
	TOW Co., Ltd.(4767)
Michihiro Akimoto President and CEO	Muratsu Kenichi Vice President and COO	 「体験価値をコアに、 成果をデザインする」

Company Information

Market	TSE 1st Section
Industry	Service
President and CEO	Michihiro Akimoto
Vice President and COO	Kenichi Muratsu
HO Address	Tokyo, Minato-ku, Toranomom 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
¥343	44,977,544 shares		¥15,427 million	4.5%	100 shares
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
¥14.00	4.1%	¥13.83	24.8 x	¥228.35	1.5 x

*Share price as of closing on October 18, 2021. Number of shares issued at the end of the most recent quarter excluding treasury shares. DPS and EPS are results from FY 6/22.

Consolidated Earnings

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Act.)	12,209	655	698	455	10.14	12.90
June 2022 (Est.)	12,339	967	1,000	622	13.83	14.00

*Unit: million yen, yen. Estimates are those of the Company. 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.

We present this Bridge Report reviewing the fiscal year ended June 2021 earnings results and the outlook for the fiscal year ending June 2022 for TOW.

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Key Points

- In FY June 2021, sales dropped 36.8% year on year and ordinary income decreased 70.0% year on year. The company plans to establish TOW Experience Design Model, which will help increase new customers and develop and energize existing customers through the planning and production based on experience value. Through this, the company set a new company vision, a production for optimizing results with the experience value. Although the large-scale transactions with governmental offices and groups contributed and business inquiries for online promotion measures increased, their business was significantly affected by the decrease of real events caused by the spread of the novel coronavirus. Regarding profit, gross profit margin declined, but SG&A was reduced from the previous term through appropriate control according to business performance. For dividends, the company paid a term-end dividend of 6.80 yen/share as forecasted, for an annual dividend of 12.90 yen/share.
- For FY June 2022, sales and ordinary income are expected to grow 1.1% and 43.1%, respectively, year on year. There are no longer large-scale transactions with governmental offices or groups, which were recorded in the previous term, but sales are projected to rise slightly, as the company will take advantage of the growth of the online domain and the recovery of real events. While large-scale transactions with governmental offices and groups are forecasted to decrease from the previous term, the company will strive to increase ordinary transactions, monetize the value provided by specialized personnel and so on, so gross profit margin is expected to increase. SG&A is projected to augment, through the active recruitment of new graduates, the investment in development of experience design engines, etc.
- In FY June 2021, sales and profit dropped considerably, but the company can be highly evaluated, because it earned a profit amid the coronavirus pandemic. This can be considered as the company's instantaneous effort on online promotion had succeeded. For FY June 2022, there is a possibility that the coronavirus will spread, although vaccination is progressing, and the recovery of real events will be delayed. Still, the company is considered the most advanced in the field of online promotion, currently. Amid the coronavirus pandemic, the company fortified its financial foundation. As the company earned a profit and improved its financial foundation, it may win the trust of clients and expand its market share.

1. Company Overview

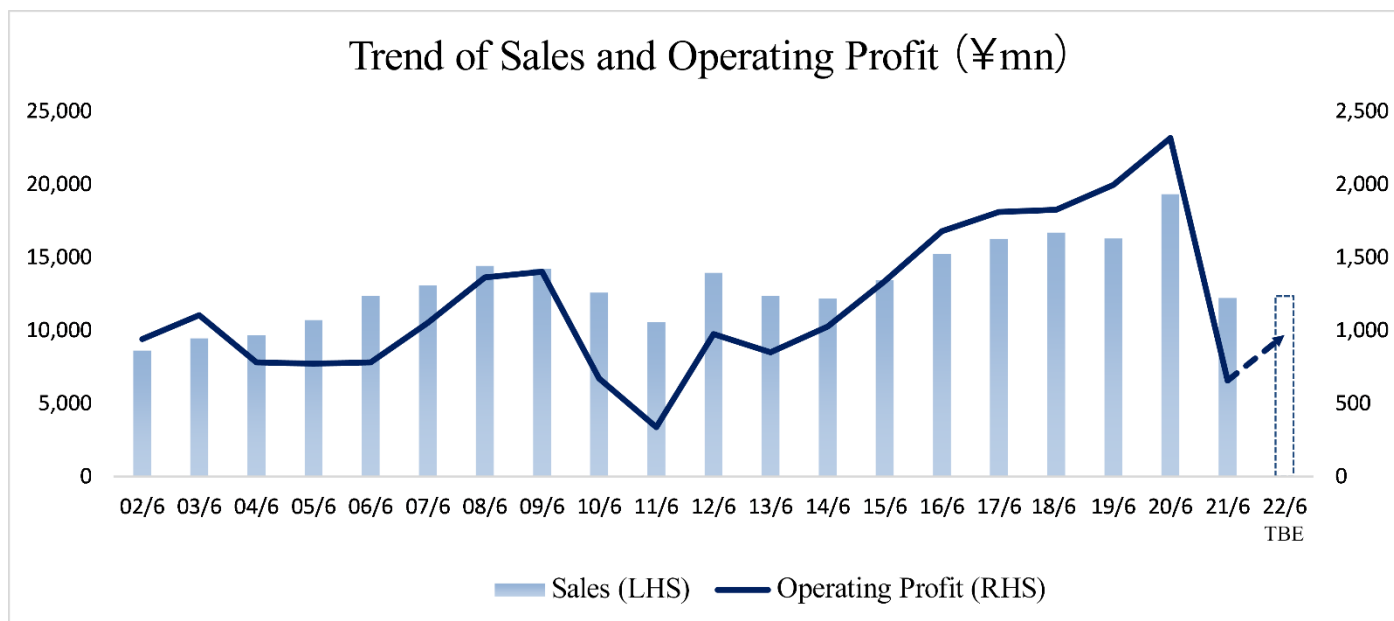
TOW is the largest independent company in the field of events and promotion of the advertising industry and is listed on the first section of the Tokyo Stock Exchange. They have expanded the scale of their business with the planning, production, and operation of press conferences, promotional events, exhibitions, and cultural and sport events as their forte. In addition to the production capabilities cultivated through real events, they have engaged in business in the digital field since the early 2000s and have been successful in acquiring new customers, fostering the relationship with and bringing new stimulation to their existing customers by making full use of their planning and production capabilities centered on experience value* and exerting the capability to create catching content and the capability to revitalize platforms in regard to their offline and online activities.

TOW have been engaging in the development of TOW Experience Design Model, which will contribute to the growth of their clients, realizing the improvement of the value they provide and business growth, and sets their new corporate image as to be a production for designing outcomes centered on experience value.

In addition to TOW, the Group also comprises one consolidated subsidiary (as of the end of June 2021), T2 Creative Co., Ltd. (hereinafter

referred to as “T2C”), which manages the production, operation, and staging of events as well as the production and online streaming of videos.

*Experience value: Implied to emotional, sensational and rational values that appeal to customer’s experience



Business Description

Planning to Implementation of Events and Promotion

A transaction concerning events and promotion arises as soon as an organizer or a promoter thinks of any objective (intention to get information across to their audience).

TOW receives an explanation on this objective from the organizer or promoter, and after analysis and research, they formulate a strategy or plan. Then, they proceed into each stage, developing the initial plan into a basic scheme, an implementation scheme, and a detailed scheme based on numerous meetings, which in the end become deliverables matching the respective method. TOW proceeds with the preparations according to reference material and conducts events and promotion.

Scope of TOW’s Business

TOW receives orders for the whole abovementioned process from planning to implementation. They undertake analysis and research, devising a strategy and formulating the concept, project proposal, actual production, effectiveness verification, and other work incidental to the above processes, employing a number of methods tailored for each task.

TOW’s work lies in conveying the intention of an organizer or a promoter to consumers by taking on the comprehensive production and direction of the overall promotion, while outsourcing respective tasks to companies specialized in respective fields including real events, online events, video creation, SNS-based campaigns, digital advertising operation, digital media operation, SNS account operation, user experience design of digital services, promotion, and sales promotion and so on.

T2 Creative Co., Ltd. mainly undertakes the production and operation of these events.

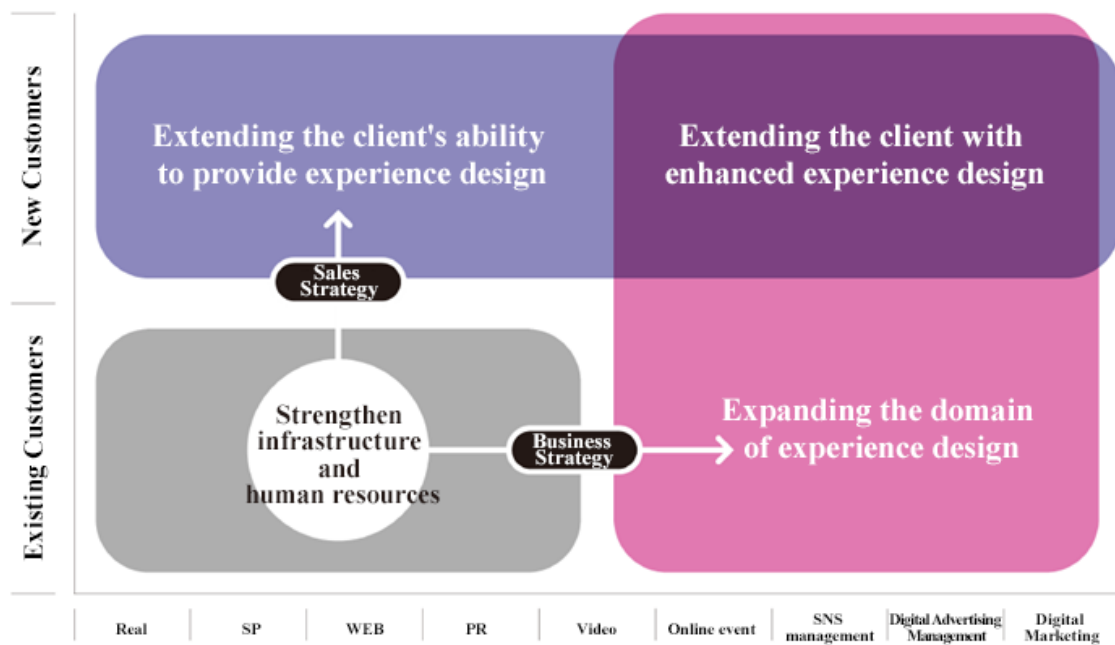
2. Business Growth Vision

I. Initiatives in FY June 2021

FY 6/2021 = Turning point for TOW

Foreseeing the acceleration of changes in the society and industry due to the coronavirus crisis, TOW has regarded FY 6/2021 as a turning point from early on to establish new value appropriate to provide in the next era and started working on various projects for reform and solution development. TOW Business Growth Vision was formulated in February this year to show the direction of the growth which will follow. It was a year during which TOW built the base for the turnaround and going on the offensive.

©Realization of Business Growth Based on “Two Expansions”



(Taken from the reference material of the company)

Production that designs achievements centered on experience value

TOW aims to grow to be a unique production which will help companies acquire customers and foster the relationships with customers through the “one-time and linked” experience design.

Accelerating the shift to the online in response to changes in our society/industry

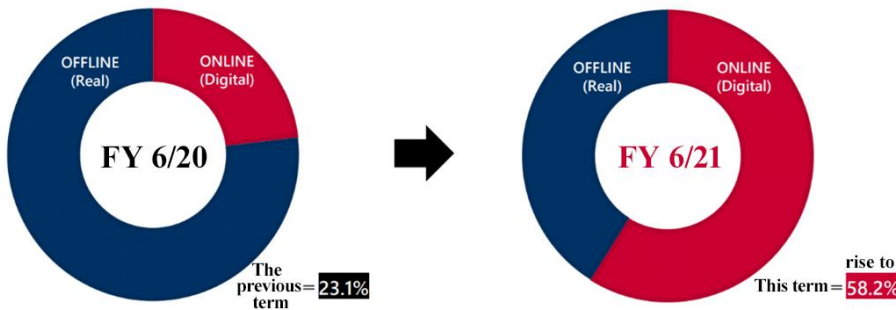
Turning from TOW competent in real events into TOW competent in the real and the online

Contributing to outcomes of clients’ businesses through the “one-time and linked” experience design

Utilizing synergy from alliances, they will expand the range of the experience design (provided value)

◎Accelerating the shift to the online

The goal of raising the ratio of online transactions (based on gross profit) to 60%, which was set at the beginning of the term, has been achieved for the most part.



(Taken from the reference material of the company)

The shift to the online has steadily progressed, and it is reflected in the results.

Expanding the scope of business operations through the “one-time and linked” experience design



(Taken from the reference material of the company)

II. Action Plan for FY 6/2022

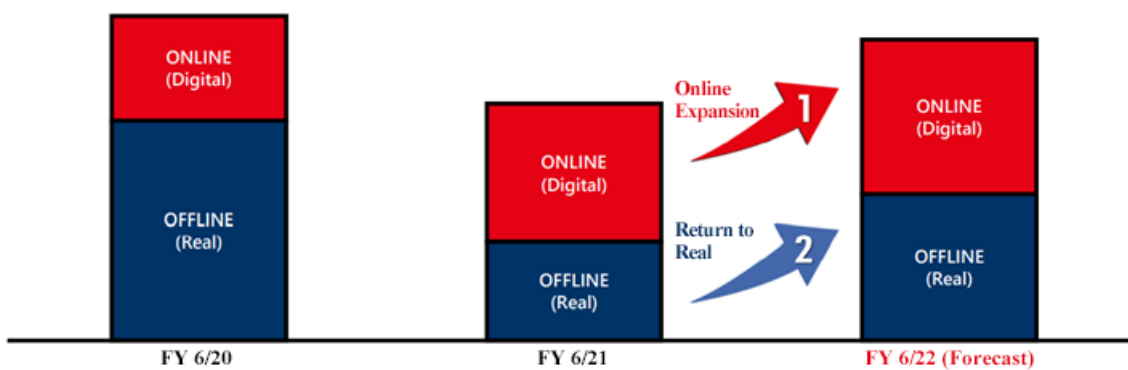
◎ Overview of the Societal and Industrial Environments and Opportunities for TOW’s Growth

<p>Further DX promotion in companies and expansion of the digital advertising market</p> <p>Considering the growth of the online advertising market, where a growth rate of over 20% is projected in fiscal 2021 (NIKKEI Advertising Research Institute), and the rising demand for the design of digital experiences stemming from DX as</p>	<p>Expectations toward the recovery of the economy and “return to the real” foreseen in the post-pandemic period</p> <p>Considering the trends of companies and consumers in Japan and overseas, TOW holds expectations regarding the return to the real in the post-pandemic period. They expect that diverse</p>
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opportunities, TOW will accelerate their digital growth.	“real” activities will be revived in events including direct experiences, sales promotion at physical stores, and B2B conferences.
Favorable opportunity where the revival and diversification of experiences in both digital and real environments are anticipated	

◎ Policies for FY 6/2022

1 To use the knowledge cultivated in the previous term as leverage to expand online promotion	×	2 To grasp the trends of economic recovery and return to the real to receive more orders for real experience measures
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(Taken from the reference material of the company)

Aiming for the expansion of business domains and the recovery of performance through “**growth based on two pillars**”

◎ Actions in FY 6/2022 (① Establishment of organizations for each function for expanding their business domain)

<div style="background-color: black; color: white; padding: 5px; text-align: center;">IP Office "Social Media Group"</div> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 10px;"> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">SNS account management</div> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">Platform Development</div> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">SNS Advertising</div> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">SNS x Online Events</div> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">SNS x Video</div> <div style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">SNS Campaign</div> </div> <div style="text-align: center; margin-top: 10px;"> </div> <p style="font-size: 10px; margin-top: 10px;">This consists of members who have experience in SNS promotion. We provide the best experience design and operation based on the results of SNS-based promotions such as Insta Live and Twitter campaigns.</p>	<div style="background-color: black; color: white; padding: 5px; text-align: center;">Customer Experience Marketing Office</div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">Research データ分析・調査設計</td> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">Strategic Planning 戦略立案</td> </tr> <tr> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">KPI Design 施策の成果目標設計</td> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">Analysis / PDCA 体験価値の測定・分析</td> </tr> <tr> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">Digital Marketing デジタルマーケティング運用</td> <td style="background-color: #800080; color: white; padding: 5px; font-size: 8px;">R&D 自社ツール/ネットワーク開発</td> </tr> </table> <p style="font-size: 10px; margin-top: 10px;">A new department dedicated to "optimizing results with the experience value" was established. A multi-disciplinary team consisting of personnel from diverse fields such as strategic planners, data scientists, digital producers and planners. The team is responsible for strategy planning, effectiveness measurement, and PDCA operation in an integrated manner.</p>	Research データ分析・調査設計	Strategic Planning 戦略立案	KPI Design 施策の成果目標設計	Analysis / PDCA 体験価値の測定・分析	Digital Marketing デジタルマーケティング運用	R&D 自社ツール/ネットワーク開発
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Digital Marketing デジタルマーケティング運用	R&D 自社ツール/ネットワーク開発						

(Taken from the reference material of the company)

◎ Actions in FY 6/2022 (② Development of TOW's original solutions)

Promotion DX Package

プロモーション PROMOTION DX

Launched a package to realize the digital transformation (DX) of customer experience at the "front line of customer contact" for companies.

TOW Group Kamiyacho Studio

神町スタジオ
powered by TOW Group

In response to the growing demand for online events, we have opened a new distribution studio in our head-quarters as part of our efforts to create an environment that completes the entire process from content production to distribution.

Experience Design Engine

体験デザインエンジン

We have developed a unique solution that accumulates data on the results of the experience facilities we work on and analyzes it using our own algorithm to find the "optimal solution for the experience."

(Taken from the reference material of the company)

3. Fiscal Year ended June 2021 Earnings Results

(1) Consolidated Earnings

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales	YoY	Forecast (as of Jun. 24, 2021)	Difference from the forecast
Sales	19,325	100.0%	12,209	100.0%	-36.8%	12,069	+1.2%
Gross profit	3,239	16.8%	1,470	12.0%	-54.6%	-	-
SG&A	922	4.8%	815	6.7%	-11.7%	-	-
Operating Income	2,316	12.0%	655	5.4%	-71.7%	558	+17.5%
Ordinary Income	2,332	12.1%	698	5.7%	-70.0%	600	+16.5%
Quarterly Net Income Attributable to Owners of Parent	1,584	8.2%	455	3.7%	-71.2%	387	+17.8%

*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 decreased 36.8% and 70.0%, respectively, year on year.

Sales dropped 36.8% year on year to 12,209 million yen. As mentioned above, the company plans to establish TOW Experience Design Model, which will help increase new customers and develop and energize existing customers by exerting the ability to create attractive contents and the ability to activate the platform through the planning and production based on experience value. Then, the company aims to improve the value provided by the corporate group and to grow its business, and envisions to become a production for designing outcomes based on experience value.

Although the large-scale transactions with governmental offices and groups contributed and business inquiries for online promotion measures increased, their business was significantly affected by the decrease of real events caused by the spread of the novel coronavirus. Operating income dropped 71.7% year on year to 655 million yen. Gross profit margin declined from 16.8% in the previous term to 12.0%, but SG&A was reduced from the previous term through appropriate control according to business performance. Regarding non-operating performance, the revenue from subsidies was posted, ordinary income decreased 70.0% year on year to 698 million yen, and net income attributable to owners of parent dropped 71.2% year on year to 455 million yen.

BRIDGE REPORT



Both sales and profits exceeded the company's estimates.

For dividends, the company paid a term-end dividend of 6.80 yen/share as forecasted, for an annual dividend of 12.90 yen/share.

Sales by Industry

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales	YoY
Information, Communication	2,783	14.4%	2,297	18.9%	-17.5%
Automobiles	3,699	19.2%	1,297	10.6%	-64.9%
Foods, Beverages, and Luxury Goods	1,199	6.2%	930	7.6%	-22.4%
Cosmetics, Toiletries, and Sundries	1,398	7.3%	855	7.0%	-38.9%
Governments, Organizations	6,681	34.7%	4,783	39.3%	-28.4%
Finance	683	3.5%	585	4.8%	-14.3%
Transportation and Leisure	841	4.4%	423	3.5%	-49.7%
Precision Instruments, Other Manufacturing	667	3.5%	414	3.4%	-37.9%
Wholesale, Retailing	656	3.4%	259	2.1%	-60.4%
Other	659	3.4%	337	2.8%	-48.9%
Total	19,266	100.0%	12,180	100.0%	-36.8%

*Excluding the sales of planning

*Unit: million yen

- Sales dropped from the previous term in all business categories. The decreases in the fields of information, communication, beverages, etc. were relatively insignificant, as there were many online transactions in these fields.
- The sales in the field of automobiles decreased significantly from the same period of the previous year, in which there were large-scale transactions and many events.
- The sales in the field of governments and organizations declined from FY June 2020, in which there were large-scale transactions with governmental offices.

*The sales in the field of governments and organizations include those from projects related to the Tokyo 2020 Olympic and Paralympic Games.

Number of transactions in each price range

	FY 6/20	Ratio to sales	FY 6/21	Ratio to sales
<¥10.00mn	954	75.7%	828	81.2%
¥10.00~20.00mn	146	11.6%	108	10.6%
¥20.00~50.00mn	100	7.9%	58	5.7%
¥50.00~100mn	34	2.7%	15	1.5%
>¥100mn	26	2.1%	11	1.1%
Total	1,260	100.0%	1,020	100.0%
Average Price (¥1000)	15,290		11,941	

*Excluding the sales of planning

- The ratio of transactions in the price range of less than 10 million yen increased.
- The average price dropped, as large-scale events decreased.
- Online events are more profitable than real events, because a large portion of online events can be produced in house, but venue setup works and equipment for screen images, audio, etc. decrease, so the scale and average price of transactions decline.
- Online promotion is a long-term complex "linked" work, and some of its sales are large, but each project is divided and recorded quarterly, and the price after the division is used for obtaining the average price, so the calculated average price is lower than the actual one.

BRIDGE REPORT

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

	Jun. 20	Jun. 21		Jun. 20	Jun. 21
Cash, Equivalents	5,055	7,580	Accounts Payable	3,152	1,346
Accounts Receivable	6,020	2,631	Short Term Debt	840	840
Uncompleted Work Payments	186	67	Taxes Payable	379	21
Uncollected Payments	3,066	925	Retirement Benefits for Directors	432	429
Prepaid Expenses	51	64	Liabilities	5,937	3,099
Current Assets	14,439	11,325	Net Assets	10,256	10,324
Investments, Other	1,541	1,840	Total Liabilities, Net Assets	16,194	13,423
Noncurrent Assets	1,754	2,098	Interest bearing liabilities	840	840

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

As of the end of FY June 2021, total assets stood at 13,423 million yen, down 2,770 million yen from the end of the previous term.

Current assets decreased 3,114 million yen from the end of the previous term to 11,325 million yen. This is mainly because accounts receivable, notes and accounts receivable-trade, and electronically recorded monetary claims decreased 2,141 million yen, 2,071 million yen, and 1,318 million yen, respectively from the end of the previous term, although cash and equivalents increased 2,524 million yen from the end of the previous term.

Noncurrent assets stood at 2,098 million yen, up 343 million yen from the end of the previous term. Tangible noncurrent assets were 229 million yen, up 40 million yen from the end of the previous term. This is mainly due to the layout change, etc. Intangible noncurrent assets were 28 million yen, up 4 million yen from the end of the previous term. This is mainly due to the upgrade of the order receipt management system, etc. Investments and other assets grew 298 million yen from the end of the previous term to 1,840 million yen. This is mainly because investment securities increased 361 million yen from the end of the previous term, although deferred tax assets decreased 62 million yen from the end of the previous term.

Current liabilities decreased 2,960 million yen from the end of the previous term to 2,528 million yen. This is mainly because accounts payable, other liabilities, and taxes payable decreased 1,810 million yen, 716 million yen, and 358 million yen, respectively from the end of the previous term.

Fixed liabilities augmented 121 million yen from the end of the previous term to 570 million yen. This is mainly because deferred tax liabilities increased 124 million yen from the end of the previous term.

Net assets grew 67 million yen from the end of the previous term to 10,324 million yen. This is mainly because valuation difference on available-for-sale securities increased 247 million yen from the end of the previous term, although retained earnings decreased 200 million yen from the end of the previous term.

Capital-to-asset ratio rose 13.4 points from the end of the previous term to 76.5%.

Cash Flow

	FY 6/20	FY 6/21	YoY	
Operating CF (A)	1,142	3,388	+2,245	+196.4%
Investment CF (B)	-110	-206	-95	-
Free CF (A+B)	1,032	3,182	+2,149	+208.2%
Financing CF	-731	-657	+73	-
Cash, Equivalents at the end of term	5,055	7,580	+2,524	+49.9%

*Unit: million yen

The balance of cash and cash equivalents as of the end of FY June 2021 stood at 7,580 million yen, up 2,524 million yen from the end of the previous term.

The company posted a cash inflow of 3,388 million yen from operating activities (a cash inflow of 1,142 million yen in the previous term). This is mainly because trade accounts receivable decreased 3,389 million yen and accounts receivable dropped 2,396 million yen, while trade accounts payable declined 1,805 million yen.

The company posted a cash outflow of 206 million yen from investment activities (a cash outflow of 110 million yen in the previous

term). This is mainly because 191 million yen was spent for acquiring tangible noncurrent assets.

The company posted a cash outflow of 657 million yen from financial activities (a cash outflow of 731 million yen in the previous term). This is mainly because the expenditure for dividends was 656 million yen.

4. Fiscal Year ending June 2022 Earnings Forecasts

(1) Consolidated Earnings

	FY 6/21 Act.	Ratio to sales	FY 6/22 Est.	Ratio to sales	YoY
Sales	12,209	100.0%	12,339	100.0%	+1.1%
Operating Income	655	5.4%	967	7.8%	+47.6%
Ordinary Income	698	5.7%	1,000	8.1%	+43.1%
Net Income Attributable to Owners of Parent	455	3.7%	622	5.0%	+36.5%

*Unit: million yen

For FY 6/22, sales are projected to grow 1.1% and ordinary income is forecasted to rise 43.1%.

For FY June 2022, it is expected that sales will grow 1.1% year on year to 12,339 million yen, operating income will rise 47.6% year on year to 967 million yen, ordinary income will increase 43.1% year on year to 1 billion yen, and net income attributable to the shareholders of the parent company will grow 36.5% year on year to 622 million yen. The business environment remains uncertain due to the extension of the state of emergency, the expansion of target regions of the state of emergency, etc., so it is difficult to forecast earnings. However, the company decided to forecast and announce earnings based on available information, forecasts, etc. because the number of orders received has been recovering from the same period of the previous year. According to situations, the company will consider revising the earnings forecasts and announce the revised forecasts when necessary.

There are no longer large-scale transactions with governmental offices or groups, which were recorded in the previous term, but sales are projected to rise slightly, as the company will take advantage of the growth of the online domain and the recovery of real events despite the lingering impact of the novel coronavirus. While large-scale transactions with governmental offices and groups are forecasted to decrease from the previous term, the company will strive to increase ordinary transactions and monetize the value provided by specialized personnel, so gross profit margin is expected to increase. SG&A is projected to augment, through the active recruitment of new graduates, the investment in development of an experience design engine, which is a database of outcomes, etc. Accordingly, it is expected that operating income, ordinary income, and net income attributable to the shareholders of the parent company will increase year on year.

Summary

Considering the trends of digitization and return to the real as growth opportunities, the company aims to **grow the two pillars, online promotion and re-expand real events.**

To contribute to the results of clients' businesses through "one-time and linked experience designs"

To design outcomes through organizations for respective functions and in-house solution development

To recover and improve business performance by increasing transactions, expanding its business domain, and monetizing provided value

Regarding dividends, the company temporarily abolished the policy of setting the upper limit of consolidated payout ratio at 50% like in the previous term, and plans to pay a dividend of at least 14 yen/share, which was calculated by multiplying the closing price on August 6, 2021, which is the day before the announcement of financial results, by a dividend yield of 4.5%. Accordingly, the company plans to pay an interim dividend of 7.00 yen/share and a term-end dividend of 7.00 yen/share for an annual dividend of 14.00 yen/share.

Progress of business in FY 6/22

		FY 6/21 (as of Aug. 5, 2020)	FY 6/21 (as of Jul. 30, 2021)	Change from the previous term
Transactions with institutions other than governmental offices and groups	Backlog of orders (sum of A, B, and I)	2,449	3,865	1,416
	Sum of II and III	2,002	1,397	-605
Transactions with governmental offices and groups	Backlog of orders (sum of A, B, and I)	4,213	685	-3,528
	Sum of II and III	90	32	-58
Total	Backlog of orders (sum of A, B, and I)	6,663	4,550	-2,113
	Sum of II and III	2,092	1,429	-663

* Unit: million yen

A: Transactions for which event scale (price), schedules, etc. have been determined
B: Transactions for which orders are to be placed, but there are uncertainties over price, schedules, etc.
I: Transactions for which the company is likely to receive orders (probability of 80% or higher)
II: Planned and proposed transactions for which the company is likely to receive orders (probability of 50% or higher)
III: Transactions that are being planned or proposed

- In FY 6/22, there are no large-scale transactions with governmental offices or groups, which existed in the previous term, but the backlog of orders* for ordinary transactions is recovering from the same period of the previous year.
- In ordinary transactions, the company will increase online ones further and take advantage of the recovery of real events. The transactions with governmental offices and groups include those for the Tokyo 2020 Olympic and Paralympic Games.
*Backlog of orders: This means the recent progress of order receipt.

5. Conclusions

Due to the strong impact from the spread of the novel coronavirus, sales and profit dropped considerably in FY June 2021. While many enterprises fell into the red in various field, the company earned a profit. For this, the company can be highly evaluated. This can be considered as the company's instantaneous effort on online promotion had succeeded. For FY June 2022, there is a possibility that the coronavirus will spread although vaccination is progressing, and the recovery of real events will be delayed. However, the company is considered the most advanced in the field of online promotion, and in anyway, profit is expected to grow from the previous term, which was considered the worst period.

At the end of FY June 2021 amid the coronavirus pandemic, free CF was 3,182 million yen, up 208.2% from the previous term, cash and cash equivalents stood at 7,580 million yen, up 49.9%, capital-to-asset ratio was 76.5%, up 13.4 points, and the amount of debts was small. The financial foundation of the company has been fortified, although it was originally good. It can be inferred that the financial foundations of many small and medium-sized enterprises, etc. will falter due to the novel coronavirus, but TOW, which is a leading company in the field and possesses a robust financial foundation earning a profit, may win the trust of clients and expand its market share.

<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 8, 2021

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 4-1-2 Commitment to the mid-term management plan】 【Principle 5-2 Formulation and announcement of management strategies and plans】

The company considers that the most important is to attain performance goals for a single fiscal year, and currently refrains from formulating a mid-term management plan.

To achieve sustainable growth, the company believes that it is important to set a management vision and design strategies from the mid-term viewpoint, and makes an announcement when it has confirmed the trend of the business environment and the effects of measures.

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 24, 2021, 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.

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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