

Consolidated Financial Results for the Three Months Ended June 30, 2016

[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

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Name of listed company: LINTEC Corporation

Stock exchange listing: Tokyo Stock Exchange 1st Section

Code number: 7966

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Scheduled filing date for quarterly report: August 10, 2016

Scheduled date for dividend payments: -

Supplemental material on quarterly results: Yes

Presentation on quarterly results: None

(Amounts less than one million yen are omitted)

1. CONSOLIDATED BUSINESS RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

(from April 1, 2016 to June 30, 2016)

(1) Consolidated Operating Results (cumulative) (% represents the rate of increase or decrease over the same period last year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three Months Ended June 30, 2016	48,415	(7.9)	3,721	(24.9)	2,817	(44.4)	2,112	(41.4)
Three Months Ended June 30, 2015	52,550	6.5	4,956	24.7	5,065	26.0	3,605	28.9

(Note) Comprehensive income: Three Months Ended June 30, 2016: (573) million yen
Three Months Ended June 30, 2015: 3,357 million yen, up 163.3%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Three Months Ended June 30, 2016	29.28	29.24
Three Months Ended June 30, 2015	49.98	49.91

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2016	235,875	169,579	71.5
As of March 31, 2016	240,720	172,101	71.1

(Reference) Shareholders' equity: As of June 30, 2016: 168,593 million yen As of March 31, 2016: 171,037 million yen

2. DIVIDENDS

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2016	—	27.00	—	27.00	54.00
FY ended March 31, 2017	—				
FY ending March 31, 2017 (forecast)		33.00	—	33.00	66.00

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

3. FORECASTS OF CONSOLIDATED BUSINESS RESULTS FOR THE FISCAL YEAR ENDING MARCH 2017 (from April 1, 2016 to March 31, 2017)

(% represents changes over the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Full year	215,000	2.1	20,000	13.0	19,500	10.6	13,500	23.9	187.10

(Note) Revision of the latest consolidated results forecast announced: None

*Notes

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

(a)	Three Months Ended June 30, 2016:	76,564,240	FY Ended March 31, 2016	76,564,240
(b)	Three Months Ended June 30, 2016:	4,411,591	FY Ended March 31, 2016	4,411,475
(c)	Three Months Ended June 30, 2016:	72,152,688	Three Months Ended June 30, 2015	72,135,479

*Indication of quarterly review procedures implementation status

- At the time of the disclosure of the current quarterly financial results, the review procedures of the financial statements according to the Financial Instruments and Exchange Act are under way.

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

- The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Actual results, etc. may differ from projections due to a variety of reasons.
- Supplemental materials will be posted on our website (<http://www.lintec-global.com>) in a timely manner.

【Attachment】

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1. Qualitative Information on Financial Results for the Three Months ended June 30, 2016

(1) Explanation regarding Results of Operations

In the global economy during the first quarter of the fiscal year under review (April 1 – June 30, 2016), consumer spending in the U.S. remained solid and Europe enjoyed a moderate recovery. The slowdown in growth continued in emerging Asian countries, particularly in China. Meanwhile, in Japan, the economy was weakened by the increasingly strong yen, which significantly affected corporate performance, and a decline in personal spending.

In such business environment, this year marks the final year of the medium-term business plan “LIP-2016” that started April before last and our Group is further strengthening efforts in respective challenges set in the plan.

As a result, for the current quarter, the Group achieved net sales of 48,415 million yen (down 7.9% year-on-year), operating income of 3,721 million yen (down 24.9% year-on-year), and ordinary income of 2,817 million yen (down 44.4% year-on-year), with quarterly profit attributable to owners of parent amounting to 2,112 million yen (down 41.4% year-on-year).

The outline by segment was as follows:

[Printing and Industrial Materials Products]

In this segment, net sales were 20,530 million yen (down 5.3% year-on-year) and operating income was 644 million yen (down 4.8% year-on-year). Sales by operation of this segment were as follows:

(Printing & Variable Information Products Operations)

Sales of adhesive products for seals and labels remained solid for use in medical and distribution-related products in Japan; however, sales of those for food-related products declined. In overseas markets, sales decreased due to the economic slowdown in China and the ASEAN region. As a result, sales in this operation showed a year-on-year decrease.

(Industrial & Material Operations)

Sales of motorcycle- and automobile-use adhesive products fell as a result of reduced production volume due to the Kumamoto Earthquake and inventory adjustment in the Asian region. Sales of window films remained low due to weak domestic demand and China's economic slowdown. As a result, sales in this operation showed a year-on-year decrease.

[Electronic and Optical Products]

In this segment, net sales were 18,852 million yen (down 11.7% year-on-year) and operating income was 1,952 million yen (down 35.7% year-on-year). Net sales and operating income in this segment were particularly severely affected by the strong yen, and consequently declined. Sales by operation of this segment were as follows:

(Advanced Materials Operations)

Sales of semiconductor-related adhesive tapes decreased due to weak demand for smartphones, etc., and sales of semiconductor-related equipment also fell significantly. In addition, sales of multilayer ceramic capacitor-related tapes remained generally unchanged year-on-year due to a fall in demand for smartphones, despite solid demand for automobiles. As a result, sales in this operation showed a year-on-year decrease.

(Optical Products Operations)

Sales of LCD-related adhesive products were also low, affected by a decline in demand for large televisions, smartphones, and others. As a result, sales in this operation showed a year-on-year decrease.

[Paper and Converted Products]

In this segment, net sales were 9,032 million yen (down 4.9% year-on-year) and operating income was 1,087 million yen (down 9.0% year on year). Sales by operation of this segment were as follows:

(Fine & Specialty Paper Products Operations)

In the mainstay color papers for envelopes, sales of papers for envelopes with a concealing function grew significantly. However, sales of industrial specialty papers such as oil resistant papers and lint-free papers decreased. As a result, sales in this operation showed a year-on-year decrease.

(Converted Products Operations)

Sales of casting papers for carbon fiber composite materials increased as a result of those used for aircraft and reduced due to those for sports leisure use. Further, casting papers for synthetic leather also decreased as a result of the slowdown in the Chinese economy. As a result, sales in this operation showed a year-on-year decrease.

(2) Explanation regarding Financial Position

(Assets)

Total assets at this consolidated quarter end were 235,875 million yen, a year-on-year decrease of 4,844 million yen. Main factors of the change were as follows:

- Decrease in "Cash and deposits"	- 1,971 million yen
- Decrease in "Trade notes and accounts receivable"	- 1,970 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 66,295 million yen, a year-on-year decrease of 2,322 million yen. Main factors of the change were as follows:

- Decrease in "Accrued income taxes"	- 1,276 million yen
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(Net Assets)

Net assets at this consolidated quarter end were 169,579 million yen, a year-on-year decrease of 2,521 million yen. Main factors of the change were as follows:

- Decrease in "Foreign currency translation adjustments"	- 2,556 million yen
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(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings

For the full year consolidated earnings forecast, the earnings forecast published on May 10, 2016 remains unchanged.

2. Matters for Summary Information (Notes)

(1) Changes in status of significant subsidiaries during the quarter

Not applicable

(2) Application of accounting treatment specific to preparing quarterly consolidated financial statements

Not applicable

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements

(Changes in Accounting Policies)

(Changes in accounting policy that are difficult to distinguish from changes in accounting estimates)

(Change in the depreciation method of property, plant and equipment)

The Company submitting the consolidated financial statements and its domestic consolidated subsidiaries had conventionally used the declining balance method (straight line method for buildings (excluding attached facilities) acquired on or after April 1, 1998) as the depreciation method of property, plant and equipment (excluding lease assets), which has been changed to the straight line method from the first quarter of the consolidated fiscal year under review.

Based on its medium-term business plan “LIP-2016”, which was announced in 2014, the Group has been further promoting its global development and actively investing its management resources in growth areas such as innovative new products that will support the next generation.

As part of these efforts, the Group has added a new research building and testing and research facilities, and when these new facilities commenced full operation in 2016, the Group re-examined its depreciation method, which appropriately reflected the condition of the use of the Group’s property, plant and equipment. As a result, the Group determined that comprehensively considering the following changes and altering the depreciation method to the straight line method would enable more appropriate cost distribution throughout the period of use.

(1) The latest, large testing and research facilities were installed during the addition of the research building in order to improve the Group’s development simulation capability, which resulted in an increase in the percentage of research and development facilities in its property, plant and equipment. Such R&D facilities will include large test coaters associated with factory mass production facilities, advanced analysis equipment, and other devices, which are expected to substantially accelerate the process from the initial stage of research to mass production. The Group plans to engage in development for the establishment of the mass production process, and these R&D facilities will be operated steadily every fiscal year.

(2) High-function products has been increasing as a proportion of the Company’s products in recent years, and improvements and additions to the coaters, which are major facilities in the Company’s property, plant and equipment, have been made in line with this increase. These manufacturing facilities as a whole wear at an average rate every fiscal year due to improvements in manufacturing technology thanks to R&D, etc. and the modification of the production system. In addition, operations are expected to be steady given the Company’s active improvement of facilities to meet rising demand in growth areas.

As a result, the depreciation and amortization for the first quarter of the consolidated fiscal year under review decreased 513 million yen from those using the conventional method, and operating income, ordinary income, and profit before income taxes have each increased 385 million yen.

(4) Additional Information

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied since the first quarter of the consolidated fiscal year under review.

3. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	65,733	63,762
Trade notes and accounts receivable	62,331	60,361
Inventories	31,066	31,245
Other	4,659	3,838
Allowance for doubtful accounts	(143)	(108)
Total current assets	163,647	159,098
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	29,945	29,588
Machinery, equipment and vehicles (net)	20,130	20,216
Land	10,184	10,097
Construction in progress	2,864	3,318
Other (net)	1,734	1,712
Property, plant and equipment	64,859	64,933
Intangible assets	2,357	2,235
Investments and other assets		
Other	9,958	9,717
Allowance for doubtful accounts	(103)	(109)
Total investments and other assets	9,855	9,608
Total non-current assets	77,072	76,777
Total assets	240,720	235,875

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Trade notes and accounts payable	39,683	40,307
Short-term borrowings	1,695	1,730
Accrued income taxes	2,272	996
Provision for directors' bonuses	93	23
Other	12,644	10,872
Total current liabilities	56,389	53,930
Non-current liabilities		
Provision for environmental measures	137	137
Net defined benefit liability	11,476	11,508
Other	614	718
Total non-current liabilities	12,228	12,364
Total liabilities	68,618	66,295
Net Assets		
Shareholders' equity		
Common stock	23,201	23,201
Capital surplus	26,829	26,829
Retained earnings	123,713	123,878
Treasury stock	(7,712)	(7,712)
Total shareholders' equity	166,032	166,196
Accumulated other comprehensive income		
Net unrealized holding gain on securities	701	579
Foreign currency translation adjustments	7,812	5,256
Remeasurements of defined benefit plans	(3,509)	(3,439)
Total accumulated other comprehensive income	5,005	2,396
Share subscription rights	169	169
Non-controlling interests	895	817
Total net assets	172,101	169,579
Total liabilities and net assets	240,720	235,875

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Three Months Ended June 30, 2016

(Millions of yen)

	Previous consolidated fiscal year (Three months ended June 30, 2015)	Current consolidated fiscal year (Three months ended June 30, 2016)
Net sales	52,550	48,415
Cost of sales	38,974	36,095
Gross profit	13,575	12,319
Selling, general and administrative expenses	8,619	8,598
Operating income	4,956	3,721
Non-operating income		
Interest income	77	53
Dividend income	38	70
Gain on sales of noncurrent assets	2	0
Foreign exchange gains	97	-
Insurance income	0	126
Other income	79	81
Total non-operating income	296	332
Non-operating expenses		
Interest expenses	5	2
Loss on retirement of noncurrent assets	126	297
Foreign exchange losses	-	844
Compensation expenses	5	48
Other expenses	49	43
Total non-operating expenses	187	1,236
Ordinary income	5,065	2,817
Extraordinary gain		
Gain on sale of noncurrent assets	11	121
Total extraordinary gain	11	121
Income before income taxes	5,077	2,939
Income taxes	972	335
Deferred income taxes	519	537
Total income taxes	1,491	872
Profit	3,585	2,066
Profit (loss) attributable to non-controlling interests	(20)	(46)
Profit attributable to owners of parent	3,605	2,112

Consolidated Quarterly Statements of Comprehensive Income
 Three Months Ended June 30, 2016

(Millions of yen)

	Previous consolidated fiscal year (Three months ended June 30, 2015)	Current consolidated fiscal year (Three months ended June 30, 2016)
Net income	3,585	2,066
Other comprehensive income		
Net unrealized holding gain on securities	38	(122)
Foreign currency translation adjustments	(354)	(2,587)
Remeasurements of defined benefit plans	87	70
Total other comprehensive income	(228)	(2,639)
Comprehensive income	3,357	(573)
(Comprehensive income attributable to)		
Shareholders of the parent	3,355	(496)
Non-controlling interests	1	(77)

(3) Notes to Consolidated Quarterly Financial Statements

(Notes on Going Concern)

Not applicable.

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

Not applicable.

(Segment Information, etc.)

I. Previous first quarter (from April 1, 2015 to June 30, 2015)

Information on sales and income or loss by reportable segment

(Millions of yen)

	Reportable Segments				Adjustment (Note 1)	Consolidated Statements of Income (Note 2)
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total		
Net sales						
Net sales to outside customers	21,690	21,361	9,498	52,550	—	52,550
Intersegment sales and transfers	17	17	4,532	4,567	(4,567)	—
Total	21,707	21,378	14,031	57,118	(4,567)	52,550
Segment income	677	3,036	1,194	4,908	47	4,956

Notes:

1. Segment income in each segment was adjusted by eliminating the amount of intra-segments transactions.
2. Segment income is adjusted to be recorded as operating income in the quarterly consolidated statements of income.

II. Current first quarter (from April 1, 2016 to June 30, 2016)

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

(Millions of yen)

	Reportable Segments				Adjustment (Note 1)	Consolidated Statements of Income (Note 2)
	Printing and Industrial Materials Products	Electronic and Optical Products	Paper and Converted Products	Total		
Net sales						
Net sales to outside customers	20,530	18,852	9,032	48,415	—	48,415
Intersegment sales and transfers	9	13	3,482	3,505	(3,505)	—
Total	20,539	18,866	12,514	51,920	(3,505)	48,415
Segment income	644	1,952	1,087	3,684	37	3,721

Notes:

1. Segment income in each segment was adjusted by eliminating the amount of intra-segments transactions.
2. Segment income is adjusted to be recorded as operating income in the quarterly consolidated statements of income.

2. Changes in reportable segments

As stated in section (3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements under 2. Matters for Summary Information (Notes) on page 4, the segment profit for the first quarter of the consolidated fiscal year under review includes increases of 104 million yen in Printing and Industrial Materials Products, 174 million yen in Electronic and Optical Products, and 107 million yen in Paper and Converted Products compared with the former method due to the change in the depreciation method of property, plant and equipment.