LINTEC Corporation

Consolidated Financial Statements

Years ended March 31, 2023 and 2022

Financial information

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2023**	2022	**2023**
Current assets:			
Cash and deposits (Notes 11, 13)	**¥ 38,032**	¥ 55,416	**$ 284,823**
Trade notes receivable (Notes 13, 22)	**16,035**	16,176	**120,089**
Trade accounts receivable (Notes 13, 22)	**42,768**	46,369	**320,289**
Inventories (Note 3)	**67,250**	52,709	**503,638**
Other (Notes 13, 15)	**8,004**	11,677	**59,947**
Allowance for doubtful accounts	**(155)**	(123)	**(1,163)**
Total current assets	**171,936**	182,224	**1,287,624**
Non-current assets:			
Property, plant and equipment (Note 12):			
Buildings and structures	**93,387**	86,897	**699,371**
Machinery, equipment and vehicles	**152,318**	142,578	**1,140,702**
Land	**12,226**	11,855	**91,565**
Construction in progress	**6,515**	4,129	**48,792**
Other	**19,059**	16,932	**142,732**
	283,506	262,394	**2,123,164**
Accumulated depreciation	**(181,913)**	(171,872)	**(1,362,338)**
Property, plant and equipment, net	**101,593**	90,521	**760,826**
Intangible assets:			
Goodwill	**15,013**	16,647	**112,433**
Other (Note 12)	**2,694**	1,974	**20,182**
Total intangible assets	**17,708**	18,622	**132,615**
Investments and other assets:			
Investment securities (Notes 13, 14)	**2,342**	2,116	**17,543**
Deferred tax assets (Note 18)	**5,154**	7,402	**38,601**
Net defined benefit asset (Note 16)	**3,774**	0	**28,266**
Other	**2,464**	2,070	**18,453**
Allowance for doubtful accounts	**(91)**	(93)	**(687)**
Total investments and other assets	**13,643**	11,496	**102,177**
Total non-current assets	**132,945**	120,640	**995,619**
Total assets	**¥ 304,881**	¥ 302,865	**$ 2,283,244**

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

LIABILITIES AND NET ASSETS	Millions of yen 2023	2022	Thousands of U.S. dollars (Note 1) 2023
Current liabilities:			
Trade notes and accounts payable (Note 13)	¥ 36,980	¥ 44,309	$ 276,943
Short-term loans payable (Notes 13, 26)	960	1,292	7,195
Current portion of long-term loans payable (Notes 13, 15, 26)	1,602	1,346	12,000
Accrued income taxes (Note 18)	1,289	4,210	9,656
Provision for bonuses	2,523	2,640	18,895
Provision for directors' bonuses	54	72	406
Other (Notes 4, 13, 15, 22, 26)	16,413	18,510	122,921
Total current liabilities	59,823	72,382	448,017
Non-current liabilities:			
Long-term loans payable (Notes 13, 15, 26)	—	1,468	—
Provision for environmental measures	111	111	831
Net defined benefit liability (Note 16)	12,931	15,937	96,846
Other (Note 26)	4,863	3,207	36,425
Total non-current liabilities	17,906	20,724	134,103
Total liabilities	77,730	93,107	582,121
Commitments and contingent liabilities (Note 2)			
Net assets:			
Shareholders' equity (Note 25):			
Common stock:			
Authorized: 300,000,000 shares in 2023 and 2022			
Issued: 76,688,740 shares in 2023 and 76,659,440 shares in 2022	23,355	23,320	174,911
Capital surplus	26,709	26,943	200,025
Retained earnings	171,325	166,242	1,283,052
Less: treasury stock, at cost:			
8,329,891 shares in 2023 and 6,833,643 shares in 2022	(17,663)	(14,118)	(132,277)
Total shareholders' equity	203,728	202,388	1,525,711
Accumulated other comprehensive income			
Net unrealized holding gain on securities	463	301	3,468
Foreign currency translation adjustments	19,381	8,936	145,146
Remeasurements of defined benefit plans (Note 16)	2,779	(2,414)	20,815
Total accumulated other comprehensive income	22,624	6,823	169,431
Share subscription rights (Note 17)	83	93	624
Non-controlling interests	715	451	5,355
Total net assets	227,150	209,758	1,701,122
Total liabilities and net assets	¥304,881	¥302,865	$2,283,244

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Net sales (Note 22)	**¥284,603**	¥256,836	**$2,131,380**
Cost of sales	**221,428**	191,699	**1,658,266**
Gross profit	**63,174**	65,137	**473,113**
Selling, general and administrative expenses (Notes 6, 7)	**49,378**	43,553	**369,792**
Operating income	**13,796**	21,584	**103,321**
Non-operating income:			
Interest income	**292**	143	**2,188**
Dividend income	**111**	274	**835**
Rent income	**33**	22	**248**
Gain on sales of non-current assets	**61**	7	**457**
Insurance income	**95**	37	**715**
Foreign exchange gains	**1,434**	1,003	**10,743**
Subsidy income	**83**	20	**627**
Other income	**422**	375	**3,160**
Total non-operating income	**2,533**	1,884	**18,975**
Non-operating expenses:			
Interest expenses	**116**	110	**870**
Loss on sales of non-current assets	**23**	12	**176**
Loss on retirement of non-current assets	**360**	387	**2,703**
Compensation expenses	**27**	160	**209**
Other expenses	**198**	99	**1,488**
Total non-operating expenses	**727**	770	**5,447**
Ordinary income	**15,602**	22,698	**116,849**
Extraordinary gain:			
Gain on sale of shares of subsidiaries and associates	**654**	259	**4,901**
Gain on bargain purchase	**—**	282	**—**
Gain on sales of investment securities	**—**	13	**—**
Total extraordinary gain	**654**	555	**4,901**
Extraordinary loss:			
Impairment loss (Note 9)	**347**	—	**2,601**
Loss on valuation of investment securities	**34**	—	**258**
Loss on sales of non-current assets (Note 8)	**12**	—	**94**
Loss on valuation of shares of subsidiaries and associates	**—**	23	**—**
Total extraordinary loss	**394**	23	**2,954**
Profit before income taxes	**15,862**	23,230	**118,796**
Income taxes (Note 18):			
Current	**4,415**	7,243	**33,065**
Deferred	**(53)**	(696)	**(401)**
Total income taxes	**4,361**	6,547	**32,663**
Profit	**11,501**	16,683	**86,132**
Profit (loss) attributable to non-controlling interests	**(11)**	41	**(86)**
Profit attributable to owners of parent (Note 25)	**¥ 11,512**	¥ 16,641	**$ 86,219**

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Profit	**¥11,501**	¥16,683	**$ 86,132**
Other comprehensive income (Note 10)			
Net unrealized holding gain on securities	**161**	(81)	**1,209**
Foreign currency translation adjustments	**10,449**	7,394	**78,253**
Remeasurements of defined benefit plans (Note 16)	**5,195**	519	**38,911**
Total other comprehensive income	**15,806**	7,832	**118,373**
Comprehensive income	**¥27,307**	¥24,515	**$204,505**
(Comprehensive income attributable to:)			
Owners of parent	**27,313**	24,467	**204,546**
Non-controlling interests	**(5)**	48	**(40)**

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, 2023 and 2022

	Thousands												Millions of yen
						Shareholders' equity		Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2021	76,630	¥23,285	¥26,907	¥155,241	¥ (7,583)	¥197,850	¥382	¥ 1,547	¥(2,932)	¥ (1,002)	¥ 99	¥403	¥197,350
Cumulative effects of changes in accounting policies				(0)		(0)							(0)
Restated balance		23,285	26,907	155,241	(7,583)	197,850	382	1,547	(2,932)	(1,002)	99	403	197,350
Changes during the year:													
Issuance of new shares	28	35	35			71							71
Cash dividends				(5,640)		(5,640)							(5,640)
Profit attributable to owners of parent				16,641		16,641							16,641
Purchase of treasury stock					(6,539)	(6,539)							(6,539)
Disposal of treasury stock			0		4	5							5
Capital increase of consolidated subsidiaries						—							—
Net changes in items other than shareholders' equity							(81)	7,389	518	7,826	(5)	48	7,869
Total changes during the year	28	35	36	11,001	(6,534)	4,538	(81)	7,389	518	7,826	(5)	48	12,407
Balance as at March 31, 2022	76,659	¥23,320	¥26,943	¥166,242	¥(14,118)	¥202,388	¥301	¥ 8,936	¥(2,414)	¥ 6,823	¥ 93	¥451	¥209,758
Cumulative effects of changes in accounting policies						—							—
Restated balance		23,320	26,943	166,242	(14,118)	202,388	301	8,936	(2,414)	6,823	93	451	209,758
Changes during the year:													
Issuance of new shares	29	35	35			70							70
Cash dividends				(6,429)		(6,429)							(6,429)
Profit attributable to owners of parent				11,512		11,512							11,512
Purchase of treasury stock					(3,555)	(3,555)							(3,555)
Disposal of treasury stock			(0)		10	10							10
Capital increase of consolidated subsidiaries			(268)			(268)							(268)
Net changes in items other than shareholders' equity							161	10,444	5,193	15,800	(10)	263	16,053
Total changes during the year	29	35	(233)	5,083	(3,544)	1,339	161	10,444	5,193	15,800	(10)	263	17,392
Balance as at March 31, 2023	76,688	¥23,355	¥26,709	¥171,325	¥(17,663)	¥203,728	¥463	¥19,381	¥ 2,779	¥22,624	¥ 83	¥715	¥227,150

	Thousands												Thousands of U.S. dollars (Note 1)
						Shareholders' equity		Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2022	76,659	$174,649	$201,777	$1,244,981	$(105,730)	$1,515,678	$2,259	$ 66,925	$(18,081)	$ 51,103	$703	$3,382	$1,570,868
Cumulative effects of changes in accounting policies						—							—
Restated balance		174,649	201,777	1,244,981	(105,730)	1,515,678	2,259	66,925	(18,081)	51,103	703	3,382	1,570,868
Changes during the year:													
Issuance of new shares	29	262	262			524							524
Cash dividends				(48,148)		(48,148)							(48,148)
Profit attributable to owners of parent				86,219		86,219							86,219
Purchase of treasury stock					(26,628)	(26,628)							(26,628)
Disposal of treasury stock			(1)		80	79							79
Capital increase of consolidated subsidiaries			(2,013)			(2,013)							(2,013)
Net changes in items other than shareholders' equity							1,209	78,221	38,896	118,327	(79)	1,972	120,220
Total changes during the year	29	262	(1,752)	38,070	(26,547)	10,033	1,209	78,221	38,896	118,327	(79)	1,972	130,254
Balance as at March 31, 2023	76,688	$174,911	$200,025	$1,283,052	$(132,277)	$1,525,711	$3,468	$145,146	$ 20,815	$169,431	$624	$5,355	$1,701,122

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, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	**2023**
Cash flows from operating activities:			
Profit before income taxes	**¥15,862**	¥23,230	**$118,796**
Depreciation and amortization	**11,145**	9,895	**83,464**
Amortization of goodwill	**3,745**	3,200	**28,049**
Increase (decrease) in net defined benefit liability	**187**	525	**1,405**
Increase (decrease) in allowance for doubtful accounts	**13**	(11)	**104**
Interest and dividend income	**(403)**	(417)	**(3,023)**
Interest expenses	**116**	110	**870**
Loss (gain) on sales of non-current assets	**(24)**	4	**(185)**
Loss on retirement of non-current assets	**147**	193	**1,101**
Decrease (increase) in trade notes and accounts receivable	**5,606**	6,184	**41,989**
Decrease (increase) in inventories	**(11,751)**	(8,546)	**(88,002)**
Increase (decrease) in trade notes and accounts payable	**(9,976)**	(3,781)	**(74,712)**
Loss (gain) on sales of investment securities	**(1)**	(13)	**(7)**
Subsidy income	**(83)**	(20)	**(627)**
Loss (gain) on sale of shares of subsidiaries and associates	**(654)**	(259)	**(4,901)**
Gain on bargain purchase	**—**	(282)	**—**
Impairment loss	**347**	—	**2,601**
Loss (gain) on valuation of investment securities	**34**	—	**258**
Loss on valuation of shares of subsidiaries and associates	**—**	23	**—**
Other, net	**(1,136)**	829	**(8,509)**
Subtotal	**13,175**	30,866	**98,671**
Interest and dividend income received	**381**	415	**2,858**
Interest expenses paid	**(122)**	(118)	**(914)**
Subsidies received	**83**	20	**627**
Income taxes (paid) refund	**(7,583)**	(6,540)	**(56,789)**
Net cash provided by operating activities	**5,936**	24,642	**44,454**
Cash flows from investing activities:			
Payments into time deposits	**(8,707)**	(9,906)	**(65,212)**
Proceeds from withdrawal of time deposits	**9,713**	9,520	**72,747**
Purchase of property, plant and equipment	**(12,549)**	(8,522)	**(93,979)**
Proceeds from sales of property, plant and equipment	**79**	17	**596**
Purchase of intangible assets	**(1,179)**	(210)	**(8,831)**
Purchase of investment securities	**(55)**	(14)	**(412)**
Proceeds from sales of investment securities	**28**	15	**213**
Proceeds from sales of shares of subsidiaries and associates	**—**	478	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 11)	**—**	(6,349)	**—**
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation (Note 11)	**586**	—	**4,395**
Payments for acquisition of businesses (Note 11)	**(270)**	(4,617)	**(2,023)**
Payments of loans receivable	**(28)**	(2)	**(210)**
Collection of loans receivable	**12**	9	**91**
Other, net	**229**	(60)	**1,722**
Net cash used in investing activities	**(12,138)**	(19,644)	**(90,902)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	**(462)**	(331)	**(3,461)**
Repayments of long-term loans payable	**(1,468)**	(1,229)	**(11,000)**
Cash dividends paid	**(6,426)**	(5,642)	**(48,129)**
Purchase of treasury stock	**(3,555)**	(6,539)	**(26,628)**
Repayments of lease obligations	**(862)**	(713)	**(6,458)**
Other, net	**0**	0	**0**
Net cash provided by (used in) financing activities	**(12,775)**	(14,455)	**(95,678)**
Effect of exchange rate change on cash and cash equivalents	**2,231**	2,425	**16,713**
Net increase (decrease) in cash and cash equivalents	**(16,746)**	(7,032)	**(125,412)**
Cash and cash equivalents at beginning of year	**50,603**	57,636	**378,968**
Cash and cash equivalents at end of year (Note 11)	**¥33,857**	¥50,603	**$253,555**

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, 2023

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 ¥133.53=U.S.$1, the prevailing exchange rate as of March 31, 2023. 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, 2023 presentation.

(b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 41 significant subsidiaries as of March 31, 2023, 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 estimated 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 other than stocks and others without a quoted market price 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. Stocks and others without a quoted market price 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 estimated useful lives of the respective assets.

The significant estimated 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 estimated 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 way 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 over the estimated useful lives determined based on the contract terms.

Right-of-use assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

Accounting Standards Codification Topic 842 "Leases" (hereinafter ASC 842) was adopted at the Company's consolidated subsidiaries in the United States. Regarding overseas consolidated subsidiaries other than those that adopt ASC 842, those financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter IFRS), IFRS 16 "Leases" (hereinafter IFRS 16) was applied accordingly. In accordance with ASC 842 or IFRS 16, as lessees, in principle, a right-of-use asset and a lease liability were recognized on the consolidated balance sheet.

(j) Allowance for doubtful accounts

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

(k) Provision for bonuses

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

(l) 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.

(m) 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.

(n) Revenue recognition

The Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Under this standard, revenue is recognized at the time of the transfer of controls for promised goods or services to customers in the amount that reflects the consideration to which they expect to be entitled in exchange for those goods or services. However, for domestic sales, revenue is recognized upon shipment if the duration from the time of shipment to the time when control of the promised goods or services is transferred to the customer is the normal period.

(o) 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.
(p) Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
(q) 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.
(r) Research and development costs
Research and development costs are charged to income when incurred.
(s) 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.
(t) 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.
(u) 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.
(2) Hedging instruments and hedged items
Hedging instruments…Interest rate 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.
(v) Significant Accounting Estimates
(Impairment losses on non-current assets)
(1) Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023
For the asset group pertaining to the Fine & Specialty Paper Products Operations within Paper and Converted Products segment, the Company determined there were indications of impairment due to the decline in its profitability affected by price hike of pulp, and performed an impairment assessment for the asset group of ¥9,519 million (U.S.$71,294 thousand). As a result, the Company concluded that no impairment loss was not recognized since the total of undiscounted future cash flows expected to be generated from the asset group exceeds the total carrying amount of the asset group.
(2) Information related to significant accounting estimates pertaining to distinguishable items
The Company determines the necessity of its recognition of impairment loss by comparing the undiscounted future cash flows expected to be generated from the asset group and the carrying amount of the asset group.
The assumptions used to estimate the undiscounted future cash flows are based on the Company's business plan, with calculations based mainly on sales volume and selling prices, as well as pulp prices.
Since these assumptions involve a high degree of uncertainty, there is a possibility that an impairment loss may be recognized in the consolidated financial statements for the following fiscal year, if the undiscounted future cash flows expected to be generated from the asset group decline significantly due to the changes in the future business circumstances.
(w) Accounting standards issued but not yet applied
• Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, revised on October 28, 2022)
• Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, revised on October 28, 2022)
• Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, revised on October 28, 2022)
(1) Overview
These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive income that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when group taxation regime is applied.
(2) Application schedule
These accounting standards will be adopted from the beginning of the fiscal year ending March 31, 2025.
(3) Effect of application
The effect of applying these accounting standards is currently under assessment.

2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥28,780 million (U.S.$215,534 thousand) and ¥27,671 million at March 31, 2023 and 2022, respectively.

3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Merchandise and finished goods	**¥22,327**	¥19,404	**$167,210**
Work in process	**23,813**	17,844	**178,335**
Raw materials and supplies	**21,110**	15,460	**158,092**
Total	**¥67,250**	¥52,709	**$503,638**

4. Contract Liabilities

The amount of contract liabilities included in "Other" in current liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Contract liabilities	**¥1,032**	¥1,190	**$7,732**

5. Revenue from Contracts with Customers

Revenue from contracts with customers and revenue other than revenue from contracts with customers are not separately described in net sales. The amount of revenue from contracts with customers are described below in "1. Information on disaggregation of revenue from contracts with customers" in Note 22 "Revenue Recognition".

6. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Transportation and warehousing expenses	**¥ 5,816**	¥ 5,969	**$ 43,556**
Provision for allowance for doubtful accounts	**21**	6	**160**
Salaries and allowances	**12,088**	10,395	**90,527**
Retirement benefit expenses	**798**	706	**5,976**
Provision for bonuses	**844**	938	**6,322**
Provision for directors' bonuses	**54**	72	**406**
Depreciation and amortization	**2,069**	1,776	**15,499**
Research and development expenses	**9,069**	7,883	**67,922**
Other	**18,616**	15,803	**139,420**
Total	**¥49,378**	¥43,553	**$369,792**

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, 2023 and 2022 were ¥9,069 million (U.S.$67,922 thousand) and ¥7,883 million, respectively.

8. Loss on Sales of Non-current Assets

Loss on sales of non-current assets was related to sales of land for the year ended March 31, 2023.

9. Impairment Loss

The Company recognized impairment loss on the following classes of assets for the year ended March 31, 2023:

			Millions of yen	Thousands of U.S.dollars
				2023
Major use	Location	Category		Impairment Loss
Electronic and Optical related products manufacturing equipment	Niihama city, Ehime	Buildings and structures	**¥ 86**	**$ 646**
		Machinery, equipment and vehicles	**107**	**807**
		Other	**9**	**72**
		Subtotal	**203**	**1,525**
Electronic and Optical related products manufacturing equipment	Pyeongtaek city, KOREA	Machinery, equipment and vehicles	**68**	**514**
		Other	**1**	**12**
		Subtotal	**70**	**526**
Electronic and Optical related products manufacturing equipment	Sarawak State, MALAYSIA	Buildings and structures	**29**	**220**
		Machinery, equipment and vehicles	**29**	**220**
		Other	**14**	**107**
		Subtotal	**73**	**548**
Total			**¥347**	**$2,601**

(1) Method of grouping assets

The Company categorizes assets considering mainly a business segment group, while grouping assets to be disposed of and idle assets, etc. individually. The overseas subsidiaries categorize assets mainly on a company-by-company basis, while grouping assets to be disposed of and idle assets, etc. individually.

(2) Circumstances leading to the recognition of impairment loss

• The impairment loss for the Electronic and Optical related products manufacturing equipment at the Company has been recognized because the decision to close the facility was made.

• As for the Electronic and Optical related products manufacturing equipment at LINTEC SPECIALITY FILMS(KOREA),INC., the impairment loss for the assets that are being suspended machine operations due to weak demand has been recognized.

• The impairment loss for the Electronic and Optical related products manufacturing equipment at LINTEC INDUSTRIES(SARAWAK)SDN. BHD. has been recognized because the assets have decreased in profitability.

(3) Method of calculating recoverable amounts

• The recoverable amounts of the assets above for the Company was the net realizable value and based on the net sales value on sales contract.

• The recoverable amounts of the assets above for LINTEC SPECIALITY FILMS(KOREA),INC. was the net realizable value and measured at memorandum value.

• The recoverable amounts of the assets above for LINTEC INDUSTRIES(SARAWAK)SDN. BHD. was measured at the value in use determined by future cash flows discounted at 6.0%.

10. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	**¥ 233**	¥ (139)	**$ 1,750**
Reclassification adjustment	**(1)**	23	**(7)**
Prior to deducting tax effect	**232**	(116)	**1,742**
Tax effect	**(71)**	35	**(533)**
Net unrealized holding gain on securities	**161**	(81)	**1,209**
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	**10,449**	7,394	**78,253**
Reclassification adjustment	**—**	—	**—**
Prior to deducting tax effect	**10,449**	7,394	**78,253**
Tax effect	**—**	—	**—**
Foreign currency translation adjustments	**10,449**	7,394	**78,253**
Remeasurements of defined benefit plans:			
Amount incurred during the fiscal year	**6,781**	25	**50,785**
Reclassification adjustment	**704**	715	**5,275**
Prior to deducting tax effect	**7,485**	740	**56,060**
Tax effect	**(2,290)**	(221)	**(17,149)**
Remeasurements of defined benefit plans	**5,195**	519	**38,911**
Total other comprehensive income	**¥15,806**	¥7,832	**$118,373**

11. 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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Cash and deposits	**¥38,032**	¥55,416	**$284,823**
Time deposits with maturity of more than 3 months	**(4,175)**	(4,812)	**(31,268)**
Cash and cash equivalents	**¥33,857**	¥50,603	**$253,555**

2. Assets and liabilities of newly acquired consolidated subsidiaries through acquisition of shares
There is no disclosure applicable for the year ended March 31, 2023.

Fiscal year ended March 31, 2022 was as follows:
Assets and liabilities of DURAMARK PRODUCTS, INC. (a newly acquired consolidated subsidiary through acquisition of shares) at the inception of its consolidation, the acquisition cost of its shares and the related expenditures (net) for the acquisition were as follows:
Note: The Company name has been changed to MACTAC, INC. on April 8,2021.

	Millions of yen
	2022
Current assets	¥2,494
Non-current assets	5,994
Current liabilities	(1,331)
Non-current liabilities	(433)
Negative Goodwill	(283)
Acquisition cost of shares	¥6,440
Cash and cash equivalents	(91)
Net expenditures for acquisition	¥6,349

3. Assets and liabilities increased due to the business transfer
No specific disclosure has been made for the year ended March 31, 2023 because of its immateriality.

Fiscal year ended March 31, 2022 was as follows:
Assets and liabilities increased due to the business transfer by SPINNAKER PRESSURE SENSITIVE PRODUCTS LLC, a consolidated subsidiary of MACTAC AMERICAS, LLC, and the acquisition cost of the business transfer and the related expenditures (net) for the business transfer were as follows:

	Millions of yen
	2022
Current assets	¥4,149
Non-current assets	1,499
Goodwill	1,109
Current liabilities	(1,912)
Non-current liabilities	(228)
Acquisition cost of business transfer	¥4,617
Cash and cash equivalents	(0)
Net expenditures for business transfer	¥4,617

Note: The amount calculated above are the significant revision of the initial allocation of acquisition cost in accordance with the finalization of this provisional accounting treatment the Company had applied related to business combination during the fiscal year ended March 31,2023.

4. Assets and liabilities of excluded consolidated subsidiaries through sale of shares for the fiscal year ended March 31, 2023 was as follows:
Assets and liabilities of ELECTRONIC PRINTING PRODUCTS,LLC (an excluded consolidated subsidiary through sale of shares), a consolidated subsidiary of MACTAC AMERICAS, LLC, at the inception of its exclusion, the transferred cost of its shares and the related proceeds (net) for the sale were as follows:

	Millions of yen	Thousands of U.S. dollars
	2023	**2023**
Current assets	**¥ 147**	**$1,104**
Non-current assets	**24**	**181**
Goodwill	**423**	**3,174**
Current liabilities	**(57)**	**(431)**
Gain on sale of shares	**654**	**4,901**
Transferred cost of shares	**¥1,192**	**$8,929**
Accounts receivable - other	**(603)**	**(4,520)**
Cash and cash equivalents	**(1)**	**(13)**
Net proceeds from sale of shares	**¥ 586**	**$4,395**

There is no disclosure applicable for the year ended March 31, 2022.

5. Assets and liabilities related to lease transactions newly recognized for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Leased assets	**¥ 479**	¥ 78	**$ 3,591**
Right-of-use assets	**2,570**	2,162	**19,252**
Lease obligations	**3,050**	2,241	**22,843**

12. Leases
(Lessee's accounting)
For finance lease transactions that transfer ownership, leased assets recognized as property, plant and equipment are manufacturing equipment such as machinery and equipment. These leased assets are depreciated as 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 vehicles and office equipment such as personal computers, and those recognized as intangible assets are mainly software. These leased assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

For Right-of-use assets transactions, leased assets recognized as property, plant and equipment are mainly leased offices and warehouses. These Right-of-use assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

(As Lessee)
The minimum lease payments under noncancellable operating leases as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥ 541**	¥ 541	**$4,052**
Due after 1 year	**586**	1,127	**4,390**
Total	**¥1,127**	¥1,668	**$8,443**

(As Lessor)
The minimum lease receivables under noncancellable operating leases as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Due within 1 year	**¥ 2**	¥ 2	**$15**
Due after 1 year	**10**	12	**79**
Total	**¥12**	¥14	**$95**

13. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

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 is 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 of administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case.

In addition, the contract amounts of derivative transactions described below in Note 15, "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, 2023 and 2022 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	2023					
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Investment securities						
Other securities	**¥1,939**	**¥1,939**	**¥—**	**$14,524**	**$14,524**	**$ —**
(2) Long-term loans payable	**(1,602)**	**(1,572)**	**(29)**	**(12,000)**	**(11,777)**	**(222)**
(3) Derivatives	**(8)**	**(8)**	**—**	**(67)**	**(67)**	**—**

Notes: i. "Cash and deposits", "Trade notes receivable", "Trade accounts receivable", "Trade notes and accounts payable", "Short-term loans payable", and "Accrued income taxes" are cash and also those market values are close to the book value because it is settled in a short period of time. Therefore, each description has been omitted.
ii. Figures shown in parentheses are liability items.
iii. The current portion of long-term loans payable is included in long-term loans payable.
iv. The value of assets and liabilities arising from derivatives is shown by net value.

	Millions of yen		
	2022		
	Carrying value	Fair value	Variance
(1) Investment securities			
Other securities	¥1,679	¥1,679	¥ —
(2) Long-term loans payable	(2,814)	(2,811)	(3)
(3) Derivatives	(23)	(23)	—

Notes: i. "Cash and deposits", "Trade notes and accounts receivable", "Trade notes and accounts payable", "Short-term loans payable", and "Accrued income taxes" are cash and also those market values are close to the book value because it is settled in a short period of time. Therefore, each description has been omitted.
ii. Figures shown in parentheses are liability items.
iii. The current portion of long-term loans payable is included in long-term loans payable.
iv. The value of assets and liabilities arising from derivatives is shown by net value.

Note 1: The stocks and others without a quoted market price are not included in the above table "(1) Investment securities". The relevant financial instruments on the consolidated balance sheet are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
	Carrying value	Carrying value	Carrying value
Unlisted stocks	**¥403**	¥437	**$3,019**

Note 2: 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
	2023	2022	**2023**
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	**¥38,001**	¥ 55,387	**$284,588**
Trade notes receivable	**16,035**	16,176	**120,089**
Trade accounts receivable	**42,768**	46,369	**320,289**
Total	**¥96,804**	¥117,932	**$724,967**

Note 3: Planned redemption amounts after the balance sheet date for borrowings were as follows:

Millions of yen

	2023					
	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	**¥ 960**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Current portion of long-term loans payable	**1,602**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥2,563**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**

Thousands of U.S. dollars

	2023					
	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	**$ 7,195**	**$—**	**$—**	**$—**	**$—**	**$—**
Current portion of long-term loans payable	**12,000**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$19,195**	**$—**	**$—**	**$—**	**$—**	**$—**

Millions of yen

	2022					
	within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Short-term loans payable	¥1,292	¥ —	¥—	¥—	¥—	¥—
Current portion of long-term loans payable	1,346	—	—	—	—	—
Long-term loans payable	—	1,468	—	—	—	—
Total	¥2,638	¥1,468	¥—	¥—	¥—	¥—

3. Components of financial instruments by fair value hierarchy

The Company classified the fair value of financial instruments into three levels, depending on the observability of inputs and its materiality related to the fair value measurement.

Level 1: Fair value determined based on the observable inputs, such as quoted prices in active markets for identical assets or liabilities

Level 2: Fair value determined based on observable inputs other than level 1 input

Level 3: Fair value determined based on unobservable inputs

If multiple inputs with a significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified into the lowest priority level of fair value measurement in which each input belongs.

(1) Financial instruments measured at fair value on the consolidated balance sheet

	Millions of yen				Thousands of U.S. dollars			
	2023							
	Fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment securities								
Other securities								
Stocks	**¥1,939**	**¥ —**	**¥—**	**¥1,939**	**$14,524**	**$ —**	**$—**	**$14,524**
Derivatives								
Currency-related	**—**	**3**	**—**	**3**	**—**	**$22**	**—**	**$ 22**
Total assets	**¥1,939**	**¥ 3**	**¥—**	**¥1,942**	**$14,524**	**$22**	**$—**	**$14,546**
Derivatives								
Currency-related	**¥ —**	**¥12**	**¥—**	**¥ 12**	**$ —**	**$90**	**$—**	**$ 90**
Total liabilities	**¥ —**	**¥12**	**¥—**	**¥ 12**	**$ —**	**$90**	**$—**	**$ 90**

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	¥1,679	¥ —	¥—	¥1,679
Derivatives				
Currency-related	—	0	—	0
Total assets	¥1,679	¥ 0	¥—	¥1,679
Derivatives				
Currency-related	¥ —	¥23	¥—	¥ 23
Total liabilities	¥ —	¥23	¥—	¥ 23

(2)Financial instruments other than those which are not measured at fair value on the consolidated balance sheet

	Millions of yen				Thousands of U.S. dollars			
	2023							
	Fair value							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term loans payable	**¥—**	**¥1,572**	**¥—**	**¥1,572**	**$—**	**$11,777**	**$—**	**$11,777**
Total liabilities	**¥—**	**¥1,572**	**¥—**	**¥1,572**	**$—**	**$11,777**	**$—**	**$11,777**

	Millions of yen			
	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term loans payable	¥—	¥2,811	¥—	¥2,811
Total liabilities	¥—	¥2,811	¥—	¥2,811

Note: Description of the evaluation methods and inputs used to measure fair value

Investment securities

The listed stocks are valued using the quoted price. Since the listed stocks are traded in active markets, their fair value is classified into Level 1.

Derivatives

The fair value of forward exchange contracts is classified into Level 2 as they are computed using observable inputs such as exchange rate, etc.

Long-term loans payable

With regard to the fair value of long-term loans payable, they are computed by discounting the amount of principal and interest value using the assumed interest rate applied to a new similar loan; thus, they are classified into Level 2. The fair value of long-term loans payable with variable interest rates hedged by interest rate swaps subject to the special treatment is calculated based on the net present value of the total amount of principal and interest, accounted for together with the interest rate swap, discounted by the interest rate rationally estimated for a similar loan.

14. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2023 and 2022 were as follows:

		Millions of yen			Thousands of U.S. dollars		
		2023					
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	**¥1,585**	**¥ 907**	**¥677**	**$11,874**	**$6,797**	**$5,076**
	Bonds	**—**	**—**	**—**	**—**	**—**	**—**
	Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal		**¥1,585**	**¥ 907**	**¥677**	**$11,874**	**$6,797**	**$5,076**
Securities whose acquisition cost exceeds their carrying value	Stocks	**¥ 353**	**¥ 364**	**¥ (10)**	**$ 2,649**	**$2,726**	**$ (77)**
	Bonds	**—**	**—**	**—**	**—**	**—**	**—**
	Other	**—**	**—**	**—**	**—**	**—**	**—**
Subtotal		**¥ 353**	**¥ 364**	**¥ (10)**	**$ 2,649**	**$2,726**	**$ (77)**
Total		**¥1,939**	**¥1,271**	**¥667**	**$14,524**	**$9,524**	**$4,999**

		Millions of yen		
		2022		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,311	¥ 841	¥469
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥1,311	¥ 841	¥469
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 368	¥ 402	¥ (34)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 368	¥ 402	¥ (34)
Total		¥1,679	¥1,244	¥434

2. Other securities sold during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen			Thousands of U.S. dollars		
	2023					
Description	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	**¥28**	**¥1**	**¥0**	**$213**	**$8**	**$1**
Bonds	**—**	**—**	**—**	**—**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥28**	**¥1**	**¥0**	**$213**	**$8**	**$1**

	Millions of yen		
	2022		
Description	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥15	¥13	¥—
Bonds	—	—	—
Other	—	—	—
Total	¥15	¥13	¥—

3. Impairment of marketable and investment securities
The Company wrote down by ¥34 million (U.S.$258 thousand) and ¥23 million, for the years ended March 31, 2023 and 2022, with a remarkable decline in the value of investment, respectively.

15. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2023 and 2022 were as follows:
(Currency related)

		Millions of yen			
		2023			
		Contract amounts			
	Nature of transaction	Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	**¥ 73**	**¥—**	**¥ 0**	**¥ 0**
	U.S. dollars (buy Korean won)	**29**	**—**	**2**	**2**
	Buy:				
	Chinese yuan (sell Japanese yen)	**593**	**—**	**(12)**	**(12)**
Total		**¥696**	**¥—**	**¥ (8)**	**¥ (8)**

Thousands of U.S. dollars

	Nature of transaction	2023 Contract amounts Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	**$ 547**	**$—**	**$ 3**	**$ 3**
	U.S. dollars (buy Korean won)	**224**	**—**	**18**	**18**
	Buy:				
	Chinese yuan (sell Japanese yen)	**4,441**	**—**	**(90)**	**(90)**
Total		**$5,213**	**$—**	**$(67)**	**$(67)**

Millions of yen

	Nature of transaction	2022 Contract amounts Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	¥672	¥—	¥(19)	¥(19)
	U.S. dollars (buy Korean won)	84	—	0	0
	Japanese yen (buy Korean won)	31	—	(0)	(0)
	Indonesian rupiah (buy Japanese yen)	89	—	(4)	(4)
	Buy:				
	Australian dollars (sell Japanese yen)	2	—	(0)	(0)
Total		¥879	¥—	¥(23)	¥(23)

2. Derivatives to which the Company applied hedge accounting as of March 31, 2023 and 2022 were as follows:
(Interest rate related)

Millions of yen

Hedge accounting method	Type of derivatives	Major hedged items	2023 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	**¥333**	**¥—**	**¥(Note)**

Thousands of U.S. dollars

Hedge accounting method	Type of derivatives	Major hedged items	2023 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	**$2,500**	**$—**	**$(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.

Millions of yen

Hedge accounting method	Type of derivatives	Major hedged items	2022 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	¥550	¥305	¥(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.

16. 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, 2023 and 2022.

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
	2023	2022	2023
Retirement benefit obligations at beginning of year	¥41,133	¥40,404	$308,049
Service cost	2,091	2,061	15,665
Interest cost	207	203	1,551
Actuarial gains (losses)	(4,588)	182	(34,360)
Retirement benefits paid	(2,114)	(1,796)	(15,833)
Prior service cost	(3,011)	—	(22,549)
Increase (decrease) from foreign currency translation	93	28	699
Other	54	50	410
Retirement benefit obligations at end of year	¥33,867	¥41,133	$253,632

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
	2023	2022	2023
Plan assets at beginning of year	¥25,197	¥24,973	$188,700
Expected return on plan assets	730	817	5,472
Actuarial gains (losses)	(815)	213	(6,105)
Contributions from the employer	700	665	5,246
Retirement benefits paid	(1,179)	(1,490)	(8,834)
Increase (decrease) from foreign currency translation	76	17	573
Plan assets at end of year	¥24,710	¥25,197	$185,052

(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
	2023	2022	2023
Retirement benefit obligations of a funded pension plan	¥ 33,560	¥ 40,848	$ 251,334
Plan assets	(24,710)	(25,197)	(185,052)
	8,850	15,650	66,281
Retirement benefit obligations of an unfunded pension plan	306	285	2,298
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 9,157	¥ 15,936	$ 68,580
Net defined benefit liability	¥ 12,931	¥ 15,937	$ 96,846
Net defined benefit asset	(3,774)	(0)	(28,266)
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 9,157	¥ 15,936	$ 68,580

(4) Components of retirement benefit expenses

	Millions of yen 2023	2022	Thousands of U.S. dollars 2023
Service cost	**¥2,091**	¥2,061	**$15,665**
Interest cost	**207**	203	**1,551**
Expected return on plan assets	**(730)**	(817)	**(5,472)**
Amortization of actuarial losses (gains)	**666**	643	**4,988**
Amortization of prior service cost	**38**	71	**287**
Other	**(1)**	(33)	**(11)**
Retirement benefit expenses for the defined benefit plans	**¥2,271**	¥2,128	**$17,009**

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.

(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 2023	2022	Thousands of U.S. dollars 2023
Prior service cost	**¥(3,049)**	¥ (71)	**$(22,836)**
Actuarial losses (gains)	**(4,436)**	(668)	**(33,224)**
Total	**¥(7,485)**	¥(740)	**$(56,060)**

(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 2023	2022	Thousands of U.S. dollars 2023
Unrecognized prior service cost	**¥(2,358)**	¥ 691	**$(17,659)**
Unrecognized actuarial losses (gains)	**(1,642)**	2,793	**(12,301)**
Total	**¥(4,000)**	¥3,485	**$(29,960)**

(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, 2023 and 2022 were as follows:

	2023	2022
Bonds	**29.3%**	61.5%
Stocks	**17.9%**	17.1%
Alternatives	**14.8%**	8.7%
Cash and deposits	**35.0%**	9.8%
Other	**3.0%**	2.9%
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, 2023 and 2022 were as follows:

	2023	2022
Discount rate	**Mainly 1.5%**	Mainly 0.5%
Expected long-term rate of return on plan assets	**Mainly 3.0%**	Mainly 3.5%
Expected salary increase rate	**Mainly 2.2%**	Mainly 2.2%

2. Defined contribution plans

Some of the consolidated subsidiaries contributed ¥562 million (U.S.$4,214 thousand) and ¥402 million, for the years ended March 31, 2023 and 2022 to the defined contribution plans, respectively.

17. Stock Option Plan

There are no components of stock-based compensation expense for the years ended March 31, 2023 and 2022.

The following table summarizes contents of stock options as of March 31, 2023:

The 2006 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 10, 2006
Position and number of grantees	Directors, 17
Class and number of stocks	Common stock 10,500 shares
Date of grant	August 25, 2006
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 26, 2006 to August 25, 2026

The 2007 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2007
Position and number of grantees	Directors, 17
Class and number of stocks	Common stock 9,300 shares
Date of grant	August 24, 2007
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2007 to August 24, 2027

The 2008 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 8, 2008
Position and number of grantees	Directors, 14
Class and number of stocks	Common stock 9,800 shares
Date of grant	August 25, 2008
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 26, 2008 to August 25, 2028

The 2009 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2009
Position and number of grantees	Directors, 14
Class and number of stocks	Common stock 15,000 shares
Date of grant	August 24, 2009
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2009 to August 24, 2029

The 2010 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2010
Position and number of grantees	Directors, 16
Class and number of stocks	Common stock 14,100 shares
Date of grant	August 24, 2010
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2010 to August 24, 2030

The 2011 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 9, 2011
Position and number of grantees	Directors, 8
Class and number of stocks	Common stock 7,600 shares
Date of grant	August 24, 2011
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 25, 2011 to August 24, 2031

The 2012 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 8, 2012
Position and number of grantees	Directors, 8 and Executive Officers, 12
Class and number of stocks	Common stock 15,900 shares
Date of grant	August 23, 2012
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 24, 2012 to August 23, 2032

The 2013 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 7, 2013
Position and number of grantees	Directors, 10 and Executive Officers, 12
Class and number of stocks	Common stock 22,000 shares
Date of grant	August 22, 2013
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 23, 2013 to August 22, 2033

The 2014 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 6, 2014
Position and number of grantees	Directors, 10 and Executive Officers, 12
Class and number of stocks	Common stock 18,300 shares
Date of grant	August 21, 2014
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 22, 2014 to August 21, 2034

The 2015 plan

Name of Company	The Company
Date of approval of the Board of Directors	August 6, 2015
Position and number of grantees	Directors, 11 and Executive Officers, 12
Class and number of stocks	Common stock 14,600 shares
Date of grant	August 21, 2015
Condition and settlement of rights	Persons who have received allotment of share subscription rights must hold the position of director or executive officer of the Company at the time of grant.
Period of providing service for stock options	—
Exercise period	From August 22, 2015 to August 21, 2035

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

The 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 year ended March 31, 2023:

(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, 2022	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2023	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(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, 2022	1,400	1,100	1,500	2,100	1,800	1,600	2,800	5,200	5,700	6,800	5,700	9,600	3,900
Conversion from non-vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options exercised	—	—	—	—	—	—	—	600	500	1,200	900	1,400	600
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2023	**1,400**	**1,100**	**1,500**	**2,100**	**1,800**	**1,600**	**2,800**	**4,600**	**5,200**	**5,600**	**4,800**	**8,200**	**3,300**

The following table summarizes the price information of stock options as of March 31, 2023:

	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	—	—	—	—	—	—	—	2,400	2,400	2,400	2,400	2,400	2,400
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

There were no stock options granted during the year ended March 31, 2023.

18. 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% for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 differ from the statutory tax rate for the following reasons:

	2023	2022
Statutory tax rate	30.62%	30.62%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	0.86	0.50
Permanently non-taxable income for income tax purposes such as dividend income	(15.73)	(11.58)
Municipal tax	0.37	0.25
The difference of tax rates applied to foreign subsidiaries	(6.37)	(4.56)
Tax deduction in accordance with special tax measures	(2.42)	(1.90)
Increase (Decrease) of valuation allowance for such as net operating loss carryforward	0.03	13.54
Consolidated adjustments of dividend income from consolidated subsidiaries	17.84	13.07
Foreign withholding tax	3.61	2.60
Takeover of net operating loss carryforward	—	(12.55)
Other, net	(1.31)	(1.80)
Effective tax rate	27.50%	28.19%

2. The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Deferred tax assets:			
Provision for bonuses	**¥ 787**	¥ 820	**$ 5,895**
Accrued enterprise taxes	**77**	217	**581**
Operating loss carryforwards (Note 2)	**4,532**	4,294	**33,943**
Net defined benefit liability	**3,941**	4,864	**29,517**
Retirement benefit trust	**124**	154	**936**
Research and development cost	**583**	606	**4,370**
Foreign tax credit carryforwards	**607**	571	**4,551**
Loss on valuation of inventories	**922**	713	**6,911**
Allowance for doubtful accounts	**190**	128	**1,427**
Unrealized gain	**630**	557	**4,725**
Excess of depreciation expense	**377**	242	**2,823**
Other	**1,801**	1,762	**13,494**
Gross deferred tax assets	**14,578**	14,933	**109,178**
Valuation allowance related to operating loss carryforwards (Note 2)	**(4,532)**	(4,279)	**(33,943)**
Valuation allowance related to total deductible temporary differences	**(2,500)**	(1,956)	**(18,725)**
Valuation allowance (Note 1)	**(7,033)**	(6,236)	**(52,669)**
	7,545	8,697	**56,508**
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	**(154)**	(160)	**(1,158)**
Net unrealized holding gain on securities	**(204)**	(133)	**(1,530)**
Depreciation expense of subsidiaries	**(50)**	(18)	**(381)**
Dividend income from consolidated subsidiaries	**(521)**	(435)	**(3,902)**
Net defined benefit asset	**(1,145)**	—	**(8,579)**
Other	**(363)**	(561)	**(2,725)**
	(2,440)	(1,308)	**(18,279)**
Net deferred tax assets	**¥ 5,104**	¥ 7,389	**$ 38,229**

Note1: The valuation allowance has increased by ¥796 million (U.S.$5,968 thousand), mainly due to an increase of ¥252 million (U.S.$1,893 thousand) for operating loss carryforwards in its consolidated subsidiaries, ¥142 million (U.S.$1,066 thousand) for loss on valuation of inventories and ¥149 million (U.S.$1,119 thousand) for excess of depreciation expense.
Note2: Amounts of operating loss carryforwards and related deferred tax assets by operating loss carryforwards for the years ended March 31, 2023 and 2022 were as follows:

Millions of yen

2023	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	Total
Operating loss carryforwards	**¥—**	**¥—**	**¥—**	**¥ 20**	**¥—**	**¥ 4,512**	**¥ 4,532**
Valuation allowance	**—**	**—**	**—**	**(20)**	**—**	**(4,512)**	**(4,532)**
Deferred tax assets	**¥—**	**¥—**	**¥—**	**¥ —**	**¥—**	**¥ —**	**¥ —**

Thousands of U.S. dollars

2023	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	Total
Operating loss carryforwards	**$—**	**$—**	**$—**	**$ 152**	**$—**	**$ 33,791**	**$ 33,943**
Valuation allowance	**—**	**—**	**—**	**(152)**	**—**	**(33,791)**	**(33,943)**
Deferred tax assets	**$—**	**$—**	**$—**	**$ —**	**$—**	**$ —**	**$ —**

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

Millions of yen

2022	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	Total
Operating loss carryforwards	¥ 40	¥—	¥—	¥ 43	¥ 23	¥ 4,188	¥ 4,294
Valuation allowance	(36)	—	—	(34)	(23)	(4,185)	(4,279)
Deferred tax assets	¥ 3	¥—	¥—	¥ 9	¥ —	¥ 2	¥ 15

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

19. Business Combinations

1. Finalization of provisional accounting treatment related to business combination

With regard to the business transfer with SPINNAKER HOLDING INC. on February 1, 2022(US time), although provisional accounting treatment was adopted in the fiscal year ended March 31, 2022, the treatment has been finalized during the 1st Quarter of the fiscal year ended March 31,2023.

In accordance with the finalization of this provisional accounting treatment, comparative information in the consolidated financial statements in the current fiscal year reflects a significant revision of the initial allocation of acquisition cost.

The provisional amount of goodwill, ¥1,419 million (U.S.$10,632 thousand) was changed to ¥1,109 million (U.S.$8,307 thousand) with a decrease of ¥310 million (U.S.$2,324 thousand).

2. Transaction, etc. under common control

Additional acquisition of subsidiary's shares

(1) Outline of the business transaction

① Name and business description of the acquired company

Name	PT. LINTEC INDONESIA (a consolidated subsidiary of the Company)
Business description	Manufacture and sale of adhesive products for seals and labels, motorcycle-use and automobile-use adhesive products, etc.

② Effective date of the business combination
July 11, 2022

③ Legal form of the business combination
Cash paid in exchange for acquisition of shares

④ Name of the company after the business combination
No change.

⑤ Other matters concerning outline of the transaction
The Company has decided to acquire additional shares of PT. LINTEC INDONESIA to strengthen its financial base. As a result, the percentage of voting rights became 78.0% from 65.0%.

(2) Outline of the accounting treatments to be applied
In accordance with the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, it is treated as a transaction with non-controlling shareholders among transactions under common control.

(3) Matters concerning additional acquisition of subsidiary's shares

Consideration for the acquisition	Cash	U.S.$10,000 thousands (¥1,366 million)
Acquisition cost		U.S.$10,000 thousands (¥1,366 million)

Note: The yen amounts are conversions based on the exchange rate as of June 30,2022.

(4) Matters concerning change in the Company's ownership interest arising from transactions with non-controlling shareholders

① Major variables of capital surplus
Additional acquisition of subsidiary shares

② Amount of capital surplus reduced due to transactions with non-controlling interests
¥268 million (U.S.$1,962 thousands)

20. Asset Retirement Obligations

No specific disclosure has been made for the years ended March 31, 2023 and 2022 because of its immateriality.

21. Rental Property

No specific disclosure for rental property has been made as of March 31, 2023 and 2022 because of its immateriality.

22. Revenue Recognition

1. Information on disaggregation of revenue from contracts with customers

The information on disaggregation of revenue are as follows:

Millions of yen

	2023			
	Reportable Segments			
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total
Japan	**¥ 59,468**	**¥20,986**	**¥27,420**	**¥107,874**
Asia	**19,557**	**52,476**	**5,196**	**77,230**
U.S.A.	**83,314**	**2,150**	**164**	**85,629**
Others	**10,983**	**2,440**	**443**	**13,868**
Revenue from contracts with customers	**¥173,324**	**¥78,053**	**¥33,225**	**¥284,603**
Other revenue	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Sales to external customers	**¥173,324**	**¥78,053**	**¥33,225**	**¥284,603**

Thousands of U.S. dollars

	2023			
	Reportable Segments			
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total
Japan	**$ 445,356**	**$157,163**	**$205,348**	**$ 807,867**
Asia	**146,467**	**392,992**	**38,918**	**578,377**
U.S.A.	**623,940**	**16,102**	**1,232**	**641,275**
Others	**82,257**	**18,279**	**3,321**	**103,859**
Revenue from contracts with customers	**$1,298,021**	**$584,538**	**$248,820**	**$2,131,380**
Other revenue	**$ —**	**$ —**	**$ —**	**$ —**
Sales to external customers	**$1,298,021**	**$584,538**	**$248,820**	**$2,131,380**

Millions of yen

	2022			
	Reportable Segments			
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total
Japan	¥ 58,476	¥27,674	¥27,066	¥113,216
Asia	17,229	60,087	5,436	82,753
U.S.A.	48,088	1,399	70	49,558
Others	8,627	2,218	461	11,307
Revenue from contracts with customers	¥132,421	¥91,379	¥33,035	¥256,836
Other revenue	¥ —	¥ —	¥ —	¥ —
Sales to external customers	¥132,421	¥91,379	¥33,035	¥256,836

2. Basic Information for understanding the revenue from contracts with customers

The Company and its consolidated subsidiaries are engaged in sale and manufacture of products such as Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products, and our performance obligation is satisfied by providing mainly finished products to customers.

Although revenue is usually recognized when control of the finished products is transferred to customers, in domestic sales, revenue is recognized upon shipment if the duration from the time of shipment to the time when control of the product is transferred to the customer is the normal period.

In charged supplying transactions in which the Company purchases raw materials, etc. from a customer, conducts processing and sells the finished products to the customer, only an amount equivalent to processing costs, excluding purchase prices of raw materials, etc., is recognized as a net amount of revenue.

In charged supplying transactions with repurchase obligations, revenue related to a transfer of supplied items is not recognized.

In export sales, the Company recognizes revenue when risk is transferred to a customer according to trade conditions specified by Incoterms, etc.

Regarding consideration paid to a customer, including sales cooperation rebate, it is deducted from net sales.

Consideration for these performance obligations is received approximately within one year after the performance obligations are satisfied and does not include significant financial components.

3. Information about the relationship between satisfied performance obligations based on contracts with customers and the cash flows generated from the contracts, and the amounts of revenue and periods expected to be recognized from the contracts with the customers existing at the end of the current fiscal year after the next fiscal year.
(1) The balance of contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Receivables from contracts with customers (beginning balance)	**¥62,545**	¥64,636	**$468,397**
Receivables from contracts with customers (ending balance)	**58,803**	62,545	**440,379**
Contract liabilities (beginning balance)	**1,190**	371	**8,916**
Contract liabilities (ending balance)	**1,032**	1,190	**7,732**

Contract liabilities which are mainly considerations received from customers before shipment of goods, are included in "Other" in current liabilities on the consolidated balance sheet. The revenue included in the balance of contract liabilities as of beginning of the year ended March 31, 2022 out of the revenue recognized as of the year ended March 31, 2022 were ¥371 million.
The revenue included in the balance of contract liabilities as of beginning of the year ended March 31, 2023 out of the revenue recognized as of the year ended March 31, 2023 were ¥1,064 million (U.S.$7,975 thousand).
(2) Transaction price allocated to the remaining performance obligations
Regarding transaction price allocated to the remaining performance obligations for the years ended March 31, 2023 and 2022, the Company and its consolidated subsidiaries adopt practical expedient; thus, it has been omitted because the contract period initially expected is less than one year.

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, Construction material paper, 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 segments 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.

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2023 and 2022 are outlined as follows:

Millions of yen

	2023					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥173,324	¥78,053	¥33,225	¥284,603	¥ —	¥284,603
Intra-segment sales and transfers	68	25	14,044	14,138	(14,138)	—
Total	¥173,393	¥78,078	¥47,269	¥298,741	¥(14,138)	¥284,603
Segment income(loss)	¥ 2,958	¥12,463	¥ (1,688)	¥ 13,733	¥ 62	¥ 13,796
Others						
Depreciation and amortization	¥ 5,177	¥ 3,936	¥ 2,030	¥ 11,145	¥ —	¥ 11,145
Amortization of goodwill	¥ 3,745	¥ —	¥ —	¥ 3,745	¥ —	¥ 3,745

Thousands of U.S. dollars

	2023					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	$1,298,021	$584,538	$248,820	$2,131,380	$ —	$2,131,380
Intra-segment sales and transfers	516	189	105,177	105,883	(105,883)	—
Total	$1,298,538	$584,727	$353,997	$2,237,263	$(105,883)	$2,131,380
Segment income(loss)	$ 22,158	$ 93,336	$ (12,644)	$ 102,851	$ 470	$ 103,321
Others						
Depreciation and amortization	$ 38,774	$ 29,479	$ 15,209	$ 83,464	$ —	$ 83,464
Amortization of goodwill	$ 28,049	$ —	$ —	$ 28,049	$ —	$ 28,049

Notes: i. Segment income or loss adjustments show elimination of the amount of intra-segment transactions.
ii. Segment income or loss 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

	2022					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥132,421	¥91,379	¥33,035	¥256,836	¥ —	¥256,836
Intra-segment sales and transfers	70	26	13,181	13,278	(13,278)	—
Total	¥132,491	¥91,406	¥46,217	¥270,115	¥(13,278)	¥256,836
Segment income	¥ 1,373	¥19,176	¥ 971	¥ 21,522	¥ 62	¥ 21,584
Others						
Depreciation and amortization	¥ 4,218	¥ 3,735	¥ 1,941	¥ 9,895	¥ —	¥ 9,895
Amortization of goodwill	¥ 3,200	¥ —	¥ —	¥ 3,200	¥ —	¥ 3,200

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

	2023				
	Japan	Asia	U.S.A.	Others	Total
Sales	**¥107,874**	**¥77,230**	**¥85,629**	**¥13,868**	**¥284,603**

Thousands of U.S. dollars

	2023				
	Japan	Asia	U.S.A.	Others	Total
Sales	**$807,867**	**$578,377**	**$641,275**	**$103,859**	**$2,131,380**

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

Millions of yen

	2022				
	Japan	Asia	U.S.A.	Others	Total
Sales	¥113,216	¥82,753	¥49,558	¥11,307	¥256,836

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

(Changes in presentation)

Sales of "China", which was separately presented in the previous fiscal year, is included in "Asia" in this fiscal year due to its decreased quantitative materiality. To reflect this change in presentation, ¥25,890 million (U.S.$193,890 thousand) presented as "China" in the consolidated statement of income of the previous fiscal year has been reclassified into ¥82,753 million (U.S.$619,738 thousand) of "Asia".

Millions of yen

	2023				
	Japan	Asia	U.S.A.	Others	Total
Property, plant and equipment	**¥66,783**	**¥10,262**	**¥23,425**	**¥1,122**	**¥101,593**

Thousands of U.S. dollars

	2023				
	Japan	Asia	U.S.A.	Others	Total
Property, plant and equipment	**$500,136**	**$76,853**	**$175,430**	**$8,406**	**$760,826**

Millions of yen

	2022				
	Japan	Asia	U.S.A.	Others	Total
Property, plant and equipment	¥59,637	¥9,585	¥20,585	¥713	¥90,521

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, 2023 and 2022, the information has been omitted.

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

Millions of yen

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	2023				
Impairment loss	**¥—**	**¥—**	**¥—**	**¥—**	**¥347**

Thousands of U.S. dollars

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	2023				
Impairment loss	**$—**	**$—**	**$—**	**$—**	**$2,601**

Note: Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the segment of the enterprise is done.

There is no disclosure applicable for the year ended March 31,2022.

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

Millions of yen

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	2023				
Unamortized amount of goodwill	**¥—**	**¥—**	**¥—**	**¥—**	**¥15,013**

Thousands of U.S. dollars

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	2023				
Unamortized amount of goodwill	**$—**	**$—**	**$—**	**$—**	**$112,433**

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

	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
	2022				
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥16,647

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 gain on bargain purchase by reportable segment

There is no disclosure applicable for the year ended March 31,2023.

Gain on bargain purchase amounted to ¥282 million was recognized since the Company acquired all shares of DURAMARK PRODUCTS, INC. (Renamed to MACTAC, INC. on April 8, 2021) and consolidated as a subsidiary. Furthermore, this gain on bargain purchase was presented as extraordinary gain, which were not allocated to the reportable segment.

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
For the year	2023	2022	2023
Sales of fine & specialty paper products and converted products	¥9,650	¥9,390	$72,270
Purchase of stencil, chemicals and equipment	3,943	4,135	29,531

	Millions of yen		Thousands of U.S. dollars
At year-end	2023	2022	2023
Trade accounts receivable	¥3,374	¥3,221	$25,274
Trade notes and accounts payable	1,677	1,642	12,564
Other liabilities	3	5	22

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, 2023 and 2022 were as follows:

	Yen		U.S. dollars
	2023	2022	2023
Net assets	¥3,311.24	¥2,996.21	$24.80
Net income (basic)	167.85	232.12	1.26
Net income (diluted)	167.74	231.96	1.26

The bases for calculation were as follows:
(1) Basic and diluted net income per share

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net income (basic) per share:			
Profit attributable to owners of parent	¥11,512	¥16,641	$86,219
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	¥11,512	¥16,641	$86,219
Weighted-average number of common shares issued during the year (thousand)	68,591	71,691	68,591
Net income (diluted) per share:			
Adjustment of profit attributable to owners of parent related to dilutive securities	¥ —	¥ —	$ —
Adjustment of dilutive securities (thousand)	44	49	44
[Share subscription rights (thousand)]	[44]	[49]	[44]

(2) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets	¥227,150	¥209,758	$1,701,122
Amount deducted from total net assets	798	545	5,979
[Share subscription rights]	[83]	[93]	[624]
[Non-controlling interests]	[715]	[451]	[5,355]
Net assets attributable to common shares	¥226,352	¥209,212	$1,695,142
Number of shares of common stock outstanding used in calculation of net assets per share (thousand)	68,358	69,825	68,358

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, 2023 and 2022 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2023	2022	**Average interest rate**	**2023**
Short-term loans payable	**¥ 960**	¥1,292	**3.1%**	**$ 7,195**
Current portion of long-term loans payable	**1,602**	1,346	**1.8%**	**12,000**
Long-term loans payable	**—**	1,468	**—**	**—**
	¥2,563	¥4,107	**—**	**$19,195**

Note: "Average interest rate" indicates the weighted average interest rate for the closing balance of loans payable as of March 31, 2023.

Other interest-bearing debts as of March 31, 2023 and 2022 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2023	2022	**Average interest rate**	**2023**
Short-term lease obligation	**¥1,441**	¥1,027	**1.4%**	**$10,792**
Long-term lease obligation	**3,414**	2,154	**1.4%**	**25,569**

Notes: i. "Average interest rate" indicates the weighted average interest rate for the closing balance of lease obligations as of March 31, 2023.
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 lease transactions which transfer ownership to the lessees and Right-of-use assets' transactions.
iii. Planned repayment amounts after the balance sheet date (March 31, 2023) for lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
					2023			
	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
Lease obligation	**¥1,140**	**¥741**	**¥642**	**¥435**	**$8,538**	**$5,552**	**$4,812**	**$3,258**

27. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the Board of Directors held on May 8, 2023.

	Millions of yen	Thousands of U.S. dollars
		2023
Cash dividends (¥44 per share)	**¥3,007**	**$22,525**

Business transfer by a consolidated subsidiary

At a meeting of the Board of Directors held on May 24, 2023, in accordance with Article 370 of the Companies Act and Article 25 of the Articles of Incorporation (a written resolution in lieu of a resolution passed at Board of Directors), the board of directors passed a resolution to carry out a transfer agreement regarding the business and assets of 886381 ONTARIO INC. ["LABEL SUPPLY" as DBA] (headquartered in Ontario, CANADA) and 1598130 ONTARIO LIMITED (headquartered in Ontario, CANADA). The business and assets were acquired through MACTAC CANADA LTD. (headquartered in Ontario, CANADA; wholly owned subsidiary of MACTAC AMERICAS, LLC, hereinafter "MACTAC," headquartered in Ohio, USA; which is a wholly owned subsidiary of LINTEC USA HOLDING, Inc.*)

*LINTEC USA HOLDING INC. is a wholly owned subsidiary of the Company.

① Reasons for the business transfer

The Group has been moving forward with the globalization of its business based on the concept of local production, manufacturing products in locations that are closer to its customers and providing them with a stable supply.

Notably, in North America, the Company acquired MACTAC, a manufacturer and distributor of adhesive papers and film for label, and graphic film, in December 2016, establishing it as a Group company. To strengthen and expand the Group's core business, Printing & Variable Information Products Operations, MACTAC acquired DURAMARK PRODUCTS, INC. in April 2021 and the business of SPINNAKER COATING, LLC in February 2022.

886381 ONTARIO INC. is a distributor of adhesive paper and film for labels, primarily servicing customers located in Canada, which has strengths in slitting and distribution for roll label products.

The Group has determined that product offering through the acquired sales channels to the Canadian market which the Group hasn't had a strong presence in will enable the Group to expand its share of the North American market and increase profitability.

1598130 ONTARIO LIMITED leases its possessed land and building to 886381 ONTARIO INC..

② Name and business description of the counterparty

Name	886381 ONTARIO INC.
Business description	Process and sale of adhesive papers and films for labels, etc.
Name	1598130 ONTARIO LIMITED
Business description	Leasing of Land and Building to 886381 Ontario Inc.

③ Effective date of the business transfer
May 31, 2023(US time)

④ Acquisition Cost

Acquisition cost	Cash	CAD$68,500 thousands (¥6,998 million)

(Note) At present, the acquisition cost has not yet been definitively determined. The yen amounts are conversions based on the exchange rate as of May 31,2023.

⑤ Content and amount of major acquisition-related costs
Not yet determined at present.

⑥ Amount of goodwill arising from the business transfer, cause of the goodwill, and amortization method and period, or Amount of negative goodwill and cause of the negative goodwill
Not yet determined at present.

⑦ Amounts of assets received and liabilities assumed
Not yet determined at present.

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

Makoto Hattori, Representative Director, President, CEO and COO of LINTEC Corporation, and Yoichi Shibano, Director, Managing Executive Officer and CFO of LINTEC Corporation, are responsible for designing and operating adequate internal control over financial reporting for the consolidated financial statements of LINTEC Corporation (the "Company") and its consolidated subsidiaries in accordance with the basic framework set forth in the "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by the 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 the consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

Scope of Assessment, Assessment Date and Assessment Procedures

We assessed the effectiveness of internal control over financial reporting for the consolidated financial statements as of March 31, 2023 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 20 consolidated subsidiaries. We excluded 21 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 two 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, 2022. 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, 2023 was effective.

Report of Independent Auditors

Independent Auditor's Report

The Board of Directors
LINTEC Corporation

Report on the Audit of the Consolidated Financial Statements
Opinion
We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of MACtac Americas, LLC's goodwill	
Description of Key Audit Matter	Auditor's Response
The Group recorded goodwill amounted to ¥15,013 million on the consolidated financial statements as at March 31, 2023. This was mainly composed of the goodwill recognized in relation to the acquisition of MACtac Americas, LLC , which mainly manufactures and sells Printing and Variable Information Products , in December 2016, whose carrying amount was ¥13,854 million, approximately 4.5% of the Group's consolidated total assets. MACtac Americas, LLC has adopted an accounting alternative for the subsequent measurement of goodwill which is allowed for private companies under US GAAP. Under these rules, in evaluating goodwill, MACtac Americas, LLC assesses whether there is any triggering event that goodwill may be impaired. This assessment was made mainly based on the assessment of macroeconomic conditions, industry and market considerations, cost factors such as raw materials and freight costs, and overall financial performance. As a result of its assessment as to whether there is any indication that an asset may be impaired, the Group determined that no indication exists, as such the recognition of impairment loss in goodwill is not required. Due to significant management judgement in assessing the existence of triggering events for impairment, we determined that the valuation of goodwill is a key audit matter.	We instructed the component auditor of MACtac Americas, LLC to perform audit on valuation of goodwill, obtained the report of audit results including the following procedures performed, and evaluated the sufficiency and appropriateness of audit evidence obtained: • to assess the macroeconomic conditions by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data from certain US government financial organizations. • to assess the industry and market considerations by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data from Printing and Variable Information Industry trade organizations. • to assess the cost factors by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with competitor publicly available financial data. • to assess the overall financial performance by evaluating the consistency of the underlying business plan with actual results and comparing the current year financial results with prior year.

Estimation of undiscounted future cash flows for impairment assessment related to noncurrent assets in Fine & Specialty Paper Products Operations	
Description of Key Audit Matter	Auditor's Response
The Group recorded non-current assets amounted to ¥132,945 million on the consolidated financial statements as at March 31, 2023. Out of these, the asset group pertaining to Fine & Specialty Paper Products Operations was amounted to ¥9,519 million, which was approximately 3.1% of the Group's consolidated total assets. The Group determined that there were indications of impairment of the asset group in Fine & Specialty Paper Products Operations, due to the decline in its profitability affected by price hike of pulp, a major raw material of its business. However, the Group concluded that no impairment loss was not recognized since the total of undiscounted future cash flows expected to be generated from the asset group exceeds the total carrying amount of the asset group. As described in the Note (Significant Accounting Estimates), an estimate of the undiscounted future cash flows was made based on the Company's business plan. The Group has been working on the improvement of its profitability by revision of sales price in response to price hike of pulp in Fine & Specialty Paper Products Operations, and the assumptions used for its estimate of the undiscounted future cash flows include sales volumes and sales prices, as well as pulp prices. Given that the significant assumptions used for its estimate of the undiscounted future cash flows are subject to uncertainty and require management's judgement, we determined that the estimation of undiscounted future cash flows for impairment assessment related to non-current assets in Fine & Specialty Paper Products Operations is a key audit matter.	We mainly performed the following audit procedures to evaluate its estimate of the undiscounted future cash flows for its impairment assessment of non-current assets in Fine & Specialty Paper Products Operations. • We compared the cash flow projection period with the remaining economic useful lives of the primary assets. • We compared the prior year business plans with subsequent actual figures to evaluate the effectiveness of management's estimate process. • We considered the consistency of its undiscounted cash flows with the underlying budget figures approved by the Board of Directors to assess the reasonableness of estimated undiscounted future cash flows. • We discussed with management and performed the following audit procedures to evaluate the significant assumptions in the estimated future cash flows. -To assess the reasonableness of estimated future sales volumes, analyzing trends using actual sales volumes, and comparing the estimated future sales volumes with the forecast reports published by external organizations belonging to this business sector. -To assess the reasonableness of estimated future sales prices, considering the consistency of the significant assumptions with the most recent sales prices and the sales prices used in the business plans, and also, considering the feasibility to raise its sales prices in the future by inquiring of management about the implementation status of sales price increases and comparing the significant assumptions with the results of past sales price increases. -To assess the reasonableness of estimated pulp prices, analyzing trends using actual pulp prices and assessing the consistency of the significant assumptions with the reports from the external organizations on the future price outlook and the forecast information from the wholesalers collected by management. • We examined that the total of undiscounted future cash flows exceeds the total of its carrying amount even in the case that additional risk factors were taken into consideration, to consider volatility risks in the significant assumptions used by management.

Other Information

Other information comprises the information included in the Consolidated Financial Statements that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon.

We have concluded that other information did not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, Audit and Supervisory Committee 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

Report on the Audit of the Management's Report on Internal Control over Financial Reporting Opinion

We also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at March 31, 2023 of LINTEC Corporation and its consolidated subsidiaries (the Group) (the "Management's Report").

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting for the consolidated financial statements as at March 31, 2023 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Management's Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit and Supervisory Committee 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 standards for assessment of internal control over financial reporting generally accepted in Japan.

Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

Auditor's Responsibilities for the Audit of the Management's Report

Our objectives are to obtain reasonable assurance about whether the Management's Report is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit 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.
- Examine 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.
- Obtain sufficient appropriate audit evidence regarding conclusions of management's assessment of internal control over financial reporting in the Management's Report. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and any material weakness in internal control that we identify as a result of the audit and its remediation conclusions.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 22, 2023

谷口　公一

Designated Engagement Partner
Certified Public Accountant

河村　　剛

Designated Engagement Partner
Certified Public Accountant