TOWA

ANNUAL REPORT

FY2022

CONTENTS

MESSAGE TO OUR SHAREHOLDERS

Greetings

We (TOWA Corporation) are No.1 in the world for semiconductor molding equipment and precision molds to protect the semiconductor chips by using resin.

We hold the world's top class core technology in ultra–precision mold. So far, we have accomplished various technology innovations in molding process such as multi–plunger system and compression system, singulation process (last half of molding process) and automation technologies relating to these.

Expanding technologies such as AI (Artificial Intelligence), IoT (Internet of Things), EV (Electric Vehicle) and automatic driving system and services using big data are all realized by semiconductors. Big growth in these business fields is expected to continue.

For many years we have led molding and singulation process in semiconductor packaging field. This success is wholly based on seeking what our customers really need thoroughly, putting our business philosophy "Strive to develop key technologies and maintain 'quarter–lead' over the competition in order to insure that our innovative products are always the first to market" into practice and creating new market.

Our original compression technology is the molding method with no resin flow and best for leading–edge semiconductor packaging – the technology required for the packaging has become more and more difficult as layering and modularization in semiconductor memory and 5G related devices goes on.

And the compression method makes the efficiency in the use of resin almost 100%. The compression method contributes greatly to customer's cost reduction and reduces the amount of waste, which makes it a more environmentally friendly molding technology.

The compression technology is unrivaled from its release in 2009.

Economic Overview

During the consolidated fiscal year ended March 31, 2023, various countries showed signs of picking up as they lifted movement restrictions after living with COVID-19. However, recovery in the global economy slowed down due to high energy prices and global price hikes caused by the prolonged Russia-Ukraine war as well as rising interest rates in the U.S. and Europe to control inflation. As a result, outlooks have remained uncertain.

Performance

In the semiconductor industry, inventory adjustments were made for memory semiconductors due to declining demand for computers and smartphones, and planned capital investment continued to be reduced. On the other hand, demand for in-vehicle semiconductors and power semiconductors, which contribute to energy conservation, remained solid.

Under these circumstances, in the Southeast Asia region, where semiconductor-related capital investment is continuing given the mounting demand for in-vehicle semiconductors and power semiconductors as well as geopolitical risks, on April 6, 2023, the Group took over the mold manufacturing business of K-Tool Engineering Sdn. Bhd. In collaboration with our existing bases in Southeast Asia, we will establish an integrated system for designing, manufacturing, and selling semiconductor manufacturing equipment and molds, thereby expanding our process business, and building even stronger relationships with semiconductor manufacturers.

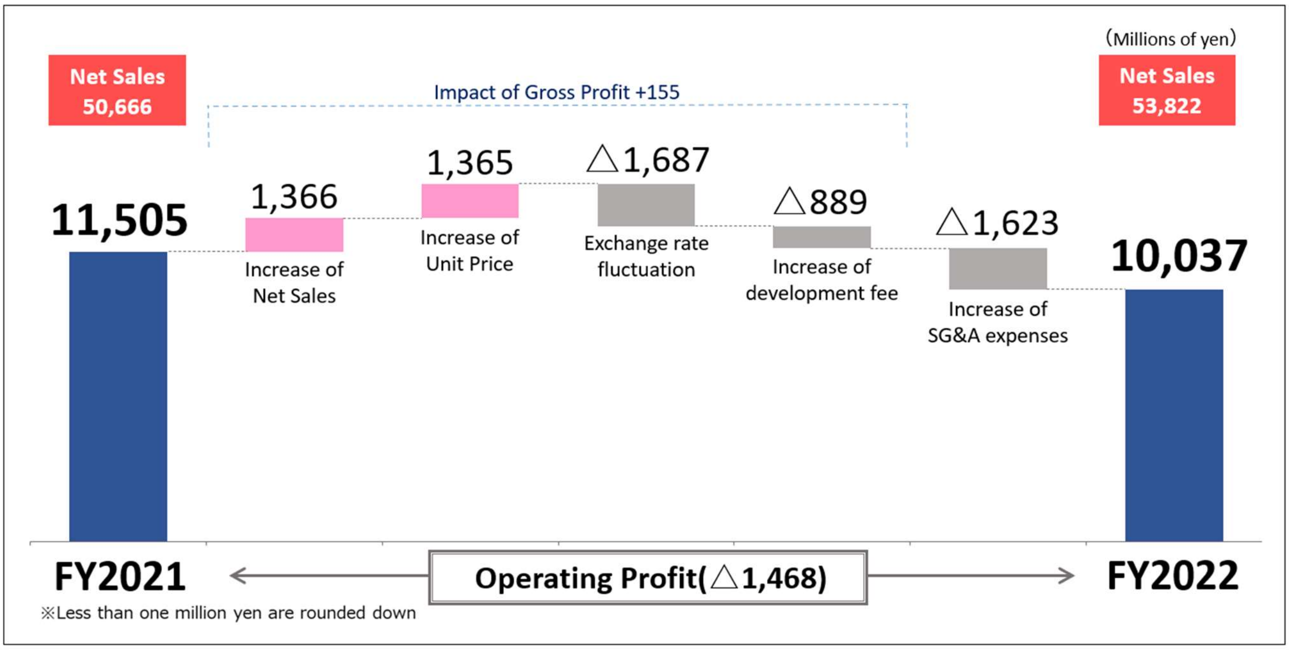
As for earnings, the Company again achieved record high net sales after the previous fiscal year, as a high level of order backlogs accumulated from the previous fiscal year resulted in steady production and sales. Meanwhile, decreases were posted in profits at each level compared to the previous fiscal year, although higher sales volume of high-value-added transfer equipment for power semiconductors and EVs increased unit selling prices and improved the product mix of transfer equipment. The main factors of the decreases include inflated production costs at overseas subsidiaries when converted to yen, which has weakened significantly since the beginning of the fiscal year, and increased selling, general, and administrative (SG&A) expenses, which were attributable to the reinforcement of manpower to achieve the "TOWA Vision 2032" and proactive development of molding equipment for advanced packages.

The Group performances in the consolidated fiscal year are recorded as follows.

Net sales	53,822 million yen (up 3,155 million yen, or 6.2% year–on–year)
Operating profit	10,037 million yen (down 1,468 million yen, or 12.8% year–on–year)
Ordinary profit	10,206 million yen (down 1,518 million yen, or 12.9% year–on–year)
Profit attributable to owners of parent	7,346 million yen (down 783 million yen, or 9.6% year–on–year)

The main factors of (year–on–year) increase/decrease in operating profit for the consolidated fiscal year are as follows.

Financial effects of increased Net sales	an increase of 1,366 million yen
Financial effects of increased Unit price	an increase of 1,365 million yen
Financial effects of exchange rate fluctuation	a decrease of 1,687 million yen
Financial effects of increased development fee	a decrease of 889 million yen
Financial effects of increased SG&A expenses	a decrease of 1,623 million yen



The results by segment are as follows.

Semiconductor Manufacturing Equipment Business

Operating results in the Semiconductor Manufacturing Equipment business were net sales of 49,285 million yen (up 2,569 million yen, or 5.5% year-on-year), with significant growth in sales mainly for in-vehicle and power semiconductors recorded in the Southeast Asia region.

Regarding profits, although, as mentioned earlier, higher unit selling prices and improved product mix within transfer equipment were achieved thanks to the increased sales volume of high value-added transfer equipment, the impact of foreign exchange rates and the increase in SG&A expenses pushed down operating profit to 9,402 million yen (down 1,605 million yen, or 14.6% year-on-year).

Fine Plastic Molded Products Business

Operating results in the Fine Plastic Molded Products business were net sales of 1,950 million yen (up 227 million yen, or 13.2% year–on–year) and operating profit of 387 million yen (up 75 million yen, or 24.1% year–on–year).

Laser Processing Equipment Business

In the Laser Processing Equipment business, net sales were 2,586 million yen (up 358 million yen, or 16.1% year–on–year) and operating profit was 246 million yen (up 62 million yen, or 33.7% year-on-year). This was due to an increase in sales of wafer markers to semiconductor manufacturers.

Looking Ahead

With a longstanding commitment to continual technical progress, the Group has ever since its founding upheld its Corporate Mission to “contribute to the growth of the world’s industries by boldly devoting all our energy to producing results for the purpose of developing and providing key enabling technologies for each successive generation of products, while maintaining a ‘quarter-lead’ over the competition.”

With this Corporate Mission as the foundation for all our activities, we aim to create the world’s most advanced solutions in anticipation of market needs and to improve our corporate value, by thoroughly optimizing QCDS (Quality, Cost, Delivery and Service), pursuing safety, complying with laws and untiringly pursuing CS (Customer Satisfaction), which means to satisfy customer needs.

In March 2022, the Group announced its new long–term vision “TOWA Vision 2032” and the first medium–term management plan to achieve it. Under this vision, we aim to achieve further growth and increase corporate value and to become a unique company globally unrivaled by other companies.

“TOWA Vision 2032” sets our goal to achieve net sales of 100,000 million yen and an operating profit of 25% in 10 years under the theme of “To the Top of the World through Change” In addition to reexamining what kind of company TOWA Corporation should be in the future, we have also determined what we want to achieve in the next 10 years.

TOWA Vision 2032

1. Theme

To the Top of the World through Change

2. Ideal state

- To become a world–leading company that continues to create customer value through packaging process proposals.
- To become a company that realizes a sustainable society using TOWA Corporation technology.
- To become a company well–known for its active dissemination of information.
- To become a company where employees can work with a smile, where the traditions of corporate culture and diverse values are respected.

3. Business Target (long–term vision)

We have set the target for the Group as follows. Recognizing these as important indicators, we will strive to increase our corporate value.

(Millions of yen)

		FY2024	FY2027	FY2031
Net Sales		60,000	76,000	100,000
SEGMENT	Semiconductor Manufacturing Equipment Business	44,000	52,500	62,500
SEGMENT	Fine Plastic Molded Products Business	2,200	2,800	4,000
SEGMENT	New Business	11,200	17,500	29,500
SEGMENT	Laser Processing Equipment Business	2,600	3,200	4,000
Operating profit		12,600	16,700	25,000
Operating margin		21.0%	22.0%	25.0%

The above future matters are based on judgments made by the Group as of the end of the current consolidated fiscal year.

The basic policies of the first medium–term management plan aimed at achieving "TOWA Vision 2032" and the details of initiatives to address issues in each area are as listed below. The first medium–term management plan is positioned as a period for "strengthening the foundation to become the 'Top of the World.'" In addition to developing new technologies and investing in manufacturing facilities, we will actively train human resources to pass on TOWA Corporation's technologies to the next generation and acquire human resources to expand our operations. Also, we will invest in digital transformation (DX) to improve the efficiency of office work and production sites. As a result, the profit margin will temporarily decline in the first medium–term management plan. However, we plan to improve the operating margin from the second medium–term management plan on the back of these investments.

The First medium–term management plan

1. Theme

Process Innovation Created by TOWA Corporation

2. Basic policies

・Increase profitability by commercializing the added value of our technologies, quality, and processes (know–how) through a paradigm shift.
・Maximize throughput and strengthen market competitiveness and financial base by utilizing DX.
・Develop new businesses and increase earnings based on core technologies.
・Develop human resources who will lead the next generation with abundant diversity and a spirit of challenge.
・Improve corporate value through active engagement in the SDGs and ESG.

3. Business strategies

Semiconductor Manufacturing Equipment business

・Strengthen the profitability of the semiconductor business by developing processing business that takes advantage of added value.
・Strengthen the production system and financial base through MIP (Minimal Inventory & Period) targeting reduced lead time and inventory.
・Anticipate customer needs and develop products that meet the SDGs and ESG investment with a sense of speed by actively investing in development resources.
・Capture the market through the combination of singulation and blades.

Fine Plastic Molded Products business

・Increase the added value of the TOWA Corporation brand and expand the scale of operations based on core technologies developed in the chemical products segment.
・Build a stable earnings structure by further pursuing quality, cost, and delivery time.
・Diversify our products by taking advantage of our medical device licenses.

New business

・Transform our portfolio by making new key businesses independent through the application and development of core technologies.
・Realize new businesses by creating original TOWA Corporation products.
・Contribute to the stable operation of our customers through TSS operations to secure long–term relationships.
・Strengthen competitiveness and expand market share by reducing costs through global production bases.

Laser Processing Equipment business

・Create new products by strengthening applications to "create value" and "acquire value."
・Increase production capacity, reduce costs, and strengthen sales systems and services by utilizing the TOWA Group's production and sales bases.
・Develop into a company that can solve problems by thoroughly examining customer processes.

4. Strategies by function

Sales strategies

- Expand sales and improve profitability by strengthening process support and building a business model that can only be created with our technology.
- Expand the range of application of our proprietary compression equipment.
- Improve customer satisfaction by strengthening global sales, management, and service systems.

Production strategies

- Reduce costs and shorten lead times by optimizing global production and purchasing systems.
- Improve quality reliability by improving production technology.
- Strive to produce value–added products by utilizing DX.
- Develop human resources and build a business structure that can cope with changing environments (risks).

Development strategies

- Develop new products that meet customer needs through a paradigm shift.
- Establish a de facto standard through the development of molding processes and a next–generation molding revolution.
- Promote environmentally friendly development with the SDGs and ESG in mind.

Human resources/organizational strategies

- Expand TOWA Corporation's global bases that will handle everything from process development to solution proposals.
- Develop global human resources who will lead the next generation.
- Promote work style reform by improving operational efficiency through DX.
- Establish TOWA Academy to pass down TOWA Corporation's technologies.

5. Business Target (the First medium–term management plan)

We have set the target for the Group as follows. Recognizing these as important indicators, we will strive to increase our corporate value.

(Millions of yen)

		FY2022 (results)	FY2023	FY2024
Net Sales		53,822	51,000	60,000
SEGMENT	Semiconductor Manufacturing Equipment Business	41,267	37,000	44,000
	Fine Plastic Molded Products Business	1,950	2,000	2,200
	New Business	8,016	9,300	11,200
	Laser Processing Equipment Business	2,586	2,600	2,600
Operating profit		10,037	8,100	12,600
Operating margin		18.6%	16.0%	21.0%
Ordinary profit		10,206	8,100	12,600
Net income attributable to owners of parent		7,346	5,700	8,800

(Note) The target for FY2023, is the forecast of consolidated financial results announced on May 11, 2023.

The above future matters are based on judgments made by the Group as of the end of the current consolidated fiscal year.

TOWA GROUP SUSTAINABILITY

The Group's approach to sustainability and its initiatives are as follows.

In addition, forward-looking statements are based on the Group's judgment as of the end of the current consolidated fiscal year.

<Basic Policy of Sustainability>

To enhance our corporate value and realize sustainable society, we (TOWA Group) contribute to the development of industries through our management philosophy “Quarter Lead” and our Corporate Mission, Code of Conduct and Environmental Policy, and we also build firm relationships of trust with all of our stakeholders including customers, shareholders, investors, suppliers, employees and their families, and communities.

<Governance and Risk management of overall Sustainability>

Governance

To oversee and promote sustainability-related activities from a company-wide perspective, we have assigned specialized personnel to the Corporate Planning Department and established an ESG/SDGs Subcommittee, which regularly reports to the Board of Directors on the progress and performance of various measures.

The Board of Directors deliberates and supervises the contents discussed by the subcommittee.

Risk management

The Company has established a Risk Management Committee chaired by the President & CEO in accordance with the Risk Management Committee Regulations.

The Committee evaluates various risks in the Company's business each year and determines risk countermeasures such as avoidance, transfer, reduction, and retention, and risk countermeasures are implemented by the Risk Management Subcommittee, a subordinate body of the Committee.

For sustainability-related risks, the ESG/SDGs Subcommittee implements countermeasures and reports regularly to the Board of Directors on the status of their implementation.

TCFD DISCLOSURES

Recognizing "climate change" as one of the important management issues, we declared our support for the TCFD Recommendations (the Task Force on Climate–related Financial Disclosures) in May 2022. We will strive to disclose information (Governance, Strategies, Risk Management, Metrics and Targets) related to climate change in line with the content of the recommendations.

Governance

Board of Directors Oversight and Management Role

We have established a system to promote environmental management, and the Board of Directors deliberates and decides on basic policies and other matters related to climate change, and implements risk management.

Strategy

We strive to understand the various risks and opportunities that may arise from climate change. We organized the risks and opportunities that future climate change will bring to our business, and evaluated the impact of those risks and opportunities by conducting qualitative and quantitative scenario analysis including the 1.5°C scenario. The target of this evaluation is the entire supply chain including semiconductor-related products.

Climate–related Risks and Opportunities

a. Possible Risks

In the TCFD Recommendations, climate change–related risks are classified into two categories: Transition Risks and Physical Risks, and we identified risk items based on the recommendations. Among them, we have identified the major risk items that are expected to be highly related to our business and organized the impacts (Table 1).

Table 1 Possible Risks

Items (Risks / Opportunities)			Time Frames*1	Details
Risks	Policy and Legal	Emissions trading/ carbon taxes	Medium	・Increase of procurement costs (carbon tax, etc.) for materials that emit large amounts of CO_2 ・Increase of costs due to carbon tax related to own business activities
		Tightening of environment–related regulations such as energy saving	Short	・Increase of costs by introducing renewable energy and updating equipment to save energy
	Technology	Loss of sales opportunities due to delays in technology development to save energy and reduce CO_2 emissions	Medium	・Energy–inefficient products are eliminated, shifting demand for higher performance products. ・Loss of business opportunities due to failure to meet customers' energy–saving and decarbonization needs
		R & D costs for new technologies or risk of research failure	Medium	・Risk of failure to recover technology development costs when inferiority due to competition for technology development (improvement of energy–saving performance, etc.)
	Reputation	Decline in corporate evaluation due to non–achievement of reduction targets	Medium	・Customer attrition due to reputational risk when environmental initiatives are inadequate ・It becomes difficult to secure funds from the market.
		Changes in consumer preferences	Medium	・As end customer preferences change, customers require low carbon when procuring.
	Physical	Severe disasters such as typhoons and floods	Short	・Suspension of business activities at our own plants and bases due to damage from typhoons and floods ・Delays in parts delivery due to damage to suppliers and distribution warehouses ・Decrease in production efficiency due to increased power outages caused by lightning strikes

***1** Short: within 3 years Medium: in 3–5 years Long: more than 5 years ahead

b. Possible Opportunities

As society as a whole is required to further promote energy conservation activities and energy efficiency, we anticipate expanding demand for equipment that contributes to Greenhouse Gas emissions and waste reduction, and expanding demand for products that accompany demand for semiconductors such as EVs as our business opportunities (Table 2).

Table 2 Possible Opportunities

Items (Risks / Opportunities)		Time Frames *1	Details
Opportunities	Use of efficient means of transportation (Modal shift)	Short	・EV will account for 60% ***2** of new car sales in 2030, and demand for semiconductor manufacturing equipment will increase due to the expansion of autonomous driving.
	Use of low emission energy sources	Medium	・Increase of demand for manufacturing equipment because of demand for semiconductors for power conditioners, etc. due to the introduction of new technologies and the conversion to distributed energy
	Development and expansion of low–emission products and services	Short	・Expanding demand for semiconductor manufacturing equipment (compression molding equipment) that reduces waste emissions
	Acquiring new market opportunities through climate change measures	Medium	・Increase of orders from customers who are members of RE100, etc. due to the realization of decarbonization of our company
	Utilization of recycling	Short	・Expanding demand for used machine sales business for semiconductor manufacturing equipment from the perspective of the circular economy

***1** Short: within 3 years Medium: in 3–5 years Long: more than 5 years ahead

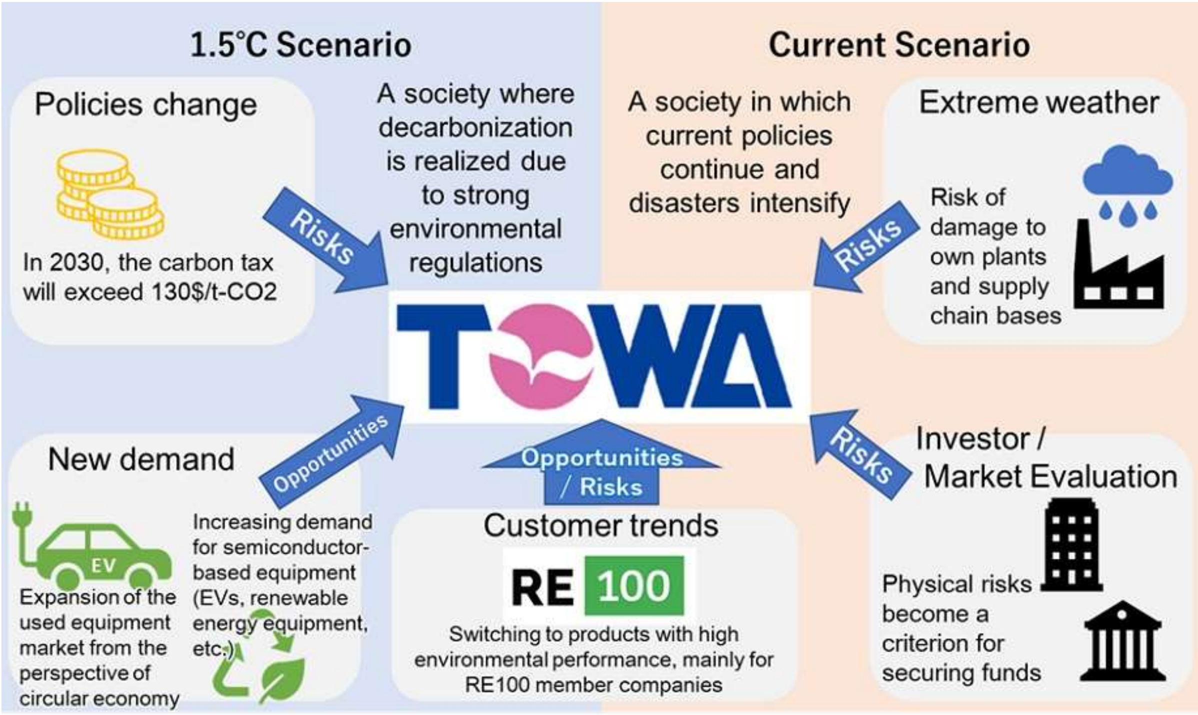
***2** Global EV Outlook 2021(Sustainable Development Scenario)

c. Scenario Analysis

In order to verify the impact of climate change on our group, we set multiple scenarios including the 1.5°C scenario by referring to the scenarios such as IEA "World Energy Outlook 2021" and IPCC 6th Report, and in each scenario, we analyzed the impact of our business on it (Table 3).

Table 3 Overview of the set scenario

Set Scenario	1.5°C Scenario	Current Scenario
Forecast business environment	Risks	Risks
	・Toward the realization of a world of 1.5°C, the introduction of carbon tax is progressing all over the world, and in 2030, the carbon tax will exceed 130$/t– CO_2 in developed countries. ・Customers' environmental awareness will increase, and energy saving and CO_2 saving of manufacturing equipment will be strictly required. However, the development of energy–saving technology will make great progress.	・As the frequency of severe disasters such as increased typhoon damage and increased flood frequency increases, the risk of damage to our own plants and supply chain bases increases.
	Opportunities	Opportunities
	・Demand for semiconductor manufacturing equipment will expand significantly from the current level due to the growth in EV sales, the spread of renewable energy equipment, and the growing needs of customers to achieve international initiatives (RE100, SBT, etc.). ・With the spread of the concept of circular economy in addition to economic efficiency, the used market for manufacturing equipment will expand significantly from the current level.	・With the growth of EV sales, the spread of renewable energy equipment, and the growing needs of customers to achieve international initiatives (RE100, SBT, etc.), the demand for semiconductor manufacturing equipment is increasing, but the growth will be slower than in the 1.5°C scenario. ・From an economic point of view, the used market for manufacturing equipment is expanding, but the growth will be slower than in the 1.5°C scenario.
Reference scenario	・IEA: WEO2021 NZE and SDS ・IPCC Sixth Assessment Report / Working Group I Report: SSP1–1.9, SSP1–2.6	・IEA: WEO2021 STEPS ・IPCC Sixth Assessment Report / Working Group I Report: SSP3–7.0, SSP5–8



World view of each scenario drawn by TOWA

Based on the above view of the world, we evaluate the financial impact of risk items that can be evaluated quantitatively as follows.

d. Transition Risks

When we estimated the impact of the introduction and rise in carbon prices on our business, we confirmed that the impact was limited, with a cost increase of only about 30 million yen in Japan and overseas. We believe that these are the results of our efforts to convert the power used to renewable energy, and we will continue to carry out business activities that are not affected by the transition risk by further converting to renewable energy.

e. Physical Risks from Natural Disasters

With reference to the IPCC Sixth Assessment Report, the probability of flood occurrence in the world of the current scenario (up 4 degrees) is assumed to be 2.7 times that of 1850–1900.

When we estimated the damage in the event of a disaster, we confirmed that the impact was about 30 million yen, and the impact was limited.

On the other hand, in case of a disaster, we will promote the development of a BCP system such as the construction of an alternative production system at other offices and group companies, aiming for business activities that are not affected by physical risks.

Risk Management

We have set up a "Risk Management Committee" chaired by the President & CEO to regularly identify and evaluate risks that should be dealt with. Under this committee, multiple risk management subcommittees have been set up to monitor risks in internal control, export control, quality assurance, disaster countermeasures, etc. for each theme every month. The activities of these subcommittees are reported to the Board of Directors every quarter, and the contents are confirmed by outside directors.

In the future, we will identify and evaluate climate–change related risks as important risks that should be managed.

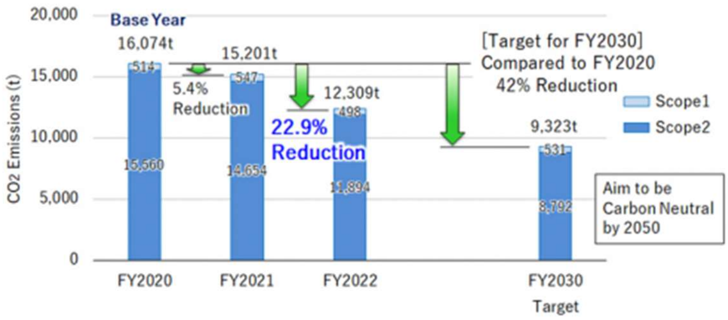
Metrics and Targets

We are fully aware that reducing greenhouse gas emissions, which cause climate change, is an important issue. We set CO_2 emission reduction targets and will work on Carbon Neutrality throughout the Group.

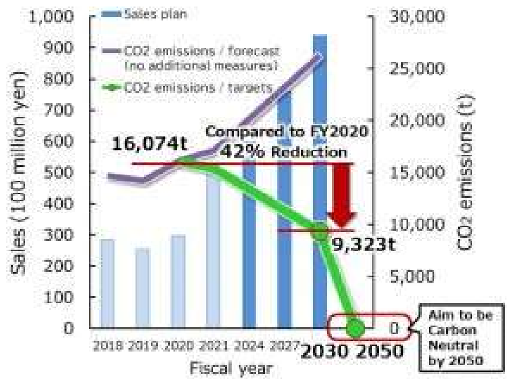
- **In FY2030, we will reduce CO_2 emissions(Scope 1+2) from our group by 42% from FY2020.**
- **We aim to achieve net–zero emissions(Carbon Neutrality)by 2050.**

In addition, we are measuring and disclosing CO_2 emissions related to Scope 1 and 2, and will announce the activity results. At our company, CO_2 is the only GHG related to our business.

Regarding the CO_2 emission reduction target for FY2030, we will work to reduce the total amount after incorporating a large sales growth plan.



CO_2 Emissions Performance and Targets



Sales and CO_2 Emission Targets

Please refer to our website for more details of the TCFD disclosures.
https://www.towajapan.co.jp/en/company/environment/

RESPONSE TO HUMAN CAPITAL

As part of this idea, we are trying to develop human resources and promote health management. Above all, we place the highest priority on the health and job satisfaction of all employees.

< Basic Policy on Human Resource Development>

TOWA believes that the source of corporate development is to pass on to the next generation a corporate culture of "bringing about innovation " through "continuous challenge" actions. TOWA believes that the support for a variety of challenges of each employee will be led to corporate growth, fostered a culture in which employees learn by themselves, and achieved an organization capable of autonomous growth.

In this way, TOWA aims to produce "talent" to inherit the founder ideology, to keep challenging themselves, and to try to bring about innovation.

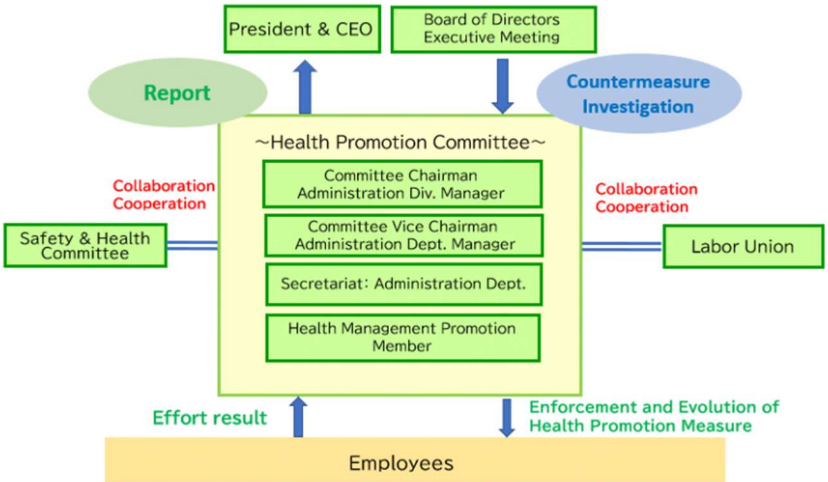
<Internal Environmental Policy>

TOWA is committed to maintaining and improving the health of all employees and creating a workplace environment that is full of smiles, based on the belief that when people are healthy, full of energy, both physically and mentally, and the company's business will flourish.

TOWA also believes that creating an environment, in which TOWA employees can work in good mental and physical health, will bring wellbeing and happiness to them and their families, and brighter society.

Health Management Promotion Organization

Under the slogan “~Let's grow our healthy tree~”, we are promoting our health promotion activities based on the image of "the tree of health" that is gradually bearing fruit and growing up.



The indicators and targets related to the above basic policy and the main efforts to achieve them are as follows.

Indicators	Targets	Results (FY2022)
Mid-career management staff ratio	35.0% by the year 2032	35.0%
Foreigner management staff ratio	10.0% by the year 2032	6.3%
Female management staff ratio	10.0% by the year 2032	3.8%
Health checkup rate	Keep 100.0%	100.0%
BMI (18.5 to under25)	80.0%	67.7%
Smoking rate	10.0%	19.3%
Mental Health checkup rate	Keep 100.0%	100.0%
Overall Health Risk ***1**	90	91
Subjective Vitality Scale ***2**	110	105

***1** It is a score that indicates the impact of workplace stress on individual health, and is based on survey data conducted by the Ministry of Health, Labour and Welfare of Japan, with the “National average = 100” and the lower the deviation the better.

***2** It is a score that indicates the level of activity of individuals and workplaces, and is based on survey data conducted by the Ministry of Health, Labour and Welfare of Japan, with the "National average = 100" and the higher the deviation the better.

***3** Indicators, targets, and results for the submitting company (TOWA Corporate HQ) only.

Please refer to our website for other Sustainability Initiatives.
https://www.towajapan.co.jp/en/sustainability/

CONSOLIDATED FINANCIAL STATEMENTS

TOWA CORPORATION

Consolidated Balance Sheet

(March 31, 2022 and 2023)

	Millions of yen		Thousands of U.S. dollars (Note1 4. (6))
	2022	2023	2023
Assets			
Current assets			
Cash and deposits	12,407	16,547	123,920
Notes receivable–trade	433	73	547
Electronically recorded monetary claims–operating	287	1,201	9,001
Accounts receivable–trade	11,109	11,693	87,574
Merchandise and finished goods	5,611	3,872	29,000
Work in process	12,073	10,004	74,923
Raw materials and supplies	887	1,530	11,461
Other	1,410	1,040	7,791
Allowance for doubtful accounts	(1)	(2)	(21)
Current assets	44,219	45,960	344,194
Non–current assets			
Property, plant and equipment			
Buildings and structures	20,530	20,972	157,061
Accumulated depreciation–buildings and structures	(11,743)	(12,280)	(91,970)
Buildings and structures, net	8,786	8,691	65,091
Machinery, equipment and vehicles	14,821	16,075	120,386
Accumulated depreciation–machinery, equipment and vehicles	(10,061)	(10,707)	(80,190)
Machinery, equipment and vehicles, net	4,760	5,367	40,196
Land	5,189	5,205	38,984
Leased assets	1,143	1,303	9,762
Accumulated depreciation	(214)	(295)	(2,214)
Leased assets, net	928	1,007	7,548
Construction in progress	609	240	1,802
Other	4,159	4,490	33,626
Accumulated depreciation	(3,407)	(3,643)	(27,285)
Other, net	752	846	6,341
Property, plant and equipment	21,026	21,359	159,963
Intangible assets			
Other	1,306	1,162	8,704
Intangible assets	1,306	1,162	8,704
Investments and other assets			
Investment securities	3,856	3,929	29,429
Deferred tax assets	261	373	2,797
Retirement benefit asset	397	381	2,857
Other	264	301	2,259
Investments and other assets	4,779	4,986	37,342
Non–current assets	27,113	27,508	206,009
Assets	71,333	73,468	550,203

TOWA CORPORATION

Consolidated Balance Sheet

(March 31, 2022 and 2023)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Liabilities			
Current liabilities			
Notes and accounts payable–trade	5,110	2,411	18,060
Electronically recorded obligations	2,888	46	347
Short–term borrowings	*1 5,300	*1 9,400	70,396
Current portion of long–term borrowings	1,340	1,930	14,454
Lease liabilities	131	133	997
Income taxes payable	2,417	740	5,544
Advances received	4,725	1,882	14,098
Provision for bonuses	896	983	7,366
Provision for bonuses for directors	78	98	736
Provision for product warranties	368	314	2,356
Other	2,269	1,807	13,537
Current liabilities	25,525	19,747	147,890
Non–current liabilities			
Long–term borrowings	3,270	3,950	29,581
Lease liabilities	377	460	3,448
Deferred tax liabilities	227	848	6,354
Retirement benefit liability	778	810	6,073
Other	32	27	208
Non–current liabilities	4,685	6,097	45,664
Liabilities	30,211	25,845	193,554
Net assets			
Shareholders' equity			
Share capital	8,932	8,942	66,973
Capital surplus	462	472	3,539
Retained earnings	26,820	32,916	246,509
Treasury shares	(12)	(13)	(101)
Shareholders' equity	36,202	42,318	316,921
Valuation and translation adjustments			
Valuation difference on available–for–sale securities	2,261	2,312	17,319
Foreign currency translation adjustment	2,169	2,570	19,251
Remeasurements of defined benefit plans	94	20	150
Valuation and translation adjustments	4,526	4,903	36,720
Non–controlling interests	392	401	3,008
Net assets	41,121	47,623	356,648
Liabilities and net assets	71,333	73,468	550,203

TOWA CORPORATION

Consolidated Income Statements

(Years end March 31,2022 and 2023)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales	50,666	53,822	403,075
Cost of sales	*1 32,013	*1 35,014	262,219
Gross profit (loss)	18,653	18,808	140,856
Selling, general and administrative expenses	*2 *3 7,148	*2 *3 8,771	65,689
Operating profit (loss)	11,505	10,037	75,167
Non–operating income			
Interest income	27	42	318
Dividend income	49	87	654
Rental income from non–current assets	43	54	408
Foreign exchange gains	34	–	–
Subsidy income	43	51	383
Incentive income	29	–	–
Miscellaneous income	96	114	854
Non–operating income	325	349	2,618
Non–operating expenses			
Interest expenses	52	70	526
Depreciation of assets for rent	26	29	222
Foreign exchange losses	–	55	414
Miscellaneous losses	28	25	190
Non–operating expenses	106	180	1,352
Ordinary profit (loss)	11,724	10,206	76,433
Extraordinary income			
Gain on sale of non–current assets	*4 11	*4 0	3
Gain on sale of investment securities	34	–	–
Extraordinary income	45	0	3
Extraordinary losses			
Loss on sale of non–current assets	*5 0	*5 5	38
Loss on retirement of non–current assets	*6 26	*6 17	134
Impairment losses	47	–	–
Extraordinary losses	74	23	172
Profit (loss) before income taxes	11,695	10,183	76,263
Income taxes–current	3,167	2,314	17,332
Income taxes–deferred	376	516	3,869
Income taxes	3,544	2,830	21,201
Profit (loss)	8,151	7,352	55,062
Profit (loss) attributable to non–controlling interests	21	5	43
Profit (loss) attributable to owners of parent	8,129	7,346	55,019

TOWA CORPORATION

Consolidated Statement of Comprehensive Income

(Years end March 31, 2022 and 2023)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit (loss)	8,151	7,352	55,062
Other comprehensive income			
Valuation difference on available–for–sale securities, net of tax	66	50	382
Foreign currency translation adjustment, net of tax	1,806	403	3,025
Remeasurements of defined benefit plans, net of tax	(5)	(74)	(561)
Other comprehensive income	*1 1,867	*1 379	2,845
Comprehensive income	10,018	7,732	57,908
(breakdown)			
Comprehensive income attributable to owners of parent	9,948	7,723	57,840
Comprehensive income attributable to non–controlling interests	70	8	67

TOWA CORPORATION

Consolidated Statement of Shareholders' Equity

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of the period	8,932	462	19,090	(11)	28,473
Changes during period					
Dividends of surplus			(400)		(400)
Profit (loss) attributable to owners of parent			8,129		8,129
Purchase of treasury shares				(1)	(1)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	7,729	(1)	7,728
Balance at end of the period	8,932	462	26,820	(12)	36,202

	Valuation and translation adjustments				Non–controlling interests	Net assets
	Valuation difference on available–for–sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Balance at beginning of the period	2,195	411	100	2,707	322	31,503
Changes during period						
Dividends of surplus						(400)
Profit (loss) attributable to owners of parent						8,129
Purchase of treasury shares						(1)
Net changes in items other than shareholders' equity	66	1,758	(5)	1,818	70	1,888
Total changes during period	66	1,758	(5)	1,818	70	9,617
Balance at end of the period	2,261	2,169	94	4,526	392	41,121

TOWA CORPORATION

Consolidated Statement of Shareholders' Equity

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of the period	8,932	462	26,820	(12)	36,202
Changes during period					
Issuance of new shares	10	10			20
Dividends of surplus			(1,250)		(1,250)
Profit (loss) attributable to owners of parent			7,346		7,346
Purchase of treasury shares					0
Net changes in items other than shareholders' equity					
Total changes during period	10	10	6,096	0	6,116
Balance at end of the period	8,942	472	32,916	(13)	42,318

	Valuation and translation adjustments				Non–controlling interests	Net assets
	Valuation difference on available–for–sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Balance at beginning of the period	2,261	2,169	94	4,526	392	41,121
Changes during period						
Issuance of new shares						20
Dividends of surplus						(1,250)
Profit (loss) attributable to owners of parent						7,346
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	50	400	(74)	376	8	385
Total changes during period	50	400	(74)	376	8	6,501
Balance at end of the period	2,312	2,570	20	4,903	401	47,623

TOWA CORPORATION

Consolidated Statement of Shareholders’ Equity

Current consolidated fiscal year ended March 31, 2023

(Thousands of U.S. dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of the period	66,896	3,462	200,854	(95)	271,117
Changes during period					
Issuance of new shares	77	77			155
Dividends of surplus			(9,364)		(9,364)
Profit (loss) attributable to owners of parent			55,019		55,019
Purchase of treasury shares				(5)	(5)
Net changes in items other than shareholders' equity					
Total changes during period	77	77	45,655	(5)	45,804
Balance at end of the period	66,973	3,539	246,509	(101)	316,921

	Valuation and translation adjustments				Non–controlling interests	Net assets
	Valuation difference on available–for–sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Balance at beginning of the period	16,937	16,250	711	33,899	2,940	307,956
Changes during period						
Issuance of new shares						155
Dividends of surplus						(9,364)
Profit (loss) attributable to owners of parent						55,019
Purchase of treasury shares						(5)
Net changes in items other than shareholders' equity	382	3,001	(561)	2,822	67	2,889
Total changes during period	382	3,001	(561)	2,822	67	48,693
Balance at end of the period	17,319	19,251	150	36,720	3,008	356,648

TOWA CORPORATION

Consolidated Statement of Cash Flows

(Years end March 31,2022 and 2023)

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flows from operating activities			
Profit (loss) before income taxes	11,695	10,183	76,263
Depreciation	1,949	2,498	18,709
Amortization of goodwill	14	116	874
Increase (decrease) in allowance for doubtful accounts	(0)	0	7
Increase (decrease) in provision for bonuses	187	82	618
Increase (decrease) in provision for bonuses for directors (and other officers)	29	18	140
Increase (decrease) in retirement benefit liability	(72)	(67)	(508)
Increase (decrease) in provision for product warranties	149	(54)	(410)
Interest and dividend income	(77)	(129)	(972)
Interest expenses	52	70	526
Foreign exchange losses (gains)	52	(86)	(644)
Decrease (increase) in trade receivables	527	(3,918)	(29,342)
Decrease (increase) in inventories	(8,494)	3,373	25,267
Decrease (increase) in other current assets	(59)	89	667
Increase (decrease) in trade payables	1,417	(5,356)	(40,117)
Increase (decrease) in other current liabilities	533	(322)	(2,415)
Other, net	161	305	2,287
Subtotal	8,067	6,803	50,950
Interest and dividends received	77	128	966
Interest paid	(53)	(69)	(520)
Income taxes paid	(1,704)	(4,044)	(30,287)
Income taxes refund	15	12	94
Net cash provided by (used in) operating activities	6,403	2,831	21,203
Cash flows from investing activities			
Payments into time deposits	(1,543)	(248)	(1,857)
Proceeds from withdrawal of time deposits	1,837	290	2,177
Proceeds from sale of investment securities	141	–	–
Payments of other investments	(33)	(4)	(34)
Purchase of property, plant and equipment and intangible assets	(5,272)	(2,731)	(20,455)
Proceeds from sale of property, plant and equipment and intangible assets	1	14	105
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,727)	–	–
Other, net	(3)	(66)	(499)
Net cash provided by (used in) investing activities	(6,600)	(2,746)	(20,565)
Cash flows from financing activities			
Net increase (decrease) in short–term borrowings	3,800	4,100	30,705
Proceeds from long–term borrowings	–	3,000	22,467
Repayments of long–term borrowings	(1,340)	(1,730)	(12,956)
Purchase of treasury shares	(1)	(0)	(5)
Dividends paid	(400)	(1,250)	(9,364)
Other, net	(133)	(156)	(1,173)
Net cash provided by (used in) financing activities	1,925	3,962	29,673
Effect of exchange rate change on cash and cash equivalents	253	132	993
Net increase (decrease) in cash and cash equivalents	1,982	4,180	31,304
Cash and cash equivalents at beginning period	10,268	12,250	91,743
Cash and cash equivalents at end of period	*1 12,250	*1 16,430	123,047

Notes to Consolidated Financial Statements

Note 1 – Significant Matters Constituting the Basis of Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 18

Names of consolidated subsidiaries

・BANDICK CORPORATION
・TOWA LASERFRONT CORPORATION
・TOWATEC Co., Ltd.
・TOWAM Sdn. Bhd.
・TOWA (Suzhou) Co., Ltd.
・TOWA (Nantong) Co., Ltd.
・TOWA TOOL Sdn. Bhd.
・TOWA Fine Co., Ltd.
・TOWA R&D Suzhou Co., Ltd.
・TOWA Korea Co., Ltd.
・TOWA Asia–Pacific Pte. Ltd.
・TOWA (Shanghai) Co., Ltd.
・TOWA Taiwan Co., Ltd.
・TOWA Semiconductor Equipment Philippines Corp.
・TOWA THAI COMPANY LIMITED
・TOWA USA Corporation
・TOWA Europe GmbH
・TOWA Europe B.V.

Of the above, TOWA TOOL Sdn. Bhd. is included in the scope of consolidation because it became a subsidiary through the acquisition of shares during the current consolidated fiscal year.

(2) There are no non–consolidated subsidiaries.

2. Application of the equity method

(1) There are no affiliated companies accounted for by the equity method.

(2) There are no companies not accounted for by the equity method.

3. Fiscal year, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, TOWA (Suzhou) Co., Ltd., TOWA (Nantong) Co., Ltd., TOWA R&D Suzhou Co., Ltd., and TOWA (Shanghai) Co., Ltd. have a fiscal year end of December 31.

In preparing the consolidated financial statements, the financial statements of these companies are based on the provisional settlement of accounts as of the consolidated closing date.

4. Accounting Policies

(1) Valuation standards and methods for significant assets

1) Securities

Other securities

Securities other than stocks without market price

Market value method (valuation differences are recorded as a component of shareholders' equity. Cost of securities sold is determined by the moving–average method.)

Stocks without market price

Cost method based on the moving–average method

2) Inventory

(i) Product

Mainly stated at cost determined by the specific identification method (balance sheet value is calculated by writing down the book value of assets based on decreased profitability).

(ii) Work in process

Mainly stated at cost determined by the specific identification method (balance sheet value is calculated by writing down the book value of assets based on decreased profitability).

(iii) Raw materials

Mainly stated at cost determined by the moving–average method (balance sheet value is calculated by writing down the book value of assets based on decreased profitability).

(iv) Supplies

Mainly stated at last purchase cost (balance sheet value is calculated by writing down the book value of assets based on decreased profitability)

(2) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries use the declining–balance method, while overseas consolidated subsidiaries use the straight–line method.

However, buildings (excluding building fixtures) acquired on or after April 1, 1998 and building fixtures and structures acquired on or after April 1, 2016 are depreciated using the straight–line method.

The estimated useful lives are as follows.

Buildings and structures	2–50 years
Machinery, equipment and vehicles	2–10 years

2) Intangible fixed assets (excluding lease assets)

The Company and its consolidated subsidiaries adopt the straight–line method.

Software for internal use is based on the period during which it can be used internally (5 years).

3) Leased assets

The Company adopts the straight–line method with the lease period as the useful life and residual value as 0.

(3) Accounting standards for significant allowances

1) Allowance for doubtful accounts

To prepare for losses due to bad debt, the allowance for doubtful accounts is provided at an estimated uncollectible amount based on the past credit loss ratio for general receivables and considering the collectability of specific receivables.

2) Provision for bonuses

The Company and some of its consolidated subsidiaries provide for the payment of bonuses to employees based on the estimated amount to be paid.

3) Provision for directors' bonuses

The Company and some of its consolidated subsidiaries provide for directors' bonuses based on the estimated amount to be paid.

4) Reserve for product warranty

The Company and some of its consolidated subsidiaries provide for repair costs related to products during the warranty period based on estimated repair costs corresponding to sales based on past performance. In addition, the estimated expense is recorded for specific cases that can be estimated individually.

(4) Accounting treatment for retirement benefits

1) Period attribution of projected retirement benefits

In calculating retirement benefit obligations, the projected retirement benefits are attributed to the period up to the end of the current consolidated fiscal year based on the benefit formula basis.

2) Accounting method for actuarial gains and losses and past service costs

Past service cost is amortized by the straight–line method over a fixed period (mainly 10 years) within the average remaining service period of employees at the time of occurrence.

Actuarial gains and losses are amortized in the year following the year in which they arise using the declining–balance method over a fixed period (mainly 10 years) within the average remaining service period of employees at the time of occurrence.

3) Accounting method for unrecognized actuarial gains and losses and unrecognized past service cost

Unrecognized actuarial gains or losses and unrecognized past service cost are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after adjusting for tax effects.

4) Adoption of simplified method in small companies, etc.

Certain consolidated subsidiaries apply the simplified method to the calculation of net defined benefit liability and net defined benefit expense by setting the retirement benefit obligation at the amount required for voluntary retirement at the end of the fiscal year.

(5) Accounting standards for recording significant revenues and expenses

The details of major performance obligations in major businesses related to revenue arising from contracts with customers of the Company and its consolidated subsidiaries and the normal point in time when such performance obligations are satisfied (normal point in time when revenue is recognized) are as follows.

1) Semiconductor Manufacturing Equipment

For sale revenue of products that require installation at the time of delivery to the customer, revenue is recognized mainly at the time of completion of installation for products, and for products that do not require installation, revenue is recognized at the time of delivery or acceptance because it is determined that the customer will gain control over the products and the performance obligations are deemed to be fulfilled.

Revenue from services such as warranty, repair, maintenance and relocation related to products is recognized when the performance obligations are deemed to be satisfied at the completion of the services.

Revenue is recognized at the time of shipment if it meets the requirements of Paragraph 98 of the "Guidance on Accounting Standards for Revenue Recognition."

2) Fine Plastic Molded Products

With respect to sales of products, since the period from the time of shipment to the time when control of the product is transferred to the customer is reasonably short, revenue is recognized at the time of shipment by applying the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition."

3) Laser Processing Equipment

Revenue from the sale of products is recognized at the time of delivery or acceptance because it is determined that the customer has gained control over the products and the performance obligations are satisfied.

Revenue from services such as warranty, repair, maintenance and relocation related to products is recognized at the completion of the services when the performance obligations are deemed to be satisfied.

Revenue is recognized at the time of shipment if it meets the requirements of Paragraph 98 of the "Guidance on Accounting Standards for Revenue Recognition."

(6) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary claims and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the balance sheet date, and any translation differences are recorded as gain or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate as of the consolidated balance sheet date, while revenues and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustments and non–controlling interests under net assets.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate on March 31, 2023, which was 133.53 to US$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight–line method over 5-8 years.

(8) Cash and cash equivalent on the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, deposits that can be withdrawn at any time and short–term investments that are readily convertible into cash and that are subject to insignificant risk of changes in value and mature or become due within 3 months of the date of acquisition.

(9) Other significant matters for preparing the consolidated financial statements

1) Accounting treatment of consumption tax, etc.

Accounting for consumption taxes and local consumption taxes is based on the tax exclusion method. Non–deductible consumption taxes and local consumption taxes are charged to income for the current consolidated fiscal year.

2) Application of the consolidated taxation system

Effective from the current consolidated fiscal year, the company has discontinued the application of the consolidated tax payment system.

Note 2 – Significant Accounting Estimates

Previous consolidated fiscal year ended March 31, 2022

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year: 261 million yen

(2) Information on the contents of significant accounting estimates pertaining to the identified items

The Group reviews the recoverability of deferred tax assets every fiscal year. The recoverable amount of the Group's deferred tax assets is highly dependent on projections of future taxable income, which may vary depending on the future business environment, changes in the Group's business activities and other factors. In assessing the recoverability of deferred tax assets at the end of the consolidated fiscal year, the Company comprehensively takes into account business results for the past 3 years and the consolidated fiscal year as well as the future business plans, and the Company and its consolidated subsidiaries are classified according to the requirements set forth in Accounting Standards Board of Japan Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets." Based on past results and future business plans, the Company estimates taxable income over a period of 5 years or less in the future and schedules the timing of the reversal of temporary differences to determine the recoverability of deferred tax assets.

Estimates of future taxable income and the scheduling of future deductible temporary differences are considered to be significant assumptions used in estimating the recoverability of deferred tax assets. The future business plan used in estimating taxable income is based on an operating income margin that takes into account historical results and estimates of future sales that take into account sales strategies.

If such estimates need to be reviewed due to changes in uncertain economic conditions in the future, the amount of deferred tax assets and deferred income taxes to be recognized in the consolidated financial statements for the following fiscal year and thereafter may be affected.

Intangible assets and goodwill acquired through business combination

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

In the current consolidated fiscal year, the following intangible assets and goodwill related to TOWA Fine Co., Ltd. acquired in March 2022 are recorded.

	Millions of yen
Goodwill	490
Technology–related intangible assets	54
Customer–related intangible assets	57
Total	602

(2) Details of the identified significant accounting estimates

Intangible assets acquired through business combinations are recognized at fair value at the date of acquisition and are measured using the income approach method, which discounts estimated future cash flows based on royalty rates and decreasing rates of existing customers to their present value. Goodwill acquired as a result of the business combination is recorded at the difference between the acquisition cost and the fair value of identifiable assets and liabilities of TOWA Fine Co., Ltd. as of the date of the business combination, as the excess earning power is expected from future business development of the company.

Assumptions used in these measurements, such as estimated future cash flows, royalty rates, rates of decline in existing customers, and discount rates, are determined based on management's best estimates. However, these assumptions may be affected by changes in uncertain economic conditions in the future. If it becomes necessary to review these assumptions, the amounts of intangible assets and goodwill acquired as a result of business combination in the consolidated financial statements for the following fiscal year may be significantly affected.

Current consolidated fiscal year ended March 31, 2023

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year: 373 million yen (2,797 thousand U.S. dollars)

(2) Information on the contents of significant accounting estimates pertaining to the identified items

The Group reviews the recoverability of deferred tax assets every fiscal year. The recoverable amount of the Group's deferred tax assets is highly dependent on projections of future taxable income, which may vary depending on the future business environment, changes in the Group's business activities and other factors. In assessing the recoverability of deferred tax assets at the end of the consolidated fiscal year, the Company comprehensively takes into account business results for the past 3 years and the consolidated fiscal year as well as the future business plans, and the Company and its consolidated subsidiaries are classified according to the requirements set forth in Accounting Standards Board of Japan Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets." Based on past results and future business plans, the Company estimates taxable income over a period of 5 years or less in the future and schedules the timing of the reversal of temporary differences to determine the recoverability of deferred tax assets.

Estimates of future taxable income and the scheduling of future deductible temporary differences are considered to be significant assumptions used in estimating the recoverability of deferred tax assets. The future business plan used in estimating taxable income is based on an operating income margin that takes into account historical results and estimates of future sales that take into account sales strategies.

If such estimates need to be reviewed due to changes in uncertain economic conditions in the future, the amount of deferred tax assets and deferred income taxes to be recognized in the consolidated financial statements for the following fiscal year and thereafter may be affected.

Valuation of inventories

(1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year: 15,407 million yen (115,382 thousand U.S. dollars)

(2) Information on significant accounting estimates related to identified items

The values of the Group's inventories are calculated by writing down the book value of assets that decreased in profitability. To reflect the fact that profitability has declined, the Group values inventories with acquisition cost or net selling value at the end of the consolidated fiscal year, whichever is lower. Inventories that have fallen out of the normal operating cycle process, with those that have passed a certain period or exceeded a certain turnover period as of the end of the fiscal year defined as slow-moving inventory, are valued by regularly writing down their book value, except for those determined to have the potential for sale after individually examining future sales forecasts based on past years' results and other factors. If the market environment in which the Group operates deteriorates more than expected and factors such as demand forecasts that affect the valuation of inventories, additional inventory write-downs may be required, and this could have a significant impact on consolidated financial statements after the following consolidated fiscal year.

Note 3 – Change in Presentation Method

Consolidated Statements of Income

"Commission expenses" under Non-operating expenses, which had been independently presented until the previous consolidated fiscal year, are included in "Miscellaneous loss" under Non-operating expenses from the current consolidated fiscal year because they became insignificant in terms of amount.

As a result, 17 million yen presented as "Commission expenses" under Non-operating expenses in the previous consolidated fiscal year has been reclassified as "Miscellaneous loss."

Note 4 – Additional information

Restricted stock units

Following a resolution passed at the 44th Ordinary General Meeting of Shareholders held on June 29, 2022, the Company has adopted a restricted stock plan for its directors (excluding directors who are members of the Audit Committee and outside directors) to further promote value-sharing with shareholders.

The Company has also adopted a restricted stock plan for its executive officers.

Additionally, at a meeting held on July 28, 2022, the Board of Directors resolved to issue new shares to directors and executive officers at the Company as restricted stock units, and payment was completed on August 23, 2022.

Application of tax effect accounting for the transition from a consolidated tax payment system to a non-consolidated tax payment system

Beginning from the current consolidated fiscal year, the Company and its domestic consolidated subsidiaries have shifted to a non-consolidated tax payment system. Accordingly, as outlined in Paragraphs 33 and 69 of "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), deferred tax assets and deferred tax liabilities after the end of the previous consolidated fiscal year have been recognized by applying the non-consolidated tax payment system from the current consolidated fiscal year.

Note 5 – Consolidated Balance Sheets

***1 The Company has entered into overdraft agreements and commitment line agreements with 6 banks with the aim of raising funds more efficiently and stabilizing. The balance of unexecuted borrowings based on these agreements at the end of the fiscal year is as follows.**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total of overdraft limit and commitment line contracts	12,000	14,500	108,590
Outstanding borrowings	5,300	9,400	70,396
Net amount	6,700	5,100	38,194

Note 6 – Consolidated Statements of Income

***1 Inventory at the end of the period is the amount after write–down of book value due to a decline in profitability, and the following inventory valuation loss is included in cost of sales.**

Millions of yen		Thousands of U.S. dollars
2022	2023	2023
370	286	2,143

***2 Major items and amounts of selling, general and administrative expenses are as follows.**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Provision for allowance for doubtful accounts	(0)	0	7
Salaries and allowances	1,798	2,108	15,792
Provision for bonuses	262	298	2,236
Provision for directors' bonuses	70	91	685
Retirement benefit expenses	65	61	464
Commission expenses	736	980	7,341

***3 Total research and development expenses included in general and administrative expenses**

Millions of yen		Thousands of U.S. dollars
2022	2023	2023
585	914	6,851

The above amount includes expenses for INNOMS Promotion Department.

***4 Details of gain on sales of fixed assets are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Machinery, equipment and vehicles	10	0	3
Other property, plant and equipment	0	–	–
Software	0	–	–
Total	11	0	3

***5 Details of loss on sales of fixed assets are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Machinery, equipment and vehicles	–	5	38
Other property, plant and equipment	0	–	–
Total	0	5	38

***6 Details of loss on disposal of fixed assets are as follows:**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures	17	3	25
Machinery, equipment and vehicles	2	11	87
Other property, plant and equipment	5	2	21
Software	0	0	2
Total	26	17	134

Note 7 – Consolidated Statements of Comprehensive Income

***1 Reclassification adjustments and tax effects related to other comprehensive income**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation difference on available–for–sale securities:			
Amount arising during the period	142	73	549
Reclassification adjustment	(34)	–	–
Before tax effect adjustment	108	73	549
Tax benefit	(41)	(22)	(168)
Valuation difference on available–for–sale securities	66	50	382
Foreign currency translation adjustments:			
Amount arising during the period	1,806	403	3,025
Foreign currency translation adjustments	1,806	403	3,025
Remeasurements of retirement benefits:			
Amount arising during the period	29	(69)	(520)
Reclassification adjustment	(39)	(38)	(290)
Before tax effect adjustment	(10)	(108)	(811)
Tax benefit	4	33	249
Remeasurements of defined benefit plans	(5)	(74)	(561)
Total other comprehensive income	1,867	379	2,845

Note 8 – Consolidated Statement of Changes in Net Assets

Previous consolidated fiscal year ended March 31, 2022

1. Type and total number and types of issued stocks and type and number of treasury stocks

(Share)

	Number of shares at the beginning of the consolidated fiscal year	Increase in number of shares during the consolidated fiscal year	Decrease in number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Issued stock				
Common stock	25,021,832	–	–	25,021,832
Total	25,021,832	–	–	25,021,832
Treasury stock				
Common stock (Note)	12,806	415	–	13,221
Total	12,806	415	–	13,221

(Note) The increase of 415 shares in the number of treasury stocks under common stocks is due to the purchase of shares less than one unit.

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights

There are no applicable matters.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends	Per share Dividend amount	Record date	Effective date
		Millions of yen	Yen		
May 13, 2021 Board of directors	Common stock	400	16	March 31,2021	June 30,2021

(2) Dividends with record date within the current consolidated fiscal year, but with effective date in the following consolidated fiscal year

(Resolution)	Type of shares	Total amount of dividends	Dividends Source	Per share Dividend amount	Record date	Effective date
		Millions of yen		Yen		
May 12, 2022 Board of directors	Common stock	1,250	Retained earnings	50	March 31,2022	June 30,2022

Current consolidated fiscal year ended March 31, 2023

1. Type and total number and types of issued stocks and type and number of treasury stocks

(Share)

	Number of shares at the beginning of the consolidated fiscal year	Increase in number of shares during the consolidated fiscal year	Decrease in number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Issued stock				
Common stock (Note)	25,021,832	11,406	–	25,033,238
Total	25,021,832	11,406	–	25,033,238
Treasury stock				
Common stock (Note)	13,221	376	–	13,597
Total	13,221	376	–	13,597

(Note) The increase of 11,406 shares in the number of issued stocks under common stocks is attributable to the capital increase associated with the issuance of new shares as restricted stock units. The increase of 376 shares in the number of treasury stocks under common stocks is due to the purchase of shares less than one unit.

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights

There are no applicable matters.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends	Per share Dividend amount	Record date	Effective date
		Millions of yen	Yen		
May 12, 2022 Board of directors	Common stock	1,250	50	March 31,2022	June 30,2022

(Resolution)	Type of shares	Total amount of dividends	Per share Dividend amount	Record date	Effective date
		Thousands of U.S. dollars	U.S. dollars		
May 12, 2022 Board of directors	Common stock	9,364	0.374	March 31,2022	June 30,2022

(2) Dividends with record date within the current consolidated fiscal year, but with effective date in the following consolidated fiscal year

(Resolution)	Type of shares	Total amount of dividends	Dividends Source	Per share Dividend amount	Record date	Effective date
		Millions of yen		Yen		
May 11, 2023 Board of directors	Common stock	1,000	Retained earnings	40	March 31,2023	June 8,2023

(Resolution)	Type of shares	Total amount of dividends	Dividends Source	Per share Dividend amount	Record date	Effective date
		Thousands of U.S. dollars		U.S. dollars		
May 11, 2023 Board of directors	Common stock	7,495	Retained earnings	0.3	March 31,2023	June 8,2023

Note 9 – Matters related to consolidated cash flow statements

***1 Relationship between cash and cash equivalents at the end of the period and the amounts recorded in the consolidated balance sheets**

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and deposits	12,407	16,547	123,920
Time deposits with a term longer than 3 months	(157)	(116)	(873)
Cash and cash equivalents	12,250	16,430	123,047

Note 10 – Lease Transactions

Lessee

1. Finance lease transactions

Finance leases that do not transfer ownership

(1) Details of leased assets

Mainly office equipment, R & D equipment and OA equipment for the Group.

(2) Depreciation of leased assets

We adopt the accounting policy for this significant account as explained at "Note-1 4. Accounting Policies (2) Depreciation method for significant depreciable assets"

Impairment Loss

There is no impairment loss allocated to leased assets.

2. Operating lease transactions

Remaining lease payments related to non–cancelable operating leases

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Within 1 year	1	1	9
More than 1 year	1	0	1
Total	2	1	10

(Note) Lease transactions to which IFRS 16 is applied and assets and liabilities are recorded in the consolidated balance sheets are not included.

Note 11 – Financial Instruments

1. Status of financial instruments

(1) Policy on financial instruments

The Group invests temporary surplus funds only in short–term deposits, etc. With respect to financing, the Company mainly procures necessary funds through bank loans in light of capital investment plans for the semiconductor manufacturing equipment business.

The Company has entered into overdraft agreements and commitment line agreements with 6 banks to improve the efficiency and stability of fund procurement.

(2) Details and risks of financial instruments

Trade receivables such as notes receivable, accounts receivable and electronically recorded monetary claims are exposed to customers' credit risks. Additionally, trade receivables denominated in foreign currencies arising from our global business operations are exposed to foreign exchange fluctuation risks.

Investment securities are mainly stocks related to business partners and are exposed to market price fluctuation risks.

Notes and accounts payable and electronically recorded obligations, which are trade payables, are mostly due within 4 months. Some items denominated in foreign currencies are exposed to foreign exchange fluctuation risks.

Borrowings are procured for capital investment and working capital, etc. Since they are mainly fixed–rate borrowings, the risk of interest rate fluctuations is minimal. There is also a risk that certain borrowings may be subject to requests for early repayment due to breaches of financial covenants.

(3) Risk management system for financial instruments

1) Management of credit risks (risks related to non–performance of contracts by business partners)

The Company conducts credit investigations at the beginning of transactions and periodically reviews credit limits for notes receivable, accounts receivable and electronically recorded monetary claims, which are trade receivables, in accordance with the Rules for Operating Activities. Consolidated subsidiaries are also managed in the same manner as the Company.

2) Management of market risks (risks of fluctuations in foreign exchange rates and interest rates)

The Company borrows at fixed interest rates in order to control the risk of fluctuations in interest rates on long–term borrowings.

With regard to investment securities, the Company periodically monitors the market value and financial conditions of issuers (business partners) and reviews the status of holdings in consideration of market conditions and relationships with business partners.

Consolidated subsidiaries are also managed in the same manner as the Company.

3) Management of liquidity risk related to fund procurement (risk of not being able to make payments on the due date)

The Finance Department of the Company prepares and updates cash management plans in a timely manner based on reports from each department, and manages liquidity risks by maintaining liquidity on hand, etc. Consolidated subsidiaries are also managed in the same manner as the Company.

(4) Supplementary explanation regarding the fair value, etc. of financial instrument

As fluctuation factors are incorporated in the calculation of fair values of financial instruments, these values may fluctuate if different assumptions, etc. are adopted.

2. Fair value of financial instruments

The amount recorded on the consolidated balance sheet, fair value and the difference between them are as follows.

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	3,828	3,828	–
Total Assets	3,828	3,828	–
Long–term debt	4,610	4,600	(9)
Total Liabilities	4,610	4,600	(9)

(*1) Cash and deposits, notes and accounts receivable – trade, electronically recorded monetary claims, notes and accounts payable – trade, electronically recorded obligations, short–term borrowings, and income taxes payable are not stated because their fair values approximate their book values as they are settled in a short period of time.

(*2) The stocks without market prices are not included in “Investment securities”. The amount of such financial instruments recorded in the consolidated balance sheets are as follows.

Category	Previous consolidated fiscal year
	Millions of yen
Unlisted stock	28

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	3,901	3,901	–
Total Assets	3,901	3,901	–
Long–term debt	5,880	5,868	(11)
Total Liabilities	5,880	5,868	(11)

(Thousands of U.S. dollars)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	29,218	29,218	–
Total Assets	29,218	29,218	–
Long–term debt	44,035	43,945	(90)
Total Liabilities	44,035	43,945	(90)

(*1) Cash and deposits, notes and accounts receivable – trade, electronically recorded monetary claims, notes and accounts payable – trade, electronically recorded obligations, short–term borrowings, and income taxes payable are not stated because their fair values approximate their book values as they are settled in a short period of time.

(*2) The stocks without market prices are not included in “Investment securities”. The amount of such financial instruments recorded in the consolidated balance sheets are as follows.

Category	Current consolidated fiscal year
	Millions of yen
Unlisted stock	28

Category	Current consolidated fiscal year
	Thousands of U.S. dollars
Unlisted stock	212

(Note)1. Scheduled redemption amount of monetary claims after the consolidated closing date
Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	12,407	–	–	–
Notes receivable	433	–	–	–
Accounts receivable	11,109	–	–	–
Electronically recorded monetary claims	287	–	–	–
Total	24,239	–	–	–

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	16,547	–	–	–
Notes receivable	73	–	–	–
Accounts receivable	11,693	–	–	–
Electronically recorded monetary claims	1,201	–	–	–
Total	29,515	–	–	–

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	123,920	–	–	–
Notes receivable	547	–	–	–
Accounts receivable	87,574	–	–	–
Electronically recorded monetary claims	9,001	–	–	–
Total	221,041	–	–	–

(Note)2. Amount of long–term loans payable to be repaid after the consolidated closing date
Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	1,340	3,270	–	–
Total	1,340	3,270	–	–

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	1,930	3,950	–	–
Total	1,930	3,950	–	–

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	14,454	29,581	–	–
Total	14,454	29,581	–	–

(Note)3. Items related to the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following 3 levels according to the observability and importance of inputs to the calculation of fair value.

Level 1 fair value: Calculated based on the fair value of assets or liabilities subject to market value calculation that are formed in active markets
Level 2 fair value: Calculated by using observable inputs other than Level 1 inputs
Level 3 fair value: Calculated using unobservable inputs

If multiple inputs that significantly affect the calculation of market value are used, the market value is classified at the lowest priority level in the calculation of market value among the levels to which each of those inputs belongs.

(1) Financial instruments recorded on the consolidated balance sheets at fair value
Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares	3,828	–	–	3,828
Total assets	3,828	–	–	3,828

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares	3,901	–	–	3,901
Total assets	3,901	–	–	3,901

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Shares	29,218	–	–	29,218
Total assets	29,218	–	–	29,218

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long–term borrowings (including ones that are due within 1 year)	–	4,600	–	4,600
Total liabilities	–	4,600	–	4,600

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long–term borrowings (including ones that are due within 1 year)	–	5,868	–	5,868
Total liabilities	–	5,868	–	5,868

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long–term borrowings (including ones that are due within 1 year)	–	43,945	–	43,945
Total liabilities	–	43,945	–	43,945

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investment securities

Listed shares are valued using quoted prices. Since listed shares are traded in active markets, their fair value is classified as Level 1.

Long–term borrowings (including ones that are due within 1 year)

The fair value of long–term borrowings is calculated by discounting the total amount of principal and interest at an interest rate that takes into account the remaining period of borrowings and credit risk. The fair value is classified as Level 2.

Note 12 – Securities

1. Other securities

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	3,828	658	3,169
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	3,828	658	3,169
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		3,828	658	3,169

(Note) Unlisted shares (28 million yen on consolidated balance sheet) are not included in the above table.

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	3,901	658	3,243
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	3,901	658	3,243
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		3,901	658	3,243

(Thousands of U.S. dollars)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	29,218	4,929	24,289
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	29,218	4,929	24,289
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		29,218	4,929	24,289

(Note) Unlisted shares (28 million yen (212 thousand U.S. dollars) on consolidated balance sheet) are not included in the above table.

2. Other securities sold

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
Shares	141	34	–

Current consolidated fiscal year ended March 31, 2023
There are no applicable matters.

Note 13 – Retirement Benefits

1. Outline of the retirement benefit plan adopted

The Company and its consolidated subsidiaries have both funded and unfunded defined benefit plans and defined contribution plans to prepare for employee retirement benefits.

With defined benefit corporate pension plan (all of which are funded plans), a lump–sum payment or pension is paid based on the accumulated number of points granted according to the qualification and position of the employee.

With lump–sum retirement allowance plan (all are which are unfunded plans), employees are entitled to lump–sum retirement benefits based on their salary and length of service. For the lump–sum retirement benefit plans adopted by some consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated using the simplified method.

2. Defined benefit plans

(1) Reconciliation between the beginning and ending balances of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Retirement benefit obligations at beginning of year	2,600	2,676	20,046
Service cost	213	203	1,525
Interest expense	10	14	107
Actuarial gain or loss	(26)	(21)	(163)
Payment of retirement benefits	(141)	(201)	(1,511)
Other	20	9	71
Retirement benefit obligations at end of year	2,676	2,680	20,075

(Note) Includes plans to which the simplified method is applied.

(2) Reconciliation between the beginning and ending balances of plan assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Plan assets at beginning of year	2,173	2,295	17,191
Expected return on investment	65	80	602
Actuarial gain or loss	6	(89)	(670)
Contributions from employer	129	122	916
Payment of retirement benefits	(79)	(157)	(1,179)
Balance of plan assets at end of year	2,295	2,251	16,859

(3) Reconciliation of the ending balances of retirement benefit obligations and pension assets and the net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Retirement benefit obligations for funded plans	1,897	1,869	14,002
Plan assets	(2,295)	(2,251)	(16,859)
	(397)	(381)	(2,857)
Retirement benefit obligations for unfunded plans	778	810	6,073
Net liabilities and assets recorded in the consolidated balance sheets	381	429	3,216
Defined benefit liability	778	810	6,073
Defined benefit asset	(397)	(381)	(2,857)
Net liabilities and assets recorded in the consolidated balance sheets	381	429	3,216

(Note) Includes plans to which the simplified method is applied.

(4) Retirement benefit expense and breakdown

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	213	203	1,525
Interest expense	10	14	107
Expected return on investment	(65)	(80)	(602)
Actuarial differences expense	(22)	(21)	(163)
Prior service cost expense	(16)	(16)	(127)
Retirement benefit expenses for defined benefit plans	118	98	740

(Note) Retirement benefit expenses of consolidated subsidiaries that adopted the simplified method are mainly recorded as service cost.

(5) Remeasurements of retirement benefits

The breakdown of items recorded as remeasurement of defined benefit plans is follows (before tax effects).

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Prior service cost	16	16	127
Actuarial difference	(6)	91	683
Total	10	108	811

(6) Accumulated remeasurements of defined benefit plans

The breakdown of items recorded in accumulated remeasurements of defined benefit plans is as follows (before tax effects).

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized prior service cost	83	66	499
Unrecognized actuarial gain or loss	57	(34)	(255)
Total	140	32	244

(7) Matters concerning plan assets

(i) Major components of plan assets

The ratio of each major category to the total plan assets is as follows.

	2022	2023
Bond	35%	37%
Shares	32%	31%
Life insurance general account	17%	18%
Other	16%	14%
Total	100%	100%

(ii) Method of setting expected long–term rate of return

To determine the expected long–term rate of return on plan assets, the Company takes into account the current and expected allocation of plan assets and the current and expected long–term rate of return on the various assets that make up the plan assets.

(8) Actuarial calculation basis

Basis of major actuarial calculations

	2022	2022
Discount rate	Mainly 0.172%	Mainly 0.341%
Expected long–term rate of return	3.00%	3.50%
Expected rate of salary increase (Note)	Mainly 7.1%	Mainly 7.1%

(Note) The expected rate of salary increase is the rate of expected increase of points under the point system.

3. Defined contribution plan

The Group's required contributions to the defined contribution plan were 63 million yen for the previous consolidated fiscal year and 85 million yen (639 thousand U.S. dollars) for the current consolidated fiscal year.

Note 14 – Tax effect accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by major causes

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets			
Inventory valuation loss	525	335	2,511
Impairment loss	323	316	2,367
Provision for bonuses	284	240	1,800
Net defined benefit liability	180	215	1,617
Prototype	474	711	5,325
Tax loss carryforwards (Note)	155	46	346
Other	858	587	4,403
Subtotal deferred tax assets	2,802	2,453	18,371
Subtotal of valuation allowance	(802)	(636)	(4,767)
Total deferred tax assets	1,999	1,816	13,604
Deferred tax liabilities			
Valuation difference on available–for–sale securities	(908)	(930)	(6,970)
Undistributed earnings of foreign subsidiaries	(872)	(1,144)	(8,569)
Other	(184)	(216)	(1,622)
Total deferred tax liabilities	(1,965)	(2,291)	(17,161)
Net deferred tax assets	34	(474)	(3,557)

(Change in Presentation Method)

The breakdown of the valuation allowance, which was presented separately in the previous consolidated fiscal year, is not presented separately in the current consolidated fiscal year because the amount of loss carried forward for tax purposes has become insignificant. Additionally, "Loss carried forward for tax purposes and the amount of deferred tax assets carried forward by the expiration date," which was presented in the previous consolidated fiscal year, is also omitted in the current consolidated fiscal year because the amount of loss carried forward for tax purposes became immaterial.

2. Breakdown of major items that caused a significant difference between the statutory tax rate and effective tax rate after the application of tax effect accounting:

	2022	2023
Statutory effective tax rate	–	30.5%
(Adjusted)		
Entertainment expenses and other items not permanently deductible	–	0.1%
Difference in tax rate with overseas subsidiaries	–	(3.2%)
Per capita inhabitant tax, etc.	–	0.1%
Increase in valuation allowance	–	(1.6%)
Increase in deferred tax liabilities related to undistributed earnings of overseas subsidiaries	–	2.7%
Decrease in loss carried forward	–	1.1%
Others	–	(1.9%)
Actual effective tax rate after the application of tax effect accounting	–	27.8%

(Note) In the previous consolidated fiscal year, notes were omitted because the difference between statutory tax rate and effective tax rate was less than 5/100 of the statutory tax rate.

Note 15 – Revenue Recognition

1. Breakdown of revenue from contracts with customers

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment			Total
	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	
Japan	2,553	1,591	1,600	5,744
Taiwan	9,352	–	46	9,399
China	22,520	131	374	23,026
Other Asian countries	10,612	–	206	10,819
Americas	1,397	–	–	1,397
Other	279	–	–	279
Revenue arising from contracts with customers	46,715	1,723	2,227	50,666
Other income	–	–	–	–
Sales to external customers	46,715	1,723	2,227	50,666

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment			Total
	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	
Japan	3,100	1,852	1,982	6,935
Taiwan	9,664	–	77	9,741
China	19,768	98	323	20,190
Other Asian countries	15,366	–	203	15,570
Americas	1,052	–	0	1,052
Other	331	–	–	331
Revenue arising from contracts with customers	49,285	1,950	2,586	53,822
Other income	–	–	–	–
Sales to external customers	49,285	1,950	2,586	53,822

(Thousands of U.S. dollars)

	Reportable segment			Total
	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	
Japan	23,222	13,871	14,844	51,938
Taiwan	72,379	–	578	72,957
China	148,048	738	2,423	151,208
Other Asian countries	115,082	–	1,526	116,608
Americas	7,879	–	1	7,880
Other	2,485	–	–	2,485
Revenue arising from contracts with customers	369,095	14,609	19,372	403,075
Other income	–	–	–	–
Sales to external customers	369,095	14,609	19,372	403,075

2. Information that serves as the basis for understanding revenue arising from customer contracts

Information that serves as the basis for understanding revenue is as presented in " Note 1 – Significant Matters Constituting the Basis of Preparation of Consolidated Financial Statements 4. Accounting Policies (5) Accounting standards for recording significant revenues and expenses."

3. Relationship between fulfillment of performance obligations based on contracts with customers and cash flows arising from such contracts, and information on the amount and timing of revenue expected to be recognized in and after the next consolidated fiscal year from contracts with customers existing at the end of the current consolidated fiscal year

(1) Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Receivables arising from contracts with customers (beginning balance)	8,943	11,831	88,604
Receivables arising from contracts with customers (ending balance)	11,831	12,968	97,122
Contract liabilities (beginning balance)	1,745	4,725	35,387
Contract liabilities (ending balance)	4,725	1,882	14,908

Contract liabilities are mainly consideration received from customers before revenue recognition and are included in advances received under current liabilities in the consolidated balance sheets.

(2) Transaction price allocated to the remaining performance obligations

The Company and its consolidated subsidiaries omit the transaction price allocated to the remaining performance obligations because there are no significant contracts whose contract term is expected to exceed 1 year initially. There are no significant amounts of consideration arising from contracts with customers that are not included in the transaction prices.

Note 16 – Segment Information

1. Overview of Reportable Segments

The Group's reportable segments are constituent units of the Group for which separate financial information is available and which are subject to periodic review by the chief management decision–making body in order to determine the allocation of management resources and evaluate business performance.

The Group has a sales and production control base at the Head Office. The Head Office and subsidiaries work together to manufacture and sell mainly semiconductor manufacturing equipment, fine plastic molded products and laser processing equipment, and to provide after–sales service for products. Accordingly, the Group consists of segments by product and service, and has 3 reportable segments: Semiconductor Manufacturing Equipment, Fine Plastic Molded Products, and Laser Processing Equipment.

The Semiconductor Manufacturing Equipment segment manufactures and sells precision molds for semiconductor manufacturing, molding equipment, singulation equipment, etc., and provides after–sales service for products. The Fine Plastic Molded Products segment manufactures and sells medical devices and other products. The Laser Processing Equipment segment is engaged in the manufacture and sale of laser processing equipment and after–sales service.

2. Method of calculating sales, profit or loss, assets and other items by reportable segment

The accounting method for reported business segments is the same as that described in "(Significant Matters Constituting the Basis of Preparation of Consolidated Financial Statements)," and the total amount of segment income is consistent with operating income in the consolidated statement of income.

3. Information on net sales, profit or loss, assets and other items by reportable segment

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	46,715	1,723	2,227	50,666
(2) Inter–segment sales or transfers	–	–	–	–
Total	46,715	1,723	2,227	50,666
Segment profit (loss)	11,007	312	184	11,505
Segment assets	67,727	2,158	1,446	71,333
Other Items				
Depreciation expense	1,786	106	31	1,923
Amortization of goodwill	14	–	–	14
Increase in property, plant and equipment and intangible assets	4,674	51	45	4,772

(Note) The total amount of segment profit (loss) is consistent with operating income in the consolidated statement of income.

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	49,285	1,950	2,586	53,822
(2) Inter–segment sales or transfers	–	–	–	–
Total	49,285	1,950	2,586	53,822
Segment profit (loss)	9,402	387	246	10,037
Segment assets	69,352	2,368	1,747	73,468
Other Items				
Depreciation expense	2,326	100	40	2,467
Amortization of goodwill	116	–	–	116
Increase in property, plant and equipment and intangible assets	2,357	137	75	2,570

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	369,095	14,609	19,372	403,075
(2) Inter–segment sales or transfers	–	–	–	–
Total	369,095	14,609	19,372	403,075
Segment profit (loss)	70,413	2,905	1,849	75,167
Segment assets	519,379	17,738	13,086	550,203
Other Items				
Depreciation expense	17,421	756	301	18,478
Amortization of goodwill	874	–	–	874
Increase in property, plant and equipment and intangible assets	17,657	1,031	565	19,253

(Note) The total amount of segment profit (loss) is consistent with operating income in the consolidated statement of income.

[Related Information]

Previous consolidated fiscal year ended March 31, 2022

1. Information by product and service

Sales by product and service are omitted because the reportable segment of the Company is the same as the classification by product and service.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
5,744	9,399	23,026	10,819	1,397	279	50,666

(Note) The breakdown of areas in the below categories is as follows:
(1) Other Asian countries: South Korea, Singapore, Thailand, Malaysia, Philippines, Indonesia, Vietnam, India, Turkey
(2) Americas: United States, Canada, Mexico, Costa Rica, Brazil
(3) Others: Germany, Malta, Hungary, Belgium, Italy, France, Denmark, Sweden, Switzerland

(2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
10,955	3,685	4,586	1,762	37	21,026

(Note) The breakdown of areas in the below categories is as follows:
(1) Other Asian countries: South Korea, Singapore, Taiwan, Philippines, Thailand
(2) Europe and Americas: United States, Germany, Netherlands

Current consolidated fiscal year ended March 31, 2023

1. Information by product and service

Sales by product and service are omitted because the reportable segment of the Company is the same as the classification by product and service.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
6,935	9,741	20,190	15,570	1,052	331	53,822

(Thousands of U.S. dollars)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
51,938	72,957	151,208	116,608	7,880	2,485	403,075

(Note) The breakdown of areas in the below categories is as follows:
(1) Other Asian countries: South Korea, Singapore, Thailand, Malaysia, Philippines, Indonesia, Vietnam
(2) Americas: United States, Canada, Mexico, Costa Rica, Brazil, El Salvador
(3) Others: Germany, Malta, Czech Republic, Hungary, Belgium, Italy, Austria, France, Netherlands, Denmark, Switzerland

(2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
11,048	3,785	4,563	1,900	61	21,359

(Thousands of U.S. dollars)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
82,744	28,347	34,179	14,234	459	159,963

(Note) The breakdown of areas in the below categories is as follows:
(1) Other Asian countries: South Korea, Singapore, Taiwan, Philippines, Thailand
(2) Europe and Americas: United States, Germany, Netherlands

[Information on impairment loss of fixed assets by reportable segment]

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Impairment loss	47	–	–	47

Current consolidated fiscal year ended March 31, 2023

There are no applicable matters.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Previous consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Current period amortization	14	–	–	14
Balance at end of period	562	–	–	562

Current consolidated fiscal year ended March 31, 2023

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Current period amortization	116	–	–	116
Balance at end of period	457	–	–	457

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Current period amortization	874	–	–	874
Balance at end of period	3,426	–	–	3,426

[Information on gain on negative goodwill by reportable segment]

There are no applicable matters.

[Related Party Information]

There are no applicable matters.

Note 17 – Per share information

	Yen		U.S. dollars
	2022	2023	2023
Net assets per share	1,628.59	1,887.38	14.13
Net income per share	325.08	293.69	2.20

(Note)1. Diluted net income per share is not stated because there are no dilutive shares.
2. The basis for calculating net income per share is as follows:

	2022	2023	2023
	Millions of yen		Thousands of U.S. dollars
Net income attributable to owners of parent	8,129	7,346	55,019
Amount not attributable to common shareholders	–	–	–
Net income attributable to owners of parent related to common shares	8,129	7,346	55,019
	Share		
Average number of shares of common stock during the period	25,008,840	25,015,367	

Consolidated Supplementary Schedules

Schedule of bonds

There are no applicable matters.

Schedule of borrowings, etc.

(Millions of yen)

Category	Beginning balance	Ending balance	Average interest rate (%)	Due date
Short–term borrowings	5,300	9,400	0.3	–
Current portion of long–term debt due within 1 year	1,340	1,930	0.5	–
Current portion of lease obligations due within 1 year	131	133	–	–
Long–term borrowings (excluding the current portion)	3,270	3,950	0.5	2024 to 2027
Lease obligations (excluding the current portion)	377	460	–	2024 to 2030
Total	10,419	15,873	–	–

(Thousands of U.S. dollars)

Category	Beginning balance	Ending balance	Average interest rate (%)	Due date
Short–term borrowings	39,691	70,396	0.3	–
Current portion of long–term debt due within 1 year	10,035	14,454	0.5	–
Current portion of lease obligations due within 1 year	985	997	–	–
Long–term borrowings (excluding the current portion)	24,489	29,581	0.5	2024 to 2027
Lease obligations (excluding the current portion)	2,827	3,448	–	2024 to 2030
Total	78,027	118,876	–	–

(Note)1. The average interest rate of borrowings is calculated using the weighted average interest rate based on the average balance during the period.

(Note)2. Average interest rates on lease obligations are not stated because some lease obligations are recorded in the consolidated balance sheet at the amount before deducting the amount equivalent to interest included in the total lease payments.

(Note)3. For long–term borrowings and lease obligations (excluding the current portion), the repayment schedule for the next 5 years after the consolidated closing date is as follows.

(Millions of yen)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long–term debt	1,540	1,100	1,100	210
Lease obligations	108	85	81	60

(Thousands of U.S. dollars)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long–term debt	11,533	8,238	8,238	1,573
Lease obligations	814	637	609	454

(Note)4. The Company has entered into overdraft agreements and commitment line agreements with 6 banks with the aim of raising funds more efficiently and stabilizing.

(Millions of yen)

Total amount of overdrafts and commitment line contracts	Outstanding borrowings	Net amount
14,500	9,400	5,100

(Thousands of U.S. dollars)

Total amount of overdrafts and commitment line contracts	Outstanding borrowings	Net amount
108,590	70,396	38,194

(Note)5. Financial covenant

Certain borrowings of the Company and commitment line agreements concluded with 5 banks (maximum amount of 2,500 million yen (18,722 thousand U.S. dollars)) are subject to financial covenants. If any of the following covenants is violated, all obligations under the agreements will lose the benefit of time and the principal and interest on the borrowings will have to be paid.

1) Financial covenants attached to commitment line agreements

(i) The amount of net assets in the consolidated balance sheet as of the end of each fiscal year and the last day of the second quarter shall be maintained at 22,060 million yen (165,206 thousand U.S. dollars) or more.

(ii) The ordinary profit or loss shown in the consolidated statement of income for each fiscal year shall not be a loss for 2 consecutive fiscal years from the fiscal year ending March 2022.

2) Financial covenants attached to the Term Loan in the form of a split execution contract (outstanding balance of 3,000 million yen (22,467 thousand U.S. dollars))

(i) The amount of net assets in the consolidated balance sheet as of the end of each fiscal year and the last day of the second quarter shall be maintained at 19,410 million yen (145,361 thousand U.S. dollars) or more.

(ii) The ordinary profit or loss shown in the consolidated statement of income for each fiscal year shall not be a loss for 2 consecutive fiscal years from the fiscal year ending March 2020.

Schedule of asset retirement obligations

There are no applicable matters.

OTHERS

Quarterly Information for the current consolidated fiscal year

(Millions of yen)

(Cumulative Period)	Q1	Q2	Q3	Current consolidated fiscal year
Sales	14,592	28,783	40,171	53,822
Quarterly (Current fiscal year) net income before income taxes and others	3,218	6,479	7,651	10,183
Quarterly (Current fiscal year) profit attributable to owners of parent	2,357	4,768	5,631	7,346
Quarterly (Current fiscal year) net income per share (Yen)	94.28	190.65	225.14	293.69

(Accounting Period)	Q1	Q2	Q3	Q4
Quarterly (Current fiscal year) net income per share (Yen)	94.28	96.37	34.50	68.55

(Thousands of U.S. dollars)

(Cumulative Period)	Q1	Q2	Q3	Current consolidated fiscal year
Sales	109,281	215,558	300,842	403,075
Quarterly (Current fiscal year) net income before income taxes and others	24,100	48,522	57,303	76,263
Quarterly (Current fiscal year) profit attributable to owners of parent	17,658	35,710	42,174	55,019
Quarterly (Current fiscal year) net income per share (U.S. dollars)	0.71	1.43	1.69	2.20

(Accounting Period)	Q1	Q2	Q3	Q4
Quarterly (Current fiscal year) net income per share (U.S. dollars)	0.71	0.72	0.26	0.51

Corporate Information

As of June 29, 2023

Corporate Data

Corporate Name:	TOWA CORPORATION
Headquarters/Factory:	5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto 601-8105, Japan
Established:	April 17, 1979
Operations: (consolidated)	Develop, design, manufacture, and sell precision molds, manufacturing systems for electronic components, precision-molded and assembly products, medical-use equipment, laser processing equipment, and precision machining tools. Other related business.
Paid-in Capital:	¥8,942,950,207
Common Stock Authorized:	80,000,000
Issued Number of Shares:	25,033,238
Unit for Trading:	100
Code number:	6315
Stock Listings:	Prime Market of Tokyo Stock Exchange
Transfer Agents:	Mizuho Trust & Banking Co., Ltd
Fiscal Year:	From April 1 to March 31
Number of Employees: (As of March 31, 2023)	TOWA Corporation: 597 TOWA Group(consolidated): 1,876
URL:	https://www.towajapan.co.jp/en/

Subsidiaries and Affiliated Companies:

BANDICK CORPORATION
TOWATEC Co., Ltd.
TOWA LASERFRONT CORPORATION
TOWA Asia-Pacific Pte. Ltd.
TOWAM Sdn. Bhd.
TOWA Tool Sdn. Bhd.
TOWA Semiconductor Equipment Philippines Corp.
TOWA THAI COMPANY LIMITED
TOWA USA Corporation
TOWA Europe B.V.
TOWA Europe GmbH
TOWA (Suzhou) Co., Ltd.
TOWA (Shanghai) Co., Ltd.
TOWA (Nantong) Co., Ltd.
TOWA R&D Suzhou Co., Ltd.
TOWA Taiwan Co., Ltd.
TOWA Korea Co., Ltd.
TOWA Fine Co., Ltd.

Board of Directors

President & CEO

Hirokazu Okada

Director

Koichi Ishida
Nobutaka Shibahara
Kazuhiro Nishimura
Muneo Miura

Director
Full-time Audit and Supervisory Committee Member

Kiyoshige Gamo

External Director
Audit and Supervisory Committee Member

Daisuke Wake
Miho Goto
Motoko Tanaka

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