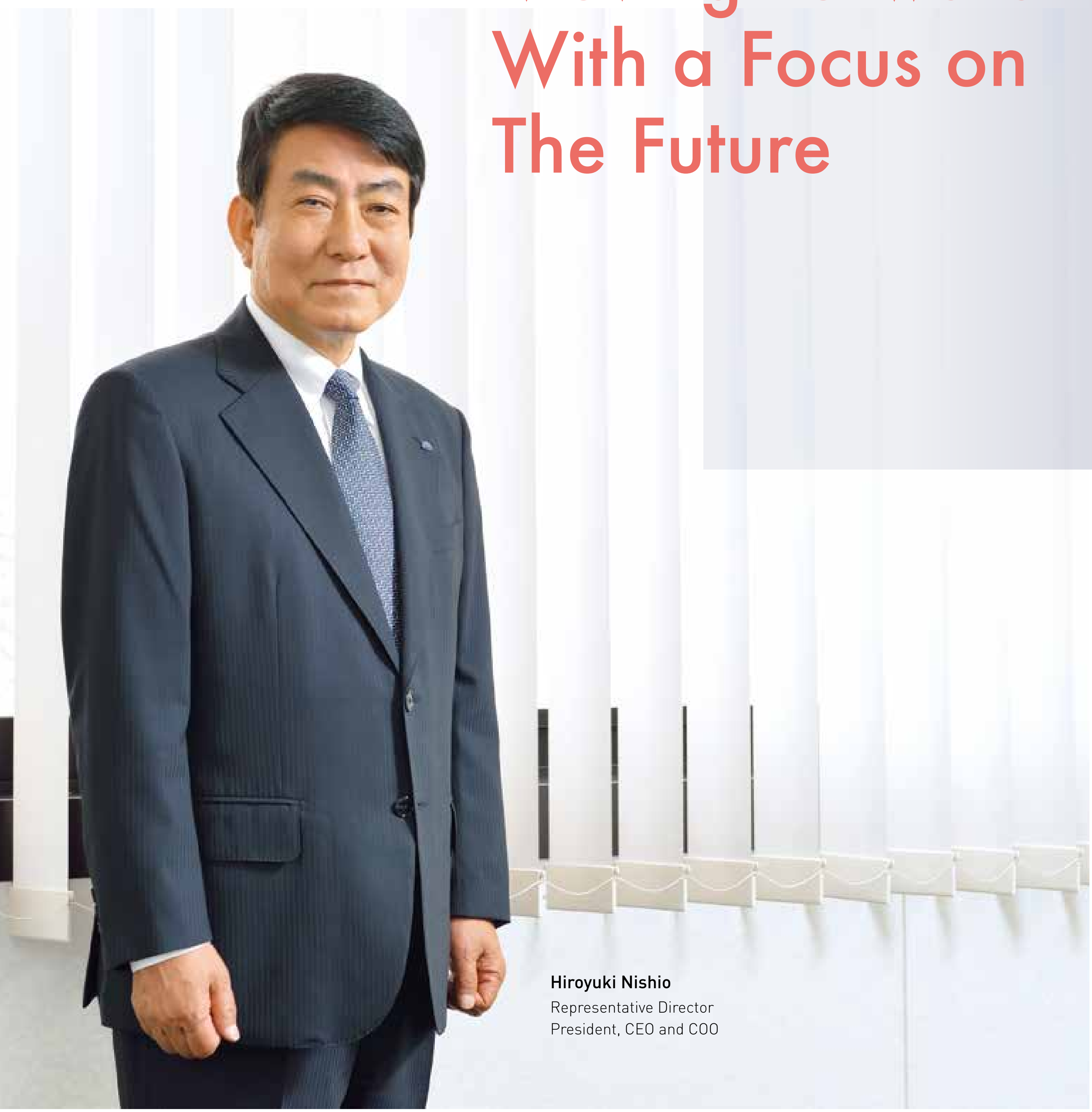
## A Message from the President

# Moving Forward With a Focus on The Future



**Hiroyuki Nishio**
Representative Director
President, CEO and COO

**The whole company is working as one to achieve the goals of our new medium-term business plan, LINTEC INNOVATION PLAN 2019 (LIP-2019), which was introduced in April 2017 and continues through the fiscal year ending March 31, 2020. We will be approaching our tasks in a spirit of innovation and challenge throughout the plan's three years.**

## Review of LIP-2016, our previous medium-term business plan

### We were able to build a platform for future growth even though we fell short of numerical targets.

A major achievement of the three years under LIP-2016 was the completion of the Advanced Technology Building, state-of-the-art research facilities in Japan in May 2015. Its large-scale pilot coaters, with their close resemblance to mass-production facilities in our plants, and its cutting-edge analytical equipment have significantly increased the speed of the product development process. Overseas, we fleshed out our production, sales, and delivery network in Southeast Asia and India, and in January 2015 we established a company in Singapore, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED, to oversee inclusive overall business strategy planning and implementation in this region. We were also active in strengthening our business base in Europe and North America with three acquisitions in October–December 2016, buying MACTAC AMERICAS, LLC and VDI, LLC in the U.S. and purchasing stock in LINTEC GRAPHIC FILMS LIMITED in the United Kingdom.

However, there were weak performances from some overseas subsidiaries. Reorganization made little headway at MADICO, INC. in the U.S., and LINTEC (TIANJIN) INDUSTRY CO., LTD. in China, and PT. LINTEC INDONESIA suspended operations for a time due to strike action. We were also affected by an economic slowdown in China and other emerging countries in Asia. As a result, we fell far short of the LIP-2016 targets of ¥240 billion in net sales and ¥20 billion in operating income in the fiscal year ended March 31, 2017, the plan's final year.

## Overview of LIP-2019

### We are building on the previous medium-term business plan's successes and disappointments as we aim for new goals.

The new plan we have drawn up, LIP-2019, reflects our desire to learn from the successes and disappointments of LIP-2016 and move on to our next growth stage. Its basic policy is "Deepening innovation aimed at driving new growth." The key numerical targets are consolidated net sales of ¥270 billion, operating income of ¥25 billion, and an operating profit margin and ROE of more than 9%. The plan has four key initiatives, as shown on the next page.

## LIP-2019 LINTEC INNOVATION PLAN — 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% |

# A Message from the President

## LIP–2019 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 products for differentiation 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

## Key initiatives

### 1 Strengthening of regional strategy

Regional strategy is to be strengthened in global markets with a focus on Printing and Industrial Materials Products. In Japan, where some markets have matured, LINTEC will work to expand share and create new demand by offering new products and new applications while aiming for differentiation on cost and service in established products.

In Asia, LINTEC ASIA PACIFIC will be given increased functionality forging stronger links between manufacturing and sales companies and we will seek to expand business through such measures as increasing local raw materials procurement, launching new products tailored to local demand, and undertaking strategic M&A. Further development of our markets in Thailand, Indonesia, and India will be a particular focus. In Europe and North America, we will utilize the sales channels and technological strengths of our three 2016 acquisitions to the full and realize Group synergies quickly. MACTAC AMERICAS products are already being offered to customers in Asia and we look forward to further developments along these lines.

### 2 Creation of new value

We want to provide original LINTEC value-added products and services derived from identification and careful analysis of the various issues facing our customers and their specific requirements. To this end, it is important that our sales personnel form a detailed picture of their customers' requirements from day-to-day contact and share the information with others in the Company so that business operations and the R&D division can study it together. We will also aim to respond more promptly than before to customer expectations by making full use of the Advanced Technology Building's testing facilities to smooth the transition from materials development to the proposal of manufacturing processes. New materials development centered on electronics, optics, automobiles, the environment, and energy will be another priority as it will play a key role in future growth.

### 3 Bolstering the corporate structure

In March 2017, we announced the liquidation of LINTEC (TIANJIN) INDUSTRY CO., LTD., which is a label printing machine manufacturer and marketer, and we are also working with some urgency to turn around other overseas Group companies where earnings are weak. In June 2017, under a radical management rationalization for MADICO, INC., we announced full withdrawal from PV backsheets, restructuring of the production system, and downsizing of the workforce. We will be aiming to further strengthen the

Group structure with measures including Group company reorganization in Japan.

At the same time, we want to make effective use of the information system infrastructure we have built and integrated into our operations to raise levels of efficiency in our back-office operations, in particular, and optimize our allocation of human resources. We will also be paying heed to costs from the stage of product design and development onward and undertaking cost restructuring initiatives in procurement, production, and distribution. We expect these measures to produce cost savings of ¥2.1 billion over three years.

### 4 Activities for realizing a sustainable society

LINTEC has long been an enthusiastic corporate citizen in respect of corporate social responsibility (CSR). We will be looking to further promote business activities with an awareness of the issues brought up in the Sustainable Development Goals (SDGs), such as environmental and population-related issues, and we expect this effort to be reflected in LINTEC's growth and social development. At the same time, we believe that a dynamic workplace where a wide variety of people can work together is essential for sustainable growth, and we will strive to enhance the working environment with Group initiatives in areas such as work-style reform, female participation in business activities, jobs for persons with disabilities, and staff training at Group companies overseas.

### A message to our shareholders and investors

Having fallen short of our previous medium-term business plan's targets, we are aiming to keep the PDCA cycle* turning as we pursue the LIP-2019 targets, so that we identify areas where we deviate from plan, investigate the causes thoroughly, and respond promptly with corrective action. In line with the plan's basic policy and with the objectives of deepening the innovation LINTEC has built up over the years and generating new growth, we are promoting a radical rethink of individual employees' mind-set and business practices.

Increasing our employees' level of satisfaction is crucial to enhancing customer satisfaction and hence elevating our earnings. We will therefore strive to create an even more rewarding and happier workplace for all our employees in pursuit of sustained growth.

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

August 2017
Hiroyuki Nishio
Representative Director
President, CEO and COO

## We are aiming to keep the PDCA cycle turning as we pursue the LIP-2019 targets.

*PDCA cycle: Plan-Do-Check-Act cycle for continuous process improvement through repetition of its four phases

# A Message from the CFO

## Through active dialogue with shareholders and investors, we will continue to improve corporate value.

**Hitoshi Asai**
Director
Vice President Executive Officer and CFO

### Review of performance in the fiscal year ended March 31, 2017 and performance outlook for the fiscal year ending March 31, 2018

Business conditions were severe in the fiscal year ended March 31, 2017, with a strong yen and a slowdown in China and other Asian emerging countries. Profits were also squeezed by weak performances at some overseas subsidiaries and one-off costs arising from three acquisitions in Europe and North America. As a result, consolidated net sales declined 2.2% year-on-year, to ¥206.0 billion, and operating income declined 6.2%, to ¥16.6 billion. Profit attributable to owners of parent increased 5.1% year-on-year, to ¥11.5 billion, as there were gains on sales of investment securities and a boost from tax effect accounting.

The three acquisitions involved goodwill of approximately ¥33.5 billion, which is to be amortized 10 years. Profits will be heavily impacted during this period and we are therefore seeking early realization of synergies in sales channels and technology.

Major negative influences in the fiscal year ended March 31, 2017 should be eliminated in the fiscal year ending March 31, 2018. The one-off, three-company acquisition costs and the losses at the Chinese subsidiary currently undergoing liquidation will not recur, and losses at PT. LINTEC INDONESIA should narrow following the resolution of its labor issues. In addition, the three acquisitions will make a 12-month contribution to consolidated business results and our business related to semiconductors and electronic components is expected to trend strongly. We therefore project year-on-year growth of 21.4%, to ¥250.0 billion, for net sales; growth of 20.5%, to ¥20.0 billion, for operating income; and growth of 17.9%, to ¥13.5 billion, for profit attributable to owners of parent.

**FY 2017 Business Results and FY 2018 Forecasts (year-on-year)**

| | FY2017 | FY2018 Forecasts |
|---|---|---|
| Net Sales | ¥206.0 billion (-2.2%) | ¥250.0 billion (+21.4%) |
| Operating Income | ¥16.6 billion (-6.2%) | ¥20.0 billion (+20.5%) |
| Profit Attributable to Owners of Parent | ¥11.5 billion (+5.1%) | ¥13.5 billion (+17.9%) |

(Fiscal year ended / ending March 31)

## Foreign exchange impact

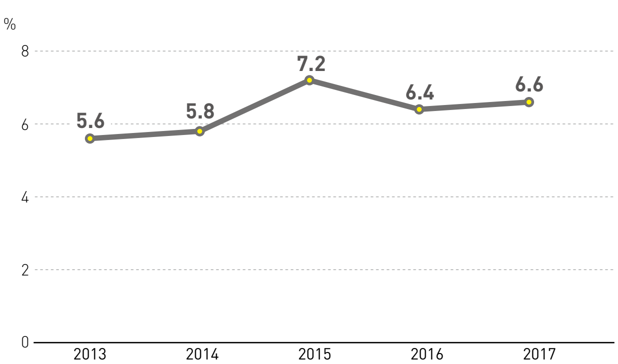
Yen appreciation is positive for our procurement of pulp and petrochemical raw materials, but overall it is a disadvantage because it reduces the yen translation of overseas subsidiaries' earnings and has a negative impact on the LINTEC parent's transactions with overseas subsidiaries. In the fiscal year ended March 31, 2017, the yen appreciation was a negative of approximately ¥6.8 billion for sales and ¥2.3 billion for operating income. The Group's overseas sales ratio was 37.8% and foreign exchange impact will now increase further following the consolidation of the three acquisitions.

To date, operating income sensitivity to ¥1 movement against the U.S. dollar has been around ¥100–¥200 million, but it will increase as a result of the three-company consolidation. The Group undertakes many transactions in Korean won, Chinese yuan, and Taiwan dollars and this aspect of impact from foreign currency movement also warrants attention.

## Growth investments and shareholder returns

We intend to continue making proactive use of cash for capital expenditures in growth areas and M&A. Where necessary, we will finance business expansion with loans. I believe there are various views on ROE enhancement and our view is basically that ROE will rise if we increase profits steadily.

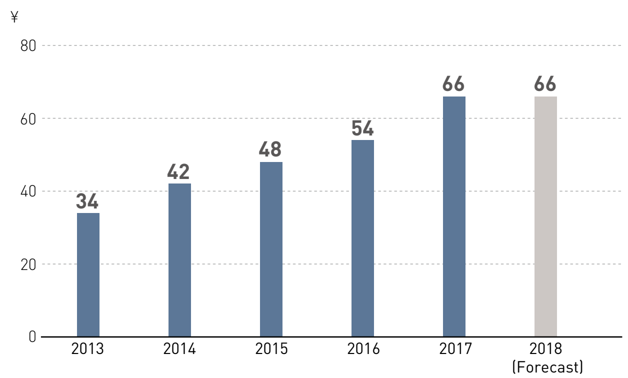
**ROE**




(Fiscal years ended March 31)

Dividends form the basis of our thinking on returns to shareholders, which we regard as one of the most important management issues. We aim to make stable and continued returns while maintaining a balance with retained earnings to support a healthy balance sheet. In the fiscal year ended March 31, 2017, we paid an annual dividend of ¥66, an increase of ¥12 over the previous year. In the fiscal year ending March 31, 2018, we plan to pay an annual dividend of ¥66 based on our projection of net income per share of ¥187.11.

**Cash Dividends per Share**




(Fiscal years ended / ending March 31)

## Dialogue with shareholders and investors

We believe a good understanding of LINTEC is the key prerequisite for constructive dialogue with shareholders and investors. LINTEC is sometimes difficult to understand due to the wide diversity of its business, and views differ depending on the observer. It is important for everyone to have a proper understanding of the true situation, including LINTEC's special characteristics, its strengths, and its weaknesses. To this end, we have to communicate information at appropriate times and in appropriate ways. We will seek to maintain diverse forms of active dialogue with shareholders and investors that will lead to sustained growth for LINTEC, enhancement of corporate value over the medium and long term, and appropriate pricing of our shares.