
 Michihiro Akimoto President and CEO	TOW Co., Ltd.(4767)
	 世界一の “感動体験”をクリエイトし、 笑顔を増やす。

Company Information

Market	TSE 1st Section
Industry	Service
President and CEO	Michihiro Akimoto
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Year-end	June
Homepage	https://tow.co.jp/en/

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
864	22,468,422 shares		19,413 million	14.9%	100 shares
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
31.50	3.6%	62.62	13.8x	449.14	1.9x

*Unit: yen

*Share price as of closing on February 21, 2020. Number of shares issued at the end of the most recent quarter excluding treasury shares.

*ROE is results at FY June 2019.

Consolidated Earnings

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
June 2016 (Act.)	15,230	1,678	1,682	1,083	48.35	22.00
June 2017 (Act.)	16,251	1,811	1,823	1,206	53.74	26.00
June 2018 (Act.)	16,688	1,825	1,873	1,207	53.75	27.00
June 2019 (Act.)	16,278	1,995	2,017	1,345	59.88	29.00
June 2020 (Est.)	17,424	2,102	2,115	1,407	62.62	31.50

*Unit: million yen

* Estimates are those of the Company. Effective from fiscal year March 2016, the definition for net income has been changed to net income attributable to parent company shareholders (Abbreviated hereafter as parent net income).

We present this Bridge Report reviewing the first half of fiscal year ending June 2020 earnings results and the outlook for the fiscal year ending June 2020 for TOW.

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Key Points

- **In the first half of FY June 2020, sales grew 13.1% and ordinary income increased 25.0% year on year. Just as the previous fiscal year, the company is continuously making efforts in “experience design production,” a strength of the company, in response to customer needs that have shifted from mass-media advertisement to integrated promotion. These efforts have achieved certain results, leading to strong sales from several large-scale projects of existing and new brands. As for profits, the company worked on “securing appropriate profit by making high value-added proposals” and “extensive cost control”. As a result, gross profit margin significantly improved, leading to a large increase in profit. Both sales and profits exceeded the initial forecasts by far. The growth of T2C was remarkable.**
- **The full-year forecast was revised on December 13, 2019. There is no revision this time, and in FY June 2020, sales are estimated to increase 7.0% year on year to 17,424 million yen and ordinary income is expected to increase 4.8% year on year to 2,115 million yen. If this situation continues, it is likely to exceed the estimates. Nevertheless, the company did not revise the estimates, because it may suspend or scale down projects depending on the spread of the new coronavirus infection. The dividend is to be 31.50 yen/share (including 16.50 yen/share in the first half), up 2.50 yen/share year on year.**
- **In the first half, sales and profits hit record highs, and the company had a good start as they both exceeded the initial forecasts. It has been expanding the scale of projects since the previous fiscal year, and, as a result of these efforts, it presented significant results during this fiscal year. The number of orders increased, and it also brought in new customers in the new categories such as E-sports. We have an impression that the oligopoly of large-scale projects by the company may be progressing. The company has already begun working on “afterwards,” as orders for 2020 are steadily increasing. The current stock price, which is only around PER 15 times, seems to be undervalued based on actual results, conservative estimates and medium-term forecasts. Although there are concerns on the spread of the new coronavirus infection, the investors should assess and determine the company’s status “after that (coronavirus spread).”**

*It is to design a system in which, starting with “Wow!” type of interactions with “Experience design” brands, people become fans of the brand and maximize the spread and sharing of the experience using various media, especially SNS.

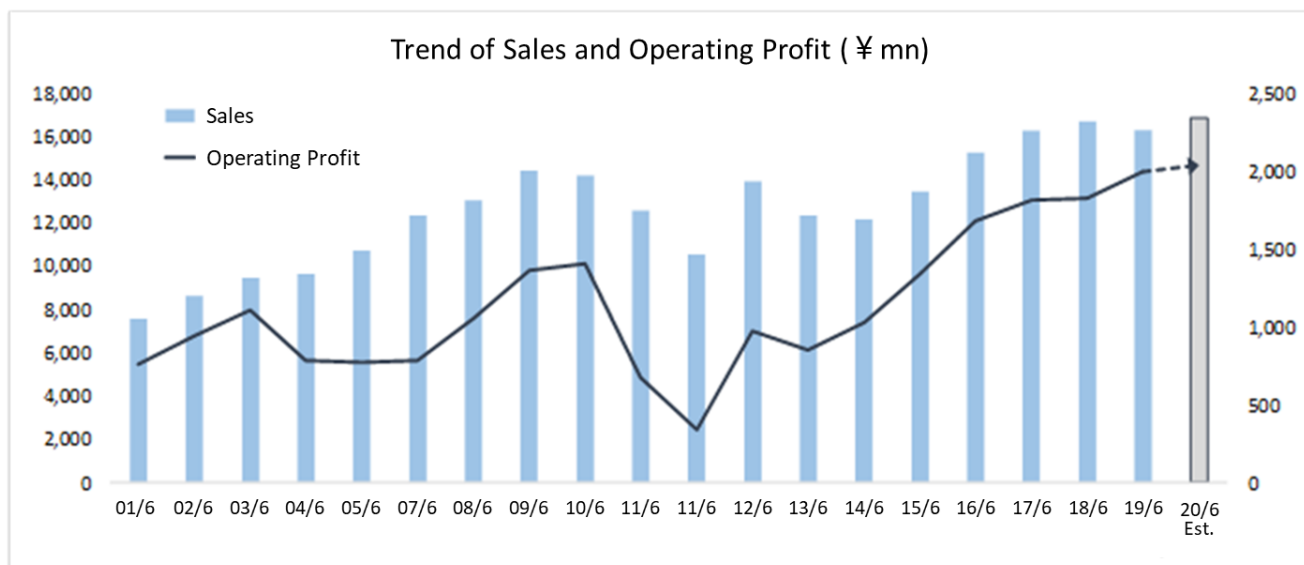
1. Company Overview

TOW Co., Ltd. is the top ranked independent company in the sales events and promotions industry and a Tokyo First Section publicly traded company. TOW engages in event and promotion planning, creation and operations, in addition to goods and printed materials relating to sales promotions. TOW is aware of the growing influence of the Internet and is placing increased emphasis on utilizing their many years of experience in event planning and idea generation by utilizing digital technologies to create interactive promotions (IP). The Company name TOW is derived from the slogan “Top Of the World” based upon TOW’s corporate philosophy of “spreading smiles by creating the world’s most impressive experiences”,

In addition to TOW, the Group also boasts of the one consolidated subsidiary at the end of the first half of FY 2019: T2C Co., Ltd., which conducts event creation, operation, production and visual contents creation.

The company had 2 consolidated subsidiaries as of the end of FY June 2018, but Sport Is Good Co., Ltd. was resolved as of the end of November 2018.

Moreover, “interactive promotions” use digital technologies and ideas to create impressive experiences that are turned into information to be proliferated and shared as part of overall promotions.



1-1 Business Description

Flow of Event Planning to Implementation

Demand for event related work appears as soon as promoters come up with an objective (Transmission of information to the promoter’s audience). TOW begins work on creating a plan as soon as they are briefed by the promoter about the objective. Thereafter, by holding many meetings, TOW proceeds every step of the workflow process from proposal, basic plan, implementation plan, detailed plan, progress script, construction drawing, time schedule chart and document creation. TOW also creates stages and conducts rehearsals based on some related materials until the day of the actual event.

Scope of TOW’s Business

In the case of events, TOW receives orders that span the entire range of the workflow process from planning to the actual holding of the event, and performs “planning”, “production”, “operations”, and “staging” activities, in addition to conducting various onsite services during the time that the actual event is conducted. Specifically, these are tasks involved with lighting, sound, visual, stage creation, and model, companion and security guard casting. In addition, TOW provides services related to preparation, site disassembly and removal, and cleaning. TOW is responsible for acting as a total director to oversee the entire event process and outsources these various tasks to specialized service providers with a goal of ensuring that the objectives of the promoter are accurately implemented and conveyed to the audience. The consolidated subsidiary T2C specializes in event “production” and “operations”, while Sports Is Good Co., Ltd. specializes in sporting event experience planning and production.

Although the main services of promotions include “planning”, “design”, and “production”, printing, premium goods and services, graphic design, executive operations, OOH (Out Of Home: Advertising in public transportation, outdoors), website production and other services are conducted, in addition to the service provided by TOW in its events business of total direction overseeing all aspects of promotions including direction, production and product delivery services.

2. Mid-term Policy ■■■ The future key is the growth strategies after 2020.

Orders for the projects in FY 2020 are strong as anticipated. Under this circumstance, the company is already working on strengthening projects after FY 2020.

I . Improving accuracy of experience design production

“Experience design” means designing a comprehensive brand experience that includes how to buy, make, and sell.

- To improve employees’ experience design capacities
- To employ various methods such as videos, PR, and artistic design.
- To improve experience design provision capacity by utilizing data.
- To strengthen and utilize alliances.

II . Initiatives to develop theme-based projects and unique contents

① Initiatives through the development of the E-sports unit.

The E-sports market is an area where rapid growth is expected.

② Initiatives on the food culture promotion business

- Registration to UNESCO cultural heritage
- Food culture draws attention due to the revision of the Basic Law for the Promotion of Culture and the Arts.
- Food is the top reason for visiting Japan.
- The fields of Japanese food and food culture are growing, as overseas Japanese restaurants are increasing by 30% and the number is over 156,000 in the past two years.



- Utilization of famous chefs in cooperation with the All Japan Food Association
- Development of a new food culture business
- Development of chefs who are in need in the boom of Japanese cuisine in the world
- Technical certification of overseas Japanese chefs (established by the Ministry of Agriculture, Forestry and Fisheries)
- Projects entrusted by food-relevant ministries and companies.

III . Initiatives on the large-scale projects in the golden years of international events

Future large-scale events

- Projects for FY 2020
- World Masters Games 2021
- Osaka Expo 2025
- IR Casino



- There are many opportunities.
- Half of large-scale businesses are already in operation.

New initiatives

I . Improving accuracy of experience design production

II . Initiatives to develop theme-based projects and unique contents

III . Initiative on the large-scale projects in the golden years of international events

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IV . Expansion of the direct client business

3. First Half of Fiscal Year June 2020 Earnings Results

(1) Consolidated Earnings

	1H FY 6/19	Ratio to sales	1H FY 6/20	Ratio to sales	YoY	Initial forecast	Difference from the initial forecast
Sales	8,647	100.0%	9,777	100.0%	+13.1%	9,013	+8.5%
Gross profit	1,615	18.7%	1,993	20.4%	+23.4%	-	-
SG&A	398	4.6%	460	4.7%	+15.4%	-	-
Operating Income	1,216	14.1%	1,533	15.7%	+26.1%	1,207	+27.0%
Ordinary Income	1,233	14.3%	1,541	15.8%	+25.0%	1,209	+27.5%
Quarterly Net Income Attributable to Owners of Parent	826	9.6%	1,045	10.7%	+26.4%	806	+29.7%

*Unit: million yen. Figures include reference figures calculated by Investment Bridge Co., Ltd. and actual results may differ (applies to all tables in this report)

Sales up 13.1% year on year and ordinary income up 25.0% year on year

Sales increased 13.1% year on year to 9,777 million yen. Just as the previous fiscal year, the company is continuously making efforts in “experience design production” that combines new areas such as digital, video, PR, and data, based on “real (experience) and promotion”, a strength of the company, in response to customer needs that have shifted from mass-media advertisement to integrated promotion. These efforts have achieved certain results, as the sales were strong with several large-scale projects of existing and new brands. Ordinary income rose 25.0% year on year to 1,541 million yen. The company worked on “securing appropriate profit by making high value-added proposals,” and “extensive cost control.” Gross profit margin improved to 20.4% from 18.7% in the same period of the previous fiscal year, and an increase in SG & A expenses was also suppressed. The operating margin improved significantly to 15.7% from 14.1% in the same period of the previous year, and operating income increased 26.1% year on year to 1,533 million yen. Both sales and profits far exceeded the initial forecasts. Non-consolidated results were also strong. The growth of T2C was significant, as sales increased 27.6% year on year and ordinary income increased 41.2% year on year in the first half.

Non-consolidated Earnings

	1H FY 6/19	Ratio to sales	1H FY 6/20	Ratio to sales	YoY
Sales	7,064	100.0%	7,894	100.0%	+11.7%
Gross profit	1,158	16.4%	1,355	17.2%	+17.0%
Operating Income	785	11.1%	920	11.7%	+17.3%
Ordinary Income	1,361	19.3%	1,445	18.3%	+6.2%
Quarterly Net Income	1,106	15.7%	1,163	14.7%	+5.1%

*Unit: million yen.

TC2 Non-consolidated Earnings

	1H FY 6/19	Ratio to sales	1H FY 6/20	Ratio to sales	YoY
Sales	2,607	100.0%	3,327	100.0%	+27.6%
Gross profit	457	17.5%	638	19.2%	+39.7%
Operating Income	433	16.6%	611	18.4%	+41.2%
Ordinary Income	432	16.6%	611	18.4%	+41.2%
Net Income	280	10.8%	398	12.0%	+42.0%

*Unit: million yen.

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Sales by Category

	1H FY 6/19	Ratio to sales	1H FY 6/20	Ratio to sales	YoY
Sales Promotion	3,447	39.9%	3,874	39.6%	+12.4%
Publicity	4,069	47.1%	4,197	42.9%	+3.1%
Culture and Sports	199	2.3%	897	9.2%	+350.0%
Exhibition	-	-	-	-	-
Productions	894	10.3%	786	8.1%	-12.1%
Subtotal	8,610	99.6%	9,775	99.8%	+13.3%
Planning	36	0.4%	22	0.2%	-38.0%
Total	8,647	100.0%	9,777	100.0%	+13.1%

*Unit: million yen

By category of sales, the sales of “Culture and Sports” in relation to E-sports and events related to Rugby World Cup, grew rapidly. The “Sales Promotion” also grew significantly.

Sales by Industry (Excluding Planning)

	1H FY 6/19	Ratio to sales	1H FY 6/20	Ratio to sales	YoY
Automobiles	1,681	19.5%	2,507	25.7%	+49.1%
Information, Communication	2,364	27.5%	1,599	16.4%	-32.3%
Governments, Organizations	545	6.3%	1,465	15.0%	+168.8%
Cosmetics, Toiletries and Sundries	1,014	11.8%	947	9.7%	-6.7%
Foods, Beverages and luxury goods	1,265	14.7%	849	8.7%	-32.9%
Finance	585	6.8%	523	5.4%	-10.5%
Wholesale, Retailing	145	1.7%	431	4.4%	+196.7%
Precision Instruments, Other Manufacturing	395	4.6%	367	3.8%	-7.1%
Others	612	7.1%	1,063	10.9%	+73.5%
Total	8,610	100.0%	9,755	100.0%	+13.3%

*Unit: million yen

By industry category, orders for automobiles from Nissan Motor, etc. were strong and sales from the automobiles industry increased significantly. The governments and organization industry also increased significantly, led by the projects on reduced tax rates related to cashless and consumption tax hike. For the information and communication industry, sales declined due to a reaction to special demand of large-scale projects in the same period of the previous year.

Orders Number by Sale (non-consolidated)

	1H FY 6/19	1H FY 6/20	Increase/decrease
<¥10.00mn	449	394	-55
¥10.00~20.00mn	54	74	+20
¥20.00~50.00mn	57	49	-8
¥50.00~100mn	15	15	±0
>¥100mn	12	13	+1
Total	587	545	-42
Average Price (¥ 10,000)	1,197	1,443	+246

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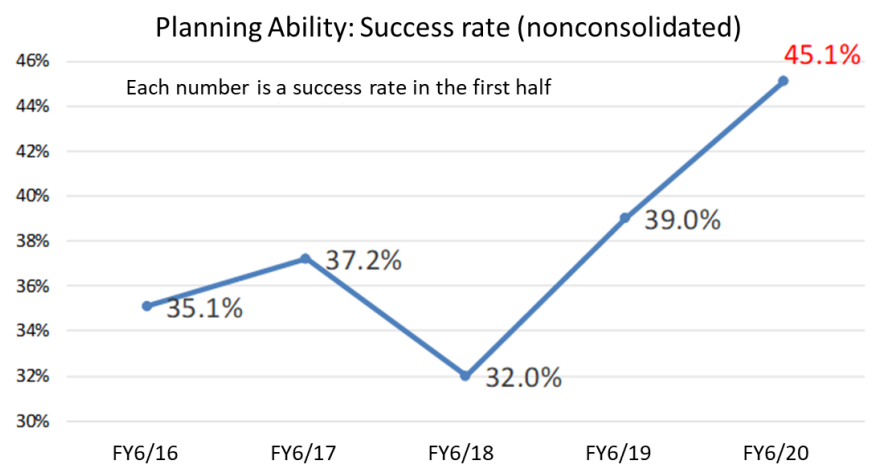


The total number of orders decreased by 42, and the number of orders of projects under 10 million yen decreased significantly by 55. On the other hand, projects under 10 million yen seem to be shifting to the projects between 10 to 20 million yen, and the number of projects of this scale increased by 20. Projects of 100 million yen or more are not so noticeable, as they increased only by one. However, out of 13 projects of this scale, the “super-large” projects of 300 million yen or more increased from 1 in the same period of the previous year to 3. As a result, the average unit price significantly increased from 11.97 million yen in the same period of the previous year to 14.43 million yen.

The company has been able to maintain a success rate (the number of successful promotions divided by the total number of projects planned) above its guideline of 30%.

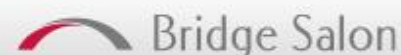
In addition, the orders for the already determined projects have been increasing, and it became a factor for the significant growth in the success rate.

In the future, according to the company, orders for the already determined projects will be increasing partly due to the labor shortage in the industries.



Made by Investment Bridge based on the material of the company.

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**(2) Financial Condition & Cash Flow****Financial Condition**

	June 19	Dec. 19		June 19	Dec. 19
Cash, Equivalents	4,754	3,664	Accounts Payable	2,028	2,140
Accounts Receivable	5,496	6,426	Short Term Debt	840	840
Uncompleted Work Payments	467	521	Taxes Payable	302	364
Uncollected Payments	1,290	2,184	Retirement Benefits for Directors	399	392
Prepaid Expenses	32	36	Liabilities	4,263	4,318
Current Assets	12,100	12,868	Net Assets	9,416	10,178
Investments, Other	1,460	1,501	Total Liabilities, Net Assets	13,679	14,496
Noncurrent Assets	1,578	1,628	Interest bearing liabilities	840	840

*Unit: million yen. Accounts Receivable: Uncollected Sales/Loans transferred using the factoring methods

Total assets at the end of the first half of FY June 2020 were 14,496 million yen, up 817 million yen from the end of the previous fiscal year (hereinafter the same).

Current assets increased 767 million yen to 12,868 million yen. This is mainly due to increases in uncollected payments of 894 million yen, notes and accounts receivables of 834 million yen, and an electronically receivable monetary claim of 95 million yen, despite a decrease in cash and deposits of 1,090 million yen.

Noncurrent assets increased 50 million yen to 1,628 million yen. Property, plant and equipment increased 6 million yen to 108 million yen. This is mainly due to the purchase of personal computers. Intangible assets increased 2 million yen to 18 million yen. This is mainly due to the revision of the order management system.

Investment and other assets increased 41 million yen to 1,501 million yen. This is mainly due to an increase in investment securities of 95 million yen despite a decrease in deferred tax assets of 55 million yen.

Current liabilities grew 26 million yen to 3,872 million yen. This is mainly due to increases in accounts payable of 61 million yen, taxes payable of 61 million yen, and electronically recorded debt of 50 million yen, despite decreases in others of 111 million yen and bonus reserve of 53 million yen.

Noncurrent liabilities increased 28 million yen to 445 million yen, mainly due to an increase in deferred tax liabilities of 35 million yen.

Net assets increased 762 million yen to 10,178 million yen. This is mainly due to increases in retained earnings of 686 million yen and valuation difference on available-for-sale securities of 76 million yen.

Capital-to-asset ratio improved 1.4 points to 69.6 %.

Cash Flow

	1H FY 6/19	1H FY 6/20	YoY	
Operating CF (A)	105	-699	-804	-
Investment CF (B)	-22	-31	-8	-
Free CF (A+B)	83	-730	-813	-
Financing CF	-315	-360	-45	-
Cash, Equivalents at the end of term	3,867	3,664	-202	-5.2%

*Unit: million yen

The balance of cash and cash equivalents at the end of the first half of FY June 2020 was 3,664 million yen, down 1,090 million yen from the end of the first half of the previous term.

A net outflow of cash of 699 million yen was recorded in operating CF (it was a net inflow of 105 million yen in the first half of the previous term). The main factors contributing to this outflow are increases in trade receivables of 930 million yen, uncollected payments of 894 million yen, and tax payments, such as corporate tax, of 392 million yen, even though there was a net income before tax of 1,556 million yen.

The net cash outflow of investing CF was 31 million yen (it was a net outflow of 22 million yen in the previous term). The main factors contributing to this net outflow include purchase of investment securities of 30 million yen and purchase of property, plant and equipment of 55 million yen.

A net outflow of 360 million yen was recorded in financing CF (it was a net outflow of 315 million yen in the first of the previous term). The main factors behind this net outflow include the payment of dividends amounting to 359 million yen.

4. Fiscal Year ending June 2020 Earnings Forecasts

(1) Consolidated Earnings

	FY 6/19 Act.	Ratio to sales	FY 6/20 Initial Est.	FY 6/20 December Est.	Ratio to sales	YoY
Sales	16,278	100.0%	16,829	17,424	100.0%	+7.0%
Gross profit	2,825	17.4%	2,925	3,061	17.6%	+8.4%
Operating Income	1,995	12.3%	2,040	2,102	12.1%	+5.4%
Ordinary Income	2,017	12.4%	2,040	2,115	12.1%	+4.8%
Net Income Attributable to Owners of Parent	1,345	8.3%	1,352	1,407	8.1%	+4.6%

*Unit: million yen

Forecast for FY June 2020 expects 7.0% and 4.8% increases in sales and ordinary income respectively.

The full-year forecast was revised on December 13, 2019. There is no revision this time, and in FY June 2020, sales are estimated to increase 7.0% year on year to 17,424 million yen and ordinary income is expected to increase 4.8% year on year to 2,115 million yen. If this situation continues, it is likely to exceed the estimates. Nevertheless, the company did not revise the estimates, because it may suspend or scale down projects depending on the spread of the new coronavirus infection. In the second half of the year, the company expects an increase in expenses, including improvement of working conditions of employees in response to strong first half results.

The orders in FY 2020 are strong.

Order Backlog (non-consolidated)

	FY 6/19(as of February 7, 2019)	FY 6/20(as of February 6, 2020)
Sales in the first half	8,647	9,777
Order Backlog in the second half(Total of A, B, i)	4,608	6,224
Total of ii and iii in the second half	2,351	953
Back order ratio	81.4%	91.8%
Total sales in this term	16,278	17,424

*Unit: million yen

A: Events whose scale (Value amount) and implementation dates have been determined

B: Event orders have been determined, but their scale and implementation date have yet to be determined

i: Projects for which TOW expects to book orders with a high rate of confidence (Over 80%probability)

ii: Plans, project proposals for which TOW expects to book orders with a medium rate of confidence (Over 50% probability)

iii: Plans, projects proposal for which TOW has an uncertain level of confidence to book

(2) Dividends, Shareholder benefits

TOW uses dividend payout ratio and dividend yield on a consolidated basis as two fundamental indicators to determine profit distribution. Concretely, the Company uses a dividend payout ratio target of 40% based upon consolidated earnings for the coming year and a dividend yield target of 4.5% based upon the closing share price on the day before the earnings announcement (2020/02/05), and selects the higher of the two indicators to determine its dividend payment. Based upon the fundamental policy for retained earnings, a maximum dividend payout ratio of 50% has been determined.

Using the above calculations, fiscal year June 2020 dividend per share is expected to be ¥31.50. Given this estimate, the expected dividend is ¥31.50, for a ¥2.50 increase from the previous fiscal year, and ¥16.50 is expected to be paid at the end of first half.

Also, the company adopted a shareholder benefits system. It will sequentially send out a QUO card (prepaid card) of 500-yen worth to the shareholders possessing 500 shares and above for a period longer than a year, and a QUO card of 2,000-yen worth to the shareholders possessing shares for a period longer than 3 years, once a year in late November.

5. Conclusions

In the first half, sales and profits hit record highs, and the company experienced a good start as they both exceeded the initial forecasts. It has been increasing the scale of projects since the previous fiscal year, leading to significant results during this fiscal year. The orders for the already determined projects seem to be increasing, which may contribute to improving operating efficiency. Furthermore, it is acquiring new customers in the new categories such as E-sports. We have an impression that the oligopoly of large-scale projects by the company is progressing, while labor shortages are severe in all industries. The company has already begun working on “afterwards,” as orders for FY 2020 are steadily increasing. The current stock price, which is only around PER 15 times, seems to be undervalued based on actual results, conservative estimates and medium-term forecasts. Depending on the spread of the new coronavirus infection, it will be unavoidable that some events will be cancelled or the scales will be reduced. Nonetheless, SARS which occurred in China in 2003 converged in about eight months. While the outlook is uncertain, investors should assess and determine the company’s status “after that (coronavirus spread and convergence).”

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 4 outside ones

◎ Corporate Governance Report Updated on October 9, 2019

Basic Policy

Our company recognizes corporate governance as "building and operating a structure that achieves appropriate and efficient decision making and business execution by the management, prompt result reports to stakeholders, and soundness, fairness and high transparency of business administration in order to continuously improve the corporate value." In order to achieve sustainable growth and improve our medium and long-term corporate value while fulfilling our responsibility to shareholders, customers, employees and other stakeholders, our company will achieve effective corporate governance in accordance with the basic policy stated below.

1. Respect the rights of shareholders and ensure equality.
2. Consider the interests of stakeholders including shareholders and cooperate properly.
3. Disclose company information properly and ensure the transparency.
4. Improve the effectiveness of the supervisory function for business execution by the board of directors.
5. Have constructive dialogue with shareholders who have an investment policy that matches the interests of shareholders over the medium to long term.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Supplementary Principle 1-2-4 The introduction of a platform for electronic exercise of voting rights and the English translation of the notice of convocation

We will consider the introduction of a platform for electronically exercising voting right and the English translation of the notice of convocation in light of trends of ratios of institutional investors and foreign investors among the company's shareholders.

Supplementary Principle 3-1-2 Disclosure and provision of information in English

We prepare an English version of business reports and also disclose analyst reports in English semi-annually on our website. In the future, we will consider provision of the materials for results briefing and contents of the convocation notice, etc. in English in light of trends of ratios of institutional investors and foreign investors among the company's shareholders.

Supplementary Principle 4-10-1 Involvement and advice of independent outside directors regarding nomination and compensation etc.

In order to strengthen the independence, objectivity and accountability of the functions of the Board of Directors in relation to the nomination and compensation, etc. of directors etc., when examining the nomination and compensation etc., we will examine the development of a system aimed at implementing more fair and transparent examinations and procedures, including deeper collaboration with independent external directors.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>**【Principle 1-4 Cross-holding shares】**

The basic policy in making investments other than for pure investment purposes is to create synergy effects in the company's integrated promotion business through business alliances and information sharing with companies that we invest in. In order to improve value in the medium- to long-term perspectives, we hold the minimum number of listed shares only when it is determined that holding the shares would be effective in consideration of strengthening relationships with business partners, etc.

With regard to the exercise of voting rights of cross-holding shares, in order to ensure appropriate responses, we examine each case from comprehensive viewpoints including the medium- to long-term improvement of the corporate value of the share issuing company as well as the medium- to long-term growth of economic benefits for us. For the major cross-holding shares, we will report the status of the exercise of voting rights to the Board of Directors.

【Principle 4-9 Independence Standards and Qualification for Independent External Directors】

We select external director candidates who meet the independence criteria set by the Tokyo Stock Exchange.

【Supplementary Principle 4-11-1 View on the balance, diversity and scale of knowledge, experience and capabilities as the entire Board of Directors】

The company stipulates the number of directors as 14 or less by the articles of incorporation, and as of September 25, 2019, the Board of Directors consists of 10 members (including 4 external directors). For the members of the Board of Directors, we take into consideration the diversity of experience, knowledge, capabilities, etc.

【Principle 5-1 Policy for having constructive dialogue with shareholders】

We are convinced that the most important mission to fulfill our company's responsibility is to promote two-way constructive dialogue with shareholders and investors, and to realize effective corporate governance in order to achieve sustainable growth and improve our medium and long-term corporate value.

Based on this idea, our company will implement the following measures.

1. Designation of directors in charge of dialogue with shareholders

In our company, executives have dialogue with shareholders, and the managing director controls IR activities.

2. Measures for organic coordination of in-company departments

In our company, the general affair team, which is also in charge of IR activities, discusses and exchanges opinions on a daily basis with the accounting team and they also collaborate in preparing the disclosed materials and discuss the content with executives.

3. Efforts for enhancing dialogue methods other than individual interviews

Our company will conduct the general shareholders' meeting that earns shareholders' trust by valuing the general shareholders' meeting as an opportunity for important dialogue with shareholders and ensuring sufficient information disclosure of our business. In addition, our company will work on achieving closer communication with shareholders and investors by regularly holding financial results briefing.

4. Measures for feedback of opinions and concerns of shareholders

Our company will compile the opinions and concerns about our company heard in the dialogue with shareholders and investors at the department in charge and develop a system that reports this regularly to executives and the board of directors according to its importance and nature.

5. Measures for managing insider information

The basic policy of our company is to provide fair information disclosure in order to ensure substantive equality for shareholders and investors. Based on this policy, we will disclose important information about our company in a timely and fair manner, and strive to manage the information rigorously so that it will not be provided only to some shareholders and investors.

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