



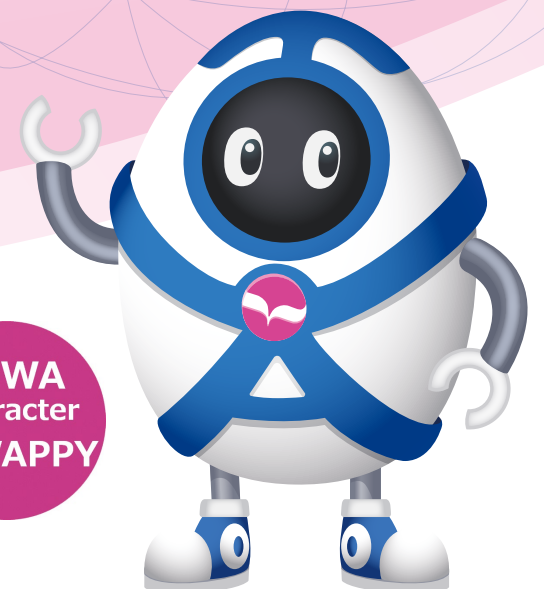
INTEGRATED REPORT 2024



TOWA CORPORATION

5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto-shi, Kyoto 601-8105 Japan
<https://www.towajapan.co.jp/en/>

TOWA
Character
TOWAPPY



The Company creating the future with global cutting edge innovation!

Since its founding in 1979, TOWA has created innovative technology not bound by conventional thinking in the industry, while seriously facing a variety of issues. Utilizing our accumulated technologies, we create the future and aim to use our innovation to reach “the top of the world.”

2022/4–2025/3
Mid-term Business Plan I

Strengthening the foundations to reach “the top of the world”

Net sales
60.0 billion yen

2025/4–2028/3
Mid-term Business Plan II

Challenges and leap to the new tasks

Net sales
76.0 billion yen

2028/4–2032/3
Mid-term Business Plan III

Achieving sales of 100 billion yen and high profit margin

Net sales
100 billion yen

TOWA Vision 2032

To the top of the world with change

See page 21 for details.

New character on the cover

TOWAPPY

To more widely deliver information for achieving our long-term vision TOWA Vision 2032 inside and outside the company, we have created the character “TOWAPPY.”

For a profile of TOWAPPY and other details, see page 49.



TOWA wants to be

- 1 The world’s leading company that continues to create customer value through packaging process proposals
- 2 A company that realizes sustainable society with TOWA’s technology
- 3 A well-known company realized by proactive information dissemination
- 4 A company where employees can work with a smile, where corporate culture is passed on and diverse values are respected

Corporate Mission

Our corporate mission is to contribute to the growth of the world’s industries by developing and providing key enabling technologies for each successive generation of products.

Through our “quarter-lead” policy, we will respond to the needs of our customers and the industry at large by boldly taking on the challenge of developing innovative technologies and novel products, producing results, and contributing to the development of global industry.

Basic Management Policy

We believe that our core competence lies in our high-precision molding-related technologies, which have enabled us to develop ultra-precision molds.

By returning to this origin, we will focus on domains where we can take advantage of our core competence and optimize quality, cost and delivery (QCD) to establish a profitable structure.

In addition, we will look to the future of semiconductor packaging technologies, which continue to advance under the theme of “slimmer dimensions, miniaturization, and multi-stage configuration,” and we are developing solution-based strategies in development, production, and marketing to meet market needs ahead of the competition.

Key points in editing Integrated Report 2024

Point
1

Progress in terms of the period for strengthening our foundation to achieve the long-term vision

This 2024 version describes our efforts in new technology and new equipment development, capital investment, and matters related to human capital during the period of “strengthening the foundation to reach ‘the top of the world’” with the goal of achieving the “TOWA Vision 2032,” announced in 2022.

Point
2

Special features 1 and 2 focusing on technologies with market superiority

The “molding revolutions,” or technological innovations that the TOWA Group has accumulated, as well as its technologies that contribute to advanced semiconductors such as the ultra-high-speed HBM, are explained in an easy-to-understand manner for all readers.

Point
3

Roundtable Discussion by Outside Directors to provide suggestions from an outside perspective

A roundtable discussion was held by our three outside directors, where they exchanged diverse views on the way TOWA's businesses are managed and talked about their expectations for growth in the Group.

Point
4

Enrichment of ESG information

TOWA has made efforts to enhance the disclosure of ESG information, widening the scope to include the calculation of the Group's Scope 3 emissions in its climate change countermeasures and human capital initiatives.

Editorial Policies

The TOWA Group has been publishing a report since fiscal 2022 to provide a comprehensive overview of its financial performance and non-financial initiatives. This *TOWA Integrated Report 2024* is intended to provide stakeholders with an easy-to-understand introduction to strategies comprising the Group's management mission of “relentlessly improving technological standards” with our materiality (material issues) and business models.

This fiscal year, a tripartite meeting of outside directors was held, and this issue introduces their real opinions and perspectives, and how they engage in discussions at the Board of Directors meetings. At the meeting, issues and prospects for improving the value of the TOWA Group were discussed.

Maintaining a dialogue with stakeholders is essential to ensuring the sustainable growth of the TOWA Group. We invite the reader to delve into this report and offer a candid opinion of its content.

Reporting Period

This report covers the company's 2023 fiscal year (April 1, 2023–March 31, 2024). Some of the information provided address events occurring outside this reporting period.

Scope of Report

This report encompasses TOWA Corporation and the corporate members of the TOWA Group.

Forward-Looking Statements

Earnings forecasts and other forward-looking statements presented in this report are based on information available at the time of preparation as well as certain assumptions that we judge to be reasonable. Such statements necessarily entail uncertainties. Please note that actual results may differ significantly from these forecasts due to a variety of factors.

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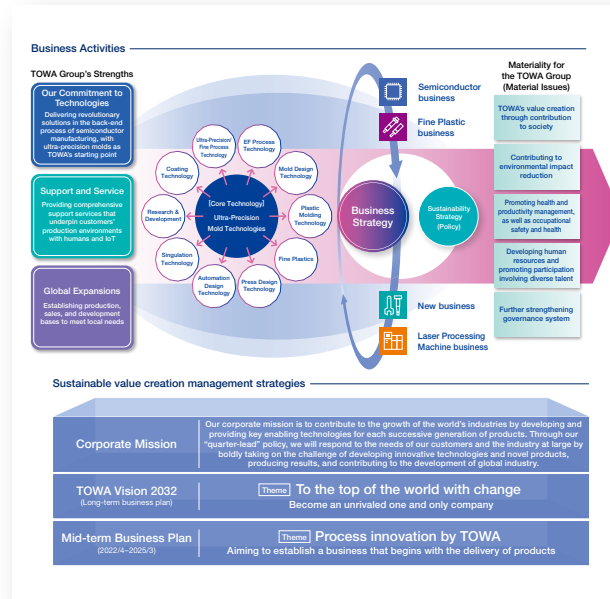
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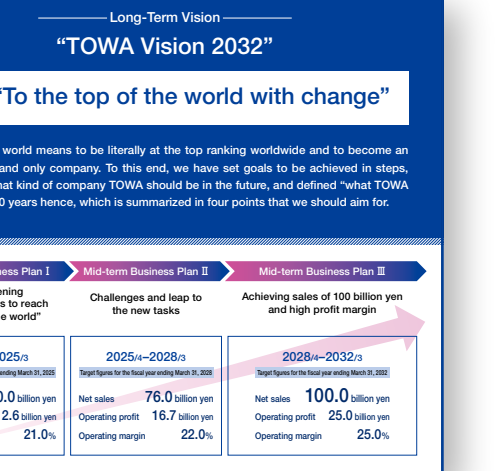
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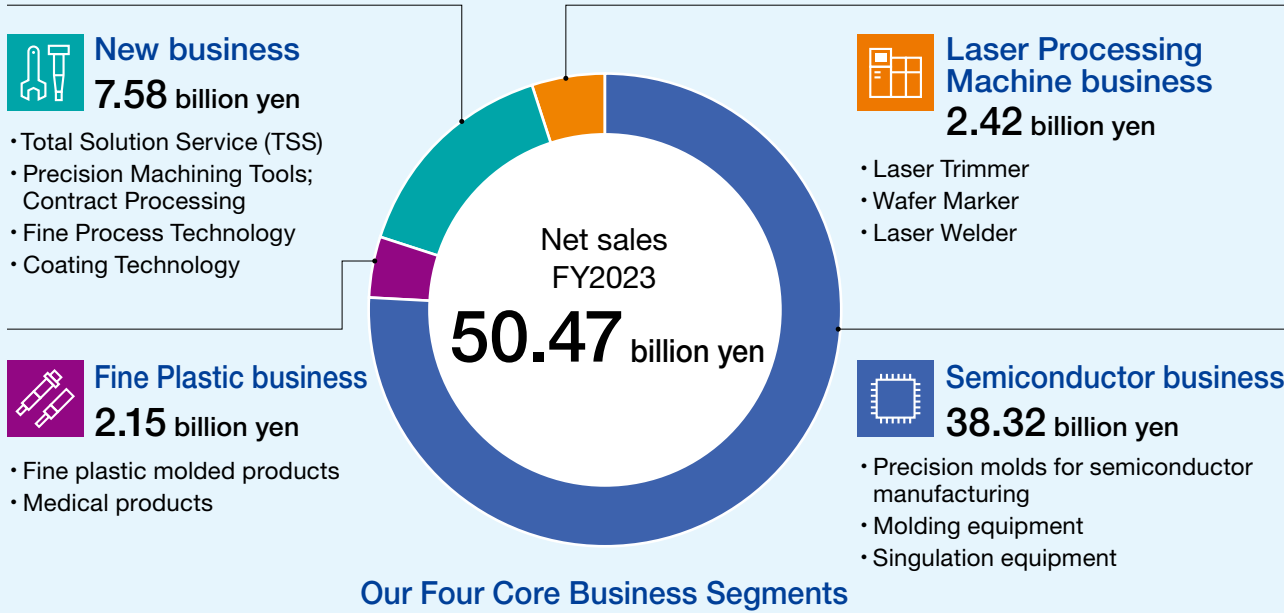
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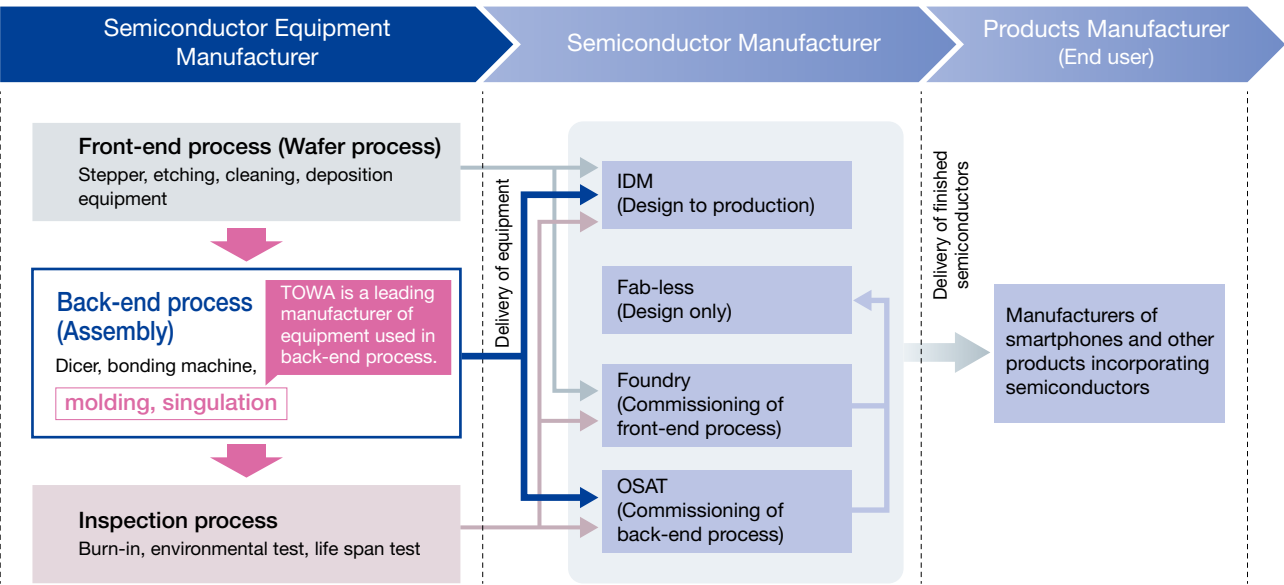
Overview of the TOWA Group's Business

Since its founding, TOWA Corporation has excelled as a technology developer that develops de facto standards through its deep understanding of the needs of the manufacturing sector. We continue to expand our business globally across four business segments centered on the semiconductor industry.



TOWA Group's Position in Semiconductor Manufacturing

Semiconductor equipment manufacturers can be classified as those producing specialized equipment for wafer (front-end) process, assembly (back-end) process, or inspection process, which they provide to semiconductor manufacturers. The semiconductors these manufacturers produce with this equipment are further supplied to downstream manufacturers who incorporate these semiconductors into their own products. The TOWA Group is a manufacturer of semiconductor equipment used in the back-end process.

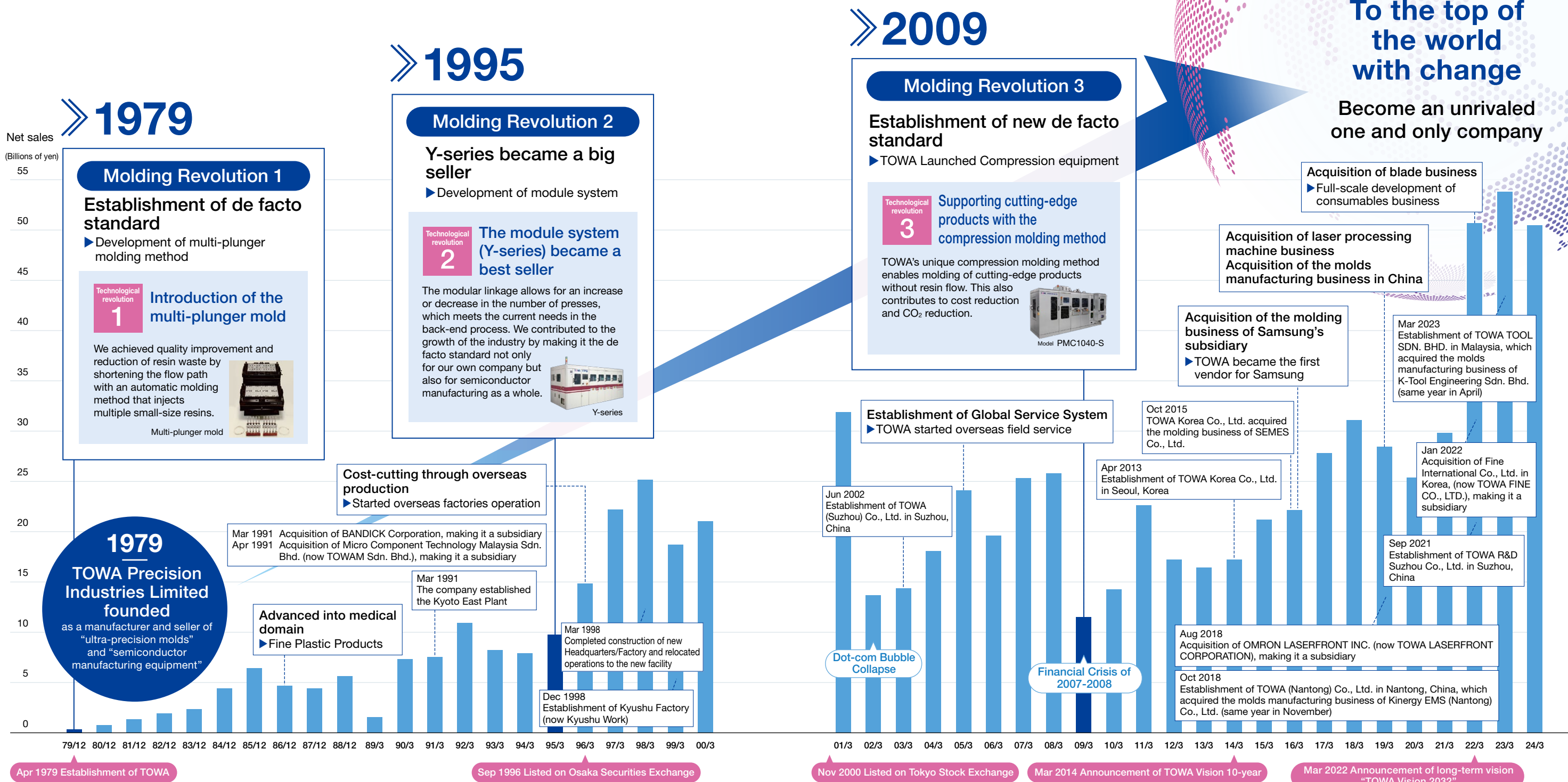


Introducing Our Business Segments

	Nature of Business	Net Sales										
	Semiconductor business This is the core business of our Group. We manufacture molding equipment that encapsulates semiconductors with resin to protect the chips and molds as well as singulation equipment for wafer dicing. See page 31 for details.	<table border="1"><caption>Net Sales (Millions of yen)</caption><thead><tr><th>FY</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr></thead><tbody><tr><td>Net Sales</td><td>21,110</td><td>40,384</td><td>41,267</td><td>38,324</td></tr></tbody></table>	FY	2020	2021	2022	2023	Net Sales	21,110	40,384	41,267	38,324
FY	2020	2021	2022	2023								
Net Sales	21,110	40,384	41,267	38,324								
	Fine Plastic business We utilize the ultra-precision fine process technology we have refined through mold manufacturing to perform integrated molding and assembly of plastic products. Our main focus is the manufacture of medical products. See page 34 for details.	<table border="1"><caption>Net Sales (Millions of yen)</caption><thead><tr><th>FY</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr></thead><tbody><tr><td>Net Sales</td><td>1,806</td><td>1,723</td><td>1,950</td><td>2,150</td></tr></tbody></table>	FY	2020	2021	2022	2023	Net Sales	1,806	1,723	1,950	2,150
FY	2020	2021	2022	2023								
Net Sales	1,806	1,723	1,950	2,150								
	New business We provide comprehensive support services and value-added solutions. These services include the sales of tools that benefit from the core technologies we have cultivated in ultra-precision mold manufacturing, contract processing services, parts supply, repair, and modifications. See page 33 for details.	<table border="1"><caption>Net Sales (Millions of yen)</caption><thead><tr><th>FY</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr></thead><tbody><tr><td>Net Sales</td><td>5,425</td><td>6,331</td><td>8,016</td><td>7,578</td></tr></tbody></table>	FY	2020	2021	2022	2023	Net Sales	5,425	6,331	8,016	7,578
FY	2020	2021	2022	2023								
Net Sales	5,425	6,331	8,016	7,578								
	Laser Processing Machine business We manufacture laser trimming equipment to adjust resistance values and wafer marking equipment to mark control numbers on wafers. See page 34 for details.	<table border="1"><caption>Net Sales (Millions of yen)</caption><thead><tr><th>FY</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th></tr></thead><tbody><tr><td>Net Sales</td><td>1,364</td><td>2,227</td><td>2,586</td><td>2,417</td></tr></tbody></table>	FY	2020	2021	2022	2023	Net Sales	1,364	2,227	2,586	2,417
FY	2020	2021	2022	2023								
Net Sales	1,364	2,227	2,586	2,417								

History of the TOWA Group

TOWA has continued to walk hand in hand with the semiconductor industry during its period of rapid growth. Our history is one of technological revolutions, and since our founding in 1979, we have continued to grow through epoch-making technological revolutions. The development of the multi-plunger marked the beginning of this trend. Since then, we have always been at the forefront of this industry, creating new technologies and products.



Message from the President



Hirokazu Okada
President & CEO

We are fully committed to expanding the use of advanced semiconductors by quickly responding to emerging trends in semiconductor manufacturing.

Record-high net sales and orders for our compression molding equipment—essential for HBM chip manufacturing

The miniaturization in cutting-edge semiconductor engineering continues to advance while manufacturers try to increase product yield and lower manufacturing costs. These challenges have prompted rapid advancements in such technologies as 3D packaging, among which high-bandwidth memory (HBM) is a leading innovation that enables ultra-high-speed data transmission. HBM chips will be an essential product in the coming age as generative AI becomes an integral part of information technology.

TOWA is the only manufacturer in the world that produces compression molding equipment for the mass production of HBM chips, essential for resin molding.

Currently, TOWA holds a commanding 66% market share by revenue of molding equipment, which is a critical part of the back-end process of semiconductor manufacturing. The final step in

producing a semiconductor package is to protect the chip from dust and impact by molding it in resin. One established method is transfer molding—injecting molten resin into cavities—and we have long been a leader in manufacturing that type of molding equipment.

TOWA has further established a revolutionary molding process known as compression molding, which immerses the semiconductor chip in molten resin. Today, this packaging solution is indispensable for high-end semiconductors, yet no competitors ever entered the market after TOWA's first release of compression molding equipment in 2009. Since the spring of 2023, demand for compression molding equipment for HBM chip production has surged, leading to a sharp increase in orders. In the fiscal year ended March 31, 2024, both orders and net sales of this equipment reached record highs.

In fact, we have been carefully developing molding technology related to HBM chips at the request of our customers for several years, preparing steadily for this new trend in semiconductors. With the rise of generative AI, we are now poised to expand sales

significantly. Now that HBM manufacturing has suddenly hit the limelight, manufacturers are planning to gear up in 2025, and we are busier than ever in business talks with them.

TOWA's process technologies enhance both HBM and chiplet manufacturing

Why has TOWA's proprietary compression molding equipment become indispensable for HBM chip manufacturing? The answer is in large part attributable to the vertical stacking of memory chips, a key feature of HBMs. The 3D stacking technology started with four layers of memory chips and then rapidly progressed to 8-layer and 12-layer stacked chips. A 16-layer stacked HBM memory package is already on the horizon.

Our development of process technologies, including compression molding and advanced vacuum molding, has made it possible to manufacture HBM chips, which will only become more ubiquitous in the future. Many semiconductor manufacturers consider TOWA's compression method the best for molding HBM chips. They acknowledge that we have dramatically improved product yield, which is still problematic with other companies' equipment.

While our compression molding equipment has been attracting attention for HBM manufacturing, we have also

developed new technologies for manufacturing chiplets, another emerging semiconductor technology. Our technology is a "resin flow control method" that offers a unique process for transfer molding equipment. In contrast to conventional high-performance semiconductors, which integrate a huge number of circuits on a single chip, chiplet technology divides the circuits across multiple chips, which are then arranged on a substrate to form a large-scale circuit. Chiplet technology improves production yield and reduces manufacturing costs.

Also, in June 2024, the molding equipment we developed for manufacturing semiconductors for generative AI won the Grand Prix in the semiconductor manufacturing equipment category of the Semiconductor of the Year 2024 awards, hosted by Sangyo Times in Japan. The award recognizes our new product as the industry's first manufacturing equipment designed to meet the needs of the rapidly growing chiplet market.

A rising sales ratio of high-value-added compression molding equipment

The semiconductor market experienced a correction phase in the fiscal year ended March 31, 2024 that saw industry-wide investment restraint. Accordingly, we adjusted our initial net sales forecast downward from 57 billion yen to 51 billion yen and our operating income forecast from 12.4 billion yen to 8.1 billion yen. Actual net sales only fell slightly short of the adjusted target, reaching 50.4 billion yen (about 600 million yen shy), while operating income exceeded expectations at 8.6 billion yen. We were thus able to maintain a robust operating margin of 17%. The key drivers of this performance were record-high orders and sales of compression molding equipment and molds and an improved product mix.

For the fiscal year ending March 31, 2025, we expect a significant increase in both sales and profits—sales of 60 billion yen and operating profit of 12.6 billion yen. This growth will come from increased sales volume and a higher sales ratio of high-value-added compression molding equipment, and we expect the operating margin to rise to 21%.

Sales have been strong since the first quarter, and we are stepping up efforts to meet our targets. As president, I see it as my mission to steadily bump up the company's performance to reach our 2032 target of 100 billion yen in net sales with an operating margin of 20% or more.

Expanding our business while mindful of the risks unique to each region

Please allow me now to explain TOWA's regional development—the current situation and our approach for the future. The fundamental principle we are operating by is "local production for local consumption," so we are developing operations to align with the needs of customers in different regions. At present, China accounts for 34% of our total sales, representing the largest share. In recent years, we have strengthened ties not only with existing semiconductor manufacturers but also with foundries—contract

semiconductor manufacturers. Vital to our success in China is the development base we established in the country in 2021. We have also instituted a system capable of responding swiftly to customer issues in areas ranging from technological development to manufacturing, sales, and after-sales support. Our clients have praised the level of service we provide. Being on the ground in China provides the advantage of getting the latest information first so that TOWA can stay a step ahead in our business development.

Beyond China, TOWA maintains locations in Southeast Asia, South Korea, Taiwan, North America, and Europe. As we expand our business in these regions, we are always mindful of the risks unique to each location. Japan will continue to be our hub for developing new technologies and new products. We are also following several developments in semiconductor manufacturing in Japan and are prepared to respond to these trends as they develop.

One new region we are focusing on is India. Currently, we are serving the Indian market through our bases in Singapore and Malaysia, but we expect that India will emerge as a significant market in the coming years, as the country is working hard to

develop its semiconductor industry. I visited India for the first time in 2023 and witnessed firsthand how manufacturers adjacent to the semiconductor industry were already starting to move. We view India not as a replacement for existing markets but as an additional market and will continue working to seize new opportunities there.

Although sales in Europe and North America currently account for just 2% of total sales, we see signs of semiconductor production efforts possibly launching in some locations. We will continue to monitor these developments closely and respond promptly to capitalize on opportunities as they arise.

Of course, we always strive to avoid mistakes in our work. However, if we only take on tasks that guarantee success, we won't be creating new value. In striving to create value that others

cannot equal, I believe it will be essential going forward to continue to welcome problems that arise from trying out new things.

Sparking a fourth molding revolution to achieve further growth

Let me share my thoughts on our long-term vision. As we work toward achieving our sales target of 100 billion yen by 2032, we are strengthening our production system, including securing new production bases. With the acquisition of a factory in South Korea in April 2024, we now have a production system capable of handling orders worth approximately 80 billion yen. In addition, we have room to expand our factories in Suzhou and Nantong, China. In these ways, we are working steadily to expand our production capabilities to meet our 2032 targets.

We also continue to take on challenges to further our competitive advantages. Specifically, we focus on improving and adding value to the molding process, enhancing one of our key strengths. Our aim is to keep innovating in ways that will eventually cut molding costs in half. Although it will take time to develop the technology, we have identified the steps that need to be taken and are determined to make it happen. Achieving this will open up even more growth opportunities for TOWA. Currently, we have a

market share of over 80% in the high-end packaging market, and I believe we can further increase our overall market share by leveraging our cost competitiveness also to address needs in the mid-range and low-end markets.

Throughout our history, TOWA has driven three molding revolutions, each contributing to our business growth. The first revolution came in 1979 with our development of the multi-plunger molding method, which set the industry standard. The second occurred in 1995 when we introduced a module system that became a bestseller. The third was in 2009, when we launched our compression molding equipment. These revolutions have happened in roughly 10-year cycles, and I believe we are now approaching the time for a fourth molding revolution, related to production processes, as we head into 2025. We will release more specifics at an appropriate time.

HBM may become the dominant memory for its ultra-high speed

The semiconductor market was sluggish in fiscal 2023, and the effects have persisted into 2024. We are finally seeing signs of recovery, however, and anticipate a rebound in demand in the latter half of the year. I am watching these short-term trends but also keeping a close eye on the possibility of a shift from the conventional DDR standard to HBM. I personally feel that such a shift is gradually becoming more and more possible.

With an ever-increasing need for processing speed at data centers and across all sectors, the demand for HBM is likely to burgeon, leading to even higher expectations for TOWA. We are fully committed to addressing customer needs by delivering products and solutions that meet their demands, including compression molding equipment.

In fiscal 2024, we will expand sales of our compression and other molding equipment while also looking to expand sales of singulation equipment. Singulation is the process by which multiple semiconductor chips molded with resin are separated into individual units for packaging. We have been developing and refining the technology for this equipment since the 1990s at the request of semiconductor manufacturers. Until recently, our sales efforts were predominantly focused on molding equipment, so we reorganized in October 2023 and established the Singulation

Business Division as headquarters for the singulation business, integrating development, production, and sales.

In the area of singulation, we are also advancing new initiatives, such as integrating laser technology to offer innovative solutions and create new revenue opportunities, as we have done with molding.

TOWA's business strength is undoubtedly connected to our sustained technological innovation, but it can also be attributed to our focus on keeping in close touch with clients and providing support and service to solve problems on a timely basis. Our commitment does not end when we deliver equipment. Rather, TOWA's true value comes through ongoing support. We provide follow-up maintenance, perform troubleshooting, make improvements to boost productivity, supply parts, and offer value-added proposals. When our service engineers visit clients, they don't limit their attention to the equipment they are responsible for but will address even unrelated issues the client may have. Our engineers are trained to value the dialogue with clients and to work diligently to propose optimal solutions to issues they face. I believe that this approach to service is one of the reasons we are trusted by clients worldwide who use our products.

Nurturing other core businesses outside the field of molding

While molding remains at the center of our growth strategy, we are also pursuing challenges in our three other fields of business with a long-term view toward core business development. One area we are looking to expand is our equipment renewal business as a total solution service (TSS). Currently, this business is primarily focused on South Korea and Taiwan, but we plan to deploy dedicated personnel and make full-scale efforts to expand it into regions like China and Southeast Asia. Additionally, to drive growth, we aim to leverage TOWA's technological strengths in the tooling business (cutting tools) and contract processing business. Though still in its early stages, during the course of pursuing and developing coating technology, we have developed a breakthrough water-repellent coating process that can potentially revolutionize the field. I believe this innovative technology holds great promise for future growth, and we are committed to nurturing it. Each of these business areas will contribute to our reaching and surpassing the target of 100 billion yen in revenue by 2032. Just as we have driven technological revolutions in molding, we plan to do the same in these areas to establish new core businesses for growth.

Together with this business expansion, we place a strong emphasis on sustainability initiatives. Our forward-looking commitment includes promoting environmental initiatives that contribute to carbon neutrality, addressing human capital, and

strengthening corporate governance, and we plan to take early action on these important issues. TOWA has always been and will continue to be a company that aspires to reach "to the top of the world" by embracing change. I ask all of our stakeholders for your continued support in these ongoing efforts.



Taking on challenges without fear of failure leads to the creation of new value

In retrospect, it is clear to me that the driver of TOWA's growth has been our unflagging passion for taking on challenges. Tackling even the tiniest issues will nurture the seeds that lead to growth. I am convinced this is the source of TOWA's value.

When you try something new, you will not get everything right all the time, which is why I always tell our employees that we welcome problems that arise from trying out new things.

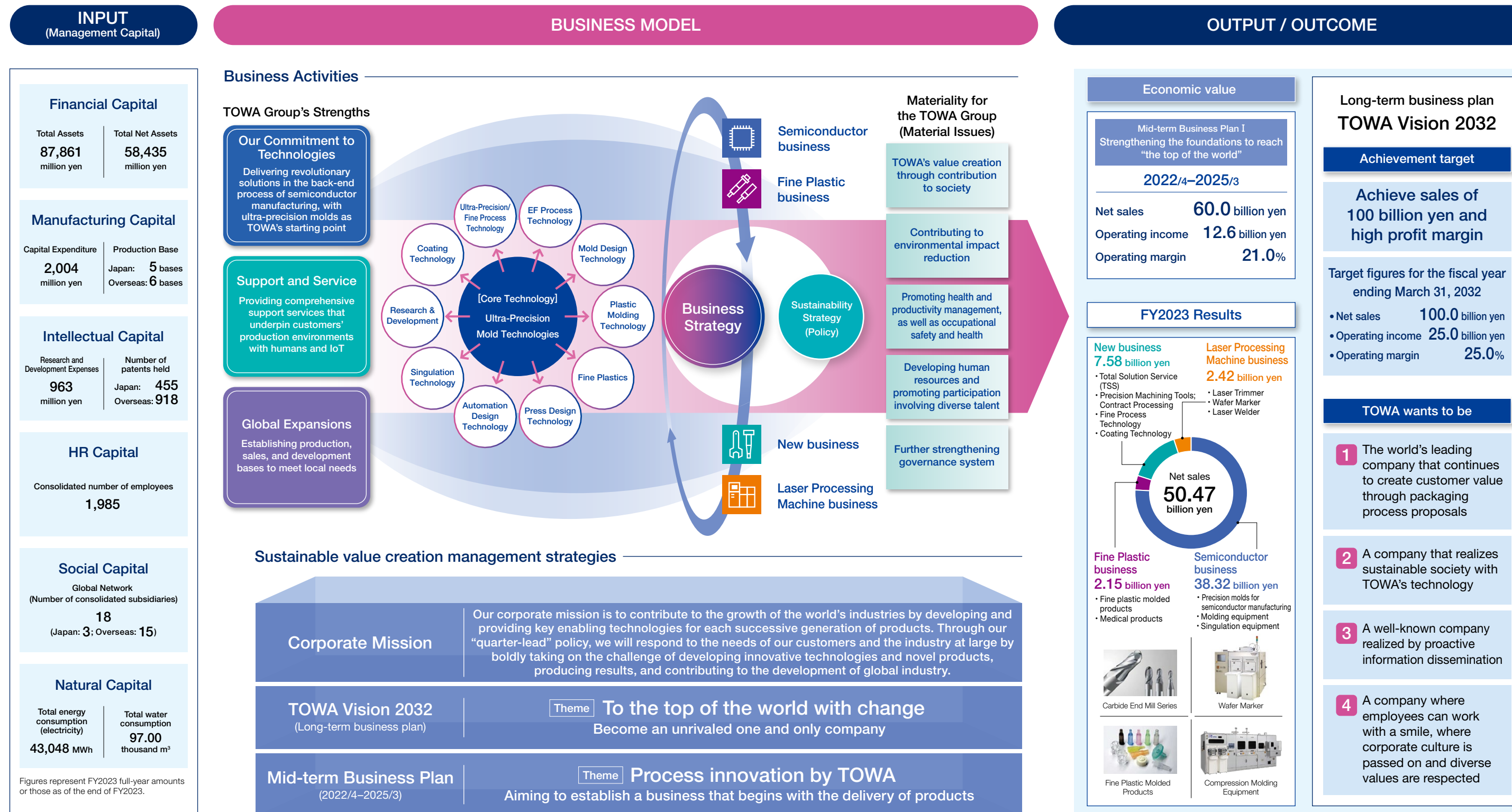
I have personally learned a lot in my career through painful experiences. One instance I can now speak about happened during my time stationed in Singapore. A major issue occurred after delivering a piece of equipment, and I received harsh

criticism from the client.

We immediately identified the problem and proposed a solution, and I assured the client that we were confident the solution would improve productivity and quality. With their approval, we implemented the necessary measures, and sure enough, the proposed improvements delivered what we had promised. In the end, the client was very appreciative. What led to that success, however, was that we did not deny the mistake we had made. Instead, we committed to delivering a more in-depth solution, which also served to strengthen our relationship with the client.

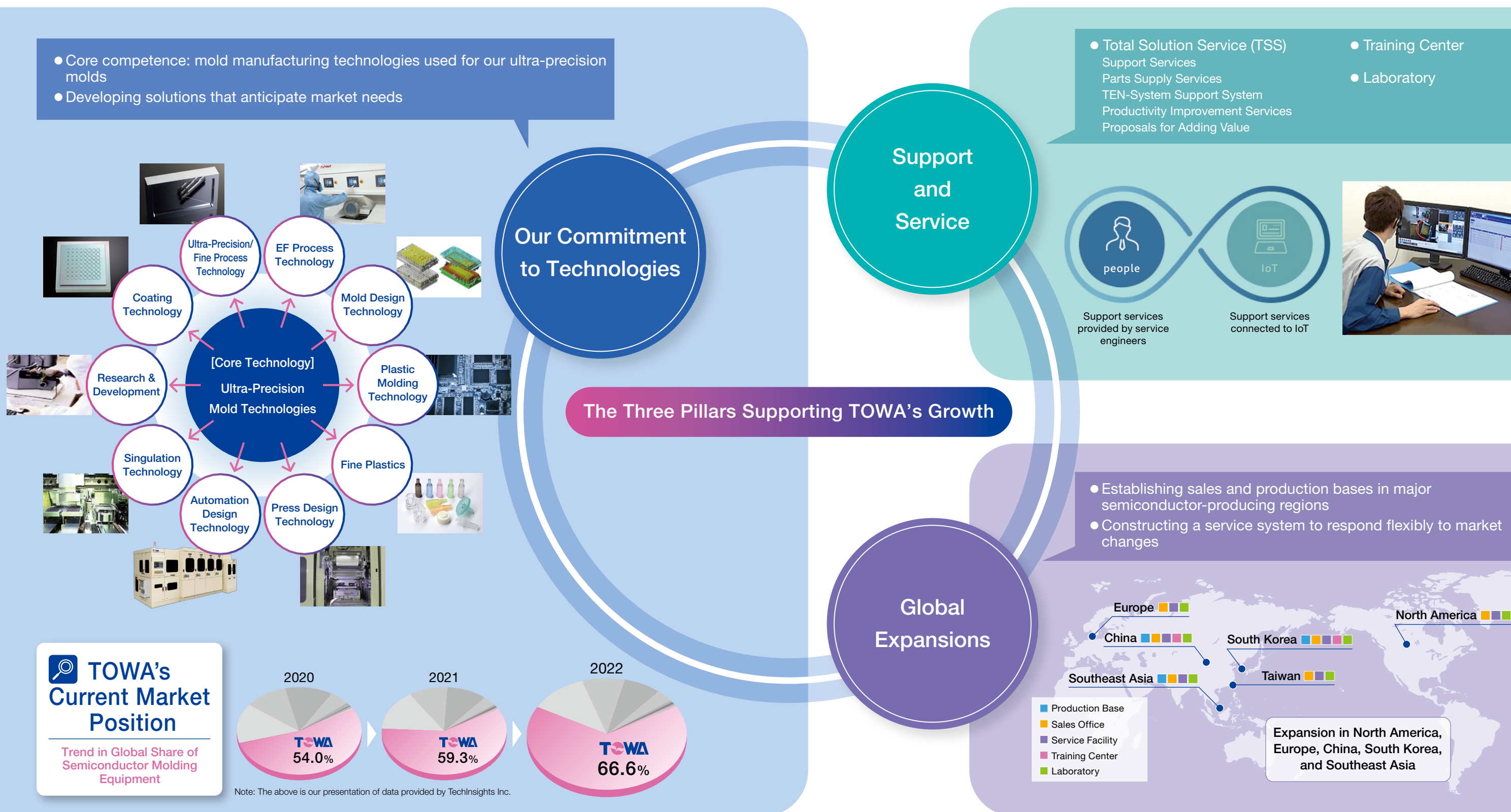
Value Creation Process of the TOWA Group

As demand for semiconductors increases rapidly for various applications, customers have growing expectations for the TOWA Group. With an eye on contributing to the resolution of social issues such as how to achieve sustainability, we will continue to pursue further growth and increase corporate value through a business model that only we can create, aiming to become an unrivaled one and only company.



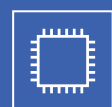
Strengths of the TOWA Group

TOWA's technological foundation was established over many years by our predecessors, who demonstrated their passion for manufacturing through a commitment to research and development. This approach, which includes after-sales support, represents our greatest strength and serves as an asset we use to grow our total solution services. We have expanded our development, production, and sales hubs around the world to position ourselves close to our customers. This enables us to respond quickly and appropriately to customer demand in terms of development, manufacturing, and supply.



Products and Technologies of the TOWA Group

The TOWA Group's greatest strength is its technological expertise. We have continued to share our cutting-edge technologies with the world, especially our advances in the back-end process of semiconductor manufacturing. Our starting point was the development of a module system for ultra-precision molds. The ultra-precision fine process technology we cultivated as a result furnished us with a stepping stone to the fine plastic business and other new businesses. A variety of technologies, including our unrivaled compression molding, are contributing to further technological development around the globe.



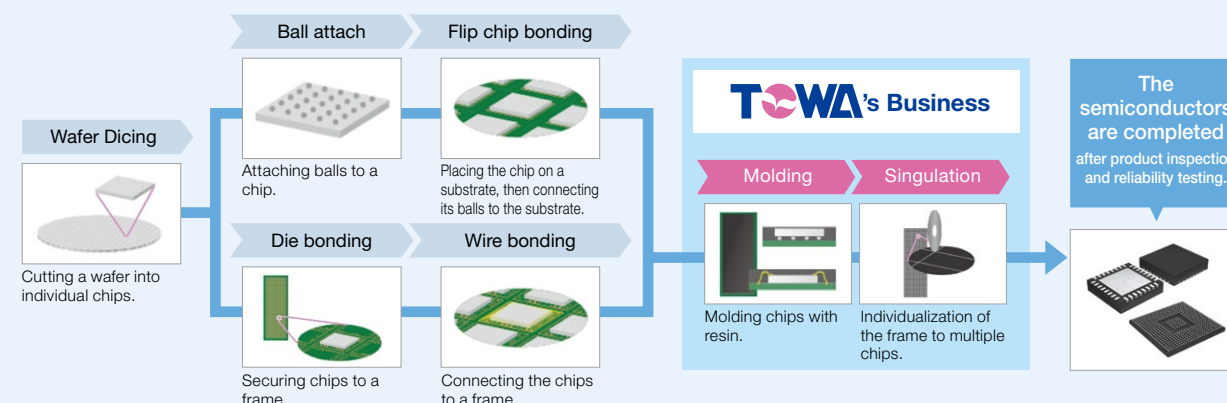
Semiconductor

Revolutionary solutions for the back-end process of semiconductor manufacturing

Front-end and back-end processes

The manufacture of semiconductors involves both front-end and back-end processes, and TOWA is a manufacturer of equipment used in the back-end process.

The back-end process includes lining up the semiconductor chips on a substrate, connecting the gold wires, covering the chips with resin to protect them, cutting them into pieces, and testing their operation. The process of covering (molding) chips with resin is called molding and the process of cutting is called singulation, and we at TOWA have been thoroughly pursuing the performance of these devices.



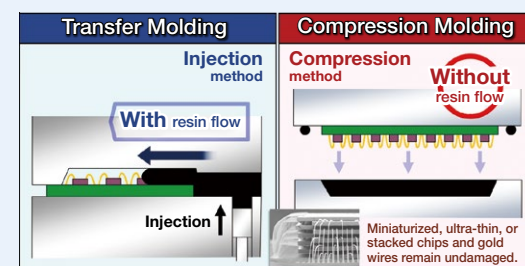
Our compression equipment demonstrating overwhelming superiority in molding processes

Transfer molding has been used for many decades to inject resin into the recesses of enclosed molds. This approach creates an issue whereby the gold wires are distorted by the flow of resin during injection, damaging the delicate chips. Our unique compression molding method, which removes the influence of flow by simply immersing the product in resin, has made it possible to mold advanced products and significantly reduce costs.

Compression molding is ideal for next-generation packages such as 2.5D and 3D packages. They represent our technological advantage because these new packages are expected to grow in anticipation of accelerating demand for semiconductors associated with next-generation technologies such as autonomous driving, 5G communications, AI, and IoT.



Model PMC2030-D
Due to patents and technical difficulties, this product has remained unrivaled in the market since its introduction in 2009.

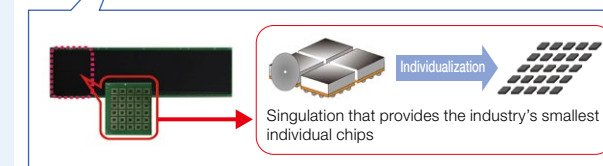


Substituting compression molding for transfer molding is a packaging solution. Compression molding has become the indispensable technique for high-end products such as memory chips.

Advanced singulation equipment that elevates quality and boosts productivity

Our singulation equipment cuts semiconductor panels, which have been molded in the molding process, into individual pieces. Our equipment is capable of cutting pieces as small as 1 mm x 1 mm, the smallest dimensions in the industry.

Our strength lies in our ability to offer solutions that incorporate the cutting blades our Group develops and manufactures. We are now expanding sales of our advanced Model FMS4040, which saves labor while offering improved productivity and environmental characteristics. At the same time, we are promoting our existing products while supplying the market with collaborative products developed through our strong relationship with our Laser Processing Machine business.



Fine Plastic

Contributing to medical care with plastic molding processes utilizing nanotechnology



Cleanroom



Molding of fine plastics for medical use

Our Fine Plastic business, focused on medical products, undertakes contract production of fine plastic molded products for medical applications. These products include medical syringes and intravenous drip components. Our original ultra-precision and fine process technologies enable high-precision mass-production molding, and our core technology of "injection molding to assembly" in clean room facilities is characterized by one-stop production from inspection to shipping. We satisfy a wide array of our customers' molding needs, from development models and small-lot to mass production. We are also working on environment-friendly biomass plastics and biodegradable plastics.



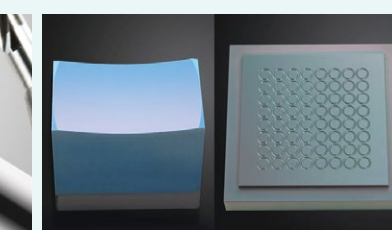
New business

Developing new businesses by applying TOWA's core technologies

We are developing our TSS business, which offers total solutions, including sales of our proprietary end mills (tools) that support our ultra-precision machining technology for dies and molds, contract processing business that applies our ultra-precision machining and coating technologies, after-sales service, modification and repair of our semiconductor manufacturing equipment, and sales of used equipment.



CBN End Mill Series



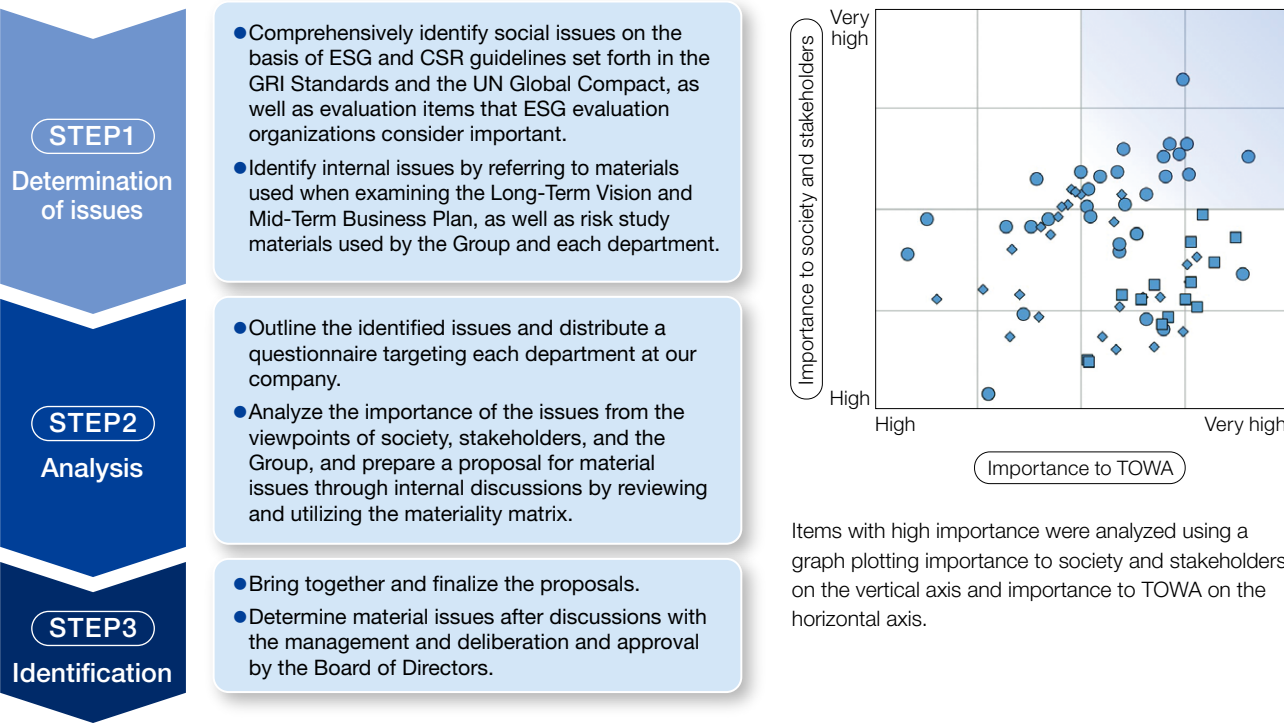
Lens forming mold (left) and rubber forming mold (right)

Materiality for the TOWA Group

Identification of materiality (material issues)

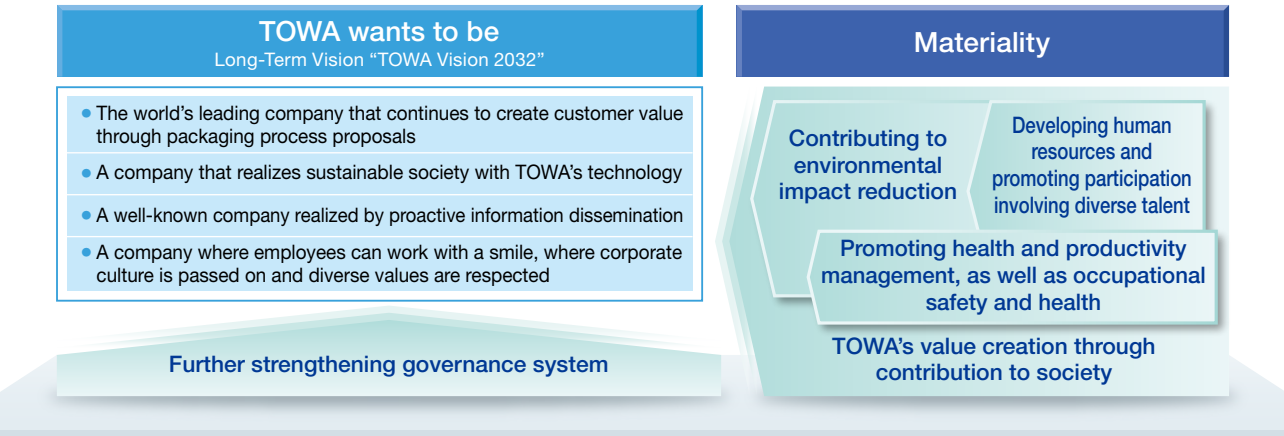
We have identified the materiality (material issues) for the TOWA Group. This materiality refers to issues to address toward what TOWA wants to be 10 years hence, as clarified in our long-term vision “TOWA Vision 2032.” We will strive to improve the sustainability of society through the provision of value to society, while at the same time enhancing long-term and sustainable “earning power” of the Group and encouraging further value creation.

Identification process



Connection with “what TOWA wants to be” in “TOWA Vision 2032”

In the process of analyzing and identifying issues we have extracted, we have brought together and finalized our materiality, taking into consideration that these are issues that we must work on in pursuit of what TOWA wants to be 10 years hence as a top international company, which will increase corporate value by being addressed and achieved.



Materiality for the TOWA Group

Materiality	Initiatives	Related SDGs
TOWA's value creation through contribution to society	- As stated in our management policy, we intend to respond to the needs of our customers and the industry at large by boldly taking on the challenge of developing innovative technologies and novel products, producing results, and contributing to the development of global industry through our “quarter-lead” attitude. Under this policy, we aim to become a world-leading company that continues to create value, as we strive to enhance customer trust and satisfaction. - We will contribute to the realization of a sustainable society by utilizing technologies based on TOWA's core competence and by taking initiatives with our eyes set on social issues. - We will actively disseminate information about our initiatives to increase our name recognition.	
Contributing to environmental impact reduction	- We will work to reduce CO₂ emissions in our business operations and promote the introduction of renewable energy sources, aiming to achieve carbon neutrality throughout the Group. - We will move ahead with eco-friendly development for our own products, and provide eco-friendly products and services to contribute to our customers’ decarbonization and environmental measures. We will also pursue a circular economy (economic activities that reduce waste generation and recycle products while maintaining high value) through our modification business, sales of used equipment, and TSS (Total Solution Service). - We will promote environmental preservation efforts through our environmental management system, reduce waste, and strictly control environmentally hazardous chemical substances.	
Promoting health and productivity management, as well as occupational safety and health	- We will put into practice our belief: “when employees are healthy and full of energy, both physically and mentally, the company’s business will flourish.” By maintaining and promoting health; improving the work environment and occupational safety; and enhancing employee engagement we will create an environment in which our employees can work with joy and satisfaction. - We will promote workstyle reforms by improving operational efficiency through DX.	
Developing human resources and promoting participation involving diverse talent	- We will develop global human resources who will lead the next generation with diverse and ambitious mindsets and who can respond to changing environments (risk). - We will respect diversity and create an environment in which diverse human resources can play a more active role. - We will pass on TOWA's core competence technologies and corporate culture, which have been cultivated since its founding.	
Further strengthening governance system	- We will proceed with corporate governance and compliance initiatives to strengthen our governance structure. - Strengthening of risk management - Strengthening of BCP system - Strengthening of intellectual property strategy - Strengthening of information security - Initiatives for personal information protection	

Long-Term Vision “TOWA Vision 2032”

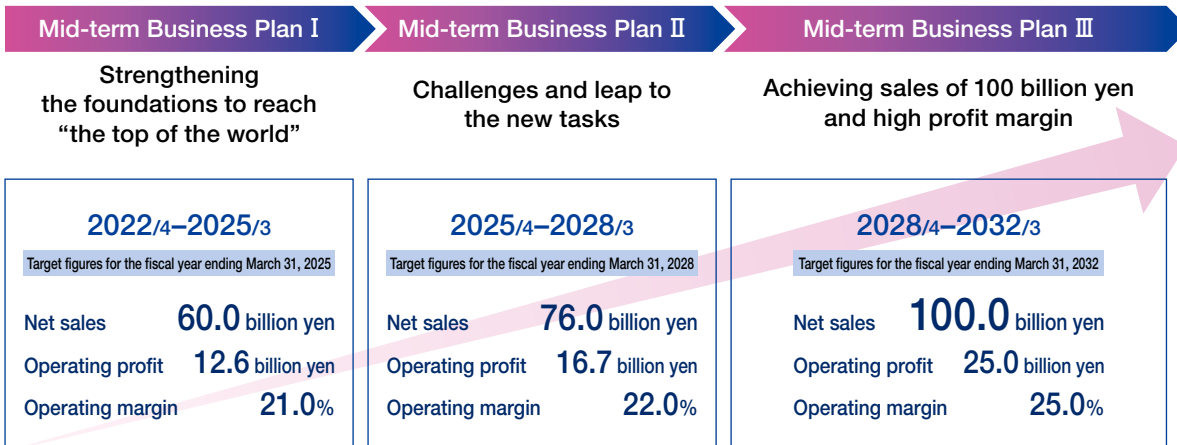
In March 2022, TOWA formulated its long-term vision “TOWA Vision 2032,” a new challenging theme for the next 10 years to create a paradigm shift and move to a completely different and higher stage, thereby becoming an unrivaled one and only company in the world.

Long-Term Vision

“TOWA Vision 2032”

Theme “To the top of the world with change”

The top of the world means to be literally at the top ranking worldwide and to become an unrivaled one and only company. To this end, we have set goals to be achieved in steps, reexamined what kind of company TOWA should be in the future, and defined “what TOWA wants to be” 10 years hence, which is summarized in four points that we should aim for.



Our previous long-term vision (from April 2014 to March 2022) started with net sales of 17.1 billion yen in fiscal 2014, and had the major goals of net sales of 50 billion yen, operating profit of 8 billion yen, and an operating margin of 16% in 10 years. To achieve these goals, we made aggressive capital investments in anticipation of market trends. As a result, we achieved these goals two years ahead of schedule in the fiscal year ended March 31, 2022.

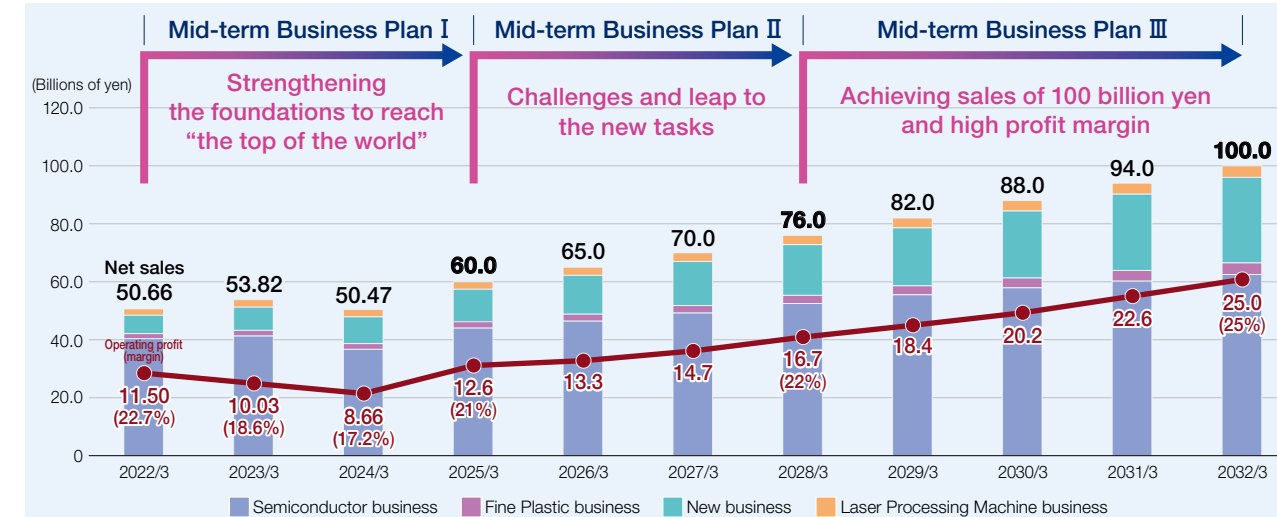
Under the theme of “To the top of the world with change,” TOWA Vision 2032 aims to achieve net sales of 100 billion yen, operating profit of 25 billion yen, and a high operating margin of 25.0% in the fiscal year ending March 31, 2032.

We will seek to achieve the performance targets of TOWA Vision 2032 with the 10 years through fiscal year ending March 31, 2032 divided into three phases: Mid-term Business Plans I, II, and III.

Positioning the first three years as the period for “strengthening the foundations to reach ‘the top of the world,’” we will actively make investments in the development of new technologies and production facilities, foster human resources to pass on TOWA’s technologies to the next generation, and acquire human

resources to expand our operations. As we will also invest in Digital Transformation (DX) to improve efficiency, margins will temporarily decline in the Mid-term Business Plans I. However, operating margins are expected to improve from the Mid-term Business Plan II onward due to the effects of these investments.

To the top of the world with change



What TOWA wants to be 10 years hence (2032)

We reexamined what kind of company TOWA should be in the future, and defined what TOWA wants to be 10 years hence as follows.

- The world's leading company that continues to create customer value through packaging process proposals**
We will create value that our customers can obtain from our technology and knowledge related to the packaging process TOWA is proud of.
- A company that realizes sustainable society with TOWA's technology**
We will contribute to the realization of a sustainable society by utilizing TOWA's technologies in various fields.
- A well-known company realized by proactive information dissemination**
In our expansion into new businesses with securing human resources and BtoC in mind, we will strive to actively engage in PR activities because we believe it is necessary to raise our name recognition in society at large.
- A company where employees can work with a smile, where corporate culture is passed on and diverse values are respected**
We will pass on the DNA we cultivate even over the next ten years. At the same time, we aim to be a company that respects diverse values that change with the times and cares about its employees by responding to them flexibly.

Materiality for the TOWA Group

TOWA's value creation through contribution to society
Contributing to environmental impact reduction
Promoting health and productivity management, as well as occupational safety and health
Developing human resources and promoting participation involving diverse talent
Further strengthening governance system

We have identified the materiality for the TOWA Group as issues that must be addressed in order to achieve what TOWA wants to be and that will increase our corporate value by addressing and resolving them. We will aim to be at the top of the world by continuously improving our “earning power” and creating further value.

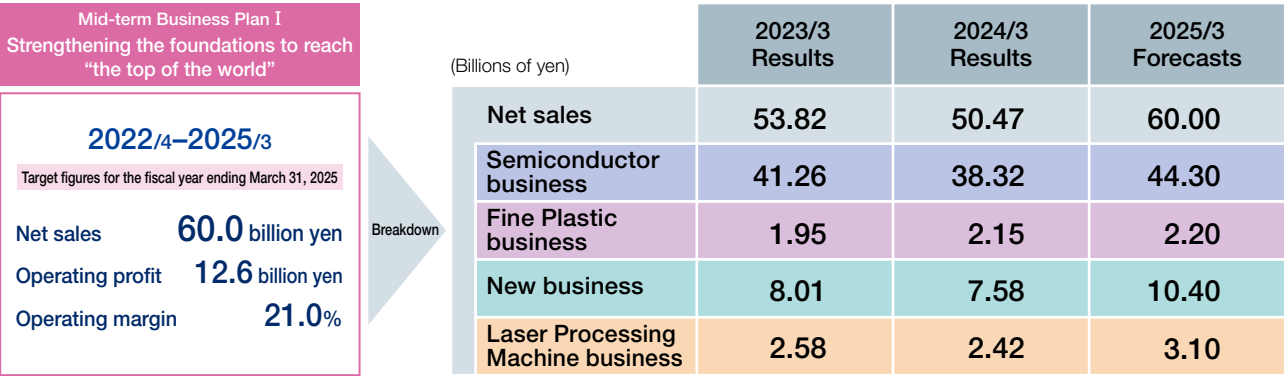
Progress with the Mid-term Business Plan I (from April 2022 to March 2025)

TOWA aims to establish a “business that starts after the product is delivered” by transforming its business from a conventional format that views completion as after delivery of “equipment and molds” and receiving payment from the customer. Specifically, TOWA will create a business model where it brings innovation to the semiconductor packaging process and provides more efficient production processes and services to customers, thereby making profits.

Under the theme of “Process innovation by TOWA,” we will solidify the foundation to reach the top of the world.

The Mid-term Business Plan I is a three-year plan covering the period from April 2022 to March 2025. We aim to achieve net sales of 60 billion yen and operating profit of 12.6 billion yen in three years. Positioning fiscal 2023, the second year of the Mid-term Business Plan I, as a period to strengthen the foundation to achieve our long-term vision, we actively promoted capital investment, human resource development, and the development of new technology.

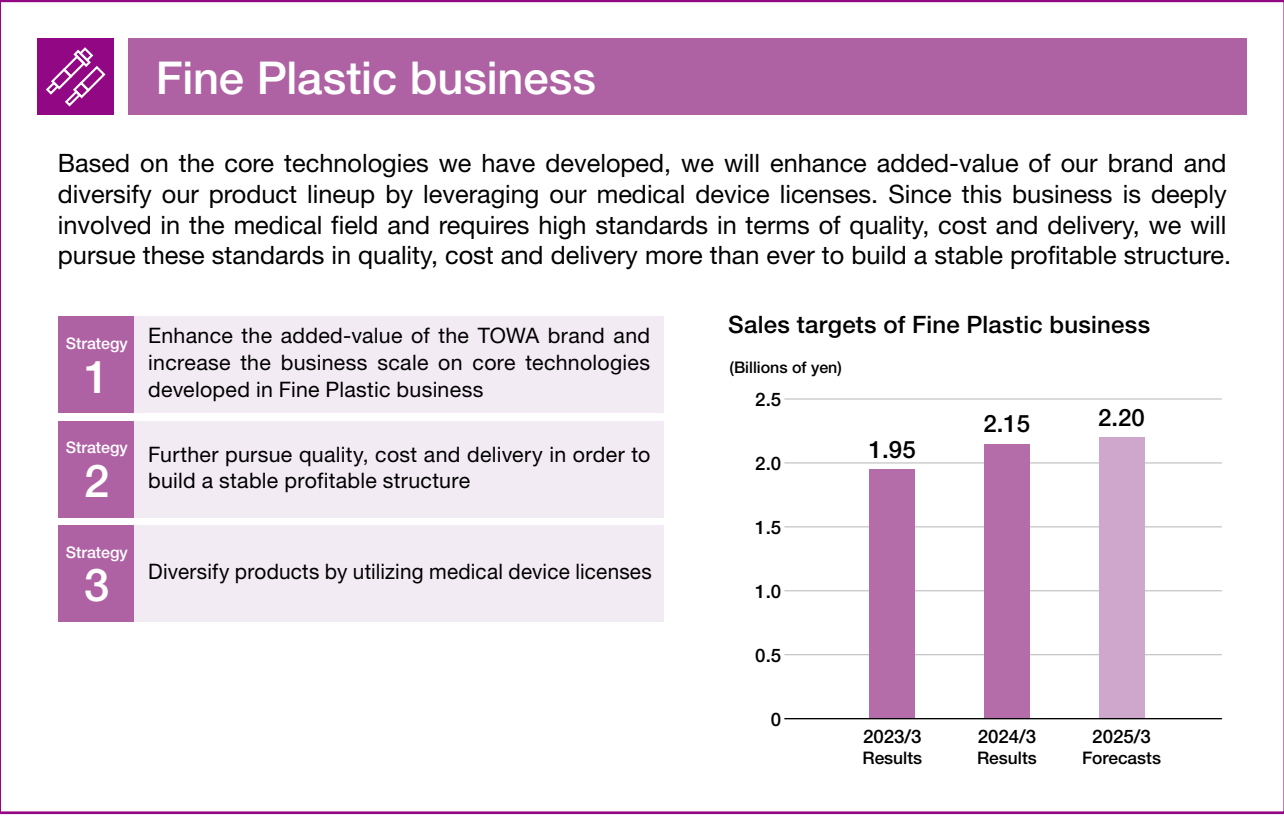
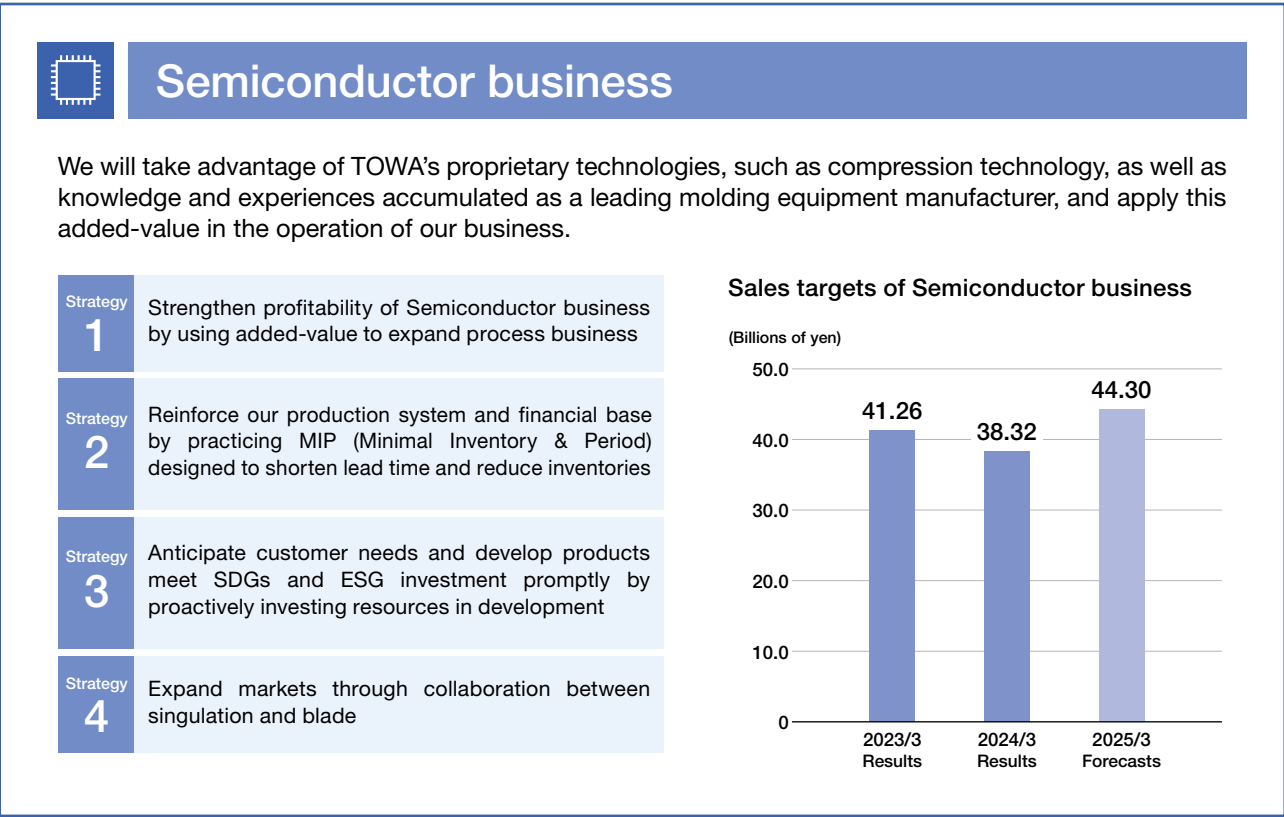
Numerical targets for the Mid-term Business Plan I – Solidifying the foundations to achieve our long-term vision



Five Basic Policies for the Mid-term Business Plan I

1	Make added-value inherent to our proprietary technologies, quality and business processes (know-how) into business through paradigm shift and improve profitability.	By creating a shift in mindset, we will go beyond “selling products” and develop a business that sells TOWA's added value.
2	Strengthen market competitiveness and financial base by maximizing throughput with DX.	We will thoroughly work to increase sales, reduce inventories, accelerate collection of accounts receivable, shorten lead time and development periods, and lower material costs, outsourcing and other expenses.
3	Expand new businesses and profits based on our core technologies.	We will continue to leverage TOWA's core technologies, including ultra-precision, fine process, and coating technologies.
4	Nourish human resources who have various challenging minds and lead the next generation.	Regarding the development of “human resources,” which served as a major factor in achieving our previous 10-year vision, we will produce more human resources who are willing to take on challenges and who are suitable for a 100-billion-yen company.
5	Enhance corporate value by actively dealing with SDGs and ESG.	In accordance with our Basic Sustainability Policy, we will conduct activities with consideration for their impact on the global environment, connection with local and international communities, and the safety and health of all stakeholders.

Business Strategies



Business Strategies



New business

We aim to create TOWA-original products by applying our core technologies such as ultra-precision, fine process, and coating technologies. At the same time, we will expand our TSS (Total Solution Service) business. We will also utilize our global production bases to increase our competitiveness in terms of both technology and cost.

- Strategy 1

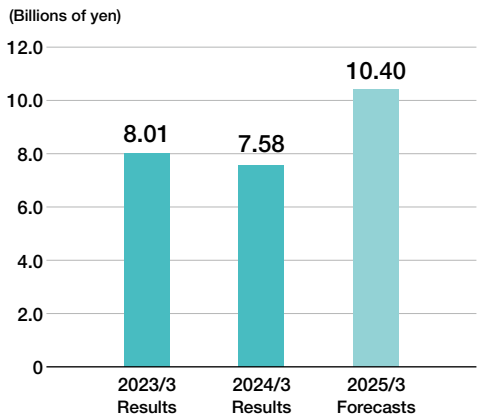
Develop applications of our core technologies in order to create new core business that will help reshape our business portfolio
- Strategy 2

Realize new business development through the creation of TOWA-original products
- Strategy 3

Contribute to the stable operations for customers through TSS business and secure the long-term relationships
- Strategy 4

Improve competitiveness and increase market share by utilizing our global production bases to reduce costs

Sales targets of New business



Laser Processing Machine business

For a manufacturer, it is natural to create products like never before or that are better than ever before, but if these products fail to gain value (profit), they will greatly diminish the significance of our corporate activities. Based on the technology and knowledge of our laser business, we will strengthen applications and create new products while also achieving “value creation” and “value acquisition.”

Furthermore, we will thoroughly pursue our customer processes, deepen our understanding of the value that customers seek, and aim to become a company which can provide problem-solving business.

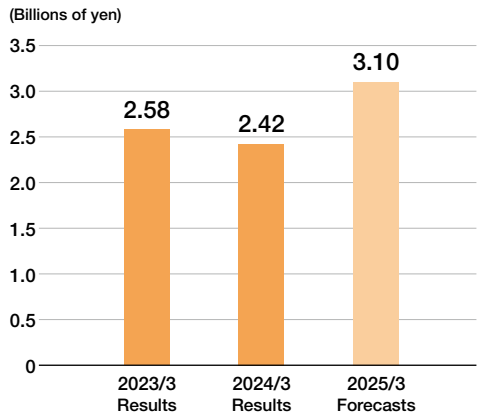
- Strategy 1

Aim at “value creation” and “value acquisition” by creating new products through enhanced applications
- Strategy 2

Make full use of the TOWA Group’s production and sales bases in order to increase production capacity, reduce costs, and strengthen sales system and services
- Strategy 3

Grow into a company which can provide problem-solving business by thoroughly pursuing customer processes

Sales targets of Laser Processing Machine business



Strategies by Function

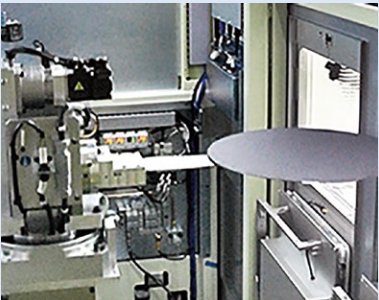
Sales strategies

- 1 Enhance process support and build business models that can be produced only with our technology, thereby expanding sales and improving profitability
- 2 Expand the range of utilization of our proprietary compression devices
- 3 Build a global sales, management system and service system in order to increase customer satisfaction



Development strategies

- 1 Develop new products that meet the needs of our customer through paradigm shift
- 2 Establish de facto standards through mold process development and the next-generation molding innovation
- 3 Promote the environment-friendly development that considers SDGs and ESG



Production strategies

- 1 Optimize our global production and purchasing system in order to reduce costs and shorten lead times
- 2 Improve production technologies in order to increase confidence in quality
- 3 Work to make high-value-added products with DX
- 4 Nourish human resources and build a business structure that can respond to changes in the environment (risks)



Human resources/organizational strategies

- 1 Global expansion of TOWA bases for wide-ranging business support from process development to solution proposals
- 2 Nourish global human resources who lead the next generation
- 3 Promote work style reform by improving operational efficiency with DX
- 4 Found “TOWA Academy” for passing down TOWA’s technologies and culture



Strategic Technologies

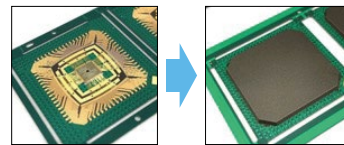
Supporting Modern Society and Contributing to the Future Emergence of a Highly Digitized Society

Our innovative molding technology is essential to the fabrication of highly advanced semiconductors as well as the semiconductors typically used in a wide range of industries.

In recent years, a succession of products and services incorporating AI and other such innovative technologies have been arriving on the scene, and their widespread adoption has been progressing in earnest. As society becomes more digitized, demand for semiconductors has been increasing even as that demand has been becoming more sophisticated. TOWA has grown alongside the semiconductor industry in its early days with an enviable record of having introduced groundbreaking technological innovations right from its founding in 1979. We are now introducing our advanced molding technology, which is essential to the fabrication of highly advanced semiconductors as well as the more common semiconductors typically used in a variety of industries.

Protecting Delicate Semiconductor Chips with Resin Molding Technology

The extremely fine and delicate nature of semiconductor chips requires that they be shielded from external hazards such as dust, moisture, and physical impacts in order to protect against malfunctions and failures. Moreover, depending on the particular product, consideration must also be given to cooling because of generated heat and the ease of mounting on circuit boards. Currently, the mainstream method of sealing semiconductor chips is molding with thermosetting resin using molds, which are cost-effective and easily handled. As a leader in providing molding equipment, we have offered our customers a number of innovative manufacturing technologies since our founding. To date, we have introduced three major technological innovations, which we refer to collectively as Molding Revolution.



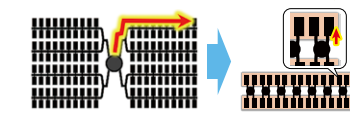
The Molding Revolution: Contributing to the Development of the Semiconductor Industry Through Technological Innovation

Molding Revolution 1

Development of multi-plunger molding method
Establishment of de facto standard

The multi-plunger molding method provides higher quality and reduced resin waste.

Size of resin: Palm-sized Fingertip-sized
Resin flow path: Long Short (high quality)
Resin waste: High Low



Molding Revolution 2

Development of module system
Y-series became a best seller.

The modular system makes it possible to increase or decrease the number of presses.

Flexibly accommodates variations in production volume and product type.

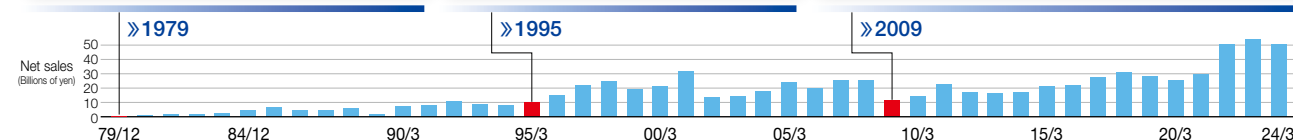
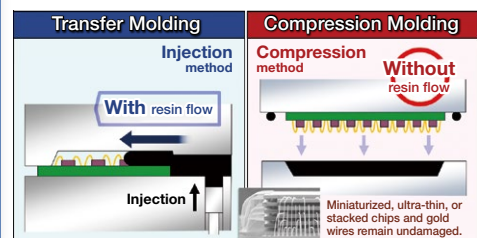


Molding Revolution 3

TOWA launched compression equipment
Establishment of new de facto standard

Providing high-quality molding of advanced products and significant cost reductions.

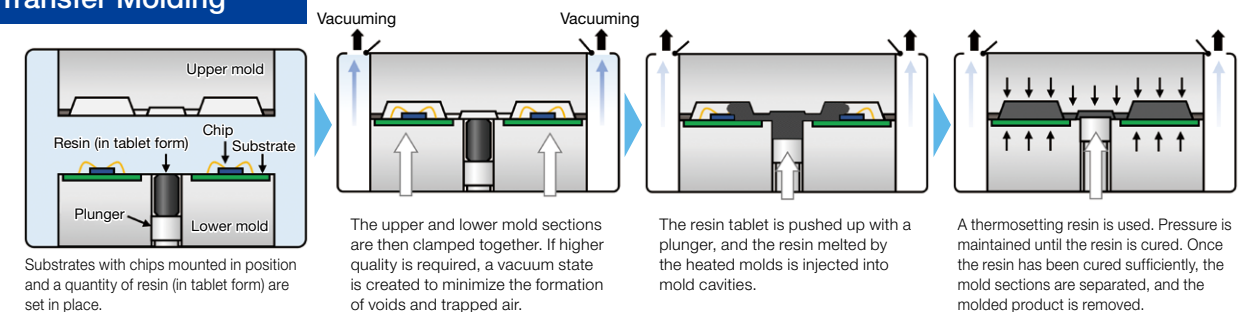
- Ideal for cutting-edge products such as memory and 5G
- 100% resin usage efficiency
- Compatible with various panel and wafer sizes
- Unrivaled since its introduction



Transfer Molding and Compression Molding

We offer the most suitable equipment and processes to accommodate specific product types and configurations. Here we introduce the basic processes associated with transfer molding and compression molding along with their respective features.

Transfer Molding

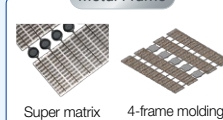


Model YPM1180

For large discrete devices (single-function semiconductor)



Metal Frame

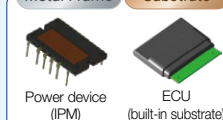


Model YPM1120

For automotive & power devices
Compatible with movable pins



Metal Frame Substrate

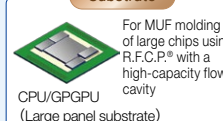


Model YPM1250-EPQ

For 2.5D, 3DIC and chiplet products



Substrate

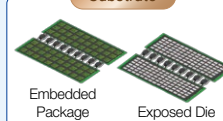


Model YPM1080-EP

For exposed die molding



Substrate

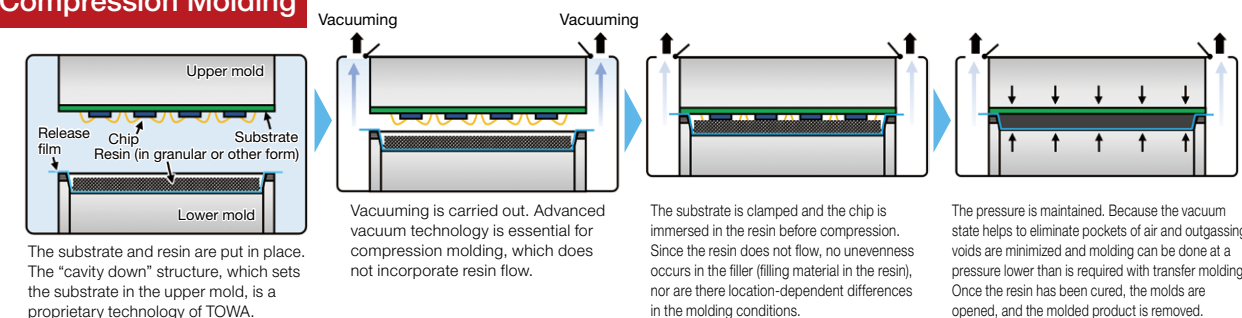


Transfer equipment offering high productivity, high quality, and molding capabilities

Thanks to our years of accumulated expertise, we can accommodate a wide variety of applications and production requirements, focusing on individual packages that are not in bulk. We can also handle packages that combine advanced technology with the need for higher quality.

- Double-sided molded products
- Accommodates exposed parts such as heat sinks.
- Packages requiring thickness and volume
- Suitable for advanced packages such as 2.5D and chiplets.

Compression Molding

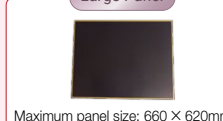


Model CPM1180

Fully automatic ultra-large panel molding machine designed to accommodate future industry needs



Large Panel

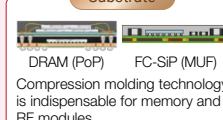


Model PMC2030

For products requiring high filling & high flatness (Compatible with granular and liquid resins)



Substrate

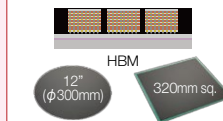


Model CPM1080-HP

Accommodates advanced packages such as HBM/2.5D/3D/Chiplet/FOWLP/PLP



Wafer, Panel



Model LCM series

Ideal for mass production of LED packages



Substrate, Panel



Compression equipment that meets the most advanced market needs

Ideal for bulk molding of packages and wafer-level products

- 100% resin efficiency to benefit the environment
- Uniform, high-quality molding without resin flow
- Resin can be driven into the narrow gaps typical of advanced memory and the like.
- Provides the low-pressure molding essential for RF modules and MEMS devices and the like.
- Applicable for ultra-large panels exceeding 600 mm square.
- Also suitable for LED lighting

Strategic Technologies

Supporting Modern Society and Contributing to the Future Emergence of a Highly Digitized Society

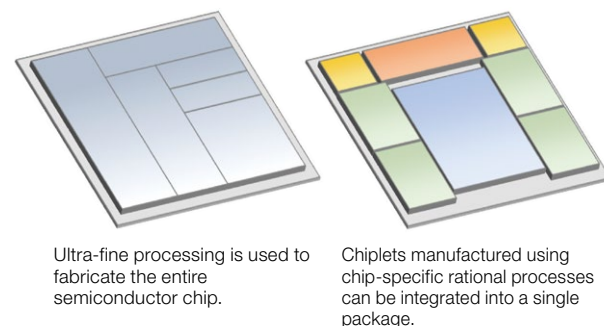
Supporting the development of innovations such as chiplet technology that overcomes the limitations of miniaturization and ultra-fast HBM memory essential for the semiconductors used for generative AI

The improved performance of semiconductors, achieved through advances in integration and miniaturization, is supporting the development of the emergent information society. In the future, semiconductors will be required to demonstrate even greater performance enhancements in order to support the adoption of AI and progress in digitization. Until now, improvements to semiconductor performance have been achieved by miniaturizing and integrating circuits as part of front-end processes. However, physical limitations now hinder further progress in miniaturization of a circuit pattern width, while the manufacturing process itself requires massive capital investment. In addition, attempts to achieve high performance and increased functionality with a single semiconductor chip are resulting in increased chip size. This is leading to major challenges such as rising costs from declining manufacturing yields and the reduced number of such large chips that can be obtained from a round wafer.

Chiplet Technology: Using Back-end Processes to Overcome Restrictions to Miniaturization

In recent years, efforts to overcome these challenges with back-end processing technologies have been attracting attention. One of these is chiplet technology, a back-end packaging technology in which multiple small semiconductor chips (known as *chiplets*) offering different functions are arranged horizontally or stacked to fit into a single package. With chiplet technology, instead of manufacturing high-performance semiconductor products by fabricating extremely fine circuits on one large chip, small semiconductor chips with different functions can be manufactured using rational processes. These chips are then combined by arranging or stacking them horizontally on a large substrate to form the required high-performance semiconductor product. This is also known as *heterogeneous integration technology*. The larger the area of a semiconductor chip, the higher the probability of defects. However, by using small chiplets, the manufacturing yield can be improved, and manufacturing costs can be greatly reduced because these products can be manufactured using the optimal process for each chip.

Meanwhile, semiconductor products manufactured with this chiplet technology are required to be larger and of higher quality, two demands that bring with them new challenges. We offer a solution to these challenges in the form of resin molding.



The “Resin Flow Control Method” Supports the Fabrication of Chiplets for Use in Generative AI



Transfer molding equipment supporting the high-performance AI packages (chiplet products) used with generative AI

The challenges to successful resin molding—including warping, which is a common issue with large substrates; controlling product thickness; and filling large volumes of resin uniformly without any voids—require highly advanced technologies.

In September 2023, we released our Model YPM1250-EPQ transfer molding equipment, which overcomes these challenges with several of our technologies. These include the “resin flow control method,” which was developed as a mechanism for controlling the flow of resin with high precision, achieving high-quality molding even for large packages that have been difficult to achieve with conventional technology. In addition, depending on their configuration, some chiplets generate a lot of heat, so this approach also supports exposed molding of the chip surface, which is required as a heat dissipation measure.

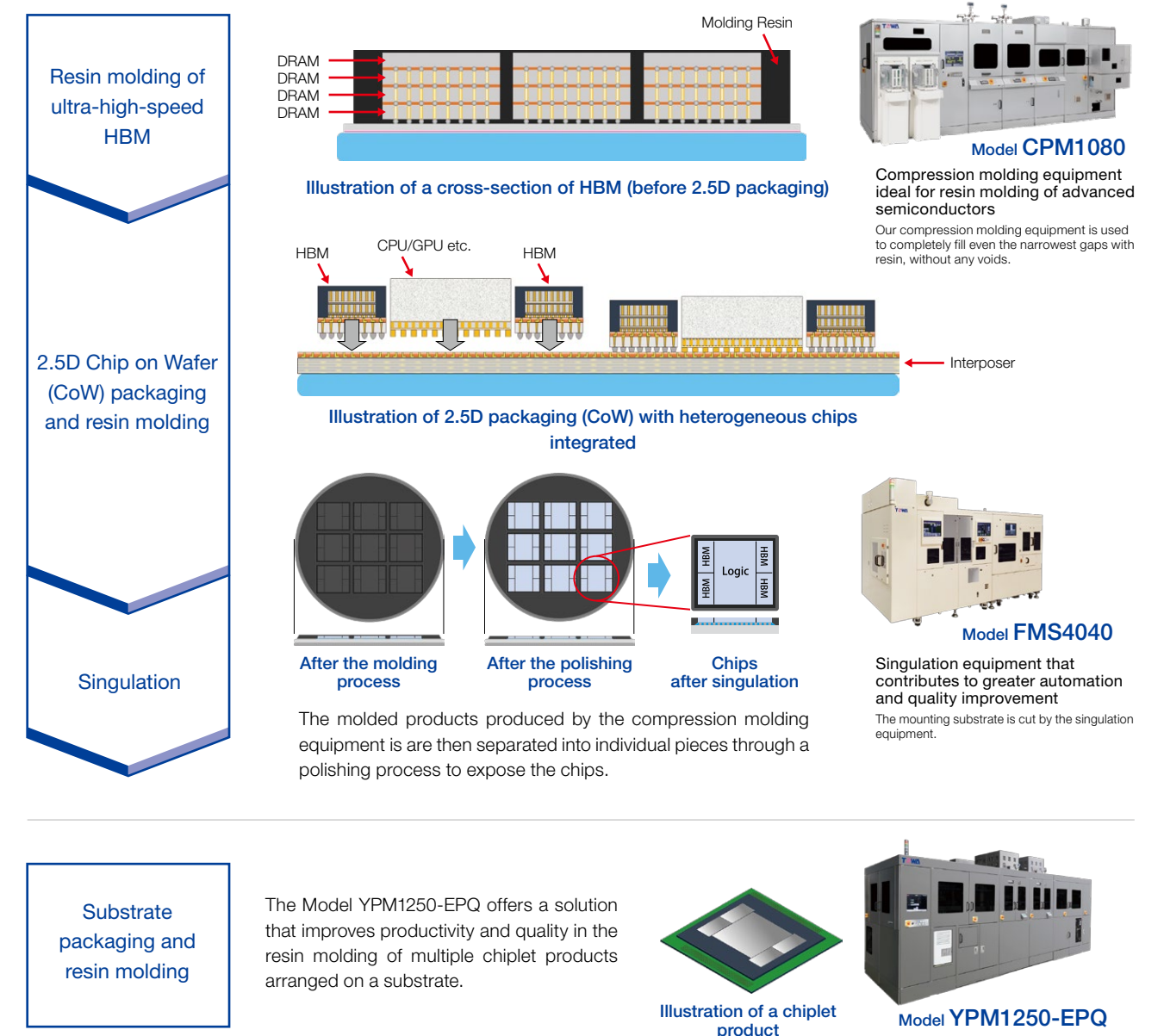
Offering Products That Contribute to Advanced Semiconductor Processes

Advanced semiconductors used for applications such as generative AI incorporate a method called 2.5D packaging, in which computational chips such as CPUs and GPUs as well as ultra-high-speed HBM (“high bandwidth memory,” a high-speed DRAM standard) are arranged horizontally on a single substrate (interposer). The ultra-high-speed HBM used here is produced in advance in a dedicated manufacturing process. These chips are molded in resin before being mounted on the substrate together with other semiconductor chips. Semiconductor products carry risk of malfunction due to the heat generated during use; therefore, in resin molding, it is necessary to completely fill the mold with resin and eliminate the occurrence of voids, even in narrow gaps. Our compression molding equipment is indispensable to ensuring a successful resin molding process.

In the manufacturing process for advanced semiconductors, we provide solutions using compression molding equipment as well as transfer molding equipment and singulation equipment. These innovations contribute to higher quality, higher performance, and improved productivity.

The role of our products in HBM, 2.5D packaging, and other advanced semiconductor processes

Advanced semiconductors incorporate a variety of manufacturing processes and steps. Here are some examples of how our products contribute to these processes.

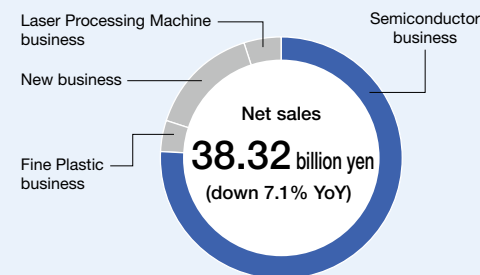


Semiconductor Business

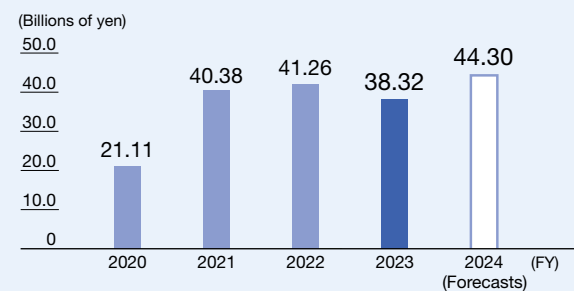
As consistent technological innovation is essential in the semiconductor industry, we are committed to providing cutting-edge technology to customers worldwide, evolving as a leading molding equipment manufacturer.



Sales breakdown



Net sales



Business Summary

The Semiconductor business, the core of our business portfolio, focuses on development and manufacturing of molding equipment (resin molding equipment), singulation equipment and ultra-precision molds.

Molding technology, where semiconductor chips are protected from external factors (dust, moisture, shock, etc.) by resin molding, is key to improving the reliability of semiconductors.

To this end, we manufacture two types of equipment: transfer molding equipment, in which thermosetting resin is supplied around the chip through a gate (supply port) and then hardened, and compression molding equipment, in which thermosetting resin supplied in granule form is preheated and melted on a mold, immersing semiconductor chips in the resin and then hardening the resin.

Compression molding equipment, designed to mold semiconductors in advanced products for memory and 5G devices, meets the diversified needs of the future market.

Singulation equipment, designed to singulate molded products, includes proprietary equipment for cutting and storing products molded by transfer/compression methods.

Our line of ultra-precision molds for resin molding are highly evaluated by customers worldwide, and originate from a module system developed at the time of our founding.



Compression molding equipment
Model PMC2030-D

Business Conditions in Fiscal 2023

In our Semiconductor business, investment in consumer products, primarily in Taiwan, slowed down while capital investment in China and Southeast Asia remained robust. In addition, investment in products related to generative AI began to increase in South Korea in the fourth quarter of 2023. This contributed to net sales of 38,324 million yen (down 2,944 million yen, or 7.1% year-on-year).

The competitive edge of our semiconductor equipment business

Ever since we pioneered the development of fully automated semiconductor resin molding equipment with multi-plungers and established the industry standard, we have been a leading company in the semiconductor molding market. We also place a premium on in-house manufacturing, with a system in place to meet a variety of customer needs.

To perform prototype evaluation and joint development with customers, our laboratories worldwide utilize compression molding equipment best suited for manufacturing high-speed HBM for AI applications and transfer molding equipment ideal for back-end process technology for advanced semiconductors, such as chiplets and 3D packaging. In addition, as we are located in the same geographic region as our customers, we respond to customer demands, including meeting cutting-edge needs, through a more efficient system that can provide products promptly.



Transfer molding equipment ideal for
manufacturing of 2.5D/3D/chiplet products
Model YPM1250-EPQ

Business Strategies

Key strategies in the Semiconductor business

- Strengthen profitability of Semiconductor business by using added-value to expand process business
- Reinforce our production system and financial base by practicing MIP (Minimal Inventory & Period) designed to shorten lead time and reduce inventories
- Anticipate customer needs and develop products meet SDGs and ESG investment promptly by proactively investing resources in development
- Aim to acquire a market share through collaboration between singulation and blade

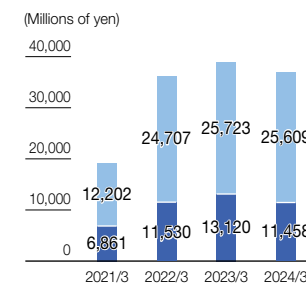
Precision molds for
semiconductor
manufacturing



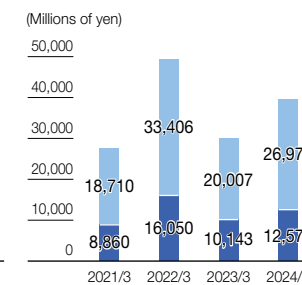
Molding equipment

Growing demand for compression molding equipment for products related to generative AI partially offset decreased net sales due to a slowdown in consumer product investment, resulting in record-high orders and net sales of molds and compression molding equipment on a full-year basis.

Net sales



Amount of orders received



■ Precision molds for semiconductor manufacturing ■ Molding equipment

MIP Project

(Minimal Inventory & Period)

▶ Shorten lead times

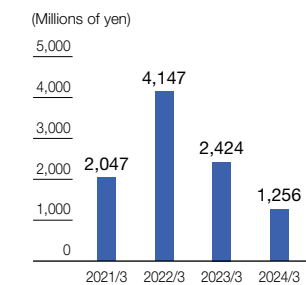
▶ Inventory optimization
(Review of production system)

▶ Prior production ⇄ make-to-order

Singulation equipment

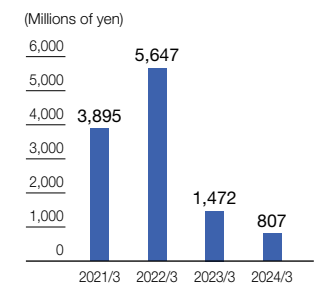
While net sales was in decline with customers adjusting capital investment, the Singulation Business Division was newly established, which is composed of development, production, and sales, preparing for a greater market share as the market recovers.

Net sales



■ Singulation equipment

Amount of orders received

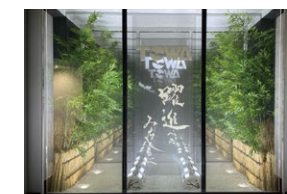


Topics

Strengthening customer relations

TOWA Technology Exhibition

TOWA Technology Exhibition 2023, held between December 2023 and January 2024 at our Headquarters/Factory, was visited by many customers from both home and abroad, where TOWA products and technology were exhibited, tailor-made to themes such as advanced packaging and labor saving. Prior to this, the exhibition was also held in a factory in Malaysia between September and October 2023.



Participating in the exhibition SEMICON Japan 2023

We participated in the exhibition SEMICON Japan 2023, which was held on December 13, 14, and 15 at Tokyo Big Sight.

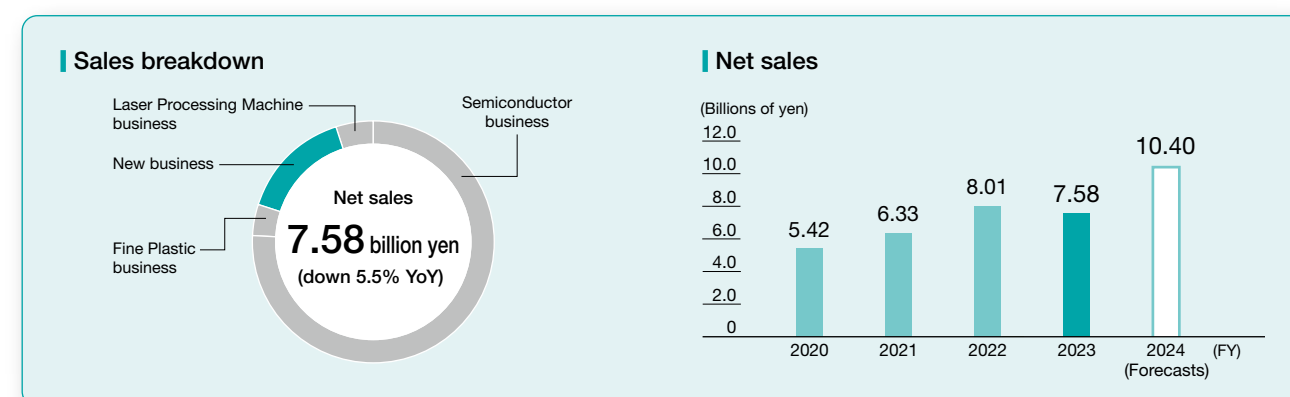
Our products and services exhibited include generative AI semiconductors, a key determinant in advancing technological innovation; molding technology for diversified packages for semiconductors such as packages for increasingly sought-after automotive semiconductors; singulation technology; laser technology; and customer support services.





New Business

We are developing new markets and creating new businesses by leveraging our core technologies.



Business Summary

We are developing New business and creating new values in the market by leveraging our accumulated mold manufacturing technology for semiconductors.

● TSS Business (Total Solution Service)

We offer total solutions, ranging from after-sales service for and modification/repair of our semiconductor manufacturing equipment to sales of used equipment.

● Tooling Business

We sell proprietary tools, the manifestation of our expertise in mold manufacturing.

● Contract Business

Our contract processing business provides coating processing based on TOWA's proprietary mold surface treatment technology, and ultra-precision/fine process and EF (electroforming) technologies we have cultivated in ultra-precision mold manufacturing, all of which can be applied or integrated into medical devices, optical components, household articles, etc.

Business Strategies

Key strategies for New business

- Develop applications of our core technologies in order to create new core business that will help reshape our business portfolio
- Realize new business development through the creation of TOWA-original products
- Contribute to the stable operations for customers through TSS business and secure the long-term relationships
- Improve competitiveness and increase market share by utilizing our global production bases to reduce costs

Business Conditions in Fiscal 2023

Net sales in our New business, especially in the TSS business (distribution of parts and components for semiconductor manufacturing equipment, coupled with modification services), remained sluggish until the third quarter of fiscal 2023 as stagnant demand for consumer products such as computers and smartphones continued throughout the year. The TSS business, however, grew significantly in the fourth quarter with the rising utilization ratio of customer plants, resulting in net sales of 7,578 million yen (down 438 million yen, or 5.5 % year-on-year).

The strength of our New business

The strength of our New business lies in our human resources specializing in ultra-precision mold manufacturing, with each member possessing professional expertise and capabilities. We are developing and upgrading an environment and facilities required for coating, nanomanufacturing, and tooling technologies, which are expected to find their way into wide-ranging strategies, given their diversified applications.

Our proprietary cutting tools provide solutions to customers according to the nature of workpieces and cutting processes they use. Our coating technology developed in-house, for example, is improved with new properties such as anti-reflection and super water-repellency for applications other than molds. Our contract processing business continues to help various customers find solutions by leveraging TOWA's core technologies.

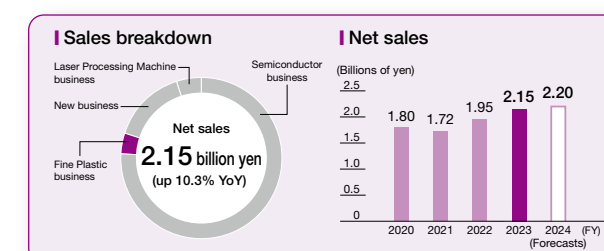


Facilities and an environment enabling nano-processing, one of our strengths (fine process facilities)



Fine Plastic Business

We contribute to a better future with fine plastics, which are used in medicine and a variety of other industries.



Business Summary

The Fine Plastic business involves molding of fine plastics for use in medical devices, telecommunication equipment, information appliances, optical devices, etc., with focus on injection molding and assembly of medical device parts and components. Specifically, BANDICK Corporation, a group company established in 1983, manufactures and assembles fine plastic products in cleanrooms to ensure their reliability and quality.

Business Conditions in Fiscal 2023

The Fine Plastic business recorded net sales of 2,150 million yen (up 200 million yen, or 10.3% year-on-year) and operating profit of 458 million yen (up 70 million yen, or 18.1% year-on-year) as demand for fine plastics for medical devices increased after the medical care system returned to normal due to the COVID-19 impact subsiding.

Business Strategies

Key strategies in the Fine Plastic business

- Enhance the added-value of the TOWA brand and increase the business scale on core technologies developed in Fine Plastic business
- Further pursue quality, cost and delivery in order to build a stable profitable structure
- Diversify products by utilizing medical device licenses

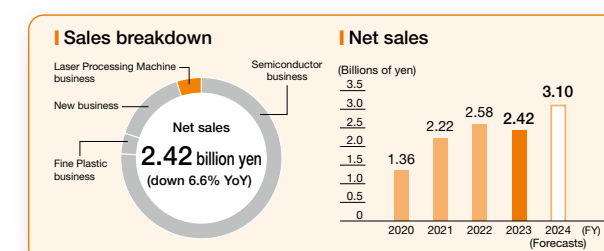


Fine plastic products are all manufactured in cleanrooms, with more than 40 electric injection molding machines in place.



Laser Processing Machine Business

We seek to create new markets, with laser processing technology integrated into back-end process technology.



Business Summary

TOWA LASERFRONT manufactures laser trimmers, wafer markers, and laser welders. We aim to create new markets, with laser processing technology integrated into semiconductor manufacturing.

Wafer marker for laser marking on wafers with product names, lot numbers, and other control numbers



Business Conditions in Fiscal 2023

The Laser Processing Machine business recorded net sales of 2,417 million yen (down 169 million yen, or 6.6% year-on-year) and operating profit of 105 million yen (down 141 million yen, or 57.2% year-on-year) as labor costs increased because we expanded business and secured human resources for reinforcement of the development system.

Business Strategies

Key strategies in the Laser Processing Machine business

- Aim at "value creation" and "value acquisition" by creating new products through enhanced applications
- Make full use of the TOWA Group's production and sales bases in order to increase production capacity, reduce costs, and strengthen sales system and services
- Grow into a company which can provide problem-solving business by thoroughly pursuing customer processes

**Daisuke Wake**Outside Director, Audit and
Supervisory Committee Member**Motoko Tanaka**Outside Director, Audit and
Supervisory Committee Member**Miho Goto**Outside Director, Audit and
Supervisory Committee Member

We will utilize our expert knowledge and contribute to further improvement of corporate value through supervision and proposals concerning management.

We held a roundtable discussion by three outside directors. We had them express their frank opinions about the management style at TOWA.

While the business is growing rapidly, we will fulfill our mission as outside directors

Wake I recognize that the role of an outside director in TOWA is, of course, to supervise the execution of duties of directors and the management of proceedings of the Board of Directors on behalf of shareholders. To do this, it is important to gather information; however, information that I can acquire by myself is limited. In addition, I check the accuracy of financial statements from the standpoint of a certified public

accountant, but I cannot always better understand the truth just by looking at figures in the materials. Therefore, I'm always sure to talk directly with various people in the company. I believe I can understand what they are really thinking and the truth through conversation with them.

In particular, to understand the situation in internal control, active communication is essential to understand the background of the phenomenon and other issues. I think that through the process of conversation about various topics, including chats, I can draw out an employee's true feelings

and get to the bottom of the matter. Fortunately, TOWA has an environment where people can exchange opinions freely, and I can work smoothly.

Goto I have been working as a lawyer in Kyoto City since 1997 and have a variety of clients, from individuals to small and medium-sized enterprises and local governments. In addition to expertise on laws, my advantage is seeing things objectively from diversified viewpoints without being bound by an organization. Furthermore, I try to give my opinions frankly instead of trying to read the room at an organization.

Like Mr. Wake, I also recognize it important to supervise management for the profit of shareholders; I carefully maintain balance, however, to avoid pointing things out in too detailed a way. In addition, in the Board of Directors, I try to suggest viewpoints different from the manager by expressing my opinions from a legal point of view when a new system is introduced. In some cases, I give opinions from the viewpoints of shareholders or young employees.

Tanaka Like Mr. Wake, I'm also a certified public accountant. I have been auditing internal control, financial statements, and advisory work for large companies at a leading auditing company for a long time. I always try to provide a viewpoints useful for TOWA utilizing my experience.

As an outside director, I think the role of speaking for people in the company who are afraid of speaking out is important. As Ms. Goto said, I also try to give frank opinions without worrying about reactions from others with the goal of supervising management. I think, however, we are also a cheering group supporting management. I want to encourage positive efforts in management and play the role of both accelerator and brake for management.

At the same time, it is necessary to achieve balance from the perspective of a variety of stakeholders such as employees, shareholders, creditors, and investors. As there are two female directors including myself, I hope we can actively give opinions and suggestions from the viewpoint of women, especially for the empowerment of female employees. I believe better management support can be achieved with these diversified viewpoints.

Feeling strength in the efforts of the entire group toward the future

Tanaka It has been two full years since I became an outside director at TOWA. I can relate to the company's attitude in concentrating its efforts on manufacturing, and I like the positive and exciting atmosphere in the company. The global semiconductor market will grow rapidly into the future, and TOWA's attitude in thinking about the future of the industry



positively is attractive. I also pay attention to the fact that the company produces a variety of products in addition to the semiconductor manufacturing equipment that is the core of its business.

Concerning the sales target of 100 billion yen in 2032, I think efficient execution of governance will be challenging, because the organization will expand in the future, especially important in terms of human resource cultivation, independent function at overseas bases, and the balance of cooperation with the headquarters. For these issues, I feel it is important to discuss matters further in the Board of Directors. At present, management of the Board of Directors is conducted efficiently; however, with expansion of the corporate scale, more projects will arise. Therefore, we should discuss how management can be conducted more efficiently.

Goto When I first came to TOWA, I felt strength in the point that the entire group worked hard toward the future based on the management attitude of working into "the next generation" as a field for creating a new future by operating a "quarter-lead" ahead of customer needs. I was surprised how ideas from President Okada and each were implemented at a very high speed. In addition, I'm glad that TOWA's technical capabilities are highly evaluated by customers and its overwhelming confidence in its products.

In the future, while TOWA grows rapidly as a company, the present system of a smaller number of people playing large roles will change to personnel distribution and an organization formation suitable for the scale. At present, the environment makes it easy to know who and what to ask, and the atmosphere allows you to ask for details easily. However, distribution and information checking may become difficult in the future. I feel it is necessary to create mechanisms to meet

the expansion of the organization. It is important to take measures to accommodate growth and retain these current advantages also in the future.

Wake One of the advantages of TOWA is that it has people of extremely good character. The company has many earnest and sincere people, and I'm impressed by their sincere responses and diligent attitudes at every base. On the other hand, I think securement and cultivation of human resources is still an important issue. The semiconductor industry has economic ups and downs in a fixed cycle, and a big issue is how a company responds in periods where human resources are lacking.

Recently, the number of young employees has been increasing, and the atmosphere in the cafeteria has changed. When I became an outside director, net sales were less than 20 billion yen; however, they have reached 50 billion yen now, and will surely exceed 100 billion yen in seven years if the growth continues at 10% every year. To continue to grow also in the future, it is important to improve the image of the company and increase public support. As President Okada always says, it means to "increase fans of TOWA," and I expect doing so will create a bright future for TOWA.

Opportunities are needed to discuss the state of future governance for medium- and long-term growth

Wake I have been involved in the management of TOWA since I became an outside director in 2012. When I made a suggestion about an issue concerning the state of information provision soon after taking the post, the company responded



immediately by starting an information exchange meeting. This information exchange meeting is held on the same day as the Board of Directors and has become a place where you can share information, exchange unreserved opinions, and discuss M&A and other topics directly with President Okada.

In addition, there is a monthly meeting for information sharing with a chief operating officer of the Corporate Planning Division and Administration Division where recent information has been explained, and we can check changes from previous meetings in advance with the officer before the meeting. Materials regarding the Board of Directors and management meetings are stored in the cloud and accessible from our own offices. As we can check the agenda and materials in advance, we can prepare thoroughly before every meeting. I'm grateful for this well-organized environment, securing the transparency of information and allowing for smooth decision making. I hope to contribute to further development at TOWA into the future utilizing these systems for information sharing.

Tanaka Speaking of the items in the Board of Directors, I think recent issues and investment cases are discussed thoroughly, but discussions regarding long-term issues are somewhat insufficient, such as what to do with the management system in the future as the business is expanding. It may be difficult to deal with the Board of Directors, but I think it is rewarding to discuss ideal states of governance even in informal cases moving forward, considering medium- and long-term growth.

Goto I think the Board of Directors is managed properly. However, in the previous effectiveness evaluation, some directors mentioned that mutual supervision of directors and supervision for internal control and the risk management system for the entire group should be further enhanced, which attracted my attention. These issues should be considered, as I felt that this comment implied that outside directors should be more proactive in their supervision.

The challenge of developing a corporate culture where female employees play active roles

Tanaka As Mr. Wake already said, securement and cultivation of human resources will be important as the organization expands. I feel the adoption of human resources has become easy to deal with after stock prices rose and name recognition increased over this past year.

On the other hand, I cannot help but say that empowerment of female employees is still a challenge. Currently, the percentage of female managers is only 3.5%. I believe it is important to provide opportunities for female employees to

work longer and play active roles. Since the system to do so is already prepared, the organizational culture should be changed. I hope TOWA will create a corporate culture where women can naturally participate more freely. At present, many female managers are working at overseas bases, so we want to aim at a similar state in Japan. We outside directors should give more opinions and think about how female employees should be supported. I hope TOWA can aim to be a company where female employees can easily work to be managers through changes in thinking and promotion of role models for female employees.

Goto One of the reasons why there are so few female managers is that the number of women in the age group suitable to become managers is still small. In addition, many executives have experience in overseas assignments but this is too much of a hurdle for women and may be an obstacle in their paths to become managers.

Online work, however, has increased because of the COVID-19 pandemic in forming an environment where information about other countries can be accessed without being assigned overseas. Women have the possibility of overcoming their disadvantages by introducing methods such as these. The current situation is that is only a small number of female employees in their late forties or above; however, I expect more women will become managers as people from the next generation become managers.

People in the current new generation, especially women with backgrounds in technology, make career plans assuming that they will continue to work even after getting married. The same applies even to women in the semiconductor industry, and they intend to work all their life. I believe more and more women aim to become managers in the future, and we also have to consider measures to support these women as much as we can.

We want to be an organization where everyone can be proud of being a member of TOWA

Goto I think it is necessary to be more careful in supervision of execution of operations in consideration of expansions in company size and sales that will double. Up to now, we have often encouraged management; however, the importance of supervision is increasing because invisible parts increase as the company becomes bigger. While TOWA is growing as a company, we have to play the role of stepping on the brake as necessary. I think it is important not only to achieve goals but to also supervise carefully.

Tanaka As the company size is increasing, I feel the governance systems in bases in Japan and overseas will be



a big issue. We want to provide support using the knowledge that Mr. Wake, Ms. Goto, and I have. When we notice a risk, we can share it immediately; however, it is important to create an organization that allows you to find risks at early stages. I believe this improves the quality of governance to build a stronger system.

Wake To become a larger global company group in the future, it is important for TOWA to develop a corporate culture to avoid sectionalism and cooperate together. Humans have weaknesses, and anyone can make a mistake. To overcome our weaknesses, communication with colleagues is important.

Speaking from my experience as a certified public accountant who has seen many cases, it is effective to talk to employees daily to prevent illegal behavior in advance. I hope that the entire organization organizes control and values communication to achieve the management goals with all of the employees working together.

I think the ultimate ideal state of a company is not to pursue sales and profit alone but to create an environment that allows all the stakeholders to access the highest levels of a company's utility; this is what we consider the pursuit of a "Pareto optimal state." We should aim for a state where all of the people involved, such as employees, business partners, and shareholders, are satisfied and convinced regarding the company's actions, and it is important to always maintain this according to changes in the environment. I hope to aim for a state where everyone can feel lucky to be in this company, even if we are in a difficult situation. And I hope we can create an organization where members of TOWA can feel proud.

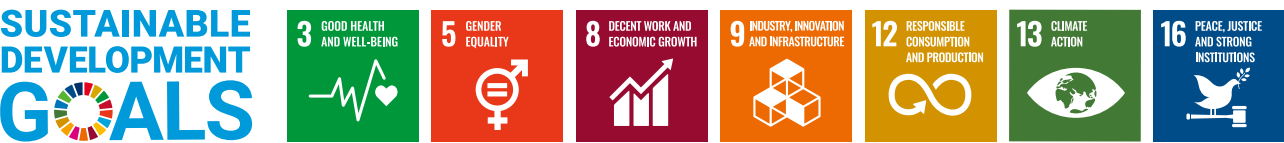
Sustainability of the TOWA Group

Our Basic Policy for Sustainability

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

TOWA’s Response to the SDGs

TOWA shall focus on the following seven goals of the 17 Sustainable Development Goals identified by the United Nations, particularly those with relevance to our business.



TOWA's Materiality	Specific initiatives		Relevant SDGs	Relationship with ESG
	Activities	Descriptions		
TOWA's value creation through contribution to society	Development, manufacture and sale of products incorporating proprietary technologies	Development of resin-efficient equipment		
		ZERO DEFECT initiative		
		Customer experience initiative		
Contributing to environmental impact reduction	Contributing to human health and a healthy environment	Global environmental conservation initiatives		

TOWA's Materiality	Specific initiatives		Relevant SDGs	Relationship with ESG
	Activities	Descriptions		
TOWA's value creation through contribution to society	Contributing to human health and a healthy environment	Used equipment sales		
		Good health and well-being		
Promoting health and productivity management, as well as occupational safety and health	Human resource management	Health and productivity management		
		Work style		
	Developing human resources and promoting participation involving diverse talent	Human resource development		
Further strengthening governance system	Fulfilling our duties as a global citizen	Regulatory compliance		
		Corporate governance		
		Risk management		

Environmental Initiatives of the TOWA Group

Fundamental Policy

At TOWA Group, to contribute to the achievement of a sustainable, recycling-oriented society, we have established the Environment Management System at each plant and office and make effort to minimize the environmental impact of our business activities.

We also strive to improve the environmental performance of our products by designing and developing them with a focus on the reduction of the environmental impact as the primary goal.

Environmental Policy

TOWA Corporation recognizes that protection of the global environment is an important issue shared by the entire human race. Through all of our business activities, we provide the market with “new products, new merchandise and services” by means of environmentally friendly technological development and contribute to reducing the global environmental impact.

1. Fully understanding the global environmental aspects of our business activities, products and services, we will make every effort to prevent global environmental pollution and counter global warming.

2. We will comply with environmental laws and regulations related to our business activities, products and services.

3. We engage in the following as the key tasks for our business activities, products, and services:

(1) Promotion of green design taking into account life cycle, with low environmental impact.

(2) Promotion of green procurement encouraging the supply chain for low environmental impact.

(3) Reduction and control in the use of environmentally hazardous chemical substances

(4) Continuous efforts to save energy and resources in our business activities

4. To achieve this Environmental Policy, we set strategic targets, formulate specific steps for realizing them, set indexes for measuring the results quantitatively, and make efforts to ensure continuous improvements.

April 1, 2017

Hirokazu Okada

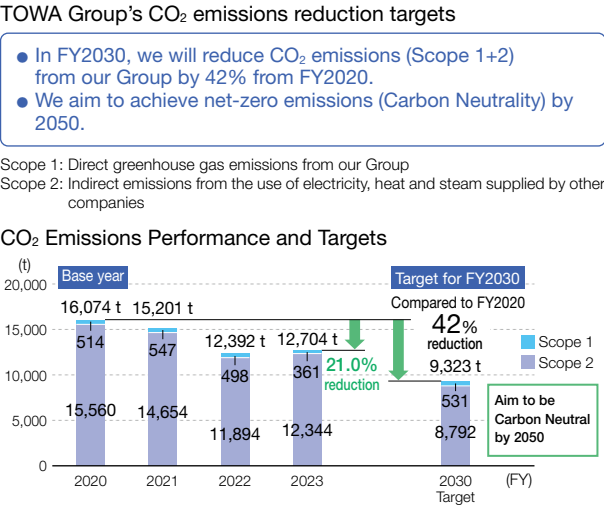
President & CEO, TOWA Corporation

Climate Change Measures — Initiatives for CO₂ Reduction

The TOWA Group has set a series of CO₂ emissions reduction targets to achieve carbon neutrality, emphasizing the reduction of greenhouse gas emissions, a key factor in climate change.

The Group's Scope 1 and 2 emissions in fiscal 2023, however, were up 312 tonnes from the previous year as emissions were factored in from TOWA FINE and TOWA TOOL, both of which recently became the Group's production base. On the other hand, solar panels have contributed to reducing CO₂ emissions by 893 tonnes compared to the previous year, with those installed at the Nantong Plant brought into operation.

We are committed to further reducing CO₂ emissions using renewable energy and implementing further measures.



Information Disclosure in Line with TCFD Framework

The TOWA Group recognizes “climate change” as one of its key business challenges and announced its support for the TCFD* recommendations in May 2022. Climate change-related governance, strategy, risk management, and metrics & targets are all disclosed according to the recommendations. For example, an environmental management promotion system is in place for governance purposes, while the Board of Directors reviews and determines basic climate change policies and performs risk management.

*TCFD stands for “Task Force on Climate-related Financial Disclosures,” which recommends companies, etc. to disclose climate change-related information.

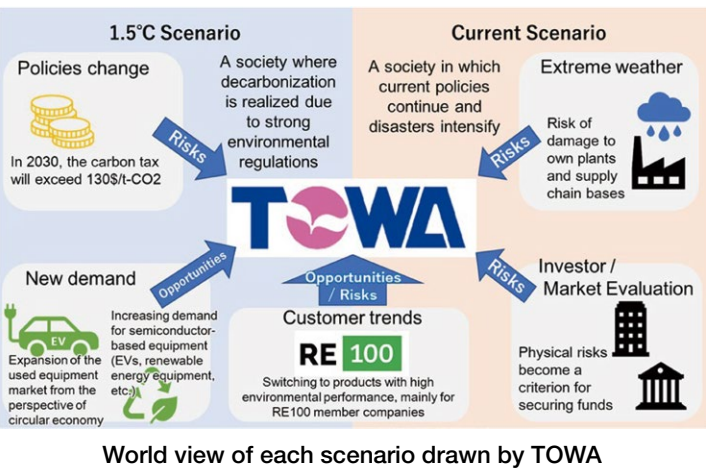
In setting up climate change strategies, moreover, potential risks and opportunities for our business are reviewed and summarized, with a focus on the entire supply chain, including semiconductor-related products. At the same time, qualitative/quantitative analyses of the 1.5°C scenario, etc. are performed to evaluate risks and opportunities involved. Scenario analyses will be periodically reviewed, taking into account future environmental changes.

Regarding risk management, the Risk Management Subcommittee, chaired by the president, periodically identifies and evaluates risks to be addressed.

In addition, metrics & targets are set to achieve one environmental target (CO₂ emissions reduction) while Scope 1 and 2 CO₂ emissions are quantified to disclose our environmental performance.

We are committed to minimizing climate change-related risks by strengthening governance, identifying risks and opportunities, and keeping track of financial impacts in line with the TCFD's framework while promoting information disclosure.

For details, please refer to the website: Disclosure in line with TCFD recommendations.



Overview of the set scenario

	Set scenario	
	1.5°C scenario	Current scenario
Forecast business environment	Risks - Toward the realization of a world of 1.5°C, the introduction of carbon tax is progressing all over the world, and in 2030, the carbon tax will exceed 130\$/t-CO₂ in developed countries. - Customers' environmental awareness will increase, and energy saving and CO₂ saving of manufacturing equipment will be strictly required. However, the development of energy-saving technology will make great progress. Opportunities - Demand for semiconductor manufacturing equipment will expand significantly from the current level due to the growth in EV sales, the spread of renewable energy equipment, and the growing needs of customers to achieve international initiatives (RE100, SBT, etc.). - With the spread of the concept of circular economy in addition to economic efficiency, the used market for manufacturing equipment will expand significantly from the current level.	Risks - As the frequency of severe disasters such as typhoons and floods grows, the risk of damage to our own plants and supply chain bases increases. Opportunities - With the growth of EV sales, the spread of renewable energy equipment, and the growing needs of customers to achieve international initiatives (RE100, SBT, etc.), the demand for semiconductor manufacturing equipment is increasing, but the growth will be slower than in the 1.5°C scenario. - From an economic point of view, the used market for manufacturing equipment is expanding, but the growth will be slower than in the 1.5°C scenario.
Reference scenario	- IEA: WEO2021 NZE and SDS - IPCC Sixth Assessment Report / Working Group I Report: SSP1-1.9, SSP1-2.6	- IEA: WEO2021 STEPS - IPCC Sixth Assessment Report / Working Group I Report: SSP3-7.0, SSP5-8

Environmental Initiatives of the TOWA Group

Calculation of CO₂ Emissions and Measures for Reduction

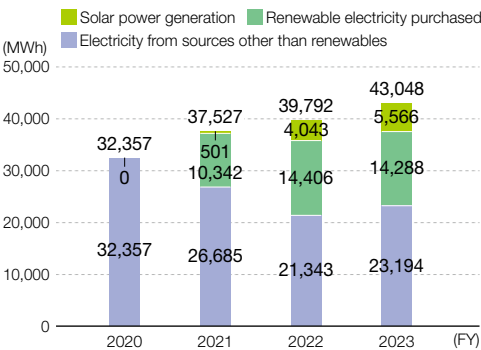
Promoting the use of renewable electricity (Scope 2 initiative)

The TOWA Group is proactively switching to renewable energy for its electricity consumption. As one measure to help generate energy, we started using solar panels in January 2022 to power our plants at home and abroad. Solar panels installed at the Nantong Plant in late fiscal 2022, for example, were put into full operation in fiscal 2023, while TOWA TOOL (Malaysia), which became our subsidiary in April, had already been installed with solar panels before the merger. This resulted in a total output of 5,566 MWh (up 37.7% from the previous year), which translates into a CO₂ reduction of about 3,300 tonnes.

In addition, since July 2021, major plants in Japan (Headquarters/Factory, Kyoto East Plant, and Kyushu Work) have been switching to electricity from renewable energy sources provided by electric power companies.

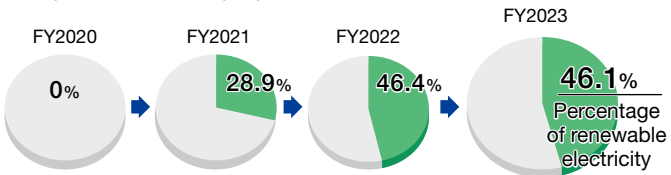
As a result, electricity from renewable energy sources accounted for 46.1% (percentage of renewable energy) of our plants' electricity consumption in fiscal 2023. We are committed to expanding renewable energy use in the Group.

Electricity consumption



Solar panels installed at the Nantong Plant

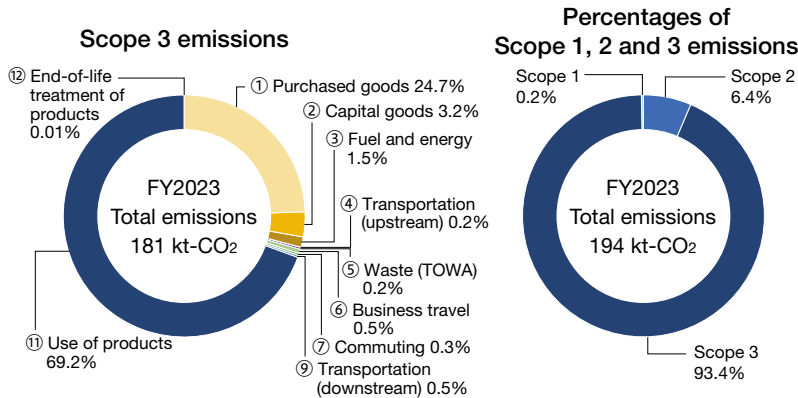
Percentage of electricity from renewable energy sources in total electricity consumption for the Group's production bases



Calculation of Scope 3 emissions

In addition to efforts to reduce Scope 1 and 2 emissions originating from the direct use of fuels and electricity, we started calculating our Group's Scope 3 emissions in fiscal 2022 to promote reduction efforts and cover all our corporate activities. Scope 3 emissions refer to those generated across the corporate value chain, from upstream activities (manufacture of purchased goods, employees' business travel, etc.) to downstream activities (transportation of sold products, customers' electricity consumption during product use, disposal of products, etc.).

Focusing on emissions from the use of products, a category that accounts for a sizeable portion of emissions, we will improve calculation accuracy, further serving customers and society by improving the energy efficiency of products and reducing waste.



Scope 3 emissions in FY2023

Category	Actual amount of emissions (kt-CO ₂)	Boundaries	Calculation methods
Total Scope 3 emissions	181.01	—	—
1. Purchased goods and services	44.63	*1	Calculated by multiplying the purchase amount by the emissions intensity.
2. Capital goods	5.80	*2	Calculated by multiplying the capital investment by the emissions intensity of our industry sector.
3. Fuel and energy related activities	2.64	*1	Calculated by multiplying the amount of energy purchased by the emissions intensity.
4. Transportation and distribution (upstream)	0.04	*1	Calculated for transportation of products within the country of production: transported weight × distance × emissions intensity. (However, transportation of purchased products and services was calculated in Category 1.)
5. Waste generated in operations	0.30	*1	Calculated by multiplying the amount of waste by the emissions intensity by type, taking transportation into account.
6. Business travel	0.99	*1	Non-Consolidated: calculated by multiplying the amount of transportation expenses paid by the emissions intensity of each means of transportation. Group companies: calculated by multiplying the number of employees by the emissions intensity.
7. Employee commuting	0.58	*1	Calculated by multiplying the number of employees and the number of business days by the emissions intensity for each city category.
8. Leased assets (upstream)			Calculated within Scope 1 and 2.
9. Transportation and distribution (downstream)	0.82	*3	Calculated for transportation of products excluding Category 4: transportation weight × distance × emissions intensity.
11. Use of sold products	125.19	*3	Calculated by estimating and setting annual power consumption and product life for each product type sold, and multiplying by the CO ₂ emission factors.
12. End-of-life treatment of sold products	0.02	*3	Calculated by multiplying the weight of products sold by the emissions intensity by waste type and treatment method.

10. Processing of sold products, *13. Leased assets (downstream),* *14. Franchises* and *15. Investments* are excluded as they have no activities subject to emissions calculation.

*1 Main production bases Japan: Headquarters/Factory, Kyoto East Plant, Kyushu Work, BANDICK Corporation, TOWA LASERFRONT Corporation Overseas: TOWA Korea Co., Ltd., TOWAM Sdn. Bhd., TOWA (Suzhou) Co., Ltd., TOWA (Nantong) Co., Ltd., TOWA FINE CO., LTD., TOWA TOOL SDN. BHD.

*2 Consolidated

*3 Products sold by the semiconductor and laser businesses

Access our website for the emission coefficients used and information on Scope 1 and 2 emissions.

<https://www.towajapan.co.jp/en/company/esgdata/>

Activities and initiatives

Green procurement, design and purchasing

As part of our Environmental Management System (EMS), the Green Procurement Guidelines and the Green Design Regulations are established for material procurement, design, and manufacturing to comply with the RoHS Directive and reduce emissions of environmentally hazardous substances. In addition, our Environmental Policy and handling procedures along with the Green Procurement Guidelines are provided for material and parts suppliers and outsourcees deeply involved in environmental aspects in accordance with the significance of their environmental implications, i.e., environmental conservation efforts throughout the supply chain. We remain committed to designing and developing environmentally friendly products.

Logistics initiatives – consolidated shipments and environment-friendly packaging materials

Packaging materials used for articles shipped from suppliers and subcontractors are segregated and stored by type for reuse purposes. In addition, the TOWA SDGs stickers, introduced in fiscal 2023, are attached on reused packaging materials and items to promote reuse initiatives. With the

understanding of our customers and other stakeholders, we are striving to increase reuse percentages. Shipments to group companies abroad are being consolidated to reduce transportation burden. In fiscal 2023, 10.0% of requests were consolidated, thus reducing the number of shipments. For logistics, meanwhile, additional initiatives are in place, such as eco-packaging, waste reduction, and workability improvement.

Utilizing sustainability-linked loans

We signed a sustainability-linked loan agreement with the Bank of Kyoto, Ltd. in 2022 to raise a fund of 1,200 million yen with a loan term of five years, intended for investment in growth strategies set out in our long-term "TOWA Vision 2032." In fiscal 2023, we achieved sustainability performance targets (SPTs) compatible with ESG strategies and acquired the incentives provided.



Social

Social Initiatives of the TOWA Group

Fundamental Policy

We promote work styles that respect diverse personalities, not only to improve quality and safety and security in manufacturing and product development, but also to pursue the health and happiness of all employees and their families. In addition, we will fulfill our social responsibility to improve the safety, health, and vitality of the community based on the SDGs concept.

Human Capital Initiatives

We regard our employees as our most valuable asset, and are trying to develop human resources and promote health and productivity management. Above all, we place the highest priority on the health and job satisfaction of all employees. We are striving to enhance our corporate value over the medium to long term by setting the basic policy on human resource development, including ensuring diversity of human resources, and the policy on creating an internal environment.

Basic Policy Indicators and Targets

We have set the following indicators and targets for promoting human capital initiatives.

Indicators	Targets	Results (current consolidated fiscal year)
Percentage of mid-career hires in management positions	35.0% by 2032	39.5%
Percentage of non-Japanese managers	10.0% by 2032	5.8%
Percentage of female managers	10.0% by 2032	3.5%
Health checkup participation rate	Maintain 100.0%	100.0%
BMI (18.5 to <25)	80.0%	67.0%
Smoking rate	10.0%	19.4%
Stress check participation rate	Maintain 100.0%	100.0%
Overall health risk ^(Note 1)	90	89
Lively scale ^(Note 2)	110	103

Figures in the table represent indicators, targets, and actual results for TOWA on a non-consolidated basis.

(Notes)

1. This score indicates the impact of workplace stress on individual health calculated based on survey data conducted by the Ministry of Health, Labour and Welfare. It is shown as a deviation from the national average (100), and a lower score indicates a preferable result.
2. This score gauges workplace and individual activity calculated based on survey data conducted by the Ministry of Health, Labour and Welfare. It is shown as a deviation from the national average (100), and a higher score indicates a preferable result.

Human Capital Initiatives

Toward the opening of TOWA Academy

The TOWA Academy Preparation Department was established in April 2023, and preparations are underway for the opening of the academy.

Focused on the “passing down the TOWA ideology” and “transfer of TOWA’s technologies and skills,” the TOWA Academy aims to foster a culture of taking on new challenges and develop talents who can bring about innovation by challenging themselves now and in future years.

Training and education

Various types of educational sessions on compliance, export control, mental health, line care (for managers), information security, basic training for working adults (basics of DX, etc.), legal matters, quality and environmental management awareness, SDGs, and other themes are provided using e-learning.

Improvement proposal system

We have put in place an improvement proposal system that invites employees to propose and create ideas for improvements in management and business operations as a whole for the purpose of raising employees’ awareness of participation in management, motivating them to engage in research and development.

Introduction of an Employee Stock Ownership Plan (J-ESOP)

To realize our long-term vision, our employees are required to take on high-level challenges. From the perspective of rewarding their achievements, we have introduced this plan as an incentive. By becoming shareholders themselves, our stock price increases in conjunction with the increase in corporate value, which helps employees to accumulate their property. This will contribute to driving greater employee engagement going forward and benefiting our company’s sustainable growth.

In-house awards and commendations

Awards are given to recognize employees’ long years of service and contributions to our business performance. We have also created the “Challenge Award” to honor ambition and the “Global TOWA Award” given to our affiliates around the world.

Post-retirement reemployment system

Since March 2022 we have a reemployment system in place under which retired employees get paid the same level of salary as before retirement. This is expected to help employees maintain an independent lifestyle after retirement, increase opportunities for self-expression and growth through participation in work, and accelerate the transfer of knowledge and corporate culture to younger employees.

DE&I (Diversity, Equity and Inclusion)

Aiming to grow into a diversity-oriented company

In addition to diversity in terms of classifications such as age, nationality, gender, and disabilities, we respect diversity in “perspectives and thoughts” coming from values and experiences that may be difficult to see, and are creating a groupwide structure and culture that transforms diversity into our strength.

Creating a diverse workforce

- Respect for diverse values
- Employment of more people with disabilities
- Promotion of the active participation of women

Basic Policy on Human Resource Development

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

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

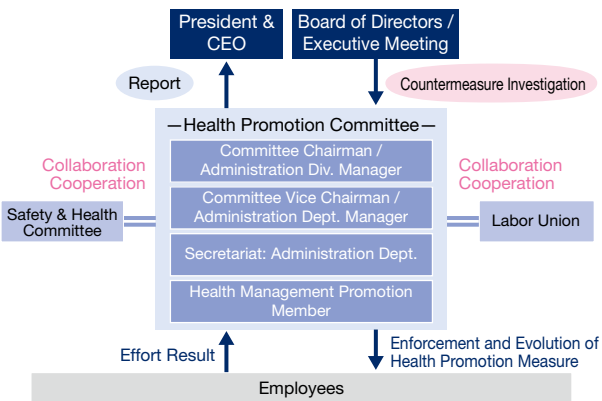
Internal Environmental Policy

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

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

Health and Productivity Management Promotion Organization

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



Strategies for Human Resource Development

As the basic policy in our Mid-Term Business Plan I states that we will “nourish human resources who have various challenging minds and lead the next generation,” we are working on the themes set as strategies by function. In addition, we will continue to promote initiatives that we have worked on to date.

Strategies by Function for the Mid-Term Business Plan I – Human Resources and Organizational Strategies

- 1 Global expansion of TOWA bases for wide-ranging business support from process development to solution proposals
- 2 Nourish global human resources who lead the next generation
- 3 Promote work style reform by improving operational efficiency with DX
- 4 Found “TOWA Academy” for passing down TOWA’s technologies and culture

Social

Social Initiatives of the TOWA Group

Activities and Initiatives

Promoting Smart Work Styles

TOWA Work Style Reform Policy

Our TOWA Work Style Reform Policy aims to respect and support the values and lifestyles of our employees. We regard our employees as our most valuable asset, and place the highest importance on the health and career satisfaction of every employee. We therefore regard work style reform as a priority management issue. This policy, formulated to demonstrate appreciation of employee independence, encourages employees to think about their own work style and those of others in order to improve our work environment. It also supports them to seize opportunities for personal growth and development by encouraging motivation for self-improvement.

System for employees’ returning to work after maternity and childcare leave according to their lifestyle

We understand that employee health and career satisfaction are closely tied to the ability of our employees to continue working actively when they bear and raise children. We have therefore instituted a system that is flexible enough to accommodate various lifestyles so that we can provide a supportive workplace environment.

Going forward, we will continue to promote the development of a welcoming environment in which more employees can take maternity leave and childcare leave with peace of mind and can feel comfortable and confident when they return to the workplace.

Support for work-life balance

Childcare leave	Nursing care leave
Caregiving	Returning to work

...etc.

Formulation of TOWA action plans for supporting work-life balance

According to the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace, we have formulated action plans to support work-life balance, and have announced our action plans, etc. on the Ministry of Health, Labour and Welfare's website "Support the balance between work and family life" and "The Database on Promotion of Women's Participation and Advancement in the Workplace." With each plan, we will promote measures by providing information to employees, examining issues in implementation, and providing training to managers. For details of each plan, please refer to the following links to the Ministry of Health, Labor and Welfare.

General Employer Action Plan in Accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children

Support for balancing work and family life <https://ryouritsu.mhlw.go.jp/>

Action Plan in Accordance with the Act on Promotion of Female Participation and Career Advancement in the Workplace

The Database on Promotion of Women's Participation and Advancement in the Workplace <https://positive-ryouritsu.mhlw.go.jp/positivedb/>

Topics Health and Productivity Management evaluation by an external organization

We have been certified as a "Health and Productivity Management Organization 2024 (Large Enterprise Category, three years in a row)," "Sports Yell Company 2024," and "Kyoto Health Promotion Company."

Certification of health and productivity management organizations was also awarded to TOWATEC Co, Ltd. (Small and Medium Enterprise Category, two years in a row) and TOWA LASERFRONT Corporation (Small and Medium Enterprise Category, five years in a row).

We will continue to promote health and productivity management by maintaining and enhancing the health of each employee and to improve work-life balance.



Promoting Health and Productivity Management

As part of our efforts to promote health and productivity management, we are working to create an environment in which employees feel satisfied and feel that their work is rewarding. We are committed to promoting health and productivity management by maintaining and enhancing the health of every employee, improving work-life balance, and creating a safe workplace environment for employees to work to their best ability.

TOWA Health Declaration

TOWA is committed to maintaining and improving the health of all employees based on the belief that when people are healthy, full of energy, both physically and mentally, and the company's business will flourish. We promote the creation of a workplace full of smiles and rich in spirit and aim to create wellbeing for employees and their families as well as brighter society.



TOWA club activities and various company events

Many employees participate in athletic and cultural club activities started by employees. We also subsidize a portion of the activity expenses to reduce the burden on individuals and to support their activities. We also hold other events in which employees' families can participate.



On August 16, the TOWA Summer Festival was held at our Headquarters/Factory. In the morning and afternoon programs, about 650 employees and their families enjoyed a mini fair and other events. After dinner party, they watched the Gozan Okunibi (Bonfire on five mountains) from the rooftop of the company building.

Health Promotion Committee meetings

The Health and Safety Committee holds a "Health Promotion Committee" meeting every three months to ensure that the physical and mental health of employees is taken care of.

Implementation of lifestyle-related disease prevention medical checkups

Regular checkups for prevention of lifestyle-related diseases (half-day physical examinations) are offered to regular and fixed-term contract employees over the age of 40 who wish to receive such checkups.

Establishment of a Health Care Room

In order to promote employee health and welfare, we have "Health Keepers (in-house therapists)" in place. They are nationally certified in



physical therapy and provide physical therapy, self-care guidance, and health advice. The Health Care Room provides information to employees and is focused on creating an environment that is easy for them to use.

Consultation point set up to support mental health

In an effort to maintain and enhance employee health and improve company productivity, we have established a consultation point staffed by outside counselors, where mental health care support is provided in an environment comfortable for employees to voice their concerns about work, career, mental health, and many other things. In this area, we will increase our efforts to provide total support from advance prevention (maintenance of good health), primary prevention (prevention of problems), secondary prevention (early diagnosis), and tertiary prevention (treatment of employees with disorders).

Cancer screening grant

Recognizing the importance of early diagnosis and treatment of cancer in supporting the enhancement of employee health, we are increasing opportunities to provide accurate information about cancer by, for example, holding "Women's Health Lectures" for all employees on diseases common to women and health risks we should be cautious of. In addition, we are striving to increase screening rates by covering all the expenses for the five government-recommended cancer screening tests.

Partner company of the Corporate Action to Promote Cancer Control

TOWA has been registered as a partner company of the Corporate Action to Promote Cancer Control. We also participate in Working RIBBON, a project that leads efforts in preventing cancer for women in companies, with the objective of expanding our health and productivity management initiative.



Café at Headquarters/Factory reopened after renovation



Our Café was reopened after renovation as a comfortable space. The area is designed to also serve as a casual working space for employees to relax and communicate with other employees, contributing to increasing employee engagement.

Learn more about our health and productivity management initiatives here.

<https://www.towajapan.co.jp/jp/company/health/>

Social

Social Initiatives of the TOWA Group

Manufacturing and Delivering Safe and Secure Products

Pursuing the best possible quality for customer trust and satisfaction

As a company with a core business of manufacturing, we are working to establish and improve processes that ensure consistent quality in every step through design, manufacturing, inspections, and post-delivery services. At the same time, we are working to improve the quality of our services and operations with the introduction of the latest systems and AI.

In addition, we have developed a quality policy and to achieve it, we set strategic targets, formulate specific steps for realizing them, set indicators for measuring the results quantitatively, and make efforts to ensure continuous improvement.

As a leading supplier in the global semiconductor industry, we at TOWA Corporation have worked from early on to establish robust quality assurance systems and to acquire certification of registration with ISO 9001, the international standard for quality management systems, in preparation for conducting quality assurance activities at international technical standards that respond to globalization. All of the Group's production bases except for BANDICK Corporation have acquired ISO 9001 certification. BANDICK, which is engaged in contract molding and assembly of medical devices, has acquired ISO 13485 certification, a quality management system for manufacturing medical devices.



Equipment and environment in which the latest technology and high-quality products are produced



ISO 9001 certification (Quality)

ISO 14001 certification (Environment)

(Excluding the Bandoh Memorial Research Laboratory and INNOMS Promotion Dept.)

Respect for Human Rights

Human Rights Policy

TOWA Group, in its own business activities, will deepen its understanding that the human rights of all concerned parties must be respected and will conduct appropriate activities based on the Human Rights Policy that the Group has established.

For our Human Rights Policy, please refer to the website below.

<https://www.towajapan.co.jp/en/company/humanrights/>

Topics

TOWAPPY is here!

To more widely deliver information for achieving our long-term vision TOWA Vision 2032 inside and outside the company, we have created the character "TOWAPPY" and the visual concept message "Happy Tech Happy World." Toward the realization of our long-term vision, we secure human resources through recruitment and other means, and aim to become a well-known company, taking into account the possibility of developing a B-to-C business.

Name	TOWAPPY
Origin of the name	Delivering happiness to the world from TOWA
Address	Kyoto
Height	100.1 cm
Date of birth	April 17 (Anniversary of TOWA's foundation)
Mission	Delivering happiness to people all over the world with semiconductors at its core
My dream	Creating Happy Tech one after another to contribute to a world where people can feel truly happy
My favorite words	Challenge yourself!

Preparation of exhibition booth (Kyoto Business Networking Fair 2024)

Activities Involving Social Contribution

In-house blood drive

Each year in the spring and summer, in cooperation with the Japanese Red Cross Society, we continue to hold a blood drive for our employees. In recognition of our support for their blood drives over the years, the Japanese Red Cross Society graciously presented TOWA with the Silver Merit Award and the Golden Merit Award. We remain committed to collaborating with the Japanese Red Cross Society to promote blood donations and raise awareness of their need as part of our effort to support people around the world who require blood transfusions.



The Japanese Red Cross Society's Gold Merit Award

Awarded the Gold Prize in the contest for preventing accidents by improving traffic manners

TOWA was awarded the Gold Prize in the contest for preventing accidents by improving traffic manners (Safety Rally Kyoto), which was held from July to September in 2023.

The Gold Prize recognizes enterprises that maintain a record of both zero accidents and zero violations, as well as companies making outstanding efforts in traffic safety

activities. In addition to ongoing participation in the Safety Rally, we also apply every year to the Annual Traffic Safety Slogan competition by the Japan Traffic Safety Association and other organizations, thereby raising awareness of traffic safety.



Gold Prize in the contest for preventing accidents by improving traffic manners

Supporting the "3-9 Yano Fund"

Akihiro Yano, former manager of the Hanshin Tigers baseball club, established the "3-9 Yano Fund" (the Japanese pronunciation of 3-9 being a homonym for "thank you") to support individuals with muscular dystrophy as well as foster homes in Japan. This foundation raises funds through its own vending machines, and we have installed the fund's vending machine in our company. The vending machine we installed in 2015 was the first such machine installed in Kyoto.



Vending machine installed at Headquarters/Factory to support the Fund

Information Dissemination and Sponsorship for Communities and Events

Aiming to contribute to communities and toward becoming a well-known company

TOWA participates in and sponsors communities and events, disseminating information in an effort to become "a well-known company realized by proactive information dissemination" as stated in our long-term vision "TOWA Vision 2032." Here are some of our initiatives made in fiscal 2023.

Hankei 500m

An interview report with our president, Hirokazu Okada, "The Story of Hirokazu Okada" (a series of 10 reports in total, from May 2022 to November 2023) was published in "Hankei 500m," a free magazine distributed in Kyoto.



TOWA Student Theater Festival

TOWA sponsors Student Theater Supporters, a portal that supports student theaters performing in Kyoto. The TOWA Student Theater Awards, which were launched the previous year, were delivered as the TOWA Student Theater Festival on February 26, 2024 at the Ohki Kaikan Conference Hall.



Collaboration with Monozukuri Taro

TOWA was featured in a video by Monozukuri Taro, who is dedicated to promoting Japan's manufacturing industry by providing information on industries and companies that have strengths in manufacturing and technology through YouTube programs, lectures, and other media. Our technological strengths were highlighted from the angle of ChatGPT and generative AI.



Monozukuri Taro Channel <https://www.youtube.com/@monozukuritarou>

"The Impact of ChatGPT: In the AI Boom, this is the next blockbuster semiconductor, which can be predicted using a certain method." (Sep. 1, 2023)

<https://youtu.be/PloQ2IB0zOM>



Corporate Governance of the TOWA Group

For a Higher Level of Corporate Governance

We make continuous efforts to enhance our corporate governance system, aiming for the sustainable growth of the TOWA Group and the medium- and long-term improvement of our corporate value.

We are striving to further strengthen and practice our corporate governance, based on the following fundamentals:

- 1. Ensuring that the actions of the TOWA Group are legal and socially responsible
- 2. Ensuring and maintaining the transparency and objectivity of our business management
- 3. Building an organization and system that is able to respond rapidly to changes in the environment
- 4. Ensuring fair business administration with importance attached to shareholders, by protecting the rights of our shareholders and being open and candid with them, for example
- 5. Creating corporate value and employment by building strong relationships with our stakeholders

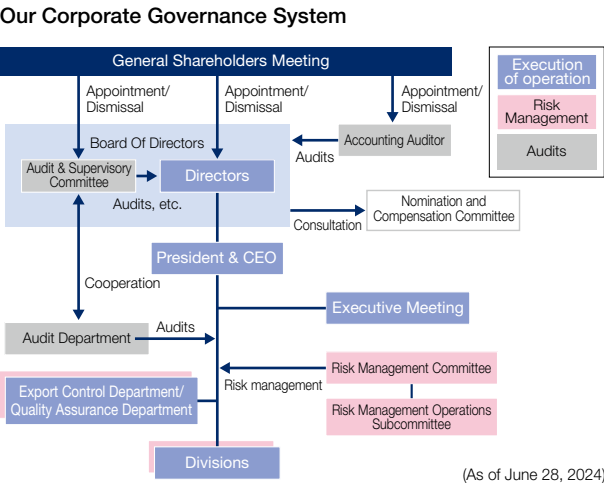
Corporate Governance System

Our main approaches are as follows.

Strengthening the function of the Board of Directors

In June 2016, we adopted the Audit and Supervisory Committee to strengthen the function of the Board of Directors and to exert corporate governance more effectively, as well as to enhance the effectiveness of management by making decision and execution more rapidly.

The Audit and Supervisory Committee consists of four members (Male 2, Female 2): one director who is a full-time member of the Committee and three outside directors who are members of the Committee. The Committee works closely with the Audit Department and the Accounting Auditor to share necessary information.



Overview of the Board of Directors

The Board of Directors consists of five directors (excluding directors who are the Audit and Supervisory Committee Members) and four Audit and Supervisory Committee Members (including three independent outside directors). Chaired by Hirokazu Okada, President and CEO, in addition to regular monthly meetings, the Board holds extraordinary meetings as necessary to make decisions on matters stipulated by laws and regulations as well as other important management matters.

Overview and activities of the Board of Directors

Composition	9 directors (including 3 outside directors)
No. of meetings held in FY2023	17
Main matters resolved	Matters related to the General Meeting of Shareholders, financial results, officer compensation, budgets and business plans, human resources and organization, funds, subsidiaries, sustainability and ESG, revision or abolition of important internal rules, etc.
Main matters reported	Reports on evaluation of the effectiveness of the Board of Directors, status of business execution, monthly business results, audits, conflict-of-interest transactions, etc.

With regard to the effectiveness of the Board of Directors, the Audit and Supervisory Committee Members who have voting rights at the Board of Directors' meetings conduct audits to gain a correct understanding of the current status of the Board of Directors, and to ensure more effective operation. Every year, the Board of Directors conducts a questionnaire survey (self-assessment) for all directors to analyze and evaluate its effectiveness.

The survey analysis confirmed that substantial discussions are held at the Board of Directors' meetings with each member freely expressing their opinions, as well as outside directors giving their views and asking questions, and that the Board meetings are conducted appropriately and sufficiently in terms of frequency and time, and also in terms of the number and details of deliberation items, thus ensuring the effectiveness of the Board of Directors. The survey results and opinions received are discussed at the Board of Directors meetings to further improve their effectiveness.

The Board of Directors is composed in view of diversity after specifying the experience, knowledge, and abilities required of directors to maintain an appropriate balance between important management decisions and supervision of business execution. Please refer to "Directors and Senior Management" on page 56 for the skills matrix describing the main areas of experience and expertise for each director.

Nomination and Compensation Committee (non-obligatory organization)

On April 1, 2021, we established the Nomination and Compensation Committee as an advisory board of the Board of Directors. The purpose is to enhance the fairness, transparency and objectivity of the decision process in directors' nomination, promotion or demotion and their rewards. The committee is composed of three independent outside directors, one chief executive officer and one director who is in charge of administration division (in total, five persons). Chairman is independent outside director.

Member of the Nomination and Compensation Committee

Chairman	Outside Director, Audit and Supervisory Committee Member	Daisuke Wake	No. of meetings held in FY2023
Committee Member	President & CEO Director, Senior Executive Officer (Chief Operating Officer, Corporate Planning Division and Administration Division) Outside Director, Audit and Supervisory Committee Member Outside Director, Audit and Supervisory Committee Member	Hirokazu Okada Nobutaka Shibahara Miho Goto Motoko Tanaka	3

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of one director, Hiroshi Hattori, and three outside directors, Daisuke Wake, Miho Goto, and Motoko Tanaka. The Committee's deliberation items include: audit policy, audit plans, division of duties, preparation of audit reports, evaluation of accounting auditor, formation of opinions on the appointment and compensation of directors other than those who are the Audit and Supervisory Committee Members, and reporting on the status of execution of duties by Full-Time Audit and Supervisory Committee Members. In fiscal 2023, the Committee held 17 meetings.

Risk management

We have established a Risk Management Committee, chaired by the president, as the company's highest risk management body. Its purpose is to undertake, on a regular basis, the identification and evaluation of risks that should be addressed. This committee has established multiple risk management subcommittees to monitor risks in each area of concern every month in the realms of internal control, export management, quality assurance, and other areas. The activities of these subcommittees are reported quarterly to the Board of Directors and the content of their activities is reviewed by outside directors as well.



Corporate Governance of the TOWA Group

Business risks

The Group is exposed to various risks because of its important role in supporting end products indispensable to modern society, such as semiconductors and medical equipment, and because of its global-scale operation centering on the semiconductor business. Items that may have a significant impact on investor decisions are listed in the table below. For explanation of these risks and our risk handling, please refer to the “Risk Factors” section of our annual securities report. Please note that these risks are based on the Group’s judgment as of the end of the current consolidated fiscal year and are not an exhaustive list of risks associated with the Group.

 https://www.towajapan.co.jp/en/download_file/view/3367/1758/

Risk items	
(1) Risks associated with sales ① Risks associated with economic and semiconductor market trends ② Risks associated with price competition ③ Risks associated with concentration of sales destinations and regions	(4) Risks associated with recruitment and training of human resources
(2) Risks associated with production ① Risks associated with overseas expansion ② Risks associated with natural disasters, etc. ③ Risks associated with procurement of raw materials, etc.	(5) Financial risks ① Foreign exchange risks ② Risks associated with interest-bearing debt ③ Risks associated with impairment of fixed assets
(3) Risks associated with development ① Risks associated with new product development ② Risks associated with intellectual property	(6) Risks associated with information security
	(7) Risks associated with climate change

Compliance Initiatives

Internal reporting system Our General Affairs Department has set up a dedicated email address as a consultation point for employees and has established a mechanism for employees to submit reports and arrange consultations directly. We have also created an email address exclusively for the use of female employees that serves as a direct means of contacting the female employee supervisor. (Personal interviews can also be arranged.) When necessary, the Investigation Committee will conduct an inquiry and consult with outside experts. Moreover, we are implementing a set of internal rules to prevent whistleblowers from suffering any consequences for their reporting.	For our Anti-corruption Policy, please refer to the website below.  https://www.towajapan.co.jp/en/company/anticorruption/
Prevention of corruption In accordance with our “Anti-corruption Policy,” the TOWA Group strives to thoroughly prevent corruption, which could involve the abuse of professional power through one’s own position or the power of a third party. This may involve bribery, embezzlement, coercion in providing benefits, and fraudulent bidding, as well as obstruction of justice, money laundering, or other acts complicit in such abuses.	In-house training Knowledge necessary for conducting business activities or working for a company in compliance with laws, regulations, and social norms is delivered to our employees mainly through e-learning. Our web-based learning courses offer CSR and compliance programs for different levels of employees. These courses are provided on a regular basis to firmly establish our employees’ knowledge and awareness. <Examples of training provided> Educational sessions on compliance, export control, harassment, mental health, information security, environmental issues, etc.

Initiatives to Enhance Corporate Governance and Improve Corporate Value

Main actions implemented to enhance corporate governance

For strengthening the function of the Board of Directors For the purpose of strengthening the functions of and improving diversity in the Board of Directors, we have increased the number of female directors by one to two, effective June 2022. This resulted in a female executive percentage of 22%.	Formulation of Intellectual Property Policy The TOWA Group established its “Intellectual Property Policy” in June 2023, for further strengthening domestic and overseas intellectual property and for use as its basic policy regarding countermeasures against risks such as infringement of other companies’ rights. The TOWA Group will expand its scope of activities to all companies in the TOWA Group to strengthen and control its intellectual property and establish an appropriate intellectual property management system while stimulating invention and creation. For our Intellectual Property Policy, please refer to the website below.  https://www.towajapan.co.jp/jp/company/ip/
Promoting sustainability information disclosure in securities reports We are promoting the disclosure of sustainability information in accordance with amendments to the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. We will further improve our sustainability-related systems and move forward with initiatives to enhance information disclosure.	

Reduction of shares for investment held for any purpose other than pure investment

We may hold other companies’ shares as one of our strategies such as business alliance, funding and expanding transaction to achieve our continuous growth and middle / long term growth. We assess such shares periodically to see if the risk or benefit of holding share are commensurate with the cost of capital. Based on the assessment, the Board of Directors will decide whether we should continue holding the shares or not. The number of shares, that have little significance, will be sold in consideration of market trends or important conditions. Since June 2015, when the Corporate Governance Code was introduced, we have sold six shares. We will continue to consider the sale of shares that are deemed to be of little significance for us to hold.

Voting rights are exercised appropriately based on a comprehensive assessment of whether they contribute to improving the middle to long-term corporate value of the investee company and the impact on the company.

For more details, please refer to our Corporate Governance website, as shown below.

 <https://www.towajapan.co.jp/en/company/governance/>

IR and SR Activities

Through active dialogue with analysts, institutional investors, individual investors, and other stakeholders, we explain our thoughts and situation, and opinions received are shared in management to improve our corporate value.

IR and SR activity details	No. of times implemented in FY2023
Financial results briefings and press conferences (by CEO)	4
Individual meetings with institutional investors and analysts	Approx. 330
Participation in conferences for overseas institutional investors	3

In addition to the above, TOWA’s products and technologies were introduced to customers, institutional investors, analysts, and financial institutions at the “TOWA Technology Exhibition” held from December 2023 to January 2024 at our Headquarters/Factory.

Directors and Senior Management

Director



Hirokazu Okada
President & CEO



Koichi Ishida
Director, Managing Executive Officer

Chief Operating Officer,
Core Technology Business Division &
Development Division



Nobutaka Shibahara
Director, Senior Executive Officer

Chief Operating Officer,
Corporate Planning Division &
Administration Division



Kazuhiro Nishimura
Director, Executive Officer

Chief Operating Officer,
Production Division



Muneo Miura
Director, Executive Officer

Chief Operating Officer,
Marketing and Sales Division &
Singulation Business Division



Hiroshi Hattori
Director, Full-time Audit & Supervisory
Committee Member



Daisuke Wake
Outside Director, Audit & Supervisory
Committee Member

Representative of Wake Certified Public
Accountant Office · Audit & Supervisory
Committee Member (Part-time) of Shirai
Electronics Industrial Co., Ltd.



Miho Goto
Outside Director, Audit & Supervisory
Committee Member

Lawyer of Goto Law Office



Motoko Tanaka
Outside Director, Audit & Supervisory
Committee Member

Representative of Tanaka Certified Public
Accountant Office · Outside Audit &
Supervisory Board Member of Wacoal
Holdings Corp.

Executive Officer

Noboru Hayasaka
Fellow and Senior Executive Officer

TOWA LASERFRONT Corporation
President & CEO

Fangshun Niu
Senior Executive Officer

TOWA (Shanghai) Co., Ltd.
Chairman & General Manager

Sangyoun Han
Senior Executive Officer

TOWA Korea Co., Ltd.
Representative Director

Hidegori Sasada
Executive Officer

TOWATEC Co., Ltd.
President & CEO

Kazuhiko Nakanishi
Executive Officer

Corporate Planning Division Manager &
Secretary Manager &
INNOMS Promotion Department Manager

Toshihiro Terauchi
Executive Officer

BANDICK Corporation
President & CEO

Skills matrix

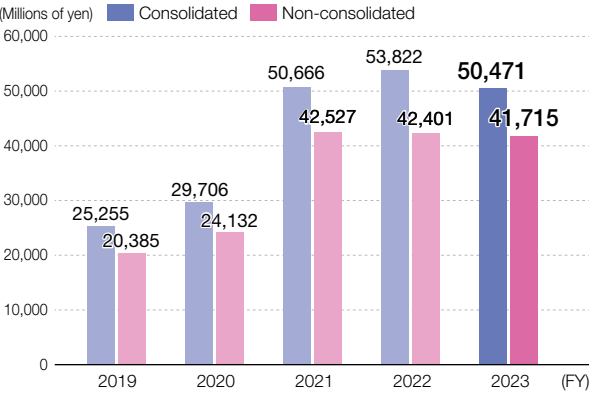
	Position/title	Outside	Independent	Nomination and Compensation Committee	Corporate management	Production, engineering development	Expatriate experience	Sales and marketing	Accounting	Legal and compliance
Hirokazu Okada	President & CEO			○	●	●	●	●		
Koichi Ishida	Director, Managing Executive Officer					●		●		
Nobutaka Shibahara	Director, Senior Executive Officer			○	●		●			●
Kazuhiro Nishimura	Director, Executive Officer				●	●	●			
Muneo Miura	Director, Executive Officer						●	●		
Hiroshi Hattori	Director, Full-time Audit and Supervisory Committee Member								●	
Daisuke Wake	Director, Audit and Supervisory Committee Member	○	○	◎					●	
Miho Goto	Director, Audit and Supervisory Committee Member	○	○	○						●
Motoko Tanaka	Director, Audit and Supervisory Committee Member	○	○	○					●	

◎ Chairman

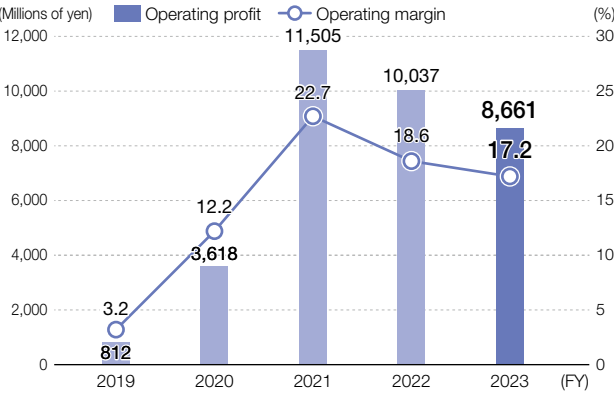
Financial and Non-financial Highlights

Financial Highlights

Net sales

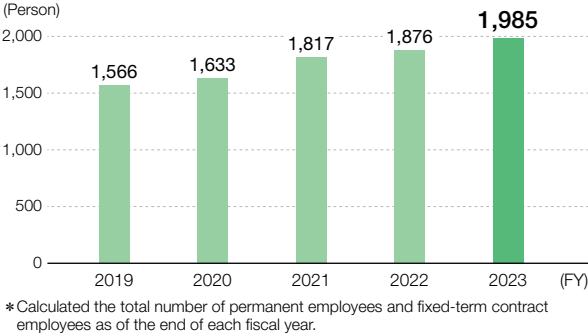


Operating profit / Operating margin (Consolidated)

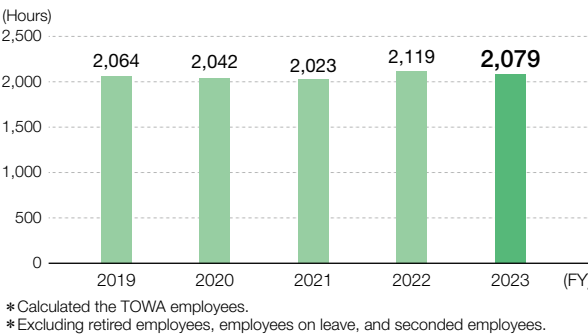


Non-financial Highlights

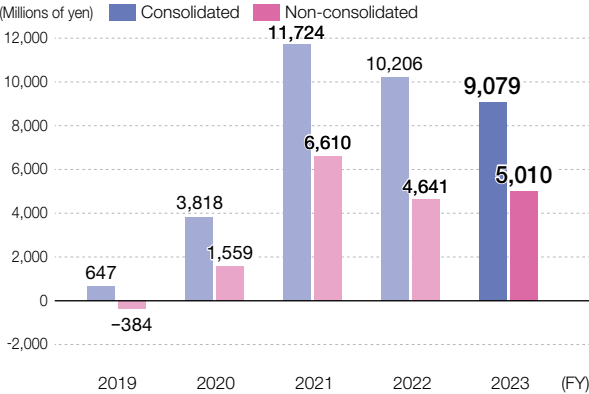
Number of consolidated employees



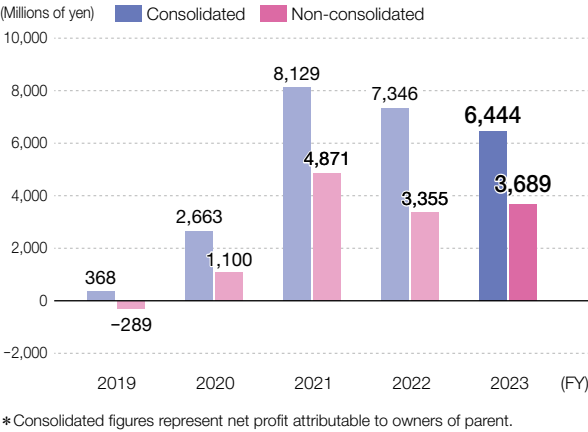
Total annual working hours per employee



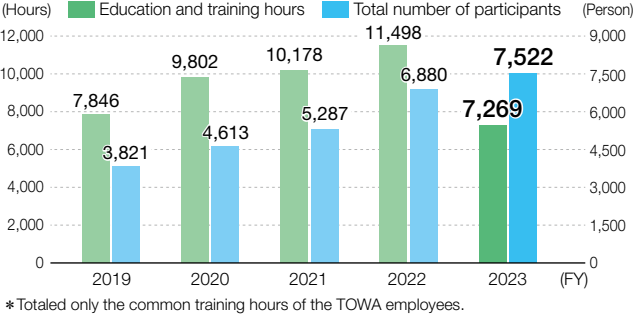
Ordinary profit



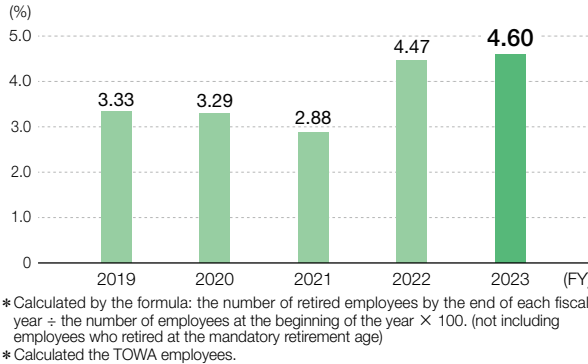
Net profit



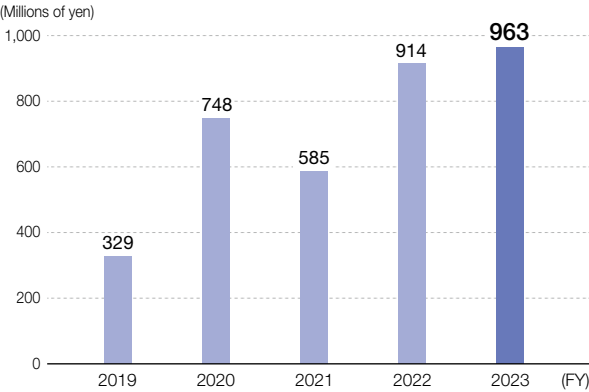
Education/training hours and number of participants



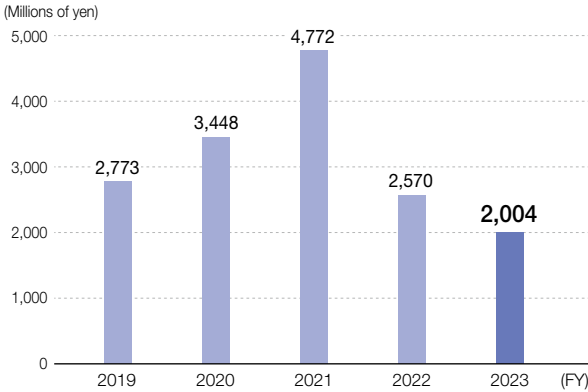
Turnover rate of regular employees



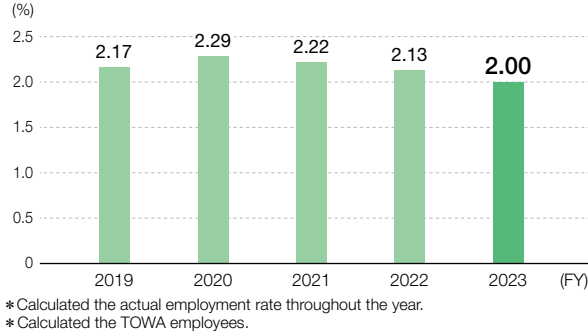
Research and development expenses (Consolidated)



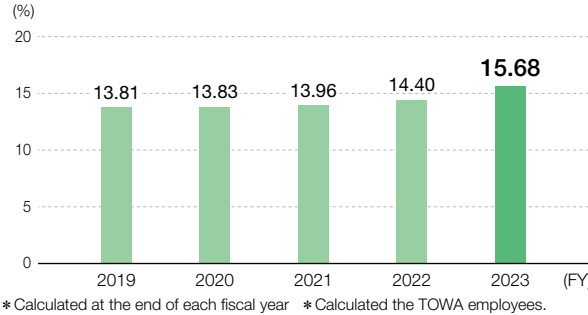
Capital expenditure (Consolidated)



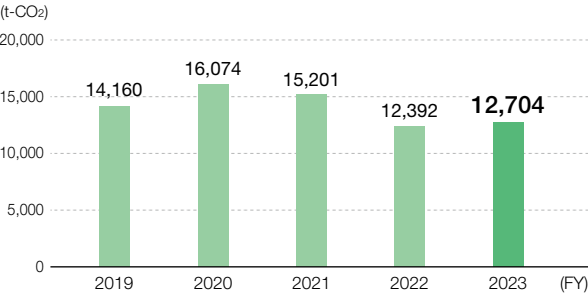
Percentage of employees with disabilities



Percentage of female employees

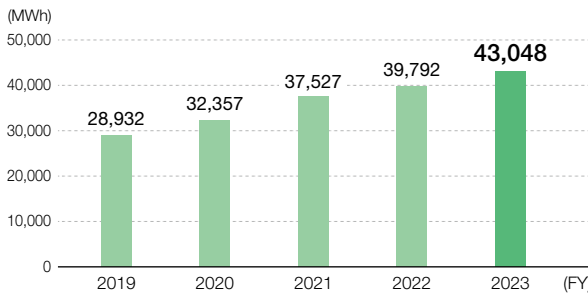


CO₂ emissions



Figures represent the total of five production bases, including group companies in Japan, and six production bases at overseas group companies. For the CO₂ emission factor, the Ministry of the Environment's list of emission factors by electric company is used for Japan, and the published value of the Emissions Factors issued by the IEA for overseas. For the CO₂ emission factor of fuel, the values published by domestic gas companies and the calculation method and emission factor list by the Ministry of the Environment are used.

Electricity consumption



Figures represent the total of five production bases, including group companies in Japan, and six production bases at overseas group companies.

Consolidated Balance Sheet

Assets	FYE March 31, 2023	FYE March 31, 2024
Current assets		
Cash and deposits	16,547,017	20,830,999
Notes receivable-trade	73,070	86,464
Electronically recorded monetary claims-operating	1,201,865	345,054
Accounts receivable-trade	11,693,703	15,049,199
Merchandise and finished goods	3,872,313	4,110,721
Work in process	10,004,429	10,041,146
Raw materials and supplies	1,530,325	1,699,212
Other	1,040,268	1,550,660
Allowance for doubtful accounts	(2,781)	(2,363)
Current assets	45,960,213	53,711,096
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,972,307	22,106,434
Accumulated depreciation-buildings and structures	(12,280,703)	(13,065,298)
Buildings and structures, net	8,691,604	9,041,135
Machinery, equipment and vehicles	16,075,149	17,554,193
Accumulated depreciation-machinery, equipment and vehicles	(10,707,731)	(11,954,563)
Machinery, equipment and vehicles, net	5,367,418	5,599,630
Land	5,205,569	5,289,066
Leased assets	1,303,520	1,594,823
Accumulated depreciation	(295,608)	(440,008)
Leased assets, net	1,007,912	1,154,815
Construction in progress	240,647	232,675
Other	4,490,065	4,852,823
Accumulated depreciation	(3,643,421)	(4,002,437)
Other, net	846,644	850,385
Property, plant and equipment	21,359,797	22,167,709
Intangible assets		
Other	1,162,199	1,329,271
Intangible assets	1,162,199	1,329,271
Investments and other assets		
Investment securities	3,929,663	9,244,703
Deferred tax assets	373,528	445,334
Retirement benefit asset	381,509	641,147
Other	301,641	322,569
Investments and other assets	4,986,343	10,653,756
Non-current assets	27,508,339	34,150,736
Assets	73,468,553	87,861,833

(Unit: Thousands of yen)

Liabilities and Net Assets	FYE March 31, 2023	FYE March 31, 2024
Current liabilities		
Notes and accounts payable-trade	2,411,521	3,834,249
Electronically recorded obligations	46,368	36,252
Short-term borrowings	9,400,000	9,400,000
Current portion of long-term borrowings	1,930,000	1,560,000
Lease liabilities	133,150	149,506
Income taxes payable	740,224	1,827,856
Advances received	1,882,461	2,598,098
Provision for bonuses	983,530	986,299
Provision for bonuses for directors	98,219	98,443
Provision for product warranties	314,644	307,882
Other	1,807,644	2,399,211
Current liabilities	19,747,763	23,197,801
Non-current liabilities		
Long-term borrowings	3,950,000	2,490,000
Lease liabilities	460,387	419,819
Deferred tax liabilities	848,444	2,330,034
Retirement benefit liability	810,914	933,297
Provision for share awards	—	40,497
Other	27,788	14,479
Non-current liabilities	6,097,535	6,228,128
Liabilities	25,845,298	29,425,930
Shareholders' equity		
Share capital	8,942,950	8,955,671
Capital surplus	472,558	450,981
Retained earnings	32,916,324	38,359,732
Treasury shares	(13,436)	(115,191)
Shareholders' equity	42,318,396	47,651,194
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,312,590	6,013,298
Foreign currency translation adjustment	2,570,638	4,642,014
Remeasurements of defined benefit plans	20,003	129,394
Valuation and translation adjustments	4,903,232	10,784,708
Non-controlling interests	401,624	—
Net assets	47,623,254	58,435,903
Liabilities and net assets	73,468,553	87,861,833

Consolidated Income Statements and Consolidated Statement of Comprehensive Income

(Unit: Thousands of yen)

Consolidated Income Statements	FYE March 31, 2023	FYE March 31, 2024
Net sales	53,822,668	50,471,799
Cost of sales	35,014,116	32,273,620
Gross profit (loss)	18,808,551	18,198,179
Selling, general and administrative expenses	8,771,449	9,536,350
Operating profit (loss)	10,037,101	8,661,829
Non-operating income		
Interest income	42,429	145,619
Dividend income	87,377	282,068
Miscellaneous income	219,716	228,066
Non-operating income	349,522	655,754
Non-operating expenses		
Interest expenses	70,188	71,787
Depreciation of assets for rent	29,694	30,397
Foreign exchange losses	55,257	120,986
Miscellaneous losses	25,430	14,677
Non-operating expenses	180,569	237,849
Ordinary profit (loss)	10,206,054	9,079,734
Extraordinary income		
Gain on sale of non-current assets	389	35,135
Gain on donation of non-current assets	—	23,200
Extraordinary income	389	58,335
Extraordinary losses		
Loss on sale of non-current assets	5,062	—
Loss on retirement of non-current assets	17,944	10,209
Loss on valuation of investment securities	—	12,786
Extraordinary losses	23,006	22,995
Profit (loss) before income taxes	10,183,438	9,115,073
Income taxes-current	2,314,284	2,942,089
Income taxes-deferred	516,675	(271,208)
Income taxes	2,830,959	2,670,880
Profit (loss)	7,352,478	6,444,193
Profit (loss) attributable to non-controlling interests	5,801	—
Profit (loss) attributable to owners of parent	7,346,676	6,444,193

(Unit: Thousands of yen)

Consolidated Statement of Comprehensive Income	FYE March 31, 2023	FYE March 31, 2024
Profit (loss)	7,352,478	6,444,193
Other comprehensive income		
Valuation difference on available-for-sale securities, net of tax	50,944	3,700,708
Foreign currency translation adjustment, net of tax	403,931	2,071,376
Remeasurements of defined benefit plans, net of tax	(74,936)	109,390
Other comprehensive income	379,939	5,881,475
Comprehensive income	7,732,418	12,325,668
(breakdown)		
Comprehensive income attributable to owners of parent	7,723,433	12,325,668
Comprehensive income attributable to non-controlling interests	8,984	—

Consolidated Statement of Cash Flows

(Unit: Thousands of yen)

Consolidated Statement of Cash Flows	FYE March 31, 2023	FYE March 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	10,183,438	9,115,073
Depreciation	2,498,249	2,540,701
Amortization of goodwill	116,704	146,567
Increase (decrease) in allowance for doubtful accounts	932	(641)
Increase (decrease) in provision for bonuses	82,554	(17,175)
Increase (decrease) in provision for bonuses for directors (and other officers)	18,692	(1,688)
Increase (decrease) in retirement benefit liability	(67,820)	6,952
Increase (decrease) in provision for share awards	—	40,497
Increase (decrease) in provision for product warranties	(54,774)	(9,671)
Interest and dividend income	(129,806)	(427,687)
Interest expenses	70,188	71,787
Foreign exchange losses (gains)	(86,015)	66,833
Decrease (increase) in trade receivables	(3,918,031)	(1,476,948)
Decrease (increase) in inventories	3,373,923	96,607
Decrease (increase) in other current assets	89,009	(43,896)
Increase (decrease) in trade payables	(5,356,803)	1,193,242
Increase (decrease) in other current liabilities	(322,444)	348,150
Other, net	305,321	(339,832)
Subtotal	6,803,317	11,308,874
Interest and dividends received	128,981	258,150
Interest paid	(69,393)	(73,066)
Income taxes paid	(4,044,163)	(1,906,869)
Income taxes refund	12,486	78,790
Net cash provided by (used in) operating activities	2,831,227	9,665,880
Cash flows from investing activities		
Payments into time deposits	(248,012)	(505,352)
Proceeds from withdrawal of time deposits	290,637	322,857
Payments of other investments	(4,588)	(4,589)
Purchase of property, plant and equipment and intangible assets	(2,731,421)	(1,668,564)
Proceeds from sale of property, plant and equipment and intangible assets	14,050	35,612
Payments for acquisition of businesses	—	(933,600)
Other, net	(66,677)	(20,128)
Net cash provided by (used in) investing activities	(2,746,012)	(2,773,764)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,100,000	—
Proceeds from long-term borrowings	3,000,000	100,000
Repayments of long-term borrowings	(1,730,000)	(1,930,000)
Purchase of treasury shares	(704)	(101,754)
Dividends paid	(1,250,430)	(1,000,785)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(435,922)
Other, net	(156,650)	(155,902)
Net cash provided by (used in) financing activities	3,962,214	(3,524,364)
Effect of exchange rate change on cash and cash equivalents	132,607	719,024
Net increase (decrease) in cash and cash equivalents	4,180,037	4,086,775
Cash and cash equivalents at beginning period	12,250,459	16,430,497
Cash and cash equivalents at end of period	16,430,497	20,517,272

Global Network

TOWA Corporation

- ①Headquarters/Factory
②Kyoto East Plant
③Kyushu Work
- ④Tokyo Sales Office
⑤Nagano Sales Office



①Headquarters/Factory



②Kyoto East Plant



③Kyushu Work

- Production Base
- Sales Office
- Service Facility
- Training Center
- Laboratory



⑥BANDICK Corporation

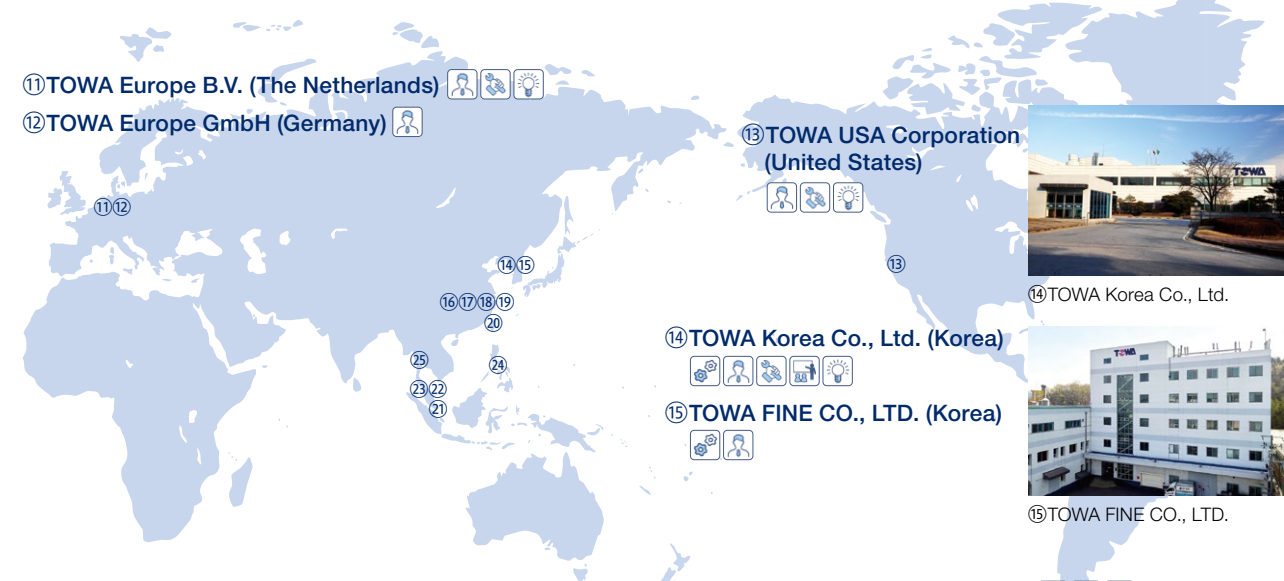
⑥BANDICK Corporation

TOWATEC Co., Ltd.

- ①Headquarters
③Kyushu Service
⑦Tohoku Service

TOWA LASERFRONT Corporation

- ⑧Headquarters/Factory
⑨Chubu Sales Office
⑩Kansai Sales Office



- ⑪TOWA Europe B.V. (The Netherlands)
⑫TOWA Europe GmbH (Germany)

⑬TOWA USA Corporation (United States)



⑭TOWA Korea Co., Ltd.

⑭TOWA Korea Co., Ltd. (Korea)

-

⑮TOWA FINE CO., LTD. (Korea)

-



⑮TOWA FINE CO., LTD.



⑯TOWA (Suzhou) Co., Ltd.



⑰TOWA (Nantong) Co., Ltd.

- ⑯TOWA (Suzhou) Co., Ltd. (China)
⑰TOWA (Shanghai) Co., Ltd. (China)
⑱TOWA (Nantong) Co., Ltd. (China)
⑲TOWA R&D Suzhou Co., Ltd. (China)

⑳TOWA Taiwan Co., Ltd. (Taiwan)

- ㉑TOWA Asia-Pacific Pte. Ltd. (Singapore)
㉒TOWAM Sdn. Bhd. (Malaysia)
㉓TOWA TOOL SDN. BHD. (Malaysia)
㉔TOWA Semiconductor Equipment Philippines Corp. (Philippines)
㉕TOWA THAI COMPANY LIMITED (Thailand)



㉒TOWAM Sdn. Bhd.



㉓TOWA TOOL SDN. BHD.

Company Overviews (As of March 31, 2024)

Company Information

Company name	TOWA CORPORATION
Established	April 17, 1979
Paid-in capital	8,955,671,632 yen
Address of headquarters	5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto-shi, Kyoto Japan TEL (+81)75-692-0250
Number of employees	TOWA Corporation: 623 TOWA Group (consolidated): 1,985
Website	https://www.towajapan.co.jp/en/
Stock listings	Prime Market of Tokyo Stock Exchange

Stock Information

Number of shares authorized	80,000,000
Number of shares issued	25,043,888
Number of shareholders	19,871
Fiscal year	One year from April 1 to March 31 of the following year
Ordinary general meeting of shareholders	Every year in June
Record date	Exercise of rights at the general meeting of shareholders and year-end dividend: March 31 Interim dividend: September 30
Number of shares per unit	100
Shareholder registry administrator	1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Method of public notice	Public notices of the company shall be given by electronic public notice; provided that in case it is impossible to place electronic public notice due to accident or any other unavoidable events, they shall be given in the Nihon Keizai Shimbun. Public notice website: https://www.towajapan.co.jp

TOWA Group

Japan

TOWA Corporation
Headquarters/Factory
Kyoto East Plant
Kyushu Work
BANDICK Corporation
TOWATEC Co., Ltd.
TOWA LASERFRONT Corporation

Overseas

TOWA Asia-Pacific Pte. Ltd. (Singapore)
TOWAM Sdn. Bhd. (Malaysia)
TOWA TOOL SDN. BHD. (Malaysia)
TOWA Semiconductor Equipment Philippines Corp. (Philippines)
TOWA THAI COMPANY LIMITED (Thailand)
TOWA USA Corporation (United States)
TOWA Europe B.V. (The Netherlands)
TOWA Europe GmbH (Germany)
TOWA (Suzhou) Co., Ltd. (China)
TOWA (Shanghai) Co., Ltd. (China)
TOWA (Nantong) Co., Ltd. (China)
TOWA R&D Suzhou Co., Ltd. (China)
TOWA Taiwan Co., Ltd. (Taiwan)
TOWA Korea Co., Ltd. (Korea)
TOWA FINE CO., LTD. (Korea)

Principal Shareholders

Name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	3,139	12.54
Custody Bank of Japan, Ltd.	2,417	9.66
K.B. Kousan Co., Ltd.	1,900	7.59
N.regalo Co., Ltd.	1,260	5.03
MORGAN STANLEY & CO. LLC	1,060	4.24
The Bank of Kyoto, Ltd.	699	2.80
GOLDMAN, SACHS & CO. REG	419	1.67
BNYM AS AGT/CLTS 10 PERCENT	374	1.50
TOWA Employee Shareholding Association	341	1.37
JPMorgan Securities Japan Co., Ltd.	257	1.03

(Note 1) Shareholdings in The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are related to the trust business.
(Note 2) Shareholding ratio is calculated excluding treasury shares (14,179 shares).

Number of shares by sector (thousands of shares)

