Financial Information

Management's Discussion and Analysis

Operating Results

In the fiscal year ended March 31, 2021, the world economy was severely affected by the COVID-19 pandemic and U.S.–China trade friction, but showed signs of recovering in the second half. In Japan, the economy began to recover from autumn with support by exports to China and the U.S. and consumer spending, but overall conditions remained challenging inside and outside Japan.

Against this backdrop, consolidated net sales declined 2.0% year on year to ¥235.9 billion, as the pandemic led to weaker sales of products, despite strong demand for semiconductor- and electronic component-related products. Operating income increased 10.3% to ¥17.0 billion, thanks to higher sales in Advanced Materials Operations and lower prices for pulp and petrochemical raw materials. Profit before income taxes expanded 19.3% to ¥16.6 billion, reflecting the growth in operating income and reductions in loss on retirement of non-current assets and impairment loss. Income taxes following the application of tax effect accounting were ¥5.3 billion, and profit attributable to owners of parent amounted to ¥11.4 billion, an increase of 18.6%. Net income per share was ¥157.81, up from ¥133.20 in the previous fiscal year, and ROE increased from 5.0% to 5.9%.

Performance by Business Segment

Printing and Industrial Materials Products

In Printing & Variable Information Products Operations, sales of adhesive products for labels were firm in Japan for food and online sales businesses, but declined for pharmaceuticals, cosmetics, and toiletries due to lower demand, leading to an overall slump in sales. Overseas, sales were solid in the U.S., but lackluster in China and ASEAN countries.

In Industrial & Material Operations, demand rebounded from the third quarter for window film motorcycle- and automobile-use adhesive products but failed to offset the drop in sales in the first half, resulting in a sharp decline for the year. Due to the postponement and cancellation of various events, demand was sluggish for decorative film.

As a result, segment sales totaled ¥115.7 billion (down 5.5% year on year) and operating losses were ¥0.2 billion.

Electronic and Optical Products

In Advanced Materials Operations, stronger demand related to 5G, PCs, and smartphones led to brisk sales of semiconductor-related adhesive tape and equipment, as well as multilayer ceramic capacitor-related tape.

In Optical Products Operations, optical display-related adhesive products were severely impacted by weak demand in the first half, but from the third quarter, demand rebounded in large-size TV and smartphone applications, finishing the year on a par with the previous fiscal year.

Accordingly, segment sales were ¥89.0 billion (up 8.6% year on year) and operating income was ¥14.4 billion (up 31.5% year on year).

Paper and Converted Products

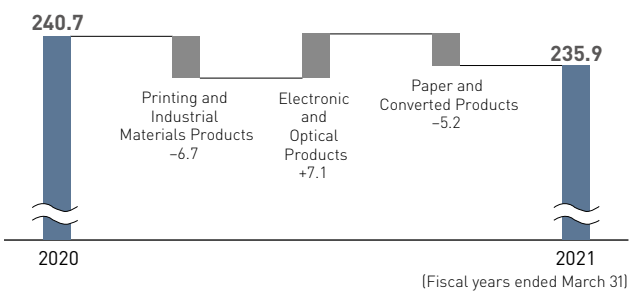
In Fine & Specialty Paper Products Operations, sales trended weakly due to lackluster overall demand for mainstay color paper for envelopes, colored construction paper, and oil- and water-resistant paper.

In Converted Products Operations, demand began to recover in the third quarter for casting paper for synthetic leather used by auto manufacturers, but the business was heavily impacted by weak demand for casting paper for carbon fiber composite materials used in aircraft and release paper for general-use adhesive products.

As a result, segment sales amounted to ¥31.2 billion (down 14.2% year on year) and operating income was ¥2.7 billion (down 21.8% year on year).

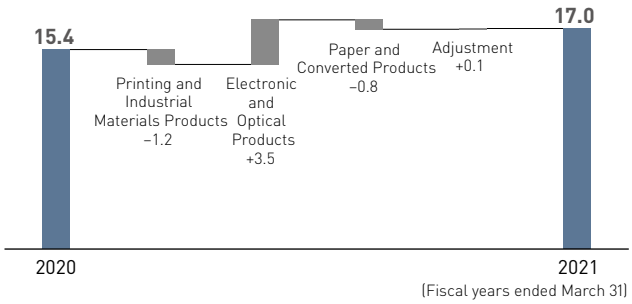
Net Sales

¥ Billion



Operating Income

¥ Billion



Financial Position

Assets

Total assets as of March 31, 2021, were ¥280.3 billion, an increase of ¥1.3 billion from the end of the previous fiscal year. The main changes were as follows:

· Cash and deposits	+¥4.6 billion
· Trade notes and accounts receivable	+¥1.7 billion
· Inventories	–¥2.0 billion
· Goodwill	–¥4.4 billion

Liabilities

Total liabilities as of March 31, 2021, were ¥82.9 billion, a decrease of ¥3.8 billion from the end of the previous fiscal year. The main changes were as follows:

· Trade notes and accounts payable	+¥3.4 billion
· Current portion of long-term loans payable	–¥8.0 billion

Net Assets

Net assets as of March 31, 2021, were ¥197.4 billion, an increase of ¥5.1 billion from the end of the previous fiscal year. The main changes were as follows:

· Retained earnings	+¥5.8 billion
· Foreign currency translation adjustments	–¥2.6 billion
· Remeasurements of defined benefit plans	+¥1.5 billion

Cash Flows

Cash and cash equivalents as of March 31, 2021, amounted to ¥57.6 billion, an increase of ¥5.4 billion year on year.

Cash Flows from Operating Activities

Cash flows from operating activities increased ¥10.3 billion year on year, to a cash inflow of ¥28.8 billion. The main changes were as follows:

· Profit before income taxes	+¥2.7 billion
· Trade notes and accounts receivable	–¥8.4 billion
· Inventories	+¥1.2 billion
· Trade notes and accounts payable	+¥15.4 billion

Cash Flows from Investing Activities

Cash flows from investing activities increased ¥5.2 billion year on year, to a cash outflow of ¥8.6 billion. The main changes were as follows:

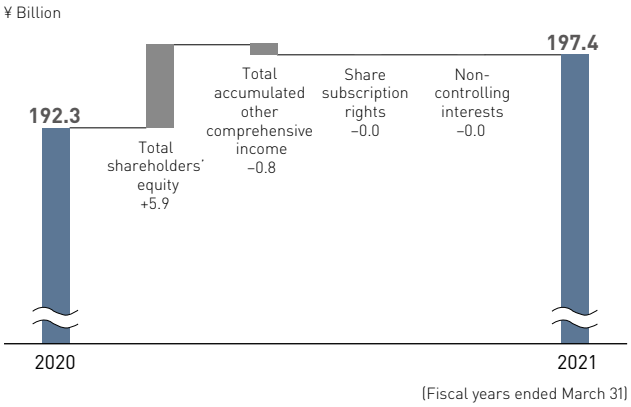
· Proceeds from withdrawal of time deposits	+¥1.8 billion
· Purchase of property, plant and equipment	+¥3.4 billion

Cash Flows from Financing Activities

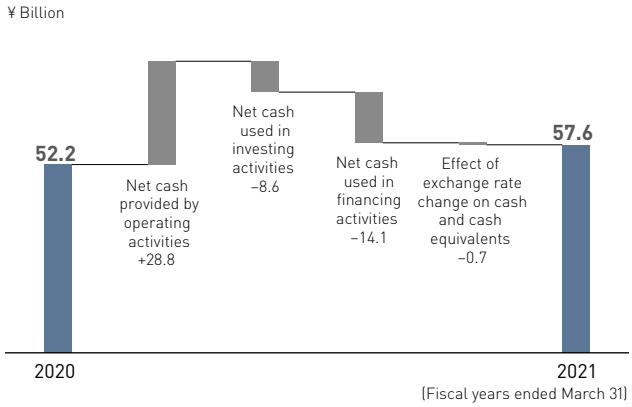
Cash flows from financing activities decreased ¥3.8 billion year on year, to a cash outflow of ¥14.1 billion. The main changes were as follows:

· Income from long-term borrowings	+¥1.4 billion
· Repayments of long-term loans payable	–¥6.1 billion

Net Assets



Cash Flows



Financial Summary

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31

	2021	2020	2019	2018
For the year:				
Net sales	**¥235,902**	¥240,727	¥250,942	¥249,030
Operating income	**17,030**	15,440	17,977	20,095
% of net sales	**7.2%**	6.4%	7.2%	8.1%
Profit before income taxes	**16,635**	13,939	18,338	16,666
Profit attributable to owners of parent	**11,407**	9,620	12,937	11,257
Return on equity	**5.9%**	5.0%	6.9%	6.2%
Return on assets	**6.0%**	5.1%	6.2%	6.5%
Per share data (yen):				
Net income	**¥ 157.81**	¥ 133.20	¥ 179.24	¥ 156.02
Net assets	**2,722.89**	2,653.80	2,625.54	2,573.69
Cash dividends	**78.00**	78.00	78.00	66.00
Depreciation and amortization	**¥ 9,361**	¥ 9,491	¥ 8,700	¥ 9,031
Purchase of property, plant and equipment	**(8,997)**	(12,443)	(10,768)	(8,084)
Net cash provided by operating activities	**28,824**	18,501	22,858	26,819
Net cash used in investing activities	**(8,612)**	(13,818)	(10,299)	(7,532)
Net cash provided by (used in) financing activities	**(14,129)**	(10,284)	(8,246)	(6,363)
At year-end:				
Current assets	**¥170,098**	¥163,660	¥175,597	¥173,593
Current liabilities	**63,506**	66,119	72,994	77,849
Working capital	**106,592**	97,541	102,603	95,744
Cash and cash equivalents	**57,636**	52,260	58,303	55,042
Property, plant and equipment, net	**79,807**	80,481	75,131	75,336
Long-term debt, less current portion	**2,546**	2,285	11,622	14,395
% of shareholders' equity	**1.3%**	1.2%	6.2%	8.0%
Total assets	**280,262**	278,972	290,320	292,733
Net assets	**197,350**	192,298	190,226	186,420
% of total assets	**70.2%**	68.7%	65.3%	63.4%
Number of shares outstanding	**76,630,740**	76,600,940	76,576,340	76,564,240
Number of employees	**4,913**	4,948	4,888	4,794
Segment information:				
Net sales:				
Printing and Industrial Materials Products	**¥115,745**	¥122,436	¥122,935	¥121,691
Electronic and Optical Products	**88,976**	81,929	90,316	88,882
Paper and Converted Products	**31,181**	36,361	37,689	38,456
Segment income (loss):				
Printing and Industrial Materials Products	**(239)**	928	3,761	3,040
Electronic and Optical Products	**14,435**	10,981	11,150	11,972
Paper and Converted Products	**2,740**	3,502	2,970	4,996

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

2017	2016	2015	2014	2013	2012
¥205,975	¥210,501	¥207,255	¥203,242	¥190,844	¥200,905
16,595	17,692	16,881	13,766	10,564	13,975
8.1%	8.4%	8.1%	6.8%	5.5%	7.0%
15,398	16,799	17,555	12,883	10,836	13,382
11,450	10,899	11,659	8,501	7,681	8,648
6.6%	6.4%	7.2%	5.8%	5.6%	6.6%
6.1%	7.4%	7.8%	6.0%	5.2%	6.5%
¥ 158.69	¥ 151.07	¥ 161.63	¥ 114.22	¥ 102.83	¥ 115.26
2,465.43	2,370.49	2,363.81	2,100.87	1,909.57	1,766.60
66.00	54.00	48.00	42.00	34.00	40.00
¥ 7,466	¥ 8,800	¥ 8,713	¥10,055	¥ 10,141	¥ 10,079
(13,049)	(9,810)	(6,299)	(5,508)	(13,823)	(8,760)
24,361	19,928	15,485	16,309	19,619	18,910
(48,378)	(9,898)	(5,104)	(6,952)	(13,966)	(12,262)
5,257	(4,044)	(3,135)	(8,020)	(2,877)	(5,099)
¥151,449	¥163,647	¥163,017	¥149,396	¥138,505	¥137,229
64,401	56,389	57,058	54,820	56,911	62,075
87,048	107,258	105,958	94,575	81,593	75,153
41,284	60,323	56,050	44,992	40,739	36,036
73,871	64,859	61,503	61,456	64,915	62,273
17,795	—	—	—	—	—
10.3%	—	—	—	—	—
274,199	240,720	237,444	225,073	216,048	210,203
178,690	172,101	171,674	152,610	143,569	132,847
64.9%	71.1%	71.8%	67.3%	66.0%	62.8%
76,564,240	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240
4,760	4,246	4,413	4,223	4,270	4,286
¥85,661	¥87,638	¥86,764	¥86,271	¥82,761	¥90,093
83,205	85,422	83,207	79,139	72,352	73,874
37,108	37,440	37,283	37,831	35,730	36,937
1,672	2,785	2,878	2,290	2,380	5,213
9,155	10,562	10,071	6,846	3,196	3,942
5,767	4,303	3,996	4,645	4,980	4,846

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2021**	2020	**2021**
Current assets:			
Cash and deposits (Notes 8, 10)	**¥ 61,823**	¥ 57,190	**$ 558,430**
Trade notes and accounts receivable (Note 10)	**64,636**	62,896	**583,840**
Inventories (Note 3)	**38,432**	40,434	**347,149**
Other (Notes 10, 12)	**5,249**	3,222	**47,418**
Allowance for doubtful accounts	**(45)**	(82)	**(407)**
Total current assets	**170,098**	163,660	**1,536,432**
Non-current assets:			
Property, plant and equipment (Note 9):			
Buildings and structures	**80,827**	79,534	**730,078**
Machinery, equipment and vehicles	**135,385**	131,351	**1,222,882**
Land	**11,327**	11,238	**102,314**
Construction in progress	**1,398**	2,708	**12,629**
Other	**14,447**	14,245	**130,500**
	243,385	239,079	**2,198,406**
Accumulated depreciation	**(163,578)**	(158,597)	**(1,477,540)**
Property, plant and equipment, net	**79,807**	80,481	**720,866**
Intangible assets:			
Goodwill	**16,981**	21,350	**153,391**
Other (Note 9)	**2,004**	2,177	**18,101**
Total intangible assets	**18,986**	23,527	**171,493**
Investments and other assets:			
Investment securities (Notes 10, 11)	**2,447**	1,805	**22,105**
Deferred tax assets (Note 15)	**6,876**	7,562	**62,112**
Net defined benefit asset (Note 13)	**1**	4	**10**
Other	**2,162**	2,037	**19,534**
Allowance for doubtful accounts	**(116)**	(108)	**(1,049)**
Total investments and other assets	**11,371**	11,302	**102,712**
Total non-current assets	**110,164**	115,311	**995,072**
Total assets	**¥ 280,262**	¥ 278,972	**$ 2,531,504**

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

LIABILITIES AND NET ASSETS	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Current liabilities:			
Trade notes and accounts payable (Note 10)	¥ 44,835	¥ 41,465	$ 404,978
Short-term loans payable (Notes 10, 22)	1,516	1,580	13,700
Current portion of long-term loans payable (Notes 10, 12, 22)	1,217	9,240	11,000
Accrued income taxes (Notes 10, 15)	3,414	2,638	30,842
Provision for directors' bonuses	53	59	487
Other (Notes 10, 12, 22)	12,467	11,135	112,616
Total current liabilities	63,506	66,119	573,625
Non-current liabilities:			
Long-term loans payable (Notes 10, 12, 22)	2,546	2,285	23,000
Provision for environmental measures	111	111	1,003
Net defined benefit liability (Note 13)	15,431	16,378	139,388
Other (Note 22)	1,317	1,779	11,896
Total non-current liabilities	19,406	20,554	175,287
Total liabilities	82,912	86,674	748,913
Commitments and contingent liabilities (Note 2)			
Net assets:			
Shareholders' equity (Note 21)**:**			
Common stock:			
Authorized: 300,000,000 shares in 2021 and 2020			
Issued: 76,630,740 shares in 2021 and 76,600,940 shares in 2020	23,285	23,249	210,327
Capital surplus	26,907	26,870	243,043
Retained earnings	155,241	149,471	1,402,235
Less: treasury stock, at cost:			
4,336,994 shares in 2021 and 4,352,574 shares in 2020	(7,583)	(7,610)	(68,502)
Total shareholders' equity	197,850	191,981	1,787,103
Accumulated other comprehensive income			
Net unrealized holding gain on securities	382	(36)	3,457
Foreign currency translation adjustments	1,547	4,193	13,977
Remeasurements of defined benefit plans (Note 13)	(2,932)	(4,405)	(26,488)
Total accumulated other comprehensive income	(1,002)	(248)	(9,054)
Share subscription rights (Note 14)	99	128	896
Non-controlling interests	403	437	3,644
Total net assets	197,350	192,298	1,782,590
Total liabilities and net assets	¥280,262	¥278,972	$2,531,504

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales	¥235,902	¥240,727	$2,130,813
Cost of sales	177,673	182,287	1,604,858
Gross profit	58,228	58,440	525,955
Selling, general and administrative expenses (Notes 4, 5)	41,198	42,999	372,127
Operating income	17,030	15,440	153,828
Non-operating income:			
Interest income	167	300	1,512
Dividend income	49	52	447
Rent income	21	19	195
Gain on sales of non-current assets	17	14	154
Insurance income	49	22	451
Subsidy income	115	—	1,040
Other income	300	292	2,717
Total non-operating income	721	701	6,519
Non-operating expenses:			
Interest expenses	149	178	1,353
Loss on sales of non-current assets	16	0	145
Loss on retirement of non-current assets	367	937	3,316
Compensation expenses	36	144	332
Foreign exchange losses	249	200	2,254
Other expenses	161	194	1,459
Total non-operating expenses	981	1,656	8,861
Ordinary income	16,770	14,484	151,485
Extraordinary gain:			
Gain on sales of investment securities	35	—	324
Total extraordinary gain	35	—	324
Extraordinary loss:			
Impairment loss (Note 6)	171	545	1,547
Total extraordinary loss	171	545	1,547
Profit before income taxes	16,635	13,939	150,262
Income taxes (Note 15):			
Current	5,430	4,528	49,054
Deferred	(173)	(162)	(1,565)
Total income taxes	5,257	4,366	47,488
Profit	11,378	9,573	102,774
Profit (loss) attributable to non-controlling interests	(29)	(47)	(262)
Profit attributable to owners of parent (Note 21)	¥ 11,407	¥ 9,620	$ 103,037

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Profit	¥11,378	¥ 9,573	$102,774
Other comprehensive income (Note 7)			
Net unrealized holding gain on securities	418	(327)	3,784
Foreign currency translation adjustments	(2,647)	(986)	(23,916)
Remeasurements of defined benefit plans (Note 13)	1,469	(609)	13,276
Total other comprehensive income	(758)	(1,923)	(6,855)
Comprehensive income	¥10,619	¥ 7,649	$ 95,919
(Comprehensive income attributable to:)			
Owners of parent	10,653	7,699	96,228
Non-controlling interests	(34)	(50)	(309)

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, 2021 and 2020

	Thousands												Millions of yen
					Shareholders' equity		Accumulated other comprehensive income						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 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
Changes during the year:													
Issuance of new shares	29	35	35			71							71
Cash dividends				(5,637)		(5,637)							(5,637)
Profit attributable to owners of parent				11,407		11,407							11,407
Purchase of treasury stock					(1)	(1)							(1)
Disposal of treasury stock			0		28	28							28
Change of scope of consolidation						—							—
Net changes in items other than shareholders' equity							418	(2,645)	1,472	(753)	(28)	(34)	(816)
Total changes during the year	29	35	36	5,770	26	5,869	418	(2,645)	1,472	(753)	(28)	(34)	5,052
Balance as at March 31, 2021	76,630	¥23,285	¥26,907	¥155,241	¥(7,583)	¥197,850	¥ 382	¥ 1,547	¥(2,932)	¥(1,002)	¥ 99	¥403	¥197,350

	Thousands												Thousands of U.S. dollars (Note 1)
					Shareholders' equity		Accumulated other comprehensive income						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share subscription rights	Non-controlling interests	Total net assets
Balance as at April 1, 2020	76,600	$210,004	$242,715	$1,350,115	$(68,745)	$1,734,090	$ (326)	$ 37,874	$(39,793)	$(2,245)	$1,156	$3,954	$1,736,954
Changes during the year:													
Issuance of new shares	29	322	322			645							645
Cash dividends				(50,917)		(50,917)							(50,917)
Profit attributable to owners of parent				103,037		103,037							103,037
Purchase of treasury stock					(11)	(11)							(11)
Disposal of treasury stock			5		254	259							259
Change of scope of consolidation						—							—
Net changes in items other than shareholders' equity							3,784	(23,897)	13,304	(6,808)	(259)	(309)	(7,377)
Total changes during the year	29	322	328	52,119	242	53,013	3,784	(23,897)	13,304	(6,808)	(259)	(309)	45,635
Balance as at March 31, 2021	76,630	$210,327	$243,043	$1,402,235	$(68,502)	$1,787,103	$3,457	$ 13,977	$(26,488)	$(9,054)	$ 896	$3,644	$1,782,590

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

Consolidated Statement of Cash Flows

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 16,635	¥ 13,939	$ 150,262
Depreciation and amortization	9,361	9,491	84,557
Amortization of goodwill	3,110	3,264	28,100
Increase (decrease) in net defined benefit liability	507	114	4,588
Increase (decrease) in allowance for doubtful accounts	(26)	9	(243)
Interest and dividend income	(216)	(352)	(1,959)
Interest expenses	149	178	1,353
Loss (gain) on sales of property, plant and equipment	(1)	(13)	(9)
Loss on retirement of property, plant and equipment	103	229	938
Decrease (increase) in trade notes and accounts receivable	(2,025)	6,385	(18,294)
Decrease (increase) in inventories	1,467	224	13,251
Increase (decrease) in trade notes and accounts payable	4,031	(11,325)	36,414
Loss (gain) on sales of investment securities	(35)	(4)	(324)
Increase (decrease) in provision for environmental measures	—	(1)	—
Subsidy income	(115)	—	(1,040)
Impairment loss	171	545	1,547
Other, net	189	7	1,714
Subtotal	33,307	22,691	300,856
Interest and dividend income received	224	371	2,029
Interest expenses paid	(163)	(196)	(1,479)
Subsidies received	115	—	1,040
Income taxes (paid) refund	(4,659)	(4,364)	(42,085)
Net cash provided by operating activities	28,824	18,501	260,361
Cash flows from investing activities:			
Payments into time deposits	(10,016)	(10,139)	(90,477)
Proceeds from withdrawal of time deposits	10,759	8,913	97,184
Purchase of property, plant and equipment	(8,997)	(12,443)	(81,269)
Proceeds from sales of property, plant and equipment	27	86	245
Purchase of intangible assets	(451)	(158)	(4,082)
Purchase of investment securities	(54)	(66)	(493)
Proceeds from sales of investment securities	52	10	478
Payments of loans receivable	(5)	(3)	(45)
Collection of loans receivable	10	20	90
Other, net	63	(37)	573
Net cash used in investing activities	(8,612)	(13,818)	(77,795)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	—	(920)	—
Proceeds from long-term borrowings	1,350	—	12,199
Repayments of long-term loans payable	(9,141)	(3,021)	(82,571)
Cash dividends paid	(5,632)	(5,632)	(50,875)
Purchase of treasury stock	(1)	(1)	(11)
Repayments of lease obligations	(704)	(708)	(6,364)
Other, net	0	0	0
Net cash provided by (used in) financing activities	(14,129)	(10,284)	(127,622)
Effect of exchange rate change on cash and cash equivalents	(706)	(441)	(6,386)
Net increase (decrease) in cash and cash equivalents	5,375	(6,043)	48,557
Cash and cash equivalents at beginning of year	52,260	58,303	472,047
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	0	—
Cash and cash equivalents at end of year (Note 8)	¥ 57,636	¥ 52,260	$ 520,604

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, 2021

1. Summary of Significant Accounting Policies

(a) Basis of presenting financial statements

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

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

For the convenience of the readers, the accompanying consolidated financial statements have been presented in U.S. dollars by translating all Japanese yen amounts at the rate of ¥110.71=U.S.$1, the prevailing exchange rate as of March 31, 2021. 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, 2021 presentation.

(b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 41 significant subsidiaries as of March 31, 2021, 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 generally accepted accounting principles in the United States (US-GAAP), financial statements have been prepared based on International Financial Reporting Standards (hereinafter IFRS), IFRS 16 "Leases" was applied accordingly. In accordance with IFRS 16 "Leases", as lessees, in principle, a right-of-use asset and a lease liability were recognized on the consolidated balance sheet.

(j) Allowance for doubtful accounts

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

(k) Provision for 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
①Hedging instruments .....Interest rate swaps
Hedging items.....Foreign currency-denominated loans
②Hedging instruments .....Interest rate and currency swaps
Hedging items.....Foreign currency-denominated loans
(3) Hedging policy
In accordance with the internal regulation, risk of fluctuations in interest rates and foreign exchange is hedged.
(4) Method of evaluating the effectiveness of hedges
The evaluation of effectiveness is omitted for interest rate swaps accounted for under the Tokurei-shori and for interest rate and currency swaps accounted for under the Tokurei-shori and Furiate-shori.
(t) Accounting standards issued but not yet applied
- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised on March 31, 2020)
- Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised on March 26, 2021)

(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 Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 revised on July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued 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, 2022.
(3) Effect of application
The amount of the impact was still being assessed when these consolidated financial statements were prepared.

- Foreign subsidiaries

Standard/Interpretation	Overview	Application schedule
ASU 2020-05 "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) Additional information
Regarding the impact of the New Coronavirus infection (COVID-19) in the future, The LINTEC Group (hereinafter the "Group") makes its accounting estimates of impairment of non-current assets and of the collectability of deferred tax assets based on the assumption that our business activity will recover gradually throughout the year ending March 31, 2022 due to the progress of vaccination and the effects of economic measures in each country.

2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥26,832 million (U.S.$242,365 thousand) and ¥27,099 million at March 31, 2021 and 2020, respectively.

3. Inventories

Merchandise and finished goods, work in process, and raw materials and supplies as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Merchandise and finished goods	¥14,129	¥15,345	$127,623
Work in process	14,863	14,971	134,258
Raw materials and supplies	9,440	10,117	85,268
Total	¥38,432	¥40,434	$347,149

4. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Transportation and warehousing expenses	¥ 5,385	¥ 5,328	$ 48,648
Provision for allowance for doubtful accounts	21	27	195
Salaries and allowances	9,661	9,669	87,272
Retirement benefit expenses	739	586	6,679
Provision for directors' bonuses	53	59	487
Depreciation and amortization	1,685	1,779	15,225
Research and development expenses	7,618	7,860	68,814
Other	16,031	17,688	144,804
Total	¥41,198	¥42,999	$372,127

5. 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, 2021 and 2020 were ¥7,618 million (U.S.$68,814 thousand) and ¥7,860 million, respectively.

6. Impairment Loss

The Company recognized impairment loss on the following classes of assets for the year ended March 31, 2021:

			Millions of yen	Thousands of U.S. dollars
			2021	
Major use	Location	Category		Impairment Loss
—	Florida State, U.S.A.	Goodwill	¥ 62	$560
—	Vancouver, CANADA	Goodwill	¥109	$986

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

MADICO, INC. and MADICO WINDOW FILMS, CANADA, ULC recognized impairment losses of ¥62 million and ¥109 million respectively for the goodwill as future operating results were expected to be lower than the business plan at the time of acquisition of these subsidiaries.

The recoverable amount of the goodwill was measured at the value in use determined by future cash flows discounted at 10.0%.

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

			Millions of yen
			2020
Major use	Location	Category	Impairment Loss
—	Kentucky State, U.S.A.	Goodwill	¥545

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%.

7. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	¥ 639	¥ (467)	$ 5,778
Reclassification adjustment	(35)	(4)	(324)
Prior to deducting tax effect	603	(471)	5,454
Tax effect	(184)	144	(1,670)
Net unrealized holding gain on securities	418	(327)	3,784
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	(2,647)	(986)	(23,916)
Reclassification adjustment	—	—	—
Prior to deducting tax effect	(2,647)	(986)	(23,916)
Tax effect	—	—	—
Foreign currency translation adjustments	(2,647)	(986)	(23,916)
Remeasurements of defined benefit plans:			
Amount incurred during the fiscal year	1,449	(1,453)	13,094
Reclassification adjustment	672	577	6,078
Prior to deducting tax effect	2,122	(876)	19,173
Tax effect	(652)	266	(5,896)
Remeasurements of defined benefit plans	1,469	(609)	13,276
Total other comprehensive income	¥ (758)	¥(1,923)	$ (6,855)

8. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥61,823	¥57,190	$558,430
Time deposits with maturity of more than 3 months	(4,187)	(4,929)	(37,825)
Cash and cash equivalents	¥57,636	¥52,260	$520,604

2. Assets and liabilities related to lease transactions newly recognized for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Leased assets	¥ 63	¥ 73	$ 572
Right-of-use assets	309	2,318	2,791
Lease obligations	372	2,391	3,364

9. 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 year ended March 31, 2020, and are depreciated in the same way as the owned property, plant and equipment. Besides, there is no disclosure applicable as of March 31, 2021.

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, 2021 and 2020. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within 1 year	¥ 744	¥217	$ 6,721
Due after 1 year	1,922	467	17,368
Total	¥2,667	¥684	$24,090

(As Lessor)
The minimum lease receivables under noncancellable operating leases as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within 1 year	¥ 2	¥10	$ 19
Due after 1 year	14	17	134
Total	¥17	¥27	$153

10. Financial Instruments

1. Status of financial instruments

(1) Policy regarding financial instruments

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

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

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

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

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

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

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

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

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

The Group conducts and manages derivative transactions based on internal rules and regulations. Executive officer 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 12, "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, 2021 and 2020 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	2021					
	Carrying value	Fair value	Variance	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 61,823	¥ 61,823	¥—	$ 558,430	$ 558,430	$ —
(2) Trade notes and accounts receivable	64,636	64,636	—	583,840	583,840	—
(3) Investment securities						
Other securities	1,814	1,814	—	16,386	16,386	—
(4) Trade notes and accounts payable	(44,835)	(44,835)	—	(404,978)	(404,978)	—
(5) Short-term loans payable	(1,516)	(1,516)	—	(13,700)	(13,700)	—
(6) Accrued income taxes	(3,414)	(3,414)	—	(30,842)	(30,842)	—
(7) Long-term loans payable	(3,764)	(3,833)	69	(34,000)	(34,629)	629
(8) Derivatives	(18)	(18)	—	(163)	(163)	—

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		
	2020		
	Carrying value	Fair value	Variance
(1) Cash and deposits	¥ 57,190	¥ 57,190	¥—
(2) Trade notes and accounts receivable	62,896	62,896	—
(3) Investment securities			
Other securities	1,222	1,222	—
(4) Trade notes and accounts payable	(41,465)	(41,465)	—
(5) Short-term loans payable	(1,580)	(1,580)	—
(6) Accrued income taxes	(2,638)	(2,638)	—
(7) Long-term loans payable	(11,525)	(11,573)	48
(8) Derivatives	8	8	—

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 principal 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 12, "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
	2021	2020	**2021**
	Carrying value	Carrying value	Carrying value
Unlisted stocks	**¥633**	¥583	**$5,718**

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
	2021	2020	**2021**
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	**¥ 61,802**	¥ 57,166	**$ 558,234**
Trade notes and accounts receivable	**64,636**	62,896	**583,840**
Total	**¥126,439**	¥120,063	**$1,142,074**

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

Millions of yen

	2021					
	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	**¥ 1,516**	**¥ —**	**¥ —**	**¥—**	**¥—**	**¥ —**
Current portion of long-term loans payable	**1,217**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**—**	**1,217**	**1,328**	**—**	**—**	**—**
Total	**¥ 2,734**	**¥1,217**	**¥1,328**	**¥—**	**¥—**	**¥—**

Thousands of U.S. dollars

	2021					
	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	**$13,700**	**$ —**	**$ —**	**$—**	**$—**	**$—**
Current portion of long-term loans payable	**11,000**	**—**	**—**	**—**	**—**	**—**
Long-term loans payable	**—**	**11,000**	**12,000**	**—**	**—**	**—**
Total	**$24,700**	**$11,000**	**$12,000**	**$—**	**$—**	**$—**

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	¥—	¥—

11. Marketable and Investment Securities

1. The carrying value and acquisition cost of other securities as of March 31, 2021 and 2020 were as follows:

		Millions of yen			Thousands of U.S. dollars		
							2021
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,777	¥1,205	¥572	$16,058	$10,887	$5,170
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥1,777	¥1,205	¥572	$16,058	$10,887	$5,170
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 36	¥ 57	¥ (20)	$ 328	$ 515	$ (187)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 36	¥ 57	¥ (20)	$ 328	$ 515	$ (187)
Total		¥1,814	¥1,262	¥551	$16,386	$11,403	$4,982

		Millions of yen		
				2020
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥ 918	¥ 769	¥ 148
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 918	¥ 769	¥ 148
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 304	¥ 505	¥(200)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 304	¥ 505	¥(200)
Total		¥1,222	¥1,274	¥ (52)

2. Other securities sold during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen			Thousands of U.S. dollars		
						2021
Description	Sales amount	Aggregate gains	Aggregate losses	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥52	¥35	¥—	$478	$324	$—
Bonds	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	¥52	¥35	¥—	$478	$324	$—

	Millions of yen		
			2020
Description	Sales amount	Aggregate gains	Aggregate losses
Stocks	¥10	¥ 4	¥—
Bonds	—	—	—
Other	—	—	—
Total	¥10	¥ 4	¥—

12. Derivatives

1. Derivatives to which the Company did not apply hedge accounting as of March 31, 2021 and 2020 were as follows:
(Currency related)

Millions of yen

		2021			
		Contract amounts			
	Nature of transaction	Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	¥924	¥—	¥(18)	¥(18)
	U.S. dollars (buy Korean won)	18	—	0	0
	Japanese yen (buy Korean won)	20	—	(0)	(0)
	Indonesian rupiah (buy Japanese yen)	7	—	(0)	(0)
Total		¥970	¥—	¥(18)	¥(18)

Thousands of U.S. dollars

		2021			
		Contract amounts			
	Nature of transaction	Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	$8,346	$—	$(166)	$(166)
	U.S. dollars (buy Korean won)	165	—	3	3
	Japanese yen (buy Korean won)	183	—	(0)	(0)
	Indonesian rupiah (buy Japanese yen)	66	—	(0)	(0)
Total		$8,762	$—	$(163)	$(163)

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

		2020			
		Contract amounts			
	Nature of transaction	Total	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions	Forward exchange contracts to:				
	Sell:				
	U.S. dollars (buy Japanese yen)	¥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

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, 2021 and 2020 were as follows:
(Interest rate related)

Millions of yen

			2021		
			Contract amounts		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	¥498	¥498	¥(Note)

Thousands of U.S. dollars

			2021		
			Contract amounts		
Hedge accounting method	Type of derivatives	Major hedged items	Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	$4,500	$4,500	$(Note)

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

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2020 Contract amounts Total	Over 1 year	Fair value
The Tokurei-shori for interest rate swaps	Interest rate swaps Variable rate receipt / Fixed rate payment	Long-term loans payable	¥1,632	¥—	¥(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)
There is no disclosure applicable as of March 31, 2021.

Hedge accounting method	Type of derivatives	Major hedged items	Millions of yen 2020 Contract amounts 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)

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.

13. 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, 2021 and 2020.

1. Defined benefit plans

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

	Millions of yen 2021	2020	Thousands of U.S. dollars 2021
Retirement benefit obligations at beginning of year	¥38,944	¥38,496	$351,770
Service cost	1,996	1,962	18,037
Interest cost	198	195	1,791
Actuarial gains (losses)	717	(23)	6,484
Retirement benefits paid	(1,556)	(1,729)	(14,060)
Increase (decrease) from foreign currency translation	3	(25)	27
Other	100	68	904
Retirement benefit obligations at end of year	¥40,404	¥38,944	$364,954

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
	2021	2020	2021
Plan assets at beginning of year	¥22,570	¥23,654	$203,873
Expected return on plan assets	728	764	6,582
Actuarial gains (losses)	2,166	(1,477)	19,566
Contributions from the employer	655	1,238	5,918
Retirement benefits paid	(1,156)	(1,612)	(10,448)
Increase (decrease) from foreign currency translation	9	3	83
Plan assets at end of year	¥24,973	¥22,570	$225,576

(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
	2021	2020	2021
Retirement benefit obligations of a funded pension plan	¥ 40,122	¥ 38,673	$ 362,414
Plan assets	(24,973)	(22,570)	(225,576)
	15,149	16,103	136,837
Retirement benefit obligations of an unfunded pension plan	281	270	2,540
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 15,430	¥ 16,373	$ 139,378
Net defined benefit liability	¥ 15,431	¥ 16,378	$ 139,388
Net defined benefit asset	(1)	(4)	(10)
Net amount of liabilities and assets recorded in the consolidated balance sheet	¥ 15,430	¥ 16,373	$ 139,378

(4) Components of retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥1,996	¥1,962	$18,037
Interest cost	198	195	1,791
Expected return on plan assets	(728)	(764)	(6,582)
Amortization of actuarial losses (gains)	601	630	5,430
Amortization of prior service cost	71	(52)	648
Other	27	(3)	245
Retirement benefit expenses for the defined benefit plans	¥2,166	¥1,968	$19,570

Notes: i. Retirement benefit expenses of consolidated subsidiaries using the simplified method are included in service cost.
ii. Employee's contributions to the corporate pension fund are not included in the retirement benefit expenses for the defined benefit plans.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ (71)	¥ 52	$ (648)
Actuarial losses (gains)	(2,050)	823	(18,524)
Total	¥(2,122)	¥876	$(19,173)

(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
	2021	2020	2021
Unrecognized prior service cost	¥ 763	¥ 834	$ 6,893
Unrecognized actuarial losses (gains)	3,462	5,513	31,276
Total	¥4,225	¥6,348	$38,169

(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, 2021 and 2020 was as follows:

	2021	2020
Bonds	59.9%	65.4%
Stocks	21.9%	15.1%
Alternatives	9.7%	8.6%
Cash and deposits	5.6%	7.7%
Other	2.9%	3.2%
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, 2021 and 2020 were as follows:

	2021	2020
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 ¥344 million (U.S.$3,108 thousand) and ¥323 million, for the years ended March 31, 2021 and 2020 to the defined contribution plans, respectively.

14. Stock Option Plan

Components of stock-based compensation expense for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cost of sales	¥—	¥—	$—
Selling, general and administrative expenses	—	—	—

The following table summarizes contents of stock options as of March 31, 2021:

The 2006 plan

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

The 2007 plan

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

The 2008 plan

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

The 2009 plan

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

The 2010 plan

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

The 2011 plan

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

The 2012 plan

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

The 2013 plan

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

The 2014 plan

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

The 2015 plan

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

The 2016 plan

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

The 2017 plan

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

The 2018 plan

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

The following tables summarize the scale and movement of stock options for the year ended March 31, 2021:

(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, 2020	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2021	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**

(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, 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
Conversion from non-vested stock options	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options exercised	—	—	—	—	700	800	1,400	2,200	2,900	3,100	2,700	2,300	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2021	**1,400**	**1,100**	**1,500**	**2,100**	**1,800**	**1,600**	**2,800**	**5,800**	**6,200**	**7,400**	**6,200**	**10,200**	**3,900**

The following table summarizes the price information of stock options as of March 31, 2021:

	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	—	—	—	—	2,561	2,561	2,561	2,561	2,475	2,475	2,475	2,561	—
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, 2021.

15. 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, 2021 and 2020, 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, 2021 and 2020 differ from the statutory tax rate for the following reasons:

	2021	2020
Statutory tax rate	30.62%	30.62%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	0.81	1.28
Permanently non-taxable income for income tax purposes such as dividend income	(17.11)	(9.90)
Municipal tax	0.35	0.41
The difference of tax rates applied to foreign subsidiaries	(5.94)	(3.90)
Tax deduction in accordance with special tax measures	(2.04)	(3.24)
Increase (Decrease) of valuation allowance for such as net operating loss carryforward	2.60	2.12
Consolidated adjustments of dividend income from consolidated subsidiaries	20.91	11.00
The impairment loss on goodwill	0.15	0.82
Foreign withholding tax	2.54	2.76
Other, net	(1.29)	(0.65)
Effective tax rate	31.60%	31.32%

2. The significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Accrued bonuses	¥ 762	¥ 717	$ 6,889
Accrued enterprise taxes	179	148	1,624
Operating loss carryforwards (Note 2)	1,184	1,282	10,699
Net defined benefit liability	4,693	5,006	42,393
Retirement benefit trust	340	432	3,077
Research and development cost	582	574	5,262
Net unrealized holding loss on securities	—	15	—
Foreign tax credit carryforwards	557	455	5,036
Loss on valuation of inventories	385	317	3,478
Allowance for doubtful accounts	136	128	1,229
Unrealized gain	377	406	3,407
Excess of depreciation expense	463	351	4,182
Other	637	709	5,755
Gross deferred tax assets	10,300	10,546	93,036
Valuation allowance related to operating loss carryforwards (Note 2)	(1,182)	(1,270)	(10,682)
Valuation allowance related to total deductible temporary differences	(1,537)	(1,236)	(13,886)
Valuation allowance (Note 1)	(2,720)	(2,507)	(24,568)
	7,580	8,039	68,467
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	(165)	(170)	(1,492)
Net unrealized holding gain on securities	(168)	—	(1,525)
Depreciation expense of subsidiaries	(3)	(2)	(28)
Dividend income from consolidated subsidiaries	(360)	(291)	(3,254)
Other	(11)	(35)	(102)
	(708)	(499)	(6,403)
Net deferred tax assets	¥ 6,871	¥ 7,540	$ 62,064

Note 1: The valuation allowance has increased by ¥212 million (U.S.$1,923 thousand), due to a decrease of ¥87 million (U.S.$793 thousand) for operating loss carryforwards in its consolidated subsidiaries and an increase of ¥133 million (U.S.$1,204 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 years ended March 31, 2021 and 2020 were as follows:

Millions of yen

	2021						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Operating loss carryforwards	¥ 96	¥ 32	¥ 18	¥—	¥ 43	¥ 992	¥ 1,184
Valuation allowance	(96)	(32)	(18)	—	(43)	(991)	(1,182)
Deferred tax assets	¥ —	¥ —	¥ —	¥—	¥ —	¥ 1	¥ 1

Thousands of U.S. dollars

	2021						
	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years	Total
Operating loss carryforwards	$ 874	$ 297	$ 168	$—	$ 390	$ 8,968	$ 10,699
Valuation allowance	(874)	(297)	(168)	—	(390)	(8,952)	(10,682)
Deferred tax assets	$ —	$ —	$ —	$—	$ —	$ 16	$ 16

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

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	Total
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

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

16. Business Combinations
There is no business combination for the year ended March 31, 2021.

17. Asset Retirement Obligations
No specific disclosure has been made for the years ended March 31, 2021 and 2020 because of its immateriality.

18. Rental Property
No specific disclosure for rental property has been made as of March 31, 2021 and 2020 because of its immateriality.

19. 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, 2021 and 2020 are outlined as follows:

Millions of yen

	2021					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥115,745	¥88,976	¥31,181	¥235,902	¥ —	¥235,902
Intra-segment sales and transfers	59	41	15,967	16,068	(16,068)	—
Total	¥115,804	¥89,017	¥47,148	¥251,970	¥(16,068)	¥235,902
Segment income (loss)	¥ (239)	¥14,435	¥ 2,740	¥ 16,936	¥ 94	¥ 17,030
Others						
Depreciation and amortization	¥ 3,930	¥ 3,487	¥ 1,942	¥ 9,361	¥ —	¥ 9,361
Amortization of goodwill	¥ 3,110	¥ —	¥ —	¥ 3,110	¥ —	¥ 3,110

Thousands of U.S. dollars

	2021					
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	$1,045,481	$803,685	$281,646	$2,130,813	$ —	$2,130,813
Intra-segment sales and transfers	533	370	144,231	145,136	(145,136)	—
Total	$1,046,014	$804,056	$425,878	$2,275,949	$(145,136)	$2,130,813
Segment income (loss)	$ (2,163)	$130,389	$ 24,752	$ 152,978	$ 849	$ 153,828
Others						
Depreciation and amortization	$ 35,506	$ 31,504	$ 17,546	$ 84,557	$ —	$ 84,557
Amortization of goodwill	$ 28,100	$ —	$ —	$ 28,100	$ —	$ 28,100

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

Millions of yen

	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

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

Related Information

1. Information by product and service

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

2. Information by geographical segment

Millions of yen

	2021				
	Japan	Asia	U.S.A.	Others	Total
Sales	**¥117,381**	**¥70,938**	**¥38,912**	**¥8,669**	**¥235,902**

Thousands of U.S. dollars

	2021				
	Japan	Asia	U.S.A.	Others	Total
Sales	**$1,060,263**	**$640,756**	**$351,484**	**$78,310**	**$2,130,813**

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
Sales	¥121,824	¥69,239	¥40,310	¥9,353	¥240,727

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

Millions of yen

	2021				
	Japan	Asia	U.S.A.	Others	Total
Property, plant and equipment	**¥58,385**	**¥9,850**	**¥10,912**	**¥659**	**¥79,807**

Thousands of U.S. dollars

	2021				
	Japan	Asia	U.S.A.	Others	Total
Property, plant and equipment	**$527,373**	**$88,974**	**$98,565**	**$5,953**	**$720,866**

Millions of yen

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

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, 2021 and 2020, the information has been omitted.

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

Millions of yen

	2021				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	¥—	¥—	¥—	¥—	¥171

Thousands of U.S. dollars

	2021				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	$—	$—	$—	$—	$1,547

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.

Millions of yen

	2020				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Impairment loss	¥—	¥—	¥—	¥—	¥545

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

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

Millions of yen

	2021				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥16,981

Thousands of U.S. dollars

	2021				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	$—	$—	$—	$—	$153,391

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

	2020				
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total	Consolidation
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥21,350

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, 2021 and 2020.

20. 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, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
For the year	2021	2020	2021
Sales of fine & specialty paper products and converted products	¥8,790	¥10,899	$79,399
Purchase of stencil, chemicals and equipment	3,732	4,340	33,712

	Millions of yen		Thousands of U.S. dollars
At year-end	2021	2020	2021
Trade notes and accounts receivable	¥3,369	¥3,601	$30,439
Trade notes and accounts payable	1,658	1,751	14,983
Other liabilities	10	3	96

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

21. Amounts per Share

The amounts per share of net assets and net income as of and for the years ended March 31, 2021 and 2020 were as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets	¥2,722.89	¥2,653.80	$24.59
Net income (basic)	157.81	133.20	1.43
Net income (diluted)	157.69	133.05	1.42

The bases for calculation were as follows:

(1) Basic and diluted net income per share

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net income (basic) per share:			
Profit attributable to owners of parent	¥11,407	¥ 9,620	$103,037
Amount not attributable to common shareholders	—	—	—
Profit attributable to owners of parent attributable to common shares	¥11,407	¥ 9,620	$103,037
Weighted-average number of common shares issued during the year (thousand)	72,283	72,230	72,283
Net income (diluted) per share:			
Adjustment of profit attributable to owners of parent related to dilutive securities	¥ —	¥ —	$ —
Adjustment of dilutive securities (thousand)	56	79	56
[Share subscription rights (thousand)]	[56]	[79]	[56]

(2) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥197,350	¥192,298	$1,782,590
Amount deducted from total net assets	502	565	4,541
[Share subscription rights]	[99]	[128]	[896]
[Non-controlling interests]	[403]	[437]	[3,644]
Net assets attributable to common shares	¥196,847	¥191,732	$1,778,049
Number of shares of common stock outstanding used in calculation of net assets per share (thousand)	72,293	72,248	72,293

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

Short-term and long-term loans payable as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	Average interest rate	2021
Short-term loans payable	¥1,516	¥ 1,580	0.7%	$13,700
Current portion of long-term loans payable	1,217	9,240	2.5%	11,000
Long-term loans payable	2,546	2,285	1.9%	23,000
	¥5,280	¥13,105	—	$47,700

Note: "Average interest rate" indicates the weighted average interest rate for the closing balance of loans payable as of March 31, 2021.

Other interest-bearing debts as of March 31, 2021 and 2020 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2021	2020	Average interest rate	2021
Short-term lease obligation	¥ 597	¥ 606	1.8%	$ 5,395
Long-term lease obligation	1,142	1,441	2.2%	10,320

Notes: i. "Average interest rate" indicates the weighted average interest rate for the closing balance of lease obligations as of March 31, 2021.
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, 2021) for long-term loans payable and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2021				2021			
	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	¥1,217	¥1,328	¥ —	¥—	$11,000	$12,000	$ —	$ —
Lease obligation	462	342	157	63	4,177	3,090	1,424	572

23. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 10, 2021.

	Millions of yen	Thousands of U.S. dollars
		2021
Cash dividends (¥39 per share)	¥2,819	$25,467

Business combination by acquisition

The Company announced the results of talks with investors in DURAMARK PRODUCTS, INC. (headquartered in South Carolina, USA; hereinafter "DURAMARK") regarding the Group acquiring all shares of DURAMARK, a manufacturer and distributor of various adhesive products. At the board of Directors meeting held on April 1, 2021, the board of directors passed a resolution to acquire all shares of DURAMARK and decided to carry out a transfer agreement with DURAMARK's investors on April 1, 2021 (US time). The shares will be acquired through MORGAN ADHESIVES COMPANY, LLC, headquartered in Ohio, USA. MORGAN ADHESIVES COMPANY, LLC is a wholly owned subsidiary of MACTAC AMERICAS, LLC (hereinafter "MACTAC," also headquartered in Ohio, USA), which is a wholly owned subsidiary of LINTEC USA HOLDING, INC.*

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

(1) Outline of business combination

① Name and business description of the acquired company

Name	DURAMARK PRODUCTS, INC.
Business description	Manufacture and sale of adhesive papers and films for labels, graphic films, etc.

Note: The company name has been changed to MACTAC, INC. on April 8, 2021.

② Reasons for the business combination

The Group has been moving forward with the globalization of its business based on the concept of local production, manufacturing products in locations that are closer to its customers and providing them with a stable supply. Notably, in North America, in December 2016 the Group acquired MACTAC, a manufacturer and distributor of adhesive papers and films for labels, and graphic films, thereby strengthening and expanding its Printing & Variable Information Products Operations and Industrial & Material Operations, which are the Group's core businesses.

DURAMARK's business operations span adhesive papers and films for labels, and graphic films, mainly provided to customers in North America. The acquisition provides immediate access to production equipment that MACTAC requires to increase the production capacity of adhesive papers and films for labels, its main products. In addition, the introduction of the DURAMARK-owned integrated production system for graphic films, as well as in-house production, will greatly help to acquire new commercial rights and expand sales. The Group plans to strengthen and expand its business not only in North America but also in Japan and other regions.

③ Effective date of the business combination

April 1, 2021 (US time)

④ Legal form of the business combination

Acquisition of shares

⑤ Ratio of acquired voting rights

100%

⑥ Rationale for the determination of acquiring the company

The determination was made because the Company acquired 100% voting rights of DURAMARK through MORGAN ADHESIVES COMPANY, LLC, a wholly owned subsidiary of MACTAC in the United States, by the acquisition of shares in exchange for cash.

(2) Acquisition cost of the acquired company and breakdown of consideration for the acquisition by type

Consideration for the acquisition	Cash	U.S.$60,000 thousands (¥6,642 million)
Acquisition cost		U.S.$60,000 thousands (¥6,642 million)

Note: The Group is currently taking into consideration working capital and other variables at the time of acquisition of shares based on the transfer agreement. At present, the acquisition cost has not yet been definitively determined so the amounts listed above are provisional.

(3) Content and amount of major acquisition-related costs

Not yet determined at present.

(4) Amount of goodwill arising from the business combination, cause of the goodwill, and amortization method and period, or Amount of negative goodwill and cause of the negative goodwill

Not yet determined at present.

(5) Amounts of assets received and liabilities assumed on the date of business combination, and their major components

Not yet determined at present.

Management's Report on Internal Control over Financial Reporting

Basic Framework of Internal Control over Financial Reporting

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

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

Scope of Assessment, Assessment Date and Assessment Procedures

We assessed the effectiveness of internal control over financial reporting for the consolidated financial statements as of March 31, 2021 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, 2020. 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, 2021 was effective.

Report of Independent Auditors

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Independent Auditor's Report

The Board of Directors
LINTEC Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Valuation of goodwill	
Description of Key Audit Matter	Auditor's Response
The Company recorded goodwill amounted to ¥16,981 million on the consolidated financial statements as at March 31, 2021. This was mainly composed of the goodwill recognized in relation to the acquisition of MACtac Americas, LLC in December 2016,	We instructed the component auditor of MACtac Americas, LLC to perform audit on valuation of goodwill, obtained the report of audit results including the following procedures performed, and evaluated the sufficiency and appropriateness of audit

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whose carrying amount was ¥16,826 million, approximately 6.0% of the Company's consolidated total assets. MACtac Americas, LLC has adopted an accounting alternative for the subsequent measurement of goodwill which is allowed for private companies under US GAAP. Under these rules, in evaluating goodwill, MACtac Americas, LLC assesses whether there is any triggering event that goodwill may be impaired. This assessment was made mainly based on the assessment of macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. Due to significant management judgement and uncertainties in assessing the existence of triggering events for impairment, we determined that the valuation of goodwill is a key audit matter.	evidence obtained: • to assess the macroeconomic conditions by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data. • to assess the industry and market considerations by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data. • to assess the cost factors by discussing with management, analyzing trends using actual results, and comparing the relevant assumptions with publicly available data. • to assess the overall financial performance by evaluating the consistency of the underlying business plan with actual results and comparing the current year financial results with prior year.

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.

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.

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

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

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the 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.

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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, 2021 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, 2021 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

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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.

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 21, 2021

Designated Engagement Partner
Certified Public Accountant

河村

Designated Engagement Partner
Certified Public Accountant

A member firm of Ernst & Young Global Limited