

# TOWCO.,LTD.

**Report for the 45th Business Term**

**(July 1, 2020 to June 30, 2021)**

**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, 2021, the Company concluded its 45th business term (from July 1, 2020 to June 30, 2021) and it is our pleasure to present you with the report for the term.

During the term under review, prospects for the Japanese economy remained uncertain partly due to the impact of the state of emergency declared in response to the COVID-19 pandemic. The market environment surrounding the Group was also severely affected, as exemplified by the cancellation and downsizing of events.

In this business environment, based on the belief that it is important to create a foundation for future medium-term growth, the Group has formulated the following “Vision” and continued active business development.

(Vision)

The Group will establish the “TOW Experience Design Model” that contributes to acquiring new customers and nurturing and activating existing customers. To this end, we make full use of our skills in planning and production with the “ability to create attractive content” and the “ability to revitalize platforms”, based on “experience value\*.” In doing so, we aim to achieve expansion of the value proposition offered by the Group and business growth and become a “production company that optimizes results with the experience value” as a new corporate vision.

\*Experience value: Emotional, sensory and functional values that appeal to customer sentiment

In the term under review, despite the greater contribution of the large projects received from public offices and organizations and an increase in inquiries on various online promotion measures, due to the considerable impact of the cancellation and downsizing of real events caused by the COVID-19 pandemic, net sales, gross profit, operating income, recurring profit and profit attributable to owners of parent significantly decreased from the previous term.

The Group has traditionally focused on the digital field. In the wake of the COVID-19 crisis, however, it has further accelerated reforms and undertaken the development of various alliances and solutions. Thanks to these efforts, the online promotion field has grown as planned.

As a result, consolidated net sales for the term under review amounted to ¥12,209 million (down 36.8% year-on-year), operating income was ¥655 million (down 71.7% year-on-year), recurring profit was ¥698 million (down 70.0% year-on-year), and profit attributable to owners of parent was ¥455 million (down 71.2% year-on-year).

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

September 2021

*Michihiko Akimoto*

President and Chief Executive Officer (CEO)



# | Business Summary

## Tasks Ahead

The Company sees new growth opportunities presented by changes in society and industry in the following two aspects.

The first lies in the further promotion of digital transformation (DX) at corporations and the growth of the digital advertising market.

The second relates to post-COVID economic recovery and return to real-world activities.

As the revitalization of these real-world and digital experience fields is a promising factor, we expect demand for experience design appropriate for the era of OMO (Online Merges with Offline) to increase further.

In light of these circumstances, the Company aims to recover financial performance and expand business fields by working on the following two key initiatives: (1) taking advantage of the know-how cultivated through the shift to online activities to promote and expand online experiences that befit the digital era, and (2) early capturing the trend of returning to real-world activities to restore and expand real-world experience measures, where the Company's strength traditionally lies.

As part of actions for that purpose, a “functional structure” has been introduced to incorporate new fields. In addition to creating the “Social Media Group” as a section responsible for social media promotion within the Digital Department, the Company has newly established the “Customer Experience Marketing Office”, a multi-professional team with a wide variety of talents, such as strategic planner, promotion planner, data scientist, IP producer and social media producer. With this structure, centering on “effectiveness measurement” and “data analysis”, which are both essential for the Company to identify results of its clients, we are committed to promoting experience design that combines “points and lines” by enhancing the “ability to create content” for creating experiences of “points,” where our strength lies, as well as the “ability to produce platforms”, which serves as

“lines” that help continuously nurture customers and make them fans.

In addition, as its original solutions, the Company has developed the “Promotion DX Package” that supports digitalization and DX at the forefront of customer experience at which the Company excels, and opened the “Kamiyacho Studio”, an internal distribution studio designed to meet increasing demand for the streaming of events online and the distribution and operation of social media content. Furthermore, the Company has been promoting the development of the “Experience Design Engine” that identifies optimal solutions and calculates KPIs for experience measures by analyzing the know-how and results data of the Company, which deals with more than 1,000 experience measures per annum, with its proprietary algorithm.

By focusing on these initiatives, we aim to accelerate the expansion of client base and business fields, grow as “TOW with strength in both online and offline promotion,” and establish a solid position.

# Consolidated Balance Sheets

As of June 30, 2020 and 2021

Thousands of yen

	2020	2021		2020	2021
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets:</b>	<b>14,439,692</b>	<b>11,325,052</b>	<b>Current liabilities:</b>	<b>5,488,878</b>	<b>2,528,362</b>
Cash and deposits	5,055,985	7,580,540	Electronically recorded obligations – operating	464	5,474
Electronically recorded monetary claims – operating	1,630,882	312,834	Accounts payable - trade	3,151,839	1,341,268
Notes and accounts receivable	4,390,003	2,318,403	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	186,538	67,517	Income taxes payable	379,790	21,278
Accounts receivable - other	3,066,305	925,193	Reserve for employees' bonuses	104,388	24,570
Prepaid expenses	51,392	64,577	Other	1,012,395	295,770
Other	58,583	55,986	<b>Long-term liabilities:</b>	<b>448,917</b>	<b>570,817</b>
<b>Noncurrent assets:</b>	<b>1,754,595</b>	<b>2,098,481</b>	Net defined benefit liability	223,084	241,025
<b>Tangible fixed assets:</b>	<b>188,671</b>	<b>229,410</b>	Reserve for directors' retirement allowances	209,767	188,547
Building	88,830	132,627	Deferred tax liabilities	-	124,133
Tools, furniture and fixtures	90,538	88,543	Other	16,064	17,111
Leased assets	3,274	2,212	<b>Total liabilities</b>	<b>5,937,795</b>	<b>3,099,180</b>
Land	6,027	6,027	<b>Net assets</b>		
<b>Intangible assets:</b>	<b>24,349</b>	<b>28,690</b>	<b>Shareholders' equity:</b>	<b>9,782,542</b>	<b>9,594,635</b>
<b>Investment and others:</b>	<b>1,541,574</b>	<b>1,840,379</b>	Capital stock	948,994	948,994
Investments in securities	1,020,008	1,381,604	Capital surplus	1,089,236	1,097,946
Refundable insurance premium	226,893	226,893	Retained earnings	8,125,374	7,924,931
Deferred tax assets	80,247	17,421	Treasury stock	(381,063)	(377,237)
Leasehold deposits	203,236	200,753	<b>Accumulated other comprehensive income:</b>	<b>428,736</b>	<b>675,955</b>
Other	11,190	13,707	Net unrealized gains (losses) on other securities	475,351	722,569
			Revaluation reserve for land	(46,614)	(46,614)
			<b>Subscription rights to shares:</b>	<b>45,212</b>	<b>53,763</b>
			<b>Total net assets</b>	<b>10,256,492</b>	<b>10,324,353</b>
<b>Total assets</b>	<b>16,194,287</b>	<b>13,423,533</b>	<b>Total liabilities and net assets</b>	<b>16,194,287</b>	<b>13,423,533</b>

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

# Consolidated Statements of Income

Years ended June 30, 2020 and 2021

Thousands of yen

	2020	2021
<b>Net sales</b>	<b>19,325,800</b>	<b>12,209,473</b>
Cost of sales	16,086,454	10,738,680
<b>Gross profit</b>	<b>3,239,346</b>	<b>1,470,792</b>
Selling, general and administrative expenses	922,827	815,040
<b>Operating income</b>	<b>2,316,519</b>	<b>655,751</b>
Non-operating income	18,628	46,381
Non-operating expenses	2,585	3,214
<b>Recurring profit</b>	<b>2,332,561</b>	<b>698,918</b>
Extraordinary income	15,000	12,150
Extraordinary losses	8,926	332
<b>Income before income taxes</b>	<b>2,338,635</b>	<b>710,736</b>
Income taxes - current	760,000	177,000
Income taxes - deferred	(5,929)	77,852
<b>Income before minority interests</b>	<b>1,584,565</b>	<b>455,883</b>
<b>Profit attributable to owners of parent</b>	<b>1,584,565</b>	<b>455,883</b>

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

# Consolidated Statement of Changes in Net Assets

Year ended June 30, 2021

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, 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
Changes during the term										
Dividends			(656,326)		(656,326)					(656,326)
Profit attributable to owners of parent			455,883		455,883					455,883
Disposal of treasury stock		8,709		3,825	12,535					12,535
Net changes of items other than shareholders' equity						247,218	-	247,218	8,550	255,768
Total changes during the term	-	8,709	(200,442)	3,825	(187,907)	247,218	-	247,218	8,550	67,861
Balance as of June 30, 2021	948,994	1,097,946	7,924,931	(377,237)	9,594,635	722,569	(46,614)	675,955	53,763	10,324,353

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

# Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2021

Thousands of yen

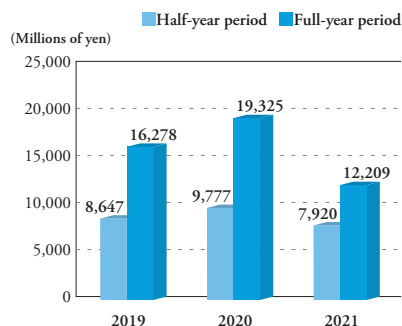
	2020	2021
Cash flows from operating activities	1,142,967	3,388,235
Cash flows from investing activities	(110,476)	(206,206)
Cash flows from financing activities	(731,370)	(657,473)
Net increase (decrease) in cash and cash equivalents	301,120	2,524,555
Cash and cash equivalents at beginning of year	4,754,865	5,055,985
Cash and cash equivalents at end of year	5,055,985	7,580,540

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

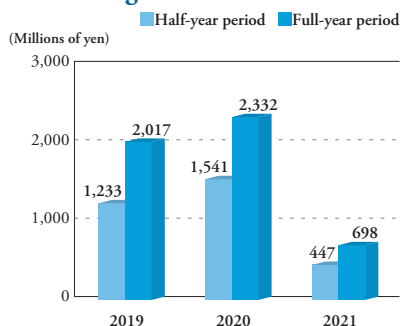
## Financial Highlights (consolidated)

Years ended June 30

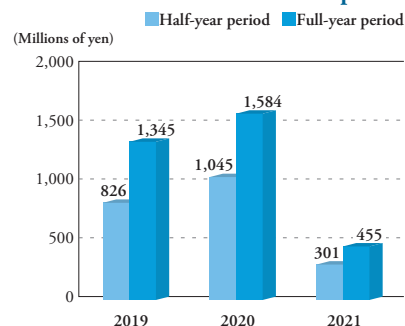
### Net Sales



### Recurring Profit



### Profit attributable to owners of parent



Millions of yen

	2019	2020	2021
Net sales	16,278	19,325	12,209
Operating income	1,995	2,316	655
Recurring profit	2,017	2,332	698
Profit attributable to owners of parent	1,345	1,584	455
Total assets	13,679	16,194	13,423
Net assets	9,416	10,256	10,324

# Non-Consolidated Balance Sheets

As of June 30, 2020 and 2021

Thousands of yen

	2020	2021		2020	2021
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets:</b>	<b>12,935,457</b>	<b>10,246,795</b>	<b>Current liabilities:</b>	<b>4,764,938</b>	<b>1,909,113</b>
Cash and deposits	4,421,376	7,231,707	Electronically recorded obligations – operating	464	5,474
Electronically recorded monetary claims – operating	1,499,413	312,834	Accounts payable - trade	2,890,851	1,009,648
Notes receivable	197,497	40,377	Accounts payable to affiliated company	185,700	106,062
Accounts receivable - trade	3,769,548	1,669,726	Short-term loans	540,000	540,000
Prepaid expenses for ongoing projects	133,186	37,212	Lease obligations	1,146	1,146
Accounts receivable - other	2,809,539	837,785	Accounts payable- other	544,941	68,614
Prepaid expenses	46,411	61,224	Income taxes payable	168,127	15,859
Other	58,484	55,927	Accrued expenses	172,267	116,013
<b>Noncurrent assets:</b>	<b>1,793,570</b>	<b>2,190,094</b>	Advances payment for ongoing projects	49,246	11,094
<b>Tangible fixed assets:</b>	<b>154,095</b>	<b>198,594</b>	Deposits received	14,361	15,243
Building	74,861	116,434	Consumption taxes payable	114,645	-
Tools, furniture and fixtures	69,932	73,919	Reserve for employees' bonuses	83,184	19,954
Leased assets	3,274	2,212	<b>Long-term liabilities:</b>	<b>416,652</b>	<b>535,748</b>
Land	6,027	6,027	Reserve for employees' retirement benefits	198,620	214,416
<b>Intangible assets:</b>	<b>13,769</b>	<b>18,641</b>	Reserve for directors' retirement allowances	201,967	181,287
Telephone subscription rights	2,652	2,652	Deferred tax liabilities	-	124,133
Software	11,116	15,988	Lease obligations	2,389	1,242
<b>Investment and other assets:</b>	<b>1,625,705</b>	<b>1,972,858</b>	Other	13,675	14,668
Investments in securities	1,020,008	1,381,604	<b>Total liabilities</b>	<b>5,181,591</b>	<b>2,444,861</b>
Investments in stock of affiliated company	150,000	150,000	<b>Net assets</b>		
Membership rights	11,190	11,190	<b>Shareholders' equity:</b>	<b>9,073,486</b>	<b>9,262,309</b>
Refundable insurance premium	226,893	226,893	Capital stock	948,994	948,994
Deferred tax assets	29,073	-	Capital surplus	1,055,958	1,089,443
Leasehold deposits	188,540	200,653	Additional paid-in capital	1,027,376	1,027,376
Other	-	2,517	Other capital surplus	28,581	62,066
			Gain on disposal of treasury stock	61,859	70,569
			Other capital surplus	(33,277)	(8,502)
			Retained earnings	7,449,596	7,601,108
			Legal reserve	22,845	22,845
			Other retained earnings	7,426,751	7,578,263
			General reserve	5,800,000	6,500,000
			Retained earnings carried forward	1,626,751	1,078,263
			Treasury stock	(381,063)	(377,237)
			<b>Valuation and translation adjustments:</b>	<b>428,736</b>	<b>675,955</b>
			Net unrealized gains (losses) on other securities	475,351	722,569
			Revaluation reserve for land	(46,614)	(46,614)
			<b>Subscription rights to shares:</b>	<b>45,212</b>	<b>53,763</b>
<b>Total assets</b>	<b>14,729,027</b>	<b>12,436,889</b>	<b>Total net assets</b>	<b>9,547,436</b>	<b>9,992,027</b>
			<b>Total liabilities and net assets</b>	<b>14,729,027</b>	<b>12,436,889</b>

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

# Non-Consolidated Statements of Income

Years ended June 30, 2020 and 2021

Thousands of yen

	2020	2021
<b>Net sales</b>	<b>16,305,832</b>	<b>10,652,194</b>
Cost of sales	14,097,434	9,649,386
<b>Gross profit</b>	<b>2,208,397</b>	<b>1,002,807</b>
Selling, general and administrative expenses	872,407	782,532
<b>Operating income</b>	<b>1,335,990</b>	<b>220,275</b>
Non-operating income	537,017	678,845
Non-operating expenses	1,733	2,325
<b>Recurring profit</b>	<b>1,871,274</b>	<b>896,794</b>
Extraordinary income	15,000	12,150
Extraordinary losses	8,926	5
<b>Income before income taxes</b>	<b>1,877,348</b>	<b>908,938</b>
Income taxes - current	410,000	57,000
Income taxes - deferred	7,290	44,099
<b>Net income</b>	<b>1,460,058</b>	<b>807,838</b>

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, 2021

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, 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
Changes during the term															
Dividends							(656,326)	(656,326)		(656,326)					(656,326)
Increase by corporate division			24,775	24,775						24,775					24,775
Net income							807,838	807,838		807,838					807,838
Disposal of treasury stock			8,709	8,709					3,825	12,535					12,535
Provision of general reserve						700,000	(700,000)	-		-					-
Net changes of items other than shareholders' equity										247,218		-	247,218	8,550	255,768
Total changes during the term	-	-	33,484	33,484	-	700,000	(548,487)	151,512	3,825	188,823	247,218	-	247,218	8,550	444,591
Balance as of June 30, 2021	948,994	1,027,376	62,066	1,089,443	22,845	6,500,000	1,078,263	7,601,108	(377,237)	9,262,309	722,569	(46,614)	675,955	53,763	9,992,027

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



# Corporate Profile

As of June 30, 2021

**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:** 237 (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, production and management of media and media content, and performance thereof under contract
5. Planning, production, acquisition, administration and sales of video and audio software
6. Planning and production of sales promotion campaigns, and planning and publishing of exhibitions and interior decoration
7. Planning, production, sales and import/export of advertisements, promotional goods and premiums related to sales promotion
8. Planning, production and publishing of various printed matters
9. Planning and production related to integrated promotion that combines 1 to 8 above (i.e., experience design)

## Directors and Corporate Auditors (As of September 24, 2021)

Chairman  
 President and Chief Executive Officer (CEO)  
 Vice President and Chief Operating Officer (COO)  
 Director/Executive Officer  
 Director/Executive Officer  
 Director/Executive Officer  
 Outside Director  
 Executive Officer  
 Executive Officer  
 Outside Director, Audit and Supervisory Committee Member  
 Outside Director, Audit and Supervisory Committee Member  
 Outside Director, Audit and Supervisory Committee Member

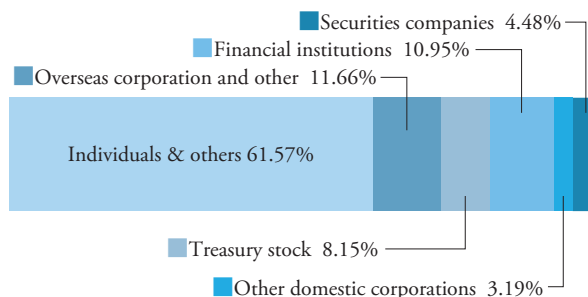
**Osamu Kawamura**  
**Michihiro Akimoto**  
**Kenichi Muratsu**  
**Kimihiko Ichikawa**  
**Junpei Amemiya**  
**Takehito Masumori**  
**Daisuke Yanasawa**  
**Hiroki Takeshita**  
**Keisuke Morii**  
**Shintaro Hagiwara**  
**Shigeo Yoshida**  
**Toru Hirano**

# Stock Information

As of June 30, 2021

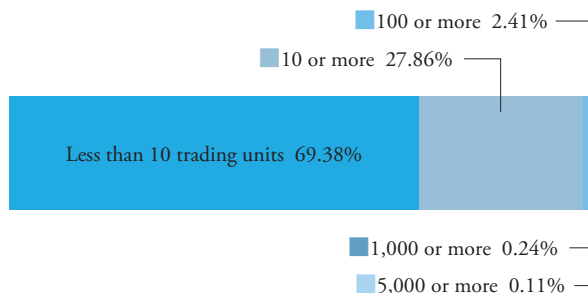
1. Number of shares authorized to be issued..... 120,000,000 shares
2. Number of shares issued..... 48,969,096 shares
3. Number of shareholders .....12,654

## Shareholders by Type



## Shareholders by Number of Shares Held

(Breakdown of shareholders by number of shares held.)



## Shareholder Information

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