

Financial Section

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Management's Discussion and Analysis

Revenues and Expenses

Looking at the global economy in the fiscal year under review, in the United States conditions remained solid against a background of favorable employment and income environments, while in Europe consumer spending registered moderate expansion. In China, the economy continued to experience deceleration in both overseas and domestic demand due to U.S.-China trade friction. Meanwhile, Japan saw a recovery in the employment and income environments. However, there was a slowdown in exports resulting from deceleration in overseas economies, as well as damage from natural disasters, such as large typhoons, and a consumption tax hike, leading to sluggish consumer spending. Furthermore, global economic circumstances became even more challenging due to the spread of COVID-19 toward the end of the fiscal year under review.

In this business environment, LINTEC's net sales declined 4.1% year on year, to ¥240.7 billion, due to such factors as the slump in the semiconductor market in the first half of the fiscal year. Despite a decline in the cost of pulp, a key raw material, operating income was down 14.1% year on year, to ¥15.4 billion, as a result of a decrease in sales quantity and other factors. Profit before income taxes was down 24.0% year on year, to ¥13.9 billion in the fiscal year under review, due in part to the decline in operating income and the recording of an impairment loss of goodwill of ¥0.5 billion. Income taxes following the application of tax effect accounting were ¥4.4 billion, and profit attributable to owners of parent was down 25.6%, to ¥9.6 billion. Net income per share decreased from ¥179.24 in the previous fiscal year to ¥133.20, and ROE declined from 6.9% to 5.0%.

Performance by Business Segment

Printing and Industrial Materials Products

In Printing & Variable Information Products Operations, looking at adhesive products for labels, due to unseasonable weather conditions in Japan, weak domestic sales were recorded by display labels for food- and beverage-related applications and by

eye-catching labels for cosmetics. Overseas, the economic slow-down in China had an influence, but sales activities to develop new customers in the United States were effective. Accordingly, overseas results were firm.

In Industrial & Material Operations, sales of window films were favorable in Japan and overseas, but sales of motorcycle- and automobile-use adhesive products were sluggish due to the effects of the stagnant Indian market.

As a result, the segment's net sales were down 0.4% year on year, to ¥122.4 billion, and operating income declined 75.3%, to ¥0.9 billion, due in part to the worsening of the sales mix and higher raw materials and distribution costs.

Electronic and Optical Products

In Advanced Materials Operations, sales of semiconductor-related adhesive tapes increased due primarily to a recovery in demand in the third quarter. However, sales of semiconductor-related equipment decreased significantly as a result of the influence of restrained capital expenditures. Also, in multilayer ceramic capacitor-related tapes, as a result of the influence of production adjustments for products for automobiles and smartphones, overall sales of related tapes registered a substantial decline.

In Optical Products Operations, looking at optical display-related adhesive products, sales of products for larger TV units were firm. However, sales of products for small- and medium-sized items, such as smartphones, were weak, reflecting lackluster demand.

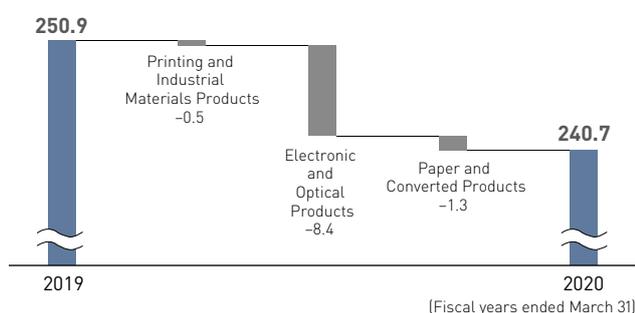
As a result, the segment's net sales were down 9.3% year on year, to ¥81.9 billion, while operating income declined 1.5%, to ¥11.0 billion.

Paper and Converted Products

In Fine & Specialty Paper Products Operations, sales of mainstay color papers for envelopes performed solidly. In addition, construction material papers and oil- and water-resistant papers for fast food also sold well.

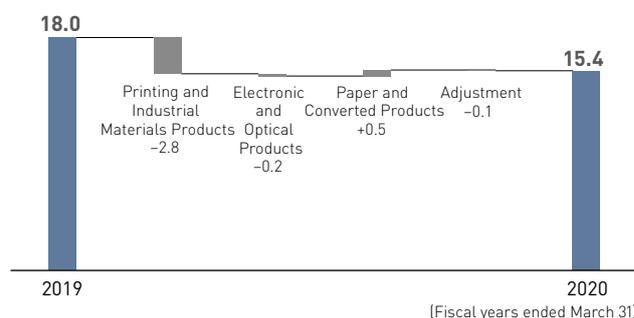
Net Sales

¥ Billion



Operating Income

¥ Billion



In Converted Products Operations, sales of release papers for electronic materials were firm. However, sales of release papers for general-use adhesive products and release films for optical-related products were sluggish.

As a result, the segment's net sales were down 3.5% year on year, to ¥36.4 billion, while operating income rose 17.9%, to ¥3.5 billion, due in part to lower prices for pulp.

Financial Position

Assets

Total assets as of March 31, 2020, were ¥279.0 billion, a decrease of ¥11.3 billion from the end of the previous fiscal year. The main changes were as follows:

| | |
|---------------------------------------|---------------|
| · Cash and deposits | -¥5.0 billion |
| · Trade notes and accounts receivable | -¥6.6 billion |
| · Property, plant and equipment, net | +¥5.4 billion |
| · Goodwill | -¥4.0 billion |

Liabilities

Total liabilities as of March 31, 2020, were ¥86.7 billion, a decrease of ¥13.4 billion from the end of the previous fiscal year. The main changes were as follows:

| | |
|--|----------------|
| · Trade notes and accounts payable | -¥11.4 billion |
| · Current portion of long-term loans payable | +¥6.2 billion |
| · Long-term loans payable | -¥9.3 billion |
| · Net defined benefit liability | +¥1.5 billion |

Net Assets

Net assets as of March 31, 2020, were ¥192.3 billion, an increase of ¥2.1 billion from the end of the previous fiscal year. The main changes were as follows:

| | |
|--|---------------|
| · Retained earnings | +¥4.0 billion |
| · Foreign currency translation adjustments | -¥1.0 billion |

Cash Flows

Cash and cash equivalents as of March 31, 2020, amounted to ¥52.3 billion, a decrease of ¥6.0 billion year on year.

Cash Flows from Operating Activities

Cash flows from operating activities decreased ¥4.4 billion year on year, to a cash inflow of ¥18.5 billion. The principal movements were as follows:

| | |
|---------------------------------------|----------------|
| · Profit before income taxes | -¥4.4 billion |
| · Trade notes and accounts receivable | +¥4.0 billion |
| · Inventories | +¥2.9 billion |
| · Trade notes and accounts payable | -¥10.3 billion |
| · Income taxes paid | +¥1.4 billion |

Cash Flows from Investing Activities

Cash flows from investing activities decreased ¥3.5 billion year on year, to a cash outflow of ¥13.8 billion. The principal movements were as follows:

| | |
|--|---------------|
| · Payments into time deposits | -¥2.9 billion |
| · Proceeds from withdrawal of time deposits | +¥2.9 billion |
| · Purchase of property, plant and equipment | -¥1.7 billion |
| · Proceeds from sales of property, plant and equipment | -¥0.9 billion |

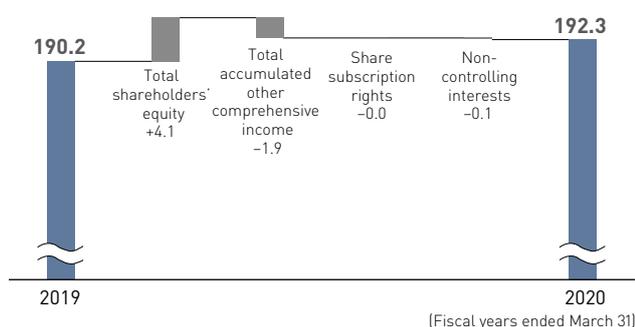
Cash Flows from Financing Activities

Cash flows from financing activities decreased ¥2.0 billion year on year, to a cash outflow of ¥10.3 billion. The principal movement was as follows:

| | |
|----------------------------|---------------|
| · Short-term loans payable | -¥1.1 billion |
|----------------------------|---------------|

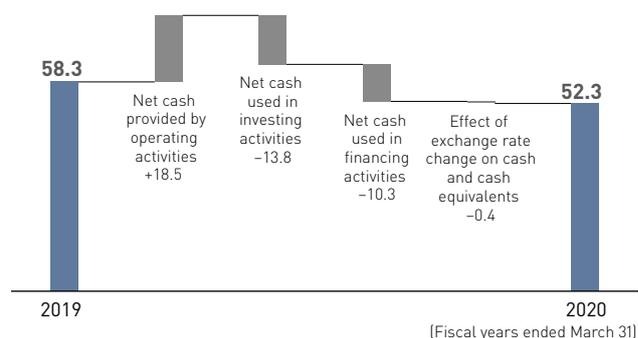
Net Assets

¥ Billion



Cash Flows

¥ Billion



Financial Information

Financial Summary

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31

| | 2020 | 2019 | 2018 | 2017 |
|---|------------|------------|------------|------------|
| For the year: | | | | |
| Net sales | ¥240,727 | ¥250,942 | ¥249,030 | ¥205,975 |
| Operating income | 15,440 | 17,977 | 20,095 | 16,595 |
| % of net sales | 6.4% | 7.2% | 8.1% | 8.1% |
| Profit before income taxes | 13,939 | 18,338 | 16,666 | 15,398 |
| Profit attributable to owners of parent | 9,620 | 12,937 | 11,257 | 11,450 |
| Return on equity | 5.0% | 6.9% | 6.2% | 6.6% |
| Return on assets | 5.1% | 6.2% | 6.5% | 6.1% |
| Per share data (yen): | | | | |
| Net income | ¥ 133.20 | ¥ 179.24 | ¥ 156.02 | ¥ 158.69 |
| Net assets | 2,653.80 | 2,625.54 | 2,573.69 | 2,465.43 |
| Cash dividends | 78.00 | 78.00 | 66.00 | 66.00 |
| Depreciation and amortization | ¥ 9,491 | ¥ 8,700 | ¥ 9,031 | ¥ 7,466 |
| Purchase of property, plant and equipment | (12,443) | (10,768) | (8,084) | (13,049) |
| Net cash provided by operating activities | 18,501 | 22,858 | 26,819 | 24,361 |
| Net cash used in investing activities | (13,818) | (10,299) | (7,532) | (48,378) |
| Net cash provided by (used in) financing activities | (10,284) | (8,246) | (6,363) | 5,257 |
| At year-end: | | | | |
| Current assets | ¥163,660 | ¥175,597 | ¥173,593 | ¥151,449 |
| Current liabilities | 66,119 | 72,994 | 77,849 | 64,401 |
| Working capital | 97,541 | 102,603 | 95,744 | 87,048 |
| Cash and cash equivalents | 52,260 | 58,303 | 55,042 | 41,284 |
| Property, plant and equipment, net | 80,481 | 75,131 | 75,336 | 73,871 |
| Long-term debt, less current portion | 2,285 | 11,622 | 14,395 | 17,795 |
| % of shareholders' equity | 1.2% | 6.2% | 8.0% | 10.3% |
| Total assets | 278,972 | 290,320 | 292,733 | 274,199 |
| Net assets | 192,298 | 190,226 | 186,420 | 178,690 |
| % of total assets | 68.7% | 65.3% | 63.4% | 64.9% |
| Number of shares outstanding | 76,600,940 | 76,576,340 | 76,564,240 | 76,564,240 |
| Number of employees | 4,948 | 4,888 | 4,794 | 4,760 |
| Segment information: | | | | |
| Net sales: | | | | |
| Printing and Industrial Materials Products | ¥122,436 | ¥122,935 | ¥121,691 | ¥85,661 |
| Electronic and Optical Products | 81,929 | 90,316 | 88,882 | 83,205 |
| Paper and Converted Products | 36,361 | 37,689 | 38,456 | 37,108 |
| Segment income: | | | | |
| Printing and Industrial Materials Products | 928 | 3,761 | 3,040 | 1,672 |
| Electronic and Optical Products | 10,981 | 11,150 | 11,972 | 9,155 |
| Paper and Converted Products | 3,502 | 2,970 | 4,996 | 5,767 |

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

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|------------|------------|------------|------------|------------|
| | ¥210,501 | ¥207,255 | ¥203,242 | ¥190,844 | ¥200,905 | ¥212,733 |
| | 17,692 | 16,881 | 13,766 | 10,564 | 13,975 | 20,889 |
| | 8.4% | 8.1% | 6.8% | 5.5% | 7.0% | 9.8% |
| | 16,799 | 17,555 | 12,883 | 10,836 | 13,382 | 19,565 |
| | 10,899 | 11,659 | 8,501 | 7,681 | 8,648 | 13,622 |
| | 6.4% | 7.2% | 5.8% | 5.6% | 6.6% | 10.9% |
| | 7.4% | 7.8% | 6.0% | 5.2% | 6.5% | 9.7% |
| | ¥ 151.07 | ¥ 161.63 | ¥ 114.22 | ¥ 102.83 | ¥ 115.26 | ¥ 180.21 |
| | 2,370.49 | 2,363.81 | 2,100.87 | 1,909.57 | 1,766.60 | 1,715.78 |
| | 54.00 | 48.00 | 42.00 | 34.00 | 40.00 | 40.00 |
| | ¥ 8,800 | ¥ 8,713 | ¥10,055 | ¥ 10,141 | ¥ 10,079 | ¥10,178 |
| | (9,810) | (6,299) | (5,508) | (13,823) | (8,760) | (8,237) |
| | 19,928 | 15,485 | 16,309 | 19,619 | 18,910 | 23,307 |
| | (9,898) | (5,104) | (6,952) | (13,966) | (12,262) | (9,926) |
| | (4,044) | (3,135) | (8,020) | (2,877) | (5,099) | (2,820) |
| | ¥163,647 | ¥163,017 | ¥149,396 | ¥138,505 | ¥137,229 | ¥132,891 |
| | 56,389 | 57,058 | 54,820 | 56,911 | 62,075 | 60,465 |
| | 107,258 | 105,958 | 94,575 | 81,593 | 75,153 | 72,426 |
| | 60,323 | 56,050 | 44,992 | 40,739 | 36,036 | 35,188 |
| | 64,859 | 61,503 | 61,456 | 64,915 | 62,273 | 61,888 |
| | — | — | — | — | — | — |
| | — | — | — | — | — | — |
| | 240,720 | 237,444 | 225,073 | 216,048 | 210,203 | 206,188 |
| | 172,101 | 171,674 | 152,610 | 143,569 | 132,847 | 130,576 |
| | 71.1% | 71.8% | 67.3% | 66.0% | 62.8% | 62.9% |
| | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 | 76,564,240 |
| | 4,246 | 4,413 | 4,223 | 4,270 | 4,286 | 4,198 |
| | ¥87,638 | ¥86,764 | ¥86,271 | ¥82,761 | ¥90,093 | ¥91,898 |
| | 85,422 | 83,207 | 79,139 | 72,352 | 73,874 | 81,155 |
| | 37,440 | 37,283 | 37,831 | 35,730 | 36,937 | 39,679 |
| | 2,785 | 2,878 | 2,290 | 2,380 | 5,213 | 7,990 |
| | 10,562 | 10,071 | 6,846 | 3,196 | 3,942 | 6,732 |
| | 4,303 | 3,996 | 4,645 | 4,980 | 4,846 | 6,129 |

Overview

Strategy

Foundation

Financial Information

Financial Information

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2020 and 2019

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|------------------|------------------|--|
| | 2020 | 2019 | 2020 |
| Current assets: | | | |
| Cash and deposits (Notes 10, 12) | ¥ 57,190 | ¥ 62,148 | \$ 525,501 |
| Trade notes and accounts receivable (Notes 4, 12) | 62,896 | 69,479 | 577,931 |
| Inventories (Note 3) | 40,434 | 40,717 | 371,541 |
| Other (Notes 12, 14) | 3,222 | 3,337 | 29,608 |
| Allowance for doubtful accounts | (82) | (85) | (761) |
| Total current assets | 163,660 | 175,597 | 1,503,821 |
| Non-current assets: | | | |
| Property, plant and equipment (Notes 7, 11): | | | |
| Buildings and structures | 79,534 | 73,023 | 730,815 |
| Machinery, equipment and vehicles | 131,351 | 126,652 | 1,206,946 |
| Land | 11,238 | 11,356 | 103,264 |
| Construction in progress | 2,708 | 5,507 | 24,889 |
| Other | 14,245 | 11,853 | 130,901 |
| | 239,079 | 228,394 | 2,196,815 |
| Accumulated depreciation | (158,597) | (153,263) | (1,457,299) |
| Property, plant and equipment, net | 80,481 | 75,131 | 739,516 |
| Intangible assets: | | | |
| Goodwill | 21,350 | 25,359 | 196,178 |
| Other (Note 11) | 2,177 | 2,758 | 20,007 |
| Total intangible assets | 23,527 | 28,117 | 216,185 |
| Investments and other assets: | | | |
| Investment securities (Notes 12, 13) | 1,805 | 2,217 | 16,593 |
| Deferred tax assets (Note 17) | 7,562 | 6,988 | 69,488 |
| Net defined benefit asset (Note 15) | 4 | — | 40 |
| Other | 2,037 | 2,364 | 18,724 |
| Allowance for doubtful accounts | (108) | (97) | (994) |
| Total investments and other assets | 11,302 | 11,473 | 103,852 |
| Total non-current assets | 115,311 | 114,722 | 1,059,555 |
| Total assets | ¥ 278,972 | ¥ 290,320 | \$ 2,563,376 |

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) |
|---|-----------------|----------|------------------------------------|
| | 2020 | 2019 | 2020 |
| Current liabilities: | | | |
| Trade notes and accounts payable (Notes 4, 12) | ¥ 41,465 | ¥ 52,873 | \$ 381,016 |
| Short-term loans payable (Notes 12, 24) | 1,580 | 2,531 | 14,521 |
| Current portion of long-term loans payable (Notes 12, 14, 24) | 9,240 | 3,038 | 84,903 |
| Accrued income taxes (Notes 12, 17) | 2,638 | 2,429 | 24,245 |
| Provision for directors' bonuses | 59 | 69 | 547 |
| Other (Notes 12, 14, 24) | 11,135 | 12,052 | 102,316 |
| Total current liabilities | 66,119 | 72,994 | 607,550 |
| Non-current liabilities: | | | |
| Long-term loans payable (Notes 12, 14, 24) | 2,285 | 11,622 | 21,000 |
| Provision for environmental measures | 111 | 112 | 1,020 |
| Net defined benefit liability (Note 15) | 16,378 | 14,841 | 150,491 |
| Other (Note 24) | 1,779 | 522 | 16,353 |
| Total non-current liabilities | 20,554 | 27,099 | 188,866 |
| Total liabilities | 86,674 | 100,094 | 796,416 |
| Commitments and contingent liabilities (Note 2) | | | |
| Net assets: | | | |
| Shareholders' equity (Note 23): | | | |
| Common stock: | | | |
| Authorized: 300,000,000 shares in 2020 and 2019 | | | |
| Issued: 76,600,940 shares in 2020 and 76,576,340 shares in 2019 | 23,249 | 23,220 | 213,632 |
| Capital surplus | 26,870 | 26,842 | 246,907 |
| Retained earnings | 149,471 | 145,484 | 1,373,438 |
| Less: treasury stock, at cost: | | | |
| 4,352,574 shares in 2020 and 4,371,170 shares in 2019 | (7,610) | (7,642) | (69,932) |
| Total shareholders' equity | 191,981 | 187,904 | 1,764,045 |
| Accumulated other comprehensive income | | | |
| Net unrealized holding gain on securities | (36) | 291 | (332) |
| Foreign currency translation adjustments | 4,193 | 5,178 | 38,528 |
| Remeasurements of defined benefit plans (Note 15) | (4,405) | (3,796) | (40,480) |
| Total accumulated other comprehensive income | (248) | 1,672 | (2,284) |
| Share subscription rights (Note 16) | 128 | 160 | 1,176 |
| Non-controlling interests | 437 | 488 | 4,022 |
| Total net assets | 192,298 | 190,226 | 1,766,959 |
| Total liabilities and net assets | ¥278,972 | ¥290,320 | \$2,563,376 |

Financial Information

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|--|
| | 2020 | 2019 | 2020 |
| Net sales | ¥240,727 | ¥250,942 | \$2,211,957 |
| Cost of sales | 182,287 | 189,664 | 1,674,973 |
| Gross profit | 58,440 | 61,278 | 536,984 |
| Selling, general and administrative expenses (Notes 5, 6) | 42,999 | 43,300 | 395,109 |
| Operating income | 15,440 | 17,977 | 141,874 |
| Non-operating income: | | | |
| Interest income | 300 | 272 | 2,759 |
| Dividend income | 52 | 257 | 481 |
| Rent income | 19 | 17 | 176 |
| Gain on sales of non-current assets | 14 | 6 | 128 |
| Insurance income | 22 | 68 | 206 |
| Foreign exchange gains | — | 293 | — |
| Other income | 292 | 348 | 2,689 |
| Total non-operating income | 701 | 1,265 | 6,443 |
| Non-operating expenses: | | | |
| Interest expenses | 178 | 196 | 1,637 |
| Loss on retirement of non-current assets | 937 | 883 | 8,617 |
| Compensation expenses | 144 | 55 | 1,325 |
| Foreign exchange losses | 200 | — | 1,845 |
| Other expenses | 195 | 114 | 1,794 |
| Total non-operating expenses | 1,656 | 1,249 | 15,221 |
| Ordinary income | 14,484 | 17,993 | 133,097 |
| Extraordinary gain: | | | |
| Gain on sales of non-current assets (Note 7) | — | 345 | — |
| Total extraordinary gain | — | 345 | — |
| Extraordinary loss: | | | |
| Impairment loss (Note 8) | 545 | — | 5,013 |
| Total extraordinary loss | 545 | — | 5,013 |
| Profit before income taxes | 13,939 | 18,338 | 128,083 |
| Income taxes (Note 17): | | | |
| Current | 4,528 | 5,445 | 41,611 |
| Deferred | (162) | (29) | (1,492) |
| Total income taxes | 4,366 | 5,416 | 40,118 |
| Profit | 9,573 | 12,921 | 87,964 |
| Profit (loss) attributable to non-controlling interests | (47) | (15) | (438) |
| Profit attributable to owners of parent (Note 23) | ¥ 9,620 | ¥ 12,937 | \$ 88,402 |

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2020 and 2019

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|---------|--|
| | 2020 | 2019 | 2020 |
| Profit | ¥ 9,573 | ¥12,921 | \$ 87,964 |
| Other comprehensive income (Note 9) | | | |
| Net unrealized holding gain on securities | (327) | (366) | (3,006) |
| Foreign currency translation adjustments | (986) | (2,963) | (9,066) |
| Remeasurements of defined benefit plans (Note 15) | (609) | (636) | (5,604) |
| Total other comprehensive income | (1,923) | (3,967) | (17,678) |
| Comprehensive income | ¥ 7,649 | ¥ 8,954 | \$ 70,286 |
| (Comprehensive income attributable to:) | | | |
| Owners of parent | 7,699 | 8,970 | 70,751 |
| Non-controlling interests | (50) | (15) | (464) |

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, 2020 and 2019

| | Thousands | | | | | | | | | | | | Millions of yen | | |
|--|----------------------------------|--------------|-----------------|-------------------|----------------|----------------------------|---|--|---|--|-------------|-------------|---------------------------|---------------------------|------------------|
| | Shareholders' equity | | | | | | Accumulated other comprehensive income | | | | | | Share subscription rights | Non-controlling interests | Total net assets |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | | | |
| Balance as at April 1, 2018 | 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 | | |
| Change of scope of consolidation | | | | | | | | | | | | | | | |
| Net changes in items other than shareholders' equity | | | | | | | (366) | (2,961) | (639) | (3,967) | (54) | (15) | (4,037) | | |
| Total changes during the year | 12 | 19 | 13 | 7,741 | 68 | 7,842 | (366) | (2,961) | (639) | (3,967) | (54) | (15) | 3,805 | | |
| Balance as at March 31, 2019 | 76,576 | ¥23,220 | ¥26,842 | ¥145,484 | ¥(7,642) | ¥187,904 | ¥ 291 | ¥ 5,178 | ¥(3,796) | ¥ 1,672 | ¥160 | ¥488 | ¥190,226 | | |
| Changes during the year: | | | | | | | | | | | | | | | |
| Issuance of new shares | 24 | 28 | 28 | | | 57 | | | | | | | 57 | | |
| Cash dividends | | | | (5,633) | | (5,633) | | | | | | | (5,633) | | |
| Profit attributable to owners of parent | | | | 9,620 | | 9,620 | | | | | | | 9,620 | | |
| Purchase of treasury stock | | | | | (1) | (1) | | | | | | | (1) | | |
| Disposal of treasury stock | | | (0) | | 33 | 32 | | | | | | | 32 | | |
| Change of scope of consolidation | | | | (0) | | (0) | | | | | | | (0) | | |
| Net changes in items other than shareholders' equity | | | | | | | (327) | (985) | (608) | (1,921) | (32) | (50) | (2,004) | | |
| Total changes during the year | 24 | 28 | 28 | 3,987 | 32 | 4,076 | (327) | (985) | (608) | (1,921) | (32) | (50) | 2,071 | | |
| Balance as at March 31, 2020 | 76,600 | ¥23,249 | ¥26,870 | ¥149,471 | ¥(7,610) | ¥191,981 | ¥ (36) | ¥4,193 | ¥(4,405) | ¥ (248) | ¥128 | ¥437 | ¥192,298 | | |

| | Thousands | | | | | | | | | | | | Thousands of U.S. dollars (Note 1) | | |
|--|----------------------------------|--------------|-----------------|-------------------|----------------|----------------------------|---|--|---|--|--------------|--------------|------------------------------------|---------------------------|------------------|
| | Shareholders' equity | | | | | | Accumulated other comprehensive income | | | | | | Share subscription rights | Non-controlling interests | Total net assets |
| | Number of shares of common stock | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity | Net unrealized holding gain on securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | | | |
| Balance as at April 1, 2019 | 76,576 | \$213,366 | \$246,650 | \$1,336,802 | \$ (70,227) | \$1,726,591 | \$ 2,674 | \$47,580 | \$ (34,887) | \$ 15,367 | \$1,476 | \$4,487 | \$1,747,921 | | |
| Changes during the year: | | | | | | | | | | | | | | | |
| Issuance of new shares | 24 | 265 | 265 | | | 531 | | | | | | | 531 | | |
| Cash dividends | | | | (51,761) | | (51,761) | | | | | | | (51,761) | | |
| Profit attributable to owners of parent | | | | 88,402 | | 88,402 | | | | | | | 88,402 | | |
| Purchase of treasury stock | | | | | (13) | (13) | | | | | | | (13) | | |
| Disposal of treasury stock | | | (8) | | 308 | 300 | | | | | | | 300 | | |
| Change of scope of consolidation | | | | (5) | | (5) | | | | | | | (5) | | |
| Net changes in items other than shareholders' equity | | | | | | | (3,006) | (9,052) | (5,592) | (17,651) | (299) | (464) | (18,416) | | |
| Total changes during the year | 24 | 265 | 257 | 36,635 | 295 | 37,454 | (3,006) | (9,052) | (5,592) | (17,651) | (299) | (464) | 19,037 | | |
| Balance as at March 31, 2020 | 76,600 | \$213,632 | \$246,907 | \$1,373,438 | \$ (69,932) | \$1,764,045 | \$ (332) | \$38,528 | \$ (40,480) | \$ (2,284) | \$1,176 | \$4,022 | \$1,766,959 | | |

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, 2020 and 2019

Thousands of
U.S. dollars
(Note 1)

| | Millions of yen | | |
|--|-----------------|-----------------|-------------------|
| | 2020 | 2019 | 2020 |
| Cash flows from operating activities: | | | |
| Profit before income taxes | ¥ 13,939 | ¥ 18,338 | \$ 128,083 |
| Depreciation and amortization | 9,491 | 8,700 | 87,212 |
| Amortization of goodwill | 3,264 | 3,295 | 29,993 |
| Increase (decrease) in net defined benefit liability | 114 | 821 | 1,054 |
| Increase (decrease) in allowance for doubtful accounts | 9 | (22) | 87 |
| Interest and dividend income | (352) | (530) | (3,241) |
| Interest expenses | 178 | 196 | 1,637 |
| Increase (decrease) in provision for business structure improvement | — | (38) | — |
| Loss (gain) on sales of property, plant and equipment | (13) | (352) | (120) |
| Loss on retirement of property, plant and equipment | 229 | 257 | 2,105 |
| Decrease (increase) in trade notes and accounts receivable | 6,385 | 2,410 | 58,678 |
| Decrease (increase) in inventories | 224 | (2,720) | 2,061 |
| Increase (decrease) in trade notes and accounts payable | (11,325) | (1,015) | (104,070) |
| Loss (gain) on sales of investment securities | (4) | (1) | (41) |
| Increase (decrease) in provision for environmental measures | (1) | (19) | (16) |
| Impairment loss | 545 | — | 5,013 |
| Other, net | 7 | (1,027) | 67 |
| Subtotal | 22,691 | 28,293 | 208,502 |
| Interest and dividend income received | 371 | 530 | 3,413 |
| Interest expenses paid | (196) | (202) | (1,806) |
| Income taxes (paid) refund | (4,364) | (5,763) | (40,106) |
| Net cash provided by operating activities | 18,501 | 22,858 | 170,003 |
| Cash flows from investing activities: | | | |
| Payments into time deposits | (10,139) | (7,269) | (93,171) |
| Proceeds from withdrawal of time deposits | 8,913 | 6,000 | 81,899 |
| Purchase of property, plant and equipment | (12,443) | (10,768) | (114,337) |
| Proceeds from sales of property, plant and equipment | 86 | 944 | 796 |
| Purchase of intangible assets | (158) | (151) | (1,458) |
| Purchase of investment securities | (66) | (4) | (606) |
| Proceeds from sales of investment securities | 10 | 3 | 99 |
| Proceeds from liquidation of subsidiaries | — | 195 | — |
| Payments of loans receivable | (3) | (21) | (35) |
| Collection of loans receivable | 20 | 12 | 185 |
| Other, net | (37) | 759 | (346) |
| Net cash used in investing activities | (13,818) | (10,299) | (126,974) |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term loans payable | (920) | 212 | (8,457) |
| Repayments of long-term loans payable | (3,021) | (3,039) | (27,766) |
| Cash dividends paid | (5,632) | (5,196) | (51,755) |
| Purchase of treasury stock | (1) | (1) | (13) |
| Repayments of lease obligations | (708) | (221) | (6,507) |
| Other, net | 0 | 0 | 0 |
| Net cash provided by (used in) financing activities | (10,284) | (8,246) | (94,499) |
| Effect of exchange rate change on cash and cash equivalents | (441) | (1,051) | (4,056) |
| Net increase (decrease) in cash and cash equivalents | (6,043) | 3,260 | (55,528) |
| Cash and cash equivalents at beginning of year | 58,303 | 55,042 | 535,726 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 0 | — | 4 |
| Cash and cash equivalents at end of year (Note 10) | ¥ 52,260 | ¥ 58,303 | \$ 480,202 |

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, 2020

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 ¥108.83=U.S.\$1, the prevailing exchange rate as of March 31, 2020. 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, 2020 presentation.

(b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 41 significant subsidiaries as of March 31, 2020, but exclude subsidiaries whose total assets, net sales, profit and retained earnings are not material in relation to the comparable amounts in these statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

(c) Foreign currency translation

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

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

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

(d) Investment securities

Securities 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 estimated useful lives of the respective assets.

The significant estimated useful lives are summarized as follows:

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

(h) Intangible assets (Excluding leased assets)

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

(i) Leased assets

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

Leased assets arising from finance lease transactions which do not transfer ownership to the lessees are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

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

Regarding overseas consolidated subsidiaries other than those that adopt US accounting standards (US-GAAP), financial statements have been prepared based on International Financial Reporting Standard (hereinafter IFRS), but as stated in "Changes in accounting principle", IFRS 16 "Leases" was applied from the beginning of the year ended March 31, 2020. Under IFRS 16 "Leases", lessees, in principle, record all leases as assets and liabilities on the consolidated balance sheet.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the amount of estimated uncollectible accounts, based on individual 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 instrumentsInterest rate swaps
Hedging itemsForeign currency-denominated loans
 - ② Hedging instrumentsInterest rate and currency swaps
Hedging itemsForeign 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, revised on March 31, 2020)
 - Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 31, 2020)
- (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.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No.24 revised on March 31, 2020)

(1) Overview

This standard provides an overview of the accounting principles and procedures adopted when the relevant accounting standards are not clear.

(2) Application schedule

This accounting standard will be adopted from the fiscal year ending March 31, 2021.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31 issued on March 31, 2020)

(1) Overview

The purpose of this accounting standard is to disclose information that contributes to the understanding of users of financial statements regarding the content of accounting estimates for items that have a risk of having a significant impact on the financial statements for the following years, out of the amounts recorded in the financial statements for the current year based on accounting estimates.

(2) Application schedule

This accounting standard will be adopted from the fiscal year ending March 31, 2021.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 revised on July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 revised on March 31, 2020)

(1) Overview

To improve comparability with International accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as "Accounting Standards for Fair Value Measurement") were developed and provided guidance such as how to calculate the market value. Accounting standards for fair value measurement are applied to the market prices of the following items:

- Financial instruments under "Accounting Standard for Financial Instruments"
- Inventories held for sales and trading purposes under "Accounting Standard for Measurement of Inventories"

In addition, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and notes such as a breakdown by level of the fair value of financial instruments have been established.

(2) Application schedule

These accounting standards will be adopted from the beginning of the year ending March 31, 2021.

(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 |
|-------------------------|--|--|
| ASU 2019-10 "Lease" | Revision to accounting treatment for lease | From the fiscal year ending March 31, 2022 |

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

(u) Changes in accounting principle

IFRS 16 "Leases" has been applied from the beginning of the year ended March 31, 2020, excluding the Company and domestic consolidated subsidiaries that adopt Japanese accounting standards (J-GAAP) and overseas consolidated subsidiaries that adopt US accounting standards (US-GAAP). Herewith, lessees, in principle, record all leases as assets and liabilities on the consolidated balance sheet. Upon applying IFRS 16, the LINTEC Group has adopted the method where the cumulative effect of applying this standard is recognized at date of initial application, which is allowed as a transitional measure.

As a result, "Property, plant and equipment" increased by 1,808 million yen (U.S.16,617 thousand) and "Other" in current liabilities and in non-current liabilities increased by 506 million yen (U.S.4,656 thousand) and 1,272 million yen (U.S.11,689 thousand) respectively for the end of the fiscal year. The impact of these changes on the profit for the year is immaterial.

(v) Additional information

The LINTEC Group anticipates that the impact of the New coronavirus infection (COVID-19) will reduce orders in the various business areas in the first and second quarters for the year ending March 31, 2021 due to the deterioration of the demand environment. Our accounting estimates were made on the assumption that our business activity will recover normal condition from the third quarter for the year ending March 31, 2021.

Financial Information

2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥27,099 million (U.S.\$249,007 thousand) and ¥26,192 million at March 31, 2020 and 2019, respectively.

3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------|------------------------------|
| | 2020 | 2019 | 2020 |
| Merchandise and finished goods | ¥15,345 | ¥15,027 | \$141,008 |
| Work in process | 14,971 | 14,604 | 137,571 |
| Raw materials and supplies | 10,117 | 11,085 | 92,961 |
| Total | ¥40,434 | ¥40,717 | \$371,541 |

4. 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, 2020 and 2019 were included in the ending balance.

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|--------|------------------------------|
| | 2020 | 2019 | 2020 |
| Trade notes and accounts receivable | ¥— | ¥5,269 | \$— |
| Trade notes and accounts payable | — | 8,902 | — |

5. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2020 | 2019 | 2020 |
| Transportation and warehousing expenses | ¥ 5,328 | ¥ 5,536 | \$ 48,959 |
| Provision for allowance for doubtful accounts | 27 | (9) | 251 |
| Salaries and allowances | 9,669 | 9,540 | 88,845 |
| Retirement benefit expenses | 586 | 336 | 5,393 |
| Provision for directors' bonuses | 59 | 70 | 547 |
| Depreciation and amortization | 1,779 | 1,211 | 16,350 |
| Research and development expenses | 7,860 | 8,319 | 72,231 |
| Other | 17,688 | 18,295 | 162,531 |
| Total | ¥42,999 | ¥43,300 | \$395,109 |

6. 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, 2020 and 2019 were ¥7,860 million (U.S.\$72,231 thousand) and ¥8,319 million, respectively.

7. 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.

8. Impairment Loss

The Company recognized impairment loss on the following classes of assets for the year ended March 31, 2020:

| Major use | Location | Category | Millions of yen | Thousands of U.S. dollars |
|-----------|------------------------|----------|-----------------|------------------------------|
| | | | 2020 | Impairment Loss |
| — | Kentucky State, U.S.A. | Goodwill | ¥545 | \$5,013 |

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 ¥545 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 19.0%.

9. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Net unrealized holding gain on securities: | | | |
| Amount incurred during the fiscal year | ¥ (467) | ¥ (526) | \$ (4,292) |
| Reclassification adjustment | (4) | (1) | (41) |
| Prior to deducting tax effect | (471) | (528) | (4,333) |
| Tax effect | 144 | 161 | 1,327 |
| Net unrealized holding gain on securities | (327) | (366) | (3,006) |
| Foreign currency translation adjustments: | | | |
| Amount incurred during the fiscal year | (986) | (2,963) | (9,066) |
| Reclassification adjustment | — | — | — |
| Prior to deducting tax effect | (986) | (2,963) | (9,066) |
| Tax effect | — | — | — |
| Foreign currency translation adjustments | (986) | (2,963) | (9,066) |
| Remeasurements of defined benefit plans: | | | |
| Amount incurred during the fiscal year | (1,453) | (1,054) | (13,358) |
| Reclassification adjustment | 577 | 133 | 5,308 |
| Prior to deducting tax effect | (876) | (921) | (8,049) |
| Tax effect | 266 | 284 | 2,444 |
| Remeasurements of defined benefit plans | (609) | (636) | (5,604) |
| Total other comprehensive income | ¥(1,923) | ¥(3,967) | \$(17,678) |

10. 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, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Cash and deposits | ¥57,190 | ¥62,148 | \$525,501 |
| Time deposits with maturity of more than 3 months | (4,929) | (3,845) | (45,298) |
| Cash and cash equivalents | ¥52,260 | ¥58,303 | \$480,202 |

2. Assets and liabilities related to lease transactions newly recognized for the years ended March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|------|---------------------------|
| | 2020 | 2019 | 2020 |
| Leased assets | ¥ 73 | ¥128 | \$ 676 |
| Right-of-use assets | 2,318 | — | 21,300 |
| Lease obligations | 2,391 | 128 | 21,977 |

Note: The increase in Right-of-use assets and Lease obligations due to the application of IFRS16 "Lease" were included in the above table from the year ended March 31, 2020.

11. 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, 2020 and 2019, 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 vehicles and office equipment such as personal computers, and those recognized as intangible assets are mainly software for the years ended March 31, 2020 and 2019. These leased assets are depreciated to a residual value of zero by the straight-line method over the estimated useful lives determined based on the contract terms.

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

(As Lessee)

The minimum lease payments under noncancellable operating leases as of March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|--------|---------------------------|
| | 2020 | 2019 | 2020 |
| Due within 1 year | ¥217 | ¥ 688 | \$2,000 |
| Due after 1 year | 467 | 904 | 4,291 |
| Total | ¥684 | ¥1,593 | \$6,291 |

Financial Information

(As Lessor)

The minimum lease receivables under noncancellable operating leases as of March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------------------|-----------------|------|---------------------------|
| | 2020 | 2019 | 2020 |
| Due within 1 year | ¥10 | ¥27 | \$ 95 |
| Due after 1 year | 17 | 27 | 156 |
| Total | ¥27 | ¥55 | \$252 |

12. 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 14, "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, 2020 and 2019 along with their fair value and the variance were shown in the following table.

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|-----------------|------------|----------|---------------------------|------------|----------|
| | Carrying value | Fair value | Variance | Carrying value | Fair value | Variance |
| (1) Cash and deposits | ¥ 57,190 | ¥ 57,190 | ¥— | \$ 525,501 | \$ 525,501 | \$ — |
| (2) Trade notes and accounts receivable | 62,896 | 62,896 | — | 577,931 | 577,931 | — |
| (3) Investment securities | | | | | | |
| Other securities | 1,222 | 1,222 | — | 11,235 | 11,235 | — |
| (4) Trade notes and accounts payable | (41,465) | (41,465) | — | (381,016) | (381,016) | — |
| (5) Short-term loans payable | (1,580) | (1,580) | — | (14,521) | (14,521) | — |
| (6) Accrued income taxes | (2,638) | (2,638) | — | (24,245) | (24,245) | — |
| (7) Long-term loans payable | (11,525) | (11,573) | 48 | (105,903) | (106,347) | 443 |
| (8) Derivatives | 8 | 8 | — | 81 | 81 | — |

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 | | |
|---|-----------------|------------|----------|
| | Carrying value | Fair value | Variance |
| (1) Cash and deposits | ¥ 62,148 | ¥ 62,148 | ¥ — |
| (2) Trade notes and accounts receivable | 69,479 | 69,479 | — |
| (3) Investment securities | | | |
| Other securities | 1,634 | 1,634 | — |
| (4) Trade notes and accounts payable | (52,873) | (52,873) | — |
| (5) Short-term loans payable | (2,531) | (2,531) | — |
| (6) Accrued income taxes | (2,429) | (2,429) | — |
| (7) Long-term loans payable | (14,661) | (14,543) | (117) |
| (8) Derivatives | 4 | 4 | — |

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.

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 14, "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 |
|-----------------|-----------------|----------------|---------------------------|
| | 2020 | 2019 | 2020 |
| | Carrying value | Carrying value | Carrying value |
| Unlisted stocks | ¥583 | ¥583 | \$5,357 |

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 |
|-------------------------------------|-----------------|---------------|---------------------------|
| | 2020 | 2019 | 2020 |
| | Within 1 year | Within 1 year | Within 1 year |
| Cash and deposits | ¥ 57,166 | ¥ 62,121 | \$ 525,284 |
| Trade notes and accounts receivable | 62,896 | 69,479 | 577,931 |
| Total | ¥120,063 | ¥131,601 | \$1,103,216 |

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

| | Millions of yen | | | | | |
|--|-----------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|
| | 2020 | | | | | |
| | Within 1 year | Over 1 year within 2 years | Over 2 years within 3 years | Over 3 years within 4 years | Over 4 years within 5 years | Over 5 years |
| Short-term loans payable | ¥ 1,580 | ¥ — | ¥ — | ¥ — | ¥— | ¥— |
| Current portion of long-term loans payable | 9,240 | — | — | — | — | — |
| Long-term loans payable | — | 1,197 | 544 | 544 | — | — |
| Total | ¥10,820 | ¥1,197 | ¥544 | ¥544 | ¥— | ¥— |

| | Thousands of U.S. dollars | | | | | |
|--|---------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|
| | 2020 | | | | | |
| | 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 | \$14,521 | \$ — | \$ — | \$ — | \$— | \$— |
| Current portion of long-term loans payable | 84,903 | — | — | — | — | — |
| Long-term loans payable | — | 11,000 | 5,000 | 5,000 | — | — |
| Total | \$99,424 | \$11,000 | \$5,000 | \$5,000 | \$— | \$— |

| | 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 | ¥— |

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13. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2020 and 2019 were as follows:

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|--|-------------|-----------------|------------------|------------------------|---------------------------|------------------|------------------------|
| | | 2020 | | | | | |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥ 918 | ¥ 769 | ¥ 148 | \$ 8,438 | \$ 7,072 | \$ 1,365 |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| | Subtotal | ¥ 918 | ¥ 769 | ¥ 148 | \$ 8,438 | \$ 7,072 | \$ 1,365 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 304 | ¥ 505 | ¥(200) | \$ 2,797 | \$ 4,642 | \$(1,845) |
| | Bonds | — | — | — | — | — | — |
| | Other | — | — | — | — | — | — |
| | Subtotal | ¥ 304 | ¥ 505 | ¥(200) | \$ 2,797 | \$ 4,642 | \$(1,845) |
| | Total | ¥1,222 | ¥1,274 | ¥ (52) | \$11,235 | \$11,715 | \$ (479) |

| | | Millions of yen | | |
|--|-------------|-----------------|------------------|------------------------|
| | | 2019 | | |
| | Description | Carrying value | Acquisition cost | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition cost | Stocks | ¥1,314 | ¥ 799 | ¥514 |
| | Bonds | — | — | — |
| | Other | — | — | — |
| | Subtotal | ¥1,314 | ¥ 799 | ¥514 |
| Securities whose acquisition cost exceeds their carrying value | Stocks | ¥ 320 | ¥ 415 | ¥ (95) |
| | Bonds | — | — | — |
| | Other | — | — | — |
| | Subtotal | ¥ 320 | ¥ 415 | ¥ (95) |
| | Total | ¥1,634 | ¥1,215 | ¥419 |

2. Other securities sold during the years ended March 31, 2020 and 2019 were as follows:

| | | Millions of yen | | | Thousands of U.S. dollars | | |
|-------------|-------|-----------------|-----------------|------------------|---------------------------|-----------------|------------------|
| | | 2020 | | | | | |
| Description | | Sales amount | Aggregate gains | Aggregate losses | Sales amount | Aggregate gains | Aggregate losses |
| Stocks | | ¥10 | ¥ 4 | ¥— | \$99 | \$41 | \$— |
| Bonds | | — | — | — | — | — | — |
| Other | | — | — | — | — | — | — |
| | Total | ¥10 | ¥ 4 | ¥— | \$99 | \$41 | \$— |

| | | Millions of yen | | |
|-------------|-------|-----------------|-----------------|------------------|
| | | 2019 | | |
| Description | | Sales amount | Aggregate gains | Aggregate losses |
| Stocks | | ¥ 3 | ¥ 1 | ¥— |
| Bonds | | — | — | — |
| Other | | — | — | — |
| | Total | ¥ 3 | ¥ 1 | ¥— |

14. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2020 and 2019 were as follows:
(Currency related)

| | | Millions of yen | | | |
|-------------------------|--------------------------------------|------------------|-------------|------------|------------------------|
| | | 2020 | | | |
| Nature of transaction | | Contract amounts | | Fair value | Unrealized gain (loss) |
| | | Total | Over 1 year | | |
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: | | | | |
| | U.S. dollars (buy Japanese yen) | ¥638 | ¥— | ¥ 3 | ¥ 3 |
| | U.S. dollars (buy Korean won) | 72 | — | 1 | 1 |
| | Japanese yen (buy Korean won) | 8 | — | (0) | (0) |
| | U.S. dollars (buy Singapore dollars) | 13 | — | 0 | 0 |
| | Indonesian rupiah (buy Japanese yen) | 23 | — | 3 | 3 |
| Total | | ¥757 | ¥— | ¥ 8 | ¥ 8 |

| | | Thousands of U.S. dollars | | | |
|-------------------------|--------------------------------------|---------------------------|-------------|------------|------------------------|
| | | 2020 | | | |
| Nature of transaction | | Contract amounts | | Fair value | Unrealized gain (loss) |
| | | Total | Over 1 year | | |
| Off-market transactions | Forward exchange contracts to: | | | | |
| | Sell: | | | | |
| | U.S. dollars (buy Japanese yen) | \$5,870 | \$— | \$31 | \$31 |
| | U.S. dollars (buy Korean won) | 665 | — | 10 | 10 |
| | Japanese yen (buy Korean won) | 82 | — | (0) | (0) |
| | U.S. dollars (buy Singapore dollars) | 125 | — | 4 | 4 |
| | Indonesian rupiah (buy Japanese yen) | 219 | — | 34 | 34 |
| Total | | \$6,963 | \$— | \$81 | \$81 |

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 | | | |
|-------------------------|--|------------------|-------------|------------|------------------------|
| | | 2019 | | | |
| Nature of transaction | | Contract amounts | | Fair value | Unrealized gain (loss) |
| | | Total | Over 1 year | | |
| 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 |

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, 2020 and 2019 were as follows:
(Interest rate related)

| | | | Millions of yen | | |
|---|---|-------------------------|------------------|-------------|------------|
| | | | 2020 | | |
| Hedge accounting method | Type of derivatives | Major hedged items | Contract amounts | | Fair value |
| | | | Total | Over 1 year | |
| The Tokurei-shori for interest rate swaps | Interest rate swaps Variable rate receipt / Fixed rate payment | Long-term loans payable | ¥1,632 | ¥— | ¥(Note) |

| | | | Thousands of U.S. dollars | | |
|---|---|-------------------------|---------------------------|-------------|------------|
| | | | 2020 | | |
| Hedge accounting method | Type of derivatives | Major hedged items | Contract amounts | | Fair value |
| | | | Total | Over 1 year | |
| The Tokurei-shori for interest rate swaps | Interest rate swaps Variable rate receipt / Fixed rate payment | Long-term loans payable | \$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.

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| | | | 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) |

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 | | |
|--|---|-------------------------|------------------|-------------|------------|
| | | | Contract amounts | | 2020 |
| 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 | ¥4,818 | ¥— | ¥(Note) |

| | | | Thousands of U.S. dollars | | |
|--|---|-------------------------|---------------------------|-------------|------------|
| | | | Contract amounts | | 2020 |
| 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 | \$44,271 | \$— | \$(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 | | |
|--|---|-------------------------|------------------|-------------|------------|
| | | | Contract amounts | | 2019 |
| 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) |

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.

15. 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, 2020 and 2019.

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 |
|---|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Retirement benefit obligations at beginning of year | ¥38,496 | ¥37,398 | \$353,726 |
| Service cost | 1,962 | 1,950 | 18,031 |
| Interest cost | 195 | 193 | 1,798 |
| Actuarial gains (losses) | (23) | (67) | (213) |
| Retirement benefits paid | (1,729) | (1,818) | (15,890) |
| Prior service cost | — | 831 | — |
| Increase (decrease) from foreign currency translation | (25) | (46) | (238) |
| Other | 68 | 54 | 633 |
| Retirement benefit obligations at end of year | ¥38,944 | ¥38,496 | \$357,847 |

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

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|------------------------------|
| | 2020 | 2019 | 2020 |
| Plan assets at beginning of year | ¥23,654 | ¥24,391 | \$217,349 |
| Expected return on plan assets | 764 | 752 | 7,025 |
| Actuarial gains (losses) | (1,477) | (291) | (13,572) |
| Contributions from the employer | 1,238 | 505 | 11,380 |
| Retirement benefits paid | (1,612) | (1,703) | (14,818) |
| Increase (decrease) from foreign currency translation | 3 | — | 31 |
| Plan assets at end of year | ¥22,570 | ¥23,654 | \$207,395 |

(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 |
|---|-----------------|----------|------------------------------|
| | 2020 | 2019 | 2020 |
| Retirement benefit obligations of a funded pension plan | ¥ 38,673 | ¥ 37,641 | \$ 355,361 |
| Plan assets | (22,570) | (23,654) | (207,395) |
| | 16,103 | 13,987 | 147,965 |
| Retirement benefit obligations of an unfunded pension plan | 270 | 854 | 2,486 |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | ¥ 16,373 | ¥ 14,841 | \$ 150,451 |
| Net defined benefit liability | ¥ 16,378 | ¥ 14,841 | \$ 150,491 |
| Net defined benefit asset | (4) | — | (40) |
| Net amount of liabilities and assets recorded in the consolidated balance sheet | ¥ 16,373 | ¥ 14,841 | \$ 150,451 |

(4) Components of retirement benefit expenses

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|--------|------------------------------|
| | 2020 | 2019 | 2020 |
| Service cost | ¥1,962 | ¥1,950 | \$18,031 |
| Interest cost | 195 | 193 | 1,798 |
| Expected return on plan assets | (764) | (752) | (7,025) |
| Amortization of actuarial losses (gains) | 630 | 351 | 5,795 |
| Amortization of prior service cost | (52) | (218) | (486) |
| Other | (3) | (0) | (28) |
| Retirement benefit expenses for the defined benefit plans | ¥1,968 | ¥1,524 | \$18,085 |

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.

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(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 |
|--------------------------|-----------------|--------|---------------------------|
| | 2020 | 2019 | 2020 |
| Prior service cost | ¥ 52 | ¥1,049 | \$ 486 |
| Actuarial losses (gains) | 823 | (127) | 7,563 |
| Total | ¥876 | ¥ 921 | \$8,049 |

(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 |
|---------------------------------------|-----------------|--------|---------------------------|
| | 2020 | 2019 | 2020 |
| Unrecognized prior service cost | ¥ 834 | ¥ 782 | \$ 7,672 |
| Unrecognized actuarial losses (gains) | 5,513 | 4,690 | 50,661 |
| Total | ¥6,348 | ¥5,472 | \$58,333 |

(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, 2020 and 2019 was as follows:

| | 2020 | 2019 |
|-------------------|--------|--------|
| Bonds | 65.4% | 67.4% |
| Stocks | 15.1% | 16.7% |
| Alternatives | 8.6% | 6.7% |
| Cash and deposits | 7.7% | 4.3% |
| Other | 3.2% | 4.9% |
| Total | 100.0% | 100.0% |

Note: Alternatives are mainly investments on hedge funds.

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

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

(8) Major actuarial assumptions as of March 31, 2020 and 2019 were as follows:

| | 2020 | 2019 |
|--|-------------|-------------|
| 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 2.2% |

2. Defined contribution plans

Some of the consolidated subsidiaries contributed ¥323 million (U.S.\$2,975 thousand) and ¥266 million, for the years ended March 31, 2020 and 2019 to the defined contribution plans, respectively.

16. Stock Option Plan

Components of stock-based compensation expense for the years ended March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|------------------------------|
| | 2020 | 2019 | 2020 |
| Cost of sales | ¥— | ¥1 | \$— |
| Selling, general and administrative expenses | — | 8 | — |

The following table summarizes contents of stock options as of March 31, 2020:

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 |

Financial Information

The 2011 plan

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

The 2012 plan

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

The 2013 plan

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

The 2014 plan

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

The 2015 plan

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

The 2016 plan

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

The 2017 plan

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

The 2018 plan

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

The following tables summarize the scale and movement of stock options for the year ended March 31, 2020:

(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, 2019 | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options granted | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Conversion to vested stock options | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options outstanding at March 31, 2020 | — |

Financial Information

(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, 2019 | 1,400 | 1,100 | 1,500 | 2,100 | 3,400 | 3,200 | 6,500 | 12,600 | 14,400 | 13,100 | 10,800 | 13,300 | 3,900 |
| Conversion from non-vested stock options | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options exercised | — | — | — | — | 900 | 800 | 2,300 | 4,600 | 5,300 | 2,600 | 1,900 | 800 | — |
| Forfeitures | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Stock options outstanding at March 31, 2020 | 1,400 | 1,100 | 1,500 | 2,100 | 2,500 | 2,400 | 4,200 | 8,000 | 9,100 | 10,500 | 8,900 | 12,500 | 3,900 |

The following table summarizes the price information of stock options as of March 31, 2020:

| | 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 | — | — | — | — | 2,380 | 2,380 | 2,287 | 2,281 | 2,329 | 2,329 | 2,383 | 2,213 | — |
| Fair value at the date of grant | 2,788 | 1,947 | 1,481 | 1,726 | 1,474 | 1,303 | 1,203 | 1,595 | 1,825 | 2,283 | 1,445 | 2,261 | 2,509 |

There were no stock options granted during the year ended March 31, 2020.

17. Income Taxes

1. The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.62% for the years ended March 31, 2020 and 2019, 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, 2020 and 2019 differ from the statutory tax rate for the following reasons:

| | 2020 | 2019 |
|--|--------|---------|
| Statutory tax rate | 30.62% | 30.62% |
| Effect of: | | |
| Permanently non-deductible expenses for income tax purposes such as entertainment expenses | 1.28 | 0.27 |
| Permanently non-taxable income for income tax purposes such as dividend income | (9.90) | (15.70) |
| Municipal tax | 0.41 | 0.31 |
| The difference of tax rates applied to foreign subsidiaries | (3.90) | (4.60) |
| Tax deduction in accordance with special tax measures | (3.24) | (2.62) |
| Decrease of valuation allowance for such as net operating loss carryforward | 2.12 | 0.20 |
| Consolidated adjustments of dividend income from consolidated subsidiaries | 11.00 | 17.48 |
| The impairment loss on goodwill | 0.82 | — |
| Foreign withholding tax | 2.76 | 4.04 |
| Other, net | (0.65) | (0.46) |
| Effective tax rate | 31.32% | 29.54% |

2. The significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2020 | 2019 | 2020 |
| Deferred tax assets: | | | |
| Accrued bonuses | ¥ 717 | ¥ 728 | \$ 6,595 |
| Accrued enterprise taxes | 148 | 118 | 1,361 |
| Operating loss carryforwards (Note 2) | 1,282 | 1,215 | 11,780 |
| Net defined benefit liability | 5,006 | 4,467 | 45,999 |
| Retirement benefit trust | 432 | 653 | 3,973 |
| Research and development cost | 574 | 630 | 5,282 |
| Net unrealized holding loss on securities | 15 | — | 146 |
| Foreign tax credit carryforwards | 455 | 560 | 4,182 |
| Loss on valuation of inventories | 317 | 300 | 2,916 |
| Allowance for doubtful accounts | 128 | 152 | 1,179 |
| Unrealized gain | 406 | 356 | 3,735 |
| Excess of depreciation expense | 351 | 252 | 3,234 |
| Other | 709 | 584 | 6,520 |
| Gross deferred tax assets | 10,546 | 10,020 | 96,909 |
| Valuation allowance related to operating loss carryforwards (Note 2) | (1,270) | (1,212) | (11,675) |
| Valuation allowance related to total deductible temporary differences | (1,236) | (1,121) | (11,361) |
| Valuation allowance (Note 1) | (2,507) | (2,333) | (23,036) |
| | 8,039 | 7,686 | 73,872 |
| Deferred tax liabilities: | | | |
| Revaluation of fixed assets in accordance with special tax measures | (170) | (176) | (1,567) |
| Net unrealized holding gain on securities | — | (128) | — |
| Depreciation expense of subsidiaries | (2) | (1) | (24) |
| Dividend income from consolidated subsidiaries | (291) | (371) | (2,675) |
| Other | (35) | (30) | (322) |
| | (499) | (709) | (4,589) |
| Net deferred tax assets | ¥ 7,540 | ¥ 6,977 | \$ 69,282 |

Note 1: The valuation allowance has increased by ¥173 million (U.S.\$1,591 thousand), due to additional recognitions of ¥58 million (U.S.\$534 thousand) for operating loss carryforwards and ¥137 million (U.S.\$1,260 thousand) for excess of depreciation expense in its consolidated subsidiaries.

Note 2: Amounts of operating loss carryforwards and related deferred tax assets by operating loss carryforwards for the year ended March 31, 2020 were as follows:

| | Millions of yen | | | | | | Total |
|------------------------------|-----------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|---------|
| | 2020 | | | | | | |
| | 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 | |
| Operating loss carryforwards | ¥ 12 | ¥ 145 | ¥ 64 | ¥ 140 | ¥ 25 | ¥ 893 | ¥ 1,282 |
| Valuation allowance | (12) | (145) | (64) | (140) | (25) | (881) | (1,270) |
| Deferred tax assets | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — | ¥ 11 | ¥ 11 |

| | Thousands of U.S. dollars | | | | | | Total |
|------------------------------|---------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|-----------|
| | 2020 | | | | | | |
| | 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 | |
| Operating loss carryforwards | \$ 110 | \$ 1,340 | \$ 592 | \$ 1,292 | \$ 237 | \$ 8,206 | \$ 11,780 |
| Valuation allowance | (110) | (1,340) | (592) | (1,292) | (237) | (8,100) | (11,675) |
| Deferred tax assets | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 105 | \$ 105 |

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

| | 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 | Over 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 |

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

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18. Business Combinations

No specific disclosure for business combination has been made for the year ended March 31, 2020 because of its immateriality.

19. Asset Retirement Obligations

No specific disclosure has been made for the years ended March 31, 2020 and 2019 because of its immateriality.

20. Rental Property

No specific disclosure for rental property has been made as of March 31, 2020 and 2019 because of its immateriality.

21. 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.

3. Information on sales and income (loss), assets, and other items by reportable segment for the years ended March 31, 2020 and 2019 are outlined as follows:

Millions of yen

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
|-----------------------------------|--|---------------------------------------|------------------------------------|----------|-------------|---------------|
| Net sales | | | | | | |
| Net sales to external customers | ¥122,436 | ¥81,929 | ¥36,361 | ¥240,727 | ¥ — | ¥240,727 |
| Intra-segment sales and transfers | 58 | 41 | 16,699 | 16,799 | (16,799) | — |
| Total | ¥122,494 | ¥81,971 | ¥53,060 | ¥257,527 | ¥(16,799) | ¥240,727 |
| Segment income | ¥ 928 | ¥10,981 | ¥ 3,502 | ¥ 15,412 | ¥ 27 | ¥ 15,440 |
| Others | | | | | | |
| Depreciation and amortization | ¥ 4,056 | ¥ 3,445 | ¥ 1,989 | ¥ 9,491 | ¥ — | ¥ 9,491 |
| Amortization of goodwill | ¥ 3,264 | ¥ — | ¥ — | ¥ 3,264 | ¥ — | ¥ 3,264 |

Thousands of U.S. dollars

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Adjustments | Consolidation |
|-----------------------------------|--|---------------------------------------|------------------------------------|-------------|-------------|---------------|
| Net sales | | | | | | |
| Net sales to external customers | \$1,125,025 | \$752,823 | \$334,108 | \$2,211,957 | \$ — | \$2,211,957 |
| Intra-segment sales and transfers | 535 | 384 | 153,445 | 154,366 | (154,366) | — |
| Total | \$1,125,560 | \$753,208 | \$487,554 | \$2,366,323 | \$(154,366) | \$2,211,957 |
| Segment income | \$ 8,533 | \$100,902 | \$ 32,185 | \$ 141,621 | \$ 252 | \$ 141,874 |
| Others | | | | | | |
| Depreciation and amortization | \$ 37,271 | \$ 31,656 | \$ 18,283 | \$ 87,212 | \$ — | \$ 87,212 |
| Amortization of goodwill | \$ 29,993 | \$ — | \$ — | \$ 29,993 | \$ — | \$ 29,993 |

- 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

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 |

- 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.

Financial Information

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

| | | | | | 2020 |
|-------|----------|---------|---------|--------|----------|
| | Japan | Asia | U.S.A. | Others | Total |
| Sales | ¥121,824 | ¥69,239 | ¥40,310 | ¥9,353 | ¥240,727 |

Thousands of U.S. dollars

| | | | | | 2020 |
|-------|-------------|-----------|-----------|----------|-------------|
| | Japan | Asia | U.S.A. | Others | Total |
| Sales | \$1,119,397 | \$636,215 | \$370,399 | \$85,946 | \$2,211,957 |

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

Millions of yen

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

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

Millions of yen

| | | | | | 2020 |
|-------------------------------|---------|---------|---------|--------|---------|
| | Japan | Asia | U.S.A. | Others | Total |
| Property, plant and equipment | ¥57,250 | ¥10,967 | ¥11,611 | ¥652 | ¥80,481 |

Thousands of U.S. dollars

| | | | | | 2020 |
|-------------------------------|-----------|-----------|-----------|---------|-----------|
| | Japan | Asia | U.S.A. | Others | Total |
| Property, plant and equipment | \$526,055 | \$100,778 | \$106,691 | \$5,991 | \$739,516 |

Millions of yen

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

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, 2020 and 2019, the information has been omitted.

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

Millions of yen

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
|-----------------|--|---------------------------------|------------------------------|-------|---------------|
| Impairment loss | ¥— | ¥— | ¥— | ¥— | ¥545 |

Thousands of U.S. dollars

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
|-----------------|--|---------------------------------|------------------------------|-------|---------------|
| Impairment loss | \$— | \$— | \$— | \$— | \$5,013 |

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

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

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

Millions of yen

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
|--------------------------------|--|---------------------------------|------------------------------|-------|---------------|
| Unamortized amount of goodwill | ¥— | ¥— | ¥— | ¥— | ¥21,350 |

Thousands of U.S. dollars

2020

| | Printing and Industrial Materials Products | Electronic and Optical Products | Paper and Converted Products | Total | Consolidation |
|--------------------------------|--|---------------------------------|------------------------------|-------|---------------|
| Unamortized amount of goodwill | \$— | \$— | \$— | \$— | \$196,178 |

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

2019

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

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, 2020 and 2019.

22. 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, 2020 and 2019 were as follows:

| For the year | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Sales of fine & specialty paper products and converted products | ¥10,899 | ¥11,295 | \$100,148 |
| Purchase of stencil, chemicals and equipment | 4,340 | 4,410 | 39,887 |

| At year-end | Millions of yen | | Thousands of U.S. dollars |
|-------------------------------------|-----------------|--------|---------------------------|
| | 2020 | 2019 | 2020 |
| Trade notes and accounts receivable | ¥3,601 | ¥4,932 | \$33,088 |
| Trade notes and accounts payable | 1,751 | 2,104 | 16,089 |
| Other liabilities | 3 | 1 | 29 |

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

23. Amounts per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2020 and 2019 were as follows:

| | Yen | | U.S. dollars |
|----------------------|-----------|-----------|--------------|
| | 2020 | 2019 | 2020 |
| Net assets | ¥2,653.80 | ¥2,625.54 | \$24.38 |
| Net income (basic) | 133.20 | 179.24 | 1.22 |
| Net income (diluted) | 133.05 | 178.97 | 1.22 |

The bases for calculation were as follows:

(1) Basic and diluted net income per share

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2020 | 2019 | 2020 |
| Net income (basic) per share: | | | |
| Profit attributable to owners of parent | ¥ 9,620 | ¥12,937 | \$ 88,402 |
| Amount not attributable to common shareholders | — | — | — |
| Profit attributable to owners of parent attributable to common shares | ¥ 9,620 | ¥12,937 | \$ 88,402 |
| Weighted-average number of common shares issued during the year (thousand) | 72,230 | 72,180 | 72,230 |
| Net income (diluted) per share: | | | |
| Adjustment of profit attributable to owners of parent related to dilutive securities | ¥ — | ¥ — | \$ — |
| Adjustment of dilutive securities (thousand) | 79 | 107 | 79 |
| [Share subscription rights (thousand)] | [79] | [107] | [79] |

(2) Net assets per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
| | 2020 | 2019 | 2020 |
| Total net assets | ¥192,298 | ¥190,226 | \$1,766,959 |
| Amount deducted from total net assets | 565 | 648 | 5,198 |
| [Share subscription rights] | [128] | [160] | [1,176] |
| [Non-controlling interests] | [437] | [488] | [4,022] |
| Net assets attributable to common shares | ¥191,732 | ¥189,577 | \$1,761,761 |
| Number of shares of common stock outstanding used in calculation of net assets per share (thousand) | 72,248 | 72,205 | 72,248 |

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

Short-term and long-term loans payable as of March 31, 2020 and 2019 consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|--|-----------------|---------|-----------------------|---------------------------|
| | 2020 | 2019 | Average interest rate | 2020 |
| Short-term loans payable | ¥ 1,580 | ¥ 2,531 | 1.9% | \$ 14,521 |
| Current portion of long-term loans payable | 9,240 | 3,038 | 0.5% | 84,903 |
| Long-term loans payable | 2,285 | 11,622 | 2.8% | 21,000 |
| | ¥13,105 | ¥17,192 | — | \$120,424 |

Note: "Average interest rate" indicates the weighted average interest rate for the closing balance of loans payable as of March 31, 2020.

Other interest-bearing debts as of March 31, 2020 and 2019 consisted of the following:

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------|-----------------|------|-----------------------|---------------------------|
| | 2020 | 2019 | Average interest rate | 2020 |
| Short-term lease obligation | ¥ 606 | ¥149 | 1.6% | \$ 5,577 |
| Long-term lease obligation | 1,441 | 182 | 2.3% | 13,245 |

Notes: i. "Average interest rate" indicates the weighted average interest rate for the closing balance of lease obligations as of March 31, 2020.

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 Right-of-use assets' transactions.

Planned repayment amounts after the balance sheet date (March 31, 2020) 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 | ¥1,197 | ¥544 | ¥544 | ¥ — | \$11,000 | \$5,000 | \$5,000 | \$ — |
| Lease obligation | 463 | 346 | 265 | 147 | 4,259 | 3,186 | 2,443 | 1,353 |

25. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 8, 2020.

| | Millions of yen | Thousands of U.S. dollars |
|--------------------------------|-----------------|---------------------------|
| | | 2020 |
| Cash dividends (¥39 per share) | ¥2,817 | \$25,890 |

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

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

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

Scope of Assessment, Assessment Date and Assessment Procedures

We assessed the effectiveness of internal control over financial reporting for the consolidated financial statements as of March 31, 2020 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 20 consolidated subsidiaries from the scope of the company-level control assessment since their quantitative and qualitative impacts were deemed insignificant.

For the purpose of determining the scope of process-level controls assessment, we selected two business locations as "Significant Business Locations," which contributed approximately two thirds of the Company's net sales on a consolidated basis for the fiscal year ended March 31, 2019. 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, 2020 was effective.



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors
LINTEC Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of LINTEC Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management, Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a) to the consolidated financial statements.

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

We also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at March 31, 2020 of LINTEC Corporation and its consolidated subsidiaries(the Group) (the "Management's Report").

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting for the consolidated financial statements as at March 31, 2020 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management, Audit and Supervisory Committee for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Management's Report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

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

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



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

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

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

- Perform audit procedures to obtain audit evidence about conclusions of management’s assessment of internal control over financial reporting in the Management’s Report. The procedures selected depend on the auditor’s judgment, including the degree of impact on the reliability of financial reporting.
- Examine the overall presentation of the Management’s Report, including disclosures on scope, procedures and conclusions of management’s assessment of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence regarding conclusions of management’s assessment of internal control over financial reporting in the Management’s Report. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

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

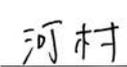
We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be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

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC
 Tokyo, Japan
 June 22, 2020

 
 Designated Engagement Partner
 Certified Public Accountant

 
 Designated Engagement Partner
 Certified Public Accountant

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