

Annual Securities Report

Fiscal year 94th term (from April 1, 2023 to March 31, 2024)

F.C.C. CO., LTD.

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Tokai Local Finance Bureau
Date of filing	June 20, 2024
Fiscal year	94th term (from April 1, 2023 to March 31, 2024)
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	Mikinobu Nagasaka, Senior 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	90th term	91st term	92nd term	93rd term	94th term
Fiscal year-end	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023	March 31, 2024
Revenue (Millions of yen)	171,060	146,157	170,971	218,939	240,283
Profit before income taxes (Millions of yen)	6,653	8,313	11,944	13,641	19,169
Profit attributable to owners of parent (Millions of yen)	3,921	4,462	8,551	9,566	12,231
Comprehensive income (Millions of yen)	(2,068)	12,067	18,929	16,300	28,778
Equity attributable to owners of parent (Millions of yen)	120,869	130,239	146,625	160,055	185,322
Total assets (Millions of yen)	161,727	175,644	195,364	210,626	245,004
Equity attributable to owners of parent per share (Yen)	2,432.56	2,621.16	2,950.09	3,218.63	3,725.39
Basic earnings per share (Yen)	78.92	89.81	172.07	192.41	245.91
Diluted earnings per share (Yen)	—	—	—	—	—
Ratio of equity attributable to owners of parent to total assets (%)	74.74	74.15	75.05	75.99	75.64
Ratio of profit to equity attributable to owners of parent (%)	3.18	3.55	6.18	6.24	7.08
Price earnings ratio (PER) (Times)	20.01	20.69	7.81	8.06	9.34
Net cash flows from (used in) operating activities (Millions of yen)	25,079	12,971	15,456	21,014	35,383
Net cash flows from (used in) investing activities (Millions of yen)	(10,597)	(8,522)	(9,627)	(10,307)	(7,433)
Net cash flows from (used in) financing activities (Millions of yen)	(8,990)	(3,175)	(4,202)	(3,232)	(4,824)
Cash and cash equivalents at end of period (Millions of yen)	35,350	39,607	44,627	53,738	82,028
Number of employees	8,718	8,360	8,115	7,970	7,819
[Separately, average number of temporary employees]	[3,777]	[3,369]	[3,425]	[3,793]	[4,088]

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.
2022	April	Transitioned from the First Section of the Tokyo Stock Exchange to the Prime Market due to the revision of the Tokyo Stock Exchange market divisions
2022	November	Completed liquidation of FCC SEOJIN CO., LTD.

3. Description of business

The Group, comprising the Company, 22 subsidiaries and one associate, is engaged primarily in the motorcycle business, the automobiles business, and the non-mobility business.

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."

In addition, the Company has made changes to its reportable segments, effective from the fiscal year ended March 31, 2024. Refer to "V. Financial information, 1. Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to consolidated financial statements, 4. Segment information" for the details of these changes.

Motorcycles Business

This segment is engaged primarily in the manufacture and sales of clutches for motorcycles, scooters, all-terrain vehicles (ATVs), and other vehicles, as well as products in the EV/CASE area.

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]

Automobiles Business

This segment is engaged primarily in the manufacture and sales of clutches for automatic and manual transmission automobiles, as well as products in the EV/CASE area.

Business category	Principal companies
Manufacture and sales	The Company, KYUSHU F.C.C. CO., LTD., TENRYU SANGYO CO., LTD., FLINT 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]

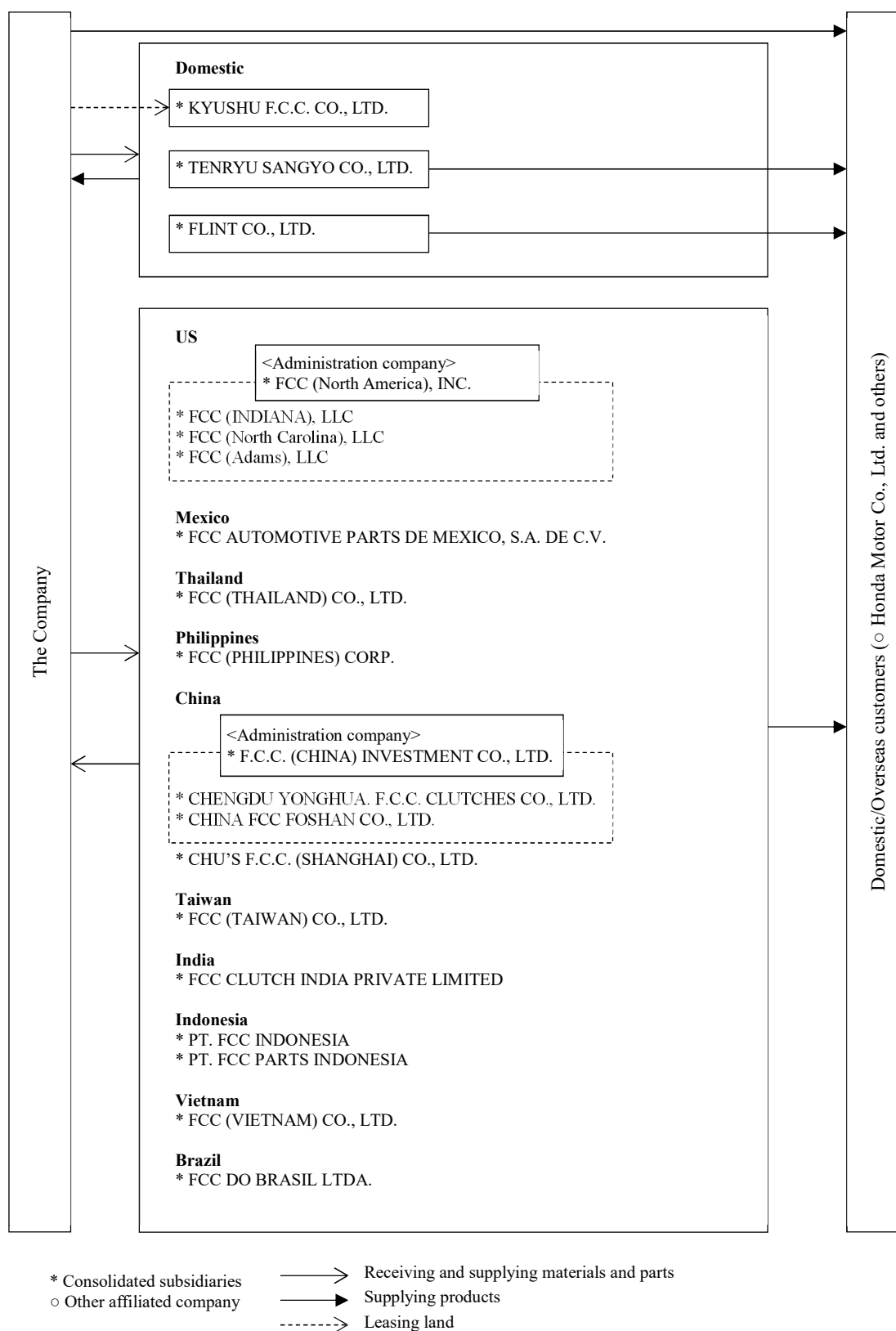
Non-mobility business

This segment is engaged primarily in the manufacture and sales of products and the provision of services in the environmental/energy sector.

Business category	Principal companies
Manufacture, sales, and provision of services	The Company

Group business structure chart

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



4. Overview of subsidiaries and other affiliates

Name	Address	Issued capital	Principal contents of business	Ratio of voting rights holding (held) (%) (Note 3)	Relationship
<Consolidated subsidiaries> KYUSHU F.C.C. CO., LTD.	Uki-shi, Kumamoto	¥30,000,000	Motorcycles business Automobiles business	100	Manufacturing the Company's product components and products. Interlocking officers and leasing land.
TENRYU SANGYO CO., LTD.	Iwata-shi, Shizuoka	¥22,500,000	Motorcycles business Automobiles business	80.22	Purchasing motorcycle, automobile and general-purpose components. Interlocking officers and capital assistance.
FLINT CO., LTD.	Okagaki town, Onga-gun, Fukuoka	¥10,000,000	Motorcycles business Automobiles business	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	Automobiles business	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	Motorcycles business Automobiles business	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	Automobiles business	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	Automobiles business	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	Motorcycles business Automobiles business	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	Motorcycles business Automobiles business	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\$45,000,000	Motorcycles business Automobiles business	100 [82.22]	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	Motorcycles business	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	Automobiles business	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	Motorcycles business	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	Motorcycles business Automobiles business	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	Motorcycles business Automobiles business	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	Motorcycles business	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	Motorcycles business Automobiles business	100	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	Motorcycles business Automobiles business	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	 21.88 (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

• FCC (INDIANA), LLC

(1) Net sales	¥46,857 million
(2) Profit before income taxes	¥2,950 million
(3) Profit	¥2,302 million
(4) Net assets	¥23,701 million
(5) Total assets	¥30,360 million

• FCC (Adams), LLC

(1) Net sales	¥57,786 million
(2) Profit before income taxes	¥6,136 million

(3) Profit	¥4,695 million
(4) Net assets	¥18,999 million
(5) Total assets	¥26,535 million

• PT. FCC INDONESIA

(1) Net sales	¥32,118 million
(2) Profit before income taxes	¥1,966 million
(3) Profit	¥1,641 million
(4) Net assets	¥17,585 million
(5) Total assets	¥22,582 million

• FCC CLUTCH INDIA PRIVATE LIMITED

(1) Net sales	¥33,624 million
(2) Profit before income taxes	¥1,629 million
(3) Profit	¥1,202 million
(4) Net assets	¥6,668 million
(5) Total assets	¥20,656 million

5. This company files its Annual Securities Report.

6. In addition to the above, there are three affiliates.

5. Information about employees

(1) Consolidated companies

As of March 31, 2024

Segment name	Number of employees	
Motorcycles business	4,585	[3,647]
Automobiles business	3,098	[391]
Non-mobility business	136	[50]
Total of reportable segments	7,819	[4,088]
Total	7,819	[4,088]

Note: 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) Reporting company

As of March 31, 2024

Number of employees	Average age	Average years of service	Average annual salary (Yen)
1,049 [259]	43.6	19.1	7,113,878

Segment name	Number of employees	
Motorcycles business	435	[128]
Automobiles business	478	[81]
Non-mobility business	136	[50]
Total of reportable segments	1,049	[259]
Total	1,049	[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) 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.

(4) Female workers as a percentage of management positions, uptake of childcare leave by male workers, and wage differential between male and female workers

1) Reporting company

Fiscal year ended March 31, 2024					Supplementary explanation
Percentage of female workers in management positions (%) (Note 1)	Uptake of childcare leave by male workers (%) (Note 2)	Wage differential between male and female workers (%) (Note 1)			
		All workers	Permanent, full-time workers	Part-time and fixed-term workers	
0.6	51.7	77.7	80.4	71.4	

Notes: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)
2. Childcare leave uptake, etc. calculated as in Article 71-4, item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

2) Consolidated subsidiaries

Fiscal year ended March 31, 2024									Supplementary explanation
Name	Percentage of female workers in management positions (%) (Note 1)	Uptake of childcare leave by male workers (%)				Wage differential between male and female workers (%) (Note 1)			
		All workers	Permanent, full-time workers	Part-time and fixed-term workers		All workers	Permanent, full-time workers	Part-time and fixed-term workers	
KYUSHU F.C.C. CO., LTD.	0.0	0.0	0.0	—	(Note 1)	72.8	73.5	100.2	

Note: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)

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.

The Group expects a moderate economic recovery will continue, due in part to the effects of various government policies. However, it is important to heed downward risks, including the impacts associated with global monetary tightening, concerns over the outlook for the Chinese economy, rising commodity prices, international instability, and fluctuations in financial and capital markets. As such, the outlook remains uncertain.

Over the medium to long term, it is expected that growing awareness of sustainability and advances in digital technology will accelerate further in the future, requiring corporate and business transformation that will enable the provision of value in the era of CASE, and electrification in particular.

In this business environment, under the basic policy of "Second Founding: towards the brand-new FCC," set out in the 12th Medium-Term Management Plan which began in fiscal 2023, the Group will strive to continuously enhance its corporate value by transforming its business structure and strengthening its management base.

■ Progress of the Medium-Term Management Plan

Under the basic policy of "Second Founding: towards the brand-new FCC," set out in the 12th Medium-Term Management Plan, the Group has been working to enhance the profitability of its core clutch business and to create new businesses.

Going forward, the Group will strive to continually enhance its corporate value by steadily strengthening its management base and transforming its business portfolio.

■ Overview by business

○ Motorcycles business

In the Group's core clutch business, demand has remained strong, primarily in India and Indonesia. The tasks for the future will be to carry out further activities to expand sales, including in emerging countries, and develop high value added technology to strengthen our position as a market leader and maximize revenue.

In new businesses, the Group completed preparations for mass production of motor key components including motor cores in India. The Group also worked to develop its production technology system with preparations for mass production of motor assemblies in India and the installation of the mass-production test line for motor assemblies in Japan. Going forward, the Group will aim for the maturing of mass production in India and work toward the expansion of its production sites, particularly in ASEAN countries. It will also promote sourcing activities with the aim of further enhancing value added, mainly in the data business.

○ Automobiles business

In the core clutch business, the Group maximized revenue due to the market recovery primarily in North America and business structure enhancements. The tasks for the future will be to work to establish an optimal structure and to shift resources, in anticipation of a decline in production owing to the trend toward EVs.

In new businesses, the Group started preparations for mass production of motor core submodules in China. The Group also continued developing differentiated technology for motor core submodules, mainly in Japan, expanding its mass-production test line, and approaching customers to secure further orders across the entire Group. Going forward, the Group will achieve local production, leveraging the strengths of its global operations.

○ Non-mobility business

In the non-mobility business, the Group primarily worked on preparations of mass-production lines for ceramic setters with mass production scheduled to start in 2024 and conductive auxiliary agents for lithium ion batteries (LiBs) with mass production scheduled to start in 2025. Going forward, the Group will work for further business expansion by blending FCC's core technologies and proactively promoting collaboration and alliances.

■ Financial indicators and shareholder returns

In fiscal 2023, the higher profitability of the core clutch business led to an improvement in the financial indicators. The Group will continue to allocate cash generated in the core clutch business to growth investment as a priority while also enhancing shareholder returns.

■ Sustainability initiatives

○ Climate change

In fiscal 2023, performance on reducing greenhouse gas (GHG) emissions was 2,730t-CO₂ based on energy conservation and 3,667t-CO₂ based on renewable energy. Measures to conserve energy and use renewable energy are being implemented across the entire Group with the aim of realizing carbon neutrality in 2050.

○ Human capital

The Group will define the necessary human resource requirements and begin to formulate a portfolio of human resources in order to transform its entire organization into one that consistently offers new value in the mobility and non-mobility areas. The Group will also pursue measures based on the three central themes of improvement in employee engagement, promotion of diversity, and development of human resources and skills in order to develop human resources who work to bring about "the new FCC" of their own accord, building the foundation for generating innovation.

2. Approach and initiatives on sustainability

The Group's approach and initiatives on sustainability are as follows.

Please note that matters concerning the future in this article were determined by the Group as of the end of the fiscal year ended March 31, 2024.

- **Governance**

The Group considers its impact on the environment, society, and the economy and is implementing various initiatives as part of its long-term corporate strategy to fulfill its social responsibility and resolve social issues. Sustainability-related matters are broken down in the medium-term management plans and the annual business plans based on the corporate philosophy and long-term vision, and the Board of Directors provides appropriate supervision of progress.

- **Risk management**

We identify the risks of sustainability-related matters that impact the Group, and these risks are monitored by the Sustainability Committee and others.

(Climate change)

- **Strategy**

The Group's analysis and response based on the TCFD recommendations is as follows.

Decarbonized economy transition risks (mainly risks leading to 1.5°C scenario)

Degree of impact	Category	Main risks	When risk manifests	Main responses
High	Government policy Legal regulations	<p>Increase in burden of business costs associated with the introduction of carbon taxes, taxes on fuel and energy consumption, emissions trading, etc.</p> <p>Increase in raw material procurement costs due to changes to environmentally friendly raw materials by suppliers and cost increases due to carbon taxes, etc. being passed on to prices</p>	Short to long term	<p>Promoting decarbonization during production and transport, including for suppliers</p> <ul style="list-style-type: none"> Streamlining production, transport, and other areas Using decarbonized and low carbon energy Promoting introduction of high efficiency facilities Considering introduction of internal carbon pricing to stimulate energy conservation and encourage installation of energy-saving facilities Collecting and considering information on options such as renewable energy/non-fossil certificates and credits in Japan and overseas Continually promoting energy conservation activities, including for suppliers
High	Technology	<p>Loss of sales opportunities due to delays in development of technology for products and services</p> <p>Cost of equipment and other measures for decarbonization</p>	Medium to long term	<p>Providing new value for the electrification of mobility leveraging FCC's core technologies</p> <ul style="list-style-type: none"> Starting preparations for mass production in the motorcycle EV/CASE business areas Starting preparations for mass production in the automobile motor core submodule business area Developing a variety of aluminum die cast products to meet next-generation mobility needs <p>Promoting decarbonization through the installation of energy-saving facilities</p> <ul style="list-style-type: none"> Minimizing energy consumption by increasing labor savings and efficiency in production <p>Encouraging environmentally-friendly design</p> <ul style="list-style-type: none"> Reducing raw material use by implementing "environmentally-friendly design," including reducing weight and use of chemicals during design of products and services
Medium	Market trends	<p>Increase in possibility that customers will select procurement products from a Life Cycle Assessment (LCA) perspective will lead to decrease in customer demand due to delays in LCA compliance.</p> <p>Increase in life cycle CO2 reduction requirements from automobile manufacturers</p> <p>Increase in costs due to securing power sources and electric power volume by shifting from fossil fuels to renewable energy (tight demand and supply with higher demand for renewable energy) and rising renewable energy prices</p>	Medium to long term	<p>Strengthening action on CO2 reduction from the LCA perspective in light of market trends and customer demands</p> <ul style="list-style-type: none"> Strengthening LCA response throughout the supply chain and implementing energy conservation to reduce CO2 emissions Implementing introduction of clean energy and renewable energy on a global basis, including solar power generation that takes advantage of the regional characteristics of FCC base locations Expanding sales of products that contribute to carbon neutrality through energy solutions

Degree of impact	Category	Main risks	When risk manifests	Main responses
Medium	Reputation	Impact on sales due to evaluation of approach to addressing climate change issues and changes in market values	Medium to long term	Monitoring the achievement of targets based on the roadmap Implementing the roadmap established (efforts to save energy associated with production activities, introducing renewable energy, reducing CO2 emissions through products and contributing to the environment)

Risks related to physical impact of climate change (risks leading to 4°C scenario)

Degree of impact	Category	Main risks	When risk manifests	Main responses
High	Acute and chronic physical risks	(Acute risks) Increasingly severe typhoons, floods, and droughts, etc. Changes in climate patterns (Chronic risks) Business continuity risk due to weather related disasters thought to be the impact of climate change such as rising sea levels and temperatures	Short to long term	Developing response plans and strengthening responses based on each risk scenario <ul style="list-style-type: none"> Considering location, layout of equipment, and changing climate patterns bearing in mind flood damage when establishing new plants Strengthening measures to address risks for each manufacturing base based on results of risk assessment Strengthening supply chain BCP

Climate change-related opportunities

Degree of impact	Category	Main risks	When risk manifests	Main responses
High	Products Services Markets	Enhancement of market value and increase in earnings through expansion in sales of innovative products (services) that help mitigate and adapt to climate change <ul style="list-style-type: none"> Expansion in demand for related products due to promotion of electrification Increase in need for air purification products, including for CO2, to achieve carbon neutrality Expansion in renewable energy business Expansion in demand for low-carbon and energy-saving products 	Medium to long term	Developing new products that contribute to carbon neutrality based on the Company's core technologies and collaboration and alliances with other companies <ul style="list-style-type: none"> Developing reformer-based integrated SOFC with high generating efficiency that can generate power from bio-fuels Contributing to higher battery efficiency using carbon nanotubes (conductive auxiliary agents, etc.) Developing air purification technologies, such as gas (CO2, etc.) adsorption, utilizing proprietary technologies for extraction, coating and catalysts (honeycomb structure), and thermally efficient firing jigs Developing highly efficient and durable water treatment membranes (UF/RO membranes) Providing technology that contributes to energy saving by reducing weight and cycle times in vehicles and other applications through bonding of dissimilar materials utilizing bonding technologies cultivated in core businesses

• Metrics and targets

The Group will aim for a 50% reduction of CO2 emissions in business activities by 2030 (compared to fiscal 2013) as a milestone toward the realization of carbon neutrality in 2050.

Fiscal 2023 performance on greenhouse gas (GHG) emissions

Category	FY2023 performance
Scope 1 *Direct GHG emissions from a company's own use of fuel and other activities	36,574t-CO2
Scope 2 *Indirect GHG emissions from a company's own use of electricity supplied by other companies	112,479t-CO2
Total (Scope 1 + 2)	149,054t-CO2

Note: 1. The Group's CO2 emissions have obtained third party verification from SGS Japan Inc. since 2018. Fiscal 2023 CO2 emissions are scheduled to obtain third party verification from SGS Japan Inc. in December 2024.

Fiscal 2023 performance on reducing greenhouse gas (GHG) emissions

Category	FY2023 performance
Reduction in energy conservation	2,730t-CO2
Reduction in use of renewable energy	3,667t-CO2
Total (energy saving + renewable energy)	6,397t-CO2

(Human capital)

- Strategy

As the business environment undergoes major changes, the Group will strive to transform itself into an organization that continues to provide new value in the mobility and non-mobility areas in order to achieve sustainable growth. The Group will start formulating a portfolio of human resources in order to define the necessary human resource requirements to develop new businesses and expand market share while maintaining competitiveness in the core businesses and to clarify the gaps with the current situation. This will be the starting point for identifying the personnel issues to be addressed in order to realize the medium-term strategy and taking the appropriate measures to address them. The Group will also pursue measures based on the three central themes of improvement in employee engagement, promotion of diversity, and development of human resources and skills in order to develop human resources who work to bring about “the new FCC” of their own accord, building the foundation for generating innovation.

- Metrics and targets

Three central themes for generating innovation

- 1) Improving engagement

The Company has positioned improving employee engagement as an important metric for “building the foundation for generating innovation” and began conducting an engagement survey in fiscal 2023. It is planned to set targets and determine the direction of measures based on the results of the survey.

Furthermore, in order to develop an environment in which employees are healthy, energetic, and can deliver high performance, the Company has started full-scale initiatives utilizing the Certified Health & Productivity Management Outstanding Organizations Recognition Program framework. The Company has been certified as an outstanding organization for two years in a row from fiscal 2022.

- 2) Promotion of diversity

In terms of “diversity,” female employees have traditionally tended to account for a small proportion of core human resources at the Company. Therefore, first we will focus on “women's success in the workforce” and set a target under which the proportion of female employees promoted to one position higher on the career ladder will be equal to the proportion of male employees promoted to such positions by fiscal 2026, in order to foster an organizational culture in which women can play active roles.

- 3) Development of human resources and skills

The Company has established a systematic human resources training system in order to develop the necessary human resources to accurately understand changes in the business environment and bring about “the new FCC.” In fiscal 2024, new company-wide DX training will be introduced with the objective of transforming the quality of value added.

Moreover, in order to build the human resource foundation that will drive innovation, the Company will first review the evaluation criteria for the role behavior required of management with the aim of creating a workplace environment in which employees are highly motivated, achieve their full potential, and take on challenges.

Going forward, the Company will gradually consider setting Group-wide metrics and targets for the measures outlined above in conjunction with the transformation of the business portfolio.

For more details on human capital, please refer to the Sustainability Report
(<https://www.fccnet.co.jp/sustainability/efforts/report/>)

3. 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

Under the basic policy of “Second Founding: towards the brand-new FCC,” set out in the 12th Medium-Term Management Plan, the Group has been working to enhance the profitability of its core clutch business and to create new businesses. However, at present, the Group’s business operations are centered on clutch products in its core businesses. 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 core 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 38% of the Group’s revenue in the fiscal year ended March 31, 2024. 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.

4. 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, 2024 were as follows.

1) Financial position and operating results

Observing the economic status as of the fiscal year ended March 31, 2024, the outlook remained uncertain due to rising commodity prices, and fluctuations in financial and capital markets. In Japan, there was a moderate recovery in the economy, despite some signs of standstill. Overseas, the U.S. economy remained strong. In Asia, while the Chinese economy recovered but lacked strength and the ASEAN region economies slowed, the Indian economy continued to enjoy high growth.

In the automotive industry, the impact from soaring prices of raw materials remained, but production recovered as semiconductor shortages eased. In the automotive market, new car sales in Japan increased year-on-year for the full year despite a decline in the fourth quarter due in part to supply side factors as production overall recovered. Overseas, the U.S. market remained strong. In China, although competition for sales remained intense, market growth was driven by an increase in sales of new-energy vehicles. In the motorcycle market, demand remained solid in Indonesia and India.

In this situation, under the 12th Medium-Term Management Plan starting in fiscal 2023, the Group worked to maximize revenue in the core clutch business to strengthen its management base and to proactively develop new businesses in the EV/CASE area and the non-mobility sector to transform the business portfolio.

As a result, during the fiscal year ended March 31, 2024, revenue increased by 9.7% from the previous fiscal year to ¥240,283 million due to the increase in sales in India, Indonesia, and the U.S., in addition to the impact of depreciation in the yen. Operating profit increased by 26.9% from the previous fiscal year to ¥15,102 million and profit before income taxes increased by 40.5% from the previous fiscal year to ¥19,169 million. Profit attributable to owners of parent increased by 27.9% from the previous fiscal year to ¥12,231 million.

The following are the business results in each operating segment. Starting from the fiscal year ended March 31, 2024, the Company changed its reportable segments from the previous two segments, "Motorcycle clutches" and "Automobile clutches," to three segments, "Motorcycles business," "Automobiles business," and "Non-mobility business." The figures for the fiscal year ended March 31, 2023 have been reclassified reflecting the reportable segments following the above segment changes for comparison.

Motorcycles Business

An increase in sales of motorcycle clutches in India and Indonesia, in addition to the impact of depreciation of the yen, led to revenue increasing by 5.9% from the previous fiscal year to ¥106,925 million. Operating profit decreased by 1.9% from the previous fiscal year to ¥9,547 million mainly due to higher research and development expense.

Automobiles Business

An increase in sales of automobile clutches in the U.S. and the impact of depreciation of the yen led to revenue increasing by 13.0% from the previous fiscal year to ¥133,340 million. Operating profit increased by 85.4% from the previous fiscal year to ¥8,287 million.

Non-mobility business

Revenue increased by 45.3% from the previous fiscal year to ¥17 million, and the segment recorded a ¥2,732 million operating loss compared to a ¥2,296 million operating loss recorded in the previous fiscal year.

2) Cash flows

As of the end of the fiscal year under review, cash and cash equivalents (hereinafter "net cash") totaled ¥82,028 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 from operating activities was ¥35,383 million. The reasons for the increase are mainly due to profit before income taxes of ¥19,169 million and depreciation and amortization expense of ¥12,861 million. The reasons for the decrease are mainly due to finance income and finance costs of ¥3,747 million and income taxes paid of ¥7,085 million.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥7,433 million. This is mainly due to purchase of property, plant and equipment of ¥8,370 million.

Cash flows from (used in) financing activities

Net cash used in financing activities was ¥4,824 million. This is mainly due to payments for acquisition of interests in subsidiaries from non-controlling interests of ¥1,292 million and cash dividends paid of ¥2,981 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, 2024	Year-on-year comparison (%)
Motorcycles business (Millions of yen)	107,032	105.6
Automobiles business (Millions of yen)	133,613	113.0
Non-mobility business (Millions of yen)	17	145.3
Total (Millions of yen)	240,662	109.6

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 (%)
Motorcycles business	107,689	106.5	8,528	109.8
Automobiles business	135,011	113.9	12,271	115.8
Non-mobility business	17	145.3	–	–
Total	242,717	110.5	20,800	113.3

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, 2024	Year-on-year comparison (%)
Motorcycles business (Millions of yen)	106,925	105.9
Automobiles business (Millions of yen)	133,340	113.0
Non-mobility business (Millions of yen)	17	145.3
Total (Millions of yen)	240,283	109.7

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

Transaction partner	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	40,085	18.3	45,028	18.7
General Motors Company	22,133	10.1	24,630	10.3
Honda Motor Co., Ltd.	8,988	4.1	10,086	4.2

- (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 9.7% from the previous fiscal year to ¥240,283 million.

Revenue increased due to the currency exchange impact of the weaker yen in addition to the increase in sales of motorcycle clutches in India and Indonesia and the increase in sales of automobile clutches in the U.S.

(Operating profit)

Operating profit for the fiscal year under review increased by 26.9% from the previous fiscal year to ¥15,102 million.

Operating profit increased due in part to the effect of revenue growth, despite increases in research and development expense and other SG&A expenses.

(Profit before income taxes)

Profit before income taxes for the fiscal year under review increased by 40.5% from the previous fiscal year to ¥19,169 million.

(Profit attributable to owners of parent)

Profit attributable to owners of parent for the fiscal year under review increased by 27.9% from the previous fiscal year to ¥12,231 million.

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥162,833 million, up ¥30,644 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥28,289 million in cash and cash equivalents.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥82,171 million, up ¥3,733 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥4,158 million in other financial assets in spite of a decrease of ¥500 million in goodwill and intangible assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥46,183 million, up ¥7,880 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥4,902 million in provisions, ¥1,980 million in trade and other payables and ¥892 million in other current liabilities.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥12,218 million, up ¥2,019 million compared with the end of the previous fiscal year. This is mainly due to an increase of ¥2,355 million in deferred tax liabilities in spite of a decrease of ¥392 million in defined benefit liability.

(Equity)

At the end of the fiscal year under review, equity was ¥186,602 million, up ¥24,478 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥15,552 million in other components of equity and ¥9,685 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, 4. 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 material accounting policy information, 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, (6) Significant accounting estimates and judgments, and 3. Material accounting policy information.”

5. Critical contracts for operation

Not applicable.

6. Research and development activities

As a manufacturer of functional components for transportation vehicles, the Group has adopted the basic R&D policy of identifying customer needs and providing products that give customers excellent performance through the application of creative ideas and technologies. Accordingly, it carries out both basic research on friction materials for use in motorcycle, automobile and general-purpose clutches and R&D on the clutches themselves 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, 2024, research and development expense (including expenses recognized as development assets) amounted to ¥7,551 million.

The following is a summary of research and development expense by segment during the fiscal year ended March 31, 2024.

Motorcycles Business

In the core clutch business, 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.

In new businesses, research and development activities are underway to commercialize power units for small EVs in the EV/CASE area, including the motor key components such as motor cores and, motor assemblies, as well as PCUs.

Research and development expense in the motorcycles business amounted to ¥2,166 million.

Automobiles Business

In the core clutch business, 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.

In new businesses, research and development activities are underway to commercialize motor core submodules in the EV/CASE area.

Research and development expense in the automobiles business amounted to ¥2,655 million.

Non-mobility business

Research and development activities are underway for products that lead to the cleansing of the water and atmosphere or to recycling systems in the environmental sector as well as fuel cells and catalysts in the energy sector.

Research and development expense in the non-mobility business amounted to ¥2,729 million.

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2024, the Company made total capital investments (including investments on intangible assets) of ¥8,273 million. The principal capital investment details were: acquisition of buildings in Japan; expanding production capacity for automobile clutches in the U.S.; the new motor core business in China; and expanding production capacity for motorcycle clutches and the new motor core and motor assembly businesses in India. The breakdown of capital investments by business segment is ¥3,297 million for the motorcycles business, ¥4,074 million for the automobiles business, and ¥902 million for the non-mobility business.

(1) Reporting company

Acquisition of buildings

(2) Subsidiaries

New businesses and production capacity expansion at FCC CLUTCH INDIA PRIVATE LIMITED

Production capacity expansion at FCC (Adams), LLC

Production capacity expansion at FCC (VIETNAM) CO., LTD.

New businesses and production capacity expansion at CHINA FCC FOSHAN CO., LTD.

Production capacity expansion at PT. FCC INDONESIA

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2024

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
Hamakita Factory (Hamana-ku, Hamamatsu-shi, Shizuoka)	Motorcycles business Automobile business	Manufacturing facilities for clutches and EV-related products	1,061	886	534 (26,216)	407	2,889	140 [13]
Watagashima Factory (Tenryu-ku, Hamamatsu- shi, Shizuoka)	Motorcycles business Automobiles business	Manufacturing facilities for clutches and EV-related products	1,282	991	766 (61,268)	223	3,263	191 [30]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycles business Automobiles business	Manufacturing facilities for clutches	1,353	532	1,228 (50,477)	126	3,240	157 [70]
R&D Center (Hamana-ku, Hamamatsu-shi, Shizuoka)	Motorcycles business Automobiles business Non-mobility business	Testing apparatus and measuring instruments	488	557	216 (12,093)	186	1,447	194 [89]

(2) Domestic subsidiaries

As of March 31, 2024

Name (Location)	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
FLINT CO., LTD. (Okagaki town, Onga-gun, Fukuoka)	Motorcycles business Automobiles business	Manufacturing facilities for molds for EV-related products	1,448	662	269 (28,704)	35	2,416	45 [3]

(3) Overseas subsidiaries

As of March 31, 2024

Name	Location	Segment name	Facilities	Carrying amount (Millions of yen)					Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m ²)	Other	Total	
FCC (INDIANA), LLC	Indiana, U.S.	Automobiles business	Manufacturing facilities for clutches	1,667	2,868	110 (246,263)	123	4,771	529 [33]
FCC (North Carolina), LLC	North Carolina, U.S.	Motorcycles business Automobiles business	Manufacturing facilities for clutches	3,255	345	42 (366,274)	20	3,665	257 [3]
FCC (Adams), LLC	Indiana, U.S.	Automobiles business	Manufacturing facilities for clutches	4,199	5,401	70 (161,880)	571	10,242	432 [50]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobiles business	Manufacturing facilities for clutches	610	70	108 (81,837)	78	868	295
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycles business Automobiles business	Manufacturing facilities for clutches	409	387	776 (87,890)	278	1,852	414 [337]
FCC CLUTCH INDIA PRIVATE LIMITED	Haryana, India	Motorcycles business Automobiles business	Manufacturing facilities for clutches and EV-related products	1,000	2,065	580 (114,619)	2,116	5,763	726 [2,585]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycles business Automobiles business	Manufacturing facilities for clutches	430	1,557	— (72,812)	297	2,286	1,155 [504]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycles business Automobiles business	Manufacturing facilities for clutches	764	1,869	— (45,816)	798	3,432	1,259
CHINA FCC FOSHAN CO., LTD.	Guangdong, China	Automobiles business	Manufacturing facilities for clutches and EV-related products	213	1,886	— (59,108)	1,042	3,142	303 [87]

- 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 FCC (North Carolina), LLC of 366,274 m², 11,266 m² was leased.
3. 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, 2024 to March 31, 2025), the Company plans to make total capital investments of ¥15,210 million. The principal capital investment items will be acquisition of buildings and new businesses in Japan as well as new businesses and expansion of production capacity in India and China. The breakdown of planned capital investments by business segment will be ¥4,540 million for the motorcycles business, ¥7,210 million for the automobiles business, and ¥3,460 million for the non-mobility business.

- Reporting company

Acquisition of buildings and new businesses

- Subsidiaries

New businesses and production capacity expansion at FCC CLUTCH INDIA PRIVATE LIMITED

New businesses and production capacity expansion at CHINA FCC FOSHAN CO., LTD.

(2) Retirement, etc. of important facilities

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

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

Total number of shares

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

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

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

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

(3) Shareholding by shareholder category

As of March 31, 2024

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	–	28	22	178	193	37	27,778	28,236	–
Number of shares held (Units)	–	112,538	9,421	152,017	112,807	68	139,388	526,239	20,130
Shareholding ratio (%)	–	21.39	1.79	28.89	21.44	0.01	26.49	100.00	–

Notes: 1. 2,898,297 treasury shares are included in “Individuals, etc.” as 28,982 units and “Shares less than one unit” as 97 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, 2024

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	21.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	5,247	10.55
Y.A Co., Ltd.	38-28 Yamate-cho, Chuo-ku, Hamamatsu-shi, Shizuoka	2,556	5.14
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	2,483	4.99
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,090	4.20
F.C.C. Supplier Stock Ownership Association	7000-36 Nakagawa, Hosoe-cho, Hamana-ku, Hamamatsu-shi, Shizuoka	884	1.78
Ei Yamamoto	Chuo-ku, Hamamatsu-shi, Shizuoka	800	1.61
STATE STREET BANK AND TRUST COMPANY 505223 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	608	1.22
JP MORGAN CHASE BANK 385781 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	531	1.07
Japan Philanthropic Foundation	9th Floor Saiwai Building, 1-3-1 Uchisaiwaicho, Chiyoda-ku, Tokyo	500	1.01
Total	—	26,585	53.44

Notes: 1. In addition to the above, the Company held 2,898 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)	5,247 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)	2,090 thousand shares

3. 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 May 11, 2022, describing that each of these companies held shares as follows as of April 29, 2022. Since the Company could not confirm the actual number of shares held by them as of March 31, 2024, 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 209,360	0.40
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 117,100	0.22

4. Mizuho Bank, Ltd. and its joint holders, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd. and Asset Management One Co., Ltd. made the change report for the substantial shareholding report available for public inspection as of November 8, 2023, describing that each of these companies held shares as follows as of October

31, 2023. Since the Company could not confirm the actual number of shares held by them as of March 31, 2024, they were not included in the above major shareholders.

Name	Address	Number of shares, etc. held (Shares)	Shareholding ratio (%)
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	Shares 979,300	1.86
Mizuho Securities Co., Ltd.	1-5-1 Otemachi, Chiyoda-ku, Tokyo	Shares 6,800	0.01
Mizuho Trust & Banking Co., Ltd.	1-3-3 Marunouchi, Chiyoda-ku, Tokyo	Shares 429,000	0.81
Asset Management One Co., Ltd.	1-8-2 Marunouchi, Chiyoda-ku, Tokyo	Shares 754,800	1.43

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 ¥74 per share (of which ¥30 was paid out as an interim dividend). This resulted in a dividend payout ratio of 30.1%.

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 2, 2023	1,492	30
Resolution at a Board of Directors meeting held on May 10, 2024	2,188	44

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.”

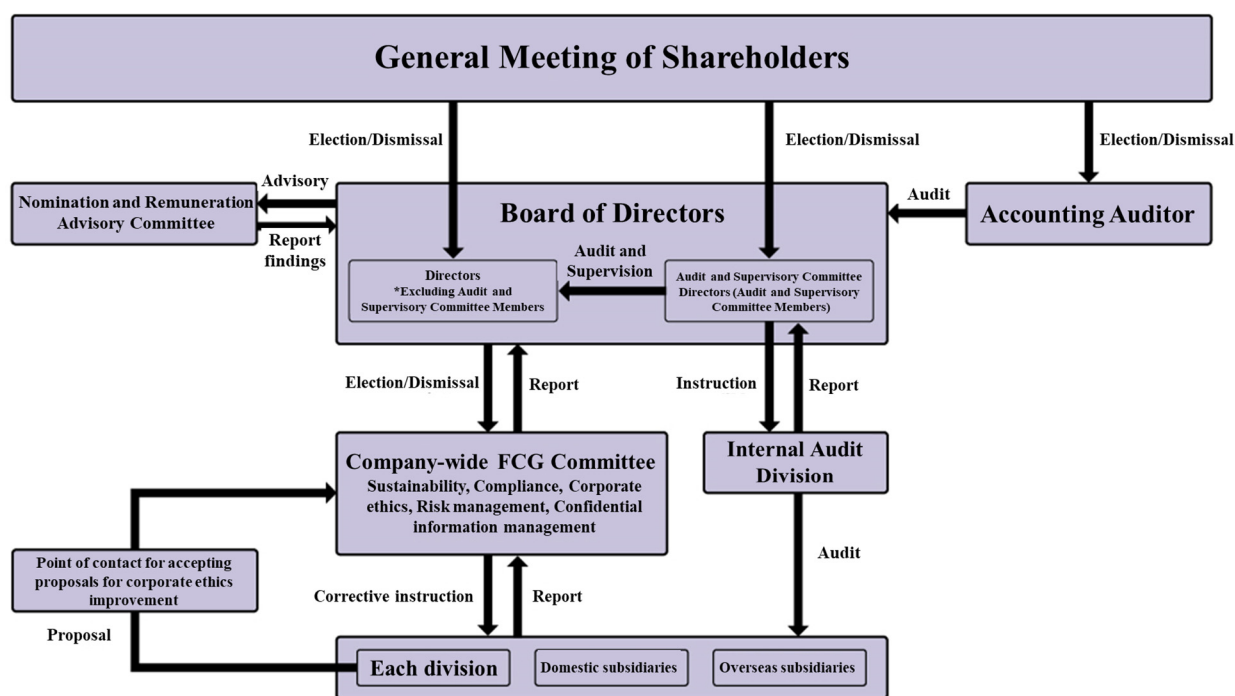
2) Summary of system of corporate governance and reasons for adopting the system

(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 ten 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. As for the Accounting Auditor, the Company has concluded an audit contract with Yasumori Audit Corporation to undergo accounting audits in compliance with the Companies Act and Financial Instruments and Exchange Act. In addition, the Nomination and Remuneration Advisory Committee comprises six Directors, of whom five 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 20, 2024.



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.

(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.

Activity Status of the Board of Directors

In the fiscal year under review, the Company convened nine meetings of the Board of Directors and the status of attendance of each individual Director is as follows.

Name	Number of committee meetings held	Number of committee meetings attended
Yoshitaka Saito	9	9
Kazuto Suzuki	9	9
Atsuhiko Mukoyama	9	9
Satoshi Nakaya	7	7
Kunihiro Koshizuka	9	9
Kazunori Kobayashi	9	9
Ryujiro Matsumoto	9	9
Masahide Sato	9	9
Kazumoto Sugiyama	9	9
Mayumi Yamamoto	9	9

Note: Satoshi Nakaya was appointed from the 93rd Ordinary General Meeting of Shareholders held on June 20, 2023 and the table lists the number of committee meetings he attended following appointment.

The specific matters for consideration at the Board of Directors included supervision of the execution of duties by Directors, compliance, risk management, and the systems of Group companies. With regard to the 12th Medium-Term Management Plan, with its first year in fiscal 2023, the Board of Directors worked to achieve the targets set out in the annual business plan and reported regularly on progress at meetings of the Board of Directors.

Activity Status of the Nomination and Remuneration Advisory Committee

In the fiscal year under review, the Company convened four meetings of the Nomination and Remuneration Advisory Committee and the status of attendance of each individual Nomination and Remuneration Advisory Committee Member is as follows.

Name	Number of committee meetings held	Number of committee meetings attended
Yoshitaka Saito	4	4
Kunihiro Koshizuka	4	4
Kazunori Kobayashi	4	4
Masahide Sato	4	4
Kazumoto Sugiyama	4	4
Mayumi Yamamoto	4	4

The specific matters for consideration at the Nomination and Remuneration Advisory Committee included the preparation of the draft proposal for the election of Directors to be submitted to the General Meeting of Shareholders and a review of remuneration for officers.

(2) Information about officers

1) Officers

Men: 8, Women: 2 (Percentage of female officers: 20.0%)

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, Head of business operation in North America of the Company President and Director of FCC (North America), INC.</p> <p>Jun. 2012 Managing Director, Head of business operation in North America of the Company</p> <p>Apr. 2013 Managing Director, 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)	345

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Senior Managing Director, Overall business management, Head of Development, Risk Management Officer and in charge of Racing of the Company	Kazuto Suzuki	May 27, 1961	<p>Apr. 1984 Joined the Company</p> <p>Jun. 2010 Director, Head of business operation in China and South America and General Manager of Corporate Planning Office of the Company</p> <p>Jun. 2011 Director, Head of business operation in China and South America, General Manager of Corporate Planning Office and Risk Management Officer of the Company</p> <p>Jun. 2012 Director, Head of Production of Motorcycle Components, Head of Production Engineering and Head of business operation in China and South America of the Company</p> <p>Apr. 2013 Director, Head of business operation of motorcycles business in Japan, Head of business operation in China and South America and Risk Management Officer of the Company</p> <p>Apr. 2014 Director, Head of business operation of motorcycles business, Head of business operation in ASEAN and India and Head of business operation in South America of the Company</p> <p>Apr. 2016 Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company</p> <p>Jun. 2017 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company</p> <p>Jun. 2018 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and South America and Risk Management Officer of the Company</p> <p>Apr. 2019 Managing Director, Head of business operation of motorcycles business, Head of business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing of the Company</p> <p>Aug. 2022 Head of business operation in India of the Company</p> <p>Apr. 2023 Managing Director, Overall business management, Head of Development, Head of business operation in Japan, Risk Management Officer and in charge of Racing of the Company</p> <p>Jun. 2023 Senior Managing Director, Overall business management, Head of Development, Head of business operation in Japan, Risk Management Officer and in charge of Racing of the Company</p> <p>Jun. 2024 Senior Managing Director, Overall business management, Head of Development, Risk Management Officer and in charge of Racing of the Company (incumbent)</p>	(Note 2)	137

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	Atsuhiro 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, Head of Production of Automobile Components of the Company</p> <p>Apr. 2013 Director, 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)	123

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Managing Director, Head of business operation of motorcycles business, Head of business operation in China, Head of business operation in India and ASEAN of the Company, and President of F.C.C. (CHINA) INVESTMENT CO., LTD.	Satoshi Nakaya	March 17, 1964	<p>Apr. 1986 Joined the Company</p> <p>Jan. 2012 General Manager of Corporate Planning Office of the Company</p> <p>Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company</p> <p>Apr. 2013 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. President and Director of FCC (INDIANA), LLC</p> <p>Apr. 2017 Director and Head of business operation in North America of the Company President and Director of FCC (North America), INC.</p> <p>Apr. 2019 Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China of the Company</p> <p>Jun. 2021 Managing Officer, Head of Purchasing and Head of business operation in China of the Company</p> <p>Apr. 2023 Managing Officer, Head of business operation of motorcycles business, Head of Purchasing, Head of business operation in China, Head of business operation in India and ASEAN of the Company, and President of F.C.C. (CHINA) INVESTMENT CO., LTD.</p> <p>Jun. 2023 Managing Director, Head of business operation of motorcycles business, Head of Purchasing, Head of business operation in China, Head of business operation in India and ASEAN of the Company, and President of F.C.C. (CHINA) INVESTMENT CO., LTD.</p> <p>Jun. 2024 Managing Director, Head of business operation of motorcycles business, Head of business operation in China, Head of business operation in India and ASEAN of the Company, and President of F.C.C. (CHINA) INVESTMENT CO., LTD. (incumbent)</p>	(Note 2)	129

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
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 & Executive Officer, General Manager of Corporate R&D Headquarters of KONICA MINOLTA, INC.</p> <p>Apr. 2015 Executive Vice President & Executive Officer, General Manager of Business Development Headquarters of KONICA MINOLTA, INC.</p> <p>Jun. 2015 Director, Executive Vice President & Executive Officer, and General Manager of Business Development Headquarters of KONICA MINOLTA, INC.</p> <p>Apr. 2016 Director, Executive Vice President & 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)	—
Director	Kazunori Kobayashi	June 2, 1958	<p>Apr. 1981 Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation)</p> <p>Jun. 2013 Operating Officer, General Manager of Professional Audio Business Department of Electronics Business Headquarters of Yamaha Corporation</p> <p>Aug. 2013 Operating Officer, General Manager of Business Development of Yamaha Corporation</p> <p>Jul. 2016 Operating Officer of Yamaha Corporation Representative Director and President of YAMAHA MUSIC JAPAN CO., LTD.</p> <p>Jun. 2018 Advisor of Yamaha Corporation (retired in June 2020)</p> <p>Jun. 2022 Director of the Company (incumbent)</p>	(Note 2)	—
Director, Audit and Supervisory Committee Member (full time)	Akira Tsuboi	August 13, 1964	<p>Jan. 1994 Joined the Company</p> <p>Apr. 2016 Operating Officer, Head of Research and Development of Automobile Components</p> <p>Jul. 2019 Operating Officer, Deputy Head of business operation in China</p> <p>Sep. 2019 Operating Officer, Deputy Head of business operation in China and President of F.C.C. (China) Investment Co., Ltd.</p> <p>Jan. 2023 Operating Officer, Head of Quality Control and Quality Assurance Representative</p> <p>Jun. 2024 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)</p>	(Note 3)	60

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member	Kazumoto Sugiyama	May 27, 1969	Sep. 2006 Graduated from The Legal Training and Research Institute of Japan Oct. 2006 Registered as an attorney (Shizuoka Bar Association) Joined Toshio Sugiyama Law Office (currently Sugiyama Law Office) Sep. 2008 President of Sugiyama Law Office (to present) Jun. 2014 Director of the Company Jun. 2016 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	—
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)	—
Director, Audit and Supervisory Committee Member	Tae Kawashima	April 22, 1979	Sep. 2007 Graduated from The Legal Training and Research Institute of Japan Registered as an attorney (Shizuoka Bar Association) Joined Yasutomo Ohishi Law Office Aug. 2014 President of Tae Kawashima Law Office (to present) Jun. 2022 Outside Director of Tenryu Saw Mfg. Co., Ltd. (incumbent) Jun. 2024 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	—
Total					796

Notes: 1. Kunihiro Koshizuka, Kazunori Kobayashi, Kazumoto Sugiyama, Mayumi Yamamoto, and Tae Kawashima are Outside Directors.

2. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 18, 2024

3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 18, 2024

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

Kazumoto Sugiyama, Mayumi Yamamoto, Tae Kawashima

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. 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.

Ms. Tae Kawashima was elected as an Outside Director in the light of her specialized expertise and extensive experience of corporate legal affairs acquired as a lawyer.

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

In accordance with the requirements of the Tokyo Stock Exchange, 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
Masahide Sato	12	12
Kazumoto Sugiyama	12	11
Mayumi Yamamoto	12	12

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

In terms of the activities of the Audit and Supervisory Committee, in accordance with auditing policies, plans and division of responsibility established by the Audit and Supervisory Committee, each Audit

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

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

Outside Director Mayumi Yamamoto is a licensed CPA with considerable knowledge of finance and accounting.

2) Internal audits

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

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

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

3) Accounting audits

a. Name of the audit corporation

Yasumori Audit Corporation

b. Length of continuous tenure

36 years

c. CPAs who conducted audits

Nobuko Inaba, Ryuta Arakawa

d. Assistant accountants who participated in audits

Assistant accountants who participated in accounting audits of the Company are ten CPAs, one person who has passed the Certified Public Accountant examination, and one system auditor.

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, 2023		Fiscal year ended March 31, 2024	
	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	—	53	—
Consolidated subsidiaries	—	—	—	—
Total	50	—	53	—

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

Not applicable.

c. Details of other major remuneration for audit certification services

Not applicable.

d. Policy on determining audit fee

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

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

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

(4) Remuneration, etc. for officers

- 1) Policy for determining remuneration 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 Outside Directors and 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 Outside Directors and 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 business profit for each business year is paid as bonus at a fixed time each year. The Nomination and Remuneration Advisory Committee deliberates on any special factors that should be taken into consideration.

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 = 65:10:10:15.

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.

Performance-based bonus

The performance indicator for performance-based bonuses are consolidated business profit, appropriately reflecting the profit generated from the business. Targets for payment decisions are not set, but performance on this fiscal year was ¥15,540 million.

The Company shall pay performance-based bonus corresponding 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, 2025 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 ¥6.0 billion.

President and Representative Director (Consolidated business profit - ¥6.0 billion) $\times 0.115\%$

Senior Managing Director (Consolidated business profit - ¥6.0 billion) $\times 0.06517\%$

Managing Director (Consolidated business profit - ¥6.0 billion) $\times 0.05367\%$

Managing Officer (Consolidated business profit - ¥6.0 billion) $\times 0.03833\%$

- 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, 2025.
 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 the 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) [Outside Directors]	184 [14]	120 [14]	11 [-]	27 [-]	25 [-]	6 [2]
Directors, Audit and Supervisory Committee Members [Outside Directors]	42 [18]	42 [18]	— [-]	— [-]	— [-]	4 [3]
Total [Outside Directors]	226 [32]	162 [32]	11 [-]	27 [-]	25 [-]	10 [5]

- 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.
7. Basic remuneration includes premiums for the defined contribution pension plan.

(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.

As of the end of the fiscal year under review, cross-held shares accounted for less than 2.0% 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	17	1,123
Shares other than unlisted shares	7	2,541

(Issues whose number of shares increased in the fiscal year ended March 31, 2024)

	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	6	394	Capital investment in new businesses
Shares other than unlisted shares	2	5	Contributions to Supplier Stock Ownership Association

(Issues whose number of shares decreased in the fiscal year ended March 31, 2024)

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

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

Specified investment shares

Issue	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of holding, overview of business alliance, etc., quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
KANEMATSU CORPORATION	740,200	740,200	Primarily engaged in the sale of motorcycle clutches to U.S. and European customers through this Group, which accounted for 2.5% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	1,918	1,215		
SUZUKI MOTOR CORPORATION	210,000	52,500	A customer for motorcycle clutches, etc. with sales to this Group accounting for 2.0% 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.	No
	365	252		
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
	162	99		
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
	51	30		
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
	20	22		

Issue	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2023	Purpose of holding, overview of business alliance, etc., quantitative effect of holding and reason for increase in number of shares (Note)	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
YAMABIKO CORPORATION	9,393	8,614	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
	18	11		
Kawasaki Heavy Industries, Ltd.	1,050	—	A customer for motorcycle clutches and although newly acquired and 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
	5	—		

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, 2024 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, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	6,29	53,738	82,028
Trade and other receivables	7,29	38,739	40,198
Other financial assets	8,29	3,902	4,181
Inventories	9	32,715	32,809
Other current assets	10	3,091	3,615
Total current assets		132,189	162,833
Non-current assets			
Property, plant and equipment	11,13,17, 32	57,483	57,234
Goodwill and intangible assets	12,32	3,447	2,946
Investments accounted for using the equity method	14	161	127
Other financial assets	8,29	14,395	18,554
Deferred tax assets	15	2,554	2,768
Other non-current assets	10,20	394	540
Total non-current assets		78,437	82,171
Total assets		210,626	245,004

		(Millions of yen)	
	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19,29	18,204	20,184
Borrowings	16,29	6,100	6,100
Other financial liabilities	8,29	313	458
Income taxes payable	15	2,019	1,981
Provisions	21	3,478	8,380
Other current liabilities	10	8,187	9,079
Total current liabilities		38,302	46,183
Non-current liabilities			
Other financial liabilities	8,29	1,096	1,100
Defined benefit liability	20	1,527	1,135
Provisions	21	14	14
Deferred tax liabilities	15	7,087	9,442
Other non-current liabilities	10	472	525
Total non-current liabilities		10,199	12,218
Total liabilities		48,502	58,402
Equity			
Issued capital	22	4,175	4,175
Retained earnings	22	139,639	149,324
Treasury shares	22	(4,723)	(4,694)
Other components of equity		20,963	36,515
Total equity attributable to owners of parent		160,055	185,322
Non-controlling interests		2,069	1,280
Total equity		162,124	186,602
Total liabilities and equity		210,626	245,004

(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, 2023	Fiscal year ended March 31, 2024
Revenue	4,5	218,939	240,283
Cost of sales		(185,944)	(198,231)
Gross profit		32,994	42,051
Selling, general and administrative expenses	23	(21,669)	(26,511)
Other income	24	1,125	740
Other expense	13,24	(546)	(1,178)
Operating profit	4	11,903	15,102
Finance income	25	1,820	4,097
Finance costs	25	(74)	(22)
Share of profit (loss) in investments accounted for using the equity method	14	(9)	(8)
Profit before income taxes		13,641	19,169
Income tax expense	15	(3,838)	(6,713)
Profit		9,802	12,456
Profit attributable to			
Owners of parent		9,566	12,231
Non-controlling interests		236	224
Profit		9,802	12,456
Earnings per share			
Basic earnings per share (Yen)	27	192.41	245.91
Diluted earnings per share (Yen)	27	—	—

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

3) Consolidated statement of comprehensive income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit		9,802	12,456
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	26	411	598
Changes in the fair value of financial assets measured at fair value through other comprehensive income	26	304	3,488
Total		715	4,086
Components that may be reclassified to profit or loss			
Exchange differences of foreign operations	26	5,782	12,251
Share of other comprehensive income of associates accounted for using equity method	14,26	(0)	(15)
Total		5,781	12,236
Total other comprehensive income		6,497	16,322
Comprehensive income		16,300	28,778
Comprehensive income attributable to			
Owners of parent		15,980	28,382
Non-controlling interests		319	396
Comprehensive income		16,300	28,778

(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	Capital surplus	Retained earnings	Treasury shares	Other components of equity
					Exchange differences of foreign operations
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2022	4,175	—	132,252	(4,764)	10,480
Profit	—	—	9,566	—	—
Other comprehensive income	—	—	—	—	5,700
Total comprehensive income	—	—	9,566	—	5,700
Purchase of treasury shares	22	—	—	(0)	—
Disposal of treasury shares	22	—	(7)	41	—
Dividends	22	—	(2,585)	—	—
Increase (decrease) due to changes in equity	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—
Transfer from other components of equity	—	—	412	—	—
Total transactions with the owners	—	—	(2,179)	41	—
Balance as of March 31, 2023	4,175	—	139,639	(4,723)	16,180
Profit	—	—	12,231	—	—
Other comprehensive income	—	—	—	—	12,099
Total comprehensive income	—	—	12,231	—	12,099
Purchase of treasury shares	22	—	—	(0)	—
Disposal of treasury shares	22	3	—	29	—
Dividends	22	—	(2,984)	—	—
Increase (decrease) due to changes in equity	—	(163)	—	—	—
Transfer from retained earnings to capital surplus	—	160	(160)	—	—
Transfer from other components of equity	—	—	598	—	—
Total transactions with the owners	—	—	(2,546)	29	—
Balance as of March 31, 2024	4,175	—	149,324	(4,694)	28,280

		Equity attributable to owners of parent				
		Other components of equity				
	Notes	Changes in the fair value of financial assets measured at fair value through other compre- hensive income	Remea- surements of defined benefit plans	Total	Total	Non- controll- ing interests
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2022		4,481	—	14,962	146,625	1,906
Profit		—	—	—	9,566	236
Other comprehensive income		302	411	6,413	6,413	83
Total comprehensive income		302	411	6,413	15,980	319
Purchase of treasury shares	22	—	—	—	(0)	—
Disposal of treasury shares	22	—	—	—	33	—
Dividends	22	—	—	—	(2,585)	(157)
Increase (decrease) due to changes in equity		—	—	—	—	—
Transfer from retained earnings to capital surplus		—	—	—	—	—
Transfer from other components of equity		(1)	(411)	(412)	—	—
Total transactions with the owners		(1)	(411)	(412)	(2,551)	(157)
Balance as of March 31, 2023		4,782	—	20,963	160,055	2,069
Profit		—	—	—	12,231	224
Other comprehensive income		3,452	598	16,150	16,150	172
Total comprehensive income		3,452	598	16,150	28,382	396
Purchase of treasury shares	22	—	—	—	(0)	—
Disposal of treasury shares	22	—	—	—	32	—
Dividends	22	—	—	—	(2,984)	(55)
Increase (decrease) due to changes in equity		—	—	—	(163)	(1,130)
Transfer from retained earnings to capital surplus		—	—	—	—	—
Transfer from other components of equity		—	(598)	(598)	—	—
Total transactions with the owners		—	(598)	(598)	(3,115)	(1,185)
Balance as of March 31, 2024		8,235	—	36,515	185,322	1,280

(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, 2023	Fiscal year ended March 31, 2024
Net cash flows from (used in) operating activities			
Profit before income taxes		13,641	19,169
Depreciation and amortization expense		13,358	12,861
Impairment loss		315	735
Finance income and finance costs		(1,645)	(3,747)
Share of loss (profit) in investments accounted for using the equity method		9	8
Loss (gain) on sales and retirement of non-current assets		12	139
Decrease (increase) in inventories		(352)	3,185
Decrease (increase) in trade and other receivables		(2,861)	2,452
Increase (decrease) in trade and other payables		(820)	(109)
Increase (decrease) in defined benefit liability		316	264
Increase (decrease) in provisions		1,808	4,902
Other		1,489	430
Subtotal		25,270	40,292
Interest and dividend income received		923	2,173
Interest expenses paid		(20)	(14)
Income taxes paid		(5,235)	(7,085)
Income taxes refund and interest on refund received		75	17
Net cash flows from (used in) operating activities		21,014	35,383
Net cash flows from (used in) investing activities			
Payments into time deposits		(2,665)	(5,224)
Proceeds from withdrawal of time deposits		1,492	5,744
Purchase of property, plant and equipment		(7,776)	(8,370)
Proceeds from sales of property, plant and equipment		170	217
Purchase of intangible assets		(770)	(499)
Payments of loans receivable		(74)	(80)
Collection of loans receivable		102	152
Purchase of investments		(711)	(458)
Proceeds from sales and redemption of investments		2	1,319
Other		(76)	(234)
Net cash flows from (used in) investing activities		(10,307)	(7,433)
Net cash flows from (used in) financing activities			
Repayments of lease liabilities		(489)	(495)
Payments for acquisition of interests in subsidiaries from non-controlling interests		—	(1,292)
Purchase of treasury shares		(0)	(0)
Cash dividends paid	22	(2,585)	(2,981)
Cash dividends paid to non-controlling shareholders		(157)	(55)
Net cash flows from (used in) financing activities		(3,232)	(4,824)
Net increase (decrease) in cash and cash equivalents		7,474	23,125
Cash and cash equivalents at beginning of period	6	44,627	53,738
Effect of exchange rate change on cash and cash equivalents		1,637	5,164
Cash and cash equivalents at end of period	6	53,738	82,028

(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, 2024 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 motorcycles business, the automobile business, and the non-mobility business.

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 18, 2024.

(2) Basis of measurement

As described in the note “3. Material accounting policy information,” 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) Impact of application of new accounting standards

Effective from the fiscal year ended March 31, 2024, the Group has applied the following accounting standards.

Standard book	Standard name	Description of revision
IAS 12	Income taxes	Clarification of accounting treatment for deferred taxes related to assets and liabilities generated from a single transaction

(5) Accounting standards and interpretations that have not yet been applied

The main new standards and interpretations that were either newly established or revised by the date of approval of the consolidated financial statements and which the Group has not applied early are as follows. The impact on the consolidated financial statements from the application of this standard book is being considered.

Standard book	Standard name	Period of mandatory application (beginning fiscal year)	Fiscal year of adoption by the Group	Overview of newly established/revised standards
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	A new standard that replaces IAS 1, the current accounting standard for presentation and disclosure in financial statements

(6) 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 20. Employee benefits

Note 21. 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:

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

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

Estimate of provision for product warranty (Note 21. Provisions and contingent liabilities)

3. Material accounting policy information

(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. The Group recognizes the relevant financial instruments on the transaction date when it became a party to the contract related to the financial assets.

All financial assets are initially measured at fair value plus transaction costs, except for the case of being classified as financial assets at FVTPL. Trade receivables that do not involve a significant financing component are measured at the transaction price.

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 giving rise to cash flows on specified dates, consisting only of payment of the principal and interest on the principal balance.

Financial assets not classified as those measured at amortized cost are classified as financial assets measured at fair value. Among them, 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) Subsequent measurement

Financial assets are subsequently measured as follows in accordance with their respective classifications.

(a) Financial assets measured at amortized cost

They are measured based on amortized cost using the effective interest method.

(b) Financial assets at FVTPL and financial assets at FVTOCI

They are measured at fair value.

For financial assets at FVTOCI, 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.

(iii) Impairment of financial assets

For financial assets measured at amortized cost, the Group has adopted the method of recognizing allowance for doubtful accounts 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 doubtful accounts.

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 doubtful accounts.

However, with regard to trade receivables that do not contain a significant financing component, allowance for doubtful accounts 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.

(iv) 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. Information on measurement on initial recognition is provided in (2) Business combinations.

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 motorcycles business, the automobile business, and the non-mobility business. With regard to the sales of these products, the Company 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 mainly consists of interest income, dividend income, gain on sale of financial assets, changes in the fair value of financial assets measured at fair value through profit and loss, 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 mainly consist of interest expense, loss on sale of financial assets, changes in the fair value of financial assets measured at fair value through profit and loss, 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 fiscal 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 and transactions that give rise to an equal amount of taxable temporary differences and deductible temporary differences
- 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 Group has applied the temporary exceptions provided for in IAS 12 Income Taxes and does not recognize any deferred tax assets or liabilities for income taxes arising from global minimum tax, nor are they included in the disclosed amounts.

The Company and some of its domestic subsidiaries have applied the group profit and loss sharing regime (the group relief 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, 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 operations in the motorcycle business and the automobile business, respectively. The Head of business strategy performs the same role for the non-mobility business. Thus the Group has three reportable segments: the "motorcycles business," the "automobiles business," and the "non-mobility business." The motorcycles business manufactures clutches for motorcycles, scooters and ATVs and other products, while developing new businesses in the EV/CASE area. The automobile business manufactures clutches for manual and automatic transmission automobiles and other products, while developing new businesses in the EV/CASE area. The non-mobilities business develops new businesses, primarily in the environmental and energy sectors.

(Change in classification of business segments)

The Group has been working on transformation of its business portfolio and strengthening its management base in order to adapt to recent changes in the business environment. Under the 12th Medium-Term Management Plan announced in May 2023, the Group's growth strategy is to enhance the profitability of its existing clutch business through selection and concentration of management resources while promoting initiatives for the creation of new businesses to transform the entire organization into one that consistently offers new value in the mobility and non-mobility areas.

As a result of considering performance evaluation, the decision-making process and other factors involved in the Group's management and administration in conjunction with this, the reportable segments were changed from the previous two segments of "Motorcycle clutches" and "Automobile clutches" to the three segments of "Motorcycle business," "Automobiles business," and "Non-mobility business" from the fiscal year ended March 31, 2024. Segment information for the fiscal year ended March 31, 2023 has been prepared and disclosed based on the reportable segment classifications following the changes to business segments outlined above.

(2) Revenue and performance for reportable segments

Fiscal year ended March 31, 2023

	Reportable segments				Consolidated
	Motorcycles business	Automobiles business	Non-mobility business	Total	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Revenue					
External revenue	100,967	117,960	11	218,939	218,939
Intersegment revenue	—	—	—	—	—
Total	100,967	117,960	11	218,939	218,939
Depreciation and amortization expense	(5,401)	(7,825)	(131)	(13,358)	(13,358)
Other profit (loss)	(85,837)	(105,663)	(2,176)	(193,677)	(193,677)
Operating profit (loss)	9,729	4,470	(2,296)	11,903	11,903
Finance income					1,820
Finance costs					(74)
Share of profit (loss) in investments accounted for using the equity method					(9)
Profit before income taxes					13,641

- Notes: 1. Other profit (loss) includes ¥315 million of impairment loss (¥315 million for the automobiles business).
2. The breakdown of capital investments by business segment is ¥2,590 million for the motorcycles business, ¥5,050 million for the automobiles business, and ¥679 million for the non-mobility business.

Fiscal year ended March 31, 2024

	Reportable segments				Consolidated
	Motorcycles business	Automobiles business	Non-mobility business	Total	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Revenue					
External revenue	106,925	133,340	17	240,283	240,283
Intersegment revenue	—	—	—	—	—
Total	106,925	133,340	17	240,283	240,283
Depreciation and amortization expense	(5,261)	(7,465)	(133)	(12,861)	(12,861)
Other profit (loss)	(92,116)	(117,587)	(2,615)	(212,320)	(212,320)
Operating profit (loss)	9,547	8,287	(2,732)	15,102	15,102
Finance income					4,097
Finance costs					(22)
Share of profit (loss) in investments accounted for using the equity method					(8)
Profit before income taxes					19,169

- Notes: 1. Other profit (loss) includes ¥735 million of impairment loss (¥735 million for the automobiles business).
2. The breakdown of capital investments by business segment is ¥3,297 million for the motorcycles business, ¥4,074 million for the automobiles business, and ¥902 million for the non-mobility business.

(3) Geographic information

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

Revenue from external customers

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Japan	17,988	17,899
U.S.	92,324	102,452
Indonesia	23,519	27,886
India	27,516	32,411
Other	57,590	59,632
Total	218,939	240,283

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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Japan	23,019	22,464
U.S.	19,816	18,317
China	3,194	3,780
Other	15,056	15,765
Total	61,086	60,327

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, etc.

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, 2023	Fiscal year ended March 31, 2024
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycles business	48,398	50,103
	Automobiles business	33,093	40,856
Ford and its group	Automobiles business	40,257	45,028
General Motors	Automobiles business	22,133	24,630

5. Revenue

The Group is principally engaged in the motorcycles business, the automobiles business, and the non-mobility business. With regard to the sales of these products, the Company 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, 2023

	As of April 1, 2022	As of March 31, 2023
	Millions of yen	Millions of yen
Contract liability	11	27

Fiscal year ended March 31, 2024

	As of April 1, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Contract liability	27	61

The amount of revenue recognized in the balance of contract liability at the beginning of the period was ¥11 million in the previous fiscal year and ¥27 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 “21. 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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Cash and deposits	53,738	82,028

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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	34,886	36,608
Accounts receivable - other	3,861	3,597
Allowance for doubtful accounts	(8)	(8)
Total	38,739	40,198

Note: Information on management of credit risk and liquidity risk to “trade and other receivables” is provided in the note “29. Financial instruments.”

8. Other financial assets and other financial liabilities

Breakdown of other financial assets

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Time deposits	2,799	4,116
Bonds	1,031	—
Loans	71	64
Total	3,902	4,181

Other non-current financial assets

Financial assets measured at fair value through profit or loss

Investments in limited liability investment partnerships	785	756
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Financial assets measured at fair value through other comprehensive income

Shares of subsidiaries and associates	6,676	10,844
Investment securities	3,507	4,733
Investments in capital	4	4

Financial assets measured at amortized cost

Time deposits	1,959	556
Long-term deposits	648	648
Loans	286	232
Other	526	778

Total	14,395	18,554
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Breakdown of other financial liabilities

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	313	458
Total	313	458
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	1,096	1,100
Total	1,096	1,100

9. Inventories

Breakdown of inventories

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Finished goods	5,503	5,409
Work in process	4,674	4,750
Raw materials and supplies	22,538	22,649
Total	32,715	32,809

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Amount of write-down	1,312	1,406
Amount of inventories	185,944	198,231

10. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	1,220	1,652
Advances paid	945	1,171
Prepaid expenses	440	546
Suspense payments	33	36
Other	451	207
Total	3,091	3,615
Other non-current assets		
Long-term prepaid expenses	155	146
Defined benefit asset	239	394
Total	394	540

Breakdown of other liabilities

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Other current liabilities		
Accrued expense	2,927	3,536
Accrued bonuses	2,058	2,023
Other	3,201	3,519
Total	8,187	9,079
Other non-current liabilities		
Deferred income	271	254
Other	200	271
Total	472	525

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, 2022	43,301	145,698	21,428	8,110	4,345	3,266	226,150
Acquisition	158	2,074	935	7	296	4,721	8,193
Disposal	(71)	(1,866)	(1,668)	—	(524)	—	(4,130)
Transfer of line items	1,679	2,784	1,117	—	—	(5,581)	—
Exchange differences on translation	2,094	8,324	752	81	142	119	11,515
Other	—	—	—	—	(243)	(407)	(651)
March 31, 2023	47,162	157,015	22,566	8,200	4,015	2,118	241,078
Acquisition	182	1,517	778	—	559	5,794	8,832
Disposal	(245)	(4,715)	(1,759)	—	(161)	—	(6,882)
Transfer of line items	1,721	3,068	1,113	—	—	(5,904)	—
Exchange differences on translation	3,480	14,407	1,483	168	343	158	20,041
Other	—	—	—	—	—	(83)	(83)
March 31, 2024	52,301	171,292	24,182	8,368	4,756	2,082	262,985

(2) Accumulated depreciation and impairment loss

	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
April 1, 2022	26,149	118,731	18,616	1,408	1,126	88	166,121
Depreciation	1,328	8,792	1,604	–	556	–	12,280
Impairment loss	31	144	81	–	–	53	310
Disposal	(53)	(1,761)	(1,477)	–	(525)	–	(3,818)
Exchange differences on translation	1,179	6,885	661	–	32	–	8,758
Other	–	–	–	–	(58)	–	(58)
March 31, 2023	28,635	132,790	19,486	1,408	1,130	141	183,594
Depreciation	1,418	7,920	2,009	–	559	–	11,908
Impairment loss	146	235	45	298	–	10	735
Disposal	(161)	(4,449)	(1,713)	–	(155)	–	(6,480)
Exchange differences on translation	2,071	12,604	1,246	–	71	–	15,993
Other	–	0	–	–	–	–	0
March 31, 2024	32,110	149,101	21,073	1,706	1,606	152	205,750

(3) Carrying amount

	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, 2022	17,151	26,967	2,811	6,702	3,218	3,177	60,029
Balance as of March 31, 2023	18,527	24,224	3,079	6,792	2,884	1,976	57,483
Balance as of March 31, 2024	20,191	22,191	3,109	6,662	3,150	1,929	57,234

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 “32. 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	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2022	489	2,290	6,241	0	109	—	9,131
Acquisition	—	104	—	—	—	2	106
Increase due to internal development	—	—	664	—	—	—	664
Disposal	—	(46)	(1,204)	—	—	—	(1,250)
Transfer of line items	—	—	—	—	—	—	—
Exchange differences on translation	—	22	—	—	—	—	22
Other	—	—	—	—	—	—	—
March 31, 2023	489	2,370	5,701	0	109	2	8,674
Acquisition	—	123	—	—	0	—	123
Increase due to internal development	—	—	375	—	—	—	375
Disposal	—	(64)	(917)	—	—	—	(981)
Transfer of line items	—	—	—	—	—	—	—
Exchange differences on translation	—	46	—	—	—	—	46
Other	—	—	—	—	—	—	—
March 31, 2024	489	2,476	5,159	0	109	2	8,238

(2) Accumulated amortization and impairment loss

	Goodwill	Intangible assets					Total
		Software	Properties for development	Water facilities usage right	Patent right	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2022	489	1,892	2,928	0	14	—	5,325
Amortization expense	—	162	954	0	13	0	1,131
Impairment loss	—	4	—	—	—	—	4
Disposal	—	(46)	(1,204)	—	—	—	(1,250)
Exchange differences on translation	—	15	—	—	—	—	15
Other	—	—	—	—	—	—	—
March 31, 2023	489	2,029	2,679	0	28	0	5,226
Amortization expense	—	157	836	0	13	0	1,008
Impairment loss	—	0	—	—	—	—	0
Disposal	—	(64)	(917)	—	—	—	(981)
Exchange differences on translation	—	37	—	—	—	—	37
Other	—	—	—	—	—	—	—
March 31, 2024	489	2,160	2,599	0	42	0	5,291

(3) Carrying amount

	Goodwill		Intangible assets				Total
		Software	Properties for development	Water facilities usage right	Patent right	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2022	—	398	3,312	0	94	—	3,805
March 31, 2023	—	341	3,021	0	81	2	3,447
March 31, 2024	—	316	2,560	0	67	1	2,946

- 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 “32. Commitments.”

13. Impairment loss

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Buildings and structures	31	146
Machinery, equipment and vehicles	144	235
Tools, furniture and fixtures	81	45
Construction in progress	53	10
Land	—	298
Total property, plant and equipment	310	735
Software	5	0
Total intangible assets	5	0
Total impairment loss	315	735

- Notes: 1. The impairment loss is included and recorded in “other expense” in the consolidated statement of income.
2. The reportable segment with impaired assets in the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024 is the automobile business.

(2) Cash-generating unit

The Group groups assets based on the smallest unit of asset groups identifiable as a unit generating cash inflow (cash-generating unit) 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 grouped by individual asset unit.

(3) Impairment loss

Fiscal year ended March 31, 2023

In consideration of a deterioration of business environment and profitability, the Company has conducted an impairment test with regard to CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., a subsidiary of the Company, based on the latest plan. Consequently, the carrying amount of the assets held by the subsidiary was reduced to the recoverable amount and recorded as impairment loss (¥315 million) in “other expense.”

The recoverable amount is calculated with the value in use, obtained by discounting the estimated amount of cash flows based on the future business plan approved by management to the present value using the pretax weighted average cost of capital (2.43%) for the cash-generating unit.

Fiscal year ended March 31, 2024

In consideration of a deterioration of business environment and profitability, the Company has conducted an impairment test with regard to FLINT CO., LTD. and CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., subsidiaries of the Company, based on the latest plan. Consequently, the carrying amount of the assets held by each of the subsidiaries was reduced to the recoverable amount and recorded as impairment loss (¥735 million) in “other expense.”

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

The pretax weighted average cost of capital for the cash-generating unit for the relevant Group companies is 2.17% for FLINT CO., LTD. and 2.23% for CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.

(4) Significant accounting estimates and assumptions

1) The amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2024

(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Impairment loss	315	735

Note: Of “property, plant and equipment” in the fiscal year ended March 31, 2024, ¥298 million relates to FLINT CO., LTD. and ¥437 million relates CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD., which are consolidated subsidiaries, and “intangible assets” relate to CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD. Of impairment loss of ¥735 million, ¥298 million relates to FLINT CO., LTD. and ¥437 million relates to CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.

2) Information for understanding the details of accounting estimates

(i) Calculation method

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

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

(ii) Major assumption

It is very hard to forecast the impact that changes in the Japanese economy and business environment will have on the Group’s performance, but considering the business environment of companies subject to the above impairment based on certain assumptions with improved estimates, the Company calculates the future cash flows using a revised business plans with somewhat conservative views for the amount of orders relative to the initial plan.

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

The future performance of the companies subject to the above impairment may be affected by the future uncertain economic conditions and change in the business environment. If the recoverability of the impairment loss recorded in the fiscal year ended March 31, 2024 increases, there could be an impact on the consolidated financial statements of subsequent fiscal years due to reversal of such impairment loss, etc.

14. Investments accounted for using the equity method

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Total carrying amount	161	127
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Profit	(9)	(8)
Other comprehensive income	(0)	(15)
Comprehensive income	(9)	(23)

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, 2023

	April 1, 2022	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2023
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	1,167	(16)	—	—	(7)	1,143
Accrued bonuses	427	3	—	—	—	430
Accrued expense	248	(41)	—	—	(2)	204
Non-current assets	1,321	(10)	—	—	(2)	1,308
Defined benefit liability	442	153	(143)	—	0	454
Other	1,091	656	—	—	(22)	1,725
Total	4,699	744	(143)	—	(33)	5,267
Deferred tax liabilities						
Non-current assets	(3,615)	724	—	—	(117)	(3,008)
Valuation difference of equity financial instruments measured at fair value through other comprehensive income	(1,916)	—	(117)	—	—	(2,033)
Retained surplus of overseas consolidated subsidiaries	(4,438)	(113)	—	—	—	(4,551)
Other	(106)	(104)	—	—	4	(206)
Total	(10,077)	507	(117)	—	(112)	(9,800)

Fiscal year ended March 31, 2024

	April 1, 2023	Recognized through profit or loss	Recognized in other comprehen- sive income	Recognized directly in equity	Other	March 31, 2024
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	1,143	(79)	—	—	(1)	1,062
Accrued bonuses	430	(288)	—	—	—	142
Accrued expense	204	(26)	—	—	(1)	176
Non-current assets	1,308	(73)	—	—	(8)	1,227
Defined benefit liability	454	72	(213)	—	0	312
Other	1,725	(446)	—	—	(16)	1,263
Total	5,267	(841)	(213)	—	(26)	4,185
Deferred tax liabilities						
Non-current assets	(3,008)	532	—	—	(25)	(2,500)
Valuation difference of equity financial instruments measured at fair value through other comprehensive income	(2,033)	—	(1,467)	—	—	(3,500)
Retained surplus of overseas consolidated subsidiaries	(4,551)	(152)	—	—	—	(4,703)
Other	(206)	54	—	—	(2)	(153)
Total	(9,800)	435	(1,467)	—	(27)	(10,859)

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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Unused tax losses	8,244	6,920
Deductible temporary differences	428	2,562
Total	8,673	9,483

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
1st year	970	1,684
2nd year	1,684	1,759
3rd year	1,759	1,032
4th year	1,032	1,380
5th year and onward	2,796	1,063
Total	8,244	6,920

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized was ¥51,229 million as of March 31, 2023 and ¥53,654 million as of March 31, 2024. 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, 2024

(Millions of yen)		
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Deferred tax assets	2,554	2,768

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 thought 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 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, 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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Current tax expense	5,090	6,307
Deferred tax expense	(1,252)	406
Total	3,838	6,713

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	%	%
Effective statutory tax rate	29.9	29.9
Non-deductible expenses in calculation of taxable profits	2.9	3.1
Unrecognized deferred tax assets	1.5	(0.6)
Tax credits	(0.8)	(3.1)
Difference from the applicable tax rate of overseas subsidiaries	(8.0)	(7.8)
Retained surplus of overseas subsidiaries	0.8	0.8
Other	1.8	12.7
Effective tax rate	28.1	35.0

- Notes: 1. The Group is mainly liable for corporation, inhabitant, and enterprise taxes, and the effective statutory tax rate calculated on this basis was 29.9% in the fiscal years ended March 31, 2023 and March 31, 2024. However, overseas subsidiaries are liable for corporation tax in the country where they are located.
2. In Japan's 2023 tax reform, a tax reform act (Act for Partial Revision of the Income Tax Act, etc. (Act No. 3 of 2023)) (hereinafter referred to as the "Revised Corporation Tax Act"), which established a corporate tax corresponding to global minimum tax including provisions related to it, was enacted on March 28, 2023. The Revised Corporation Tax Act introduces the income inclusion rule (IIR), which is one of the BEPS global minimum tax rules. This means that from fiscal years beginning on or after April 1, 2024, parent companies located in Japan will be subject to an additional top-up tax until the tax burden of subsidiaries, etc. of a parent company located in Japan reaches the minimum tax rate (15%). This has no significant impact on the Group's consolidated financial statements. In addition, the Group has applied the temporary exceptions provided for in IAS 12 Income Taxes and does not recognize any deferred tax assets or liabilities for income taxes arising from global minimum tax, nor are they included in the disclosed amounts.

16. Borrowings

Breakdown of borrowings

	As of March 31, 2023	As of March 31, 2024	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Short-term borrowings	6,100	6,100	0.30	—
Total	6,100	6,100		

- Notes: 1. "Average interest rate" shows weighted average interest rate on the balance as of March 31, 2024.
2. "Due" shows the repayment due for the balance as of March 31, 2024.
3. For the breakdown of the balance of borrowings by due date, refer to the note "29. 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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Depreciation expense for right-of-use assets		
Land, buildings and structures	461	465
Machinery, equipment and vehicles	66	63
Tools, furniture and fixtures	28	30
Total	556	559
Interest expense for lease liabilities	7	12
Expense for short-term leases	8	21
Expense for low-value asset leases	2	1
Total	18	35

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Right-of-use assets		
Land, buildings and structures	2,627	2,916
Machinery, equipment and vehicles	133	116
Tools, furniture and fixtures	123	116
Total	2,884	3,150

- Notes: 1. The amount of increase in the right-of-use assets was ¥296 million in the fiscal year ended March 31, 2023 and ¥559 million in the fiscal year ended March 31, 2024.
2. The total cash outflow for leases was ¥489 million in the fiscal year ended March 31, 2023 and ¥495 million in the fiscal year ended March 31, 2024.
3. The amount of lease liabilities was ¥313 million (current) and ¥1,096 million (non-current) in the fiscal year ended March 31, 2023 and ¥458 million (current) and ¥1,100 million (non-current) in the fiscal year ended March 31, 2024. 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 “29. Financial instruments, (3) Financial risk management, 2) Liquidity risk management.”

18. Information on cash flows

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

Fiscal year ended March 31, 2023

(Millions of yen)					
	April 1, 2022	Changes associated with cash flows	Changes not associated with cash flows		March 31, 2023
			New leases	Foreign exchange fluctuations and other	
Short-term borrowings	6,100	—	—	—	6,100
Lease liabilities	1,645	(489)	294	(39)	1,410
Total	7,745	(489)	294	(39)	7,510

Fiscal year ended March 31, 2024

(Millions of yen)					
	April 1, 2023	Changes associated with cash flows	Changes not associated with cash flows		March 31, 2024
			New leases	Foreign exchange fluctuations and other	
Short-term borrowings	6,100	—	—	—	6,100
Lease liabilities	1,410	(495)	559	83	1,558
Total	7,510	(495)	559	83	7,658

(2) Significant non-cash transactions

Fiscal year ended March 31, 2023

The increase in right-of-use assets is stated in the note “17. Leases.”

Fiscal year ended March 31, 2024

The increase in right-of-use assets is stated in the note “17. Leases.”

19. Trade and other payables

Breakdown of trade and other payables

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Notes and accounts payable - trade	15,141	17,390
Electronically recorded obligations - operating	907	1,020
Accounts payable - other	2,155	1,774
Total	18,204	20,184

20. Employee benefits

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

(1) Defined benefit plans

The pension and retirement plans of the Company and certain of its subsidiaries generally entitle employees to receive a retirement lump sum or pension payments calculated on the basis of salary and years of service, or points based on these, at the time of retirement. The minimum payment in the case of retirement before the retirement age is generally an amount based on retirement for personal reasons.

Due to its defined benefit plans, the Company is exposed to actuarial risks, including price fluctuation risks, interest rate risks, and life expectancy risks.

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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Funded defined benefit obligations	9,349	9,479
Plan assets	(9,682)	(10,556)
Subtotal	(332)	(1,077)
Unfunded defined benefit obligations	1,621	1,818
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,288	740
Defined benefit liability	1,527	1,135
Defined benefit asset	(239)	(394)
Net amount of liabilities and assets recognized in consolidated statement of financial position	1,288	740

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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	837	883

3) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	11,244	10,970
Service cost	754	798
Interest cost	174	230
Past service cost	68	(51)
Remeasurement	(1,477)	(1,130)
Retirement benefits paid	112	304
Exchange differences on translation	95	175
Defined benefit obligations at end of period	10,970	11,297

Note: The weighted average duration of defined benefit obligations was 10.5 to 16.2 years as of March 31, 2023 and 9.8 to 15.2 years as of March 31, 2024.

4) Reconciliation of plan assets

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Plan assets at beginning of period	9,698	9,682
Interest income	86	140
Remeasurement	(177)	763
Contributions by the employer	492	457
Retirement benefits paid	(427)	(555)
Exchange differences on translation	9	68
Plan assets at end of period	9,682	10,556

5) Composition of plan assets

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Debentures	4,725	3,475
Shares	1,592	2,444
Other	3,364	4,636
Total	9,682	10,556

Note: A portion of plan assets is invested in jointly managed money trusts at trust banks. Jointly managed money trusts do not have quoted prices in active markets, but the investments within jointly managed money trusts include listed shares and debentures with quoted prices in active markets.

6) Major actuarial assumptions

	As of March 31, 2023	As of March 31, 2024
	%	%
Discount rate (Japan)	1.1	1.2
Discount rate (Overseas)	2.9 to 7.3	2.9 to 7.3

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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(487)	(482)
0.5% decrease in the discount rate	522	497

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.

8) Cash flows

The amount of contributions to plan assets by the Company and certain of its consolidated subsidiaries is determined based on various factors, including employees' compensation levels and years of service, the funded status of plan assets and actuarial calculations. The Company and certain of its consolidated subsidiaries may make the necessary contributions if the amount of the reserve falls below the minimum reserve threshold. The Company and certain of its consolidated subsidiaries estimate the amount to be contributed in the next fiscal year to be ¥496 million.

(2) Defined contribution plans

Amounts recognized as expenses for defined contribution plans

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Amount recorded as expenses	299	327

(3) Multi-employer plans

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 corporate pension fund that is a multi-employer plan, which is accounted for in the same manner as defined contribution plans, was ¥191 million in the previous fiscal year and ¥188 million in the fiscal year under review.

1) Latest funding position of multi-employer plan

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Plan assets	69,380	68,641
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	52,786	50,730
Difference	16,593	17,910

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

	As of March 31, 2023	As of March 31, 2024
	%	%
Proportion of contributions by the Group	6.7	7.1

21. 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
March 31, 2022	1,669	14	1,684
Increase during the period	1,808	—	1,808
Interest expense during the period in discounting	—	0	0
Decrease during the period (intended use)	—	—	—
Decrease during the period (reversal)	—	—	—
March 31, 2023	3,478	14	3,493
Increase during the period	4,902	—	4,902
Interest expense during the period in discounting	—	0	0
Decrease during the period (intended use)	—	—	—
Decrease during the period (reversal)	—	—	—
March 31, 2024	8,380	14	8,395
Current	8,380	—	8,380
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, 2024

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Provision for product warranty	3,478	8,380

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 is 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

Provisions are recorded based on the best estimate of expenditures required to settle the obligation, taking into account the risks and uncertainties associated with the obligation at the balance sheet date. The amount of expenditures required to settle obligations is calculated by comprehensively taking into account possible future outcomes. However, it may be affected by the occurrence of unforeseen events or changes in circumstances. If the actual amount of payment differs from the estimate, it may have a significant impact on the amount recognized in the consolidated financial statements for the next fiscal year or later.

22. Equity and other equity items

(1) Issued capital

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

	Number of shares authorized	Number of shares issued	Issued capital
	Shares	Shares	Millions of yen
As of April 1, 2022	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2023	90,000,000	52,644,030	4,175
Change during the period	—	—	—
As of March 31, 2024	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, 2022	2,941,879	4,764
Change during the period	(25,515)	(41)
As of March 31, 2023	2,916,364	4,723
Change during the period	(18,067)	(29)
As of March 31, 2024	2,898,297	4,694

Note: Changes during the previous fiscal year are due to the disposal of 25,551 treasury shares for the restricted share-based remuneration plan and purchase of shares less than one unit of 36 shares.

Changes during the fiscal year under review are due to the disposal of 18,287 treasury shares for the restricted share-based remuneration plan and purchase of shares less than one unit of 220 shares.

(4) Dividends

- Cash dividends paid

Fiscal year ended March 31, 2023

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
November 4, 2022 Board of Directors meeting	1,292	26.00	September 30, 2022	November 28, 2022

Fiscal year ended March 31, 2024

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 12, 2023 Board of Directors meeting	1,491	30.00	March 31, 2023	June 21, 2023
November 2, 2023 Board of Directors meeting	1,492	30.00	September 30, 2023	November 27, 2023

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

Fiscal year ended March 31, 2023

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 12, 2023 Board of Directors meeting	1,491	30.00	March 31, 2023	June 21, 2023

Fiscal year ended March 31, 2024

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 10, 2024 Board of Directors meeting	2,188	44.00	March 31, 2024	June 19, 2024

23. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Packing and shipping expenses	2,399	1,965
Personnel expenses	5,794	6,162
Depreciation and amortization expense	571	656
Research and development expense	5,572	7,176
Provision for product warranty	1,486	4,242
Other	5,844	6,309
Total	21,669	26,511

24. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Gain on sales of non-current assets	68	94
Grant income	7	41
Other	1,049	604
Total	1,125	740

(2) Breakdown of other expense

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	81	234
Impairment loss	315	735
Other	149	208
Total	546	1,178

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

25. Finance income and finance costs

(1) Breakdown of finance income

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, financial assets measured at amortized cost	651	1,593
Dividend income		
Financial assets measured at fair value through other comprehensive income	329	398
Foreign exchange gains	839	1,894
Gain on valuation of financial instruments		
Financial assets measured at fair value through profit or loss	—	124
Other	—	87
Total	1,820	4,097

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Interest cost		
Borrowings	17	10
Lease liabilities	7	12
Loss on valuation of financial instruments		
Financial assets measured at fair value through profit or loss	49	—
Total	74	22

26. Other comprehensive income

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

Fiscal year ended March 31, 2023

	Amount arising	Reclassifica- tion 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	554	—	554	(143)	411
Changes in the fair value of financial assets measured at fair value through other comprehensive income	421	—	421	(117)	304
Total	976	—	976	(260)	715
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	5,782	—	5,782	—	5,782
Share of other comprehensive income of associates accounted for using equity method	(0)	—	(0)	—	(0)
Total	5,781	—	5,781	—	5,781
Total	6,758	—	6,758	(260)	6,497

Fiscal year ended March 31, 2024

	Amount arising	Reclassifica- tion 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	811	—	811	(213)	598
Changes in the fair value of financial assets measured at fair value through other comprehensive income	4,955	—	4,955	(1,467)	3,488
Total	5,767	—	5,767	(1,680)	4,086
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	12,251	—	12,251	—	12,251
Share of other comprehensive income of associates accounted for using equity method	(15)	—	(15)	—	(15)
Total	12,236	—	12,236	—	12,236
Total	18,003	—	18,003	(1,680)	16,322

27. Earnings per share

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to ordinary equity holders of parent (Millions of yen)	9,566	12,231
Weighted-average number of ordinary shares (Thousands of shares)	49,719	49,740
Basic earnings per share (Yen)	192.41	245.91

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

28. 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 ended March 31, 2023	Fiscal year ended March 31, 2024
Vesting date	July 20, 2022	July 19, 2023
Number of shares	25,551	18,287
Fair value on vesting date (Yen)	1,323	1,792

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 was ¥30 million in the previous fiscal year and ¥33 million in the fiscal year under review and is included under "selling, general and administrative expenses" in the consolidated statement of income.

29. 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, 2023 Millions of yen	As of March 31, 2024 Millions of yen
Financial assets		
Financial assets measured at fair value through profit or loss		
Other financial assets		
Investments in limited liability investment partnerships	785	756
Financial assets measured at fair value through other comprehensive income		
Other financial assets		
Shares of subsidiaries and associates	6,676	10,844
Investment securities	3,507	4,733
Investments in capital	4	4
Financial assets measured at amortized cost		
Trade and other receivables	38,739	40,198
Other financial assets		
Time deposits	4,759	4,672
Bonds	1,031	—
Long-term deposits	648	648
Loans	357	297
Other	526	778
Cash and cash equivalents	53,738	82,028
Total financial assets	110,777	144,962

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	18,204	20,184
Borrowings	6,100	6,100
Other financial liabilities		
Lease liabilities	1,410	1,558
Total financial liabilities	25,715	27,843

(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 doubtful accounts. "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 doubtful accounts 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 doubtful accounts 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 doubtful accounts related to trade receivables past due and credit are as follows.

Trade receivables past due

As of March 31, 2023

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	190	—	190
Balance at end of period	132	—	132

As of March 31, 2024

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	132	—	132
Balance at end of period	127	—	127

Allowance for doubtful accounts

As of March 31, 2023

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	9	—	9
Increase in the period	—	—	—
Decrease in the period	(1)	—	(1)
Other	0	—	0
Balance at end of period	8	—	8

As of March 31, 2024

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	8	—	8
Increase in the period	0	—	0
Decrease in the period	(0)	—	(0)
Other	0	—	0
Balance at end of period	8	—	8

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, 2023

	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	18,204	18,204	18,204	—	—	—	—	—
Borrowings	6,100	6,100	6,100	—	—	—	—	—
Lease liabilities	1,410	1,449	324	278	160	136	118	432
Total	25,715	25,755	24,629	278	160	136	118	432

As of March 31, 2024

	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	20,184	20,184	20,184	—	—	—	—	—
Borrowings	6,100	6,101	6,101	—	—	—	—	—
Lease liabilities	1,558	1,589	461	332	168	145	113	367
Total	27,843	27,875	26,747	332	168	145	113	367

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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
US dollar	79	160
RMB	6	3

(ii) Price fluctuation risks

Although the Group is exposed to risks of fluctuations in share prices, which arise from equity financial instruments (shares), these instruments are shares in companies with which the Group has business relationships and the Group grasps information on market prices of the shares quarterly.

- Sensitivity analysis on market prices

The impact of a 10% fluctuation in market prices of equity financial instruments held by the Group as of the end of fiscal year on other comprehensive income (before tax effects) was ¥836 million in the previous fiscal year and ¥1,347 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, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Honda Motor Co., Ltd.	6,676	10,844
KANEMATSU CORPORATION	1,215	1,918
SUZUKI MOTOR CORPORATION	252	365
Mizuho Financial Group, Inc.	99	162
Kawasaki Heavy Industries, Ltd.	49	93
Sumitomo Mitsui Financial Group, Inc.	30	51

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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Fair value at the date of derecognition	2	—
Cumulative gain (loss) on disposal	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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Equity financial instruments derecognized during the period	—	—
Equity financial instruments held at the end of the period	329	398
Total	329	398

(5) Fair value of financial instruments

1) Fair value hierarchy

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an ordinary transaction between market participants on the measurement date. 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.

For financial instruments classified as Level 3, the valuer determines the valuation method and measures the fair value of the financial instrument in accordance with the valuation policies and procedures for fair value measurement established by the Group.

In addition, the results of fair value measurements are approved by the appropriate person with responsibility.

2) Method of fair value measurement

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

The fair value of investment in limited liability investment partnerships and partnerships of a similar nature is measured 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.

Financial liabilities measured at amortized cost

The carrying amounts of borrowings (current) approximate the fair values since they are settled in a short period of time. Therefore, their fair values are determined based on their carrying amounts.

For borrowings (non-current), fair values are calculated by discounting expected future cash flows to the present value based on the assumed interest rate for executing similar, new borrowings.

3) 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, 2023

	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 (investments in limited liability investment partnerships)	—	—	785	785
Financial assets measured at fair value through other comprehensive income				
Listed shares	8,360	—	—	8,360
Unlisted shares	—	—	1,823	1,823
Other (investments in capital)	—	—	4	4
Total	8,360	—	2,613	10,974

As of March 31, 2024

	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 (investments in limited liability investment partnerships)	—	—	756	756
Financial assets measured at fair value through other comprehensive income				
Listed shares	13,476	—	—	13,476
Unlisted shares	—	—	2,100	2,100
Other (investments in capital)	—	—	4	4
Total	13,476	—	2,861	16,338

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

- 4) 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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Balance at beginning of period	1,966	2,613
Acquisition	703	420
Distribution	(88)	(179)
Sale	0	—
Total gains and losses		
Other comprehensive income	82	(117)
Profit or loss	(49)	124
Balance at end of period	2,613	2,861

- 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. Gains and losses included in profit or loss relate to investment in limited liability investment partnerships, etc. held as of the reporting date. These gains and losses are included in “finance income” and “finance costs” in the consolidated statement of income.
3. 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).

5) Carrying amount and fair value of financial instruments

Most of the financial assets measured at amortized cost held by the Company are “trade and other receivables” and “borrowings (current).” As they are settled in a short period of time and their fair values are approximately equal to their carrying amounts, disclosure on comparison of the fair values and carrying amounts has been omitted.

30. 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	Motorcycles business Automobiles business	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycles business Automobiles business	80.22
FLINT CO., LTD.	Japan	Motorcycles business Automobiles business	100
FCC (North America), INC.	U.S.	Administration of subsidiaries in the U.S.	100
FCC (INDIANA), LLC	U.S.	Automobiles business	100 [100]
FCC (North Carolina), LLC	U.S.	Motorcycles business Automobiles business	100 [100]
FCC (Adams), LLC	U.S.	Automobiles business	100 [100]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	Mexico	Automobiles business	100 [45.30]
FCC (THAILAND) CO., LTD.	Thailand	Motorcycles business Automobiles business	100 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycles business Automobiles business	100
F.C.C. (CHINA) INVESTMENT CO., LTD.	China	Administration of subsidiaries in China	100
CHENGDU YONGHUA. F.C.C. CLUTCHES CO., LTD.	China	Motorcycles business Automobiles business	100 [82.22]
CHU'S F.C.C. (SHANGHAI) CO., LTD.	China	Motorcycles business	100
CHINA FCC FOSHAN CO., LTD.	China	Automobiles business	100 [61.43]
FCC (TAIWAN) CO., LTD.	Taiwan	Motorcycles business	70 [15]
FCC CLUTCH INDIA PRIVATE LIMITED	India	Motorcycles business Automobiles business	100
PT. FCC INDONESIA	Indonesia	Motorcycles business Automobiles business	100 [0.55]
FCC (VIETNAM) CO., LTD.	Vietnam	Motorcycles business Automobiles business	100
FCC DO BRASIL LTDA.	Brazil	Motorcycles business Automobiles business	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.

31. Related parties

(1) Related party transactions

Fiscal year ended March 31, 2023

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	9,914	1,529

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, 2024

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	11,054	1,504

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, 2023	Fiscal year ended March 31, 2024
	Millions of yen	Millions of yen
Remuneration and bonuses	163	201
Share-based remuneration	18	25
Total	181	226

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."

32. Commitments

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

	As of March 31, 2023	As of March 31, 2024
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	1,258	1,118

33. Subsequent events

Acquisition and cancellation of treasury shares

At the meeting of the Board of Directors held on May 10, 2024, the Company approved a resolution on matters related to the acquisition of treasury shares pursuant to the provisions of Article 459, Paragraph 1 of Japan's Companies Act and the Company's Articles of Incorporation. A resolution on matters related to the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act was also approved.

(1) Reasons for acquisition and cancellation of treasury shares

To improve capital efficiency and execute a flexible capital policy

(2) Details of matters related to acquisition

Class of shares to be acquired	Ordinary shares of the Company
Total number of shares to be acquired	650,000 (upper limit) (Ratio to the total number of outstanding shares (excluding treasury shares): 1.3%)
Total acquisition cost	¥1,300,000,000 (upper limit)
Period of acquisition	From May 13, 2024 to July 12, 2024
Method of acquisition	Market purchase on the Tokyo Stock Exchange
Date of acquisition	From May 13, 2024 to June 14, 2024
Other	As a result of the acquisition described above, 587,500 of the Company's common shares were acquired for a total acquisition cost of ¥1,299,851,100.

(3) Details of matters related to cancellation

Class of shares to be cancelled	Ordinary shares
Total number of shares to be cancelled	All treasury shares acquired as described in (2) above
Scheduled date of cancellation	July 19, 2024

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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	9,792	19,181
Notes receivable - trade	7	—
Electronically recorded monetary claims - operating	804	960
Accounts receivable - trade	7,403	7,675
Securities	1,031	—
Merchandise and finished goods	951	825
Work in process	946	827
Raw materials and supplies	2,640	2,644
Prepaid expenses	45	55
Short-term loans receivable from subsidiaries and associates	4,807	4,985
Other	2,136	2,358
Allowance for doubtful accounts	(2)	(2)
Total current assets	30,565	39,513
Non-current assets		
Property, plant and equipment		
Buildings	4,492	5,540
Structures	244	272
Machinery and equipment	3,817	3,322
Vehicles	24	23
Tools, furniture and fixtures	823	643
Land	4,908	4,908
Construction in progress	596	400
Total property, plant and equipment	14,906	15,111
Intangible assets		
Patent right	81	67
Software	169	182
Software in progress	5	7
Total intangible assets	256	258
Investments and other assets		
Investment securities	3,149	4,421
Shares of subsidiaries and associates	24,723	29,953
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	90	84
Long-term loans receivable from subsidiaries and associates	2,670	1,967
Long-term prepaid expenses	2	31
Prepaid pension expenses	142	216
Deferred tax assets	153	—
Other	690	689
Allowance for doubtful accounts	(1,509)	(1,509)
Total investments and other assets	39,034	44,775
Total non-current assets	54,197	60,145
Total assets	84,762	99,659

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes payable - trade	1	—
Accounts payable - trade	2,633	3,171
Short-term borrowings	6,100	6,100
Accounts payable - other	548	385
Electronically recorded obligations - operating	907	1,020
Accrued expense	447	529
Income taxes payable	81	312
Advances received	15	26
Deposits received	61	139
Provision for bonuses	1,259	1,250
Provision for officer bonuses	13	28
Provision for product warranty	3,478	8,380
Other	48	44
Total current liabilities	15,598	21,389
Non-current liabilities		
Deferred tax liabilities	—	2,532
Asset retirement obligations	14	14
Total non-current liabilities	14	2,547
Total liabilities	15,613	23,936
Net assets		
Shareholders' equity		
Issued capital	4,175	4,175
Capital surplus		
Legal capital surplus	4,555	4,555
Other capital surplus	2	5
Total capital surpluses	4,557	4,560
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	472	472
Reserve for open innovation promotion tax system	124	175
General reserve	54,500	54,500
Retained earnings brought forward	3,310	6,416
Total retained earnings	61,051	64,207
Treasury shares	(4,723)	(4,694)
Total shareholders' equity	65,061	68,250
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,088	7,472
Total valuation and translation adjustments	4,088	7,472
Total net assets	69,149	75,722
Total liabilities and net assets	84,762	99,659

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	38,705	41,308
Cost of sales		
Beginning finished goods	853	951
Cost of products manufactured	26,588	26,859
Purchase of finished goods	504	565
Total	27,947	28,376
Ending finished goods	951	825
Cost of finished goods sold	26,996	27,550
Gross profit	11,709	13,758
Selling, general and administrative expenses		
Packing and delivery expenses	790	737
Salaries and allowances	1,721	1,686
Provision for bonuses	280	268
Retirement benefit expenses	223	206
Depreciation	62	107
Provision for product warranty	1,486	4,242
Research and development expense	6,236	7,500
Other	1,906	2,113
Total selling, general and administrative expenses	12,708	16,862
Operating loss	(999)	(3,104)
Non-operating income		
Interest income	149	431
Interest on capital receivable	162	224
Interest on securities	580	595
Dividend income	4,655	9,386
Rental income	10	14
Commissions on equipment sales	267	107
Foreign exchange gains	239	1,173
Technical advisory fee	44	33
Gain on investment partnership management	–	124
Other	86	106
Total non-operating income	6,195	12,197
Non-operating expenses		
Interest expenses	9	10
Rent expenses	3	3
Provision of allowance for doubtful accounts	737	–
Losses on investment partnership management	49	–
Other	0	28
Total non-operating expenses	800	42
Ordinary profit	4,395	9,050
Extraordinary income		
Gain on sales of non-current assets	12	2
Gain on sales of investment securities	1	–
Gain on liquidation of subsidiaries and associates	0	–
Grant income	–	21
Total extraordinary income	14	23
Extraordinary losses		
Loss on sales and retirement of non-current assets	42	162
Loss on valuation of shares of subsidiaries and associates	547	–
Total extraordinary losses	590	162

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit before income taxes	3,819	8,911
Income taxes - current	1,007	1,496
Income taxes - deferred	(371)	1,274
Total income taxes	635	2,771
Profit	3,184	6,140

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity										
	Issued capital	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	Reserve for open innovation promotion tax system	General reserve	Retained earnings brought forward	
Balance at beginning of current period	4,175	4,555	9	4,565	1,043	1,600	483	—	54,500	2,825	60,452
Changes of items during period											
Reversal of reserve for advanced depreciation of non-current assets							(10)			10	—
Reserve for open innovation promotion tax system								124		(124)	—
Dividends of surplus										(2,585)	(2,585)
Profit										3,184	3,184
Purchase of treasury shares											
Disposal of treasury shares			(7)	(7)							
Net changes of items other than shareholders' equity											
Total changes of items during period	—	—	(7)	(7)	—	—	(10)	124	—	484	599
Balance at end of current period	4,175	4,555	2	4,557	1,043	1,600	472	124	54,500	3,310	61,051

	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	(4,764)	64,428	3,854	3,854	68,283
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		–			–
Reserve for open innovation promotion tax system		–			–
Dividends of surplus		(2,585)			(2,585)
Profit		3,184			3,184
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	41	33			33
Net changes of items other than shareholders' equity			233	233	233
Total changes of items during period	41	632	233	233	866
Balance at end of current period	(4,723)	65,061	4,088	4,088	69,149

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity										
	Issued capital	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	Reserve for open innovation promotion tax system	General reserve	Retained earnings brought forward	
Balance at beginning of current period	4,175	4,555	2	4,557	1,043	1,600	472	124	54,500	3,310	61,051
Changes of items during period											
Reversal of reserve for advanced depreciation of non-current assets											—
Reserve for open innovation promotion tax system								50		(50)	—
Dividends of surplus										(2,984)	(2,984)
Profit										6,140	6,140
Purchase of treasury shares											
Disposal of treasury shares			3	3							—
Net changes of items other than shareholders' equity											
Total changes of items during period	—	—	3	3	—	—	—	50	—	3,106	3,156
Balance at end of current period	4,175	4,555	5	4,560	1,043	1,600	472	175	54,500	6,416	64,207

	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	(4,723)	65,061	4,088	4,088	69,149
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets		–			–
Reserve for open innovation promotion tax system		–			–
Dividends of surplus		(2,984)			(2,984)
Profit		6,140			6,140
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	29	32			32
Net changes of items other than shareholders' equity			3,383	3,383	3,383
Total changes of items during period	29	3,188	3,383	3,383	6,572
Balance at end of current period	(4,694)	68,250	7,472	7,472	75,722

[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 doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for 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 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.

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 motorcycles business, the automobiles business, and the non-mobility business. With regard to the sales of these products, the Company 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.

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, 2023	Fiscal year ended March 31, 2024
Deferred tax assets	153	—
Deferred tax liabilities	—	2,532

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

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

2. 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, 2023	Fiscal year ended March 31, 2024
Provision for product warranty	3,478	8,380

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

This description is omitted because the relevant information is described in “21. Provisions and contingent liabilities.”

3. Valuation of loans to and investments in subsidiaries and associates

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

	(Millions of yen)	
	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Short-term loans receivable from subsidiaries and associates	4,807	4,985
Long-term loans receivable from subsidiaries and associates	2,670	1,967
Allowance for doubtful accounts related to aforementioned loans	1,484	1,484

Short-term loans receivable from subsidiaries and associates attributable to consolidated subsidiary FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V. were ¥1,513 million, and long-term loans receivable from subsidiaries and allowance for doubtful accounts were wholly attributable to this subsidiary.

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

1) Calculation method

Valuation of loans to subsidiaries and associates is conducted individually based on the business plans and recovery plans of such subsidiaries and associates to examine recoverability. In addition, 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, in addition to 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

Valuation of loans to subsidiaries and associates is based on the future business plans of the target companies. Based on discrepancies between the plans and actual results to date, we examine the recoverability of loans to subsidiaries and associates based on certain revised figures in the future business plans. Future business plans are prepared based on key assumptions regarding sales volume forecasts based on customers' unofficial production plans, the impact of material price increases, and future plans for personnel and capital investment. Important assumptions are also used in determining the discount rate to be used in calculating the amount expected to be uncollectible.

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

We carry out valuation of loans to subsidiaries and associates 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 to subsidiaries and associates and the amount recorded for allowance for doubtful accounts on the non-consolidated financial statements for the next fiscal year.

Accounting standards, etc. that have not yet been applied

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance establish the accounting classification for corporate taxes when other comprehensive income is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries, etc. when group taxation regime is applied.

(2) Planned date of application

These accounting standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Impact of the application of the accounting standards, etc.

The amount of the impact is under evaluation at the time of preparation of 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 of current period	Increase in the period	Decrease in the period	Depreciation during the period	Balance at end of current period	Accumulated depreciation
Property, plant and equipment	Buildings	4,492	1,351	13	289	5,540	7,836
	Structures	244	65	–	37	272	1,367
	Machinery and equipment	3,817	788	121	1,161	3,322	21,499
	Vehicles	24	13	0	14	23	167
	Tools, furniture and fixtures	823	170	10	340	643	5,843
	Land	4,908	–	–	–	4,908	–
	Construction in progress	596	1,733	1,930	–	400	–
	Total	14,906	4,124	2,076	1,842	15,111	36,715
Intangible assets	Patent right	81	0	–	13	67	42
	Software	169	87	–	74	182	207
	Software in progress	5	2	–	–	7	–
	Total	256	90	–	88	258	249
Investments and other assets	Long-term prepaid expenses	2	36	6	–	31	–

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

Property, plant and equipment

[Increase]

Buildings	Head office	Construction of building for new business	¥1,219 million
Machinery and equipment	Watagashima Factory	Manufacturing facilities to produce new models, etc.	¥407 million
Machinery and equipment	R&D Center	Testing apparatus and measuring instruments	¥117 million
Machinery and equipment	Hamakita Factory	Manufacturing facilities to produce new models, etc.	¥108 million

[Detailed schedule of allowances]

(Millions of yen)

Category	Balance at beginning of current period	Increase in the period	Decrease in the period	Balance at end of current period
Allowance for doubtful accounts	1,511	–	–	1,511
Provision for bonuses	1,259	1,250	1,259	1,250
Provision for officer bonuses	13	35	19	28
Provision for product warranty	3,478	4,902	–	8,380

(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: https://www.fcc-net.co.jp/
Special benefits for shareholders	<ul style="list-style-type: none"> 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.

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.