

# Financial Section

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# Management's Discussion and Analysis

## Revenues and Expenses

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

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

## Performance by Business Segment

### Printing and Industrial Materials Products

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

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

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

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

### Electronic and Optical Products

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

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

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

### Paper and Converted Products

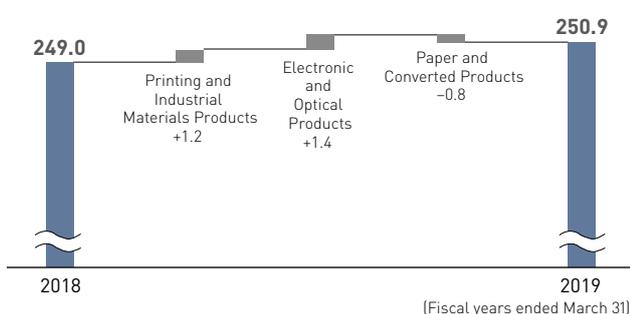
In Fine & Specialty Paper Products Operations, sales of papers for envelopes with a concealing effect and oil and water resistant papers for fast food were favorable.

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

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

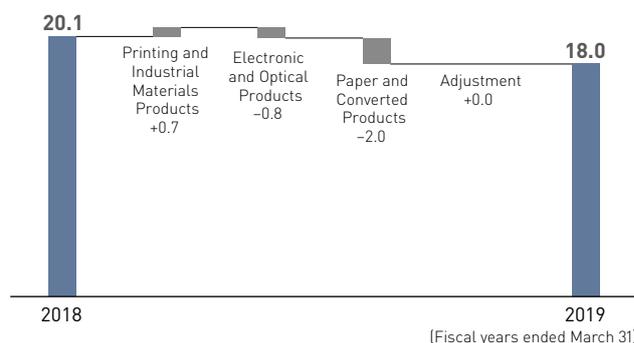
## Net Sales

¥ Billion



## Operating Income

¥ Billion



Management's Discussion and Analysis

Financial Position

Assets

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

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

Liabilities

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

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

Net Assets

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

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

Cash Flows

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

Cash Flows from Operating Activities

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

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

Cash Flows from Investing Activities

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

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

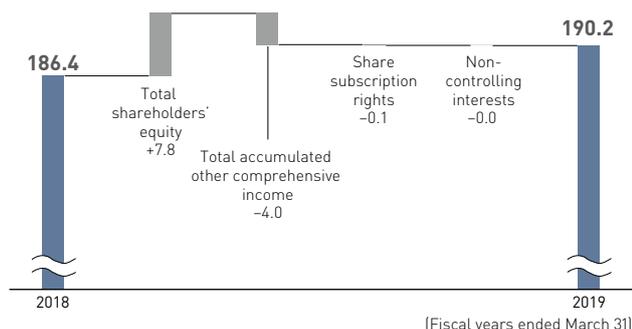
Cash Flows from Financing Activities

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

· Short-term loans payable	-¥1.5 billion
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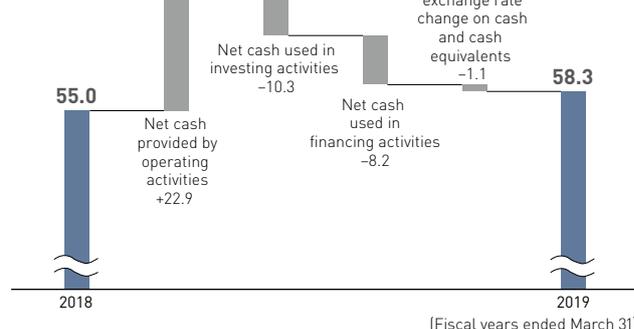
Net Assets

¥ Billion



Cash Flows

¥ Billion



# Operating Risks

The following is a summary of risks that could affect the LINTEC Group's operations. This summary provides specific examples of major risks that are anticipated, but it does not include all risks.

## 1. Changes in Economic Conditions

The Group's operations include development in a wide range of industries. Therefore, domestic and overseas economic conditions affect the Group's operations directly and indirectly. As a result, future trends in economic conditions could affect the Group's business results.

Furthermore, global trends in the electronics industry affect the Group's electronics-related products business. Future market trends could affect the Group's business results.

## 2. Changes in Selling Prices

Due to intense competition in both the domestic and overseas markets in which the Group operates, the Group may be unable to maintain selling prices to preserve sufficient earnings or sales share. Furthermore, the Group's business results could be affected by difficulties related to cost reductions aimed at maintaining profits and recovering its share by refining customer services.

## 3. Changes in Raw Material Prices

The Group uses a large quantity of pulp for paper and petrochemical products as raw materials and fuel. The prices of these materials and fuels fluctuate in accordance with market conditions, such as inventories and the supply-demand balance. The Group purchases raw materials in light of careful monitoring of market trends. However, a dramatic change in raw material prices could affect the Group's business results.

## 4. Changes in Foreign Exchange Rates

The Group conducts foreign currency-denominated procurement and sales overseas as well as finance transactions between both domestic and overseas Group companies. Therefore, changes in foreign exchange rates could affect the Group's business results.

## 5. Overseas Operations

The Group conducts manufacturing and business operations in markets worldwide. In these countries, the following events could affect the Group's business results.

- (1) Political instability or a deterioration in security due to such factors as terrorism, a political change, or a coup d'état
- (2) Labor disputes, such as those involving strikes or boycotts
- (3) Infrastructure failures, such as those related to electric power, water, or communications
- (4) Outbreaks of contagious diseases
- (5) Unpredictable changes in laws and regulations, such as those involving tax systems, foreign exchange, or customs

- (6) Problems arising between the Group and its business associates or in the collection of accounts receivable due to differences in cultures or business practices

## 6. New Product Development

The Group pursues R&D activities with a view to realizing comprehensive technological capabilities that cater to market demand and bringing to market competitive, high-value-added products. Accordingly, the Group is stepping up allocations of management resources to increase its number of researchers and to pursue such initiatives as joint research with other companies and academic institutions.

However, there is no guarantee that such investment of management resources in R&D will result in the development of new products or increase operating income. Due to such factors as extended development periods, it could become necessary to discontinue development, and if product development costs cannot be recovered, it could affect the Group's business results.

## 7. Intellectual Property Rights

The Group takes necessary measures to protect intellectual property rights in Japan and overseas for various original production technologies that it has developed. However, legal measures alone do not provide complete protection, possibly preventing the Group from effectively protecting the rights it has obtained. Furthermore, in the event that a lawsuit is filed by a third party regarding intellectual property rights infringement associated with the Group's products, the Group's business results could be affected.

## 8. Significant Lawsuits

In conducting business in Japan and overseas, the Group may be subject to lawsuits or other claims related to product liability, environmental, or intellectual property rights issues. Lawsuits or claims, depending on their content, could affect the Group's business results.

## 9. Legal and Regulatory Systems

In the countries in which it conducts business operations, the Group is subject to various legal and regulatory systems, and as such is working to ensure rigorous compliance with these systems. In the event that the systems are strengthened or changed, the Group's business activities could be restricted or the Group's business results could be affected.

## Financial Information

# Financial Summary

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31

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

[Supplementary information]

Effective the year ended March 31, 2011, the "Accounting Standard for Disclosure about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan (ASBJ) Statement No. 17, issued by ASBJ on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued by ASBJ on March 21, 2008) have been applied.

Since it is impracticable to restate segment information of the fiscal years of 2010 complying revised accounting standards for segment information, only reportable segment information for the year ended March 31, 2011 onward have been presented.

Millions of yen, except per share data, number of shares, and number of employees

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

Overview

Strategy

ESG

Financial Information

## Financial Information

# Consolidated Balance Sheet

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

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

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

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

## Financial Information

# Consolidated Statement of Income

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

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

# Consolidated Statement of Comprehensive Income

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

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

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

# Consolidated Statement of Changes in Net Assets

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

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

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

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

## Financial Information

# Consolidated Statement of Cash Flows

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

Thousands of  
U.S. dollars  
(Note 1)

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

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

# Notes to Consolidated Financial Statements

LINTEC Corporation and its consolidated subsidiaries  
March 31, 2019

## 1. Summary of Significant Accounting Policies

### (a) Basis of presenting financial statements

LINTEC Corporation (the "Company") maintains its accounting records and prepares its consolidated financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

For the convenience of the readers, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the rate of ¥110.99=U.S.\$1, the prevailing exchange rate as of March 31, 2019. This translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at this or any other rate of exchange.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain reclassifications of previously reported amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2019 presentation.

### (b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 40 significant subsidiaries as of March 31, 2019, but exclude subsidiaries whose total assets, net sales, profit and retained earnings are not material in relation to the comparable amounts in these statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Goodwill is amortized over periods of the useful lives (mainly 10 years) on a straight-line basis.

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

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

### (c) Foreign currency translation

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

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

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

### (d) Investment securities

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

### (e) Derivatives

Derivatives are stated at fair value.

### (f) Inventories

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

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

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

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

The significant useful lives are summarized as follows:

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

### (h) Intangible assets (Excluding leased assets)

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

### (i) Leased assets

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

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

### (j) Allowance for doubtful accounts

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

### (k) Provision for directors' bonuses

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

### (l) Accounting method for retirement benefits

(1) Method of attributing expected retirement benefits to periods

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

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

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

### (m) Provision for environmental measures

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

### (n) Accounting for consumption taxes

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

### (o) Cash and cash equivalents

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

**(p) Research and development costs**

Research and development costs are charged to income when incurred.

**(q) Income taxes**

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

**(r) Shareholders' equity**

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

**(s) Hedge accounting**

(1) Hedge accounting method

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

(2) Hedging instruments and hedged items

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

(3) Hedging policy

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

(4) Method of evaluating the effectiveness of hedges

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

**(t) Accounting standards issued but not yet applied**

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

(1) Overview

This is a comprehensive accounting standard for revenue recognition.

Revenue is recognized using the following five steps.

- Step 1: Identify the contract with a customer.
- Step 2: Identify the separate performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the separate performance obligations in the contract.
- Step 5: Recognize revenue when the entity satisfies a performance obligation.

(2) Application schedule

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

(3) Effect of application

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

• Foreign subsidiaries

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

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

**(u) Changes in Presentation**

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

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

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

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

**2. Commitments and Contingent Liabilities**

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

**3. Inventories**

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

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

#### 4. Reduction Entry

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

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

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

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

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

#### 6. Selling, General and Administrative Expenses

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

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

#### 7. Research and Development Expenses

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

#### 8. Gain on Sales of Noncurrent Assets

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

#### 9. Impairment Loss

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

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

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

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

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

#### 10. Provision for Business Structure Improvement

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

## Financial Information

### 11. Comprehensive Income

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

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

### 12. Cash and Cash Equivalents

1. Reconciliation between cash and cash equivalents in the consolidated statement of cash flows and cash and deposits in the consolidated balance sheet as of March 31, 2019 and 2018 were as follows:

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

2. Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2019 and 2018 were ¥128 million (U.S.\$1,161 thousand) and ¥138 million, respectively.

### 13. Leases

#### (Lessee's accounting)

For finance lease transactions that transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities for the years ended March 31, 2019 and 2018, and are depreciated in the same way as the owned property, plant and equipment.

For finance lease transactions that do not transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities and vehicles, and those recognized as intangible assets are mainly software for the years ended March 31, 2019 and 2018. These leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

(As Lessee)

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

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

(As Lessor)

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

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

## 14. Financial Instruments

### 1. Status of financial instruments

#### (1) Policy regarding financial instruments

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

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

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

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

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

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

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

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

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

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

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

### 2. Fair value and other matters related to financial instruments

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

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

Notes: i. Figures shown in parentheses are liability items.

ii. The current portion of long-term loans payable is included in long-term loans payable.

iii. The value of assets and liabilities arising from derivatives is shown by net value.

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

Notes: i. Figures shown in parentheses are liability items.

ii. The current portion of long-term loans payable is included in long-term loans payable.

iii. The value of assets and liabilities arising from derivatives is shown by net value.

## Financial Information

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

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

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

(3) Investment securities

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

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

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

(7) Long-term loans payable

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

(8) Derivatives

Please see Note 16, "Derivatives."

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

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

The unlisted stocks in the preceding table do not have market values, and as estimating their future cash flows is deemed to be extremely difficult, they are not included in the above table "(3) Investment securities."

Note 3: Planned redemption amounts after the balance sheet date for held-to-maturity securities and receivables were as follows:

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

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

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

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

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

## 15. Marketable and Investment Securities

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

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

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

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

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

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

16. Derivatives

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

		Millions of yen			
		Contract amounts			2019
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)	¥ 735	¥—	¥ 0	¥ 0
	U.S. dollars (buy Korean won)	99	—	0	0
	Japanese yen (buy Korean won)	36	—	(0)	(0)
	U.S. dollars (buy Singapore dollars)	41	—	1	1
	Buy:				
	Japanese yen (sell New Taiwan dollars)	147	—	3	3
Total		¥1,059	¥—	¥ 4	¥ 4

		Thousands of U.S. dollars			
		Contract amounts			2019
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)	\$6,622	\$—	\$ 2	\$ 2
	U.S. dollars (buy Korean won)	892	—	1	1
	Japanese yen (buy Korean won)	330	—	(1)	(1)
	U.S. dollars (buy Singapore dollars)	369	—	9	9
	Buy:				
	Japanese yen (sell New Taiwan dollars)	1,329	—	27	27
Total		\$9,544	\$—	\$40	\$40

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

		Millions of yen			
		Contract amounts			2018
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)	¥607	¥—	¥ 2	¥ 2
	U.S. dollars (buy Korean won)	107	—	3	3
	Japanese yen (buy Korean won)	62	—	(0)	(0)
	U.S. dollars (buy Singapore dollars)	71	—	3	3
Total		¥848	¥—	¥ 9	¥ 9

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

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

			Millions of yen		
			Contract amounts		2019
Hedge accounting method	Type of derivatives	Major hedged items	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	¥1,886	¥1,664	¥(Note)

			Thousands of U.S. dollars		
			Contract amounts		2019
Hedge accounting method	Type of derivatives	Major hedged items	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	\$17,000	\$15,000	\$(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		
			2018		
			Contract amounts		
Hedge accounting method	Type of derivatives	Major hedged items	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	¥2,018	¥1,806	¥(Note)

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

(Interest rate and currency related)

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

			Thousands of U.S. dollars		
			2019		
			Contract amounts		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over 1 year	Fair value
The Tokurei-shori and Furiate-shori for interest rate and currency swaps	Interest rate and currency swaps Variable rate receipt / Fixed rate payment U.S.\$ receipt / Japanese ¥ payment	Long-term loans payable	\$48,705	\$43,410	\$(Note)

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

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

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

## 17. Retirement Benefits

The Company has defined benefit plans of a corporate pension fund plan under the Japanese Defined Benefit Corporate Pension Law and lump-sum payment plan.

Domestic consolidated subsidiaries have lump-sum payment plans and certain foreign consolidated subsidiaries have defined contribution plans and lump-sum payment plans.

The following summarizes information related to retirement benefits for the years ended March 31, 2019 and 2018.

### 1. Defined benefit plans

(1) Reconciliation statement for the beginning balance and the ending balance of retirement benefit obligations

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

Note: For some of the consolidated subsidiaries, the simplified method is used to calculate retirement benefit obligations.

## Financial Information

### (2) Reconciliation statement for the beginning balance and the ending balance of plan assets

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

### (3) Reconciliation statement for the ending balance of retirement benefit obligations and plan assets and net defined benefit liability or asset recorded in the consolidated financial statements

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

### (4) Components of retirement benefit expenses

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

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

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

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

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

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

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

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

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

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

(7) Items related to plan assets

1. Breakdown of major items

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 was as follows:

	2019	2018
Bonds	67.4%	69.6%
Stocks	16.7%	14.8%
Alternatives	6.7%	6.6%
Cash and deposits	4.3%	5.5%
Other	4.9%	3.5%
Total	100.0%	100.0%

Note: Alternatives are mainly investments on hedge funds.

2. Method for determining the expected long-term rate of return on plan assets

In determining the expected long-term rate of return on plan assets, estimates are considered based on the current and expected allocation of plan assets and the current and expected long-term rate of return from the various assets comprising the plan assets.

(8) Major actuarial assumptions as of March 31, 2019 and 2018 were as follows:

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

## 2. Defined contribution plans

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

## Financial Information

### 18. Stock Option Plan

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

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

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

#### The 2006 plan

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

#### The 2007 plan

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

#### The 2008 plan

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

#### The 2009 plan

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

#### The 2010 plan

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

## The 2011 plan

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

## The 2012 plan

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

## The 2013 plan

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

## The 2014 plan

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

## The 2015 plan

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

## Financial Information

### The 2016 plan

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

### The 2017 plan

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

### The 2018 plan

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

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

#### (Non-vested stock options)

(Unit: shares)

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

**(Vested stock options)**

(Unit: shares)

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

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

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

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

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

The expected remaining period for stock options is assumed to be the mid-point of the exercise period.

**19. Income Taxes**

1. The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.62% and 30.86% for the years ended March 31, 2019 and 2018, respectively. Income taxes of the foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2019 and 2018 differ from the statutory tax rate for the following reasons:

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

## Financial Information

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

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

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

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

	Millions of yen						Total
	2019	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	
Operating loss carryforwards	¥ 56	¥ 52	¥ 201	¥ 41	¥ 0	¥ 863	¥ 1,215
Valuation allowance	(56)	(52)	(201)	(41)	(0)	(859)	(1,212)
Deferred tax assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3	¥ 3

	Thousands of U.S. dollars						Total
	2019	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	
Operating loss carryforwards	\$ 508	\$ 470	\$ 1,817	\$ 375	\$ 3	\$ 7,776	\$ 10,951
Valuation allowance	(508)	(470)	(1,817)	(375)	(3)	(7,748)	(10,923)
Deferred tax assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28	\$ 28

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

## 20. Business Combinations

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

## 21. Asset Retirement Obligations

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

## 22. Rental Property

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

## 23. Segment Information

### 1. Overview of reportable segments

#### (1) Decision procedures for reportable segments

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

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

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

#### (2) Products and services handled in each segment

Products and services handled in each segment were as follows:

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

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

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

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

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

## Financial Information

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

Millions of yen

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

Thousands of U.S. dollars

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

- Notes: i. Segment income adjustments show elimination of the amount of intra-segment transactions.  
 ii. Segment income is adjusted to be reported as operating income in the consolidated statement of income.  
 iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.  
 iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

Millions of yen

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

- Notes: i. Segment income adjustments show elimination of the amount of intra-segment transactions.  
 ii. Segment income is adjusted to be reported as operating income in the consolidated statement of income.  
 iii. The amounts to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.  
 iv. Since companies, offices, and factories serve as the base for administrative classification of segment's assets, no allocation to the business segment is done.

## Related Information

### 1. Information by product and service

Since the Company and its consolidated subsidiaries disclose the same information in its segment information section, it has been omitted.

### 2. Information by geographical segment

Millions of yen

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

Thousands of U.S. dollars

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

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

Millions of yen

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

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

Millions of yen

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

Thousands of U.S. dollars

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

Millions of yen

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

### 3. Information by principal customers

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

## Financial Information

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

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

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

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

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

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

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

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.

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

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

Notes: i. Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in the reportable segment information section, it has been omitted.

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

### Information on profit arising from negative goodwill by reportable segment

There is no profit arising from negative goodwill for the years ended March 31, 2019 and 2018.

## 24. Related Party Transactions

The Company and its consolidated subsidiaries have transactions with NP Trading Co., Ltd., a subsidiary of Nippon Paper Industries Co., Ltd. The transactions between the companies for the years ended March 31, 2019 and 2018 were as follows:

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

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

Related party transactions are carried out on an arm's length basis similar to third party transactions.

## 25. Amounts per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2019 and 2018 were as follows:

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

The bases for calculation were as follows:

(1) Basic and diluted net income per share

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

(2) Net assets per share

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

## Financial Information

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

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

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

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

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

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

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

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

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

	Millions of yen				Thousands of U.S. dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Long-term loans payable	¥9,291	¥1,220	¥554	¥554	\$83,718	\$11,000	\$5,000	\$5,000
Lease obligation	80	56	38	6	726	513	344	59

### 27. Subsequent Event

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

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

# Management's Report on Internal Control over Financial Reporting

## Basic Framework of Internal Control over Financial Reporting

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

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

## Scope of Assessment, Assessment Date and Assessment Procedure

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

We determined the scope of assessment by selecting consolidated subsidiaries based on their materiality of impact on the reliability of financial reporting. We determined their materiality of impact by considering both quantitative and qualitative aspects. The scope of our process-level control assessment was determined based on the results of our assessment of company-level controls, which included the Company and its 21 consolidated subsidiaries. We excluded 19 consolidated subsidiaries from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected 2 business locations as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2018. For the Significant Business Locations, we primarily included business processes related to sales, accounts receivable, and inventory in the scope of assessment as the aforementioned accounts were closely associated with the Company's business objectives. In addition, we included certain business processes in the scope of assessment not only from "Significant Business Locations" but also from all subsidiaries and affiliates, which were related to significant accounts involving estimates and management's judgment or include high-risk operations and/or transactions, as "business processes with a material impact on financial reporting."

## Assessment Result

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

## Report of Independent Auditors



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### Independent Auditor's Report

The Board of Directors  
LINTEC Corporation

#### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LINTEC Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

#### *Convenience Translation*

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

#### *Report on the Internal Control*

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

A member firm of Ernst & Young Global Limited



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#### *Management's Responsibility for the Management's Report*

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not prevent or detect misstatements.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about conclusions of management's assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the degree of impact on the reliability of financial reporting. An internal control audit also includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our internal control audit opinion.

#### *Opinion*

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at March 31, 2019 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

June 20, 2019

A member firm of Ernst & Young Global Limited

## Financial Information

# Investor Information

As of March 31, 2019

### Head Office

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

### Established

October 15, 1934

### Fiscal Year-End

March 31

### Common Stock

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

### Stock Listing

Tokyo Stock Exchange, 1st Section  
 Securities Code: 7966

### Shareholder Register Agent for Common Stock

Mitsubishi UFJ Trust and Banking Corporation  
 1-4-5, Marunouchi, Chiyoda-ku,  
 Tokyo 100-8212, Japan

### Number of Employees

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

### Major Shareholders

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

### Major Subsidiaries \* Consolidated Subsidiary

#### Domestic

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

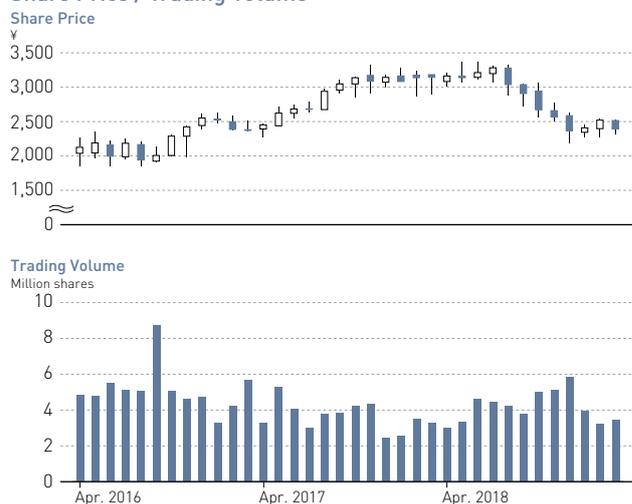
#### Overseas

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

### Ownership and Distribution of Shares



### Share Price / Trading Volume







## LINTEC Corporation

LINTEC Corporation  
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Tokyo 173-0001, Japan  
[www.lintec-global.com](http://www.lintec-global.com)



The mark of  
responsible forestry