TOWA

ANNUAL REPORT

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A MESSAGE TO OUR SHAREHOLDERS

Greetings

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

Economic Overview

The current consolidated accounting year has truly been one in which the Japanese economy was faced with all kinds of problems - recovery from the Great Eastern Japan Earthquake, power shortages, radioactive contamination, and the European financial crisis, on top of a historically high yen. In the closing days of the accounting year, reconstruction demand is at last fully underway and contributing to economic recovery, so that although anxiety factors such as internal and external political risks and the high price of crude oil remain, signs of a turnaround from the prolonged slump have come into view.

Performance

In the semiconductor market, sluggish sales of personal computers and televisions have had large impacts on semiconductor manufacturers. Also, the impacts of the flooding in Thailand did not stop at direct damage to semiconductor manufacturers' local plants and other facilities, but made HDDs hard to procure and led to a worsening of the market situation. The price of DRAMs went into freefall and some major memory manufacturers were even driven into bankruptcy.

Given such situation, the TOWA Group put in place a full range of services and production setups, activating the capabilities of all its member companies, and has been carrying out maximal support in order for our customers who were stricken by the Great Eastern Japan Earthquake and the Thailand inundations to recover and restart their production at an early date. Also, as regards sales promotion activities, we held a private show at our Head Office Plant (in Kyoto), where we invited some 200 of our customers and gave presentations on our new products. At this private show we put the new products into actual operation inside the plant and had the customers see our unique technology with their own eyes and cognize its real worth, which contributed greatly to the equipment orders that we subsequently received. Fine plastic moldings are a business area where we have won stable orders from the medical field and maintain a continuing good relationship with users, and this business has continued to trend firm in the current consolidated accounting year.

We have established a certain timeframe for compressing our interest-bearing debt and completed a lowering of our break-even sales level, thanks to which, although our sales for the consolidated accounting year have fallen short of the initial target at 17.14 billion yen (down 5.452 billion yen, or 24.1%, from the previous consolidated accounting year), we managed to exceed the initial targets both in our operating income, which was 1.476 billion yen (down 2.59 billion yen, or 63.7%, from the previous consolidated accounting year), and in our ordinary income, which was 1.672 billion yen (down 2.391 billion yen, or 58.9%, from the previous consolidated accounting year), so that our net income was 0.968 billion yen (down 2.783 billion yen, or 74.2%, from the previous consolidated accounting year).

Looking Ahead

Since the second half of last year, semiconductor manufacturers have been carrying out active investment in front-end processes, and parallel with that, assembly firms in the China and Taiwan regions and elsewhere will likely show an intensified trend to invest in manufacturing equipment. In the LED field, where the market had been somewhat stagnant, semiconductor assembly firms are moving in earnest into LED back-end processes and are making efforts to lower LED prices through investment in manufacturing equipment that gives high production efficiency. Also, continued stable demand is expected for fine plastic moldings, principally medical related.

From these circumstances, the semiconductor manufacturing equipment and fine plastic molding businesses in our group look to be trending in a broadly satisfactory manner. As regards revenue too, continued maintenance of our high revenue system looks to be possible when one considers the lightening of interest payment burdens thanks to compression of interest-bearing debt, the somewhat ameliorating trend in the historically high yen, and improved profitability thanks to reduced costs for our existing equipment and our release of new products onto the market.

Meanwhile, the global map of the semiconductor industry has seen major changes. Sadly, the area occupied by Japanese semiconductor companies on that map has been getting steadily smaller. We are now in a period that will test whether we truly have what it takes to be a manufacturing company – that is, whether we can quest profoundly after what the customer really wants and create new products and new wares that rigorously keep “a quarter of a step ahead”.

Through reform of its financial and earnings structures, TOWA has realized compression of its interest-bearing debt and lowering of its break-even sales level. Next, in order to switch to aggressive business management, we will be inaugurating a new system in term 35, which is the second year (April 1, 2012 to March 31, 2013) of our Mid-Term Management Plan, and exploiting the true value of our manufacturing business – especially the dies which are its core technology – to create things that the customer really wants, and thereby to engage in all-out efforts for development of the new technologies and products that will secure us a revenue base in the future. The immediate issues for TOWA are whether these efforts will reliably bring forth results and whether we can shorten the time that it will take for them to lead directly to revenue.

We look forward to your continuing support and assistance in the future.
We would like to express our heartfelt appreciation for your support.

August 2012

Hirokazu Okada
President & COO

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2011and 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2011	***2012***	***2012***
ASSETS			
Current assets:	¥	¥	$
Cash on hand and at banks	5,142	**4,708**	**57,282**
Notes and accounts receivable :			
Trade	5,516	**5,800**	**70,568**
Less: Allowance for doubtful accounts	(1)	**(9)**	**(109)**
	5,515	**5,791**	**70,459**
Inventories	2,733	**3,372**	**41,027**
Deferred tax assets (Note 10)	17	**19**	**231**
Other current assets	262	**263**	**3,200**
Total current assets	13,669	**14,153**	**172,199**
Property, plant and equipment, at cost :			
Land	4,186	**4,164**	**50,663**
Buildings and structures	12,096	**11,935**	**145,212**
Machinery and equipment	9,814	**9,768**	**118,847**
Construction in progress	79	**96**	**1,168**
Less: Accumulated depreciation	(16,401)	**(16,266)**	**(197,907)**
Total property, plant and equipment	9,774	**9,697**	**117,983**
Other assets:			
Investment securities (Note 3)	2,606	**1,871**	**22,764**
Deferred income taxes (Note 10)	48	**61**	**742**
Other	1,192	**1,036**	**12,605**
Total other assets	3,846	**2,968**	**36,111**
Total assets	27,289	**26,818**	**326,293**

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

Consolidated Balance Sheets

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2011and 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2011	***2012***	***2012***
LIABILITIES AND NET ASSETS			
Current liabilities:	¥	¥	$
Short-term borrowings (Note 5)	2,898	**1,400**	**17,034**
Current portion of long-term debt (Note 5)	1,793	**2,670**	**32,486**
Notes and accounts payable	1,982	**2,719**	**33,082**
Accrued expenses(Note 2(11))	461	**448**	**5,451**
Accrued income taxes	175	**146**	**1,776**
Deffered tax liabilities	49	**35**	**426**
Other current liabilities(Note 2(10))	1,144	**980**	**11,923**
Total current liabilities	8,502	**8,398**	**102,178**
Long-term liabilities:			
Long-term debt (Note 5)	3,002	**1,533**	**18,652**
Accrued severance indemnities for employees(Notes2(12)and 6)	786	**783**	**9,526**
Deferred tax liabilities (Note 10)	228	**178**	**2,166**
Other long-term liabilities			
Total long-term liabilities	4,016	**2,494**	**30,344**
Total liabilities	12,518	**10,892**	**132,522**
Contingent liabilities (Note 13)			
Shareholders' equity (Note 7)			
Common stock			
Authorized: 80,000,000 shares			
Issued :			
25,021,832 shares at 31st March, 2012	8,933	**8,933**	**108,687**
Additional paid-in capital	462	**462**	**5,621**
Retained earnings	5,606	**6,324**	**76,944**
Less: Treasury stock at cost	(8)	**(8)**	**(97)**
Total shareholders' equity	14,993	**15,711**	**191,155**
Accumulated Other Comprehensive Income			
Unrealized gain (loss) on other securities	517	**497**	**6,047**
Translation adjustments	(739)	**(282)**	**(3,431)**
Total accumulated other comprehensive income	(222)	**215**	**2,616**
Total liabilities and net assets	27,289	**26,818**	**326,293**

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

Consolidated Statements of Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2011	***2012***	***2012***
	¥	¥	$
Net sales	22,593	**17,140**	**208,541**
Cost of sales	14,442	**11,790**	**143,448**
Gross profit	8,151	**5,350**	**65,093**
Selling, general and administrative expenses (Notes2(13)and 8)	4,083	**3,873**	**47,122**
Operating Income	4,068	**1,477**	**17,971**
Other income (expenses)			
Interest and dividend income	29	**45**	**548**
Interest expenses	(197)	**(120)**	**(1,460)**
Foreign exchange gains (losses)	(65)	**118**	**1,436**
Gain on sale of investment securities	-	**(559)**	**(6,802)**
Equity in earnings (losses) of affiliates	186	**31**	**377**
Loss on impairment of fixed assets	(126)	**-**	**-**
Other, net	47	**88**	**1,071**
Total other income (expenses)	(126)	**(397)**	**(4,830)**
Income before income taxes and minority interests	3,942	**1,080**	**13,141**
Income taxes (Note 10)			
Current	170	**140**	**1,704**
Deferred	20	**(28)**	**(341)**
Income before minority interests	3,752	**968**	**11,778**
Minority Interests	-	-	-
Net Income	3,752	**968**	**11,778**

			U.S. dollars (Note 1)
Amount per share of common stock (Note 2 (16)):	¥	¥	$
Net Income	150.00	38.71	0.47
Diluted net income	150.00	38.71	0.47
Cash dividends	10.00	5.00	0.06

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

Consolidated Statements of Comprehensive Income

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2011	***2012***	***2012***
	¥	¥	$
Income Before Minority Interests ……………………………………	3,752	**968**	**11,778**
Other Comprehensive Income			
Unrealized gain on other securities……………………………………	111	**(20)**	**(243)**
Translation adjustment………………………………………………	(112)	**8**	**97**
Share of other comprehensive income of affiliates accounted for using the equity method	(72)	**450**	**5,475**
Total other comprehensive income	(73)	**438**	**5,329**
Comprehensive Income	3,679	**1,406**	**17,107**
(Comprehensive income attributable to)			
Comperehensive income attributable to owners of the parent………….	3,679	**1,406**	**17,107**
Comprehensive income attributable to minority interests………………	-	-	-

Consolidated Statements of Shareholders' Equity

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Two years ended March 31, 2012

	Millions of yen							
		Shareholders' equity				*Accumulated other comprehensive income*		
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Unrealized gain on other securities*	*Translation adjustments*	*Total net assets*
		¥	¥	¥	¥	¥	¥	¥
Balance at March 31, 2010 ……	25,021,832	8,933	462	1,854	(8)	406	(555)	11,092
Net Income ……	-	-	-	3,752	-	-	-	3,752
Cash dividends……	-	-	-	-	-	-	-	-
Net increase of treasury stock ……	-	-	-	-	0	-	-	0
Net increase of unrealized gain on other securities ……	-	-	-	-	-	111	-	111
Net increase of translation ……	-	-	-	-	-	-	(184)	(184)
Reserve from legal capital surplus ……	-	-	-	-	-	-	-	0
Balance at March 31, 2011 ……	25,021,832	8,933	462	5,606	(8)	517	(739)	14,771
Net Income ……	-	-	-	968	-	-	-	968
Cash dividends……	-	-	-	(250)	-	-	-	(250)
Net increase of treasury stock ……	-	-	-	-	0	-	-	0
Net increase of unrealized gain on other securities ……	-	-	-	-	-	(20)	-	(20)
Net increase of translation ……	-	-	-	-	-	-	457	457
Reserve from legal capital surplus ……	-	-	-	-	-	-	-	0
Balance at March 31, 2012 ……	25,021,832	8,933	462	6,324	(8)	497	(282)	15,926

	Thousands of U.S.dollars (Note 1)							
		Shareholders' equity				*Accumulated other comprehensive income*		
	Number of shares of common stock	*Common stock*	*Additional paid-in capital*	*Retained earnings*	*Treasury stock*	*Unrealized gain on other securities*	*Translation adjustments*	*Total net assets*
		$	$	$	$	$	$	$
Balance at March 31, 2011 ……	25,021,832	108,687	5,621	68,208	(97)	6,290	(8,991)	179,718
Net Income ……	-	-	-	11,778	-	-	-	11,778
Cash dividends……	-	-	-	(3,042)	-	-	-	(3,042)
Net increase of treasury stock ……	-	-	-	-	0	-	-	0
Net increase of unrealized gain on other securities ……	-	-	-	-	-	(243)	-	(243)
Net increase of translation ……	-	-	-	-	-	-	5,560	5,560
Reserve from legal capital surplus ……	-	-	-	-	-	-	-	0
Balance at March 31, 2012 ……	25,021,832	108,687	5,621	76,944	(97)	6,047	(3,431)	193,771

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	***2012***	***2012***
Cash Flows from Operating Activities:	¥	¥	$
Net Income before income taxes and minority interests	3,942	**1,080**	**13,141**
Adjustments for:			
Depreciation	1,171	**1,182**	**14,381**
Loss on impairment of fixed assets	126	**-**	**-**
Equity in earnings of affiliates	(186)	**(31)**	**(377)**
Interest and dividends income	(29)	**(45)**	**(548)**
Interest expenses	197	**120**	**1,459**
Foreign exchange losses (gains)	29	**(31)**	**(377)**
Gain on subsidiaries liquidation	0	**-**	**-**
(Increase) decrease in trade notes and accounts receivable	111	**(385)**	**(4,684)**
(Increase) decrease in inventories	45	**(641)**	**(7,799)**
(Increase) decrease in other current assets	(10)	**(7)**	**(85)**
Increase (decrease) in notes and accounts payable	(32)	**426**	**5,183**
Increase(decrease) in accrued and other current liabilities	117	**(67)**	**(815)**
Other, net	361	**533**	**6,485**
Sub-total	5,842	**2,134**	**25,964**
Interest and dividends received	48	**47**	**572**
Interest paid	(203)	**(121)**	**(1,472)**
Income taxes paid	(115)	**(163)**	**(1,983)**
Net cash provided by (used in) operating activities	5,572	**1,897**	**23,081**
Cash Flows from Investing Activities:			
Purchase of investment securities	(7)	**(88)**	**(1,071)**
Sale of investment securities	1	**661**	**8,042**
Purchase of property, plant and equipment	(490)	**(942)**	**(11,461)**
Sale of property, plant and equipment	17	**350**	**4,258**
Other, net	(141)	**(94)**	**(1,143)**
Net cash provided by (used in) investing activities	(620)	**(113)**	**(1,375)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings	(2,634)	**(1,438)**	**(17,496)**
Proceeds from issuance of long-term debt	600	**1,000**	**12,167**
Repayments of long-term debt	(1,303)	**(1,857)**	**(22,594)**
Issue of bonds	-	**300**	**3,650**
Redemption of bonds	(472)	**(36)**	**(438)**
Purchase of treasury stock	**(0)**	**(0)**	**(0)**
Cash dividends	**-**	**(250)**	**(3,042)**
Net cash provided by (used in) financing activities	(3,809)	**(2,281)**	**(27,753)**
Effect of exchange rate changes on Cash and Cash Equivalents	(45)	**(41)**	**(499)**
Net increase(decrease) in Cash and Cash Equivalents	1,098	**(538)**	**(6,546)**
Cash and Cash Equivalents at Beginning of Period	3,837	**4,935**	**60,044**
Cash and Cash Equivalents at End of Period (Note2(3))	4,935	**4,397**	**53,498**

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

Notes to the Consolidated Financial Statements

TOWA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Basis of presenting Consolidated Financial Statements

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

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

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

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

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

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2012, which was ¥82.19 to US$1.00. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

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

Subsidiaries

(All subsidiaries have been consolidated)

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

Affiliates

(All affiliates are accounted for by the equity method)

Name	Ownership	Country of Incorporation
TONGJIN Corporation	35 %	Korea
SECRON Co., Ltd. ※２	23	Korea
TOWA Jipal Technologies Co., Ltd.	40	Taiwan
Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd	20	Japan

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

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

(2) Translation of Foreign Currency Items

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

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

(3) Cash and Cash Equivalents

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

Components of cash and cash equivalents as of March 31, 2011 and 2012 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Cash on hand and at banks	¥5,142	¥4,708	$57,282
Less: Time deposits with deposit term of over three months	¥207	¥311	$3,784
Cash and cash equivalent at end of year	¥4,935	¥4,397	$53,498

(4) Securities

Securities are classified into four categories.

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

1. Trading Securities

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

2. Held-to-maturity Debt Securities

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

3. Shares in equity of Subsidiaries and Affiliates

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

4. Other Securities:

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

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

(5) Inventories

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

(6) Allowance for Doubtful Accounts

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

(7) Property, Plant and Equipment

Property, plant and equipment are stated at cost.

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

The principal estimated useful lives are as follows:

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

Depreciation for those of overseas subsidiaries is computed by the straight-line method in accordance with the regulations of respective domicile countries.

(8) Leased Assets

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

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

(9) Derivatives

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

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

(10) Product Warranties

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

As of March 31, 2012, the liability for expected warranty costs was 69 million yen ($840thousand) .

(11) Accrued Bonus

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

(12) Accrued Severance Indemnities

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

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

(13) Research and Development Costs

Research and development expenditure is charged to income when incurred.

(14) Income Taxes

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

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

(15) Appropriation of Retained Earnings

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

(16) Per Share Information

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

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

(Additional Information)

On December 4, 2009, the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ statement No.24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No.24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” The company and its domestic subsidiaries apply this new accounting standard to accounting changes and error corrections made on or after April 1, 2011.

3. Securities

(1) The following is a summary of investments in affiliates and other securities at March 31, 2011:

	Millions of yen			
	2011			
Other securities:	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	¥837	¥769	¥23	¥1,583
	¥837	¥769	¥23	¥1,583
Market value not available:				
Equity securities	3	-	-	3
Other securities total	¥840	¥769	¥23	¥1,586

Investments in affiliates:	Millions of yen
	2011
	Book Value
Market value not available:	
Equity securities	¥1,020
	¥1,020
Total	¥2,606

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

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

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

Other securities:	Thousands of U.S. dollars (Note 1)			
	2012			
	Cost	Unrealized gains	Unrealized losses	Book Value (Estimated fair value)
Market value available:				
Equity securities	$11,267	$8,493	$292	$19,468
	$11,267	$8,493	$292	$19,468
Market value not available:				
Equity securities	$ 37	-	-	$ 37
Other securities total	$11,304	$8,493	$292	$19,505

Investments in affiliates:	*Thousands of U.S. dollars (Note 1)*
	2012
	Book Value
Market value not available:	
Equity securities	$3,259
	$3,259
Total	$22,764

4. Estimated Fair Value of Financial Instruments

As of March 31, 2011 and 2012, the book value and fair value of financial instruments and the differences between these figures are set forth in the table below. The table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2011		
	Book Value	Fair Value	Difference
Cash and deposits	¥5,142	¥5,142	¥ -
Notes and accounts receivable	5,516		
Less:Allowance for Doubtful Accounts	(1)		
	¥5,515	¥5,515	¥ -
Investment securities	1,583	1,583	-
Total assets	¥12,240	¥12,240	¥ -
Notes and accounts payable	1,982	1,982	-
Short-term borrowings	2,898	2,898	-
Bonds	36	36	0
Long-term borrowings	4,759	4,761	2
Total liabilities	¥9,675	¥9,677	¥2
Derivative financial instruments	¥-	¥(13)	¥(13)

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

	Thousands of U.S. dollars (Note 1)		
	2012		
	Book Value	Fair Value	Difference
Cash and deposits	$57,282	$57,282	$ -
Notes and accounts receivable	70,568		
Less:Allowance for Doubtful Accounts	(109)		
	$70,459	$70,459	$ -
Investment securities	19,468	19,468	-
Total assets	$147,209	$147,209	$ -
Notes and accounts payable	33,082	33,082	-
Short-term borrowings	17,034	17,034	-
Bonds	3,650	3,650	0
Long-term borrowings	47,488	47,500	12
Total liabilities	$101,254	$101,266	$12
Derivative financial instruments	$0	$(219)	$(219)

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2011 and 2012 were as follows, respectively.

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	
Unlisted equity securities	¥1,023	¥271	$3,296

Because no quoted market prices are available and it is extremely difficult to determine the fair value, the above financial instruments are not included in “Investment securities” in the preceding table.
The redemption schedule for bonds and long-term borrowings is disclosed in Note5.

5. Short-term Borrowings and Long-term Debt

Short-term borrowings represent loans from banks. The annual average interest rates applicable to short-term borrowings at March 31, 2011 are 1.9% and 2012 are 1.5%, respectively.

Long-term debt as of March 31, 2011 and 2012 consisted of the following:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Borrowings from financial institutions	¥4,759	¥3,903	$47,488
1.6% Yen Bonds due 2011	36	-	-
0.6% Yen Bonds due 2016	-	300	3,650
Long-term installment payment for Purchase of machinery and equipment	0	-	-
Less: Portion due within one year	(1,793)	(2,670)	(32,486)
	¥3,002	¥1,533	$18,652

The aggregate annual maturity of long-term debt after March 31, 2012 is summarized as follows:

Years ending March 31,	*Millions of Yen*	*Thousands of U.S. dollars (Note 1)*
2013	¥2,670	$32,486
2014	583	7,093
2015	395	4,806
2016 and thereafter	555	6,753
	¥4,203	$51,138

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

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Principal of debt:			
Short-term borrowings	¥ -	¥ -	$ -
Portion due within one year	1,000	1,900	23,117
Long-term borrowings	1,900	-	-
	¥ 2,900	¥ 1,900	$23,117
Assets pledged as collateral:			
Land	¥3,728	¥3,728	$45,358
Buildings	2,874	2,724	33,143
	¥6,602	¥6,452	$78,501

Regarding loan payables, the syndicate loan contract with limit of ¥3,400 million yen ($41,368 thousand), commitment line contracts with limits of ¥2,500 million yen ($30,417 thousand) and convertible term loan contract with limit of ¥300 million yen ($3,650 thousand), respectively include financial covenant terms. The contractor triggers acceleration and is enforced to repay the full principal and interest if the contractor breaches either of the following terms.

(Financial covenant terms included in the syndicated loan contract and convertible term loan contract)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥9,040 million yen（$109,989 thousand）or more.

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

(Financial covenant terms included in the commitment line contracts)

(1) The amount of Net Assets on the consolidated balance sheets at the end of each fiscal year and each semiannual period must be maintained ¥10,340 million yen（$125,806 thousand）or more.

(2) The ordinary losses before depreciation in both consolidated statements of income for each fiscal year must not be existed in two successive periods.

6. Accrued Severance Indemnities for employees

The following tables set forth the changes in benefit obligation, plan assets and funded status of the Company and its subsidiaries at March 31, 2011 and 2012.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Projected benefit obligation at end of year	¥1,630	¥1,805	$21,961
Fair value of plan assets at end of year	804	876	10,658
Funded status:			
Benefit obligation in excess of plan assets	826	929	11,303
Unrecognized actuarial loss	40	146	1,777
Accrued pension liability recognized in the Consolidation balance sheets	¥786	¥783	$9,526

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

Severance and pension costs of the Company and its subsidiaries included the following components for the year ended March 31, 2011 and 2012.

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Service cost	¥111	¥98	$1,193
Interest cost	30	29	353
Expected return on plan assets	-	-	-
Actuarial losses	18	8	97
Net periodic benefit cost	¥159	¥135	$1,643

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2011 and 2012 are as follows:

	2011	2012
Method of attributing benefit to periods of service	Straight –line basis	Straight –line basis
Discount rate	2.00%	1.21%
Long-term rate of return on fund assets	0.00%	0.00%
Amortization unrecognized projected Benefit obligation at the date of transition	-	-
Amortization period for actuarial losses	10years(declining-balance basis)	10years(declining-balance basis)

7. Shareholders' Equity

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

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

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

8. Research and Development Costs

Research and development costs charged to income for the years ended March 31, 2011 and 2012 were ¥331million and ¥239million ($2,908 thousand), respectively.

9. Loss on impairment of fixed assets

The Company has recognized impairment loss of 126 million yen ($1,533 thousand) in consolidated statements of income for the fiscal year ended March 31, 2011, mainly for the following group of assets as of March 31, 2011.

Location	Use	Category	Impairment loss (millions of yen)
TOWA America Corporation (CA, United States)	Equipment for production of Semiconductor equipment	Land and Buildings	113

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

Therefore, due to the decline in real estate value of asset above, the company has decided to mark the assets down to the appraised value, and accrued impairment loss as ¥113million ($1,375thousand).

10. Income Taxes

The company is subject to a number of different income taxes, which in the aggregate, result in a statutory tax rate in Japan of approximately 40.6% for the years ended of March 31, 2011 and 2012.

The deferred tax assets and deferred tax liabilities at March 31, 2011 and 2012 are as follows:

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
	2011	2012	2012
Deferred tax assets:			
Inventory write down	¥172	¥293	$3,565
Impairment loss of fixed assets	714	562	6,838
Retirement and severance benefits	302	269	3,273
Net operating loss carried forward	1,696	780	9,490
Other, net	927	915	11,132
Valuation Allowance	(3,715)	(2,735)	(33,277)
	96	84	1,021
Deferred tax liabilities:			
Other, net	(308)	(217)	(2,640)
	(308)	(217)	(2,640)
Net deferred tax assets/(liabilities)	¥(212)	¥(133)	$(1,619)

11. Other Comprehensive Income(Loss)

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

	Millions of Yen	*Thousands of U.S. dollars (Note 1)*
	2012	2012
Unrealized gain on other securities:		
Amount arising during the year	¥(71)	$(864)
Before Tax effect	(71)	(864)
Tax effect	51	621
Total unrealized gain on other securities	(20)	(243)
Translation adjustments:		
Amount arising during the year	8	97
Share of other comprehensive income of affiliates accounted for using the equity method:		
Amount arising during the year	39	475
Reclassification adjustments for losses (income) realized in net income	411	5,000
Total share of other comprehensive income of affiliates accounted for using the equity method	450	5,475
Total other comprehensive income (loss)	¥438	$5,329

The above information for the year ended March 31, 2011 is not required to be presented under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting the standard.

12. Leases

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

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

Total lease payments for such lease arrangements for the year ended March 31, 2011 and 2012 are ¥2million and ¥1 million ($12 thousand), respectively.

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

As of March 31, 2011

	Millions of yen		
	Machinery And Equipment	Other	Total
Acquisition costs	¥ 7	¥-	¥7
Accumulated Depreciation	5	-	5
Net leased property	¥ 2	¥ -	¥2

As of March 31, 2012

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

	Thousands of U.S. dollars (Note 1)		
	Machinery And Equipment	Other	Total
Acquisition costs	$85	$-	$85
Accumulated Depreciation	85	-	85
Net leased property	$0	$-	$0

Future minimum lease payments as of March 31, 2011 and 2012:

	Millions of yen 2011	*Millions of yen* 2012	*Thousands of U.S. dollars (Note 1)* 2012
Due within one year	¥ 1	¥ 0	$0
Due after one year	0	-	-
Total	¥1	¥0	$0

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

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, would have been ¥2 million and ¥1 million ($12 thousand) for the year ended March 31, 2011and 2012, respectively.

13. Contingent Liabilities

The Companies have no significant contingent liabilities.

14. Segment Information

(1) Segment by products

Year ended March 31, 2011 — *Millions of Yen*

	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 21,304	¥1,289	¥ -	¥22,593
Inter-segment sales	-	-	-	-
	21,304	1,289	-	22,593
Cost of sales and Operating expenses	17,394	1,131	-	18,525
Operating income	¥ 3,910	¥ 158	¥ -	¥ 4,068
Ⅱ.Assets				
Total assets	¥ 26,214	¥ 1,075	-	¥ 27,289
Depreciation and amortization	¥ 1,085	¥ 86	-	¥ 1,171
Capital expenditure	¥ 542	¥ 36	-	¥ 578

Year ended March 31, 2012 — *Millions of Yen*

	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	¥ 15,852	¥1,288	¥ -	¥17,140
Inter-segment sales	-	-	-	-
	15,852	1,288	-	17,140
Cost of sales and Operating expenses	14,559	1,104	-	15,663
Operating income	¥ 1,293	¥ 184	¥ -	¥ 1,477
Ⅱ.Assets				
Total assets	¥ 25,458	¥ 1,360	-	¥ 26,818
Depreciation and amortization	¥ 1,109	¥ 73	-	¥ 1,182
Capital expenditure	¥ 938	¥ 398	-	¥ 1,336

Year ended March 31, 2012	*Thousands of U.S. dollars (Note 1)*			
	Semiconductor equipment	Fine plastic mold	Elimination/ Unallocated Assets	Consolidated
Ⅰ.Sales and operating income				
Net sales to customers	$192,870	$15,671	$ -	$208,541
Inter-segment sales	-	-	-	-
	192,870	15,671	-	208,541
Cost of sales and Operating expenses	177,138	13,432	-	$190,570
Operating income	$ 15,732	$ 2,239	$ -	$ 17,971
Ⅱ.Assets				
Total assets	$309,746	$16,547	-	$326,293
Depreciation and amortization	$ 13,493	$ 888	-	$ 14,381
Capital expenditure	$ 11,413	$ 4,842	-	$ 16,255

(2) Sales by region

	Millions of Yen		*Thousands of U.S. dollars (Note 1)*
Year ended March 31	2011	2012	2012
Japan	¥ 4,508	¥ 3,320	$40,394
Overseas			
Asia	17,060	13,581	165,239
America	602	165	2,008
Other	423	74	900
Overseas total	18,085	13,820	168,147
Consolidated sales	¥22,593	¥17,140	$208,541

Corporate Information

as of June 28, 2012

Corporate Data

Corporate Name:	TOWA CORPORATION
Headquarters/Factory:	5 Kamichoshi-cho, Kamitoba, Minami-ku, Kyoto 601-8105, Japan
Eatablished:	April 17, 1979
Operations:	Develop, design, manufacture, and sell precision molds, manufacturing systems for electronic components, inspection systems for electronic components, precision-molded and assembly products, medical-use equipment, and electronic-communications equipment. Other related business.
Paid-in Capital:	¥8,932,627,777
Common Stock	
Authorized:	80,000,000
Issued Number of Shares:	25,021,832
Unit for Trading:	100
Stock Listings:	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
Transfer Agents:	Mizuho Trust & Banking Co., Ltd
Fiscal Year:	From April 1 to March 31
Number of Employees:	429
URL:	http://www.towajapan.co.jp
Subsidiaries and Affiliated Companies:	BANDICK Corporation TOWATEC Co., Ltd. TOWAM Sdn. Bhd. TOWA Asia-Pacific Pte. Ltd. TOWA Semiconducter Equipment Philippines Corporation TOWA America Corporation TOWA Europe GmbH TOWA (Shanghai) Co., Ltd. TOWA (Suzhou) Co., Ltd. TOWA TAIWAN Co., Ltd. TONGJIN Corporation TOWA-Jipal Technologies Co., Ltd. Scientific and Semiconductor Manufacturing Equipment Recycling Co., Ltd.

Board of Directors

Chairman & CEO

Kazuhiko Bandoh

President & COO

Hirokazu Okada

Directors

Tsuyoshi Amakawa
Hisaji Konishi
Makoto Fukutomi
Hisao Nishimura
Hajime Kuwaki

Standing Corporate Auditor

Hisayoshi Kobayashi

Corporate Auditors

Masanori Sugiyama
Daisuke Wake

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