◆ **Summary of Presentation for 2Q Results and Full-year Forecasts, FY2023 and Q&A** ◆

◆ Consolidated Financial Results for the Six Months Ended September 30, 2022

Net sales increased 18,781 million yen (14.9%) year on year to 144,422 million yen, operating income decreased 1,952 million yen (16.6%) year on year to 9,776 million yen, ordinary income dropped 128 million yen (1.0%) year on year to 12,127 million yen, and profit attributable to owners of parent fell 24 million yen (0.3%) year on year to 8,791 million yen.

Non-consolidated net sales of Lintec Corporation decreased 2,212 million yen (2.7%) year on year to 78,364 million yen. Net sales of consolidated subsidiaries grew 20,714 million yen (29.5%) year on year to 91,016 million yen. Non-consolidated operating income dipped 3,502 million yen (48.7%) year on year to 3,682 million yen. Operating income of consolidated subsidiaries climbed 1,465 million yen (31.1%) year on year to 6,172 million yen.

Non-consolidated net sales were affected by the sluggish demand for multilayer ceramic capacitor-related tape and optical display-related adhesive products, etc. Sales of consolidated subsidiaries grew significantly thanks to the effect of acquisitions of Duramark Products, Inc. in April 2021 and Spinnaker Pressure Sensitive Products LLC in February 2022 by the U.S. subsidiary Mactac Group and the effect of foreign currency conversion following the weakening of the yen.
In addition, sales of semiconductor-related adhesive tape and related equipment were solid for sales subsidiaries operating under the control of Advanced Materials Operations.

Non-consolidated operating income was affected by the approx. 1.6 billion yen decrease that resulted from a decrease in sales quantity, the approx. 3.9 billion yen decrease due to the higher prices of pulp and petrochemical raw materials and fuel expenses, the approx. 0.7 billion yen decrease due to rising fixed costs, which more than offset the approx. 1.8 billion yen increase due to passing the surging prices of raw materials and fuel on to sales prices and the approx. 0.9 billion yen increase caused by the improved sales mix. Operating income of consolidated subsidiaries increased because the Mactac Group, which had continued operating at a loss due to the amortization of goodwill and other factors, returned to profitability and posted operating income of approx. 0.5 billion yen, which is partly attributable to the effect of the acquisitions and also thanks to the effect of the expansion of the sales of semiconductor-related adhesive tape and related equipment achieved by subsidiaries operating under the control of Advanced Materials Operations.

By segment, net sales in the Printing and Industrial Materials Products segment included a year-on-year increase of 18,786 million yen (38.6%) to 67,436 million yen in Printing & Variable Information Products Operations and a year-on-year rise of 455 million yen (2.9%) to 16,045 million yen in the Industrial & Material Operations. Net sales in the entire segment rose 19,242 million yen (30.0%) year on year to 83,481 million yen and operating income climbed 402 million yen (35.0%) to 1,553 million yen, mainly due to a significant improvement in profit and loss at U.S.-based subsidiaries, despite a rise in various raw material prices and logistics costs.

For an overview of net sales by business division in this segment, the Printing & Variable Information Products Operations saw sales of adhesive products for seals and labels remained firm in Japan, reflecting an increase in demand in the home delivery and logistics industries, in addition to newly adopting various environmentally friendly products such as products using forest-certified paper, plastic-free related products and solvent-free products, although demand for food and beverage campaigns, etc. was weak. In overseas markets, significant growth was achieved due to the effect of the acquisitions in the U.S. In the Industrial & Material Operations, while demand for automobile-use adhesive products remained weak in Japan due to automobile production cuts, demand for window film and automobile-use adhesive products remained firm in overseas markets, particularly the ASEAN region.

Net sales of Electronic and Optical Products segment resulted from an increase of 644 million yen (2.0%) year on year to 33,553 million yen in the Advanced Materials Operations and a decrease of 1,132 million yen (9.6%) year on year to 10,639 million yen in the Optical Products Operations. Net sales in the entire segment went down 487 million yen (1.1%) year on year to 44,192 million yen and operating income fell 792 million yen (8.3%) to 8,747 million yen, influenced by the decreased rate of operations of non-consolidated production facilities.

Looking at an overview of net sales by business division in this segment, in the Advanced Materials Operations, sales of multilayer ceramic capacitor-related tape were weak due to sluggish demand for smartphones, etc., but sales of semiconductor-related adhesive tape and related equipment were solid. Regarding the Optical Products Operations, sales of automotive touch screen-related products grew, but sales of optical display-related adhesive products remained weak, largely affected by sluggish demand for products used for large-screen TV units and smartphones.

Net sales in the Paper and Converted Products segment included a year-on-year increase of 307 million yen (4.1%) to 7,859 million yen in Fine & Specialty Paper Products Operations and a year-on-year decrease of 280 million yen (3.1%) to 8,888 million yen in Converted Products Operations. Net sales in the entire segment rose 26 million yen (0.2%) year on year to 16,747 million yen, but in terms of profit, operating income fell 1,563 million yen, resulting in operating loss of 554 million yen due to a rise in the prices of pulp and other raw materials and fuel.

Looking at an overview of net sales by business division in this segment, in the Fine & Specialty Paper Products Operations, sales of color paper for envelopes remained flat from a year ago, while sales of oil- and water-resistant paper were firm chiefly due to an increase in demand for takeout. Regarding Converted Products Operations, in casting paper for carbon fiber composite materials, demand for use in sports and leisure was firm, but sales of release paper for electronic materials and release film for optical-related products were weak due to sluggish demand.

◆ Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

As for the forecast of consolidated business results for the fiscal year ending March 31, 2023, raw material and fuel prices and logistics costs are expected to continue to rise from the third quarter, and we will not be able to absorb these increases, although we will continue our efforts to thoroughly reduce costs and pass on higher costs to sale prices. In addition, demand for electronic- and optical-related products is expected to be sluggish. Given this situation, we revised the forecasts for the consolidated business results for the fiscal year ending March 31, 2023 announced on May 9, 2022.

The net sales forecast in the second half of the fiscal year was revised to 147.6 billion yen against net sales in the first half of 144.4 billion yen, and the full-year forecast was increased 7.0 billion yen from the initial forecast of 285.0 billion yen to 292.0 billion yen. The operating income forecast in the second half was revised to 5.7 billion yen against operating income in the first half of 9.8 billion yen, and the full-year forecast was decreased 6.0 billion yen from the initial forecast of 21.5 billion yen to 15.5 billion yen. The ordinary income forecast in the second half was revised to 6.4 billion yen against ordinary income in the first half of 12.1 billion yen, and the full-year forecast was decreased 3.0 billion yen from the initial forecast of 21.5 billion yen to 18.5 billion yen. The forecast profit attributable to owners of parent in the second half was revised to 4.7 billion yen against 8.8 billion yen in the first half, and the full-year forecast was decreased 2.0 billion yen from the initial forecast of 15.5 billion yen to 13.5 billion yen.

Regarding the revision of operating income in the full-year consolidated business results forecasts from the initial forecasts, the non-consolidated operating income forecast was decreased 7.1 billion yen from the initial forecast of 12.4 billion yen to 5.3 billion yen taking into account the approx. 4.0 billion yen increase gained from increased unit sale prices following the revision of prices, the approx. 5.3 billion yen decrease caused by the decrease in sales quantity and the approx. 5.8 billion yen decrease due to the increased prices of raw materials and fuel. On the other hand, the forecast of the operating income of the consolidated subsidiaries was increased 1.1 billion yen from the initial forecast of 9.1 billion yen to 10.2 billion yen thanks to Mactac Americas, LLC's profit improvement and the effect of foreign currency conversion following the weakening of the yen despite the significant impact of the weakened demand for electronic- and optical-related products.

Full-year consolidated business results forecasts by segment are as follows: In the Printing and Industrial Materials Products segment, sales of Printing & Variable Information Products Operations may be affected by concerns mainly regarding people refraining from buying food-related products due to rising prices in Japan, but demand for adhesive products for seals and labels is expected to grow because the easing of border measures and various restrictions on activities imposed due to the COVID-19 pandemic will increase the movement of people and things. Also, looking at overseas, sales at Mactac Americas, LLC are expected to be much higher than the initial forecast partially due to the effect of foreign currency conversion following the weakening of the yen. Accordingly, the forecast in the second half was set at 76.6 billion yen against the result in the first half of 67.4 billion yen, and the full-year forecast was increased 22.5 billion yen from the initial forecast of 121.5 billion yen to 144.0 billion yen. For the Industrial & Material Operations, net sales in the second half were set at 17.5 billion yen against the result in the first half of 16.0 billion yen, and the full-year forecast was kept at the level of the initial forecast, 33.5 billion yen, because demand for automobile-use adhesive products and window film is expected to remain firm in India and the ASEAN region. In this segment, the net sales forecast in the second half was set at 94.1 billion yen against the first half result of 83.4 billion yen, and the full-year forecast was increased 22.5 billion yen from the initial forecast of 155.0 billion yen to 177.5 billion yen, and the forecast operating income in the second half was set at 2.5 billion yen against the first half result of 1.6 billion yen, and the full-year forecast was increased 1.6 billion yen from the initial forecast of 2.5 billion yen to 4.1 billion yen.

In the Electronic and Optical Products segment, net sales of Advanced Materials Operations are expected to decline significantly due to sluggish demand for semiconductor-related adhesive tape and related equipment as well as multilayer ceramic capacitor-related tape, so the forecast of net sales in the second half was set at 30.4 billion against the first half result of 33.6 billion yen, and the full-year forecast was decreased 8.5 billion yen from the initial forecast of 72.5 billion yen to 64.0 billion yen. Net sales of Optical Products Operations are expected to decrease significantly due to weak demand for optical display-related adhesive products caused by stagnant demand for large-screen TV units and smartphones, so the net sales forecast in the second half was set at 5.9 billion yen against the first half result of 10.6 billion yen, and the full-year forecast was decreased 5.5 billion yen from the initial forecast of 22.0 billion yen to 16.5 billion yen. In this segment, the forecast of net sales in the second half was set at 36.3 billion yen against the first half result of 44.2 billion yen, and the full-year forecast was decreased 14.0 billion yen from the initial forecast of 94.5 billion yen to 80.5 billion yen, while the forecast of operating income in the second half was set at 4.0 billion yen against the first half result of 8.8 billion yen, and the full-year forecast was decreased 5.2 billion yen from the initial forecast of 18.0 billion yen to 12.8 billion yen.

In the Paper and Converted Products segment, net sales of Fine & Specialty Paper Products Operations are expected to remain at the level of the first half, centered on the mainstay color paper for envelopes, so the forecast of net sales in the second half was set at 8.1 billion yen against the first half result of 7.9 billion yen, and the full-year forecast was maintained at the initially forecast 16.0 billion yen. Net sales of Converted Products Operations in the second half were projected to be 9.1 billion yen against the first half result of 8.9 billion yen, and the full-year forecast was decreased 1.5 billion yen from the initial forecast of 19.5 billion yen to 18.0 billion yen because demand for release paper for electronic materials and release film for optical-related products is expected to decrease. In this segment, the forecast of net sales in the second half was set at 17.2 billion yen against the first half result of 16.8 billion yen, and the full-year forecast was decreased 1.5 billion yen from the initial forecast of 35.5 billion yen to 34.0 billion yen, while in terms of profitability, an operating loss of 0.8 billion yen was forecast for the second half against the first half resulting in an operating loss of 0.6 billion yen. The full-year forecast was decreased 2.4 billion yen from the initial forecast of an operating income of 1.0 billion yen to an operating loss of 1.4 billion yen.

Regarding the dividend, it was decided that an interim dividend of 44 yen per share would be paid as initially forecasted. The forecast year-end dividend of 44 yen per share has not been revised.

The third quarter and the following periods are forecast to be quite tough for the business's operations due primarily to the continued increase of raw materials and fuel prices and weakened demand for Electronic and Optical Products. In these circumstances, through the united efforts of all of the employees of the Group companies in Japan and abroad, the LINTEC Group will continue to promote activities and aim to improve its financial results to foster innovation to build a robust corporate structure, which is one of the key initiatives of our long-term vision, LSV 2030 whose final year is the fiscal year ending March 31, 2030.

◆ Questions and Answers ◆

In its non-consolidated operations, the Company has announced the implementation of the first and second price increases in Printing & Variable Information Products business and Paper and Converted Products business from the second half of the previous fiscal year (ended March 31, 2022). What is the progress of these price revisions?

Currently, it is not easy to cover the increased costs. We have announced the price revisions to our customers, and at the same time, also provided detailed explanations to the customers' customers, brand owners and others to gain their understanding. We believe that these initiatives are quite important.

In the first half of the fiscal year under review, the rate of the price shift to address the rising prices of raw materials and fuel was around 45%. The rate was partly affected by the timing of the revisions. For example, we announced that the price revisions would be applied starting from shipments in June for Fine and Specialty Paper Products, August for Printing and Variable Information Products and September for Converted Products, but it may take longer for some of the effects of these increases to appear due to front-loaded orders before the price revisions and reactionary decreases in orders. Although we forecast the prices of raw materials and fuel will continue to climb, we expect that the spreads will improve. Through this and the next fiscal years, we project the spreads will improve, but this depends on future raw material and fuel price trends. In the current situation where raw materials and fuel prices continue to rise, we have to first implement a range of measures to reduce costs to help ourselves, and the price revisions will follow these measures.

The full-year operating income of your U.S.-based subsidiary, Mactac Americas, LLC, was expected to be an operating loss of approx. 0.4 billion yen in the initial forecast this fiscal year, but the forecast has now been revised to an operating income of approx. 1.3 billion yen. What are the main factors for this revision?

The most significant factor is the much better than expected business results of Spinnaker Pressure Sensitive Products LLC, which was established by acquiring the business in February this year. The operating income of the Mactac Group including Duramark Products, Inc., which was acquired in April 2021 and absorbed in December 2021, in the first half of the fiscal year under review was approx. 0.5 billion yen compared with the operating loss of approx. 0.3 billion yen in the first half of the previous fiscal year.

In the full-year forecast, we expect an improvement of approx. 1.7 billion yen from the initial forecast, and steady steps toward the integration of Spinnaker and the former Duramark Products, Inc. have been taken in the aspects of procurement, sales and production. Currently, it is difficult to know the detailed breakdown, but we believe that the effects of the integration have been more clear regarding Spinnaker for which the temporary costs for the acquisition had been more conservatively factored into the initial forecast.

Regarding the Paper and Converted Products segment, operating income was forecast to be approx. 1.0 billion yen, but the result in the first half of the fiscal year was an operating loss of approx. 0.6 billion yen, and the full-year forecast was revised to an operating loss of approx. 1.4 billion yen. It seems necessary to strengthen the corporate structure and establish a profit structure that is less susceptible to the effects of the external environment. What improvement plans do you have?

This segment was the segment most seriously impacted by the rising prices of pulp following the weakening of the yen, other raw materials and fuel. To address this situation, we announced the second price revisions for fine & specialty paper products from January 2023, but because demand for mainstay products such as paper for envelopes and paper for business cards has continued to be stagnant due to the expansion and popularization of teleworking, it is forecast that the market environment will remain severe. Going forward, we will focus on the development and sales promotion of various environmentally friendly products to meet the need to reduce the use of plastics. At the same time, we will consider the measures necessary for responding to market trends in the aspects of production facilities and systems.