

Consolidated Financial Results for the Six Months Ended September 30, 2019

[Japanese Standards] (Consolidated)

Member, Financial Accounting Standards Foundation

November 8, 2019

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, 2019

Scheduled date for dividend payments: November 29, 2019

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, 2019

(from April 1, 2019 to September 30, 2019)

(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, 2019	118,765	(5.1)	6,948	(29.3)	6,490	(35.8)	4,542	(36.6)
Six Months Ended September 30, 2018	125,088	1.6	9,826	(2.2)	10,107	2.9	7,169	19.2

(Note) Comprehensive income: Six Months Ended September 30, 2019: 2,342 million yen, down 33.4%
Six Months Ended September 30, 2018: 3,518 million yen, down 25.1%

	Net income per share		Net income per share (diluted)	
	Yen		Yen	
Six Months Ended September 30, 2019	62.89		62.82	
Six Months Ended September 30, 2018	99.34		99.18	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of Yen		Millions of Yen		%	
As of September 30, 2019	278,177		189,809		68.0	
As of March 31, 2019	290,320		190,226		65.3	

(Reference) Shareholders' equity: As of September 30, 2019: 189,200 million yen As of March 31, 2019: 189,577 million yen

2. DIVIDENDS

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
FY ended March 31, 2019	—	39.00	—	39.00	78.00
FY ending March 31, 2020	—	39.00			
FY ending March 31, 2020 (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, 2020 (from April 1, 2019 to March 31, 2020)

(% 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	237,000	(5.6)	13,500	(24.9)	12,500	(30.5)	9,000	(30.4)	124.59

(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: Yes
(b) Changes other than (a): None
(c) Changes in accounting estimates: None
(d) Retrospective restatements: None
Note) For more details, refer to (Changes in Accounting Principles) on page 9 of the Attachment.
- (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, 2019	76,600,940	FY Ended March 31, 2019	76,576,340
(b)	Six Months Ended September 30, 2019	4,363,806	FY Ended March 31, 2019	4,371,170
(c)	Six Months Ended September 30, 2019	72,221,032	Six Months Ended September 30, 2018	72,166,442

*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, 2019. For details, please see “(3) Explanation Regarding Information on Future Forecast, Including Forecast of Consolidated Business Results” on page 4 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, 2019

(1) Explanation Regarding Results of Operations

During the second quarter of the fiscal year under review, the Group posted net sales of 118,765 million yen (down 5.1% year on year), operating income of 6,948 million yen (down 29.3% year on year), ordinary income of 6,490 million yen (down 35.8% year on year), and profit attributable to owners of parent of 4,542 million yen (down 36.6% year on year) mainly due to the significant impact of production adjustments in the semiconductor and electronic components markets.

The outline by segment was as follows:

[Printing and Industrial Materials Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	60,124	61,292	1,167	1.9
Printing & Variable Information Products Operations	42,742	43,909	1,166	2.7
Industrial & Material Operations	17,382	17,383	0	0.0
Operating income	2,108	770	(1,337)	(63.4)

(Note) In April 2019, some of the labeling machines were transferred to Printing & Variable Information Products Operations from Industrial & Material Operations. The results for previous second quarter are stated by reclassifying them.

In this segment, net sales were 61,292 million yen (up 1.9% year on year) and operating income was 770 million yen (down 63.4% year on year). Sales by operation of this segment were as follows:

(Printing & Variable Information Products Operations)

In adhesive products for seals and labels, sales of products for home delivery and mail-order business were solid in Japan. However, sales of food-related products, campaign labels for beverages and eye-catching labels for cosmetics were weak. In overseas markets, sales in China were affected by trade tensions between China and the United States, but sales in the United States and the ASEAN region remained firm. As a result, sales in this operation were 43,909 million yen (up 2.7% year on year).

(Industrial & Material Operations)

Sales of window films remained firm in Japan and overseas, but sales of motorcycle- and automobile-use adhesive products remained sluggish due to the effects of the stagnant Indian market. As a result, sales in this operation were 17,383 million yen (up 0.0% year on year).

[Electronic and Optical Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	45,695	38,896	(6,799)	(14.9)
Advanced Materials Operations	25,686	21,007	(4,678)	(18.2)
Optical Products Operations	20,009	17,888	(2,120)	(10.6)
Operating income	6,026	4,534	(1,492)	(24.8)

(Note) In April 2019, optical device-related products were transferred to Optical Products Operations from Advanced Materials Operations. The results for previous second quarter are stated by reclassifying them.

In this segment, net sales were 38,896 million yen (down 14.9% year on year) and operating income was 4,534 million yen (down 24.8% year on year). Sales by operation of this segment were as follows:

(Advanced Materials Operations)

Sales of semiconductor-related adhesive tapes declined, reflecting the market downturn, while sales of semiconductor-related equipment fell significantly due to the effects of restrained capital expenditure. With regard to sales of multilayer ceramic capacitor-related tapes, those for automobiles and smartphones both plummeted due to production adjustments in the market. As a result, sales in this operation were 21,007 million yen (down 18.2% year on year).

(Optical Products Operations)

In optical display-related adhesive products, sales of products for larger TV units were firm, but sales of products for small- and medium-sized products such as smartphones were weak, reflecting lackluster demand. As a result, sales in this operation were 17,888 million yen (down 10.6% year on year).

[Paper and Converted Products]

	Previous second quarter	Current second quarter	year on year	
			Increase (decrease)	Changes
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	19,268	18,576	(691)	(3.6)
Fine & Specialty Paper Products Operations	8,170	8,506	335	4.1
Converted Products Operations	11,097	10,070	(1,027)	(9.3)
Operating income	1,627	1,588	(39)	(2.4)

In this segment, net sales were 18,576 million yen (down 3.6% year on year), and operating income was 1,588 million yen (down 2.4% year on year). Sales by operation of this segment were as follows:

(Fine & Specialty Paper Products Operations)

Papers for envelopes with a concealing effect performed solidly and construction material papers and oil and water resistant papers for fast food also sold well. As a result, sales in this operation were 8,506 million yen (up 4.1% year on year).

(Converted Products Operations)

Sales of release papers for electronic materials were firm. However, sales of release papers for general-use adhesive products and release films for optical-related products were sluggish. As a result, sales in this operation were 10,070 million yen (down 9.3% year on year).

(2) Explanation Regarding Financial Position

(Assets)

Total assets at this consolidated quarter end were 278,177 million yen, a year-on-year decrease of 12,142 million yen. Main factors of the change were as follows:

- Decrease in "Cash and deposits"	- 8,577 million yen
- Decrease in "Trade notes and accounts receivable"	- 8,037 million yen
- Increase in "Inventories"	2,654 million yen
- Increase in "Property, plant and equipment"	4,294 million yen
- Decrease in "Goodwill"	- 2,211 million yen

(Liabilities)

Total liabilities at this consolidated quarter end were 88,367 million yen, a year-on-year decrease of 11,726 million yen.

Main factors of the change were as follows:

- Decrease in "Trade notes and accounts payable"	- 10,701 million yen
- Decrease in "Long-term loans payable"	- 1,640 million yen

(Net Assets)

Total net assets at this consolidated quarter end were 189,809 million yen, a year-on-year decrease of 416 million yen.

Main factors of the change were as follows:

- Increase in "Retained earnings"	1,725 million yen
- Decrease in "Foreign currency translation adjustments"	- 2,378 million yen

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

The results for the first six months of the fiscal year under review (April 1 – September 30, 2019) were sluggish owing to the impact of the global economic slowdown caused mainly by prolonged trade tensions between the United States and China. The severe business environment is expected to continue in the third quarter and beyond.

Under these circumstances, we have revised the forecasts of the full-year consolidated business results for the fiscal year ending March 31, 2020 announced on May 9, 2019 as shown below, given that sales of electronic and optical products are expected to remain sluggish primarily because of manufacturers' production adjustments and restrained capital expenditure.

Full-year consolidated business results forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

	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)	260,000	19,000	18,500	13,500
New forecast (B)	237,000	13,500	12,500	9,000
Change (B-A)	(23,000)	(5,500)	(6,000)	(4,500)
Change (%)	(8.8)	(28.9)	(32.4)	(33.3)
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2019)	250,942	17,977	17,993	12,937

* 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, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	62,148	53,570
Trade notes and accounts receivable	69,479	61,441
Inventories	40,717	43,372
Other	3,337	3,750
Allowance for doubtful accounts	(85)	(103)
Total current assets	175,597	162,031
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	31,452	33,040
Machinery, equipment and vehicles (net)	25,055	25,895
Land	11,356	11,190
Construction in progress	5,507	5,679
Other (net)	1,758	3,619
Property, plant and equipment	75,131	79,425
Intangible assets		
Goodwill	25,359	23,147
Other	2,758	2,432
Intangible assets	28,117	25,580
Investments and other assets		
Other	11,571	11,243
Allowance for doubtful accounts	(97)	(103)
Total investments and other assets	11,473	11,139
Total non-current assets	114,722	116,145
Total assets	290,320	278,177

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payable	52,873	42,172
Short-term loans payable	2,531	2,100
Current portion of long-term loans payable	3,038	3,004
Accrued income taxes	2,429	1,936
Provision for directors' bonuses	69	36
Other	12,052	13,247
Total current liabilities	72,994	62,498
Non-current liabilities		
Long-term loans payable	11,622	9,982
Provision for environmental measures	112	111
Net defined benefit liability	14,841	14,227
Other	522	1,548
Total non-current liabilities	27,099	25,869
Total liabilities	100,094	88,367
Net Assets		
Shareholders' equity		
Common stock	23,220	23,249
Capital surplus	26,842	26,871
Retained earnings	145,484	147,209
Treasury stock	(7,642)	(7,630)
Total shareholders' equity	187,904	189,701
Accumulated other comprehensive income		
Net unrealized holding gain on securities	291	337
Foreign currency translation adjustments	5,178	2,799
Remeasurements of defined benefit plans	(3,796)	(3,637)
Total accumulated other comprehensive income	1,672	(500)
Share subscription rights	160	147
Non-controlling interests	488	461
Total net assets	190,226	189,809
Total liabilities and net assets	290,320	278,177

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Six Months Ended September 30, 2019

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2018)	Current consolidated fiscal year (Six months ended September 30, 2019)
Net sales	125,088	118,765
Cost of sales	93,712	90,308
Gross profit	31,376	28,456
Selling, general and administrative expenses	21,549	21,508
Operating income	9,826	6,948
Non-operating income		
Interest income	118	138
Dividend income	243	37
Gain on sales of noncurrent assets	4	3
Foreign exchange gains	281	–
Insurance income	65	10
Other income	211	170
Total non-operating income	924	360
Non-operating expenses		
Interest expenses	119	76
Loss on retirement of noncurrent assets	406	423
Foreign exchange losses	–	203
Compensation expenses	15	37
Other expenses	102	76
Total non-operating expenses	644	818
Ordinary income	10,107	6,490
Profit before income taxes	10,107	6,490
Income taxes	2,763	1,929
Deferred income taxes	176	44
Total income taxes	2,939	1,973
Profit	7,167	4,517
Profit (loss) attributable to non-controlling interests	(2)	(25)
Profit attributable to owners of parent	7,169	4,542

Consolidated Quarterly Statements of Comprehensive Income
Six Months Ended September 30, 2019

(Millions of yen)

	Previous consolidated fiscal year (Six months ended September 30, 2018)	Current consolidated fiscal year (Six months ended September 30, 2019)
Net income	7,167	4,517
Other comprehensive income		
Net unrealized holding gain on securities	(172)	46
Foreign currency translation adjustments	(2,953)	(2,381)
Remeasurements of defined benefit plans	(522)	160
Total other comprehensive income	(3,648)	(2,174)
Comprehensive income	3,518	2,342
(Comprehensive income attributable to)		
Owners of parent	3,520	2,369
Non-controlling interests	(2)	(26)

(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.

(Changes in Accounting Principles)

IFRS 16 "Leases" has been applied from the first quarter of the fiscal year under review, excluding the Company and domestic consolidated subsidiaries that adopt JGAAP and overseas consolidated subsidiaries that adopt USGAAP. Accordingly, Lessees post all leases in the balance sheet as assets and liabilities, in principle. In accordance with the transition provisions in IFRS 16 "Leases," the standard has been adopted retrospectively, with the cumulative effect of initially applying this standard recognized on the date of initial application.

As a result, at the end of the consolidated second quarter under review, "property, plant and equipment" was 1,596 million yen greater and "other" in current liabilities and in non-current liabilities were 500 million yen and 1,037 million yen greater, respectively, than if the former accounting standard was applied. The effect of this adjustment on the income or loss for the first six months of the fiscal year under review is immaterial.

(Segment Information, etc.)

I. Previous 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.

II. Current second quarter (from April 1, 2019 to September 30, 2019)

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	61,292	38,896	18,576	118,765	—	118,765
Intersegment sales and transfers	28	17	8,462	8,508	(8,508)	—
Total	61,321	38,913	27,039	127,274	(8,508)	118,765
Segment income	770	4,534	1,588	6,893	55	6,948

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.