

TOWCO.,LTD.

Report for the 46th Business Term

(July 1, 2021 to June 30, 2022)

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.

Securities Code: 4767

| 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, 2022, the Company concluded its 46th business term (from July 1, 2021 to June 30, 2022) 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 due to the impact of the COVID-19 pandemic. With regard to the market environment surrounding the Group, in the real-world events field, which has been our mainstay field thus far, there was a temporary recovery trend in the first half of the year as the spread of infections subsided. However, in the second half of the year, projects that were scheduled for implementation were postponed or cancelled due to COVID-19 quasi-emergency measures that were issued intermittently from January to March 21, 2022. As a result, the recovery of large-scale events in the advertising market, an area in which the Group excels, continued to be affected by the pandemic.

On the other hand, the market for online advertising is expanding, and the field of producing online events and online promotions, which the Group engages in, has also shown steady growth. We recognize that this trend of shifting to online advertising will continue in the future.

In this business environment, the Group set out the following "Vision" in February 2021 and promoted business development centered on experience value, which is the Group's mainstay, in both the real-world events field and the online field.

(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

Although the Group's business consists of a single segment, the Group's operations are classified into "Real-World Events," "Online Events," "Online Promotions," and "Others." Net sales by category for the term under review are as follows:

(1) Real-World Events

Although projects related to the Tokyo 2020 Olympic and Paralympic Games contributed to sales, the impact of the cancellation or postponement of events, due to intermittent issuances of state of emergency declarations and the January 2022 issuance of COVID-19 quasi-emergency measures was significant. This caused a delay in the recovery of sales, which failed to return to the level before the COVID-19 crisis. As a result, net sales only amounted to ¥4,563 million (up 35.0% year-on-year).

(2) Online Events

As a result of the growth in live streaming events, such as hybrid real-world and online events, net sales were ¥2,786 million (up 7.1% year-on-year).

(3) Online Promotions

Owing to an increase in inquiries on various online promotion measures, such as social media utilization and video utilization, net sales were ¥3,586 million (up 70.3% year-on-year).

(4) Others

As there were no large projects received from public offices and organizations in the previous year, net sales were ¥197 million (down 95.2% year-on-year).

In the term under review, operating income, recurring profit and profit attributable to owners of parent increased from the previous term. Besides the fact that there was no impact from the low revenue of large projects received from public offices and organizations, this was due to our continuous promotion of the following: "monetization of the value provided by highly specialized human resources," "securing appropriate earnings by strengthening the functions of the production and management departments," and "improving profitability by shifting to in-house production."

As a result, consolidated net sales for the term under review amounted to ¥11,134 million (down 8.8% year-on-year), operating income was ¥883 million (up 34.7% year-on-year), recurring profit was ¥924 million (up 32.3% year-on-year), and profit attributable to owners of parent was ¥598 million (up 31.3% year-on-year).

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

September 2022

Kenichi Muratsu

President



| Business Summary

Tasks Ahead

In the market environment where the Group operates, due to the COVID-19 pandemic, large-scale real-world events in the advertising market, an area in which the Group excels, continue to be impacted, although the effects are gradually decreasing. On the other hand, in the online field, we have achieved steady growth due to the trend of shifting to online advertising.

While assuming that the ongoing fluctuating effects from the external environment will continue, the Group will update and steadily implement growth strategies that it has been working on to date, in order to achieve growth in both the real-world and online fields.

To that end, based on the policy of contributing to corporate results by delivering feelings of strong impressions, a sense of connection, and excitement to customers through “customer experience design based on experience marketing,” we will establish the reputation of “TOW with strength in online promotion” and expand operations of “events” regardless of whether they are real-world or online, thereby leading to the expansion of our top line.

The keywords for implementing this policy are “expansion” and “business contribution.” We will expand the scope of orders through an integrated design of customer experience contact points and aim to expand the area of responsibility, products, and brands by combining our understanding of clients with the full-funnel approach. Accordingly, we will strive to steadily implement the policy by promoting the growth vision of becoming a “company that optimizes results with the experience value” and by contributing to the acquisition and development of clients through experience design that connects dots and lines.

The specific actions that we will take are as follows.

(1) Initiatives for expansion of the real-world field

Even during the COVID-19 crisis, the Group has been leading the return to real-world activities by holding various forms of real-world events in line with each customer’s purpose and by working on measures to energize society, companies, and consumers. By capitalizing on the knowledge that we have cultivated so far, we have already created solutions that combine

new ideas, such as “PreSTORE,” an experience-based test marketing service, and “EVENT CONNECT,” a LINE-linked real-world event package. Going forward, we will strive to solidify our value proposition by strengthening our proposals for “real-world experiences in a new era.”

(2) Initiatives to expand the online field

We will strive for expansion through integrated planning and strengthening of our expertise via initiatives such as the following: Respond to social media campaigns and account operations by strengthening the system of the “Social Media Group” that we are already working on; expand our track record and establish the know-how of producing videos that create a strong sense of affinity for both real-world and online events; and strengthen the system for the growth of digital advertising, for which orders are increasing.

(3) Strengthening the Company’s superiority and uniqueness

Although the Company has provided a variety of original solutions thus far, we are planning to develop highly versatile solutions that revolve around our unique strength of “experience value.” We believe that having abilities that contribute to the design of both real-world and online experiences will lead to “expansion” and “business contribution.”

In addition, we are also improving our organizational foundation, including the establishment of the Business Management Headquarters, a new company-wide organization that promotes the revitalization of sales activities and profitability improvement so as to improve financial performance, and strengthening of the system of the Account Services Office, which is responsible for expanding operations related to direct client transactions.

Moreover, in order to strengthen human resource development and improve governance, Ms. Yuka Imanishi, who is committed to promoting corporate diversity and human resource development from a global perspective, has been appointed as the first female Director of the Group.

By focusing on these initiatives, we will strive to achieve sustainable growth and increase the corporate value of the Group.

Consolidated Balance Sheets

As of June 30, 2021 and 2022

Thousands of yen

	2021	2022		2021	2022
Assets			Liabilities		
Current assets:	11,325,052	11,537,630	Current liabilities:	2,528,362	2,598,899
Cash and deposits	7,580,540	8,590,452	Electronically recorded obligations – operating	5,474	6,113
Electronically recorded monetary claims – operating	312,834	196,723	Accounts payable - trade	1,341,268	1,081,852
Notes and accounts receivable	2,318,403	-	Short-term loans	840,000	840,000
Notes and accounts receivable – trade, and contract assets	-	1,936,232	Income taxes payable	21,278	267,479
Prepaid expenses for ongoing projects	67,517	131,409	Reserve for employees' bonuses	24,570	24,975
Accounts receivable - other	925,193	528,399	Other	295,770	378,478
Prepaid expenses	64,577	97,936	Long-term liabilities:	570,817	620,858
Other	55,986	56,475	Net defined benefit liability	241,025	253,783
Noncurrent assets:	2,098,481	2,226,750	Reserve for directors' retirement allowances	188,547	200,520
Tangible fixed assets:	229,410	192,517	Deferred tax liabilities	124,133	150,617
Building	132,627	120,720	Other	17,111	15,937
Tools, furniture and fixtures	88,543	64,940	Total liabilities	3,099,180	3,219,758
Leased assets	2,212	829	Net assets		
Land	6,027	6,027	Shareholders' equity:	9,594,635	9,737,767
Intangible assets:	28,690	28,979	Capital stock	948,994	948,994
Investment and others:	1,840,379	2,005,252	Capital surplus	1,097,946	1,219,172
Investments in securities	1,381,604	1,527,399	Retained earnings	7,924,931	7,900,326
Refundable insurance premium	226,893	226,893	Treasury stock	(377,237)	(330,726)
Deferred tax assets	17,421	40,118	Accumulated other comprehensive income:	675,955	776,034
Leasehold deposits	200,753	197,522	Net unrealized gains (losses) on other securities	722,569	822,648
Other	13,707	13,319	Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	53,763	30,820
			Total net assets	10,324,353	10,544,622
Total assets	13,423,533	13,764,380	Total liabilities and net assets	13,423,533	13,764,380

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

Consolidated Statements of Income

Years ended June 30, 2021 and 2022

Thousands of yen

	2021	2022
Net sales	12,209,473	11,134,027
Cost of sales	10,738,680	9,400,328
Gross profit	1,470,792	1,733,699
Selling, general and administrative expenses	815,040	850,124
Operating income	655,751	883,574
Non-operating income	46,381	45,792
Non-operating expenses	3,214	4,982
Recurring profit	698,918	924,384
Extraordinary income	12,150	3,090
Extraordinary losses	332	593
Income before income taxes	710,736	926,881
Income taxes - current	177,000	368,773
Income taxes - deferred	77,852	(40,382)
Income before minority interests	455,883	598,490
Profit attributable to owners of parent	455,883	598,490

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

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2022

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, 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
Changes during the term										
Dividends			(623,095)		(623,095)					(623,095)
Profit attributable to owners of parent			598,490		598,490					598,490
Disposal of treasury stock		121,226		46,511	167,737					167,737
Net changes of items other than shareholders' equity						100,079	-	100,079	(22,943)	77,136
Total changes during the term	-	121,226	(24,604)	46,511	143,132	100,079	-	100,079	(22,943)	220,268
Balance as of June 30, 2022	948,994	1,219,172	7,900,326	(330,726)	9,737,767	822,648	(46,614)	776,034	30,820	10,544,622

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

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2022

Thousands of yen

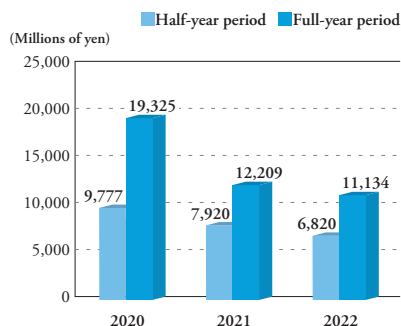
	2021	2022
Cash flows from operating activities	3,388,235	1,555,306
Cash flows from investing activities	(206,206)	(24,624)
Cash flows from financing activities	(657,473)	(520,770)
Net increase (decrease) in cash and cash equivalents	2,524,555	1,009,911
Cash and cash equivalents at beginning of year	5,055,985	7,580,540
Cash and cash equivalents at end of year	7,580,540	8,590,452

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

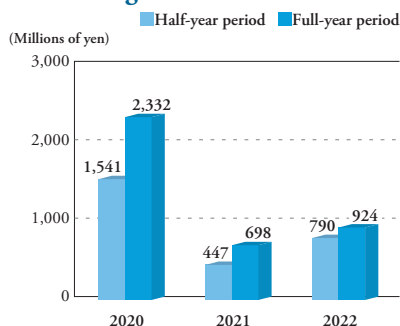
Financial Highlights (consolidated)

Years ended June 30

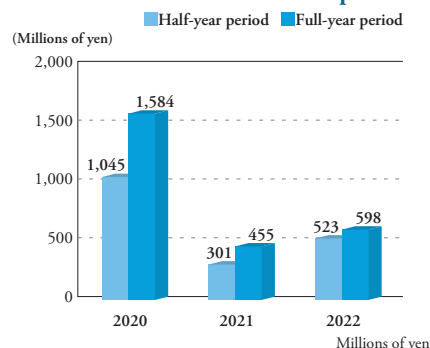
Net Sales



Recurring Profit



Profit attributable to owners of parent



	2020	2021	2022
Net sales	19,325	12,209	11,134
Operating income	2,316	655	883
Recurring profit	2,332	698	924
Profit attributable to owners of parent	1,584	455	598
Total assets	16,194	13,423	13,764
Net assets	10,256	10,324	10,544

Non-Consolidated Balance Sheets

As of June 30, 2021 and 2022

Thousands of yen

	2021	2022		2021	2022
Assets			Liabilities		
Current assets:	10,246,795	10,588,548	Current liabilities:	1,909,113	2,164,918
Cash and deposits	7,231,707	7,799,949	Electronically recorded obligations – operating	5,474	6,113
Electronically recorded monetary claims – operating	312,834	195,498	Accounts payable - trade	1,009,648	820,062
Notes receivable	40,377	202,993	Accounts payable to affiliated company	106,062	349,369
Accounts receivable - trade	1,669,726	1,543,543	Short-term loans	540,000	540,000
Contract assets	-	50,531	Lease obligations	1,146	826
Prepaid expenses for ongoing projects	37,212	123,498	Accounts payable- other	68,614	81,449
Accounts receivable - other	837,785	523,855	Income taxes payable	15,859	108,402
Prepaid expenses	61,224	92,201	Accrued expenses	116,013	147,794
Other	55,927	56,475	Advances payment for ongoing projects	11,094	14,587
Noncurrent assets:	2,190,094	2,302,134	Deposits received	15,243	15,496
Tangible fixed assets:	198,594	166,980	Consumption taxes payable	-	60,056
Building	116,434	106,068	Reserve for employees' bonuses	19,954	20,758
Tools, furniture and fixtures	73,919	54,054	Long-term liabilities:	535,748	578,283
Leased assets	2,212	829	Reserve for employees' retirement benefits	214,416	220,329
Land	6,027	6,027	Reserve for directors' retirement allowances	181,287	192,600
Intangible assets:	18,641	20,120	Deferred tax liabilities	124,133	150,617
Telephone subscription rights	2,652	2,652	Lease obligations	1,242	68
Software	15,988	17,468	Other	14,668	14,668
Investment and other assets:	1,972,858	2,115,033	Total liabilities	2,444,861	2,743,202
Investments in securities	1,381,604	1,527,399	Net assets		
Investments in stock of affiliated company	150,000	150,000	Shareholders' equity:	9,262,309	9,340,625
Membership rights	11,190	11,180	Capital stock	948,994	948,994
Refundable insurance premium	226,893	226,893	Capital surplus	1,089,443	1,210,669
Leasehold deposits	200,653	197,422	Additional paid-in capital	1,027,376	1,027,376
Other	2,517	2,139	Other capital surplus	62,066	183,292
			Gain on disposal of treasury stock	70,569	191,795
			Other capital surplus	(8,502)	(8,502)
			Retained earnings	7,601,108	7,511,688
			Legal reserve	22,845	22,845
			Other retained earnings	7,578,263	7,488,843
			General reserve	6,500,000	6,700,000
			Retained earnings carried forward	1,078,263	788,843
			Treasury stock	(377,237)	(330,726)
			Valuation and translation adjustments:	675,955	776,034
			Net unrealized gains (losses) on other securities	722,569	822,648
			Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	53,763	30,820
Total assets	12,436,889	12,890,682	Total net assets	9,992,027	10,147,480
			Total liabilities and net assets	12,436,889	12,890,682

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

Non-Consolidated Statements of Income

Years ended June 30, 2021 and 2022

Thousands of yen

	2021	2022
Net sales	10,652,194	9,748,594
Cost of sales	9,649,386	8,583,757
Gross profit	1,002,807	1,164,837
Selling, general and administrative expenses	782,532	830,524
Operating income	220,275	334,312
Non-operating income	678,845	337,883
Non-operating expenses	2,325	3,902
Recurring profit	896,794	668,293
Extraordinary income	12,150	3,062
Extraordinary losses	5	593
Income before income taxes	908,938	670,763
Income taxes - current	57,000	154,773
Income taxes - deferred	44,099	(17,684)
Net income	807,838	533,675

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, 2022

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, 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
Changes during the term															
Dividends							(623,095)	(623,095)		(623,095)					(623,095)
Net income							533,675	533,675		533,675					533,675
Disposal of treasury stock			121,226	121,226					46,511	167,737					167,737
Provision of general reserve						200,000	(200,000)	-		-					-
Net changes of items other than shareholders' equity											100,079	-	100,079	(22,943)	77,136
Total changes during the term	-	-	121,226	121,226	-	200,000	(289,420)	(89,420)	46,511	78,316	100,079	-	100,079	(22,943)	155,452
Balance as of June 30, 2022	948,994	1,027,376	183,292	1,210,669	22,845	6,700,000	788,843	7,511,688	(330,726)	9,340,625	822,648	(46,614)	776,034	30,820	10,147,480

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

Corporate Profile

As of June 30, 2022

Name: TOW Co., Ltd.

Head Office: Hulic Kamiyacho Bldg. 3F, 4-3-13
Toranomon, Minato-ku, Tokyo 105-0001 Japan

Establishment: July 6, 1976

Paid-in Capital: ¥948,994 thousand

Number of Employees: 232 (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 22, 2022)

President
 Managing Director/Executive Officer
 Director/Executive Officer
 Director/Executive Officer
 Outside Director
 Executive Officer
 Executive Officer
 Executive Officer
 Executive Officer
 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

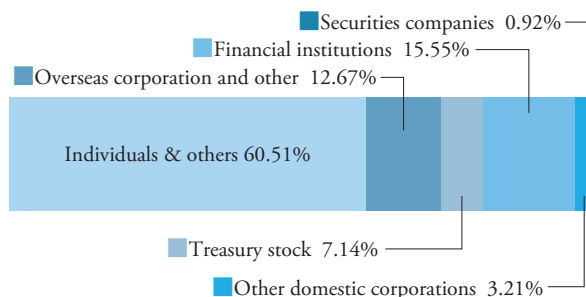
Kenichi Muratsu
Kimihiko Ichikawa
Junpei Amemiya
Takehito Masumori
Daisuke Yanasawa
Hiroki Takeshita
Keisuke Morii
Yasuyuki Masuda
Goichi Kawamura
Shunichi Ebine
Shintaro Hagiwara
Shigeo Yoshida
Yuka Imanishi

Stock Information

As of June 30, 2022

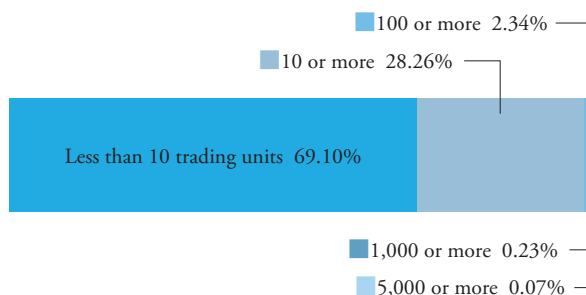
1. Number of shares authorized to be issued..... 120,000,000 shares
2. Number of shares issued..... 48,969,096 shares
3. Number of shareholders13,390

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: <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/>