

# Consolidated Financial Results for the Nine Months Ended December 31, 2016

[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

February 10, 2017

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: February 13, 2017

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 NINE MONTHS ENDED DECEMBER 31, 2016

(from April 1, 2016 to December 31, 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	%
Nine Months Ended December 31, 2016	151,107	(5.3)	12,941	(9.9)	12,158	(17.0)	8,655	(9.2)
Nine Months Ended December 31, 2015	159,544	4.0	14,369	8.5	14,650	6.3	9,532	(2.2)

(Note) Comprehensive income: Nine Months Ended December 31, 2016: 2,239 million yen, down 63.8%  
 Nine Months Ended December 31, 2015: 6,182 million yen, down 49.1%

	Net income per share	Net income per share (diluted)
	Yen	Yen
Nine Months Ended December 31, 2016	119.96	119.78
Nine Months Ended December 31, 2015	132.14	131.95

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2016	271,752	170,027	62.2
As of March 31, 2016	240,720	172,101	71.1

(Reference) Shareholders' equity: As of December 31, 2016: 169,149 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: None

\*Notes

- (1) Changes in status of significant subsidiaries during the quarter (changes in status of specified subsidiaries accompanying changes in consolidated range): Yes  
Newly consolidated subsidiaries: 2 (Name of company) VDI, LLC / MACtac Americas, LLC  
Subsidiaries excluded: -  
Note) For more details, refer to (Changes in status of significant subsidiaries during the quarter) on page 4 of the [attached materials].
- (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  
Note) For more details, refer to (Changes in accounting principles) on page 4 of the [attached materials].
- (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)	Nine Months Ended December 31, 2016	76,564,240	FY Ended March 31, 2016	76,564,240
(b)	Nine Months Ended December 31, 2016	4,412,303	FY Ended March 31, 2016	4,411,475
(c)	Nine Months Ended December 31, 2016	72,152,441	Nine Months Ended December 31, 2015	72,142,471

\*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】**

Contents of Attachment

1. Qualitative Information on Financial Results for the Nine Months ended December 31, 2016 .....	2
(1) Explanation regarding Results of Operations .....	2
(2) Explanation regarding Financial Position .....	3
(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Business Results .....	3
2. Matters for Summary Information (Notes) .....	4
(1) Changes in status of significant subsidiaries during the quarter .....	4
(2) Application of accounting treatment specific to preparing quarterly consolidated financial statements ....	4
(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements .....	4
(4) Additional Information .....	4
3. Consolidated Quarterly Financial Statements .....	5
(1) Consolidated Quarterly Balance Sheets .....	5
(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income .....	7
(3) Notes to Consolidated Quarterly Financial Statements .....	9
(Notes on Going Concern) .....	9
(Notes on Significant Changes in the Amount of Total Shareholders' Equity) .....	9
(Segment Information, etc.) .....	9

## 1. Qualitative Information on Financial Results for the Nine Months ended December 31, 2016

### (1) Explanation regarding Results of Operations

During the third quarter of the fiscal year under review (April 1 – December 31, 2016), consumer spending in the U.S. remained solid, chiefly reflecting an improvement in the income environment, and Europe continued to enjoy a moderate recovery. The downturn continued in emerging Asian countries, particularly in China. Meanwhile, in Japan, consumer spending and exports recovered moderately in the second half of the period, but the economy continued to fall short of a recovery.

In such business environment, this year marks the final year of the medium-term business plan “LIP-2016” that started in April, 2014 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 151,107 million yen (down 5.3% year on year). Operating income stood at 12,941 million yen (down 9.9% year on year) partly due to expenses related to the acquisitions of three companies in Europe and the United States in the third quarter. Ordinary income and profit attributable to owners of parent came to 12,158 million yen (down 17.0% year-on-year) and 8,655 million yen (down 9.2% year-on-year), respectively.

The outline by segment was as follows:

#### [Printing and Industrial Materials Products]

In this segment, net sales were 61,670 million yen (down 6.9% year-on-year) and operating income was 1,502 million yen (down 33.9% 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, particularly in China. As a result, sales in this operation stood at 38,950 million yen (down 4.6% year-on-year).

##### (Industrial & Material Operations)

Sales of motorcycle- and automobile-use adhesive products were weak affected by 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 stood at 22,720 million yen (down 10.6% year-on-year).

#### [Electronic and Optical Products]

In this segment, net sales were 61,972 million yen (down 5.6% year-on-year) and operating income was 7,310 million yen (down 17.7% 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 and semiconductor-related equipment were on a par with the year-ago level, chiefly reflecting a recovery in demand for the products for smartphones and other devices from the second quarter. Sales of multilayer ceramic capacitor-related tapes decreased due to weak demand in the first half of the period, despite a recovery in demand from autumn. As a result, sales in this operation stood at 32,061 million yen (down 3.9% year-on-year).

##### (Optical Products Operations)

Sales of LCD-related adhesive products were also low, affected by a decline in demand for the products for large televisions and smartphones, and others. As a result, sales in this operation stood at 29,911 million yen (down 7.3% year-on-year).

#### [Paper and Converted Products]

In this segment, net sales were 27,464 million yen (down 0.7% year-on-year) and operating income was 4,042 million yen (up 26.5% year on year). Sales by operation of this segment were as follows:

##### (Fine & Specialty Paper Products Operations)

Sales of mainstay color papers for envelopes remained flat from a year ago, while sales of oil resistant papers, construction material papers, and others decreased. As a result, sales in this operation stood at 12,040 million yen (down 2.6% year-on-year).

##### (Converted Products Operations)

Sales of casting papers for carbon fiber composite materials for aircraft were solid. Sales of release papers for adhesive products remained flat from a year ago, while sales of release papers for FPC cover lay films were strong. As a result, sales in this operation stood at 15,423 million yen (up 0.8% year-on-year).

## (2) Explanation regarding Financial Position

### (Assets)

Total assets at this consolidated quarter end were 271,752 million yen, a year-on-year increase of 31,032 million yen. Main factors of the change were as follows:

- Decrease in "Cash and deposits"	- 23,600 million yen
- Increase in "Trade notes and accounts receivable"	9,664 million yen
- Increase in "Inventories"	2,267 million yen
- Increase in "Property, plant and equipment"	5,202 million yen
- Increase in "Goodwill"	36,550 million yen

### (Liabilities)

Total liabilities at this consolidated quarter end were 101,724 million yen, a year-on-year increase of 33,105 million yen. Main factors of the change were as follows:

- Increase in "Trade notes and accounts payable"	15,387 million yen
- Decrease in "Short-term borrowings"	- 1,065 million yen
- Increase in "Current portion of long-term loans payable"	3,099 million yen
- Decrease in "Accrued income taxes"	- 1,115 million yen
- Increase in "Long-term loans payable"	18,090 million yen

### (Net Assets)

Net assets at this consolidated quarter end were 170,027 million yen, a year-on-year decrease of 2,073 million yen. Main factors of the change were as follows:

- Increase in "Retained earnings"	4,326 million yen
- Decrease in "Foreign currency translation adjustments"	- 6,554 million yen

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

For the full year consolidated earnings forecast, the earnings forecast published on November 9, 2016 remains unchanged.

## 2. Matters for Summary Information (Notes)

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

In the third quarter, the Company acquired all the membership interests in VDI, LLC and MACtac Americas, LLC through LINTEC USA Holding, Inc., the Company's wholly owned holding company in the United States, making them the Company's consolidated subsidiaries.

### (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 third quarter of the consolidated fiscal year under review (April 1 – December 31, 2016) decreased 1,884 million yen from those using the conventional method, and operating income, ordinary income, and profit before income taxes have each increased 1,648 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 December 31, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	65,733	42,132
Trade notes and accounts receivable	62,331	71,996
Inventories	31,066	33,333
Other	4,659	5,281
Allowance for doubtful accounts	(143)	(114)
Total current assets	163,647	152,629
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	29,945	30,520
Machinery, equipment and vehicles (net)	20,130	24,157
Land	10,184	11,074
Construction in progress	2,864	2,464
Other (net)	1,734	1,844
Property, plant and equipment	64,859	70,061
Intangible assets		
Goodwill	22	36,573
Other	2,334	2,521
Intangible assets	2,357	39,095
Investments and other assets		
Other	9,958	10,070
Allowance for doubtful accounts	(103)	(105)
Total investments and other assets	9,855	9,965
Total non-current assets	77,072	119,122
Total assets	240,720	271,752

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	39,683	55,071
Short-term borrowings	1,695	630
Current portion of long-term loans payable	-	3,099
Accrued income taxes	2,272	1,156
Provision for directors' bonuses	93	71
Other	12,644	11,573
Total current liabilities	56,389	71,602
Non-current liabilities		
Long-term loans payable	-	18,090
Provision for environmental measures	137	135
Net defined benefit liability	11,476	11,469
Other	614	425
Total non-current liabilities	12,228	30,121
Total liabilities	68,618	101,724
<b>Net Assets</b>		
Shareholders' equity		
Common stock	23,201	23,201
Capital surplus	26,829	26,829
Retained earnings	123,713	128,039
Treasury stock	(7,712)	(7,713)
Total shareholders' equity	166,032	170,356
Accumulated other comprehensive income		
Net unrealized holding gain on securities	701	837
Foreign currency translation adjustments	7,812	1,258
Remeasurements of defined benefit plans	(3,509)	(3,303)
Total accumulated other comprehensive income	5,005	(1,206)
Share subscription rights	169	186
Non-controlling interests	895	691
Total net assets	172,101	170,027
Total liabilities and net assets	240,720	271,752



(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income  
Consolidated Quarterly Statements of Income  
Nine Months Ended December 31, 2016

(Millions of yen)

	Previous consolidated fiscal year (Nine months ended December 31, 2015)	Current consolidated fiscal year (Nine months ended December 31, 2016)
Net sales	159,544	151,107
Cost of sales	118,552	111,413
Gross profit	40,991	39,694
Selling, general and administrative expenses	26,622	26,752
Operating income	14,369	12,941
Non-operating income		
Interest income	234	169
Dividend income	57	90
Gain on sales of noncurrent assets	5	12
Foreign exchange gains	86	-
Insurance income	42	226
Other income	240	261
Total non-operating income	668	761
Non-operating expenses		
Interest expenses	15	22
Loss on retirement of noncurrent assets	218	491
Foreign exchange losses	-	651
Compensation expenses	39	60
Other expenses	114	318
Total non-operating expenses	387	1,544
Ordinary income	14,650	12,158
Extraordinary gain		
Gain on sale of noncurrent assets	11	121
Total extraordinary gain	11	121
Extraordinary loss		
Special retirement expenses	420	-
Loss on termination of retirement benefit plans	251	-
Loss on temporary suspension of production	66	-
Total Extraordinary losses	738	-
Profit before income taxes	13,923	12,280
Income taxes	3,978	3,220
Deferred income taxes	530	535
Total income taxes	4,508	3,756
Profit	9,414	8,523
Profit (loss) attributable to non-controlling interests	(117)	(131)
Profit attributable to owners of parent	9,532	8,655

Consolidated Quarterly Statements of Comprehensive Income  
 Nine Months Ended December 31, 2016

(Millions of yen)

	Previous consolidated fiscal year (Nine months ended December 31, 2015)	Current consolidated fiscal year (Nine months ended December 31, 2016)
Net income	9,414	8,523
Other comprehensive income		
Net unrealized holding gain on securities	58	136
Foreign currency translation adjustments	(3,670)	(6,624)
Remeasurements of defined benefit plans	380	204
Total other comprehensive income	(3,232)	(6,284)
Comprehensive income	6,182	2,239
(Comprehensive income attributable to)		
Shareholders of the parent	6,271	2,443
Non-controlling interests	(89)	(203)

(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 December 31, 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	66,246	65,634	27,663	159,544	—	159,544
Intersegment sales and transfers	315	390	13,140	13,847	(13,847)	—
Total	66,561	66,024	40,804	173,391	(13,847)	159,544
Segment income	2,272	8,885	3,194	14,352	17	14,369

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 December 31, 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	61,670	61,972	27,464	151,107	—	151,107
Intersegment sales and transfers	40	49	11,480	11,569	(11,569)	—
Total	61,711	62,021	38,944	162,677	(11,569)	151,107
Segment income	1,502	7,310	4,042	12,855	86	12,941

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 third quarter of the consolidated fiscal year under review (April 1 – December 31, 2016) includes increases of 479 million yen in Printing and Industrial Materials Products, 729 million yen in Electronic and Optical Products, and 440 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.