

# From the President

## A Look Back at the Fiscal Year under Review

### **Sales and income were down due to sluggish conditions in the global economy and the impact of the strong yen.**

In the fiscal year under review, ended March 31, 2012, the operating environment was extremely difficult for LINTEC. It was plagued with adversity in the form of disrupted production and consumption activities following the Great East Japan Earthquake; decreased exports due to the strong yen; reduced economic growth in emerging countries due to financial tightening; stagnation in the global economy as a result of the financial crisis in Europe; and the severe flooding in Thailand.

Amidst these conditions, the fiscal year under review was the first year of our three-year medium-term business plan, LINTEC Innovation Plan III (LIP-III). Throughout the year, we advanced initiatives in accordance with the basic policy of this plan: “Achieve sustainable growth and maximize corporate value through aggressive and bold innovation.”

Sales and income declined in comparison with the fiscal year ended March 31, 2011, when we achieved a record-setting business performance. Consolidated net sales were down 5.6% year on year, to ¥200.9 billion, operating income decreased 33.1%, to ¥14.0 billion, and net income declined 36.5%, to ¥8.6 billion.

## Forecasts for the Fiscal Year Ending March 31, 2013

### **We will target higher sales and income by exercising the ideals of “immediate action” and “passionate sense of mission.”**

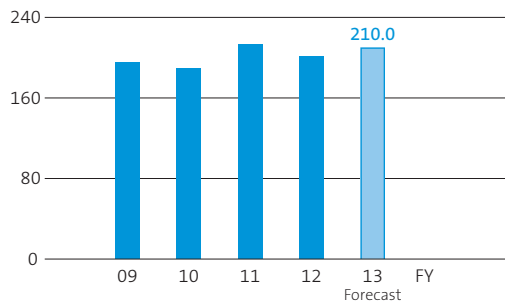
In regard to forecasts, it is difficult to identify a definitive forecast for the future state of the global economy due to sluggish economic conditions in the United States, the resurfacing of financial crisis in Europe, and the deceleration of economic growth in Asia following a decline in exports. In Japan, the operating environment will also remain highly opaque as a result of such concerns as the persistence of the strong yen and the threat of electricity shortages.

In this environment, the Group will target the sustainable growth and maximization of corporate value by exercising the ideals of “immediate action” and “passionate sense of mission” through the



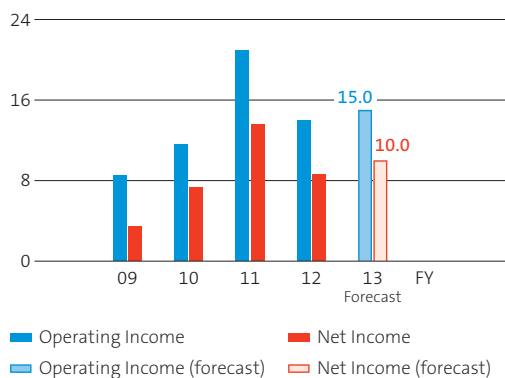
### Net Sales

¥ Billion



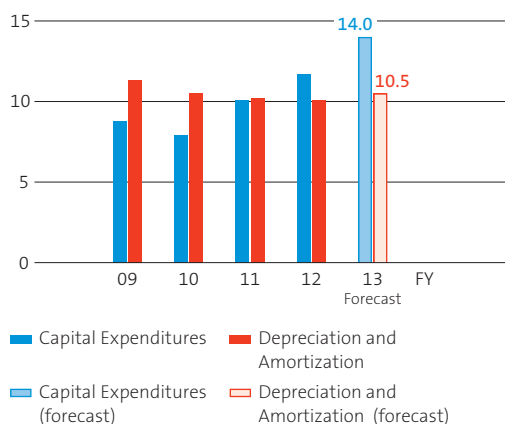
### Operating Income / Net Income

¥ Billion



### Capital Expenditures / Depreciation and Amortization

¥ Billion



vigorous advancement of the initiatives outlined in LIP-III, which entered into its second year in April 2012.

In the fiscal year ending March 31, 2013, we are forecasting net sales of ¥210.0 billion, up 4.5% year on year, operating income of ¥15.0 billion, up 7.3%, and net income of ¥10.0 billion, up 15.6%.

### Progress of the LIP-III Medium-Term Business Plan

#### Going forward, we will aggressively advance the four key initiatives.

I would now like to outline the progress of LIP-III in regard to each of its key initiatives. The first is “Strengthen and expand overseas businesses.” At present, the LINTEC Group has 24 overseas subsidiaries, located primarily in Asia. Of these, 19 are consolidated subsidiaries. In particular, we strive to manufacture products at bases close to our customers. We are advancing the globalization of our operations based on this policy of local production that allows us to guarantee a stable supply. In the fiscal year ending March 31, 2013, we installed additional adhesive coating facilities for film at LINTEC (SUZHOU) TECH CORPORATION. Further, we will commence operations at LINTEC (THAILAND) CO., LTD., a subsidiary that possesses adhesive coating facilities for film and production facilities for release papers. In these ways, we are steadily strengthening our overseas production systems. Looking ahead, we will consider the construction of factories in India, Vietnam, and other countries that are expected to be future growth centers, and otherwise step up efforts geared toward meeting our goal of achieving an overseas sales ratio of 40%.

The second key initiative is “Expand domestic businesses and increase profitability by optimizing QCD.” In this area, we increased the number of surface improvement processing facilities for optical products at our Agatsuma Plant, located in Gunma Prefecture, during the fiscal year under review. In the fiscal year ending March 31, 2013, we will sequentially conduct QCD (quality, cost, delivery) optimization initiatives including completing the construction of new release film production facilities at our Kumagaya Plant, located in Saitama Prefecture, and the planning and advancement of the “build and scrap” projects relating to the existing coating facilities at our Tatsuno Plant, located in Hyogo Prefecture. The decision to conduct such large-scale investments even in this harsh environment is based on

## LINTEC Group's Global Network



our judgment that the risks of missing out on potential business opportunities by curtailing investment outweighed the short-term profitability risks associated with conducting these investments. As we move forward, we will continue to proactively allocate management resources in a concentrated manner to prepare us for the next leap forward. Further, we are pursuing quality improvement, cost reductions, and shortened delivery turnaround times at our production sites through the advancement of improvement projects that incorporate external guidance. We have already begun to see the results of these efforts.

The third key initiative is “Create original new products that will support the next generation.” In this area, we are continuing to focus on the development of highly functional products that will drive our growth, such as those for environment- and energy-related products and electronics- and optical device-related products. At the same time, we are accelerating R&D projects aiming to quickly respond to customer needs.

The last key initiative defined in the plan is “Strengthen global management.” In the current era, domestic industries are greatly influenced by overseas economic conditions and Japanese companies are being forced to compete directly with overseas companies. This means that it is absolutely essential for Japanese companies to globalize. In order to pursue such globalization, the Company is continuing to



LINTEC (SUZHOU) TECH CORPORATION



#### Basic Policy

Achieve sustainable growth and maximize corporate value through aggressive and bold innovation

#### Key Initiatives

1. Strengthen and expand overseas businesses (Targeted overseas sales ratio: 40%)
2. Expand domestic businesses and increase profitability by optimizing QCD
3. Create original new products that will support the next generation
4. Strengthen global management

develop and reinforce its global management systems through the development of its IT foundations. At the same time, based on a long-term perspective, we are introducing new human resources systems and cultivating human resources capable of competing on the global stage. Further, we aim to practice corporate social responsibility (CSR) based management, and in April 2011 we announced our participation in the UN Global Compact and affirmed our intention to adhere to its ten principles. In addition, we are progressively achieving compatibility with ISO 26000, an international standard for social responsibility that is applicable to various types of organizations.

#### Corporate Governance and CSR

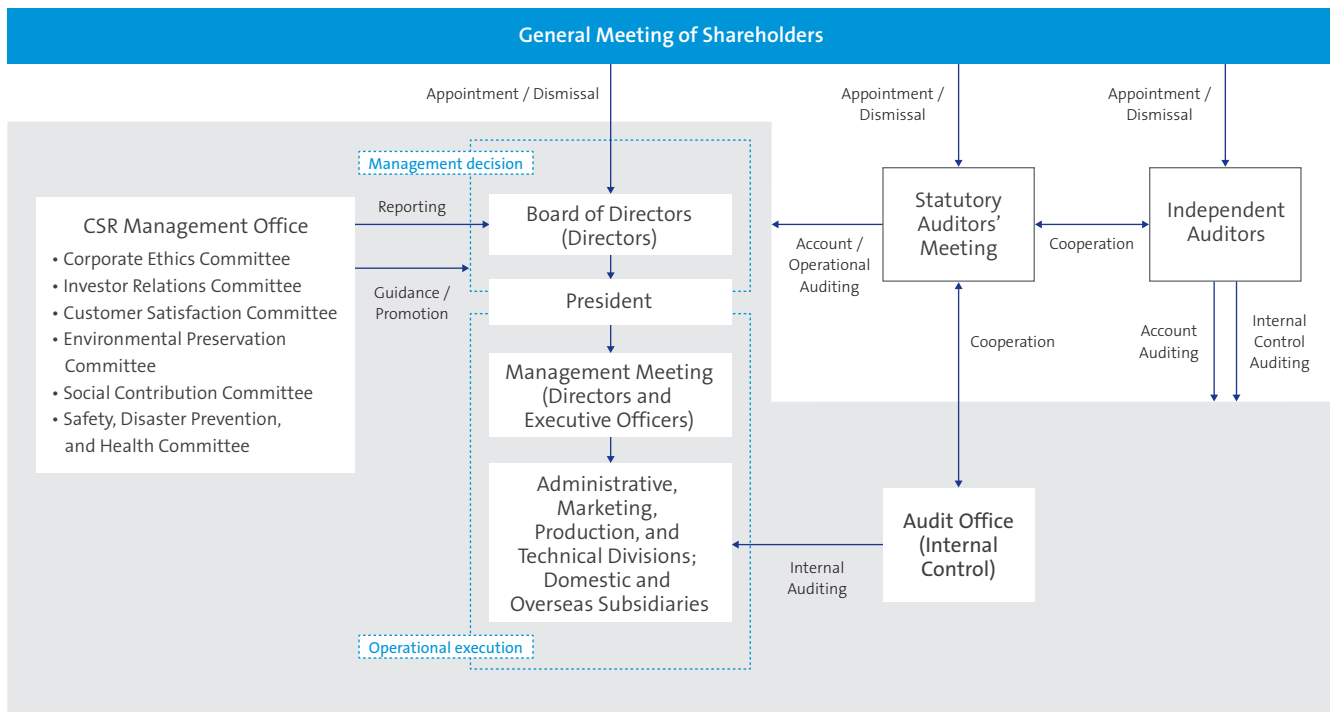
##### **We are further strengthening governance systems and practicing CSR-based management in accordance with global standards.**

In regard to corporate governance, in June 2011, we introduced an executive officer system with the goal of separating important management decision-making processes from operational execution, invigorating the Board of Directors, and improving management efficiency through swift decision making. The Board of Directors consists of eight directors and two external directors. It works to ensure speedy management decisions and business advancement amid the fluctuating management environment based on the principles of holding Board of Directors meetings once a month. Further, management meetings are also held once a month, attended by directors and executive officers. Through the holding of such meetings, we are working to develop optimal management strategies. Additionally, LINTEC employs a statutory auditor system and ensures swift management and the effectiveness of its oversight systems. The Statutory Auditors' Meeting is held monthly in principle and is attended by the Company's two statutory auditors and two external auditors. In this meeting, by sharing the results of the business audits performed by each auditor, the auditors confirm the appropriateness and effectiveness of the decisions and operational execution of the Company's management.

The Company views CSR as one of the most important issues for management. Going forward, we aim to contribute to society as a strong, vigorous company that is well trusted.

For this reason, we have established the CSR Management Office, which reports directly to the president. In addition, we

have established six CSR subcommittees—Corporate Ethics; Investor Relations; Customer Satisfaction; Environmental Preservation; Social Contribution; and Safety, Disaster Prevention, and Health—which consist of members from all areas of the Company. These bodies implement a wide variety of CSR activities. Through these efforts, we will continue to promote corporate management that balances its responsibilities to the economy, society, and the environment. In the fiscal year under review, we worked to reduce usage and emissions of substances that impact the environment and developed and increased sales of products that reflect consideration for the environment. We also took part in social contribution activities closely linked to local communities, such as participating in cleanup activities in the areas around our operating bases and providing support for people with disabilities. Further, we provided support to the reconstruction effort following the earthquake. Moreover, we have enhanced and thoroughly instituted corporate ethics training and disseminated a sound understanding of good corporate ethics throughout the Company. In these ways, we implemented a multifaceted CSR program during the year.



As mentioned previously, we have announced our support of the UN Global Compact as well as our participation in this initiative. This was decided based on the perspective of global management including both domestic and overseas subsidiaries. Using this as a starting point, we will further strengthen our efforts to address issues in the four areas covered by the Compact's ten principles: human rights, labour, environment, and anti-corruption. In addition, we will practice CSR-based management centered on globally recognized standards, such as ISO 26000, with the aim of being a company that is trusted and highly respected by the international community.

Moreover, LINTEC will continue to ensure swift decision making, management transparency, enhanced management oversight systems, and thorough compliance by strengthening its internal control systems and risk management systems.

#### Shareholder Returns

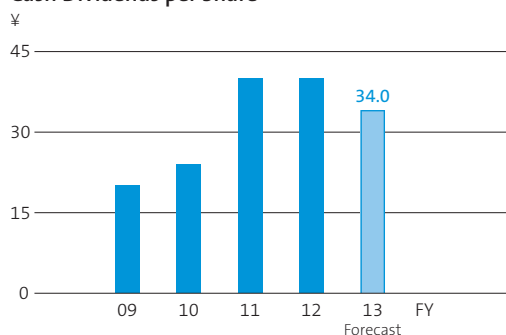
##### Dividend payments were issued as planned, despite the reduction in net income.

LINTEC's basic policy on the appropriation of profits is to increase business earnings and strengthen the Company's financial position from a long-term perspective while paying dividends that reflect consolidated business results. Acting in accordance with this policy, we are working to increase shareholder returns.

For the fiscal year under review, we had initially forecast net income per share of ¥173.30, based on which we intended to issue dividend payments of ¥40.00 per share, making for a consolidated payout ratio of 23.1%. Unfortunately, net income per share was much lower than expected, at ¥115.26. Regardless, we chose to issue dividend payments as initially planned, paying ¥40.00 per share, which resulted in a consolidated payout ratio of 34.7%. This was a reflection of our desire to thank shareholders for their continued support.

For the fiscal year ending March 31, 2013, we are forecasting consolidated net income of ¥10.0 billion, which will equate to net income per share of ¥133.88. Accordingly, we intend to issue dividend payments of ¥34.00 per share, making for a consolidated payout ratio of 25.4%. Going forward, we will work to raise income and subsequently improve shareholder returns.

Cash Dividends per Share



We must expand domestic businesses and make them highly profitable. At the same time, it is vital that we are steadfast in our efforts to develop operations in emerging countries, particularly those in Asia, as these countries are anticipated to become the driving force behind the global economy going forward.



#### **In Closing**

Recently, the speed at which society changes has been rapidly increasing. It is now incredibly common for products that were of the utmost importance to suddenly become unneeded overnight. In order to survive in this volatile environment, it is absolutely essential for the LINTEC Group to stay ahead of the times and quickly take advantage of new demand and create new products.

To ensure that LINTEC continues to grow into the future, we must raise our competitiveness in terms of product quality and costs as well as other factors while also expanding domestic businesses and making them highly profitable. At the same time, it is vital that we are steadfast in our efforts to develop operations in emerging countries, particularly those in Asia, as these countries are anticipated to become the driving force behind the global economy going forward. Fully leveraging the management resources we have accumulated to date, we will steadily implement growth strategies to realize these ends.

In closing, I would like to ask our shareholders and other investors for their continued support.

August 2012

**Akihiko Ouchi**  
President and CEO