



Be the Change

LINTEC
Integrated Report 2020
For the fiscal year ended March 31, 2020

Editorial Policy

This report is meant to help shareholders and 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 business results 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"

Positioning of Integrated Report



Reporting Period

This report covers the period from April 1, 2019 to March 31, 2020. However, some of the information includes content from April 1, 2020 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.

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A Message from the President



Makoto Hattori

Representative Director
President, CEO and COO

Biography

Apr. 1980 Joined FUJI SHIKO CORPORATION (LINTEC)

May 1980 Assigned to North Tokyo sales office

May 1984 Transferred to Sendai Branch office

Mar. 2000 Transferred to Electronic Devices Operations

Oct. 2009 Executive General Manager, Advanced Materials Operations, Business Administration Div.

Apr. 2014 Executive Officer, Executive General Manager, Advanced Materials Operations, Business Administration Div.

Jun. 2015 Director, Executive Officer, Executive General Manager, Advanced Materials Operations, Business Administration Div.

Apr. 2017 Director, Managing Executive Officer, Executive General Manager, Business Administration Div.

Apr. 2020 Representative Director, President, CEO and COO (current position)

First, I would like to express our condolences for those who have passed away as a result of the novel coronavirus disease (COVID-19) infection. The LINTEC Group is working to secure the safety of Group employees and to minimize the effect of the spread of the infection, including in the areas of raw materials procurement and product supply. We are hoping for the earliest possible resolution to this situation.

We have worked in cooperation with suppliers to produce 10,000 face shield sets for people working in health care, and we have donated them to Itabashi-ku, Tokyo, where our head office is located. We have also donated such items as floor marking materials calling for attention to social distancing and stickers for restaurants to indicate that takeout is available. In these difficult circumstances, we believe that is our duty as a corporate group to do what we can to provide tangible and intangible value to society. Moving forward, we will continue to advance these types of initiatives.

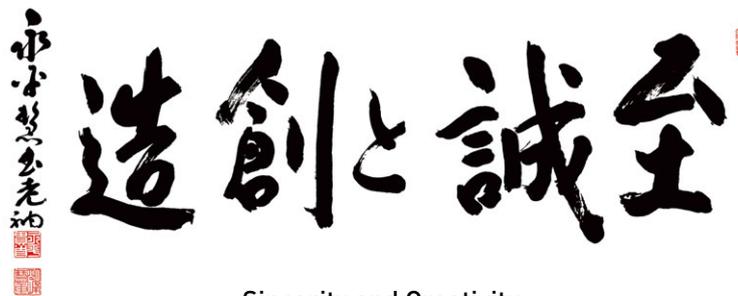
On Becoming President

I became president in April 2020. After joining the Company, I continued to work in marketing and from 2017, I worked as the Executive General Manager of the Business Administration Div. I have always aimed to implement manufacturing that meets market standards. With the needs of society undergoing dramatic change and diversification, we will strive to thoroughly identify what customers truly need and do our utmost to address those needs with our original concepts and technology development capabilities. That is the spirit of the Company motto—Sincerity and

Creativity—and, moving forward, I will continue to emphasize that spirit to all Group employees. I will strive to hand down to the next generation the social presence and corporate culture that the Group has cultivated, to further strengthen our initiatives in the areas of ESG and the SDGs,* and to see that the Group can meet the expectations of all stakeholders. I would like to ask our shareholders and investors for their continued support in the years ahead.

* 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.

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

Looking 10 Years Ahead, Establishing a Foothold for the Next Stage of Growth

Review of the Previous Medium-Term Business Plan

LINTEC's three-year medium-term business plan, LINTEC INNOVATION PLAN 2019 (LIP-2019), was launched in April 2017. In accordance with the basic policy of "deepening innovation aimed at driving new growth," the numerical targets for the final year of the plan were ¥270.0 billion for net sales, ¥25.0 billion for operating income, and more than 9% for both operating profit margin and ROE. On that basis, we implemented a variety of initiatives.

In the fiscal year ended March 31, 2018, which was the first year of the plan, the global economy continued to follow an expansion trend, and in Japan conditions were generally solid. In addition, at the end of 2016 we acquired three companies in the U.S. and Europe, including MACTAC AMERICAS, LLC, of the U.S. As a result of this and other factors, consolidated net sales increased about ¥43.0 billion year on year, to ¥249.0 billion, and operating income increased about ¥3.5 billion, to ¥20.1 billion, due to favorable results in semiconductor and electronic component related businesses. However, in the fiscal year ended March 31, 2019, which was the second year of the plan, overall conditions were firm in the first six months, but in the second half the Chinese economy decelerated due to U.S.-China trade frictions. In Japan, the influence of the decelerating Chinese economy and a slowdown in IT demand led to reduced exports. Due to these factors, the management environment became challenging. Consequently, consolidated net sales were limited to a small increase, and operating income declined due to lower non-consolidated sales quantity; deterioration of the sales mix; and higher prices for raw materials and fuel, centered on pulp. In the fiscal year ended March 31,

2020, the plan's final year, our operations were affected by the U.S.-China trade friction and inventory adjustments in electronics-related markets, while in the domestic market unseasonable weather was a major negative factor. Consolidated net sales were ¥240.7 billion, operating income was ¥15.4 billion, operating profit margin was 6.4%, and ROE was 5.0%. Each of these figures was significantly lower than the final numerical targets in LIP-2019.

However, we started management rationalization initiatives at U.S. production subsidiary MADICO, INC., which had continued to post losses for an extended period of time, and we succeeded in restoring the company to profitability at the operating level. In addition, we increased the overseas sales ratio to approximately 50% through such initiatives as strengthening overseas business, centered on Asia, and implementing M&A initiatives in Europe and the U.S. In these ways, we were able to achieve a certain level of results.



MACTAC AMERICAS, LLC



LINTEC INNOVATION PLAN 2019 (LIP-2019)

Period	From April 2017 to March 2020	
Basic Policy	Deepening innovation aimed at driving new growth	
Final Numerical Targets	Net Sales	¥270.0 billion
	Operating Income	¥25.0 billion
	Operating Profit Margin	More than 9%
	ROE	More than 9%

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

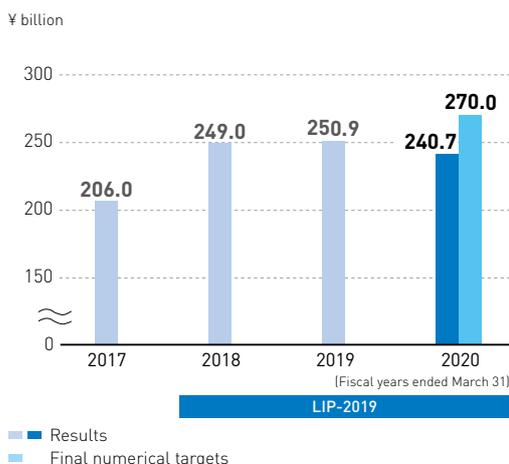
3 Bolstering the corporate structure

- (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

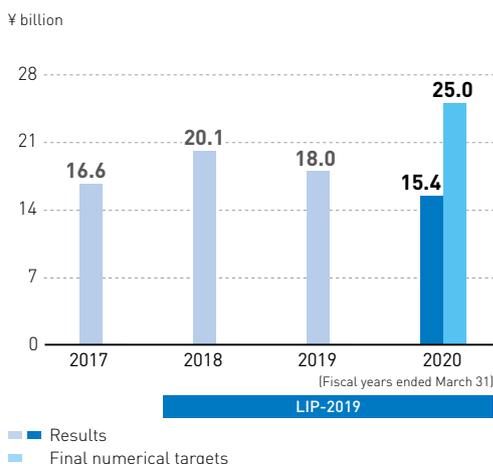
4 Activities for realizing a sustainable society

- (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

Sales



Operating Income

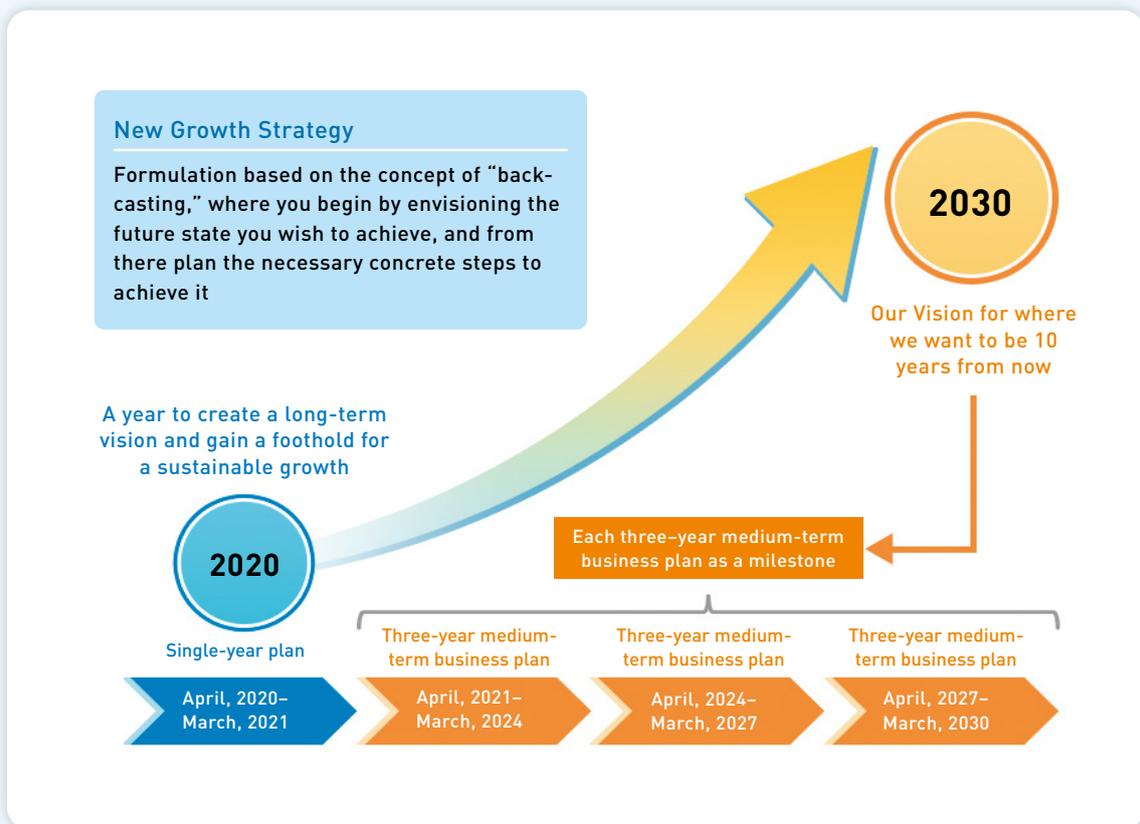


Future Management Policies

Originally, we intended to start the new medium-term business plan from April 2020. However, if we aim to generate results simply by extending existing business operations, then we will not have a bright future. Furthermore, the application of accounting standards related to revenue recognition will become mandatory from April 2021, and this is expected to have a significant effect on net sales and profitability. Accordingly, we positioned the fiscal year ending March 31, 2021, as A Year to Gain a Foothold for the Next Stage of Growth under a single-year plan. We decided

to advance preparations for and consideration of the long-term vision and medium-term business plan and to start the new medium-term business plan from the next fiscal year, based on the concept of backcasting.

We are currently advancing the detailed formulation of the long-term vision and the medium-term business plan, but they will outline what we expect for the Company in the years ahead. For our stakeholders, we will announce our vision for 10 years into the future, and we will strive to steadily implement strategies to achieve that vision.



Issues Regarding Sustained Growth

The Group faces many issues that it will need to address in order to achieve sustained growth. Important issues will include improving the earnings structure in the Printing & Industrial Materials segment and other areas, addressing the spread of the COVID-19 infection that is being confronted by companies around the world, establishing business fields that will be new growth drivers over the medium-to-long term, and further strengthening corporate management in which the fundamentals are ESG and the SDGs. We will need to determine how people's lifestyles are changing in Japan, where the trend toward a declining birthrate and an aging population continues, and what the social issues are in countries around the world, such as growing concern for the environment. In these circumstances, we will think about our vision for the Group and clarify which issues around the world we can help to resolve, and how we can help to resolve them. On that basis, we will rapidly yet steadily advance the measures that we need to implement now.

▶ Rebuilding Our Business Structure to Make It Less Susceptible to the Influence of External Factors

One of the problems with the Group's current product portfolio is that results in each of our business operations are significantly influenced by external factors. For example, looking at adhesive products for labels, there are many products that are subject to fluctuations in demand due to such factors as the weather. These include products for food display labels and for beverage promotional campaign labels. In the semiconductor and electronic component related field, up to this point seasonal fluctuations in demand for products for air conditioning, etc., have been covered by demand related to smartphones. However, I have the impression that this has started to change accompanying the maturation of the mobile device market in recent years. In addition, I think that we need to conduct a

thorough analysis of the various changes in the target markets for each business operation, and to advance the optimization of our product portfolio and the development of new products.



Semiconductor-related adhesive tapes that have supported LINTEC's growth in recent years

▶ Opportunities for Reform Due to the COVID-19 Problem

In November 2020, we will relocate our office in Iidabashi, Tokyo, which is our base for domestic and international business strategy, to a nearby location. Since last year we have advanced preparations for this move in accordance with the basic concepts of "paperless" operations and "non-territorial offices," in which employees are not permanently assigned to a specific desk. These have included enhancing the wireless environment and mobile devices, implementing thorough security measures, etc. As a result, the shift to mobile work in the Marketing Division accompanying the spread of the COVID-19 infection was comparatively smooth.

Going forward, without limiting initiatives to the Marketing Division, the most important thing is to prepare and expand an environment that will protect all employees from the spread of the infection while enabling continued business execution. We are advancing working from home and the use of web conferencing systems, and, in addition, we have made masks mandatory at work, recommended thorough ventilation and staggered

A Message from the President

commuting times, etc. In these ways, we are taking thorough steps to reduce the risk of infection. We have also paid an across-the-board special allowance to employees. Looking ahead, we will not return to pre-COVID-19 working styles. Rather, as needed, we will further advance and establish these initiatives as one part of our working-style reforms, and we will strive to link them to more-comfortable workplace environments and to enhanced employee productivity.

In addition, each employee will need to individually take the lead in assimilating new lifestyle patterns. In this way, we will strive to visualize the products and services that people truly need in an era of change, and link that understanding to new developments and proposals. Following the collapse of Lehman Brothers and the Great East Japan Earthquake, there were irreversible changes throughout of society, such as in people's values and lifestyles. It is not possible to turn back the clock, and even if it was turned back, there would be no business opportunities. Acting in accordance with the concept of "going back" will lead to withdrawal from markets, and, accordingly, I believe that this concept poses business management risks.

▶ Further Strengthening Product Development and Proposal Capabilities

I do not believe that the LINTEC Group should target giant markets in which the winners are decided by the volume supplied under conditions of thin profit margins on large amounts of sales. Traditionally, LINTEC's approach to manufacturing involved the pursuit of functionality that meets the needs of customers in niche markets, and the provision of high-value-added products. Moving forward, to continue to implement manufacturing that leverages our unique characteristics, we will need to further strengthen our product development and proposal capabilities. We are confident that our Research and Development Division has technical capabilities that make it extremely difficult for other companies to enter our fields of business, and that we have strengths in R&D equipment and the R&D environment. To further enhance these strengths, we plan to make bold investments,

such as in bolstering human resources and in the introduction of AI to enhance development efficiency.



Large-scale pilot coater installed in the Advanced Technology Building at the Research Center

▶ Necessity of Strengthening Initiatives to Address Environmental Problems

Measures to help prevent global warming and the development and expanded sales of environmentally friendly products could be said to be the highest priority issues for manufacturers. We are taking steps to reduce CO₂ emissions by 30% or more by fiscal 2030, in comparison with fiscal 2013. To that end, at each plant we are introducing co-generation systems, which recover heat generated in the production of electricity and use it in such forms as hot water and steam. We are also advancing a modal shift in the transportation of products by using transportation methods that have lower burdens on the environments than the methods used previously. Furthermore, LINTEC uses organic solvents in the coating process for adhesives and release agents, and the move away from the use of organic solvents is also a major theme for the Company. Going forward, we will continue to aggressively promote this move from the perspectives of both product development and capital expenditure.

CO₂ emissions reduction target (FY2030 targets)
Reduce by 30% or more from FY2013

Respect for Diversity Is My Policy

Diversity in human resources is the key to growth over the medium-to-long term. It is difficult for teams that are not diverse to generate good ideas, and, accordingly, I believe that diversity itself is a source of value creation. LINTEC is striving to hire and develop diverse human resources and to create environments in which it is easy for everyone to work. In addition, we are establishing systems to activate discussions from a variety of perspectives. As one part of those activities, we set up the SDGs Committee as a Companywide organization. This committee considers new products and new businesses that

target the resolution of social issues, based on the Company's core businesses. Moving forward, we will value diversity in all departments, such as sales, research, manufacturing, and administration, and work to link that diversity to the creation of new value. We are taking the same approach to management. In June 2020, we increased the number of independent outside directors and the number of female directors under a new system. In the future, we will strive to further enhance governance while incorporating diverse viewpoints into management.

Toward New Value Creation with a Spirit of Taking on Challenges

As president, I first want the Company to steadily advance in the next three-year medium-term business plan. Of course, we do not intend to announce easy issues and targets. To increase employee motivation, I would like them to experience success in a variety of ways. In the past, when I worked as the executive general manager of Advanced Materials Operations, there were many times I experienced how one success leads to the next. The achievement of the next medium-term business plan will be extremely significant for the realization of our long-term vision. And I would like our employees to strive to show determination by first taking on challenges even when faced with difficult problems. Going forward, I will strive to see that the spirit of working earnestly to resolve issues through a process of trial and error is thoroughly adopted within the Company. From a long-term perspective, I believe that our approach of working to create new value by helping to resolve social issues through our business will be the driving force for the sustained growth of the LINTEC Group.



Makoto Hattori
Representative Director
President, CEO and COO

