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

Company Information

Market	TSE 1st Section
Industry	Service
President and CEO	Michihiro Akimoto
HO Address	Tokyo, Minato-ku, Toranomon 4-3-13, Hulic Kamiyacho Building
Year-end	June
Homepage	https://tow.co.jp/en/

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥316	44,936,844 shares		¥14,200 million	16.2%	100 shares
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
-	-	-	-	¥227.24	1.4 x

*Share price as of closing on August 26, 2020. Number of shares issued at the end of the most recent quarter excluding treasury shares. ROE is results from the previous term.

Consolidated Earnings

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
June 2016 (Act.)	15,230	1,678	1,682	1,083	24.17	11.00
June 2017 (Act.)	16,251	1,811	1,823	1,206	26.87	13.00
June 2018 (Act.)	16,688	1,825	1,873	1,207	26.87	13.50
June 2019 (Act.)	16,278	1,995	2,017	1,345	29.94	14.50
June 2020 (Act.)	19,325	2,316	2,332	1,584	35.26	16.75
June 2021 (Est.)	undecided	undecided	undecided	undecided	-	undecided

*Unit: million yen, 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).

* On April 1, 2020, the company implemented a 2-for-1 stock split, which is reflected in EPS and DPS.

* The annual dividend forecast for FY June 2021 is still to be determined, but the interim dividend is to be 6.10 yen/share.

We present this Bridge Report reviewing the fiscal year ended June 2020 earnings results and the outlook for the fiscal year ending June 2021 for TOW.

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Key Points

- For FY June 2020, sales and ordinary income grew 18.7% and 15.6%, respectively, year on year. The company is striving to actualize “Japan’s first experience design production,” which will create “new experience values” suited for the digital platform age. Some projects were cancelled or put off, due to the novel coronavirus and the postponement of the Olympics and the Paralympics. On the other hand, sales increased as the company’s services were increasingly used by the governments and organizations, etc. and the company implemented online promotion measures for preventing the spread of the novel coronavirus. Gross profit ratio dropped, but a certain level of profit rate was secured. Despite the effects of the novel coronavirus, both sales and profits exceeded the estimates significantly.
- The forecast for FY June 2021 is still to be determined. It is still difficult to reasonably estimate the effects of the novel coronavirus. To expand business and improve profitability, the company aims to (1) improve its production capacity, (2) reel in new customers in addition to existing customers, and (3) form alliances. The company offers two solutions for accelerating the shift to online services. A new service for advertising program production has been released. As for dividends, the full-year forecast is still to be determined, but under the existing dividend policy, the company plans to pay 6.10 yen/share at the end of the first half.
- Despite the effects of the novel coronavirus, the company secured double-digit growth both in sales and profit in FY June 2020. Average price is increasing considerably, and it seems that business operations have been streamlined. In FY June 2021, it is likely that the novel coronavirus will give a significant impact, but their efforts for digitization attracted our attention. It is surprising how swiftly the company detected changes in the business environment, and implemented measures to this degree in about half a year since the outbreak of the novel coronavirus. In addition, there is a possibility that the company will improve profitability by modifying its service formats. Amid the coronavirus crisis, the company’s share price nosedived, but there may be good opportunities for the company, so the current share price is quite undervalued.

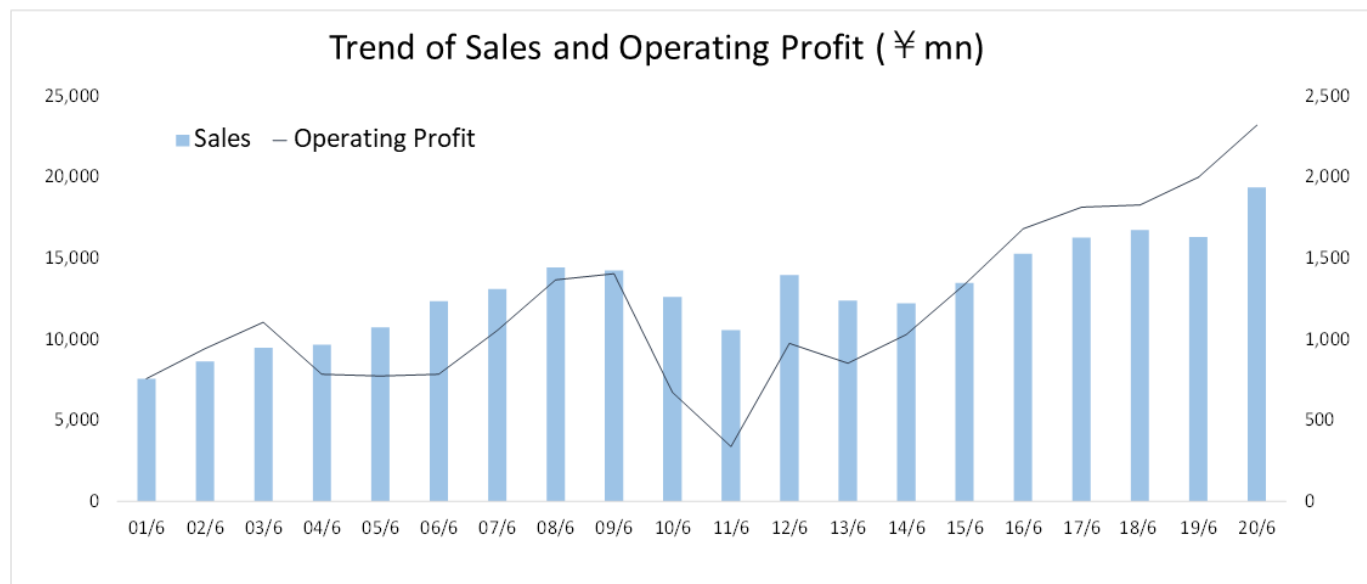
*It is to design a system in which, starting with “Wow!” type of interactions with “Experience design” brands, people become fans of the brand and maximize the spread and sharing of the experience using various media, especially SNS.

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 June 2020: T2C Co., Ltd., which conducts event creation, operation, production and visual contents creation.

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”.

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. Strategies from Now On — A Turning Point

It is now impossible to avoid the adverse impact of the coronavirus pandemic on business performance; however, the company considers it to be a turning point for their business.

The company is feeling confident about future business growth through trial and error with its employees engaging in their respective marketing activities under this new environment, bringing about new cases that were not seen at TOW before.

I. Changes in the Business Environment Brought About by the Coronavirus Pandemic and Challenges Facing TOW

① Digitalization of living activities

- People of all age groups used the Internet for about an hour longer than the pre-pandemic level between January and May of 2020.
- Face-to-face communication decreased, and the use of digital tools, such as Zoom and LINE, increased.
- People use e-commerce and Internet banking, and watch videos online two times more frequently than before the outbreak of the pandemic.

A lifestyle where we use digital technology normally will take root and expand even further.

② Digitalization of corporate activities

- The coronavirus pandemic has spurred more companies to accelerate their IT strategies (digitalization).
- Work styles have significantly changed, allowing workers to work remotely and hold teleconferences more frequently.
- It is believed that efforts at digital transformation (DX) will be accelerated.

Accelerated digitalization of corporate activities will change the role of promotion.

③ Digitalization of experiences

- A number of contents that offer real experiences that have been growing for the last few years are being digitalized.
- Online music events are garnering great attention as a new profitable content.
- Various activities, including company press releases and conferences, are also being digitalized and held online.

New experiences on digital platforms are being created one after another.



The challenge facing TOW is **how it will enhance the value of experiences in a society where digital contents will become the platform.**

Projects that TOW deals with are being digitalized at an accelerating rate in response to the digitalization of society.

The company is acquiring new business know-how, including “**real events × video streaming**,” such as press releases and seminars, and “**promotions that can be completed online**,” such as use of social media and video production.

II. Energizing Online Promotion

Digital platforms connect companies and consumers.

Brand experiences TOW offers are shifting to online rapidly, such as,

- Operation of digital platforms, such as social media
- Communication through videos etc.
- Livestreaming commerce (for leading consumers to e-commerce)
- Fan-targeted marketing
- Online conference
- Real events × live streaming

The company **became aware of the new social trend of “real (experience) × digital (technology)”** earlier than any other companies. TOW has been making various efforts to use its capabilities of stage production and content production nurtured by organizing real events, in an attempt to digitalize its services, which has enabled the company to acquire and accumulate know-how for this new trend.



(Source: The Company)

Changes in corporate marketing activities due to the coronavirus pandemic have shifted **the principal business battlefield of the promotion industry to the Internet.**

The company expects that **demand for online promotion will continue to grow**, such as establishing paths to lead consumers to e-commerce and forging relationships with fans of brands.

The company is **promoting a shift to online promotion** in line with the age of digital platforms, targeting to increase the proportion of online promotion related projects from 25-30% to 60-70% all at once.

Of the inquiries for projects that the company received from late March to July of 2020, over 80% were related to online promotion and online events.

III. Two Solutions and a New Service that Accelerate a Shift to Online Services

① Online event package

Expand the value of experience in the digital platform era







TOW ONLINE

Event package

As new technologies are born one after another and the transition to a digital platform era progresses rapidly, the lifestyles and values of consumers are changing at an accelerating rate.

The TOW Group will develop and start offering the "TOW Online Event Package" that expands the value of experience in the coming digital platform era while taking advantage of the effects and advantages of real events.

(Source: The Company)

<p>1</p> <p>PRESS CONFERENCE</p>  <p>Improve the quality of news exposure by offering a variety of press conference styles</p>	<p>2</p> <p>POP UP</p>  <p>New product / brand experience free of space, time and distance</p>	<p>5</p> <p>NEW SHOWROOM</p>  <p>Activate purchasing with attractive product presentations that incorporate methods and productions unique to online</p>	<p>6</p> <p>NEW SAMPLING</p>  <p>Pack the brand in one box and sample the entire "experience"</p>
<p>3</p> <p>FAN EVENT</p>  <p>A shared brand experience with fans that expanded the "online drinking party"</p>	<p>4</p> <p>E-Sports</p>  <p>Maximize Audience with Online Program Distribution of E-Sports Events</p>	<p>7</p> <p>NEW CONFERENCE</p>  <p>Produce an online conference that leads to results from lead acquisition to follow-up</p>	

(Source: The Company)

② Online promotion solution

Establishing a promotion system and solutions to increase orders for "online promotion", where demand is increasing

Online Promotion Solution

Systematize and provide know-how of various solutions in order to demonstrate the planning proposal ability and realization ability cultivated in real promotion, also in the online promotion area.

(Source: The Company)

Enriching the system to facilitate online promotion

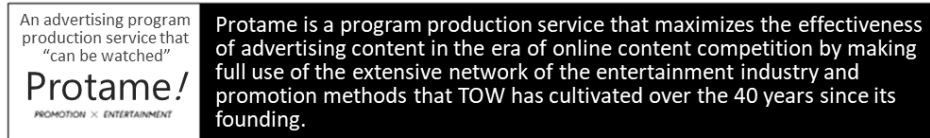
- Increase the number of IP Producers at the Experience Design Department
- Increase the number of employees who work at both the Production Department and the Experience Design Department
- Establish a Video Production Group at the Experience Design Department
- Employ a Digital Transformation (DX) Meister

Establishing a foundation for facilitating online promotion

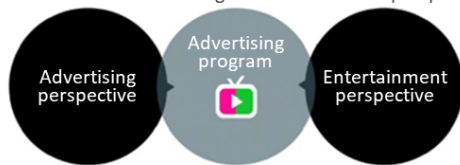
- Manage targets through Online Promotion Budgets
- Offer education and training programs for improving the employees' digital literacy
- Support employees in acquiring certifications related to digital technology (such as Web Analytics Consultants and SNS Official Approval)
- Provide opportunities to share and discuss business performance and know-how of online promotion

③ Advertising program production service

The company has newly released the **advertising program production service** that will further enhance the business field of video streaming content production, a service showing more significant growth than other online promotion services.



Promote brands and products with program contents created from an advertising and entertainment perspective



- Live broadcast type Program contents
- User participation type Program contents
- Commerce type Program contents
- Variety show type Program contents

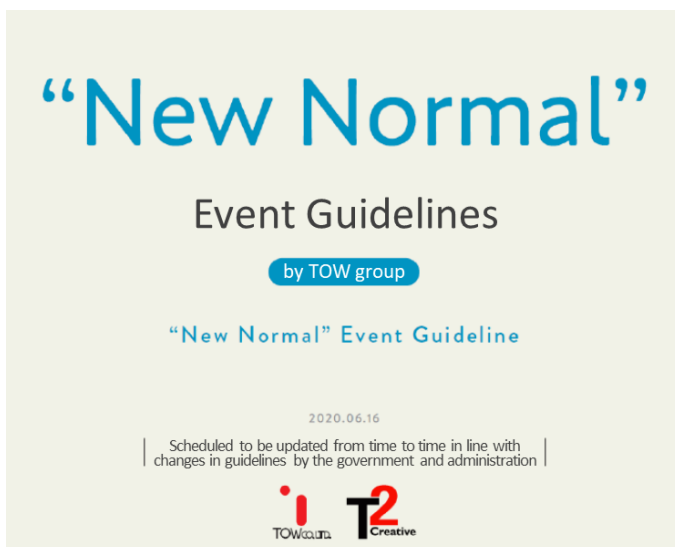
(Source: The Company)

④ Apply New Normal Event Guidelines on consignment

As a leader of the industry, TOW will manage event projects for which demand is expected to rise again gradually, while intensifying its efforts to strengthen online promotion.

It is striving to organize safe and secure events in the new lifestyle to establish the **“New Normal” for real events**.

The company applies the “New Normal Event Guidelines,” which were formulated and published in June 2020, on consignment.



(Source: The Company)

3. Fiscal Year June 2020 Earnings Results

(1) Consolidated Earnings

	FY 6/19	Ratio to sales	FY 6/20	Ratio to sales	YoY	Forecast	Difference from the forecast
Sales	16,278	100.0%	19,325	100.0%	+18.7%	17,424	+10.9%
Gross profit	2,825	17.4%	3,239	16.8%	+14.7%	3,061	+5.8%
SG&A	829	5.1%	922	4.8%	+11.3%	-	-
Operating Income	1,995	12.3%	2,316	12.0%	+16.1%	2,102	+10.2%
Ordinary Income	2,017	12.4%	2,332	12.1%	+15.6%	2,115	+10.3%
Quarterly Net Income Attributable to Owners of Parent	1,345	8.3%	1,584	8.2%	+17.8%	1,407	+12.6%

*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 and ordinary income grew 18.7% and 15.6%, respectively, year on year

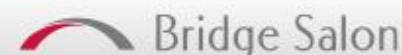
Sales increased 18.7% year on year to 19,325 million yen. The company is striving to actualize “Japan’s first experience design* production,” which will create “new experience values” suited for the digital platform age, by bridging the gap between the real and the digital, in order to apply its experience designing capability, which has been honed through real business, in various fields. Some projects were cancelled or put off, due to the novel coronavirus and the postponement of the Olympics and the Paralympics. On the other hand, sales increased as the company’s services were increasingly used by the governments and organizations, etc. like in the first half, the amounts scheduled to be posted in July or later were posted earlier than scheduled due to the cancellation of projects related to the Olympics and the Paralympics, and the company implemented online promotion measures for preventing the spread of the novel coronavirus.

The effects of the novel coronavirus on sales are as follows:

Negative effects on sales	
Ordinary projects	
Cancellation and postponement of projects due to the novel coronavirus	-2,000 million yen
Projects that would be ordered if there was no impact of the novel coronavirus	-900 million yen
Projects related to the Olympics and the Paralympics	
Cancellation and postponement of projects due to the postponement of the Olympics and the Paralympics	-600 million yen
Total	3,500 million yen
Positive effects on sales	
Ordinary projects	
The amounts scheduled to be posted in July or later were posted earlier than scheduled due to the cancellation of ordinary projects	+100 million yen
Projects related to Olympics and Paralympics	
The amounts scheduled to be posted in July or later were posted earlier than scheduled due to the postponement of projects	+200 million yen
Total	+300 million yen
Grand total	-3,200 million yen

Ordinary income grew 15.6% year on year to 2,332 million yen. As for gross profit, the operating revenue from large-scale projects by the governments and organizations was low, but the entire company proceeded with “securing appropriate profit based on proposals with high added value” and “extensive cost control.” In addition, there were some effects of raising profit rate, such as the amounts scheduled to be posted in July or later were posted earlier than scheduled due to the cancellation of projects related to the Olympics and the Paralympics, so the company secured a certain level of profit rate, although gross profit rate declined from 17.4% in the previous

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term to 16.8%. As for SG&A, the company increased office floors, improved the office environment, and recruited new graduates and mid-career workers almost as planned. There were additional expenses for coping with the spread of the novel coronavirus, such as introducing telework, but the company curtailed expenses for entertainment, business trips, etc. SG&A ratio dropped from 5.1% in the previous term to 4.8%, and operating income rose 16.1% year on year to 2,332 million yen.

Despite the impact of the novel coronavirus, both sales and profit exceeded the estimates considerably.

The term-end dividend was 8.5 yen/share (on April 1, 2020, the company implemented a 2-for-1 stock split. Before the adjustment for the stock split, the term-end dividend was 16.0 yen/share), which is 1.0 yen/share larger than the initial estimate. Combined with the interim dividend of 8.25 yen/share (16.5 yen/share before the adjustment), the annual dividend will be 16.75 yen/share (33.5 yen/share before the adjustment).

Sales by Category

	FY 6/19	Ratio to sales	FY 6/20	Ratio to sales	YoY
Sales Promotion	6,512	40.0%	5,575	28.9%	-14.4%
Publicity	7,463	45.9%	10,484	54.2%	+40.5%
Culture and Sports	537	3.3%	1,812	9.4%	+237.1%
Exhibition	-	-	0	-	-
Productions	1,684	10.3%	1,393	7.2%	-17.3%
Subtotal	16,198	99.5%	19,265	99.7%	+18.9%
Planning	80	0.5%	59	0.3%	-25.4%
Total	16,278	100.0%	19,325	100.0%	+18.7%

*Unit: million yen

-The major factors in increasing sales in publicity are large-scale projects by the governments and organizations.

-The major factors in increasing sales in culture and sports are projects related to the Olympics, the Paralympics, and E-sports.

Gross Profit by Industry

	FY 6/19	Ratio to Total	FY 6/20	Ratio to Total	YoY
Information, Communication	778	27.5%	552	17.0%	-29.0%
Automobiles	515	18.2%	723	22.3%	+40.2%
Foods, Beverages and luxury goods	389	13.8%	216	6.7%	-44.4%
Cosmetics, Toiletries and Sundries	311	11.0%	267	8.2%	-14.1%
Governments, Organizations	236	8.4%	851	26.3%	+260.6%
Finance	215	7.6%	144	4.5%	-32.8%
Transportation and leisure	98	3.5%	136	4.2%	+38.4%
Precision Instruments, Other Manufacturing	83	2.9%	128	3.9%	+54.6%
Wholesale, Retailing	56	2.0%	120	3.7%	+112.5%
Others	142	5.0%	98	3.0%	-31.0%
Total	2,825	100.0%	3,239	100.0%	+14.7%

*Unit: million yen

As for the results in each industry category, the gross profit in the category of information and communications declined, while the gross profits in the automobile industry and the governments and organizations increased considerably.

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**Orders Number by Sale (non-consolidated)**

	FY 6/19	FY 6/20	Increase/decrease
<¥10.00mn	1,264	954	-310
¥10.00~20.00mn	166	146	-20
¥20.00~50.00mn	140	100	-40
¥50.00~100mn	38	34	-4
>¥100mn	21	25	+4
Total	1,629	1,259	-370
Average Price (¥ 10,000)	994	1,209	+215

*Excluding the sales of planning

*Excluding big projects from governments and organizations

The number of orders decreased in all price ranges, except projects priced at over 100 million yen. Especially, the number of orders for projects priced at less than 10 million yen decreased considerably, so average price rose.

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

	Jun. 19	Jun. 20		Jun. 19	Jun. 20
Cash, Equivalents	4,754	5,055	Accounts Payable	2,028	3,152
Accounts Receivable	5,496	6,020	Short Term Debt	840	840
Uncompleted Work Payments	467	186	Taxes Payable	302	379
Uncollected Payments	1,290	3,066	Retirement Benefits for Directors	399	432
Prepaid Expenses	32	51	Liabilities	4,263	5,937
Current Assets	12,100	14,439	Net Assets	9,416	10,256
Investments, Other	1,460	1,541	Total Liabilities, Net Assets	13,679	16,194
Noncurrent Assets	1,578	1,754	Interest bearing liabilities	840	840

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

The total assets at the end of FY June 2020 stood at 16,194 million yen, up 2,514 million yen from the end of the previous term.

Current assets were 14,439 million yen, up 2,339 million yen from the end of the previous term. This is mainly because uncollected payments and trade notes and accounts receivable increased 1,776 million yen and 985 million yen, respectively, although electronically recorded monetary claims decreased 461 million yen.

Noncurrent assets stood at 1,754 million yen, up 175 million yen from the end of the previous term. Among the noncurrent assets, tangible fixed assets increased 86 million yen to 188 million yen. This is mainly due to layout changes, etc. Intangible fixed assets rose 8 million yen to 24 million yen. This is mainly because of the purchase of software. Investments and other assets grew 80 million yen to 1,541 million yen. This is mainly because security and guarantee deposits and investment securities increased 53 million yen and 25 million yen, respectively.

Current liabilities stood at 5,488 million yen, up 1,642 million yen from the end of the previous term. This is mainly because trade accounts payable and other accounts increased 1,184 million yen and 432 million yen, respectively.

Noncurrent liabilities augmented 32 million yen from the end of the previous term to 448 million yen. This is mainly because provision for directors' retirement benefits increased 24 million yen.

Net assets grew 840 million yen from the end of the previous term to 10,256 million yen. This is mainly because retained earnings rose 854 million yen, although share acquisition rights decreased 42 million yen.

Capital-to-asset ratio dropped 5.1 points from the end of the previous term to 63.1%.

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**Cash Flow**

	FY 6/19	FY 6/20	YoY	
Operating CF (A)	1,310	1,142	-167	-12.8%
Investment CF (B)	-34	-110	-76	-
Free CF (A+B)	1,276	1,032	-243	-19.1%
Financing CF	-620	-731	-111	-
Cash, Equivalents at the end of term	4,754	5,055	301	+6.3%

*Unit: million yen

The balance of cash and cash equivalents at the end of FY June 2020 was 5,055 million yen, up 301 million yen from the end of the previous term.

Operating CF was an income of 1,142 million yen (an income of 1,310 million yen in the previous term). This is mainly because net income before taxes and other adjustments was 2,338 million yen and accounts payable increased 1,123 million yen, although other uncollected payments augmented 1,776 million yen and the tax payments, such as corporate tax amounted to 681 million yen.

Investing CF was an expenditure of 110 million yen (an expenditure of 34 million yen in the previous term). This is mainly because the company paid 67 million yen for acquiring tangible fixed assets and 54 million yen for security and guarantee deposits.

Financing CF was an expenditure of 731 million yen (an expenditure of 620 million yen in the previous term). This is mainly because the company paid 730 million yen as dividends.

4. Fiscal Year ending June 2021 Earnings Forecasts**(1) Consolidated Earnings**

	FY 6/20 Act.	Ratio to sales	FY 6/21 Est.	Ratio to sales	YoY
Sales	19,325	100.0%	Undecided	-	-
Operating Income	2,316	12.0%	Undecided	-	-
Ordinary Income	2,332	12.1%	Undecided	-	-
Net Income Attributable to Owners of Parent	1,584	8.2%	Undecided	-	-

*Unit: million yen

The forecast for FY June 2021 is still to be determined

The forecast for FY June 2021 was left undecided. Due to the spread of the novel coronavirus, corporate marketing activities have been hindered, causing the cancellation and postponement of projects and considerably affecting the market environment surrounding the company. Accordingly, it is still difficult to reasonably estimate business results. As factors in the unclear outlook, the company enumerated (1) orders received from now on, (2) the outlook for the execution of projects related to the Olympics and Paralympics, (3) results of the various measures for online promotions, and (4) the timing of development of vaccines and medicines for the novel coronavirus. As soon as it becomes possible to reasonably estimate business results, the company will disclose the forecast.

As for dividends, the company refers to consolidated payout ratio and dividend yield as indicators for profit sharing, like before. So far, the company has chosen the dividend calculated by multiplying the net income attributable to owners of parent in the consolidated earnings forecast for the following term announced on the date of announcement of financial results by the payout ratio 40%, or the dividend calculated by multiplying the closing price on the previous day (August 5, 2020) of the date of announcement of financial results by the dividend yield 4.5%, and set whichever is larger, as the minimum dividend (a consolidated dividend ratio of up to 50%). However, the earnings forecast is still to be determined, and it is impossible to calculate the dividend from payout ratio. Accordingly, the company plans to pay an interim dividend of 6.10 yen/share, which was calculated by multiplying the closing price on the previous day (August 5, 2020) of the date of announcement of financial results by the dividend yield 4.5%. As for the term-end dividend, the company plans to disclose it as soon as it becomes possible to announce it.

(2) Expanding business and improving profitability

In parallel with activities for recovering business performance in the short term, the company will engage in activities considering mid/long-term business according to the changes in society and their industry.

I. Improvement in Production Capacity and Profitability

Assuming that business operation will be stagnant and marketing activities will be restricted for a while due to the coronavirus crisis, the company will strive to improve its “production capacity” and “profitability” through the following efforts:

① Improve profitability through in-house production

To improve the quality of work and profitability, the company will return to the starting line and produce its products by itself. By taking advantage of the personnel of the entire corporate group and in-house infrastructure, the company will aim to evolve into a highly profitable structure.

② Monetize the value it offers

To earn revenues by offering high-level value in respective fields, including video production, SNS management, PR, and data, the company will utilize specialized personnel mainly in the Experience Design Department.

③ Strengthen the functions of the Production Management Section

The company will recruit veteran workers versed in production as production managers and fortify the system of the Production Management Section. The company will also scrutinize cooperative institutions and prices, and secure appropriate revenues while meeting customers’ needs.

II. Reel in New Customers in Addition to Existing Customers

It is necessary to respond to changes in the society and industries, including the rapid progress of digitization. Considering that it is necessary to attract new customers in order to grow TOW, the company will enhance cooperation.

① Response to changes in the advertisement industry

-Digital shift of advertisement

➡ **Increase cooperation with online advertisement companies from the medium-term viewpoint.**

② Response to changes in corporate activities

-Elevation of awareness in the effects and efficiency of marketing/promotion

-Increase of direct orders to specialized companies (more evident in online promotion)

➡ **Improve its organization and energize marketing activities for increasing direct transactions with clients.**

III. Form Alliance

It is important to enrich solutions it offers, in order to expand online promotions and increase customers. The company will not only enrich its in-house functions, but also form alliances with external organizations actively.

An image of the growth from now on



(Source: The Company)

5. Conclusions

Despite the effects of the novel coronavirus, the company secured double-digit growth in sales and profit in FY June 2020. Average price is increasing considerably, and it seems that business operations have been streamlined. In FY June 2021, it is still likely that the novel coronavirus will produce a significant impact, but their efforts for digitization attracted our attention. It is surprising how swiftly the company detected changes in the business environment and implemented measures to this degree in about half a year since the outbreak of the novel coronavirus. The fruit of these efforts may become evident in the second quarter or later. After that, the company will resume activities for the Tokyo Olympics and the Paralympics, which were postponed for a year. In addition, there is a possibility that the company will improve profitability by changing its service formats to “online events” and “online promotion.” Real PER fell significantly, below 10 times. Amid the coronavirus crisis, the company’s share price nosedived, but there may be good opportunities for the company, so the current share price is quite undervalued.

<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 October 1, 2018, the Board of Directors consists of 9 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.

BRIDGE REPORT



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