

Consolidated Financial Results for the Six Months Ended September 30, 2018
[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

November 9, 2018

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 12, 2018

Scheduled date for dividend payments: December 6, 2018

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, 2018

(from April 1, 2018 to September 30, 2018)

(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, 2018	125,088	1.6	9,826	(2.2)	10,107	2.9	7,169	19.2
Six Months Ended September 30, 2017	123,084	23.8	10,044	19.0	9,817	37.9	6,015	17.4

(Note) Comprehensive income: Six Months Ended September 30, 2018: 3,518 million yen, down 25.1%
Six Months Ended September 30, 2017: 4,697 million yen

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
Six Months Ended September 30, 2018	99.34		99.18	
Six Months Ended September 30, 2017	83.37		83.24	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of Yen		Millions of Yen		%	
As of September 30, 2018	290,578		187,606		64.3	
As of March 31, 2018	292,733		186,420		63.4	

(Reference) Shareholders' equity: As of September 30, 2018: 186,916 million yen As of March 31, 2018: 185,702 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, 2018	—	33.00	—	33.00	66.00
FY ending March 31, 2019	—	39.00			
FY ending March 31, 2019 (forecast)			—	39.00	78.00

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

3. FORECASTS OF CONSOLIDATED BUSINESS RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2019 (from April 1, 2018 to March 31, 2019)

(% 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	252,000	1.2	20,000	(0.5)	19,800	7.7	14,500	28.8	200.87

(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 in accounting principles 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, 2018	76,576,340	FY Ended March 31, 2018	76,564,240
(b)	Six Months Ended September 30, 2018	4,389,546	FY Ended March 31, 2018	4,410,239
(c)	Six Months Ended September 30, 2018	72,166,442	Six Months Ended September 30, 2017	72,151,654

*The current quarterly financial results are not subject to quarterly review procedures by certified public accountant or by auditing firm.

*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 9, 2018. 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, 2018

(1) Explanation Regarding Results of Operations

During the second quarter of the fiscal year under review (April 1 – September 30, 2018), the Group posted net sales of 125,088 million yen (up 1.6% year on year) and operating income of 9,826 million yen (down 2.2% year on year), which mainly reflected the increased number of products sold and improved earnings of the subsidiaries in the United States; however, negative factors as the price rises for raw materials and fuel and increased fixed costs were not fully offset. Ordinary income meanwhile came to 10,107 million yen (up 2.9% year on year). Profit attributable to owners of parent increased to 7,169 million yen (up 19.2% year on year), primarily because of the posting in the first six months of the previous fiscal year of a provision for business structure improvement in the amount of 941 million yen for a subsidiary in the United States.

The outline by segment was as follows:

[Printing and Industrial Materials Products]

In this segment, net sales were 60,124 million yen (up 0.0% year on year) and operating income came to 2,108 million yen (up 74.8% year on year), mainly attributable to improved earnings of subsidiaries in the United States. Sales by operation of this segment were as follows:

(Printing & Variable Information Products Operations)

In adhesive products for seals and labels, demand for products for home delivery and mail-order services and eye-catching labels for cosmetics were firm in Japan. However, sales of food-related products remained weak given the impact of heavy rainfalls and large-scale typhoons. In overseas markets, sales remained firm in the ASEAN region, while sales in the United States eroded due to the negative impact of the strong yen. As a result, sales in this operation were 42,653 million yen (down 1.8% year on year).

(Industrial & Material Operations)

Sales of equipment for the mail-order business and window films remained firm in Japan. In addition, Sales of motorcycle- and automobile-use adhesive products remained well in India and the ASEAN region. As a result, sales in this operation were 17,471 million yen (up 4.9% year on year).

[Electronic and Optical Products]

In this segment, net sales were 45,695 million yen (up 3.9% year on year) and operating income was 6,026 million yen (down 0.5% year on year). Sales by operation of this segment were as follows:

(Advanced Materials Operations)

Sales of semiconductor-related adhesive tapes remained at the same level as the previous year, partly due to the impact of temporary production adjustments, while sales of semiconductor-related equipment decreased slightly due to the effects of restrained capital expenditure. Sales of multilayer ceramic capacitor-related tapes increased thanks to strong demand for such products as smartphones, automobiles and servers. As a result, sales in this operation were 26,156 million yen (up 4.7% year on year).

(Optical Products Operations)

Sales of LCD-related adhesive products remained well, benefitting from firm demand for larger TV units and small- and medium-sized products such as smartphones. As a result, sales in this operation were 19,539 million yen (up 2.8% year on year).

[Paper and Converted Products]

In this segment, net sales were 19,268 million yen (up 1.4% year on year), and operating income came to 1,627 million yen (down 40.4% year on year), mainly due to the negative impact of the price rises for raw materials and fuel such as pulp. Sales by operation of this segment were as follows:

(Fine & Specialty Paper Products Operations)

Sales of mainstay color papers for envelopes remained unchanged year on year, while sales of oil and water resistant papers and others were solid. As a result, sales in this operation were 8,170 million yen (up 0.3% year on year).

(Converted Products Operations)

Sales of release films for optical-related products and casting papers for carbon fiber composite materials were well, while sales of release papers for general-use adhesive products and release papers for electronic materials were weak. As a result, sales in this operation were 11,097 million yen (up 2.3% year on year).

(2) Explanation Regarding Financial Position

(Assets)

Total assets at this consolidated quarter end were 290,578 million yen, a year-on-year decrease of 2,155 million yen. Main factors of the change were as follows:

- Decrease in "Cash and deposits"	- 1,257 million yen
- Decrease in "Goodwill"	- 2,299 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 102,971 million yen, a year-on-year decrease of 3,341 million yen. Main factors of the change were as follows:

- Decrease in "Trade notes and accounts payable"	- 1,080 million yen
- Decrease in "Long-term loans payable"	- 1,123 million yen

(Net Assets)

Total net assets at this consolidated quarter end were 187,606 million yen, a year-on-year increase of 1,185 million yen. Main factors of the change were as follows:

- Increase in "Retained earnings"	4,788 million yen
- Decrease in "Foreign currency translation adjustments"	- 2,950 million yen

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

In conjunction with the full-year consolidated business results for the fiscal year ending March 31, 2019, sales of adhesive products for seals and labels for food-related were affected by torrential rainfalls and large-scale typhoons, while sales of semiconductor-related adhesive tapes and semiconductor-related equipment are forecast to remain weak as manufacturers continue to adjust production and restrain capital expenditure. In addition, prices for pulp are expected to rise more significantly than initially expected. In light of these factors, we have revised the forecast of the full-year consolidated business results of the fiscal year ending March 31, 2019, announced on May 9, 2018, as follows.

Full-year consolidated business results forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019)

	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)	257,000	23,000	22,000	16,000
New forecast (B)	252,000	20,000	19,800	14,500
Change (B-A)	(5,000)	(3,000)	(2,200)	(1,500)
Change (%)	(1.9)	(13.0)	(10.0)	(9.4)
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2018)	249,030	20,095	18,389	11,257

* 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, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	58,614	57,357
Trade notes and accounts receivable	72,590	72,721
Inventories	38,506	39,085
Other	3,991	4,993
Allowance for doubtful accounts	(109)	(117)
Total current assets	173,593	174,039
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	32,342	31,826
Machinery, equipment and vehicles (net)	24,962	26,085
Land	11,083	11,080
Construction in progress	5,087	4,316
Other (net)	1,859	1,888
Property, plant and equipment	75,336	75,197
Intangible assets		
Goodwill	29,189	26,889
Other	3,285	2,974
Intangible assets	32,474	29,864
Investments and other assets		
Other	11,426	11,563
Allowance for doubtful accounts	(98)	(86)
Total investments and other assets	11,328	11,477
Total non-current assets	119,139	116,538
Total assets	292,733	290,578

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Trade notes and accounts payable	54,678	53,598
Short-term loans payable	2,351	2,666
Current portion of long-term loans payable	2,986	3,067
Accrued income taxes	2,889	2,645
Provision for directors' bonuses	89	40
Provision for business structure improvement	39	–
Other	14,814	13,277
Total current liabilities	77,849	75,295
Non-current liabilities		
Long-term loans payable	14,395	13,272
Provision for environmental measures	132	132
Net defined benefit liability	13,006	13,850
Other	930	421
Total non-current liabilities	28,463	27,676
Total liabilities	106,312	102,971
Net Assets		
Shareholders' equity		
Common stock	23,201	23,220
Capital surplus	26,829	26,848
Retained earnings	137,743	142,531
Treasury stock	(7,711)	(7,675)
Total shareholders' equity	180,062	184,924
Accumulated other comprehensive income		
Net unrealized holding gain on securities	657	484
Foreign currency translation adjustments	8,139	5,189
Remeasurements of defined benefit plans	(3,157)	(3,682)
Total accumulated other comprehensive income	5,639	1,991
Share subscription rights	214	188
Non-controlling interests	503	501
Total net assets	186,420	187,606
Total liabilities and net assets	292,733	290,578

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Six Months Ended September 30, 2018

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2017)	Current consolidated fiscal year (Six months ended September 30, 2018)
Net sales	123,084	125,088
Cost of sales	91,601	93,712
Gross profit	31,483	31,376
Selling, general and administrative expenses	21,438	21,549
Operating income	10,044	9,826
Non-operating income		
Interest income	102	118
Dividend income	259	243
Gain on sales of noncurrent assets	8	4
Foreign exchange gains	–	281
Insurance income	10	65
Other income	170	211
Total non-operating income	551	924
Non-operating expenses		
Interest expenses	114	119
Loss on retirement of noncurrent assets	188	406
Foreign exchange losses	353	–
Compensation expenses	23	15
Other expenses	97	102
Total non-operating expenses	778	644
Ordinary income	9,817	10,107
Extraordinary gain		
Gain on sales of investment securities	343	–
Total extraordinary gain	343	–
Extraordinary loss		
Provision for business structure improvement	941	–
Total extraordinary losses	941	–
Profit before income taxes	9,219	10,107
Income taxes	3,262	2,763
Deferred income taxes	2	176
Total income taxes	3,264	2,939
Profit	5,954	7,167
Profit (loss) attributable to non-controlling interests	(61)	(2)
Profit attributable to owners of parent	6,015	7,169

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30, 2018

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2017)	Current consolidated fiscal year (Six months ended September 30, 2018)
Net income	5,954	7,167
Other comprehensive income		
Net unrealized holding gain on securities	(42)	(172)
Foreign currency translation adjustments	(1,272)	(2,953)
Remeasurements of defined benefit plans	57	(522)
Total other comprehensive income	(1,256)	(3,648)
Comprehensive income	4,697	3,518
(Comprehensive income attributable to)		
Shareholders of the parent	4,769	3,520
Non-controlling interests	(71)	(2)

(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.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.")

The Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (ASBJ Statement No. 28, February 16, 2018) at the beginning of the first quarter of the fiscal year under review. Accordingly, "Deferred tax assets" is now included in "Investments and other assets," and "Deferred tax liabilities" is now included in "Non-current liabilities."

(Segment Information, etc.)

I. Previous 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.

II. Current second quarter (from April 1, 2018 to September 30, 2018)

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	60,124	45,695	19,268	125,088	—	125,088
Intersegment sales and transfers	32	23	8,201	8,257	(8,257)	—
Total	60,157	45,719	27,469	133,345	(8,257)	125,088
Segment income	2,108	6,026	1,627	9,762	64	9,826

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.