

**N.B. This is a summary translation of a notice in Japanese addressed to shareholders and is provided merely for the convenience and reference of our international shareholders.**

(Securities Identification Code : 5195)

June 1, 2017

Dear Shareholders:

Mitsutaka Yoshii, President  
**Bando Chemical Industries, Ltd.**  
6-6, Minatojima Minamimachi 4-chome,  
Chuo-ku, Kobe, 650-0047 Japan

## **NOTICE OF GENERAL MEETING OF SHAREHOLDERS**

We take pleasure in inviting you to attend the 94th Ordinary General Meeting of Shareholders of Bando Chemical Industries, Ltd. (the “Company”), which will be held as outlined below.

If you are unable to attend, you may exercise your voting rights by either of the following methods. Please review the Referential Documents for Exercising Your Voting Rights attached hereto and exercise your voting rights by 5:30 p.m., Wednesday, June 21, 2017:

Exercise of voting rights in written form:

Please indicate your approval or disapproval on the enclosed Exercise of Voting Rights Form and return it so that it will arrive at the Company by the exercise time limit as described above.

Exercise of voting rights via Internet:

Please access the website for the exercise of voting rights designated by the Company (<http://www.evote.jp/>) and exercise your voting rights by the exercise time limit as described above.

1. Date and Time : Thursday, June 22, 2017, at 10:00 a.m.
2. Place : Head Office, 6-6, Minatojima Minamimachi 4-chome,  
Chuo-ku, Kobe, 650-0047 Japan
3. Agenda  
Reports :
  1. Business report and financial statements for the 94th business term (from April 1, 2016 to March 31, 2017)
  2. Auditing results of the consolidated financial statements for the 94th business term (from April 1, 2016 to March 31, 2017) by the Accounting Auditor and Audit and Supervisory Committee

Proposals :

- No.1 : Approval of the proposed appropriation (dividend) of retained earnings for the 94th business term (from April 1, 2016 to March 31, 2017)
- No.2 : Election of four (4) Directors who are not Audit and Supervisory Committee Members

4. Information on Exercising Your Voting Rights :

(1) Exercising your voting rights by proxy

In the event that you are unable to attend the General Meeting of Shareholders, you may appoint another shareholder of the Company to act as proxy and attend on your behalf. Please note, however, that any delegation of your voting rights to a proxy must be presented to the Company in writing.

(2) Treatment of multiple exercise of voting rights

In the event that votes both in written form and via Internet are received from the same shareholder, the Internet vote will be considered as valid. When exercising voting rights via Internet, if multiple votes are made from the same shareholder, the last vote will be considered as valid.

(3) Announcement regarding modifications to financial statements and General Meeting documentation

Necessary notices of modifications to financial statements and documentation in relation to the General Meeting of Shareholders, if any, will be made available on the Company's homepage (<http://www.bandogrp.com>).

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## **Referential Documents for Exercising Your Voting Rights**

1. Total number of voting rights held by shareholders:

463,848

2. Proposals and referential matters

### **Proposal 1: Approval of the proposed appropriation (dividend) of retained earnings for the 94th business term (from April 1, 2016 to March 31, 2017)**

Our policy is to enhance the return of profits and aim for making stable dividend payments targeting presently the consolidated dividend payout ratio of 30%, while considering our profit and financial position. For this term, considering the amount of earnings, we propose that the dividends be 14.00 yen per share.

Our proposal for the dividends for this business term is as follows;

- (1) The dividends will be made in cash.
- (2) The amount of dividends will be 14.00 yen per share and the total amount of dividends will be 651,273,882 yen.
- (3) The effective date of payment of dividends shall be June 23, 2017.

**Proposal 2: Election of four (4) Directors who are not Audit and Supervisory Committee Members**


At the end of this meeting, the term of office of all four (4) Directors who are not Audit and Supervisory Committee Members will expire. Accordingly, the Company asks shareholders to elect four (4) Directors who are not Audit and Supervisory Committee Members.


The candidates for Directors who are not Audit and Supervisory Committee Members are as follows:


No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties		Number of Company shares owned
1	<p>Mitsutaka Yoshii (August 18, 1958)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 17/17</p>	<p>Apr. 1981</p> <p>Apr. 1999</p> <p>May 2003</p> <p>Apr. 2007</p> <p>Apr. 2009</p> <p>Apr. 2011</p> <p>Jun. 2011</p> <p>Apr. 2013</p>	<p>Joined the Company</p> <p>General Manager, Automotive Parts Marketing Department, Power Transmission Belt Division</p> <p>President, Bando Europe GmbH</p> <p>General Manager, Procurement Department, the Company</p> <p>General Manager, Corporate Planning Department</p> <p>General Manager, Industrial Products Division</p> <p>President and Director (Representative Director), Bando-Scholtz Corporation</p> <p>Director, the Company</p> <p>President and Director (Representative Director) (Present)</p>	44,700

The reason for nominating as a candidate for Director

While Mr. Mitsutaka Yoshii has been serving as President and Director since April 2013, he demonstrated strong leadership to promote medium- to long-term management plan, and as a chairman of Board of Directors, he has been striving to organize the Board of Directors meetings as a place of constructive and active discussion and exchange of opinion, such as by actively bringing out opinions from Outside Directors. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his in-depth experience in the development of global belt business and insight as a corporate manager are required. Therefore, he is nominated continuously as a candidate for Director.

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties		Number of Company shares owned
2	<p>Kyosuke Nakamura (March 26, 1956)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 17/17</p>	<p>Apr. 1981    Joined the Company</p> <p>Dec. 2003    General Manager, Personnel and General Affairs Department</p> <p>Apr. 2011    General Manager, Corporate Information Systems Department</p> <p>Apr. 2013    General Manager, Corporate Planning Department</p> <p>Apr. 2014    Senior Executive Officer (Present)</p> <p>Jun. 2014    Director (Present)</p> <p>&lt;Current responsibilities&gt;</p> <p>Assistant to President, Management and Administration of Head Office, and in charge of Health</p>		20,300
<p>The reason for nominating as a candidate for Director</p> <p>While Mr. Kyosuke Nakamura has been serving as a Director, he has performed his roles and responsibilities as a Director properly based on his broad experience and insight regarding corporate planning, personnel and administration, etc. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his experience and insight are required. Therefore, he is nominated continuously as a candidate for Director.</p>				

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties		Number of Company shares owned
3	<p>Shinji Kashiwada (February 27, 1962)</p> <p>[Reelection]</p>  <p>Board of Directors meeting attendance: 17/17</p>	<p>Apr. 1985    Joined the Company</p> <p>Nov. 2002    General Manager, Automotive Parts Marketing Department, Tokyo Branch Office, Marketing Division</p> <p>Apr. 2007    General Manager, Osaka Branch Office, Marketing Division</p> <p>Apr. 2009    General Manager, Power Transmission Belt Division</p> <p>Jun. 2011    Director (Present)</p> <p>Apr. 2013    General Manager, Mid-Term Plan Promotion Department and Tokyo Branch Office</p> <p>Apr. 2016    Senior Executive Officer (Present)</p> <p>&lt;Current responsibilities&gt; Assistant to President, and in charge of New Businesses</p>		8,200
<p>The reason for nominating as a candidate for Director</p> <p>While Mr. Shinji Kashiwada has been serving as a Director, he has performed his roles and responsibilities as a Director properly based on his broad experience and insight regarding transmission belt business and new business development, etc. To realize sustainable growth and increase of medium-to long-term corporate value of the Company group, his experience and insight are required. Therefore, he is nominated continuously as a candidate for Director.</p>				

No.	Name (birth date)	Brief career summary, position, responsibilities in the Company and important current duties		Number of Company shares owned
4	<p>Atsushi Someda (February 28, 1963)</p> <p>[New candidate]</p> 	<p>Apr. 1987    Joined the Company</p> <p>Apr. 2008    General Manager, Power Transmission Technical Research Center</p> <p>Apr. 2013    General Manager, Automotive Parts Division (Present)</p> <p>Apr. 2016    Executive Officer (Present)</p>		2,900
<p>The reason for nominating as a candidate for Director</p> <p>After being responsible for research and development of power transmission belt products for automobiles for many years, Mr. Atsushi Someda has been managing the Company group's automotive parts business, the largest business segment of the group, as General Manager, and contributing to the development of the business. To realize sustainable growth and increase of medium- to long-term corporate value of the Company group, his experience and insight as an engineer and a manager of operations of the Company group are required. Therefore, he is nominated as a candidate for Director.</p>				

Note: There is no special interest between the Company and the candidates.

#### **Opinions of the Audit and Supervisory Committee**

In regard to the election, remuneration of the Directors who are not Audit and Supervisory Committee Members, all three Outside Directors who are Audit and Supervisory Committee Members attended the Nominating Committee and the Compensation Committee and provided their respective opinions. After the discussion at the Audit and Supervisory Committee, the Committee has judged that there are no matters to be pointed out at the General Meeting of Shareholders.

(Reference)

1. Abolishment of Basic Policy Concerning Individuals Who Control Decisions on Financial and Business Policies

On April 22, 2008, the Board of Directors of the Company resolved to adopt the Basic Policy Concerning Individuals Who Control Decisions on Financial and Business Policies (“this Policy”). Thereafter the Company has renewed this Policy after reviewing its appropriateness of continuing this Policy at the Board of Directors every year.

This Policy intends to provide shareholders with sufficient information for making appropriate decisions and requests any party who has the intention of large-scale purchase of the Company’s shares to provide its purpose and other necessary information and to follow the procedure that the Company established.

However, the Company abolished this Policy on March 31, 2017 after taking into consideration the environmental change surrounding the Company such as the infiltration of Japan’s Corporate Governance Code, and the opinions of shareholders including institutional investors.

Even after the abolishment of this Policy, the Company will continue to promote efforts to maximize its corporate value and the interest of shareholders, and to provide shareholders with sufficient information.

2. Election of a Full-time Audit and Supervisory Committee Member

The Company elects one (1) full-time Audit and Supervisory Committee Member to enhance the effectiveness of audits and supervision performed by the Audit and Supervisory Committee by having a full-time Audit and Supervisory Committee Member attend important meetings and by examining the current status of the Company’s or its subsidiaries’ operations and assets.

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**CONSOLIDATED FINANCIAL STATEMENTS**

These Consolidated Financial Statements were publicly released in the Japanese language on May 12, 2017.

**(1) Consolidated balance sheet****(Millions of yen)**

	2016/3/31	2017/03/31
<b>Assets</b>		
Current assets		
Cash and deposits	16,980	19,522
Notes and accounts receivable - trade	16,731	18,824
Electronically recorded monetary claims - operating	1,617	1,788
Merchandise and finished goods	6,460	6,754
Work in process	1,541	1,508
Raw materials and supplies	2,505	2,640
Deferred tax assets	458	550
Other	1,262	1,250
Allowance for doubtful accounts	— 38	— 38
Total current assets	47,520	52,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,337	10,005
Machinery, equipment and vehicles, net	9,867	9,965
Land	6,507	6,435
Construction in progress	1,508	1,168
Other, net	1,266	1,562
Total property, plant and equipment	29,486	29,137
Intangible assets		
Goodwill	82	74
Software	875	792
Other	230	681
Total intangible assets	1,188	1,548
Investments and other assets		
Investment securities	10,327	11,487
Deferred tax assets	965	403
Net defined benefit asset	1	0
Other	1,409	1,464
Allowance for doubtful accounts	— 134	— 149
Total investments and other assets	12,568	13,207
Total non-current assets	43,244	43,894
Total assets	90,765	96,695

(Millions of yen)

	2016/3/31	2017/03/31
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,907	9,259
Electronically recorded obligations - operating	2,767	3,406
Short-term loans payable	2,047	4,499
Current portion of bonds	3,000	—
Income taxes payable	438	1,064
Provision for loss on liquidation of subsidiaries and associates	30	9
Other	6,788	6,533
Total current liabilities	24,980	24,773
Non-current liabilities		
Long-term loans payable	7,513	4,913
Bonds payable	—	6,000
Stock-based compensation reserve	—	29
Net defined benefit liability	2,917	2,006
Other	148	231
Total non-current liabilities	10,580	13,181
Total liabilities	35,560	37,954
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,951	10,951
Capital surplus	2,970	2,995
Retained earnings	42,090	45,922
Treasury shares	— 256	— 1,356
Total shareholders' equity	55,756	58,513
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,431	2,060
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	— 1,169	— 1,643
Remeasurements of defined benefit plans	— 1,232	— 409
Total accumulated other comprehensive income	— 970	7
Non-controlling interests	418	220
Total net assets	55,204	58,741
Total liabilities and net assets	90,765	96,695

## (2) Consolidated statement of income

(Millions of yen)

	2015/04/01 2016/03/31	2016/04/01 2017/03/31
Net sales	93,272	88,387
Cost of sales	66,096	61,596
Gross profit	27,175	26,791
Selling, general and administrative expenses	21,214	20,895
Operating profit	5,960	5,896
Non-operating income		
Interest and dividend income	259	239
Share of profit of entities accounted for using equity method	509	591
Other	490	424
Total non-operating income	1,259	1,254
Non-operating expenses		
Interest expenses	288	232
Foreign exchange losses	147	41
Loss on retirement of non-current assets	212	63
Other	208	243
Total non-operating expenses	856	579
Ordinary profit	6,363	6,571
Extraordinary losses		
Impairment loss	91	17
Loss on retirement of non-current assets	93	—
Provision for loss on liquidation of subsidiaries and associates	92	—
Total extraordinary losses	277	17
Profit before income taxes	6,086	6,553
Income taxes - current	1,598	1,737
Income taxes - deferred	30	△164
Total income taxes	1,628	1,573
Profit	4,457	4,980
Profit attributable to non-controlling interests	71	28
Profit attributable to owners of parent	4,386	4,951

## (3) Consolidated statement of cash flows

(Millions of yen)

	2015/04/01 2016/03/31	2016/04/01 2017/03/31
Cash flows from operating activities		
Profit before income taxes	6,086	6,553
Depreciation	4,321	4,101
Amortization of goodwill and negative goodwill	9	9
Impairment loss	91	17
Increase (decrease) in allowance for doubtful accounts	30	19
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	31	—17
Increase (decrease) in net defined benefit liability	—144	277
Interest and dividend income	—259	—239
Interest expenses	288	232
Foreign exchange losses (gains)	55	—51
Share of (profit) loss of entities accounted for using equity method	—509	—591
Loss (gain) on sales and retirement of non-current assets	256	58
Decrease (increase) in notes and accounts receivable - trade	—8	—2,519
Decrease (increase) in inventories	633	—541
Increase (decrease) in notes and accounts payable - trade	—810	171
Other, net	317	712
Subtotal	10,391	8,190
Interest and dividend income received	554	284
Interest expenses paid	—293	—236
Income taxes paid	—1,847	—1,523
Income taxes refund	233	84
Net cash provided by (used in) operating activities	9,038	6,799
Cash flows from investing activities		
Decrease (increase) in time deposits	—94	—50
Purchase of property, plant and equipment	—3,882	—4,004
Proceeds from sales of property, plant and equipment	108	104
Purchase of intangible assets	—407	—514
Purchase of investment securities	—18	—19
Proceeds from sales of investment securities	34	110
Other, net	75	—265
Net cash provided by (used in) investing activities	—4,184	—4,638
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	—1,049	—114
Proceeds from long-term loans payable	1,383	553
Repayments of long-term loans payable	—2,049	—529
Proceeds from issuance of bonds	—	5,957
Redemption of bonds	—	—3,000
Purchase of treasury shares	—141	—1,642
Proceeds from sales of treasury shares	0	367
Cash dividends paid from parent company	—1,035	—1,119
Dividends paid to non-controlling interests	—105	—25
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—26	—
Other, net	—26	—23
Net cash provided by (used in) financing activities	—3,049	422
Effect of exchange rate change on cash and cash equivalents	—1,066	—82
Net increase (decrease) in cash and cash equivalents	738	2,499
Cash and cash equivalents at beginning of period	15,697	16,435
Cash and cash equivalents at end of period	16,435	18,935

## (4) Consolidated statement of comprehensive income

(Millions of yen)

	2015/04/01 2016/03/31	2016/04/01 2017/03/31
Profit	4,457	4,980
Other comprehensive income		
Valuation difference on available-for-sale securities	— 635	629
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	— 3,062	— 364
Remeasurements of defined benefit plans, net of tax	— 728	822
Share of other comprehensive income of entities accounted for using equity method	— 292	— 112
Total other comprehensive income	— 4,719	975
Comprehensive income	— 262	5,955
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	— 312	5,928
Comprehensive income attributable to non-controlling interests	50	26

## (5) Consolidated statements of change in net assets

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,951	2,970	42,090	-256	55,756
Changes of items during period					
Dividends of surplus			-1,119		-1,119
Profit attributable to owners of parent			4,951		4,951
Purchase of treasury shares				-1,643	-1,643
Disposal of treasury shares		5		543	548
Change in ownership interest of parent due to transactions with non-controlling interests		19			19
Net changes of items other than shareholders' equity					
Total changes of items during period	—	25	3,832	-1,099	2,757
Balance at end of current period	10,951	2,995	45,922	-1,356	58,513

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,431	0	-1,169	-1,232	-970	418	55,204
Changes of items during period							
Dividends of surplus							-1,119
Profit attributable to owners of parent							4,951
Purchase of treasury shares							-1,643
Disposal of treasury shares							548
Change in ownership interest of parent due to transactions with non-controlling interests							19
Net changes of items other than shareholders' equity	628	0	-474	822	977	-198	778
Total changes of items during period	628	0	-474	822	977	-198	3,536
Balance at end of current period	2,060	0	-1,643	-409	7	220	58,741