

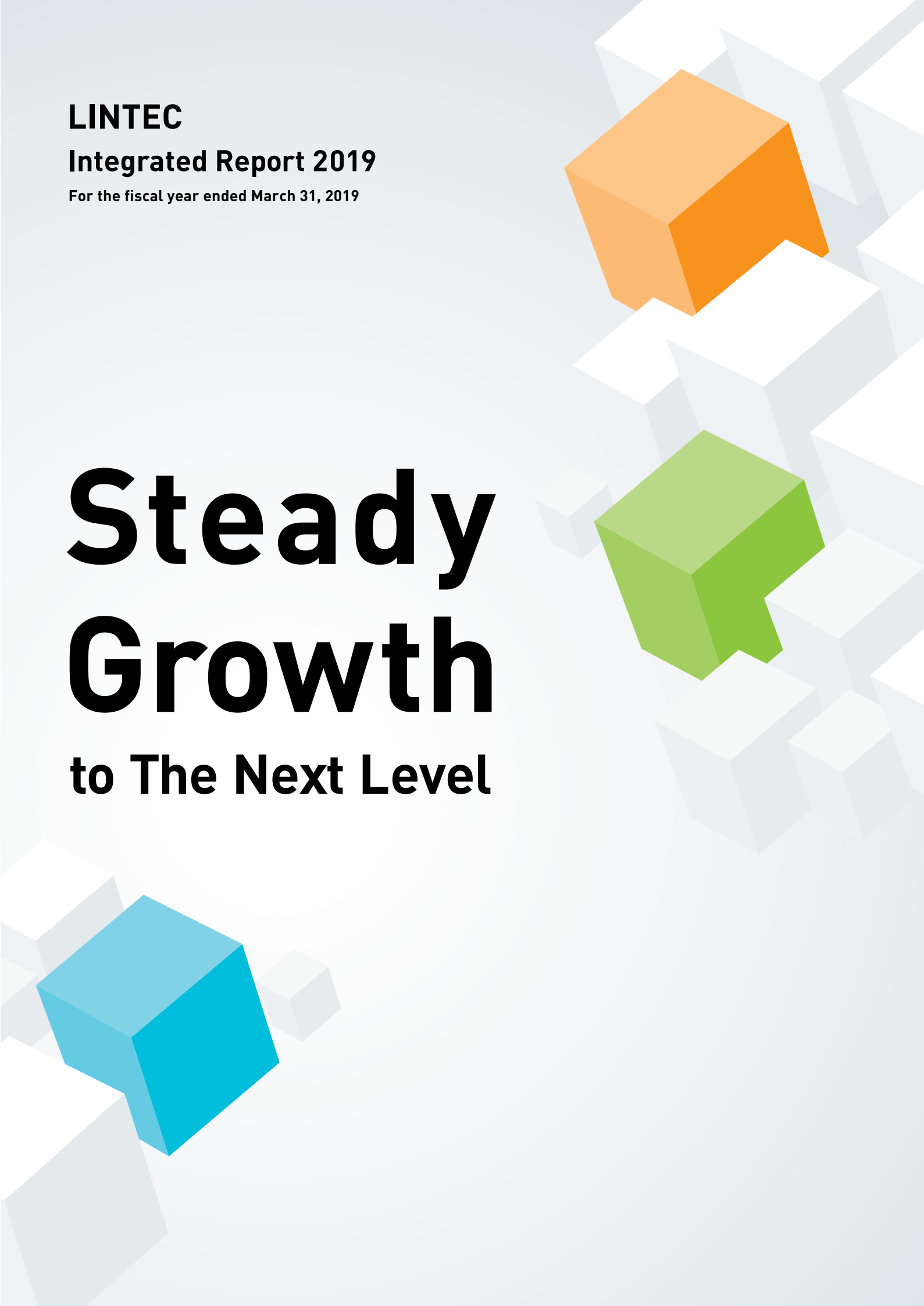
LINTEC

Integrated Report 2019

For the fiscal year ended March 31, 2019

Steady Growth

to The Next Level





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. With reference to the following guidelines, this report introduces not only performance and financial information but also intangible assets that are not included in the financial statements, such as the Group's R&D capabilities and human resource strengths. Please refer to the Company's website and CSR report, which provide additional information that is not included in this report.

Guidelines Used as References

International Integrated Reporting Council (IIRC)	"International Integrated Reporting Framework"
Ministry of Economy, Trade and Industry	"Guidance for Collaborative Value Creation"

Reporting Period

This report covers the period from April 1, 2018 to March 31, 2019. However, some of the information includes content from April 1, 2019 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.

Positioning of Integrated Report

	Financial information	Non-financial information
Reports 	<ul style="list-style-type: none"> Annual Securities Report Financial Results Fact Book Shareholder Newsletter 	<ul style="list-style-type: none"> Corporate Governance Report CSR Report
Web 	<ul style="list-style-type: none"> Investor Relations www.lintec-global.com/ir 	<ul style="list-style-type: none"> CSR www.lintec-global.com/csr

Contents

Overview

- P 2 About LINTEC
- P 4 LINTEC's History
- P 6 LINTEC's Strengths
- P 8 LINTEC's Value Creation Process
- P 10 Performance Highlights
- P 12 Major Activities in FY2019



Overview

Strategy

- P 14 A Message from the President
- P 20 A Message from the CFO
- P 22 Special Feature 1
U.S. Subsidiaries—Current
Status and Future Outlook
- P 24 Business Strategy
 - P25 A Message from the Executive
General Manager, Business
Administration Div.
 - P26 Printing and Industrial Materials Products
 - P30 Electronic and Optical Products
 - P34 Paper and Converted Products
- P 38 Research and Development
- P 42 Special Feature 2
On the Front Lines of Product
Development



Strategy

ESG

- P 44 ESG Initiatives
- P 46 Environment
- P 50 Society
- P 54 Governance
- P 62 Discussion Among the
President and Independent
Officers
- P 66 Corporate Officers
- P 68 IR Activities
- P 69 Company History



ESG

Financial Information

- P 71 Management's Discussion
and Analysis
- P 73 Operating Risks
- P 74 Financial Summary
- P 76 Consolidated Balance Sheet
- P 78 Consolidated Statement of
Income / Consolidated
Statement of Comprehensive
Income
- P 79 Consolidated Statement of
Changes in Net Assets
- P 80 Consolidated Statement of
Cash Flows
- P 81 Notes to Consolidated Financial
Statements
- P103 Management's Report on
Internal Control over Financial
Reporting
- P104 Report of Independent Auditors
- P106 Investor Information

Financial Information

Linking your dreams *... to the future through technologies.* **We are LINTEC.**

A company that integrates technologies to create multifaceted value.

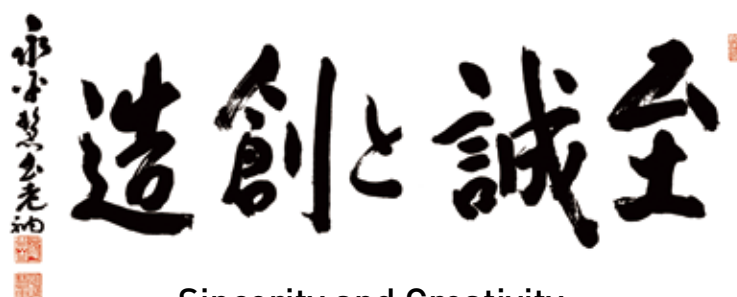
A company where all employees work together and continually do their utmost to help realize the dreams of people around the world.

A technology-centered company that links your dreams to the future. Please look forward to great things from LINTEC as we take on new challenges.

Linkage + *Technology* =



Company Motto



Sincerity and Creativity

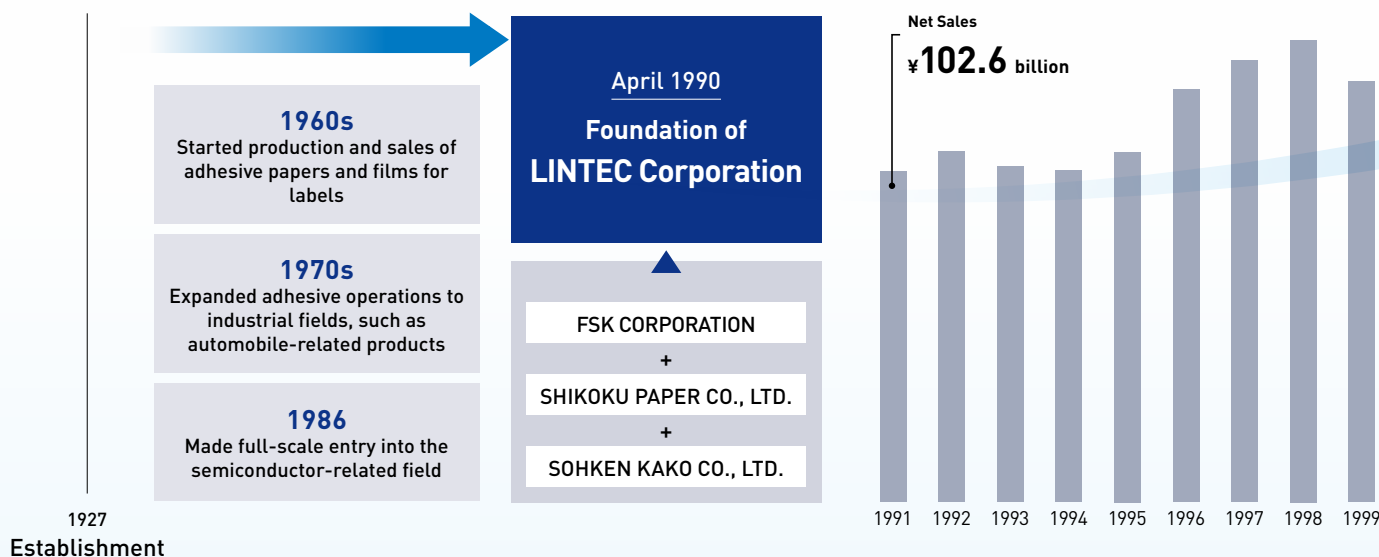
Mission Statement

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

Achieving Steady Growth by Meeting the Needs of the Times

In 1990, a vertical integration was implemented by three companies—a manufacturer with advanced adhesive technologies, a manufacturer with papermaking technologies for release base papers, and a manufacturer with production technologies for release papers and films. This significant initiative resulted in the foundation of LINTEC Corporation. At the same time, the merger of those three companies was also the start of LINTEC's subsequent global business initiatives.



Up to 1990

In 1927, we were established as a company engaged in the manufacturing and sales of gummed tape for packaging. In the 1960s, we started to manufacture and sell adhesive papers and films, which are currently mainstay businesses for the Company. We subsequently expanded the scope of our adhesive operations to industrial fields, such as automobile-related areas. In 1986, we made a full-scale entry into the field of semiconductor-related products. The merger of three companies in 1990 established the foundation for our current position as a leading company in various adhesive products, specialty papers, release papers and films, and other products.



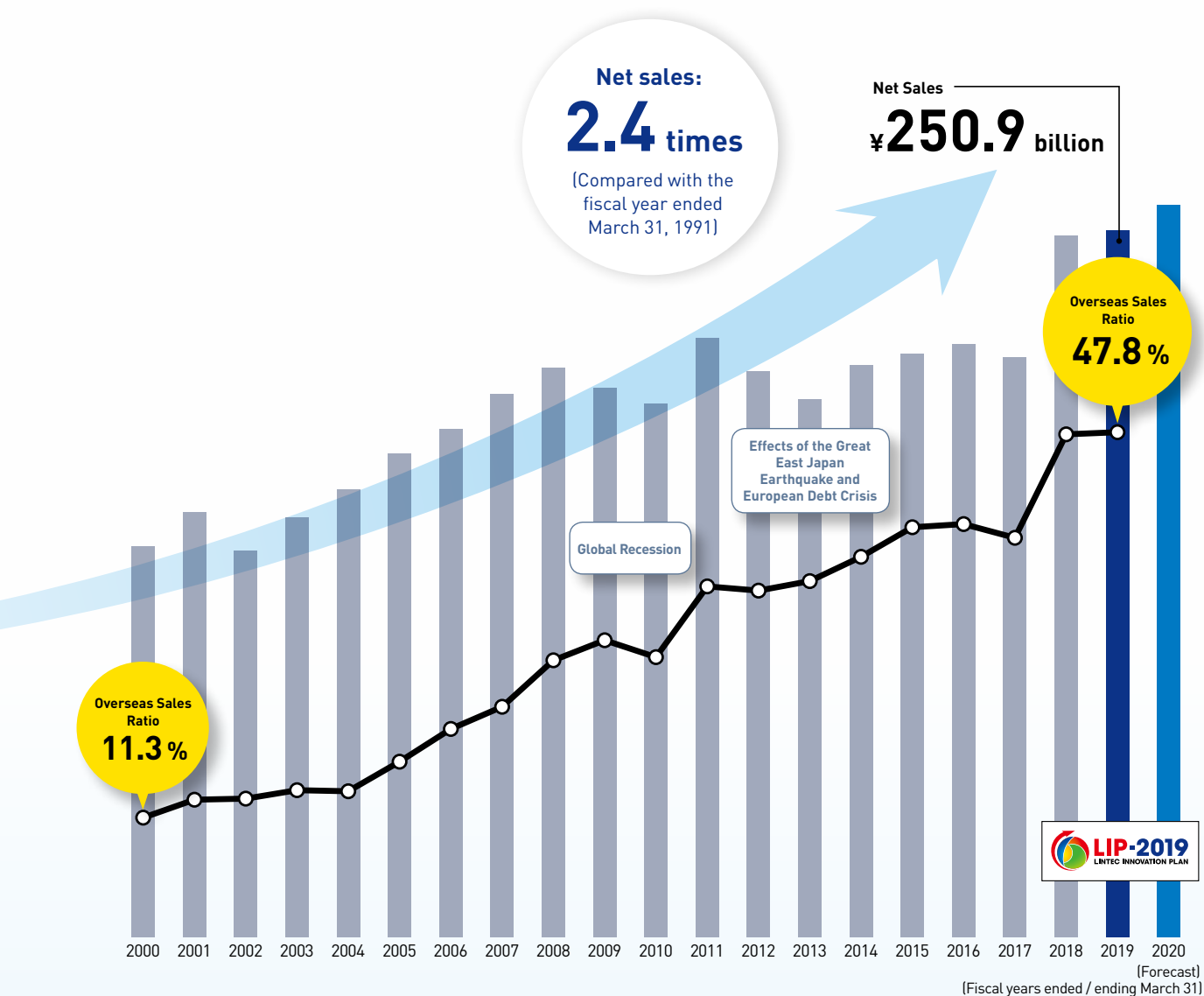
Gummed tapes

1990s

In 1991, we made a full-scale entry into the liquid crystal display (LCD) related products field. In 1994, we established a production subsidiary in Indonesia for adhesive papers and films for labels. In the following year—1995—we advanced the globalization of our business with the establishment of sales subsidiaries in Singapore and the Netherlands. In Japan, in 1995, we acquired a manufacturer of adhesive materials and constructed a new building at our Research Center. In these ways, we worked to further strengthen our business foundation.



PT. LINTEC INDONESIA



2000s

Starting with the establishment of an electronic components-related production subsidiary in Malaysia in 2000, from 2002 to 2004 we established production subsidiaries in South Korea and Taiwan in the semiconductor-related, LCD-related, and other fields. In addition, we established semiconductor-related product sales subsidiaries in Asia, Europe, and other markets, and as a result the electronics-related business became a major driver of the Group's growth. Furthermore, we took steps to accelerate our global business development, such as establishing a label-related products production subsidiary in China in 2002.



LINTEC KOREA, INC.

2010s

In 2010, we completed the rebuilding of the Tatsuno Plant (Hyogo Prefecture), which is our main plant for adhesive papers and films for labels. Furthermore, in 2015, we established the Advanced Technology Building at the Research Center (Saitama Prefecture). In these ways, we took steps to strengthen our production and R&D system in Japan. Subsequently, in 2016, we acquired three companies in Europe and the U.S., including a U.S. manufacturer of adhesive materials with sales of more than ¥35.0 billion. In this way, we entered a new growth stage.



Automated product warehouse at the Tatsuno Plant

Two Major Strengths that Support Stable Growth

LINTEC has four core technologies, including adhesive applications, and an earnings structure based on balanced business portfolio that does not depend on any single field. These two major strengths have supported the Company's stable growth.

Realizing Total Solutions with Materials and Equipment

Leveraging technologies in the fields of adhesive applications, surface improvement, and specialty papers and release materials production, LINTEC has achieved integrated production of adhesive products, from the manufacturing of release base paper to the development and coating of release agents, development and coating of adhesives, and facestock improvement processing. In addition, through the use of technologies in the field of system development, we are also conducting the development and production of related equipment that fully draws out the special characteristics of adhesive products. In this way, we realize total solutions that include materials and equipment.

Four Core Technologies

Surface improvement

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

Adhesive applications

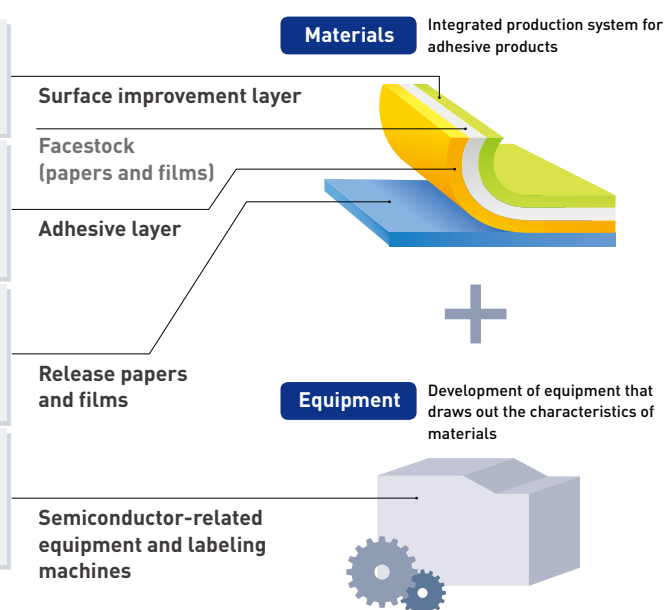
Through the development of adhesives and substrates and the combination of related technologies, we are expanding the range of fields in which the basic functions of adhesive products, primarily adhesion and release, are utilized.

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.

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.

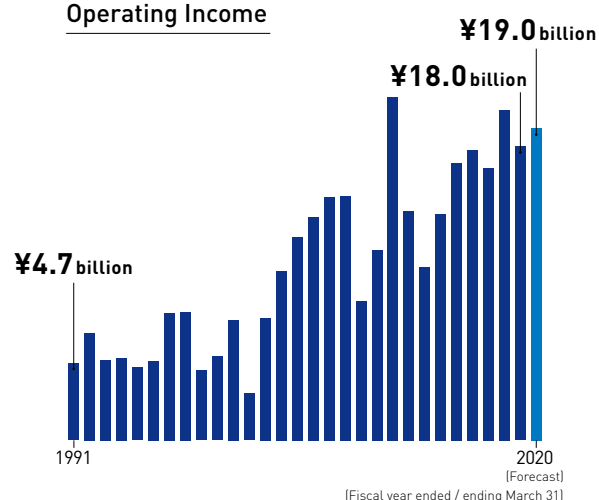


Stable Earnings Structure That Is Less Susceptible to Market Volatility in Any Single Industry

In recent years, the earnings drivers among the Group's diverse product lineup have been products for the semiconductor, electronic component, and optical-related industries, which have undergone rapid market growth. Meanwhile, sales have been comparatively stable in relation to mainstay adhesive products for labels used for food and beverages, daily necessities, consumer electronics, pharmaceuticals, and other products, and these fields firmly underpin our earnings. In this way, a distinctive feature of LINTEC's operations is that our businesses extend over a wide range from growth businesses to foundation businesses, and we do not rely on any single industry. Because we are less susceptible to the influence of market conditions in a single industry, we can generate stable earnings, and we have maintained a record of operating profitability up to the current day.

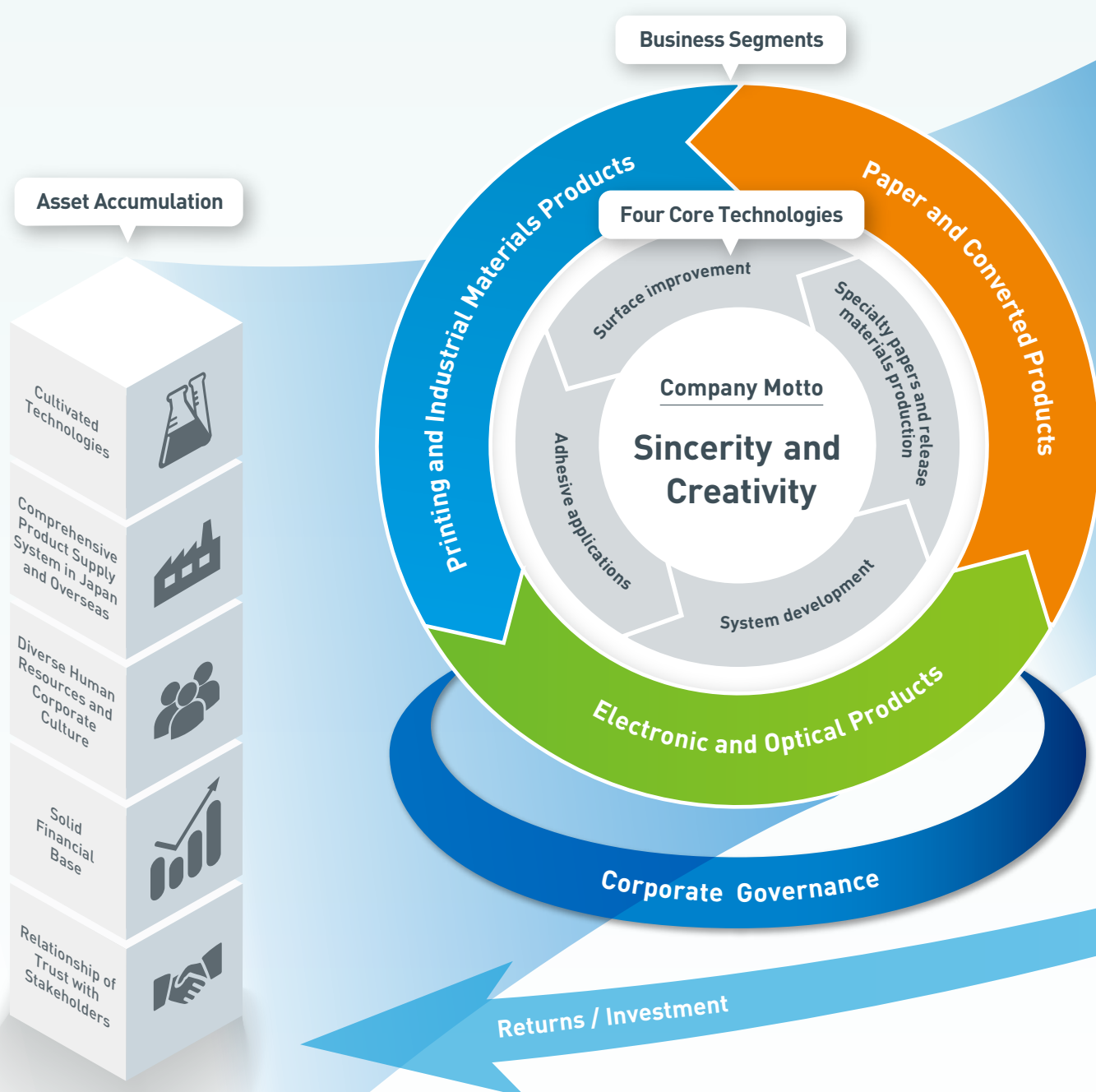


Operating Income



LINTEC's Value Creation Process

From its establishment to the present, the LINTEC Group has built-up a wide range of assets. In accordance with the Company motto—Sincerity and Creativity—we are utilizing these assets to contribute to the resolution of issues faced by society and customers through the development, production, and sales of a variety of products. The resulting profits are returned to stakeholders and invested in the future to create new value. Through this value creation process, the LINTEC Group aims to achieve sustained growth together with society.



Sustained growth for both society and LINTEC



Contributing to the achievement of the SDGs



Creating value

through the resolution of issues
facing society and customers

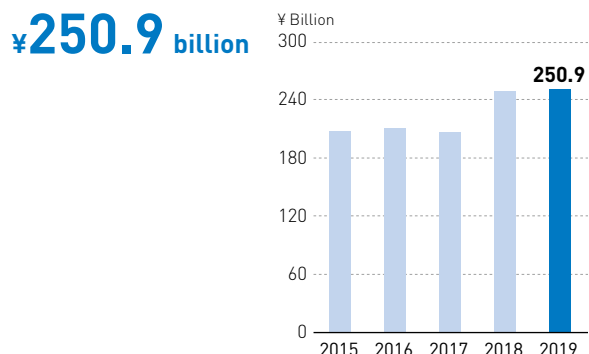


Performance Highlights

Figures are for LINTEC Corporation and consolidated its subsidiaries (environment-related data is for LINTEC Corporation on a non-consolidated basis). Fiscal years are for periods ended March 31.

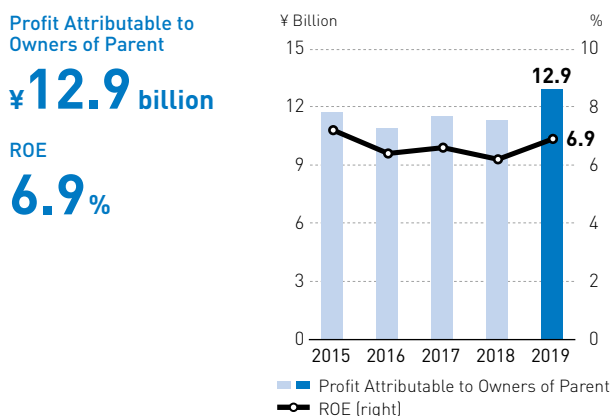
Financial Information

Net Sales



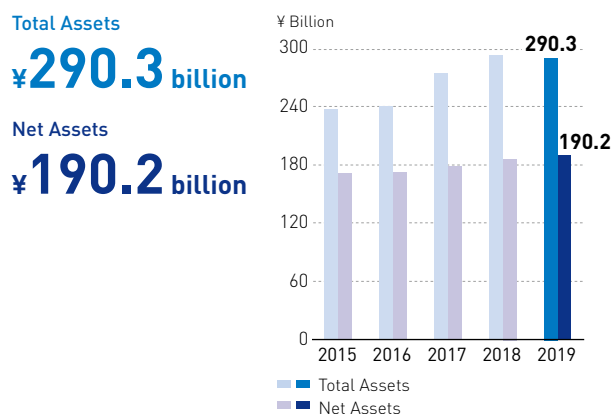
Net sales reached a record high, due primarily to increased sales in Industrial & Material Operations and Advanced Materials Operations.

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



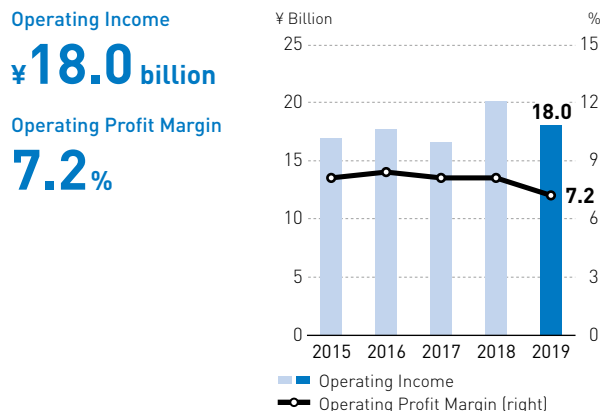
In the previous fiscal year, we recorded impairment loss of goodwill and provision for business structure improvement as extraordinary losses. As a result, profit attributable to owners of parent increased and ROE improved.

Total Assets / Net Assets



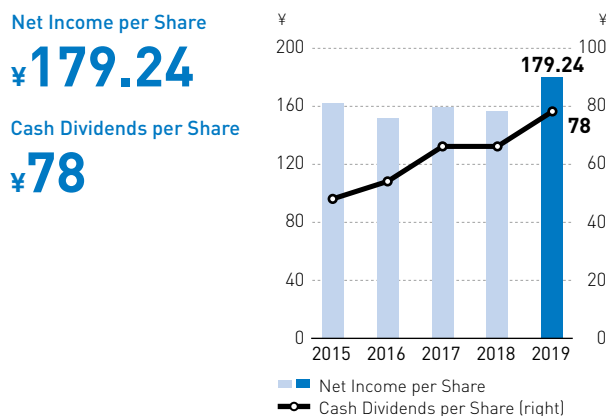
Total assets decreased due to a decline in goodwill, etc., but net assets increased as a result of higher retained earnings and other factors. The equity ratio was 65.3%.

Operating Income / Operating Profit Margin



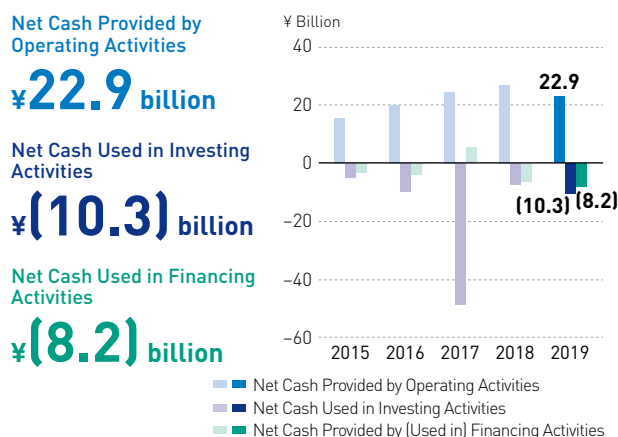
Non-consolidated sales quantity declined and the sales mix deteriorated. In addition, prices of raw materials and fuel, centered on pulp, increased. As a result, operating income declined and the operating profit margin worsened.

Net Income per Share / Cash Dividends per Share



In accordance with our basic policy of providing stable, continuous dividends, accompanying an increase in net income per share, the per-share dividend was a record high of ¥78. The dividend payout ratio was 43.5%.

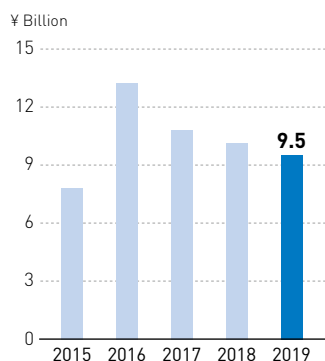
Cash Flows



Cash flows from operating activities were positive, while cash flows from investing activities were negative due to purchase of property, plant and equipment, etc. Cash flows from financing activities were negative due to the payment of dividends, etc.

Capital Expenditures

¥9.5 billion



Capital expenditure totaled ¥9.5 billion due to production base restructuring accompanying the management rationalization at MADICO, INC., in the U.S.; the expansion of the release film coating facility at the Agatsuma Plant (Gunma Prefecture); etc.

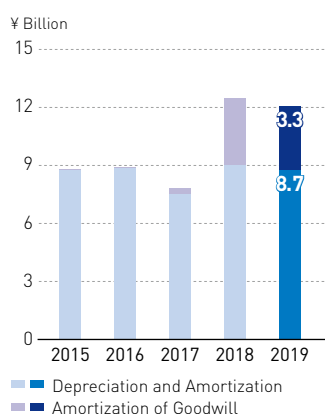
Depreciation and Amortization / Amortization of Goodwill

Depreciation and Amortization

¥8.7 billion

Amortization of Goodwill

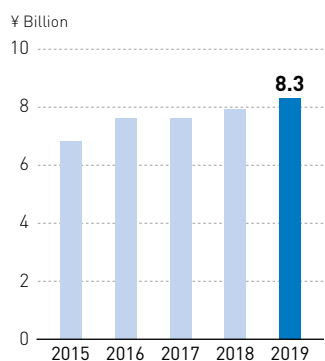
¥3.3 billion



Depreciation and amortization was ¥8.7 billion. Also, amortization of goodwill was ¥3.3 billion, due principally to the amortization of goodwill resulting from the acquisition of MACTAC AMERICAS, LLC at the end of 2016.

R&D Expenses

¥8.3 billion

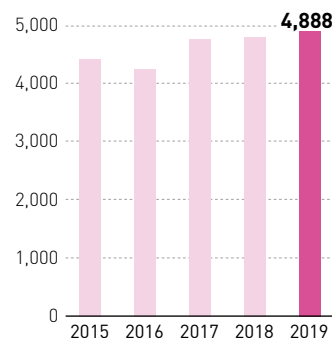


As a technology-centered company, LINTEC is strengthening its R&D capabilities in Japan and overseas. R&D expenses were up ¥0.4 billion from the previous fiscal year, to ¥8.3 billion.

Non-financial Information

Number of Employees

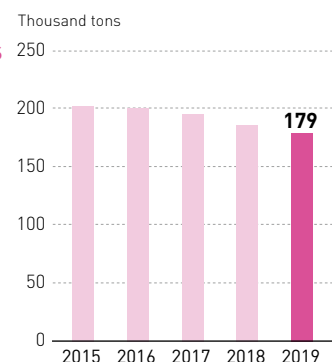
4,888



On a consolidated basis, the number of employees was 4,888, an increase of 94 employees year on year. On a non-consolidated basis, LINTEC had 2,573 employees.

CO₂ Emissions

179 thousand tons



At each production base, the Company is advancing the installation of new facilities to reduce environmental impacts and revising production processes. CO₂ emissions volume was down 7 thousand tons year on year, to 179 thousand tons.

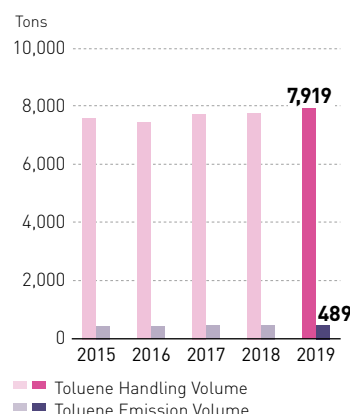
Toluene Handling Volume / Toluene Emission Volume

Toluene Handling Volume

7,919 tons

Toluene Emission Volume

489 tons



Toluene is a volatile organic solvent that is mainly used during adhesive and release agent coating. We are aiming to reduce our toluene handling and emissions volumes. In the fiscal year ended March 31, 2019, a small year-on-year increase was recorded due to higher production volume.

Major Activities in FY2019

This section introduces the Group's principal initiatives, IR activities, and new products in the period from April 1, 2018 to March 31, 2019.

CORPORATE

1 May 10 to 12

Exhibited at Labelexpo Southeast Asia 2018, the first label-related exhibition in Southeast Asia, held in Thailand



2 May 16

Invited people with disabilities, elementary school students on youth baseball teams, and others living in Itabashi-ku, Tokyo, to a professional baseball game at Tokyo Dome

3 September 6

Participated in Mizuho Investment Conference Tokyo and conducted IR meetings with overseas institutional investors

4 September 25 to 27

MACTAC AMERICAS, LLC, exhibited at Labelexpo Americas 2018, the largest label-related exhibition in North America



2018

1 2

3 4

Apr.

May

Jun.

Jul.

Aug.

Sep.

A

B

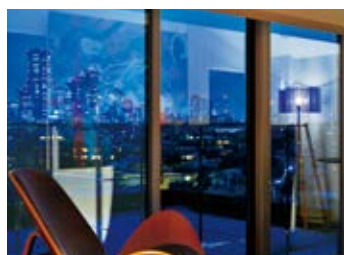
C

D

PRODUCTS

A April 2

Launched low-reflection film for window glass that reduces glare from reflections and clearly shows what is on the other side of the glass



Before installation



After installation on both sides of window glass

B June 1

Launched a lineup of tea-green items that utilize a new creative paper product with a distinctive texture and optimally showcase Japanese taste





Please consider using LINTEC's IR news mailing service.


To deliver a wide range of news to shareholders and investors, including financial results and new product information, LINTEC offers an investor relations mail distribution service. If you would like to receive this service, please register on the investor relations section of the Company's website. The QR code on the right can be used for easy access.





C June 20
 Launched labelstocks that offers superior durability and meets marine transportation standards



D July 17
 Launched aluminum vapor deposition labelstocks that use recycled PET



E February 15
 Launched a lighting film that brightens an entire room when applied to window glass

Before installation After installation

A full-length portrait of Hiroyuki Nishio, a middle-aged man with dark hair, wearing a dark blue pinstriped suit, a light blue shirt, and a blue patterned tie. He is standing in front of a blurred background of vertical light blue and white stripes, possibly representing a modern building or office interior.

Facing Challenges and Moving on to Growth

Hiroyuki Nishio

Representative Director
President, CEO and COO

Finishing the Second Year of the LIP-2019 Medium-Term Business Plan

The fiscal year ending March 31, 2020, will be the final year of LINTEC's three-year medium-term business plan, LINTEC INNOVATION PLAN 2019 (LIP-2019). We launched the plan in April 2017, and we are implementing four key initiatives in accordance with the basic policy of "deepening innovation aimed at driving new growth." In the fiscal year ended March 31, 2018, the first year of the plan, we got off to a basically favorable start with net sales of ¥249.0 billion and operating income of ¥20.1 billion. In the fiscal year under review, the second year of the plan, net sales were up by a small amount year on year, and operating income declined. Our results were substantially below

our initial planned targets. Rising prices for raw materials and fuel put pressure on earnings, and the deceleration of the semiconductor market, which had maintained robust conditions in recent years, also had a major influence. Due in part to approximately ¥2.0 billion in extraordinary losses in the previous fiscal year, profit attributable to owners of parent increased, but nonetheless was below the initial forecast. For the final year of LIP-2019, we announced targets of more than 9% for both the operating profit margin and ROE, but actual figures for the second year of the plan were 7.2% and 6.9%, respectively.

FY2019 Business Results (year on year)

Net Sales

¥250.9 billion (+0.8%)

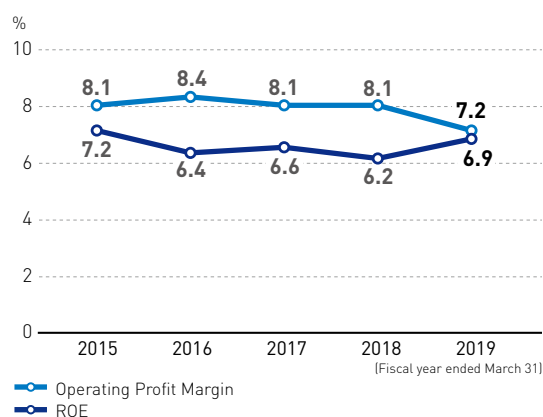
Operating Income

¥18.0 billion (-10.5%)

Profit Attributable to Owners of Parent

¥12.9 billion (+14.9%)

Operating Profit Margin / ROE



Major Results and Progress with the Key Initiatives of LIP-2019

First, in regard to "strengthening of regional strategy," we worked to generate synergies with MACTAC AMERICAS, LLC, a U.S. manufacturer of adhesive products for labels that we acquired at the end of 2016. We also exhibited at label-related exhibitions in Thailand and the U.S. Through these types of initiatives, we worked to introduce the products of MACTAC AMERICAS in Southeast Asia and to expand sales of LINTEC products in the North American market. Next, in regard to "creation of new value," we implemented technical development in growth fields and took steps to advance product development by making the most of our technologies. As a result, we are starting to see progress with promising new products. Also, in April 2018, we established the New Project Planning Office in

the Business Administration Div. with the objective of furthering the creation of new businesses. Through close cooperation between each area of operations and the Research & Development Div., we will work to identify new market needs and rapidly develop products and establish businesses. Next, in regard to "bolstering the corporate structure," at MADICO, INC., a production subsidiary in the U.S. that had been posting losses for a number of years, we implemented management rationalization measures, such as base consolidation and workforce reductions, and MADICO was able to achieve a return to profitability. The final key initiative is "activities for realizing a sustainable society." We are aggressively promoting work-style reforms, and we are steadily seeing results from these

measures, such as reduced overtime and an increase in the percentage of paid leave taken. Moreover, to incorporate the SDGs* into management, we are considering

specific measures through the SDGs Committee, which we launched in February 2018 as a Companywide organization.

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



LINTEC INNOVATION PLAN 2019 (LIP-2019)

Period: From April 2017 to March 2020

Basic Policy: Deepening innovation aimed at driving new growth

Key Initiatives:

1. Strengthening of regional strategy

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

2. Creation of new value

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

3. Bolstering the corporate structure

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

4. Activities for realizing a sustainable society

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

Future Initiatives

Looking at our results forecast for the fiscal year ending March 31, 2020, which will be the final year of LIP-2019, it will be extremely difficult to achieve the plan's initial goals of net sales of ¥270.0 billion and operating income of ¥25.0 billion. The LINTEC Group has positioned the final year as a year to address our challenges, and we will build a foundation for growth in the future, while maintaining a focus on the next medium-term business plan, which will start in April 2020.

In regard to adhesive products for labels, our mainstay products, in July 2019 we launched a global brand to expand our share in Japan and overseas, and we started to strengthen our sales promotion activities. Furthermore, from 2019 to 2020, a number of international sports events will be held in Japan, and we are accelerating activities accordingly to capture demand for such products as films for signs and advertisements. In addition, we believe that the semiconductor market, which is currently in a correction phase, will undergo a recovery from the fourth quarter of the fiscal year ending March 31, 2020.

We will invest aggressively to address increases in demand, such as from the introduction of the 5G next-generation high-speed communications standard; the expansion of the Internet of Things (IoT), under which a wide range of devices will be connected via the Internet; and the adoption of artificial intelligence (AI).

FY2020 Forecasts (year on year)

Net Sales

¥260.0 billion (+3.6%)

Operating Income

¥19.0 billion (+5.7%)

Profit Attributable to Owners of Parent

¥13.5 billion (+4.3%)

Issues and Risks

For the LINTEC Group to record growth in the years ahead, we face issues and risks that we must address.

► Maturation of the Domestic Market and Increasing Difficulty in Securing Human Resources

In Japan, the market is contracting due to a trend toward a declining birthrate and an aging population, as well as a decreasing population. It is becoming difficult to achieve high levels of growth as in the past. The environment is challenging, and going forward we will endeavor to discover new demand, increase our market share in existing businesses, and create new markets. At the same time, in response to the labor shortage, which is worsening due to the decline in the working age population, we will consider how to promote laborsaving through the use of IoT, AI, and robots. In addition, by continuing to implement work-style reforms, we will aim to increase labor productivity and be a company that enables more diverse employees to work with enthusiasm.



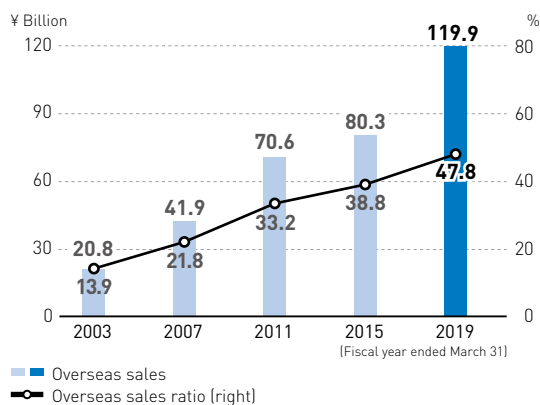
▶ Sluggish Results at Acquired Subsidiaries in North America

Looking overseas, our biggest pending problem is the sluggish results at MACTAC AMERICAS, which we acquired in 2016. MACTAC AMERICAS had been expected to break even at the operating level in the fiscal year ended December 31, 2018, but prices for raw materials and fuel were higher. As a result of this and other factors, as in the previous year, the company recorded an operating loss of approximately ¥0.5 billion. One reason was amortization of goodwill, which is about ¥3.0 billion a year. However, the fact that we were able to establish a foothold for a full-scale entry into the North American label-related market is extremely important. Moving forward, through further efforts to strengthen sales and increase earning power, we will strive to achieve, as soon as possible, a return to profitability at the operating income level, after the amortization of goodwill.

▶ Exchange Rate Fluctuation Risks Accompanying Expansion of Overseas Business

Through the acquisition of MACTAC AMERICAS, our overseas sales increased rapidly, and as a result, in the fiscal year ended March 31, 2019, our overseas sales ratio rose to 47.8%, while foreign exchange fluctuation risk also increased. In addition to the U.S. dollar, we also need to focus on trends in major Asian currencies, such as the Korean won, Chinese yuan, and Taiwan dollar. The LINTEC Group currently has bases in 19 countries and regions, and we are working to reduce foreign exchange fluctuation risks by utilizing forward exchange contracts and currency swaps among Group companies.

Overseas Sales / Overseas Sales Ratio



▶ Global Warming and Other Increasingly Severe Environmental Problems

Abnormal weather caused by increases in the average global temperature has an effect on the Company's businesses, and we consider this to be an issue that we must address rapidly. On the other hand, global warming countermeasures and trends such as the move away from the use of plastics are also opportunities for the creation of new markets. We are also planning a total of more than ¥10.0 billion in investments, centered on domestic plants, in order to reduce CO₂ emissions. We will work to achieve reductions of 30% or more by fiscal 2030 in comparison with fiscal 2013.

CO₂ emissions reduction target (FY2030 targets)

Reduce by **30% or more from FY 2013**

Aiming for Sustained Growth

We will advance initiatives targeting further growth while rapidly addressing these issues, risks, and new changes in the business environment in the years ahead.

▶ Bolstering R&D Capabilities

As a technology-centered company, more than anything else, LINTEC must strengthen its R&D capabilities. I believe that R&D capabilities are connected to a wide range of areas. These include continuing to build new business pillars; proposing products in overseas markets that meet the needs of each region and providing a

stable supply of those products; and proposing innovative, definite solutions to environmental problems and seizing business opportunities. Moreover, we will also focus on the creation of new businesses through aforementioned collaboration between the New Project Planning Office and the Research & Development Div. as well as on the development of new products through the utilization of the original technologies possessed by MACTAC AMERICAS and by VDI, LLC, a U.S. functional film manufacturer that we acquired at about the same time as MACTAC AMERICAS.

▶ Strengthening Overseas Business

Our policy is to aggressively implement various measures to further expand overseas business. In addition to expanding sales of LINTEC products by utilizing the sales network of MACTAC AMERICAS in North America, we will also work to further strengthen branding to expand our share in the Asia and Europe markets. Furthermore, we will continue to look for new M&A opportunities, with a view to expanding the label-related business, especially in Southeast Asia.



Also working to expand sales of MACTAC AMERICAS products in the Southeast Asian market

▶ Enacting Measures to Strengthen ESG

For a company to achieve sustained growth, it is essential to strengthen initiatives addressing ESG. If this is neglected, then sound growth cannot be expected. There is a wide range of themes that we must address. For example, we need to strengthen development of environmentally friendly products, expand eco-friendly facilities at plants, and reinforce production systems and supply chains for the stable supply of high-quality products for customers and society. We must also hire and develop the diverse human resources who will be the foundation of the Company, enhance comfortable workplace environments and personnel systems, strengthen communications with shareholders and investors, and continue to revise the corporate governance system. Moving forward, we will aggressively advance management that incorporates the SDGs and aim to contribute to the resolution of social issues through our business and to increase corporate value.

Becoming a Company that Is Necessary for Society

Finally, my management policy can be expressed in the words that constitute our Company motto—Sincerity and Creativity. I will take steps to see that all Group employees act with sincerity for all stakeholders and continually take on new challenges with the spirit of innovation. We will strive to ensure that we remain a company that is needed by society 10 years, 20 years, or even further into the future. We would like to ask our shareholders and investors for their continued support in the years ahead.

August 2019

Hiroyuki Nishio
Representative Director
President, CEO and COO



A Message from the CFO



I will strive to increase corporate value by raising capital efficiency and enhancing shareholder returns.

Yoichi Shibano

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

Review of Consolidated Results in the Fiscal Year Ended March 31, 2019, and Forecasts for the Fiscal Year Ending March 31, 2020

LINTEC achieved record-high net sales for the second consecutive year, but the scale of the increase was small, and our operating income declined, falling substantially below the forecast at the beginning of the fiscal year. The principal reasons were that sales of our mainstay adhesive products for labels were sluggish as a result of the influence of heavy rains and the severely hot summer, and that earnings worsened, centered on Fine & Specialty Paper Products Operations, due to higher prices for pulp and other raw materials and fuel. Moreover, in the second half of the fiscal year, the semiconductor market entered

a stage of production adjustments, and lower sales of semiconductor-related tapes, which have high profitability, also had a major influence on our results. Profit attributable to owners of parent increased, due in part to the fact that in the previous fiscal year, extraordinary loss included ¥1.0 billion in impairment loss of goodwill and ¥1.0 billion in provision for business structure improvement for a U.S. subsidiary.

Looking at the consolidated business results forecasts for the fiscal year ending March 31, 2020, we anticipate an increase in personnel expenses and other fixed costs. However, we will endeavor to further expand sales and reduce costs, and we expect prices of raw materials and fuel to decline. Accordingly, we are forecasting increases in sales and profits.

FY2019 Consolidated Results and FY2020 Forecasts

	Fiscal year ended March 31, 2019 (year on year)	Fiscal year ending March 31, 2020 (year on year)
Net Sales	¥250.9 billion (+0.8%)	¥260.0 billion (+3.6%)
Operating Income	¥18.0 billion (-10.5%)	¥19.0 billion (+5.7%)
Profit Attributable to Owners of Parent	¥12.9 billion (+14.9%)	¥13.5 billion (+4.3%)

Increasing Capital Efficiency

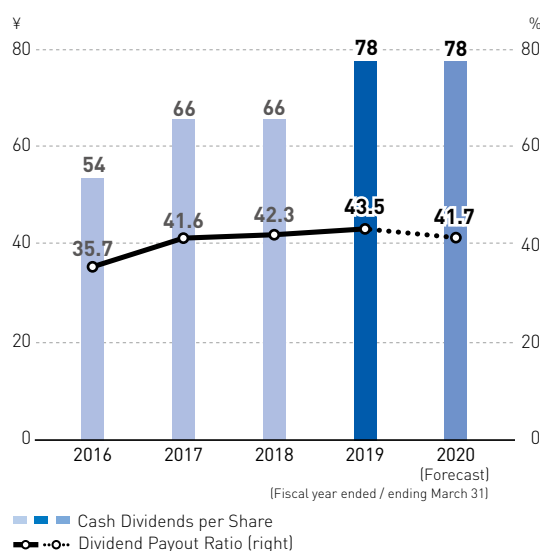
As a leading company in such fields as adhesive products and specialty papers, the LINTEC Group has developed business in a wide range of fields and has built a stable earnings foundation. As a result, at the end of March 2019, we had a high level of financial soundness, with an equity ratio of 65.3%, a current ratio of 240%, and a debt-to-equity ratio of 0.09 times. However, from the perspective of capital efficiency, major issues that we face include how we will utilize our equity and increase profitability.

Under the current LIP-2019 medium-term business plan, we have set a target of ROE of 9% or more for the fiscal year ending March 31, 2020, the final fiscal year of the plan. Unfortunately, in the fiscal year ended March 31, 2019, the second year of the plan, our ROE was limited to approximately 7%. Moving forward, we will not only invest in new businesses linked to higher earnings in the future but also continue to consider M&A initiatives in a forward-looking manner if we decide that they are a match for our businesses. We will work to increase profits by strengthening the regional strategy to further expand sales in Japan and overseas, creating new differentiated products, and bolstering the corporate structure through cost structure reforms. In addition, we will take steps to achieve an ROE that substantially exceeds our cost of capital, which is currently approximately 6%, including strengthening shareholder return, centered on dividends.

Enhancing Shareholder Returns

LINTEC regards the enhancement of returns to shareholders as one of its most important management issues. In distributing profits, our basic policy is to provide stable and continued dividends with consideration for each fiscal year's consolidated performance, while also working to strengthen our management foundation. In accordance with this basic policy, for the fiscal year ended March 31, 2019, we paid a full-year dividend of ¥78 per share, an increase of ¥12 per share from the previous fiscal year. With regard to dividend payments for the fiscal year ending March 31, 2020, we plan to pay a dividend of ¥78 per share, the same as in the previous year, and we expect a consolidated dividend payout ratio of 41.7%. Moving forward, we will continue working to further enhance shareholder returns through improvements in our results.

Cash Dividends per Share / Dividend Payout Ratio



My Role as CFO

In settings that require a high degree of management judgment, such as investment in new businesses and M&A initiatives, I will strive to provide solid support for the decision-making and business execution of the Company's top management. I will also be involved in the formulation of the next medium-term business plan. I believe it will be important to ensure that the significance and importance of the plan's management indicators are understood throughout the Group. Moreover, I worked at the regional headquarters in Singapore until March 2018, and I will take steps to leverage that experience as I endeavor to support the growth of overseas Group companies. As CFO, I am involved with a wide range of issues, and going forward, I will strive to increase LINTEC's corporate value by raising capital efficiency and enhancing shareholder returns.

Finally, I will point out that, as CFO, I am embarrassed that at the end of the previous year, our Price Book-value Ratio (PBR) fell below 1.0 times, where it has since remained. We must endeavor to increase corporate value through constructive dialog with investors, and accordingly the Company will work to implement aggressive information disclosure, and to explain the results and business forecasts for each business more thoroughly. In these ways, I will work to promote the understanding of investors and to support the formation of an appropriate stock price.

U.S. Subsidiaries

—Current Status and Future Outlook

In the U.S., the LINTEC Group has implemented a series of initiatives based on major management decisions. In 2016, we acquired MACTAC AMERICAS, a manufacturer of adhesive materials for labels, thereby establishing a foothold for business development in the North American market. In addition, in 2017 we commenced a full-scale restructuring of MADICO, a window film production subsidiary that had been posting sluggish results. This section introduces the current status and future outlook for U.S. subsidiaries.



Company name:	MACTAC AMERICAS, LLC
Location:	Ohio, U.S.
Number of employees:	538 (as of December 31, 2018)
Net sales:	¥35.7 billion (fiscal year ended December 31, 2018)
Business description:	Manufacturing and sales of adhesive materials for labels, industrial adhesive tapes, etc.

Solid Results in the North American Label Market

Focused on the Creation of Synergies as the Key to a Recovery in Results

MACTAC AMERICAS, LLC

MACTAC AMERICAS, which we acquired in December 2016, has the third largest share of the North American label market, with a customer base of more than 1,000 companies and sales of more than ¥35.0 billion. MACTAC AMERICAS had strengths that the LINTEC Group lacked—hot-melt adhesive formulation technology and sales channels covering the vast North American market. Accordingly, this acquisition was a very large step forward for the Group, which previously had not been able to establish a strong presence in North America in the field of adhesive materials for labels.

However, in the fiscal year ended December 31, 2018, MACTAC AMERICAS posted sluggish results due to the amortization of goodwill, higher prices for raw materials and fuel, and price competition in the market. In the fiscal year ending December 31, 2019, the company is expected to register another loss at the operating level. Going forward, we must work to rapidly improve results through the generation of synergies between MACTAC AMERICAS and LINTEC. This has become an urgent management issue for the LINTEC Group.



Working to Expand Sales Adhesive Products With a Low Environmental Impact

MACTAC AMERICAS produces hot-melt type adhesive products, for which the adhesive is melted with heat for coating on the substrate, and emulsion-type adhesive products for which the adhesive is thinned with water for coating on the substrate. Both of these types have the distinctive feature of a low environmental burden because organic solvents are not used in production processes. The LINTEC Group is aiming to implement aggressive business development initiatives in the Southeast Asian market. Adhesive products made by MACTAC AMERICAS have been very well received in this market, and we are receiving a growing number of inquiries. Currently, LINTEC and MACTAC AMERICAS are working together on R&D to support the use of this hot-melt adhesive formula for labelstocks, industrial-use adhesive products, and other products sold in Japan.



★ Cryogenic Labelstocks Suitable Earning Favorable Reviews at Exhibitions Around the World

The LINTEC Group conducted large-scale exhibits at Labelexpo Southeast Asia 2018, which was held in Thailand in May 2018, and at Labelexpo Americas 2018, the largest label event in North America, in September 2018. At each of these exhibitions, labelstocks made by MACTAC AMERICAS using hot-melt adhesives drew considerable attention. These labelstocks realize high levels of adhesion on frozen surfaces and surfaces with condensation, and they are suitable for use with refrigerated and frozen food packaging, as well as the cardboard cases in which those products are distributed/conveyed. Accordingly, we expect to see growth in the use of these materials in markets around the world.





Decisively Implementing Thorough Management Rationalization Searching for New Possibilities for Industrial-Use Films **MADICO, INC.**

MADICO is a manufacturer acquired by LINTEC in 1987. The company's main products are window films for buildings and automobiles, and by simply applying these films to windows, users can enjoy functional benefits such as thermal insulation and UV reduction. With a high level of brand strength and a wide-ranging sales network centered on North America, MADICO currently has a share of approximately 10% of the North American market. In September 2010, MADICO established a two-plant system with the acquisition of a window film manufacturer in Florida. However, due to weak results in the business of PV backsheets, which had been expected to be the company's second business pillar along with window films, MADICO's results worsened, and the company has been recording operating losses since 2012. To break away from this unprofitable situation, in 2017 we began to implement a thorough management rationalization. In the fiscal year ended December 31, 2018, MADICO achieved a return to profitability at the operating level as a result of a complete withdrawal from the backsheet business and the consolidation of manufacturing bases following the acquisition of a new site and building in Florida.



Multifaceted Strategy Centered on the Window Film Business

In addition to its core window films business, MADICO is currently targeting new growth by advancing the development and proposal of special functional films. These include protective films for smartphones, which are provided to mobile phone stores along with a cutting machine. In this way, MADICO is proposing a business model that makes it easy to create and sell films matching the size of the smartphone in the store. There is no need to keep inventories of film for each phone model, and this system can also accommodate older models. As a result, sales are recording favorable growth. As well, industrial materials for special applications are recording steady improvement in results. For example, an interior finishing material with high levels of heat resistance and fire resistance has been designated as a material for use in aircraft.



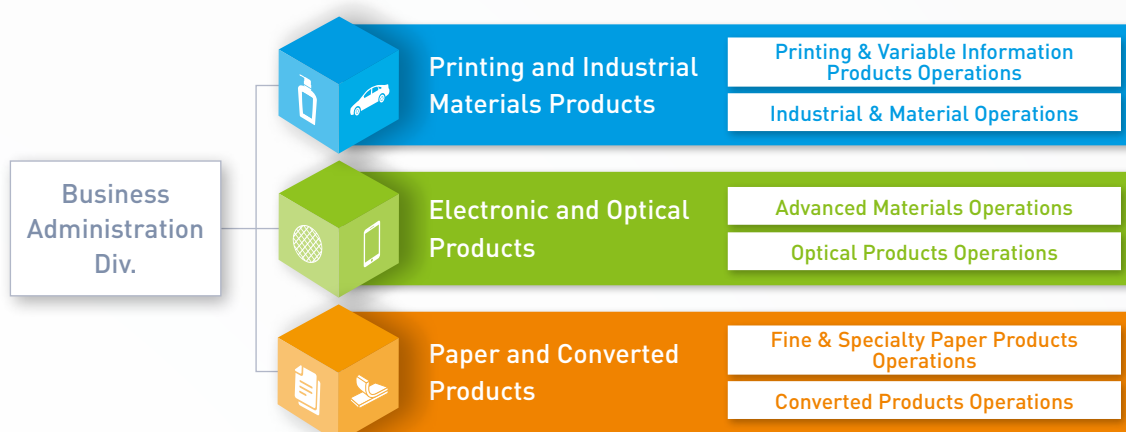
★ Leveraging VDI's Film Processing Technologies

In October 2016, the LINTEC Group acquired VDI, LLC (Kentucky, U.S.), a manufacturer of functional films working in thin film formation processing, such as metal deposition and sputtering, principally for window films. This acquisition enabled the LINTEC Group to secure processing technologies for film substrates, which it did not possess. We are steadily advancing joint research into the utilization of these technologies in the LINTEC Group's operations, such as in MADICO's window film and special functional film businesses.



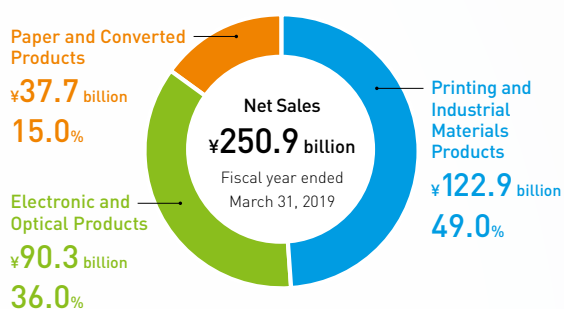
Meets Market Standards

LINTEC has cultivated four core technologies over many years, and by combining these technologies in a sophisticated manner, the Company has developed numerous ground-breaking products. Under the Business Administration Div., six operations bring these products to market and help address issues in a variety of industries.

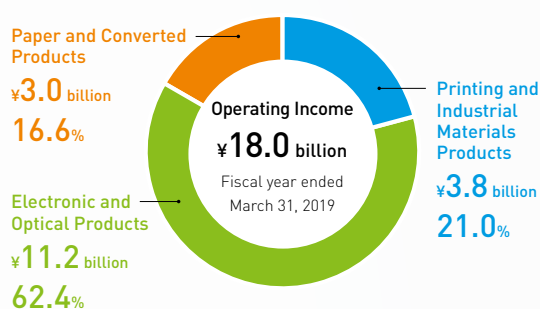


Note: Based on the similarities of their products, technologies, and markets, the Group's six operations are classified into three segments—Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products.

Share of Net Sales by Segment



Share of Operating Income by Segment



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

In regard to our consolidated business results in the fiscal year ended March 31, 2019, which was the second year of our LIP-2019 medium-term business plan, our operations were affected by a difficult economic environment and rising prices for raw materials and fuel. We reduced our business results forecasts two times, and we still faced a number of challenges at the end of the year. Under the current circumstances, it will be extremely difficult to achieve the plan's final numerical targets in the fiscal year ending March 31, 2020. First, we will carefully analyze the reasons why we did not achieve our targets in the fiscal year under review and identify issues in each area of operations. On that basis, we will continue to implement a variety of initiatives.

The way to realize sustained growth is to do our utmost to conduct manufacturing in a manner that addresses the needs of customers. In other words, we need to meet market standards. The LINTEC Group is rolling out business strategies for the regions of Japan, Asia, North America, and Europe. We must accurately determine the needs in each market, implement flexible responses, and aggressively launch new products. The New Project Planning Office, which was established in April 2018, will play an important role, especially from a medium- to long-term viewpoint. Up to this point, in new product development each operation had a tendency to give priority to short-term improvements. However, through the New Project Planning Office, we are aiming to transcend boundaries between operations and give shape to development themes that are focused 5 or 10 years into the future. Moving forward, we will work to further strengthen our systems.

In addition, in cooperation with the Production Div., we are currently advancing projects targeting the improvement of earnings at overseas production subsidiaries. In the U.S., at MADICO, INC., we went through a process for identifying and improving problems, which contributed to the recovery in performance at MADICO. Going forward, we will extend this process to other overseas production subsidiaries and strive to reinforce the earnings foundations of these companies.

Then, the SDGs will be the key to further growth. LINTEC is aiming to contribute to the resolution of social issues through its core businesses, and to that end we launched the SDGs Committee as a Companywide organization in February 2018. In my capacity as the officer in charge of advancing the affairs of this committee, I will strive to promote activities that foster the rapid incorporation of the SDGs into our business strategies.

Makoto Hattori

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





Printing and Industrial Materials Products

Printing & Variable Information Products Operations / Industrial & Material Operations

Main Products

Printing & Variable Information Products Operations

- Adhesive papers and films for labels
- Adhesive papers and films for barcode labels

Industrial & Material Operations

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



Strengths

- Long record of supplying numerous customers and large market share centered on high-value-added products in domestic market
- Ability to provide comprehensive solutions that combine adhesive products for labels and labeling machines

Weaknesses

- Sales networks, delivery capabilities, brand power, and price competitiveness in overseas markets
- Profitability of manufacturing subsidiaries that produce adhesive products for labels in U.S. and Indonesia

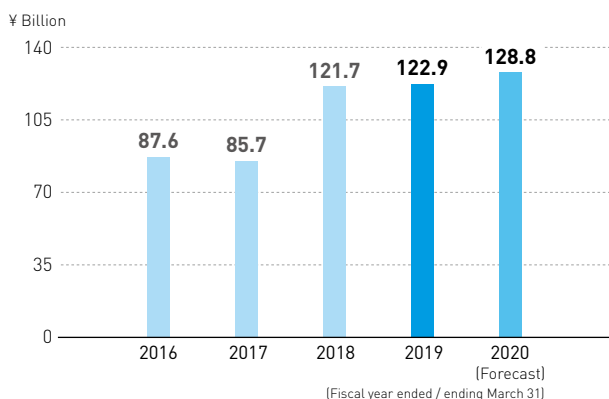
Opportunities

- Expected new demand for products with approach of 2020
- Southeast Asia's favorable market and stable growth of U.S. market

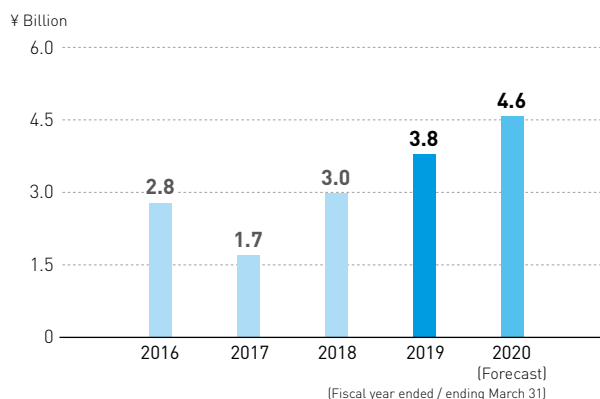
Threats

- Deceleration of growth in domestic market overall and possibility of major overseas manufacturers' full-scale forays into domestic market
- Emergence of local manufacturers in Southeast Asia's market and other markets and intensification of competition

Net Sales by Segment



Operating Income by Segment



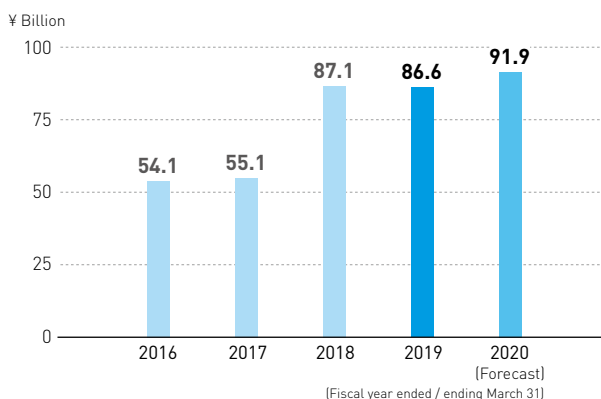
Printing & Variable Information Products Operations

Business Operations Introduction

Accounting for approximately 35% of the sales of the LINTEC Group, these are its largest operations. They manufacture and sell the Group's mainstay adhesive papers and films for labels. In particular, these operations have a leading share of Japan's market for adhesive films, which have particularly high added value. Overseas, we expanded our manufacturing and sales network, centered on Asia, and we established a foothold for business development in the North American market with the acquisition of U.S. company MACTAC AMERICAS, LLC in 2016.



Net Sales: Printing & Variable Information Products Operations



A Message from the Executive General Manager, Printing & Variable Information Products Operations

In the domestic market, we have implemented continued initiatives to develop new demand and expand our market share. However, in the fiscal year ended March 31, 2019, demand for products for food- and beverage-related applications was sluggish due to natural disasters, and conditions were challenging. In the fiscal year ending March 31, 2020, we will work to develop new demand related to the international sports events that will be held in Japan in 2019 and 2020. In addition, we will further step up the development and proposal of environmentally friendly products, for which needs are steadily increasing.

Overseas, in Southeast Asia, we have worked to roll out hot-melt adhesive products from MACTAC AMERICAS, a production subsidiary in the U.S., and we have achieved a certain degree of results with these initiatives. In North America, we are steadily increasing sales of LINTEC products through the sales routes of MACTAC AMERICAS. However, MACTAC AMERICAS has recorded an operating loss, due in part to the intensification of price competition. Major issues to tackle will be further cost reductions and the rapid realization of synergy effects from the acquisition. In Europe, we are working to expand sales of high-value-added products, such as medical and pharmaceutical products as well as automobile-related products. These efforts are being led by LINTEC EUROPE B.V., a sales subsidiary in the Netherlands, and its subsidiary LINTEC EUROPE (UK) LIMITED. That being said, we recognize that our sales capabilities are still insufficient. Moving forward, we will increase corporate brand recognition and focus on a stable supply and increased sales of high-value-added products, including taking steps to address the issue of the U.K. leaving the EU.



Masaaki Yoshitake

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

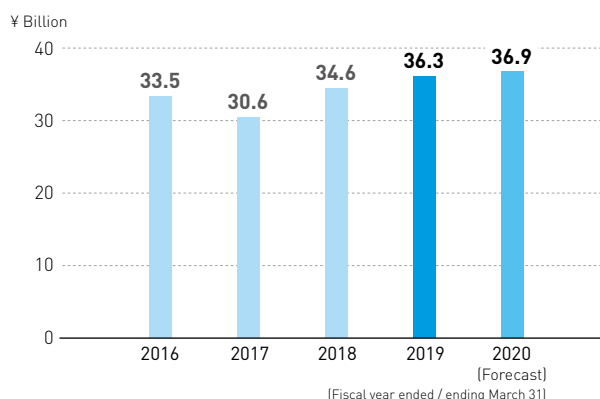


Industrial & Material Operations

Business Operations Introduction

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

Net Sales: Industrial & Material Operations



A Message from the Executive General Manager, Industrial & Material Operations

In the fiscal year ended March 31, 2019, the domestic market for online sales over the Internet enjoyed robust demand. Sales of our labeling machines used in the distribution and delivery industries were favorable, and we registered a record-high number of shipments. In addition, we are taking steps to strategically expand orders for films for indoor and outdoor signs and advertising, such as targeting international sports events. We continue to focus on promoting our products to be selected as the preferred choice.

Overseas, U.S. production subsidiary MADICO, INC., which focuses on window films, achieved a profit at the operating level for the first time in seven years. Also, in Southeast Asia we worked to expand recognition of LINTEC-brand products, centered on automobile-use products, and as a result these products enjoyed full-fledged demand for use on models produced and sold in Indonesia. In these ways, the growth of our window film business is becoming the driver of our results. We are also making firm progress in Southeast Asia and India with decorative films for motorcycles as well as paint replacement films for automobiles, protective films for aluminum wheels, and other automobile-use adhesive products. Moving forward, we will continue working to aggressively propose high-value-added adhesive products to manufacturers of motorcycles and automobiles, including the introduction of new products.



Shuji Morikawa

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

Topic 01

Rolling Out “Livasta,” a New Global Brand of Adhesive Materials for Labels

Livasta

In July 2019, we launched the global brand “Livasta*” with the objectives of further enhancing brand value and bolstering sales in the domestic and overseas markets for our mainstay adhesive materials for labels. In accordance with the application, we customize the facestocks, adhesives, release papers and films that make up labelstocks. We provide high-value-added products by offering a response to match the various capabilities required by customers, such as adhesive strength, printability, and processability. On a foundation comprising our extensive product lineup and original proposal capabilities, we have established a position as a leading company in the domestic market. Overseas, we are steadily enhancing our results, centered on the upper end of the market where customers demand high performance and quality, such as industrial-related products and medical- and pharmaceutical-related products. Moving forward, under this new global brand we will work to further increase our share in the domestic market and to increase recognition in overseas markets, such as Southeast Asia, Europe, and the Americas.

* Livasta: New brand name incorporating “LINTEC” and the words “Value,” “Stick,” and “Advance.”

Examples of applications ▶



Daily necessities



Consumer electronics



Industrial-related products



Medical and pharmaceutical products

Topic 02

LINTEC Adhesive Products Used in Automobiles

LINTEC leverages its original adhesive technologies to develop and provide a wide range of adhesive products used in automobiles. The Company has built a distinctive presence in niche fields, such as the films used as a replacement for paint in door sashes and window frames and the protective films that guard aluminum wheels from scratches and brake discs from rust. In addition, we are aggressively proposing new products in line with the needs of automobile manufactures. These include adhesive tapes for bonding and protecting the bundles of wires known as “wire harnesses,” which are used for electricity supply and signal communications, and laser-printable labelstocks that are applied to automobile parts for use in managing vehicle identification numbers. Moving forward, we will continue working to develop highly reliable products and expand their use in Japan and overseas.

Automobile-use adhesive products



Paint replacement films

Thick emblems



Protective films for aluminum wheels

Chipping-resistant tapes





Electronic and Optical Products

Advanced Materials Operations / Optical Products Operations

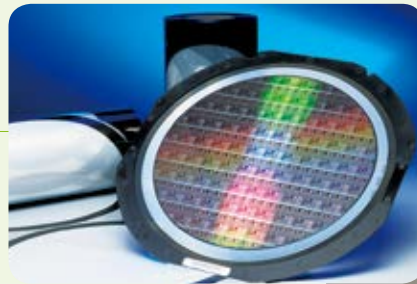
Main Products

Advanced Materials Operations

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

Optical Products Operations

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



Strengths

- Ability to provide comprehensive solutions that combine tapes and equipment used in semiconductor manufacturing and mounting processes
- Long record of supplying numerous semiconductor and electronic component manufacturers worldwide and unique technological capabilities

Opportunities

- Expansion of electronics-related markets due to such factors as spread of IoT and increasing use of electronics in automobiles
- Technological innovation in relation to semiconductor packages, electronic components, and optical displays

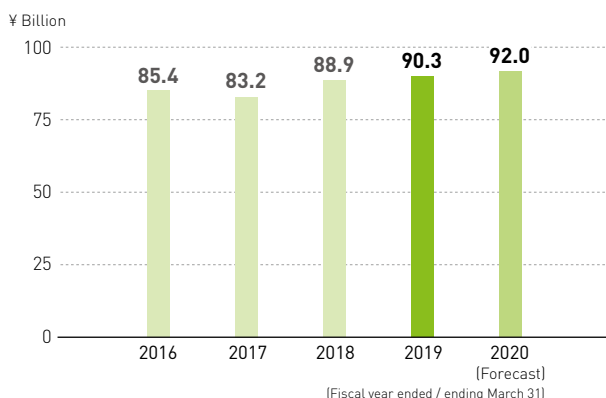
Weaknesses

- Earnings stability in businesses related to semiconductors, electronic components, and optical display-related products
- Cost-competitiveness in optical display-related businesses

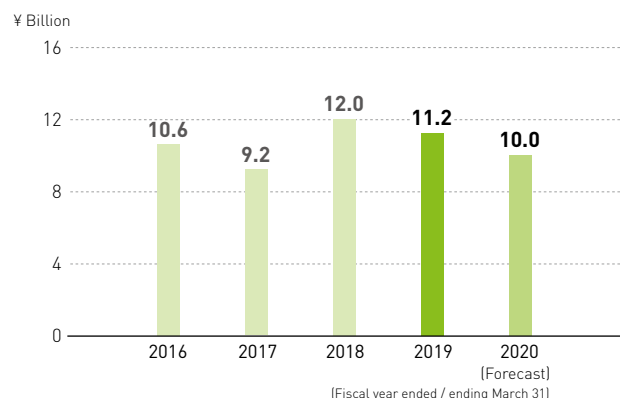
Threats

- Influence of US-China trade friction and worsening of Japan-South Korea relations
- Deterioration of conditions in electronics-related markets and exchange rate fluctuations

Net Sales by Segment



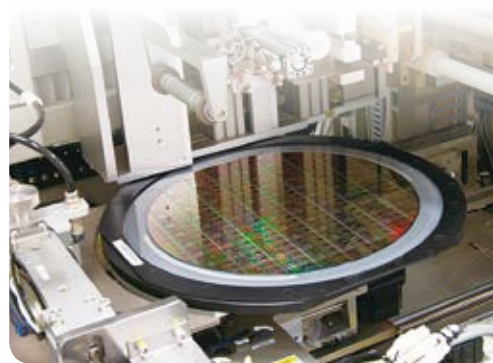
Operating Income by Segment



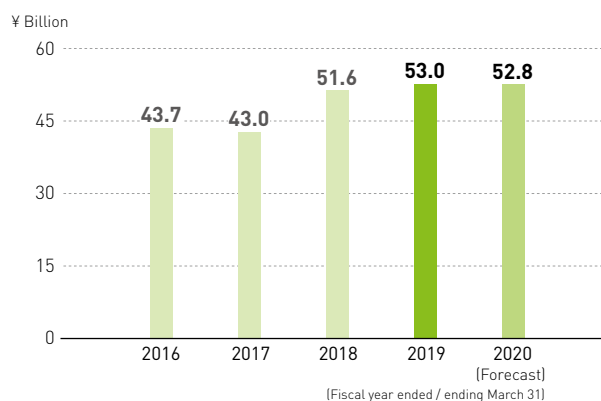
Advanced Materials Operations

Business Operations Introduction

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



Net Sales: Advanced Materials Operations



A Message from the Executive General Manager, Advanced Materials Operations

The semiconductor market has been strong in recent years due to smartphone demand, but the market entered a correction phase from the second half of the fiscal year ended March 31, 2019. LINTEC's semiconductor-related adhesive tapes and equipment were significantly affected as a result of reduced production and limited capital investment by semiconductor manufacturers. On the other hand, looking at multilayer ceramic capacitor-related tapes, demand was robust and we continued to operate at full capacity. Sales were favorable throughout the year.

Semiconductor-related demand is expected to begin to recover from the fourth quarter of the fiscal year ending March 31, 2020, and we expect a return to significant expansion in demand due to such factors as the growth of IoT, the introduction of the 5G next-generation high-speed communications standard, and the electrification of automobiles. In the same way, multilayer ceramic capacitor-related tapes are currently facing an inventory adjustment phase, but from a medium- to long-term perspective, our supply capacity is still not adequate. Moving forward, we will continue working to bolster our production capacity. In addition, as one facet of quality control initiatives for semiconductor- and electronic component-related products, we will further strengthen supply chain management and work to establish a higher-level quality assurance system, which is especially needed for products used onboard automobiles.



Takeshi Kaiya

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

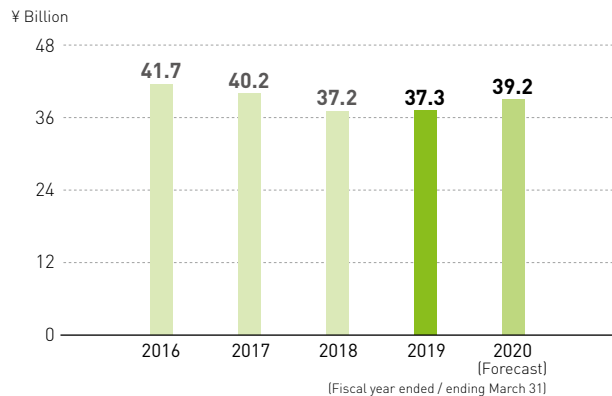
Optical Products Operations

Business Operations Introduction

We deploy our development technologies for special adhesives and surface coating agents as well as precision coating technology and use leading-edge production facilities to provide adhesive processing and surface improvement processing for various types of optically functional films, such as polarizing films that are used in LCDs and organic light-emitting diode (OLED) displays. In addition, through the development of innovative adhesives and films, we are working to start new optical-related businesses.



Net Sales: Optical Products Operations



A Message from the Executive General Manager, Optical Products Operations

Looking at our results in the fiscal year ended March 31, 2019, the LCD film adhesive processing business benefited from solid demand for large-screen televisions, and our net sales increased year on year. However, due to the rise of Chinese panel manufacturers and other factors, we are facing continued difficult price competition, and cost improvement has become an urgent issue. Currently, we are taking steps to strengthen our global business in cooperation with the polarizing film manufacturer that is collaborating with our manufacturing bases in Japan, South Korea, and Taiwan.

In this way, we are working to build a system to further increase our earning power. In addition, LINTEC is also working to cut costs from all angles, such as revising formulas for adhesives and reducing production costs.

In new business areas, such as optically functional films for touch screens, we are developing new adhesives, revising sales routes, and implementing other initiatives. We are starting to see steady results from these initiatives, centered on use in onboard displays and smartphones. Moving forward, we will aim to rapidly create new businesses, without limiting ourselves to existing business areas, and aim for a stable business portfolio comprising multiple business pillars.



Satoru Shoshi

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

Topic 01

Multilayer Ceramic Capacitor-Related Tapes that Support the Progress of Electronic Devices

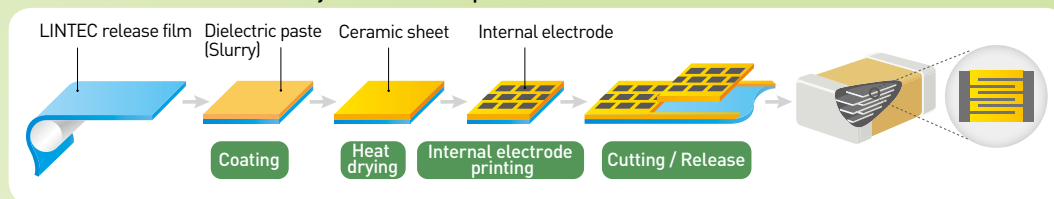


Multilayer ceramic capacitor-related tapes

Multilayer ceramic capacitors are electronic components that consist of hundreds of laminated ultra-thin ceramic layers contained in a square with sides less than 1-millimeter long. They can store and release large quantities of electricity. Smartphones, TVs, and other electronic devices contain several hundred to several thousand of these components, and automobiles may contain ten thousand.

LINTEC manufactures and sells release films that are indispensable in the formation of the ceramic layers in these capacitors. These films have been highly evaluated in the market for their superior surface smoothness, heat resistance, releasability, etc., and they have an especially strong competitive advantage in the field of high-end, ultra-small ceramic capacitors. Accompanying the electrification of automobiles and the increasingly advanced capacity and functionality of smartphones, future trends in multilayer ceramic capacitors are expected to include increases in the number of capacitors used and a move toward smaller and thinner capacitors. Accordingly, we anticipate growth in this market over the long term.

Production Process for Multilayer Ceramic Capacitors

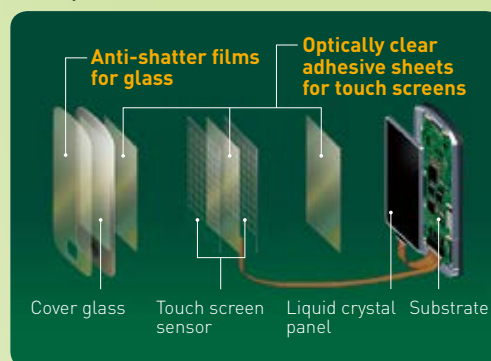


Topic 02

Opteria—Optical-Related Materials

LINTEC is rolling out the Opteria brand of high-value-added optical-related materials. These materials were developed through the integration of material design and development technologies, such as for adhesive sheets, hard coat films, and release films, with production technologies, such as precision thin-film coating. Our optically clear adhesive sheets, which are a component of the touch screens used in smartphones and tablets, offer superior gap-filling ability and are optimal for lamination of components, and our hard coat films with adhesive are used to prevent shard dispersion when a glass touch screen is broken. These products are recording steady gains in results, centered on China, which is the world's largest market. Moving forward, we will work to expand sales of optically clear adhesive sheets used in onboard applications and light diffusion films, for which we anticipate growth.

Touch screen-related products used in smartphones



Exhibiting at international touch-screen related exhibition in China



Paper and Converted Products

Fine & Specialty Paper Products Operations / Converted Products Operations

Main Products

Fine & Specialty Paper Products Operations

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



Converted Products Operations

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



Strengths

- Large shares of domestic markets for color papers for envelopes and special function papers as well as original papermaking technologies
- Outstanding release agent processing technologies and coating technologies

Weaknesses

- Sales networks, delivery capabilities, brand power, and price competitiveness in overseas markets for specialty papers
- Contribution to results from newly developed products, following on from mainstay papers for envelopes

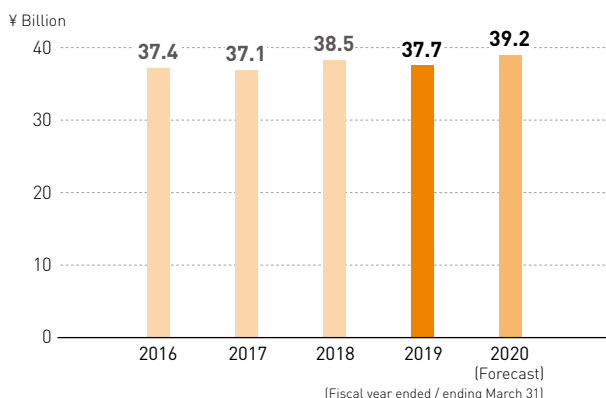
Opportunities

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

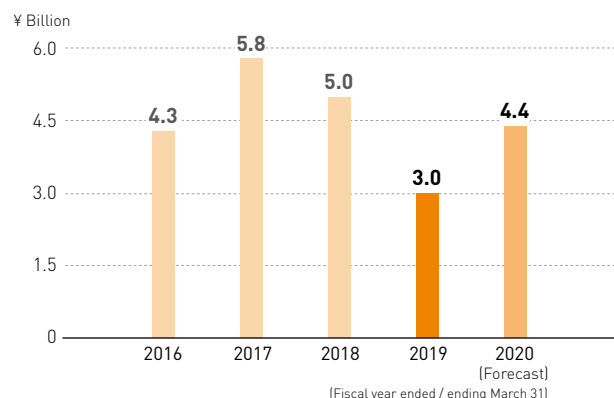
Threats

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

Net Sales by Segment



Operating Income by Segment



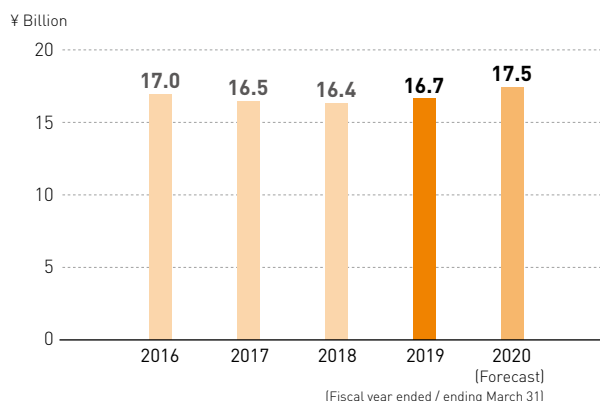
Fine & Specialty Paper Products Operations



Business Operations Introduction

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

Net Sales: Fine & Specialty Paper Products Operations



A Message from the Executive General Manager, Fine & Specialty Paper Products Operations

Due to such factors as lower demand resulting from the trend toward paperless operations and higher prices for pulp and other raw materials, we are facing an extremely challenging business environment. In the fiscal year ended March 31, 2019, favorable results were recorded by such products as color papers for envelopes that have a high level of concealment functionality and contribute to the protection of personal information, and oil and water resistant papers

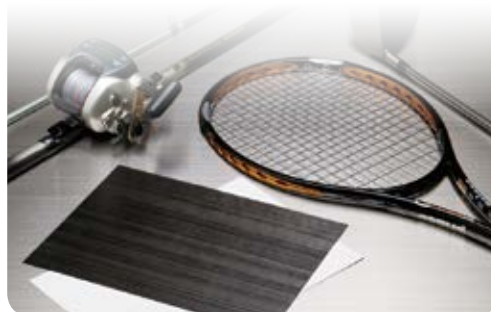
used in food packaging, centered on fast food. On the other hand, dust-free papers and other industrial-use special function papers faced difficult conditions due to the sluggish semiconductor market. In addition, demand for base papers for total heat exchangers was also sluggish under the influence of reduced air pollution in China.

With the domestic market contracting, we face urgent issues to address. We must create hit products that can develop new markets for color papers for envelopes, which account for approximately half of the sales in this operation. Also, in special function papers, we must accelerate the discovery of new applications and the development of new products. Looking at overseas markets that hold significant potential for development, our results are steadily improving, centered on industrial-use special function papers. Furthermore, global environmental awareness is increasing, such as in the move away from the use of plastics and the preservation of forests. In response, we will aggressively take steps to expand our lineup of environmentally friendly products, such as increasing the use of forest-certified pulp, which contributes to appropriate forest management, and developing base paper for paper straws.



Toshimi Sugaya

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

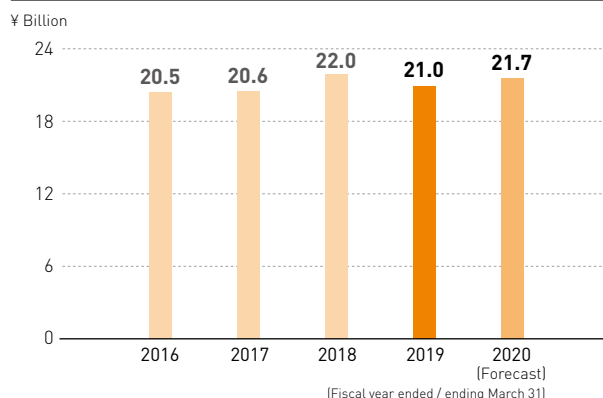


Converted Products Operations

Business Operations Introduction

We manufacture and sell release papers and films that protect the adhesive surfaces of various adhesive products, casting papers that are used as patterning papers for placing designs on synthetic leather, casting papers used in the manufacture of carbon fiber composite material sheets from fibers, and other products. These are endowed with a variety of special functions, including not only releasability but also resistance to water, heat, and abrasion.

Net Sales: Converted Products Operations



A Message from the Executive General Manager, Converted Products Operations

In the fiscal year ended March 31, 2019, casting papers for carbon fiber composite materials recorded favorable results due to growth in demand related to aircraft applications. However, growth in the smartphone market was sluggish, and as a result sales of high-value-added products, such as release papers for electronic materials and release films for industrial tapes, were weak. Going forward, we expect continued growth for casting papers for carbon fiber composite materials, but we expect conditions to remain challenging for release papers for general-use adhesive products. Looking at

casting papers for synthetic leather, their use in automotive interior finishing is increasing, but the future course of the Chinese market is uncertain, and the business environment does not support an optimistic outlook.

LINTEC is one of Japan's top manufacturers of release papers and films. This field is based on a market-centered approach in which new materials are individually developed and proposed in line with the needs of customer companies. Accordingly, one issue has been the difficulty of identifying specific applications for products developed by customer companies, particularly in regard to products with industrial applications. Going forward, we will work from a variety of perspectives as we strive to identify needed characteristics more rapidly and more accurately and to create products that will become the pillars of new businesses.



Yutaka Iwasaki

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

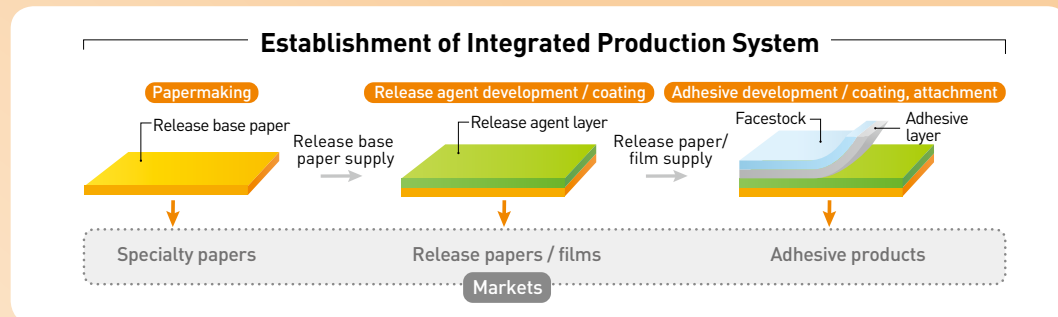
Topic 01

Synergies Between Core Adhesive Operations and Paper and Converted Products Operations

We use original papermaking technologies to manufacture and sell a wide range of papers for envelopes, special function papers, and other products. In addition, we also produce high-quality release base paper that is supplied to other units of the Company. Furthermore, leveraging superior release formula technologies and coating technologies, we supply a wide range of customers with release paper that uses this base paper and with optimal release films for applications that require high levels of smoothness and cleanliness. At the same time, we also provide these release papers and films for the LINTEC Group's various adhesive products.

Through these initiatives, we have established an integrated production system for adhesive products, and in our core adhesive operations, this system gives us a competitive advantage in quality, cost, and delivery. These adhesive operations support the utilization rates of the Company's papermaking and release coating facilities and are also the source of competitiveness in Paper and Converted Products Operations, which are based on small-lot production of a wide range of products.

Integrated Production System for Adhesive Products



Topic 02

Initiatives to Reduce Environmental Impact

For LINTEC, which is also a papermaking company, major issues that must be addressed to record sustained growth include the use of resources from forests that have been appropriately managed, the expanded use of pulp from recycled paper and non-wood pulp, and reductions in the amounts of water, heat energy, etc., used in manufacturing processes. Accordingly, the Company is implementing initiatives in the areas of manufacturing management and equipment, working to strengthen its lineup of forest certified products, and enacting other measures. In addition, a move away from the use of plastic is currently the focus of growing attention, and paper is the most frequently mentioned substitute material. LINTEC participates in the CLOMA,* an organization that aims to resolve the problem of plastic waste in the oceans, and we have started to consider the development of a variety of film substitute products, such as base paper for straws.

For release papers and films, in April 2018 we introduced state-of-the-art coating facility that contributes to reductions in the amounts of organic solvents used in the release agent coating process. We are also working from an R&D perspective to improve release formulas.

*CLOMA: Clean Ocean Material Alliance



Paper products that use forest-certified pulp



State-of-the-art coating facility introduced at the Kumagaya Plant (Saitama Prefecture)

Research and Development

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

LINTEC's R&D Capabilities in Numbers

Number of research staff

210

(as of the end of March 2019)



Number of patents

4,162

(as of the end of March 2019)



R&D expenses

¥8.3 billion

(fiscal year ended March 31, 2019)

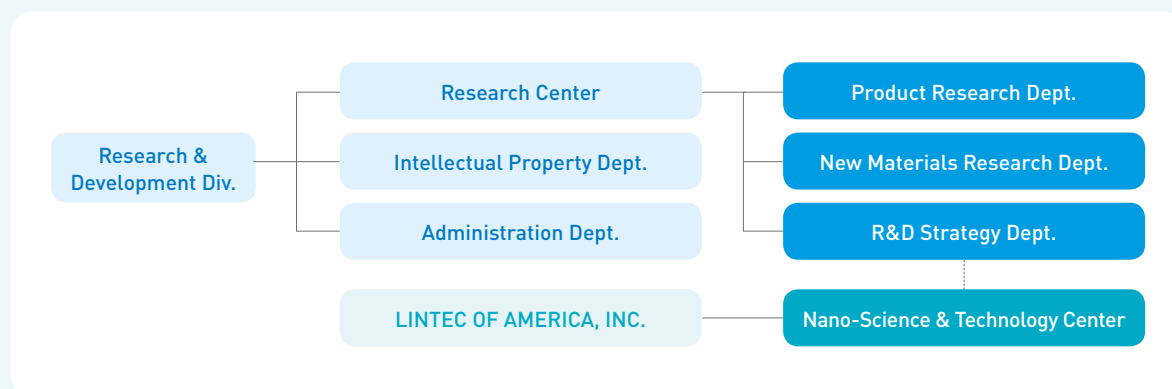


R&D System

The Research Center of the Research & Development Div. is the core base for the Group's R&D activities. The center has state-of-the-art testing and analysis equipment, test coating facilities, and a clean room, as well as the same semiconductor-related equipment that is actually used by customers. The completion of the Advanced Technology Building in 2015, with its large-scale pilot coaters that closely resemble plant mass production facilities, provided a system for smooth flow

from R&D to mass production. The center mainly comprises the Product Research Dept., which develops products directly connected to our current business, and the New Materials Research Dept., which conducts R&D with a focus on the future. More than 200 research staff are engaged in day-to-day research on these themes. In addition, the Nano-Science & Technology Center in Texas, the U.S., is engaged in research in new fields outside our current technology domain.

R&D System



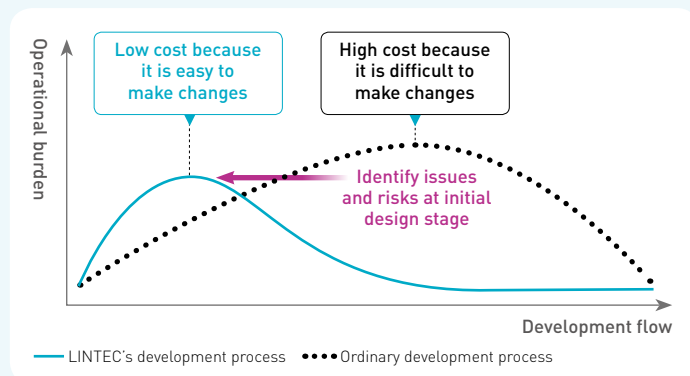
R&D Policy

We are pursuing R&D with strong determination to ensure that our focus themes make a real contribution to strengthening the competitiveness of existing businesses and creating new businesses and products. LINTEC is working to improve development efficiency based on two key phrases: "front-loading design" and "one-stop development." In addition, through coordination among the Research Center and business operations, we have established an R&D scheme called the "Stage Gate System." Under this scheme, we are taking steps to speed up the creation of new products.

1 Front-Loading Design

With a focus on carefully surveying customer needs and development processes, this method identifies development issues and risks, to the greatest extent possible, at the initial stage of product development. By implementing countermeasures in advance, we do our utmost to reduce the need to redo work at intermediate stages. This contributes to increased development efficiency and reduced costs.

Front-Loading Design



2 One-stop development

This approach involves simultaneously advancing the development of new materials and the development of processes for mass production. Through the introduction of large-scale pilot coaters and release agent coating equipment that closely resemble the production facilities in plants, LINTEC's Research Center is able to acquire data, such as data regarding mixtures of adhesives and release agents needed for mass production and environmental conditions for coating. We have had significant success in increasing the speed of development up to mass production.



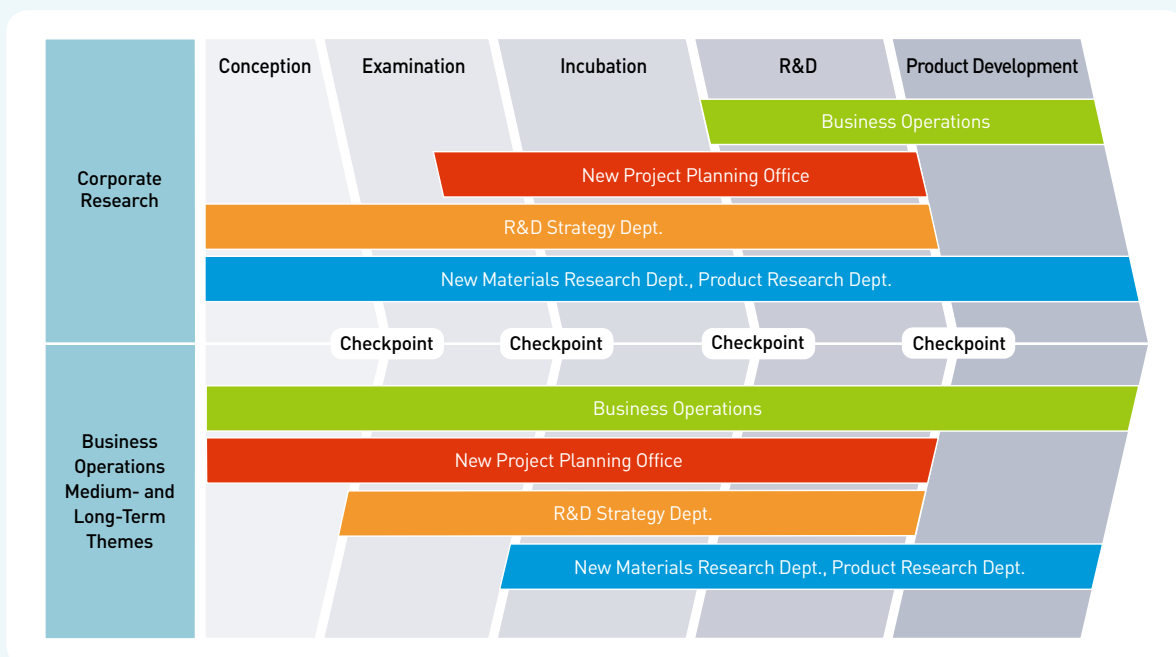
Large-scale pilot coater

3 The Stage Gate System

Under this system, R&D themes are divided into the five stages of conception, examination, incubation, R&D, and product development. Rigorous screening is performed at each stage to determine whether to advance the theme to the next stage or to cancel it. The aim is to steadily and quickly give shape to each theme, preventing setbacks in development through full verification at key points. A central role is played by the R&D Strategy Dept., which works from a

long-term perspective to analyze technology trends in each industry and to search for development directions. In addition, close coordination is implemented by the Research Center, the respective business operations, and the New Project Planning Office, an in-house, cross-sectional marketing unit that was newly established in the previous year. In these ways, we are working to create new value in response to the change of customer needs and markets.

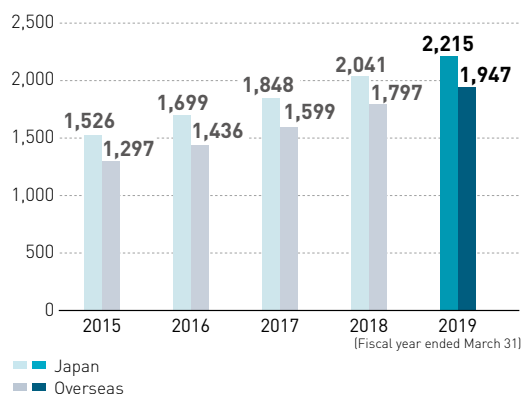
Stage Gate System



Intellectual Property Activities

LINTEC aims to increase corporate value by developing original products that fully satisfy customer needs. We therefore position intellectual property, including patents, trademarks, and design rights acquired through these development activities as important management resources. While placing the utmost emphasis on respecting the rights of other companies, the Intellectual Property Dept. coordinates with respective business operations and R&D departments in promoting strategic intellectual property activities. These activities aim to increase and improve intellectual property rights, which are the lifeblood of LINTEC given that it is a technology-centered company. By such means as building a patent portfolio for our foundation and growth business domains and securing intellectual property in step with the globalization of our business, we aim to increase profitability based on intellectual property that has high business value.

Number of Patents



A Message from the Executive General Manager, Research & Development Div.

LINTEC's greatest strengths in R&D are its long-standing technical development and proposal capabilities, which enable the Company to provide detailed, customized responses to the needs of customers. Some newer strengths include our advanced R&D environment, such as large-scale pilot coaters and leading-edge testing and analysis equipment at our Advanced Technology Building. As Executive General Manager of the Research & Development Div., I will strive to contribute to the Group's growth by leveraging these strengths with two points of focus—contributing to current businesses and creating new businesses and products. First, from the perspective of contributing to our current businesses, it is important to rigorously implement the division's R&D policies and to boost development speed and efficiency so that we can rapidly progress to the stage at which contributions are made to sales. Moving forward, we will also explore innovation in the development process through the use of simulation and AI technologies. In addition, from the viewpoint of creating new businesses and products, we must develop new technologies that move beyond our traditional material development, which we cultivated on a base of papermaking and coating technologies. Specifically, we are already starting to see the results of our efforts in new technologies that are a step ahead of our current adhesive

technologies, such as LED die bonding agents and light diffusion films. Moreover, through technical exchange initiatives with the R&D teams at overseas subsidiaries and collaboration with the New Project Planning Office, we will strive to develop products that will become new business pillars supporting the LINTEC Group's future growth.

Tatsuya Tsukida

Executive Officer
Executive General Manager,
Research & Development Div.



On the Front Lines of Product Development

The development of new products and the creation of new businesses will be driving forces that are indispensable for the sustained growth of the LINTEC Group. This section introduces a few of the R&D initiatives that LINTEC is currently advancing, with a focus on the future.

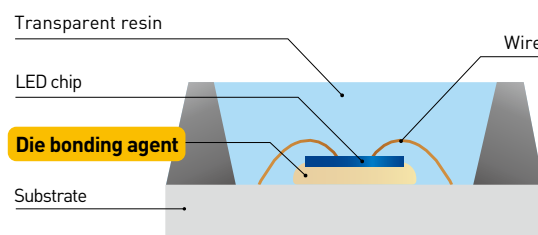
Toward the Development of New Materials that Transcend Traditional Technical Fields

In recent years, LINTEC has achieved research results that transcend our traditional core technologies in adhesive development and coating. Specifically, we have established development and production technologies for liquid adhesives and base film itself that are used in special applications. This marks a major step forward for the next stage of growth for the LINTEC Group.

LED Die Bonding Agents

LEDs are electronic components that emit light when an electric current flows through them. LINTEC developed a liquid functional adhesive that is used to affix LED chips to substrate. Through fundamental research conducted over many years, LINTEC developed products that provide the required high-level capabilities, such as light and heat resistance, which prevent aging from light and heat, and adhesive strength that is compatible with long periods of use. These products have been highly evaluated in the market, and their use by LED manufacturers is steadily increasing. Moving forward, we will strive to make further progress in materials development, with a focus on the growing use of LEDs in such applications as lighting and electronic equipment.

Diagram of an LED Package



Light Diffusion Films

Through the formation of two special layers with different refractive indexes within a film, LINTEC has created light diffusion films that provide efficient, optimal diffusion of incident light in the necessary direction. When used in reflective displays, which display information by reflecting sunlight or room light, these films have the potential to make the displays brighter than before. Reflective displays, which do not use backlighting, make a significant contribution to reducing power consumption in electronic devices, and as a result their use is expected to grow in such applications as smart watches.



GPS navigation system for bicycles

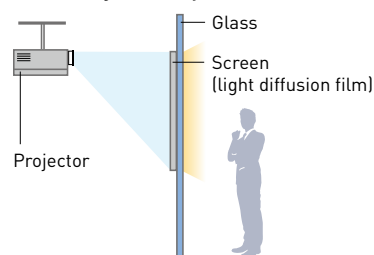


Reflective LCD that uses light diffusion film (right)

Wide Range of Potential Applications for Light Diffusion Films

Light diffusion films can be used in a wide range of applications, including rear-projection and front-projection large-scale digital displays and a variety of display boards. LINTEC is proposing the use of these films in such applications as advertising on glass surfaces in stores and guidance displays in public facilities. As display boards, they have a high level of brightness, and the appearance can be changed in accordance with the viewing angle. We are leveraging these characteristics and advancing development to further expand applications.

Rear-Projection System



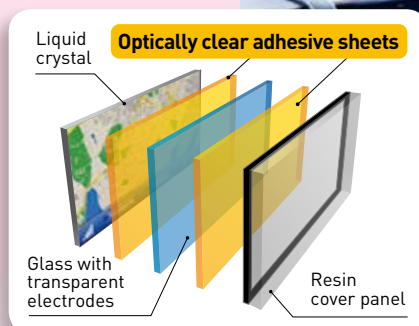
Contributing to the Future of the Automobile Industry Through Material Development Technologies

Moving forward, automobile-related products are a one of the field that will be the focus of special attention in the new material development and proposal initiatives of each business operations. This market is also undergoing a move toward electrification, including the growing use of electric vehicles and the installation of advanced driving support systems, and LINTEC will strive to provide a thorough response to the market needs.

Onboard Optically Clear Adhesive Sheets

Full touch screens are finding growing use as onboard monitors. We have developed highly functional optically double-sided adhesive sheets that are used to bond resin cover panels, which are lighter and more workable than glass, to LCDs or other types of display modules. These sheets, which have earned high evaluations in the market, meet the rigorous durability standards required for use in automotive applications and also boast superior transparency. We have also prevented the formation of spot-shaped bubbles caused by outgassing from the plastic resin. In addition, these sheets offer gap-filling ability in regard to the uneven areas on the printed section of the cover panel frame.

Diagram of an Onboard Touch Screen

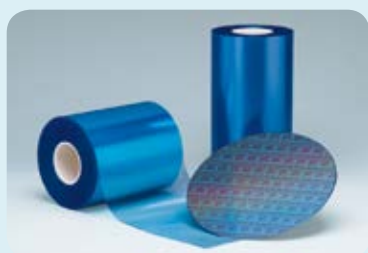


Steadily Reinforcing Our Position in the Semiconductor-Related Products Market

LINTEC made a full-scale entry into the semiconductor-related products market in 1986 with the development of UV curable dicing tape. Subsequently, accompanying technical innovation in the semiconductor production process, we have worked to expand our business by steadily expanding the range of applications for our original tape technologies.

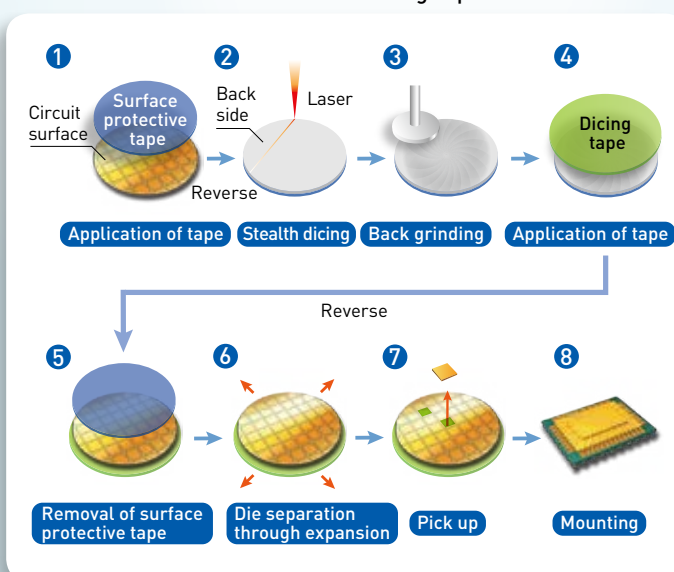
Wafer Surface Protective Tape for Use in SDBG

Generally, circuits are formed on the surface of disc-shaped semiconductor wafers, which are then thinned through back grinding. The wafers are then diced with a blade to produce individual chips. SDBG* is a process technology in which a laser is used to make cuts in the wafer in advance. The wafer is then subject to back grinding, after which individual chips are separated by expanding the wafer. This process requires extremely high capabilities in the surface protective tape that is used to protect the circuit surface during back grinding. By developing tape that meets these requirements, LINTEC is establishing a solid position in the market for these tapes.



Wafer surface protective tape

Semiconductor Production Process Using Tape for SDBG



* SDBG: Stealth Dicing Before Grinding

Note: "Stealth Dicing" is a dicing technology developed by Hamamatsu Photonics K.K.

ESG Initiatives

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



Materiality (Important Issues)

With the objective of further advancing CSR activities and meeting the demands of stakeholders, the LINTEC Group has conducted a materiality assessment to identify important issues, and we started full-scale implementation of measures to address these issues from the fiscal year ended March 31, 2017. (Please refer to page 45.) From the perspectives of the continually changing circumstances of society and the SDGs, we are currently reviewing the important issues and updating each item as well as the performance indicators.

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



























Establishment of the SDGs Committee

Aiming to incorporate Sustainable Development Goals (SDGs) into business management and contribute to resolve a range of social issues through mainstay operations, in February 2018 we launched the SDGs Committee, comprising members from departments across our organization. In the fiscal year ended March 31, 2019, the committee considered ideas for new businesses and innovative products from the perspective of where LINTEC wants to be in 2030 and provided its opinions to management. In the fiscal year ending March 31, 2020, the committee will aim to come up with ideas for a specific business model and plan and propose businesses that can be incorporated into the next medium-term business plan.



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

Materiality		Specific actions	KPIs and Results in the Fiscal Year Ended March 31, 2019	Related SDGs
Governance	Operating global governance	Enhance global governance	(1) Use of consultation contact points in and outside Japan: 4 cases [B] (2) Results of audits by the internal audit division according to local laws and regulations and internal standards: No serious findings [B]	 
Environment	Effectively using raw materials	Procure materials that will help to reduce environmental impact based on the LINTEC Procurement Policy	Volume of organic solvents used: 17,700 t [A]	 
	Reducing atmospheric emissions	Reduce emissions into the atmosphere based on our medium-term environmental target	(1) CO ₂ emissions from business activities in Japan: 179,200 t [C] (2) Volatile Organic Compounds (VOCs) emissions from business activities in Japan: 929.8 t [E]	  
	Making environmental contributions through products and services	Develop and spread environmentally friendly products through LCA*1	Number of environmentally friendly products developed: 30 products [A]	 
	Ensuring environmental compliance	Ensure and manage environmental compliance using the environmental management system	Number of violations of environmental laws and regulations: 0 violations [D]	
Labor practices	Ensuring occupational safety and health	Conduct activities to ensure occupational safety according to the occupational safety and health management system	(1) Number of occupational accidents and accidents resulting in absence from work: 3 accidents [C] (2) Working hours with no occupational accidents: Please refer to page 52 [C]	 
	Achieving workplace diversity	Respect the diversity of employees and provide rewarding workplaces	(1) Ratio of female managers: 14% [B] (2) Return to work after taking time off for childcare leave: 100% [A]	 
	Improving employee satisfaction	Build working environments where employees feel motivated to work	Turnover in three years of employees hired as new graduates: 6.4% [A]	
Society	Conducting human rights due diligence*2	Respect human rights and determine risks throughout the supply chain	Number of responses to supplier survey: 111 companies [A]	
	Ensuring social compliance	Instill and ensure Groupwide compliance	Response rate for compliance questionnaire distributed to officers and managers—Response rate with survey to identify risks: 87.4% [B]	
	Ensuring product compliance	Use the quality management system to eliminate and prevent accidents	Number of serious product accidents reported: 0 accidents [C]	
	Making contributions to sustainable consumption	Publicize the effects of environmentally friendly products to stakeholders	Number of exhibitions participated in as an exhibitor in and outside Japan: 52 times [B]	
	Achieving harmonious co-existence with local communities	Introduce social contribution activities for local communities as a good corporate citizen	(1) Total number of participants on plant tours: 932 persons [C] (2) Implementation of social contribution activities: Please refer to page 53 [B]	
Contribution to business	Developing business models for local production & sales in emerging countries	Conduct R&D for products intended for local procurement and for resolving social issues	Development of a system for registering local raw materials at sites outside Japan: Search system for global raw material information management under development [B]	   
	Entering new business fields		Number of patent applications: 397 applications [A]	Under review

*1 LCA (Life Cycle Assessment): A method for comprehensively assessing effects on the environment by calculating items such as the amount of energy and water input, the amount of raw materials used, and the amount of CO₂ and hazardous chemical substances emitted throughout a product's lifecycle.

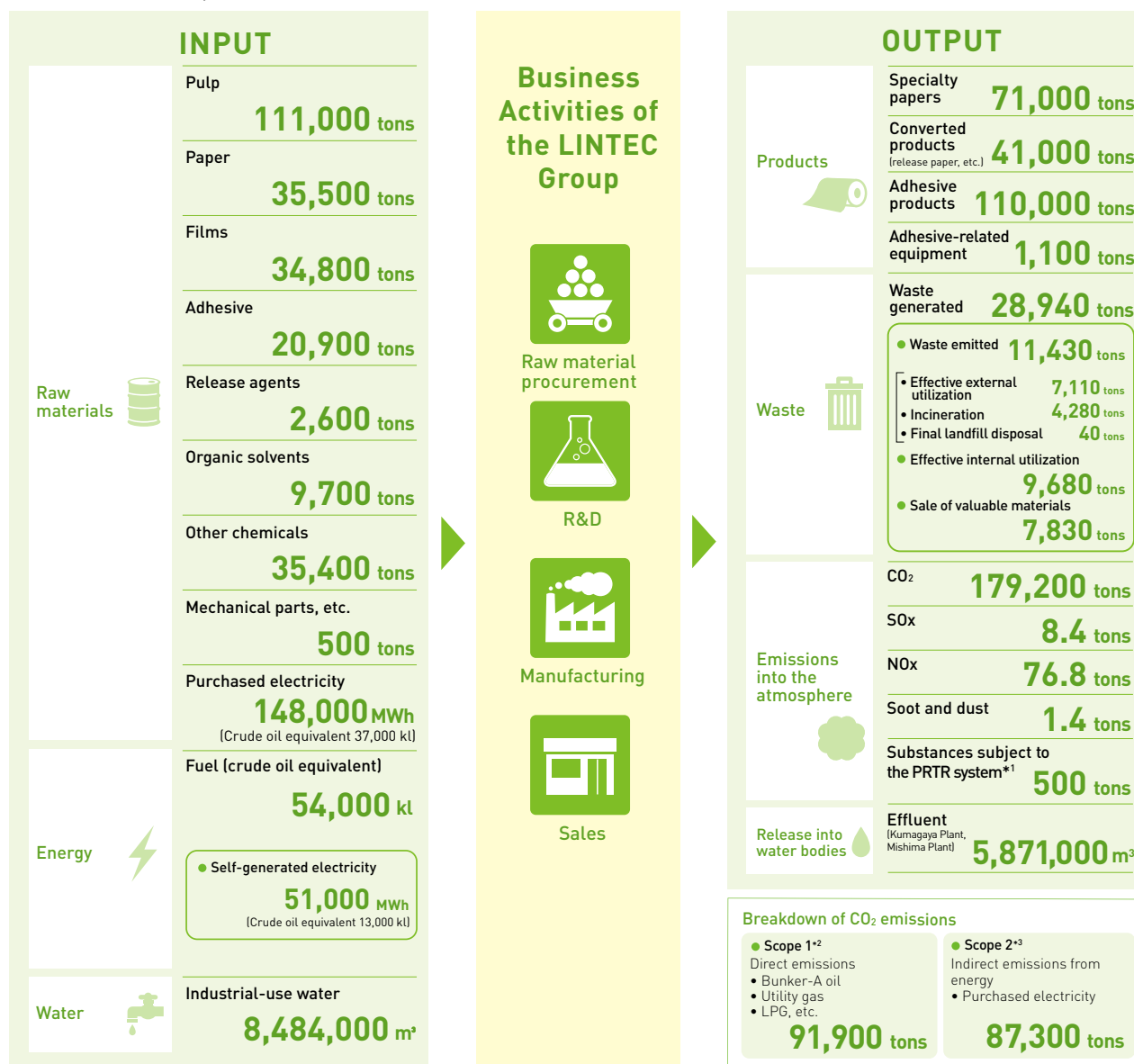
*2 Human rights due diligence: A process exercised by an organization not only to comply with laws but also to address and reduce the risk of human rights violations (ISO 26000 6.3.3. Human Rights Issue 1).



Environment

The LINTEC Group uses large amounts of raw materials, fossil fuels, water, and other materials to manufacture products. We are working to fulfill our responsibilities as a manufacturer by reducing the environmental impact of our operations and developing environmentally friendly products.

Material Flow (Fiscal year ended March 31, 2019)



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

*2 Scope 1: Direct CO₂ or other greenhouse gas emissions from the consumption of purchased gas and liquid fuels, such as liquid natural gas (LNG), liquid petroleum gas (LPG), utility gas, kerosene, light oil, and gasoline

*3 Scope 2: CO₂ or other greenhouse gas emissions generated by other companies in the production of energy, such as electricity and steam, purchased by the reporting company

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

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

Environmental Management

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

Reduction of Environmental Impact

The LINTEC Group is taking steps to support the realization of a sustainable society, such as working to reduce emission volumes of environmentally hazardous substances and waste and to reduce water usage. The Company's CO₂ emissions were reduced to 179,200 tons in the fiscal year ended March 31, 2019, from 185,700 tons in the previous fiscal year. The amount of waste generated was down from 29,890 tons in the previous fiscal year, to 28,940 tons, and the final landfill disposal rate was 0.14%. With a final landfill disposal rate of less than 1.0%, we achieved zero emissions. We are also constantly seeking to reduce the amount of volatile organic compounds (VOCs) including organic solvents that are released into the atmosphere.

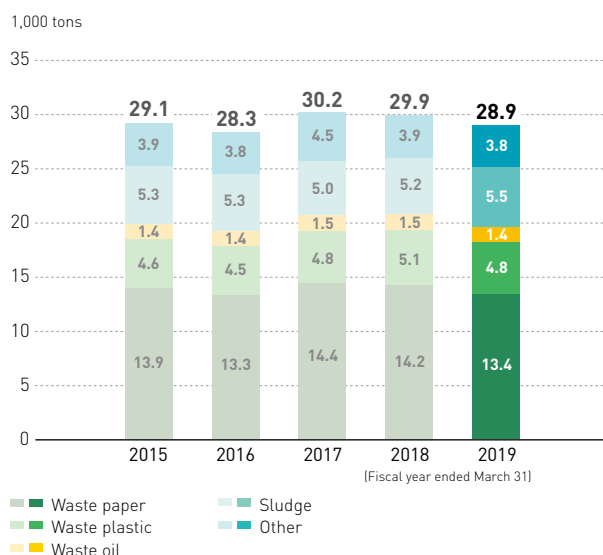
Compliance with Environmental Laws, Directives, and Regulations

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 check for substances with environmental impact in the raw materials that we purchase and disclose necessary information to our customers. In the fiscal year ended March 31, 2019, on a non-consolidated basis we reported twelve substances under the PRTR system. The total volume was 8,179 tons, of which 7,919 were toluene, an organic solvent. Accompanying an increase in production, toluene emitted into the atmosphere amounted to 489 tons, an increase of 7 tons over that of the previous fiscal year, while the quantity transferred (treated as waste) was 46 tons more than in the previous fiscal year, at 529 tons.

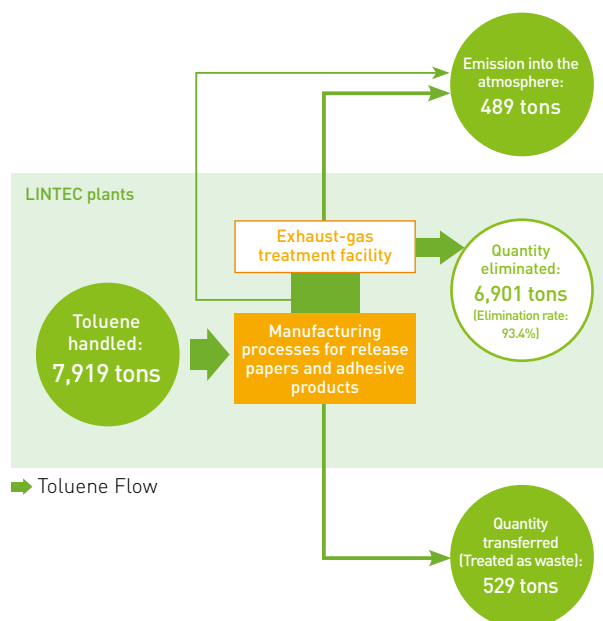
*1 REACH: EU regulation for the Registration, Evaluation, Authorization and Restriction of Chemicals

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

Waste Generated



Fiscal Year 2019 Emission and Transfer of Toluene



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

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, 2019, the Company carried out such examinations on approximately 5,000 items, including materials that are procured continuously. Going forward, we will continue working with suppliers to engage in proactive environmental preservation activities and undertake stringent chemical substance management.

Environmentally Friendly Products

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

► Labelstocks Using Recycled PET Film for Facestock

We offer labelstocks that use film made from recycled PET resin derived from PET bottles. The facestock films use more than 80% recycled PET resin, the highest level in the industry. At the same time, we have achieved physical properties equivalent to those of labelstocks with non-recycled PET film substrates. We have a product lineup that addresses a wide range of applications, such as items with a metallic gloss that conveys a sense of high quality and items using adhesives that can be applied securely and removed cleanly.



► Labelstocks Using Adhesives Containing Biomass Materials Derived from Plants

We are contributing to the conservation of fossil resources and the reduction of CO₂ emissions with labelstocks that use adhesive containing biomass materials, which are organic resources derived from plants. Our lineup meets a wide range of needs. For example, it includes a type that uses recycled PET film in the facestock, an emulsion type that does not use organic solvents during production, and a strong-adhesion type that is suitable for use in low-temperature environments and on uneven surfaces.



► Window Films that Curb Temperature Increases in Buildings and Vehicles

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



Initiatives to Reduce CO₂ Emissions

Following the adoption of the Paris Agreement at the 2015 United Nations Climate Change Conference (COP21), the Japanese government announced the goal of a reduction of 26% in CO₂ emissions volume by fiscal 2030 in comparison with the level in fiscal 2013. As a manufacturer, LINTEC is aiming for an even higher goal—a 30% or more reduction. We have planned various measures for each of our plants and other bases, and we are advancing specific initiatives step by step.

Activities of the Energy Savings Promotion Committee

The Energy Savings Promotion Committee is composed of members from throughout the Company, including the head office, plants, and the Research Center. The committee plays a central role in the establishment of higher independent numerical targets for CO₂ emissions reductions and in deliberations regarding the probability of achieving those targets, as well as in the formulation of Companywide strategies, the sharing of information between bases, and the search for wide-ranging roll-outs of initiatives. We are planning capital investment that will contribute not only to CO₂ emissions reductions but also to energy saving, cost reductions, and new product development. We have already started to introduce new facilities, centered on domestic production sites, and we plan to implement cumulative total investment of more than ¥10.0 billion.

Major Issues Considered by the LINTEC Energy Savings Promotion Committee

Introduction of Co-generation Systems	Further introduction of systems that use gas, etc., to generate two types of energy, electricity and heat
Introduction of waste heat boilers	Further introduction of facilities that efficiently reuse organic solvent combustion heat produced during the coating process
Introduction of solar power panels for use in self-generated electricity	Further introduction of solar power panels with the objective not of selling the electricity but of using the electricity at our own bases
Promotion of fuel conversion	Further promotion of the conversion from heavy oil and light oil to LNG, which is highly combustion efficient



Waste heat boiler



Solar power panels

Introduction of Co-generation Systems



In co-generation systems, LNG and other fuels is used to generate and supply electricity that is utilized to operate various types of production facilities. At the same time, the heat that is generated during the production of the electricity is recovered in the form of hot water or steam and then used. In the manufacturing of the Company's products, there are many processes that require drying, such as in papermaking and adhesive/release agent coating. However, through the introduction of co-generation systems, the drying process can utilize the heat energy that is generated at the same time as the electricity that powers the production facilities. This initiative is expected to result in substantial reductions in CO₂ emissions. We are seeing significant results at the Kumagaya Plant and the Doi Plant [Ehime Prefecture], where these systems have already been introduced. Moving forward, we will advance and accelerate the aggressive introduction of co-generation systems at our plants.

Co-generation system



Society

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

Respect for Diversity and Human Rights

The LINTEC Group avoids discriminatory treatment of employees based on race, creed, gender, education, nationality, religion, age, or disability status, thereby respecting diversity. In the areas of recruitment and employment, the Group complies strictly with labor laws and regulations, including the prohibition of unfair discrimination, child labor, and harassment, and endeavors to promote an environment where all employees can go about their work in a positive and energized frame of mind. Every year, we conduct a Groupwide survey of human rights and working conditions. As well as checking compliance in Japan and overseas, the surveys confirm that companies are respecting basic human rights and providing safe, healthy workplaces. Furthermore, We have a helpline through which employees can consult with the General Affairs & Human Resources Div. or a lawyer if they have any concerns or have witnessed illegal behavior in the workplace. Access was extended to overseas Group companies in 2015 and English-language and Chinese-language helplines are also available.

Work-Style Reforms

In Japan, the working age population is currently decreasing due to a declining birthrate and an aging population. This has become a major social issue, and the government is advancing work-style reforms to support sustained growth. Our medium-term business plan, LIP-2019, sets out promotion of work-style reforms, fostering

of diverse human resources and encouragement of their active participation in the workplace as a key initiative. Accordingly, we are creating workplaces that are more amenable to all employees' needs and enhancing labor productivity.

► Realizing Work-Life Balance

LINTEC is taking steps to reduce long working hours and late-night work, including for managers. To encourage employees to take paid leave, in April 2015, we introduced a planned vacation system under which employees designate in advance five days on which they will take paid leave. In the fiscal year ended March 31, 2015, the year before the introduction of this system, the percentage of paid leave taken was approximately 51%, while in the fiscal year ended March 31, 2019, this percentage had increased to approximately 65%. Also, in April 2016, we increased the number of days that could be taken for family care leave and the period during which the shorter-hours program could be used for family care. We also increased the children's age limit in regard to the use of the shorter-hours program for childcare. Moreover, from April 2018, we increased the amounts of retirement allowances and young employees' wages. Also, through a revision of working rules, we expanded the number of days that can be taken for leave and eased the requirements for taking leave. From April 2019, we introduced an interval system that stipulates a certain minimum number of hours that must be taken off between periods of work. In these ways, we are striving to establish environments and systems that enable everyone to work with enthusiasm.

Percentage of Paid Leave Taken

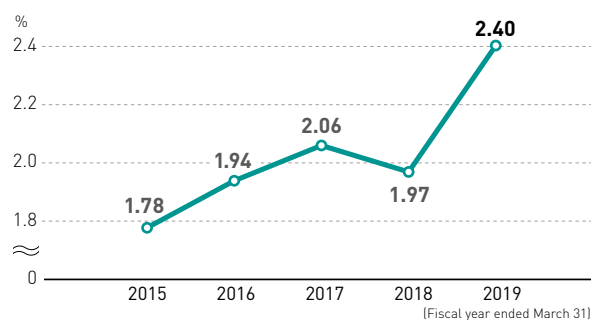
Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2019
Approximately		Approximately
51%	→	65%



► Diversity-Related Initiatives

As one facet of measures to promote the active participation of female employees, LINTEC has been advancing the awareness of female employees as well as the entire workplace through various types of training for female employees and for managers. We are also working to increase the number of female supervisors and the percentage of women among our new hires. In addition, former employees can start to contribute immediately, and accordingly we have introduced the Job Return System, under which we rehire employees who have resigned due to such circumstances as childbirth, family care, or the job transfer of a spouse. In these ways, we are expanding the opportunities for active participation of women in the workplace. We have also established a retiree rehiring program under which we rehire employees who have reached the retirement age of 60, utilizing one-year employment agreements up to the age of 65. We are also considering raising the retirement age to 65. As well, we are taking steps to expand employment of people with disabilities, such as improving internal facilities as needed. For the fiscal year ended March 31, 2019, our employment rate for people with disabilities was 2.40%, higher than the legally mandated rate of 2.2%.

Employment Rate for People with Disabilities



► Harassment Countermeasures

The LINTEC Compliance Guideline, which is distributed to all employees as one facet of CSR management, expressly prohibits harassment. At management training and CSR study sessions for all employees, we take a thorough approach to fostering a correct understanding about harassment. In Japan, in advance of a bill concerning measures to prevent power harassment, which is expected to take effect in April 2020,



Compliance Guideline

we will institute harassment training for the improvement of workplace environments, which will be provided for all employees at LINTEC and Group companies. In addition, we have established the Harassment Consultation Hotline. Moving forward, we will continue working to prevent harassment on a Groupwide basis, including overseas.

Employee Education

LINTEC has a Companywide training system based on rank, as human resource education programs tailored to years of continuous service and career. In addition, we are taking steps to promote the career advancement of employees, including theme-based training, such as legal training and Companywide information security training, as well as language training for the development of global human resources. We spend approximately ¥30 million per year on increasing the capabilities of employees and human resources development. In other initiatives, the Company's intranet offers e-learning programs to increase all our employees' understanding of topics such as the environment, product quality, the business continuity management system, compliance, and CSR.



Theme-based training

Zero Accident Culture

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

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

Achievement of Accident-Free Operations in the Fiscal Year Ended March 31, 2019

(April 1, 2018, to March 31, 2019)

Date achieved	Business site	Achievement
March 2019	Agatsuma Plant	No accidents in the year
	TOKYO LINTEC KAKO, INC.	Same as above
	Chiba Plant	Same as above
	Shingu Plant (including Niihama Plant)	Same as above



Safety inspection tour by the President

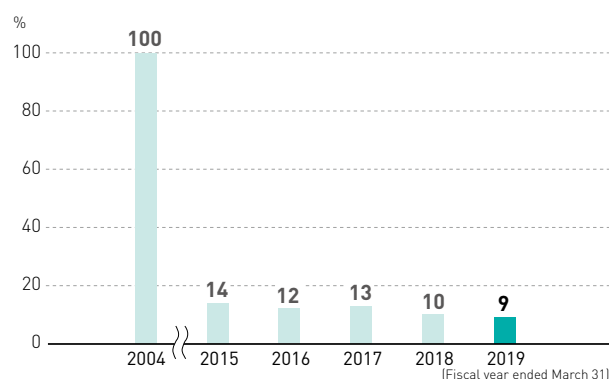


Hands-on safety education at the Safety Conference

Thorough Quality Management

Nineteen LINTEC Group sites in Japan and overseas have been certified under ISO 9001: 2015, an international standard for quality management systems (QMS). We are taking steps to further bolster our systems, such as unifying the previous quality assurance systems, which had been implemented by each business operation, into a single Group QMS. Furthermore, we are realizing rigorous quality management with daily inspections on the production front lines, and in addition we continually carry out employee education targeting the maintenance and enhancement of quality and the prevention of quality-related issues. This education is provided for people working in production or sales. Also, with the cooperation of raw materials producers, we are making sure to control quality issues resulting from materials by stabilizing the quality of procured materials. When comparing major quality incidents by year, the fiscal year ended March 31, 2004, is set as 100 in an index of major quality incidents. We reduced the level of the index to 9 in the fiscal year ended March 31, 2019. We construct and actualize management systems that enable us to take swift action if a quality incident should occur, collecting information, analyzing causes, and work toward preventing recurrence. This framework is in place in Japan and overseas.

Percentage of Quality Incidents versus FY2004



Efforts toward Business Continuity

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

our products. Additionally, we request that these suppliers introduce a business continuity plan and establish a system for implementing it on an organization-wide basis.

Fair Transactions

The basic policy of the LINTEC Group is to conduct fair and transparent transactions with suppliers based on the principle of free competition. We conduct procurement activities in compliance with laws and social norms. In addition, we ask suppliers to consistently implement CSR activities from multiple perspectives, including respect for human rights, occupational health and safety, information security, and corporate ethics. In the fiscal year ended March 31, 2019, we continued working to maintain and strengthen partnerships and to promote CSR procurement. Through the distribution of a questionnaire, we evaluated major suppliers in such areas as management, labor, service, quality, and the environment.

Social Contribution Activities

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

LINTEC conducts some support activities on an annual basis for people with disabilities living in Itabashi-ku, Tokyo, where the Company's head office is located. In May 2018, we held our 12th professional baseball-viewing event, inviting a total of 684 people to Tokyo Dome, including people with disabilities and their helpers as well as elementary school students from local youth baseball teams and their family members. In October 2018, we held a jazz concert as an event to deepen exchange through music without regard to disability status. About 600 people, including people with disabilities and members of the local community, enjoyed the event. We also organize blood drives and support disaster area restoration efforts.

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



A jazz concert for members of the local community



Local clean-up activities

Mangrove Planting Activities

Indonesia has the largest area of mangrove forest in the world, but in recent years, due to the creation of shrimp nurseries and to port development, the felling of mangrove trees has progressed and encroachment upon coastal areas has become a problem. At PT. LINTEC INDONESIA, we have implemented mangrove planting activities every year since 2016. These activities reflect close ties to the local community. With the cooperation of PT. LINTEC JAKARTA, local residents, and a local fisheries college, 8,500 trees have been planted over four years. The growth of the mangroves is periodically confirmed, and those that look as if they might be submerged are replanted. As a result of these types of initiatives, many seedlings are recording favorable growth.





Governance

Basic Philosophy

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

Corporate Governance System

1 Corporate Governance System

The Company has selected the Company with Audit & Supervisory Committee system described in the Companies Act of Japan for its organizational structure. The Company has placed directors that are also Audit & Supervisory Committee members with voting rights on its Board of Directors in order to strengthen the Board's supervisory function, with a view to stepping up corporate governance and to streamlining management even further. The Company has appointed 14 directors, of whom three 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. [→P54 Diagram A](#)

The Audit & Supervisory Committee meets once a month and conducts monitoring audits that focus on matters reported from

the Audit Office, which is the Company's internal audit division. In addition to performing audits covering the appropriateness and legality of the execution of directors' duties, each and every Audit & Supervisory Committee member also plays a role in supervising the execution of the directors' duties through the exercise of the voting rights on the Board of Directors. [→P54 Diagram B](#)

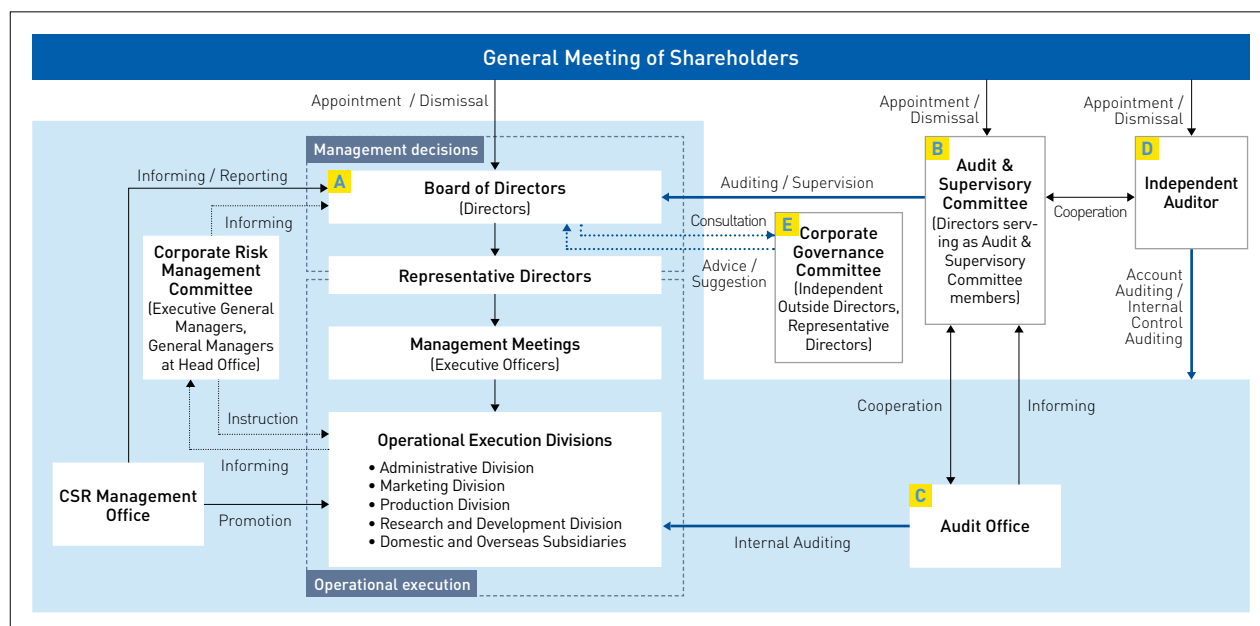
• Evaluation of Board of Directors' effectiveness

In April 2019, the Company conducted an evaluation of the effectiveness of the Board of Directors. Details are as follows.

<<Overview>>

A survey regarding the evaluation of the effectiveness of the Company's Board of Directors was implemented through a questionnaire and open-ended questions, which were submitted to all directors. The representative directors analyzed and evaluated the results of this survey, and the Board of Directors decided to execute measures to further enhance the supervision function, such as strengthening Group company management and carrying out continual monitoring of large-scale investment projects. Following these processes, the final evaluation of the effectiveness of the Board of Directors overall was received from the outside directors, who are independent officers of the Company. The outside directors stated that the survey questions and method were generally rational and that the approach of using a PDCA cycle*, in which measures for the following year are examined based on survey responses, was a reliable means of ensuring the effectiveness of the Board of Directors. In addition, the outside directors also stated that, in regard to the role and ideal situation of the Board of Directors, there was a need for flexible consideration in accordance with the

Corporate Governance Organization Chart



circumstances of each company, and that there is a need for continued discussions going forward. Based on this evaluation, we will take further steps to maintain an environment that facilitates continued improvement in the effectiveness of the Board of Directors.

• Director training policies

(1) New director training

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

(2) Regular training

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

(3) Special training

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

2 Internal Control System

The following is an explanation of the internal control system to ensure that the execution of directors' duties is in compliance with laws and regulations as well as the Articles of Incorporation, and the system to ensure the appropriateness of the execution of other business.

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

To ensure that the execution of the duties of directors and employees is in compliance with laws and regulations as well as the Articles of Incorporation and that a sense of ethics is maintained, the Company established its motto of "Sincerity and Creativity," on which its Code of Conduct was based. To ensure the effectiveness of the compliance system with regard to laws and regulations as well as the Articles of Incorporation, the Audit Office—an organization under the president's direct supervision—investigates and verifies, by means of audits based on the Internal

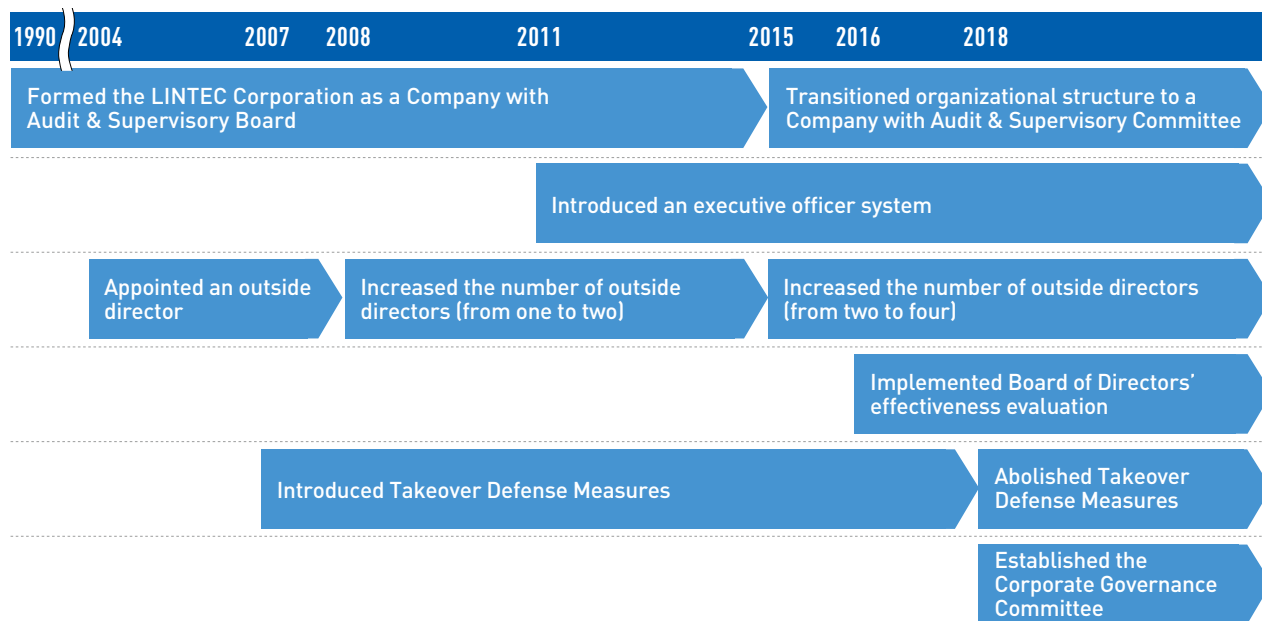
* PDCA cycle: This approach continuously improves processes through the repetition of a cycle of activities comprising four phases: namely plan, do, check, and act.

Corporate Governance System

Organizational Structure	Company with Audit & Supervisory Committee
Number of Directors (Number of Outside Directors)	14 (4)
Number of Audit & Supervisory Committee Members (Number of Outside Directors)	3 (2)
Number of Independent Officers	2

Directors' Term of Office	One year
Board of Directors' Meetings in FY2019	Number of meetings: 14
Adoption of an Executive Officer System	Yes
Takeover Defense Measures	None
Accounting Auditors	Ernst & Young ShinNihon LLC

History of Corporate Governance



Audit Regulations, whether all of the Company's operations are being appropriately and reasonably implemented and pursuant to laws, the Articles of Incorporation, and internal rules and regulations. The results of those audits are regularly reported to the Board of Directors.

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

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

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

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

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

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

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

Based on the Affiliate Company Operational Regulations, the Company works to maintain the appropriateness of its operations as a group entity by having each of its principal business divisions control the operations of Group companies. Based on the Affiliate 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 systems 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 Guideline 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 nonexecutive directors—outside directors Atsushi O'haru, Masanobu Iizuka, 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.

6 Number of Members of the Board of Directors

The Company's Articles of Incorporation state that the number of members of the Board of Directors (excluding Audit & Supervisory Committee members) shall be 12 or fewer and that the number of directors who are Audit & Supervisory Committee members shall be 4 or fewer.

7 Requirements for Appointment of Directors

The Company's Articles of Incorporation state that resolutions to appoint directors may be adopted by a majority of the voting rights of the shareholders in attendance if those shareholders hold one-third or more of the voting rights of the shareholders who can exercise their voting rights.

8 General Meeting of Shareholders Resolution Matters that may be Resolved by the Board of Directors

To support rapid responses to changes in the management environment and flexible execution of various management measures, in regard to matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends from surplus, etc., excluding cases in which there are special legal stipulations, the Articles of Incorporation state that these matters may be decided by resolution of the Board of Directors.

9 Special Resolution Requirements for General Meeting of Shareholders

With the objective of enabling the smooth operation of General Meeting of Shareholders, the Company's Articles of Incorporation state that in regard to special resolution requirements for shareholders' meetings, as stipulated in Article 309, Paragraph 2 of the Companies Act, such resolutions may be adopted by at least two-thirds of the voting rights of the shareholders in attendance if those shareholders hold one-third or more of the voting rights of the shareholders who can exercise their voting rights.

Status of Outside Directors

1 Outside Directors

The Company has appointed four outside directors—Atsushi O'haru, Masanobu Iizuka, Satoshi Ohoka, and Kanako Osawa. Two of these outside directors—Satoshi Ohoka and Kanako Osawa—are Audit & Supervisory Committee members.

Name	Human, Financial, and Business Relationships and Other Shared Interests between the Outside Directors and the Company	Reason for Appointment
Atsushi O'haru	There are no particular shared interests between the Company and Atsushi O'haru, but Nippon Paper Industries Co., Ltd., where he serves as an executive officer, is a major trading partner of the Company, which purchased ¥2,195 million worth of raw materials from and sold ¥35 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2019). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (30.10% of the total number of Company shares outstanding excluding treasury stock) on March 31, 2019.	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 sales division, Atsushi O'haru is able to strengthen the Company's Board of Directors' supervisory function. Therefore, he has been appointed as an outside director.
Masanobu Iizuka	There are no particular shared interests between the Company and Masanobu Iizuka, but Nippon Paper Industries Co., Ltd., where he serves as an executive officer, is a major trading partner of the Company, which purchased ¥2,195 million worth of raw materials from and sold ¥35 million worth of products to Nippon Paper (both results from the fiscal year ended March 31, 2019). In addition, Nippon Paper is a major shareholder in the Company; its holding amounted to 21,737,792 shares (30.10% of the total number of Company shares outstanding excluding treasury stock) on March 31, 2019.	By utilizing knowledge and experience from his directorship experience at Nippon Paper Industries Co., Ltd., and its subsidiaries, and his many years of business experience in this company's production divisions, Masanobu Iizuka is able to strengthen the Company's Board of Directors' supervisory function. Therefore, he has been appointed as an outside director.
Satoshi Ohoka	There are no particular shared interests between the Company and Satoshi Ohoka.	By utilizing his long years of policy-based finance experience, his rich international experience, his specialist academic experience, and his knowledge and experience gained as an outside director in industries different to that of the Company, Satoshi Ohoka is able to strengthen the audit and supervisory functions of the Company's Board of Directors. Therefore, he has been appointed as a director serving as an Audit & Supervisory Committee member. He is also designated as an independent officer based on the criteria stipulated by the Tokyo Stock Exchange, Inc. (TSE).
Kanako Osawa	There are no particular shared interests between the Company and Kanako Osawa.	By utilizing her specialist expertise and extensive knowledge gained as an attorney, along with the knowledge and experience gained through her career in corporate legal affairs both at home and abroad, Kanako Osawa is able to strengthen the audit and supervisory functions of the Company's Board of Directors. Therefore, she has been appointed as a director serving as an Audit & Supervisory Committee member. She is also designated as an independent officer based on the criteria stipulated by the TSE.

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

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

3 Outside Directors' Supervision, Audits, and Internal Audits; 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.

Status of Audits

1 Status of Audit & Supervisory Committee Audits

The Company's Audit & Supervisory Committee comprises three directors serving as Audit & Supervisory Committee members, of whom two 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 member Hiroshi Okada has considerable knowledge of finance and accounting, having gained many years of experience in his roles at the Company's administrative and audit divisions.

2 Status of 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.

→P54 Diagram 

3 Status of Accounting Audits →P54 Diagram

• Name of audit firm

Ernst & Young ShinNihon LLC

Note: As of July 1, 2018, Ernst & Young ShinNihon LLC changed its name from ShinNihon LLC.

• Certified public accountants who executed the audit

Designated limited liability partner	Koichi Taniguchi
Designated limited liability partner	Tsuyoshi Kawamura

• Composition of the group of assistants involved with the audit

In regard to the composition of the group of assistants involved with the audit, there were 8 certified public accountants and 32 people who have passed accountant examinations.

• Selection policy and reason for audit firm

Each period, the Audit & Supervisory Committee conducts an evaluation in accordance with the standards for evaluation and selection of the independent auditor. The independent auditor is selected based on a comprehensive assessment of the independent auditor's independence, internal control system, audit plans, audit methods and results, and the status of execution of audit duties.

The Audit & Supervisory Committee may dismiss the independent auditor in any of the cases stipulated in Article 340, Paragraph 1 of the Companies Act, based on the agreement of all Audit & Supervisory Committee members. In that event, an Audit & Supervisory Committee member selected by the Audit & Supervisory Committee will provide a report of the dismissal and the reason for the dismissal at the first General Meeting of Shareholders convened after the dismissal.

In addition, in the event that the Audit & Supervisory Committee, with consideration for the status of the implementation of the independent auditor's duties, the Company's audit system, etc., determines that it is necessary to change the independent auditor, then the Audit & Supervisory Committee may decide the details of a proposal to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the independent auditor.

• Evaluation of the audit firm by the Audit & Supervisory Committee

In accordance with the standards for evaluation and selection of the

independent auditor, the Audit & Supervisory Committee will conduct evaluations from the perspective of the audit firm's quality control; audit team; audit compensation, etc.; communications with the Audit & Supervisory Committee; relationship with senior executives, etc.; Group audits, and misconduct risk.

4 Details of Audit Remuneration, Etc.

The Company has adopted transitional measures for Points of Attention Concerning Preparation of Form 2 (56) d (f), items (i) through (iii), from the revised "Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc." reflecting the revision enforced by "Cabinet Office Ordinance for Partial Revision of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc." (Cabinet Office Ordinance No. 3, January 31, 2019).

• Remuneration of the independent auditor, etc.

(Millions of yen)

Category	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
	Remuneration for audit services	Remuneration for non-audit services	Remuneration for audit services	Remuneration for non-audit services
LINTEC	97	0	88	0
Consolidated subsidiaries	—	—	—	—
Total	97	0	88	0

Note: The remuneration for non-audit services paid by the Company to the independent auditor, etc. in the fiscal year ended March 31, 2018 and 2019, was compensation for officer training.

• Other significant remuneration

The following 12 consolidated subsidiaries of the Company paid audit remuneration to Ernst & Young, which is a part of the same network as the Company's independent auditor, etc.

LINTEC SINGAPORE PRIVATE LIMITED
 LINTEC INDUSTRIES (MALAYSIA) SDN. BHD.
 LINTEC INDUSTRIES (SARAWAK) SDN. BHD.
 LINTEC EUROPE B.V.
 LINTEC (THAILAND) CO., LTD.
 LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD.
 LINTEC VIETNAM CO., LTD.
 LINTEC HANOI VIETNAM CO., LTD.
 LINTEC INDIA PRIVATE LIMITED
 PT. LINTEC JAKARTA
 LINTEC KUALA LUMPUR SDN. BHD.
 LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED

• Policy for determination of audit remuneration

In regard to audit remuneration for the Company's independent auditor, etc., an amount estimated from the number of planned audit days, etc., is decided with the approval of the Company's Audit & Supervisory Committee.

• **Reason for agreement to the independent auditor's remuneration, etc., by the Audit & Supervisory Committee**

The reason the Company's Audit & Supervisory Committee agreed to the remuneration, etc., for the independent auditor proposed by the Board of Directors, pursuant to Article 399, Paragraph 1 and Paragraph 3 of the Companies Act, is that the Audit & Supervisory Committee judged it to be appropriate following necessary verification by the Audit & Supervisory Committee of the details of the independent auditor's audit plan, the status of execution of the accounting audits, and the basis for the calculation of the audit remuneration.

Remuneration of Corporate Officers

1 Policy Regarding Decisions on Amounts of Director Remuneration

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

The remuneration of the Company's directors (excluding outside directors and Audit & Supervisory Committee members) consists of the following.

(1) Basic remuneration

- Fixed amounts paid based on rank
- The total amount paid does not exceed ¥420 million

(2) Bonuses

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

(3) Restricted stocks

- Long-term incentives to contribute to increasing the Company's corporate value and share price provided by the allotment of restricted stocks
- The total amount paid does not exceed ¥60 million

The amounts of remuneration are decided by the Board of Directors in accordance with the Company's internal rules on director remuneration, within totals approved at the 124th Annual General Meeting of Shareholders held on June 21, 2018.

The Corporate Governance Committee has been established as an advisory body for the Board of Directors (excluding Audit & Supervisory Committee members) on matters regarding evaluations of directors and decisions on remuneration for directors with the aim of improving objectivity and transparency. This body provides advice and makes suggestions. [→P54 Diagram 13](#)

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

This is decided by the Board of Directors in accordance with the Company's internal rules on director remuneration and within totals approved at the General Meeting of Shareholders.

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

This is decided through deliberations by the Audit & Supervisory Committee members, in accordance with the Company's internal rules on director remuneration and within totals approved at the General Meeting of Shareholders.

2 Total Remuneration by Corporate Officer Type

(Millions of yen)

Corporate officer type	Total remuneration	Total remuneration by type			Number of people receiving remuneration
		Basic remuneration	Restricted stocks	Bonuses	
Directors (excluding Audit & Supervisory Committee members and outside directors)	402	288	38	74	11
Directors (Audit & Supervisory Committee members) (excluding outside directors)	19	19	—	—	1
Outside officers	21	21	—	—	4

Policy on Holdings of Capital Tie-Up Shares

The Company views the establishment and maintenance of stable, long-term relationships with business partners as a matter of importance. For this reason, shares of business partners are held strategically based on a comprehensive evaluation of factors such as the Company's business relationship with the partner in question. The Company only acquires such shares when increasing trust and coordination with the business partner is judged as an effective means of mutually raising corporate value. These holdings are reviewed based on this perspective when necessary, and consideration is given to reducing them. In exercising voting rights, in regard to proposals made by business partners, the Company comprehensively considers whether or not a proposal will contribute to improved shareholder value.

Stockholdings

1 Criteria for and Approach to the Classification of Investment Shares

The Company classifies investment stocks held with the objective of receiving profits through stock price fluctuations or stock-related dividends as stocks held for pure investment purposes, and other stocks as investment stocks held for purposes other than pure investment (Capital Tie-Up Shares).

2 Stocks Held for Purposes other than Pure Investment

• **Number of issues and amount recorded on balance sheet**

(Millions of yen)

	Number of issues (issues)	Total amount recorded on balance sheet
Unlisted shares	15	60
Shares other than unlisted shares	27	1,594

• Information related to number of shares, amount recorded on balance sheet, etc., for specified investment shares and deemed shareholdings, by issue

Specified investment shares (top 10 issues)

(Millions of yen)

Issue	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Purpose of holding, quantitative effects of holding, and reasons for increase in the number of shares	Whether or not investee holds shares of the Company
	Number of shares (shares)	Number of shares (shares)		
Toray Industries, Inc.	1,160,000	1,160,000	To maintain and strengthen business relationships	Yes
	820	1,167		
Fujipream Corporation	936,000	936,000	Same as above	No
	270	361		
Mitsubishi UFJ Financial Group, Inc.	159,710	159,710	Same as above	Yes
	87	111		
KING JIM CO., LTD.	76,630	76,630	Same as above	Yes
	66	78		
IMURA ENVELOPE CO., INC.	100,000	100,000	Same as above	Yes
	65	52		
Soken Chemical & Engineering Co., Ltd.	35,100	35,100	Same as above	Yes
	56	92		
Mizuho Financial Group, Inc.	206,950	206,950	Same as above	Yes
	35	39		
ASAHI PRINTING CO., LTD.	30,430	27,185	Same as above*	No
	33	34		
OZU CORPORATION	16,123	15,751	Same as above*	No
	31	35		
Arisawa Mfg. Co., Ltd.	35,431	35,431	Same as above	No
	28	34		

* The reason for the increase in the number of shares was the acquisition of shares through the company's stock ownership association.

Takeover Defense Measures

The Company has not introduced takeover defense measures. However, in regard to persons who are engaging in or aim to engage in a large-scale purchase of the Company's stock, the Company will act from the perspective of securing its corporate value and the common interests of its shareholders. From that perspective, the Company will request that persons who are engaging in or aim to engage in a large-scale purchase provide necessary and sufficient information to allow the shareholders to appropriately determine the pros and cons of the large-scale purchase in accordance with relevant laws and regulations. At the same time, the Company will disclose the opinions of the Board of Directors and endeavor to secure necessary time and information for the shareholders to consider such large-scale purchase. Further, if it is rationally judged that there is a risk of damage to the Company's corporate value and the common interests of shareholders unless timely defensive measures are implemented to address a large-scale purchase, the Company will endeavor to secure its corporate value and the common interests of its shareholders, as an obvious obligation of the Board of Directors entrusted with management of the Company by its shareholders, by promptly deciding the content of the concrete measures deemed most appropriate at the time in accordance with the relevant laws and regulations and executing such measures.

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.
- (2) The Public Relations Office, Finance & Accounting Dept., General Affairs & Legal Dept., and Corporate Strategic Office will play a central role in advancing the Company's various IR activities. Relevant divisions pursue close coordination with these offices and departments, exchanging information on a daily basis and meeting with members of senior management as appropriate to share necessary information.
- (3) In addition to individual meetings, the Company's IR activities include regular briefings on financial results and medium-term business plans, visits to overseas investors, participation in IR conferences at which overseas investors gather, facility tours, business explanatory forums, and Company briefings for individual investors. We seek to expand the range of information provided to domestic and overseas shareholders and other investors by publishing shareholder newsletters and integrated 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.

Discussion Among the President and Independent Officers



Hiroyuki Nishio

Representative Director,
President, CEO and COO



Satoshi Ohoka

Outside Director / Audit &
Supervisory Committee Member



Kanako Osawa

Outside Director / Audit &
Supervisory Committee Member

Aiming to Strengthen Corporate Governance and Realize Sustained Growth

In 2015, LINTEC transitioned to the Company with Audit & Supervisory Committee system of corporate governance. Since that time, two outside directors (Audit & Supervisory Committee members) who are independent officers have fulfilled the important duties of strengthening the supervision of the Board of Directors and increasing its effectiveness. In addition, in 2018, we established the Corporate Governance Committee, which is composed of the President and the independent officers and acts as an advisory body to the Board of Directors. In regard to officer remuneration, appointment, and dismissal, the Committee offers advice and opinions to the Board of Directors and works to further enhance objectivity and transparency.

Mr. Satoshi Ohoka and Ms. Kanako Osawa, who are members of the Corporate Governance Committee, met with President Hiroyuki Nishio to discuss LINTEC's corporate governance issues, the future direction of Company management, and other matters. This section introduces their discussion.

Satoshi Ohoka

Joined Japan Development Bank in 1975. Worked in guidance policy finance for many years, including becoming Deputy Director General, Development Bank of Japan (currently Development Bank of Japan Inc.) in 2002. Became an Outside Director of the Company in 2012, and Outside Director (Audit & Supervisory Committee Member) in 2015. Since 2018, has worked concurrently as chair of the Company's Corporate Governance Committee.

Kanako Osawa

Certified as an attorney and joined Kajitani Law Offices in 1998. Admitted to practice law in the State of New York, U.S., in 2005. Involved in corporate law in Japan and overseas. Became an Outside Director of the Company (Audit & Supervisory Committee Member) in 2015. Since 2018, has worked concurrently as a member of the Company's Corporate Governance Committee.

Utmost Sincerity —The Foundation of Governance

Nishio These days, corporate misconduct is a frequent occurrence. I believe that compliance is a fundamental premise of business activities, and that daily operations must be conducted in a serious and sincere manner. I have always called on employees to implement the Company motto—Sincerity and Creativity. Nevertheless, an objective, external viewpoint is necessary to identify and address issues and areas requiring improvement that Company insiders do not notice on their own.

We are regularly receiving valuable comments from our two independent officers, and today I would like to continue that practice with a frank discussion.

Ohoka I think that the word “sincerity” in the Company motto is the essence of LINTEC’s well-established corporate culture. In recent years, many companies have faced issues in complying with the corporate governance code. For LINTEC, however, the spirit of “sincerity” has been embraced throughout the Company, and compliance with the code is simply a part of everyday activities.

Osawa I also believe that everyone at LINTEC is working very seriously to follow the Company motto. Top management has strongly stressed the implementation of the motto, and an awareness of the issues has spread throughout the Company. It seems that LINTEC is carrying out a distinctive form of management with rigorous compliance. The corporate governance code itself does not involve penalties. I have a sense that LINTEC is addressing the objectives of the corporate governance code by working from the basic level of the motto to independently reconsider issues that are significant for the Company. On that basis, the Company is tackling those issues one by one in a conscientious manner.

Effectiveness of the Board of Directors is Enhanced by Outside Officers

Nishio As independent officers, what are your thoughts about the composition of the Company’s officers from the perspective of governance?

Ohoka There is a viewpoint that the number of independent officers should be increased, but personally I am not aware of any particular problems with the current situation. However, in LINTEC’s case, I have a sense that perhaps it might be a good idea to reconsider the division of duties among the directors and executive officers and to reevaluate the overall size of the Board. Then, I think there is a need to discuss the number of independent officers.

Osawa Currently, when I am expressing my opinion in meetings of the Board of Directors, I am very reassured by the presence of another independent officer. In brief, Mr. Ohoka and I are both independent officers, but we have very different backgrounds. Accordingly, there are times when my understanding is enhanced when I hear Mr. Ohoka’s opinion. In addition, there are two outside officers who, although they are not independent, are providing opinions from diverse viewpoints.

Ohoka Based on my experience up to this point as an outside director at another company for more than 20 years, if two outside directors express the same objective opinion, then it is easy to obtain the agreement of the inside officers. From the perspective of ensuring the objectivity of communications, a larger number of people might be desirable, but as stated by Ms. Osawa, the Company’s non-independent outside officers offer opinions with the same degree of objectivity as ours, and as such I believe that the current system of four outside directors is functioning well.



I think that the word “sincerity” in the Company motto is the essence of LINTEC’s well-established corporate culture.

Discussion Among the President and Independent Officers



I think that how to develop global human resources and how to strengthen governance at overseas subsidiaries will become major questions.

Osawa

I think that the composition of the Board of Directors is an eternal issue. I understand the principles of streamlining the Board of Directors overall, and separating management and execution, and there are companies for which those principles actually function effectively. However, LINTEC's businesses extend over a wide range of fields, and accordingly this requires thorough consideration.

Nishio

From June 2019, our Board of Directors was reduced by one person, and from this point, I would like to consider the optimal composition of the Board, including further reductions in numbers and increases in independent officers. Also, what are your thoughts about the atmosphere at meetings of the Board of Directors? Do you think that the atmosphere makes it easy for outside officers to express their opinions?

Ohoka

Up to this point, I have freely communicated my opinions from an external viewpoint, and inside officers have indicated to me that "just the presence of outside directors makes a difference." Basically, our role is to rigorously monitor company management and to provide appropriate opinions whenever necessary. I formerly worked at a bank in the areas of company and asset analysis, and to a certain extent I also studied international corporate competitiveness in an age of globalization. As a result of this experience, I work to communicate any points that I have noticed or doubts that I have.

Osawa

When I ask inside officers at other companies, they say there is a certain degree of tension, in a positive sense, about working with outside directors. For example, they may feel that they have to explain carefully, and wonder if they can answer questions accurately. In my case, I am called on to provide specialist opinions as an attorney involved in M&A and corporate legal affairs. In addition, with the same line of sight as investors, I ask rudimentary questions to insiders, such as inquiries regarding the reasons for something or the balance of investment risk and return. I think that drawing out satisfactory explanations in this way is also an important role.

Nishio

In the past, there were cases in which plans and proposals were presented at meetings of the Board of Directors without the provision of sufficient information. However, the two of you have always pointed that out, and I think there has been considerable improvement. On many occasions, I heard a variety of comments and I felt that something had been brought to my attention again, or that we had been missing something in regard to that point.

Osawa

I hope that our comments serve as a starting point for the exchange of opinions among inside officers in ways that transcend the boundaries between business units. That is the manner in which those discussions should function, and I would like to see our comments "prime the pump" for those discussions.

Ohoka

Following thorough discussions, the final decisions should be made by President Nishio, as the chair of the Board of Directors and the management leader.

Targeting Sustained Growth

Nishio

Moving forward, what, in particular, do you think will be necessary in order for the Company to realize sustained growth?

Ohoka

I think it will be steady progress in global management. To that end, it will be necessary to nurture global human resources and implement appropriate management at overseas subsidiaries. After that, the relative weight of overseas businesses is increasing, and in this setting it will be necessary to pay careful attention to risk management in local regions. I think there will be a need to advance strategic global business initiatives while carefully addressing these issues.

Osawa

I agree. With the domestic market maturing, overseas sales growth will be essential. Accordingly, I think that how to develop global human resources and how to strengthen governance at overseas subsidiaries will become major questions.

Nishio

In regard to human resources development, the shortest route will be to aggressively post employees to overseas locations so that they can acquire experience. I would like to see the establishment of a system for rapidly yet steadily identifying risks while posting Japanese staff to overseas locations and leveraging the regional headquarters.

Ohoka

If I were to offer one more point, it is R&D. The Company has advanced analytical instruments, large-scale pilot coaters, and a solid organizational structure, and moving forward, there will be a need to maintain the focus on R&D and to continually launch new products that are highly profitable.

Osawa

Last year, I visited LINTEC EUROPE B.V. in the Netherlands, where I had the opportunity to ask about sales activities in Europe. This company is not that large, and it has achieved a certain degree of results by focusing on expanding sales of high-value-added products, which are a strength of the LINTEC Group. I have the feeling that systems using LINTEC's solid technical capabilities to provide strong support for bases of this type will make it possible for LINTEC to achieve further growth overseas.

Nishio

We currently have more than 200 research staff, and we have assigned a large number of staff members to overseas bases. Each year we are investing approximately ¥8.0 billion in R&D. This investment is indispensable for future growth, and we would like to continue to increase it in the future. We often hear comments from investors that we should invest because we have ample funds. We are not in any way avoiding investment due to a fear of risk. A major premise of our policy is that if the expected effects are greater than the risks, we will aggressively invest, including technical alliances and M&A.

In regard to risk, in 2018 we were made aware of business risks resulting from climate change, especially in Japan, where we had record-setting heat, localized heavy rains, and large-scale typhoons. We are entering an era that will require environmental consideration initiatives, such as global warming countermeasures to address climate change.

Ohoka

Materials derived from petroleum account for a large percentage of the raw materials used in LINTEC's products, and as such it will first be important to reduce resource use per unit of production. In this regard, the Company has been working extremely hard on a Companywide project for several years. At the monthly management meetings, which include the participation of the executive officers, there are always reports on the progress being made at each plant. These types of initiatives could be called a matter of course for a manufacturer, but they are simultaneously both environmental countermeasures and a means of reducing costs. I think the Company is doing a good job in aggressively advancing the development of products that contribute to the reduction of environmental burdens while strengthening collaboration with overseas subsidiaries.

Osawa

Looking at facilities, each plant proposes plans for investments to reduce environmental burdens, and the Company appropriately implemented on a Companywide basis. Initiatives from the CSR perspective of environmental friendliness are combined with initiatives to reduce costs from the perspective of increasing price competitiveness. That approach seems to be an integral part of management strategies. Also, with natural disasters increasing as a result of climate change, the Company has also prepared business continuity plans to ensure a stable supply of LINTEC products. I think that measures to address risk are progressing.

Nishio

Currently, we are planning a series of capital investments to reduce CO₂ emissions, and we have already started to implement some of them. In the future, we will continue to advance management strategies that incorporate the SDGs, including these types of environmental countermeasures, and aim to achieve both business growth and a sustainable society.

Today I received candid opinions on a wide range of topics. Thank you.

We will continue to advance management strategies that incorporate the SDGs and aim to achieve both business growth and a sustainable society.



Corporate Officers As of June 20, 2019

Representative Director, Chairman and CEO

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



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

Representative Director, President, CEO and COO

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



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

Director, Managing Executive Officer

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



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

Director, Managing Executive Officer

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



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

Director, Managing Executive Officer

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



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

Director, Managing Executive Officer

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



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

Director, Managing Executive Officer

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



Apr. 1979 Joined the Company
Apr. 2013 Executive Officer, Executive General Manager, Industrial & Material Operations, Business Administration Div.
Apr. 2019 Director, Managing Executive Officer, Deputy Executive General Manager, Business Administration Div., Executive General Manager, Industrial & Material Operations (current position)

Director, Senior Executive Officer

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



Apr. 1978 Joined the Company
Apr. 2013 Executive Officer, Plant Manager and Manager, Fine & Specialty Paper Production Dept., Kumagaya Plant, Production Div.
Apr. 2019 Director, Senior Executive Officer, Deputy Executive General Manager, Production Div., Plant Manager, Kumagaya Plant (current position)

Director, Senior Executive Officer

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



Apr. 1980 Joined the Company
Apr. 2013 Executive Officer, Plant Manager, Chiba Plant, Production Div.
Apr. 2019 Director, Senior Executive Officer, Deputy Executive General Manager, Production Div., Plant Manager, Tatsuno Plant (current position)

Outside Director

Atsushi O'haru (Date of Birth: Jun. 14, 1958)



Apr. 1983 Joined Jujo Paper Co., Ltd.
Jun. 2015 Executive Officer, General Manager, Business Communication Paper Sales Div., Nippon Paper Industries Co., Ltd.
Jun. 2016 Executive Officer, General Manager, Printing Paper Sales Div., Nippon Paper Industries Co., Ltd. (current position)
Jun. 2019 Outside Director of the Company (current position)

Outside Director

Masanobu Iizuka (Date of Birth: Jan. 17, 1960)



Apr. 1984 Joined Jujo Paper Co., Ltd.
Jun. 2017 Executive Officer, General Manager, Hokkaido Mill, Nippon Paper Industries Co., Ltd. (current position)
Jun. 2019 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 Director / Audit & Supervisory Committee Member

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



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

Outside Director / Audit & Supervisory Committee Member

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



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

Senior Executive Officers

Toru Onishi

Plant Manager, Mishima Plant, Production Div.

Norio Murata

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

Shigeru Uematsu

General Manager, Public Relations Office

Yutaka Iwasaki

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

Executive Officers

Masahiro Oshima

President, LINTEC USA HOLDING, INC.

Sumio Morimoto

President, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED

Tatsuya Tsukida

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

Toshimi Sugaya

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

Hiroyuki Matsuo

Plant Manager, Agatsuma Plant, Production Div.

Takeshi Kaiya

Executive General Manager, Advanced Materials Operations, Business Administration Div. and Manager, QMS Management Office

Masaaki Yoshitake

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

Yoichi Shibano

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

Naoshi Nishikado

General Manager, Corporate Strategic Office

Kinya Mochida

General Manager, New Project Planning Office, Business Administration Div.
Chairman, LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC.

Satoru Shoshi

Executive General Manager, Optical Products Operations, Business Administration Div. and General Manager, Functional Materials Dept.

IR Activities

LINTEC aims to support the formation of an appropriate stock price through timely, suitable information disclosure. To that end, the Company conducts a variety of IR activities for institutional investors, securities analysts, and individual investors.

Dialog With Institutional Investors and Securities Analysts

For institutional investors and securities analysts in Japan, we conduct financial results briefings twice per year. We also conduct quarterly IR meetings and respond to requests for information. For overseas institutional investors, we work to promote understanding of the Company through telephone conferences, meetings at IR events in Japan that are held by securities companies, and other means.



Meeting at an IR event for overseas institutional investors

Details of Activities in the Fiscal Year Ended March 31, 2019

Number of institutional investors and securities analysts with whom individual meetings were held	Total of approximately 150 companies
Financial results briefings for institutional investors and securities analysts	2 times
Participation in IR events held by securities companies	3 times
Plant tours for institutional investors	1 time

Issuing Shareholder Newsletter

Four times per year, we issue the LINTEC WAVE shareholder newsletter and deliver it to shareholders. We periodically implement a reader questionnaire in the newsletter, and we reflect the feedback received in newsletter production and IR activities.



LINTEC WAVE shareholder newsletter

Enhancing Information Provision Through IR Website

From the viewpoint of fair disclosure, the Company provides information through Japanese-language and English-language IR websites, and we are working on a daily basis to update the information and enhance the content.

External Evaluations

• Daiwa Investor Relations Co., Ltd.

2018 Internet IR Awards

Commendation Award

• Nikko Investor Relations Co., Ltd.

Fiscal 2018 All Japanese Listed Companies' Website Ranking

AAA Website

• Morningstar Japan K.K.

Gomez IR Site Ranking 2018

Silver Prize



Information about Ratings and Indexes

Ratings (As of August 2019)

Long-term bonds

- Rating and Investment Information, Inc. (R&I): A
- Japan Credit Rating Agency, Ltd. (JCR): A+

Short-term bonds

- Rating and Investment Information, Inc. (R&I): a-1
- Japan Credit Rating Agency, Ltd. (JCR): J-1

Status of inclusion in indexes: (as of August 2019)

- TOPIX Mid 400 / TOPIX 500 / TOPIX 1000
- Nikkei Stock Index 300 / Nikkei JAPAN 1000
- S&P/JPX Carbon Efficient Index
- MSCI Japan ESG Select Leaders Index



THE INCLUSION OF LINTEC CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF LINTEC CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Company History

1927	April	FUJI SHOKAI was established in Sugamo, Tokyo Started production and sales of gummed tape for packaging
1931	August	FUJI SHOKAI was reorganized and FUJI GOMEI KAISHA was established (relocated to Itabashi, Tokyo)
1934	October	FUJI GOMEI KAISHA was reorganized and FUJI SHIKO CORPORATION was established
1960	March	Started production and sales of adhesive papers for labels and later commenced production and sales of adhesive films
1972	March	Started production and sales of labeling machines
1984	October	Company name was changed to FSK CORPORATION
1986	July	Listed on 2nd section of Tokyo Stock Exchange Developed UV curable dicing tape and made full-scale entry into the semiconductor-related product field
1987	September	MADICO, INC., became a subsidiary in the U.S.
1989	March	Approved for listing on 1st section of Tokyo Stock Exchange
1990	April	Merged with SHIKOKU PAPER CO., LTD., and SOHKEN KAKO CO., LTD., and company name was changed to LINTEC Corporation Expanded range of business activities from the fields of adhesive papers and films and related equipment to include specialty papers and release papers and films
1991		Made full-scale entry into the LCD-related product field
1994	May	PT. LINTEC INDONESIA was established
1995	January	MODERN PLASTIC INDUSTRIES CO., LTD., became a subsidiary (merged in April 1996)
	April	LINTEC SINGAPORE PRIVATE LIMITED was established
	April	LINTEC EUROPE B.V. was established
	December	Construction of new building at the Research Center
1999	March	LINTEC INDUSTRIES (SARAWAK) SDN. BHD. was established
2000	April	LINTEC INDUSTRIES (MALAYSIA) SDN. BHD. was established
	July	LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC. was established
2001	December	LINTEC ADVANCED TECHNOLOGIES (KOREA), INC. was established
2002	June	LINTEC (SUZHOU) TECH CORPORATION was established
	August	LINTEC SPECIALITY FILMS (KOREA), INC., was established
2003	June	LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC. was established
	August	LINTEC SPECIALITY FILMS (TAIWAN), INC., was established
	October	LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH was established
2004	February	LINTEC ADVANCED TECHNOLOGIES (SHANGHAI), INC. was established
	August	LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD. was established
	September	LINTEC KOREA, INC., was established
2009	June	LINTEC VIETNAM CO., LTD. was established
2010	August	Completed reconstruction work at the Tatsuno Plant
2011	June	LINTEC (THAILAND) CO., LTD., was established
2012	November	LINTEC INDIA PRIVATE LIMITED was established
2013	December	Nano-Science & Technology Center was established
2015	January	LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED was established
	May	Construction of Advanced Technology Building at the Research Center
2016	October	VDI, LLC, became a subsidiary in the U.S.
	November	LINTEC GRAPHIC FILMS LIMITED,* became a subsidiary in the United Kingdom *Currently LINTEC EUROPE (UK) LIMITED
	December	MACTAC AMERICAS, LLC, became a subsidiary in the U.S.

Financial Section

P 71	Management's Discussion and Analysis
P 73	Operating Risks
P 74	Financial Summary
P 76	Consolidated Balance Sheet
P 78	Consolidated Statement of Income / Consolidated Statement of Comprehensive Income
P 79	Consolidated Statement of Changes in Net Assets
P 80	Consolidated Statement of Cash Flows
P 81	Notes to Consolidated Financial Statements
P103	Management's Report on Internal Control over Financial Reporting
P104	Report of Independent Auditors

Management's Discussion and Analysis

Revenues and Expenses

In the fiscal year ended March 31, 2019, LINTEC achieved a new record high in consolidated net sales for the second consecutive year. However, in Japan, sales of our mainstay adhesive products for labels were weak due to the influence of natural disasters and a severely hot summer. In addition, the semiconductor market was sluggish in the second half of the fiscal year. As a result, net sales recorded only a small amount of growth overall, rising 0.8% year on year, to ¥250.9 billion. Operating income was down 10.5% year on year, to ¥18.0 billion, as a result of such factors as higher prices for raw materials and fuel, centered on pulp. Profit before income taxes rose 10.0% year on year, to ¥18.3 billion in the fiscal year under review, due in part to the extraordinary losses recorded in the previous fiscal year, which included provision for business structure improvement of ¥1.0 billion and impairment loss of goodwill of ¥1.0 billion, both of which were related to U.S. subsidiaries. Income taxes following the application of tax effect accounting were ¥5.4 billion, and profit attributable to owners of parent rose 14.9%, to ¥12.9 billion.

Net income per share increased from ¥156.02 in the previous fiscal year to ¥179.24, and ROE rose from 6.2% to 6.9%.

Performance by Business Segment

Printing and Industrial Materials Products

In Printing & Variable Information Products Operations, looking at adhesive products for labels, in Japan products for the home delivery and mail-order businesses enjoyed solid demand, as did eye-catching labels for cosmetics and other products. However, sales of products for food- and beverage-related applications remained weak due to natural disasters and the severely hot summer in the first half of the fiscal year. Overseas, sales in the ASEAN region were firm, but demand in China was sluggish, and the strong yen had an adverse effect on the sales of U.S. subsidiaries when stated in yen.

In Industrial & Material Operations, sales of machines for the mail-order business remained firm in Japan. Overseas, sales of

motorcycle- and automobile-use adhesive products were favorable in India and the ASEAN region. In addition, sales of automobile-use window films were also firm.

As a result, the segment's net sales were up 1.0% year on year, to ¥122.9 billion, and operating income rose 23.7%, to ¥3.8 billion, due in part to improved earnings at U.S. subsidiaries.

Electronic and Optical Products

In Advanced Materials Operations, sales of semiconductor-related adhesive tapes decreased due to the effect of production adjustments in the market. Despite the effect of restraints on capital expenditures, sales of semiconductor-related equipment remained at about the same level as in the previous year. Sales of multilayer ceramic capacitor-related tapes increased, due principally to strong demand for products used in smartphones, automobiles, and servers.

In Optical Products Operations, looking at optical display-related adhesive products, sales of products for smartphones were affected by sluggish demand in the second half of the fiscal year, but sales of products for large televisions were favorable throughout the year.

As a result, the segment's net sales were up 1.6% year on year, to ¥90.3 billion, while operating income declined 6.9%, to ¥11.2 billion.

Paper and Converted Products

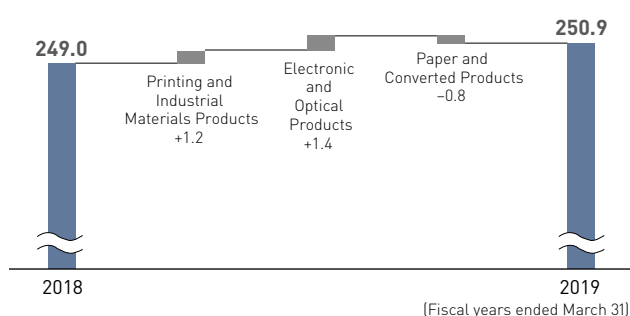
In Fine & Specialty Paper Products Operations, sales of papers for envelopes with a concealing effect and oil and water resistant papers for fast food were favorable.

In Converted Products Operations, sales of casting papers for carbon fiber composite materials were favorable, but sales of release papers for general-use adhesive products and for electronic materials were sluggish.

As a result, the segment's net sales were down 2.0% year on year, to ¥37.7 billion, while operating income declined 40.5%, to ¥3.0 billion, due to higher prices for raw materials and fuel, centered on pulp.

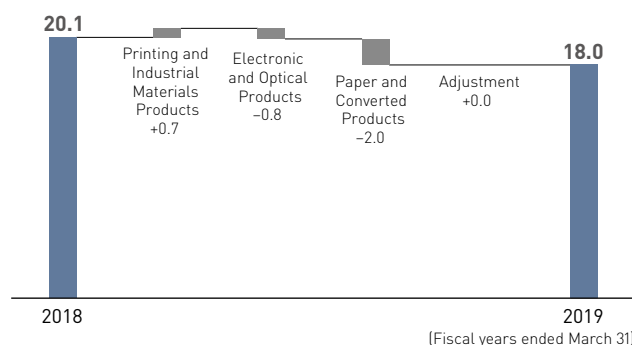
Net Sales

¥ Billion



Operating Income

¥ Billion



Management's Discussion and Analysis

Financial Position

Assets

Total assets as of March 31, 2019, were ¥290.3 billion, a decrease of ¥2.4 billion from the end of the previous fiscal year. The main changes were as follows:

· Cash and deposits	+¥3.5 billion
· Trade notes and accounts receivable	–¥3.1 billion
· Inventories	+¥2.2 billion
· Goodwill	–¥3.8 billion

Liabilities

Total liabilities as of March 31, 2019, were ¥100.1 billion, a decrease of ¥6.2 billion from the end of the previous fiscal year. The main changes were as follows:

· Trade notes and accounts payable	–¥1.8 billion
· Long-term loans payable	–¥2.8 billion
· Net defined benefit liability	+¥1.8 billion
· Current liabilities—Other	–¥2.8 billion

Net Assets

Net assets as of March 31, 2019, were ¥190.2 billion, an increase of ¥3.8 billion from the end of the previous fiscal year. The main changes were as follows:

· Retained earnings	+¥7.7 billion
· Foreign currency translation adjustments	–¥3.0 billion

Cash Flows

Cash and cash equivalents as of March 31, 2019, amounted to ¥58.3 billion, an increase of ¥3.3 billion year on year.

Cash Flows from Operating Activities

Cash flows from operating activities decreased ¥4.0 billion year on year, to a cash inflow of ¥22.9 billion. The principal movements were as follows:

· Profit before income taxes	+¥1.7 billion
· Trade notes and accounts receivable	+¥7.6 billion
· Trade notes and accounts payable	–¥10.0 billion
· Impairment loss	–¥1.0 billion

Cash Flows from Investing Activities

Cash flows from investing activities decreased ¥2.8 billion year on year, to a cash outflow of ¥10.3 billion. The principal movements were as follows:

· Proceeds from withdrawal of time deposits	–¥2.1 billion
· Purchase of property, plant and equipment	–¥2.7 billion
· Proceeds from sales of property, plant and equipment	+¥0.8 billion

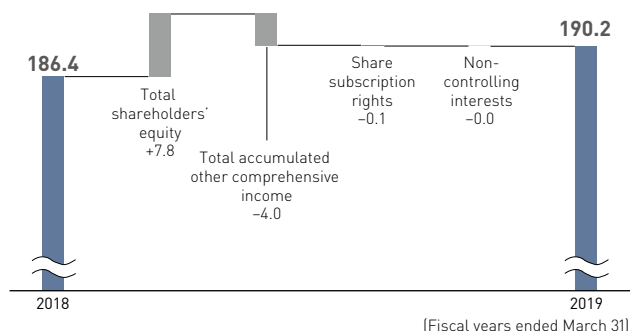
Cash Flows from Financing Activities

Cash flows from financing activities decreased ¥1.9 billion year on year, to a cash outflow of ¥8.2 billion. The principal movements were as follows:

· Short-term loans payable	–¥1.5 billion
----------------------------	---------------

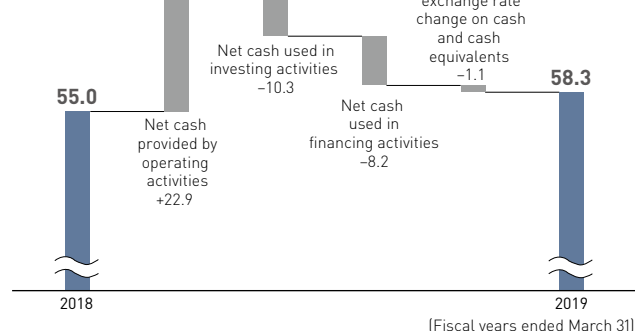
Net Assets

¥ Billion



Cash Flows

¥ Billion



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

	2019	2018	2017	2016
For the year:				
Net sales	¥250,942	¥249,030	¥205,975	¥210,501
Operating income	17,977	20,095	16,595	17,692
% of net sales	7.2%	8.1%	8.1%	8.4%
Profit before income taxes	18,338	16,666	15,398	16,799
Profit attributable to owners of parent	12,937	11,257	11,450	10,899
Return on equity	6.9%	6.2%	6.6%	6.4%
Return on assets	6.2%	6.5%	6.1%	7.4%
Per share data (yen):				
Net income	¥ 179.24	¥ 156.02	¥ 158.69	¥ 151.07
Net assets	2,625.54	2,573.69	2,465.43	2,370.49
Cash dividends	78.00	66.00	66.00	54.00
Depreciation and amortization	¥ 8,700	¥ 9,031	¥ 7,466	¥ 8,800
Purchase of property, plant and equipment	(10,768)	(8,084)	(13,049)	(9,810)
Net cash provided by operating activities	22,858	26,819	24,361	19,928
Net cash used in investing activities	(10,299)	(7,532)	(48,378)	(9,898)
Net cash provided by (used in) financing activities	(8,246)	(6,363)	5,257	(4,044)
At year-end:				
Current assets	¥175,597	¥173,593	¥151,449	¥163,647
Current liabilities	72,994	77,849	64,401	56,389
Working capital	102,603	95,744	87,048	107,258
Cash and cash equivalents	58,303	55,042	41,284	60,323
Property, plant and equipment, net	75,131	75,336	73,871	64,859
Long-term debt, less current portion	11,622	14,395	17,795	—
% of shareholders' equity	6.2%	8.0%	10.3%	—
Total assets	290,320	292,733	274,199	240,720
Net assets	190,226	186,420	178,690	172,101
% of total assets	65.3%	63.4%	64.9%	71.1%
Number of shares outstanding	76,576,340	76,564,240	76,564,240	76,564,240
Number of employees	4,888	4,794	4,760	4,246
Segment information:				
Net sales:				
Printing and Industrial Materials Products	¥122,935	¥121,691	¥85,661	¥87,638
Electronic and Optical Products	90,316	88,882	83,205	85,422
Paper and Converted Products	37,689	38,456	37,108	37,440
Segment income:				
Printing and Industrial Materials Products	3,761	3,040	1,672	2,785
Electronic and Optical Products	11,150	11,972	9,155	10,562
Paper and Converted Products	2,970	4,996	5,767	4,303

[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 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

	2015	2014	2013	2012	2011	2010
	¥207,255	¥203,242	¥190,844	¥200,905	¥212,733	¥189,348
	16,881	13,766	10,564	13,975	20,889	11,576
	8.1%	6.8%	5.5%	7.0%	9.8%	6.1%
	17,555	12,883	10,836	13,382	19,565	11,399
	11,659	8,501	7,681	8,648	13,622	7,284
	7.2%	5.8%	5.6%	6.6%	10.9%	6.2%
	7.8%	6.0%	5.2%	6.5%	9.7%	6.1%
	¥ 161.63	¥ 114.22	¥ 102.83	¥ 115.26	¥ 180.21	¥ 96.36
	2,363.81	2,100.87	1,909.57	1,766.60	1,715.78	1,596.37
	48.00	42.00	34.00	40.00	40.00	24.00
	¥ 8,713	¥10,055	¥ 10,141	¥ 10,079	¥10,178	¥10,537
	(6,299)	(5,508)	(13,823)	(8,760)	(8,237)	(7,777)
	15,485	16,309	19,619	18,910	23,307	22,259
	(5,104)	(6,952)	(13,966)	(12,262)	(9,926)	(9,253)
	(3,135)	(8,020)	(2,877)	(5,099)	(2,820)	(3,454)
	¥163,017	¥149,396	¥138,505	¥137,229	¥132,891	¥121,451
	57,058	54,820	56,911	62,075	60,465	58,654
	105,958	94,575	81,593	75,153	72,426	62,797
	56,050	44,992	40,739	36,036	35,188	25,387
	61,503	61,456	64,915	62,273	61,888	63,337
	—	—	—	—	—	54
	—	—	—	—	—	0.0%
	237,444	225,073	216,048	210,203	206,188	195,656
	171,674	152,610	143,569	132,847	130,576	121,502
	71.8%	67.3%	66.0%	62.8%	62.9%	61.7%
	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240
	4,413	4,223	4,270	4,286	4,198	4,037
	¥86,764	¥86,271	¥82,761	¥90,093	¥91,898	—
	83,207	79,139	72,352	73,874	81,155	—
	37,283	37,831	35,730	36,937	39,679	—
	2,878	2,290	2,380	5,213	7,990	—
	10,071	6,846	3,196	3,942	6,732	—
	3,996	4,645	4,980	4,846	6,129	—

Overview

Strategy

ESG

Financial Information

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
ASSETS			
Current assets:			
Cash and deposits (Notes 12, 14)	¥ 62,148	¥ 58,614	\$ 559,947
Trade notes and accounts receivable (Notes 5, 14)	69,479	72,590	625,996
Inventories (Note 3)	40,717	38,506	366,859
Other (Notes 14, 16)	3,337	3,991	30,069
Allowance for doubtful accounts	(85)	(109)	(769)
Total current assets	175,597	173,593	1,582,104
Non-current assets:			
Property, plant and equipment (Notes 4, 8, 13):			
Buildings and structures	73,023	73,701	657,932
Machinery, equipment and vehicles	126,652	125,066	1,141,118
Land	11,356	11,083	102,320
Construction in progress	5,507	5,087	49,624
Other	11,853	12,548	106,799
	228,394	227,487	2,057,796
Accumulated depreciation	(153,263)	(152,150)	(1,380,878)
Property, plant and equipment, net	75,131	75,336	676,918
Intangible assets:			
Goodwill	25,359	29,189	228,482
Other (Note 13)	2,758	3,285	24,852
Total intangible assets	28,117	32,474	253,335
Investments and other assets:			
Investment securities (Notes 14, 15)	2,217	2,743	19,981
Deferred tax assets (Note 19)	6,988	6,529	62,969
Other	2,364	2,153	21,307
Allowance for doubtful accounts	(97)	(98)	(881)
Total investments and other assets	11,473	11,328	103,376
Total non-current assets	114,722	119,139	1,033,630
Total assets	¥ 290,320	¥ 292,733	\$ 2,615,734

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
LIABILITIES AND NET ASSETS			
Current liabilities:			
Trade notes and accounts payable (Notes 5, 14)	¥ 52,873	¥ 54,678	\$ 476,383
Short-term loans payable (Notes 14, 26)	2,531	2,351	22,805
Current portion of long-term loans payable (Notes 14, 16, 26)	3,038	2,986	27,377
Accrued income taxes (Notes 14, 19)	2,429	2,889	21,886
Provision for directors' bonuses	69	89	622
Provision for business structure improvement	—	39	—
Other (Notes 14, 16, 26)	12,052	14,814	108,589
Total current liabilities	72,994	77,849	657,665
Non-current liabilities:			
Long-term loans payable (Notes 14, 16, 26)	11,622	14,395	104,718
Provision for environmental measures	112	132	1,017
Net defined benefit liability (Note 17)	14,841	13,006	133,723
Other (Note 26)	522	930	4,704
Total non-current liabilities	27,099	28,463	244,163
Total liabilities	100,094	106,312	901,829
Commitments and contingent liabilities (Note 2)			
Net assets:			
Shareholders' equity (Note 25):			
Common stock:			
Authorized: 300,000,000 shares in 2019 and 2018			
Issued: 76,576,340 shares in 2019 and 76,564,240 shares in 2018	23,220	23,201	209,214
Capital surplus	26,842	26,829	241,850
Retained earnings	145,484	137,743	1,310,786
Less: treasury stock, at cost:			
4,371,170 shares in 2019 and 4,410,239 shares in 2018	(7,642)	(7,711)	(68,861)
Total shareholders' equity	187,904	180,062	1,692,989
Accumulated other comprehensive income			
Net unrealized holding gain on securities	291	657	2,622
Foreign currency translation adjustments	5,178	8,139	46,654
Remeasurements of defined benefit plans (Note 17)	(3,796)	(3,157)	(34,209)
Total accumulated other comprehensive income	1,672	5,639	15,068
Share subscription rights (Note 18)	160	214	1,447
Non-controlling interests	488	503	4,399
Total net assets	190,226	186,420	1,713,905
Total liabilities and net assets	¥290,320	¥292,733	\$2,615,734

Financial Information

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net sales	¥250,942	¥249,030	\$2,260,946
Cost of sales	189,664	186,206	1,708,842
Gross profit	61,278	62,823	552,104
Selling, general and administrative expenses (Notes 6, 7)	43,300	42,727	390,132
Operating income	17,977	20,095	161,971
Non-operating income:			
Interest income	272	220	2,456
Dividend income	257	272	2,323
Rent income	17	16	157
Gain on sales of non-current assets	6	61	62
Insurance income	68	10	615
Foreign exchange gains	293	—	2,645
Other income	348	266	3,140
Total non-operating income	1,265	846	11,400
Non-operating expenses:			
Interest expenses	196	226	1,768
Loss on retirement of non-current assets	883	730	7,957
Compensation expenses	55	128	497
Foreign exchange losses	—	1,012	—
Other expenses	114	454	1,032
Total non-operating expenses	1,249	2,552	11,256
Ordinary income	17,993	18,389	162,115
Extraordinary gain:			
Gain on sales of non-current assets (Note 8)	345	—	3,111
Gain on sales of investment securities (Note 15)	—	343	—
Total extraordinary gain	345	343	3,111
Extraordinary loss:			
Impairment loss (Note 9)	—	1,041	—
Provision for business structure improvement (Note 10)	—	1,024	—
Total extraordinary losses	—	2,066	—
Profit before income taxes	18,338	16,666	165,227
Income taxes (Note 19):			
Current	5,445	5,410	49,066
Deferred	(29)	107	(264)
Total income taxes	5,416	5,517	48,802
Profit	12,921	11,149	116,424
Profit (loss) attributable to non-controlling interests	(15)	(108)	(140)
Profit attributable to owners of parent (Note 25)	¥ 12,937	¥ 11,257	\$ 116,565

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥12,921	¥11,149	\$116,424
Other comprehensive income (Note 11)			
Net unrealized holding gain on securities	(366)	(117)	(3,301)
Foreign currency translation adjustments	(2,963)	1,194	(26,703)
Remeasurements of defined benefit plans (Note 17)	(636)	234	(5,738)
Total other comprehensive income	(3,967)	1,311	(35,742)
Comprehensive income	¥ 8,954	¥12,460	\$ 80,681
(Comprehensive income attributable to:)			
Owners of parent	8,970	12,576	80,819
Non-controlling interests	(15)	(115)	(137)

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, 2019 and 2018

	Thousands												Millions of yen
					Shareholders' equity			Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2017	76,564	¥23,201	¥26,829	¥131,247	¥(7,714)	¥173,563	¥ 775	¥ 6,938	¥(3,392)	¥ 4,320	¥186	¥ 619	¥178,690
Changes during the year:													
Issuance of new shares						—							—
Cash dividends				(4,762)		(4,762)							(4,762)
Profit attributable to owners of parent				11,257		11,257							11,257
Purchase of treasury stock					(1)	(1)							(1)
Disposal of treasury stock			(0)		4	4							4
Net changes in items other than shareholders' equity							(117)	1,201	235	1,318	28	(115)	1,231
Total changes during the year	—	—	(0)	6,495	3	6,498	(117)	1,201	235	1,318	28	(115)	7,729
Balance as at March 31, 2018	76,564	¥23,201	¥26,829	¥137,743	¥(7,711)	¥180,062	¥ 657	¥ 8,139	¥(3,157)	¥ 5,639	¥214	¥ 503	¥186,420
Changes during the year:													
Issuance of new shares	12	19	19			38							38
Cash dividends				(5,196)		(5,196)							(5,196)
Profit attributable to owners of parent				12,937		12,937							12,937
Purchase of treasury stock					(1)	(1)							(1)
Disposal of treasury stock			(5)		69	64							64
Net changes in items other than shareholders' equity							(366)	(2,961)	(639)	(3,967)	(54)	(15)	(4,037)
Total changes during the year	12	19	13	7,741	68	7,842	(366)	(2,961)	(639)	(3,967)	(54)	(15)	3,805
Balance as at March 31, 2019	76,576	¥23,220	¥26,842	¥145,484	¥(7,642)	¥187,904	¥ 291	¥ 5,178	¥(3,796)	¥ 1,672	¥160	¥ 488	¥190,226

	Thousands												Thousands of U.S. dollars [Note 1]
					Shareholders' equity			Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2018	76,564	\$209,039	\$241,725	\$1,241,039	\$ (69,475)	\$1,622,329	\$ 5,923	\$ 73,336	\$ (28,446)	\$ 50,814	\$1,936	\$4,537	\$1,679,617
Changes during the year:													
Issuance of new shares	12	174	174			348							348
Cash dividends				(46,818)		(46,818)							(46,818)
Profit attributable to owners of parent				116,565		116,565							116,565
Purchase of treasury stock					(13)	(13)							(13)
Disposal of treasury stock			(49)		626	577							577
Net changes in items other than shareholders' equity							(3,301)	(26,682)	(5,762)	(35,745)	(489)	(137)	(36,372)
Total changes during the year	12	174	125	69,747	613	70,660	(3,301)	(26,682)	(5,762)	(35,745)	(489)	(137)	34,287
Balance as at March 31, 2019	76,576	\$209,214	\$241,850	\$1,310,786	\$ (68,861)	\$1,692,989	\$ 2,622	\$ 46,654	\$ (34,209)	\$ 15,068	\$1,447	\$4,399	\$1,713,905

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, 2019 and 2018

Thousands of
U.S. dollars
(Note 1)

	Millions of yen		
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 18,338	¥16,666	\$165,227
Depreciation and amortization	8,700	9,031	78,391
Amortization of goodwill	3,295	3,427	29,696
Increase (decrease) in net defined benefit liability	821	751	7,401
Increase (decrease) in allowance for doubtful accounts	(22)	(20)	(198)
Interest and dividend income	(530)	(492)	(4,779)
Interest expenses	196	226	1,768
Increase (decrease) in provision for business structure improvement	(38)	38	(343)
Loss (gain) on sales of property, plant and equipment	(352)	(56)	(3,173)
Loss on retirement of property, plant and equipment	257	374	2,315
Decrease (increase) in trade notes and accounts receivable	2,410	(5,229)	21,718
Decrease (increase) in inventories	(2,720)	(3,682)	(24,514)
Increase (decrease) in trade notes and accounts payable	(1,015)	8,967	(9,147)
Loss (gain) on sales of investment securities	(1)	(343)	(11)
Increase (decrease) in provision for environmental measures	(19)	(3)	(172)
Impairment loss	—	1,041	—
Other, net	(1,027)	1,444	(9,254)
Subtotal	28,293	32,143	254,922
Interest and dividend income received	530	477	4,779
Interest expenses paid	(202)	(233)	(1,824)
Income taxes (paid) refund	(5,763)	(5,568)	(51,930)
Net cash provided by operating activities	22,858	26,819	205,946
Cash flows from investing activities:			
Payments into time deposits	(7,269)	(7,631)	(65,501)
Proceeds from withdrawal of time deposits	6,000	8,098	54,062
Purchase of property, plant and equipment	(10,768)	(8,084)	(97,019)
Proceeds from sales of property, plant and equipment	944	132	8,509
Purchase of intangible assets	(151)	(123)	(1,366)
Purchase of investment securities	(4)	(4)	(40)
Proceeds from sales of investment securities	3	536	30
Proceeds from liquidation of subsidiaries	195	—	1,762
Payments of loans receivable	(21)	(24)	(189)
Collection of loans receivable	12	6	111
Purchase of shares and membership interests of subsidiaries resulting in change in scope of consolidation	—	(308)	—
Other, net	759	(129)	6,842
Net cash used in investing activities	(10,299)	(7,532)	(92,798)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	212	1,692	1,917
Repayments of long-term loans payable	(3,039)	(3,059)	(27,387)
Cash dividends paid	(5,196)	(4,762)	(46,817)
Purchase of treasury stock	(1)	(1)	(13)
Repayments of lease obligations	(221)	(232)	(1,996)
Other, net	0	0	0
Net cash provided by (used in) financing activities	(8,246)	(6,363)	(74,296)
Effect of exchange rate change on cash and cash equivalents	(1,051)	834	(9,477)
Net increase (decrease) in cash and cash equivalents	3,260	13,757	29,374
Cash and cash equivalents at beginning of year	55,042	41,284	495,925
Cash and cash equivalents at end of year (Note 12)	¥ 58,303	¥55,042	\$525,300

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, 2019

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 ¥110.99=U.S.\$1, the prevailing exchange rate as of March 31, 2019. 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, 2019 presentation.

(b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 40 significant subsidiaries as of March 31, 2019, 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 10 years) on a straight-line basis.

Investments in subsidiaries and affiliates, which are not consolidated or accounted for by the equity method, are carried at cost. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

Certain subsidiaries are consolidated on the basis of fiscal period ending December 31, which differ from that of the Company. The necessary adjustments are made to the financial statements of such subsidiaries to reflect any significant transactions from their respective fiscal year ends to March 31.

(c) Foreign currency translation

Receivables, payables and securities denominated in foreign currencies are converted into Japanese yen at the exchange rates at fiscal year-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates and the resulting translation gains or losses are included in statement of income.

In respect of the financial statement items of overseas subsidiaries, all assets and liabilities accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year-end. All income and expense accounts are translated into Japanese yen by applying the average exchange rates during the fiscal year.

Translation differences after allocating to non-controlling interest for portions attributable to non-controlling interest are reported as foreign currency translation adjustments in a separate component of net assets in the accompanying consolidated balance sheet.

(d) Investment securities

Securities with market value are stated at fair value, and changes in fair value are recorded as a separate component of net assets at an amount, net of tax, and the moving-average method is used to calculate the original cost. Securities without market value are stated at cost determined by the moving-average method.

(e) Derivatives

Derivatives are stated at fair value.

(f) Inventories

Inventories mainly apply the cost method based on the weighted-average method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

Machinery applies the cost method based on the specific identification method, which determines the amount of the inventories shown on the consolidated balance sheet by writing them down based on the decrease in their profitability.

(g) Property, plant and equipment (Excluding leased assets)

Depreciation is computed by the straight-line method over the useful lives of the respective assets.

The significant useful lives are summarized as follows:

Buildings and structures	3–50 years
Machinery, equipment and vehicles	3–17 years

(h) Intangible assets (Excluding leased assets)

Capitalized costs of software for internal use are amortized using the straight-line method over useful lives (5 years).

(i) Leased assets

Leased assets arising from finance lease transactions which transfer ownership to the lessees are depreciated as the same as the owned property, plant and equipment.

Leased assets arising from finance lease transactions which do not transfer ownership to the lessees are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the amount of estimated uncollectible accounts, based on individual collectibility with respect to identified doubtful receivables and past experience of doubtful receivables.

(k) Provision for directors' bonuses

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

(l) Accounting method for retirement benefits

(1) Method of attributing expected retirement benefits to periods

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

(2) Method of amortizing actuarial gain and loss and prior service cost

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized by the straight-line method principally over 15 years. Prior service cost is being amortized by the straight-line method principally over 15 years.

(m) Provision for environmental measures

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

(n) Accounting for consumption taxes

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

(o) Cash and cash equivalents

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

(p) Research and development costs

Research and development costs are charged to income when incurred.

(q) Income taxes

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

(r) Shareholders' equity

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

(s) Hedge accounting**(1) Hedge accounting method**

The exceptional accounting treatment (the "Tokurei-shori") is applied with respect to interest rate swaps that meet the requirements to hedge the cash flow volatility of certain foreign currency-denominated loans. The Tokurei-shori and the designated hedge accounting (the "Furiate-shori") are applied with respect to interest rate and currency swaps that meet the requirements to hedge the cash flow volatility caused by foreign exchange rate fluctuations on certain foreign currency-denominated loans.

(2) Hedging instruments and hedged items

- ① Hedging instruments.....Interest rate swaps
Hedging items.....Foreign currency-denominated loans
- ② Hedging instruments.....Interest rate and currency swaps
Hedging items.....Foreign currency-denominated loans

(3) Hedging policy

In accordance with the internal regulation, risk of fluctuations in interest rates and foreign exchange is hedged.

(4) Method of evaluating the effectiveness of hedges

The evaluation of effectiveness is omitted for interest rate swaps accounted for under the Tokurei-shori and for interest rate and currency swaps accounted for under the Tokurei-shori and Furiate-shori.

(t) Accounting standards issued but not yet applied

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 30, 2018)
- Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

This is a comprehensive accounting standard for revenue recognition.

Revenue is recognized using the following five steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the separate performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the separate performance obligations in the contract.

Step 5: Recognize revenue when the entity satisfies a performance obligation.

(2) Application schedule

These accounting standards will be adopted from the beginning of the year ending March 31, 2022.

(3) Effect of application

The amount of the impact was still being assessed when these consolidated financial statements were prepared.

• Foreign subsidiaries

Standard/Interpretation	Overview	Application schedule
IFRS 16 "Lease"	Revision to accounting treatment for lease	From the fiscal year ending March 31, 2020
ASU 2016-12 "Lease"	Revision to accounting treatment for lease	From the fiscal year ending March 31, 2021

Note: The amount of impact was still being assessed when these consolidated financial statements were prepared.

(u) Changes in Presentation

The Company and its consolidated subsidiaries have adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) (Statement No. 28) from the beginning of the year ended March 31, 2019. Accordingly, the Company adopted Statement No. 28 and changed the presentation and related notes of "19. Income Taxes", such that deferred tax assets and deferred tax liabilities are classified as part of "Investments and other assets" and "Non-current liabilities", respectively.

As a result, on the consolidated balance sheet for the fiscal year ended March 31, 2018, "Deferred tax assets" in "Current assets" decreased by ¥1,483 million while "Deferred tax assets" in "Non-current liabilities" increased by ¥1,481 million. Also, "Other" in "Current liabilities" decreased by ¥9 million while "Other" in "Non-current liabilities" increased by ¥7 million.

Due to this change, the amount of deferred tax assets and deferred tax liabilities in the same taxpayers has been offset in its presentation, and "Total assets" was decreased by ¥1 million.

The note of "19. Income Taxes" includes additional information described in explanatory notes 8 (excluding disclosure for total amount of valuation allowance) and 9 of Statement No. 28, which are prescribed in paragraphs 3 to 5 of Statement No. 28. However, those additional information corresponding to the previous fiscal year is not disclosed, following the transitional treatments prescribed in paragraph 7 of Statement No. 28.

2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥26,192 million (U.S.\$235,994 thousand) and ¥26,521 million at March 31, 2019 and 2018, respectively.

3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and finished goods	¥15,027	¥14,421	\$135,396
Work in process	14,604	12,575	131,585
Raw materials and supplies	11,085	11,508	99,877
Total	¥40,717	¥38,506	\$366,859

4. Reduction Entry

Reduction entry amounts and details deducted from the acquisition cost of property, plant and equipment as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings and structures	¥—	¥19	\$—
Machinery, equipment and vehicles	—	36	—
Total	¥—	¥55	\$—

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

Notes maturing as of the end of the fiscal year are settled on the clearing date. In addition, accounts receivable and payable with due date that is the last day of the fiscal year are also settled on the clearing date. As the last day of the current fiscal year was a non-business day of financial institutions, the following amounts of receivables and payables maturing as of March 31, 2019 and 2018 were included in the ending balance.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Trade notes and accounts receivable	¥5,269	¥4,988	\$47,473
Trade notes and accounts payable	8,902	8,521	80,211

6. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Transportation and warehousing expenses	¥ 5,536	¥ 5,309	\$ 49,879
Provision for allowance for doubtful accounts	(9)	(4)	(86)
Salaries and allowances	9,540	9,358	85,960
Retirement benefit expenses	336	321	3,033
Provision for directors' bonuses	70	85	632
Depreciation and amortization	1,211	1,350	10,916
Research and development expenses	8,319	7,925	74,960
Other	18,295	18,381	164,837
Total	¥43,300	¥42,727	\$390,132

7. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses, for the years ended March 31, 2019 and 2018 were ¥8,319 million (U.S.\$74,960 thousand) and ¥7,925 million, respectively.

8. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets was related to sales of land for the year ended March 31, 2019.

9. Impairment Loss

The Company recognized impairment loss on the following classes of assets for the year ended March 31, 2018:

Major use	Location	Category	Millions of yen
			2018
—	Kentucky State, U.S.A.	Goodwill	¥1,041

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

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

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

10. Provision for Business Structure Improvement

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

11. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	¥ (526)	¥ 172	\$ (4,746)
Reclassification adjustment	(1)	(343)	(11)
Prior to deducting tax effect	(528)	(170)	(4,758)
Tax effect	161	53	1,456
Net unrealized holding gain on securities	(366)	(117)	(3,301)
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	(2,963)	1,194	(26,703)
Reclassification adjustment	—	—	—
Prior to deducting tax effect	(2,963)	1,194	(26,703)
Tax effect	—	—	—
Foreign currency translation adjustments	(2,963)	1,194	(26,703)
Remeasurements of defined benefit plans:			
Amount incurred during the fiscal year	(1,054)	153	(9,504)
Reclassification adjustment	133	185	1,199
Prior to deducting tax effect	(921)	338	(8,304)
Tax effect	284	(103)	2,566
Remeasurements of defined benefit plans	(636)	234	(5,738)
Total other comprehensive income	¥(3,967)	¥1,311	\$(35,742)

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, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥62,148	¥58,614	\$559,947
Time deposits with maturity of more than 3 months	(3,845)	(3,572)	(34,647)
Cash and cash equivalents	¥58,303	¥55,042	\$525,300

2. Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2019 and 2018 were ¥128 million (U.S.\$1,161 thousand) and ¥138 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, 2019 and 2018, 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, 2019 and 2018. These leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(As Lessee)

The minimum lease payments under noncancellable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within 1 year	¥ 688	¥ 629	\$ 6,205
Due after 1 year	904	1,458	8,152
Total	¥1,593	¥2,088	\$14,358

(As Lessor)

The minimum lease receivables under noncancellable operating leases as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within 1 year	¥27	¥—	\$246
Due after 1 year	27	—	249
Total	¥55	¥—	\$496

14. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

The LINTEC Group (the "Group") limits the scope of its cash and fund management activities to short-term deposits and has a policy of relying principally on bank loans.

The Group makes use of derivatives only to reduce risk of foreign currency exchange fluctuations and has a policy of not engaging in derivative transactions for speculative purposes.

(2) Details of financial instruments and associated risk and risk management system

In the course of its business activities, the Group is exposed to credit risk arising from trade notes and accounts receivable that are outstanding from its customers. Regarding the risk pursuant to the internal regulations for managing its credit exposure and trade receivables, due dates and balances are managed appropriately for each customer to mitigate risks of uncollectible accounts.

Investment securities are stocks being exposed to market price risk, and these are mainly the stocks of companies with which the Group has business relationships and they are periodically confirmed the market value.

All of the trade payables—trade notes and accounts payable—are due within 1 year.

The Group has commitment line contracts with financial institutions and the short-term loans payable are raised mainly for business activities and capital investments.

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

The Group is exposed to liquidity risk from its business-related obligations and loans but the Company and its consolidated subsidiaries prepare and implement financing plans to manage the liquidity risk.

The Group conducts and manages derivative transactions based on internal rules and regulations. Executive officer administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case.

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

2. Fair value and other matters related to financial instruments

Carrying value on the consolidated balance sheet as of March 31, 2019 and 2018 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
				2019		
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 62,148	¥ 62,148	¥ —	\$ 559,947	\$ 559,947	\$ —
(2) Trade notes and accounts receivable	69,479	69,479	—	625,996	625,996	—
(3) Investment securities						
Other securities	1,634	1,634	—	14,728	14,728	—
(4) Trade notes and accounts payable	(52,873)	(52,873)	—	(476,383)	(476,383)	—
(5) Short-term loans payable	(2,531)	(2,531)	—	(22,805)	(22,805)	—
(6) Accrued income taxes	(2,429)	(2,429)	—	(21,886)	(21,886)	—
(7) Long-term loans payable	(14,661)	(14,543)	(117)	(132,095)	(131,035)	(1,060)
(8) Derivatives	4	4	—	40	40	—

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		
	2018		
	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 58,614	¥ 58,614	¥ —
(2) Trade notes and accounts receivable	72,590	72,590	—
(3) Investment securities			
Other securities	2,160	2,160	—
(4) Trade notes and accounts payable	(54,678)	(54,678)	—
(5) Short-term loans payable	(2,351)	(2,351)	—
(6) Accrued income taxes	(2,889)	(2,889)	—
(7) Long-term loans payable	(17,381)	(17,223)	(157)
(8) Derivatives	9	9	—

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.

Financial Information

Note 1: Method of computing the fair value of financial instruments, securities and derivatives

(1) Cash and deposits; (2) Trade notes and accounts receivable

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

(3) Investment securities

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

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

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

(7) Long-term loans payable

The fair value of long-term loans payable is measured as the net present value of estimated cash flows by discounting the amount of principal and interest value using the assumed interest rate applied to a new similar loan. The fair value of long-term loans payable with variable interest rates hedged by interest rate swaps subject to the special treatment or interest rate and currency swaps subject to the total treatment are calculated based on the net present value of the total amount of principle and interest, accounted for together with the interest rate swap or interest rate and currency swap transactions, discounted by the interest rate rationally estimated for a similar loan.

(8) Derivatives

Please see Note 16, "Derivatives."

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
	Carrying value	Carrying value	Carrying value
Unlisted stocks	¥583	¥583	\$5,253

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
	2019	2018	2019
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	¥ 62,121	¥ 58,591	\$ 559,705
Trade notes and accounts receivable	69,479	72,590	625,996
Total	¥131,601	¥131,182	\$1,185,702

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

	Millions of yen					
	2019					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥2,531	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term loans payable	3,038	—	—	—	—	—
Long-term loans payable	—	9,291	1,220	554	554	—
Total	¥5,569	¥9,291	¥1,220	¥554	¥554	¥—

	Thousands of U.S. dollars					
	2019					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	\$22,805	\$ —	\$ —	\$ —	\$ —	\$ —
Current portion of long-term loans payable	27,377	—	—	—	—	—
Long-term loans payable	—	83,718	11,000	5,000	5,000	—
Total	\$50,183	\$83,718	\$11,000	\$5,000	\$5,000	\$—

	Millions of yen					
	2018					
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥2,351	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of long-term loans payable	2,986	—	—	—	—	—
Long-term loans payable	—	2,986	9,177	1,168	531	531
Total	¥5,337	¥2,986	¥9,177	¥1,168	¥531	¥531

15. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2019 and 2018 were as follows:

		Millions of yen			Thousands of U.S. dollars		
					2019		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,314	¥ 799	¥514	\$11,841	\$ 7,201	\$4,639
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥1,314	¥ 799	¥514	\$11,841	\$ 7,201	\$4,639
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 320	¥ 415	¥ (95)	\$ 2,886	\$ 3,747	\$ (860)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 320	¥ 415	¥ (95)	\$ 2,886	\$ 3,747	\$ (860)
Total		¥1,634	¥1,215	¥419	\$14,728	\$10,948	\$3,779

		Millions of yen		
		2018		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,754	¥ 796	¥957
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥1,754	¥ 796	¥957
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 406	¥ 415	¥ (9)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 406	¥ 415	¥ (9)
Total		¥2,160	¥1,212	¥947

2. Other securities sold during the years ended March 31, 2019 and 2018 were as follows:

		Millions of yen			Thousands of U.S. dollars		
					2019		
Description		Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks		¥ 3	¥ 1	¥—	\$30	\$11	\$—
Bonds		—	—	—	—	—	—
Other		—	—	—	—	—	—
Total		¥ 3	¥ 1	¥—	\$30	\$11	\$—

		Millions of yen		
		2018		
Description		Sales amount	Aggregate gains	Aggregate losses
Stocks		¥536	¥343	¥ 0
Bonds		—	—	—
Other		—	—	—
Total		¥536	¥343	¥ 0

16. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2019 and 2018 were as follows:

(Currency related)

Millions of yen

		2019		
Nature of transaction		Contract amounts		Unrealized gain (loss)
		Total	Over 1 year	
Off-market transactions	Forward exchange contracts to:			
	Sell:			
	U.S. dollars (buy Japanese yen)	¥ 735	¥—	¥ 0
	U.S. dollars (buy Korean won)	99	—	0
	Japanese yen (buy Korean won)	36	—	(0)
	U.S. dollars (buy Singapore dollars)	41	—	1
	Buy:			
	Japanese yen (sell New Taiwan dollars)	147	—	3
Total		¥1,059	¥—	¥ 4

Thousands of U.S. dollars

		2019		
Nature of transaction		Contract amounts		Unrealized gain (loss)
		Total	Over 1 year	
Off-market transactions	Forward exchange contracts to:			
	Sell:			
	U.S. dollars (buy Japanese yen)	\$6,622	\$—	\$ 2
	U.S. dollars (buy Korean won)	892	—	1
	Japanese yen (buy Korean won)	330	—	(1)
	U.S. dollars (buy Singapore dollars)	369	—	9
	Buy:			
	Japanese yen (sell New Taiwan dollars)	1,329	—	27
Total		\$9,544	\$—	\$40

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

Millions of yen

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

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

2. Derivatives to which the Company applied hedge accounting as of March 31, 2019 and 2018 were as follows:

(Interest rate related)

Millions of yen

		2019		
Hedge accounting method	Type of derivatives	Contract amounts		Fair value
		Total	Over 1 year	
The Tokurei-shori for interest rate swaps	Interest rate swaps			
	Variable rate receipt / Fixed rate payment	¥1,886	¥1,664	¥(Note)

Long-term loans payable

Thousands of U.S. dollars

		2019		
Hedge accounting method	Type of derivatives	Contract amounts		Fair value
		Total	Over 1 year	
The Tokurei-shori for interest rate swaps	Interest rate swaps			
	Variable rate receipt / Fixed rate payment	\$17,000	\$15,000	\$(Note)

Long-term loans payable

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

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

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

(Interest rate and currency related)

			Millions of yen		
			2019		
			Contract amounts		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over 1 year	
The Tokurei-shori and Furiate-shori for interest rate and currency swaps	Interest rate and currency swaps Variable rate receipt / Fixed rate payment U.S.\$ receipt / Japanese ¥ payment	Long-term loans payable	¥5,405	¥4,818	¥(Note)

			Thousands of U.S. dollars		
			2019		
			Contract amounts		Fair value
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over 1 year	
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	\$48,705	\$43,410	\$(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.

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

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, 2019 and 2018.

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
	2019	2018	2019
Retirement benefit obligations at beginning of year	¥37,398	¥36,965	\$336,950
Service cost	1,950	1,795	17,577
Interest cost	193	189	1,741
Actuarial gains (losses)	(67)	(89)	(606)
Retirement benefits paid	(1,818)	(1,575)	(16,384)
Prior service cost	831	—	7,488
Increase (decrease) from foreign currency translation	(46)	45	(416)
Other	54	68	492
Retirement benefit obligations at end of year	¥38,496	¥37,398	\$346,842

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
	2019	2018	2019
Plan assets at beginning of year	¥24,391	¥24,603	\$219,767
Expected return on plan assets	752	732	6,779
Actuarial gains (losses)	(291)	63	(2,625)
Contributions from the employer	505	510	4,550
Retirement benefits paid	(1,703)	(1,518)	(15,352)
Plan assets at end of year	¥23,654	¥24,391	\$213,119

(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
	2019	2018	2019
Retirement benefit obligations of a funded pension plan	¥ 37,641	¥ 36,565	\$ 339,143
Plan assets	(23,654)	(24,391)	(213,119)
	13,987	12,173	126,024
Retirement benefit obligations of an unfunded pension plan	854	832	7,699
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 14,841	¥ 13,006	\$ 133,723
Net defined benefit liability	¥ 14,841	¥ 13,006	\$ 133,723
Net defined benefit asset	—	—	—
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 14,841	¥ 13,006	\$ 133,723

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥1,950	¥1,795	\$17,577
Interest cost	193	189	1,741
Expected return on plan assets	(752)	(732)	(6,779)
Amortization of actuarial losses (gains)	351	462	3,167
Amortization of prior service cost	(218)	(277)	(1,968)
Other	(0)	0	(2)
Retirement benefit expenses for the defined benefit plans	¥1,524	¥1,437	\$13,736

Notes: i. Retirement benefit expenses of consolidated subsidiaries using the simplified method are included in service cost.

ii. Employee's contributions to the corporate pension fund are not included in the retirement benefit expenses for the defined benefit plans.

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥1,049	¥ 277	\$ 9,456
Actuarial losses (gains)	(127)	(616)	(1,151)
Total	¥ 921	¥(338)	\$ 8,304

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

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ 782	¥ (267)	\$ 7,046
Unrecognized actuarial losses (gains)	4,690	4,818	42,258
Total	¥5,472	¥4,550	\$49,305

(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, 2019 and 2018 was as follows:

	2019	2018
Bonds	67.4%	69.6%
Stocks	16.7%	14.8%
Alternatives	6.7%	6.6%
Cash and deposits	4.3%	5.5%
Other	4.9%	3.5%
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, 2019 and 2018 were as follows:

	2019	2018
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected long-term rate of return on plan assets	Mainly 3.5%	Mainly 3.5%
Expected salary increase rate	Mainly 2.2%	Mainly 2.8%

2. Defined contribution plans

Some of the consolidated subsidiaries contributed ¥266 million (U.S.\$2,404 thousand) and ¥272 million, for the years ended March 31, 2019 and 2018 to the defined contribution plans, respectively.

18. Stock Option Plan

Components of stock-based compensation expense for the years ended March 31, 2019 and 2018 were as follows:

		Millions of yen	Thousands of U.S. dollars
	2019	2018	2019
Cost of sales	¥1	¥ 1	\$13
Selling, general and administrative expenses	8	30	74

The following table summarizes contents of stock options as of March 31, 2019:

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

Financial Information

The 2016 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2016
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 12,200 shares
Date of grant	August 24, 2016
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2016 to August 24, 2036

The 2017 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2017
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 14,400 shares
Date of grant	August 22, 2017
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 23, 2017 to August 22, 2037

The 2018 plan

Name of Company	The Company
Date of approval of the Board of Directors	April, 19 2018
Position and number of grantees	Executive Officers, 13
Class and number of stocks	Common stock 3,900 shares
Date of grant	May 7, 2018
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From May 8, 2018 to May 7, 2038

The following tables summarize the scale and movement of stock options for the years ended March 31, 2019 and 2018:

(Non-vested stock options)

(Unit: shares)

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan	The 2016 plan	The 2017 plan	The 2018 plan
Stock options outstanding at April 1, 2018	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	—	3,900
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	3,900
Stock options outstanding at March 31, 2019	—	—	—	—	—	—	—	—	—	—	—	—	—

(Vested stock options)

(Unit: shares)

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan	The 2016 plan	The 2017 plan	The 2018 plan
Stock options outstanding at April 1, 2018	3,300	2,900	5,200	7,700	7,200	6,800	13,100	20,000	16,600	14,100	11,700	14,400	—
Conversion from non-vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	3,900
Stock options exercised	1,900	1,800	3,700	5,600	3,800	3,600	6,600	7,400	2,200	1,000	900	1,100	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2019	1,400	1,100	1,500	2,100	3,400	3,200	6,500	12,600	14,400	13,100	10,800	13,300	3,900

The following table summarizes the price information of stock options as of March 31, 2019:

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan	The 2016 plan	The 2017 plan	The 2018 plan
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	2,991	2,991	2,991	2,880	2,924	2,707	2,682	2,682	2,837	3,242	3,242	3,242	—
Fair value at the date of grant	2,788	1,947	1,481	1,726	1,474	1,303	1,203	1,595	1,825	2,283	1,445	2,261	2,509

The fair value of stock options granted during the year ended March 31, 2019 was valued by using the Black-Scholes option pricing model with the following assumptions:

	The 2018 plan
Volatility	33.505%
Expected remaining period	10 years
Expected dividend per share	¥66
Risk free interest rate	0.055%

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 30.62% and 30.86% for the years ended March 31, 2019 and 2018, 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, 2019 and 2018 differ from the statutory tax rate for the following reasons:

	2019	2018
Statutory tax rate	30.62%	30.86%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	0.27	0.35
Permanently non-taxable income for income tax purposes such as dividend income	(15.70)	(11.88)
Municipal tax	0.31	0.35
The difference of tax rates applied to foreign subsidiaries	(4.60)	(6.25)
Tax deduction in accordance with special tax measures	(2.62)	(2.62)
Decrease of valuation allowance for such as net operating loss carryforward	0.20	5.06
Consolidated adjustments of dividend income from consolidated subsidiaries	17.48	12.51
The impairment loss on goodwill	—	2.12
Foreign withholding tax	4.04	2.92
Other, net	(0.46)	(0.31)
Effective tax rate	29.54%	33.11%

2. The significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Accrued bonuses	¥ 728	¥ 739	\$ 6,567
Accrued enterprise taxes	118	157	1,066
Operating loss carryforwards (Note 2)	1,215	995	10,951
Net defined benefit liability	4,467	3,904	40,253
Retirement benefit trust	653	909	5,889
Research and development cost	630	609	5,677
Foreign tax credit carryforwards	560	—	5,050
Loss on valuation of inventories	300	180	2,705
Allowance for doubtful accounts	152	133	1,369
Unrealized gain	356	356	3,211
Excess of depreciation expense	252	275	2,272
Other	584	751	5,268
Gross deferred tax assets	10,020	9,012	90,285
Valuation allowance related to operating loss carryforwards (Note 2)	(1,212)	—	(10,923)
Valuation allowance related to total deductible temporary differences	(1,121)	—	(10,104)
Valuation allowance (Note 1)	(2,333)	(1,206)	(21,028)
	7,686	7,806	69,256
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	(176)	(181)	(1,590)
Net unrealized holding gain on securities	(128)	(290)	(1,157)
Depreciation expense of subsidiaries	(1)	(125)	(14)
Dividend income from consolidated subsidiaries	(371)	(654)	(3,348)
Other	(30)	(36)	(277)
	(709)	(1,287)	(6,388)
Net deferred tax assets	¥6,977	¥ 6,518	\$62,868

Note1: The valuation allowance has increased by ¥1,127 million (U.S.\$10,162 thousand), due to an increase of ¥560 million (U.S.\$5,050 thousand) for foreign tax credit carryforwards in the Company and an additional recognition of ¥515 million (U.S.\$4,646 thousand) for operating loss carryforwards in its consolidated subsidiaries.

Note2: Amounts of operating loss carryforwards and related deferred tax assets by operating loss carryforwards for the year ended March 31, 2019 were as follows:

	Millions of yen					
	2019					
	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
Operating loss carryforwards	¥ 56	¥ 52	¥ 201	¥ 41	¥ 0	¥ 863
Valuation allowance	(56)	(52)	(201)	(41)	(0)	(859)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3

	Thousands of U.S. dollars					
	2019					
	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
Operating loss carryforwards	\$ 508	\$ 470	\$ 1,817	\$ 375	\$ 3	\$ 7,776
Valuation allowance	(508)	(470)	(1,817)	(375)	(3)	(7,748)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28

Note: Figures for operating loss carryforwards was the amounts multiplied by statutory tax rate.

20. Business Combinations

No specific disclosure for business combination has been made for the years ended March 31, 2019 and 2018 because of its immateriality.

21. Asset Retirement Obligations

No specific disclosure has been made for the years ended March 31, 2019 and 2018 because of its immateriality.

22. Rental Property

No specific disclosure for rental property has been made as of March 31, 2019 and 2018 because of its immateriality.

23. Segment Information

1. Overview of reportable segments

(1) Decision procedures for reportable segments

The business segments of our group are subject to periodic review because each of them provides its own financial information separately from other business units of our group and the board of directors not only makes a decision on allocation of management resources, but also evaluates the performance of them.

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

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

(2) Products and services handled in each segment

Products and services handled in each segment were as follows:

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

2. Method of calculating sales and income (loss), assets, and other items by reportable segment reported

The reported information regarding business segments is processed mostly following the accounting procedures listed in "Significant Accounting Policies" used as basis for preparing consolidated financial statements.

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

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

Financial Information

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2019 and 2018 are outlined as follows:

Millions of yen

	2019					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥122,935	¥90,316	¥37,689	¥250,942	¥ —	¥250,942
Intra-segment sales and transfers	61	43	16,513	16,618	(16,618)	—
Total	¥122,997	¥90,360	¥54,203	¥267,560	¥(16,618)	¥250,942
Segment income	¥ 3,761	¥11,150	¥ 2,970	¥ 17,882	¥ 95	¥ 17,977
Others						
Depreciation and amortization	¥ 3,403	¥ 3,190	¥ 2,107	¥ 8,700	¥ —	¥ 8,700
Amortization of goodwill	¥ 3,295	¥ —	¥ —	¥ 3,295	¥ —	¥ 3,295

Thousands of U.S. dollars

	2019					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	\$1,107,631	\$813,735	\$339,580	\$2,260,946	\$ —	\$2,260,946
Intra-segment sales and transfers	550	393	148,781	149,725	(149,725)	—
Total	\$1,108,181	\$814,129	\$488,361	\$2,410,672	\$(149,725)	\$2,260,946
Segment income	\$ 33,886	\$100,466	\$ 26,762	\$ 161,115	\$ 856	\$ 161,971
Others						
Depreciation and amortization	\$ 30,664	\$ 28,741	\$ 18,985	\$ 78,391	\$ —	\$ 78,391
Amortization of goodwill	\$ 29,696	\$ —	\$ —	\$ 29,696	\$ —	\$ 29,696

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

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

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				
	2019			
	Japan	Asia	U.S.A.	Others
Sales	¥131,076	¥71,124	¥39,421	¥9,319
	Total			
	¥250,942			

Thousands of U.S. dollars				
	2019			
	Japan	Asia	U.S.A.	Others
Sales	\$1,180,978	\$640,823	\$355,180	\$83,963
	Total			
	\$2,260,946			

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

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

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

Millions of yen				
	2019			
	Japan	Asia	U.S.A.	Others
Property, plant and equipment	¥55,407	¥9,545	¥9,689	¥488
	Total			
	¥75,131			

Thousands of U.S. dollars				
	2019			
	Japan	Asia	U.S.A.	Others
Property, plant and equipment	\$499,214	\$86,002	\$87,296	\$4,404
	Total			
	\$676,918			

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

3. Information by principal customers

Since there are no outside customers that make up more than 10% of net sales on the consolidated statement of income for the years ended March 31, 2019 and 2018, the information has been omitted.

Financial Information

Information on impairment losses on non-current assets by reportable segment

There is no impairment loss on non-current assets for the year ended March 31, 2019.

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

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.

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

Millions of yen				
2019				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total Consolidation
Unamortized amount of goodwill	¥—	¥—	¥—	¥—
				¥25,359

Thousands of U.S. dollars				
2019				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total Consolidation
Unamortized amount of goodwill	\$—	\$—	\$—	\$—
				\$228,482

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

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, 2019 and 2018.

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, 2019 and 2018 were as follows:

		Millions of yen	Thousands of U.S. dollars
For the year	2019	2018	2019
Sales of fine & specialty paper products and converted products	¥11,295	¥11,364	\$101,772
Purchase of stencil, chemicals and equipment	4,410	4,907	39,740

		Millions of yen	Thousands of U.S. dollars
At year-end	2019	2018	2019
Trade notes and accounts receivable	¥4,932	¥4,976	\$44,443
Trade notes and accounts payable	2,104	2,357	18,964
Other liabilities	1	12	9

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, 2019 and 2018 were as follows:

		Yen	U.S. dollars
	2019	2018	2019
Net assets	¥2,625.54	¥2,573.69	\$23.66
Net income (basic)	179.24	156.02	1.61
Net income (diluted)	178.97	155.76	1.61

The bases for calculation were as follows:

(1) Basic and diluted net income per share

		Millions of yen	Thousands of U.S. dollars
	2019	2018	2019
Net income (basic) per share:			
Profit attributable to owners of parent	¥12,937	¥11,257	\$116,565
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	¥12,937	¥11,257	\$116,565
Weighted-average number of common shares issued during the year (thousand)	72,180	72,151	72,180
Net income (diluted) per share:			
Adjustment of profit attributable to owners of parent related to dilutive securities	¥ —	¥ —	\$ —
Adjustment of dilutive securities (thousand)	107	119	107
[Share subscription rights (thousand)]	[107]	[119]	[107]

(2) Net assets per share

		Millions of yen	Thousands of U.S. dollars
	2019	2018	2019
Total net assets	¥190,226	¥186,420	\$1,713,905
Amount deducted from total net assets	648	718	5,847
[Share subscription rights]	[160]	[214]	[1,447]
[Non-controlling interests]	[488]	[503]	[4,399]
Net assets attributable to common shares	¥189,577	¥185,702	\$1,708,058
Number of shares of common stock outstanding used in calculation of net assets per share (thousand)	72,205	72,154	72,205

26. Short-Term loans payable, Long-Term loans payable and Other Interest-Bearing Debts

Short-term and long-term loans payable as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	Average interest rate	2019
Short-term loans payable	¥ 2,531	¥ 2,351	2.7%	\$ 22,805
Current portion of long-term loans payable	3,038	2,986	1.1%	27,377
Long-term loans payable	11,622	14,395	1.0%	104,718
	¥17,192	¥19,732	—	\$154,901

Note: "Average interest rate" indicates the weighted average interest rate for the closing balance of loans payable as of March 31, 2019.

Other interest-bearing debts as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2019	2018	Average interest rate	2019
Short-term lease obligation	¥149	¥188	2.1%	\$1,347
Long-term lease obligation	182	216	—	1,645

Notes: i. "Average interest rate" indicates the weighted average interest rate for the closing balance of lease obligations as of March 31, 2019.

ii. In lease obligations, "Average interest rate" corresponding to finance leases (that transfers no title to lessee) are not provided because the lease obligations in the consolidated balance sheet represent the amounts before deduction of interest equivalents from total lease payments. Besides, "Average interest rate" for lease obligations presented the above indicates the weighted average interest rate for finance leases (that transfers title to lessee).

Planned repayment amounts after the balance sheet date (March 31, 2019) for long-term loans payable and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
	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	¥9,291	¥1,220	¥554	¥554	\$83,718	\$11,000	\$5,000	\$5,000
Lease obligation	80	56	38	6	726	513	344	59

27. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 9, 2019.

	Millions of yen	Thousands of U.S. dollars
		2019
Cash dividends (¥39 per share)	¥2,816	\$25,371

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

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

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

Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2019 in accordance with the standards for assessment of internal control over financial reporting generally accepted in Japan. For this assessment, we first evaluated the company-level controls which would have a material impact on the reliability of overall financial reporting on a consolidated basis. We then selected the process-level controls to be assessed based on the results of the company-level control assessment. For the process-level control assessment, we evaluated the effectiveness of internal control by analyzing processes in scope, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the design and operation of such key controls.

We determined the scope of assessment by selecting consolidated subsidiaries based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included the Company and its 21 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 business locations as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2018. For the Significant Business Locations, we primarily included business processes related to sales, accounts receivable, and inventory in the scope of assessment as the aforementioned accounts were closely associated with the Company's business objectives. In addition, we included certain business processes in the scope of assessment not only from "Significant Business Locations" but also from all subsidiaries and affiliates, which were related to significant accounts involving estimates and management's judgment or include high-risk operations and/or transactions, as "business processes with a material impact on financial reporting."

Assessment Result

Based on the results of our assessment with the above mentioned scope, date and procedures, we concluded that Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2019 was effective.

Report of Independent Auditors



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

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, 2019, 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Report on the Internal Control

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2019 of LINTEC Corporation and its consolidated subsidiaries (the "Management's Report").

A member firm of Ernst & Young Global Limited



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

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, 2019 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 20, 2019

A member firm of Ernst & Young Global Limited

Financial Information

Investor Information

As of March 31, 2019

Head Office

23-23, Honcho, Itabashi-ku, Tokyo 173-0001, Japan
Phone: +81-3-5248-7711 Fax: +81-3-5248-7760
URL: www.lintec-global.com

Established

October 15, 1934

Fiscal Year-End

March 31

Common Stock

¥23,220 million
Authorized: 300,000,000 shares
Issued: 76,576,340 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

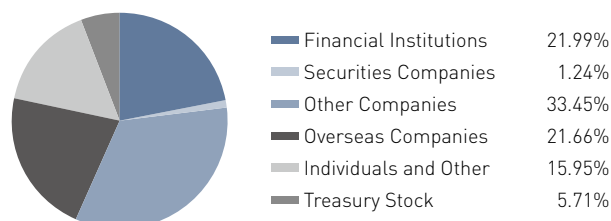
Number of Employees

4,888 (Consolidated)
2,573 (Non-consolidated)

Major Shareholders

Nippon Paper Industries Co., Ltd.	30.10%
Japan Trustee Services Bank, Ltd. (Trust Account)	4.63%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.14%
National Mutual Insurance Federation of Agricultural Cooperatives	3.59%
Tamie Shoji	2.48%

Ownership and Distribution of Shares



Major Subsidiaries * Consolidated Subsidiary

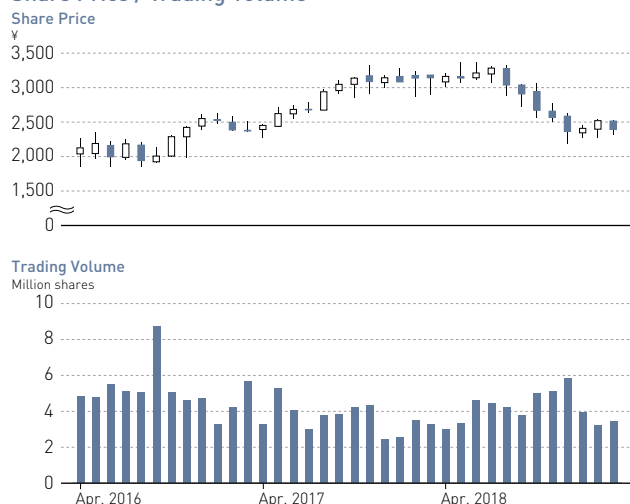
Domestic

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

Overseas

LINTEC USA HOLDING, INC.*
LINTEC OF AMERICA, INC.*
MACTAC AMERICAS, LLC*
MADICO, INC.*
VDI, LLC*
LINTEC EUROPE B.V.*
LINTEC EUROPE (UK) LIMITED*
LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH*
LINTEC (SUZHOU) TECH CORPORATION*
LINTEC PRINTING & TECHNOLOGY (TIANJIN) CORPORATION*
LINTEC ADVANCED TECHNOLOGIES (SHANGHAI), INC.*
LINTEC SPECIALITY FILMS (TAIWAN), INC.*
LINTEC HI-TECH (TAIWAN), INC.*
LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC.*
LINTEC KOREA, INC.*
LINTEC SPECIALITY FILMS (KOREA), INC.*
LINTEC ADVANCED TECHNOLOGIES (KOREA), INC.*
LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED*
LINTEC SINGAPORE PRIVATE LIMITED*
PT. LINTEC INDONESIA*
PT. LINTEC JAKARTA*
LINTEC (THAILAND) CO., LTD.*
LINTEC INDUSTRIES (MALAYSIA) SDN. BHD.*
LINTEC INDUSTRIES (SARAWAK) SDN. BHD.*
LINTEC KUALA LUMPUR SDN. BHD.*
LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD.*
LINTEC VIETNAM CO., LTD.*
LINTEC HANOI VIETNAM CO., LTD.*
LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC.*
LINTEC PHILIPPINES (PEZA), INC.*
LINTEC INDIA PRIVATE LIMITED*

Share Price / Trading Volume







LINTEC Corporation

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



The mark of
responsible forestry