Moving Forward With a Focus on The Future

LINTEC ANNUAL REPORT 2017

For the fiscal year ended March 31, 2017

Contents

Editorial Policy

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

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

IR Website

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

CSR Website

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

REPORTING PERIOD

This report covers the period from April 1, 2016 to March 31, 2017.
However, some of the information includes content from April 2017 onward.

FORWARD-LOOKING STATEMENTS

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

To All Our Stakeholders

LINTEC has a 90-year history of building on original technologies and human resources to deliver a diverse product lineup ranging from adhesive products for labels for food and daily necessities to products for the semiconductor and optical display industries.

The name LINTEC reflects our employees' commitment to linking together people and technology to open up new business domains and play a part on the global stage. Our motto, "Sincerity and Creativity," expresses our fundamental values as a manufacturer—openness to all our stakeholders and a spirit of innovation as we take on the challenges of new product development.

We will continue to strive for sustainable growth driven by the social contribution from value that only LINTEC can create.

Hiroyuki Nishio
Representative Director
President, CEO and COO

Company Motto

Sincerity and Creativity

Mission Statement

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

For tomorrow we build today

LINTEC's History

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

Accumulated Technology Capabilities

Established in 1927 as a manufacturer of gummed tape for packaging, FUJI SHOKAI significantly expanded its businesses due to the demand for cardboard boxes, which were rapidly being used as a replacement for wooden boxes. In 1960, we began selling adhesive papers for labels and subsequently entered the adhesive film field, thereby laying the foundations of our current mainstay businesses. In the 1970s, the Company diversified into products for motorcycles, automobiles, and interior / exterior decoration. After changing its name to FSK CORPORATION, the Company entered the semiconductor field in 1986 through the development of innovative products. In these ways, the Company's business domains broadened as times changed. LINTEC Corporation came into being in 1990 through a three-way merger with SHIKOKU PAPER CO., LTD. and SOHKEN KAKO CO., LTD. This led to significant extension of the technology domain into upstream areas such as papermaking.

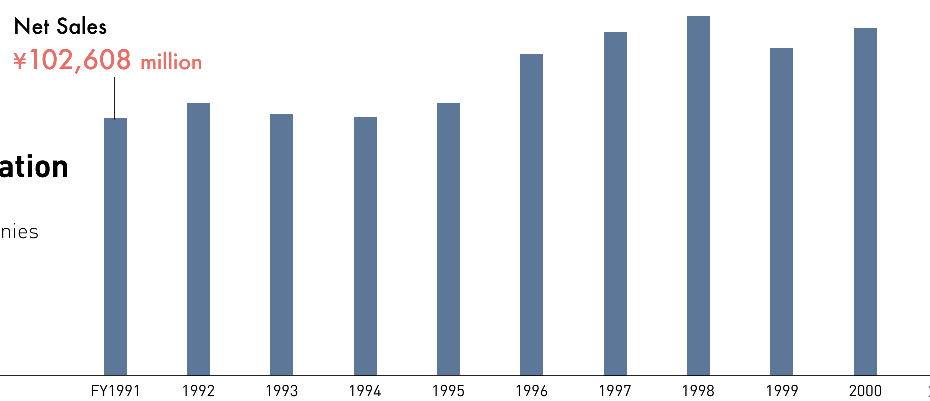

Time of establishment


Gummed tape


UV curable dicing tape

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

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



Main Highlights

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

Oct. 1934
The Company reorganized to establish FUJI SHIKO CORPORATION

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

1970s
Expanded business in industrial fields such as decorative materials for interiors and exteriors, motorcycles, automobiles and others

Oct. 1984
Company name changed to FSK CORPORATION

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

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

Feb. 1994
Singapore Office opened

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

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

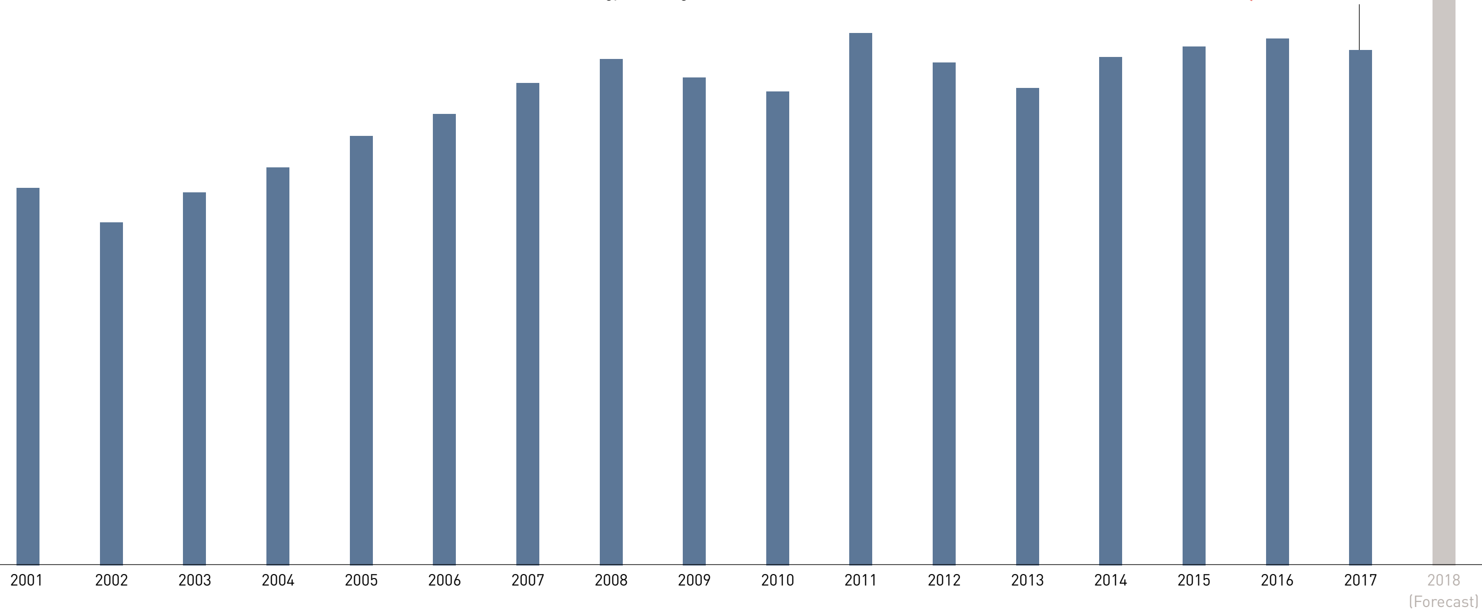
Following the merger, LINTEC entered the field of optically functional films for Liquid Crystal Displays (LCDs) in 1991. It was around this time that the Company became proactive in setting up plants and offices overseas. A new building for the research center that is currently our core R&D facility was completed in 1995 in Saitama Prefecture.

Globalization has progressed further since the turn of the century with more rapid expansion of manufacturing and sales offices, principally in China and Southeast Asia. R&D capabilities were strengthened in 2015 with the addition of the Advanced Technology Building, a new research facility. Three acquisitions in the U.S. and Europe in 2016 marked a big stride forward in our expansion and the start of a new growth phase.


LINTEC KOREA, INC.


Advanced Technology Building


MACTAC AMERICAS, LLC



(Fiscal year ended / ending March 31)

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

Apr. 2000
LINTEC INDUSTRIES (MALAYSIA) SDN. BHD. established as manufacturing base for electronics-related products

Jun. 2002
LINTEC (SUZHOU) TECH CORPORATION in China established as manufacturing base for adhesive products for labels

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

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

Jan. 2015
LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED in Singapore established

May 2015
Advanced Technology Building constructed in Saitama Prefecture

Dec. 2016
Acquired MACTAC AMERICAS, LLC in the United States

LINTEC's Distinct Features

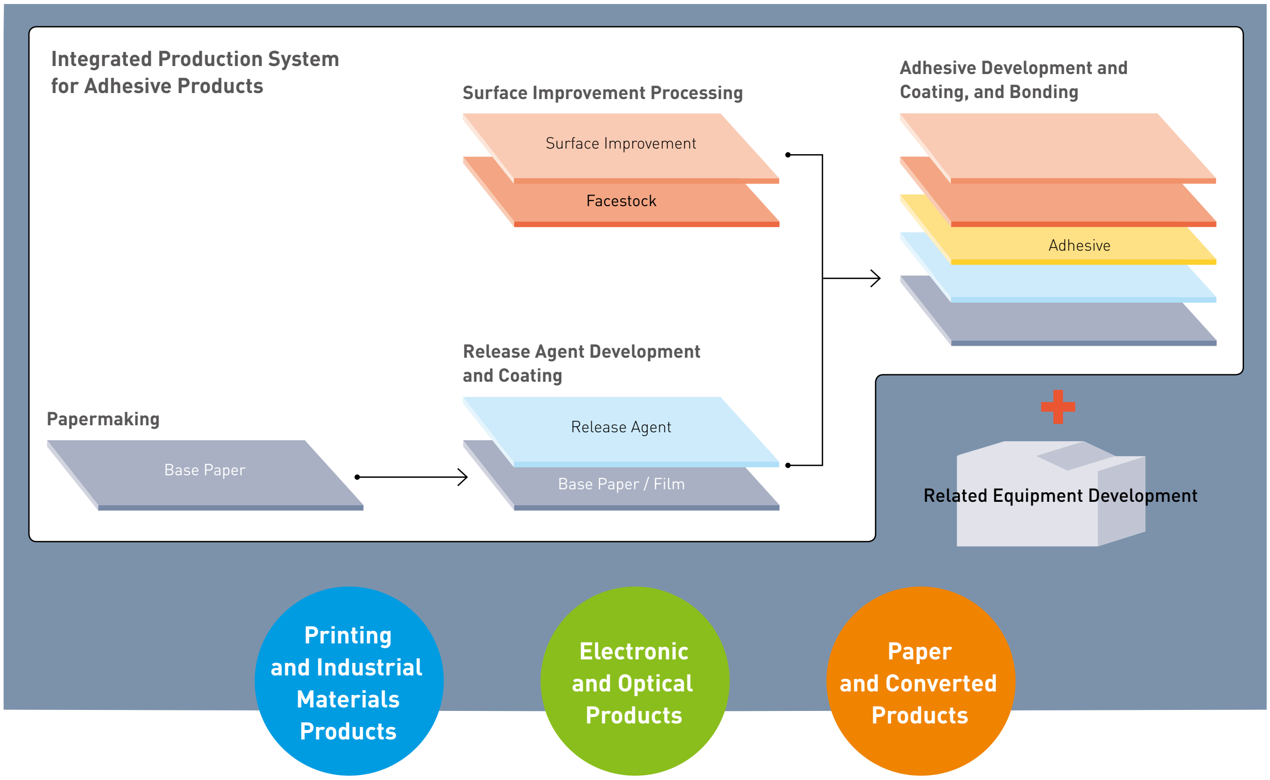
Cultivated Technologies Realize Our Strengths

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

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

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

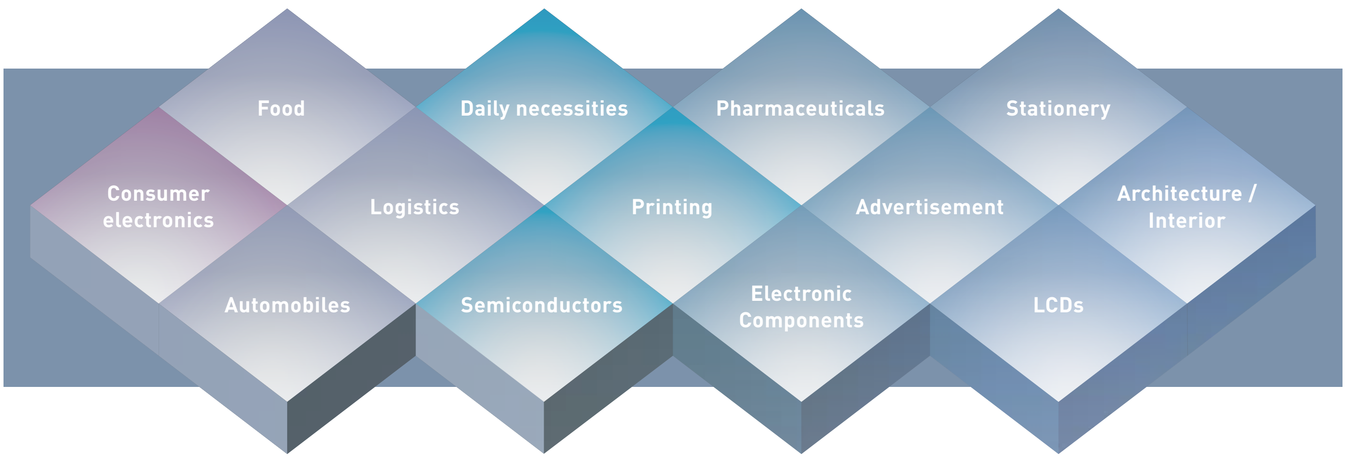
We also develop and manufacture equipment that fully leverages the properties of our adhesive materials. This includes labeling machines that automatically apply labels to packaging and equipment used in semiconductor production. Comprehensive solutions incorporating materials and such equipment are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



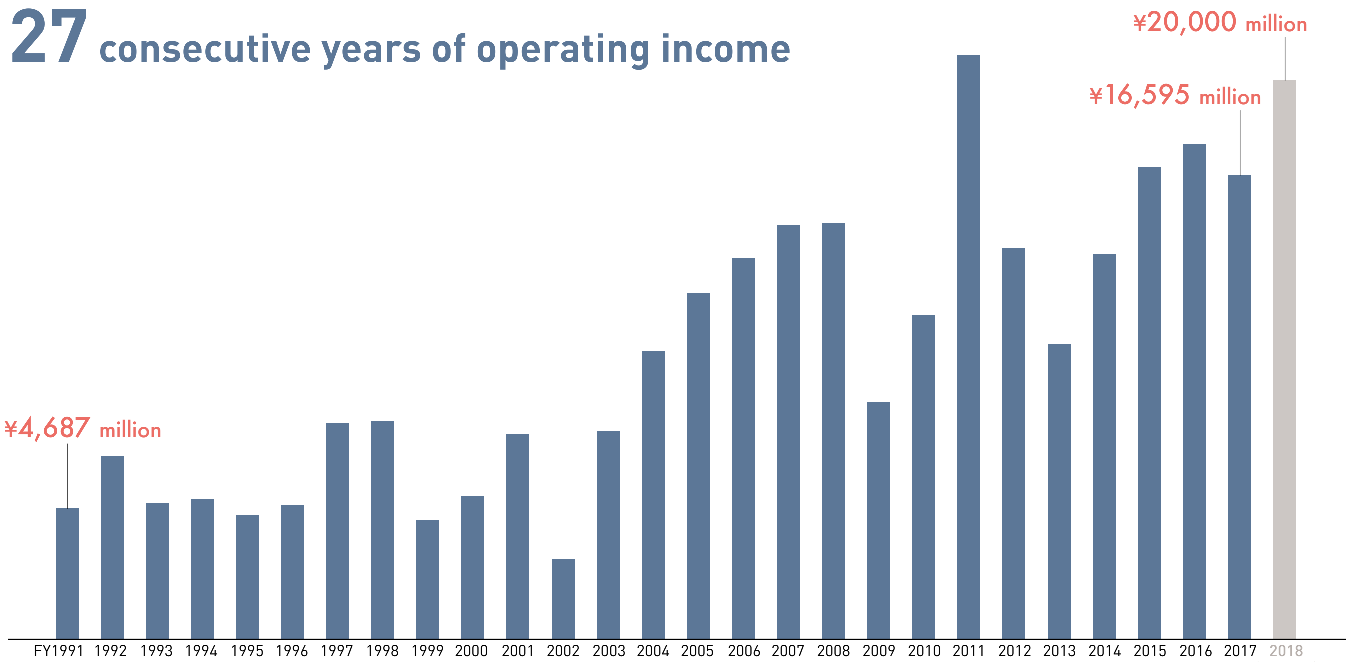
Stable Business Structure That Is Not Susceptible to Market Volatility in Any Single Industry

In recent years, the earnings drivers among LINTEC's diverse range of products have been products for the semiconductor, electronic component, and LCD industries, which have undergone rapid market growth. Meanwhile, sales and profit fluctuations have been comparatively small for mainstay adhesive materials for labels used for food, daily necessities, pharmaceuticals, stationery, and consumer electronics, and these products can be seen as foundation business that provides a firm underpinning for our earnings.

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



27 consecutive years of operating income

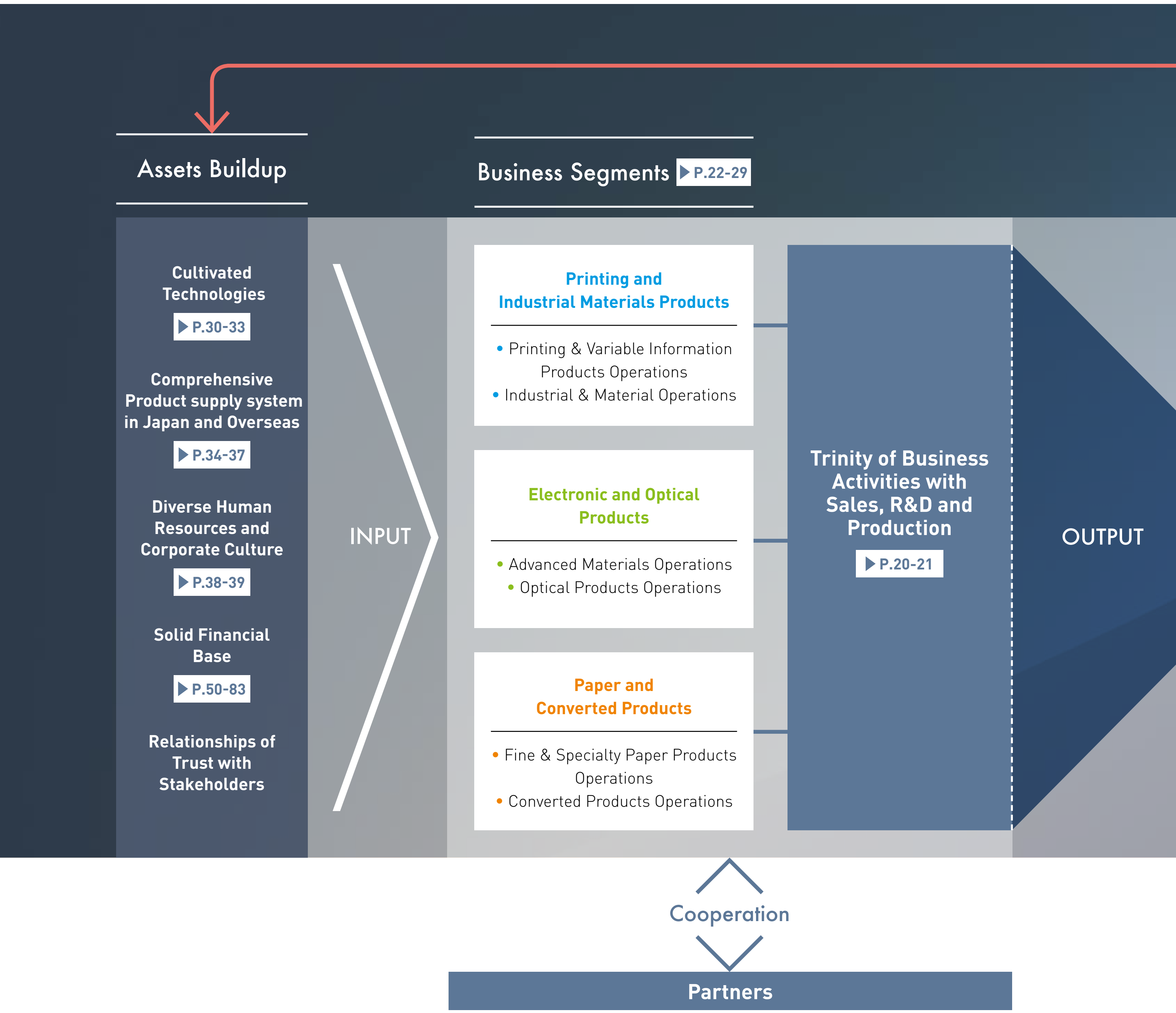


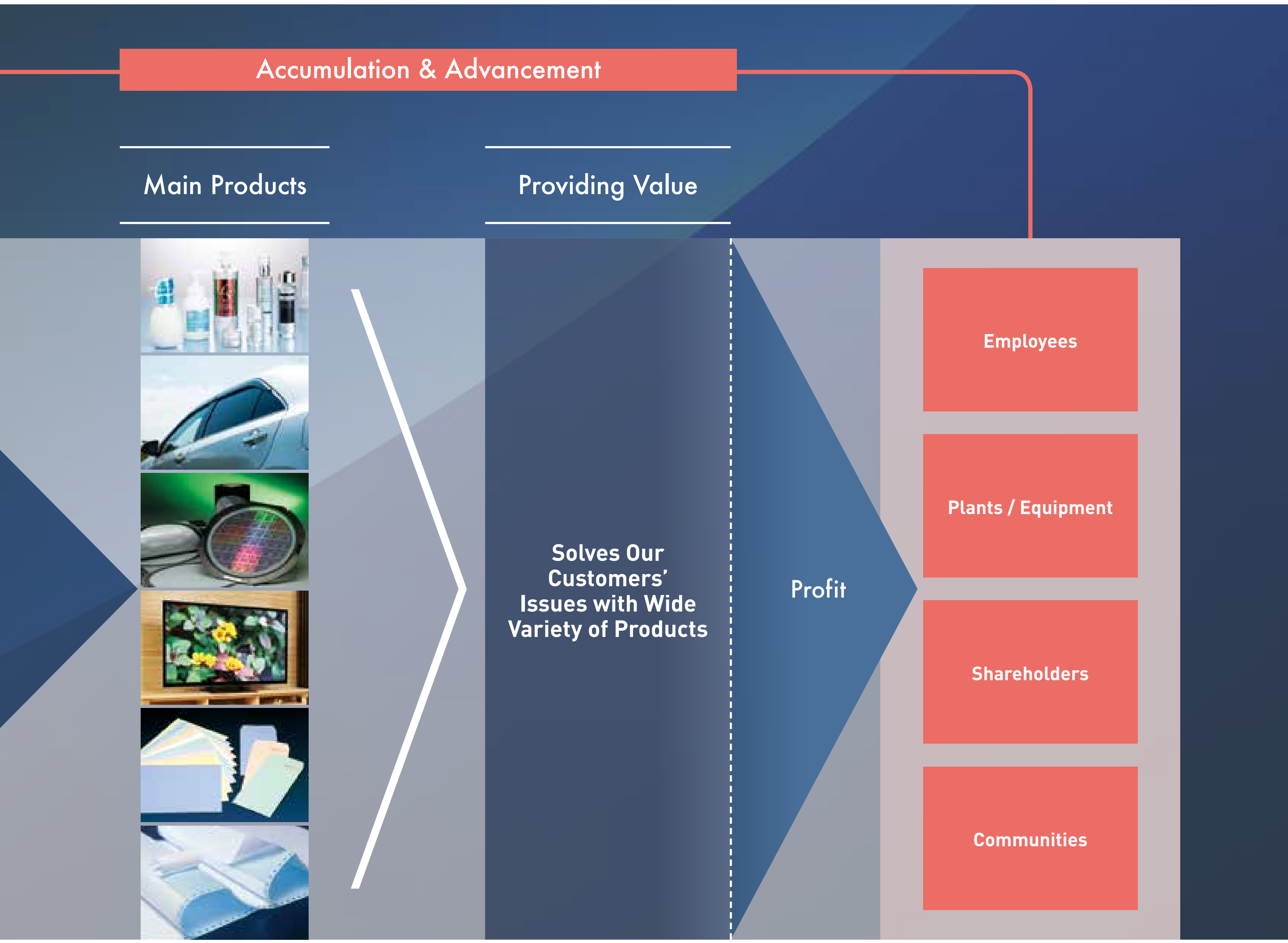
(Fiscal year ended / ending March 31)

LINTEC's Business Model

Business Model That Realizes Sustainable Growth

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



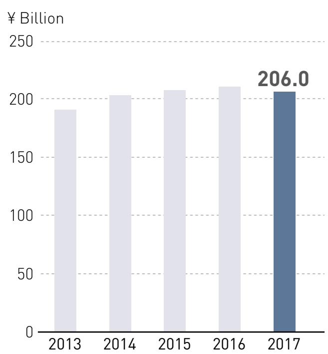

Accumulation & Advancement
Main Products
Providing Value
Solves Our Customers' Issues with Wide Variety of Products
Profit
Employees
Plants / Equipment
Shareholders
Communities

Performance Highlights

LINTEC Corporation and its consolidated subsidiaries
Fiscal years ended March 31

Net Sales

¥206.0 billion



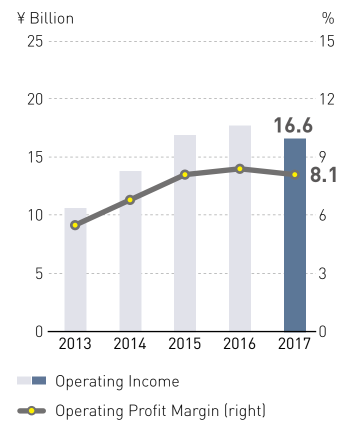
Operating Income / Operating Profit Margin

Operating Income

¥16.6 billion

Operating Profit Margin

8.1 %



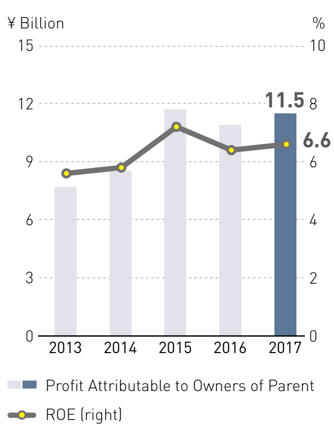
Profit Attributable to Owners of Parent / Return on Equity (ROE)

Profit Attributable
to Owners of Parent

¥11.5 billion

ROE

6.6 %



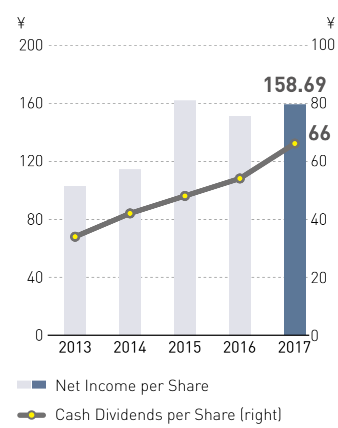
Net Income per Share / Cash Dividends per Share

Net Income per Share

¥158.69

Cash Dividends per Share

¥66



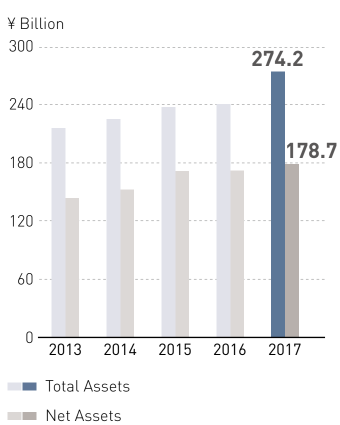
Total Assets / Net Assets

Total Assets

¥274.2 billion

Net Assets

¥178.7 billion



Cash Flows

Net Cash Provided by
Operating Activities

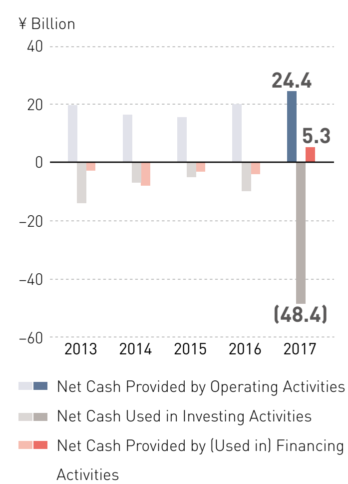
¥24.4 billion

Net Cash Used in
Investing Activities

¥(48.4) billion

Net Cash Provided by
Financing Activities

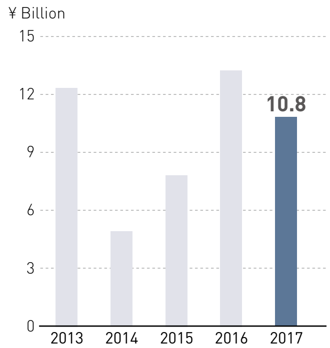
¥5.3 billion



P. 54
Financial Summary
Please see pages 54–55.

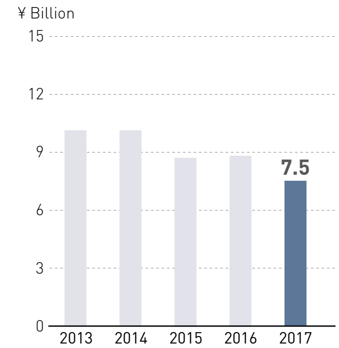
Capital Expenditures

¥10.8 billion



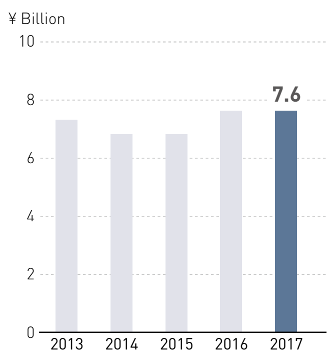
Depreciation and Amortization

¥7.5 billion



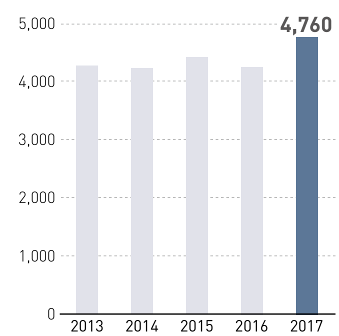
R&D Expenses

¥7.6 billion



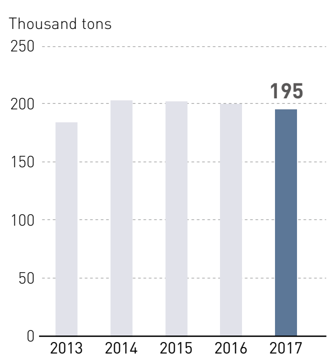
Number of Employees

4,760



CO_2 Emissions

195 thousand tons



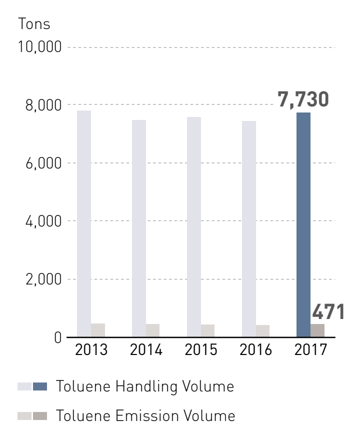
Toluene Handling Volume / Toluene Emission Volume

Toluene Handling Volume

7,730 tons

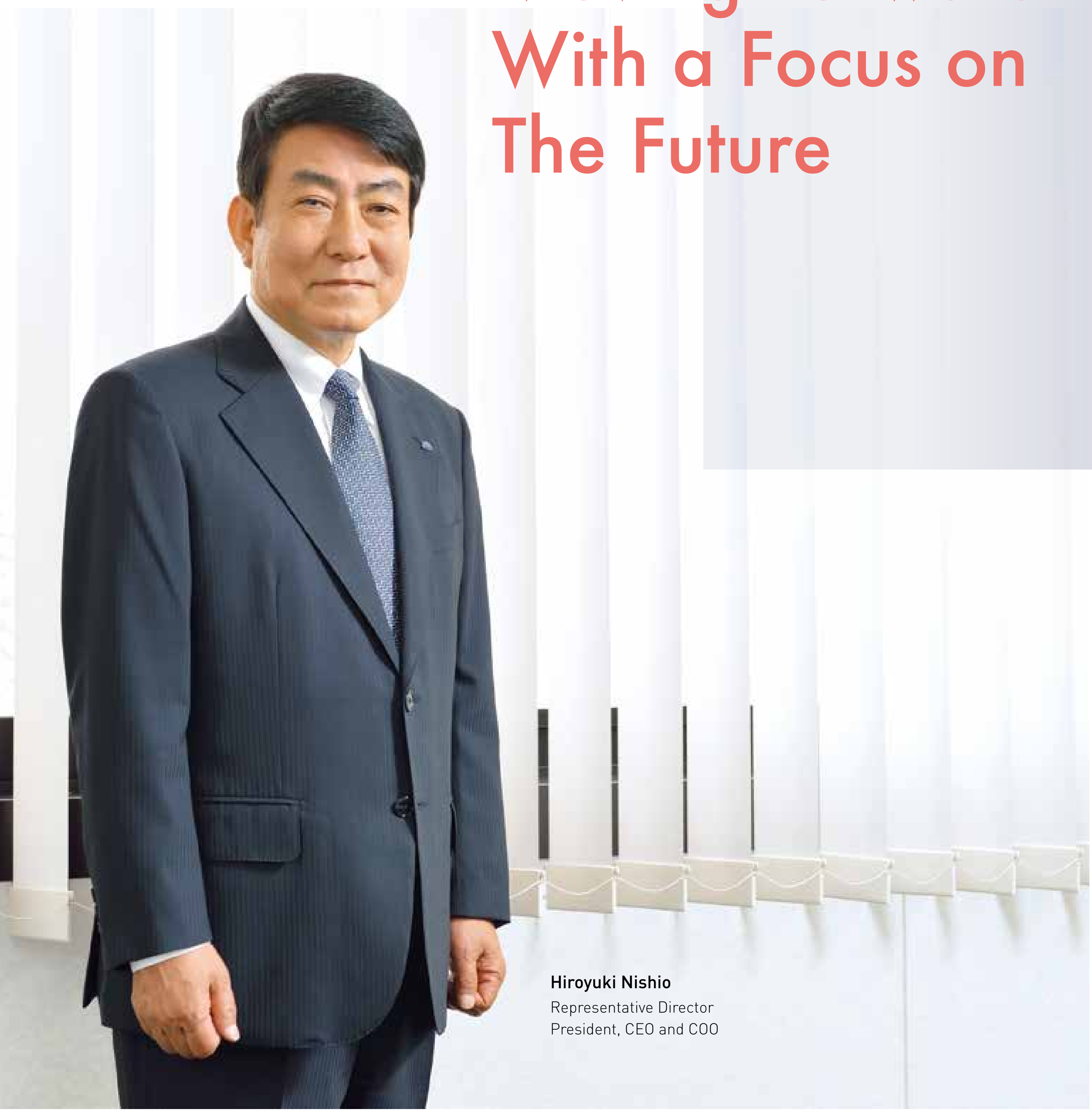
Toluene Emission Volume

471 tons



A Message from the President

Moving Forward With a Focus on The Future



Hiroyuki Nishio
Representative Director
President, CEO and COO

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

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

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

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

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

Overview of LIP-2019

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

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

LIP-2019 LINTEC INNOVATION PLAN — LINTEC INNOVATION PLAN 2019 (LIP-2019)

Period: From April 2017 to March 2020

Basic Policy: Deepening innovation aimed at driving new growth

Quantitative Targets:

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

Net sales	Operating income	Operating profit margin	ROE
¥270.0 billion	¥25.0 billion	More than 9%	More than 9%

A Message from the President

LIP–2019 Key Initiatives

1 Strengthening of regional strategy

(1) Increase in the domestic share and development of new markets and new demands
(2) Strategic investment and business expansion in the Asian region
(3) Expansion of the existing fields in Europe and America and the pursuit of synergies with the acquired subsidiaries

2 Creation of new value

(1) Creation of products for differentiation which exceed customer needs
(2) Development of next-generation products anticipating market changes

3 Bolstering the corporate structure

(1) Ensuring soundness of the Group companies and continual increase in earnings
(2) Promotion of cross-sectional operational reforms
(3) Further promotion of cost structure reforms

4 Activities for realizing a sustainable society

(1) Promotion of business activities conducive to solving social concerns
(2) Promotion of work-style reforms, fostering of diverse human resources and encouragement of their active participation in the workplace

Key initiatives

1 Strengthening of regional strategy

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

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

2 Creation of new value

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

3 Bolstering the corporate structure

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

Group structure with measures including Group company reorganization in Japan.

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

4 Activities for realizing a sustainable society

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

A message to our shareholders and investors

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

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

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

August 2017
Hiroyuki Nishio
Representative Director
President, CEO and COO

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

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

A Message from the CFO

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

Hitoshi Asai
Director
Vice President Executive Officer and CFO

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

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

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

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

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

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

(Fiscal year ended / ending March 31)

Foreign exchange impact

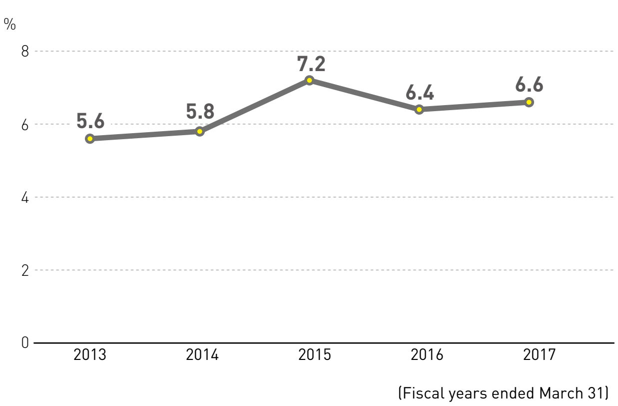
Yen appreciation is positive for our procurement of pulp and petrochemical raw materials, but overall it is a disadvantage because it reduces the yen translation of overseas subsidiaries' earnings and has a negative impact on the LINTEC parent's transactions with overseas subsidiaries. In the fiscal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

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

Growth investments and shareholder returns

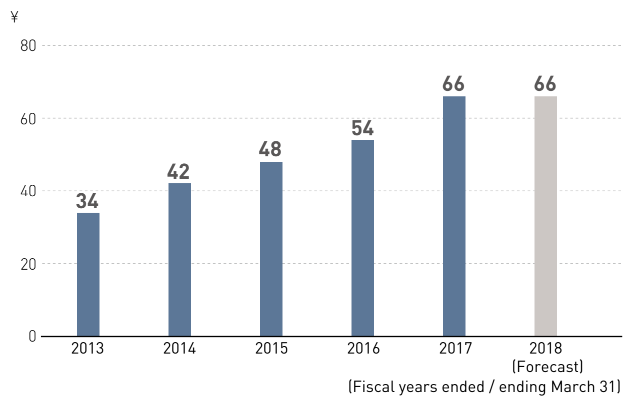
We intend to continue making proactive use of cash for capital expenditures in growth areas and M&A. Where necessary, we will finance business expansion with loans. I believe there are various views on ROE enhancement and our view is basically that ROE will rise if we increase profits steadily.

ROE



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

Cash Dividends per Share

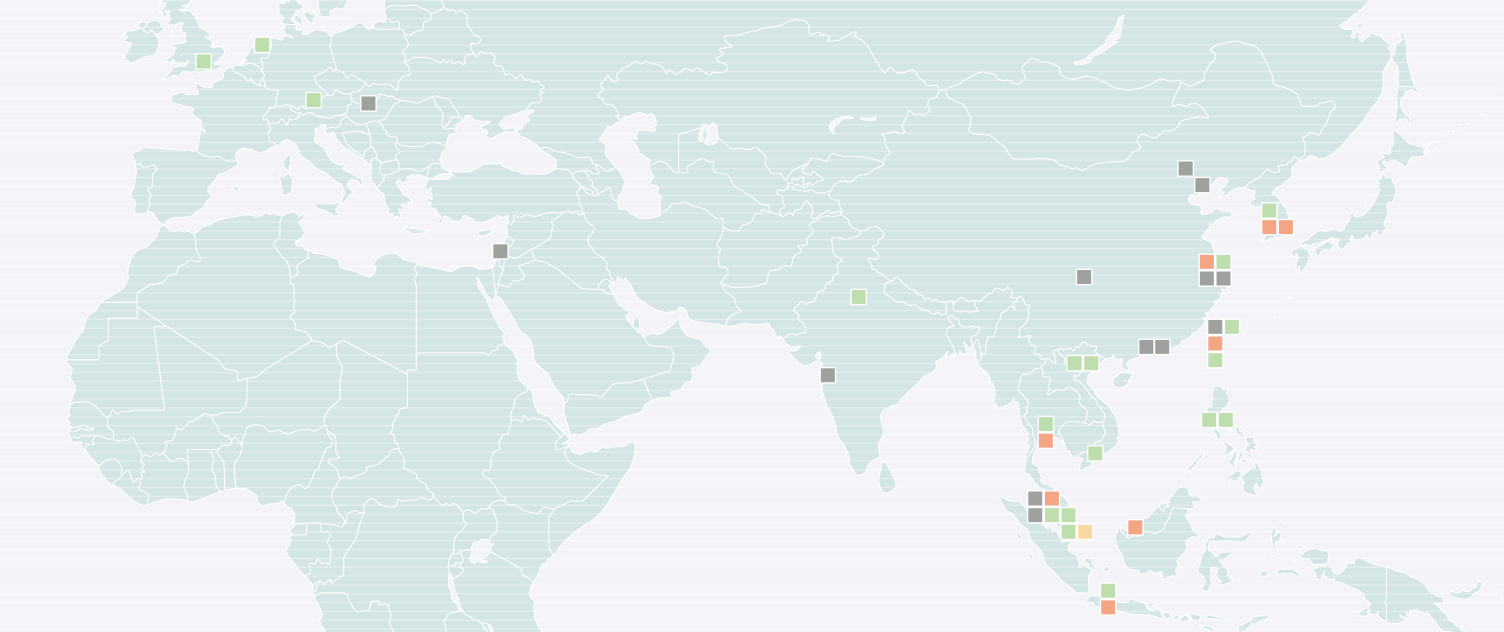


Dialogue with shareholders and investors

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

The LINTEC Global Network

LINTEC has been very active in globalizing its business in recent years and currently has plants and offices in 19 countries and regions. "Strengthening of regional strategy" is a key initiative in the medium-term business plan LIP-2019 as LINTEC strives to build up businesses in Japan and overseas. Below we outline the history of LINTEC's overseas business expansion and profile the three companies in Europe and North America that became subsidiaries in 2016.



Overseas Business History

In its endeavors to establish a label market in Japan, the Company sought to obtain information on advanced adhesive label technologies in Europe and the U.S. from an early stage in its history. "A-100 type" label printing machine the Company developed in 1973 as part of its efforts to expand sales of adhesive products for labels attracted great attention from Europe, the U.S., and Asia.

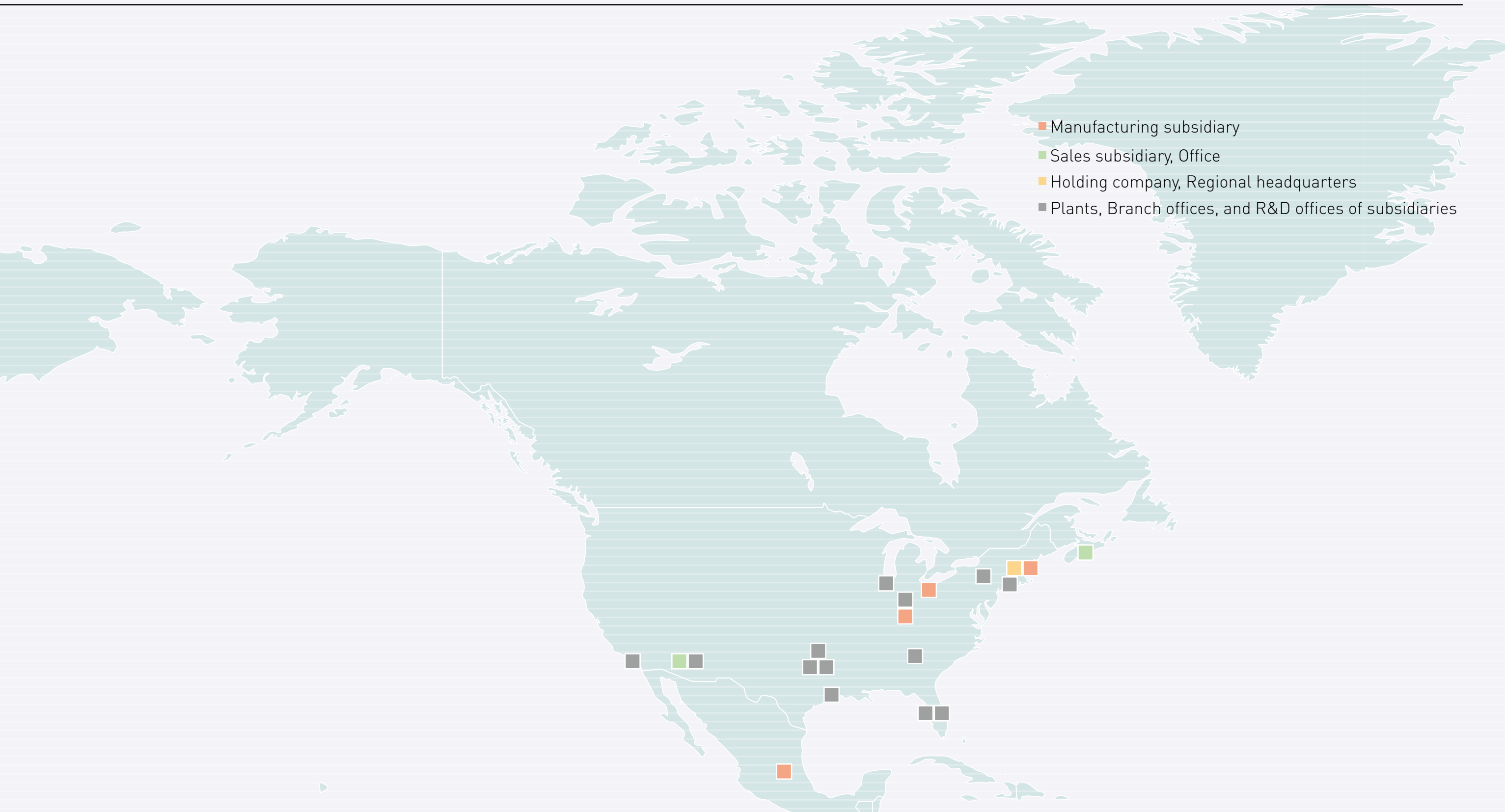
LINTEC's first overseas office was an office in Beijing that opened in 1985. In addition to cultivating label markets in China, the Company commenced development of overseas business in window films for automobiles and buildings with the acquisition of MADICO, INC. in the U.S. in 1987.

In 1994, LINTEC opened a sales office in Singapore to expand sales of semiconductor-related products. The following year this office was incorporated as LINTEC SINGAPORE PRIVATE LIMITED and its business was extended to products such as adhesive products for labels. It subsequently became the strategy center for sales network expansion in Southeast Asia.

On the manufacturing side, the Group's first Asian adhesive products plant, PT. LINTEC INDONESIA, was also established in 1994. Thereafter the product supply structure was strengthened by building plants in Malaysia, China, South Korea, and Taiwan based on the concept of local production, which means that we manufacture closer to the customer and thereby provide our customers with a stable supply of products.

Following the establishment of a production base in Thailand in 2011, sales offices were set up in quick succession across Southeast Asia and in India, and in January 2015 LINTEC ASIA PACIFIC was established in Singapore to oversee all sales bases in the region.

In 2016, LINTEC secured a foothold for full-scale business development in the European and North American markets with three acquisitions in the U.S. and the U.K.

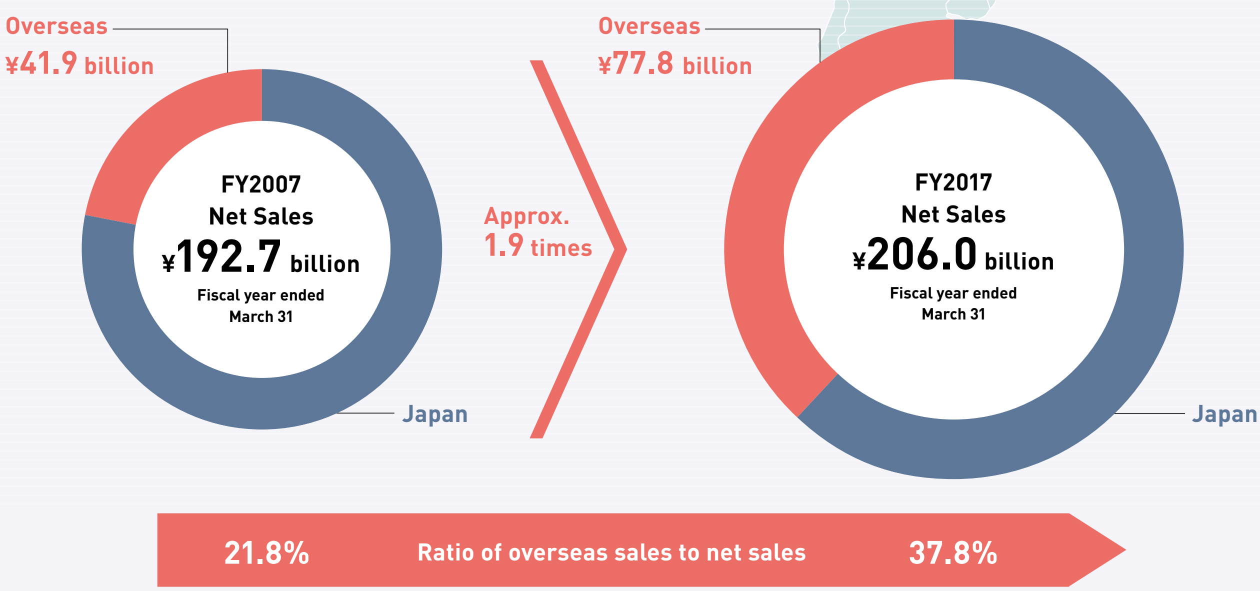


Overseas Sales / Overseas Sales Ratio

The Group's overseas sales in the fiscal year ended March 31, 2017 were ¥77.8 billion, an increase of approximately ¥36 billion compared with 10 years previously. The overseas sales ratio rose from 21.8% in the fiscal year ended March 31, 2007 to 37.8%. It is expected to be close to 50% from the fiscal year ending March 31, 2018, as it will include the full-year consolidated contribution of the three companies converted to subsidiaries in the fiscal year ended March 31, 2017.

Performance trends

Overseas sales have increased approximately ¥36 billion over the last 10 years with average annual growth of 6.4%.



Focus

We profile the three 2016 acquisitions in the U.S. and the U.K. with comments from company representatives.

MACTAC AMERICAS, LLC

Adhesive materials manufacturer MACTAC has a solid position in North America, where the market is growing at a steady 2%–3% annually and accounts for an approximately 30% share of the global adhesive label materials market. Working with three manufacturing bases in the U.S. and Mexico, it has good relationships with its more than 1,000 customers and possesses a long supply record and strong brand. In addition to adhesive products for labels, MACTAC handles decorative graphic sheets that can be used as wall hangings and a variety of industrial and medical tapes. Its sales total approximately ¥35 billion.

MACTAC complements LINTEC's strengths in adhesive films with a focus on adhesive papers and excels in hot-melt adhesive formulation technology that the LINTEC Group did not possess before. It also brings high-speed coating facilities to the Group for the first time. The company's extensive sales network in North America will facilitate the rollout of LINTEC products in this market, and by engaging in product development that combines the two companies' technologies, LINTEC will seek to grow business in other regions as well.

Head office

Columbus Plant

MACtac Americas, LLC

Head office: Ohio, U.S.A.
Established: 1959
Number of employees: 496
(As of December 31, 2016)
Net sales: ¥34.2 billion
Operating income: ¥3.6 billion
(Year ended December 31, 2016)
Acquisition price: Approx. $270 million
(Debt assumption is not included)

Edward LaForge, President

The true strength of MACTAC comprises our employees, technology, and culture. The innovative spirit and strong R&D team at MACTAC have led to unique technology solutions, including our hot-melt adhesive formulation. We believe combining LINTEC and MACTAC technologies will strengthen our market positions, and we are confident that "our products," including LINTEC's, will extend their global reach. What's more, we hope to fuse our respective corporate cultures, technologies, and strategies to generate the benefits of positive synergy early on, and contribute to the Group.

VDI, LLC

Based in the U.S. state of Kentucky, VDI is a manufacturer of functional films. The company uses metallizing technology, which forms thin metal layers on film surfaces, to make metal vapor deposition films and sputtering* films that it markets itself. As it is a supplier to MADICO, LINTEC's window film manufacturing subsidiary in the U.S., there is potential for cost savings in materials procurement. The LINTEC Group has not had metallizing technologies before and will be using them in product development to roll out business in new fields.

* Sputtering: The ejection of particles by bombarding materials such as metals and oxides at high energies in a vacuum and the deposition of the particles on films and other surfaces.

VDI, LLC

Head office: Kentucky, U.S.A. Established: 1971
Number of employees: 36 (As of December 31, 2016)
Net sales: ¥1,070 million
Operating income: ¥20 million (Year ended December 31, 2016)
Acquisition price: $26 million (Debt assumption is not included)

David Bryant, President

We believe "Quality, Innovation, and Service" are three keys to our success. Producing quality products generates satisfied customers; innovation allows us to serve many markets across the globe; and excellent client service generates future business. We believe VDI and LINTEC have many things in common, as manufacturers. We both are very active in the window film market and look for new technologies to broaden opportunity. From now on, we at VDI, as a LINTEC family member, will absorb various things and contribute to the family with better performances.

LINTEC GRAPHIC FILMS LIMITED

LINTEC GRAPHIC FILMS signed a trademark licensing agreement with LINTEC in 2010, thereby adopting the Company's name, and is the U.K. sales company for adhesive products, with a focus on the Company's adhesive products for labels, graphic sheets, and window films. Its name will be changed to LINTEC EUROPE (UK) LIMITED before the Group exhibits at the world's largest label event, Labelexpo Europe 2017, in late September in Belgium. LINTEC will be aiming to accelerate new customer acquisition in Europe by making even more effective use than before of the company's marketing strengths and wide-ranging sales network.

Lintec Graphic Films Limited

Head office: Buckinghamshire, U.K. Established: 1993
Number of employees: 18 (As of October 31, 2016)
Net sales: ¥850 million
Operating income: ¥130 million (Year ended October 31, 2016)
Acquisition price: £7.3 million

Andrew James Voss, Managing Director

LINTEC's corporate culture is ethical, creative, and positive. The underlying culture of LINTEC GRAPHIC FILMS, LINTEC's business partner, is very similar to that of the LINTEC Group. Having strengthened our ties with LINTEC EUROPE B.V. through our change of name, we will be aiming to expand sales in Europe. It's highly rewarding work. We will continue providing our customers better products and services to help LINTEC become recognized in Europe as an innovation leader.

Three Divisions Working as One

As a manufacturer, LINTEC conducts its business primarily through the Sales Division, which interfaces with customers on a day-to-day basis; the Research & Development Division, which creates new technologies and products; and the Production Division, which is responsible for the stable supply of high-quality products. The three divisions work in unison within all processes, from development to sales, enabling LINTEC to create original value and provide products that make customers happy. Research personnel accompany sales staff to customers to get a precise picture of customer requirements, while sales and research staff visit production sites to consult on solutions for particular issues that arise.

Sales

LINTEC's six business operations produce a wide diversity of products. Materials and equipment are combined to offer comprehensive solutions to issues faced by customers.

Customer

Research and Development

Original technologies developed over many years are fused at sophisticated levels in the development of groundbreaking new products. Market-dialogue R&D, where research staff communicate directly with the customer, is one of LINTEC's strengths.

Production

State-of-the-art production facilities, original production technology, and rigorous supply chain management are deployed to supply a steady stream of safe and high-quality products to customers.

Human Resources

Our employees lie at the heart of our concerted business activities.
LINTEC seeks to foster human resources, which it regards as an important asset, and provide them with a congenial working environment.

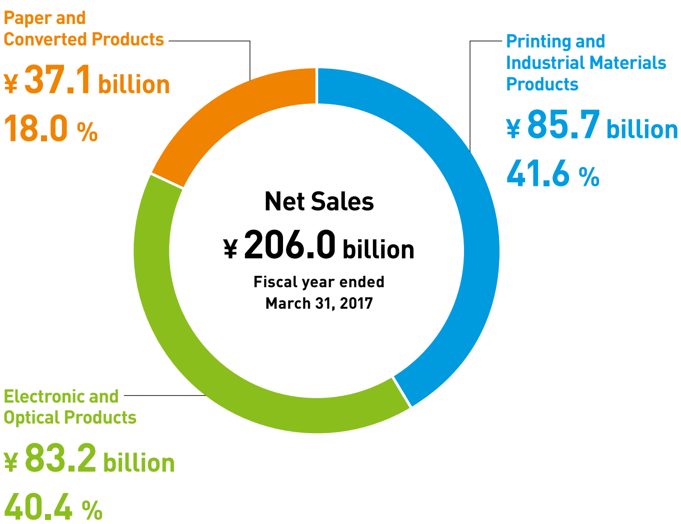
Sales

The Business Administration Division, which is responsible for sales, provides customer coverage throughout Japan from 11 offices. The Iidabashi office is the largest, with approximately 300 staff in Tokyo, and the network also includes Osaka and Nagoya. The LINTEC Group has more than 50 production and sales offices in Asia, Europe, and North America, supplying LINTEC products worldwide.

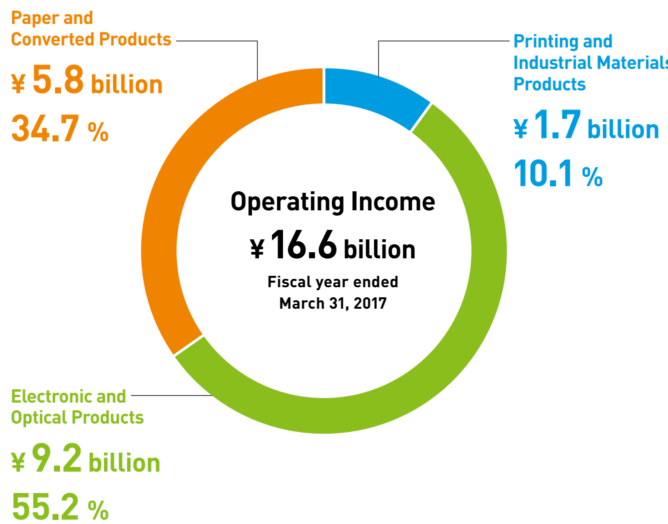
The Group's business is divided into six operations, each of which conducts sales activities based on its own strategies. These operations are classified under three segments—Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products—in accordance with product, technology, and market.

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

Share of Net Sales



Share of Operating Income



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

A Message from the General Manager

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

I became General Manager in April 2017 and feel a strong sense of responsibility for achieving the goals of the medium-term business plan LIP-2019. The numerical targets of the plan's final year were compiled on a bottom-up basis so that if each operation reaches its targets the Group will too. Having failed to reach the targets of the previous medium-term business plan, I intend to put a structure in place for thorough analysis of the causes if our performance deviates from target and rapid remedial action.

"Strengthening of regional strategy" is a key LIP-2019 initiative. It requires us to think about Japan, Asia, Europe, and North America, for example, as individual markets. This is not a Japan / overseas divide. Although Japan is said to be a mature market, many of our businesses have a domestic emphasis and most materials, technology, and services originate from Japan. Japan therefore remains an important market that merits continued effort. In Asia, the subsidiaries that have been put in place in Southeast Asia and India in recent years are not yet functioning at full strength, and we will be reorganizing the network in accordance with changes in market conditions. In Europe and North America, we will aim to expand sales in Printing and Industrial Materials Products in conjunction with the three companies that became subsidiaries in 2016. In all markets, the most important thing is to understand the true demands of the markets, and to this end we will take steps to strengthen our communication with customers.

Printing and Industrial Materials Products

Printing & Variable Information Products Operations

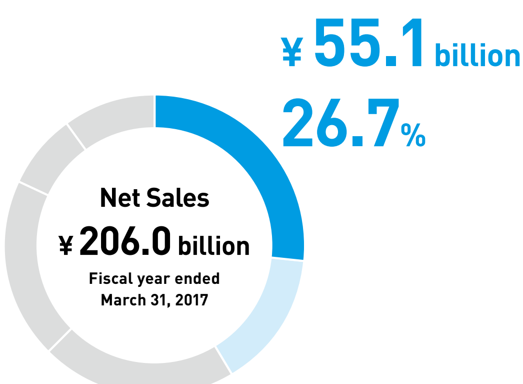
These operations manufacture and sell the Group's mainstay adhesive papers and films for labels. In particular, they have an approximately 60% share of Japan's adhesive film market. Overseas, a manufacturing and sales network is being expanded in China and Southeast Asia, and in 2016 business expansion also included making U.S. company MACTAC AMERICAS, LLC a LINTEC subsidiary.

Main Products

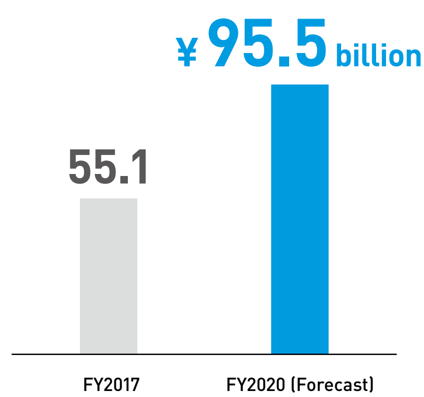
- Adhesive papers and films for labels

Sales

Results of Fiscal Year 2017



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

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

Business Strategies

The Japanese market for adhesive papers and films for labels is maturing, but we will aim for further growth in share by stepping up sales activities tailored to specific regions. Overseas, in the fiscal year ended March 31, 2017, our business was impacted heavily by the economic slowdown in China and strike action at PT. LINTEC INDONESIA. We plan to review our sales strategies for Southeast Asia, with LINTEC ASIA PACIFIC playing the central role, while also launching new products that use local materials. In Europe, we will be aiming to expand sales by exhibiting at the world's largest label event, Labelexpo Europe 2017, in autumn in Belgium, and drawing on the marketing strengths of U.K. company LINTEC GRAPHIC FILMS. In the U.S., we will use MACTAC AMERICAS' sales channels to market LINTEC products while also rolling out MACTAC products in Southeast Asia.

Industrial & Material Operations

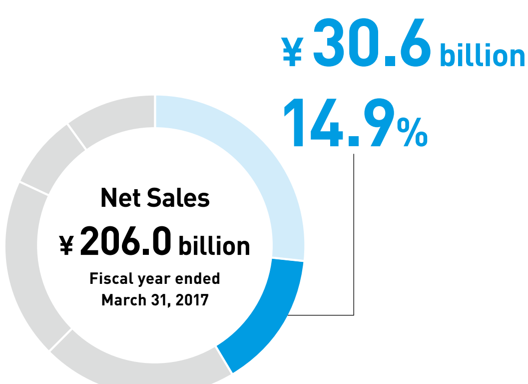
These operations provide an extremely wide range of products, from window films with various functions such as cutting out heat and ultra-violet light when they are attached to building and automobile windows through to automobile-use adhesive products for vehicle body decoration and protection, industrial-use adhesive tapes for bonding components in mobile and other devices, barcode printers used in production lines and distribution, labeling machines for automated labeling, films for outdoor signs and advertising, and interior finishing mounting sheets.

Main Products

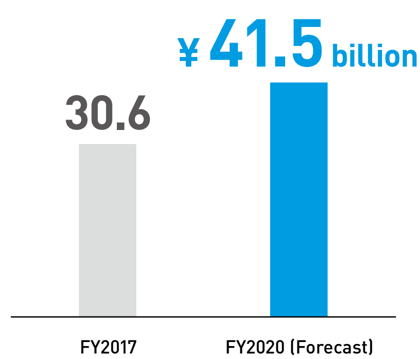
- Window films
- Automobile-use adhesive products
- Industrial-use adhesive tapes
- Barcode printers
- Labeling machines
- Films for outdoor signs and advertising
- Interior finishing mounting sheets

Sales

Results of Fiscal Year 2017



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

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

Business Strategies

A major topic for Industrial & Material Operations is strengthening our overseas business foundation centered on window films and motorcycle- and automobile-use adhesive products. We have established a good reputation for product quality overseas, and now we need to collaborate with LINTEC ASIA PACIFIC and the three U.S. and European companies that became subsidiaries in 2016 on fleshing out our sales network and raising brand awareness. Training globally oriented staff and developing products adapted to local requirements are pressing tasks in this regard. Fundamental business management rationalization has been announced for MADICO in the U.S., which is still performing weakly, and we will also work with our manufacturing bases in Thailand and Suzhou, China to build an optimum production and sales structure for window films and other products.

In Japan we will be focusing on distribution and automotive applications, and we will also step up our sales promotion activities for signs and graphic sheets in anticipation of growth in demand.

Electronic and Optical Products

Advanced Materials Operations

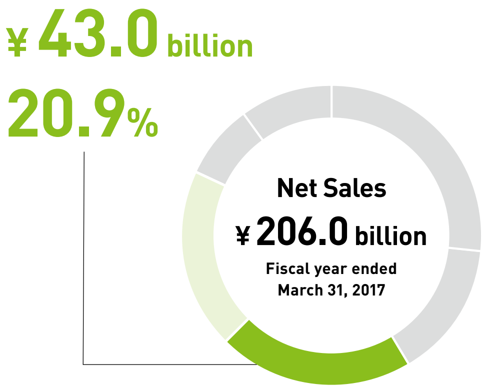
We are building a unique position in the electronics industry with products such as specialized adhesive tapes that are essential in semiconductor chip manufacturing and mounting processes, and we also make equipment that leverages these tapes' special features fully. In addition, we produce release films that are crucial in the production of multilayer ceramic capacitors, which are tiny electronic components. The development of new, next-generation sheet materials is another of our focuses.

Main Products

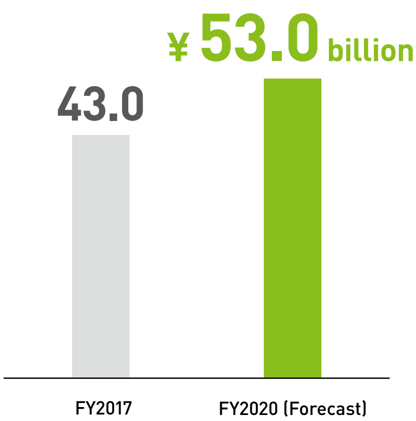
- Semiconductor-related adhesive tapes and equipment
- Multilayer ceramic capacitor-related tapes

Sales

Results of Fiscal Year 2017



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

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

Business Strategies

The electronics industry is vibrant but products that are selling well now may not do so in the future. We constantly strives to anticipate needs so that we can supply our customers with products that meet their requirements just when they need them. Demand for quality in our products continues to rise year after year as end products increase in sophistication and capacity while becoming thinner. We will be strengthening our ties with suppliers as we strive for a stable supply of high-quality products.

We think that demand for semiconductors and electronic components will rise significantly going forward due to the growth of the Internet of Things (IoT) and the introduction of next-generation, high-speed communications. We will aim to meet our targets by developing next-generation products, such as optically clear adhesive sheets for automobile panels, as a fourth pillar of operations to stand alongside our established pillars of semiconductor-related adhesive tapes and equipment and multilayer ceramic capacitor-related tapes.

Optical Products Operations

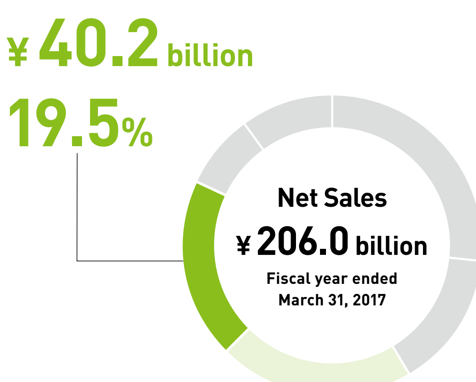
We deploy our development technologies for special adhesives and surface coating materials and precision coating technology and use cutting-edge production facilities to provide adhesive processing for optically functional films such as polarizing films and retardation films that are used in LCDs. We also undertake surface improvement processing for polarizing films, such as antiglare hard coat processing, which protects films from scratches and reduces reflectivity.

Main Products

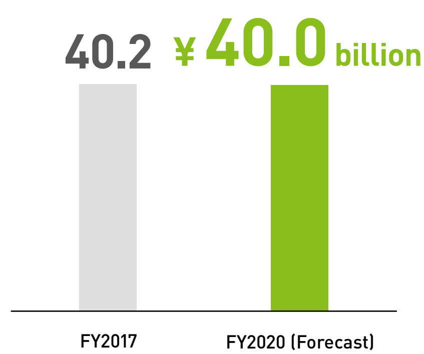
- Polarizing films and retardation films (adhesive processing)
- Polarizing films (surface improvement processing)

Sales

Results of Fiscal Year 2017



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

Shinji Ito
General Manager, Optical Products Operations, Business Administration Div.

Business Strategies

The optical display market is in a period of major change as organic light-emitting diode (OLED) displays become more widespread and Chinese LCD panel makers emerge. To survive this difficult period successfully, we believe it is important to listen to our customers and then think and act.

While the market shift from LCDs to OLED displays is gradually progressing, the market size for these displays is still small, meaning that they do not have a significant impact on our business at the moment. However, we must pay close attention to the level of quality that will be demanded in the future and to how volume and cost will change. We will continue to strengthen ties with our Group customer, an optical functional film manufacturer, as we seek to supply high-quality products utilizing the cutting-edge facilities that started up in 2016 and build an optimal global production structure for market change.

Paper and Converted Products

Fine & Specialty Paper Products Operations

We have the leading share in the Japanese market for color papers for envelopes and colored construction papers. We also manufacture and sell specialty papers including oil resistant papers used in food packaging, dust-free papers for use in places such as clean rooms, high-grade printing papers with special textures, and high-grade papers for paper products used in business cards and postcards. Our business is currently centered on Japan but we will be undertaking sales activities with an eye on overseas markets.

Main Products

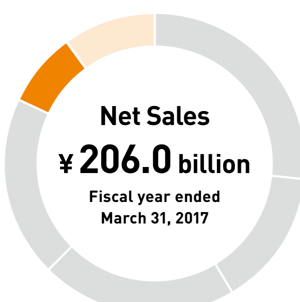
- Color papers for envelopes
- Colored construction papers
- Special function papers
- High-grade printing papers
- High-grade papers for paper products

Sales

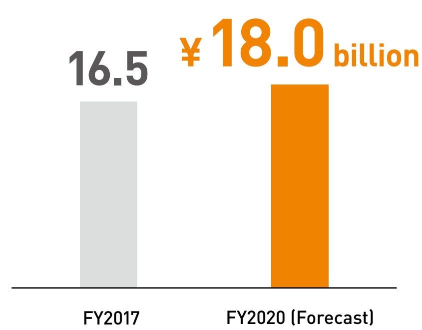
Results of Fiscal Year 2017

¥16.5 billion

8.0%



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

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

Business Strategies

Our market is shrinking as the paperless trend gains traction, and to secure earnings in this environment LINTEC's medium-term business plan LIP-2019 calls for new product launches to sustain and expand current business in Japan combined with proactive development of new markets, including overseas markets.

The market environment is harsh for our mainstay color papers for envelopes, but sales of products that prevent the contents from being seen from the outside are growing steadily. Our new water-repellent products have been well received and we want to continue developing and offering such high-value-added products. We will work to expand sales of special function papers, which represent one of our fortes, in overseas markets, where these papers have yet to fully penetrate.

Converted Products Operations

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

Main Products

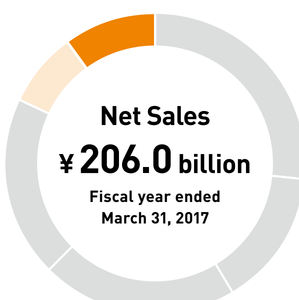
- Release papers for general-use
- Release films for optical-related products
- Casting papers for synthetic leather
- Casting papers for carbon fiber composite materials

Sales

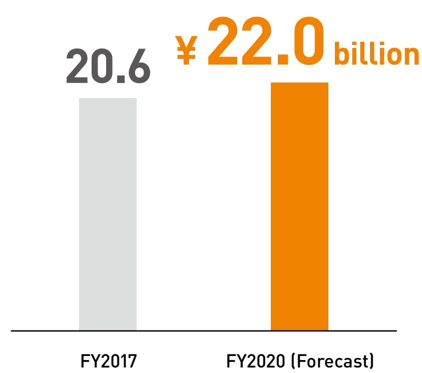
Results of Fiscal Year 2017

¥20.6 billion

10.0%



Goal for Fiscal Year 2020



(Fiscal years ended / ending March 31)

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

Business Strategies

Our business environment is extremely severe due to a variety of factors. These include intensifying price competition due to globalization, the emergence of Chinese manufacturers for casting papers for synthetic leather, and the temporary decline in demand for passenger planes that use carbon fiber composite materials brought about by lower crude oil prices.

Amid these conditions, we will strive to increase profits not by engaging in price competition to respond to the cheap prices of rival companies but rather by offering differentiated quality and services to our customers. To this end, we need to promote our business at an unrivaled pace in terms of everything from launching new products to improving quality and responding to customer inquiries.

Going forward, we will make concerted efforts in product development and improvement focusing on various key issues, such as developing casting papers for synthetic leather using a brand-new embossing method, enhancing the durability of casting papers for carbon fiber composite materials, and increasing the number of solvent-free release papers to respond to the environment.

Research and Development

As a technology-centered company, we realize that strengthening R&D capabilities is one of our most important management strategies for achieving sustainable growth. Two approaches help us to create both products that resolve our customers' technological issues and products that are unprecedented, innovative, and lead the market: the developing of functional materials and related processing technologies that leverage our proprietary technological capabilities and a market-dialogue style of research that emphasizes user needs. Going forward, we will further strengthen our R&D systems to accelerate the speed of product development and create new technologies.

Four Core Technologies

Adhesive applications

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

Surface improvement

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

System development

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

Specialty papers and release materials production

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

Research and Development Structure

The Research & Development Division's research center has not only state-of-the-art research facilities but also a clean room with the same semiconductor-related equipment that is found in the production environment of our customers. The addition of the Advanced Technology Building, with its large-scale pilot coaters that closely resemble factory mass production facilities, in 2015, provided a structure for smooth flow from R&D to mass production. Approximately 200 research personnel are at work in eight laboratories and other departments. In addition, the Nano-Science & Technology Center in the U.S. state of Texas is engaged in research in new fields outside our current technology domain.

R&D Achievements

In the fiscal year under review, R&D expenses incurred by the Group amounted to ¥7.6 billion. The following is an overview of the principal R&D activities conducted by each operational segment.

Printing and Industrial Materials Products

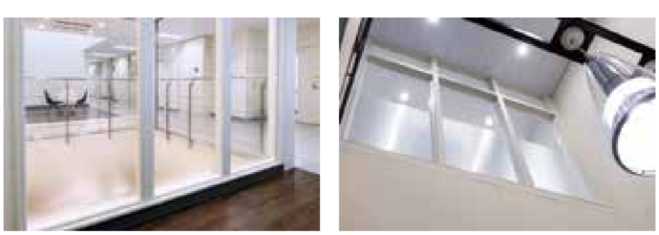
Printing and Variable Information Materials

We continued with our development of functional label materials designed to meet our customers' required specifications with the aim of supplying label materials for a diverse range of applications precisely when customers need them. We developed a label material suitable for cold environments as low as minus 196°C in medical and pharmaceutical fields. It is intended for displays and management labels on blood and cell samples and vaccines that are preserved in a frozen state. For displays and process management in the distribution, medical and pharmaceutical sectors, we developed a general-use new label material that allows for variable information printing and publishing from small lots. This new product features tolerability of heat, humidity, and alcohol and supports direct thermal printers.

Commercial and Industrial Materials

We are constantly engaged in the development of functional adhesive materials for use in many different industries. Using the light diffusion film technology which we have developed for optical displays, we succeeded in developing vision control films that are uniquely designed for window glass. With these films, customers are able to control areas they wish to hide from view without compromising on glass transparency or natural lighting. Because windows appear either transparent or frosted depending on the viewing angle, privacy can be protected while preserving the view from the window. The films are suitable for use in offices and shops, as well as on windows, doors and partitions in houses, due to the fact that they reduce the likelihood of fragments scattering if a window is broken and also cut out UV.

Through these and other R&D activities, this segment incurred R&D expenses of ¥2.7 billion.



Example of light diffusion film in application
(left: looking downwards; right: looking upwards)

Electronic and Optical Products

Semiconductor-Related Materials

Semiconductor packages with flip chips connected by bumps (protruding electrodes on the circuit) have come into widespread use as electronic devices such as smartphones have become thinner and achieved higher performance. We enhanced our lineup with back grinding tape that protects wafer surfaces within production processes and can be used with bumps of any height. Meanwhile, we also launched a new backside coating tape for flip chips that supports manufacturing processes. Functional tapes are essential in the production of intelligent sensors and 3D NAND flash memories that use thin wafers, and by bringing such products to market, we play a part in the social development of IoT.

Optical Functional Materials

We are engaging in the development of adhesives for optical displays. We developed a vehicle display adhesive that prevents the formation of bubbles on plastic and is resistant to heat, humidity, and bleaching; an adhesive that inhibits corrosion of indium tin oxide and other materials used in touch sensors while also cutting out UV and blue light; and a functional adhesive for large-screen televisions. As a result of customizing features to produce superior performance in areas that particular customers require, we are close to the adoption of our specialty light diffusion films, which control the diffusional field, in many different types of reflective displays. They have also been adopted as projection screens at airports and other locations. As these screens can be attached to the surface of existing structures, we expect them to be widely used.

Through these and other R&D activities, this segment incurred R&D expenses of ¥3.7 billion.

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

Research and Development

Paper and Converted Products

We developed and commenced sales of a new white craft paper that has excellent water-repellent characteristics and is suitable for offset printing and laser printers as a new version of an existing product that was launched in 2015. The new version is also ideal for envelopes because of its concealment feature of more than 99% and the fact that it can protect important information they contain from view.

Through these and other R&D activities, this segment incurred R&D expenses of ¥1.3 billion.

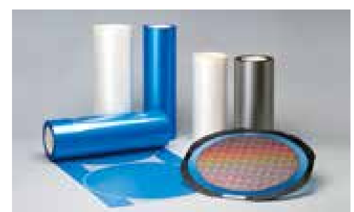
Column: LINTEC Semiconductor-Related Adhesive Tapes

LINTEC entered the semiconductor business field in 1986 through the development of UV curable dicing tape that controls adhesion via UV radiation. This groundbreaking tape adheres strongly when thin wafers are being diced into chips to prevent the chips from scattering and reduces adhesion through UV radiation for easy removal when the chips are picked up. It currently has a global market share of around 50%.

Surface protective tapes have been gaining market share in recent years. They are used to protect circuits on wafer surfaces when the backside is being ground to make the wafer thinner. LINTEC tapes are winning plaudits for quality and performance as wafers become thinner and circuits become finer and more complex.

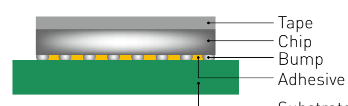
Our global share in backside coating tape for flip chips is almost 100%. Flip chips have protruding electrodes on their circuit, which are flipped for direct mounting on the substrate. LINTEC was the first mover in developing tapes with a view to reinforcing the backside surfaces of flip chips as chips became thinner.

We will aim to raise our presence further in the semiconductor industry through the continuous provision and development of innovative new products with consistently high quality.



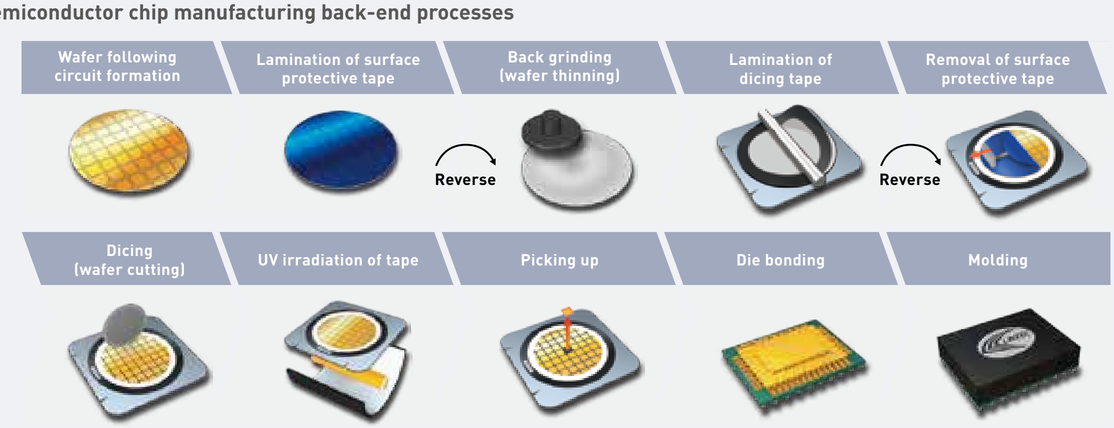
Dicing tape

Backside coating tape for flip chips



Flip chip

Semiconductor chip manufacturing back-end processes

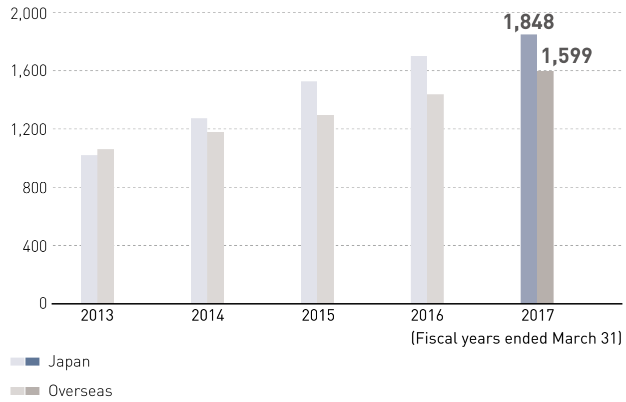


Intellectual Property Activities

The LINTEC Group aims to increase corporate value by developing original products that fully satisfy customer needs. We therefore position intellectual property, including patents, trademarks, and design rights, acquired through these development activities as important management resources. While placing the utmost emphasis on respecting the rights of other companies, the Intellectual Property Department of the Research & Development Division promotes Companywide and strategic intellectual property activities that include identification of new candidates for invention at R&D sites to add to our intellectual property rights, which are the lifeblood of a technology-centered company.

Accordingly, while linking activities such as patent portfolio building for our foundation and growth business domains with our business strategy, we aim to improve profitability based on intellectual property.

Number of Patents



A Message from the General Manager

Tatsuya Tsukida
Executive Officer
General Manager,
Research & Development Div.

Under our previous medium-term business plan, LIP-2016, we sowed the seeds for bringing groundbreaking products from our laboratories to market. The Advanced Technology Building completed in 2015, which enabled us to conduct testing on large-scale pilot coaters instead of on facilities in our plants, was extremely effective in improving development speed. As testing in the research center can be done without stopping existing facilities, we avoid production losses on lines in our plants and we are also able to obtain more detailed data. We also have coating facilities for use in developing mass production processes for next-generation products, and I think we will achieve striking results in the next three years.

Our first step under the new medium-term business plan, LIP-2019, was to bring a planning department under the wing of the research center in April 2017. The aim was to incorporate our basic tenets of "front-loading design"[1] and "one-stop development"[2] fully into the medium- and long-term development process to give concrete shape to the research activities of each lab without delay. Our research staff are instructed to deliver marketable products in the area on which they are working with the aim of creating as many new products as possible to contribute to business. The globalization of LINTEC business has increased the importance of having research staff stationed overseas. Such staff not only provide technological support for overseas customers but are also very effective in obtaining an accurate picture of customer requirements. We therefore intend to second research staff to our subsidiaries overseas.

1 "Front-loading design" involves identifying development issues and risks as far as possible in the initial stages of product development and devising early responses to minimize the necessity for revisions at a later stage.

2 "One-stop development" consists of developing mass production processes in parallel with new materials development.

Production

The LINTEC Group utilizes sophisticated clean room facilities, cutting-edge manufacturing facilities, and original production technologies in making products appropriate for wide-ranging customer requirements. While establishing good relationships with our suppliers, we are actively making efforts to operate quality, environmental, and business-continuity management systems. In doing so, we deliver peace of mind and reliability to our customers.

Production Structure

In Japan, our large and diverse product lineup is manufactured at 10 production plants. Keeping our eye on market needs, we are constantly striving to enhance efficiency in production by introducing the latest facilities to replace older ones and reconstructing plant layouts. Each plant also works on its own reforms and takes steps to increase yield and reduce costs. Overseas, we have more than 10 production plants, which link with their Japan counterparts to form an optimal production network.

1 Agatsuma Plant

2 Kumagaya Plant

3 Chiba Plant

4 Tatsuno Plant

5 Shingu Plant

6 Komatsushima Plant

7 Mishima Plant

8 Ina Technology Center

Zero Accident Culture

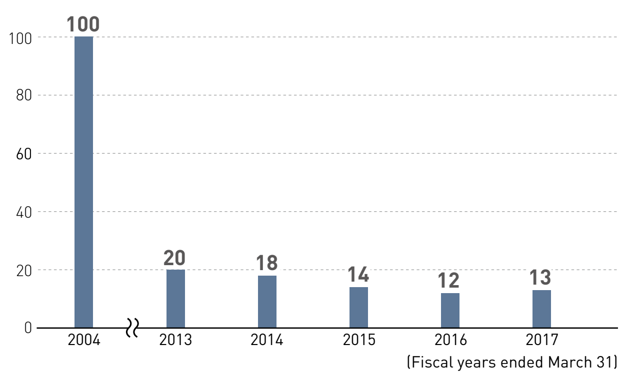
Safety is the top priority in LINTEC Group plants, which are operated to preempt injuries to personnel. Our practices include risk assessment, which enables us to put safety standards in place, and hazard prediction exercises as we pursue our 5S* program of organizing, clearing up, cleaning, cleanliness, and discipline. Safety and hygiene committees hold monthly meetings at all our sites in Japan and overseas to enable us to ascertain progress in our safety activities and share information. In April 2017, a safety conference was held for domestic plant safety officers for the exchange of information about each plant's initiatives. We will continue activities on multiple fronts in accordance with our zero accident culture.

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

Thorough Quality Management

The LINTEC Group has acquired ISO 9001 certification, the international standard for quality management systems, for 21 sites in Japan and overseas. We are working to further reinforce our quality assurance system by obtaining ISO 9001 for other departments and acquiring integrated certification for related sites. When comparing major quality incidents by year, if the fiscal year ended March 31, 2004, is set as 100 in an index of major quality incidents, the level has been 20 or less for the past five years. We construct and implement management systems that enable us to take swift action if a quality incident should occur, collecting information, analyzing causes, and taking steps to prevent recurrence. This framework is in place in Japan and overseas.

Ratio of Quality Incidents to the Number Recorded



Fair Transactions

LINTEC has a basic policy for fair and transparent transactions based on the principle of free competition among suppliers, and our procurement activities comply with all relevant laws and regulations and social norms. For major suppliers, we require evaluations through self-audit check sheets for assessing suppliers based on quality, chemical substance management, administration and services, and CSR. We periodically review our purchasing processes while maintaining and strengthening partnerships.

Green Procurement

The LINTEC Group is committed to procurement that aims to reduce environmental impact through rigorous chemical substance management for raw materials, parts, and secondary materials. When procuring a new material or responding to a new regulation, we ask for suppliers' understanding in conducting ingredient examinations to monitor for the presence of regulated substances. In the fiscal year ended March 31, 2017, we carried out such examinations on approximately 5,000 items. In addition, we request that suppliers engage in proactive environmental preservation activities and undertake rigorous chemical substance management.

Environmental Management

We have acquired global integrated certification under international standard ISO 14001 for a total of 25 sites, including the LINTEC head office and plants, Research Center, Group company TOKYO LINTEC KAKO, INC., and 11 overseas Group companies. Following the 2015 revision of ISO 14001, we are working to achieve compliance with the revised standards and will continue to promote the acquisition of global integrated certification by overseas Group companies as we strengthen Companywide engagement in environmental preservation.

Production

Reduction of Environmental Impact

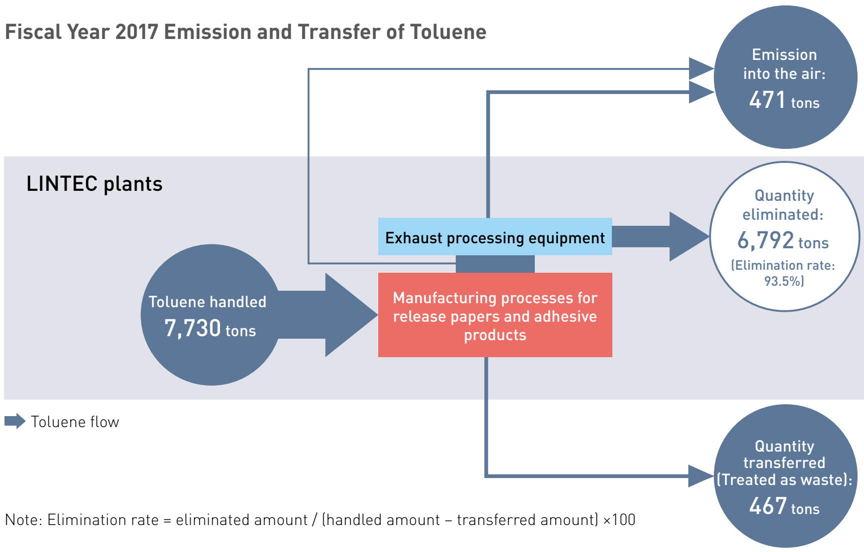
The LINTEC Group is working toward the realization of a sustainable society with manufacturing that has low environmental impact. CO_2 emissions were reduced to 195,000 tons in the fiscal year ended March 31, 2017, from 200,000 tons in the previous year. Although the amount of waste generated in production increased, the final landfill ratio was approximately 0.03% and we have achieved zero emissions with rates below 1.0% for 10 years. In papermaking, the amount of water used per unit of production improved by 6.8% over the previous year. We are also constantly seeking to reduce the amount of volatile organic compounds (VOCs) including organic solvents that are released into the atmosphere.

Compliance with Environmental Laws, Directives, and Regulations

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

In the fiscal year ended March 31, 2017, we reported nine substances under the PRTR system.[3] The total volume was 7,826 tons, of which 7,730 were toluene. Toluene emitted into the air amounted to 471 tons, an increase of 30 tons over the previous year, while the quantity transferred (treated as waste) was 27 tons less than in the previous year, at 467 tons.

Fiscal Year 2017 Emission and Transfer of Toluene



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

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

2 RoHS: EU directive on the Restriction of the use of certain Hazardous Substances

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

Environmentally Friendly Products

The LINTEC Group has embraced the rise in environmental awareness of recent years, and continues to develop products to meet a wide range of environmental needs. Our environmentally friendly product lineup pays heed to reuse, recycling, and energy saving.

Label material using recycled PET derived from used PET bottles

Window film that cuts thermal energy from sunlight

High-adhesion removable-type label material that gives consideration to reuse and recycling

Efforts toward Business Continuation

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

We also evaluate the business continuity capabilities of suppliers of raw materials that are critical in securing stable supplies of our products. Additionally, we request that these suppliers introduce a business continuity plan (BCP) and establish a system for implementing it on an organization-wide basis.

A Message from the General Manager

Gohei Kawamura
Director, Managing Executive Officer
General Manager, Production Div.

In production, our goals revolve around safety, quality, and yield. As production General Manager, I will be pursuing our goals while also emphasizing speed in implementing necessary measures.

Under the medium-term business plan LIP-2019, I want to put our plants in Japan on an even more solid footing. Keeping an eye on market trends, I will be giving consideration to investments designed to strengthen our production base for the future. This includes reconstructing plants and renewing facilities. Our overseas plants are growing in importance as our overseas sales ratio rises. The Printing and Industrial Materials Products manufacturing bases in China and Southeast Asia are having difficulties, and the Production Division will be giving its full support to these bases to improve earnings. In the U.S., the key will be to realize synergies quickly with the two companies that became subsidiaries in 2016. MACTAC AMERICA's hot-melt formulation and VDI's vapor depositing are attractive technologies, and I want us to create synergies in these areas in the course of LIP-2019.

LINTEC has consistently promoted on-site reform initiatives. In April 2017, a conference was held for our plant safety officers in Japan to report on their safety activities and exchange views on safety. This led to the discovery of points for improvement and to the best activities being rolled out in other plants. I will be looking to maintain a rigorous safety approach as we boost our plants' strengths.

Human Resources

The LINTEC Group employs more than 5,000 people in Japan and overseas including staff at non-consolidated companies. Diverse human resources are precious Group assets. During its 90-year history, LINTEC has sought to foster a culture that values harmonious working relationships and also "stand out in the crowd" individuality. This culture and a deeply rooted Companywide innovation mind-set are key Group strengths. In its efforts to provide a congenial workplace for all, LINTEC pays constant attention to enhancing its systems and training employees.

Respect for Diversity and Human Rights

The LINTEC Group avoids discriminatory treatment of employees based on race, creed, gender, education, nationality, religion, or age, thereby respecting the diversity of individuals. In the areas of recruitment and employment, the Group complies strictly with labor laws and regulations, including the prohibition of unfair discrimination, child labor, and harassment, and endeavors to promote an environment where all employees can go about their work in a positive and energized frame of mind. In 2017, we conducted a Groupwide survey of human rights and working conditions that confirmed we are strong on compliance and show respect for basic human rights. We plan to make this a regular annual survey.

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

Employee Education

LINTEC has a Companywide training system based on rank, as human resource education programs tailored to years of continuous service and career. To foster a globally oriented workforce and advance the careers of female employees, we also run theme-specific group and correspondence courses to promote objectives such as second-language acquisition and encouraging women to take on a more active role in the workplace. At the same time, the Company's intranet offers e-learning programs to increase all our employees' understanding of topics such as the environment, product quality, BCMS, and CSR.

Training seminar

Work-Life Balance

LINTEC is active in promoting balance between work and personal life for employees to enable them to carry out their work without stress and exercise their abilities to the full. In addition to careful labor management designed to deter employees from working excessively long hours, and the implementation of a flextime system, LINTEC aims to enable employees to match their work style to their lifestyle by augmenting programs such as planned vacation, which encourages employees to take their paid leave. In the fiscal year ended March 31, 2017, we continued to promote the creation of environments in which employees can work with peace of mind through such measures as extending the length of periods of leave and shortening work hours through the family care program, in addition to expanding the field of eligibility for shorter work hours using the childcare program.

Employment of People with Disabilities

The Group's employment ratio for people with disabilities reached 2.06% in the fiscal year ended March 31, 2017, surpassing the legally mandated ratio of 2.0%. We will endeavor to increase the ratio further with measures such as improvements to on-site facilities as required.

Rehiring Systems

To expand work-style options for its employees, the Group operates a "job return" program for rehiring people who are still able to fill posts effectively after resigning for personal reasons such as childbirth, nursing care of a family member, or a spouse's transfer to a different location. We also have a system that enables employees who wish to continue working beyond the mandatory retirement age of 60 to work on one-year contracts to a maximum age of 65.

A Message from the General Manager

Tsunetoshi Mochizuki
Director, Managing Executive Officer
General Manager, General Affairs & Human Resources Div.

To increase labor productivity, it is essential to have diverse human resources with a dynamic and healthy work style. Work-style reform has become a national theme in Japan and at LINTEC we have achieved results with our thorough labor management aimed at deterring employees from working too many hours and our planned vacation system, which has increased employees' use of paid leave.

In regard to diversity, we established a committee to study the promotion of diversity in 2016, and we are seeking to provide support and an appropriate work environment for employees in situations such as caring for family members and bringing up small children. Our promotion of greater female participation includes initiatives to change female employees' way of thinking, a system for returning to work after having children, and the expansion of the female ratio of hired graduates, managers, and section chiefs.

In fostering human resources I have the image of a mountain, with specialty work knowledge at the summit and broader knowledge and understanding of related areas at the foot. The Company as a whole supports career advancement with training courses tailored to the employee's level and theme-specific courses.

I want people to take pride in being a LINTEC employee and family member 10, 20, and 30 years from now and have a smile on their face as they go about their daily life. I also want to maintain an open corporate culture where people can speak their minds. To these ends, I will be making adjustments to the work environment and improvements to human resources systems.

Corporate Governance

Basic Philosophy

The Company believes that the fundamentals of corporate governance are to achieve thorough legal compliance, to increase management transparency and promote corporate ethics, and to make prompt decisions and effectively execute operations. By enhancing and reinforcing corporate governance, we aim to further increase our corporate value and joint profits with shareholders.

Corporate Governance System

1. Corporate Governance System

The Company has selected the Company with Audit & Supervisory Committee system described in the Companies Act of Japan for its organizational structure. The Company has placed directors that are also Audit & Supervisory Committee members with voting rights on its Board of Directors in order to strengthen the Board's supervisory function, with a view to stepping up corporate governance and to streamlining management even further. The Company has appointed 16 directors, of whom four are Audit & Supervisory Committee members and four are outside directors.

Held once a month to make important decisions with regard to management, Board of Directors' meetings are also held on an ad hoc basis as necessary to strive for rapid decision making. Primarily comprising executive officers (including directors serving concurrently) responsible for the execution of business, management meetings are also held once a month and endeavor to streamline business operations through the sharing of information among all business divisions.

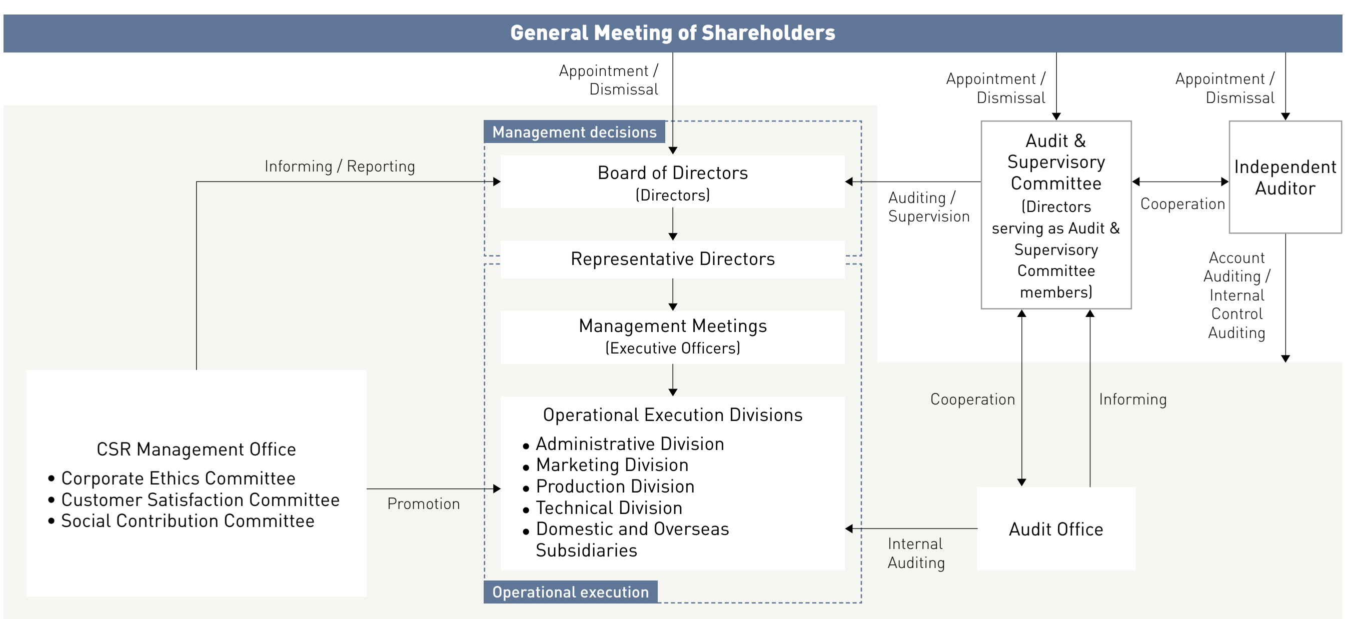
The Audit & Supervisory Committee meets once a month and conducts monitoring audits that focus on matters reported from the Audit Office, which is the Company's internal control division. In addition to performing audits covering the appropriateness and legality of the execution of directors' duties, each and every Audit & Supervisory Committee member also plays a role in supervising the execution of the directors' duties through the exercise of the voting rights on the Board of Directors.

• Evaluation of Board of Directors' effectiveness

In April 2017, the Company conducted an evaluation of the effectiveness of the Board of Directors. Details are as follows.

Overview

Based on the principles of Japan's Corporate Governance Code, all 16 directors filled out a survey on matters such as the structure and operation of the Board of Directors, which included some open-ended questions. The results of these surveys were analyzed by



representative directors, and a final evaluation was received from outside directors, who are independent officers of the Company. In this final evaluation, outside directors stated that the survey questions and method were rational overall and that the measures in the fiscal year under review (earlier distribution of documents, elimination of overlaps between the Board of Directors and management meetings, enhancement of discussion at meetings of the Board of Directors), which were taken based on the results of the previous fiscal year's survey, were producing improvements. However, the final evaluation included suggestions for further improvements and a request for consideration of methods of addressing the governance themes that were set out in the fiscal year under review's survey. Based on this feedback, we will take steps to develop an environment that facilitates improved Board of Directors' effectiveness.

• Director training policies

(1) New director training

After assuming their position, new directors are provided training from outside institutions to endow them with the legal, accounting, and other knowledge necessary to management.

(2) Regular training

Once or twice a year, directors undergo training on contemporary issues from lawyers or other outside lecturers. These training sessions serve as opportunities to hone the sense of judgment that is crucial to members of the Board of Directors.

(3) Special training

When necessary, directors participate in seminars at the Company's expense to acquire the specialized insight required to perform their duties.

2. Internal Control System

With regard to an internal control system to ensure that the execution of directors' duties is in compliance with laws and regulations as well as the Articles of Incorporation, and a system to ensure the appropriateness of the execution of other business, the Company decided on the following matters at the Board of Directors' meeting held on June 24, 2015.

• System to ensure that the execution of the duties of directors and employees is in compliance with laws and regulations as well as the Articles of Incorporation

To ensure that the execution of the duties of directors and employees is in compliance with laws and regulations as well as the Articles of Incorporation and that a sense of ethics is maintained, the Company established its motto of "Sincerity and Creativity," on which its Code of Conduct was based. To ensure the effectiveness of the compliance system with regard to laws and regulations as well as the Articles of Incorporation, the Audit Office—an organization under the president's direct supervision—investigates and verifies, by means of audits based on the Internal Audit Regulations, whether all of the Company's operations are being appropriately and reasonably implemented and pursuant to laws, the Articles of Incorporation, internal rules and regulations. The results of those audits are regularly reported to directors.

• System for storing and managing information related to the execution of directors' duties

Documents are stored and managed in accordance with rules determined for each document type, including those documents stipulated by law.

• Regulations and other systems pertaining to management of risks of loss

By promoting the issue of manuals by division and facilitating their thorough use, the Company makes preemptive efforts to reduce or avoid risk. In the case of specific risks, the Company promotes reviews of and improvements to response measures as risks arise. For emergency situations, such as the occurrence of a disaster, the Company has established the Companywide Crisis Management regulations, in addition to a BCMS, which is based on these regulations. These are separate from risk management initiatives conducted through normal operations, and we strive to ensure that a crisis management organization can be quickly established in the event of an emergency.

• System to ensure that the execution of the duties of directors is efficiently conducted

In addition to setting out the duties for which directors are responsible for and that correspond to the allocation of roles of each organization, based on the Regulations on the Division of Duties, the Company works to separate management from execution and accelerate decision making by the introduction of an executive officer system. Moreover, the Company reviews internal organizations as necessary to be able to respond to environmental changes and works to maintain efficiency in the execution of the duties of directors by such means as the setting up of cross-organizational committees on an as-required basis.

Corporate Governance

• System to ensure the appropriateness of business in the corporate group comprising the Company and its subsidiaries

Based on the Affiliate Company Operational Regulations, the Company works to maintain the appropriateness of its operations as a group entity by having each of its principal business divisions control the operations of Group companies. Based on the Affiliate Company Operational Regulations, the Company works to maintain a system for receiving corporate performance, risk, and other important reports from each Group company regularly or on an as-required basis. Providing business management and support from the appropriate division as necessary, the Company promotes management efficiency in each company. To ensure that Group companies are in compliance with laws and regulations as well as the Articles of Incorporation, audits are conducted by each company's internal audit system and by the Company's Audit Office.

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

To further raise the effectiveness of Audit & Supervisory Committee audits and maintain a system to carry out audit duties more smoothly, the Company has established the Audit & Supervisory Committee secretariat, which supports and takes on Audit & Supervisory Committee duties. It is assumed that the Audit & Supervisory Committee's consent has to be obtained for transfers of personnel to the Audit & Supervisory Committee secretariat staff, personnel evaluations, and disciplinary action. The instructions and orders given to Audit & Supervisory Committee secretariat staff are also deemed to be given by directors serving as Audit & Supervisory Committee members. With regard to said instructions and orders received from Audit & Supervisory Committee members, with the exception of those instructions and orders that are not necessary for the duties of Audit & Supervisory Committee members, it is assumed that Audit & Supervisory Committee secretariat staff do not receive instructions and orders from directors or other employees.

• System relating to the reporting of cases to the Audit & Supervisory Committee and system for ensuring that the submitting of such reports is not seen as reason enough for the person who submitted them to be subjected to disadvantageous treatment

With regard to cases that are likely to significantly damage the Company or a Group company, such as violations of laws or regulations, all Group directors and employees are to report such cases to the Company's Audit & Supervisory Committee. In addition, it is deemed that the Audit & Supervisory Committee will be able to directly demand business-related reports for all Group directors and employees. Under the Company's Internal Reporting System Operation Regulations and its Global Internal Reporting System Regulations, the Company has established a helpline that can be used by all Group directors and employees and endeavors to maintain a system to ensure that the submitting of such reports is not seen as reason enough for the person who submitted said notification or report to be subjected to disadvantageous treatment. In the event of an internal notification via the helpline, this will be reported to the Audit & Supervisory Committee.

• Matters concerning policy relating to the handling of costs or liabilities arising from the execution of duties of Audit & Supervisory Committee members

When an Audit & Supervisory Committee member invoices the Company for the prepayment or redemption of expenses incurred for the execution of their duties, said costs or liabilities will be promptly handled following discussions in the department responsible, with the exception of cases in which said costs have been recognized as being not necessary for the execution of said Audit & Supervisory Committee member's duties. In addition, should Audit & Supervisory Committee members deem that independent outside experts (such as lawyers, certified public accountants, etc.) are necessary as advisers to the Audit & Supervisory Committee, the Company will bear those costs, with the exception of cases in which said costs have been recognized as being not necessary for the execution of said Audit & Supervisory Committee's duties.

• Other system for ensuring that the Audit & Supervisory Committee carries out audits effectively

With a view to ensuring a system so that Company information reaches the Audit & Supervisory Committee unhindered, the Company works to maintain an environment in which information is received not only from directors (excluding directors serving as Audit & Supervisory Committee members) and from employees but also from independent auditors, corporate lawyers, tax accountants, and other specialists. The Company has a system in place to ensure regular meetings with representative directors and venues for important discussions, such as management and strategy meetings, for Audit & Supervisory Committee members to attend and state opinions.

3. Basic Policies and Systems for Preventing Relationships with Antisocial Forces

The Company stands in firm opposition to all antisocial forces and organizations that threaten to disrupt the order and safety of civil society while practicing a strict policy of non-association with such entities. We have made this commitment clearly apparent in the LINTEC Compliance Guidelines and are taking steps to ensure thorough awareness with this regard among all directors and employees.

We reject any illegitimate requests from antisocial forces and organizations and maintain close collaborative relationships with the police, centers for the removal of criminal organizations, lawyers, and other specialists to combat such requests. Should we be approached by antisocial forces or organizations, we will closely coordinate with such institutions, organizations, lawyers, or other specialists to furnish a quick, organization-wide response.

4. Risk Management System

The Company has established the Companywide Crisis Management Regulations as well as a risk management system for minimizing the possible impact and damage to corporate value if a major problem arises. It has also implemented and oversees the Information Security Management Rules and the Trade Secret Management Rules for the preservation and management of information. There are also Companywide risk assessments centered on the CSR Management Office.

5. Limited Liability Contracts

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has entered into a contract with each of its non-executive directors—outside directors Kazumori Fukushima, Toru Nozawa, Satoshi Ohoka, and Kanako Osawa—that limits liability for compensation for damages under Article 423, Paragraph 1 of the Companies Act. Based on this contract, liability for compensation for damages is limited to ¥10 million or the minimum liability amount stipulated by law, whichever is greater.

Internal Audits and Audit & Supervisory Committee Audits

1. Internal Audits

The Audit Office regularly implements internal audits of divisions, work sites, plants, and affiliated subsidiaries in addition to verifying that operational execution processes and results comply with the law and internal regulations. The status of these internal audits is reported when necessary to the Audit & Supervisory Committee, and opinions are exchanged on the results of the audits.

2. Audit & Supervisory Committee Audits

The Company's Audit & Supervisory Committee comprises four directors serving as Audit & Supervisory Committee members, of whom three are outside directors. While utilizing the internal control system, the Audit & Supervisory Committee cooperates with the Audit Office and the independent auditor, receives the necessary reports, and conducts audits of the directors' business execution through such methods as exchanges of opinions. Each Audit & Supervisory Committee member attends management and other meetings, obtains the information needed for the audits, attends Board of Directors' meetings as a director, and supervises the directors in the execution of their duties by stating opinions and participating in resolutions through their voting rights.

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

Outside Directors

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

1. Human, Financial, and Business Relationships and Other Shared Interests between the Outside Directors and the Company

There are no particular shared interests between the Company and Kazumori Fukushima, but Nippon Paper Industries Co., Ltd., where he serves as an executive officer, is a major trading partner of the Company, which purchased ¥2,145 million worth of raw materials from and sold ¥42 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2017). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted

Corporate Governance

to 21,737,792 shares (28.39% of the total number of Company shares outstanding) on March 31, 2017.

There are no particular shared interests between the Company and Satoshi Ohoka, who is an independent committee member as stipulated in the Company's rules of large-scale purchase to deal with an act of large-scale purchase.

There are no particular shared interests between the Company and Toru Nozawa, but Nippon Paper Industries Co., Ltd., where he serves as a director and an executive officer, is a major trading partner of the Company, which purchased ¥2,145 million worth of raw materials from and sold ¥42 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2017). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (28.39% of the total number of Company shares outstanding) on March 31, 2017.

There are no particular shared interests between the Company and Kanako Osawa, who is an independent committee member as stipulated in the Company's rules of large-scale purchase to deal with an act of large-scale purchase.

2. Functions Performed and Roles Served by Outside Directors in the Company's Corporate Governance

By utilizing knowledge and experience from his directorship experience at Nippon Paper Industries Co., Ltd., and his many years of business experience in this company's production and sales divisions, Kazumori Fukushima is able to strengthen the Company's Board of Directors' supervisory function. He is thus considered qualified to be an outside director.

By utilizing knowledge and experience from his directorship experience at Nippon Paper Industries Co., Ltd., and his many years of business experience in this company's administrative divisions, Toru Nozawa is able to audit and supervise the Company's Board of Directors. He is thus considered qualified to be a director serving as an Audit & Supervisory Committee member.

By utilizing his long years of policy-based finance experience, his rich international experience, his specialist academic experience, and his knowledge and experience gained as an outside director in industries different to that of the Company, Satoshi Ohoka is able to audit and supervise the Company's Board of Directors. He is thus considered qualified to be a director serving as an Audit & Supervisory Committee member. He is also designated as an independent director based on the criteria stipulated by Tokyo Stock Exchange, Inc. (TSE).

By utilizing her specialist expertise and extensive knowledge gained as an attorney, along with the knowledge and experience gained through her career in corporate legal affairs both at home and abroad, Kanako Osawa is able to audit and supervise the Company's Board of Directors. She is thus considered qualified to be a director serving as an Audit & Supervisory Committee member. She is also designated as an independent director based on the criteria stipulated by TSE.

3. The Company's Basic Way of Thinking with Regard to the Independence of Outside Directors

The Company does not have its own set standards and policies with regard to the independence of outside directors and refers instead to the standards stipulated by TSE. Since appointment is based on a request from the Company, we recognize that independence from management is to be ensured.

4. Outside Directors' Supervision of Directors' Execution of Duties and Internal Auditing, Mutual Cooperation with Audit & Supervisory Committee Audits and Accounting Audits, and Relationship with the Internal Control Division

In addition to attending Board of Directors' meetings and making necessary and effective remarks as appropriate during agenda deliberations, outside directors cooperate with the Internal Audit Division and the independent auditor as well as oversee directors in the execution of their duties.

Remuneration of Corporate Officers

1. Total Remuneration by Corporate Officer Type

Corporate officer type	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of people receiving remuneration
		Basic remuneration	Stock options	Bonuses	
Directors (excluding Audit & Supervisory Committee members and outside directors)	450	353	11	85	11
Directors (Audit & Supervisory Committee members) (excluding outside directors)	19	19	—	—	1
Outside officers	16	16	—	—	4

2. Policy Regarding Decisions on Amounts of Director Remuneration

(1) Director remuneration (excluding Audit & Supervisory Committee members)

Remuneration of directors (excluding Audit & Supervisory Committee members) consists of the following.

Basic remuneration

- Fixed amount determined based on rank as well as contributions to the director shareholding association
- Long-term incentives provided by enabling directors to periodically purchase and hold shares of Company stock through the director shareholding association based on contributions made

Bonuses

- The Company has established short-term incentives (remuneration linked to business performance) paid in amounts adjusted based on consolidated business results. However, the total amount paid does not exceed ¥150 million.

Stock options

- Long-term incentives provided together with the director shareholding association

The amounts of remuneration are decided by the Board of Directors in accordance with the Company's internal rules on director remuneration and based on the duties and responsibilities of each director (excluding Audit & Supervisory Committee members), within totals approved at the General Meeting of Shareholders.

The remuneration assessment advisory meeting has been established as an advisory body for the president and CEO on matters regarding the assessment of and decisions on remuneration for directors (excluding Audit & Supervisory Committee members) with the aim of improving objectivity and transparency.

This body, which has members including external specialists, provides advice and makes suggestions to the president and CEO when necessary.

(2) Director (Audit & Supervisory Committee member) remuneration

Audit & Supervisory Committee member remuneration is discussed and decided by the Audit & Supervisory Committee in accordance with the Company's internal rules on director remuneration and based on each member's duties and responsibilities, within totals approved at the General Meeting of Shareholders.

Policy on Holdings of Capital Tie-Up Shares

The Company views the establishment and maintenance of stable, long-term relationships with business partners as a matter of importance. For this reason, shares of stock are held to form capital tie-ups when deemed appropriate based on a comprehensive evaluation of factors such as the Company's business relationship with the partner in question. We only acquire such holdings when increasing trust and coordination with the business partner through holdings is judged as an effective means of mutually raising corporate value, and these holdings are reviewed based on this perspective when necessary. In exercising voting rights, the Company respects the management policies of the investee and votes for or against proposals based on a careful examination of whether or not the proposal will contribute to improved corporate value and shareholder returns.

Stockholdings

Stocks held for purposes other than pure investment

Number of issues: 56 issues

Total amounts recorded on balance sheet: ¥2,544 million

Fiscal Year under Review
Specific Investment Shares

Top 10 issues	Number of shares (Thousands)	Amounts recorded on balance sheet (Millions of yen)	Purpose of holding
Toray Industries, Inc.	1,160	1,144	To strengthen business relationships
AMANO Corporation	224	499	Same as above
Fujipream Corporation	936	286	Same as above
Mitsubishi UFJ Financial Group, Inc.	159	111	Same as above
KING JIM CO., LTD.	76	66	Same as above
Soken Chemical & Engineering Co., Ltd.	35	55	Same as above
IMURA ENVELOPE CO., INC.	100	48	Same as above
Mizuho Financial Group, Inc.	206	42	Same as above
OZU CORPORATION	15	34	Same as above
ASAHI PRINTING CO., LTD.	12	32	Same as above

Corporate Governance

Introduction of Takeover Defense Measures

The Company has introduced takeover defense measures (rules of large-scale purchase). These measures remain in effect due to the submission to and approval by the General Meeting of Shareholders held on June 24, 2015, of proposal No. 6. For details, please see the General Meeting of Shareholders section of the Company's website (http://www.lintec-global.com/ir/stock/meeting.html). Further, the effective period of takeover defense measures is three years (until the end of the General Meeting of Shareholders to be held in June 2018).

Shareholder Interactions

The Company seeks to engage in constructive interactions with shareholders and other investors that contribute to sustainable growth and medium- to long-term improvements in corporate value. The Company has established an investor relations (IR) activity system and advances proactive initiatives based on the following policies to facilitate this endeavor.

(1) The officer responsible for IR implements and oversees the Company's various IR activities, including individual meetings with shareholders and investors. In regard to responses to requests for individual meetings, members of senior management or directors will meet with shareholders or investors requesting meetings based, whenever appropriate, on the desires and interests of the requester. In the fiscal year ended March 31, 2017, we held individual meetings with more than 180 domestic and overseas institutional investors and analysts.

(2) The Public Relations Office, Finance & Accounting Department, General Affairs & Legal Department, and Corporate Strategic Office will play a central role in advancing the Company's various IR activities. Relevant divisions pursue close coordination with these offices and departments, exchanging information on a daily basis and meeting with members of senior management as appropriate to share necessary information.

(3) In addition to individual meetings, the Company's IR activities include regular briefings on financial results and medium-term business plans, visits to overseas investors, participation in IR conferences at which overseas investors gather, business explanatory forums, and Company briefings for individual investors. In the fiscal year ended March 31, 2017, the Company participated in a total of four IR conferences held in Tokyo. We seek to expand the range of information provided to domestic and overseas shareholders and other investors by publishing shareholder newsletters and annual reports and posting information in the IR section of our corporate website. At the same time, we collect feedback from a wide range of shareholders and other investors through surveys that are attached to shareholder newsletters and made available on the IR website.

(4) Opinions and concerns of shareholders and other investors solicited through IR activities are relayed to management by the relevant divisions via quarterly business reports at the Board of Directors' meetings or reported appropriately to management on an as-required basis.

(5) In interactions with shareholders and other investors, we practice stringent management of information in accordance with the internal Insider Trading Prevention Regulations to ensure that insider information is not disclosed. In addition, the Company's disclosure policy stipulates that we will observe a quiet period that begins approximately one month prior to the announcement of quarterly financial results to avoid leaks of financial results and to maintain fairness. During this period, we will not answer questions or make comments on our financial results and forecasts.

A Message from an Outside Director

Helping to Strengthen Governance from an Outsider's Perspective

Kanako Osawa
Outside Director,
Audit & Supervisory Committee Member

Effectiveness of the Board of Directors

As LINTEC's Board of Directors moves with the times in corporate governance, I think it is becoming more of a body that engages in debate rather than one that simply makes decisions. In addition to Board of Directors' meetings, monthly management meetings are held and attended not only by directors but also executive officers with responsibility for business execution, and the Board ultimately reflects the results of the information sharing that takes place between directors and executive officers. As an outside director, I make every effort to attend these meetings and deepen my understanding of LINTEC's businesses. Board meetings and management meetings were previously held on the same day but now are held on separate days, and as a result, I have time to fully digest the management meeting discussions. Also, I can obtain Board meeting materials prior to the meeting, so I endeavor to promote thoughtful discussion with probing questions.

I think there are two types of corporate governance—defensive, with a system of mutual checks, and offensive, where risk is taken and consideration is given regarding the direction of management. LINTEC's Board strives to achieve a good balance between the two, in my view.

The Role of an Independent Outside Director Who is a Member of the Audit & Supervisory Committee

As an attorney at law, I am frequently engaged in corporate law cases involving manufacturers, but I have little specialist knowledge of LINTEC's adhesive product and specialty paper sectors. However, that means I am able to promote lively discussions at Board of Directors' meetings by putting candid questions from a non-specialist standpoint. It also seems that my asking questions makes it easier for company management to ask each other questions. As a member of the Audit & Supervisory Committee, I receive a wide variety of information from the Audit Office, and when there are things I am not clear about I make a point of asking questions at forums such as Board meetings.

Management inevitably involves risk, and I think that using my knowledge of corporate law to appropriately identify hidden risks is another important part of my role. I aim to help management in deciding whether risk is tolerable or should be quickly eliminated.

Toward Sustained Growth

Having been an outside director for two years, I realize that LINTEC has technology that other companies cannot match and a solid structure where each business division makes a profit. Growth strategies that embrace the whole company can be difficult to formulate due to the wide range of businesses and large number of niche products, but I think that making three U.S. and European companies subsidiaries in 2016 sent a clear message to investors and employees about LINTEC's global growth intentions. In the run-up to the decision, I was of course able to ask many questions at Board of Directors' meetings from an outside director's point of view and take part in full discussion of the suitability of taking this step from a risk and opportunity standpoint. The issue now is the synergies that can be created, and I hope to provide full support using the knowledge I have accumulated so far and my outsider's perspective.

Corporate Officers

As of June 22, 2017

Representative Director, Chairman and CEO

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

Mar. 1967 Joined the Company
Apr. 1994 General Manager, Nagoya Branch Office
Jun. 2000 Director, Plant Manager, Tatsuno Plant, Production Div.
Jun. 2004 Representative Director, President
Apr. 2014 Representative Director, Chairman and CEO (current position)

Representative Director, President, CEO and COO

Hiroyuki Nishio (Date of Birth: Oct. 18, 1954)

Apr. 1978 Joined the Company
Jun. 2010 Director, General Manager, Corporate Strategic Office
Apr. 2014 Representative Director, President, CEO and COO (current position)

Director, Vice President Executive Officer and CFO

Hitoshi Asai (Date of Birth: Mar. 7, 1948)

Feb. 1985 Joined the Company
Jun. 2002 Director, Assistant General Manager, Administration Div. and General Manager, Finance & Accounting Dept.
Oct. 2015 Director, Vice President Executive Officer, General Manager, Administration Div. (current position)

Directors, Managing Executive Officers

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

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

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

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

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

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

Gohei Kawamura (Date of Birth: Jan. 12, 1956)

Apr. 1979 Joined the Company
Jun. 2011 Executive Officer, Chairman and President, LINTEC (SUZHOU) TECH CORPORATION (seconded)
Apr. 2017 Director, Managing Executive Officer, General Manager, Production Div. and in charge of Quality Assurance & Environmental Protection Div. (current position)

Tsunetoshi Mochizuki (Date of Birth: May 12, 1958)

Jan. 1983 Joined the Company
Jun. 2011 Executive Officer, General Manager, General Affairs & Human Resources Div., General Manager, General Affairs & Legal Dept. and Human Resources Dept.
Jun. 2015 Director, Managing Executive Officer, General Manager, General Affairs & Human Resources Div. (current position)

Directors, Executive Officers

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

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

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

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

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

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

Outside Director

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

Apr. 1980 Joined Sanyo-Kokusaku Pulp Co., Ltd.
Apr. 2013 Executive Officer, General Manager, Kushiro Mill, Nippon Paper Industries Co., Ltd.
Jun. 2016 Executive Officer, General Manager, Business Communication & Industrial Paper Sales Div., Nippon Paper Industries Co., Ltd. (current position)
Jun. 2017 Outside Director of the Company (current position)

Director / Audit & Supervisory Committee Member

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

Apr. 1979 Joined the Company
Oct. 2012 General Manager, Audit Office
Jun. 2017 Director / Audit & Supervisory Committee Member (current position)

Outside Directors / Audit & Supervisory Committee Members

Toru Nozawa (Date of Birth: Mar. 10, 1959)

Apr. 1981 Joined Jujo Paper Co., Ltd.
Jun. 2014 Outside Audit & Supervisory Board Member of the Company
Jun. 2014 Director, Executive Officer, General Manager, Corporate Planning Div. and in charge of Subsidiaries and Affiliated Companies, Nippon Paper Industries Co., Ltd. (current position)
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)

Satoshi Ohoka (Date of Birth: Apr. 24, 1951)

Apr. 1975 Joined Japan Development Bank
Apr. 2003 Lecturer, Chuo University, Graduate School of Commerce (current position)
Jun. 2006 Outside Director, Ryobi Limited (current position)
Jun. 2007 Member of LINTEC Independent Committee (current position)
Jun. 2012 Outside Director of the Company
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)

Kanako Osawa (Date of Birth: Dec. 22, 1970)

Apr. 1998 Certified as an Attorney, joined Kajitani Law Offices (to present)
Oct. 2005 Admitted to practice law in the State of New York, U.S.
Jun. 2015 Outside Director / Audit & Supervisory Committee Member of the Company (current position)
Jun. 2015 Member of LINTEC Independent Committee (current position)

Executive Officers

Toru Onishi
Plant Manager, Mishima Plant, Production Div. and General Manager, Administration Dept.

Norio Murata
General Manager, Osaka Branch Office, Business Administration Div., in charge of Western Japan and General Manager, Converted Production Sales Dept.

Shigeru Uematsu
General Manager, Public Relations Office

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

Masahiro Oshima
President, LINTEC USA HOLDING, INC.

Sumio Morimoto
President, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED

Tatsuya Tsukida
General Manager, Research & Development Div. and Research Center

Yohei Hoshikawa
General Manager, Corporate Strategic Office

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

Hiroyuki Matsuo
Plant Manager, Agatsuma Plant, Production Div.

Takeshi Kaiya
General Manager, Advanced Materials Operations, Business Administration Div.

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

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.

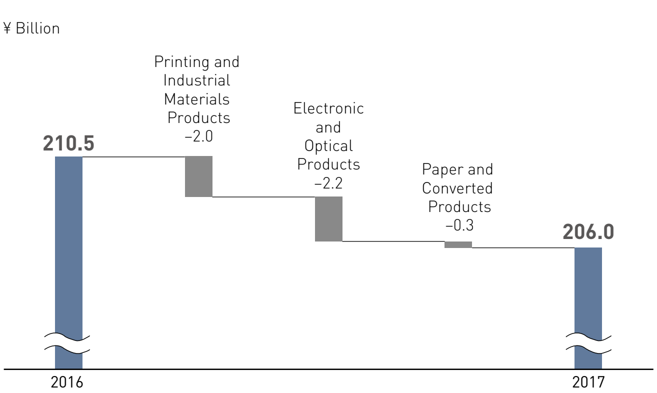
Paper and Converted Products

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.

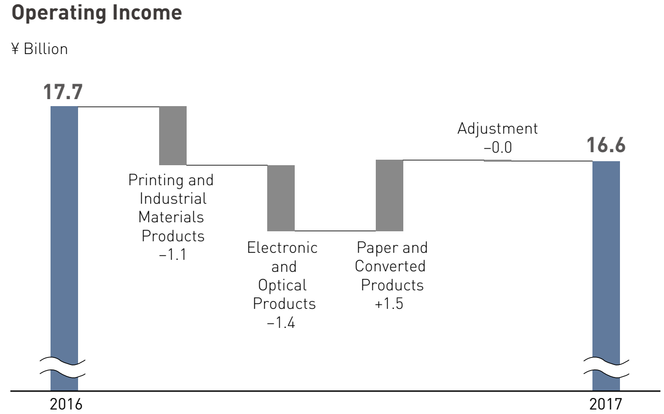
In Converted products operations, sales of casting papers for carbon fiber composite materials were solid for aircraft use. Sales of release papers for FPC cover lay films and release films for optical-related products were also steady.

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

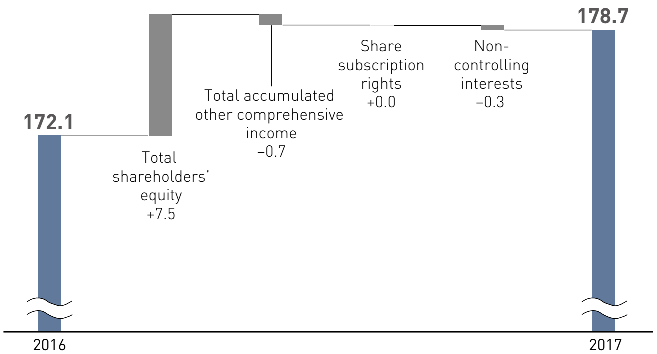
Cash Flows from Financing Activities

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

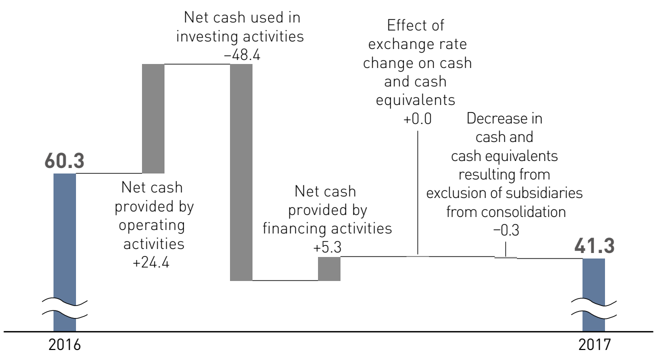
¥ Billion



(Fiscal years ended March 31)

Cash Flows

¥ Billion



(Fiscal years ended March 31)

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	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2015	76,564	¥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	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2016	76,564	$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
	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
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)

	Nature of transaction	Contract amounts Total	Contract amounts Over 1 year	Estimated Fair value	Unrealized gain (loss)
		Thousands of U.S. dollars 2017			
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.

	Nature of transaction	Contract amounts Total	Contract amounts Over 1 year	Estimated Fair value	Unrealized gain (loss)
		Millions of yen 2016			
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)

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

Hedge accounting method	Type of derivatives	Major hedged items	Contract amounts Total	Contract amounts Over 1 year	Estimated Fair value
			Thousands of U.S. dollars 2017		
The Tokurei-shori for interest rate swaps	Interest rate swaps 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)

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

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

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

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

Building a better working world

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.

EY
Building a better working world

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

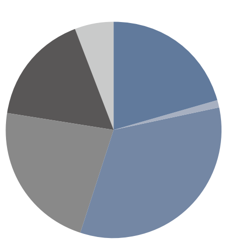
Nippon Paper Industries Co., Ltd.	30.12%
Japan Trustee Services Bank, Ltd. (Trust Account)	5.15%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.56%
National Mutual Insurance Federation of Agricultural Cooperatives	3.18%
Tamie Shoji	2.49%

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.

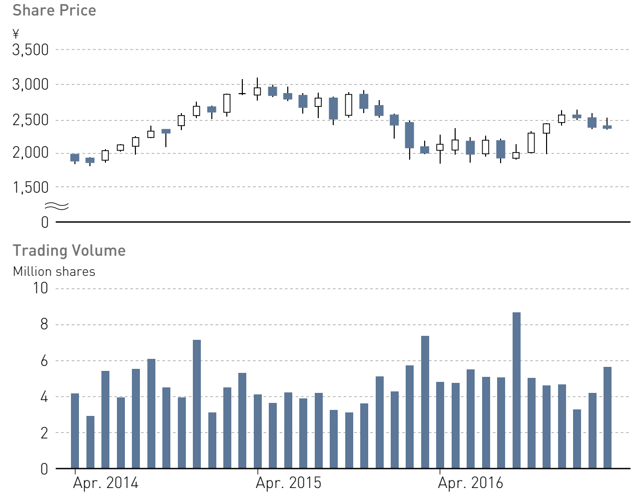
Overseas
- LINTEC USA HOLDING, INC.*
- LINTEC OF AMERICA, INC.*
- MACTAC AMERICAS, LLC*
- MADICO, INC.*
- VDI, LLC*
- MACTAC MEXICO, S.A. DE C.V.*
- MACTAC CANADA ULC*
- LINTEC EUROPE B.V.*
- LINTEC GRAPHIC FILMS LIMITED*
- LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH*
- LINTEC (SUZHOU) TECH CORPORATION*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

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

Printed on LINTEC high-grade printing paper and fancy paper

Printed in Japan