

Shareholder Information

Business year: From July 1 to June 30 of the following year

Regular general meeting of shareholders: September every year

Administrator of stockholders' register: Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Main transfer office: Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Div.
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Other relevant offices: All branches of Mitsubishi UFJ Trust and Banking corporation nationwide

Contact/Mailing address: Mitsubishi UFJ Trust and Banking Corporation,
Corporate Agency Div.
7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan

TEL (Toll Free Number): 0120-232-711

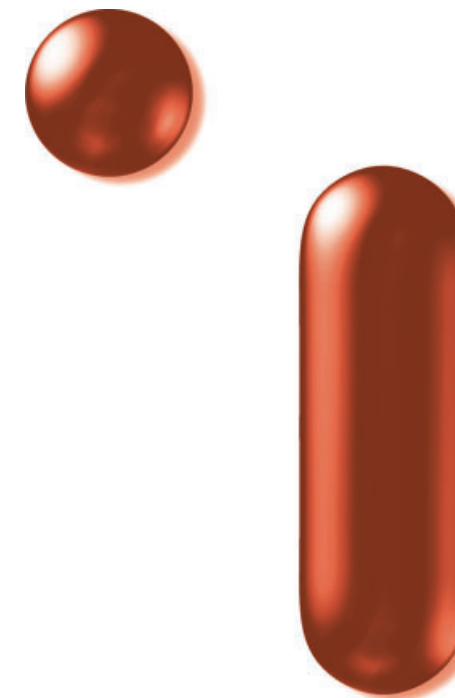
One trading unit: 100 shares

Method of public notice: <http://www.tow.co.jp/>
(When electronic public notices are not possible due to accidents or other unavoidable reasons, they will be made available in the newspaper, the Nihon Keizai Shimbun.)



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26-5, Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan
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TOWCO,LTD.

Report for the 30th Business Term

(July 1, 2005 to June 30, 2006)

English Translation – Reference Purpose Only

This is an unofficial translation of the Japanese original version prepared solely for convenience. No representation or warranty is made with respect to its accuracy or otherwise, and it has no legally binding effect. If there is any discrepancy between the Japanese original and this translation, the Japanese original will always prevail.

I would like to extend my sincere gratitude to all shareholders for your ongoing support for TOW CO., Ltd.

I am pleased to report the financial results and business activities of TOW Co., Ltd. for the 30th fiscal year (from July 1, 2005 to June 30, 2006), which is the term ended June 30, 2006.

During the term under review, we focused on training our younger employees, strengthening our corporate structure through organizational restructuring and establishing our brand. These efforts have begun to have a positive impact.

Following the acquisition of the Information Security Management System (ISMS) to develop and enhance our information security management, a vital aspect for a company that deals with client information, we acquired the Privacy Mark in August 2005. We will continue to strive to become a company that is trusted not only by our customers, but also by society.

We hope that we can continue to count on the understanding and support of all shareholders as we pursue these initiatives.

September 2006



President



■ Business Progress and Results

During the term under review, the Japanese economy continued to stage a steady recovery thanks to an increase in capital spending, reflecting an improvement in corporate earnings and steady private consumption. This performance came despite some negative factors, such as the surge in crude oil prices.

In the advertising industry, a continuing economic recovery and the widespread use of digital appliances and the Internet helped drive total advertising expenditures in Japan for 2005 (from January to December) up 1.8% from the previous year, to ¥5,962.5 billion (based on Advertising Expenditures in Japan, published by Dentsu Inc. in February 2006).

The event industry generally remained robust. Key contributing factors included active corporate advertising activities fueled by stronger corporate performance, the Expo 2005 Aichi Japan, and the Tokyo Motor Show.

In this environment, we have focused on recruiting young employees and training our staff. We also restructured our human resources system in anticipation of future expansion.

Looking to marketing strategy, we have been proposing comprehensive plans that take into account customer strategies, including their management and sales strategies for personal goods. In addition, since obtaining the Privacy Mark in August 2005 (the ISMS certificate having already been obtained), we have endeavored to offer the planning of sales strategies that included campaigns dealing with personal information, to increase the volume of orders related to campaign operations that employ the TOW Fulfillment System (TFFS) and to develop SP infrastructure such as premium production.

We have also taken action to expand the business areas of the sales promotion business. For instance, we concluded an exclusive agency agreement with viZoo A/S of Denmark to market the Free Format, the holographic technology created by viZoo, in Japan.

As a result, consolidated net sales for the term under review reached ¥12,341 million (up 15.3% year-on-year), while recurring profit amounted to ¥784 million (up 0.2%), and net income stood at ¥423 million (down 9.1%).

■ Business Summary by Sector

Sales Promotion

Consolidated sales rose 30.8% from the previous year, thanks to robust orders from mobile phone companies, the holding of the Tokyo Motor Show, and an increase in orders for events related to cosmetics.

Public Relations

Because of a slowdown in orders for large-scale events, consolidated sales declined 10.2% from last year, when orders for the presentation of products and seminars from the manufacturers of electric appliances, automobiles and cosmetics were brisk.

Exhibitions & Shows

Consolidated sales rose 50.4%, thanks to events related to the Expo 2005 Aichi Japan.

Materials Production

Consolidated sales declined 6.0% due to fall in overall unit prices, despite there was steady growth in order for premium goods for sales promotion.

Culture- and Sport-Related Projects

Consolidated sales declined 55.3% since there was no order of large sports events.

Event Planning

Consolidated sales declined 16.4% from the previous year.

■ Consolidated Sales Breakdown
Years ended June 30

Event category		2005		2006		Year on year (%)
		Amount (¥ million)	Percentage of total (%)	Amount (¥ million)	Percentage of total (%)	
Event production	Sales promotion	5,488	51.3	7,180	58.2	30.8
	Public relations	2,394	22.4	2,149	17.4	(10.2)
	Exhibitions & shows	874	8.2	1,314	10.7	50.4
	Materials production	1,579	14.7	1,485	12.0	(6.0)
	Culture- and sport-related projects	250	2.3	112	0.9	(55.3)
Subtotal		10,587	98.9	12,241	99.2	15.6
Revenue from event planning		118	1.1	99	0.8	(16.4)
Total		10,705	100.0	12,341	100.0	15.3

■ Tasks Ahead

The Japanese economy looks set to continue its recovery, despite a number of uncertainties such as high crude oil prices and the growing social security burden. Consequently, total advertising expenditures should rise 2.1% in 2006 (from January to December) over the previous year (based on the Advertising Expenditures in Japan, published by Dentsu Inc. in February 2006).

In an environment of rising overall spending on advertising, looking to advertising expenditure by each media sector, advertising expenditures in the four media areas (newspapers, magazines, radio and television) have declined since 2005, while advertising expenditures on sales promotion, the area in which we operate, has increased for the two consecutive years since 2004. Sales of major advertisement agencies in the four media have also declined, while sales for other businesses has been rising (based on Advertising and the Economy, published on April 21, 2006).

We believe that this development reflects the fact that customers (advertisers) have reviewed the effectiveness and costs of advertising through the four media areas. We see the needs of customers changing. In this environment, we are aware that we have a critical challenge, namely to improve our production capacity, marketing strength and the value of the corporate brand.

Keeping this in mind, to improve the production capacity, we will continue to develop the skills and capability of our younger employees, something that we are already doing successfully. In addition, to bolster our marketing strength, we will take a number of steps: first, to strengthen our proposal capability, we will provide one-stop services. Specifically, by improving the promotion menu, we will strive to develop a closer relationship with existing customers, expand the scope of orders, and acquire new customers. Second, to achieve these objectives, we will establish a corporate brand. More specifically, we will stage aggressive promotional activities to improve our position in the industry in terms of acceptance, recognition, reliability and expectation. Moreover, we will strengthen the planning division by improving the number and skills of internal event planners, and by increasing the number of external event planners who have been organized as subcontractors. With these initiatives, we will seek to improve our ability to offer proposals and to establish absolute superiority over our competitors.

By taking the steps described above, we will aim to increase sales and enhance profitability by bolstering the capabilities of our young employees.

In addition, to respond to the globalization of corporate activities, we will plan and propose more overseas events by cooperating on an ongoing basis with leading local event production companies with whom we have already entered into an alliance.

By aggressively addressing these tasks, we will aim to build a comprehensive sales promotion group with the event business at its core.

On the financial side, we have endeavored to streamline balance sheets by repaying borrowings through the liquidation of accounts receivable. As a result of this effort, we have improved our capital structure to virtually optimal levels. Consequently, we did not repay borrowings at the end of the term. We will continue to improve the efficiency of fund operations in the future by reducing accounts payable through the liquidation of accounts receivable, taking into account the level of the debt ratio.

Consolidated Balance Sheets

As of June 30, 2005 and 2006

Thousands of yen

	2005	2006
Assets		
Current assets:		
Cash and deposits	386,608	1,334,929
Notes and accounts receivable	2,137,831	1,888,926
Prepaid expenses for ongoing projects	1,359,669	607,046
Accounts receivable - other	1,256,417	2,536,472
Prepaid expenses	24,242	28,874
Deferred tax assets	59,663	70,152
Other	6,075	72,702
Allowance for doubtful accounts	(12,800)	—
Total current assets	5,217,707	6,539,103
Noncurrent assets:		
Tangible fixed assets:		
Building	41,226	35,917
Tools, furniture and fixtures	27,285	45,213
Land	6,027	6,027
Intangible assets	40,902	34,351
Investments and others:		
Investments in securities	296,190	311,278
Refundable insurance premium	284,563	312,441
Deferred tax assets	95,359	88,838
Deferred tax assets on land revaluation	18,972	18,972
Leasehold deposits	157,352	158,023
Other	12,344	11,454
Total investments and others	864,783	901,008
Total noncurrent assets	980,225	1,022,519
Total assets	6,197,933	7,561,622

Note: Above amounts are rounded down to the nearest thousand yen.

Thousands of yen

	2005	2006
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable - trade	1,508,684	1,293,313
Short-term loans	—	1,420,000
Income taxes payable	204,082	254,187
Reserve for directors' bonuses	—	25,500
Other	525,445	510,834
Total current liabilities	2,238,212	3,503,835
Long-term liabilities:		
Reserve for employees' retirement benefits	66,760	73,357
Reserve for directors' retirement allowances	110,447	118,862
Total long-term liabilities	177,207	192,219
Total liabilities	2,415,420	3,696,055
Shareholders' equity:		
Capital stock	943,567	—
Capital surplus	1,021,972	—
Retained earnings	2,100,297	—
Revaluation reserve for land	(27,642)	—
Net unrealized gains (losses) on other securities	7,988	—
Treasury stock	(263,671)	—
Total shareholders' equity	3,782,512	—
Total liabilities and shareholders' equity	6,197,933	—
Net assets		
Shareholder's equity:		
Capital stock	—	3,872,876
Capital surplus	—	948,994
Retained earnings	—	1,027,376
Treasury stock	—	(415,058)
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities	—	(7,309)
Revaluation reserve for land	—	20,332
Total net assets	—	3,865,567
Total liabilities and shareholders' equity	—	7,561,622

Note: Above amounts are rounded down to the nearest thousand yen.

Consolidated Statements of Income

Years ended June 30, 2005 and 2006

Thousands of yen

	2005	2006
Net sales	10,705,741	12,341,046
Cost of sales	9,320,446	10,892,240
Gross profit	1,385,294	1,448,805
Selling, general and administrative expenses	613,465	667,306
Operating income	771,828	781,499
Non-operating income	29,942	24,299
Non-operating expenses	19,461	21,709
Recurring profit	782,310	784,088
Extraordinary income	60,306	12,800
Extraordinary losses	5,212	—
Income before income taxes	837,403	796,888
Income taxes - current	414,000	386,049
Income taxes - deferred	(41,984)	(12,440)
Net income	465,388	423,279

Note: Above amounts are rounded down to the nearest thousand yen.

Consolidated Statements of Cash Flows (summarized)

Years ended June 30, 2005 and 2006

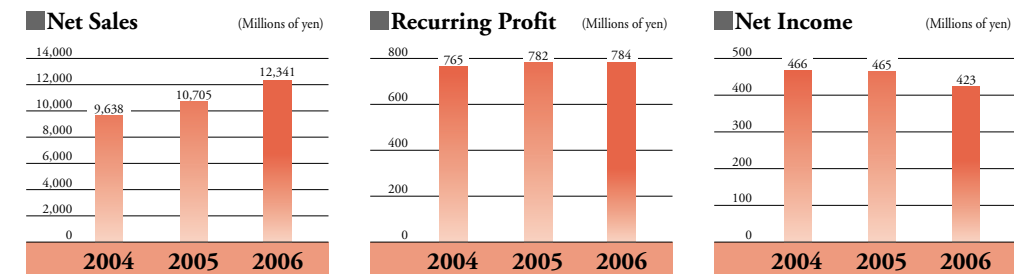
Thousands of yen

	2005	2006
Cash flows from operating activities	501,036	(78,159)
Cash flows from investing activities	49,440	(64,497)
Cash flows from financing activities	(387,609)	1,090,976
Net increase in cash and cash equivalents	162,867	948,320
Cash and cash equivalents at beginning of year	223,741	386,608
Cash and cash equivalents at end of year	386,608	1,334,929

Note: Above amounts are rounded down to the nearest thousand yen.

Financial Highlights

Years ended June 30



Millions of yen

	2004	2005	2006
Net sales	9,638	10,705	12,341
Operating income	781	771	781
Recurring profit	765	782	784
Net income	466	465	423
Total assets	5,596	6,197	7,561
Shareholders' equity	3,722	3,782	3,865

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2006

Thousands of yen

	Shareholders' equity				Valuation and translation adjustments			Total net assets	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on other securities	Land revaluation difference		Total valuation and translation adjustments
Balance as of June 30, 2005	943,567	1,021,972	2,100,297	(263,671)	3,802,166	7,988	(27,642)	(19,653)	3,782,512
Changes during the term									
Issuance of new shares	5,426	5,404			10,831				10,831
Dividends			(187,613)		(187,613)				(187,613)
Directors' bonuses			(24,400)		(24,400)				(24,400)
Net income			423,279		423,279				423,279
Acquisition of treasury stock				(151,387)	(151,387)				(151,387)
Net changes of items other than shareholders' equity						12,344		12,344	12,344
Total changes during the term	5,426	5,404	211,265	(151,387)	70,709	12,344		12,344	83,054
Balance as of June 30, 2006	948,994	1,027,376	2,311,563	(415,058)	3,872,876	20,332	(27,642)	(7,309)	3,865,567

Non-Consolidated Balance Sheets

As of June 30, 2005 and 2006

Thousands of yen

	2005	2006
Assets		
Current assets:		
Cash and deposits	354,936	1,275,569
Notes receivable	356,325	317,548
Accounts receivable - trade	1,747,734	1,465,698
Prepaid expenses for ongoing projects	1,266,137	581,579
Accounts receivable - other	1,246,285	2,537,303
Prepaid expenses	23,175	28,023
Deferred tax assets	56,765	66,689
Other	7,379	72,570
Allowance for doubtful accounts	(12,800)	—
Total current assets	5,045,939	6,344,984
Noncurrent assets:		
Tangible fixed assets:		
Buildings	41,077	35,789
Tools, furniture and fixtures	24,709	42,052
Land	6,027	6,027
Intangible assets:		
Telephone subscription rights	2,652	2,652
Software	23,702	21,087
Investments and other assets:		
Investments in securities	296,190	311,278
Investments in stock of affiliated company	100,000	100,000
Long-term prepaid expenses	3,754	2,894
Membership rights	8,440	8,410
Refundable insurance premium	269,570	302,805
Deferred tax assets	95,359	87,963
Deferred tax assets on land revaluation	18,972	18,972
Leasehold deposits	148,670	149,340
Other	150	150
Total noncurrent assets	1,039,277	1,089,424
Total assets	6,085,217	7,434,408

Note: Above amounts are rounded down to the nearest thousand yen.

Thousands of yen

	2005	2006
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable - trade	1,321,323	1,139,626
Accounts payable to affiliated company	126,481	88,013
Short-term loans	—	1,420,000
Accounts payable - other	42,477	71,003
Income taxes payable	202,549	250,116
Consumption tax payable	47,142	60,415
Accrued expenses	114,106	141,224
Advance payment for ongoing projects	273,867	153,922
Deposits received	22,319	62,890
Reserve for directors' bonuses	—	24,500
Total current liabilities	2,150,267	3,411,711
Long-term liabilities:		
Reserve for employees' retirement benefits	65,666	71,277
Reserve for directors' retirement allowances	110,447	118,862
Total long-term liabilities	176,113	190,140
Total liabilities	2,326,381	3,601,852
Shareholders' equity:		
Capital stock	943,567	—
Capital surplus	1,021,972	—
Additional paid-in capital	1,021,972	—
Retained earnings	2,076,620	—
Legal reserve	22,845	—
Voluntary reserve	1,400,000	—
General reserve	1,400,000	—
Unappropriated retained earnings	653,775	—
Revaluation reserve for land	(27,642)	—
Net unrealized gains on other securities	7,988	—
Treasury stock	(263,671)	—
Total shareholders' equity	3,758,835	—
Total liabilities and shareholders' equity	6,085,217	—
Net assets		
Shareholder's equity:		
Capital stock	—	3,839,865
Capital surplus	—	948,994
Additional paid-in capital	—	1,027,376
Retained earnings	—	1,027,376
Legal reserve	—	2,278,552
Other retained earnings	—	22,845
General reserve	—	2,255,707
Retained earnings carried forward	—	1,700,000
Treasury stock	—	555,707
	—	(418,058)
Valuation and translation adjustments		
Net unrealized gains (losses) on other securities	—	(7,309)
Revaluation reserve for land	—	20,332
	—	(27,642)
Total net assets	—	3,832,556
Total liabilities and shareholders' equity	—	7,434,408

Note: Above amounts are rounded down to the nearest thousand yen.

•• Non-Consolidated Statements of Income

Years ended June 30, 2005 and 2006

Thousands of yen

	2005	2006
Net sales	10,579,356	11,839,605
Cost of sales	9,246,047	10,457,867
Gross profit	1,333,308	1,381,737
Selling, general and administrative expenses	592,948	648,135
Operating income	740,360	733,602
Non-operating income	48,942	41,582
Non-operating expenses	19,461	18,537
Recurring profit	769,841	756,646
Extraordinary income	60,306	12,800
Extraordinary losses	3,061	—
Income before income taxes	827,085	769,446
Income taxes - current	403,000	366,500
Income taxes - deferred	(40,096)	(10,999)
Net income	464,182	413,945
Retained earnings brought forward	285,794	—
Interim dividend	96,201	—
Unappropriated retained earnings at end of year	653,775	—

Note: Above amounts are rounded down to the nearest thousand yen.

•• Non-Consolidated Statement of Changes in Net Assets

Year ended June 30, 2006

Thousands of yen

	Shareholders' equity								Total shareholders' equity
	Capital stock	Capital surplus		Legal reserve	Retained earnings		Treasury stock	Total earned surplus	
		Capital reserves	Total capital surplus		General reserve	Retained earnings carried forward			
Balance as of June 30, 2005	943,567	1,021,972	1,021,972	22,845	1,400,000	653,775	2,076,620	(263,671)	3,778,489
Changes during the term									
Issuance of new shares	5,426	5,404	5,404						10,831
Provision for general reserve					300,000	(300,000)			
Dividends						(187,613)	(187,613)		(187,613)
Directors' bonuses						(24,400)	(24,400)		(24,400)
Net income						413,945	413,945		413,945
Acquisition of treasury stock								(151,387)	(151,387)
Net changes of items other than shareholders' equity									
Total changes during the term	5,426	5,404	5,404		300,000	(98,068)	201,931	(151,387)	61,375
Balance as of June 30, 2006	948,994	1,027,376	1,027,376	22,845	1,700,000	555,707	2,278,552	(415,058)	3,839,865

	Valuation and translation adjustments			Total net assets
	Net unrealized holding gains on other securities	Land revaluation difference	Total valuation and translation adjustments	
Balance as of June, 30 2005	7,988	(27,642)	(19,653)	3,758,835
Changes during the term				
Issuance of new shares				10,831
Provision for general reserve				
Dividends				(187,613)
Directors' bonuses				(24,400)
Net income				413,945
Acquisition of treasury stock				(151,387)
Net changes of items other than shareholders' equity	12,344		12,344	12,344
Total changes during the term	12,344		12,344	73,720
Balance as of June 30, 2006	20,332	(27,642)	(7,309)	3,832,556

As of June 30, 2006

Name: TOW Co., Ltd.

Head Office: Toranomon 17th Mori Bldg.,
26-5, Toranomon 1-chome, Minato-ku, Tokyo 105-0001

Establishment: July 6, 1976

Paid-in Capital: ¥948,994 thousand

Number of Employees: 124

- Main Business Lines:**
1. Planning, production, construction, creation and management of events and seminars
 2. Construction of buildings and erection of other structures, interior decoration, and electrical installation work performed under contract for promotional and other events
 3. Planning and production of advertising and public relations events
 4. Planning and production of sales promotion campaigns, and planning and publishing of exhibitions and interior decoration
 5. Planning, production, sales, and import/export of advertisement, promotional goods and premium related to sales promotion
 6. Planning, production and publishing of various printed matters

Directors and Corporate Auditors

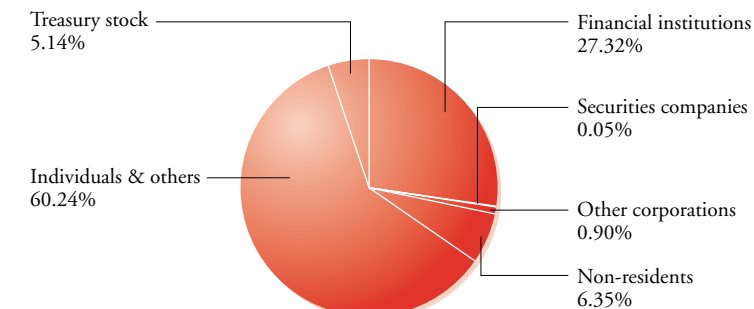
As of September 25, 2006

Position	Name
President and Representative Director	Osamu Kawamura
Deputy President	Katsuji Maki
Senior Managing Director	Michihiro Akimoto
Managing Director	Yuji Kobayashi
Managing Director	Hajime Kimura
Director	Toshiei Oyama
Director	Kenji Ozeki
Director	Takehito Masumori
Standing Corporate Auditor	Tatsumi Nishiyama
Corporate Auditor	Mitsunari Kono
Corporate Auditor	Shintaro Hagiwara

As of June 30, 2006

1. Number of shares authorized to issue.....48,000,000 shares
2. Number of shares issued and outstanding12,242,274 shares
3. Number of shareholders.....2,717

Shareholders by Type



Shareholders by Number of Shares Held

(One trading unit = 100 shares)

