◆ Brief Summary of FY2025 2Q Financial Results ◆

[Speakers]

Makoto Hattori, Representative Director, President, CEO and COO, LINTEC Corporation

Yoichi Shibano, Director, Managing Executive Officer, LINTEC Corporation

Eiichiro Takeuchi, Executive Officer, General Manager, Public Relations Office, LINTEC Corporation

The earnings forecasts presented in this material were prepared based on economic conditions, market trends, plans, and factors that could reasonably be anticipated as of the date on which the material was created. The Company provides no guarantees regarding the accuracy of the information on whether the forecast figures or policies will be achieved. Actual business results may vary due to various future factors.

◆ Consolidated Financial Results for FY2025 2Q

Net sales grew from the previous year by 26.74 billion yen (20.3%) to 158,476 million yen. Operating income grew from the previous year by 10,497 million yen (329.1%) to 13,687 million yen. Ordinary income grew from the previous year by 9,966 million yen (231.8%) to 14,266 million yen. Profit attributable to owners of parent grew from the previous year by 8,847 million yen (449.9%) to 10,814 million yen.

Here I'll explain the financial results of LINTEC Corporation and its consolidated subsidiaries. Non-consolidated net sales grew from the previous year by 14.08 billion yen (19.7%) to 85.61 billion yen. Net sales of consolidated subsidiaries grew from the previous year by 21,261 million yen (26.7%) to 100,990 million yen. Our overseas sales ratio was 64.6% in the first half. Non-consolidated operating income grew from the previous year by 4,810 million yen (256.8%) to 6,683 million yen. Operating income of consolidated subsidiaries grew from the previous year by 6,443 million yen (811.5%) to 7,237 million yen.

As a summary of financial results for LINTEC Corporation and its consolidated subsidiaries, here I'll explain the factors that led to the increase in operating income increasing from 3.2 billion yen in the previous fiscal year to 13.7 billion yen this fiscal year. On a non-consolidated basis, factors that boosted income were 5.0 billion yen due to higher sales volumes, 1.4 billion yen due to sale price revisions, and 0.9 billion yen due to the sales mix. Meanwhile, factors that reduced income included 0.8 billion yen due to higher fuel and raw materials prices and logistics costs and 1.7 billion yen due to higher fixed costs. Among consolidated subsidiaries, Advanced Materials Operations subsidiaries posted significant income growth due to higher sales volumes of semiconductor-related adhesive tapes and related devices. The profitability of our three US subsidiaries, MACtac Americas, Madico, and VDI, improved significantly. The total impact of yen depreciation was +1.8 billion yen.

Here I'll present our first-half results by segment, starting with Printing and Industrial Materials Products. Net sales in Printing & Variable Information Products Operations grew from the previous year by 9,464 million yen (14.8%) to 73,541 million yen. Net sales in Industrial & Material Operations grew from the previous year by 1.53 billion yen (8.8%) to 18,893 million yen. Net sales in this segment grew from the previous year by 10,994 million yen (13.5%) year on year to 92,434 million yen. Operating income grew from the previous year by 4,335 million yen to 3,558 million yen, partly due to a significant increase in sales volumes at the three US subsidiaries.

Next is a summary of net sales for the business units in this segment, starting with Printing & Variable Information Products Operations. In adhesive products for seals and labels, domestic sales to the logistics and on-line sales industries held firm, while demand, especially demand related to food products, declined due to the impact of rising costs. Sales of products for eye-catching labels and beverage campaigns proved sluggish overall. In overseas markets, sales volumes at MACtac Americas grew substantially (16%) due to the acquisition of a sales subsidiary in Canada. Sales also remained solid in China and ASEAN. The overseas sales ratio for Printing & Variable Information Products Operations was 72.5%. Including currency effects, net sales for MACtac Americas grew from the previous year by 22% to 44.9 billion yen. In Industrial & Material Operations, demand was tepid in Japan for automobile-use window film due to the effects of a drop in automobile production volumes. In overseas markets, sales of security window film by Madico and sputtering film by VDI in the US grew substantially, while in India, sales of automobile-use adhesive products rose. The overseas sales ratio for Industrial & Material Operations was 54.3%.

Here I'll present Electronic and Optical Products. Net sales in Advanced Materials Operations grew from the previous year by 14,933 million yen (55.9%) to 41,655 million yen. Net sales in Optical Products Operations decreased from the previous year by 483 million yen (6.9%) to 6,491 million yen. Net sales in this segment grew from the previous year by 14.45 billion yen (42.9%) to 48,146 million yen. Operating income grew from the previous year by 5,180 million yen (120.3%) to 9,485 million yen due to an increase in sales volumes of semiconductor and electronic component-related products.

Next is a summary of net sales for the business units in this segment. Net sales in Advanced Materials Operations grew by 5.3 billion yen (37.8%) to 19.5 billion yen from 14.2 billion yen in the previous year thanks to strong sales of semiconductor-related adhesive tapes due to higher demand for products used in smartphones and other devices. Net sales of semiconductor-related equipment and multilayer ceramic capacitor-related tapes both saw substantial growth. Net sales of semiconductor-related equipment grew by 5.1 billion yen (82.5%) to 11.2 billion yen from 6.1 billion yen in the previous year, due in part to a sharp rise in sales of HBM-related devices, and those of multilayer ceramic capacitor-related tapes grew by 4.4 billion yen (76.3%) to 10.2 billion yen from 5.8 billion yen in the previous year, due to grew demand for products used in smartphones and data centers. The overseas sales ratio for Advanced Materials Operations was 73.7%. In Optical Products Operations, orders received for optical display-related adhesive products used in large-screen TV units and smartphones declined.

Here I'll present Paper and Converted Products. Net sales in Fine & Specialty Paper Products Operations decreased from the previous year by 310 million yen (3.9%) to 7,584 million yen. Net sales in Converted Products Operations grew from the previous year by 1,606 million yen (18.5%) to 10,310 million yen. Net sales in this segment grew from the previous year by 1,295 million yen (7.8%) to 17,894 million yen. Despite extremely poor results in Fine & Specialty Paper Products Operations, operating income grew from the previous year by 987 million yen to 615 million yen, partly due to an increase in sales volumes in Converted Products Operations.

Next is a summary of net sales for the business units in this segment. In Fine & Specialty Paper Products Operations, net sales were sluggish, even though sales of oil- and water-resistant papers were at the same level as the previous year. This was due to lower demand for color papers for envelopes, a mainstay product, and for colored construction papers and construction material papers. In Converted Products Operations, sales of release papers for electronic materials and release film for optical-related products were strong thanks to higher demand for products used in smartphones and other devices. Sales of casting papers for synthetic leather and carbon fiber composite materials grew significantly. The overseas sales ratio for Converted Products Operations was 40.2%.

◆ Forecasts of Consolidated Financial Results for FY2025

Here I'll present our consolidated earnings forecasts for the full year. Although profits are being impacted by continued high prices of fuel and raw materials, we expect our consolidated results for the fiscal year ending March 2025 to be significantly better than initially anticipated, thanks to strong demand for semiconductor and electronic component-related products. We also expect incoming orders for other products to remain steady. In light of this situation, we have revised the full-year consolidated earnings forecasts we announced on May 8, 2024. Net sales in the first half were 158.5 billion yen. We expect them to be 151.5 billion yen in the second half. Thus, we're projecting that full-year net sales will be 310.0 billion yen, an increase of 20.0 billion yen from the initial forecast of 290.0 billion yen. Operating income in the first half was 13.7 billion yen. We expect it to be 10.3 billion yen in the second half. Thus, we're projecting that full-year operating income will be 24.0 billion yen, an increase of 6.0 billion yen from the initial forecast of 18.0 billion yen. Ordinary income in the first half was 14.3 billion yen. We expect it to be 10.0 billion yen in the second half. Thus, we're projecting that full-year ordinary income will be 24.3 billion yen, an increase of 6.3 billion yen from the initial forecast of 18.0 billion yen. Profit attributable to owners of parent in the first half was 10.8 billion yen. We expect it to be 6.2 billion yen in the second half. Thus, we're projecting that full-year profit attributable to owners of parent will be 17.0 billion yen, an increase of 4.0 billion yen from the initial forecast of 13.0 billion yen.

Here I'll discuss the factors that led to our revision of the full-year consolidated forecast for operating income from the initial forecast of 18.0 billion yen to 24.0 billion yen. On a non-consolidated basis, factors that increased the forecast were approximately 3.3 billion yen due to higher sales volume and approximately 0.7 billion yen due to sale price revisions. On the other hand, factors that decreased the forecast were approximately 0.6 billion yen due to the impact of higher fuel and raw materials prices and logistics costs and approximately 0.3 billion yen due to the impact of higher fixed costs. Non-consolidated operating income is expected to be 12.7 billion yen, up 3.1 billion yen from the initial forecast of 9.6 billion yen. As for consolidated subsidiaries, we're projecting operating income of 11.3 billion yen, up 2.9 billion yen from the initial forecast of 8.4 billion yen, partly due to higher revenue at sales subsidiaries in Advanced Materials Operations as well as at Madico and other subsidiaries.

Here I'll present our consolidated earnings forecasts for the full year by segment, starting with Printing and Industrial Materials Products. Regarding net sales in Printing & Variable Information Products Operations, in Japan we expect them to be lower than initially forecast, as consumers are increasingly keen to save money due to soaring prices, and there are concerns that customers will refrain from making purchases, particularly of food-related products. Overseas, at MACtac Americas, we believe that the market recovery in the second half will be slower than initially anticipated. However, we expect overseas net sales to be significantly higher than the initial forecast, thanks to the increase in revenue booked in the first half, and demand is also projected to recover in China and ASEAN. Net sales in the first half were 73.5 billion yen. We expect them to be 71.3 billion yen in the second half, so 2.2 billion yen lower. Thus, we're projecting that full-year net sales will be 144.8 billion yen, an increase of 5.2 billion yen from the initial forecast of 139.6 billion yen. Regarding net sales in Industrial & Material Operations, in Japan we expect them to be lower than initially forecast, with automotive window film and automobile-use adhesive products especially affected, partly due to the impact of a drop in automobile production volumes. Overseas, we believe that net sales will exceed our initial forecast thanks to higher first-half revenue at Madico and VDI. Net sales in the first half were 18.9 billion yen. We expect them to be 18.2 billion yen in the second half, so 0.7 billion yen lower. Thus, we’re projecting that full-year net sales will be 37.1 billion yen, an increase of 0.6 billion yen from the initial forecast of 36.5 billion yen. For the segment, net sales in the first half were 92.4 billion yen. We expect them to be 89.5 billion yen in the second half, so 2.9 billion yen lower. Thus, we’re projecting that full-year net sales will be 181.9 billion yen, an increase of 5.8 billion yen from the initial forecast of 176.1 billion yen. As for operating income, despite the impact of rising raw material prices and delayed market recovery in the US, as well as the fact that demand for window film has entered a slow phase of the cycle, the higher revenue in the first half will have a positive effect. As a result of these factors, we expect operating income, which was 3.6 billion yen in the first half, to be 0.9 billion yen in the second half, so 2.7 billion yen lower. We’re also projecting that full-year operating income will be 4.5 billion yen, an increase of 1.4 billion yen from the initial forecast of 3.1 billion yen.

Here I’ll present Electronic and Optical Products. In Advanced Materials Operations, we expect demand for semiconductor-related adhesive tapes and related equipment, as well as that for multilayer ceramic capacitor-related tapes, to remain solid in the second half. Thus, we’re projecting net sales of 41.7 billion yen, the same amount as in the first half, and 83.4 billion yen for the full fiscal year, an increase of 15.5 billion yen from the initial forecast of 67.9 billion yen. In Optical Products Operations, we’re predicting a drop in incoming orders for optical display-related adhesive products. Furthermore, due to the liquidations of South Korean subsidiary LINTEC SPECIALITY FILMS (KOREA) and Taiwanese subsidiary LINTEC SPECIALITY FILMS (TAIWAN) at the end of June and September, respectively, we expect net sales, which were 6.5 billion yen in the first half, to be 3.5 billion yen in the second half, so 3.0 billion yen lower. We’re also projecting that full-year net sales will be 10.0 billion yen, a decrease of 1.0 billion yen from the initial forecast of 11.0 billion yen. For the segment, net sales in the first half were 48.2 billion yen. We expect them to be 45.2 billion yen in the second half, so 3.0 billion yen lower. Thus, we’re projecting that full-year net sales will be 93.4 billion yen, an increase of 14.5 billion yen from the initial forecast of 78.9 billion yen. As for operating income, due in part to the widening of the operating loss in Optical Products Operations, we expect operating income, which was 9.5 billion yen in the first half, to be 9.1 billion yen in the second half, so 0.4 billion yen lower, but are projecting that full-year operating income will be 18.6 billion yen, an increase of 4.9 billion yen from the initial forecast of 13.7 billion yen.

Here I’ll present Paper and Converted Products. In Fine & Specialty Paper Products Operations, we expect sales volumes, centered on color papers for envelopes, a mainstay product, and colored construction papers, to fall, despite efforts to expand sales of oil- and water-resistant papers. Net sales in the first half were 7.6 billion yen. We expect them to be 7.8 billion yen in the second half, so 0.2 billion yen higher. Thus, we're projecting that full-year net sales will be 15.4 billion yen, a decrease of 0.6 billion yen from the initial forecast of 16.0 billion yen. In Converted Products Operations, we expect sales of release papers for electronic materials and casting papers for carbon fiber composite materials for leisure applications to remain solid. Net sales in the first half were 10.3 billion yen. We expect them to be 9.0 billion yen in the second half, so 1.3 billion yen lower. Thus, we're projecting that full-year net sales will be 19.3 billion yen, an increase of 0.3 billion yen from the initial forecast of 19.0 billion yen. For the segment, net sales in the first half were 17.9 billion yen. We expect them to be 16.8 billion yen in the second half, so 1.1 billion yen lower. Thus, we're projecting that full-year net sales will be 34.7 billion yen, a decrease of 0.3 billion yen from the initial forecast of 35.0 billion yen. As for operating income, due to factors like the impact of lower sales volumes in Converted Products Operations, we expect operating income, which was 0.6 billion yen in the first half, to be 0.3 billion yen in the second half, so 0.3 billion yen lower. We're also projecting that full-year operating income will be 0.9 billion yen, a decrease of 0.3 billion yen from the initial forecast of 1.2 billion yen.

Now I'll move on to discuss dividends. Reflecting our basic policy, first-half consolidated financial results, and revisions to our full-year consolidated earnings forecasts, we have grown the interim dividend for the fiscal year ending March 2025 by 6 yen to 50 yen per share from the initially planned 44 yen per share. We have also revised our annual dividend forecast to 100 yen per share, up 12 yen from the initially planned 88 yen per share. At the same time, we also announced the cancellation of 4.2 million treasury shares, effective November 29. For your information, as of the end of September 2024, we held 8,261,000 treasury shares, or 10.8% of the total issued shares of 76,689,000 shares. The cancellation of 4.2 million of these will therefore reduce the number of treasury shares to 4,061,000 treasury shares, or 5.6% of the total issued shares of 72,489,000 shares.

To achieve the goals of LSV 2030, our long-term vision, by the end of the fiscal year ending March 2030, we will vigorously implement the measures specified in the medium-term business plan, LSV 2030 - Stage 2, which we began executing in April this year. All Group employees in Japan and overseas will be working together to enhance our value as an enterprise.

◆ Key questions and answers

Q. In Advanced Materials Operations, net sales were 18% higher in the second quarter than in the first quarter. Business appears to be better than for other companies handling semiconductor materials. To what extent is the growing demand for advanced semiconductors like HBM, GPUs, and chiplets driving sales of semiconductor-related adhesive tapes and related equipment?

A. For semiconductor-related adhesive tapes in Advanced Materials Operations, there was a long period of inventory adjustments during the last fiscal year, mainly related to memory. By the fourth quarter of the last fiscal year, the inventory adjustments had more or less run their course. From that point, growing market demand for HBM helped our dicing tapes and BG tapes businesses achieve strong performance. For the performance of HBM-related devices, we began shipping the devices in the fourth quarter of last fiscal year, with volumes increasing in the first and second quarters of this fiscal year. Although recovery has been somewhat slow in the amount of tape used, particularly for conventional NAND flash memory, we expect tape usage volumes to increase from the second half of the fiscal year and over the course of the next fiscal year.

Q. Can you share with us first-half net sales of tape laminators for HBM? What is the outlook for the full year? How many orders you've received for them recently?

A. Net sales of tape laminators for HBM were around 4.7 billion yen in the first half. We expect them to be about 4.3 billion yen in the second half. The full-year forecast is 9.0 billion yen.

Q. Can you explain why net sales in Advanced Materials Operations are projected to be the same over the course of the second half as in the first half?

A. We expect net sales in the third quarter to be a bit softer than they were in the second quarter. Looking at the semiconductor business in the second half in relative terms, we've also taken seasonal factors into account, as the business enters an annual trough during the fourth quarter, centered on January and February. Given current sales of major smartphone models, there's no sign of semiconductor manufacturers moving to increase production during their slowest season. I think it's more accurate to factor in seasonal fluctuations as is.

Q. The assumption is that profit margins in Printing & Variable Information Products Operations and Industrial & Material Operations will be much lower in the second half. Can you provide more details on the specific conditions at the parent company and key subsidiaries?

A. The biggest reason for the decline in profit margin in Printing & Variable Information Products Operations is the situation at MACtac Americas. Regarding our forecast for the North American roll label market, looking at the growth rate of the industry in each quarter, not much growth is seen from the second quarter to the third. In fact, if you look at the daily business trend at MACtac Americas, we're continuing to see results that reflect that trend on a day-to-day basis. Daily goods and food products account for a large share of the North American roll label market. And with soaring prices and changes in consumer behavior, the current situation is such that we've not yet been able to generate large profits. Regarding raw material costs, since July, some manufacturers have requested us to accept higher prices. In the past, we were able to revise our own prices by reflecting higher costs in selling prices. But with the growth potential of the roll label market itself diminishing, we’re not in a position where we can gain the acceptance of customers. We expect to remain unable to raise prices in the second half. In Industrial & Material Operations, the biggest contributors to performance in the first half were Madico and VDI. Madico's main business, window film, is seasonal, with low demand from autumn to winter. That period is already underway. As for VDI's sputtering films, customers are in the process of changing their specifications. With these changes in specifications, a clear-out of inventories of current products will be necessary, and the way things look now, we can't expect to see the same level of growth in the second half as in the first half. These are the two reasons for the decline in profits in Industrial & Material Operations.

Q. I have a question about semiconductor-related equipment in Advanced Materials Operations. You expect sales of HBM-related devices to be around nine billion yen this year, but should we assume that they'll fall back next fiscal year? Please share with us your thinking as you get closer to next fiscal year. For example, will you be able to offset the drop-off to some extent because additional orders are coming in, or with other devices?

A. It's my understanding that companies are still exploring what kinds of formulations and processes to use to make the next generation of HBM. Given the circumstances, I think demand for devices for which orders have surged this year will depend on what happens with HBM manufacturing methods. For next year and beyond, as one generation moves to another, we're putting together plans while engaging in close dialogue with the customers. Our recent strong performance in semiconductor-related products is partly thanks to sales of HBM-related devices, but another factor is that our long-term efforts to establish a solid foundation for getting tapes for semiconductors, such as BG tapes and dicing tapes, to contribute to earnings has paid off, and HBM-related devices have augmented that foundation. Regardless of what the next generation of HBM looks like, we will continue to develop tapes and devices that can really benefit the semiconductor industry. So, from next year onwards, performance could be affected if demand softens to some degree. But if that happens, we intend to make up for the fall-off with sales of other tapes and other devices.

Q. You've made an official announcement about CNT pellicles for EUV lithography machines, but when will mass production begin? Can you tell us whether this will affect earnings next fiscal year, especially in terms of profits?

A. As stated in the September 2024 news release, we're working to get a mass production system online for CNT pellicles for EUV lithography machines in the second half of 2025. But whether the effects will be included in our 2025 targets remains undecided. We're moving toward certification to adopt the system and will consider whether to incorporate it into targets while keeping an eye on future trends.