◆ Summary of Presentation for FY2023 Results and Full-year Forecasts, FY2024 and Q&A ◆

◆ Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

Net sales increased 27,766 million yen (10.8%) year on year, to 284,603 million yen, reflecting the effect of the acquisition conducted by the U.S. subsidiary coupled with the impact of the depreciation of the yen. Operating income decreased 7,787 million yen (36.1%) year on year to 13,796 million yen, partly reflecting significant rises in prices of raw materials and fuels, including pulp, and an increase in the operation loss linked to a fall in the utilization rate of production equipment caused by a decline in orders. Ordinary income dropped 7,095 million yen (31.3%) year on year to 15,602 million yen. Profit attributable to owners of parent fell 5,128 million yen (30.8%) year on year to 11,512 million yen, mainly due to the posting of a loss on impairment of production equipment amounting to 347 million yen as an extraordinary loss at LINTEC Corporation and two of its overseas subsidiaries, despite the posting of a 654 million-yen gain on sale of a subsidiary of MACtac Americas, LLC. as extraordinary gain.

Non-consolidated net sales of Lintec Corporation decreased 13,940 million yen (8.5%) year on year to 149,169 million yen. Net sales of consolidated subsidiaries grew 36,021 million yen (24.8%) year on year to 181,192 million yen. Non-consolidated operating income dipped 9,081 million yen (68.8%) year on year to 4,122 million yen. Operating income of consolidated subsidiaries climbed 864 million yen (9.6%) year on year to 9,839 million yen.

Despite the positive effect of upward pressure linked to price revisions, non-consolidated net sales were affected by the poor performance of Advanced Materials Operations, Optical Products Operations and Converted Products Operations, given the significant impact of the sharp decline in demand due to the sluggish electronic and optical product market conditions since last autumn. Sales of consolidated subsidiaries grew significantly thanks to the effect of addition Spinnaker Pressure Sensitive Products LLC in February 2022 by the U.S. subsidiary Mactac and the effect of foreign currency conversion following the weakening of the yen. Furthermore, sales at ASEAN-based subsidiaries operating under the control of Printing and Variable Information Products Operations and Industrial and Material Operations remained solid.

Non-consolidated operating income was affected by decreases of approx. 7.7 billion yen due to a decline in sales quantity coupled with the resultant operation loss, approx. 8.3 billion yen due to increases in the prices of pulp and petrochemical raw materials and fuel expenses, and approx. 0.8 billion yen due to rising fixed costs, more than offsetting profit increase effects of approx. 6.2 billion yen due to the pass-through of surging prices of raw materials and fuels to sales prices, approx. 0.6 billion yen linked to sales mix factors and approx. 0.9 billion yen mainly due to cost reductions. Looking at the consolidated subsidiaries, profit decreased at subsidiaries operating under the control of Optical Products Operations due to the impact of a decline in demand. Even so, MACtac returned to profit, partially reflecting the effect of the business acquisition.

By segment, net sales in the Printing and Industrial Materials Products segment included a year-on-year increase of 38,734 million yen (38.2%) to 140,010 million yen in Printing & Variable Information Products Operations and a year-on-year rise of 2,169 million yen (7.0%) to 33,314 million yen in the Industrial & Material Operations. Net sales in the entire segment rose 40,903 million yen (30.9%) year on year to 173,324 million yen and operating income climbed 1,584 million yen (115.4%) to 2,958 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.

To summarize net sales by business division in this segment, Printing & Variable Information Products Operations suffered weak demand in Japan for adhesive products for seals and labels used, for example, in food and beverage campaigns. Even so, there was progress in efforts to adopt various new types of environmentally friendly products. In addition, logistics and pharmaceutical products-related demand remained firm. In overseas markets, significant growth was achieved mainly due to the effect of an acquisition in the United States, coupled with solid sales in ASEAN. Industrial & Material Operations benefited from solid sales of window film, as well as growing demand for film for decoration in Japan. In overseas markets, sales of window film, automobile-use adhesive products and other items, remained solid in the U.S. and ASEAN.

Looking at the Electronic and Optical Products segment, net sales decreased 5,973 million yen (8.9%) year on year, to 61,455 million yen in Advanced Materials Operations, and decreased 7,353 million yen (30.7%) year on year, to 16,597 million yen in Optical Products Operations. Net sales in the entire segment declined 13,326 million yen (14.6%) year on year, to 78,053 million yen, while operating income came to 12,463 million yen, a decrease of 6,713 million yen (35.0%), due to the impact of decreased demand.

As for the overview of net sales by business division in this segment, semiconductor-related adhesive tape and -related equipment, and multilayer ceramic capacitor-related tape showed sluggish sales from autumn in Advanced Materials Operations, significantly affected by a decrease in demand for items used for smartphones and PCs. 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 declining 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 792 million yen (5.2%) to 16,134 million yen in Fine & Specialty Paper Products Operations and a year-on-year decrease of 603 million yen (3.4%) to 17,090 million yen in Converted Products Operations. Net sales in the entire segment rose 189 million yen (0.6%) year on year to 33,225 million yen, operating income fell 2,659 million yen, resulting in operating loss of 1,688 million yen due to a rise in the prices of pulp and other raw materials and fuel.

Summing up net sales by business division in this segment, in Fine & Specialty Paper Products Operations, sales of mainstay color paper for envelopes were on a par with the level of the previous year. Additionally, the performance of oil- and water-resistant paper for the fast food industry and colored construction paper for schoolchildren was solid. Looking at Converted Products Operations, sales of casting paper for carbon fiber composite materials remained firm, reflecting solid demand for sports and leisure items, but sales of release paper for electronic materials and release film for optical-related products were weak due to the significant impact of a decline in demand since last autumn.

◆ Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024

There is growing concern that the global economy will slow in the fiscal year ending March 31, 2024, mainly reflecting monetary policy that has been adopted to curb high inflation, the U.S.-China conflict, the prolongation of the conflict in Ukraine and the rise in the cost of resources. In Japan, meanwhile, demand related to inbound tourism is expected to rise due to the lifting of immigration restrictions imposed due to COVID-19. However, uncertainty is growing partly due to restraints on buying attributable to increases in the prices of groceries, etc.

The Group also expects that its financial results will be significantly affected if the market conditions of semiconductor and electronic components remain weak and prices of fuels and raw materials continue to be at high levels. Therefore, under the basic policy of LINTEC SUSTAINABILITY VISION 2030, it will work on a range of measures set forth as key initiatives.

The outlook for the consolidated results for the fiscal year ending March 31, 2024, includes a year-on-year increase in net sales of 5.4 billion yen (1.9%) to 290.0 billion yen, a year-on-year decrease in operating income of 0.3 billion yen (2.1%) to 13.5 billion yen, a year-on-year fall in ordinary income of 2.1 billion yen (13.5%) to 13.5 billion yen, and a year-on-year decline in profit attributable to owners of parent of 2.0 billion yen (17.5%) to 9.5 billion yen.

The non-consolidated net sales of Lintec Corporation are forecast to increase 11.1 billion yen (7.4%) year on year to 160.3 billion yen. The net sales of consolidated subsidiaries are forecast to decrease 2.4 billion yen (1.3%) year on year to 178.8 billion yen. Non-consolidated operating income is expected to increase 3.7 billion yen (90.2%) year on year to 7.8 billion yen. The operating income of consolidated subsidiaries is projected to decrease 4.1 billion yen (41.8%) to 5.7 billion yen.

Regarding factors for the increase or decrease of consolidated operating income, the Group expects that the factors contributing to increased non-consolidated operating income will be increases of 6.7 billion yen due to price revisions and sales mix improvements, increased sales volumes of 1.4 billion yen and 0.8 billion yen due to cost reductions, while the factors decreasing income are expected to be decreases of 2.6 billion yen due to rising raw material and fuel prices and 2.6 billion yen due to higher fixed costs such as personnel expenses. Looking at consolidated subsidiaries, the Group assumes that MACtac will record a significant decrease in income, reflecting a decline in the sales volume because of the economic recession that started around the end of last year in the U.S. and rising raw materials prices. In addition, a year-on-year decrease of 4.0 billion yen is forecast to be recorded due to an increase in fixed costs and a decrease in demand for semiconductor tape.

In terms of net sales by segment, in the Printing and Industrial Materials Products segment, the Group expects net sales of 141.7 billion yen, reflecting a year-on-year increase of 1.7 billion yen (1.2%) in the Printing & Variable Information Products Operations, and 37.0 billion yen resulting from a year-on-year increase of 3.7 billion yen (11.1%) in the Industrial & Material Operations. Net sales of the entire segment are expected to rise 5.4 billion yen (3.1%) year on year to 178.7 billion yen. However, operating income is expected to fall 0.6 billion yen (18.9%) year on year to 2.4 billion yen due in part to the impact of the decreased income at MACtac and rising raw material and fuel prices.

Regarding net sales forecasts by business division in this segment, in the Printing & Variable Information Products Operations, although consumer confidence is declining in Japan partly due to rising food prices, the Group expects not only a recovery in inbound tourism-related demand due to the relaxation of entry restrictions but also growth in demand for cosmetics and toiletries-related products, environmentally friendly products and products for labels for POP and sales campaigns. Looking at overseas markets, the Group forecasts that sales will be at the level of the previous year in China and ASEAN, although MACtac will be affected significantly by decreased demand attributable to the economic recession. Industrial & Material Operations will launch new products, such as window film for automobiles that feature enhanced heat insulation and window film for buildings that offer improved security performance, both in Japan and overseas. In addition, demand for automobile-use adhesive products and film for decoration is expected to grow.

In the Electronic and Optical Products segment, the Group projects net sales of 61.2 billion yen, reflecting a year-on-year decrease of 0.3 billion yen (0.4%) in Advanced Materials Operations and 14.4 billion yen due to a year-on-year decrease of 2.2 billion yen (13.2%) in Optical Products Operations. The net sales of the entire segment are projected to decrease 2.5 billion yen (3.1%) year on year to 75.6 billion yen and operating income will fall 1.6 billion yen (12.5%) year on year to 10.9 billion yen.

Regarding forecasts of net sales by business division in this segment, the difficult conditions are forecast to continue in the first half in Advance Materials Operations for semiconductor-related adhesive tape and -related equipment, and multilayer ceramic capacitor-related tape. Still, the Group expects that demand will recover in the second half. In Optical Products Operations, difficult conditions will continue for optical display-related adhesive products, reflecting an expected decline in demand for products used for large-screen TV units and smartphones.

Regarding the Paper and Converted Products segment, the Group expects net sales of 17.0 billion, reflecting a year-on-year increase of 0.9 billion (5.4%) in Fine & Specialty Paper Products Operations and 18.7 billion yen, resulting from a year-on-year rise of 1.6 billion yen (9.4%) in Converted Products Operations. The net sales of the entire segment are expected to increase 2.5 billion yen (7.4%) year on year to 35.7 billion yen and operating income will rise 1.9 billion yen year on year to 0.2 billion yen.

Regarding net sales forecasts by business division in this segment, demand for oil- and water-resistant paper is expected to grow due to new applications and demand for use with items for takeout foods in Fine & Specialty Paper Products Operations. In Converted Products Operations, the Group expects that orders will recover for release paper for general adhesive products and electronic materials, and casting paper for carbon fiber composite materials.

Capital expenditures in the fiscal year ended March 31, 2023 increased 8.5 billion yen from 10.3 billion yen in the previous fiscal year to 18.8 billion yen. This largely reflected investments in coating equipment for multilayer ceramic capacitor-related tape at the Mishima Plant and the Kumagaya Plant, coating equipment for semiconductor-related adhesive tape at the Agatsuma Plant and environmental protection equipment at each plant. In addition to the ongoing projects involving the coating facilities for multilayer ceramic capacitor-related tape at Mishima Plant and Kumagaya Plant, which continued from the previous fiscal year, the Group is planning capital expenditures of 22.5 billion yen in the fiscal year ending March 31, 2024 which includes coating equipment for semiconductor-related adhesive tape at Agatsuma Plant and investment in environmental protection equipment at each plant. Depreciation increased 1.2 billion yen in the fiscal year ended March 31, 2023, from 9.9 billion yen in the previous fiscal year to 11.1 billion yen and is forecast to reach 11.3 billion yen in the fiscal year ending March 31, 2024. Amortization of goodwill came to 3.7 billion yen in the fiscal year ended March 31, 2023, an increase of 0.5 billion yen from 3.2 billion yen in the previous fiscal year. It is expected to be 3.7 billion yen (unchanged) in the fiscal year ending March 31, 2024. Research and development expenses increased 1.2 billion yen in the fiscal year ended March 31, 2023, from 7.9 billion yen in the previous fiscal year to total 9.1 billion yen and are forecast to reach 9.4 billion yen in the fiscal year ending March 31, 2024.

Regarding dividends per share for the fiscal year ended March 31, 2023, the mid-term dividend, year-end dividend and annual dividend were 44 yen, 44 yen and 88 yen respectively in line with the initial forecasts, resulting in a consolidated payout ratio of 52.4%. From the fiscal year ending March 31, 2024, the Company applies the following revised basic policy for dividends to further clarify its stance on shareholder returns. "The Company positions the enhancement of shareholder returns as one of its most important management issues and strives to distribute profits while also strengthening its management foundation. With this in mind, the Company has decided, in principle, not to reduce dividends for the four-year period from the fiscal year ending March 31, 2024, the final year of the ongoing medium-term business plan LSV 2030-Stage 1, to the fiscal year ending March 31, 2027, or the final year of the next medium-term business plan LSV 2030-Stage 2 (April 2024 to March 2027). It will pay dividends with a view to achieving a payout ratio of at least 40% or a DOE (dividend on equity ratio) of approximately 3%. Internal reserves are used effectively to reinforce our financial base and provide increased future corporate value through investment in production facilities and R&D." Based on this basic policy, the Company plans to pay an annual dividend of 88 yen per share for the fiscal year ending March 31, 2024.

The Group started the final year of LSV2030-Stage 1 in a very difficult market environment. While aggressively implementing a range of measures, including the acceleration of digital transformation, in line with the key initiative, "bolstering the corporate structure through innovation," the Group will work hard for the fiscal year ending March, 2024, as one team to make significant progress during LSV 2030-Stage 2 with a view toward achieving the LSV 2030 long-term vision.

◆ Questions and Answers ◆

Regarding the non-consolidated results for the first half of the fiscal year ended March 31, 2023, the price pass-through ratio stood at approximately 45%. What is the progress of price revisions on a full-year basis?

The impact of rising raw material and fuel prices was approximately 8.3 billion yen in the previous fiscal year (fiscal year ended March 31, 2023), affecting the entire Group significantly. Although the price-pass-through ratio had remained approximately 45% in the first half, we managed to raise it to approximately 75% on a full-year basis by gaining the understanding of customers, brand owners, etc. However, given the ongoing strong upward pressure on raw material and fuel prices, we will continue working on price revisions in this fiscal year while also watching trends in raw material prices. In addition, we will implement efficiency-focused production and other measures to reduce the impact of rising raw material and fuel prices and by doing so, strive to improve profitability.

You have forecast a 0.9 billion-yen operating loss at MACtac, your U.S.-based subsidiary, in this fiscal year (fiscal year ending December 31, 2023). What are the main factors for this? Also, are you considering any measures to eliminate the loss?

The performance of MACtac. primarily reflects the impact of U.S. consumer spending which started to decline sharply from the fall of 2022. U.S. consumer spending is reportedly approximately 70% of the country's GDP. Against this background, the company handles adhesive products for seals and labels that are used particularly for daily goods and foods available in markets for general consumers. With consumer confidence remaining low due to the impact of high inflation and interest policy measures in the U.S., these markets show no signs whatsoever of turning around. Considering this, we anticipate the business environment surrounding the company will continue to be challenging this fiscal year. Even so, instead of waiting for markets to improve, we will push forward with a range of measures to ensure that the company and the two companies that it has acquired to date, Spinnaker and the former Duramark, move forward with the realignment of production equipment and optimization of bases for slitting and delivery operations. In addition, we will simultaneously work on other measures including the reduction of fixed costs including various types of labor expenses. Our stance is to work on the things that should be addressed now to make sure that we can take full advantage of tailwinds when market conditions improve.

What is the current status of the Electronic and Optical Products segment? Also, what is recovery outlook for mainstay products from Advanced Materials Operations in this fiscal year?

Customers of the Company's semiconductor-related business have been saying that inventories will be reduced to normal levels by around the summer in general, but it appears that the timing is being delayed. At the same time, we also have information that the inventory adjustment phase will end in the second half of 2023. Similarly, regarding semiconductor-related equipment, we are aware that there is a movement toward postponing the start of investments that have been planned to date amid the ongoing market adjustment phase. The multilayer ceramic capacitor-related tape inventory has also been increasing due to the impact of the prolonged adjustment period. However, we expect to move beyond the inventory adjustment by the second half of 2023 and onto the path toward a turnaround at a timing that is earlier than the semiconductor industry. In conjunction with mainstay products from Advanced Materials Operations, we expect that markets, which are currently in the midst of an inventory adjustment phase, will for sure continue to grow constantly on a medium- to long-term basis. We are in the process of organizing a business structure that ensures that proper actions will be taken for orders received and delivery requests when the markets turn around. For the time being, we will continue to adjust inventories and keep monitoring the situation to not miss the timing of the turnaround.