

# Breakthroughs for the Future

Annual Report 2019

Year ended March 31, 2019



Moving Forward with Innovation!  
**ON THE RUN!**



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### Cautionary Statements

This annual report includes forward-looking statements related to the Company's future performance forecasts. These statements are rationally determined by management based on information available at the time and therefore are subject to risk and uncertainty. Actual performance may differ from targets due to such factors as changes in the operating environment. The Company's financial statements in English have not been audited by independent auditors. However, the original Japanese financial statements on which they are based have been audited by independent auditors. For more detailed information including notes to consolidated financial statements, please refer to the Company's Annual Report on the website: <https://www.bandogrp.com/eng/ir/library/annual.html>

## Profile

In the 110-plus years since its founding in Japan in 1906, Bando Chemical Industries, Ltd. has been pursuing industrial development by making various contributions to rubber and plastic processing technologies in such areas as power transmission belts and systems, belts used in precision equipment, and multimedia parts made from urethane and resins.

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

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

## Management Philosophy

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

## Our Corporate Goals

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

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

## Group Vision 21

### Innovative Vision of the Bando Group for the 21st Century

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

## Guidelines for the Bando Group

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



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Mitsutaka Yoshii

President and Representative Director,  
Bando Chemical Industries, Ltd.

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**“We will address rapid changes to the environment and speed up the transformation of our business portfolio based on an unwavering management philosophy.”**

The Bando Group is in the midst of transforming its business portfolio in anticipation of innovation in the automotive industry that is said to happen only once in a century. We are facilitating sustainable growth and improvement to corporate value by accelerating initiatives in the second stage of the mid-to-long term business plan “Breakthroughs for the future,” based on an unwavering management philosophy to create products and services of added value and high quality in line with society’s needs.

The Company voluntarily applies the International Financing Reporting Standards (IFRS) for the consolidated financial statements in the Annual Securities Report for the fiscal year ended March 31, 2019 instead of conventional Japanese GAAP. The financial figures for the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2018, as well as the target figures for the fiscal year ending March 31, 2023 are based on the IFRS, while other figures are based on the Japanese GAAP in principle, unless otherwise stated.

## Performance in Fiscal 2018

**Although profit increased due to growth in sales in Japan, core operating income\* decreased due to the impact of special factors, etc.**

In the fiscal year ended March 31, 2019, the first year of the second stage of the mid-to-long term business plan “Breakthroughs for the future,” the Bando Group focused its efforts on four guidelines: new business creation, core business expansion, enhancement and evolution in manufacturing, and work style innovation for individuals and the organization. It undertook various measures for priority sectors, business types and regions.

As a result, in the Automotive Parts Business, revenue decreased 0.1% year on year to ¥41,650 million due to the impact of flat sales in Japan and a decline in sales in Europe, the U.S., and China, and despite an increase in sales of variable speed belts for scooters and accessory drive power transmission belts and system products in Asia. In the Industrial Products Business, revenue rose 9.1% year on year to ¥34,815 million through sales of power transmission belts for agricultural machinery in China and Asia, industrial power transmission belts and conveyor belts in Japan, and industrial power transmission belts in the U.S. In the Advanced Elastomer Products Business, revenue grew only 0.5% year on year to ¥15,237

million despite an increase in sales of high-performance rollers and blades and films used in construction materials and industrial materials. This was due to the impact of a decline in sales of medical-related products and decorative display products. Furthermore, in Other Business, which comprises key new businesses and the robot-related device business, revenue increased 42.0% year on year to ¥3,881 million with the launch of mass production and sales for the precision polishing material TOPX™ for applications as a new business.

Although the changes in earnings for each segment differ, consolidated revenue increased 3.9% year on year to ¥94,319 million due to growth in overall sales in Japan. On the other hand, core operating income decreased 2.8% year on year to ¥6,503 million due to rising costs in raw materials and issues that needed to be addressed at a customer in the Industrial Products Business. Profit attributable to owners of parent for the fiscal year rose 7.0% year on year to ¥5,457 million due to an increase in foreign exchange gain.

We increased the year-end dividend by ¥1 to ¥16 per share, bringing the total annual dividend up ¥2 to ¥32 per share.

\* Figures calculated by subtracting cost of sales and selling, general and administrative expenses from revenue

### Consolidated earnings

	Fiscal 2017	Fiscal 2018	
	Results	Results	YoY
Revenue	¥90,798 million	¥94,319 million	+3,520
Core operating income	¥6,688 million	¥6,503 million	-186
Profit attributable to owners of parent	¥5,100 million	¥5,457 million	+356

## “Breakthroughs for the future” Mid-to-Long Term Business Plan: Overall Image

### Pushing for growth in both new businesses and current businesses in the second stage of the 10-year mid-to-long term business plan

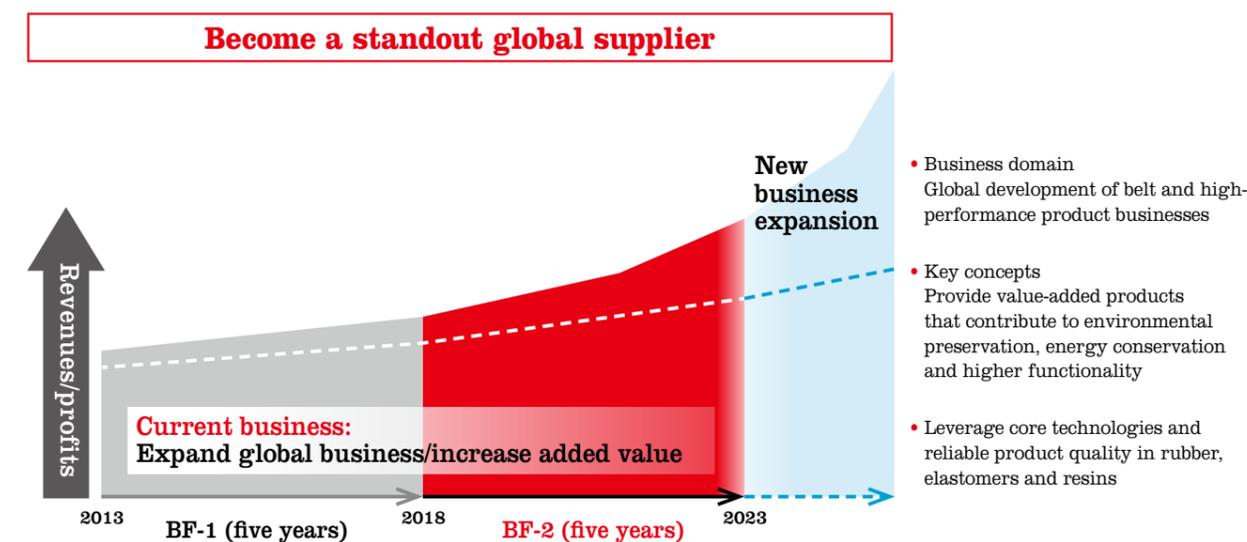
In fiscal 2013, the Bando Group embarked on its 10-year mid-to-long term business plan “Breakthroughs for the future.” Under this plan, we aim to provide value-added products that contribute to environmental preservation, energy conservation and higher functionality, further refining our core technologies and reliable product quality in the fields of rubber, elastomers, and resins—where we have built up extensive expertise since the Company’s founding—to become a standout global supplier of belts and high-performance products in the global market.

In the first five years as the first stage (BF-1) which

concluded in fiscal 2017, we evolved and deepened current businesses to improve profitability, and enhanced R&D and market development efforts to help establish new businesses. As a result, in addition to expanding overseas sales and reducing cost to sales ratio for current businesses, we launched mass production and sales for products in optoelectronics and power electronics, as well as welfare/nursing care fields in new businesses.

Using these results as a base, we strive in the second stage (BF-2) that started in fiscal 2018 to move toward achieving consolidated revenue of ¥120 billion, core operating income of ¥12 billion, and ROE at 12.0% by fiscal 2022, focusing our efforts on four guidelines under the basic strategy of sustained growth in both new and current businesses.

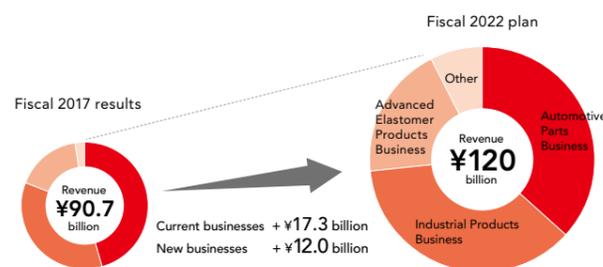
### Overall image of the mid-to-long term business plan



### Fiscal 2022 numerical targets

	Revenue	Core operating income	ROE	New businesses/ new product ratio
Fiscal 2022 Numerical targets (IFRS)	¥120 billion	¥12 billion	12.0%	30% or higher (of which, new businesses at 10% or higher)

Future business portfolio



Basic strategy for BF-2 and four guidelines



Progress in the 2nd Stage (BF-2) and Initiatives Going Forward

Progress for Guideline 1: New Business Creation and Initiatives Going Forward

For the creation of new business, for which we are focusing on deployment of management resources as the foremost priority in BF-2, we established the New Business Promotion Center in April 2018 to build a system to accelerate creation and development of new businesses. Furthermore, in consideration of the results and topics for

development in various fields where we have taken on challenges since BF-1, we designated the electronic products business and medical and healthcare equipment business as the two pillars to facilitate growth for new business. The Bando Group expects full-scale growth to occur only after fiscal 2021; however, we will proceed with strategies for each product in both fields, such as development and expansion of sales for the main products listed in the chart below and business alliances with third parties and M&As.

Main products in the two pillars of new business

Two pillars	Main Products	Value	Example of use
Electronics products business	Precision polishing materials TOPX™	Excellent polishing performance/long life span	Hard disks/brittle materials such as silicon wafers, etc./difficult-to-machine materials such as SiCs and sapphire substrates, etc.
	Optically clear adhesive sheets Free Crystal™	Better visibility/superior workability	Display devices, etc.
	Dust removal system BANDO MDEC™	Contributes to cleaning/high maintainability/long lifespan	Printed circuit boards, ceramic sheets, flexible boards, etc.
	Metal nanoparticle ink FlowMetal™	Can be used in boards with low heat resistance/applicable to various printing methods	Transparent conductive film for touch panels/direct wiring for cases/circuits for flexible devices
	Metal nanoparticle bonding material FlowMetal™	Low-temperature bonding/pressure-free bonding/low void/high reliability/high thermal conductivity/low electrical resistance	Bonding of power semiconductors and optical semiconductors that operate at high temperatures
	High thermal conductive sheets HEATEX™	High thermal conductivity/lower thermal resistance of electronic devices	Electronic devices, etc.
Medical and healthcare equipment business	Elastic strain sensor C-STRETCH™	Highly accurate detection/high flexibility/easy to apply	Biometric sensors, systems, etc.

As a result, in the electronic products business as the first pillar for new businesses, the Bando Group achieved significant growth in sales for new applications of the precision polishing materials TOPX™ for polishing glass on electronic devices in fiscal 2018, and is currently focusing its efforts on obtaining new customers and development to further expand applications for the product (see the featured article on page 22). As for other products such as Free Crystal™, BANDO MDEC™, FlowMetal™, and HEATEX™, we will pursue our strategies identifying new target markets as some of the products will take time to expand adoption by customers or to enjoy full-scale growth in applicable markets.

Accelerating growth in the medical and healthcare equipment business

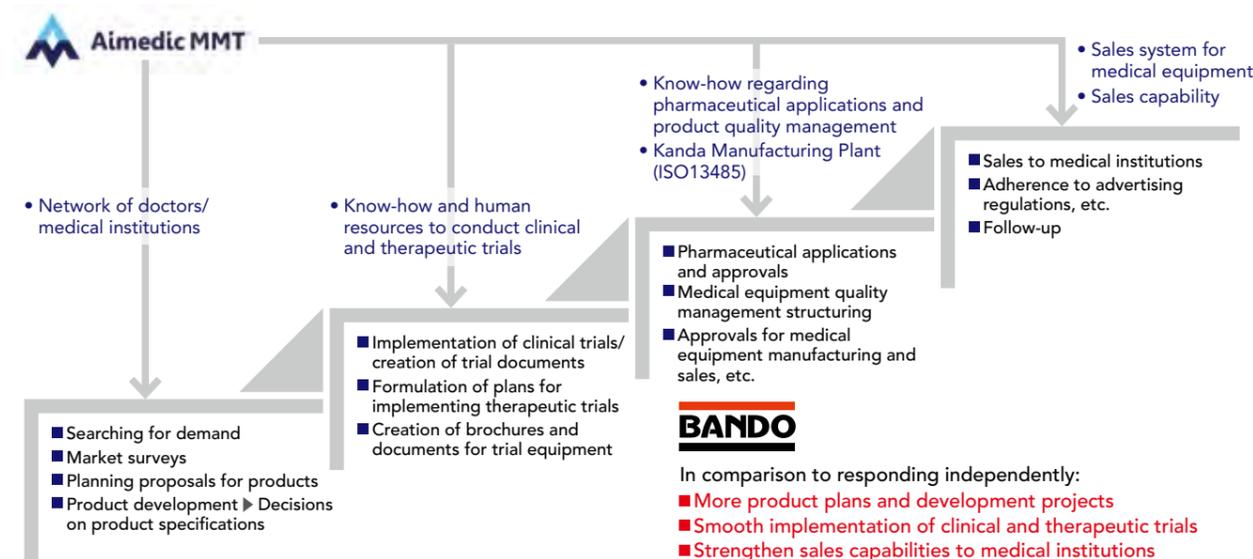
In the medical and healthcare equipment business, which is the second pillar of new businesses and has the elastic strain sensor C-STRETCH™ as its primary product, the Bando Group proceeded with development of applications for C-STRETCH™ in medical equipment for the fiscal year ended March 31, 2019.

The Bando Group also acquired all shares in Aimedic MMT Co., Ltd. (hereinafter, "Aimedic MMT") in May 2019, a company that possesses high brand recognition and sales capabilities in the manufacture, sales, and after-services of specially controlled medical devices in

the orthopedic surgery field. (Price of share acquisition: ¥10.45 billion, excluding expenses related to the actual acquisition).

The primary reason for the Company's acquisition of Aimedic MMT is acceleration of the Bando Group's medical equipment business that uses C-STRETCH™. C-STRETCH™ progressed with application development through open innovation with Kobe University based on elastic and conductive elastomer materials developed by the Bando Group in fiscal 2013. As a biometric sensor, we have great expectations for the product's application in a broad range of medical fields, such as orthopedic surgery, rehabilitation, respiratory medicine, and otolaryngology (ears, nose and throat). The development phase for C-STRETCH™ has nearly concluded and the product is a step away from mass production. However, to move forward with commercialization and launch of sales, the Bando Group requires specialized personnel who are versed in operations such as clinical and therapeutic trials and pharmaceutical application, the quality management systems necessary for mass production, and safety management systems. It would not have been the best course of action for the Bando Group to build such systems itself, and there was a need to be able to swiftly address the dramatic changes in trends for medical technologies. Aimedic MMT already possesses the infrastructure, a robust network with key opinion leaders (KOL) in orthopedic surgery, and a sales network with university hospitals, advanced medical

Concept for collaborative development with Aimedic MMT in the medical and healthcare equipment business



facilities, etc., that stretches across major cities in Japan. By utilizing Aimedic MMT's strengths, the Bando Group chose a path that would accelerate business related to C-STRETCH™ (see the featured article on page 23).

**Progress for Guideline 2: Core Business Expansion and Initiatives Going Forward**

For Guideline 2: Core Business Expansion, we aim to capture the top share in key markets by offering new high-value-added products and enhancing customer convenience. These initiatives made progress in each business segment in fiscal 2018.

**[1] Automotive Parts Business**

In the Automotive Parts Business, we undertook initiatives to strengthen products following on from accessory drive power transmission belts for four-wheeled vehicles, and to build assets in new fields as part of the transformation to a new business portfolio.

For example, we opened a new plant in May 2018 in Vietnam, where demand for two-wheeled vehicles (primarily scooters) continues to grow. Aside from increasing sales by consistent production in the area, we are progressing with operations such as an evaluation process by customers for further expansion and other activities (see the featured article on pages 24–25).

Furthermore, as the use of electronics and the electrification of four-wheel vehicles proceeds, the Company's synchronous belts for electronic power steering (EPS) have experienced growing demand and were well-received by a Tier 1 manufacturer, and sales have been launched (see the FAQ on page 26).

Going forward, we will strive to increase revenue by 6% during the BF-2 period by focusing on strategically addressing the overseas repair market and expanding sales of products for new applications as priority measures.



Opening ceremony for the new plant in Vietnam (May 2018)



BANDO VS BELTS™ for scooters, a product for which Bando is expanding sales with consistent production on the ground

**[2] Industrial Products Business**

In the Industrial Products Business, as an example of offering new high-value-added products, our self-developed Hyper Flat Drive (HFD) System™ received the Grand Prize for Excellence in Energy Efficiency for a next-generation energy-conserving power transmission system in January 2019, for the second time since 2014 (The prize was jointly awarded to three companies: the Bando Group, Mitsuya Fan Mfg. Co., Ltd.\*1 and KUKEN KOGYO Co., Ltd.). The Bando Group was highly evaluated for expanding its new lineup and contributing to energy conservation for a broad range of industrial machinery with a system that can improve electricity consumption by an average of 7%\*2 and prolong lifespan by around 3 times\*2 using flat belts that perform to the utmost extent in terms of transmission efficiency and durability.

We will continue to aim at a 36% increase in revenue during the BF-2 period through "differentiation in key markets" by working on our priority measures to expand sales of high-value-added belts for industrial machinery and improve profitability of conveyor belts.

\*1 Currently Mitsuya F&B Corporation  
\*2 Compared to the Company's V-Belts



Second time to receive the Grand Prize for Excellence in Energy Efficiency



HFD System™ lineup (small, medium, large)

**[3] Advanced Elastomer Products Business**

The Advanced Elastomer Products Business saw a progress in its business portfolio transformation toward high-value-added products, with an increase in sales of precision parts such as blades and urethane belts for security cameras and cash recycler machines, etc., and a development of high-performance films with high added value.

We will continue to strive for 52% growth in revenue during the BF-2 period by focusing on accelerating the transformation of our business portfolio and introducing high-value-added products to growth markets.

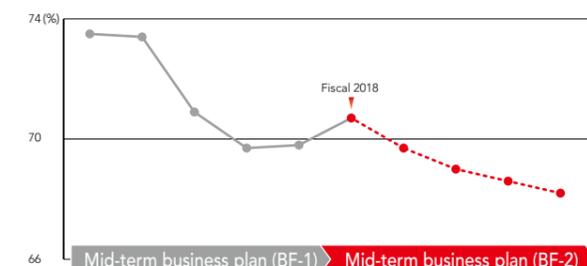


BANDO PS BELTS™, high-value-added urethane belts for which we have expanded sales

**Progress for Guideline 3: Enhancement and Evolution in Manufacturing and Initiatives Going Forward**

For Guideline 3: Enhancement and Evolution in Manufacturing, we focused our efforts on the three key initiatives to establish a consolidated cost to sales ratio of 70% or less, namely develop innovative manufacturing methods for main power transmission belt products, build automated production lines, and optimize production based on the principle of producing near demand. However, the consolidated cost to sales ratio went slightly over 70% for fiscal 2018 due to the impact of temporary factors such as addressing issues at a customer. We will continue to focus on those three key initiatives while taking up new methods such as introducing AI in visual inspection of products and expanding automation of production lines.

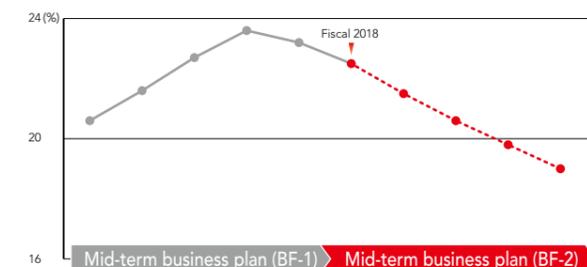
Aiming to establish a consolidated cost to sales ratio of 70% or less



**Progress for Guideline 4: Work Style Innovation for Individuals and the Organization and Initiatives Going Forward**

For Guideline 4: Work Style Innovation for Individuals and the Organization which serves as the base for all initiatives for Guidelines 1 to 3, we are aiming to achieve an SG&A ratio of 20% or less through improvements to productivity for each employee, and focusing on improvement and support for work processes, proposals and guidance to improve work efficiency by using IT, and reforming awareness toward improvements to productivity and work-life balance under the guidance of the Work Style Innovation Department that was newly established in April 2018. In addition, the Bando Group proceeded to "slim down" work operations by abolishing, integrating, and changing unnecessary or repetitive tasks. As a result, we were able to achieve both growth in revenue and a reduction in total hours worked in fiscal 2018. Although the Bando Group is moving towards increasing systems investment and investment related to new businesses, we were able to reduce the SG&A expense ratio to 22%. We are also focusing on further reduction to the SG&A expense ratio using IT and robotic process automation (RPA) going forward.

Achieving an SG&A expense ratio of 20% or lower through improving productivity for each employee



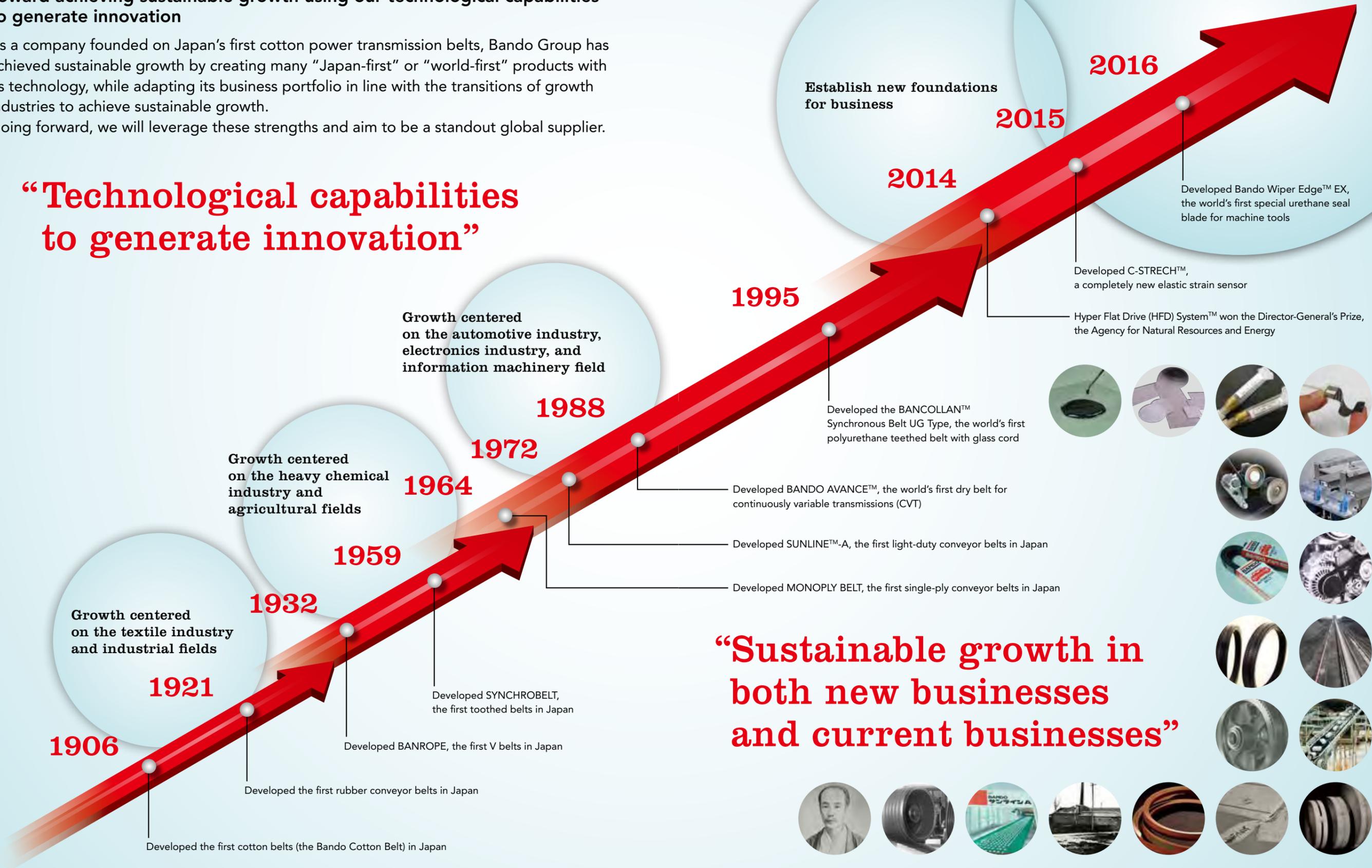
# Our History: Innovation for the Future

Toward achieving sustainable growth using our technological capabilities to generate innovation

As a company founded on Japan's first cotton power transmission belts, Bando Group has achieved sustainable growth by creating many "Japan-first" or "world-first" products with its technology, while adapting its business portfolio in line with the transitions of growth industries to achieve sustainable growth.

Going forward, we will leverage these strengths and aim to be a standout global supplier.

**“Technological capabilities to generate innovation”**

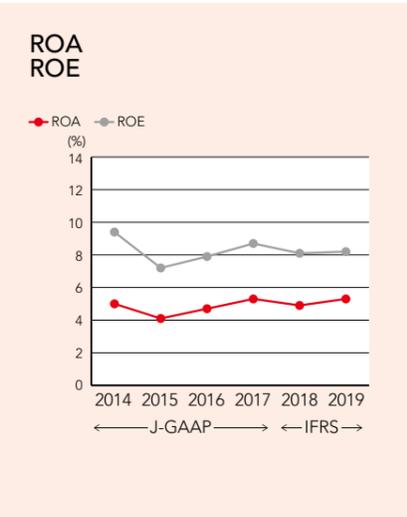
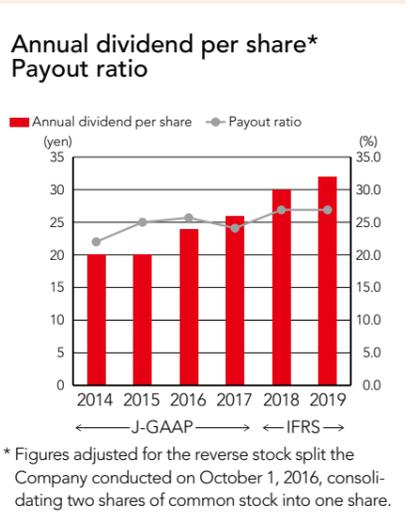
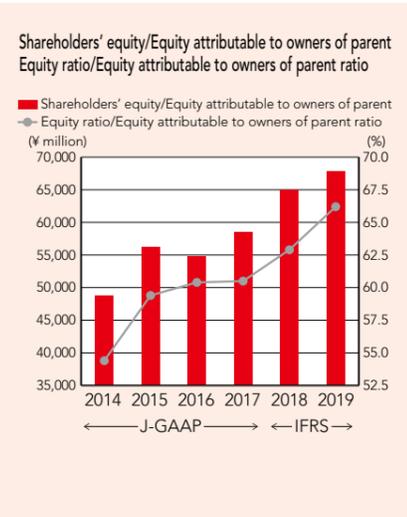
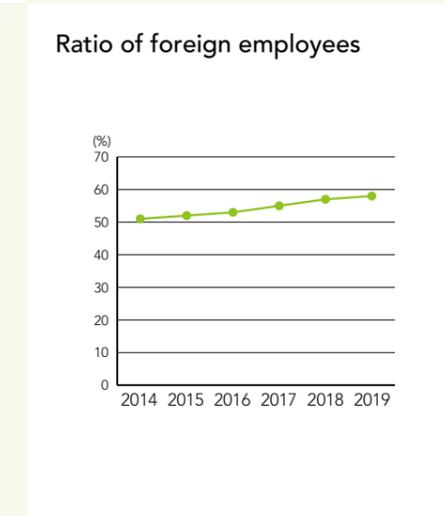
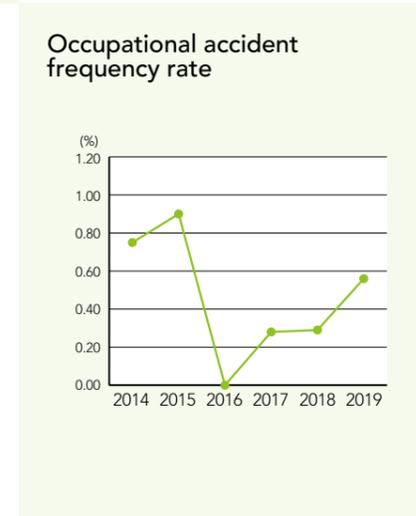
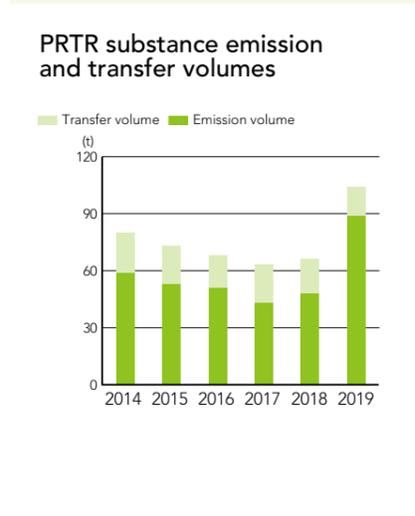
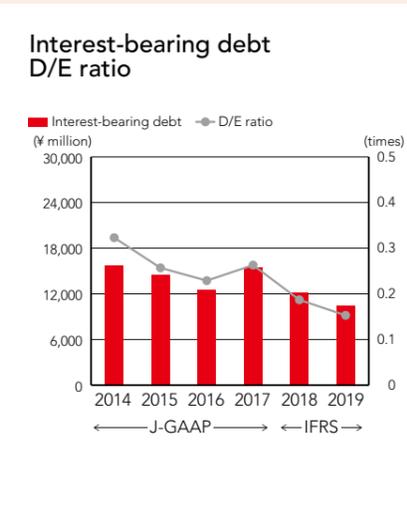
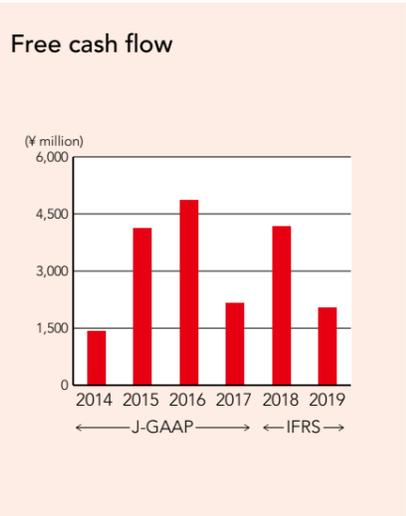
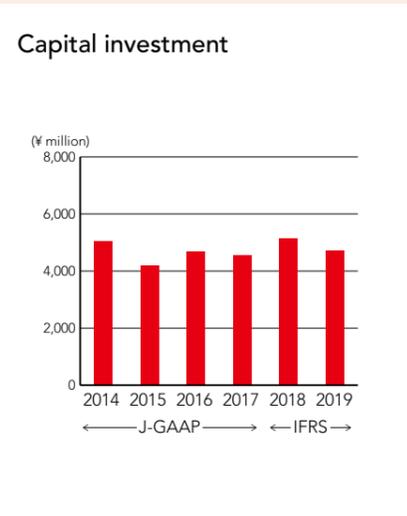
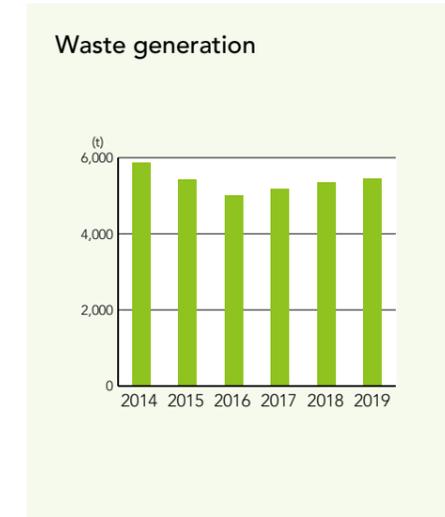
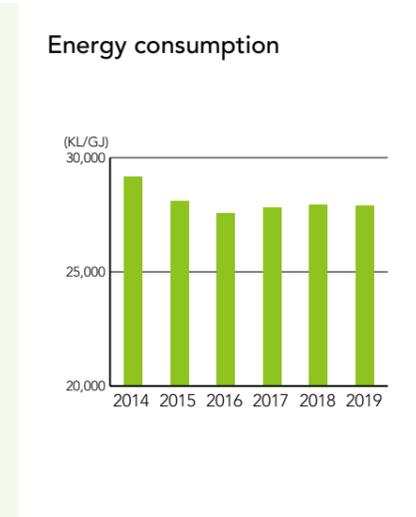
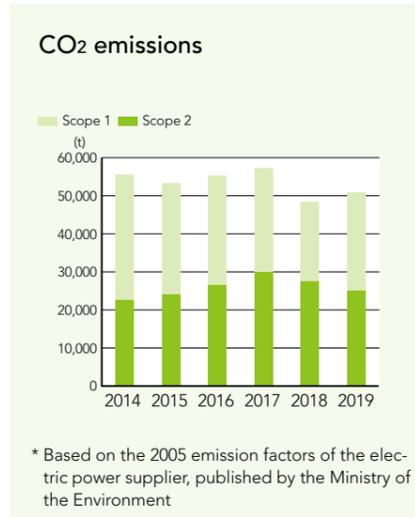
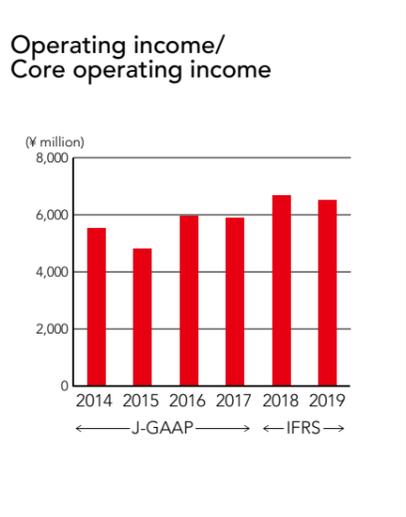


**“Sustainable growth in both new businesses and current businesses”**



# Highlights

Fiscal year endings are March 31 in the years shown below

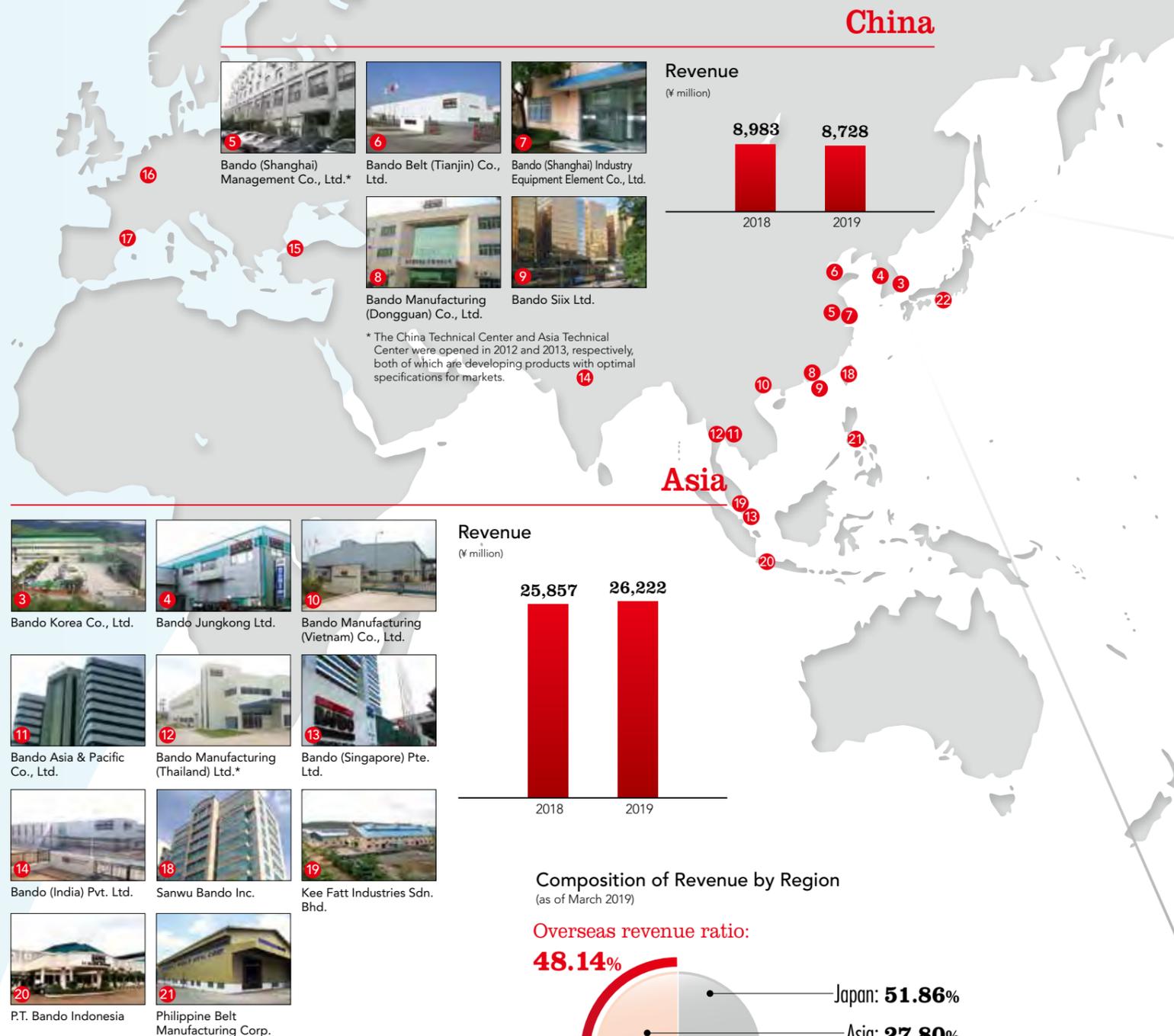


# Global Network

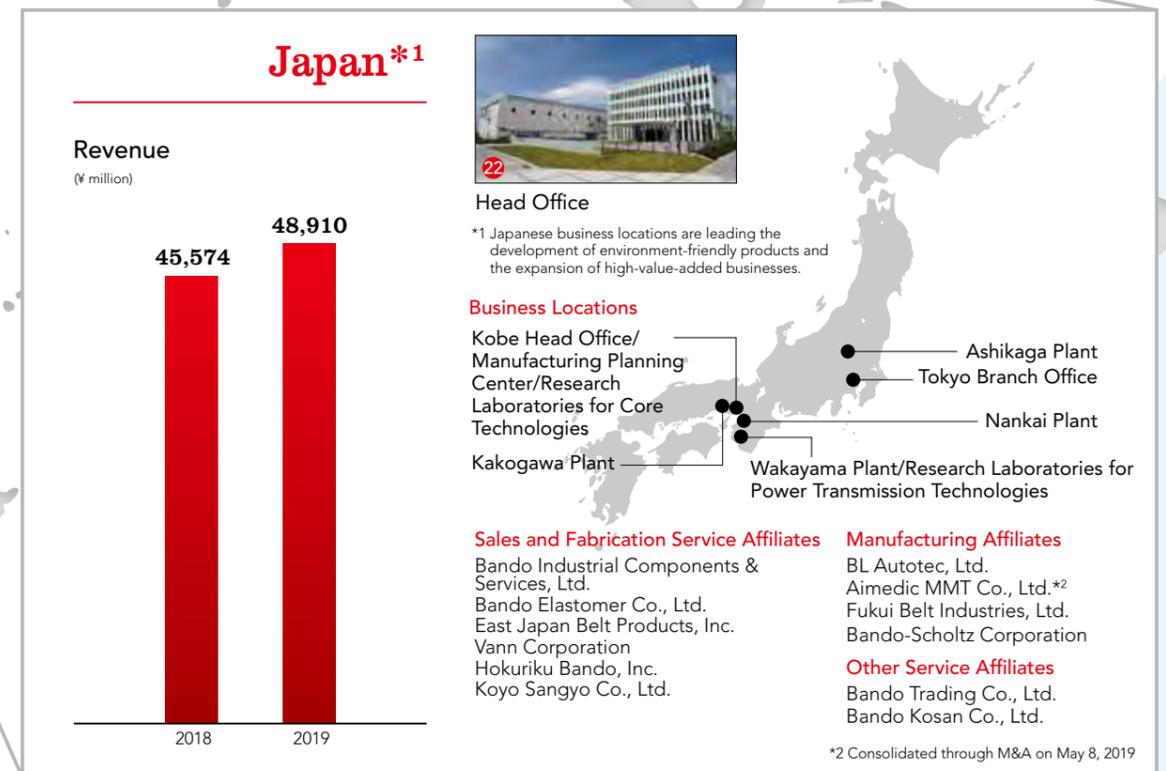
## Toward achieving optimization worldwide

As a company securing approximately half of its consolidated revenue overseas, we are undertaking initiatives to constantly evolve our global network by making organic connections at bases built in Japan, China, Asia, the United States, and Europe, and proceeding with optimization in production based on the principle of producing near demand as well as global logistics.

# Bando Chemical Industries' Global Network



## Europe, America & other



### Initiatives to steadily improve corporate value through business expansion

#### Quality Management System

ISO 9001: 16 domestic divisions and overseas business locations  
 IATF 16949: 10 domestic and overseas business locations  
 ISO 13485: 1 domestic subsidiary

#### Environmental Initiatives

ISO 14001: 18 domestic divisions and overseas business locations  
 Solar power generation systems: All domestic production bases

## Fiscal 2018 Topics

### Product Development and Others

- Commenced sales of Mr. Ultra Mirror™, a light-duty fluorine resin conveyor belt used with small pulley designs



Mr. Ultra Mirror™

- Awarded the Grand Prize for Excellence in Energy Efficiency (second time since 2013) for the HFD System™, which achieves next-generation energy-saving transmission



HFD System™



- Commenced sales of Mr. Spike™, a high-grip, light-duty conveyor belt for food



Mr. Spike™

2018  
March April May June July August September October November December 2019  
January February March

### Management

- Introduced a work-from-home system

- Held the private exhibition Bando Techno Fair 2018

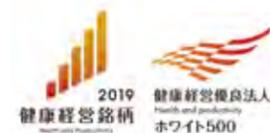


Bando Techno Fair 2018

- Nankai Plant achieved a record of 5,600,000 hours of accident-free operation



- Selected as a 2019 Health & Productivity Stock Selection for the third year in a row/Recognized in the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500)



## Our 1st Lap and Next Step in BF-2

The fiscal year ended March 31, 2019 was the first year for BF-2, and we focused our efforts on various key measures for growth in both new and current businesses. This feature will primarily introduce progress for Guideline 1: New Business Creation and Guideline 3: Enhancement and Evolution in Manufacturing, as well as initiatives for the guidelines going forward.

### New Businesses Creation



#### TOPX™ lapping pad for glass polishing

We launched mass production and sales for precision polishing materials for glass casings on smartphones and other items, and we are proceeding with initiatives for expansion.

➤ P22

### Enhancement and Evolution in Manufacturing



#### Development of innovative production methods and strengthening production near demand

We are progressing and strengthening initiatives to keep the cost to sales ratio below 70%, both domestically and overseas.

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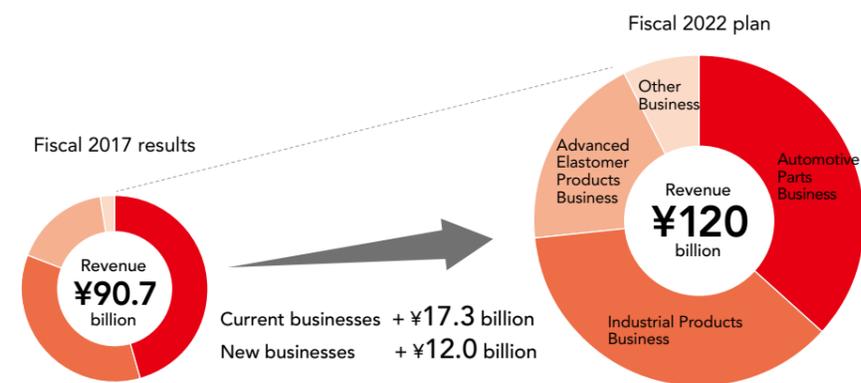


Moving Forward with Innovation!  
**ON THE RUN!**

# Transforming Our Business Portfolio

In the fiscal year ended March 31, 2019, we proceeded with the shift to high-value-added products in the Advanced Elastomer Products Business, in addition to expanding sales for new businesses. The Group will continue to push forward with transforming our business portfolio by focusing on Guideline 1 in BF-2: New Business Creation and Guideline 2: Core Business Expansion.

**Sustainable growth in both new businesses and current businesses**



# For the Future Business Portfolio

### Core Business Automotive Parts Business

**Revenue**

Fiscal Year	Revenue (¥ billion)
Fiscal 2017	41.6
Fiscal 2018	41.6

**43.6%**

We excel in OEM business in the four- and two-wheeled vehicle sectors, where we hold a large global market share. We develop environmentally-friendly power transmission systems and provide comprehensive product lines suitable for various fields.

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

**Strengths and Characteristics**

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

**Main Products**

- RIB ACE™ V-Ribbed Belts
- VS Belts
- Automatic Tensioners
- TENSION MASTER™

### Core Business Industrial Products Business

**Revenue**

Fiscal Year	Revenue (¥ billion)
Fiscal 2017	31.9
Fiscal 2018	34.8

**36.4%**

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

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

**Industrial Power Transmission Belts for industrial and agricultural machinery**

**Strengths and Characteristics**

- Development of energy-efficient belts and belts suited to high power machinery
- Global production and sales network, with 21 bases in 15 countries

**Main Products**

- Red™ SII V Belts for agricultural machinery
- HFD System™
- STS/HP-ST/ST/CEPTOR™-VI/CEPTOR™-X
- BANCOLLAN™ Long Synchronous Belts

**Conveyor Belts**

**Strengths and Characteristics**

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

**Main Products**

- Hyper Flat Drive (HFD) System™
- Mr. COOK™ F2224 Non-Stick Belts
- Pipe Conveyor Belts
- Lightweight Jointless P-Series Belts

### Core Business New Business Advanced Elastomer Products Business

**Revenue**

Fiscal Year	Revenue (¥ billion)
Fiscal 2017	15.1
Fiscal 2018	15.2

**15.9%**

Proceeding with the shift to high-value-added products

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

**Core Technologies**  
Elastomer and resins compounding design, dispersion and processing

**Strengths and Characteristics**

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

**Main Products**

- BANCOLLAN™ BLADE G-Module™
- Development Rollers
- BANDO GLANMESSE™
- Medical films
- BANDO MDEC™ (new businesses)

### New Business Other Business

**Revenue**

Fiscal Year	Revenue (¥ billion)
Fiscal 2017	2.7
Fiscal 2018	3.8

**4.1%**

Expansion of sales in new businesses

We are prioritizing the allocation of business resources for new business creation with a focus on the medical and healthcare equipment business and electronic products business to prepare for the transformation of our business portfolio.  
\*Including the robot-related device business from BL Autotec, Ltd.

**Core Technologies**  
Technologies for compounding, dispersing and combining elastomers and resins (new business)

**Strengths and Characteristics**

- On-point technology that merges and fully integrates core technologies and new technologies (new business)
- Top domestic share for robotic wrist peripheral equipment products (robot-related device business)

**Main Products**

- Elastic strain sensor C-STRETCH™
- Precision polishing materials TOPX™
- Optically clear adhesive sheets Free Crystal™
- High thermal conductive sheets HEATEX™
- Metal nanoparticle bonding material FlowMetal™

## Growth Plan in New Business

For Guideline 1: New Business Creation in BF-2, the electronic products business and medical and healthcare equipment business have been designated as the two main pillars, and we proceeded with initiatives towards mass production and commercialization in these fields. Furthermore, we are accelerating initiatives in the medical and healthcare equipment business in particular with the acquisition of Aimedic MMT Co., Ltd. that was implemented in May 2019.

### Toward Full-scale Expansion for Fiscal 2021 and Beyond

During BF-1 (fiscal 2013–2017), the Company observed results and issues regarding various fields where it had undertaken development of new products, such as electronics, transportation, automobiles, energy, robots, healthcare, welfare, and medical care, and decided to focus management resources on the electronic products business and medical and healthcare equipment business for BF-2, starting in the fiscal year ended March 31, 2019. In the fiscal year ended March 31, 2019, the Company was able to proceed with applications development for elastic strain sensor C-STRETCH™ by collaborating with

influential doctors (key opinion leaders) in the fields of respiration, swallowing, etc., in addition to launching mass production and sales for TOPX™ lapping pad for glass substrate polishing. Furthermore, we received more evaluations from customers for HEATEX™ thermal conductive sheets as an interface to convey the shift of heat from heat generating components to a cooling material. Going forward, we will further strengthen initiatives for the two pillars of new business to fully expand earnings for the fiscal year ending March 31, 2022 and beyond.

#### Target businesses and key products

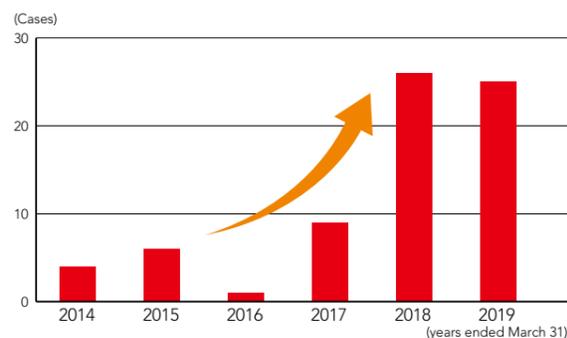
##### Electronic products business:

Precision polishing materials TOPX™  
 Optically clear adhesive sheets Free Crystal™  
 Dust removal system BANDO MDEC™  
 Metal nanoparticle ink FlowMetal™  
 Metal nanoparticle bonding material FlowMetal™  
 High thermal conductive sheets HEATEX™

##### Medical and healthcare equipment business:

Elastic strain sensor C-STRETCH™

#### Number of patent registrations in new businesses



## P22

In fiscal 2018, the precision polishing materials TOPX™ posted significant results

**Optoelectronics**

Precision polishing materials TOPX™



**Optoelectronics**

Optically clear adhesive sheets Free Crystal™



**Optoelectronics**

Dust removal system BANDO MDEC™



**Power electronics**

Metal nanoparticle bonding material FlowMetal™



**Optoelectronics**

Metal nanoparticle ink FlowMetal™



#### Medical and Healthcare Equipment Business

Elastic strain sensor C-STRETCH™



Respiratory rate measurement



Members of the New Business Promotion Center that will pioneer creation of new business

2022 Target (Revenue growth):

# +12 billion yen

#### Power electronics

High thermal conductive sheets HEATEX™



### Electronic Products Business

## P23

May 2019

Acquired all shares of Aimedic MMT Co., Ltd.



Swallowing function evaluation

### Medical and Healthcare Equipment Business

### Toward full-scale expansion in the two pillars

The New Business Promotion Center opened in April 2018 as an organization dedicated to accelerating creation of new business as the most important guideline for BF-2.

The center will guide initiatives toward full-scale expansion of the two pillars for new business, the electronic products business and medical and healthcare equipment business. In consideration of the rapid pace of change for technological trends in both businesses, it will focus on swiftly rotating the PDCA cycle, such as same-day implementation of report results from visits to customers.

Furthermore, the TOPX™, FlowMetal™, HEATEX™, and C-STRETCH™ are assigned to those in charge of strategies to build momentum toward product growth respectively, with four teams introducing mechanisms to compete and each team sharing progress on development topics on a weekly basis.

The center will also play a role in searching for new pillars to follow the original two from a mid-to-long term perspective, and proceed with initiatives that develop and commercialize new products for future markets and those that survey, analyze, and measure technological trends, in addition to application of core technologies in new business fields.

Going forward, the Group will continue to take on the challenge of creating new business in future markets, while advancing toward achieving the quantitative targets of BF-2.

Katsuhiko Hata

Director, General Manager,  
New Business Promotion Center



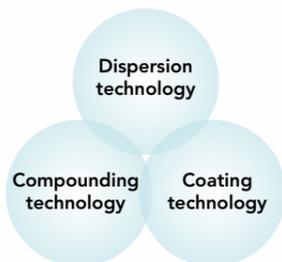
## Progress in New Business

### Electronic Products Business

We are proceeding with initiatives to further expand sales for the precision polishing materials TOPX™, which is being mass produced and sold for use in polishing glass substrates for electronic devices and is highly praised by customers for its polishing performance.

# Precision polishing materials TOPX™

#### CORE TECHNOLOGIES

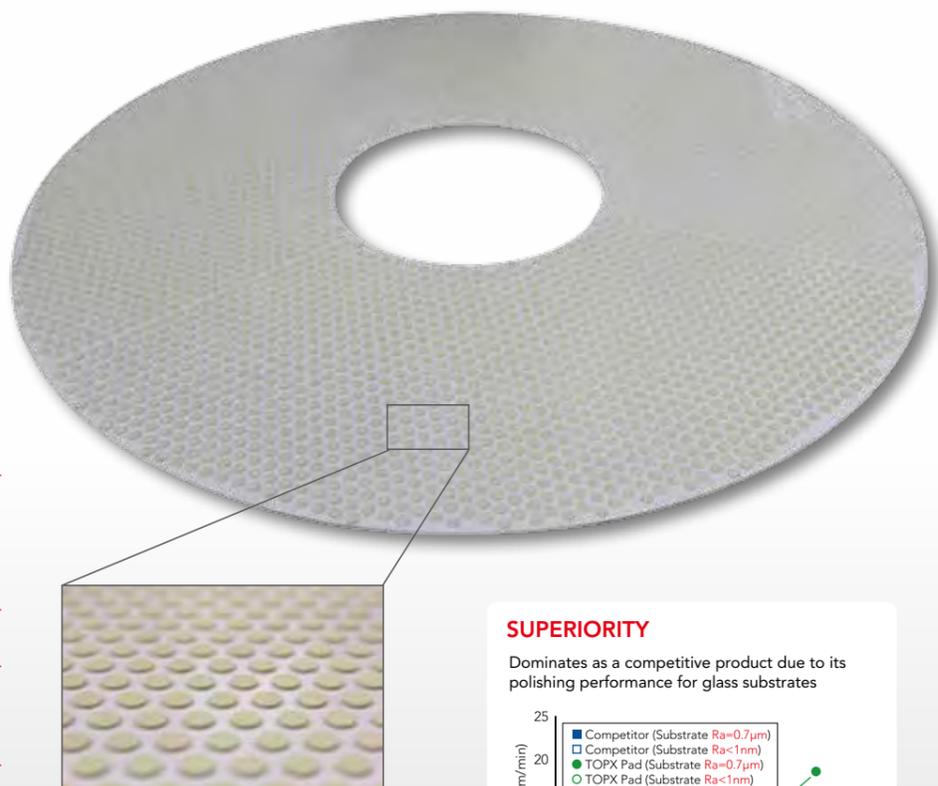


#### TIMELINE

- 2003 Start of development
- 2005 Launch of sales for first generation of TOPX™
- 2015 Improved silica film
- 2018 Used in polishing glass substrates for electronic devices

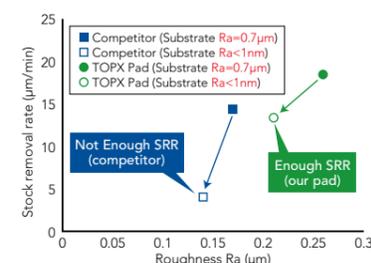
#### VALUE

- Achieves flattening at the nanolevel
- Realizes a high polishing rate with minimal surface roughness
- Long lifespan



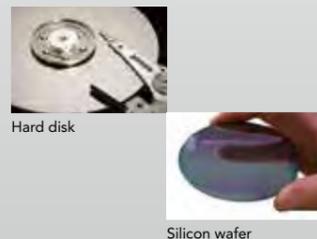
#### SUPERIORITY

Dominates as a competitive product due to its polishing performance for glass substrates



#### Target markets and applications, etc.

- Substrates for hard disks
- Brittle materials such as silicon wafers, etc.
- Difficult-to-machine materials such as SiCs and sapphire substrates, etc.



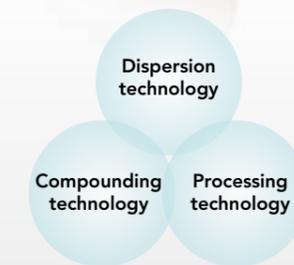
### Medical and Healthcare Equipment Business

In the medical and healthcare equipment business field where the Company is implementing M&A strategies, we are moving toward full-fledged growth for elastic strain sensor C-STRETCH™.

# Elastic strain sensor C-STRETCH™



#### CORE TECHNOLOGIES



#### TIMELINE

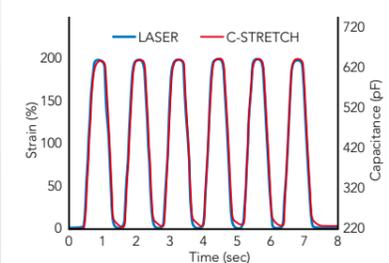
- 2010 Start of development
- 2013 Developed elastic and conductive elastomer materials
- 2014 Concluded an "agreement for comprehensive industry-academia cooperation" with Kobe University
- 2015 Launched sales for an R&D kit that can test capabilities

#### VALUE

- Pliability that can be applied to various locations, such as curved surfaces
- Quick responsiveness
- High-precision detection capability

#### CHARACTERISTICS

Fast contraction after expanding, can return to its original shape



#### Examples of use in medical and nursing care fields

- Respiratory rate measurement
- Swallow count measurement
- Motor function measurement
- Improving the control accuracy of prosthetic feet, artificial limbs, etc.



### Accelerating the medical equipment business

Aimedic MMT, which became a member of the Bando Group in May 2019, possesses strengths that will significantly contribute to expansion of the Group's medical and healthcare equipment business. By utilizing Aimedic MMT's strength to the fullest extent, the Group will accelerate commercialization of C-STRETCH™ medical equipment, along with undertaking a search for new demand that directly ties into the development of new products in the field of orthopedic surgery.

#### Masashi Ohta

Engineering Department, New Business Promotion Center, in charge of C-STRETCH™ strategy

### Delving further into potential markets

With a further increase in the number of electric vehicles and advancement of information communications equipment, there is a growing need for polishing materials used to process various types of substrates with high speed and precision. TOPX™ has an extremely high growth potential as it can be used not only for glass substrates but also for brittle materials such as silicon wafers and difficult-to-machine materials such as SiC, and therefore we are currently working on development of new products, enhancement of our production system, and sales promotion activities for new customers.

#### Kazuhiro Yamauchi

Marketing Department, New Business Promotion Center, in charge of TOPX™ strategy

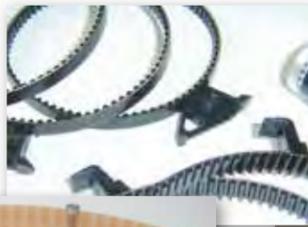


## Progress in Manufacturing

For Guideline 3: Enhancement and Evolution in Manufacturing, we proceeded with initiatives in Japan and overseas toward the goal of keeping the consolidated cost to sales ratio below 70%. Despite worsening of the cost to sales ratio due to the impact of issues addressed at a customer in the fiscal year ended March 31, 2019, the Group continued to increase cost competitiveness by continuing to place its focus on building an optimized global production structure with innovative production methods and automated production lines.

### Japan

At the Ashikaga Plant, which produces polyurethane belts for various types of precision machines, etc., we are currently undertaking initiatives to transform the facility into a "smart plant" that uses AI and IoT, in addition to making the assembly line more compact and automating a portion of the process to improve productivity.



BANCOLLAN™ (polyurethane) belts



Productivity  **UP**

### Vietnam

In terms of building an optimized global production structure near demand, we started operation of a new plant in Vietnam that produces variable speed belts for scooters in the region in May 2018. Efficiency improvements to integrate production from preprocess to postprocess have started to show results in cost reduction.

### Optimization of localized and integrated production

#### Achieving expansion of core businesses while reducing costs

Aside from growing demand for scooters in the domestic market in Vietnam, there has also been an increase in customers transferring to "post-China" production, and production volume at the new plant has expanded consistently since operations began in May 2018. Going forward, we will proceed with expansion of core businesses and cost reduction through steady initiatives that meet the needs of customers in the domestic market.

**Atsushi Sameda**

Director, General Manager,  
Manufacturing Planning Center



New plant in Vietnam

### Production volume

 **UP**



At Bando, we believe that continuing to engage in a dialogue with our shareholders and investors will lead to sustained improvement in corporate value. Here, we provide answers to some of your

**Q** Tell us about your business and product development in the market for EV and other next-generation automobiles.



Synchronous belts for EPS systems



Free Crystal™ ultra-thick OCA for next-generation displays

**A** EV and hybrid cars do not require the accessory drive power transmission belts used in gasoline vehicles. Therefore under our strategy for core business expansion, Guideline 2 in BF-2, we are working to pioneer new demand for belts used in assisted and autonomous driving systems.

Synchronous belts for EPS (electronic power steering) systems are one such example, developed by Bando for rack-assist systems that make it easy to adjust assist power. They are well-regarded for their silent performance and durability, and are used in luxury sedans and SUVs. Going forward, we will work to expand

sales of these products, while unearthing new demand created through increased use of vehicle electronics and electrification, including motor drive components with belt-driven speed reduction mechanisms.

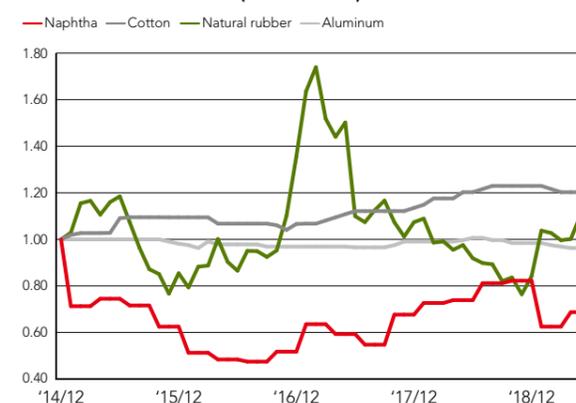
Another new business we are working on is the development of the Free Crystal™ optical clear adhesive sheets. Taking advantage of its outstanding properties as an OCA\* for curved surfaces and for variant or curved displays, we are working to expand certification and develop the market in the area of in-car displays, where further evolution is expected for next-generation vehicles.

\* Optical Clear Adhesive

most frequent questions, with the goal of fostering better understanding of that dialogue going forward by sharing more information about our growth strategies and management policies.

**Q** What is the impact of raw material price fluctuations and exchange rate fluctuations on your business performance?

**Raw material costs (indicators)**



\* Raw materials cost (indicators) base is 2014/12.

**Exchange rate transition**



\* Exchange rate base is 2013/12.

**A** The products we manufacture, including power transmission belts, conveyor belts, high-performance films and precision parts, use a variety of raw materials. These include natural and synthetic rubber and elastomers, as well as the aluminum wire and glass fiber used in belt cores.

Of these, we spend a large amount to purchase synthetic rubber and elastomers. Given that the price of naphtha has a major impact on price fluctuations for these materials, our raw material costs are easily affected by changes in the price of naphtha.

With regard to foreign exchange rates, we are significantly affected by fluctuations in the U.S. dollar, the Thai baht and the Chinese yuan. When the yen weakens against the U.S. dollar, for example, we can expect this to have a positive effect on our earnings.

# Automotive Parts Business



**Hisashi Yagi**  
Executive Officer, General Manager,  
Automotive Parts Division

## Accelerating Target Customer Development

### Segment Strengths

- High share of the two-wheeled vehicle market in addition to the four-wheeled vehicle market
- Ability to develop new rubber belts for electronic power steering-related applications due to increased use of electronics and the electrification of automobiles
- Excellent processing technologies and compounding technologies for raw rubber materials
- Solid relationships with customers, including joint development with automakers
- Customers are diversified to a certain degree between domestic and overseas markets, creating a relatively solid customer base
- Global product supply network made up of production and sales bases in more than a dozen countries worldwide

### Performance in Fiscal 2018

The segment achieved revenue of ¥41,650 million, down 0.1% from the previous fiscal year. Results by region were as follows.

#### Europe, America & other

Revenue fell 1.8% year on year, due in part to lower sales caused by a drop in production in the U.S. of vehicles equipped with our products.

#### China

Revenue declined 1.0% from the previous fiscal year, mainly owing to weaker sales resulting from lower output at key customers.

#### Asia

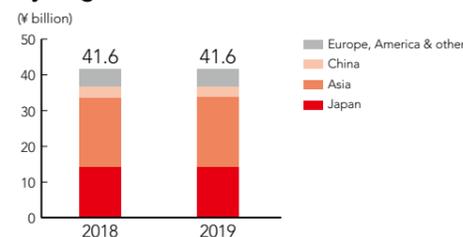
Revenue increased 0.6% year on year, driven by growth in sales of accessory drive power transmission belts and systems in Thailand, in addition to a rise in sales of variable speed belts for scooters in Thailand, Vietnam and India.

#### Japan

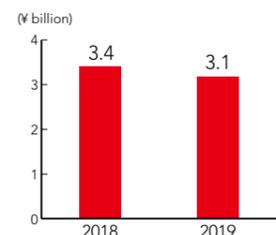
Automobile output was flat at the previous year's levels, and revenue grew just 0.1% year on year as a result.

Segment profit fell 6.4% year on year to ¥3,182 million, reflecting a drop in profit due to lower sales.

Revenue of Automotive Parts Business by Region



Segment Profit of Automotive Parts Business



### Segment Risks and Opportunities

#### Risks

- Contraction in target markets due to the impact of trade friction between the U.S. and China
- Long-term contraction in the domestic market
- Lower prices and less usage of rubber belt products from the proliferation of hybrid cars, small vehicles, and downsizing turbocharged vehicles
- Spread of automobiles without traditional engines, such as electric vehicles

#### Opportunities

- Growth in overseas repair parts market, such as in China, Southeast Asia, etc.
- Steady growth in high-value-added business opportunities, such as improvements in silence and transmission efficiency
- Further growth in business opportunities in Asian countries such as India and Vietnam where demand is brisk for motorcycles
- Additional new demand for rubber belts due to the increased use of electronics and electrification in automobiles, including those related to electronic power steering and electronic brakes

### Priority Measures for the Second Stage of "Breakthroughs for the Future"

#### For four-wheeled vehicles

Acquire OEM business with local overseas customers

- Adapt the specifications of high-value-added and cost-competitive products

Expand sales in the repair market

- Enhance brand awareness and develop repair/sales network in (1) China and (2) India

Sales of products responding to electronics shift for applications other than accessory drive power transmission

- Increase sales of timing belts for electronic power steering (EPS) systems (rack-assist types), etc.

#### For two-wheeled vehicles

Acquire OEM business with key customers

- Maintain and increase our share of OEMs for major priority customers with a full line-up of products
- Develop products in the low-price regions

Expand sales in the repair market

- Enhance brand awareness and develop repair/sales network in (1) India and (2) Vietnam

#### Enhancement and evolution in manufacturing

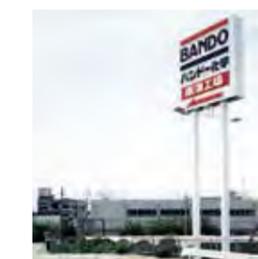
Develop innovative production methods, promote IoT and AI, reduce production costs aiming for global optimization

### ESG Initiatives: Social

#### Nankai Plant achieved a record of 5,600,000 hours of accident-free operation

The Nankai Plant, which is responsible for domestic production in the Automotive Parts Business, achieved a record of 5,600,000 hours of accident-free operations with no deaths and no more than one lost day in September 2018. It was awarded a Type 2 Accident-free Record Certificate (rubber manufacturing) by Japan's Ministry of Health, Labour and Welfare in January 2019. Through our risk assessment activities, we will continue to nip risks and accidents in the bud, working to prevent occupational

accidents with the target of achieving a record of 8,400,000 hours of accident-free operation as the standard for our next objective, the Type 3 Accident-free Record Certificate.



Nankai Plant



Accident-free Record Certificate

# Industrial Products Business



**Satoshi Matsuo**  
Senior Executive Officer, General Manager,  
Industrial Products Division

## Focus on expanding sales in key markets and regions

### Segment Strengths

- Competitive products based on core technologies, relatively strong earnings foundation
- Competitively priced in products for agricultural and injection molds amid numerous competitors
- Supplying a wide range of industries enables effective risk diversification
- Top share of domestic market in friction transmission belts as industrial materials
- Strong in the repair market thanks to robust sales agency network

### Performance in Fiscal 2018

For the fiscal year ended March 31, 2019, revenue grew 9.1% year on year, to ¥34,815 million. Results by region were as follows.

#### Europe, America & other

Revenue rose 4.7% year on year, due in part to an increase in private sector demand for capital investment in the U.S. and increased sales for industrial power transmission belts.

#### China

Revenue rose 7.4% year on year, owing mainly to an increase in sales of power transmission belts for agricultural machinery.

#### Asia

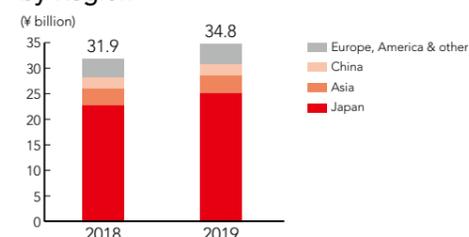
Revenue rose 4.2% year on year, owing mainly to an increase in sales of power transmission belts for agricultural machinery.

#### Japan

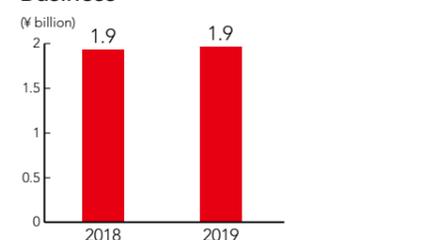
While machinery orders were at a standstill, revenue increased 10.6% year on year due not only to increased sales of industrial power transmission belts, but also to expanded sales of conveyor belts from a steel manufacturer's large order.

Segment profit rose 1.6% to ¥1,960 million due in part to the impact of increased costs due to a product deficiency being addressed at a customer.

Revenue of Industrial Products Business by Region



Segment Profit of Industrial Products Business



### Segment Risks and Opportunities

#### Risks

- Impact from contraction in domestic market
- Impact of changes in rubber prices on raw materials costs
- An unstable business environment in products for agricultural machinery in China

#### Opportunities

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

### Priority Measures for the Second Stage of "Breakthroughs for the Future"

#### Belts for industrial machinery and other products

Focus on the key markets with market mapping

- Partnering with leading companies in key markets (1) Agricultural machinery, (2) Machine tools, (3) Robots, etc.
- Expand sales channels overseas

Expand sales of high-value-added products

- Accelerate sales of Bando Wiper Edge™ EX
- Market transmission belts for large agricultural machinery and urethane rice hulling rolls

#### Conveyor belts

Improve profitability of conveyor belts

- Differentiate from rivals with hallmark products
- Develop low-price products
- Turn products into services

Enhance marketing in each segment of light-duty conveyor belts

- Key markets: (1) Food processing and (2) Transportation/logistics
- Increase processing bases and introduce automated manufacturing lines

#### Enhancement and evolution in manufacturing

Develop innovative production methods, promote IoT and AI, reduce production costs aiming for global optimization

### ESG Initiatives: Environment

#### Relieving traffic congestion with long-distance conveyor belts and contributing to the reduction of CO<sub>2</sub> emissions

In the construction of the Tokyo Outer Ring Road, a national project currently underway, our long-distance pipe conveyor belts are transporting excavated sediment over a distance of about six kilometers. The total amount of sediment scheduled to be transported is equivalent to about twice the volume of the Tokyo Dome, or about 500,000 10-ton dump truck loads. Carrying this sediment via a pipe conveyor belt installed along the expressway shoulder not only avoids the congestion caused by dump truck traffic and accidents due to spilled loads, but is expected to contribute significantly to reducing CO<sub>2</sub> emissions.



Pipe conveyor belt installed along expressway shoulder



Gathering around the conveyor belt



Conveyor belt front view

# Advanced Elastomer Products Business



**Tadahiko Noguchi**  
Executive Officer, General Manager,  
Advanced Elastomer Products Division

## Accelerating portfolio transformation to high-value-added products and strengthening profitability

### Segment Strengths

- Applications expanding for high-performance film products in residential building materials and for decorative use
- Offers added value not only in the value chain mid-stream, but downstream as well
- Development of high-performance products utilizing accumulated expertise in elastomer materials technology and molding technology
- Catering to customer needs by leveraging characteristics of materials such as polyurethane and engineering plastics
- Catering to customer needs by adding functionality based on leveraging characteristics of polyolefin, polyvinyl chloride, polyester and polyurethane plastics

### Performance in Fiscal 2018

For the fiscal year ended March 31, 2019, revenue grew 0.5% year on year to ¥15,237 million. Results by product were as follows.

#### Precision Parts

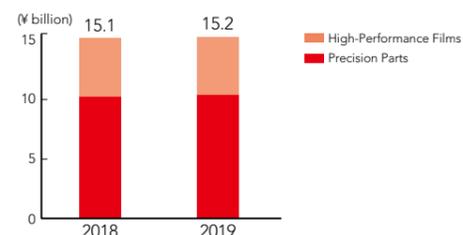
Although office equipment manufacturer output remained flat, revenue rose 1.7% year on year due in part to increased sales of high-performance rollers and blades to key customers.

#### High-Performance Films

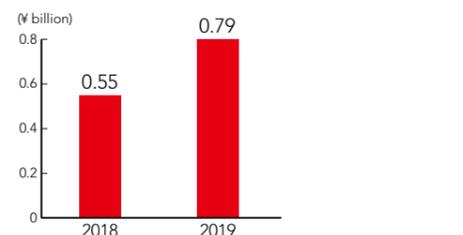
While sales of film for construction and industrial materials increased, revenue fell 0.6% year on year, reflecting a decline in sales of medical-related and decorative display products.

Segment profit grew 44.7% year on year to ¥799 million, in part thanks to progress in the shift to high-value-added products.

Revenue of Advanced Elastomer Products Business



Segment Profit of Advanced Elastomer Products Business



### Segment Risks and Opportunities

#### Risks

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

#### Opportunities

- Growth in sales of high-value-added products such as high-performance blades, PS (Precision Seamless) Belts, and new business creation
- Introduction of more highly processed, high-value-added functional films in the building materials and vehicle markets, primarily in the downstream sector

### Priority Measures for the Second Stage of "Breakthroughs for the Future"

#### Precision Parts

Develop new markets with current products

- Develop business for precision belts outside the OA equipment market: (1) Security cameras and (2) Banking terminals

Expand sales of strategic products in new markets

- Grow sales in the optoelectronics market  
BANDO MDEC™: Increase sales of cleaning system  
Free Crystal™: Capture market share in the easy-writability-sheet market

#### High-Performance Films

Shift toward high added value by expanding finished product business (building materials and vehicles market)

- Expand sales of highly processed products rather than focusing on the stand-alone films business (Building materials market)
- Differentiate our products from competitors' as ones that combine functionality and design with the convenience of small batch customization to promote the downstream business (vehicles market)
- Continue to market our films for use in motorcycle accessories and in materials for vehicle interiors

#### Enhancement and evolution in manufacturing

Develop innovative production methods, promote IoT and AI, reduce production costs aiming for global optimization

### ESG Initiatives: Environment & Social

#### Reducing energy use through new manufacturing methods, while also improving labor productivity

The Ashikaga Plant, which manufactures advanced elastomer products, is working to establish a new method for manufacturing urethane belts as part of our development of innovative manufacturing methods. In the fiscal year ended March 2019, they re-evaluated the compounding design of urethane materials and worked to shorten processing steps. As a result, energy use was reduced by about 80% and material loss fell by about 20%

compared to conventional manufacturing methods, while labor productivity improved by about a factor of two. We are prepared to expand these types of efforts to all Group plants going forward.



BANCOLLAN™ (polyurethane) belts

# Work style innovation of individuals and the organization



**Nobuhiro Hamada**  
General Manager,  
Work Style Innovation Department

## Achieving a positive spiral by aiming for self-directed work style innovation

### The Department's Mission

- Lead with BF-2's Guideline 4: Work Style Innovation of Individuals and the Organization, which provides core support for Guidelines 1 through 3.
- Improve productivity, propose and support the operation of and educate employees about a mechanism for achieving work-life balance
- Propose and educate employees about measures for eliminating wasteful work, thereby streamlining operations Group-wide and promoting and supporting labor savings

### Achievements in the Fiscal Year Ended March 2019

We focused on building work processes and guiding and supporting improvements, and on proposing, educating and guiding employees in steps to improve operational efficiency with the use of IT. As a result, progress was made in reducing or eliminating work dependent on individual skills, and we saw improvement in indicators for both hours worked and work-life balance including annual paid leave taken.

#### [Average Monthly Overtime Hours]

Fiscal 2017: 26.0 hours → Fiscal 2018: 24.8 hours (down 4.6% year on year)

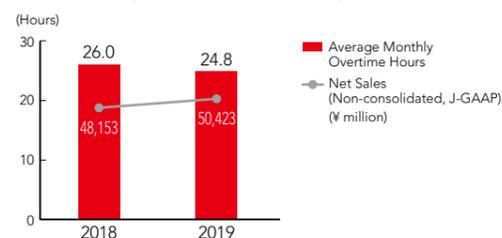
#### [Annual Paid Leave Taken (Average per Person)]

Fiscal 2017: 11.4 days → Fiscal 2018: 12.0 days (up 5.3% year on year)

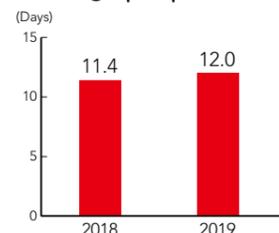
#### [Net Sales (Non-consolidated, J-GAAP)]

Fiscal 2017: ¥48,153 million → Fiscal 2018: ¥50,423 million (up 4.7% year on year)

Average Monthly Overtime Hours and Net Sales (Non-consolidated)



Annual Paid Leave Taken (Average per person)



Inspections utilizing IT (tablet devices)



Work Style Innovation informational posters

### Future Efforts

Streamlining work through use of IT, RPA, etc.

### Material Issues & New CSR Promotion Themes

The Bando Group recognizes that society expects it to uphold its social responsibilities through CSR activities, and that such activities must lead to the realization of its management philosophy. Accordingly, in the fiscal year ended March 31, 2018 we determined material issues with a view to revising our CSR objectives and themes

from a global standard perspective. From the fiscal year ended March 31, 2019, under our new CSR promotion themes on our material issues and management philosophy, we strive to promote CSR activities to ensure that we can continue to respond to changes in society and demands from our stakeholders.

### New CSR Promotion Themes (Established in fiscal 2017, implemented from fiscal 2018)



### Initiatives for the SDGs

The Bando Group is conscious of the importance of the globally shared Sustainable Development Goals (SDGs). Going forward, we plan to solidify policies and activity details for achieving the SDGs in order, while also moving forward with initiatives that achieve the targets (KPIs) of the new CSR promotion themes.



Major Achievements in Fiscal 2018

This section will introduce the results of our primary CSR activities in fiscal 2018 as the first year for implementation of the new CSR promotion themes.

CSR promotion themes	Major achievements in Fiscal 2018
Compliance/ Human rights	<p>[Compliance]</p> <ul style="list-style-type: none"> <li>Environmental: Environmental patrols (twice for the Company, once for affiliates)/survey on the status of compliance (once for overseas affiliates)</li> <li>Social/Economic: Ensuring corporate ethics/enhancing information security measures/compliance with various laws and regulations and dissemination of revised information</li> </ul> <p>[Supplier assessments]</p> <ul style="list-style-type: none"> <li>Environmental: Conducted CSR surveys</li> <li>Social: Shared the Company's procurement policies/confirmed social initiatives through CSR surveys</li> </ul> <p>[Anti-corruption/Anti-competitive behavior]</p> <ul style="list-style-type: none"> <li>Held Code of Conduct workshops/implemented discussions regarding the Code of Conduct at all departments/implemented lectures pertaining to the corrupt practices prevention laws (twice) for employees dispatched to overseas affiliates</li> <li>Anti-competitive behavior cases: None</li> </ul> <p>[Child labor/forced or compulsory labor]</p> <ul style="list-style-type: none"> <li>Implemented supplier assessments/various types of measures related to hiring activities/education on human rights</li> <li>Child labor or forced labor cases: None</li> </ul>
Products and services	<p>[Product/process innovations]</p> <ul style="list-style-type: none"> <li>Marketed two new "eco moving" products</li> <li>Developed new manufacturing method for urethane belts at the Ashikaga Plant (nearly doubled productivity, reduced material loss by 20%, reduced energy use by 80%)</li> </ul> <p>[Customer health and safety]</p> <ul style="list-style-type: none"> <li>Reduced highly toxic chemicals/Proceeded with substitutions for regulated pollutants</li> </ul>
The Environment	<p>[Materials]</p> <ul style="list-style-type: none"> <li>Unit volume of waste generation: Increased by 10.3% compared to all-time low in 3 years</li> <li>Sustained zero emissions</li> </ul> <p>[Energy]</p> <ul style="list-style-type: none"> <li>Unit volume of energy consumption: Increased by 0.1%</li> </ul> <p>[Emission]</p> <ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions: 84% completion toward fiscal 2020 target (Based on the 2005 emission factors of the electric power supplier, published by the Ministry of the Environment)</li> <li>Suppressed VOC emissions by 74% (compared to 2000)</li> </ul>
Labor/Safety	<p>[Training and education]</p> <ul style="list-style-type: none"> <li>Implemented level-based and function-based education/Implemented an educational program outside the Company</li> </ul> <p>[Employment]</p> <ul style="list-style-type: none"> <li>Status of annual paid leave taken/Average monthly overtime hours: Both improved compared to fiscal 2017</li> </ul> <p>[Diversity and equal opportunity]</p> <ul style="list-style-type: none"> <li>Ratio of female new graduates employed: 26%</li> <li>Ratio of persons with disabilities employed: 1.98%</li> </ul> <p>[Occupational health and safety]</p> <ul style="list-style-type: none"> <li>Lost days rate: 0.86%</li> <li>Recognized in the "2019 Health &amp; Productivity Stock Selection" and the "Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program (large enterprise category) White 500"</li> </ul>

Reduction of CO<sub>2</sub> Emissions through Use of the Joint Crediting Mechanism

In aiming to reduce CO<sub>2</sub> emissions by 20% compared to fiscal 1990 levels by fiscal 2020, the Company is undertaking initiatives such as shifting to different fuels, adopting highly optimized equipment, switching to LED lighting, and installing high-efficiency boilers at business locations, in addition to focusing on modal shifts, joint deliveries, and milk run logistics.

In accordance with developments in globalization of our businesses, we are also focusing on reducing CO<sub>2</sub> emissions at our overseas bases. Aside from refurbishing heat source boilers for equipment such as vulcanizers in the belt molding process, press machines, and calender rolls, we also introduced high-efficiency boilers that use natural gas for fuel at Bando Manufacturing (Thailand) Ltd. in fiscal 2017. With the refurbishment and installation of new boilers, we estimate a CO<sub>2</sub> reduction of 2,623 t-CO<sub>2</sub> per year, and registered our reduced CO<sub>2</sub> levels as an item toward achieving Japan's reduction targets in the Joint Crediting Mechanism\*.

\* Joint Crediting Mechanism: Advanced countries provide technology and investment to developing countries to reduce CO<sub>2</sub> emissions, and resulting reductions count toward the targets of advanced countries in the bilateral mechanism



Bando Manufacturing (Thailand) Ltd. has begun refurbishing manufacturing equipment and high optimization to reduce CO<sub>2</sub> emissions

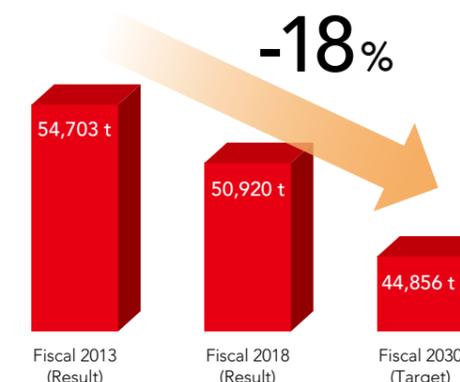
Setting Targets Higher than Industry Standards to Further Evolution

CO<sub>2</sub> emissions for the Company in fiscal 2018 amounted to 50,920 t-CO<sub>2</sub>, nearly achieving the fiscal 2020 target of reducing emissions to below 47,842 t-CO<sub>2</sub>. In consideration of this, we set a new target to reduce CO<sub>2</sub> emissions by 18% compared to fiscal 2013 by fiscal 2030.

In setting the above target, we considered target proposals from the Japan Rubber Manufacturers Association. As of fiscal 2018, we have already nearly achieved the association's target of a 21% reduction compared to fiscal 2005. On the other hand, adjustments between industries have yet to be implemented in terms of the Japanese government's target of a 26% reduction compared to fiscal 2013, feasibility of which has been recognized as difficult in the Company's business fields. Therefore, as the Company continues its current business activities, it has set a goal close to that of the government, an 18% reduction compared to fiscal

2013 or 44,856 t. Going forward, the Bando Group will undertake initiatives inside and outside Japan to reduce CO<sub>2</sub> emissions, and put forth effort to preserve the global environment.

CO<sub>2</sub> emissions (Results and target)



**Toward Further Value Creation Overseas**

Considering the fact that about 60% of consolidated employees at Bando are non-Japanese, we are focusing our efforts on cultivating global personnel for the purpose of maximizing overall group synergy, while all domestic and overseas employees further polish their specialties, creativity, and individuality.

As part of this effort, we have been implementing



English language training for new recruits (Japan)

English language training by foreign teachers in education and guidance for new recruits, and strengthening language capabilities to serve as a fundamental skill for global personnel. We also set up voluntary courses, such as e-learning tailored to each employee's English language level, in an effort to strengthen their English language capabilities.

**Bando Global Sales Seminar**

The Bando Global Sales Seminar for employees in charge of sales at overseas bases provides market information and sales cases for each base, and helps to cultivate personnel who can develop global markets and products. In fiscal 2018, six non-Japanese employees from five bases in five countries participated in the seminar, and learned about marketing methods, product development, and the content of new businesses. They also gained knowledge about the status of the overall Bando Group and best practices. The seminar, which contributes to the creation of a network connecting participants, was well received and we plan to continue holding this event while evolving the content going forward.

As an example of its evolution, the seminar held in fiscal 2017 launched a new initiative to include new recruits from Japan as participants. We have also started overseas practical training, business manner training using English, and dispatching participants to a business school in Asia.

The Company positions strengthening personnel measures at the core of its growth strategy, as seen with making "Work Style Innovation of Individuals and the Organization" a basic strategy in BF-2. Going forward, we will focus on strengthening global management and developing personnel, while integrating growth strategies and the CSR promotion themes, and material issues.



A Bando Global Sales Seminar

**Basic Stance on Corporate Governance**

In order to improve sustainable growth and mid-to-long term corporate value, the Company, as a member of society, must adhere to the law and social norms. In addition, we seek to create harmony starting with stakeholders including the customers who use the Bando Group's products (end users), employees, business

partners, shareholders, local communities. We believe it is especially important to gain people's trust and build better relationships. In line with such thinking, the Company focuses on ensuring sound, transparent and efficient management by enhancing its corporate governance system.

**Board of Directors**

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

The Company's Board of Directors consists of eight members, with four of those eight members serving as members of the Audit & Supervisory Committee. The Board makes decisions concerning basic management policies, important management issues, and legally stipulated matters,

as well as monitoring the work performance of directors and corporate executive officers. The Board's three external directors are charged with the independent oversight of business operations. The Board meets at least once a month. In addition, the Company maintains a corporate executive officer system to improve operational efficiency and speed, and has established the Management Advisory Council to assist the president with management decisions.

**Audit & Supervisory Committee**

The Audit & Supervisory Committee members comprise four directors, of whom three are external directors.

Furthermore, one of the directors serves on a full-time basis.

**Nominating Committee and Compensation Committee**

Despite having no legal obligation under the Companies Act, the Company has established the Nominating Committee and Compensation Committee to serve as consultative bodies of the Board of Directors in an effort to further strengthen corporate governance. Specifically, resolutions for appointment and determination of remuneration of directors by the Board of Directors, which is chaired by the president, take place after deliberation by the Nominating Committee and Compensation Committee, whose members include external directors and directors serving as Audit & Supervisory Committee members. As of June 27, 2019, the committees are chaired

by Mitsutaka Yoshii (president and representative director) and other members include Kyosuke Nakamura (director who is an Audit & Supervisory Committee member) and Takahiro Matsusaka, Takashi Shigematsu and Haruo Shimizu (external directors who are Audit & Supervisory Committee members). The Audit & Supervisory Committee must approve the appointment of directors who will serve on it. The Audit & Supervisory Committee also deliberates on the remuneration of said directors.

In the fiscal year ended March 31, 2019, the total amount of director and Audit & Supervisory Committee member remuneration is shown below.

	Monetary Remuneration		Stock Remuneration		Total Remuneration
	Number of Persons	Total Amount	Number of Persons	Total Amount	
Directors not serving as members of the Audit & Supervisory Committee (of which, external directors)	5 (0)	¥72 million (¥0 million)	5 (0)	¥18 million (¥0 million)	¥91 million (¥0 million)
Directors who serve as members of the Audit & Supervisory Committee (of which, external directors)	4 (3)	¥45 million (¥30 million)	0 (0)	¥0 million (¥0 million)	¥45 million (¥30 million)
Total (of which, external directors)	9 (3)	¥118 million (¥30 million)	5 (0)	¥18 million (¥0 million)	¥136 million (¥30 million)

Notes:

- As of March 31, 2019, the Company has four directors not serving as members of the Audit & Supervisory Committee (no external directors), and four directors who serve as members of the Audit & Supervisory Committee (including three external directors).
- The numbers above include one director not serving as a member of the Audit & Supervisory Committee who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on June 21, 2018.
- The total monetary remuneration of directors not serving as members of the Audit & Supervisory Committee was limited to a maximum of ¥190 million per year, and the total monetary remuneration of directors who serve as members of the Audit & Supervisory Committee was limited to a maximum of ¥84 million per year.
- The total amount of monetary remuneration of the abovementioned directors not

- serving as members of the Audit & Supervisory Committee includes a profit-linked component for the fiscal year ended March 31, 2019 (monetary remuneration linked to business performance), calculated based on the Company's criteria for profit-linked bonus. Projected payments are included in reserves.
- The total amount of stock remuneration is the amount of costs recorded for 18,704 stock award points (equivalent to 18,704 shares of company stock) awarded to executive directors in accordance with performance during the fiscal year ended March 31, 2019. The maximum amount of stock remuneration that can be paid to executive directors during a single fiscal year is ¥50 million and 54,000 shares.
- In addition to the above-listed information, salaries and bonuses for employees who concurrently serve as directors are as follows:  
Four employee salaries: ¥56 million  
Three employee bonuses: ¥20 million

**Performance-linked Remuneration for Directors**

The Company introduced performance-linked remuneration (monetary or stock remuneration) correlated to profit attributable to owners of parent for the purpose of heightening awareness of contributions to improving business performance and corporate value. Furthermore, we are introducing functions to serve as incentives to

improve mid-to-long term performance results, such as stock-based remuneration received upon resignation (stock award points are granted each year based on business performance, and a number of shares equivalent to the accumulated points are issued at the time of resignation).

**Method to Determine the Amount of Performance-linked Remuneration**

**Conditions for profit-linked bonus payment**

Profit-linked bonus for directors who do not serve as Audit & Supervisory Board members (non-executive directors are not eligible for this benefit) will only be paid if the following conditions related to business performance are fulfilled at the end of the fiscal year.

- The dividend per share is more than ¥12 per year
- Profit attributable to owners of parent for the fiscal year is more than ¥3,000 million and the Company posts non-consolidated net income

**Calculation method for the total amount of profit-linked bonuses**

The total amount of profit-linked bonuses to be paid to directors is calculated using the following formula. However, in accordance with this calculation method, the fixed upper limit for the total amount of profit-linked bonuses is ¥50 million.

· Total amount of profit-linked bonuses  
 = Profit attributable to owners of parent before performance-linked stock remuneration or payment of profit-linked bonus x 0.004 x (1.05)<sup>n-4</sup>  
 \* n = Number of directors

**Standards for stock remuneration payment**

The amount of stock remuneration payment will be calculated using the same standards as profit-linked bonus listed above. Stock award points will be calculated each year, divided by the average acquisition price (average unit price of Company stocks acquired by a trustee from stock markets, etc., based on a fiduciary contract), rounding down any number below one. Upon resignation, the Company shall issue a number of shares equivalent to the cumulative total of stock award points granted during the tenure of an applicable director.

**Independence Standards and Qualification for Independent Directors**

In nominating candidates for independent director, the Nominating Committee ensures that such persons satisfy the independence criteria set by stock exchanges and are also capable of fulfilling their role and responsibilities from an independent standpoint. The rationales for the appointment of those independent directors serving as of June 25, 2019 are summarized below.

**Takahiro Matsusaka**

Many years of experience and related business knowledge gained working in managerial positions in financial institutions afford Mr. Matsusaka the capacity to conduct auditing and oversight activities from general and specialist viewpoints. He is not influenced by the views of Sumitomo Mitsui Banking Corporation (SMBC), a major business partner of the Company, due to the 15 years that he has spent working at other companies since leaving SMBC. Moreover,

it is judged that the Company's decision-making is not subject to any undue influence by SMBC since (a) the Company conducts business with a number of financial institutions, (b) business with SMBC is conducted on the same terms as with other banks, and (c) loans from SMBC are equivalent to only about 2% of the Company's total assets. Hence, since there is no conflict of interest with ordinary shareholders as defined by the Tokyo Stock Exchange, Mr. Matsusaka has a high degree of independence.

**Takashi Shigematsu**

Many years of experience gained working as an engineer or manager in manufacturing firms and a related wealth of knowledge enable Mr. Shigematsu to conduct auditing and oversight activities from an independent perspective. In addition, Mr. Shigematsu concurrently holds the positions of Outside Director at Murata Manufacturing

Co., Ltd., and Outside Director at Ashimori Industry Co., Ltd. As the Company does not have any special relationships with either Murata Manufacturing Co., Ltd. or Ashimori Industry Co., Ltd., there is no conflict of interest with ordinary shareholders as defined by the Tokyo Stock Exchange, and Mr. Shigematsu has a high degree of independence.

**Haruo Shimizu**

Many years of experience gained working as a manager in manufacturing firms and a related wealth of knowledge

enable Mr. Shimizu to conduct auditing and oversight activities from an independent perspective. In addition, Mr. Shimizu concurrently holds the position of Outside Director at Suminoe Textile Co., Ltd., and Outside Director at Ashimori Industry Co., Ltd. As the Company does not have any special relationship with Suminoe Textile Co., Ltd. or Ashimori Industry Co., Ltd., there is no conflict of interest with ordinary shareholders as defined by the Tokyo Stock Exchange, and Mr. Shimizu has a high degree of independence.

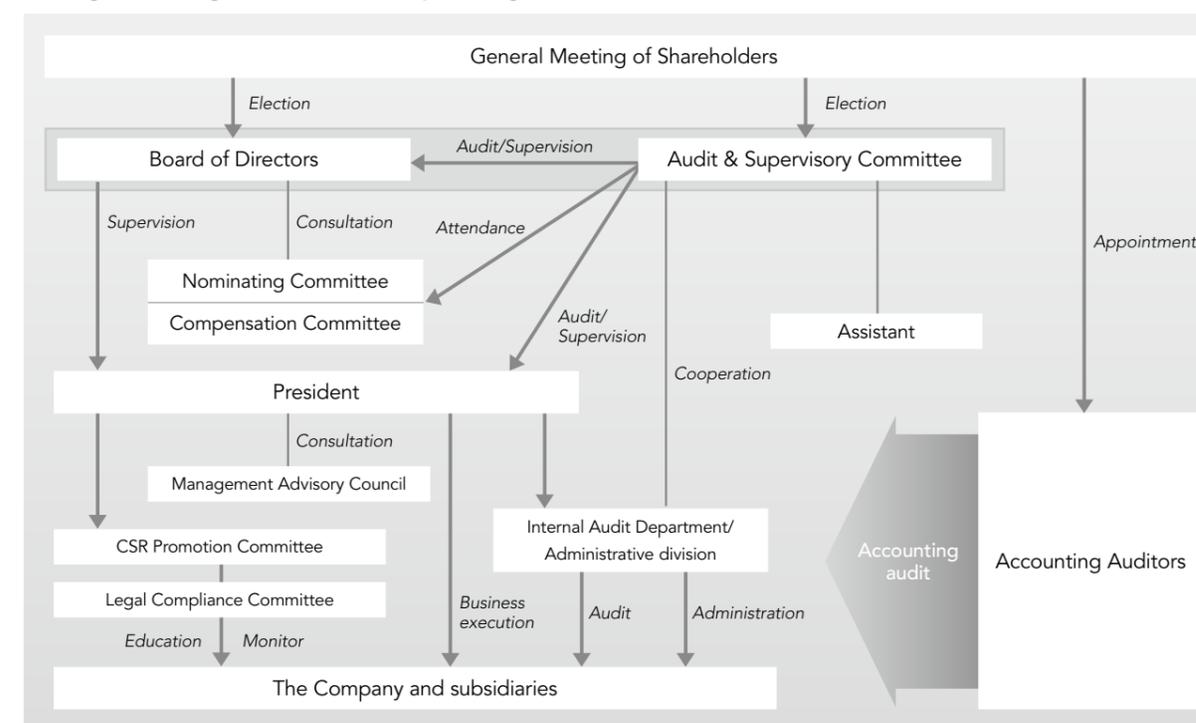
**Analysis and Evaluation of the Effectiveness of the Board of Directors**

For analysis and evaluation of the effectiveness of the Board of Directors, the Board of Directors carried out a self-evaluation survey in regards to their operation and management style and the chair of the Board of Directors carried out his own analysis and evaluation of directors' self-evaluation. Those results were reported to the Board of Directors and discussed.

The Board of Directors added a member well-versed in R&D and new product development in fiscal 2018. Through lively discussions incorporating a variety of perspectives

and with a composition maintaining balance and diversity of knowledge, experience, and skill, the Board of Directors arrived at the conclusion that there are no overall issues with effectiveness. However, they expressed the opinion that it would be desirable to enrich their strategic discussions related to achieving the targets of the mid-to-long term business plan, create more concise materials for the summary of issues, and share a broader range of topics at an earlier stage in order to improve their effectiveness.

**Management organization and corporate governance**



**Internal Audits**

The Company has established the Internal Audit Department, an independent organization that is staffed by four people reporting directly to the president. The Internal Audit Department implements systematic internal audits which include the internal control system (covering internal control system for financial reporting) of all departments as well as domestic and overseas affiliates.

Accompanied by the Audit & Supervisory Committee members in principal, the Internal Audit Department conducts on-site audits at Company's business facilities and affiliates, the results of which are reported to the president, directors not serving as members of the Audit & Supervisory Committee and the Audit & Supervisory Committee.

**Policy for Constructive Dialogue with Shareholders**

Regarding all shareholders and investors as important stakeholders, the Company believes it is important to deepen mutual understanding based on a constructive dialogue about how to enhance corporate value and to use such dialogue as the basis for proper management policy.

In line with such thinking, the executive director in charge of administrative functions oversees the dialogue in coordination with the central departments responsible for finance, general affairs and corporate planning and provides briefings to domestic and foreign institutional investors, and disclosure of information such as the details and progress of business plans, Group performance, and returns to shareholders. In these meetings, the president and the senior management of the Company seek to engage in dialogue with institutional investors about long-term creation of corporate value so that stakeholder views

can better be reflected in the management of the business. The full online disclosure of any materials presented at such meetings via the Company's website ensures fair disclosure to individual investors and shareholders. Since the General Meeting of Shareholders also provides another valuable opportunity to engage with shareholders, the Company seeks to avoid holding it on the most popular dates, and also ensures that adequate time is allocated to the Q&A session.

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

\* Details of the Company's disclosure policy  
<https://www.bandogrp.com/eng/ir/management/disclosure.html>

**Disclosures Based on Principles of Japan's Corporate Governance Code**

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

**[Principle 1.4] Cross-Shareholdings**

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

The Board of Directors conducts a review of cross-shareholdings each year, investigating and verifying items such as whether benefits or risks are commensurate with capital costs, in addition to compatibility with the Company's retention policies. Cross-shareholdings will be reduced if they are determined to have little significance to the Company.

As a result of verifying the status of related profits for all individual stocks, such as dividends compared against capital cost for balance sheet amounts or related trading profit, the Company confirmed that related profit exceeded capital cost for most of the items applicable for verification. Overall, the Company confirmed that there was qualitative significance for retained cross-shareholdings, the Company confirmed it will consider disposal by sale for some indexes going forward.

Decisions relating to the exercise of any voting rights pertaining to cross-shareholdings are taken based on a general consideration of whether the proposed voting resolution is (a) consistent with the aforementioned policy, and (b) likely to contribute to the enhancement of the corporate value of the equity issuer over the mid-to-long term. As a shareholder of the supplier, it is our policy to veto any resolutions carrying significant concerns for damage to the corporate value of the Bando Group.

**[Principle 2.6] Roles of Corporate Pension Funds as Asset Owners**

The Company uses its corporate pension reserves through the Bando Chemical Industries Corporate Pension Fund (hereafter "the Pension Fund"). In addition to formulating basic policies regarding management of the Pension Fund, we established a steering committee to operate, manage, etc. reserve funds. Individuals who possess expert knowledge on finance are appointed as members of the steering committee. We also contract multiple managing bodies for the reserve to ensure there are no conflicts of interest between corporate pension beneficiaries and the Company. Furthermore, additions or changes to the managing bodies or the managed products are approved by the Pension Fund council and representative council after deliberation by the steering committee. All managing bodies have announced their acceptance of the Stewardship Code.

**As the Company works toward sustainable growth and a mid-to-long term improvement in corporate value, how should its corporate governance evolve? We asked Takashi Shigematsu, an independent director, about this issue.**



**Takashi Shigematsu**  
 External Director  
 (Audit & Supervisory Committee Member)

**Q What do you think the Company needs to do to further enhance its corporate governance?**

**A** There are two sides to corporate governance as a mechanism for improving corporate value. The first is "continuous improvement" through day-to-day internal controls and audits. The second is a company's "response to future risks" based on economic conditions, competitive trends and other changes in the external environment. My understanding is that for the Company in the present, the latter aspect is of particular importance, and the greatest issue in governance is how quickly we can transform our business portfolio in response to the once-in-a-century changes taking place in the automotive industry. In other words, it is essential that the Company move early to build a mechanism for growing the new businesses that have sprouted around it into core businesses. I also believe it is important that the Company maximize its synergies across the entire Bando Group as it works to balance expanding the medical and healthcare equipment business, where it carried out an M&A, with current businesses.

**Q What do you see as the Company's strengths and issues, and what work needs to be done toward sustainable growth?**

**A** Bando's strength is that its core technologies are built on chemistry (materials and their applications), offering strong potential for achieving innovation through the development of completely new materials. The issues the Company faces are, I think, mid-to-long term investment

in human resources and capital required to turn those new materials into profitable businesses, and the creation of a flexible organization and corporate cultures to support new businesses with varying business models and climates. This is something that the Company's management fully recognizes, and that is explicit in its strategy of emphasizing new businesses. In the process of achieving this, I believe the Company's governance can evolve as well. The fiscal year ending March 2020—the second year of BF-2—is an important year in terms of building a mechanism for supporting new businesses. Care needs to be taken, however, to avoid fixating on short-term quantitative targets, and to focus more than anything else on creating a system that embodies the Company's original goal of "Breakthroughs for the future." Specific steps that might be effective include establishing a common identity and set of goals for the entire organization, including the medical fields, developing accessible communications that resonate with employees, and establishing opportunities for mutual dialogue and learning.

**Q In closing, what approach will you take to your involvement with Bando Chemical Industries, and what are your aspirations?**

**A** I would like to bring a stronger awareness of the "shareholder perspective" to working with day-to-day internal controls and audits. That said, rather than focusing solely on profit growth, I will also emphasize a point of view that asks how the Company might best contribute to society's sustainable growth. In terms of new business initiatives and collaboration with other industries, I hope to make use of the insights I have gained through my experience in the automotive and ICT industries.

Board of Directors

 <p><b>Mitsutaka Yoshii</b> President and Representative Director:</p> <p>Apr. 1981 Joined the Company Apr. 1999 General Manager, Automotive Parts Marketing Department, Power Transmission Belt Division May 2003 President, Bando Europe GmbH Apr. 2007 General Manager, Procurement Department, the Company Apr. 2009 General Manager, Corporate Planning Department Apr. 2011 General Manager, Industrial Products Division President and Director (Representative Director), Bando-Scholtz Corporation Jun. 2011 Director, the Company Apr. 2013 President and Director (Representative Director) (Present)</p>	 <p><b>Shinji Kashiwada</b> Member of the Board:</p> <p>Apr. 1985 Joined the Company Nov. 2002 General Manager, Automotive Parts Marketing Department, Tokyo Branch Office, Marketing Division Apr. 2007 General Manager, Osaka Branch Office, Marketing Division Apr. 2009 General Manager, Power Transmission Belt Division Jun. 2011 Director (Present) Apr. 2013 General Manager, Mid-Term Plan Promotion Department and Tokyo Branch Office Apr. 2018 Senior Managing Executive Officer (Present)</p>	 <p><b>Atsushi Someda</b> Member of the Board:</p> <p>Apr. 1987 Joined the Company Apr. 2008 General Manager, Research Laboratories for Power Transmission Technologies Apr. 2013 General Manager, Automotive Parts Division Jun. 2017 Director (Present) Apr. 2018 Senior Executive Officer (Present) General Manager, Manufacturing Planning Center (Present)</p>	 <p><b>Katsuhiko Hata</b> Member of the Board:</p> <p>Apr. 1985 Joined the Company Apr. 2009 General Manager, Research and Development Center Apr. 2013 General Manager, Elastomer Products Business Administrative Headquarters Apr. 2017 Senior Executive Officer (Present) Apr. 2018 General Manager, New Businesses Promotion Center (Present) Jun. 2018 Director (Present)</p>
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 <p><b>Kyosuke Nakamura</b> Member of the Board (Audit &amp; Supervisory Committee Member):</p> <p>Apr. 1981 Joined the Company Dec. 2003 General Manager, Personnel and General Affairs Department Apr. 2011 General Manager, Corporate Information Systems Department Apr. 2013 General Manager, Corporate Planning Department Apr. 2014 Senior Executive Officer Jun. 2014 Director Jun. 2018 Director (Audit &amp; Supervisory Committee Member) (Present)</p>	 <p><b>Takahiro Matsusaka</b> (External) Member of the Board (Audit &amp; Supervisory Committee Member):</p> <p>Apr. 1974 Joined Taiyo-Kobe Bank Ltd. Oct. 2000 Sanmomiya Corporate Marketing Manager, Sakura Bank, Limited Jun. 2002 Executive Officer and Himeji Corporate Marketing Manager, Sumitomo Mitsui Banking Corporation (retired in June 2004) Jun. 2004 Senior Executive Officer, Ginsen Co., Ltd. Jun. 2012 Representative Director, Kobe Tochi Tatemono Co., Ltd. Jun. 2014 External Audit &amp; Supervisory Board Member (full-time) of the Company Jun. 2016 External Director of the Company (Audit &amp; Supervisory Committee Member) (Present)</p>	 <p><b>Takashi Shigematsu</b> (External) Member of the Board (Audit &amp; Supervisory Committee Member):</p> <p>Apr. 1975 Joined Toyota Motor Co., Ltd. (Current: Toyota Motor Corporation) Jun. 2004 Managing Officer (retired in June 2009) Jun. 2005 Outside Director, FUJITSU TEN LIMITED (Current: DENSO TEN Limited) Jun. 2010 President and Director, FUJITSU TEN LIMITED (Representative Director) Jun. 2014 Chairman and Director, FUJITSU TEN LIMITED (Representative Director) Jun. 2015 External Director of the Company Outside Director, Murata Manufacturing Co., Ltd. (Present) Jun. 2016 External Director of the Company (Audit &amp; Supervisory Committee Member) (Present)</p>	 <p><b>Haruo Shimizu</b> (External) Member of the Board (Audit &amp; Supervisory Committee Member):</p> <p>Feb. 1970 Joined Daikin Mfg. Co., Ltd. (Current: EXEDY Corporation) Jun. 1994 Director Jun. 1996 General Director, Sales Division Jun. 2006 President and Chief Executive Officer Apr. 2015 Chairman Jun. 2016 Advisor External Director of the Company (Audit &amp; Supervisory Committee Member) (Present) Aug. 2016 Outside Director, Suminoe Textile Co., Ltd. (Present)</p>
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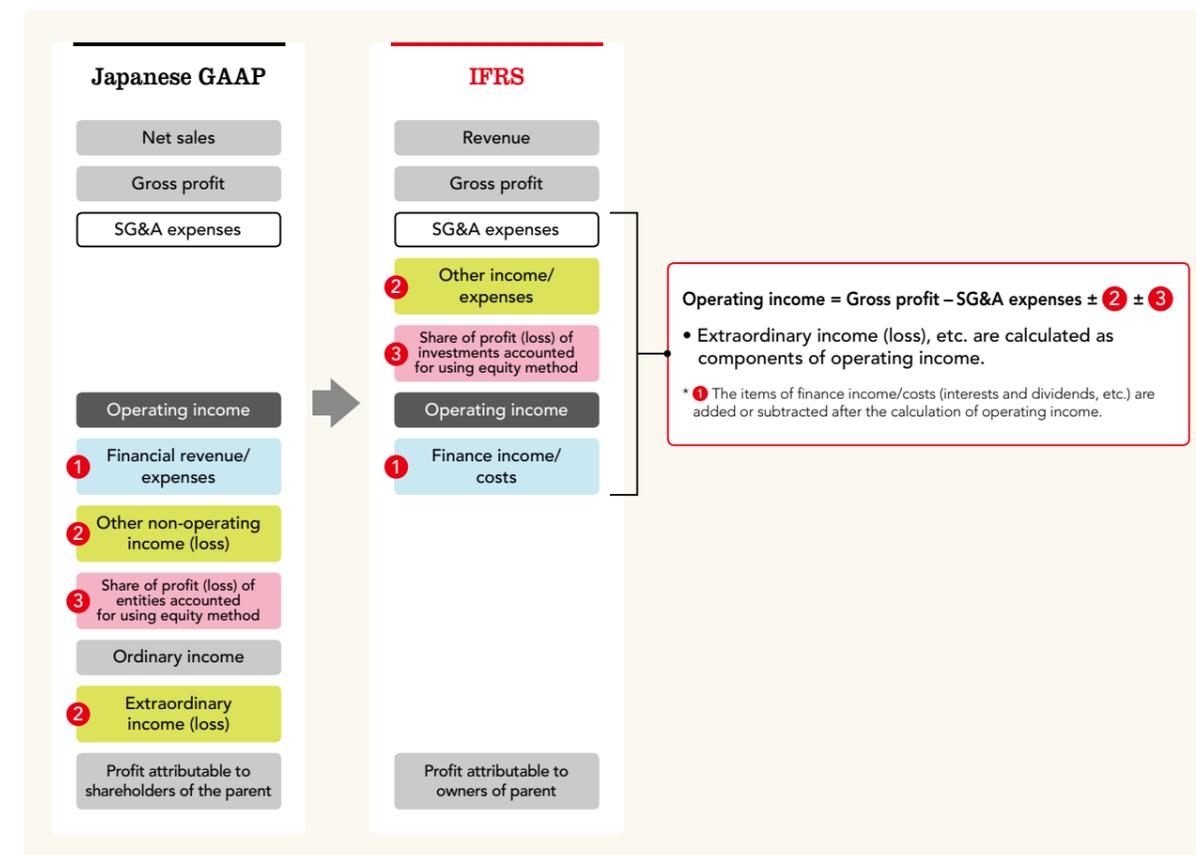
Corporate Executive Officers

President: <b>Mitsutaka Yoshii</b>	Senior Managing Executive Officer: <b>Shinji Kashiwada</b>	Senior Executive Officers: <b>Atsushi Someda</b> <b>Katsuhiko Hata</b> <b>Takayuki Nagase</b> <b>Kazuyuki Mamba</b> <b>Satoshi Matsuo</b>	Executive Officers: <b>Katsuya Yamaguchi</b> <b>Tsutomu Okada</b> <b>Yuji Honda</b> <b>Hisashi Yagi</b> <b>Tadahiko Noguchi</b> <b>Tomio Ueno</b>
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Supplementary information regarding voluntary application of IFRS

The Company voluntarily applies the International Financial Reporting Standards (IFRS) for the consolidated financial statements in the Annual Securities Report for the fiscal year ended March 31, 2019 instead of conventional Japanese GAAP. In accordance with this application, the Company will provide the following supplementary information concerning the accompanying Financial Section.

[1] Differences between voluntary application of IFRS and Japanese GAAP



[2] Differences for main items in the overview of operating results, etc.

Fiscal year ended March 31, 2018

Please refer to Note 39 "First-Time Adoption of IFRS" of Notes to Consolidated Financial Statements in Appendix.

Fiscal year ended March 31, 2019

Accounting process for revisions to the retirement benefit pension plans

As of April 1, 2019, the Company and certain of its consolidated subsidiaries have moved from defined contribution pension plans to risk sharing pension plans. Japanese GAAP applies the Accounting Standards Board of Japan's "Practical Solution on Accounting for Risk Sharing Pension Plan," and the Company recorded losses associated with the transition as extraordinary losses for

the fiscal year ended March 31, 2019. With IFRS, however, the Company plans to record such losses as other expenses for the first quarter of the fiscal year ending March 31, 2020. Therefore, when comparing IFRS with Japanese GAAP, income before income taxes increased by ¥807 million.

Capitalization of research and development costs

With Japanese GAAP, all research and development costs were charged to income as incurred. With IFRS, however, research and development costs that fulfill capitalization conditions are recognized as intangible assets. Therefore, when comparing IFRS with Japanese GAAP, selling, general and administrative expenses in the consolidated statement of profit or loss decreased by ¥120 million.

# Management's Discussion and Analysis

The Bando Group voluntarily applies the International Financing Reporting Standards (IFRS) for the consolidated financial statements in the Annual Securities Report for the fiscal year ended March 31, 2019 instead of conventional Japanese GAAP. When it undertakes comparative analysis in this Annual Report, IFRS have also been applied to figures for the previous fiscal year.

## Operating Environment

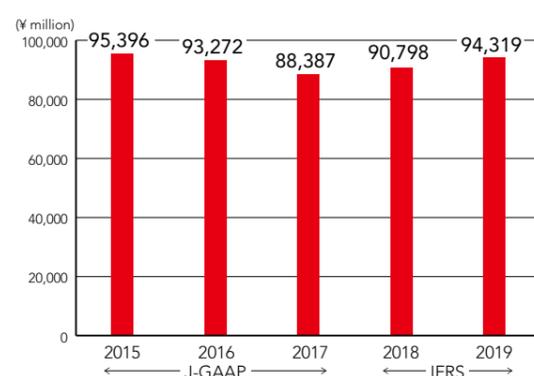
During the fiscal year ended March 31, 2019, the U.S. economy continued on a path of recovery guided autonomously by the private sector, while Japan also continued a moderate recovery trend supported by stable domestic demand. However, the economy in Europe decelerated due to increased uncertainty regarding politics in the region. China's economy also grew sluggish due to the impact of trade friction with the U.S., and deceleration in the Asian region focused on exports tied to China's lackluster growth.

The automotive sector, a key market for the Bando Group, was supported by robust domestic demand in the U.S., as well as Asian countries such as Thailand, and automobile production volume exceeded that of the previous fiscal year. In Japan, automobile production volume held steady in comparison to the previous year, however, volume fell short of the previous year in Europe and China, where deceleration of the market has escalated.

## Business Overview

As fiscal 2018 was the first year of the second stage of the Group's "Breakthroughs for the future" mid-to-long term business plan covering the period from fiscal 2013 to fiscal 2022, we carried out activities based on four guidelines of New Business Creation, Core Business Expansion, Enhancement and Evolution in Manufacturing, and Work Style Innovation of Individuals and the Organization, with

### Net sales\*/Revenue\*



\* Fiscal year endings are March 31.

the aim of becoming a standout global supplier.

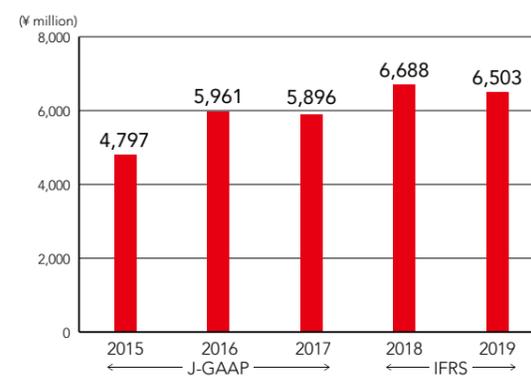
For new products, we launched sales for Mr. Ultra Mirror™, a light-duty fluorine resin conveyor belt with high anti-stick properties that can be used with small pulley, and Mr. Spike™, a high-grip, light-duty conveyor belt for food with a durable spike shape. Furthermore, our independently developed Hyper Flat Drive (HFD) System™ was evaluated for its exceptional energy-saving efficiency and awarded the Energy Conservation Center, Japan (ECCJ)'s Grand Prize for Excellence in Energy Efficiency and the Chairman's Prize, the Energy Conservation Center, Japan in the Product Category and Business Model Category.

As an enterprise undertaking strategic initiatives that consider operations from the perspective of employees' health management, the Company was also selected by the Ministry of Economy, Trade, and Industry and Tokyo Stock Exchange for the Health & Productivity Stock Selection for the third year in a row and recognized in the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (in the large enterprise category).

## Operating Results

Revenue in the fiscal year ended March 31, 2019 was ¥94,319 million, an increase of 3.9% year on year, owing to growth in the Industrial Products Business. Core operating income, which excludes cost of sales and selling, general and administrative expenses from revenue, decreased 2.8% year on year to ¥6,503 million owing to an increase in

### Operating income\*/Core operating income\*



cost of sales despite curtailment on an increase in selling, general and administrative expenses. Operating income decreased 4.8% year on year to ¥6,815 million due to an increase in other expenses.

Profit attributable to owners of parent increased 7.0% year on year to ¥5,457 million, reflecting an increase in foreign exchange gain.

## Operating Results by Business Segment

### Automotive Parts Business

In Japan, automobile production volume remained steady compared to the previous fiscal year, with flat sales for accessory drive power transmission belts such as RIB ACE™ and accessory drive power transmission system products such as Automatic Tensioners and BANDO SMOOTH COUPLER™.

Overseas, sales of accessory drive power transmission system products and variable speed belts for scooters increased in the Asian region due to focused efforts to proactively cultivate customers. However, sales declined in the U.S. and China.

As a result, segment revenue declined 0.1% year on year to ¥41,650 million.

Segment profit decreased 6.4% to ¥3,182 million.

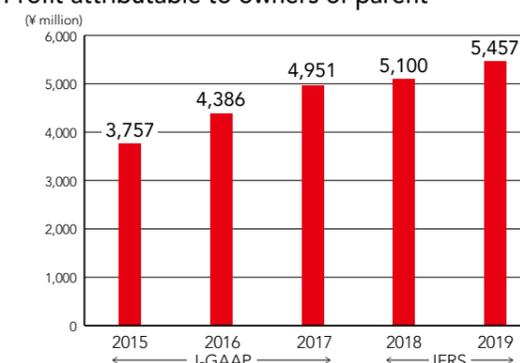
### Industrial Products Business

In industrial power transmission belts, sales of power transmission belts for industrial machinery increased despite a standstill in domestic machinery orders. Sales strengthened in the U.S., China, and the Asian region, with increases in sales of power transmission belts for agricultural machinery and industrial machinery.

In conveyor belts, sales of conveyor belts for steel increased in Japan.

As a result, segment revenue increased 9.1% year on year to ¥34,815 million.

### Profit attributable to shareholders of the parent\*/ Profit attributable to owners of parent\*



\* Fiscal year endings are March 31.

Segment profit increased 1.6% year on year to ¥1,960 million, owing mainly to the increase in costs to address issues at a customer.

### Advanced Elastomer Products Business

In high-performance films, sales of films for construction materials and industrial materials increased due to strengthened sales in the building materials industry. However, sales of film for medical applications and decorative displays decreased.

In precision performance products, sales for high-performance rollers and blades for key customers increased despite flat output at OA equipment makers.

As a result, segment revenue increased 0.5% year on year to ¥15,237 million.

Segment profit rose 44.7% year on year to ¥799 million, owing to a shift to high-value-added products.

### Other Business

In other business, sales increased 42.0% year on year to ¥3,881 million, with a 52.3% increase in segment profit to ¥531 million due to contributions from the manufacture and sales of robot-related devices and electronic materials business.

## Financial Position

Total assets as of March 31, 2019 amounted to ¥102,557 million, a decrease of ¥689 million year on year.

Current assets increased by ¥67 million, while non-current assets declined by ¥756 million owing to the reduction in other financial assets.

Total liabilities decreased by ¥3,613 million compared with the previous year-end to ¥34,424 million.

Current liabilities decreased by ¥1,790 million due to the decrease in trade and other payables. Non-current liabilities declined ¥1,823 million due to decreases in bonds and borrowings.

Equity increased ¥2,923 million from the previous fiscal year-end to ¥68,133 million.

Retained earnings increased ¥3,705 million due partly to the recording of profit attributable to owners of parent, while other components of equity decreased ¥926 million.

As a result, the equity attributable to owners of parent ratio increased 3.3 percentage points from 62.9% at the previous fiscal year-end to 66.2%.

## Capital Investment and Fund Procurement

Capital investment undertaken in the fiscal year ended March 31, 2019 totaled ¥4,706 million. Major capital investment items are shown below. The financing required was obtained from the Company's own funds and borrowings.

Business Segment	Amount (¥ million)	Main Activities
Automotive Parts Business	¥2,369	Installed new — and expanded or upgraded existing — manufacturing equipment
Industrial Products Business	1,002	Installed new — and expanded or upgraded existing — manufacturing equipment
Advanced Elastomer Products Business	710	Installed new — and expanded or upgraded existing — manufacturing equipment
Other and Corporate	625	Installed new system and research equipment
Total	¥4,706	

## Cash Flow

Net cash provided by operating activities totaled ¥6,603 million, compared with ¥9,184 million provided in the previous fiscal year, with the recording of profit before income taxes of ¥7,167 million.

Net cash used in investing activities was ¥4,575 million, compared with ¥5,008 million used in the previous fiscal year. This was due to the booking of ¥3,986 million in purchase of property, plant and equipment, ¥568 million in purchase of intangible assets, and other factors.

Net cash used in financing activities was ¥3,134 million, compared with ¥4,588 million used in the previous fiscal year, largely reflecting repayments of long-term borrowings of ¥1,773 million and dividends paid to owners of parent totaling ¥1,422 million.

As a result, cash and cash equivalents as of March 31, 2019 totaled ¥17,530 million, down ¥946 million compared with the previous fiscal year-end.

## Earnings Forecasts for the Year Ending March 31, 2020

The forecast for businesses overseas continues to remain uncertain due to Brexit concerns, trade friction between the U.S. and China, and concerns regarding the deceleration of economies in China and the Asian region. Despite expectations that various economic policies in Japan will sustain the economic recovery, the business forecast is overshadowed by prospective risks, including stagnant exports resulting from the deceleration in the world

economy and declining consumer confidence caused by the consumption tax rate hike.

Under these circumstances, the Group pushes forward with priority measures in the second stage (BF-2: five years from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2023) of its 10-year mid-to-long term business plan "Breakthroughs for the future" that has been in motion since the fiscal year ended March 31, 2014, and aims to achieve the management targets.

At the time of the announcement of financial results for the fiscal year ended March 31, 2019 on May 13, 2019, the earnings and dividend forecasts for the fiscal year ending March 31, 2020 was not yet fixed as the Company just acquired Aimeedic MMT Co., Ltd. on May 8, 2019. The forecasts became available, and the Company disclosed the following forecasts on August 9, 2019, taking into account the recent changes in economic conditions.

The earnings forecasts for the year ending March 31, 2020 are as follows: revenue of ¥93,000 million, down 1.4% year on year; core operating income of ¥6,000 million, down 7.7% year on year; operating income of ¥6,000 million, down 12.0% year on year; and profit attributable to owners of parent of ¥4,500 million, down 17.5% year on year. The Company plans to pay an annual dividend per share of ¥32, including an interim dividend of ¥16.

## Basic Policy Regarding the Distribution of Profits

Our basic policy is to enhance the return of profits and aim for making stable dividend payments targeting a consolidated payout ratio of 30% over the near term, while considering our earnings and financial position. Internal reserves are invested over the long term in such areas as R&D; new products, production technology and market development; the strengthening of business structure; internationalization; and the expansion into new business domains, to further enhance corporate value.

We paid an interim dividend of ¥16 and a year-end dividend of ¥16 for the fiscal year ended March 31, 2019 following a comprehensive consideration of the aforementioned policies, operating results for the fiscal year, and other factors. (As for dividends for the fiscal year ending March 31, 2020, please refer to the paragraphs above.)

The Group considers the following to be important risks related to the performance and financial position of the Bando Group that could have a material effect on the decisions of investors. The forward-looking statements listed in this document are based on judgments made by the Group as of March 31, 2019.

## Increasing Overseas Transactions

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

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

## Recalls

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

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

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

## Raw Material Market Fluctuations and Procurement

The Group negotiates with business partners regarding delivery dates and prices by closely examining market

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

## Earthquakes and Other Natural Disasters

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

## Changes in Value of Owned Assets

The Group owns various property, plant and equipment and intangible assets. The Group's performance could be significantly impacted in the event that such assets must be impaired due to a decline in profitability, including a decline in market value or the inability to generate expected cash flow, rendering investment recovery impossible.

## Consolidated Statement of Financial Position

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries  
March 31, 2019 and 2018

Assets	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	Transition date As of April 1, 2017	As of March 31, 2019
<b>Current Assets:</b>				
Cash and cash equivalents	¥ 17,530	¥ 18,477	¥ 18,936	\$159,364
Trade and other receivables	21,707	21,493	20,836	197,339
Inventories	12,949	12,207	10,950	117,723
Income taxes receivable	12	7	20	110
Other financial assets	471	481	604	4,286
Other current assets	895	833	812	8,130
<b>Total Current Assets</b>	<b>53,564</b>	<b>53,498</b>	<b>52,158</b>	<b>486,952</b>
<b>Non-current Assets:</b>				
Property, plant and equipment	32,597	32,762	32,488	296,339
Goodwill	73	74	75	662
Intangible assets	1,761	1,814	1,666	16,012
Investments accounted for using equity method	6,357	5,815	5,534	57,793
Other financial assets	6,998	8,201	7,535	63,615
Deferred tax assets	458	349	413	4,161
Other non-current assets	749	734	672	6,806
<b>Total Non-current Assets</b>	<b>48,993</b>	<b>49,749</b>	<b>48,383</b>	<b>445,388</b>
<b>Total Assets</b>	<b>¥102,557</b>	<b>¥103,247</b>	<b>¥100,541</b>	<b>\$932,340</b>

Liabilities and Equity	Millions of yen			Thousands of U.S. dollars
	As of March 31, 2019	As of March 31, 2018	Transition date As of April 1, 2017	As of March 31, 2019
<b>Current Liabilities:</b>				
Trade and other payables	¥ 16,650	¥ 18,068	¥ 16,293	\$151,367
Bonds and borrowings	2,768	2,921	4,499	25,167
Income taxes payable	552	783	869	5,020
Other financial liabilities	38	32	46	347
Provisions	315	—	—	2,864
Other current liabilities	3,909	4,218	4,015	35,527
<b>Total Current Liabilities</b>	<b>24,232</b>	<b>26,022</b>	<b>25,722</b>	<b>220,292</b>
<b>Non-current Liabilities:</b>				
Bonds and borrowings	7,636	9,227	10,914	69,417
Net defined benefit liability	1,624	1,408	2,169	14,762
Other financial liabilities	146	139	155	1,325
Deferred tax liabilities	470	926	505	4,273
Other non-current liabilities	316	316	278	2,881
<b>Total Non-current Liabilities</b>	<b>10,192</b>	<b>12,016</b>	<b>14,021</b>	<b>92,658</b>
<b>Total Liabilities</b>	<b>34,424</b>	<b>38,038</b>	<b>39,743</b>	<b>312,950</b>
<b>Equity:</b>				
Common stock				
Authorized: 187,000,000 shares				
Issued as of April 1, 2017, and March 31, 2018 and 2019 — 47,213,536 shares	10,952	10,952	10,952	99,563
Capital surplus	3,093	3,061	3,023	28,115
Retained earnings	53,148	49,442	45,380	483,162
Treasury stock, at cost				
April 1, 2017 — 1,386,131 shares				
March 31, 2018 — 1,434,623 shares				
March 31, 2019 — 1,355,774 shares	(1,347)	(1,433)	(1,368)	(12,242)
Other components of equity	2,026	2,952	2,588	18,418
<b>Total Equity Attributable to Owners of Parent</b>	<b>67,872</b>	<b>64,974</b>	<b>60,575</b>	<b>617,016</b>
Non-controlling interests	261	235	223	2,374
<b>Total Equity</b>	<b>68,133</b>	<b>65,209</b>	<b>60,798</b>	<b>619,390</b>
<b>Total Liabilities and Equity</b>	<b>¥102,557</b>	<b>¥103,247</b>	<b>¥100,541</b>	<b>\$932,340</b>

## Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

Consolidated Statement of Profit or Loss	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Revenue	¥94,319	¥90,798	\$857,443
Cost of sales	(66,756)	(63,272)	(606,870)
Gross profit	27,563	27,526	250,573
Selling, general and administrative expenses	(21,060)	(20,837)	(191,454)
Other income	328	245	2,980
Other expenses	(921)	(528)	(8,371)
Share of profit of investments accounted for using equity method	905	750	8,229
Operating income	6,815	7,156	61,957
Finance income	487	275	4,430
Finance costs	(136)	(532)	(1,235)
Profit before income taxes	7,166	6,899	65,152
Income tax expense	(1,676)	(1,763)	(15,238)
Profit for the year	5,490	5,136	49,914
Profit attributable to:			
Owners of parent	5,457	5,100	49,610
Non-controlling interests	33	36	304
Profit for the year	¥ 5,490	¥ 5,136	\$49,914

Earnings per Share Attributable to Owners of Parent	Yen		U.S. dollars
	2019	2018	2019
Basic earnings per share	¥119.09	¥111.39	\$1.08

Consolidated Statement of Comprehensive Income	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit for the year	¥ 5,490	¥5,136	\$ 49,914
Other Comprehensive Income:			
Items That will not be reclassified to profit or loss			
Net change in fair value of financial assets measured at FVTOCI	(829)	535	(7,534)
Remeasurements of defined benefit plans	(373)	334	(3,391)
Share of OCI of investments accounted for using equity method	32	(70)	287
Total items that may be reclassified to profit or loss	(1,170)	799	(10,638)
Items That may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(96)	0	(878)
Net change in fair value of cash flow hedges	—	(1)	—
Share of OCI of investments accounted for using equity method	20	(158)	185
Total items that may be reclassified subsequently to profit or loss	(76)	(159)	(693)
Total other comprehensive income	(1,246)	640	(11,331)
Comprehensive Income	¥ 4,244	¥5,776	\$ 38,583
Comprehensive Income Attributable to:			
Owners of parent	¥ 4,201	¥5,755	\$ 38,188
Non-controlling interests	43	21	395
Comprehensive Income	4,244	5,776	38,583

## Consolidated Statement of Changes in Equity

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Thousands of shares	Millions of yen							
		Equity attributable to owners of parent							
	Number of shares of common stock outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at April 1, 2017	47,214	¥10,952	¥3,023	¥45,380	¥(1,368)	¥ 2,588	¥60,575	¥223	¥60,798
Profit for the year	—	—	—	5,100	—	—	5,100	36	5,136
Other comprehensive income	—	—	—	—	—	655	655	(15)	640
Total Comprehensive Income	—	—	—	5,100	—	655	5,755	21	5,776
Dividends	—	—	—	(1,329)	—	—	(1,329)	(9)	(1,338)
Purchase of treasury stock	—	—	—	—	(157)	—	(157)	—	(157)
Disposal of treasury stock	—	—	11	—	84	—	95	—	95
Changes in treasury stock associated with changes in interests in associates accounted for using equity method	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	27	—	8	—	35	—	35
Transfer from other components of equity to retained earnings	—	—	—	291	—	(291)	—	—	—
Total Transactions with Owners	—	—	38	(1,038)	(65)	(291)	(1,356)	(9)	(1,365)
Balance at March 31, 2018	47,214	10,952	3,061	49,442	(1,433)	2,952	64,974	235	65,209
Profit for the year	—	—	—	5,457	—	—	5,457	33	5,490
Other comprehensive income	—	—	—	—	—	(1,256)	(1,256)	10	(1,246)
Total Comprehensive Income	—	—	—	5,457	—	(1,256)	4,201	43	4,244
Dividends	—	—	—	(1,421)	—	—	(1,421)	(17)	(1,438)
Purchase of treasury stock	—	—	—	—	(3)	—	(3)	—	(3)
Disposal of treasury stock	—	—	14	—	85	—	99	—	99
Changes in treasury stock associated with changes in interests in associates accounted for using equity method	—	—	—	—	(8)	—	(8)	—	(8)
Share-based payments	—	—	18	—	12	—	30	—	30
Transfer from other components of equity to retained earnings	—	—	—	(330)	—	330	—	—	—
Total Transactions with Owners	—	—	32	(1,751)	86	330	(1,303)	(17)	(1,320)
Balance at March 31, 2019	47,214	¥10,952	¥3,093	¥53,148	¥(1,347)	¥ 2,026	¥67,872	¥261	¥68,133

	Thousands of U.S. dollars							
	Equity attributable to owners of parent							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at March 31, 2018	\$99,563	\$27,823	\$449,478	\$(13,029)	\$ 26,838	\$590,673	\$2,137	\$592,810
Profit for the year	—	—	49,610	—	—	49,610	304	49,914
Other comprehensive income	—	—	—	—	(11,422)	(11,422)	91	(11,331)
Total Comprehensive Income	—	—	49,610	—	(11,422)	38,188	395	38,583
Dividends	—	—	(12,924)	—	—	(12,924)	(158)	(13,082)
Purchase of treasury stock	—	—	—	(23)	—	(23)	—	(23)
Disposal of treasury stock	—	128	—	772	—	900	—	900
Changes in treasury stock associated with changes in interests in associates accounted for using equity method	—	—	—	(73)	—	(73)	—	(73)
Share-based payments	—	164	—	111	—	275	—	275
Transfer from other components of equity to retained earnings	—	—	(3,002)	—	3,002	—	—	—
Total Transactions with Owners	—	292	(15,926)	787	3,002	(11,845)	(158)	(12,003)
Balance at March 31, 2019	\$99,563	\$28,115	\$483,162	\$(12,242)	\$ 18,418	\$617,016	\$2,374	\$619,390

## Consolidated Statement of Cash Flows

Bando Chemical Industries, Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Cash Flows from Operating Activities:</b>			
Profit before income taxes	¥ 7,167	¥ 6,900	\$ 65,152
Depreciation and amortization	4,490	4,353	40,815
Impairment losses	166	267	1,512
Interest and dividend income	(302)	(237)	(2,741)
Interest expenses	118	147	1,068
Share of profit of investments accounted for using equity method	(905)	(751)	(8,229)
Loss on sale and retirement of fixed assets	281	158	2,557
Increase in inventories	(852)	(1,304)	(7,745)
Increase in trade and other receivables	(288)	(1,015)	(2,620)
(Decrease) increase in trade and other payables	(1,545)	1,749	(14,042)
Increase (decrease) in net defined benefit liability	224	(759)	2,040
Increase in provisions	315	—	2,864
Other, net	(870)	1,004	(7,913)
Subtotal	7,999	10,512	72,718
Interest and dividends received	701	672	6,374
Interest paid	(116)	(153)	(1,055)
Income taxes paid	(1,987)	(1,860)	(18,063)
Income taxes refund	6	13	50
<b>Net Cash Flows from Operating Activities</b>	<b>6,603</b>	<b>9,184</b>	<b>60,024</b>
<b>Cash Flows from Investing Activities:</b>			
Payments into time deposits	(441)	(453)	(4,010)
Proceeds from withdrawal of time deposits	432	578	3,931
Purchase of property, plant and equipment	(3,986)	(4,478)	(36,240)
Proceeds from sale of property, plant and equipment	29	30	266
Purchase of intangible assets	(568)	(781)	(5,168)
Purchase of equity instruments	(22)	(21)	(196)
Proceeds from sale of equity instruments	32	136	288
Purchase of investments accounted for using equity method	—	(30)	—
Other, net	(51)	11	(466)
<b>Net Cash Flows from Investing Activities</b>	<b>(4,575)</b>	<b>(5,008)</b>	<b>(41,595)</b>
<b>Cash Flows from Financing Activities:</b>			
Net decrease in short-term borrowings	—	(207)	—
Proceeds from long-term borrowings	—	100	—
Repayments of long-term borrowings	(1,773)	(3,048)	(16,115)
Purchase of treasury stock	(1)	(155)	(11)
Proceeds from sale of treasury stock	99	95	898
Dividends paid to owners of parent	(1,422)	(1,329)	(12,924)
Dividends paid to non-controlling interests	(17)	(10)	(158)
Other, net	(20)	(34)	(177)
<b>Net Cash Flows from Financing Activities</b>	<b>(3,134)</b>	<b>(4,588)</b>	<b>(28,487)</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>160</b>	<b>(46)</b>	<b>1,451</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(947)</b>	<b>(459)</b>	<b>(8,607)</b>
Cash and Cash Equivalents at Beginning of Year	18,477	18,936	167,972
<b>Cash and Cash Equivalents at End of Year</b>	<b>¥17,530</b>	<b>¥18,477</b>	<b>\$159,364</b>

## Corporate Data/Investor Information

### Corporate Data

Company name: Bando Chemical Industries, Ltd.  
 Founded: April 14, 1906  
 Capital: ¥10,952 mil. (As of March 31, 2019)  
 Consolidated revenue: ¥94,319 mil. (FYE March 2019)  
 Employees (Consolidated): 4,083 (As of March 31, 2019)



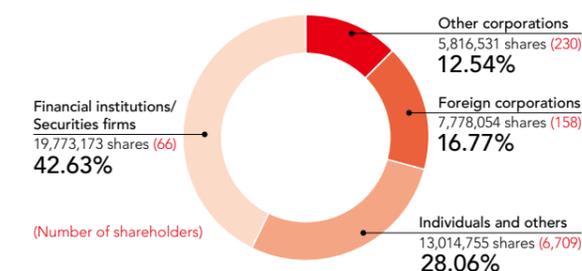
### Investor Information (As of March 31, 2019)

#### • Capital Stock

Shares Authorized: 187,000,000  
 Shares Outstanding: 47,213,536  
 (including 831,023 shares of treasury stock)  
 Number of Shareholders: 7,164

#### • Securities Traded: Tokyo Stock Exchange, Inc.

#### • Composition of Shareholders



#### • Principal Shareholders (As of March 31, 2019)

	Number of shares held (thousands)	Investment ratio (%)
Bando business partner stakeholders	3,810	8.21
Sumitomo Mitsui Banking Corporation	2,313	4.99
Mitsubishi UFJ Trust and Banking Corporation	2,002	4.32
Meiji Yasuda Life Insurance Company	2,000	4.31
Mizuho Bank, Ltd.	1,800	3.88
The Master Trust Bank of Japan, Ltd. (trust account)	1,759	3.79
Japan Trustee Services Bank, Ltd. (trust account)	1,685	3.63
MUFG Bank, Ltd.	1,575	3.40
Nippon Life Insurance Company	1,174	2.53
GOVERNMENT OF NORWAY	983	2.12

Notes: 1. Investment ratios are calculated after deducting treasury stock (831,023 shares).  
 2. Investment ratios listed above are rounded down to two decimal places.

#### • Stock Price



\* Since the Company conducted a 2-to-1 stock consolidation on October 1, 2016, the results from April 2014 to August 2016 are presented with adjusted values.



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