The Next Step Forward

LINTEC Annual Report 2018

For the fiscal year ended March 31, 2018

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

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 in 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 from April 1, 2017 to March 31, 2018.
However, some of the information includes content from April 2018 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.

Contents

OVERVIEW

STRATEGY

ESG

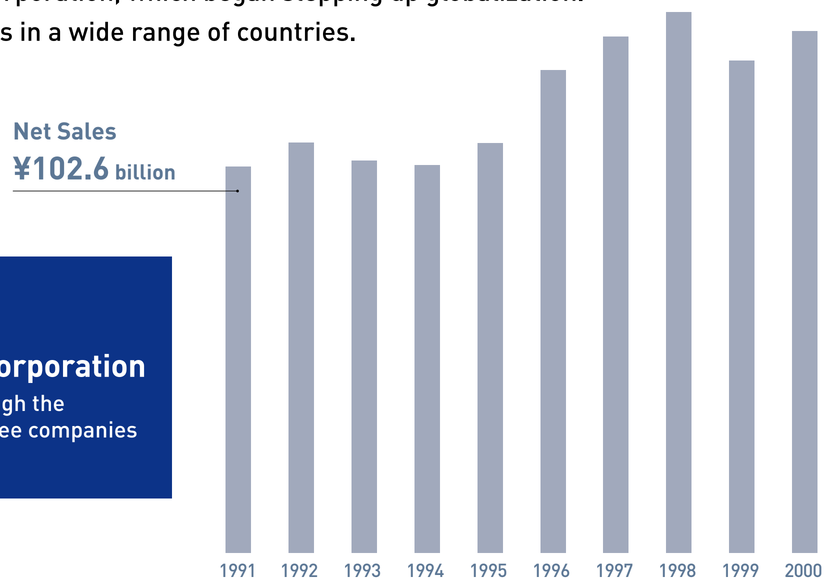
FINANCIAL INFORMATION

LINTEC's New Growth Stage

Since our founding in 1927 as FUJI SHOKAI, we have steadily grown through constant development of technologies and products that anticipate the needs of the times. In 1990, three companies merged to form LINTEC Corporation, which began stepping up globalization. Today, LINTEC products play important roles in a wide range of countries.

FSK CORPORATION
+
SHIKOKU PAPER CO., LTD.
+
SOHKEN KAKO CO., LTD.

Apr. 1990
LINTEC Corporation
Formed through the merger of three companies

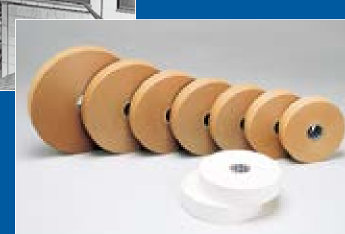


Accumulating Technology Capabilities and Expanding Our Business Field

Established in 1927 as a manufacturer of gummed tape for packaging, FUJI SHOKAI significantly expanded its businesses due to the demand for cardboard boxes, which were rapidly being used as a replacement for wooden boxes. In 1960, we began manufacturing and selling adhesive papers for labels, thereby building the foundations of our current mainstay businesses.

From the 1970s, the Company started developing new markets for adhesive products, such as highly durable adhesive films used for motorcycles, automobiles, and signboards and window films that are attached to the glass surfaces of buildings and other structures. After changing its name to FSK CORPORATION in 1984, the Company entered the semiconductor-related product field in 1986. LINTEC Corporation came into being in 1990 through a three-way merger with SHIKOKU PAPER CO., LTD. and SOHKEN KAKO CO., LTD. This led to significant extension of our business field into upstream areas including specialty papers as well as release papers and films.


Time of establishment


Gummed tapes

Main Highlights

Apr. 1927
FUJI SHOKAI established in Sugamo, Tokyo
Started production and sales of gummed tape for packaging

Oct. 1934
The Company reorganized to establish FUJI SHIKO CORPORATION

1960
Started production and sales of adhesive papers for labels and later commenced production and sales of adhesive films

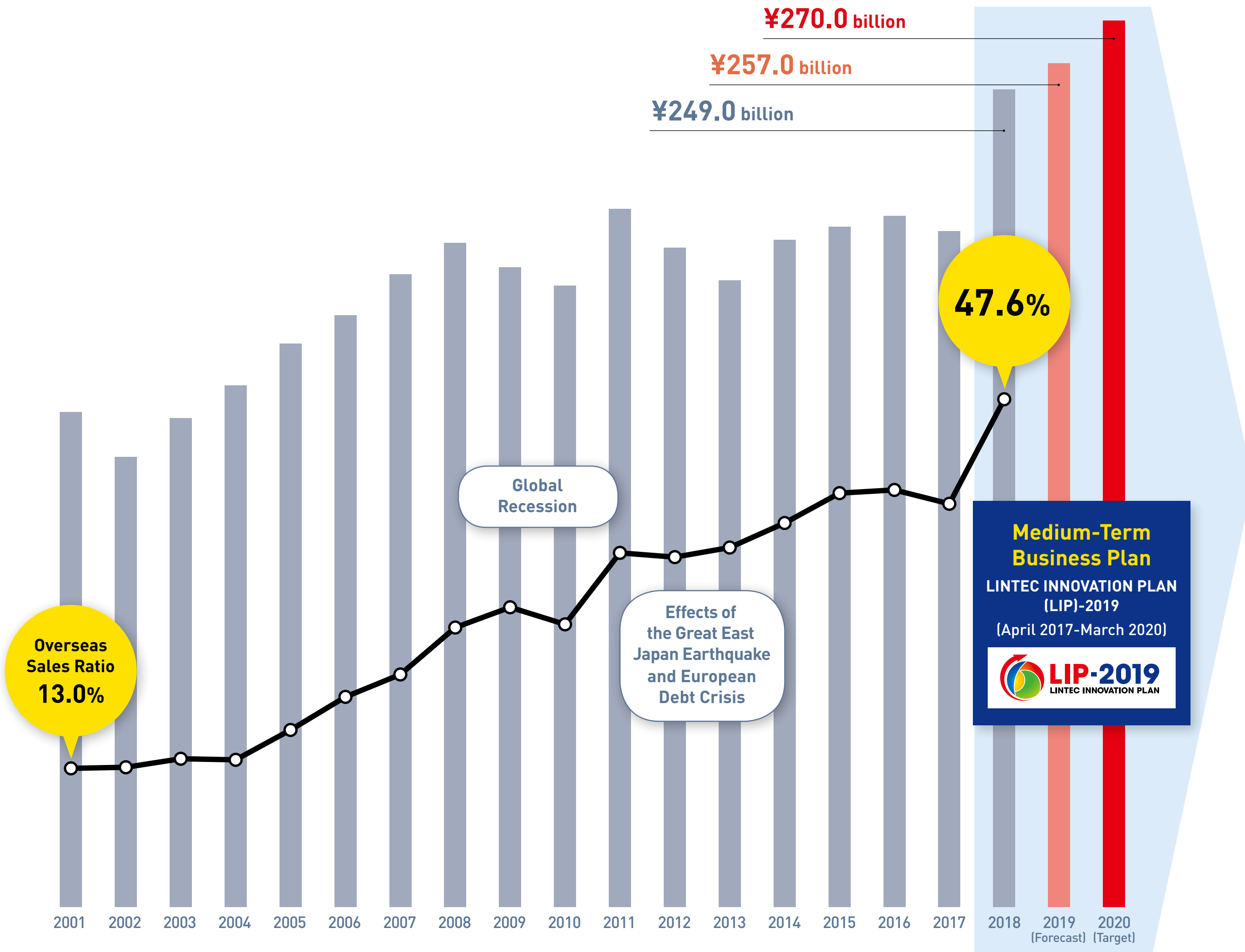
Oct. 1984
Company name changed to FSK CORPORATION

1986
Developed UV curable dicing tape and made full-scale entry into the semiconductor-related product field

Sep. 1987
Acquired U.S. window film manufacturer MADICO, INC.

1991
Made full-scale entry into LCD-related product field

May 1994
PT. LINTEC INDONESIA established as manufacturing base for adhesive products for labels



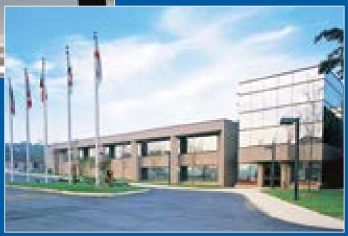
(Fiscal year ended / ending March 31)

Globalization and Reinforcement of R&D Capabilities Usher in a New Growth Phase

Following the merger, LINTEC entered the LCD-related product field in 1991. Further, from the mid-1990s the Company became proactive in setting up overseas bases. Globalization has progressed further since the turn of the century with a more rapid increase in the number of manufacturing and sales bases, principally in Asia. In 2016, we acquired three companies* in Europe and the United States and began a new growth phase. Meanwhile, regarding the strengthening of R&D capabilities, a new building for the research center that is currently our core R&D facility was completed in 1995. In 2015, next to the research center, we built the Advanced Technology Building, which includes leading-edge testing facilities. We are working continually to accelerate product development and to establish new technologies with a view to further growth.

* Three companies: MACTAC AMERICAS, LLC and VDI, LLC in the United States and LINTEC GRAPHIC FILMS LIMITED, currently LINTEC EUROPE (UK) LIMITED, in the United Kingdom

Advanced Technology Building



MACTAC AMERICAS, LLC

Dec. 1995
New building for Research Center constructed in Saitama Prefecture

Jun. 2002
LINTEC (SUZHOU) TECH CORPORATION in China established as manufacturing base for adhesive products for labels and casting papers for synthetic leather

Sep. 2004
LINTEC KOREA, INC., established as manufacturing base for electronics-related products

Jun. 2011
LINTEC (THAILAND) CO., LTD., established as manufacturing base for adhesive products for labels

Jan. 2015
LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED in Singapore established as regional headquarters for Southeast Asia

May 2015
Advanced Technology Building constructed in Saitama Prefecture

Oct.–Dec. 2016
Acquired three companies in Europe and the United States, including manufacturer of adhesive products for labels MACTAC AMERICAS, LLC

Cultivated Technologies Realize Our Strengths

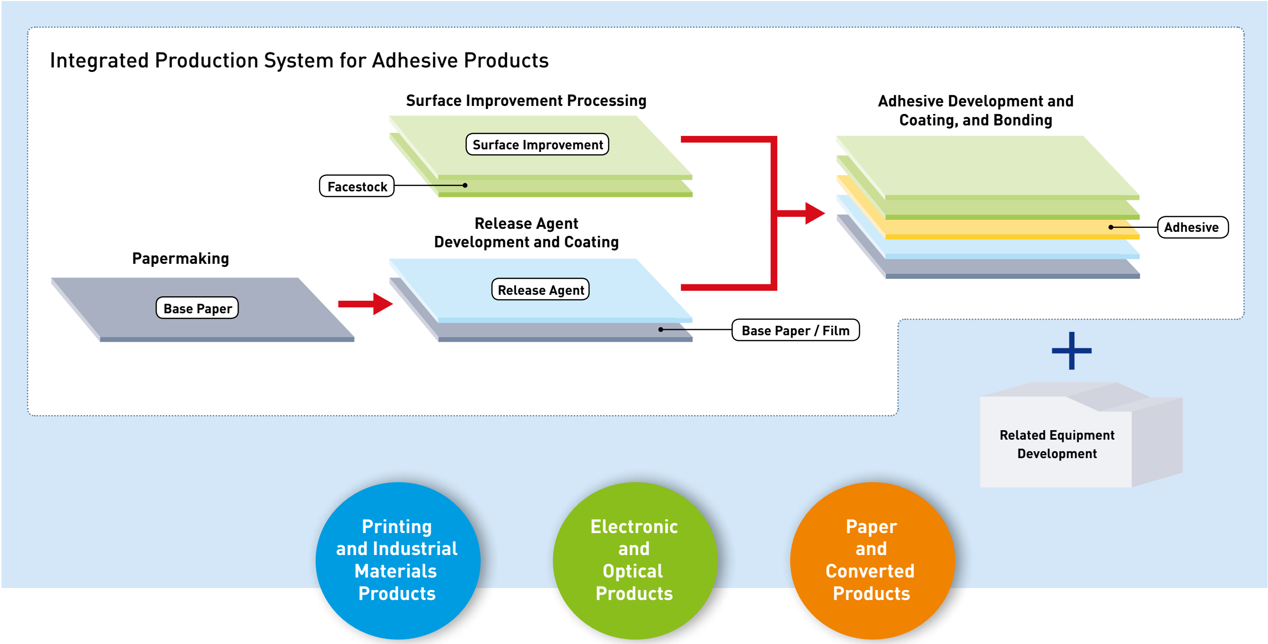
We are drawing on the original technological capabilities we have built up over the years to establish a firm position as a leading company in adhesive products and specialty papers. Based on our philosophy of "customer first" and innovative new ideas, we will continue to work on developing high-value-added products we can offer to customers to meet their diverse range of needs.

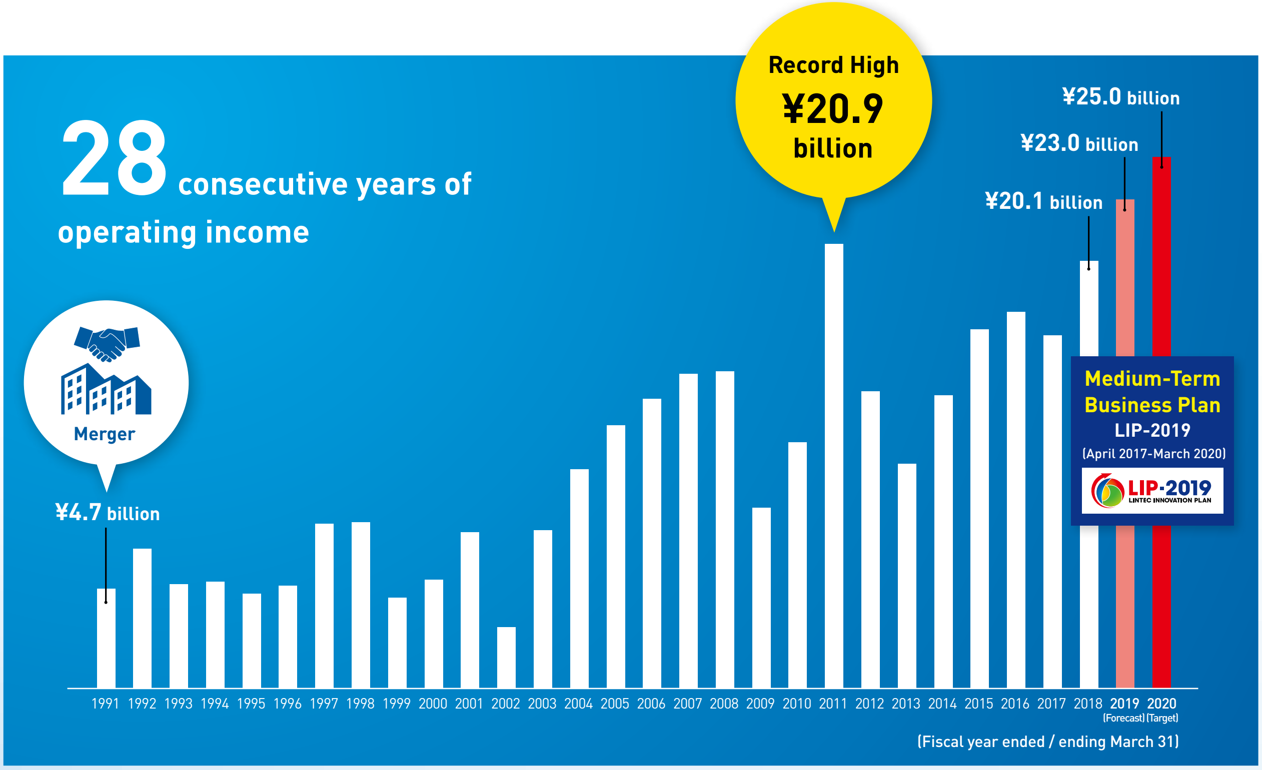
1 LINTEC's Competitive Advantages

— Integrated Production System for Adhesive Products and Provision of Comprehensive Solutions

LINTEC's expertise extends beyond adhesives development and coating to a wide variety of proprietary technologies in the manufacture of base paper for release papers, the development of release materials and related coating processes, and facestock improvement coating. The Group has thus built an integrated production system for adhesive products. The resulting ability to manufacture and procure release papers and films for adhesive products in-house gives us advantages in quality, costs, and delivery lead times. Additionally, by combining different processing technologies, we are able to create adhesive products for use in a diverse range of fields. In areas other than adhesive products, we bring to market large numbers of unique products designed for use with upstream technologies, such as industrial-use release papers and films and specialty papers.

We also develop and manufacture equipment that fully leverages the properties of our adhesive products. This includes labeling machines that automatically apply labels to packaging and equipment used in semiconductor production. Comprehensive solutions incorporating materials and such equipment are another advantage of the LINTEC Group.

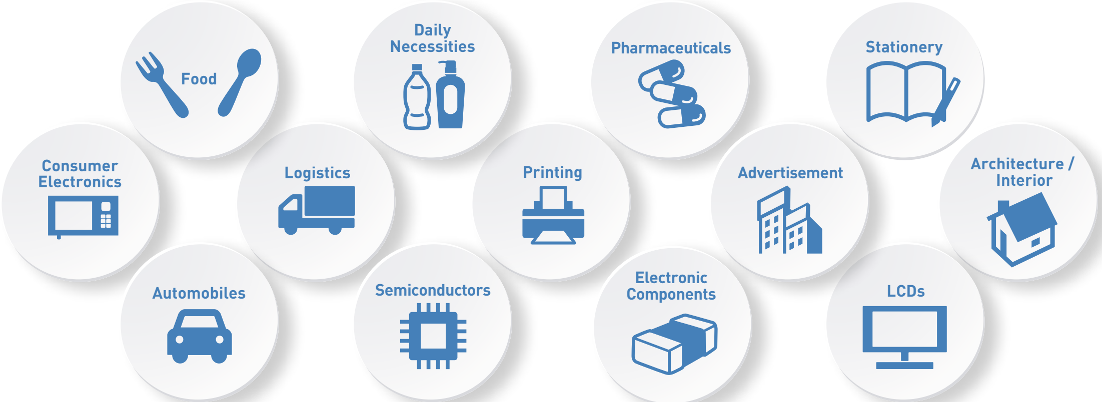




2 Stable Business Structure That Is Not Susceptible to Market Volatility in Any Single Industry

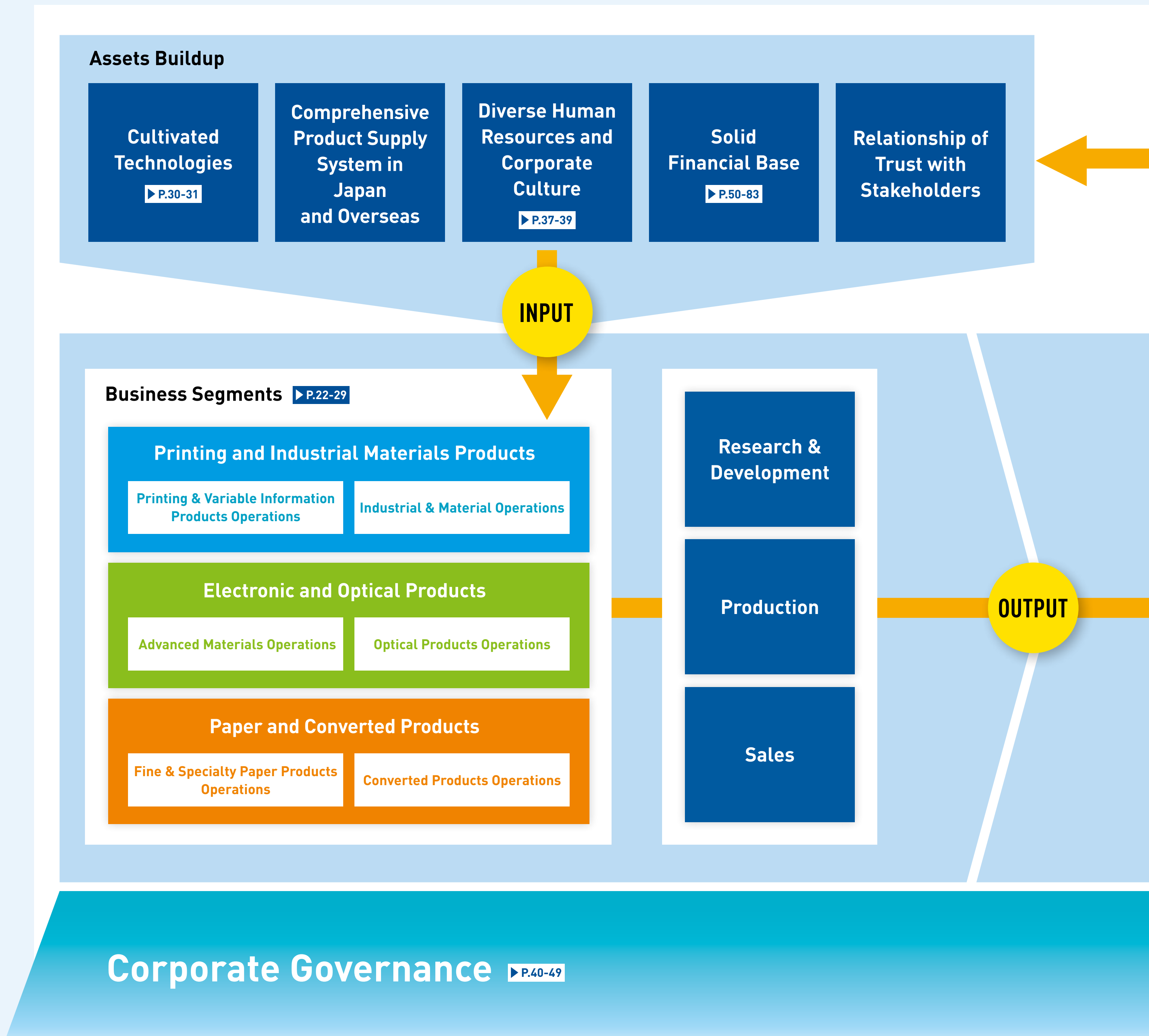
In recent years, the earnings drivers among LINTEC's diverse range of products have been products for the semiconductor, electronic component, and LCD industries, which have undergone rapid market growth. Meanwhile, sales and profit have been comparatively stable in relation to mainstay adhesive products for labels used for food, daily necessities, pharmaceuticals, automobiles, and consumer electronics, and these products can be seen as foundation businesses that firmly underpin our earnings.

The production of a wide range of products in growth and foundation businesses and sales to a broad range of industries without reliance on any particular industry are the distinguishing characteristics of our business structure. The resulting steady earnings that are not susceptible to market volatility in any single industry are one of our strengths.



Business Model That Realizes Sustainable Growth

The numerous assets amassed by the LINTEC Group since the time of its founding are vital capital for our business activities and the driving force in our manufacturing as we respond to wide-ranging social needs. We will continue to return the resulting profits to our stakeholders and invest with an eye to the future as we seek to create new value.



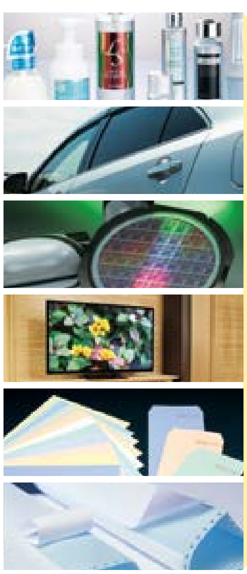
Strategy for Growth

LIP-2019 LINTEC INNOVATION PLAN

Basic Policy	Deepening innovation aimed at driving new growth			
Quantitative Targets	Net Sales	Operating Income	Operating Profit Margin	ROE
	¥270.0 billion	¥25.0 billion	More than 9%	More than 9%

Accumulation & Advancement

Main Products



Social Value

Solves our customers' issues with wide variety of products

PROFIT

- Employees
- Plants / Facilities
- Shareholders
- Communities

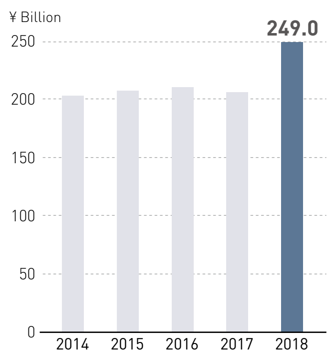
Performance Highlights

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31

FINANCIAL HIGHLIGHTS

Net Sales

¥249.0 billion



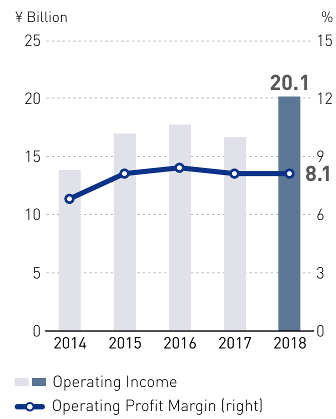
Operating Income / Operating Profit Margin

Operating Income

¥20.1 billion

Operating Profit Margin

8.1 %



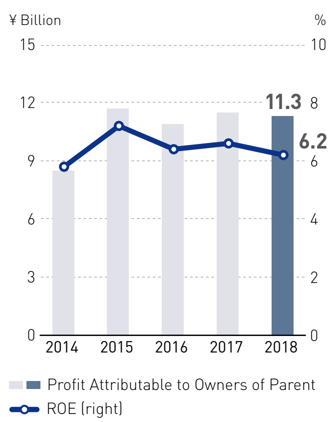
Profit Attributable to Owners of Parent / Return on Equity (ROE)

Profit Attributable to Owners of Parent

¥11.3 billion

ROE

6.2 %



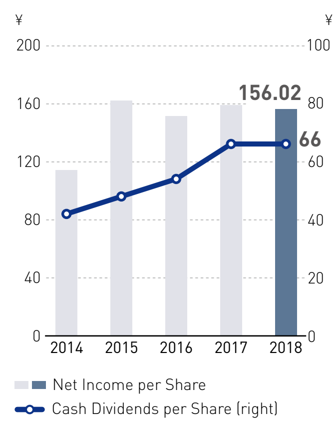
Net Income per Share / Cash Dividends per Share

Net Income per Share

¥156.02

Cash Dividends per Share

¥66



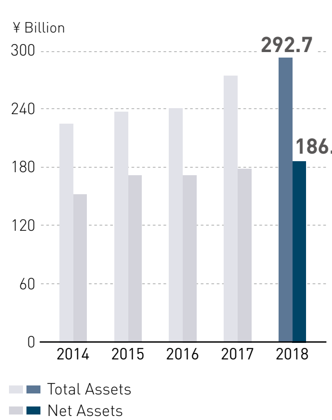
Total Assets / Net Assets

Total Assets

¥292.7 billion

Net Assets

¥186.4 billion



Cash Flows

Net Cash Provided by Operating Activities

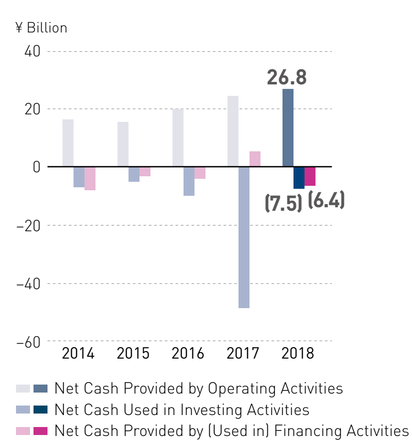
¥26.8 billion

Net Cash Used in Investing Activities

¥(7.5) billion

Net Cash Used in Financing Activities

¥(6.4) billion



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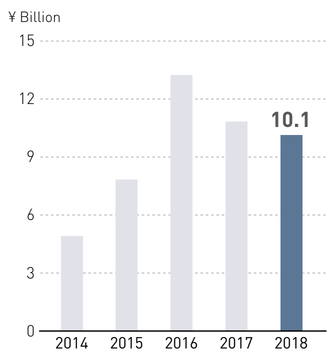
Financial Summary
Please see pages 54–55.

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

Capital Expenditures

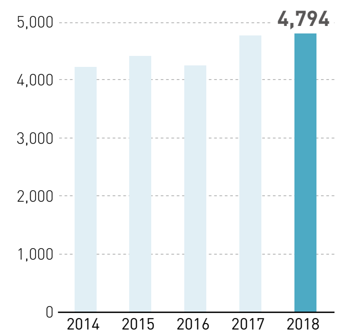
¥10.1 billion



NON-FINANCIAL HIGHLIGHTS

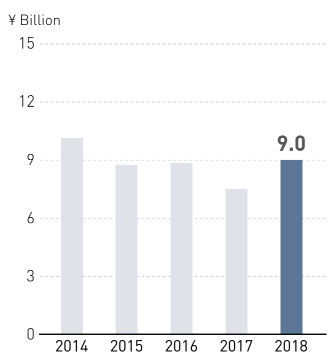
Number of Employees

4,794



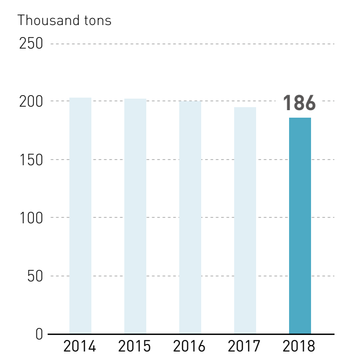
Depreciation and Amortization (Excluding amortization of goodwill)

¥9.0 billion



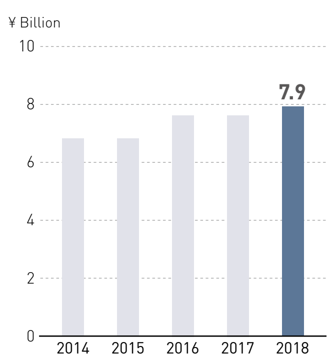
CO_2 Emissions

186 thousand tons



R&D Expenses

¥7.9 billion



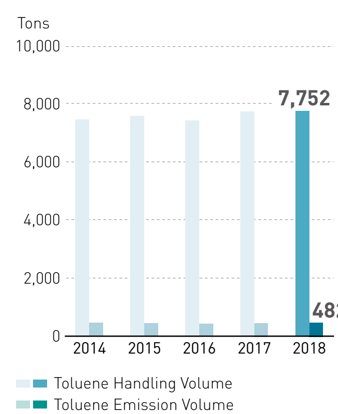
Toluene Handling Volume / Toluene Emission Volume

Toluene Handling Volume

7,752 tons

Toluene Emission Volume

482 tons



Major Activities in FY2018

CORPORATE

Apr. 1
Began new three-year medium-term business plan, LIP-2019

LIP-2019
LINTEC INNOVATION PLAN

Jun. 22
Announced rationalization of the business management of U.S. manufacturing subsidiary MADICO, INC.

Sep. 7
Participated in the 2017 Mizuho Investment Conference Tokyo

Sep. 25-28
Exhibited various new products at Labelexpo Europe 2017 in Belgium, the world's largest label-related exhibition

2017

Apr. | May | Jun. | Jul. | Aug. | Sep.

PRODUCTS

May 1
Launched new-model equipment for the application of surface protective tapes to semiconductor wafers that realizes high performance and saves space

May 1
Added deepest-color-type automotive window film to WINCOS Automotive Film lineup

Jul. 10
Launched new-model automatic labeling machine with a simpler, more practical design

Focus 1

Exhibited at Labelexpo Europe 2017

We exhibited many original high-value-added products in a large 450m^2 booth immediately beside the venue's main reception desk. Many people visited our booth and the exhibition helped us in our effort to expand sales and enhance our brand power in Europe and the rest of the world.

Focus 2

We participated in several IR conferences sponsored by securities companies

We participated in three IR conferences held by securities companies in Tokyo at which domestic and international institutional investors gathered. In the meetings we held with many overseas investors, President Nishio explained LINTEC's business strategy and management policy in detail, helping to promote understanding of the Company.

SMBC NIKKO Japan Series, Executive Conference Tokyo 2018

Nov. 1
Merged sales subsidiary LINTEC BKK PTE LIMITED with manufacturing subsidiary LINTEC (THAILAND) CO., LTD. in Thailand

Dec. 1
Merged LINTEC's Hiratsuka Office and FUJI-LIGHT, INC., to establish SHONAN LINTEC KAKO, INC., as a slitting and processing subsidiary

Feb. 28
Participated in SMBC NIKKO Japan Series, Executive Conference Tokyo 2018

Mar. 8
Participated in Daiwa Investment Conference Tokyo 2018

Mar. 16 and 29
Held company briefings for individual investors in Osaka and Tokyo

Mar. 22
Announced abolition of "rules of large-scale purchase" in relation to large-scale purchases of the Company's shares

2018

Oct. | Nov. | Dec. | Jan. | Feb. | Mar.

Oct. 20
Added to lineup of anti-tamper label materials by launching non-transferable type

Nov. 21
Added to lineup of oil-tolerant labelstock by launching transparent type

Dec. 1
Launched WINCOS Paint Protection Film, which protects the paintwork of automotive bodies from dirt and scratching

Jan. 19
Revamped the lineup of PAROI decorative films for interiors, which are usable for commercial facilities, offices, hotels, and a wide range of other applications

A Message from the President

A Year to Accelerate Innovation

Hiroyuki Nishio

Representative Director
President, CEO and COO

Since April 2017, we have been advancing initiatives under our medium-term business plan, LINTEC INNOVATION PLAN 2019 (LIP-2019), which continues through the fiscal year ending March 31, 2020. Aiming to achieve its final quantitative targets, we are accelerating innovation—the plan's overriding theme—and moving forward with key initiatives.

Performance Review—Year Ended March 2018

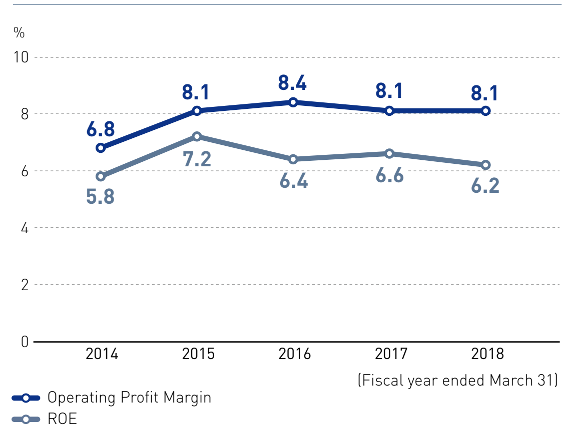
We recorded increases of more than 20% in both net sales and operating income.

In the fiscal year ended March 31, 2018—LIP-2019's first fiscal year—the global economy saw economic expansion in the United States as corporate earnings and consumer spending improved. Europe's economy also continued recovering modestly. Further, China and other parts of Asia showed signs of economic recovery due to increases in internal demand and exports. In Japan, meanwhile, the economy trended steadily overall thanks to better corporate earnings stemming from robust overseas demand, and to a moderate pickup in consumer spending, which resulted from a more favorable job market.

In these business conditions, partly due to contributions from three companies in Europe and the United States that were acquired at the end of 2016, the LINTEC Group achieved year-on-year increases of 20.9% in consolidated net sales, to ¥249.0 billion; and 21.1% in operating income, to ¥20.1 billion. Profit attributable to owners of parent declined 1.7% year on year, to ¥11.3 billion, due to the recording in extraordinary loss of provision for business structure improvement of ¥1.0 billion in relation to U.S. manufacturing subsidiary MADICO, INC., and goodwill impairment loss of ¥1.0 billion incurred by U.S. functional film manufacturer VDI, LLC, which we acquired. The operating profit margin was 8.1%, and ROE was 6.2%.

Net sales reached a record high due to contributions from the three companies in Europe and the United States that were acquired at the end of 2016 and a favorable performance by businesses related to semiconductors and electronic components. Operating income increased more than 20.0%. However, our business results revealed issues. From a business portfolio perspective, our results were imbalanced. While businesses related to electronics accounted for the majority of earnings, businesses that normally generate stable earnings flagged against a backdrop of fiercer selling-price competition and higher fuel and raw material prices. Further, the performances of certain overseas Group companies remained lackluster, and as a result of recording extraordinary loss related to these companies, profit attributable to owners of parent declined.

Operating Profit Margin / ROE



LINTEC INNOVATION PLAN 2019 (LIP-2019)

Period: From April 2017 to March 2020

Basic Policy: Deepening innovation aimed at driving new growth

Quantitative Targets: Major numerical targets in the final year of LIP-2019, the fiscal year ending March 31, 2020 (on a consolidated basis)

Net Sales	Operating Income	Operating Profit Margin	ROE
¥270.0 billion	¥25.0 billion	More than 9%	More than 9%

Key Initiatives

1 Strengthening of regional strategy

(1) Increase in the domestic share and development of new markets and new demands

(2) Strategic investment and business expansion in the Asian region

(3) Expansion of the existing fields in Europe and America and the pursuit of synergies with the acquired subsidiaries

2 Creation of new value

(1) Creation of differentiated products which exceed customer needs

(2) Development of next-generation products anticipating market changes

3 Bolstering the corporate structure

(1) Ensuring soundness of the Group companies and continual increase in earnings

(2) Promotion of cross-sectional operational reforms

(3) Further promotion of cost structure reforms

4 Activities for realizing a sustainable society

(1) Promotion of business activities conducive to solving social concerns

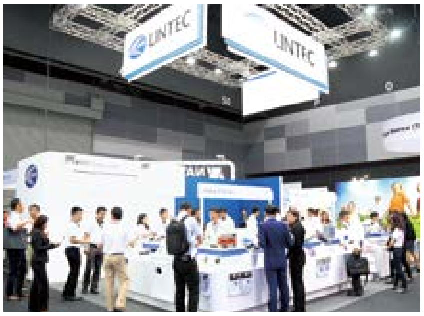
(2) Promotion of work-style reforms, fostering of diverse human resources and encouragement of their active participation in the workplace

Achievements and Progress of Key Initiatives (1)

The Group is implementing regional strategy in Japan, Asia, North America, and Europe.

With respect to "Strengthening of regional strategy," in Japan we continued to advance initiatives aimed at unearthing new demand. Overseas, we are also actively developing markets. In the Southeast Asian market, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED, which is in Singapore, is spearheading efforts to expand and increase the efficiency of operations. In particular, last year we merged LINTEC BKK PTE LIMITED, which was an adhesive products sales subsidiary in Thailand, with LINTEC (THAILAND) CO., LTD., a manufacturing subsidiary in the same country. Going forward, we will introduce high-performance slitting facilities; roll out the products of MACTAC AMERICAS, LLC, an adhesive products manufacturer that we acquired, in the Southeast Asian market; and undertake the new development of local distributors of window films for automobiles. As for the North American market, we will leverage the sales network of MACTAC AMERICAS to grow sales of our high-value-added products. Labelexpo Americas 2018, which is to be held in the suburbs of Chicago in September this year, will provide an extremely important foothold for our development going forward. In Europe, also aiming to grow sales of the LINTEC Group's products, we will further strengthen coordination between our sales subsidiary in the Netherlands, LINTEC EUROPE B.V., and the United Kingdom's LINTEC EUROPE (UK) LIMITED, a sales subsidiary that we acquired.

Next, let me turn to the "creation of new value." In April last year, we internally reorganized the Research & Development Div. and introduced a new R&D scheme. Under the new scheme, the Research & Development Div. and the Sales Div. coordinate more closely at early development stages and conduct full verifications at key points, thereby preventing setbacks in the development process and ensuring that each theme quickly takes shape without fail. Through this scheme, we will accelerate new product development and provide new value that caters to customers' needs.



In May, the LINTEC Group exhibited at Labelexpo Southeast Asia 2018 in Thailand. Targeting the Southeast Asian market, we displayed and promoted the products of MACTAC AMERICAS.

Achievements and Progress of Key Initiatives (2)

We reorganized Group companies in Japan and overseas.

Regarding "bolstering the corporate structure," as a measure aimed at ensuring the soundness of Group companies and a continual increase in earnings, we embarked on a radical management rationalization of U.S. subsidiary MADICO, INC., which was performing poorly. We are taking a range of measures to improve earnings. For example, we have fully withdrawn from PV backsheets, and we are rebuilding the manufacturing system. Other initiatives included merging two companies in Thailand. In Japan, meanwhile, we merged the adhesive products slitting and processing operations of our Hiratsuka Office and those of Group company FUJI-LIGHT, INC., to establish SHONAN LINTEC KAKO, INC. At this company's new Hiratsuka Plant, construction of which was completed in December 2017, we will further strengthen competitiveness in relation to quality, cost, and delivery.

Also, a project that we launched to reform work across the organization by standardizing work processes is making steady progress. These measures are closely linked to the work-style reforms set out in our "activities for realizing a sustainable society." Through such measures, we will eliminate dependence on the skills of individuals, in other words situations where only certain personnel understand work methods; increase work efficiency throughout each division and department; and, ultimately, foster talented personnel and enable them to fully realize their capabilities.

In relation to "activities for realizing a sustainable society," we are also advancing efforts other than the activities centered on the aforementioned work-reform project. I feel that these other efforts under this key initiative also made definite progress in the plan's first year. Specifically, the Diversity Committee has moved forward with initiatives to enable female employees to fully realize their potential, the examination of the human resources system to help employees balance work and family care, and the raising of awareness in relation to diversity within LINTEC. Further, with a view to helping address social issues through our mainstay operations, we have established the SDGs* Committee, comprising employees from a wide variety of departments. My ambition is for the LINTEC Group to be a business in which each employee has a real sense of contributing to society through their day-to-day work. Moreover, I believe that realizing this ambition is necessary for the growth and development of the Group as a whole.

* SDGs: Sustainable Development Goals. Adopted at the United Nations Sustainable Development Summit in 2015, SDGs consist of 17 goals and 169 targets for achieving a sustainable society.

Hiratuska Plant, SHONAN LINTEC KAKO, INC.

Performance Outlook—Year Ending March 2019

Having rebuilt overseas Group companies, we are targeting higher revenues and earnings.

In the fiscal year ending March 31, 2019, fuel and raw material prices as well as fixed costs are likely to rise. However, we will increase sales while reducing costs. In addition, we expect improvements from the overseas Group companies that have been performing sluggishly. In light of the aforementioned factors, we forecast year-on-year increases of 3.2% in consolidated net sales, to ¥257.0 billion; 14.5% in operating income, to ¥23.0 billion; and 42.1% in profit attributable to owners of parent, to ¥16.0 billion.

FY2019 Forecasts (year on year)

Net Sales	¥257.0 billion (+3.2%)
Operating Income	¥23.0 billion (+14.5%)
Profit Attributable to Owners of Parent	¥16.0 billion (+42.1%)

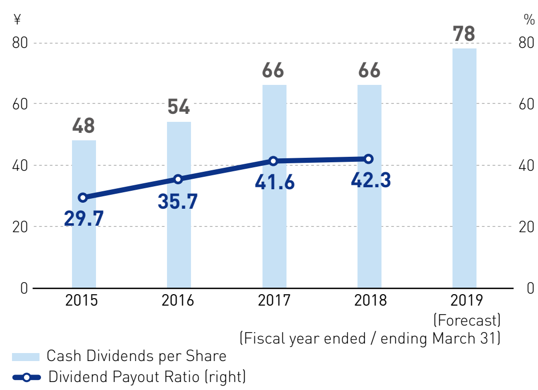
Shareholder Returns

In the current fiscal year, we plan to increase dividend payments ¥12 per share, to ¥78 per share.

LINTEC regards enhancement of return of profits to shareholders as one of its most important management issues. From the perspective of distributing profits, we aim to provide stable and continued returns after consideration of each fiscal year's consolidated performance while ensuring a balance with retained earnings to maintain a healthy balance sheet. In the fiscal year ended March 31, 2018, although profit attributable to owners of parent declined due to the recording of extraordinary loss, we paid a year-end dividend of ¥33 per share as planned. Together with an interim dividend of ¥33 per share, this gave a full-year dividend of ¥66 per share, the same level as in the previous fiscal year.

With regard to dividend payments for the fiscal year ending March 31, 2019, based on our projection of net income per share of ¥221.75, we plan to increase dividend payments ¥12 per share, to ¥78 per share, and we expect a consolidated payout ratio of 35.2%. As we continue working to improve our corporate performance in the coming years, we will also work to further enhance shareholder returns.

Cash Dividends per Share / Dividend Payout Ratio



In Closing

We are viewing the current fiscal year, which is the second year of LIP-2019, as *a year to accelerate innovation* and proactively advance measures based on the key initiatives. Although business conditions are challenging, we have to take bold steps. At the same time, we must go back to our initial viewpoint to properly analyze the progress and results of the measures we are currently implementing and adjust our trajectory in a timely manner if strategies need revising. In particular, turning around Group companies that have had lackluster business results is a pressing task. In this regard, we will continue right-sizing workforces and consolidating and rebuilding bases. Further, we will develop new products that meet the expectations of customers, reduce costs through a range of measures to bolster the corporate structure, and create synergy benefits with the three companies in Europe and the United States that we acquired in 2016. Moreover, as well as forging ahead with concerted efforts to reach the plan's final quantitative targets of net sales of ¥270.0 billion and operating income of ¥25.0 billion, the entire Group will focus on ensuring sustained growth beyond the plan's term.

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

H. Nishio

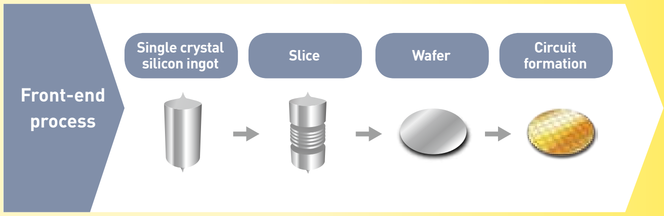
August 2018
Hiroyuki Nishio
Representative Director
President, CEO and COO

SPECIAL FEATURE

LINTEC's Semiconductor-Related Business

LINTEC's semiconductor-related business began in 1986 with the development of a fixing tape for use in the wafer cutting process in the manufacture of semiconductors—a UV curable dicing tape. Such tapes adhere strongly to thin wafers, holding them firm when they are being diced into chips. Adhesion is then reduced through UV irradiation after dicing for easy removal when the chips are picked up. This tape radically changed the semiconductor industry. Since then, we have developed many semiconductor-related tapes. We have also developed semiconductor-related equipment that fully leverages the special features of our tapes. In such ways, we have established our own unique position within the industry.

The manufacture of semiconductors involves the formation of a number of electronic circuits on the surface of a wafer sliced from columnar silicon ingot. The wafer is then ground on the backside to make it thinner and cut into individual chips, which are then mounted and stacked on a substrate. All of our semiconductor-related adhesive tapes and equipment are used in back-end processes after circuit formation.



1 Back grinding

This is the process of using a grinding wheel to grind the backside of the wafer to make it thinner. Tape is affixed to protect the circuit-carrying front from grinding water and dust.

Tapes that protect the surface of wafer circuits and tape laminator

2 Dicing

Dicing is the process of cutting the wafers into individual chips. Tape is placed on the backsides of wafers to fix them to a ring frame, thereby preventing chips from scattering during cutting.

Dicing tapes and wafer mounter that secure wafers to ring frames

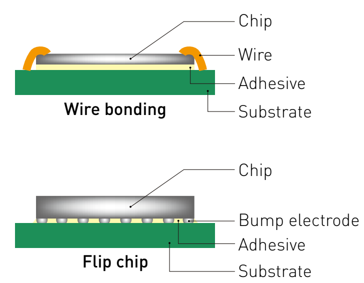
Focus

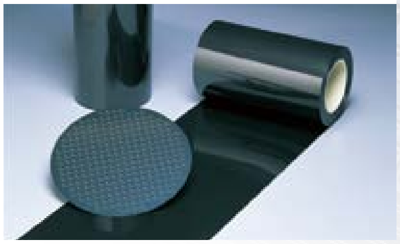
Flip chip mounting and backside coating tape for chips

In recent years, as smartphones and other electronic devices have become thinner and advanced in performance, semiconductor packages with flip chips, which are connected to the substrate by bumps (protruding electrodes on the circuit) and with the circuit facing downward, have come into widespread use instead of wire bonding (in which the chip is mounted and wires are used to connect the chip to the substrate).

Flip chip mounting has the advantage of enhancing electrical properties and reducing the mounting area. However, because the backside of the chip is exposed, reinforcing the chip became an issue as chips became thinner. In response, we came up with the idea of using tapes to protect and reinforce the backside surfaces of flip chips. The result was that LINTEC was the first mover in developing backside coating tapes for flip chips. Tailored to meeting customer needs, our lineup spans tapes that enable detection of imperfections in chips through infrared rays and tapes with outstanding heat dissipation qualities. Our global share in backside coating tape for flip chips is almost 100%.

Various methods for mounting chips





Backside coating tapes for flip chips

UV irradiation of tape | **Picking up** | **Mounting**

Molding

3 Picking up and Mounting

This process involves picking up the cut chips, and mounting and stacking on the substrate with adhesive. After cutting, the tape's adhesion is reduced through UV irradiation so that chips can be picked up easily. We also offer a proprietary process that transfers the adhesive of the fixing tape, which is used at the time of wafer cutting, to the back of the chip when it is picked up so that it can be mounted on the substrate directly.

Equipment for UV irradiation of the dicing tape to reduce its adhesion

A multifunction tape that has the functions of a dicing tape as well as a function that transfers adhesive for use in die bonding

4 Molding

This process involves connecting the mounted and stacked chips on a substrate with wires and sealing with liquid resin.

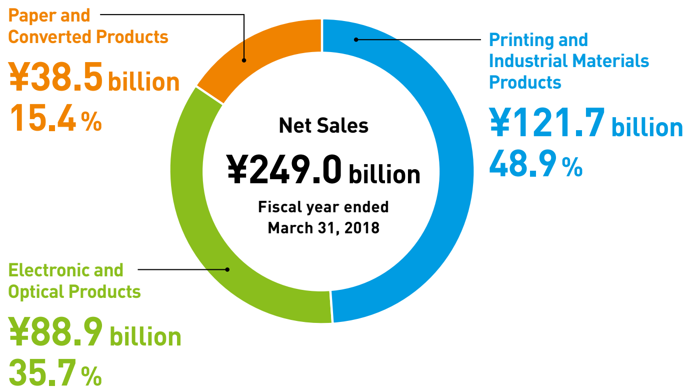
LINTEC's Value Creation

Working at the leading edges of its fields, LINTEC has combined original technologies fostered over many years to develop numerous groundbreaking products. Under the Business Administration Div., six operations bring these products to market and help address issues in a variety of industries.

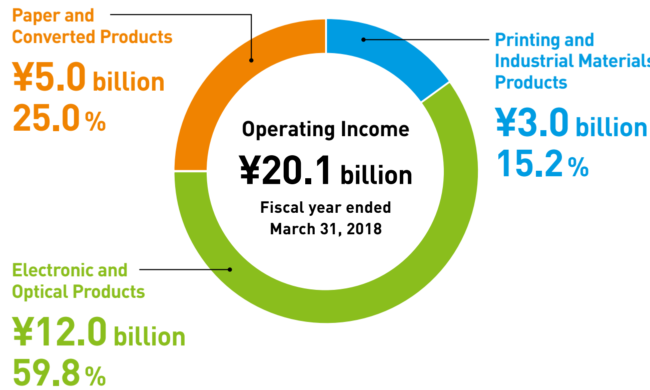
Note: Based on the similarities of their products, technologies, and markets, the Group's six operations are classified into three segments—Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products.

Segment	Operations
Printing and Industrial Materials Products	Printing & Variable Information Products Operations
	Industrial & Material Operations
Electronic and Optical Products	Advanced Materials Operations
	Optical Products Operations
Paper and Converted Products	Fine & Specialty Paper Products Operations
	Converted Products Operations

Share of Net Sales by Segment



Share of Operating Income by Segment



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

A Message from the Executive General Manager, Business Administration Div.

Regarding consolidated business results in the fiscal year ended March 31, 2018, which was the first fiscal year of our LIP-2019 medium-term business plan, overall we largely reached our initial numerical targets. This performance was thanks to each operations' efforts to advance measures steadily in accordance with the plan and rigorously discover what customers really need. In the current fiscal year, the plan's second year, we will proactively advance measures to tackle several tasks that we were unable to finish in the first fiscal year. At the same time, we will accelerate efforts to develop and offer new products.

First of all, we view rebuilding overseas subsidiaries that are unprofitable as urgent task. Last year, we began radically rationalizing the management of MADICO, INC., and its figures are beginning to reflect the benefits of this effort. Further, PT. LINTEC INDONESIA has been recovering since a labor issue lowered its production volume, and we will continue improving the company's profitability. Also, we are taking various steps to rapidly create synergy benefits with MACTAC AMERICAS, LLC, acquired in 2016. These steps include introducing personnel to the subsidiary.

Meanwhile, markets in Japan in which we offer adhesive products for labels and products related to construction materials and automobiles do not have high growth rates. Nonetheless, these are still large markets. We will heighten the profitability of products—even if they are existing products—by thoroughly analyzing how to increase profit based on the ways we sell, manufacture, or handle them. Further, with our sights set on the plan's final year and beyond, we will plan and offer new products and ideas to unearth demand.

Other new initiatives include our launch of the SDGs Committee in February this year with the aim of helping address social issues through mainstay operations. Naturally, environmental measures are an important focus for us as a manufacturer. In my capacity as the officer in charge, I also intend to create new businesses that contribute to the realization of non-environmental SDGs.

Makoto Hattori

Director, Managing Executive Officer, Executive General Manager, Business Administration Div.

At a Glance

Printing and Industrial Materials Products

Printing & Variable Information Products Operations

Accounting for approximately 35% of the sales of the LINTEC Group, these are its largest operations. They manufacture and sell the Group's mainstay adhesive papers and films for labels. In particular, these operations have an approximately 60% share of Japan's market for adhesive films, which have particularly high added value. Overseas, we increased the scale of operations by expanding our manufacturing and sales network in China and Southeast Asia and by taking measures that included acquiring U.S. company MACTAC AMERICAS, LLC in 2016.

Industrial & Material Operations

These operations manufacture and sell an extremely wide range of products, from window films with various functions such as cutting out heat and ultra-violet light when they are attached to building and automobile windows through to motorcycle- and automobile-use adhesive products for such applications as vehicle body decoration and protection, industrial-use adhesive tapes for bonding components in mobile and other devices, labeling machines for automated labeling, films for outdoor signs and advertising, and decorative films for interiors.

Electronic and Optical Products

Advanced Materials Operations

In recent years, these operations have grown significantly. We are building a unique position in the electronics industry with products such as specialized adhesive tapes that are essential in semiconductor chip manufacturing and mounting processes, and we also make equipment that leverages these tapes' special features fully. In addition, we produce and sell release films that are crucial in the production of multilayer ceramic capacitors, which are electronic components.

Optical Products Operations

We deploy our development technologies for special adhesives and surface coating agents as well as precision coating technology and use leading-edge production facilities to provide adhesive processing for various types of optically functional films, such as polarizing films and retardation films that are used in LCDs and organic light-emitting diode (OLED) displays. We also undertake surface improvement processing for polarizing films, such as antiglare hard coat processing, which protects films from scratches and reduces reflectivity.

Paper and Converted Products

Fine & Specialty Paper Products Operations

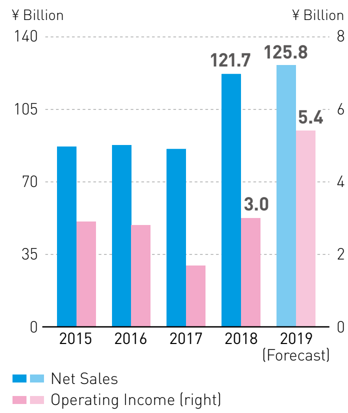
We have the leading share in the Japanese market for color papers for envelopes and colored construction papers. We also manufacture and sell specialty papers including oil and water resistant papers used in food packaging, dust-free papers for use in places such as clean rooms, high-grade printing papers with special textures, and high-grade papers for paper products used in business cards and postcards. Currently, these operations are centered on Japan. Going forward, however, we will also concentrate on sales activities with a view to increasing sales overseas.

Converted Products Operations

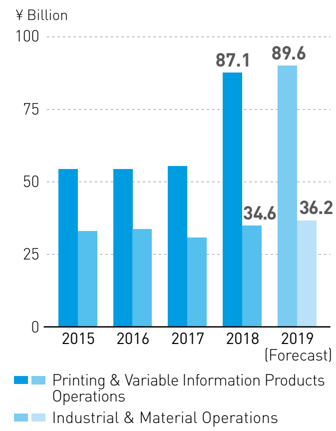
We endow papers and films with special functions, such as releasability and resistance to water, heat, and abrasion to create release papers and films that protect the adhesive surfaces of a variety of adhesive products. We also produce casting papers that are used as patterning papers for placing designs on synthetic leather and casting papers used in the manufacture of carbon fiber composite material sheets from fibers.

(Fiscal year ended / ending March 31)

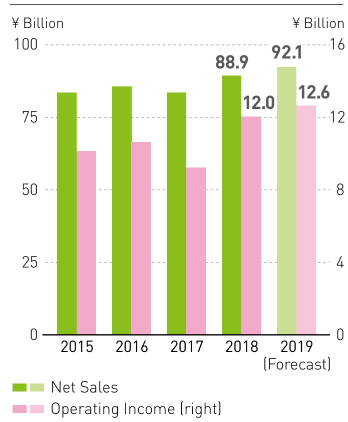

Net Sales / Operating Income by Segment



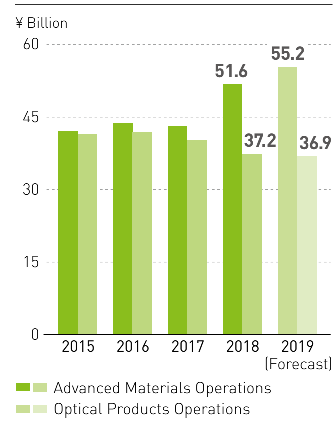
Net Sales by Operations



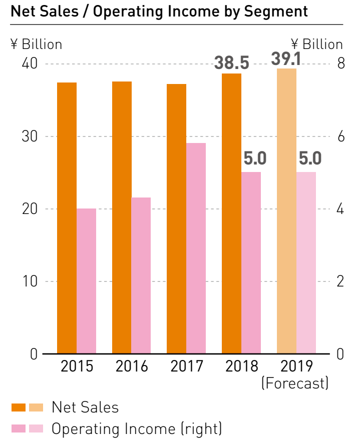

Net Sales / Operating Income by Segment



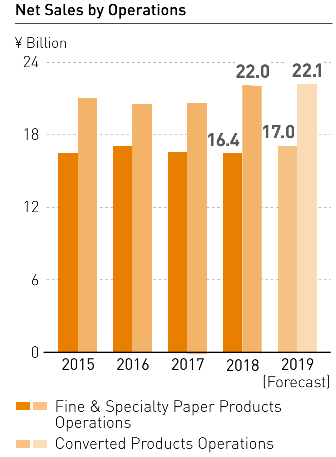
Net Sales by Operations




Net Sales / Operating Income by Segment



Net Sales by Operations



Printing and Industrial Materials Products

Main Products

Printing & Variable Information Products Operations
- Adhesive papers and films for labels

Industrial & Material Operations
- Window films
- Automobile-use adhesive products
- Industrial-use adhesive tapes
- Labeling machines
- Films for outdoor signs and advertising
- Interior finishing mounting films

Printing & Variable Information Products Operations

Masaaki Yoshitake

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

Although Japan's market for adhesive papers and films for labels has matured, LINTEC claims a large share of it by catering painstakingly to client companies' exacting quality requirements. In the fiscal year ended March 31, 2018, we continued proactively unearthing new demand and expanding our market share. In particular, we grew sales of adhesive films centered on campaign labels and eye-catching labels.

On the other hand, in North American and European markets our brand profile is still not high enough. Further, our client base in Asian markets primarily comprises Japanese companies. Going forward, as well as leveraging our strengths through the provision of high-value-added products to the industrial field, we must boost sales in the fields of daily necessities, food, and distribution with a focus on offering high-end products. As part of such efforts, we are actively increasing the visibility of the LINTEC brand by displaying at expos. Further, I believe that another important task under the medium-term business plan is to expedite the realization of synergy benefits with MACTAC AMERICAS, LLC—which we acquired to establish a foothold for the strengthening of operations in the North American market.

Industrial & Material Operations

In the fiscal year ended March 31, 2018, we saw a steep rise in domestic sales of labeling machines used at logistics and delivery centers in particular as the Internet mail-order sales market continues to grow. Further, we will endeavor to strategically grow orders that are focused on 2020, mainly through our lineups of films for indoor and outdoor signs and decorative films for interiors and exteriors.

Overseas, I believe strengthening the systems of window film businesses will be a major theme going forward. In North America, we are rebuilding manufacturing subsidiary MADICO, INC., and accelerating the marketing of new products. As for Southeast Asia, we are concentrating efforts on strengthening our network of distributors centered on products for automobiles while heightening recognition of the LINTEC brand. Also, we have to increase the utilization rate of the clean coating facilities of LINTEC (THAILAND) CO., LTD. Motorcycle-use side stickers, automobile-use paint replacement films, protective films for aluminum wheels, and other automobile-use adhesive products are selling well in Southeast Asia and India, and we will continue growing sales of these product lineups to automobile manufacturers.

Shuji Morikawa

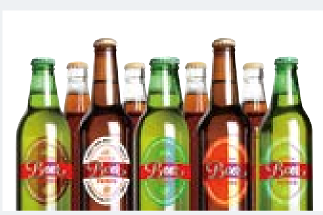
Director,
Executive Officer
Executive General Manager, Industrial & Material Operations, Business Administration Div.

SWOT Analysis

Strengths	Weaknesses
• Long record of supplying numerous customers and large market share centered on high-value-added products in domestic market • Ability to provide comprehensive solutions that combine adhesive products for labels and labeling machines	• Sales networks, delivery capabilities, brand power, and price competitiveness in overseas markets • Profitability of manufacturing subsidiaries in the United States and Indonesia
Opportunities	**Threats**
• Expected new demand for products with approach of 2020 • Southeast Asia's favorable market and stable growth of U.S. market	• Deceleration of growth in domestic market overall and possibility of major overseas manufacturers' full-scale forays into domestic market • Emergence of local manufacturers in Southeast Asia's market and other markets and intensification of competition

TOPICS

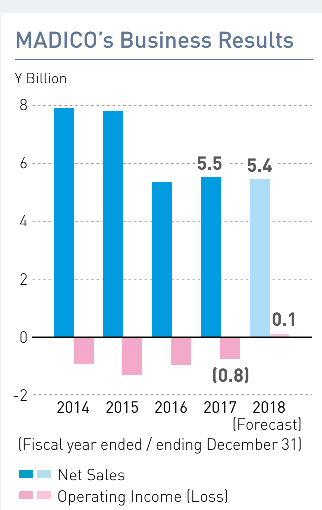

MACTAC AMERICAS, LLC


LMGP brand adhesive films

The Significance of Acquiring North American Adhesive Products for Labels Manufacturer MACTAC AMERICAS, LLC

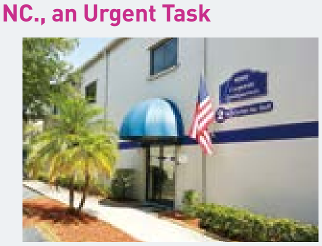
Acquired in 2016, MACTAC AMERICAS, LLC, boasts the third largest share of the North American market and sales of more than ¥35.0 billion. Acquiring the company was a very large step forward for the LINTEC Group. As well as hot-melt adhesive formulation technology that realizes outstanding environmental and cost performance, the company has sales channels covering North America's vast market.

We will use this acquisition to rapidly create synergy benefits by leveraging these sales channels to increase sales of our high-value-added products in the North American market and by actively rolling out the products of MACTAC AMERICAS, LLC, in Southeast Asia and other markets outside North America. In May, at Labelexpo Southeast Asia 2018 in Bangkok, Thailand, we began a full-fledged rollout of the company's products in the Southeast Asian market under the LMGP (Lintec Mactac Global Products) brand. This product lineup has already established a track record in the region for such application areas as food.



The Rebuilding of Window Film Manufacturer MADICO, INC., an Urgent Task

LINTEC acquired the U.S. company MADICO, INC., in 1987. At the time, its head factory was in the Massachusetts. In response to a rapid increase in sales of PV backsheets, which was a new business area for MADICO, INC., the company acquired a window film manufacturer in Florida in September 2010. This allowed the Massachusetts production base to concentrate on the manufacture of PV backsheets. MADICO, INC., established a product supply system based on these two plants. However, in the year following this acquisition, prices fell and orders decreased for PV backsheets due to the rapid commoditization of solar panels. As a result, MADICO, INC., has been recording operating losses since 2012.


MADICO, INC.

At present, we are radically rationalizing management. In addition to withdrawing fully from the PV backsheets business last year, we have acquired new land and buildings in Florida. Plans call for establishing a new production base at the site and consolidating manufacturing facilities there. Moreover, MADICO, INC., is strengthening collaboration with functional films manufacturer VDI, LLC, acquired in 2016, to step up the development and marketing of new products. In the current fiscal year, MADICO, INC., aims to move into the black for the first time in seven fiscal years.

Electronic and Optical Products

Main Products

Advanced Materials Operations
- Semiconductor-related adhesive tapes and equipment
- Multilayer ceramic capacitor-related tapes

Optical Products Operations
- Polarizing films and retardation films (adhesive processing)
- Polarizing films (surface improvement processing)

Advanced Materials Operations

Takeshi Kaiya

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

The fiscal year ended March 31, 2018, saw brisk demand for tapes and devices for the manufacturing processes of semiconductors and electronic components. This is attributable in part to significant growth in the markets for semiconductors and electronic components. However, we take pride in the fact that our current performance is also the result of uncompromising efforts to identify the needs of customers and markets based on our "always be No. 1" policy as well as the timely development and marketing of products.

With respect to semiconductor-related adhesive tapes and multilayer ceramic capacitor-related tapes, given that we have been operating at full capacity in recent years due to strong demand for our products, centered on those for high-end products, we are reforming our production system and ramping up production capacity. The challenge going forward will be to strengthen supply chain management even further with the aim of procuring stable supplies of base films—the raw material of our products—and ensuring reliable quality. To these ends, we are actively disclosing information to suppliers and seeking their cooperation.

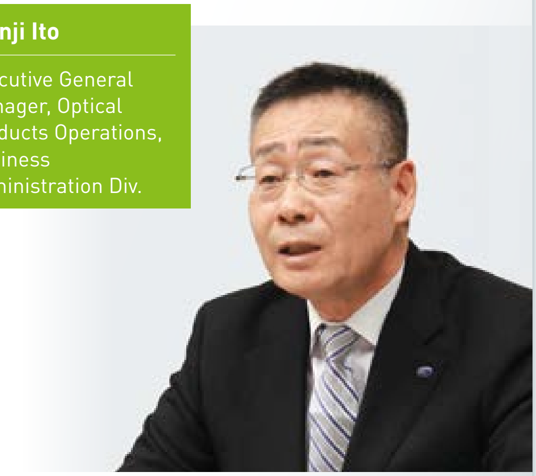
Optical Products Operations

In the fiscal year under review, although adhesive processing operations for films used in LCDs grew sales volume, selling prices and net sales decreased, partly reflecting the market entry of LCD panel manufacturers from China. We must build a structure that generates earnings consistently by reducing variable costs and fixed costs and by strengthening global operations among our manufacturing bases in Japan, South Korea, Taiwan, and the polarizing film manufacturer with which they collaborate.

Regarding products for organic light-emitting diode (OLED) displays, due to their structure these displays use fewer layers of polarizing film than LCDs use. Although the market is still small, orders have been increasing steadily. In preparation for the further spread and penetration of OLED displays, we will deepen partnerships with the aforementioned polarizing film manufacturer and explore the development of operations for new optically functional films.

Shinji Ito

Executive General Manager, Optical Products Operations, Business Administration Div.

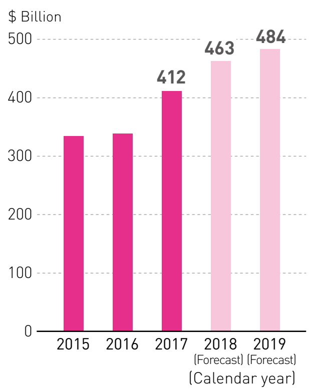


SWOT Analysis

Strengths	Weaknesses
• Ability to provide comprehensive solutions that combine tapes and equipment used in semiconductor manufacturing and mounting processes • Long record of supplying numerous semiconductor and electronic component manufacturers worldwide and unique technological capabilities	• Insufficient resources to cater to expanding electronics-related market and lengthening of delivery lead times for certain equipment • Sluggish growth in new businesses following on from businesses related to semiconductors, electronic components, and LCDs
Opportunities	**Threats**
• Expansion of electronics-related market due to such factors as spread of IoT and increasing use of electronics in automobiles • Technological innovation in relation to semiconductor packages, electronic components, and optical displays	• Lower product prices due to commoditization of electronic devices • Rapid deterioration of conditions in electronics-related market and exchange rate fluctuations

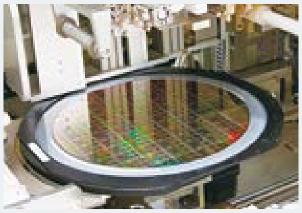
TOPICS

Trend Forecast for the Semiconductor Market



Source: World Semiconductor Trade Statistics (WSTS)

Semiconductor-Related Tapes Continuing to Sell Briskly in a Booming Market



The future of the semiconductor market is very bright. It has broken a four-year "silicon cycle" of booms and busts to enter a "super cycle" thanks to the spread of the Internet of Things (IoT), which connects an array of things to the Internet; the introduction of next-generation, high-speed "5G" communications; and the increasing incorporation of electronic components in automobiles. The sales growth of Advanced Materials Operations in recent years was not only the result of the tailwind that the semiconductor market provided. A major driver of our performance was the continuous development and offering of wafer surface protective tapes that matched customers' needs, enabling us to stake out a larger market share.

The designs of semiconductor chips and packages are evolving at a high pace. LINTEC's mission is to offer new tape processes and thereby keep up with these advances. Through ongoing patent strategies and other initiatives, LINTEC will continue to expand its presence in the semiconductor-related tape market.

Polarizing films

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

Enhancing Productivity and Commercializing New Materials

In April 2018, we reorganized the Optical Products Operations into two departments: the Global Management Dept. and the Functional Materials Dept. The role of the Global Management Dept. is to further heighten productivity and quality through global operations centered on manufacturing bases in Japan, South Korea, and Taiwan. Meanwhile, the Functional Materials Dept. will develop and market not only polarizing films but also functional materials that are compatible with new display structures.

Going forward, as well as enhancing productivity through the strengthening of partnerships with polarizing film manufacturers, we have to focus efforts on expanding businesses for optical-related components other than polarizing films. These include light diffusion films that heighten the visibility of displays and high-barrier films that provide an alternative to glass. For such films, we have already established materials with sufficient properties. Therefore, we will proceed steadily toward commercialization through such steps as the establishment of mass production processes.

Paper and Converted Products

Main Products

Fine & Specialty Paper Products Operations
- Color papers for envelopes
- Colored construction papers
- Special function papers
- High-grade printing papers
- High-grade papers for paper products

Converted Products Operations
- Release papers for adhesive products
- Release films for optical-related products
- Casting papers for synthetic leather
- Casting papers for carbon fiber composite materials

Fine & Specialty Paper Products Operations

Toshimi Sugaya

Executive Officer
Executive General Manager, Fine & Specialty Paper Products Operations, Business Administration Div.

Fine & Specialty Paper Products Operations are facing extremely tough business conditions due to raw material price hikes and the recent decline in use of paper, which is shrinking the market. In response, in the fiscal year under review we grew sales of special function papers, such as oil and water resistant papers, dust-free papers, and base papers for total heat exchangers. This growth compensated for lackluster sales of mainstay color papers for envelopes, which account for approximately half of net sales.

At present, more than 90% of these operations' sales are in the domestic market. While we further grow domestic market share, in expanding operations our main challenge will be to develop markets overseas. Confident that demand for paper for food packaging will heighten as living standards rise in Southeast Asia, we will focus on increasing sales, including dust-free papers. Also, we will cater to the world's growing environmental awareness by increasing the use of forest-certified pulp, which contributes to appropriate forestry management. In addition, we will develop blended papers that use non-wood raw materials that used to be discarded as well as develop specialty papers that align with current initiatives toward eliminating the use of plastic.

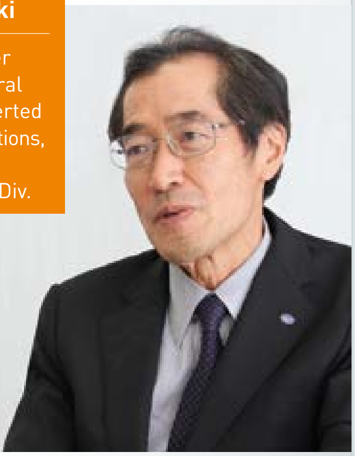
Converted Products Operations

In the fiscal year under review, we posted robust sales of release papers for electronic materials for smartphones, release films for optical-related products, and casting papers for synthetic leather. Although unit shipments of smartphones themselves are softening, the number of electronic components that they incorporate is rising as smartphone performances advance. Consequently, we expect continuing growth in demand for release papers and release films for high-end products. With respect to casting papers for synthetic leather, targeting particularly strong demand for automobile applications, we are working to grow sales worldwide by bolstering collaboration with distributors.

As for casting papers for carbon fiber composite materials, we have been facing difficult business conditions because demand for fuel-efficient aircraft has been decreasing due to low crude oil prices. Going forward, however, with production of such aircraft likely to rise, we are looking forward to a pickup in demand for the carbon fiber composite materials that are used in aircraft bodies. While continually reducing costs, in line with our basic strategy of differentiating quality and services to avoid the pitfall of pure price competition, we will continue to ensure sustained earnings by catering effectively to the needs of business clients.

Yutaka Iwasaki

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



SWOT Analysis

Strengths

- Large shares of domestic markets for color papers for envelopes and special function papers as well as capabilities for manufacture of variety of products in small lots
- Outstanding release agent processing technologies and coating technologies

Weaknesses

- Sales networks, delivery capabilities, brand power, and price competitiveness in overseas markets for specialty papers
- Sluggish growth in new products following on from color papers for envelopes, special function papers, and casting papers

Opportunities

- Increasing demand for high-value-added products in China and Southeast Asia
- Growing environmental awareness in Japan and overseas

Threats

- Reduced demand for paper due to decline in use of paper
- Soaring prices for key raw materials, including imported pulp

TOPICS

Oil and water resistant papers

Dust-free papers

The Potential of Special Function Papers for Further Growth

LINTEC produces oil and water resistant papers by impregnating wood pulp with a special resin. This creates papers that curb seepages of oil or water while realizing high water-vapor permeability. Fast-food chains and convenience stores are increasingly using these products as wrapping paper for hot snacks. Further, we use a special resin that increases adhesion among pulp fibers to manufacture dust-free papers. Even when ripped, these special function papers produce very little dust. As the electronics industry grows, demand for dust-free papers is increasing for such applications as work instructions and process control sheets used at sites that manufacture semiconductors and precision machines.

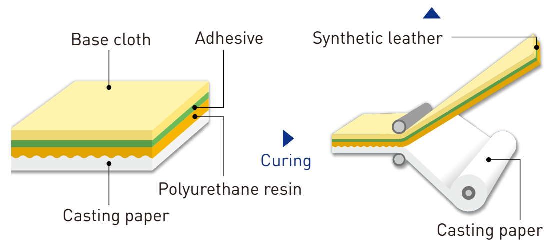
As well as the aforementioned products, which are the mainstays of our special function papers area, sales of base paper for total heat exchangers have been growing recently. China and other countries are seeing the increased introduction to homes and office buildings of total heat exchangers, which simultaneously ensure the cleanness of indoor air and save energy. Given that their outstanding moisture absorbency and flame retardancy have earned LINTEC's products a strong reputation for use as filters in these exchangers, we will continue proactively offering solutions to manufacturers of air conditioners. We believe that further development of markets in such special function papers areas will become a major driver of Fine & Specialty Paper Products Operations.

Casting Papers for Synthetic Leather—A Pillar of Converted Products Operations

In addition to existing applications for bags and footwear, the use of synthetic leather for automobile interiors is growing. At LINTEC, we are selecting designs best suited to automobiles and concentrating on sales promotion. At the same time, our manufacturing subsidiary in Suzhou, China, is establishing a new embossing method with a view to creating a wider variety of designs. Meanwhile, in China—the world's largest market for casting papers for synthetic leather—the competitive environment is changing as the number of synthetic leather manufacturers decreases while the number of casting paper manufacturers who compete with LINTEC increases. By stepping up collaboration with distributors, we will firmly secure and expand our market share.

Use of Casting Papers for Synthetic Leather Production

Casting papers coated with resins are affixed to a base cloth, and then dried and removed to imprint synthetic leather with patterns.



Research and Development

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' diverse 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 customer needs. Going forward, we will further strengthen our R&D structure to accelerate the speed of product development and create new technologies.

Four Core Technologies

Adhesive applications
Through the development of adhesives and substrates and the combination of related technologies, we are expanding the range of fields in which the basic functions of adhesive products, primarily adhesion and release, are utilized.

Surface improvement
Through the chemical and physical processing of the surfaces of paper and film, we are enhancing their characteristics and adding new functionality.

System development
Through the systemization of machinery and equipment and building high-level systems that draw on the distinctive characteristics of materials, we are providing advanced solutions.

Specialty papers and release materials production
We use original papermaking technologies and coating, impregnation, and laminating technologies to develop special function papers and high-value-added materials that transcend traditional concepts of paper.

Research and Development Structure

The research center of the Research & Development Div. is the core base for the Group's R&D activities. The center has not only state-of-the-art research facilities but also a clean room with the same semiconductor-related equipment that is found in the production environment of our customers. The completion of the Advanced Technology Building near existing facilities in Saitama in 2015, with its large-scale pilot coaters that closely resemble plant mass production facilities, provided a structure for smooth flow from R&D to mass production. The center mainly comprises the Product Research Dept., which develops products directly connected to our current business, and the New Materials Research Dept., which conducts R&D with a focus on the future.

Approximately 200 research personnel are engaged in day-to-day research on these themes. In addition, the Nano-Science & Technology Center in Texas, the United States, is engaged in research in new fields outside our current technology domain.

Large-scale pilot coater

R&D Policy

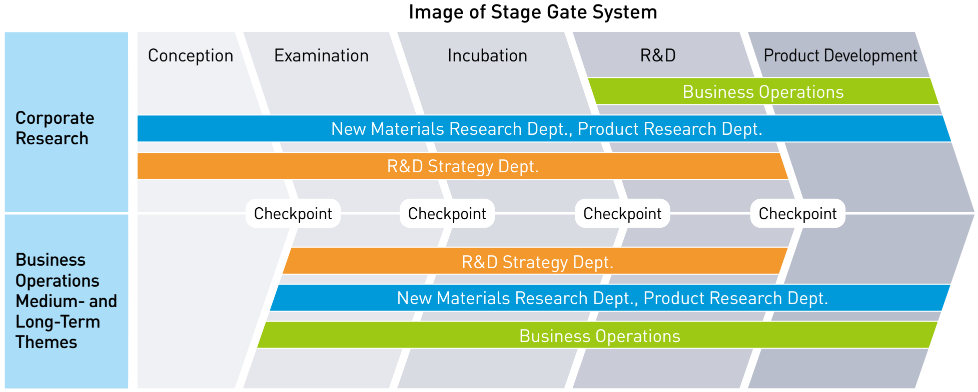
We are pursuing R&D to ensure that our focus themes make a real contribution to strengthening the competitiveness of existing businesses and creating new businesses and products. LINTEC is working to improve development efficiency based on two keywords: "front-loading design," which entails scrutinizing customer needs and development processes from the initial R&D stages, and "one-stop development," in which new materials and mass production processes are developed in parallel. In April 2017, we brought the R&D Strategy Dept., which advances the creation of new businesses and other initiatives, under the wing of the Research Center. We have established an R&D scheme, called the "Stage Gate System," which facilitates coordination among the R&D Strategy Dept., the New Materials Research Dept., the Product Research Dept., and business operations. Under this scheme, we are taking steps to speed up the creation of new products.

The Stage Gate System

Under this system, R&D themes are divided in the five stages of conception, examination, incubation, R&D, and product development, and gates are set up as checkpoints when moving to each of the next stages. Screening is performed at each checkpoint to determine whether to advance the theme or cancel it.

The aim is to steadily and quickly give shape to each theme, preventing setbacks in development through full verification at key points. Through close coordination between the Research Center and respective business operations, we are creating new value in response to customer needs and evolving markets.

Image of Stage Gate System

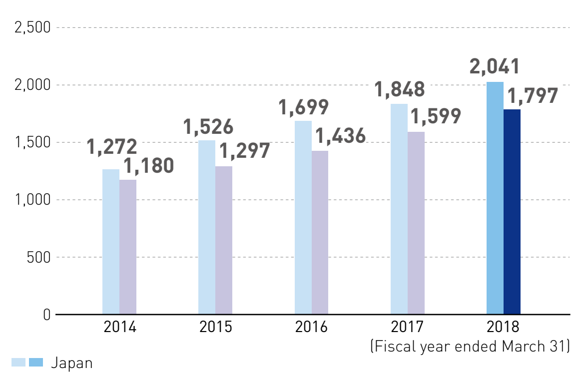


Intellectual Property Activities

LINTEC aims to increase corporate value by developing original products that fully satisfy customer needs. We therefore position intellectual property, including patents, trademarks, and design rights acquired through these development activities as important management resources. While placing the utmost emphasis on respecting the rights of other companies, the Intellectual Property Dept. of the Research & Development Div. coordinates with respective operations and R&D departments in promoting Companywide and strategic intellectual property activities. These activities aim to increase and improve intellectual property rights, which are the lifeblood of LINTEC given that it is a technology-centered company.

By such means as building a patent portfolio for our foundation and growth business domains and securing intellectual property in step with the globalization of our business, we aim to increase profitability based on intellectual property that has high business value.

Number of Patents



ESG Initiatives

To remain a good corporate citizen and a manufacturer that is highly regarded and trusted by all stakeholders, the LINTEC Group positions corporate social responsibility (CSR) at the core of business management. This section focuses on the Group's initiatives from the viewpoint of environmental, social, and governance (ESG) factors—which are essential for realizing a sustainable society and enhancing corporate value.

Materiality (Important Issues)

The LINTEC Group identified its materiality with a view to further advancing CSR activities and meeting the expectations of stakeholders. We then established key performance indicators, which we began using in earnest from the fiscal year ended March 31, 2017.

Establishment of the SDGs Committee

Aiming to incorporate Sustainable Development Goals (SDGs) into business management and address a range of social issues through mainstay operations, in February 2018 we launched the SDGs Committee, comprising members from departments across our organization. From among the 17 goals, the LINTEC Group has identified those that are highly relevant to our materiality and has selected in-house products and technologies that promise to contribute significantly to achieving these SDGs. We are moving forward to develop businesses based on these products and technologies.

Note: Organizations covered in Results: [A] LINTEC; [B] LINTEC Group; [C] LINTEC, TOKYO LINTEC KAKO INC.; [D] LINTEC Head Office, 10 production sites, Research Center; [E] LINTEC production sites (excluding Ina Technology Center), Research Center

Materiality		Specific actions	KPIs / Results	SDGs
Governance	Operating global governance	Enhance global governance	(1) Use of consultation contact points in and outside Japan: 6 cases [B] (2) Results of audits by the internal audit division according to local laws and regulations and internal standards: No serious findings [B]	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Environment	Effectively using raw materials	Procure materials that will help to reduce environmental impact based on the LINTEC Procurement Policy	Volume of organic solvents used: 21,500 t [A]	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Reducing atmospheric emissions	Reduce emissions into the atmosphere based on our mid-term environmental target	(1) CO_2 emissions from business activities in Japan: 185,700 t [C] (2) Volatile Organic Compounds (VOCs) emissions from business activities in Japan: 967.4 t [E]	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
	Making environmental contributions through products and services	Develop and spread environmentally friendly products through LCA*1	Number of environmentally friendly products developed: 15 products [A]	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Ensuring environmental compliance	Ensure and manage environmental compliance using the environmental management system	Number of violations of environmental laws and regulations: 0 violations [D]	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Labor practices	Ensuring occupational safety and health	Conduct activities to ensure occupational safety according to the occupational safety and health management system	(1) Number of occupational accidents and accidents resulting in absence from work: 2 accidents [C] (2) Working hours with no occupational accidents: 1.5 million hours at Mishima Plant and Kumagaya Plant [C]	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
	Achieving workplace diversity	Respect the diversity of employees and provide rewarding workplaces	(1) Ratio of female managers: 12% [B] (2) Return to work after taking time off for childcare leave: 100% [A]	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
	Improving employee satisfaction	Build working environments where employees feel motivated to work	Turnover in three years of employees hired as new graduates: 6.8% [A]	8 DECENT WORK AND ECONOMIC GROWTH
Society	Conducting human rights due diligence*2	Respect human rights and determine risks throughout the supply chain	Number of responses to supplier survey: 114 companies [A]	8 DECENT WORK AND ECONOMIC GROWTH
	Ensuring social compliance	Instill and ensure Groupwide compliance	Response rate with survey to identify risks: 97.8% [B]	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Ensuring product compliance	Use the quality management system to eliminate and prevent accidents	Number of serious product accidents reported: 0 accidents [C]	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	Making contributions to sustainable consumption	Publicize the effects of environmentally friendly products to stakeholders	Number of exhibitions participated in as an exhibitor in and outside Japan: 45 times [A]	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Achieving harmonious co-existence with local communities	Introduce social contribution activities for local communities as a good corporate citizen	(1) Total number of participants on plant tours: 717 persons [C] (2) Implementation of social contribution activities: Invited people with disabilities who live in Itabashi-ku, Tokyo to professional baseball games, etc. [B]	1 NO POVERTY
Contribution to business	Developing business models for local production & sales in emerging countries	Conduct R&D for products intended for local procurement and for solving social issues	Development of a system for registering local raw materials at sites outside Japan: Search system for global raw material information management under development [B]	4 QUALITY EDUCATION 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Entering new business fields		Number of patent applications: 412 applications [A]	Under review

*1 LCA (Life Cycle Assessment): A method for comprehensively assessing effects on the environment by calculating items such as the amount of energy and water input, the amount of raw materials used, and the amount of CO_2 and hazardous chemical substances emitted throughout a product's lifecycle.
*2 Human rights due diligence: A process exercised by an organization not only to comply with laws but also to address and reduce the risk of human rights violations (ISO 26000 6.3.3. Human Rights Issue 1).

Environment

As a leading corporate group in the fields of adhesive products and specialty papers, the LINTEC Group uses large amounts of raw materials, fossil fuels, water, and other resources in the manufacture of products. Going forward, we will continue to reduce emissions of environmentally hazardous substances and waste as well as cut back on usage of energy and water with the aim of contributing to the realization of a sustainable society.

(Fiscal year ended March 31, 2018)

INPUT

Raw materials	Pulp	115,000 tons
	Paper	36,500 tons
	Films	33,900 tons
	Adhesive	21,300 tons
	Release agents	2,300 tons
	Organic solvents	9,400 tons
	Other chemicals	35,500 tons
	Mechanical parts, etc.	600 tons
	Purchased electricity	162,000 MWh (Crude oil equivalent 41,000 kl)
Energy	Fuel (crude oil equivalent)	51,000 kl
	Self-generated electricity	36,000 MWh (Crude oil equivalent 9,000 kl)
Water	Industrial-use water	8,263,000 m³

Business Activities of the LINTEC

Raw material procurement

R&D

Manufacturing

Sales

OUTPUT

Products	Specialty papers	69,400 tons
	Converted products (release paper, etc.)	43,900 tons
	Adhesive products	106,300 tons
	Adhesive-related equipment	1,200 tons
Waste	Waste generated	29,890 tons
	• Waste emitted	11,640 tons
	• Effective external utilization	6,950 tons
	• Incineration	4,190 tons
	• Final landfill disposal	500 tons
	• Effective internal utilization	10,520 tons
	• Sale of valuable materials	7,730 tons
Emissions into the atmosphere	CO_2	185,700 tons
	SOx	6.4 tons
	NOx	65.1 tons
	Soot and dust	1.2 tons
	Substances subject to the PRTR system*1	500 tons
Release into water bodies	Effluent (Kumagaya Plant, Mishima Plant)	6,637,000 m³

Breakdown of CO_2 emissions

Scope 1*2	Scope 2*3
Direct emissions • Bunker oil • Utility gas • LPG etc.	Indirect emissions from energy • Purchased electricity
103,600 tons (Total volume control 90,600 tons)	82,100 tons (Total volume control 97,200 tons)

Total volume control: A calculation method covering Scope 1 and Scope 2 emissions, including those not covered by the Energy Conservation Act.
The calculation included LINTEC Corporation and TOKYO LINTEC KAKO, INC., LINTEC SERVICES, INC., PRINTEC, INC., LINTEC CUSTOMER SERVICE, INC., and SHONAN LINTEC KAKO, INC.

*1 PRTR system: The Pollutant Release and Transfer Register system that requires companies to estimate the volume of chemical substances they have released and transferred in waste and report the data to the government

*2 Scope 1: Direct CO_2 or other greenhouse gas emissions from the consumption of purchased gas and liquid fuels, such as liquid natural gas (LNG), liquid petroleum gas (LPG), utility gas, kerosene, light oil, and gasoline

*3 Scope 2: CO_2 or other greenhouse gas emissions generated by other companies in the production of energy, such as electricity and steam, purchased by the reporting company

Notes 1: The numerical data in the environmental report has been compiled from the following organizations: LINTEC Corporation's Head Office, 10 production sites, and Research Center, and TOKYO LINTEC KAKO, INC.

2: For industrial-use water, although tons were used for initial calculations, figures have been converted into cubic meters in this report.

Environmental Management

We have acquired global integrated certification under international standard ISO 14001 for a total of 25 sites, including the LINTEC head office and plants, Research Center, Group company TOKYO LINTEC KAKO, INC., and overseas Group companies. In March 2018, we completed work to achieve compliance with ISO 14001:2015. We will continue to promote the acquisition of global integrated certification by overseas Group companies as we strengthen Companywide engagement in environmental preservation.

Reduction of Environmental Impact

The LINTEC Group is working toward the realization of a sustainable society with manufacturing that has low environmental impact. The Company's CO_2 emissions were reduced to 185,700 tons in the fiscal year ended March 31, 2018, from 195,000 tons in the previous year. The amount of waste generated in production decreased from 30,240 tons to 29,890 tons year on year. However, the final landfill ratio was 1.67%. Thus, we did not realize the zero emissions rate of below of 1.0%, which we had achieved in each of the previous 10 years. In papermaking, the amount of water used per unit of production improved by 0.8% over that of the previous year. We are also constantly seeking to reduce the amount of volatile organic compounds (VOCs) including organic solvents that are released into the atmosphere (see below).

Compliance with Environmental Laws, Directives, and Regulations

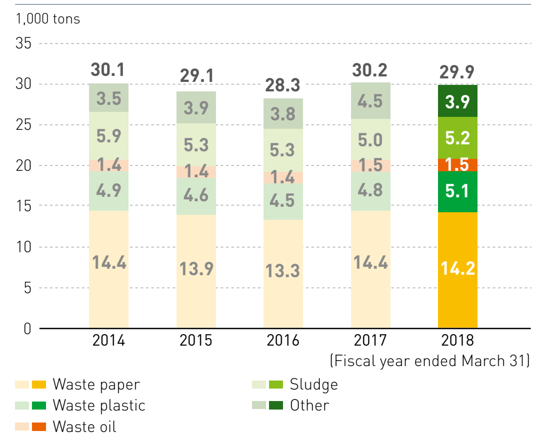
The LINTEC Group seeks to be compliant with environmental laws, directives, and regulations in Japan and overseas and reduce chemical substances that are harmful to the environment. In addition to responding to restricted substances stipulated by REACH*[1] and RoHS,*[2] we conduct environmental impact examinations of raw materials that we purchase and disclose necessary information to our customers.

In the fiscal year ended March 31, 2018, on a non-consolidated basis we reported nine substances under the PRTR system. The total volume was 7,838 tons, of which 7,752 were toluene, an organic solvent. Toluene emitted into the atmosphere amounted to 482 tons, an increase of 11 tons over that of the previous year, while the quantity transferred (treated as waste) was 16 tons more than in the previous year, at 483 tons.

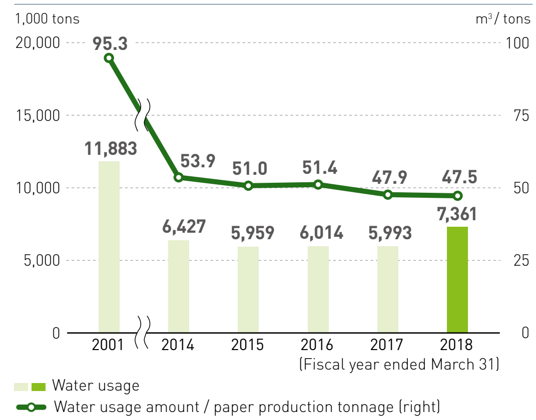
*1 REACH: EU regulation for the Registration, Evaluation, Authorization and Restriction of Chemicals

*2 RoHS: EU directive on the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

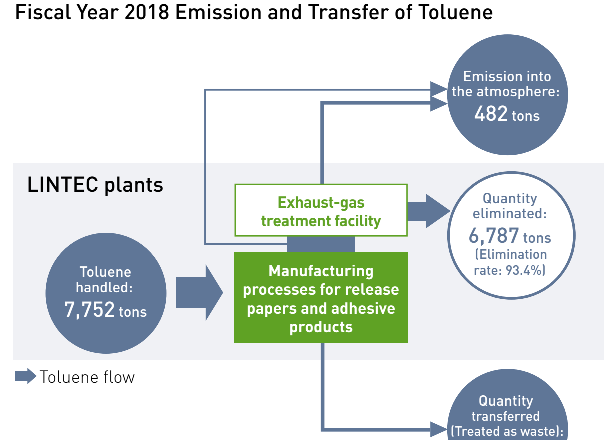
Waste Generated



Water Usage (Kumagaya and Mishima Plants)



Fiscal Year 2018 Emission and Transfer of Toluene



Note: Elimination rate = eliminated amount / (handled amount − transferred amount) ×100

Environment

Green Procurement

The LINTEC Group is committed to procurement that aims to reduce environmental impact through rigorous 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. In the fiscal year ended March 31, 2018, the Company carried out such examinations on approximately 5,000 items. Going forward, we will continue working with suppliers to engage in proactive environmental preservation activities and undertake stringent chemical substance management.

Environmentally Friendly Products

The LINTEC Group has embraced the rise in environmental awareness of recent years and is developing products to meet a wide range of environmental needs. Our environmentally friendly product lineup pays heed to reusing, recycling, and energy saving. In addition, for adhesive products and converted products such as release papers, we are developing manufacturing processes that do not use organic solvents.

Aluminum vapor deposition label materials that use recycled PET

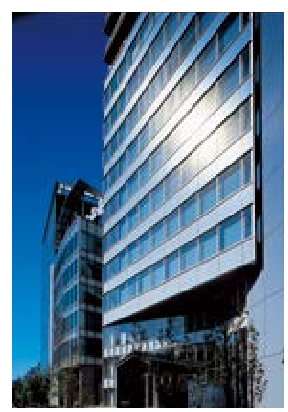
These label materials use recycled PET film as facestock. The raw material is used PET bottles, which undergo a recycling process known as mechanical recycling. The resulting material is made into PET film, which is then given a shiny silver appearance through aluminum vapor deposition processing. Although composed of more than 80% recycled PET resin—one of the highest levels in the world—the facestock realizes a premium appearance with a metallic luster as well as physical properties comparable with those of label materials that use nonrecycled PET film as facestock.

Label materials that use environmentally friendly hot-melt adhesives

U.S. subsidiary MACTAC AMERICAS, LLC manufactures these label materials. When adhesives that are melted through heating and then used for coating—known as hot-melt adhesives—are used in coating processes, organic solvents are not needed. Therefore, hot-melt adhesives have less environmental impact.

Window films that curb temperature increases in buildings and vehicles

Applying these films onto the entire surfaces of building or vehicle windows significantly cuts thermal energy from sunlight, which causes heat. Curbing increase in inside temperatures enhances the efficiency of air-conditioning and helps save electricity and energy. Unlike curtains or blinds, these films do not reduce brightness or impede views. Also, they lower ultraviolet light by more than 99% and prevent shattering if the window glass is broken.



Society

In continuing and expanding business activities, creating favorable relationships with all stakeholders is indispensable. The LINTEC Group is advancing initiatives with the aim of establishing employee-friendly workplaces, strengthening partnerships with customers and suppliers, and providing stable supplies of high-quality products. Further, we are actively tackling social contribution activities.

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 diversity. In the areas of recruitment and employment, the Group complies strictly with labor laws and regulations, including the prohibition of unfair discrimination, child labor, and harassment, and endeavors to promote an environment where all employees can go about their work in a positive and energized frame of mind. Every year, we conduct a Groupwide survey of human rights and working conditions. As well as checking compliance in Japan and overseas, the surveys confirm that companies are respecting basic human rights and providing safe, healthy workplaces.

We have a helpline through which employees can consult with the General Affairs & Human Resources Div. or a lawyer if they have any concerns or have witnessed illegal behavior in the workplace. Access was extended to overseas Group companies in 2015 and an English-language helpline is also available.

Employee Education

LINTEC has a Companywide training system based on rank, as human resource education programs tailored to years of continuous service and career. To foster a globally oriented workforce and advance the careers of female employees, we also run theme-specific group and correspondence courses to promote objectives such as second-language acquisition and encouraging women to take on a more active role in the workplace. We spend approximately ¥30 million on employee training and development annually. In other initiatives, the Company's intranet offers e-learning programs to increase all our employees' understanding of topics such as the environment, product quality, the business continuity management system, compliance, and CSR.

Career development training for female employees

Zero Accident Culture

Safety is the top priority in LINTEC Group plants, which are operated with the aim of preempting injuries to personnel. Our practices include risk assessment, which enables us to put safety standards in place; hazard prediction exercises; and the rigorous pursuit of our 5S* activities through various types of safety patrol. Safety and hygiene committees hold monthly meetings at all our sites in Japan and overseas to enable us to ascertain progress in our safety activities and share information. In addition, since 2017 we have held a safety conference for domestic plant safety officers for the exchange of information about each plant's initiatives. We will continue activities on multiple fronts in accordance with our zero accident culture.

*5S: Seiri (organizing), Seiton (clearing up), Seiso (cleaning), Seiketsu (cleanliness), and Shitsuke (discipline) in Japanese

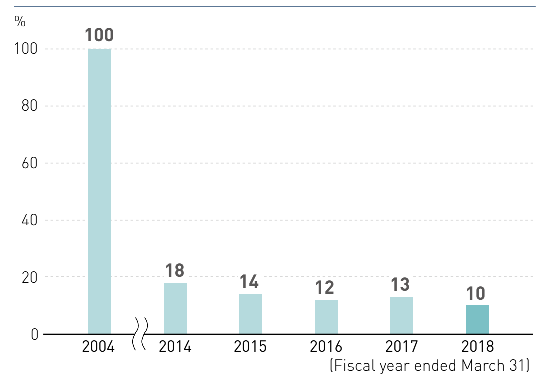
Safety inspection tour by the President

Society

Thorough Quality Management

The LINTEC Group has acquired ISO 9001:2015 certification, the international standard for quality management systems, for 19 sites in Japan and overseas. We are working to further reinforce our quality assurance system by obtaining ISO 9001:2015 for other departments and acquiring integrated certification for related sites. When comparing major quality incidents by year, the fiscal year ended March 31, 2004, is set as 100 in an index of major quality incidents. We reduced the level of the index to 10 in the fiscal year ended March 31, 2018. We construct and implement management systems that enable us to take swift action if a quality incident should occur, collecting information, analyzing causes, and taking steps to prevent recurrence. This framework is in place in Japan and overseas.

Percentage of Quality Incidents versus FY2004



Efforts toward Business Continuation

The Group is building a system that enables business operations to continue or restart quickly if struck by a disaster. All the Company's locations in Japan, subsidiaries TOKYO LINTEC KAKO, INC., and LINTEC SPECIALITY FILMS (TAIWAN), INC., have obtained certification under ISO 22301:2012, the international standard for business continuity management systems. In relation to these systems, study meetings and drills are held at all sites so that, in the event of a natural disaster or accident that disrupts business operations, we can ensure the safety of our employees and then recommence the supply of products promptly, minimizing impact on our customers and other stakeholders.

We also evaluate the business continuity capabilities of suppliers of raw materials that are critical in securing stable supplies of our products. Additionally, we request that these suppliers introduce a business continuity plan and establish a system for implementing 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 our procurement activities comply with all relevant laws and regulations and social norms. For major suppliers, we require evaluations through self-audit check sheets for assessing suppliers with respect to quality, chemical substance management, administration and services, and CSR. We periodically review our purchasing processes while maintaining and strengthening partnerships.

Social Contribution Activities

Recognizing that it is a member of society and that society and local communities support it, the LINTEC Group returns some of the profits from corporate activities to society through various social contribution activities.

LINTEC conducts a range of support activities on an annual basis for people with disabilities living in Itabashi-ku, Tokyo, where the Company's head office is located. In October 2017, we hosted a jazz concert with the aim of deepening interactions among attendees through music, regardless of whether they did or did not have a disability. An audience of approximately 500 people, comprising people with disabilities living in Itabashi and other local area residents, enjoyed the concert. In May 2018, we held our 12th professional baseball-viewing event, inviting a record 144 people, including people with disabilities and their helpers, to Tokyo Dome. We also organize blood drives and support disaster area restoration efforts.

As well as head office activities, LINTEC engages in various social contribution activities rooted in local communities, such as cleaning up around each work site, participating in and supporting local festivals, and conducting plant tours. Overseas, our subsidiaries plant trees, give donations to those in need of assistance, and provide volunteers for a range of activities. The LINTEC Group will coexist with society by continuing to engage in social contribution activities as a good corporate citizen.

Concert for members of the local community

Employees of overseas subsidiaries planting mangrove trees

The LINTEC Group's Work-Style Reform

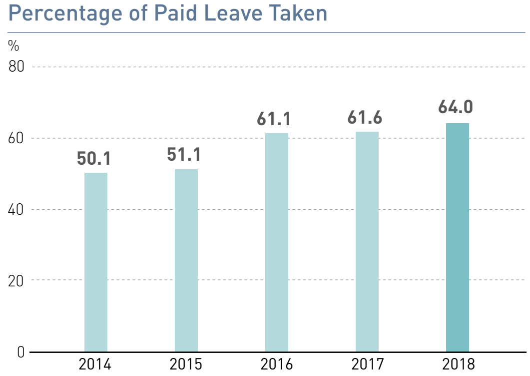
Our medium-term business plan, LIP-2019, sets out *promotion of work-style reforms, fostering of diverse human resources and encouragement of their active participation in the workplace* as a key initiative. Accordingly, we are creating workplaces that are more amenable to all employees' needs and enhancing labor productivity.

Realization of Work–Life Balance

At the LINTEC, we are establishing conditions and systems to allow every employee to work with vigor and enthusiasm. As part of these efforts, we are ensuring that employees, including managers, avoid working long hours. Further, in the fiscal year ended March 31, 2016, to encourage employees to take paid leave we introduced a planned vacation system that requires employees to designate in advance certain days that they will take as paid leave. As a result, employees took 64% of their paid leave in the fiscal year ended March 31, 2018, compared with 51% in the fiscal year ended March 31, 2015, before the system's introduction. Further, in 2016 we increased the number of days available for family care leave and lengthened the period for which employees can work shorter hours due to family care commitments. Also, we increased the age range of children in relation to whom employees are eligible to work fewer hours due to childcare commitments. In the current fiscal year, we have increased the salaries of junior employees and retirement benefits and revised employment regulations to increase the accumulation of unused paid leave days and relax the requirements for taking them.

Training to help employees balance work and family care commitments

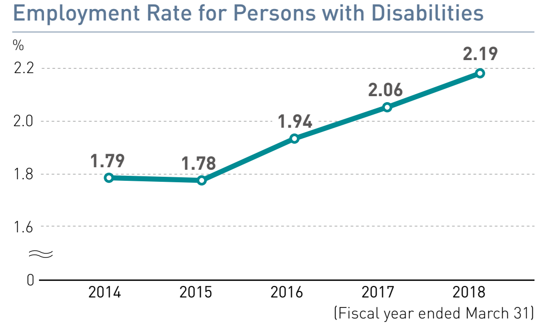
Percentage of Paid Leave Taken



Initiatives for Diversity

As part of efforts for encouraging women to take on a more active role in the workplace, we are changing their mind-sets as well as those of all employees through a range of training programs for female employees and managers. Also, we have introduced a "job return" program for rehiring people who can readily contribute to operations after resigning for personal reasons such as childbirth, nursing care of a family member, or a spouse's transfer to a different location. Further, we have established a system that reemploys employees and enables them to work beyond the mandatory retirement age of 60 and up to the age of 65 based on one-year contracts. Also, we are considering raising the retirement age to 65. Other initiatives include increasing the percentage of people with disabilities that we employ through measures such as improvements to on-site facilities as required. In the fiscal year ended March 31, 2018, people with disabilities accounted for 2.19% of LINTEC's employees, compared with the legally mandated 2.0%.

Employment Rate for Persons with Disabilities



Diversity Committee

In 2013, we established the Women's Active Participation Promotion Committee as a Companywide cross-sectional organization tasked with advancing the careers of women and helping them balance work and family commitments. In 2016, we changed its name to the Diversity Committee. Aiming to help employees balance work and family care commitments, this committee has created a family care support handbook and conducts related training for respective workplaces' managers in collaboration with the Human Resources Dept. Through such initiatives as supporting employees suffering from injuries or illnesses, the committee will consider and implement a variety of measures aimed at career advancement and creation of employee-friendly workplaces for a wider, more diverse range of employees.

Our family care support handbook

Governance

Basic Philosophy

The Group 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 15 directors, of whom 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. P.42 Diagram A

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 audit 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. P.42 Diagram B

• Evaluation of Board of Directors' effectiveness

In April 2018, the Company conducted an evaluation of the effectiveness of the Board of Directors. Details are as follows.

Overview

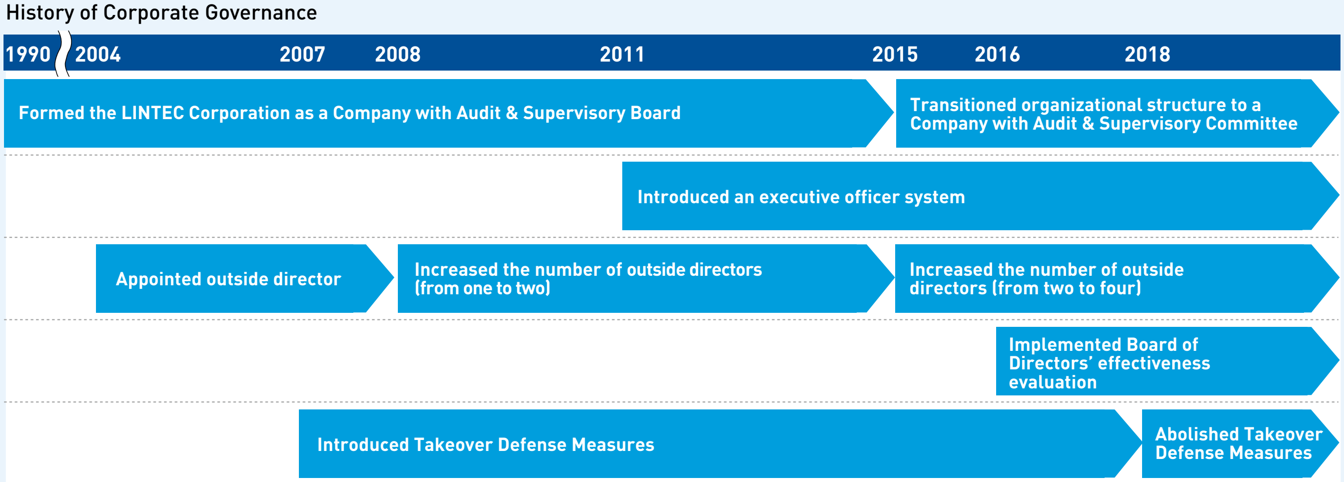
Based on the principles of Japan's Corporate Governance Code, all directors filled out a survey on matters such as the structure and operation of the Board of Directors, which included some open-ended questions. The results of these surveys were analyzed by

Corporate Governance System

Organizational Structure	Company with Audit & Supervisory Committee
Number of Directors (Number of Outside Directors)	15 (4)
Number of Audit & Supervisory Committee Members (Number of Outside Directors)	4 (3)

Number of Independent Officers	2
Directors' Term of Office	One year
Board of Directors' Meetings in FY2018	Number of meetings: 14
Adoption of an Executive Officer System	Yes
Takeover Defense Measures	None
Accounting Auditors	Ernst & Young ShinNihon LLC

History of Corporate Governance



representative directors, and a final evaluation was received from outside directors, who are independent officers of the Company. In this final evaluation, outside directors stated that the survey questions and method were rational overall considering efforts to revise survey content each year and other matters. Their evaluation also confirmed that the approach of using a PDCA cycle* in which measures for the following year are examined based on survey responses was a reliable means of ensuring the effectiveness of the Board of Directors. Further, although replies from respective directors provided positive evaluations of the Board of Directors, there were recommendations and observations, including those regarding points for future improvement. Outside directors stated that such recommendations and observations provided a reference in pursuing the Board of Directors' ideal state and requested the consideration of measures in light of the said recommendations and observations going forward. Based on this feedback, we will take steps to develop an environment that facilitates improved Board of Directors' effectiveness.

* PDCA cycle: This approach continuously improves processes through the repetition of a cycle of activities comprising four phases: namely plan, do, check, and act.

• 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 training sessions 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

The following is an explanation of the 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 the system to ensure the appropriateness of the execution of other business.

• 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, and internal rules and regulations. The results of those audits are regularly reported to the Board of 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

Governance

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.

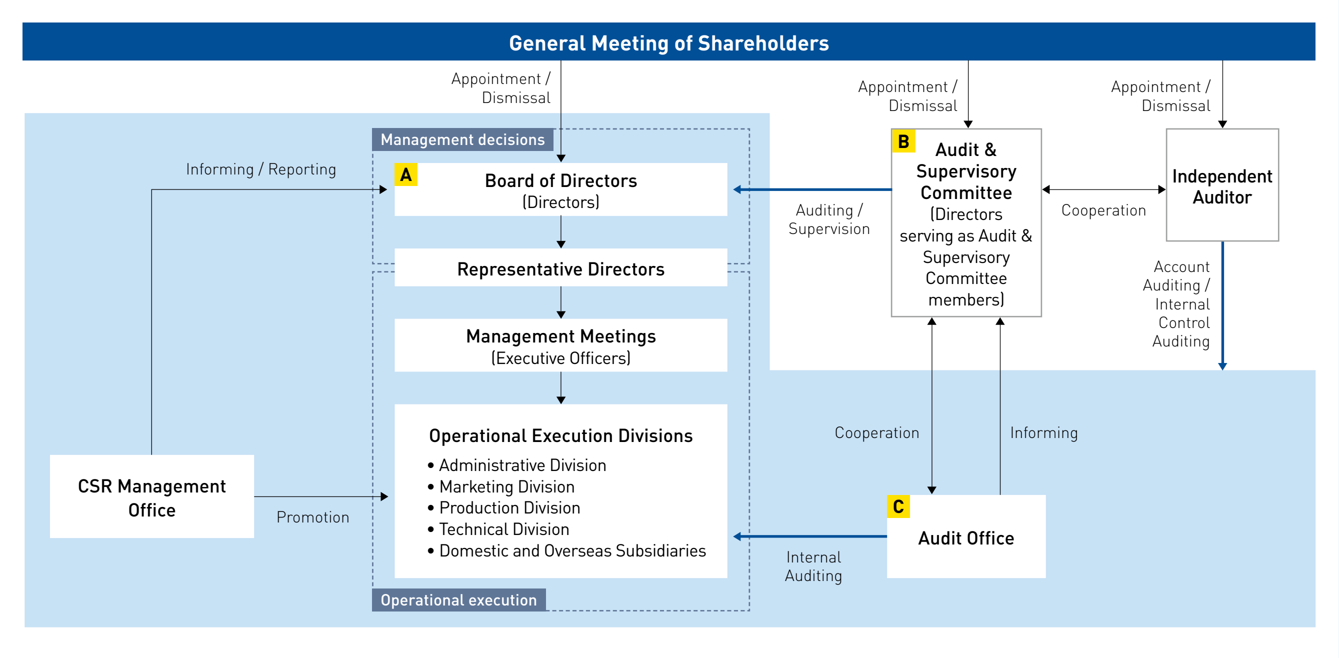
• Matters relating to the employees who are tasked to assist the duties of the Audit & Supervisory Committee, matters relating to the independence of said employees from directors, and matters relating to ensuring the effectiveness of Audit & Supervisory Committee instructions with respect to said employees

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 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.

Corporate Governance Organization Chart



- **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, 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 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 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 Kazumori Fukushima, 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. P.42 Diagram C

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 their duties by stating opinions and participating in resolutions through their voting rights.

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

Outside Directors

1. Outside Directors

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

Name	Human, Financial, and Business Relationships and Other Shared Interests between the Outside Directors and the Company	Reason for Appointment
Kazumori Fukushima	There are no particular shared interests between the Company and Kazumori Fukushima, but Nippon Paper Industries Co., Ltd., where he serves as a managing executive officer, is a major trading partner of the Company, which purchased ¥2,197 million worth of raw materials from and sold ¥21 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2018). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (30.12% of the total number of Company shares outstanding excluding treasury stock) on March 31, 2018.	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 production and sales divisions, Kazumori Fukushima is able to strengthen the Company's Board of Directors' supervisory function. Therefore, he has been appointed as an outside director.
Toru Nozawa	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 a management executive officer, is a major trading partner of the Company, which purchased ¥2,197 million worth of raw materials from and sold ¥21 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2018). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (30.12% of the total number of Company shares outstanding excluding treasury stock) on March 31, 2018.	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 strengthen the audit and supervisory functions of the Company's Board of Directors. Therefore, he has been appointed as a director serving as an Audit & Supervisory Committee member.
Satoshi Ohoka	There are no particular shared interests between the Company and Satoshi Ohoka.	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 strengthen the audit and supervisory functions of the Company's Board of Directors. Therefore, he has been appointed as 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).
Kanako Osawa	There are no particular shared interests between the Company and Kanako Osawa.	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 strengthen the audit and supervisory functions of the Company's Board of Directors. Therefore, she has been appointed as a director serving as an Audit & Supervisory Committee member. She is also designated as an independent director based on the criteria stipulated by TSE.

2. 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.

3. 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)	451	338	21	90	13
Directors (Audit & Supervisory Committee members) (excluding outside directors)	19	19	—	—	2
Outside officers	20	20	—	—	5

2. Policy Regarding Decisions on Amounts of Director Remuneration

• Remuneration of directors (excluding Audit & Supervisory Committee members)

This consists of the following.

(1) Basic remuneration

• Comprising a 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

(2) Bonuses
- Short-term incentives (remuneration linked to business performance) paid in amounts adjusted based on consolidated business results, the total amount paid not exceeding ¥150 million

(3) Stock options
- Long-term incentives provided together with the director shareholding association

• Remuneration of directors (Audit & Supervisory Committee members)

This is discussed and decided by members of 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.

Further, the General Meeting of Shareholders held on June 21, 2018, approved a resolution to replace share subscription rights, which were provided as stock options, and contributions to the director shareholding association, which were included in basic remuneration, with the new allotment of restricted stocks for the purpose of providing a long-term incentive to directors (excluding outside directors and Audit & Supervisory Committee members). Beginning from the said General Meeting of Shareholders, the Policy Regarding Decisions on Amounts of Director Remuneration is as follows.

• Remuneration of directors (excluding Audit & Supervisory Committee members)

This consists of the following.

(1) Basic remuneration
- A fixed amount determined based on rank, the total amount paid not exceeding ¥420 million

(2) Bonuses
- No change in the current policy

(3) Restricted stocks
- Long-term incentives to contribute to increasing the Company's corporate value and share price provided by the allotment of restricted stocks, the total amount paid not exceeding ¥60 million

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.

• Remuneration of outside directors (excluding Audit & Supervisory Committee members)

This is decided by the Board of Directors 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.

• Remuneration of directors (Audit & Supervisory Committee members)

No change in the current policy

Takeover Defense Measures

The Company abolished its Rules of Large-Scale Purchase of its shares based on its Basic Policies related to the Company's ownership control upon the expiry of the validity of the policy, which was at the conclusion of the 124th Annual General Meeting of Shareholders held on June 21, 2018. At the same time, the Company abolished its Basic Policies related to the Company's ownership control. Nevertheless, after the expiration of the effective period of that policy, the Company will continue to promote initiatives to protect its corporate value and the common interests of its shareholders. From that perspective, it will request that persons who are engaging in or aim to engage in large-scale purchase provide necessary and sufficient information to allow the shareholders to appropriately determine the pros and cons of the large-scale purchase in accordance with relevant laws and regulations. At the same time, the Company will disclose the opinions of the Board of Directors and endeavor to secure necessary time and information for the shareholders to consider such large-scale purchase. Further, if it is rationally judged that there is a risk of damage to the Company's corporate value and the common interests of shareholders unless timely defensive measures are implemented to address a large-scale purchase, the Company will endeavor to secure its corporate value and the common interests of its shareholders, as an obvious obligation of the Board of Directors entrusted with management of the Company by its shareholders, by promptly deciding the content of the concrete measures deemed most appropriate at the time in accordance with the relevant laws and regulations and executing such measures.

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 business partners are held strategically 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.

Stockholdings

Stocks held for purposes other than pure investment

Number of issues: 43 issues

Total amounts recorded on balance sheet: ¥2,185 million

Fiscal Year under Review—Specific Investment Shares

Top 10 issues	Number of shares (Thousands)	Amounts recorded on balance sheet (Millions of yen)	Purpose of holding
Toray Industries, Inc.	1,160	1,167	To strengthen business relationships
Fujipream Corporation	936	361	Same as above
Mitsubishi UFJ Financial Group, Inc.	159	111	Same as above
Soken Chemical & Engineering Co., Ltd.	35	92	Same as above
KING JIM CO., LTD.	76	78	Same as above
IMURA ENVELOPE CO., INC.	100	52	Same as above
Mizuho Financial Group, Inc.	206	39	Same as above
OZU CORPORATION	15	35	Same as above
Arisawa Mfg. Co., Ltd.	35	34	Same as above
ASAHI PRINTING CO., LTD.	27	34	Same as above

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, 2018, we held meetings with more than 150 domestic and overseas institutional investors and analysts.

(2) The Public Relations Office, Finance & Accounting Dept., General Affairs & Legal Dept., 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, facility tours, business explanatory forums, and Company briefings for individual investors. In the fiscal year ended March 31, 2018, the Company participated in a total of three IR conferences held in Tokyo. 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 on 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.

Aiming to strengthen governance, I will continue providing candid opinions based on an objective perspective.

Kanako Osawa

Outside Director,
Audit & Supervisory Committee Member

The Board of Directors

I became an outside director of the Company three years ago. My impression of Board of Directors' meetings is that statements and discussions have become more vigorous than they were directly after my appointment. The different operational attributes and types of specialization that LINTEC's wide variety of business fields require can make it challenging to understand the Company based only on participation in meetings of the Board. To further my understanding, I attend monthly management meetings, which executive officers also attend. Meanwhile, at meetings of the Board I make a point of stating candid opinions and asking questions from the perspective of a non-specialist, which I believe provides opportunities for deepening discussions.

Every year, the effectiveness of the Board is evaluated through a questionnaire survey of directors concerning the composition and management of the Board. In this regard, I also give an evaluation in my capacity as an independent outside director. I think that the plan–do–check–act (PDCA) cycle, whereby the Board considers measures for the coming fiscal year in light of the questionnaire survey's results, is a sound way of ensuring the effectiveness of the Board. In addition, the Company devises different questions each year. Recently, I have a real sense that the questionnaire has become extremely meaningful because it has encouraged proactive discussions regarding such issues as corporate social responsibility (CSR) and the Sustainable Development Goals (SDGs).

Initiatives for Corporate Value Enhancement

LINTEC's recent initiatives with respect to corporate governance include revision of the system for remuneration of corporate officers and abolition of takeover defense measures (Rules of Large-Scale Purchase of the Company's shares). The former initiative promotes ownership of the Company's shares by directors with the aim of heightening their motivation to increase the share price and enhance corporate value by giving directors and shareholders a common interest in share price changes. The recent General Meeting of Shareholders approved this revision. As for the latter initiative, the Board decided to abolish takeover defense measures upon the expiry of their validity in June. The Board reached this decision after carefully examining risks and merits, as well as the persuasiveness of their respective premises, and after taking into consideration the opinions of shareholders and investors and changes in the external environment. In my view, both initiatives are consistent with the interests of shareholders and directors and will contribute to the enhancement of LINTEC's corporate value over the long term.

On the other hand, the Company faces tasks going forward. This June saw the revision of Japan's Corporate Governance Code. The code calls for increases in detail, objectivity, and transparency with respect to reductions in capital tie-up shares and appointments and dismissals of CEOs. With this trend seeming likely to continue, I feel that it will be necessary to deepen discussions even further in the future.

Also, in recent years LINTEC has been accelerating the globalization of operations. For example, it acquired three companies in Europe and the United States in 2016. As organizations become larger, it inevitably becomes more difficult for governance to reach and cover every part of them. In Japan, internal control is functioning adequately under the Audit Office. However, the Company needs to create systems with the aim of strengthening Groupwide governance. In such efforts, LINTEC should coordinate with regional headquarters, including LINTEC USA HOLDING, INC., in the United States and LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED in Singapore. Drawing on my experience and knowledge as an attorney, I would like to help LINTEC steadily accomplish each one of these tasks and achieve sustained development.

Corporate Officers

As of June 21, 2018

Representative Director, Chairman and CEO

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

Mar. 1967 Joined the Company
Apr. 1994 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)

Directors, Managing Executive Officers

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

Apr. 1980 Joined the Company
Apr. 2014 Executive Officer, Executive General Manager, Advanced Materials Operations, Business Administration Div.
Apr. 2017 Director, Managing Executive Officer, Executive General Manager, Business Administration Div. (current position)

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

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

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

Apr. 1976 Joined the Company
Jun. 2011 Executive Officer, Executive General Manager, Fine & Specialty Paper Products Operations, Business Administration Div. and in charge of Converted Products Operations
Apr. 2017 Director, Managing Executive Officer, Deputy Executive General Manager, 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. 2017 Director, Managing Executive Officer, Executive 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, Executive General Manager, General Affairs & Human Resources Div., General Manager, General Affairs & Legal Dept. and Human Resources Dept.
Jun. 2015 Director, Managing Executive Officer, Executive General Manager, General Affairs & Human Resources Div. (current position)

Directors, Executive Officers

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

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

Junichi Nishikawa (Date of Birth: Sep. 12, 1955)

Apr. 1978 Joined the Company
Apr. 2013 Executive Officer, Plant Manager and Manager, Fine & Specialty Paper Production Dept., Kumagaya Plant, Production Div.
Jun. 2017 Director, Executive Officer, Deputy Executive General Manager, Production Div. and Plant Manager, Kumagaya Plant (current position)

Takehiko Wakasa (Date of Birth: Jun. 23, 1956)

Apr. 1980 Joined the Company
Apr. 2013 Executive Officer, Plant Manager, Chiba Plant, Production Div.
Jun. 2017 Director, Executive Officer, Deputy Executive General Manager, Production Div. and Plant Manager, Tatsuno Plant (current position)

Outside Director

Kazumori Fukushima (Date of Birth: Feb. 12, 1958)

Apr. 1980 Joined Sanyo-Kokusaku Pulp Co., Ltd.
Apr. 2013 Executive Officer, General Manager, Kushiro Mill, Nippon Paper Industries Co., Ltd.
Jun. 2017 Managing Executive Officer, General Manager, Business Communication & Industrial Paper Sales Div., Nippon Paper Industries Co., Ltd. (current position)
Jun. 2017 Outside Director of the Company (current position)

Director / Audit & Supervisory Committee Member

Hiroshi Okada (Date of Birth: Aug. 25, 1954)

Apr. 1979 Joined the Company
Oct. 2012 General Manager, Audit Office
Jun. 2017 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. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)
Jun. 2017 Director, Managing Executive Officer, General Manager, Corporate Planning Div. and in charge of Subsidiaries and Affiliated Companies, Nippon Paper Industries Co., Ltd. (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. 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, the United States
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)

Executive Officers

Toru Onishi

Plant Manager, Mishima Plant, Production Div.

Norio Murata

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

Shigeru Uematsu

General Manager, Public Relations Office

Yutaka Iwasaki

Executive General Manager, Converted Products Operations, Business Administration Div.

Masahiro Oshima

President, LINTEC USA HOLDING, INC.

Sumio Morimoto

President, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED

Tatsuya Tsukida

Executive General Manager, Research & Development Div. and General Manager, Research Center

Toshimi Sugaya

Executive General Manager, Fine & Specialty Paper Products Operations, Business Administration Div. and General Manager, Fine & Specialty Paper Sales Dept.

Hiroyuki Matsuo

Plant Manager, Agatsuma Plant, Production Div.

Takeshi Kaiya

Executive General Manager, Advanced Materials Operations, Business Administration Div.

Masaaki Yoshitake

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

Yoichi Shibano

CFO, Executive General Manager, Administration Div. and General Manager, Finance & Accounting Dept.

Naoshi Nishikado

General Manager, Corporate Strategic Office

FINANCIAL SECTION

Management's Discussion and Analysis

Revenues and Expenses

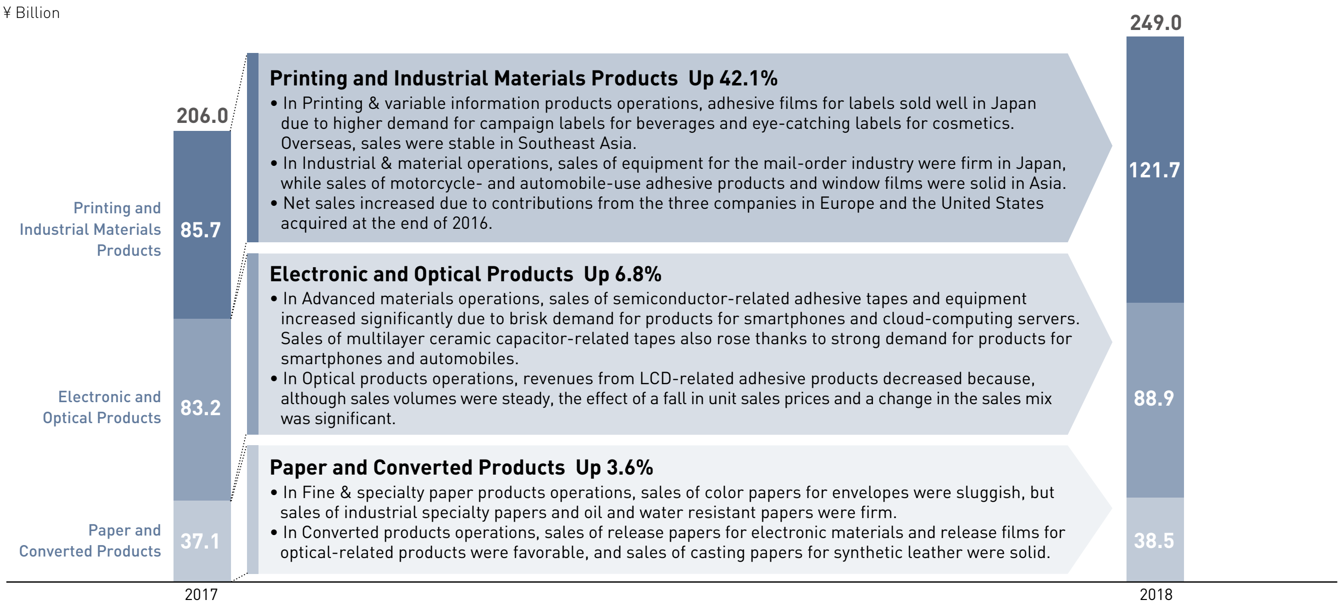
In the fiscal year under review, consolidated net sales increased 20.9% year on year, to ¥249.0 billion, due to the three companies in Europe and the United States that were acquired at the end of 2016 and a favorable performance by businesses related to semiconductors and electronic components.

Although net sales increased 20.9%, gross profit rose 18.8% year on year, to ¥62.8 billion, due to an increase in fuel and raw material prices. Operating income was up 21.1% year on year, to ¥20.1 billion, as growth in sales volume and cost reduction effects outweighed the amortization of goodwill of subsidiaries that the Company acquired.

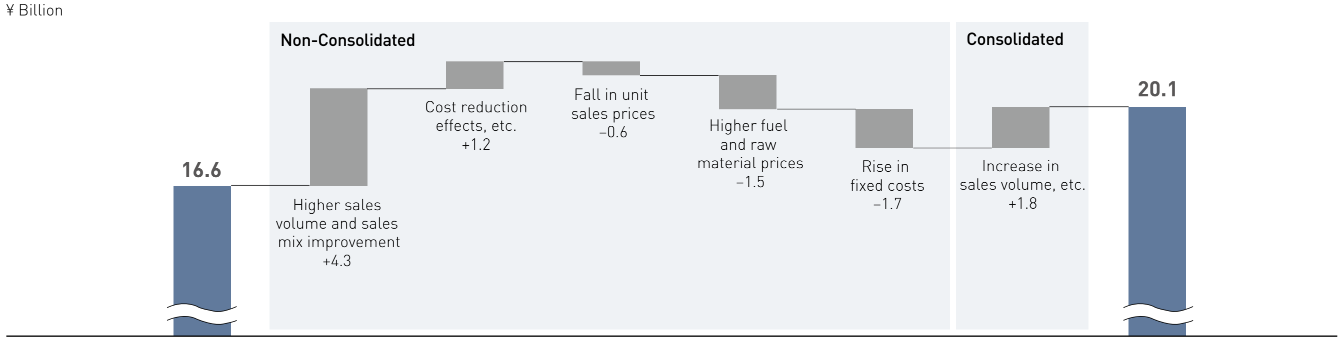
Profit before income taxes rose 8.2% year on year, to ¥16.7 billion, reflecting the recording in extraordinary loss of provision for business structure improvement and goodwill impairment loss, both of which were related to U.S. subsidiaries. Income taxes following the application of tax effect accounting increased 31.6% year on year, to ¥5.5 billion, due to the absence of the previous fiscal year's positive tax effect. Profit attributable to owners of parent declined 1.7%, to ¥11.3 billion.

Net income per share decreased from ¥158.69 in the previous fiscal year to ¥156.02, and ROE declined from 6.6% to 6.2%.

Net Sales by Segment



Operating Income Factor Analysis



Financial Position

Assets

Total assets as of March 31, 2018, were ¥292.7 billion, an increase of ¥18.5 billion from the end of the previous fiscal year. The main changes were as follows:

• Cash and deposits	+¥13.6 billion
• Trade notes and accounts receivable	+¥5.8 billion
• Inventories	+¥3.9 billion
• Property, plant and equipment	+¥1.5 billion
• Goodwill	–¥5.4 billion

Liabilities

Total liabilities as of March 31, 2018, were ¥106.3 billion, an increase of ¥10.8 billion from the end of the previous fiscal year. The main changes were as follows:

• Trade notes and accounts payable	+¥9.6 billion
• Short-term loans payable	+¥1.7 billion
• Long-term loans payable	–¥3.4 billion

Net Assets

Net assets as of March 31, 2018, were ¥186.4 billion, an increase of ¥7.7 billion from the end of the previous fiscal year. The main changes were as follows:

• Retained earnings	+¥6.5 billion
• Foreign currency translation adjustments	+¥1.2 billion

Cash Flows

Cash and cash equivalents as of March 31, 2018, amounted to ¥55.0 billion, an increase of ¥13.8 billion year on year.

Cash Flows from Operating Activities

Cash flows from operating activities increased ¥2.5 billion year on year, to a cash inflow of ¥26.8 billion. The principal movements were as follows:

• Profit before income taxes	+¥1.3 billion
• Depreciation and amortization	+¥1.6 billion
• Amortization of goodwill	+¥3.1 billion
• Trade notes and accounts receivable	–¥3.7 billion
• Inventories	–¥4.5 billion
• Trade notes and accounts payable	+¥5.5 billion
• Impairment loss	+¥1.0 billion

Cash Flows from Investing Activities

Cash flows from investing activities increased ¥40.8 billion year on year, to a cash outflow of ¥7.5 billion. The principal movements were as follows:

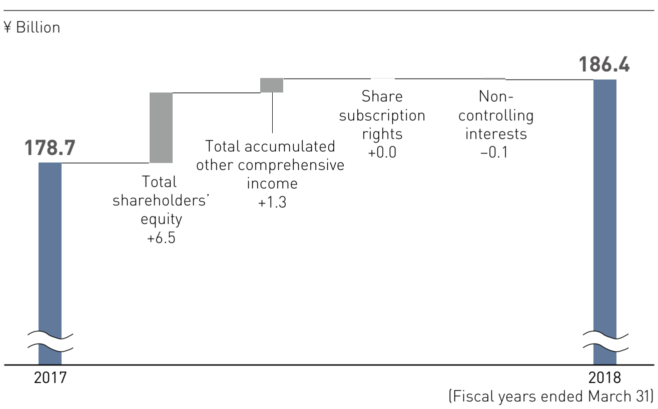
• Payments into time deposit	+¥3.3 billion
• Proceeds from withdrawal of time deposits	–¥4.1 billion
• Purchase of property, plant and equipment	+¥5.0 billion
• Purchase of shares and membership interests of subsidiaries resulting in change in scope of consolidation	+¥36.6 billion

Cash Flows from Financing Activities

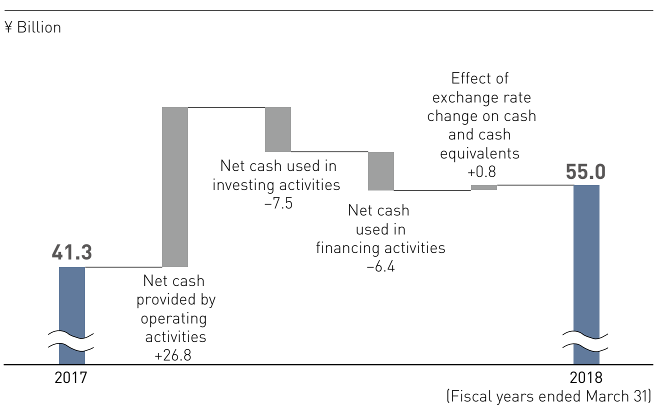
Cash flows from financing activities decreased ¥11.6 billion year on year, to a cash outflow of ¥6.4 billion. The principal movements were as follows:

• Short-term loans payable	+¥3.4 billion
• Proceeds from long-term loans payable	–¥20.9 billion
• Repayments of long-term loans payable	+¥6.2 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 electronics-related products business. Future market 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

	2018	2017	2016	2015
For the year:				
Net sales	¥ 249,030	¥205,975	¥210,501	¥207,255
Operating income	20,095	16,595	17,692	16,881
% of net sales	8.1%	8.1%	8.4%	8.1%
Profit before income taxes	16,666	15,398	16,799	17,555
Profit attributable to owners of parent	11,257	11,450	10,899	11,659
Return on equity	6.2%	6.6%	6.4%	7.2%
Return on assets	6.5%	6.1%	7.4%	7.8%
Per share data (yen):				
Net income	¥ 156.02	¥ 158.69	¥ 151.07	¥ 161.63
Net assets	2,573.69	2,465.43	2,370.49	2,363.81
Cash dividends	66.00	66.00	54.00	48.00
Depreciation and amortization	¥ 9,031	¥ 7,466	¥ 8,800	¥ 8,713
Purchase of property, plant and equipment	(8,084)	(13,049)	(9,810)	(6,299)
Net cash provided by operating activities	26,819	24,361	19,928	15,485
Net cash used in investing activities	(7,532)	(48,378)	(9,898)	(5,104)
Net cash provided by (used in) financing activities	(6,363)	5,257	(4,044)	(3,135)
At year-end:				
Current assets	¥175,077	¥151,449	¥163,647	¥163,017
Current liabilities	77,858	64,401	56,389	57,058
Working capital	97,218	87,048	107,258	105,958
Cash and cash equivalents	55,042	41,284	60,323	56,050
Property, plant and equipment, net	75,336	73,871	64,859	61,503
Long-term debt, less current portion	14,395	17,795	—	—
% of shareholders' equity	8.0%	10.3%	—	—
Total assets	292,735	274,199	240,720	237,444
Net assets	186,420	178,690	172,101	171,674
% of total assets	63.4%	64.9%	71.1%	71.8%
Number of shares outstanding	76,564,240	76,564,240	76,564,240	76,564,240
Number of employees	4,794	4,760	4,246	4,413
Segment information:				
Net sales:				
Printing and Industrial Materials Products	¥121,691	¥85,721	¥88,100	¥86,826
Electronic and Optical Products	88,882	83,278	85,895	83,281
Paper and Converted Products	38,456	52,632	54,576	54,564
Segment income:				
Printing and Industrial Materials Products	3,040	1,672	2,785	2,878
Electronic and Optical Products	11,972	9,155	10,562	10,071
Paper and Converted Products	4,996	5,767	4,303	3,996

(Supplementary information)
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.

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

2014	2013	2012	2011	2010	2009
¥203,242	¥190,844	¥200,905	¥212,733	¥189,348	¥194,901
13,766	10,564	13,975	20,889	11,576	8,498
6.8%	5.5%	7.0%	9.8%	6.1%	4.4%
12,883	10,836	13,382	19,565	11,399	5,215
8,501	7,681	8,648	13,622	7,284	3,391
5.8%	5.6%	6.6%	10.9%	6.2%	2.9%
6.0%	5.2%	6.5%	9.7%	6.1%	3.0%
¥ 114.22	¥ 102.83	¥ 115.26	¥ 180.21	¥ 96.36	¥ 44.86
2,100.87	1,909.57	1,766.60	1,715.78	1,596.37	1,497.58
42.00	34.00	40.00	40.00	24.00	20.00
¥10,055	¥ 10,141	¥ 10,079	¥10,178	¥10,537	¥11,286
(5,508)	(13,823)	(8,760)	(8,237)	(7,777)	(9,584)
16,309	19,619	18,910	23,307	22,259	12,979
(6,952)	(13,966)	(12,262)	(9,926)	(9,253)	(9,752)
(8,020)	(2,877)	(5,099)	(2,820)	(3,454)	(2,300)
¥149,396	¥138,505	¥137,229	¥132,891	¥121,451	¥ 95,937
54,820	56,911	62,075	60,465	58,654	43,655
94,575	81,593	75,153	72,426	62,797	52,282
44,992	40,739	36,036	35,188	25,387	15,370
61,456	64,915	62,273	61,888	63,337	67,010
—	—	—	—	54	107
—	—	—	—	0.0%	0.1%
225,073	216,048	210,203	206,188	195,656	172,854
152,610	143,569	132,847	130,576	121,502	113,930
67.3%	66.0%	62.8%	62.9%	61.7%	65.5%
76,564,240	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240
4,223	4,270	4,286	4,198	4,037	3,987
¥86,310	¥82,785	¥90,143	¥91,936	—	—
79,143	72,372	73,925	81,193	—	—
52,781	52,061	53,225	55,317	—	—
2,290	2,380	5,213	7,990	—	—
6,846	3,196	3,942	6,732	—	—
4,645	4,980	4,846	6,129	—	—

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2018 and 2017

ASSETS	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current assets:			
Cash and deposits (Notes 12, 14)	¥ 58,614	¥ 45,060	$ 551,721
Trade notes and accounts receivable (Notes 5, 14)	72,590	66,801	683,269
Inventories (Note 3)	38,506	34,584	362,443
Deferred tax assets (Note 19)	1,483	1,614	13,962
Other (Notes 14, 16)	3,991	3,503	37,573
Allowance for doubtful accounts	(109)	(114)	(1,028)
Total current assets	175,077	151,449	1,647,941
Non-current assets:			
Property, plant and equipment (Notes 4, 8, 9, 13):			
Buildings and structures	73,701	71,545	693,725
Machinery, equipment and vehicles	125,066	124,185	1,177,203
Land	11,083	11,057	104,326
Construction in progress	5,087	2,163	47,891
Other	12,548	12,511	118,111
	227,487	221,463	2,141,257
Accumulated depreciation	(152,150)	(147,592)	(1,432,143)
Property, plant and equipment, net	75,336	73,871	709,114
Intangible assets:			
Goodwill	29,189	34,558	274,745
Other (Note 13)	3,285	4,000	30,929
Total intangible assets	32,474	38,559	305,675
Investments and other assets:			
Investment securities (Notes 14, 15)	2,743	3,102	25,824
Deferred tax assets (Note 19)	5,047	5,063	47,514
Other	2,153	2,256	20,270
Allowance for doubtful accounts	(98)	(105)	(923)
Total investments and other assets	9,846	10,318	92,686
Total non-current assets	117,658	122,749	1,107,476
Total assets	¥ 292,735	¥ 274,199	$ 2,755,417

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

LIABILITIES AND NET ASSETS	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 1) 2018
Current liabilities:			
Trade notes and accounts payable (Notes 5, 14)	¥ 54,678	¥ 45,057	$ 514,673
Short-term loans payable (Notes 14, 26)	2,351	641	22,129
Current portion of long-term loans payable (Notes 14, 16, 26)	2,986	3,051	28,109
Accrued income taxes (Notes 14, 19)	2,889	3,098	27,200
Provision for directors' bonuses	89	90	846
Provision for business structure improvement	39	—	367
Other (Notes 14, 16, 26)	14,823	12,460	139,527
Total current liabilities	77,858	64,401	732,854
Non-current liabilities:			
Long-term loans payable (Notes 14, 16, 26)	14,395	17,795	135,497
Provision for environmental measures	132	135	1,243
Net defined benefit liability (Note 17)	13,006	12,362	122,422
Other (Note 26)	922	814	8,685
Total non-current liabilities	28,456	31,107	267,849
Total liabilities	106,314	95,508	1,000,704
Commitments and contingent liabilities (Note 2)			
Net assets:			
Shareholders' equity (Note 25):			
Common stock:			
Authorized: 300,000,000 shares in 2018 and 2017			
Issued: 76,564,240 shares in 2018 and 2017	23,201	23,201	218,385
Capital surplus	26,829	26,829	252,532
Retained earnings	137,743	131,247	1,296,526
Less: treasury stock, at cost:			
4,410,239 shares in 2018 and 4,412,515 shares in 2017	(7,711)	(7,714)	(72,581)
Total shareholders' equity	180,062	173,563	1,694,864
Accumulated other comprehensive income			
Net unrealized holding gain on securities	657	775	6,188
Foreign currency translation adjustments	8,139	6,938	76,615
Remeasurements of defined benefit plans (Note 17)	(3,157)	(3,392)	(29,718)
Total accumulated other comprehensive income	5,639	4,320	53,085
Share subscription rights (Note 18)	214	186	2,022
Non-controlling interests	503	619	4,740
Total net assets	186,420	178,690	1,754,713
Total liabilities and net assets	¥292,735	¥274,199	$2,755,417

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Net sales	**¥249,030**	¥205,975	**$2,344,033**
Cost of sales	**186,206**	153,115	**1,752,699**
Gross profit	**62,823**	52,859	**591,333**
Selling, general and administrative expenses (Notes 6, 7)	**42,727**	36,264	**402,182**
Operating income	**20,095**	16,595	**189,151**
Non-operating income:			
Interest income	**220**	218	**2,071**
Dividend income	**272**	91	**2,565**
Rent income	**16**	43	**150**
Gain on sales of non-current assets	**61**	20	**575**
Insurance income	**10**	226	**94**
Other income	**266**	274	**2,510**
Total non-operating income	**846**	875	**7,967**
Non-operating expenses:			
Interest expenses	**226**	73	**2,134**
Loss on retirement of non-current assets	**730**	785	**6,871**
Compensation expenses	**128**	107	**1,214**
Foreign exchange losses	**1,012**	473	**9,532**
Other expenses	**454**	345	**4,274**
Total non-operating expenses	**2,552**	1,786	**24,027**
Ordinary income	**18,389**	15,684	**173,092**
Extraordinary gain:			
Gain on sales of investment securities (Note 15)	**343**	190	**3,233**
Gain on sales of non-current assets (Note 8)	**—**	121	**—**
Gain on liquidation of subsidiaries	**—**	17	**—**
Total extraordinary gain	**343**	329	**3,233**
Extraordinary loss:			
Impairment loss (Note 9)	**1,041**	34	**9,804**
Provision for business structure improvement (Note 10)	**1,024**	—	**9,642**
Loss on liquidation of subsidiaries	**—**	568	**—**
Loss on sales of investment securities (Note 15)	**—**	13	**—**
Total extraordinary losses	**2,066**	615	**19,447**
Profit before income taxes	**16,666**	15,398	**156,879**
Income taxes (Note 19):			
Current	**5,410**	5,383	**50,924**
Deferred	**107**	(1,191)	**1,011**
Total income taxes	**5,517**	4,192	**51,935**
Profit	**11,149**	11,206	**104,943**
Profit (loss) attributable to non-controlling interests	**(108)**	(244)	**(1,017)**
Profit attributable to owners of parent (Note 25)	**¥ 11,257**	¥ 11,450	**$ 105,960**

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	**2018**
Profit	**¥11,149**	¥11,206	**$104,943**
Other comprehensive income (Note 11)			
Net unrealized holding gain on securities	**(117)**	73	**(1,108)**
Foreign currency translation adjustments	**1,194**	(907)	**11,240**
Remeasurements of defined benefit plans (Note 17)	**234**	118	**2,211**
Total other comprehensive income	**1,311**	(716)	**12,343**
Comprehensive income	**¥12,460**	¥10,489	**$117,286**
(Comprehensive income attributable to:)			
Owners of parent	**12,576**	10,765	**118,375**
Non-controlling interests	**(115)**	(275)	**(1,088)**

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, 2018 and 2017

	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, 2016	76,564	¥23,201	¥26,829	¥123,713	¥(7,712)	¥166,032	¥ 701	¥7,812	¥(3,509)	¥5,005	¥169	¥ 895	¥172,101
Changes during the year:													
Cash dividends				(4,329)		(4,329)							(4,329)
Profit attributable to owners of parent				11,450		11,450							11,450
Purchase of treasury stock					(2)	(2)							(2)
Disposal of treasury stock			0		0	0							0
Change of scope of consolidation				413		413							413
Net changes in items other than shareholders' equity							73	(874)	116	(684)	17	(275)	(942)
Total changes during the year	—	—	0	7,533	(2)	7,531	73	(874)	116	(684)	17	(275)	6,589
Balance as at March 31, 2017	76,564	¥23,201	¥26,829	¥131,247	¥(7,714)	¥173,563	¥ 775	¥6,938	¥(3,392)	¥4,320	¥186	¥ 619	¥178,690
Changes during the year:													
Cash dividends				**(4,762)**		**(4,762)**							**(4,762)**
Profit attributable to owners of parent				**11,257**		**11,257**							**11,257**
Purchase of treasury stock					**(1)**	**(1)**							**(1)**
Disposal of treasury stock			**(0)**		**4**	**4**							**4**
Change of scope of consolidation						**—**							**—**
Net changes in items other than shareholders' equity							**(117)**	**1,201**	**235**	**1,318**	**28**	**(115)**	**1,231**
Total changes during the year	**—**	**—**	**(0)**	**6,495**	**3**	**6,498**	**(117)**	**1,201**	**235**	**1,318**	**28**	**(115)**	**7,729**
Balance as at March 31, 2018	**76,564**	**¥23,201**	**¥26,829**	**¥137,743**	**¥(7,711)**	**¥180,062**	**¥ 657**	**¥8,139**	**¥(3,157)**	**¥5,639**	**¥214**	**¥ 503**	**¥186,420**

	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, 2017	76,564	$218,385	$252,534	$1,235,389	$(72,613)	$1,633,695	$ 7,296	$65,308	$(31,934)	$40,671	$1,759	$ 5,829	$1,681,955
Changes during the year:													
Cash dividends				**(44,823)**		**(44,823)**							**(44,823)**
Profit attributable to owners of parent				**105,960**		**105,960**							**105,960**
Purchase of treasury stock					**(11)**	**(11)**							**(11)**
Disposal of treasury stock			**(1)**		**44**	**42**							**42**
Change of scope of consolidation						**—**							**—**
Net changes in items other than shareholders' equity							**(1,108)**	**11,307**	**2,215**	**12,414**	**263**	**(1,088)**	**11,589**
Total changes during the year	**—**	**—**	**(1)**	**61,137**	**32**	**61,168**	**(1,108)**	**11,307**	**2,215**	**12,414**	**263**	**(1,088)**	**72,758**
Balance as at March 31, 2018	**76,564**	**$218,385**	**$252,532**	**$1,296,526**	**$(72,581)**	**$1,694,864**	**$ 6,188**	**$76,615**	**$(29,718)**	**$53,085**	**$2,022**	**$ 4,740**	**$1,754,713**

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥16,666	¥ 15,398	$156,879
Depreciation and amortization	9,031	7,466	85,007
Amortization of goodwill	3,427	315	32,259
Increase (decrease) in net defined benefit liability	751	947	7,075
Increase (decrease) in allowance for doubtful accounts	(20)	(24)	(188)
Interest and dividend income	(492)	(310)	(4,637)
Interest expenses	226	73	2,134
Increase (decrease) in provision for business structure improvement	38	—	364
Loss (gain) on sales of property, plant and equipment	(56)	(132)	(527)
Loss on retirement of property, plant and equipment	374	482	3,527
Decrease (increase) in trade notes and accounts receivable	(5,229)	(1,565)	(49,224)
Decrease (increase) in inventories	(3,682)	812	(34,663)
Increase (decrease) in trade notes and accounts payable	8,967	3,470	84,411
Loss (gain) on sales of investment securities	(343)	(177)	(3,233)
Increase (decrease) in provision for environmental measures	(3)	(2)	(29)
Loss (gain) on liquidation of subsidiaries	—	551	—
Impairment loss	1,041	34	9,804
Other, net	1,444	1,789	13,594
Subtotal	32,143	29,128	302,554
Interest and dividend income received	477	325	4,495
Interest expenses paid	(233)	(16)	(2,194)
Income taxes (paid) refund	(5,568)	(4,809)	(52,411)
Special retirement expenses paid	—	(265)	—
Net cash provided by operating activities	26,819	24,361	252,444
Cash flows from investing activities:			
Payments into time deposits	(7,631)	(10,897)	(71,835)
Proceeds from withdrawal of time deposits	8,098	12,164	76,230
Purchase of property, plant and equipment	(8,084)	(13,049)	(76,097)
Proceeds from sales of property, plant and equipment	132	181	1,242
Purchase of intangible assets	(123)	(199)	(1,162)
Purchase of investment securities	(4)	(5)	(41)
Proceeds from sales of investment securities	536	361	5,049
Proceeds from liquidation of subsidiaries	—	24	—
Payments of loans receivable	(24)	(2)	(229)
Collection of loans receivable	6	4	58
Purchase of shares and membership interests of subsidiaries resulting in change in scope of consolidation (Note 12)	(308)	(36,909)	(2,900)
Other, net	(129)	(50)	(1,217)
Net cash used in investing activities	(7,532)	(48,378)	(70,903)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	1,692	(1,748)	15,933
Proceeds from long-term loans payable	—	20,850	—
Repayments of long-term loans payable	(3,059)	(9,253)	(28,797)
Cash dividends paid	(4,762)	(4,328)	(44,831)
Purchase of treasury stock	(1)	(2)	(11)
Repayments of lease obligations	(232)	(258)	(2,190)
Other, net	0	0	0
Net cash provided by (used in) financing activities	(6,363)	5,257	(59,897)
Effect of exchange rate change on cash and cash equivalents	834	35	7,855
Net increase (decrease) in cash and cash equivalents	13,757	(18,723)	129,498
Cash and cash equivalents at beginning of year	41,284	60,323	388,600
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(315)	—
Cash and cash equivalents at end of year (Note 12)	¥55,042	¥ 41,284	$518,098

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, 2018

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 ¥106.24=U.S.$1, the prevailing exchange rate as of March 31, 2018. 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, 2018 presentation.

(b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 40 significant subsidiaries as of March 31, 2018, 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 useful 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 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	3–50 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 useful 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 collectibility 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) Hedge accounting
(1) Hedge accounting method
The exceptional accounting treatment (the "Tokurei-shori") is applied with respect to interest rate swaps that meet the requirements to hedge the cash flow volatility of certain foreign currency-denominated loans. The Tokurei-shori and the designated hedge accounting (the "Furiate-shori") are applied with respect to interest rate and currency swaps that meet the requirements to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated loans.
(2) Hedging instruments and hedged items
①Hedging instruments.....Interest rate swaps
Hedging items................Foreign currency-denominated loans
②Hedging instruments.....Interest rate and currency swaps
Hedging items................Foreign currency-denominated loans
(3) Hedging policy
In accordance with the internal regulation, risk of fluctuations in interest rates and foreign exchange is hedged.
(4) Method of evaluating the effectiveness of hedges
The evaluation of effectiveness is omitted for interest rate swaps accounted for under the Tokurei-shori and for interest rate and currency swaps accounted for under the Tokurei-shori and Furiate-shori.
(t) Accounting standards issued but not yet applied
- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)
- Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview
This is a comprehensive accounting standard for revenue recognition. Revenue is recognized using the following five steps.
Step 1: Identify the contract with a customer.
Step 2: Identify the separate performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the separate performance obligations in the contract.
Step 5: Recognize revenue when the entity satisfies a performance obligation.
(2) Application schedule
These accounting standards will be adopted from the beginning of the year ending March 31, 2022.
(3) Effect of application
The amount of the impact was still being assessed when these consolidated financial statements were prepared.

2. Commitments and Contingent Liabilities
The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥26,521 million (U.S. $249,636 thousand) and ¥23,194 million at March 31, 2018 and 2017, respectively.

3. Inventories
Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Merchandise and finished goods	**¥14,421**	¥13,031	**$135,746**
Work in process	**12,575**	11,951	**118,367**
Raw materials and supplies	**11,508**	9,601	**108,330**
Total	**¥38,506**	¥34,584	**$362,443**

4. Reduction Entry
Reduction entry amounts and details deducted from the acquisition cost of property, plant and equipment as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Buildings and structures	**¥19**	¥—	**$181**
Machinery, equipment and vehicles	**36**	—	**340**
Total	**¥55**	¥—	**$522**

5. Notes Maturing as of the End of the Fiscal Year

Notes maturing as of the end of the fiscal year are settled on the clearing date. In addition, accounts receivable and payable with due date that is the last day of the fiscal year are also settled on the clearing date. As the last day of the current fiscal year was a non-business day of financial institutions, the following amounts of receivables and payables maturing as of March 31, 2018 and 2017 were included in the ending balance.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trade notes and accounts receivable	¥4,988	¥—	$46,954
Trade notes and accounts payable	8,521	—	80,214

6. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Transportation and warehousing expenses	¥ 5,309	¥ 5,125	$ 49,978
Provision for allowance for doubtful accounts	(4)	(12)	(44)
Salaries and allowances	9,358	7,743	88,086
Retirement benefit expenses	321	423	3,029
Provision for directors' bonuses	85	95	800
Depreciation and amortization	1,350	1,092	12,714
Research and development expenses	7,925	7,639	74,600
Other	18,381	14,156	173,017
Total	¥42,727	¥36,264	$402,182

7. 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, 2018 and 2017 were ¥7,925 million (U.S.$74,600 thousand) and ¥7,639 million, respectively.

8. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets was related to sales of land for the year ended March 31, 2017.

9. Impairment Loss

The Company has recognized impairment loss on the following classes of assets for the years ended March 31, 2018 and 2017:

			Millions of yen	Thousands of U.S. dollars
			2018	
Major use	Location	Category	Impairment Loss	
—	Kentucky State, U.S.A.	Goodwill	¥1,041	$9,804

The Companies categorize goodwill into groups mainly based on each company in consolidated subsidiaries for the goodwill impairment testing.

VDI, LLC recognized an impairment loss of ¥1,041 million for the goodwill as future operating results are expected to be lower than the business plan at the time of acquisition of VDI, LLC.

The recoverable amount of the goodwill is measured at the value in use determined by future cash flows discounted at 18.0%.

			Millions of yen
			2017
Major use	Location	Category	Impairment Loss
Pressure-sensitive adhesive related products manufacturing equipment	Massachusetts State, U.S.A.	Machinery, equipment and vehicles	¥34

(1) Circumstances leading to the recognition of impairment loss
The impairment loss above has been recognized because the asset has decreased in profitability.
(2) Method of calculating recoverable amounts
The recoverable amounts of the assets above are the net realizable value and based on a third-party appraisal value.

10. Provision for Business Structure Improvement

The Company has recognized provision for business structure improvement for a management rationalization of MADICO, INC., its wholly owned consolidated subsidiary in the U.S. for the year ended March 31, 2018 and the loss is mainly related to the special retirement expenses.

11. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	¥ 172	¥ 340	$ 1,625
Reclassification adjustment	(343)	(177)	(3,233)
Prior to deducting tax effect	(170)	163	(1,608)
Tax effect	53	(89)	499
Net unrealized holding gain on securities	(117)	73	(1,108)
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	1,194	(453)	11,240
Reclassification adjustment	—	(454)	—
Prior to deducting tax effect	1,194	(907)	11,240
Tax effect	—	—	—
Foreign currency translation adjustments	1,194	(907)	11,240
Remeasurements of defined benefit plans:			
Amount incurred during the fiscal year	153	(229)	1,448
Reclassification adjustment	185	397	1,741
Prior to deducting tax effect	338	167	3,190
Tax effect	(103)	(49)	(978)
Remeasurements of defined benefit plans	234	118	2,211
Total other comprehensive income	¥1,311	¥(716)	$12,343

12. Cash and Cash Equivalents

1. 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥58,614	¥45,060	$551,721
Time deposits with maturity of more than 3 months	(3,572)	(3,775)	(33,622)
Cash and cash equivalents	¥55,042	¥41,284	$518,098

2. Information on assets and liabilities of newly acquired consolidated subsidiaries through acquisition of shares or membership interests

There are no assets and liabilities of newly acquired consolidated subsidiaries through acquisition of shares or membership interests for the year ended March 31, 2018.

Assets and liabilities of newly acquired consolidated subsidiaries through acquisition of shares or membership interests for the year ended March 31, 2017 was as follows:

(1) Assets and liabilities of VDI, LLC (a newly acquired consolidated subsidiary through acquisition of membership interests) at the inception of its consolidation, the acquisition cost of its membership interest and the related expenditures (net) for the acquisition were as follows:

	Millions of yen
	2017
Current assets	¥ 473
Non-current assets	1,713
Goodwill	1,839
Current liabilities	(222)
Non-current liabilities	(1,102)
Acquisition cost of membership interests	¥ 2,701
Cash and cash equivalents	(95)
Net expenditures for acquisition	¥ 2,605

(2) Assets and liabilities of MACtac Americas, LLC (another newly acquired consolidated subsidiary through acquisition of membership interests) at the inception of its consolidation, the acquisition cost of its membership interest and the related expenditures (net) for the acquisition were as follows:

	Millions of yen
	2017
Current assets	¥ 9,066
Non-current assets	6,820
Goodwill	30,889
Current liabilities	(4,794)
Non-current liabilities	(7,564)
Acquisition cost of membership interests	¥34,417
Cash and cash equivalents	(775)
Accrued amount of the acquisition cost of membership interests	(301)
Net expenditures for acquisition	¥33,340

(3) Assets and liabilities of Lintec Graphic Films Limited (the other newly acquired consolidated subsidiary through acquisition of shares) at the inception of its consolidation, the acquisition cost of its shares and the related expenditures (net) for the acquisition were as follows:

	Millions of yen
	2017
Current assets	¥ 378
Non-current assets	144
Goodwill	733
Current liabilities	(171)
Non-current liabilities	(59)
Acquisition cost of shares	¥1,024
Cash and cash equivalents	(61)
Net expenditures for acquisition	¥ 963

3. Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2018 and 2017 were ¥138 million (U.S.$1,308 thousand) and ¥183 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, 2018 and 2017, 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, 2018 and 2017. 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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Due within 1 year	**¥ 629**	¥ 419	**$ 5,928**
Due after 1 year	**1,458**	595	**13,728**
Total	**¥2,088**	¥1,015	**$19,656**

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 loans.

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 short-term loans payable are raised mainly for business activities and capital investments.

The long-term loans payable are raised for corporate acquisitions. Interest rate swaps and interest rate and currency swaps are used to manage exposure to market risks from changes in interest rates and foreign currency exchange rate of the long-term loans payable.

The Group is exposed to liquidity risk from its business-related obligations and loans 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. Executive officer 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. Fair value and other matters related to financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2018 and 2017 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	2018					
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 58,614	¥ 58,614	¥ —	$ 551,721	$ 551,721	$ —
(2) Trade notes and accounts receivable	72,590	72,590	—	683,269	683,269	—
(3) Investment securities						
Other securities	2,160	2,160	—	20,335	20,335	—
(4) Trade notes and accounts payable	(54,678)	(54,678)	—	(514,673)	(514,673)	—
(5) Short-term loans payable	(2,351)	(2,351)	—	(22,129)	(22,129)	—
(6) Accrued income taxes	(2,889)	(2,889)	—	(27,200)	(27,200)	—
(7) Long-term loans payable	(17,381)	(17,223)	(157)	(163,607)	(162,123)	(1,484)
(8) Derivatives	9	9	—	85	85	—

Notes: i. Figures shown in parentheses are liability items.
ii. The current portion of long-term loans payable is included in long-term loans payable.
iii. The value of assets and liabilities arising from derivatives is shown by net value.

	Millions of yen		
	2017		
	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 45,060	¥ 45,060	¥—
(2) Trade notes and accounts receivable	66,801	66,801	—
(3) Investment securities			
Other securities	2,519	2,519	—
(4) Trade notes and accounts payable	(45,057)	(45,057)	—
(5) Short-term loans payable	(641)	(641)	—
(6) Accrued income taxes	(3,098)	(3,098)	—
(7) Long-term loans payable	(20,847)	(20,888)	41
(8) Derivatives	(37)	(37)	—

Notes: i. Figures shown in parentheses are liability items.
ii. The current portion of long-term loans payable is included in long-term loans payable.
iii. The value of assets and liabilities arising from derivatives is shown by net value.

Note 1: Method of computing the fair value of financial instruments, securities and derivatives
(1) Cash and deposits; (2) Trade notes and accounts receivable
Since these items are settled in a short period of time and have 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 loans payable; (6) Accrued income taxes
Since these items are settled in a short period of time and have fair values that are virtually the same as the carrying value on the ledger, the carrying value has been used.
(7) Long-term loans payable
The fair value of long-term loans payable is measured as the net present value of estimated cash flows by discounting the amount of principal and interest value using the assumed interest rate applied to a new similar loan. The fair value of long-term loans payable with variable interest rates hedged by interest rate swaps subject to the special treatment or interest rate and currency swaps subject to the total treatment are calculated based on the net present value of the total amount of principle and interest, accounted for together with the interest rate swap or interest rate and currency swap transactions, discounted by the interest rate rationally estimated for a similar loan.
(8) Derivatives
Please see Note 16, "Derivatives."

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
	Carrying value	Carrying value	Carrying value
Unlisted stocks	¥583	¥583	$5,488

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
	2018	2017	2018
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	¥ 58,591	¥ 45,038	$ 551,505
Trade notes and accounts receivable	72,590	66,801	683,269
Total	¥131,182	¥111,839	$1,234,774

Note 4: Planned redemption amounts after the balance sheet date for borrowings were as follows:

	Millions of yen					
	2018					
	Within 1 year	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 5 years
Short-term loans payable	¥2,351	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term loans payable	2,986	—	—	—	—	—
Long-term loans payable	—	2,986	9,177	1,168	531	531
Total	¥5,337	¥2,986	¥9,177	¥1,168	¥531	¥531

	Thousands of U.S. dollars					
	2018					
	Within 1 year	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 5 years
Short-term loans payable	$22,129	$ —	$ —	$ —	$ —	$ —
Current portion of long-term loans payable	28,109	—	—	—	—	—
Long-term loans payable	—	28,109	86,388	11,000	5,000	5,000
Total	$50,238	$28,109	$86,388	$11,000	$5,000	$5,000

	Millions of yen					
	2017					
	Within 1 year	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 5 years
Short-term loans payable	¥ 641	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term loans payable	3,051	—	—	—	—	—
Long-term loans payable	—	3,058	3,058	9,321	1,234	1,121
Total	¥3,693	¥3,058	¥3,058	¥9,321	¥1,234	¥1,121

15. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2018 and 2017 were as follows:

		Millions of yen			Thousands of U.S. dollars		
							2018
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,754	¥ 796	¥957	$16,511	$ 7,501	$9,009
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥1,754	¥ 796	¥957	$16,511	$ 7,501	$9,009
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 406	¥ 415	¥ (9)	$ 3,824	$ 3,914	$ (90)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 406	¥ 415	¥ (9)	$ 3,824	$ 3,914	$ (90)
Total		¥2,160	¥1,212	¥947	$20,335	$11,416	$8,919

		Millions of yen		
				2017
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥2,180	¥ 975	¥1,205
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥2,180	¥ 975	¥1,205
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 338	¥ 425	¥ (86)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 338	¥ 425	¥ (86)
Total		¥2,519	¥1,400	¥1,118

2. Other securities sold during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen			Thousands of U.S. dollars		
						2018
Description	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥536	¥343	¥ 0	$5,049	$3,233	$ 0
Bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	¥536	¥343	¥ 0	$5,049	$3,233	$ 0

	Millions of yen		
			2017
Description	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥361	¥190	¥13
Bonds	—	—	—
Other	—	—	—
Total	¥361	¥190	¥13

16. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2018 and 2017 were as follows:
(Currency related)

Millions of yen

	Nature of transaction	2018 Contract amounts Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell: U.S. dollars (buy Japanese yen)	**¥607**	**¥—**	**¥ 2**	**¥ 2**
	Sell: U.S. dollars (buy Korean won)	**107**	**—**	**3**	**3**
	Sell: Japanese yen (buy Korean won)	**62**	**—**	**(0)**	**(0)**
	Sell: U.S. dollars (buy Singapore dollars)	**71**	**—**	**3**	**3**
Total		**¥848**	**¥—**	**¥ 9**	**¥ 9**

Thousands of U.S. dollars

	Nature of transaction	2018 Contract amounts Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell: U.S. dollars (buy Japanese yen)	**$5,719**	**$—**	**$25**	**$25**
	Sell: U.S. dollars (buy Korean won)	**1,011**	**—**	**34**	**34**
	Sell: Japanese yen (buy Korean won)	**586**	**—**	**(3)**	**(3)**
	Sell: U.S. dollars (buy Singapore dollars)	**671**	**—**	**29**	**29**
Total		**$7,989**	**$—**	**$85**	**$85**

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

Millions of yen

	Nature of transaction	2017 Contract amounts Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell: U.S. dollars (buy Japanese yen)	¥ 919	¥—	¥(14)	¥(14)
	Sell: U.S. dollars (buy Korean won)	58	—	(2)	(2)
	Sell: India rupee (buy Japanese yen)	345	—	(19)	(19)
Total		¥1,323	¥—	¥(37)	¥(37)

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

2. Derivatives to which the Company applied hedge accounting as of March 31, 2018 and 2017 were as follows:
(Interest rate related)

Millions of yen

Hedge accounting method	Type of derivatives	Major hedged items	2018 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	**¥2,018**	**¥1,806**	**¥(Note)**

Thousands of U.S. dollars

Hedge accounting method	Type of derivatives	Major hedged items	2018 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	**$19,000**	**$17,000**	**$(Note)**

Note: Interest rate swaps subject to the Tokurei-shori for interest rate swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate swaps is included in the fair value of the long-term loans payable.

Millions of yen

Hedge accounting method	Type of derivatives	Major hedged items	2017 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	¥2,355	¥2,131	¥(Note)

Note: Interest rate swaps subject to the Tokurei-shori for interest rate swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate swaps is included in the fair value of the long-term loans payable.

(Interest rate and currency related)

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2018 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori and Furiate-shori for interest rate and currency swaps	Interest rate and currency swaps Variable rate receipt / Fixed rate payment U.S.$ receipt / Japanese ¥ payment	Long-term loans payable	**¥5,993**	**¥5,405**	**¥(Note)**

Hedge accounting method	Type of derivatives	Major hedged items	Thousands of U.S. dollars 2018 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori and Furiate-shori for interest rate and currency swaps	Interest rate and currency swaps Variable rate receipt / Fixed rate payment U.S.$ receipt / Japanese ¥ payment	Long-term loans payable	**$56,415**	**$50,883**	**$(Note)**

Note: Interest rate and currency swaps subject to the Tokurei-shori and Furiate-shori for interest rate and currency swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate and currency swaps is included in the fair value of the long-term loans payable.

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2017 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori and Furiate-shori for interest rate and currency swaps	Interest rate and currency swaps Variable rate receipt / Fixed rate payment U.S.$ receipt / Japanese ¥ payment	Long-term loans payable	¥6,581	¥5,993	¥(Note)

Note: Interest rate and currency swaps subject to the Tokurei-shori and Furiate-shori for interest rate and currency swaps are treated together with the hedged long-term loans payable. Accordingly, the fair value of those interest rate and currency swaps is included in the fair value of the long-term loans payable.

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, 2018 and 2017.

1. Defined benefit plans

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

	Millions of yen 2018	2017	Thousands of U.S. dollars 2018
Retirement benefit obligations at beginning of year	**¥36,965**	¥36,549	**$347,939**
Service cost	**1,795**	1,754	**16,903**
Interest cost	**189**	187	**1,778**
Actuarial gains (losses)	**(89)**	(4)	**(846)**
Retirement benefits paid	**(1,575)**	(1,570)	**(14,828)**
Increase (decrease) from foreign currency translation	**45**	(26)	**426**
Other	**68**	75	**641**
Retirement benefit obligations at end of year	**¥37,398**	¥36,965	**$352,015**

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
	2018	2017	**2018**
Plan assets at beginning of year	**¥24,603**	¥25,073	**$231,579**
Expected return on plan assets	**732**	726	**6,899**
Actuarial gains (losses)	**63**	(239)	**598**
Contributions from the employer	**510**	521	**4,805**
Retirement benefits paid	**(1,518)**	(1,479)	**(14,289)**
Plan assets at end of year	**¥24,391**	¥24,603	**$229,592**

(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
	2018	2017	**2018**
Retirement benefit obligations of a funded pension plan	**¥ 36,565**	¥ 36,244	**$ 344,179**
Plan assets	**(24,391)**	(24,603)	**(229,592)**
	12,173	11,641	**114,586**
Retirement benefit obligations of an unfunded pension plan	**832**	721	**7,836**
Net amount of liabilities and assets recorded in the consolidated balance sheet	**¥ 13,006**	¥ 12,362	**$ 122,422**
Net defined benefit liability	**¥ 13,006**	¥ 12,362	**$ 122,422**
Net defined benefit asset	**—**	—	**—**
Net amount of liabilities and assets recorded in the consolidated balance sheet	**¥ 13,006**	¥ 12,362	**$ 122,422**

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Service cost	**¥1,795**	¥1,754	**$16,903**
Interest cost	**189**	187	**1,778**
Expected return on plan assets	**(732)**	(726)	**(6,899)**
Amortization of actuarial losses (gains)	**462**	681	**4,354**
Amortization of prior service cost	**(277)**	(283)	**(2,612)**
Other	**0**	(25)	**1**
Retirement benefit expenses for the defined benefit plans	**¥1,437**	¥1,587	**$13,526**

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. Other than the above retirement benefit costs in defined benefit pension plan, MADICO, INC. records special retirement expenses amount to ¥866 million as "Provision for business structure improvement" in Extraordinary loss for the year ended March 31, 2018.

(5) Remeasurements of defined benefit plans recorded in other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ 277	¥ 283	$ 2,612
Actuarial losses (gains)	(616)	(451)	(5,803)
Total	¥(338)	¥(167)	$(3,190)

(6) Remeasurements of defined benefit plans recorded in accumulated other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (267)	¥ (545)	$ (2,517)
Unrecognized actuarial losses (gains)	4,818	5,434	45,351
Total	¥4,550	¥4,889	$42,834

(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, 2018 and 2017 was as follows:

	2018	2017
Bonds	69.6%	52.9%
Stocks	14.8%	22.9%
Alternatives	6.6%	15.9%
Cash and deposits	5.5%	5.1%
Other	3.5%	3.2%
Total	100.0%	100.0%

Note: Alternatives are mainly investments on hedge funds.

2. Method for determining the expected long-term rate of return on plan assets

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

(8) Major actuarial assumptions as of March 31, 2018 and 2017 were as follows:

	2018	2017
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected long-term rate of return on plan assets	Mainly 3.5%	Mainly 3.5%
Expected salary increase rate	Mainly 2.8%	Mainly 2.8%

2. Defined contribution plans

Some of the consolidated subsidiaries contributed ¥272 million (U.S. $2,561 thousand) and ¥160 million, for the years ended March 31, 2018 and 2017 to the defined contribution plans, respectively.

18. Stock Option Plan

Components of stock-based compensation expense for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cost of sales	¥ 1	¥ 2	$ 17
Selling, general and administrative expenses	30	15	289

The following table summarizes contents of stock options as of March 31, 2018:

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 2016 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2016
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 12,200 shares
Date of grant	August 24, 2016
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 25, 2016 to August 24, 2036

The 2017 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2017
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 14,400 shares
Date of grant	August 22, 2017
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, 2017 to August 22, 2037

The following tables summarize the scale and movement of stock options for the years ended March 31, 2018 and 2017:

(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	The 2016 plan	The 2017 plan
Stock options outstanding at April 1, 2017	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	14,400
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to vested stock options	—	—	—	—	—	—	—	—	—	—	—	14,400
Stock options outstanding at March 31, 2018	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(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	The 2016 plan	The 2017 plan
Stock options outstanding at April 1, 2017	3,300	2,900	5,200	7,700	7,200	6,800	13,600	20,600	17,200	14,600	12,200	—
Conversion from non-vested stock options	—	—	—	—	—	—	—	—	—	—	—	14,400
Stock options exercised	—	—	—	—	—	—	500	600	600	500	500	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2018	**3,300**	**2,900**	**5,200**	**7,700**	**7,200**	**6,800**	**13,100**	**20,000**	**16,600**	**14,100**	**11,700**	**14,400**

The following table summarizes the price information of stock options as of March 31, 2018:

	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	The 2016 plan	The 2017 plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	—	—	—	—	3,054	3,054	3,054	3,054	3,054	—
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	1,445	2,261

The fair value of stock options granted during the year ended March 31, 2018 was valued by using the Black-Scholes option pricing model with the following assumptions:

	The 2017 plan
Volatility	**34.909%**
Expected remaining period	**10 years**
Expected dividend per share	**¥66**
Risk free interest rate	**0.048%**

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 30.86% for the years ended March 31, 2018 and 2017, 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, 2018 and 2017 differ from the statutory tax rate for the following reasons:

	2018	2017
Statutory tax rate	**30.86%**	30.86%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	**0.35**	0.39
Permanently non-taxable income for income tax purposes such as dividend income	**(11.88)**	(16.68)
Municipal tax	**0.35**	0.37
The difference of tax rates applied to foreign subsidiaries	**(6.25)**	(5.14)
Tax deduction in accordance with special tax measures	**(2.62)**	(3.28)
Decrease of valuation allowance for such as net operating loss carryforward	**5.06**	1.56
Consolidated adjustments of dividend income from consolidated subsidiaries	**12.51**	18.12
The impairment loss on goodwill	**2.12**	—
Other, net	**2.61**	1.03
Effective tax rate	**33.11%**	27.23%

2. The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Accrued bonuses	¥ 739	¥ 699	$ 6,963
Accrued enterprise taxes	157	170	1,477
Operating loss carryforwards	995	1,107	9,365
Net defined benefit liability	3,904	3,736	36,754
Retirement benefit trust	909	1,141	8,560
Research and development cost	609	562	5,735
Loss on valuation of inventories	180	269	1,702
Allowance for doubtful accounts	133	138	1,252
Unrealized gain	356	350	3,354
Excess of depreciation expense	275	331	2,593
Other	751	680	7,071
Gross deferred tax assets	9,012	9,188	84,832
Valuation allowance	(1,206)	(959)	(11,351)
	7,806	8,229	73,480
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	(181)	(187)	(1,711)
Net unrealized holding gain on securities	(290)	(343)	(2,731)
Depreciation expense of subsidiaries	(125)	(508)	(1,178)
Dividend income from consolidated subsidiaries	(654)	(460)	(6,158)
Other	(36)	(75)	(341)
	(1,287)	(1,575)	(12,120)
Net deferred tax assets	¥ 6,518	¥ 6,654	$ 61,360

Note: The net deferred tax assets as of March 31, 2018 and 2017 were included in the following items on the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets–Deferred tax assets	¥1,483	¥1,614	$13,962
Noncurrent assets–Deferred tax assets	5,047	5,063	47,514
Current liabilities–Other	9	10	86
Noncurrent liabilities–Other	3	13	30

20. Business Combinations
No specific disclosure for business combination has been made for the year ended March 31, 2018 because of its immateriality.

21. Asset Retirement Obligations
There is no asset retirement obligation as of March 31, 2018 and 2017.

22. Rental Property
No specific disclosure for rental property has been made as of March 31, 2018 and 2017 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, Labeling machines, Automobile-use adhesive products, Industrial-use adhesive tapes, Window films, Films for outdoor signs and advertising, Interior finishing mounting films
Electronic and Optical Products	Semiconductor-related adhesive tapes, Semiconductor-related equipment, Multilayer ceramic capacitor-related tapes, LCD- and OLED display-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 adhesive products, 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, 2018 and 2017 are outlined as follows:

Millions of yen

2018	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥121,691	¥88,882	¥38,456	¥249,030	¥ —	¥249,030
Intra-segment sales and transfers	57	88	15,571	15,717	(15,717)	—
Total	¥121,748	¥88,970	¥54,027	¥264,747	¥(15,717)	¥249,030
Segment income	¥ 3,040	¥11,972	¥ 4,996	¥ 20,009	¥ 86	¥ 20,095
Others						
Depreciation and amortization	¥ 3,863	¥ 3,049	¥ 2,118	¥ 9,031	¥ —	¥ 9,031
Amortization of goodwill	¥ 3,427	¥ —	¥ —	¥ 3,427	¥ —	¥ 3,427

Thousands of U.S. dollars

2018	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	$1,145,438	$836,620	$361,974	$2,344,033	$ —	$2,344,033
Intra-segment sales and transfers	539	832	146,569	147,942	(147,942)	—
Total	$1,145,978	$837,452	$508,544	$2,491,975	$(147,942)	$2,344,033
Segment income	$ 28,622	$112,692	$ 47,027	$ 188,341	$ 810	$ 189,151
Others						
Depreciation and amortization	$ 36,362	$ 28,706	$ 19,938	$ 85,007	$ —	$ 85,007
Amortization of goodwill	$ 32,259	$ —	$ —	$ 32,259	$ —	$ 32,259

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

2017	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥85,661	¥83,205	¥37,108	¥205,975	¥ —	¥205,975
Intra-segment sales and transfers	60	73	15,523	15,657	(15,657)	—
Total	¥85,721	¥83,278	¥52,632	¥221,633	¥(15,657)	¥205,975
Segment income	¥ 1,672	¥ 9,155	¥ 5,767	¥ 16,595	¥ (0)	¥ 16,595
Others						
Depreciation and amortization	¥ 2,706	¥ 2,748	¥ 2,011	¥ 7,466	¥ —	¥ 7,466
Amortization of goodwill	¥ 315	¥ —	¥ —	¥ 315	¥ —	¥ 315

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

	Japan	Asia	U.S.A.	Others	Total
					2018
Sales	**¥130,408**	**¥70,880**	**¥39,295**	**¥8,445**	**¥249,030**

Thousands of U.S. dollars

	Japan	Asia	U.S.A.	Others	Total
					2018
Sales	**$1,227,488**	**$667,174**	**$369,873**	**$79,497**	**$2,344,033**

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

Millions of yen

	Japan	Asia	U.S.A.	Others	Total
					2017
Sales	¥128,203	¥65,142	¥8,076	¥4,552	¥205,975

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

(Changes in presentation)

Sales of "U.S.A.," which was included in "Others" in the previous consolidated fiscal year, is separately presented in this consolidated fiscal year due to its increased quantitative materiality. To reflect this change in presentation, ¥12,629 million presented as "Others" in the consolidated statement of income of the previous fiscal year has been reclassified into ¥8,076 million of "U.S.A." and ¥4,552 million of "Others."

Millions of yen

	Japan	Asia	U.S.A.	Others	Total
					2018
Property, plant and equipment	**¥55,143**	**¥10,570**	**¥9,173**	**¥448**	**¥75,336**

Thousands of U.S. dollars

	Japan	Asia	U.S.A.	Others	Total
					2018
Property, plant and equipment	**$519,044**	**$99,499**	**$86,348**	**$4,221**	**$709,114**

Millions of yen

	Japan	Asia	U.S.A.	Others	Total
					2017
Property, plant and equipment	¥54,155	¥11,119	¥8,129	¥466	¥73,871

3. Information by principal customers

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, 2018, the information has been omitted.

Millions of yen

		2017
Name of the customer	Related reportable segment	Sales
Sumitomo Chemical Company, Limited	Electronic and Optical Products	¥22,210

Information on impairment losses on noncurrent assets by reportable segment

Millions of yen

	2018				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	¥—	¥—	¥—	¥—	¥1,041

Thousands of U.S. dollars

	2018				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	$—	$—	$—	$—	$9,804

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.

Millions of yen

	2017				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	¥—	¥—	¥—	¥—	¥34

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

Millions of yen

	2018				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥29,189

Thousands of U.S. dollars

	2018				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	$—	$—	$—	$—	$274,745

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.

Millions of yen

	2017				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥34,558

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, 2018 and 2017.

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, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
For the year	2018	2017	2018
Sales of fine & specialty paper products and converted products	¥11,364	¥11,422	$106,971
Purchase of stencil, chemicals and equipment	4,907	4,665	46,196

	Millions of yen		Thousands of U.S. dollars
At year-end	2018	2017	2018
Trade notes and accounts receivable	¥4,976	¥ 3,941	$46,842
Trade notes and accounts payable	2,357	1,835	22,189
Other liabilities	12	3	118

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, 2018 and 2017 were as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets	¥2,573.69	¥2,465.43	$24.23
Net income (basic)	156.02	158.69	1.47
Net income (diluted)	155.76	158.46	1.47

The bases for calculation were as follows:

(1) Basic and diluted net income per share

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net income (basic) per share:			
Profit attributable to owners of parent	¥11,257	¥11,450	$105,960
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	¥11,257	¥11,450	$105,960
Weighted-average number of common shares issued during the year (thousand)	72,151	72,152	72,151
Net income (diluted) per share:			
Adjustment of profit attributable to owners of parent related to dilutive securities	¥ —	¥ —	$ —
Adjustment of dilutive securities (thousand)	119	106	119
[Share subscription rights (thousand)]	[119]	[106]	[119]

(2) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total net assets	¥186,420	¥178,690	$1,754,713
Amount deducted from total net assets	718	806	6,763
[Share subscription rights]	[214]	[186]	[2,022]
[Non-controlling interests]	[503]	[619]	[4,740]
Net assets attributable to common shares	¥185,702	¥177,884	$1,747,949
Number of shares of common stock outstanding used in calculation of net assets per share (thousand)	72,154	72,151	72,154

26. Short-Term loans payable, Long-Term loans payable 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 1.00% to 2.07% at March 31, 2018 and from 0.51% to 2.05% at March 31, 2017.

Short-term and long-term loans payable as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Short-term loans payable	**¥ 2,351**	¥ 641	**$ 22,129**
Current portion of long-term loans payable	**2,986**	3,051	**28,109**
Long-term loans payable	**14,395**	17,795	**135,497**
	¥19,732	¥21,488	**$185,736**

Other interest-bearing debts as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Short-term lease obligation	**¥188**	¥201	**$1,774**
Long-term lease obligation	**216**	277	**2,040**

Planned repayment amounts after the balance sheet date (March 31, 2018) for long-term loans payable and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
								2018
	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
Long-term loans payable	**¥2,986**	**¥9,177**	**¥1,168**	**¥531**	**$28,109**	**$86,388**	**$11,000**	**$5,000**
Lease obligation	**122**	**50**	**29**	**12**	**1,154**	**476**	**281**	**120**

27. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 9, 2018.

	Millions of yen	Thousands of U.S. dollars
		2018
Cash dividends (¥33 per share)	**¥2,381**	**$22,412**

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 Yoichi Shibano, Executive Officer and 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 (the "Company") and consolidated subsidiaries 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 internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2018 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 the Company and its 22 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 business locations 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, 2017. 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, 2018 was effective.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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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, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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, 2018 of LINTEC Corporation and its consolidated subsidiaries (the "Management's Report").

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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, 2018 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 21, 2018

A member firm of Ernst & Young Global Limited

Investor Information As of March 31, 2018

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
¥186,420 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
4,794 (Consolidated)
2,558 (Parent company only)

Major Shareholders

Nippon Paper Industries Co., Ltd.	30.12%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.12%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.60%
National Mutual Insurance Federation of Agricultural Cooperatives	3.12%
Tamie Shoji	2.49%

Major Subsidiaries * Consolidated Subsidiary

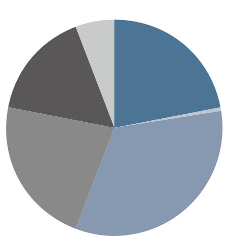
Domestic

LINTEC COMMERCE, INC.*
LINTEC SIGN SYSTEM, INC.*
SHONAN LINTEC KAKO, INC.*
LINTEC SERVICES, INC.
LINTEC CUSTOMER SERVICE, INC.
PRINTEC, INC.
TOKYO LINTEC KAKO, INC.

Overseas

LINTEC USA HOLDING, INC.*
LINTEC OF AMERICA, INC.*
MACTAC AMERICAS, LLC*
MADICO, INC.*
VDI, LLC*
MACTAC MEXICO, S.A. DE C.V.*
MACTAC CANADA ULC*
LINTEC EUROPE B.V.*
LINTEC EUROPE (UK) LIMITED*
LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH*
LINTEC (SUZHOU) TECH CORPORATION*
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 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*

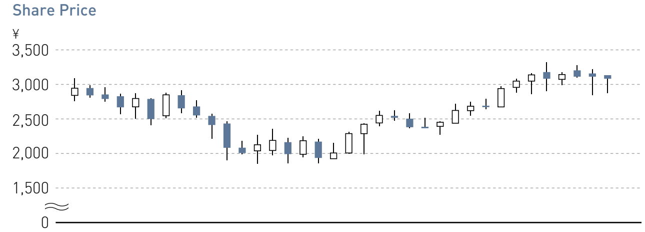
Ownership and Distribution of Shares



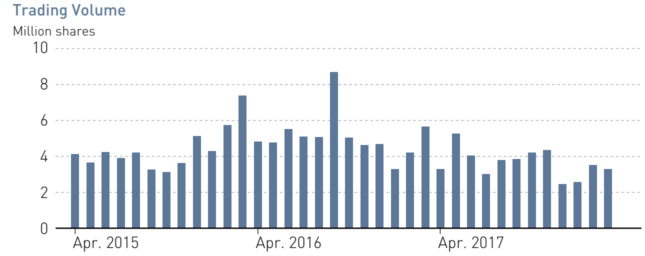
Financial Institutions	22.12%
Securities Companies	0.60%
Other Companies	33.17%
Overseas Companies	22.43%
Individuals and Other	15.92%
Treasury Stock	5.76%

Share Price / Trading Volume

Share Price



Trading Volume



LINTEC Corporation
Linking your dreams

LINTEC Corporation
23-23, Honcho, Itabashi-ku,
Tokyo 173-0001, Japan
www.lintec-global.com/

Printed on LINTEC high-grade printing paper and color kraft paper

Printed in Japan