

## Makoto Hattori

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# T O P M E S S A G E

## A Message from the President

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As the most important and strongest supporter of our customers and employees, we will strive to conduct management based on our long-term vision.

### Moving from Stage 1 to Stage 2 of the Medium-Term Business Plan

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In 2021, the LINTEC Group formulated LSV 2030, a long-term vision aimed at achieving sustainable growth for the Company and contributing to the realization of a sustainable society. As an initial milestone, we launched LSV 2030-Stage 1, a medium-term business plan for the period of April 2021 to March 2024. Looking back on our performance during that three-year period, in the first year, the fiscal year ended March 31, 2022, we achieved record sales and profits and met our final-year targets ahead of time. Buoyed by these results, we raised our targets for the final year of the first stage, but we faced sudden changes in the operating environment. In Electronic and Optical Products, orders plunged while prices of raw materials and fuel soared, leaving us in a predicament. In the fiscal year ended March 31, 2024, the plan's final year, orders for semiconductor- and electronic component-related products and adhesive products for seals and labels recovered in the second half of the year, and we benefited from price revisions and the effect of yen depreciation. However, this upswing was not enough to make up for the poor performance in the first half.

Meanwhile, we are making steady progress in carrying out the three key initiatives of our long-term vision: solve social issues, foster innovation to build a robust corporate structure, and create new products and businesses to deliver sustainable growth. In addition to our efforts to create new products and businesses; accelerate LDX 2030, our project to promote digital transformation (DX); and meet our CO<sub>2</sub> emissions reduction targets for 2030 ahead of schedule, we have achieved a number of notable results. I applaud the way our employees have worked in concert on a variety of measures.

April 2024 marked the start of LSV 2030-Stage 2. This medium-term business plan spans the period from April 2024 to March 2027, our next milestone. To transform ourselves into a company that remains unshakable in any operating environment and to remain an industry forerunner, we must further refine our sales, development, and manufacturing capabilities.

## The Spirit of Our Long-Term Vision: Contributing to Society via a Thorough Commitment to Manufacturing

Here, I would like to explain my thoughts on our long-term vision.

The Company was founded in 1927 to manufacture and sell gummed tape for packaging. This sort of tape is wet and then applied, like a postage stamp. Keeping an eye on the growing tendency to replace conventional wooden boxes—the main-stream up to that point—with corrugated cardboard boxes, we became the first company in Japan to mass-produce gummed tape. In the 1950s, the business expanded quickly in response to demand for postwar reconstruction. Later, during Japan's era of high economic growth, we entered various industrial fields, starting with adhesive materials for seals and labels and then moving into automobile-related fields. In the late 1980s, we met the needs of the expanding semiconductor industry by developing a product using a new technology that uses ultraviolet radiation to control adhesive strength. In 1990, LINTEC Corporation was formed through a three-company merger involving FSK CORPORATION, SHIKOKU PAPER CO., LTD., and SOHKEN KAKO CO., LTD. As business expanded, we adopted a structure comprising the six operations we have today.

Looking back, we can see that the LINTEC Group has a history of helping to address the social issues of the times

while meeting the needs of its customers. This basic stance remains unchanged today. One example of this is our establishment of elemental technologies for pellicles for extreme ultraviolet (EUV) lithography equipment, announced in December 2023. Pellicles are important components that serve as dust-proof films to prevent foreign matter from adhering to photomasks (base plates for making semiconductor circuit patterns). In recent years, highly durable carbon nanotubes (CNTs) have attracted attention as a material for use in pellicles. The LINTEC Group started to develop pellicles from CNTs in 2018 at the Nano-Science & Technology Center, its R&D base in the U.S., where the Group is developing CNT sheets. We have developed elemental technologies for more advanced materials that are indispensable for the formation of fine circuits for next-generation semiconductors using EUV lithography.

Through our commitment to manufacturing and our relentless pursuit of new technologies, we will develop technologies that usher in a new era and help create a sustainable society. This is the spirit of our long-term vision, LSV 2030.

### Products That Have Helped to Solve Social Issues



Demand for gummed tape for packaging rose as cardboard boxes became mainstream.



Adhesive products for seals and labels remain core products today.



UV curable dicing tape was a major innovation in the semiconductor industry.

## Establishment of New Material Issues

ESG-conscious sustainability management is essential to our efforts to help create a sustainable society and remain a company that is trusted by all stakeholders. In formulating LSV 2030-Stage 2, while taking our operating environment into account we identified priority issues related to environmental responsiveness, intellectual property, product development, and human resources as material issues and set

new KPIs as evaluation metrics. With these KPIs in place, we can channel all our efforts toward both economic and social value. The Sustainability Committee propels our advances on the medium-term business plan and material issues by monitoring the progress of all concerned parties, including outside directors.

## Technological Development That Addresses Needs and Leverages Our Strengths

Our operations are mainly business-to-business, so we are in the same position as our customers, which are companies like ours. The LINTEC Group is its customers' most important and strongest supporter. We work to help customers survive amid market competition, and as a result we intend to emerge as a leader ourselves.

To fulfill this role, we must constantly hone our technical capabilities in a rapidly changing market environment so we can accurately understand the needs of our customers and meet this demand faithfully by applying the Group's technological capabilities.

Customers may not always choose the best solutions to the issues they face. In other words, actual issues may be different than they first appear. Having outstanding technological development capabilities helps us to understand such misalignments and make truly optimal proposals.

In our nearly 100 years as a company, we have acquired a variety of expertise and know-how in technological development. For the sake of convenience, we put our core technologies into four categories: adhesive applications, surface improvement, specialty paper and release materials production, and system development. At present, the CNT pellicles for EUV lithography equipment mentioned earlier do not fall into any of these categories. Such development would not have been possible if the employees of the LINTEC Group had only responded passively to narrowly defined needs.

To be the most important and strongest supporter of our customers, in addition to integrating our knowledge and expertise with their needs, we must take a flexible, hands-on approach to technological development. This is the manufacturing culture that has been passed down through the generations and has taken root in our organization.

## A Unity of Purpose Driving a Sense of Speed Companywide

The LINTEC Group promotes a market-dialogue style of R&D, in which researchers join sales representatives to visit customers and communicate directly with them. In addition to the Research & Development Division, which is the core of the Group's R&D activities, the Business Administrative Division houses the Technical Planning Office, the New Project Planning Office, and the Next Generation Innovation Group, facilitating interaction. Our aim is to foster more diverse, Companywide technological development for the creation of new products and businesses.

Our manufacturing approach is characterized by incorporating diverse opinions from people throughout the Group and harnessing this collective knowledge to create something new. We expect this method to become even more effective in the future. In this era of rapid change, it is inadvisable to limit technological development resources to one specific, specialized department.

Accordingly, technological development-led innovation can also come from people who are not engaged in R&D and

other technical areas. As a result, the awareness of problems that individual salespeople develop through day-to-day communication with customers is better woven into the fabric of manufacturing proposals, manifesting itself in new products, and leading to solutions to customers' issues that transcend divisions.

The ability of our sales, R&D, and manufacturing teams to work together on technological development in this way is part of our unique company culture. In addition to establishing the development offices I described earlier, subcommittees and committees involved in various projects can consult with personnel from related departments. This expedites the journey from on-site information gathering to management-level decision-making. We can respond flexibly to the constant changes in the external environment because of the unity of purpose of the Group's employees, which transcends departmental barriers. This is the source of our strength.

## Digital Transformation, the Key Component of Our Medium-Term Business Plan, LSV 2030-Stage 2

LSV 2030-Stage 2, the medium-term business plan that launched in April 2024, takes into account the successes and issues carried forward from the previous plan, LSV 2030-Stage 1. At the same time, we are developing detailed measures in line with the three key initiatives of our long-term vision. Later sections explain the medium-term business plan in greater detail. Here, I would like to describe the DX initiatives that form the cornerstone of the entire plan.

Markets do not grow at a steady pace; there are always fluctuations. Without a robust structure that is capable of securing profits no matter how severe the business

environment, we will not be able to achieve sustainable growth as a company or contribute to a sustainable society.

The LINTEC Group meets customers' differing needs through high-mix, small-lot production. As market demand has become even more diverse and fast-changing in recent years, we have had to respond with an even greater variety of products. To ensure profitability, it is essential to increase facility utilization rates and reduce manufacturing costs by utilizing DX.

DX is also important from the perspective of utilizing human resources effectively. This is especially true in Japan, where the birthrate is declining and the population is aging rapidly, as manufacturing personnel are also growing older. As labor shortages become more pronounced, the active promotion of women is emerging as an ever more important theme. DX that leads to more automation and labor savings on production lines should go a substantial way toward breaking down barriers related to age and gender.

DX will also spur advances in inventory management. Artificial intelligence (AI) often goes beyond human understanding in exploring complex relationships and finding hidden patterns among data. In the future, we will use AI to preprocess data and then bring in humans to make accurate final decisions or devise ways of using software that will lead to business improvement. People who can achieve such tasks are those who come to mind when I think of digitally savvy human resources. In other words, AI will not be limited to only professional programmers and engineers; it will also be available to those who use IT on a daily basis and can use AI as a business tool.

These were the thoughts behind the Group's October 2022 launch of LDX 2030, a Companywide DX promotion project for transforming a wide range of processes and laying the groundwork for the development of digitally savvy human resources. Six subcommittees, including those focused on DX for business process reengineering and the construction of next-generation infrastructure systems, have been organized and are undertaking various measures in accordance with our road map. The project is currently halfway through all phases and is judged to be progressing well. The knowledge employees gain through this project is being immediately reflected in their daily practices and on-site improvement activities, accelerating the communication of information and decision-making.



## Meeting Market Expectations by Weaving Our Dreams into New Products and Businesses

The LINTEC Group's overseas sales ratio rose substantially during LSV 2030-Stage 1, from 50% to 61%. We expect this ratio to grow to 65% under LSV 2030-Stage 2. Alongside efforts to cultivate new markets, we need to improve the profitability of existing markets, including Japan.

By segment, in Printing and Industrial Materials Products the contribution to earnings from U.S. subsidiary MACTAC AMERICAS, LLC, has been delayed, owing in part to goodwill amortization. The situation is already improving, however, and we anticipate further upside going forward. On the other hand, we believe improvements in our Chinese business, led by LINTEC (SUZHOU) TECH CORPORATION, will take time.

In Advanced Materials Operations, within Electronic and Optical Products, we saw significant demand related to generative AI. We anticipate steady growth in products for semiconductor memories and multilayer ceramic capacitors as early as the fiscal year ending March 31, 2025.

In Paper and Converted Products, we will step up the launch of new products, driven by environment-related

needs such as a move away from plastics. In Converted Products Operations, a new coating machine is scheduled to start operation at the Komatsushima Plant in Tokushima Prefecture in August 2025, with a view to expanding overseas sales of casting papers for synthetic leather.

While our overall business outlook is favorable, many investors have pointed out that our stock is undervalued, as indicated by our price-to-book value ratio of less than 1.0 times. We believe that we must continue to create aspirational new products and businesses to meet the expectations of more markets and to increase sales and profits.

We aim to craft a robust product portfolio to ensure that more than 30% of our sales come from new products. To do so, we are working on our purpose brand, *Welsurt*, and CNT pellicles for EUV lithography equipment. We will strive to create a solid market position for the Company and enhance our reputation in the capital markets.

## Being the Most Important and Strongest Supporter of Our Employees

Our employees are highly qualified, and morale is high. They take the Company's situation to heart and think proactively about what they should be doing at present. People are our greatest management resource, and the top managers of each operation make regular efforts to get to know the people in their organization. Such understanding provides the LINTEC Group with a clear picture of who to assign to which areas in order to address a given problem. This level of management attests to an organizational culture the Group has perfected over the course of many years.

Just as the LINTEC Group is the most important and strongest supporter of its customers, as a manager I wish to be the most important and strongest supporter of our employees. Above all, my role is to create an environment in which employees can work comfortably and to build a system that allows them to maximize their experience,

knowledge, and skills. I am also responsible for ensuring that our employees fully understand the philosophy of LSV 2030, the themes to be addressed, and their meaning and for encouraging them to take the leap forward into a new era. Through people-centric management, we intend to achieve truly sustainable growth and contribute to a sustainable society.

I am grateful to our shareholders and investors and ask for their continued support going forward.

**Makoto Hattori**  
Representative Director  
President, CEO and COO