LINTEC
ANNUAL REPORT 2016

For the fiscal year ended March 31, 2016

SOLID FOUNDATION, SUSTAINABLE FUTURE

LINTEC

Contents

Editorial Policy

This report is meant to help shareholders and other investors understand the LINTEC Group and its quest to achieve sustainable growth and contribute to the further development of society as a whole. Based on the International Integrated Reporting Framework released by the International Integrated Reporting Council in December 2013, in addition to performance and financial information, this report also introduces the technological capabilities, human resources, and other "intangible assets" accumulated by the LINTEC Group that are of the variety not listed on the financial statements.

Information that could not be contained within this report is available on the following websites.

IR Website
http://www.lintec-global.com/ir/

CSR Website
http://www.lintec-global.com/csr/

REPORTING PERIOD
This report covers the period between April 1, 2015 and March 31, 2016.
However, some of the information includes content from April 2016 onward.

FORWARD-LOOKING STATEMENTS
This report includes forward-looking statements, such as forecasts of business results, based on information currently held and assumptions that have been judged as reasonable by the Company. The Company cannot guarantee the accuracy of these statements or definitively assure the realization of future numerical targets and policies. Actual business results, etc., may vary due to various factors and circumstances.

:: COVER STORY

OUR VALUE CREATION

As a leading company in the fields of adhesive products and specialty papers, the LINTEC Group has developed a diverse range of products. Technological capabilities and human resources fostered throughout a long history have driven this progress.

"Linkage" and "Technology" — The name LINTEC symbolizes the commitment of all employees to opening up new business fields through the linking of people and technologies and playing a role on the global stage. Reflecting our company motto, we believe that sincerity towards all stakeholders and taking on new product development with a determination to innovate are essential characteristics for a manufacturer. Based on this belief, the LINTEC Group will continue to make dramatic progress.

Company Motto

Sincerity and Creativity

Mission Statement

The company name LINTEC derives from "linkage" and "technology," two key components of our business philosophy, which emphasizes the importance of close relations, inside and outside the company, and leading-edge R&D programs. By bringing these together to develop innovative solutions, we have established a reputation in Japan and overseas as a dynamic and reliable company that contributes to the prosperity of our stakeholders, to the growth of our industry, and to a brighter future for society as a whole. And underpinning all of our business activities is an unwavering emphasis on "Sincerity and Creativity," the twin values enshrined in our company motto.

For tomorrow we build today

LINTEC's History

From the time of its establishment in 1927 as FUJI SHOKAI, the LINTEC Group has been developing leading-edge technologies and products and steadily broadening its business field. Since the 1990 merger of three companies to form LINTEC Corporation, the Group has been stepping up globalization. Today, LINTEC products play important roles in a wide range of countries.

Gummed tape

"A-100 type" label printing machine

1920s to 60s

STAGE OF CREATION – STAGE OF BUSINESS BASE BUILDING

Established in 1927 as a manufacturer of gummed tape for packaging, FUJI SHOKAI reorganized to form FUJI SHIKO CORPORATION in 1934 and began operations in earnest. At that time, demand was rising rapidly for cardboard boxes to replace wooden boxes in the transport of foods and other goods. This trend spurred demand for gummed tape to seal cardboard boxes. In 1960, we began selling adhesive papers for seals and labels and subsequently entered the adhesive film field, thereby laying the foundations of our current mainstay businesses.

1970s to 80s

STAGE OF ENTRY INTO GROWTH BUSINESSES

In the early 1970s, we started developing label printing machines and began operations in China. In the late 1970s, we developed colored adhesive films for use in body stripe stickers on motorcycles in response to the growth in domestic motorcycle sales. In addition, the rapidly increasing need for films for such applications as outdoor signs led to the widespread adoption of our special adhesive films in the motorcycle, automobile, and interior and exterior decoration fields.

In 1984, we changed our name to FSK CORPORATION. In 1986, we entered the semiconductor field by developing an ultraviolet (UV)-curable dicing tape that allows for adhesive strength to be controlled by irradiation of UV rays.

Time of establishment

UV-curable dicing tape

Optically functional films for LCDs


LINTEC KOREA, INC.

1990s

SECOND STAGE OF CREATION

In April 1990, FSK merged with SHIKOKU PAPER CO., LTD., a supplier of release papers and other items, and SOHKEN KAKO CO., LTD., another manufacturer of adhesive materials, resulting in a fresh start as LINTEC Corporation.

In 1991, we entered the field of optically functional films for liquid crystal displays (LCDs). Subsequently, we established a base in Singapore—the first of a series of bases that we established in Southeast Asia and which are the pillars of our current operations in the region. In this manner, we globalized our business. Also, 1995 saw the completion of the building for the Research & Development Division's research center, which leads our technological development.


Research Center

2000s to today

STAGE OF GROWTH ACCELERATION

Since the turn of the century, the LINTEC Group has accelerated globalization of its businesses by establishing new manufacturing bases in China, Taiwan, South Korea, Malaysia, and Thailand. At the same time, we have reinforced manufacturing and sales systems through such measures as expanding our network of sales bases that have warehouses and slitting facilities. In 2015, we established a regional headquarters in Singapore to increase our competitiveness in the rapidly growing Southeast Asian and Indian markets. In the same year, we strengthened R&D capabilities even further by establishing the Advanced Technology Building adjacent to our existing research center in Japan.


Advanced Technology Building

:: COVER STORY

Aiming to realize the mass production of new products more rapidly, we have installed a range of the latest, large-scale pilot coaters at the Advanced Technology Building, completed in 2015.

R&D Expenses
(Fiscal year ended March 31, 2016)

¥7.6 billion

Accumulated TECHNOLOGICAL CAPABILITIES

As a technology-centered company, we create innovative products that cater to customer needs by fusing four core technologies in a sophisticated manner: adhesive applications, surface improvement, system development, and specialty papers and release materials production. The Research & Development Division's research center has approximately 200 research personnel and is responsible for product development. We are bolstering development capabilities to shorten lead times for mass production start-ups and establish new technologies.

Our research and development is based on "market dialogue," which entails research personnel accompanying sales personnel when they visit customers and communicating directly with them.

HUMAN RESOURCES that Create Innovative Products

The LINTEC Group has inherited a tradition of valuing communication and uninhibited discussion. While unity and teamwork are important parts of our corporate culture, we respect each employee's individuality. For many years, "innovation" has been a keyword in our medium-term business plans. Consequently, a mind-set that avoids complacency and takes on ambitious initiatives has become common among employees. Currently, with our sights set on further business expansion, we are focusing on fostering personnel who can work globally.

No. of Employees
(as of March 31, 2016)

4,246

COVER STORY

Business Model that Realizes SUSTAINABLE GROWTH

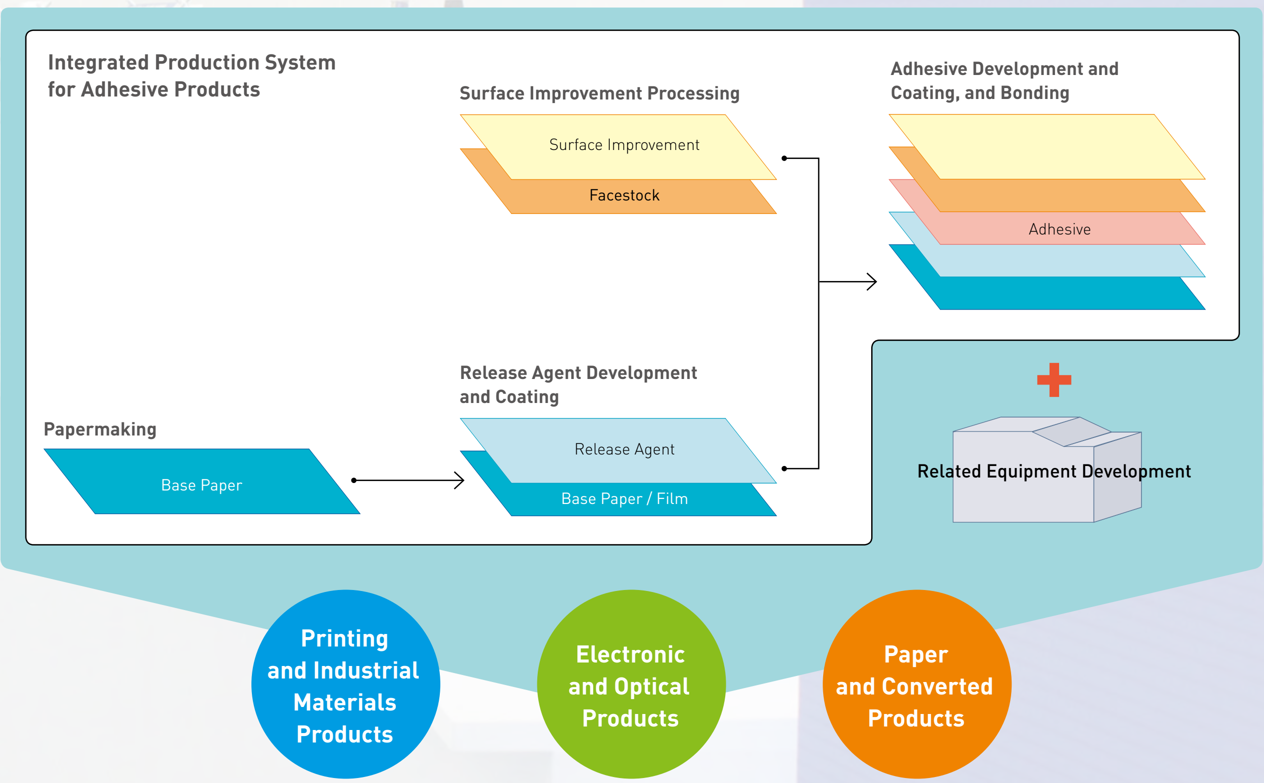
During the roughly 90 years since our establishment, original technological capabilities and human resources have enabled us to market an array of different products across a wide range of fields, stretching from products related to food and everyday goods through to electronics-related products. We aim to sustain growth by putting the customer first and using fresh ideas to develop and provide high-value-added products that cater to diverse needs.

Through our showrooms and website, we work to deepen stakeholder understanding of our original products and technologies.

The LINTEC Group's Advantages
—Integrated Production System for Adhesive Products and Provision of Comprehensive Solutions

The LINTEC Group has realized an integrated production system for adhesive products. In addition to developing adhesives and related coating processes, we have independently established a variety of technologies that enable operations covering the manufacture of base paper for release papers through to the development of release materials and related coating processes as well as facestock coating processes. Our ability to manufacture and procure release papers and films for adhesive products in-house gives us advantages in terms of quality, costs, and delivery lead times. Moreover, by combining various processing technologies, we create adhesive products catering to needs in diverse fields. Also, for areas other than adhesive products, we bring to market numerous unique products, such as industrial-use release papers and films as well as specialty papers that are designed for use with upstream technologies.

Meanwhile, we develop equipment that maximizes the properties of our adhesive materials. These include label printing machines, labeling machines for the automated application of labels to packaging, and semiconductor-related equipment. In this way, we offer comprehensive solutions that incorporate materials and equipment and which provide us with another advantage.



An Array of Products from Three Business Segments

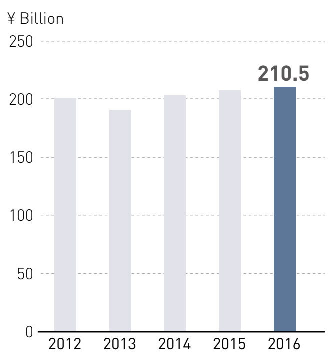
The LINTEC Group comprises three business segments: Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products, which roll out a diverse selection of products that respond to mainstay and growth areas. We supply a wide range of industries without being dependent on a particular industry. This business structure enables us to generate earnings stably because we are not susceptible to the market volatility of any one industry.

Performance Highlights

LINTEC Corporation and its consolidated subsidiaries
Fiscal years ended March 31

Net Sales

¥210.5 billion



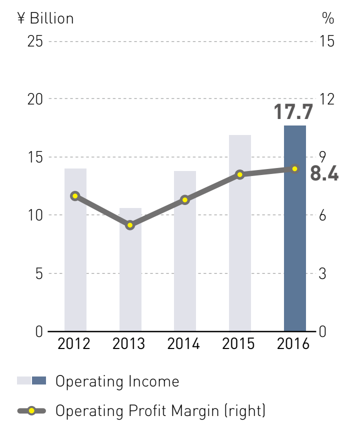
Operating Income / Operating Profit Margin

Operating Income

¥17.7 billion

Operating Profit Margin

8.4 %



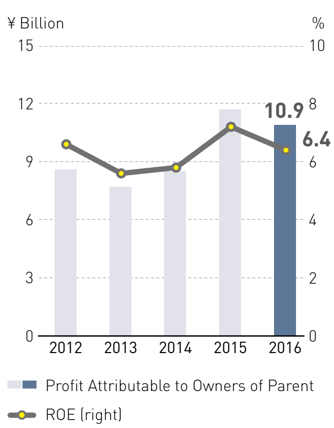
Profit Attributable to Owners of Parent / Return on Equity (ROE)

Profit Attributable
to Owners of Parent

¥10.9 billion

ROE

6.4 %



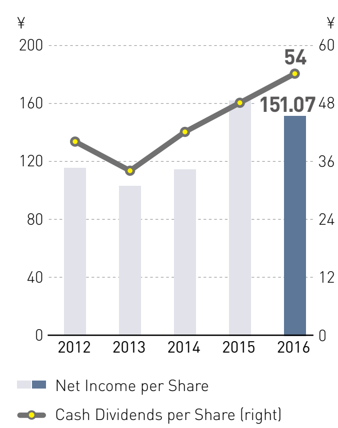
Net Income per Share / Cash Dividends per Share

Net Income per Share

¥151.07

Cash Dividends per Share

¥54



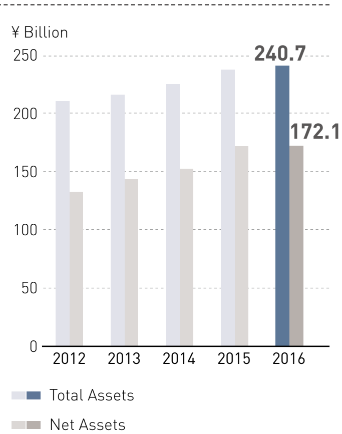
Total Assets / Net Assets

Total Assets

¥240.7 billion

Net Assets

¥172.1 billion



Cash Flows

Net Cash Provided
by Operating Activities

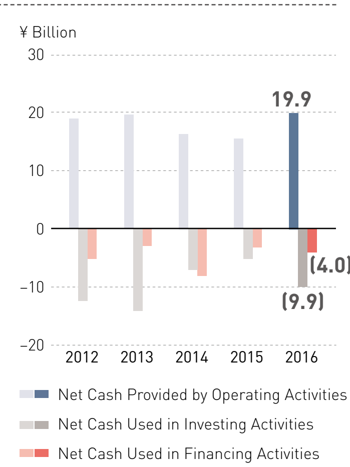
¥19.9 billion

Net Cash Used in
Investing Activities

¥(9.9) billion

Net Cash Used in
Financing Activities

¥(4.0) billion



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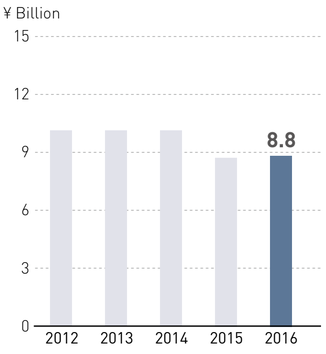
Financial Summary
Please see pages 44–45.

Capital Expenditures

¥13.2 billion

Depreciation and Amortization

¥8.8 billion

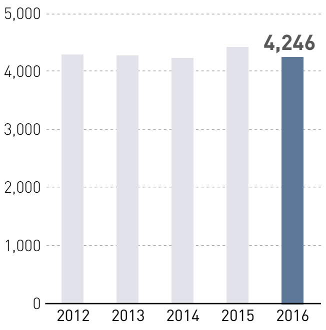


R&D Expenses

¥7.6 billion

Number of Employees

4,246



CO_2 Emissions

200 thousand tons

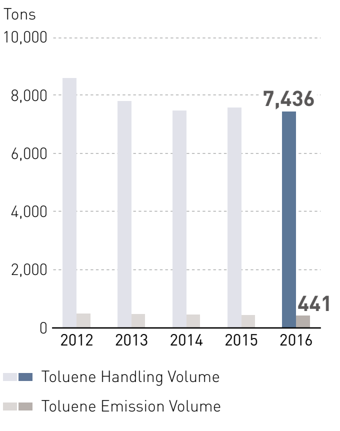
Toluene Handling Volume / Toluene Emission Volume

Toluene Handling Volume

7,436 tons

Toluene Emission Volume

441 tons



A Message from the President

Hiroyuki Nishio
Representative Director
President, CEO and COO

Review of Performance in the Fiscal Year Ended March 31, 2016

Final profit declined due to foreign exchange losses and an increase in total extraordinary losses

In the fiscal year ended March 31, 2016, the second year of three-year medium-term business plan, LINTEC INNOVATION PLAN 2016 (LIP-2016), higher demand for smartphones, which grew sales in Electronic and Optical Products; yen depreciation; and falling raw material and fuel prices supported business results. However, the appearance of foreign exchange losses due to yen appreciation from the beginning of 2016 and the recognition of extraordinary losses for subsidiaries in the United States and Indonesia affected earnings negatively.

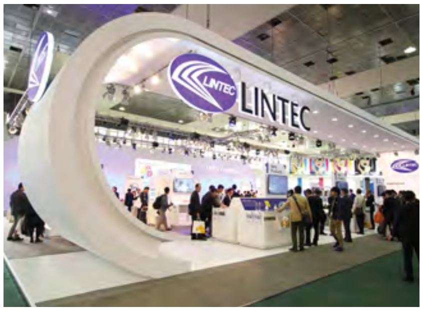
As a result, although net sales and operating income rose, final profit declined. The Group posted year-on-year increases of 1.6% in net sales, to ¥210.5 billion, and 4.8% in operating income, to ¥17.7 billion, while profit attributable to owners of parent decreased 6.5%, to ¥10.9 billion.

Initiatives in the Second Year of LIP-2016 (1)

Advancing business development globally produced benefits, but tasks remain

In the fiscal year ended March 31, 2016, we continued efforts that have been ongoing since LIP-2016's first year to tackle a range of measures based on the plan's five key initiatives. Efforts to strengthen and expand overseas businesses focused on expanding manufacturing, sales, and delivery capabilities, primarily in Southeast Asia and India. In conjunction with these efforts, in Singapore we established LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED, which is responsible for preparing and implementing comprehensive business strategies in Southeast Asia and India. We will increase competitiveness further by building an optimal production system and improving the efficiency of local raw material procurement. In addition, in Europe we set out our largest ever booth at the world's biggest label-related exhibition, Labelexpo Europe 2015, held in Belgium in autumn last year. Recognition of our brand is definitely rising in the European market, and we intend to actively take advantage of this recognition to attract new customers.

However, our efforts to rebuild U.S. subsidiary, MADICO, INC., which has continued to record lackluster business results, did not proceed as planned. Moreover, the company's mainstay window films performed sluggishly in the Chinese market, moving the company further into the red. Also, our main production base for adhesive and other products in Southeast Asia, PT. LINTEC INDONESIA, temporarily suspended operations due to strike action. In relation to the two subsidiaries, we incurred extraordinary loss of more than ¥0.8 billion. Thus, significant issues remain in this regard.



Labelexpo Europe 2015

LIP-2016 Key Initiatives

1. Further promote global development

(1) Expand overseas businesses with a particular focus on Asian region

(2) Establish firm business foundations in new regions

2. Create innovative new products that will support the next generation

(1) Explore new markets and demand by creating new products

(2) Enhance the base of our research and development in order to create new products

3. Transform into a robust corporate structure

(1) Strengthen cost competitiveness

(2) Select and concentrate our management resources

4. Promote strategic M&A

(1) Clarify the targets that are suited to a growth strategy

(2) Strengthen the system to promote M&A

5. Foster human resources

(1) Secure and foster global human resources

(2) Implement continuous stratified training

Initiatives in the Second Year of LIP-2016 (2)

We concentrated efforts on creating innovative new products while actively implementing capital investment

Various types of newly developed adhesive products for seals and labels for which we undertook a simultaneous global unveiling at the exhibition in Belgium met with a favorable reception, and we have begun the staged marketing of these products in Japan and overseas. Also, the full-fledged adoption and practical application of leading-edge high-barrier films and light diffusion films that we have developed is now within sight. Further, the seeds of products with the potential to become future mainstays of operations are emerging steadily, such as thermoelectric sheets and new transparent conductive films for organic electro luminescence lighting and thin-film solar cells. In other initiatives, our U.S. R&D base, the Nano-Science & Technology Center, is conducting research in new areas that are completely different from our existing technological fields, including technology for processing carbon nanotube into sheets and products related to artificial muscle. These initiatives are expected to contribute significantly to the LINTEC Group's business results in the future.

In addition, the beginning of operations in earnest at the Advanced Technology Building adjacent to our existing research center—which required an investment of approximately ¥6.0 billion—is a major step toward the next stage of growth for the Group. We will take full advantage of the new annex's large-scale pilot coaters and state-of-the-art analysis equipment to accelerate the development of new products. As for manufacturing, we are actively undertaking large-scale capital investment at bases in Japan and overseas, including the Kumagaya Plant in Saitama Prefecture, the Shingu Plant in Hyogo Prefecture, and LINTEC (THAILAND) CO., LTD., with a view to increasing production efficiency and capacity and enabling the mass production of newly developed products.


New building for producing optically function films (Shingu Plant)

Performance Outlook for the Fiscal Year Ending March 31, 2017

We expect to achieve operating income of ¥20.0 billion by rebuilding subsidiaries

In the fiscal year ending March 31, 2017, we will step up efforts to grow sales and reduce costs in Japan and overseas. Regarding the two overseas subsidiaries mentioned previously, we will rationalize the business management of MADICO further and rebuild the supply capabilities of LINTEC INDONESIA while supporting production through bases in Japan and Thailand. Also, in the current fiscal year we anticipate significant yen appreciation year-on-year, which will affect business results negatively. On the other hand, we expect cheaper raw materials and fuel and a change in the depreciation method for property, plant and equipment to be beneficial.

As a result, in the fiscal year ending March 31, 2017, we project year-on-year increases of 2.1% in net sales, to ¥215.0 billion; 13.0% in operating income, to ¥20.0 billion; and 23.9% in profit attributable to owners of parent, to ¥13.5 billion. While we are unlikely to reach LIP-2016's final numerical target of ¥240.0 billion for net sales, we believe operating income of ¥20.0 billion is well within reach. Further, although this performance outlook does not reflect M&A activities, we are always considering M&A activities that will help us expand sales channels, acquire technological capabilities, or realize future growth, and we will continue to do so.

Performance Outlook for the Fiscal Year Ending March 31, 2017 (year-on-year)

Net Sales:
¥215.0 billion (+2.1%)

Operating Income:
¥20.0 billion (+13.0%)

Profit Attributable to Owners of Parent:
¥13.5 billion (+23.9%)

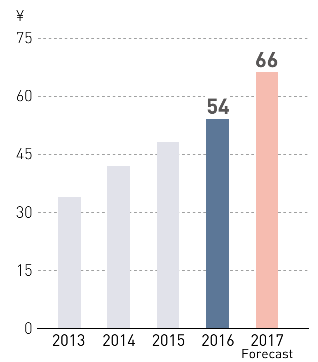
Shareholder Returns

In the current fiscal year, we plan to increase the dividend per share by ¥12, to ¥66

LINTEC regards enhancement of return of profits to shareholders as one of its most important management issues. From the perspective of distributing profits, the Company fundamentally aims to provide stable and continued returns after consideration of each fiscal year's consolidated performance while strengthening its management base. Adhering to this basic policy, the year-end dividend for the fiscal year ended March 31, 2016, was set at ¥27 and, in combination with the interim dividend of ¥27, dividends for the full year totaled ¥54, an increase of ¥6 from the previous year.

With regard to dividend payments for the fiscal year ending March 31, 2017, based on projections of consolidated profit attributable to owners of parent of ¥13.5 billion, we intend to increase dividend payments by ¥12 per share, to ¥66. As we work to improve our corporate performance in the coming years, we aim to actively realize shareholder returns through cash dividends.

Cash Dividends per Share



(Fiscal years ended / ending March 31)

In Closing

Based on technological capabilities and human resources, we will enhance corporate value

We will work to make the current fiscal year, the final year of LIP-2016, a year to consummate the plan in which we make sure to reap the benefits of measures taken so far to prepare us for the next three-year medium-term business plan. Business conditions are challenging. However, keeping the tasks identified in the plan's second year firmly in mind, all Group employees will make a concerted effort to advance toward the achievement of goals. I want to make full use of the valuable time left to enhance a range of measures and establish foundations for our next medium-term business plan, in which we will aim for ROE above 10%.

Further, to heighten corporate value going forward, technological capabilities and human resources will be indispensable. As well as continuing to strengthening research and development, we will concentrate efforts on fostering personnel able to work globally, encouraging female employees to play important roles, and utilizing diverse human resources. Forming the basis of the Group, employees, in some sense, are the Group. Therefore, we will make particular efforts to ensure all Group employees reflect our values: a customer-first mind-set and an emphasis on morality over profit. In accordance with our company motto, "Sincerity and Creativity," we will continue advancing corporate social responsibility (CSR)-based management that is considerate of environmental, social, and governance (ESG) concerns while remaining focused on growing with society.

As we move forward, we would like to ask our shareholders and investors for their continued support.

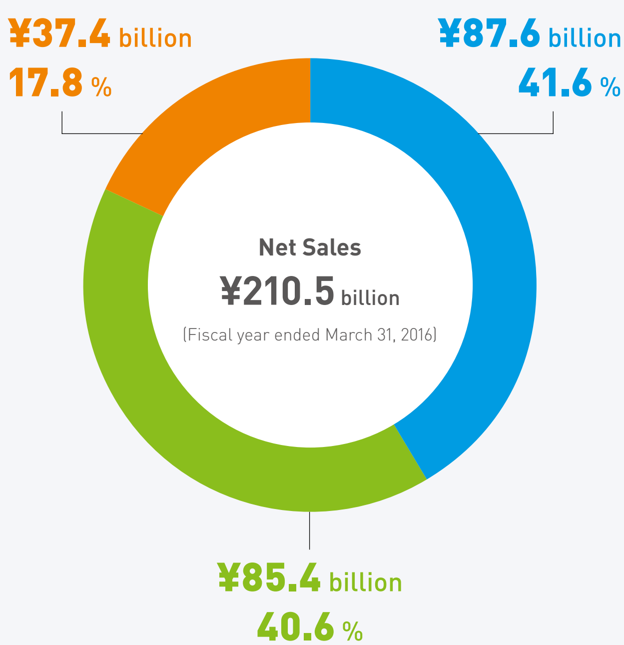
August 2016

Hiroyuki Nishio
Representative Director
President, CEO and COO

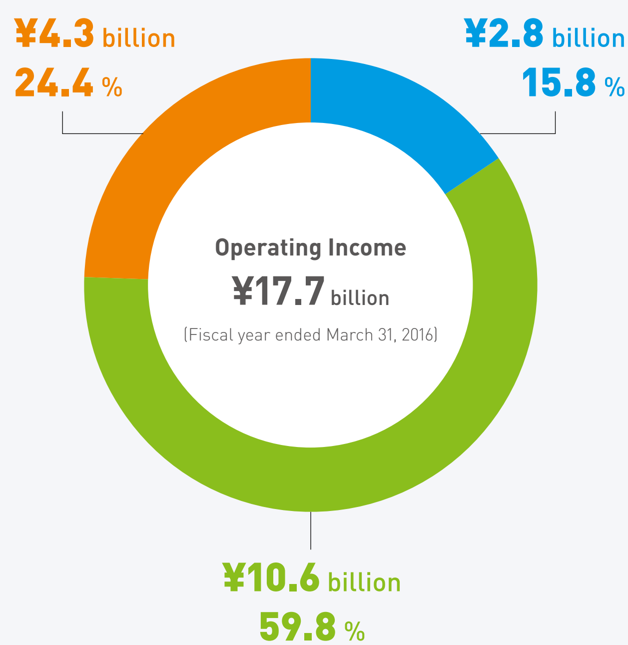
Business Overview

The LINTEC Group comprises three business segments: Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products. Each business segment has two operations, which prepare and advance original strategies.

Share of Net Sales

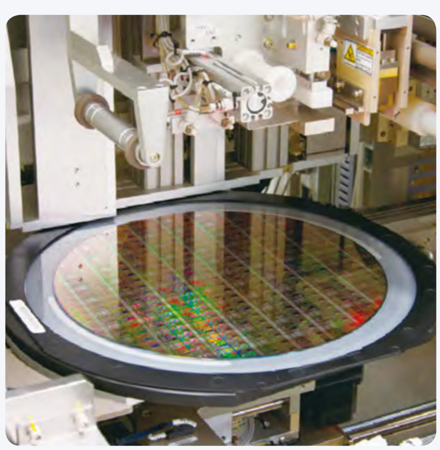


Share of Operating Income



Printing and Industrial Materials Products　Electronic and Optical Products　Paper and Converted Products

Note: Operating income composition data is based on figures before the elimination of intra-segment transactions.



Printing and Industrial Materials Products

Printing & Variable Information Products Operations

These operations manufacture and sell the Group's mainstay adhesive papers and films for seals and labels. In particular, the operations have an approximate 60% share of Japan's adhesive film market. Overseas, operations are expanding a network of manufacturing and sales bases in China and Southeast Asia with a view to growing market shares.

Main Products

- Adhesive papers and films for seals and labels
- Label printing machines

Net Sales: ¥54.1 billion (Fiscal year ended March 31, 2016)

Business Strategies

Sumio Morimoto
Executive Officer
General Manager, Printing & Variable Information Products Operations, Business Administration Div.

In the fiscal year ended March 31, 2016, our business in Japan performed steadily. Overseas, however, we faced challenging conditions. In addition to economic deceleration in the markets of China and Southeast Asia, a temporary suspension of operations at PT. LINTEC INDONESIA affected us. I want to recover from this setback as soon as possible by rebuilding our product supply capabilities and exploiting the network of sales bases we have established to develop businesses aggressively.

Meanwhile, in the European market our major exhibit at a trade fair in Belgium gave our advanced technological and solutions capabilities widespread exposure. We will collaborate with our sales base in the Netherlands, LINTEC EUROPE B.V., and with local partner companies to strengthen delivery capabilities in this market further to achieve solid results. In addition, we plan to create new demand for labels by actively proposing usage of the various types of products announced at the trade fair not only overseas but also in Japan.

This business segment comprises Printing & variable information products operations and Industrial & material operations. In the fiscal year ended March 31, 2016, the business segment recorded net sales of ¥87.6 billion, accounting for 41.6% of the Group's net sales. Operating income was ¥2.8 billion, or 15.8% of the Group's operating income.

Industrial & Material Operations

These operations provide a wide range of products, from window films that are applied to window glass to save electricity or achieve glass shatter-proofing through to automobile-use adhesive products, tapes for bonding components in mobile devices and other devices, label system-related equipment, and adhesive sheets for outdoor signs and interior finishing.

Main Products

- Window films
- Automobile-use adhesive products
- Industrial-use adhesive tapes
- Barcode printers
- Labeling machines
- Films for outdoor signs and advertising
- Interior finishing mounting sheets

Net Sales: ¥33.5 billion (Fiscal year ended March 31, 2016)

Business Strategies

In the fiscal year ended March 31, 2016, the goal of our window film operations was to step up the global sales strategy. However, these operations flagged as MADICO recorded lackluster sales of its products in the Chinese market. We view rebuilding the company with respect to quality and costs as well as strategies for sales as one of our priority tasks. Also, we will increase our share of the Southeast Asian market by further accelerating the establishment of sales channels for window films, realizing full-capacity operations at a new coating facility introduced in Thailand in the fiscal year ended March 31, 2016, and launching new products that reflect demand in local markets.

Sales of motorcycle- and automobile-use adhesive products are brisk and largely in line with plans. We will continue focusing efforts on acquiring new customers for these products among overseas manufacturers. In these operations, we intend to advance forward-looking business strategies, including M&A, more boldly than ever.

Shuji Morikawa
Director, Executive Officer
General Manager, Industrial & Material Operations, Business Administration Div.

Business Overview

Electronic and Optical Products

Advanced Materials Operations

These operations develop and provide such products as specialized adhesive tapes and related equipment essential in semiconductor chip manufacturing and mounting processes, multilayer ceramic capacitor-related tapes, touch screen-related products, and new, next-generation sheet materials.

Main Products

- Semiconductor-related adhesive tapes and equipment
- Multilayer ceramic capacitor-related tapes
- Touch screen-related products

Net Sales: ¥43.7 billion (Fiscal year ended March 31, 2016)

Business Strategies

Makoto Hattori
Director, Executive Officer
General Manager, Advanced Materials Operations, Business Administration Div.

Normally, the fourth quarter is a period of adjustment in the electronics-related market. In the fiscal year ended March 31, 2016, although this adjustment phase affected us significantly, we were able to achieve performance that was generally in line with our expectations, partly thanks to on-site efforts. Given the electronics-related industry's inherent volatility and the diversification of market demand, we believe the best way of sustaining growth is to continue steady efforts to manufacture and roll out "market standard" products that reflect customers' actual needs even more closely.

Further, a trade fair and other events in the fiscal year ended March 31, 2016, provided opportunities to showcase our development projects in next-generation areas, such as high-barrier films and light diffusion films. We will further strengthen these development initiatives so that they contribute to the Group's earnings as early as possible.

This business segment comprises Advanced materials operations and Optical products operations. In the fiscal year ended March 31, 2016, the business segment posted net sales of ¥85.4 billion, accounting for 40.6% of the Group's net sales. Operating income was ¥10.6 billion, or 59.8% of the Group's operating income.

Optical Products Operations

These operations conduct adhesive processing for optical functional films, including polarizing films and retardation films used to make LCDs; surface improvement processing for polarizing films, such as antiglare hard coat processing, which protects films from scratches and reduces reflectivity; and the manufacturing of protective films for polarizing films.

Main Products

- Polarizing films and retardation films (adhesive processing)
- Polarizing films (surface improvement processing)
- Protective films for polarizing films

Net Sales: ¥41.7 billion (Fiscal year ended March 31, 2016)

Business Strategies

In the LCD market, demand for products for large televisions and smartphones fluctuates markedly. The degree and period of inventory adjustments for these products has a significant effect on strategies in Optical products operations. Further, we have a strong sense of crisis due to intensifying price competition.

However, we believe that there are tasks that we must accomplish now in the midst of these difficult business conditions. In its first year, LIP-2016 set forth goals that call for rigorous reform of quality, costs, delivery, and developmental capabilities as well as the building of a global quality management system at production bases in Japan, South Korea, and Taiwan. The benefits of these measures are emerging steadily and include improved adhesive formulation and rationalized production processes. While continuing to advance such measures, we will work in partnership with a film manufacturer that is our supplier to begin developing new materials that will become future growth drivers.

Kazuyoshi Ebe
Director, Managing Executive Officer
Assistant General Manager, Business Administration Div., in charge of Optical Products Operations, Business Administration Div.

Paper and Converted Products

Fine & Specialty Paper Products Operations

Centered on businesses in Japan, these operations manufacture and sell color papers for envelopes and colored construction papers, products for which the Group has the leading share in domestic markets; oil resistant papers for food packaging; lint-free papers that are used in places such as clean rooms and cause hardly any dust even when torn; high-grade printing papers with special textures; and high-grade papers for paper products used for business cards and postcards.

Main Products

- Color papers for envelopes
- Colored construction papers
- Special function papers
- High-grade printing papers
- High-grade papers for paper products

Net Sales: ¥17.0 billion (Fiscal year ended March 31, 2016)

Business Strategies

Toshimi Sugaya
General Manager, Fine & Specialty Paper Products Operations, Business Administration Div.

In the fiscal year ended March 31, 2016, mainstay color papers for envelopes performed steadily, and sales of functional papers, such as oil resistant papers and construction material papers, grew. Also, a new water-repellent, printable paper for envelopes earned strong market endorsement.

In addition, we were able to proactively conduct market surveys with a view to business expansion overseas. We will concentrate efforts on growing sales of function papers for food-related products and construction materials-related products in regions centered on Asia. We also want to increase the pace of new product development, including collaborations with academia. As the world becomes increasingly paperless, we will establish target profiles for Fine & specialty paper products operations five years and ten years in advance and take measures steadily to realize them.

This segment comprises Fine & specialty paper products operations and Converted products operations. In the fiscal year ended March 31, 2016, the business segment recorded net sales of ¥37.4 billion, accounting for 17.8% of the Group's net sales. Operating income was ¥4.3 billion, or 24.4% of the Group's operating income.

Converted Products Operations

These operations provide release papers and films that protect the adhesive surfaces of a variety of adhesive products. Additionally, we produce casting papers that are used as patterning papers for placing designs on synthetic leather. We also manufacture casting papers for carbon fiber composite materials for which demand is expected to rise in conjunction with increased usage in aircraft.

Main Products

- Release papers for general-use
- Release films for optical-related products
- Casting papers for synthetic leather
- Casting papers for carbon fiber composite materials

Net Sales: ¥20.5 billion (Fiscal year ended March 31, 2016)

Business Strategies

As they were in the first year of LIP-2016, sales in China were lackluster. A series of bankruptcies among local synthetic leather manufacturers and sluggish demand for base papers for abrasive papers used in construction are making for tough business conditions. In relation to casting papers for synthetic leather, we will rebuild operations in China with a particular focus on high-value-added products. At the same time, we will reexamine various measures, including measures to capture demand in such new markets as Southeast Asia, Central and South America, and the Middle and Near East. Based on our conclusions, we intend to take action rapidly.

In addition, challenging business conditions are likely to continue due to such factors as the effect of inventory adjustment in the smartphone market on release papers for flexible printed circuits (FPCs) cover lay films. However, we will continue concentrating efforts on membrane production process films, a new type of functional film, and other products to create new demand with the potential of forming the future pillars of operations.

Yutaka Iwasaki
Executive Officer
General Manager, Converted Products Operations, Business Administration Div.

Special Feature

Front Lines of R&D

—Creation of Innovative New Products

Under the LINTEC Group's medium-term business plan, LIP-2016, we define one of its key initiatives as "Create innovative new products that will support the next generation," based on which we are developing new products and reinforcing our research foundations. LINTEC is working to improve the efficiency of development in consideration of two keywords: "front-loading design," which entails scrutinizing customer needs and development processes from the initial R&D stages, and "one-stop development," in which materials and the processes for their mass production are developed side-by-side. In addition, the start of full-fledged operations at the new Advanced Technology Building research center completed in May 2015 is anticipated to contribute greatly to increased speed in future product development projects.

In this feature, we will take a look at the front lines of the LINTEC Group's R&D activities, which will include introductions of recently launched products, products under development that are expected to drive future growth, and initiatives at an R&D base in the United States.

New Adhesive Products for Seals and Labels

Adhesive products for seals and labels come in many diverse forms based on the applications for which they are to be used. As a leading company in this field, LINTEC has a history of offering fine-tuned responses to the demanding performance needs of Japanese companies. At Labelexpo Europe 2015, the world's largest label-related exhibition, which was held in autumn 2015, we made a global announcement of eight newly developed products, including the following four products.

Revolutionary Bubble-Free Labelstock

It is not uncommon for air to remain trapped when using standard adhesive films for seals and labels, meaning that they sometimes do not stick neatly. In addition, when such films are attached to plastic molded products, the minuscule amounts of gas released from plastics can, over time, result in bubbles. LINTEC has succeeded in developing new adhesive films that limit the appearance of bubbles. These films employ a revolutionary manufacturing method that entails intentionally creating cracks in the adhesive surface to form grooves running in random directions. These grooves allow for air to escape, making the film easy for anyone to apply while preventing the occurrence of bubbles. These films are especially suited to the name and display labels attached to consumer electronics and electronic devices as well as to large labels under which air is easily trapped during application.

Oil-Tolerant Labelstock / Oil- and Water-Repellent Labelstock

LINTEC's oil-tolerant labelstock undergoes a unique adhesive treatment so that they can be applied even to steel plates and other oily surfaces. They are thus suited for use as control labels for industrial applications, including on steel products and automotive parts, and as display labels for foods and cosmetics. Our oil- and water-repellent labelstock, meanwhile, utilizes a special surface coating to repel water and oil, allowing for easy runoff even when the surface to which they are applied is only slightly slanted. It is therefore ideal for use as protective film for helmet visors or as over-laminating film for oil-tolerant labelstock.

Recycled PET Labelstock

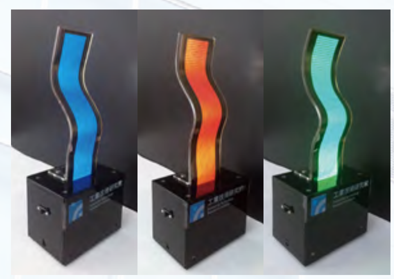
This labelstock features adhesive films with facestock comprised of more than 80% polyethylene terephthalate (PET) resin recycled from PET bottles, the world's highest level for recycled PET resin content, and recreates the same physical properties of labelstock that uses non-recycled PET film. As a labelstock that helps conserve fossil resources, this product received the Award for Sustainability at the Label Industry Global Awards 2015, which was presented at a special forum during Labelexpo Europe 2015. This award is bestowed upon superior eco-friendly products that contribute to the realization of a sustainable society. As the first Asian company to receive this prestigious award, LINTEC was able to make a lasting impression on the eco-conscious European market.

Advanced Sheet Materials Development

By fusing at a high level the four core technologies that we have accumulated to date, we are forging ahead with the development of unprecedented advanced sheet materials. In January 2016, we garnered attention by displaying the following product developments at the nano tech 2016 International Nanotechnology Exhibition & Conference, an advanced technology exhibition that was held in Tokyo.

High-Barrier Films

Flexible displays, which can be bent and rolled, require flexible films for use in place of conventional glass. LINTEC is in the process of developing highly functional films that maintain the flexibility characteristic of films while also achieving levels of transparency that are almost identical to that of glass combined with barrier properties that are potent at keeping out water vapor. By employing a proprietary manufacturing process that increases the density of barrier layers, we have succeeded in developing high-barrier films with a PET film base that boast the world-leading performance for such films. Leveraging our strength as an adhesive product manufacturer, we are able to provide these films together with a film-use adhesive that also prevents penetration by water vapor. Applying this technology, we are currently jointly developing a manufacturing process technology for flexible organic light-emitting diode (OLED) displays with the Industrial Technology Research Institute, a Taiwanese government-run research institution. At the same time, these high-barrier films are being utilized for in-house development projects aimed at creating new transparent conductive films.



Renditions of flexible OLED display

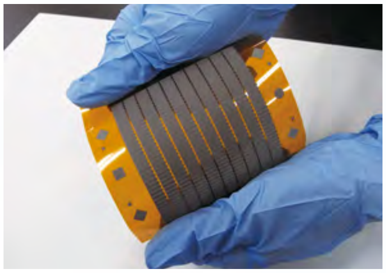
Light Diffusion Films

Reflective LCDs display information by reflecting sunlight or external lighting. While these displays boast electricity consumption that is significantly lower than standard LCDs, which utilize backlights as a light source, they also suffer from issues related to brightness and visibility. LINTEC's light diffusion films feature a specialized structure consisting of two layers inside of the films, both boasting different refractive indexes, created by shining UV rays on the films during the manufacturing process. As such, these films are able to prevent dispersion of light intake while ensuring optimal and efficient diffusion in the appropriate direction. This feature contributes to brighter information displays on reflective LCDs, and these films are therefore expected to be adopted in wearable terminals and e-book display devices. We also anticipate that our light diffusion films will be used as digital signage screens, which are utilized to display projector images onto glass storefronts, large-scale facility walls, and other surfaces.

Reflective LCD using LINTEC's light diffusion film (right)

Thermoelectric Sheets

LINTEC handles thermoelectric sheets, which utilize a phenomenon in which electric voltage is created due to temperature differences between substances to convert heat into electricity. These sheets are anticipated to provide new sources of renewable energy, as they can generate electricity merely by being attached to a surface that will create a disparity in temperature between the two sides of the film, inside of steam pipes or on the underside of automobile hoods, for example. Existing thermoelectric conversion devices are made by placing metallic thermoelectric conversion materials between ceramic layers and are therefore expensive. The thermoelectric sheets we are developing, however, are made from resin sheets, thereby combining high flexibility with low costs.



Initiatives at U.S. R&D Base

In 2013, the Nano-Science & Technology Center (NSTC) was established in the U.S. state of Texas to serve as an R&D base for LINTEC OF AMERICA, INC. At the center, the Group is moving forward with the development of next-generation materials, such as carbon nanotube sheets and artificial muscle, through industry–academia collaboration with the University of Texas at Dallas.

Carbon Nanotube Sheets

Carbon nanotubes, or cylindrical carbon materials with diameters measured in nanometers, are gathering attention as a completely new type of material, boasting exceptional resilience toward bending and pulling, despite being incredibly light, while also demonstrating superior electricity and heat conduction properties. Standard carbon nanotubes come in the form of a powder, making them difficult to handle. However, NSTC has developed a technology that allows for carbon nanotubes to be processed into sheets without diminishing the qualities of this material. For example, carbon nanotube sheets can be used for such applications as electrode materials in the electricity storage devices of electric vehicles and also contribute to higher capacity and smaller size for these systems.

Artificial Muscle

NSTC is moving forward with the development of artificial muscle, a type of drive system engineered to mimic the muscle tissue of living organisms. NSTC manufactures artificial muscle using synthetic resin and other high polymers. Despite employing a relatively simply manufacturing process, NSTC's artificial muscle is able to stretch and contract for a wide range of motion while limiting manufacturing costs. Looking ahead, we anticipate that this product will be used in a diverse variety of fields, including in robotic exoskeletons for supporting nursing care.

In November 2011, our artificial muscle technology was named the Gold Winner of the R&D 100 Market Disruptor Product Special Recognition Award in the 2015 R&D 100 Awards, which are sponsored by R&D Magazine of the United States and are sometimes referred to as the "Oscars of Invention."

Ceremony for presenting 2015 R&D 100 Awards

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

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

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 (SDDs), which represent an alternative to conventional hard disk drives (HDDs).

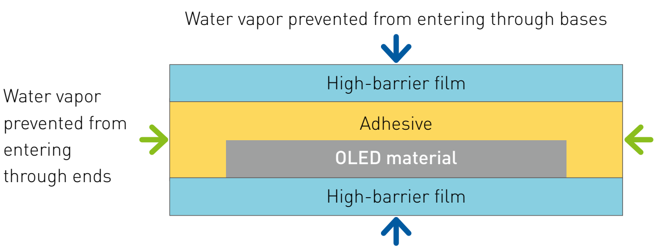
Optical Functional Materials

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.

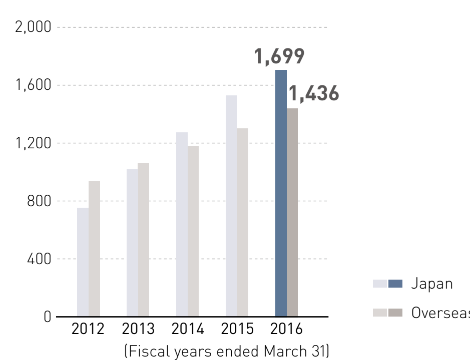
Through these and other R&D activities, this segment incurred R&D expenses of ¥1.4 billion.

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_2 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.

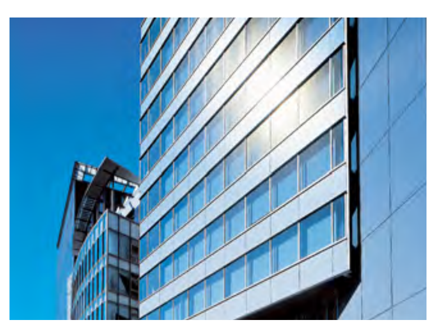
Label Materials Facilitating Reuse of Glass Beverage Containers

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.

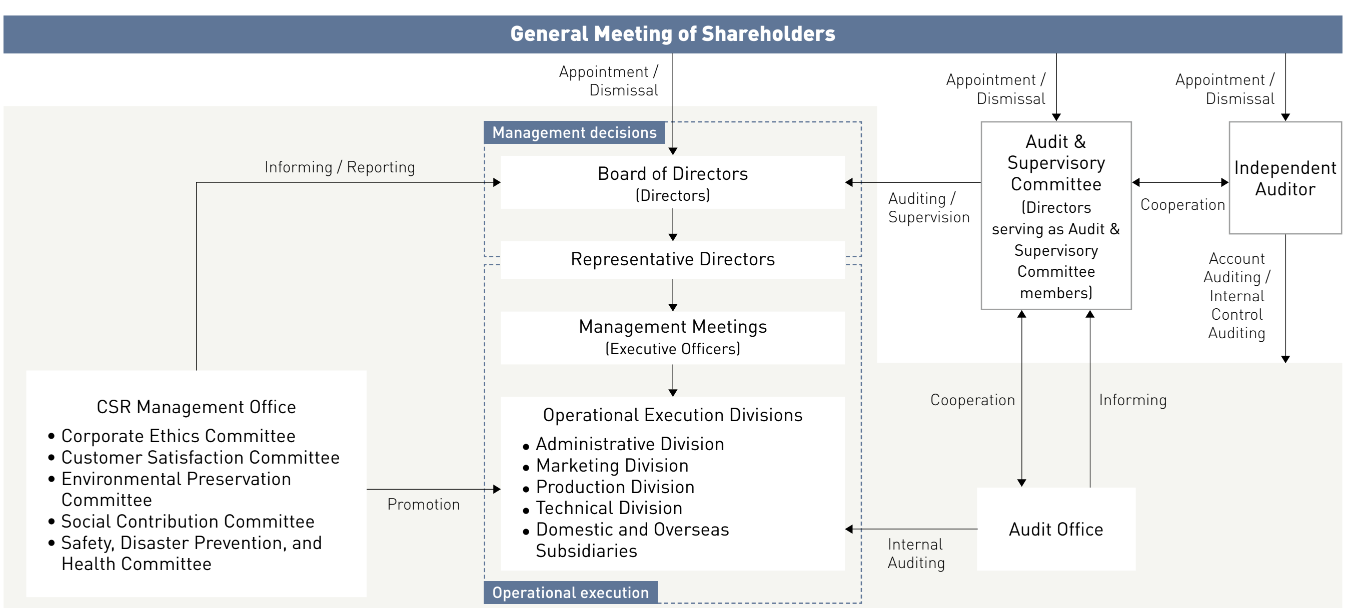
The Audit & Supervisory Committee meets once a month and conducts monitoring audits that focus on matters reported from the Audit Office, which is the Company's internal control division. In addition to performing audits covering the appropriateness and legality of the execution of directors' duties, 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.

- **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 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)

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)

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

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

FINANCIAL SECTION

Management's Discussion and Analysis

Revenues and Expenses

In the fiscal year under review, consolidated net sales increased 1.6% year-on-year, to ¥210.5 billion. This increase was attributable to a variety of factors including substantial growth in Advanced materials operations backed by the effects of demand for smartphones and other items.

Gross profit increased 7.0% year-on-year, to ¥53.6 billion, following such factors as higher sales volumes and lower prices for petrochemical raw materials and fuel, which counteracted the rise in the price of pulp resulted from yen depreciation. Operating income, however, only grew 4.8%, to ¥17.7 billion, due to higher general administrative expenses associated with the completion of new research center buildings. Profit before income taxes was ¥16.8 billion, down 4.3% year-on-year, as a result of the recording of foreign exchange losses and increased extraordinary loss. Income taxes were ¥6.0 billion following the application of tax effect accounting, and profit attributable to owners of parent for the fiscal year under review amounted to ¥10.9 billion, a year-on-year decrease of 6.5%.

Net income per share decreased from ¥161.63 in the previous fiscal year to ¥151.07, and ROE declined from 7.2% to 6.4%.

Performance by Operational Segment

Printing & Industrial Materials Products

In Printing & variable information products operations, sales of adhesive products for seals and labels in overseas markets decreased mainly due to the effects of an economic downturn in China and the ASEAN region, but sales remained solid in Japan, particularly with regard to sales of beverage-, medical-, and cosmetic-use products.

In Industrial & material operations, sales of window films were sluggish, due partly to the effects of an economic slowdown in China, while sales of motorcycle- and automobile-use adhesive products were steady, particularly in India.

As a result of the above, net sales in Printing and Industrial Materials Products were up 1.0% year-on-year, to ¥87.6 billion, and operating income decreased 3.2%, to ¥2.8 billion.

Electronic & Optical Products

In Advanced materials operations, sales of semiconductor-related adhesive tapes posted significant growth backed by the effects of demand for smartphones and other products, while sales of semiconductor-related equipment decreased. Multilayer ceramic capacitor-related tapes grew significantly thanks to the effects of demand for smartphones and automotive products.

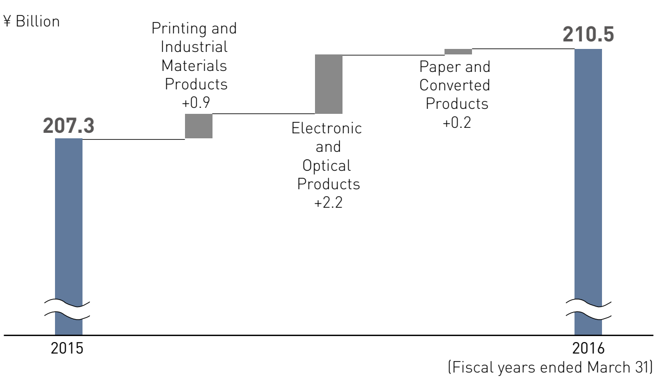
In Optical products operations, sales of LCD-related adhesive products were steady due to the effects of demand for medium- and small-sized applications for smartphones.

As a result of the above, net sales in Electronic and Optical Products were up 2.7% year-on-year, to ¥85.4 billion, and operating income increased 4.9%, to ¥10.6 billion.

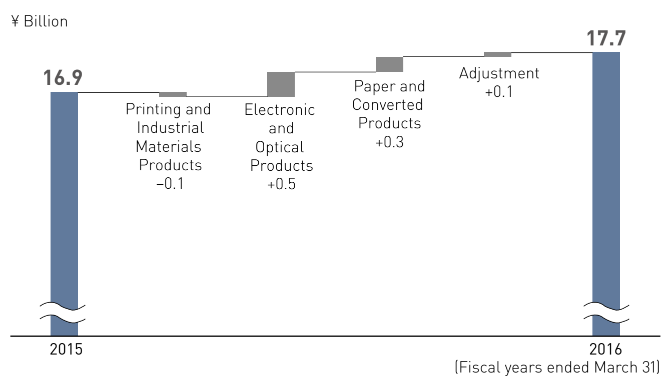
Paper & Converted Products

In Fine & specialty paper products operations, sales of color papers for envelopes, mainstay products, were steady and sales of oil resistant papers grew backed by the effects of demand for products for convenience stores and fast food restaurants.

Net Sales



Operating Income



In Converted products operations, sales of casting papers for carbon fiber composite materials were steady, centered on those for use for aircraft, while sales of release papers and films declined due to sluggish demand mainly for adhesive products, FPC cover lay films, and optical products.

As a result of the above, net sales in Paper and Converted Products were up 0.4% year-on-year, to ¥37.4 billion, and operating income increased 7.7%, to ¥4.3 billion.

Financial Condition

[Assets]

Total assets as of March 31, 2016, were ¥240.7 billion, an increase of ¥3.3 billion compared with the end of the previous fiscal year. The main reasons for this increase were as follows:

• Cash and deposits	+¥3.7 billion
• Trade notes and accounts receivable	–¥1.8 billion
• Inventories	–¥1.1 billion
• Property, plant and equipment	+¥3.4 billion
• Net defined benefit asset	–¥1.8 billion
• Deferred tax assets	+¥0.6 billion

[Liabilities]

Total liabilities as of March 31, 2016, were ¥68.6 billion, an increase of ¥2.8 billion compared with the end of the previous fiscal year. The main reasons for this increase were as follows:

• Accrued income taxes	–¥1.1 billion
• Net defined benefit liability	+¥3.6 billion

[Net Assets]

Net assets as of March 31, 2016, were ¥172.1 billion, an increase of ¥0.4 billion compared with the end of the previous fiscal year. The main reasons for this increase were as follows:

• Retained earnings	+¥7.1 billion
• Foreign currency translation adjustments	–¥3.4 billion
• Remeasurements of defined benefit plans	–¥3.0 billion

Cash Flows

Cash and cash equivalents as of March 31, 2016, amounted to ¥60.3 billion, an increase of ¥4.3 billion, or 7.6%, compared with the end of the previous fiscal year.

[Cash Flows from Operating Activities]

Net cash provided by operating activities increased ¥4.4 billion year-on-year, to ¥19.9 billion. The principal movements were as follows:

• Increase in net defined benefit liability	+¥5.5 billion
• Income taxes paid	–¥1.6 billion

[Cash Flows from Investing Activities]

Net cash used in investing activities increased ¥4.8 billion year-on-year, to ¥9.9 billion. The principal movements were as follows:

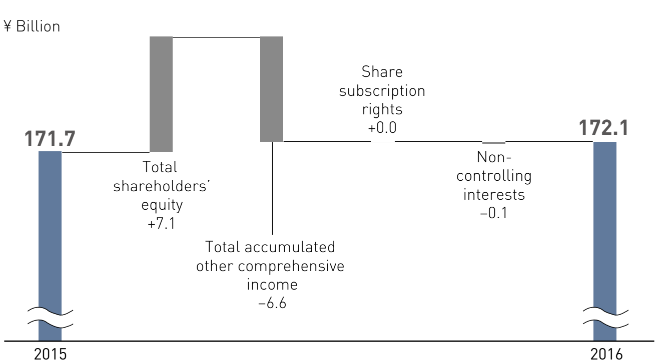
• Proceeds from withdrawal of time deposits	–¥1.1 billion
• Purchase of property, plant and equipment	–¥3.5 billion

[Cash Flows from Financing Activities]

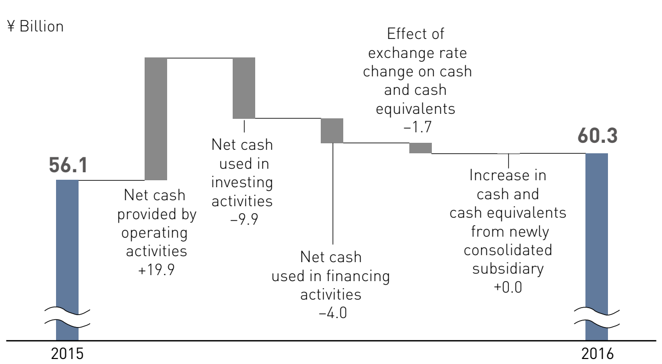
Net cash used in financing activities increased ¥0.9 billion year-on-year, to ¥4.0 billion. The principal movement was as follows:

• Cash dividends paid	–¥0.7 billion

Net Assets



Cash Flows



Operating Risks

The following is a summary of risks that could affect the LINTEC Group's operations. This summary provides specific examples of major risks that are anticipated, but it does not include all risks.

1. Changes in Economic Conditions

The Group's operations include development in a wide range of industries. Therefore, domestic and overseas economic conditions affect the Group's operations directly and indirectly. As a result, future trends in economic conditions could affect the Group's business results.

Furthermore, global trends in the electronics industry affect the Group's new businesses in the field of electronics-related products. Future electronics industry trends could affect the Group's business results.

2. Changes in Selling Prices

Due to intense competition in both the domestic and overseas markets in which the Group operates, the Group may be unable to maintain selling prices to preserve sufficient earnings or sales share. Furthermore, the Group's business results could be affected by difficulties related to cost reductions aimed at maintaining profits and recovering its share by refining customer services.

3. Changes in Raw Material Prices

The Group uses a large quantity of pulp for paper and petrochemical products as raw materials and fuel. The prices of these materials and fuels fluctuate in accordance with market conditions, such as inventories and the supply–demand balance. The Group purchases raw materials in light of careful monitoring of market trends. However, a dramatic change in raw material prices could affect the Group's business results.

4. Changes in Foreign Exchange Rates

The Group conducts foreign currency-denominated procurement and sales overseas as well as finance transactions between both domestic and overseas Group companies. Therefore, changes in foreign exchange rates could affect the Group's business results.

5. Overseas Operations

The Group conducts manufacturing and business operations in markets worldwide. In these countries, the following events could affect the Group's business results.

(1) Political instability or a deterioration in security due to such factors as terrorism, a political change, or a coup d'état
(2) Labor disputes, such as those involving strikes or boycotts
(3) Infrastructure failures, such as those related to electric power, water, or communications
(4) Outbreaks of contagious diseases
(5) Unpredictable changes in laws and regulations, such as those involving tax systems, foreign exchange, or customs
(6) Problems arising between the Group and its business associates or in the collection of accounts receivable due to differences in cultures or business practices

6. New Product Development

The Group pursues R&D activities with a view to realizing comprehensive technological capabilities that cater to market demand and bringing to market competitive, high-value-added products. Accordingly, the Group is stepping up allocations of management resources to increase its number of researchers and to pursue such initiatives as joint research with other companies and academic institutions.

However, there is no guarantee that such investment of management resources in R&D will result in the development of new products or increase operating income. Due to such factors as extended development periods, it could become necessary to discontinue development, and if product development costs cannot be recovered, it could affect the Group's business results.

7. Intellectual Property Rights

The Group takes necessary measures to protect intellectual property rights in Japan and overseas for various original production technologies that it has developed. However, legal measures alone do not provide complete protection, possibly preventing the Group from effectively protecting the rights it has obtained. Furthermore, in the event that a lawsuit is filed by a third party regarding intellectual property rights infringement associated with the Group's products, the Group's business results could be affected.

8. Significant Lawsuits

In conducting business in Japan and overseas, the Group may be subject to lawsuits or other claims related to product liability, environmental, or intellectual property rights issues. Lawsuits or claims, depending on their content, could affect the Group's business results.

9. Legal and Regulatory Systems

In the countries in which it conducts business operations, the Group is subject to various legal and regulatory systems, and as such is working to ensure rigorous compliance with these systems. In the event that the systems are strengthened or changed, the Group's business activities could be restricted or the Group's business results could be affected.

Financial Summary

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31

	2016	2015	2014	2013
For the year:				
Net sales	**¥210,501**	¥207,255	¥203,242	¥190,844
Operating income	**17,692**	16,881	13,766	10,564
% of net sales	**8.4%**	8.1%	6.8%	5.5%
Profit before income taxes	**16,799**	17,555	12,883	10,836
Profit attributable to owners of parent	**10,899**	11,659	8,501	7,681
Return on equity	**6.4%**	7.2%	5.8%	5.6%
Return on assets	**7.4%**	7.8%	6.0%	5.2%
Per share data (yen):				
Net income	**¥ 151.07**	¥ 161.63	¥ 114.22	¥ 102.83
Net assets	**2,370.49**	2,363.81	2,100.87	1,909.57
Cash dividends	**54.00**	48.00	42.00	34.00
Depreciation and amortization	**¥ 8,800**	¥ 8,713	¥10,055	¥ 10,141
Purchase of property, plant and equipment	**(9,810)**	(6,299)	(5,508)	(13,823)
Net cash provided by operating activities	**19,928**	15,485	16,309	19,619
Net cash used in investing activities	**(9,898)**	(5,104)	(6,952)	(13,966)
Net cash used in financing activities	**(4,044)**	(3,135)	(8,020)	(2,877)
At year-end:				
Current assets	**¥163,647**	¥163,017	¥149,396	¥138,505
Current liabilities	**56,389**	57,058	54,820	56,911
Working capital	**107,258**	105,958	94,575	81,593
Cash and cash equivalents	**60,323**	56,050	44,992	40,739
Property, plant and equipment, net	**64,859**	61,503	61,456	64,915
Long-term debt, less current portion	**—**	—	—	—
% of shareholders' equity	**—**	—	—	—
Total assets	**240,720**	237,444	225,073	216,048
Net assets	**172,101**	171,674	152,610	143,569
% of total assets	**71.1%**	71.8%	67.3%	66.0%
Number of shares outstanding	**76,564,240**	76,564,240	76,564,240	76,564,240
Number of employees	**4,246**	4,413	4,223	4,270
Segment information:				
Net sales:				
Printing and Industrial Materials Products	**¥88,100**	¥86,826	¥86,310	¥82,785
Electronic and Optical Products	**85,895**	83,281	79,143	72,372
Paper and Converted Products	**54,576**	54,564	52,781	52,061
Segment income:				
Printing and Industrial Materials Products	**2,785**	2,878	2,290	2,380
Electronic and Optical Products	**10,562**	10,071	6,846	3,196
Paper and Converted Products	**4,303**	3,996	4,645	4,980

(Supplementary information)

1. Effective the year ended March 31, 2011, the "Accounting Standard for Disclosure about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan (ASBJ) Statement No. 17, issued by ASBJ on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued by ASBJ on March 21, 2008) have been applied.
   Since it is impracticable to restate segment information of the fiscal years of 2010 and before complying revised accounting standards for segment information, only reportable segment information for the year ended March 31, 2011 onward have been presented.
2. Effective from the year ended March 31, 2016, the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued by ASBJ on September 13, 2013) has been applied, and the title "Net income" has been changed to "Profit attributable to owners of parent."

Millions of yen, except per share data, number of shares, and number of employees

2012	2011	2010	2009	2008	2007
¥200,905	¥212,733	¥189,348	¥194,901	¥202,297	¥192,723
13,975	20,889	11,576	8,498	14,894	14,798
7.0%	9.8%	6.1%	4.4%	7.4%	7.7%
13,382	19,565	11,399	5,215	13,191	14,298
8,648	13,622	7,284	3,391	9,308	10,238
6.6%	10.9%	6.2%	2.9%	8.0%	9.5%
6.5%	9.7%	6.1%	3.0%	6.6%	7.7%
¥ 115.26	¥ 180.21	¥ 96.36	¥ 44.86	¥ 123.15	¥ 135.44
1,766.60	1,715.78	1,596.37	1,497.58	1,598.30	1,489.87
40.00	40.00	24.00	20.00	24.00	18.00
¥ 10,079	¥10,178	¥10,537	¥11,286	¥ 9,011	¥ 7,701
(8,760)	(8,237)	(7,777)	(9,584)	(14,700)	(11,646)
18,910	23,307	22,259	12,979	17,739	13,734
(12,262)	(9,926)	(9,253)	(9,752)	(15,071)	(12,200)
(5,099)	(2,820)	(3,454)	(2,300)	(769)	(68)
¥137,229	¥132,891	¥121,451	¥ 95,937	¥120,028	¥117,531
62,075	60,465	58,654	43,655	67,631	67,950
75,153	72,426	62,797	52,282	52,397	49,581
36,036	35,188	25,387	15,370	17,315	15,550
62,273	61,888	63,337	67,010	73,711	68,377
—	—	54	107	201	280
—	—	0.0%	0.1%	0.2%	0.3%
210,203	206,188	195,656	172,854	204,852	198,526
132,847	130,576	121,502	113,930	121,635	113,397
62.8%	62.9%	61.7%	65.5%	59.4%	57.1%
76,564,240	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240
4,286	4,198	4,037	3,987	3,802	3,708

¥90,143	¥91,936	—	—	—	—
73,925	81,193	—	—	—	—
53,225	55,317	—	—	—	—
5,213	7,990	—	—	—	—
3,942	6,732	—	—	—	—
4,846	6,129	—	—	—	—

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash and deposits (Notes 12, 14)	¥ 65,733	¥ 62,059	$ 583,363
Trade notes and accounts receivable (Note 14)	62,331	64,094	553,176
Inventories (Note 3)	31,066	32,142	275,702
Deferred tax assets (Note 19)	1,121	1,879	9,949
Other (Notes 14, 16)	3,538	2,944	31,404
Allowance for doubtful accounts	(143)	(103)	(1,273)
Total current assets	163,647	163,017	1,452,322
Non-current assets:			
Property, plant and equipment (Notes 6, 10, 13):			
Buildings and structures	69,970	64,993	620,967
Machinery, equipment and vehicles	116,352	113,258	1,032,589
Land	10,184	10,263	90,387
Construction in progress	2,864	3,635	25,425
Other	12,070	11,688	107,117
	211,442	203,839	1,876,488
Accumulated depreciation	(146,583)	(142,335)	(1,300,881)
Property, plant and equipment, net	64,859	61,503	575,607
Intangible assets (Note 13):	2,357	2,538	20,921
Investments and other assets:			
Investment securities (Notes 14, 15)	3,126	3,313	27,742
Net defined benefit asset (Notes 7, 8, 17)	—	1,823	—
Deferred tax assets (Note 19)	4,978	3,578	44,179
Other	1,854	1,887	16,456
Allowance for doubtful accounts	(103)	(217)	(914)
Total investments and other assets	9,855	10,384	87,464
Total non-current assets	77,072	74,427	683,993
Total assets	¥ 240,720	¥ 237,444	$ 2,136,316

The accompanying notes are an integral part of the consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Current liabilities:			
Trade notes and accounts payable (Note 14)	**¥ 39,683**	¥ 40,674	**$ 352,177**
Short-term borrowings (Notes 14, 26)	**1,695**	1,695	**15,042**
Accrued income taxes (Notes 14, 19)	**2,272**	3,413	**20,172**
Provision for directors' bonuses	**93**	111	**833**
Other (Notes 14, 16, 26)	**12,644**	11,164	**112,212**
Total current liabilities	**56,389**	57,058	**500,438**
Non-current liabilities:			
Provision for environmental measures	**137**	140	**1,223**
Net defined benefit liability (Notes 7, 8, 17)	**11,476**	7,853	**101,851**
Other (Note 26)	**614**	717	**5,452**
Total non-current liabilities	**12,228**	8,711	**108,527**
Total liabilities	**68,618**	65,770	**608,965**
Commitments and contingent liabilities (Note 2)			
Net assets:			
Shareholders' equity (Note 25):			
Common stock:			
Authorized: 300,000,000 shares in 2016 and 2015			
Issued: 76,564,240 shares in 2016 and 2015	**23,201**	23,201	**205,904**
Capital surplus	**26,829**	26,830	**238,101**
Retained earnings	**123,713**	116,638	**1,097,921**
Less: treasury stock, at cost:			
4,411,475 shares in 2016 and 4,428,615 shares in 2015	**(7,712)**	(7,741)	**(68,442)**
Total shareholders' equity	**166,032**	158,928	**1,473,484**
Accumulated other comprehensive income			
Net unrealized holding gain on securities	**701**	832	**6,226**
Foreign currency translation adjustments	**7,812**	11,256	**69,337**
Remeasurements of defined benefit plans (Notes 7, 8, 17)	**(3,509)**	(503)	**(31,143)**
Total accumulated other comprehensive income	**5,005**	11,586	**44,420**
Share subscription rights (Note 18)	**169**	166	**1,502**
Non-controlling interests	**895**	992	**7,943**
Total net assets	**172,101**	171,674	**1,527,350**
Total liabilities and net assets	**¥240,720**	¥237,444	**$2,136,316**

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales	**¥210,501**	¥207,255	**$1,868,139**
Cost of sales	**156,877**	157,122	**1,392,239**
Gross profit	**53,624**	50,133	**475,899**
Selling, general and administrative expenses (Notes 4, 5)	**35,932**	33,251	**318,888**
Operating income	**17,692**	16,881	**157,011**
Non-operating income:			
Interest income	**308**	335	**2,733**
Dividend income	**59**	55	**524**
Rent income	**58**	55	**523**
Gain on sales of noncurrent assets	**7**	45	**63**
Foreign exchange gains	**—**	1,487	**—**
Other income	**318**	369	**2,830**
Total non-operating income	**752**	2,349	**6,676**
Non-operating expenses:			
Interest expenses	**18**	21	**167**
Loss on retirement of noncurrent assets	**357**	388	**3,170**
Compensation expenses	**129**	753	**1,153**
Foreign exchange losses	**124**	—	**1,105**
Other expenses	**189**	166	**1,684**
Total non-operating expenses	**820**	1,329	**7,281**
Ordinary income	**17,623**	17,901	**156,405**
Extraordinary gain:			
Gain on sales of noncurrent assets (Note 6)	**11**	259	**103**
Gain on liquidation of subsidiaries	**—**	69	**—**
Total extraordinary gain	**11**	329	**103**
Extraordinary loss:			
Special retirement expenses (Note 7)	**438**	—	**3,893**
Loss on abolishment of retirement benefit plan (Note 8)	**265**	—	**2,354**
Loss on temporary suspension of production (Note 9)	**131**	—	**1,170**
Impairment loss (Note 10)	**—**	674	**—**
Total extraordinary losses	**835**	674	**7,418**
Profit before income taxes	**16,799**	17,555	**149,090**
Income taxes (Note 19)**:**			
Current	**5,339**	5,851	**47,389**
Deferred	**689**	48	**6,122**
Total income taxes	**6,029**	5,899	**53,511**
Profit	**10,769**	11,656	**95,578**
Profit (loss) attributable to non-controlling interests	**(129)**	(2)	**(1,147)**
Profit attributable to owners of parent (Note 25)	**¥ 10,899**	¥ 11,659	**$ 96,726**

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Profit	**¥10,769**	¥11,656	**$ 95,578**
Other comprehensive income (Note 11)			
Net unrealized holding gain on securities	**(130)**	476	**(1,161)**
Foreign currency translation adjustments	**(3,443)**	5,885	**(30,556)**
Remeasurements of defined benefit plans (Notes 7, 8, 17)	**(2,975)**	595	**(26,406)**
Total other comprehensive income	**(6,549)**	6,958	**(58,124)**
Comprehensive income	**¥ 4,220**	¥18,614	**$ 37,454**
(Comprehensive income attributable to:)			
Owners of parent	**4,318**	18,552	**38,322**
Non-controlling interests	**(97)**	62	**(868)**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Thousands												Millions of yen
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2014	76,564	¥23,201	¥26,830	¥104,771	¥(7,754)	¥147,048	¥355	¥5,236	¥(1,110)	¥4,482	¥148	¥930	¥152,610
Cumulative effects of changes in accounting policies				2,725		2,725							2,725
Restated balance		23,201	26,830	107,497	(7,754)	149,774	355	5,236	(1,110)	4,482	148	930	155,336
Changes during the year:													
Cash dividends				(3,101)		(3,101)							(3,101)
Profit attributable to owners of parent				11,659		11,659							11,659
Purchase of treasury stock					(2)	(2)							(2)
Disposal of treasury stock			(0)		15	15							15
Change of scope of consolidation				583		583							583
Net changes in items other than shareholders' equity							476	6,020	606	7,104	18	62	7,184
Total changes during the year	—	—	(0)	9,140	12	9,153	476	6,020	606	7,104	18	62	16,337
Balance as at March 31, 2015	76,564	¥23,201	¥26,830	¥116,638	¥(7,741)	¥158,928	¥832	¥11,256	¥(503)	¥11,586	¥166	¥992	¥171,674
Cumulative effects of changes in accounting policies						**—**							**—**
Restated balance		**23,201**	**26,830**	**116,638**	**(7,741)**	**158,928**	**832**	**11,256**	**(503)**	**11,586**	**166**	**992**	**171,674**
Changes during the year:													
Cash dividends				**(3,823)**		**(3,823)**							**(3,823)**
Profit attributable to owners of parent				**10,899**		**10,899**							**10,899**
Purchase of treasury stock					**(2)**	**(2)**							**(2)**
Disposal of treasury stock			**(0)**		**31**	**30**							**30**
Change of scope of consolidation						**—**							**—**
Net changes in items other than shareholders' equity							**(130)**	**(3,443)**	**(3,006)**	**(6,580)**	**2**	**(97)**	**(6,676)**
Total changes during the year	**—**	**—**	**(0)**	**7,075**	**29**	**7,103**	**(130)**	**(3,443)**	**(3,006)**	**(6,580)**	**2**	**(97)**	**427**
Balance as at March 31, 2016	**76,564**	**¥23,201**	**¥26,829**	**¥123,713**	**¥(7,712)**	**¥166,032**	**¥701**	**¥7,812**	**¥(3,509)**	**¥5,005**	**¥169**	**¥895**	**¥172,101**

	Thousands												Thousands of U.S. dollars (Note 1)
		Shareholders' equity					Accumulated other comprehensive income						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2015	76,564	$205,904	$238,108	$1,035,126	$(68,700)	$1,410,439	$7,387	$99,900	$(4,464)	$102,824	$1,479	$8,811	$1,523,555
Cumulative effects of changes in accounting policies						**—**							**—**
Restated balance		**205,904**	**238,108**	**1,035,126**	**(68,700)**	**1,410,439**	**7,387**	**99,900**	**(4,464)**	**102,824**	**1,479**	**8,811**	**1,523,555**
Changes during the year:													
Cash dividends				**(33,932)**		**(33,932)**							**(33,932)**
Profit attributable to owners of parent				**96,726**		**96,726**							**96,726**
Purchase of treasury stock					**(23)**	**(23)**							**(23)**
Disposal of treasury stock			**(7)**		**280**	**273**							**273**
Change of scope of consolidation						**—**							**—**
Net changes in items other than shareholders' equity							**(1,161)**	**(30,563)**	**(26,678)**	**(58,404)**	**22**	**(868)**	**(59,250)**
Total changes during the year	**—**	**—**	**(7)**	**62,794**	**257**	**63,044**	**(1,161)**	**(30,563)**	**(26,678)**	**(58,404)**	**22**	**(868)**	**3,794**
Balance as at March 31, 2016	**76,564**	**$205,904**	**$238,101**	**$1,097,921**	**$(68,442)**	**$1,473,484**	**$6,226**	**$69,337**	**$(31,143)**	**$44,420**	**$1,502**	**$7,943**	**$1,527,350**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥16,799	¥ 17,555	$149,090
Depreciation and amortization	8,800	8,713	78,102
Amortization of goodwill	71	76	636
Increase (decrease) in net defined benefit liability	788	(4,671)	7,000
Increase (decrease) in allowance for doubtful accounts	(72)	(57)	(646)
Interest and dividend income	(367)	(391)	(3,258)
Interest expenses	18	21	167
Loss (gain) on sales of property, plant and equipment	(9)	(300)	(85)
Loss on retirement of property, plant and equipment	163	325	1,455
Decrease (increase) in trade notes and accounts receivable	966	1,449	8,577
Decrease (increase) in inventories	582	(30)	5,170
Increase (decrease) in trade notes and accounts payable	(1,485)	(2,090)	(13,185)
Loss (gain) on sales of investment securities	(0)	(0)	(0)
Increase (decrease) in provision for environmental measures	(2)	7	(21)
Impairment loss	—	674	—
Loss (gain) on liquidation of subsidiaries	—	(69)	—
Special retirement expenses	438	—	3,893
Loss on abolishment of retirement benefit plan	265	—	2,354
Other, net	(792)	(1,125)	(7,029)
Subtotal	26,166	20,086	232,221
Interest and dividend income received	382	397	3,390
Interest expenses paid	(18)	(21)	(167)
Income taxes (paid) refund	(6,534)	(4,976)	(57,990)
Special retirement expenses paid	(66)	—	(593)
Net cash provided by operating activities	19,928	15,485	176,860
Cash flows from investing activities:			
Payments into time deposits	(9,653)	(10,353)	(85,668)
Proceeds from withdrawal of time deposits	9,957	11,084	88,370
Purchase of property, plant and equipment	(9,810)	(6,299)	(87,069)
Proceeds from sales of property, plant and equipment	26	472	231
Purchase of intangible assets	(455)	(195)	(4,044)
Purchase of investment securities	(15)	(12)	(139)
Proceeds from sales of investment securities	0	0	0
Purchase of shares of subsidiaries	—	(0)	—
Proceeds from liquidation of subsidiaries	—	105	—
Payments of loans receivable	(5)	(2)	(50)
Collection of loans receivable	2	34	19
Other, net	56	61	501
Net cash used in investing activities	(9,898)	(5,104)	(87,849)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	—	185	—
Cash dividends paid	(3,824)	(3,103)	(33,942)
Purchase of treasury stock	(2)	(2)	(23)
Repayments of lease obligations	(217)	(214)	(1,926)
Other, net	0	0	0
Net cash used in financing activities	(4,044)	(3,135)	(35,891)
Effect of exchange rate change on cash and cash equivalents	(1,712)	2,363	(15,196)
Net increase (decrease) in cash and cash equivalents	4,273	9,608	37,922
Cash and cash equivalents at beginning of year	56,050	44,992	497,432
Increase in cash and cash equivalents from newly consolidated subsidiary	0	1,449	0
Cash and cash equivalents at end of year (Note 12)	¥60,323	¥ 56,050	$535,354

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

LINTEC Corporation and its consolidated subsidiaries
March 31, 2016

1. Summary of Significant Accounting Policies

(a) Basis of presenting financial statements
LINTEC Corporation (the "Company") maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

For the convenience of the readers, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the rate of ¥112.68=U.S.$1, the prevailing exchange rate as of March 31, 2016. This translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain reclassifications of previously reported amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2016 presentation.

(b) Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its 33 significant subsidiaries as of March 31, 2016, but exclude subsidiaries whose total assets, net sales, profit and retained earnings are not material in relation to the comparable amounts in these statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Goodwill is amortized over periods of the estimated useful economic lives (mainly 5 years) on a straight-line basis.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Certain subsidiaries are consolidated on the basis of fiscal period ending December 31, which differ from that of the Company. The necessary adjustments are made to the financial statements of such subsidiaries to reflect any significant transactions from their respective fiscal year ends to March 31.

(c) Foreign currency translation
Receivables, payables and securities denominated in foreign currencies are converted into Japanese yen at the exchange rates at fiscal year end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates and the resulting translation gains or losses are included in statement of income.

In respect of the financial statement items of overseas subsidiaries, all assets and liabilities accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year end. All income and expense accounts are translated into Japanese yen by applying the average exchange rates during the fiscal year.

Translation differences after allocating to non-controlling interest for portions attributable to non-controlling interest are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheet.

(d) Investment securities
Securities with market value are stated at fair value, and changes in fair value are recorded as a separate component of net assets at an amount, net of tax, and the moving average method is used to calculate the original cost. Securities without market value are stated at cost determined by the moving average method.

(e) Derivatives
Derivatives are stated at fair value.

(f) Inventories
Inventories mainly apply the cost method based on the weighted-average method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

Machinery applies the cost method based on the specific identification method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

(g) Property, plant and equipment (Excluding leased assets)
Depreciation in the Company is principally computed by the declining-balance method over the estimated useful lives of the respective assets except for the buildings acquired on or after April 1, 1998, for which the straight-line method is used.

Depreciation in its consolidated foreign subsidiaries is computed by the straight-line method over the useful lives of the respective assets.

The significant useful lives are summarized as follows:

Buildings and structures	2 — 50 years
Machinery, equipment and vehicles	3 — 17 years

(h) Intangible assets (Excluding leased assets)
Capitalized costs of software for internal use are amortized using the straight-line method over estimated lives (5 years).

(i) Leased assets
Leased assets arising from finance lease transactions which transfer ownership to the lessees are depreciated as the same as the owned property, plant and equipment.

Leased assets arising from finance lease transactions which do not transfer ownership to the lessees are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(j) Allowance for doubtful accounts
The allowance for doubtful accounts is provided at the amount of estimated uncollectible accounts, based on individual collectability with respect to identified doubtful receivables and past experience of doubtful receivables.

(k) Provision for directors' bonuses
Bonus to directors is accrued at the year end and to be paid in the following year when such bonuses are attributable.

(l) Accounting method for retirement benefits
(1) Method of attributing expected retirement benefits to periods
In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefits to periods through the end of the fiscal year.
(2) Method of amortizing actuarial gain and loss and prior service cost
Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method principally over 15 years. Prior service cost is being amortized by the straight-line method principally over 15 years.

(m) Provision for environmental measures
The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to removal and disposal of toxic substances based on related legal requirements.

(n) Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(o) Cash and cash equivalents
Cash and cash equivalents are composed of cash and time deposits having maturities within three months from acquisition, all of which are low-risk, short-term financial instruments readily convertible into cash.
(p) Research and development costs
Research and development costs are charged to income when incurred.
(q) Income taxes
Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.
(r) Shareholders' equity
The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.
(s) Changes in accounting principles
The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) from this consolidated fiscal year. Under the adopted accounting standards, differences arising from the change in the Company's ownership interest in subsidiaries are recorded as capital surplus as long as the Company retains control over its subsidiaries, and acquisition-related costs are recorded as expenses in the fiscal year in which such costs are incurred. For business combinations which occur on or after the beginning of this consolidated fiscal year, adjustments of the provisional allocation of acquisition costs for a business combination shall be reflected in the consolidated financial statements for the fiscal year in which the business combination occurred. Furthermore, the title "Net income" has been changed to "Profit attributable to owners of parent," and the title "Minority interests" has been changed to "Non-controlling interests." To reflect these changes in presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

In accordance with the transitional treatment set forth in Article 58-2 (4) of the "Accounting Standard for Business Combinations," Article 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements," and Article 57-4 (4) of the "Accounting Standard for Business Divestitures," the aforementioned accounting standards have been applied prospectively from the beginning of this consolidated fiscal year.

In addition, there was no applicable event for the year ended March 31, 2016, and no impact on the consolidated financial statements and amounts per share as well.

The Company has applied the "Revised Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force (PITF) No. 18, March 26, 2015) from this consolidated fiscal year. In accordance with the transitional treatment set forth in the PITF, the Company has selected amortization treatment as in the past in which amortization is based on the remaining amortization period for goodwill in the consolidated financial statements. In addition, this adoption does not affect the consolidated financial statements and amounts per share.

2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥22,208 million (U.S. $197,094 thousand) and ¥22,286 million at March 31, 2016 and 2015, respectively.

3. Inventories

Finished goods and merchandise, work in process, and raw materials and supplies as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Finished goods and merchandise	**¥10,956**	¥10,714	**$ 97,239**
Work in process	**11,513**	11,678	**102,175**
Raw materials and supplies	**8,596**	9,749	**76,288**
Total	**¥31,066**	¥32,142	**$275,702**

4. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Transportation and warehousing expenses	**¥ 5,274**	¥ 5,250	**$ 46,806**
Provision for allowance for doubtful accounts	**48**	15	**431**
Salaries and allowances	**8,011**	7,430	**71,098**
Retirement benefit expenses	**284**	396	**2,521**
Provision for directors' bonuses	**93**	111	**833**
Depreciation	**1,068**	1,059	**9,482**
Research and development expenses	**7,644**	6,771	**67,838**
Other	**13,507**	12,215	**119,876**
Total	**¥35,932**	¥33,251	**$318,888**

5. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses, for the years ended March 31, 2016 and 2015 were ¥7,644 million (U.S.$67,838 thousand) and ¥6,771 million, respectively.

6. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets was principally related to sales of buildings and structures for the year ended March 31, 2016 and sales of land for the year ended March 31, 2015.

7. Special Retirement Expenses

The Company has recognized special retirement expenses for downsizing of consolidated subsidiaries in the U.S. for the year ended March 31, 2016.

8. Loss on Abolishment of Retirement Benefit Plan

The Company has recognized settlement loss for partial settlement of a retirement benefit plan of consolidated subsidiaries in the U.S. for the year ended March 31, 2016.

9. Loss on Temporary Suspension of Production

The Company has recognized extraordinary loss for temporary suspension of production at a manufacturing plant operated by a subsidiary in Indonesia due to a labor strike for the year ended March 31, 2016.

10. Impairment Loss on Property, Plant and Equipment

The Company has recognized impairment loss on the following classes of assets for the year ended March 31, 2015:

Major use	Location	Category	Millions of yen
Company housing for employees	Kumagaya city, Saitama	Buildings and structures	¥ 46
		Land	197
		Other	0
		Subtotal	243
Pressure-sensitive adhesive related products manufacturing equipment	Massachusetts State, U.S.A.	Machinery, equipment and vehicles	417
		Other	13
		Subtotal	430
Total			¥674

(1) Circumstances leading to the recognition of impairment loss
- The impairment loss for the company housing has been recognized because the asset has been idled and the market price in real estate has been declined. That asset is planned to be sold since it is not planned to be used in the future.
- The impairment loss for the pressure-sensitive adhesive related products manufacturing equipment has been recognized because the asset has decreased in profitability.

(2) Method of calculating recoverable amounts

The recoverable amounts used for the measurement of the impairment losses above are the net realizable value.
- The recoverable amount of land for the company housing is based on the appraisal value after deduction of the estimated cost of the disposal. The recoverable amounts of other assets are the nominal value.
- The recoverable amounts of the assets above for the pressure-sensitive adhesive related products manufacturing equipment are based on a third-party appraisal value.

11. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	**¥ (202)**	¥ 642	**$ (1,799)**
Reclassification adjustment	**(0)**	(0)	**(0)**
Prior to deducting tax effect	**(202)**	642	**(1,799)**
Tax effect	**71**	(165)	**637**
Net unrealized holding gain on securities	**(130)**	476	**(1,161)**
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	**(3,443)**	5,885	**(30,556)**
Reclassification adjustment	**—**	—	**—**
Prior to deducting tax effect	**(3,443)**	5,885	**(30,556)**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**(3,443)**	5,885	**(30,556)**
Remeasurements of defined benefit plans:			
Amount incurred during the fiscal year	**(4,656)**	755	**(41,322)**
Reclassification adjustment	**381**	202	**3,385**
Prior to deducting tax effect	**(4,274)**	958	**(37,936)**
Tax effect	**1,299**	(362)	**11,530**
Remeasurements of defined benefit plans	**(2,975)**	595	**(26,406)**
Total other comprehensive income	**¥(6,549)**	¥6,958	**$(58,124)**

12. Cash and Cash Equivalents

Reconciliation between cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and deposits	**¥65,733**	¥62,059	**$583,363**
Time deposits with maturity of more than 3 months	**(5,409)**	(6,009)	**(48,008)**
Cash and cash equivalents	**¥60,323**	¥56,050	**$535,354**

Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2016 and 2015 were ¥105 million (U.S. $931 thousand) and ¥186 million, respectively.

13. Leases

(Lessee's accounting)

For finance lease transactions that transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities for the years ended March 31, 2016 and 2015, and are depreciated in the same way as the owned property, plant and equipment.

For finance lease transactions that do not transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities and vehicles, and those recognized as intangible assets are mainly software for the years ended March 31, 2016 and 2015. These leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

The minimum lease payments under noncancellable operating leases as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within 1 year	**¥312**	¥241	**$2,773**
Due after 1 year	**343**	273	**3,046**
Total	**¥655**	¥514	**$5,820**

14. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The LINTEC Group (the "Group") limits the scope of its cash and fund management activities to short-term deposits and has a policy of relying principally on bank borrowings.

The Group makes use of derivatives only to reduce risk of foreign currency exchange fluctuations and has a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk and risk management system

In the course of its business activities, the Group is exposed to credit risk arising from trade notes and accounts receivable that are outstanding from its customers. Regarding the risk pursuant to the internal regulations for managing its credit exposure and trade receivables, due dates and balances are managed appropriately for each customer, to mitigate risks of uncollectible accounts.

Investment securities are stocks being exposed to market price risk, and these are mainly the stocks of companies with which the Group has business relationships and they are periodically confirmed the market value.

All of the trade payables – trade notes and accounts payable – are due within 1 year.

The Group has commitment line contracts with financial institutions and the borrowings are raised mainly for business activities and capital investments.

The Group is exposed to liquidity risk from its business-related obligations and borrowings but the Company and its consolidated subsidiaries prepare and implement financing plans to manage the liquidity risk.

The Group conducts and manages derivative transactions based on internal rules and regulations. Director of administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case.

In addition, the contract amounts of derivative transactions described below in Note 16, "Derivatives," do not represent the market risk associated with derivative transactions.

2. Estimated fair value and other matters related to financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2016 and 2015 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
						2016
	Carrying value	Estimated fair value	Variance	Carrying value	Estimated fair value	Variance
(1) Cash and deposits	¥ 65,733	¥ 65,733	¥ —	$ 583,363	$ 583,363	$ —
(2) Trade notes and accounts receivable	62,331	62,331	—	553,176	553,176	—
(3) Investment securities						
Other securities	2,469	2,469	—	21,913	21,913	—
(4) Trade notes and accounts payable	(39,683)	(39,683)	—	(352,177)	(352,177)	—
(5) Short-term borrowings	(1,695)	(1,695)	—	(15,042)	(15,042)	—
(6) Accrued income taxes	(2,272)	(2,272)	—	(20,172)	(20,172)	—
(7) Derivative instruments	4	4	—	36	36	—

Note: i. Figures shown in parentheses are liability items.
ii. The value of assets and liabilities arising from derivative instruments is shown by net value.

	Millions of yen		
			2015
	Carrying value	Estimated fair value	Variance
(1) Cash and deposits	¥ 62,059	¥ 62,059	¥ —
(2) Trade notes and accounts receivable	64,094	64,094	—
(3) Investment securities			
Other securities	2,656	2,656	—
(4) Trade notes and accounts payable	(40,674)	(40,674)	—
(5) Short-term borrowings	(1,695)	(1,695)	—
(6) Accrued income taxes	(3,413)	(3,413)	—
(7) Derivative instruments	(3)	(3)	—

Notes: i. Figures shown in parentheses are liability items.

Note 1: Method of computing the estimated fair value of financial instruments, securities and derivative instruments

(1) Cash and deposits; (2) Trade notes and accounts receivable

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the ledger, the carrying value has been used.

(3) Investment securities

The market value of investment securities is determined by the price of the stock traded on an exchange market.

(4) Trade notes and accounts payable; (5) Short-term borrowings; (6) Accrued income taxes

Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the ledger, the carrying value has been used.

(7) Derivative instruments

Please see Note 16, "Derivatives."

Note 2: Financial instruments for which obtaining an estimated fair value is deemed to be extremely difficult:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	Carrying value	Carrying value	Carrying value
Unlisted stocks	¥656	¥656	$5,828

The unlisted stocks in the preceding table do not have market values, and as estimating their future cash flows is deemed to be extremely difficult, they are not included in the above table "(3) Investment securities."

Note 3: Planned redemption amounts after the balance sheet date for held-to-maturity securities and receivables were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	¥ 65,711	¥ 62,005	$ 583,166
Trade notes and accounts receivable	62,331	64,094	553,176
Total	¥128,043	¥126,100	$1,136,343

15. Marketable and Investment Securities

The carrying value and acquisition cost of other securities as of March 31, 2016 and 2015 were as follows:

		Millions of yen			Thousands of U.S. dollars		
		2016					
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥2,143	¥1,018	¥1,124	$19,021	$ 9,037	$ 9,983
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥2,143	¥1,018	¥1,124	$19,021	$ 9,037	$ 9,983
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 325	¥ 495	¥ (169)	$ 2,892	$ 4,400	$(1,507)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 325	¥ 495	¥ (169)	$ 2,892	$ 4,400	$(1,507)
Total		¥2,469	¥1,514	¥ 955	$21,913	$13,438	$ 8,475

		Millions of yen		
		2015		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥2,163	¥ 976	¥1,187
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥2,163	¥ 976	¥1,187
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 492	¥ 522	¥ (29)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 492	¥ 522	¥ (29)
Total		¥2,656	¥1,498	¥1,157

16. Derivatives

Derivative transactions to which the Company did not apply hedge accounting as of March 31, 2016 and 2015 were as follows:
(Currency related)

		Millions of yen			
		2016			
		Contract amounts		Estimated	Unrealized gain
	Nature of transaction	Total	Over 1 year	Fair value	(loss)
Off-market transactions	Forward exchange contracts to:				
	Sell : U.S. dollars (buy Japanese yen)	¥422	¥ —	¥ 5	¥ 5
	Buy : Korean won (sell U.S. dollars)	114	—	(1)	(1)
	Buy : Korean won (sell Japanese yen)	30	—	(0)	(0)
Total		¥567	¥ —	¥ 4	¥ 4

		Thousands of U.S. dollars			
		2016			
		Contract amounts		Estimated	Unrealized gain
	Nature of transaction	Total	Over 1 year	Fair value	(loss)
Off-market transactions	Forward exchange contracts to:				
	Sell : U.S. dollars (buy Japanese yen)	$3,748	$ —	$ 52	$ 52
	Buy : Korean won (sell U.S. dollars)	1,017	—	(14)	(14)
	Buy : Korean won (sell Japanese yen)	273	—	(0)	(0)
Total		$5,039	$ —	$ 36	$ 36

Note: Method of computing the estimated fair value is based on information provided by financial institutions at the end of the fiscal year.

		Millions of yen			
		2015			
		Contract amounts		Estimated	Unrealized gain
	Nature of transaction	Total	Over 1 year	Fair value	(loss)
Off-market transactions	Forward exchange contracts to:				
	Sell : U.S. dollars (buy Japanese yen)	¥305	¥ —	¥(1)	¥(1)
	Buy : Korean won (sell U.S. dollars)	112	—	(1)	(1)
	Buy : Korean won (sell Japanese yen)	33	—	(0)	(0)
Total		¥451	¥ —	¥(3)	¥(3)

Note: Method of computing the estimated fair value is based on information provided by financial institutions at the end of the fiscal year.

17. Retirement Benefits

The Company has defined benefit plans of a corporate pension fund plan under the Japanese Defined Benefit Corporate Pension Law and lump-sum payment plan.

Domestic consolidated subsidiaries have lump-sum payment plans and certain foreign consolidated subsidiaries have defined contribution plans and lump-sum payment plans.

The following summarizes information related to retirement benefits for the years ended March 31, 2016 and 2015.

1. Defined benefit plans

(1) Reconciliation statement for the beginning balance and the ending balance of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations at beginning of year	¥33,518	¥36,788	$297,467
Cumulative effects of changes in accounting policies	—	(4,235)	—
Restated balance	33,518	32,552	297,467
Service cost	1,352	1,539	12,007
Interest cost	426	430	3,784
Actuarial gains (losses)	3,971	203	35,243
Retirement benefits paid	(1,390)	(1,511)	(12,341)
Abolishment of retirement benefit plan	(1,330)	—	(11,805)
Increase (decrease) from foreign currency translation	(46)	247	(416)
Other	48	57	428
Retirement benefit obligations at end of year	¥36,549	¥33,518	$324,369

Note: For some of the consolidated subsidiaries, the simplified method is used to calculate retirement benefit obligations.

(2) Reconciliation statement for the beginning balance and the ending balance of plan assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at beginning of year	¥27,488	¥20,779	$243,953
Expected return on plan assets	733	711	6,505
Actuarial gains (losses)	(802)	1,018	(7,122)
Contributions from the employer	536	5,561	4,761
Retirement benefits paid	(1,336)	(776)	(11,864)
Abolishment of retirement benefit plan	(1,361)	—	(12,085)
Increase (decrease) from foreign currency translation	6	195	54
Other	(189)	—	(1,685)
Plan assets at end of year	¥25,073	¥27,488	$222,517

Note: "Contributions from the employer" for the year ended March 31, 2015 includes contribution of ¥5,000 million to retirement benefit trust.

(3) Reconciliation statement for the ending balance of retirement benefit obligations and plan assets and net defined benefit liability or asset recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations of a funded pension plan	¥ 35,867	¥ 32,818	$ 318,311
Plan assets	(25,073)	(27,488)	(222,517)
	10,793	5,330	95,793
Retirement benefit obligations of an unfunded pension plan	682	699	6,058
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 11,476	¥ 6,029	$ 101,851
Net defined benefit liability	¥ 11,476	¥ 7,853	$ 101,851
Net defined benefit asset	—	(1,823)	—
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 11,476	¥ 6,029	$ 101,851

(4) Components of retirement benefit expenses

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Service cost	**¥1,352**	¥1,539	**$12,007**
Interest cost	**426**	430	**3,784**
Expected return on plan assets	**(733)**	(711)	**(6,505)**
Amortization of actuarial losses (gains)	**400**	487	**3,555**
Amortization of prior service cost	**(284)**	(284)	**(2,524)**
Other	**(7)**	—	**(64)**
Retirement benefit expenses for the defined benefit plans	**¥1,155**	¥1,460	**$10,253**
Special retirement expenses	**¥ 438**	¥ —	**$ 3,893**
Loss on abolishment of retirement benefit plan	**265**	—	**2,354**

Notes: i. Retirement benefit expenses of consolidated subsidiaries using the simplified method are included in service cost.
ii. Employee's contributions to the corporate pension fund are not included in the retirement benefit expenses for the defined benefit plans.
iii. "Special retirement expenses" and "Loss on abolishment of retirement benefit plan" are recognized in extraordinary loss.

(5) Remeasurements of defined benefit plans
Breakdown of items (before tax effect) recorded in other comprehensive income of remeasurements of defined benefit plans are as follows:

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Prior service cost	**¥ 284**	¥ 284	**$ 2,524**
Actuarial losses (gains)	**3,990**	(1,242)	**35,412**
Total	**¥4,274**	¥ (958)	**$37,936**

(6) Remeasurements of defined benefit plans
Breakdown of items (before tax effect) recorded in accumulated other comprehensive income of remeasurements of defined benefit plans are as follows:

	Millions of yen 2016	2015	Thousands of U.S. dollars 2016
Unrecognized prior service cost	**¥ (828)**	¥(1,112)	**$ (7,351)**
Unrecognized actuarial losses (gains)	**5,886**	1,895	**52,236**
Total	**¥5,057**	¥ 782	**$44,884**

(7) Items related to plan assets
1. Breakdown of major items
The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 was as follows:

	2016	2015
Bonds	**56.8%**	52.6%
Stocks	**20.0%**	20.1%
Cash on hand and in banks	**20.4%**	24.8%
Other	**2.8%**	2.5%
Total	**100.0%**	100.0%

2. Method for determining the long-term expected rate of return on plan assets
In determining the long-term expected rate of return on plan assets, estimates are considered based on the current and expected allocation of plan assets and the long-term current and expected rate of return from the various assets comprising the plan assets.

(8) Major actuarial assumptions as of March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	**Mainly 0.5%**	Mainly 1.3%
Long-term expected rate of return on plan assets	**Mainly 3.5%**	Mainly 3.5%
Expected rates of pay raises	**Mainly 2.8%**	Mainly 2.8%

2. Defined contribution plan
Some of the consolidated subsidiaries contributed ¥171 million (U.S. $1,521 thousand) and ¥144 million, for the years ended March 31, 2016 and 2015 to the defined contribution plans, respectively.

18. Stock Option Plan

Components of stock-based compensation expense for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cost of sales	¥ 4	¥ 3	$ 42
Selling, general and administrative expenses	28	29	253

The following table summarizes contents of stock options as of March 31, 2016:

The 2006 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 10, 2006
Position and number of grantees	Directors, 17
Class and number of stocks	Common stock 10,500 shares
Date of grant	August 25, 2006
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 26, 2006 to August 25, 2026

The 2007 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2007
Position and number of grantees	Directors, 17
Class and number of stocks	Common stock 9,300 shares
Date of grant	August 24, 2007
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2007 to August 24, 2027

The 2008 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 8, 2008
Position and number of grantees	Directors, 14
Class and number of stocks	Common stock 9,800 shares
Date of grant	August 25, 2008
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 26, 2008 to August 25, 2028

The 2009 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2009
Position and number of grantees	Directors, 14
Class and number of stocks	Common stock 15,000 shares
Date of grant	August 24, 2009
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2009 to August 24, 2029

The 2010 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2010
Position and number of grantees	Directors, 16
Class and number of stocks	Common stock 14,100 shares
Date of grant	August 24, 2010
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2010 to August 24, 2030

The 2011 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2011
Position and number of grantees	Directors, 8
Class and number of stocks	Common stock 7,600 shares
Date of grant	August 24, 2011
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2011 to August 24, 2031

The 2012 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 8, 2012
Position and number of grantees	Directors, 8 and Executive Officers, 12
Class and number of stocks	Common stock 15,900 shares
Date of grant	August 23, 2012
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 24, 2012 to August 23, 2032

The 2013 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2013
Position and number of grantees	Directors, 10 and Executive Officers, 12
Class and number of stocks	Common stock 22,000 shares
Date of grant	August 22, 2013
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 23, 2013 to August 22, 2033

The 2014 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 6, 2014
Position and number of grantees	Directors, 10 and Executive Officers, 12
Class and number of stocks	Common stock 18,300 shares
Date of grant	August 21, 2014
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 22, 2014 to August 21, 2034

The 2015 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 6, 2015
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 14,600 shares
Date of grant	August 21, 2015
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 22, 2015 to August 21, 2035

The following tables summarize the scale and movement of stock options for the years ended March 31, 2016 and 2015:

(Non-vested stock options)

(unit: shares)

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Stock options outstanding at April 1, 2015	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	14,600
Forfeitures	—	—	—	—	—	—	—	—	—	—
Conversion to vested stock options	—	—	—	—	—	—	—	—	—	14,600
Stock options outstanding at March 31, 2016	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(Vested stock options)

(unit: shares)

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Stock options outstanding at April 1, 2015	4,900	4,500	7,900	12,000	10,900	7,600	14,500	22,000	18,300	—
Conversion from non-vested stock options	—	—	—	—	—	—	—	—	—	14,600
Stock options exercised	1,600	1,600	2,700	4,300	3,700	800	900	1,400	1,100	—
Forfeitures	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2016	**3,300**	**2,900**	**5,200**	**7,700**	**7,200**	**6,800**	**13,600**	**20,600**	**17,200**	**14,600**

The following table summarizes the price information of stock options as of March 31, 2016:

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Exercise price	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
Average market price of the stock at the time of exercise	**2,546**	**2,546**	**2,510**	**2,510**	**2,510**	**2,746**	**2,746**	**2,746**	**2,746**	**—**
Fair value at the date of grant	**2,788**	**1,947**	**1,481**	**1,726**	**1,474**	**1,303**	**1,203**	**1,595**	**1,825**	**2,283**

The fair value of stock options granted during the year ended March 31, 2016 was valued by using the Black Scholes option pricing model with the following assumptions:

	The 2015 plan
Volatility	**35.883%**
Expected remaining period	**10 years**
Expected dividend per share	**¥ 48**
Risk free interest rate	**0.360%**

The expected remaining period for stock options is assumed to be the mid-point of the exercise period.

19. Income Taxes

1. The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 33.06% and 35.64% for the years ended March 31, 2016 and 2015, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on-the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2016 and 2015 differ from the statutory tax rate for the following reasons:

	2016	2015
Statutory tax rate	**33.06%**	35.64%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	**0.40**	0.39
Permanently non-taxable income for income tax purposes such as dividend income	**(10.49)**	(10.66)
Municipal Tax	**0.34**	0.31
The difference of tax rates applied to foreign subsidiaries	**(8.77)**	(7.36)
Tax deduction in accordance with special tax measures	**(2.93)**	(2.38)
Decrease of valuation allowance for such as net operating loss carryforward	**5.52**	2.05
Consolidating adjustment of dividend income from consolidated subsidiaries	**13.95**	10.95
Effect of revised corporate tax rate	**1.53**	2.83
Other, net	**3.28**	1.83
Effective tax rate	**35.89%**	33.60%

2. The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses	**¥ 698**	¥ 740	**$ 6,201**
Accrued enterprise taxes	**135**	182	**1,205**
Operating loss carryforwards	**720**	413	**6,390**
Net defined benefit liability	**3,462**	2,421	**30,726**
Retirement benefit trust	**1,348**	1,616	**11,970**
Research and development cost	**497**	498	**4,415**
Loss on valuation of inventories	**269**	246	**2,393**
Allowance for doubtful accounts	**121**	102	**1,082**
Unrealized gain	**371**	435	**3,300**
Excess depreciation expense	**385**	299	**3,422**
Other	**575**	613	**5,107**
Gross deferred tax assets	**8,587**	7,570	**76,215**
Valuation allowance	**(912)**	(406)	**(8,096)**
	7,675	7,163	**68,118**
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	**(192)**	(208)	**(1,708)**
Net unrealized holding gain on securities	**(253)**	(325)	**(2,249)**
Depreciation expense of subsidiaries	**(211)**	(274)	**(1,873)**
Dividend income from consolidated subsidiaries	**(846)**	(435)	**(7,515)**
Net defined benefit asset	**—**	(595)	**—**
Other	**(97)**	(62)	**(865)**
	(1,601)	(1,902)	**(14,211)**
Net deferred tax assets	**¥ 6,074**	¥ 5,260	**$ 53,906**

Note: The net deferred tax assets as of March 31, 2016 and 2015 were included in the following items on the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current assets-Deferred tax assets	**¥1,121**	¥1,879	**$ 9,949**
Noncurrent assets-Deferred tax assets	**4,978**	3,578	**44,179**
Current liabilities-Other	**14**	17	**128**
Noncurrent liabilities-Other	**10**	178	**94**

3. Adjustments of deferred tax assets and liabilities due to the change of statutory tax rate
In accordance with the establishment in the national assembly on March 29, 2016, of the "Act for Partial Revision of the Income Tax Act" and the "Act for Partial Revision of the Local Tax Act," the statutory effective tax rate used to calculate the Company's deferred tax assets and liabilities (limited to settlements made after April 1, 2016) was changed from 32.3% to 30.9% for taxable items between April 1, 2016 and March 31, 2018, and to 30.6% for taxable items after April 1, 2018.

Due to the change, the net amount of deferred tax assets decreased by ¥327 million (U.S. $2,909 thousand), deferred income taxes increased by ¥257 million (U.S. $2,282 thousand), net unrealized holding gain on securities increased by ¥13 million (U.S. $123 thousand), and remeasurements of defined benefit plans decreased by ¥84 million (U.S. $750 thousand) for the year ended March 31, 2016.

20. Business Combinations

There is no business combination for the year ended March 31, 2016.

21. Asset Retirement Obligations

There is no asset retirement obligation as of March 31, 2016 and 2015.

22. Rental Property

No specific disclosure for rental property has been made as of March 31, 2016 and 2015 because of its immateriality.

23. Segment Information

1. Overview of reportable segments
(1) Decision procedures for reportable segments
The business segments of our group are subject to periodic review, because each of them provides its own financial information separately from other business units of our group and the board of directors not only makes a decision on allocation of management resources, but also evaluates the performance of them.

Our group consists of 6 business segments, each of which develops comprehensive strategies and conducts business activities in overseas and domestic markets.

Based on product manufacturing methods and similarity of the markets where the products are introduced, we aggregate these business segments into 3 distinguishable units, such as "Printing and Industrial Materials Products," "Electronic and Optical Products," and "Paper and Converted Products," to include in this report.
(2) Products and services handled in each segment
Products and services handled in each segment were as follows:

Reportable segments	Main products and services
Printing and Industrial Materials Products	Adhesive products for seals and labels, Label printing machines, Barcode printers, Labeling machines, Automobile-use adhesive products, Industrial-use adhesive tapes, Window films, Films for outdoor signs and advertising, Interior finishing mounting sheets
Electronic and Optical Products	Semiconductor-related adhesive tapes, Semiconductor-related equipment, Multilayer ceramic capacitor-related tapes, LCDs-related adhesive products
Paper and Converted Products	Color papers for envelopes, Colored construction papers, Special function papers, High-grade printing papers, High-grade papers for paper products, Release papers for general-use, Release films for optical-related products, Casting papers for synthetic leather, Casting papers for carbon fiber composite materials

2. Method of calculating sales and income (loss), assets, and other items by reportable segment reported

The reported information regarding business segments is processed mostly following the accounting procedures listed in "Significant Accounting Policies" used as basis for preparing consolidated financial statements.

The profits of the segments reported are based on operating income.

The values for internal sales and transfers conducted between segments are given based on the market price for transactions between consolidated companies, and on the first cost for transactions within the same company.

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2016 and 2015 are outlined as follows:

Millions of yen

2016	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥87,638	¥85,422	¥37,440	¥210,501	¥ —	¥210,501
Intra-segment sales and transfers	461	473	17,135	18,070	(18,070)	—
Total	¥88,100	¥85,895	¥54,576	¥228,572	¥(18,070)	¥210,501
Segment income	¥ 2,785	¥10,562	¥ 4,303	¥ 17,651	¥ 40	¥ 17,692
Others						
Depreciation and amortization	¥ 2,974	¥ 3,068	¥ 2,757	¥ 8,800	¥ —	¥ 8,800
Amortization of goodwill	¥ 71	¥ —	¥ —	¥ 71	¥ —	¥ 71

Thousands of U.S. dollars

2016	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	$777,766	$758,098	$332,274	$1,868,139	$ —	$1,868,139
Intra-segment sales and transfers	4,095	4,200	152,072	160,369	(160,369)	—
Total	$781,862	$762,298	$484,347	$2,028,508	$(160,369)	$1,868,139
Segment income	$ 24,723	$ 93,737	$ 38,194	$ 156,655	$ 356	$ 157,011
Others						
Depreciation and amortization	$ 26,397	$ 27,235	$ 24,470	$ 78,102	$ —	$ 78,102
Amortization of goodwill	$ 636	$ —	$ —	$ 636	$ —	$ 636

Notes: i. Segment income adjustments show elimination of the amount of intra-segment transactions.
ii. Segment income is adjusted to be reported as operating income in the consolidated statement of income.
iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.
iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

Millions of yen

2015	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥86,764	¥83,207	¥37,283	¥207,255	¥ —	¥207,255
Intra-segment sales and transfers	61	73	17,281	17,417	(17,417)	—
Total	¥86,826	¥83,281	¥54,564	¥224,672	¥(17,417)	¥207,255
Segment income	¥ 2,878	¥10,071	¥ 3,996	¥ 16,946	¥ (64)	¥ 16,881
Others						
Depreciation and amortization	¥ 2,919	¥ 3,155	¥ 2,638	¥ 8,713	¥ —	¥ 8,713
Amortization of goodwill	¥ 76	¥ —	¥ —	¥ 76	¥ —	¥ 76

Notes: i. Segment income adjustments show elimination of the amount of intra-segment transactions.
ii. Segment income is adjusted to be reported as operating income in the consolidated statement of income.
iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.
iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

Related Information

1. Information by product and service

Since the Company and its consolidated subsidiaries disclose the same information in its segment information section, it has been omitted.

2. Information by geographical segment

	Millions of yen				Thousands of U.S. dollars			
								2016
	Japan	Asia	Others	Total	Japan	Asia	Others	Total
Sales	¥128,239	¥70,301	¥11,960	¥210,501	$1,138,084	$623,906	$106,148	$1,868,139
Property, plant and equipment	50,303	12,914	1,641	64,859	446,427	114,614	14,564	575,607

Note: Sales information is based on location of customers and it is classified by country or region.

	Millions of yen			
				2015
	Japan	Asia	Others	Total
Sales	¥126,914	¥69,593	¥10,747	¥207,255
Property, plant and equipment	45,945	13,901	1,655	61,503

Note: Sales information is based on location of customers and it is classified by country or region.

3. Information by principal customers

		Millions of yen		Thousands of U.S. dollars
		2016	2015	2016
Name of the customer	Related reportable segment	Sales		
Sumitomo Chemical Company, Limited	Electronic and Optical Products	¥—	¥21,383	$—

Since there are no outside customers that make up more than 10% of net sales on the consolidated statement of income for the year ended March 31, 2016, it has been omitted.

Information on impairment losses on noncurrent assets by reportable segment

There is no impairment loss on noncurrent assets for the year ended March 31, 2016.

	Millions of yen				
					2015
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	¥—	¥—	¥—	¥—	¥674

Note: Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reportable segment

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	Millions of yen				
	2016				
Unamortized amount of goodwill	**¥—**	**¥—**	**¥—**	**¥—**	**¥22**

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	Thousands of U.S. dollars				
	2016				
Unamortized amount of goodwill	**$—**	**$—**	**$—**	**$—**	**$200**

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.
ii. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	Millions of yen				
	2015				
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥93

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.
ii. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

Information on profit arising from negative goodwill by reportable segment

There is no profit arising from negative goodwill for the years ended March 31, 2016 and 2015.

24. Related Party Transactions

The Company and its consolidated subsidiaries have transactions with NP Trading Co., Ltd., a subsidiary of Nippon Paper Industries Co., Ltd. The transactions between the companies for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
For the year	**2016**	2015	**2016**
Sales of fine & specialty paper products and converted products	**¥11,578**	¥11,431	**$102,756**
Purchase of stencil, chemicals and equipment	**5,053**	4,969	**44,852**

	Millions of yen		Thousands of U.S. dollars
At year-end	**2016**	2015	**2016**
Trade notes and accounts receivable	**¥4,085**	¥ 4,034	**$36,256**
Trade notes and accounts payable	**1,979**	1,804	**17,568**
Other liabilities	**33**	47	**296**

These related party transactions are carried out on an arm's-length basis similar to third party transactions.

25. Amounts Per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2016 and 2015 were as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets	**¥2,370.49**	¥2,363.81	**$21.04**
Net income (basic)	**151.07**	161.63	**1.34**
Net income (diluted)	**150.86**	161.41	**1.34**

The bases for calculation were as follows:

(1) Basic and diluted net income per share

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net income (basic) per share:			
Profit attributable to owners of parent	**¥10,899**	¥11,659	**$96,726**
Amount not attributable to common shareholders	**—**	—	**—**
Profit attributable to owners of parent attributable to common shares	**¥10,899**	¥11,659	**$96,726**
Weighted-average number of common shares issued during the year (thousand)	**72,144**	72,134	**72,144**
Net income (diluted) per share:			
Adjustment of profit attributable to owners of parent related to dilutive securities	**¥ —**	¥ —	**$ —**
Adjustment of dilutive securities (thousand)	**102**	98	**102**
[Share subscription rights (thousand)]	**[102]**	[98]	**[102]**

(2) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Total net assets	**¥172,101**	¥171,674	**$1,527,350**
Amount deducted from total net assets	**1,064**	1,159	**9,445**
[Share subscription rights]	**[169]**	[166]	**[1,502]**
[Non-controlling interests]	**[895]**	[992]	**[7,943]**
Net assets attributable to common shares	**¥171,037**	¥170,514	**$1,517,904**
Number of shares of common stock outstanding used in calculation of net assets per share (thousand)	**72,152**	72,135	**72,152**

26. Short-Term Borrowings, Long-Term Debts and Other Interest-Bearing Debts

Short-term bank loans are represented generally by 30-day or 90-day notes issued by the Company and its consolidated subsidiaries to banks at annual interest rates from 0.27% to 0.66% at March 31, 2016 and from 0.33% to 0.68% at March 31, 2015.

Short-term borrowings as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term bank loans	**¥1,695**	¥1,695	**$15,042**
Current portion of long-term debt	**—**	—	**—**
	¥1,695	¥1,695	**$15,042**

Other interest-bearing debts as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term lease obligation	**¥196**	¥199	**$1,740**
Long-term lease obligation	**349**	471	**3,098**

Planned repayment amounts after the balance sheet date (March 31, 2016) for long-term debt and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
								2016
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Lease obligation	**¥164**	**¥118**	**¥61**	**¥4**	**$1,457**	**$1,054**	**$545**	**$38**

27. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 10, 2016.

	Millions of yen	Thousands of U.S. dollars
		2016
Cash dividends (¥27 per share)	**¥1,948**	**$17,289**

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

Hiroyuki Nishio, Representative Director, President, CEO and COO of LINTEC Corporation, and Hitoshi Asai, Director, Vice President Executive Officer & Chief Financial Officer of LINTEC Corporation, are responsible for designing and operating adequate internal control over financial reporting for consolidated financial statements of LINTEC Corporation and consolidated subsidiaries (the "Company") in accordance with the basic framework set forth in "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of the Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2016 in accordance with the standards for assessment of internal control over financial reporting generally accepted in Japan. For this assessment, we first evaluated the company-level controls which would have a material impact on the reliability of overall financial reporting on a consolidated basis. We then selected the process-level controls to be assessed based on the results of the company-level control assessment. For the process-level control assessment, we evaluated the effectiveness of internal control by analyzing processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

We determined the scope of assessment by selecting consolidated subsidiaries based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included its 16 consolidated subsidiaries. We excluded 18 consolidated subsidiaries from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected 2 consolidated subsidiaries as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2015. For the Significant Business Locations, we primarily included business processes related to sales, accounts receivable, and inventory in the scope of assessment as the aforementioned accounts were closely associated with the Company's business objectives. In addition, we included certain business processes in the scope of assessment not only from "Significant Business Locations" but also from all subsidiaries and affiliates, which were related to significant accounts involving estimates and management's judgment or include high-risk operations and/or transactions, as "business processes with a material impact on financial reporting."

Assessment Result

Based on the results of our assessment with the above mentioned scope, date and procedures, we concluded that Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2016 was effective.

Report of Independent Auditors

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Independent Auditor's Report

The Board of Directors
LINTEC Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LINTEC Corporation and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1(a).

Report on the Internal Control

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2016 of LINTEC Corporation and its consolidated subsidiaries (the "Management's Report").

Management's Responsibility for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about conclusions of management's assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the degree of impact on the reliability of financial reporting. An internal control audit also includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our internal control audit opinion.

Opinion

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at March 31, 2016 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 22, 2016

Investor Information

As of March 31, 2016

Head Office
23-23, Honcho, Itabashi-ku, Tokyo 173-0001, Japan
Phone: +81-3-5248-7711 Fax: +81-3-5248-7760
URL: http://www.lintec-global.com/

Established
October 15, 1934

Fiscal Year-End
March 31

Net Assets
¥172,101 million

Common Stock
Authorized: 300,000,000 shares
Issued: 76,564,240 shares

Stock Listing
Tokyo Stock Exchange, 1st Section
Securities Code: 7966

Shareholder Register Agent for Common Stock
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Number of Employees
4,246 (Consolidated)
2,535 (Parent company only)

Major Shareholders

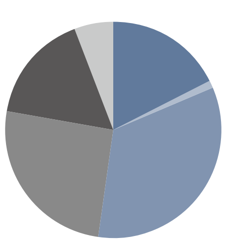
Nippon Paper Industries Co., Ltd.	30.12%
Japan Trustee Services Bank Ltd. (Trust Account)	3.20%
National Mutual Insurance Federation of Agricultural Cooperatives	3.18%
Ichigo Trust	2.49%
Tamie Shoji	2.49%

Major Subsidiaries * Consolidated Subsidiary

Domestic
- LINTEC COMMERCE, INC.*
- LINTEC SIGN SYSTEM, INC.*
- FUJI-LIGHT, INC.*
- LINTEC SERVICES, INC.
- LINTEC CUSTOMER SERVICE, INC.
- PRINTEC, INC.
- TOKYO LINTEC KAKO, INC.
- OSAKA LINTEC KAKO, INC.

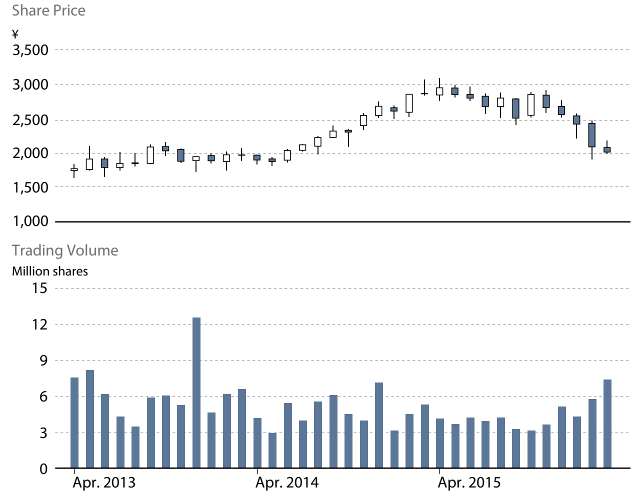
Overseas
- LINTEC USA HOLDING, INC.*
- MADICO, INC.*
- LINTEC OF AMERICA, INC.*
- LINTEC EUROPE B.V.*
- LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH*
- LINTEC (SUZHOU) TECH CORPORATION*
- LINTEC (TIANJIN) INDUSTRY CO., LTD.*
- LINTEC PRINTING & TECHNOLOGY (TIANJIN) CORPORATION*
- LINTEC ADVANCED TECHNOLOGIES (SHANGHAI), INC.*
- LINTEC SPECIALITY FILMS (TAIWAN), INC.*
- LINTEC HI-TECH (TAIWAN), INC.*
- LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC.*
- LINTEC KOREA, INC.*
- LINTEC SPECIALITY FILMS (KOREA), INC.*
- LINTEC ADVANCED TECHNOLOGIES (KOREA), INC.*
- LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED*
- LINTEC SINGAPORE PRIVATE LIMITED*
- PT. LINTEC INDONESIA*
- PT. LINTEC JAKARTA*
- LINTEC (THAILAND) CO., LTD.*
- LINTEC BKK PTE LIMITED*
- LINTEC INDUSTRIES (MALAYSIA) SDN. BHD.*
- LINTEC INDUSTRIES (SARAWAK) SDN. BHD.*
- LINTEC KUALA LUMPUR SDN. BHD.*
- LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD.*
- LINTEC VIETNAM CO., LTD.*
- LINTEC HANOI VIETNAM CO., LTD.*
- LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC.*
- LINTEC PHILIPPINES (PEZA), INC.*
- LINTEC INDIA PRIVATE LIMITED*

Ownership and Distribution of Shares



Financial Institutions	17.54%
Securities Companies	1.23%
Other Companies	33.66%
Overseas Companies	25.43%
Individuals and Other	16.38%
Treasury Stock	5.76%

Share Price / Trading Volume



LINTEC Corporation
Linking your dreams

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www.lintec-global.com/

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Printed in Japan