

# LINTEC

Leveraging Technical Strengths  
in Challenging Markets

Annual Report 2012

For the year ended March 31, 2012

# Linking your dreams to the future through technologies. We are LINTEC.

Reflected in our company name, LINTEC—formed from “linkage” and “technology”—our entire workforce is strongly committed to linking people with technologies to create innovative, high-value-added products and solutions.

As the leading company in the fields of adhesive products and specialty papers, LINTEC Corporation has developed and launched a vast range of new products. Going forward, we will continue to create products and technologies our customers have never seen before by advancing and linking the original core technologies that we have cultivated over many years of research. In this way, we will enable our customers to turn their *dreams* into reality. Further, in addition to expanding operations, our goal is to implement management that is firmly based on ideals that emphasize good corporate social responsibility (CSR) to further develop as a company that is highly regarded and trusted by all of its stakeholders.

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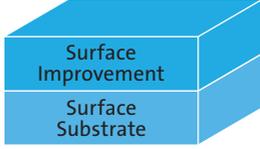
# LINTEC's Core Strengths



# Integrated Production System for Adhesive Products and Provision of Comprehensive Solutions

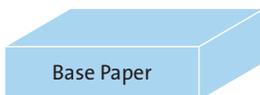
One of LINTEC's core strengths lies in its integrated production system, which is not only contained completely within the Group, but also covers all aspects of producing our mainstay adhesive products. Capable of conducting such processes as the production of base paper for release papers, the development and coating of release agents, surface improvement processing of substrates such as papers and films, and the development and coating of adhesive agents and the bonding of such items, LINTEC's integrated production system for adhesive products spans from the upstream areas of adhesive product manufacturing to the downstream areas. Further, by applying and combining various technologies throughout all of these processes, we are able to create a truly diverse lineup of products.

**Surface Improvement Processing**



Aiming to improve the durability, water resistance, printability, design, and other characteristics of our products, we apply various surface coating processes to the papers and films that are used as surface substrates. We possess a number of sophisticated surface improvement technologies, including antiglare hard coat processing that makes LCDs more resistant to scratches and reduces reflectivity.

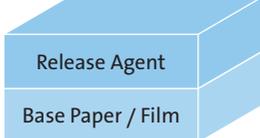
**Papermaking**



LINTEC produces and sells a wide range of papers, including base paper for release papers as well as specialty papers, such as color papers for envelopes, industrial-use special function papers, and high-grade printing papers. Our papermaking technologies are the source of the technological edge present in our production system for adhesive products that the competition is unable to imitate. At the same time, increased production of downstream adhesive products boosts the productivity of our papermaking facilities, thus enhancing the cost-competitiveness of our specialty paper products.



**Release Agent Development and Coating**

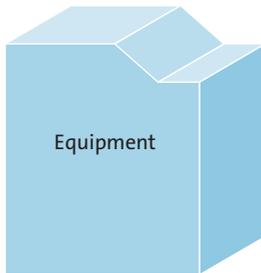


By developing a wide variety of release agents compatible with various adhesive agents and attaching them to base papers or films using precision coating processes, we are able to supply high-quality release papers and films both inside and outside of the Company. However, these items are not only used for adhesive products. Utilizing our "release" technologies, we also produce and sell casting papers used as patterning papers for synthetic leather and mounts for carbon fiber composite materials as well as coated films for multilayer ceramic capacitor (MLCC) production.



## Adhesive Agent Development and Coating, and Bonding

In making adhesive products, it is common for release papers or films to be coated in an adhesive agent and then for the surface substrates to be applied on top after the adhesive has dried. At LINTEC, however, we have developed a wide range of adhesive agents suited for a number of different usage conditions. These conditions take into account how the product will be used as well as the usage environment, the material and shape of the items to be attached, and the period of time over which adhesion must be maintained. Further, utilizing our precision coating technologies, we conduct precision thin-film coating on such mediums as the films used for LCDs.



## System Development

LINTEC develops various systems that help maximize the potential of our adhesive products. These include label printing machines, printers, labeling machines that automatically apply labels to packages or other mediums, and equipment for applying or removing semiconductor-related tapes.



## Comprehensive Solutions

By developing and proposing solutions that incorporate our high-quality adhesive products as well as equipment optimized for processing, applying, and removing these products, we are able to provide fine-tuned responses that precisely match customer needs. The ability to provide such comprehensive solutions that include both soft and hard elements is yet another one of LINTEC's strengths.

# Our Business

The LINTEC Group's operations are divided into six product categories, which have been arranged into three operational segments: Printing and Industrial Materials Products, Electronic and Optical Products, and Paper and Converted Products.

## Printing and Industrial Materials Products

This segment consists of Printing and variable information products operations and Industrial and material operations.

In our Printing and variable information products operations, we conduct the production and sales of adhesive papers and films for seals and labels, which are the LINTEC Group's mainstay products. Our adhesive films perform particularly well, boasting a share of over 50% of the domestic market. We are also targeting the expansion of our share in such overseas markets as China and Southeast Asia following the establishment of production and sales bases in these regions.

In our Industrial and material operations, we deal in a wide variety of products, including sheet materials for photovoltaic (PV) modules, specialty adhesive products for use in information devices and automobiles, label system-related equipment, materials for outdoor signs and interior finishing, and even adhesive films for glass.

## Electronic and Optical Products

This segment consists of Advanced materials operations and Optical products operations.

In our Advanced materials operations, we develop and provide such products as specialized adhesive tapes and related equipment essential in semiconductor manufacturing and mounting processes as well as coated films for MLCC production and various materials for touch panels.

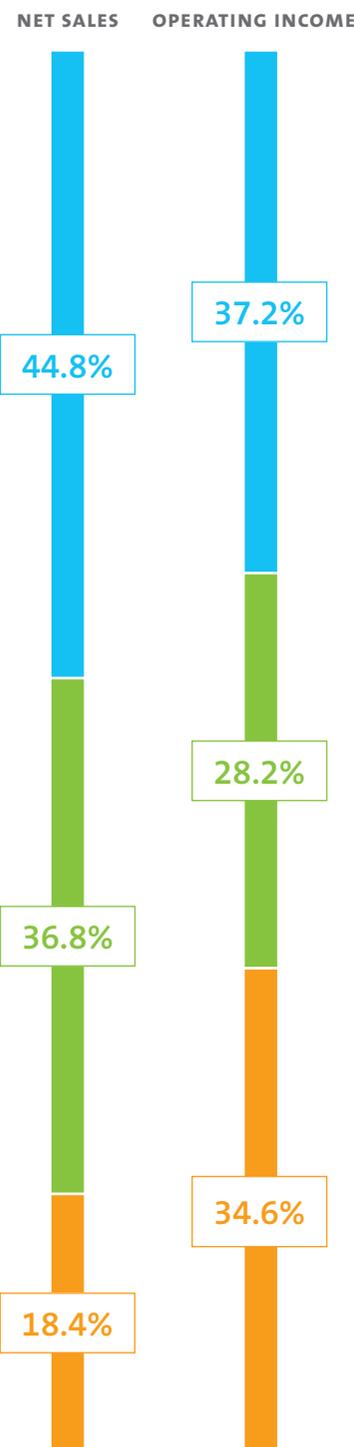
In our Optical products operations, we conduct adhesive processing for the bonding of polarizing films and retardation films used to make LCDs; surface improvement processing for polarizing films, such as antiglare hard coat processing, which reduces reflectivity and protects films from scratches; and the manufacturing of protection films for polarizing films.

## Paper and Converted Products

This segment consists of Fine and specialty paper products operations and Converted products operations.

In our Fine and specialty paper products operations, we produce and sell color papers for envelopes and colored construction papers, products for which LINTEC holds the leading share in domestic markets; lint-free papers for use in clean-room environments that almost completely prevent the occurrence of dust; oil- and moisture-resistant papers for food packaging; high-grade printing papers with special textures; and high-grade papers for paper products used for business cards and postcards.

In our Converted products operations, we provide release papers and films that protect the adhesive surfaces of a variety of adhesive products. Additionally, we produce casting papers that are used as patterning papers for placing designs on synthetic leather. We also manufacture casting papers for carbon fiber composite materials, essential for the process of hardening the fine carbon fiber into sheet form. Going forward, we have high expectations for carbon fiber due to its increased usage, such as in the bodies of aircraft.



# Printing and Industrial Materials Products

NET SALES

¥90.1 bn

OPERATING INCOME

¥5.2 bn



## Printing and Variable Information Products Operations

In the fiscal year under review, sales in Asia were unchanged from the previous year due to the drop in demand in the second half of the fiscal year as a result of the impacts of the financial crisis in Europe as well as the severe flooding in Thailand.

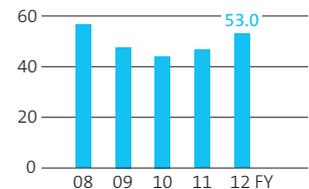
In addition, sales suffered in Japan because of the disruptions to the production activities of major users following the Great East Japan Earthquake. Due to the above, net sales were down 0.6% year on year, to ¥53.0 billion.

### MAIN PRODUCTS

- Adhesive papers and films for seals and labels
- Label printing machines

## Net Sales\*

¥ Billion



SHARE OF NET SALES

26.4%



## Industrial and Material Operations

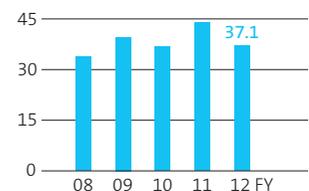
In the fiscal year under review, sales of window films increased substantially due to higher demand for films for electricity saving and glass shatter-proofing purposes as well as the sales contributions from the U.S. subsidiary that was consolidated during the fourth quarter of the previous fiscal year. However, sales of PV backsheets were down notably because of the inventory adjustment trend in the market. Automobile-use adhesive products, including those for motorcycles, and industrial-use adhesive tapes also experienced a drop in sales following the decline in production among manufacturers as a result of the earthquake in Japan and flooding in Thailand. Accordingly, net sales decreased 3.9% year on year, to ¥37.1 billion.

### MAIN PRODUCTS

- PV backsheets
- Automobile-use adhesive products
- Industrial-use adhesive tapes
- Barcode printers
- Labeling machines
- Films for outdoor signs and advertising
- Interior finishing mounting sheets
- Window films

## Net Sales\*

¥ Billion



SHARE OF NET SALES

18.4%

\* Due to a reorganization of business segments, Healthcare products operations has been integrated into Printing and variable information products operations from April 1, 2011. Also, some products associated with Printing and variable information products operations were recorded under Industrial and material operations over the period from FY2009 to FY2011.

## Electronic and Optical Products

NET SALES

¥73.9 bn

OPERATING INCOME

¥3.9 bn



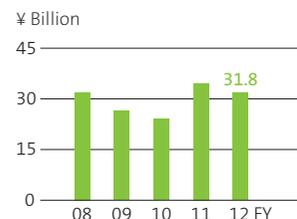
### Advanced Materials Operations

In the fiscal year under review, sales of semiconductor-related tapes increased slightly year on year, whereas semiconductor-related equipment saw a large decrease in sales due to limited capital investment among semiconductor manufacturers. Sales of coated films for MLCC production were solid following robust demand for smartphones. Meanwhile, sales of optical device-related products dropped significantly. As a result, net sales were down 8.1%, to ¥31.8 billion.

#### MAIN PRODUCTS

- Semiconductor-related tapes and equipment
- Coated films for MLCC production
- Touch panel-related products
- RFID-related products

### Net Sales



SHARE OF NET SALES

15.9%



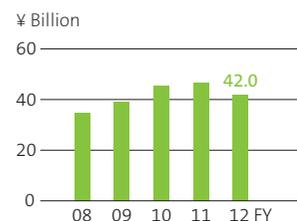
### Optical Products Operations

Net sales in the fiscal year under review were down 9.6%, to ¥42.0 billion, due to low demand for flat-screen TVs both inside and outside of Japan, which outweighed the effects of brisk demand for smartphones.

#### MAIN PRODUCTS

- Polarizing films and retardation films for LCDs (adhesive processing)
- Polarizing films for LCDs (surface improvement processing)
- Protection films for polarizing films

### Net Sales



SHARE OF NET SALES

20.9%

# Paper and Converted Products

NET SALES

¥36.9 bn

OPERATING INCOME

¥4.8 bn



## Fine and Specialty Paper Products Operations

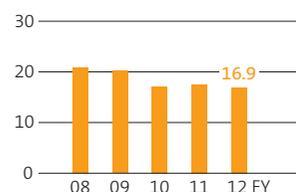
In the fiscal year under review, post-earthquake reconstruction demand drove up sales of construction material papers for wallpaper, but mainstay color papers for envelopes and industrial-use special function papers experienced an overall decrease in demand. This led to a 3.4% year-on-year decline in sales, to ¥16.9 billion.

### MAIN PRODUCTS

- Color papers for envelopes
- Colored construction papers
- Special function papers
- High-grade printing papers
- High-grade papers for paper products

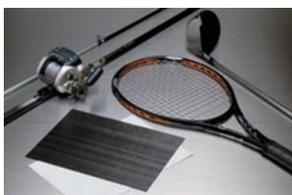
### Net Sales

¥ Billion



SHARE OF NET SALES

8.4%



## Converted Products Operations

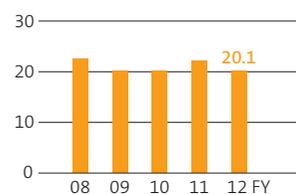
In the fiscal year under review, net sales were down 9.7%, to ¥20.1 billion, due to sluggish demand for mainstay release papers for adhesive products and flexible printed circuits as well as casting papers for synthetic leather.

### MAIN PRODUCTS

- Release papers and films for adhesive products
- Casting papers for synthetic leather
- Casting papers for carbon fiber composite materials

### Net Sales

¥ Billion



SHARE OF NET SALES

10.0%

# Financial Highlights

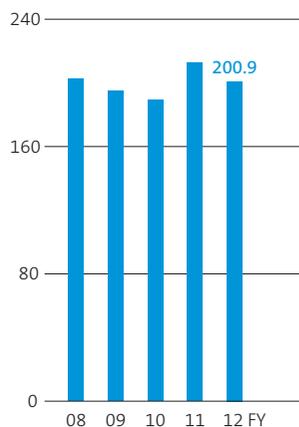
LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31

	Millions of yen, except per share data			Thousands of U.S. dollars, except per share data*	% change 2012 / 2011
	2012	2011	2010	2012	
Net sales	¥ 200,905	¥ 212,733	¥ 189,348	\$2,444,401	(5.6)
Operating income	13,975	20,889	11,576	170,033	(33.1)
Income before income taxes	13,382	19,565	11,399	162,817	(31.6)
Net income	8,648	13,622	7,284	105,224	(36.5)
Return on equity (ROE)	6.6%	10.9%	6.2%	6.6%	–
Per share data (yen and dollars)					
Net income	¥ 115.26	¥ 180.21	¥ 96.36	\$1.40	(36.0)
Net assets	1,766.60	1,715.78	1,596.37	21.49	3.0
Cash dividends	40.00	40.00	24.00	0.49	0.0
Depreciation and amortization	¥ 10,079	¥ 10,178	¥ 10,537	\$ 122,634	(1.0)
Capital expenditures	11,684	10,058	7,935	142,168	16.2
Net cash provided by operating activities	18,910	23,307	22,259	230,082	(18.9)
Net cash used in investing activities	(12,262)	(9,926)	(9,253)	(149,198)	23.5
Net cash used in financing activities	(5,099)	(2,820)	(3,454)	(62,044)	80.8
Cash and cash equivalents	36,036	35,188	25,387	438,451	2.4
Total assets	210,203	206,188	195,656	2,557,529	1.9
Net assets	132,847	130,576	121,502	1,616,347	1.7

\* The U.S. dollar amounts are translated, for convenience only, at the rate of ¥82.19 to U.S.\$1, the exchange rate prevailing on March 31, 2012.

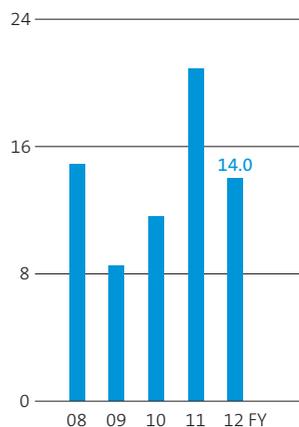
## Net Sales

¥ Billion



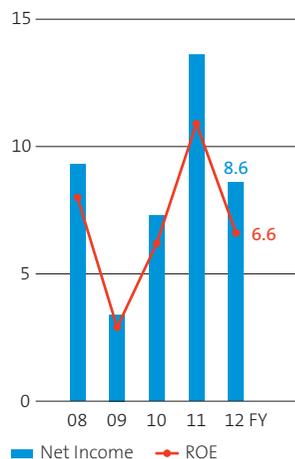
## Operating Income

¥ Billion



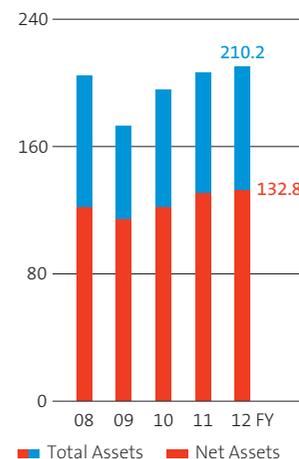
## Net Income / ROE

¥ Billion / %



## Total Assets / Net Assets

¥ Billion



FORWARD-LOOKING STATEMENTS: All statements contained in this annual report, such as projected operating results, that are not historical facts are forward-looking statements based on the Company's estimates and plans. For various reasons, it is possible that the Company's future results, performance, or achievements will differ from the contents of these forward-looking statements.

## From the President

### A Look Back at the Fiscal Year under Review

#### **Sales and income were down due to sluggish conditions in the global economy and the impact of the strong yen.**

In the fiscal year under review, ended March 31, 2012, the operating environment was extremely difficult for LINTEC. It was plagued with adversity in the form of disrupted production and consumption activities following the Great East Japan Earthquake; decreased exports due to the strong yen; reduced economic growth in emerging countries due to financial tightening; stagnation in the global economy as a result of the financial crisis in Europe; and the severe flooding in Thailand.

Amidst these conditions, the fiscal year under review was the first year of our three-year medium-term business plan, LINTEC Innovation Plan III (LIP-III). Throughout the year, we advanced initiatives in accordance with the basic policy of this plan: “Achieve sustainable growth and maximize corporate value through aggressive and bold innovation.”

Sales and income declined in comparison with the fiscal year ended March 31, 2011, when we achieved a record-setting business performance. Consolidated net sales were down 5.6% year on year, to ¥200.9 billion, operating income decreased 33.1%, to ¥14.0 billion, and net income declined 36.5%, to ¥8.6 billion.

### Forecasts for the Fiscal Year Ending March 31, 2013

#### **We will target higher sales and income by exercising the ideals of “immediate action” and “passionate sense of mission.”**

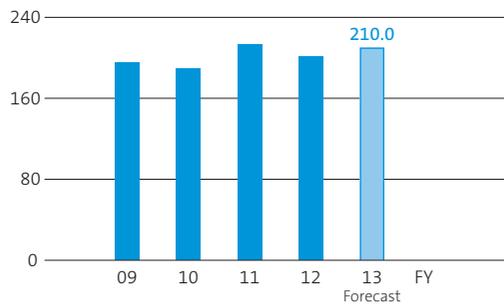
In regard to forecasts, it is difficult to identify a definitive forecast for the future state of the global economy due to sluggish economic conditions in the United States, the resurfacing of financial crisis in Europe, and the deceleration of economic growth in Asia following a decline in exports. In Japan, the operating environment will also remain highly opaque as a result of such concerns as the persistence of the strong yen and the threat of electricity shortages.

In this environment, the Group will target the sustainable growth and maximization of corporate value by exercising the ideals of “immediate action” and “passionate sense of mission” through the



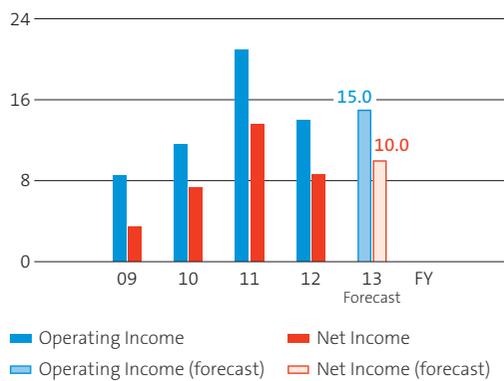
### Net Sales

¥ Billion



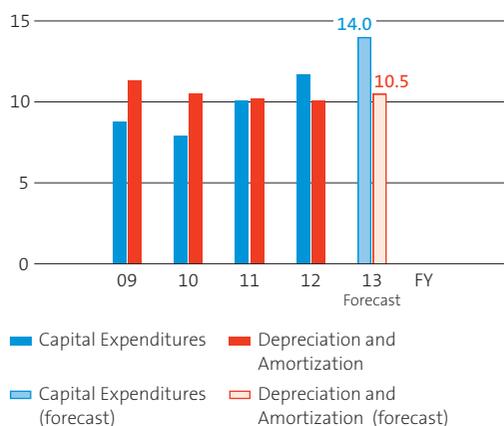
### Operating Income / Net Income

¥ Billion



### Capital Expenditures / Depreciation and Amortization

¥ Billion



vigorous advancement of the initiatives outlined in LIP-III, which entered into its second year in April 2012.

In the fiscal year ending March 31, 2013, we are forecasting net sales of ¥210.0 billion, up 4.5% year on year, operating income of ¥15.0 billion, up 7.3%, and net income of ¥10.0 billion, up 15.6%.

### Progress of the LIP-III Medium-Term Business Plan

#### Going forward, we will aggressively advance the four key initiatives.

I would now like to outline the progress of LIP-III in regard to each of its key initiatives. The first is “Strengthen and expand overseas businesses.” At present, the LINTEC Group has 24 overseas subsidiaries, located primarily in Asia. Of these, 19 are consolidated subsidiaries. In particular, we strive to manufacture products at bases close to our customers. We are advancing the globalization of our operations based on this policy of local production that allows us to guarantee a stable supply. In the fiscal year ending March 31, 2013, we installed additional adhesive coating facilities for film at LINTEC (SUZHOU) TECH CORPORATION. Further, we will commence operations at LINTEC (THAILAND) CO., LTD., a subsidiary that possesses adhesive coating facilities for film and production facilities for release papers. In these ways, we are steadily strengthening our overseas production systems. Looking ahead, we will consider the construction of factories in India, Vietnam, and other countries that are expected to be future growth centers, and otherwise step up efforts geared toward meeting our goal of achieving an overseas sales ratio of 40%.

The second key initiative is “Expand domestic businesses and increase profitability by optimizing QCD.” In this area, we increased the number of surface improvement processing facilities for optical products at our Agatsuma Plant, located in Gunma Prefecture, during the fiscal year under review. In the fiscal year ending March 31, 2013, we will sequentially conduct QCD (quality, cost, delivery) optimization initiatives including completing the construction of new release film production facilities at our Kumagaya Plant, located in Saitama Prefecture, and the planning and advancement of the “build and scrap” projects relating to the existing coating facilities at our Tatsuno Plant, located in Hyogo Prefecture. The decision to conduct such large-scale investments even in this harsh environment is based on

## LINTEC Group's Global Network



our judgment that the risks of missing out on potential business opportunities by curtailing investment outweighed the short-term profitability risks associated with conducting these investments. As we move forward, we will continue to proactively allocate management resources in a concentrated manner to prepare us for the next leap forward. Further, we are pursuing quality improvement, cost reductions, and shortened delivery turnaround times at our production sites through the advancement of improvement projects that incorporate external guidance. We have already begun to see the results of these efforts.

The third key initiative is “Create original new products that will support the next generation.” In this area, we are continuing to focus on the development of highly functional products that will drive our growth, such as those for environment- and energy-related products and electronics- and optical device-related products. At the same time, we are accelerating R&D projects aiming to quickly respond to customer needs.

The last key initiative defined in the plan is “Strengthen global management.” In the current era, domestic industries are greatly influenced by overseas economic conditions and Japanese companies are being forced to compete directly with overseas companies. This means that it is absolutely essential for Japanese companies to globalize. In order to pursue such globalization, the Company is continuing to



LINTEC (SUZHOU) TECH CORPORATION



#### Basic Policy

Achieve sustainable growth and maximize corporate value through aggressive and bold innovation

#### Key Initiatives

1. Strengthen and expand overseas businesses (Targeted overseas sales ratio: 40%)
2. Expand domestic businesses and increase profitability by optimizing QCD
3. Create original new products that will support the next generation
4. Strengthen global management

develop and reinforce its global management systems through the development of its IT foundations. At the same time, based on a long-term perspective, we are introducing new human resources systems and cultivating human resources capable of competing on the global stage. Further, we aim to practice corporate social responsibility (CSR) based management, and in April 2011 we announced our participation in the UN Global Compact and affirmed our intention to adhere to its ten principles. In addition, we are progressively achieving compatibility with ISO 26000, an international standard for social responsibility that is applicable to various types of organizations.

#### Corporate Governance and CSR

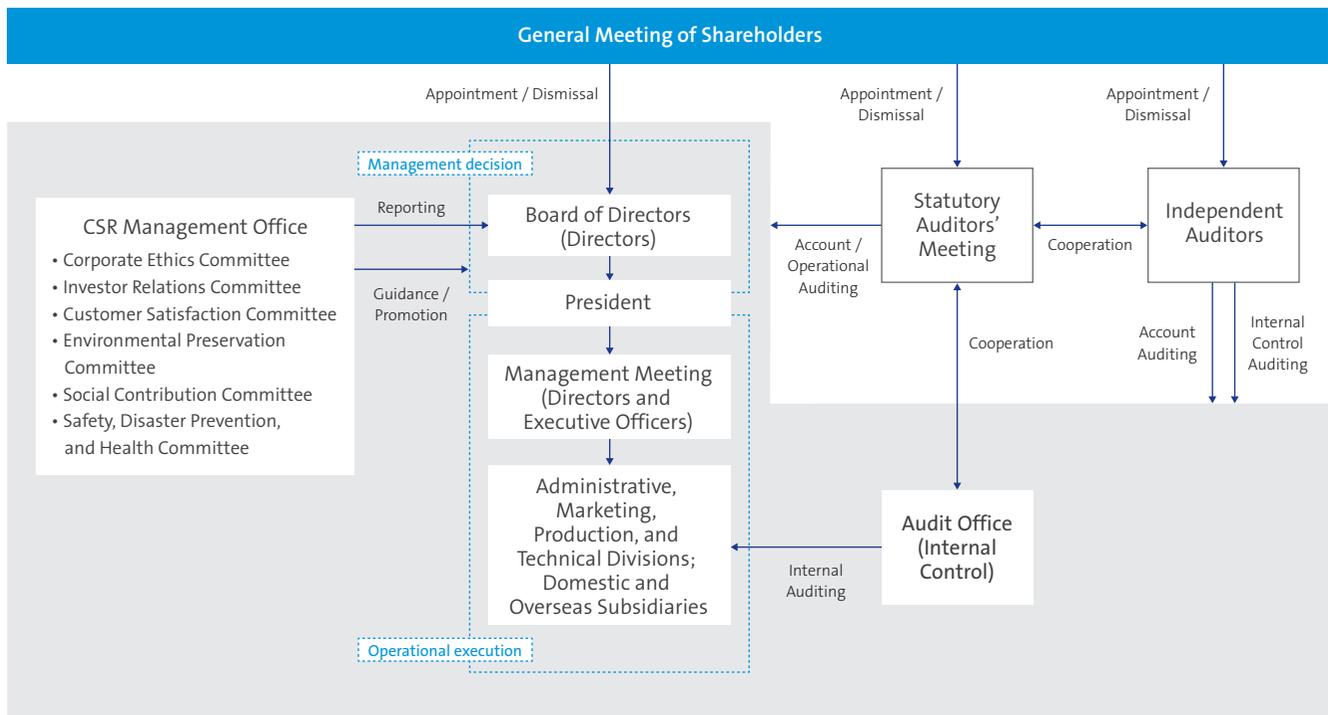
##### **We are further strengthening governance systems and practicing CSR-based management in accordance with global standards.**

In regard to corporate governance, in June 2011, we introduced an executive officer system with the goal of separating important management decision-making processes from operational execution, invigorating the Board of Directors, and improving management efficiency through swift decision making. The Board of Directors consists of eight directors and two external directors. It works to ensure speedy management decisions and business advancement amid the fluctuating management environment based on the principles of holding Board of Directors meetings once a month. Further, management meetings are also held once a month, attended by directors and executive officers. Through the holding of such meetings, we are working to develop optimal management strategies. Additionally, LINTEC employs a statutory auditor system and ensures swift management and the effectiveness of its oversight systems. The Statutory Auditors' Meeting is held monthly in principle and is attended by the Company's two statutory auditors and two external auditors. In this meeting, by sharing the results of the business audits performed by each auditor, the auditors confirm the appropriateness and effectiveness of the decisions and operational execution of the Company's management.

The Company views CSR as one of the most important issues for management. Going forward, we aim to contribute to society as a strong, vigorous company that is well trusted.

For this reason, we have established the CSR Management Office, which reports directly to the president. In addition, we

have established six CSR subcommittees—Corporate Ethics; Investor Relations; Customer Satisfaction; Environmental Preservation; Social Contribution; and Safety, Disaster Prevention, and Health—which consist of members from all areas of the Company. These bodies implement a wide variety of CSR activities. Through these efforts, we will continue to promote corporate management that balances its responsibilities to the economy, society, and the environment. In the fiscal year under review, we worked to reduce usage and emissions of substances that impact the environment and developed and increased sales of products that reflect consideration for the environment. We also took part in social contribution activities closely linked to local communities, such as participating in cleanup activities in the areas around our operating bases and providing support for people with disabilities. Further, we provided support to the reconstruction effort following the earthquake. Moreover, we have enhanced and thoroughly instituted corporate ethics training and disseminated a sound understanding of good corporate ethics throughout the Company. In these ways, we implemented a multifaceted CSR program during the year.



As mentioned previously, we have announced our support of the UN Global Compact as well as our participation in this initiative. This was decided based on the perspective of global management including both domestic and overseas subsidiaries. Using this as a starting point, we will further strengthen our efforts to address issues in the four areas covered by the Compact's ten principles: human rights, labour, environment, and anti-corruption. In addition, we will practice CSR-based management centered on globally recognized standards, such as ISO 26000, with the aim of being a company that is trusted and highly respected by the international community.

Moreover, LINTEC will continue to ensure swift decision making, management transparency, enhanced management oversight systems, and thorough compliance by strengthening its internal control systems and risk management systems.

#### Shareholder Returns

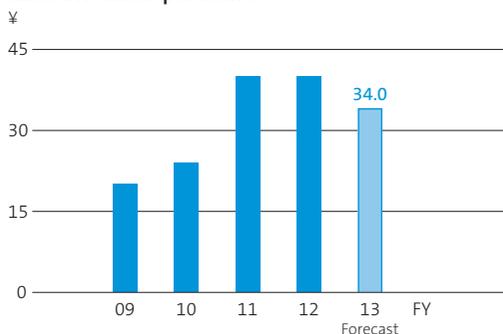
##### Dividend payments were issued as planned, despite the reduction in net income.

LINTEC's basic policy on the appropriation of profits is to increase business earnings and strengthen the Company's financial position from a long-term perspective while paying dividends that reflect consolidated business results. Acting in accordance with this policy, we are working to increase shareholder returns.

For the fiscal year under review, we had initially forecast net income per share of ¥173.30, based on which we intended to issue dividend payments of ¥40.00 per share, making for a consolidated payout ratio of 23.1%. Unfortunately, net income per share was much lower than expected, at ¥115.26. Regardless, we chose to issue dividend payments as initially planned, paying ¥40.00 per share, which resulted in a consolidated payout ratio of 34.7%. This was a reflection of our desire to thank shareholders for their continued support.

For the fiscal year ending March 31, 2013, we are forecasting consolidated net income of ¥10.0 billion, which will equate to net income per share of ¥133.88. Accordingly, we intend to issue dividend payments of ¥34.00 per share, making for a consolidated payout ratio of 25.4%. Going forward, we will work to raise income and subsequently improve shareholder returns.

Cash Dividends per Share



We must expand domestic businesses and make them highly profitable. At the same time, it is vital that we are steadfast in our efforts to develop operations in emerging countries, particularly those in Asia, as these countries are anticipated to become the driving force behind the global economy going forward.



#### **In Closing**

Recently, the speed at which society changes has been rapidly increasing. It is now incredibly common for products that were of the utmost importance to suddenly become unneeded overnight. In order to survive in this volatile environment, it is absolutely essential for the LINTEC Group to stay ahead of the times and quickly take advantage of new demand and create new products.

To ensure that LINTEC continues to grow into the future, we must raise our competitiveness in terms of product quality and costs as well as other factors while also expanding domestic businesses and making them highly profitable. At the same time, it is vital that we are steadfast in our efforts to develop operations in emerging countries, particularly those in Asia, as these countries are anticipated to become the driving force behind the global economy going forward. Fully leveraging the management resources we have accumulated to date, we will steadily implement growth strategies to realize these ends.

In closing, I would like to ask our shareholders and other investors for their continued support.

August 2012

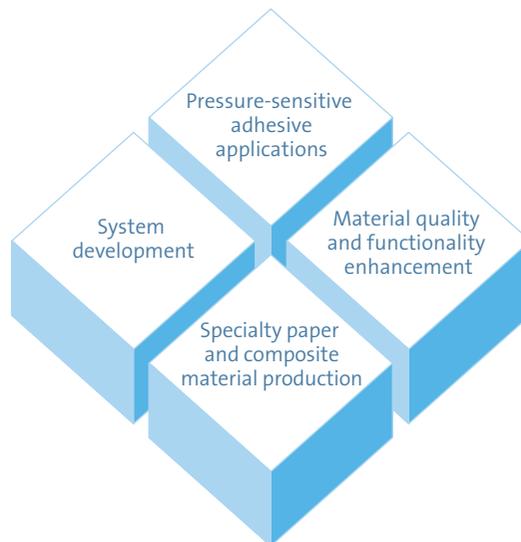
**Akihiko Ouchi**  
President and CEO

# R&D Activities and Intellectual Property

## Basic R&D Policy

By developing functional materials and related processing technologies that fuse our four core technologies in a sophisticated manner and conducting research that emphasizes dialogues with markets regarding user needs, we are working to resolve customers' technological issues and through this process are developing many innovative, market-leading products.

As a technology-centered company, we realize that strengthening R&D capabilities is one of our most important strategies for achieving sustainable growth. Therefore, we are developing new high-value-added products with a particular focus on growth businesses and environmentally friendly products while also working to accelerate LINTEC's globalization.



## R&D System

LINTEC's R&D function is focused in the Research Center within the Research & Development Division, which has approximately 200 research personnel. With a complete array of the very latest research equipment, pilot coaters, and clean-room facilities, the Research Center collaborates closely with production engineering divisions to develop a range of coating agents and other products. Our Ina Technology Center, also part of the Research & Development Division, develops a wide variety of equipment in relation to label printers and labeling machines, with a particular focus on semiconductor-related equipment. Moreover, the Group has an R&D base in Boston, in the United States, which conducts research and development in such areas as industrial-use multilayer materials and new coating technology. We are not only conducting in-house R&D but are also proactively initiating technological alliances with industry, government, and academia. Our goal is to develop new technologies and products by integrating different technological areas.

## Successful R&D Initiatives in the Fiscal Year under Review

In the fiscal year under review, the R&D expenses incurred by the Group amounted to a total of ¥6.2 billion. The following is an overview of the principal R&D activities conducted by each operational segment.

### Printing and Industrial Materials Products

#### Printing- and information-related products

We developed a new addition with printability, and included it in our line of glossy lamination films that feature unique changes in color of labels depending on the viewing angle and offer a metallic finish. The improved printability of this film is a result of the fact that only the lower layer of the film undergoes the color changes,



thus enhancing the design of seals and labels. In addition, we developed seals for face masks that continually emit fragrances. Refreshing menthol fragrant particles that help clear one's nose and throat are emitted from these seals when applied to the outside of masks made from nonwoven fabrics or gauze.

Moreover, in printing equipment-related products, we are developing printing machines that are optimally suited to the special characteristics of the Company's label materials. In the year under review, we continued to improve the LPM-300 intermittent letterpress and develop low-priced printing machines for the Chinese market. We also worked to develop equipment that combines roll-to-roll web handling technologies and processing technologies.

### Commercial- and industrial-related products

We developed a new window film for buildings that responds to the needs for electricity and energy saving through its ability to adjust sunlight penetration and permit electromagnetic radiation penetration to a high degree. Not only does this film help shatter-proof glass, it also cuts UV rays, is highly transparent, and has high reflectivity for near infrared rays, thus enabling it to boost air-conditioning efficiency while keeping a room amply lit. The high degree of electromagnetic radiation penetration prevents interference when using mobile phones.

In industrial equipment-related products, meanwhile, our development activities are centered on labeling systems for the automated application of adhesive labels using LINTEC's label materials. In the fiscal year under review, we continued to focus on the development of equipment for the automobile, distribution, and mail-order industries.

### Electronic and Optical Products

#### Electronic and optical devices products

We continued to advance development of the DBG + LE system that combines dicing before grinding (DBG) system technology, which supports the production of thinner large-scale integration (LSI) chips, with LE tape technology, which can create tape that functions as both dicing tape and die bonding tape. By making possible multilayer LSI chips, this system contributes to the realization of higher-density LSI packages. In this way, the system supports the creation of higher-capacity memory cards.

In electronic equipment-related products, our development activities are centered on application equipment that facilitates the efficient use of the protection films for wafer surfaces and dicing tapes used during semiconductor chip manufacturing back-end processes. In the fiscal year under review, we focused development efforts on equipment compatible with ultrathin silicon wafers as well as on processing methods and environmentally friendly equipment.



Glossy lamination films



Building equipped with sunlight-adjusting window film

### Optical-related products

In the fiscal year under review, we worked to improve our specialty adhesive agents with significantly increased stress-relieving properties that have the ability to adhere to uneven surfaces, a feature that is currently in high demand. In the functional coating field, we are continuing to advance the development of completely unique light control film by fusing our antiglare coating technology with new manufacturing technologies.

### Paper and Converted Products

Continuing our innovation of oil- and moisture-resistant papers for food packaging, we have developed a new high-value-added product that is more easily released and features an appropriate level of slipperiness, which sparked the interest of major convenience stores and fast-food restaurants. In addition, we successfully developed new papers for envelopes and printing that employ a newly established acid-free paper formulation containing calcium carbonate.

In release materials, with the goal of enhancing our lineup of environmentally friendly products, we developed two new non-solvent formulations for release papers. We also introduced a new coated film for MLCC production that features both incredibly high levels of surface smoothness and an optimal level of release resistance.

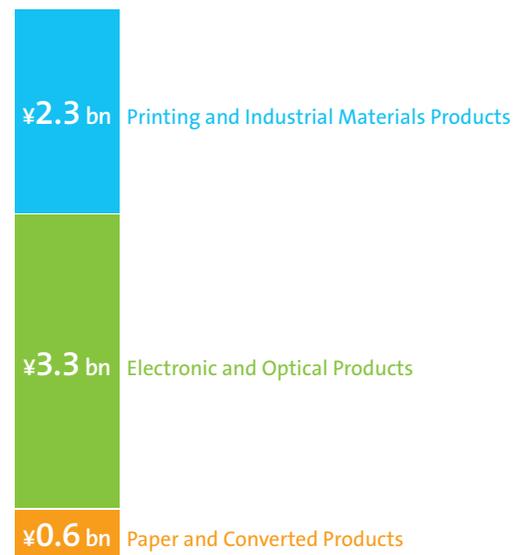
### Intellectual Property Activities

The LINTEC Group aims to increase corporate value by developing original products that meet customer needs. We therefore realize that intellectual property, such as patents, trademarks, and design rights, are important management resources. Further, we have established the Intellectual Property Department within the Research & Development Division. This department promotes strategic Company-wide intellectual property activities that are absolutely essential to our existence as a technology-centered company by handling patent application processes as well as vigilantly monitoring these rights to prevent the infringement of rights, and also seeks to uncover new invention candidates at R&D sites.

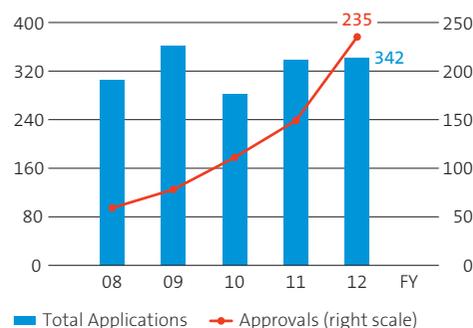
The Company places the utmost emphasis on observing the intellectual property rights of other companies as well as increasing the number and quality of patent applications and rights acquisitions. Accordingly, we are working to expand and build our portfolio of patents for growth businesses and foundation businesses, to provide intellectual property support for operations shifting to overseas locations, and to train more employees with a view to advancing and accelerating development processes. Through those efforts, we aim to improve profitability based on our intellectual property.

Total R&D Expenses in FY2012

¥6.2 bn

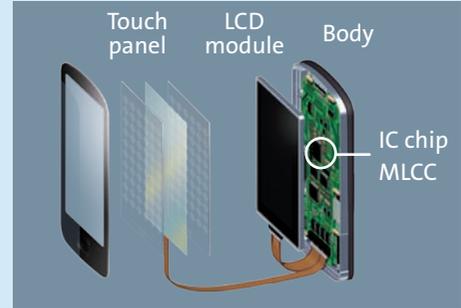


Patent Applications and Approvals (Japan)



# LINTEC's Products That Support Smartphones

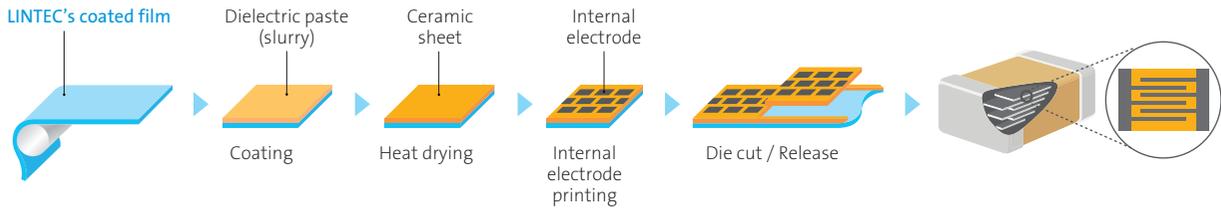
In smartphones, the use of which has been rapidly increasing in recent years, large quantities of components are used, and manufacturers are constantly striving to make each one of these components smaller, thinner, and more sophisticated. LINTEC's products are contributing to this endeavor in a number of ways.



For example, MLCCs, which have the function of temporarily storing electricity and cutting flows of DC electricity, consist of hundreds of layers of alternating ultrathin ceramics and electrodes contained within a 1mm square. One smartphone contains approximately 500 MLCCs. LINTEC's coated films play an indispensable role in the production of the ultrathin

ceramic layers of these capacitors. In particular, our coated films have established a strong reputation in the market among customers dealing in capacitors smaller than a 0.5mm square, some of the smallest in the industry, due to their incredibly high levels of surface smoothness and an optimal level of release resistance.

## Production processes for MLCC



We also develop and manufacture semiconductor-related tapes as well as equipment for attaching and releasing these tapes. These are used in the process of making IC chips for flash memory, processors, and DRAM, all of which could be considered the brains of smartphones. For flash memory

that contains several layers of chips to increase memory capacity, our specialty adhesive tapes for chip mounting and layering as well as LINTEC's unique semiconductor back-end processes and related equipment that utilize these tapes are commonly used.

## Semiconductor chip manufacturing back-end processes



We also conduct adhesive processing for the bonding of polarizing films and retardation films used to make LCD modules and antiglare hard coat processing, which reduces reflectivity and protects films from scratches. Further, we develop and provide optically clear adhesive sheets that are used to connect the various functional films contained in touch panels, anti-shatter films that prevent dispersion of glass

shards when glass panels break, ultra-hard coat films that are resistant to scratches from styluses, and fingerprint-resistant hard coat films that enable fingerprints to be easily wiped off.

Going forward, LINTEC will continue to utilize proprietary technologies to develop products that help make smartphones more sophisticated and contribute to the miniaturization of their components.

# Corporate Officers

As of June 26, 2012

## President and CEO



**Akihiko Ouchi**

## Director, Senior Managing Executive Officer, CFO



**Hitoshi Asai**  
General Manager, Administration Div.,  
in charge of General Affairs & Personnel Div.

## Director, Senior Managing Executive Officer



**Shigeru Kawasaki**  
General Manager, Business Administration Div.

## Directors, Managing Executive Officers



**Koji Ichihashi**  
Assistant General Manager, Business Administration Div.,  
in charge of Industrial & Material Operations



**Kenji Kobayashi**  
General Manager, Research & Development Div.



**Makoto Iiumi**  
Assistant General Manager, Business Administration Div.,  
in charge of Advanced Materials Operations



**Koji Koyama**  
General Manager, Production Div.,  
in charge of Quality Assurance &  
Environmental Protection Div.



**Hiroyuki Nishio**  
General Manager, Corporate Strategic Office and  
CSR Management Office

## Directors (External)



**Shinichi Sato**  
Managing Director, General Manager, Paper Sales Div.,  
Nippon Paper Industries Co., Ltd.



**Satoshi Ohoka**  
External Director, Biznet Corporation  
Outside Director, Ryobi Limited  
Former Professor, Nihon University

## Statutory Auditors

**Keita Yoshikawa**  
**Toshio Yamamoto**

## Auditors (External)

**Fumio Manoshiro**  
Director, in charge of Raw Material & Purchasing, Nippon Paper Group, Inc.  
Managing Director, General Manager, Corporate Planning Div.,  
Nippon Paper Industries Co., Ltd.

**Kazumi Idogawa**  
Certified Public Accountant

## Managing Executive Officers

**Koichi Oiwa**  
Plant Manager, Kumagaya Plant, Production Div.

**Yukio Hamada**  
General Manager, Optical Products Operations, Business Administration Div.,  
in charge of Shingu Plant, Production Div.

**Yoshiyuki Yamato**  
General Manager, Quality Assurance & Environmental Protection Div.

**Kazuma Okamoto**  
General Manager, Osaka Branch Office, Business Administration Div.

**Seiji Takemura**  
Assistant General Manager, Production Div., Plant Manager, Mishima Plant

**Kazuyoshi Ebe**  
Assistant General Manager, Research & Development Div.,  
General Manager, Research Center

**Toshikazu Yamada**  
Plant Manager, Tatsuno Plant, Production Div.

## Executive Officers

**Koichi Kimura**  
Assistant General Manager, Production Div.,  
General Manager, Procurement Dept.

**Takashi Nakamura**  
General Manager, Fine & Specialty Paper Products Operations,  
Business Administration Div., in charge of Converted Products Operations

**Masami Kozuka**  
Plant Manager, Agatsuma Plant, Production Div.

**Gohei Kawamura**  
Chairman & President, LINTEC (SUZHOU) TECH CORPORATION

**Tsunetoshi Mochizuki**  
General Manager, General Affairs & Personnel Div.,  
General Affairs & Legal Dept., and Human Resource Dept.

# Financial Section

## Management's Discussion and Analysis

### Revenues and Expenses

In the fiscal year under review, consolidated net sales decreased 5.6% year on year, to ¥200.9 billion. This decline is largely attributable to a drop in sales of PV backsheets due to the inventory adjustment trend in the market as well as the low performance of LCD-related products.

Gross profit was down 13.1% year on year, to ¥42.2 billion, following lower net sales and higher raw material prices. Regardless of our ongoing efforts to cut fixed costs, selling, general and administrative expenses rose 1.9%, to ¥28.2 billion, due to factors such as a rise in personnel costs. As a result, operating income decreased 33.1%, to ¥14.0 billion.

Income before income taxes decreased 31.6%, to ¥13.4 billion, and income taxes were ¥4.7 billion. Further deferred income taxes rose ¥0.7 billion as a result of the revision to the tax systems that came into effect on April 1, 2012.

As a result of these factors, net income decreased 36.5%, to ¥8.6 billion. Net income per share declined from ¥180.21 in the previous fiscal year, to ¥115.26, and return on equity (ROE) fell from 10.9% to 6.6%.

### Performance by Operational Segment

#### Printing and Industrial Materials Products

In Printing and variable information products operations, sales in Asia were unchanged from the previous year due to the drop in demand in the second half of the fiscal year as a result of the impacts of the financial crisis in Europe as well as the severe flooding in Thailand. Sales in Japan declined year on year because of the disruptions to the production activities of major users following the Great East Japan Earthquake.

In Industrial and material operations, sales of window films increased substantially due to higher demand for films for electricity saving and glass shatter-proofing purposes as well as the sales contributions from U.S. subsidiary SOLAMATRIX, INC. (currently MADICO WINDOW FILMS, INC.), which was consolidated during the fourth quarter of the previous fiscal year. However, sales of PV backsheets were down notably because of the inventory adjustment trend in the market. Adhesive products for automobiles, including those for motorcycles, and industrial-use pressure-sensitive tapes also experienced a drop in sales following the decline in production among manufacturers due to the earthquake in Japan and flooding in Thailand.

As a result of the above, net sales in the Printing and Industrial Materials Products segment were ¥90.1 billion, and operating income was ¥5.2 billion.

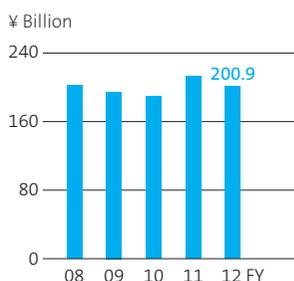
#### Electronic and Optical Products

In Advanced materials operations, sales of semiconductor-related tapes increased slightly year on year, while semiconductor-related equipment saw a large decrease in sales due to limited capital investment among semiconductor manufacturers. Sales of coated films for multilayer ceramic capacitor (MLCC) production were solid as a result of robust demand for smartphones. However, sales of optical device-related products dropped.

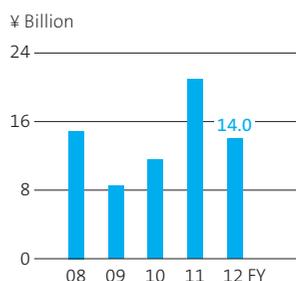
In Optical products operations, smartphone demand was brisk, but demand for products for use in flat-screen TVs in Japan and overseas was low.

As a result of the above, net sales in the Electronic and Optical Products segment were ¥73.9 billion, and operating income was ¥3.9 billion.

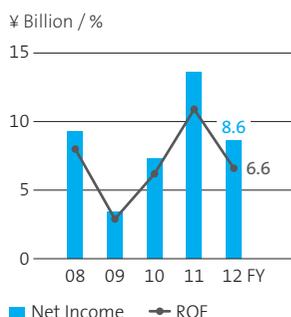
Net Sales



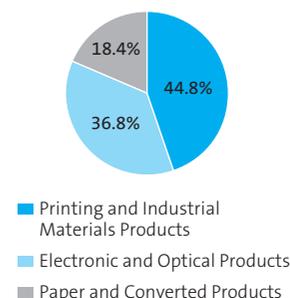
Operating Income



Net Income / ROE



Sales by Operational Segment



## Paper and Converted Products

In Fine and specialty paper products operations, post-earthquake reconstruction demand boosted sales volumes of construction material papers for wallpaper, but overall demand was down for products such as mainstay color papers for envelopes and industrial-use special function papers.

In Converted products operations, sales were down due to sluggish demand for mainstay release papers for adhesive products and flexible printed circuits as well as casting papers for synthetic leather.

As a result of the above, net sales in the Paper and Converted Products segment were ¥36.9 billion and operating income was ¥4.8 billion.

## Financial Condition

Total assets at the end of the fiscal year under review increased 1.9% year on year, to ¥210.2 billion, following a rise in cash and deposits and trade notes and accounts receivable. Total liabilities were up 2.3%, to ¥77.4 billion, as a result of increases in trade notes and accounts payable and current liabilities—other, which offset a decline in accrued income taxes. Net assets rose 1.7%, ¥132.8 billion, due to an increase in retained earnings.

Due to the above, net assets per share increased from ¥1,715.78 at the end of the previous fiscal year, to ¥1,766.60, and the shareholders' equity ratio remained at the same level as the previous year, at 62.8%.

## Cash Flows

Net cash provided by operating activities decreased ¥4.4 billion year on year, to ¥18.9 billion. This was largely attributable to a ¥6.2 billion decline in income before income taxes and the recording of an increase in trade notes and accounts receivable of ¥2.0 billion, compared with a decrease in trade notes and accounts receivable of ¥0.6 billion in the previous fiscal year, which offset the recording of a

decrease in inventories of ¥0.06 billion, compared with an increase in inventories of ¥3.0 billion in the previous fiscal year.

Net cash used in investing activities increased ¥2.3 billion, to ¥12.3 billion. A major contributing factor was a ¥2.9 billion decline in proceeds from withdrawal of time deposits.

Net cash used in financing activities was up ¥2.3 billion, to ¥5.1 billion. Of this increase, ¥0.4 billion was attributable to a rise in cash dividends paid and ¥1.7 billion was attributable to a rise in purchase of treasury stock.

Consequently, cash and cash equivalents at the end of the fiscal year totaled ¥36.0 billion, up from ¥35.2 billion at the end of the previous fiscal year.

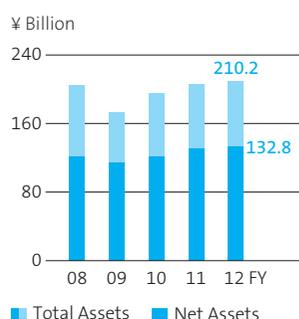
## Dividends

LINTEC's basic policy on the appropriation of profits is to increase business earnings and strengthen the Company's financial position from a long-term perspective while paying dividends that reflect consolidated business results. Acting in accordance with this policy, the Company is working to increase shareholder returns.

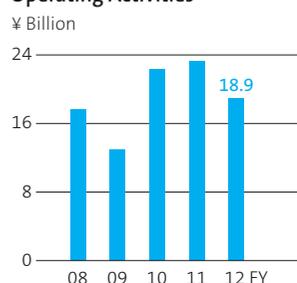
For the fiscal year under review, the Company had initially forecast net income per share of ¥173.30, based on which the Company intended to issue dividend payments of ¥40.00 per share, making for a consolidated payout ratio of 23.1%. However, net income per share was much lower than expected, at ¥115.26. The Company still chose to issue dividend payments as initially planned, paying ¥40.00 per share, which resulted in a consolidated payout ratio of 34.7%.

For the fiscal year ending March 31, 2013, the Company forecasts consolidated net income of ¥10.0 billion, which will equate to net income per share of ¥133.88. Accordingly, the Company plans to issue dividend payments of ¥34.00 per share, making for a consolidated payout ratio of 25.4%.

Total Assets / Net Assets



Net Cash Provided by Operating Activities



Cash Dividends per Share



# Operating Risks

The following is a summary of risks that could affect the LINTEC Group's operations. This summary provides specific examples of major risks that are anticipated, but it does not include all risks. Forward-looking statements of this report are based on the Company's judgment as of June 26, 2012.

## 1. Changes in Economic Conditions

The Group's operations include development in a wide range of industries. Therefore, domestic and overseas economic conditions affect the Group's operations directly and indirectly. As a result, future trends in economic conditions could affect the Group's business results. Further, world trends in the electronics industry affect the Group's new businesses in the field of electronics-related products. Future electronics industry trends could affect the Group's business results.

## 2. Changes in Selling Prices

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

## 3. Changes in Raw Material Prices

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

## 4. Changes in Foreign Exchange Rates

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

## 5. Overseas Operations

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

- (1) Political instability or a deterioration in security due to such factors as terrorism, a political change, or a coup d'état
- (2) Labor disputes, such as those involving strikes or boycotts
- (3) Infrastructure failures, such as those related to electric power, water, or communications

- (4) Outbreaks of contagious diseases
- (5) Unpredictable changes in laws and regulations, such as those involving tax systems, foreign exchange, or customs
- (6) Problems arising between the Group and its business associates or in the collection of accounts receivable due to differences in cultures or business practices

## 6. New Product Development

The Group pursues R&D activities with a view to realizing comprehensive technological capabilities that cater to market demand and bringing to market competitive, high-value-added products. Accordingly, the Group is stepping up allocations of management resources to increase its number of researchers and to pursue such initiatives as joint research with other companies and academic institutions. However, there is no guarantee that such investment of management resources in R&D will result in the development of new products or increase operating income. Due to such factors as extended development periods, it could become necessary to discontinue development, and if product development costs cannot be recovered, it could affect the Group's business results.

## 7. Intellectual Property Rights

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

## 8. Significant Lawsuits

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

## 9. Legal and Regulatory Systems

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

# Financial Summary

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31

	2012	2011	2010	2009
<b>For the year:</b>				
Net sales	¥200,905	¥212,733	¥189,348	¥194,901
Operating income	13,975	20,889	11,576	8,498
% of net sales	7.0%	9.8%	6.1%	4.4%
Income before income taxes	13,382	19,565	11,399	5,215
Net income	8,648	13,622	7,284	3,391
Return on equity	6.6%	10.9%	6.2%	2.9%
Return on assets	6.5%	9.7%	6.1%	3.0%
Per share data (yen):				
Net income	¥ 115.26	¥ 180.21	¥ 96.36	¥ 44.86
Net assets	1,766.60	1,715.78	1,596.37	1,497.58
Cash dividends	40.00	40.00	24.00	20.00
Depreciation and amortization	¥ 10,079	¥10,178	¥10,537	¥11,286
Purchases of property, plant and equipment	(8,760)	(8,237)	(7,777)	(9,584)
Net cash provided by operating activities	18,910	23,307	22,259	12,979
Net cash used in investing activities	(12,262)	(9,926)	(9,253)	(9,752)
Net cash used in financing activities	(5,099)	(2,820)	(3,454)	(2,300)
<b>At year-end:</b>				
Current assets	¥137,229	¥132,891	¥121,451	¥95,937
Current liabilities	62,075	60,465	58,654	43,655
Working capital	75,153	72,426	62,797	52,282
Cash and cash equivalents	36,036	35,188	25,387	15,370
Property, plant and equipment, net	62,273	61,888	63,337	67,010
Long-term debt, less current portion	—	—	54	107
% of shareholders' equity	—	—	0.0%	0.1%
Total assets	210,203	206,188	195,656	172,854
Net assets	132,847	130,576	121,502	113,930
% of total assets	62.8%	62.9%	61.7%	65.5%
Number of shares outstanding	76,564,240	76,564,240	76,564,240	76,564,240
Number of employees	4,286	4,198	4,037	3,987
<b>Segment information:</b>				
Net sales:				
Printing and Industrial Materials Products	¥90,143	¥91,936	—	—
Electric and Optical Products	73,925	81,193	—	—
Paper and Converted Products	53,225	55,317	—	—
Segment income:				
Printing and Industrial Materials Products	5,213	7,990	—	—
Electric and Optical Products	3,942	6,732	—	—
Paper and Converted Products	4,846	6,129	—	—

(Supplementary information)

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

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

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

2008	2007	2006	2005	2004	2003
¥202,297	¥192,723	¥180,334	¥171,689	¥158,947	¥148,984
14,894	14,798	13,618	12,370	10,298	7,440
7.4%	7.7%	7.6%	7.2%	6.5%	5.0%
13,191	14,298	13,214	11,838	12,182	3,239
9,308	10,238	9,011	7,759	7,778	1,592
8.0%	9.5%	9.2%	9.0%	10.2%	2.2%
6.6%	7.7%	7.7%	7.1%	6.0%	4.2%
¥ 123.15	¥ 135.44	¥ 118.34	¥ 108.76	¥ 111.90	¥ 22.18
1,598.30	1,489.87	1,370.85	1,226.28	1,149.19	1,055.22
24.00	18.00	16.00	14.00	12.00	12.00
¥ 9,011	¥ 7,701	¥ 6,823	¥ 6,216	¥ 5,503	¥ 5,722
(14,700)	(11,646)	(12,715)	(8,699)	(8,699)	(5,645)
17,739	13,734	17,005	11,163	9,475	10,099
(15,071)	(12,200)	(13,199)	(8,964)	(8,497)	(7,400)
(769)	(68)	(2,789)	(411)	(1,672)	(7,098)
¥120,028	¥117,531	¥104,433	¥ 97,510	¥ 90,437	¥ 85,195
67,631	67,950	57,748	54,816	58,109	50,255
52,397	49,581	46,685	42,694	32,328	34,940
17,315	15,550	13,766	9,191	6,254	6,921
73,711	68,377	63,176	56,411	53,879	54,699
201	280	347	429	622	7,720
0.2%	0.3%	0.3%	0.5%	0.8%	10.6%
204,852	198,526	181,158	169,590	162,708	156,439
121,635	113,397	104,362	92,768	80,347	72,577
59.4%	57.1%	57.6%	54.7%	49.4%	46.4%
76,564,240	76,564,240	76,564,240	76,564,240	70,817,980	69,629,677
3,802	3,708	3,537	3,421	3,171	3,233
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—

# Consolidated Balance Sheets

LINTEC Corporation and its consolidated subsidiaries  
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2012	2011	2012
<b>Current assets:</b>			
Cash and deposits (Notes 10, 12)	¥ 40,907	¥ 37,403	\$ 497,724
Trade notes and accounts receivable (Notes 4, 12)	64,765	63,107	787,995
Inventories (Note 3)	27,217	27,571	331,154
Deferred tax assets (Note 17)	2,189	2,473	26,638
Other	2,395	2,539	29,149
Allowance for doubtful accounts	(246)	(203)	(2,996)
Total current assets	137,229	132,891	1,669,666
<b>Non-current assets:</b>			
<b>Property, plant and equipment (Notes 7, 8, 11):</b>			
Buildings and structures	57,436	55,296	698,823
Machinery, equipment and vehicles	102,714	100,650	1,249,714
Land	9,238	8,709	112,401
Construction in progress	2,716	1,446	33,056
Other	10,252	10,113	124,736
	182,357	176,216	2,218,732
Accumulated depreciation	(120,083)	(114,327)	(1,461,051)
Property, plant and equipment, net	62,273	61,888	757,681
Intangible assets (Note 11):	2,345	2,072	28,535
<b>Investments and other assets:</b>			
Investment securities (Notes 12, 13)	2,379	2,525	28,954
Deferred tax assets (Note 17)	4,894	5,426	59,546
Other (Note 15)	1,256	1,577	15,282
Allowance for doubtful accounts	(175)	(195)	(2,136)
Total investments and other assets	8,354	9,334	101,647
Total non-current assets	72,973	73,296	887,863
<b>Total assets</b>	<b>¥ 210,203</b>	<b>¥ 206,188</b>	<b>\$ 2,557,529</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable (Notes 4, 12)	¥ 45,612	¥ 44,506	\$ 554,966
Short-term borrowings (Notes 12, 24)	1,320	1,467	16,060
Accrued income taxes (Notes 12, 17)	1,223	3,557	14,890
Provision for director's bonuses	30	93	374
Other (Notes 12, 14)	13,888	10,840	168,982
Total current liabilities	62,075	60,465	755,274
<b>Non-current liabilities:</b>			
Accrued pension costs (Note 15)	13,914	13,802	169,297
Provision for environmental measures	132	149	1,613
Other	1,232	1,195	14,997
Total non-current liabilities	15,279	15,146	185,908
<b>Commitments and contingent liabilities (Note 2)</b>			
<b>Net assets:</b>			
<b>Shareholders' equity (Note 23):</b>			
Common stock:			
Authorized: 300,000,000 shares in 2012 and 2011			
Issued: 76,564,240 shares in 2012 and 2011	23,201	23,201	282,288
Capital surplus	26,830	26,830	326,443
Retained earnings	94,281	88,638	1,147,111
Less: treasury stock, at cost:			
1,868,921 shares in 2012 and 971,045 shares in 2011	(2,750)	(1,035)	(33,470)
Total shareholders' equity	141,561	137,634	1,722,373
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gain on securities	117	102	1,428
Foreign currency translation adjustments	(9,561)	(7,894)	(116,332)
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(160)	(141)	(1,956)
Total accumulated other comprehensive income	(9,604)	(7,932)	(116,860)
<b>Share subscription rights (Note 16)</b>	94	88	1,147
<b>Minority interests</b>	796	786	9,686
Total net assets	132,847	130,576	1,616,347
<b>Total liabilities and net assets</b>	¥210,203	¥206,188	\$2,557,529

## Consolidated Statements of Income

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
<b>Net sales</b>	<b>¥200,905</b>	¥212,733	<b>\$2,444,401</b>
<b>Cost of sales</b>	<b>158,738</b>	164,188	<b>1,931,357</b>
Gross profit	42,167	48,544	513,044
<b>Selling, general and administrative expenses</b> (Notes 5, 6)	<b>28,192</b>	27,655	<b>343,010</b>
Operating income	13,975	20,889	170,033
<b>Non-operating income:</b>			
Interest income	233	161	2,835
Dividends income	53	65	650
Rent income	52	65	640
Gain on sales of noncurrent assets	24	90	303
Other income	260	276	3,174
Total non-operating income	625	659	7,605
<b>Non-operating expenses:</b>			
Interest expenses	24	19	302
Loss on retirement of noncurrent assets	446	643	5,432
Compensation expenses	86	124	1,046
Foreign exchange losses	303	992	3,692
Other expenses	126	248	1,533
Total non-operating expenses	986	2,028	12,008
Ordinary income	13,613	19,520	165,630
<b>Extraordinary gain:</b>			
Subsidy	22	61	268
Gain on sales of noncurrent assets (Note 7)	—	42	—
Total extraordinary gain	22	104	268
<b>Extraordinary loss:</b>			
Loss on valuation of investment securities (Notes 12, 13)	128	45	1,565
Loss on liquidation of subsidiaries	84	—	1,022
Loss on valuation of subsidiaries' stocks	28	—	349
Loss on valuation of membership	11	—	144
Loss on sales of noncurrent assets (Note 8)	—	13	—
Total extraordinary losses	253	58	3,080
Income before income taxes	13,382	19,565	162,817
<b>Income taxes</b> (Note 17):			
Current	3,689	6,104	44,886
Deferred	987	(235)	12,019
Total income taxes	4,677	5,869	56,905
<b>Income before minority interests</b>	<b>8,704</b>	13,696	<b>105,912</b>
<b>Minority interests</b>	<b>56</b>	73	<b>687</b>
<b>Net income</b> (Note 23)	<b>¥ 8,648</b>	¥ 13,622	<b>\$ 105,224</b>

## Consolidated Statements of Comprehensive Income

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥ 8,704	¥13,696	\$105,912
Other comprehensive income			
Net unrealized holding gain on securities (Note 9)	14	6	177
Foreign currency translation adjustments (Note 9)	(1,713)	(2,536)	(20,851)
Adjustment regarding pension obligations of consolidated overseas subsidiaries (Note 9)	(19)	18	(236)
Total Other comprehensive income (Note 9)	(1,718)	(2,511)	(20,910)
Comprehensive income	¥ 6,986	¥11,184	\$ 85,001
(Comprehensive income attributable to:)			
Shareholders of the parent	6,976	11,157	84,879
Minority interests	9	27	121

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

# Consolidated Statements of Changes in Net Assets

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31, 2012 and 2011

	Thousands											Millions of yen	
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Shareholders' equity			Accumulated other comprehensive income					Total net assets
Treasury stock					shareholders' equity	Total	Net unrealized holding gain on securities	Foreign currency translation adjustments	Adjustment regarding pension obligations of consolidated overseas subsidiaries	Accumulated other comprehensive income	Share subscription rights	Minority interests	
<b>Balance as at April 1, 2010</b>	76,564	¥23,201	¥26,830	¥76,916	¥(1,034)	¥125,912	¥ 96	¥(5,334)	¥ —	¥(5,237)	¥67	¥759	¥121,502
Transfer to Adjustment regarding pension obligations of consolidated overseas subsidiaries				160		160				(160)	(160)		—
Changes during the year:													
Cash dividends				(2,570)		(2,570)							(2,570)
Net income				13,622		13,622							13,622
Purchase of treasury stock					(0)	(0)							(0)
Disposal of treasury stock			0		0	0							0
Change of scope of consolidation				509		509							509
Reserve fund for employee benefit				(0)		(0)							(0)
Net changes in items other than shareholders' equity							6	(2,560)	18	(2,534)	20	27	(2,487)
<b>Total changes during the year</b>	—	—	0	11,561	(0)	11,561	6	(2,560)	18	(2,534)	20	27	9,074
<b>Balance as at March 31, 2011</b>	76,564	23,201	26,830	88,638	(1,035)	137,634	102	(7,894)	(141)	(7,932)	88	786	130,576
Changes during the year:													
Cash dividends				(3,005)		(3,005)							(3,005)
Net income				8,648		8,648							8,648
Purchase of treasury stock					(1,719)	(1,719)							(1,719)
Disposal of treasury stock			0		3	4							4
Net changes in items other than shareholders' equity							14	(1,667)	(19)	(1,672)	5	9	(1,656)
<b>Total changes during the year</b>	—	—	0	5,642	(1,715)	3,927	14	(1,667)	(19)	(1,672)	5	9	2,271
<b>Balance as at March 31, 2012</b>	76,564	¥23,201	¥26,830	¥94,281	¥(2,750)	¥141,561	¥117	¥(9,561)	¥(160)	¥(9,604)	¥94	¥796	¥132,847

	Thousands											Thousands of U.S. dollars (Note 1)		
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Shareholders' equity			Accumulated other comprehensive income					Total net assets	
Treasury stock					shareholders' equity	Total	Net unrealized holding gain on securities	Foreign currency translation adjustments	Adjustment regarding pension obligations of consolidated overseas subsidiaries	Accumulated other comprehensive income	Share subscription rights	Minority interests		
<b>Balance as at April 1, 2011</b>	76,564	\$282,288	\$326,440	\$1,078,457	\$(12,599)	\$1,674,587	\$1,250	\$(96,047)	\$(1,719)	\$(96,516)	\$1,078	\$9,565	\$1,588,714	
Changes during the year:														
Cash dividends				(36,570)		(36,570)							(36,570)	
Net income				105,224		105,224							105,224	
Purchase of treasury stock					(20,918)	(20,918)							(20,918)	
Disposal of treasury stock			2		48	51							51	
Net changes in items other than shareholders' equity							—	177	(20,285)	(236)	(20,344)	69	121	(20,153)
<b>Total changes during the year</b>	—	—	2	68,653	(20,870)	47,786	177	(20,285)	(236)	(20,344)	69	121	27,632	
<b>Balance as at March 31, 2012</b>	76,564	\$282,288	\$326,443	\$1,147,111	\$(33,470)	\$1,722,373	\$1,428	\$(116,332)	\$(1,956)	\$(116,860)	\$1,147	\$9,686	\$1,616,347	

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

# Consolidated Statements of Cash Flows

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	2011
<b>Cash flows from operating activities:</b>		<b>2012</b>
Income before income taxes	¥ 13,382	¥19,565
Depreciation and amortization	10,079	10,178
Amortization of goodwill	42	11
Amortization of negative goodwill	(11)	(11)
Increase (decrease) in accrued pension costs	75	(258)
Increase (decrease) in allowance for doubtful accounts	28	17
Interest and dividend income	(286)	(227)
Interest expenses	24	19
(Gain) loss on sales of property, plant and equipment	(4)	(26)
Loss on retirement of property, plant and equipment	362	494
Decrease (increase) in trade notes and accounts receivable	(2,008)	631
Decrease (increase) in inventories	59	(2,965)
Increase (decrease) in trade notes and accounts payable	1,488	802
Loss on valuation of investment securities	128	45
Loss on valuation of membership	11	—
Increase (decrease) in provision for environmental measures	(16)	(1)
Loss on valuation of subsidiaries' stocks	28	—
Loss on liquidation of subsidiaries	84	—
Other, net	1,162	1,012
Subtotal	24,631	29,286
Interest and dividend income received	259	219
Interest expenses paid	(24)	(19)
Income taxes (paid) refund	(5,955)	(6,178)
Net cash provided by operating activities	18,910	23,307
<b>Cash flows from investing activities:</b>		
Payments into time deposits	(7,991)	(8,185)
Proceeds from withdrawal of time deposits	5,136	8,002
Purchases of property, plant and equipment	(8,760)	(8,237)
Proceeds from sales of property, plant and equipment	70	293
Purchases of intangible assets	(636)	(508)
Purchases of investment securities	(2)	(5)
Payment of loans receivable	(56)	(20)
Collection of loans receivable	43	67
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,332)
Other, net	(65)	0
Net cash used in investing activities	(12,262)	(9,926)
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(146)	(1)
Cash dividends paid	(3,002)	(2,564)
Purchase of treasury stock	(1,719)	(0)
Repayments of lease obligation	(231)	(253)
Other, net	0	0
Net cash used in financing activities	(5,099)	(2,820)
Effect of exchange rate changes on cash and cash equivalents	(700)	(1,250)
Net increase in cash and cash equivalents	848	9,310
Cash and cash equivalents at beginning of year	35,188	25,387
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	490
Cash and cash equivalents at end of year (Note 10)	¥ 36,036	¥35,188
		\$ 438,451

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, 2012

## 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 Law 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 ¥82.19=U.S.\$1, the prevailing exchange rate as of March 31, 2012.

As permitted under the Financial Instruments and Exchange Law 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, 2012 presentation.

### (b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 23 significant subsidiaries as of March 31, 2012, but exclude subsidiaries whose total assets, retained earnings, net sales and net income 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 economic lives (mainly 5 years) on a straight-line basis. Negative goodwill incurred prior to the year ended March 31, 2010 is amortized for 5 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. Transaction in foreign currencies is recorded based on the prevailing exchange rate on the transaction dates and the resulting translation gains or losses are included in statements 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 rate during the fiscal year.

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

### (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 sheets 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 sheets by writing them down based on the decrease in their profitability.

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

Property, plant and equipment are stated at cost. Depreciation in the Company is principally computed by the declining-balance method over the estimated useful lives of the respective assets except for the buildings acquired after April 1, 1998, for which the straight-line method is used.

Depreciation in its consolidated foreign subsidiaries is computed by the straight-line method over the useful lives of the respective assets.

The significant useful lives are summarized as follows:

Buildings and structures	2—50 years
Machinery, equipment and vehicles	3—17 years

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

Intangible assets are stated at cost less accumulated amortization. Capitalized costs of software for internal use and other intangible assets are amortized using the straight-line method over estimated lives (5 years).

### (i) Leases

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

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

### (j) Allowance for doubtful accounts

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

### (k) Provision for director's bonuses

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

### (l) Accrued pension costs

Accrued pension cost has been provided based on the projected retirement benefit obligation and the pension plan assets.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized primarily 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, 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) Application of the Accounting Standard for Accounting Changes and Error Corrections

The Accounting Standard for Accounting Changes and Error Corrections (Accounting Standards Board of Japan (ASBJ) Statement No. 24, December 4, 2009) and the Guidance on the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) have been applied to the accounting changes and error corrections of prior period made on or after the beginning of this fiscal year.

## 2. Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥30,364 million (U.S. \$369,445 thousand) and ¥30,257 million at March 31, 2012 and 2011, respectively.

## 3. Inventories

Finished goods and merchandise, work in process, and raw materials and supplies as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods and merchandise	¥ 8,754	¥ 8,548	\$106,514
Work in process	10,544	10,441	128,295
Raw materials and supplies	7,918	8,581	96,344
Total	¥27,217	¥27,571	\$331,154

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

Notes maturing as of the end of the fiscal year are settled on the clearing date. In addition, accounts receivable and payable with due date that is the last day of the fiscal year are also settled on the clearing date. As the last day of the current fiscal year was a non-business day of financial institutions, the following amounts of receivables and payables maturing as of the years ended March 31, 2012 and 2011 were included in the ending balance.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trade notes and accounts receivable	¥4,616	¥—	\$56,165
Trade notes and accounts payable	7,382	—	89,822

## 5. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Transportation and warehousing expenses	¥ 4,762	¥ 5,029	\$ 57,939
Provision for allowance for doubtful accounts	161	113	1,965
Salaries and allowances	5,929	5,429	72,145
Provision for retirement benefits	557	474	6,783
Provision for director's bonuses	30	93	374
Depreciation	878	817	10,690
Research and development expenses	6,154	6,017	74,878
Other	9,717	9,677	118,231
Total	¥28,192	¥27,655	\$343,010

## 6. Research and Development Expenses

Research and development expenses, all of which were included in selling, general and administrative expenses, for the years ended March 31, 2012 and 2011 were ¥6,154 million (U.S.\$74,878 thousand) and ¥6,017 million, respectively.

## 7. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets was principally related to sales of buildings and structures for the year ended March 31, 2011.

## 8. Loss on Sales of Noncurrent Assets

Loss on sales of noncurrent assets was principally related to sales of land for the year ended March 31, 2011.

## 9. Comprehensive Income

Reclassification adjustment and tax effect of other comprehensive income for the year ended March 31, 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2012	2012
Net unrealized holding gain on securities:			
Amount incurred during the fiscal year	¥ (119)		\$ (1,453)
Reclassification adjustment	128		1,565
Prior to deducting tax effect	9		112
Tax effect	5		65
Net unrealized holding gain on securities	14		177
Foreign currency translation adjustments:			
Amount incurred during the fiscal year	(1,713)		(20,851)
Reclassification adjustment	—		—
Prior to deducting tax effect	(1,713)		(20,851)
Tax effect	—		—
Foreign currency translation adjustments	(1,713)		(20,851)
Adjustment regarding pension obligations of consolidated overseas subsidiaries:			
Amount incurred during the fiscal year	(46)		(570)
Reclassification adjustment	17		208
Prior to deducting tax effect	(29)		(362)
Tax effect	10		125
Adjustment regarding pension obligations of consolidated overseas subsidiaries	(19)		(236)
Total other comprehensive income	¥(1,718)		\$(20,910)

## 10. Cash and Cash Equivalents

Reconciliation between cash and cash equivalents in the consolidated statements of cash flows and cash and deposits in the consolidated balance sheets as of March 31, 2012 and 2011 were as follows:

	2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Cash and deposits	¥40,907	¥37,403	\$497,724
Time deposits with maturity of more than 3 months	(4,871)	(2,215)	(59,272)
Cash and cash equivalents	¥36,036	¥35,188	\$438,451

Assets and liabilities related to finance lease transactions newly recognized for the years ended March 31, 2012 and 2011, were ¥115 million (U.S. \$1,410 thousand) and ¥231 million, respectively.

## 11. Leases

(Leasee's accounting)

For finance lease transactions that transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities for the years ended March 31, 2012 and 2011.

For finance lease transactions that do not transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities and vehicles, and those recognized as intangible assets are mainly software for the years ended March 31, 2012 and 2011.

The minimum lease payments under noncancellable operating leases as of March 31, 2012 and 2011 were as follows:

	2012	Millions of yen 2011	Thousands of U.S. dollars 2012
Due within 1 year	¥101	¥114	\$1,239
Due after 1 year	125	53	1,525
Total	¥227	¥167	\$2,765

## 12. Financial Instruments

### 1. Status of financial instruments

#### (1) Policy regarding financial instruments

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

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 it periodically confirms the market value.

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

The Company has commitment line contracts with financial institutions and the borrowings are raised mainly for business activities and capital investments.

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

The Group conducts and manages such transactions based on internal rules and regulations. Director of administration division is in charge of managing derivative transactions and related reports are submitted to top management for each case. In addition, the contract amounts of derivative transactions described below in Note 14, "Derivatives," does not represent the market risk associated with derivative transactions.

## 2. Estimated fair value and other matters related to financial instruments

Carrying value on the consolidated balance sheets as of March 31, 2012 and 2011 along with their fair value and the variance were shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Variance	Carrying value	Estimated fair value	Variance
(1) Cash and deposits	¥ 40,907	¥ 40,907	¥ —	\$ 497,724	\$ 497,724	\$ —
(2) Trade notes and accounts receivable	64,765	64,765	—	787,995	787,995	—
(3) Investment securities						
Other securities	1,680	1,680	—	20,451	20,451	—
(4) Trade notes and accounts payable	(45,612)	(45,612)	—	(554,966)	(554,966)	—
(5) Short-term borrowings	(1,320)	(1,320)	—	(16,060)	(16,060)	—
(6) Accrued income taxes	(1,223)	(1,223)	—	(14,890)	(14,890)	—
(7) Derivative instruments	(24)	(24)	—	(295)	(295)	—

Note: Figures shown in parentheses are liability items.

	Millions of yen		
	Carrying value	Estimated fair value	Variance
(1) Cash and deposits	¥ 37,403	¥ 37,403	¥ —
(2) Trade notes and accounts receivable	63,107	63,107	—
(3) Investment securities			
Other securities	1,798	1,798	—
(4) Trade notes and accounts payable	(44,506)	(44,506)	—
(5) Short-term borrowings	(1,467)	(1,467)	—
(6) Accrued income taxes	(3,557)	(3,557)	—
(7) Derivative instruments	1	1	—

Note: Figures shown in parentheses are liability items.

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

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

- (1) Cash and deposits; (2) Trade notes and accounts receivable  
Since these items are settled in a short period of time and have estimated 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 borrowings; (6) Accrued income taxes  
Since these items are settled in a short period of time and have estimated fair values that are virtually the same as the carrying value on the ledger, the carrying value has been used.
- (7) Derivative instruments  
Please see Note 14, "Derivatives."

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Carrying value	Carrying value	Carrying value
Unlisted Stocks	¥698	¥727	\$8,502

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
	2012	2011	2012
	Within 1 year	Within 1 year	Within 1 year
Cash and deposits	¥ 40,643	¥ 37,367	\$ 494,508
Trade notes and accounts receivable	64,765	63,107	787,995
Total	¥105,409	¥100,474	\$1,282,504

## 13. Marketable and Investment Securities

The carrying value and acquisition cost of other securities as of March 31, 2012 and 2011 were as follows:

	Description	Millions of yen			Thousands of U.S. dollars		
		Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥ 922	¥ 618	¥ 304	\$11,230	\$ 7,528	\$ 3,701
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 922	¥ 618	¥ 304	\$11,230	\$ 7,528	\$ 3,701
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 757	¥ 879	¥(121)	\$ 9,221	\$10,702	¥(1,481)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 757	¥ 879	¥(121)	\$ 9,221	\$10,702	¥(1,481)
Total		¥1,680	¥1,498	¥ 182	\$20,451	\$18,231	\$ 2,220

		Millions of yen		
		2011		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,333	¥ 993	¥ 340
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥1,333	¥ 993	¥ 340
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 464	¥ 631	¥(166)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 464	¥ 631	¥(166)
Total		¥1,798	¥1,624	¥ 173

The Company wrote down by ¥128 million (U.S. \$1,565 thousand) and ¥45 million against other securities with a remarkable decline in the value of investment for the years ended March 31, 2012 and 2011, respectively.

#### 14. Derivatives

Derivative transactions to which the Company did not apply hedge accounting as of March 31, 2012 and 2011 were as follows:

(Currency related)

		Millions of yen			
		2012			
	Nature of transaction	Contract amounts		Estimated Fair value	Unrealized gain (loss)
		Total	Over 1 year		
Off-market transactions	Forward exchange contracts to:				
	Sell : U.S. dollars (buy Japanese yen)	¥ 831	¥—	¥ 855	¥(24)
	Buy : Japanese yen (sell Taiwan dollars)	369	—	369	0
	Buy : Japanese yen (sell U.S. dollars)	287	—	287	0
	Buy : Japanese yen (sell Thai Baht)	48	—	48	(0)
Total		¥1,537	¥—	¥1,561	¥(24)

		Thousands of U.S. dollars			
		2012			
	Nature of transaction	Contract amounts		Estimated Fair value	Unrealized gain (loss)
		Total	Over 1 year		
Off-market transactions	Forward exchange contracts to:				
	Sell : U.S. dollars (buy Japanese yen)	\$10,116	\$—	\$10,410	\$(293)
	Buy : Japanese yen (sell Taiwan dollars)	4,500	—	4,494	6
	Buy : Japanese yen (sell U.S. dollars)	3,498	—	3,497	1
	Buy : Japanese yen (sell Thai Baht)	585	—	594	(9)
Total		\$18,702	\$—	\$18,997	\$(295)

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

		Millions of yen			
		2011			
	Nature of transaction	Contract amounts		Estimated Fair value	Unrealized gain (loss)
		Total	Over 1 year		
Off-market transactions	Forward exchange contracts to:				
	Buy : Japanese yen (sell Taiwan dollars)	¥100	¥—	¥100	¥(0)
	Buy : Japanese yen (sell U.S. dollars)	123	—	122	1
Total		¥224	¥—	¥222	¥1

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

### 15. Accrued Pension Costs

The Company and its domestic subsidiaries sponsor a corporate pension fund under the Japanese Defined Benefit Corporate Pension Law and retirement plans for their employees. Certain foreign consolidated subsidiaries have defined contribution plans and defined benefit plans.

Actuarial present value of projected benefit obligations and unfunded status as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Actuarial present value of projected benefit obligations	¥ (32,396)	¥ (31,989)	\$(394,160)
Plan assets	15,809	15,492	192,358
Unfunded accrued pension costs	(16,586)	(16,497)	(201,801)
Unrecognized net actuarial loss	4,681	5,241	56,958
Unrecognized prior service cost	(1,965)	(2,512)	(23,917)
Net retirement benefit obligation recognized in the consolidated balance sheet	(13,870)	(13,767)	(168,760)
Prepaid pension costs	44	34	537
Accrued pension costs	¥ (13,914)	¥ (13,802)	\$(169,297)

Components of pension and severance cost for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,270	¥1,190	\$15,457
Interest cost	662	648	8,055
Expected return on plan assets	(547)	(566)	(6,658)
Unrecognized net actuarial loss	534	439	6,506
Prior service cost	(304)	(301)	(3,705)
Other	93	78	1,136
Total	¥1,708	¥1,488	\$19,654

Major assumptions at the beginning of each of the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 3.5%	Mainly 3.5%
Allocation method of pension costs	Straight-line method	Straight-line method
Term of amortization of unrecognized net actuarial loss	15 years	15 years
Term of amortization of prior service cost	15 years	15 years

### 16. Stock Option Plan

Stock-based compensation expense of ¥9 million (U.S. \$120 thousand), ¥20 million were included in selling, general and administrative expenses for the years ended March 31, 2012 and 2011 respectively.

The following table summarizes contents of stock options as of March 31, 2012:

The first share subscription rights

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 second share subscription rights

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 third share subscription rights

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 fourth share subscription rights

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 fifth share subscription rights

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 sixth share subscription rights

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 following tables summarize the scale and movement of stock options for the years ended March 31, 2012 and 2011:

**(Non-vested stock options)**

	The first share subscription rights	The second share subscription rights	The third share subscription rights	The fourth share subscription rights	The fifth share subscription rights	The sixth share subscription rights
Stock options outstanding at April 1, 2010	—	—	—	—	—	—
Stock options granted	—	—	—	—	14,100	—
Forfeitures	—	—	—	—	—	—
Conversion to exercisable stock option	—	—	—	—	14,100	—
Stock options outstanding at March 31, 2011	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	7,600
Forfeitures	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	7,600
<b>Stock options outstanding at March 31, 2012</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**(Vested stock options)**

	The first share subscription rights	The second share subscription rights	The third share subscription rights	The fourth share subscription rights	The fifth share subscription rights	The sixth share subscription rights
Stock options outstanding at April 1, 2010	6,000	5,500	9,800	15,000	—	—
Conversion from not exercisable stock options	—	—	—	—	14,100	—
Stock options exercised	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—
Stock options outstanding at March 31, 2011	6,000	5,500	9,800	15,000	14,100	—
Conversion from not exercisable stock options	—	—	—	—	—	7,600
Stock options exercised	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—
<b>Stock options outstanding at March 31, 2012</b>	<b>6,000</b>	<b>5,500</b>	<b>9,800</b>	<b>15,000</b>	<b>14,100</b>	<b>7,600</b>

The following table summarizes the price information of stock options as of March 31, 2012:

	The first share subscription rights	The second share subscription rights	The third share subscription rights	The fourth share subscription rights	The fifth share subscription rights	The sixth share subscription rights
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	1,409	1,409	1,412	—
Fair value at the date of grant	2,788	1,947	1,481	1,726	1,474	1,303

The fair value of stock options granted during the years ended March 31, 2012 and 2011 were valued by using the Black Scholes option pricing model with the following assumptions:

	The fifth share subscription rights	The sixth share subscription rights
Volatility	34.9%	35.1%
Expected remaining period	10 years	10 years
Expected dividend	¥ 24	¥ 40
Risk free interest rate	0.9%	1.1%

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

## 17. Income Taxes

1. The Company and its consolidated subsidiaries are subject to a number of taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.69% in 2012 and 2011. 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 statements of income for the years ended March 31, 2012 and 2011 differ from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	40.69%	40.69%
Effect of:		
Permanently non-deductible expenses for income tax purposes such as entertainment expenses	0.73	0.49
Permanently non-taxable income for income tax purposes such as dividend income	(7.54)	(1.15)
Municipal Tax	0.40	0.28
The difference of tax rates applied to foreign subsidiaries	(7.55)	(7.19)
Tax deduction in accordance with special tax measures	(3.32)	(1.85)
Decrease of valuation allowance for such as net operating loss carryforward	(2.10)	(1.28)
Consolidating adjustment of dividend income from consolidated subsidiaries	7.83	1.60
Effect of revised corporate tax rate	5.42	—
Other, net	0.39	(1.61)
Effective tax rate	34.95%	29.98%

2. The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Accrued bonuses	¥ 786	¥ 899	\$ 9,574
Accrued enterprise taxes	93	249	1,140
Operating loss carryforwards	193	384	2,352
Accrued pension costs	4,984	5,562	60,641
Research and development cost	561	708	6,837
Loss on valuation of inventories	267	295	3,258
Allowance for doubtful accounts	139	98	1,694
Unrealized gain	213	225	2,600
Other	569	503	6,935
Gross deferred tax assets	7,810	8,926	95,035
Valuation allowance	(176)	(423)	(2,149)
	7,634	8,502	92,886
Deferred tax liabilities:			
Revaluation of fixed assets in accordance with special tax measures	(169)	(197)	(2,062)
Net unrealized holding gain on securities	(65)	(70)	(794)
Depreciation expense of subsidiaries	(470)	(420)	(5,726)
Other	(259)	(182)	(3,160)
	(965)	(871)	(11,744)
Net deferred tax assets	¥6,669	¥7,631	\$ 81,141

3. Adjustments of deferred tax assets and liabilities due to the change of statutory tax rate

The "Act on the Partial Revision of the Income Tax Act for the Establishment of a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011 and the income tax rate is to be changed accordingly with effect from the fiscal year beginning on April 1, 2012. In accordance with the change, the statutory tax rate, which is used to calculate deferred tax assets and liabilities, will be as follows depending on when each temporary difference will reverse:

Timing of reversal	Tax rate
April 1, 2012 through March 31, 2015	38.01%
April 1, 2015 onward	35.64%

Due to the change, the net amount of deferred tax assets decreased by ¥716 million (U.S. \$8,719 thousand), deferred income taxes increased by ¥725 million (U.S. \$8,832 thousand), and the amount of tax effect included in net unrealized holding gain on securities of other comprehensive income decreased by ¥9 million (U.S. \$112 thousand) for the year ended March 31, 2012 respectively.

## 18. Business Combinations

There is no business combination for the year ended March 31, 2012.

## 19. Asset Retirement Obligations

There is no asset retirement obligation as of March 31, 2012 and 2011.

## 20. Rental Property

No specific disclosure for rental property has been made at March 31, 2012 and 2011 because of its immateriality.

## 21. Segment Information

### 1. Overview of reportable segments

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

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

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

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

In addition, from the fiscal year ended March 31, 2012, "Healthcare products operations" handled in the segment of "Printing and Industrial Materials Products" was integrated into "Printing and variable information products operations" in the same segment.

#### (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 papers and films for seals and labels, Label printing machines, Barcode printers, Films for outdoor signs and advertising, Interior finishing mounting sheets, Window films, PV backsheets, Adhesive products for automobiles, Industrial-use adhesive tapes, Healthcare-related products
Electronic and Optical Products	Semiconductor-related tapes and equipment, Coated films for multilayer ceramic capacitor production, Optical-related products
Paper and Converted Products	Color papers for envelopes, Special function papers, Release papers, Release films, Casting papers for carbon fiber materials, Casting papers for synthetic leather

### 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, 2012 and 2011 are outlined as follows:

	Millions of yen					
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥90,093	¥73,874	¥36,937	¥200,905	¥ —	¥200,905
Intra-segment sales and transfers	50	50	16,288	16,389	(16,389)	—
Total	¥90,143	¥73,925	¥53,225	¥217,294	¥(16,389)	¥200,905
Segment income	¥ 5,213	¥ 3,942	¥ 4,846	¥ 14,002	¥ (27)	¥ 13,975
Others						
Depreciation and amortization	¥ 3,305	¥ 3,978	¥ 2,795	¥ 10,079	¥ —	¥ 10,079
Amortization of goodwill	¥ 42	¥ —	¥ —	¥ 42	¥ —	¥ 42

Thousands of U.S. dollars

	2012					
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	\$1,096,159	\$898,828	\$449,414	\$2,444,401	\$ —	\$2,444,401
Intra-segment sales and transfers	611	613	198,180	199,405	(199,405)	—
Total	\$1,096,770	\$899,441	\$647,595	\$2,643,806	\$(199,405)	\$2,444,401
Segment income	\$ 63,433	\$ 47,970	\$ 58,966	\$ 170,369	\$ (336)	\$ 170,033
Others						
Depreciation and amortization	\$ 40,211	\$ 48,411	\$ 34,012	\$ 122,634	\$ —	\$ 122,634
Amortization of goodwill	\$ 517	\$ —	\$ —	\$ 517	\$ —	\$ 517

Notes: (1) Segment income adjustments show elimination of the amount of intra-segments transactions.

(2) Segment income is adjusted to be reported as operating income in the consolidated statements of income.

(3) The amount to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.

(4) 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

	2011					
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	Adjustments	Consolidation
Net sales						
Net sales to external customers	¥91,898	¥81,155	¥39,679	¥212,733	¥ —	¥212,733
Intra-segment sales and transfers	37	38	15,638	15,714	(15,714)	—
Total	¥91,936	¥81,193	¥55,317	¥228,447	¥(15,714)	¥212,733
Segment income	¥ 7,990	¥ 6,732	¥ 6,129	¥ 20,852	¥ 37	¥ 20,889
Others						
Depreciation and amortization	¥ 3,513	¥ 3,815	¥ 2,850	¥ 10,178	¥ —	¥ 10,178
Amortization of goodwill	¥ 11	¥ —	¥ —	¥ 11	¥ —	¥ 11

Notes: (1) Segment income adjustments show elimination of the amount of intra-segments transactions.

(2) Segment income is adjusted to be reported as operating income in the consolidated statements of income.

(3) The amount to be written off as depreciation and amortization of goodwill are allocated among the business segment on the basis of reasonable criteria.

(4) 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

Thousands of U.S. dollars

	Millions of yen				Thousands of U.S. dollars			
	Japan	Asia	Others	Total	Japan	Asia	Others	Total
Sales	¥134,953	¥56,352	¥9,599	¥200,905	\$1,641,968	\$685,635	\$116,797	\$2,444,401
Property, plant and equipment	51,419	9,202	1,652	62,273	625,619	111,961	20,100	757,681

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

Millions of yen

	2011			
	Japan	Asia	Others	Total
Sales	¥142,141	¥60,058	¥10,532	¥212,733
Property, plant and equipment	51,865	8,359	1,664	61,888

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

### 3. Information by principal customers

Name of the customer	Related reportable segment	Millions of yen		Thousands of U.S. dollars
		2012	2011	2012
		Sales		
Sumitomo Chemical Company, Limited	Electric and Optical Products	¥26,359	¥31,101	\$320,712

#### Information on impairment losses on noncurrent assets by reportable segment

There is no impairment loss on noncurrent assets for the years ended March 31, 2012 and 2011.

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

	Millions of yen				Consolidation
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥170

	Thousands of U.S. dollars				Consolidation
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	
Unamortized amount of goodwill	\$—	\$—	\$—	\$—	\$2,079

Notes: Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in its segment information section, it has been omitted.  
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				Consolidation
	Printing and Industrial Materials Products	Electric and Optical Products	Paper and Converted Products	Total	
Unamortized amount of goodwill	¥—	¥—	¥—	¥—	¥202

Notes: Since the Company and its consolidated subsidiaries disclose the same information of the amount of amortization of goodwill in its segment information section, it has been omitted.  
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, 2012 and 2011.

### 22. Related Party Transactions

The Company and its consolidated subsidiaries have transactions with NP Trading Co., Ltd., a subsidiary of Nippon Paper Group, for the years ended March 31, 2012 and 2011. The transactions between the companies for the years were as follows:

For the years	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Sales of fine & specialty paper products and converted products	¥10,774	¥ 11,589	\$131,092
Purchase of stencil, chemicals and equipment	5,451	5,776	66,332

At year-end	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trade notes and accounts receivable	¥4,681	¥ 3,810	\$56,956
Trade notes and accounts payable	2,056	2,325	25,016
Other liabilities	185	20	2,253

These related party transactions took place on terms similar to those with third parties.

### 23. Amounts Per Share

Basic net income per share is computed based on net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year, assuming share subscription rights. Net assets per share is computed based on net assets excluding share subscription rights and minority interests, and the number of shares of common stock outstanding at the respective balance sheet dates.

The amounts per share of net assets and net income as of March 31, 2012 and 2011 and for the years then ended were as follows:

		Yen	U.S. dollars
	2012	2011	2012
Net assets	¥1,766.60	¥ 1,715.78	\$21.49
Net income (basic)	115.26	180.21	1.40
Net income (fully diluted)	115.18	180.11	1.40

### 24. Short-Term Borrowings, Long-Term Debt and Other Interest-Bearing Debts

Short-term bank loans are represented generally by 30-day or 90-day notes issued by the Company and its consolidated subsidiaries to banks at annual interest rates from 0.47% to 0.84% at March 31, 2012 and from 0.43% to 0.85% at March 31, 2011.

Short-term borrowings as of March 31, 2012 and 2011 consisted of the following:

		Millions of yen	Thousands of U.S. dollars
	2012	2011	2012
Short-term bank loans	¥1,320	¥1,420	\$16,060
Current portion of long-term debt	—	47	—
	¥1,320	¥1,467	\$16,060

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

		Millions of yen	Thousands of U.S. dollars
	2012	2011	2012
Loans from banks:			
Due serially to 2011 at interest rates of 0.46% at March 31, 2011	¥ —	¥ 47	\$ —
Less current portion	—	(47)	—
	¥ —	¥ —	\$ —

Other interest-bearing debts as of March 31, 2012 and 2011 consisted of the following:

		Millions of yen	Thousands of U.S. dollars
	2012	2011	2012
Short-term lease obligation	¥204	¥215	\$2,491
Long-term lease obligation	670	760	8,158

Planned repayment amounts after the balance sheet (March 31, 2012) date for long-term debt and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years
Lease obligation	¥170	¥129	¥103	¥86	\$2,070	\$1,574	\$1,264	\$1,047

### 25. Subsequent Event

The following distribution of retained earnings was approved at a meeting of the board of directors held on May 10, 2012.

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Cash dividends (¥20 per share)	¥1,493	\$18,176

# Management's Report on Internal Control over Financial Reporting

## Basic Framework of Internal Control over Financial Reporting

Akihiko Ouchi, President & Chief Executive Officer of LINTEC Corporation, and Hitoshi Asai, Director, Senior Managing Executive Officer & Chief Financial Officer of LINTEC Corporation, are responsible for designing and operating adequate internal control over financial reporting for consolidated financial statements of LINTEC Corporation and consolidated subsidiaries (the "Company") in accordance with the basic framework set forth in "Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by Business Accounting Council.

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

## Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of the Company's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2012 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 its 13 consolidated subsidiaries. We excluded 11 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 1 consolidated subsidiary 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, 2011. 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, 2012 was effective.

# Report of Independent Auditors



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## Independent Auditor's Report

The Board of Directors  
LINTEC Corporation

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of LINTEC Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LINTEC Corporation and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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#### *Convenience Translation*

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

#### *Report on the Internal Control*

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at March 31, 2012 of LINTEC Corporation and its consolidated subsidiaries (the "Management's Report").

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinion*

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at March 31, 2012 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

*Ernst & Young Shin Nihon LLC*

June 26, 2012

# Investor Information

As of March 31, 2012

## Head Office

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

## Established

October 15, 1934

## Fiscal Year-End

March 31

## Net Assets

¥132,847 million

## Common Stock

Authorized: 300,000,000 shares  
 Issued: 76,564,240 shares

## Stock Listing

Tokyo Stock Exchange, 1st Section  
 Securities Code: 7966

## Shareholder Register Agent for Common Stock

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

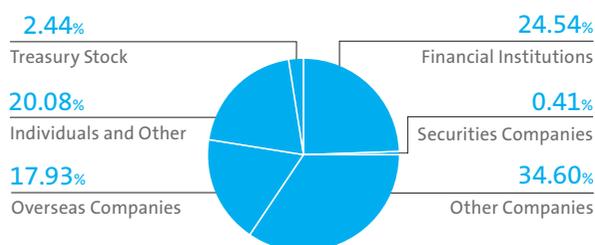
## Number of Employees

4,286 (Consolidated)  
 2,564 (Parent company only)

## Major Shareholders

Nippon Paper Industries Co., Ltd. ....	29.10%
Japan Trustee Services Bank, Ltd. (Trust Account) .....	5.12%
The Master Trust Bank of Japan, Ltd. (Trust Account) .....	4.60%
Japan Trustee Services Bank, Ltd. (Trust Account 9) .....	3.82%
National Mutual Insurance Federation of Agricultural Cooperatives .....	3.07%

## Ownership and Distribution of Shares



## Major Subsidiaries

### Domestic

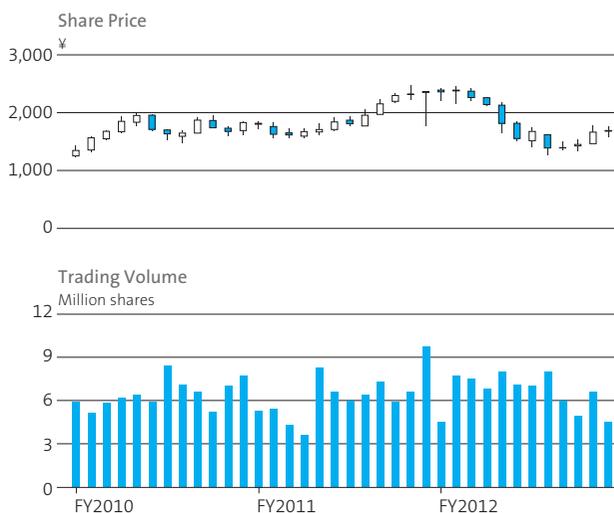
- LINTEC COMMERCE, INC.\*
- LINTEC SIGN SYSTEM, INC.\*
- FUJI-LIGHT, INC.\*
- RENRI, INC.\*
- LINTEC SERVICES, INC.
- LINTEC CUSTOMER SERVICE, INC.
- PRINTEC, INC.
- TOKYO LINTEC KAKO, INC.
- OSAKA LINTEC KAKO, INC.

### Overseas

- LINTEC USA HOLDING, INC.\*
- MADICO, INC.\*
- MADICO WINDOW FILMS, INC.\*
- LINTEC OF AMERICA, INC.\*
- LINTEC EUROPE B.V.\*
- LINTEC ADVANCED TECHNOLOGIES (EUROPE) GMBH\*
- LINTEC (SUZHOU) TECH CORPORATION\*
- LINTEC (TIANJIN) INDUSTRY CO., LTD.\*
- LINTEC ADVANCED TECHNOLOGIES (SHANGHAI), INC.\*
- LINTEC SPECIALITY FILMS (TAIWAN), INC.\*
- LINTEC ADVANCED TECHNOLOGIES (TAIWAN), INC.\*
- LINTEC KOREA, INC.\*
- LINTEC SPECIALITY FILMS (KOREA), INC.\*
- LINTEC ADVANCED TECHNOLOGIES (KOREA), INC.\*
- PT. LINTEC INDONESIA\*
- LINTEC SINGAPORE PRIVATE LIMITED\*
- LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC.
- LINTEC PHILIPPINES (PEZA), INC.
- LINTEC (THAILAND) CO., LTD.\*
- LINTEC BKK PTE LIMITED
- LINTEC VIETNAM CO., LTD.
- LINTEC INDUSTRIES (MALAYSIA) SDN. BHD.\*
- LINTEC INDUSTRIES (SARAWAK) SDN. BHD.\*
- LINTEC ADVANCED TECHNOLOGIES (MALAYSIA) SDN. BHD.

\* Consolidated Subsidiary

## Share Price / Trading Volume



LINTEC's Annual Report and other information are available at:  
<http://www.lintec-global.com/>



**LINTEC Corporation**  
*Linking your dreams*

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