

## R&D Activities and Intellectual Property

**As a technology-centered company, we realize that strengthening R&D capabilities is one of our most important management strategies for achieving sustainable growth. Two approaches help us to create both products that resolve our customers' technological issues and products that are unprecedented, innovative, and lead the market: the developing of functional materials and related processing technologies that leverage our proprietary technological capabilities and a market-dialogue style of research that emphasizes user needs. Going forward, we will further strengthen our R&D systems to accelerate the speed of product development and create new technologies.**

### R&D Achievements

In the fiscal year under review, R&D expenses incurred by the Group amounted to ¥7.6 billion. The following is an overview of the principal R&D activities conducted by each operational segment.

#### Printing and Industrial Materials Products

##### Printing and Variable Information Materials

LINTEC succeeded in developing revolutionary bubble-free labelstock that utilizes a proprietary manufacturing method to prevent air from becoming trapped beneath labels. This labelstock is certified under the product safety standards of Underwriters Laboratories, Inc., and can be used for applications such as in the name and display labels attached to consumer electronics and electronic devices.

In addition, LINTEC has created a new organic-inorganic hybrid coating by combining its original technologies with the fundamental technologies of a public research institution. This coating is highly effective in repelling water and oil, allowing for easy water and oil runoff even when the coated surface is only slightly slanted. Much praise from customers has been gathered for this treatment after it was exhibited at Labelexpo Europe 2015, presented at a technical conference, and introduced in



Revolutionary bubble-free labelstock allowing for easy release of trapped air

a technical magazine. We are continuing to seek out new applications for this coating.

Through these and other R&D activities, this segment incurred R&D expenses of ¥2.4 billion.

#### Electronic and Optical Products

##### Semiconductor-Related Materials

LINTEC is pushing forward with its DBG+LE system, a fusion of our dicing before grinding (DBG) system, which allows for the creation of thinner large-scale integration (LSI) chips, and our LE tape, which functions as both dicing and die bonding tape. This has resulted in the realization of multilayer LSI chips. LINTEC is contributing to increased density of LSI packaging through measures such as the integration of this technology in solid state drives (SSDs), which represent an alternative to conventional hard disk drives (HDDs).

##### Optical Functional Materials

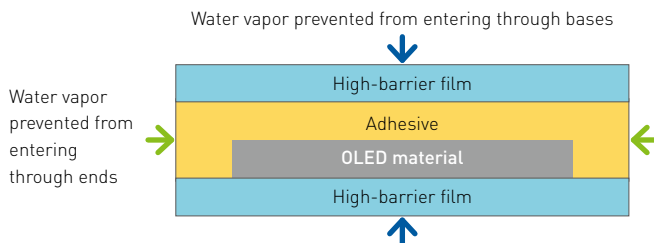
We are continually engaged in the development of adhesives, such as those for optically clear adhesive sheets for use in polarizing films and touch screens and anti-shatter films. In addition, LINTEC is advancing development of a high-barrier film for use in flexible OLED displays to protect the organic materials, which are weak to water and oxygen. We are aggressively pushing forward with sample work activities to obtain material certification for this film from manufacturers. This film has already gained a positive reputation among several manufacturers, due in part to demand for its use in e-book display devices and printed electronics. We will continue working to acquire new customers for this product going forward.



Moreover, our light diffusion films utilize proprietary designs and can be specially customized to meet customer needs, offering a competitive advantage. We anticipate that these films will be adopted for display and signage applications. We aim to expand sales of these products as we develop new functional adhesives and coatings.

Through these and other R&D activities, this segment incurred R&D expenses of ¥3.8 billion.

### Sealing of OLED Material with High-Barrier Films



### Paper and Converted Products

In paper products, we launched white craft paper with superior water-repellent capabilities that make it ideal for use in envelopes as it protects contents from rain and other sources of dampness. Moreover, this paper is compatible with offset printing and laser printing, both of which were difficult with conventional water-repellent papers, and can also be appropriately coated with adhesive when forming the paper into envelopes. We aim to expand application of this paper for envelopes as well as for wrapping paper, lunch mats, maps, book pages, and other articles. We also released a new oil resistant paper, which we anticipate will see increased sales growth going forward.



White craft paper with superior water-repellent capabilities

In release materials, we launched newly developed products with the goal of acquiring new customers and expanding applications for our casting papers for carbon fiber composite materials. In addition, we are striving to enhance our existing range of environmentally friendly products and have been pushing ahead with the development of a solvent-free release coating formula as we sequentially introduce products that are matched to customer needs to the market.

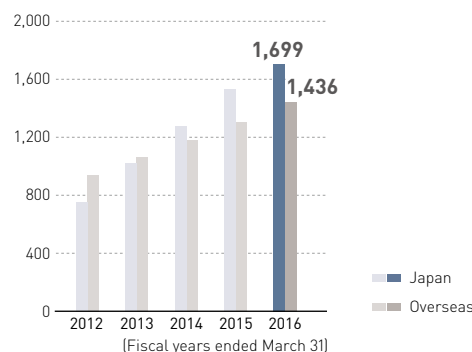
Through these and other R&D activities, this segment incurred R&D expenses of ¥1.4 billion.

### Intellectual Property Activities

The LINTEC Group aims to increase corporate value by developing original products that meet customer needs. We therefore rank intellectual property, such as patents, trademarks, and design rights, which we have acquired through these development activities, as important management resources. While placing the utmost emphasis on respecting the rights of other companies, the Intellectual Property Department of the Research & Development Division promotes strategic Companywide intellectual property activities. These activities include seeking to uncover new invention candidates at R&D sites for expanding intellectual property rights, which are the lifeline for a technology-centered company.

Accordingly, while linking activities such as patent portfolio building for our foundation and growth business domains with our business strategy, we aim to improve profitability based on intellectual property.

### Number of Patents



## Human Resources



The LINTEC Group employs approximately 4,200 people (on a consolidated basis) in 16 countries and regions around the world. Diverse human resources are important assets to the Group, and its strength is characterized by a corporate culture nurtured over an 80-year history that values “harmony among people” and “stand out of the crowd” individuality in its employees, while maintaining a deeply rooted awareness of innovation across the entire Company. LINTEC strives to create a pleasant working environment for everyone and is engaged in the enhancement of its systems and the education of its employees.

### Respect for Diversity and Human Rights

The LINTEC Group avoids discriminatory treatment of employees based on race, creed, gender, education, nationality, religion, or age, thereby respecting the diversity of individuals. In the areas of recruitment and employment, the Group complies thoroughly with labor laws and regulations, including the prohibition of unfair discrimination, child labor, and harassment, and is pushing forward with the creation of workplace environments in which all employees can happily and actively do their jobs.

In addition, we have established a helpline through which employees can consult with the General Affairs & Human Resources Division or a lawyer if they have any concerns or have witnessed illegal behavior at the workplace. In the fiscal year under review, availability of this helpline was extended to overseas Group companies.

### Employment of People with Disabilities

The Group’s employment ratio for people with disabilities for the fiscal year ended March 31, 2016, was 1.94%, which, while higher than in the previous fiscal year, was still slightly below the legally mandated rate of 2.0%. Going forward, we will strive to increase our employment ratio for people with disabilities through measures such as the improvement of on-site facilities as required.

### Rehiring Systems

To expand working-style options for its employees, the Group has introduced a job return program to rehire ready-to-work employees that had previously resigned for personal reasons such as childbirth, nursing care of a family member, or the transfer of a spouse to a different location. We have also introduced a system to rehire employees that wish to continue working past the mandatory retirement age of 60 on fixed-term one-year contracts up to a maximum age of 65.

### Work-Life Balance

LINTEC is working to help employees balance their professional and personal lives so that they will be able to perform their jobs with peace of mind and exercise their full abilities. In addition to the establishment of no-overtime days, which aims to deter employees from working excessively long hours, and the implementation of a flextime system, LINTEC is working toward the enhancement of programs that allow employees to match their working style to their lifestyle. This includes the introduction of a planned vacation system to encourage employees to take paid leave and a paid social contribution time-off program. Further, in the fiscal year ending March 31, 2017, we will continue promoting the creation of environments in which employees can work with peace of mind through such measures as extending the length of periods of leave and shortening work hours through the family care program and includes expanding the field of eligibility for shorter work hours for the childcare program.

### Employee Education

LINTEC has introduced Companywide rank-based training programs, which are human resource education programs tailored to an individual employee’s years of continuous service and career. Moreover, with objectives such as promoting second-language acquisition and encouraging women to take on a more active role in the workplace, we hold theme-specific group and correspondence training courses to promote the education of globally competent human resources and the career progression of female employees. Further, we are engaged in efforts to boost Companywide employee understanding of various themes, such as the environment, product quality, the business continuity management system (BCMS), and CSR, through e-learning programs offered via the Company’s intranet.

# Environmental Preservation



**Under the slogan, “We have to broaden our scope when working to support the environment. There is only one earth,” the LINTEC Group has established environmental management systems. We are committed to reducing environmental impact as an intermediary materials manufacturer and developing environmentally friendly products.**

## Environmental Management

We have acquired global integrated certification under the ISO 14001 international standard for a total of 25 sites, including the Company’s head office, 11 overseas Group companies, 11 domestic factories, a research center, and domestic Group company TOKYO LINTEC KAKO, INC. In light of the 2015 revision of ISO 14001, we will work to achieve compliance with the revised standards and obtain global integrated certification for overseas Group companies as we strengthen Companywide efforts toward environmental preservation.

## Reduction of Environmental Impact

The LINTEC Group is working toward the realization of a sustainable society and the creation of products with low environmental impact. For the fiscal year ended March 31, 2016, due to an increase in our production volume, total energy use rose 0.3% from the previous fiscal year. However, the rate of energy consumption per unit of production declined 3.0%. We surpassed our target for annual CO<sub>2</sub> emissions of 203,000 tons, by achieving a reduction to 200,000 tons. Further, we are engaged in efforts to reduce the amount of waste generated in our production activities and the amount of water used in the papermaking process in addition to the implementation of measures to reduce the amount of volatile organic compounds (VOCs), including organic solvents, that are released into the atmosphere.

## Environmentally Friendly Products

The LINTEC Group has embraced the rise in environmental awareness of recent years, and continues to develop products to meet a wide range of environmental needs, including those that are conscious of reuse, recycling, and energy-saving principles. In doing so, the LINTEC Group will continue to offer a lineup of products that are environmentally friendly.

## Label Materials Facilitating Reuse of Glass Beverage Containers

In order to ensure efficient reuse of various containers, it is necessary for the labels applied to these containers to be easily

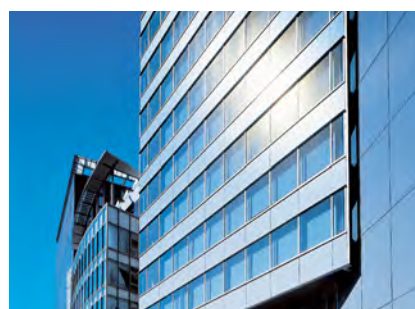
removed. We provide label materials for returnable bottles that has been optimized for use on glass *sake* bottles. While maintaining superior water tolerance during normal use, these label materials can be easily removed after bottles have been collected by washing them with a weak alkaline solution (water temperature of more than 70°C), thereby facilitating bottle reuse.



Label materials for returnable bottles

## Solar Insulation Film for Glass for Improving Air-Conditioning Efficiency

Window films can be applied to window glass in buildings and automobiles for various effects. Of these films, our high-transparency-type solar insulation film maintains the natural light inside the room and preserves the view through the window, while significantly cutting the thermal energy from solar radiation that causes internal temperatures to increase and improving the efficiency of air conditioners in the summer.



Window films

## Partnerships



**The LINTEC Group boasts a very wide product lineup and conducts transactions with numerous customers and suppliers. We build trusting relationships with suppliers as a partner that aspires toward mutual development and convey peace of mind and reliability to our customers by developing products that meet their needs, maintaining a stable supply of these products, and endeavoring to improve product quality and service. Moreover, we are actively engaged in the development of products through collaboration with customers and cooperation with industry, government, and academic entities.**

### Thorough Quality Management

The LINTEC Group has acquired ISO 9001 certification, the international standard for quality management systems, for its major sites in Japan and overseas. In addition, we are working to further reinforce our quality assurance system by obtaining ISO 9001 certification for other departments and acquiring integrated certification for related sites. When comparing major quality problems by year, if the fiscal year ended March 31, 2004, is set as a base of 100, problems declined to 12 in the fiscal year ended March 31, 2016. We are installing frameworks both in Japan and overseas to ensure that, should a quality problem occur, we are able to take swift action by constructing and implementing management systems that allow us to quickly collect information, analyze the cause of the problem, and take steps to prevent reoccurrence.

### Efforts toward Business Continuation

The Group is engaged in building a system capable of either continuing or soon restarting business operations even if struck by a disaster. All the Company's bases in Japan and one of its subsidiaries, TOKYO LINTEC KAKO, INC., have obtained certification under ISO 22301:2012, the international standard for BCMS, and LINTEC SPECIALITY FILMS (TAIWAN), INC., acquired this certification during the fiscal year under review. LINTEC holds BCMS study meetings and drills at each site, so that, in the event of a natural disaster or accident that disrupts business operations, we can ensure the safety of our employees before promptly recommencing the supply of products in addition to minimizing any effect on our stakeholders, including our customers.

In regard to suppliers of raw materials that are critical in securing a stable supply of our products, we evaluate such suppliers' ability to continue their businesses. At the same time, we request that these suppliers introduce a business continuity plan (BCP) and establish a management system to implement it on an organization-wide basis.

### Fair Transactions

LINTEC has a basic policy for fair and transparent transactions based on the principle of free competition among suppliers, and we are engaged in procurement activities that comply with all relevant laws and regulations and social norms. For major suppliers, we require evaluations through self-audit check sheets for assessing suppliers based on quality, chemical substance management, administration and services, and CSR. We periodically review our purchasing processes while maintaining and enhancing partnerships.

### Green Procurement

The LINTEC Group is committed to procurement that aims to reduce environmental impact through thorough chemical substance management for raw materials, parts, and secondary materials. When procuring a new material or responding to a new regulation, we ask for suppliers' understanding in conducting ingredient examinations to monitor for the presence of regulated substances. For the fiscal year ended March 31, 2016, we implemented examinations to check for substances regulated by REACH\* in the procurement of approximately 16,000 items. In addition, we request that suppliers engage in proactive environmental preservation activities and thoroughly manage chemical substances.

\* REACH Regulation: Registration, Evaluation, Authorization and Restriction of Chemicals  
This is a European Union regulation to address the production and use of chemicals.



## Social Contribution Activities



**The LINTEC Group is supported by society and local communities. Recognizing that it is a part of this, and through various social contribution activities, the Group returns some of the profits it has made through its corporate activities to society. Going forward, we will endeavor to maintain harmony with society by actively engaging in social contribution activities as a good corporate citizen.**

### Support for People with Disabilities

LINTEC holds various support activities on an annual basis for people with disabilities living in Itabashi-ku, Tokyo, where its head office is located. In October 2015, we hosted a jazz concert with the aim of deepening interactions among attendees through music, regardless of whether they had or did not have a disability. This was the fifth time that we hosted this concert and, on this occasion it was enjoyed by approximately 700 people, comprising people with disabilities living in Itabashi in addition to other local area residents.

Furthermore, the professional baseball-viewing event we held in May 2016 marked the 10th time the event has been held. Through this event, a total of 135 people, including people with disabilities and their helpers, were invited to Tokyo Dome to watch a professional baseball game. We also invited an additional 330 people consisting of elementary school students belonging to youth baseball teams and their coaches from Itabashi. Before the game began, the children took part in fielding practice and base running on the playing surface, an experience that will no doubt be remembered by many of the participants. These sports-related social contribution activities have earned the Company recognition, and in December 2015 we were certified as a Sports Promotion Company by Tokyo Prefecture.



Professional baseball-viewing event

### Activities at Each Work Site

In addition to cleanup activities around each work site, LINTEC is engaged in various other social contribution activities with their roots in the community, including participating in and supporting local festivals, conducting plant tours, collecting and making donations of money and products for municipalities as well as local groups and facilities, and holding tree-planting activities. Moreover, we have been organizing blood drives for many years at work sites nationwide, which have become established among our employees as a social contribution activity that they can easily participate in.

### Support for Earthquake Disaster Reconstruction

LINTEC is engaged in activities to support reconstruction efforts after the Great East Japan Earthquake of March 2011. In the fiscal year ended March 31, 2016, we continued programs conducted in the previous year, including providing support in the form of monetary donations collected from our employees, the Company, and others to disaster-stricken Ofunato City, in Iwate Prefecture. These funds are being used to maintain the grounds at junior high schools within the city and purchase instruments for school brass band clubs. Moreover, since 2014 we have been holding an annual event showcasing products from Fukushima Prefecture at our head office, thereby supporting producers in the disaster-affected area that are worried about the financial damage to their livelihoods from harmful rumors or misinformation about the safety of foods from Fukushima Prefecture.

Seeking to support victims of the severe earthquakes that impacted areas around Kumamoto Prefecture in April 2016, we made donations to the disaster zone through the Japanese Red Cross Society of ¥10,000,000 from the Company and ¥1,820,000 collected from employees of Group companies in Japan and overseas.

# Corporate Governance

## Basic Philosophy

The Company believes that the fundamentals of corporate governance are to achieve thorough legal compliance, to increase management transparency and promote corporate ethics, and to make prompt decisions and effectively execute operations. By enhancing and reinforcing corporate governance, we aim to further increase our corporate value and joint profits with shareholders.

## Corporate Governance System

### 1. Corporate Governance System

The Company has selected the Company with Audit & Supervisory Committee system described in the Companies Act of Japan for its organizational structure. The Company has placed directors that are also Audit & Supervisory Committee members with voting rights on its Board of Directors in order to strengthen the Board's supervisory function, with a view to stepping up corporate governance and to streamlining management even further. The Company has appointed 16 directors, of which four are Audit & Supervisory Committee members and four are outside directors.

Held once a month to make important decisions with regard to management, Board of Directors' meetings are also held on an ad hoc basis as necessary to strive for rapid decision making. Primarily comprising executive officers (including directors serving concurrently) responsible for the execution of business, management meetings are also held once a month and endeavor to streamline business operations through the sharing of information among all business divisions.

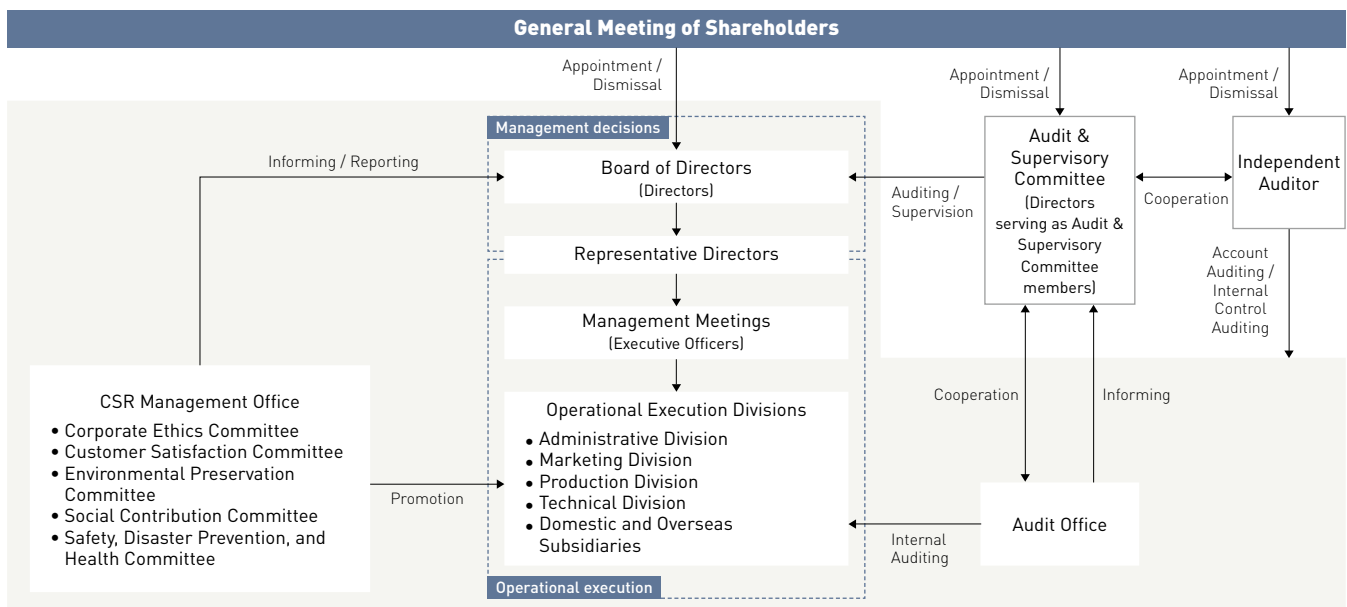
The Audit & Supervisory Committee meets once a month and conducts monitoring audits that focus on matters reported from the Audit Office, which is the Company's internal control division. In addition to performing audits covering the appropriateness and legality of the execution of directors' duties, each and every Audit & Supervisory Committee member also plays a role in supervising the execution of the directors' duties through the exercise of the voting rights on the Board of Directors.

- Evaluation of Board of Directors' effectiveness

In March 2016, the Company conducted an evaluation of the effectiveness of the Board of Directors. Details are as follows.

#### Overview

Based on the principles of Japan's Corporate Governance Code, all 16 directors filled out a survey on matters such as the structure and operation of the Board of Directors, which included some open-ended questions. The results of these surveys were analyzed by representative directors, and we received a final evaluation from outside directors. In this final evaluation, outside directors stated the status of the Board of Directors was rational in terms of structure and operation but also mentioned that they would like to receive materials related to meetings of the Board of Directors further in advance. Based on this feedback, we will take steps to develop an environment that facilitates improved Board of Directors' effectiveness through such measures as early supply of meeting materials.



- Director training policies

- (1) New director training

After assuming their position, new directors are provided training from outside institutions to endow them with the legal, accounting, and other knowledge necessary to management.

- (2) Regular training

Once or twice a year, directors undergo training on contemporary issues from lawyers or other outside lecturers. These trainings serve as opportunities to hone the sense of judgment that is crucial to members of the Board of Directors.

- (3) Special training

When necessary, directors participate in seminars at the Company's expense to acquire the specialized insight required to perform their duties.

## 2. Internal Control System Basic Policies

With regard to an internal control system to ensure that the execution of directors' duties is in compliance with laws and regulations as well as the Articles of Incorporation, and a system to ensure the appropriateness of the execution of other business, the Company decided on the following matters at the Board of Directors' meeting held on June 24, 2015.

- System to ensure that the execution of the duties of directors and employees is in compliance with laws and regulations as well as the Articles of Incorporation

To ensure that the execution of the duties of directors and employees is in compliance with laws and regulations as well as the Articles of Incorporation and that a sense of ethics is maintained, the Company established its motto of "Sincerity and Creativity," on which its Code of Conduct was based. To ensure the effectiveness of the compliance system with regard to laws and regulations as well as the Articles of Incorporation, the Audit Office—an organization under the president's direct supervision—investigates and verifies, by means of audits based on the Internal Audit Regulations, whether all of the Company's operations are being appropriately and reasonably implemented and pursuant to laws, the Articles of Incorporation, internal rules and regulations. The results of those audits are regularly reported to directors.

- System for storing and managing information related to the execution of directors' duties

Documents are stored and managed in accordance with rules determined for each document type, including those documents stipulated by law.

- Regulations and other systems pertaining to management of risks of loss

By promoting the issue of manuals by division and facilitating their thorough use, the Company makes preemptive efforts to reduce or avoid risk. In the case of specific risks, the Company promotes reviews of and improvements to response measures as risks arise. For emergency situations, such as the occurrence of a disaster, the Company has established the Companywide Crisis Management Regulations, in addition to a BCMS, which is based on these Regulations. These are separate from risk management initiatives conducted through normal operations, and we strive to ensure that a crisis management organization can be quickly established in the event of an emergency.

- System to ensure that the execution of the duties of directors is efficiently conducted

In addition to setting out the duties for which directors are responsible for and that correspond to the allocation of roles of each organization, based on the Regulations on the Division of Duties, the Company works to separate management from execution and accelerate decision making by the introduction of an executive officer system. Moreover, the Company reviews internal organizations as necessary to be able to respond to environmental changes and works to maintain efficiency in the execution of the duties of directors by such means as the setting up of cross-organizational committees on an as-required basis.

- System to ensure the appropriateness of business in the corporate group comprising the Company and its subsidiaries

Based on the Affiliate Company Operational Regulations, the Company works to maintain the appropriateness of its operations as a group entity by having each of its principal business divisions control the operations of Group companies. Based on the Affiliate Company Operational Regulations, the Company works to maintain a system for receiving corporate performance, risk, and other important reports from each Group company regularly or on an as-required basis. Providing business management and support from the appropriate division as necessary, the Company promotes management efficiency in each company. To ensure that Group companies are in compliance with laws and regulations as well as the Articles of Incorporation, audits are conducted by each company's internal audit system and by the Company's Audit Office.



## Corporate Governance

- Matters relating to the employees who are tasked to assist the duties of the Audit & Supervisory Committee, matters relating to the independence of said employees from directors, and matters relating to ensuring the effectiveness of Audit & Supervisory Committee instructions with respect to said employees

To further raise the effectiveness of Audit & Supervisory Committee audits and maintain a system to carry out audit duties more smoothly, the Company has established the Audit & Supervisory Committee secretariat, which supports and takes on Audit & Supervisory Committee duties. It is assumed that the Audit & Supervisory Committee's consent has to be obtained for transfers of personnel to the Audit & Supervisory Committee secretariat staff, personnel evaluations, and disciplinary action. The instructions and orders given to Audit & Supervisory Committee secretariat staff are also deemed to be given by directors serving as Audit & Supervisory Committee members. With regard to said instructions and orders received from Audit & Supervisory Committee members, with the exception of those instructions and orders that are not necessary for the duties of Audit & Supervisory Committee members, it is assumed that Audit & Supervisory Committee secretariat staff do not receive instructions and orders from directors or other employees.

- System relating to the reporting of cases to the Audit & Supervisory Committee and system for ensuring that the submitting of such reports is not seen as reason enough for the person who submitted them to be subjected to disadvantageous treatment

With regard to cases that are likely to significantly damage the Company or a Group company, such as violations of laws or regulations, all Group directors and employees are to report such cases to the Company's Audit & Supervisory Committee. In addition, it is deemed that the Audit & Supervisory Committee will be able to directly demand business-related reports for all Group directors and employees. Under the Company's Internal Reporting System Operation Regulations and its Global Internal Reporting System Regulations, the Company has established a helpline that can be used by all Group directors and employees and endeavors to maintain a system to ensure that the submitting of such reports is not seen as reason enough for the person who submitted the said notification or report to be subjected to disadvantageous treatment. In the event of an internal notification via the helpline, this will be reported to the Audit & Supervisory Committee.

- Matters concerning policy relating to the handling of costs or liabilities arising from the execution of duties of Audit & Supervisory Committee members

When an Audit & Supervisory Committee member invoices the Company for the prepayment or redemption of expenses incurred for the

execution of their duties, the said costs or liabilities will be promptly handled following discussions in the department responsible, with the exception of cases in which said costs have been recognized as being not necessary for the execution of the said Audit & Supervisory Committee member's duties. In addition, should Audit & Supervisory Committee members deem that independent outside experts (such as lawyers, certified public accountants, etc.) are necessary as advisers to the Audit & Supervisory Committee, the Company will bear those costs, with the exception of cases in which said costs have been recognized as being not necessary for the execution of the said Audit & Supervisory Committee's duties.

- Other system for ensuring that the Audit & Supervisory Committee carries out audits effectively

With a view to ensuring a system so that Company information reaches the Audit & Supervisory Committee unhindered, the Company works to maintain an environment in which information is received not only from directors (excluding directors serving as Audit & Supervisory Committee members) and from employees but also from independent auditors, corporate lawyers, tax accountants, and other specialists. The Company has a system in place to ensure regular meetings with representative directors and venues for important discussions, such as management and strategy meetings, for Audit & Supervisory Committee members to attend and state opinions.

### 3. Basic Policies and Systems for Preventing Relationships with Antisocial Forces

The Company stands in firm opposition to all antisocial forces and organizations that threaten to disrupt the order and safety of civil society while practicing a strict policy of non-association with such entities. We have made this commitment clearly apparent in the LINTEC Compliance Guidelines and are taking steps to ensure thorough awareness with this regard among all directors and employees.

We reject any illegitimate requests from antisocial forces and organizations and maintain close collaborative relationships with the police, centers for the removal of criminal organizations, lawyers, and other specialists to combat such requests. Should we be approached by antisocial forces or organizations, we will closely coordinate with such institutions, organizations, lawyers, or other specialists to furnish a quick, organization-wide response.

### 4. Risk Management System

The Company has established the Companywide Crisis Management Regulations as well as a risk management system for minimizing the possible impact and damage to corporate value if a major problem arises. It has also implemented and oversees the Information Security

Management Rules and the Trade Secret Management Rules for the preservation and management of information. There are also Companywide risk assessments centered on the CSR Management Office.

## 5. Limited Liability Contracts

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with each of its non-executive directors—outside directors Shinichi Sato, Toru Nozawa, Satoshi Ohoka, and Kanako Osawa—that limits liability for compensation for damages under Article 423, Paragraph 1 of the Companies Act. Based on this contract, liability for compensation for damages is limited to ¥10 million or the minimum liability amount stipulated by law, whichever is greater.

## Internal Audits and Audit & Supervisory Committee Audits

### 1. Internal Audits

The Audit Office regularly implements internal audits of divisions, work sites, plants, and affiliated subsidiaries in addition to verifying that operational execution processes and results comply with the law and internal regulations. The status of these internal audits is reported when necessary to the Audit & Supervisory Committee, and opinions are exchanged on the results of the audits.

### 2. Audit & Supervisory Committee Audits

The Company's Audit & Supervisory Committee comprises four directors serving as Audit & Supervisory Committee members, of whom three are outside directors. While utilizing the internal control system, the Audit & Supervisory Committee cooperates with the Audit Office and the independent auditor, receives the necessary reports, and conducts audits of the directors' business execution through such methods as exchanges of opinions. Each Audit & Supervisory Committee member attends management and other meetings, obtains the information needed for the audits, attends Board of Directors' meetings as a director, and supervises the directors in the execution of its duties by stating opinions and participating in resolutions through their voting rights.

Audit & Supervisory Committee members Toshio Yamamoto and Toru Nozawa have considerable knowledge of finance and accounting, having gained many years of experience in their respective roles at the Company's finance, accounting division, and corporate strategic office and Nippon Paper Industries Co., Ltd.'s administrative division.

### Outside Directors

The Company has selected Shinichi Sato, Toru Nozawa, Satoshi Ohoka, and Kanako Osawa as its four outside directors. With the exception of Shinichi Sato, the other three are also Audit & Supervisory Committee members.

## 1. Human, Financial, and Business Relationships and Other Shared Interests between the Outside Directors and the Company

There are no particular shared interests between the Company and Shinichi Sato, but Nippon Paper Industries Co., Ltd., where he serves as a senior managing executive officer, is a major trading partner of the Company, which purchased ¥2,219 million worth of raw materials from and sold ¥115 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2016). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (28.39% of the total number of Company shares outstanding) on March 31, 2016.

There are no particular shared interests between the Company and Satoshi Ohoka, who is an independent committee member as stipulated in the Company's rules of large-scale purchase to deal with an act of large-scale purchase.

There are no particular shared interests between the Company and Toru Nozawa, but Nippon Paper Industries Co., Ltd., where he serves as a director and an executive officer, is a major trading partner of the Company, which purchased ¥2,219 million worth of raw materials from and sold ¥115 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2016). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (28.39% of the total number of Company shares outstanding) on March 31, 2016.

There are no particular shared interests between the Company and Kanako Osawa, who is an independent committee member as stipulated in the Company's rules of large-scale purchase to deal with an act of large-scale purchase.

## 2. Functions Performed and Roles Served by Outside Directors in the Company's Corporate Governance

By utilizing knowledge and experience from his directorship experience at Nippon Paper Industries Co., Ltd., and his many years of business experience in this company's sales divisions, Shinichi Sato is able to strengthen the Company's Board of Directors' supervisory function. He is thus considered qualified to be an outside director.

By utilizing knowledge and experience from his directorship experience at Nippon Paper Industries Co., Ltd., and his many years of business experience in this company's administrative divisions, Toru Nozawa is able to audit and supervise the Company's Board of Directors. He is thus considered qualified to be a director serving as an Audit & Supervisory Committee member.

By utilizing his long years of policy-based finance experience, his rich international experience, his specialist academic experience, and his knowledge and experience gained as an outside director in industries different to that of the Company, Satoshi Ohoka is able to audit and

## Corporate Governance

supervise the Company's Board of Directors. He is thus considered qualified to be a director serving as an Audit & Supervisory Committee member. He is also designated as an independent director based on the criteria stipulated by Tokyo Stock Exchange, Inc. (TSE).

By utilizing her specialist expertise and extensive knowledge gained as an attorney, along with the knowledge and experience gained through her career in corporate legal affairs both at home and abroad, Kanako Osawa is able to audit and supervise the Company's Board of Directors. She is thus considered qualified to be a director serving as an Audit & Supervisory Committee member. She is also designated as an independent director based on the criteria stipulated by TSE.

### 3. The Company's Basic Way of Thinking with Regard to the Independence of Outside Directors

The Company does not have its own set standards and policies with regard to the independence of outside directors and refers instead to the standards stipulated by TSE. Since appointment is based on a request from the Company, we recognize that independence from management is to be ensured.

### 4. Outside Directors' Supervision of Directors' Execution of Duties and Internal Auditing, Mutual Cooperation with Audit & Supervisory Committee Audits and Accounting Audits, and Relationship with the Internal Control Division

In addition to attending Board of Directors' meetings and making necessary and effective remarks as appropriate during agenda deliberations, outside directors cooperate with the Internal Audit Division and the independent auditor as well as oversee directors in the execution of their duties.

## Remuneration of Corporate Officers

### 1. Total Remuneration by Corporate Officer Type

| Corporate officer type  | Total remuneration (Millions of yen) | Total remuneration by type (Millions of yen) |               |         | Number of people receiving remuneration |
|---|--------------------------------------|--|---------------|---------|---|
|   |                                      | Basic remuneration                           | Stock options | Bonuses |   |
| Directors (excluding Audit & Supervisory Committee members and outside directors)       | 462                                  | 340  | 21            | 99      | 14                                      |
| Directors (Audit & Supervisory Committee members) (excluding outside directors)         | 14                                   | 14   | —             | —       | 1                                       |
| Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) | 9                                    | 9  | —             | —       | 2                                       |
| Outside officers  | 16                                   | 16   | —             | —       | 5                                       |

Note: Effective June 24, 2015, the Company transitioned from the Company with Audit & Supervisory Board system described in the Companies Act of Japan to the Company with Audit & Supervisory Committee system.

### 2. Policy Regarding Decisions on Amounts of Director Remuneration

(1) Director remuneration (excluding Audit & Supervisory Committee members)

Remuneration of directors (excluding Audit & Supervisory Committee members) consists of the following.

#### Basic remuneration

- Fixed amount determined based on rank as well as contributions to the director shareholding association
- Long-term incentives provided by enabling directors to periodically purchase and hold shares of Company stock through the director shareholding association based on contributions made

#### Bonuses

- Short-term incentives paid in amounts adjusted based on consolidated business results

#### Stock options

- Long-term incentives provided together with the director shareholding association

The amounts of remuneration are decided by the Board of Directors in accordance with the Company's internal rules on director remuneration and based on the duties and responsibilities of each director (excluding Audit & Supervisory Committee members), within totals approved at the General Meeting of Shareholders.

The remuneration assessment advisory meeting has been established as an advisory body for the president and CEO on matters regarding the assessment of and decisions on remuneration for directors (excluding Audit & Supervisory Committee members) with the aim of improving objectivity and transparency.

This body, which has members including external specialists, provides advice and makes suggestions to the president and CEO when necessary.

- (2) Director (Audit & Supervisory Committee member) remuneration  
Audit & Supervisory Committee member remuneration is discussed and decided by the Audit & Supervisory Committee in accordance with the Company's internal rules on director remuneration and based on each member's duties and responsibilities, within totals approved at the General Meeting of Shareholders.

### **Policy on Holdings of Capital Tie-Up Shares**

The Company views the establishment and maintenance of stable, long-term relationships with business partners as a matter of importance. For this reason, shares of stock are held to form capital tie-ups when deemed appropriate based on a comprehensive evaluation of factors such as the Company's business relationship with the partner in question. We only acquire such holdings when increasing trust and coordination with the business partner through holdings is judged as an effective means of mutually raising corporate value, and these holdings are reviewed based on this perspective when necessary. In exercising voting rights, the Company respects the management policies of the investee and votes for or against proposals based on a careful examination of whether or not the proposal will contribute to improved corporate value and shareholder returns.

### **Shareholder Interactions**

The Company seeks to engage in constructive interactions with shareholders and other investors that contribute to sustainable growth and medium-to-long-term improvements in corporate value. The Company has established an investor relations (IR) activity system and advances proactive initiatives based on the following policies to facilitate this endeavor.

- (1) The officer responsible for IR implements and oversees the Company's various IR activities, including individual meetings with shareholders and investors. In regard to responses to requests for individual meetings, members of senior management or directors will meet with shareholders or investors requesting meetings based, whenever appropriate, on the desires and interests of the requester. In the fiscal year ended March 31, 2016, we held individual meetings with more than 180 domestic and overseas institutional investors and analysts.
- (2) The Public Relations Office, Finance & Accounting Department, General Affairs & Legal Department, and Corporate Strategic Office will play a central role in advancing the Company's various IR activities. Relevant divisions pursue close coordination with these offices and departments, exchanging information on a daily basis and meeting with members of senior management as appropriate to share necessary information.
- (3) In addition to individual meetings, the Company's IR activities include regular briefings on financial results and medium-term business plans, visits to overseas investors, participation in IR conferences at which overseas investors gather, business explanatory forums, and Company briefings for individual investors. In the fiscal year ended March 31, 2016, the Company participated in a total of four IR conferences held in Tokyo and London and also held a Company briefing for individual investors in Kyoto. We seek to expand the range of information provided to domestic and overseas shareholders and other investors by publishing shareholder newsletters and annual reports and posting information in the IR section of our corporate website. At the same time, we collect feedback from a wide range of shareholders and other investors through surveys that are attached to shareholder newsletters and made available in the IR website.
- (4) Opinions and concerns of shareholders and other investors solicited through IR activities are relayed to management by the relevant divisions via quarterly business reports at the Board of Directors' meetings or reported appropriately to management on an as-required basis.
- (5) In interactions with shareholders and other investors, we practice stringent management of information in accordance with the internal Insider Trading Prevention Regulations to ensure that insider information is not disclosed. In addition, the Company's disclosure policy stipulates that we will observe a quiet period that begins approximately one month prior to the announcement of quarterly financial results to avoid leaks of financial results and to maintain fairness. During this period, we will not answer questions or make comments on our financial results and forecasts.

# Corporate Officers

As of June 22, 2016

## Representative Director, Chairman and CEO

**Akihiko Ouchi** (Date of Birth: Jan. 2, 1945)



Mar. 1967 Joined the Company  
Apr. 1994 General Manager, Nagoya Branch Office  
Jun. 2000 Director, Plant Manager, Tatsuno Plant, Production Div.  
Jun. 2004 Representative Director, President  
Apr. 2014 Representative Director, Chairman and CEO (current position)

## Representative Director, President, CEO and COO

**Hiroyuki Nishio** (Date of Birth: Oct. 18, 1954)



Apr. 1978 Joined the Company  
Jun. 2010 Director, General Manager, Corporate Strategic Office  
Apr. 2014 Representative Director, President, CEO and COO (current position)

## Director, Vice President Executive Officer, CFO

**Hitoshi Asai** (Date of Birth: Mar. 7, 1948)



Feb. 1985 Joined the Company  
Jun. 2002 Director, Assistant General Manager, Administration Div., General Manager, Finance & Accounting Dept.  
Oct. 2015 Director, Vice President Executive Officer, General Manager, Administration Div. (current position)

## Director, Vice President Executive Officer

**Shigeru Kawasaki** (Date of Birth: Dec. 24, 1949)



Apr. 1972 Joined the Company  
Jun. 2005 Director, General Manager, Printing & Variable Information Products Operations, Business Administration Div.  
Apr. 2013 Director, Vice President Executive Officer, General Manager, Business Administration Div. (current position)

## Director, Senior Managing Executive Officer

**Koji Koyama** (Date of Birth: Nov. 5, 1951)



Mar. 1976 Joined the Company  
Jun. 2008 Director, General Manager, Production Div.  
Apr. 2016 Director, Senior Managing Executive Officer, General Manager, Production Div. (current position)

## Directors, Managing Executive Officers

**Kazuyoshi Ebe** (Date of Birth: Jan. 26, 1953)



Mar. 1975 Joined the Company  
Jun. 2008 Director, Assistant General Manager, Research & Development Div., General Manager, Research Center and Intellectual Property Dept.  
Apr. 2016 Director, Managing Executive Officer, Assistant General Manager, Business Administration Div., and in charge of Optical Products Operations, Business Administration Div. (current position)

**Takashi Nakamura** (Date of Birth: Dec. 23, 1953)



Apr. 1976 Joined the Company  
Jun. 2011 Executive Officer, General Manager, Fine & Specialty Paper Products Operations, Business Administration Div., and in charge of Converted Products Operations  
Apr. 2016 Director, Managing Executive Officer, Assistant General Manager, Business Administration Div., and in charge of Fine & Specialty Paper Products Operations, Business Administration Div. (current position)

**Gohei Kawamura** (Date of Birth: Jan. 12, 1956)



Apr. 1979 Joined the Company  
Jun. 2011 Executive Officer, Chairman and President, LINTEC (SUZHOU) TECH CORPORATION (seconded)  
Apr. 2016 Director, Managing Executive Officer, Assistant General Manager, Production Div., and in charge of Quality Assurance & Environmental Protection Div. (current position)

**Tsunetoshi Mochizuki** (Date of Birth: May 12, 1958)



Jan. 1983 Joined the Company  
Jun. 2011 Executive Officer, General Manager, General Affairs & Human Resources Div., General Manager, General Affairs & Legal Dept. and Human Resources Dept.  
Jun. 2015 Director, Managing Executive Officer, General Manager, General Affairs & Human Resources Div. (current position)

## Director, Executive Officer

**Shuji Morikawa** (Date of Birth: Dec. 30, 1955)



Apr. 1979 Joined the Company  
Apr. 2013 Executive Officer, General Manager, Industrial & Material Operations, Business Administration Div.  
Jun. 2015 Director, Executive Officer, General Manager, Industrial & Material Operations, Business Administration Div. (current position)



### Director, Executive Officer

**Makoto Hattori** (Date of Birth: Oct. 12, 1957)



Apr. 1980 Joined the Company  
Apr. 2014 Executive Officer, General Manager, Advanced Materials Operations, Business Administration Div.  
Jun. 2015 Director, Executive Officer, General Manager, Advanced Materials Operations, Business Administration Div. (current position)

### Outside Director

**Shinichi Sato** (Date of Birth: Nov. 13, 1953)



Apr. 1978 Joined Jujo Paper Co., Ltd.  
Jun. 2008 Director, Deputy General Manager, Fine & Specialty Paper Products Sales Div., Nippon Paper Industries Co., Ltd.  
Jun. 2011 Outside Director of the Company (current position)  
Jun. 2015 Senior Managing Executive Officer, General Manager, Printing Paper Sales Division, in charge of International Sales Management & Planning Dept., Nippon Paper Industries Co., Ltd. (current position)

### Director / Audit & Supervisory Committee Member

**Toshio Yamamoto** (Date of Birth: Dec. 27, 1948)



Apr. 1972 Joined the Company  
Oct. 2006 Chief Associate Adviser, Corporate Strategic Office  
Jun. 2010 Audit & Supervisory Board Member  
Jun. 2015 Director / Audit & Supervisory Committee Member (current position)

### Managing Executive Officers

#### Toshikazu Yamada

Plant Manager, Tatsuno Plant, Production Div. and General Manager, Administration Dept.

#### Koichi Kimura

General Manager, Quality Assurance & Environmental Protection Div.

### Executive Officers

#### Takehiko Wakasa

Plant Manager, Chiba Plant, Production Div.

#### Junichi Nishikawa

Plant Manager, Kumagaya Plant, Production Div.

#### Toru Onishi

Plant Manager, Mishima Plant, Production Div. and General Manager, Administration Dept.

#### Norio Murata

General Manager, Osaka Branch Office, Business Administration Div., in charge of Western Japan

### Outside Directors / Audit & Supervisory Committee Members

**Toru Nozawa** (Date of Birth: Mar. 10, 1959)



Apr. 1981 Joined Jujo Paper Co., Ltd.  
Jun. 2014 Outside Audit & Supervisory Board Member of the Company  
Jun. 2014 Director, Executive Officer, General Manager, Corporate Planning Div., and in charge of Subsidiaries and Affiliated Companies, Nippon Paper Industries Co., Ltd. (current position)  
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)

**Satoshi Ohoka** (Date of Birth: Apr. 24, 1951)



Apr. 1975 Joined Japan Development Bank  
Apr. 2003 Lecturer, Chuo University, Graduate School of Commerce (current position)  
Jun. 2006 Outside Director, Ryobi Limited (current position)  
Jun. 2007 Member of LINTEC Independent Committee (current position)  
Jun. 2012 Outside Director of the Company  
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)

**Kanako Osawa** (Date of Birth: Dec. 22, 1970)



Apr. 1998 Certified as an attorney, joined Kajitani Law Offices (to present)  
Oct. 2005 Admitted to practice law in the State of New York, U.S.  
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)  
Jun. 2015 Member of LINTEC Independent Committee (current position)

#### Shigeru Uematsu

General Manager, Public Relations Office

#### Yutaka Iwasaki

General Manager, Converted Products Operations, Business Administration Div.

#### Masahiro Oshima

Plant Manager, Agatsuma Plant, Production Div.

#### Sumio Morimoto

General Manager, Printing & Variable Information Products Operations, Business Administration Div.

#### Tatsuya Tsukida

General Manager, Research & Development Div. and Research Center

#### Yohei Hoshikawa

General Manager, Corporate Strategic Office