Consolidated Financial Results for the Six Months Ended September 30, 2016
[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

November 9, 2016

Name of listed company: LINTEC Corporation
Stock exchange listing: Tokyo Stock Exchange 1st Section
Code number: 7966
URL: http://www.lintec-global.com/
Representative: Hiroyuki Nishio, President and CEO
For inquiries: Junichi Ogawa, General Manager, Finance & Accounting Dept., Administration Div. Phone: +81-3-5248-7713
Scheduled filing date for quarterly report: November 11, 2016
Scheduled date for dividend payments: December 9, 2016
Supplemental material on quarterly results: Yes
Presentation on quarterly results: Yes (For institutional investors and analysts)

(Amounts less than one million yen are omitted)

1. CONSOLIDATED BUSINESS RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016 (from April 1, 2016 to September 30, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six Months Ended September 30, 2016	99,435	(6.7)	8,440	(12.4)	7,118	(27.3)	5,125	(20.5)
Six Months Ended September 30, 2015	106,529	6.0	9,632	10.0	9,796	16.6	6,451	6.5

(Note) Comprehensive income: Six Months Ended September 30, 2016: (2,678) million yen
Six Months Ended September 30, 2015: 6,764 million yen, up 39.5%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six Months Ended September 30, 2016	71.04	70.94
Six Months Ended September 30, 2015	89.43	89.30

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2016	236,626	167,492	70.4
As of March 31, 2016	240,720	172,101	71.1

(Reference) Shareholders' equity: As of September 30, 2016: 166,585 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	—	33.00			
FY ending March 31, 2017 (forecast)			—	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 31, 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	205,000	(2.6)	17,000	(3.9)	15,500	(12.1)	10,500	(3.7)	145.53

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

*Notes

(1) Changes in status of significant subsidiaries during the quarter (changes in status of specified subsidiaries accompanying changes in consolidated range): None

Newly consolidated subsidiaries: -   Subsidiaries excluded: -

(2) Application of accounting treatment specific to preparing quarterly consolidated financial statements: None

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

(a) Changes 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)	Six Months Ended September 30, 2016	76,564,240	FY Ended March 31, 2016	76,564,240
(b)	Six Months Ended September 30, 2016	4,411,919	FY Ended March 31, 2016	4,411,475
(c)	Six Months Ended September 30, 2016	72,152,554	Six Months Ended September 30, 2015	72,139,578

*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 Company has revised the full year consolidated business results forecast that was published on May 10, 2016. For details, please see “(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Business Results” on page 3 of the Attachment.
- The forecasts included in this document are based on the currently available information and certain assumptions that we believe reasonable. Actual results, etc. may differ from projections due to a variety of reasons.
- Supplemental materials will be posted on our website (http://www.lintec-global.com) in a timely manner.

【Attachment】

Contents of Attachment

1. Qualitative Information on Financial Results for the Six Months ended September 30, 2016

(1) Explanation regarding Results of Operations

In the global economy during the second quarter of the fiscal year under review (April 1 – September 30, 2016), consumer spending in the U.S. remained solid and Europe enjoyed a moderate recovery. The downturn 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 99,435 million yen (down 6.7% year-on-year), operating income of 8,440 million yen (down 12.4% year-on-year), and ordinary income of 7,118 million yen (down 27.3% year-on-year), with quarterly profit attributable to owners of parent amounting to 5,125 million yen (down 20.5% year-on-year).

The outline by segment was as follows:

[Printing and Industrial Materials Products]

In this segment, net sales were 41,168 million yen (down 7.3% year-on-year) and operating income was 1,467 million yen (up 11.9% 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 due to the effect of unseasonable weather. 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 were weak affected by the reduced production volume due to the Kumamoto Earthquake, and the downturn in the ASEAN region. Sales of window films declined mainly due to weak demand in Japan and China. As a result, sales in this operation showed a year-on-year decrease.

[Electronic and Optical Products]

In this segment, net sales were 39,996 million yen (down 7.9% year-on-year) and operating income was 4,581 million yen (down 23.8% year-on-year). Net sales and operating income in this segment, where sales overseas account for a large percentage, 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 the products for smartphones, etc., and sales of semiconductor-related equipment also fell. In addition, sales of multilayer ceramic capacitor-related tapes decreased due to a fall in demand for the products 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, the products for 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 18,271 million yen (down 2.2% year-on-year) and operating income was 2,334 million yen (up 2.6% 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. However, sales of oil resistant papers, and others 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 for aircraft were solid, but those for sports and leisure were weak. 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 236,626 million yen, a year-on-year decrease of 4,093 million yen. Main factors of the change were as follows:

- Decrease in “Cash and deposits”	- 1,234 million yen
- Decrease in “Trade notes and accounts receivable”	- 769 million yen
- Decrease in “Inventories”	- 1,765 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 69,134 million yen, a year-on-year increase of 516 million yen. Main factors of the change were as follows:

- Increase in “Trade notes and accounts payable”	3,151 million yen
- Decrease in “Current liabilities-other”	- 2,224 million yen

(Net Assets)

Net assets at this consolidated quarter end were 167,492 million yen, a year-on-year decrease of 4,609 million yen. Main factors of the change were as follows:

- Increase in “Retained earnings”	3,177 million yen
- Decrease in “Foreign currency translation adjustments”	- 7,735 million yen

(3) Explanation regarding Information on Future Forecast, including Forecast of Business Results

Business results in the six months under review were weak chiefly due to a downturn in China and other emerging countries in Asia and the strong yen. The challenging business environment is expected to continue in the third quarter and thereafter.

In this environment, the consolidated business results for the fiscal year ending March 31, 2017 are expected to fall short of the initial forecasts announced on May 10, 2016 and the forecasts are revised as shown below.

Expenses of 600 million yen associated with the corporate acquisition described in Significant Subsequent Events on page 10 are included in the full year consolidated business results forecast. The effect of the acquisition on consolidated business results thereafter is being examined.

Full year consolidated business results forecasts for the fiscal year ending March 31, 2017 (April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous forecast (A)	215,000	20,000	19,500	13,500
New forecast (B)	205,000	17,000	15,500	10,500
Change (B-A)	(10,000)	(3,000)	(4,000)	(3,000)
Change (%)	(4.7)	(15.0)	(20.5)	(22.2)
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2016)	210,501	17,692	17,623	10,899

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

2. 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 second quarter of the consolidated fiscal year under review (April 1 – September 30, 2016) decreased 1,155 million yen from those using the conventional method, and operating income, ordinary income, and profit before income taxes have each increased 965 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 September 30, 2016
Assets		
Current assets		
Cash and deposits	65,733	64,499
Trade notes and accounts receivable	62,331	61,561
Inventories	31,066	29,300
Other	4,659	5,008
Allowance for doubtful accounts	(143)	(107)
Total current assets	163,647	160,262
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	29,945	29,277
Machinery, equipment and vehicles (net)	20,130	20,609
Land	10,184	10,006
Construction in progress	2,864	3,259
Other (net)	1,734	1,657
Property, plant and equipment	64,859	64,810
Intangible assets	2,357	2,080
Investments and other assets		
Other	9,958	9,581
Allowance for doubtful accounts	(103)	(108)
Total investments and other assets	9,855	9,473
Total non-current assets	77,072	76,363
Total assets	240,720	236,626

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Trade notes and accounts payable	39,683	42,834
Short-term borrowings	1,695	1,730
Accrued income taxes	2,272	2,045
Provision for directors' bonuses	93	47
Other	12,644	10,419
Total current liabilities	56,389	57,077
Non-current liabilities		
Provision for environmental measures	137	135
Net defined benefit liability	11,476	11,428
Other	614	493
Total non-current liabilities	12,228	12,057
Total liabilities	68,618	69,134
Net Assets		
Shareholders' equity		
Common stock	23,201	23,201
Capital surplus	26,829	26,829
Retained earnings	123,713	126,891
Treasury stock	(7,712)	(7,713)
Total shareholders' equity	166,032	169,208
Accumulated other comprehensive income		
Net unrealized holding gain on securities	701	672
Foreign currency translation adjustments	7,812	77
Remeasurements of defined benefit plans	(3,509)	(3,372)
Total accumulated other comprehensive income	5,005	(2,623)
Share subscription rights	169	186
Non-controlling interests	895	720
Total net assets	172,101	167,492
Total liabilities and net assets	240,720	236,626

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income

Consolidated Quarterly Statements of Income

Six Months Ended September 30, 2016

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2015)	Current consolidated fiscal year (Six months ended September 30, 2016)
Net sales	106,529	99,435
Cost of sales	79,202	73,575
Gross profit	27,326	25,860
Selling, general and administrative expenses	17,694	17,419
Operating income	9,632	8,440
Non-operating income		
Interest income	162	105
Dividend income	40	72
Gain on sales of noncurrent assets	3	7
Foreign exchange gains	104	-
Insurance income	0	225
Other income	155	203
Total non-operating income	468	614
Non-operating expenses		
Interest expenses	10	9
Loss on retirement of noncurrent assets	180	401
Foreign exchange losses	-	1,275
Compensation expenses	27	57
Other expenses	85	192
Total non-operating expenses	303	1,936
Ordinary income	9,796	7,118
Extraordinary gain		
Gain on sale of noncurrent assets	11	121
Total extraordinary gain	11	121
Extraordinary loss		
Loss on termination of retirement benefit plans	251	-
Total Extraordinary losses	251	-
Income before income taxes	9,557	7,240
Income taxes	3,128	2,181
Deferred income taxes	36	42
Total income taxes	3,165	2,224
Profit	6,391	5,016
Profit (loss) attributable to non-controlling interests	(59)	(109)
Profit attributable to owners of parent	6,451	5,125

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30, 2016

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2015)	Current consolidated fiscal year (Six months ended September 30, 2016)
Net income	6,391	5,016
Other comprehensive income		
Net unrealized holding gain on securities	(85)	(29)
Foreign currency translation adjustments	98	(7,800)
Remeasurements of defined benefit plans	359	135
Total other comprehensive income	372	(7,694)
Comprehensive income	6,764	(2,678)
(Comprehensive income attributable to)		
Shareholders of the parent	6,784	(2,503)
Non-controlling interests	(20)	(175)

(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 second quarter (from April 1, 2015 to September 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	44,433	43,420	18,675	106,529	—	106,529
Intersegment sales and transfers	108	146	8,734	8,989	(8,989)	—
Total	44,541	43,567	27,410	115,519	(8,989)	106,529
Segment income	1,311	6,010	2,274	9,596	35	9,632

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

II. Current second quarter (from April 1, 2016 to September 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	41,168	39,996	18,271	99,435	—	99,435
Intersegment sales and transfers	24	29	7,034	7,088	(7,088)	—
Total	41,192	40,025	25,305	106,524	(7,088)	99,435
Segment income	1,467	4,581	2,334	8,383	56	8,440

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 second quarter of the consolidated fiscal year under review (April 1 – September 30, 2016) includes increases of 261 million yen in Printing and Industrial Materials Products, 440 million yen in Electronic and Optical Products, and 263 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.

(Significant Subsequent Events)

(Purchasing a company with acquisition of membership interests)

(1) The Acquisition of VDI, LLC

At a meeting held on October 19, 2016, the Board of Directors of LINTEC resolved to acquire all the membership interests of VDI, LLC (head office: Kentucky, the United States, hereinafter "VDI") through its wholly owned holding company in the United States, LINTEC USA Holding, Inc. (head office: Massachusetts, the United States), and concluded a purchase agreement on October 31, 2016 (local time).

(a) Background on the Acquisition

VDI maintains a manufacturing base in Kentucky, the United States. VDI is producing functional films, such as metallized films and sputtering films, and selling them to customers in the United States and other countries.

LINTEC is convinced that VDI's products can be expected to produce synergies with window films and other functional films manufactured by the Group and to contribute significantly to the expansion of the Group's businesses and the improvement of its operating results in the future. LINTEC is planning to link VDI's acquisition to business development in new fields, utilizing VDI's outstanding metallizing technologies that had not existed in the Group previously.

(b) The party from whom membership interests are acquired

David Bryant

(c) Name, business description, and scale of the acquired company

Name: VDI, LLC

Business description: Manufacture and sales of functional films

Scale (Fiscal year ended December 31, 2015)

Net assets	US$ 5,525,000
Total assets	US$ 12,676,000
Net sales	US$ 13,090,000

(d) Date of acquisition of membership interests

October 31, 2016 (local time)

(e) Acquisition price and ratio of membership interests to be acquired

Acquisition price: approximately US$ 26 million

Ratio of membership interests to be acquired: 100%

(f) How to procure fund and to make the payment

LINTEC's cash reserves

(2) The Acquisition of MACtac Americas, LLC

At a meeting held on October 24, 2016, the Board of Directors of LINTEC resolved to acquire all the membership interests of MACtac Americas, LLC (head office: Ohio, the United States, hereinafter "MACtac") through its wholly owned holding company in the United States, LINTEC USA Holding, Inc. (head office: Massachusetts, the United States), and concluded a purchase agreement on the same day.

(a) Background on the Acquisition

MACtac maintains manufacturing bases in the United States and Mexico and develops printing pressure sensitive labels and adhesive films for the printing industry, mainly in North America. It has built a solid position in the U.S. market by developing products using its unique excellent adhesion formula and high-speed coating technology. MACtac also deals with graphic sheets and various kinds of industrial and medical tapes.

LINTEC is convinced that the full-scale entry in the North American market for printing pressure sensitive labels and adhesive films and the proactive development of its original products using its own technological development capabilities through MACtac will contribute significantly to the acceleration of the global development of Printing and Variable Information Products Operations, the core business of the Group. LINTEC is also planning to link MACtac's acquisition to business enhancement and expansion in not only the North American market, but also Japan and other regions, by utilizing MACtac's unique technical capabilities and brand equity and maximizing the synergy effect with LINTEC's technologies.

(b) The party from whom membership interests are acquired

MACtac Americas Holdings, LLC

(c) Name, business description, and scale of the acquired company

Name: MACtac Americas, LLC

Business description: Manufacture and sales of label materials for printing, VIP label materials, graphic sheets, industrial and medical tapes, etc.

Scale (Fiscal year ended December 31, 2015)

Net assets	(US$ 13 million)*
Total assets	US$ 114 million
Net sales	US$ 304 million

* Net assets are in deficit due to dividends (US$ 100 million) paid out to the party from whom membership interests are acquired

(d) Date of acquisition of membership interests

Late November 2016 (planned)

(e) Acquisition price and ratio of membership interests to be acquired

Acquisition price: approximately US$ 270 million

Ratio of membership interests to be acquired: 100%

(f) How to procure fund and to make the payment

LINTEC’s cash reserves and bank loans