TOWA

ANNUAL REPORT

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A MESSAGE TO OUR SHAREHOLDERS

Greetings

Since its founding in Japan's ancient capital, Kyoto, in April 1979, TOWA Corporation has consistently developed proprietary technologies and created numerous de facto standards. Our primary operations are composed of development, manufacturing and sales of resin encapsulation systems for semiconductors and LED resin sealed devices, singulation systems and precision molds for manufacturing semiconductors, as well as the manufacture and sales of fine plastic molded products. We maintain a leading share of the global market for our mainstay semiconductor resin encapsulation systems, which enjoy an excellent reputation with users.

Economic Overview

This consolidated accounting year started amid expectations for recovery of the Japanese economy that was driven by reconstruction demand. However, factors such as the prolonged European debt problems, power supply and demand problems in Japan, a strong yen, and domestic political events have had psychological effects resulting in a level of business confidence during the first half of the year that could be deemed as stagnated or somewhat decelerated. Entering the second half of the year, growing speculation on an easing in monetary policy caused a sudden change in the exchange rate resulting in a weaker yen, with the rate exceeding 90 yen to the US dollar. As a result, there has been a pronounced improvement in the business performance of exporting companies, a reversal of the stock market towards an upward trend, and various other signs of the positive effects of these recent trends. Moreover, while there are high expectations, both domestically and abroad, regarding the restructuring of the Japanese economy, we believe that conditions have been established for an eventual and gradual full-scale recovery of the Japanese economy even though various challenges still exist such as market liberalization, an aging population and ballooning medical costs.

Looking at the global perspective, there are still serious concerns regarding the chaotic situation of the European financial system, resulting in a severe slowdown in the growth in developing countries such as China and India, which had been experiencing sustained high growth, due to the decrease in exports to Europe. There have been frequent reports in the mass media of problems related to rising nationalism and the maintenance of public order in Asia and Africa, together with other occurrences with unfortunate consequences, such as actual damage to corporate economic activities and lost opportunities. Although the relative recovery of US consumer spending and housing market has prevented the world economy from stalling completely, there is still a relatively strong sense of uncertainty regarding the future course of the economy.

Performance

In the semiconductor industry, Japanese semiconductor manufacturers faced a crisis making it necessary to receive investments of foreign capital and support from public institutions, while semiconductor manufacturers without production facilities, known as “fabless IC firms”, increasingly made their presence felt as they entered the top rank of semiconductor sales. Meanwhile, world-leading IDMs and foundries that still have a strong influence in the industry invested capital in major manufacturing equipment manufacturers that drive the semiconductor exposure equipment market and also initiated efforts for the development of next-generation technology, making it clear that there is a survival of the fittest structure to the market that functions according to technical capabilities and financial power. The demand for semiconductors themselves was affected by factors such as reduced demand for personal computers and televisions, as well as production adjustments during the second half of the fiscal year of smartphones and other products that have acted as a driving force in the industry, resulting in slightly lackluster market conditions. However, all semiconductor manufacturers invested in increasing the size of wafers (increased inches) and substrates in order to lower semiconductor costs, or they invested in leading-edge technology, such as 3D packages, in an extremely aggressive manner. The LED market continued to expand at a healthy rate due to factors including the gradual resolution of issues related to color rendering properties and the scale of the market for lighting applications growing beyond only backlight applications. Nevertheless, the continuing excess in supply in the LED manufacturing equipment market coupled with anticipated LED standardization resulted in conditions in which companies were not encouraged to invest in an aggressive manner.

Amid these conditions, the TOWA Group was able to perform thorough follow-up with the customers who attended the private show that we held during the previous consolidated accounting year (Dec. 2011), resulting in an intake of new orders. In particular, the changeover to compression molding equipment, unique TOWA technology introduced at our private show, where transfer molding equipment has been used on the production lines of major IDM companies, will provide TOWA with a significant advantage for our product strategies within the market, and marks an impressive result towards achieving our midterm vision of an expanded market share coupled with profitability. Singulation equipment (equipment that separates a semiconductor wafer into individual pieces) has been installed into clients’ plants and is currently operating on their production lines, allowing TOWA to collect various data and providing us with competitive power that surpasses products of other manufacturers. Additionally, we have created a mass production system and a delivery system for shipping from overseas subsidiaries for the FMS3040, the culmination of this singulation equipment technology, resulting in the start of orders being received for the FMS3040 as a main product together with molding equipment.

In addition to these product strategies, TOWA initiated measures for new marketing strategies directed at fabless IC firms, IDMs, design houses and similar companies mainly in North America. These companies are “customers” of OSAT companies in Taiwan, China and other countries, which are TOWA’s main customers, so that by becoming intimately familiar with the “customers” of these customers, we have been able to exchange information and technology with semiconductor manufacturers from the semiconductor development stage with the goal of improving our reliability and presence among OSAT companies. Specifically, we have installed molding equipment presses and dies at the North American base of the TOWA Group, and established an infrastructure so that fabless IC firms, IDMs and similar companies can evaluate and test molding at the semiconductor chip development stage. Additionally, we have increased our investment ratio in the TONGJIN Corporation (equity method affiliated company) in South Korea, making it a plant dedicated to repeat die orders among our consolidated subsidiaries. As the scale of the market for repeat die orders is large, TOWA has focused on capturing repeat die order that flow through overseas local companies with the launch of dedicated production lines with competitive strength in regards to delivery deadlines and prices.

In addition to these measures, we are focused on developing manufacturing equipment capable of processing next-generation semiconductor packages. TOWA has developed elemental technology capable of molding substrates and wafers even as they continue to increase in the size, adopted a compression molding process, which uses granulated resin and functions without resin flow, as a base technology, and we are implementing measures in order to provide highly reliable molding processes compatible with large surface-area workpieces and high-density packaging. Additionally, we have systematically implemented plans related to intellectual property strategies that serve to improve our competitive strength as a technical development company, resulting in conclusion of license agreements with intended companies.

Despite the large effects of the sluggish semiconductor market in the second half of the year, implementation of the above-described measures resulted in sales for the consolidated accounting year of 16.454 billion yen (down 686 million yen, or 4.0%, from the previous consolidated accounting year), marking only a slight reduction in comparison with the previous year. Additionally, the massive changes in the exchange rate (weakened yen) during the fourth quarter of the consolidated accounting period resulted in an increase in unrealized transactions in consolidated account processing that are related to sales and purchases of TOWA and our subsidiaries, and also reduced our gross operating profit. However, these unrealized transactions were reversed by posting them as non-operating income (foreign exchange gain) and did not affect ordinary income. This resulted in a loss of operating income of 439 million yen (profit of 1.476 billion yen in the previous consolidated accounting year), while ordinary income was 663 million yen (down 1.009 billion yen, or 60.3%, from the previous consolidated accounting year) and net income for the year was 691 million yen (down 276 million yen, or 28.6%, from the previous consolidated accounting year).

Looking Ahead

Investment in manufacturing equipment of semiconductor companies during the 2013 fiscal year showed that some foundry companies are planning to invest aggressively while the investment plans of a great number of IDM and OSAT companies are on a downward trend in comparison with the previous year. Plans for investment in memory especially continue to be sluggish with all companies maintaining a careful stance in that regard. Increased investment for mobile terminals such as smartphones has come full circle with current conditions making it difficult to foresee aggressive equipment investment due to the lack of a clear outlook on the overall supply and demand of semiconductors for that use.

Although it is certainly not possible to have an optimistic outlook for the next fiscal year of TOWA group given this environment, we believe that it is possible to provide cover for the areas of the market that are slumping by expanding sales of our singulation equipment, which we are focusing on as the main pillar of our new business, as well as through our strategies for receiving repeat die orders and similar measures. Additionally, the unique TOWA technology of our compression molding method is gradually penetrating the market and we expect the compression method to replace the transfer method. We continue to maintain a good relationship with our customers of fine plastic molded products and expect for that area to continue to perform strongly.

The reform of TOWA Group financial and earnings structures, and the realization of a decreased break-even sales point have resulted in the launching of new systems for this fiscal year, the second year of our mid-term management plan, as we dramatically shifted our course to conduct business in a more offensive and pro-active style. Nonetheless, we are striving to implement various measures and policies needed to create a structure that is necessary to ensure that we are a company of continuous growth by presupposing various changes, such as future variations in the global economy and semiconductor market, as well as the emergence of new competition in the same business fields of the TOWA Group. The main issues facing the TOWA Group are described below.

<u>Semiconductor Manufacturing Equipment Business</u>

(1) Differentiation by market penetration of our compression molding method

Although transfer molding methods have been the mainstay for use in semiconductor molding, factors such as the increases in the sizes of substrates and density of semiconductor packages have resulted in an increase in the amount of products that cannot be produced by a transfer method. These semiconductor packages that will become commonplace in the future will require the use of molding equipment using our unique compression method technology. TOWA is trying to create a trend in the industry consisting of changing from molding equipment using the traditional transfer molding method to equipment using this compression molding method, while also developing and improving LED resin molding equipment, which was horizontally developed from compression technology, as we continue to achieve differentiation by market penetration of unique TOWA technology.

(2) Increased business scale/income by expanding sales of singulation equipment

Singulation equipment is semiconductor manufacturing equipment for the dicing process (dividing of large substrates) that is a downstream process from molding. In other words, a customer with singulation equipment is the same as a customer with molding equipment for which TOWA has a high market share. By utilizing the high reliability and market share of our molding equipment, TOWA aims to also capture the top share globally for singulation equipment.

(3) Creation of a “Market-in” (incorporating the needs of a market into a product) sales/production/service network

The ability to respond to the information from and needs of companies having great influence on the semiconductor industry, such as major IDM companies, North American fabless IC companies, and OSAT companies in Taiwan and China, is indispensable for the continued growth of the TOWA Group five and ten years into the future. TOWA has implemented measures in Taiwan and South Korea, our largest markets, such as forming joint venture subsidiaries and creating new sales companies in the region, as well strengthening our sales/service networks and installing lines dedicated to repeat die orders. We will make other efforts such as cultivating global human resources and further transferring production and design to overseas bases, while strengthening our relationships with customers both in Japan and abroad.

(4) Innovation using our core technology

Our core technology is “molding”, the product segment where we have the most competitive power. Amid the growing complexity and increased density of semiconductor packages, resin used for molding is required to have strong viscosity. However, this characteristic has an inverse relationship with mold releasability, an important component of the molding process. TOWA is engaged in the development of “dream molding” with a high degree of mold releasability as we continue to challenge ourselves to realize a “dream” that will spur innovation in the ultra-precision molding world for application to semiconductor manufacturing and other industries.

<u>Fine Plastic Molding Business</u>

The fine plastic molding business consists of the manufacture and sales of molded products mainly for medical applications. Although the medical device manufacturers that purchase our equipment are limited in number, we have been approved as a designated manufacturer by these medical device manufacturers, resulting in the stabilization of this business. We will continue to make efforts such as clean room maintenance and product quality control to maintain the reliability of our customers.

We look forward to your continuing support and assistance in the future.

We would like to express our heartfelt appreciation for your support.

August 2013

Hirokazu Okada
President & COO

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2012and 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	***2013***	***2013***
ASSETS			
Current assets:	¥	¥	$
Cash on hand and at banks ……………………………………	4,708	**5,608**	**59,628**
Notes and accounts receivable :			
Trade …………………………………………………….	5,800	**3,811**	**40,521**
Less: Allowance for doubtful accounts ……………………	(9)	**(2)**	**(21)**
	5,791	**3,809**	**40,500**
Inventories ……………………………………………………	3,372	**3,294**	**35,024**
Deferred tax assets (Note 9) …………………………………	19	**44**	**468**
Other current assets …………………………………………..	263	**257**	**2,732**
Total current assets ………………………………………..	14,153	**13,012**	**138,352**
Property, plant and equipment, at cost :			
Land …………………………………………………………	4,164	**4,214**	**44,806**
Buildings and structures ……………………………………	11,935	**12,345**	**131,260**
Machinery and equipment …………………………………	9,768	**10,917**	**116,077**
Construction in progress ……………………………………	96	**25**	**266**
Less: Accumulated depreciation …………………………	(16,266)	**(17,284)**	**(183,775)**
Total property, plant and equipment ……………………….	9,697	**10,217**	**108,634**
Other assets:			
Investment securities (Note 3) ………………………………..	1,871	**1,646**	**17,501**
Deferred income taxes (Note 9) ……………………………..	61	**75**	**797**
Other ………………………………………………………….	1,036	**947**	**10,070**
Total other assets ………………………………………….	2,968	**2,668**	**28,368**
Total assets ……………………………………………………	26,818	**25,897**	**275,354**

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2012and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	***2013***	***2013***
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:	¥	¥	$
Short-term borrowings (Note 5)	1,400	**1,069**	**11,366**
Current portion of long-term debt (Note 5)	2,670	**1,116**	**11,866**
Notes and accounts payable	2,719	**1,337**	**14,216**
Accrued expenses(Note 2(12))	448	**334**	**3,551**
Accrued income taxes	146	**100**	**1,063**
Deferred tax liabilities(Note 9)	35	**49**	**521**
Other current liabilities(Note 2(11) and 5)	980	**978**	**10,400**
Total current liabilities	8,398	**4,983**	**52,983**
Long-term liabilities:			
Long-term debt (Note 5)	1,533	**2,880**	**30,622**
Accrued severance indemnities for employees(Notes2(13)and 6)	783	**815**	**8,666**
Deferred tax liabilities (Note 9)	178	**144**	**1,531**
Other long-term liabilities	-	**3**	**32**
Total long-term liabilities	2,494	**3,842**	**40,851**
Total liabilities	10,892	**8,825**	**93,834**
Contingent liabilities (Note 12)			
NET ASSETS			
Shareholders' equity (Note 7)			
Common stock			
Authorized: 80,000,000 shares			
Issued :			
25,021,832 shares at 31st March, 2013	8,933	**8,933**	**94,981**
Additional paid-in capital	462	**462**	**4,912**
Retained earnings	6,324	**6,890**	**73,259**
Less: Treasury stock at cost	(8)	**(9)**	**(96)**
Total shareholders' equity	15,711	**16,276**	**173,056**
Accumulated Other Comprehensive Income			
Unrealized gain (loss) on other securities	497	**393**	**4,179**
Translation adjustments	(282)	**203**	**2,158**
Total accumulated other comprehensive income	215	**596**	**6,337**
Minority interests	-	**200**	**2,127**
Total net assets	15,926	**17,072**	**181,520**
Total liabilities and net assets	26,818	**25,897**	**275,354**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	***2013***	***2013***
	¥	¥	$
Net sales…………	17,140	**16,454**	**174,949**
Cost of sales…………	11,790	**12,696**	**134,992**
Gross profit…………	5,350	**3,758**	**39,957**
Selling, general and administrative expenses (Notes2(14) and 8)………	3,873	**4,198**	**44,635**
Operating Income…………..	1,477	**(440)**	**(4,678)**
Other income (expenses)			
Interest and dividend income…………	45	**65**	**691**
Interest expenses…………	(120)	**(79)**	**(840)**
Foreign exchange gains (losses) …………	118	**1,032**	**10,973**
Gain on sale of investment securities…………	(559)	**-**	**-**
Equity in earnings (losses) of affiliates…………	31	**22**	**234**
Gain on step acquisitions …………	-	**89**	**946**
Other, net…………	88	**71**	**755**
Total other income (expenses) …………	(397)	**1,200**	**12,759**
Income before income taxes and minority interests …………	1,080	**760**	**8,081**
Income taxes (Note 9)			
Current …………..	140	**91**	**968**
Deferred …………..	(28)	**(14)**	**(149)**
Income before minority interests …………	968	**683**	**7,262**
Minority Interests …………	-	**(8)**	**(85)**
Net Income…………	968	**691**	**7,347**

			U.S. dollars (Note 1)
Amount per share of common stock (Note 2 (17)):	¥	¥	$
Net Income…………	38.71	27.64	0.29
Diluted net income …………	38.71	27.64	0.29
Cash dividends …………	5.00	10.00	0.11

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2013

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	***2013***	***2013***
	¥	¥	$
Income Before Minority Interests …………………………………………	968	**683**	**7,262**
Other Comprehensive Income			
Unrealized gain on other securities……………………………………	(20)	**(105)**	**(1,116)**
Translation adjustment…………………………………………………	8	**481**	**5,114**
Share of other comprehensive income of affiliates accounted for using the equity method……………………………………………………	450	**21**	**223**
Total other comprehensive income	438	**397**	**4,221**
Comprehensive Income	1,406	**1,080**	**11,483**
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent……………	1,406	**1,071**	**11,388**
Comprehensive income attributable to minority interests………………	-	**9**	**95**

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Shareholders' Equity

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2013

Millions of yen

	Shareholders' equity					*Accumulated other comprehensive income*		*Minority interests*	
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Unrealized gain on other securities*	*Translation adjustments*	*Minority interests*	*Total net assets*
		¥	¥	¥	¥	¥	¥	¥	¥
Balance at March 31, 2011	25,021,832	8,933	462	5,606	(8)	517	(739)	-	14,771
Net Income	-	-	-	968	-	-	-	-	968
Cash dividends	-	-	-	(250)	-	-	-	-	(250)
Net increase of treasury stock	-	-	-	-	0	-	-	-	0
Net changes of items other than shareholders' equity	-	-	-	-	-	(20)	457	-	437
Reserve from legal capital surplus	-	-	-	-	-	-	-	-	0
Balance at March 31, 2012	25,021,832	8,933	462	6,324	(8)	497	(282)	0	15,926
Net Income	-	-	-	691	-	-	-	-	691
Cash dividends	-	-	-	(125)	-	-	-	-	(125)
Net increase of treasury stock	-	-	-	-	(1)	-	-	-	(1)
Net changes of items other than shareholders' equity	-	-	-	-	-	(104)	485	200	581
Reserve from legal capital surplus	-	-	-	-	-	-	-	-	0
Balance at March 31, 2013	25,021,832	8,933	462	6,890	(9)	393	203	200	17,072

Thousands of U.S.dollars (Note 1)

	Shareholders' equity					*Accumulated other comprehensive income*		*Minority interests*	
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Unrealized gain on other securities*	*Translation adjustments*	*Minority interests*	*Total net assets*
		$	$	$	$	$	$	$	$
Balance at March 31, 2012	25,021,832	94,981	4,912	67,241	(85)	5,284	(2,998)	-	169,335
Net Income	-	-	-	7,347	-	-	-	-	7,347
Cash dividends	-	-	-	(1,329)	-	-	-	-	(1,329)
Net increase of treasury stock	-	-	-	-	(11)	-	-	-	(11)
Net changes of items other than shareholders' equity	-	-	-	-	-	(1,105)	5,156	2,127	6,178
Reserve from legal capital surplus	-	-	-	-	-	-	-	-	0
Balance at March 31, 2013	25,021,832	94,981	4,912	73,259	(96)	4,179	2,158	2,127	181,520

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	***2013***	***2013***
Cash Flows from Operating Activities	¥	¥	$
Net Income before income taxes and minority interests ……	1,080	**760**	**8,081**
Adjustments for:			
Depreciation ……	1,182	**1,355**	**14,407**
Equity in earnings of affiliates ……	(31)	**(22)**	**(234)**
Amortization of goodwill ……	-	**37**	**393**
Interest and dividends income ……	(45)	**(65)**	**(691)**
Interest expenses ……	120	**79**	**840**
Foreign exchange losses (gains) ……	(31)	**92**	**978**
Gain on step acquisitions……	-	**(89)**	**(946)**
(Increase) decrease in trade notes and accounts receivable ……	(385)	**2,147**	**22,828**
(Increase) decrease in inventories ……	(641)	**321**	**3,413**
(Increase) decrease in other current assets ……	(7)	**15**	**159**
Increase (decrease) in notes and accounts payable ……	426	**(1,558)**	**(16,566)**
Increase(decrease) in accrued and other current liabilities ……	(67)	**(38)**	**(404)**
Other, net ……	533	**(109)**	**(1,158)**
Sub-total ……	2,134	**2,925**	**31,100**
Interest and dividends received ……	47	**66**	**702**
Interest paid ……	(121)	**(91)**	**(968)**
Income taxes paid ……	(163)	**(190)**	**(2,020)**
Net cash provided by (used in) operating activities ……	1,897	**2,710**	**28,814**
Cash Flows from Investing Activities			
Purchase of investment securities ……	(88)	**(7)**	**(74)**
Sale of investment securities……	661	**-**	**-**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation ……	-	**56**	**595**
Purchase of property, plant and equipment ……	(942)	**(1,202)**	**(12,780)**
Sale of property, plant and equipment ……	350	**70**	**744**
Other, net ……	(94)	**(0)**	**(0)**
Net cash provided by (used in) investing activities ……	(113)	**(1,083)**	**(11,515)**
Cash Flows from Financing Activities			
Increase（decrease) in short-term borrowings ……	(1,438)	**(450)**	**(4,785)**
Proceeds from issuance of long-term debt ……	1,000	**2,542**	**27,028**
Repayments of long-term debt ……	(1,857)	**(2,924)**	**(31,090)**
Issue of bonds……	300	**200**	**2,127**
Redemption of bonds……	(36)	**(60)**	**(638)**
Purchase of treasury stock ……	**(0)**	**(0)**	**(0)**
Cash dividends……	**(250)**	**(125)**	**(1,329)**
Other,net……	**-**	**(1)**	**(10)**
Net cash provided by (used in) financing activities ……	(2,281)	**(818)**	**(8,697)**
Effect of exchange rate changes on Cash and Cash Equivalent ……	(41)	**62**	**659**
Net increase(decrease) in Cash and Cash Equivalent ……	(538)	**871**	**9,261**
Cash and Cash Equivalents at Beginning of Perio ……	4,935	**4,396**	**46,741**
Cash and Cash Equivalents at End of Perio (Note2(3)) ……	4,397	**5,267**	**56,002**

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting Consolidated Financial Statements

TOWA CORPORATION (the ”Company”) and its domestic subsidiaries maintain their accounts and records in conformity with accounting principles and practices generally accepted in Japan (“JPGAAP”), which are different, in certain respects from the application and disclosures and disclosure requirements of International Financial Reporting Standards (“IFRS”).

The Company’s overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile, and the Company makes necessary adjustments to its consolidated accounting process in case there are considerable differences as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements of the Company are prepared on the basis of accounting principles generally accepted in Japan, as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 at March 31, 2013, which was ¥94.05 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.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and affiliates. All significant inter-company transactions, account balances and unrealized profits have been eliminated in consolidation. Fiscal year end of some subsidiaries is December 31, which differs from that of the Company, March 31, and the Company consolidate such subsidiaries using their provisional settlements as of March 31. Shown below are the significant subsidiaries and affiliates of the Company.

Subsidiaries

(All subsidiaries have been consolidated)

Name	Ownership	Country of Incorporation
BANDICK Corporation	100％	Japan
TOWATEC Co., Ltd.	100	Japan
TOWAM Sdn. Bhd.	100	Malaysia
TOWA (Suzhou) Co., Ltd.	100	China
TONGJIN Corporation	50	Korea
TOWA America Corporation	100	The United States of America
TOWA USA Corporation	100	The United States of America
TOWA Asia-Pacific Pte. Ltd.	100	Singapore
TOWA (Shanghai) Co., Ltd.	100	China
TOWA TAIWAN Co., Ltd	100	Taiwan
TOWA Semiconductor Equipment Philippines Corp.	100	Philippines
TOWA Europe GmbH	100	Germany
TOWA Service Co., Ltd. ※１	100	Japan

Affiliates

(All affiliates are accounted for by the equity method)

Name	Ownership	Country of Incorporation
TOWA Jipal Technologies Co., Ltd.	40％	Taiwan
Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd	20	Japan
SECRON Co., Ltd. ※２	23	Korea

※１. Liquidation proceedings of TOWA Service Co., Ltd. have been completed in the fiscal year ended March 31, 2012 and its financial statement isn't consolidated into accompanying financial statement for 2012 and 2013.

※２. All the stock that the Company held in SECRON Co., Ltd, have been transferred to the third party in the fiscal year ended March 31, 2012 and its financial statement isn't included in the accompanying consolidated financial statements for 2012 and 2013.

(2) Translation of Foreign Currency Items

In accordance with the Japanese accounting standard, every monetary assets and liabilities denominated in foreign currencies are principally translated into Japanese yen at the exchange rate in effect at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statements of income.

With respect to financial statements of overseas subsidiaries, the balance sheet accounts are translated into Japanese yen at the exchange rates in effect at the balance sheet date except for shareholders' equity, which are translated at the historical rates. And revenue and expenses are translated at the exchange rate in effect at the balance sheet date. The differences resulting from translation in this manner are included in "Translation adjustments" which is listed in Accumulated Other Comprehensive Income in the accompanying consolidated balance sheets.

(3) Cash and Cash Equivalents

For the purposes of cash flow statements, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities of three months or less.

Components of cash and cash equivalents as of March 31, 2012 and 2013 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Cash on hand and at banks	¥ 4,708	¥ 5,608	$ 59,628
Less: Time deposits with deposit term of over three months	¥ 311	¥ 341	$ 3,626
Cash and cash equivalent at end of year	¥ 4,397	¥ 5,267	$ 56,002

(4) Securities

Securities are classified into four categories.

Categorization and valuation for investments in securities are as follows:-

1. Trading Securities

- Such securities held for the purpose of generating profits from short-term price movements.
- Unrealized gain/loss at the end of period resulting from the valuation by applying the fair value at such date is directly debited/credited to income;
- Such securities are treated in current assets in the balance sheet.

2. Held-to-maturity Debt Securities

- Debt securities whose maturity dates are predetermined and are to be redeemed at par, acquired with intention to hold to their maturity dates;
- The difference between the acquisition cost and the amount expected to gain at maturity is amortized or appreciated over the remaining period to maturity date. The amount amortized or appreciated is charged/credited to income for the respective period as interest expense or interest income, as the case may be.
- Unrealized loss will be required to be charged to income as impairment unless unrealized loss is expected to recover within a reasonable period.

3. Shares in equity of Subsidiaries and Affiliates

- Those securities are carried at cost unless such investment is regarded impaired.

4. Other Securities:

- Such securities other than those categorized in 1 to 3 above;
- Other Securities with market quotation are valued at such market price at the end of period, and those without market quotation are valued at cost.
- Unrealized gain/loss at the end of period resulting from such valuation is charged to Accumulated Other Comprehensive Income as “Unrealized gain/(loss) on Other Securities” after netting off the deferred income taxes thereto.
- Unrealized loss which it incurred as the fair value is less than 50% of its acquisition cost will be required to be charged to income.
- Unrealized loss which it incurred as the fair value is 30% ~50% of its acquisition cost will be required to be charged to income unless the unrealized loss is expected to recover within a reasonable period.

The moving average method is applied for calculation of the costs of securities.

(5) Inventories

Inventories are mainly stated at the lower of cost or net selling value, the cost being determined by mainly specific identification method for finished products and work-in-process, by mainly moving-average method for raw materials and by the last purchase cost method for supplies.

(6) Allowance for Doubtful Accounts

The Company and its domestic subsidiaries have provided the allowance based on the past uncollectible receivable experience for a certain reference period. Furthermore, for receivables which are from the debtors with financial difficulty, the allowance is provided for estimated unrecoverable amounts individually. Overseas subsidiaries have provided an allowance for doubtful accounts in the estimated amounts of possible bad debts.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment of the Company and its domestic subsidiaries is calculated by applying declining-balance method, except for buildings acquired on and after April 1, 1998 which are applied the straight-line method, over the estimated useful lives.

The principal estimated useful lives are as follows:

Buildings and structures	2	～	50	years
Machinery and equipment	2	～	10	years

Depreciation for those of overseas subsidiaries is computed by the straight-line method.

(8) Leased Assets

Leased assets are depreciated to a residual value of zero by the straight-line method using the contract term as the useful life.

However, finance lease transactions other than those in which titles to leased property are determined to be transferred to lessees, which transactions started on or before March 31, 2008, are stated by applying the accounting treatment applicable to ordinary operating lease transactions.

(9) Derivatives

The Company has entered into interest rate agreements to hedge the fluctuation of interest rate exposures, and not for speculative purposes. The instruments include interest rate swap agreements.

These instruments were accounted by the deferral hedge accounting. The Company has accounted for interest rate swap agreements by the exception accounting.

(10) Goodwill

Goodwill is amortized over a period of 3 years by the straight-line method.

(11) Product Warranties

The Company has accounted for the estimate amounts of maintenance expenses as the product warranties, which corresponded to the sales based on the prior track record for the outcome of maintenance expenses of the sold products during the period of warranty.

As of March 31, 2013, the liability for expected warranty costs was ¥66 million yen ($702thousand) .

(12) Accrued Bonus

The Company and its subsidiaries provide for accrued bonuses to directors and employees for the expected payment of their bonuses for the current fiscal year to those directors and employees serving at the end of the fiscal year.

(13) Accrued Severance Indemnities

Employees who terminate their service with the Company and its domestic subsidiaries are under most circumstances, entitled to lump-sum severance indemnities determined by reference to current basis rates of pay, length of service and conditions under which the terminations occur.

Accrued severance indemnities are provided based on the amount of projected benefit obligation less pension plan assets at fair value at the end of the annual period.

(14) Research and Development Costs

Research and development expenditure is charged to income when incurred.

(15) Income Taxes

Income taxes of the Company and its domestic subsidiaries consist of corporate income taxes, local taxes and enterprise taxes. Enterprise taxes are deductible when paid for the computation of other taxes.

Deferred income taxes are recognized using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements.

(16) Appropriation of Retained Earnings

Under the Japanese Corporate Law and the Articles of Incorporation of the Company, the appropriation of retained earnings or disposition of accumulated deficit could be adopted by the Board of Directors. The appropriations of retained earnings reflected in the accompanying consolidated financial statements include the results of such appropriations applicable to the immediately preceding financial year as approved by the Board of Directors, and effected, during the relevant year. Dividends are paid to shareholders on the shareholders' register as at the end of each financial year.

(17) Per Share Information

Net income per share and diluted net income per share are computed based on the weighted-average number of shares of common stock outstanding during each year and stock splits are reflected in the calculation of the weighted-average number of shares of common stock.

Cash dividend per share is the total of the per-share amounts of interim cash distribution and the year-end cash dividends for the income of the respective financial periods.

3. Securities

(1) The following is a summary of investments in affiliates and other securities at March 31, 2012:

	Millions of yen			
	2012			
	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥ 926	¥ 698	¥ 24	¥ 1,600
	¥ 926	¥ 698	¥ 24	¥ 1,600
Market value not available:				
Equity securities	3	-	-	3
Other securities total	¥ 929	¥ 698	¥ 24	¥ 1,603

Investments in affiliates:

	Millions of yen
	2012
	Book Value
Market value not available:	
Equity securities	¥ 268
	¥ 268
Total	¥ 1,871

(2) The following is a summary of investments in affiliates and other securities at March 31, 2013

	Millions of yen			
	2013			
	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥ 933	¥ 537	¥ 21	¥ 1,449
	¥ 933	¥ 537	¥ 21	¥ 1,449
Market value not available:				
Equity securities	3	-	-	3
Other securities total	¥ 936	¥ 537	¥ 21	¥ 1,452

Investments in affiliates:

	Millions of yen
	2013
	Book Value
Market value not available:	
Equity securities	¥ 194
	¥ 194
Total	¥ 1,646

	Thousands of U.S. dollars (Note 1)			
	2013			
	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	$ 9,920	$ 5,710	$ 223	$ 15,407
	$ 9,920	$ 5,710	$ 223	$ 15,407
Market value not available:				
Equity securities	32	-	-	32
Other securities total	$ 9,952	$ 5,710	$ 223	$ 15,439

Investments in affiliates:

	Thousands of U.S. dollars (Note 1)
	2013
	Book Value
Market value not available:	
Equity securities	$ 2,062
	$ 2,062
Total	$ 17,501

4. Estimated Fair Value of Financial Instruments

As of March 31, 2012 and 2013, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2012		
	Book Value	Fair Value	Difference
Cash and deposits	¥ 4,708	¥ 4,708	¥ -
Notes and accounts receivable	5,800		
Less:Allowance for Doubtful Accounts	(9)		
	¥ 5,791	¥ 5,791	¥ -
Investment securities	1,600	1,600	-
Total assets	¥ 12,100	¥ 12,100	¥ -
Notes and accounts payable	2,719	2,719	-
Short-term borrowings	1,400	1,400	-
Bonds	300	300	0
Long-term borrowings	3,903	3,904	1
Total liabilities	¥ 8,322	¥ 8,323	¥ 1
Derivative financial instruments	¥ 0	¥ (18)	¥ (18)

	Millions of yen		
	2013		
	Book Value	Fair Value	Difference
Cash and deposits	¥ 5,608	¥ 5,608	¥ -
Notes and accounts receivable	3,811		
Less:Allowance for Doubtful Accounts	(2)		
	¥ 3,809	¥ 3,809	¥ -
Investment securities	1,449	1,449	-
Total assets	¥ 10,866	¥ 10,866	¥ -
Notes and accounts payable	1,337	1,337	-
Short-term borrowings	1,069	1,069	-
Bonds	440	444	4
Long-term borrowings	3,556	3,555	(1)
Total liabilities	¥ 6,402	¥ 6,405	¥ 3
Derivative financial instruments	¥ 0	¥ (25)	¥ (25)

	Thousands of U.S. dollars (Note 1)		
	2013		
	Book Value	Fair Value	Difference
Cash and deposits	$ 59,628	$ 59,628	$ -
Notes and accounts receivable	40,521		
Less:Allowance for Doubtful Accounts	(21)		
	$ 40,500	$ 40,500	$ -
Investment securities	15,407	15,407	-
Total assets	$ 115,535	$ 115,535	$ -
Notes and accounts payable	14,216	14,216	-
Short-term borrowings	11,366	11,366	-
Bonds	4,679	4,721	42
Long-term borrowings	37,810	37,799	(11)
Total liabilities	$ 68,071	$ 68,102	$ 31
Derivative financial instruments	$ 0	$ (266)	$ (266)

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012 and 2013 were as follows, respectively.

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	
Unlisted equity securities	¥271	¥197	$2,094

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in “Investment securities” in the preceding table.

The redemption schedule for bonds and long-term borrowings is disclosed in Note5.

5. Short-term Borrowings and Long-term Debt

Short-term borrowings represent loans from banks. The annual average interest rates applicable to short-term borrowings at March 31, 2012 are 1.5% and 2013 are 1.4%, respectively.

Long-term debt as of March 31, 2012 and 2013 consisted of the following:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Borrowings from financial institutions	¥ 3,903	¥ 3,556	$ 37,810
0.6% Yen Bonds due 2016	300	240	2,552
0.5% Yen Bonds due 2017	-	200	2,127
Lease obligations	-	3	32
Less: Portion due within one year	(2,670)	(1,116)	(11,867)
	¥ 1,533	¥ 2,883	$ 30,654

The aggregate annual maturity of long-term debt after March 31, 2013 is summarized as follows:

Years ending March 31,	*Millions of Yen*	*Thousands of U.S. dollars (Note 1)*
2014	¥ 1,116	$ 11,866
2015	997	10,601
2016	955	10,154
2017 and thereafter	931	9,899
	¥ 3,999	$ 42,520

At March 31, 2012 and 2013, the following assets were pledged as collateral for short-term borrowings and long-term debt:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Principal of debt:			
Short-term borrowings	¥ -	¥ 68	$ 723
Portion due within one year	1,900	8	85
Long-term borrowings	-	64	680
	¥ 1,900	¥ 140	$ 1,488
Assets pledged as collateral:			
Buildings and structures	¥ 2,724	¥ 125	$ 1,329
Machinery and equipment	-	132	1,404
Land	3,728	102	1,085
	¥ 6,452	¥ 359	$ 3,818

Regarding loan payables, the syndicate loan contract with limit of ¥1,275 million yen ($13,557 thousand), commitment line contracts with limits of ¥2,500 million yen ($26,582 thousand), convertible term loan contract with limit of ¥225 million yen ($2,392 thousand), and convertible term loan contract with limit of ¥200 million yen ($2,127 thousand) respectively include financial covenant terms. The contractor triggers acceleration and is enforced to repay the full principal and interest if the contractor breaches either of the following terms.

(Financial covenant terms included in the syndicate loan contract)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥10,710 million yen（$113,876 thousand）or more.

(2) The ordinary losses before depreciation in both consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2013.

(Financial covenant terms included in the commitment line contracts)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥11,150 million yen（$118,554 thousand）or more.

(2) The ordinary losses in both consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2013.

(Financial covenant terms included in the convertible term loan contract with limit of ¥225 million yen)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥9,040 million yen（$96,119 thousand）or more.

(2) The ordinary losses in both consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2010.

(Financial covenant terms included in the convertible term loan contract with limit of ¥200 million yen)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥10,710 million yen（$113,876 thousand）or more.

(2) The ordinary losses before depreciation in both consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2013.

6. Accrued Severance Indemnities for employees

The following tables set forth the changes in benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2012 and 2013.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Projected benefit obligation at end of year	¥ 1,805	¥ 1,918	$ 20,394
Fair value of plan assets at end of year	876	1,037	11,026
Funded status:			
Benefit obligation in excess of plan assets	929	881	9,368
Unrecognized actuarial loss	146	66	702
Accrued pension liability recognized in the Consolidation balance sheets	¥ 783	¥ 815	$ 8,666

Note: Some subsidiaries adopted the alternative method of accounting for retirement benefit allowable for small business entity.

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2012 and 2013.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Service cost	¥ 98	¥ 127	$ 1,351
Interest cost	29	20	213
Expected return on plan assets	-	-	-
Actuarial losses	8	30	319
Net periodic benefit cost	¥ 135	¥ 177	$ 1,883

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2012 and 2013 are as follows:

	2012	2013
Method of attributing benefit to periods of service	Straight –line basis	Straight –line basis
Discount rate	1.21%	0.89%
Long-term rate of return on fund assets	0.00%	0.00%
Amortization unrecognized projected Benefit obligation at the date of transition	-	-
Amortization period for actuarial losses	10years (declining-balance basis)	10years (declining-balance basis)

7. Shareholders' Equity

Under the Japanese Corporate Law the appropriation of retained earnings or disposition of accumulated deficit could be adopted by the Board of Directors.

The Japanese Corporate Law requires that an amount equal to 10% or more of cash dividends and other appropriations of retained earnings paid out with respect to each financial period be set aside in the legal reserve until an aggregate amount of additional paid-in capital and the legal reserve equals 25% of the amount of stated capital. The amount of total additional paid-in capital and legal reserve which exceeding 25% of stated capital can be transferred to retained earnings by a resolution of the shareholders, which may be available for dividends.

Under the Japanese Corporate Law, although the entire amount of the issue price of new shares is required to be accounted for as common stock a company may, by resolutions of its Board of Directors, account for an amount not exceeding one-half of the issue price of such new shares as additional paid-in capital.

8. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2012 and 2013 were ¥239million and ¥188million ($1,999 thousand), respectively.

9. Income Taxes

The company is subject to a number of different income taxes, which in the aggregate, result in a statutory tax rate in Japan of approximately 40.6% for the year ended of March 31, 2012 and 37.9% for the year ended of March 31, 2013.

The deferred tax assets and deferred tax liabilities at March 31, 2012 and 2013 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Deferred tax assets:			
Inventory write down	¥ 293	¥ 216	$ 2,297
Impairment loss of fixed assets	562	500	5,316
Retirement and severance benefits	269	280	2,977
Net operating loss carried forward	780	816	8,676
Other, net	915	817	8,687
Valuation Allowance	(2,735)	(2,501)	(26,592)
	84	128	1,361
Deferred tax liabilities:			
Other, net	(217)	(202)	(2,148)
	(217)	(202)	(2,148)
Net deferred tax assets/(liabilities)	¥ (133)	¥ (74)	$ (787)

10. Other Comprehensive Income(Loss)

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the year ended March 31, 2012 and 2013 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Unrealized gain on other securities:			
Amount arising during the year	¥ (71)	¥ (159)	$ (1,690)
Before Tax effect	(71)	(159)	(1,690)
Tax effect	51	54	574
Total unrealized gain on other securities	(20)	(105)	(1,116)
Translation adjustments:			
Amount arising during the year	8	481	5,114
Share of other comprehensive income of affiliates accounted for using the equity method:			
Amount arising during the year	39	21	223
Reclassification adjustments for losses (income) realized in net income	411	-	-
Total share of other comprehensive income of affiliates accounted for using the equity method	450	21	223
Total other comprehensive income (loss)	¥ 438	¥ 397	$ 4,221

11. Leases

The Company and its consolidated subsidiaries and equity method affiliates have been utilizing finance lease arrangements other than those deemed to transfer the ownership of the leased property to the lessee to employ certain machinery and equipment.

The finance lease transactions, which do not transfer ownership to lessee, started before April 1, 2008 were accounted for as operating leases.

Total lease payments for such lease arrangements for the year ended March 31, 2012 and 2013 are ¥1million and ¥0 million ($0 thousand), respectively.

Summarized below are the pro forma information on acquisition costs, accumulated depreciation and future minimum lease payments for the property held under such lease as mentioned above:

As of March 31, 2012

	Millions of yen		
	Machinery And Equipment	Other	Total
Acquisition costs	¥ 7	¥ -	¥ 7
Accumulated Depreciation	7	-	7
Net leased property	¥ 0	¥ -	¥ 0

As of March 31, 2013

	Millions of yen		
	Machinery And Equipment	Other	Total
Acquisition costs	¥ 7	¥ -	¥ 7
Accumulated Depreciation	7	-	7
Net leased property	¥ -	¥ -	¥ -

	Thousands of U.S. dollars (Note 1)		
	Machinery And Equipment	Other	Total
Acquisition costs	$ 74	$ -	$ 74
Accumulated	74	-	74
Net leased property	$ -	$ -	$ -

Future minimum lease payments as of March 31, 2012 and 2013:

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2012	2013	2013
Due within one year	¥ 0	¥ -	$ -
Due after one year	-	-	-
Total	¥ 0	¥ -	$ -

Depreciation is calculated by the straight-line method on the assumption that the term of the lease is useful life of the relevant leased asset and residual value is zero.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, would have been ¥1 million and ¥0 million ($0 thousand) for the year ended March 31, 2012and 2013, respectively.

12. Contingent Liabilities

The Companies have no significant contingent liabilities.

13. Business Combinations

Business combination through acquisition for the year ended March 31, 2013.

(1) Overview of the business combination

(i) Corporate name and its main business
Corporate name: TONGJIN Corporation
Main business: Manufacturing of molds for semiconductor manufacturing

(ii) Purpose of the acquisition
To focus on capturing repeat mold order that flow through overseas local companies with the launch of dedicated production lines with competitive strength in regards to delivery deadlines and prices.

(iii) Date of completion business combination
April 5, 2012

(iv) Legal form of business combination
Share Purchase in exchange for cash payment

(v) Name of the company after business combination
TONGJIN Corporation

(vi) Acquired voting rights
Immediately before the date of business combination: 35%
Additions at the date of business combination : 15%
After acquisition : 50%

(vii) Main reason to decide the acquiring company
The Company acquires 50% portion of the acquired company and have effective control over its important business policy.

(2) Period for which the operating results of the acquired company are included in the Company's consolidated financial statements

April 1, 2012 to March 31, 2013

(3) The breakdown of acquisition cost for the acquired company

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Market value of stocks of TONGJIN Corporation at the date of business combination, held by the Company immediately before the combination	¥ 204	$ 2,169
Cash paid for additional acquisition	88	936
Total acquisition costs	¥ 292	$ 3,105

(4) Difference of total cost of acquisition and individual acquisition costs

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Gain on step acquisitions	¥ 89	$ 946

(5) Goodwill

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Amount of goodwill recognized	¥ 101	$ 1074

Goodwill is recognized for the difference of acquisition cost and the Company's share on the acquired company.

Goodwill is amortized evenly over 3 years.

(6) Assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	*Thousands of U.S. dollars (Note 1)*
Current assets	¥ 366	$ 3,892
Non-current assets	352	3,743
Total assets	¥ 718	$ 7,635
Current liabilities	¥ 273	$ 2,903
Non-current liabilities	63	670
Total liabilities	¥ 336	$ 3,573

14. Segment Information

(1) Segment by products

Year ended March 31, 2012	*Millions of Yen*			
	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 15,852	¥1,288	¥ -	¥ 17,140
Inter-segment sales	-	-	-	-
	15,852	1,288	-	17,140
Cost of sales and Operating expenses	14,559	1,104	-	15,663
Operating income	¥ 1,293	¥ 184	¥ -	¥ 1,477
Ⅱ.Assets				
Total assets	¥ 25,458	¥ 1,360	-	¥ 26,818
Depreciation and amortization	¥ 1,109	¥ 73	-	¥ 1,182
Investments in associates accounted for using equity method				
Capital expenditure	¥ 938	¥ 398	-	¥ 1,336

Year ended March 31, 2013	*Millions of Yen*			
	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 15,176	¥1,278	¥ -	¥ 16,454
Inter-segment sales	-	-	-	-
	15,176	1,278	-	16,454
Cost of sales and Operating expenses	15,777	1,117	-	16,894
Operating income	¥ (601)	¥ 161	¥ -	¥ (440)
Ⅱ.Assets				
Total assets	¥ 24,599	¥ 1,298	¥ -	¥ 25,897
Depreciation and amortization	¥ 1,264	¥ 91	¥ -	¥ 1,355
Amortization of goodwill	¥ 37	¥ -	¥ -	¥ 37
Investments in associates accounted for using equity method	¥ 194	¥ -	¥ -	¥ 194
Capital expenditure	¥ 1,232	¥ 30	¥ -	¥ 1,262

Year ended March 31, 2013	*Thousands of U.S. dollars (Note 1)*			
	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	$ 161,360	$ 13,589	$ -	$ 174,949
Inter-segment sales	-	-	-	-
	161,360	13,589	-	174,949
Cost of sales and Operating expenses	167,750	11,877	-	179,627
Operating income	$ (6,390)	$ 1,712	$ -	$ (4,678)
Ⅱ.Assets				
Total assets	$ 261,553	$ 13,801	$ -	$ 275,354
Depreciation and amortization	$ 13,439	$ 968	$ -	$ 14,407
Amortization of goodwill	$ 393	$ -	$ -	$ 393
Investments in associates accounted for using equity method	$ 2,062	$ -	$ -	$ 2,062
Capital expenditure	$ 13,099	$ 319	$ -	$ 13,418

(2) Sales by region

Year ended March 31	*Millions of Yen* 2012	*Millions of Yen* 2013	*Thousands of U.S. dollars (Note 1)* 2013
Japan	¥ 3,320	¥ 2,521	$ 26,805
Overseas			
Asia	13,581	13,536	143,923
America	165	270	2,871
Other	74	127	1,350
Overseas total	13,820	13,933	148,144
Consolidated sales	¥ 17,140	¥ 16,454	$ 174,949

Corporate Information

as of June 27, 2013

Corporate Data

Corporate Name:	TOWA CORPORATION
Headquarters/Factory:	5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto 601-8105, Japan
Eatablished:	April 17, 1979
Operations:	Develop, design, manufacture, and sell precision molds, manufacturing systems for electronic components, inspection systems for electronic components, precision-molded and assembly products, medical-use equipment, and electronic-communications equipment. Other related business.
Paid-in Capital:	¥8,932,627,777
Common Stock	
Authorized:	80,000,000
Issued Number of Shares:	25,021,832
Unit for Trading:	100
Stock Listings:	First Section of the Tokyo Stock Exchange
Transfer Agents:	Mizuho Trust & Banking Co., Ltd
Fiscal Year:	From April 1 to March 31
Number of Employees:	425
URL:	http://www.towajapan.co.jp
Subsidiaries and Affiliated Companies:	BANDICK Corporation TOWATEC Co., Ltd. TOWAM Sdn. Bhd. TOWA Asia-Pacific Pte. Ltd. TOWA Semiconductor Equipment Philippines Corp. TOWA USA Corporation TOWA Europe GmbH TOWA (Shanghai) Co., Ltd. TOWA (Suzhou) Co., Ltd. TOWA TAIWAN Co., Ltd. TOWA KOREA Co., Ltd.. TONGJIN Corporation TOWA-Jipal Technologies Co., Ltd. Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd.

Board of Directors

Chairman & CEO
Kazuhiko Bandoh

President & COO
Hirokazu Okada

Directors
Tsuyoshi Amakawa
Hisaji Konishi
Makoto Fukutomi
Hiroshi Uragami
Yoshizumi Tamura
Hajime Kuwaki

Standing Corporate Auditor
Hisayoshi Kobayashi

Corporate Auditors
Masanori Sugiyama
Daisuke Wake

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