Annual Securities Report

Fiscal year 96th term (from April 1, 2025 to March 31, 2026)

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 22, 2026
Fiscal year	96th term (from April 1, 2025 to March 31, 2026)
Company name	株式会社エフ・シー・シー (Kabushiki Kaisha F.C.C.)
Company name in English	F.C.C. CO., LTD.
Title and name of representative	Yoshitaka Saito President and Representative Director
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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		92nd term	93rd term	94th term	95th term	96th term
Fiscal year-end		March 31, 2022	March 31, 2023	March 31, 2024	March 31, 2025	March 31, 2026
Revenue	(Millions of yen)	170,971	218,939	240,283	256,619	260,836
Profit before income taxes	(Millions of yen)	11,944	13,641	19,169	20,052	21,567
Profit attributable to owners of parent	(Millions of yen)	8,551	9,566	12,231	15,859	18,760
Comprehensive income	(Millions of yen)	18,929	16,300	28,778	9,619	29,014
Equity attributable to owners of parent	(Millions of yen)	146,625	160,055	185,322	184,221	205,015
Total assets	(Millions of yen)	195,364	210,626	245,004	246,208	264,353
Equity attributable to owners of parent per share	(Yen)	2,950.09	3,218.63	3,725.39	3,804.37	4,232.83
Basic earnings per share	(Yen)	172.07	192.41	245.91	323.77	387.36
Diluted earnings per share	(Yen)	–	–	–	–	–
Ratio of equity attributable to owners of parent to total assets	(%)	75.05	75.99	75.64	74.82	77.55
Ratio of profit to equity attributable to owners of parent	(%)	6.18	6.24	7.08	8.58	9.64
Price earnings ratio (PER)	(Times)	7.81	8.06	9.34	9.59	8.33
Net cash flows from (used in) operating activities	(Millions of yen)	15,456	21,014	35,383	27,930	22,779
Net cash flows from (used in) investing activities	(Millions of yen)	(9,627)	(10,307)	(7,433)	(25,775)	(16,486)
Net cash flows from (used in) financing activities	(Millions of yen)	(4,202)	(3,232)	(4,824)	(14,633)	(7,843)
Cash and cash equivalents at end of period	(Millions of yen)	44,627	53,738	82,028	68,496	71,360
Number of employees		8,115	7,970	7,820	7,799	7,804
[Separately, average number of temporary employees]		[3,425]	[3,793]	[4,088]	[4,329]	[4,679]

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	Transfers all of the shares of Tohoku Chemical Industries, Ltd.
2022	April	Transitions 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	Completes liquidation of FCC SEOJIN CO., LTD.
2023	June	Acquires 100% of shares of FCC (VIETNAM) CO., LTD. (currently a consolidated subsidiary).

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."

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]

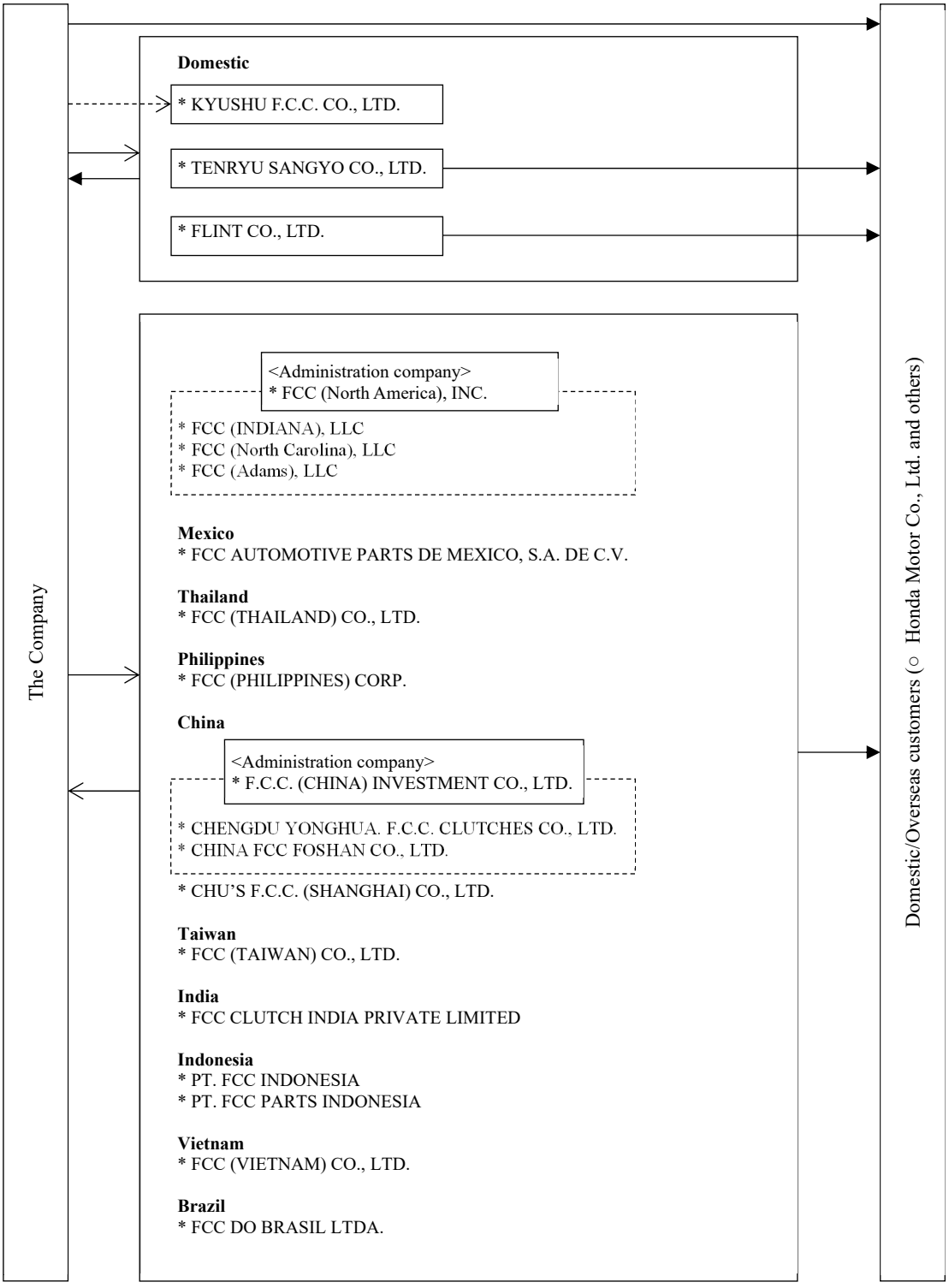
Non-mobility business

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, KYUSHU F.C.C. CO., LTD., FCC (THAILAND) CO., LTD. [Thailand], FCC (PHILIPPINES) CORP. [Philippines], FCC (TAIWAN) CO., LTD. [Taiwan], FCC (VIETNAM) CO., LTD. [Vietnam]

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 Non-mobility business	100	Manufacturing the Company's product components and products. Leasing land.
TENRYU SANGYO CO., LTD.	Iwata-shi, Shizuoka	¥22,500,000	Motorcycles business Automobiles business	80.67	Purchasing motorcycle, automobile and general-purpose components.
FLINT CO., LTD.	Okagaki town, Onga-gun, Fukuoka	¥10,000,000	Motorcycles business Automobiles business	100	Purchasing FLINT CO., LTD.'s products. 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.
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.
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.
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.
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. Capital assistance.
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	THB60,000,000	Motorcycles business Automobiles business Non-mobility 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 Non-mobility 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.
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 Non-mobility 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 Non-mobility 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. Interlocking officers and capital assistance.
<Other affiliate> Honda Motor Co., Ltd. (Note 5)	Minato-ku, Tokyo	¥86,067,000,000	Manufacture and sales of automobiles and engines	22.49 (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 ¥44,384 million
   (2) Profit before income taxes ¥2,509 million
   (3) Profit ¥2,326 million
   (4) Net assets ¥23,597 million
   (5) Total assets ¥32,486 million

• FCC (Adams), LLC

(1) Net sales	¥62,943 million
(2) Profit before income taxes	¥7,223 million
(3) Profit	¥5,620 million
(4) Net assets	¥26,012 million
(5) Total assets	¥33,484 million

• PT. FCC INDONESIA

(1) Net sales	¥34,874 million
(2) Profit before income taxes	¥1,516 million
(3) Profit	¥1,358 million
(4) Net assets	¥16,686 million
(5) Total assets	¥22,637 million

• FCC CLUTCH INDIA PRIVATE LIMITED

(1) Net sales	¥44,625 million
(2) Profit before income taxes	¥3,101 million
(3) Profit	¥2,309 million
(4) Net assets	¥9,739 million
(5) Total assets	¥24,831 million

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

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."

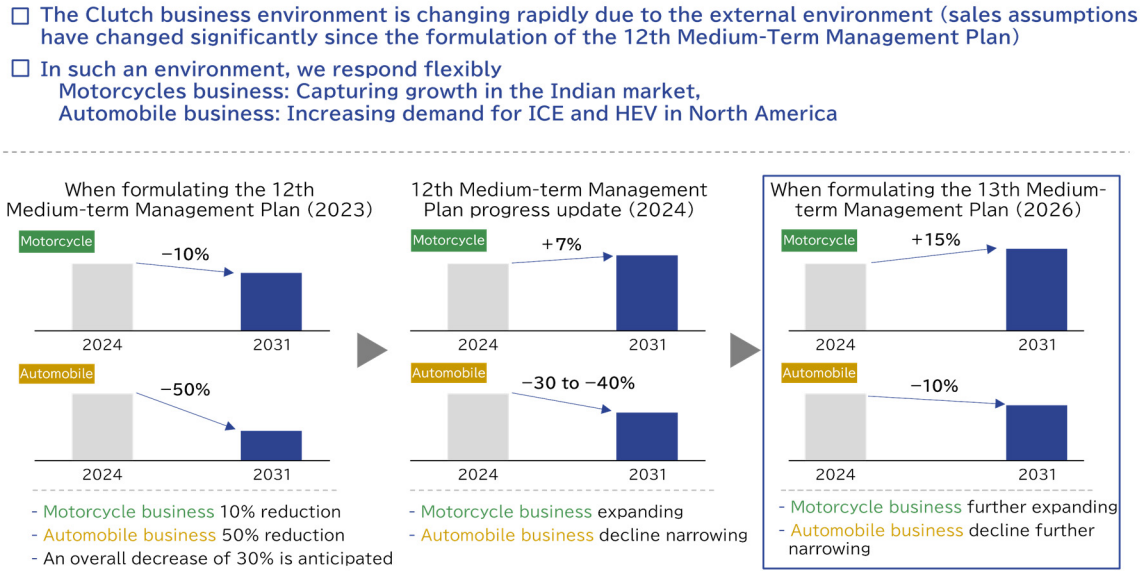
(2) Management environment, business strategy, issues to address, etc.

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 U.S. tariffs, rising commodity prices, the unstable international situation, and fluctuations in financial and capital markets. As such, the outlook is expected to be increasingly 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, the Group has formulated its 13th Medium-Term Management Plan, which began in FY2027. Under the basic policy of "Creating New Value for the Future," the Group will strive to continuously enhance its corporate value by transforming its business structure and strengthening its management foundation.

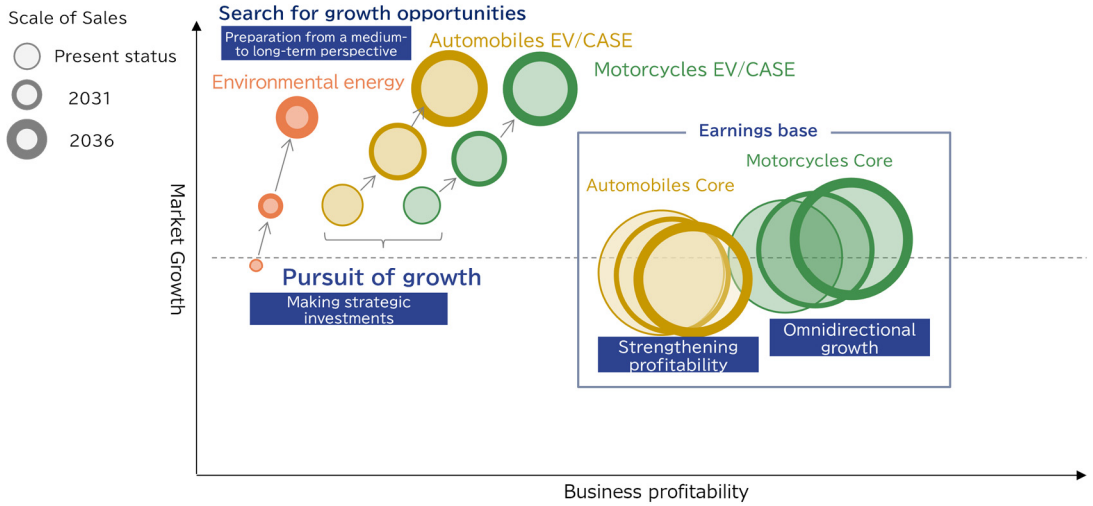
1) Changes in the external environment, current situation, and the Company's response



2) Target business portfolio (positioning of each business)

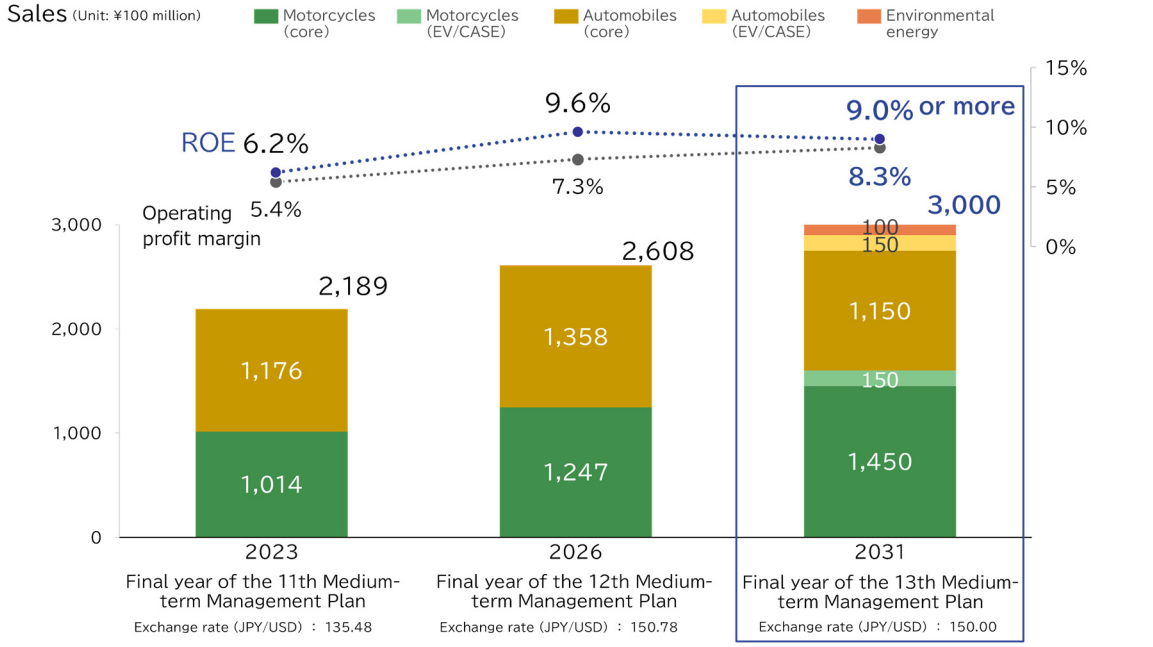
□ Clarifying the Positioning of Each Business and Promoting the Optimal Strategy

Motorcycles Core ····· Utilizing our potential to the maximum. Growth across all regions and fields
Automobiles Core ····· In preparation for structural changes in 2031 and beyond, we will strengthen our profitability and become a cash cow
Motorcycles, automobiles EV/CASE We will pursue growth through core business resources and making strategic investments
Environmental energy ····· Environmental energy business based on "paper and functional materials," and preparation for developing products/solutions that contribute to solving society's issues from the medium- to long-term perspective



3) Setting financial targets

□ To achieve continuous growth, we will strategically utilize the funds generated under the 13th Medium-term Management Plan, and set a financial target ROE of 9.0% or higher for FY2031 (the final year of the 13th Medium-term Management Plan)

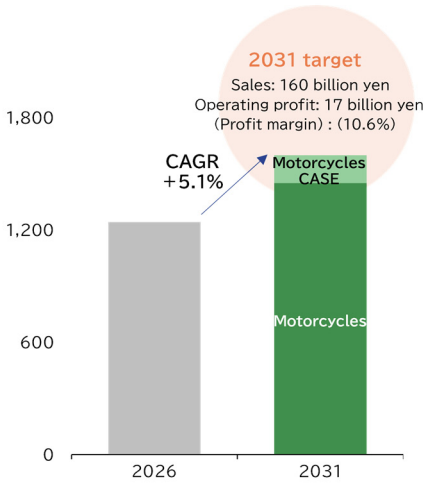


4) Strategy by business

○ Motorcycles business

□ By providing comprehensive support for the global market, we aim to secure a dominant market share in our core businesses, strengthen our profitability, and build a robust business foundation capable of adapting to the next electrification transformation

Trend in motorcycle business sales (¥100 million)



Motorcycles CASE

- Further expansion of electric vehicle business focused on India and ASEAN
- Commercialization of connected services
- Development of differentiated technologies for rare-earth-free products

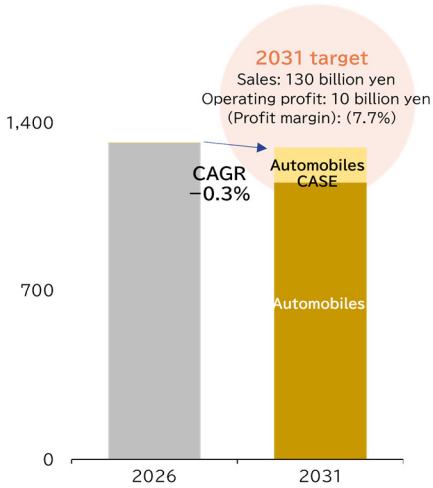
Motorcycles Core

- Strengthening R&D at our Indian base, and expanding business opportunities through rapid response to customers
- Making effective use of Indian supply chains to enhance cost competitiveness
- Clutch sales that match the needs of potential markets (Africa, Central and South America, etc.)
- Increased production efficiency using automation and digital transformation → Improving cost competitiveness
- Developing fuel-efficient technologies and high-value-added products that meet market needs

○ Automobiles business

□ For core businesses, we will establish a flexible production system that responds to demand fluctuations, and maintains profitability
□ We will accelerate the commercialization of EV/CASE-related businesses and drive business transformation

Trend in automobile business sales (¥100 million)



Automobiles CASE

- Expansion of motor core products
- Business expansion utilizing core technologies in thermal management products, aluminum, press forming, and joining dissimilar materials

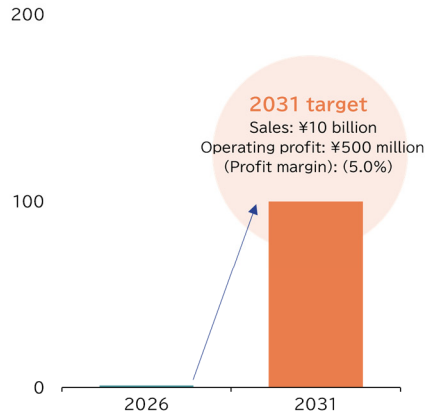
Automobiles Core

- Constructing a flexible production system that responds to fluctuations in demand
- Reduce country risk through supply chain restructuring
- Resources will be prioritized for areas with strong demand, based on the growth of the HEV/PHEV market
- Expanding the range of vehicle models available to local customers

○ Environmental energy business (non-mobility field)

☐ Utilizing our core technologies, we are accelerating product development that contributes to solving social challenges (decarbonization and energy creation)
☐ Expand product development and sales channels, including through collaborations, and drive portfolio transformation

Sales Trends in the Environmental Energy Business
(¥100 million)



Environmental Energy (Non-mobility Field)

- We aim to expand business by focusing on technologies related to paper and functional materials, the core FCC technologies
- We will sow the seeds for creating businesses in new growth areas, promoting this by rotating themes in response to changes in the environment

— Reactive solution field
- Commercialization of humidity control modules targeting the growing market focused on response to the environment
- Evolution of CO2 adsorption technology

— Functional sheets field
- Expanding sales of ceramic setters targeting growth markets such as IT and high-speed communication equipment
- Development and commercialization of thermal products such as heat-insulating and flame-retardant sheets

— Nano-materials application fields
- Achieving mass production and expanding sales of CNT-related products targeting growth markets such as batteries and power semiconductors
- Development and commercialization of shaping technology for thermal management components

5) Overview of strengthening the management foundation

☐ We categorize the construction of a management foundation to support future corporate growth into three main areas, and promote business accordingly

— Constructing a management foundation that supports corporate growth

1 Establishing the development infrastructure

Strengthening basic research capabilities and component development for the future

- From exploring growth markets to creating new businesses by combining cutting-edge technologies
- Strengthening intellectual property strategy

2 Establishing the business infrastructure

We will further evolve our core "manufacturing technology" to achieve stable Quality, Cost, and Delivery (QCD), and further improve profitability

- Elimination of major quality defects
- Improvement of production configuration
- Supply chain and procurement risk management
- Utilizing digital technology and strengthening information risk management

3 Enhancing talent capabilities

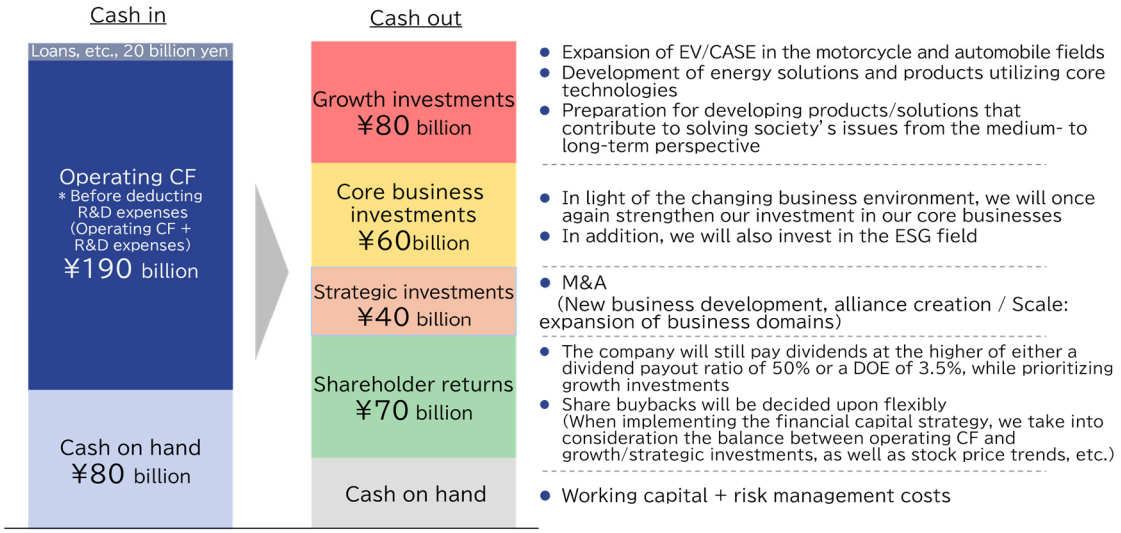
Improving human resource capabilities that support continuous growth

- Employee development and upskilling
- Improvement of engagement

6) Financial strategy (five-year cumulative cash allocation)

☐ We aim to strengthen profitability and improve capital efficiency by prioritizing allocation of funds to growth investments while maintaining financial soundness

☐ The cash generated over the five-year period should be allocated appropriately to prevent an excessive cash position



7) Sustainability

The Group identifies material issues (significant risks and opportunities) in order to address sustainability-related risks and opportunities. Further details are provided in "II. Overview of business, 2. Approach and initiatives on sustainability." Through initiatives aimed at solving these challenges, the Group will strive to create value in the mobility industry and new fields.

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, 2026.

(1) Sustainability Overview

- Governance

In the Group's system of governance related to sustainability, the Management Committee executes business supervised by the Board of Directors. Sustainability-related risks and opportunities were identified during the formulation of the Medium-Term Management Plan, and the plan was prepared based on these risks and opportunities. The Medium-Term Management Plan is broken down into annual business plans. The annual business plans set out strategies, measures, and goals, and are broadly divided into finance, businesses (motorcycle, automobile, and non-mobility), manufacturing competitiveness, basic research, ESG, and human resources/operations.

1) Board of Directors (Supervision)

The Management Committee leads the execution of business under the Medium-Term Management Plan, including sustainability-related issues, and the Board of Directors receives reports on the relevant issues based on which it deliberates on and approves the Medium-Term Management Plan, including sustainability-related issues. The Board of Directors also approves the business plan for the following fiscal year at its meeting held in March and deliberates on and monitors the results of the annual business plan four times a year on a quarterly basis.

2) Management Committee (Execution)

The Management Committee is chaired by the Representative Director and President and composed of responsible officers, including the Executive Officers. The Committee has the responsibility and authority to supervise the preparation of the Medium-Term Management Plan, including sustainability-related issues, and the annual business plan. The Management Committee also holds regular meetings four times a year to monitor the progress of the annual business plan on a quarterly basis and when necessary.

- Strategies/Metrics and targets

In the fiscal year under review, when formulating the 13th Medium-Term Management Plan, the Group identified material issues (significant risks and opportunities) in order to address sustainability-related risks and opportunities that have a significant impact on management policies, management strategies, and other factors. The Group established material issues for "resolving social issues through our business" and those aimed at building a "management foundation that supports our activities." The Group has identified FY2031 targets for each material issue, established associated KPIs, and will work toward achieving them.

(Material issues)

	Priority issues (Material issues)	Vision for FY2031		KPIs	FY2031
			Approach		
Solution of social issues through business activities	 ・Prevent global warming ・Reduce CO_2 emissions	Contribute to minimizing environmental impact, including by the creation of a decarbonized society	Develop and market launch mobility-related and environmental energy-related products that contribute to social development	Revenue ratio from products contributing to decarbonization to total revenue (Including products for BEVs and HEVs)	EV/CASE + BEVs and HEVs + Environmental Energy-Related Products Revenue ratio 25%
			Build a production system that achieves carbon neutrality and minimizes environmental impact	GHG emission reduction rate based on FY2014 (Scope 1 + 2)	Based on FY2014 50% or more
	 ・Promote sustainable industrialization through technological innovation ・Reduce environmentally hazardous substance	Contribute to the creation of a prosperous and sustainable society by providing new value through forward-looking research and development	Expand research, development, and alliances to promote the creation of a sustainable society	Ratio of research and development expenses for growth areas to total development expenses	EV/CASE + Environmental Energy-Related Products Ratio of research and development expenses 65%
Management base to support activities	 ・Occupational safety and health ・Health ・Human rights ・Job satisfaction reform ・Compliance	Create a company where employees feel happy to work	Eradicate serious accidents through thorough recurrence prevention measures	Number of serious accidents	0
			Create a work environment that is comfortable and fulfilling for each diverse employee	Percentage of female workers in management positions (the Company)	5% or more
				Employee engagement scores (the Company)	-65 points
				Percentage of Male employees' childcare leave (the Company)	85% or more (5-year average)
		Conduct business activities that respect the human rights of all individuals, including employees and those across the supply chain	Achieve zero serious human rights violations	Participation rate of human rights training	100%
		Maintain a stable management structure based on strong governance	Comply with the laws and regulations of each country and region to maintain high ethical standards	Number of serious violations of laws and regulations	0

The biggest risk in both the external and internal environments is an expected structural decline in sales in the core clutch business due to changes in market values resulting from tighter regulation of internal combustion engine (ICE) vehicles and climate change issues. Other risks include delays in responding to technical innovation in electrification and automation as well as risks in the broader socioeconomic environment.

On the other hand, the Group recognizes that EV/CASE-related areas, as well as the environmental and energy sectors, which are key to achieving carbon neutrality, represent significant business opportunities for our Group. To capitalize on these opportunities, the Group is working to advance technological development, strengthen human resource development, and leverage digital technologies.

The Group has been promoting these initiatives as part of the 12th Medium-Term Management Plan, covering FY2024 through FY2026, and plans to continue these efforts under its 13th Medium-Term Management Plan (a five-year plan), which began in FY2027.

Further details are provided in "II. Overview of business, 1. Management policy, management environment, issues to address, etc."

・ Risk management

1) Identification of risks and opportunities

Sustainability-related risks and opportunities are identified during the formulation of the Medium-Term Management Plan in view of management policy based on information on the external environment such as industry, customer, and regulatory situation, and the internal environment, which includes management resources and supported technology.

2) Analysis and evaluation of risks and opportunities

The Group analyzes and evaluates the identified risks and opportunities from the perspectives of their financial impact and business impact, and determines the material issues of the Group. Based on these results, management strategies are formulated and specific measures and targets are set.

3) Management of risks and opportunities

The progress of the measures and the targets from the Medium-Term Management Plan are broken down and incorporated into specific annual business plans. The annual business plans, including sustainability-related issues, are monitored by the Management Committee on a quarterly basis and reported to the Board of Directors for deliberation and supervision.

(2) Major initiatives: Climate change

The Group has identified climate change as one of its material issues and is working to realize a sustainable society and enhance corporate value by identifying and addressing the risks and opportunities associated with climate change. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Company works to enhance information disclosures in accordance with the framework covering "Governance," "Strategy," "Risk management," and "Metrics and targets."

・ Governance

The Group has established the All Company Environmental Conservation Committee for domestic bases and the Overseas Environmental Conservation Committee for overseas bases with both committees chaired by the Environmental Management Officer, as the system for promoting climate change-related initiatives. These committees are convened regularly and promote initiatives aimed at achieving medium- to long-term targets in the environmental field, including climate change action, identification of risks and opportunities, impact analysis, and countermeasures, as well as conducting monitoring. Furthermore, important climate-related issues discussed and reported via the environmental conservation committees may prompt revisions to the annual business plan as necessary, which are reported to the Management Committee, and approved by the Board of Directors. Environmental management organizations have also been established at each business site to incorporate the policies and initiatives determined by the All Company Environmental Conservation Committee, etc. and actively promote energy conservation to reduce CO2, resource conservation, and waste reduction activities in order to achieve targets.

The Board of Directors receives reports on climate change-related risks and opportunities and provides supervision to ensure that appropriate countermeasures are taken.

・ Strategy

To assess the impact of climate change on the Group's business, our Group conducts scenario analyses referencing external scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC).

In conducting this analysis, the Group established multiple future scenarios that align with its awareness of the business environment outlined in the Group's long-term vision, F.C.C. VISION 2035, while also taking into account changes in the external environment affecting the automobile industry. Specifically, the Group analyzed all businesses, including overseas subsidiaries, from the perspectives of transition risks and physical risks. The analysis envisaged two scenarios: a 4°C scenario (a world in which global warming continues) and a 1.5°C scenario (a world which has transitioned to a low-carbon society). The Group has identified the risks and opportunities associated with each of these scenarios.

Based on these analysis results, the Group has assessed the impact on our business and considered countermeasures, which have been incorporated into the medium- to long-term business strategy.

Risks and opportunities related to climate change (primarily risks leading to 1.5°C/4°C scenario)

Category	Type of risks/opportunities	Main risks/opportunities	Degree of impact	Timeframe	Main responses	Specific initiatives
Transition risks	Government policy Legal regulations	Increasing burden of business costs due to government policies such as carbon tax and introduction of renewable energy Increasing burden of business costs due to suppliers switching to environmentally-friendly raw materials and cost pass-through	High	Short to long term	Promoting decarbonization during production and transport, including for suppliers Considering introduction of internal carbon pricing	・ Streamlining production, transport, and other areas ・ Using decarbonized and low carbon energy ・ Promoting introduction of high efficiency 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 ・ Considering introduction of internal carbon pricing to stimulate energy conservation and encourage installation of energy-saving facilities
	Technology	Loss of sales opportunities due to delays in development of technology Increasing burden of cost of equipment and other measures for decarbonization	High	Medium to long term	Providing new value for the electrification of mobility leveraging FCC's core technologies Promoting decarbonization through the installation of energy-saving facilities Encouraging environmentally-friendly design	・ Developing in the motorcycle EV/CASE business areas ・ Developing in the automobile motor core submodule business area ・ Developing a variety of aluminum die cast products to meet next-generation mobility needs ・ Minimizing energy consumption by increasing labor savings and efficiency in production ・ Reducing raw material use by implementing "environmentally-friendly design," including reducing weight and use of chemical substances during design of products and services
	Market trends	Declining demand from customers due to delays in Life Cycle Assessment (LCA) compliance Securing power sources and electric power volume while shifting from fossil fuels to renewable energy	Medium	Medium to long term	Strengthening action on CO2 reduction from the LCA perspective in light of market trends and customer demands	・ 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
	Reputation	Declining sales due to evaluation related to initiatives on climate change issues and changes in market values	Medium	Medium to long term	Monitoring the implementation of the roadmap established and the achievement of targets	Efforts to save energy associated with production activities, introducing renewable energy, reducing CO2 emissions through products and contributing to the environment

Category	Type of risks/opportunities	Main risks/opportunities	Degree of impact	Timeframe	Main responses	Specific initiatives
Physical risks	Acute and chronic physical risks	Business continuity risk due to climate change and weather-related disasters	High	Short to long term	Developing response plans and strengthening responses based on each risk scenario	・ 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
Opportunities	Product and services market	・ 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	High	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	・ 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

* Degree of impact

High: Events that have a significant impact on business continuity and may lead to ceasing business or substantial reduction or expansion

Medium: Events that may affect some businesses

Low: Limited impact, excluded from scope of disclosure

* Timeframe

Short-term: Within one year; Medium term: One to three years; Long term: Five years or more

・ Risk management

The Group evaluates and manages climate change-related risks using ISO 14001 Environmental Management System. This allows the Company to identify physical risks (natural disasters, etc.) and transition risks (regulatory changes, etc.) and take the appropriate countermeasures.

・ Metrics and targets

Toward the realization of carbon neutrality, the Group aims to reduce greenhouse gas (GHG) emissions from its business activities by 50% compared to FY2014 by FY2031 and to achieve carbon neutrality (net zero emissions) by 2050. Measures such as those to conserve energy and expand the use of electricity produced from renewable energy sources are being promoted.

GHG emissions (Scope 1 and Scope 2) for the fiscal year under review (FY2026) were 153,873 tons, representing a decrease of approximately 0.5% compared to the 154,606 tons (verified by a third party) recorded in the previous fiscal year (FY2025). Despite an increase in business activity, GHG emissions fell below the level of the previous fiscal year as a result of efforts such as those to promote energy conservation measures and to expand the use of electricity produced from renewable energy sources.

To achieve its targets in this area, the Group will continue to make efforts to improve energy efficiency and expand the use of renewable energy, among other initiatives.

FY2026 performance on greenhouse gas (GHG) emissions

Category	FY2026 performance
Scope 1 *Direct GHG emissions from a company's own use of fuel and other activities	44,307t-CO2
Scope 2 *Indirect GHG emissions from a company's own use of electricity supplied by other companies	109,566t-CO2
Total (Scope 1 + 2)	153,873t-CO2

Notes: 1. Emissions are calculated based on the Group's standards (calculated based on domestic market standards and based on standards of some locations for overseas amounts). Emission amounts may change in the future as the Company plans to obtain third-party verification.

2. The Group's Scope 2 emissions include the effect of reductions due to non-fossil certificates and renewable energy, etc.

FY2026 performance on reducing greenhouse gas (GHG) emissions

Category	FY2026 performance
Reduction in energy conservation activities	5,241t-CO2
Reduction in use of renewable energy	24,852t-CO2
Total reduction in CO2 due to measures	30,093t-CO2

(3) Major initiatives: Human capital

The Group has set human capital as one of its material issues and considers the strengthening of human capital to be at the center of management strategy in order to realize sustainable growth. The behavioral guidelines that form part of the Company's corporate philosophy state, "We will always strive for self-improvement and innovate and improve" and "We will cherish the harmony of people and create a bright workplace," and the Group positions human resource development as the source of continuous corporate growth.

Under the 12th Medium-Term Management Plan, the Company worked to build an infrastructure for human capital management based on the three central themes of improvement of engagement, promotion of diversity, and development of human resources and skills. Building on this foundation, under the 13th Medium-Term Management Plan, the Group will further align human capital with management strategy to transform the business portfolio and strengthen competitiveness. Under a human resources strategy aimed at expanding the business portfolio, the Group will holistically promote recruitment, development, and placement to support business growth. At the same time, the Group will strive to enhance job satisfaction and improve working conditions for a diverse workforce, and work to strengthen the organizational foundation that underpins sustainable growth.

Furthermore, to enhance the effectiveness of these initiatives, the Group will establish human capital metrics and targets and drive progress while visualizing the results.

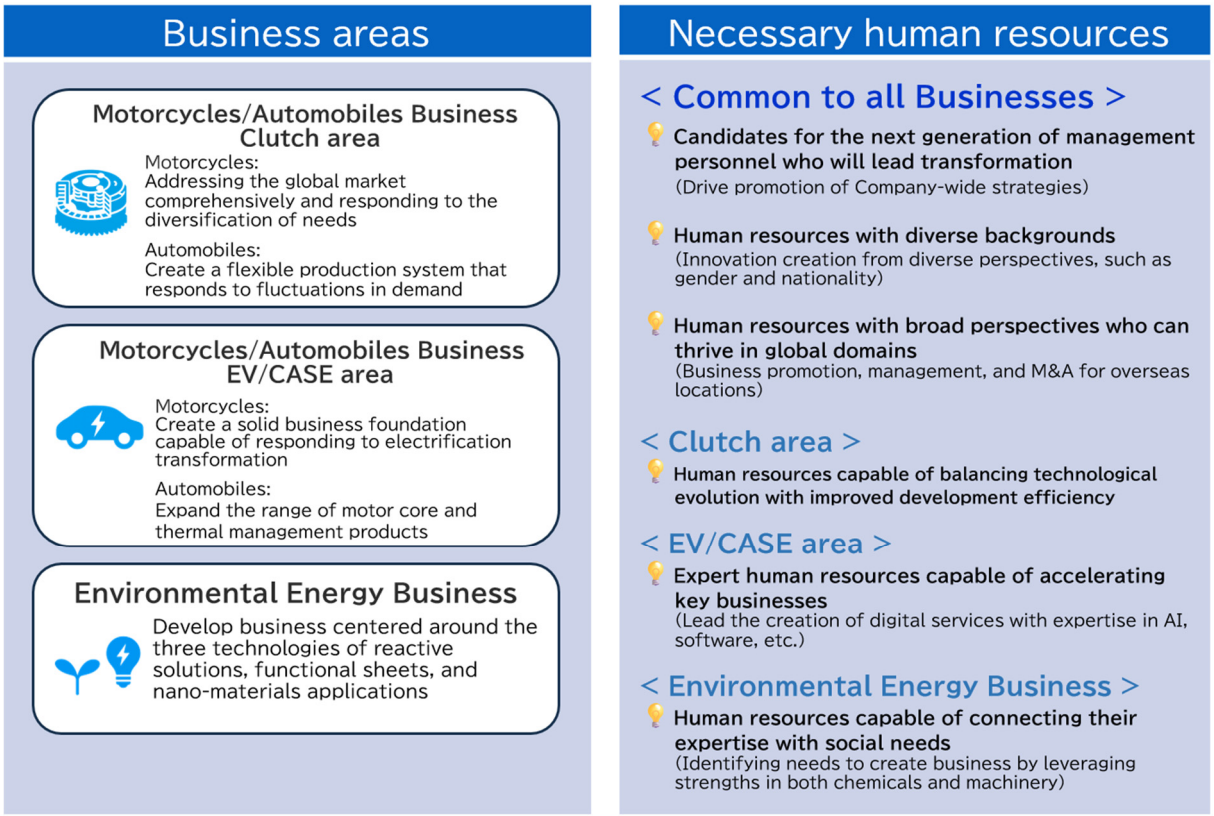
- Strategy

■ Human resources strategy based on management strategy

Under the 13th Medium-Term Management Plan, the Group has identified the following four key strategies for management: Deepening core businesses and creating new pillars of business; building an unshakable management foundation to support corporate growth; growth investments and improved capital efficiency to enhance sustainable corporate value; and promoting ESG management. To address these priorities, the human resources strategy, from the perspective of human capital, is to comprehensively work to secure, develop, and assign personnel who will support the Group in its business growth and transformation areas.

To achieve the goals of the 13th Medium-Term Management Plan, the Group has clarified the ideal employee profiles required in each business area. Specifically, the Group is advancing the development and acquisition of human resources responsible for creating new value in the environmental energy business, while also enhancing technical evolution and development efficiency in the clutch area, strengthening specialized human resources and digital capabilities in the EV/CASE area, and working Group-wide to develop next-generation management human resources and strengthen the Group's global workforce. Through these initiatives, the Group aims to advance its human resources strategy in alignment with its management strategy and promote the strengthening of the human resources foundation that supports sustainable growth.

(Image of necessary talent)



■ Human resource development policy

The Group considers the development of human resources who will drive business transformation and growth to be an important management issue. As the Group implements the 13th Medium-Term Management Plan, it is strengthening human resource development in alignment with the management strategy and promoting initiatives that support the growth and full potential of each employee. Specifically, in addition to systematically implementing grade-specific and specialized education, the Group is expanding opportunities for employees to acquire new knowledge and skills, including in the digital field, while fostering an environment that supports self-directed learning.

Furthermore, through career development support and appropriate job placements, the Group is working to create opportunities for employees to grow and take on challenges proactively, while also promoting the systematic development of human resources who will lead the next generation.

■ Internal environment development policy

As part of the 13th Medium-Term Management Plan, the Group is working to establish an environment where each individual employee can reach their full potential, serving as the foundation for business transformation and growth. The Group will work to strengthen the organizational foundation that supports sustainable growth, in tandem with human resource development.

<Employee engagement>

In FY2024, the Company conducted an engagement survey for all employees to ascertain the actual state of the organizational culture and improve employee satisfaction. In this survey, the Company adopted Employee Net Promoter Score (eNPS) as a key KPI for employee engagement, aiming to identify challenges and implement the PDCA cycle for executing measures and driving improvements.

Furthermore, recognizing that it is important to not only track trends in engagement scores but also to understand changes in the factors that make up those scores and their relationship to improvement measures, the Company also monitors the proportion of promoters, passives, and detractors as well as [factors that influenced responses (15 items, including compensation, work-life balance, personnel evaluations, and corporate culture)]. Going forward, the Group will continue to strive to create a rewarding working environment by promoting employees' proactive growth and improving their engagement with the organization through initiatives such as career support and opportunities for dialogue.

<Promotion of diversity>

The Group recognizes that creating an environment where diverse human resources can fully demonstrate their abilities is a vital foundation for supporting business growth and strengthening competitiveness. Among these initiatives, the Group has made increasing the percentage of female employees in management positions one of its priorities, and supports the balance between life events and career development by providing career development support for female employees and training to promote changes in awareness, as well as by expanding flexible work styles.

The Group is also working to foster a corporate culture that encourages male employees to participate in childcare, and is building an organization where diverse human resources, regardless of gender, can play an active role. Furthermore, to develop and promote female managers, the Group is working to ensure fairness in promotion opportunities, while also strengthening recruitment efforts to increase the proportion of female employees in the workforce and supporting employee retention by improving working conditions. Going forward, the Group will continue to refine its efforts to create an environment in which diverse human resources can play active roles, while monitoring progress on relevant metrics.

<Development of human resources and skills>

To continuously develop the human resources needed to drive business transformation and growth, the Group is working to strengthen the institutional framework that supports human resources development and skills development, in conjunction with the establishment of an educational system. In addition to grade-specific and specialized education, the Group is expanding opportunities for employees to acquire new knowledge and skills, including in the digital field, while fostering an environment that supports self-directed learning by employees. The Group is also working to build a system that enables employees to grow proactively through enhanced career development support and job rotation. Furthermore, by reviewing the personnel evaluation, job grade, and remuneration systems, the Group will aim to refine mechanisms that encourage taking on new challenges and growth. At the same time, the Group will promote the placement of the right

people in the right positions, leading to the revitalization of the entire organization and the strengthening of competitiveness.

<Occupational safety and health>

The Group has developed its internal systems inside and outside Japan based on occupational health and safety management systems (ISO45001) with the aim of ensuring a "healthy and bright workplace without work-related accidents." The Company implements extensive safety and health activities through the operation of PDCA cycles. Internal auditors conduct audits of sites in Japan and overseas based on the "Sangen Shugi" approach, which means going to the actual site to understand the situation based on the facts. Based on these audits, sites work to improve unsafe locations and correct unsafe practices. Through this approach, the Company creates safe and more attractive workplaces.

KENKO Investment for Health program

The Company promotes KENKO Investment for Health program to "develop an environment in which each individual employee can work cheerfully, happily, and energetically." The Company believes developing a workplace environment in which employees are physically and mentally healthy and can deliver their best performance is essential for sustained growth. To this end, the Company has set "improving employee performance" as a management issue it hopes to solve through KENKO Investment for Health program and is working to improve the working environment in order to increase work engagement focusing on initiatives in the three main areas of physical health, mental health, and work style reform. Through these initiatives, the Company has been recognized as an Outstanding Organization of KENKO Investment for Health for four years in a row. Going forward, the Company will strive to improve work engagement and build the foundation to support sustainable corporate growth by strengthening measures to maintain and improve the health of employees and improving the working environment on an ongoing basis.

・ Metrics and targets

Under the 13th Medium-Term Management Plan, the Group has established key performance indicators related to human capital and will quantitatively monitor progress to support business transformation and growth from a human capital perspective.

For each indicator, the Group has set medium-term improvement targets and will implement measures while monitoring progress on an annual basis.

<Management items and KPIs>

Management items	Performance (FY2026)	KPIs
Percentage of female workers in management positions (the Company)	2.5%	5% or more by FY2031
Uptake of male childcare leave (the Company)	100%	85% or more five-year average by FY2031
Employee engagement score (the Company) (Note)	(76.2)pt	eNPS score -65.0pt by FY2031
Number of significant accidents (the Group)	3	0
Human rights training participation rate (the Group)	–	100% by 2030

Note: The engagement score (eNPS) is a metric calculated by asking employees to rate on a scale of 0 to 10 how likely they are to recommend their company as a place to work to close friends and acquaintances, and then subtracting the percentage of detractors from the percentage of promoters. While a score of around -60 is generally considered the baseline, the Company identifies organizational challenges not only based on the absolute value of the score but also by considering its improvement trends and the factors influencing the responses.

While the Group has been developing foundational metrics and targets related to human capital, the Group recognizes that it is at a stage where further refinement is necessary from the perspective of a human resources strategy linked to the transformation of the business portfolio.

In the 13th Medium-Term Management Plan, as the Group moves forward with the implementation of its human resources strategy, which encompasses recruitment, development, placement, and retention, the Group will clarify the personnel requirements and direction of its initiatives in alignment with management strategy and work to further strengthen human capital.

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 "Creating New Value for the Future," set out in the 13th 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 and changes in market values due to regulation of internal combustion engine vehicles and climate change-related issues.

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 36% of the Group's revenue in the fiscal year ended March 31, 2026. 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 and man-made 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) that includes the supply chain.

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, 2026 were as follows.

1) Financial position and operating results

Observing the economic status as of the fiscal year ended March 31, 2026, although signs of a gradual recovery were evident, the outlook remained uncertain due to concerns over U.S. trade policy and the future of the Chinese economy, as well as tensions in the Middle East and rising commodity prices. In Japan, the economy trended along a moderate recovery, despite some signs of standstill. Overseas, the U.S. economy maintained a steady expansion. In Asia, China's economy slowed gradually, the ASEAN region continued on a path of gradual recovery, and India's economy continued to expand.

In the automotive industry, there was a slight year-on-year decline in new car sales in Japan for the full year. In addition, EV sales showed signs of recovery. Overseas, while the U.S. market showed signs of recovery, sales declined slightly compared to the previous fiscal year, which had seen a rush of demand ahead of the introduction of tariffs; however, the proportion of hybrid electric vehicles (HEVs) appeared to be on track to set a new record high. In China, driven in part by soaring gasoline prices resulting from the deteriorating situation in the Middle East, a shift in demand toward new energy vehicles (NEVs) including EVs is becoming increasingly evident. In the motorcycle market, demand grew further in India, remained steady in the ASEAN region, and saw a slight increase in Japan compared to the previous fiscal year.

In this situation, in the final year of the 12th Medium-Term Management Plan, the Group worked to maximize revenue in the core clutch business to strengthen its management foundation 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, 2026, revenue increased by 1.6% from the previous fiscal year to ¥260,836 million due to the increase in sales of motorcycle clutches in India and Brazil. Operating profit increased by 9.2% from the previous fiscal year to ¥18,927 million and profit before income taxes increased by 7.6% from the previous fiscal year to ¥21,567 million. Profit attributable to owners of parent increased by 18.3% from the previous fiscal year to ¥18,760 million.

The following are the business results in each operating segment.

Motorcycles Business

Although sales were affected by the strong yen and a slowdown in demand due to regulations on gasoline-powered motorcycles in Vietnam, revenue increased by 3.6% from the previous fiscal year to ¥124,691 million due to increased sales of motorcycle clutches in India and Brazil. Operating profit increased by 1.2% from the previous fiscal year to ¥12,230 million, driven in part by the increase in revenue, despite the recording of a provision for product warranty, provisions related to the consolidation of production bases in China, and higher material costs in some countries.

Automobiles Business

Despite an increase in sales of automobile clutches in North America, the impact of appreciation of the yen led to revenue decreasing by 0.1% from the previous fiscal year to ¥135,975 million. Operating profit increased by 13.0% from the previous fiscal year to ¥9,156 million despite ¥2,158 million in negative impact from U.S. tariffs, due to factors such as a decrease in provision for product warranty and a reduction in depreciation in the U.S.

Non-mobility business

Revenue increased by 79.1% from the previous fiscal year to ¥169 million, and the segment recorded a ¥2,459 million operating loss compared to a ¥2,855 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 ¥71,360 million, an increase of ¥2,864 million from the end of the previous fiscal year.

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 ¥22,779 million. The reasons for the increase are mainly due to profit before income taxes of ¥21,567 million and depreciation and amortization expense of ¥11,305 million. The reasons for the decrease are mainly due to finance income and finance costs of ¥2,778 million, a decrease in trade and other payables of ¥2,873 million, and income taxes paid of ¥6,658 million.

Cash flows from (used in) investing activities

Net cash used in investing activities was ¥16,486 million. This is mainly due to purchase of property, plant and equipment of ¥15,767 million.

Cash flows from (used in) financing activities

Net cash used in financing activities was ¥7,843 million. This is mainly due to cash dividends paid of ¥8,131 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, 2026	Year-on-year comparison (%)
Motorcycles business (Millions of yen)	125,232	103.6
Automobiles business (Millions of yen)	137,327	100.8
Non-mobility business (Millions of yen)	169	211.5
Total (Millions of yen)	262,730	102.2

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	126,333	104.3	10,925	117.7
Automobiles business	137,250	101.9	12,182	111.7
Non-mobility business	179	189.4	9	–
Total	263,762	103.0	23,117	114.5

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, 2026	Year-on-year comparison (%)
Motorcycles business (Millions of yen)	124,691	103.6
Automobiles business (Millions of yen)	135,975	99.9
Non-mobility business (Millions of yen)	169	179.1
Total (Millions of yen)	260,836	101.6

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, 2025		Fiscal year ended March 31, 2026	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
Ford Motor Company	51,659	20.1	52,574	20.1
General Motors Company	23,747	9.3	24,089	9.2
Honda Motor Co., Ltd.	10,563	4.1	9,926	3.8

(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 1.6% from the previous fiscal year to ¥260,836 million.

Revenue increased due to the increase in sales of motorcycle clutches in India and Brazil.

(Operating profit)

Operating profit for the fiscal year under review increased by 9.2% from the previous fiscal year to ¥18,927 million.

Operating profit increased due in part to the decrease in provision for product warranty, the decrease in depreciation in the U.S., and the effect of revenue growth.

(Profit before income taxes)

Profit before income taxes for the fiscal year under review increased by 7.6% from the previous fiscal year to ¥21,567 million.

(Profit attributable to owners of parent)

Profit attributable to owners of parent for the fiscal year under review increased by 18.3% from the previous fiscal year to ¥18,760 million, partly due to the increase in deferred tax assets.

Analysis of financial position

(Current assets)

At the end of the fiscal year under review, current assets were ¥168,343 million, up ¥5,430 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥3,554 million in inventories and ¥2,864 million in cash and cash equivalents, despite a decrease of ¥3,726 million in other financial assets.

(Non-current assets)

At the end of the fiscal year under review, non-current assets were ¥96,009 million, up ¥12,714 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥6,787 million in property, plant and equipment and ¥4,596 million in other financial assets.

(Current liabilities)

At the end of the fiscal year under review, current liabilities were ¥48,303 million, down ¥214 million compared with the end of the previous fiscal year. This is mainly due to a decrease of ¥2,663 million in trade and other payables in spite of an increase of ¥1,850 million in provisions.

(Non-current liabilities)

At the end of the fiscal year under review, non-current liabilities were ¥9,750 million, down ¥2,496 million compared with the end of the previous fiscal year. This is mainly due to decreases of ¥1,684 million in deferred tax liabilities and ¥1,013 million in other financial liabilities.

(Equity)

At the end of the fiscal year under review, equity was ¥206,299 million, up ¥20,854 million compared with the end of the previous fiscal year. This is mainly due to increases of ¥10,762 million in retained earnings and ¥10,015 million in other components of equity.

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 312 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, (5) Significant accounting estimates and judgments, and 3. Material accounting policy information."

5. Critical contracts

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, 2026, research and development expenses (including expenses recognized as development assets) amounted to ¥8,513 million.

The following is a summary of research and development expenses by segment during the fiscal year ended March 31, 2026.

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 for motor key components, such as motor cores and motor power units such as motor assemblies, PCUs, and e-Axles in the EV/CASE area. Research and development activities are also underway to create further value-added products and services, such as connected services, through the use of digital solutions.

Research and development expenses in the motorcycles business amounted to ¥2,522 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 as well as research and development on thermal management centered on aluminum die casting in the EV/CASE area.

Research and development expenses in the automobiles business amounted to ¥3,483 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 expenses in the non-mobility business amounted to ¥2,508 million.

III. Information about facilities

1. Overview of capital investments, etc.

During the fiscal year ended March 31, 2026, the Company made total capital investments (including investments on intangible assets) of ¥16,451 million. The principal capital investment details were: acquisition of buildings and the new EV automotive motor core business in Japan; expanding production capacity for motorcycle clutches and the new EV motorcycle motor core and motor assembly businesses in India; and expanding production capacity in Vietnam and Indonesia. The breakdown of capital investments by business segment is ¥6,748 million for the motorcycles business, ¥5,536 million for the automobiles business, and ¥4,167 million for the non-mobility business.

(1) Reporting company

Acquisition of buildings

New businesses

(2) Subsidiaries

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

New businesses and production capacity expansion at FCC (VIETNAM) CO., LTD.

New businesses and 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, 2026

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 Automobiles business	Manufacturing facilities for clutches and EV-related products	1,049	1,429	534 (26,216)	1,570	4,584	144 [18]
Watagashima Factory (Tenryu-ku, Hamamatsu-shi, Shizuoka)	Motorcycles business Automobiles business	Manufacturing facilities for clutches and EV-related products	1,332	894	766 (61,268)	100	3,094	172 [37]
Suzuka Factory (Suzuka-shi, Mie)	Motorcycles business Automobiles business	Manufacturing facilities for clutches	1,649	728	1,228 (50,477)	56	3,663	149 [69]
R&D Center (Hamana-ku, Hamamatsu-shi, Shizuoka)	Motorcycles business Automobiles business Non-mobility business	Testing apparatus and measuring instruments	494	552	216 (12,093)	558	1,821	178 [101]

(2) Domestic subsidiaries

As of March 31, 2026

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	688	555	0 (28,704)	23	1,267	51 [6]

(3) Overseas subsidiaries

As of March 31, 2026

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	1,538	1,262	117 (246,263)	256	3,174	491 [14]
FCC (North Carolina), LLC	North Carolina, U.S.	Motorcycles business Automobiles business	Manufacturing facilities for clutches	2,867	149	45 (366,274)	35	3,098	228 [12]
FCC (Adams), LLC	Indiana, U.S.	Automobiles business	Manufacturing facilities for clutches	3,909	2,504	74 (161,880)	514	7,002	451 [18]
FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.	San Luis Potosi, Mexico	Automobiles business	Manufacturing facilities for clutches	829	260	105 (81,837)	37	1,233	343
FCC (THAILAND) CO., LTD.	Bangkok, Thailand	Motorcycles business Automobiles business	Manufacturing facilities for clutches	302	587	913 (87,890)	302	2,105	440 [335]
FCC CLUTCH INDIA PRIVATE LIMITED	Haryana, India	Motorcycles business Automobiles business	Manufacturing facilities for clutches and EV-related products	992	2,591	542 (114,619)	2,306	6,432	754 [3,177]
PT. FCC INDONESIA	Karawang, Indonesia	Motorcycles business Automobiles business	Manufacturing facilities for clutches	562	1,745	– (72,812)	513	2,821	1,139 [617]
FCC (VIETNAM) CO., LTD.	Hanoi, Vietnam	Motorcycles business Automobiles business	Manufacturing facilities for clutches	721	2,155	– (45,816)	746	3,622	1,214 [68]
CHINA FCC FOSHAN CO., LTD.	Guangdong, China	Automobiles business	Manufacturing facilities for clutches and EV-related products	1,076	2,911	– (59,108)	431	4,419	269 [40]

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 m^2, 11,266 m^2 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, 2026 to March 31, 2027), the Company plans to make total capital investments of ¥21,500 million. The principal capital investment breakdown will involve: the new EV automotive motor core business and expanding production capacity for automobile clutches in North America and Japan; expanding production capacity for motorcycle clutches and the new EV motorcycle motor core and motor assembly businesses in India; and expanding production capacity in Vietnam. The breakdown of planned capital investments by business segment will be ¥7,500 million for the motorcycles business, ¥12,960 million for the automobiles business, and ¥1,040 million for the environmental energy business.

・Reporting company

New businesses

・Subsidiaries

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

New businesses and production capacity expansion at FCC AUTOMOTIVE PARTS DE MEXICO, S.A. DE C.V.

New businesses and production capacity expansion at FCC (Adams), LLC

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

(2) Retirement, etc. of important facilities

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

IV. Information about reporting company

1. Information about shares, etc.

(1) Total number of shares, etc.

Total number of shares

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

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

Date	Increase (decrease) in total number of shares issued (Shares)	Balance of total number of shares issued (Shares)	Increase (decrease) in issued capital (Millions of yen)	Balance of issued capital (Millions of yen)	Increase (decrease) in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
July 19, 2024 (Note)	(587,500)	52,056,530	–	4,175	–	4,555

Note: Decrease is due to cancellation of treasury shares.

(3) Shareholding by shareholder category

As of March 31, 2026

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	–	14	27	236	210	66	35,359	35,912	–
Number of shares held (Units)	–	93,682	10,949	152,148	103,048	135	160,142	520,104	46,130
Shareholding ratio (%)	–	18.01	2.11	29.25	19.81	0.03	30.79	100.00	–

Notes: 1. 3,621,868 treasury shares are included in “Individuals, etc.” as 36,218 units and “Shares less than one unit” as 68 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, 2026

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
Honda Motor Co., Ltd.	2-2-3 Toranomon, Minato-ku, Tokyo	10,881	22.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	AKASAKA INTERCITY AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	4,688	9.68
Y. A Co., Ltd.	38-28 Yamate-cho, Chuo-ku, Hamamatsu-shi, Shizuoka	2,556	5.28
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	2,203	4.55
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	1,281	2.65
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)	1,205	2.49
F.C.C. Supplier Stock Ownership Association	7000-36 Nakagawa, Hosoe-cho, Hamana-ku, Hamamatsu-shi, Shizuoka	888	1.84
Ei Yamamoto	Chuo-ku, Hamamatsu-shi, Shizuoka	800	1.65
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing Proxy: Tokyo Branch Custody Operations Department, Citibank, N.A.)	PALISADES WEST 6300,BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	519	1.07
STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (Shinagawa Intercity Building A, 2-15-1 Konan, Minato-ku, Tokyo)	512	1.06
Total	–	25,537	52.73

Notes: 1. In addition to the above, the Company held 3,621 thousand treasury shares.

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

The Master Trust Bank of Japan, Ltd. (Trust Account)	4,688 thousand shares
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	2,203 thousand shares
Custody Bank of Japan, Ltd. (Trust Account)	1,281 thousand shares

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 ¥194 per share (of which ¥67 was paid out as an interim dividend). This resulted in a dividend payout ratio of 50.1%.

Furthermore, in the 13th Medium-Term Management Plan (from the fiscal year ending March 31, 2027 to the fiscal year ending March 31, 2031) announced on May 13, 2026, the Company has set a target of either a dividend payout ratio of 50% or a dividend on equity ratio (DOE) of 3.5%, whichever is higher, and has also set a goal of flexibly purchasing treasury shares.

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 5, 2025	3,245	67
Resolution at a Board of Directors meeting held on May 13, 2026	6,151	127

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."

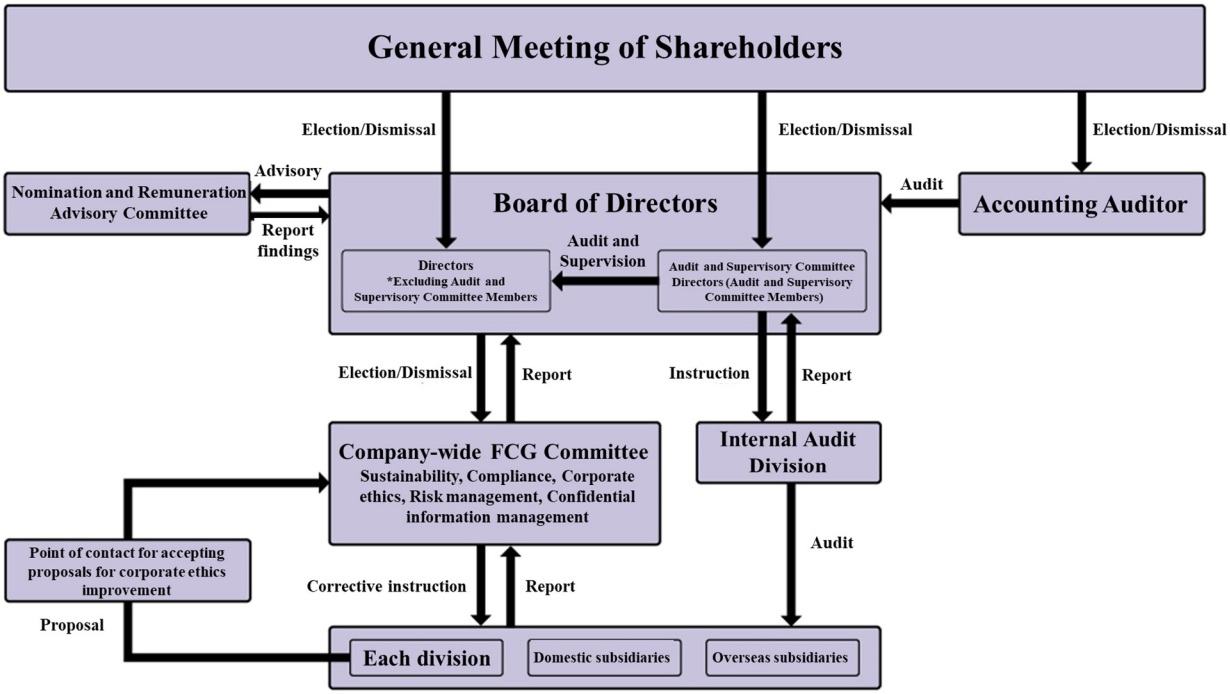
2) Summary of system of corporate governance and reasons for adopting the system

(i) Summary of the system of corporate governance

The Company has adopted an institutional design of a company with an Audit and Supervisory Committee, and as of June 22, 2026 (the filing date of this Annual Securities Report), 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 Company has submitted the following proposals (resolutions) for the Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2026: "Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)" and "Election of four (4) Directors who are Audit and Supervisory Committee Members." If these proposals are approved, the Company's Board of Directors will consist of ten Directors, of whom five are Outside Directors, and the Representative Director, President and Executive Officer will serve as its chairperson, and the Audit and Supervisory Committee will consist 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) will serve as its chairperson. In addition, the Nomination and Remuneration Advisory Committee comprises six Directors, of whom five are Outside Directors, and the Representative Director, President and Executive Officer serves as its chairperson.

The following diagram shows the relationships among the Company's organizations and internal control as of June 22, 2026 (filing date of this Annual Securities Report) and after the Ordinary General Meeting of Shareholders on June 23, 2026.



Note: The names of the members of the Board of Directors and the Audit and Supervisory Committee as of June 22, 2026 (filing date of this Annual Securities Report) and after the Ordinary General Meeting of Shareholders on June 23, 2026, are provided in "(2) Information about officers, 1) Officers." The Nomination and Remuneration Advisory Committee's members are as above.

(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 the Management Committee 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
Atsuhiro Mukoyama	9	9
Satoshi Nakaya	9	9
Kunihiro Koshizuka	9	9
Kazunori Kobayashi	9	9
Akira Tsuboi	9	8
Kazumoto Sugiyama	9	9
Mayumi Yamamoto	9	9
Tae Kawashima	9	9

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, the Board of Directors worked to achieve the targets set out in the annual business plan, including the sustainability-related targets, and reported regularly on progress at meetings of the Board of Directors. In addition, the Group has taken such measures as formulating its 13th Medium-Term Management Plan, which began in FY2027. The Board of Directors also reviewed the rationality of owning shares held as cross-shareholdings.

Activity Status of the Nomination and Remuneration Advisory Committee

In the fiscal year under review, the Company convened six 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	6	6
Kunihiro Koshizuka	6	6
Kazunori Kobayashi	6	6
Kazumoto Sugiyama	6	6
Mayumi Yamamoto	6	6
Tae Kawashima	6	6

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

1. Information regarding the Company's officers as of June 22, 2026 (filing date of this Annual Securities Report), is as follows.

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	Feb. 2009 Joined the Company Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC (currently FCC (INDIANA), LLC) President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC) Jun. 2011 Director of the Company Apr. 2012 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. Jun. 2012 Managing Director, Head of business operation in North America of the Company Apr. 2013 Managing Director, Head of business operation of motorcycles business of the Company Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company Jun. 2020 President and Representative Director of the Company (incumbent)	(Note 2)	429

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, and Risk Management Officer	Kazuto Suzuki	May 27, 1961	Apr. 1984 Joined the Company Jun. 2010 Director, Head of business operation in China and South America and General Manager of Corporate Planning Office of the Company Jun. 2011 Director, Head of business operation in China and South America, General Manager of Corporate Planning Office and Risk Management Officer of the Company Jun. 2012 Director, Head of Production of Motorcycle Components, Head of Production Engineering and Head of business operation in China and South America of the Company Apr. 2013 Director, Head of business operation of motorcycles business in Japan, Head of business operation in China and South America and Risk Management Officer of the Company Apr. 2014 Director, Head of business operation of motorcycles business, Head of business operation in ASEAN and India and Head of business operation in South America of the Company Apr. 2016 Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company Jun. 2017 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and Head of business operation in South America of the Company Jun. 2018 Managing Director, Head of business operation of motorcycles business, Head of Production of Motorcycle Components, Head of business operation in ASEAN and South America and Risk Management Officer of the Company Apr. 2019 Managing Director, Head of business operation of motorcycles business, Head of business operation in ASEAN, Head of business operation in South America, Risk Management Officer and in charge of Racing of the Company Aug. 2022 Head of business operation in India of the Company 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 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	(Note 2)	185

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
			Jun. 2024 Senior Managing Director, Overall business management, Head of Development, Risk Management Officer and in charge of Racing of the Company Jun. 2025 Senior Managing Director, Overall business management, Head of Development, and Risk Management Officer (incumbent)		
Managing Director, Head of business operation of automobiles business of the Company	Atsuhiro Mukoyama	July 31, 1963	Apr. 1984 Joined the Company Apr. 2012 Head of Production of Automobile Components of the Company Jun. 2012 Director, Head of Production of Automobile Components of the Company Apr. 2013 Director, Head of business operation of automobiles business of the Company Apr. 2015 Director, Head of Production Engineering and Head of Environment and Safety of the Company Apr. 2019 Director, Head of business operation of automobiles business and in charge of Stacked Mold Technology Development of the Company Jun. 2021 Managing Director, Head of business operation of automobiles business of the Company (incumbent)	(Note 2)	162

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	Apr. 1986 Joined the Company Jan. 2012 General Manager of Corporate Planning Office of the Company Jun. 2012 Director, Head of Management and Administration, General Manager of Corporate Planning Office, Risk Management Officer and Chief Information Officer of the Company Apr. 2013 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. President and Director of FCC (INDIANA), LLC Apr. 2017 Director and Head of business operation in North America of the Company President and Director of FCC (North America), INC. Apr. 2019 Director, Head of Purchasing, Head of Environment and Safety and Head of business operation in China of the Company Jun. 2021 Managing Executive Officer, Head of Purchasing and Head of business operation in China of the Company Apr. 2023 Managing Executive 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. 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. 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)	(Note 2)	168

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	Apr. 1981 Joined Konishiroku Photo Industry Co., Ltd. (currently KONICA MINOLTA, INC.) Apr. 2012 Executive Officer, General Manager of Technology Strategy Division of KONICA MINOLTA, INC. Apr. 2014 Executive Vice President & Executive Officer, General Manager of Corporate R&D Headquarters of KONICA MINOLTA, INC. Apr. 2015 Executive Vice President & Executive Officer, General Manager of Business Development Headquarters of KONICA MINOLTA, INC. Jun. 2015 Director, Executive Vice President & Executive Officer, and General Manager of Business Development Headquarters of KONICA MINOLTA, INC. Apr. 2016 Director, Executive Vice President & Executive Officer of KONICA MINOLTA, INC. Jun. 2019 Senior Technical Advisor of KONICA MINOLTA, INC. (retired in March 2021) May 2020 Outside Director of AEON MALL Co., Ltd. (incumbent) Jun. 2021 External Director of TOKYU CONSTRUCTION CO., LTD. (retired in June 2025) Jun. 2022 Outside Director of WILL GROUP, INC. (incumbent) Jun. 2022 Director of the Company (incumbent) Apr. 2023 Outside Director of MIC Co., Ltd. (incumbent)	(Note 2)	–
Director	Kazunori Kobayashi	June 2, 1958	Apr. 1981 Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation) Jun. 2013 Operating Officer, General Manager of Professional Audio Business Department of Electronics Business Headquarters of Yamaha Corporation Aug. 2013 Operating Officer, General Manager of Business Development of Yamaha Corporation Jul. 2016 Operating Officer of Yamaha Corporation Representative Director and President of YAMAHA MUSIC JAPAN CO., LTD. Jun. 2018 Advisor of Yamaha Corporation (retired in June 2020) Jun. 2022 Director of the Company (incumbent)	(Note 2)	–

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 (full time)	Akira Tsuboi	August 13, 1964	Jan. 1994 Joined the Company Apr. 2016 Executive Officer, Head of Research and Development of Automobile Components of the Company Jul. 2019 Executive Officer, Deputy Head of business operation in China of the Company Sep. 2019 Executive Officer, Deputy Head of business operation in China of the Company and President of F.C.C. (China) Investment Co., Ltd. Jan. 2023 Executive Officer, Head of Quality Control and Quality Assurance Representative of the Company Jun. 2024 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)	(Note 3)	60
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) Jun. 2025 Outside Audit & Supervisory Board Member of Pulstec Industrial Co.,Ltd. (incumbent)	(Note 3)	–
Total					1,006

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 24, 2025

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

2. The Company has submitted the following proposals (resolutions) for the Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2026: “Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Election of four (4) Directors who are Audit and Supervisory Committee Members.” If these proposals are approved, status and term of office of the Company’s officers will be as follows.

   Please note that information regarding officers includes the details (such as titles) to be determined by a resolution of the Board of Directors meeting scheduled to be held immediately following the Ordinary General Meeting of Shareholders.

   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)
Representative Director, President and Executive Officer	Yoshitaka Saito	November 29, 1973	Feb. 2009 Joined the Company Jan. 2011 President and Director of FCC (INDIANA) Mfg., LLC (currently FCC (INDIANA), LLC) President and Director of FCC (INDIANA), INC. (currently FCC (INDIANA), LLC) Jun. 2011 Director of the Company Apr. 2012 Director, Head of business operation in North America of the Company President and Director of FCC (North America), INC. Jun. 2012 Managing Director, Head of business operation in North America of the Company Apr. 2013 Managing Director, Head of business operation of motorcycles business of the Company Apr. 2014 Managing Director, Head of Purchasing, Head of business operation in China and Risk Management Officer of the Company Jun. 2018 Senior Managing Director, in charge of Sales and Head of business operation in China of the Company Apr. 2019 Vice President and Representative Director and in charge of Alliance of the Company Jun. 2020 President and Representative Director of the Company Jun. 2026 Representative Director, President and Executive Officer of the Company (incumbent)	(Note 2)	429

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Managing Executive Officer, Head of business operation of motorcycles business, Head of Brand Strategy and Head of business operation in India	Toshinari Mohara	November 11, 1965	Apr. 1985 Joined Honda R&D Co., Ltd. Apr. 2017 President of Honda R&D (India) Private Limited Apr. 2019 Joined the Company; Executive Officer, Head of Research and Development of Motorcycle of the Company Jun. 2020 Director, Head of Research and Development and Head of R&D Center of the Company Jun. 2021 Managing Executive Officer, Head of Research and Development and Head of R&D Center of the Company Jun. 2022 Managing Executive Officer, Head of Research and Development, Head of Fundamental Research and Electronic Motorcycle Development and Head of R&D Center of the Company Jun. 2023 Managing Executive Officer, Head of Motorcycle CASE Commercialization and Head of business operation (Motorcycle CASE Commercialization) in India and ASEAN of the Company Jun. 2025 Managing Executive Officer, Head of Motorcycle CASE Commercialization, Head of Brand Strategy and Head of business operation (Motorcycle CASE Commercialization) in India and ASEAN of the Company Jun. 2026 Director, Managing Executive Officer, Head of business operation of motorcycles business, Head of Brand Strategy and Head of business operation in India of the Company (incumbent)	(Note 2)	103
Director, Managing Executive Officer, Head of Sales, Head of Purchasing, Deputy Head of New Business Development, Head of business operation in Japan and Head of business operation in Africa	Yoshifumi Fuchigami	August 23, 1966	Apr. 1985 Joined KYUSHU F.C.C. CO.,LTD. Nov. 2008 President of CHENGDU YONGHUA. F.C.C. CLUTCHES CO.,LTD. Apr. 2014 Transferred to the Company; President of KYUSHU F.C.C. CO.,LTD. Jun. 2016 President of FCC (THAILAND) CO., LTD. Apr. 2019 Executive Officer, General Manager of Sales Department of the Company Jun. 2022 Senior Executive Officer, Head of Sales of the Company Jun. 2023 Managing Executive Officer, Head of Sales of the Company Jun. 2024 Managing Executive Officer, Head of Sales and Head of Purchasing of the Company Jun. 2025 Managing Executive Officer, Head of Sales, Head of Purchasing and Head of business operation in Japan of the Company Jun. 2026 Director, Managing Executive Officer, Head of Sales, Head of Purchasing, Deputy Head of New Business Development, Head of business operation in Japan and Head of business operation in Africa of the Company (incumbent)	(Note 2)	91

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Senior Executive Officer, Head of Management and Administration, Head of Environment and Safety, Risk Management Officer and Chief Information Officer	Mikinobu Nagasaka	April 1, 1967	Apr. 1989 Joined the Company May 2011 General Manager of Accounting Department of the Company Apr. 2013 Executive Officer, General Manager of Accounting Department of the Company Jun. 2024 Senior Executive Officer, Head of Management and Administration of the Company Oct. 2024 Senior Executive Officer, Head of Management and Administration, Head of Environment and Safety, Compliance Officer and Chief Information Officer of the Company Jun. 2026 Director, Senior Executive Officer, Head of Management and Administration, Head of Environment and Safety, Risk Management Officer and Chief Information Officer of the Company (incumbent)	(Note 2)	126
Director	Kunihiro Koshizuka	September 30, 1955	Apr. 1981 Joined Konishiroku Photo Industry Co., Ltd. (currently KONICA MINOLTA, INC.) Apr. 2012 Executive Officer, General Manager of Technology Strategy Division of KONICA MINOLTA, INC. Apr. 2014 Executive Vice President & Executive Officer, General Manager of Corporate R&D Headquarters of KONICA MINOLTA, INC. Apr. 2015 Executive Vice President & Executive Officer, General Manager of Business Development Headquarters of KONICA MINOLTA, INC. Jun. 2015 Director, Executive Vice President & Executive Officer, and General Manager of Business Development Headquarters of KONICA MINOLTA, INC. Apr. 2016 Director, Executive Vice President & Executive Officer of KONICA MINOLTA, INC. Jun. 2019 Senior Technical Advisor of KONICA MINOLTA, INC. (retired in March 2021) May 2020 Outside Director of AEON MALL Co., Ltd. (incumbent) Jun. 2021 External Director of TOKYU CONSTRUCTION CO., LTD. (retired in June 2025) Jun. 2022 Outside Director of WILL GROUP, INC. (incumbent) Jun. 2022 Director of the Company (incumbent) Apr. 2023 Outside Director of MIC Co., Ltd. (incumbent)	(Note 2)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director	Kazunori Kobayashi	June 2, 1958	Apr. 1981 Joined Nippon Gakki Co., Ltd. (currently Yamaha Corporation) Jun. 2013 Operating Officer, General Manager of Professional Audio Business Department of Electronics Business Headquarters of Yamaha Corporation Aug. 2013 Operating Officer, General Manager of Business Development of Yamaha Corporation Jul. 2016 Operating Officer of Yamaha Corporation Representative Director and President of YAMAHA MUSIC JAPAN CO., LTD. Jun. 2018 Advisor of Yamaha Corporation (retired in June 2020) Jun. 2022 Director of the Company (incumbent)	(Note 2)	–
Director, Audit and Supervisory Committee Member (full time)	Akira Tsuboi	August 13, 1964	Jan. 1994 Joined the Company Apr. 2016 Executive Officer, Head of Research and Development of Automobile Components of the Company Jul. 2019 Executive Officer, Deputy Head of business operation in China of the Company Sep. 2019 Executive Officer, Deputy Head of business operation in China of the Company and President of F.C.C. (China) Investment Co., Ltd. Jan. 2023 Executive Officer, Head of Quality Control and Quality Assurance Representative of the Company Jun. 2024 Director, Audit and Supervisory Committee Member (full time) of the Company (incumbent)	(Note 3)	60
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) Jun. 2025 Outside Audit & Supervisory Board Member of Pulstec Industrial Co.,Ltd. (incumbent)	(Note 3)	–

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundreds of shares)
Director, Audit and Supervisory Committee Member	Kazutoshi Shibayama	August 6, 1973	Oct. 1997 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Apr. 2001 Registered as Certified Public Accountant Jun. 2007 Established Kazutoshi Shibayama Certified Public Accountant Office (to present) Established Kazutoshi Shibayama Tax Accountant Office (to present) Jun. 2026 Director, Audit and Supervisory Committee Member of the Company (incumbent)	(Note 3)	–
Total					810

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

2. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2026

3. Two years from the conclusion of the Ordinary General Meeting of Shareholders held on June 23, 2026

2) Outside Officers

The Company has five Outside Directors as of June 22, 2026 (filing date of this Annual Securities Report).

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

The Company has submitted the following proposals (resolutions) for the Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2026: “Election of six (6) Directors (excluding Directors who are Audit and Supervisory Committee Members)” and “Election of four (4) Directors who are Audit and Supervisory Committee Members.” If these proposals are approved, Kazumoto Sugiyama, a Director who is an Audit and Supervisory Committee Member, will retire, Kazutoshi Shibayama will be newly elected, and the Company will have 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
Mayumi Yamamoto, Tae Kawashima, Kazutoshi Shibayama

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.

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

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

In accordance with the requirements of the Tokyo Stock Exchange, the officers are designated as independent officers and are registered with the said stock exchange as such.

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

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

(3) Audits

1) Audits by the Audit and Supervisory Committee

As of June 22, 2026 (filing date of this Annual Securities Report), the Company's 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.

The Company has submitted the "Election of four (4) Directors who are Audit and Supervisory Committee Members" proposal (resolution) for the Ordinary General Meeting of Shareholders scheduled to be held on June 23, 2026. If this proposal is approved, Kazumoto Sugiyama will retire, Kazutoshi Shibayama will be newly elected, and the Company will have 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
Akira Tsuboi	12	11
Kazumoto Sugiyama	12	12
Mayumi Yamamoto	12	12
Tae Kawashima	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, and Kazutoshi Shibayama, who is expected to be elected as Outside Director, is a licensed CPA and tax accountant, both 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 nine staff members, including the General Manager, carry out periodic and unscheduled audits in collaboration with the Audit and Supervisory Committee.

As a measure to ensure the effectiveness of internal audits, in addition to reporting on internal audits to the Representative Director, the Internal Audit Division attended all 12 meetings of the Audit and Supervisory Committee held during the fiscal year under review and reported the results of internal audits and the evaluation of internal control operations directly to the Audit and Supervisory Committee. Furthermore, the full-time Audit and Supervisory Committee Member reported the results of internal audits and the evaluation of internal control operations of Internal Audit Division at eight of the nine meetings of the Board of Directors held during the fiscal year under review. At the remaining meeting, Outside Director Kazumoto Sugiyama reported to the Board of Directors.

Although there is no system for the Internal Audit Division to report directly to the Board of Directors, it is considered that the effectiveness of internal audits is ensured through the aforementioned systems.

3) Accounting audits

a. Name of the audit corporation

Yasumori Audit Corporation

b. Length of continuous tenure

38 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 nine CPAs.

e. Policy and reason for selecting the audit corporation

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

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

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

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

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

4) Details of audit fee, etc.

a. Remuneration to independent auditors

Category	Fiscal year ended March 31, 2025		Fiscal year ended March 31, 2026	
	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	55	–	58	–
Consolidated subsidiaries	–	–	–	–
Total	55	–	58	–

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

A. Officer remuneration system for the fiscal year under review

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 six 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 is 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 ¥18,595 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 ended March 31, 2026 as follows.

• Eligible Persons

Directors and Managing Executive 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) ×0.115%

Senior Managing Director (Consolidated business profit - ¥6.0 billion) ×0.06517%

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

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

Notes: 1. “Index indicating the status of profit” prescribed in Article 34, paragraph 1, item 3 (a) of the Corporation Tax Act shall be the “consolidated business profit” for the fiscal year ended March 31, 2026.

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

B. Officer remuneration system from FY2027

With the aim of further advancing efforts toward sustainable growth and enhancing corporate value, the Company has established the following policy regarding the determination of the amount of remuneration, etc., for officers and the methods for calculating such amounts for FY2027 and beyond.

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 based on the Director’s position, supplemented by a Director’s allowance reflecting the work responsibilities of a Director and a Representative Director’s allowance reflecting the duties of a Representative Director. These levels

are 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 at a fixed time each 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 revenue, consolidated business profit, and consolidated ROE 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. for Directors responsible for business execution (excluding Directors who are Audit and Supervisory Committee Members) shall be as follows.

Position	Target composition ratios (under baseline business performance) Basic remuneration: Remuneration based on individual assessment: Performance-based bonus: Share-based remuneration
Director, President and Executive Officer Director, Senior Managing Executive Officer Director, Managing Executive Officer	60:10:10:20
Director, Senior Executive Officer Director, Executive Officer	70:10:10:10

6. Method for determining details of remuneration, etc.

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

Performance-based bonus

The performance indicators for performance-based bonuses are set with the aim of appropriately reflecting the results generated from the business. While consolidated business profit serves as the primary indicator, consolidated revenue and return on equity (ROE)—key management indicators emphasized in the Medium-Term Management Plan—are also taken into account.

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, 2027 as follows.

• Eligible Persons

Directors; said Directors are executive officers provided for in as defined 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 bonus amount is determined using the following formula based on performance data for consolidated revenue, consolidated business profit, and return on equity (ROE).

Bonus amount paid = Component linked to consolidated revenue + Component linked to consolidated business profit + Component linked to ROE

Component linked to consolidated revenue = (Consolidated revenue performance – ¥221.0 billion) × 1/100,000 × Consolidated revenue payment coefficient

Component linked to consolidated business profit = (Consolidated business profit performance – ¥15.2 billion) × 1/10,000 × Consolidated business profit payment coefficient

Component linked to ROE = (ROE performance – 5.8%) × 10,000,000 × ROE payment coefficient

Payment coefficients are as follows.

	Consolidated revenue payment coefficient	Consolidated business profit payment coefficient	ROE payment coefficient
Director, President and Executive Officer	5.4770	5.5844	11.2422
Director, Senior Managing Executive Officer	3.3077	3.3726	6.7895
Director, Managing Executive Officer	2.3693	2.4157	4.8632
Director, Senior Executive Officer	1.8924	1.9295	3.8843
Director, Executive Officer	1.6893	1.7224	3.4674

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 revenue," "consolidated business profit," and "return on equity (ROE)" for the fiscal year ending March 31, 2027.
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.
5. For each performance-based indicator, if the performance value exceeds the upper limit, the upper limit shall be used as the performance value for that indicator; if the performance value falls below the lower limit, the lower limit shall be used as the performance value.

Performance-based indicators	Lower limit	Upper limit
Consolidated revenue	¥221.0 billion	¥299.0 billion
Consolidated business profit	¥15.2 billion	¥25.4 billion
Return on equity (ROE)	5.8%	9.6%

• 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]	204 [14]	126 [14]	17 [–]	34 [–]	25 [–]	6 [2]
Directors, Audit and Supervisory Committee Members [Outside Directors]	36 [18]	36 [18]	– [–]	– [–]	– [–]	4 [3]
Total [Outside Directors]	240 [32]	162 [32]	17 [–]	34 [–]	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. In particular, the Board of Directors inspects the benefits, including the transaction

amounts and content, for each fiscal year, with a focus on verifying the strategic significance of owning the shares in terms of contribution to enhancing corporate value in the medium and long term.

As of the end of the fiscal year under review, cross-held shares accounted for less than 3.6% 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	18	3,210
Shares other than unlisted shares	9	4,210

(Issues whose number of shares increased in the fiscal year ended March 31, 2026)

	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	1	1,916	Capital investment in the EV/CASE area
Shares other than unlisted shares	2	13	Contributions to Supplier Stock Ownership Association

(Issues whose number of shares decreased in the fiscal year ended March 31, 2026)

	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, 2026 Number of shares (Shares) Balance sheet amount (Millions of yen)	Fiscal year ended March 31, 2025 Number of shares (Shares) Balance sheet amount (Millions of yen)	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
KANEMATSU CORPORATION	1,480,400 3,265	740,200 1,863	Principally engaged in the sale of motorcycle clutches to U.S. and European customers through this Group, which accounted for 2.1% 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. The increase in shares is because of an increase in the number of shares due to a stock split.	Yes
SUZUKI MOTOR CORPORATION	210,000 393	210,000 380	A customer for motorcycle clutches, etc. with sales to this Group accounting for 2.3% of revenue in the fiscal year under review. Although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	No
Mizuho Financial Group, Inc.	53,216 323	53,216 215	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No (Note 2)
Sumitomo Mitsui Financial Group, Inc.	17,265 86	17,265 65	Held to maintain and strengthen smooth financial transactions such as investment and procurement of funds as a main financial institution.	No (Note 3)

Issue	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025	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)		
Kawasaki Heavy Industries, Ltd.	20,694	3,004	A customer for motorcycle clutches with sales to this Group accounting for 1.1% 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. Number of shares increased due to contributions to Supplier Stock Ownership Association to further strengthen the relationship.	No
	59	26		
YAMABIKO CORPORATION	10,417	9,936	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 to further strengthen the relationship.	No
	36	23		
MUSASHI SEIMITSU INDUSTRY CO., LTD.	12,000	12,000	Purchase clutch components from this Group and although held to maintain and strengthen the transactional relationship in the business, this is not limited to a transactional relationship and we consider that the exchange of personnel and technologies and the stable relationship of trust is contributing to improvement in the Company's corporate value.	Yes
	31	29		
Yamaha Motor Co., Ltd.	10,000	10,000	A customer for motorcycle clutches, etc. with sales to this Group accounting for 5.8% of revenue in the fiscal year under review. 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
	11	11		

Issue	Fiscal year ended March 31, 2026	Fiscal year ended March 31, 2025	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)		
NORITAKE CO., LIMITED	2,000	1,000	Although held to maintain and strengthen the transactional relationship in the non-mobility 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. The increase in shares is because of an increase in the number of shares due to a stock split.	No
	2	3		

Notes: 1. The quantitative effects of holding the specified investment shares are difficult to state, but the rationality of their ownership is inspected by the Board of Directors each year as stated in the above item i).

2. The company in which shares are owned does not own the Company's shares, but a subsidiary of the said company owns the Company's shares.

3. The company in which shares are owned does not own the Company's shares. A subsidiary of the said company owns the Company's shares, but these shares are excluded as they are held in a trust account.

3) Investment shares whose purpose of holding is for net investment

Not applicable.

4) Shares reclassified from held for the purpose of other than pure investment to held for the purpose of pure investment during the most recent five fiscal years, including the fiscal year under review

Not applicable.

4. Information about employees, etc.

(1) Basic policy regarding human resources strategy, etc.

1) Human resources strategy aligned with the Group's corporate strategy

Information is provided in "II. Overview of business, 2. Approach and initiatives on sustainability, (3) Major initiatives: Human capital."

2) The Company's policy on determining employee salaries, etc.

Item	Specific approach
Basic policy	• Employee compensation is based on appropriate levels commensurate with their roles and expertise, and is determined based on their achievement and the extent to which they demonstrate their capabilities • The Company prioritizes balancing market competitiveness with internal fairness, and aims for compensation and benefits that contribute to attracting and retaining human resources
Salary/bonus structure	• Salaries are set based on grade and job function (role), aiming to balance internal fairness with market standards • Bonuses are paid based on company performance and individual assessment results
Personnel evaluation	• Evaluations cover both the degree to which individual work goals are achieved and the demonstration of behaviors aligned with the desired employee profile • Evaluations are used not only for compensation but also for development and assignment, and are linked to the employee's growth through dialogue and feedback
Wage revision	• Wage revisions are determined annually through negotiations with the labor union, taking into account the company's performance, price trends, hiring competition, and market standards, among other factors
Medium- to long-term incentives	• To improve employee engagement and foster a mindset focused on improving corporate value over the medium to long term, the Company introduced a restricted share-based incentive program for the employee stock ownership association
Review of operation	• The Company will continuously review and revise its personnel systems and compensation policies in light of changes in business strategy and the labor market

(2) Information about employees

1) Consolidated companies

As of March 31, 2026

Segment name	Number of employees	
Motorcycles business	4,631	[4,322]
Automobiles business	3,012	[318]
Non-mobility business	161	[39]
Total of reportable segments	7,804	[4,679]
Total	7,804	[4,679]

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, 2026

Number of employees	Average age	Average years of service	Average annual salary (Yen)	Year-on-year percentage change in average annual salary (%)
1,017 [269]	44.6	19.8	7,703,580	4.3

Segment name	Number of employees	
Motorcycles business	429	[137]
Automobiles business	427	[93]
Non-mobility business	161	[39]
Total of reportable segments	1,017	[269]
Total	1,017	[269]

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, 2026					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	
2.5	100.0	75.8	77.5	70.8	

Notes: 1. (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) The low percentage of female workers in management positions at the Company is due to the past recruitment practices which primarily targeted engineering students, a high percentage of whom are male. This discouraged women from applying to work at the Company. Another factor was the failure to establish clear career development pathways for women in personnel recruitment and work processes. As of March 31, 2026, female workers accounted for 11.8% of all employees, and the percentage of female workers in management positions was 2.5%. Although this is an improvement from the percentage of female workers in management positions as of March 31, 2025, which was 1.9%, further increasing the percentage remains an issue. In light of this background, the Company is concentrating its efforts on promoting recruitment of women and supporting development of their careers. More specifically, the Company holds roundtable discussions for female students and actively shares information at work styles and the career development possibilities at the Company during recruitment activities. In addition, the Company is working to improve human capital across its organization by enhancing education and training to develop core female human resources, setting out clear career pathways, and introducing measures to promote diversity through collaboration with external specialist organizations.

(3) The factors behind the wage differential between male and female workers include the low percentage of female workers in management positions relative to overall percentage of female workers plus the fact that most of the employees who use the reduced working hours for childcare program are women. However, the Company's salary regulations do not discriminate based on gender, and there are no wage disparities between men and women in the personnel system for those with the same qualifications, job grade, or job content. Going forward, the Company will strengthen systems that provide support a balance between life events and a career development and provide an environment in which employees can be fairly evaluated based on ability and achievement even when they choose diverse work styles. As part of these efforts, in April 2025, the Company expanded eligibility for the multi-shift work system and extended the age range of the reduced working hours program for childcare from until the third grade of elementary school to until graduation from junior high school. The Company will also enhance its system to encourage the uptake of short-term leave to provide care for sick/injured children with the aim of realizing a workplace that is easy to work in, regardless of gender, by creating a flexible environment for childcare and family responsibilities.

2. Childcare leave uptake, etc. calculated as in Article 71-6, 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, 2026									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	100.0	100.0	–	(Note 1)	85.3	88.8	70.6	

Notes: 1. (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) The same issues that exist at the Company also affect the domestic subsidiaries. Past recruitment practices also primarily targeted engineering students, a high percentage of whom are male, which discouraged women from applying, and led to inadequate establishment of career pathways for women, resulting in the low percentage of female workers in management positions. The same factors as those at the Company are also behind the wage differential between male and female workers: the low percentage of female workers in management positions relative to overall percentage of female workers plus the fact that most of the employees who use the reduced working hours for childcare program are women.

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 312 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, 2026 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, 2025	As of March 31, 2026
Assets			
Current assets			
Cash and cash equivalents	6,29	68,496	71,360
Trade and other receivables	7,29	43,473	46,178
Other financial assets	8,29	13,181	9,454
Inventories	9	32,775	36,329
Other current assets	10	4,987	5,021
Total current assets		162,913	168,343
Non-current assets			
Property, plant and equipment	11,13,17, 32	60,229	67,016
Goodwill and intangible assets	12,13,32	2,456	2,655
Investments accounted for using the equity method	14	113	104
Other financial assets	8,29	16,709	21,305
Deferred tax assets	15	2,992	4,200
Other non-current assets	10,20	793	726
Total non-current assets		83,294	96,009
Total assets		246,208	264,353

(Millions of yen)

	Notes	As of March 31, 2025	As of March 31, 2026
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	19,29	27,258	24,595
Borrowings	16,29	3,000	3,846
Other financial liabilities	8,29	367	361
Income taxes payable	15	1,471	1,122
Provisions	21	7,358	9,209
Other current liabilities	10	9,060	9,168
Total current liabilities		48,517	48,303
Non-current liabilities			
Other financial liabilities	8,29	1,830	817
Defined benefit liability	20	2,899	3,123
Provisions	21	14	14
Deferred tax liabilities	15	6,730	5,045
Other non-current liabilities	10	771	749
Total non-current liabilities		12,246	9,750
Total liabilities		60,764	58,054
Equity			
Issued capital	22	4,175	4,175
Retained earnings	22	156,211	166,974
Treasury shares	22	(7,312)	(7,296)
Other components of equity		31,146	41,162
Total equity attributable to owners of parent		184,221	205,015
Non-controlling interests		1,222	1,283
Total equity		185,444	206,299
Total liabilities and equity		246,208	264,353

(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, 2025	Fiscal year ended March 31, 2026
Revenue	4,5	256,619	260,836
Cost of sales		(207,313)	(212,601)
Gross profit		49,305	48,235
Selling, general and administrative expenses	23	(31,588)	(29,639)
Other income	24	1,029	1,353
Other expense	13,24	(1,416)	(1,022)
Operating profit	4	17,329	18,927
Finance income	25	3,286	2,929
Finance costs	25	(554)	(281)
Share of profit (loss) in investments accounted for using the equity method	14	(8)	(7)
Profit before income taxes		20,052	21,567
Income tax expense	15	(4,148)	(2,760)
Profit		15,903	18,806
Profit attributable to			
Owners of parent		15,859	18,760
Non-controlling interests		44	46
Profit		15,903	18,806
Earnings per share			
Basic earnings per share (Yen)	27	323.77	387.36
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, 2025	Fiscal year ended March 31, 2026
Profit		15,903	18,806
Other comprehensive income			
Components that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	26	(903)	125
Changes in the fair value of financial assets measured at fair value through other comprehensive income	26	(2,169)	846
Total		(3,072)	972
Components that may be reclassified to profit or loss			
Exchange differences of foreign operations	26	(3,221)	9,265
Share of other comprehensive income of associates accounted for using equity method	14,26	10	(29)
Total		(3,211)	9,235
Total other comprehensive income		(6,283)	10,207
Comprehensive income		9,619	29,014
Comprehensive income attributable to			
Owners of parent		9,622	28,902
Non-controlling interests		(2)	112
Comprehensive income		9,619	29,014

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

4) Consolidated statement of changes in equity

	Notes	Equity attributable to owners of parent				
		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, 2024		4,175	–	149,324	(4,694)	28,280
Profit		–	–	15,859	–	–
Other comprehensive income		–	–	–	–	(3,179)
Total comprehensive income		–	–	15,859	–	(3,179)
Purchase of treasury shares	22	–	–	–	(3,800)	–
Cancellation of treasury shares	22	–	(1,010)	–	1,010	–
Share-based payment transactions	22	–	60	–	171	–
Dividends	22	–	–	(7,155)	–	–
Increase (decrease) through changes in interests		–	–	–	–	–
Transfer from retained earnings to capital surplus		–	949	(949)	–	–
Transfer from other components of equity		–	–	(867)	–	–
Total transactions with the owners		–	–	(8,972)	(2,618)	–
Balance as of March 31, 2025		4,175	–	156,211	(7,312)	25,100
Profit		–	–	18,760	–	–
Other comprehensive income		–	–	–	–	9,178
Total comprehensive income		–	–	18,760	–	9,178
Purchase of treasury shares	22	–	–	–	(1)	–
Cancellation of treasury shares		–	–	–	–	–
Share-based payment transactions	22	–	5	–	16	–
Dividends	22	–	–	(8,135)	–	–
Increase (decrease) through changes in interests		–	6	–	–	–
Transfer from retained earnings to capital surplus		–	(12)	12	–	–
Transfer from other components of equity		–	–	125	–	–
Total transactions with the owners		–	–	(7,997)	15	–
Balance as of March 31, 2026		4,175	–	166,974	(7,296)	34,278

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total equity
		Other components of equity			Total		
		Changes in the fair value of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of April 1, 2024		8,235	–	36,515	185,322	1,280	186,602
Profit		–	–	–	15,859	44	15,903
Other comprehensive income		(2,153)	(903)	(6,236)	(6,236)	(46)	(6,283)
Total comprehensive income		(2,153)	(903)	(6,236)	9,622	(2)	9,619
Purchase of treasury shares	22	–	–	–	(3,800)	–	(3,800)
Cancellation of treasury shares	22	–	–	–	–	–	–
Share-based payment transactions	22	–	–	–	232	–	232
Dividends	22	–	–	–	(7,155)	(54)	(7,210)
Increase (decrease) through changes in interests		–	–	–	–	–	–
Transfer from retained earnings to capital surplus		–	–	–	–	–	–
Transfer from other components of equity		(36)	903	867	–	–	–
Total transactions with the owners		(36)	903	867	(10,722)	(54)	(10,777)
Balance as of March 31, 2025		6,045	–	31,146	184,221	1,222	185,444
Profit		–	–	–	18,760	46	18,806
Other comprehensive income		837	125	10,141	10,141	66	10,207
Total comprehensive income		837	125	10,141	28,902	112	29,014
Purchase of treasury shares	22	–	–	–	(1)	–	(1)
Cancellation of treasury shares		–	–	–	–	–	–
Share-based payment transactions	22	–	–	–	22	–	22
Dividends	22	–	–	–	(8,135)	(43)	(8,179)
Increase (decrease) through changes in interests		–	–	–	6	(7)	(1)
Transfer from retained earnings to capital surplus		–	–	–	–	–	–
Transfer from other components of equity		–	(125)	(125)	–	–	–
Total transactions with the owners		–	(125)	(125)	(8,108)	(51)	(8,159)
Balance as of March 31, 2026		6,883	–	41,162	205,015	1,283	206,299

(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, 2025	Fiscal year ended March 31, 2026
Cash flows from (used in) operating activities			
Profit before income taxes		20,052	21,567
Depreciation and amortization expense		12,170	11,305
Impairment loss		929	408
Finance income and finance costs		(2,380)	(2,778)
Share of loss (profit) in investments accounted for using the equity method		8	7
Loss (gain) on sales and retirement of non-current assets		(28)	88
Decrease (increase) in inventories		(1,225)	(1,547)
Decrease (increase) in trade and other receivables		(4,678)	24
Increase (decrease) in trade and other payables		(132)	(2,873)
Increase (decrease) in defined benefit liability		652	225
Increase (decrease) in provisions		(1,021)	1,850
Other		7,902	(1,743)
Subtotal		32,248	26,535
Interest and dividend income received		3,252	2,921
Interest expenses paid		(26)	(24)
Income taxes paid		(7,549)	(6,658)
Income taxes refund and interest on refund received		4	5
Net cash flows from (used in) operating activities		27,930	22,779
Cash flows from (used in) investing activities			
Payments into time deposits		(15,271)	(14,295)
Proceeds from withdrawal of time deposits		4,997	16,710
Purchase of property, plant and equipment		(14,723)	(15,767)
Proceeds from sales of property, plant and equipment		226	147
Purchase of intangible assets		(450)	(1,062)
Payments of loans receivable		(84)	(107)
Collection of loans receivable		77	76
Purchase of investments		(427)	(2,223)
Proceeds from sales and redemption of investments		123	11
Other		(242)	25
Net cash flows from (used in) investing activities		(25,775)	(16,486)
Cash flows from (used in) financing activities			
Net increase (decrease) in short-term borrowings		(3,100)	837
Repayments of lease liabilities		(523)	(503)
Purchase of treasury shares		(3,800)	(1)
Cash dividends paid	22	(7,154)	(8,131)
Cash dividends paid to non-controlling shareholders		(54)	(43)
Net cash flows from (used in) financing activities		(14,633)	(7,843)
Net increase (decrease) in cash and cash equivalents		(12,477)	(1,549)
Cash and cash equivalents at beginning of period	6	82,028	68,496
Effect of exchange rate change on cash and cash equivalents		(1,055)	4,414
Cash and cash equivalents at end of period	6	68,496	71,360

(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, 2026 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 automobiles 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 312 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 Yoshitaka Saito, President and Representative Director, and Mikinobu Nagasaka, Senior Executive Officer, Head of Management and Administration on June 19, 2026.

(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) 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 9 and IFRS 7	Financial Instruments/Financial Instruments: Disclosures	January 1, 2026	Fiscal year ending March 31, 2027	Amendments to IFRS 9 and IFRS 7 following the results of the Post-Implementation Review (PIR) of the classification and measurement requirements of IFRS 9, including the following - revised disclosures for equity instruments measured at fair value through other comprehensive income (FVOCI)
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

(5) Significant accounting estimates and judgments

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

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

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

Note 13. Impairment loss

Note 15. Income taxes

Note 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 50 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.

When a defined benefit plan is overfunded, the asset ceiling is set at the present value of any future economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

With regard to the following 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.

1) Restricted share-based remuneration paid to the Company's Directors (excluding Directors who are also Audit and Supervisory Committee Members) in accordance with the Group's restricted share-based remuneration plan

2) Restricted share-based remuneration paid to the Company's employees through the FCC Employee Stock Ownership Association in accordance with the Group's restricted share-based incentive program for the Employee Stock Ownership Association

(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 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. In addition, revenue is measured at the amount of consideration promised in contracts with customers less rebates, discounts, etc. based on sales volume or sales amount, and the amount expected to be refunded to customers is recognized as refund liabilities.

(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 capital surplus.

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 capital surplus.

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-mobility business develops new businesses, primarily in the environmental and energy sectors.

(2) Revenue and performance for reportable segments

Fiscal year ended March 31, 2025

	Reportable segments				Consolidated
	Motorcycles business	Automobiles business	Non-mobility business	Total	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
External revenue	120,408	136,115	94	256,619	256,619
Intersegment revenue	–	–	–	–	–
Total	120,408	136,115	94	256,619	256,619
Depreciation and amortization expense	(5,242)	(6,810)	(117)	(12,170)	(12,170)
Other profit (loss)	(103,082)	(121,203)	(2,832)	(227,118)	(227,118)
Operating profit (loss)	12,083	8,101	(2,855)	17,329	17,329
Finance income					3,286
Finance costs					(554)
Share of profit (loss) in investments accounted for using the equity method					(8)
Profit before income taxes					20,052

Notes: 1. Other profit (loss) includes ¥929 million of impairment loss (¥929 million for the automobiles business).

2. The breakdown of capital investments by business segment is ¥5,022 million for the motorcycles business, ¥6,270 million for the automobiles business, and ¥5,117 million for the non-mobility business.

Fiscal year ended March 31, 2026

	Reportable segments				Consolidated
	Motorcycles business	Automobiles business	Non-mobility business	Total	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue					
External revenue	124,691	135,975	169	260,836	260,836
Intersegment revenue	–	–	–	–	–
Total	124,691	135,975	169	260,836	260,836
Depreciation and amortization expense	(5,318)	(5,822)	(165)	(11,305)	(11,305)
Other profit (loss)	(107,142)	(120,996)	(2,464)	(230,604)	(230,604)
Operating profit (loss)	12,230	9,156	(2,459)	18,927	18,927
Finance income					2,929
Finance costs					(281)
Share of profit (loss) in investments accounted for using the equity method					(7)
Profit before income taxes					21,567

Notes: 1. Other profit (loss) includes ¥408 million of impairment loss (¥26 million for the motorcycles business and ¥382 million for the automobiles business).

2. The breakdown of capital investments by business segment is ¥6,748 million for the motorcycles business, ¥5,536 million for the automobiles business, and ¥4,167 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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Japan	18,671	18,546
North America	111,030	111,926
Indonesia	30,897	29,369
India	39,145	43,256
Other	56,873	57,737
Total	256,619	260,836

Notes: 1. Effective from the fiscal year under review, in order to more appropriately understand the performance within the Group, "Mexico," which was previously included in "Other," has been changed to "North America" together with "U.S." The figures for the fiscal year ended March 31, 2025 have been reclassified reflecting the changed classification for comparison.

2. Revenue is classified by country based on the location of customers.

3. Major countries belonging to "Other" category are Thailand, China, Brazil and Vietnam.

Non-current assets

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Japan	26,656	33,195
North America	16,078	14,712
China	4,960	4,736
Other	15,242	17,171
Total	62,938	69,816

Notes: 1. Effective from the fiscal year under review, in order to more appropriately understand the performance within the Group, "Mexico," which was previously included in "Other," has been changed to "North America" together with "U.S." The figures for the fiscal year ended March 31, 2025 have been reclassified reflecting the changed classification for comparison.

2. Non-current assets are classified based on the location of assets and do not include financial assets, deferred tax assets and defined benefit asset, etc.

3. 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, 2025	Fiscal year ended March 31, 2026
		Millions of yen	Millions of yen
Honda Motor Co., Ltd. and its group	Motorcycles business	56,454	57,273
	Automobiles business	38,479	35,403
Ford and its group	Automobiles business	51,659	52,574
General Motors	Automobiles business	23,747	24,089

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. In addition, revenue is measured at the amount of consideration promised in contracts with customers less rebates, discounts,

etc. based on sales volume or sales amount, and the amount expected to be refunded to customers is recognized as refund liabilities.

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

Contract balances arising from contracts with customers are as follows:

Fiscal year ended March 31, 2025

	As of April 1, 2024	As of March 31, 2025
	Millions of yen	Millions of yen
Contract liability	61	44
Refund liabilities	1,410	1,250

Fiscal year ended March 31, 2026

	As of April 1, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Contract liability	44	41
Refund liabilities	1,250	742

Notes: 1. Contract liabilities relate to advances received from customers. The amount of revenue recognized in the balance of contract liability at the beginning of the period was ¥61 million in the previous fiscal year and ¥44 million in the fiscal year under review. They are included in "other current liabilities" in the consolidated statement of financial position.

2. Refund liabilities represent the estimated amounts expected to be refunded in the future for certain finished goods sales transactions. The recorded amounts are calculated based on contract terms, etc. They are 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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Cash and deposits	68,496	71,360

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Notes and accounts receivable - trade	42,216	42,777
Accounts receivable - other	1,271	3,409
Allowance for doubtful accounts	(14)	(8)
Total	43,473	46,178

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Other current financial assets		
Financial assets measured at amortized cost		
Time deposits	13,120	9,399
Loans	60	54
Total	13,181	9,454
Other non-current financial assets		
Financial assets measured at fair value through profit or loss		
Investments in limited liability investment partnerships	774	953
Financial assets measured at fair value through other comprehensive income		
Shares of subsidiaries and associates	7,758	7,294
Investment securities	5,163	8,639
Investments in capital	4	4
Financial assets measured at amortized cost		
Time deposits	1,554	2,946
Long-term deposits	648	648
Loans	240	277
Other	564	541
Total	16,709	21,305

Breakdown of other financial liabilities

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Other current financial liabilities		
Financial liabilities measured at amortized cost		
Lease liabilities	367	361
Total	367	361
Other non-current financial liabilities		
Financial liabilities measured at amortized cost		
Long-term accounts payable - other	997	–
Lease liabilities	832	817
Total	1,830	817

9. Inventories

Breakdown of inventories

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Finished goods	5,174	6,417
Work in process	4,698	5,122
Raw materials and supplies	22,902	24,789
Total	32,775	36,329

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Amount of write-down	1,453	1,538
Amount of inventories	207,313	212,601

10. Other assets and liabilities

Breakdown of other assets

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Other current assets		
Accrued income taxes	2,182	2,652
Advances paid	1,227	373
Prepaid expenses	740	704
Suspense payments	388	185
Other	448	1,104
Total	4,987	5,021
Other non-current assets		
Long-term prepaid expenses	251	143
Defined benefit asset	541	582
Total	793	726

Breakdown of other liabilities

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Other current liabilities		
Refund liabilities	1,250	742
Accrued expense	2,205	2,585
Accrued bonuses	2,084	2,197
Other	3,519	3,643
Total	9,060	9,168
Other non-current liabilities		
Deferred income	237	220
Other	533	528
Total	771	749

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, 2024	52,301	171,292	24,182	8,368	4,756	2,082	262,985
Acquisition	556	1,224	461	1,962	162	12,084	16,451
Disposal	(95)	(3,295)	(1,400)	–	(295)	–	(5,085)
Transfer of line items	802	3,113	1,562	–	–	(5,479)	–
Exchange differences on translation	(696)	(3,027)	(387)	(7)	(129)	(148)	(4,397)
Other	–	–	–	–	3	(339)	(336)
March 31, 2025	52,869	169,309	24,418	10,323	4,497	8,200	269,618
Acquisition	589	1,458	1,026	9	378	13,411	16,872
Disposal	(105)	(2,515)	(1,353)	–	(84)	(5)	(4,064)
Transfer of line items	8,080	6,723	1,731	1,029	–	(17,565)	–
Exchange differences on translation	2,464	9,292	958	131	179	181	13,208
Other	–	–	–	–	(40)	(705)	(746)
March 31, 2026	63,899	184,268	26,780	11,494	4,929	3,516	294,888

(2) Accumulated depreciation and impairment loss

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2024	32,110	149,101	21,073	1,706	1,606	152	205,750
Depreciation	1,485	7,166	2,055	–	576	–	11,284
Impairment loss	396	252	4	269	–	–	922
Disposal	(81)	(3,149)	(1,317)	–	(295)	–	(4,843)
Exchange differences on translation	(424)	(2,940)	(290)	–	(69)	–	(3,726)
Other	–	–	–	–	0	–	0
March 31, 2025	33,486	150,429	21,525	1,976	1,818	152	209,388
Depreciation	1,676	6,337	1,986	–	514	–	10,514
Impairment loss	229	158	9	–	–	–	397
Disposal	(84)	(2,315)	(1,334)	–	(84)	–	(3,819)
Exchange differences on translation	1,676	8,719	883	–	111	–	11,390
Other	–	–	–	–	–	–	–
March 31, 2026	36,984	163,329	23,069	1,976	2,358	152	227,871

(3) Carrying amount

	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
Balance as of April 1, 2024	20,191	22,191	3,109	6,662	3,150	1,929	57,234
Balance as of March 31, 2025	19,383	18,879	2,893	8,347	2,679	8,047	60,229
Balance as of March 31, 2026	26,914	20,939	3,710	9,518	2,570	3,363	67,016

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, 2024	489	2,476	5,159	0	109	2	8,238
Acquisition	–	142	–	–	–	–	142
Increase due to internal development	–	–	307	–	–	–	307
Disposal	–	(71)	(1,052)	–	–	–	(1,124)
Transfer of line items	–	–	–	–	–	–	–
Exchange differences on translation	–	(13)	–	–	–	–	(13)
Other	–	12	–	–	–	–	12
March 31, 2025	489	2,546	4,414	0	109	2	7,563
Acquisition	–	90	–	0	–	–	91
Increase due to internal development	–	–	971	–	–	–	971
Disposal	–	(85)	(399)	–	–	–	(484)
Transfer of line items	–	–	–	–	–	–	–
Exchange differences on translation	–	31	–	–	–	–	31
Other	–	–	–	–	–	–	–
March 31, 2026	489	2,583	4,986	1	109	2	8,173

(2) Accumulated amortization and impairment loss

	Goodwill	Intangible assets					Total
		Software	Properties for develop-ment	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, 2024	489	2,160	2,599	0	42	0	5,291
Amortization expense	–	138	790	0	13	0	943
Impairment loss	–	6	–	–	–	–	6
Disposal	–	(69)	(1,052)	–	–	–	(1,122)
Exchange differences on translation	–	(12)	–	–	–	–	(12)
Other	–	–	–	–	–	–	–
March 31, 2025	489	2,223	2,336	0	56	1	5,106
Amortization expense	–	116	710	0	13	0	841
Impairment loss	–	3	–	–	–	–	3
Disposal	–	(63)	(399)	–	–	–	(462)
Exchange differences on translation	–	29	–	–	–	–	29
Other	–	–	–	–	–	–	–
March 31, 2026	489	2,308	2,648	0	69	1	5,517

(3) Carrying amount

	Goodwill	Intangible assets					Total
		Software	Properties for develop-ment	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, 2024	–	316	2,560	0	67	1	2,946
March 31, 2025	–	323	2,077	0	53	1	2,456
March 31, 2026	–	274	2,338	1	40	0	2,655

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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Buildings and structures	396	229
Machinery, equipment and vehicles	252	158
Tools, furniture and fixtures	4	9
Land	269	–
Total property, plant and equipment	922	397
Software	6	3
Total intangible assets	6	3
Other non-current assets	–	8
Total impairment loss	929	408

Notes: 1. The impairment loss is included and recorded in "other expense" in the consolidated statement of income.

2. The reportable segment of assets for which impairment loss was recognized in the fiscal year ended March 31, 2025 is the automobiles business, and the reportable segments of assets for which impairment loss was recognized in the fiscal year ended March 31, 2026 are the motorcycles business and the automobiles business.

3. Of "property, plant and equipment" and "intangible assets" in the fiscal year ended March 31, 2025, the full amount relates to FLINT CO., LTD., which is a consolidated subsidiary. Of impairment loss of ¥929 million, the full amount relates to said subsidiary.

4. Of "property, plant and equipment" in the fiscal year ended March 31, 2026, ¥378 million relates to FLINT CO., LTD. and ¥18 million relates to CHU'S F.C.C. (SHANGHAI) CO., LTD., which are consolidated subsidiaries, "intangible assets" relate to FLINT CO., LTD., and "other non-current assets" relate to CHU'S F.C.C. (SHANGHAI) CO., LTD. Of the impairment loss of ¥408 million, ¥382 million relates to FLINT CO., LTD. and ¥26 million relates to CHU'S F.C.C. (SHANGHAI) CO., LTD.

(2) Cash-generating unit

The Group groups assets by company and type of business based on the smallest cash-generating unit generating cash inflow that is substantially independent of cash inflow of other assets or asset groups. Each consolidated subsidiary company is generally grouped as a single independent unit. 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, 2025

The Group has conducted an impairment test with regard to FLINT CO., LTD., a member of the Group, as indications of impairment were identified due to confirmation of soil contamination within part of the factory site. The results of the impairment test found that the carrying amount of the assets held by the subsidiary was above the recoverable value, and the difference (¥929 million) was recorded as impairment loss 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 (2.54%) for the cash-generating unit.

Fiscal year ended March 31, 2026

The Group has conducted an impairment test with regard to FLINT CO., LTD., a member of the Group, as indications of impairment were identified due to confirmation of the existence of numerous rolling stones, concrete debris, etc. within part of the factory site. The results of the impairment test found that the carrying amount of the assets held by the subsidiary was above the recoverable value, and the difference (¥382 million) was recorded as impairment loss 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 (five-year medium-term management plan) approved by management to the present value using the pretax weighted average cost of capital (2.36%) for the cash-generating unit. In addition, with regard to CHU'S F.C.C. (SHANGHAI) CO., LTD., a member of the Group, a decision

has been made to close the company for the purpose of consolidating production sites in China, and of the assets held by the company, the carrying amount for which recovery is not expected (¥26 million) has been recorded as impairment loss under “other expense.”

(4) Calculation method

The Group identifies indications of impairment based on such factors as the operating profit and loss of each company and the presence of physical damage to the assets held. An impairment test is conducted on assets or asset groups indicating impairment, and if the carrying amount is above the recoverable value, such difference is recorded as impairment loss. The recoverable value is calculated as the greater of the value in use and the fair value after deducting disposal costs. The value in use is calculated as the discounted present value of future cash flows based on the business plan of each company.

(5) Major assumption

The estimates of future cash flows used in calculating value in use are based on business plans for the next fiscal year and thereafter, and assumptions that take into account future uncertainties are used regarding net sales forecasts based on customers’ unofficial production plans and discount rates.

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

The estimates in the major assumptions above involve a high degree of uncertainty. Any changes in estimates of future cash flows, discount rates, and other factors resulting from changes in future economic conditions, the business environment, etc. may have a significant impact on the consolidated financial statements of subsequent fiscal years.

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Total carrying amount	113	104

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Profit	(8)	(7)
Other comprehensive income	10	(29)
Comprehensive income	1	(37)

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, 2025

	April 1, 2024	Recognized through profit or loss	Recognized in other comprehen-sive income	Recognized directly in equity	Other	March 31, 2025
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	1,062	(80)	–	–	(4)	977
Accrued bonuses	142	30	–	–	–	172
Accrued expense	176	2	–	–	0	178
Non-current assets	1,227	16	–	–	(2)	1,241
Defined benefit liability	312	(610)	394	–	33	130
Other	1,263	1,639	–	–	(65)	2,836
Total	4,185	997	394	–	(40)	5,536
Deferred tax liabilities						
Non-current assets	(2,500)	1,180	–	–	(275)	(1,595)
Valuation difference of equity financial instruments measured at fair value through other comprehensive income	(3,500)	–	855	–	–	(2,645)
Retained surplus of overseas consolidated subsidiaries	(4,703)	73	–	–	–	(4,630)
Other	(153)	(261)	–	–	11	(403)
Total	(10,859)	992	855	–	(263)	(9,274)

Fiscal year ended March 31, 2026

	April 1, 2025	Recognized through profit or loss	Recognized in other comprehen-sive income	Recognized directly in equity	Other	March 31, 2026
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Inventories	977	267	–	–	42	1,287
Accrued bonuses	172	313	–	–	–	487
Accrued expense	178	44	–	–	22	245
Non-current assets	1,241	116	–	–	107	1,465
Defined benefit liability	130	(157)	(46)	–	340	267
Other	2,836	2,279	–	–	(605)	4,510
Total	5,536	2,865	(46)	–	(90)	8,264
Deferred tax liabilities						
Non-current assets	(1,595)	351	–	–	468	(775)
Valuation difference of equity financial instruments measured at fair value through other comprehensive income	(2,645)	–	(335)	–	–	(2,981)
Retained surplus of overseas consolidated subsidiaries	(4,630)	(353)	–	–	–	(4,983)
Other	(403)	42	–	–	(8)	(369)
Total	(9,274)	40	(335)	–	460	(9,109)

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Unused tax losses	4,874	4,311
Deductible temporary differences	491	4,068
Total	5,365	8,379

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

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
1st year	1,759	1,032
2nd year	1,032	1,380
3rd year	1,380	701
4th year	701	1,197
5th year and onward	–	–
Total	4,874	4,311

The total amount of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized was ¥58,132 million as of March 31, 2025 and ¥53,770 million as of March 31, 2026. 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, 2026

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Deferred tax assets	2,992	4,200

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 and business environment will have on the Group's performance, but we presume that the economic conditions will gradually stabilize despite the impact from the international situation such as conditions in the Middle East situation and U.S. tariffs 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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Current tax expense	6,138	5,666
Deferred tax expense	(1,989)	(2,905)
Total	4,148	2,760

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	%	%
Effective statutory tax rate	29.9	29.9
Non-deductible expenses in calculation of taxable profits	2.3	2.2
Unrecognized deferred tax assets	(1.7)	(1.7)
Tax credits	(2.4)	(0.1)
Difference from the applicable tax rate of overseas subsidiaries	(9.3)	(10.7)
Retained surplus of overseas subsidiaries	(0.4)	1.6
Other	2.3	(8.4)
Effective tax rate	20.7	12.8

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, 2025 and March 31, 2026. However, overseas subsidiaries are liable for corporation tax in the country where they are located. Due to the enactment of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 13 of 2025) on March 31, 2025, the Special Defense Corporation Tax will be introduced from the fiscal years beginning on or after April 1, 2026. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities will change from the previous rate of 29.9% to 30.8% for temporary differences expected to be reversed in the fiscal years beginning on or after April 1, 2026. The impact due to this change in the tax rate is minor.

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 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, 2025	As of March 31, 2026	Average interest rate	Due
	Millions of yen	Millions of yen	%	
Current				
Financial liabilities measured at amortized cost				
Short-term borrowings	3,000	3,846	1.80	–
Total	3,000	3,846		

Notes: 1. "Average interest rate" shows weighted average interest rate on the balance as of March 31, 2026.

2. 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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Depreciation expense for right-of-use assets		
Land, buildings and structures	483	420
Machinery, equipment and vehicles	59	64
Tools, furniture and fixtures	33	29
Total	576	514
Interest expense for lease liabilities	12	11
Expense for short-term leases	30	29
Expense for low-value asset leases	1	1
Total	44	41

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

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Right-of-use assets		
Land, buildings and structures	2,485	2,414
Machinery, equipment and vehicles	106	92
Tools, furniture and fixtures	87	63
Total	2,679	2,570

Notes: 1. The amount of increase in the right-of-use assets was ¥162 million in the fiscal year ended March 31, 2025 and ¥378 million in the fiscal year ended March 31, 2026.

2. The total cash outflow for leases was ¥523 million in the fiscal year ended March 31, 2025 and ¥503 million in the fiscal year ended March 31, 2026.

3. The amount of lease liabilities was ¥367 million (current) and ¥832 million (non-current) in the fiscal year ended March 31, 2025 and ¥361 million (current) and ¥817 million (non-current) in the fiscal year ended March 31, 2026. 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, 2025

(Millions of yen)

	April 1, 2024	Changes associated with cash flows	Changes not associated with cash flows		March 31, 2025
			New leases	Foreign exchange fluctuations and other	
Short-term borrowings	6,100	(3,100)	–	–	3,000
Lease liabilities	1,558	(523)	162	2	1,200
Total	7,658	(3,623)	162	2	4,200

Fiscal year ended March 31, 2026

(Millions of yen)

	April 1, 2025	Changes associated with cash flows	Changes not associated with cash flows		March 31, 2026
			New leases	Foreign exchange fluctuations and other	
Short-term borrowings	3,000	837	–	9	3,846
Lease liabilities	1,200	(503)	378	103	1,178
Total	4,200	333	378	113	5,025

(2) Significant non-cash transactions

Fiscal year ended March 31, 2025

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

In addition, the amount of treasury shares cancelled during the fiscal year ended March 31, 2025 was ¥1,010 million.

Fiscal year ended March 31, 2026

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Notes and accounts payable - trade	17,840	19,409
Electronically recorded obligations - operating	2,017	2,003
Accounts payable - other	7,400	3,181
Total	27,258	24,595

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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Funded defined benefit obligations	8,997	8,618
Plan assets	(10,298)	(10,984)
Adjustments due to asset ceiling	1,624	2,330
Subtotal	324	(34)
Unfunded defined benefit obligations	2,033	2,576
Net amount of liabilities and assets recognized in consolidated statement of financial position	2,357	2,541
Defined benefit liability	2,899	3,123
Defined benefit asset	(541)	(582)
Net amount of liabilities and assets recognized in consolidated statement of financial position	2,357	2,541

Note: Defined benefit asset is included in “other non-current assets” in the consolidated statement of financial position.

2) Changes in adjustments due to asset ceiling

Changes in adjustments due to asset ceiling in each fiscal year were as follows.

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Balance at beginning of period	–	1,624
Remeasurement		
Effect of limiting the amount of net plan assets to the amount of asset ceiling	1,624	706
Balance at end of period	1,624	2,330

3) Amounts recognized as retirement benefit expenses

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Retirement benefit expenses for defined benefit plans	884	926

4) Reconciliation of defined benefit obligations

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Defined benefit obligations at beginning of period	11,297	11,031
Service cost	812	860
Interest cost	245	329
Past service cost	0	–
Remeasurement	(183)	(303)
Retirement benefits paid	(1,005)	(826)
Exchange differences on translation	(134)	103
Defined benefit obligations at end of period	11,031	11,194

Note: The weighted average duration of defined benefit obligations was 9.2 to 14.6 years as of March 31, 2025 and 8.7 to 13.6 years as of March 31, 2026.

5) Reconciliation of plan assets

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Plan assets at beginning of period	10,556	10,298
Interest income	173	263
Remeasurement	(155)	193
Contributions by the employer	508	722
Retirement benefits paid	(758)	(485)
Exchange differences on translation	(26)	(7)
Plan assets at end of period	10,298	10,984

6) Composition of plan assets

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Debentures	3,934	4,967
Shares	2,325	2,094
Other	4,038	3,922
Total	10,298	10,984

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.

7) Major actuarial assumptions

	As of March 31, 2025	As of March 31, 2026
	%	%
Discount rate (Japan)	1.9	2.7
Discount rate (Overseas)	2.9 to 7.2	2.3 to 7.2

8) Sensitivity analysis

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

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
0.5% increase in the discount rate	(420)	(394)
0.5% decrease in the discount rate	450	422

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.

9) 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 ¥732 million.

(2) Defined contribution plans

Amounts recognized as expenses for defined contribution plans

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Amount recorded as expenses	353	356

(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 ¥184 million in the previous fiscal year and ¥192 million in the fiscal year under review.

1) Latest funding position of multi-employer plan

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Plan assets	76,277	76,596
Total of actuarial obligations for the purpose of pension financing calculation and minimum liability reserve	49,620	48,772
Difference	26,656	27,824

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

	As of March 31, 2025	As of March 31, 2026
	%	%
Proportion of contributions by the Group	7.2	7.4

21. Provisions and contingent liabilities

Breakdown of and changes in provisions

	Provision for product warranty	Other provisions	Asset retirement obligations	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2024	8,380	–	14	8,395
Increase during the period	7,027	–	–	7,027
Interest expense during the period in discounting	–	–	0	0
Decrease during the period (intended use)	(7,851)	–	–	(7,851)
Decrease during the period (reversal)	–	–	–	–
Exchange differences on translation	(197)	–	–	(197)
March 31, 2025	7,358	–	14	7,373
Increase during the period	4,192	110	–	4,302
Interest expense during the period in discounting	–	–	0	0
Decrease during the period (intended use)	(2,932)	–	–	(2,932)
Decrease during the period (reversal)	–	–	–	–
Exchange differences on translation	480	–	–	480
March 31, 2026	9,099	110	14	9,224
Current	9,099	110	–	9,209
Non-current	–	–	14	14

Note: The effect of exchange rate translation that was included in “increase during the period” in the previous fiscal year is presented separately as “exchange differences on translation” from the fiscal year under review. Note that the figures for the previous fiscal year are presented after reclassification to reflect the change in presentation method.

(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) Other provisions

With regard to CHU’S F.C.C. (SHANGHAI) CO., LTD., a member of the Group, a decision has been made to close the company for the purpose of consolidating production sites in China, and a provision

has been recorded for the estimated amount expected to be incurred in the future to prepare for expenditures arising from the closure.

(3) 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.

(4) Calculation method of provision for product warranties

Repair expenses for defects in some products delivered to certain customers in the United States and other countries have been recorded based on currently available information and the judgment that said information is reasonable and based on fact, calculated primarily by multiplying the estimate of the number of cases by per unit estimated repair cost. The number of cases related to the provision for product warranties in the United States has been estimated based upon the total number of repairs reasonably expected to occur during the period which market measures are expected to exist (i.e. the warranty period), excluding the number of units for which repair costs have already been determined based on claims from customers by the end of the fiscal year under review. The per unit estimated repair cost has been estimated based on actual claims from customers, taking into account the Company's share of the cost determined through compensation negotiations. The number of cases related to the provision for product warranties outside the United States has been calculated based on the number of units of the relevant models in circulation in the market. The per unit estimated repair cost has been estimated using actual repair costs and the expected proportion of burden sharing with customers, etc.

(5) Major assumptions related to provision for product warranties

The major assumption used in estimating the number of cases is the expected total number of repairs. As the estimated period is long, the estimate involves a high degree of uncertainty. Furthermore, it is recognized that a certain degree of uncertainty is involved in relation to the per unit estimated repair cost due to changes in personnel expenses, the impact of exchange rates, and other factors.

(6) 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, 2024	90,000,000	52,644,030	4,175
Change during the period	–	(587,500)	–
As of March 31, 2025	90,000,000	52,056,530	4,175
Change during the period	–	–	–
As of March 31, 2026	90,000,000	52,056,530	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. Changes during the previous fiscal year are due to cancellation of 587,500 treasury shares. There were no changes during the fiscal year under review.

(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, 2024	2,898,297	4,694
Change during the period	734,553	2,618
As of March 31, 2025	3,632,850	7,312
Change during the period	(10,982)	(15)
As of March 31, 2026	3,621,868	7,296

Note: Changes during the previous fiscal year are due to the acquisition of 1,409,400 treasury shares, cancellation of 587,500 treasury shares, disposal of 73,040 treasury shares by way of third-party allotment with the introduction of the restricted share-based incentive program for the Employee Stock Ownership Association, the disposal of 14,461 treasury shares for the restricted share-based remuneration plan and purchase of shares less than one unit of 154 shares.

Changes during the fiscal year under review are due to the disposal of 12,132 treasury shares under the restricted share-based remuneration plan, the acquisition free of charge of 800 restricted shares related to employees who retired during the restriction period under the restricted share-based incentive program, and purchase of shares less than one unit of 350 shares.

(4) Dividends

• Cash dividends paid

Fiscal year ended March 31, 2025

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
November 1, 2024 Board of Directors meeting	4,966	101.00	September 30, 2024	November 25, 2024

Note: The amount of dividends per share based on the resolution of the Board of Directors on November 1, 2024 includes a ¥63 commemorative dividend to mark the 20th anniversary of the listing of shares on the TSE.

Fiscal year ended March 31, 2026

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 9, 2025 Board of Directors meeting	4,890	101.00	March 31, 2025	June 25, 2025
November 5, 2025 Board of Directors meeting	3,245	67.00	September 30, 2025	December 8, 2025

Note: The amount of dividends per share based on the resolution of the Board of Directors on May 9, 2025 includes a ¥63 commemorative dividend to mark the 20th anniversary of the listing of shares on the TSE.

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

Fiscal year ended March 31, 2025

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 9, 2025 Board of Directors meeting	4,890	101.00	March 31, 2025	June 25, 2025

Note: The amount of dividends per share based on the resolution of the Board of Directors on May 9, 2025 includes a ¥63 commemorative dividend to mark the 20th anniversary of the listing of shares on the TSE.

Fiscal year ended March 31, 2026

Resolution date	Total amount of dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
May 13, 2026 Board of Directors meeting	6,151	127.00	March 31, 2026	June 24, 2026

23. Selling, general and administrative expenses

Breakdown of selling, general and administrative expenses

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Packing and shipping expenses	2,869	2,870
Personnel expenses	6,432	6,838
Depreciation and amortization expense	649	767
Research and development expenses	7,699	7,542
Provision for product warranty	7,027	4,192
Other	6,909	7,428
Total	31,588	29,639

24. Other income and expense

(1) Breakdown of other income

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Gain on sales of non-current assets	160	81
Grant income	9	98
Other	859	1,174
Total	1,029	1,353

(2) Breakdown of other expense

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Loss on sales and retirement of non-current assets	131	169
Impairment loss	929	408
Other	355	443
Total	1,416	1,022

Note: 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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Interest income		
Cash and cash equivalents, financial assets measured at amortized cost	2,742	2,363
Dividend income		
Financial assets measured at fair value through other comprehensive income	543	559
Interest on refund of income taxes	–	5
Other	–	1
Total	3,286	2,929

(2) Breakdown of finance costs

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Interest cost		
Borrowings	18	22
Lease liabilities	12	11
Foreign exchange losses	437	163
Loss on valuation of financial instruments		
Financial assets measured at fair value through profit or loss	86	83
Total	554	281

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, 2025

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	(1,298)	–	(1,298)	394	(903)
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(3,024)	–	(3,024)	855	(2,169)
Total	(4,322)	–	(4,322)	1,250	(3,072)
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	(3,221)	–	(3,221)	–	(3,221)
Share of other comprehensive income of associates accounted for using equity method	10	–	10	–	10
Total	(3,211)	–	(3,211)	–	(3,211)
Total	(7,533)	–	(7,533)	1,250	(6,283)

Fiscal year ended March 31, 2026

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Components that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans	172	–	172	(46)	125
Changes in the fair value of financial assets measured at fair value through other comprehensive income	1,181	–	1,181	(335)	846
Total	1,354	–	1,354	(381)	972
Components that may be reclassified to profit or loss					
Exchange differences of foreign operations	9,265	–	9,265	–	9,265
Share of other comprehensive income of associates accounted for using equity method	(29)	–	(29)	–	(29)
Total	9,235	–	9,235	–	9,235
Total	10,589	–	10,589	(381)	10,207

27. Earnings per share

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Profit attributable to ordinary equity holders of parent (Millions of yen)	15,859	18,760
Weighted-average number of ordinary shares (Thousands of shares)	48,983	48,431
Basic earnings per share (Yen)	323.77	387.36

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

28. Share-based remuneration

(1) Restricted share-based remuneration plan for Directors and Managing Executive Officers

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 Executive Officers of the Company.

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Vesting date	July 17, 2024	July 23, 2025
Number of shares	14,461	12,132
Fair value on vesting date (Yen)	2,266	2,701

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 ¥32 million in the previous fiscal year and ¥32 million in the fiscal year under review and is included under "selling, general and administrative expenses" in the consolidated statement of income.

(2) Restricted share-based incentive program for the Employee Stock Ownership Association

1) Description of plan

The Company has introduced a restricted share-based incentive program with the objectives of further promoting the sharing of values by the Group's employees and shareholders through the provision of an incentive to continuously enhance the Group's corporate value and helping the Group's employees to build assets through the grant of restricted shares. Under the plan, monetary claims will be paid as a special incentive for the grant of restricted shares to the members of the FCC Employee Stock Ownership Association (the "Stock Ownership Association") who have agreed to be granted restricted shares through the Stock Ownership Association (the "Eligible Employees"). The Eligible Employees will contribute the monetary claims to the Stock Ownership Association, and the Stock Ownership Association will make a lump sum in-kind contribution of the monetary claims contributed by the Eligible Employees to receive ordinary shares of the Company that are disposed of by the Company as restricted shares.

The Company has concluded a restricted share allotment agreement with the Stock Ownership Association (the "Allotment Agreement") under which the Stock Ownership Association will not allow the Eligible Employees to transfer, create a security interest on, or otherwise dispose of (collectively "Transfer Restrictions") the ordinary shares of the Company disposed of under the Allotment Agreement for the period from the date the ordinary shares disposed of by the Company are received until November 1, 2029 (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 Employee remained a member of the Stock Ownership Association position throughout the Restriction Period. If an Eligible Employee ceases to be a member of the Stock Ownership Association during the Restriction Period due to reaching retirement age, death, being promoted to the position of officer, or another reason deemed valid by the Stock Ownership Association, the Transfer Restrictions are lifted on all the shares on the business day following the 10th day of the month in which the Eligible Employee ceases to be a member of the Stock Ownership Association.

If an Eligible Employee ceases to be a member of the Stock Ownership Association during the Restriction Period for other than a valid reason, the Company will acquire all the allotted shares free of charge.

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Vesting date	March 25, 2025	–
Number of shares	73,040	–
Fair value on vesting date (Yen)	2,735	–

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 ¥3 million in the previous fiscal year and ¥46 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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Financial assets		
Financial assets measured at fair value through profit or loss		
Other financial assets		
Investments in limited liability investment partnerships	774	953
Financial assets measured at fair value through other comprehensive income		
Other financial assets		
Shares of subsidiaries and associates	7,758	7,294
Investment securities	5,163	8,639
Investments in capital	4	4
Financial assets measured at amortized cost		
Trade and other receivables	43,473	46,178
Other financial assets		
Time deposits	14,674	12,346
Long-term deposits	648	648
Loans	300	331
Other	564	541
Cash and cash equivalents	68,496	71,360
Total financial assets	141,860	148,299

	As of March 31, 2025	As of March 31, 2026
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	27,258	24,595
Borrowings	3,000	3,846
Other financial liabilities		
Long-term accounts payable - other	997	–
Lease liabilities	1,200	1,178
Total financial liabilities	32,456	29,620

(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, 2025

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	127	–	127
Balance at end of period	80	–	80

As of March 31, 2026

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	80	–	80
Balance at end of period	301	–	301

Allowance for doubtful accounts

As of March 31, 2025

(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	7	–	7
Decrease in the period	(0)	–	(0)
Other	(0)	–	(0)
Balance at end of period	14	–	14

As of March 31, 2026

(Millions of yen)

	Debtors not experiencing significant issues in operating conditions	Debtors experiencing significant issues in operating conditions	Total
Balance at beginning of period	14	–	14
Increase in the period	–	–	–
Decrease in the period	(6)	–	(6)
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, 2025

	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	27,258	27,258	27,258	–	–	–	–	–
Borrowings	3,000	3,000	3,000	–	–	–	–	–
Long-term accounts payable - other	997	997	–	997	–	–	–	–
Lease liabilities	1,200	1,203	365	202	158	122	94	259
Total	32,456	32,460	30,624	1,200	158	122	94	259

As of March 31, 2026

	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	24,595	24,595	24,595	–	–	–	–	–
Borrowings	3,846	3,867	3,867	–	–	–	–	–
Long-term accounts payable - other	–	–	–	–	–	–	–	–
Lease liabilities	1,178	1,208	588	201	81	50	43	241
Total	29,629	29,671	29,051	201	81	50	43	241

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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
US dollar	158	68
RMB	11	4

(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 ¥1,054 million in the previous fiscal year and ¥1,176 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, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Honda Motor Co., Ltd.	7,758	7,294
KANEMATSU CORPORATION	1,863	3,265
SUZUKI MOTOR CORPORATION	380	393
Mizuho Financial Group, Inc.	215	323
Kawasaki Heavy Industries, Ltd.	185	316
Sumitomo Mitsui Financial Group, Inc.	65	86

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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Fair value at the date of derecognition	37	0
Cumulative gain (loss) on disposal	36	0

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

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

3) Dividend income

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

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Equity financial instruments derecognized during the period	0	–
Equity financial instruments held at the end of the period	542	559
Total	543	559

(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 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.

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 measured by valuation techniques based on market prices of comparable companies and net asset value.

Financial liabilities measured at amortized cost

The carrying amounts of trade and other payables and 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.

Other financial liabilities (except lease liabilities) are measured by the discounted cash flow method or other appropriate valuation methods.

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, 2025

	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)	–	–	774	774
Financial assets measured at fair value through other comprehensive income				
Listed shares	10,540	–	–	10,540
Unlisted shares	–	–	2,382	2,382
Other (investments in capital)	–	–	4	4
Total	10,540	–	3,161	13,701

As of March 31, 2026

	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)	–	–	953	953
Financial assets measured at fair value through other comprehensive income				
Listed shares	11,762	–	–	11,762
Unlisted shares	–	–	4,170	4,170
Other (investments in capital)	–	–	4	4
Total	11,762	–	5,128	16,891

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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Balance at beginning of period	2,861	3,161
Acquisition	334	2,179
Distribution	(105)	(0)
Sale	(1)	–
Total gains and losses		
Other comprehensive income	159	(28)
Profit or loss	(86)	(183)
Balance at end of period	3,161	5,128

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 instruments measured at amortized cost held by the Company are "trade and other receivables," "trade and other payables," 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 Non-mobility business	100
TENRYU SANGYO CO., LTD.	Japan	Motorcycles business Automobiles business	80.67
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 Non-mobility business	100 [0.07]
FCC (PHILIPPINES) CORP.	Philippines	Motorcycles business Automobiles business Non-mobility 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 Non-mobility 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 Non-mobility 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, 2025

Type	Name	Description of relationship with the related party	Transaction amount	Unsettled amount
			Millions of yen	Millions of yen
Other affiliate	Honda Motor Co., Ltd.	Sale of the Company's products	10,563	1,856

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, 2026

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	9,926	1,853

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, 2025	Fiscal year ended March 31, 2026
	Millions of yen	Millions of yen
Remuneration and bonuses	212	215
Share-based remuneration	25	25
Total	237	240

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

32. Commitments

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

	As of March 31, 2025	As of March 31, 2026
	Millions of yen	Millions of yen
Property, plant and equipment and intangible assets	5,884	3,139

In the fiscal year under review, the Group concluded a construction contracting agreement in relation to expansion work of a large press at the Hamakita Factory. The total amount to be paid under this agreement is ¥821 million, and ¥493 million was paid in the fiscal year under review. In addition to the above expansion work, including related orders, the total commitment related to the large press for the fiscal year under review amounts to ¥808 million.

33. Subsequent events

Acquisition and cancellation of treasury shares

At the meeting of the Board of Directors held on May 13, 2026, the Company resolved to acquire treasury shares pursuant to the provisions of Article 459, Paragraph 1 of Japan's Companies Act and the Company's Articles of Incorporation, and to conduct a tender offer as the specific method of acquisition. 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.

Note that this tender offer ended on June 10, 2026.

(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	1,100,100 (upper limit) (Ratio to the total number of outstanding shares (excluding treasury shares): 2.27%)
Total acquisition cost	¥3,391,608,300 (upper limit)
Period of acquisition	From May 14, 2026 to August 31, 2026
Method of acquisition	Tender offer for treasury shares

(3) Overview of the tender offer for treasury shares

Number of shares scheduled to be purchased	1,100,000 shares
Purchase price, etc.	¥3,083 per ordinary share
Tender offer period	From May 14, 2026 to June 10, 2026 (20 business days)
Date of public notice of commencement of tender offer	May 14, 2026
Settlement commencement date	July 2, 2026

(4) Results of this tender offer, etc.

Total number of shares tendered	1,000,000 shares
Total number of shares purchased	1,000,000 shares
Total acquisition cost	¥3,083,000,000

(5) 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 (4) above
Scheduled date of cancellation	August 31, 2026

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, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	15,039	9,527
Electronically recorded monetary claims - operating	946	992
Accounts receivable - trade	8,636	9,356
Merchandise and finished goods	984	971
Work in process	952	911
Raw materials and supplies	2,798	2,486
Prepaid expenses	166	86
Short-term loans receivable from subsidiaries and associates	4,518	3,472
Other	3,903	3,845
Allowance for doubtful accounts	(2)	(2)
Total current assets	37,945	31,647
Non-current assets		
Property, plant and equipment		
Buildings	5,910	11,906
Structures	250	640
Machinery and equipment	3,639	4,313
Vehicles	23	21
Tools, furniture and fixtures	825	1,230
Land	6,867	7,897
Construction in progress	2,995	1,392
Total property, plant and equipment	20,513	27,402
Intangible assets		
Patent right	53	40
Water facilities usage right	–	0
Software	183	169
Software in progress	9	33
Total intangible assets	246	244
Investments and other assets		
Investment securities	4,633	8,375
Shares of subsidiaries and associates	27,043	26,607
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	91	87
Long-term loans receivable from subsidiaries and associates	1,495	1,119
Long-term prepaid expenses	193	133
Prepaid pension expenses	371	625
Deferred tax assets	–	1,321
Other	689	688
Allowance for doubtful accounts	(1,509)	(25)
Total investments and other assets	41,929	47,853
Total non-current assets	62,688	75,500
Total assets	100,634	107,148

(Millions of yen)

	As of March 31, 2025	As of March 31, 2026
Liabilities		
Current liabilities		
Notes payable - trade	3	–
Accounts payable - trade	3,105	3,102
Short-term borrowings	3,000	3,000
Accounts payable - other	7,761	4,892
Electronically recorded obligations - operating	2,017	2,003
Accrued expense	599	486
Income taxes payable	155	51
Advances received	16	17
Deposits received	63	68
Provision for bonuses	1,326	1,413
Provision for officer bonuses	43	43
Provision for product warranty	5,823	6,944
Other	164	46
Total current liabilities	24,082	22,071
Non-current liabilities		
Deferred tax liabilities	1,068	–
Asset retirement obligations	14	14
Other	997	–
Total non-current liabilities	2,080	14
Total liabilities	26,163	22,086
Net assets		
Shareholders' equity		
Issued capital	4,175	4,175
Capital surplus		
Legal capital surplus	4,555	4,555
Other capital surplus	52	60
Total capital surpluses	4,608	4,615
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	466	466
Reserve for open innovation promotion tax system	175	175
General reserve	54,500	54,500
Retained earnings brought forward	9,852	19,505
Total retained earnings	67,637	77,291
Treasury shares	(7,312)	(7,290)
Total shareholders' equity	69,109	78,792
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,362	6,269
Total valuation and translation adjustments	5,362	6,269
Total net assets	74,471	85,061
Total liabilities and net assets	100,634	107,148

2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales	43,753	44,496
Cost of sales		
Beginning finished goods	825	984
Cost of products manufactured	27,312	26,948
Purchase of finished goods	478	515
Total	28,617	28,448
Ending finished goods	984	971
Cost of finished goods sold	27,632	27,477
Gross profit	16,120	17,019
Selling, general and administrative expenses		
Packing and delivery expenses	799	805
Salaries and allowances	1,680	1,740
Provision for bonuses	266	292
Retirement benefit expenses	191	166
Depreciation	107	232
Provision for product warranty	5,502	3,651
Research and development expenses	8,007	8,312
Other	2,423	2,622
Total selling, general and administrative expenses	18,977	17,824
Operating loss	(2,857)	(805)
Non-operating income		
Interest income	632	274
Interest on capital receivable	120	179
Interest on securities	582	550
Dividend income	13,998	14,667
Rental income	26	22
Commissions on equipment sales	245	132
Technical advisory fee	54	118
Reversal of allowance for doubtful accounts	–	1,484
Other	103	132
Total non-operating income	15,763	17,562
Non-operating expenses		
Interest expenses	18	69
Rent expenses	3	4
Foreign exchange losses	340	137
Losses on investment partnership management	86	83
Other	30	6
Total non-operating expenses	478	303
Ordinary profit	12,426	16,453
Extraordinary income		
Gain on sales of non-current assets	2	2
Gain on sales of investment securities	36	–
Gain on sales of shares of subsidiaries and associates	–	0
Grant income	–	92
Total extraordinary income	38	95
Extraordinary losses		
Loss on sales and retirement of non-current assets	75	127
Loss on valuation of investment securities	–	99
Total extraordinary losses	75	227
Profit before income taxes	12,390	16,322
Income taxes - current	1,446	1,280

(Millions of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Income taxes - deferred	(638)	(2,747)
Total income taxes	808	(1,466)
Profit	11,582	17,789

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

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Issued capital	Legal capital surplus	Other capital surplus	Total capital surpluses	Legal 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	Total retained earnings
Balance at beginning of current period	4,175	4,555	5	4,560	1,043	1,600	472	175	54,500	6,416	64,207
Changes of items during period											
Reversal of reserve for advanced depreciation of non-current assets due to change in tax rate								(6)		6	–
Dividends of surplus										(7,155)	(7,155)
Profit										11,582	11,582
Purchase of treasury shares											
Cancellation of treasury shares			(1,010)	(1,010)							
Share-based payment transactions			60	60							
Transfer from retained earnings to capital surplus			996	996						(996)	(996)
Net changes of items other than shareholders' equity											
Total changes of items during period	–	–	47	47	–	–	(6)		–	3,435	3,429
Balance at end of current period	4,175	4,555	52	4,608	1,043	1,600	466	175	54,500	9,852	67,637

	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	(4,694)	68,250	7,472	7,472	75,722
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets due to change in tax rate		–			–
Dividends of surplus		(7,155)			(7,155)
Profit		11,582			11,582
Purchase of treasury shares	(3,800)	(3,800)			(3,800)
Cancellation of treasury shares	1,010	–			–
Share-based payment transactions	171	232			232
Transfer from retained earnings to capital surplus		–			–
Net changes of items other than shareholders' equity			(2,110)	(2,110)	(2,110)
Total changes of items during period	(2,618)	859	(2,110)	(2,110)	(1,251)
Balance at end of current period	(7,312)	69,109	5,362	5,362	74,471

Fiscal year ended March 31, 2026

(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	52	4,608	1,043	1,600	466	175	54,500	9,852	67,637
Changes of items during period											
Reversal of reserve for advanced depreciation of non-current assets due to change in tax rate											–
Dividends of surplus										(8,135)	(8,135)
Profit										17,789	17,789
Purchase of treasury shares											
Cancellation of treasury shares											
Share-based payment transactions			7	7							
Transfer from retained earnings to capital surplus											
Net changes of items other than shareholders' equity											
Total changes of items during period	–	–	7	7	–	–	–	–	–	9,653	9,653
Balance at end of current period	4,175	4,555	60	4,615	1,043	1,600	466	175	54,500	19,505	77,291

	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	(7,312)	69,109	5,362	5,362	74,471
Changes of items during period					
Reversal of reserve for advanced depreciation of non-current assets due to change in tax rate		–			–
Dividends of surplus		(8,135)			(8,135)
Profit		17,789			17,789
Purchase of treasury shares	(2)	(2)			(2)
Cancellation of treasury shares		–			–
Share-based payment transactions	24	32			32
Transfer from retained earnings to capital surplus		–			–
Net changes of items other than shareholders' equity			907	907	907
Total changes of items during period	21	9,683	907	907	10,590
Balance at end of current period	(7,290)	78,792	6,269	6,269	85,061

[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 50 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 provisions

(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 12 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, 2025	Fiscal year ended March 31, 2026
Deferred tax assets	–	1,321
Deferred tax liabilities	1,068	–

(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, 2025	Fiscal year ended March 31, 2026
Provision for product warranty	5,823	6,944

(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, 2025	Fiscal year ended March 31, 2026
Short-term loans receivable from subsidiaries and associates	4,518	3,472
Long-term loans receivable from subsidiaries and associates	1,495	1,119
Allowance for doubtful accounts related to aforementioned loans	1,484	–

(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 major 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. Major 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 Leases" (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan)
- "Implementation Guidance on Accounting Standard for Leases" (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan), etc.

(1) Overview

The Accounting Standards Board of Japan has been working to align Japanese standards with international standards. As part of this initiative, they have been studying the development of accounting standards for leases that recognize assets and liabilities for all leases by lessees, based on international accounting standards. As a fundamental policy, these standards are based on the single lessee accounting model of IFRS 16. However, instead of including all provisions of IFRS 16, they incorporate only the main provisions, aiming to establish lease accounting standards that are simple, user-friendly, and generally require no modifications when applied to non-consolidated financial statements using IFRS 16 provisions.

For the lessee's accounting treatment concerning the method of expense distribution for leases, similar to IFRS 16, a single lessee accounting model applies to all leases, regardless of whether they are finance leases or operating leases. Under this model, depreciation for right-of-use assets and interest expense for lease liabilities are recognized.

(2) Planned date of application

This accounting standard and guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

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

The effects of applying the "Accounting Standard for Leases" and relevant ASBJ regulations on the financial statements are currently under evaluation.

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	5,910	6,485	17	471	11,906	8,534
	Structures	250	428	0	37	640	1,437
	Machinery and equipment	3,639	1,950	125	1,150	4,313	22,150
	Vehicles	23	6	0	8	21	172
	Tools, furniture and fixtures	825	812	8	398	1,230	6,261
	Land	6,867	1,030	–	–	7,897	–
	Construction in progress	2,995	7,997	9,601	–	1,392	–
	Total	20,513	18,710	9,754	2,067	27,402	38,555
Intangible assets	Patent right	53	–	–	13	40	69
	Right of using water facilities	–	0	–	0	0	0
	Software	183	59	–	72	169	231
	Software in progress	9	24	–	–	33	–
	Total	246	84	–	86	244	301
Investments and other assets	Long-term prepaid expenses	193	3	64	–	133	–

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

Property, plant and equipment

[Increase]

Construction in progress	Head office	Construction of building for new business	¥5,520 million
Land	Head office	Establishment of new office	¥1,030 million
Construction in progress	Hamakita Factory	Accommodation of new business, etc.	¥466 million
Machinery and equipment	Hamakita Factory	Accommodation of new business, etc.	¥448 million

[Detailed schedule of provisions]

(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	–	1,484	27
Provision for bonuses	1,326	1,413	1,326	1,413
Provision for officer bonuses	43	43	43	43
Provision for product warranty	5,823	3,873	2,751	6,944

(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	• 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.