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

## Company Information

Market	TSE Prime Market
Industry	Service
President	Kenichi Muratsu
HO Address	Tokyo, Minato-ku, Toranomom 4-3-13, Hulic Kamiyacho Building 3F
Year-end	June
Homepage	<a href="https://tow.co.jp/en/">https://tow.co.jp/en/</a>

## Stock Information

Share Price	Shares Outstanding (Excluding treasury shares)	Total market cap	ROE Act.	Trading Unit	
¥321	40,272,344 shares	¥12,927 million	5.8%	100 shares	
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
¥14.40	4.5%	¥7.01	45.8 x	¥231.21	1.3 x

\*Share price as of closing on February 17, 2023. Number of shares issued at the end of the most recent quarter excluding treasury shares.

ROE and BPS are results from FY 6/22, EPS and DPS are results from FY 6/23 forecast (average value of range forecast).

Numbers are rounded.

## Consolidated Earnings

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Act.)	11,134	883	924	598	13.22	14.00
June 2023 (Est.)	12,000	1,076	1,100	289	7.01	14.40

\*Unit: million-yen, yen. Estimates are those of the Company. From the FY ended March 2016, the definition of 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 2023 2Q earnings results and the outlook for the fiscal year ending June 2023 for TOW.

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## Key Points

- In 2Q of FY June 2023, sales and ordinary income decreased 6.3% and 14.3%, respectively, year on year. While the entire advertisement market was sluggish, corporate promotion activities, which is the main field for TOW, showed a recovery trend in the growing digital ad market. On the other hand, there were the effects of the seventh wave of COVID-19 and the recoil from the Tokyo Olympic and Paralympic Games in 2020, decreasing the sales of the company. In terms of profit, ordinary income margin dropped, mainly due to the decline in gross profit margin. Profit attributable to owners of parent decreased 96.7% year on year, as the company posted 647 million yen as merit rewards or special merit rewards for retired executives in the section of extraordinary loss. Regarding the comparison with the earnings forecast of the company, sales and all kinds of profits exceeded the maximum amounts of the initial forecast ranges. Regarding dividends, the company will pay a dividend of 7.20 yen/share, as expected at the beginning of the term.
- The full-year forecast calls for a 7.8% increase in sales and a 19.0% growth of ordinary income. At the beginning of the term, consolidated earnings forecast was represented with ranges, but this time, it was revised to the amounts close to the maximum amounts of the initial forecast ranges. There remain uncertainties over the business environment, but the impact of COVID-19 has subsided. Accordingly, the forecast has been revised based on currently available information, predictions, etc. The company aims to grow both its real-event and online domains, while seeing the recovery trend of economic activities, the changes in people's behavior, and the growing digital ad market. In terms of profit, the company will continue efforts to secure revenues by monetizing the value provided by specialized personnel and optimizing the order placement process. The company will curtail SGA by controlling expenses, but conduct investment in the enhancement of recruitment and the development of solutions for business growth. There is no revision to the forecast dividend, and the company plans to pay a term-end dividend of 7.20 yen/share for a total of 14.40 yen/share per year.
- In 2Q of FY June 2023, sales and profit declined, but sales and all kinds of profits exceeded the maximum amounts of the initial forecast ranges, so it can be said that they made a good start. Sales dropped, mainly due to the recoil from the large-scale projects related to the Tokyo Olympic and Paralympic Games in 2020 for governmental offices and groups, but the sales excluding those from governmental offices and groups increased 2.6%. In addition, projects with expected sales of 20 to 100 million yen are increasing, so it seems that projects excluding those for governmental offices and groups are becoming larger. The sales in the automobile industry, which is the main target of the company, decreased considerably, mainly due to the shortage of semiconductors, but automobile manufacturers are increasing production output to catch up, and this is likely to contribute to the number of orders received from the next term. Inside Japan, the restrictions on travel were eased, events were resumed actively, and the restriction on the entry to Japan was lifted, leading to the rapid increase of foreign tourists. The business environment is expected to be more favorable.

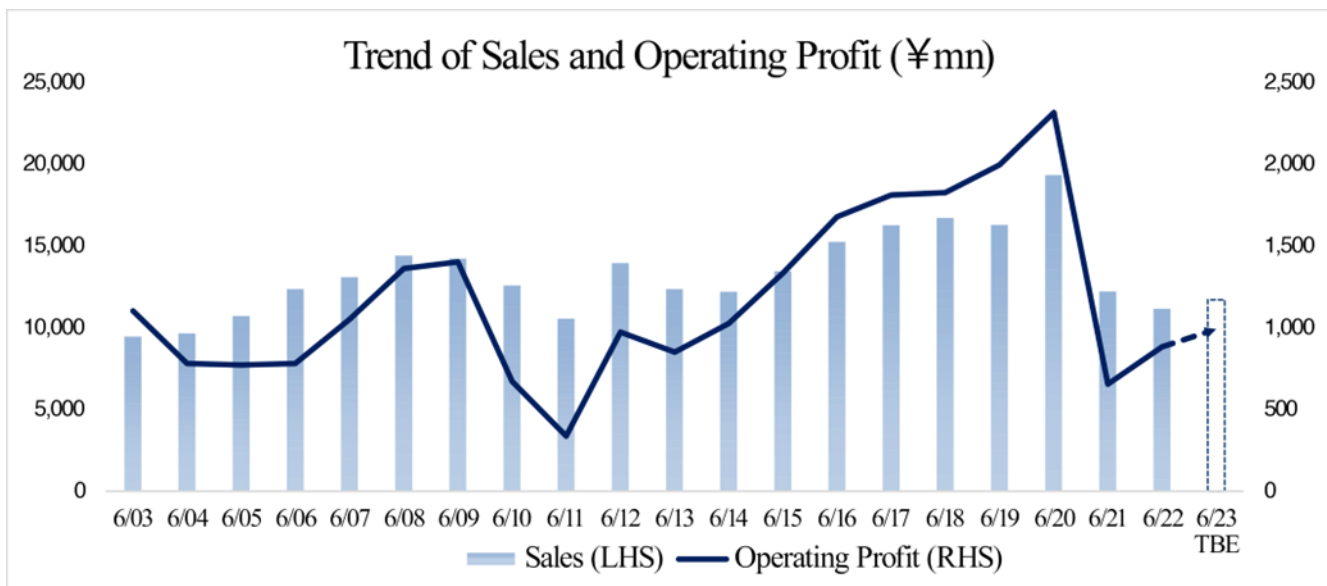
## 1. Company Overview

TOW is the largest independent company in the field of events and promotion of the advertising industry and is listed on the Prime market 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.

The corporate group is composed of TOW Co., Ltd. and its consolidated subsidiary T2 Creative Co., Ltd. (hereinafter called “T2C”), which produces, operates, and directs events and produces videos (as of the end of December 2022).

“Interactive Promotion (IP)” means the promotion through the creation of impressive experiences with digital technologies and ideas and the distribution of information on the experiences to win sympathy.



### 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. conducts mainly the “production,” “operation,” and “direction” of events.

**Purpose**

The company set its purposes with the hope of contributing to customers, residents, and society based on “the value of experience,” which is the universal strength of the company.



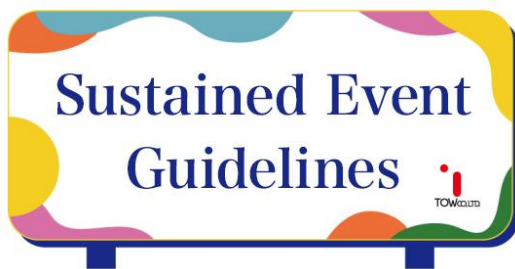
(Taken from the reference material of the company)

**Efforts for sustainable growth**

**Initiatives for conserving the environment**

**Formulated the “guidelines for sustainable events” for conserving the environment, to contribute to the realization of a sustainable society.**

The company checks the processes of producing events, sets action plans for reducing environmental burdens, and offer optimal measures according to the purposes of events and requests from organizers.



(Taken from the reference material of the company)

The company formulated these guidelines as part of efforts to attain the sustainable development goals (SDGs) proposed by the United Nations.

For details:

<https://tow.co.jp/sustainaevents/>

**Initiatives for improving human capital**

In order to bring out the abilities of employees, which constitute a growth driver, the company has made various efforts to develop a comfortable environment in which employees can flourish in a variety of ways while feeling that their jobs are worthwhile.

~2021	2022~2023
Childcare leave, childcare allowance, and financial insurance supplement	<b>Revision of Reward System</b> Increased job performance pay and increased average monthly salary by 5.9% for all employees
Reemployment system for older employees, nursing care leave system	<b>Introduction of a selective career system</b> Transitioned to a course-based job group system to realize diverse work styles.
Telecommuting system that allows you to work from anywhere	<b>Revision of evaluation system</b> Revision to a system that better evaluates the will of employees
Promote employment of persons with disabilities	<b>Diverse human resource development and support</b> Appointment of female directors, 1-on-1 interviews with employees, introduction of a mentoring system, career development support for female employees, and training for management
Diverse education and training programs	<b>Employment Initiatives for People with Disabilities</b> Promote employees in cooperation with companies that provide employment support through Smart Agri

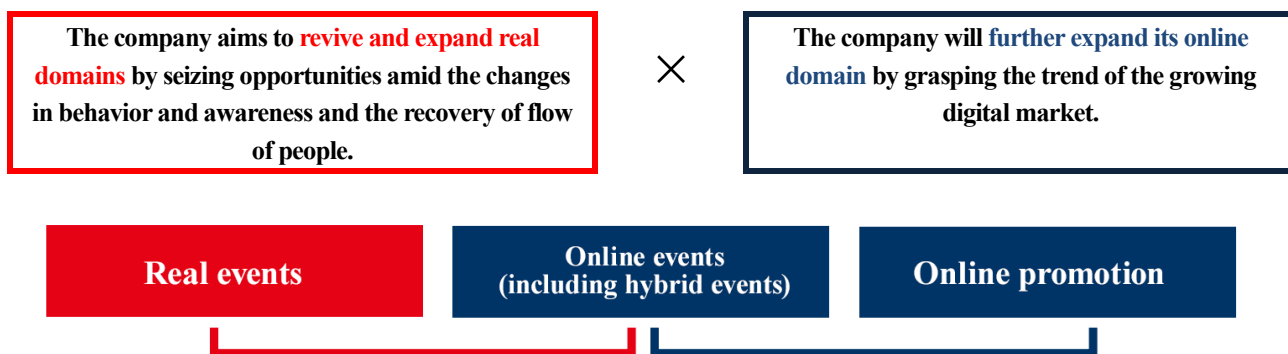
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The company will continuously enhance the initiatives, in order to keep growing.

## 2. Action plan for FY June 2023

### Policy at the beginning of the term

As people’s awareness and lifestyles are expected to change and become active, **the company will impress and excite people while winning their sympathy and contribute to the outcomes of enterprises’ activities by “designing customers’ experiences based on the value of experience.”**



**Strengthen "events," our strength, both online and offline** **Gaining a reputation for "TOW's strength in online**

(Taken from

(reference material of the company)

**The company will enhance the three categories for mid/long-term growth.**

Keywords for executing the policy = “expansion” and “contribution to business”

<b>Expansion</b>	<ul style="list-style-type: none"> <li>● To expand the target area by comprehensively designing customers’ experiences</li> <li>● To hold real events in various ways, while grasping opportunities accompanying the changes in behavior and awareness and the recovery of flow of people</li> <li>● To expand the priority areas “social media,” “videos,” and “digital advertisement”</li> </ul>
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**Contribution to business**

- To contribute to business through the growth vision “designing outcomes based on the value of experience”
- To help clients attract and develop customers by designing experiences combining spots and routes

**Review of the second quarter of FY June 2023**

**Events including street promotion and catering recovered, promoting people to have real experiences.**

Due to the recovery of flow of people and the changes in lifestyles, the number of “outdoor” and “catering” events, which represent real experiences, recovered significantly.

This contributed to the vitalization of society and people.



(Taken from the reference material of the company)

**To keep promoting the online domain based on social media campaigns and videos**

The company expanded its new online domain, including the operation of social media accounts for developing customers, the operation of digital ads aimed at attracting customers, and core videos for communication.










(Taken from the reference material of the company)

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**The unique solution to “create experiences in a new era,” contributed, too.**

The company energized marketing and proposal-giving activities by utilizing unique solutions based on the combination of the knowledge of planning and producing events and new ideas, designed experiences by fusing spots and routes, and helped clients attract, develop, and vitalize customers.

SNS Account Management	Digital Advertising	Video
 <p>Account manager for "beauty drinks" and "cosmetic brands for adults". Provides information on daily makeup and body care.</p>  <p>Regularly sends out useful information for daily life, such as recipes using "kitchen appliances," campaign information, and events and topics on the theme of "SDGs".</p> 	 <p>DEEBOT OMNI 30,000円OFF ¥56,800円 税込ポイント付 楽天スーパーSALE 9/4(日)・9/11(日) 今、一番「評価」されているロボット掃除機</p>  <p>楽天ブラックフライデー 今だけ限定大感謝価格 11/22(火)・11/27(日) ¥63,700円OFF 今、一番「評価」されている 史上最強のロボット掃除機 DEEBOT OMNI</p>	 
<p>More and more accounts are being handled as a total service, from design to launch and operation</p>	<p>Digital advertisement placement linked to e-commerce site sales</p>	<p>Promotions utilizing video as the core of communication</p>

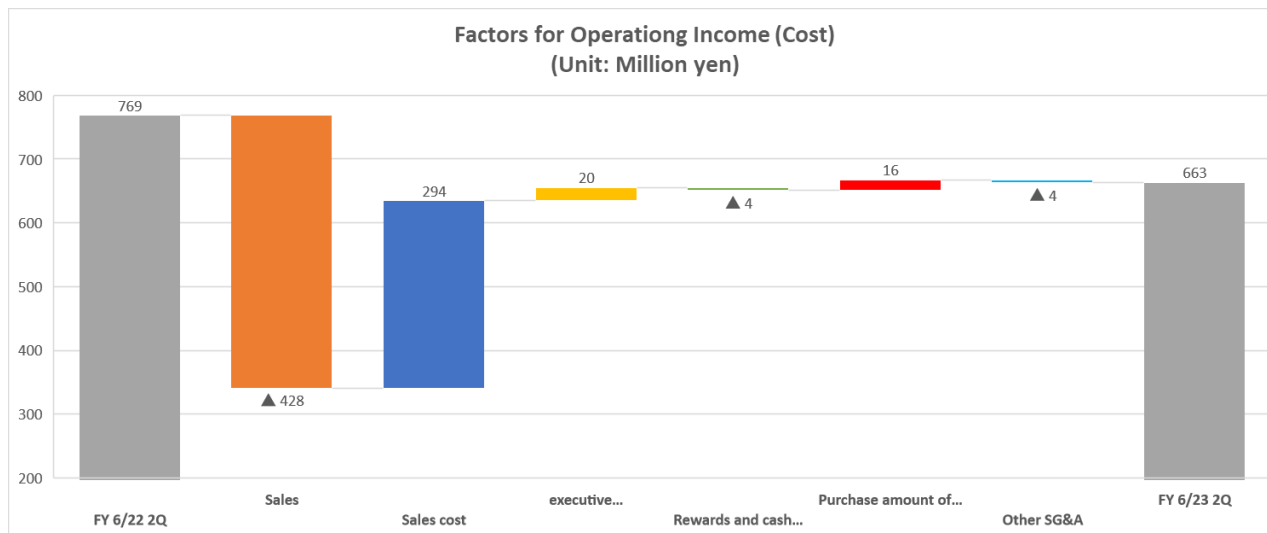
(Taken from the reference material of the company)

### 3. Fiscal Year ended June 2023 2Q Earnings Results

#### (1) Consolidated Earnings

	FY 6/22 2Q	Ratio to sales	FY 6/23 2Q	Ratio to sales	YoY	Company Forecast	Forecast Ratio
Sales	6,820	100.0%	6,392	100.0%	-6.3%	6,084	+5.1%
Gross profit	1,208	17.7%	1,075	16.8%	-11.1%	-	-
SG&A	439	6.4%	411	6.4%	-6.5%	-	-
Operating Income	769	11.3%	663	10.4%	-13.7%	538	+23.4%
Ordinary Income	790	11.6%	677	10.6%	-14.3%	549	+23.4%
Quarterly Net Income Attributable to Owners of Parent	523	7.7%	17	0.3%	-96.7%	-266	-

\*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)  
The company's forecast is the average of the forecast range.



\*Produced by Investment Bridge Co., Ltd. with reference to the disclosed material.

\*The ▲ in the expense item represents an augmentation in expenses.

#### Sales and ordinary income dropped 6.3% and 14.3%, respectively, year on year.

Sales declined 6.3% year on year to 6,392 million yen. The entire advertisement market was sluggish, due to the skyrocketing prices of resources and the economic slowdown due to global inflation and monetary tightening. After the seventh wave of COVID-19, which lasted from July to August 2022, subsided, people started to return to real events through the changes in behavior and awareness and the recovery of flow of people. As the digital ad market is growing, the online promotion domain is healthy, and the corporate promotion market, which is the main field for TOW, is recovering. On the other hand, due to the recoil from the seventh wave of COVID-19 and the Tokyo Olympic and Paralympic Games in 2020, sales decreased.

The sales in each category are as follows.

	FY 6/22 2Q		FY 6/23 2Q		
	Sales	Ratio to Sales	Sales	Ratio to Sales	Sales
Real Events					
Online Events	2,441	35.8%	3,454	54.0%	+41.5%
Online Promotion	2,319	34.0%	714	11.2%	-69.2%
Other	1,972	28.9%	2,060	32.2%	+4.5%
Total	87	1.3%	163	2.6%	+86.2%



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Real Events	6,820	100.0%	6,392	100.0%	-6.3%
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\*Unit: million yen.

- ① Real events: Sales grew 41.5% to 3,454 million yen. Although the business was affected by the seventh wave of COVID-19, the number of events including street promotion and catering rebounded thanks to the recovery of flow of people and changes in lifestyles, resulting in a significant increase in sales.
- ② Online events: Sales dropped 69.2% to 714 million yen. In addition to the switch from online events to real ones, and some large-scale events held in the same period of the previous year were not conducted, resulting in a drop in sales.
- ③ Online promotion: Sales rose 4.5% to 2,060 million yen. Business inquiries about online promotion measures, including promotion based on social media and videos and digital ads, increased steadily.
- ④ Other: Sales increased 86.2% to 163 million yen. The company received orders from governmental offices and groups.

Operating income decreased 13.7% year on year to 663 million yen. In terms of profit, the company proceeded with the monetization of the value provided by personnel with expertise, the securing of revenues through the optimization of order placement, and cost control, including the curtailment of SGA. Operating income margin declined year on year from 11.3% to 10.4%, as gross profit margin decreased year on year from 17.7% to 16.8%, despite the reduction of SGA. In non-operating revenues, dividends received decreased, so ordinary income decreased 14.3% year on year to 677 million yen. As the company posted 647 million yen as merit rewards and special merit rewards for retired executives in the section of extraordinary losses, profit attributable to owners of parent dropped 96.7% year on year to 17 million yen. Sales and all kinds of profits exceeded the maximum amounts of the forecast ranges (sales of 6,344 million yen, an operating income of 585 million yen, an ordinary income of 597 million yen, and a profit attributable to owners of parent of 223 million yen).

Regarding dividends, the company will pay 7.20 yen/share as forecasted at the beginning of the term.

### Sales by Industry

Expansion of the next promising domain through the development of new mainstay business for platform providers, etc.

	FY 6/22 2Q	Ratio to sales	FY 6/23 2Q	Ratio to sales	YoY
Information, Communication	1,416	20.8%	1,859	29.1%	+31.3%
Automobiles	1,282	18.9%	690	10.8%	-46.2%
Foods, Beverages, and Luxury Goods	592	8.7%	851	13.4%	+43.7%
Cosmetics, Toiletries, and Sundries	536	7.9%	591	9.3%	+10.3%
Governments, Organizations	1,062	15.6%	491	7.7%	-53.7%
Finance	201	3.0%	300	4.7%	+49.1%
Transportation and Leisure	575	8.4%	470	7.4%	-18.3%
Precision Instruments, Other Manufacturing	670	9.9%	195	3.1%	-70.9%
Wholesale, Retailing	262	3.9%	434	6.8%	+65.5%
Other	197	2.9%	493	7.7%	+149.7%
Total	6,798	100.0%	6,379	100.0%	-6.2%
Of the above, game transactions	668	9.9%	762	11.9%	+14.1%

\*Excluding the sales of planning

\*Unit: million yen

- The sales in the information and telecommunication industry expanded, partially thanks to **the growth of digital platform providers**.
- **The sales in the automobile industry decreased, partially due to the global shortage of semiconductors.**
- The sales in the industry of food and beverages **increased, due to the recovery of real events** in addition to online promotion.
- The sales in the cosmetics, toiletries and sundries were healthy.
- The sales in the industry of governments and organizations declined, partially due to the projects for the Tokyo Olympic and Paralympic Games in 2020.

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- The sales from video game-related business remained healthy.

### Number of transactions in each price range

The number of orders, mainly medium-scale ones, increased.

	FY 6/22 2Q		FY 6/23 2Q		Ratio to sales	
	Price	Number	Price	Price	Number	Price
~¥10.00mn	1,307	482	1,413	553	+105	+14.7%
¥10.00~20.00mn	1,121	79	1,154	83	+32	+5.1%
¥20.00~50.00mn	1,222	39	1,850	60	+627	+53.8%
¥50.00~100mn	687	10	1,399	20	+711	+100.0%
¥100mn~	2,458	13	562	4	-1,896	-69.2%
Total	6,798	623	6,379	720	-419	+15.6%
Transaction Unit	10.9		8.8		-2.0	

\*Excluding the sales of planning

\*Unit: million yen

- The number of orders increased 15.6% from the previous year.
- The number of medium-scale orders increased, boosting sales.  
The number of orders worth 20 to 50 million yen grew 53.8% from the previous year.  
The number of orders worth 50 to 100 million yen grew 100% from the previous year.
- The number of large-scale orders and average spending per client decreased due to the recoil from the Tokyo Olympic and Paralympic Games in 2020.

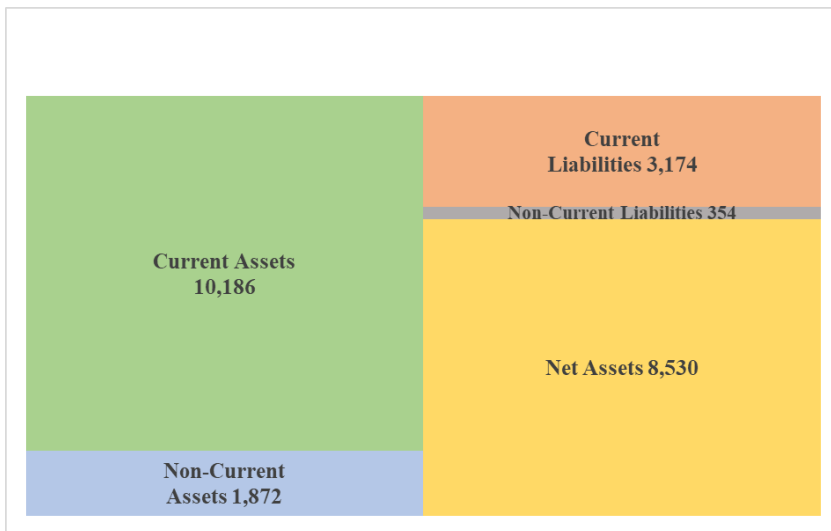
## (2) Financial Condition & Cash Flow

### Financial Condition

	Jun. 22	Dec. 22		Jun. 22	Dec. 22
Cash, Equivalents	8,590	5,786	Accounts Payable	1,087	1,872
Accounts Receivable	2,132	3,379	Short Term Debt	840	840
Uncompleted Work Payments	131	77	Taxes Payable	267	84
Uncollected Payments	528	757	Retirement Benefits for Directors	454	290
Prepaid Expenses	97	148	Liabilities	3,219	3,529
Current Assets	11,537	10,186	Net Assets	10,544	8,530
Investments, Other	2,005	1,670	Total Liabilities, Net Assets	13,764	12,059
Noncurrent Assets	2,226	1,872	Interest bearing liabilities	840	840

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

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\*Produced by Investment Bridge Co., Ltd. with reference to the disclosed material.

The total assets as of the end of 2Q of FY June 2023 stood at 12,059 million yen, down 1,704 million yen from the end of the previous term, because the company acquired treasury shares.

Current assets decreased 1,350 million yen to 10,186 million yen, mainly because trade accounts receivable and other accounts receivable increased 1,246 million yen and 229 million yen, respectively, but cash and deposits decreased 2,804 million yen.

Fixed assets decreased 354 million yen to 1,872 million yen. Among fixed assets, tangible fixed assets dropped 15 million yen to 176 million yen, while intangible fixed assets declined 3 million yen to 25 million yen. These decreases are all attributable to mainly depreciation/amortization. Investments and other assets decreased 334 million yen to 1,670 million yen, mainly because insurance reserve decreased 194 million yen and investment securities decreased 126 million yen.

Current liabilities stood at 3,174 million yen, up 575 million yen. This is mainly because income taxes payable decreased 182 million yen, but trade accounts payable augmented 785 million yen.

Fixed liabilities stood at 354 million yen, down 265 million yen. This is mainly because reserve for retirement benefits for officers and deferred tax liabilities decreased 173 million yen and 101 million yen, respectively.

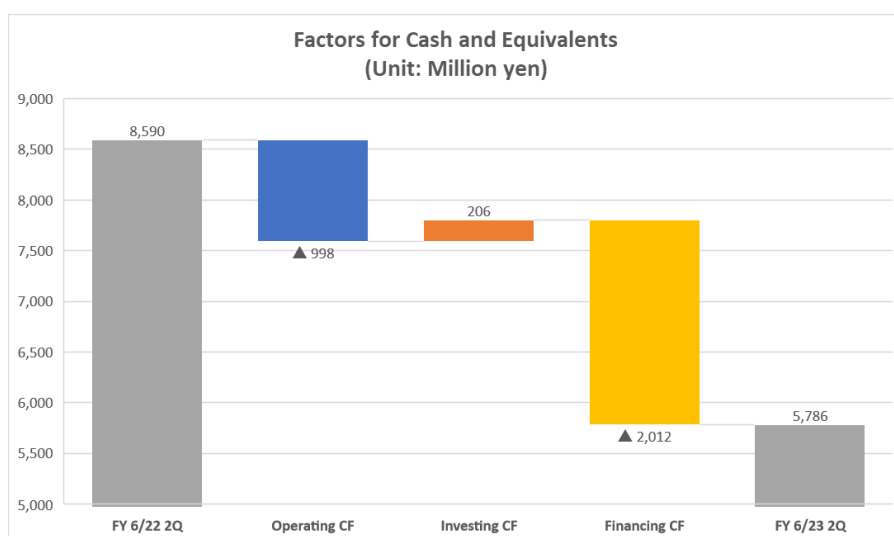
Net assets decreased 2,014 million yen to 8,530 million yen, mainly because the company spent 1,626 million yen to acquire treasury shares, etc. and retained earnings and valuation difference on available-for-sale securities decreased 300 million yen and 87 million yen, respectively.

Capital-to-asset ratio dropped 5.8 points from the end of the previous term to 70.6%.

### Cash Flow

	FY 6/22 2Q	FY 6/23 2Q	YoY	
Operating CF (A)	211	-998	-1,209	-
Investment CF (B)	-39	206	+246	-
Free CF (A+B)	171	-791	-963	-
Financing CF	-244	-2,012	-1,767	-
Cash, Equivalents at the end of term	7,507	5,786	-1,721	-22.9%

\*Unit: million yen



\*Produced by Investment Bridge Co., Ltd. with reference to the disclosed material.

The balance of cash and cash equivalents as of the end of 2Q of FY June 2023 stood at 5,786 million yen, down 1,721 million yen from the end of the previous term.

From operating activities, there was a cash outflow of 998 million yen (a cash inflow of 211 million yen in the same period of the previous year), mainly because the company paid 647 million yen as special merit rewards and 322 million yen as income taxes.

From investing activities, there was a cash inflow of 206 million yen (a cash outflow of 39 million yen in the same period of the previous year). This is mainly because there was a revenue of 219 million yen due to the cancellation of insurance reserve.

From financing activities, there was a cash outflow of 2,012 million yen (a cash outflow of 244 million yen in the same period of the previous year). This is mainly because the company paid 1,694 million yen for acquiring treasury shares and 318 million yen as dividends.

## 4. Fiscal Year ending June 2023 Earnings Forecasts

### Consolidated Earnings

	FY 6/22 Act.	Ratio to sales	FY 6/23 Est.	Ratio to sales	YoY	Estimate at beginning of term
Sales	11,134	100.0%	12,000	100.0%	+7.8%	11,200~12,200
Operating Income	883	7.9%	1,076	9.0%	+21.8%	907~1,076
Ordinary Income	924	8.3%	1,100	9.2%	+19.0%	930~1,100
Net Income Attributable to Owners of Parent	598	5.4%	289	2.4%	-51.6%	95~254

\*Unit: million yen

**For FY June 2023, sales and ordinary income are expected to increase to around the maximum amounts of the initial forecast ranges.**

The full-year forecast calls for sales of 12 billion yen (up 7.8% from the previous term), an operating income of 1,076 million yen (up 21.8% from the previous term), an ordinary income of 1.1 billion yen (up 19.0% from the previous term), and a profit attributable to owners of parent of 289 million yen (down 51.6% from the previous term). At the beginning of the term, consolidated earnings forecast was represented with ranges, but both the forecast sales and profits were revised to the amounts close to the maximum amounts of the initial forecast ranges. There remain uncertainties over the business environment, but the impact of COVID-19 has subsided. Accordingly, the forecast has been revised based on currently available information, predictions, etc. The company aims to grow both its real-event and online domains, while seeing the recovery trend of economic activities, the changes in people's behavior, and the growing digital ad market. In terms of profit, the company will continue efforts to secure revenues by monetizing the value provided by specialized personnel and optimizing the order placement process. The company will curtail SGA by controlling expenses, but conduct investment



in the enhancement of recruitment and the development of solutions for business growth.

There is no revision to the dividend forecast. As the company has temporarily abolished the policy of keeping consolidated payout ratio from exceeding 50% like in the previous term, the minimum dividend is to be 14.4 yen, which was calculated by multiplying the closing value on the day before the date of announcement of financial results (Aug. 8, 2022) by the dividend yield of 4.5%. Therefore, the company plans to pay a term-end dividend of 7.20 yen/share for an annual dividend of 14.40 yen/share.

### Progress of business in FY 6/23

		FY 6/22 (As of Feb. 3, 2022)	FY 6/23 (As of Feb. 3, 2023)	Change from the previous term
Transactions with outside of governmental offices and groups	Backlog of orders (Sum of A, B, and I)	8,436	8,942	+506
	Sum of II and III	891	747	▲144
Transactions with governmental offices and groups	Backlog of orders (Sum of A, B, and I)	1,266	915	▲351
	Sum of II and III	75	90	+15
Total	Backlog of orders (Sum of A, B, and I)	9,702	9,857	+155
	Sum of II and III	966	838	▲128

\* Unit: million yen

A: Transactions for which 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)

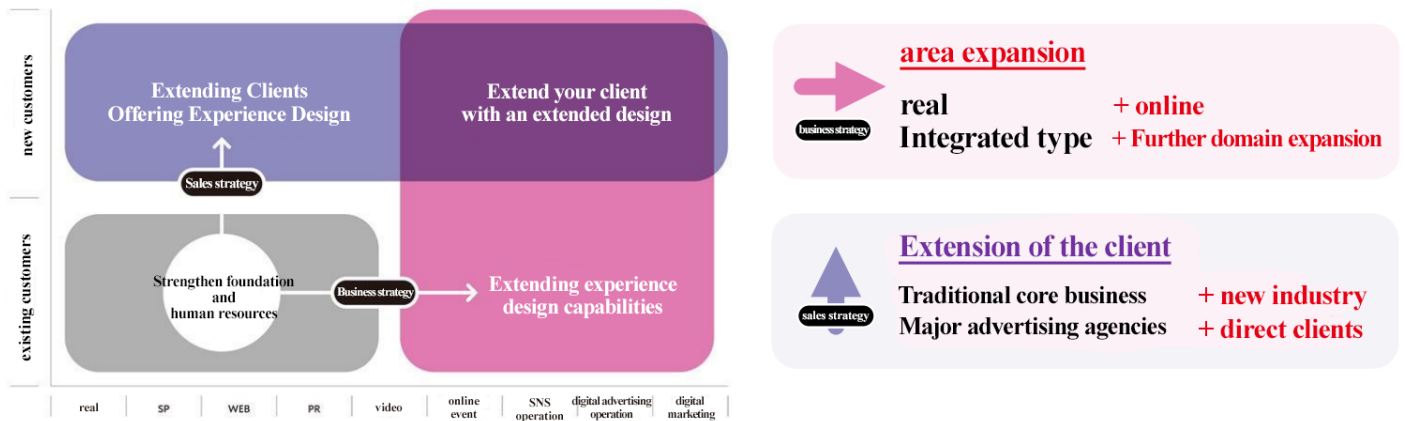
III: Transactions that are being planned or proposed

- The number of orders received in the cumulative second quarter dropped year on year, but the backlog of orders and the progress rate toward the full-year forecast increased from the previous year.
- The year-on-year growth rate of the backlog of orders (indicating the recent progress of order receipt) turned positive, as the company mainly received orders for corporate promotion.
- The progress rate of the total backlog of orders toward the full-year earnings forecast is 82.1% (78% in the same period of the previous year).
- The company did not receive large-scale orders from governmental offices or organizations like in the same period of the previous year, so sales in this field dropped. Some projects for governmental offices and groups are those for the Tokyo Olympic and Paralympic Games in 2020.

### Policy from the third quarter

**To continue the growth strategy announced in February 2021,  
& To implement the “2-axis expansion” strategy for “increasing clients” and  
“expanding the experience design domain”**

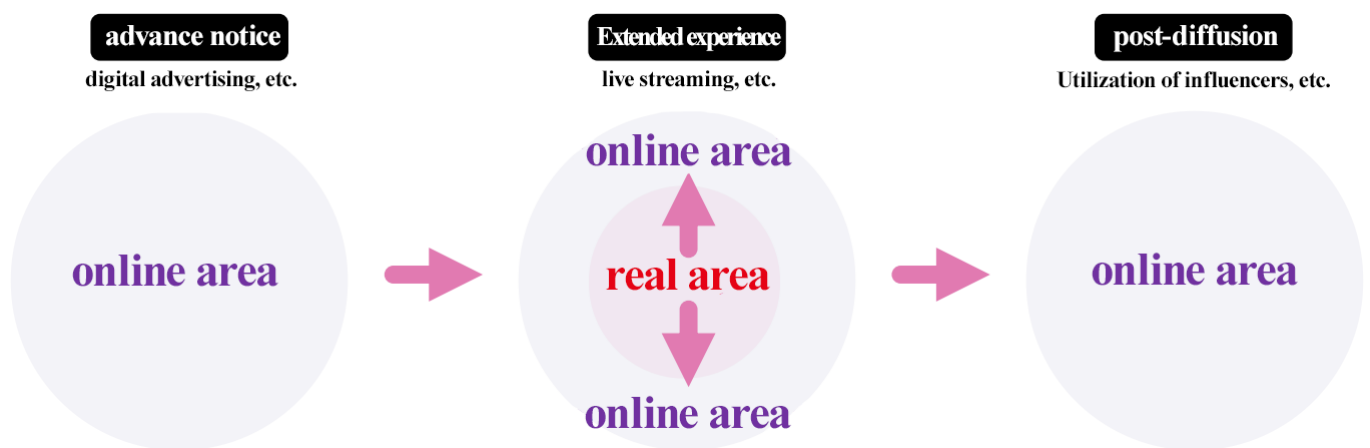
# BRIDGE REPORT



(Taken from the reference material of the company)

## Priority actions from the third quarter

The company aims to maximize effects and outcomes by expanding the online domain “vertically” and “horizontally” based on “real events,” which are on a recovery track.

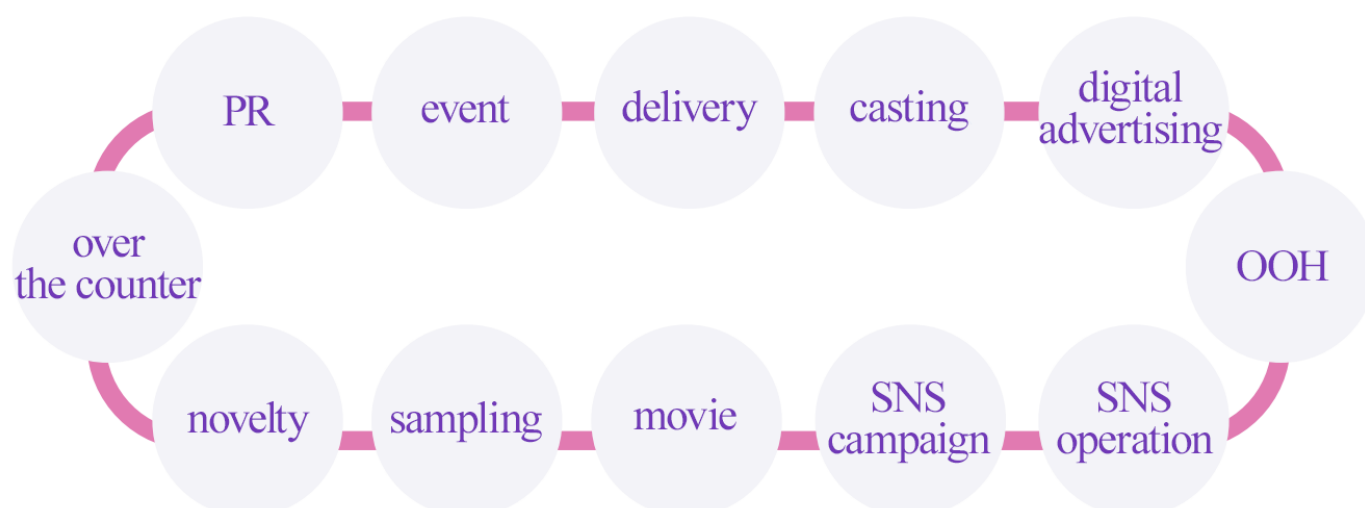


(Taken from the reference material of the company)

To expand the target area for receiving orders based on “integrated promotion planning,” which is the forte of the company

To accelerate integrated promotion while swiftly grasping the changes due to the categorization of the novel coronavirus into “Category 5” on May 8

The company aims to increase the top-line by receiving orders in multiple fields, including online ones, taking advantage of the recovery of real events.



OOH: Abbreviation of “Out of Home.” It collectively means the media for out-of-home advertisements, including transportation advertisements, such as ads in trains and stations, and outdoor advertisements, such as signboards and large-scale digital billboards.

(Taken from the reference material of the company)

## 5. Conclusions

In 2Q of FY June 2023, sales and profit declined, but sales and all kinds of profits exceeded the maximum amounts of the initial forecast ranges, so it can be said that they made a good start. Sales dropped, mainly due to the recoil from the large-scale projects related to the Tokyo Olympic and Paralympic Games in 2020 for governmental offices and groups, but the sales excluding those from governmental offices and groups increased 2.6%. In addition, projects with expected sales of 20 to 100 million yen are increasing, so it seems that projects excluding those for governmental offices and groups are becoming larger. The sales in the automobile industry, which is the main target of the company, decreased considerably, mainly due to the shortage of semiconductors, but automobile manufacturers are increasing production output to catch up, and this is likely to contribute to the number of orders received from the next term. Inside Japan, events were resumed actively thanks to the easing of restrictions on travel, and the restriction on the entry to Japan was lifted, leading to the rapid increase of foreign tourists. The business environment is expected to be more favorable. It is expected that earnings will rebound to the pre-pandemic level (sales of 16,278 million yen, an ordinary income of 2,017 million yen, and an EPS of 29.94 yen in FY June 2019) soon. In September last year, the company acquired 5.5 million treasury shares that account for 12.1% of outstanding shares. The return to shareholders has been enhanced through not only the payment of dividends, but also other ways.

### <Reference: Regarding Corporate Governance>

#### ◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 4 outside ones (including 4 independent outside directors)

#### ◎ Corporate Governance Report Updated on September 30,2022

##### 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 2-4-1 Ensuring Diversity in Appointment of Core Personnel, etc.】

To ensure diversity, the company actively appoints mid-career hires and others as core personnel. Furthermore, as for the promotion of female employees to management positions, there are 12 female managers as of June 2021, accounting for 13.6% of all management positions. The company continues to discuss policies, goals, and environmental improvements, for ensuring diversity.

##### 【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 3-1-3 Initiatives on Sustainability】

##### 【Supplementary Principle 4-2-2 Establishment of Policies concerning Initiatives for Sustainability】

With regard to the company's policies and initiatives on sustainability, the Board of Directors will take the lead in future discussions as necessary to ensure that the company can disclose the impact of climate change-related risks and revenue opportunities on the company's business activities, revenue, etc. in accordance with the TCFD or an equivalent framework, taking into account the appropriate size of the company and industry trends.

##### 【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's top priority is to achieve its performance goals for a single fiscal year, and the formulation of the medium-term management plan is currently put on hold due to the discontinuity of the business environment, however, the company has formulated and announced its business growth vision at the Financial Results Briefing for Q2 of FY June 2021. In addition, the company believes that it is significant to establish a management vision and to develop strategies from a medium-term viewpoint, and will announce its medium-term management plan when the company has confidence in trends in the industry environment and in its verification of the effectiveness of measures.

##### 【Principle 4-8 Effective Use of Independent Outside Directors】

As of the end of the Annual General Meeting of Shareholders in 2021, the Company's Board of Directors consists of 10 directors (including 3 directors who also serve as Audit Committee members), of which 4 are outside directors (including 3 independent outside directors), providing supervision. In appointing directors, including independent outside directors, the Company continues to examine the composition of the Board of Directors, considering the balance of knowledge in corporate management, financial accounting, legal and risk management, industry knowledge, etc. that the Board of Directors holds as a whole.

##### 【Supplementary Principle 4-10-1 Appropriate Involvement and Advice from Independent Outside Directors through the Establishment of a Voluntary Advisory Committee】

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.

##### 【Principle 4-11 Preconditions for Ensuring the Effectiveness of the Board of Directors and the Board of Corporate Auditors】



The company's Board of Directors consists of individuals with professional knowledge and affluent experience in management, risk management, sales, digital and other fields, and the Company recognizes that the size of the Board is appropriate for effectively fulfilling its roles and responsibilities as the Board of Directors. Moreover, the Company's Audit Committee members have affluent experience and a high level of knowledge in finance, accounting, and legal affairs. With regard to diversity including the aspects of gender and internationality, the company continues its efforts to ensure that the appropriate size is considered in the composition of the Board.

### <Main Disclosed Principles>

#### 【Supplementary Principle 1-2-4 Electronic Exercise of Voting Rights, etc.】

Based on the trend of the ratio of institutional and overseas investors among shareholders and other factors, the company will adopt an electronic voting system and an electronic voting platform for the 46th General Meeting of Shareholders.

#### 【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 2-3 Issues regarding Sustainability including Social and Environmental Issues】

The company's Board of Directors recognizes that addressing issues related to sustainability including social and environmental issues is an important management task, and the Environmental Management Committee and other committees are actively working on addressing these issues. Specifically, the company has been working on the environmental issues since 2000, and disclosing the information on its website.

<https://tow.co.jp/iso/>

#### 【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.

The skills matrix is also disclosed in the Notice of Convocation of General Meeting of Shareholders.

#### 【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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