

TOWCO., LTD.

Report for the 47th Business Term

(July 1, 2022 to June 30, 2023)

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

Overview of Business Results for the 47th Business Term

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

On June 30, 2023, the Company concluded its 47th business term (from July 1, 2022 to June 30, 2023) and it is our pleasure to present you with the report for the term.

During the term under review, the Japanese economy remained uncertain due to the impact of global changes in the financial, geopolitical, and supply aspects, while social and economic activities and lifestyle behavior were revitalized. Regarding the business environment surrounding the Group, the advertising market continued to lack vigor due to the impact of these global changes and concerns about the economic slowdown, which also affected our major industries.

In this environment, the nascent return to the staging of real-world events gradually picked up steam on the back of more vigorous social and economic activities, and there were signs of a full-fledged recovery. The field of online promotions exhibited solid growth primarily as a result of growth in the digital advertising market. Fee-based operations and other projects also increased along with the provision of high added value.

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

Our real-world events business recovered as the revitalization of social and economic activities and lifestyle behavior encouraged more people to hold real-world events. As a result, net sales were ¥6,269 million (up 37.4% year-on-year).

(2) Online Events

Due to the shift from online events to real-world events and the reduction in the number of large events held in the previous term, net sales were ¥1,504 million (down 46.0% year-on-year).

(3) Online Promotions

Owing to the steady increase in inquiries for various online promotion measures, such as social media, video utilization promotions, and digital advertising, net sales were to ¥3,723 million (up 3.8% year-on-year).

(4) Others

Due to the receipt of projects from public offices and organizations, net sales were ¥277 million (up 40.3% year-on-year)

In the term under review, net sales, operating income, and recurring profit increased from the previous term. However, profit attributable to owners of parent declined compared to the previous term following the recording of extraordinary losses to cover the payment of retirement bonuses to two retired Directors.

As a result, consolidated net sales for the term under review amounted to ¥11,774 million (up 5.8% year-on-year), operating income was ¥1,150 million (up 30.2% year-on-year), recurring profit was ¥1,178 million (up 27.5% year-on-year), and profit attributable to owners of parent was ¥355 million (down 40.6% year-on-year).

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

September 2023

Kenichi Maratsu

President



Business Summary

Tasks Ahead

Initiatives for the Year Ending June 30, 2024

In the market environment where the Group operates, we expect real-world field in the marketing activities to resume in line with the revitalization of social and economic activities and lifestyle behavior. We also expect to witness continued steady growth in the digital market. Our efforts to promote the expansion of the fields of real-world and online events are starting to show signs of bearing fruit for the Company in the year ending June 2024. In this environment, the main initiatives we will focus on are as follows.

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

We intend to focus on experience-based promotions across Japan, the holding of large-scale events and exhibitions for the first time in four years, and the design of events for various types of stakeholders, including events to convey corporate purpose and enhance engagement. We also aim to further improve experience value by applying our renowned strengths in the experience marketing through our TOOHS alliance with outdoor advertising company Kesion Co., Ltd. for example, which is designed to expand opportunities to revitalize lifestyle behavior in neighborhoods and communities.

(2) Initiatives to expand the online field

We will continue to focus on providing services in the digital field, including the production of integrated website, social media, video, and public relations campaigns, annual promotions designed to strengthen corporate business primarily through digital advertising, and specialist video, social media, and other production services. We also made the advertising production company MOTTO inc. a consolidated subsidiary in anticipation of an expansion in video-based fields. These initiatives are designed to help further expand the range of integrated promotions produced by the Company, and to improve our value proposition.

Recognizing the signs of a full-fledged recovery in the real-world field of our core business, we intend encourage more events and promotions in major industries through these actions, and also further expand the online field in the digital market, which continues to exhibit solid growth. We expect these efforts to raise topline performance and generate an 18.9% year-on-year increase in net sales to ¥1,400 million.

Furthermore, we aim to secure earnings by promoting fee-based operations through the provision of high valued-added services and by optimizing orders. We also plan to expand our business fields and enhance our Group's competitive advantage and unique qualities by investing in strategic human capital and assigning funds to the

improvement of foundations through the pursuit of initiatives centered around priority themes for generating medium- to long-term growth.

Medium- to Long-term Initiatives

We will strive to achieve sustainable growth and increase corporate value in order to realize our Group purpose of “creating experiences for a new era.” The main initiatives are as follows

(1) Priority themes: Technology & AI, and the Environment

This priority theme seeks to accelerate the use of AI and other digital technologies in events and promotions as part of our effort to address the growing sophistication, complexity, and speed of promotional activities that stems from the rapid digitalization of services across all aspects of everyday life. We will also strive to pioneer further advancements in the experience field by helping visualize project results, improving operational efficiency, and developing in-house solutions.

Furthermore, we intend to strengthen our ability to address environmental issues by producing environment-conscious events based on the Guidelines for Sustainable Events created by the Company. These efforts are designed not only to solve individual corporate issues, but also to contribute to society and the environment through our client business.

(2) Enhancing initiatives for sustainability

The Group seeks to contribute to society and the environment through its client business in order to help create a sustainable society. We also expect the implementation of these operations and the application of our knowledge to help Company operations resume a strong growth path and lead to a sustainable increase in corporate value.

Based on these ideas, we have established our Sustainability Policy as “To be a company that grows sustainably by solving corporate and social issues with the power of experience value created by each and every one of our employees.” We will work on the following four important issues.

Human resources: Aim to become a company that enables diverse human resources to play an active role in creating experiences for a new era

Future of experience: Leverage technology to pioneer the advancement of the experience field

Social contribution: Strive to improve in-house services and contribute to society and the environment through client business

Compliance: Recognize our corporate social responsibility and fulfill our compliance obligations

Consolidated Balance Sheets

As of June 30, 2022 and 2023

Thousands of yen

	2022	2023		2022	2023
Assets			Liabilities		
Current assets:	11,537,630	9,548,770	Current liabilities:	2,598,899	2,365,241
Cash and deposits	8,590,452	5,781,523	Electronically recorded obligations – operating	6,113	4,543
Electronically recorded monetary claims – operating	196,723	169,462	Accounts payable - trade	1,081,852	986,011
Notes and accounts receivable – trade, and contract assets	1,936,232	2,289,845	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	131,409	233,944	Income taxes payable	267,479	66,485
Accounts receivable - other	528,399	868,090	Reserve for employees' bonuses	24,975	46,288
Prepaid expenses	97,936	143,459	Other	378,478	421,911
Other	56,475	62,446	Long-term liabilities:	620,858	401,911
Noncurrent assets:	2,226,750	1,645,615	Net defined benefit liability	253,783	283,220
Tangible fixed assets:	192,517	164,428	Reserve for directors' retirement allowances	200,520	29,590
Building	120,720	103,257	Deferred tax liabilities	150,617	80,331
Tools, furniture and fixtures	64,940	61,106	Other	15,937	8,768
Leased assets	829	63	Total liabilities	3,219,758	2,767,152
Land	6,027	-	Net assets		
Intangible assets:	28,979	26,937	Shareholders' equity:	9,737,767	7,821,650
Investment and others:	2,005,252	1,454,249	Capital stock	948,994	948,994
Investments in securities	1,527,399	1,191,888	Capital surplus	1,219,172	1,228,732
Refundable insurance premium	226,893	19,655	Retained earnings	7,900,326	7,601,149
Deferred tax assets	40,118	33,292	Treasury stock	(330,726)	(1,957,226)
Leasehold deposits	197,522	196,938	Accumulated other comprehensive income:	776,034	589,778
Other	13,319	12,474	Net unrealized gains (losses) on other securities	822,648	589,778
			Revaluation reserve for land	(46,614)	-
			Subscription rights to shares:	30,820	15,805
Total assets	13,764,380	11,194,386	Total net assets	10,544,622	8,427,234
			Total liabilities and net assets	13,764,380	11,194,386

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

Consolidated Statements of Income

Years ended June 30, 2022 and 2023

Thousands of yen

	2022	2023
Net sales	11,134,027	11,774,484
Cost of sales	9,400,328	9,873,781
Gross profit	1,733,699	1,900,703
Selling, general and administrative expenses	850,124	750,129
Operating income	883,574	1,150,573
Non-operating income	45,792	31,272
Non-operating expenses	4,982	2,864
Recurring profit	924,384	1,178,981
Extraordinary income	3,090	32,391
Extraordinary losses	593	657,636
Income before income taxes	926,881	553,735
Income taxes - current	368,773	158,715
Income taxes - deferred	(40,382)	39,315
Income before minority interests	598,490	355,704
Profit attributable to owners of parent	598,490	355,704

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

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2023

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	1,219,172	7,900,326	(330,726)	9,737,767	822,648	(46,614)	776,034	30,820	10,544,622
Changes during the term										
Dividends			(608,267)		(608,267)					(608,267)
Profit attributable to owners of parent			355,704		355,704					355,704
Purchase of treasury stock				(1,694,000)	(1,694,000)					(1,694,000)
Disposal of treasury stock		9,560		67,500	77,060					77,060
Reversal of revaluation reserve for land			(46,614)		(46,614)					(46,614)
Net changes of items other than shareholders' equity						(232,870)	46,614	(186,256)	(15,015)	(201,271)
Total changes during the term	-	9,560	(299,177)	(1,626,500)	(1,916,117)	(232,870)	46,614	(186,256)	(15,015)	(2,117,388)
Balance as of June 30, 2022	948,994	1,228,732	7,601,149	(1,957,226)	7,821,650	589,778	-	589,778	15,805	8,427,234

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

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2023

Thousands of yen

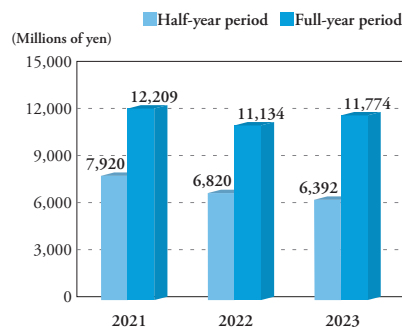
	2022	2023
Cash flows from operating activities	1,555,306	(717,612)
Cash flows from investing activities	(24,624)	211,756
Cash flows from financing activities	(520,770)	(2,303,073)
Net increase (decrease) in cash and cash equivalents	1,009,911	(2,808,929)
Cash and cash equivalents at beginning of year	7,580,540	8,590,452
Cash and cash equivalents at end of year	8,590,452	5,781,523

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

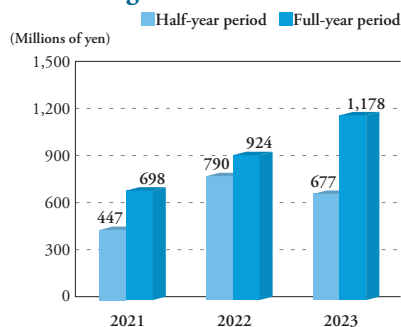
Financial Highlights (consolidated)

Years ended June 30

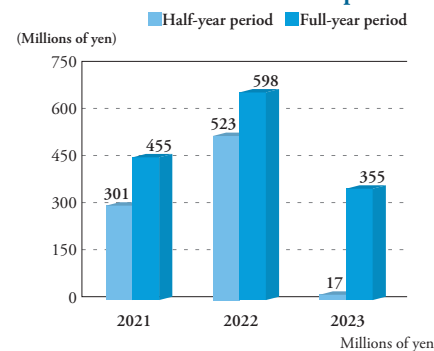
Net Sales



Recurring Profit



Profit attributable to owners of parent



	2021	2022	2023
Net sales	12,209	11,134	11,774
Operating income	655	883	1,150
Recurring profit	698	924	1,178
Profit attributable to owners of parent	455	598	355
Total assets	13,423	13,764	11,194
Net assets	10,324	10,544	8,427

Non-Consolidated Balance Sheets

As of June 30, 2022 and 2023

Thousands of yen

	2022	2023		2022	2023
Assets			Liabilities		
Current assets:	10,588,548	8,689,553	Current liabilities:	2,164,918	1,982,521
Cash and deposits	7,799,949	5,160,565	Electronically recorded obligations – operating	6,113	4,543
Electronically recorded monetary claims – operating	195,498	169,462	Accounts payable – trade	820,062	784,749
Notes receivable	202,993	559,539	Accounts payable to affiliated company	349,369	222,647
Accounts receivable – trade	1,543,543	1,543,786	Short-term loans	540,000	540,000
Contract assets	50,531	14,868	Lease obligations	826	68
Prepaid expenses for ongoing projects	123,498	211,353	Accounts payable- other	81,449	76,778
Accounts receivable – other	523,855	829,929	Income taxes payable	108,402	18,931
Prepaid expenses	92,201	137,601	Accrued expenses	147,794	172,991
Other	56,475	62,446	Advances payment for ongoing projects	14,587	32,465
Noncurrent assets:	2,302,134	1,730,884	Deposits received	15,496	13,487
Tangible fixed assets:	166,980	140,639	Consumption taxes payable	60,056	73,764
Building	106,068	90,146	Reserve for employees' bonuses	20,758	37,512
Tools, furniture and fixtures	54,054	50,429	Other	-	4,583
Leased assets	829	63	Long-term liabilities:	578,283	352,606
Land	6,027	-	Reserve for employees' retirement benefits	220,329	243,696
Intangible assets:	20,120	19,386	Reserve for directors' retirement allowances	192,600	21,010
Telephone subscription rights	2,652	2,652	Deferred tax liabilities	150,617	80,331
Software	17,468	16,734	Lease obligations	68	-
Investment and other assets:	2,115,033	1,570,857	Other	14,668	7,568
Investments in securities	1,527,399	1,191,888	Total liabilities	2,743,202	2,335,128
Investments in stock of affiliated company	150,000	150,000	Net assets		
Membership rights	11,180	11,180	Shareholders' equity:	9,340,625	7,479,725
Refundable insurance premium	226,893	19,655	Capital stock	948,994	948,994
Leasehold deposits	197,422	196,838	Capital surplus	1,210,669	1,220,229
Other	2,139	1,294	Additional paid-in capital	1,027,376	1,027,376
			Other capital surplus	183,292	192,852
			Gain on disposal of treasury stock	191,795	201,355
			Other capital surplus	(8,502)	(8,502)
			Retained earnings	7,511,688	7,267,727
			Legal reserve	22,845	22,845
			Other retained earnings	7,488,843	7,244,882
			General reserve	6,700,000	6,700,000
			Retained earnings carried forward	788,843	544,882
			Treasury stock	(330,726)	(1,957,226)
			Valuation and translation adjustments:	776,034	589,778
			Net unrealized gains (losses) on other securities	822,648	589,778
			Revaluation reserve for land	(46,614)	-
			Subscription rights to shares:	30,820	15,805
Total assets	12,890,682	10,420,437	Total net assets	10,147,480	8,085,308
			Total liabilities and net assets	12,890,682	10,420,437

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

Non-Consolidated Statements of Income

Years ended June 30, 2022 and 2023

Thousands of yen

	2022	2023
Net sales	9,748,594	10,663,405
Cost of sales	8,583,757	9,248,090
Gross profit	1,164,837	1,415,314
Selling, general and administrative expenses	830,524	731,445
Operating income	334,312	683,869
Non-operating income	337,883	391,485
Non-operating expenses	3,902	1,983
Recurring profit	668,293	1,073,371
Extraordinary income	3,062	32,390
Extraordinary losses	593	657,636
Income before income taxes	670,763	448,125
Income taxes - current	154,773	4,715
Income taxes - deferred	(17,684)	32,488
Net income	533,675	410,920

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, 2023

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	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
Changes during the term															
Dividends							(608,267)	(608,267)		(608,267)					(608,267)
Net income							410,920	410,920		410,920					410,920
Purchase of treasury stock									(1,694,000)	(1,694,000)					(1,694,000)
Disposal of treasury stock			9,560	9,560					67,500	77,060					77,060
Reversal of revaluation reserve for land							(46,614)	(46,614)		(46,614)					(46,614)
Net changes of items other than shareholders' equity											(232,870)	46,614	(186,256)	(15,015)	(201,271)
Total changes during the term	-	-	9,560	9,560	-	-	(243,960)	(243,960)	(1,626,500)	(1,860,900)	(232,870)	46,614	(186,256)	(15,015)	(2,062,171)
Balance as of June 30, 2022	948,994	1,027,376	192,852	1,220,229	22,845	6,700,000	544,882	7,267,727	(1,957,226)	7,479,725	589,778	-	589,778	15,805	8,085,308

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

Corporate Profile

As of June 30, 2023

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: 233 (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, 2023)

President
Managing Director/Executive Officer
Director/Executive Officer
Director/Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Executive Officer
Chief Digital Officer (CDO)
Outside Director
Outside Director, Audit and Supervisory Committee Member
Outside Director, Audit and Supervisory Committee Member
Outside Director, Audit and Supervisory Committee Member

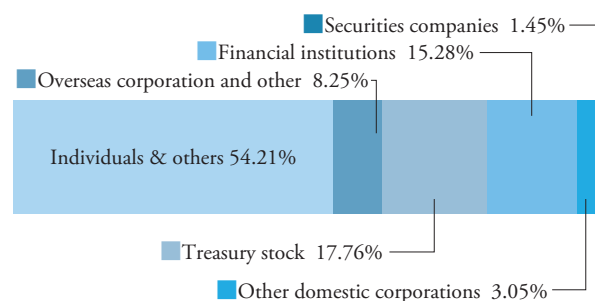
Kenichi Muratsu
Kimihiko Ichikawa
Junpei Amemiya
Takehito Masumori
Hiroki Takeshita
Keisuke Morii
Goichi Kawamura
Shunichi Ebine
Shinya Kanamori
Daisuke Yanasawa
Shintaro Hagiwara
Yuka Imanishi
Tomosada Yoshikawa

Stock Information

As of June 30, 2023

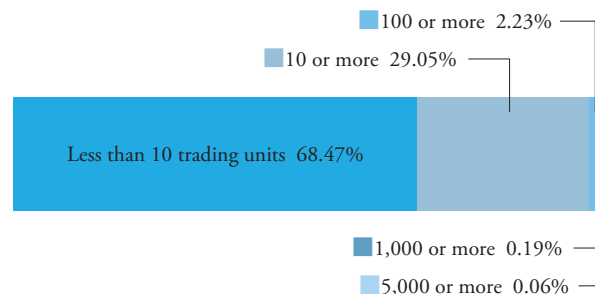
1. Number of shares authorized to be issued..... 120,000,000 shares
2. Number of shares issued..... 48,969,096 shares
3. Number of shareholders15,166

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/>