Breakthroughs for the Future

Annual Report 2015

Year ended March 31, 2015

BANDO CHEMICAL INDUSTRIES, LTD.

Profile

In the 100-plus years since its founding in Japan in 1906, Bando Chemical Industries, Ltd. has been pursuing industrial development by making various contributions to rubber and plastic processing technologies in such areas as power transmission belts and systems, belts used in precision equipment, and multimedia parts made from urethane and resins.

We are highly regarded by customers throughout the world owing to our efforts to develop new technologies and products that meet today's needs while manufacturing and stably supplying people- and environmentally-friendly products of unsurpassed performance and quality.

Possessing an unwavering spirit spanning back to our foundation, we will create a brighter future through the ceaseless innovation of our business.

Contents

Cautionary Note Concerning Forward-Looking Statements

This annual report includes forward-looking statements related to the Company's future performance forecasts. These statements are rationally determined by management based on information available at the time and therefore are subject to risk and uncertainty. Actual performance may differ from targets due to such factors as changes in the operating environment.

Management Philosophy

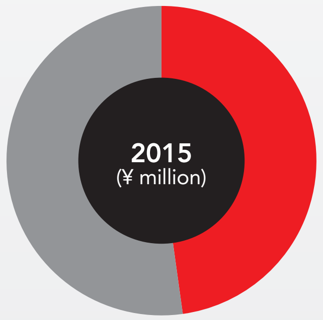
With a spirit of harmony and in good faith,
and to ensure the company's growth,
the Bando Group will work to earn the trust
of our customers and society
by creating and providing products and services
of added value and high quality.
With pride as members of the Bando Group,
we will contribute to society as a whole.

Snapshot

Bando Chemical Industries is expanding business in growth markets.

The snapshot below describes our strengths and distinctive features.

1 Core Business in Automotive Parts Fields



Sales of automotive parts business
¥45,680 million

Sales of automotive parts business as % of total
47.9%*

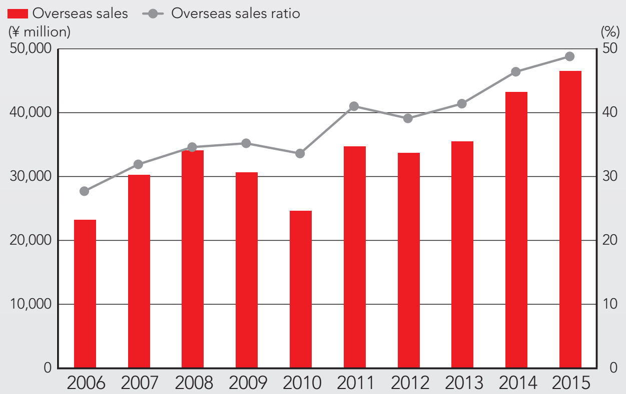
Consolidated net sales
¥95,396 million

The auto industry continues to expand, driven by increased motorization in emerging countries and steady market expansion in Europe and the U.S. Automotive businesses account for 47.9%* of total consolidated net sales at Bando. We expect the automotive parts business to provide good growth opportunities moving forward.

* Sales of automotive parts business/Consolidated net sales

2 Overseas Sales Ratio Continues to Expand

Overseas sales
Overseas sales ratio



We are meeting the needs of our Japanese customers developing global operations and are also expanding our business with overseas customers. Overseas sales are therefore rising and now account for a higher percentage of the total.

3 Top Share in OEM Supply of Automotive Belts

No.1 global share

OEM supply of automotive belts

We have built up a good reputation based on our meticulous service to satisfy individual customer needs, excellent quality, and stable supply capabilities. As of the end of fiscal 2014, we command the top global share for OEM supply of automotive belts.

4 Top Share in OEM Supply of Power Transmission Belts for Injection Molds and Machine Tools in Japan

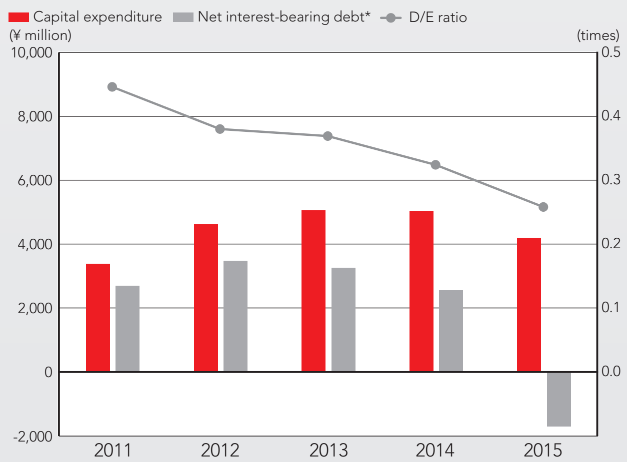
Our power transmission belts for injection molds and machine tools have been highly evaluated for their high power transmission capability and durability, and we hold the top share in Japan for these products.

No.1 share in Japan

Synchronous belts for high-load power transmission applications

5 Building an Even Stronger Financial Position

Capital expenditure / Net interest-bearing debt*
D/E ratio



* Net interest-bearing debt = short-term borrowings + long-term borrowings + corporate bonds – cash and deposits

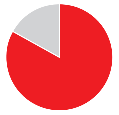
We are working to build an even stronger financial position, even as we continue the capital expenditures needed for growth. At the end of fiscal 2014, our net interest-bearing debt and D/E ratio were at all-time lows.

Products

The Bando Group's products boast world-class performance and quality based on technologies developed over many years. Bando's specialty products display our superior design and development capabilities.

Belt Business

Net sales by business segment



2015
83.3%

We excel in OEM business in the automotive, industrial machinery, agricultural machinery and conveyance sectors, where we hold a large global market share.

We develop environmentally-friendly power transmission systems and provide comprehensive product lines suitable for various fields.

Core Technologies *Rubber and resins compound design, dispersion and processing technologies, power transmission system technologies*

Automotive Power Transmission Belts

For four- and two-wheeled vehicles

Strengths and Characteristics

- Integrated development of automotive auxiliary drive belts and power transmission systems (Tier 1 manufacturer of power transmission belt systems for automotive manufacturers)
- Development of continuously variable transmission (CVT) high efficiency belts for two-wheeled vehicles

Main Products

RIB ACE™ V-Ribbed Belts

Automatic Tensioners

TENSION MASTER™

VS Belts

Industrial Power Transmission Belts

For industrial and agricultural machinery

Strengths and Characteristics

- Development of energy-efficient belts and belts suited to high power machinery
- Global production and sales network, with 21 bases in 14 countries

Main Products

HFD System™

Red™ SII V Belts for agricultural machinery

STS/HP-STS/Ceptor™-VI

Long Synchronous Belts

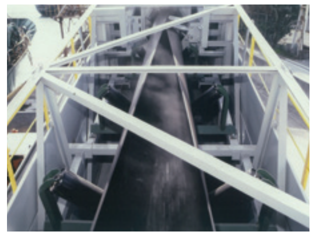
Conveyor Belts

Strengths and Characteristics

- A full lineup of rubber conveyor belts and light-duty resin conveyor belts
- Precisely meeting customers' needs with heat- and oil-resistant specifications, as well as fray-prevention, non-slip, anti-static and many other models

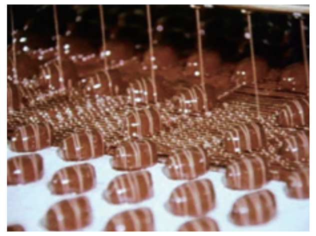
Main Products

G-CARRY™



Pipe Conveyor Belts

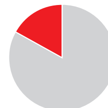
Mr. COOK™ F2224 Non-Stick Belts



Lightweight Jointless P-Series Belts

Elastomer Products Business

Net sales by business segment



2015
16.7%

We maximize materials characteristics through the use of our precision processing, material and structural design technologies, and add optimal functionality to develop pioneering products with high precision and high quality, in consideration of the environment.

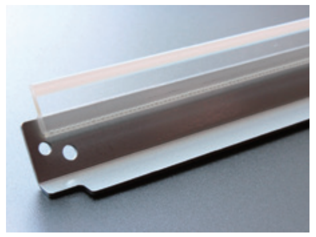
Core Technologies

Elastomer and resins compounding design, dispersion and processing

Strengths and Characteristics

- Development and provision of high performance, clean precision parts
- Development and provision of functional films for various applications, such as in the printing and medical fields

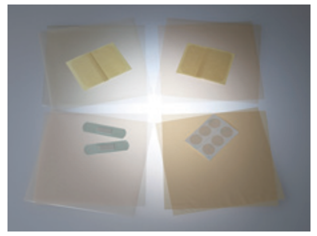
Main Products



BANCOLLAN™ CLEANING BLADE G-Module™

Development Rollers

BANDO GLANMESSE™



Medical films

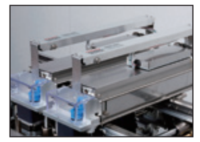
History

We have worked to build trust and brand recognition over more than 100 years since our founding.

Without contenting ourselves with this, we will incessantly strive to change and challenge to achieve the next "Breakthrough."

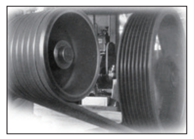
History of Global Expansion

- 2014 ▶ Developed Thermal Conductive Sheets for electronic devices
- 2013 Established new plant in India ◁
- 2013 Opened technical center in Thailand ◁
- 2012 Reorganized Shanghai-based subsidiary into a management company ◁
- 2012 ▶ Commenced sales of TENSION MASTER, a tension meter featuring an acceleration sensor
- 2012 Established subsidiary in Vietnam ◁
- 2012 Opened technical center in China ◁
- 2012 ▶ Commenced sales of non-flammable BANDO GLANMESSE
- 2011 ▶ Commenced sales of BANCOLLAN Cleaning Blade G-Module
- 2011 ▶ Developed BANDO MDEC, a new method for removing microscopic dust
- 2010 Opened Representative Office in Russia ◁
- 2010 ▶ Commenced sales of DS5M, double-sided, synchronous power transmission belts
- 2009 ▶ Commenced sales of G-CARRY environment-friendly, energy-saving conveyor belts
- 2008 Opened Representative Office in Argentina ◁
- 2008 ▶ Commenced sales of RIB ACE ECO-HT high-load automotive V-ribbed belts
- 2008 ▶ Commenced sales of thin polyolefin films
- 2008 ▶ Commenced sales of FlowMetal, low-temperature sintering nanoparticles
- 2008 ▶ Commenced sales of the Hyper Flat Drive System



History of Product Development

- 2003 Established subsidiaries in India and Turkey ◁
- 2002 Established subsidiary in Shanghai, China ◁
- 1998 Established subsidiary in Tianjin, China ◁
- 1995 Established subsidiary in Hong Kong ◁
- 1995 ▶ Commenced sales of BANDO Automatic Tensioners, automatic automotive belt tensioners
- 1988 Established subsidiaries in Indonesia, Malaysia, and South Korea ◁
- 1988 ▶ Developed BANDO AVANCE, the world's first dry belt for continuously variable transmissions (CVT)
- 1987 Established subsidiaries in Thailand and Spain ◁
- 1985 Established subsidiary in Taiwan ◁
- 1982 ▶ Commenced sales of MULITE high-performance plastics products
- 1981 ▶ Commenced sales of RIB ACE automotive V-ribbed belts
- 1980 Established subsidiary in Singapore ◁
- 1978 Established subsidiaries in the United States and West Germany ◁
- 1975 ▶ Commenced full-scale production of photocopier cleaning blades
- 1972 Equity participation in industrial rubber product manufacturers in the Philippines and Malaysia
- 1972 ▶ Commenced sales of Japan's first light-duty conveyor belts
- 1970
- 1969 Opened Representative Offices in the United States and West Germany ◁
- 1964 ▶ Commenced production of Japan's first single-ply conveyor belts
- 1962
- 1961 ▶ Commenced sales of polyurethane products
- 1959 ▶ Commenced sales of SYNCHROBELT toothed belts
- 1950 ▶ Commenced sales of plastic films and sheets
- 1932 ▶ Commenced sales of Japan's first V belts
- 1921 ▶ Commenced production of Japan's first conveyor belts
- 1913 ▶ Commenced production of rubber belts
- 1906 ▶ Commenced production of cotton belts



Other

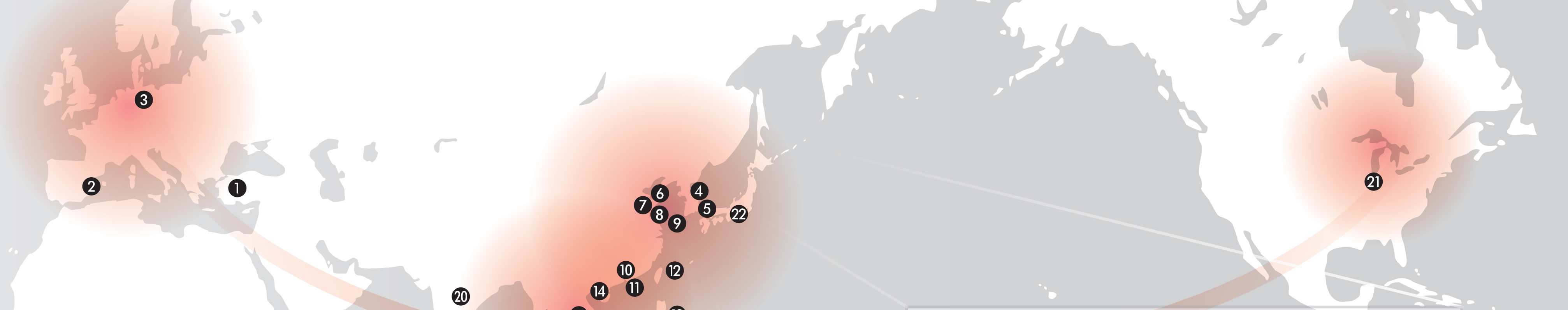
- ▶ 1970 Listed on the First Section of the Tokyo Stock Exchange
- ▶ 1962 Listed on the Second Section of the Osaka Securities Exchange

A pioneer belt manufacturer since its founding in Japan, the Company has now grown to manufacture and sell products throughout the world as it continues to develop products in support of industry.

Global Network

Aiming to become a standout supplier worldwide, we are expanding our global network based in Japan, China, Asia, the United States, and Europe.

Bando Chemical Industries' Global Network



Europe

Bando Belt Manufacturing (Turkey), Inc.

Bando Iberica, S.A.

Bando Europe GmbH

America

Bando USA, Inc.

Asia

Bando Jungkong Ltd.

Bando Manufacturing (Dongguan) Co., Ltd.

Pengeluaran Getah Bando (Malaysia) Sdn. Bhd.

Bando Korea Co., Ltd.

Bando Siix Ltd.

Kee Fatt Industries, Sdn. Bhd.

Bando Belt (Tianjin) Co., Ltd.

Sanwu Bando Inc.

Bando (Singapore) Pte. Ltd.

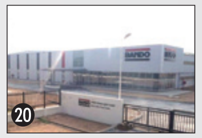
Bando (Shanghai) Management Co., Ltd.*

Philippine Belt Manufacturing Corp.

P.T. Bando Indonesia

Bando (Shanghai) Industry Equipment Element Co., Ltd.

Bando Manufacturing (Vietnam) Co., Ltd.



Bando (India) Pvt. Ltd.

BL Autotec (Shanghai), Ltd.

Bando Manufacturing (Thailand) Ltd.*

* China Technical Center and Asia Technical Center were opened in 2012 and 2013, respectively, both of which are developing products with optimal specifications for markets.

Sales by Region

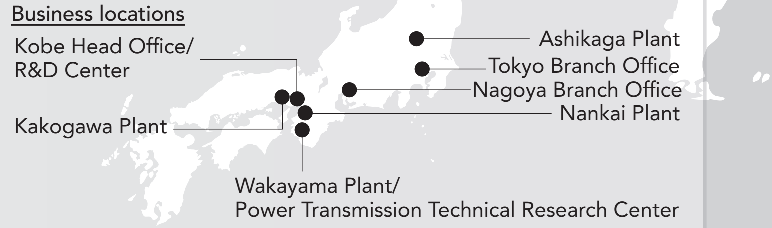
(as of March 2015)

Japan*

Head Office

*Japanese business locations are leading the development of environment-friendly products and the expansion of high-value-added businesses.

Business locations



Sales and Fabrication Service Affiliates

Bando Fukushima Products, Inc.
Higashinihon Bando Co., Ltd.
Vann Corporation
Koyo Sangyo Co., Ltd.
Hokuriku Bando, Inc.
Nishinihon Bando Co., Ltd.
Bando Elastomer Co., Ltd.

Manufacturing Affiliates

Fukui Belt Industries, Ltd.
BL Autotec, Ltd.
Bando-Scholtz Corporation

Other Service Affiliates

Bando Trading Co., Ltd.
Bando Kosan Co., Ltd.

Highlights

10-Year Summary of Consolidated Financial Statements

Fiscal year endings are March 31 in the years shown below

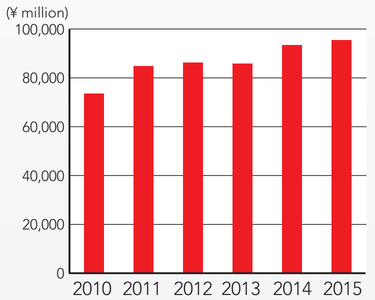
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net sales	Millions of yen	84,257	95,200	98,662	87,453	73,593	84,811	86,372	85,772	93,434	95,396
Operating income	Millions of yen	5,057	8,027	7,325	2,115	2,450	5,056	4,571	4,095	5,518	4,797
Operating margin	%	6.0%	8.4%	7.4%	2.4%	3.3%	6.0%	5.3%	4.8%	5.9%	5.0%
Net income	Millions of yen	3,713	3,985	5,289	(255)	1,234	3,333	1,440	2,510	4,280	3,757
Net cash provided by operating activities	Millions of yen	6,057	9,641	7,805	7,621	8,724	9,529	6,595	7,004	6,459	8,061
Net cash used in investing activities	Millions of yen	(8,984)	(6,288)	(9,830)	(4,937)	(3,147)	(4,922)	(4,768)	(5,781)	(5,038)	(3,931)
Net cash provided by (used in) financing activities	Millions of yen	234	1,888	(1,575)	(675)	(2,516)	805	(4,363)	(463)	(1,548)	(2,472)
Depreciation and amortization	Millions of yen	4,661	4,660	5,684	6,073	5,411	4,907	4,804	4,389	4,174	4,386
Capital investment	Millions of yen	9,377	7,692	7,166	4,176	2,791	3,381	4,619	5,052	5,046	4,198
Net assets	Millions of yen	39,615	42,568	44,972	38,352	40,020	40,542	39,444	43,226	49,277	56,777
Total assets	Millions of yen	87,887	96,530	90,801	76,621	78,020	82,905	79,659	82,207	89,623	94,700
Interest-bearing debt	Millions of yen	15,499	18,717	18,525	17,669	15,744	17,653	14,595	15,746	15,753	14,487
Shareholders' equity*	Millions of yen	39,615	41,707	44,046	37,345	39,188	39,677	38,559	42,775	48,772	56,273
Earnings per share	Yen	35.23	39.34	52.68	(2.55)	12.31	33.74	14.84	26.47	45.49	39.95
Net assets per share	Yen	390	412	439	372	391	405	402	455	518	598
Annual dividend per share	Yen	13.00	10.00	10.00	7.00	6.00	8.00	8.00	8.00	10.00	10.00
Average number of shares outstanding during the period	Thousand shares	102,791	101,310	100,393	100,313	100,294	98,788	97,034	94,811	94,095	94,063
Equity ratio	%	45.1	43.2	48.5	48.7	50.2	47.9	48.4	52.0	54.4	59.4
D/E ratio	times	0.391	0.449	0.421	0.473	0.402	0.445	0.379	0.368	0.323	0.257
ROA	%	4.2	4.1	5.8	(0.3)	1.6	4.0	1.8	3.1	4.8	4.0
ROE	%	10.0	9.8	12.3	(0.6)	3.2	8.5	3.7	6.2	9.4	7.2
P/E ratio	times	14.9	15.5	6.8	–	24.1	11.5	20.8	11.1	9.3	11.6
Payout ratio	%	36.9	25.4	19.0	–	48.7	23.7	53.9	30.2	22.0	25.0
Number of employees		3,177	3,393	3,414	3,436	3,285	3,427	3,545	3,592	3,817	3,930

* 'Shareholders' equity' for 2007 and thereafter = net assets – minority interests

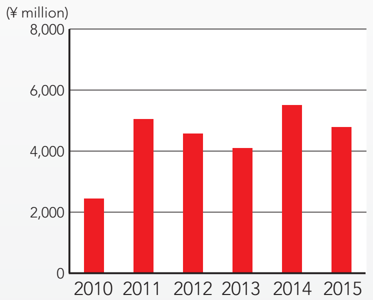
Major Indicators

Fiscal year endings are March 31 in the years shown below

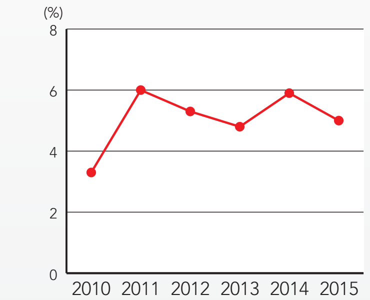
Net sales



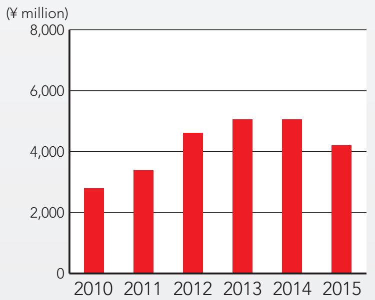
Operating income



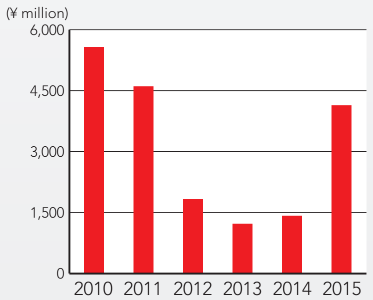
Operating margin



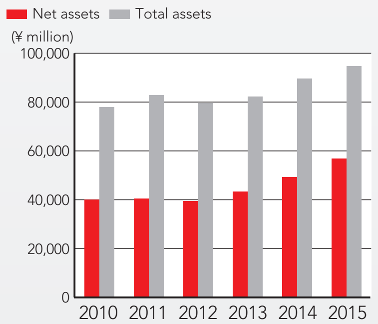
Capital investment



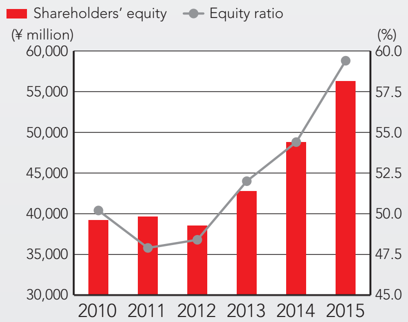
Free cash flow



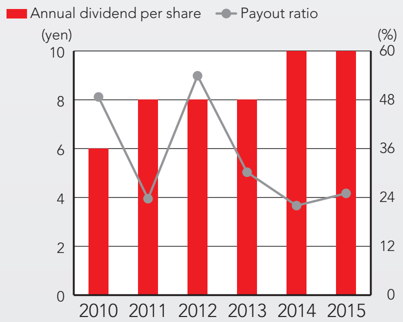
Net assets
Total assets



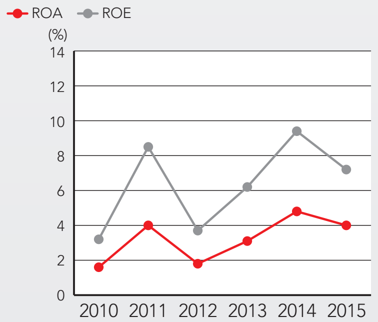
Shareholders' equity*
Equity ratio



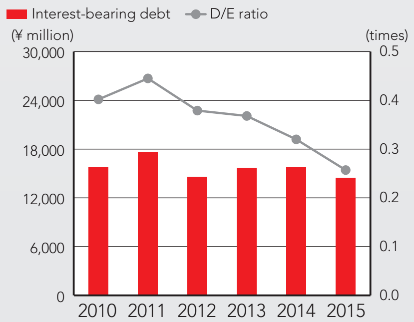
Annual dividend per share
Payout ratio



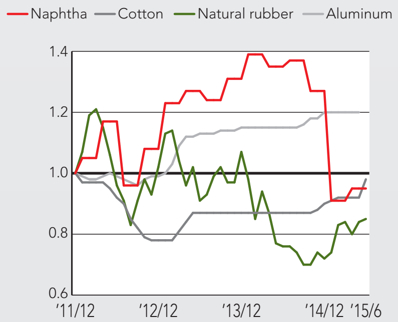
ROA
ROE



Interest-bearing debt
D/E ratio

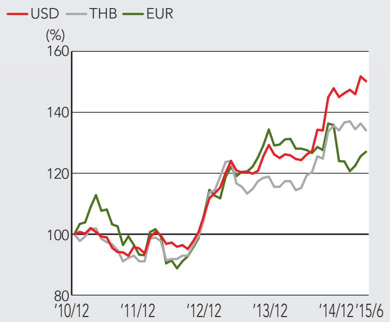


Raw material costs (indicators)



* Raw materials cost (indicators) base is 2011/12.

Exchange rate transition



* Exchange rate base is 2010/12.

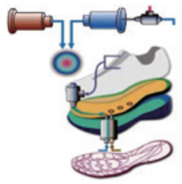
Fiscal 2014 Topics

March
February
January
2015
December
November
October
September
August
July
June
May
April
March
2014

Product Development and Others

Opened a demo room for the BANDO MDEC™ cleaning system, which applies our proprietary contact charging control technology

HFD™ System, a next-generation energy-saving transmission belt, was awarded the Kinki Region Invention Prize and the Hyogo Institute of Invention and Innovation's Chairman Award



Participated in the Cabinet Office Strategic Innovation Promotion Program (SIP)

Product development

Concluded an "Agreement for comprehensive industry-university cooperation" with Kobe University

President Yoshii and Kobe University President shaking hands

Created website for light-duty conveyor belt selection

Display of website image

Commenced sales of Wallpaper Media for inkjet printers.

Wallpaper Media

Thermal Conductive Sheets

Developed Thermal Conductive Sheets™ that contributes to lower thermal resistance in electronic devices

Management

We restructured our subsidiaries and sub-subsidiaries in South Korea (Bando Korea Co., Ltd. acquired Bando Jungkong Ltd., which had been owned by BL Autotec, Ltd., along with other shareholders' equity, and made Bando Jungkong Ltd. its wholly owned subsidiary [a sub-subsidiary of Bando Chemical Industries]).

Mitsutaka Yoshii
President and Representative Director, Bando Chemical Industries, Ltd.

The second half of Bando's five-year mid-term business plan has started. We will make full use of our expanded business foundation and accelerate measures to achieve target figures.

In fiscal 2014, the second year of Bando's five-year mid-term business plan, net sales increased for the second consecutive year. However, profits declined owing to an increase in personnel expenses in Japan due to an increase in actuarial differences related to retirement benefit obligations, and an increase in selling, general and administrative expenses mainly due to the expansion of overseas business bases.

Fiscal 2015 marks the start of the second half of Bando's five-year mid-term business plan. As our moves to reinforce the business foundation in India, Thailand, China and Indonesia steadily translate into earnings growth, we will accelerate measures to increase sales and profits.

吉井満隆

Message from the President

Performance in Fiscal 2014

Sales up but profits down due to higher personnel expenses resulting from expansion of global production structure

In fiscal 2014, we implemented measures for the second year of its mid-to-long term business plan "Breakthroughs for the future." Belt Business sales rose 0.8% year-on-year to ¥78,101 million on account of growth, mainly overseas, in automotive power transmission belts and conveyor belts. In the Elastomer Products Business, sales were ¥15,713 million, an increase of 4.8% year-on-year that reflected robust demand for precision equipment parts, particularly in Japan. As a result, consolidated net sales increased 2.1% from the previous fiscal year to ¥95,396 million for the second consecutive year of growth. However, operating income declined 13.1% year on year to ¥4,797 million, owing to an increase in personnel expenses from the expansion of production facilities in Asia, as well as an increase in actuarial differences related to retirement benefit obligations in Japan. Net income totaled ¥3,757 million, a year-on-year decline of 12.2% due to the write-down of impairment losses on manufacturing facilities for high-performance films. We declared a year-end dividend of ¥5 per share, unchanged from last year, bringing the annual dividend to ¥10 per share, the same as last year.

▶ Consolidated earnings

	Fiscal 2013 results	Fiscal 2014	
		Results	YoY
Net sales	¥93,434 million	¥95,396 million	+1,962
Operating income	¥5,518 million	¥4,797 million	-721
Net income	¥4,280 million	¥3,757 million	-523

Mitsutaka Yoshii

President and Representative Director, Bando Chemical Industries, Ltd.

"Breakthroughs for the future" mid-to-long term business plan: Overview and progress

Aiming to be a standout global supplier in two steps: 1st stage and 2nd stage of mid-to-long term business plan

In 2013, the Bando Group embarked on its mid-to-long term business plan "Breakthroughs for the future," which ends in fiscal 2022. Under this plan, we aim to further refine our core technologies and reliable product quality in the fields of rubber, elastomers, and resins—where we have built up extensive expertise since the Company's founding—to become a standout supplier of belts and high-performance products in the global market.

In the first stage of the plan, from fiscal 2013 to fiscal 2017, we will work to evolve and deepen the Group's current operations, particularly in the belt business, and strengthen research and development as well as market development in order to establish new businesses.

In the second stage, from fiscal 2018 to fiscal 2022, we will create new business to contribute to our earnings, second only to our belt business. Leveraging the two earnings drivers, we will concentrate on expanding earnings to become a truly global supplier with net sales of around ¥150 billion.

As the first step to achieving this plan, Bando aims to generate sales of ¥100 billion and operating income of ¥10 billion in fiscal 2017, the final fiscal year of the first stage.

Overview of the mid-to-long term business plan ——

"Breakthroughs for the future"

Aiming to be a standout global supplier

- Global development of belt and high-performance product businesses
- Provide value-added products that contribute to environmental preservation, energy conservation and higher functionality
- Leverage core technologies and reliable product quality in rubber, elastomers and resins

Breakthroughs for the future
1st stage (fiscal 2013~2017)

- Evolution and deepening of current businesses
- Enhancement of R&D and market development

Breakthroughs for the future
2nd stage (fiscal 2018~2022)

- Realization of aspirations for 10 years ahead
- Establishment of businesses to accompany the Belt Business

BF-1: Five Guidelines

Evolution of global market strategy → Product evolution → Evolution in manufacturing → New businesses creation → Evolution in management quality

▶ Numerical targets in mid-term business plan BF-1

	Net sales	Operating income
Fiscal 2017 targets	¥100,000 million	¥10,000 million

Achieve fiscal 2017 targets in sales and profit growth under the mid-term business plan

In fiscal 2014, the second year of the 1st stage of the mid-to-long term business plan, both sales and operating income fell below our original targets, due to factors such as production stoppages at Korean automakers in the first half of the fiscal year, lower automobile production in Thailand due to political turmoil, and a decline in demand for agricultural machinery in China as government subsidies came to an end.

However, we are moving confidently toward the achievement of higher sales and profits under the mid-term business plan. At the Bando Group, we collectively believe our investments in production facilities in India, Thailand, China and Indonesia over the initial 2.5 years of the mid-term business plan will strongly boost growth in earnings going forward, backed by our products with leading shares of the world market in the OEM supply of automotive belts for automakers, CVT belts for motorcycles, and polyurethane rubber parts for printers.

While maximizing these strengths, we intend to make up for some slight lost time in fiscal 2014 by reducing costs and steadily implementing key measures from fiscal 2015 onward.

▶ Bando products with top market shares*

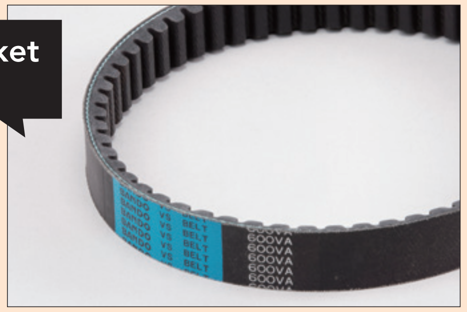
Top Market Share

OEM supply of automotive belts

Top Market Share

Automotive automatic belt tensioners (Japan)

Top Market Share



CVT belts for two-wheeled vehicles

Top Market Share

Polyurethane rubber printer parts

* Fiscal 2014

▶ Key facilities expansion during first half of the mid-term business plan, BF-1

Location	Descriptions	Date
India / Bangalore Plant	Opened integrated production plant	Fiscal 2013
Thailand / Bando Manufacturing (Thailand) Ltd.	Renewed the equipment of the main plant	Fiscal 2013
China / Bando (Shanghai) Industry Equipment Element Co., Ltd.	Expanded production capacity	Fiscal 2014
Indonesia / P.T. Bando Indonesia	Expanded production capacity	Fiscal 2013

Key Initiatives for Fiscal 2015

Operating environment

The external factors that depressed earnings in the previous fiscal year have begun to turn around. In Thailand, the political situation has stabilized, leading to a recovery in automobile output. In China, the resumption of government subsidies has raised expectations for stronger demand for agricultural machinery. In Europe and the U.S., demand looks likely to remain strong for belts, centered on automotive-related applications. In this business environment, we are in position to accelerate earnings growth by focusing our attention on cost reductions while further strengthening marketing activities.

More specifically, we are focusing on the key measures outlined below based on the five guidelines of the mid-term business plan: evolution of global market strategy, product evolution, evolution in manufacturing, new businesses creation, and evolution in management quality.

Evolution of global market strategy

Leveraging our expanded sales network and value chain, we aim to build a globally optimized procurement, production and supply structure while increasing sales and developing new markets.

First, we plan to accelerate the development of markets by taking advantage of our expanded production capacity in India, Indonesia, Thailand and China. We are now expanding production in accordance with growing demand for motorcycle belts in India and other Asian countries, as well as for automotive belts in Thailand. At the same time, we are taking steps to bolster our cost competitiveness through the planning and simulation of an optimal production structure to identify which business bases are the best places to produce and supply products. At our plant in Bangalore, India, established in 2013, for example, we have been switching to locally produced products and have been improving the cost structure there.

In the underdeveloped Greater Mekong market, we are working to enhance recognition of the Bando brand. In addition, we are gaining momentum on measures to strengthen our global marketing system, such as launching in Europe our electronic trading system that has been successfully used in Japan between our sales companies and agencies.

Product evolution

As for product evolution, we have been expanding product applications to new fields and incrementally adding functions to products with the aim of further increasing the added value of its products.

In the Belt Business for example, we updated our product lineup in the Sunline™ Belt series of light-duty conveyor belts in April 2014. Sales of Sunline™ Belts, which had mainly been used for food conveyance, have grown strongly as a result of expanding their application to the logistics field. Sales growth in Double Cog Belts, super high-performance CVT belts for large buggies and large scooters, has also picked up momentum thanks to customers appreciating their contributions to better fuel economy through improved power transmission efficiency and outstanding durability.

» Double Cog Belts

We are advancing similar measures in the Elastomer Products Business. In April 2014, we released Wallpaper Media for inkjet printers, creating a lineup of products for the wallpaper market under the Bando GLANMESSE™ brand of films for decorative displays. As new added value, the product features an adhesive coating and compatibility with digital printing, and we are marketing these features to unearth demand in the commercial and residential markets. Our development rollers with longer service life for OA equipment offer vastly improved durability thanks to the use of polyurethane rubber technology, and sales have expanded for this high-value-added product for printers and copiers.

» Development Rollers with longer service life

Increasing sales of these high-value-added products requires a finely tuned sensitivity to the particular needs of customers in countries around the world. At the China Technical Center, opened in 2012, and the Asia Technical Center, opened in Thailand in 2013, we have reinforced our technical service structure by hiring more local staff and focused on the development of products with market-optimized specifications. In addition to making detailed modifications to each product, we are also locally developing new products to fill needs in niche markets, such as tile conveyor belts, in a bid to strengthen our competitiveness in each region.

Evolution in manufacturing

Within the Group's global network, the Head Office, R&D Center, manufacturing plants and the Power Transmission Technical Research Center in Japan lead the development of environmentally-friendly products and high-value-added businesses. With the "evolution in manufacturing" guidelines, we aim to strengthen our global competitiveness by improving quality and productivity at our bases in Japan. To this end, we are modernizing production lines at the Kakogawa Plant and the Ashikaga Plant while fostering innovation in manufacturing methods.

At the Kakogawa Plant, our main plant for conveyor belts, we are upgrading production lines. Out of a total budget of approximately ¥2 billion, we plan to invest about ¥0.8 billion on capital equipment in fiscal 2015 and commence operations on the new production lines in January 2016.

At the Ashikaga Plant, where precision belts are made, we are upgrading production lines for polyurethane precision belts with the aim of solidifying customer confidence in these products. With an investment of around ¥0.2 billion, we plan to start up the new production lines in October 2015. The Ashikaga Plant has established a new production method for polyurethane precision belts that we think will lead to lower costs and stronger competitiveness.

New business creation: strengthening alliances

We have been consistently investing in R&D with the aim of creating new businesses. Using environmental protection, energy conservation and high performance as key objectives in new businesses, we are focusing R&D on the markets for optoelectronics, transportation/automobiles, energy, and robotics, while specifically concentrating on the fields of power electronics, printer electronics, and welfare/nursing care. In fiscal 2014, the R&D Center, Manufacturing Planning Center and Power Transmission Technical Research Facility led our efforts in R&D. Spending on research and development, including the development of product improvements, totaled ¥3,834 million in fiscal 2014.

As an external alliance to advance new business creation, in September 2014, Bando entered into an agreement with Kobe University to promote comprehensive cooperation between industry and academia. Kobe University has been designated by the Ministry of Education, Culture, Sports, Science and Technology as a university to enhance research capabilities with the aim of helping universities create world-class research programs. Through its alliance with Kobe University, Bando developed C-STRETCH™, a completely new elastic strain sensor, and released an R&D Kit in July 2015. This novel product was made possible with our core technologies in rubber and urethane material mixing design and film processing, combined with conductive material dispersion technologies. Featuring excellent flexibility and softness, the sensor is able to measure large distortions without altering the shape of the measured material. Since it shares a strong affinity with the way people move, we expect the product to sell well in the medical and healthcare fields.

As another external alliance, Bando has participated in Japan's Cabinet Office Strategic Innovation Promotion Program (SIP) since October 2014. In this program, Bando has been involved in the design and production of tailor-made rubber products using reactive 3D printers, and the research and development of products that create value for society. Bando is developing cross-linked rubber that can be formed into objects using a 3D printer.

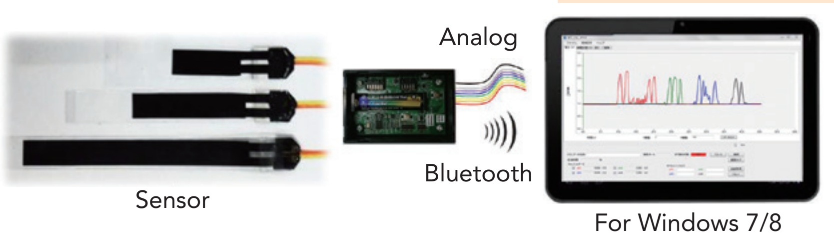
» China Technical Center

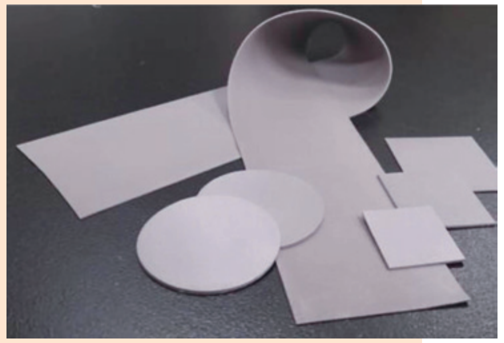
» Asia Technical Center

» Kakogawa Plant

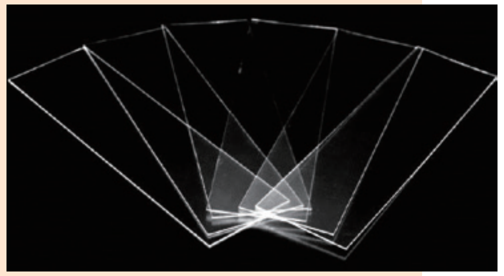
» Ashikaga Plant

» C-STRETCH™ elastic strain sensor and R&D Kit

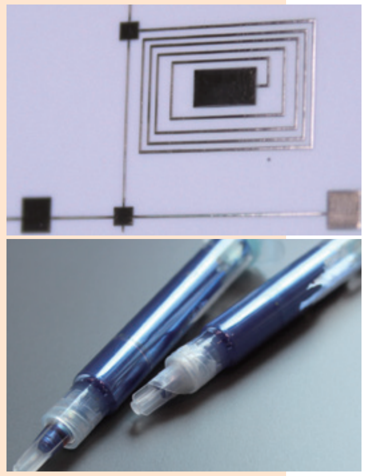




» Thermal Conductive Sheets



» Optically clear adhesive (OCA)



» Room-temperature sintering silver nanoparticle ink and low-temperature sintering silver nanoparticle bonding material

New business creation: accelerating test marketing and mass production

In fiscal 2015, we also intend to accelerate the transformation of projects that have been under development for several years into new businesses by working to establish mass production and conducting test marketing.

In May 2015, we began to test market Thermal Conductive Sheets that help lower the thermal resistance of electronic devices. This product is a rubber sheet with high thermal conductivity made possible with the vertical orientation of thermally conductive filler. It can efficiently transfer heat away from the heat-generating part. We expect the product to satisfy needs in the electronic devices field, such as for power semiconductors and LEDs.

In the second half of fiscal 2015, we plan to commence the mass production of Free Crystal™, an optically clear adhesive (OCA), in thicknesses ranging from 50 μm to 2,000 μm. Made from the application of Bando's excellent thick-film technologies, this product is a type of optical film that helps improve the image quality of LCD displays. We expect demand for this product in LCD displays for car navigation systems, for example.

In the second half of fiscal 2015, we plan to launch the mass production and marketing of room-temperature sintering silver nanoparticle ink. This new product offers better performance than FlowMetal™, the low-temperature sintering silver nanoparticle product the Company introduced in 2008. It was developed for compatibility with a wider range of applications. The new product is an optoelectronic material that can form electronic circuits without heating by providing conductivity after drying at room temperature. Bando has been making steady progress spinning a web of patents related to this technology. Based on the patents that we have already filed and the patents currently under application, we expect to obtain a broad range of intellectual property rights related to receiving layers that can be sintered at room temperature.

As another application of FlowMetal™, low-temperature sintering silver nanoparticle bonding material is an optoelectronic product that can join to circuit boards without damaging electronic devices, such as semiconductor elements, at a melting point of 250 °C, which is lower than that of gold-tin alloy solder. We are currently conducting marketing activities for the product in order to expand sales.

Striving to expand our lineup and sales

We are committed to people-friendly and environment-friendly manufacturing. Since 2010, Bando is accelerating the development of green products based on its "eco moving" brand to meet the increasing environmental and energy-saving needs of various industries.

With this brand, Bando has quantitatively defined the added value provided to customers as "Environmental Claims," and strives to enhance corporate value by expanding the lineup and sales of products that satisfy this criterion.

Labeling standards for *"eco moving"* products

Products receive the "*eco moving*" label if they meet any of the following three criteria.

1. Compared with reference products, shows reduced CO_2 emissions over the products' life cycle, and meet one or more internally established Environmental Claims (Energy Conservation, Waste Reduction, Use of Ecological Resources (recycled/non-petroleum), Carbon Offset, Resource Conservation, Use of Recycled Materials, Reduction of CO_2 Emissions)
2. Be granted certification from a third party operating an environmental certification system
3. Industry standards may be used for comparison purposes for a new product without a corresponding reference product, so long as the new product meets other necessary criteria

Environmental Claims

1. Saving energy

The product's energy loss during use is cut by 15% or more, in comparison with the corresponding reference product.

2. Saving resources

The raw materials used for the product are reduced by 10% or more by mass, in comparison with the corresponding reference product.

3. Reduction in quantity of waste

Product-related waste is reduced by 10% or more by mass when it is used by the customer, in comparison with the corresponding reference product.

4. Using recycled materials

The product uses 20% or more by weight recycled materials.

5. Using eco materials

The product uses 80% or more eco materials by weight (recycled materials as well as non-petrochemical natural resources and materials).

6. Reduction of CO_2 emissions

The product reduces CO_2 emissions by 10% or more during its lifecycle, in comparison with the corresponding reference product.

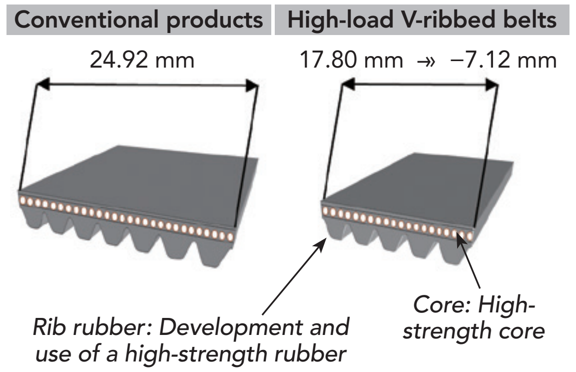
Or, the product reduces CO_2 emissions by 15% or more during any stage of its lifecycle (material procurement, production, transportation, use, disposal).

7. Carbon offset

The product is certified by the carbon offset certification system (third party institution), and the appropriate carbon offset activities have been implemented.

Power transmission belts that have achieved global record-levels of transmission capability

High-load V-ribbed belts



Added value

1. This product has an approximate **30%** increase in transmission capability for each gradation of belt width (one rib), by making use of high-strength rubber and a high-strength core.
2. The belt width (determined by number of ribs) is only about **2/3** of a conventional belt, while maintaining the same life cycle as the conventional belt.

Contributing to making automobile engines with improved weight reduction, compactness and fuel economy

Environmentally friendly conveyor belt

G-CARRY

Added value

1. CO_2 reduction by lowering the percentage of petroleum-based materials used from **65% to 37%**
2. Approximate **3%** reduction in power consumption by decreasing roller abrasion resistance
3. **Excellent pliability** due to a reduced-ply structure
4. **Excellent resistance to impact, sandwiching and tearing** due to the special core-body canvas

Accelerating the change-over from conventional conveyance products used for such materials as gravel, aggregate, soil, limestone and ore

Belt Business

Leveraging the Company's expanded business foundation to further strengthen our competitiveness



Position and Target in the Mid-to-Long Term Business Plan

The Belt Business serves as the greatest earnings driver to achieve the Group's mid-to-long term business plan, *Breakthroughs for the future*. Under BF-1—the first part of that plan—which finishes in the fiscal year ending March 31, 2018, we will achieve earnings growth centered on this segment in a bid to solidify our growth foundation for the five-year period of BF-2 (from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2023) and beyond.

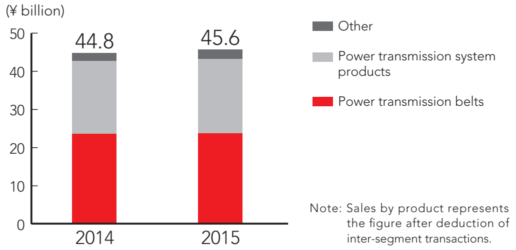
Performance for the Fiscal Year Ended March 31, 2015

The segment achieved net sales of ¥78,101 million, up 0.8% from the previous fiscal year. Sub-segment results are as follows.

Automotive Power Transmission Belts

Sales of power transmission belts in Japan decreased due to a decrease in automobile production. However, in China sales of accessory drive power transmission belts and of Automatic Tensioners were brisk, and in the U.S. we focused on expanding sales in the aftermarket. Moreover, in Asia there was a decrease of automobile production in Thailand, but sales of variable speed belts for scooters were favorable, including in India. As a result of these and other factors, sub-segment sales climbed 1.9% year on year.

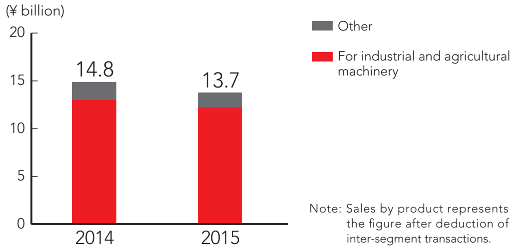
Sales of Automotive Power Transmission Belts by Product



Industrial Power Transmission Belts

In Japan, sales of power transmission belts increased due to proactive marketing activities rooted in local communities and the introduction of electronic commerce. However, sales declined elsewhere. In China state financial subsidies to agricultural machinery manufacturers ceased, in Thailand the political instability caused a business recession, in Europe there was sluggish capital investment, and in the U.S. the OEM business contracted. As a result, sub-segment sales were down 7.5% year on year.

Sales of Industrial Power Transmission Belts by Product

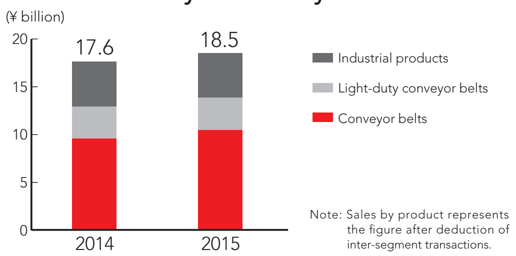


Conveyor Belts

In Japan, we enjoyed increased sales of conveyor belts for steel works and of light-duty conveyor belts for the distribution industry. In Asia, sales of conveyor belts increased, and in Southeast Asia sales of light-duty conveyor belts rose. As a result, sub-segment sales increased 5.2% year on year.

Segment profit declined 15.1% year on year to ¥4,155 million, mainly due to increased personnel expenses at our expanded overseas production bases, offset by the benefits of cost reductions.

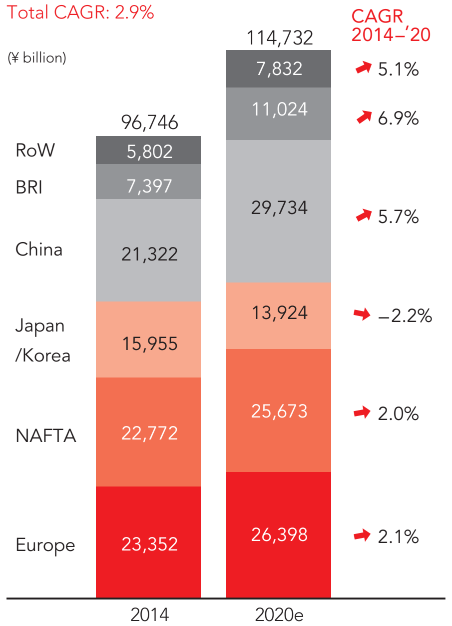
Sales of Conveyor Belts by Product



Market Conditions

The worldwide sales volume of automotive components in 2014 was approximately ¥96 trillion. It is expected to grow firmly going forward, and to reach approximately ¥114 trillion in 2020. Looking at the annual average growth rate, growth is forecast of 6.9% per year for BRICS, and 5.7% per year for China.

Automotive Component Market Value by Region



Source: Global Automotive Supplier Study 2014/Roland Berger/Lazard

Key Initiatives for the Fiscal Year Ending March 31, 2016

We will continue our initiatives designed to continuously solidify our leading position in Asia's belt markets.

In terms of sales activities, we will make full use of the business foundation that we have been expanding up to last fiscal year in China, India and the ASEAN region, and we will strive further to deeply cultivate markets.

In product development, we will seek to increase the added value of existing products, and focus on achieving such product features as reduced environmental impact, higher efficiency, compactness and multi-functionality.

In Japan, which we have positioned as the core to improve the global competitiveness of our products, we will push ahead with manufacturing innovations, upgrade our production technology and cost competitiveness, and strive to expand production in China, India and the ASEAN region.

■ Net sales and segment profit (¥ million)

	2014	2015 (results)		
			Change	% change
Net sales	77,483	78,101	618	0.8%
Automotive power transmission belts	44,833	45,680	847	1.9%
Industrial power transmission belts	14,880	13,765	(1,115)	−7.5%
Conveyor belts	17,634	18,545	911	5.2%
Segment profit	4,892	4,155	(737)	−15.1%

■ Ongoing capital investment (for the fiscal year ending Mar. 31, 2016) (¥ million)

Location	Description	Amount invested	Expected completion date
Nankai Plant	Expansion of equipment relating to power transmission belts, etc.	574	Mar. 2016
Kakogawa Plant	Expansion of equipment relating to industrial products, including conveyor belts, etc.	974	Mar. 2016
Wakayama Plant	Expansion of equipment relating to power transmission belts, etc.	59	Mar. 2016
Power Transmission Technical Research Center	Investment in testing and research facilities	84	Mar. 2016
Bando USA, Inc.	Expansion of equipment relating to power transmission belts, etc.	221	Mar. 2016
Bando Korea Co., Ltd.		320	Mar. 2016
Bando Belt (Tianjin) Co., Ltd.		212	Mar. 2016
Bando Manufacturing (Thailand) Ltd.		448	Mar. 2016

Elastomer Products Business

Accelerating the change to a high-added-value product portfolio



Position and Target in the Mid-to-Long Term Business Plan

The Elastomer Products Business offers clean, high performance products made of elastomers and resins in a bid to contribute to target achievement in the mid-to-long term business plan, *Breakthroughs for the future* (from the fiscal year ended March 31, 2014 to the fiscal year ending March 31, 2023). As our second core business after the Belt Business, the Elastomer Products Business will achieve steady growth by accelerating the change to a high-added-value product portfolio, aimed at driving forward the uses of our core elastomer and resin compound design, dispersion and processing technologies.

Performance for the Fiscal Year Ended March 31, 2015

For the fiscal year ended March 31, 2015, net sales grew 4.8% year on year, to ¥15,713 million. Sub-segment results are as follows.

Precision Parts

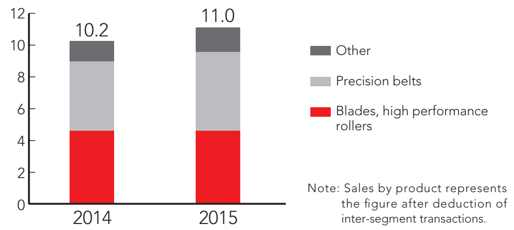
We increased sales of new types of high-performance rollers for major office machinery equipment manufacturers, and achieved strong sales of precision belts. Sales of precision polishing materials in the optoelectronics market gradually increased. As a result of these and other factors, sub-segment sales increased 8.1% year on year.

High-Performance Films

Despite sales of new premium wall covering film products, sales of film used in construction materials decreased due to decreased demand following the consumption tax increase. As a result of these and other factors, sub-segment sales decreased 3.3% year on year.

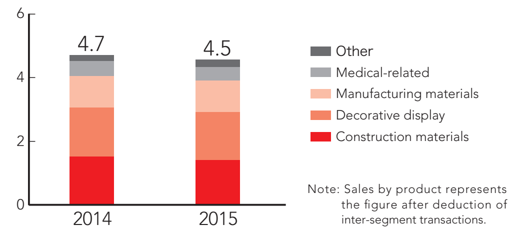
Segment profit increased 16.9% year on year to ¥329 million mainly due to favorable growth in sales of products with comparatively high added value, including high-performance rollers and precision polishing materials.

Sales of Precision Parts Business by Product



Note: Sales by product represents the figure after deduction of inter-segment transactions.

Sales of High-Performance Films Business by Product



Note: Sales by product represents the figure after deduction of inter-segment transactions.

Market Conditions

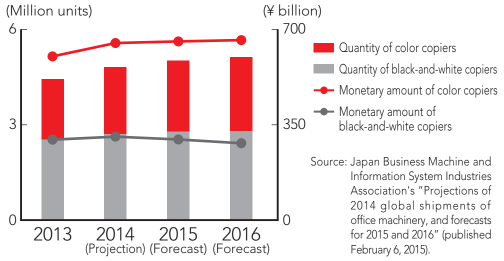
Global shipment quantities in the copier and multi-function printer markets, which include major customers for our precision parts business, are expected to grow around 3.8% in 2015 and around 2.6% in 2016*. While the Japanese market for color copiers is somewhat saturated and the time between replacements is longer, we expect increased demand for color copiers in Europe and the U.S., and for black-and-white copiers in Asia.

* Quantitative base

The number of domestic housing starts, which are closely linked to sales of high-performance film products, is basically projected to decrease going forward. Nevertheless, the renovation market, which is another target market, is projected to maintain its market size due to the increasing service life of housing.

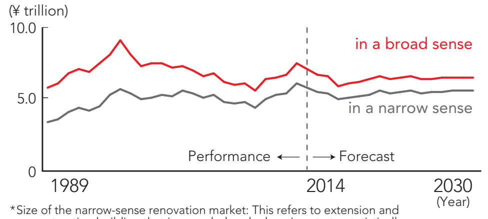
Source: News Release published on June 15, 2015, Nomura Research Institute, Ltd.

Worldwide Copier and Multifunction Printer Shipment Forecast on a Quantity Basis



Source: Japan Business Machine and Information System Industries Association's "Projections of 2014 global shipments of office machinery, and forecasts for 2015 and 2016" (published February 6, 2015).

Performance and Forecasts of Size of Housing Renovation Market



*Size of the narrow-sense renovation market: This refers to extension and reconstruction building that is recorded under housing starts, statistically "new housing," together with repair and maintenance costs for facilities, etc.

*Size of the broad-sense renovation market: This refers to the size of the narrow-sense renovation market plus a financial amount that mainly comprises the purchase costs of consumer durables related to the renovation including air conditioners and furniture, etc. and the purchase costs of interior goods, etc.

Source: Extracted from the Center for Housing Renovation and Dispute Settlement Support's "Size of Housing Renovation Market (published 2013). Forecasts are provided by NRI.

Key Initiatives for the Fiscal Year Ending March 31, 2016

We will continue to refine our technologies for compounding, dispersing and combining elastomers and resins, which are our core technologies, and accelerate our actions to rebuild our product portfolio with a greater emphasis on high value-added products.

In precision parts business, we will focus on increasing sales and earnings centered on TOPX Precision Abrasive Film and the BANDO MDEC cleaning system in the growing optoelectronics market. Moreover, we will greatly increase the added value of products for printer-related markets by concentrating on markets which demand high durability and high quality.

In high-performance films business, we will focus on proprietary brand products and strive to expand our market share in the volume zone of the domestic market, and we aim to further expand sales overseas. Moreover, as one of our initiatives to realize business structural reforms, we will accelerate making full use of and evolving our own technology (films, adhesive materials, ink-jet printing), and engage in the decorative products business.

Net sales and segment profit (¥ million)

	2014	2015 (results)	Change	% change
Net sales	14,989	15,713	723	4.8%
Precision equipment parts	10,263	11,096	833	8.1%
High-performance films	4,707	4,550	(157)	–3.3%
Segment profit	281	329	47	16.9%

Ongoing capital investment (for the fiscal year ending Mar. 31, 2016) (¥ million)

Location	Description	Amount invested	Expected completion date
Nankai Plant	Expansion of equipment relating to chemical products, etc.	270	Mar. 2016
Ashikaga Plant	Expansion of equipment relating to industrial products and power transmission belts, etc.	565	Mar. 2016

CSR

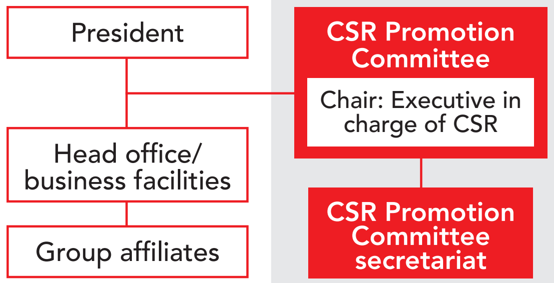
Basic Stance on Corporate Social Responsibility (CSR)

The Bando Group's stance on CSR lies in business activities rooted in the positive contributions it makes to people's lives and the development of society, which are embodied in the Group's management philosophy. In an effort to harmoniously coexist with stakeholders—customers, shareholders and investors, employees, business partners (including suppliers and retailers), and local communities—it is vital that we provide products and services that meet the needs of society while undertaking business activities that help preserve the global environment. The chief objective of the Group's CSR activities is to gain the trust of society, which is consistent with its corporate culture and in keeping with its obligations to stakeholders.

CSR Management

The Bando Group's CSR promotion system is led by the Company's CSR Promotion Committee.

Chaired by Bando's executive in charge of CSR, the CSR Promotion Committee decides on CSR policy for the entire Group, and monitors committees established for each CSR promotion theme as well as the CSR functions of individual departments. The Committee is also responsible for prioritizing issues, tracking the progress of CSR activities, promoting public information disclosure, and interacting with stakeholders.



CSR Promotion Themes and Major Achievements in Fiscal 2014

The Group engaged in various activities in line with six CSR promotion themes.

CSR promotion themes

Compliance/Business Ethics
Legal compliance and acting with integrity to gain the trust of society

Legal Compliance Committee

The Environment
Work for environmental preservation by developing eco-friendly products and by being attentive to the environment in manufacturing practices

Head Office Environment Committee; Manufacturing Planning Center, Safety and Environmental Promotion Department

Quality
Provide safe and reliable products and services

Manufacturing Planning Center, Quality Control Department

Major achievements

Compliance/Business Ethics:
- Held lectures for affiliates about the Bando Group Code of Conduct
- Installed a system to detect tampering on our websites, and taught information security using e-learning

The Environment:
- Reduced unit volume of waste generation by 2.5%
- Reduced unit volume of energy consumption by 4.7%
- Suppressed VOC gas emissions by 66.7% (compared to fiscal 2000)
- Conducted energy conversion to LNG by using ESCO at Wakayama Plant

Quality:
- Held QC Circle activities and conventions in Japan and overseas
- Convened a product quality case study exhibition
- Implementation of an assessment of product conformity to standards
- Updated the information management system for chemicals used as raw materials

CSR promotion themes

Human Rights/Labor/Safety
Allow employee growth through their work, and provide safe, dynamic workplaces

Head Office Health and Safety Committee; Human Resources Department; Manufacturing Planning Center, Safety and Environmental Promotion Department

Social Contribution
Recognize the importance of communication with society, individual contributions to the community, and company-wide contributions to society for environmental preservation

General Administration Department

Information Disclosure
Timely and proper information disclosure to stakeholders

Finance and Accounting Department; General Administration Department

Major achievements

Human Rights/Labor/Safety:
- Held mental health classes and walking activities
- Enhanced training programs for each career stage and position
- Health and safety education and installation of disaster simulation equipment (Three work-related injuries resulted in lost time during the fiscal year under review)

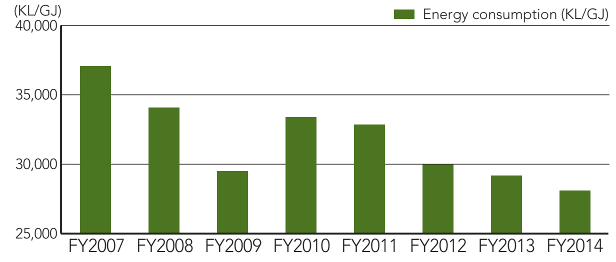
Social Contribution:
- Supported volunteer activities
- Participated in activities organized by local resident associations, and cleanup, public safety and disaster prevention initiatives
- Conducted tours of Company facilities

Information Disclosure:
- Convened procurement policy briefings
- Published periodic CSR reports and business reports, and provided information via the Group's websites
- Held investor relations briefings

Note: The tables below refer to Bando's domestic facilities in Japan.

Reduction of Energy Consumption

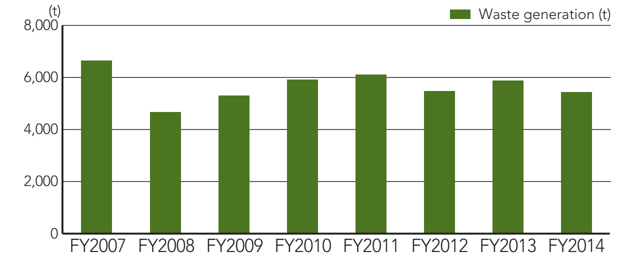
Energy consumption



In fiscal 2014, at the Wakayama Plant we started using air conditioning using exhaust heat. Although this reduced the energy consumption by 3.6% compared to the previous fiscal year, we failed to reach our target volume of energy consumption.

Curtailment of Waste Generation

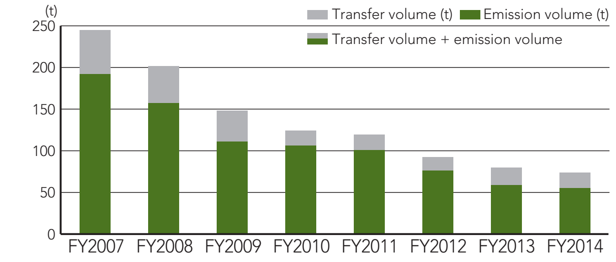
Waste generation



The Company's industrial waste largely consists of rubber and plastics. Since recycling rubber is difficult, Bando works to curtail the generation of this type of waste.

Emission and Transfer Volumes of PRTR Substances

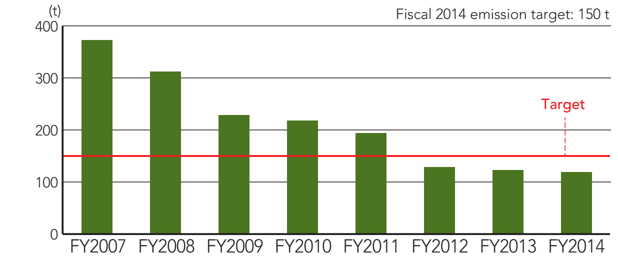
PRTR substance emission and transfer volumes



We identified materials we handle that are listed in the Pollutant Release and Transfer Register, and are working to reduce their use mainly by appropriate management and substituting other materials.

Reduction of VOC Gas Emissions

VOC emission volume



In fiscal 2014, we updated our VOC detoxification facilities and ensured proper VOC handling. In so doing, we achieved a 61% reduction in VOC compared with fiscal 2000, exceeding the industry's target of 50%.

Environmental Accounting

The Company uses environmental accounting tools to determine and manage overall environmental costs, effectiveness, and volumes.

(¥ thousand)

Environmental Conservation Costs		Fiscal 2012 Capital investment	Fiscal 2012 Depreciation and amortization + personnel expenses + overhead	Fiscal 2013 Capital investment	Fiscal 2013 Depreciation and amortization + personnel expenses + overhead	Fiscal 2014 Capital investment	Fiscal 2014 Depreciation and amortization + personnel expenses + overhead	Main projects in fiscal 2014
Business area cost	Pollution control	7,387	68,024	468	76,425	13,708	59,535	Revamped underground tank, installed dirt collector
	Global environmental conservation	97,820	3,976	14,770	5,091	3,344	3,623	Switched to LED lighting, updated facilities
	Resource recycling	0	172,594	686	217,480	847	166,114	Industrial waste treatment and disposal
Upstream/downstream cost		0	0	0	0	0	0	
Administration cost		0	11,231	0	35,063	0	23,350	Monitored and measured environmental burden, operated management systems
R&D cost		10,560	34,033	0	31,354	0	29,493	Developed products with reduced environmental burden
Social activity cost		168	9,590	3,715	8,396	0	5,634	Greening and beautification costs, environmental and social activities
Environmental remediation cost		0	0	0	722	0	1,177	
Total		115,936	299,448	19,640	374,532	17,899	288,927	

(¥ thousand)

Environmental conservation benefit	Fiscal 2012	Fiscal 2013	Fiscal 2014
Business area	51,195	59,518	20,077
Upstream/downstream	0	0	0
Other	247	83	0
Total	51,442	59,601	20,077

Corporate Governance

Basic Stance on Corporate Governance

In order to improve corporate value, the actions of the Company are based on an adherence to the law and social norms as a member of society. In addition, the Company recognizes the importance of building positive relationships with customers (end users), current and potential investors, business partners, local communities and others. Accordingly, the Company focuses on ensuring sound, transparent and efficient management by enhancing its corporate governance system.

Board of Directors

The Company maintains a system centered on directors and audit & supervisory board members to ensure management efficiency and to strengthen its audit and supervisory functions. The Company's Board of Directors consists of six directors, including two external directors (as of June 2015). The Board makes decisions concerning basic management policies, important management issues, and legally stipulated matters, as well as monitoring the work performance of directors and corporate executive officers. As a rule, the Board meets once per month. In addition, the Company maintains a corporate executive officer system to improve operational efficiency and speed, and has established the Management Advisory Council to assist the president with management decisions. In the fiscal year ended March 31, 2015, Board of Directors Meetings were held 15 times, with the external director attending 100% of those meetings.

Audit & Supervisory Board

The Company has adopted an audit & supervisory board member system. The Audit & Supervisory Board consists of one internal and three external audit & supervisory board members. The internal audit & supervisory board member and one external audit & supervisory board member serve on a full-time basis. The Audit & Supervisory Board Meeting is held every month. All of the Company's audit & supervisory board members attend Board of Directors' meetings and monthly management conferences. Moreover, the Audit & Supervisory Board assigns individual audit & supervisory board members to attend various internal committee meetings and conduct hearings to determine the operational status of subsidiaries when deemed necessary. Through these and other actions, the audit & supervisory board member system is able to fully monitor the performance of directors and corporate executive officers. In the fiscal year ended March 31, 2015, the Audit & Supervisory Board met 13 times, with the three external audit & supervisory board members attending 97% of those meetings.

Nominating Committee and Compensation Committee

Despite having no legal obligation under the Companies Act, the Company has established the Nominating Committee and Compensation Committee to serve as consultative bodies of the Board of Directors in an effort to further strengthen corporate governance.

Decisions regarding director appointments and compensation are made by a resolution of the Board of Directors following deliberations by the Nominating and Compensation committees. In addition, these committees include the external director and external audit & supervisory board members who have been designated as independent executives to maintain a highly transparent system for making decisions about director nominations and compensation. In the fiscal year ended March 31, 2015, the total amount of director and audit & supervisory board member compensation is shown below.

	Number of Persons	Total Compensation	Compensation Limit
Directors	8	¥93 million	¥240 million or less annually
Audit & Supervisory Board Members	5	¥54 million	¥7 million or less monthly
Total	13	¥146 million	

Notes:

1. As of March 31, 2015, there are five directors (including one external director) and four audit & supervisory board members (including three external audit & supervisory board members)
2. The numbers above include three directors who resigned at the conclusion of the ordinary general meeting of shareholders held on June 24, 2014, and one audit & supervisory board member who retired on April 27, 2014.
3. The total amount of external director and external audit & supervisory board member compensation listed above is as follows.
   One external director: ¥8 million
   Four external audit & supervisory board members: ¥34 million
4. The total amount of director compensation includes performance-related salary based on the Company's performance-related salary criteria (for full-time basis directors only) for the fiscal year ended March 31, 2015. Performance-related salary will not be paid for the fiscal year ended March 31, 2015 because the performance did not satisfy the criteria.
5. In addition to the above-listed information, salaries and bonuses for employees who concurrently serve as directors are as follows.
   Three employee salaries: ¥34 million
   Two employee bonuses: ¥11 million
6. In addition to the above-listed information, retirement benefit for a retired director was paid pursuant to the resolution at the ordinary general meeting of shareholders held in 2004 as below.
   One director: ¥71 million

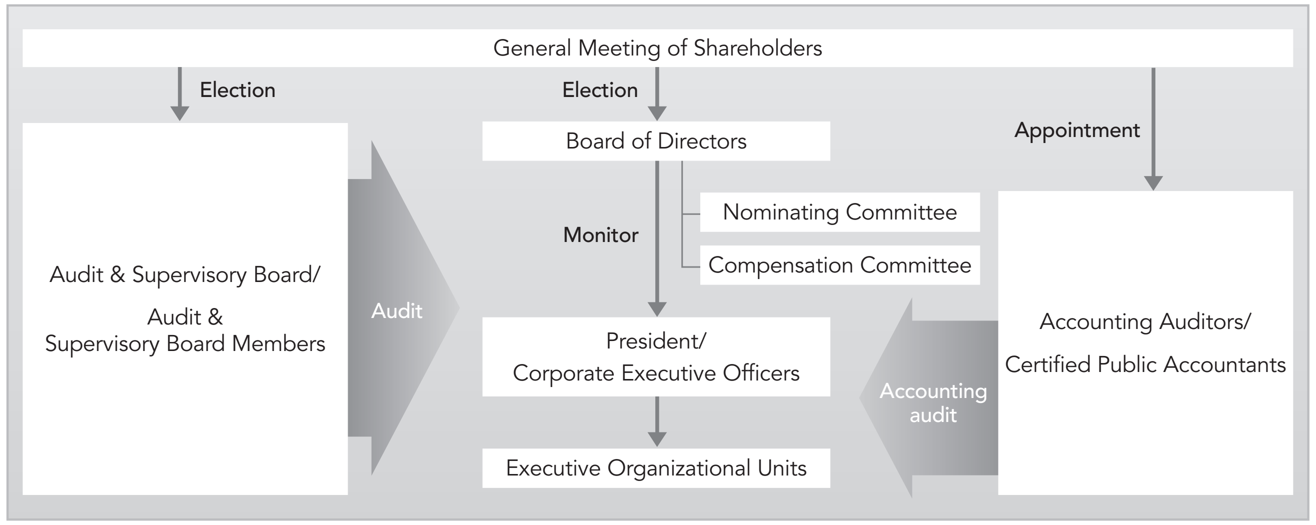
Internal Control

To meet the requirements stipulated in the Financial Instruments and Exchange Act pertaining to financial reporting performed by internal control reporting systems, the Bando Group maintains internal control in accordance with the basic frameworks for internal control outlined in Financial Services Agency criteria, and undertakes evaluations and reporting as defined by said criteria. The Company will work to further improve the effectiveness of internal control primarily through the Internal Control Promotion Office and based on the four objectives of internal control: (1) reliability of financial reporting, (2) operational effectiveness and efficiency, (3) legal compliance regarding business activities, and (4) asset protection.

Basic Stance on the Elimination of Antisocial Forces

The Group takes stringent measures to eliminate antisocial forces by investigating prospective business partners prior to commencing new transactions based on relevant Group policies and the Bando Group Code of Conduct, which stresses the overriding importance of adhering to the law and corporate ethics. In addition, the Group maintains an internal reporting

Management organization and corporate governance



system to thoroughly raise awareness of the necessity of avoiding any actions that are illegal or contrary to corporate ethics. In the event that a business partner is revealed to be an antisocial organization, the Group will immediately dissolve its relationship with this organization.

Compliance Promotion

The Group has formulated and distributes to all Group executives and employees the Bando Group Code of Conduct, which stipulates proper actions in such areas as "compliance with laws and corporate ethics," "product and service safety," "honest and fair business activities," and "fair and equitable procurement transactions." In addition, the Group works to raise awareness of compliance by designating October as the Bando Group Corporate Ethics Month, conducting training sessions on the Bando Group Code of Conduct at Company business facilities or domestic and overseas affiliates every other year, and providing opportunities to discuss these topics internally. Moreover, the Group has established a system to further promote compliance by adopting an internal reporting system that includes external lawyers as well as a service for providing information on the formulation, revision and abolition of relevant laws.

Internal Audits

The Company has established the Internal Audit Department, an independent organization that is staffed by four people reporting directly to the president. The Internal Audit Department implements systematic and comprehensive internal audits (which include the internal control system) of all departments as well as domestic and overseas affiliates. Accompanied by audit & supervisory board members, the Internal Audit Department conducts on-site audits within the Company and at affiliates, the results of which are reported to the president, directors and audit & supervisory board members.

Information Disclosure

The Company promotes fair and highly transparent management by disclosing important information in an appropriate and timely manner to shareholders and all other stakeholders.

The Company maintains PR functions that include timely information disclosure by the General Administration Department. In addition, the Company has established a system to facilitate the timely disclosure of information to stock exchanges and discloses such information on the Company website.

Management (As of June 23, 2015)

Board of Directors

President and Representative Director:
Mitsutaka Yoshii

Representative Director:
Yoshihisa Tamagaki

Director:
Kyosuke Nakamura

Director:
Shinji Kashiwada

External Director:
Yutaka Kato

External Director:
Takashi Shigematsu

Audit & Supervisory Board Members

Audit & Supervisory Board Member: (full-time)
Shinichiro Miyamoto

External Audit & Supervisory Board Member: (full-time)
Takahiro Matsusaka

External Audit & Supervisory Board Members:
Hiroshi Kii
Toru Tada

Corporate Executive Officers

President:
Mitsutaka Yoshii

Senior Executive Officers:
Yoshihisa Tamagaki
Masao Ohara
Keiji Iwai
Masayuki Kitabayashi
Hisashi Samejima
Kyosuke Nakamura

Executive Officers:
Yoshitaka Oshima
Shinji Kashiwada
Joseph David Laudadio
Katsuhiko Hata
Katsuya Yamaguchi
Takayuki Nagase
Kazuyuki Mamba
Satoshi Matsuo

Supporting global growth and transition to a new stage of management, aiming to maximize corporate value

Yutaka Kato
External Director

In June 2015, the Corporate Governance Code was officially announced in Japan. I provide support for venture companies and management guidance for Japanese and foreign companies as a business scholar and a specialist in managerial accounting and cost accounting. Drawing from my experience in these capacities, I believe the reforms in corporate governance taking place in Japan are a logical step forward for Japanese companies.

Bando is moving in a direction that agrees with the Corporate Governance Code. While collaborating with newly appointed External Director Takashi Shigematsu, I will do my best to effectively support decision-making on such issues as management strategy, Bando's unwavering commitment to global business development, and the launch of new businesses.

Lately, it has become more important for listed companies to work closely with stakeholders other than their shareholders, including employees, customers, suppliers, creditors and local communities, in order to continue growing and enhance corporate value over the medium- and long- terms. In this regard as well, I vigorously support the efforts of Bando.

Bando continues to engage in CSR activities, and I think that the Company has put in place an effective platform for collaborating with their stakeholders. Among Bando's initiatives, I would like to highlight the Company's decision in 2014 to launch a comprehensive industry-academia relationship with Kobe University, and its participation in the Cabinet Office Strategic Innovation Promotion Program (SIP). Both of these initiatives entail cooperation with public institutions and are closely related with the development of the new businesses that will carry the future for Bando. When these initiatives coalesce into Bando's growth, I believe Bando will have transitioned to a new stage of a sustained increase in corporate value.

Operating Environment

During the fiscal year ended March 31, 2015, the United States economy steadily recovered due to improved employment conditions and a rebound in personal consumption. In Europe, although the region faced geopolitical risks and sovereign debt problems, there were signs of economic recovery. On the other hand, in ASEAN and China, there was a general slowing of growth, and, notably in Thailand, economic stagnation continued due to political instability. In Japan, while there was a reactive decline to last-minute demand before the consumption tax increase, the yen continued to depreciate and stock prices rose amid an easing of monetary policy and the economy remained on a modest recovery track through the second half.

Automotive is a key market for the Bando Group. Despite firm automobile production in the United States and China, there was a substantial decrease of production in Thailand. In Japan, harsh conditions continued with a decrease in automobile production and an increase in the production of beltless vehicles, especially hybrid vehicles. Meanwhile, in the industrial machinery field, domestic demand for capital investment remained strong, but the housing and architectural field, a major market for high-performance film, suffered a protracted slump in demand after the consumption tax increase.

Business Overview

Under these market conditions, the Bando Group, in line with the second year of the first stage of our mid-to-long term business plan "Breakthroughs for the future," from fiscal 2013 to fiscal 2022, sought to achieve its aspirations for fiscal 2022, and aggressively worked to meet targets in the plan based on five guidelines including "evolution of global market strategy."

Specifically, the Bando Group focused on expanding its production capacity in China and Asia, proactively carrying out its marketing activities, reinforcing its sales system for the Hyper Flat Drive (HFD®) System, which won the Grand Prize for Excellence in Energy Efficiency. We also focused on creating new products and businesses, including the start of new product development through industry, university, and government cooperation.

Operating Results

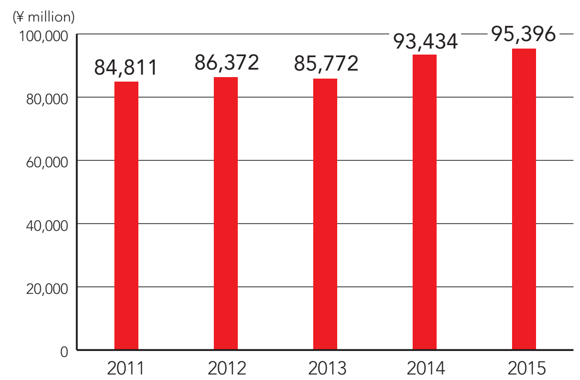
As a result of our efforts, consolidated net sales in the fiscal year ended March 31, 2015 increased 2.1% year on year to ¥95,396 million, buoyed by the effects of weaker Japanese yen exchange rates.

Operating income decreased 13.1% to ¥4,797 million. This was due to an increase in personnel following the expansion of our global production system, an increase in labor costs due to a rise in actuarial differences pertaining to retirement benefit obligations in Japan, and other factors, offset by the effects of cost cutting and a higher sales gross profit margin.

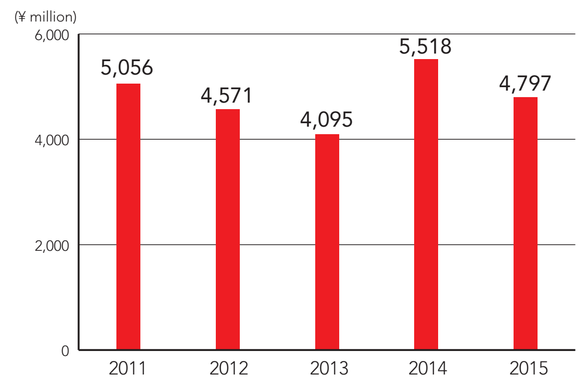
The cost to sales ratio improved 0.1 point to 73.4%, but the SG&A ratio rose 1.0 point over the previous fiscal year due to an increase in labor costs. As a result, the operating margin decreased 0.9 point to 5.0%.

Net income declined 12.2% year on year to ¥3,757 million, mainly due to a decrease in operating income and the booking of an extraordinary loss owing to an impairment loss on fixed assets.

Net sales*



Operating income*



* Fiscal year endings are March 31.

Operating Results by Business Segment

▶ Belt Business

Sales of automotive accessory drive power transmission belt and system products increased overall due to continued brisk sales in the United States and China, despite decreased automobile production in Japan and Thailand.

Sales of variable speed belts for scooters increased on continued market growth for two-wheeled vehicles in Asia.

Sales for industrial power transmission belt products also increased buoyed by strong demand for capital investment in Japan and the success of locally based sales.

Sales of belts for agricultural machinery decreased due to the temporary suspension of subsidies for the purchase of agricultural machinery in China and lower demand for agricultural machinery caused by political turmoil in Thailand.

Overseas sales of conveyor belts for resource development declined, despite strong sales of conveyor belts for steel in Japan.

Sales of resin conveyor belts (Sunline™ Belts) were strong in Japan's distribution field.

Segment net sales increased 0.8% year-on-year to ¥78,101 million, and segment profit fell 15.1% to ¥4,155 million.

▶ Elastomer Products Business

In precision performance products, sales of cleaning blades declined due to in-house production by major customers, but strong sales of precision belts used in office machinery and new high-performance roller products contributed to sales growth. Sales of precision polishing products, which had been promoted to the optoelectronics market, gradually increased.

In high-performance film products, despite sales of new premium wall covering film products, sales of film used in construction materials decreased due to protracted sluggish demand in the housing market following the consumption tax increase. In light of these deteriorating market conditions, the Company had an impairment loss on fixed assets of the Nankai Plant where it manufactures high-performance film products and recorded an extraordinary loss of ¥410 million.

Segment net sales increased 4.8% year-on-year to ¥15,713 million, and segment profit rose 16.9% to ¥329 million.

▶ Other Business

Bando is engaged in other business, such as the manufacture and sales of robot-related devices. Sales in other business grew 18.6% year-on-year to ¥2,646 million. Segment profit increased 5.7% to ¥198 million.

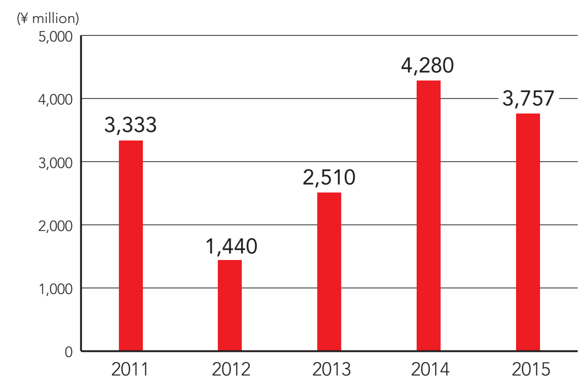
Financial Position

Total assets as of March 31, 2015 increased ¥5,077 million to ¥94,700 million compared with the previous fiscal year-end. This was due to a ¥3,578 million increase in cash and cash equivalents (current assets) and a ¥915 million increase in other asset, largely reflecting a rise in share prices of investments in securities.

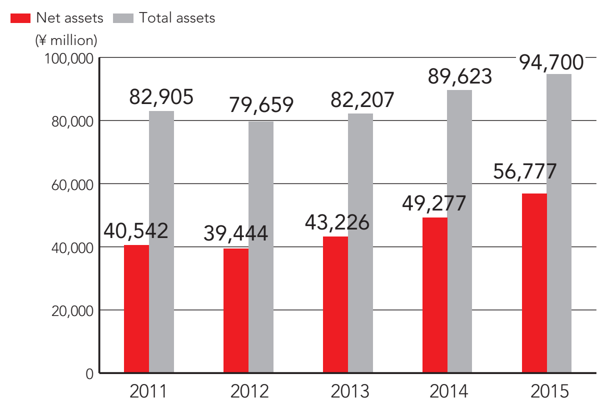
Total liabilities decreased ¥2,422 million compared with the previous fiscal year-end to ¥37,923 million. Current liabilities decreased ¥813 million, and long-term liabilities fell ¥1,608 million due to a decrease in net defined benefit liability.

Net assets increased ¥7,500 million from the previous fiscal year-end to ¥56,777 million.

Net income*



Net assets
Total assets*



* Fiscal year endings are March 31.

Retained earnings increased ¥3,386 million due partly to the booking of net income, and accumulated other comprehensive income increased ¥4,127 million largely on foreign currency translation adjustments. As a result, the equity ratio increased 5.0 percentage points from 54.4% at the previous fiscal year-end to 59.4%.

Capital Investment and Fund Procurement

Capital investment undertaken in the fiscal year-ended March 31, 2015 totaled ¥4,198 million. Major capital investment items are shown below. The financing required was obtained from the following sources: the Company's own funds, the liquidation of notes and accounts receivable, and borrowings.

Business Segment	Amount (¥ million)	Main Activities
Belts	¥2,688	Installed new-and expanded or upgraded-existing manufacturing equipment, upgraded molds
Elastomer Products	645	Streamlined and improved the energy efficiency of manufacturing equipment, improved manufacturing processes
Other	864	Installed new and expanded or upgraded system and research equipment
Total	¥4,198	

Cash Flow

Net cash provided by operating activities totaled ¥8,061 million, compared with ¥6,459 million in the previous fiscal year, with the recording of income before income taxes and minority interests of ¥5,320 million and depreciation and amortization of ¥4,386.

Net cash used in investing activities was ¥3,931 million, compared with ¥5,038 million used in the previous fiscal year. This was primarily due to the booking of ¥2,945 million in expenses for purchase of property, plant and equipment.

Net cash used in financing activities was ¥2,472 million, compared with ¥1,548 million in the previous fiscal year, largely reflecting cash dividends paid totaling ¥941 million and the decrease in short-term borrowings of ¥763 million .

As a result, cash and cash equivalents as of March 31, 2015 totaled ¥15,697 million, up ¥2,715 million compared with the previous fiscal year-end.

Earnings Forecasts for the Year Ending March 31, 2016

The macro economy in the year ending March 31, 2016 is expected to remain on a moderate growth path, despite continued economic growth in ASEAN. Depending on financial market trends in China, there are concerns that growth could further slow.

Meanwhile, a strong U.S. economy is expected on improved unemployment and strong consumer spending, while in Japan, improved employment conditions and a rebound in consumer spending are expected.

Moreover, we foresee continued robust growth in the year ahead for our principal customer segment, the automotive industry, on increased global production volumes for automobiles and two-wheeled vehicles.

Based on this prognosis, the Group will take priority measures in the third year of the "Breakthroughs for the future" mid-to-long term business plan. We forecast consolidated net sales of ¥100,000 million, up 4.8% year on year, operating income of ¥5,800 million, up 20.9%, and net income of ¥4,500 million, up 19.7%.

Basic Policy Regarding the Distribution of Profits

The Company's basic policy is to enhance profits and maintain stable dividend payments to shareholders while taking into consideration its earnings position. In addition, distribution of profits is based on an examination of total shareholder returns, including share repurchases. Internal reserves are invested over the long term in such areas as R&D; new product, production technology and market development; the strengthening of business structure; internationalization; and the expansion into new business domains. Through these initiatives, we will work to further increase corporate value. In line with this basic policy, we paid a year-end dividend of ¥5 per share for the fiscal year ended March 31, 2015, the same as the previous fiscal year, and an annual dividend of ¥10 per share including the interim dividend, also the same as the previous fiscal year. We plan to pay a dividend of ¥12 per share, a ¥2 increase, in the fiscal year ending March 31, 2016.

Business Risks

The Group considers the following to be important risks related to the performance and financial position of the Bando Group that could have a material effect on the decisions of investors. The forward-looking statements listed in this document are based on judgments made by the Group as of March 31, 2015.

Increasing Overseas Transactions

The Group primarily uses foreign exchange contracts to hedge the risks associated with the significant number of foreign currency receivables it currently carries, and will implement other appropriate measures to hedge against such risks in the future. Nevertheless, the Group's performance could be adversely affected by fluctuations in foreign currency exchange rates.

In addition, the Group's performance and financial position could be adversely affected by changes in economic conditions in individual regions, despite efforts to strengthen its overseas production and sales systems.

Recalls

As a components manufacturer, the Company delivers items to automotive, office automation equipment, consumer product and other manufacturers.

In addition, its subsidiaries and affiliates mainly manufacture, process and sell these parts. Considering product quality to be of paramount importance for maintaining and developing current business operations, the Group focuses on implementing various initiatives to ensure product quality to the maximum extent possible. However, recalls and other actions could arise in cases where defects in automobiles and other items are caused by products (components) supplied by the Group.

In such cases, the Group will likely be required to cover all obligatory legal or contractual costs of recalls and other actions, which could adversely affect the Group's performance.

Raw Material Market Fluctuations and Procurement

The Group negotiates with business partners regarding delivery dates and prices by closely examining market prices as well as supply-demand circumstances, but there could be sharply rising raw material prices accompanying higher crude oil prices. Accordingly, the Group promotes research on alternative materials to stabilize supply and demand; revises and increases product prices in response to rising raw material prices; and strengthens measures to reduce overall costs. Nevertheless, the Group's performance could be adversely affected by a downturn in demand, or prolonged increases in material and/or fuel prices that exceed expectations.

Earthquakes and Other Natural Disasters

There are indications that a major earthquake could occur in the Tokai, Tonankai or Nankai regions of Japan. In addition, the potential for typhoons and floods exists. In the event of such a disaster, business sites including the Nankai Plant could sustain damage to production or other facilities, potentially leading to a temporary cessation of operations. Accordingly, each of the Company's four plants has formulated a business continuity plan (BCP) based on the assumption that it could be damaged under such circumstances. The BCPs include creating mechanisms to minimize disruptions to operations, notably the formulation of repair plans and the supplementary supply of products by overseas plants. Nevertheless, the Group's performance could be significantly impacted by disasters, depending on the size of the disaster.

Message from the CFO

Maintaining and improving a healthy financial position in support of the "Breakthroughs for the future" business plan

Yoshitaka Oshima

Executive Officer, and Chief Financial Officer

The Bando Group has set the following specific targets under the first stage of the "Breakthroughs for the future" mid-to-long term business plan.

Consolidated targets in the final year of BF-1 in the mid-to-long term plan

Fiscal 2017 net sales	¥100 billion
Fiscal 2017 operating income	¥10 billion
Fiscal 2017 ROA	6.0%

The following guidelines will drive our business to make these targets: 1) Evolution of global market strategy, 2) Product evolution, 3) Evolution in manufacturing, 4) New businesses creation, and 5) Evolution in management quality. In my role as CFO, I am focusing my attention on efficiently raising the funds necessary for strategic investment to maintain and improve our healthy financial position, based on the fifth guideline on evolution in management quality. During the five-year BF-1, we plan total capital investment of ¥25,000 million and will also invest ¥5,000 million in R&D to support the development of new businesses, in addition to our normal R&D investment.

We have diversified our fundraising methods since we were rated* by the credit ratings agency Rating and Investment Information, Inc. in fiscal 2007. We aim to choose the optimum fundraising method by contrasting the characteristics of the target investment with the interest rate and foreign-exchange trends on the market.

* Rating as of March 31, 2015: BBB+ (Issuer Rating)/a-2 (Short-term Rating)

Healthy financial position

Cash balance exceeds interest-bearing debt

We have improved our cash balance to the extent that it exceeded our interest-bearing debt by the end of fiscal 2014. This was achieved through cash flows generated by strategic investment in growth products, defined through stronger management of our global portfolio, although our net interest-bearing debt was ¥2,600 million in fiscal 2013. We also aim to maintain this trend from now on.

Improving the equity ratio

The equity ratio reached an all-time high of 59.4%, due to contributions from net income of ¥3,757 million and an increase in foreign currency translation adjustment of ¥3,024 million.

Achieving our ROA target, and ROE

Strategic investment is necessary for growth, but we must invest judiciously if we are to maintain a healthy financial position. Our ROA target of 6% is based on total assets of around ¥100,000 million when operating income reaches ¥10,000 million (¥6,400 million on a net income basis). Accordingly, we will monitor and control any change in assets such that there is no significant increase in the balance of total assets from the ¥94,700 million as of March 31, 2015. If we achieve our ROA target, past trends suggest that ROE could surpass the previous all-time high of 12.3% in fiscal 2007, although this is not a direct target indicator for us. Our ROE in fiscal 2014 was 7.2%, and basically and essentially we aim to maintain a value of 10% or more.

Managing financial risk

We cannot ignore political change and other geopolitical risk that may impact our subsidiaries overseas, as well as foreign exchange and interest rate risk in Japan, including measures to counter the strong yen and a reversal of low interest rates. To hedge against such risks, we gather information from a consolidated business management perspective and need to respond rapidly to unusual events. We are steadily working on this and trying to prepare countermeasures based on various hypothetical scenarios.

Consolidated Balance Sheets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
Assets	2015	2014	2015
Current Assets:			
Cash and cash equivalents (Note 6)	¥ 15,697	¥ 12,981	$ 130,647
Time deposits (Note 6)	502	211	4,177
Notes and accounts receivable (Note 6):			
Trade	18,358	18,815	152,788
Other	87	1,077	722
Electronically recorded monetary claims — operating	965	90	8,033
Allowance for doubtful accounts	(31)	(31)	(258)
Inventories (Note 5)	11,801	10,811	98,220
Deferred tax assets (Note 11)	606	656	5,043
Other current assets	1,135	931	9,446
Total Current Assets	49,120	45,541	408,818
Property, Plant and Equipment:			
Land	6,768	6,644	56,328
Buildings and structures	27,892	26,824	232,147
Machinery and equipment	56,797	54,729	472,720
Construction in progress	1,349	718	11,224
Other	13,442	12,840	111,874
	106,248	101,755	884,293
Accumulated depreciation	(75,158)	(70,933)	(625,537)
Property, Plant and Equipment, Net	31,090	30,822	258,756
Other Assets:			
Intangible assets	1,375	1,059	11,442
Investments in securities (Notes 6 and 7)	6,262	5,513	52,121
Investments in affiliates (Note 6)	5,266	4,637	43,830
Deferred tax assets (Note 11)	207	724	1,726
Other, net (Note 6)	1,380	1,327	11,485
Total Other Assets	14,490	13,260	120,604
Total Assets	¥ 94,700	¥ 89,623	$ 788,178

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
Liabilities and Net Assets	2015	2014	2015
Current Liabilities:			
Short-term borrowings (Notes 6 and 9)	¥ 2,739	¥ 3,348	$ 22,797
Current portion of long-term debt (Notes 6 and 9)	1,996	2,238	16,616
Notes and accounts payable (Note 6):			
Trade	11,254	13,418	93,667
Electronically recorded obligations — operating	3,035	749	25,257
Construction and other	3,131	2,526	26,056
Income taxes payable (Note 6)	431	1,364	3,590
Other current liabilities (Notes 6 and 11)	3,385	3,142	28,175
Total Current Liabilities	25,971	26,785	216,158
Long-term Liabilities:			
Long-term debt (Notes 6 and 9)	9,801	10,202	81,575
Net defined benefit liability (Note 10)	2,058	3,160	17,132
Other long-term liabilities (Notes 6 and 11)	93	199	769
Total Long-term Liabilities	11,952	13,561	99,476
Net Assets (Note 12):			
Common stock			
Authorized: 378,500,000 shares			
Issued 2014 and 2015 — 94,427,073 shares	10,952	10,952	91,152
Capital surplus	2,968	2,968	24,705
Retained earnings	38,740	35,353	322,427
Treasury stock, at cost			
2014 — 347,060 shares			
2015 — 378,000 shares	(114)	(102)	(956)
Total Shareholders' Equity	52,546	49,171	437,328
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	2,061	1,498	17,152
Deferred gains on hedges	(0)	4	(2)
Foreign currency translation adjustments	2,171	(852)	18,069
Remeasurements of defined benefit plans	(504)	(1,049)	(4,189)
Total Accumulated Other Comprehensive Income	3,728	(399)	31,030
Minority interests	503	505	4,186
Total Net Assets	56,777	49,277	472,544
Total Liabilities and Net Assets	¥94,700	¥89,623	$788,178

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 4)
Consolidated Statements of Income	2015	2014	2015
Net Sales	¥95,396	¥93,434	$793,971
Cost of Sales	69,997	68,710	582,577
Gross profit	25,399	24,724	211,394
Selling, General and Administrative Expenses (Note 13)	20,602	19,206	171,466
Operating Income	4,797	5,518	39,928
Other Income (Expenses):			
Interest and dividend income	220	188	1,831
Interest expense	(320)	(290)	(2,666)
Equity in earnings of affiliates	646	504	5,374
Foreign exchange gains (losses), net	223	238	1,855
Loss on disposal of property, plant and equipment	(42)	(85)	(346)
Impairment loss (Note 17)	(410)	—	(3,412)
Other, net	206	64	1,717
	523	619	4,353
Income before income taxes and minority interests	5,320	6,137	44,281
Income Taxes (Note 11):			
Current	1,503	1,946	12,517
Deferred	(33)	(180)	(278)
	1,470	1,766	12,239
Income before minority interests	3,850	4,371	32,042
Minority Interests	93	91	764
Net Income	¥ 3,757	¥ 4,280	$ 31,278

	Yen		U.S. dollars (Note 4)
	2015	2014	2015
Per Share of Common Stock (Note 14)			
Basic net income	¥39.95	¥45.49	$0.33
Cash dividends	10.00	10.00	0.08

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
Consolidated Statements of Comprehensive Income	2015	2014	2015
Income before Minority Interests	¥3,850	¥4,371	$32,042
Other Comprehensive Income (Note 15):			
Unrealized gains (losses) on available-for-sale securities	567	388	4,721
Deferred gains on hedges	(1)	4	(11)
Foreign currency translation adjustments	3,378	3,106	28,117
Remeasurements of defined benefit plans	546	—	4,540
Share of other comprehensive income in affiliates	218	180	1,817
Total other comprehensive income	4,708	3,678	39,184
Comprehensive Income	¥8,558	¥8,049	$71,226
Comprehensive Income Attributable to:			
Shareholders of the parent	¥8,408	¥7,906	$69,982
Minority interests	150	143	1,244

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Thousands of shares	Millions of yen									
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred gains on hedges	Foreign currency transaction adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2013	94,427	¥10,952	¥2,968	¥31,920	¥ (90)	¥1,107	¥—	¥(4,082)	¥ —	¥451	¥43,226
Net income	—	—	—	4,280	—	—	—	—	—	—	4,280
Cash dividends	—	—	—	(847)	—	—	—	—	—	—	(847)
Purchases of treasury stock	—	—	—	—	(12)	—	—	—	—	—	(12)
Sales of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Net change in the year	—	—	—	—	—	391	4	3,230	(1,049)	54	2,630
Balance at April 1, 2014	94,427	10,952	2,968	35,353	(102)	1,498	4	(852)	(1,049)	505	49,277
Cumulative effects of changes in accounting policies	—	—	—	149	—	—	—	—	—	—	149
Restated Balance at April 1, 2014	—	10,952	2,968	35,502	(102)	1,498	4	(852)	(1,049)	505	49,426
Net income	—	—	—	3,758	—	—	—	—	—	—	3,758
Cash dividends	—	—	—	(941)	—	—	—	—	—	—	(941)
Purchases of treasury stock	—	—	—	—	(12)	—	—	—	—	—	(12)
Change in fiscal year-end of consolidated subsidiaries	—	—	—	421	—	—	—	—	—	—	421
Net change in the year	—	—	—	—	—	563	(4)	3,023	545	(2)	4,125
Balance at March 31, 2015	94,427	¥10,952	¥2,968	¥38,740	¥(114)	¥2,061	¥(0)	¥ 2,171	¥ (504)	¥503	¥56,777

	Thousands of U.S. dollars (Note 4)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities	Deferred gains on hedges	Foreign currency transaction adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2014	$91,152	$24,705	$294,242	$(849)	$12,471	$ 31	$ (7,096)	$(8,729)	$4,200	$410,127
Cumulative effects of changes in accounting policies	—	—	1,236	—	—	—	—	—	—	1,236
Restated Balance at April 1, 2014	91,152	24,705	295,478	(849)	12,471	31	(7,096)	(8,729)	4,200	411,363
Net income	—	—	31,278	—	—	—	—	—	—	31,278
Cash dividends	—	—	(7,834)	—	—	—	—	—	—	(7,834)
Purchases of treasury stock	—	—	—	(107)	—	—	—	—	—	(107)
Change in fiscal year-end of consolidated subsidiaries	—	—	3,505	—	—	—	—	—	—	3,505
Net change in the year	—	—	—	—	4,681	(33)	25,165	4,540	(14)	34,339
Balance at March 31, 2015	$91,152	$24,705	$322,427	$(956)	$17,152	$ (2)	$18,069	$(4,189)	$4,186	$472,544

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2015	2014	2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 5,320	¥ 6,137	$ 44,281
Adjustments for:			
Income taxes paid	(2,480)	(1,078)	(20,640)
Income taxes refunded	8	153	67
Depreciation and amortization	4,386	4,174	36,503
Amortization of goodwill and negative goodwill	3	(27)	26
Impairment loss	410	—	3,412
Decrease in allowance for doubtful accounts	(5)	(18)	(46)
Increase (decrease) in liability for retirement benefits	24	(500)	201
Foreign exchange (gains) losses, net	(26)	25	(215)
Equity in earnings of affiliates	(646)	(504)	(5,374)
Loss on sales and disposal of property, plant and equipment	15	81	122
Gain on sales of investments in securities	—	(26)	—
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable — trade	559	(662)	4,649
Decrease (increase) in inventories	(282)	822	(2,345)
Decrease in notes and accounts payable — trade	(557)	(1,905)	(4,638)
Other, net	1,332	(213)	11,090
Net Cash Provided by Operating Activities	8,061	6,459	67,093
Cash Flows from Investing Activities:			
(Increase) decrease in time deposits	(143)	59	(1,190)
Purchases of property, plant and equipment	(2,945)	(4,934)	(24,510)
Proceeds from sales of property, plant and equipment	67	17	558
Purchases of intangible assets	(502)	(164)	(4,175)
Purchases of investments in securities	(16)	(20)	(132)
Proceeds from sales of investments in securities	12	59	101
Proceeds from redemption of investments in securities	—	100	—
Purchases of investments in subsidiaries	(241)	(67)	(2,006)
Other, net	(163)	(88)	(1,365)
Net Cash Used in Investing Activities	(3,931)	(5,038)	(32,719)
Cash Flows from Financing Activities:			
(Decrease) increase in short-term borrowings	(763)	530	(6,347)
Proceeds from long-term borrowings	1,500	1,659	12,484
Payments on long-term borrowings	(2,232)	(2,864)	(18,576)
Purchases of treasury stock	(12)	(12)	(99)
Cash dividends paid	(941)	(847)	(7,834)
Cash dividends paid to minority shareholders	(4)	(3)	(37)
Other, net	(20)	(11)	(167)
Net Cash Used in Financing Activities	(2,472)	(1,548)	(20,576)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,053	841	8,769
Net Increase in Cash and Cash Equivalents	2,711	714	22,567
Cash and Cash Equivalents at Beginning of Year	12,981	12,267	108,042
Increase in cash and cash equivalents due to change in fiscal year-end of consolidated subsidiaries	5	—	38
Cash and Cash Equivalents at End of Year	¥15,697	¥12,981	$130,647

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries

1. Description of Business

Bando Chemical Industries, Ltd. (hereinafter, the "Company") is a pioneer belt manufacturer in Japan. The Company manufactures and sells power transmission belts for automobiles, industrial machines, agricultural machines, home appliances and information terminal devices, heavy and light duty conveyor belts, products for office automation and household appliances and films for a variety of markets.

2. Basis for Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

3. Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 25 subsidiaries (collectively, the "Companies") as of March 31, 2015 (25 subsidiaries as of March 31, 2014).

Bando Machinery, Ltd. and BL Autotec, Ltd. merged on April 1, 2014. BL Autotec, Ltd. was the surviving company. As a result, Bando Machinery, Ltd. was excluded from the scope of consolidation. Bando (Shanghai) Industry Equipment Element Co., Ltd. was founded on July 29, 2014 and included in the scope of consolidation.

Investments in 7 affiliates, on which the Company has significant influence, are accounted for by the equity method as of March 31, 2015 and 2014, respectively.

Previously, for 17 overseas consolidated subsidiaries with fiscal year-end of December 31, their financial statements as of that date were used in consolidation with necessary adjustments for the significant transactions that took place between December 31 and March 31. Starting the year ended March 31, 2015, however, in order to aim at more proper disclosure of the consolidated financial statements, those subsidiaries either changed their fiscal year-end to March 31 or prepared preliminary financial statements as of March 31.

As a result of this change, the period between April 1, 2014 and March 31, 2015 is included in the consolidated fiscal year ended March 31, 2015. Earnings of the period between January 1, 2014 and March 31, 2014 are recorded directly in retained earnings.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

(2) Foreign currency transactions

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date. The foreign currency exchange gains or losses from transactions are charged to income.

Assets and liabilities of the overseas subsidiaries are translated into Japanese yen at the exchange rate prevailing at each balance sheet date. Income and expense accounts are translated at the average exchange rate for the year. Differences arising from such translations are recorded as foreign currency translation adjustments and minority interests in the consolidated balance sheet.

(3) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand, demand deposits, and short-term investments with original maturities of three months or less that are readily convertible to cash and exposed to insignificant risk of fluctuation of values.

(4) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amounts calculated based on the past loss experience and an additional estimate of potential losses in the specific receivables.

(5) Inventories

Finished goods, work in process and raw materials are stated at the lower of cost determined by the first-in, first-out method or net selling value. Merchandise and supplies are stated at the lower of cost determined by the gross average method or net selling value.

Meanwhile, inventories held by domestic consolidated subsidiaries are stated at the lower of cost determined principally by the gross average method or net selling value. Inventories held by overseas consolidated subsidiaries are stated at the lower of cost determined mostly by the first-in, first-out method or net selling value.

(6) Investments in securities

Investments in securities are classified into three categories: trading securities, held-to-maturity debt securities or available-for-sale securities. Trading securities are carried at fair value. Gain or loss, both realized and unrealized, is recognized in income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with changes in unrealized holding gain or loss, net of the applicable income taxes, reported in net assets. Non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.

(7) Property, plant and equipment

Property, plant and equipment except for lease assets are depreciated principally by the declining-balance method over their estimated useful lives. Buildings acquired on or after April 1, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their estimated useful lives. Useful lives are as follows: three to 50 years for buildings and structures, and five to ten years for machinery and equipment.

(8) Goodwill

Goodwill represents the cost in excess of fair value of net assets acquired in business combination accounted for by the purchase method. Goodwill and negative goodwill which occurred before March 31, 2010 are amortized over five to ten years by the straight-line method.

(9) Other intangible assets

Capitalized computer software costs for internal use are amortized by the straight-line method over five years.

(10) Research and development costs

Research and development costs are charged to income as incurred.

(11) Leases

Leased assets under finance leases which do not transfer ownership to the lessee are capitalized and depreciated or amortized by the straight-line method with no residual value over their lease terms.

(12) Retirement benefits

Employees serving the Company and certain of its consolidated subsidiaries are generally entitled to retirement benefits determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur. The Companies principally account for allowance for retirement benefits based on projected benefit obligations and plan assets at each balance sheet date. The retirement benefit obligations are attributed to each period on a benefit formula basis over estimated years of the eligible employees.

Prior service cost is amortized by the straight-line method over ten years from the year in which they arise.

Actuarial gain or loss is amortized by the straight-line method over ten years from the next year in which they arise.

Certain consolidated subsidiaries adopt the simplified method to calculate net defined benefit liability and retirement benefit costs.

(13) Income taxes

The provision for income taxes is computed based on income before income taxes in the consolidated statements of income. The liability method is used to recognize deferred tax assets and liabilities for the future tax consequences of the temporary differences between the carrying amounts of assets and liabilities for financial and income tax reporting purposes. The Companies provide a valuation allowance when they believe that deferred tax assets are not recoverable based on expected future taxable income.

(14) Derivatives and hedging activities

The Companies use derivative financial instruments to manage their exposures to changes in foreign currency exchange rates and interest rates. Foreign currency forward contracts are used to reduce foreign exchange risk. Interest rate swap contracts are used to reduce interest rate risk. Interest rate and currency swap contracts are used to reduce interest rate risk and foreign exchange risk. The Companies do not enter into derivatives for trading or speculative purpose.

If derivatives are used for hedging purpose and qualify for hedging accounting, gains or losses on derivatives are deferred until maturity of hedged items. If the foreign currency forward contracts qualify for hedge accounting, the hedged receivables and payables denominated in foreign currencies are translated at the contracted rates. The interest rate swap contracts which qualify for hedge accounting and meet certain hedging criteria are not measured at market value, but the differential paid or received under the swap contracts is recognized and included in interest expense.

(15) Per share information

Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year.

Cash dividends per share presented in the consolidated statements of income are dividends attributable to the respective years including dividends to be paid after the year-end.

(16) Changes in accounting policies

Effective from the year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012 (hereinafter, "ASBJ Statement No. 26")) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26 2015 (hereinafter, "ASBJ Guidance No. 25")) with respect to provisions described in Article 35 of ASBJ Statement No. 26 and Article 67 of ASBJ Guidance No. 25. As a result, the Company has reviewed the calculation method of retirement benefit obligations and service costs and changed the method of attributing expected retirement benefit to service periods from the straight-line basis to the benefit formula basis. The Company has also changed the method of determining the discount rate from the use of the period approximate to the average remaining service period of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of retirement benefit payments.

The Company applied the transitional treatment provided in Article 37 of ASBJ Statement No. 26, and any impact as a result of these changes are adjusted in the beginning balance of retained earnings as of April 1, 2014.

As a result, the beginning balance of net defined benefit liability decreased by ¥231 million ($1,920 thousand) and the beginning balance of retained earnings increased by ¥149 million ($1,236 thousand). The impact of these changes on operating income, ordinary income and income before income taxes and minority interests for the year ended March 31, 2015 was insignificant.

Also, the impact of these changes on net assets per share as of March 31, 2015 increased by ¥1.61 ($0.01), and net income per share for the year ended March 31, 2015 was insignificant.

(17) Accounting pronouncements that have not been adopted by the Company

- ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (September 13, 2013)
- ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements" (September 13, 2013)
- ASBJ Statement No.7, "Accounting Standard for Business Divestitures" (September 13, 2013)
- ASBJ Statement No.2, "Accounting Standard for Earnings Per Share" (September 13, 2013)
- ASBJ Guidance No.10, "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (September 13, 2013)
- ASBJ Guidance No.4, "Guidance on Accounting Standard for Earnings Per Share" (September 13, 2013)

(a) Overview
These pronouncements amended mainly (a) treatment of changes in a parent's ownership interest in a subsidiary due to additional purchase of subsidiary's shares that do not result in loss of control, (b) treatment of expenses related to acquisition, (c) presentation of net income and change from minority interests to non-controlling interests and (d) treatment of finalizing transitional accounting treatment.

(b) Scheduled date of adoption
The Company expects to adopt these pronouncements effective April 1, 2016.

The treatment of finalizing transitional accounting treatment will be applied to business combinations to be executed after April 1, 2015.

(c) Effect of adopting the standard
The Company is currently evaluating the amount of impact of amendments to "Accounting Standard for Business Combination" etc., on the consolidated financial statements.

(18) Changes in the method of presentation

For the year ended March 31, 2015, "Electronically recorded monetary claims — operating" which was included in "Notes and accounts receivable" for the year ended March 31, 2014 is separately presented because it became material. In order to reflect this change, the consolidated financial statements for the year ended March 31, 2014 were reclassified.

As a result, ¥90 million which was included in "Notes and accounts receivable" of "Current Assets" for the year ended March 31, 2014 was reclassified as "Electronically recorded monetary claims — operating."

For the year ended March 31, 2015, "Electronically recorded obligations — operating" which was included in "Notes and accounts payable" for the year ended March 31, 2014 is separately presented because it became material. In order to reflect this change, the consolidated financial statements for the year ended March 31, 2014 were reclassified.

As a result, ¥749 million which was included in "Notes and accounts payable" of "Current Liabilities" for the year ended March 31, 2014 was reclassified as "Electronically recorded obligations — operating."

(Retirement benefit)

Following the amendment of Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26 2015), presentation of notes related to retirement benefits under the multiemployer plan was changed and the consolidated financial statements for the year ended March 31, 2014 were reclassified. Details of the reclassification and the corresponding amount for the year ended March 31, 2014 for major accounts of the consolidated financial statements are presented in the relevant notes.

(19) Additional information

The Company and certain of its domestic consolidated subsidiaries have applied the consolidated taxation system from the year ended March 31, 2015.

4. U.S. Dollar Amounts

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars.

The rate of ¥120.15 = U.S.$1.00, the approximate rate of exchange as at March 31, 2015, has been used for the purpose of such translations.

5. Inventories

Inventories held by the Companies as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished goods	¥ 7,309	¥ 6,580	$60,832
Work in process	1,535	1,467	12,778
Raw materials and supplies	2,957	2,764	24,610
Total	¥11,801	¥10,811	$98,220

6. Financial Instruments

(1) Policy for financial instruments

The Companies raise funds from stable and low-cost financing sources, mainly bank borrowings and bonds, as needed in light of the financial plan developed as a part of the annual management plan. The Companies invest temporary cash surplus in highly liquid and secured financial instruments. The Companies use derivatives to the extent necessary for financial risk management purposes.

(2) Nature and extent of risks arising from financial instruments

Receivables such as Notes and accounts receivable-trade, Electronically recorded monetary claims — operating are exposed to customers' credit risk. Receivables denominated in foreign currencies are exposed to foreign exchange risk.

Investments in securities, mainly equity instruments, are exposed to market risk. The Companies quarterly review fair values of marketable securities.

Payables such as notes and accounts payable-trade, Electronically recorded obligations — operating are generally paid within four months. Payables denominated in foreign currencies are exposed to foreign exchange risk.

Bank borrowings and bonds are used to fund working capital and capital expenditures. Some of them are exposed to interest rate risk. The Companies reduce such risk arising from certain long-term borrowings by interest rate swap contracts.

Derivatives include foreign currency forward contracts used to hedge foreign exchange risk on receivables and payables denominated in foreign currencies, and interest rate swap contracts used to hedge interest rate risk on bank borrowings, and interest rate and currency swap contracts used to hedge interest rate risk and foreign exchange risk on bank borrowings.

(3) Risk management for financial instruments

(a) Credit risk management
The Companies regularly monitor the financial position of customers to reduce the risk of defaults.

Since the Companies enter into derivative transactions only with highly-rated financial institutions, they believe there is little risk of defaults.

(b) Market risk management

The Companies use foreign currency forward contracts to hedge foreign exchange risk identified by currency and month for receivables and payables denominated in foreign currencies. With respect to investments in securities, the Companies regularly monitor fair values and the financial positions of the issuers and review the holding purpose of these securities.

(c) Liquidity risk management in financing activities

The Companies prepare and update the cash management plan in a timely manner, and maintain a certain level of liquidity on hand to reduce liquidity risk. The Companies have commitment line contracts to prepare for any contingency.

(4) Fair values of financial instruments

Fair values of financial instruments include market prices and values calculated reasonably when market prices are not readily available. As calculation of such value incorporates variable factors, using different assumptions may result in different values. The contract amounts and other information described in Note 8, "Derivatives" are not indicative of market risk exposure to derivative transactions.

Book values and fair values of the financial instruments as of March 31, 2015 and 2014 were as follows:

Financial instruments whose fair values were not readily available were excluded from the following table:

	Millions of yen		
	2015		
	Book value	Fair value	Difference
Cash and cash equivalents	¥15,697	¥15,697	¥—
Time deposits	502	502	—
Notes and accounts receivable-trade	18,358	18,358	—
Electronically recorded monetary claims — operating	965	965	—
Investments in securities			—
Available-for-sale securities	6,124	6,124	—
Total	¥41,646	¥41,646	¥—
Notes and accounts payable-trade	¥11,254	¥11,254	¥—
Electronically recorded obligations — operating	3,035	3,035	—
Short-term borrowings	2,739	2,739	—
Income taxes payable	431	431	—
Long-term borrowings	8,748	8,813	65
Bonds	3,000	3,023	23
Total	¥29,207	¥29,295	¥88
Derivative transactions			
Contracts to which hedge accounting was not applied	¥ (1)	¥ (1)	¥—
Contracts to which hedge accounting was applied	(18)	(18)	—

	Millions of yen		
	2014		
	Book value	Fair value	Difference
Cash and cash equivalents	¥12,981	¥12,981	¥—
Time deposits	211	211	—
Notes and accounts receivable-trade	18,815	18,815	—
Electronically recorded monetary claims — operating	90	90	—
Investments in securities			
Available-for-sale securities	5,372	5,372	—
Total	¥37,469	¥37,469	¥—
Notes and accounts payable-trade	¥13,418	¥13,418	¥—
Electronically recorded obligations — operating	749	749	—
Short-term borrowings	3,348	3,348	—
Income taxes payable	1,364	1,364	—
Long-term borrowings	9,407	9,427	20
Bonds	3,000	3,032	32
Total	¥31,286	¥31,338	¥52
Derivative transactions			
Contracts to which hedge accounting was not applied	¥ (11)	¥ (11)	¥—
Contracts to which hedge accounting was applied	63	63	—

	Thousands of U.S. dollars		
	2015		
	Book value	Fair value	Difference
Cash and cash equivalents	$130,647	$130,647	$ —
Time deposits	4,177	4,177	—
Notes and accounts receivable-trade	152,788	152,788	—
Electronically recorded monetary claims — operating	8,033	8,033	—
Investments in securities			—
Available-for-sale securities	50,973	50,973	—
Total	$346,618	$346,618	$ —
Notes and accounts payable-trade	$ 93,667	$ 93,667	$ —
Electronically recorded obligations — operating	25,257	25,257	—
Short-term borrowings	22,797	22,797	—
Income taxes payable	3,590	3,590	—
Long-term borrowings	72,808	73,353	546
Bonds	24,969	25,161	192
Total	$243,087	$243,825	$738
Derivative transactions			
Contracts to which hedge accounting was not applied	$ (12)	$ (12)	$ —
Contracts to which hedge accounting was applied	(143)	(143)	—

Cash and cash equivalents, Time deposits, Notes and accounts receivable-trade, Electronically recorded monetary claims — operating

The fair values approximate book values because of the short-term maturities of these instruments.

Investments in securities

The fair values are measured at the quoted market prices of the stock exchange.

Notes and accounts payable-trade, Electronically recorded obligations — operating, Short-term borrowings, Income taxes payable

The fair values approximate book values because of the short-term maturities of these instruments.

Long-term borrowings

The fair values represent present values of the aggregated interest and principal discounted at interest rates that would be applied to new similar borrowings. Long-term borrowings include the current portion of long-term borrowings.

Bonds

The fair values are measured at the quoted market prices.

Derivative transactions

Please see Note 8, "Derivatives."

Financial instruments whose fair values were not available as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Available-for-sale securities			
Unlisted equity securities	¥ 138	¥ 141	$ 1,149
Investments in affiliates	5,266	4,637	43,830
Total	¥5,404	¥4,778	$44,979

The above items were not included in investments in securities (available-for-sale securities) because their market price was not available and it was extremely difficult to determine their fair values.

Monetary assets and investments in securities with maturities were as follows:

	Millions of yen			
	2015			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥15,697	¥—	¥—	¥—
Time deposits	502	—	—	—
Notes and accounts receivable-trade	18,358	—	—	—
Electronically recorded monetary claims — operating	965	—	—	—
Total	¥35,522	¥—	¥—	¥—

	Millions of yen			
	2014			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	¥12,981	¥—	¥—	¥—
Time deposits	211	—	—	—
Notes and accounts receivable-trade	18,815	—	—	—
Electronically recorded monetary claims — operating	90	—	—	—
Total	¥32,097	¥—	¥—	¥—

	Thousands of U.S. dollars			
	2015			
	Due within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and cash equivalents	$130,647	$—	$—	$—
Time deposits	4,177	—	—	—
Notes and accounts receivable-trade	152,788	—	—	—
Electronically recorded monetary claims — operating	8,033	—	—	—
Total	$295,645	$—	$—	$—

Please see Note 9, "Short-term Borrowings and Long-term Debt" for annual maturities of long-term debt.

7. Investments in Securities

Marketable securities classified as available-for-sale securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	2015		
	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)
Securities with gross unrealized gains:			
Equity securities	¥3,172	¥6,124	¥2,952
Securities with gross unrealized losses:			
Equity securities	0	0	(0)
Total	¥3,172	¥6,124	¥2,952

	Millions of yen		
	2014		
	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)
Securities with gross unrealized gains:			
Equity securities	¥3,099	¥5,316	¥2,217
Securities with gross unrealized losses:			
Equity securities	59	56	(3)
Total	¥3,158	¥5,372	¥2,214

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)
Securities with gross unrealized gains:			
Equity securities	$26,403	$50,973	$24,570
Securities with gross unrealized losses:			
Equity securities	1	0	(1)
Total	$26,404	$50,973	$24,569

8. Derivatives

Derivative transactions to which hedge accounting was not applied for the years ended March 31, 2015 and 2014 were as follows:

(1) Currencies

	Millions of yen							
	2015				2014			
	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)
Foreign currency forward contracts:								
Buy:								
Japanese yen	¥301	¥—	¥(1)	¥(1)	¥260	¥—	¥(11)	¥(11)

	Thousands of U.S. dollars			
	2015			
	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)
Foreign currency forward contracts:				
Buy:				
Japanese yen	$2,508	$—	$(12)	$(12)

* The fair value is based on prices provided by financial institutions.

Derivative transactions to which hedge accounting was applied for the years ended March 31, 2015 and 2014 were as follows:

(1) Currencies

	Millions of yen							
	2015				2014			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Foreign currency forward contracts:								
Sell:								
U.S. dollar	Notes and accounts receivable-trade	¥282	¥—	*	Notes and accounts receivable-trade	¥334	¥—	*
Euro		190	—	*		282	—	*
Buy:								
U.S. dollar	Notes and accounts payable-trade	40	—	*	Notes and accounts receivable-trade	30	—	*
Japanese yen		—	—	*		22	—	*
Great Britain pound		—	—	*		2	—	*
Total		¥512	¥—	*		¥670	¥—	*

	Thousands of U.S. dollars			
	2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Foreign currency forward contracts:				
Sell:				
U.S. dollar	Notes and accounts receivable-trade	$2,350	$—	*
Euro		1,584	—	*
Buy:				
U.S. dollar	Notes and accounts payable-trade	335	—	*
Japanese yen		—	—	*
Great Britain pound		—	—	*
Total		$4,267	$—	*

* The fair value of such derivative transactions was included in that of hedged items.

(2) Interest rate

	Millions of yen							
	2015				2014			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:								
Floating rate receipt, fixed rate payment	Long-term borrowings	¥6,250	¥4,900	*	Long-term borrowings	¥6,306	¥4,750	*

	Thousands of U.S. dollars			
	2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:				
Floating rate receipt, fixed rate payment	Long-term borrowings	$52,018	$40,782	*

* The fair value of such derivative transactions was included in that of hedged items.

(3) Interest rate and currencies

	Millions of yen							
	2015				2014			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:								
Floating rate receipt, fixed rate payment:								
Japanese yen receipt/India rupee payment	Long-term borrowings	¥240	¥160	¥(115)	Long-term borrowings	¥320	¥240	¥ (43)
U.S. dollar receipt/India rupee payment		562	398	97		660	514	106
Total		¥802	¥558	¥ (18)		¥980	¥754	¥ 63

	Thousands of U.S. dollars			
	2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:				
Floating rate receipt, fixed rate payment:				
Japanese yen receipt/India rupee payment	Long-term borrowings	$1,998	$1,332	$(954)
U.S. dollar receipt/India rupee payment		4,681	3,315	811
Total		$6,679	$4,647	$(143)

* The fair value is based on prices provided by financial institutions.

9. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2015 and 2014 represented bank overdrafts with weighted average interest rates of 2.26% and 1.97%, respectively. The Companies had commitment line contracts to prepare for any contingency with one financial institution for an aggregated maximum amount of ¥4,100 million ($34,124 thousand). ¥2,056 million ($17,108 thousand) was unused as of March 31 2015.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured long-term borrowings from banks and other financial institutions with weighted average interest rate of 1.46% in 2015 and 1.57% in 2014	¥ 8,747	¥ 9,407	$72,808
Unsecured bonds due 2017, 0.99%	3,000	3,000	24,969
Obligations under finance leases	50	33	414
	11,797	12,440	98,191
Less current portion of long-term debt	1,996	2,238	16,616
Total	¥ 9,801	¥10,202	$81,575

Annual maturities of long-term debt outstanding as of March 31, 2015 were as follows:

Year ending at March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 1,996	$16,616
2017	3,637	30,269
2018	2,984	24,836
2019	1,680	13,979
2020	1,500	12,488
2021 and thereafter	0	3
Total	¥11,797	$98,191

10. Retirement Benefits

The details of retirement benefits for the year ended March 31, 2015 and 2014 were as follows:

The Company and certain of its consolidated subsidiaries have defined contribution pension plans and defined benefit pension plans for employees. The Company places plan assets in an employee retirement benefit trust. Certain domestic consolidated subsidiaries join the Smaller Enterprise Retirement Allowance Mutual Aid system.

Certain consolidated subsidiaries adopt the simplified method to calculate net defined benefit liability and retirement benefit costs.

(1) Defined benefit plans

(a) Movement in retirement benefit obligations, except defined benefit plans to which the simplified method was applied

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥11,274	¥10,952	$93,834
Cumulative effect due to changes in accounting policies	(231)	—	(1,920)
Beginning balance reflecting changes in accounting policies	11,043	—	91,914
Service cost	511	454	4,256
Interest cost	122	139	1,014
Actuarial losses (gains) arising during the year	600	271	4,994
Retirement benefits paid	(693)	(618)	(5,768)
Prior year service cost arising during the year	2	—	19
Other	48	76	394
Ending balance	¥11,633	¥11,274	$96,823

(b) Movement in plan assets, except defined benefit plans to which the simplified method was applied

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥8,395	¥7,548	$69,871
Expected return on plan assets	175	152	1,454
Actuarial gains (losses) arising during the year	1,107	478	9,212
Contributions paid by the employer	811	775	6,750
Retirement benefits paid	(667)	(611)	(5,549)
Other	54	53	447
Ending balance	¥9,875	¥8,395	$82,185

(c) Movement in net defined benefit liability of defined benefit plans to which the simplified method was applied

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance	¥281	¥337	$2,336
Retirement benefit costs	96	27	796
Retirement benefit paid	(35)	(36)	(290)
Contributions to the plans	(44)	(47)	(366)
Ending balance	¥298	¥281	$2,476

(d) Reconciliation of retirement benefit obligations and plan assets with net defined benefit liability and net defined benefit asset on the Consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations under the funded plans	¥12,276	¥11,913	$102,170
Fair value of plan assets	(10,342)	(8,847)	(86,075)
	1,934	3,066	16,095
Retirement benefit obligations under the unfunded plans	122	94	1,020
Net liabilities or assets recorded on the Consolidated balance sheets	2,056	3,160	17,115
Net defined benefit liability	2,056	3,160	17,115
Net liabilities or assets recorded on the Consolidated balance sheets	¥ 2,056	¥ 3,160	$ 17,115

* Defined benefit plans to which the simplified method was applied are included in the above table.

(e) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 511	¥ 454	$ 4,256
Interest cost	122	139	1,014
Expected return on plan assets	(175)	(152)	(1,454)
Amortization of actuarial losses (gains)	421	(57)	3,503
Amortization of prior service cost	(40)	(46)	(333)
Retirement benefit costs based on the simplified method	96	27	796
Total retirement benefit costs of defined benefit plans	¥ 935	¥ 365	$ 7,782

(f) Remeasurements of defined benefit plans (Other comprehensive income)

Breakdown of remeasurements of defined benefit plans (before tax effects)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (42)	¥—	$ (352)
Actuarial losses (gains)	927	—	7,719
Total	¥885	¥—	$7,367

(g) Remeasurements of defined benefit plans (Accumulated other comprehensive income)

Breakdown of remeasurements of defined benefit plans (before tax effects)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 30	¥ 73	$ 256
Unrecognized actuarial losses (gains)	(774)	(1,702)	(6,444)
Total	¥(744)	¥(1,629)	$(6,188)

(h) Plan assets

Plan assets consisted of the following:

	2015	2014
Equity securities	47%	44%
Bonds	34	28
General account	10	12
Cash and deposits	7	6
Other	2	10
Total	100%	100%

* Employee retirement benefit trust set up for the corporate pension plan accounts for 20% and 19% of total plan assets for the year ended March 31, 2015 and 2014.

Expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined based on the current and expected allocation of plan assets and on the current and expected future long-term rates of return on various assets composing plan assets.

(i) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 were as follows:

	2015	2014
Discount rate	Mainly 0.7%	Mainly 1.2%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

(2) Defined contribution pension plans

Contributions to the defined contribution pension plans were ¥192 million ($1,595 thousand) and ¥182 million for the year ended March 31, 2015 and 2014, respectively.

(3) Multiemployer plan

(a) The funded status of the multiemployer plan:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets	¥ 33,179	¥ 32,317	$276,145
Total of actuarial obligations for calculation of pension finance and minimum policy reserve *	45,192	45,527	376,133
Total	¥(12,013)	¥(13,211)	$ (99,988)

* This was previously presented as "Retirement benefit obligations for calculation of pension finance" for the year ended March 31, 2014.

(b) Ratio of total required contribution amount of the Companies to total funds of the plan

(From April 1, 2014 to March 31, 2015) 1.5%

(From April 1, 2013 to March 31, 2014) 1.4%

(c) Supplementary explanation

The main reason for the differences in the amounts described above in (a) was the balance of prior service cost of ¥12,209 million ($101,616 thousand) and ¥12,758 million as of March 31, 2015 and 2014. Prior service cost is amortized by the straight-line method over 17 years. The Companies record special contribution of ¥32 million ($264 thousand) as expenses.

11. Income Taxes

Deferred tax assets and liabilities as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Contributions to retirement benefit trust	¥ 1,265	¥ 1,381	$ 10,529
Net defined benefit liability	706	1,089	5,876
Tax loss carryforwards	414	563	3,445
Impairment loss	285	230	2,370
Other	1,697	1,424	14,127
Valuation allowance for deferred tax assets	(979)	(1,058)	(8,150)
Total	¥ 3,388	¥ 3,629	$ 28,197
Deferred tax liabilities:			
Gain on set-up of retirement benefit trust	¥ (979)	¥(1,080)	$ (8,152)
Unrealized gain on available-for-sale securities	(891)	(718)	(7,417)
Reserve for deferred capital gains related to property, plant and equipment	(242)	(266)	(2,011)
Other	(489)	(234)	(4,068)
Total	¥(2,601)	¥(2,298)	$(21,648)
Net deferred tax assets*	¥ 787	¥ 1,331	$ 6,549

* Net deferred tax assets were included in the following accounts in the consolidated balance sheets as of March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets — Deferred tax assets	¥606	¥656	$5,043
Other assets — Deferred tax assets	207	724	1,726
Current liabilities — Other	0	2	0
Long-term liabilities — Other	¥ 26	¥ 47	$ 220

Reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Statutory tax rate	35.6%	38.0%
Different income tax rates applicable to income in certain foreign countries	(7.5)	(6.9)
Equity in earnings of affiliates	(4.3)	(3.1)
Nondeductible expenses	2.7	1.8
Nontaxable income	(0.3)	(0.3)
Tax deduction	(2.1)	(1.9)
Change in valuation allowance	(1.5)	(0.2)
Prior year income taxes	2.0	—
Adjustment on deferred tax assets at year-end due to tax rate change	1.8	—
Other, net	1.2	1.4
Effective income tax rate	27.6%	28.8%

Change in statutory effective tax rate

"Act for Partial Amendment of the Income Tax Law (Law No. 9/2015)" and "Act for Partial Amendment of the Local Tax Law (Law No. 2/2015) were promulgated on March 31, 2015. As a result, the normal effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 35.6% to 33.0% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on April 1, 2015, and to 32.3% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on or after April 1, 2016. This change had no material impact on the consolidated financial statements for the year ended March 31, 2015.

12. Net Assets

Significant provisions in the Companies Act of Japan (the "Act") that affect financial and accounting matters are summarized below:

(1) Dividends

The Act allows Japanese companies to pay dividends at any time during the year in addition to the year-end dividend upon resolution at the shareholders' meeting.

The Act permits Japanese companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Act continues to provide certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of common stock, reserve and surplus

The Act requires that an amount equal to 10% of dividends must be appropriated as legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the sum of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Act also permits Japanese companies to repurchase/dispose of treasury stock by resolution of the Board of Directors. The amount of treasury stock to be purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Act, stock acquisition rights are presented as a separate component of equity.

The Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014 principally consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Salaries	¥5,973	¥5,535	$49,714
Packing and delivery expenses	2,471	2,201	20,562
Research and development costs	1,205	1,142	10,028
Retirement benefit costs	533	209	4,438
Provision for doubtful accounts	¥ —	¥ 11	$ —

14. Net Income per Share

The Companies had no dilutive securities for the years ended March 31, 2015 and 2014.

Basic net income per share for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income available to common stockholders	¥3,757	¥4,280	$31,278

	Thousands of shares	
	2015	2014
Weighted-average number of shares	94,064	94,096

	Yen		U.S. dollars
	2015	2014	2015
Net income per share	¥39.95	¥45.49	$0.33

15. Consolidated Statements of Comprehensive Income

Reclassification adjustments regarding other comprehensive income and related income tax effects for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities:			
Recognized during the year	¥ 745	¥ 601	$ 6,205
Reclassification adjustments	(7)	(26)	(61)
Before tax effects adjustments	738	575	6,143
Income tax effects	(171)	(187)	(1,422)
Unrealized gains (losses) on available-for-sale securities	567	388	4,721
Deferred gains on hedges:			
Recognized during the year	(2)	5	(16)
Before tax effects adjustments	(2)	5	(16)
Income tax effects	1	(1)	5
Deferred gain on hedges	(1)	4	(11)
Foreign currency translation adjustments:			
Recognized during the year	3,378	3,106	28,117
Foreign currency translation adjustments	3,378	3,106	28,117
Remeasurements of defined benefit plans:			
Recognized during the year	580	—	4,831
Reclassification adjustments	305	—	2,536
Before tax effects adjustment	885	—	7,367
Income tax effects	(339)	—	(2,827)
Remeasurements of defined benefit plans	546	—	4,540
Share of other comprehensive income in affiliates accounted for by the equity method:			
Recognized during the year	218	180	1,817
Share of other comprehensive income in affiliates accounted for by the equity method	218	180	1,817
Total other comprehensive income	¥4,708	¥3,678	$39,184

16. Segment Information

(1) Description of reportable segments

The Companies' reportable segments are components for which separate financial information is available, whose operating results are reviewed regularly by the chief operating decision maker in order to decide allocations of resources and assess segment performance.

The Companies have adopted the division system. Each operating division develops a comprehensive strategy for respective products/services for domestic and overseas markets and conducts business activities. Therefore, the Companies consist of two reportable segments according to products based on operating divisions: "Belt Business" and "Elastomer Products Business."

The "Belt Business" segment includes manufacturing and sales of automotive power transmission belt products, industrial power transmission belt products and conveyor belts, etc. The "Elastomer Products Business" segment includes manufacturing and sales of components for printers and other electrophotographic output equipment, and high-performance film products, etc.

(2) Methods of measurement for sales, profit or loss, assets and other items by reportable segments

The accounting treatments applied to the reportable segments is the same as those described in Note 3, "Summary of Significant Accounting Policies." Segment profit is based on operating income. Intersegment sales are based on market prices.

(3) Sales, profit or loss, assets and other items by reportable segments

Millions of yen — 2015

	Reportable segments: Belt Business	Reportable segments: Elastomer Products Business	Reportable segments: Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	¥77,988	¥15,647	¥93,635	¥1,761	¥95,396	¥ —	¥95,396
Intersegment sales	113	66	179	885	1,064	(1,064)	—
Total	¥78,101	¥15,713	¥93,814	¥2,646	¥96,460	¥(1,064)	¥95,396
Segment profit	¥ 4,155	¥ 329	¥ 4,484	¥ 198	¥ 4,682	¥ 115	¥ 4,797
Segment assets	¥76,333	¥11,522	¥87,855	¥2,818	¥90,673	¥ 4,027	¥94,700
Other:							
Depreciation and amortization	¥ 3,505	¥ 730	¥ 4,235	¥ 108	¥ 4,343	¥ 88	¥ 4,431
Increase in property, plant and equipment and other intangible assets	¥ 2,688	¥ 646	¥ 3,334	¥ 52	¥ 3,386	¥ 812	¥ 4,198
Impairment loss	¥ —	¥ 410	¥ 410	¥ —	¥ 410	¥ —	¥ 410

Millions of yen — 2014

	Reportable segments: Belt Business	Reportable segments: Elastomer Products Business	Reportable segments: Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	¥77,347	¥14,970	¥92,317	¥1,117	¥93,434	¥ —	¥93,434
Intersegment sales	136	19	155	1,114	1,269	(1,269)	—
Total	¥77,483	¥14,989	¥92,472	¥2,231	¥94,703	¥(1,269)	¥93,434
Segment profit (loss)	¥ 4,892	¥ 281	¥ 5,173	¥ 188	¥ 5,361	¥ 157	¥ 5,518
Segment assets	¥72,207	¥11,592	¥83,799	¥2,375	¥86,174	¥ 3,449	¥89,623
Other:							
Depreciation and amortization	¥ 3,288	¥ 754	¥ 4,042	¥ 85	¥ 4,127	¥ 112	¥ 4,239
Increase in property, plant and equipment and other intangible assets	¥ 2,630	¥ 959	¥ 3,589	¥ 569	¥ 4,158	¥ 889	¥ 5,047
Impairment loss	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars — 2015

	Reportable segments: Belt Business	Reportable segments: Elastomer Products Business	Reportable segments: Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	$649,090	$130,229	$779,319	$14,652	$793,971	$ —	$793,971
Intersegment sales	944	546	1,490	7,372	8,862	(8,862)	—
Total	$650,034	$130,775	$780,809	$22,024	$802,833	$ (8,862)	$793,971
Segment profit	$ 34,585	$ 2,735	$ 37,320	$ 1,650	$ 38,970	$ 958	$ 39,928
Segment assets	$635,314	$ 95,894	$731,208	$23,459	$754,667	$33,511	$788,178
Other:							
Depreciation and amortization	$ 29,170	$ 6,079	$ 35,249	$ 894	$ 36,143	$ 739	$ 36,882
Increase in property, plant and equipment and other intangible assets	$ 22,375	$ 5,376	$ 27,751	$ 434	$ 28,185	$ 6,758	$ 34,943
Impairment loss	$ —	$ 3,412	$ 3,412	$ —	$ 3,412	$ —	$ 3,412

*1 "Other" category represents operating segments not included in reportable segments.

*2 "Adjustments" are as follows:

(a) Adjustments of segment profit (loss) include ¥26 million ($217 thousand) and ¥12 million of the elimination of intersegment transactions, and ¥89 million ($741 thousand) and ¥145 million of corporate expenses for the years ended March 31, 2015 and 2014, respectively. Corporate expenses represent differences between the estimated general administrative expenses and research and development costs allocated to each reportable segment and the actual amount incurred.

(b) Adjustments of segment assets include ¥(3,307) million ($(27,533) thousand) and ¥(4,166) million of the elimination of intersegment balances, and ¥7,334 million ($61,044 thousand) and ¥7,615 million of corporate assets for the years ended March 31, 2015 and 2014, respectively.

(c) Adjustments of "Increase in property, plant and equipment and other intangible assets" is principally related to those not attributable to reportable segments.

*3 "Segment profit (loss)" is adjusted to operating income described in the consolidated statements of income.

*4 "Depreciation and amortization" includes amortization of long-term prepaid expenses.

*5 "Increase in property, plant and equipment and other intangible assets" includes an increase in long-term prepaid expenses.

(4) Changes in reportable segments

For the year ended March 31, 2015, part of the products in "Belt Business" were transferred to "Elastomer Products Business" as a result of reviewing product category belonging to reportable segments. Segment information for the year ended March 31, 2014 has been prepared based on the reviewed reportable segments.

Information related to reportable segments

Information about geographic areas was as follows:

(a) Net sales

Millions of yen — 2015

Japan	Asia	China	Other	Total
¥48,918	¥24,452	¥11,802	¥10,224	¥95,396

Millions of yen — 2014

Japan	Asia	China	Other	Total
¥50,165	¥22,781	¥11,092	¥9,396	¥93,434

Thousands of U.S. dollars — 2015

Japan	Asia	China	Other	Total
$407,143	$203,514	$98,222	$85,092	$793,971

(b) Property, plant and equipment

Millions of yen — 2015

Japan	Asia	China	Other	Total
¥17,213	¥8,906	¥1,664	¥3,307	¥31,090

Millions of yen — 2014

Japan	Asia	China	Other	Total
¥17,526	¥8,425	¥1,679	¥3,192	¥30,822

Thousands of U.S. dollars — 2015

Japan	Asia	China	Other	Total
$143,261	$74,125	$13,851	$27,519	$258,756

17. Impairment loss

The details of Impairment loss for the year ended March 31, 2015 were as follows:

Purpose of use	Location	Asset type	Millions of yen	Thousands of U.S. dollars
Assets held for sale	Sennan, Osaka	Buildings and structures	¥ 32	$ 265
		Machinery and equipment	328	2,732
		Other	50	415
Total			¥410	$3,412

In reviewing impairment loss, the Companies classify their operating assets mainly by operating division and idle assets by individual property.

For the year ended March 31, 2015, impairment loss was recognized as the book value of each devaluated asset exceeded its recoverable amount.

Recoverable amount is measured using net selling price or value in use. Net selling price is based on estimated selling price and value in use is calculated by discounting future cash flows at 0.2%.

Corporate Data / Investor Information

Corporate Data

Company name: Bando Chemical Industries, Ltd.
Founded: April 14, 1906
Capital: ¥10,952 mil. (As of March 31, 2015)
Consolidated sales: ¥95,396 mil. (FYE March 2015)
Employees (Consolidated): 3,930 (As of March 31, 2015)

Investor Information (As of March 31, 2015)

Capital Stock

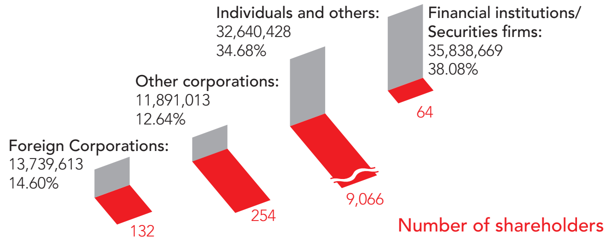
Shares Authorized: 378,500,000

Shares Outstanding: 94,427,073
(including 317,350 shares of treasury stock)

Number of Shareholders: 9,517

Securities Traded: Tokyo Stock Exchange, Inc.

Composition of Shareholders

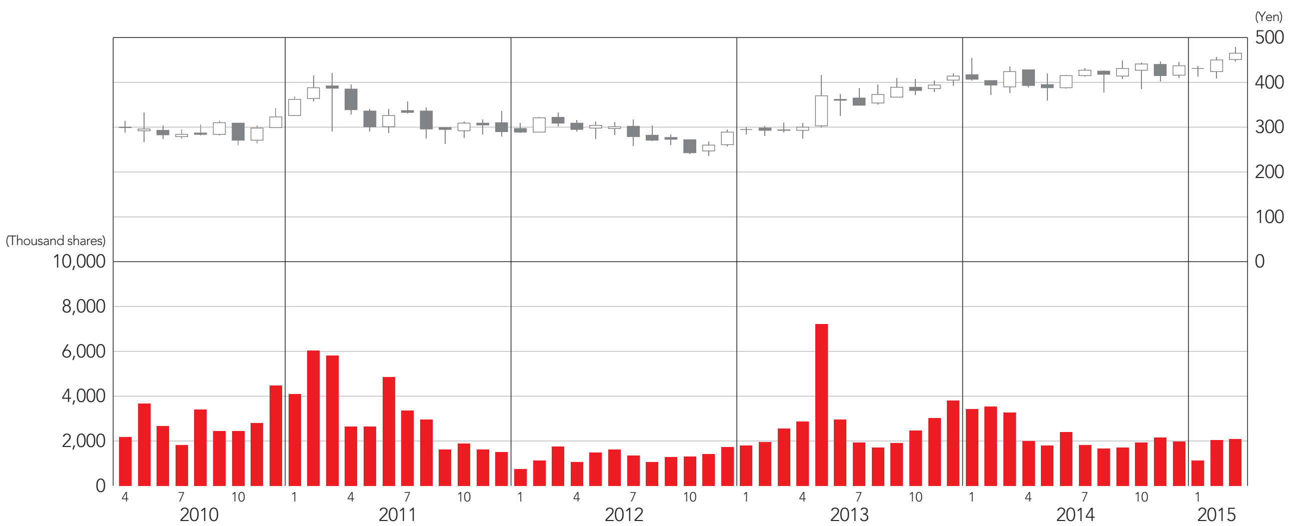


Principal Shareholders (As of March 31, 2015)

	Number of shares held (thousands)	Investment ratio (%)
Bando business partner stakeholders	7,270	7.72
Sumitomo Mitsui Banking Corporation	4,651	4.94
Mitsubishi UFJ Trust and Banking Corporation	4,004	4.25
Meiji Yasuda Life Insurance Company	4,000	4.25
Mizuho Bank, Ltd.	3,600	3.82
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,150	3.34
Nippon Life Insurance Company	2,349	2.49
Japan Trustee Services Bank, Ltd. (trust account)	2,227	2.36
The Master Trust Bank of Japan, Ltd. (trust account)	1,852	1.96
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,839	1.95

Notes: 1. Investment ratios are calculated after deducting treasury stock (317,350 shares).
2. Investment ratios listed above are rounded down to two decimal places.

Stock Price and Trading Volume



BANDO

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