

TOWCO.,LTD.

Report for the 36th Business Term

(July 1, 2011 to June 30, 2012)

English Translation – Reference Purpose Only

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If there is any discrepancy between the Japanese original and this translation, the Japanese original will always prevail.

| To Our Shareholders

On July 1, 2012, I passed on the position of the president to my junior in order to dedicate myself to the tasks as the chairman and CEO. I would like to extend my sincere gratitude to all shareholders for your support during my term as the president.

I will continue to do my utmost to contribute to the expansion of our business and the development of our human resources, as well as the development of our industry.

Managing Director Kouji Egusa has been appointed as my successor as the president, and I hope that you provide him with the same level of cooperation and support you have graciously offered me.

September 2012



Chairman and Chief Executive Officer (CEO)



I have been appointed as the successor to Osamu Kawamura in his position as the president, and thus assume responsibility as the president and COO.

I will give my all to this position as I work towards the further development of our business and the promotion industry, and I hope for your continued instruction and support to this end.

September 2012



President and Chief Operating Officer (COO)



| Business Summary

Business Progress and Results

During the term under review, the Japanese economy showed bright signs of recovery due to the bounce back in corporate results underpinned by reconstruction following the Great East Japan Earthquake. Nonetheless, the future does not allow for too much optimism as uncertainties remain, such as concerns over the slowdown in the economy overseas triggered by the debt crisis in Europe and the adverse impact caused on corporate earnings by the appreciation of the yen.

In the advertising industry to which the Group belongs, the total domestic advertising expenditures in 2011 (from January to December) amounted to ¥5,709.6 billion (2.3% fall year-on-year; based on Advertising Expenditure in Japan, published by Dentsu Inc. in February 2012), registering decrease for the last four consecutive years.

Sales of major advertising agencies in 2011 (from January to December) were down slightly year-on-year due to the impact of the earthquake (based on Advertising and the Economy, published on February 21, 2012). However, sales for the period from January 2012 (from January to June) were strong, as reconstruction after the earthquake resulted in a year-on-year increase in sales during this period (based on Advertising and the Economy, published on August 1, 2012).

In the area of promotion, the Group's main business, there were signs of recovery for sales promotions among clients that had previously practiced self-restraint and other measures.

In this business environment, the Group formed business partnerships with a web production company, Neuromagic Co., Ltd., and two other companies to strengthen the digital department. The Group also entered a business partnership with HITO-Communications, Inc., which conducts sales support operations aimed at achieving results, to reinforce its

over-the-counter promotion. In addition, the Group formed a business partnership with Japan Labotech Corporation in order to achieve further quality improvements in the planning, development, and marketing of novelty goods. In this manner the Group has aggressively continued with the efforts it launched last year to strengthen the one-stop structure and promotion proposal capabilities.

Moreover, the Group worked to address needs for field promotions among information and communications companies, food and beverage manufacturers, and luxury item manufacturers that have become revitalized following the earthquake, as well as the needs of new clients in industries such as pharmaceuticals, cosmetics, and toiletries, as it focused on pro-active sales activities. In particular, promotions for information and communications companies were stronger than expectations. In addition, there were some projects that were originally scheduled for last year but did not get underway until this year because of the impact of the earthquake, and orders for projects associated with earthquake reconstruction were received. Due to these special factors, full-year performance on both a consolidated and non-consolidated basis exceeded the projections announced on August 5, 2011, and as a result the forecast was upwardly revised on June 15, 2012. Moreover, because sales on existing projects continued to exceed projections, net sales, operating income, recurring profits, and net income all exceeded the originally announced figures, and as a result consolidated net sales for the term under review was ¥14,033 million (up 32.8% year-on-year), operating income was ¥1,112 million (up 193.8% year-on-year), recurring profit was ¥1,126 million (up 198.1% year-on-year), and net income was ¥597 million (up 355.0% year-on-year).

Business Summary

Business Summary by Sector

Culture- and Sport-related Projects

Consolidated sales for the term under review increased 1638.7% year-on-year, due to orders received in connection with medium-sized sport events.

Public Relations

Consolidated sales for the term under review increased 42.2% year-on-year, due to orders from car manufacturers for their various product presentations and from beverage manufacturers for Olympic-related products.

Sales Promotion

Consolidated sales for the term under review increased 25.8% year-on-year, due to stronger-than-expected performance from promotions conducted for luxury item manufacturers and

information and communications companies that have become revitalized following the earthquake.

Materials Production

Consolidated sales for the term under review increased 62.2% year-on-year, due to comparatively strong orders from cosmetics manufacturers for web production and promotional goods and from beverage and luxury item manufacturers for promotional goods.

Event Planning

Consolidated sales decreased 7.6% year-on-year.

Consolidated Sales Breakdown

Years ended June 30

Event category		2011		2012		Year-on-year (%)
		Amount (¥ million)	Percentage of total (%)	Amount (¥ million)	Percentage of total (%)	
Event production	Exhibitions & shows	-	-	-	-	-
	Culture- and sport-related projects	2	0.0	42	0.3	1638.7
	Public relations	2,458	23.3	3,496	24.9	42.2
	Sales promotions	7,124	67.4	8,961	63.9	25.8
	Materials production	893	8.4	1,448	10.3	62.2
Subtotal		10,477	99.1	13,948	99.4	33.1
Revenue from event planning		92	0.9	85	0.6	(7.6)
Total		10,570	100.0	14,033	100.0	32.8

| Business Summary

Tasks Ahead

As stated in Business Progress and Results section, the corporate operating environment is likely to remain difficult. Meanwhile, customers (advertisers) continue to have strong expectation for their promotions to have an immediate impact on their sales, and advertising agencies are fully engaged in implementing relevant measures. In response to such actions by advertising agencies, we in turn will focus on implementing the following initiatives.

1. Expanding the promotions area and strengthening professional capabilities and promotion proposal capabilities

By maintaining and strengthening the conventional measures we have been implementing, we will continue with efforts to further expand the promotions area and strengthen our professional capabilities and promotion proposal capabilities. In particular, we will leverage the increasing digital promotion businesses to actively propose to integrate real-world and digital promotions. We will also continue to actively consider M&A and business partnerships.

2. Strengthening resources in response to increasingly complex issues

(1) Mid-career recruitment of promotion specialists

We will conduct mid-career recruitment of specialists from PR companies, over-the-counter marketing companies, and web production companies. In doing so, we will further increase our professional capabilities.

(2) Strengthening human resources development

From the term under review we revised our human resources performance rating system so that it strongly reflects the results of human resource development programs. We will work to actively transmit our marketing, proposal, and professional capabilities in order to strengthen our human resources. In addition, we are planning to adopt new training programs.

(3) Resumption of regular new graduate recruitment

We will recruit new graduates in April 2013 to lay the foundation for continual growth.

3. Strengthening earnings management

The production management team and sales team will work together to enforce earnings management. We will use the latest cooperating organizations' price schedules to share the most recent market information in an effort to improve profitability.

Consolidated Balance Sheets

As of June 30, 2011 and 2012

Thousands of yen

	2011	2012		2011	2012
Assets			Liabilities		
Current assets:	5,907,380	8,116,795	Current liabilities:	2,000,378	3,777,462
Cash and deposits	1,895,474	1,392,565	Accounts payable - trade	758,808	1,699,096
Notes and accounts receivable	1,225,746	2,492,822	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	198,777	299,251	Current portion of long-term loans payable	14,312	-
Accounts receivable - other	2,487,548	3,768,727	Income taxes payable	71,935	509,443
Prepaid expenses	36,392	36,586	Reserve for employees' bonuses	17,583	16,690
Deferred tax assets	53,154	118,085	Other	297,738	712,231
Other	10,554	8,757	Long-term liabilities:	375,302	348,629
Allowance for doubtful accounts	(267)	-	Long-term loans payable	50,004	-
Noncurrent assets:	1,483,972	1,349,346	Reserve for employees' retirement benefits	160,411	172,022
Tangible fixed assets:	96,607	75,875	Reserve for directors' retirement allowances	162,586	174,306
Building	58,367	50,022	Other	2,300	2,300
Tools, furniture and fixtures	32,150	19,825	Total liabilities	2,375,681	4,126,091
Vehicles	60	-	Net assets		
Land	6,027	6,027	Shareholders' equity:	4,986,634	5,380,581
Intangible assets:	80,454	44,578	Capital stock	948,994	948,994
Investment and others:	1,306,910	1,228,891	Capital surplus	1,027,376	1,027,376
Investments in securities	650,643	530,982	Retained earnings	3,480,497	3,874,489
Refundable insurance premium	296,330	313,307	Treasury stock	(470,235)	(470,279)
Deferred tax assets	107,733	148,116	Accumulated other comprehensive income:	27,876	(42,114)
Leasehold deposits	241,475	228,075	Net unrealized gains (losses) on other securities	74,491	4,500
Other	19,153	8,410	Revaluation reserve for land	(46,614)	(46,614)
Allowance for doubtful accounts	(8,426)	-	Subscription rights to shares:	1,160	1,582
Total assets	7,391,352	9,466,141	Total net assets	5,015,671	5,340,049
			Total liabilities and net assets	7,391,352	9,466,141

Note: The amounts listed above are rounded down to the nearest thousand yen.

Consolidated Statements of Income

Years ended June 30, 2011 and 2012

Thousands of yen

	2011	2012
Net sales	10,570,158	14,033,556
Cost of sales	9,441,336	12,103,913
Gross profit	1,128,821	1,929,642
Selling, general and administrative expenses	750,253	817,385
Operating income	378,568	1,112,257
Non-operating income	11,696	21,004
Non-operating expenses	12,381	6,674
Recurring profit	377,882	1,126,587
Extraordinary income	899	17,176
Extraordinary losses	18,963	1,031
Income before income taxes	359,818	1,142,732
Income taxes - current	193,352	599,756
Income taxes - deferred	36,539	(54,108)
Income before minority interests	129,925	597,084
Minority interests in loss	(1,306)	-
Net income	131,232	597,084

Note: The amounts listed above are rounded down to the nearest thousand yen.

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2012

Thousands of yen

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance as of July 1, 2011	948,994	1,027,376	3,480,497	(470,235)	4,986,634	74,491	(46,614)	27,876	1,160	5,015,671
Changes during the term										
Dividends			(205,148)		(205,148)					(205,148)
Net income			597,084		597,084					597,084
Increase in retained earnings resulting from change of scope of consolidation			2,055		2,055					2,055
Acquisition of treasury stock				(44)	(44)					(44)
Net changes of items other than shareholders' equity						(69,990)	-	(69,990)	422	(69,568)
Total changes during the term	-	-	393,991	(44)	393,947	(69,990)	-	(69,990)	422	324,378
Balance as of June 30, 2012	948,994	1,027,376	3,874,489	(470,279)	5,380,581	4,500	(46,614)	(42,114)	1,582	5,340,049

Note: The amounts listed above are rounded down to the nearest thousand yen.

Consolidated Statements of Cash Flows

Years ended June 30, 2011 and 2012

Thousands of yen

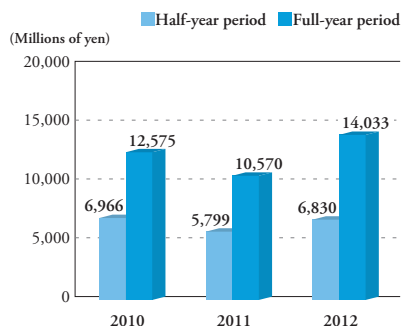
	2011	2012
Cash flows from operating activities	270,122	(229,656)
Cash flows from investing activities	(200,456)	(67,417)
Cash flows from financing activities	(385,487)	(205,192)
Net increase (decrease) in cash and cash equivalents	(315,821)	(502,266)
Cash and cash equivalents at beginning of year	2,210,653	1,894,832
Cash and cash equivalents at end of year	1,894,832	1,392,565

Note: The amounts listed above are rounded down to the nearest thousand yen.

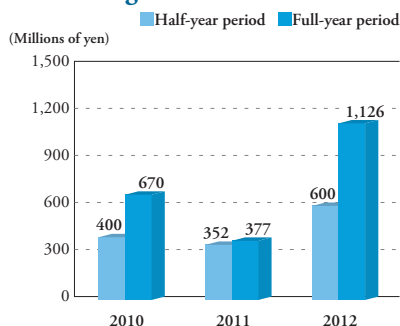
Financial Highlights (consolidated)

Years ended June 30

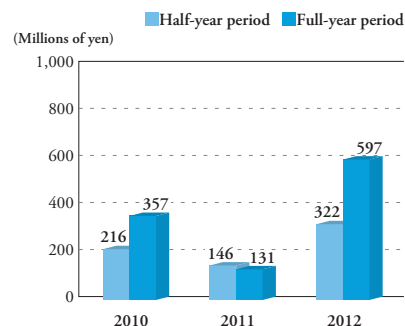
Net Sales



Recurring Profit



Net Income



Millions of yen

	2010	2011	2012
Net sales	12,575	10,570	14,033
Operating income	671	378	1,112
Recurring profit	670	377	1,126
Net income	357	131	597
Total assets	8,457	7,391	9,466
Net assets	5,152	5,015	5,340

Non-Consolidated Balance Sheets

As of June 30, 2011 and 2012

Thousands of yen

	2011	2012		2011	2012
Assets			Liabilities		
Current assets:	5,579,996	7,720,066	Current liabilities:	1,910,350	3,684,744
Cash and deposits	1,648,142	1,099,675	Accounts payable - trade	626,802	1,514,041
Notes receivable	285,951	495,222	Accounts payable to affiliated company	138,641	239,886
Accounts receivable - trade	905,252	1,942,387	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	173,638	283,784	Accounts payable- other	98,708	307,209
Accounts receivable - other	2,482,230	3,752,909	Income taxes payable	50,994	411,254
Prepaid expenses	32,168	34,147	Consumption taxes payable	-	48,737
Deferred tax assets	43,036	103,260	Accrued expenses	100,462	208,311
Other	9,575	8,680	Advances payment for ongoing projects	26,901	77,881
Noncurrent assets:	1,598,014	1,479,685	Deposits received	12,388	22,714
Tangible fixed assets:	87,279	67,689	Reserve for employees' bonuses	15,450	14,707
Building	52,250	45,068	Long-term liabilities:	312,638	332,975
Tools, furniture and fixtures	29,001	16,593	Reserve for employees' retirement benefits	148,951	158,768
Land	6,027	6,027	Reserve for directors' retirement allowances	161,386	171,906
Intangible assets:	54,055	39,012	Other	2,300	2,300
Telephone subscription rights	2,652	2,652	Total liabilities	2,222,989	4,017,719
Software	36,002	25,159	Net assets		
Goodwill	15,400	11,200	Shareholders' equity:	4,925,984	5,222,563
Investment and other assets:	1,456,679	1,372,982	Capital stock	948,994	948,994
Investments in securities	650,643	530,982	Capital surplus	1,027,376	1,027,376
Investments in stock of affiliated company	170,000	150,000	Additional paid-in capital	1,027,376	1,027,376
Membership rights	8,410	8,410	Retained earnings	3,419,848	3,716,471
Refundable insurance premium	290,419	313,307	Legal reserve	22,845	22,845
Deferred tax assets	102,410	142,307	Other retained earnings	3,397,003	3,693,626
Leasehold deposits	234,795	227,975	General reserve	3,100,000	3,100,000
			Retained earnings carried forward	297,003	593,626
			Treasury stock	(470,235)	(470,279)
			Valuation and translation adjustments:	27,876	(42,114)
			Net unrealized gains (losses) on other securities	74,491	4,500
			Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	1,160	1,582
			Total net assets	4,955,022	5,182,031
Total assets	7,178,011	9,199,751	Total liabilities and net assets	7,178,011	9,199,751

Note: The amounts listed above are rounded down to the nearest thousand yen.

Non-Consolidated Statements of Income

Years ended June 30, 2011 and 2012

Thousands of yen

	2011	2012
Net sales	10,065,247	13,635,244
Cost of sales	9,050,811	11,963,946
Gross profit	1,014,436	1,671,298
Selling, general and administrative expenses	709,487	791,741
Operating income	304,948	879,556
Non-operating income	61,980	61,939
Non-operating expenses	10,560	6,674
Recurring profit	356,368	934,821
Extraordinary income	899	-
Extraordinary losses	25,268	1,031
Income before income taxes	331,999	933,790
Income taxes - current	157,036	483,500
Income taxes - deferred	30,559	(51,481)
Net income	144,402	501,771

Note: The amounts listed above are rounded down to the nearest thousand yen.

Non-Consolidated Statement of Changes in Net Assets

Year ended June 30, 2012

Thousands of yen

	Shareholders' equity							Valuation and translation adjustments				Subscription rights to shares	Total net assets	
	Capital stock	Capital surplus		Legal reserve	Retained earnings			Treasury stock	Total Shareholders' equity	Net unrealized gains (losses) on other securities	Revaluation reserve for land			Total valuation and translation adjustments
		Capital reserves	Total capital surplus		General reserve	Retained earnings carried forward	Total retained earnings							
Balance as of July 1, 2011	948,994	1,027,376	1,027,376	22,845	3,100,000	297,003	3,419,848	(470,235)	4,925,984	74,491	(46,614)	27,876	1,160	4,955,022
Changes during the term														
Dividends						(205,148)	(205,148)		(205,148)					(205,148)
Net income						501,771	501,771		501,771					501,771
Acquisition of treasury stock								(44)	(44)					(44)
Net changes of items other than shareholders' equity										(69,990)	-	(69,990)	422	(69,568)
Total changes during the term	-	-	-	-	-	296,622	296,622	(44)	296,578	(69,990)	-	(69,990)	422	227,009
Balance as of June 30, 2012	948,994	1,027,376	1,027,376	22,845	3,100,000	593,626	3,716,471	(470,279)	5,222,563	4,500	(46,614)	(42,114)	1,582	5,182,031

Note: The amounts listed above are rounded down to the nearest thousand yen.

Corporate Profile

As of June 30, 2012

Name: TOW Co., Ltd.

Head Office: Kamiyacho Central Place, 3-13, Toranomon 4-chome, Minato-ku, Tokyo 105-0001

Establishment: July 6, 1976

Paid-in Capital: ¥948,994 thousand

Number of Employees: 125

- 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 advertisements, promotional goods and premiums related to sales promotion
 6. Planning, production and publishing of various printed matters

Directors and Corporate Auditors (As of September 25, 2012)

Chairman and Chief Executive Officer (CEO)
 Deputy President and Corporate Officer
 President and Chief Operating Officer (COO)
 Managing Director and Corporate Officer
 Managing Director and Corporate Officer
 Director and Corporate Officer
 Director and Corporate Officer
 Corporate Officer
 Corporate Officer
 Standing Corporate Auditor
 Corporate Auditor
 Corporate Auditor

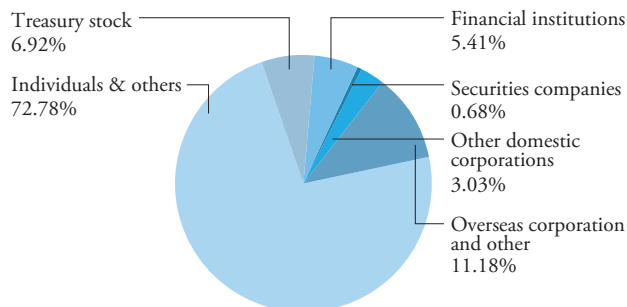
Osamu Kawamura
Katsuji Maki
Kouji Egusa
Michihiro Akimoto
Hajime Kimura
Shigeo Shimamura
Takehito Masumori
Satoshi Suzuki
Isao Miyake
Haruo Kurami
Shintaro Hagiwara
Shigeo Yoshida

Stock Information

As of June 30, 2012

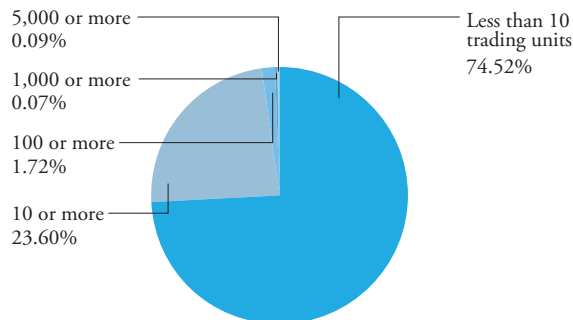
1. Number of shares authorized to be issued..... 48,000,000 shares
2. Number of shares issued..... 12,242,274 shares
3. Number of shareholders5,407

Shareholders by Type



Shareholders by Number of Shares Held

(Breakdown of shareholders by number of shares held.)



This section presents the materials on future measures that were explained at the financial results briefing session for the fiscal year ended June 30, 2012 that was held on August 7, 2012.

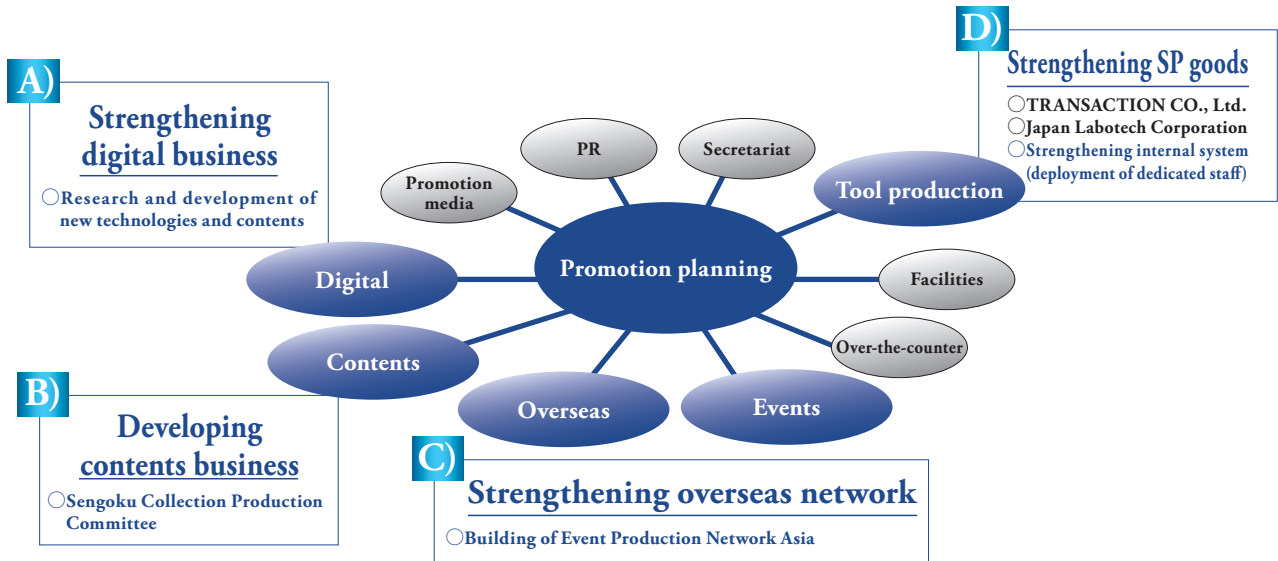
TOW NEWS

Future Measures

1. Strengthening resources

- 1) Mid-career recruitment from areas of specialization (recruitment in 2012)
PR company planners, over-the-counter marketing companies, web production company directors, Chinese employees
- 2) Strengthening human resources development: it is a job of all employees to help out with the development of coworkers
Education and transmission of our marketing, proposals, and professional capabilities
Human resources performance rating system that strongly reflects human resource development (in particular TL and D)
New employee and rank-based training programs (training camp programs also introduced)
- 3) Resumption of regular new graduate recruitment aimed at continual growth
New graduate recruitment in April 2013 (10 recruits planned)

2. Expanding area and strengthening professional capabilities and promotion proposal capabilities



A) Strengthening digital business

The Group is currently conducting joint R&D and workshops with Associate Professor Yasuaki Kakehi in the Faculty of Environmental and Information Studies at Keio University, who is conducting research on the design of real world information environments through the integration of real and digital aspects.



We aim to develop new technologies and contents such as highly versatile staging devices and cutting-edge sales promotion tools that can be used for promotions (until December 2012).

Profile of Associate Professor Yasuaki Kakehi
March 2007: Acquired Master Degree from the University of Tokyo Graduate School of Interdisciplinary Information Studies
April 2011: Became Associate Professor in the Faculty of Environmental and Information Studies at Keio University
Main research areas include interactive media, media arts, etc.

B) Developing contents business

We participated in the production committee to produce an animated cartoon for television broadcast of the popular mobile social game, "Sengoku Collection," and acquired the promotion rights for the contents.

We will work to develop event businesses intended for fans and use the contents to participate in tie-up promotions with other companies that have a similar customer base as we strive to accumulate know-how in the contents business.

C) Strengthening overseas network

In response to the increasing overseas promotion needs of clients and agencies, we have commenced with the development of "TOW Event Production Network (EPN) Asia."

In addition to our existing network in South Korea, Shanghai and Singapore, we will build a network with a total of 22 local event production companies in China, India, Taiwan and Australia.

We will continue to meet overseas project needs in the future.

D) Strengthening SP goods quality management

In addition to our business partnership with Japan Labotech Corporation, a private sector quality management and integrated inspection service company, we will deploy dedicated in-house staff in charge of quality management starting from September 2012.

We aim to leverage the wealth of experience and knowledge and strengthen quality management to increase orders for goods projects.

Japan Labotech Corporation

- Established: July 2009
- Net sales: ¥0.2 billion (year ended December 31, 2011)
- Representative: Iichiro Haga
- Number of employees: 20 (as of December 31, 2011)
- Nature of businesses:
Clothing articles inspections; Daily commodities inspections; Foods inspections; Accessories, footwear, and pet supplies inspections; Store sanitation inspections; Consulting; Product development support

3. Strengthening earnings management

A production management team is stationed in each division so as to create a stronger sense of responsibility for cost management.



"Latest cooperating organizations' price schedules" are prepared and distributed to all employees in order to share the latest market information and raise the standards of each team.



We aim to improve profitability by approximately one percent point for the year ending June 31, 2013.

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 and Mitsubishi UFJ Trust and Banking Corporation
special account management institution: 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Contact/Mailing address: Corporate Agency Div., Mitsubishi UFJ Trust and Banking Corporation
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 notices: <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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