

TOWCO.,LTD.

Report for the 39th Business Term

(July 1, 2014 to June 30, 2015)

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

We would like to extend our sincere gratitude to all shareholders for your continued support for TOW Co., Ltd.

On June 30, 2015, the Company concluded its 39th business term (from July 1, 2014 to June 30, 2015) and it is our pleasure to present you with the report for the term.

During the term under review, the Japanese economy was on a gradual recovery track on the back of aggressive fiscal and monetary policies by the government.

In the advertising industry to which the Group belongs, total domestic advertising expenditures in 2014 (from January to December) amounted to ¥6,152.2 billion (an increase of 2.9% over the previous year, according to “Advertising Expenditures in Japan” released by DENTSU INC. in February 2015), increasing for the third consecutive year.

Sales of major advertising agencies in 2014 (from January to December) increased for the third consecutive year (according to “Advertising and the Economy” published on February 21, 2015), while sales in the period from January to June 2015 remained sluggish, with sales of some advertising agencies declining year on year (according to “Advertising and the Economy” published on August 1, 2015).

In such a business environment, sales activities focused on important customers and initiatives to strengthen the management of orders carried out in this term, continuing from the previous term, have achieved some favorable results.

In addition, company-wide initiatives of strengthening capabilities for Interactive Promotion (IP) have steadily achieved results. Among others, we succeeded in getting new projects such as new product launches mainly in industries of automotive, foods, beverages, etc., and achieved increase in number of orders and improvement of profitability of medium to large projects (projects of more than ¥50.00 million).

*IP: Promotion which encourages people to share and disseminate information on memorable experiences created with digital technology and ideas.

As a result, after the projection was revised upward on June 30, 2015, due to factors such as increase in contract amount of the existing projects, increase in profits as a result of control of selling, general and administrative expenses, change in the timing of the recording of project sales to the next fiscal year, etc., consolidated net sales for the term under review was ¥13,442 million (up 10.3% year-on-year), down ¥10 million from the forecast of June 30, 2015, operating income was ¥1,335 million (up 30.0% year-on-year), up ¥30 million, recurring profit was ¥1,349 million (up 30.4% year-on-year), up ¥30 million, and net income was ¥818 million (up 28.2% year-on-year), up ¥22 million.

We would appreciate your continuous cooperation and support to the Group.

September 2015



President and Chief Executive Officer (CEO)



Business Summary

Business Summary by Sector

Exhibitions & Shows

Consolidated sales for the term under review increased due to orders received from public offices, etc. for exhibitions.

Culture- and Sport-related Projects

Consolidated sales for the term under review decreased 0.9% year-on-year, despite orders received in connection with the Olympics and the inter-high school championships.

Public Relations

Consolidated sales for the term under review increased 13.6% year-on-year, due to orders received from major car manufacturers for launch events of their new models and cigarette manufacturers for outdoor festivals.

Sales Promotion

Consolidated sales for the term under review increased 7.6% year-on-year, as demand remained comparatively strong for promotion activities for major car manufacturers, major home appliance manufacturers and major beverage manufacturers.

Materials Production

Consolidated sales for the term under review rose 6.8% year-on-year, due to increase in orders from public offices for office administration and a rise in orders from major food manufacturers and major beverage manufacturers.

Event Planning

Consolidated sales decreased 3.4% year-on-year.

Consolidated Sales Breakdown

Years ended June 30

Event category		2014		2015		Year-on-year (%)
		Amount (¥ million)	Percentage of total (%)	Amount (¥ million)	Percentage of total (%)	
Event production	Exhibitions & shows	-	-	136	1.0	-
	Culture- and sport-related projects	224	1.8	222	1.6	(0.9)
	Public relations	3,796	31.2	4,312	32.1	13.6
	Sales promotions	6,933	56.9	7,461	55.5	7.6
	Materials production	1,142	9.4	1,220	9.1	6.8
Subtotal		12,097	99.3	13,354	99.3	10.4
Revenue from event planning		91	0.7	88	0.7	(3.4)
Total		12,188	100.0	13,442	100.0	10.3

| Business Summary

Tasks Ahead

In Japan, a recovery trend is seen in total domestic advertising expenditures, and among others, year by year, there is a growing tendency of customers (advertisers) to have strong expectation for their promotions to have an immediate impact on sales. As a result, with regard to advertising expenditures for the non-mass media (i.e. media other than television, radio, newspapers and magazines), the trend toward expansion continues in terms of amount and shares, and this trend is particularly significant for the share of major advertising agencies of sales.

In the non-mass media, there is a large expectation of clients toward Interactive Promotion (IP) which combines real-world promotion and information diffusion measures using the Internet. In response to these trends, we will focus on implementing the following initiatives.

1. “Accelerating the enhancement of IP capabilities” and further promoting “collaboration with different industries”

We aim to enhance IP capabilities by promoting “collaboration with different industries”, such as a business alliance with “1-10design”, a business alliance with “Omoshiro Hojin KAYAC”, and strengthening relationships with network companies designated by “PARTY”, where Japan’s leading creative directors gather.

2. Strengthening “integrated promotion capabilities” including IP

(1)Mr. Akihito Abe, a creative director with his strength in constructing communication with digital as the starting point, and with a number of awards such as the Cannes Lions, etc., was appointed as a Creative Director of the Company. We will strive to strengthen our creative capabilities.

(2)A professional with over 30 years of experience in the field of integrated promotion joined the Company as a senior executive.

We will pursue further reinforcement of our “Integrated Promotion Capabilities”.

3. Further strengthening “Group capabilities”

We will enhance production readiness for increasing inbound and outbound demand, by merging “soil inc.”, a subsidiary with bilingual talents, into “T2 Creative Co., Ltd.”

We will continue to further expand external sales, bringing “T2 Creative Co., Ltd.”, a production subsidiary, to the forefront.

Consolidated Balance Sheets

As of June 30, 2014 and 2015

Thousands of yen

	2014	2015		2014	2015
Assets			Liabilities		
Current assets:	7,750,456	8,831,944	Current liabilities:	2,987,196	3,431,699
Cash and deposits	2,196,593	3,227,688	Accounts payable - trade	1,150,931	1,600,568
Notes and accounts receivable	2,008,853	2,451,445	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	310,690	216,931	Income taxes payable	306,362	312,365
Accounts receivable - other	3,108,221	2,765,350	Reserve for employees' bonuses	17,781	46,684
Prepaid expenses	33,810	64,008	Other	672,121	632,080
Deferred tax assets	80,582	92,965	Long-term liabilities:	348,014	376,605
Other	11,706	13,776	Net defined benefit liability	189,799	211,495
Allowance for doubtful accounts	-	(222)	Reserve for directors' retirement allowances	149,461	160,861
Noncurrent assets:	1,229,220	1,311,716	Other	8,752	4,248
Tangible fixed assets:	71,727	90,579	Total liabilities	3,335,210	3,808,304
Building	37,075	33,551	Net assets		
Tools, furniture and fixtures	24,913	48,216	Shareholders' equity:	5,611,827	6,241,817
Leased assets	3,711	2,783	Capital stock	948,994	948,994
Land	6,027	6,027	Capital surplus	1,027,376	1,085,436
Intangible assets:	18,093	7,425	Retained earnings	4,106,100	4,599,646
Investment and others:	1,139,398	1,213,711	Treasury stock	(470,644)	(392,260)
Investments in securities	613,964	683,384	Accumulated other comprehensive income:	14,278	63,342
Refundable insurance premium	257,612	266,464	Net unrealized gains (losses) on other securities	60,892	109,956
Deferred tax assets	114,997	98,436	Revaluation reserve for land	(46,614)	(46,614)
Leasehold deposits	148,513	161,116	Subscription rights to shares:	18,361	30,196
Other	4,310	4,310	Total net assets	5,644,466	6,335,356
Total assets	8,979,677	10,143,660	Total liabilities and net assets	8,979,677	10,143,660

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

Consolidated Statements of Income

Years ended June 30, 2014 and 2015

Thousands of yen

	2014	2015
Net sales	12,188,866	13,442,241
Cost of sales	10,432,610	11,372,474
Gross profit	1,756,255	2,069,766
Selling, general and administrative expenses	729,514	734,694
Operating income	1,026,740	1,335,071
Non-operating income	17,519	25,070
Non-operating expenses	8,800	10,150
Recurring profit	1,035,458	1,349,991
Extraordinary income	42,824	2,348
Income before income taxes	1,078,282	1,352,339
Income taxes - current	456,031	548,703
Income taxes - deferred	(16,084)	(14,848)
Income before minority interests	638,336	818,483
Net income	638,336	818,483

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

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2015

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, 2013	948,994	1,027,376	4,106,100	(470,644)	5,611,827	60,892	(46,614)	14,278	18,361	5,644,466
Changes during the term										
Dividends			(324,937)		(324,937)					(324,937)
Net income			818,483		818,483					818,483
Acquisition of treasury stock				(70)	(70)					(70)
Disposal of stock		58,059		78,453	136,513					136,513
Net changes of items other than shareholders' equity						49,063		49,063	11,835	60,899
Total changes during the term	-	58,059	493,546	78,383	629,990	49,063	-	49,063	11,835	690,889
Balance as of June 30, 2014	948,994	1,085,436	4,599,646	(392,260)	6,241,817	109,956	(46,614)	63,342	30,196	6,335,356

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

Consolidated Statements of Cash Flows

Years ended June 30, 2014 and 2015

Thousands of yen

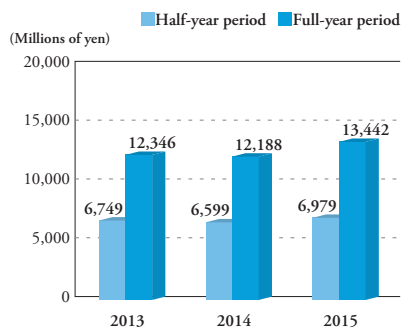
	2014	2015
Cash flows from operating activities	(86,137)	1,287,997
Cash flows from investing activities	118,342	(67,435)
Cash flows from financing activities	(314,469)	(189,467)
Net increase (decrease) in cash and cash equivalents	(282,264)	1,031,094
Cash and cash equivalents at beginning of year	2,478,857	2,196,593
Cash and cash equivalents at end of year	2,196,593	3,227,688

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

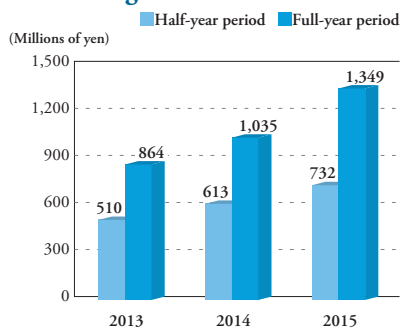
Financial Highlights (consolidated)

Years ended June 30

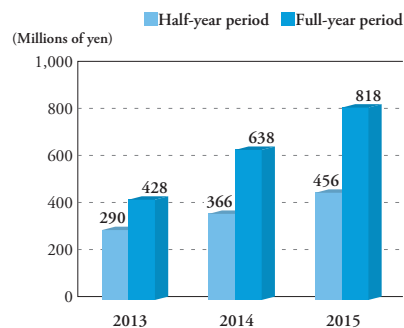
Net Sales



Recurring Profit



Net Income



Millions of yen

	2013	2014	2015
Net sales	12,346	12,188	13,442
Operating income	850	1,026	1,335
Recurring profit	864	1,035	1,349
Net income	428	638	818
Total assets	8,756	8,979	10,143
Net assets	5,285	5,644	6,335

Non-Consolidated Balance Sheets

As of June 30, 2014 and 2015

Thousands of yen

	2014	2015		2014	2015
Assets			Liabilities		
Current assets:	7,297,865	8,240,115	Current liabilities:	2,862,814	3,261,871
Cash and deposits	1,951,250	2,981,267	Accounts payable - trade	988,857	1,224,447
Notes receivable	599,613	514,374	Accounts payable to affiliated company	156,448	384,649
Accounts receivable - trade	1,324,091	1,734,522	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	285,544	169,026	Lease obligations	974	974
Accounts receivable - other	3,028,557	2,693,276	Accounts payable- other	226,928	238,226
Prepaid expenses	31,190	61,333	Income taxes payable	241,582	214,211
Deferred tax assets	67,740	73,957	Consumption taxes payable	21,777	100,714
Other	9,877	12,580	Accrued expenses	145,879	158,560
Allowance for doubtful accounts	-	(222)	Advances payment for ongoing projects	211,265	41,829
Noncurrent assets:	1,361,134	1,440,127	Deposits received	14,231	14,814
Tangible fixed assets:	64,152	79,331	Reserve for employees' bonuses	14,867	43,443
Building	33,654	30,709	Long-term liabilities:	326,734	350,989
Tools, furniture and fixtures	20,758	39,810	Reserve for employees' retirement benefits	173,620	192,579
Leased assets	3,711	2,783	Reserve for directors' retirement allowances	144,361	154,161
Land	6,027	6,027	Lease obligations	2,922	1,948
Intangible assets:	15,580	6,242	Other	5,829	2,300
Telephone subscription rights	2,652	2,652	Total liabilities	3,189,548	3,612,860
Software	10,127	3,589	Net assets		
Goodwill	2,800	-	Shareholders' equity:	5,436,812	5,973,842
Investment and other assets:	1,281,402	1,354,553	Capital stock	948,994	948,994
Investments in securities	613,964	683,384	Capital surplus	1,027,376	1,085,436
Investments in stock of affiliated company	150,000	150,000	Additional paid-in capital	1,027,376	1,027,376
Membership rights	4,310	4,310	Other capital surplus	-	58,059
Refundable insurance premium	257,612	266,464	Gain on disposal of treasury stock	-	58,059
Deferred tax assets	107,100	89,378	Retained earnings	3,931,085	4,331,672
Leasehold deposits	148,413	161,016	Legal reserve	22,845	22,845
			Other retained earnings	3,908,240	4,308,827
			General reserve	3,200,000	3,500,000
			Retained earnings carried forward	708,240	808,827
			Treasury stock	(470,644)	(392,260)
			Valuation and translation adjustments:	14,278	63,342
			Net unrealized gains (losses) on other securities	60,892	109,956
			Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	18,361	30,196
			Total net assets	5,469,451	6,067,381
Total assets	8,659,000	9,680,242	Total liabilities and net assets	8,659,000	9,680,242

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

Non-Consolidated Statements of Income

Years ended June 30, 2014 and 2015

Thousands of yen

	2014	2015
Net sales	11,642,615	12,196,673
Cost of sales	10,151,499	10,528,032
Gross profit	1,491,115	1,668,641
Selling, general and administrative expenses	702,347	706,878
Operating income	788,768	961,762
Non-operating income	147,396	166,262
Non-operating expenses	8,705	9,369
Recurring profit	927,459	1,118,655
Extraordinary income	42,824	2,348
Income before income taxes	970,283	1,121,003
Income taxes - current	358,000	403,000
Income taxes - deferred	(13,089)	(7,520)
Net income	625,373	725,524

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, 2015

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	Other capital surplus Gain on disposal of treasury stock		Total capital surplus	General reserve						Retained earnings carried forward			Total retained earnings
Balance as of July 1, 2013	948,994	1,027,376	-	1,027,376	22,845	3,200,000	708,240	3,931,085	(470,644)	5,436,812	60,892	(46,614)	14,278	18,361	5,469,451
Changes during the term															
Dividends							(324,937)	(324,937)		(324,937)					(324,937)
Net income							725,524	725,524		725,524					725,524
Provision of general reserve						300,000	(300,000)	-		-					-
Acquisition of treasury stock									(70)	(70)					(70)
Disposal of stock			58,059	58,059					78,453	136,513					136,513
Net changes of items other than shareholders' equity											49,063		49,063	11,835	60,899
Total changes during the term	-	-	58,059	58,059	-	300,000	100,587	400,587	78,383	537,030	49,063	-	49,063	11,835	597,930
Balance as of June 30, 2014	948,994	1,027,376	58,059	1,085,436	22,845	3,500,000	808,827	4,331,672	(392,260)	5,973,842	109,956	(46,614)	63,342	30,196	6,067,381

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

Corporate Profile

As of June 30, 2015

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: 159

- 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, 2014)

Chairman

President and Chief Executive Officer (CEO)

Managing Director and Corporate Officer

Managing Director and Corporate Officer

Managing Director and Corporate Officer

Director and Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

Standing Corporate Auditor

Corporate Auditor

Corporate Auditor

Osamu Kawamura

Kouji Egusa

Michihiro Akimoto

Hajime Kimura

Takehito Masumori

Shigeo Shimamura

Satoshi Suzuki

Isao Miyake

Kenichi Murazu

Hodaka Kosugi

Haruo Kurami

Shintaro Hagiwara

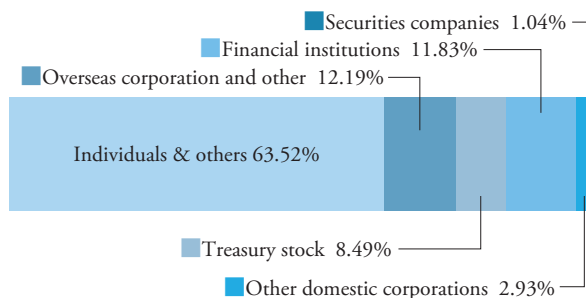
Shigeo Yoshida

Stock Information

As of June 30, 2015

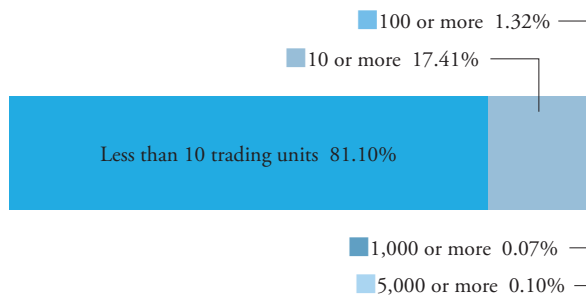
1. Number of shares authorized to be issued..... 48,000,000 shares
2. Number of shares issued..... 12,242,274 shares
3. Number of shareholders6,058

Shareholders by Type



Shareholders by Number of Shares Held

(Breakdown of shareholders by number of shares held.)



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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<http://www.tow.co.jp/>