

TOWCO.,LTD.

Report for the 38th Business Term

(July 1, 2013 to June 30, 2014)

English Translation – Reference Purpose Only

This is an unofficial translation of the Japanese original version prepared solely for convenience.

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, 2014, the Company concluded its 38th business term (from July 1, 2013 to June 30, 2014) and it is our pleasure to present you with the report for the term.

During the term under review, the Japanese economy made a mild and gradual recovery thanks to improved corporate earnings and consumer spending mainly due to the implementation of economic measures and monetary policies by the government.

In the advertising industry to which the Group belongs, recovery trend is becoming apparent in performance of major advertising agencies, and this trend is also seen in the area of promotions, the Group's main business.

In such a business environment, we carried out sales activities focused on important customers and initiatives such as enhancing earning power, aiming at realizing a lean corporate structure in the first half of the term, while also in the second half we continued to work on improving earning power and increasing efficiency of selling, general and administrative expenses. As a result, the projection was revised upward on July 31, 2014, and final consolidated net sales for the term under review was ¥12,188 million (1.3% fall year-on-year), operating income was ¥1,026 million (up 20.7% year-on-year), recurring profit was ¥1,035 million (up 19.7% year-on-year), and net income was ¥638 million (up 48.8% year-on-year).

The Group will continue to engage in strengthening the core of the company with a view to being a real-world promotion company with strong digital capabilities.

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

September 2014



President and Chief Executive Officer (CEO)



Business Summary

Business Summary by Sector

Culture- and Sport-related Projects

Consolidated sales for the term under review increased 142.9% year-on-year, due to orders received in connection with the Sochi 2014 Winter Olympics and the National Sports Festival of Japan.

Public Relations

Consolidated sales for the term under review increased 0.6% year-on-year, due to orders received from major food manufacturers and other companies for their anniversary events.

Sales Promotion

Consolidated sales for the term under review increased 1.0% year-on-year, due to comparatively strong orders from public offices for product exhibition projects and promotion activities for major car manufacturers.

Materials Production

Consolidated sales for the term under review decreased 21.3% year-on-year, due to a drop in orders from commercial facilities and major beverage manufacturers, despite comparatively strong orders for store promotions by major convenience stores.

Event Planning

Consolidated sales decreased 14.0% year-on-year.

Consolidated Sales Breakdown

Years ended June 30

Event category		2013		2014		Year-on-year (%)
		Amount (¥ million)	Percentage of total (%)	Amount (¥ million)	Percentage of total (%)	
Event production	Exhibitions & shows	52	0.4	-	-	-
	Culture- and sport-related projects	92	0.7	224	1.8	142.9
	Public relations	3,776	30.6	3,796	31.2	0.6
	Sales promotions	6,867	55.6	6,933	56.9	1.0
	Materials production	1,451	11.8	1,142	9.4	(21.3)
Subtotal		12,240	99.1	12,097	99.3	(1.2)
Revenue from event planning		106	0.9	91	0.7	(14.0)
Total		12,346	100.0	12,188	100.0	(1.3)

| Business Summary

Tasks Ahead

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, and advertising agencies are fully engaged in implementing relevant measures. In response to these trends, we in turn will focus on implementing the following initiatives with a view to being a real-world promotion company with strong digital capabilities.

1. Strengthening digital capabilities

We will further materialize and develop the company with strong digital capabilities, strengthening proposal capabilities for Interactive Promotion (IP) business which entwines real-world and digital-world, and strive to become the one and only powerful production company.

2. Strengthening creative capabilities

We will further enhance the capability to create real-world promotions that is TOW's starting point, as we seek to increase quality and earning power.

3. Strengthening customer-related capabilities

All sales staff apply management by objectives at the beginning of the term to step up their relationship value with important customers, with the aim of enhancing customer-related capabilities which leads to increase in sales.

4. Strengthening Group capabilities

In order to respond to the changing demands of customers, we will further enhance expertise in production by strengthening production capabilities and proposal capabilities of T2 Creative (T2C), a subsidiary, thereby creating an environment where customers are easily induced to place orders, and strive to expand external sales.

5. Strengthening security capabilities

Through in-house training and other measures, we thoroughly implement on-site information management, safety management, and compliance, with a renewed commitment to be a "production company you can safely rely on."

Consolidated Balance Sheets

As of June 30, 2013 and 2014

Thousands of yen

	2013	2014		2013	2014
Assets			Liabilities		
Current assets:	7,399,675	7,750,456	Current liabilities:	3,149,273	2,987,196
Cash and deposits	2,478,857	2,196,593	Accounts payable - trade	1,572,186	1,150,931
Notes and accounts receivable	2,053,300	2,008,853	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	168,559	310,690	Income taxes payable	214,875	306,362
Accounts receivable - other	2,585,212	3,108,221	Reserve for employees' bonuses	15,120	17,781
Prepaid expenses	36,637	33,810	Other	507,089	672,121
Deferred tax assets	64,896	80,582	Long-term liabilities:	321,677	348,014
Other	12,211	11,706	Reserve for employees' retirement benefits	180,990	-
Noncurrent assets:	1,357,001	1,229,220	Net defined benefit liability	-	189,799
Tangible fixed assets:	66,170	71,727	Reserve for directors' retirement allowances	138,386	149,461
Building	42,724	37,075	Other	2,300	8,752
Tools, furniture and fixtures	17,419	24,913	Total liabilities	3,470,950	3,335,210
Leased assets	-	3,711	Net assets		
Land	6,027	6,027	Shareholders' equity:	5,286,986	5,611,827
Intangible assets:	30,897	18,093	Capital stock	948,994	948,994
Investment and others:	1,259,933	1,139,398	Capital surplus	1,027,376	1,027,376
Investments in securities	581,982	613,964	Retained earnings	3,781,259	4,106,100
Refundable insurance premium	328,894	257,612	Treasury stock	(470,644)	(470,644)
Deferred tax assets	125,049	114,997	Accumulated other comprehensive income:	(7,253)	14,278
Leasehold deposits	219,697	148,513	Net unrealized gains (losses) on other securities	39,360	60,892
Other	4,310	4,310	Revaluation reserve for land	(46,614)	(46,614)
Total assets	8,756,677	8,979,677	Subscription rights to shares:	5,994	18,361
			Total net assets	5,285,727	5,644,466
			Total liabilities and net assets	8,756,677	8,979,677

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

Consolidated Statements of Income

Years ended June 30, 2013 and 2014

Thousands of yen

	2013	2014
Net sales	12,346,178	12,188,866
Cost of sales	10,753,419	10,432,610
Gross profit	1,592,759	1,756,255
Selling, general and administrative expenses	742,047	729,514
Operating income	850,711	1,026,740
Non-operating income	22,258	17,519
Non-operating expenses	8,030	8,800
Recurring profit	864,939	1,035,458
Extraordinary income	46,695	42,824
Extraordinary losses	4,100	-
Income before income taxes	907,534	1,078,282
Income taxes - current	328,861	456,031
Income taxes - deferred	149,680	(16,084)
Income before minority interests	428,992	638,336
Net income	428,992	638,336

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

Consolidated Statement of Changes in Net Assets

Year ended June 30, 2014

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	3,781,259	(470,644)	5,286,986	39,360	(46,614)	(7,253)	5,994	5,285,727
Changes during the term										
Dividends			(313,495)		(313,495)					(313,495)
Net income			638,336		638,336					638,336
Acquisition of treasury stock				-	-					-
Net changes of items other than shareholders' equity						21,532	-	21,532	12,366	33,899
Total changes during the term	-	-	324,840	-	324,840	21,532	-	21,532	12,366	358,739
Balance as of June 30, 2014	948,994	1,027,376	4,106,100	(470,644)	5,611,827	60,892	(46,614)	14,278	18,361	5,644,466

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

Consolidated Statements of Cash Flows

Years ended June 30, 2013 and 2014

Thousands of yen

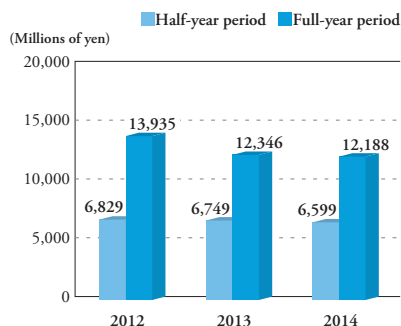
	2013	2014
Cash flows from operating activities	1,491,928	(86,137)
Cash flows from investing activities	(29,177)	118,342
Cash flows from financing activities	(376,458)	(314,469)
Net increase (decrease) in cash and cash equivalents	1,086,292	(282,264)
Cash and cash equivalents at beginning of year	1,392,565	2,478,857
Cash and cash equivalents at end of year	2,478,857	2,196,593

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

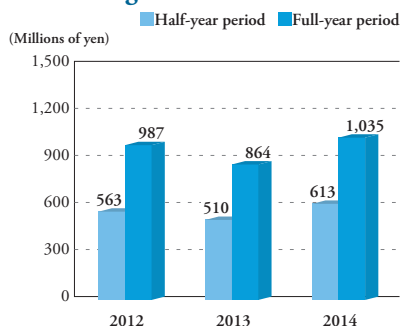
Financial Highlights (consolidated)

Years ended June 30

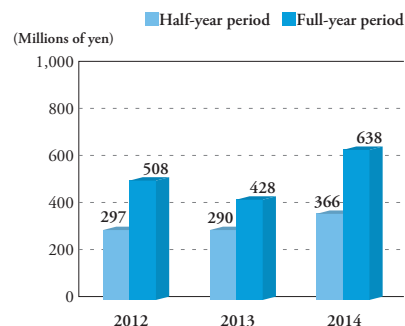
Net Sales



Recurring Profit



Net Income



Millions of yen

	2012	2013	2014
Net sales	13,935	12,346	12,188
Operating income	973	850	1,026
Recurring profit	987	864	1,035
Net income	508	428	638
Total assets	9,389	8,756	8,979
Net assets	5,193	5,285	5,644

Non-Consolidated Balance Sheets

As of June 30, 2013 and 2014

Thousands of yen

	2013	2014		2013	2014
Assets			Liabilities		
Current assets:	7,031,348	7,297,865	Current liabilities:	3,095,761	2,862,814
Cash and deposits	2,264,436	1,951,250	Accounts payable - trade	1,257,536	988,857
Notes receivable	311,044	599,613	Accounts payable to affiliated company	360,154	156,448
Accounts receivable - trade	1,673,906	1,324,091	Short-term loans	840,000	840,000
Prepaid expenses for ongoing projects	153,213	285,544	Lease obligations	-	974
Accounts receivable - other	2,529,600	3,028,557	Accounts payable - other	205,284	226,928
Prepaid expenses	33,426	31,190	Income taxes payable	164,258	241,582
Deferred tax assets	55,040	67,740	Consumption taxes payable	17,203	21,777
Other	10,680	9,877	Accrued expenses	130,102	145,879
Noncurrent assets:	1,488,511	1,361,134	Advances payment for ongoing projects	46,152	211,265
Tangible fixed assets:	59,232	64,152	Deposits received	22,901	14,231
Building	38,607	33,654	Suspense receipt	39,690	-
Tools, furniture and fixtures	14,597	20,758	Reserve for employees' bonuses	12,477	14,867
Leased assets	-	3,711	Long-term liabilities:	300,422	326,734
Land	6,027	6,027	Reserve for employees' retirement benefits	163,336	173,620
Intangible assets:	27,332	15,580	Reserve for directors' retirement allowances	134,786	144,361
Telephone subscription rights	2,652	2,652	Lease obligations	-	2,922
Software	17,679	10,127	Other	2,300	5,829
Goodwill	7,000	2,800	Total liabilities	3,396,184	3,189,548
Investment and other assets:	1,401,945	1,281,402	Net assets		
Investments in securities	581,982	613,964	Shareholders' equity:	5,124,934	5,436,812
Investments in stock of affiliated company	150,000	150,000	Capital stock	948,994	948,994
Membership rights	4,310	4,310	Capital surplus	1,027,376	1,027,376
Refundable insurance premium	328,894	257,612	Additional paid-in capital	1,027,376	1,027,376
Deferred tax assets	117,161	107,100	Retained earnings	3,619,207	3,931,085
Leasehold deposits	219,597	148,413	Legal reserve	22,845	22,845
			Other retained earnings	3,596,362	3,908,240
			General reserve	3,200,000	3,200,000
			Retained earnings carried forward	396,362	708,240
			Treasury stock	(470,644)	(470,644)
			Valuation and translation adjustments:	(7,253)	14,278
			Net unrealized gains (losses) on other securities	39,360	60,892
			Revaluation reserve for land	(46,614)	(46,614)
			Subscription rights to shares:	5,994	18,361
Total assets	8,519,859	8,659,000	Total net assets	5,123,674	5,469,451
			Total liabilities and net assets	8,519,859	8,659,000

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

Non-Consolidated Statements of Income

Years ended June 30, 2013 and 2014

Thousands of yen

	2013	2014
Net sales	11,785,589	11,642,615
Cost of sales	10,449,761	10,151,499
Gross profit	1,335,828	1,491,115
Selling, general and administrative expenses	715,734	702,347
Operating income	620,093	788,768
Non-operating income	151,588	147,396
Non-operating expenses	8,030	8,705
Recurring profit	763,651	927,459
Extraordinary income	46,695	42,824
Extraordinary losses	4,100	-
Income before income taxes	806,246	970,283
Income taxes - current	234,500	358,000
Income taxes - deferred	146,788	(13,089)
Net income	424,958	625,373

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, 2014

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	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	396,362	3,619,207	(470,644)	5,124,934	39,360	(46,614)	(7,253)	5,994	5,123,674
Changes during the term														
Provision for general reserve					-	-	-							
Dividends						(313,495)	(313,495)		(313,495)					(313,495)
Net income						625,373	625,373		625,373					625,373
Acquisition of treasury stock														
Net changes of items other than shareholders' equity										21,532	-	21,532	12,366	33,899
Total changes during the term	-	-	-	-	-	311,878	311,878	-	311,878	21,532	-	21,532	12,366	345,777
Balance as of June 30, 2014	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

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

Corporate Profile

As of June 30, 2014

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: 130

- 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

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

Haruo Kurami

Shintaro Hagiwara

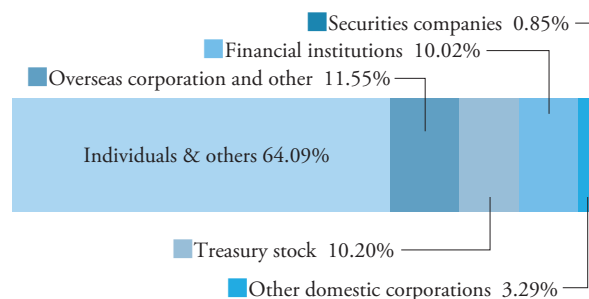
Shigeo Yoshida

Stock Information

As of June 30, 2014

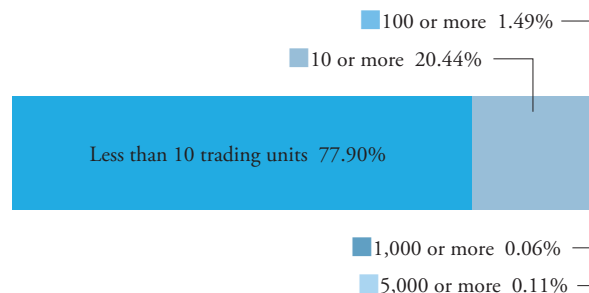
1. Number of shares authorized to be issued..... 48,000,000 shares
2. Number of shares issued..... 12,242,274 shares
3. Number of shareholders5,442

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.)



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

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