



ANNUAL REPORT
FY2019

MESSAGE TO OUR SHAREHOLDERS

Greetings

Since its founding in Japan's ancient capital, Kyoto, in April 1979, TOWA CORPORATION has consistently developed original technologies and created numerous de facto standards. Our primary operations are composed of development, manufacturing and sales of semiconductor encapsulating equipment, singulation equipment for manufacturing semiconductors and ultra-precision molds, as well as manufacturing and sales of fine plastic molded products and laser processing equipment. We maintain a leading share in the global market for our key product, semiconductor encapsulating equipment, which have an excellent reputation among our customers.

Economic Overview

For most of this consolidated fiscal year (FY2019), the global economy remained on a relatively moderate recovery trend, despite the prolonged US-China trade war and slowdown in the Chinese economy. However, amid the outbreak and global spread of the novel coronavirus, business sentiment in each country, including the United States, which had remained solid until then, rapidly deteriorated. Adversely affected by the infectious disease, the Japanese economy is also currently in a considerable slump and severe situation.

Performance

In the semiconductor industry, though each company kept its capacity utilization rate at a relatively high level, mainly for products related to the next-generation 5G communication standard and high-end devices, the infectious disease disrupted supply chains and restricted operations at many semiconductor plants, dampening any hopes of a full-scale recovery.

Prior to the outbreak, in December 2019, the Group completed construction on its largest factory in Malaysia, in preparation for the expected mid- to long-term growth in demand for semiconductors. This factory was built to enhance the production capacity of existing molding equipment, produce molding equipment for ultra-large PLP (panel level packaging), which will be scaled up to full production in the future, provide processing on consignment within the ASEAN region, and other purposes. Although the outlook is uncertain under the pandemic threat, we are currently receiving a steady flow of orders, especially for 5G-related and memory products. During the fourth quarter of the consolidated fiscal year under review, the amount of orders received came to 8,442 million yen.

The Group performances in this consolidated fiscal year are recorded as follows:

Net sales 25,255 million yen (a decrease of 3,016 million yen compared to the previous consolidated fiscal year, down 10.7%)

Operating income 812 million yen (a decrease of 124 million yen compared to the previous consolidated fiscal year, down 13.3%)

Ordinary income 647 million yen (a decrease of 292 million yen compared to the previous consolidated fiscal year, down 31.1%)

Net income attributable to owners of parent 368 million yen (a decrease of 508 million yen compared to the previous consolidated fiscal year, down 58.0%)

Additionally, there were delays in equipment deliveries to some customers resulting from the movement restrictions imposed by each country due to the novel coronavirus. But, we adjusted production schedules and moved equipment deliveries initially scheduled for the FY2020 forward to the FY2019, in which sales were recorded. As a result, the impact on business results was negligible.

The results by segment are as follows.

“Semiconductor manufacturing equipment business”

In the Semiconductor manufacturing equipment business, sales decreased year on year, due primarily to a major drop in sales of molding equipment at the beginning of this fiscal year because of the negative impact of the US-China trade war, as well as the delays in equipment deliveries to customer’s factory caused by the movement restrictions imposed in each country due to the pandemic. Meanwhile, we strived to expand sales of steadily growing 5G-related products and TOWA’s market-leading proprietary compression equipment for high-end devices such as memory chips for servers. We also accurately identified the needs for semiconductor manufacturing equipment, which is on a recovery trend. These efforts gave a boost to compression molds and equipment, as the amount of orders received jumped to 9,534 million yen (an increase of 3,825 million yen compared to the previous consolidated fiscal year, up 67.0%) and net sales rose to 7,898 million yen (an increase of 2,071 million yen compared to the previous consolidated fiscal year, up 35.6%).

We also improved profits through radical cost reductions for our key models and other products by reviewing outsourcing costs and shifting to in-house production. Increased sales ratio of high value-added compression equipment was another reason for the improvement.

The results of Semiconductor manufacturing equipment business are as follows:

Net sales 21,903 million yen (a decrease of 2,921 million yen compared to the previous consolidated fiscal year, down 11.8%), Operating income 618 million yen (an increase of 77 million yen compared to the previous consolidated fiscal year, up 14.3%)

“Fine plastic molded products business”

The results of the Fine plastic molded products business are as follows:

Net sales 1,613 million yen (an increase of 11 million yen compared to the previous consolidated fiscal year, up 0.7%), Operating income 242 million yen (an increase of 18 million yen compared to the previous consolidated fiscal year, up 8.4%)

“Laser processing equipment business”

As for the laser processing equipment business, electronic parts manufacturers remained cautious on capital investment against the backdrop of the global slowdown in industrial machinery and automobile sales. Moreover, demand plunged further under the impacts of the novel coronavirus, creating severe business conditions. For that reason, the results are as follows: Net sales 1,737 million yen, Operating loss 48 million yen.

Additionally, the laser processing equipment business is reported as a new segment after we acquired the shares of Omron LaserFront Corp. in the second quarter of the previous consolidated fiscal year (August 2018). Therefore, the year-on-year comparison is not stated.

Looking Ahead

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

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

Raising “Pursuing true value as a manufacture” as the theme, we announced the long-term management vision "TOWA 10 Year Vision" in March 2014 aiming to achieve net sales of 50 billion yen and business profit ratio of 16% ten years later through the efforts of "expansion of existing businesses and market share" and "creation of new market by way of developing applied core technology". And we formulated the First Mid-Term Business Plan (April 2014-March 2017) as the first Milestone on the road to the achievement of "TOWA 10 Year Vision".

Under our Second Mid-Term Business Plan (April 2017-March 2020), we reinforced our business foundations, strengthened existing businesses and implemented individual growth strategies, with an aim to open up new markets that would allow us to increase profit opportunities and enhance our corporate value. As a result, we successfully affirmed our superiority in the most advanced packaging market with TOWA’s proprietary compression technology and also developed new businesses by applying our core technologies.

Going forward, accelerated dissemination of advanced technologies, such as 5G, AI, IoT and autonomous driving, is expected to further boost demand for semiconductors. In order to achieve the goals we have set, we need to break from conventional thinking and business models, and implement reforms for a new era of technology so that we do not miss out on the wave of global demand for semiconductors.

In light of the above, we identified issues the Group should address and formulated the Third Mid-Term Business Plan (April 2020-March 2024) to leverage the results of these six years of efforts to further improve our profitability and corporate value.

This plan lays out our goals for the final four years of the “TOWA 10 Year Vision”, that being to improve our added-value, improve our profitability, and build a solid financial base by making a paradigm shift. At the same time, we aim to achieve the “TOWA 10 Year Vision” by constructing an even more effective system of governance, proactively promoting SDGs, and greatly contributing to the development of society and industry.

The Basic policies of the Third Mid-Term Business Plan and the strategies for each issues are as follows:

1. Theme

Achieving the “TOWA 10 Year Vision” by making a paradigm shift

2. Basic policies

- ◎Realize the added-value inherent to our proprietary technologies, quality and business processes (know-how) by making a paradigm shift to improve profitability.
- ◎Strengthen market competitiveness and financial base by maximizing throughput.
- ◎Expand new businesses and profits based on our core technologies.
- ◎Cultivate human resources who will lead the next generation.
- ◎Increase corporate value by enhancing corporate governance and undertaking initiatives for achieving SDGs.

3. Business strategies

“Semiconductor manufacturing equipment business”

- ▶Strengthen market competitiveness and profitability by using added-value to differentiate ourselves from competitors.
- ▶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 environment-friendly products promptly by proactively investing resources in development.

“Fine plastic molded products business”

- ▶Enhance the added-value of the TOWA brand and increase the business scale as a proposal-based processing manufacturer on a core of processing, molding and assembly technologies.
- ▶Further pursue quality, cost and delivery in order to build a stable profitable structure.

“New business”

- ▶ Develop applications of our core technologies in order to create new core business that will help reshape our business portfolio.
- ▶ Release TOWA-original products.
- ▶ Expand TSS, remodeling and other businesses on a global scale in order to increase business opportunities.
- ▶ Improve competitiveness and increase market share by utilizing our global production bases to reduce costs.

“Laser processing equipment business”

- ▶ Step up application development in order to bring new products to market.
- ▶ Make full use of our global production and sales bases in order to increase production capacity, reduce costs, and strengthen sales system and services.

4. Strategies by function

[Sales strategies]

- ▶ Enhance process support and build business models that can be produced only with our technology, thereby expanding sales and improving profitability.
- ▶ Expand the range of utilization of our proprietary compression devices.
- ▶ Enter cutting-edge (5G, in-vehicle, AI), middle-range and low-end markets in order to expand market presence.
- ▶ Build a global sales and management system in order to increase customer satisfaction.

[Production strategies]

- ▶ Optimize our global production and purchasing system in order to reduce costs and shorten lead times.
- ▶ Improve production technologies in order to increase confidence in quality.
- ▶ Introduce new production technologies and work to make high value-added products.
- ▶ Build a business structure that can respond to changes in the environment (risks).

[Development strategies]

- ▶ Enhance competitiveness of existing equipment (transfer, compression, FMS).
- ▶ Establish de facto standards through mold process development and the next-generation molding innovation.
- ▶ Develop new TOWA-original products.

[Human resources/organizational strategies]

- ▶ Establish the TOWA Global Technology Center as a platform for wide-ranging business support from process development to solution proposals.
- ▶ Consolidate marketing functions to reinforce the organization.
- ▶ Cultivate global leaders through rotation of the next-generation human resources.
- ▶ Promote workstyle reform through IT-driven work efficiency improvements.

5. Business Target

We have set the target for the Group as follows.

Recognizing these as important indicators, we will strive to increase our corporate value.

(Millions of yen)

		FY2020	FY2021	FY2022	FY2023
Net sales		290	350	420	500
Net sales (breakdown)	Semiconductor manufacturing equipment business	185	225	263	310
	Fine plastic molded products business	17	18	20	21
	New business	68	84	110	139
	Laser processing equipment business	20	23	27	30
Operating income		20	40	60	80
Ordinary income		20	40	60	80
Net income attributable to owners of parent		14	28	42	56

The above-mentioned matters concerning the future were determined by the Group at the end of this consolidated fiscal year.

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

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

August 2020

Hirokazu Okada

President & CEO

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2019</u>	<u>2020</u>	<u>2020</u>
ASSETS			
Current assets:	¥	¥	\$
Cash on hand and at banks	7,652	10,016	92,033
Notes and accounts receivable :			
Trade	9,542	7,107	65,304
Less: Allowance for doubtful accounts	(3)	(2)	(18)
	<u>9,539</u>	<u>7,105</u>	<u>65,286</u>
Inventories	8,283	6,654	61,141
Other current assets	1,361	779	7,157
	<u>26,835</u>	<u>24,554</u>	<u>225,617</u>
Property, plant and equipment, at cost :			
Land	4,366	4,341	39,888
Buildings and structures	14,167	16,113	148,057
Machinery and equipment	14,188	14,472	132,978
Leased assets (Notes 2(8) and 12).....	17	860	7,902
Construction in progress	665	72	662
Less: Accumulated depreciation	(21,286)	(22,077)	(202,858)
	<u>12,117</u>	<u>13,781</u>	<u>126,629</u>
Other assets:			
Investment securities (Note 4)	2,747	2,690	24,717
Deferred income taxes (Note 10)	983	1,129	10,374
Asset for retirement benefits(Notes 2(13) and 7)	145	70	643
Other	1,142	901	8,280
	<u>5,017</u>	<u>4,790</u>	<u>44,014</u>
Total assets	<u>43,969</u>	<u>43,125</u>	<u>396,260</u>

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

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2019 and 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<i>2019</i>	<i>2020</i>	<i>2020</i>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:	¥	¥	\$
Short-term borrowings (Note 6)	5,500	3,800	34,917
Current portion of long-term debt (Note 6)	910	1,137	10,447
Notes and accounts payable	2,585	2,719	24,984
Accrued expenses (Note 2(12))	577	562	5,164
Accrued income taxes	162	291	2,674
Other current liabilities (Notes 2(11) and 6)	1,752	2,094	19,241
Total current liabilities	11,486	10,603	97,427
Long-term liabilities:			
Long-term debt (Note 6)	4,087	4,450	40,889
Liability for retirement benefits (Notes 2(13) and 7)	667	727	6,680
Deferred tax liabilities (Note 10)	1	9	83
Other long-term liabilities (Note 6)	5	318	2,922
Total long-term liabilities	4,760	5,504	50,574
Total liabilities	16,246	16,107	148,001
Contingent liabilities (Note 13)			
NET ASSETS			
Shareholders' equity (Note 8)			
Common stock			
Authorized: 80,000,000 shares			
Issued:			
25,021,832 shares at 31st March, 2020	8,933	8,933	82,082
Additional paid-in capital	462	462	4,245
Retained earnings	16,716	16,827	154,618
Less: Treasury stock at cost	(11)	(11)	(101)
Total shareholders' equity	26,100	26,211	240,844
Accumulated Other Comprehensive Income			
Unrealized gain (loss) on other securities	1,417	1,356	12,460
Translation adjustments	53	(582)	(5,348)
Retirement benefit adjustments	46	(59)	(542)
Total accumulated other comprehensive income	1,516	715	6,570
Non-controlling interests	107	92	845
Total net assets	27,723	27,018	248,259
Total liabilities and net assets	43,969	43,125	396,260

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

Consolidated Statements of Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2019</u>	<u>2020</u>	<u>2020</u>
	¥	¥	\$
Net sales	28,272	25,255	232,059
Cost of sales	21,286	18,667	171,524
Gross profit.....	6,986	6,588	60,535
Selling, general and administrative expenses (Notes 2(14) and 9).....	6,049	5,776	53,074
Operating Income.....	937	812	7,461
Other income (expenses)			
Interest and dividend income.....	66	92	845
Interest expenses.....	(30)	(50)	(459)
Foreign exchange gains (losses)	(131)	(289)	(2,656)
Other, net.....	155	80	736
Total other income (expenses)	60	(167)	(1,534)
Income before income taxes and non-controlling interests	997	645	5,927
Income taxes (Note 10)			
Current	443	436	4,006
Deferred	(316)	(141)	(1,295)
Net Income	870	350	3,216
Net Income attributable to non-controlling interests	(8)	(19)	(175)
Net Income attributable to owners of parent	878	369	3,391
	Yen		<i>U.S. dollars (Note 1)</i>
Amount per share of common stock (Note 2 (17)):	¥	¥	\$
Net Income.....	35.09	14.75	0.136
Diluted net income	35.09	14.75	0.136
Cash dividends	16.00	16.00	0.147

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

Consolidated Statements of Comprehensive Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2019</u>	<u>2020</u>	<u>2020</u>
	¥	¥	\$
Net Income	870	350	3,216
Other Comprehensive Income			
Unrealized gain on other securities.....	(600)	(61)	(560)
Translation adjustment.....	(98)	(643)	(5,909)
Remeasurements of defined benefit plans.....	(66)	(105)	(965)
Total other comprehensive income	<u>(764)</u>	<u>(809)</u>	<u>(7,434)</u>
Comprehensive Income	<u>106</u>	<u>(459)</u>	<u>(4,218)</u>
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent.....	111	(433)	(3,979)
Comprehensive income attributable to minority interests.....	<u>(5)</u>	<u>(26)</u>	<u>(239)</u>

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

Consolidated Statements of Shareholders' Equity

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES Two years ended March 31, 2020

	<i>Millions of yen</i>									
	<i>Shareholders' equity</i>					<i>Accumulated other comprehensive income</i>			<i>Non-controlling interests</i>	<i>Total net assets</i>
	<i>Number of shares of common stock</i>	<i>Common stock</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Treasury stock</i>	<i>Unrealized gain on other securities</i>	<i>Translation adjustments</i>	<i>Retirement benefit adjustments</i>	<i>Non-controlling interests</i>	
		¥	¥	¥	¥	¥	¥	¥	¥	
Balance at March 31, 2018	25,021,832	8,933	462	16,238	(11)	2,017	153	112	-	
Net Income	-	-	-	878	-	-	-	-	-	878
Cash dividends	-	-	-	(400)	-	-	-	-	-	(400)
Net increase of treasury stock	-	-	-	-	(0)	-	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	(600)	(100)	(66)	107	(659)
Balance at March 31, 2019	25,021,832	8,933	462	16,716	(11)	1,417	53	46	107	27,723
Cumulative effects of changes in accounting policies				142						142
Restated balance at March 31, 2019	25,021,832	8,933	462	16,858	(11)	1,417	53	46	107	27,865
Net Income	-	-	-	369	-	-	-	-	-	369
Cash dividends	-	-	-	(400)	-	-	-	-	-	(400)
Net increase of treasury stock	-	-	-	-	(0)	-	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	(61)	(635)	(105)	(15)	(816)
Balance at March 31, 2020	25,021,832	8,933	462	16,827	(11)	1,356	(582)	(59)	92	27,018

	<i>Thousands of U.S.dollars (Note 1)</i>									
	<i>Shareholders' equity</i>					<i>Accumulated other comprehensive income</i>			<i>Non-controlling interests</i>	<i>Total net assets</i>
	<i>Number of shares of common stock</i>	<i>Common stock</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Treasury stock</i>	<i>Unrealized gain on other securities</i>	<i>Translation adjustments</i>	<i>Retirement benefit adjustments</i>	<i>Non-controlling interests</i>	
		\$	\$	\$	\$	\$	\$	\$	\$	
Balance at March 31, 2019	25,021,832	82,082	4,245	153,597	(101)	13,020	487	423	983	
Cumulative effects of changes in accounting policies				1,305						1,305
Restated balance at March 31, 2019	25,021,832	82,082	4,245	154,902	(101)	13,020	487	423	983	256,041
Net Income	-	-	-	3,391	-	-	-	-	-	3,391
Cash dividends	-	-	-	(3,675)	-	-	-	-	-	(3,675)
Net increase of treasury stock	-	-	-	-	(0)	-	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	(560)	(5,835)	(965)	(138)	(7,498)
Balance at March 31, 2020	25,021,832	82,082	4,245	154,618	(101)	12,460	(5,348)	(542)	845	248,259

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

Consolidated Statement of Cash Flows

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES

Two years ended March 31, 2020

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<i>2019</i>	<i>2020</i>	<i>2020</i>
	¥	¥	\$
Cash Flows from Operating Activities:			
Net Income before income taxes and non-controlling interests	997	645	5,927
Adjustments for:			
Depreciation	1,388	1,503	13,811
Amortization of goodwill	97	46	423
Interest and dividends income	(66)	(92)	(845)
Interest expenses	30	50	459
Foreign exchange losses (gains)	(9)	(22)	(202)
(Increase) decrease in trade notes and accounts receivable	(1,423)	2,938	26,996
(Increase) decrease in inventories	114	1,413	12,984
(Increase) decrease in other current assets	78	(68)	(625)
Increase (decrease) in notes and accounts payable	(2,297)	48	441
Increase(decrease) in accrued and other current liabilities	(353)	(65)	(597)
Other, net	160	20	182
Sub-total	(1,284)	6,416	58,954
Interest and dividends received	66	92	845
Interest paid	(30)	(54)	(496)
Income taxes paid	(1,363)	(422)	(3,878)
Income taxes refund	10	320	2,941
Net cash provided by (used in) operating activities	(2,601)	6,352	58,366
Cash Flows from Investing Activities:			
Purchase of investment securities	(8)	(5)	(46)
Purchase of property, plant and equipment	(1,997)	(2,463)	(22,632)
Sale of property, plant and equipment	23	63	579
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation.....	159	-	-
Payments for transfer of business	(536)	-	-
Other, net	(161)	(131)	(1,203)
Net cash provided by (used in) investing activities	(2,520)	(2,536)	(23,302)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	3,500	(1,700)	(15,621)
Proceeds from issuance of long-term debt	4,200	1,500	13,783
Repayments of long-term debt	(829)	(910)	(8,362)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends.....	(400)	(400)	(3,675)
Other,net.....	109	(50)	(459)
Net cash provided by (used in) financing activities	6,580	(1,560)	(14,334)
Effect of exchange rate changes on Cash and Cash Equivalents	21	(60)	(552)
Net increase(decrease) in Cash and Cash Equivalents	1,480	2,196	20,178
Cash and Cash Equivalents at Beginning of Period	6,147	7,627	70,082
Cash and Cash Equivalents at End of Period (Note2(3))	7,627	9,823	90,260

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

Notes to the Consolidated Financial Statements

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting Consolidated Financial Statements

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

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

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2020, which was ¥108.83 to US\$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

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

Subsidiaries

(All subsidiaries have been consolidated)

<u>Name</u>	<u>Ownership</u>	<u>Country of Incorporation</u>
BANDICK CORPORATION	100 %	Japan
TOWA LASERFRONT CORPORATION 1	100	Japan
TOWATEC Co., Ltd.	100	Japan
TOWAM Sdn. Bhd.	100	Malaysia
TOWA (Suzhou) Co., Ltd.	100	People's Republic of China
TOWA (Nantong) Co., Ltd. 2	90	People's Republic of China
TOWA KOREA Co., Ltd.	100	Republic of Korea
TOWA Asia-Pacific Pte. Ltd.	100	Republic of Singapore
TOWA (Shanghai) Co., Ltd.	100	People's Republic of China
TOWA TAIWAN Co., Ltd.	100	Taiwan
TOWA Semiconductor Equipment Philippines Corp.	100	Republic of the Philippines
TOWA THAI COMPANY LIMITED 3	100	Kingdom of Thailand
TOWA USA Corporation	100	United States of America
TOWA Europe GmbH 4	100	Federal Republic of Germany
TOWA Europe B.V.	100	Kingdom of the Netherlands

1 . The Company acquired 100% portion of TOWA LASERFRONT CORPORATION on August 1 and September 13, 2018, and its financial statement is consolidated into accompanying financial statement for 2019.

2 . TOWA (Nantong) Co., Ltd. was established on October 8, 2018.

3 . TOWA THAI COMPANY LIMITED was established on March 8, 2019.

4 . TOWA Europe GmbH was established on January 4, 2019.

(2) Translation of Foreign Currency Items

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

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

(3) Cash and Cash Equivalents

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

Components of cash and cash equivalents as of March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Cash on hand and at banks	¥ 7,652	¥10,016	\$92,033
Less: Time deposits with deposit term of over three months	<u>¥ 25</u>	<u>¥193</u>	<u>\$1,773</u>
Cash and cash equivalent at end of year	<u>¥ 7,627</u>	<u>¥9,823</u>	<u>\$90,260</u>

(4) Securities

Securities are classified into four categories.

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

1) Trading Securities

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

2) Held-to-maturity Debt Securities

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

3) Shares in equity of Subsidiaries and Affiliates

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

4) Other Securities

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

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

(5) Inventories

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

(6) Allowance for Doubtful Accounts

The Company and its subsidiaries have provided the allowance based on the past uncollectible receivable experience for a certain reference period. Furthermore, for receivables which are from the debtors with financial difficulty, the allowance is provided for estimated uncollectible amounts individually.

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

Depreciation for property, plant and equipment of the Company and its domestic subsidiaries is calculated by the declining-balance method, except for buildings acquired on and after April 1, 1998 and structure acquired on and after April 1, 2016 which are applied the straight-line method, over the estimated useful lives of the assets.

The principal estimated useful lives are as follows:

Buildings and structures	3	~	50	years
Machinery and equipment	2	~	10	years

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

(8) Leased Assets

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

(9) Derivatives

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

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

(10) Goodwill

Goodwill is amortized over a period of 5 ~ 8 years by the straight-line method.

(11) Product Warranties

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

As of March 31, 2020, the liability for expected warranty costs was ¥158 million (\$1,452thousand).

(12) Accrued Bonus

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

(13) Accounting for retirement Benefits

1) Allocation of expected retirement benefit payments

When calculating retirement benefit obligations, the benefit formula basis is used to allocate expected retirement benefit payments to the period as of the fiscal year-end.

2) Amortization of actuarial gains and losses and past service cost

Actuarial gains and losses are amortized by the declining-balance method over a period, which is within the estimated average remaining service period of the eligible employees at the time they arise (mainly 10 years) and charged to income from the fiscal year following each respective incurrence.

Past service cost is amortized by the straight-line method over a period of 10 years, which is within the estimated average remaining service period of the eligible employees at the time they arise.

3) Method for treating unrecognized actuarial gains or losses

Unrecognized actuarial gains or losses are recorded in retirement benefit adjustments of accumulated other comprehensive income under net assets, after tax effects have been adjusted.

(14) Research and Development Costs

Research and development expenditure is charged to income when incurred.

(15) Income Taxes

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

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

(16) Appropriation of Retained Earnings

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

(17) Per Share Information

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

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

3. Changes in Accounting Policies

Effective from the fiscal year ended March 31, 2020, some overseas consolidated subsidiaries adopted IFRS16 "Leases". In accordance with the application of this standard, for lease transactions as a lessee, in principle, along with recognizing right-of-use assets and lease liabilities, the Group is recording the depreciation of the right-of-use assets and interest expenses related to the lease liabilities. Upon applying IFRS16, the Group has adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is allowed as a transitional measure.

As a result, the opening balances of Non-current assets, Other long-term liabilities and Retained earnings in the year ended March 31, 2020 have increased by ¥343 million (\$3,152 thousand), ¥328 million (\$3,014 thousand), ¥143 million (\$1,314 thousand) respectively, Other current liabilities have decreased ¥128million (\$1,176 thousand). The changes have a negligible impact on the consolidated statements of income for the year ended March 31, 2020.

4. Securities

- (1) The following is a summary of investments in affiliates and other securities at March 31, 2019:
Other securities:

<i>Millions of yen</i>			
2019			
Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:			
¥ 778	¥ 1,942	¥ 1	¥ 2,719
¥ 778	¥ 1,942	¥ 1	¥ 2,719
Market value not available:			
28	-	-	28
¥ 806	¥ 1,942	¥ 1	¥ 2,747

- (2) The following is a summary of investments in affiliates and other securities at March 31, 2020
Other securities:

<i>Millions of yen</i>			
2020			
Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:			
¥ 783	¥ 1,907	¥ 28	¥ 2,662
¥ 783	¥ 1,907	¥ 28	¥ 2,662
Market value not available:			
28	-	-	28
¥ 811	¥ 1,907	¥ 28	¥ 2,690

Other securities:

<i>Thousands of U.S. dollars (Note 1)</i>			
2020			
Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:			
\$ 7,195	\$ 17,522	\$ 257	\$ 24,460
\$ 7,195	\$ 17,522	\$ 257	\$ 24,460
Market value not available:			
257	-	-	257
\$ 7,452	\$ 17,522	\$ 257	\$ 24,717

5. Estimated Fair Value of Financial Instruments

As of March 31, 2019 and 2020, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	<i>Millions of yen</i>		
	2019		
	Book Value	Fair Value	Difference
Cash and deposits	¥ 7,652	¥ 7,652	¥ -
Notes and accounts receivable	9,542		
Less: Allowance for Doubtful Accounts	(3)		
	¥ 9,539	¥ 9,539	¥ -
Investment securities	2,719	2,719	-
Total assets	¥ 19,910	¥ 19,910	¥ -
Notes and accounts payable	¥ 2,585	¥ 2,585	¥ -
Short-term borrowings	5,500	5,500	-
Accrued Income taxes	162	162	-
Long-term borrowings	4,997	4,998	1
Total liabilities	¥ 13,244	¥ 13,245	¥ 1
Derivative financial instruments	¥ -	¥ (1)	¥ (1)
	<i>Millions of yen</i>		
	2020		
	Book Value	Fair Value	Difference
Cash and deposits	¥ 10,016	¥ 10,016	¥ -
Notes and accounts receivable	7,107		
Less: Allowance for Doubtful Accounts	(2)		
	¥ 7,105	¥ 7,105	¥ -
Investment securities	2,662	2,662	-
Total assets	¥ 19,783	¥ 19,783	¥ -
Notes and accounts payable	¥ 2,719	¥ 2,719	¥ -
Short-term borrowings	3,800	3,800	-
Accrued income taxes	291	291	-
Long-term borrowings	5,587	5,579	(8)
Total liabilities	¥ 12,397	¥ 12,389	¥ (8)
Derivative financial instruments	¥ -	¥ (0)	¥ (0)

	<i>Thousands of U.S. dollars (Note 1)</i>		
	2020		
	Book Value	Fair Value	Difference
Cash and deposits	\$ 92,033	\$ 92,033	\$ -
Notes and accounts receivable	65,304		
Less: Allowance for Doubtful Accounts	(18)		
	<u>\$ 65,286</u>	<u>\$ 65,286</u>	<u>\$ -</u>
Investment securities	24,460	24,460	-
Total assets	<u>\$ 181,779</u>	<u>\$ 181,779</u>	<u>\$ -</u>
Notes and accounts payable	\$ 24,984	\$ 24,984	\$ -
Short-term borrowings	34,917	34,917	-
Accrued income taxes	2,674	2,674	-
Long-term borrowings	51,337	51,263	(74)
Total liabilities	<u>\$ 113,912</u>	<u>\$ 113,838</u>	<u>\$ (74)</u>
Derivative financial instruments	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ (0)</u>

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2019 and 2020 were as follows, respectively.

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
	Unlisted equity securities	¥ 28	¥ 28

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

The redemption schedule for bonds and long-term borrowings is disclosed in Note6.

6. Short-term Borrowings and Long-term Debt

Short-term borrowings represent loans from banks. The annual average interest rates applicable to short-term borrowings at March 31, 2019 are 0.3% and 2020 are 0.3%, respectively.

Long-term debt as of March 31, 2019 and 2020 consisted of the following:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
	Borrowings from financial institutions	¥ 4,997	¥ 5,587
Other Long term liabilities	6	404	3,712
Less: Portion due within one year	(911)	(1,223)	(11,238)
	<u>¥ 4,092</u>	<u>¥ 4,768</u>	<u>\$ 43,811</u>

The aggregate annual maturity of long-term debt after March 31, 2019 is summarized as follows:

<u>Years ending March 31,</u>	<u>Millions of Yen</u>	<u>Thousands of U.S. dollars (Note 1)</u>
2021	¥ 1,223	\$ 11,238
2022	1,157	10,631
2023	1,118	10,273
2024 and thereafter	2,493	22,907
	<u>¥ 5,991</u>	<u>\$ 55,049</u>

Regarding loan payables, commitment line contracts with limits of ¥2,500 million (\$22,972 thousand) and term loan contract with limit of ¥1,500 million (\$13,783 thousand) respectively include financial covenant terms. The contractor triggers acceleration and is enforced to repay the full principal and interest if the contractor breaches either of the following terms.

(Financial covenant terms included in the syndicate loan contract)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥19,540 million (\$179,546 thousand) or more.

(2) The ordinary losses in both consolidated statements of income for each fiscal year must not be existed in two successive periods on and after the fiscal year ended March 31, 2019.

(Financial covenant terms included in the term loan contract)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥19,410 million (\$178,352 thousand) or more.

(2) The ordinary losses in both consolidated statements of income for each fiscal year must not be existed in two successive periods on and after the fiscal year ended March 31, 2020.

7. Retirement Benefits

The Company and its consolidated subsidiaries have set up funded and unfunded defined benefit plans and defined contribution plans to provide for employees' retirement benefits. Under the defined benefit pension plans, which are funded, lump-sum or pensions are paid based on accumulated points according to a qualification grade. Under the lump-sum payment plans, which are unfunded, lump-sum payments are provided mainly based on the salary amount and service periods.

Certain consolidated subsidiaries have adopted a simplified method of calculation with liability for retirement benefits and retirement benefits expense.

(1) Defined benefit plans

1) The changes in defined benefit obligation for the year ended March 31, 2019 and 2020 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. dollars (Note 1)</u>
	<u>2019</u>	<u>2020</u>	<u>2020</u>
Retirement benefit obligations at beginning of year	¥1,881	¥2,399	\$ 22,044
Increase resulting from acquisition of a consolidated subsidiary	384	-	-
Service cost	182	205	1,883
Interest cost	9	8	74
Actuarial (gain) loss	31	17	156
Retirement benefits paid	(86)	(76)	(698)
Others	(2)	(15)	(138)
Retirement benefit obligations at end of year	<u>2,399</u>	<u>2,538</u>	<u>\$ 23,321</u>

2) The changes in plan assets for the year ended March 31, 2019 and 2020 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Plan assets at beginning of year	¥1,785	¥1,877	\$ 17,247
Expected return on plan assets	53	56	515
Actuarial gain (loss)	(40)	(127)	(1,167)
Contributions from the employer	131	131	1,204
Retirement benefits paid	(52)	(56)	(515)
Plan assets at end of year	<u>1,877</u>	<u>1,881</u>	<u>\$ 17,284</u>

3) The balance of retirement benefit obligations and plan assets at fair value as of March 31, 2019 and 2020, liabilities and assets recognized in the consolidated balance sheet were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Funded retirement benefit obligations	¥ 1,732	¥ 1,811	\$ 16,641
Plan assets at fair value	(1,877)	(1,881)	(17,284)
	(145)	(70)	(643)
Unfunded retirement benefit obligations	667	727	6,680
Net liability recognized in the consolidated balance sheet	<u>¥ 522</u>	<u>¥ 657</u>	<u>\$ 6,037</u>
Liability for retirement benefits	667	727	6,680
Asset for retirement benefits	(145)	(70)	(643)
Net liability recognized in the consolidated balance sheet	<u>¥ 522</u>	<u>¥ 657</u>	<u>\$ 6,037</u>

4) The components of retirement benefit expenses for the year ended March 31, 2019 and 2020 were as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Service cost	¥ 182	¥ 206	\$ 1,893
Interest cost	9	7	64
Expected return on plan assets	(53)	(56)	(515)
Amortization of actuarial (gain) loss	(8)	7	64
Amortization of past service cost	(17)	(17)	(156)
Retirement benefit expenses	<u>¥ 113</u>	<u>¥ 147</u>	<u>\$ 1,350</u>

5) Remeasurements of defined benefit plans in other comprehensive income (before tax effect) for the year ended March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Past service cost	¥ 17	¥ 17	\$ 156
Actuarial gain (loss)	78	132	1,213
Total	<u>¥ 95</u>	<u>¥ 149</u>	<u>\$ 1,369</u>

6) Retirement benefit adjustments in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Unrecognized past service cost	¥ 135	¥ 118	\$ 1,084
Unrecognized actuarial gain (loss)	(65)	(198)	(1,819)
Total	¥ 70	¥ (80)	\$ (735)

7) Plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2020 were as follows:

	2019	2020
Debt securities	41%	42%
Equity securities	36%	31%
General accounts at life insurance companies	19%	20%
Others	4%	7%
Total	100%	100%

The expected rate of return on plan assets is determined considering the allocation of the plan assets expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8) The major assumptions used in accounting for the above plans as follows:

	2019	2020
Discount rate	(0.097%)	(0.001%)
Expected long-term rates of return on plan assets	3.00%	3.00%
Expected pay raise rate	7.1%	7.1%

Expected pay raise rate is an expected rate of the increase of the retirement benefit points.

(2) Defined Contribution plans

Certain consolidated subsidiaries have defined contribution plans and amount of the contribution for the year ended March 31, 2019 and 2020 were ¥48million and ¥50million (\$459thousand).

8. Shareholders' Equity

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

The Japanese Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital depending on the equity account that was charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

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

9. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2019 and 2020 were ¥645million and ¥330million (\$3,032 thousand), respectively.

10. Income Taxes

The company is subject to a number of different income taxes, which in the aggregate, result in a statutory tax rate in Japan of approximately 30.5% for the years ended of March 31, 2019 and 2020.

The deferred tax assets and deferred tax liabilities at March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Deferred tax assets:			
Inventory write down	¥ 565	¥ 732	\$ 6,726
Impairment loss of fixed assets	341	329	3,023
Retirement and severance benefits	179	232	2,132
Trial product for development	562	504	4,631
Net operating loss carried forward	160	216	1,985
Other, net	592	649	5,963
Valuation Allowance	(625)	(703)	(6,460)
	<u>1,774</u>	<u>1,959</u>	<u>18,000</u>
Deferred tax liabilities:			
Other, net	(792)	(839)	(7,709)
	<u>(792)</u>	<u>(839)</u>	<u>(7,709)</u>
Net deferred tax assets/(liabilities)	<u>¥ 982</u>	<u>¥ 1,120</u>	<u>\$ 10,291</u>

11. Other Comprehensive Income(Loss)

The reclassification adjustments and tax effects for components of other comprehensive income (loss) for the year ended March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Unrealized gain on other securities:			
Amount arising during the year	¥ (864)	¥ (62)	\$ (569)
Reclassification adjustments for losses (gains) realized in net income	-	-	-
Before Tax effect	(864)	(62)	(569)
Tax effect	264	1	9
Total unrealized gain on other securities	<u>(600)</u>	<u>(61)</u>	<u>(560)</u>
Translation adjustments:			
Amount arising during the year	(98)	(643)	(5,909)
Reclassification adjustments for losses (gains) realized in net income	-	-	-
Total translation adjustments	<u>(98)</u>	<u>(643)</u>	<u>(5,909)</u>
Remeasurements of defined benefit plans:			
Amount arising during the year	(70)	(139)	(1,277)
Reclassification adjustments for losses (gains) realized in net income	(25)	(10)	(92)
Before Tax effect	(95)	(149)	(1,369)
Tax effect	29	44	404
Total remeasurements of defined benefit plans	<u>(66)</u>	<u>(105)</u>	<u>(965)</u>
Total other comprehensive income (loss)	<u>¥ (764)</u>	<u>¥ (809)</u>	<u>\$ (7,434)</u>

12. Leases

(Finance leases as lessee)

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

(Operating leases as lessee)

Future minimum lease payments for the remaining lease periods as March 31, 2019 and 2020 are as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2019	2020	2020
Due within one year	¥ -	¥ 1	\$ 9
Due over one year	-	4	37
Total	¥ -	¥ 5	\$ 46

Lease contracts recognized in the consolidated balance sheet by IFRS16 aren't included this table.

13. Contingent Liabilities

The Company and its consolidated subsidiaries have no significant contingent liabilities.

14. Segment Information

(1) Segment by products

Year ended March 31, 2019	<i>Millions of Yen</i>				
	Semiconductor equipment	Fine plastic mold	Laser Processing machines	Elimination/ Unallocated Assets	Consolidated
.Sales and operating income					
Net sales to customers	¥ 24,825	¥ 1,602	¥ 1,845	¥ -	¥ 28,272
Inter-segment sales	-	-	-	-	-
	24,825	1,602	1,845	-	28,272
Cost of sales and Operating expenses	24,284	1,378	1,673	-	27,335
Operating income (loss)	¥ 541	¥ 224	¥ 172	¥ -	¥ 937
.Assets					
Total assets	¥ 40,669	¥ 1,707	¥ 1,593	¥ -	¥ 43,969
Depreciation and amortization	¥ 1,285	¥ 80	¥ 23	¥ -	¥ 1,388
Amortization of goodwill	¥ 41	¥ -	¥ 56	¥ -	¥ 97
Capital expenditure	¥ 1,407	¥ 32	¥ 14	¥ -	¥ 1,453

Year ended March 31, 2020

Millions of Yen

	Semiconductor equipment	Fine plastic mold	Laser Processing machines	Elimination/ Unallocated Assets	Consolidated
.Sales and operating income					
Net sales to customers	¥ 21,904	¥ 1,614	¥ 1,737	¥ -	¥ 25,255
Inter-segment sales	-	-	-	-	-
	21,904	1,614	1,737	-	25,255
Cost of sales and Operating expenses	21,286	1,371	1,786	-	24,443
Operating income (loss)	¥ 618	¥ 243	¥ (49)	¥ -	¥ 812
.Assets					
Total assets	¥ 40,058	¥ 1,812	¥ 1,255	¥ -	¥ 43,125
Depreciation and amortization	¥ 1,382	¥ 87	¥ 34	¥ -	¥ 1,503
Amortization of goodwill	¥ 46	¥ -	¥ -	¥ -	¥ 46
Capital expenditure	¥ 2,671	¥ 71	¥ 32	¥ -	¥ 2,774

Year ended March 31, 2020

Thousands of U.S. dollars (Note 1)

	Semiconductor equipment	Fine plastic mold	Laser Processing machines	Elimination/ Unallocated Assets	Consolidated
.Sales and operating income					
Net sales to customers	\$ 201,268	\$ 14,830	\$ 15,961	\$ -	\$ 232,059
Inter-segment sales	-	-	-	-	-
	201,268	14,830	15,961	-	232,059
Cost of sales and Operating expenses	195,589	12,598	16,411	-	224,598
Operating income (loss)	\$ 5,679	\$ 2,232	\$ (450)	\$ -	\$ 7,461
.Assets					
Total assets	\$ 368,078	\$ 16,650	\$ 11,532	\$ -	\$ 396,260
Depreciation and amortization	\$ 12,700	\$ 799	\$ 312	\$ -	\$ 13,811
Amortization of goodwill	\$ 423	\$ -	\$ -	\$ -	\$ 423
Capital expenditure	\$ 24,543	\$ 652	\$ 294	\$ -	\$ 25,489

(2) Sales by region

Year ended March 31	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2019	2020	2020
Japan	¥ 4,682	¥ 4,483	\$ 41,193
Overseas			
Asia	21,767	19,678	180,814
America	1,489	697	6,404
Other	334	397	3,648
Overseas total	23,590	20,772	190,866
Consolidated sales	¥ 28,272	¥ 25,255	\$ 232,059

Corporate Information

as of June 26, 2020

Corporate Data

Corporate Name: TOWA CORPORATION
Headquarters/Factory: 5 Kamichoshi-cho, Kamitoba,
Minami-ku, Kyoto 601-8105, Japan
Established: April 17, 1979
Operations: Develop, design, manufacture, and sell
precision molds, manufacturing systems for
electronic components, precision-molded and
assembly products, medical-use equipment,
and precision machining tools.
Other related business.
Paid-in Capital: ¥8,932,627,777
Common Stock
Authorized: 80,000,000
Issued Number of Shares: 25,021,832
Unit for Trading: 100
Stock Listings: First Section of the Tokyo Stock Exchange
Transfer Agents: Mizuho Trust & Banking Co., Ltd
Fiscal Year: From April 1 to March 31
Number of Employees: TOWA Corporation: 528
(as of March 31, 2020) TOWA Group(consolidated): 1,566
URL: <https://www.towajapan.co.jp>
Subsidiaries and
Affiliated Companies: BANDICK CORPORATION
TOWATEC Co., Ltd.
TOWA LASERFRONT CORPORATION
TOWA Asia-Pacific Pte. Ltd.
TOWAM Sdn. Bhd.
TOWA Semiconductor Equipment Philippines Corp.
TOWA THAI COMPANY LIMITED
TOWA USA Corporation
TOWA Europe B.V.
TOWA Europe GmbH
TOWA (Suzhou) Co., Ltd.
TOWA (Shanghai) Co., Ltd.
TOWA (Nantong) Co., Ltd.
TOWA TAIWAN Co., Ltd.
TOWA KOREA Co., Ltd.

Board of Directors

President & CEO
Hirokazu Okada
Director
Hiroshi Uragami
Yoshizumi Tamura
Koichi Ishida
Director
Full-time Audit and Supervisory
Committee Member
Hisayoshi Kobayashi
External Director
Audit and Supervisory Committee
Member
Hajime Kuwaki
Daisuke Wake
Miho Goto

TOWA CORPORATION

5 Kamichoshi-cho, Kamitoba, Minami-ku,
Kyoto 601-8105, Japan

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