Appendix

BANDO CHEMICAL INDUSTRIES, LTD. and Subsidiaries

Fiscal year ended March 31, 2016
(April 1, 2015 — March 31, 2016)

Consolidated financial statements,
Notes to consolidated financial statements

Consolidated Balance Sheets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2016 and 2015

Assets	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 4) 2016
Current Assets:			
Cash and cash equivalents (Note 6)	**¥ 16,436**	¥ 15,697	**$ 145,938**
Time deposits (Note 6)	**545**	502	**4,840**
Notes and accounts receivable (Note 6):			
Trade	**16,731**	18,358	**148,568**
Other	**265**	87	**2,352**
Electronically recorded monetary claims - operating	**1,617**	965	**14,362**
Allowance for doubtful accounts	**(38)**	(31)	**(340)**
Inventories (Note 5)	**10,509**	11,801	**93,307**
Deferred tax assets (Note 11)	**458**	606	**4,070**
Other current assets	**997**	1,135	**8,857**
Total Current Assets	**47,520**	49,120	**421,954**
Property, Plant and Equipment:			
Land	**6,507**	6,768	**57,782**
Buildings and structures	**27,605**	27,892	**245,117**
Machinery and equipment	**55,942**	56,797	**496,732**
Construction in progress	**1,508**	1,349	**13,390**
Other	**13,281**	13,442	**117,921**
	104,843	106,248	**930,942**
Accumulated depreciation	**(75,356)**	(75,158)	**(669,117)**
Property, Plant and Equipment, Net	**29,487**	31,090	**261,825**
Other Assets:			
Intangible assets	**1,189**	1,375	**10,556**
Investments in securities (Notes 6 and 7)	**5,287**	6,262	**46,944**
Investments in affiliates (Note 6)	**5,041**	5,266	**44,755**
Deferred tax assets (Note 11)	**966**	207	**8,575**
Other, net (Note 6)	**1,275**	1,380	**11,332**
Total Other Assets	**13,758**	14,490	**122,162**
Total Assets	**¥ 90,765**	¥ 94,700	**$ 805,941**

See accompanying notes to consolidated financial statements.

Liabilities and Net Assets	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 4) 2016
Current Liabilities:			
Short-term borrowings (Notes 6 and 9)	¥ **1,555**	¥ 2,739	$ **13,809**
Current portion of long-term debt (Notes 6 and 9)	**3,513**	1,996	**31,196**
Notes and accounts payable (Note 6):			
Trade	**9,908**	11,254	**87,977**
Electronically recorded obligations - operating	**2,767**	3,035	**24,570**
Construction and other	**3,587**	3,131	**31,855**
Income taxes payable (Note 6)	**439**	431	**3,898**
Provision for loss on liquidation of subsidiaries and associates	**31**	–	**272**
Other current liabilities (Notes 6 and 11)	**3,180**	3,385	**28,234**
Total Current Liabilities	**24,980**	25,971	**221,811**
Long-term Liabilities:			
Long-term debt (Notes 6 and 9)	**7,548**	9,801	**67,025**
Net defined benefit liability (Note 10)	**2,918**	2,058	**25,909**
Other long-term liabilities (Notes 6 and 11)	**114**	93	**1,010**
Total Long-term Liabilities	**10,580**	11,952	**93,944**
Net Assets (Note 12)**:**			
Common stock			
Authorized: 378,500,000 shares			
Issued 2015 and 2016 − 94,427,073 shares	**10,952**	10,952	**97,247**
Capital surplus	**2,970**	2,968	**26,374**
Retained earnings	**42,091**	38,740	**373,741**
Treasury stock, at cost			
2015 − 378,000 shares			
2016 − 654,165 shares	**(257)**	(114)	**(2,279)**
Total Shareholders' Equity	**55,756**	52,546	**495,083**
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	**1,431**	2,061	**12,710**
Deferred gains (losses) on hedges	**1**	(0)	**3**
Foreign currency translation adjustments	**(1,170)**	2,171	**(10,387)**
Remeasurements of defined benefit plans	**(1,232)**	(504)	**(10,942)**
Total Accumulated Other Comprehensive Income	**(970)**	3,728	**(8,616)**
Non-controlling interests	**419**	503	**3,719**
Total Net Assets	**55,205**	56,777	**490,186**
Total Liabilities and Net Assets	¥ **90,765**	¥ 94,700	$ **805,941**

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

Consolidated Statements of Income	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2016
Net Sales	¥ **93,272**	¥ 95,396	$ **828,202**
Cost of Sales	**66,097**	69,997	**586,901**
Gross profit	**27,175**	25,399	**241,301**
Selling, General and Administrative Expenses (Note 13)	**21,214**	20,602	**188,373**
Operating Income	**5,961**	4,797	**52,928**
Other Income (Expenses):			
Interest and dividend income	**260**	220	**2,307**
Interest expense	**(288)**	(320)	**(2,558)**
Equity in earnings of affiliates	**509**	646	**4,522**
Foreign exchange gains (losses), net	**(148)**	223	**(1,313)**
Gain on sale of investments in securities	**24**	-	**214**
Loss on disposal of property, plant and equipment	**(306)**	(42)	**(2,719)**
Impairment loss (Note 17)	**(92)**	(410)	**(816)**
Provision for loss on liquidation of subsidiaries and associates	**(92)**	–	**(819)**
Other, net	**258**	206	**2,295**
	125	523	**1,113**
Income before income taxes	**6,086**	5,320	**54,041**
Income Taxes (Note 11)**:**			
Current	**1,598**	1,503	**14,188**
Prior years	**0**	–	**3**
Deferred	**30**	(33)	**270**
	1,628	1,470	**14,461**
Profit	**4,458**	3,850	**39,580**
Profit Attributable to Non-Controlling Interests	**72**	93	**633**
Profit Attributable to Shareholders of the Parent	¥ **4,386**	¥ 3,757	$ **38,947**

See accompanying notes to consolidated financial statements.

	Yen 2016	Yen 2015	U.S. dollars (Note 4) 2016
Per Share of Common Stock (Note 14)			
Basic net income	¥ **46.65**	¥ 39.95	$ **0.41**
Cash dividends	**12.00**	10.00	**0.11**

Consolidated Statements of Comprehensive Income	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 4) 2016
Profit	¥ **4,458**	¥ 3,850	$ **39,580**
Other Comprehensive Income (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities	**(636)**	567	**(5,647)**
Deferred gains (losses) on derivative instruments	**1**	(1)	**4**
Foreign currency translation adjustments	**(3,063)**	3,378	**(27,197)**
Remeasurements of defined benefit plans	**(729)**	546	**(6,472)**
Share of other comprehensive income in affiliates	**(293)**	218	**(2,597)**
Total other comprehensive income	**(4,720)**	4,708	**(41,909)**
Comprehensive Income	¥ **(262)**	¥ 8,558	$ **(2,329)**
Comprehensive Income Attributable to:			
Shareholders of the parent	¥ **(312)**	¥ 8,408	$ **(2,773)**
Non-controlling interests	**50**	150	**444**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	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, 2014	94,427	¥10,952	¥2,968	¥35,353	¥(102)	¥1,498	¥4	¥(852)	¥(1,049)	¥505	¥49,277
Cumulative effects of changes in accounting policies	–	–	–	149	–	–	–	–	–	–	149
Restated Balance at April 1, 2014	–	10,952	2,968	35,502	(102)	1,498	4	(852)	(1,049)	505	49,426
Profit attributable to shareholders of the pare	–	–	–	3,758	–	–	–	–	–	–	3,758
Cash dividends	–	–	–	(941)	–	–	–	–	–	–	(941)
Purchases of treasury stock	–	–	–	–	(12)	–	–	–	–	–	(12)
Change in fiscal year-end of consolidated subsidiaries	–	–	–	421	–	–	–	–	–	–	421
Net change in the year	–	–	–	–	–	563	(4)	3,023	545	(2)	4,125
Balance at April 1, 2015	94,427	10,952	2,968	38,740	(114)	2,061	(0)	2,171	(504)	503	56,777
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–
Restated Balance at April 1, 2015	–	10,952	2,968	38,740	(114)	2,061	(0)	2,171	(504)	503	56,777
Profit attributable to shareholders of the pare	–	–	–	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 March 31, 2016	**94,427**	**¥10,952**	**¥2,970**	**¥42,091**	**¥(257)**	**¥1,431**	**¥1**	**¥(1,170)**	**¥(1,232)**	**¥419**	**¥55,205**

	Thousands of U.S. dollars (Note 4)									
	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	$97,247	$26,356	$343,985	$(1,020)	$18,298	$(2)	$19,278	$(4,469)	$4,467	$504,140
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–
Restated Balance at April 1, 2015	97,247	26,356	343,985	(1,020)	18,298	(2)	19,278	(4,469)	4,467	504,140
Profit attributable to shareholders of the parent	–	–	38,947	–	–	–	–	–	–	38,947
Cash dividends	–	–	(9,191)	–	–	–	–	–	–	(9,191)
Purchases of treasury stock	–	–	–	(1,262)	–	–	–	–	–	(1,262)
Disposal of treasury stock	–	2	–	3	–	–	–	–	–	5
Change in ownership interest of the parent arising from transactions with non-controlling shareholders	–	16	–	–	–	–	–	–	–	16
Net change in the year	–	–	–	–	(5,588)	5	(29,665)	(6,473)	(748)	(42,469)
Balance at March 31, 2016	**$97,247**	**$26,374**	**$373,741**	**$(2,279)**	**$12,710**	**$3**	**$(10,387)**	**$(10,942)**	**$3,719**	**$490,186**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 6,086**	¥ 5,320	**$ 54,041**
Adjustments for:			
Income taxes paid	**(1,849)**	(2,480)	**(16,405)**
Income taxes refunded	**234**	8	**2,073**
Depreciation and amortization	**4,321**	4,386	**38,368**
Amortization of goodwill and negative goodwill	**10**	3	**88**
Impairment loss	**92**	410	**816**
Increase (decrease) in allowance for doubtful accounts	**30**	(5)	**269**
Increase in provision for loss on liquidation of subsidiaries and associate	**32**	–	**283**
(Decrease) increase in liability for retirement benefits	**(144)**	24	**(1,281)**
Foreign exchange losses (gains), net	**56**	(26)	**493**
Equity in earnings of affiliates	**(509)**	(646)	**(4,522)**
Loss on sales and disposal of property, plant and equipment	**257**	15	**2,278**
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable－trade	**(8)**	559	**(73)**
Decrease (increase) in inventories	**634**	(282)	**5,628**
Decrease in notes and accounts payable－trade	**(810)**	(557)	**(7,193)**
Other, net	**606**	1,332	**5,390**
Net Cash Provided by Operating Activities	**9,038**	8,061	**80,253**
Cash Flows from Investing Activities:			
Increase in time deposits	**(94)**	(143)	**(836)**
Purchases of property, plant and equipment	**(3,883)**	(2,945)	**(34,475)**
Proceeds from sales of property, plant and equipment	**109**	67	**966**
Purchases of intangible assets	**(408)**	(502)	**(3,620)**
Purchases of investments in securities	**(19)**	(16)	**(165)**
Proceeds from sales of investments in securities	**35**	12	**310**
Purchases of investments in subsidiaries	**–**	(241)	**–**
Other, net	**76**	(163)	**668**
Net Cash Used in Investing Activities	**(4,184)**	(3,931)	**(37,152)**
Cash Flows from Financing Activities:			
Decrease in short-term borrowings	**(1,050)**	(763)	**(9,320)**
Proceeds from long-term borrowings	**1,384**	1,500	**12,289**
Payments on long-term borrowings	**(2,049)**	(2,232)	**(18,197)**
Purchases of treasury stock	**(141)**	(12)	**(1,254)**
Cash dividends paid	**(1,035)**	(941)	**(9,191)**
Cash dividends paid to non-controlling interests	**(106)**	(4)	**(940)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(26)**	–	**(236)**
Other, net	**(26)**	(20)	**(229)**
Net Cash Used in Financing Activities	**(3,049)**	(2,472)	**(27,078)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(1,066)**	1,053	**(9,467)**
Net Increase in Cash and Cash Equivalents	**739**	2,711	**6,556**
Cash and Cash Equivalents at Beginning of Year	**15,697**	12,981	**139,382**
Increase in cash and cash equivalents due to change in fiscal year-end of consolidated subsidiaries	**–**	5	**–**
Cash and Cash Equivalents at End of Year	**¥ 16,436**	¥ 15,697	**$ 145,938**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries

1. Description of Business

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

2. Basis for Preparation of Consolidated Financial Statements

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

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

3. Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 26 subsidiaries (collectively, the "Companies") as of March 31, 2016 (25 subsidiaries as of March 31, 2015).

Bando Belting de Mexico, S.A. de C.V. was founded on October, 2015 and included in the scope of consolidation.

Investments in 7 affiliates, on which the Company have significant influence, are accounted for by the equity method as of March 31, 2016 and 2015, respectively.

Six overseas consolidated subsidiaries with fiscal year-end of December 31 prepare the provisional financial statements for consolidation purpose as of March 31.

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

(2) Foreign currency transactions

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

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

(3) Cash and cash equivalents

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

(4) Allowance for doubtful accounts

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

(5) Allowance for loss on liquidation of subsidiaries and associates

Allowance for loss on liquidation of subsidiaries and associates is provided for estimated losses arising from the liquidation of a certain consolidated subsidiary or associate of the Company.

(6) Inventories

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

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

(7) Investments in securities

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

(8) Property, plant and equipment

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

(9) Goodwill

Goodwill represents the cost in excess of fair value of net assets acquired in business combination accounted for by the purchase method. Goodwill is amortized over ten years by the straight-line method.

(10) Other intangible assets

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

(11) Research and development costs

Research and development costs are charged to income as incurred.

(12) Leases

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

(13) Retirement benefits

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

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

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

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

(14) Income taxes

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

The Company and certain of its domestic consolidated subsidiaries have applied the consolidated taxation system.

(15) Derivatives and hedging activities

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

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

(16) Per share information

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

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

(17) Changes in accounting policies

(Adoption of accounting standard for business combinations)

Effective April 1, 2015, the Company adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter, "Business Combinations Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, "Consolidated Financial Statements Standard") and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, "Business Divestitures Standard") and other related pronouncements. Accordingly, the Company's accounting policies have been changed, whereby the differences arising from changes in the Company's equity in a subsidiary over which the Company retains control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year of incurrence. In addition, for business combinations to be executed on or after April 1, 2015, the accounting treatment has been changed, whereby adjustments to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost are recognized in the consolidated financial statements for the consolidated fiscal year to which the date of business combination belongs. Furthermore, the Company has changed the presentation of net income and other related items, and the presentation of "minority interests" to "non-controlling interests." Certain amounts in the consolidated financial statements for the fiscal year ended March 31, 2015 have been reclassified to reflect these changes in presentation.

The Business Combinations Standard and other related pronouncements were applied prospectively from April 1, 2015 in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Financial Statements Standard and Paragraph 57-4(4) of the Business Divestitures Standard.

The impact of this change on the consolidated financial statements was insignificant.

For the consolidated statements of cash flows for the year ended March 31, 2016, cash flows related to acquisition or sale of subsidiaries' shares not resulting in a change in the scope of consolidation are presented in the section of "cash flows from financing activities" while cash flows related to costs incurred from acquisition or sale of subsidiaries' shares resulting in a change in the scope of consolidation or costs incurred from acquisition or sale of subsidiaries' shares not resulting in a change in the scope of consolidation are presented in the section of "cash flows from operating activities."

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

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(a) Outline

The accounting treatment for recoverability of deferred tax assets basically continues to follow the framework of the "Auditing Treatment on determining the recoverability of deferred tax assets" (JICPA Audit Committee Report No. 66), which classifies entities into five categories and estimates the amount of deferred tax assets to be recorded according to these categories, with certain revisions made to the following items, based on a review.

・Accounting treatment of companies that do not satisfy any requirement for Category 1 through Category 5
・Requirements for Category 2 and Category 3
・Accounting treatment for unscheduled future deductible temporary differences of companies that fall under Category 2
・Accounting treatment for reasonably estimated period for taxable income before temporary differences of companies that fall under Category 3
・Accounting treatment for companies that satisfy the requirements for Category 4 and also fall under Category 2 or Category 3

(b) Scheduled date of application

The Company will apply the implementation guidance effective April 1, 2016.

(c) Impact of application of the accounting pronouncements

The Company is currently evaluating the amount of impact from application of "Implementation Guidance on Recoverability of Deferred Tax Assets" on the consolidated financial statements.

(19) Change in the method of presentation

For the year ended March 31, 2016, "Loss on disposal of property, plant and equipment" which was included in "Other, net" for the year ended March 31, 2015 is separately presented because it became material. In order to reflect this change, the consolidated financial statements for the year ended March 31, 2015 were reclassified.

As a result, ¥42 million which was included in "Other, net" of "Other Income (Expenses)" for the year ended March 31, 2015 was reclassified as "Loss on disposal of property, plant and equipment."

(20) Additional information

The Company resolved at a meeting of its Board of Directors held on March 28, 2016 to submit a proposal for the consolidation of its shares (at a rate of one share for every two shares) to the Company's 93rd general shareholders meeting to be held on June 23, 2016, as described below.

(a) Reason for share consolidation and change in the share unit

Under the "Action Plan for Consolidating Share Trading Units," all domestic Japanese exchanges aim to standardize the stock trading units for common stock of all listed domestic companies at 100 shares by October 1, 2018. The Company, listed on the Tokyo Stock Exchange, respects the intent and decided to change its share unit from 1,000 to 100 shares. In association with this change, the Company decided to carry out a share consolidation at a rate of one share for every two shares with an aim to set the investment unit at a level considered desirable by domestic Japanese exchanges (¥50,000 or more and less than ¥500,000).

(b) Details of the share consolidation

(i) Class of stock to be consolidated: Common stock

(ii) Consolidation ratio: On October 1, 2016, every two shares held by shareholders on the final register of shareholders as of September 30, 2016, will be consolidated into one share.

(iii) Number of shares to be decreased through share consolidation

Total number of issued shares before consolidation (as of March 31, 2016)	94,427,073 shares
Number of shares to be decreased through consideration	47,213,537 shares
Total number of issued shares after consolidation	47,213,536 shares

(Note) "Number of shares to be decreased through consideration" and "Total number of issued shares after consolidation" are the theoretical value based on the number of issued shares before consolidation and the consolidation ratio.

(iv) Treatment of fractional shares less than one share

Any fractional shares arising from the share consolidation will be sold in a lump, with the proceeds to be distributed to the shareholders of the fractional shares in proportion to their respective fractions, pursuant to the provisions of Article 234 and 235 of the Companies Act of Japan (the "Act").

(c) Change in the number of authorized shares as of effective date of share consolidation

In response to a decrease in the total number of issued shares as a result of the share consolidation, the Company will reduce the number of authorized shares as of the effective date of October 1, 2016, in order to adjust the number of authorized shares to an appropriate level as below.

Number of authorized shares before change	378,500,000 shares
Number of authorized shares after change (October 1, 2016)	187,000,000 shares

(d) Details of change in share unit

Effective October 1, 2016, the Company will change the share unit of its common stock from 1,000 shares to 100 shares.

(e) Scheduled effective date

Effective date of share consolidation	October 1, 2016
Effective date of change in the number of authorized shares	October 1, 2016
Effective date of change in share unit	October 1, 2016

(f) Impact on per share information

The per share information assuming that the share consolidation had taken place on April 1, 2014 is as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	¥ **1,168.48**	¥ 1,196.68	**$ 10.38**
Net income per share	¥ **93.31**	¥ 79.90	**$ 0.83**

4. U.S. Dollar Amounts

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

The rate of ¥112.62 = U.S.$1.00, the approximate rate of exchange as at March 31, 2016, has been used for the purpose of such translations.

5. Inventories

Inventories held by the Companies as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	¥ **6,461**	¥ 7,309	$ **57,368**
Work in process	**1,542**	1,535	**13,690**
Raw materials and supplies	**2,506**	2,957	**22,249**
Total	¥ **10,509**	¥ 11,801	$ **93,307**

6. Financial Instruments

(1) Policy for financial instruments

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

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

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

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

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

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

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

(3) Risk management for financial instruments

(a) Credit risk management

The Companies regularly monitor the financial position of customers to reduce the risk of defaults.

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

(b) Market risk management

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

(c) Liquidity risk management in financing activities

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

(4) Fair values of financial instruments

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

Book values and fair values of the financial instruments as of March 31, 2016 and 2015 were as follows:
Financial instruments whose fair values were not readily available were excluded from the following table:

	Millions of yen											
	2016						2015					
	Book value		Fair value		Difference		Book value		Fair value		Difference	
Cash and cash equivalents	¥	16,436	¥	16,436	¥	—	¥	15,697	¥	15,697	¥	—
Time deposits		545		545		—		502		502		—
Notes and accounts receivable–trade		16,731		16,731		—		18,358		18,358		—
Electronically recorded monetary claims – operating		1,617		1,617		—		965		965		—
Investments in securities												
Available–for–sale securities		5,154		5,154		—		6,124		6,124		—
Total	¥	40,483	¥	40,483	¥	—	¥	41,646	¥	41,646	¥	—
Notes and accounts payable–trade	¥	9,908	¥	9,908	¥	—	¥	11,254	¥	11,254	¥	—
Electronically recorded obligations – operating		2,767		2,767		—		3,035		3,035		—
Short–term borrowings		1,555		1,555		—		2,739		2,739		—
Bonds due within one year		3,000		3,015		15		—		—		—
Income taxes payable		439		439		—		431		431		—
Long–term borrowings		8,005		8,072		67		8,748		8,813		65
Bonds due after one year		—		—		—		3,000		3,023		23
Total	¥	25,674	¥	25,756	¥	82	¥	29,207	¥	29,295	¥	88
Derivative transactions												
Contracts to which hedge accounting was not applied	¥	10	¥	10	¥	—	¥	(1)	¥	(1)	¥	—
Contracts to which hedge accounting was applied		35		35		—		(18)		(18)		—

	Thousands of U.S. dollars					
	2016					
	Book value		Fair value		Difference	
Cash and cash equivalents	$	145,938	$	145,938	$	—
Time deposits		4,840		4,840		—
Notes and accounts receivable–trade		148,568		148,568		—
Electronically recorded monetary claims – operating		14,362		14,362		—
Investments in securities						
Available–for–sale securities		45,761		45,761		—
Total	$	359,469	$	359,469	$	—
Notes and accounts payable–trade	$	87,977	$	87,977	$	—
Electronically recorded obligations – operating		24,570		24,570		—
Short–term borrowings		13,809		13,809		—
Bonds due within one year		26,638		26,768		130
Income taxes payable		3,898		3,898		—
Long–term borrowings		71,082		71,677		595
Bonds due after one year		—		—		—
Total	$	227,974	$	228,699	$	725
Derivative transactions						
Contracts to which hedge accounting was not applied	$	92	$	92	$	—
Contracts to which hedge accounting was applied		313		313		—

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

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

Investments in securities

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

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

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

Long-term borrowings

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

Bonds

The fair values are measured at the quoted market prices.

Derivative transactions

Please see Note 8, "Derivatives."

Financial instruments whose fair values were not available as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Available-for-sale securities			
Unlisted equity securities	¥ **133**	¥ 138	$ **1,183**
Investments in affiliates	**5,041**	5,266	**44,755**
Total	¥ **5,174**	¥ 5,404	$ **45,938**

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

Monetary assets and investments in securities with maturities as of March 31, 2016 and 2015 were as follows:

	Millions of yen			
	2016			
	Due within 1 year	Due after 1 year through 5 years	Due after 5years through 10 years	Due after 10 years
Cash and cash equivalents	¥ **16,436**	¥ —	¥ —	¥ —
Time deposits	**545**	—	—	—
Notes and accounts receivable-trade	**16,731**	—	—	—
Electronically recorded monetary claims - operating	**1,617**	—	—	—
Total	¥ **35,329**	¥ —	¥ —	¥ —

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

	Thousands of U.S. dollars			
	2016			
	Due within 1 year	Due after 1 year through 5 years	Due after 5years through 10 years	Due after 10 years
Cash and cash equivalents	$ **145,938**	$ —	$ —	$ —
Time deposits	**4,840**	—	—	—
Notes and accounts receivable-trade	**148,568**	—	—	—
Electronically recorded monetary claims - operating	**14,362**	—	—	—
Total	$ **313,708**	$ —	$ —	$ —

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

7. Investments in Securities

Marketable securities classified as available-for-sale securities as of March 31, 2016 and 2015 were as follows:

	Millions of yen					
	2016			2015		
	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)
Securities with gross unrealized gains:						
Equity securities	¥ 2,034	¥ 4,176	¥ 2,142	¥ 3,172	¥ 6,124	¥ 2,952
Securities with gross unrealized losses:						
Equity securities	1,146	978	(168)	0	0	(0)
Total	¥ 3,180	¥ 5,154	¥ 1,974	¥ 3,172	¥ 6,124	¥ 2,952

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Fair value (Book value)	Unrealized gains (losses)
Securities with gross unrealized gains:			
Equity securities	$ 18,065	$ 37,076	$ 19,011
Securities with gross unrealized losses:			
Equity securities	10,173	8,685	(1,488)
Total	$ 28,238	$ 45,761	$ 17,523

Information about available-for-sale securities sold during the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds	¥ 35	¥ —	$ 310
Realized gains	24	—	214
Realized losses	—	—	—

The Companies recognize impairment losses on available-for-sale securities when the market value declines by more than 30 percent and the possibility of market value recovery is remote.

8. Derivatives

Derivative transactions to which hedge accounting was not applied for the years ended March 31, 2016 and 2015 were as follows:

(1) Currencies

	Millions of yen							
	2016				2015			
	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)
Foreign currency forward contracts:								
Sell:								
U.S. Dollar	¥ 130	¥ —	¥ 3	¥ 3	¥ —	¥ —	¥ —	¥ —
Euro	104	—	0	0	—	—	—	—
Buy:								
Japanese yen	¥ 142	¥ —	¥ 7	¥ 7	¥ 301	¥ —	¥ (1)	¥ (1)
U.S. Dollar	3	—	(0)	(0)	—	—	—	—

	Thousands of U.S. dollars			
	2016			
	Contract amount	Contract amount due after 1 year	Fair value	Unrealized gains (losses)
Foreign currency forward contracts:				
Sell:				
U.S. Dollar	$ 1,157	$ —	$ 24	$ 24
Euro	920	—	7	7
Buy:				
Japanese yen	$ 1,265	$ —	$ 62	$ 62
U.S. Dollar	30	—	(1)	(1)

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

Derivative transactions to which hedge accounting was applied for the years ended March 31, 2016 and 2015 were as follows:

(1) Currencies

	Millions of yen							
	2016				2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Foreign currency forward contracts:								
Sell:								
U.S. dollar	—	¥ —	¥ —	—	Notes and accounts receivable-trade	¥ 282	¥ —	*
Euro		—	—	—		190	—	*
Buy:								
U.S. dollar	—	—	—	—	Notes and accounts payable-trade	40	—	*
Total		¥ —	¥ —	—		¥ 512	¥ —	*

	Thousands of U.S. dollars			
	2016			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Foreign currency forward contracts:				
Sell:				
U.S. dollar	—	$ —	$ —	—
Euro		—	—	—
Buy:				
U.S. dollar	—	—	—	—
Total		$ —	$ —	—

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

(2) Interest rate

	Millions of yen							
	2016				2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:								
Floating rate receipt, fixed rate payment	Long-term borrowings	¥ 4,900	¥ 4,900	*	Long-term borrowings	¥ 6,250	¥ 4,900	*

	Thousands of U.S. dollars			
	2016			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:				
Floating rate receipt, fixed rate payment	Long-term borrowings	$ 43,509	$ 43,509	*

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

(3) Interest rate and currencies

	Millions of yen							
	2016				2015			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:								
Floating rate receipt, fixed rate payment:								
Japanese yen receipt /India rupee payment	Long-term borrowings	¥ 160	¥ —	¥ (23)	Long-term borrowings	¥ 240	¥ 160	¥ (115)
U.S. dollar receipt /India rupee payment		354	208	58		562	398	97
Total		¥ 514	¥ 208	¥ 35		¥ 802	¥ 558	¥ (18)

	Thousands of U.S. dollars			
	2016			
	Main hedged item	Contract amount	Contract amount due after 1 year	Fair value
Interest rate swap contracts:				
Floating rate receipt, fixed rate payment:				
Japanese yen receipt /India rupee payment	Long-term borrowings	$ 1,421	$ —	$ (205)
U.S. dollar receipt /India rupee payment		3,142	1,845	518
Total		$ 4,563	$ 1,845	$ 313

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

9. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2016 and 2015 represented bank overdrafts with weighted average interest rates of 2.86% and 2.26%, respectively. The commitment line agreement entered into with a bank to facilitate efficient funding of working capital expired on January 29, 2016.

Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured long-term borrowings from banks and other financial institutions with weighted average interest rate of 1.28% in 2016 and 1.46% in 2015	¥ 8,005	¥ 8,748	$ 71,082
Unsecured bonds due 2017, 0.99%	3,000	3,000	26,638
Obligations under finance leases	56	33	501
	11,061	11,781	98,221
Less current portion of long-term debt	3,513	1,994	31,196
Total	¥ 7,548	¥ 9,787	$ 67,025

Annual maturities of long-term debt outstanding as of March 31, 2016 were as follows:

Year ending at March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 3,513	$ 31,196
2018	3,039	26,981
2019	1,704	15,131
2020	1,503	13,346
2021	1,301	11,558
2022 and thereafter	1	9
Total	¥ 11,061	$ 98,221

10. Retirement Benefits

The details of retirement benefits for the year ended March 31, 2016 and 2015 were as follows:

The Company and certain of its consolidated subsidiaries have defined contribution pension plans and defined benefit pension plans for employees. The Company places plan assets in an employee retirement benefit trust. Certain domestic consolidated subsidiaries join the Smaller Enterprise Retirement Allowance Mutual Aid system.
Tobu Rubber Employees' Pension Fund, a multiple employer contribution system, in which some domestic consolidated subsidiaries participated, was dissolved on October 5, 2015. Any participants including the Company have no obligation to make additional contributions for the dissolution. The contributions to the pension fund are accounted for in a similar manner to those to the defined contribution plan as it is impracticable to calculate the amount of pension assets proportionate to the contributions made by the subsidiaries.

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

(1) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Beginning balance	**¥ 11,633**	¥ 11,274	**$ 103,297**
Cumulative effect due to changes in accounting policies	**—**	(231)	**—**
Beginning balance reflecting changes in accounting policies	**11,633**	11,043	**103,297**
Service cost	**533**	511	**4,730**
Interest cost	**93**	122	**826**
Actuarial losses (gains) arising during the year	**486**	600	**4,316**
Retirement benefits paid	**(925)**	(693)	**(8,211)**
Prior year service cost arising during the year	**(15)**	2	**(131)**
Other	**(70)**	48	**(626)**
Ending balance	**¥ 11,735**	¥ 11,633	**$ 104,201**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Beginning balance	**¥ 9,875**	¥ 8,395	**$ 87,680**
Expected return on plan assets	**164**	175	**1,460**
Actuarial gains (losses) arising during the year	**(735)**	1,107	**(6,523)**
Contributions paid by the employer	**808**	811	**7,175**
Retirement benefits paid	**(918)**	(667)	**(8,154)**
Other	**(43)**	54	**(384)**
Ending balance	**¥ 9,151**	¥ 9,875	**$ 81,254**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Beginning balance	**¥ 298**	¥ 281	**$ 2,641**
Retirement benefit costs	**111**	96	**984**
Retirement benefit paid	**(23)**	(35)	**(200)**
Contributions to the plans	**(53)**	(44)	**(473)**
Ending balance	**¥ 333**	¥ 298	**$ 2,952**

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

	Millions of yen				Thousands of U.S. dollars	
		2016		2015		**2016**
Retirement benefit obligations under the funded plans	¥	**12,466**	¥	12,276	$	**110,695**
Fair value of plan assets		**(9,663)**		(10,342)		**(85,805)**
		2,803		1,934		**24,890**
Retirement benefit obligations under the unfunded plans		**114**		122		**1,009**
Net liabilities or assets recorded on the Consolidated balance sheets		**2,917**		2,056		**25,899**
Net defined benefit liability		**2,918**		2,058		**25,909**
Net defined benefit asset		**(1)**		(2)		**(10)**
Net liabilities or assets recorded on the Consolidated balance sheets	¥	**2,917**	¥	2,056	$	**25,899**

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

(e) Retirement benefit costs

	Millions of yen				Thousands of U.S. dollars	
		2016		2015		**2016**
Service cost	¥	**532**	¥	511	$	**4,730**
Interest cost		**93**		122		**826**
Expected return on plan assets		**(164)**		(175)		**(1,459)**
Amortization of actuarial losses (gains)		**191**		421		**1,693**
Amortization of prior service cost		**(17)**		(40)		**(149)**
Retirement benefit costs based on the simplified method		**111**		96		**984**
Total retirement benefit costs of defined benefit plans	¥	**746**	¥	935	$	**6,625**

(f) Remeasurements of defined benefit plans (Other comprehensive income)
Breakdown of remeasurements of defined benefit plans (before tax effects)

	Millions of yen				Thousands of U.S. dollars	
		2016		2015		**2016**
Prior service cost	¥	**(2)**	¥	(42)	$	**(18)**
Actuarial losses (gains)		**(1,030)**		927		**(9,146)**
Total	¥	**(1,032)**	¥	885	$	**(9,164)**

(g) Remeasurements of defined benefit plans (Accumulated other comprehensive income)
Breakdown of remeasurements of defined benefit plans (before tax effects)

	Millions of yen				Thousands of U.S. dollars	
		2016		2015		**2016**
Unrecognized prior service cost	¥	**28**	¥	30	$	**256**
Unrecognized actuarial losses (gains)		**(1,804)**		(774)		**(16,022)**
Total	¥	**(1,776)**	¥	(744)	$	**(15,766)**

(h) Plan assets
Plan assets consisted of the following:

	2016	2015
Equity securities	**41%**	47%
Bonds	**41**	34
General account	**11**	10
Cash and deposits	**5**	7
Other	**2**	2
Total	**100%**	100%

* Employee retirement benefit trust set up for the corporate pension plan accounts for 14% and 20% of total plan assets for the year ended March 31, 2016 and 2015.

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

(i) Actuarial assumptions

The principal actuarial assumptions at March 31, 2016 were as follows:

	2016	2015
Discount rate	**Mainly 0.3%**	Mainly 0.7%
Expected rate of return on plan assets	**Mainly 2.1%**	Mainly 2.5%

* Expected salary increase rate was not used in calculation of projected benefit obligation under the point-based benefit system.

(2) Defined contribution pension plans

Contributions to the defined contribution pension plans were ¥194 million ($1,720 thousand) and ¥191 million for the year ended March 31, 2016 and 2015, respectively.

(3) Multiemployer plan

(a) The funded status of the multiemployer plan:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets	¥ —	¥ 33,179	$ —
Total of actuarial obligations for calculation of pension finance and minimum policy reserve *	—	45,192	—
Differences	¥ —	¥ (12,013)	$ —

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

(From April 1, 2015 to March 31, 2016) −%

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

(c) Supplementary explanation

The Companies record special contribution of ¥15 million ($130 thousand) and ¥32 million as expenses in March 31, 2016 and 2015, respectively.

11. Income Taxes

Deferred tax assets and liabilities as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Contributions to retirement benefit trust	¥ **1,111**	¥ 1,265	$ **9,871**
Net defined benefit liability	**861**	706	**7,642**
Loss on valuation of shares of subsidiaries and associates	**647**	—	**5,742**
Tax loss carryforwards	**603**	550	**5,353**
Non-deductible valuation loss	**503**	458	**4,465**
Impairment loss	**259**	285	**2,297**
Elimination of gains arising from intercompany transactions	**632**	678	**5,615**
Other	**288**	425	**2,562**
Valuation allowance for deferred tax assets	**(1,534)**	(979)	**(13,625)**
Total	¥ **3,370**	¥ 3,388	$ **29,922**
Deferred tax liabilities:			
Gain on set-up of retirement benefit trust	¥ **(928)**	¥ (979)	$ **(8,239)**
Unrealized gain on available-for-sale securities	**(541)**	(891)	**(4,805)**
Reserve for deferred capital gains related to property, plant and equipment	**—**	(242)	**—**
Elimination of losses arising from intercompany transactions	**(260)**	(37)	**(2,307)**
Other	**(247)**	(452)	**(2,198)**
Total	¥ **(1,976)**	¥ (2,601)	$ **(17,549)**
Net deferred tax assets*	¥ **1,394**	¥ 787	$ **12,373**

* Net deferred tax assets were included in the following accounts in the consolidated balance sheets as of March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current assets – Deferred tax assets	¥ **458**	¥ 606	$ **4,070**
Other assets – Deferred tax assets	**966**	207	**8,575**
Current liabilities – Other	**—**	0	**—**
Long–term liabilities – Other	**30**	26	**272**

Change in the method of presentation
"Non–deductible valuation loss" and "Elimination of gains arising from intercompany transactions," included in "Other" of deferred tax assets and "Elimination of losses arising from intercompany transactions" included in "Other" of deferred tax liabilities for the year ended March 31, 2015 are separately presented for the year ended March 31, 2016 because they became material. The figures for the year ended March 31, 2015 in the table above were reclassified to reflect these changes in presentation.
As a result, ¥1,697 million presented as "Other" of deferred tax assets for the year ended March 31, 2015 was reclassified into as "Non–deductible valuation loss" of ¥458 million, "Elimination of gains arising from intercompany transactions" of ¥678 million and "Other" of ¥561 million, and ¥489 million presented as "Other" of deferred tax liabilities for the year ended March 31, 2015 was reclassified into as "Elimination of losses arising from intercompany transactions" of ¥37 million and "Other" of ¥452 million.

Reconciliation of the statutory tax rate to the effective income tax rate for the years ended March 31, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	**33.0%**	35.6%
Different income tax rates applicable to income in certain foreign countries	**(7.7)**	(7.5)
Equity in earnings of affiliates	**(2.8)**	(4.3)
Nondeductible expenses	**1.7**	2.7
Nontaxable income	**0.5**	(0.3)
Tax deduction	**(1.3)**	(2.1)
Foreign withholding tax	**4.1**	0.6
Change in valuation allowance	**(0.2)**	(1.5)
Prior year income taxes	**(2.5)**	2.0
Adjustment on deferred tax assets at year–end due to tax rate change	**1.2**	1.8
Other, net	**0.8**	0.6
Effective income tax rate	**26.8%**	27.6%

Change in the method of presentation
"Foreign withholding tax" which was included in "Other, net" for the year ended March 31, 2015 is separately presented because it became material. The figure for the year ended March 31, 2015 in the table above was reclassified to reflect this change in presentation.
As a result, 1.2% presented as "Other, net" for the year ended March 31, 2015 was reclassified into as "Foreign withholding tax" of 0.6% and "Other" of 0.6%.

Change in statutory effective tax rate
"Act for Partial Amendment of the Income Tax Law (Law No. 15/2016)" and "Act for Partial Amendment of the Local Tax Law (Law No. 13/2016) were enacted in the Diet Session on March 29, 2016, and the statutory income tax rate will be reduced from years beginning on or after April 1, 2016. As a result, the normal effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 32.3% to 30.8% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on April 1, 2016 and 2017, respectively, and to 30.6% for a temporary difference which is expected to be reversed during the period from the fiscal year beginning on or after April 1, 2018. This change had no material impact on the consolidated financial statements for the year ended March 31, 2016.

12. Net Assets

Significant provisions in the Act that affect financial and accounting matters are summarized below:

(1) Dividends

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

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

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

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

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

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

13. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 principally consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Salaries	**¥ 6,211**	¥ 5,973	**$ 55,150**
Packing and delivery expenses	**2,485**	2,471	**22,062**
Research and development costs	**1,193**	1,205	**10,591**
Retirement benefit costs	**442**	533	**3,922**
Provision for doubtful accounts	**33**	—	**293**

14. Net Income per Share

The Companies had no dilutive securities for the years ended March 31, 2016 and 2015.

Basic net income per share for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Profit attributable to shareholders of the parent	**¥ 4,386**	¥ 3,757	**$ 38,947**

	Thousands of shares	
	2016	2015
Weighted-average number of shares	**94,018**	94,064

	Yen		U.S. dollars
	2016	2015	**2016**
Net income per share	**¥ 46.65**	¥ 39.95	**$ 0.41**

15. Consolidated Statements of Comprehensive Income

Reclassification adjustments regarding other comprehensive income and related income tax effects for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrealized gains (losses) on available-for-sale securities:			
Recognized during the year	¥ **(959)**	¥ 745	$ **(8,517)**
Reclassification adjustments	**(24)**	(7)	**(214)**
Before tax effects adjustments	**(983)**	738	**(8,731)**
Income tax effects	**347**	(171)	**3,084**
Unrealized gains (losses) on available-for-sale securities	**(636)**	567	**(5,647)**
Deferred gains on hedges:			
Recognized during the year	**1**	(2)	**6**
Before tax effects adjustments	**1**	(2)	**6**
Income tax effects	**(0)**	1	**(2)**
Deferred gain on hedges	**1**	(1)	**4**
Foreign currency translation adjustments:			
Recognized during the year	**(3,063)**	3,378	**(27,197)**
Foreign currency translation adjustments	**(3,063)**	3,378	**(27,197)**
Remeasurements of defined benefit plans:			
Recognized during the year	**(1,231)**	580	**(10,928)**
Reclassification adjustments	**199**	305	**1,764**
Before tax effects adjustment	**(1,032)**	885	**(9,164)**
Income tax effects	**303**	(339)	**2,692**
Remeasurements of defined benefit plans	**(729)**	546	**(6,472)**
Share of other comprehensive income in affiliates accounted for by the equity method:			
Recognized during the year	**(293)**	218	**(2,597)**
Share of other comprehensive income in affiliates accounted for by the equity method	**(293)**	218	**(2,597)**
Total other comprehensive income	¥ **(4,720)**	¥ 4,708	$ **(41,909)**

16. Segment Information

(1) Description of reportable segments

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

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

The main products of each segment are as follows:

Segment name	Main products
Automotive Parts Business	Automotive power transmission belt products (accessory drive power transmission belts and system products), motorcycle power transmission belt products (variable speed belts for scooters, etc.)
Industrial Products Business	Industrial power transmission belt products (industrial machinery V-belts, toothed belts, pulleys, etc.), other power transmission products, conveyor belts (conveyor belts, resin conveyor belts, synchronous conveyor belts), conveyor system products, rice-hulling rolls, Railway rubber components, etc.
Advanced Elastomer Products Business	Cleaning blades, high-performance rollers, precision belts, polyurethane functional parts, precision polishing materials, films for construction materials, medical films, decorative display films, industrial films, etc.

For the year ended March 31, 2016, the Company changed the reportable segments as described in "(4) Change in reportable segments" below.

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

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

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

Millions of yen

2016

	Reportable segments							
	Automotive Parts Business	Industrial Product Business	Advanced Elastomer Products Business	Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales								
Sales to customers	¥ 42,750	¥ 33,028	¥ 15,564	¥ 91,342	¥ 1,930	¥ 93,272	¥ —	¥ 93,272
Intersegment sales	94	69	56	219	701	920	(920)	—
Total	¥ 42,844	¥ 33,097	¥ 15,620	¥ 91,561	¥ 2,631	¥ 94,192	¥ (920)	¥ 93,272
Segment profit (loss)	¥ 3,324	¥ 1,924	¥ 759	¥ 6,007	¥ 276	¥ 6,283	¥ (322)	¥ 5,961
Segment assets	¥ 32,810	¥ 28,507	¥ 10,670	¥ 71,987	¥ 2,297	¥ 74,284	¥ 16,481	¥ 90,765
Other:								
Depreciation and amortization	¥ 2,432	¥ 1,004	¥ 718	¥ 4,154	¥ 124	¥ 4,278	¥ 121	¥ 4,399
Increase in property, plant and equipment and other intangible assets	¥ 1,736	¥ 1,111	¥ 855	¥ 3,702	¥ 16	¥ 3,718	¥ 958	¥ 4,676
Impairment loss	¥ —	¥ 81	¥ 11	¥ 92	¥ —	¥ 92	¥ —	¥ 92

	Millions of yen 2015						
	Reportable segments						
	Belt Business	Elastomer Products Business	Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	¥ 77,988	¥ 15,647	¥ 93,635	¥ 1,761	¥ 95,396	¥ —	¥ 95,396
Intersegment sales	113	66	179	885	1,064	(1,064)	—
Total	¥ 78,101	¥ 15,713	¥ 93,814	¥ 2,646	¥ 96,460	¥ (1,064)	¥ 95,396
Segment profit (loss)	¥ 4,155	¥ 329	¥ 4,484	¥ 198	¥ 4,682	¥ 115	¥ 4,797
Segment assets	¥ 66,878	¥ 11,277	¥ 78,155	¥ 2,142	¥ 80,297	¥ 14,403	¥ 94,700
Other:							
Depreciation and amortization	¥ 3,505	¥ 730	¥ 4,235	¥ 108	¥ 4,343	¥ 88	¥ 4,431
Increase in property, plant and equipment and other intangible assets	¥ 2,688	¥ 646	¥ 3,334	¥ 52	¥ 3,386	¥ 812	¥ 4,198
Impairment loss	¥ —	¥ 410	¥ 410	¥ —	¥ 410	¥ —	¥ 410

	Thousands of U.S. dollars 2016							
	Reportable segments							
	Automotive Parts Business	Industrial Products Business	Advanced Elastomer Products Business	Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales								
Sales to customers	**$379,599**	**$ 293,270**	**$ 138,199**	**$ 811,068**	**$ 17,134**	**$828,202**	**$ —**	**$828,202**
Intersegment sales	**837**	**610**	**496**	**1,943**	**6,226**	**8,169**	**(8,169)**	**—**
Total	**$380,436**	**$ 293,880**	**$ 138,695**	**$ 813,011**	**$ 23,360**	**$836,371**	**$ (8,169)**	**$828,202**
Segment profit (loss)	**$ 29,515**	**$ 17,086**	**$ 6,740**	**$ 53,341**	**$ 2,450**	**$ 55,791**	**$ (2,863)**	**$ 52,928**
Segment assets	**$291,336**	**$ 253,128**	**$ 94,745**	**$ 639,209**	**$ 20,393**	**$659,602**	**$146,339**	**$805,941**
Other:								
Depreciation and amortization	**$ 21,599**	**$ 8,917**	**$ 6,374**	**$ 36,890**	**$ 1,098**	**$ 37,988**	**$ 1,070**	**$ 39,058**
Increase in property, plant and equipment and other intangible assets	**$ 15,416**	**$ 9,863**	**$ 7,589**	**$ 32,868**	**$ 141**	**$ 33,009**	**$ 8,508**	**$ 41,517**
Impairment loss	**$ —**	**$ 720**	**$ 96**	**$ 816**	**$ —**	**$ 816**	**$ —**	**$ 816**

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

*2 "Adjustments" are as follows:

(a) Adjustments of segment profit (loss) include ¥(2) million ($(17) thousand) and ¥26 million of the elimination of intersegment transactions, and ¥(320) million ($(2,846) thousand) ¥89 million of corporate expenses for the years ended March 31, 2016 and 2015, respectively. Corporate expenses represent differences between the estimated general administrative expenses and research and development costs allocated to each reportable segment and the actual amount incurred.

(b) Adjustments of segment assets include ¥(4,794) million ($(42,575) thousand) and ¥(4,242) million of the elimination of intersegment balances, and ¥21,275 million ($188,914 thousand) and ¥18,645 million of corporate assets for the years ended March 31, 2016 and 2015, respectively.

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

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

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

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

(4) Change in reportable segments

Following the organizational reform effective April 1, 2015, the Company changed its reportable segments from "Belt Business" and "Elastomer Products Business" to "Automotive Parts Business," "Industrial Products Business," and "Advanced Elastomer Products Business." It is impracticable to prepare the segment information (sales, profit or loss, assets and other items by reportable segments) for the year ended 31 March, 2015 under the new segmentation. The segment information for the year ended March 31, 2016 under the previous segmentation is as follows:

	Millions of yen						
	2016						
	Reportable segments						
	Belt Business	Elastomer Products Business	Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	¥ 75,778	¥ 15,564	¥ 91,342	¥ 1,930	¥ 93,272	¥ —	¥ 93,272
Intersegment sales	100	56	156	701	857	(857)	—
Total	¥ 75,878	¥ 15,620	¥ 91,498	¥ 2,631	¥ 94,129	¥ (857)	¥ 93,272
Segment profit (loss)	¥ 5,248	¥ 759	¥ 6,007	¥ 276	¥ 6,283	¥ (322)	¥ 5,961
Segment assets	¥ 61,291	¥ 10,670	¥ 71,961	¥ 2,297	¥ 74,258	¥ 16,507	¥ 90,765
Other:							
Depreciation and amortization	¥ 3,437	¥ 718	¥ 4,155	¥ 123	¥ 4,278	¥ 121	¥ 4,399
Increase in property, plant and equipment and other intangible assets	¥ 2,847	¥ 855	¥ 3,702	¥ 16	¥ 3,718	¥ 958	¥ 4,676
Impairment loss	¥ 81	¥ 11	¥ 92	¥ —	¥ 92	¥ —	¥ 92

	Thousands of U.S. dollars						
	2016						
	Reportable segments						
	Belt Business	Elastomer Products Business	Total reportable segments	Other	Total	Adjustments	Consolidated Financial Statements
Net sales							
Sales to customers	$ 672,869	$ 138,199	$ 811,068	$ 17,134	$ 828,202	$ —	$ 828,202
Intersegment sales	890	496	1,386	6,227	7,613	(7,613)	—
Total	$ 673,759	$ 138,695	$ 812,454	$ 23,361	$ 835,815	$ (7,613)	$ 828,202
Segment profit (loss)	$ 46,601	$ 6,740	$ 53,341	$ 2,450	$ 55,791	$ (2,863)	$ 52,928
Segment assets	$ 544,227	$ 94,745	$ 638,972	$ 20,393	$ 659,365	$ 146,576	$ 805,941
Other:							
Depreciation and amortization	$ 30,516	$ 6,374	$ 36,890	$ 1,098	$ 37,988	$ 1,070	$ 39,058
Increase in property, plant and equipment and other intangible assets	$ 25,279	$ 7,589	$ 32,868	$ 141	$ 33,009	$ 8,508	$ 41,517
Impairment loss	$ 720	$ 96	$ 816	$ —	$ 816	$ —	$ 816

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

*2 "Adjustments" are as follows:

(a) Adjustments of segment profit (loss) include ¥(2) million ($(17) thousand) of the elimination of intersegment transactions, and ¥(320) million ($(2,846) thousand) of corporate expenses. Corporate expenses represent differences between the estimated general administrative expenses and research and development costs allocated to each reportable segment and the actual amount incurred.

(b) Adjustments of segment assets include ¥(4,768) million ($(42,338) thousand) of the elimination of intersegment balances, and ¥21,275 million ($188,914 thousand) of corporate assets.

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

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

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

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

(5) Changes in measurement of reportable segment profit (loss)

Corporate expenses and research and development costs of the Company were previously allocated among reportable segments using a certain allocation ratio. Starting from the year ended March 31, 2016, research and development costs not attributable to reportable segments are not allocated in order to manage performance of each reportable segment more properly.

As a result of this change, compared with the figures calculated using the previous method, segment profit increased by ¥189 million ($1,681 thousands) in Automotive Parts Business, ¥205 million ($1,824 thousands) in Industrial Products Business and ¥120 million ($1,064 thousands) in Advanced Elastomer Products Business, and depreciation in "Other" decreased by ¥20 million ($175 thousands) in Automotive Parts Business, ¥18 million ($161 thousands) in Industrial Products Business and ¥11 million ($101 thousands) in Advanced Elastomer Products Business. Under the previous

segmentation applied for the year ended March 31, 2015, segment profit increased by ¥395 million ($3,504 thousands) in Belt Business and ¥120 million ($1,064 thousands) in Elastomer Products Business, and depreciation in "Other" decreased by ¥38 million ($336 thousands) in Belt Business and ¥11 million ($101 thousands) in Elastomer Products Business.
Segment information for the year ended March 31, 2015 was reclassified to present the information under the new calculation method, but it had no impact on segment profit, compared with the previous calculation method.

Information related to reportable segments
Information about geographic areas was as follows:
(a) Net sales

Millions of yen									
2016					2015				
Japan	Asia	China	Other	Total	Japan	Asia	China	Other	Total
¥48,025	**¥22,584**	**¥11,533**	**¥11,130**	**¥93,272**	¥48,918	¥24,452	¥11,802	¥10,224	¥95,396

Thousands of U.S. dollars				
2016				
Japan	Asia	China	Other	Total
$426,435	**$200,533**	**$102,409**	**$98,825**	**$828,202**

(b) Property, plant and equipment

Millions of yen									
2016					2015				
Japan	Asia	China	Other	Total	Japan	Asia	China	Other	Total
¥17,804	**¥7,354**	**¥1,379**	**¥2,950**	**¥29,487**	¥17,213	¥8,906	¥1,664	¥3,307	¥31,090

Thousands of U.S. dollars				
2016				
Japan	Asia	China	Other	Total
$158,092	**$65,300**	**$12,244**	**$26,189**	**$261,825**

17. Impairment loss

The details of Impairment loss for the year ended March 31, 2016 and 2015 were as follows:

For the year ended March 31, 2016

Purpose of use	Location	Asset type	Amount: Millions of yen	Amount: Thousands of U.S. dollars
Business assets	Kobe, Hyogo	Buildings and structures	**¥ 4**	**$ 34**
		Machinery and equipment	**7**	**60**
		Other	**0**	**1**
		Total	**11**	**95**
Idle assets	Takamatsu, Kagawa	Buildings and structures	**4**	**39**
		Machinery and equipment	**0**	**0**
		Land	**36**	**314**
		Other	**0**	**1**
		Total	**40**	**354**
	Osaka, Osaka	Buildings and structures	**5**	**47**
		Land	**36**	**320**
		Total	**41**	**367**
	Total		**¥ 92**	**$ 816**

For the year ended March 31, 2015

Purpose of use	Location	Asset type	Amount: Millions of yen
Business assets	Sennan, Osaka	Buildings and structures	¥ 32
		Machinery and equipment	328
		Other	50
	Total		¥ 410

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

As the recoverable amount of business assets fell below the book value due to continued operating loss and idle assets are no longer expected to be used in the future, the Company wrote down their book value to their respective recoverable amount and recognized impairment loss for the amount written down.

Recoverable amount is measured using net selling price or value in use. Net selling price is based on estimated selling price and value in use is determined as zero due to negative future cash flow.