

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 12, 2018

Company name: TOREX SEMICONDUCTOR LTD.
 Stock exchange listing: Tokyo
 Stock code: 6616 URL <https://www.torex.co.jp>
 Representative: President Koji Shibamiya
 Inquiries: Director General Manager, Administration Motoi Hikasa TEL 03-6222-2852
 Division
 Scheduled date to file Quarterly Securities Report: November 12, 2018
 Scheduled date to commence dividend payments: December 4, 2018
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	12,469	5.6	1,351	23.9	1,742	57.4	965	92.5
Six months ended September 30, 2017	11,808	14.5	1,090	181.6	1,107	-	501	(78.5)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2018	89.09		88.89	
Six months ended September 30, 2017	55.60		55.41	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2018	30,577	20,113	53.4	1,506.13
As of March 31, 2018	27,995	19,085	51.8	1,338.74

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2018	-	16.00	-	18.00	34.00
Year ending March 31, 2019	-	18.00	-	-	-
Year ending March 31, 2019 (Forecast)	-	-	-	20.00	38.00

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	26,300	9.6	2,200	(0.6)	2,560	28.1	1,420	57.4	131.06

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2018	11,089,200 shares	As of March 31, 2018	11,089,200 shares
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Number of treasury shares at the end of the period

As of September 30, 2018	249,888 shares	As of March 31, 2018	255,568 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	10,835,914 shares	Six months ended September 30, 2017	9,018,362 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	10,834,842	12,394,372
Notes and accounts receivable - trade	4,362,900	4,545,473
Securities	1,600,000	–
Inventories	4,513,709	5,003,288
Other	359,278	519,780
Allowance for doubtful accounts	(1,932)	(1,598)
Total current assets	21,668,799	22,461,316
Non-current assets		
Property, plant and equipment	4,294,474	5,973,857
Intangible assets	234,389	289,343
Investments and other assets		
Net defined benefit asset	23,556	75,199
Other	1,798,974	1,804,243
Allowance for doubtful accounts	(25,194)	(26,924)
Total investments and other assets	1,797,337	1,852,519
Total non-current assets	6,326,201	8,115,720
Total assets	27,995,000	30,577,036
Liabilities		
Current liabilities		
Notes and accounts payable - trade	984,648	913,686
Short-term loans payable	2,483,191	2,103,405
Current portion of long-term loans payable	1,102,863	1,143,898
Income taxes payable	257,634	598,160
Provision for bonuses	450,961	462,910
Other	1,577,287	2,346,053
Total current liabilities	6,856,586	7,568,114
Non-current liabilities		
Long-term loans payable	1,393,569	2,228,782
Net defined benefit liability	263,810	280,923
Provision for stock benefits	26,728	36,230
Other	368,842	349,388
Total non-current liabilities	2,052,951	2,895,324
Total liabilities	8,909,537	10,463,438
Net assets		
Shareholders' equity		
Capital stock	2,967,934	2,967,934
Capital surplus	3,927,606	4,907,543
Retained earnings	7,949,646	8,719,028
Treasury shares	(416,335)	(406,840)
Total shareholders' equity	14,428,851	16,187,665

(Thousands of yen)

	As of March 31, 2018	As of September 30, 2018
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(9,868)	(42,188)
Foreign currency translation adjustment	25,936	124,456
Remeasurements of defined benefit plans	58,536	55,427
Total accumulated other comprehensive income	74,604	137,694
Non-controlling interests	4,582,007	3,788,237
Total net assets	19,085,463	20,113,598
Total liabilities and net assets	27,995,000	30,577,036

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	11,808,968	12,469,504
Cost of sales	8,241,540	8,656,019
Gross profit	3,567,427	3,813,485
Selling, general and administrative expenses	2,476,907	2,462,018
Operating profit	1,090,519	1,351,466
Non-operating income		
Interest and dividend income	11,298	15,513
Foreign exchange gains	14,479	366,407
Royalty Income ²	5,958	5,508
Other	16,442	27,787
Total non-operating income	48,178	415,217
Non-operating expenses		
Interest expenses	17,340	15,750
Commission fee	4,000	4,000
Other	10,145	4,007
Total non-operating expenses	31,485	23,757
Ordinary profit	1,107,212	1,742,926
Extraordinary income		
Gain on sales of non-current assets	–	1,631
Subsidy income	28,661	–
Insurance income	–	2,255
Other	–	400
Total extraordinary income	28,661	4,286
Extraordinary losses		
Loss on sales and retirement of non-current assets	30,821	12,000
Loss on reduction of non-current assets	13,814	–
Loss on disaster	2,771	–
Other	–	66
Total extraordinary losses	47,407	12,067
Profit before income taxes	1,088,466	1,735,146
Income taxes	314,629	522,634
Profit	773,836	1,212,511
Profit attributable to non-controlling interests	272,380	247,179
Profit attributable to owners of parent	501,455	965,331

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	773,836	1,212,511
Other comprehensive income		
Valuation difference on available-for-sale securities	(36,399)	(43,307)
Foreign currency translation adjustment	18,552	101,438
Remeasurements of defined benefit plans, net of tax	(5,132)	(4,465)
Total other comprehensive income	(22,979)	53,664
Comprehensive income	750,857	1,266,175
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	495,956	1,028,422
Comprehensive income attributable to non-controlling interests	254,900	237,753

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,088,466	1,735,146
Depreciation	449,513	434,231
Loss (gain) on sales and retirement of non-current assets	30,821	10,369
Loss on reduction of non-current assets	13,814	–
Loss on disaster	2,771	–
Subsidy income	(28,661)	–
Increase (decrease) in allowance for doubtful accounts	(2,584)	(2)
Increase (decrease) in provision for bonuses	30,459	10,676
Decrease (increase) in net defined benefit asset	–	(51,643)
Increase (decrease) in net defined benefit liability	(42,973)	21,375
Increase (decrease) in provision for stock benefits	12,787	9,501
Interest and dividend income	(11,298)	(15,513)
Interest expenses	17,340	15,750
Foreign exchange losses (gains)	1,170	(182,524)
Decrease (increase) in notes and accounts receivable - trade	(227,436)	(160,616)
Decrease (increase) in inventories	(417,533)	(477,233)
Increase (decrease) in notes and accounts payable - trade	(83,306)	(45,189)
Other, net	56,475	(134,149)
Subtotal	889,826	1,170,178
Interest and dividend income received	11,215	15,431
Interest expenses paid	(19,359)	(13,967)
Income taxes paid	(177,908)	(233,360)
Proceeds from subsidy income	28,661	–
Payments for loss on disaster	(2,771)	–
Net cash provided by (used in) operating activities	729,663	938,280
Cash flows from investing activities		
Net decrease (increase) in time deposits	(95)	(101)
Purchase of securities	–	(100,000)
Purchase of investment securities	(1,883)	(1,985)
Proceeds from redemption of securities	–	200,000
Purchase of property, plant and equipment	(258,284)	(1,289,740)
Proceeds from sales of property, plant and equipment	–	1,631
Purchase of intangible assets	(147,154)	(89,063)
Payments for lease and guarantee deposits	(2,444)	(150)
Proceeds from collection of lease and guarantee deposits	2,350	2
Other, net	(26,352)	(17,960)
Net cash provided by (used in) investing activities	(433,865)	(1,297,367)

(Thousands of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	60,000	(380,000)
Proceeds from long-term loans payable	–	1,500,000
Repayments of long-term loans payable	(551,460)	(623,752)
Proceeds from disposal of treasury shares	–	112
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	–	2,441
Repayments of lease obligations	(24,949)	(23,729)
Cash dividends paid	(143,963)	(195,065)
Dividends paid to non-controlling interests	(6,024)	(48,907)
Other, net	(17,122)	(18,080)
Net cash provided by (used in) financing activities	(683,519)	213,019
Effect of exchange rate change on cash and cash equivalents	1,253	205,264
Net increase (decrease) in cash and cash equivalents	(386,467)	59,197
Cash and cash equivalents at beginning of period	9,714,789	12,280,333
Cash and cash equivalents at end of period	9,328,321	12,339,531