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Management's Discussion and Analysis

Operating Results

In the fiscal year ended March 31, 2022, the global economy was characterized by sharply higher resource and energy prices, as well as supply chain disruptions. Even so, progress with COVID-19 vaccinations prompted a trend toward general recovery. In Japan, personal consumption was sluggish as a result of the pandemic, but corporate earnings rebounded, partly thanks to the impact of yen depreciation.

Against this backdrop, consolidated net sales rose 8.9% year on year, to ¥256.8 billion, buoyed by favorable demand for semiconductor- and electronic component-related products. Demand for other products also recovered compared with the previous year, which had been significantly affected by the pandemic, leading to generally solid performance. Operating income increased 26.7%, to ¥21.6 billion, on substantially higher sales of Electronics and Optical Products and a move to profitability in Printing and Industrial Materials Products. Profit before income taxes expanded 39.6%, to ¥23.2 billion, owing to the rise in operating income, foreign exchange gains, and a gain on bargain purchase stemming from the acquisition of a U.S. manufacturer. Income taxes following the application of tax effect accounting was ¥6.5 billion, and profit attributable to owners of parent increased 45.9%, to ¥16.6 billion.

Net income per share was ¥232.12, up from ¥157.81 in the previous fiscal year, and ROE increased from 5.9% to 8.2%.

Performance by Business Segment

Printing and Industrial Materials Products

In Printing & Variable Information Products Operations, overall results in Japan were solid for both adhesive paper and adhesive film, although sales of adhesive products for labels were sluggish for cosmetics and beverage campaigns, but demand from food and online sales businesses was higher. Overseas, sales rose substantially due to favorable performance in Asia, including China and the ASEAN region, and as the result of an acquisition in the U.S.

In Industrial & Material Operations, demand for window film and automobile-use adhesive products recovered in Japan and overseas. Also, sales of decorative film and machines for online sales were favorable.

As a result, segment sales totaled ¥132.4 billion (up 14.4% year on year) and operating income was ¥1.4 billion.

Electronic and Optical Products

In Advanced Materials Operations, stronger demand related to 5G smartphones and car electronics, and for PCs due to the rise in teleworking, led to brisk sales of semiconductor-related adhesive tape and equipment, as well as multilayer ceramic capacitor-related tape.

In Optical Products Operations, sales of optical display-related adhesive products were solid for use in large-size TVs, PCs, and smartphones. In this business operation, sales were down substantially year on year due to the application of the Accounting Standard for Revenue Recognition.

Accordingly, segment sales were ¥91.4 billion (up 2.7% year on year) and operating income was ¥19.2 billion (up 27.3% year on year).

Paper and Converted Products

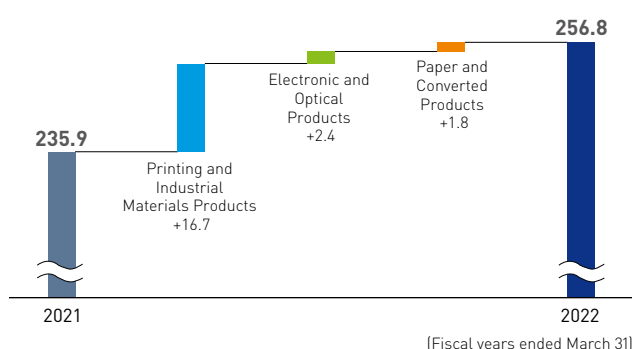
In Fine & Specialty Paper Products Operations, demand for mainstay color paper for envelopes was firm. Also, demand recovered for industrial specialty paper used in clean rooms and other applications, as did oil- and water-resistant paper for use with fast food.

In Converted Products Operations, sales of release paper remained largely unchanged from the previous year. However, demand for casting paper for synthetic leather recovered for use in vehicles. Furthermore, demand for casting paper for carbon fiber composite materials for use in sports and leisure increased, resulting in steady sales.

As a result, sales in this segment came to ¥33.0 billion (up 5.9% year on year), and operating income was ¥1.0 billion (down 54.6%).

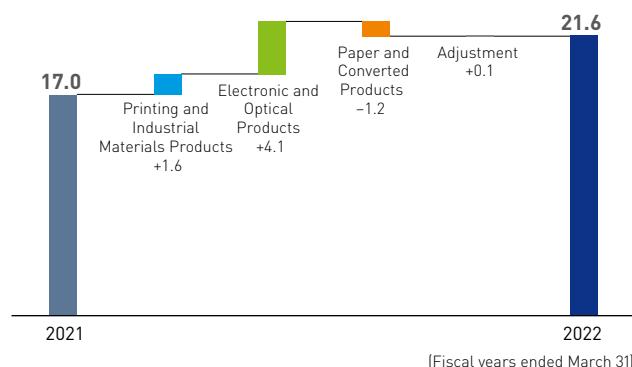
Net Sales

¥ Billion



Operating Income

¥ Billion



Financial Position

Assets

Total assets as of March 31, 2022, were ¥302.6 billion, an increase of ¥22.3 billion from the end of the previous fiscal year. The main changes were as follows:

· Cash and deposits	-¥6.4 billion
· Trade notes and accounts receivable	-¥2.3 billion
· Inventories	+¥14.1 billion
· Other current assets	+¥6.5 billion
· Property, plant and equipment	+¥10.4 billion

Liabilities

Total liabilities as of March 31, 2022, were ¥92.8 billion, an increase of ¥9.9 billion from the end of the previous fiscal year. The main changes were as follows:

· Provision for bonuses	+¥2.6 billion
· Other current liabilities	+¥6.0 billion
· Long-term loans payable	-¥1.1 billion
· Other non-current liabilities	+¥1.7 billion

Net Assets

Net assets as of March 31, 2022, were ¥209.8 billion, an increase of ¥12.4 billion from the end of the previous fiscal year. The main changes were as follows:

· Retained earnings	+¥11.0 billion
· Treasury stock	-¥6.5 billion
· Foreign currency translation adjustments	+¥7.4 billion

Cash Flows

Cash and cash equivalents as of March 31, 2022, amounted to ¥50.6 billion, a decrease of ¥7.0 billion year on year.

Cash Flows from Operating Activities

Cash flows from operating activities decreased ¥4.2 billion year on year, to a cash inflow of ¥24.6 billion. The main changes were as follows:

· Profit before income taxes	+¥6.6 billion
· Trade notes and accounts receivable	+¥8.2 billion
· Inventories	-¥10.0 billion
· Trade notes and accounts payable	-¥7.8 billion
· Income taxes (paid) refund	-¥1.9 billion

Cash Flows from Investing Activities

Cash flows from investing activities decreased ¥11.0 billion year on year, to a cash outflow of ¥19.6 billion. The main changes were as follows:

· Proceeds from withdrawal of time deposits	-¥1.2 billion
· Purchase of property, plant and equipment	+¥0.5 billion
· Purchase of shares of subsidiaries resulting in change in scope of consolidation	-¥6.3 billion
· Payments for acquisition of businesses	-¥4.6 billion

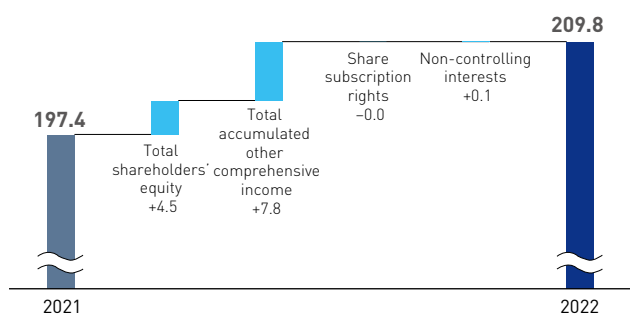
Cash Flows from Financing Activities

Cash flows from financing activities decreased ¥0.3 billion year on year, to a cash outflow of ¥14.5 billion. The main changes were as follows:

· Proceeds from long-term borrowings	-¥1.4 billion
· Repayments of long-term loans payable	+¥7.9 billion
· Purchase of treasury stock	-¥6.5 billion

Net Assets

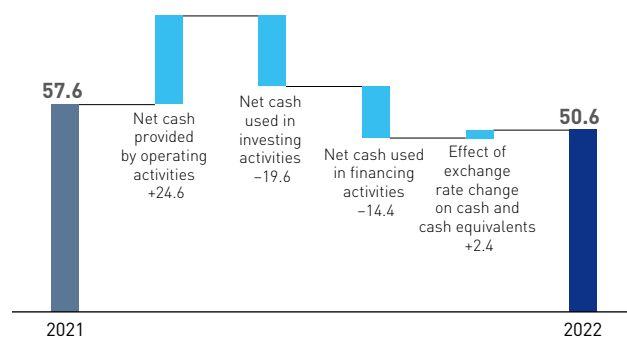
¥ Billion



(Fiscal years ended March 31)

Cash Flows

¥ Billion



(Fiscal years ended March 31)

Financial Information

Financial Summary

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31

	2022	2021	2020	2019
For the year:				
Net sales	¥256,836	¥235,902	¥240,727	¥250,942
Operating income	21,584	17,030	15,440	17,977
% of net sales	8.4%	7.2%	6.4%	7.2%
Profit before income taxes	23,230	16,635	13,939	18,338
Profit attributable to owners of parent	16,641	11,407	9,620	12,937
Return on equity	8.2%	5.9%	5.0%	6.9%
Return on assets	7.8%	6.0%	5.1%	6.2%
Per share data (yen):				
Net income	¥ 232.12	¥ 157.81	¥ 133.20	¥ 179.24
Net assets	2,996.21	2,722.89	2,653.80	2,625.54
Cash dividends	88.00	78.00	78.00	78.00
Depreciation and amortization	¥ 9,895	¥ 9,361	¥ 9,491	¥ 8,700
Purchase of property, plant and equipment	(8,522)	(8,997)	(12,443)	(10,768)
Net cash provided by operating activities	24,642	28,824	18,501	22,858
Net cash used in investing activities	(19,644)	(8,612)	(13,818)	(10,299)
Net cash provided by (used in) financing activities	(14,455)	(14,129)	(10,284)	(8,246)
At year-end:				
Current assets	¥182,035	¥170,098	¥163,660	¥175,597
Current liabilities	72,311	63,506	66,119	72,994
Working capital	109,723	106,592	97,541	102,603
Cash and cash equivalents	50,603	57,636	52,260	58,303
Property, plant and equipment, net	90,224	79,807	80,481	75,131
Long-term loans payable	1,468	2,546	2,285	11,622
% of shareholders' equity	0.7%	1.3%	1.2%	6.2%
Total assets	302,566	280,262	278,972	290,320
Net assets	209,758	197,350	192,298	190,226
% of total assets	69.1%	70.2%	68.7%	65.3%
Number of shares outstanding	76,659,440	76,630,740	76,600,940	76,576,340
Number of employees	5,158	4,913	4,948	4,888
Segment information:				
Net sales:				
Printing and Industrial Materials Products	¥132,421	¥115,745	¥122,436	¥122,935
Electronic and Optical Products	91,379	88,976	81,929	90,316
Paper and Converted Products	33,035	31,181	36,361	37,689
Segment income (loss):				
Printing and Industrial Materials Products	1,373	(239)	928	3,761
Electronic and Optical Products	19,176	15,067	10,981	11,150
Paper and Converted Products	971	2,138	3,502	2,970

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

	2018	2017	2016	2015	2014	2013
	¥249,030	¥205,975	¥210,501	¥207,255	¥203,242	¥190,844
	20,095	16,595	17,692	16,881	13,766	10,564
	8.1%	8.1%	8.4%	8.1%	6.8%	5.5%
	16,666	15,398	16,799	17,555	12,883	10,836
	11,257	11,450	10,899	11,659	8,501	7,681
	6.2%	6.6%	6.4%	7.2%	5.8%	5.6%
	6.5%	6.1%	7.4%	7.8%	6.0%	5.2%
	¥ 156.02	¥ 158.69	¥ 151.07	¥ 161.63	¥ 114.22	¥ 102.83
	2,573.69	2,465.43	2,370.49	2,363.81	2,100.87	1,909.57
	66.00	66.00	54.00	48.00	42.00	34.00
	¥ 9,031	¥ 7,466	¥ 8,800	¥ 8,713	¥10,055	¥ 10,141
	(8,084)	(13,049)	(9,810)	(6,299)	(5,508)	(13,823)
	26,819	24,361	19,928	15,485	16,309	19,619
	(7,532)	(48,378)	(9,898)	(5,104)	(6,952)	(13,966)
	(6,363)	5,257	(4,044)	(3,135)	(8,020)	(2,877)
	¥173,593	¥151,449	¥163,647	¥163,017	¥149,396	¥138,505
	77,849	64,401	56,389	57,058	54,820	56,911
	95,744	87,048	107,258	105,958	94,575	81,593
	55,042	41,284	60,323	56,050	44,992	40,739
	75,336	73,871	64,859	61,503	61,456	64,915
	14,395	17,795	—	—	—	—
	8.0%	10.3%	—	—	—	—
	292,733	274,199	240,720	237,444	225,073	216,048
	186,420	178,690	172,101	171,674	152,610	143,569
	63.4%	64.9%	71.1%	71.8%	67.3%	66.0%
	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240	76,564,240
	4,794	4,760	4,246	4,413	4,223	4,270
	¥121,691	¥85,661	¥87,638	¥86,764	¥86,271	¥82,761
	88,882	83,205	85,422	83,207	79,139	72,352
	38,456	37,108	37,440	37,283	37,831	35,730
	3,040	1,672	2,785	2,878	2,290	2,380
	11,972	9,155	10,562	10,071	6,846	3,196
	4,996	5,767	4,303	3,996	4,645	4,980

Consolidated Balance Sheet

LINTEC Corporation and its consolidated subsidiaries
March 31, 2022 and 2021

	Millions of yen	
ASSETS	2022	2021
Current assets:		
Cash and deposits	¥ 55,416	¥ 61,823
Trade notes and accounts receivable	—	64,636
Trade notes receivable	16,176	—
Trade accounts receivable	46,175	—
Inventories	52,536	38,432
Other	11,792	5,249
Allowance for doubtful accounts	(62)	(45)
Total current assets	182,035	170,098
Non-current assets:		
Property, plant and equipment:		
Buildings and structures	86,845	80,827
Machinery, equipment and vehicles	142,574	135,385
Land	11,831	11,327
Construction in progress	4,129	1,398
Other	16,715	14,447
	262,096	243,385
Accumulated depreciation	(171,872)	(163,578)
Property, plant and equipment, net	90,224	79,807
Intangible assets:		
Goodwill	16,958	16,981
Other	1,858	2,004
Total intangible assets	18,817	18,986
Investments and other assets:		
Investment securities	2,116	2,447
Deferred tax assets	7,402	6,876
Net defined benefit asset	0	1
Other	2,063	2,162
Allowance for doubtful accounts	(93)	(116)
Total investments and other assets	11,489	11,371
Total non-current assets	120,530	110,164
Total assets	¥ 302,566	¥ 280,262

LIABILITIES AND NET ASSETS	Millions of yen	
	2022	2021
Current liabilities:		
Trade notes and accounts payable	¥ 44,282	¥ 44,835
Short-term loans payable	1,292	1,516
Current portion of long-term loans payable	1,346	1,217
Accrued income taxes	4,210	3,414
Provision for bonuses	2,640	—
Provision for directors' bonuses	72	53
Other	18,466	12,467
Total current liabilities	72,311	63,506
Non-current liabilities:		
Long-term loans payable	1,468	2,546
Provision for environmental measures	111	111
Net defined benefit liability	15,937	15,431
Other	2,979	1,317
Total non-current liabilities	20,496	19,406
Total liabilities	92,808	82,912
Commitments and contingent liabilities		
Net assets:		
Shareholders' equity:		
Common stock:		
Authorized: 300,000,000 shares in 2022 and 2021		
Issued: 76,659,440 shares in 2022 and 76,630,740 shares in 2021	23,320	23,285
Capital surplus	26,943	26,907
Retained earnings	166,242	155,241
Less: treasury stock, at cost:		
6,833,643 shares in 2022 and 4,336,994 shares in 2021	(14,118)	(7,583)
Total shareholders' equity	202,388	197,850
Accumulated other comprehensive income		
Net unrealized holding gain on securities	301	382
Foreign currency translation adjustments	8,936	1,547
Remeasurements of defined benefit plans	(2,414)	(2,932)
Total accumulated other comprehensive income	6,823	(1,002)
Share subscription rights	93	99
Non-controlling interests	451	403
Total net assets	209,758	197,350
Total liabilities and net assets	¥302,566	¥280,262

Financial Information

Consolidated Statement of Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Net sales	¥256,836	¥235,902
Cost of sales	191,699	177,673
Gross profit	65,137	58,228
Selling, general and administrative expenses	43,553	41,198
Operating income	21,584	17,030
Non-operating income:		
Interest income	143	167
Dividend income	274	49
Rent income	22	21
Gain on sales of non-current assets	7	17
Insurance income	37	49
Foreign exchange gains	1,003	—
Subsidy income	20	115
Other income	375	300
Total non-operating income	1,884	721
Non-operating expenses:		
Interest expenses	110	149
Loss on sales of non-current assets	12	16
Loss on retirement of non-current assets	387	367
Compensation expenses	160	36
Foreign exchange losses	—	249
Other expenses	99	161
Total non-operating expenses	770	981
Ordinary income	22,698	16,770
Extraordinary gain:		
Gain on sales of investment securities	13	35
Gain on bargain purchase	282	—
Gain on sale of shares of subsidiaries and associates	259	—
Total extraordinary gain	555	35
Extraordinary loss:		
Loss on valuation of shares of subsidiaries and associates	23	—
Impairment loss	—	171
Total extraordinary loss	23	171
Profit before income taxes	23,230	16,635
Income taxes:		
Current	7,243	5,430
Deferred	(696)	(173)
Total income taxes	6,547	5,257
Profit	16,683	11,378
Profit (loss) attributable to non-controlling interests	41	(29)
Profit attributable to owners of parent	¥ 16,641	¥ 11,407

Consolidated Statement of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Profit	¥16,683	¥11,378
Other comprehensive income		
Net unrealized holding gain on securities	(81)	418
Foreign currency translation adjustments	7,394	(2,647)
Remeasurements of defined benefit plans	519	1,469
Total other comprehensive income	7,832	(758)
Comprehensive income	¥24,515	¥10,619
(Comprehensive income attributable to:)		
Owners of parent	24,467	10,653
Non-controlling interests	48	(34)

Consolidated Statement of Changes in Net Assets

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

	Thousands												Millions of yen	
	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	¥23,249	¥26,870	¥149,471	¥ (7,610)	¥191,981	¥ (36)	¥ 4,193	¥(4,405)	¥ (248)	¥ 128	¥437	¥192,298	
Cumulative effects of changes in accounting policies						—							—	
Restated balance		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	
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	
Cumulative effects of changes in accounting policies				(0)		(0)							(0)	
Restated balance		23,285	26,907	155,241	(7,583)	197,850	382	1,547	(2,932)	(1,002)	99	403	197,350	
Changes during the year:														
Issuance of new shares	28	35	35			71							71	
Cash dividends				(5,640)		(5,640)							(5,640)	
Profit attributable to owners of parent				16,641		16,641							16,641	
Purchase of treasury stock					(6,539)	(6,539)							(6,539)	
Disposal of treasury stock			0		4	5							5	
Net changes in items other than shareholders' equity							(81)	7,389	518	7,826	(5)	48	7,869	
Total changes during the year	28	35	36	11,001	(6,534)	4,538	(81)	7,389	518	7,826	(5)	48	12,407	
Balance as at March 31, 2022	76,659	¥23,320	¥26,943	¥166,242	¥(14,118)	¥202,388	¥301	¥ 8,936	¥(2,414)	¥ 6,823	¥ 93	¥451	¥209,758	

Consolidated Statement of Cash Flows

LINTEC Corporation and its consolidated subsidiaries
Years ended March 31, 2022 and 2021

	Millions of yen	
	2022	2021
Cash flows from operating activities:		
Profit before income taxes	¥ 23,230	¥ 16,635
Depreciation and amortization	9,895	9,361
Amortization of goodwill	3,200	3,110
Increase (decrease) in net defined benefit liability	525	507
Increase (decrease) in allowance for doubtful accounts	(11)	(26)
Interest and dividend income	(417)	(216)
Interest expenses	110	149
Loss (gain) on sales of property, plant and equipment	4	(1)
Loss on retirement of property, plant and equipment	193	103
Decrease (increase) in trade notes and accounts receivable	6,184	(2,025)
Decrease (increase) in inventories	(8,546)	1,467
Increase (decrease) in trade notes and accounts payable	(3,781)	4,031
Loss (gain) on sales of investment securities	(13)	(35)
Gain on bargain purchase	(282)	—
Loss (gain) on sale of shares of subsidiaries and associates	(259)	—
Subsidy income	(20)	(115)
Loss on valuation of shares of subsidiaries and associates	23	—
Impairment loss	—	171
Other, net	829	189
Subtotal	30,866	33,307
Interest and dividend income received	415	224
Interest expenses paid	(118)	(163)
Subsidies received	20	115
Income taxes (paid) refund	(6,540)	(4,659)
Net cash provided by operating activities	24,642	28,824
Cash flows from investing activities:		
Payments into time deposits	(9,906)	(10,016)
Proceeds from withdrawal of time deposits	9,520	10,759
Purchase of property, plant and equipment	(8,522)	(8,997)
Proceeds from sales of property, plant and equipment	17	27
Purchase of intangible assets	(210)	(451)
Purchase of investment securities	(14)	(54)
Proceeds from sales of investment securities	15	52
Proceeds from sale of shares of subsidiaries and associates	478	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,349)	—
Payments for acquisition of businesses	(4,617)	—
Payments of loans receivable	(2)	(5)
Collection of loans receivable	9	10
Other, net	(60)	63
Net cash used in investing activities	(19,644)	(8,612)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	(331)	—
Proceeds from long-term borrowings	—	1,350
Repayments of long-term loans payable	(1,229)	(9,141)
Cash dividends paid	(5,642)	(5,632)
Purchase of treasury stock	(6,539)	(1)
Repayments of lease obligations	(713)	(704)
Other, net	0	0
Net cash provided by (used in) financing activities	(14,455)	(14,129)
Effect of exchange rate change on cash and cash equivalents	2,425	(706)
Net increase (decrease) in cash and cash equivalents	(7,032)	5,375
Cash and cash equivalents at beginning of year	57,636	52,260
Cash and cash equivalents at end of year	¥ 50,603	¥ 57,636