# FINANCIAL SECTION

# Management's Discussion and Analysis

## Revenues and Expenses

In the fiscal year under review, consolidated net sales declined 2.2% year-on-year, to ¥206.0 billion, due mainly to sluggish demand resulting from an economic slowdown in China and Southeast Asia and to foreign currency translation differences involving a strong yen.

Gross profit benefited from a decline in fuel and raw material prices but decreased 1.4% year-on-year, to ¥52.9 billion, due to factors such as lower sales. Operating income declined 6.2%, to ¥16.6 billion, due to costs related to the acquisition of three companies in Europe and the United States and foreign currency translation differences. Profit before income taxes decreased 8.3%, to ¥15.4 billion, due to losses arising from fixed-asset disposal and the liquidation of subsidiaries. Profit attributable to owners of parent increased 5.1%, to ¥11.5 billion, owing mainly to a 30.5% decline, to ¥4.2 billion, in income taxes following the application of tax effect accounting.

Net income per share increased from ¥151.07 in the previous fiscal year to ¥158.69, and ROE rose from 6.4% to 6.6%.

## Performance by Business Segment

### Printing and Industrial Materials Products

In Printing & variable information products operations in Japan, adhesive products for seals and labels were impacted by unseasonable weather conditions for food-use products but sales of medical- and distribution-use products were solid. Overseas, sales were impacted by an economic slowdown, mainly in China.

In Industrial & material operations, equipment for mail-order business sold well, but sales of motorcycle- and automobile-use adhesive products and window films were sluggish due to an economic slowdown in emerging countries in Asia.

As a result of the above, net sales in Printing and Industrial Materials Products declined 2.3% year-on-year, to ¥85.7 billion, and operating income declined 39.9%, to ¥1.7 billion.

### Electronic and Optical Products

In Advanced materials operations, sales of semiconductor-related adhesive tapes and equipment were maintained at the same level as the previous fiscal year, owing to a recovery in demand for products for smartphones and other devices from the second quarter. Multilayer ceramic capacitor-related tapes experienced a recovery in demand from the autumn but declined year-on-year due to a weak first half.

In Optical products operations, sales of LCD-related adhesive products were low due to sluggish demand for products for large televisions and others.

As a result of the above, net sales in Electronic and Optical Products were down 2.6% year-on-year, at ¥83.2 billion, and operating income decreased 13.3%, to ¥9.2 billion.

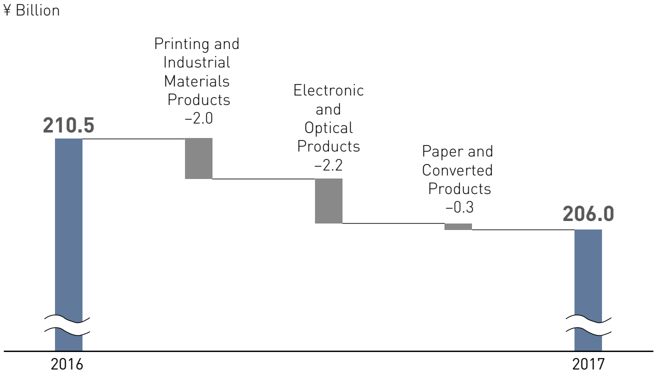
### Paper and Converted Products

In Fine & specialty paper products operations, sales of mainstay color papers for envelopes were low and there were also declines for construction material papers and oil resistant papers.

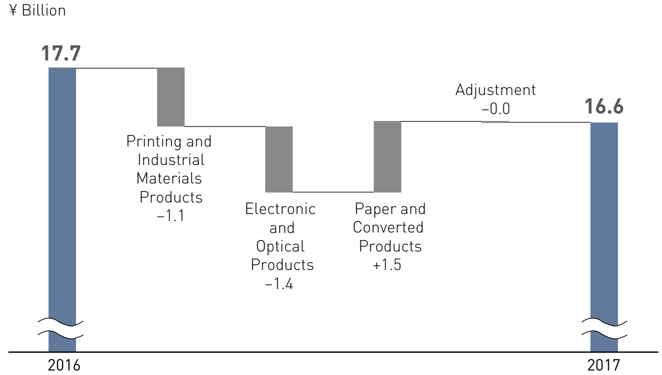
In Converted products operations, sales of casting papers for carbon fiber composite materials were solid for aircraft use. Sales of release papers for FPC cover lay films and release films for optical-related products were also steady.

As a result of the above, net sales in Paper and Converted Products declined 0.9% year-on-year, to ¥37.1 billion, while operating income rose 34.0%, to ¥5.8 billion.

**Net Sales**




**Operating Income**



# Management's Discussion and Analysis

## Financial Position

### Assets

Total assets as of March 31, 2017, were ¥274.2 billion, an increase of ¥33.5 billion from the end of the previous fiscal year. The main changes were as follows:

- Cash and deposits -¥20.7 billion
- Trade notes and accounts receivable +¥4.5 billion
- Inventories +¥3.5 billion
- Property, plant and equipment +¥9.0 billion
- Goodwill +¥34.5 billion

### Liabilities

Total liabilities as of March 31, 2017, were ¥95.5 billion, an increase of ¥26.9 billion from the end of the previous fiscal year. The main changes were as follows:

- Trade notes and accounts payable +¥5.4 billion
- Short-term loans payable -¥1.1 billion
- Current portion of long-term loans payable +¥3.1 billion
- Long-term loans payable +¥17.8 billion

### Net Assets

Net assets as of March 31, 2017, were ¥178.7 billion, an increase of ¥6.6 billion from the end of the previous fiscal year. The main changes were as follows:

- Retained earnings +¥7.5 billion

## Cash Flows

Cash and cash equivalents as of March 31, 2017, amounted to ¥41.3 billion, a decrease of ¥19.0 billion year-on-year.

### Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥4.4 billion year-on-year, to ¥24.4 billion. The principal movements were as follows.

- Profit before income taxes -¥1.4 billion
- Depreciation and amortization -¥1.3 billion
- Trade notes and accounts receivable -¥2.5 billion
- Trade notes and accounts payable +¥5.0 billion
- Income taxes paid +¥1.7 billion

### Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥38.5 billion year-on-year, to ¥48.4 billion. The principal movements were as follows.

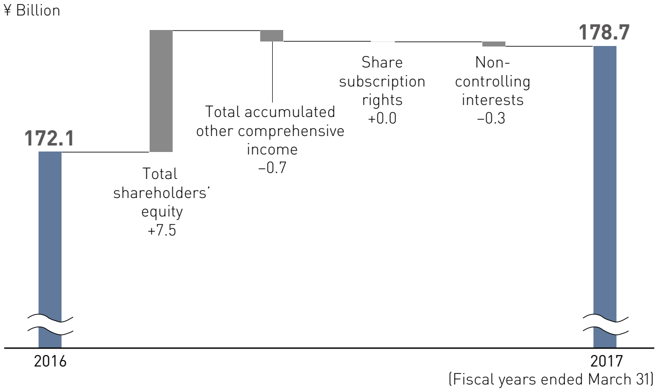
- Payments into time deposits -¥1.2 billion
- Proceeds from withdrawal of time deposits +¥2.2 billion
- Purchase of property, plant and equipment -¥3.2 billion
- Purchase of shares and membership interests of subsidiaries resulting in change in scope of consolidation -¥36.9 billion

### Cash Flows from Financing Activities

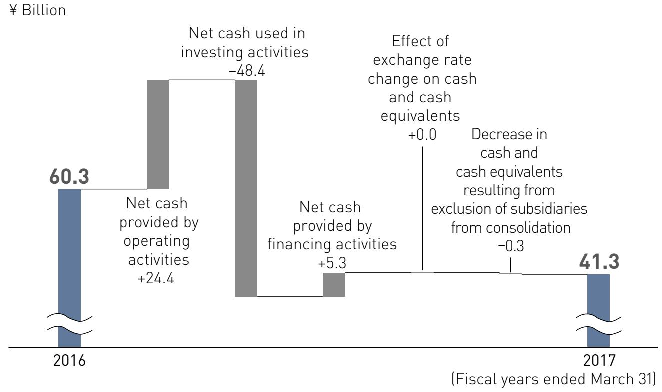
Net cash provided by financing activities amounted to ¥5.3 billion compared with net cash used of ¥4.0 billion in the previous fiscal year. The principal movements were as follows.

- Short-term loans payable -¥1.7 billion
- Proceeds from long-term loans payable +¥20.9 billion
- Repayments of long-term loans payable -¥9.3 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

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| **For the year:** | | | | |
| Net sales | **¥205,975** | ¥210,501 | ¥207,255 | ¥203,242 |
| Operating income | **16,595** | 17,692 | 16,881 | 13,766 |
| % of net sales | **8.1%** | 8.4% | 8.1% | 6.8% |
| Profit before income taxes | **15,398** | 16,799 | 17,555 | 12,883 |
| Profit attributable to owners of parent | **11,450** | 10,899 | 11,659 | 8,501 |
| Return on equity | **6.6%** | 6.4% | 7.2% | 5.8% |
| Return on assets | **6.1%** | 7.4% | 7.8% | 6.0% |
| Per share data (yen): | | | | |
| Net income | **¥ 158.69** | ¥ 151.07 | ¥ 161.63 | ¥ 114.22 |
| Net assets | **2,465.43** | 2,370.49 | 2,363.81 | 2,100.87 |
| Cash dividends | **66.00** | 54.00 | 48.00 | 42.00 |
| Depreciation and amortization | **¥ 7,466** | ¥ 8,800 | ¥ 8,713 | ¥10,055 |
| Purchase of property, plant and equipment | **(13,049)** | (9,810) | (6,299) | (5,508) |
| Net cash provided by operating activities | **24,361** | 19,928 | 15,485 | 16,309 |
| Net cash used in investing activities | **(48,378)** | (9,898) | (5,104) | (6,952) |
| Net cash provided by (used in) financing activities | **5,257** | (4,044) | (3,135) | (8,020) |
| **At year-end:** | | | | |
| Current assets | **¥151,449** | ¥163,647 | ¥163,017 | ¥149,396 |
| Current liabilities | **64,401** | 56,389 | 57,058 | 54,820 |
| Working capital | **87,048** | 107,258 | 105,958 | 94,575 |
| Cash and cash equivalents | **41,284** | 60,323 | 56,050 | 44,992 |
| Property, plant and equipment, net | **73,871** | 64,859 | 61,503 | 61,456 |
| Long-term debt, less current portion | **17,795** | — | — | — |
| % of shareholders' equity | **10.3%** | — | — | — |
| Total assets | **274,199** | 240,720 | 237,444 | 225,073 |
| Net assets | **178,690** | 172,101 | 171,674 | 152,610 |
| % of total assets | **64.9%** | 71.1% | 71.8% | 67.3% |
| Number of shares outstanding | **76,564,240** | 76,564,240 | 76,564,240 | 76,564,240 |
| Number of employees | **4,760** | 4,246 | 4,413 | 4,223 |
| **Segment information:** | | | | |
| Net sales: | | | | |
| Printing and Industrial Materials Products | **¥85,721** | ¥88,100 | ¥86,826 | ¥86,310 |
| Electronic and Optical Products | **83,278** | 85,895 | 83,281 | 79,143 |
| Paper and Converted Products | **52,632** | 54,576 | 54,564 | 52,781 |
| Segment income: | | | | |
| Printing and Industrial Materials Products | **1,672** | 2,785 | 2,878 | 2,290 |
| Electronic and Optical Products | **9,155** | 10,562 | 10,071 | 6,846 |
| Paper and Converted Products | **5,767** | 4,303 | 3,996 | 4,645 |

(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

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| | ¥190,844 | ¥200,905 | ¥212,733 | ¥189,348 | ¥194,901 | ¥202,297 |
| | 10,564 | 13,975 | 20,889 | 11,576 | 8,498 | 14,894 |
| | 5.5% | 7.0% | 9.8% | 6.1% | 4.4% | 7.4% |
| | 10,836 | 13,382 | 19,565 | 11,399 | 5,215 | 13,191 |
| | 7,681 | 8,648 | 13,622 | 7,284 | 3,391 | 9,308 |
| | 5.6% | 6.6% | 10.9% | 6.2% | 2.9% | 8.0% |
| | 5.2% | 6.5% | 9.7% | 6.1% | 3.0% | 6.6% |
| | | | | | | |
| | ¥ 102.83 | ¥ 115.26 | ¥ 180.21 | ¥ 96.36 | ¥ 44.86 | ¥ 123.15 |
| | 1,909.57 | 1,766.60 | 1,715.78 | 1,596.37 | 1,497.58 | 1,598.30 |
| | 34.00 | 40.00 | 40.00 | 24.00 | 20.00 | 24.00 |
| | | | | | | |
| | ¥ 10,141 | ¥ 10,079 | ¥10,178 | ¥10,537 | ¥11,286 | ¥ 9,011 |
| | (13,823) | (8,760) | (8,237) | (7,777) | (9,584) | (14,700) |
| | 19,619 | 18,910 | 23,307 | 22,259 | 12,979 | 17,739 |
| | (13,966) | (12,262) | (9,926) | (9,253) | (9,752) | (15,071) |
| | (2,877) | (5,099) | (2,820) | (3,454) | (2,300) | (769) |
| | | | | | | |
| | ¥138,505 | ¥137,229 | ¥132,891 | ¥121,451 | ¥ 95,937 | ¥120,028 |
| | 56,911 | 62,075 | 60,465 | 58,654 | 43,655 | 67,631 |
| | 81,593 | 75,153 | 72,426 | 62,797 | 52,282 | 52,397 |
| | 40,739 | 36,036 | 35,188 | 25,387 | 15,370 | 17,315 |
| | 64,915 | 62,273 | 61,888 | 63,337 | 67,010 | 73,711 |
| | — | — | — | 54 | 107 | 201 |
| | — | — | — | 0.0% | 0.1% | 0.2% |
| | 216,048 | 210,203 | 206,188 | 195,656 | 172,854 | 204,852 |
| | 143,569 | 132,847 | 130,576 | 121,502 | 113,930 | 121,635 |
| | 66.0% | 62.8% | 62.9% | 61.7% | 65.5% | 59.4% |
| | | | | | | |
| | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 |
| | 4,270 | 4,286 | 4,198 | 4,037 | 3,987 | 3,802 |
| | | | | | | |
| | ¥82,785 | ¥90,143 | ¥91,936 | — | — | — |
| | 72,372 | 73,925 | 81,193 | — | — | — |
| | 52,061 | 53,225 | 55,317 | — | — | — |
| | | | | | | |
| | 2,380 | 5,213 | 7,990 | — | — | — |
| | 3,196 | 3,942 | 6,732 | — | — | — |
| | 4,980 | 4,846 | 6,129 | — | — | — |

# Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| ASSETS | 2017 | 2016 | 2017 |
| **Current assets:** | | | |
| Cash and deposits (Notes 12, 14) | ¥ 45,060 | ¥ 65,733 | $ 401,641 |
| Trade notes and accounts receivable (Note 14) | 66,801 | 62,331 | 595,431 |
| Inventories (Note 3) | 34,584 | 31,066 | 308,267 |
| Deferred tax assets (Note 19) | 1,614 | 1,121 | 14,390 |
| Other (Notes 14, 16) | 3,530 | 3,538 | 31,225 |
| Allowance for doubtful accounts | (114) | (143) | (1,017) |
| Total current assets | 151,449 | 163,647 | 1,349,938 |
| **Non-current assets:** | | | |
| **Property, plant and equipment** (Notes 6, 10, 13): | | | |
| Buildings and structures | 71,545 | 69,970 | 637,716 |
| Machinery, equipment and vehicles | 124,185 | 116,352 | 1,106,920 |
| Land | 11,057 | 10,184 | 98,564 |
| Construction in progress | 2,163 | 2,864 | 19,286 |
| Other | 12,511 | 12,070 | 111,517 |
| | 221,463 | 211,442 | 1,974,005 |
| Accumulated depreciation | (147,592) | (146,583) | (1,315,557) |
| Property, plant and equipment, net | 73,871 | 64,859 | 658,447 |
| Intangible assets: | | | |
| Goodwill | 34,558 | 22 | 308,039 |
| Other (Note 13) | 4,000 | 2,334 | 35,660 |
| Total intangible assets | 38,559 | 2,357 | 343,700 |
| Investments and other assets: | | | |
| Investment securities (Notes 14, 15) | 3,102 | 3,126 | 27,657 |
| Deferred tax assets (Note 19) | 5,063 | 4,978 | 45,137 |
| Other | 2,256 | 1,854 | 20,116 |
| Allowance for doubtful accounts | (105) | (103) | (937) |
| Total investments and other assets | 10,318 | 9,855 | 91,974 |
| Total non-current assets | 122,749 | 77,072 | 1,094,122 |
| **Total assets** | ¥ 274,199 | ¥ 240,720 | $ 2,444,061 |

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

| LIABILITIES AND NET ASSETS | Millions of yen 2017 | 2016 | Thousands of U.S. dollars (Note 1) 2017 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Trade notes and accounts payable (Note 14) | **¥ 45,057** | ¥ 39,683 | **$ 401,622** |
| Short-term loans payable (Notes 14, 26) | **641** | 1,695 | **5,720** |
| Current portion of long-term loans payable (Notes 14, 16, 26) | **3,051** | — | **27,202** |
| Accrued income taxes (Notes 14, 19) | **3,098** | 2,272 | **27,621** |
| Provision for directors' bonuses | **90** | 93 | **804** |
| Other (Notes 14, 16, 26) | **12,460** | 12,644 | **111,065** |
| Total current liabilities | **64,401** | 56,389 | **574,035** |
| **Non-current liabilities:** | | | |
| Long-term loans payable (Notes 14, 16, 26) | **17,795** | — | **158,616** |
| Provision for environmental measures | **135** | 137 | **1,204** |
| Net defined benefit liability (Notes 7, 8, 17) | **12,362** | 11,476 | **110,189** |
| Other (Note 26) | **814** | 614 | **7,261** |
| Total non-current liabilities | **31,107** | 12,228 | **277,272** |
| Total liabilities | **95,508** | 68,618 | **851,308** |
| **Commitments and contingent liabilities** (Note 2) | | | |
| **Net assets:** | | | |
| **Shareholders' equity** (Note 25): | | | |
| Common stock: | | | |
| Authorized: 300,000,000 shares in 2017 and 2016 | | | |
| Issued: 76,564,240 shares in 2017 and 2016 | **23,201** | 23,201 | **206,803** |
| Capital surplus | **26,829** | 26,829 | **239,141** |
| Retained earnings | **131,247** | 123,713 | **1,169,870** |
| Less: treasury stock, at cost: | | | |
| 4,412,515 shares in 2017 and 4,411,475 shares in 2016 | **(7,714)** | (7,712) | **(68,762)** |
| Total shareholders' equity | **173,563** | 166,032 | **1,547,052** |
| **Accumulated other comprehensive income** | | | |
| Net unrealized holding gain on securities | **775** | 701 | **6,909** |
| Foreign currency translation adjustments | **6,938** | 7,812 | **61,844** |
| Remeasurements of defined benefit plans (Notes 7, 8, 17) | **(3,392)** | (3,509) | **(30,240)** |
| Total accumulated other comprehensive income | **4,320** | 5,005 | **38,514** |
| **Share subscription rights** (Note 18) | **186** | 169 | **1,665** |
| **Non-controlling interests** | **619** | 895 | **5,520** |
| Total net assets | **178,690** | 172,101 | **1,592,752** |
| **Total liabilities and net assets** | **¥274,199** | ¥240,720 | **$2,444,061** |

# Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Net sales** | ¥205,975 | ¥210,501 | $1,835,953 |
| **Cost of sales** | 153,115 | 156,877 | 1,364,790 |
| Gross profit | 52,859 | 53,624 | 471,162 |
| **Selling, general and administrative expenses** (Notes 4, 5) | 36,264 | 35,932 | 323,243 |
| Operating income | 16,595 | 17,692 | 147,919 |
| **Non-operating income:** | | | |
| Interest income | 218 | 308 | 1,951 |
| Dividend income | 91 | 59 | 817 |
| Rent income | 43 | 58 | 391 |
| Gain on sales of non-current assets | 20 | 7 | 179 |
| Insurance income | 226 | 42 | 2,019 |
| Other income | 274 | 276 | 2,445 |
| Total non-operating income | 875 | 752 | 7,805 |
| **Non-operating expenses:** | | | |
| Interest expenses | 73 | 18 | 654 |
| Loss on retirement of non-current assets | 785 | 357 | 7,003 |
| Compensation expenses | 107 | 129 | 957 |
| Foreign exchange losses | 473 | 124 | 4,221 |
| Other expenses | 345 | 189 | 3,083 |
| Total non-operating expenses | 1,786 | 820 | 15,921 |
| Ordinary income | 15,684 | 17,623 | 139,802 |
| **Extraordinary gain:** | | | |
| Gain on sales of investment securities (Note 15) | 190 | — | 1,696 |
| Gain on sales of non-current assets (Note 6) | 121 | 11 | 1,086 |
| Gain on liquidation of subsidiaries | 17 | — | 153 |
| Total extraordinary gain | 329 | 11 | 2,937 |
| **Extraordinary loss:** | | | |
| Loss on liquidation of subsidiaries | 568 | — | 5,068 |
| Impairment loss (Note 10) | 34 | — | 304 |
| Loss on sales of investment securities (Note 15) | 13 | — | 116 |
| Special retirement expenses (Note 7) | — | 438 | — |
| Loss on abolishment of retirement benefit plan (Note 8) | — | 265 | — |
| Loss on temporary suspension of production (Note 9) | — | 131 | — |
| Total extraordinary losses | 615 | 835 | 5,488 |
| Profit before income taxes | 15,398 | 16,799 | 137,251 |
| **Income taxes** (Note 19): | | | |
| Current | 5,383 | 5,339 | 47,985 |
| Deferred | (1,191) | 689 | (10,618) |
| Total income taxes | 4,192 | 6,029 | 37,367 |
| **Profit** | 11,206 | 10,769 | 99,884 |
| **Profit (loss) attributable to non-controlling interests** | (244) | (129) | (2,175) |
| **Profit attributable to owners of parent** (Note 25) | ¥ 11,450 | ¥ 10,899 | $ 102,060 |

# Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Profit | ¥11,206 | ¥10,769 | $99,884 |
| Other comprehensive income (Note 11) | | | |
| Net unrealized holding gain on securities | 73 | (130) | 656 |
| Foreign currency translation adjustments | (907) | (3,443) | (8,091) |
| Remeasurements of defined benefit plans (Notes 7, 8, 17) | 118 | (2,975) | 1,052 |
| Total other comprehensive income | (716) | (6,549) | (6,382) |
| Comprehensive income | ¥10,489 | ¥ 4,220 | $93,501 |
| (Comprehensive income attributable to:) | | | |
| Owners of parent | 10,765 | 4,318 | 95,959 |
| Non-controlling interests | (275) | (97) | (2,458) |

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, 2017 and 2016

| | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests | Total net assets |
| **Balance as at April 1, 2015** | 76,564 | ¥23,201 | ¥26,830 | ¥116,638 | ¥(7,741) | ¥158,928 | ¥832 | ¥11,256 | ¥(503) | ¥11,586 | ¥166 | ¥992 | ¥171,674 |
| Changes during the year: | | | | | | | | | | | | | |
| Cash dividends | | | | (3,823) | | (3,823) | | | | | | | (3,823) |
| Profit attributable to owners of parent | | | | 10,899 | | 10,899 | | | | | | | 10,899 |
| Purchase of treasury stock | | | | | (2) | (2) | | | | | | | (2) |
| Disposal of treasury stock | | | (0) | | 31 | 30 | | | | | | | 30 |
| Change of scope of consolidation | | | | | | — | | | | | | | — |
| Net changes in items other than shareholders' equity | | | | | | | (130) | (3,443) | (3,006) | (6,580) | 2 | (97) | (6,676) |
| Total changes during the year | — | — | (0) | 7,075 | 29 | 7,103 | (130) | (3,443) | (3,006) | (6,580) | 2 | (97) | 427 |
| **Balance as at March 31, 2016** | 76,564 | ¥23,201 | ¥26,829 | ¥123,713 | ¥(7,712) | ¥166,032 | ¥701 | ¥7,812 | ¥(3,509) | ¥5,005 | ¥169 | ¥895 | ¥172,101 |
| 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** |

| | 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 | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Share subscription rights | Non-controlling interests | Total net assets |
| **Balance as at April 1, 2016** | 76,564 | $206,803 | $239,141 | $1,102,716 | $(68,741) | $1,479,919 | $6,253 | $69,640 | $(31,279) | $44,614 | $1,508 | $7,978 | $1,534,021 |
| Changes during the year: | | | | | | | | | | | | | |
| Cash dividends | | | | **(38,587)** | | **(38,587)** | | | | | | | **(38,587)** |
| Profit attributable to owners of parent | | | | **102,060** | | **102,060** | | | | | | | **102,060** |
| Purchase of treasury stock | | | | | **(21)** | **(21)** | | | | | | | **(21)** |
| Disposal of treasury stock | | | **0** | | **0** | **0** | | | | | | | **0** |
| Change of scope of consolidation | | | | **3,681** | | **3,681** | | | | | | | **3,681** |
| Net changes in items other than shareholders' equity | | | | | | | **656** | **(7,795)** | **1,038** | **(6,100)** | **157** | **(2,458)** | **(8,401)** |
| Total changes during the year | **—** | **—** | **0** | **67,153** | **(21)** | **67,132** | **656** | **(7,795)** | **1,038** | **(6,100)** | **157** | **(2,458)** | **58,731** |
| **Balance as at March 31, 2017** | **76,564** | **$206,803** | **$239,141** | **$1,169,870** | **$(68,762)** | **$1,547,052** | **$6,909** | **$61,844** | **$(30,240)** | **$38,514** | **$1,665** | **$5,520** | **$1,592,752** |

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, 2017 and 2016

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| **Cash flows from operating activities:** | | | |
| Profit before income taxes | ¥ 15,398 | ¥16,799 | $ 137,251 |
| Depreciation and amortization | 7,466 | 8,800 | 66,553 |
| Amortization of goodwill | 315 | 71 | 2,809 |
| Increase (decrease) in net defined benefit liability | 947 | 788 | 8,445 |
| Increase (decrease) in allowance for doubtful accounts | (24) | (72) | (216) |
| Interest and dividend income | (310) | (367) | (2,769) |
| Interest expenses | 73 | 18 | 654 |
| Loss (gain) on sales of property, plant and equipment | (132) | (9) | (1,178) |
| Loss on retirement of property, plant and equipment | 482 | 163 | 4,296 |
| Decrease (increase) in trade notes and accounts receivable | (1,565) | 966 | (13,953) |
| Decrease (increase) in inventories | 812 | 582 | 7,242 |
| Increase (decrease) in trade notes and accounts payable | 3,470 | (1,485) | 30,930 |
| Loss (gain) on sales of investment securities | (177) | (0) | (1,580) |
| Increase (decrease) in provision for environmental measures | (2) | (2) | (23) |
| Loss (gain) on liquidation of subsidiaries | 551 | — | 4,914 |
| Impairment loss | 34 | — | 304 |
| Special retirement expenses | — | 438 | — |
| Loss on abolishment of retirement benefit plan | — | 265 | — |
| Other, net | 1,789 | (792) | 15,954 |
| Subtotal | 29,128 | 26,166 | 259,634 |
| Interest and dividend income received | 325 | 382 | 2,902 |
| Interest expenses paid | (16) | (18) | (150) |
| Income taxes (paid) refund | (4,809) | (6,534) | (42,870) |
| Special retirement expenses paid | (265) | (66) | (2,366) |
| Net cash provided by operating activities | 24,361 | 19,928 | 217,149 |
| **Cash flows from investing activities:** | | | |
| Payments into time deposits | (10,897) | (9,653) | (97,138) |
| Proceeds from withdrawal of time deposits | 12,164 | 9,957 | 108,427 |
| Purchase of property, plant and equipment | (13,049) | (9,810) | (116,312) |
| Proceeds from sales of property, plant and equipment | 181 | 26 | 1,613 |
| Purchase of intangible assets | (199) | (455) | (1,776) |
| Purchase of investment securities | (5) | (15) | (51) |
| Proceeds from sales of investment securities | 361 | 0 | 3,226 |
| Proceeds from liquidation of subsidiaries | 24 | — | 222 |
| Payments of loans receivable | (2) | (5) | (17) |
| Collection of loans receivable | 4 | 2 | 36 |
| Purchase of shares and membership interests of subsidiaries resulting in change in scope of consolidation (Note 12) | (36,909) | — | (328,994) |
| Other, net | (50) | 56 | (451) |
| Net cash used in investing activities | (48,378) | (9,898) | (431,216) |
| **Cash flows from financing activities:** | | | |
| Increase (decrease) in short-term loans payable | (1,748) | — | (15,589) |
| Proceeds from long-term loans payable | 20,850 | — | 185,846 |
| Repayments of long-term loans payable | (9,253) | — | (82,484) |
| Cash dividends paid | (4,328) | (3,824) | (38,582) |
| Purchase of treasury stock | (2) | (2) | (21) |
| Repayments of lease obligations | (258) | (217) | (2,302) |
| Other, net | 0 | 0 | 0 |
| Net cash provided by (used in) financing activities | 5,257 | (4,044) | 46,866 |
| **Effect of exchange rate change on cash and cash equivalents** | 35 | (1,712) | 313 |
| **Net increase (decrease) in cash and cash equivalents** | (18,723) | 4,273 | (166,887) |
| **Cash and cash equivalents at beginning of year** | 60,323 | 56,050 | 537,693 |
| **Increase in cash and cash equivalents from newly consolidated subsidiary** | — | 0 | — |
| **Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation** | (315) | — | (2,815) |
| **Cash and cash equivalents at end of year** (Note 12) | ¥ 41,284 | ¥60,323 | $ 367,990 |

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, 2017

## 1. Summary of Significant Accounting Policies

**(a) Basis of presenting financial statements**

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

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

For the convenience of the readers, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the rate of ¥112.19=U.S.$1, the prevailing exchange rate as of March 31, 2017. 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, 2017 presentation.

**(b) Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its 41 significant subsidiaries as of March 31, 2017, 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 collectability with respect to identified doubtful receivables and past experience of doubtful receivables.

**(k) Provision for directors' bonuses**

Bonus to directors is accrued at the year end and to be paid in the following year when such bonuses are attributable.

**(l) Accounting method for retirement benefits**

(1) Method of attributing expected retirement benefits to periods
In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefits to periods through the end of the fiscal year.

(2) Method of amortizing actuarial gain and loss and prior service cost
Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method principally over 15 years. Prior service cost is being amortized by the straight-line method principally over 15 years.

**(m) Provision for environmental measures**

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

**(n) Accounting for consumption taxes**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

**(o) Cash and cash equivalents**

Cash and cash equivalents are composed of cash and time deposits having maturities within three months from acquisition, all of which are low-risk, short-term financial instruments readily convertible into cash.

**(p) Research and development costs**

Research and development costs are charged to income when incurred.

**(q) Income taxes**

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

**(r) Shareholders' equity**

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

**(s) 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) Changes in accounting principles**

(Changes in accounting principles that are difficult to distinguish from changes in accounting estimates)

(Change in the depreciation method of property, plant and equipment)

The Company and its domestic consolidated subsidiaries had conventionally used the declining-balance method (straight line method for the buildings (excluding attached facilities) acquired on or after April 1, 1998) as the depreciation method of property, plant and equipment (excluding leased assets), which has been changed to the straight line method from this consolidated fiscal year.

Based on its medium-term business plan "LIP-2016", which was announced in 2014, the LINTEC Group (the "Group") has been further promoting its global development and actively investing its management resources in growth areas such as innovative new products that will support the next generation.

As part of these efforts, the Group has added a new research building and testing and research facilities, and when these new facilities commenced full operation in 2016, the Group re-examined its depreciation method, which appropriately reflected the condition of the use of the Group's property, plant and equipment. As a result, the Group determined that comprehensively considering the following changes and altering the depreciation method to the straight-line method would enable more appropriate cost distribution throughout the period of use.

(1) The latest, large testing and research facilities were installed during the addition of the research building in order to improve the Group's development simulation capability, which resulted in an increase in the percentage of research and development facilities in its property, plant and equipment. Such R&D facilities will include large test coaters associated with factory mass production facilities, advanced analysis equipment, and other devices, which are expected to substantially accelerate the process from the initial stage of research to mass production. The Group plans to engage in development for the establishment of the mass production process, and these R&D facilities will be operated steadily every fiscal year.

(2) High-function products have been increasing as a proportion of the Company's products in recent years, and improvements and additions to the coaters, which are major facilities in the Company's property, plant and equipment, have been made in line with this increase. These manufacturing facilities as a whole wear at an average rate every fiscal year due to improvements in manufacturing technology thanks to R&D, etc. and the modification of the production system. In addition, operations are expected to be steady given the Company's active improvement of facilities to meet rising demand in growth areas.

As a result, the depreciation of this consolidated fiscal year decreased by ¥2,685 million (U.S. $23,933 thousand) from those using the conventional method, and operating income, ordinary income, and profit before income taxes have each increased by ¥2,399 million (U.S. $21,390 thousand).

**(u) Changes in presentation**

(Consolidated Balance Sheet)

"Goodwill," which was included in "Intangible assets" in the previous consolidated fiscal year, is separately presented in this consolidated fiscal year due to its increased materiality of the amount. To reflect this change in presentation, ¥2,357 million presented as "Intangible assets" in the consolidated balance sheet of the previous fiscal year has been reclassified into ¥22 million of "Goodwill" and ¥2,334 million of "Other."

(Consolidated Statement of Income)

"Insurance income," which was included in "Other income" under "Non-operating income" 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, ¥318 million presented as "Other income" under "Non-operating income" in the consolidated statement of income of the previous fiscal year has been reclassified into ¥42 million of "Insurance income" and ¥276 million of "Other income."

**(v) Additional information**

The Accounting Standards Board of Japan (ASBJ) Guidance No. 26 issued the Implementation Guidance on Recoverability of Deferred Tax Assets on March 28, 2016, and the guidance has been applied from this consolidated fiscal year.

## 2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥23,194 million (U.S. $206,743 thousand) and ¥22,208 million at March 31, 2017 and 2016, respectively.

### 3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Merchandise and finished goods | ¥13,031 | ¥10,956 | $116,156 |
| Work in process | 11,951 | 11,513 | 106,527 |
| Raw materials and supplies | 9,601 | 8,596 | 85,583 |
| Total | ¥34,584 | ¥31,066 | $308,267 |

### 4. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Transportation and warehousing expenses | ¥ 5,125 | ¥ 5,274 | $ 45,682 |
| Provision for allowance for doubtful accounts | (12) | 48 | (109) |
| Salaries and allowances | 7,743 | 8,011 | 69,021 |
| Retirement benefit expenses | 423 | 284 | 3,774 |
| Provision for directors' bonuses | 95 | 93 | 853 |
| Depreciation and amortization | 1,092 | 1,068 | 9,740 |
| Research and development expenses | 7,639 | 7,644 | 68,094 |
| Other | 14,156 | 13,507 | 126,185 |
| Total | ¥36,264 | ¥35,932 | $323,243 |

### 5. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses, for the years ended March 31, 2017 and 2016 were ¥7,639 million (U.S.$68,094 thousand) and ¥7,644 million, respectively.

### 6. 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 and sales of buildings and structures for the year ended March 31, 2016.

### 7. Special Retirement Expenses

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

### 8. Loss on Abolishment of Retirement Benefit Plan

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

### 9. Loss on Temporary Suspension of Production

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

### 10. Impairment Loss on Property, Plant and Equipment

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

| Major use | Location | Category | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|---|
| Pressure-sensitive adhesive related products manufacturing equipment | Massachusetts State, U.S.A. | Machinery, equipment and vehicles | ¥34 | $304 |

(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.

### 11. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Net unrealized holding gain on securities: | | | |
| Amount incurred during the fiscal year | ¥ 340 | ¥ (202) | $ 3,037 |
| Reclassification adjustment | (177) | (0) | (1,580) |
| Prior to deducting tax effect | 163 | (202) | 1,456 |
| Tax effect | (89) | 71 | (800) |
| Net unrealized holding gain on securities | 73 | (130) | 656 |
| Foreign currency translation adjustments: | | | |
| Amount incurred during the fiscal year | (453) | (3,443) | (4,042) |
| Reclassification adjustment | (454) | — | (4,048) |
| Prior to deducting tax effect | (907) | (3,443) | (8,091) |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | (907) | (3,443) | (8,091) |
| Remeasurements of defined benefit plans: | | | |
| Amount incurred during the fiscal year | (229) | (4,656) | (2,049) |
| Reclassification adjustment | 397 | 381 | 3,546 |
| Prior to deducting tax effect | 167 | (4,274) | 1,497 |
| Tax effect | (49) | 1,299 | (445) |
| Remeasurements of defined benefit plans | 118 | (2,975) | 1,052 |
| Total other comprehensive income | ¥(716) | ¥(6,549) | $(6,382) |

### 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, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Cash and deposits | ¥45,060 | ¥65,733 | $401,641 |
| Time deposits with maturity of more than 3 months | (3,775) | (5,409) | (33,650) |
| Cash and cash equivalents | ¥41,284 | ¥60,323 | $367,990 |

2. 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 | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥ 473 | $ 4,223 |
| Non-current assets | 1,713 | 15,272 |
| Goodwill | 1,839 | 16,398 |
| Current liabilities | (222) | (1,987) |
| Non-current liabilities | (1,102) | (9,830) |
| Acquisition cost of membership interests | ¥ 2,701 | $24,076 |
| Cash and cash equivalents | (95) | (848) |
| Net expenditures for acquisition | ¥ 2,605 | $23,227 |

(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 | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥ 9,066 | $ 80,817 |
| Non-current assets | 6,820 | 60,793 |
| Goodwill | 30,889 | 275,330 |
| Current liabilities | (4,794) | (42,738) |
| Non-current liabilities | (7,564) | (67,427) |
| Acquisition cost of membership interests | ¥34,417 | $306,776 |
| Cash and cash equivalents | (775) | (6,910) |
| Accrued amount of the acquisition cost of membership interests | (301) | (2,684) |
| Net expenditures for acquisition | ¥33,340 | $297,182 |

(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 | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥ 378 | $ 3,375 |
| Non-current assets | 144 | 1,286 |
| Goodwill | 733 | 6,539 |
| Current liabilities | (171) | (1,531) |
| Non-current liabilities | (59) | (534) |
| Acquisition cost of shares | ¥1,024 | $ 9,136 |
| Cash and cash equivalents | (61) | (551) |
| Net expenditures for acquisition | ¥ 963 | $ 8,584 |

There is no disclosure applicable for the year ended March 31, 2016.

3. Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2017 and 2016 were ¥183 million (U.S. $1,639 thousand) and ¥105 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, 2017 and 2016, 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, 2017 and 2016. 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, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Due within 1 year | ¥ 419 | ¥312 | $3,741 |
| Due after 1 year | 595 | 343 | 5,311 |
| Total | ¥1,015 | ¥655 | $9,052 |

### 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. Director of administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case.

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

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

Carrying value on the consolidated balance sheet as of March 31, 2017 and 2016 along with their fair value and the variance were shown in the following table.

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2017 | | | | | |
| | Carrying value | Estimated fair value | Variance | Carrying value | Estimated fair value | Variance |
| (1) Cash and deposits | ¥ 45,060 | ¥ 45,060 | ¥— | $ 401,641 | $ 401,641 | $ — |
| (2) Trade notes and accounts receivable | 66,801 | 66,801 | — | 595,431 | 595,431 | — |
| (3) Investment securities | | | | | | |
| Other securities | 2,519 | 2,519 | — | 22,455 | 22,455 | — |
| (4) Trade notes and accounts payable | (45,057) | (45,057) | — | (401,622) | (401,622) | — |
| (5) Short-term loans payable | (641) | (641) | — | (5,720) | (5,720) | — |
| (6) Accrued income taxes | (3,098) | (3,098) | — | (27,621) | (27,621) | — |
| (7) Long-term loans payable | (20,847) | (20,888) | 41 | (185,819) | (186,190) | 371 |
| (8) Derivatives | (37) | (37) | — | (331) | (331) | — |

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 | | |
|---|---|---|---|
| | 2016 | | |
| | Carrying value | Estimated fair value | Variance |
| (1) Cash and deposits | ¥ 65,733 | ¥ 65,733 | ¥ — |
| (2) Trade notes and accounts receivable | 62,331 | 62,331 | — |
| (3) Investment securities | | | |
| Other securities | 2,469 | 2,469 | — |
| (4) Trade notes and accounts payable | (39,683) | (39,683) | — |
| (5) Short-term loans payable | (1,695) | (1,695) | — |
| (6) Accrued income taxes | (2,272) | (2,272) | — |
| (7) Long-term loans payable | — | — | — |
| (8) Derivatives | 4 | 4 | — |

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

Note 1: Method of computing the estimated 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 estimated fair values that are virtually the same as the carrying value on the ledger, the carrying value has been used.

(3) Investment securities

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

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

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

(7) 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 an estimated fair value is deemed to be extremely difficult:

| | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| | Carrying value | Carrying value | Carrying value |
| Unlisted stocks | ¥583 | ¥656 | $5,202 |

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 |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| | Within 1 year | Within 1 year | Within 1 year |
| Cash and deposits | ¥ 45,038 | ¥ 65,711 | $401,444 |
| Trade notes and accounts receivable | 66,801 | 62,331 | 595,431 |
| Total | ¥111,839 | ¥128,043 | $996,876 |

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

| | | | | | | 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 |

| | | | | | | Thousands of U.S. dollars |
|---|---|---|---|---|---|---|
| | | | | | | 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 | $ 5,720 | $ — | $ — | $ — | $ — | $ — |
| Current portion of long-term loans payable | 27,202 | — | — | — | — | — |
| Long-term loans payable | — | 27,263 | 27,263 | 83,089 | 11,000 | 10,000 |
| Total | $32,922 | $27,263 | $27,263 | $83,089 | $11,000 | $10,000 |

| | | | | | | Millions of yen |
|---|---|---|---|---|---|---|
| | | | | | | 2016 |
| | 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 | ¥1,695 | ¥— | ¥— | ¥— | ¥— | ¥— |
| Current portion of long-term loans payable | — | — | — | — | — | — |
| Long-term loans payable | — | — | — | — | — | — |
| Total | ¥1,695 | ¥— | ¥— | ¥— | ¥— | ¥— |

## 15. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2017 and 2016 were as follows:

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|---|
| | | 2017 | | | 2017 | | |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥2,180 | ¥ 975 | ¥1,205 | $19,438 | $ 8,695 | $10,743 |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| Subtotal | | ¥2,180 | ¥ 975 | ¥1,205 | $19,438 | $ 8,695 | $10,743 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 338 | ¥ 425 | ¥ (86) | $ 3,016 | $ 3,790 | $ (773) |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| Subtotal | | ¥ 338 | ¥ 425 | ¥ (86) | $ 3,016 | $ 3,790 | $ (773) |
| Total | | ¥2,519 | ¥1,400 | ¥1,118 | $22,455 | $12,485 | $ 9,969 |

| | | Millions of yen | | |
|---|---|---|---|---|
| | | 2016 | | |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥2,143 | ¥1,018 | ¥1,124 |
| | Bonds | — | — | — |
| | Other | — | — | — |
| Subtotal | | ¥2,143 | ¥1,018 | ¥1,124 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 325 | ¥ 495 | ¥ (169) |
| | Bonds | — | — | — |
| | Other | — | — | — |
| Subtotal | | ¥ 325 | ¥ 495 | ¥ (169) |
| Total | | ¥2,469 | ¥1,514 | ¥ 955 |

2. Other securities sold during the year ended March 31, 2017:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2017 | | |
| Description | Sales amount | Aggregate gains | Aggregate losses | Sales amount | Aggregate gains | Aggregate losses |
| Stocks | ¥361 | ¥190 | ¥13 | $3,226 | $1,696 | $116 |
| Bonds | — | — | — | — | — | — |
| Other | — | — | — | — | — | — |
| Total | ¥361 | ¥190 | ¥13 | $3,226 | $1,696 | $116 |

There is no disclosure applicable for the year ended March 31, 2016.

## 16. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2017 and 2016 were as follows:
(Currency related)

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

Thousands of U.S. dollars

| | Nature of transaction | 2017 Contract amounts Total | Over 1 year | Estimated Fair value | Unrealized gain (loss) |
|---|---|---|---|---|---|
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: U.S. dollars (buy Japanese yen) | **$ 8,192** | **$—** | **$(130)** | **$(130)** |
| | Buy: Korean won (sell U.S. dollars) | **523** | **—** | **(22)** | **(22)** |
| | Sell: India rupee (buy Japanese yen) | **3,081** | **—** | **(178)** | **(178)** |
| Total | | **$11,797** | **$—** | **$(331)** | **$(331)** |

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

Millions of yen

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

Note: Method of computing the estimated 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, 2017 were as follows:
(Interest rate related)

Millions of yen

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

Thousands of U.S. dollars

| Hedge accounting method | Type of derivatives | Major hedged items | 2017 Contract amounts Total | Over 1 year | Estimated Fair value |
|---|---|---|---|---|---|
| The Tokurei-shori for interest rate swaps | Interest rate swaps<br>Variable rate receipt / Fixed rate payment | Long-term loans payable | **$21** | **$19** | **$(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.

There is no disclosure applicable as of March 31, 2016.

(Interest rate and currency related)

Millions of yen

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

Thousands of U.S. dollars

| Hedge accounting method | Type of derivatives | Major hedged items | 2017 Contract amounts Total | Over 1 year | Estimated Fair value |
|---|---|---|---|---|---|
| The Tokurei-shori and Furiate-shori for interest rate and currency swaps | Interest rate and currency swaps<br>Variable rate receipt / Fixed rate payment<br>U.S.$ receipt / Japanese ¥ payment | Long-term loans payable | **$58** | **$53** | **$(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, 2017 and 2016.

**1. Defined benefit plans**

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Retirement benefit obligations at beginning of year | **¥36,549** | ¥33,518 | **$325,786** |
| Service cost | **1,754** | 1,352 | **15,641** |
| Interest cost | **187** | 426 | **1,670** |
| Actuarial gains (losses) | **(4)** | 3,971 | **(43)** |
| Retirement benefits paid | **(1,570)** | (1,390) | **(13,999)** |
| Abolishment of retirement benefit plan | **—** | (1,330) | **—** |
| Increase (decrease) from foreign currency translation | **(26)** | (46) | **(240)** |
| Other | **75** | 48 | **672** |
| Retirement benefit obligations at end of year | **¥36,965** | ¥36,549 | **$329,486** |

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 |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Plan assets at beginning of year | **¥25,073** | ¥27,488 | **$223,489** |
| Expected return on plan assets | **726** | 733 | **6,479** |
| Actuarial gains (losses) | **(239)** | (802) | **(2,134)** |
| Contributions from the employer | **521** | 536 | **4,649** |
| Retirement benefits paid | **(1,479)** | (1,336) | **(13,186)** |
| Abolishment of retirement benefit plan | **—** | (1,361) | **—** |
| Increase (decrease) from foreign currency translation | **—** | 6 | **—** |
| Other | **—** | (189) | **—** |
| Plan assets at end of year | **¥24,603** | ¥25,073 | **$219,297** |

(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 |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Retirement benefit obligations of a funded pension plan | **¥ 36,244** | ¥ 35,867 | **$ 323,059** |
| Plan assets | **(24,603)** | (25,073) | **(219,297)** |
| | **11,641** | 10,793 | **103,761** |
| Retirement benefit obligations of an unfunded pension plan | **721** | 682 | **6,427** |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | **¥ 12,362** | ¥ 11,476 | **$ 110,189** |
| | | | |
| Net defined benefit liability | **¥ 12,362** | ¥ 11,476 | **$ 110,189** |
| Net defined benefit asset | **—** | — | **—** |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | **¥ 12,362** | ¥ 11,476 | **$ 110,189** |

(4) Components of retirement benefit expenses

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Service cost | **¥1,754** | ¥1,352 | **$15,641** |
| Interest cost | **187** | 426 | **1,670** |
| Expected return on plan assets | **(726)** | (733) | **(6,479)** |
| Amortization of actuarial losses (gains) | **681** | 400 | **6,073** |
| Amortization of prior service cost | **(283)** | (284) | **(2,525)** |
| Other | **(25)** | (7) | **(228)** |
| Retirement benefit expenses for the defined benefit plans | **¥1,587** | ¥1,155 | **$14,152** |
| Special retirement expenses | **¥ —** | ¥ 438 | **$ —** |
| Loss on abolishment of retirement benefit plan | **—** | 265 | **—** |

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Prior service cost | **¥ 283** | ¥ 284 | **$ 2,525** |
| Actuarial losses (gains) | **(451)** | 3,990 | **(4,022)** |
| Total | **¥(167)** | ¥4,274 | **$(1,497)** |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Unrecognized prior service cost | **¥ (545)** | ¥ (828) | **$ (4,858)** |
| Unrecognized actuarial losses (gains) | **5,434** | 5,886 | **48,442** |
| Total | **¥4,889** | ¥5,057 | **$43,583** |

(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, 2017 and 2016 was as follows:

| | **2017** | 2016 |
|---|---|---|
| Bonds | **52.9%** | 56.8% |
| Stocks | **22.9%** | 20.0% |
| Alternatives | **15.9%** | 19.4% |
| Cash and deposits | **5.1%** | 1.0% |
| Other | **3.2%** | 2.8% |
| 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, 2017 and 2016 were as follows:

| | **2017** | 2016 |
|---|---|---|
| Discount rate | **Mainly 0.5%** | Mainly 0.5% |
| Expected long-term rate of return on plan assets | **Mainly 3.5%** | Mainly 3.5% |
| Expected rates of pay raises | **Mainly 2.8%** | Mainly 2.8% |

**2. Defined contribution plan**

Some of the consolidated subsidiaries contributed ¥160 million (U.S. $1,426 thousand) and ¥171 million, for the years ended March 31, 2017 and 2016 to the defined contribution plans, respectively.

**18. Stock Option Plan**

Components of stock-based compensation expense for the years ended March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Cost of sales | ¥ 2 | ¥ 4 | $ 21 |
| Selling, general and administrative expenses | 15 | 28 | 135 |

The following table summarizes contents of stock options as of March 31, 2017:

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 following tables summarize the scale and movement of stock options for the years ended March 31, 2017 and 2016:

**(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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Stock options outstanding at April 1, 2016 | — | — | — | — | — | — | — | — | — | — | — |
| Stock options granted | — | — | — | — | — | — | — | — | — | — | 12,200 |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — |
| Conversion to vested stock options | — | — | — | — | — | — | — | — | — | — | 12,200 |
| **Stock options outstanding at March 31, 2017** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |

**(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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Stock options outstanding at April 1, 2016 | 3,300 | 2,900 | 5,200 | 7,700 | 7,200 | 6,800 | 13,600 | 20,600 | 17,200 | 14,600 | — |
| Conversion from non-vested stock options | — | — | — | — | — | — | — | — | — | — | 12,200 |
| Stock options exercised | — | — | — | — | — | — | — | — | — | — | — |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — |
| **Stock options outstanding at March 31, 2017** | **3,300** | **2,900** | **5,200** | **7,700** | **7,200** | **6,800** | **13,600** | **20,600** | **17,200** | **14,600** | **12,200** |

The following table summarizes the price information of stock options as of March 31, 2017:

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Exercise price | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** | **¥ 1** |
| Average market price of the stock at the time of exercise | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| 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** |

The fair value of stock options granted during the year ended March 31, 2017 was valued by using the Black Scholes option pricing model with the following assumptions:

| | The 2016 plan |
|---|---|
| Volatility | **35.515%** |
| Expected remaining period | **10 years** |
| Expected dividend per share | **¥54** |
| Risk free interest rate | **(0.078)%** |

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% and 33.06% for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 differ from the statutory tax rate for the following reasons:

| | 2017 | 2016 |
|---|---|---|
| Statutory tax rate | 30.86% | 33.06% |
| Effect of: | | |
| Permanently non-deductible expenses for income tax purposes such as entertainment expenses | 0.39 | 0.40 |
| Permanently non-taxable income for income tax purposes such as dividend income | (16.68) | (10.49) |
| Municipal Tax | 0.37 | 0.34 |
| The difference of tax rates applied to foreign subsidiaries | (5.14) | (8.77) |
| Tax deduction in accordance with special tax measures | (3.28) | (2.93) |
| Decrease of valuation allowance for such as net operating loss carryforward | 1.56 | 5.52 |
| Consolidating adjustment of dividend income from consolidated subsidiaries | 18.12 | 13.95 |
| Effect of revised corporate tax rate | — | 1.53 |
| Other, net | 1.03 | 3.28 |
| Effective tax rate | 27.23% | 35.89% |

2. The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 699 | ¥ 698 | $ 6,235 |
| Accrued enterprise taxes | 170 | 135 | 1,521 |
| Operating loss carryforwards | 1,107 | 720 | 9,872 |
| Net defined benefit liability | 3,736 | 3,462 | 33,302 |
| Retirement benefit trust | 1,141 | 1,348 | 10,174 |
| Research and development cost | 562 | 497 | 5,015 |
| Loss on valuation of inventories | 269 | 269 | 2,398 |
| Allowance for doubtful accounts | 138 | 121 | 1,232 |
| Unrealized gain | 350 | 371 | 3,126 |
| Excess of depreciation expense | 331 | 385 | 2,953 |
| Other | 680 | 575 | 6,068 |
| Gross deferred tax assets | 9,188 | 8,587 | 81,904 |
| Valuation allowance | (959) | (912) | (8,549) |
| | 8,229 | 7,675 | 73,355 |
| Deferred tax liabilities: | | | |
| Revaluation of fixed assets in accordance with special tax measures | (187) | (192) | (1,667) |
| Net unrealized holding gain on securities | (343) | (253) | (3,059) |
| Depreciation expense of subsidiaries | (508) | (211) | (4,533) |
| Dividend income from consolidated subsidiaries | (460) | (846) | (4,104) |
| Other | (75) | (97) | (675) |
| | (1,575) | (1,601) | (14,040) |
| Net deferred tax assets | ¥ 6,654 | ¥ 6,074 | $ 59,314 |

Note: The net deferred tax assets as of March 31, 2017 and 2016 were included in the following items on the consolidated balance sheets:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Current assets–Deferred tax assets | ¥1,614 | ¥1,121 | $14,390 |
| Noncurrent assets–Deferred tax assets | 5,063 | 4,978 | 45,137 |
| Current liabilities–Other | 10 | 14 | 96 |
| Noncurrent liabilities–Other | 13 | 10 | 116 |

## 20. Business Combinations

1. Business combination by acquisition

(1) Outline of business combination

① Name of the acquired company
Name of the acquired company: VDI, LLC ("VDI")
Business description: Manufacture and sales of functional films

② Major reasons for the business combination:
VDI maintains a manufacturing base in Kentucky, the United States. VDI is producing functional films, such as metalized films and sputtering films, and selling them to customers in the United States and other countries.

The Company is convinced that VDI's products can be expected to produce synergies with window films and other functional films manufactured by the Group and to contribute significantly to the expansion of the Group's business and the improvement of its operating results in the future. The Company is planning to link VDI's acquisition to business development in new fields, utilizing VDI's outstanding metalizing technologies that had not existed in the Group previously.

③ Effective date of the business combination:
October 31, 2016

④ Legal form of the business combination:
Acquisition of membership interests

⑤ Name of the acquired company after the combination:
VDI, LLC

⑥ Ratio of acquired voting rights:
100% (Ratio of membership interests 100%)

⑦ Major reasons for the determination of acquiring the company:
The determination was made because the Company acquired all of the membership interests of VDI through LINTEC USA HOLDING, INC., a wholly owned holding company in the United States, by the acquisition of membership interests in exchange for cash.

(2) Period for which the operating results of the acquired company are included in the consolidated financial statements
From November 1, 2016 to December 31, 2016

(3) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type
Consideration for the acquisition
Cash: U.S. $26 million (¥2,701 million)
Acquisition cost: U.S. $26 million (¥2,701 million)

Note: The yen amounts are conversions based on the exchange rate as of October 31, 2016.

(4) Content and amount of major acquisition-related costs
Advisory expenses and others: ¥52 million (U.S. $468 thousands)

(5) Amount of goodwill arising from the business combination, cause of the goodwill, and amortization method and period

① Amount of goodwill arising from the business combination
¥1,839 million (U.S. $16,398 thousands)

② Cause of the goodwill
The goodwill arose due to VDI's future additional earnings power that is expected from future business development.

③ Amortization method and period
By straight-line method over 10 years

(6) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥ 473 | $ 4,223 |
| Non-current assets | 1,713 | 15,272 |
| Total assets | ¥2,187 | $19,496 |
| Current liabilities | ¥ 222 | $ 1,987 |
| Non-current liabilities | 1,102 | 9,830 |
| Total liabilities | ¥1,325 | $11,818 |

2. Business combination by acquisition

(1) Outline of business combination

① Name of the acquired company
Name of the acquired company: MACtac Americas, LLC ("MACtac")
Business description: Manufacture and sales of label materials for printing, VIP label materials, graphic sheets, industrial and medical tapes, etc.

② Major reasons for the business combination:
MACtac maintains a manufacturing base in the United States and Mexico and develops printing pressure sensitive labels and adhesive films for the printing industry, mainly in North America. It has built a solid position in the U.S. market by developing products using its unique excellent adhesion formula and high-speed coating technology. MACtac also deals with graphic sheets and various kinds of industrial and medical tapes.

The Company is convinced that the full-scale entry in the North American market for printing pressure sensitive labels and adhesive films and the proactive development of its original products using its own technological development capabilities through MACtac will contribute significantly to the acceleration of the global development of Printing and Variable Information Products Operations, the core business of the Group. The Company is also planning to link MACtac's acquisition to business enhancement and expansion in not only the North American market, but also Japan and other regions, by utilizing MACtac's unique technical capabilities and brand equity and maximizing synergy effect with the Company's technologies.

③ Effective date of the business combination:
December 1, 2016

④ Legal form of the business combination:
Acquisition of membership interests

⑤ Name of the acquired company after the combination:
MACtac Americas, LLC

⑥ Ratio of acquired voting rights:
100% (Ratio of membership interests 100%)

⑦ Major reasons for the determination of acquiring the company:
The determination was made because the Company acquired all of the membership interests of MACtac through LINTEC USA HOLDING, INC., a wholly owned holding company in the United States, by the acquisition of membership interests in exchange for cash.

(2) Period for which the operating results of the acquired company are included in the consolidated financial statements
From December 1, 2016 to December 31, 2016

(3) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type

Consideration for the acquisition

Cash: U.S. $306 million (¥34,417 million)

Acquisition cost: U.S. $306 million (¥34,417 million)

Note: The yen amounts are conversions based on the exchange rate as of November 31, 2016.

(4) Content and amount of major acquisition-related costs
Advisory expenses and others: ¥652 million (U.S. $5,813 thousands)

(5) Amount of goodwill arising from the business combination, cause of the goodwill, and amortization method and period

① Amount of goodwill arising from the business combination
¥30,889 million (U.S. $275,330 thousands)

② Cause of the goodwill
The goodwill arose due to MACtac's future additional earnings power that is expected from future business development.

③ Amortization method and period
By straight-line method over 10 years

(6) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥ 9,066 | $ 80,817 |
| Non-current assets | 6,820 | 60,793 |
| Total assets | ¥15,887 | $141,611 |
| Current liabilities | ¥ 4,794 | $ 42,738 |
| Non-current liabilities | 7,564 | 67,427 |
| Total liabilities | ¥12,359 | $110,165 |

(7) Approximate amount of impact on the consolidated statement of income for the fiscal year ended March 31, 2017 assuming that the business combination was completed on the first day of the fiscal year ended March 31, 2017, and the calculation method

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Net sales | ¥31,584 | $281,526 |
| Operating income | 525 | 4,682 |

(Method of calculating the proforma information)
The proforma information is the difference between the amounts of net sales and operating income on the consolidated statement of income calculated assuming that the business combination was completed on the first day of the fiscal year ended March 31, 2017 and the impact of net sales and operating income on the consolidated statement of income. In addition, amortization is calculated by assuming the goodwill and other intangible assets recognized upon the business combination were recognized on the first day of the fiscal year ended March 31, 2017.

This note is not subject to independent audit.

**3. Business combination by acquisition**

(1) Outline of business combination

① Name of the acquired company
Name of the acquired company: Lintec Graphic Films Limited ("LGF")
Business description: Process and sales of adhesive products

② Major reasons for the business combination:
LGF engages in the processing and sales of the Company's adhesive products, such as label materials for printing, graphic materials, and window films for the UK and other European regions.

LGF executed a license agreement with the Company on its trademarks in October 2010 and facilitated close collaborations when the Company participated in LABELEXPO EUROPE 2015 on a large scale, the world's biggest label-related exhibition held in Belgium in September 2015. Thanks to these efforts, LGF is positioned as the most important partner to promote the Company's brand strategy in Europe.

Following the acquisition of LGF, the Company will further accelerate the cultivation of new customers by sharing and utilizing LGF's marketing capabilities and the broad distribution networks on a group-wide basis. It will also release its original products with high-level functionality to the European market ahead of others, making the most of the Company's notable technical development capabilities. By doing so, the Group seeks to further promote the global development of its printing and industrial materials products business.

③ Effective date of the business combination:
November 30, 2016

④ Legal form of the business combination:
Acquisition of shares

⑤ Name of the acquired company after the combination:
Lintec Graphic Films Limited

⑥ Ratio of acquired voting rights:
100%

⑦ Major reasons for the determination of acquiring the company:
The determination was made because the Company acquired all of the voting rights of LGF through LINTEC EUROPE B.V., a wholly owned European subsidiary, by the acquisition of shares in exchange for cash.

(2) Period for which the operating results of the acquired company are included in the consolidated financial statements
From December 1, 2016 to December 31, 2016

(3) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type
Consideration for the acquisition

Cash: U.S. $9,136 thousands (¥1,024 million)

Acquisition cost: U.S. $9,136 thousands (¥1,024 million)

(4) Content and amount of major acquisition-related costs
Advisory expenses and others: ¥66 million (U.S. $595 thousands)

(5) Amount of goodwill arising from the business combination, cause of the goodwill, and amortization method and period

① Amount of goodwill arising from the business combination
¥733 million (U.S. $6,539 thousands)

② Cause of the goodwill
The goodwill arose due to LGF's future additional earnings power that is expected from future business development.

③ Amortization method and period
By straight-line method over 5 years

(6) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Current assets | ¥378 | $3,375 |
| Non-current assets | 144 | 1,286 |
| Total assets | ¥523 | $4,662 |
| Current liabilities | ¥171 | $1,531 |
| Non-current liabilities | 59 | 534 |
| Total liabilities | ¥231 | $2,065 |

**21. Asset Retirement Obligations**
There is no asset retirement obligation as of March 31, 2017 and 2016.

**22. Rental Property**
No specific disclosure for rental property has been made as of March 31, 2017 and 2016 because of its immateriality.

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

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

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

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

2. Method of calculating sales and income (loss), assets, and other items by reportable segment reported
The reported information regarding business segments is processed mostly following the accounting procedures listed in "Significant Accounting Policies" used as basis for preparing consolidated financial statements.

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

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

As stated in Note 1 (t), "Changes in accounting principles," the depreciation method of property, plant and equipment has been changed from this consolidated fiscal year. Due to the change, the segment income of this consolidated fiscal year increases by ¥738 million (U.S.$6,578 thousand) in Printing and Industrial Materials Products, ¥1,026 million (U.S.$9,148 thousand) in Electronic and Optical Products, and ¥635 million (U.S.$5,663 thousand) in Paper and Converted Products respectively compared with that using the conventional method.

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2017 and 2016 are outlined as follows:

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 |

Thousands of U.S. dollars

| 2017 | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
|---|---|---|---|---|---|---|
| Net sales | | | | | | |
| Net sales to external customers | $763,540 | $741,645 | $330,767 | $1,835,953 | $ — | $1,835,953 |
| Intra-segment sales and transfers | 536 | 656 | 138,368 | 139,562 | (139,562) | — |
| Total | $764,077 | $742,302 | $469,136 | $1,975,515 | $(139,562) | $1,835,953 |
| Segment income | $ 14,911 | $ 81,603 | $ 51,405 | $ 147,919 | $ (0) | $ 147,919 |
| Others | | | | | | |
| Depreciation and amortization | $ 24,124 | $ 24,498 | $ 17,930 | $ 66,553 | $ — | $ 66,553 |
| Amortization of goodwill | $ 2,809 | $ — | $ — | $ 2,809 | $ — | $ 2,809 |

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

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

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

**Related Information**

1. Information by product and service

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

2. Information by geographical segment

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | | | | |
| | Japan | Asia | Others | Total | Japan | Asia | Others | Total |
| Sales | ¥128,203 | ¥65,142 | ¥12,629 | ¥205,975 | $1,142,736 | $580,646 | $112,570 | $1,835,953 |

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

| | Millions of yen | | | | | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | | | | | | |
| | Japan | Asia | North America | Europe | Total | Japan | Asia | North America | Europe | Total |
| Property, plant and equipment | ¥54,155 | ¥11,119 | ¥8,403 | ¥193 | ¥73,871 | $482,713 | $99,112 | $74,901 | $1,720 | $658,447 |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2016 | | | |
| | Japan | Asia | Others | Total |
| Sales | ¥128,239 | ¥70,301 | ¥11,960 | ¥210,501 |

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

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | 2016 | | | | |
| | Japan | Asia | North America | Europe | Total |
| Property, plant and equipment | ¥50,303 | ¥12,914 | ¥1,597 | ¥43 | ¥64,859 |

(Changes in presentation)

Property, plant and equipment of "North America," 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, ¥1,641 million presented as "Others" in the consolidated balance sheet of the previous fiscal year has been reclassified into ¥1,597 million of "North America" and ¥43 million of "Europe."

3. Information by principal customers

| | | Millions of yen | Thousands of U.S. dollars |
|---|---|---|---|
| | | 2017 | |
| Name of the customer | Related reportable segment | Sales | |
| Sumitomo Chemical Company, Limited | Electronic and Optical Products | ¥22,210 | $197,975 |

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

**Information on impairment losses on noncurrent assets by reportable segment**

| | Millions of yen | | | | |
|---|---|---|---|---|---|
| | 2017 | | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Impairment loss | ¥— | ¥— | ¥— | ¥— | ¥34 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | 2017 | | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Impairment loss | $— | $— | $— | $— | $304 |

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.

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

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

| | 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 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | 2017 | | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Unamortized amount of goodwill | $— | $— | $— | $— | $308,039 |

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 | | | | |
|---|---|---|---|---|---|
| | 2016 | | | | |
| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
| Unamortized amount of goodwill | ¥— | ¥— | ¥— | ¥— | ¥22 |

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, 2017 and 2016.

### 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, 2017 and 2016 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| For the year | **2017** | 2016 | **2017** |
| Sales of fine & specialty paper products and converted products | **¥11,422** | ¥11,578 | **$101,809** |
| Purchase of stencil, chemicals and equipment | **4,665** | 5,053 | **41,584** |

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| At year-end | **2017** | 2016 | **2017** |
| Trade notes and accounts receivable | **¥3,941** | ¥4,085 | **$35,132** |
| Trade notes and accounts payable | **1,835** | 1,979 | **16,360** |
| Other liabilities | **3** | 33 | **27** |

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

### 25. Amounts Per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2017 and 2016 were as follows:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Net assets | **¥2,465.43** | ¥2,370.49 | **$21.98** |
| Net income (basic) | **158.69** | 151.07 | **1.41** |
| Net income (diluted) | **158.46** | 150.86 | **1.41** |

The bases for calculation were as follows:

(1) Basic and diluted net income per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Net income (basic) per share: | | | |
| Profit attributable to owners of parent | **¥11,450** | ¥10,899 | **$102,060** |
| Amount not attributable to common shareholders | **—** | — | **—** |
| Profit attributable to owners of parent attributable to common shares | **¥11,450** | ¥10,899 | **$102,060** |
| Weighted-average number of common shares issued during the year (thousand) | **72,152** | 72,144 | **72,152** |
| Net income (diluted) per share: | | | |
| Adjustment of profit attributable to owners of parent related to dilutive securities | **¥ —** | ¥ — | **$ —** |
| Adjustment of dilutive securities (thousand) | **106** | 102 | **106** |
| [Share subscription rights (thousand)] | **[106]** | [102] | **[106]** |

(2) Net assets per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2017** | 2016 | **2017** |
| Total net assets | **¥178,690** | ¥172,101 | **$1,592,752** |
| Amount deducted from total net assets | **806** | 1,064 | **7,185** |
| [Share subscription rights] | **[186]** | [169] | **[1,665]** |
| [Non-controlling interests] | **[619]** | [895] | **[5,520]** |
| Net assets attributable to common shares | **¥177,884** | ¥171,037 | **$1,585,566** |
| Number of shares of common stock outstanding used in calculation of net assets per share (thousand) | **72,151** | 72,152 | **72,151** |

## 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 0.51% to 2.05% at March 31, 2017 and from 0.27% to 0.66% at March 31, 2016.

Short-term and long-term loans payable as of March 31, 2017 and 2016 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Short-term loans payable | ¥ 641 | ¥1,695 | $ 5,720 |
| Current portion of long-term loans payable | 3,051 | — | 27,202 |
| Long-term loans payable | 17,795 | — | 158,616 |
| | ¥21,488 | ¥1,695 | $191,539 |

Other interest-bearing debts as of March 31, 2017 and 2016 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2017 | 2016 | 2017 |
| Short-term lease obligation | ¥201 | ¥196 | $1,799 |
| Long-term lease obligation | 277 | 349 | 2,469 |

Planned repayment amounts after the balance sheet date (March 31, 2017) for long-term loans payable and lease obligation are as follows:

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2017 |
| | 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 | ¥3,058 | ¥3,058 | ¥9,321 | ¥1,234 | $27,263 | $27,263 | $83,089 | $11,000 |
| Lease obligation | 157 | 87 | 20 | 8 | 1,403 | 780 | 185 | 75 |

## 27. Subsequent Event

1. The following distribution of retained earnings was approved at a meeting of the board of directors held on May 8, 2017.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | | 2017 |
| Cash dividends (¥33 per share) | ¥2,381 | $21,222 |

2. About rationalization of management at a consolidated subsidiary in the United States

At a meeting of the board of directors held on June 22, 2017, the Company resolved to undertake a fundamental management rationalization to improve the profitability of MADICO, INC. ("Madico"), its wholly owned consolidated subsidiary in the United States.

(1) Reasons to rationalize management

Madico maintains manufacturing bases in Massachusetts and Florida, the United States and produces and distributes functional specialty films such as window films and PV backsheets.

However, Madico is facing in a difficulty to secure profits due to a decline in orders and a rapid fall in prices along with the rapid commoditization of PV backsheets that had led the performance of the business, and a significant operating losses has been recorded since 2012.

Despite the continuous work on rationalizing management until now, Madico has not achieved a great and expected effect and it is difficult to recover from the current situation of recording operating losses.

Consequently, the decision to undertake a fundamental management rationalization has been made including the withdrawal from PV backsheets business.

(2) Overview of rationalization of management

① Withdrawal from PV backsheets business

Madico will completely withdraw from this business that they manufacture and sell at the Massachusetts base.

② Restructuring of production system

Madico will integrate our production bases in the base of Florida, and will convert the Massachusetts base as a research and development center for new product development.

③ Employee reduction

Madico will reduce headcounts, mainly from employees at the Massachusetts base.

(3) Impact on the business results

The Company is currently examining the impact of mentioned above on its business results.

# Management's Report on Internal Control over Financial Reporting

### Basic Framework of Internal Control over Financial Reporting

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

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

### Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of the Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2017 in accordance with the standards for assessment of internal control over financial reporting generally accepted in Japan. For this assessment, we first evaluated the company-level controls which would have a material impact on the reliability of overall financial reporting on a consolidated basis. We then selected the process-level controls to be assessed based on the results of the company-level control assessment. For the process-level control assessment, we evaluated the effectiveness of internal control by analyzing processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

We determined the scope of assessment by selecting consolidated subsidiaries based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included its 16 consolidated subsidiaries. We excluded 19 consolidated subsidiaries from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected 2 consolidated subsidiaries as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2016. 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."

We did not include the evaluation of internal control over financial reporting of MACtac Americas, LLC and its consolidated subsidiaries ("MACtac") which became our wholly-owned subsidiaries on December 1, 2016 by the acquisition of membership interests in exchange for cash, in its assessment of and conclusion on the effectiveness of our internal control over financial reporting as of March 31, 2017. Because we judged that the acquisition of membership interests was performed in the second half of this fiscal year and constituted an unavoidable circumstance under which the sufficient assessment procedures for a certain part of the internal control over financial reporting could not be performed.

### Assessment Result

Based on the results of our assessment mentioned scope in above, we concluded that the Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2017 was effective although we could not perform the sufficient assessment procedures for a certain part of the internal control over financial reporting in an unavoidable circumstance because the acquisition of membership interests of MACtac, which became our wholly-owned subsidiaries on December 1, 2016, was performed in the second half of this fiscal year.

# Report of Independent Auditors

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www.shinnihon.or.jp

## 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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*

As indicated in Note 1(t) to the consolidated financial statements, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment beginning in the current fiscal year.

Our opinion is not qualified in respect of this matter.

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*Convenience Translation*

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

*Report on the Internal Control*

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2017 of LINTEC Corporation and its consolidated subsidiaries (the "Management's Report").

*Management's Responsibility for the Management's Report*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at March 31, 2017 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.

*Emphasis of Matter*

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting as at March 31, 2017 did not include the evaluation of the internal control over financial reporting of MACtac Americas, LLC and its consolidated subsidiaries which became wholly-owned subsidiaries of the Company on December 1, 2016 by the acquisition of membership interests in exchange for cash because the company judged that the acquisition of membership interests was performed in the second half of this fiscal year and constituted an unavoidable circumstance under which the sufficient assessment procedures for a certain part of the internal control over financial reporting could not be performed.

Ernst & Young ShinNihon LLC

June 22, 2017

A member firm of Ernst & Young Global Limited

# Investor Information

As of March 31, 2017

**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**
¥178,690 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**
4,760 (Consolidated)
2,539 (Parent company only)

**Major Shareholders**

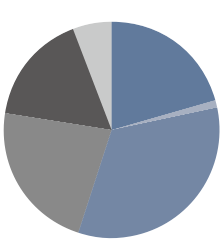
| | |
|---|---|
| Nippon Paper Industries Co., Ltd. | 30.12% |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 5.15% |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 3.56% |
| National Mutual Insurance Federation of Agricultural Cooperatives | 3.18% |
| Tamie Shoji | 2.49% |

**Major Subsidiaries** * Consolidated Subsidiary

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

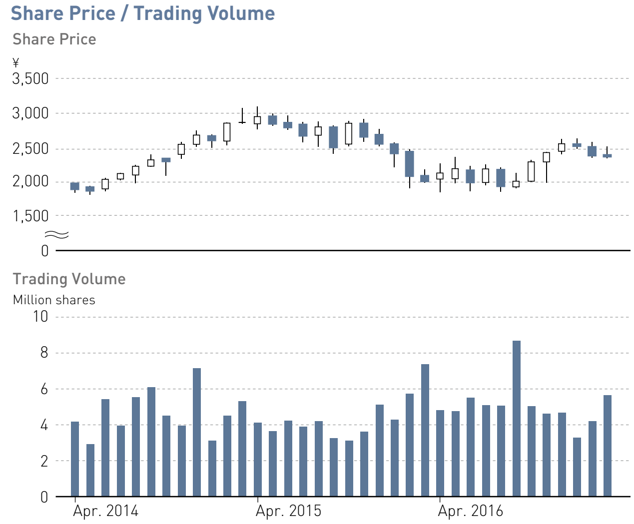
Overseas
- LINTEC USA HOLDING, INC.*
- LINTEC OF AMERICA, INC.*
- MACTAC AMERICAS, LLC*
- MADICO, INC.*
- VDI, LLC*
- MACTAC MEXICO, S.A. DE C.V.*
- MACTAC CANADA ULC*
- LINTEC EUROPE B.V.*
- LINTEC GRAPHIC FILMS LIMITED*
- LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH*
- LINTEC (SUZHOU) TECH CORPORATION*
- LINTEC ADVANCED TECHNOLOGIES (SHANGHAI), INC.*
- LINTEC SPECIALITY FILMS (TAIWAN), INC.*
- LINTEC HI-TECH (TAIWAN), INC.*
- LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC.*
- LINTEC KOREA, INC.*
- LINTEC SPECIALITY FILMS (KOREA), INC.*
- LINTEC ADVANCED TECHNOLOGIES (KOREA), INC.*
- LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED*
- LINTEC SINGAPORE PRIVATE LIMITED*
- PT. LINTEC INDONESIA*
- PT. LINTEC JAKARTA*
- LINTEC (THAILAND) CO., LTD.*
- LINTEC BKK PTE LIMITED*
- LINTEC INDUSTRIES (MALAYSIA) SDN. BHD.*
- LINTEC INDUSTRIES (SARAWAK) SDN. BHD.*
- LINTEC KUALA LUMPUR SDN. BHD.*
- LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD.*
- LINTEC VIETNAM CO., LTD.*
- LINTEC HANOI VIETNAM CO., LTD.*
- LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC.*
- LINTEC PHILIPPINES (PEZA), INC.*
- LINTEC INDIA PRIVATE LIMITED*

**Ownership and Distribution of Shares**



| | |
|---|---|
| Financial Institutions | 20.78% |
| Securities Companies | 1.00% |
| Other Companies | 33.34% |
| Overseas Companies | 22.52% |
| Individuals and Other | 16.60% |
| Treasury Stock | 5.76% |

**Share Price / Trading Volume**



LINTEC Corporation
*Linking your dreams*

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Tokyo 173-0001, Japan
www.lintec-global.com/

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