	626
Other expense	13,23	(1,126)	(445)
Operating profit	4	6,966	10,051
Finance income	24	1,396	1,928
Finance costs	24	(29)	(23)
Share of profit (loss) in investments accounted for using the equity method	14	(19)	(11)
Profit before income taxes		8,313	11,944
Income tax expense	15	(3,668)	(3,263)
Profit		4,644	8,681
Profit attributable to			
Owners of parent		4,462	8,551
Non-controlling interests		182	130
Profit		4,644	8,681
Earnings per share			
(Attributable to owners of parent)			
Basic earnings per share (Yen)	26	89.81	172.07
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, 2021	Fiscal year ended March 31, 2022
Profit		4,644	8,681
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	25	334	43
Changes in the fair value of financial assets measured at fair value through other comprehensive income	25	1,532	(56)
Total		1,867	(13)
Components that may be reclassified to profit or loss			
Exchange differences of foreign operations	25	5,575	10,271
Share of other comprehensive income of associates accounted for using equity method	14,25	(19)	(10)
Total		5,555	10,261
Total other comprehensive income		7,423	10,248
Comprehensive income		12,067	18,929
Comprehensive income attributable to			
Owners of parent		11,805	18,649
Non-controlling interests		262	280
Comprehensive income		12,067	18,929

(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					
Notes	Issued capital	Retained earnings	Treasury shares	Other components of equity	
				Exchange differences of foreign operations	Changes in the fair value of financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	4,175	123,579	(4,787)	(5,122)	3,024
Profit	–	4,462	–	–	–
Other comprehensive income	–	–	–	5,490	1,517
Total comprehensive income	–	4,462	–	5,490	1,517
Purchase of treasury shares	21	–	(0)	–	–
Disposal of treasury shares	21	–	–	–	–
Dividends	21	(2,434)	–	–	–
Transfer from other components of equity	–	335	–	–	(0)
Total transactions with the owners	–	(2,098)	(0)	–	(0)
Balance as of March 31, 2021	4,175	125,943	(4,788)	367	4,541
Profit	–	8,551	–	–	–
Other comprehensive income	–	–	–	10,113	(58)
Total comprehensive income	–	8,551	–	10,113	(58)
Purchase of treasury shares	21	–	(0)	–	–
Disposal of treasury shares	21	(0)	23	–	–
Dividends	21	(2,286)	–	–	–
Transfer from other components of equity	–	44	–	–	(1)
Total transactions with the owners	–	(2,242)	23	–	(1)
Balance as of March 31, 2022	4,175	132,252	(4,764)	10,480	4,481

Equity attributable to owners of parent					
Other components of equity					
Notes	Remeasur ements of defined benefit plans	Total	Total	Non- controlling interests	Total equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2020	–	(2,098)	120,869	1,617	122,486
Profit	–	–	4,462	182	4,644
Other comprehensive income	334	7,343	7,343	79	7,423
Total comprehensive income	334	7,343	11,805	262	12,067
Purchase of treasury shares	21	–	(0)	–	(0)
Disposal of treasury shares	21	–	–	–	–
Dividends	21	–	(2,434)	(123)	(2,557)
Transfer from other components of equity	(334)	(335)	–	–	–
Total transactions with the owners	(334)	(335)	(2,434)	(123)	(2,558)
Balance as of March 31, 2021	–	4,908	130,239	1,756	131,996
Profit	–	–	8,551	130	8,681
Other comprehensive income	43	10,098	10,098	149	10,248
Total comprehensive income	43	10,098	18,649	280	18,929
Purchase of treasury shares	21	–	(0)	–	(0)
Disposal of treasury shares	21	–	22	–	22
Dividends	21	–	(2,286)	(129)	(2,415)
Transfer from other components of equity	(43)	(44)	–	–	–
Total transactions with the owners	(43)	(44)	(2,263)	(129)	(2,393)
Balance as of March 31, 2022	–	14,962	146,625	1,906	148,532

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

## 5) Consolidated statement of cash flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from (used in) operating activities			
Profit before income taxes		8,313	11,944
Depreciation and amortization expense		13,557	12,803
Impairment loss		777	–
Finance income and finance costs		(918)	(1,571)
Share of loss (profit) in investments accounted for using the equity method		19	11
Loss (gain) on sales and retirement of non-current assets		11	174
Decrease (increase) in inventories		(655)	(6,814)
Decrease (increase) in trade and other receivables		(5,989)	247
Increase (decrease) in trade and other payables		3,247	127
Increase (decrease) in defined benefit liability		26	260
Increase (decrease) in provisions		(2,880)	1,669
Other		536	(289)
Subtotal		16,046	18,563
Interest and dividend income received		965	752
Interest expenses paid		(50)	(24)
Income taxes paid		(3,999)	(4,344)
Income taxes refund and interest on refund received		9	508
Net cash flows from (used in) operating activities		12,971	15,456
Cash flows from (used in) investing activities			
Payments into time deposits		(2,456)	(2,040)
Proceeds from withdrawal of time deposits		1,203	2,519
Purchase of property, plant and equipment		(5,488)	(9,859)
Proceeds from sales of property, plant and equipment		130	198
Purchase of intangible assets		(1,449)	(1,048)
Purchase of investments in associates		(108)	–
Payments of loans receivable		(163)	(78)
Collection of loans receivable		142	111
Purchase of investments		(1,231)	(364)
Proceeds from sales and redemption of investments		1,876	954
Other		(977)	(20)
Net cash flows from (used in) investing activities		(8,522)	(9,627)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		(18)	(1,093)
Repayments of lease liabilities		(599)	(693)
Purchase of treasury shares		(0)	(0)
Cash dividends paid	21	(2,434)	(2,285)
Cash dividends paid to non-controlling shareholders		(123)	(129)
Net cash flows from (used in) financing activities		(3,175)	(4,202)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net increase (decrease) in cash and cash equivalents		1,273	1,625
Cash and cash equivalents at beginning of period	6	35,350	39,607
Effect of exchange rate change on cash and cash equivalents		2,983	3,393
Cash and cash equivalents at end of period	6	<u>39,607</u>	<u>44,627</u>

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

## [Notes to consolidated financial statements]

### 1. Reporting entity

F.C.C. CO., LTD. (hereinafter the “Company”) is a public company incorporated under the laws of Japan. The addresses of the registered headquarters and major business offices have been disclosed on the website (<https://www.fcc-net.co.jp/>). The Company’s consolidated financial statements were prepared with the end of the fiscal year on March 31, 2022 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 21, 2022.

#### (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 not yet been applied

There are no standards, interpretations, or amendments to existing standards issued by the International Accounting Standards Board that are not yet mandatory and have not been early adopted by the Group that have a material effect on the Group’s consolidated financial statements, except for the following.

Standard book	Standard name	Period of mandatory application (beginning fiscal year)	The Group Fiscal year of adoption	Overview of newly established/revised standards
IAS12	Income taxes	January 1, 2023	Fiscal year ending March 31, 2024	Revision of deferred taxes related to assets and liabilities generated from a single transaction

Impact of this standard revision on the Group is under deliberation.

#### (5) Significant accounting estimates and judgments

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

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

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

Note 13. Impairment loss

Note 15. Income taxes

Note 19. Employee benefits

Note 20. Provisions and contingent liabilities

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

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

Estimate of provision for product warranty (Note 20. Provisions and contingent liabilities)

### **3. Significant accounting policies**

#### **(1) Basis of consolidation**

##### **1) Subsidiaries**

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

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

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

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

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

##### **2) Associates**

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

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

#### **(2) Business combinations**

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

#### **(3) Foreign currency translation**

##### **1) Foreign currency transactions**

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

foreign currencies at the end of each fiscal year are translated into the functional currencies using the exchange rates at that date.

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

## 2) Financial statements of foreign operations

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

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

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

## (4) Financial instruments

### 1) Financial assets

#### (i) Initial recognition and measurement

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

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

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

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

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

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

#### (ii) Impairment of financial assets

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

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

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

(iii) Derecognition of financial assets

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

2) Financial liabilities

Financial liabilities are initially measured at fair value after deducting transaction expenses. After initial recognition, they are 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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

## (8) Goodwill and intangible assets

### 1) Goodwill

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

### 2) Intangible assets

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

#### (i) Properties for development

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

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

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

#### (ii) Other intangible assets

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

## (9) Leases

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

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

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

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

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

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

#### (10) Impairment

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

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

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

#### (11) Employee benefits

##### 1) Defined-benefit retirement 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 retirement benefits

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

##### 3) Multi-employer plans

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

##### 4) Short-term employee benefits

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

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

#### (12) Share-based remuneration

The Group has adopted a restricted share-based remuneration plan for the Company's Directors (excluding Directors who are Audit and Supervisory Committee Members) as equity-settled share-based remuneration. Consideration for services received is measured at fair value of the Company's shares on the vesting date. It is recognized as an expense on the consolidated statement of income over

the vesting period, and the same amount is recognized as an increase in capital on the consolidated statement of financial position.

(13) Provisions and contingent liabilities

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.

If there is a potential liability as of the end of the period and it is not possible to determine whether it is a liability as of the end of the period, or if it does not meet the criteria for recognizing a provision, it is noted as a contingent liability.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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.” Motorcycle clutches include clutches for motorcycles, scooters, and ATVs. Automobile clutches include clutches for manual and automatic vehicles.

(2) Revenue and performance for reportable segments

Fiscal year ended March 31, 2021

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

Note: Other profit (loss) includes ¥777 million of impairment loss (¥777 million for motorcycle clutches).

Fiscal year ended March 31, 2022

	Reportable segments			Adjustments	Consolidated
	Motorcycle clutches	Automobile clutches	Total		
	Millions of yen	Millions of yen	Millions of yen		
Revenue					
External revenue	81,012	89,959	170,971	–	170,971
Intersegment revenue	–	–	–	–	–
Total	81,012	89,959	170,971	–	170,971
Depreciation and amortization expense	(5,206)	(7,475)	(12,682)	(121)	(12,803)
Other profit (loss)	(67,518)	(79,576)	(147,094)	(1,022)	(148,116)
Operating profit	8,287	2,907	11,194	(1,143)	10,051
Finance income					1,928
Finance costs					(23)
Share of profit (loss) in investments accounted for using the equity method					(11)
Profit before income taxes					11,944

### (3) Geographic information

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

#### Revenue from external customers

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Japan	15,154	17,116
U.S.	55,925	65,767
Indonesia	12,527	17,511
India	16,552	19,590
Other	45,997	50,984
Total	146,157	170,971

- 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, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Japan	20,145	22,704
U.S.	24,597	22,366
China	2,265	3,068
Other	14,557	15,744
Total	61,566	63,883

- 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, 2021	Fiscal year ended March 31, 2022
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycle clutches	29,986	36,759
	Automobile clutches	30,524	30,424
Ford and its group	Automobile clutches	24,527	26,609

## 5. Revenue

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

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

(1) Balance of contracts

Balance of contract liability is as follows:

Fiscal year ended March 31, 2021

	<u>As of April 1, 2020</u>	<u>As of March 31, 2021</u>
	Millions of yen	Millions of yen
Contract liability	10	28

Fiscal year ended March 31, 2022

	<u>As of April 1, 2021</u>	<u>As of March 31, 2022</u>
	Millions of yen	Millions of yen
Contract liability	28	11

The amount of revenue recognized in the balance of contract liability at the beginning of the period was ¥10 million in the previous fiscal year and ¥28 million in the fiscal year under review.

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

(2) Transaction price allocated to the remaining performance obligations

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

(3) Performance obligations

1) Point in time at which performance obligations are satisfied

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

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

2) Conditions for the payment of considerations

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

3) Content of goods or services transferred to customers

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

The Group does not conduct transactions as an agent.

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

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

5) Product warranties and related obligations

Product sales agreements with customers include clauses in which the products are guaranteed to meet the agreed specifications, and the Company recognizes provision for product warranty for costs related to these guarantees. Refer to the “20. Provisions and contingent liabilities” in Notes to consolidated financial statements for details on these provisions.

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

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

## 6. Cash and cash equivalents

### Breakdown of cash and cash equivalents

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Cash and deposits	39,607	44,627

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

## 7. Trade and other receivables

### Breakdown of trade and other receivables

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	29,311	31,159
Accounts receivable - other	2,407	3,052
Allowance for credit losses	(7)	(9)
Total	<u>31,710</u>	<u>34,203</u>

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

## 8. Other financial assets and other financial liabilities

### Breakdown of other financial assets

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Loans and receivables	3,513	2,413
Debentures	980	-
Total	<u>4,493</u>	<u>2,413</u>
Other non-current financial assets		
Financial assets measured at fair value through profit or loss	847	840
Financial assets measured at fair value through other comprehensive income	8,808	9,112
Financial assets measured at amortized cost		
Loans and receivables	1,498	2,694
Debentures	980	1,014
Allowance for credit losses	(57)	(54)
Total	<u>12,076</u>	<u>13,607</u>

### Breakdown of other financial liabilities

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	437	385
Financial liabilities measured at fair value through profit or loss (derivatives)	54	-
Total	<u>492</u>	<u>385</u>
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	1,238	1,260
Total	<u>1,238</u>	<u>1,260</u>

## 9. Inventories

### Breakdown of inventories

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Finished goods	4,220	4,857
Work in process	3,049	4,224
Raw materials and supplies	14,006	21,698
Total	<u>21,276</u>	<u>30,780</u>

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Amount of write-down	1,176	1,071
Amount of inventories	123,291	143,234

## 10. Other assets and liabilities

### Breakdown of other assets

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	1,192	1,347
Advances paid	488	773
Prepaid expenses	383	463
Suspense payments	92	24
Other	302	376
Total	<u>2,459</u>	<u>2,985</u>
Other non-current assets		
Long-term prepaid expenses	61	48
Defined benefit asset	87	98
Total	<u>148</u>	<u>146</u>

Note: The monetary significance of advances paid under other non-current assets for the previous fiscal year has increased, so this fiscal year, they have been listed separately. The consolidated financial statements for the previous fiscal year have been adjusted to reflect this change in presentation.

### Breakdown of other liabilities

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Other current liabilities		
Accruals	3,124	2,433
Accrued bonuses	1,758	1,995
Other	2,536	2,612
Total	<u>7,418</u>	<u>7,042</u>
Other non-current liabilities		
Deferred income	166	149
Other	294	212
Total	<u>460</u>	<u>362</u>

## 11. Property, plant and equipment

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

### (1) Cost

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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, 2020	39,657	123,803	18,883	6,299	3,078	3,097	194,818
Acquisition	171	1,822	575	–	1,004	3,520	7,094
Disposal	(43)	(1,566)	(1,570)	(7)	–	(179)	(3,367)
Transfer of line items	785	1,559	858	–	–	(3,202)	–
Exchange differences on translation	1,046	4,148	471	105	161	69	6,003
Other	–	–	(2)	8	(20)	(25)	(40)
March 31, 2021	41,617	129,766	19,216	6,404	4,223	3,279	204,508
Acquisition	107	2,378	1,067	1,022	340	5,862	10,778
Disposal	(1,046)	(1,397)	(999)	–	(548)	(237)	(4,242)
Transfer of line items	114	4,216	902	567	–	(5,801)	–
Exchange differences on translation	2,508	10,734	1,241	115	328	202	15,110
Other	–	0	–	–	–	(40)	(3)
March 31, 2022	43,301	145,698	21,428	8,110	4,345	3,266	226,150

### (2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use 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, 2020	22,462	92,619	16,246	1,361	547	88	133,326
Depreciation expense	1,489	8,417	1,663	–	429	–	12,000
Impairment loss	114	123	2	46	–	–	286
Disposal	(38)	(1,444)	(1,474)	–	–	–	(2,957)
Exchange differences on translation	541	3,286	410	–	42	–	4,280
Other	–	–	0	–	–	–	0
March 31, 2021	24,568	103,004	16,848	1,408	1,019	88	146,937
Depreciation expense	1,138	8,326	1,595	–	577	–	11,638
Impairment loss	–	–	–	–	–	–	–
Disposal	(939)	(1,227)	(859)	–	(520)	–	(3,563)
Exchange differences on translation	1,381	8,627	1,033	–	50	–	11,109
Other	0	–	–	–	0	–	0
March 31, 2022	26,149	118,731	18,616	1,408	1,126	88	166,121

### (3) Carrying amounts

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of- use assets	Construc- tion 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, 2020	17,194	31,183	2,637	4,937	2,530	3,008	61,491
Balance as of March 31, 2021	17,048	26,761	2,368	4,996	3,204	3,190	57,570
Balance as of March 31, 2022	17,151	26,967	2,811	6,702	3,218	3,177	60,029

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

2. Information on commitments related to purchase of property, plant and equipment is provided in the note “31. Commitments.”

## 12. Goodwill and intangible assets

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

### (1) Cost

	Goodwill	Intangible assets				Total
		Software	Properties for development	Water facilities usage right	Patent right	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	489	2,057	5,213	–	–	7,760
Acquisition	–	115	–	–	109	225
Increase due to internal development	–	–	1,243	–	–	1,243
Disposal	–	(15)	(291)	–	–	(307)
Transfer of line items	–	–	–	–	–	–
Exchange differences on translation	–	27	–	–	–	27
Other	–	4	–	–	–	4
March 31, 2021	489	2,189	6,165	–	109	8,953
Acquisition	–	155	–	0	–	155
Increase due to internal development	–	–	892	–	–	892
Disposal	–	(107)	(816)	–	–	(923)
Transfer of line items	–	–	–	–	–	–
Exchange differences on translation	–	40	–	–	–	40
Other	–	12	–	–	–	12
March 31, 2022	489	2,290	6,241	0	109	9,131

(2) Accumulated amortization and impairment loss

	Intangible assets					Total
	Goodwill	Software	Properties for development	Water facilities usage right	Patent right	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	–	1,668	1,571	–	–	3,240
Amortization expense	–	135	1,437	–	1	1,574
Impairment loss	489	1	–	–	–	490
Disposal	–	(15)	(291)	–	–	(307)
Exchange differences on translation	–	18	–	–	–	18
Other	–	2	–	–	–	2
March 31, 2021	489	1,811	2,716	–	1	5,018
Amortization expense	–	149	1,028	0	13	1,190
Impairment loss	–	–	–	–	–	–
Disposal	–	(107)	(816)	–	–	(923)
Exchange differences on translation	–	27	–	–	–	27
Other	–	11	–	–	–	11
March 31, 2022	489	1,892	2,928	0	14	5,325

(3) Carrying amounts

	Intangible assets					Total
	Goodwill	Software	Properties for development	Water facilities usage right	Patent right	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	489	389	3,642	–	–	4,520
March 31, 2021	–	378	3,448	–	108	3,934
March 31, 2022	–	398	3,312	0	94	3,805

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

2. Information on commitments related to purchase of intangible assets is provided in the note “31. Commitments.”

### 13. Impairment loss

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Buildings and structures	114	–
Machinery, equipment and vehicles	123	–
Tools, furniture and fixtures	2	–
Land	46	–
Total property, plant and equipment	<u>286</u>	<u>–</u>
Goodwill	489	–
Software, etc.	1	–
Total goodwill and intangible assets	<u>490</u>	<u>–</u>
Total impairment loss	<u>777</u>	<u>–</u>

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, 2021

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

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

##### Fiscal year ended March 31, 2022

There were no items falling under the category of impairment loss during the fiscal year ended March 31, 2022.

#### 14. Investments accounted for using the equity method

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Total carrying amount	152	168
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Profit	(19)	(11)
Other comprehensive income	(19)	(10)
Comprehensive income	(39)	(21)

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

## 15. Income taxes

### (1) Deferred tax assets and liabilities

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

Fiscal year ended March 31, 2021

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

Fiscal year ended March 31, 2022

	April 1, 2021	Recognized through profit or loss	Recognized in other comprehens ive income	Recognized directly in equity	Other	March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	861	311	–	–	(5)	1,167
Accrued bonuses	384	42	–	–	–	427
Accruals	170	77	–	–	0	248
Non-current assets	1,416	(72)	–	–	(21)	1,321
Defined benefit liability	355	167	(16)	–	(63)	442
Other	1,297	(205)	–	–	0	1,091
Total	4,485	320	(16)	–	(90)	4,699
Deferred tax liabilities						
Non-current assets	(3,668)	67	–	–	(14)	(3,615)
Valuation difference of equity financial instruments measured at fair value through other comprehensive income	(1,937)	–	21	–	–	(1,916)
Retained surplus of overseas consolidated subsidiaries	(3,863)	(575)	–	–	–	(4,438)
Other	(134)	89	–	–	(61)	(106)
Total	(9,603)	(418)	21	–	(76)	(10,077)

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, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Unused tax losses	7,224	7,586
Deductible temporary differences	657	569
Total	7,881	8,156

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
1st year	395	166
2nd year	166	975
3rd year	970	1,690
4th year	1,684	1,759
5th year and onward	4,007	2,994
Total	7,224	7,586

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized was ¥47,734 million as of March 31, 2021 and ¥46,875 million as of March 31, 2022. For these taxable differences, deferred tax liabilities have not been recognized since the Group may control timing of their reversal and there is high possibility that the temporary differences will not be reversed within a foreseeable period.

(2) Significant accounting estimates and assumptions pertaining to the recoverability of deferred tax assets

- 1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Deferred tax assets*1	2,213	2,595

\*1 The amount of deferred tax assets before offset was ¥4.485 million as of March 31, 2021 and ¥4.699 million as of March 31, 2022.

2) Information for understanding the details of accounting estimates

(i) Calculation method

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

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

(ii) Major assumption

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

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

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

(3) Breakdown of income tax expense

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Current tax expense	3,431	3,164
Deferred tax expense	237	98
Total	<u>3,668</u>	<u>3,263</u>

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	%	%
Effective statutory tax rate	29.9	29.9
Non-deductible expenses in calculation of taxable profits	4.1	2.4
Unrecognized deferred tax assets	2.5	1.9
Tax credits	5.2	(1.1)
Difference from the applicable tax rate of overseas subsidiaries	(8.3)	(7.1)
Retained surplus of overseas subsidiaries	4.7	4.8
Impact of change in tax laws	4.1	–
Income taxes for prior periods	3.8	–
Other	(1.9)	(3.5)
Effective tax rate	<u>44.1</u>	<u>27.3</u>

## 16. Borrowings

### Breakdown of borrowings

	As of March 31, 2021	As of March 31, 2022	Average interest rate	Due
	Millions of yen	Millions of yen	%	
<b>Current</b>				
Financial liabilities measured at amortized cost				
Short-term borrowings	7,207	6,100	0.17	–
Current portion of long-term borrowings	1	–	–	–
Total	<u>7,208</u>	<u>6,100</u>		
<b>Non-current</b>				
Financial liabilities measured at amortized cost				
Long-term borrowings	–	–	–	–
Total	<u>–</u>	<u>–</u>		

Notes: 1. “Average interest rate” shows weighted average interest rate on the balance as of March 31, 2022.

2. “Due” shows the repayment due for the balance as of March 31, 2022.

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

## 17. Leases

Breakdown of the expense relating to leases is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Depreciation expense for right-of-use assets		
Land, buildings and structures	372	495
Machinery, equipment and vehicles	37	57
Tools, furniture and fixtures	18	25
Total	429	577
Interest expense for lease liabilities	14	11
Expense for short-term leases	7	3
Expense for low-value asset leases	3	2
Total	24	18

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Right-of-use assets		
Land, buildings and structures	2,965	2,931
Machinery, equipment and vehicles	112	143
Tools, furniture and fixtures	127	143
Total	3,204	3,218

- Notes: 1. The amount of increase in the right-of-use assets was ¥1,004 million in the fiscal year ended March 31, 2021 and ¥340 million in the fiscal year ended March 31, 2022.
2. The total cash outflow for leases was ¥599 million in the fiscal year ended March 31, 2021 and ¥693 million in the fiscal year ended March 31, 2022.
3. The amount of lease liabilities was ¥437 million (current) and ¥1,238 million (non-current) in the fiscal year ended March 31, 2021 and ¥385 million (current) and ¥1,260 million (non-current) in the fiscal year ended March 31, 2022. Lease liabilities are respectively included in the consolidated statement of financial position under “other financial liabilities” of current liabilities and non-current liabilities.
4. The breakdown of the balances of lease liabilities by due date are provided in “28. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

## 18. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Notes and accounts payable - trade	11,722	14,583
Electronically recorded obligations - operating	1,120	1,006
Accounts payable - other	3,157	2,663
Total	16,000	18,254

## 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, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Funded defined benefit obligations	9,322	9,498
Plan assets	(9,512)	(9,698)
Subtotal	(190)	(200)
Unfunded defined benefit obligations	1,353	1,746
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,163	1,545
Defined benefit liability	1,251	1,644
Defined benefit asset	(87)	(98)
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,163	1,545

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, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	790	849

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	10,095	10,676
Service cost	702	760
Interest cost	151	160
Past service cost	(44)	58
Remeasurement	47	42
Retirement benefits paid	(450)	(648)
Exchange differences on translation	175	195
Defined benefit obligations at end of period	10,676	11,244

Note: The weighted average duration of defined benefit obligations was 11.5 to 17 years as of March 31, 2021 and 11.2 to 17 years as of March 31, 2022.

#### 4) Reconciliation of plan assets

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Plan assets at beginning of period	8,672	9,512
Interest income	63	69
Remeasurement	376	(132)
Contributions by the employer	732	746
Retirement benefits paid	(356)	(518)
Exchange differences on translation	24	21
Plan assets at end of period	<u>9,512</u>	<u>9,698</u>

#### 5) Composition of plan assets

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Debentures	4,395	5,402
Shares	2,086	1,400
Other	3,030	2,895
Total	<u>9,512</u>	<u>9,698</u>

#### 6) Major actuarial assumptions

	As of March 31, 2021	As of March 31, 2022
	%	%
Discount rate (Japan)	0.5	0.6
Discount rate (Overseas)	3.0 to 7.9	3.0 to 7.6

#### 7) Sensitivity analysis

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(549)	(476)
0.5% decrease in the discount rate	575	681

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, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Amount recorded as expenses	221	243

### (3) Multi-employer plan

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

The total amount of expenses recognized for the employees' pension fund that is a multi-employer plan, which is accounted for in the same manner as defined contribution plans, was ¥186 million in the previous fiscal year and ¥187 million in the fiscal year under review.

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

	As of March 31, 2020	As of March 31, 2021
	Millions of yen	Millions of yen
Plan assets	60,452	67,923
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	52,861	51,801
Difference	7,590	16,121

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

	As of March 31, 2020	As of March 31, 2021
	%	%
Proportion of contributions by the Group	6.3	6.6

## 20. Provisions and contingent liabilities

### Breakdown of and changes in provisions

	Provision for product warranty	Asset retirement obligations	Total
	Millions of yen	Millions of yen	Millions of yen
April 1, 2020	2,880	29	2,909
Interest expense during the period in discounting	–	0	0
Decrease during the period (intended use)	(2,880)	–	(2,880)
Decrease during the period (reversal)	–	0	0
March 31, 2021	–	29	29
Increase during the period	1,669	–	1,669
Interest expense during the period in discounting	–	0	0
Decrease during the period (intended use)	–	–	–
Decrease during the period (reversal)	–	14	14
March 31, 2022	1,669	14	1,684
Current	1,669	–	1,669
Non-current	–	14	14

#### (1) Provision for product warranty

The amount expected to occur has been recorded as a provision in order to prepare for future repair expenses for some products delivered by the Company.

(2) Asset retirement obligations

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

(3) Significant accounting estimates and assumptions related to provision for product warranty

1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

	(Millions of yen)	
	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Provision for product warranty	–	1,669

2) Information for understanding the details of accounting estimates

(i) Calculation method

Repair expenses for defects in some products delivered to certain customers in the United States have been recorded based on currently available information and the judgment that said information reasonable and based on fact.

(ii) Major assumption

The provision for product warranty pertaining to this defect countermeasure is calculated by multiplying (1) number of cases by (2) per unit repair cost. It is an estimated amount based on currently available information.

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

It is not possible to reliably estimate the expected financial impact at this time, except for those provisions that have already been recorded. This is because in preparing such an estimate, it is necessary to consider multiple factors such as the quantity for which future repairs will be required. However, there have been no similar cases in the past, and at this point in time, the actual number of defects related to this case is insufficient. As such, it is difficult to calculate the quantity of repairs, which would serve as the basis for the estimate. When it becomes possible with future progress to record an additional provision, it may have a significant impact on the Company's consolidated results.

## 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, 2020	90,000,000	52,644,030	4,175
Change during the period	–	–	–
As of March 31, 2021	90,000,000	52,644,030	4,175
Change during the period	–	–	–
As of March 31, 2022	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, 2020	2,956,099	4,787
Change during the period	133	0
As of March 31, 2021	2,956,232	4,787
Change during the period	(14,353)	(23)
As of March 31, 2022	2,941,879	4,764

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

Changes during the fiscal year under review are due to the disposal of 14,484 treasury shares for the restricted share-based remuneration plan and purchase of shares less than one unit of 131 shares.

#### (4) Dividends

- Cash dividends paid

##### Fiscal year ended March 31, 2021

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 23, 2020 Ordinary General Meeting of Shareholders	1,440	29.00	March 31, 2020	June 24, 2020
October 30, 2020 Board of Directors meeting	993	20.00	September 30, 2020	November 26, 2020

##### Fiscal year ended March 31, 2022

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 22, 2021 Ordinary General Meeting of Shareholders	993	20.00	March 31, 2021	June 23, 2021
November 4, 2021 Board of Directors meeting	1,292	26.00	September 30, 2021	November 26, 2021

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

##### Fiscal year ended March 31, 2021

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

##### Fiscal year ended March 31, 2022

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 11, 2022 Board of Directors meeting	1,292	26.00	March 31, 2022	June 22, 2022

## 22. Selling, general and administrative expenses

### Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Packing and shipping expenses	1,818	2,398
Personnel expenses	4,915	5,106
Depreciation and amortization expense	424	489
Research and development expense	3,642	4,299
Provision for product warranty	–	1,669
Other	4,824	3,904
Total	15,624	17,867

## 23. Other income and expense

### (1) Breakdown of other income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Gain on sales of non-current assets	61	78
Grant income	13	69
Other	775	477
Total	851	626

### (2) Breakdown of other expense

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	73	253
Impairment loss	777	–
Other	275	192
Total	1,126	445

Note: 1. Refer to the note “13. Impairment loss” for impairment loss.

## 24. Finance income and finance costs

### (1) Breakdown of finance income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, financial assets measured at amortized cost	715	488
Dividend income		
Financial assets measured at fair value through other comprehensive income	232	255
Foreign exchange gains	283	1,128
Other	165	56
Total	1,396	1,928

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Interest cost		
Borrowings	15	11
Lease liabilities	14	11
Other	0	–
Total	<u>29</u>	<u>23</u>

**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, 2021

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

Fiscal year ended March 31, 2022

	Amount arising	Reclassificati on 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	59	–	59	(16)	43
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(78)	–	(78)	21	(56)
Subtotal	(18)	–	(18)	5	(13)
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	10,271	–	10,271	–	10,271
Share of other comprehensive income of associates accounted for using equity method	(10)	–	(10)	–	(10)
Subtotal	10,261	–	10,261	–	10,261
Total	10,243	–	10,243	5	10,248

## 26. Earnings per share

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit attributable to ordinary equity holders of parent (Millions of yen)	4,462	8,551
Weighted-average number of ordinary shares (Thousands of shares)	49,687	49,697
Basic earnings per share (Yen)	89.81	172.07

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

## 27. Share-based remuneration

### (1) Description of plan

The Company has adopted a restricted share-based remuneration plan to reflect the Group's business environment and short-, medium- and long-term performance, provide an incentive for ongoing improvement of corporate value, and promote the further sharing of value with shareholders. Under this plan, the Company's Directors (excluding those who are Audit and Supervisory Committee Members; hereinafter referred to as "Eligible Directors") are paid monetary remuneration claims for the granting of restricted shares. All of these claims are paid in as property contributed in kind to receive ordinary shares of the Company that are issued or disposed of by the Company. Eligible Directors may not transfer, create a security interest on, or otherwise dispose of (collectively "Transfer Restrictions") the ordinary shares of the Company allotted under the restricted share allotment agreement (the "Allotment Agreement") for the period from the date the allotted shares are granted to the date that said Eligible Director resigns or retires as a Director of the Company or any other such position stipulated by the Company's Board of Directors (the "Restriction Period"). The Transfer Restrictions are lifted on all allotted shares at the end of the Restriction Period on the condition that the Eligible Director remained in his or her position throughout the Restriction Period. In addition, if there is a breach of laws and regulations or any other reason specified by the Board of Directors of the Company during the Restriction Period, the Company will acquire all of the allotted shares free of charge.

In addition to the Eligible Directors, the Company has also adopted a similar restricted share-based remuneration plan for Managing Officers of the Company.

(2) Number of shares granted during period and fair value thereof

	Fiscal year under review (Fiscal year ended March 31, 2022)
Vesting date	July 21, 2021
Number of shares	14,484
Fair value on vesting date (Yen)	1,556

Note: The fair value on the vesting date is calculated based on the market value of the Company's stock.

(3) Expense related to share-based remuneration

The expense related to share-based remuneration in the fiscal year under review was ¥16 million and is included under "selling, general and administrative expenses" in the consolidated statement of income.

## 28. Financial instruments

(1) Capital management

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

(2) Classification of financial assets and financial liabilities

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss		
Other financial assets	847	840
Financial assets measured at fair value through other comprehensive income		
Other financial assets (shares)	8,803	9,108
Other financial assets	4	4
Financial assets measured at amortized cost		
Trade and other receivables	31,710	34,203
Other financial assets	6,914	6,068
Cash and cash equivalents	39,607	44,627
<b>Total financial assets</b>	<b>87,889</b>	<b>94,851</b>
<b>Financial liabilities</b>		
Financial liabilities measured at fair value through profit or loss		
Other non-current financial liabilities (derivatives)	54	-
Financial liabilities measured at amortized cost		
Trade and other payables	16,000	18,254
Borrowings	7,208	6,100
Other financial liabilities	1,676	1,645
<b>Total financial liabilities</b>	<b>24,939</b>	<b>25,999</b>

### (3) Financial risk management

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

#### 1) Credit risk management

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

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

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

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

#### Information about trade receivables

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

#### Trade receivables past due

As of March 31, 2021

(Millions of yen)

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

As of March 31, 2022

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	151	–	151
Balance at end of period	190	–	190

Allowance for credit losses

As of March 31, 2021

(Millions of yen)

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

As of March 31, 2022

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	7	–	7
Increase in the period	1	–	1
Decrease in the period	–	–	–
Other	1	–	1
Balance at end of period	9	–	9

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, 2021

	Carrying amount	Contractual amount	Due within one year	Due after one year within two years	Due after two years within three years	Due after three years within four years	Due after four years within five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Trade and other payables	16,000	16,000	16,000	–	–	–	–	–
Borrowings	7,208	7,218	7,218	–	–	–	–	–
Lease liabilities	1,676	1,747	432	317	164	136	115	581
Other financial liabilities	54	54	54	–	–	–	–	–
Total	24,939	25,021	23,706	317	164	136	115	581

As of March 31, 2022

	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	18,254	18,254	18,254	–	–	–	–	–
Borrowings	6,100	6,100	6,100	–	–	–	–	–
Lease liabilities	1,645	1,715	392	225	187	165	143	600
Other financial liabilities	–	–	–	–	–	–	–	–
Total	25,999	26,070	24,747	225	187	165	143	600

### 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, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
US dollar	94	46
RMB	7	9

#### (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 ¥780 million in the previous fiscal year and ¥798 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, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Honda Motor Co., Ltd.	6,250	6,597
KANEMATSU CORPORATION	1,099	993
SUZUKI MOTOR CORPORATION	263	221
Mizuho Financial Group, Inc.	85	83
Kawasaki Heavy Industries, Ltd.	41	36
Sumitomo Mitsui Financial Group, Inc.	23	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, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Fair value at the date of derecognition	2	1
Cumulative gain (loss) on disposal	0	1

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

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

3) Dividend income

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Equity financial instruments derecognized during the period	0	0
Equity financial instruments held at the end of the period	212	261
Total	212	261

(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.

The fair value of investment in limited liability investment partnerships and partnerships of a similar nature is calculated using a valuation model based on net assets.

*Financial assets measured at amortized cost*

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

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

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

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

*Financial liabilities measured at amortized cost*

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

2) Fair value hierarchy

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

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

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

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

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

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

3) Carrying amount and fair value of financial instruments

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

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

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

As of March 31, 2021

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets				
Financial assets measured at fair value through profit or loss				
Other	–	–	847	847
Financial assets measured at fair value through other comprehensive income				
Listed shares	7,800	–	–	7,800
Unlisted shares	–	–	1,003	1,003
Other	–	–	4	4
Total	<u>7,800</u>	<u>–</u>	<u>1,855</u>	<u>9,655</u>
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (derivatives)				
	–	54	–	54
Total	<u>–</u>	<u>54</u>	<u>–</u>	<u>54</u>

As of March 31, 2022

	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				
Other	–	–	840	840
Financial assets measured at fair value through other comprehensive income				
Listed shares	7,986	–	–	7,986
Unlisted shares	–	–	1,121	1,121
Other	–	–	4	4
Total	<u>7,986</u>	<u>–</u>	<u>1,966</u>	<u>9,953</u>
Financial liabilities				
Financial liabilities measured at fair value through profit or loss (derivatives)				
	–	–	–	–
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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

The adjustment table for the beginning balance to the ending balance of the fair value measurement categorized as Level 3 is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Balance at beginning of period	3,340	1,855
Acquisition	247	333
Redemption	(1,784)	–
Distribution	–	(5)
Sale	–	0
Total gains and losses		
Other comprehensive income	42	(147)
Profit or loss	9	(69)
Balance at end of period	1,855	1,966

- 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 categorized as Level 3 are comprised mainly of unlisted shares (financial assets measured at fair value through other comprehensive income) and investment in limited liability investment partnerships, etc. (financial assets measured at fair value through profit or loss).

## 29. Important subsidiaries

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

Name	Location	Principal contents of business	Ratio of voting rights holding (%)
KYUSHU F.C.C.CO., LTD.	Japan	Motorcycle and automobile clutches	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycle clutches	80.22
FLINT CO., LTD	Japan	Motorcycle clutches	100
FCC (North America), INC.	U.S.	Administration of subsidiaries in the U.S.	100
FCC (INDIANA), LLC	U.S.	Automobile clutches	100 [100]
FCC (North Carolina), LLC	U.S.	Motorcycle and automobile clutches	100 [100]
FCC (Adams), LLC	U.S.	Automobile clutches	100 [100]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Mexico	Automobile clutches	100 [45.30]
FCC (THAILAND) CO., LTD.	Thailand	Motorcycle and automobile clutches	100 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycle and automobile clutches	100
F.C.C. (CHINA) INVESTMENT CO., LTD.	China	Administration of subsidiaries in China	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	China	Motorcycle and automobile clutches	100 [71.43]
CHU'S F.C.C. (SHANGHAI) CO., LTD.	China	Motorcycle clutches	100
CHINA FCC FOSHAN CO., LTD.	China	Automobile clutches	100 [61.43]
FCC (TAIWAN) CO., LTD.	Taiwan	Motorcycle clutches	70 [15]
FCC CLUTCH INDIA PRIVATE LIMITED	India	Motorcycle and automobile clutches	100
PT. FCC INDONESIA	Indonesia	Motorcycle and automobile clutches	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycle and automobile clutches	90
FCC DO BRASIL LTDA.	Brazil	Motorcycle and automobile clutches	100

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

### 30. Related parties

#### (1) Related party transactions

Fiscal year ended March 31, 2021

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

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

Fiscal year ended March 31, 2022

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	9,738	1,476

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

#### (2) Remuneration for key management personnel

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Millions of yen	Millions of yen
Remuneration and bonuses	340	195
Share-based remuneration	–	10
Total	340	205

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

### 31. Commitments

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

	As of March 31, 2021	As of March 31, 2022
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	1,182	1,915

### 32. Subsequent events

Not applicable.

#### Opinion of independent auditors

**Auditors: Yasumori Audit Corporation**

**Opinion: unqualified**

## 2. Non-consolidated financial statements, etc.

### (1) Non-consolidated financial statements

#### 1) Non-consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	3,900	8,685
Electronically recorded monetary claims - operating	324	694
Accounts receivable - trade	7,619	8,145
Securities	980	-
Merchandise and finished goods	726	853
Work in process	688	920
Raw materials and supplies	2,540	2,588
Prepaid expenses	67	65
Short-term loans receivable from subsidiaries and associates	5,781	3,159
Other	2,323	2,112
Allowance for doubtful accounts	(2)	(2)
Total current assets	24,951	27,222
Non-current assets		
Property, plant and equipment		
Buildings	4,854	4,657
Structures	323	282
Machinery and equipment	4,309	4,546
Vehicles	49	37
Tools, furniture and fixtures	620	712
Land	3,878	4,900
Construction in progress	300	195
Total property, plant and equipment	14,336	15,333
Intangible assets		
Patent right	108	94
Software	166	173
Software in progress	-	9
Total intangible assets	274	277
Investments and other assets		
Investment securities	3,372	3,317
Shares of subsidiaries and associates	24,874	25,203
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	121	101
Long-term loans receivable from subsidiaries and associates	3,321	2,448
Long-term prepaid expenses	34	16
Prepaid pension expenses	-	163
Deferred tax assets	10	-
Other	687	688
Allowance for doubtful accounts	(772)	(772)
Total investments and other assets	40,570	40,088
Total non-current assets	55,182	55,699
Total assets	80,133	82,921

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes payable - trade	6	1
Accounts payable - trade	2,915	3,067
Short-term loans payable	7,207	6,100
Accounts payable - other	660	544
Electronically recorded obligations - operating	1,120	1,006
Accrued expenses	344	448
Income taxes payable	336	243
Advances received	4	2
Deposits received	63	61
Provision for bonuses	1,129	1,266
Provision for officer bonuses	–	38
Provision for product warranties	–	1,669
Other	45	45
Total current liabilities	13,834	14,496
Non-current liabilities		
Deferred tax liabilities	–	126
Provision for retirement benefits	116	–
Asset retirement obligations	29	14
Total non-current liabilities	145	141
Total liabilities	13,980	14,638
Net assets		
Shareholders' equity		
Capital stock	4,175	4,175
Capital surplus		
Legal capital surplus	4,555	4,555
Other capital surplus	10	9
Total capital surpluses	4,566	4,565
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	483	483
General reserve	54,500	54,500
Retained earnings brought forward	817	2,825
Total retained earnings	58,445	60,452
Treasury shares	(4,788)	(4,764)
Total shareholders' equity	62,399	64,428
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,754	3,854
Total valuation and translation adjustments	3,754	3,854
Total net assets	66,153	68,283
Total liabilities and net assets	80,133	82,921

## 2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	34,224	39,256
Cost of sales		
Beginning finished goods	858	726
Cost of products manufactured	25,520	27,075
Purchase of finished goods	377	429
Total	26,756	28,231
Ending finished goods	726	853
Cost of finished goods sold	26,029	27,377
Gross profit	8,194	11,878
Selling, general and administrative expenses		
Packing and delivery expenses	694	876
Salaries and allowances	1,736	1,706
Provision for bonuses	219	251
Retirement benefit expenses	232	229
Depreciation	92	77
Provision for product warranties	–	1,669
Research and development expense	4,857	5,188
Other	1,872	1,839
Total selling, general and administrative expenses	9,706	11,839
Operating profit (loss)	(1,511)	38
Non-operating income		
Interest income	160	59
Interest on capital receivable	51	62
Interest on securities	584	548
Dividend income	3,432	3,698
Rental income	9	10
Commissions on equipment sales	158	240
Foreign exchange gains	150	860
Technical advisory fee	36	62
Other	146	80
Total non-operating income	4,730	5,622
Non-operating expenses		
Interest expenses	22	11
Rent expenses	2	1
Losses on investment partnership management	–	69
Other	17	2
Total non-operating expenses	42	85
Ordinary profit	3,175	5,575
Extraordinary income		
Gain on sales of non-current assets	2	0
Gain on sales of investment securities	0	1
Total extraordinary income	2	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	22	212
Loss on valuation of investment securities	–	191
Loss on valuation of shares of subsidiaries and associates	696	–
Total extraordinary losses	718	403
Profit before income taxes	2,460	5,173

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Income taxes - current	737	787
Income taxes for prior periods	316	—
Income taxes - deferred	355	93
Total income taxes	1,409	881
Profit	1,050	4,292

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

Fiscal year ended March 31, 2021

(Millions of yen)

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

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(4,787)	63,783	2,170	2,170	65,953
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends of surplus		(2,434)			(2,434)
Profit		1,050			1,050
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares					
Net changes of items other than shareholders' equity			1,583	1,583	1,583
Total changes of items during period	(0)	(1,383)	1,583	1,583	199
Balance at end of current period	(4,788)	62,399	3,754	3,754	66,153

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	4,175	4,555	10	4,566	1,043	1,600	483	54,500	817	58,445
Changes of items during period										
Reversal of reserve for advanced depreciation of non-current assets							(0)		0	-
Dividends of surplus									(2,286)	(2,286)
Profit									4,292	4,292
Purchase of treasury shares										
Disposal of treasury shares			(0)	(0)						
Net changes of items other than shareholders' equity										
Total changes of items during period			(0)	(0)			(0)		2,007	2,006
Balance at end of current period	4,175	4,555	9	4,565	1,043	1,600	483	54,500	2,825	60,452

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(4,788)	62,399	3,754	3,754	66,153
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		-			-
Dividends of surplus		(2,286)			(2,286)
Profit		4,292			4,292
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	23	22			22
Net changes of items other than shareholders' equity			100	100	100
Total changes of items during period	23	2,028	100	100	2,129
Balance at end of current period	(4,764)	64,428	3,854	3,854	68,283

## **[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)

Items other than stock with no market value

Stated at fair value (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).

Stock with no market 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 credit losses

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 officer bonuses

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

(4) 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 14 years) at the time of occurrence in each fiscal year.

(5) Provision for product warranties

The amount expected to occur has been recorded as a provision in order to prepare for future repair expenses for some products delivered by the Company.

#### 4. Criteria for recording revenue and expenses

The Company 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 Company 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.

#### 5. Other significant matters for preparing financial statements

(1) Application of consolidated taxation system

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

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

The Company will transition from a consolidated tax payment system to a group tax sharing system starting from the next fiscal year. As for items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system introduced in the “Act Partially

Amending the Income Tax Act” (Act No. 8 of 2020), the Company has not applied the provisions of paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of paragraph 3 of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision. Starting from the beginning of the next fiscal year, the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No.42, August 12, 2021), which sets forth accounting and disclosure requirements for national and local income taxes and tax effect accounting when applying the group tax sharing system, will be applied.

## Significant accounting estimates

### 1. Recoverability of deferred tax assets

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Deferred tax assets (net) *1	10	–
Deferred tax liabilities (net) *2	–	126

\*1. The amount of deferred tax assets before offset is ¥1.805 million.

\*2. The amount of deferred tax assets before offset is ¥1.711 million.

- (2) Information for understanding the details of accounting estimates

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

### 2. Recognition of allowance for doubtful accounts

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Allowance for doubtful accounts	774	774

- (2) Information for understanding the details of accounting estimates

1) Calculation method

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

2) Major assumption

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

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

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

### 3. Recording of provision for product warranties

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Provision for product warranties	–	1,669

- (2) Information for understanding the details of accounting estimates

This description is omitted because the relevant information is described in “20. Provisions and contingent liabilities.”

### Changes in accounting policies

#### Application of Accounting Standard for Revenue Recognition, etc.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied as of the beginning of the fiscal year under review. The amount to be received in exchange for goods or services is recognized as revenue at the point when control of the promised goods or services is transferred to the customer. Previously, the amount of compensation received from the payee was recognized as revenue for paid transactions falling under repurchase agreements, but the method has been changed so that this revenue is not recognized. As a result, net sales and the cost of sales decreased by ¥2,331 million each in the fiscal year under review.

In regard to application of the Accounting Standard for Revenue Recognition, etc., following the transitional treatment set forth in the proviso in paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative impact of retroactively applying the new accounting policy from the beginning of the fiscal year under review was calculated, but there was no cumulative impact, so the new accounting policy was applied without adjusting the beginning balance of retained earnings for the fiscal year under review.

#### Application of Accounting Standard for Fair Value Measurement, etc.

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. has been applied from the beginning of the fiscal year under review. Following the transitional treatment set forth in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. will be applied into the future. This has no impact on the financial statements.

#### 4) Supplementary statements

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

(Millions of yen)

Category	Type of assets	Balance at beginning 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	4,854	125	50	271	4,657	7,391
	Structures	323	2	1	41	282	1,288
	Machinery and equipment	4,309	1,676	128	1,310	4,546	20,136
	Vehicles	49	12	5	18	37	159
	Tools, furniture and fixtures	620	470	123	254	712	5,661
	Land	3,878	1,022	–	–	4,900	–
	Construction in progress	300	1,038	1,143	–	195	–
	Total	14,336	4,349	1,453	1,898	15,333	34,638
Intangible assets	Patent right	108	–	–	13	94	14
	Right of using water facilities	–	–	–	–	–	4
	Software	166	83	–	76	173	153
	Software in progress	–	9	–	–	9	–
	Total	274	92	–	89	277	172
Investments and other assets	Long-term prepaid expenses	34	–	17	–	16	–

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

Property, plant and equipment

[Increase]

Land	Head office	Land for construction of R&D facility	¥1,022 million
Machinery and equipment	Watagashima Factory	Manufacturing facilities for clutches	¥465 million
Machinery and equipment	R&D Center	Testing apparatus and measuring instruments	¥414 million

[Detailed schedule of allowances]

(Millions of yen)

Category	Balance at beginning of period	Increase in the period	Decrease in the period	Balance at end of period
Allowance for doubtful accounts	774	–	–	774
Provision for bonuses	1,129	1,266	1,129	1,266
Provision for officer bonuses	–	38	–	38
Provision for product warranties	–	1,669	–	1,669

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

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

**(3) Other**

Not applicable.

**Opinion of independent auditors**  
**Auditors: Yasumori Audit Corporation**  
**Opinion: unqualified**

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

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends of surplus	September 30 March 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Securities Agent Department, Head Office, Mizuho Trust & Banking Co., Ltd.
Shareholder register administrator	(Special account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Forwarding office	—
Handling charge for purchase	The amount separately stipulated as the amount equivalent to share brokerage fees
Method of public notice	Electronic public notice will be made. However, if it is impossible to publish public notices electronically because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nihon Keizai Shimbun. The Company's URL for public notice: <a href="https://www.fcc-net.co.jp/">https://www.fcc-net.co.jp/</a>
Special benefits for shareholders	<ul style="list-style-type: none"> <li>Content of the shareholder special benefit plan Shareholders owning at least 200 shares for at least a year who are recorded or listed on the shareholder register as of March 31 and September 30 of each year (recorded or listed on the shareholder register as of March 31 and September 30 at least three consecutive times under the same shareholder number) are gifted with a local specialty product worth ¥2,500.</li> </ul>

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.