

TOWCO.,LTD.

Report for the 44th Business Term

(July 1, 2019 to June 30, 2020)

English Translation – Reference Purpose Only

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No representation or warranty is made with respect to its accuracy, 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.

| 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, 2020, the Company concluded its 44th business term (from July 1, 2019 to June 30, 2020) and it is our pleasure to present you with the report for the term.

During the term under review, the Japanese economy remained on a moderate recovery track against the backdrop of the continued improvement of the employment and personal income environment. However, the global economy has deteriorated rapidly due to the COVID-19 outbreak since March, and the Japanese economy has also been severely affected. As the COVID-19 pandemic persists, most corporations have been forced to suspend their marketing activities, and projects have been cancelled or postponed, exerting a significant adverse impact on the market environment surrounding the Company.

In this business environment, in order to apply our experience design capabilities, which have been accumulated through our core activities of real-world promotion, to a wide range of fields, we have been striving to remove the barrier between digital and real-world and promoting initiatives to become “Japan’s first experience design* production company” that creates “new experience value,” which befits the era of digital platforms.

Regarding net sales, while projects were cancelled and postponed due to the COVID-19 pandemic and the postponement of the Olympic and Paralympic Games, orders received from public offices and organizations, etc. continued to increase in the first half of the term, projects related to the Olympic and Paralympic Games were recorded ahead of the initial schedule, in which such projects were to be recorded in and after July, owing to the cancellation, and various online promotion measures were implemented in response to the COVID-19 outbreak. As a result, these factors mainly boosted net sales.

Regarding gross profit, although a portion of the large projects received from public offices and organizations turned out to have low profit margins, we managed to secure a certain level of profitability, owing to the effect of increasing profitability primarily attributable to company-wide efforts to promote “securing of appropriate profit based on high-value-added proposals” and “thorough cost control,” as well as the recording of projects related to the Olympic and Paralympic Games ahead of the initial schedule, in which such projects were to be recorded in and after July, due to the cancellation.

Regarding selling, general and administrative expenses, the increased floor space in and improvements to the environment of the office, as well as the hiring of new graduates and mid-career employees proceeded largely according to plan. While additional expenses were incurred due to measures taken in response to the COVID-19 pandemic, such as teleworking, we also curbed expenses such as social expenses and travelling expenses.

As a result, consolidated net sales for the term under review amounted to ¥19,325 million (up 18.7% year-on-year), operating income was ¥2,316 million (up 16.1% year-on-year), recurring profit was ¥2,332 million (up 15.6% year-on-year) and profit attributable to owners of parent was ¥1,584 million (up 17.8% year-on-year). Operating income, recurring profit, and profit attributable to owners of parent were the highest ever for the fifth consecutive year.

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

September 2020

* Experience design: To design a mechanism offering consumers a brand experience that captivates them and encourages them to become fans of the brand and maximizing the spread and sharing of the brand experience through diverse media, centering on social media

Michihiko Okamoto

President and Chief Executive Officer (CEO)



Business Summary

Business Summary by Sector

Sales Promotion

Consolidated sales for the term under review decreased 14.4% year-on-year, although orders were received for a sales promotion event at a commercial facility and an overseas exhibition from a major mobile phone manufacturer, and orders for large projects were received, such as for motor shows from a major automotive manufacturer, and for pop-up stores that showcase new products from a major cosmetics manufacturer.

Public Relations

Consolidated sales for the term under review increased 40.5% year-on-year, mainly owing to the receiving of orders for large projects, such as public relations activities from public offices and organizations, etc., an internal event from a major automotive manufacturer, and a nationwide caravan from a major life insurance company.

Culture- and Sports-related Projects

Consolidated sales for the term under review increased 237.1% year-on-year, mainly because orders were received for the management of e-sports tournaments from companies such as overseas game companies, and for projects related to the Olympic and Paralympic Games.

Materials Production

Consolidated sales for the term under review decreased 17.3% year-on-year, although orders were received for the production of Web and video content from a major cosmetics manufacturer, and for office administration work from public offices.

Event Planning

Consolidated sales for the term under review decreased 25.4% year-on-year.

Consolidated Sales Breakdown

Years ended June 30

Event category		2019		2020		Year-on-year (%)
		Amount (¥ million)	Percentage of total (%)	Amount (¥ million)	Percentage of total (%)	
Event production	Sales promotions	6,512	40.0	5,575	28.9	(14.4)
	Public relations	7,463	45.9	10,484	54.2	40.5
	Culture- and sport-related projects	537	3.3	1,812	9.4	237.1
	Exhibitions & shows	-	-	-	-	-
	Materials production	1,684	10.3	1,393	7.2	(17.3)
Subtotal		16,198	99.5	19,265	99.7	18.9
Revenue from event planning		80	0.5	59	0.3	(25.4)
Total		16,278	100.0	19,325	100.0	18.7

| Business Summary

Tasks Ahead

The Company believes that the world is undergoing “Three Major Shifts,” triggered by the COVID-19 pandemic.

The first is the “digitalization of daily life behavior,” including changes in purchase behavior and greater use of digital tools such as smartphones and computers.

The second is the “digitalization of corporate activities,” including more active promotion of digital transformation initiatives at corporations.

The third is the “digitalization of experiences,” such as the streaming of real-world events online, and the shift from serving customers at physical stores to serving them online.

In line with these “Three Major Shifts,” as corporations utilize digital tools more effectively, we expect corporations to focus more on their online activities, such as increasing their sales on e-commerce platforms. In conjunction with this, as promotional activities conducted by corporations can be expected to move online, the Company is currently promoting a shift towards online promotion.

In order to further accelerate the shift to online activities, demonstrating online our planning, production and stage direction capabilities cultivated in the real-world promotion field, the Company began offering services including the “TOW Online Event Package,” which enables the holding of various online events such as press conferences and fan meetings, as well as “Online Promotion Solutions,” designed to systematize the know-how related to online promotion, such as through social media and videos.

Even for real-world events, in order to ensure that events can be held safely and securely, we have announced the “New Normal Event Guidelines,” an original set of guidelines formulated by the Company ahead of any industry guidelines.

Furthermore, we have been putting efforts into the following initiatives: shift to in-house production activities, monetization of the value we provide, “enhancement of production capabilities and profitability” by strengthening functions of the Production Control Department, and “acquisition of new customers” in response to changes in the market environment such as the advancement of digitalization.

As the speed of digitalization accelerates in the various fields surrounding the Company, we aim to become “Japan’s first experience design production company” that creates “new experience value,” by combining capabilities in “online promotion” with our strength in “real-world promotion.”

Consolidated Balance Sheets

As of June 30, 2019 and 2020

Thousands of yen

	2019	2020		2019	2020
Assets			Liabilities		
Current assets:	12,100,605	14,439,692	Current liabilities:	3,846,649	5,488,878
Cash and deposits	4,754,865	5,055,985	Electronically recorded obligations – operating	61,548	464
Electronically recorded monetary claims – operating	2,092,211	1,630,882	Accounts payable - trade	1,966,871	3,151,839
Notes and accounts receivable	3,404,389	4,390,003	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	467,933	186,538	Income taxes payable	302,907	379,790
Accounts receivable - other	1,290,084	3,066,305	Reserve for employees' bonuses	95,201	104,388
Prepaid expenses	32,219	51,392	Other	580,119	1,012,395
Other	58,901	58,583	Long-term liabilities:	416,477	448,917
Noncurrent assets:	1,578,952	1,754,595	Net defined benefit liability	213,594	223,084
Tangible fixed assets:	102,161	188,671	Reserve for directors' retirement allowances	185,670	209,767
Building	34,162	88,830	Other	17,211	16,064
Tools, furniture and fixtures	57,634	90,538	Total liabilities	4,263,126	5,937,795
Leased assets	4,336	3,274	Net assets		
Land	6,027	6,027	Shareholders' equity:	8,928,201	9,782,542
Intangible assets:	16,139	24,349	Capital stock	948,994	948,994
Investment and others:	1,460,651	1,541,574	Capital surplus	1,089,236	1,089,236
Investments in securities	994,560	1,020,008	Retained earnings	7,271,033	8,125,374
Refundable insurance premium	225,489	226,893	Treasury stock	(381,063)	(381,063)
Deferred tax assets	86,625	80,247	Accumulated other comprehensive income:	400,706	428,736
Leasehold deposits	149,665	203,236	Net unrealized gains (losses) on other securities	447,321	475,351
Other	4,310	11,190	Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	87,523	45,212
			Total net assets	9,416,431	10,256,492
Total assets	13,679,557	16,194,287	Total liabilities and net assets	13,679,557	16,194,287

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

Consolidated Statements of Income

Years ended June 30, 2019 and 2020

Thousands of yen

	2019	2020
Net sales	16,278,697	19,325,800
Cost of sales	13,453,554	16,086,454
Gross profit	2,825,143	3,239,346
Selling, general and administrative expenses	829,494	922,827
Operating income	1,995,648	2,316,519
Non-operating income	25,751	18,628
Non-operating expenses	4,018	2,585
Recurring profit	2,017,381	2,332,561
Extraordinary income	-	15,000
Extraordinary losses	3,232	8,926
Income before income taxes	2,014,149	2,338,635
Income taxes - current	692,356	760,000
Income taxes - deferred	(20,700)	(5,929)
Income before minority interests	1,342,493	1,584,565
Profit (loss) attributable to non-controlling interests	(2,975)	-
Profit attributable to owners of parent	1,345,469	1,584,565

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

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2020

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, 2019	948,994	1,089,236	7,271,033	(381,063)	8,928,201	447,321	(46,614)	400,706	87,523	9,416,431
Changes during the term										
Dividends			(730,223)		(730,223)					(730,223)
Profit attributable to owners of parent			1,584,565		1,584,565					1,584,565
Net changes of items other than shareholders' equity						28,029	-	28,029	(42,310)	(14,280)
Total changes during the term	-	-	854,341	-	854,341	28,029	-	28,029	(42,310)	840,060
Balance as of June 30, 2020	948,994	1,089,236	8,125,374	(381,063)	9,782,542	475,351	(46,614)	428,736	45,212	10,256,492

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

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2020

Thousands of yen

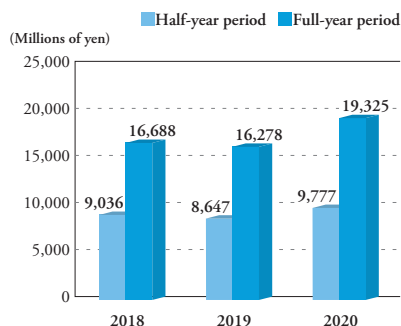
	2019	2020
Cash flows from operating activities	1,310,483	1,142,967
Cash flows from investing activities	(34,076)	(110,476)
Cash flows from financing activities	(620,258)	(731,370)
Net increase (decrease) in cash and cash equivalents	656,148	301,120
Cash and cash equivalents at beginning of year	4,098,717	4,754,865
Cash and cash equivalents at end of year	4,754,865	5,055,985

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

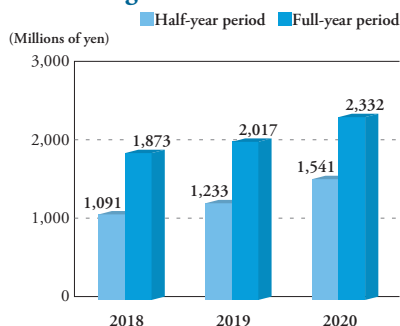
Financial Highlights (consolidated)

Years ended June 30

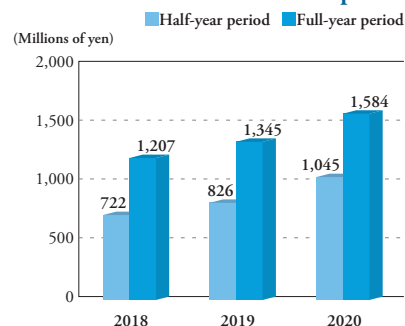
Net Sales



Recurring Profit



Profit attributable to owners of parent



Millions of yen

	2018	2019	2020
Net sales	16,688	16,278	19,325
Operating income	1,825	1,995	2,316
Recurring profit	1,873	2,017	2,332
Profit attributable to owners of parent	1,207	1,345	1,584
Total assets	12,996	13,679	16,194
Net assets	8,832	9,416	10,256

Non-Consolidated Balance Sheets

As of June 30, 2019 and 2020

Thousands of yen

	2019	2020		2019	2020
Assets			Liabilities		
Current assets:	10,738,064	12,935,457	Current liabilities:	3,158,364	4,764,938
Cash and deposits	4,500,616	4,421,376	Electronically recorded obligations – operating	61,548	464
Electronically recorded monetary claims – operating	2,012,750	1,499,413	Accounts payable - trade	1,347,698	2,890,851
Notes receivable	388,299	197,497	Accounts payable to affiliated company	468,218	185,700
Accounts receivable - trade	2,127,293	3,769,548	Short-term loans	540,000	540,000
Prepaid expenses for ongoing projects	436,134	133,186	Lease obligations	1,146	1,146
Accounts receivable - other	1,187,328	2,809,539	Accounts payable- other	153,161	544,941
Prepaid expenses	27,599	46,411	Income taxes payable	182,837	168,127
Other	58,042	58,484	Accrued expenses	184,759	172,267
Noncurrent assets:	1,642,378	1,793,570	Advances payment for ongoing projects	61,273	49,246
Tangible fixed assets:	73,561	154,095	Deposits received	24,770	14,361
Building	24,238	74,861	Consumption taxes payable	54,698	114,645
Tools, furniture and fixtures	38,959	69,932	Reserve for employees' bonuses	78,252	83,184
Leased assets	4,336	3,274	Long-term liabilities:	390,195	416,652
Land	6,027	6,027	Reserve for employees' retirement benefits	194,053	198,620
Intangible assets:	10,214	13,769	Reserve for directors' retirement allowances	178,930	201,967
Telephone subscription rights	2,652	2,652	Lease obligations	3,536	2,389
Software	7,562	11,116	Other	13,675	13,675
Investment and other assets:	1,558,602	1,625,705	Total liabilities	3,548,560	5,181,591
Investments in securities	994,560	1,020,008	Net assets		
Investments in stock of affiliated company	150,000	150,000	Shareholders' equity:	8,343,652	9,073,486
Membership rights	4,310	11,190	Capital stock	948,994	948,994
Refundable insurance premium	225,489	226,893	Capital surplus	1,055,958	1,055,958
Deferred tax assets	48,671	29,073	Additional paid-in capital	1,027,376	1,027,376
Leasehold deposits	135,570	188,540	Other capital surplus	28,581	28,581
			Gain on disposal of treasury stock	61,859	61,859
			Other capital surplus	(33,277)	(33,277)
			Retained earnings	6,719,762	7,449,596
			Legal reserve	22,845	22,845
			Other retained earnings	6,696,917	7,426,751
			General reserve	5,100,000	5,800,000
			Retained earnings carried forward	1,596,917	1,626,751
			Treasury stock	(381,063)	(381,063)
			Valuation and translation adjustments:	400,706	428,736
			Net unrealized gains (losses) on other securities	447,321	475,351
			Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	87,523	45,212
Total assets	12,380,443	14,729,027	Total net assets	8,831,882	9,547,436
			Total liabilities and net assets	12,380,443	14,729,027

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

Non-Consolidated Statements of Income

Years ended June 30, 2019 and 2020

Thousands of yen

	2019	2020
Net sales	13,283,646	16,305,832
Cost of sales	11,309,630	14,097,434
Gross profit	1,974,015	2,208,397
Selling, general and administrative expenses	775,831	872,407
Operating income	1,198,184	1,335,990
Non-operating income	586,605	537,017
Non-operating expenses	3,171	1,733
Recurring profit	1,781,617	1,871,274
Extraordinary income	-	15,000
Extraordinary losses	2,255	8,926
Income before income taxes	1,779,362	1,877,348
Income taxes - current	416,000	410,000
Income taxes - deferred	(25,718)	7,290
Net income	1,389,080	1,460,058

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, 2020

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	Total capital surplus	General reserve		Retained earnings carried forward	Total retained earnings									
Balance as of July 1, 2019	948,994	1,027,376	28,581	1,055,958	22,845	5,100,000	1,596,917	6,719,762	(381,063)	8,343,652	447,321	(46,614)	400,706	87,523	8,831,882
Changes during the term															
Dividends							(730,223)	(730,223)		(730,223)					(730,223)
Net income							1,460,058	1,460,058		1,460,058					1,460,058
Provision of general reserve						700,000	(700,000)	-		-					-
Net changes of items other than shareholders' equity											28,029	-	28,029	(42,310)	(14,280)
Total changes during the term	-	-	-	-	-	700,000	29,834	729,834	-	729,834	28,029	-	28,029	(42,310)	715,553
Balance as of June 30, 2020	948,994	1,027,376	28,581	1,055,958	22,845	5,800,000	1,626,751	7,449,596	(381,063)	9,073,486	475,351	(46,614)	428,736	45,212	9,547,436

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

Corporate Profile

As of June 30, 2020

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: 217 (Consolidated)

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, 2020)

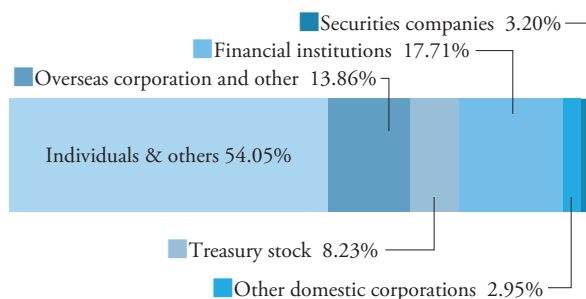
Chairman	Osamu Kawamura
President and Chief Executive Officer (CEO)	Michihiro Akimoto
Vice President and Chief Operating Officer (COO)	Kenichi Muratsu
Director/Executive Officer	Kimihiko Ichikawa
Director/Executive Officer	Junpei Amemiya
Director/Executive Officer	Jiro Kajioka
Outside Director	Daisuke Yanasawa
Executive Officer	Takehito Masumori
Executive Officer	Hiroki Takeshita
Executive Officer	Keisuke Morii
Outside Director, Audit and Supervisory Committee Member	Shintaro Hagiwara
Outside Director, Audit and Supervisory Committee Member	Shigeo Yoshida
Outside Director, Audit and Supervisory Committee Member	Toru Hirano

Stock Information

As of June 30, 2020

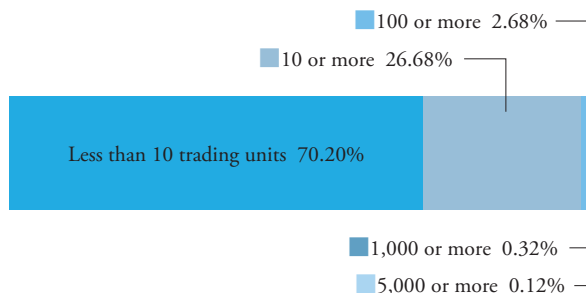
1. Number of shares authorized to be issued..... 120,000,000 shares
2. Number of shares issued..... 48,969,096 shares
3. Number of shareholders10,031

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: 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

Mailing address: Corporate Agency Div., Mitsubishi UFJ Trust and Banking Corporation
P.O. Box No. 29, Shin-Tokyo Post Office, 137-8081, Japan

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.)



TOW CO., LTD.
Kamiyacho Central Place,
3-13, Toranomom 4-chome, Minato-ku, Tokyo 105-0001, Japan
Tel: +81-3-5777-1888

<https://tow.co.jp/>