TOWA

ANNUAL REPORT
FY2021

CONTENTS

MESSAGE TO OUR SHAREHOLDERS ········ **2**
Greetings ········ 2
Economic Overview ········ 2
Performance ········ 2
Looking Ahead ········ 4
TOWA Vision 2032 ········ 4
The First medium–term management plan ········ 5
TCFD DISCLOSURES ········ **7**
Governance ········ 7
Strategy ········ 7
Risk Management ········ 9
Metrics and Targets ········ 10
Initiatives for Reductions in FY2021 ········ 10
CONSOLIDATED FINANCIAL STATEMENTS ········ **11**
Consolidated Balance Sheet ········ 11
Consolidated Income Statements ········ 13
Consolidated Statement of Comprehensive Income ········ 14
Consolidated Statement of Shareholders' Equity ········ 15
Consolidated Statement of Cash Flows ········ 18
Notes to Consolidated Financial Statements ········ 19
Note 1 – Significant Matters Constituting the Basis of Preparation of Consolidated Financial Statements ········ 19
Note 2 – Significant Accounting Estimates ········ 23
Note 3 – Changes in Accounting Policies ········ 25
Note 4 – Change in Presentation Method ········ 26
Note 5 – Consolidated Balance Sheets ········ 26
Note 6 – Consolidated Statements of Income ········ 27
Note 7 – Consolidated Statements of Comprehensive Income ········ 29
Note 8 – Consolidated Statement of Changes in Net Assets ········ 30
Note 9 – Matters related to consolidated cash flow statements ········ 32
Note 10 – Lease Transactions ········ 33
Note 11 – Financial Instruments ········ 33
Note 12 – Securities ········ 38
Note 13 – Retirement Benefits ········ 40
Note 14 – Tax effect accounting ········ 43
Note 15 – Business Combinations ········ 44
Note 16 – Revenue Recognition ········ 47
Note 17 – Segment Information ········ 48
Note 18 – Per share information ········ 53
Consolidated Supplementary Schedules ········ 54
OTHERS ········ **56**
Corporate information

MESSAGE TO OUR SHAREHOLDERS

Greetings

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

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

Expanding technologies such as 5G, IoT (Internet of Things), AI (Artificial Intelligence) and automatic driving system and services using big data are all realized by semiconductors. Big growth in these business fields is expected to continue.

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

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

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

The compression technology is unrivaled from its release in 2009.

Economic Overview

During the current consolidated fiscal year, the global economy showed signs of recovery due to the easing of restrictions on movement because of vaccinations against COVID–19, mainly in developed countries. However, the outlook remained uncertain due to factors such as the spread of COVID–19 variants, price hikes due to global supply shortages of resources and materials, and the impact of the situation in Russia and Ukraine on the global economy.

Performance

In the semiconductor industry, strong demand continued in a wide range of fields, including 5G–related products, PCs, data centers, automotive applications, and home appliances. The semiconductor manufacturing equipment industry, to which TOWA belongs, continued to have a strong market environment due to increased production capacity aimed at eliminating global semiconductor shortages, aggressive investment for in–house semiconductor manufacturing in China, and investment for reviewing semiconductor supply chains from the perspective of economic security.

In these circumstances, to further strengthen our business activities in the ever–expanding Chinese market, we established TOWA R&D Suzhou Co., Ltd., our first overseas development base, and set up a structure that enables us to complete everything from design and development to production, as well as sales and after–sales service, within China alone. We also took steps to expand earnings opportunities in areas other than our mainstay molding equipment. For example, we acquired the shares of Fine International Co., Ltd. (company name changed to TOWA Fine Co., Ltd. as of March 30, 2022), which manufactures and sells blades, which are consumable components for singulation equipment. We also completed the construction of a new building at our Kyoto East Plant to increase production capacity to expand our cutting tools and contract processing business. As a result of aggressive capital investments aimed at expanding the scale of operations, we were able to respond to the rapid increase in demand, and we have achieved record highs in orders received, net sales, and all profit accounts for the full year. We have achieved net sales of 50,000 million yen and operating income of 8,000 million yen (margin 16%), which are the targets of the TOWA 10–year Vision (from April 1, 2014 to March 31, 2024) and the third medium–term management plan (from April 1, 2020 to March 31, 2024), two years ahead of schedule.

Regarding the impact of the COVID–19 pandemic on operating results, although there are areas where restrictions on economic activities remain due to the spread of variants, the impact on TOWA's business is currently minimal.

With regard to the impact of the situation in Russia and Ukraine, there are currently no transactions in these regions and there is no direct impact on TOWA's businesses. However, it is necessary to continue to monitor the situation closely.

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

Net sales	50,666 million yen (up 20,959 million yen, or 70.6% year–on–year)
Operating income	11,505 million yen (up 7,886 million yen, or 3.2–fold year–on–year)
Ordinary income	11,724 million yen (up 7,905 million yen, or 3.1–fold year–on–year)
Net income attributable to owners of parent	8,129 million yen (up 5,466 million yen, or 3.1–fold year–on–year)

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

Financial effects of increased sales	an increase of 7,638 million yen
Financial effects of improvements in plant utilization, etc.	an increase of 1,398 million yen
Financial effects of increased SG&A expenses	a decrease of 1,149 million yen

The results by segment are as follows.

Semiconductor Manufacturing Equipment Business

Operating results in the Semiconductor Manufacturing Equipment business increased and net sales were 46,715 million yen (up 20,179 million yen, or 76.0% year–on–year). This was due to a significant increase in sales of molding equipment, molds, and singulation equipment in China, where we are promoting in–house semiconductor production. In addition, sales of 5G–related products and automotive applications also increased significantly in Taiwan and other Asian markets. Operating income increased by 7,674 million yen, or 3.3 –fold, to 11,007 million yen due to the increase in sales and the cost reduction effects resulting from the improvement in plant utilization.

Fine Plastic Molded Products Business

As for operating results in the Fine Plastic Molded Products business, net sales were 1,723 million yen (down 83 million yen, or 4.6% year–on–year) and operating income was 312 million yen (down 76 million yen, or 19.7% year–on–year).

Laser Processing Equipment Business

In the Laser Processing Equipment business, net sales were 2,227 million yen (up 863 million yen, or 63.3% year–on–year) and operating income was 184 million yen (an operating loss of 103 million yen was recorded in the previous consolidated fiscal year). This was due to an increase in sales of laser trimmers against the backdrop of a recovery in demand for electronic components in a wide range of applications, including automobiles and industrial machinery.

Looking Ahead

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

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

TOWA Vision 2032

1. Theme

To the Top of the World through Change

2. Ideal state

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

3. Business Target (long–term vision)

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

(Millions of yen)

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

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

The First medium–term management plan

1. Theme

Process Innovation Created by TOWA Corporation

2. Basic policies

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

3. Business strategies

Semiconductor Manufacturing Equipment business

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

Fine Plastic Molded Products business

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

New business

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

Laser Processing Equipment business

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

4. Strategies by function

Sales strategies

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

Production strategies

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

Development strategies

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

Human resources/organizational strategies

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

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

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

(Millions of yen)

		FY2022	FY2023	FY2024
Net Sales		55,000	57,000	60,000
SEGMENT	Semiconductor Manufacturing Equipment Business	42,000	42,500	44,000
	Fine Plastic Molded Products Business	1,900	2,000	2,200
	New Business	8,600	10,000	11,200
	Laser Processing Equipment Business	2,500	2,500	2,600
Operating income		12,200	12,400	12,600
Operating margin		22.2%	21.8%	21.0%
Ordinary income		12,200	12,400	12,600
Net income attributable to owners of parent		8,500	8,700	8,800

TCFD DISCLOSURES

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

Governance

Board of Directors Oversight and Management Role

In the system for promoting environmental management, the Board of Directors deliberates and decides on basic policies regarding climate change at least once a year.

In FY2022, we deliberated on the risks and opportunities that climate change will pose to us, and the content of scenario analysis based on them.

We will continue to discuss the impact of climate change on our company as appropriate.

Strategy

We strive to understand the various risks and opportunities that may arise from climate change. In FY2021, we organized the risks and opportunities that future climate change will bring to our business, and evaluated the impact of those risks and opportunities by conducting qualitative and quantitative scenario analysis including the 1.5°C scenario. The target of this evaluation is the entire supply chain including semiconductor–related products.

Climate–related Risks and Opportunities

a. Possible Risks

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

Table 1　Possible Risks

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

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

b. Possible Opportunities

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

Table 2 Possible Opportunities

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

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

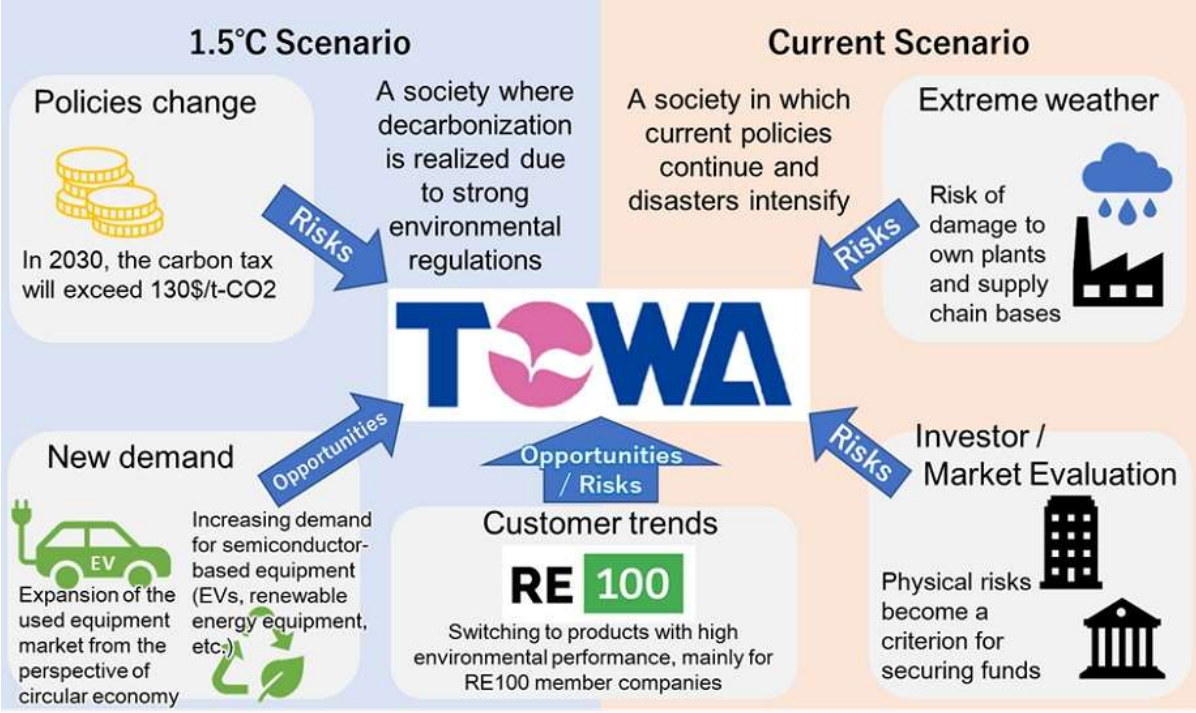
*2 Global EV Outlook 2021(Sustainable Development Scenario)

c. Scenario Analysis

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

Table 3 Overview of the set scenario

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



World view of each scenario drawn by TOWA

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

d. Transition Risks

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

e. Physical Risks from Natural Disasters

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

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

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

Risk Management

We have set up a “Risk Management Committee” chaired by the president to regularly identify and evaluate risks that should be dealt with. Under this committee, multiple risk management subcommittees have been set up (Figure 3) to monitor risks in internal control, export control, quality assurance, disaster countermeasures, etc. for each theme every month. The activities of these subcommittees are reported to the Board of Directors every quarter, and the contents are confirmed by outside directors.

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

Metrics and Targets

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

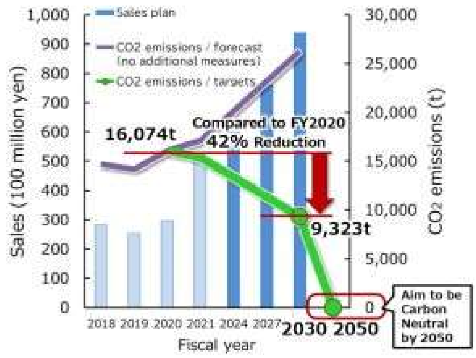
・**In FY2030, we will reduce CO_2 emissions(Scope 1+2) from our group by 42% from FY2020.**

・**We aim to achieve net–zero emissions(Carbon Neutrality)by 2050.**

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

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

CO_2 Emissions Performance and Targets



Sales and CO_2 Emission Targets

Initiatives for Reductions in FY2021 (Scope 1, 2)

In FY2021, we started an initiative to make a major shift to renewable energy for fuel and electric power (Scope 1, 2) consumed by our group. The effect of CO_2 reduction will gradually appear toward 2022.

The electricity used at all of TOWA's domestic production bases (Headquarters/ Factory, Kyoto East Plant, Kyushu Work) was switched to the renewable energy plan of the electric power company (July 2021). In addition, we are making efforts such as electrifying gas air–conditioning equipment at Headquarters/ Factory (March 2022). In FY2022, CO_2 emissions of the energy used in TOWA itself (Scope 1, 2) are expected to be reduced by nearly 99% compared to FY2020.

In addition, overseas group companies are introducing solar power generation at TOWAM Sdn. Bhd. (Malaysia) and TOWA (Suzhou) Co.,Ltd., and plan to cover about 30% of the electricity used at each factory in FY2022.

We will continue to work on reducing CO_2 emissions by utilizing renewable energy and saving energy.

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

CONSOLIDATED FINANCIAL STATEMENTS

TOWA CORPORATION

Consolidated Balance Sheet

(March 31,2021 and 2022)

	Millions of yen		Thousands of U.S. dollars (Note–1 4. (6))
	2021	2022	2022
Assets			
Current assets			
Cash and deposits	10,686	12,407	101,379
Notes and accounts receivable–trade	8,892	–	–
Notes receivable–trade	–	433	3,545
Electronically recorded monetary claims–operating	50	287	2,349
Accounts receivable–trade	–	11,109	90,775
Merchandise and finished goods	2,792	5,611	45,851
Work in process	5,578	12,073	98,646
Raw materials and supplies	781	887	7,248
Other	1,175	1,410	11,523
Allowance for doubtful accounts	(0)	(1)	(15)
Current assets	29,957	44,219	361,301
Non–current assets			
Property, plant and equipment			
Buildings and structures	18,196	20,530	167,744
Accumulated depreciation–buildings and structures	(10,976)	(11,743)	(95,954)
Buildings and structures, net	7,220	8,786	71,790
Machinery, equipment and vehicles	11,414	14,821	121,104
Accumulated depreciation–machinery, equipment and vehicles	(9,003)	(10,061)	(82,209)
Machinery, equipment and vehicles, net	2,410	4,760	38,895
Land	4,365	5,189	42,402
Leased assets	950	1,143	9,341
Accumulated depreciation	(194)	(214)	(1,754)
Leased assets, net	756	928	7,587
Construction in progress	949	609	4,982
Other	3,787	4,159	33,984
Accumulated depreciation	(3,250)	(3,407)	(27,837)
Other, net	537	752	6,146
Property, plant and equipment	16,240	21,026	171,802
Intangible assets			
Other	636	1,306	10,678
Intangible assets	636	1,306	10,678
Investments and other assets			
Investment securities	3,855	3,856	31,508
Deferred tax assets	570	261	2,138
Retirement benefit asset	330	397	3,249
Other	199	264	2,158
Investments and other assets	4,956	4,779	39,053
Non–current assets	21,833	27,113	221,533
Assets	51,790	71,333	582,834

TOWA CORPORATION

Consolidated Balance Sheet

(March 31,2021 and 2022)

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Liabilities			
Current liabilities			
Notes and accounts payable–trade	4,214	5,110	41,753
Electronically recorded obligations	1,725	2,888	23,602
Short–term borrowings	*1 1,500	*1 5,300	43,304
Current portion of long–term borrowings	1,340	1,340	10,949
Lease liabilities	88	131	1,075
Income taxes payable	798	2,417	19,751
Advances received	–	4,725	38,608
Provision for bonuses	687	896	7,322
Provision for bonuses for directors	46	78	645
Provision for product warranties	216	368	3,015
Other	4,022	2,269	18,540
Current liabilities	14,640	25,525	208,562
Non–current liabilities			
Long–term borrowings	4,610	3,270	26,718
Lease liabilities	266	377	3,084
Deferred tax liabilities	6	227	1,855
Retirement benefit liability	757	778	6,363
Other	4	32	265
Non–current liabilities	5,646	4,685	38,286
Liabilities	20,286	30,211	246,848
Net assets			
Shareholders' equity			
Share capital	8,932	8,932	72,985
Capital surplus	462	462	3,777
Retained earnings	19,090	26,820	219,136
Treasury shares	(11)	(12)	(104)
Shareholders' equity	28,473	36,202	295,794
Valuation and translation adjustments			
Valuation difference on available–for–sale securities	2,195	2,261	18,479
Foreign currency translation adjustment	411	2,169	17,729
Remeasurements of defined benefit plans	100	94	776
Valuation and translation adjustments	2,707	4,526	36,984
Non–controlling interests	322	392	3,208
Net assets	31,503	41,121	335,986
Liabilities and net assets	51,790	71,333	582,834

TOWA CORPORATION

Consolidated Income Statements

(Years end March 31,2021 and 2022)

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales	29,706	50,666	413,978
Cost of sales	*1 20,089	*1 32,013	261,567
Gross profit (loss)	9,617	18,653	152,411
Selling, general and administrative expenses	*2 *3 5,998	*2 *3 7,148	58,407
Operating profit (loss)	3,618	11,505	94,004
Non–operating income			
Interest income	25	27	226
Dividend income	35	49	407
Rental income from non–current assets	19	43	358
Foreign exchange gains	–	34	283
Subsidy income	295	43	359
Incentive income	32	29	237
Miscellaneous income	69	96	792
Non–operating income	478	325	2,663
Non–operating expenses			
Interest expenses	55	52	428
Depreciation of assets for rent	12	26	216
Commission expenses	3	17	143
Foreign exchange losses	195	–	–
Miscellaneous losses	10	10	86
Non–operating expenses	278	106	872
Ordinary profit (loss)	3,818	11,724	95,795
Extraordinary income			
Gain on sale of non–current assets	*4 13	*4 11	91
Gain on sale of investment securities	0	34	280
Extraordinary income	14	45	371
Extraordinary losses			
Loss on sale of non–current assets	*5 0	*5 0	0
Loss on retirement of non–current assets	*6 15	*6 26	215
Impairment losses	–	*7 47	391
Loss on sale of investment securities	2	–	–
Extraordinary losses	18	74	607
Profit (loss) before income taxes	3,814	11,695	95,559
Income taxes–current	1,000	3,167	25,882
Income taxes–deferred	147	376	3,077
Income taxes	1,148	3,544	28,959
Profit (loss)	2,666	8,151	66,600
Profit (loss) attributable to non–controlling interests	2	21	174
Profit (loss) attributable to owners of parent	2,663	8,129	66,426

TOWA CORPORATION

Consolidated Statement of Comprehensive Income

(Years end March 31, 2021 and 2022)

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit (loss)	2,666	8,151	66,600
Other comprehensive income			
Valuation difference on available–for–sale securities, net of tax	838	66	544
Foreign currency translation adjustment, net of tax	1,020	1,806	14,763
Remeasurements of defined benefit plans, net of tax	160	(5)	(47)
Other comprehensive income	*1 2,018	*1 1,867	15,260
Comprehensive income	4,684	10,018	81,859
(breakdown)			
Comprehensive income attributable to owners of parent	4,655	9,948	81,287
Comprehensive income attributable to non–controlling interests	28	70	572

TOWA CORPORATION

Consolidated Statement of Shareholders' Equity

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of the period	8,932	462	16,827	(11)	26,210
Changes during period					
Dividends of surplus			(400)		(400)
Profit (loss) attributable to owners of parent			2,663		2,663
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,263	(0)	2,262
Balance at end of the period	8,932	462	19,090	(11)	28,473

	Valuation and translation adjustments				Non–controlling interests	Net assets
	Valuation difference on available–for–sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Balance at beginning of the period	1,356	(582)	(59)	714	92	27,017
Changes during period						
Dividends of surplus						(400)
Profit (loss) attributable to owners of parent						2,663
Purchase of treasury shares						(0)
Net changes in items other than shareholders' equity	838	993	160	1,992	230	2,223
Total changes during period	838	993	160	1,992	230	4,485
Balance at end of the period	2,195	411	100	2,707	322	31,503

TOWA CORPORATION

Consolidated Statement of Shareholders’ Equity

Current Consolidated Fiscal year ended March 31, 2022

(Millions of yen)

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

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

TOWA CORPORATION

Consolidated Statement of Shareholders' Equity

Current Consolidated Fiscal year ended March 31, 2022

(Thousands of U.S. dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Balance at beginning of the period	72,985	3,777	155,980	(95)	232,646
Changes during period					
Dividends of surplus			(3,269)		(3,269)
Profit (loss) attributable to owners of parent			66,426		66,426
Purchase of treasury shares				(9)	(9)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	63,156	(9)	63,147
Balance at end of the period	72,985	3,777	219,136	(104)	295,794

	Valuation and translation adjustments				Non–controlling interests	Net assets
	Valuation difference on available–for–sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Valuation and translation adjustments		
Balance at beginning of the period	17,935	3,364	823	22,123	2,636	257,405
Changes during period						
Dividends of surplus						(3,269)
Profit (loss) attributable to owners of parent						66,426
Purchase of treasury shares						(9)
Net changes in items other than shareholders' equity	544	14,365	(47)	14,861	572	15,434
Total changes during period	544	14,365	(47)	14,861	572	78,581
Balance at end of the period	18,479	17,729	776	36,984	3,208	335,986

TOWA CORPORATION

Consolidated Statement of Cash Flows

(Years end March 31,2021 and 2022)

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities			
Profit (loss) before income taxes	3,814	11,695	95,559
Depreciation	1,601	1,949	15,933
Amortization of goodwill	28	14	117
Increase (decrease) in allowance for doubtful accounts	(0)	(0)	(0)
Increase (decrease) in provision for bonuses	146	187	1,532
Increase (decrease) in provision for bonuses for directors (and other officers)	15	29	244
Increase (decrease) in retirement benefit liability	(7)	(72)	(590)
Increase (decrease) in provision for product warranties	56	149	1,225
Interest and dividend income	(61)	(77)	(634)
Interest expenses	55	52	428
Foreign exchange losses (gains)	108	52	426
Decrease (increase) in trade receivables	(678)	527	4,313
Decrease (increase) in inventories	(2,190)	(8,494)	(69,409)
Decrease (increase) in other current assets	(36)	(59)	(488)
Increase (decrease) in trade payables	3,078	1,417	11,584
Increase (decrease) in other current liabilities	225	533	4,361
Other, net	(298)	161	1,317
Subtotal	5,858	8,067	65,916
Interest and dividends received	60	77	637
Interest paid	(53)	(53)	(433)
Income taxes paid	(570)	(1,704)	(13,926)
Income taxes refund	17	15	130
Net cash provided by (used in) operating activities	5,311	6,403	52,324
Cash flows from investing activities			
Payments into time deposits	(663)	(1,543)	(12,615)
Proceeds from withdrawal of time deposits	472	1,837	15,009
Proceeds from sale of investment securities	15	141	1,160
Payments of other investments	(4)	(33)	(272)
Purchase of property, plant and equipment and intangible assets	(2,691)	(5,272)	(43,077)
Proceeds from sale of property, plant and equipment and intangible assets	43	1	11
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,727)	(14,115)
Other, net	60	(3)	(30)
Net cash provided by (used in) investing activities	(2,768)	(6,600)	(53,928)
Cash flows from financing activities			
Net increase (decrease) in short–term borrowings	(2,300)	3,800	31,048
Proceeds from long–term borrowings	1,500	–	–
Repayments of long–term borrowings	(1,136)	(1,340)	(10,949)
Purchase of treasury shares	(0)	(1)	(9)
Dividends paid	(400)	(400)	(3,269)
Proceeds from share issuance to non–controlling shareholders	201	–	–
Other, net	(104)	(133)	(1,091)
Net cash provided by (used in) financing activities	(2,240)	1,925	15,731
Effect of exchange rate change on cash and cash equivalents	142	253	2,068
Net increase (decrease) in cash and cash equivalents	444	1,982	16,194
Cash and cash equivalents at beginning period	9,823	10,268	83,899
Cash and cash equivalents at end of period	*1 10,268	*1 12,250	100,094

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 17

Names of consolidated subsidiaries

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

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

In addition, TOWA R&D Suzhou Co., Ltd. is included in the scope of consolidation because it was newly established during the current consolidated fiscal year.

(2) There are no non–consolidated subsidiaries.

2. Application of the equity method

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

3. Fiscal year, etc. of consolidated subsidiaries

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

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

4. Accounting Policies

(1) Valuation standards and methods for significant assets

1) Securities

Other securities

Securities other than stocks without market price

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

Stocks without market price

Cost method based on the moving–average method

2) Inventory

(i) Product

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

(ii) Work in process

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

(iii) Raw materials

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

(iv) Supplies

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

(2) Depreciation method for significant depreciable assets

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

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

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

The estimated useful lives are as follows.

Buildings and structures	3–50 years
Machinery, equipment and vehicles	2–10 years

2) Intangible fixed assets (excluding lease assets)

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

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

3) Leased assets

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

(3) Accounting standards for significant allowances

1) Allowance for doubtful accounts

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

2) Provision for bonuses

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

3) Provision for directors' bonuses

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

4) Reserve for product warranty

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

(4) Accounting treatment for retirement benefits

1) Period attribution of projected retirement benefits

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

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

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

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

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

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

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

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

(5) Accounting standards for recording significant revenues and expenses

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

1) Semiconductor Manufacturing Equipment

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

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

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

2) Fine Plastic Molded Products

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

3) Laser Processing Equipment

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

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

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate on March 31, 2022, which was 122.39 to US$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(7) Amortization method and amortization period of goodwill

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

Goodwill related to the acquisition of TOWA Fine Co., Ltd. is amortized on a straight–line basis over a period of 5 years from the following fiscal year, as we use deemed acquisition dated of March 31, 2022.

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

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

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

1) Accounting treatment of consumption tax, etc.

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

2) Application of the consolidated taxation system

The Company applies the consolidated tax payment system. The Company and its domestic consolidated subsidiaries will shift to a non–consolidated tax payment system from the following consolidated fiscal year. Therefore, in accordance with Paragraphs 33 and 69 of the "Treatment of Accounting and Disclosure When Applying the Group Aggregation System" (ASBJ PITF No. 42 of August 12, 2021), the Company has adopted the non–consolidated tax payment system from the following fiscal year and posted deferred tax assets and deferred tax liabilities for the current consolidated fiscal year.

Note 2 – Significant Accounting Estimates

Previous consolidated fiscal year ended March 31, 2021

Recoverability of deferred tax assets

(1) Amount recorded in the previous consolidated financial statements: 570 million yen (4,658 thousand U.S. dollars)

(2) Other Information

The Group reviews the recoverability of deferred tax assets every fiscal year. The recoverable amount of the Group's deferred tax assets is highly dependent on projections of future taxable income, which may vary depending on the future business environment, changes in the Group's business activities and other factors.

In assessing the recoverability of deferred tax assets at the end of the consolidated fiscal year, the Company comprehensively takes into account business results for the past 3 years and the consolidated fiscal year as well as the future business plans, and the Company and its consolidated subsidiaries are classified according to the requirements set forth in Accounting Standards Board of Japan Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets." Based on past results and future business plans, the Company estimates taxable income over a period of 5 years or less in the future and schedules the timing of the reversal of temporary differences to determine the recoverability of deferred tax assets.

Estimates of future taxable income and the scheduling of future deductible temporary differences are considered to be significant assumptions used in estimating the recoverability of deferred tax assets.

The future business plan used in estimating taxable income is based on an operating income margin that takes into account historical results and estimates of future sales that take into account sales strategies.

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

Impairment of Fixed Assets

(1) Amount recorded in the previous consolidated financial statements: –

(2) Other Information

The Group groups the impairment of fixed assets based on reporting segments. For the Semiconductor Manufacturing Equipment business, the business assets and idle assets of each company are grouped into one group and the presence or absence of impairment is determined. If there is any indication of impairment, the necessity of impairment is determined by estimating future cash flows, etc. If it is determined to be impaired, the carrying amount is written down to the recoverable amount.

As a result of our assessment for the previous fiscal year, there were certain consolidated subsidiaries that indicated impairment. However, as a result of estimating future cash flows of the subsidiary based on its past performance and future business plans, the Company has determined that there is no need to recognize impairment loss.

The future business plans used in the estimation of future cash flows are considered to be significant assumptions and are based on forecasts of future sales and operating profit margin based on historical results that are estimated taking into account sales strategies.

If such estimates need to be revised due to uncertain economic conditions in the future, the amount of impairment loss to be recognized in the consolidated financial statements for the following fiscal year and thereafter may be affected.

Current fiscal year ended March 31, 2022

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year: 261 million yen (2,138 thousand U.S. dollars)

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

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

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

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

Intangible assets and goodwill acquired through business combination

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

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

	Millions of yen	Thousands of U.S. dollars
Goodwill	490	4,005
Technology–related intangible assets	54	448
Customer–related intangible assets	57	469
Total	602	4,922

(2) Details of the identified significant accounting estimates

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

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

Note 3 – Changes in Accounting Policies

Application of Accounting Standards for Revenue Recognition

Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020. Hereinafter referred to as the "Revenue Recognition Accounting Standard") has been adopted since the beginning of the current consolidated fiscal year. With it, at the time when control of promised goods or services is transferred to customers, revenue is recognized at the amount expected to be received in exchange for said goods or services.

In addition, in the case of domestic sales of goods or products, where the period from the time of shipment to the time when control of the goods or products is transferred to the customer is reasonably short, revenue is recognized at the time of shipment based on the alternative treatment prescribed in Paragraph 98 of the "Guidance on Accounting Standard for Revenue Recognition."

With regard to the application of the Revenue Recognition Accounting Standard, etc., the Company follows the transitional treatment prescribed in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the current consolidated fiscal year has been added to or deducted from retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy has been applied from the beginning balance. There is no impact on profit or loss for the current consolidated fiscal year. There is also no impact on the balance of retained earnings at the beginning of the current period.

In accordance with the transitional treatment set forth in Paragraph 89–3 of the Revenue Recognition Accounting Standard, notes for "Revenue Recognition" for the previous fiscal are omitted.

"Notes and accounts receivable – trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, is included in "Notes receivable – trade" and "Accounts receivable – trade" from the current fiscal year. "Other" which was included in "Current liabilities" is included in "Advances received" and "Other" from the current fiscal year. However, in accordance with the transitional treatment set forth in Paragraph 89–2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made for the previous fiscal year using the new presentation method.

Application of Accounting Standards for Calculation of Market Value

"Accounting Standard for Fair Value Measurement (ASBJ Statement No.30, July 4, 2019. Hereinafter referred to as "Fair Value Calculation Accounting Standard")" has been adopted since the beginning of the current consolidated fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Calculation Accounting Standard and Paragraph 44–2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the new accounting policies set forth in the Fair Value Calculation Accounting Standard, etc. will be applied in the future. There was no impact on the consolidated financial statements.

Additionally, in the notes under "Financial Instruments," we have added breakdown etc. of the fair value of financial instruments by level. However, in accordance with the transitional treatment set forth in Section 7–4 of the " Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019), the notes pertaining to the previous consolidated fiscal year are omitted.

Note 4 – Change in Presentation Method

Consolidated Statements of Income

"Rent of non–current assets," which was included in "Miscellaneous income" under "Non–operating income" in the previous fiscal year, is reported separately because its amount exceeded 10% of the total non–operating income. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 89 million yen (727 thousand U.S. dollars), which was presented as "Miscellaneous income" under "Non–operating income" in the consolidated statement of income for the previous fiscal year, has been reclassified to 19 million yen (159 thousand U.S. dollars) for "Rent of non–current assets" and 69 million yen (569 thousand U.S. dollars) for "Miscellaneous income."

"Depreciation of leased assets" and "Commissions paid", which were included in "Miscellaneous losses" under "Non–operating expenses" in the previous fiscal year, are presented separately because their amounts exceeded 10 percent of the total non–operating expenses. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 27 million yen (221 thousand U.S. dollars), which was presented as "Miscellaneous losses" under "Non–operating expenses" in the consolidated statement of income for the previous fiscal year, has been reclassified to 12 million yen (101 thousand U.S. dollars) for "Depreciation of leased assets," 3 million yen (32 thousand U.S. dollars) for "Commissions paid," and 10 million yen (87 thousand U.S. dollars) for "Miscellaneous losses."

Consolidated Cash Flow Statement

"Proceeds from sales of investment securities," which was included in "Other" under "Cash flows from investing activities" in the previous fiscal year, has been presented separately from the current fiscal year due to its increased monetary significance. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 75 million yen (618 thousand U.S. dollars) which was presented in "Other" under "Cash flows from investing activities" in the consolidated statements of cash flows for the previous fiscal year has been reclassified to 15 million yen (127 thousand U.S. dollars) for "Proceeds from sales of investment securities" and 60 million yen (490 thousand U.S. dollars) for "Other."

Note 5 – Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. dollars
	2021	2022	2022
Total of overdraft limit and commitment line contracts	9,700	12,000	98,047
Outstanding borrowings	1,500	5,300	43,304
Net amount	8,200	6,700	54,743

Note 6 – Consolidated Statements of Income

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

Millions of yen		Thousands of U.S. dollars
2021	2022	2022
431	370	3,030

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

	Millions of Yen		Thousands of U.S. dollars
	2021	2022	2022
Provision for allowance for doubtful accounts	(0)	(0)	(0)
Salaries and allowances	1,648	1,798	14,698
Provision for bonuses	203	262	2,141
Provision for directors' bonuses	43	70	579
Retirement benefit expenses	81	65	535
Commission expenses	576	736	6,018

(Change in Presentation Method)

"Research and development expenses," which was presented as a major expense item in the previous fiscal year, is not presented as a major expense item in the current fiscal year because the amount is no longer material.

"Commissions expenses " is presented as a major expense item because of its increased materiality in the current fiscal year.

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

Millions of Yen		Thousands of U.S. dollars
2021	2022	2022
748	585	4,786

The above amount includes expenses for Bandoh Memorial Research Laboratory and INNOMS Promotion Department.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Machinery, equipment and vehicles	13	10	88
Other property, plant and equipment	0	0	3
Software	–	0	0
Total	13	11	91

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Machinery, equipment and vehicles	0 (955 thousand yen)	–	–
Other property, plant and equipment	0 (24 thousand yen)	0 (42 thousand yen)	0 (343 U.S. dollars)
Total	0 (979 thousand yen)	0 (42 thousand yen)	0 (343 U.S. dollars)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	0	17	144
Machinery, equipment and vehicles	10	2	21
Other property, plant and equipment	3	5	47
Software	0	0	3
Other intangible assets	0	–	–
Total	15	26	215

***7 Impairment loss**

During the fiscal year under review, the Group recorded impairment losses for the following asset groups.

Location	Usage	Type	Amount	
			Millions of yen	Thousands of U.S. dollars
Uji City, Kyoto Prefecture	Idle assets	Building	47	391

As a general rule, the entire Company is treated as one asset group for business assets and idle assets are grouped by individual properties.

In the current consolidated fiscal year, the book value of idle assets that are no longer expected to be used in the future was written down to their recoverable value, and the amount of such reduction was recorded as impairment loss in extraordinary loss.

The recoverable amount of the asset is measured by the net selling price and assessed by the residual value.

Note 7 – Consolidated Statements of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation difference on available–for–sale securities:			
Amount arising during the period	1,181	142	1,163
Reclassification adjustment	1	(34)	(280)
Before tax effect adjustment	1,182	108	884
Tax benefit	(344)	(41)	(340)
Valuation difference on available–for–sale securities	838	66	544
Foreign currency translation adjustments:			
Amount arising during the period	1,020	1,806	14,763
Reclassification adjustment	–	–	–
Foreign currency translation adjustments	1,020	1,806	14,763
Remeasurements of retirement benefits:			
Amount arising during the period	218	29	238
Reclassification adjustment	12	(39)	(321)
Before tax effect adjustment	230	(10)	(83)
Tax benefit	(70)	4	35
Remeasurements of defined benefit plans	160	(5)	(47)
Total other comprehensive income	2,018	1,867	15,260

Note 8 – Consolidated Statement of Changes in Net Assets

Previous consolidated fiscal year ended March 31, 2021

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

(Share)

	Number of shares at the beginning of the consolidated fiscal year	Increase in number of shares during the consolidated fiscal year	Decrease in number of shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Issued stock				
Common stock	25,021,832	–	–	25,021,832
Total	25,021,832	–	–	25,021,832
Treasury stock				
Common stock (Note)	12,620	186	–	12,806
Total	12,620	186	–	12,806

(Note) The increase of 186 shares in the number of treasury stocks under common stocks is due to the purchase of shares less than one unit.

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights

There are no applicable matters.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends		Per share Dividend amount		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	yen	U.S. dollars		
May 28, 2020 Board of directors	Common stock	400	3,269	16	131	March 31,2020	June 29,2020

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

(Resolution)	Type of shares	Total amount of dividends		Dividends Source	Per share Dividend amount		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		yen	U.S. dollars		
May 13, 2021 Board of directors	Common stock	400	3,269	Retained earnings	16	131	March 31,2021	June 30,2021

Current fiscal year ended March 31, 2022

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

(Share)

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

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

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights

There are no applicable matters.

3. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends		Per share Dividend amount		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	yen	U.S. dollars		
May 13, 2021 Board of directors	Common stock	400	3,269	16	131	March 31,2021	June 30,2021

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

(Resolution)	Type of shares	Total amount of dividends		Dividends Source	Per share Dividend amount		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		yen	U.S. dollars		
May 12, 2022 Board of directors	Common stock	1,250	10,217	Retained earnings	50	409	March 31,2022	June 30,2022

Note 9– Matters related to consolidated cash flow statements

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and deposits	10,686	12,407	101,379
Time deposits with a term longer than 3 months	(418)	(157)	(1,285)
Cash and cash equivalents	10,268	12,250	100,094

***2 Overall breakdown of assets and liabilities of companies that newly became consolidated subsidiaries as a result of acquisition of shares during the current consolidated fiscal year**

The breakdown of assets and liabilities at the beginning of consolidation associated with the new consolidation of TOWA Fine Co., Ltd. as a result of the acquisition of shares, and the relationship between the acquisition cost of shares and net expenditure for the acquisition of the company are as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	413	3,379
Fixed assets	1,050	8,585
Intangible assets related to technology	54	448
Customer–related intangible assets	57	469
Goodwill	490	4,005
Current liabilities	(128)	(1,052)
Non–current liabilities	(123)	(1,007)
Acquisition cost of shares	1,814	14,826
Cash and cash equivalents	(187)	(1,529)
Loans to such company that is to be executed between the date of acquisition of control and the deemed acquisition date	100	817
Accrued expenses	0	0
Less: Acquisition costs	1,727	14,115

Note 10 – Lease Transactions

Lessee

1. Finance lease transactions

Finance leases that do not transfer ownership

(1) Details of leased assets

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

(2) Depreciation of leased assets

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

Impairment Loss

There is no impairment loss allocated to leased assets.

2. Operating lease transactions

Remaining lease payments related to non–cancelable operating leases

	Millions of Yen		Thousands of U.S. dollars
	2021	2022	2022
Within 1 year	1	1	9
More than 1 year	2	1	11
Total	3	2	20

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

Note 11 – Financial Instruments

1. Status of financial instruments

(1) Policy on financial instruments

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

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

(2) Details and risks of financial instruments

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

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

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

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

(3) Risk management system for financial instruments

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

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

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

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

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

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

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

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

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair values of financial instruments include values based on market prices and reasonably calculated values if market prices are not available. Since fluctuation factors are included in the calculation of the value, the value may fluctuate due to the adoption of different assumptions.

2. Fair value of financial instruments

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

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	3,827	3,827	–
Total Assets	3,827	3,827	–
Long–term debt	5,950	5,937	(12)
Total Liabilities	5,950	5,937	(12)

(Thousands of U.S. dollars)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	31,274	31,274	–
Total Assets	31,274	31,274	–
Long–term debt	48,615	48,509	(106)
Total Liabilities	48,615	48,509	(106)

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

(*2) The following financial instruments are not included in "Investment securities" because they do not have market prices and their fair values are deemed extremely difficult to ascertain. The amounts of such financial instruments recorded in the consolidated balance sheets are as follows.

Category	Previous consolidated fiscal year	
	Millions of yen	Thousands of U.S. dollars
Unlisted stock	28	231

Current fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Amount recorded in the consolidated balance sheet	Market Value	Difference
Investment securities	31,278	31,278	–
Total Assets	31,278	31,278	–
Long–term debt	37,666	37,592	(74)
Total Liabilities	37,666	37,592	(74)

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

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

Category	Current consolidated fiscal year	
	Millions of yen	Thousands of U.S. dollars
Unlisted stock	28	231

(Note)1. Scheduled redemption amount of monetary claims after the consolidated closing date

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	10,686	–	–	–
Notes receivable and Accounts receivable	8,892	–	–	–
Electronically recorded monetary claims	50	–	–	–
Total	19,629	–	–	–

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	87,315	–	–	–
Notes receivable and Accounts receivable	72,657	–	–	–
Electronically recorded monetary claims	415	–	–	–
Total	160,387	–	–	–

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Cash and deposits	101,379	–	–	–
Notes receivable	3,545	–	–	–
Accounts receivable	90,775	–	–	–
Electronically recorded monetary claims	2,349	–	–	–
Total	198,048	–	–	–

(Note)2. Amount of long–term loans payable to be repaid after the consolidated closing date

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	1,340	4,110	500	–
Total	1,340	4,110	500	–

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	10,949	33,581	4,085	–
Total	10,949	33,581	4,085	–

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years
Long–term debt	10,949	26,718	–	–
Total	10,949	26,718	–	–

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

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

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

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

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

(Millions of yen)

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

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Shares	31,278	–	–	31,278
Total assets	31,278	–	–	31,278

(2) Financial instruments other than those recorded on the consolidated balance sheets at fair value
Current Consolidated Fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Long–term borrowings (including ones that are due within 1 year)	–	37,592	–	37,592
Total liabilities	–	37,592	–	37,592

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

Investment securities

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

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

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

Note 12 – Securities

1. Other securities

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	3,827	765	3,061
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	3,827	765	3,061
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		3,827	765	3,061

(Thousands of U.S. dollars)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	31,274	6,257	25,017
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	31,274	6,257	25,017
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		31,274	6,257	25,017

(Note) Unlisted shares (28 million yen (231 thousand U.S. dollars) on consolidated balance sheet) are not included in the above table because they do not have market prices and their fair values are deemed extremely difficult to ascertain.

Current Consolidated Fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Type	Amount recorded in the consolidated balance sheet	Acquisition cost	Difference
Securities whose carrying amount exceeds their acquisition cost	(1) Shares	31,278	5,377	25,900
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	31,278	5,377	25,900
Securities whose carrying amount does not exceed their acquisition cost	(1) Shares	–	–	–
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	–	–	–
	(ii) Corporate bonds	–	–	–
	(iii) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	–	–	–
Total		31,278	5,377	25,900

(Note) Unlisted shares (28 million yen (231 thousand U.S. dollars) on consolidated balance sheet) are not included in the above table because they do not have market prices and their fair values are deemed extremely difficult to ascertain.

2. Other securities sold

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

Type	Sale price	Total gain on sale	Total loss on sale
Shares	15	0	2

(Thousands of U.S. dollars)

Type	Sale price	Total gain on sale	Total loss on sale
Shares	127	7	20

Current Consolidated Fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

Type	Sale price	Total gain on sale	Total loss on sale
Shares	1,160	280	–

Note 13 – Retirement Benefits

1. Outline of the retirement benefit plan adopted

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

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

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

2. Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligations at beginning of year	2,538	2,600	21,251
Service cost	203	213	1,742
Interest expense	8	10	82
Actuarial gain or loss	(11)	(26)	(219)
Payment of retirement benefits	(150)	(141)	(1,153)
Other	13	20	166
Retirement benefit obligations at end of year	2,600	2,676	21,870

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

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Plan assets at beginning of year	1,881	2,173	17,759
Expected return on investment	56	65	533
Actuarial gain or loss	210	6	56
Contributions from employer	130	129	1,061
Payment of retirement benefits	(105)	(79)	(654)
Balance of plan assets at end of year	2,173	2,295	18,755

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Retirement benefit obligations for funded plans	1,843	1,897	15,507
Plan assets	(2,173)	(2,295)	(18,755)
	(330)	(397)	(3,249)
Retirement benefit obligations for unfunded plans	757	778	6,363
Net liabilities and assets recorded in the consolidated balance sheets	427	381	3,115
Defined benefit liability	757	778	6,363
Defined benefit asset	(330)	(397)	(3,249)
Net liabilities and assets recorded in the consolidated balance sheets	427	381	3,115

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

(4) Retirement benefit expense and breakdown

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	203	213	1,742
Interest expense	8	10	82
Expected return on investment	(56)	(65)	(533)
Actuarial differences expense	29	(22)	(182)
Prior service cost expense	(16)	(16)	(139)
Retirement benefit expenses for defined benefit plans	167	118	971

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

(5) Remeasurements of retirement benefits

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Prior service cost	16	16	139
Actuarial difference	(247)	(6)	(56)
Total	(230)	10	83

(6) Accumulated remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized prior service cost	100	83	683
Unrecognized actuarial gain or loss	50	57	467
Total	150	140	1,150

(7) Matters concerning plan assets

(i) Major components of plan assets

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

	2021	2022
Bond	37%	35%
Shares	33	32
Life insurance general account	17	17
Other	13	16
Total	100	100

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

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

(8) Actuarial calculation basis

Basis of major actuarial calculations

	2021	2022
Discount rate	Mainly 0.074%	Mainly 0.172%
Expected long–term rate of return	3.00%	3.00%
Expected rate of salary increase (Note)	Mainly 7.1%	Mainly 7.1%

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

3. Defined contribution plan

The Group's required contributions to the defined contribution plan were 54 million yen (446 thousand U.S. dollars) for the previous consolidated fiscal year and 63 million yen (516 thousand U.S. dollars) for the current consolidated fiscal year.

Note 14 – Tax effect accounting

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

	Millions of Yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets			
Inventory valuation loss	608	525	4,291
Impairment loss	313	323	2,641
Provision for bonuses	184	284	2,328
Net defined benefit liability	168	180	1,478
Prototype	540	474	3,873
Tax loss carryforwards (Note)	216	155	1,268
Other	609	858	7,018
Subtotal deferred tax assets	2,642	2,802	22,898
Valuation allowance for tax loss carryforwards (Note)	(208)	(145)	(1,192)
Valuation allowance for deductible temporary differences, etc.	(516)	(656)	(5,366)
Subtotal of valuation allowance	(724)	(802)	(6,559)
Total deferred tax assets	1,917	1,999	16,340
Deferred tax liabilities			
Valuation difference on available–for–sale securities	(866)	(908)	(7,421)
Undistributed earnings of foreign subsidiaries	(447)	(872)	(7,126)
Other	(40)	(184)	(1,509)
Total deferred tax liabilities	(1,354)	(1,965)	(16,057)
Net deferred tax assets	563	34	283

(Change in Presentation Method)

"Undistributed earnings of foreign subsidiaries," which was included in "Other" under deferred tax liabilities in the previous consolidated fiscal year, has been presented separately from the current consolidated fiscal year due to its increased monetary significance. To reflect this change in presentation method, the notes for the consolidated previous fiscal year have been reclassified.

As a result, negative 487 million yen (negative 3,983 thousand U.S. dollars) presented in "Other" under deferred tax liabilities for the previous consolidated fiscal year has been reclassified as negative 447 million yen (negative 3,655 thousand U.S. dollars) in "Undistributed earnings of foreign subsidiaries" and negative 40 million yen (negative 328 thousand U.S. dollars) in "Other."

(Note) Amounts of tax loss carryforwards and deferred tax assets by carryforward period

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Tax loss carryforwards (*1)	–	118	17	44	24	12	216
Valuation allowance	–	(109)	(17)	(44)	(24)	(12)	(208)
Deferred tax assets	–	8	–	–	–	–	(*2) 8

(*1) Tax loss carryforwards include the statutory tax rate.

(*2) Deferred tax assets of 8 million yen (71 thousand U.S. dollars) was recorded for tax loss carryforwards of 216 million yen (1,773 thousand U.S. dollars, include the statutory tax rate). Deferred tax assets of 8 million yen (71 thousand U.S. dollars) were generated by TOWA LASERFRONT Corporation in the year ended March 31, 2014. The Company has determined that these deferred tax assets are recoverable based on projected taxable income based on the future earning power of the Semiconductor Manufacturing Equipment and Laser Processing Equipment businesses.

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Tax loss carryforwards (*3)	103	11	7	19	–	12	155
Valuation allowance	(99)	(11)	(7)	(14)	–	(12)	(145)
Deferred tax assets	3	–	–	5	–	–	(*4) 9

(Thousands of U.S. dollars)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Tax loss carryforwards (*3)	845	96	60	162	–	104	1,268
Valuation allowance	(814)	(96)	(60)	(117)	–	(104)	(1,192)
Deferred tax assets	31	–	–	45	–	–	(*4) 76

(*3) Tax loss carryforwards include the statutory tax rate.

(*4) Deferred tax assets of 9 million yen (76 thousand U.S. dollars) was recorded for tax loss carryforwards of 155 million yen (1,268 thousand U.S. dollars, include the statutory tax rate). Deferred tax assets of 9 million yen (76 thousand U.S. dollars) were mainly generated by TOWA (Nantong) Co., Ltd. in the year ended March 31, 2021 and by TOWA LASERFRONT Corporation in the year ended March 31, 2014. The Company has determined that these deferred tax assets are recoverable based on projected taxable income based on the future earning power of the Semiconductor Manufacturing Equipment and Laser Processing Equipment businesses.

2. Breakdown of significant differences between the normal effective statutory tax rate and the actual effective tax rate after the application of tax effect accounting

As the difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting is 5 / 100 or less of the statutory effective tax rate for both the previous and current consolidated fiscal years, the notes are omitted.

Note 15 – Business Combinations

Business combination by acquisition

1. Overview of the Business Combination

(1) Name of the acquired company and description of business

Name of acquired company: Fine International Co., Ltd.
Description of business: Manufacturing and sales of blades

(2) Main reasons for the business combination

The acquired company manufactures and sells blades based on cutting technology necessary for the electronics industry. It is a company that realizes the miniaturization of electronic components and precision parts processing with technology using high–speed rotating blades.

We believe that it will be possible to develop new products (singulation equipment and blades) and increase profits in the TSS business (total solution service), including blade sales, by combining the cutting technology of the acquired company with the Company's singulation business.

We also aim to realize synergies and increase corporate value through mutual exchange of engineers, interaction of sales and service networks, and procurement of purchased products in production (price and delivery).

(3) Date of business combination

January 26, 2022 (deemed acquisition date: March 31, 2022)

(4) Legal form of the business combination

Acquisition of shares in exchange for cash

(5) Name of the combined company

TOWA Fine Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Main grounds for determining the acquiring company

The Company acquired shares in exchange for cash.

2. Period of performance of the acquired company included in the consolidated financial statements

As the deemed date of acquisition was March 31, 2022 and only the balance sheet was consolidated for the current consolidated fiscal year, operation results of the acquired companies are not included in the consolidated financial statements.

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition	Cash	18,000 million South Korean won	(1,814 million yen)	(14,826 thousand U.S. dollars)
Acquisition cost		18,000 million South Korean won	(1,814 million yen)	(14,826 thousand U.S. dollars)

(Note) The Japanese yen amount is the amount converted based on the exchange rate on the date of acquisition of shares. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate on March 31, 2022, which was 122.39 to US$1.00.

4. Details and amount of major acquisition–related costs

Advisory fees, etc.: 14 million yen (116 thousand U.S. dollars)

5. Amount, cause, amortization method, and amortization period of goodwill

(1) Amount of goodwill generated

4,862 million South Korean won (490 million yen, 4,005 thousand U.S. dollars)

(Note) The Japanese yen amount is the amount converted based on the exchange rate on the date of acquisition of shares.

(2) Cause

This is the excess earning power expected from future business development.

(3) Amortization method and amortization period

Straight–line depreciation over 5 years

6. The amount and major breakdown of assets accepted and liabilities assumed on the date of the business combination

	Millions of Won	Millions of Yen	Thousands of U.S. dollars
Current assets	4,102	413	3,379
Non–current assets	10,422	1,050	8,585
Total assets	14,524	1,464	11,964
Current liabilities	1,276	128	1,052
Non–current liabilities	1,223	123	1,007
Total liabilities	2,500	252	2,059

(Note) The Japanese yen amount is the amount converted based on the exchange rate on the date of acquisition of shares.

7. Estimated amount of influence on the consolidated income statement for the current fiscal year assuming that the business combination is completed on the first day of the consolidated fiscal year and its calculation method

It is not stated because it is difficult to calculate the estimated amount for the current consolidated fiscal year.

Note 16 – Revenue Recognition

1. Breakdown of revenue from contracts with customers

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Reportable segment			Total
	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	
Japan	20,863	13,001	13,073	46,938
Taiwan	76,413	–	382	76,796
China	184,005	1,078	3,058	188,141
Other Asian countries	86,708	–	1,690	88,398
Americas	11,422	–	–	11,422
Other	2,284	–	–	2,284
Revenue arising from contracts with customers	381,695	14,079	18,203	413,978
Other income	–	–	–	–
Sales to external customers	381,695	14,079	18,203	413,978

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

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

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

(1) Balance of contract assets and contract liabilities

	Current consolidated fiscal year	
	Millions of Yen	Thousands of U.S. dollars
Receivables arising from contracts with customers (beginning balance)	8,943	73,072
Receivables arising from contracts with customers (ending balance)	11,831	96,669
Contract liabilities (beginning balance)	1,745	14,260
Contract liabilities (ending balance)	4,725	38,608

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

(2) Transaction price allocated to the remaining performance obligations

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

Note 17 – Segment Information

1. Overview of Reportable Segments

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

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

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

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

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

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

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	26,536	1,806	1,364	29,706
(2) Inter–segment sales or transfers	–	–	–	–
Total	26,536	1,806	1,364	29,706
Segment profit (loss)	3,333	389	(103)	3,618
Segment assets	48,366	2,050	1,372	51,790
Other Items				
Depreciation expense	1,462	88	36	1,588
Amortization of goodwill	28	–	–	28
Increase in property, plant and equipment and intangible assets	3,176	252	19	3,448

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	216,816	14,760	11,146	242,722
(2) Inter–segment sales or transfers	–	–	–	–
Total	216,816	14,760	11,146	242,722
Segment profit (loss)	27,235	3,183	(850)	29,569
Segment assets	395,187	16,756	11,217	423,160
Other Items				
Depreciation expense	11,952	727	302	12,981
Amortization of goodwill	237	–	–	237
Increase in property, plant and equipment and intangible assets	25,955	2,061	160	28,177

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

Current Consolidated Fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Sales				
(1) Sales to external customers	381,695	14,079	18,203	413,978
(2) Inter–segment sales or transfers	–	–	–	–
Total	381,695	14,079	18,203	413,978
Segment profit (loss)	89,940	2,555	1,509	94,004
Segment assets	553,373	17,638	11,823	582,834
Other Items				
Depreciation expense	14,593	867	257	15,717
Amortization of goodwill	117	–	–	117
Increase in property, plant and equipment and intangible assets	38,196	423	375	38,994

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

[Related Information]

Previous consolidated fiscal year ended March 31, 2021

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
3,841	5,450	10,925	7,566	1,536	386	29,706

(Thousands of U.S. dollars)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
31,385	44,533	89,270	61,822	12,554	3,158	242,722

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

(2) Property, plant and equipment

(Millions of yen)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
8,840	3,102	3,561	708	26	16,240

(Thousands of U.S. dollars)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
72,231	25,349	29,104	5,790	221	132,694

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

Current consolidated fiscal year ended March 31, 2022

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

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

(Thousands of U.S. dollars)

Japan	Taiwan	China	Other Asian countries	Americas	Others	Total
46,938	76,796	188,141	88,398	11,422	2,284	413,978

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

(Change in Presentation Method)

Sales in "South Korea," which was presented as a separate item in the previous consolidated fiscal year, have become immaterial and are included in "Other Asian countries" from the current consolidated fiscal year. In order to reflect this change in presentation method, sales of 4,144 million yen (33,865 thousand U.S. dollars) of "South Korea" for the previous consolidated fiscal year have been reclassified and included in "Other Asian countries."

(2) Property, plant and equipment

(Millions of yen)

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

(Thousands of U.S. dollars)

Japan	Malaysia	China	Other Asian countries	Europe and Americas	Total
89,510	30,115	37,474	14,397	306	171,802

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

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

Previous consolidated fiscal year ended March 31, 2021

There are no applicable matters.

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Impairment loss	391	–	–	391

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

Previous consolidated fiscal year ended March 31, 2021

(Millions of yen)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Current period amortization	28	–	–	28
Balance at end of period	76	–	–	76

Current consolidated fiscal year ended March 31, 2022

(Millions of yen)

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

(Thousands of U.S. dollars)

	Semiconductor Manufacturing Equipment Business	Fine Plastic Molded Products Business	Laser Processing Equipment Business	Total
Current period amortization	117	–	–	117
Balance at end of period	4,594	–	–	4,594

[Information on gain on negative goodwill by reportable segment]

There are no applicable matters.

[Related Party Information]

There are no applicable matters.

Note 18 – Per share information

	yen		U.S. dollars
	2021	2022	2022
Net assets per share	1,246.80	1,628.59	13.31
Net income per share	106.49	325.08	2.66

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

	2021	2022	2022
	Millions of yen		Thousands of U.S. dollars
Net income attributable to owners of parent	2,663	8,129	66,426
Amount not attributable to common shareholders	–	–	–
Net income attributable to owners of parent related to common shares	2,663	8,129	66,426
	Share		
Average number of shares of common stock during the period	25,009,115	25,008,840	

Consolidated Supplementary Schedules

Schedule of bonds

There are no applicable matters.

Schedule of borrowings, etc.

(Millions of yen)

Category	Beginning balance	Ending balance	Average interest rate (%)	Due date
Short–term borrowings	1,500	5,300	0.3	–
Current portion of long–term debt due within 1 year	1,340	1,340	0.5	–
Current portion of lease obligations due within 1 year	88	131	–	–
Long–term borrowings (excluding the current portion)	4,610	3,270	0.5	2023 to 2027
Lease obligations (excluding the current portion)	266	377	–	2023 to 2030
Total	7,805	10,419	–	–

(Thousands of U.S. dollars)

Category	Beginning balance	Ending balance	Average interest rate (%)	Due date
Short–term borrowings	12,256	43,304	0.3	–
Current portion of long–term debt due within 1 year	10,949	10,949	0.5	–
Current portion of lease obligations due within 1 year	726	1,075	–	–
Long–term borrowings (excluding the current portion)	37,666	26,718	0.5	2023 to 2027
Lease obligations (excluding the current portion)	2,181	3,084	–	2023 to 2030
Total	63,778	85,130	–	–

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

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

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

(Millions of yen)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long–term debt	1,330	940	500	500
Lease obligations	81	59	39	40

(Thousands of U.S. dollars)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long–term debt	10,867	7,680	4,085	4,085
Lease obligations	666	489	322	330

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

(Millions of yen)

Total amount of overdrafts and commitment line contracts	Outstanding borrowings	Net amount
12,000	5,300	6,700

(Thousands of U.S. dollars)

Total amount of overdrafts and commitment line contracts	Outstanding borrowings	Net amount
98,047	43,304	54,743

5. Financial covenant

Certain borrowings of the Company and commitment line agreements concluded with 5 banks (maximum amount of 2,500 million yen (20,427 thousand U.S. dollars)) are subject to financial covenants. If any of the following covenants is violated, all obligations under the agreements will lose the benefit of time and the principal and interest on the borrowings will have to be paid.

1) Financial covenants attached to commitment line agreements

(i) The amount of net assets in the consolidated balance sheet as of the end of each fiscal year and the last day of the second quarter shall be maintained at 22,060 million yen (180,243 thousand U.S. dollars) or more.

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

2) Financial covenants attached to the Term Loan in the form of a split execution contract (outstanding balance of 3,000 million yen (24,512 thousand U.S. dollars))

(i) The amount of net assets in the consolidated balance sheet as of the end of each fiscal year and the last day of the second quarter shall be maintained at 19,410 million yen (158,591 thousand U.S. dollars) or more.

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

Schedule of asset retirement obligations

There are no applicable matters.

OTHERS

Quarterly Information for the current consolidated fiscal year

(Yen)

(Cumulative Period)	Q1	Q2	Q3	Current consolidated fiscal year
Sales (Millions of yen)	11,960	24,332	38,291	50,666
Quarterly (Current year) net income before income taxes and others (Millions of yen)	2,715	5,700	9,080	11,695
Quarterly (Current year) profit attributable to owners of parent (Millions of yen)	1,978	4,145	6,616	8,129
Quarterly (Current year) Net income per share (Yen)	79.11	165.75	264.57	325.08

(Accounting Period)	Q1	Q2	Q3	Current consolidated fiscal year
Quarterly (Current year) Net income per share (Yen)	79.11	86.64	98.83	60.51

(U.S. dollars)

(Cumulative Period)	Q1	Q2	Q3	Current consolidated fiscal year
Sales (Thousands of U.S. dollars)	97,723	198,808	312,861	413,978
Quarterly (Current year) net income before income taxes and others (Thousands of U.S. dollars)	22,189	46,579	74,196	95,559
Quarterly (Current year) profit attributable to owners of parent (Thousands of U.S. dollars)	16,165	33,868	54,062	66,426
Quarterly (Current year) Net income per share (U.S. dollars)	0.65	1.35	2.16	2.66

(Accounting Period)	Q1	Q2	Q3	Current consolidated fiscal year
Quarterly (Current year) Net income per share (U.S. dollars)	0.65	0.71	0.81	0.49

Corporate Information

As of June 29, 2022

Corporate Data

Corporate Name:	TOWA CORPORATION
Headquarters/Factory:	5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto 601-8105, Japan
Established:	April 17, 1979
Operations: **(consolidated)**	Develop, design, manufacture, and sell precision molds, manufacturing systems for electronic components, precision-molded and assembly products, medical-use equipment, laser processing equipment, and precision machining tools. Other related business.
Paid-in Capital:	¥8,932,627,777
Common Stock Authorized:	80,000,000
Issued Number of Shares:	25,021,832
Unit for Trading:	100
Code number:	6315
Stock Listings:	Prime Market of Tokyo Stock Exchange
Transfer Agents:	Mizuho Trust & Banking Co., Ltd
Fiscal Year:	From April 1 to March 31
Number of Employees: (As of March 31, 2022)	TOWA Corporation: 573 TOWA Group(consolidated): 1,817
URL:	https://www.towajapan.co.jp/en/
Subsidiaries and Affilated 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 R&D Suzhou Co., Ltd. TOWA TAIWAN Co., Ltd. TOWA KOREA Co., Ltd. TOWA FINE CO., LTD.

Board of Directors

President & CEO

Hirokazu Okada

Director

Koichi Ishida

Nobutaka Shibahara

Kazuhiro Nishimura

Muneo Miura

Director

Full-time Audit and Supervisory Committee Member

Kiyoshige Gamo

External Director

Audit and Supervisory Committee Member

Daisuke Wake

Miho Goto

Motoko Tanaka

TOWA CORPORATION
5 Kamichoshi-cho, Kamitoba, Minami-ku,
Kyoto 601-8105, Japan
TEL (+81)75-692-0250　FAX (+81)75-692-0270