

A Message from the President

A Year to Accelerate Innovation



Hiroyuki Nishio

Representative Director
President, CEO and COO

Since April 2017, we have been advancing initiatives under our medium-term business plan, LINTEC INNOVATION PLAN 2019 (LIP-2019), which continues through the fiscal year ending March 31, 2020. Aiming to achieve its final quantitative targets, we are accelerating innovation—the plan’s overriding theme—and moving forward with key initiatives.

Performance Review—Year Ended March 2018

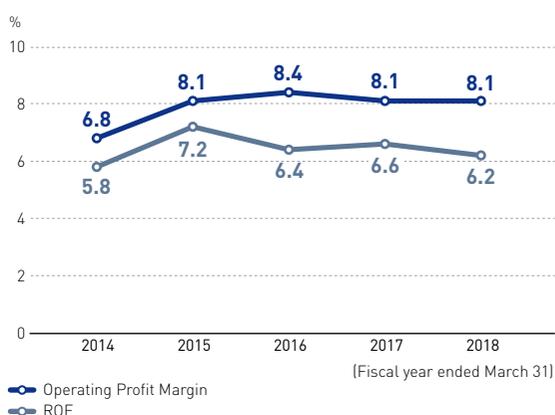
We recorded increases of more than 20% in both net sales and operating income.

In the fiscal year ended March 31, 2018—LIP-2019’s first fiscal year—the global economy saw economic expansion in the United States as corporate earnings and consumer spending improved. Europe’s economy also continued recovering modestly. Further, China and other parts of Asia showed signs of economic recovery due to increases in internal demand and exports. In Japan, meanwhile, the economy trended steadily overall thanks to better corporate earnings stemming from robust overseas demand, and to a moderate pickup in consumer spending, which resulted from a more favorable job market.

In these business conditions, partly due to contributions from three companies in Europe and the United States that were acquired at the end of 2016, the LINTEC Group achieved year-on-year increases of 20.9% in consolidated net sales, to ¥249.0 billion; and 21.1% in operating income, to ¥20.1 billion. Profit attributable to owners of parent declined 1.7% year on year, to ¥11.3 billion, due to the recording in extraordinary loss of provision for business structure improvement of ¥1.0 billion in relation to U.S. manufacturing subsidiary MADICO, INC., and goodwill impairment loss of ¥1.0 billion incurred by U.S. functional film manufacturer VDI, LLC, which we acquired. The operating profit margin was 8.1%, and ROE was 6.2%.

Net sales reached a record high due to contributions from the three companies in Europe and the United States that were acquired at the end of 2016 and a favorable performance by businesses related to semiconductors and electronic components. Operating income increased more than 20.0%. However, our business results revealed issues. From a business portfolio perspective, our results were imbalanced. While businesses related to electronics accounted for the majority of earnings, businesses that normally generate stable earnings flagged against a backdrop of fiercer selling-price competition and higher fuel and raw material prices. Further, the performances of certain overseas Group companies remained lackluster, and as a result of recording extraordinary loss related to these companies, profit attributable to owners of parent declined.

Operating Profit Margin / ROE



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LINTEC INNOVATION PLAN 2019 (LIP-2019)

Period: From April 2017 to March 2020

Basic Policy: Deepening innovation aimed at driving new growth

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

Net Sales

¥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

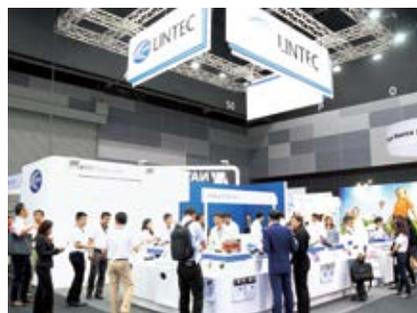
Achievements and Progress of Key Initiatives (1)

The Group is implementing regional strategy in Japan, Asia, North America, and Europe.

With respect to “Strengthening of regional strategy,” in Japan we continued to advance initiatives aimed at unearthing new demand. Overseas, we are also actively developing markets. In the Southeast Asian market, LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED, which is in Singapore, is spearheading efforts to expand and increase the efficiency of operations. In particular, last year we merged LINTEC BKK PTE LIMITED, which was an adhesive products sales subsidiary in Thailand, with LINTEC (THAILAND) CO., LTD., a manufacturing subsidiary in the same country. Going forward, we will introduce high-performance slitting facilities; roll out the products of MACTAC AMERICAS, LLC, an adhesive products manufacturer that we acquired, in the Southeast Asian market; and undertake the new development of local distributors of window films for automobiles. As for the North American market, we will leverage the sales network of MACTAC AMERICAS to grow sales of our high-value-added products. Labelexpo Americas 2018, which is to be held in the suburbs of Chicago in September this year, will provide an extremely important foothold for our development going forward. In Europe, also aiming to grow sales of the

LINTEC Group’s products, we will further strengthen coordination between our sales subsidiary in the Netherlands, LINTEC EUROPE B.V., and the United Kingdom’s LINTEC EUROPE (UK) LIMITED, a sales subsidiary that we acquired.

Next, let me turn to the “creation of new value.” In April last year, we internally reorganized the Research & Development Div. and introduced a new R&D scheme. Under the new scheme, the Research & Development Div. and the Sales Div. coordinate more closely at early development stages and conduct full verifications at key points, thereby preventing setbacks in the development process and ensuring that each theme quickly takes shape without fail. Through this scheme, we will accelerate new product development and provide new value that caters to customers’ needs.



In May, the LINTEC Group exhibited at Labelexpo Southeast Asia 2018 in Thailand. Targeting the Southeast Asian market, we displayed and promoted the products of MACTAC AMERICAS.

Achievements and Progress of Key Initiatives (2)

We reorganized Group companies in Japan and overseas.

Regarding “bolstering the corporate structure,” as a measure aimed at ensuring the soundness of Group companies and a continual increase in earnings, we embarked on a radical management rationalization of

U.S. subsidiary MADICO, INC., which was performing poorly. We are taking a range of measures to improve earnings. For example, we have fully withdrawn from PV backsheets, and we are rebuilding the manufacturing system. Other initiatives included merging two companies in Thailand. In Japan, meanwhile, we merged the adhesive products slitting and processing

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operations of our Hiratsuka Office and those of Group company FUJII-LIGHT, INC., to establish SHONAN LINTEC KAKO, INC. At this company's new Hiratsuka Plant, construction of which was completed in December 2017, we will further strengthen competitiveness in relation to quality, cost, and delivery.

Also, a project that we launched to reform work across the organization by standardizing work processes is making steady progress. These measures are closely linked to the work-style reforms set out in our "activities for realizing a sustainable society." Through such measures, we will eliminate dependence on the skills of individuals, in other words situations where only certain personnel understand work methods; increase work efficiency throughout each division and department; and, ultimately, foster talented personnel and enable them to fully realize their capabilities.

In relation to "activities for realizing a sustainable society," we are also advancing efforts other than the activities centered on the aforementioned work-reform project. I feel that these other efforts under this key initiative also made definite progress in the plan's first year. Specifically, the Diversity Committee has moved forward with initiatives to enable female employees to fully realize their potential, the

examination of the human resources system to help employees balance work and family care, and the raising of awareness in relation to diversity within LINTEC. Further, with a view to helping address social issues through our mainstay operations, we have established the SDGs* Committee, comprising employees from a wide variety of departments. My ambition is for the LINTEC Group to be a business in which each employee has a real sense of contributing to society through their day-to-day work. Moreover, I believe that realizing this ambition is necessary for the growth and development of the Group as a whole.

* 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.



Hiratsuka Plant, SHONAN LINTEC KAKO, INC.

Performance Outlook—Year Ending March 2019

Having rebuilt overseas Group companies, we are targeting higher revenues and earnings.

In the fiscal year ending March 31, 2019, fuel and raw material prices as well as fixed costs are likely to rise. However, we will increase sales while reducing costs. In addition, we expect improvements from the overseas Group companies that have been performing sluggishly. In light of the aforementioned factors, we forecast year-on-year increases of 3.2% in consolidated net sales, to

¥257.0 billion; 14.5% in operating income, to ¥23.0 billion; and 42.1% in profit attributable to owners of parent, to ¥16.0 billion.

FY2019 Forecasts (year on year)

Net Sales	¥257.0 billion (+3.2%)
Operating Income	¥23.0 billion (+14.5%)
Profit Attributable to Owners of Parent	¥16.0 billion (+42.1%)

Shareholder Returns

In the current fiscal year, we plan to increase dividend payments ¥12 per share, to ¥78 per share.

LINTEC regards enhancement of return of profits to shareholders as one of its most important management issues. From the perspective of distributing profits, we aim to provide stable and continued returns after consideration of each fiscal year's consolidated performance while ensuring a balance with retained earnings to maintain a healthy balance sheet. In the fiscal year ended March 31, 2018, although profit attributable to owners of parent declined due to the recording of extraordinary loss, we paid a year-end dividend of ¥33 per share as planned. Together with an interim dividend of ¥33 per share, this gave a full-year dividend of ¥66 per share, the same level as in the previous fiscal year.

With regard to dividend payments for the fiscal

year ending March 31, 2019, based on our projection of net income per share of ¥221.75, we plan to increase dividend payments ¥12 per share, to ¥78 per share, and we expect a consolidated payout ratio of 35.2%. As we continue working to improve our corporate performance in the coming years, we will also work to further enhance shareholder returns.

Cash Dividends per Share / Dividend Payout Ratio



In Closing

We are viewing the current fiscal year, which is the second year of LIP-2019, as a year to accelerate innovation and proactively advance measures based on the key initiatives. Although business conditions are challenging, we have to take bold steps. At the same time, we must go back to our initial viewpoint to properly analyze the progress and results of the measures we are currently implementing and adjust our trajectory in a timely manner if strategies need revising. In particular, turning around Group companies that have had lackluster business results is a pressing task. In this regard, we will continue right-sizing workforces and consolidating and rebuilding bases. Further, we will develop new products that meet the expectations of customers, reduce costs through a range of measures to bolster the corporate structure, and create synergy benefits with the three

companies in Europe and the United States that we acquired in 2016. Moreover, as well as forging ahead with concerted efforts to reach the plan's final quantitative targets of net sales of ¥270.0 billion and operating income of ¥25.0 billion, the entire Group will focus on ensuring sustained growth beyond the plan's term.

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

August 2018
Hiroyuki Nishio
Representative Director
President, CEO and COO