

Consolidated Financial Results for the Six Months Ended September 30, 2017

[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

November 9, 2017

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: November 10, 2017

Scheduled date for dividend payments: December 8, 2017

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, 2017

(from April 1, 2017 to September 30, 2017)

(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, 2017	123,084	23.8	10,044	19.0	9,817	37.9	6,015	17.4
Six Months Ended September 30, 2016	99,435	(6.7)	8,440	(12.4)	7,118	(27.3)	5,125	(20.5)

(Note) Comprehensive income: Six Months Ended September 30, 2017: 4,697 million yen
Six Months Ended September 30, 2016: (2,678) million yen

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six Months Ended September 30, 2017	83.37	83.24
Six Months Ended September 30, 2016	71.04	70.94

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2017	282,829	181,039	63.7
As of March 31, 2017	274,199	178,690	64.9

(Reference) Shareholders' equity: As of September 30, 2017: 180,272 million yen As of March 31, 2017: 177,884 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, 2017	—	33.00	—	33.00	66.00
FY ended March 31, 2018	—	33.00			
FY ending March 31, 2018 (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, 2018 (from April 1, 2017 to March 31, 2018)

(% represents changes over 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	245,000	18.9	20,000	20.5	19,200	22.4	12,500	9.2	173.25

(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): None
 - (c) Changes in accounting estimates: None
 - (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, 2017	76,564,240	FY Ended March 31, 2017	76,564,240
(b)	Six Months Ended September 30, 2017	4,412,639	FY Ended March 31, 2017	4,412,515
(c)	Six Months Ended September 30, 2017	72,151,654	Six Months Ended September 30, 2016	72,152,554

*The current quarterly financial results are not subject to quarterly reviews.

*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 8, 2017. 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】

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1. Qualitative Information on Financial Results for the Six Months Ended September 30, 2017

(1) Explanation Regarding Results of Operations

During the second quarter of the fiscal year under review (April 1 – September 30, 2017), the global economy saw continued economic expansion in the United States supported by steady consumer spending and a moderate recovery in Europe, as well as signs of recovery in China thanks to various factors including the effects of government policies. Meanwhile, the economy in Japan remained steady overall, due mainly to an improvement in corporate earnings backed by robust foreign demand and weak yen as well as a moderate pickup in consumer spending. In this business environment, the Group launched its new medium-term business plan “LIP-2019” in April 2017, and actively worked on key initiatives in accordance with the basic policy “Deepening innovation aimed at driving new growth.”

As a result, for the current quarter, the Group achieved net sales of 123,084 million yen (up 23.8% year-on-year), operating income of 10,044 million yen (up 19.0% year-on-year), and ordinary income of 9,817 million yen (up 37.9% year-on-year), with quarterly profit attributable to owners of parent amounting to 6,015 million yen (up 17.4% year-on-year).

The outline by segment was as follows:

[Printing and Industrial Materials Products]

In this segment, net sales were 60,102 million yen (up 46.0% year-on-year) and operating income was 1,206 million yen (down 17.8% year-on-year). Sales by operation of this segment were as follows:

(Printing & Variable Information Products Operations)

Sales of adhesive papers for seals and labels in Japan were low for food-related products, but sales of those for distribution and mail order-related products remained firm. Sales of adhesive films for seals and labels remained steady, backed by demand for campaign labels for beverages and eye-catching labels for cosmetics, etc. Sales in overseas markets were steady due to robust sales in the ASEAN region, while sales at subsidiaries in Europe and the United States acquired at the end of 2016 were also added. As a result, sales in this operation showed a year-on-year increase.

(Industrial & Material Operations)

Sales generally remained weak in Japan, but sales of motorcycle- and automobile-use adhesive products and window films were firm in Asia. In addition, sales at subsidiaries in Europe and the United States acquired at the end of 2016 were added. As a result, sales in this operation showed a year-on-year increase.

[Electronic and Optical Products]

In this segment, net sales were 43,982 million yen (up 10.0% year-on-year) and operating income was 6,054 million yen (up 32.1% year-on-year). Sales by operation of this segment were as follows:

(Advanced Materials Operations)

Sales of semiconductor-related adhesive tapes and semiconductor-related equipment increased significantly, reflecting robust demand for products for smartphones and other devices. Sales of multilayer ceramic capacitor-related tapes also rose due to strong demand for products mainly for smartphones and automobiles. As a result, sales in this operation showed a year-on-year increase.

(Optical Products Operations)

Sales of LCD-related adhesive products remained steady for small- and medium-sized products, but those for large televisions remained low. As a result, sales in this operation showed a year-on-year decrease.

[Paper and Converted Products]

In this segment, net sales were 18,999 million yen (up 4.0% year-on-year) and operating income was 2,732 million yen (up 17.1% 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 low, while sales of industrial specialty papers, oil resistant papers and others were solid. As a result, sales in this operation showed a year-on-year increase.

(Converted Products Operations)

Sales of release papers for FPC cover lay films, release films for optical-related products and casting papers for synthetic leather, among others, were favorable. Sales of casting papers for carbon fiber composite materials, particularly those for leisure, also remained firm. As a result, sales in this operation showed a year-on-year increase.

(2) Explanation Regarding Financial Position

(Assets)

Total assets at this consolidated quarter end were 282,829 million yen, a year-on-year increase of 8,630 million yen. Main factors of the change were as follows:

- Increase in "Cash and deposits"	+ 5,993 million yen
- Increase in "Trade notes and accounts receivable"	+ 5,865 million yen
- Increase in "Inventories"	+ 2,084 million yen
- Decrease in "Property, plant and equipment"	- 1,313 million yen
- Decrease in "Goodwill"	- 2,906 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 101,789 million yen, a year-on-year increase of 6,281 million yen. Main factors of the change were as follows:

- Increase in "Trade notes and accounts payable"	+ 7,912 million yen
- Decrease in "Long-term loans payable"	- 1,507 million yen

(Net Assets)

Net assets at this consolidated quarter end were 181,039 million yen, a year-on-year increase of 2,348 million yen. Main factors of the change were as follows:

- Increase in "Retained earnings"	+ 3,634 million yen
- Decrease in "Foreign currency translation adjustments"	- 1,263 million yen

(3) Explanation Regarding Information on Future Forecast, Including Forecast of Consolidated Business Results

With respect to the full-year consolidated business results for the fiscal year ending March 31, 2018, sales of semiconductor-related adhesive tapes and semiconductor-related equipment, as well as sales of multilayer ceramic capacitor-related tapes remain steady against the backdrop of increasing demand for products mainly for smartphones. However, sales of LCD-related adhesive products are expected to remain weak. In addition, the results of subsidiaries acquired last year in the U.S. and Madico, Inc., which is currently under reconstruction, are expected to fall below the initial forecasts. Also, given that the provision for business structure improvement of Madico, Inc. was recorded as an extraordinary loss in the first quarter of the current fiscal year, we have revised the forecast of the full-year consolidated business results for the fiscal year ending March 31, 2018, announced on May 8, 2017, as follows.

Full-year consolidated business results forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	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)	250,000	20,000	19,500	13,500
New forecast (B)	245,000	20,000	19,200	12,500
Change (B-A)	(5,000)	-	(300)	(1,000)
Change (%)	(2.0)	-	(1.5)	(7.4)
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2017)	205,975	16,595	15,684	11,450

* 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. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	45,060	51,053
Trade notes and accounts receivable	66,801	72,666
Inventories	34,584	36,668
Other	5,117	4,817
Allowance for doubtful accounts	(114)	(117)
Total current assets	151,449	165,088
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	31,397	31,769
Machinery, equipment and vehicles (net)	27,293	25,362
Land	11,057	11,053
Construction in progress	2,163	2,457
Other (net)	1,958	1,914
Property, plant and equipment	73,871	72,557
Intangible assets		
Goodwill	34,558	31,652
Other	4,000	3,586
Intangible assets	38,559	35,238
Investments and other assets		
Other	10,423	10,042
Allowance for doubtful accounts	(105)	(97)
Total investments and other assets	10,318	9,945
Total non-current assets	122,749	117,740
Total assets	274,199	282,829

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Trade notes and accounts payable	45,057	52,970
Short-term loans payable	641	430
Current portion of long-term loans payable	3,051	3,057
Accrued income taxes	3,098	3,074
Provision for directors' bonuses	90	46
Provision for business structure improvement	–	796
Other	12,460	12,089
Total current liabilities	64,401	72,466
Non-current liabilities		
Long-term loans payable	17,795	16,287
Provision for environmental measures	135	133
Net defined benefit liability	12,362	12,420
Other	814	481
Total non-current liabilities	31,107	29,323
Total liabilities	95,508	101,789
Net Assets		
Shareholders' equity		
Common stock	23,201	23,201
Capital surplus	26,829	26,829
Retained earnings	131,247	134,882
Treasury stock	(7,714)	(7,714)
Total shareholders' equity	173,563	177,198
Accumulated other comprehensive income		
Net unrealized holding gain on securities	775	732
Foreign currency translation adjustments	6,938	5,674
Remeasurements of defined benefit plans	(3,392)	(3,332)
Total accumulated other comprehensive income	4,320	3,074
Share subscription rights	186	219
Non-controlling interests	619	547
Total net assets	178,690	181,039
Total liabilities and net assets	274,199	282,829

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Six Months Ended September 30, 2017

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2016)	Current consolidated fiscal year (Six months ended September 30, 2017)
Net sales	99,435	123,084
Cost of sales	73,575	91,601
Gross profit	25,860	31,483
Selling, general and administrative expenses	17,419	21,438
Operating income	8,440	10,044
Non-operating income		
Interest income	105	102
Dividend income	72	259
Gain on sales of noncurrent assets	7	8
Insurance income	225	10
Other income	203	170
Total non-operating income	614	551
Non-operating expenses		
Interest expenses	9	114
Loss on retirement of noncurrent assets	401	188
Foreign exchange losses	1,275	353
Compensation expenses	57	23
Other expenses	192	97
Total non-operating expenses	1,936	778
Ordinary income	7,118	9,817
Extraordinary gain		
Gain on sales of investment securities	–	343
Gain on sale of noncurrent assets	121	–
Total extraordinary gain	121	343
Extraordinary loss		
Provision for business structure improvement	–	941
Total extraordinary losses	–	941
Profit before income taxes	7,240	9,219
Income taxes	2,181	3,262
Deferred income taxes	42	2
Total income taxes	2,224	3,264
Profit	5,016	5,954
Profit (loss) attributable to non-controlling interests	(109)	(61)
Profit attributable to owners of parent	5,125	6,015

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30, 2017

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2016)	Current consolidated fiscal year (Six months ended September 30, 2017)
Net income	5,016	5,954
Other comprehensive income		
Net unrealized holding gain on securities	(29)	(42)
Foreign currency translation adjustments	(7,800)	(1,272)
Remeasurements of defined benefit plans	135	57
Total other comprehensive income	(7,694)	(1,256)
Comprehensive income	(2,678)	4,697
(Comprehensive income attributable to)		
Shareholders of the parent	(2,503)	4,769
Non-controlling interests	(175)	(71)

(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, 2016 to September 30, 2016)

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.

II. Current second quarter (from April 1, 2017 to September 30, 2017)

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	60,102	43,982	18,999	123,084	—	123,084
Intersegment sales and transfers	23	49	7,528	7,601	(7,601)	—
Total	60,126	44,031	26,528	130,686	(7,601)	123,084
Segment income	1,206	6,054	2,732	9,993	51	10,044

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.