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, 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

The Japanese economy has been crippled by a recession up to the current consecutive fiscal year. The world financial turmoil triggered by a corporate credibility crisis, cast a large shadow over the business world. Exports, the driving force of the national economy plunged and the country rapidly entered into a recession.

Above all, semiconductor businesses have been suffering from rapid changes in the world market caused by drastic inventory adjustment and falling prices. Also, this has forced businesses to reorganize its industrial structure.

Performance

We, the TOWA group of companies introduced "Challenge 30", a mid-term management plan which had been drawn up in April 2006, and smoothly implemented the following measures: carrying out belt-tightening and work restructuring projects, and installing a company-wide integrated computer system (SAP). As a result, we managed to perform far better than originally estimated in the first as well as the second years since 2006.

However, in the third quarter of the fiscal year 2009, which was the final year of the completion of the plan, we faced the world financial crisis and experienced unprecedented rapid and drastic market reduction. A large number of orders were either cancelled or delayed by our clients, and our sales dropped to 11,577 million yen (in comparison to 14,175 million yen recorded for the same period in the previous year, a 55.0％ decline).

Furthermore, concerning the profit and loss, regardless of cost cutting measures implemented, due to the rapid drop in sales, we posted an operating loss of 3,337 million yen (in comparison to the record of 2,381 million yen operating profit for the same period in the previous year) and a net loss for the period of 4,163 million yen (in comparison to the record of

2,118 million yen net profit for the same period in the previous year).

Looking Ahead

It is estimated that the global economy will continue to be unstable for a while. In the semiconductor industry, the timing of a fully-fledged recovery of the market after inventory liquidation remains uncertain.

In April 2009, as the Towa group marked its 30 year anniversary of its establishment, we also formulated a new mid-term management plan, “Revitalize TOWA" that will not only provide a framework for confronting the new business challenges brought to light from the experiences and introspection we have experienced during these difficult times but will also lead the way to extensive growth by further refining our young seedlings of "New technology" and "New business".

Its fundamental principle is that“ Founded on the basics of craftsmanship and manufacturing, we shall ensure constant and stable business income by establishing a “flexible cost structure” and a“ responsive production system to market change”, and also by implementing timely and appropriate global business strategies to accommodate client’s needs.
The following will show the framework for the new mid-term management plan, “Revitalize “TOWA”” and a summary of the status quo.

１． Maintain a surplus by controlling expenses based on the order received status

Towa’s business portfolio indicates that the semiconductor business constitutes a majority of the company’s operation, and we dominate the market in the production of semiconductor molding devices. Therefore, it is expected that once the semiconductor market recovers, it should not take long before we observe an increase in orders.

Yet, at this point of time, the timing of the recovery still remains uncertain, and therefore, we are required to endure these severe market conditions.

We have already started cutting back on fixed costs by means of employment cost reduction as well as temporary lay-offs, and we are prepared to adjust the fixed cost according to the changing needs in the market.

We will continue to take this business approach until the market revives. This way, we should be able to continue to make profits and keep losses under control even if the current economic condition is prolonged.

２． Revising the business portfolio

The semiconductor market has been experiencing huge ups-and-downs and this has greatly influenced our company’s performance as well. TOWA will be expanding our molding-related and sealing technology, cultivated under our semiconductor operations, to applications in fields other than semiconductors so that, as a result, the ratio of our portfolio consisting of semiconductor business will be reduced, thereby reducing the range of fluctuation of our financial performance.

In particular, as our “strategic project”, we are going to continue working on our “LED Project” which has already been launched and is successful. Also, having entered the time of eco businesses, TOWA will focus on solutions that utilize our own unique technologies, such as those for in-vehicle units, power devices and solar batteries, product areas that are expected to expand and grow to levels far beyond the previous, and we strive to market such products as rapidly as possible.

３． Winning an overwhelming share in the semiconductor molding device market

In traditional semiconductor production processes, most of the differentiation occurred in the front-end. However, these days, with the advent of WLP (Wafer Level Package) with use of bigger chip boards, smaller chips and multiple layers, technological demands for the back-end have reached a much higher level, and the differentiation including cost management has also been achieved in the back-end.

Using our sealing and mold-related technology, which is our core competence, we intend to acquire more than 50 % of the share of the market and dominate the semiconductor molding devise market.

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

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

September 2009

Yoichi Kawahara

President & COO

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2008 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2008	***2009***	***2009***
ASSETS			
Current assets:	¥	¥	$
Cash on hand and at banks	3,351	**4,399**	**44,783**
Notes and accounts receivable :			
Trade	9,871	**3,313**	**33,727**
Less: Allowance for doubtful accounts	(102)	**(18)**	**(183)**
	9,769	**3,295**	**33,544**
Inventories	4,053	**4,872**	**49,598**
Deferred tax assets (Note 8)	48	**19**	**193**
Other current assets	429	**219**	**2,229**
Total current assets	17,650	**12,804**	**130,347**
Property, plant and equipment, at cost :			
Land	4,529	**4,361**	**44,396**
Buildings and structures	12,398	**12,413**	**126,367**
Machinery and equipment	9,653	**9,924**	**101,028**
Construction in progress	36	**49**	**499**
Less: Accumulated depreciation	(14,684)	**(15,375)**	**(156,521)**
Total property, plant and equipment	11,932	**11,372**	**115,769**
Other assets:			
Investment securities (Note 3)	3,046	**1,822**	**18,548**
Deferred income taxes (Note 8)	36	**9**	**92**
Other	1,696	**1,943**	**19,780**
Total other assets	4,778	**3,774**	**38,420**
Total assets	34,360	**27,950**	**284,536**

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

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2008 and 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2008	***2009***	***2009***
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:	¥	¥	$
Short-term borrowings (Note 4) ………………………………….	5,274	**8,653**	**88,089**
Current portion of long-term debt (Note 4) ………………………	2,524	**2,143**	**21,816**
Notes and accounts payable ……………………………………	2,931	**549**	**5,589**
Accrued expenses(Note 2(10)) …………………………………	463	**234**	**2,382**
Accrued income taxes ……………………………………………	83	**41**	**418**
Other current liabilities(Note 2(9))………………………………	1,569	**928**	**9,447**
Total current liabilities ………………………………………..	12,844	**12,548**	**127,741**
Long-term liabilities:			
Long-term debt (Note 4) …………………………………………	4,127	**3,464**	**35,264**
Accrued severance indemnities for employees(Notes2(11)and (5)	739	**764**	**7,778**
Accrued severance indemnities for directors and corporate auditors………………..	-	**-**	**-**
Deferred tax liabilities (Note 8) ………………………………..	255	**83**	**845**
Other long-term liabilities ………………………………………	1	**1**	**10**
Total long-term liabilities …………………………………….	5,122	**4,312**	**43,897**
Total liabilities ……………………………………………….	17,966	**16,860**	**171,638**
Contingent liabilities (Note 10)			
Shareholders' equity (Note 6)			
Common stock			
Authorized: 80,000,000 shares			
Issued :			
25,021,832 shares at 31st March, 2009……………	8,933	**8,933**	**90,940**
Additional paid-in capital ………………………………………	3,115	**3,115**	**31,711**
Retained earnings ………………………………………………..	3,921	**(469)**	**(4,775)**
Unrealized gain (loss) on other securities ………………………	333	**82**	**835**
Translation adjustments …………………………………………	99	**(564)**	**(5,742)**
Less: Treasury stock at cost ……………………………………	(7)	**(7)**	**(71)**
Total shareholders' equity ……………………………………	16,394	**11,090**	**112,898**
Total liabilities and shareholders' equity ……………………..	34,360	**27,950**	**284,536**

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, 2009

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2008	***2009***	***2009***
	¥	¥	$
Net sales……	25,754	**11,578**	**117,866**
Cost of sales……	18,221	**10,680**	**108,724**
Gross profit……	7,533	**898**	**9,142**
Selling, general and administrative expenses (Notes2(10)and 7)…	5,152	**4,235**	**43,113**
Operating Income……	2,381	**(3,337)**	**(33,971)**
Other income (expenses)			
Interest and dividend income……	43	**43**	**438**
Interest expenses……	(337)	**(300)**	**(3,054)**
Foreign exchange gains(losses) ……	(426)	**(33)**	**(336)**
Gain on sale of investment securities……	31	**-**	**-**
Valuation loss of investment securities……	-	**(226)**	**(2,301)**
Equity in earnings of affiliates……	332	**(64)**	**(652)**
Loss on impairment of fixed assets……	-	**(165)**	**(1,680)**
Gain(Loss) on sale of investment in stocks of affiliated company……	(17)	**-**	**-**
Gain on sale of assets for discontinuing operation ……	49	**-**	**-**
Other, net……	108	**22**	**225**
Total other income (expenses) ……	(217)	**(723)**	**(7,360)**
Income before income taxes and minority interests ……	2,164	**(4,060)**	**(41,331)**
Income taxes (Note 8)			
Current ……	60	**27**	**275**
Deferred ……	(15)	**77**	**784**
Income before minority interests ……	2,119	**(4,164)**	**(42,390)**
Minority Interests ……	-	**-**	**-**
Net Income……	2,119	**(4,164)**	**(42,390)**

			U.S. dollars (Note 1)
Amount per share of common stock (Note 2 (16)):	¥	¥	$
Net Income……	84.70	(166.45)	(1.70)
Diluted net income ……	-	(166.45)	(1.70)
Cash dividends ……	10.00	0.00	0.00

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, 2009

	Millions of yen							
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Unrealized gain on other securities*	*Translation adjustments*	*Treasury stock*	*Total shareholders' equity*
		¥	¥	¥	¥	¥	¥	¥
Balance at March 31, 2007 …………………………………	25,021,832	8,933	3,115	1,927	621	351	(6)	14,941
Net Income ……………………………………………….	-	-	-	2,119	-	-	-	2,119
Bonus to corporate directors …………………………………	-	-	-	(125)	-	-	-	(125)
Net increase of treasury stock ………………………………	-	-	-	-	-	-	(1)	(1)
Net increase of unrealized gain on other securities …………	-	-	-	-	(288)	-	-	(288)
Net increase of translation adjustments ……………………	-	-	-	-	-	(252)	-	(252)
Balance at March 31, 2008 …………………………………	25,021,832	8,933	3,115	3,921	333	99	(7)	16,394
Effect of change to IFRS ……………………………………	-	-	-	24	-	-	-	24
Net Income ……………………………………………….	-	-	-	(4,164)	-	-	-	(4,164)
Cash dividends ……………………………………………	-	-	-	(250)	-	-	-	(250)
Net increase of treasury stock ……………………………..	-	-	-	-	-	-	0	0
Net increase of unrealized gain on other securities ………..	-	-	-	-	(251)	-	-	(251)
Net increase of translation adjustments ……………………	-	-	-	-	-	(663)	-	(663)
Balance at March 31, 2009 …………………………………	25,021,832	8,933	3,115	(469)	82	(564)	(7)	11,090

	Thousands of U.S.dollars (Note 1)							
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Unrealized gain on other securities*	*Translation adjustments*	*Treasury stock*	*Total shareholders' equity*
		$	$	$	$	$	$	$
Balance at March 31, 2008 …………………………………	25,021,832	90,940	31,711	39,917	3,390	1,008	(71)	166,895
Effect of change to IFRS ……………………………………	-	-	-	244	-	-	-	244
Net Income ……………………………………………….	-	-	-	(42,390)	-	-	-	(42,390)
Cash dividends ……………………………………………	-	-	-	(2,546)	-	-	-	(2,546)
Net increase of treasury stock ……………………………..	-	-	-	-	-	-	0	0
Net increase of unrealized gain on other securities ………..	-	-	-	-	(2,555)	-	-	(2,555)
Net increase of translation adjustments ……………………	-	-	-	-	-	(6,750)	-	(6,750)
Balance at March 31, 2009 …………………………………	25,021,832	90,940	31,711	(4,775)	835	(5,742)	(71)	112,898

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	*2009*	*2009*
Cash Flows from Operating Activities:	¥	¥	$
Net Income before income taxes and minority interests	2,164	**(4,060)**	**(41,331)**
Adjustments for:			
Depreciation	1,228	**1,315**	**13,387**
Loss on impairment of fixed assets	-	**165**	**1,680**
Equity in earnings of affiliates	(332)	**64**	**652**
Interest and dividends income	(43)	**(43)**	**(438)**
Interest expenses	337	**300**	**3,054**
Foreign exchange losses (gains)	(224)	**175**	**1,782**
Valuation loss (gains) of investment securities	-	**226**	**2,301**
(Increase) decrease in trade notes and accounts receivable	(1,578)	**6,482**	**65,988**
(Increase) decrease in inventories	1,097	**(922)**	**(9,387)**
(Increase) decrease in other current assets	(127)	**175**	**1,782**
Increase (decrease) in notes and accounts payable	494	**(2,258)**	**(22,988)**
Increase(decrease) in accrued and other current liabilities	(77)	**(439)**	**(4,469)**
Other, net	54	**(264)**	**(2,688)**
Sub-total	2,993	**916**	**9,325**
Interest and dividends received	45	**51**	**519**
Interest paid	(362)	**(314)**	**(3,197)**
Income taxes paid	(89)	**(46)**	**(468)**
Net cash provided by (used in) operating activities	2,587	**607**	**6,179**
Cash Flows from Investing Activities:			
Purchase of investment securities	(27)	**(7)**	**(71)**
Sale of investment securities	246	**-**	**-**
Purchase of property, plant and equipment	(1,369)	**(1,438)**	**(14,639)**
Sale of property, plant and equipment	163	**7**	**71**
Other, net	(97)	**(53)**	**(540)**
Net cash provided by (used in) investing activities	(1,084)	**(1,491)**	**(15,179)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	283	**3,246**	**33,046**
Proceeds from issuance of long-term debt	800	**1,500**	**15,270**
Repayments of long-term debt	(2,332)	**(1,952)**	**(19,872)**
Redemption of bonds	(572)	**(572)**	**(5,823)**
Purchase of treasury stock	(1)	**-**	**-**
Cash dividends	(125)	**(250)**	**(2,546)**
Net cash provided by (used in) financing activities	(1,947)	**1,972**	**20,075**
Effect of exchange rate changes on Cash and Cash Equivalents	253	**(40)**	**(407)**
Net increase(decrease) in Cash and Cash Equivalents	(191)	**1,048**	**10,668**
Cash and Cash Equivalents at Beginning of Period	3,542	**3,351**	**34,114**
Cash and Cash Equivalents at End of Period (Note2(3))	3,351	**4,399**	**44,782**

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 accordance with the provisions set forth in the Corporate Law of Japan and the Securities and Exchange Law and 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.

The accompanying consolidated financial statements of the Company are prepared on the basis of accounting principles generally accepted in Japan, as required by the Securities and Exchange Law 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, 2009, which was ¥98.23 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.

For the purpose of enhancement of group management, the company decided to unify the financial period for all its subsidiaries. As a result of a change in the fiscal year-end from December 31 to March 31(including assumed settling day for 3 subsidiaries), the accounting term for TOWAM Sdn. Bhd., TOWA Singapore Mfg Pte.Ltd, TOWA-Intercon Technology,Inc., TOWA (Shanghai) Co.,Ltd., TOWA (Suzhou) Co.,Ltd., and TOWA TAIWAN Co., Ltd was 15 months for the year ended March 31, 2008.As a result, sales and operating income for the year ended March 31, 2008 increased by 2,266 million yen($22,617thousand) and 268 million yen($2,675thousand), respectively.

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. At March 31, 2009, the year-end of the consolidated subsidiaries matches that of the consolidated financial statements(see note 1).

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
TOWA Service Co., Ltd.	100	Japan
TOWAM Sdn. Bhd.	100	Malaysia
TOWA (Suzhou) Co., Ltd.	100	China
TOWA America Corporation ※１	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 Corporation	100	Philippines
TOWA Europe GmbH	100	Germany
TOWA Singapore Mfg Pte. Ltd. ※２	100	Singapore

Affiliates

(All affiliates are accounted for by the equity method)

Name	Ownership	Country of Incorporation
TONGIJIN Corporation	35 %	Korea
SECRON Co., Ltd.	23	Korea
TOWA Jipal Technologies Co., Ltd.	40	Taiwan
Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd	20	Japan

※１． The Board directors of TOWA-Intercon Technology, Inc decided to change its company name as TOWA America Corporation effecive July 1, 2008.

※２． TOWA Singapore Mfg.Pte.Ltd is in process of liquidation.

(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 Shareholders' Equity 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, 2008 and 2009 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Cash on hand and at banks	¥3,351	¥4,399	$44,783
Less: Time deposits with deposit term of over three months	-	-	-
Cash and cash equivalent at end of year	¥3,351	¥4,399	$44,783

(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 shareholders' equity 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.

Effective the year ended March 31, 2009, the Company and its domestic subsidiaries adopted “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5, 2006).As a result of the adoption of this accounting standard, operating income and income before income taxes for the year ended March 31, 2009 decreased by 133 million yen ($1,354 thousand).

(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 in accordance with the regulations of respective domicile countries.

Pursuant to revision of the Corporation Tax Law, the Company and its domestic subsidiaries have changed their method of depreciating assets acquired on or after April 1, 2007, to confirm to revised law. As a result, operating income and income before income taxes for the year ended March 31, 2008 decreased by 21 million yen($210 thousand), respectively.

The Company and its domestic consolidated subsidiaries also depreciate the difference between 5% of the acquisition cost of asset acquired on or before March 31, 2007 and the memorandum value uniformly over a five-year period, starting the year following the fiscal year in which the depreciated value of said assets reaches 5% of the acquisition cost of assets using the pre-amendment depreciation method. As a result, operating income and income before income taxes for the year ended March 31, 2008 decreased by 38 million yen($379 thousand), respectively.

(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.

Up to the year ended March 31, 2008, finance lease transactions which do not transfer ownership to lessee were accounted for as operating leases.

Effective the year ended March 31, 2009, as the “Accounting Standard for Lease Transactions” (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007) have been applied, lease transactions of the Company and its domestic subsidiaries are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee.

Effective April 1, 2008, since the Company and its domestic subsidiaries applied the accounting standard for lease transactions outlined above, finance lease transactions, which do not transfer ownership to lessee, started before April 1, 2008 were accounted for as operating leases.

(9) Derivatives

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

These instruments were accounted by the deferral hedge accounting. The Company has accounted for foreign currency forward contracts by the designation accounting, and accounted for interest rate swap agreements by the exception accounting.

(10) 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, 2009, the liability for expected warranty costs was 29 million yen ($295thousand) .

(11) Accrued Bonus for Directors

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

(12) 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.

(13) Research and Development Costs

Research and development expenditure is charged to income when incurred.

(14) 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.

(15) 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.

(16) 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, 2008:

	Millions of yen			
	2008			
Other securities:	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities……….	¥1,042	¥634	¥52	¥1,624
	¥1,042	¥634	¥52	¥1,624
Market value not available:				
Equity securities……….	7	-	-	7
Other securities total…..	¥1,049	¥634	¥52	¥1,631

Investments in affiliates:	Millions of yen
	2008
	Book Value
Market value not available:	
Equity securities……...	¥1,415
	¥1,415
Total	¥3,046

(2) The following is a summary of investments in affiliates and other securities at March 31, 2009

	Millions of yen			
	2009			
Other securities:	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥824	¥196	¥36	¥984
	¥824	¥196	¥36	¥984
Market value not available:				
Equity securities	3	-	-	3
Other securities total	¥827	¥196	¥36	¥987

Investments in affiliates:	*Millions of yen*
	2009
	Book Value
Market value not available:	
Equity securities……...	¥835
	¥835
Total	¥1,822

Other securities:	Thousands of U.S. dollars (Note 1) 2009 Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	$8,388	$1,995	$366	$10,017
	$8,388	$1,995	$366	$10,017
Market value not available:				
Equity securities	$ 31	-	-	$ 31
Other securities total	$8,419	$1,995	$366	$10,048

Investments in affiliates:	*Thousands of U.S. dollars (Note 1)* 2009 Book Value
Market value not available:	
Equity securities	$8,500
	$8,500
Total	$18,548

4. Short-term Borrowings and Long-term Debt

Short-term borrowings represent loans from banks and an insurance company. The annual average interest rates applicable to short-term borrowings at March 31, 2008 are 2.5% and 2009 are 2.0%, respectively.

Long-term debt as of March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Borrowings from financial institutions	¥4,977	¥4,508	$45,892
1.0% Yen Bonds due 2010	500	300	3,054
1.1% Yen Bonds due 2011	300	200	2,036
1.0% Yen Bonds due 2011	600	400	4,072
1.6% Yen Bonds due 2011	252	180	1,832
Long-term installment payment for Purchase of machinery and equipment	83	16	163
Capital lease payable	-	-	-
Less: Portion due within one year	(2,585)	(2,140)	(21,785)
	¥4,127	¥3,464	$35,264

The aggregate annual maturity of long-term debt after March 31, 2009 is summarized as follows:

Years ending March 31,	*Millions of Yen*	*Thousands of U.S. dollars (Note 1)*
2010	¥2,158	$21,969
2011	2,167	22,061
2012	734	7,472
2013 and thereafter	563	5,731
	¥5,622	$57,233

The Company's assets pledged as collateral for short-term borrowings and long-term debt were as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Principal of debt:			
Short-term borrowings	¥ 70	¥ 110	$1,120
Portion due within one year	425	18	183
Long-term borrowings	18	0	0
	¥ 513	¥ 128	$1,303
Assets pledged as collateral:			
Land	¥2,375	¥2,375	$24,178
Buildings	2,747	2,572	26,183
	¥5,122	¥4,947	$50,361

Regarding loan payables, the syndicate loan contract with limit of ¥4,000 million yen($40,721thousand) and commitment line contracts with limits of ¥ 2,500 million yen ($ 25,450 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 syndicated loan contract)

(1) The amount of shareholder's equity on the consolidated and non-consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained at 60 % or more of the same respective period in the previous year, and 60 % or more of the shareholder' equity on the consolidated and non-consolidated balance sheet of the fiscal year ended March 31, 2004.

(2) The ordinary losses in both consolidated and non-consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2005.

(Financial covenant terms included in commitment line contract)

(1) The amount of shareholder's equity on the consolidated and non-consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained at 60 % or more of the same respective period in the previous year, and 60 % or more of the shareholder' equity on the consolidated and non-consolidated balance sheet of the fiscal year ended March 31, 2007.

(2) The ordinary losses in both consolidated and non-consolidated statements of income for each fiscal year must not be existed in two successive periods after the fiscal year ended March 31, 2008.

5. 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, 2008 and 2009.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Projected benefit obligation at end of year	¥1,556	¥1,500	$15,270
Fair value of plan assets at end of year	748	628	6,393
Funded status:			
Benefit obligation in excess of plan assets	808	872	8,877
Unrecognized actuarial loss	69	108	1,099
Accrued pension liability recognized in the Consolidation balance sheets	¥739	¥764	$7,778

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

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2008 and 2009.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Service cost	¥122	¥94	$957
Interest cost	26	27	275
Expected return on plan assets	(6)	0	0
Actuarial losses	(3)	10	102
Net periodic benefit cost	¥139	¥131	$1,334

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2008 and 2009 are as follows:

	2008	2009
Method of attributing benefit to periods of service	Straight –line basis	Straight –line basis
Discount rate	2.0%	2.0%
Long-term rate of return on fund assets	0.7%	0.0%
Amortization unrecognized projected Benefit obligation at the date of transition	-	-
Amortization period for actuarial losses	15years(declining-balance basis)	15years(declining-balance basis)

6. 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 Company Law requires that amounts equal to 10% of interim cash dividend and 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.

7. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2008 and 2009 were ¥747million and ¥266million ($2,708 thousand), respectively.

8. Loss on impairment of fixed assets

The Company has recognized impairment loss of 165 million yen ($1,680 thousand), for the following group of assets as of March 31, 2009.

Location	Use	Category	Impairment loss (millions of yen)
Kyoto East Plant (Kyoto, Japan)	Equipment for development Manufacturing plant for precision mold.	Land	165

The company and its subsidiaries assessed impairment of each group of assets, which are grouped on the basis of segment by products for domestic companies and by location for foreign subsidiaries.

Therefore, due to the decline in real estate value and poor performance of assets, operating profitability has worsened substantially, the company has decided to mark the assets down to the recoverable value, and accrued impairment loss as ¥165million ($1,680thousand).

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 39.8% for the years ended of March 31, 2008 and 2009.

The deferred tax assets and deferred tax liabilities at March 31, 2008 and 2009 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2008	2009	2009
Deferred tax assets:			
Inventory write down	¥243	¥303	$3,085
Impairment loss of fixed assets	691	707	7,197
Retirement and severance benefits	249	261	2,657
Net operating loss carried forward	2,269	3,429	34,908
Other, net	932	1,086	11,056
Valuation Allowance	(4,300)	(5,758)	(58,618)
	84	28	285
Deferred tax liabilities:			
Special tax purpose provision	-	-	-
Other, net	(255)	(83)	(845)
	(255)	(83)	(845)
Net deferred tax assets/(liabilities)	¥(171)	¥(55)	$(560)

10. 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, 2008 and 2009 are ¥12million and ¥7 million ($71 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, 2008

Millions of yen

	Machinery And Equipment	Other	Total
Acquisition costs	¥ 7	¥34	¥41
Accumulated Depreciation	1	26	27
Net leased property	¥ 6	¥ 8	¥14

As of March 31, 2009

Millions of yen

	Machinery And Equipment	Other	Total
Acquisition costs	¥ 7	¥12	¥19
Accumulated Depreciation	3	9	12
Net leased property	¥ 4	¥ 3	¥7

Thousands of U.S. dollars (Note 1)

	Machinery And Equipment	Other	Total
Acquisition costs	$71	$122	$193
Accumulated Depreciation	31	91	122
Net leased property	$40	$ 31	$71

Future minimum lease payments as of March 31, 2008 and 2009:

	Millions of yen 2008	*Millions of yen* 2009	*Thousands of U.S. dollars (Note 1)* 2009
Due within one year	¥7	¥ 4	$41
Due after one year	7	3	30
Total	¥14	¥7	$71

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 ¥12 million and ¥7 million ($71 thousand) for the year ended March 31, 2008and 2009, respectively.

11. Contingent Liabilities

The Companies have no significant contingent liabilities.

12. Segment Information

(1) Segment by products

Year ended March 31, 2008 — *Millions of Yen*

	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 24,440	¥1,314	¥ -	¥25,754
Inter-segment sales	-	-	-	-
	24,440	1,314	-	25,754
Cost of sales and Operating expenses	22,255	1,118	-	23,373
Operating income	¥ 2,185	¥ 196	¥ -	¥ 2,381
Ⅱ.Assets				
Total assets	¥ 33,252	¥ 1,108	-	¥ 34,360
Depreciation and amortization	¥ 1,134	¥ 94	-	¥ 1,228
Capital expenditure	¥ 1,424	¥ 84	-	¥ 1,508

Year ended March 31, 2009 — *Millions of Yen*

	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 10,361	¥1,217	¥ -	¥11,578
Inter-segment sales	-	-	-	-
	10,361	1,217	-	11,578
Cost of sales and Operating expenses	13,826	1,089	-	14,915
Operating income	¥ (3,465)	¥ 128	¥ -	¥ (3,337)
Ⅱ.Assets				
Total assets	¥ 26,895	¥ 1,055	-	¥ 27,950
Depreciation and amortization	¥ 1,205	¥ 110	-	¥ 1,315
Capital expenditure	¥ 1,192	¥ 105	-	¥ 1,297

Year ended March 31, 2009	*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	$105,477	$12,389	$ -	$117,866
Inter-segment sales	-	-	-	-
	105,477	12,389	-	117,866
Cost of sales and Operating expenses	140,751	11,086	-	$151,837
Operating income	$(35,274)	$1,303	$ -	$(33,971)
Ⅱ.Assets				
Total assets	$273,796	$10,740	-	$284,536
Depreciation and amortization	$ 12,267	$ 1,120	-	$ 13,387
Capital expenditure	$ 12,135	$ 1,069	-	$ 13,204

(2) Segmented by geographical location of activities

Year ended March 31, 2008	*Millions of Yen*					
	Japan	Asia	North America	Others	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income						
Net sales to customers	¥23,818	¥1,682	¥226	¥28	¥ -	¥25,754
Inter-segment sales	287	6,865	839	74	(8,065)	-
	24,105	8,547	1,065	102	(8,065)	¥25,754
Cost of sales and Operating expenses	22,382	7,863	1,160	91	(8,123)	23,373
Operating income(loss)	¥ 1,723	¥ 684	¥(95)	¥11	¥58	¥ 2,381
Ⅱ.Assets	¥33,265	¥6,253	¥1,432	¥90	¥(6,680)	¥34,360

Year ended March 31, 2009	*Millions of Yen*					
	Japan	Asia	North America	Others	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income						
Net sales to customers	¥11,423	¥145	¥5	¥5	¥ -	¥11,578
Inter-segment sales	207	3,715	364	60	(4,346)	-
	11,630	3,860	369	65	(4,346)	¥11,578
Cost of sales and Operating expenses	15,026	3,761	384	80	(4,336)	14,915
Operating income (loss)	¥(3,396)	¥ 99	¥(15)	¥(15)	¥(10)	¥(3,337)
Ⅱ.Assets	¥27,068	¥3,815	¥1,273	¥56	¥(4,262)	¥27,950

Year ended March 31, 2009	Thousands of U.S. dollars (Note 1)					
	Japan	Asia	North America	Others	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income						
Net sales to customers	$116,288	$1,476	$51	$51	$ -	$117,866
Inter-segment sales	2,107	37,819	3,706	611	(44,243)	-
	118,395	39,295	3,757	662	(44,243)	$117,866
Cost of sales and Operating expenses	152,968	38,288	3,909	814	(44,142)	151,837
Operating income (loss)	$(34,573)	$ 1,007	$(152)	$(152)	$(101)	$(33,971)
Ⅱ.Assets	$275,557	$38,837	$12,959	$570	$(43,387)	$284,536

(3) Sales by region

Year ended March 31	*Millions of Yen* 2008	2009	*Thousands of U.S. dollars (Note 1)* 2009
Japan	¥ 6,925	¥ 3,303	$33,625
Overseas			
Asia	18,020	7,588	77,247
North America	654	410	4,174
Other	155	277	2,820
Overseas total	18,829	8,275	84,241
Consolidated sales	¥25,754	¥11,578	$117,866

Corporate Information

as of June 26, 2009

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 First Section of the Osaka Securities Exchange
Transfer Agents:	Mizuho Trust & Banking Co., Ltd
Fiscal Year:	From April 1 to March 31
Number of Employees:	490
URL:	http://www.towajapan.co.jp
Subsidiaries and Affiliated Companies:	BANDICK Corporation TOWATEC Co., Ltd. TOWA Service Co., Ltd. TOWAM Sdn. Bhd. TOWA Asia-Pacific Pte. Ltd. TOWA Semiconducter Equipment Philippines Corporation TOWA America Corporation TOWA Europe GmbH TOWA (Shanghai) Co., Ltd. TOWA (Suzhou) Co., Ltd. TOWA TAIWAN Co., Ltd. TONGJIN Corporation SECRON Co., Ltd. TOWA-Jipal Technologies Co., Ltd. Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd.

Board of Directors

Chairman & CEO

Kazuhiko Bandoh

President & COO

Yoichi Kawahara

Directors

Hisao Nishimura

Hirokazu Okada

Makoto Fukutomi

Kiyoshi Osaki

Standing Corporate Auditor

Tsutomu Shirayama

Coporate Auditors

Masanori Sugiyama

Katsuhiro Umeyama

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