

Annual Report 2017

Year ended March 31, 2017

Breakthroughs
for the Future



Profile

In the 110-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

Profile	
Value for Society	2
History of Innovation	8
Our Strength	10
Products	12
Global Network	14
Highlights	16
Fiscal 2016 Topics	18
Message from the President	19
Special Feature	26
Review of Operations	28
Sustainability Management/CSR	34
Sustainability Management/Corporate Governance	36
Financial Section	44
Corporate Data/Investor Information	53

Cautionary 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. The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors. For more detailed information including notes to consolidated financial statements, please refer to the Company's Annual Report on the website: <http://www.bandogrp.com/eng/ir/library/annual.html>

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.

Our Corporate Goals

Everyone in the Bando Group will strive to make it into a company that:

1. Values its customers and is trusted by them.
2. Allows for the material and spiritual growth of all its employees.
3. Contributes, and is of use, to society.

Group Vision 21

Innovative Vision of the Bando Group for the 21st Century

The Bando Group will employ energetic individuals with professionalism to lead the company in the expansion of our core business in global markets, and passionately pursue new business opportunities with a strong sense to protect the world environment.

Guidelines for the Bando Group

1. Employ energetic personnel with professionalism, and reform business activities.
2. Minimize control and maximize actions.
3. Delegate authority, and make optimum decisions in a prompt manner.
4. Maximize profits from existing products.
5. Invest in new entrepreneurial ventures.
6. Strengthen the personnel and evaluation systems to encourage personnel to feel a sense of worth in relation to their work.
7. Strengthen initiatives to reduce environmental impact as we move towards the realization of a low-carbon society.

Promoting More Environmentally -friendly and Comfortable Vehicles

Automobiles and two-wheeled vehicles continue to proliferate and advance around the world.

As the world No. 1 maker of power transmission belts for automobiles and two-wheeled vehicles*, Bando has continued to develop auxiliary drive belts that excel in energy conservation and silent operation.

* OEM field for both automobiles and two-wheeled vehicles (scooters)

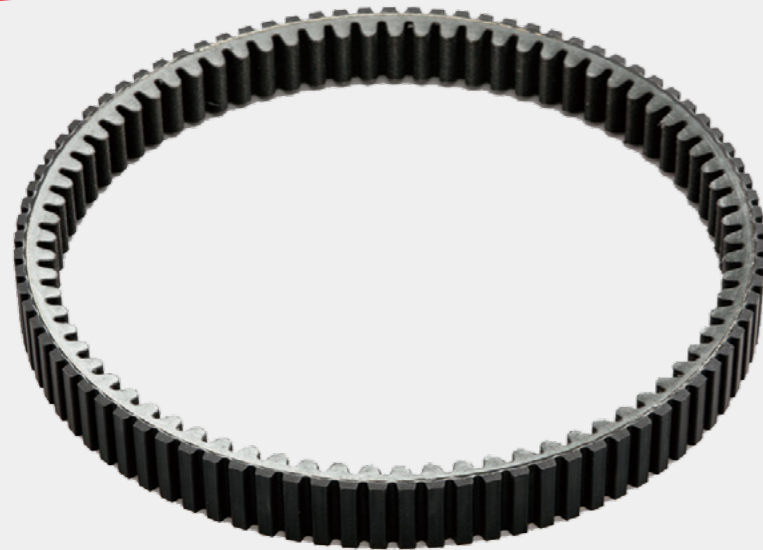


VALUE

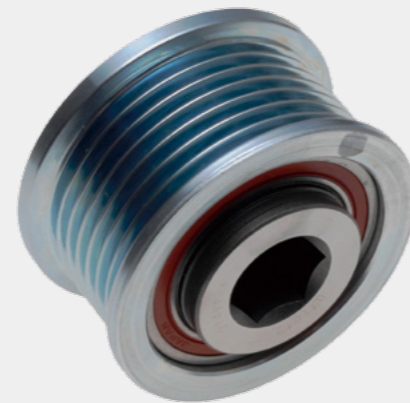
Highly efficient power transmissions that improve energy-saving performance



RIB ACE™
(for automobile engines)



Double Cog Belts
(for large scooters, etc.)



BSC – BANDO SMOOTH COUPLER™
(for automobile engines)

Bando AVANCE™

Bando AVANCE™, a dry belt for CVT made from composite materials, offers improved power transmission efficiency and increased transmission system energy savings. As a result, it has been adopted in a large number of compact cars and large scooters.

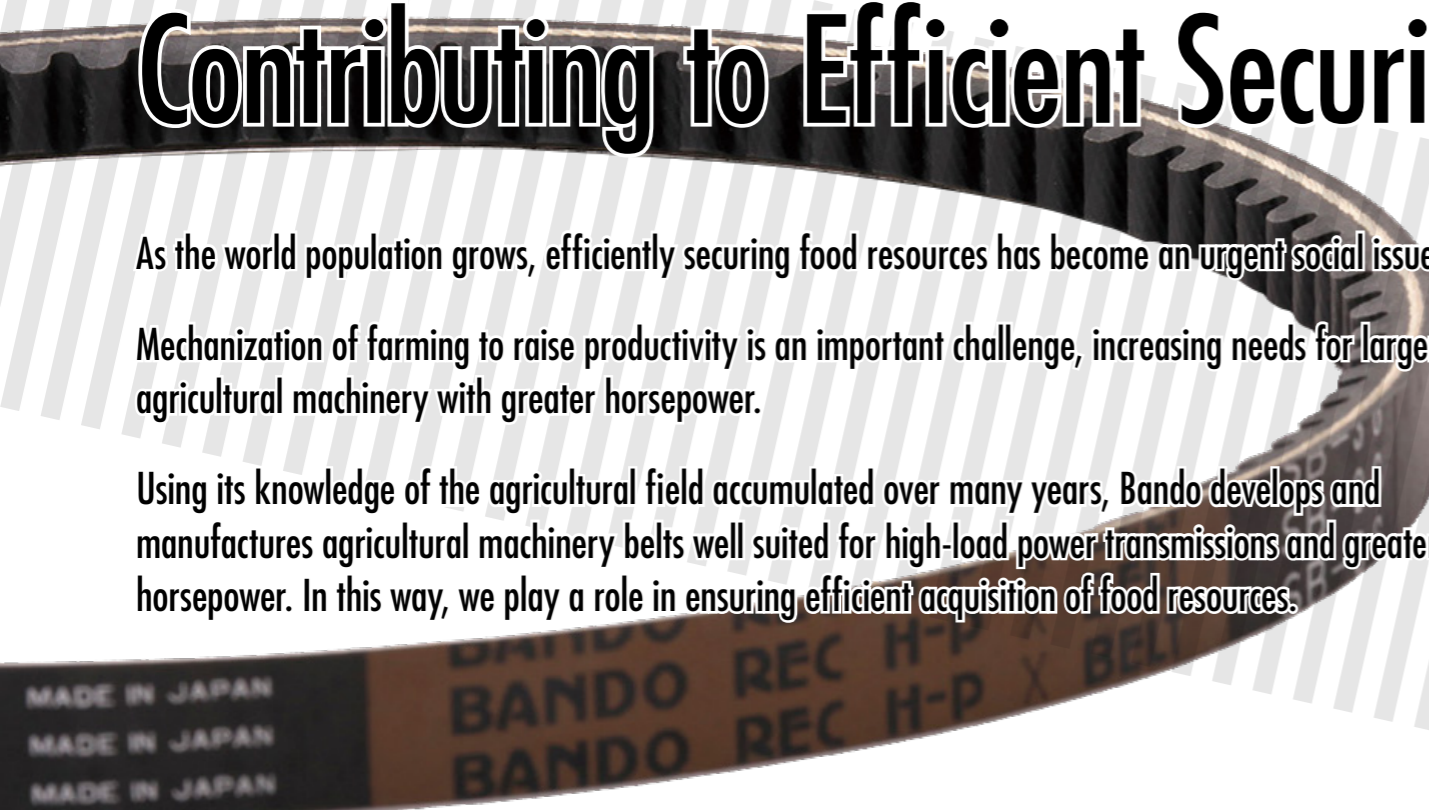


Contributing to Efficient Securing of Food Resources

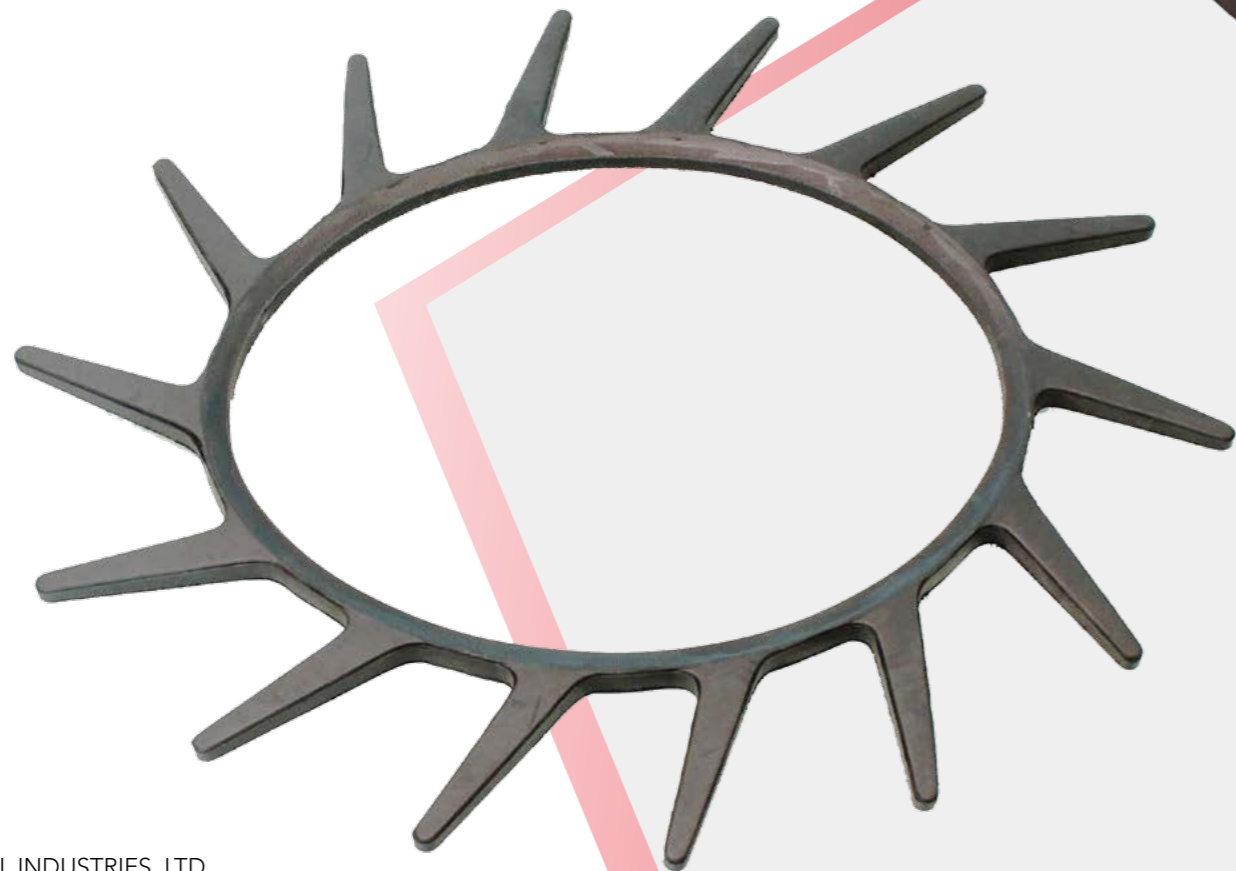
As the world population grows, efficiently securing food resources has become an urgent social issue.

Mechanization of farming to raise productivity is an important challenge, increasing needs for larger agricultural machinery with greater horsepower.

Using its knowledge of the agricultural field accumulated over many years, Bando develops and manufactures agricultural machinery belts well suited for high-load power transmissions and greater horsepower. In this way, we play a role in ensuring efficient acquisition of food resources.



H-P Series Agricultural Raw Edge Cog Belts



of Food Resources



VALUE
Exceptional durability in harsh environments

Red™ SII V Belts for agricultural machinery

The Red™ SII V Belts for agricultural machinery help improve combine harvesting efficiency with a service life that is about 4.5 times longer than standard belts in reverse bending applications and under high ambient temperatures of up to 70°C.



Agricultural W Series Wrapped Belts

Agricultural V-belts with Profiles (for high load power transmission)



Constantly Expanding the Value Provision Domain

Bando is advancing the development of new businesses in non-belt fields in its mid-term business plan while focusing on innovation targeting advanced needs in its original belt businesses.

Using an original production method to eliminate seams, BANDO PS BELTS™* offer advanced precision in power transmission to the delight of our customers in the precision equipment field including automatic ticket gates, ATMs, and robotics.

* Precision seamless belt

BANDO PS BELTS™

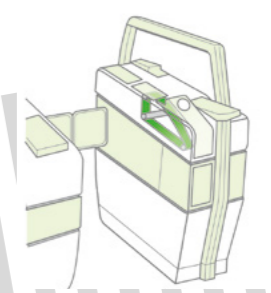
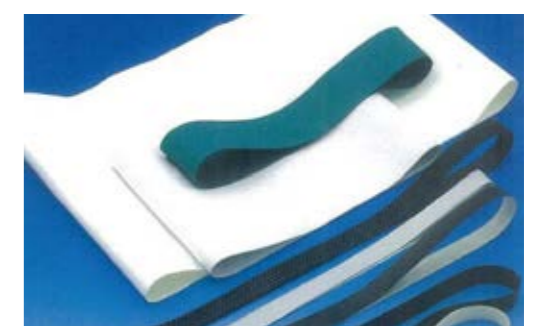


VALUE

Space-saving, energy-saving precision power transmission

BANDO PS BELTS™

Seamless, thin, flexible and lightweight, BANDO PS BELTS™ realize precision power transmission with smooth and vibration-free rotation. They contribute to more compact and energy-efficient precision equipment.



History of Innovation

Bando Chemical Industries' history is one of innovation in which we have delivered solutions addressing issues faced by our customers and society by developing products that are the first of their kind in Japan or even the entire world.



Developed the first cotton belts (the Bando Cotton Belt) in Japan



Developed BANROPE, the first V belts in Japan

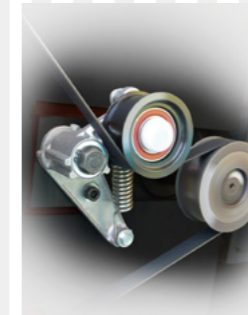


Developed MONOPLY BELT, the first single-ply conveyor belts in Japan

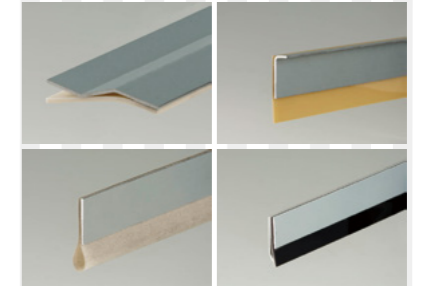
* The photo is of the current Ultra Abrasion Resistant Conveyor Belt.



Developed BANDO AVANCE™, the world's first dry belt for continuously variable transmissions (CVT)



Hyper Flat Drive (HFD) System™ won the Director-General's Prize, the Agency for Natural Resources and Energy



Developed Bando Wiper Edge™ EX, the world's first special urethane seal blade for machine tools



Developed the first rubber conveyor belts in Japan



* The photo is of SUNBELT, the rubber belts developed in 1913

Developed SYNCHROBELT, the first toothed belts in Japan



Developed SUNLINE™-A, the first light-duty conveyor belts in Japan

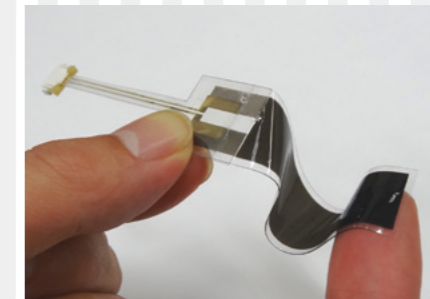


* The photo is of the current light-duty conveyor belt.

Developed the BANCOLLAN™ Synchronous Belt UG Type, the world's first polyurethane toothed belt with glass cord



Developed C-STRECH™, a completely new elastic strain sensor



Milestones in the Automobile Industry*	1907: Birth of the first gasoline-powered automobile produced entirely in Japan	1908: Birth of the Ford Model T	1914: First passenger car in Japan	1947: Major Japanese manufacturer started production of light trucks and small cars	1955: Major Japanese manufacturer launched sales of compact four-wheeled passenger vehicles	1997: Major Japanese manufacturer launched sales of mass-produced hybrid automobile	2004: Annual global production of automobiles surpassed 60 million	2013: Annual global production of automobiles surpassed 80 million
Milestones in the Two-Wheeled Vehicle Industry*	1902: Major U.K. manufacturer began production of 2.2 horsepower engine motorcycle	1909: Major U.S. manufacturer began mass production and sales of 7.2 horsepower V-twin engine motorcycle	1949: Major Japanese manufacturer began producing motorcycles (two-stroke, 98cc engine)				2003: Annual global production of two-wheeled vehicles surpassed 30 million units	2011: Annual global production of two-wheeled vehicles surpassed 60 million units
Milestones in the Agricultural Machinery Industry*		1931: Bando Chemical Industries launched sales of husking roller	1947: Major Japanese manufacturer developed, manufactured and began selling farm tillers	1960: Major Japanese manufacturer developed and commercialized Japan's first riding tractor for cultivating fields	1967: Major Japanese manufacturer began production of rice transplanter and combine harvester. Together with the tractor, this created a fully-mechanized rice cultivation system.	1995: Major Japanese manufacturer launched sales of high-speed tilling tractor series		

* Global automobile production data provided by IHS Markit. Global two-wheeled vehicle production data prepared based on a survey by FOURIN, Inc. Statements about major manufacturers were prepared using information obtained from the companies' websites.

Breakthroughs for the Future

Our Strength

We would like to discuss the current strengths of Bando as we continue to innovate, expand business scale and enhance profitability in growth markets.

Achieving the Top Market Share through the World's Highest Level of Technology and Know-how

We have built up a good reputation based on our meticulous service to satisfy individual customer needs, world-leading levels of technology and know-how, and stable supply capabilities. As of the end of fiscal 2016, we command the top global share for OEM supply of belts for four-wheeled and two-wheeled vehicles*.

No. 1
Global Share



OEM supply of belts for four-wheeled and two-wheeled vehicles

*Two-wheeled vehicles refer to scooters.

Expertise in Environmentally-friendly Products



"eco moving" concept

We will accelerate the "move" to "eco" throughout the Group, thoroughly develop products that reduce environmental burden, and spread the new "movement" to our customers and society.

Our customers, and society as a whole, have welcomed the added value provided by our "eco moving" brand of environmentally-friendly products. We had ten "eco moving" products in our portfolio in fiscal 2016, mostly belt products, and plan to expand our line-up further.

Further expansion

Ten products in our eco moving portfolio

- HFD System
- Ceptor-VI S8M type
- W-1500 Agricultural V-Belts
- Energy-Saving Red, Energy-Saving POWER ACE
- High-load V-ribbed Belts
- G-CARRY
- ECO CARRY
- TENSION MASTER
- BANDO GLANMESSE (incombustible)
- Polyolefin thin films

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 machines 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



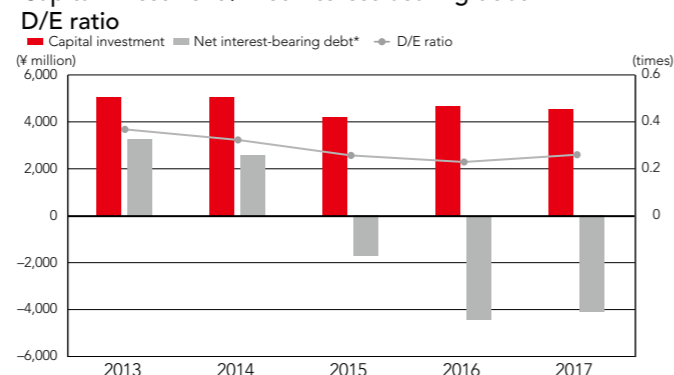
Synchronous belts for high-load power transmission applications

Strong Financial Position

We are working to build an even stronger financial position, even as we continue the capital investments needed for growth.

At the end of fiscal 2016, our equity ratio was at all-time high.

Capital investment / Net interest-bearing debt*



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

— To our Stakeholders —

"Breakthroughs for the Future"

Based on our management philosophy and the strengths that we have cultivated throughout our history of innovation, Bando will continue to address social issues and create unwavering value.

Mitsutaka Yoshii

President and Representative Director,
Bando Chemical Industries, Ltd.

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.

Automotive Parts Business

We excel in OEM business in the four- and two-wheeled vehicle 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

Power Transmission Belts for four- and two-wheeled vehicles

Strengths and Characteristics

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

Main Products



RIB ACE™ V-Ribbed Belts



VS Belts



Automatic Tensioners



TENSION MASTER™

Net sales by business segment



2017
46.5%

Industrial Products Business

We excel in OEM business in the industrial machinery, agricultural machinery and conveyance sectors. Similar to the Automotive Parts Business, we are developing environmentally-friendly power transmission systems for use in a variety of fields.

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

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 15 countries

Net sales by business segment



2017
36.3%

Main Products



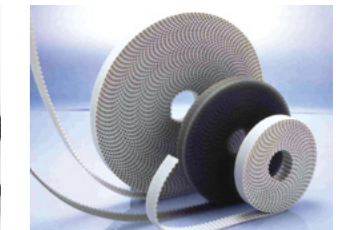
Red™ SII V Belts for agricultural machinery



HFD System™



STS/HP-STC/Ceptor™-VI



BANCOLLAN™ Long Synchronous Belts

Conveyor Belts

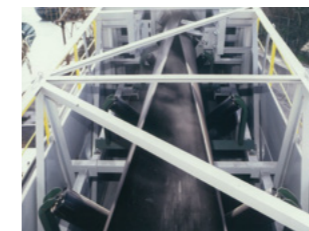
Strengths and Characteristics

- 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



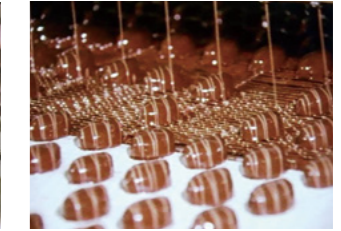
G-CARRY™



Pipe Conveyor Belts



Mr. COOK™ F2224 Non-Stick Belts



Lightweight Jointless P-Series Belts

Advanced Elastomer Products Business

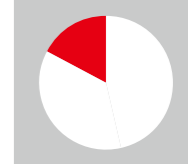
We maximize materials characteristics through the use of our precision processing, material and structural design technologies, and add optimal functionality to develop pioneering products with high precision and high quality, in consideration of the environment.

Core Technologies Elastomer and resins compounding design, dispersion and processing

Strengths and Characteristics

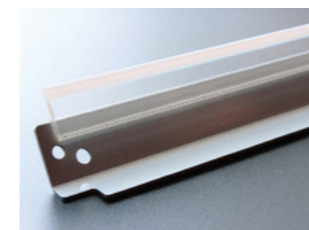
- Development and provision of high performance, clean precision parts
- Development and provision of functional films for various applications, such as in the printing and medical fields

Net sales by business segment



2017
17.2%

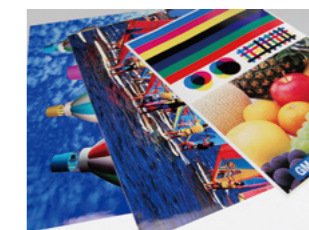
Main Products



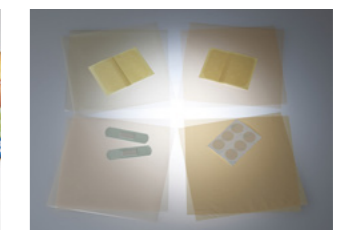
BANCOLLAN™ BLADE G-Module™



Development Rollers



BANDO GLANMESSE™

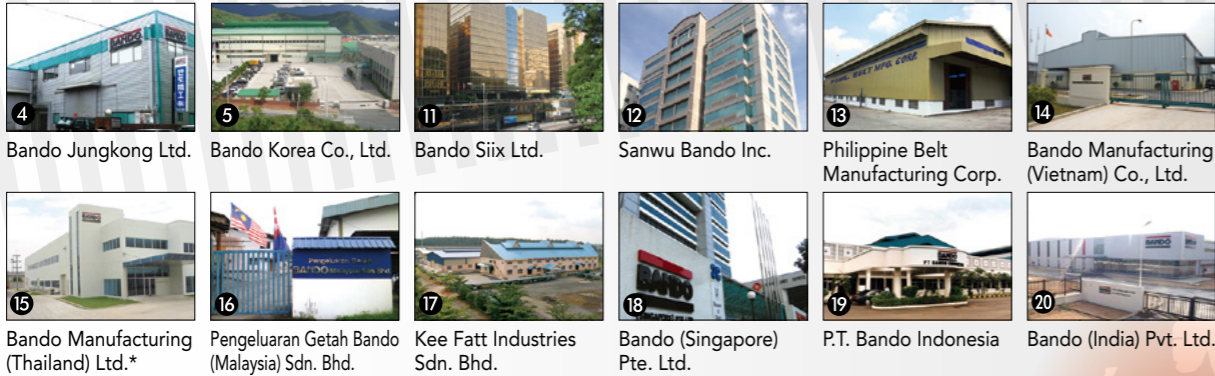


Medical films

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.

Asia

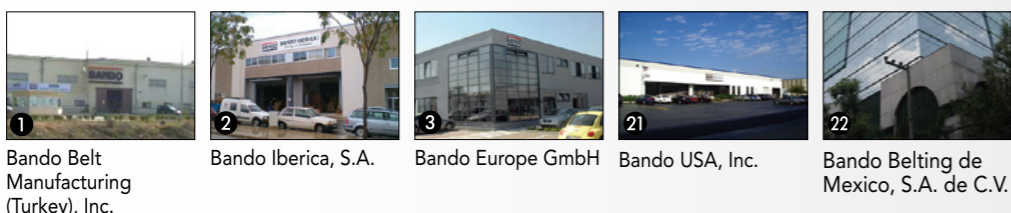


China

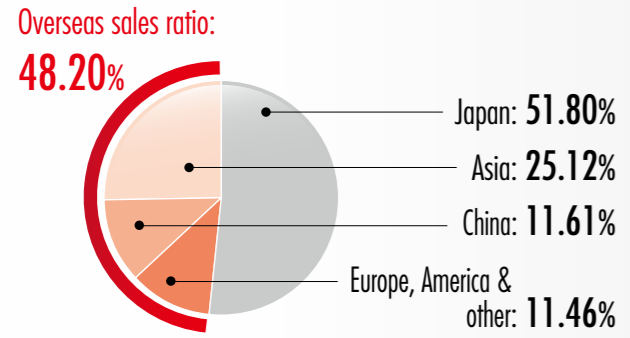


* China Technical Center and Asia Technical Center were opened in 2012 and 2013, respectively, both of which are developing products with optimal specifications for markets.

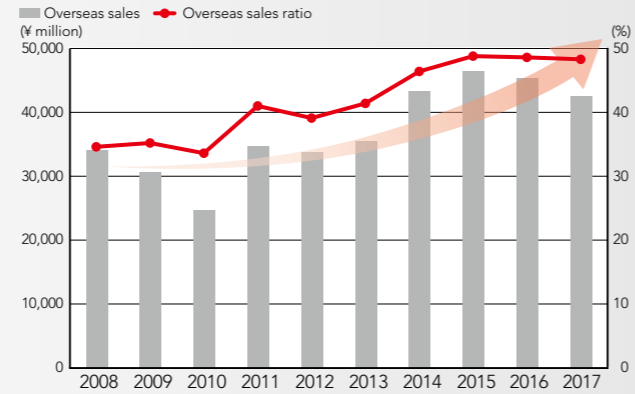
Europe, America & other



Sales by region (as of March 2017)



Overseas sales Overseas sales ratio



Bando Chemical Industries' Global Network

Quality Management System

Sixteen of our domestic divisions and overseas business locations have received ISO 9001 certification, while 10 of our domestic and overseas business locations have obtained ISO/TS 16949 certification.

Environmental Initiatives

All of our domestic production bases have introduced solar power generation systems.



Japan*

23 Head Office

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

Business Locations

- Kobe Head Office/R&D Center
- Kakogawa Plant
- Wakayama Plant/Power Transmission Technical Research Center
- Ashikaga Plant
- Tokyo Branch Office
- Nankai Plant

Sales and Fabrication Service Affiliates

- Bando Industrial Components & Services, Ltd.
- Bando Elastomer Co., Ltd.
- Hokuriku Bando, Inc.
- East Japan Belt Products, Inc.
- Vann Corporation
- Koyo Sangyo Co., Ltd.

Manufacturing Affiliates

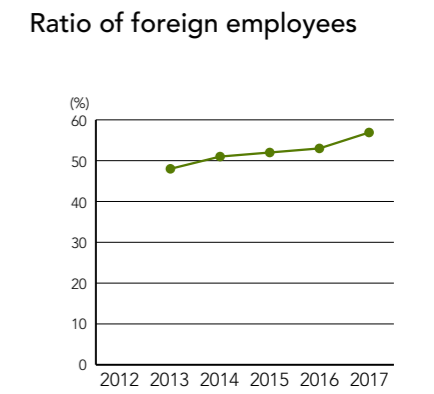
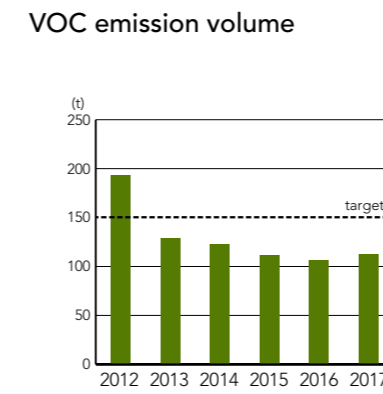
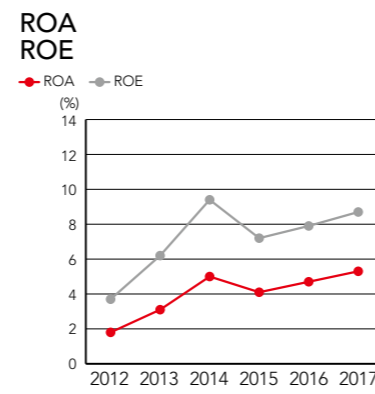
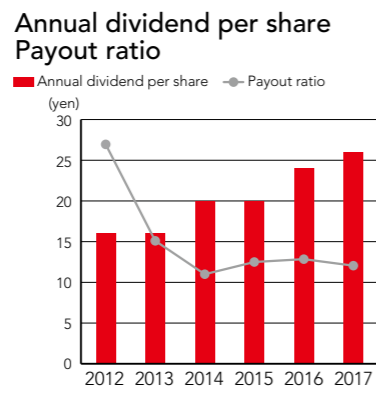
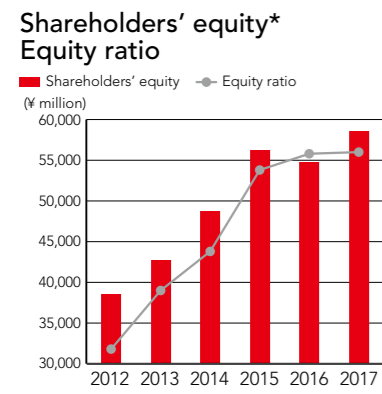
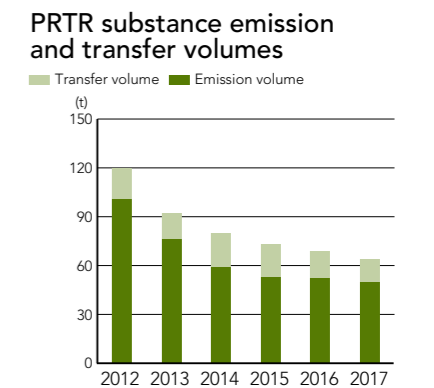
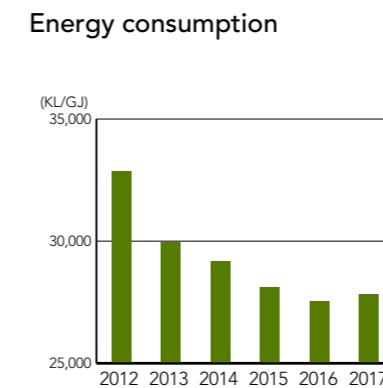
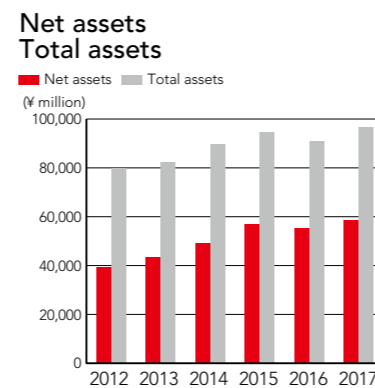
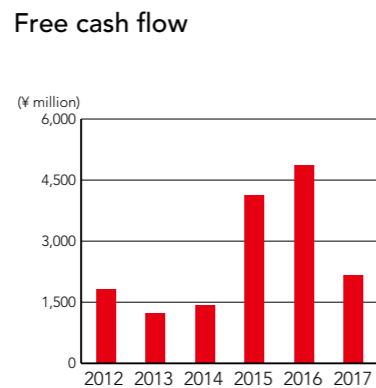
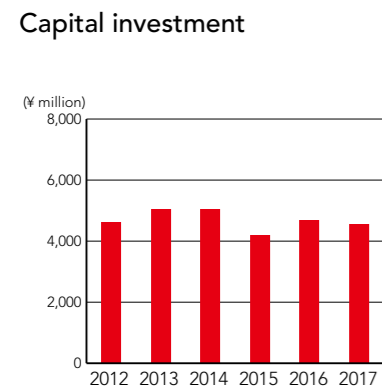
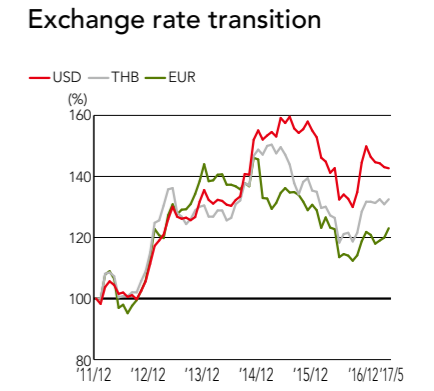
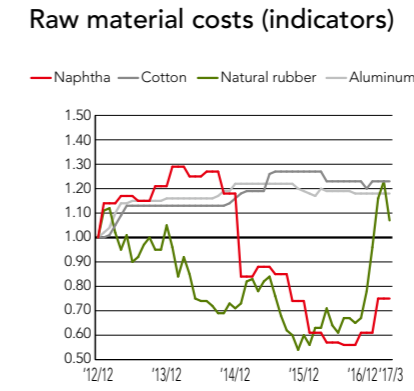
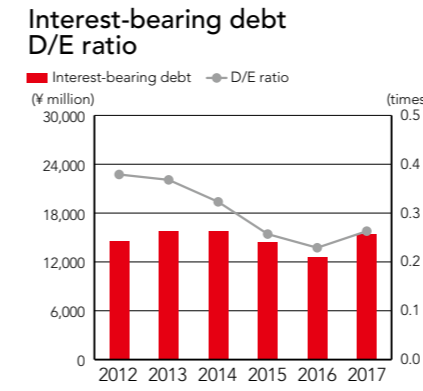
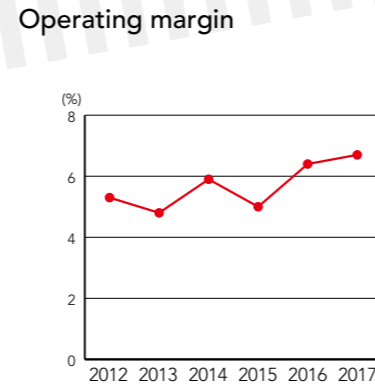
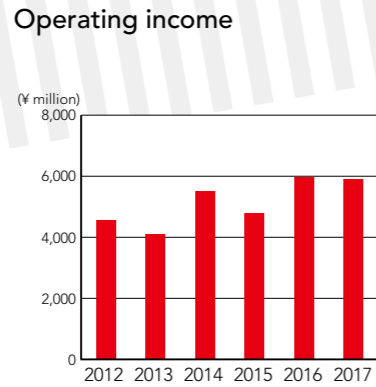
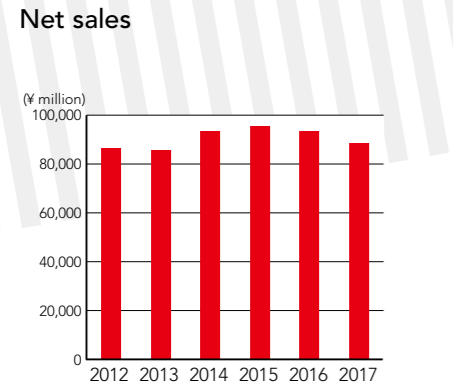
- Fukui Belt Industries, Ltd.
- BL Autotec, Ltd.
- Bando-Scholtz Corporation

Other Service Affiliates

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

Highlights

Fiscal year endings are March 31 in the years shown below



* 'Shareholders' equity' = net assets - minority interests

Fiscal 2016 Topics

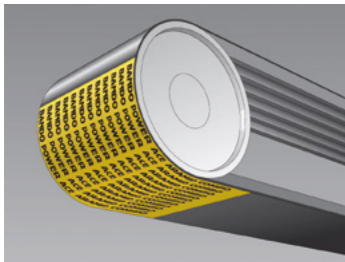
Product Development and Others

- Developed BANDO FR-BIOS™, a conveyor belt for biomass power generation plants



Palm kernel shell used in biomass power generation plant

- Commenced sales of POWER ACE™ Aramid Combo, combined narrow V-belt



POWER ACE™ Aramid Combo

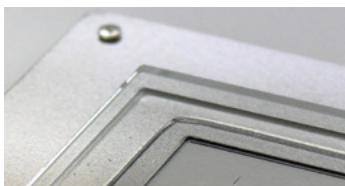
- Held Bando Techno Fair 2016

- Developed FR7000 Series, flame and heat resistant conveyor belts



Flame and heat resistant conveyor belts

- Developed Free Crystal™, optically clear adhesive sheets



Free Crystal™

Management

- Selected as a "2017 Health & Productivity Stock Selection"



- Decided on a relocation and expansion in conjunction with the construction of a new Vietnam Plant

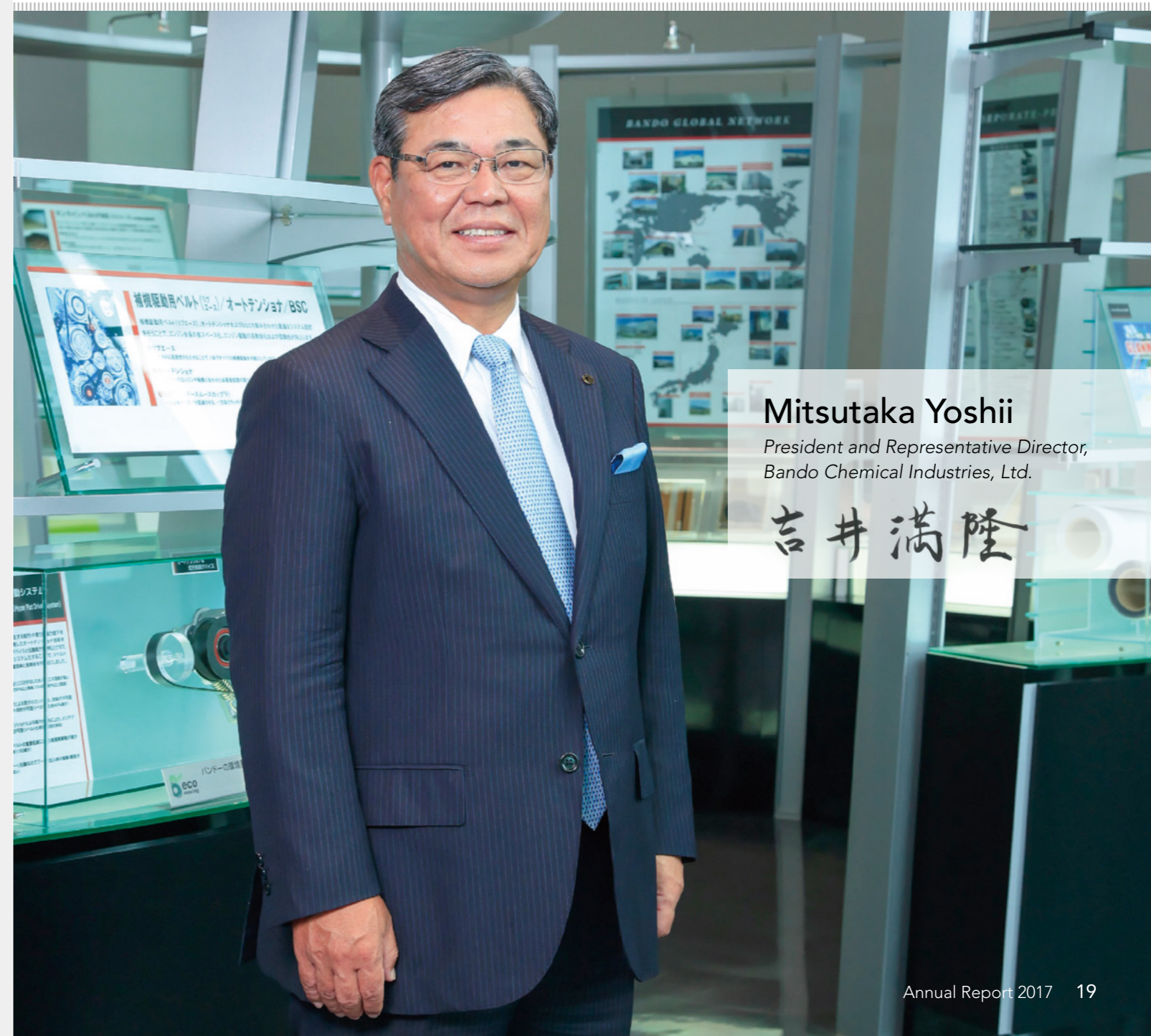


Rendering of new Vietnam Plant

- Transitioned to a Company with an Audit & Supervisory Committee

Message from the President

"We are working to strengthen our current businesses and also create new businesses as we transition to the next stage of growth."



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

吉井満隆

Performance in Fiscal 2016

Profit second highest ever despite lower net sales

The Bando Group focused on strengthening sales systems and promoting customer development as part of initiatives targeting specific sectors and regions during fiscal 2016, the fourth year of the first stage of our mid-to-long term business plan, "Breakthroughs for the future." In the Automotive Parts Business, net sales fell 5.9% year on year to ¥40,321 million, reflecting the impact of a stronger yen (segment sales in Asia rose in local currency terms) and lower sales in the U.S. due to more profit-conscious efforts to secure new orders. In the Industrial Products Business, despite higher sales in China and other Asian markets, net sales declined 5.0% to ¥31,446 million due to lower sales of conveyor belts in Japan, also reflecting a more profit-conscious marketing approach. Net sales in the Advanced Elastomer Products Business fell

4.5% to ¥14,914 million, reflecting the impact of the contraction in the OA equipment market amid an ongoing shift to paperless operations.

Consolidated net sales fell 5.2% year on year to ¥88,387 million. Although we were able to lower our cost to sales ratio by reducing costs, operating income fell 1.1% to ¥5,896 million due to the offsetting impact of fluctuations in foreign currency exchange rates. Profit attributable to shareholders of the parent increased 12.9% to ¥4,951 million, reflecting lower foreign exchange losses, an increase in share of profit of entities accounted for using the equity method and a reduction in income taxes. Our profit performance was the best since fiscal 2008. We declared a year-end dividend of ¥14 per share, taking annual dividends to ¥26 per share (both figures were ¥2 higher* than in fiscal 2015).

*Figures adjusted for the reverse stock split the Company conducted on October 1, 2016, consolidating two shares of common stock into one share.

Consolidated earnings

	Fiscal 2015 results		Fiscal 2016	
	Results	YoY	Results	YoY
Net sales	¥93,272 million	-4,885	¥88,387 million	
Operating income	¥5,961 million	-65	¥5,896 million	
Profit attributable to shareholders of the parent	¥4,386 million	+565	¥4,951 million	

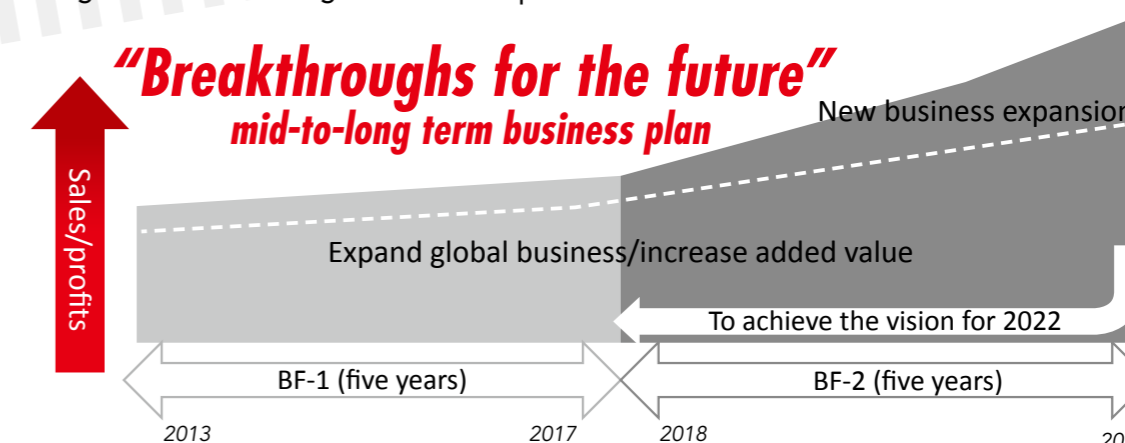
"Breakthroughs for the Future" Mid-to-Long Term Business Plan: Overall Image and Progress

Aiming to be a standout global supplier

In fiscal 2013, the Bando Group embarked on its 10-year mid-to-long term business plan "Breakthroughs for the future." Under this plan, we aim to provide value-added products that contribute to environmental preservation, energy conservation and higher functionality, further refining 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. Our priority measures are based on improving the profitability of current businesses in the first five years (BF-1), and expanding sales from new businesses in the second half (BF-2).

Overall image of the mid-to-long term business plan



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

Progress of BF-1 in the first stage

Representing the first step as part of our goal to become a standout global supplier, our targets for the first stage of the plan (fiscal 2013 to fiscal 2017) for the final year ending March 2018 are net sales of ¥100 billion and operating income of ¥10 billion (operating margin: 10%). Specifically, while promoting the evolution and deepening of current businesses, we are enhancing our R&D and market development efforts to help establish new businesses. These initiatives are based on the five BF-1 guidelines of evolution of global market strategy; product evolution; evolution in manufacturing; new business creation; and evolution in management quality.

In the first four years of the plan, our overseas sales have increased by 20%, or ¥7.1 billion, as we have steadily expanded the Group's global operations. However, it will be hard to achieve the numerical targets

for the final year of BF-1 due to various factors, including slower growth of emerging economies; delayed progress in developing and launching new products and in implementing cost-reduction measures; and an increase in SG&A expenses due to our upfront investments to reform production and improve management quality.

In fiscal 2017, leveraging the progress we have made during the first four years of BF-1 on the core themes of the evolution and deepening of current businesses and the creation of new businesses, we will use these successes as the foundation for better performance in BF-2 (fiscal 2018 to fiscal 2022), while also seeking to address any outstanding issues. Specifically, while accelerating efforts to entrench the evolution and deepening of current businesses and promote cost structural reforms, we will seek to foster development of new businesses as future pillars of the Bando Group based on application of core technology.

BF-1 Numerical targets and progress

(¥ billion)	Fiscal 2012 results	Fiscal 2017 forecasts	vs. fiscal 2012	BF-1 targets (fiscal 2017)	Deviation from forecasts
Net sales	85.7	91.0	+5.3	100.0	-9.0
Operating income	4.0	6.0	+2.0	10.0	-4.0
Operating margin	4.8%	6.6%	+1.8%	10.0%	-3.4%

Key Initiatives for Final Year of BF-1

Strengthen the Automotive Parts Business

The upward trend in sales from products for four-wheeled vehicles stalled in fiscal 2016, despite substantially higher sales of accessory drive power transmission belts for four-wheeled vehicles in India and ASEAN. This reflected an increase in the production of belt-free vehicles such as hybrids in Japan, along with lower production at some major customers in China and South Korea. In fiscal 2017, we will reinforce our earnings base by launching products for new applications and establishing innovative manufacturing methods.

In terms of introducing products with new applications, demand is growing for drivetrain components such as synchronous transmission belts for use in hybrids and electric vehicles. We aim to focus all our development resources on such products to expand sales from new applications. With automotive accessory drive power transmission belts, based on the outlook for continued growth in global sales of gasoline-powered vehicles, our focus is on establishing innovative manufacturing methods and on realizing an optimized global production structure to boost earnings further.

In belts for two-wheeled vehicles, our original high-value-added products such as Double Cog Belts™ are proving popular with customers. We now supply these products in India and Vietnam to local producers as well as Japanese manufacturers. With new production facilities coming on stream, we expect to augment both our production capacity and competitiveness in these two markets in fiscal 2017 as we seek to reinforce our share-leading global position.



Double Cog Belts™

Strengthen the Industrial Products Business

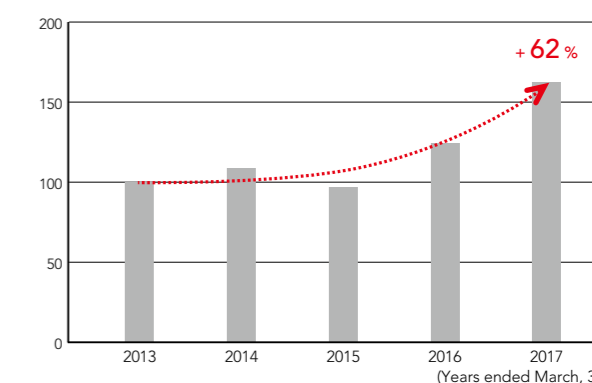
In our Industrial Products Business, a key focus remains on generating higher earnings from belts for agricultural machinery. With this sector enjoying solid growth in China and Asia, we aim to boost earnings by expanding our sales channels and introducing new belts for use in large agricultural machinery.

In conveyor belts, we have improved margins by focusing on high-value-added lines such as fire/heat-resistant belts to avoid price competition. Going forward, we will seek to strengthen our profitability further using the new production line at the Kakogawa Plant (operational since 2016) and more precisely targeted marketing efforts.

We are also trying to grow the portfolio of this

business based on sales expansion of high-value-added products, such as the Bando Wiper Edge™ EX seal blade, a world-first polyurethane product for use with machine tools.

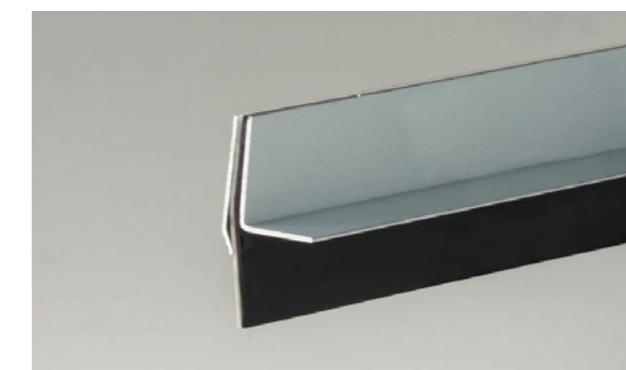
Net sales of industrial power transmission belts (China)



*Net sales in 2013 as 100 (After eliminating effects of foreign currency fluctuations)

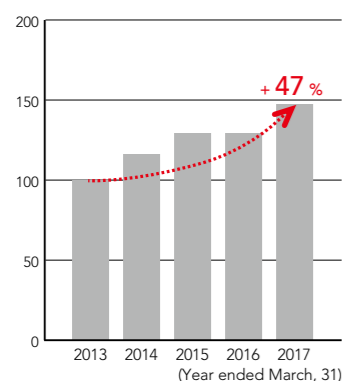


Belts for agricultural machinery



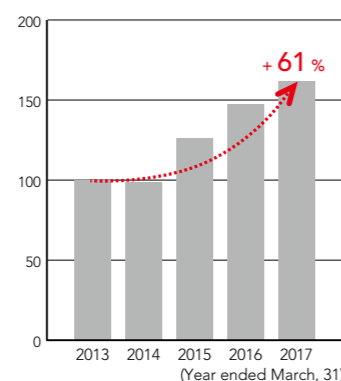
Bando Wiper Edge™ EX

Net sales of automotive parts (India/ASEAN)



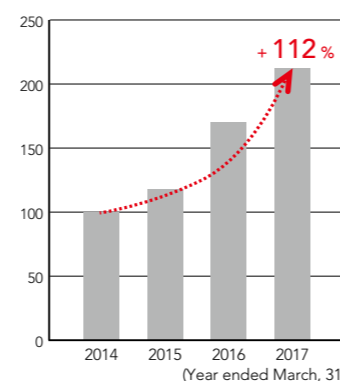
*Net sales in 2013 as 100 (After eliminating effects of foreign currency fluctuations)

Net sales of belts for two-wheeled vehicles (India)



*Net sales in 2013 as 100 (After eliminating effects of foreign currency fluctuations)

Net sales of belts for two-wheeled vehicles (Vietnam)



*Net sales in 2014 as 100 (After eliminating effects of foreign currency fluctuations)

Strengthen the Advanced Elastomer Products Business

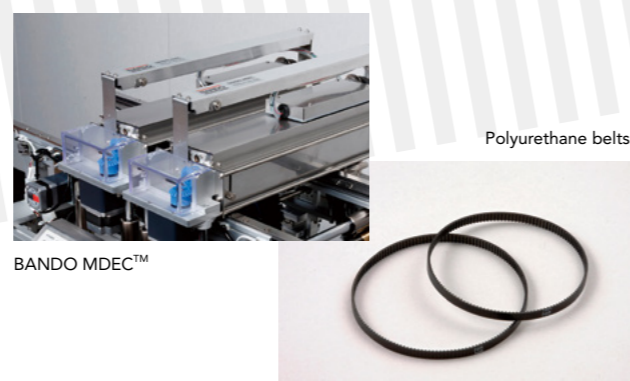
In the Advanced Elastomer Products Business, we have been shifting focus toward the field of optoelectronics materials due to the ongoing contraction of the market for office automation (OA) equipment, which has been our key target. For example, the BANDO MDEC™ cleaning system for eliminating and collecting micro-dust by contact charging control on the roller surfaces is one of the products

that we expect to drive future growth.

Our polyurethane synchronous belts such as the BANCOLLAN™ STS Belts are extremely flexible and abrasion-resistant, and allow good power transmission/conveyance while keeping equipment clean of rubber dust. We see market demand for these products growing in a range of areas such as precision instruments and robotics. We have developed new manufacturing methods for these belts at the Ashikaga Plant to lower mass-production costs, and

we remain focused on developing new products.

With our high-performance films, we are not only selling them as standalone items, but also marketing them as decorative high-value-added materials for use in construction or automotive applications.

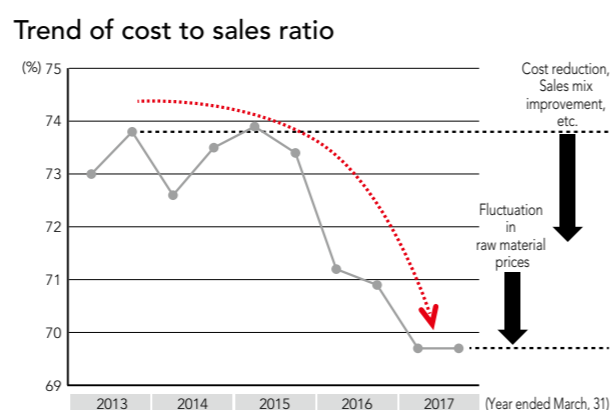


Cost structural reform

Cost structural reform is a critical backbone of our efforts to strengthen each of the Group's businesses. We have been working to reduce costs during BF-1 with the aim of achieving profitability targets of a 10% operating margin, cost to sales ratio of 70% or less, and SG&A expense ratio of 20% or less.

Over the past two years we have improved the cost to sales ratio significantly, lowering it by about 4 percentage points with a mixture of cost reductions and sales mix improvements, backed by a decrease in raw material prices. We achieved the BF-1 target of 70% or less in fiscal 2016. Since further reductions in raw material prices are likely to be difficult going forward, we aim to make further improvements based on the aforementioned innovative manufacturing methods and an optimized global production structure.

Our SG&A expense ratio is still rising due to IT investments aimed at improving management quality and boosting efficiency. Our aim is to lower the ratio to 20% or less once investments peak and we start to reap related cost benefits. As long as the cost to sales ratio stays at 70% or less, this will result in an operating margin of at least 10%.



New business creation

In new business creation, we are honing our core technologies for compounding, dispersing and combining elastomers and resins, and combining these with new technologies to develop new products and markets so that we can build up another business to act as a next-generation pillar for the Company.

In BF-1, environmental protection, energy

conservation and high performance have been the key objectives for product R&D. Over the last four years, we have focused on the sectors of optoelectronics, automotive/transportation, power electronics, robotics, and welfare/nursing care. We now have a range of new products that are either on sale or approaching mass production.

For example, we have begun mass production of thermal conductive sheets for industrial equipment applications. These products can help lower

the thermal resistance of power semiconductors, digital household appliances and other electronic devices. We also expect the applications and sales of these products to grow as the electronics shift in the auto market accelerates. Elsewhere, in April 2017 we began sales of LASHINGBITE™, a tension meter for lashing belt for cargo that we developed

jointly with major logistics firm Sankyu Inc. This product improves the reliability of transportation by helping prevent the collapse of loaded cargoes. We have also started selling C-STRETCH™, an elastic strain sensor, for applications related to equipment used in the welfare sector. This is another product where we expect applications to broaden over time.

Progress of new businesses creation

Target areas	Product development	Research	Product development/ Customer assessment	Mass production
Optoelectronics	Optically clear adhesive sheets Free Crystal™		Final customer assessment (launch expected in first half of fiscal 2017)	
	Metal nanoparticle ink FlowMetal™		Customer assessment, mass production scale-up complete (launch expected in second half of fiscal 2017)	
Automotive/ transportation	Power electronics			
	Thermal conductive sheets		Mass production and sales begun for industrial equipment applications Development of new applications underway	
	Metal nanoparticle bonding material FlowMetal™		Under assessment by multiple customers to use in bonding with power devices and LEDs	
	Tension meter for lashing belt for cargo LASHINGBITE™		Sales launched	
Robotics	Industrial robotic devices ZEUS/GIGA (Supporting communications standards)		Assessment for DeviceNET/Profibus/Ethernet, etc., complete, launch in fiscal 2017	
Welfare/ nursing care	Elastic strain sensor C-STRETCH™		Sales launched for welfare sector Development of new applications underway	

Corporate governance and CSR activities to support value creation

As can be seen with these new businesses, and as embodied in the Group's management philosophy, our strength is fundamentally committed to reacting flexibly to change and addressing social issues through constant innovation. We will continue to focus on improving corporate governance and CSR activities to support our unwavering commitment to value creation.

In 2016, to strengthen corporate governance, we adopted a new governance structure based on a Company with an Audit & Supervisory Committee. In our CSR activities, our aim is to build trust and to foster harmonious coexistence with all our stakeholders, including customers, employees, suppliers and other business partners, shareholders and investors, and local communities.

In closing, I ask all our stakeholders for their continued support and understanding.

Our Innovation in 3 Domestic Plants



Kakogawa Plant
Renewed conveyor belt production line
 High-productivity, integrated line delivering high quality and precision using new production technology after installation of state-of-the-art equipment



Ashikaga Plant
Innovative production lines via development of precision urethane belts and related manufacturing methods
 High-productivity, small-scale molding line delivering high quality based on rubber compounding and new production technologies and automation



Nankai Plant
Innovative production lines based on development of transmission belts and related manufacturing methods
 High-productivity, energy-saving line delivering high quality with low losses based on rubber compounding and new production technologies and automation

“Cost Competitiveness Innovation”

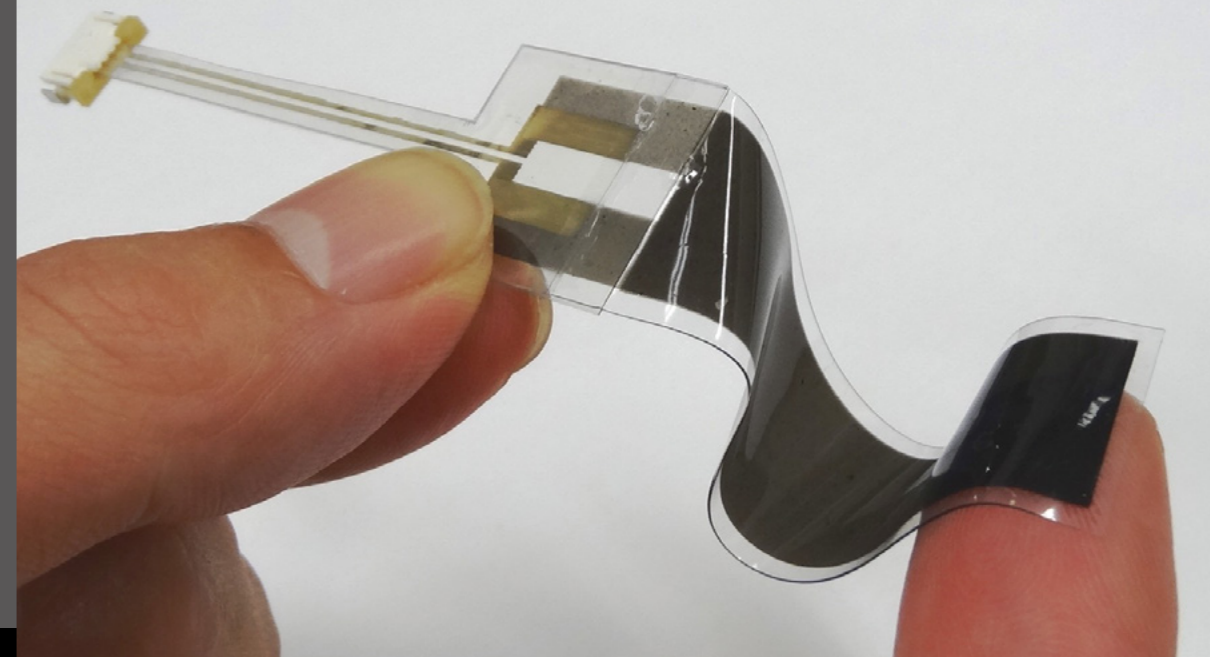
We renewed production lines at our three plants in Japan, concentrating investment in the BF-1 period. These moves improved three aspects of productivity, namely labor (from automation), resources (from loss reduction) and capital (from restricted capex), thereby increasing the Group’s overall competitiveness.

Hisashi Samejima
 Senior Executive Officer

Creating New Value

Addressing social issues

Elastic strain sensor C-STRETCH™



Strain sensor using highly elastic, super-soft rubber

- Measures changes in small loads without interfering with movement
- Potential applications in medical/nursing care field (such as rehabilitation-related products) and in sportswear (for data analysis)

Social Issue: Develop sensor adapted to clinical setting



Our Solution: Use rubber/urethane compounding, film processing and dispersion technologies (for conductive materials)

The product of Bando’s excellent technical expertise, C-STRETCH™ is a high-value-added innovation with great social contribution potential. We are now developing it for applications in the fields of medical, welfare and nursing care.

Katsuhiko Hata
 Senior Executive Officer,
 General Manager, R&D Center



Automotive Parts Business

Established innovative manufacturing methods and developed new product applications



Atsushi Sameda
Executive Officer, General Manager,
Automotive Parts Division

Segment Strengths

- Excellent processing technologies and compounding technologies for raw rubber materials
- Solid relationships with customers, including joint development with automakers
- Relatively strong customer base with customers diversified to a certain degree

Performance for the Fiscal Year Ended March 31, 2017

The segment achieved net sales of ¥40,321 million, down 5.9% from the previous fiscal year. Results by region are as follows.

Europe, America & other

Net sales decreased 12.6% year on year, owing to weaker sales of accessory drive power transmission belts, which reflected order-taking with an emphasis on profitability in the U.S., despite higher sales of repair parts and high levels of automobile output.

China

Net sales declined 15.8% from the previous fiscal year, owing to lower output at key customers and a decline in sales due to appreciation of the yen, even though sales increased in the repair market thanks to aggressive marketing activities.

Asia

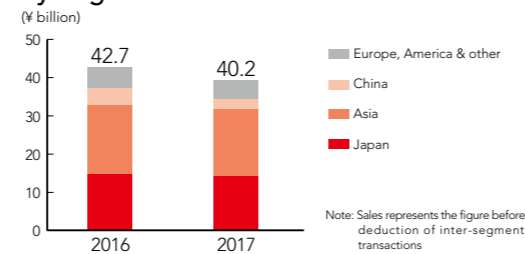
Net sales edged down 4.1% from the previous fiscal year due to yen appreciation, despite higher sales of variable speed belts for scooters in the ASEAN region, as well as higher sales on a local currency basis from brisk production at automakers in Thailand.

Japan

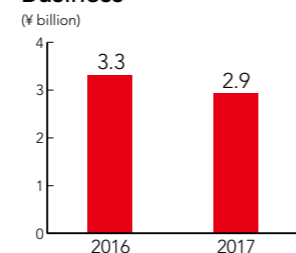
Net sales declined 2.5% year on year due to weaker sales on lower production volumes at major customers amid sluggish sales of small vehicles and an increase in belt-free vehicles, despite steady sales in the repair market thanks to aggressive marketing activities and the introduction of new products, amid a decrease in the number of automobile inspections.

Segment profit fell 11.6% year on year to ¥2,937 million, owing mainly to an increase in imported raw material prices due to foreign currency translation effects in China and Asia, as well as yen appreciation.

Sales of Automotive Parts Business by Region



Segment Profit of Automotive Parts Business



Segment Risks and Opportunities

Risks

- Long-term contraction in the domestic market
- Lower prices and less usage of rubber belt products from the proliferation of hybrid cars, downsizing turbocharged vehicles, and small vehicles
- Spread of automobiles without traditional engines, such as electric vehicles, over the longer term

Opportunities

- Growth in overseas repair parts market, such as in China, Southeast Asia and the Middle East
- Growth in high-value-added business opportunities, such as improvements in silence and transmission efficiency
- Further growth in business opportunities in Asian countries such as India and Vietnam where demand is brisk for motorcycles
- More demand for rubber belts apart from those for auxiliary drives due to the increased use of electronics in automobiles

Key Initiatives for the Fiscal Year Ending March 31, 2018

In products for four-wheeled vehicles, we aim to expand sales in aftermarket parts (China and Latin America) and acquire OEM business with Chinese automakers and European automakers. Moreover, we plan to enhance the value added to mainstay products and develop products for fields other than auxiliary drive applications, while establishing innovative manufacturing methods for mainstay products and creating an optimal global production system through advances in automation.

In products for two-wheeled vehicles, we aim to expand business with Japanese and non-Japanese OEMs in Asia. In Vietnam, we plan to strengthen production capacity and cost competitiveness by constructing new plants and ramping up production.

Moreover, we aim to boost sales in the repair market by approaching sales agencies based on a market strategy map.

Environmental Initiatives

At the Nankai Plant, which manufactures accessory drive power transmission belts for four-wheeled vehicles, we replaced mercury lamps with LED lighting (65 lights) for energy savings of 60,000 kWh annually and a CO₂ reduction of 29.8t-CO₂ per year*.

* Fiscal 2016 results



Inside Nankai Plant
(Measurement of illuminance/temperature/power)

Industrial Products Business

Focus on expanding sales in China and Asia, improving profitability of conveyor belts



Satoshi Matsuo
Executive Officer, General Manager,
Industrial Products Division

Segment Strengths

- Competitive products based on core technologies, relatively strong earnings foundation
- Top share of domestic market in friction transmission belts as industrial materials
- Strong in repair market thanks to robust sales agency network

Performance for the Fiscal Year Ended March 31, 2017

For the fiscal year ended March 31, 2017, net sales declined 5.0% year on year, to ¥31,446 million. Results by region are as follows.

Europe, America & other

Despite higher sales on a successful effort to expand sales in Turkey, net sales fell 10.9% compared with the previous fiscal year, owing primarily to weak demand related to capital investment in the U.S., a decline in sales of industrial power transmission belts due to the strong yen, and weaker sales in South America.

China

Net sales rose 15.1% year on year from stronger sales of power transmission belts for agricultural and industrial machinery from efforts to boost sales, as well as higher sales of light-duty conveyor belts.

Asia

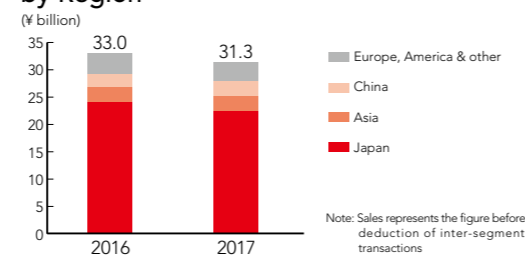
Net sales rose only 0.6% year on year on account of yen appreciation, despite higher sales of power transmission belts for industrial and agricultural machinery on stronger sales in Thailand, Vietnam and India, as well as stronger demand for light-duty conveyor belts in Thailand and Vietnam.

Japan

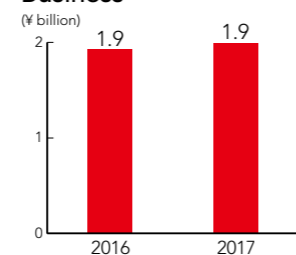
Net sales decreased 6.7% from the previous fiscal year, reflecting weaker sales of conveyor belts due to order-taking with an emphasis on profitability, and lower sales of industrial power transmission belts due to weaker demand related to capital investment.

Segment profit was ¥1,992 million, a year on year increase of 3.5%, owing to higher profits on order-taking in conveyor belts that focused on profitability, stronger sales of power transmission belts for agricultural machinery and industrial power transmission belts, as well as light-duty conveyor belts in China, and higher sales of power transmission belts for agricultural machinery and light-duty conveyor belts in Thailand and Vietnam.

Sales of Industrial Products Business by Region



Segment Profit of Industrial Products Business



Segment Risks and Opportunities

Risks

- Impact from contraction in domestic market
- Impact of changes in rubber prices on raw materials costs
- Stiffer price competition due to large number of rivals

Opportunities

- Further productivity improvements and streamlining based on core technologies
- Expansion in applications overseas, other than automobiles
- Development of markets in the U.S., China and Southeast Asia

Key Initiatives for the Fiscal Year Ending March 31, 2018

In industrial power transmission belts, we aim to increase sales of power transmission belts overseas by expanding sales channels in China and Asia. We will focus on boosting sales of high value-added products, such as Wiper Edge™EX and belts for large agricultural machinery. We plan to build an optimized global production structure by advancing capital investment in stages at overseas bases.

In conveyor belts, we aim to improve profitability of

conveyor belts through production line innovations, while differentiating characteristic products from those of rivals and developing services. We will also advance marketing tailored to each market for light-duty conveyor belts, and strengthen our ability to propose solutions with products and services through consolidation of domestic sales companies.

Environmental Initiatives

We promote modal shift*1 by using railway containers to transport raw materials and parts between the Kakogawa Plant, which manufactures conveyor belts, and the Ashikaga Plant, resulting in the reduction of 80.3 tons of CO₂ annually compared with previously used forms of transportation*2.

*1 Emissions of greenhouse gasses from railway transportation are about one-eighth the amount from truck transportation.

*2 Fiscal 2016 results



Railway containers with Bando's corporate logo

Advanced Elastomer Products Business

Developing new markets with high-value-added products



Takayuki Nagase
Executive Officer, General Manager,
Advanced Elastomer Products Division

Segment Strengths

- Development of high-performance products utilizing accumulated expertise in elastomer materials technology and molding technology
- Catering to customer needs by leveraging characteristics of materials such as polyurethane and engineering plastics
- Catering to customer needs by adding functionality based on leveraging characteristics of polyolefin, polyvinyl chloride, polyester and polyurethane plastics

Performance for the Fiscal Year Ended March 31, 2017

For the fiscal year ended March 31, 2017, net sales declined 4.5% year on year, to ¥14,914 million. Results by region are as follows.

Precision Parts

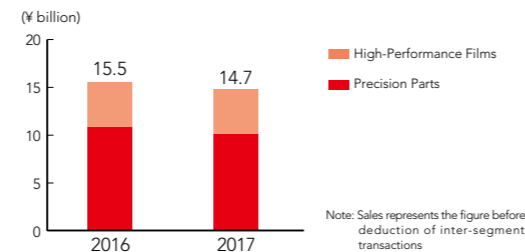
Sales of cleaning blades, resin components and other products fell due to the impact of lower production by our main customers, office equipment manufacturers in Japan and overseas. Overall, sales fell 7.2% year on year.

High-Performance Films

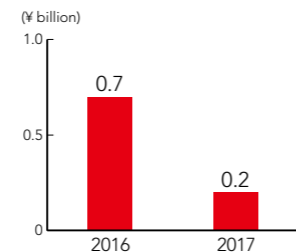
Sales of films used in construction materials and industrial materials increased, reflecting solid demand for domestic non-housing applications. While sales of films for medical applications also rose, sales to major customers of films for decorative displays declined. Total sub-segment sales fell 0.1% year on year.

Segment profit fell 61.3% to ¥294 million, reflecting lower sales of precision parts and negative changes in the sales mix for high-performance films.

Sales of Advanced Elastomer Products Business



Segment Profit of Advanced Elastomer Products Business



Segment Risks and Opportunities

Risks

- Falling demand for precision parts due to declining usage of paper media in Japan and shift to in-house manufacture by some customers

Opportunities

- Growth in sales of high value-added products such as PS (Precision Seamless) Belts; new business creation
- Using more highly processed, high value-added functional films to enter building materials and automotive markets

Key Initiatives for the Fiscal Year Ending March 31, 2018

In functional films, we will seek to expand sales of more highly processed, high valued-added product lines rather than focusing on the stand-alone films business. Specifically, in the market for building materials, we will differentiate our products from competitors' as ones that combine functionality and design with the convenience of small batch customization. In the automotive sector, we will continue to market our films for use in motorcycle accessories and in materials for vehicle interiors.

In precision parts, we are working to reduce our reliance on the OA equipment market by developing non-OA applications for precision belts. We are also focused on growing sales of strategic products for the optoelectronics market, including abrasive films, Free Crystal™, and the BANDO MDEC™ cleaning system. Other initiatives include reducing costs with the use of a new mass-production method for urethane belts.

Environmental Initiatives

The BANDO eco moving solar power facility installed at the Ashikaga Plant, which makes advanced elastomers, generates 2,328 MWh* of power annually. This is sold to

the Tokyo Electric Power Company Group under Japan's feed-in tariff system for renewable energy.

* Fiscal 2016 results



Solar panels at the BANDO eco moving solar power facility

Sustainability Management/CSR

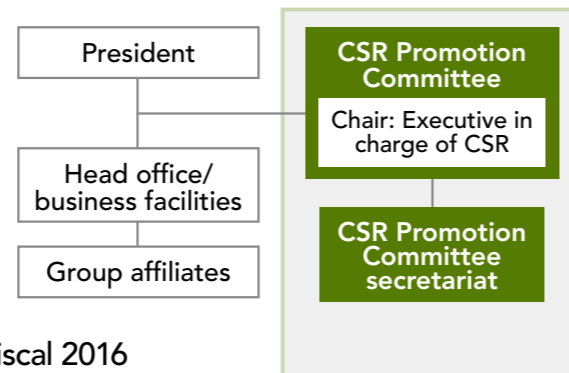
Basic Stance on Corporate Social Responsibility (CSR)

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 2016

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

CSR promotion themes	Compliance/Business Ethics	The Environment	Quality
	<p>The Group fully complies with the law and takes sincere actions to gain the trust of society</p> <p>Legal Compliance Committee</p>	<p>Work for environmental preservation by developing eco-friendly products and by being attentive to the environment in manufacturing practices</p> <p>Head Office Environment Committee; Manufacturing Planning Center, Safety and Environmental Promotion Department</p>	<p>Provide safe and reliable products and services</p> <p>Manufacturing Planning Center, Quality Control Department</p>
Major achievements	<ul style="list-style-type: none"> Held Code of Conduct workshops for affiliates Provided information security training via e-learning system and training on targeted e-mail attacks 	<ul style="list-style-type: none"> Reduced unit volume of waste generation Raw material-related wastes ±0% (year on year) Packaging-related wastes -5% (year on year) Unit volume of energy consumption increased by 3.0% (year on year) Suppressed VOC emissions by 66% (compared to fiscal 2000) Raised Eupatorium japonicum (thoroughwort), an endangered species, in Kakogawa Plant 	<ul style="list-style-type: none"> Held Bando QC Circle Convention 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	Social Contribution	Information Disclosure
	<p>Allow employee growth through their work, and provide safe, dynamic workplaces</p> <p>Head Office Health and Safety Committee; Human Resources Department; Manufacturing Planning Center, Safety and Environmental Promotion Department</p>	<p>Recognize the importance of communication with society, individual contributions to the community, and Company-wide contributions to society for environmental preservation</p> <p>General Administration Department</p>	<p>Timely and proper information disclosure to stakeholders</p> <p>Finance and Accounting Department; General Administration Department</p>
Major achievements	<ul style="list-style-type: none"> Selected as a "2017 Health & Productivity Stock Selection" Held mental health classes and walking activities Health and safety education and installation of disaster simulation equipment (Work-related injuries resulted in lost time during the fiscal year under review: 1 in Japan, 1 in domestic affiliates, 16 in overseas affiliates) 	<ul style="list-style-type: none"> Supported volunteer activities Participated in activities organized by local resident associations, and cleanup, public safety and disaster prevention initiatives Conducted tours of Company facilities 	<ul style="list-style-type: none"> Convened procurement policy briefings Published periodic CSR reports and business reports, and provided information on the Group's websites Held investor relations briefings

Environmental Accounting

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

		Fiscal 2014		Fiscal 2015		Fiscal 2016		Main projects in fiscal 2016
		Capital investment	Expenses	Capital investment	Expenses	Capital investment	Expenses	
Business area cost	Pollution control	13,708	59,535	2,220	55,466	49,513	57,240	Installed leakage prevention plate and wastewater treatment systems
	Global environmental conservation	3,344	3,623	6,688	1,761	17,649	3,889	Upgrades to air conditioning
	Resource recycling	847	166,114	2,476	147,780	3,770	151,340	Waste disposal
Upstream/downstream cost		0	0	0	121	0	293	Re-use of packaging materials
Administration cost		0	23,350	0	25,174	996	30,822	Environmental measurement, etc.
R&D cost		0	29,493	0	22,644	0	21,190	R&D for environmental products
Social activity cost		0	5,634	675	5,880	681	4,566	Greenification
Environmental remediation cost		0	1,177	0	669	0	640	
Total		17,899	288,927	12,059	259,495	72,609	269,980	

				¥ thousand		
Environmental conservation benefit	Fiscal 2014	Fiscal 2015	Fiscal 2016			
Business area	20,077	22,640	16,501			
Upstream/downstream	0	0	0			
Other	0	0	0			
Total	20,077	22,640	16,501			

Promotion of Safety and Health Management Activities

In activities to manage safety and health, the Company aims to improve key performance indicators such as the rate of frequency of injuries resulting in lost time, and engages in risk assessment, takes steps to ensure facility safety and provides safety sensitivity improvement training.

With regard to safety sensitivity improvement training, classes on safety sensitivity are implemented to increase awareness of work-inherent dangers, and nurture an ability to take appropriate action through simulated experiences of the danger of being caught or stuck in production equipment for which there is a high risk of danger with the Company's equipment. Employees eligible for training were expanded to the entire Group in the fiscal year ended March 31, 2015, and safety sensitivity improvement training is now conducted at all domestic plants, the R&D Center and domestic affiliates.

Moreover, the Company has introduced training programs that use disaster simulation equipment at overseas production bases. The equipment has been installed at eight key bases. In the fiscal year ended March 31, 2017, disaster simulation equipment was installed at Kee Fatt Industries Sdn. Bhd., an equity-method affiliate in Malaysia, and the employees there were trained in using the equipment.



Safety sensitivity improvement training (the U.S.)



Safety sensitivity improvement training (Malaysia)



Safety sensitivity improvement training (Turkey)

Sustainability Management/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 labor unions. In line with such thinking, the Company focuses on ensuring sound, transparent and efficient management by enhancing its corporate governance system.

Board of Directors

Bando aims to further enhance auditing and oversight functions by adopting a Company with an Audit & Supervisory Committee structure.

The Company's Board of Directors consists of seven members, with three of those seven members serving as members of the Audit & Supervisory Committee. 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. The Board's three external directors are charged with the independent oversight of business operations. 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.

(1) Before the transition to a Company with an Audit & Supervisory Committee
(from April 1, 2016 until the conclusion of the 93rd Ordinary General Meeting of Shareholders)

	Number of Persons	Total Compensation	Compensation Limit
Directors (of which, external directors)	6 (2)	¥23 million (¥4 million)	¥240 million or less annually
Audit & Supervisory Board Members (of which, external audit & supervisory board members)	4 (3)	¥13 million (¥8 million)	¥7 million or less monthly
Total (of which, external directors and external audit & supervisory board members)	10 (5)	¥36 million (¥12 million)	

Audit & Supervisory Committee

The Audit & Supervisory Committee is composed of three members serving as external directors and one member serving on a full-time basis. Under the Companies Act, external directors must command a majority on the Audit & Supervisory Committee. Ensuring this ratio is higher than the statutory minimum enables auditing and business oversight activities to be multi-faceted and undertaken by experts from a variety of fields.

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. The Audit & Supervisory Committee must approve the appointment of directors who will serve on it. The Audit & Supervisory Committee also deliberates on the remuneration of said directors.

In the fiscal year ended March 31, 2017, the total amount of director and audit & supervisory board member compensation is shown below.

(2) After the transition to a Company with an Audit & Supervisory Committee
(from the conclusion of the 93rd Ordinary General Meeting of Shareholders until March 31, 2017)

	Monetary Remuneration		Stock Remuneration		Total Compensation
	Number of Persons	Total Amount	Number of Persons	Total Amount	
Directors not serving as members of the Audit & Supervisory Committee (of which, external directors)	4 (0)	¥77 million (¥0 million)	4 (0)	¥19 million (¥0 million)	¥97 million (¥0 million)
Directors who serve as members of the Audit & Supervisory Committee (of which, external directors)	3 (3)	¥27 million (¥27 million)	0 (0)	¥0 million (¥0 million)	¥27 million (¥27 million)
Total (of which, external directors)	7 (3)	¥104 million (¥27 million)	4 (0)	¥19 million (¥0 million)	¥124 million (¥27 million)

Notes:

- As of March 31, 2017, the Company has four directors not serving as members of the Audit & Supervisory Committee (no external directors), and three directors who serve as members of the Audit & Supervisory Committee (including three external directors).
- After the transition to a Company with an Audit & Supervisory Committee, the total monetary remuneration of directors not serving as members of the Committee was limited to a maximum of ¥190 million per year, and the total monetary remuneration of directors who serve as members of the Committee was limited to a maximum of ¥84 million per year.
- The total monetary remuneration for directors not serving as members of the Committee includes a profit-linked component for the fiscal year ended March 31, 2017, which is calculated based on the Company's criteria for profit-linked bonus (non-executive directors and part-time directors are not eligible for this benefit). Projected payments are included in reserves.
- The total amount of stock remuneration is the amount of costs recorded for 19,949 stock award points (equivalent to 19,949 shares of company stock) awarded to executive directors in accordance with performance during the

fiscal year ended March 31, 2017. The maximum number of stock award points that can be awarded to executive directors during a single fiscal year is 108,000 points.

The profit-linked bonus and stock remuneration is compensation based on annual performance from April 1, 2016 through March 31, 2017. Compensation for the period from April 1, 2016 until the end of the 93rd Ordinary General Meeting of Shareholders includes compensation after the transition to a Company with an Audit & Supervisory Committee.

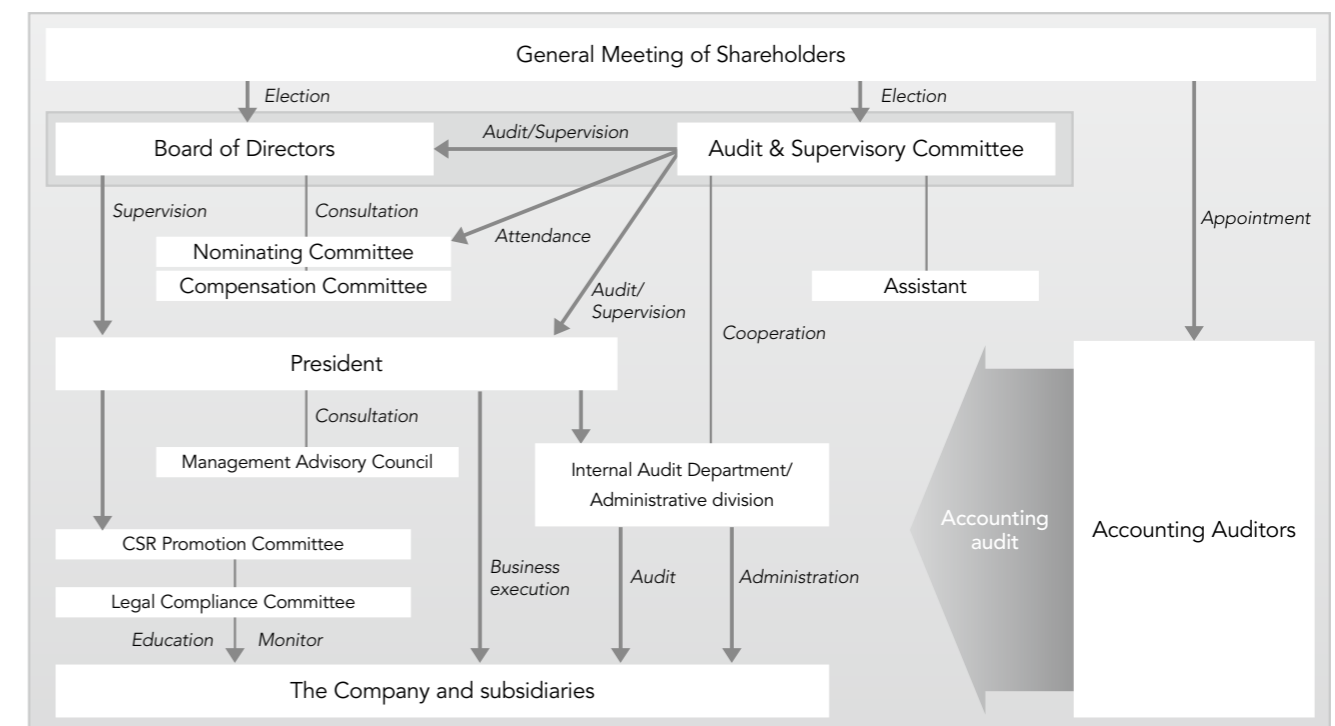
5. In addition to the above, the salaries and bonuses for employees who concurrently serve as directors were as follows for the fiscal year from April 1, 2016 to March 31, 2017.

Two employee salaries: ¥36 million
Two employee bonuses: ¥12 million

6. In addition to the above, based on a resolution approved by the 81st Ordinary General Meeting of Shareholders, the Company paid the following retirement bonus to a retired board member.

One auditor: ¥5 million

Management organization and corporate governance



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 Company 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 Bando Group will work to further improve the effectiveness of internal control 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 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 internal audits which include the internal control system (covering internal control system for financial reporting) of all departments as well as domestic and overseas affiliates. Accompanied by the Audit & Supervisory Committee members in principal, the Internal Audit Department conducts on-site audits at Company's business facilities and affiliates, the results of which are reported to the president, directors not serving as members of the Audit & Supervisory Committee and the Audit & Supervisory Committee.

Basic Policy on Information Disclosure

The Group proactively engages in public relations and investor relations activities with the intention of quickly disclosing information to stakeholders on the basis of transparency, fairness and consistency. The Group discloses information in strict accordance with laws and regulations under the Financial Instruments and Exchange Act and set by the Tokyo Stock Exchange. In addition, the Group makes a concerted effort to disclose information in a timely fashion that furthers the understanding of its activities. At Bando, the General Administration Department is responsible for public relations, including the timely disclosure of information.

* Details of the Company's disclosure policy are provided at the following.

<http://www.bandogrp.com/eng/ir/management/disclosure.html>

Disclosures Based on Principles of Japan's Corporate Governance Code

The Company complies with the principles of the Corporate Governance Code.

Principle 1.4 Cross-Shareholdings

Cooperative relationships with a range of firms across fields such as financing, development, procurement,

production and sales are essential if the Company is to prevail as a manufacturer of rubber and plastic components against fierce global competition. The Company's policy is to own shares in suppliers where it is judged that, in line with business strategy, maintaining or strengthening stable, long-term commercial relationships with such firms would contribute to the enhancement of the Group's corporate value over the mid-to-long term.

Decisions relating to the exercise of any voting rights pertaining to cross-shareholdings are taken based on a general consideration of whether the proposed voting resolution is (a) consistent with the aforementioned policy, and (b) likely to contribute to the enhancement of the corporate value of the equity issuer over the medium and long term.

Principle 1.7 Related Party Transactions

Any related party transactions involving the Company's directors or major shareholders must be approved and reported in accordance with internal rules to prevent any transactions that would be detrimental to the interests of the Company or shareholders. The status of any transactions between the Group and directors or their close relatives (within two degrees of kinship) is subject to periodic reporting.

Principle 3.1 Full Disclosure

1. Details of the Company's Management Philosophy and mid-to-long term business plans are provided in this Annual Report (p. 1, p. 20, p. 21) and on the Company's website.
<http://www.bandogrp.com/eng/corporate/index.html>
<http://www.bandogrp.com/eng/ir/index.html>
2. Details of the Company's basic stance on corporate governance and related policies are provided in this Annual Report (p. 36).
3. Remuneration of executive directors consists of basic salary, a profit-linked bonus and performance-linked stock remuneration, while non-executive directors are entitled only to a basic salary. Limits on director remuneration are determined by resolution of the General Meeting of Shareholders. Current maximum annual remuneration is set at ¥190 million for all directors not serving as members of the Audit & Supervisory Committee, and at ¥84 million for all directors serving as Audit & Supervisory Committee members. Besides this direct monetary

remuneration, directors are collectively entitled to annual grants of performance-linked stock remuneration of up to ¥50 million that are held in trust (this excludes non-executive directors). Any remuneration for directors is separate to salary and bonuses to which they are entitled for any concurrent position as an employee.

To ensure greater transparency in determining remuneration for directors, the Company has instituted the Compensation Committee, which is composed of the president, a director serving as an Audit & Supervisory Committee member, and an external director. The Board of Directors approves proposals for director remuneration based on the deliberation and advice of the Compensation Committee. With regard to the remuneration of directors serving as Audit & Supervisory Committee members, any proposals are approved by the Board of Directors following Audit & Supervisory Committee consultation.

4. Any internal candidates for appointment to a director's position must satisfy the nomination criteria listed below.
 - (1) Adequate comprehension of, and the ability to implement, the Company's "Management Philosophy," "Our Corporate Goals," "Management Policy," and the "Group Code of Conduct"
 - (2) Strong determination to maximize value for shareholders and corporate value, coupled with the ability to display strong leadership
 - (3) Ability to make practical, mature business decisions in a management capacity
 - (4) Strong business ethics and high integrity and value

Candidates for nomination as external director must have the capacity to provide independent oversight of operational execution and counsel and advice to contribute to sustained growth in corporate value, based on an appreciation of corporate management and business strategy.

Candidates for nomination as director serving as an Audit & Supervisory Committee member must have the capacity to conduct auditing and oversight activities from general and specialist viewpoints, based on an appreciation of aspects of business such as management, finance, accounting and risk management. The Articles of Incorporation set the

maximum numbers of directors as 10 for directors not serving and five for directors serving on the Audit & Supervisory Committee.

To ensure greater transparency in appointment of directors, the Company has instituted the Nominating Committee, which is composed of the president, a director serving as an Audit & Supervisory Committee member, and an external director. The Board of Directors approves any candidates for appointment to director based on the deliberation and advice of the Nominating Committee. With regard to the appointment of any directors serving as Audit & Supervisory Committee members, nominations are confirmed by the Board of Directors after their approval by the Audit & Supervisory Committee, based on the advice of the Nominating Committee.

The reasons behind director candidate nominations are mentioned in the Notification of the 94th Ordinary General Meeting of Shareholders.

<http://www.bandogrp.com/eng/ir/stockholder/pdf/170529-94rd.pdf>

Supplementary Principle 4.1.1

Besides any statutory items or other matters as stipulated in the Articles of Incorporation, the Board of Directors deliberates and determines important matters related to business execution as stipulated in the regulations pertaining to the Board of Directors, including management policies and plans, personnel-related decisions, plans for financing and capital investment, and the establishment or dissolution of subsidiaries or affiliates. Responsibility for deciding other items of business is delegated by the Board to the president. In addition, in accordance with Japanese laws and regulations and the Articles of Incorporation, with the Company's transition to a Company with an Audit & Supervisory Committee, some important business matters have been delegated to the president. To help improve the speed and efficiency of business execution, the president can delegate authority to make decisions on these matters to corporate executive officers as appropriate.

Principle 4.9 Independence Standards and Qualification for Independent Directors

In nominating candidates for independent director, the Nominating Committee ensures that such persons satisfy the independence criteria set by stock exchanges and are also capable of fulfilling their role and

responsibilities from an independent standpoint. The rationales for the appointment of those independent directors serving as of June 22, 2017 are summarized below.

Takahiro Matsusaka

Many years of experience and related business knowledge gained working in managerial positions in financial institutions afford Mr. Matsusaka the capacity to conduct auditing and oversight activities from general and specialist viewpoints. He is not influenced by the views of Sumitomo Mitsui Banking Corporation (SMBC), a major business partner of the Company, due to the 13 years that he has spent working at other companies since leaving SMBC. Moreover, it is judged that the Company's decision-making is not subject to any undue influence by SMBC since (a) the Company conducts business with a number of financial institutions, (b) business with SMBC is conducted on the same terms as with other banks, and (c) loans from SMBC are equivalent to only about 5% of the Company's total assets. Hence, since there is no conflict of interest with ordinary shareholders as defined by the Tokyo Stock Exchange, Mr. Matsusaka has a high degree of independence.

Takashi Shigematsu

Many years of experience gained working as an engineer or manager in manufacturing firms and a related wealth of knowledge enable Mr. Shigematsu to conduct auditing and oversight activities from an independent perspective. In addition, Mr. Shigematsu concurrently holds the positions of Chairman & Representative Director at FUJITSU TEN LIMITED, and Outside Director at Murata Manufacturing Co., Ltd. As the Company does not have any special relationships with either FUJITSU TEN LIMITED or Murata Manufacturing Co., Ltd., there is no conflict of interest with ordinary shareholders as defined by the Tokyo Stock Exchange, and Mr. Shigematsu has a high degree of independence.

Haruo Shimizu

Many years of experience gained working as a manager in manufacturing firms and a related wealth of knowledge enable Mr. Shimizu to conduct auditing and oversight activities from an independent perspective. In addition, the lack of any special relationship between the Company and EXEDY Corporation or Suminoe Textile Co., Ltd. means that there is no conflict of

interest with ordinary shareholders as defined by the Tokyo Stock Exchange, and that Mr. Shimizu has a high degree of independence.

Supplementary Principle 4.11.1

The Company ensures that the composition of the Board of Directors includes a diverse range of talented people of impeccable character with suitable experience and knowledge, taking into consideration the business environment and the related issues faced at the time. With regard to the size of the Board, to ensure lively and frank exchanges of opinion, the limits on the number of directors have been set at 10 for directors not serving and five for directors serving on the Audit & Supervisory Committee.

Supplementary Principle 4.11.2

Directors concurrently occupy the following positions with other listed companies.

Takahiro Matsusaka

Corporate Auditor, BANDO INDUSTRIAL COMPONENTS & SERVICES, LTD.

Takashi Shigematsu

*Chairman & Representative Director, FUJITSU TEN LIMITED
Outside Director, Murata Manufacturing Co., Ltd.*

Haruo Shimizu

*Corporate Adviser, EXEDY Corporation
Outside Director, Suminoe Textile Co., Ltd.*

Supplementary Principle 4.11.3

The Company has analyzed and evaluated the effectiveness of the Board of Directors at its meetings held in 2016. This involved directors completing a self-evaluation questionnaire on the operation of the Board of Directors. The Board chairperson conducted an analysis and evaluation and reported the results to the Board for internal discussion. The exercise concluded that the Board's lively discussion based on multi-faceted viewpoints supported its effective operation.

Supplementary Principle 4.14.2

The Company provides directors with training as required on or after appointment through training seminars, the provision of literature regarding directorial roles and responsibilities, and by providing other opportunities to acquire required knowledge at the Company's expense. External directors are provided with materials and explanation to ensure a basic knowledge of the Company's operations, and opportunities

are provided to visit offices and factories in Japan and abroad as deemed appropriate.

Principle 5.1 Policy for Constructive Dialogue with Shareholders

Regarding all shareholders and investors as important stakeholders, the Company believes it is important to deepen mutual understanding based on a constructive dialogue about how to enhance corporate value and to use such dialogue as the basis for proper management policy. In line with such thinking, the executive director in charge of administrative functions oversees the dialogue in coordination with the central departments responsible for finance, general affairs and corporate planning and provides briefings to domestic and foreign institutional investors, and disclosure of information such as the details and progress of business plans, Group performance, and returns to shareholders. In these meetings, the president and the senior management of the Company seek to engage in dialogue with institutional investors about long-term creation of corporate value so that stakeholder views can better be reflected in the management of the business. The full online disclosure of any materials presented at such meetings via the Company's website ensures fair disclosure to individual investors and shareholders. Since the General Meeting of Shareholders also provides another valuable opportunity to engage with shareholders, the Company seeks to avoid holding it on the most popular dates, and also ensures that adequate time is allocated to the Q&A session.

The content of dialogue with shareholders and investors is reported as necessary to the Board of Directors, and executive officer meetings. The Company has also instituted policies on disclosure and insider trading as part of efforts to prevent any occurrence of insider trading.

Message from an External Director

Contributing to Genuine Diversity of Thinking for Bando



Takahiro Matsusaka

External Director
(Chair of the Audit & Supervisory Committee)

Bando Chemical Industries, Ltd. transitioned to a Company with an Audit & Supervisory Committee one year ago. The Committee is currently composed of three external directors. With the administrative support that we receive from the Company, I believe that we are performing an effective auditing and supervising role.

In this role, the Committee adopts a different perspective to the operational side of the business, one that I think acts as a check on the application of traditional modes of thinking. I often refer to it as one of challenging established preconceptions.

Aiming to realize a more lively discussion at Board of Directors meetings after the move to the governance model based on an Audit & Supervisory Committee, the Company has created opportunities for the Committee members to be briefed by the members of the execution side before Board meetings on any specific proposals, the background to them and how they came to be made. This practice has developed to the point where we now receive general presentations on any plans under deliberation, regardless of the

upcoming Board meeting agenda. This helps us apply experience to provide advice to senior management and to discuss the direction of the Company's future plans based on shared information.

Promoting greater diversity is one of the issues that we must address as a company. In Japan, diversity is often taken to mean promoting the advancement of women. Personally, however, I feel the most critical aspect of it is the need to cultivate a broad diversity of ideas and viewpoints.

As a banker, I have participated in discussions at the Japan Association of Corporate Executives on the topic of regional revitalization. In developing towns, it is often said the three most influential groups of people in transforming a region are the young people, the eccentrics, and the outsiders. In other words, to develop communities you need to have people who can come up with fresh ideas rather than sticking to how things have been done in the past. This applies to a company as well. At Bando, we need to change our mindset by thinking in the same way as young people, eccentrics, and outsiders.

While I have 30 years' experience in banking and then spent 10 years as an executive of a company with insurance agency and real estate companies, it is difficult for me to make any contribution as somebody with experience of making or selling products. What I can do is cooperate and allocate governance roles with other Committee members who possess manufacturing backgrounds. In those business areas where I have experience, I can provide my external perspective. In areas outside my expertise, though, I can take advantage of my inexperience and lack of knowledge in the sense that I can adopt the fresh perspective of someone less experienced so as not to be swayed unduly by traditional ways of corporate thinking, or else to be a know-it-all. In this way, I believe that I can help Bando to encourage genuine diversity of thinking.

Management (As of June 22, 2017)

Board of Directors



President and Representative Director:
Mitsutaka Yoshii



Member of the Board:
Kyosuke Nakamura



Member of the Board:
Shinji Kashiwada



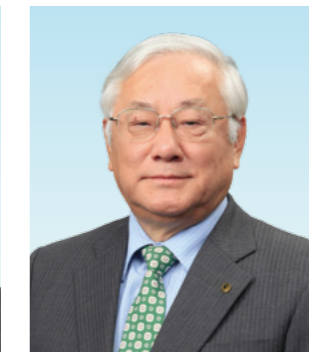
Member of the Board:
Atsushi Sameda



Member of the Board (Audit & Supervisory Committee Member):
Takahiro Matsusaka
(External)



Member of the Board (Audit & Supervisory Committee Member):
Takashi Shigematsu
(External)



Member of the Board (Audit & Supervisory Committee Member):
Haruo Shimizu
(External)

Corporate Executive Officers

President:
Mitsutaka Yoshii

Senior Executive Officers:
Kyosuke Nakamura
Shinji Kashiwada
Masao Ohara
Keiji Iwai
Masayuki Kitabayashi
Hisashi Samejima
Katsuhiko Hata

Executive Officers:
Katsuya Yamaguchi
Takayuki Nagase
Kazuyuki Mamba
Satoshi Matsuo
Atsushi Sameda
Tsutomu Okada

Management's Discussion and Analysis

Operating Environment

During the fiscal year ended March 31, 2017, the U.S. economy saw firm personal consumption backed by a recovery in both internal and external demand, while in Europe there was a modest economic recovery amid uncertainty about the future, namely with respect to Brexit. Meanwhile, prolonged economic slowdown continued in China, while in Asia the economy was somewhat stagnant on the whole, despite the limited impact of the mood of self-restraint in Thailand following the death of the king, India's abolition of large currency bills, and other factors. In Japan, the modest economic recovery continued.

In the automotive sector, a key market for the Bando Group, automobile production was firm in the U.S. and Europe, in continuation from the previous fiscal year. In China, the number of automobiles produced increased year on year as the effect of reduced taxes levied on small cars continued. In Japan, automobile production was on par with the previous fiscal year, due to the decline in sales of light vehicles, but there was a decline in production of vehicle models using belts due to the increase in production of hybrids and other beltless vehicle models. In the industrial machinery field, demand was weak despite signs of a pickup in domestic capital investment. In the construction sector, a main market for high-performance films, there was strong demand in both housing and non-housing starts.

Business Overview

Fiscal 2016 was the fourth year of the first stage of the Group's "Breakthroughs for the future" mid-to-long term business plan covering the period of fiscal 2013 to fiscal 2022. We focused our efforts on increasing sales of transmission belts for automobiles, two-wheeled vehicles, agricultural equipment and industrial machinery, and of light-duty conveyor belts. We continued to develop the Group's customer base, notably across China and the ASEAN region.

In addition, we advanced the development of a number of products with specifications optimal for the

market, including the FR7000 Series, Japan's first self-extinguishing conveyor belt which is both heat and flame resistant, the Power Ace™ Aramid Combo, Japan's first tie band, narrow profile V-belt which employs high-modulus aramid core wires, and the BANDO FR-BIOS™, a conveyor belt specifically for use in biomass power plants.

With respect to new product development, we moved ahead on research based on a comprehensive cooperation with Kobe University, and developed products such as the optically clear adhesive sheet Free Crystal™. In addition, during the Bando Techno Fair 2016 held as part of activities to commemorate our 110th anniversary, we unveiled a variety of products we have under development.

In addition, we were proud to be selected as a 2017 Health & Productivity Stock Selection by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) in recognition of our strategic focus on employee health from a management perspective.

Operating Results

Consolidated net sales in the fiscal year ended March 31, 2017, were ¥88,387 million, a decline of 5.2% year on year. This decline was partly due to the impact of the yen's appreciation, along with other factors.

Operating income declined 1.1% year on year to ¥5,896 million, as the decline in raw materials procurement costs and cost-cutting efforts did not completely make up for the impact of the exchange rate and the decline in sales.

Although the SG&A ratio rose 0.9 percentage points to 23.6% reflecting labor costs increase, the cost-to-sales ratio improved 1.2 percentage points to 69.7% due to successful efforts to reduce costs. As a result, the operating margin improved by 0.3 percentage points to 6.7%.

Profit attributable to shareholders of the parent rose 12.9% year on year to ¥4,951 million. This reflected the improvement in foreign exchange losses and share of profit of entities accounted for using the equity method, as well as the decline in tax expenses.

Operating Results by Business Segment

Automotive Parts Business

Sales of automotive accessory drive power transmission belts and system products declined overall in Japan. Sales of aftermarket parts were on par with the level of the previous fiscal year due to proactive sales activities and the introduction of new products, but sales to automobile manufacturers declined due to factors including the increase in beltless vehicles as well as weak sales of small vehicles. Consequently, overall sales in Japan declined compared with the previous fiscal year.

Meanwhile, sales of variable speed belts for scooters increased overseas due to our focus on proactively cultivating customers in the ASEAN region. Also, sales of automotive accessory drive power transmission belts and system products increased in Thailand due to strong production of automobiles. Overall sales overseas increased on a local currency basis, but declined due to the impact of the yen's appreciation.

As a result, segment net sales declined 5.9% year on year to ¥40,321 million. Segment profit declined 11.6% year on year to ¥2,937 million due to the impact of the yen's appreciation and other factors, despite thorough cost reduction efforts as well as initiatives to improve the profitability of overseas production bases.

Industrial Products Business

Overall sales of industrial power transmission belts declined, as there was a decline in sales of power transmission belts for industrial machinery demand in Japan and the U.S. due to the impact of sluggish capital investment, despite an increase in sales of power transmission belts for agricultural machinery and industrial machinery due to improved sales in China and the ASEAN region.

Although proactive initiatives to cultivate customers in Japan, China and the ASEAN region resulted in growth in sales of resin conveyor belts (Sunline™ Belts), overall

sales of conveyor belts declined due to our focus on receiving orders with an emphasis on profits.

As a result, segment net sales fell 5.0% year on year to ¥31,446 million. However, segment profit increased 3.5% year on year to ¥1,992 million, due to thorough cost reduction efforts, an emphasis on the profitability of orders received, and other factors.

Advanced Elastomer Products Business

In precision performance products, sales of cleaning blades, resin components, and other products declined due to the impact of lower production by our main customers, office equipment manufacturers in Japan and overseas.

Meanwhile, in high-performance films products, sales of films for construction materials, industrial use and medical applications increased as a result of proactive marketing efforts against a backdrop of strong non-housing-related demand in Japan.

As a result, segment net sales fell 4.5% year on year to ¥19,914 million. Segment profit declined 61.3% year on year to ¥294 million, owing to the drop in sales, the change in the sales mix, and other factors.

Other Business

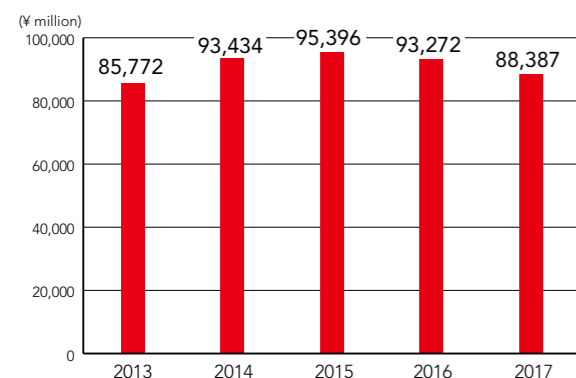
Bando is engaged in other business, such as the manufacture and sales of robot-related devices. Sales in other business declined 4.6% year on year to ¥2,510 million. Segment profit increased 54.9% to ¥427 million.

Financial Position

Total assets as of March 31, 2017 amounted to ¥96,695 million, an increase of ¥5,930 million year on year. Current assets increased by ¥5,280 million due to an increase in cash and cash equivalents, while other assets increased by ¥999 million due to factors including an increase in investments in securities.

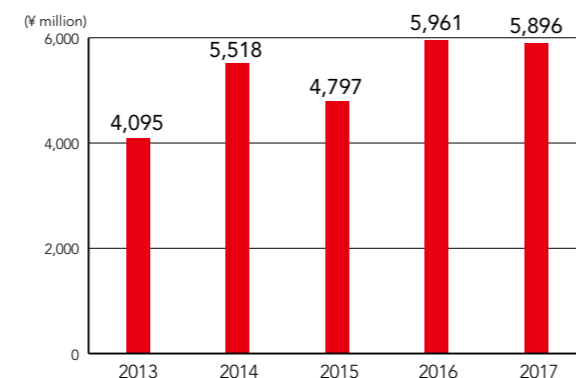
Total liabilities increased by ¥2,393 million compared

Net sales*

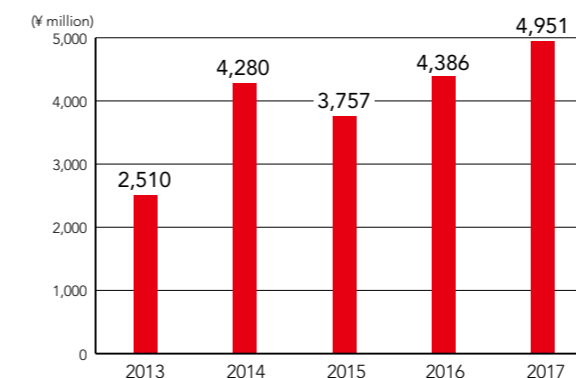


* Fiscal year endings are March 31.

Operating income*

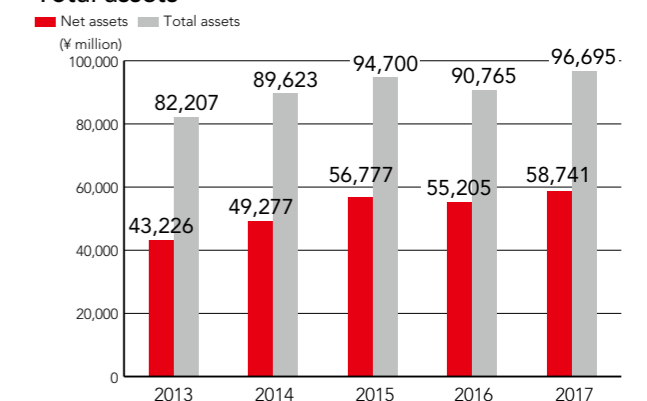


Profit attributable to shareholders of the parent*



* Fiscal year endings are March 31.

Net assets Total assets*



Management's Discussion and Analysis

with the previous year-end to ¥37,954 million. Current liabilities decreased by ¥207 million, and long-term liabilities increased by ¥2,601 million due to factors including an issue of corporate bonds.

Net assets increased ¥3,536 million from the previous fiscal year-end to ¥58,741 million. Retained earnings increased ¥3,832 million due partly to the recording of profit attributable to shareholders of the parent, and treasury stock increased ¥1,099 million.

As a result, the equity ratio increased 0.1 percentage points from 60.4% at the previous fiscal year-end to 60.5%.

Capital Investment and Fund Procurement

Capital investment undertaken in the fiscal year ended March 31, 2017 totaled ¥4,558 million. Major capital investment items are shown below. The financing required was obtained from the Company's own funds and borrowings. From the standpoint of diversifying fund procurement, an issue of domestic unsecured bonds procured funds of ¥6.0 billion.

Business Segment	Amount (¥ million)	Main Activities
Automotive Parts Business	¥2,050	Installed new – and expanded or upgraded existing – manufacturing equipment, developed new manufacturing process, new construction of manufacturing plant
Industrial Products Business	950	Installed new – and expanded or upgraded existing – manufacturing equipment
Advanced Elastomer Products Business	671	Installed new – and expanded or upgraded existing – manufacturing equipment, developed new manufacturing process
Other	885	Installed new system and research equipment
Total	¥4,558	

Cash Flow

Net cash provided by operating activities totaled ¥6,800 million, compared with ¥9,038 million provided in the previous fiscal year, with the recording of income before income taxes of ¥6,553 million.

Net cash used in investing activities was ¥4,639 million, compared with ¥4,184 million used in the previous fiscal year. This was due to the booking of ¥4,004 million in expenses for the purchase of property, plant and equipment, ¥515 million in expenses for the purchase of intangible assets, and other factors.

Net cash provided by financing activities was ¥422 million, compared with ¥3,049 million used in the previous fiscal year. This was due to the booking of ¥5,957 million in proceeds from issuance of bonds, expenditure of ¥3,000 million for the redemption of bonds, and other factors.

As a result, cash and cash equivalents as of March 31, 2017 totaled ¥18,936 million, up ¥2,499 million compared with the previous fiscal year-end.

Earnings Forecasts for the Year Ending March 31, 2018

In the fiscal year ending March 31, 2018, despite concerns about future economic prospects, including uncertainty surrounding the political and economic situations overseas, the global economy is expected to grow due to adjustments to excess production capacity in China, the recovery of the U.S. economy, and an economic pickup in resource-rich countries. In Japan, despite ongoing sluggish personal consumption and lack of momentum in capital investment by companies, the economy is in the midst of a modest recovery attributable to the increase in public investment tied to economic measures, the pickup in overseas economies, and other factors.

Based on this situation, the Group will aim to achieve its management targets under the five guidelines in the last fiscal year of the first stage of the "Breakthroughs for the future" mid-to-long term business plan. For the fiscal year ending March 31, 2018, we are forecasting consolidated net sales of ¥91,000 million, up 3.0% year on year, operating income of ¥6,000 million, up 1.8%, and profit attributable to shareholders of the parent of ¥4,900 million, down 1.0%.

Basic Policy Regarding the Distribution of Profits

Our basic policy is to enhance the return of profits and aim for making stable dividend payments targeting a consolidated payout ratio of 30% over the near term, while considering our earnings and financial position. 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, to further enhance corporate value.

On February 10, 2017, we announced that the year-end dividend for the fiscal year ended March 31, 2017, would be ¥12, but this amount was increased to ¥14 following a comprehensive consideration of the aforementioned policies, operating results for the fiscal year, and other factors. We plan to pay a ¥15 year-end dividend for the fiscal year ending March 31, 2018. Combined with the interim dividend, this will result in a planned annual dividend of ¥30 per share.

On October 1, 2016, the Company conducted a reverse stock split, consolidating two shares of common stock into one share.

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, 2017.

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.

Consolidated Balance Sheets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2017 and 2016

Assets	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current Assets:			
Cash and cash equivalents	¥ 18,936	¥ 16,436	\$ 168,781
Time deposits	587	545	5,232
Notes and accounts receivable:			
Trade	18,824	16,731	167,788
Other	261	265	2,329
Electronically recorded monetary claims — operating	1,789	1,617	15,943
Allowance for doubtful accounts	(39)	(38)	(344)
Inventories	10,904	10,509	97,191
Deferred tax assets	551	458	4,909
Other current assets	988	997	8,813
Total Current Assets	52,801	47,520	470,642
Property, Plant and Equipment:			
Land	6,436	6,507	57,366
Buildings and structures	27,857	27,605	248,302
Machinery and equipment	56,960	55,942	507,710
Construction in progress	1,168	1,508	10,415
Other	13,701	13,281	122,129
	106,122	104,843	945,922
Accumulated depreciation	(76,985)	(75,356)	(686,206)
Property, Plant and Equipment, Net	29,137	29,487	259,716
Other Assets:			
Intangible assets	1,549	1,189	13,807
Investments in securities	6,183	5,287	55,110
Investments in affiliates	5,305	5,041	47,286
Deferred tax assets	404	966	3,601
Other, net	1,316	1,275	11,728
Total Other Assets	14,757	13,758	131,532
Total Assets	¥ 96,695	¥ 90,765	\$ 861,890

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current Liabilities:			
Short-term borrowings	¥ 1,421	¥ 1,555	\$ 12,668
Current portion of long-term debt	3,111	3,513	27,732
Notes and accounts payable:			
Trade	9,259	9,908	82,531
Electronically recorded obligations — operating	3,407	2,767	30,364
Construction and other	3,627	3,587	32,332
Income taxes payable	1,065	439	9,491
Provision for loss on liquidation of subsidiaries and associates	10	31	89
Other current liabilities	2,873	3,180	25,607
Total Current Liabilities	24,773	24,980	220,814
Long-term Liabilities:			
Long-term debt	10,982	7,548	97,884
Net defined benefit liability	2,007	2,918	17,889
Other long-term liabilities	192	114	1,716
Total Long-term Liabilities	13,181	10,580	117,489
Net Assets:			
Common stock			
Authorized: 187,000,000 shares			
Issued 2016 and 2017 — 47,213,536 shares	10,952	10,952	97,620
Capital surplus	2,995	2,970	26,698
Retained earnings	45,923	42,091	409,332
Treasury stock, at cost			
2016 — 327,080 shares			
2017 — 1,367,394 shares	(1,356)	(257)	(12,091)
Total Shareholders' Equity	58,514	55,756	521,559
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	2,060	1,431	18,362
Deferred gains on hedges	1	1	5
Foreign currency translation adjustments	(1,644)	(1,170)	(14,652)
Remeasurements of defined benefit plans	(410)	(1,232)	(3,651)
Total Accumulated Other Comprehensive Income	7	(970)	64
Non-controlling interests	220	419	1,964
Total Net Assets	58,741	55,205	523,587
Total Liabilities and Net Assets	¥96,695	¥90,765	\$861,890

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Consolidated Statements of Income			
Net Sales	¥88,387	¥93,272	\$787,835
Cost of Sales	61,596	66,097	549,034
Gross profit	26,791	27,175	238,801
Selling, General and Administrative Expenses	20,895	21,214	186,247
Operating income	5,896	5,961	52,554
Other Income (Expenses):			
Interest and dividend income	239	260	2,131
Interest expense	(232)	(288)	(2,070)
Equity in earnings of affiliates	592	509	5,274
Foreign exchange losses, net	(41)	(148)	(366)
Gain on sale of investments in securities	80	24	714
Loss on disposal of property, plant and equipment	(63)	(306)	(563)
Impairment loss	(18)	(92)	(159)
Provision for loss on liquidation of subsidiaries and associates	—	(92)	—
Other, net	100	258	898
Income before income taxes	6,553	6,086	58,413
Income Taxes:			
Current	1,728	1,598	15,410
Prior years	9	0	77
Deferred	(164)	30	(1,465)
Profit	4,980	4,458	44,391
Profit Attributable to Non-Controlling Interests			
	29	72	256
Profit Attributable to Shareholders of the Parent			
	¥ 4,951	¥ 4,386	\$ 44,135
Per Share of Common Stock			
	Yen	U.S. dollars	
	2017	2016	2017
Basic net income	¥107.90	¥ 93.91	\$ 0.96
Cash dividends	26.00	24.00	0.23
Consolidated Statements of Comprehensive Income			
	Millions of yen	Thousands of U.S. dollars	
	2017	2016	2017
Profit	¥ 4,980	¥ 4,458	\$ 44,391
Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities	629	(636)	5,608
Deferred gains on derivative instruments	0	1	2
Foreign currency translation adjustments	(365)	(3,063)	(3,253)
Remeasurements of defined benefit plans	823	(729)	7,333
Share of other comprehensive income in affiliates	(112)	(293)	(998)
Total other comprehensive income	975	(4,720)	8,692
Comprehensive Income	¥ 5,955	¥ (262)	\$ 53,083
Comprehensive Income Attributable to:			
Shareholders of the parent	¥ 5,929	¥ (312)	\$ 52,847
Non-controlling interests	26	50	236

Consolidated Statements of Changes in Net Assets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	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 (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency transaction adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2015	47,214	¥10,952	¥2,968	¥38,740	¥ (114)	¥2,061	¥ (0)	¥ 2,171	¥ (504)	¥503	¥56,777
Profit attributable to shareholders of the parent	—	—	—	4,386	—	—	—	—	—	—	4,386
Cash dividends	—	—	—	(1,035)	—	—	—	—	—	—	(1,035)
Purchases of treasury stock	—	—	—	—	(143)	—	—	—	—	—	(143)
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	0
Change in ownership interest of the parent arising from transactions with non-controlling shareholders	—	—	2	—	—	—	—	—	—	—	2
Net change in the year	—	—	—	—	—	(630)	1	(3,341)	(728)	(84)	(4,782)
Balance at April 1, 2016	47,214	10,952	2,970	42,091	(257)	1,431	1	(1,170)	(1,232)	419	55,205
Profit attributable to shareholders of the parent	—	—	—	4,952	—	—	—	—	—	—	4,952
Cash dividends	—	—	—	(1,120)	—	—	—	—	—	—	(1,120)
Purchases of treasury stock	—	—	—	—	(1,643)	—	—	—	—	—	(1,643)
Disposal of treasury stock	—	—	5	—	544	—	—	—	—	—	549
Change in ownership interest of the parent arising from transactions with non-controlling shareholders	—	—	20	—	—	—	—	—	—	—	20
Net change in the year	—	—	—	—	—	629	0	(474)	822	(199)	778
Balance at March 31, 2017	47,214	¥10,952	¥2,995	¥45,923	¥(1,356)	¥2,060	¥ 1	¥(1,644)	¥ (410)	¥220	¥58,741

	Thousands of U.S. dollars									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency transaction adjustments	Remeasurements of defined benefit plans	Non-controlling interests	Total net assets
Balance at April 1, 2016	\$97,620	\$26,475	\$375,174	\$ (2,288)	\$12,759	\$ 3	\$(10,426)	\$(10,984)	\$ 3,733	\$492,066
Profit attributable to shareholders of the parent	—	—	44,135	—	—	—	—	—	—	44,135
Cash dividends	—	—	(9,977)	—	—	—	—	—	—	(9,977)
Purchases of treasury stock	—	—	—	(14,648)	—	—	—	—	—	(14,648)
Disposal of treasury stock	—	45	—	4,845	—	—	—	—	—	4,890
Change in ownership interest of the parent arising from transactions with non-controlling shareholders	—	178	—	—	—	—	—	—	—	178
Net change in the year	—	—	—	—	5,603	2	(4,226)	7,333	(1,769)	6,943
Balance at March 31, 2017	\$97,620	\$26,698	\$409,332	\$(12,091)	\$18,362	\$ 5	\$(14,652)	\$(3,651)	\$ 1,964	\$523,587

Consolidated Statements of Cash Flows

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	2017
Cash Flows from Operating Activities:			
Income before income taxes	¥ 6,553	¥ 6,086	\$ 58,413
Adjustments for:			
Income taxes paid	(1,523)	(1,849)	(13,578)
Income taxes refunded	85	234	754
Depreciation and amortization	4,101	4,321	36,555
Amortization of goodwill and negative goodwill	9	10	81
Impairment loss	18	92	159
Increase in allowance for doubtful accounts	19	30	169
Increase in provision for share-based compensation	29	—	260
Decrease (increase) in provision for loss on liquidation of subsidiaries and associates	(17)	32	(155)
Increase (decrease) in liability for retirement benefits	277	(144)	2,472
Foreign exchange losses (gains), net	(52)	56	(463)
Equity in earnings of affiliates	(592)	(509)	(5,274)
Loss on sales and disposal of property, plant and equipment	58	257	520
Changes in assets and liabilities:			
Increase in notes and accounts receivable — trade	(2,519)	(8)	(22,455)
(Increase) decrease in inventories	(542)	634	(4,829)
Increase (decrease) in notes and accounts payable — trade	172	(810)	1,529
Other, net	724	606	6,449
Net Cash Provided by Operating Activities	6,800	9,038	60,607
Cash Flows from Investing Activities:			
Increase in time deposits	(50)	(94)	(448)
Purchases of property, plant and equipment	(4,004)	(3,883)	(35,690)
Proceeds from sales of property, plant and equipment	105	109	933
Purchases of intangible assets	(515)	(408)	(4,590)
Purchases of investments in securities	(20)	(19)	(175)
Proceeds from sales of investments in securities	110	35	984
Other, net	(265)	76	(2,363)
Net Cash Used in Investing Activities	(4,639)	(4,184)	(41,349)
Cash Flows from Financing Activities:			
Decrease in short-term borrowings	(115)	(1,050)	(1,025)
Proceeds from long-term borrowings	553	1,384	4,929
Payments on long-term borrowings	(529)	(2,049)	(4,717)
Proceeds from issuance of bonds	5,957	—	53,101
Redemption of bonds	(3,000)	—	(26,740)
Purchases of treasury stock	(1,642)	(141)	(14,640)
Proceeds from sales of treasury stock	367	1	3,274
Cash dividends paid	(1,119)	(1,035)	(9,977)
Cash dividends paid to non-controlling interests	(26)	(106)	(229)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(26)	—
Other, net	(24)	(26)	(213)
Net Cash Provided by (Used in) Financing Activities	422	(3,049)	3,763
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(83)	(1,066)	(737)
Net Increase in Cash and Cash Equivalents	2,500	739	22,284
Cash and Cash Equivalents at Beginning of Year	16,436	15,697	146,497
Cash and Cash Equivalents at End of Year	¥18,936	¥16,436	\$168,781

Corporate Data/Investor Information

Corporate Data

Company name: Bando Chemical Industries, Ltd.
 Founded: April 14, 1906
 Capital: ¥10,952 mil. (As of March 31, 2017)
 Consolidated sales: ¥88,387 mil. (FYE March 2017)
 Employees (Consolidated): 4,043 (As of March 31, 2017)

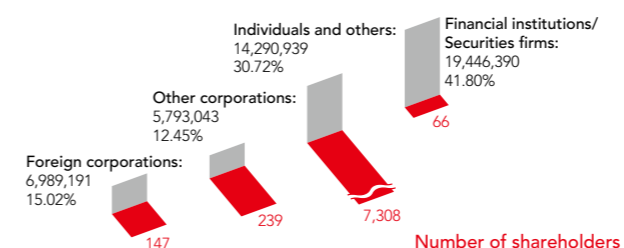
Investor Information (As of March 31, 2017)

Capital Stock

Shares Authorized: 187,000,000
 Shares Outstanding: 47,213,536
 (including 693,973 shares of treasury stock)
 Number of Shareholders: 7,761

Securities Traded: Tokyo Stock Exchange, Inc.

Composition of Shareholders



* On October 1, 2016, the Company changed its share unit from 1,000 to 100 shares and conducted a 2-to-1 stock consolidation.

Stock Price



* Since the Company conducted a 2-to-1 stock consolidation on October 1, 2016, the results from April 2012 to August 2016 are presented with adjusted values.

Principal Shareholders (As of March 31, 2017)

	Number of shares held (thousands)	Investment ratio (%)
Bando business partner stakeholders	3,803	8.17
Sumitomo Mitsui Banking Corporation	2,315	4.97
Mitsubishi UFJ Trust and Banking Corporation	2,002	4.30
Meiji Yasuda Life Insurance Company	2,000	4.29
Mizuho Bank, Ltd.	1,800	3.87
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,575	3.38
Japan Trustee Services Bank, Ltd. (trust account)	1,530	3.28
Nippon Life Insurance Company	1,174	2.52
The Master Trust Bank of Japan, Ltd. (trust account)	1,122	2.41
CBNY-GOVERNMENT OF NORWAY	920	1.97

Notes: 1. Investment ratios are calculated after deducting treasury stock (693,973 shares).
 2. Investment ratios listed above are rounded down to two decimal places.



www.bandogrp.com

BANDO CHEMICAL INDUSTRIES, LTD.

6-6, Minatojima Minamimachi 4-chome, Chuo-ku, Kobe, 650-0047, Japan