

Consolidated Financial Results for the Six Months Ended September 30, 2023
[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

November 8, 2023

Name of listed company: LINTEC Corporation

Stock exchange listing: Tokyo Stock Exchange, Prime Market

Code number: 7966

URL: <https://www.lintec-global.com/>

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Scheduled filing date for quarterly report: November 10, 2023

Scheduled date for dividend payments: November 27, 2023

Supplemental material on quarterly results: Yes

Presentation on quarterly results: Yes (For institutional investors and analysts)

(Amounts less than one million yen are omitted)

1. CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023
(from April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative) (% represents changes over the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six Months Ended September 30, 2023	131,735	(8.8)	3,190	(67.4)	4,299	(64.5)	1,966	(77.6)
Six Months Ended September 30, 2022	144,422	14.9	9,776	(16.6)	12,127	(1.0)	8,791	(0.3)

(Note) Comprehensive income: Six Months Ended September 30, 2023: 10,280 million yen, down 55.3%
Six Months Ended September 30, 2022: 23,020 million yen, up 69.1%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six Months Ended September 30, 2023	28.76	28.74
Six Months Ended September 30, 2022	127.74	127.66

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2023	321,310	234,737	72.8
As of March 31, 2023	304,881	227,150	74.2

(Reference) Shareholders' equity: As of September 30, 2023: 233,923 million yen As of March 31, 2023: 226,352 million yen

2. DIVIDENDS

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2023	—	44.00	—	44.00	88.00
FY ending March 31, 2024	—	44.00			
FY ending March 31, 2024 (forecast)			—	44.00	88.00

(Note) Revision of the latest dividend forecast announced: None

3. FORECASTS OF CONSOLIDATED BUSINESS RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2024
(from April 1, 2023 to March 31, 2024)

(% represents changes over the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	275,000	(3.4)	9,000	(34.8)	10,000	(35.9)	5,500	(52.2)	80.40

(Note) Revision of the latest consolidated results forecast announced: Yes

*Notes

- (1) Changes in status of significant subsidiaries during the quarter (changes in status of specified subsidiaries accompanying changes in consolidated range): None
Newly consolidated subsidiaries: -
Subsidiaries excluded: -
- (2) Application of accounting treatment specific to preparing quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements
(a) Changes in accounting principles due to revisions to accounting standards: None
(b) Changes other than (a): None
(c) Changes in accounting estimates: None
(d) Retrospective restatements: None
- (4) Number of outstanding shares (common stock):
(a) Number of outstanding shares at period-end (including treasury stock)
(b) Number of treasury stocks at period-end
(c) Average number of shares during the period (cumulative total for quarterly period)

(a)	Six Months Ended September 30, 2023	76,688,740	FY Ended March 31, 2023	76,688,740
(b)	Six Months Ended September 30, 2023	8,284,903	FY Ended March 31, 2023	8,329,891
(c)	Six Months Ended September 30, 2023	68,387,541	Six Months Ended September 30, 2022	68,822,459

*The current quarterly financial results are not subject to quarterly review procedures by certified public accountant or by auditing firm

*Explanation relating to the appropriate use of forecasts of business results and other items of note

- The Company has revised the full year consolidated business results forecast that was published on May 8, 2023. For details, please see “(3) Explanation Regarding Information on Future Forecast, Including Forecast of Consolidated Business Results” on page 4 of the Attachment.
- The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Actual results, etc. may differ from projections due to a variety of reasons.
- Supplemental materials will be posted on our website (<https://www.lintec-global.com>) in a timely manner.

【Attachment】

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1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2023

(1) Explanation Regarding Results of Operations

During the first half of the fiscal year under review, the performance of the Group's businesses continued to be extremely poor, mainly reflecting a sharp decrease in the sales volume of electronic and optical products due to the significant impact of sluggish market conditions and an increase in the operating loss from other products attributable to a decline in the operation loss linked to a fall in the utilization rate of production equipment caused by a decline in orders in Japan and the U.S., despite the positive effect of price revisions and the weak yen. As a result of the above, net sales were 131,735 million yen (down 8.8% year-on-year), operating income was 3,190 million yen (down 67.4%), ordinary income was 4,299 million yen (down 64.5%), and profit attributable to owners of the parent was 1,966 million yen (down 77.6%).

The outline by segment was as follows:

[Printing and Industrial Materials Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	83,481	81,439	(2,042)	(2.4)
Printing & Variable Information Products Operations	67,436	64,076	(3,359)	(5.0)
Industrial & Material Operations	16,045	17,363	1,317	8.2
Operating income	1,553	(776)	(2,330)	—

In this segment, due to the significant decline of U.S. sales volume, net sales decreased 2.4% year on year, to 81,439 million yen despite the effect of price revisions and the weaker yen. On the profit side, operating loss stood at 776 million yen, partly due to a decrease in the sales volume in the U.S., as well as the rise of the prices of our main raw materials and logistics expenses in Japan. Sales by operation of this segment were as follows:

(Printing & Variable Information Products Operations)

In adhesive products for seals and labels, domestic sales volume declined due in part to a decline in demand for these products for use in beverage campaigns and food which was influenced by consumers reluctance for purchase due to price increase, although sales to the logistics and on-line sales industries remained solid. Overseas, sales volume declined significantly in the U.S. and China. As a result, sales in this operation were 64,076 million yen (down 5.0% year on year).

(Industrial & Material Operations)

In the domestic market, sales of automobile-use adhesive products and devices for on-line sales, window film for buildings remained solid. In overseas markets, sales of automobile-use window film and automobile-use adhesive products remained solid in the U.S., India and ASEAN. As a result, sales in this operation were 17,363 million yen (up 8.2% year on year).

[Electronic and Optical Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	44,192	33,696	(10,495)	(23.7)
Advanced Materials Operations	33,553	26,722	(6,831)	(20.4)
Optical Products Operations	10,639	6,974	(3,664)	(34.4)
Operating income	8,747	4,304	(4,442)	(50.8)

In this segment, net sales decreased 23.7% year on year, to 33,696 million yen due to weak demand for materials used in large-sized TVs, smartphones, PCs, etc. In terms of profitability, operating income came to 4,304 million yen (down 50.8% year) on year, partly reflecting an increase in operation loss due to a fall in the utilization rate of production equipment caused by a decline in orders. Sales by operation of this segment were as follows:

(Advanced Materials Operations)

Sales of multilayer ceramic capacitor-related tape were weak, reflecting sluggish demand for smartphones, but sales of semiconductor-related adhesive tape and semiconductor-related equipment remained firm. As a result, sales in this operation were 26,722 million yen (down 20.4% year on year).

(Optical Products Operations)

Sales of optical display-related adhesive products remained weak, largely affected by sluggish demand for products used for

large-screen TV units and smartphones. As a result, sales in this operation were 6,974 million yen (down 34.4% year on year).

[Paper and Converted Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
Net sales	Millions of yen 16,747	Millions of yen 16,598	Millions of yen (148)	% (0.9)
Fine & Specialty Paper Products Operations	7,859	7,894	35	0.5
Converted Products Operations	8,888	8,704	(184)	(2.1)
Operating income	(554)	(372)	182	—

In this segment, net sales were 16,598 million yen (down 0.9% year on year), and operating loss was 372 million yen, mainly due to the negative impact of the price rises for raw materials and fuel such as pulp. Sales by operation of this segment were as follows:

(Fine & Specialty Paper Products Operations)

Sales of industrial specialty paper including dust-free paper remained weak. Even so, the performance of mainstay color paper for envelopes, colored construction paper for schoolchildren and oil- and water-resistant paper for the fast food industry was solid. As a result, sales in this operation were 7,894 million yen (up 0.5% year on year).

(Converted Products Operations)

Although demand for release paper for electronic materials has recovered, demand for release paper for general adhesive products, casting paper for synthetic leather, and release film for optical-related products remained sluggish due to a decline in demand. As a result, sales in this operation were 8,704 million yen (down 2.1% year on year)

(2) Explanation Regarding Financial Position

(Assets)

Total assets at this consolidated quarter end were 321,310 million yen, a year-on-year increase of 16,429 million yen. Main factors of the change were as follows:

- Increase in "Cash and deposits"	7,374 million yen
- Increase in "Notes and accounts receivable - trade and contract assets"	5,957 million yen
- Increase in "Inventories"	- 4,213 million yen
- Decrease in "Current assets-other"	- 1,686 million yen
- Increase in "Property, plant and equipment"	6,042 million yen
- Increase in "Goodwill"	2,200 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 86,573 million yen, a year-on-year increase of 8,842 million yen.

Main factors of the change were as follows:

- Increase in "Trade notes and accounts payable"	3,051 million yen
- Increase in "Long-term loans payable"	6,717 million yen

(Net Assets)

Total net assets at this consolidated quarter end were 234,737 million yen, a year-on-year increase of 7,586 million yen.

Main factors of the change were as follows:

- Increase in "Foreign currency translation adjustments"	8,142 million yen
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(3) Explanation Regarding Information on Future Forecast, Including Forecast of Consolidated Business Results

As for consolidated business results for the fiscal year ending March 31, 2024, despite price revisions in response to sharp increases in raw material and fuel prices and the positive impact of yen depreciation, sales volumes of Printing and Industrial Materials Products and Paper and Converted Products declined significantly due to the delayed recovery in demand in Japan, the U.S., China, and other countries. In addition, in Electronic and Optical Products, sales volumes of semiconductor-related adhesive tapes, multilayer ceramic capacitor-related tapes, and optical display-related adhesive products fell sharply on sluggish demand for products used in TVs, smartphones, and personal computers. The severe business situation continued, as a decline in sales volume resulted in operating losses due to lower utilization rates at production facilities. Orders have generally been recovering since early fall, but are expected to fall short of initial forecasts for the full year. Given this situation, we have revised the forecasts for the consolidated business results for the fiscal year ending March 31, 2024 that were announced on May 8, 2023 as follows:

Full-year consolidated business results forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A)	290,000	13,500	13,500	9,500
New forecast (B)	275,000	9,000	10,000	5,500
Change (B-A)	(15,000)	(4,500)	(3,500)	(4,000)
Change (%)	(5.2)	(33.3)	(25.9)	(42.1)
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2023)	284,603	13,796	15,602	11,512

* The above forecasts are principally based on foreseeable economic situations, market trends and plans as of the date of announcement. Actual results may differ from those forecasts due to a variety of reasons.

2. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	38,032	45,407
Notes and accounts receivable - trade and contract assets	58,803	64,761
Inventories	67,250	63,037
Other	8,004	6,318
Allowance for doubtful accounts	(155)	(181)
Total current assets	171,936	179,342
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	41,907	43,546
Machinery, equipment and vehicles (net)	33,960	34,527
Land	12,226	13,237
Construction in progress	6,515	9,663
Other (net)	6,982	6,661
Property, plant and equipment	101,593	107,635
Intangible assets		
Goodwill	15,013	17,213
Other	2,694	3,325
Intangible assets	17,708	20,539
Investments and other assets		
Other	13,735	13,885
<u>Allowance for doubtful accounts</u>	(91)	(92)
Total investments and other assets	13,643	13,793
Total non-current assets	132,945	141,968
Total assets	304,881	321,310

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	36,980	40,031
Short-term loans payable	960	1,350
Current portion of long-term loans payable	1,602	1,789
Accrued income taxes	1,289	1,797
Provision for bonuses	2,523	2,400
Provision for directors' bonuses	54	29
Other	16,413	14,679
Total current liabilities	59,823	62,077
Non-current liabilities		
Long-term loans payable	—	6,717
Provision for environmental measures	111	111
Net defined benefit liability	12,931	13,351
Other	4,863	4,315
Total non-current liabilities	17,906	24,495
Total liabilities	77,730	86,573
Net Assets		
Shareholders' equity		
Common stock	23,355	23,355
Capital surplus	26,709	26,710
Retained earnings	171,325	170,529
Treasury stock	(17,663)	(17,567)
Total shareholders' equity	203,728	203,028
Accumulated other comprehensive income		
Net unrealized holding gain on securities	463	563
Foreign currency translation adjustments	19,381	27,523
Remeasurements of defined benefit plans	2,779	2,807
Total accumulated other comprehensive income	22,624	30,895
Share subscription rights	83	56
Non-controlling interests	715	758
Total net assets	227,150	234,737
Total liabilities and net assets	304,881	321,310

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Six Months Ended September 30, 2023

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2022)	Current consolidated fiscal year (Six months ended September 30, 2023)
Net sales	144,422	131,735
Cost of sales	110,613	103,914
Gross profit	33,809	27,821
Selling, general and administrative expenses	24,032	24,631
Operating income	9,776	3,190
Non-operating income		
Interest income	101	208
Dividend income	93	159
Gain on sales of non-current assets	50	8
Foreign exchange gains	2,099	1,011
Insurance income	89	16
Other income	212	170
Total non-operating income	2,647	1,575
Non-operating expenses		
Interest expenses	52	185
Loss on sales of non-current assets	17	0
Loss on retirement of non-current assets	118	190
Compensation expenses	18	3
Other expenses	90	86
Total non-operating expenses	296	465
Ordinary income	12,127	4,299
Extraordinary gain		
Gain on sales of noncurrent assets	—	29
Total extraordinary gain	—	29
Extraordinary loss		
Loss on sales of non-current assets	12	—
Total extraordinary losses	12	—
Profit before income taxes	12,114	4,328
Income taxes	3,351	2,283
Deferred income taxes	(27)	67
Total income taxes	3,324	2,350
Profit	8,790	1,978
Profit (loss) attributable to non-controlling interests	(1)	11
Profit attributable to owners of parent	8,791	1,966

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30, 2023

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2022)	Current consolidated fiscal year (Six months ended September 30, 2023)
Net income	8,790	1,978
Other comprehensive income		
Net unrealized holding gain on securities	42	100
Foreign currency translation adjustments	13,926	8,174
Remeasurements of defined benefit plans	260	27
Total other comprehensive income	14,230	8,302
Comprehensive income	23,020	10,280
(Comprehensive income attributable to)		
Owners of parent	23,005	10,237
Non-controlling interests	14	42

(3) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern)

Not applicable.

(Notes on Significant Changes in the Amount of Total Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

I. Current second quarter (from April 1, 2022 to September 30, 2022)

1. Information on sales and income or loss by reportable segment

(Millions of yen)

	Reportable Segments				Adjustment (Note 1)	Consolidated Statements of Income (Note 2)
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total		
Net sales						
Net sales to outside customers	83,481	44,192	16,747	144,422	—	144,422
Intersegment sales and transfers	34	15	6,813	6,864	(6,864)	—
Total	83,516	44,208	23,561	151,286	(6,864)	144,422
Segment income (loss)	1,553	8,747	(554)	9,745	30	9,776

Notes:

1. Segment income in each segment was adjusted by eliminating the amount of intra-segments transactions.

2. Segment income is adjusted to be recorded as operating income in the quarterly consolidated statements of income.

II. Current second quarter (from April 1, 2023 to September 30, 2023)

1. Information on sales and income or loss by reportable segment

(Millions of yen)

	Reportable Segments				Adjustment (Note 1)	Consolidated Statements of Income (Note 2)
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total		
Net sales						
Net sales to outside customers	81,439	33,696	16,598	131,735	—	131,735
Intersegment sales and transfers	42	7	7,222	7,272	(7,272)	—
Total	81,482	33,704	23,821	139,007	(7,272)	131,735
Segment income (loss)	(776)	4,304	(372)	3,155	34	3,190

Notes:

1. Segment income in each segment was adjusted by eliminating the amount of intra-segments transactions.

2. Segment income is adjusted to be recorded as operating income in the quarterly consolidated statements of income.

(Significant events after closing of the year, etc.)

(Business combination through acquisition)

The Company resolved at a meeting of the Board of Directors held on October 19, 2023 that LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED (Head office: Singapore, a wholly owned subsidiary of the Company) and its subsidiary PT. LINTEC JAKARTA (Head office: Jakarta, Indonesia) have acquired 100% of the outstanding shares of PT Multiyasa Swadaya (Head office: Jakarta, Indonesia), making it a subsidiary (a second-tier subsidiary of the Company).

(1) Outline of business combination

①Name and description of the business of the acquired company

Name	PT Multiyasa Swadaya
Business description	Sale of adhesive paper and film for labels

②Reason for the Acquisition of Shares

The Group has two companies in Indonesia, PT. LINTEC INDONESIA, which acts as a manufacturing base for adhesive paper and film for labels, and PT. LINTEC JAKARTA, which serves as a sales base. The Group is taking steps to expand its business by globalizing its business under the concept of "Made in Market," which aims to manufacture products closer to customers and ensure a stable supply.

PT Multiyasa Swadaya, the shares of which the two companies have acquired shares, is principally engaged in the cutting, processing, and sales of adhesive paper and film for labels manufactured by PT LINTEC INDONESIA for the Indonesian domestic market. The acquisition of PT Multiyasa Swadaya will enable the entire group to share and utilize the company's marketing and cutting/processing capabilities and sales network. It will also enable the prompt provision of newly developed products that accurately meet market needs through direct transactions with local printing companies, which are the end users. The Company therefore believes that it will be able to expand its market share and improve profitability in the overall Indonesian domestic market.

③Date of business combination

Scheduled for mid-January 2024 (local time)

④Legal form of business combination

Stock acquisition

⑤Percentage of voting rights acquired

100%

⑥Main grounds for determining acquiring company

LINTEC ASIA PACIFIC REGIONAL HEADQUARTERS PRIVATE LIMITED and PT. LINTEC JAKARTA, subsidiaries of the Company, to acquire 100% of the voting rights of PT Multiyasa Swadaya through a share acquisition with cash consideration.

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

Type of consideration for acquisition	cash	111,842 million IDR
Acquisition cost		111,842 million IDR

(Note) The amount of acquisition cost is tentative and has not been determined at this time.

(3) Description and amount of major acquisition-related expenses

It is not determined yet.

(4) Amount of goodwill incurred, reason for incurrence, amortization method and period, or amount and reason for gain on bargain purchase

It is not determined yet.

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

It is not determined yet.