



# LINTEC

 **ANNUAL REPORT 2010**

FOR THE YEAR ENDED MARCH 31, 2010



# 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 pressure-sensitive 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 thorough CSR-based management to further develop as a company that is highly regarded and trusted by all of its stakeholders.

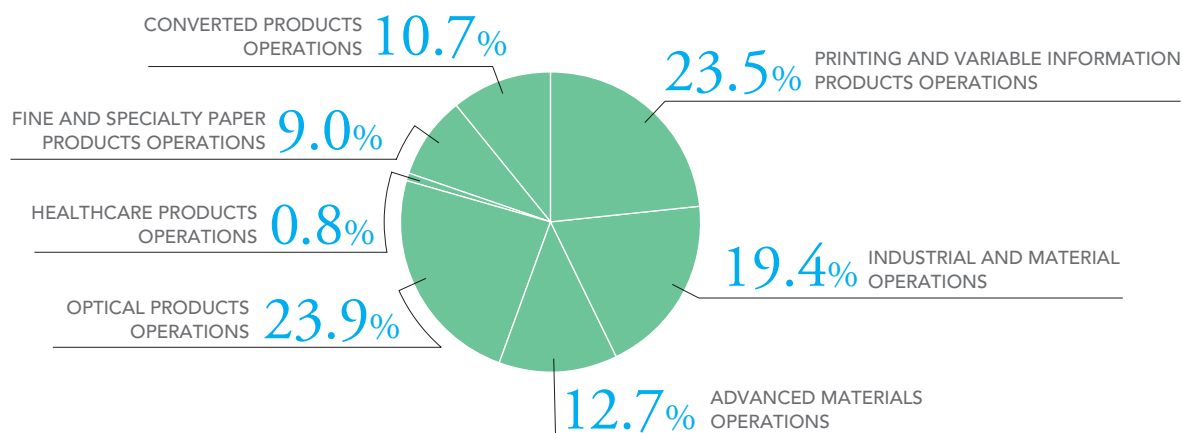
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## At a Glance

### SHARE OF NET SALES BY BUSINESS OPERATION



### MAIN PRODUCTS BY BUSINESS OPERATION

#### PRINTING AND VARIABLE INFORMATION PRODUCTS OPERATIONS

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

#### INDUSTRIAL AND MATERIAL OPERATIONS

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

#### ADVANCED MATERIALS OPERATIONS

- Semiconductor-related tapes and equipment
- Coated films for multilayer ceramic capacitor production
- Films for plasma display panels
- Touch panel related products
- RFID-related products

#### OPTICAL PRODUCTS OPERATIONS

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

#### HEALTHCARE PRODUCTS OPERATIONS

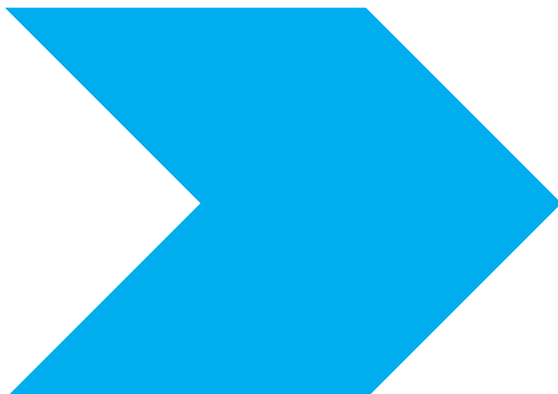
- Expanding oral film formulation
- Transdermal therapeutic patches
- Adhesive products and related products for medical treatment
- Cosmetic sheets products

#### FINE AND SPECIALTY PAPER PRODUCTS OPERATIONS

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

#### CONVERTED PRODUCTS OPERATIONS

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



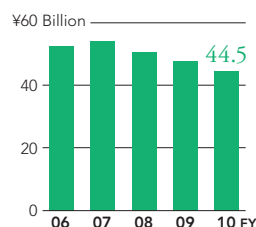
## Our Business

### PRINTING AND VARIABLE INFORMATION PRODUCTS OPERATIONS

In this division, adhesive papers and films for seals and labels, one of our mainstay products, possesses the leading share in the domestic market. Furthermore, we are aggressively exploring overseas markets, such as those in China and Southeast Asia.

In the fiscal year under review, there was recovery in demand for label materials for automobiles and consumer electronics products, which was a result of economic stimulus measures employed in Japan and overseas. However, on the whole, recovery in demand was sluggish, and accordingly net sales were down 6.7% year on year, to ¥44.5 billion.

#### NET SALES

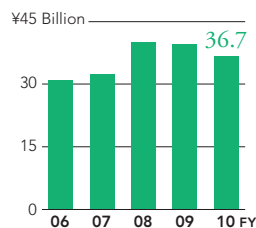


### INDUSTRIAL AND MATERIAL OPERATIONS

This division offers an incredibly diverse lineup, including materials used for photovoltaic modules, automobiles, and various industrial products; barcode label supplies and devices; films for outdoor signs and advertising; and interior finishing mounting sheets.

In the fiscal year under review, while sales of PV backsheets recovered rapidly from fall 2009, sales of window films and marking films were stagnant. Accordingly, net sales declined 7.4% year on year, to ¥36.7 billion.

#### NET SALES

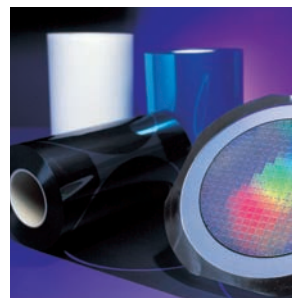
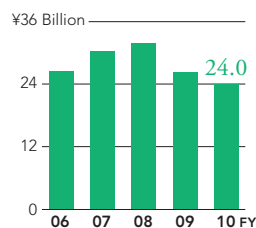


### ADVANCED MATERIALS OPERATIONS

In this division, we provide such products as specialized adhesive tapes and related equipment essential in semiconductor manufacturing and mounting processes, as well as coated films for multilayer ceramic capacitor (MLCC) production.

In the fiscal year under review, there was exceptional recovery in demand for semiconductor-related tapes and coated films for MLCC production. However, sales were adversely affected by such factors as the stagnant demand seen during the period from January to March 2009, in which overseas sales subsidiaries had their first quarter, as well as the sluggish recovery of demand for semiconductor-related equipment. This resulted in a 9.3% year on year decrease in net sales, to ¥24.0 billion.

#### NET SALES

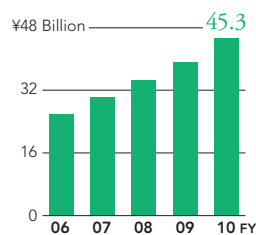


## OPTICAL PRODUCTS OPERATIONS

This division conducts adhesive processing for the optically functional films used to make LCDs; anti-glare hard coat processing and other surface improvement processing; and the manufacturing of protection film, which is used to protect the surface of polarizing film from scratches and dirt, as well as other activities.

In the fiscal year under review, the economic stimulus measures employed around the world, as well as the robust demand from emerging nations, resulted in favorable sales of LCD televisions throughout Japan and the rest of the world. This, in combination with the increase in demand for smart phones, drove the volume of sales up. Accordingly, net sales rose 15.6% year on year, to ¥45.3 billion.

### NET SALES

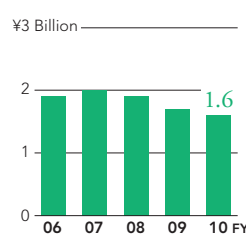


## HEALTHCARE PRODUCTS OPERATIONS

Principal activities in this division are the development of an expanding oral film formulation that swells to a jelly when moistened by a small amount of saliva and that can be easily swallowed without water, and transdermal therapeutic patches, which enable medicine to be absorbed through the skin into the body when a patch that contains medicine in the adhesive is applied to the skin. Other important products include various pressure-sensitive adhesive products for medical treatment, such as first-aid bandages.

In the fiscal year under review, we launched new products, but this was unable to offset the poor sales of existing products, and consequently net sales fell 8.0% year on year, to ¥1.6 billion.

### NET SALES

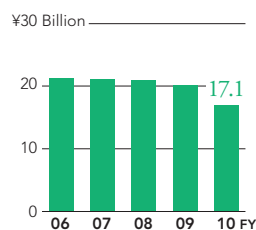


## FINE AND SPECIALTY PAPER PRODUCTS OPERATIONS

Core products in this division include color papers for envelopes and colored construction papers, with LINTEC possessing the leading share in the domestic markets for both these products; industrial-use special function papers, such as lint-free paper for use in clean-room environments; high-grade printing papers with special textures; and high-grade papers for paper products used for business cards and postcards.

In the fiscal year under review, the economic recession resulted in significant decreases in demand for mainstay color papers for envelopes, as well as construction papers and industrial-related products. As a result, net sales were down 15.4% year on year, to ¥17.1 billion.

### NET SALES

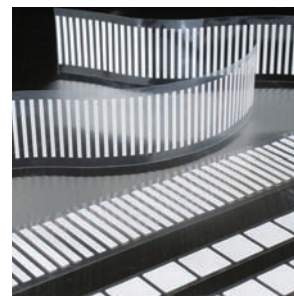
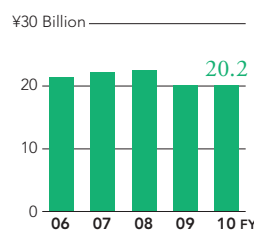


## CONVERTED PRODUCTS OPERATIONS

In this division, we manufacture and market release papers and films for use with a variety of adhesive products. We also produce casting papers for carbon fiber composite materials. Going forward, we have high expectations for carbon fiber due to its increased usage, such as in the bodies of aircraft and automobiles. Additionally, we produce casting papers that are indispensable in the production of synthetic leather.

In the fiscal year under review, sales of release films for optical-related products, release papers for flexible printed circuit (FPC) production, and casting papers for synthetic leather continued to see strong recovery. Accordingly, net sales rose 0.7% year on year, to ¥20.2 billion.

### NET SALES

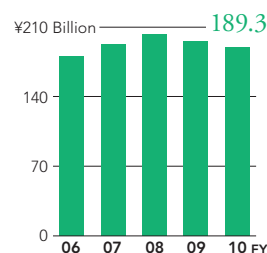


# Financial Highlights

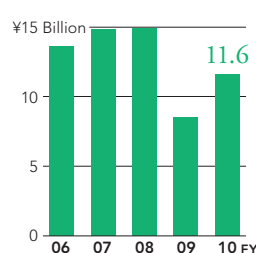
	Millions of yen except per share data			Thousands of U.S. dollars except per share data*	% change
	2010	2009	2008	2010	2010 / 2009
Net sales	<b>¥189,348</b>	¥194,901	¥202,297	<b>\$2,035,124</b>	(2.8)
Operating income	<b>11,576</b>	8,498	14,894	<b>124,424</b>	36.2
Income before income taxes	<b>11,399</b>	5,215	13,191	<b>122,523</b>	118.6
Net income	<b>7,284</b>	3,391	9,308	<b>78,290</b>	114.8
Return on equity	<b>6.2%</b>	2.9%	8.0%	<b>6.2%</b>	—
Per share data (yen and dollars)					
Net income	<b>¥ 96.36</b>	¥ 44.86	¥ 123.15	<b>\$ 1.04</b>	114.8
Net assets	<b>1,596.37</b>	1,497.58	1,598.30	<b>17.16</b>	6.6
Cash dividends	<b>24.00</b>	20.00	24.00	<b>0.26</b>	20.0
Depreciation and amortization	<b>¥ 10,537</b>	¥ 11,286	¥ 9,011	<b>\$ 113,255</b>	(6.6)
Purchases of property, plant and equipment	<b>(7,777)</b>	(9,584)	(14,700)	<b>(83,592)</b>	18.9
Net cash provided by operating activities	<b>22,259</b>	12,979	17,739	<b>239,245</b>	71.5
Net cash used in investing activities	<b>(9,253)</b>	(9,752)	(15,071)	<b>(99,454)</b>	5.1
Net cash used in financing activities	<b>(3,454)</b>	(2,300)	(769)	<b>(37,132)</b>	(50.2)
Cash and cash equivalents	<b>25,387</b>	15,370	17,315	<b>272,864</b>	65.2
Total assets	<b>195,656</b>	172,854	204,852	<b>2,102,925</b>	13.2
Net assets	<b>121,502</b>	113,930	121,635	<b>1,305,915</b>	6.6

\*The U.S. dollar amounts are translated, for convenience only, at the rate of ¥93.04 to U.S.\$1, the exchange rate prevailing on March 31, 2010.

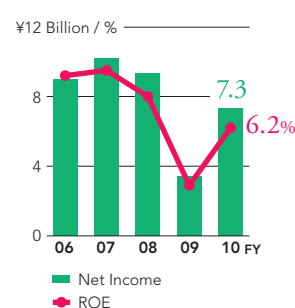
## NET SALES



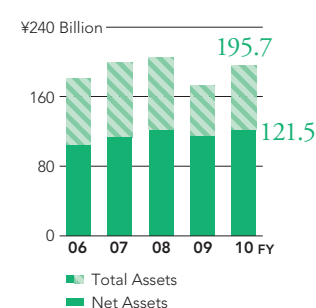
## OPERATING INCOME



## NET INCOME / ROE



## TOTAL ASSETS / NET ASSETS



**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



### To Our Shareholders and Other Investors

I would like to thank our shareholders and other investors for their continued support. In April 2010, LINTEC celebrated its 20th anniversary since it was born in 1990 from the merger of three companies. Our growth up to this point has been a result of the support of a variety of people. I would like to humbly extend my thanks to those who have supported LINTEC throughout these years.

In the fiscal year ended March 31, 2010, we continued to be faced with the harsh operating environment that has persisted since the fiscal year ended March 31, 2009. In this environment, the effects of the economic initiatives implemented around the world and domestic demand stimulus measures employed within Japan, as well as the falling prices of raw materials and fuel, were significant. Further, all Group companies worked together to implement thorough cost-cutting measures. Due to the combined effect of these factors, we saw a trend toward recovery in both sales and income throughout the fiscal year.

However, looking forward, the declining birth rate, and the aging and dwindling of the population in Japan are expected to have serious effects on the domestic economy. Conversely, in the international economy, the markets in emerging nations are rapidly expanding. At the same time, competition between companies grows increasingly fierce with each coming year.

In order for LINTEC to continue to grow and develop in this environment, it is of the utmost importance that we promote the further strengthening of our improvement and innovation activities. I believe that the key to our next leap lies in having the creativity to adapt to fluctuations in the market, while continuing to create new products that exceed the expectations of the market.

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

August, 2010

Akihiko Ouchi  
President and CEO



## Review of the Fiscal Year under Review

### We implemented exhaustive cost-cutting measures and achieved a significant increase in income.

In the global economy, the effects of economic stimulus measures employed by governments around the world during the fiscal year under review, ended March 31, 2010, brought about significant recovery in Asia, particularly in China and India. However, in western nations, consumer spending was depressed due to such factors as the slow recovery of the employment environment, and accordingly only a moderate recovery was seen. The domestic economy, on the other hand, was plagued by the compounded effects of depressed consumer spending, the strong yen, and deflation, and accordingly economic recovery was also weak.

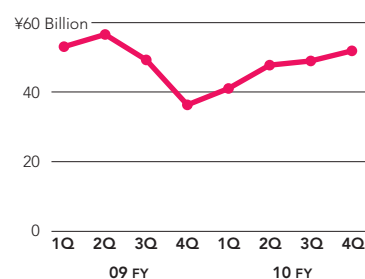
In this harsh management environment, sales of LCD-related products increased greatly due to strong demand, and sales of semiconductor-related adhesive products and electronic component-related adhesive products trended toward recovery. While we recorded a slight decrease in net sales, part of this was due to a decline in sales of overseas subsidiaries arising from the translation of sales as a result of the strong yen. Income, on the other hand, although still affected by this decline from translation of sales, increased greatly from the previous fiscal year. This was due to a variety of reasons, including the falling prices for raw materials and fuel, and the exhaustive cost-cutting measures employed in the production division. Additionally, the significant foreign exchange loss recorded in the fiscal year ended March 31, 2009, turned into a marginal increase in income during the fiscal year under review.

As a result, in the fiscal year under review, consolidated net sales declined 2.8% year on year, to ¥189.3 billion; operating income was up 36.2%, to ¥11.6 billion; and net income increased 114.8%, to ¥7.3 billion.

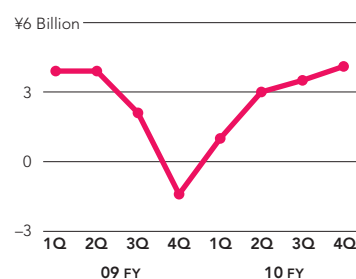
We achieved a  
significant increase  
in income.

#### QUARTERLY OPERATING RESULTS FY2009–2010

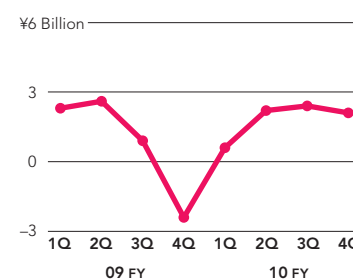
##### NET SALES



##### OPERATING INCOME



##### NET INCOME





## Forecasts for the Fiscal Year Ending March 31, 2011

**Our current performance is favorable and exceeding our initial forecasts.**

The Group's operating environment was expected to remain challenging early in the fiscal year ending March 31, 2011. Our consolidated forecasts anticipated net sales of ¥202.0 billion, operating income of ¥13.5 billion, and net income of ¥9.2 billion.

However, the current circumstances are favorable, with sales showing substantial strength due to the recovery in demand. Income is currently exceeding our initial expectations as a result of factors including raw material and fuel prices only growing slightly, and the effects of measures to cut fixed costs and manufacturing costs. Consequently, we raised our consolidated forecasts for the interim period of the fiscal year ending March 31, 2011.

Nonetheless, at this point in time we have chosen not to revise our forecasts for results over the full year. This is because economic trends in the United States and Europe are currently incredibly unclear, and there is a possibility that this might influence economies in Asia, including Japan.

Going forward, the Group will work to further cut costs, and implement a variety of other measures geared toward strengthening its profit base. Subsequently, we will aim to maximize sales and income.

## Key Management Policies for the Fiscal Year Ending March 31, 2011

**Positioning the fiscal year ending March 31, 2011, as a year of “gearing up for the next leap,” we are focusing on three key management policies.**

In the fiscal year under review, amidst the harsh management environment stemming from the global economic recession, we at LINTEC strove to meet the targets of our single fiscal year business plan. These efforts bore results, and we saw a trend toward recovery in both sales and income throughout the fiscal year. We have also established a single year business plan for the fiscal year ending March 31, 2011, and are driving forward a variety of initiatives geared toward meeting its targets. In the fiscal year ending March 31, 2012, we intend to begin a new three-year medium-term business plan and aim to leap even further. For this reason, we have positioned the fiscal year ending March 31, 2011, as a year of “gearing up for the next leap,” and are implementing measures based on the following three key management policies.

### 1. Strengthen profit base

Continuing the promotion of the Cost Reduction Project (CRP) that we began in January 2009, we are working to further cut costs, particularly focused on fixed costs. Additionally, we will revise matters relating to the raw materials used and to the design of new products as well as improve the logistics system between the receipt of materials from suppliers and the delivery of our products to our customers. By optimizing such supply chain management (SCM), we will strengthen our profit base.

Furthermore, in order to introduce new production facilities, while eliminating and consolidating existing ones, in summer 2010, we plan to complete the renovation of the Tatsuno Plant—one of our core plants for the production of adhesive-related products—that we



undertook from 2008. Going forward, we will review all of our production facilities, and work to improve our competitive edge in regard to both quality and costs by taking a “scrap and build” approach toward these facilities. This will include the aggressive introduction of new facilities with high performance and increased efficiency.

**(1) Continue promoting the CRP**

- Reduce fixed costs
- Optimize Group SCM
- Bolster cost cuts in manufacturing

**(2) Introduce new production facilities while eliminating / consolidating existing ones**

## **2. Promote business reform**

As part of our efforts geared toward the streamlining of our information infrastructure, we continued advancing the full introduction and operation of the ERP (Enterprise Resource Planning) package that we began in the fiscal year ended March 31, 2009. A part of this new system went into operation in April 2010. In the fiscal year ending March 31, 2012, we plan to complete our switch over to this new system. Through these efforts, we will increase the speed of management, standardize and improve the efficiency of business processes, and enhance the quality of customer service.

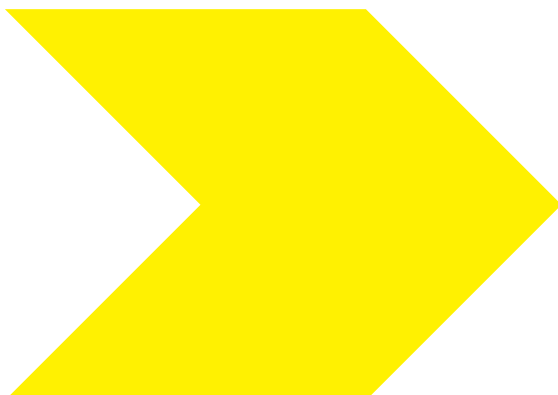
The on-site reform initiatives that we have implemented at the Ina Technology Center and the Tatsuno Plant have already produced impressive results in regard to cost reduction, inventory adjustment, and the fostering of human resources. By implementing these initiatives throughout all plants, I believe that we will be able to hone our competitive edge and create additional income.

We have positioned this year  
as a year of “Gearing up  
for the **next leap.**”

**(1) Streamline information infrastructure**

- Increase speed of management
- Standardize and improve efficiency of business processes

**(2) Promote on-site reforms throughout production section**

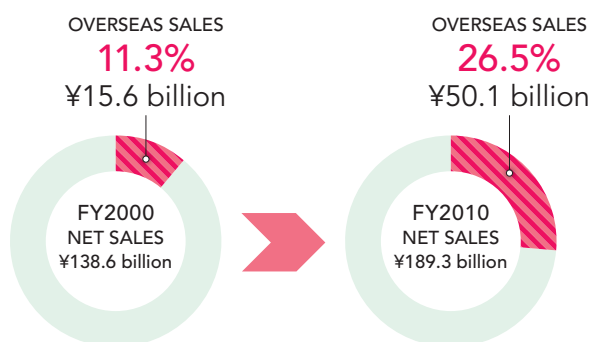


### 3. Focus on future growth

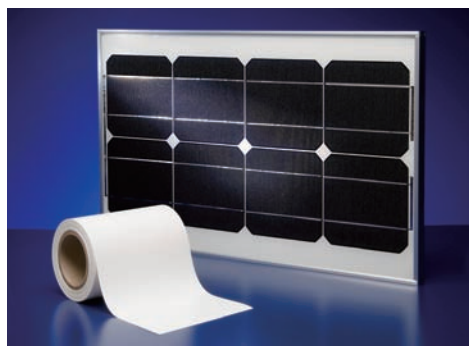
Over the past decade, LINTEC has aimed to continue developing its operations on a global scale. During this period, the rapid expansion of overseas operations has served as a driving force behind business results for the Group. In the fiscal year ending March 31, 2011, in order to establish growth strategies for Asia, we will work to bolster our local production and sales systems targeting Asian markets that have seen substantial economic growth. Through these efforts, in the near future, we hope to increase overseas sales, which currently account for one quarter of total net sales, to the point that they account for over one-third of total net sales.

Further, we are advancing development of high-value-added products focused on growth areas—such as the environment, energy, electronic device materials, display materials, and automobile components. Additionally, we will consider M&A transactions to supplement areas in which LINTEC is not as strong and to create synergies, exploit and develop markets through collaboration, and strengthen all business sections, as well as foster human resources.

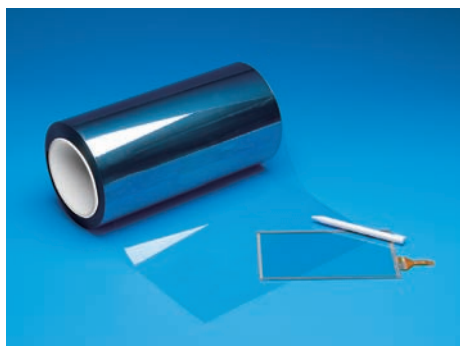
#### OVERSEAS SALES RATIO —RAPID GROWTH OVER THE PAST DECADE



- (1) Establish growth strategy for Asia
- (2) Concentrate investment of R&D in growth areas
- (3) Strengthen M&A strategy
- (4) Exploit / develop markets through collaboration and strengthening of all business sections
- (5) Foster human resources and strategic human resource management able to drive future growth



PV backsheet



Conductive film for touch panels

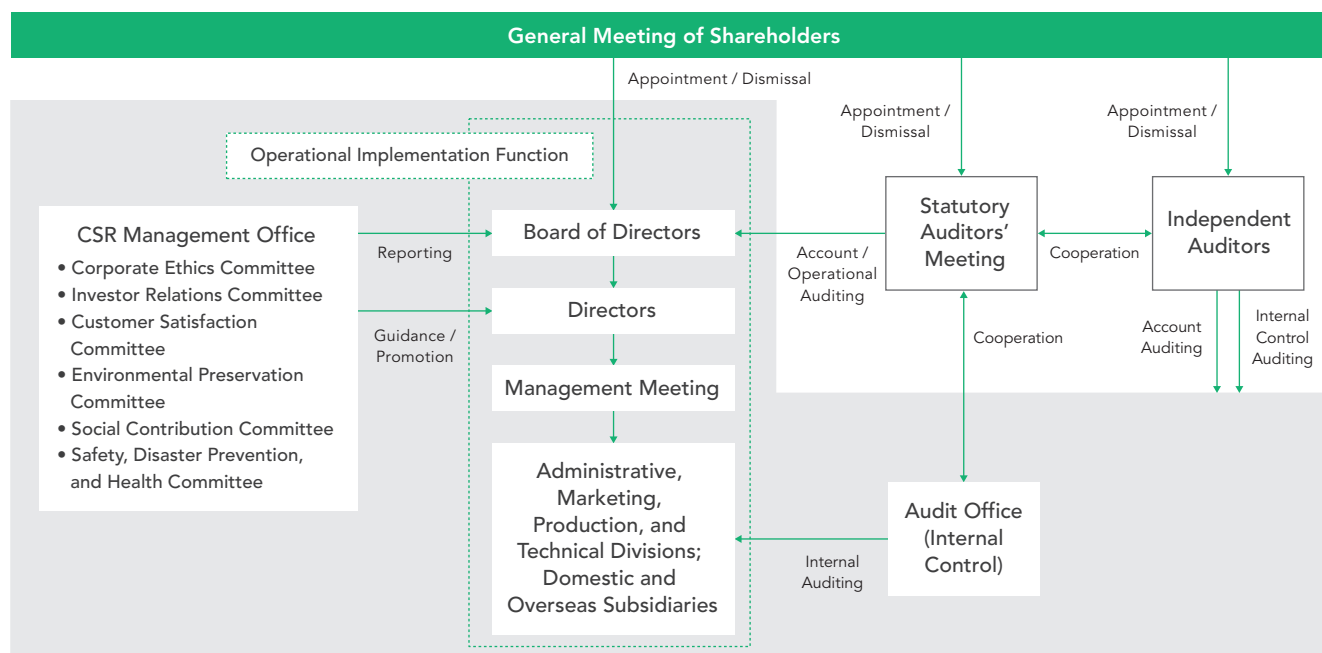


## CSR

LINTEC is committed to promoting CSR-based management, and further strengthening its corporate governance systems.

At LINTEC, we consider corporate social responsibility (CSR) to be among the most important of all our management activities. Going forward, our aim is to contribute to society as a company that is trustworthy, strong, and dynamic.

For this reason, we have established the CSR Management Office, which reports directly to the President. In addition, we have established six CSR subcommittees—on 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 organizations implement a wide variety of CSR activities. Through these efforts, we will continue to promote corporate management that balances its responsibilities toward the economy, society, and the environment. In the fiscal year under review, we implemented measures to reduce emissions of CO<sub>2</sub> and VOCs (volatile organic compounds). Additionally, we worked to develop and increase 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. Moreover, we have enhanced and thoroughly instituted corporate ethics training and disseminated corporate ethics.

In regard to corporate governance, LINTEC employs a statutory auditor system, and ensures swift management and the effectiveness of its auditing systems.

The Board of Directors consists of 16 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 and management meetings once a month. Accordingly, we are working to develop optimal management strategies.

The Statutory Auditors' Meeting is held monthly by principle. 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 Directors.

In order to maintain the objectivity and transparency of management, the Board of Directors contains two external directors. These external directors offer timely and appropriate opinions and advice, from an objective standpoint that is independent from the ranks of management, pertaining to the agenda and deliberations of the Board of Directors.

LINTEC will continue to strengthen its internal control systems and risk management systems in order to ensure swift decision making, management transparency, enhanced management oversight systems, and thorough compliance.

## Aiming to achieve sustainable growth and greater profits.

### Shareholder Returns

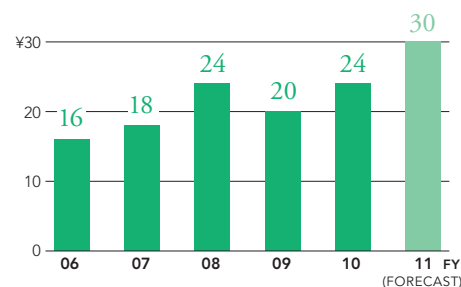
**In the fiscal year ending March 31, 2011, we intend to raise dividends by ¥6, and will work to further enhance shareholder returns going forward.**

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.

Initially, we had planned to pay annual cash dividends of ¥20 per share, and accordingly paid an interim dividend of ¥10 per share. However, consolidated business results exceeded our original forecasts. This was a result of net sales that maintained a level above our initial expectations, coupled with higher income stemming from such factors as the effects of cost-cutting measures. Based on this, we decided to raise the year-end dividend by ¥4 per share, to a total of ¥14. Combined with the interim dividend, this made for annual cash dividends totaling ¥24 per share. Accordingly, the consolidated dividend payout ratio in the fiscal year under review was 24.9%.

In the fiscal year ending March 31, 2011, we plan to raise dividends by ¥6 per share, for a total annual cash dividends of ¥30 per share. Going forward, we aim to achieve sustainable growth and greater profits, and will work to further increase shareholder returns.

#### CASH DIVIDENDS PER SHARE



#### Dividend Policy

Increase business earnings and strengthen the Company's financial position from a long-term perspective while paying dividends that reflect consolidated business results

## R&D Activities

As a technology-centered company, we realize that strengthening R&D capabilities is one of our most important strategies for achieving sustainable growth. Through original technological capabilities and research based on dialogues with markets, we are developing innovative products that generate demand, providing solutions, and accelerating the resolution of customers' technological issues.

### R&D EXPENSES



### ORGANIZATIONAL STRUCTURE

#### Research & Development Div.

##### Research Center

##### Product Research Dept.

- Electronic & Optical Materials Lab.
- LCD Materials Lab.
- Adhesive Materials Lab.
- Release Materials Lab.
- Processing Technology Section

##### New Materials Research Dept.

- Material Design Lab.
- Device Materials Lab.
- Healthcare Lab.

##### Production System Technology Dept.

##### Intellectual Property Dept.

##### R&D Strategy Dept.

##### Ina Technology Center

### OUR FOUR CORE TECHNOLOGIES

#### Pressure-sensitive adhesive applications

Through the development of adhesives and substrates and the combination of related technologies, we are expanding the range of fields in which the basic functions of adhesive products are utilized.

#### Material quality and functionality enhancement

Through the chemical and physical processing of paper, film, and adhesives, we are enhancing their characteristics and adding new functionality.

#### Specialty paper and composite material production

We use original papermaking technologies and coating, impregnation, and laminating technologies to develop specialty papers and high-value-added materials that transcend traditional concepts of paper.

#### System development

Through systematizing machinery and equipment and building high-level systems that draw on the distinctive characteristics of materials, we are providing advanced solutions.

## Basic Policy

As a technology-centered company, developing innovative products that generate demand and offering solutions based on these products drives our growth. We have built our preeminent market position by advancing and linking individual technologies for pressure-sensitive adhesives and other areas to add further value to our sheet materials and increase their application.

In the year ended March 31, 2010, continuing from the previous fiscal year, we developed technologies and new products based on our medium-to-long-term R&D plan. We pursued research that emphasizes customer needs and dialogues with markets, concentrating particularly on developing functional materials and related processing technologies. As a result, the LINTEC Group invested a total of ¥6.1 billion in R&D, practically unchanged year on year.

## 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. In April 2008, all of the laboratories were reorganized into the Product Research Department and the New Materials Research Department to strengthen our systems toward achieving the goals of timely R&D that meets the needs of the age and R&D for new products that will support LINTEC's growth in the future.

Developing and producing a variety of equipment, our Ina Technology Center is working particularly hard to develop and strengthen semiconductor-related equipment and production systems. Moreover, the Group also 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 coating technology.

## Technological Foundations

We will combine our four core technologies of pressure-sensitive adhesive applications, material quality and functionality enhancement, specialty paper and composite material production, and system development to develop and supply highly distinctive products unlike anything else available in the market.

Supported by data that we have accumulated over many years of research, we develop and supply industry-leading adhesive-use technology and products. We also develop many types of devices for the application and removal of our products. This ability to provide total solutions is LINTEC's major strength.

In order to further develop and expand our technological foundations, we are not only conducting in-house R&D but also proactively initiating technological alliances with industry, government, and academia. Our goal is to develop new technologies and products by integrating different technological areas. Through initiatives to develop materials and equipment, we intend to add further value to our sheet products and extend their range of application.



### Research Center

Researching and developing pressure-sensitive adhesive agents, release agents, precision coatings, etc.



### Ina Technology Center

Developing and producing semiconductor-related equipment and adhesive related equipment



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

### Pressure-sensitive Adhesive-related Products

- **Electronic and optical devices products**

We developed a DBG + LE system that combines a DBG (dicing before grinding) system, which supports the production of thinner LSI chips, with LE Tape, which functions as both dicing tape and die bonding tape. By making possible multi-layer 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 semiconductor production tape. In the fiscal year under review, we focused on the development of equipment and processes suitable for ultra thin silicon wafers and the development of environmentally friendly devices.

- **Optical-related products**

We made further progress with the adhesives used in laminating optical functional films. This progress includes adding antistatic properties to an innovative adhesive that offers both outstanding durability and reworkability, and developing this adhesive for use in a diverse range of production processes. In addition, by leveraging the application of original technologies, such as an antiglare coating that offers both low gloss and high transparency, we continue to focus on the development of optical-related products that are utilized in the field of flat panel displays.

- **Healthcare-related products**

We made progress with the basic technology for film pharmaceutical products that are easy to swallow without water because they become a jelly on contact with small amounts of saliva. Through an operational and technological tie-up with ASKA Pharmaceutical Co., Ltd., we have been jointly developing next-generation oral film formulations. We continue to move forward with research into the use of this technology as a new drug delivery system that contributes to improving the quality of life of patients.

- **Printing- and information-related products**

Our environmentally friendly label materials have substrates that are made of the same materials as those used in molded plastic. Consequently, these materials enable plastic to be

recycled without removing the labels. In the year under review, we created a lineup of removable labels that facilitate the reuse or recycling of parts from OA equipment and consumer electronics products. In addition, we developed a glossy lamination film made with a new material that possesses the structural color function. The color of the printed surface changes with viewing angle, and the surface has a metallic finish.

Moreover, in printing equipment related products, our development activities are centered on printing machines that are optimally suited to the special characteristics of the Company's label materials. In the year under review, we developed an improved version of the LPM-300, an intermittent letterpress, as well as a printing machine for the China market. We also worked to develop equipment that combines roll-to-roll web handling technologies and processing technologies.

- **Commercial- and industrial-related products**

We launched a new, highly moisture-proof type of PV backsheet that utilizes special vapor deposition film. With this aluminum-free product, we realized the lowest level of moisture vapor transmission in the industry. As a result, this PV backsheet will contribute to increasing the reliability of PV modules. In addition, we developed a new decorative glass film for household use that offers superior adhesive performance. This product's special design enables anyone to achieve beautiful results with simple application, and it has a soft curtain effect.

In industrial equipment related products, meanwhile, our development activities are centered on labeling systems for the automated application of adhesive labels. In the fiscal year under review, we focused on the development of equipment for the automotive-related, distribution, and mail-order industries.

### Paper-related Products

In fine and specialty paper products, we launched a number of new colors in our lineup of color papers for envelopes.

In release materials, we developed a release agent processing method for light release that is resistant to silicone transfer and is intended for non-carrier adhesive sheets with no base film. Furthermore, by reevaluating the product structure, we were able to complete the development of pseudo-adhesive label base material with stable quality. We market this product for use in labels for various mail order and package delivery documents.



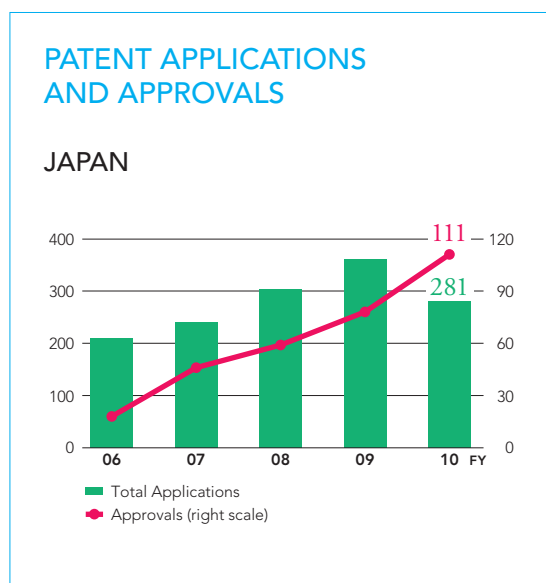
# Intellectual Property

We aim to increase corporate value by supplying original products developed through our continuous R&D efforts. These products constitute our intellectual property and are important management resources.

To protect these resources, we have established the Intellectual Property Department within the Research & Development Division. The department's fundamental functions are to support operational activities through patent applications and to build barriers to protect intellectual property.

The department works to increase the freedom of operational activities, minimize the risks accompanying operations, and enhance motivation among technical staff. In addition to preparing and submitting patent applications, it monitors for infringement of rights and consults with researchers in the early stages of product development and also in the discovery stage at our R&D locations. In other words, the department is engaged in comprehensive and strategic activities to protect our intellectual property.

As well as increasing the number and quality of patent applications and rights acquisitions, we are working to supplement and rebuild 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 increase profitability based on our intellectual property.



# Board of Directors

As of June 25, 2010

## President and Chief Executive Officer



**Akihiko Ouchi**

## Senior Managing Directors



**Hitoshi Asai**

General Manager, Administration Div.  
General Director, Corporate Strategic Office



**Shigeru Kawasaki**

General Manager, Business Administration Div.  
General Director, Fine and Specialty Paper Products, Converted Products, Printing and Variable Information Products and Healthcare Products Operations, Business Administration Div.

## Managing Directors



**Koichi Oiwa**

General Director, Production Div.;  
Plant Manager, Kumagaya Plant



**Yukio Hamada**

General Manager, Optical Products Operations,  
Business Administration Div.;  
Plant Manager, Shingu Plant, Production Div.



**Koji Ichihashi**

Assistant General Manager, Business Administration Div.;  
General Director, Industrial & Material Operations,  
Business Administration Div.



**Kenji Kobayashi**

General Manager, Research & Development Div.



**Makoto Iiumi**

Assistant General Manager, Business Administration Div.;  
General Director, Advanced Materials Operations,  
Business Administration Div.

## Statutory Auditors

Katsuhisa Utsumi

Toshio Yamamoto

## Auditors

Masaru Motomura (External Auditor)

Kazumi Idogawa (External Auditor)

## Directors



**Ryuichi Akatsu**

(External Director)  
Director, General Manager, Communication & Industrial Paper Sales Division, Nippon Paper Industries Co., Ltd.



**Michio Abe**

(External Director)  
Former Corporate Auditor, Yamato Holdings Co., Ltd.



**Yoshiyuki Yamato**

General Manager,  
Quality Assurance and Environmental Protection Div.



**Keita Yoshikawa**

General Manager,  
General Affairs & Personnel Div. and CSR Management Office



**Kazuma Okamoto**

General Manager,  
Osaka Branch Office, Business Administration Div.



**Koji Koyama**

General Manager, Production Div.



**Seiji Takemura**

Plant Manager, Mishima Plant, Production Div.



**Kazuyoshi Ebe**

Assistant General Manager,  
Research & Development Div., General Manager, Research Center and Intellectual Property Dept.



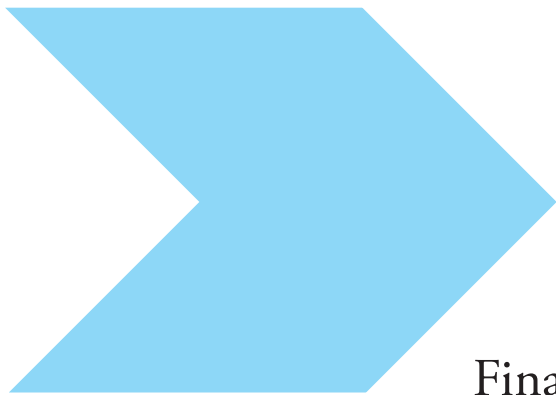
**Toshikazu Yamada**

Plant Manager, Tatsuno Plant, Production Div.



**Hiroyuki Nishio**

General Manager, Corporate Strategic Office



## Financial Section

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# Financial Summary

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31

	2010	2009	2008	2007
<b>For the year:</b>				
Net sales	¥189,348	¥194,901	¥202,297	¥192,723
Operating income	11,576	8,498	14,894	14,798
% of net sales	6.1%	4.4%	7.4%	7.7%
Income (loss) before income taxes	11,399	5,215	13,191	14,298
Net income (loss)	7,284	3,391	9,308	10,238
Return on equity	6.2%	2.9%	8.0%	9.5%
Return on assets	6.1%	3.0%	6.6%	7.7%
Per share data (yen):				
Net income (loss)	¥ 96.36	¥ 44.86	¥ 123.15	¥ 135.44
Net assets	1,596.37	1,497.58	1,598.30	1,489.87
Cash dividends	24.00	20.00	24.00	18.00
Depreciation and amortization	¥ 10,537	¥11,286	¥ 9,011	¥ 7,701
Purchases of property, plant and equipment	(7,777)	(9,584)	(14,700)	(11,646)
Net cash provided by operating activities	22,259	12,979	17,739	13,734
Net cash used in investing activities	(9,253)	(9,752)	(15,071)	(12,200)
Net cash used in (provided by) financing activities	(3,454)	(2,300)	(769)	(68)
<b>At year-end:</b>				
Current assets	¥121,451	¥95,937	¥120,028	¥117,531
Current liabilities	58,654	43,655	67,631	67,950
Working capital	62,797	52,282	52,397	49,581
Cash and cash equivalents	25,387	15,370	17,315	15,550
Property, plant and equipment, net	63,337	67,010	73,711	68,377
Long-term debt, less current portion	54	107	201	280
% of shareholders' equity	0.0%	0.1%	0.2%	0.3%
Total assets	195,656	172,854	204,852	198,526
Net assets	121,502	113,930	121,635	113,397
% of total assets	61.7%	65.5%	59.4%	57.1%
Number of shares outstanding	76,564,240	76,564,240	76,564,240	76,564,240
Number of employees	4,037	3,987	3,802	3,708
<b>Segment information:</b>				
Net sales:				
Pressure-sensitive adhesive related operations	¥146,324	¥149,473	¥151,902	¥143,556
Paper-related operations	43,023	45,427	50,395	49,167
Operating income:				
Pressure-sensitive adhesive related operations	5,828	6,236	10,801	10,662
Paper-related operations	5,746	2,262	4,087	4,147

Highlighted areas denote all-time high marks.

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

2006	2005	2004	2003	2002	2001
¥180,334	¥171,689	¥158,947	¥148,984	¥137,160	¥150,834
13,618	12,370	10,298	7,440	2,860	7,326
7.6%	7.2%	6.5%	5.0%	2.1%	4.9%
13,214	11,838	12,182	3,239	865	(13,903)
9,011	7,759	7,778	1,592	616	(8,052)
9.2%	9.0%	10.2%	2.2%	0.8%	(10.4)%
7.7%	7.1%	6.0%	4.2%	1.6%	4.1%
¥ 118.34	¥ 108.76	¥ 111.90	¥ 22.18	¥ 8.85	¥ (116.48)
1,370.85	1,226.28	1,149.19	1,055.22	1,052.61	1,031.92
16.00	14.00	12.00	12.00	12.00	12.00
¥ 6,823	¥ 6,216	¥ 5,503	¥ 5,722	¥ 5,668	¥ 5,719
(12,715)	(8,699)	(8,699)	(5,645)	(8,077)	(5,088)
17,005	11,163	9,475	10,099	10,237	8,804
(13,199)	(8,964)	(8,497)	(7,400)	(7,487)	(2,972)
(2,789)	(411)	(1,672)	(7,098)	(3,749)	(11,453)
¥104,433	¥ 97,510	¥ 90,437	¥ 85,195	¥ 89,838	¥101,556
57,748	54,816	58,109	50,255	50,808	59,871
46,685	42,694	32,328	34,940	39,030	41,685
13,766	9,191	6,254	6,921	11,649	11,453
63,176	56,411	53,879	54,699	55,950	53,127
347	429	622	7,720	8,870	11,203
0.3%	0.5%	0.8%	10.6%	12.1%	15.6%
181,158	169,590	162,708	156,439	159,076	168,850
104,362	92,768	80,347	72,577	73,268	71,893
57.6%	54.7%	49.4%	46.4%	46.1%	42.6%
76,564,240	76,564,240	70,817,980	69,629,677	69,629,677	69,629,677
3,537	3,421	3,171	3,233	3,208	3,225
¥133,054	¥125,359	¥115,663	¥106,783	¥96,185	¥104,899
47,280	46,330	43,284	42,201	40,975	45,935
9,498	8,250	6,164	4,049	1,277	4,689
4,119	4,120	4,134	3,391	1,583	2,637

# Management's Discussion and Analysis

## Revenues and Expenses

In the fiscal year under review, sales of LCD-related products increased due to higher demand, and sales of semiconductor-related products and electronic component related products followed a recovery trend. However, the strong yen had the effect of reducing the sales of overseas subsidiaries when converted to yen, and consolidated net sales were down slightly, declining 2.8% year on year, to ¥189.3 billion.

Due to lower raw materials and fuel prices and to the effects of thorough cost-cutting initiatives in production divisions, gross profit increased 4.5%, to ¥37.6 billion.

Selling, general and administrative expenses decreased 5.3% year on year, to ¥26.1 billion, due in part to a substantial contribution made by the Company's efforts to reduce fixed costs. Consequently, operating income was up 36.2%, to ¥11.6 billion.

Income before income taxes increased 118.6%, to ¥11.4 billion, primarily because the Company recorded a small foreign exchange gain, following a significant foreign exchange loss in the previous fiscal year. Income taxes after the application of tax effect accounting principles amounted to ¥4.0 billion.

As a result of these factors, net income rose 114.8%, to ¥7.3 billion. Net income per share increased from ¥44.87 in the previous fiscal year to ¥96.36, and return on equity (ROE) rose from 2.9% to 6.2%.

## Performance by Operational Segment

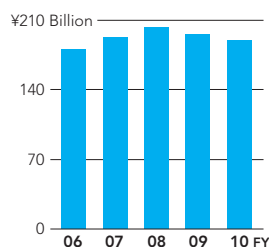
### Pressure-sensitive adhesive related operations

Demand for adhesive papers and films for seals and labels followed a recovery trend in Japan, China, and Southeast Asia, but the pick-up in demand was moderate, and sales of these products declined year on year. In commercial- and industrial-related products, demand for PV backsheets and automobile-use adhesive products did not recover until the second half of the year, and consequently overall sales were down year on year.

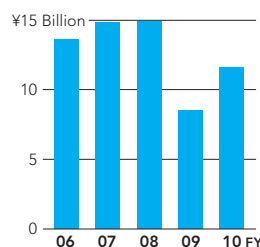
Sales of LCD-related adhesive products were up substantially year on year, with support from demand for LCD TVs. Demand for semiconductor-related adhesive products followed a recovery trend, but sluggish demand in the first half of the fiscal year had a substantial adverse impact, and consequently sales of these products were down year on year. In semiconductor-related equipment, orders recorded significant improvement in the second half as semiconductor manufacturers stepped up capital investment, but sales were down year on year.

Consequently, overall net sales in pressure-sensitive adhesive related operations declined 2.1%, to ¥146.3 billion, and operating income decreased 6.5%, to ¥5.8 billion.

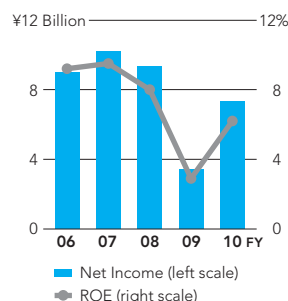
NET SALES



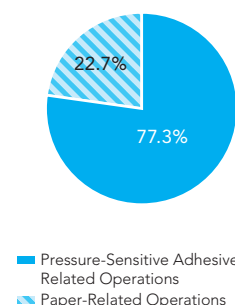
OPERATING INCOME



NET INCOME / ROE



SALES BY BUSINESS SEGMENT



### Paper-related operations

In fine and specialty paper products, due to the influence of sluggish business conditions, demand for mainstay color papers for envelopes and demand for construction materials and industrial-related products were down by a large margin. As a result, sales declined substantially.

In converted materials, orders for release films for optical-related applications, coated films for multilayer ceramic capacitor production, and release papers for flexible printed circuit (FPC) production, recovered rapidly in the second half of the fiscal year. As a result, sales of converted materials increased slightly.

Consequently, overall net sales in paper-related operations decreased 5.3%, to ¥43.0 billion, while operating income rose 154.0%, to ¥5.7 billion, due to declines in raw materials and fuel prices and to the effects of cost-cutting measures.

\* Pressure-sensitive adhesive related operations comprise the products handled by the following operational segments: Printing and variable information products operations; Industrial and material operations; Optical products operations; and Healthcare products operations; as well as the products handled by Advanced materials operations, other than coated films for multilayer ceramic capacitors production. Paper-related operations comprise the products handled by Fine and specialty paper products operations and Converted products operations, as well as the coated films for multilayer ceramic capacitors production handled by Advanced materials operations.

## Performance by Region

### Japan

Due to the effects of economic stimulus measures, sales of label materials for automobiles and consumer electronics products followed a recovery trend, but overall, the recovery in demand was moderate, and sales of adhesive materials for printing were down year on year. Demand for automobile-related products did not recover until the second half of the fiscal year, and demand for window films was weak. As a result, sales of commercial- and industrial-related products decreased year on year.

Sales of LCD-related adhesive products increased substantially year on year. This increase was attributable in part to favorable sales of LCD TVs stemming from measures to stimulate internal demand in Japan and overseas. Sales of semiconductor-related adhesive products rose due to a solid recovery in demand.

Sales of fine and specialty paper products decreased substantially, as sluggish business conditions led to substantial declines in demand for the Company's mainstay color papers for envelopes as well as for construction materials and industrial-related products. Sales of converted materials increased due to a steady recovery in demand for release films for optical related applications, coated films for MLCC production, and release papers for FPC production.

As a result, net sales in Japan remained in line with the previous fiscal year at ¥150.2 billion, while operating income was up 189.4%, to ¥6.8 billion, due to declines in raw materials and fuel prices and to the effects of cost-cutting measures.

### Asia

In South Korea and Taiwan, sales of LCD-related adhesive products grew substantially, due in part to the positive effects of demand in emerging countries. Sales of semiconductor-related adhesive products and coated films for multilayer ceramic capacitors production recovered from early spring in 2009. However, demand was sluggish in the January to March period of 2009, and the strong yen had the effect of reducing sales of overseas subsidiaries when converted to yen. Consequently, net sales in the fiscal year under review were down 9.2% year on year, to ¥28.5 billion, and operating income declined 18.0%, to ¥3.6 billion.

### Other regions

Sales of PV backsheets increased substantially, but the increase was only minimal when translated into yen, because of the effect of the strong yen. Further, the demand in the other regions was sluggish in the first quarter. As a result, net sales were down 20.3%, to ¥10.6 billion, and operating income declined 39.5%, to ¥1.0 billion.

## Financial Condition

Total current assets at the end of the fiscal year under review were up 26.6% year on year, to ¥121.5 billion, primarily due to a rise in notes and accounts receivable that accompanied the increase in sales. Non-current assets were down 3.5%, to ¥74.2 billion. Total assets increased 13.2%, to ¥195.7 billion.

Current liabilities were up 34.4%, to ¥58.7 billion, due in part to an increase in purchasing-liabilities stemming from the increase in sales. Long-term liabilities rose 1.5%, to ¥15.5 billion.

Total net assets increased 6.6%, to ¥121.5 billion, due in part to the increase in retained earnings. Consequently, net assets per share increased from ¥1,497.58 at the end of the previous fiscal year, to ¥1,596.37, and the shareholders' equity ratio declined from 65.5% to 61.7%.

## Cash Flow

Net cash provided by operating activities increased ¥9.3 billion, to ¥22.3 billion. This rise was primarily due to an increase in income before income taxes of ¥6.2 billion.

Net cash used in investing activities decreased ¥0.5 billion, to ¥9.3 billion. The primary factor behind this decline was a ¥1.8 billion decrease in purchases of property, plant and equipment.

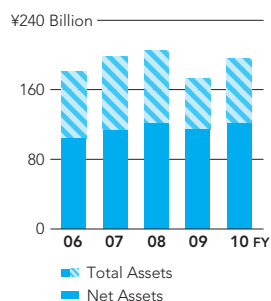
Net cash used in financing activities increased ¥1.2 billion, to ¥3.5 billion. This increase was mainly due to a net decrease of ¥2.1 billion in short-term borrowings.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥25.4 billion, an increase from ¥15.4 billion in the previous fiscal year.

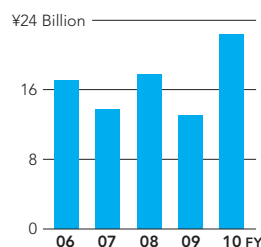
## Dividends

Total cash dividends per share for the fiscal year under review increased ¥4.00 year on year, to ¥24.00, which comprised an interim dividend of ¥10.00 per share and a year-end dividend of ¥14.00 per share. For the fiscal year ending March 31, 2011, we forecast the annual dividend will be increased by ¥6.00 year on year, to ¥30.00 per share.

TOTAL ASSETS / NET ASSETS



NET CASH PROVIDED BY OPERATING ACTIVITIES





# 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 25, 2010.

## 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 not be able 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 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.

# Consolidated Balance Sheets

LINTEC Corporation and its consolidated subsidiaries  
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 9, 11)	¥ 27,474	¥ 16,271	\$ 295,296
Trade notes and accounts receivable (Note 11)	64,089	47,750	688,833
Inventories (Note 3)	24,686	26,992	265,330
Deferred tax assets (Note 16)	2,202	1,924	23,675
Other	3,225	3,225	34,667
Allowance for doubtful accounts	(226)	(226)	(2,431)
Total current assets	121,451	95,937	1,305,371
<b>Non-current assets:</b>			
<b>Property, plant and equipment (Notes 6, 8, 10):</b>			
Buildings and structures	54,044	51,660	580,869
Machinery, equipment and vehicles	99,250	98,487	1,066,747
Land	8,681	8,655	93,312
Construction in progress	480	1,728	5,164
Other	9,804	9,219	105,381
	172,261	169,752	1,851,475
Accumulated depreciation	(108,923)	(102,741)	(1,170,721)
Property, plant and equipment, net	63,337	67,010	680,753
Intangible assets (Note 10):	1,334	381	14,342
<b>Investments and other assets:</b>			
Investment securities (Notes 11, 12)	2,632	2,301	28,295
Deferred tax assets (Note 16)	5,501	5,807	59,130
Other	1,569	1,578	16,868
Allowance for doubtful accounts	(170)	(162)	(1,837)
Total investments and other assets	9,532	9,525	102,457
Total non-current assets	74,204	76,917	797,554
<b>Total assets</b>	<b>¥ 195,656</b>	<b>¥ 172,854</b>	<b>\$ 2,102,925</b>

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Trade notes and accounts payable (Note 11)	¥ 44,071	¥ 29,514	\$ 473,683
Short-term borrowings (Notes 11, 22)	1,424	3,430	15,306
Accrued income taxes (Notes 11, 16)	3,555	267	38,216
Provision for director's bonuses	69	24	749
Other	9,533	10,417	102,468
Total current liabilities	58,654	43,655	630,424
<b>Non-current liabilities:</b>			
Long-term debt, less current portion (Notes 11, 22)	54	107	582
Accrued pension costs (Note 14)	14,032	14,398	150,821
Provision for environmental measures	150	—	1,612
Other	1,262	764	13,569
Total non-current liabilities	15,499	15,269	166,585
<b>Contingent liabilities</b> (Note 2)			
<b>Net assets:</b>			
<b>Shareholders' equity</b> (Note 21):			
Common stock:			
Authorized: 300,000,000 shares in 2010 and 2009			
Issued: 76,564,240 shares in 2010 and 2009	23,201	23,201	249,369
Capital surplus	26,830	26,830	288,371
Retained earnings	76,916	70,707	826,700
Less: treasury stock, at cost:			
970,630 shares in 2010 and 969,277 shares in 2009	(1,034)	(1,032)	(11,121)
Total shareholders' equity	125,912	119,706	1,353,320
<b>Valuation and translation adjustments:</b>			
Net unrealized holding gain (loss) on securities	96	(87)	1,038
Foreign currency translation adjustments	(5,334)	(6,408)	(57,330)
Total valuation and translation adjustments	(5,237)	(6,496)	(56,292)
Share subscription rights (Note 15)	67	41	729
Minority interests	759	679	8,158
Total net assets	121,502	113,930	1,305,915
<b>Total liabilities and net assets</b>	<b>¥195,656</b>	<b>¥172,854</b>	<b>\$2,102,925</b>

# Consolidated Statements of Income

LINTEC Corporation and its consolidated subsidiaries  
Years ended March 31, 2010 and 2009

	2010	2009	Thousands of U.S. dollars (Note 1)
	Millions of yen		
<b>Net sales</b>	<b>¥189,348</b>	<b>¥194,901</b>	<b>\$2,035,124</b>
<b>Cost of sales</b>	<b>151,702</b>	<b>158,874</b>	<b>1,630,513</b>
Gross profit	37,645	36,026	404,611
<b>Selling, general and administrative expenses (Notes 4, 5)</b>	<b>26,068</b>	<b>27,528</b>	<b>280,186</b>
Operating income	11,576	8,498	124,424
<b>Non-operating income:</b>			
Interest income	103	197	1,108
Dividends income	74	83	799
Rent income	58	52	625
Foreign exchange gain	256	—	2,761
Other income	299	427	3,214
Total non-operating income	791	760	8,509
<b>Non-operating expenses:</b>			
Interest expense	21	91	235
Loss on retirement of noncurrent assets	477	431	5,134
Compensation expenses	433	563	4,659
Foreign exchange loss	—	2,225	—
Other expense	134	293	1,450
Total non-operating expense	1,068	3,605	11,479
Ordinary income	11,300	5,654	121,453
<b>Extraordinary income:</b>			
Gain on sales of noncurrent assets (Note 6)	283	—	3,047
Subsidy	111	—	1,199
Total extraordinary income	395	—	4,247
<b>Extraordinary loss:</b>			
Provision for environmental measures	150	—	1,612
Loss on recycling of foreign currency translation adjustments (Note 7)	132	—	1,424
Loss on valuation of membership	12	—	139
Impairment loss (Note 8)	—	339	—
Loss on valuation of investment securities	—	99	—
Total extraordinary expense	295	439	3,176
Income before income taxes	11,399	5,215	122,523
<b>Income taxes (Note 16):</b>			
Current	4,083	1,539	43,889
Deferred	(46)	290	(496)
<b>Minority interests</b>	<b>78</b>	<b>(5)</b>	<b>840</b>
<b>Net income (Note 21)</b>	<b>¥ 7,284</b>	<b>¥ 3,391</b>	<b>\$ 78,290</b>

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, 2010 and 2009

	Thousands											Millions of yen
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
<b>Balance as at March 31, 2008</b>	76,564	¥23,201	¥26,818	¥69,488	¥(1,037)	¥118,471	¥292	¥2,050	¥2,342	¥47	¥773	¥121,634
Changes during the year:												
Cash dividends				(2,040)		(2,040)						(2,040)
Net income				3,391		3,391						3,391
Purchase of treasury stock					(4)	(4)						(4)
Disposal of treasury stock			11		9	21						21
Decrease of retained earnings by U.S. pension plan				(131)		(131)						(131)
Reserve fund for employee benefit				(1)		(1)						(1)
Net changes in items other than shareholders' equity							(380)	(8,459)	(8,839)	(5)	(94)	(8,939)
<b>Total changes during the year</b>	—	—	11	1,218	4	1,234	(380)	(8,459)	(8,839)	(5)	(94)	(7,704)
<b>Balance as at March 31, 2009</b>	76,564	23,201	26,830	70,707	(1,032)	119,706	(87)	(6,408)	(6,496)	41	679	113,930
Changes during the year:												
Cash dividends				(1,133)		(1,133)						(1,133)
Net income				7,284		7,284						7,284
Purchase of treasury stock					(2)	(2)						(2)
Disposal of treasury stock			0		0	0						0
Increase of retained earnings by U.S. pension plan				58		58						58
Net changes in items other than shareholders' equity							184	1,074	1,259	25	80	1,365
<b>Total changes during the year</b>	—	—	0	6,209	(2)	6,206	184	1,074	1,259	25	80	7,572
<b>Balance as at March 31, 2010</b>	76,564	¥23,201	¥26,830	¥76,916	¥(1,034)	¥125,912	¥ 96	¥(5,334)	¥(5,237)	¥67	¥759	¥121,502

	Thousands											Thousands of U.S. dollars (Note 1)
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments	Share subscription rights	Minority interests	Total net assets
<b>Balance as at March 31, 2009</b>	76,564	\$249,369	\$288,370	\$759,964	\$(11,096)	\$1,286,607	\$ (944)	\$(68,882)	\$(69,827)	\$450	\$7,298	\$1,224,529
Changes during the year:												
Cash dividends				(12,187)		(12,187)						(12,187)
Net income				78,290		78,290						78,290
Purchase of treasury stock					(26)	(26)						(26)
Disposal of treasury stock			0		1	2						2
Increase of retained earnings by U.S. pension plan				632		632						632
Net changes in items other than shareholders' equity							1,983	11,551	13,535	278	860	14,674
<b>Total changes during the year</b>	—	—	0	66,735	(24)	66,712	1,983	11,551	13,535	278	860	81,386
<b>Balance as at March 31, 2010</b>	76,564	\$249,369	\$288,371	\$826,700	\$(11,121)	\$1,353,320	\$1,038	\$(57,330)	\$(56,292)	\$729	\$8,158	\$1,305,915

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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 11,399	¥ 5,215	\$122,523
Depreciation and amortization	10,537	11,286	113,255
Amortization of negative goodwill	(11)	(13)	(119)
Decrease in accrued pension costs	(289)	(690)	(3,107)
Increase in allowance for doubtful accounts	5	177	53
Interest and dividends income	(177)	(281)	(1,907)
Interest expense	21	91	235
Loss (Gain) on sales of property, plant and equipment	(284)	110	(3,055)
Loss on retirement of property, plant and equipment	375	357	4,035
Trade notes and accounts receivable	(16,159)	20,615	(173,680)
Inventories	2,537	16	27,276
Trade notes and accounts payable	14,300	(20,087)	153,701
Loss (Gain) on sales of investment securities	(8)	—	(95)
Loss (Gain) on valuation of investment securities	4	99	53
Impairment loss	—	339	—
Loss on valuation of membership	12	—	139
Loss on recycling of foreign currency translation adjustment	132	—	1,424
Increase in provision for environmental measures	150	—	1,612
Other, net	(455)	(917)	(4,890)
Subtotal	22,092	16,320	237,454
Interest and dividends income received	179	284	1,927
Interest expense paid	(24)	(93)	(264)
Income taxes (paid) refund	11	(3,532)	127
Net cash provided by operating activities	22,259	12,979	239,245
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(5,863)	(2,612)	(63,025)
Proceeds from withdrawal of time deposits	4,697	2,564	50,487
Purchases of property, plant and equipment	(7,777)	(9,584)	(83,592)
Proceeds from sales of property, plant and equipment	415	51	4,465
Purchases of intangible assets	(589)	(93)	(6,333)
Purchases of investment securities	(5)	(3)	(56)
Proceeds from investment securities	17	—	192
Purchases of investment in subsidiaries	(28)	(7)	(308)
Payment of loans receivable	(132)	(140)	(1,428)
Collection of loans receivable	11	61	124
Other, net	1	11	20
Net cash used in investing activities	(9,253)	(9,752)	(99,454)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	(2,081)	70	(22,368)
Cash dividends paid	(1,133)	(2,038)	(12,178)
Purchase of treasury stock	(2)	(4)	(26)
Repayments of lease obligation	(238)	(265)	(2,562)
Other, net	0	(61)	2
Net cash used in financing activities	(3,454)	(2,300)	(37,132)
Effect of exchange rate changes on cash and cash equivalents	465	(2,870)	4,998
Net increase in cash and cash equivalents	10,016	(1,943)	107,656
Cash and cash equivalents at beginning of year	15,370	17,314	165,207
Cash and cash equivalents at end of year (Note 9)	¥ 25,387	¥ 15,370	\$272,864

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, 2010

## 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 ¥93.04=U.S.\$1, the prevailing exchange rate as of March 31, 2010.

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, 2010 presentation.

### (b) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 19 significant subsidiaries as of March 31, 2010 and 21 significant subsidiaries as of March 31, 2009, 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 and negative goodwill are amortized over periods of the estimated useful economic lives (mainly 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 or less. 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.

The method of translation for all income and expense accounts of the overseas consolidated subsidiaries has changed by applying from exchange rates in effect at the fiscal year end to the average exchange rate during the fiscal year from the year ended March 31

2009. This change in accounting resulted in more appropriate translation of all income and expense items that have been accrued during the fiscal year, as these subsidiaries' operating results are getting more significant to the consolidated financial statements. As a result of this accounting change, net sales increased by ¥5,934 million, operating income increased by ¥974 million, ordinary income and income before income taxes increased by ¥754 million, respectively, for the year ended March 31, 2009, compared to the previous method. The effect of this change on segment information is disclosed in "Note 18. Segment Information".

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. Held-to-maturity securities which are expected to be held to maturity with the positive intent and ability to be held to maturity are reported at amortized cost.

### (e) 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.

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006).

The effect of changes in accounting standards is immaterial.

### (f) 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	3—50 years
Machinery, equipment and vehicles	3—17 years

The company changed the useful lives of some of its machineries as a result of reconsideration of product lifecycles, usages and circumstances for the year ended March 31, 2009. As a result, operating income decreased ¥1,048 million and income before income taxes decreased ¥1,042 million. The effect of this change on segment information is disclosed in "Note 18. Segment Information".

### (g) 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 (five years).

#### (h) Leases

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

Effective the year ended March 31, 2009, as the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied, lease transactions of the Company and its consolidated subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to lessee.

Effective April 1, 2008, since the Company and its consolidated subsidiaries applied the accounting standard for lease transactions outlined above, finance lease transactions outstanding at April 1, 2008 were recognized as leased assets in the consolidated balance sheet at March 31, 2009, for which acquisition value is the aggregate future minimum lease payments subsequent to March 31, 2008.

As a result of this adoption, leased assets were recognized ¥602 million on property, plant and equipment and ¥63 million on intangible assets at March 31, 2009.

#### (i) 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.

#### (j) Bonuses to directors

Effective the year ended March 31, 2007, the Company and domestic consolidated subsidiaries have adopted the accounting standard for bonuses to directors.

The standard requires that directors' bonuses be accounted for as an expense of the accounting period in which such bonuses were accrued.

#### (k) 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.

## 2. Contingent Liabilities

Contingent liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Guarantees (for bank borrowings)	¥8	¥8	\$94

The Company and its consolidated subsidiaries had unused lines of credit for short-term financing aggregating ¥30,393 million (U.S. \$326,675 thousand) and ¥29,434 million at March 31, 2010 and 2009, respectively.

Effective the year ended March 31, 2010, the Company has adopted "Partial Amendments to Accounting Standards for Retirement Benefit (Part 3) (ASBJ Statement No.19 on July 31, 2008)".

This adoption does not affect operating income, ordinary income and income before income taxes.

#### (l) 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.

#### (m) Accounting for consumption tax

The consumption tax withheld by the Company on sales of products is not included in the amount of net sales in the accompanying consolidated statements of income. The consumption tax borne by the Company on purchases of goods and services and on expenses is also not included in the related amounts in the accompanying consolidated statements of income.

#### (n) 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.

#### (o) Accounting policies applied to foreign subsidiaries

Effective the year ended March 31, 2009, the Company and its foreign consolidated subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18 issued on March 17, 2006) and made the necessary adjustments on the consolidated financial statements. The effect of the adoption of PITF No. 18 on the consolidated financial statements is immaterial.

#### (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.



### 3. Inventories

Finished goods and merchandise, work in process, raw materials, supplies as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods and merchandise	¥ 7,480	¥9,149	\$ 80,403
Work in process	9,929	10,457	106,718
Raw materials and Supplies	7,276	7,386	78,209
Total	¥24,686	¥26,992	\$265,330

### 4. Selling, General and Administrative Expenses

Major items included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Transportation and warehousing expenses	¥ 4,551	¥ 4,836	\$ 48,917
Provision for allowance for doubtful accounts	56	42	607
Salaries and allowances	5,129	5,180	55,135
Provision for retirement benefits	609	353	6,553
Provision for director's bonuses	69	24	749
Depreciation	671	712	7,218
Research and development expenses	6,138	6,281	65,982
Other	8,840	10,094	95,022
Total	¥26,068	¥27,528	\$280,186

### 5. 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, 2010 and 2009 were ¥6,138 million (U.S.\$65,982 thousand) and ¥6,281 million, respectively.

### 6. Gain on Sales of Noncurrent Assets

Gain on sales of noncurrent assets was principally related to sales of land.

### 7. Loss on Recycling of Foreign Currency Translation Adjustments

Excluding from the scope of consolidation of the certain overseas subsidiaries resulted in the loss for the year ended March 31, 2010.

### 8. Impairment Loss on Property, Plant and Equipment

The Company has recognized impairment losses on the following classes of assets for the year ended March 31, 2009:

Location	Major use	Category	Millions of yen
Higashi Agatsuma town, Gunma	Pressure-sensitive adhesive related products manufacturing equipment	Machinery	
Tatsuno city, Hyogo	Pressure-sensitive adhesive related products manufacturing equipment	Machinery	¥339
Kumagaya city, Saitama	Paper related products manufacturing equipment	Machinery	
Komatsushima city, Tokushima	Paper related products manufacturing equipment	Machinery	

Above assets are planned to stop operations and be disposed for the reason of becoming too old, impairment loss was recognized in the statement of income for the year ended March 31, 2009.

The impairment loss for these assets was measured based on the sales prices and the nominal value of the idle assets.

The Company and its consolidated subsidiaries did not recognize impairment losses for the year ended March 31, 2010.

### 9. 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, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and deposits	¥27,474	¥16,271	\$295,296
Time deposits with maturity of more than three months	(2,087)	(900)	(22,431)
Cash and cash equivalents	¥25,387	¥15,370	\$272,864

Assets and liabilities related to finance lease transactions newly recognized in the years ended March 31, 2010 and 2009, were ¥505 million (U.S. \$5,430 thousand) and ¥907 million, respectively.

## 10. Leases

For finance lease transactions that transfer ownership, leased assets recognized as property, plant and equipment are mainly production facilities for the year ended March 31, 2010.

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, 2010 and 2009.

The minimum rental commitments under noncancellable operating leases as of March 31, 2010 are as follows;

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Due within one year	¥117	\$1,264
Due after one year	151	1,630
Total	¥269	\$2,894

## 11. 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 deposit 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 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 one 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.

## 2. Estimated Fair Value and Other Matters Related to Financial Instruments

Carrying value on the consolidated balance sheets as of March 31, 2010 (the closing date of the consolidated accounts) along with their fair value and the variance are shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	2010					
	Carrying value	Estimated fair value	Variance	Carrying value	Estimated fair value	Variance
(1) Cash and deposits	¥27,474	¥27,474	¥ —	\$295,296	\$295,296	\$ —
(2) Trade notes and accounts receivable	64,089	64,089	—	688,833	688,833	—
(3) Investment securities						
Other securities	1,826	1,826	—	19,633	19,633	—
(4) Trade notes and accounts payable	(44,071)	(44,071)	—	(473,683)	(473,683)	—
(5) Short-term borrowings	(1,424)	(1,424)	—	(15,306)	(15,306)	—
(6) Accrued income taxes	(3,555)	(3,555)	—	(38,216)	(38,216)	—
(7) Long-term debt, less current portion	(54)	(54)	—	(582)	(582)	—

Note: Figures shown in parentheses are liability items.

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

(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) 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) Long-term debt, less current portion

Since long-term debt, less current portion with variable interest rates reflects the market interest rates within a short period of time, its market value is almost the same as its carrying value, the relevant carrying value is used under the stable credit condition of the Group.

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
	2010	
	Carrying value	Carrying value
Unlisted Stocks	¥806	\$8,663

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 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	
	Within One year	Within One year
Cash and deposits	¥27,474	\$295,296
Trade notes and accounts receivable	64,089	688,833
Investment securities	—	—
Held-to-maturity securities	—	—
Total	¥91,563	\$984,131

(Supplementary information)

Beginning with the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued by ASBJ on March 10, 2008) and the "Implementation Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued by ASBJ on March 10, 2008).

## 12. Marketable and Investment Securities

The carrying value and acquisition cost of other securities as of March 31, 2010 and 2009 were as follows:

		Millions of yen			Thousands of U.S. dollars		
		2010					
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥1,487	¥1,157	¥ 329	\$15,982	\$12,442	\$ 3,539
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥1,487	¥1,157	¥ 329	\$15,982	\$12,442	\$ 3,539
Securities whose acquisition cost exceeds their carrying value	Stocks	¥339	¥505	¥(165)	\$ 3,651	\$ 5,432	\$(1,781)
	Bonds	—	—	—	—	—	—
	Other	—	—	—	—	—	—
Subtotal		¥ 339	¥ 505	¥(165)	\$ 3,651	\$ 5,432	\$(1,781)
Total		¥1,826	¥1,663	¥ 163	\$19,633	\$17,875	\$ 1,758

		Millions of yen		
		2009		
	Description	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	Stocks	¥ 668	¥ 578	¥ 89
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 668	¥ 578	¥ 89
Securities whose acquisition cost exceeds their carrying value	Stocks	¥ 851	¥1,088	¥(236)
	Bonds	—	—	—
	Other	—	—	—
Subtotal		¥ 851	¥1,088	¥(236)
Total		¥1,519	¥1,667	¥(147)

The Company wrote down by ¥99 million against other securities with a remarkable decline in the value of investment for the year ended March 31, 2009.

### 13. Derivative and Hedging Activities

The Company and its consolidated subsidiaries utilize derivative financial instruments such as forward foreign exchange contracts for the purpose of hedging their exposure to the risk of adverse fluctuation in foreign currency exchange rates, but do not enter into such transactions for speculative or trading purposes. Forward foreign exchange contracts involve the risk of fluctuation in exchange rate. Due to the fact that counterparties to Companies represent financial institutions which have high creditworthiness, Companies believe that the overall credit risk related to its financial instruments is insignificant. These derivative transactions are subject to strict oversight by management and reported to the Board of Directors.

Outstanding positions, for which gains and losses were recognized in the financial statements, as of March 31, 2009, were as follows;

#### Forward foreign exchange contracts

	Millions of yen			
	2009			
	Contract of amount	Contract of amount due after one year	Fair value	Valuation gain (loss)
Sell:				
Japanese Yen	¥105	—	¥90	¥(14)

The fair values are based on the rate presented by the counterparty financial institutions.

No specific disclosure for derivatives has been made at March 31, 2010 because of its immateriality.

### 14. 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Actuarial present value of projected benefit obligations	¥(31,225)	¥(30,586)	\$(335,618)
Plan assets	15,709	12,507	168,846
Unfunded accrued pension costs	(15,516)	(18,079)	(166,772)
Unrecognized net actuarial loss	4,296	6,794	46,179
Unrecognized prior service cost	(2,812)	(3,113)	(30,228)
Accrued pension costs	¥(14,032)	¥(14,398)	\$(150,821)

Components of pension and severance cost for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,184	¥1,258	\$12,726
Interest cost	634	628	6,819
Expected return on plan assets	(452)	(563)	(4,859)
Unrecognized net actuarial loss	581	294	6,248
Prior service cost	(301)	(301)	(3,236)
Other	71	—	766
Total	¥1,717	¥1,316	\$18,465

Major assumptions at the beginning of each of the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	mainly 2.0%	2.0%
Expected rate of return on plan assets	mainly 3.5%	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

## 15. Stock Option Plan

Stock-based compensation expense of ¥25 million (U.S. \$278 thousand), ¥14 million were included in selling, general and administrative expenses for the years ended March 31, 2010 and 2009 respectively.

The following table summarizes contents of stock options as of March 31, 2010:

### 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 following tables summarize the scale and movement of stock options for the years ended March 31, 2010 and 2009:

**(Non-vested stock options)**

	The first share subscription rights	The second share subscription rights	The third share subscription rights	The fourth share subscription rights
Stock options outstanding at April 1, 2008	—	—	—	—
Stock options granted	—	—	9,800	—
Forfeitures	—	—	—	—
Conversion to exercisable stock options	—	—	9,800	—
Stock options outstanding at March 31, 2009	—	—	—	—
Stock options granted	—	—	—	15,000
Forfeitures	—	—	—	—
Conversion to exercisable stock options	—	—	—	15,000
<a href="#">Stock options outstanding at March 31, 2010</a>	<a href="#">—</a>	<a href="#">—</a>	<a href="#">—</a>	<a href="#">—</a>

**(Vested stock options)**

	The first share subscription rights	The second share subscription rights	The third share subscription rights	The fourth share subscription rights
Stock options outstanding at April 1, 2008	10,500	9,300	—	—
Conversion from not exercisable stock options	—	—	9,800	—
Stock options exercised	4,500	3,800	—	—
Forfeitures	—	—	—	—
Stock options outstanding at March 31, 2009	6,000	5,500	9,800	—
Conversion from not exercisable stock options	—	—	—	15,000
Stock options exercised	—	—	—	—
Forfeitures	—	—	—	—
<a href="#">Stock options outstanding at March 31, 2010</a>	<a href="#">6,000</a>	<a href="#">5,500</a>	<a href="#">9,800</a>	<a href="#">15,000</a>

The following table summarizes the price information of stock options as of March 31, 2010 and 2009.

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

The fair value of stock options granted during the years ended March 31, 2010 and 2009 were valued by using the Black Scholes option pricing model with the following assumptions:

	The third share subscription rights	The fourth share subscription rights
Volatility	32.9%	35.9%
Expected remaining period	10 years	10 years
Expected dividend	¥24	¥20
Risk free interest rate	1.4%	1.4%

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

#### 16. Income Taxes

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 2010 and 2009. 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, 2010 and 2009 differ from the statutory tax rate for the following reasons:

	2010	2009
Statutory tax rate	40.69%	40.69%
Effect of:		
Expenses not deductible for income tax purposes	0.77	2.16
Municipal tax	0.47	1.03
Income of foreign subsidiaries taxed at lower than Japanese statutory tax rate	(7.04)	(14.22)
Tax deduction in accordance with special tax measures	(3.30)	(2.75)
Increase (Decrease) of valuation allowance for net operating loss carryforward	0.72	(2.93)
Consolidating adjustment of dividend income from consolidated subsidiaries	1.91	13.48
Tax effect for capital of dividends	0.54	(2.73)
Other, net	0.66	0.35
Effective tax rate	35.42%	35.08%

The significant components of deferred tax assets and liabilities as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Accrued bonuses	¥ 807	¥ 697	\$ 8,675
Accrued enterprise taxes	244	—	2,629
Operating loss carryforwards	377	418	4,053
Accrued pension costs	5,591	5,793	60,101
Research and development cost	612	617	6,584
Write-down of investment in consolidated subsidiaries	—	477	—
Loss on valuation of inventories	226	195	2,435
Impairment loss	15	138	165
Allowance for doubtful accounts	96	159	1,037
Unrealized foreign exchange losses	32	106	350
Unrealized gain	212	211	2,279
Other	462	484	4,966
Gross deferred tax assets	8,678	9,301	93,278
Valuation allowance	(597)	(1,256)	(6,424)
	8,080	8,045	86,853
Deferred tax liabilities:			
Deferred capital gains	(2)	(5)	(27)
Revaluation of fixed assets in accordance with special tax measures	(202)	(206)	(2,172)
Depreciation expense of subsidiaries	(199)	(130)	(2,142)
Other	(163)	(74)	(1,756)
	(567)	(417)	(6,098)
Net deferred tax assets	¥7,513	¥7,627	\$80,755

#### 17. Rental Property

No specific disclosure for rental property has been made at March 31, 2010 because of its immateriality.

(Supplementary information)

Effective the year ended March 31, 2010, the "Accounting Standard for Disclosure about Fair Value of Investment and Rental Property Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 20, issued by ASBJ on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23, issued by ASBJ on November 28, 2008) have been applied.



## 18. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in Japan and overseas, primarily in Asia, in two segments: pressure-sensitive adhesive related operations and paper-related operations.

### Business Segments

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

Millions of yen					
2010					
	Pressure-sensitive adhesive related operations	Paper-related operations	Total	Corporate and eliminations	Consolidation
Net sales	¥146,324	¥43,023	¥189,348	¥ —	¥189,348
Intra-group sales and transfers	52	15,402	15,454	(15,454)	—
Total	146,377	58,425	204,803	(15,454)	189,348
Operating expenses	140,548	52,679	193,228	(15,456)	177,771
Operating income	¥ 5,828	¥ 5,746	¥ 11,574	¥ 1	¥ 11,576
Total assets	¥135,539	¥50,717	¥186,257	¥ 9,398	¥195,656
Depreciation and amortization	¥ 6,841	¥ 3,695	¥ 10,537	¥ —	¥ 10,537
Capital expenditure	¥ 5,642	¥ 2,293	¥ 7,935	¥ —	¥ 7,935

Thousands of U.S. dollars					
2010					
	Pressure-sensitive adhesive related operations	Paper-related operations	Total	Corporate and eliminations	Consolidation
Net sales	\$1,572,710	\$462,414	\$2,035,124	\$ —	\$2,035,124
Intra-group sales and transfers	559	165,551	166,111	(166,111)	—
Total	1,573,269	627,966	2,201,236	(166,111)	2,035,124
Operating expenses	1,510,623	566,205	2,076,828	(166,128)	1,910,700
Operating income	\$ 62,646	\$ 61,760	\$ 124,407	\$ 16	\$ 124,424
Total assets	\$1,456,788	\$545,118	\$2,001,906	\$101,018	\$2,102,925
Depreciation and amortization	\$ 73,536	\$ 39,718	\$ 113,255	\$ —	\$ 113,255
Capital expenditure	\$ 60,644	\$ 24,649	\$ 85,293	\$ —	\$ 85,293

Millions of yen					
2009					
	Pressure-sensitive adhesive related operations	Paper-related operations	Total	Corporate and eliminations	Consolidation
Net sales	¥149,473	¥45,427	¥194,901	¥ —	¥194,901
Intra-group sales and transfers	32	13,698	13,731	(13,731)	—
Total	149,506	59,126	208,632	(13,731)	194,901
Operating expenses	143,270	56,864	200,134	(13,731)	186,402
Operating income	¥ 6,236	¥ 2,262	¥ 8,498	¥ 0	¥ 8,498
Total assets	¥115,623	¥48,228	¥163,852	¥ 9,002	¥172,854
Depreciation and amortization	¥ 7,316	¥ 3,969	¥ 11,286	¥ —	¥ 11,286
Impairment loss	¥ 268	¥ 70	¥ 339	¥ —	¥ 339
Capital expenditure	¥ 6,124	¥ 2,642	¥ 8,766	¥ —	¥ 8,766

As set forth in (c) Foreign Currency Translation in Note 1, previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2009, the rate to be used is changed to the average exchange rate during the fiscal year. As a result of this change, Sales of Pressure-sensitive adhesive related operations increased ¥5,436 million. Paper related operations increased ¥498 million, respectively and operating income of Pressure-sensitive adhesive related operations increased ¥826 million. Paper related operations increased ¥147 million, respectively.

In addition, the company changed the useful lives of some of its machineries as a result of reconsideration of product lifecycles, usages and circumstances during the year ended March 31, 2009. As a result, compared with what the level would be under the previous method of accounting, operating income of Pressure-sensitive adhesive related operations decreased ¥891 million and Paper related operations decreased ¥157 million respectively.

Note: Corporate assets mainly consist of cash, time deposits, marketable securities, investment securities and deferred tax assets of the Company.

## Geographic Areas

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

Millions of yen						
2010						
	Japan	Asia	Others	Total	Corporate and eliminations	Consolidation
Net sales	¥150,248	¥28,472	¥10,627	¥189,348	¥ —	¥189,348
Intra-group sales and transfers	15,550	2,355	780	18,686	(18,686)	—
Total	165,798	30,827	11,408	208,034	(18,686)	189,348
Operating expenses	158,996	27,181	10,384	196,561	(18,790)	177,771
Operating income	¥ 6,802	¥ 3,646	¥ 1,023	¥ 11,472	¥ 104	¥ 11,576
Total assets	¥144,173	¥35,049	¥ 7,034	¥186,257	¥ 9,398	¥195,656

Thousands of U.S. dollars						
2010						
	Japan	Asia	Others	Total	Corporate and eliminations	Consolidation
Net sales	\$1,614,878	\$306,023	\$114,223	\$2,035,124	\$ —	\$2,035,124
Intra-group sales and transfers	167,133	25,317	8,391	200,841	(200,841)	—
Total	1,782,011	331,340	122,614	2,235,966	(200,841)	2,035,124
Operating expenses	1,708,900	292,146	111,613	2,112,661	(201,960)	1,910,700
Operating income	\$ 73,110	\$ 39,194	\$ 11,000	\$ 123,305	\$ 1,118	\$ 124,424
Total assets	\$1,549,589	\$376,714	\$ 75,602	\$2,001,906	\$101,018	\$2,102,925

Millions of yen						
2009						
	Japan	Asia	Others	Total	Corporate and eliminations	Consolidation
Net sales	¥150,212	¥31,351	¥13,337	¥194,901	¥ —	¥194,901
Intra-group sales and transfers	14,652	2,963	1,162	18,778	(18,778)	—
Total	164,864	34,314	14,500	213,679	(18,778)	194,901
Operating expenses	162,514	29,866	12,807	205,187	(18,785)	186,402
Operating income	¥ 2,350	¥ 4,448	¥ 1,692	¥ 8,492	¥ 6	¥ 8,498
Total assets	¥128,153	¥28,942	¥ 6,755	¥163,852	¥ 9,002	¥172,854

As set forth in (c) Foreign Currency Translation in Note 1, previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2009, the rate to be used is changed to the average exchange rate during the fiscal year. As a result of this change, Sales of Asia increased ¥4,283 million, Others increased ¥1,650 million, respectively and operating income of Asia increased ¥762 million, Others increased ¥212 million, respectively.

In addition, the company changed the useful lives of some of its machineries as a result of reconsideration of product lifecycles, usages and circumstances during the year ended March 31, 2009. As a result, compared with what the level would be under the previous method of accounting, operating income of Japan decreased ¥1,048 million.

Note: The countries included in each segment are as follows:  
 Asia ..... South Korea, China, Taiwan, Singapore, Indonesia, Malaysia  
 Others ..... America, The Netherlands, Germany

## Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2010					
	Asia	Others	Total	Asia	Others	Total
Overseas sales	¥40,772	¥9,327	¥50,100	\$438,223	\$100,255	\$538,478
Overseas sales as a percentage of consolidated net sales	21.5%	4.9%	26.5%	21.5%	4.9%	26.5%

	Millions of yen		
	2009		
	Asia	Others	Total
Overseas sales	¥42,068	¥12,645	¥54,714
Overseas sales as a percentage of consolidated net sales	21.6%	6.5%	28.1%

As set forth in (c) Foreign Currency Translation in Note 1, previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2009, the rate to be used is changed to the average exchange rate during the

fiscal year. As a result of this change, Sales of Asia increased ¥4,431 million, Others increased ¥1,489 million, respectively.

Note: The countries included in each segment are as follows:  
 Asia ..... South Korea, China, Taiwan, Singapore, Indonesia, etc.  
 Others ..... North America, Europe, Oceania, etc.

## 19. Related Party Transactions

The Company had transactions with NP Trading Co., Ltd., a subsidiary of Nippon Paper Group, during the years ended March 31, 2010 and 2009. The transactions between the companies for the years were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
For the years			
Sales of fine & specialty paper products and converted products	¥ 11,039	¥ 12,322	\$118,653
Purchase of stencil, chemicals and equipment	5,211	6,191	56,015

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
At year-end			
Trade notes and accounts receivable	¥ 3,985	¥ 3,563	\$42,841
Trade notes and accounts payable	2,242	2,011	24,107
Other liabilities	2	22	30

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

(Supplementary information)

Effective the year ended March 31, 2009, the Company has adopted "Accounting Standard for Related- Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006). As a result of the adoption of this accounting standard, transactions between the Company's consolidated subsidiaries and their related parties were newly added for disclosers but there are no significant transactions between the Company's consolidated subsidiaries and their related parties for the year ended March 31, 2009.

## 20. Business Combinations

No specific items to be reported for the year ended March 31, 2009.

There is no business combination for the year ended March 31, 2010.

## 21. 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, 2010 and 2009 and for the years then ended were as follows:

		Yen	U.S. dollars
	2010	2009	2010
Net assets	¥ 1,596.37	¥ 1,497.58	\$17.16
Net income (basic)	96.36	44.87	1.04
Net income (fully diluted)	96.32	44.86	1.04

## 22. 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 0.49% to 1.15% at March 31, 2010 and from 0.85% to 3.25% at March 31, 2009.

Short-term borrowings as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2010	2009
Short-term bank loans	¥1,370	¥3,377
Current portion of long-term debt	54	53
	¥1,424	¥3,430

Long-term debt as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2010	2009
Loans from banks:		
Due serially to 2011 at interest rates of 1.15% and 1.85% at March 31, 2010 and 2009, respectively	¥108	¥160
Less current portion	(54)	(53)
	¥ 54	¥107

Other interest-bearing debts as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2010	2009
Short-term lease obligation	¥214	¥212
Long-term lease obligation	766	472

Planned repayment amounts after the balance sheet date for long-term debt and lease obligation are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2010							
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term debt	¥ 54	¥ —	¥ —	¥ —	\$ 582	\$ —	\$ —	\$ —
Lease obligation	155	119	87	79	1,674	1,282	936	854

## 23. Subsequent Event

The following distribution of retained earnings was approved at the meeting of the board of directors held on May 13, 2010.

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Cash dividends (¥14 per share)	¥1,058	\$11,374

# 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, Senior Managing Director & General Manager 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, 2010 in accordance with the assessment standards for 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 11 consolidated subsidiaries. We excluded 9 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, 2009. 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, 2010 was effective.

# Report of Independent Auditors



Ernst & Young ShinNihon LLC  
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Chiyoda-ku, Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197

## Report of Independent Auditors

The Board of Directors  
LINTEC Corporation

We have audited the accompanying consolidated balance sheets of LINTEC Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of LINTEC Corporation and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1(a).

We also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2010 of LINTEC Corporation and consolidated subsidiaries (the "Management's Report"). LINTEC Corporation's management is responsible for designing and operating internal control over financial reporting and preparing the Management's Report. Our responsibility is to express an opinion on the Management's Report based on our audit. Internal control over financial reporting may not prevent or detect misstatements.

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 of material misstatement. An internal control audit includes examining, on a test basis, the overall presentation of the Management Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting. We believe that our internal control audit provides a reasonable basis for our 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 of March 31, 2010 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 ShinNihon LLC

June 25, 2010

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited

# Investor Information

As of March 31, 2010

## Head Office

23-23, Honcho, Itabashi-ku, Tokyo 173-0001, Japan  
Tel: 03-5248-7711 Fax: 03-5248-7760  
URL: [www.lintec.co.jp/](http://www.lintec.co.jp/)

## Established

October 15, 1934

## Fiscal Year-End

March 31

## Net Assets

¥121,502 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

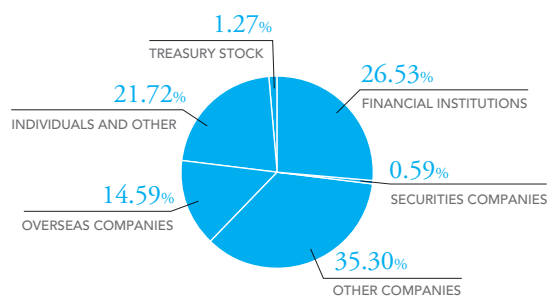
## Number of Employees

4,037 (Consolidated)  
2,527 (Parent company only)

## Major Shareholders

	(%)
Nippon Paper Industries Co., Ltd.	28.39
Japan Trustee Services Bank, Ltd. (Trust Account)	8.62
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.78
Tamie Shoji	4.54
Eiko Shiwaku	3.89

## 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.\*  
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.\*  
P.T. LINTEC INDONESIA\*  
LINTEC SINGAPORE PRIVATE LIMITED\*  
LINTEC ADVANCED TECHNOLOGIES (PHILIPPINES), INC.  
LINTEC PHILIPPINES (PEZA), INC.  
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 Corporation**  
*Linking your dreams*

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