

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

November 13, 2019

Company name: TOREX SEMICONDUCTOR LTD.
 Stock exchange listing: Tokyo
 Stock code: 6616 URL <https://www.torex.co.jp>
 Representative: President Koji Shibamiya
 Director Motoi Hikasa TEL 03-6222-2852
 General Manager, Administration Division
 Scheduled date to file Quarterly Securities Report: November 13, 2019
 Scheduled date to commence dividend payments: December 3, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	10,331	(17.1)	330	(75.6)	278	(84.0)	157	(83.7)
Six months ended September 30, 2018	12,469	5.6	1,351	23.9	1,742	57.4	965	92.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	14.27		14.25	
Six months ended September 30, 2018	89.09		88.89	

(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, 2019	26,393	18,839	71.4	1,729.01
As of March 31, 2019	28,385	19,638	69.0	1,717.90

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, 2019	–	18.00	–	20.00	38.00
Year ending March 31, 2020	–	20.00			
Year ending March 31, 2020 (Forecast)			–	20.00	40.00

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	22,000	(7.9)	850	(45.2)	800	(56.0)	550	(47.6)	50.47

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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: Yes
- 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, 2019	11,554,200 shares	As of March 31, 2019	11,554,200 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	658,048 shares	As of March 31, 2019	148,248 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, 2019	11,053,314 shares	Six months ended September 30, 2018	10,835,914 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	10,982,083	9,139,037
Notes and accounts receivable - trade	4,016,502	3,720,774
Inventories	4,601,888	4,798,787
Other	308,789	401,474
Allowance for doubtful accounts	(2,604)	(1,583)
Total current assets	19,906,658	18,058,489
Non-current assets		
Property, plant and equipment	6,249,033	6,106,003
Intangible assets	456,767	506,899
Investments and other assets		
Retirement benefit asset	–	2,070
Other	1,799,591	1,745,837
Allowance for doubtful accounts	(26,396)	(25,459)
Total investments and other assets	1,773,195	1,722,448
Total non-current assets	8,478,995	8,335,350
Total assets	28,385,653	26,393,840
Liabilities		
Current liabilities		
Notes and accounts payable - trade	909,520	946,384
Short-term borrowings	1,902,775	1,902,675
Current portion of long-term borrowings	1,021,033	818,782
Income taxes payable	326,813	113,614
Provision for bonuses	388,064	376,535
Provision for loss compensation	–	50,000
Other	1,662,337	1,148,411
Total current liabilities	6,210,544	5,356,403
Non-current liabilities		
Long-term borrowings	1,747,536	1,397,500
Retirement benefit liability	414,156	402,791
Provision for share-based remuneration	33,566	42,002
Other	341,753	355,511
Total non-current liabilities	2,537,012	2,197,805
Total liabilities	8,747,556	7,554,208
Net assets		
Shareholders' equity		
Share capital	2,967,934	2,967,934
Capital surplus	8,302,952	8,307,490
Retained earnings	8,606,806	8,535,434
Treasury shares	(206,316)	(798,002)
Total shareholders' equity	19,671,377	19,012,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(87,404)	(105,809)
Foreign currency translation adjustment	74,061	(8,020)
Remeasurements of defined benefit plans	(63,720)	(59,395)
Total accumulated other comprehensive income	(77,063)	(173,225)
Non-controlling interests	43,783	–
Total net assets	19,638,097	18,839,631
Total liabilities and net assets	28,385,653	26,393,840

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, 2018	Six months ended September 30, 2019
Net sales	12,469,504	10,331,365
Cost of sales	8,656,019	7,640,106
Gross profit	3,813,485	2,691,258
Selling, general and administrative expenses	2,462,018	2,361,007
Operating profit	1,351,466	330,251
Non-operating income		
Interest and dividend income	15,513	14,030
Foreign exchange gains	366,407	–
Royalty Income ²	5,508	4,152
Rental income	14,167	13,632
Other	13,619	4,888
Total non-operating income	415,217	36,702
Non-operating expenses		
Interest expenses	15,750	12,420
Foreign exchange losses	–	62,582
Commission expenses	4,000	4,000
Other	4,007	9,085
Total non-operating expenses	23,757	88,088
Ordinary profit	1,742,926	278,866
Extraordinary income		
Gain on sales of non-current assets	1,631	–
Insurance claim income	2,255	2,600
Surrender value of insurance policies	–	2,988
Other	400	–
Total extraordinary income	4,286	5,589
Extraordinary losses		
Loss on sales and retirement of non-current assets	12,000	2,368
Provision for loss compensation	–	50,000
Other	66	–
Total extraordinary losses	12,067	52,368
Profit before income taxes	1,735,146	232,086
Income taxes	522,634	74,531
Profit	1,212,511	157,555
Profit (loss) attributable to non-controlling interests	247,179	(192)
Profit attributable to owners of parent	965,331	157,747

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	1,212,511	157,555
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,307)	(18,404)
Foreign currency translation adjustment	101,438	(83,298)
Remeasurements of defined benefit plans, net of tax	(4,465)	4,325
Total other comprehensive income	53,664	(97,378)
Comprehensive income	1,266,175	60,176
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,028,422	61,585
Comprehensive income attributable to non-controlling interests	237,753	(1,408)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,735,146	232,086
Depreciation	434,231	621,824
Loss (gain) on sales and retirement of non-current assets	10,369	2,368
Increase (decrease) in allowance for doubtful accounts	(2)	(824)
Increase (decrease) in provision for bonuses	10,676	(10,668)
Decrease (increase) in retirement benefit asset	(51,643)	(2,070)
Increase (decrease) in retirement benefit liability	21,375	(11,365)
Increase(decrease)in provision for compensation	–	50,000
Increase (decrease) in provision for share-based remuneration	9,501	8,436
Interest and dividend income	(15,513)	(14,030)
Insurance claim income	–	(2,600)
Interest expenses	15,750	12,420
Foreign exchange losses (gains)	(182,524)	152,727
Decrease (increase) in trade receivables	(160,616)	198,362
Decrease (increase) in inventories	(477,233)	(208,307)
Increase (decrease) in trade payables	(45,189)	24,723
Other, net	(134,149)	(302,321)
Subtotal	1,170,178	750,761
Interest and dividends received	15,431	14,030
Interest paid	(13,967)	(12,788)
Proceeds from insurance income	–	2,600
Surrender value of insurance policies	–	2,988
Income taxes paid	(233,360)	(294,509)
Net cash provided by (used in) operating activities	938,280	463,082
Cash flows from investing activities		
Net decrease (increase) in time deposits	(101)	(32,790)
Purchase of securities	(100,000)	–
Purchase of investment securities	(1,985)	(1,703)
Proceeds from redemption of securities	200,000	–
Purchase of property, plant and equipment	(1,289,740)	(458,425)
Proceeds from sales of property, plant and equipment	1,631	–
Purchase of intangible assets	(89,063)	(189,866)
Payments of leasehold and guarantee deposits	(150)	(1,615)
Proceeds from refund of leasehold and guarantee deposits	2	602
Other, net	(17,960)	(21,706)
Net cash provided by (used in) investing activities	(1,297,367)	(705,504)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(380,000)	–
Proceeds from long-term borrowings	1,500,000	–
Repayments of long-term borrowings	(623,752)	(552,287)
Purchase of treasury shares	–	(598,999)
Proceeds from disposal of treasury shares	112	–
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(44,744)
Proceeds from disposal of treasury shares from exercise of subscription rights to shares	2,441	–
Repayments of lease obligations	(23,729)	(23,845)
Dividends paid	(195,065)	(228,865)
Dividends paid to non-controlling interests	(48,907)	–
Other, net	(18,080)	(13,937)
Net cash provided by (used in) financing activities	213,019	(1,462,677)
Effect of exchange rate change on cash and cash equivalents	205,264	(168,860)
Net increase (decrease) in cash and cash equivalents	59,197	(1,873,961)
Cash and cash equivalents at beginning of period	12,280,333	10,883,205
Cash and cash equivalents at end of period	12,339,531	9,009,244