
 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 Standard Market
Industry	Service
President	Kenichi Muratsu
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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	
¥391	40,619,344 shares	¥15,960 million	3.8%	100 shares	
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
¥14.00	3.6%	¥28.95	13.5 x	¥222.28	1.8 x

\*Share price as of closing on February 28 2024. Number of shares issued at the end of the most recent quarter excluding treasury shares.

\*ROE is results in FY 6/23 and BPS is results in the first half of FY 6/24, EPS and DPS are results from FY 6/24 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 (Act.)	11,774	1,150	1,178	355	8.61	14.40
June 2024 (Est.)	16,000	1,748	1,777	1,172	28.95	14.00

\*Unit: million-yen, yen. Estimates are those of the Company. 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 earnings results in the first half of the fiscal year ending June 2024 and the outlook for the fiscal year ending June 2024 for TOW.

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## Key Points

- In the first half of FY June 2024, sales increased 49.6% year on year and ordinary income grew 98.9% year on year. In the events domain, which is the core business, the trend toward returning to real events took momentum on a full-scale basis. Large-scale exhibitions, too, contributed to a substantial increase in sales. In the online domain, sales remained strong due to an increase in hybrid events in both real and online settings. In terms of profit, gross profit margin improved, and operating income margin increased from 10.4% in the same period of the previous year to 13.9%, with a slight increase in SG&A expenses. Sales and all kinds of profits were revised upwardly significantly in December, also exceeding the forecasts. The year-end dividend for the first half of the fiscal year will be 7.00 yen/share, in line with the company's initial forecast.
- The full-year forecast has been revised upwardly significantly in terms of both sales and all kinds of profits. The company plans to increase sales by 35.9% and ordinary income by 50.8% year on year. The results for the first half of the fiscal year outperformed the original plan, in addition to higher SG&A expenses due to active investment in human capital and initiatives on priority themes. The company will continue to promote the expansion of the real domain, take initiatives to further expand the online domain, and promote sales through fee-based tasks by providing high added value and secure revenues by optimizing order placement. In terms of SG&A expenses, in accordance with the sustainability policy, the company will increase basic salaries so that the average annual income will rise 6.7% as a strategic investment in human capital in the second half of the fiscal year. In addition, the company intends to invest in digital technologies, including AI technology and the environmental domain, to lay the foundation for strengthening recruitment, investing in education and training, and initiatives on priority themes for business growth. The forecast for dividends remains unchanged, with the year-end dividend scheduled to be 7.00 yen/share and the annual dividend to be 14.00 yen/share.
- Following the first quarter, sales and profits increased significantly in the first half of the fiscal year, exceeding the company's forecasts, leading to an upward revision of the full-year forecast. However, the revised full-year forecast seems conservative, as the progress rate of sales and ordinary income is 59.8% and 75.9%, respectively. The impact of the COVID-19 is almost gone. From now on, the company can take a full-fledged positive approach. It is expected that the strength of the company's ability to make proposals, as the largest independent company in the field of events and promotion of the advertising industry, will be increasingly demonstrated in the future. Share price has been reviewed following an upward revision, while PER remains low. There is scope for further review in view of high dividend return. In September 2022, the company acquired 5.5 million shares, or 12.1% of its outstanding shares, in a large-scale repurchase of its own shares. The company has stated that it is “considering” the request of the Tokyo Stock Exchange for “Action to Implement Management that is Conscious of Cost of Capital and Stock Price” and is expected to disclose more details and further strengthen shareholder returns in the future.

## 1. Company Overview

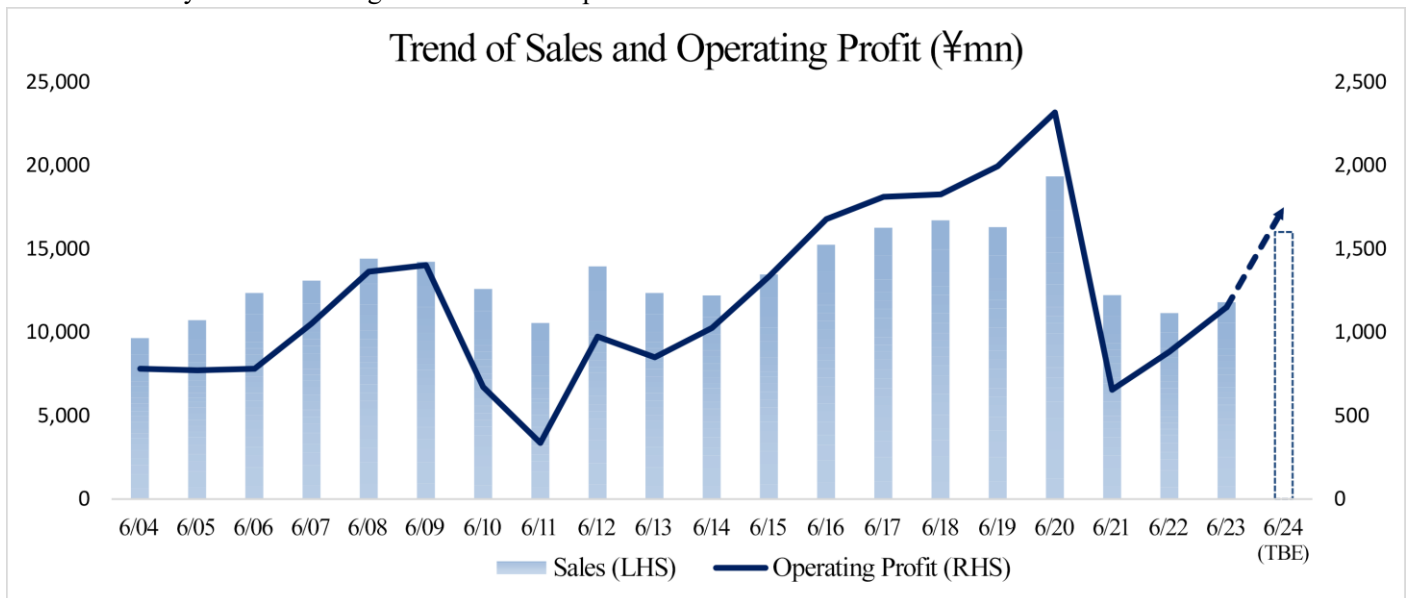
TOW is the largest independent company in the field of events and promotion of the advertising industry and is listed on the Standard market of the Tokyo Stock Exchange. They have expanded the scale of their business with the planning, production, and operation of

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.

\* Experience value means the value of appeal to customers' mind, including emotional value, sensible value, and functional value.

The corporate group is composed of TOW Co., Ltd., and the following three consolidated subsidiaries (as of the end of December 2023): T2 Creative Co., Ltd. (hereinafter called "T2C"), which produces, operates, and directs events and produces videos, Motto Inc., a commercial production company that became a subsidiary in July 2023, and the planning boutique IROIRO Co., Ltd., which was established in July 2023 for creating a colorful brand 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. 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.

## Creating experiences of a new era

No matter how times change, as long as people exist, "experiences" will freely change their forms and roles, accompany people and society, and move people's hearts and bodies. The company will continue to deliver excitement, empathy, and inspiration to people by creating "experiences" using a variety of methods, including real and technology.



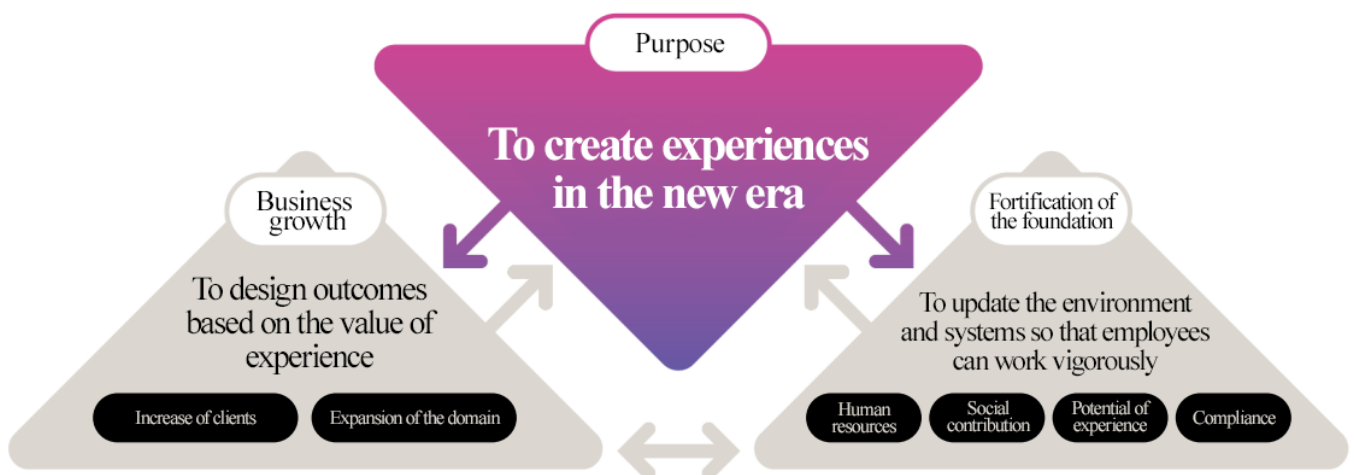
(Taken from the reference material of the company)

**2. For Future Growth**

**Promoting sustainability-oriented management for sustainable growth**

To achieve sustainable growth, they will strengthen operational aspects together with business expansion, and implement the promotion of both aspects.

They aim to achieve a virtuous cycle of “business growth” and “return/investment” in order to remain a company with sustainable growth.



Growth of Sales	Sales growth through the two pillars: real and digital
Growth of Revenue	Improving revenues through visualization and monetization of value
	Improving consolidated revenues through in-group production

- ① Strengthening human capital management
- ② Investment in the future [environment and AI]
- ③ Strengthening compliance as corporate infrastructure






Sustainability policy

To become a company that can grow sustainably by addressing corporate and social issues through the experience created by each employee

(Taken from the reference material of the company)

**Strengthening human capital management**

Aiming to be a company where a diverse workforce can play an active role in creating experiences in a new era, the company has strengthened its initiatives to “reduce working hours,” “promote diversity,” and “return to and investment in employees.” In January 2024, a new sustainability promotion team was established to accelerate activities.

<p><b>To set concrete goals</b> <b>Reduce working hours</b></p>	<ul style="list-style-type: none"> <li>● To promote the “workstyle reform project” by enlisting support from external consultants in a work-life balance</li> <li>● To reduce working hours by streamlining business operations based on AI and technologies</li> </ul>	
<p><b>Promotion of diversity through the empowerment of women</b></p>	<ul style="list-style-type: none"> <li>● To adopt systems for in-house training and external mentors while inviting external lecturers specializing in empowerment of women</li> <li>● We applied for the Eruboshi certificate, and are expected to receive it. (This will certify that we have a working environment in which women can exert their abilities.)</li> </ul>	
<p><b>Return to and investment in employees</b></p>	<ul style="list-style-type: none"> <li>● TOW increased the basic salary by about 6.7%, and paid an extra bonus.</li> <li>● We adopted systems and programs for supporting employees in performing well and growing.</li> </ul>	

(Taken from the reference material of the company)

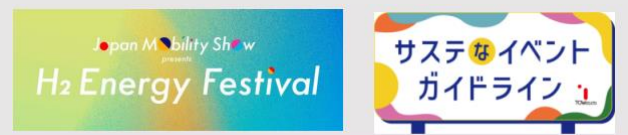
**Investing in the future with a focus on the environment and AI**

As an industry leader, the company actively invests in "environment" and "AI," which would lead to structural changes in society, to strengthen the competitiveness of the TOW Group and broaden the potential of experience.

**Implementing environmental contributions through client business**

[Progress] ● Producing sustainable theme projects that contribute to society and the environment

[Future] ● Promoting the use of the Sustainable Events Guidelines for projects  
Measuring event-related CO<sub>2</sub> emissions, etc.



(Taken from the reference material of the company)


**Using AI and technology to improve efficiency and sophistication of business operations**

[Progress] ● Promoting the development of SNS operational support tools through the Promotion AI LAB

- Using promotional planning/production work

[Future] ● Introducing Microsoft 365 Copilot to all employees

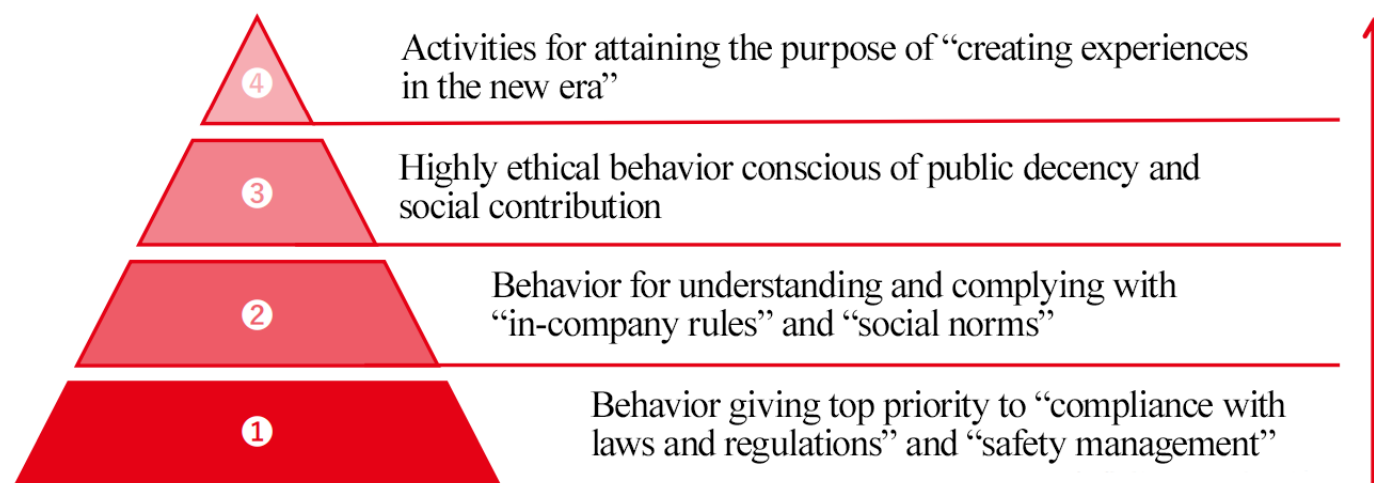
- Development of TOW's original AI chatbot is in progress
- Improving the efficiency, sophistication, and creativity of promotions through AI usage



**New policy for TOW Group Compliance (from 2024)**

In order to ensure the stable operation of the company and meet the expectations of stakeholders, the company has revised its basic policy to “When profit and compliance conflict, choose compliance without hesitation” in all business actions and decisions. The

company will promote employee awareness and education and formulate rules.



(Taken from the reference material of the company)

### 3. First half of the Fiscal Year ending June 2024 Earnings Results

#### (1) Consolidated Earnings

	FY 6/23 1H	Ratio to sales	FY 6/24 1H	Ratio to sales	YoY	Company Forecast	Forecast Ratio
Sales	6,392	100.0%	9,563	100.0%	+49.6%	9,300	+2.8%
Gross profit	1,075	16.8%	1,760	18.4%	+63.7%	-	-
SG&A	411	6.4%	426	4.5%	+3.8%	-	-
Operating Income	663	10.4%	1,333	13.9%	+100.8%	1,167	+14.3%
Ordinary Income	677	10.6%	1,348	14.1%	+98.9%	1,180	+14.2%
Quarterly Net Income Attributable to Owners of Parent	17	0.3%	893	9.3%	-	778	+14.9%

\*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)

#### 49.6% year on year increase in sales and 98.9% year on year increase in ordinary income

Sales increased 49.6% year on year to 9,563 million yen. In terms of the business environment, in the events domain, which is the core business, there was a full-scale movement to return to real events. Large-scale exhibitions, too, contributed to a substantial increase in sales. In the online domain, sales remained strong due to an increase in the number of hybrid events in both real and online settings, despite the impact of the slowdown in the growth of the digital advertising market and other factors. Regarding online promotions, sales declined.

Operating income increased 100.8% year on year to 1,333 million yen. In terms of profit, gross profit margin improved from the same period of the previous year, and gross profit increased 63.7% year on year to 1,760 million yen, partly due to the effect of increased sales. Operating income margin improved year on year from 10.4% to 13.9%, with a slight increase in SG&A expenses. In non-operating expenses, expenses related to restricted transferable shares were recorded, and ordinary income increased 98.9% year on year to 1,348 million yen. Quarterly net income attributable to owners of parent increased significantly to 893 million yen from 17 million yen in the same period of the previous year, following the absence of a special merit payment of 647 million yen to retiring directors in the same period of the previous year, which had been recorded as an extraordinary loss.

Sales and all kinds of profits were revised upwardly significantly in December, also exceeding the forecasts.

The year-end dividend for the first half of the fiscal year will be 7.00 yen/share, in line with the company's initial forecast.

#### Sales by Category

Significant recovery in real events, with growth in online events

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	FY 6/23 1H		FY 6/24 1H		
	Sales	Ratio to Sales	Sales	Ratio to Sales	YoY
Real Events	3,454	54.0%	6,627	69.3%	+91.9%
Online Events	714	11.2%	1,062	11.1%	+48.7%
Online Promotion	2,060	32.2%	1,713	17.9%	-16.8%
Other	163	2.6%	159	1.7%	-2.3%
Total	6,392	100.0%	9,563	100.0%	+49.6%

\*Unit: million yen.

- ① Real events: increased 91.9% year on year to 6,627 million yen. Sales increased significantly due to a full-scale return to real events and an increase of orders for large-scale projects such as street promotions and exhibitions.
- ② Online events: increased 48.7% year on year to 1,062 million yen. Sales increased significantly, mainly due to an increase of hybrid events in real and online settings.
- ③ Online promotions: declined 16.8% year on year to 1,713 million yen. Although inquiries for various online promotion measures such as social media, video-based promotions, and digital advertising continued, the decline in average spending per project also led to a decline in sales.
- ④ Others: declined 2.3% year on year to 159 million yen. The company received orders for projects from government agencies and organizations.

### Sales by Industry

Year on year growth in most sectors except “Information and Communications”

	FY 6/23 1H	Ratio to sales	FY 6/24 1H	Ratio to sales	YoY
Information, Communication	1,868	29.3%	1,282	13.4%	-31.4%
Automobiles	690	10.8%	1,732	18.1%	+151.1%
Foods, Beverages, and Luxury Goods	845	13.3%	2,029	21.3%	+140.2%
Cosmetics, Toiletries, and Sundries	591	9.3%	952	10.0%	+61.1%
Governments, Organizations	465	7.3%	640	6.7%	+37.4%
Finance	325	5.1%	343	3.6%	+5.6%
Transportation and Leisure	529	8.3%	1,229	12.9%	+132.5%
Precision Instruments, Other Manufacturing	394	6.2%	409	4.3%	+3.8%
Wholesale, Retailing	255	4.0%	532	5.6%	+108.1%
Other	413	6.4%	396	4.1%	-4.0%
Total	6,379	100.0%	9,550	100.0%	+49.7%
Of the above, game transactions	762	11.9%	1,180	12.4%	+54.8%

\*Excluding the sales of planning

\*Unit: million yen

- “Automobiles” and “Transport/Leisure” contributed to large-scale exhibitions.
- “Food, Beverages, and Luxury Goods” and “Cosmetics and Toiletries” recorded an increase of street promotions.
- “Games,” too, increased steadily.
- “Information and Communications” was affected by a decline in large-scale platformer events in the previous year.

### Number of transactions in each price range Average spending per project

The number of projects recovered steadily, mainly medium-scale ones, increased.

	FY 6/23 1H		FY 6/24 1H		YoY comparison	
	Price	Number	Price	Number	Price	Number
~¥10.00mn	1,413	553	1,817	658	+404	+105

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¥10.00~20.00mn	1,154	83	1,511	101	+356	+18
¥20.00~50.00mn	1,850	60	2,304	77	+454	+17
¥50.00~100mn	1,399	20	1,307	19	-91	-1
¥100mn~	562	4	2,609	16	+2,046	+12
Total	6,379	720	9,550	871	+3,171	+151
Transaction Unit	8.8		10.9		+2.1	

\*Excluding the sales of planning

\*Unit: million yen

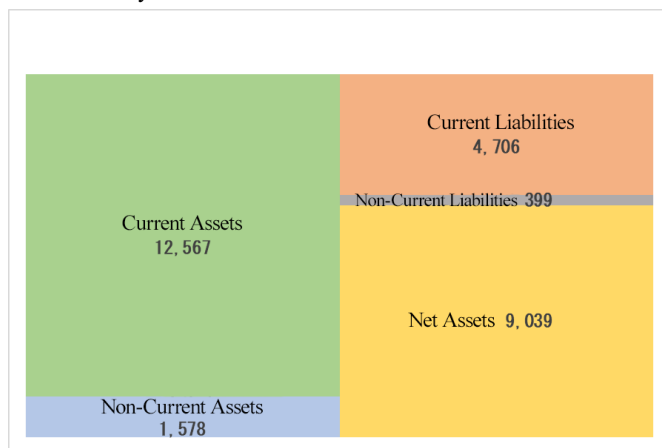
- The number of large projects worth over 100 million yen increased significantly year on year from 4 to 16, due to the recovery in real events.
- Number of projects also increased 21.0% year on year.
- Average spending per project also recovered steadily.

## (2) Financial Condition & Cash Flow(CF)

### Financial Condition

	Jun. 23	Dec. 23		Jun. 23	Dec. 23
Cash, Equivalents	5,781	7,111	Accounts Payable	990	2,965
Accounts Receivable	2,459	4,116	Short Term Debt	840	840
Uncompleted Work Payments	233	235	Taxes Payable	66	390
Uncollected Payments	868	853	Retirement Benefits for Directors	312	304
Prepaid Expenses	143	211	Liabilities	2,767	5,106
Current Assets	9,548	12,567	Net Assets	8,427	9,039
Investments, Other	1,454	1,374	Total Liabilities, Net Assets	11,194	14,145
Noncurrent Assets	1,645	1,578	Interest bearing liabilities	840	840

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



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

The total assets at the end of the first half of the fiscal year ending June 2024 amounted to 14,145 million yen, up 2,951 million yen from the end of the previous fiscal year.

Current assets increased 3,018 million yen to 12,567 million yen. This was mainly due to a 1,754 million yen increase in notes, accounts receivable, and contract assets, together with a 1,330 million yen increase in cash and deposits, despite a 97 million yen decrease in electronically recorded receivables.

Fixed assets decreased 67 million yen to 1,578 million yen. Tangible fixed assets decreased 13 million yen to 150 million yen. This was primarily due to depreciation and amortization. Intangible assets increased 25 million yen to 52 million yen. This was mainly due to an increase of 18 million yen in goodwill. Investments and other assets decreased 79 million yen to 1,374 million yen. This was mainly due to a decrease of 111 million yen in investment securities, despite an increase of 33 million yen in deferred tax assets.

Current liabilities augmented 2,341 million yen to 4,706 million yen. This was mainly due to a 1,953 million yen increase in accounts



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payable, a 323 million yen increase in payable income tax, etc.

Fixed liabilities declined 2 million yen to 399 million yen. This was mainly due to a decrease of 11 million yen in liabilities for directors' benefits and 7 million yen in deferred tax liabilities, despite an increase of 13 million yen in others.

Net assets grew 612 million yen to 9,039 million yen. This was mainly due to an increase of 603 million yen in retained earnings and 80 million yen in disposal of treasury shares, despite a decrease of 85 million yen in the valuation difference on available-for-sale securities. Equity ratio decreased 11.3 percentage points year on year to 63.8%.

### Cash Flow

	FY 6/23 1H	FY 6/24 1H	YoY	
Operating CF (A)	-998	1,732	+2,730	-
Investment CF (B)	206	-8	-214	-
Free CF (A+B)	-791	1,724	+2,515	-
Financing CF	-2,012	-394	+1,618	-
Cash, Equivalents at the end of the quarterly term	5,786	7,111	+1,325	+22.9%

\*Unit: million yen

Cash and cash equivalents at the end of the first half were 7,111 million yen, up 1.325 million yen from the end of the previous fiscal year.

The cash inflow from operating activities was 1,732 million yen (a cash outflow of 998 million yen in the same period of the previous year). This was mainly due to a 1,955 million yen increase in trade payables and a 1,348 million yen increase in quarterly net income before taxes and other adjustments.

The cash outflow from investment activities was 8 million yen (a cash inflow of 206 million yen in the same period of the previous year). This was mainly due to expenditure of 6 million yen for the acquisition of intangible fixed assets and 3 million yen for the acquisition of shares of subsidiaries, resulting in a change in the scope of consolidation.

The cash outflow from financial activities was 394 million yen (a cash outflow of 2,012 million yen in the same period of the previous year). This was mainly due to dividend payments of 289 million yen and repayments of long-term loans in the amount of 104 million yen.

## 4. Fiscal Year ending June 2024 Earnings Forecasts

### (1) Consolidated Earnings

	FY 6/23 Act.	Ratio to sales	FY 6/24 Est.	Ratio to sales	YoY	Initial Forecast
Sales	11,774	100.0%	16,000	100.0%	+35.9%	14,000
Operating Income	1,150	9.8%	1,748	10.9%	+51.9%	1,370
Ordinary Income	1,178	10.0%	1,777	11.1%	+50.8%	1,400
Net Income Attributable to Owners of Parent	355	3.0%	1,172	7.3%	+229.6%	915

\*Unit: million yen

### Upward Revision: sales are expected to increase 35.9% year on year and ordinary income 50.8% year on year in the fiscal year ending June 2024.

The full-year forecast has been revised upwardly significantly in terms of both sales and all kinds of profits. The upward revision was based on the result for the first half of the fiscal year exceeding the initial forecast, in addition to higher SG&A expenses due to proactive investment in human capital and initiatives in priority themes. For the fiscal year ending June 2024, the company forecasts sales of 16 billion yen (up 35.9% year on year), an operating income of 1,748 million yen (up 51.9% year on year), an ordinary income of 1,777 million yen (up 50.8% year on year), and a net profit attributable to shareholders of the parent company of 1,172 million yen (up 229.6% year on year).

The company will continue to promote the expansion of the real domain, take initiatives to further expand the online domain, and promote sales through fee-based tasks by providing high added value and secure revenues by optimizing order placement. In terms of SG&A expenses, in accordance with the sustainability policy, the company will increase basic salaries so that the average annual income

will rise 6.7% as a strategic investment in human capital in the second half of the fiscal year. In addition, the company intends to invest in digital technologies, including AI technology and the environmental domain, to lay the foundation for strengthening recruitment, investing in education and training, and initiatives on priority themes for business growth.

The forecast for the dividend has not been revised, and the policy of a maximum consolidated dividend payout ratio conversion of 50% has been temporarily abolished, with a minimum dividend of 14.0 yen/share, calculated by multiplying the closing price on the day before the announcement of the financial results (August 8, 2023) by the share price dividend cap of 4.5%. Hence, the year-end dividend is scheduled to be 7.00 yen/share (14.00 yen/share for the year).

**Progress of receipt of orders in fiscal year ending June 2024**

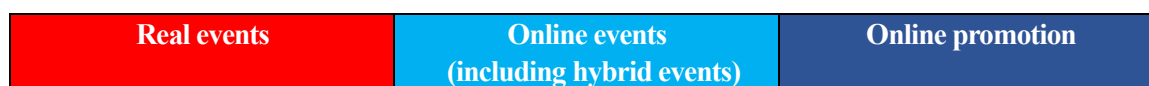
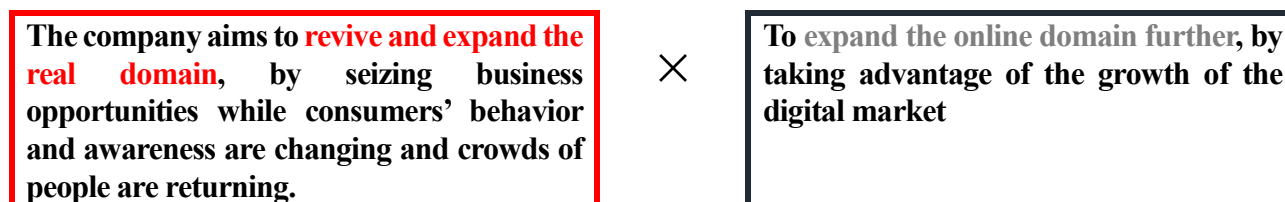
		FY 6/23 (as of Feb. 3, 2023)	FY 6/24 (as of Feb. 2, 2024)	Difference from the previous fiscal year
Projects of Non-governmental Organizations	Order backlog (sum of A, B, and P type projects)	8,942	12,940	+3,997
	Sum of T and U type projects	747	651	-96
Projects of Government Agencies and Organizations	Order backlog (sum of A, B, and P type projects)	915	1,361	+445
	Sum of T and U type projects	90	84	-6
Total	Order backlog (sum of A, B, and P type projects)	9,857	14,031	+4,443
	Sum of T and U type projects	838	735	-102

\*Unit: million yen

A: Projects for which the scale (amount) and implementation period have been determined
B: Projects for which the order was received, but the amount and implementation period are uncertain
P: Projects for which the company is almost certain to receive an order (80% or higher)
T: Projects for which the company has a high probability of receiving an order (50% or higher) out of the planned and proposed projects
U: Projects under planning/proposal

**(2) Business policy for the fiscal year ending June 2024**

Medium- to long-term growth by focusing on “AI” and “Environment,” in addition to the two-pronged growth of expanding “events” both online and offline and further strengthening the online domain, as well as further promoting “domain expansion” and “business contribution.”



+

“AI,” a technology that will transform society and industry fundamentally

“Environment,” where initiatives are accelerating based on ESG and SDGs


(Taken from the reference material of the company)

**(3) Initiatives in the first half of the fiscal year**

**① Initiatives for real events**







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<p><b>Large-scale exhibition</b></p>	<p>JMS 2023 held for the first time in 4 years 乗りたい未来を、探しにいこう! <b>Japan Mobility Show</b></p> 	<p><b>In-company activation</b></p>	<p>In-company commending event</p> 
<p><b>Street promotion</b></p>	<p>Event for experiencing Asahi Dry Crystal</p> 	<p><b>Promotion of fans' activities</b></p>	<p>DMM TV AnimeJapan</p> 
<p><b>Christmas promotion</b></p>	<p>L'OCCITANE JOY WONDERLAND</p> 	<p><b>Events hosted by municipalities</b></p>	<p>TOKYO LIGHTS 2023</p> 

(Taken from the reference material of the company)

② Initiatives for integrated promotion with a focus on the digital

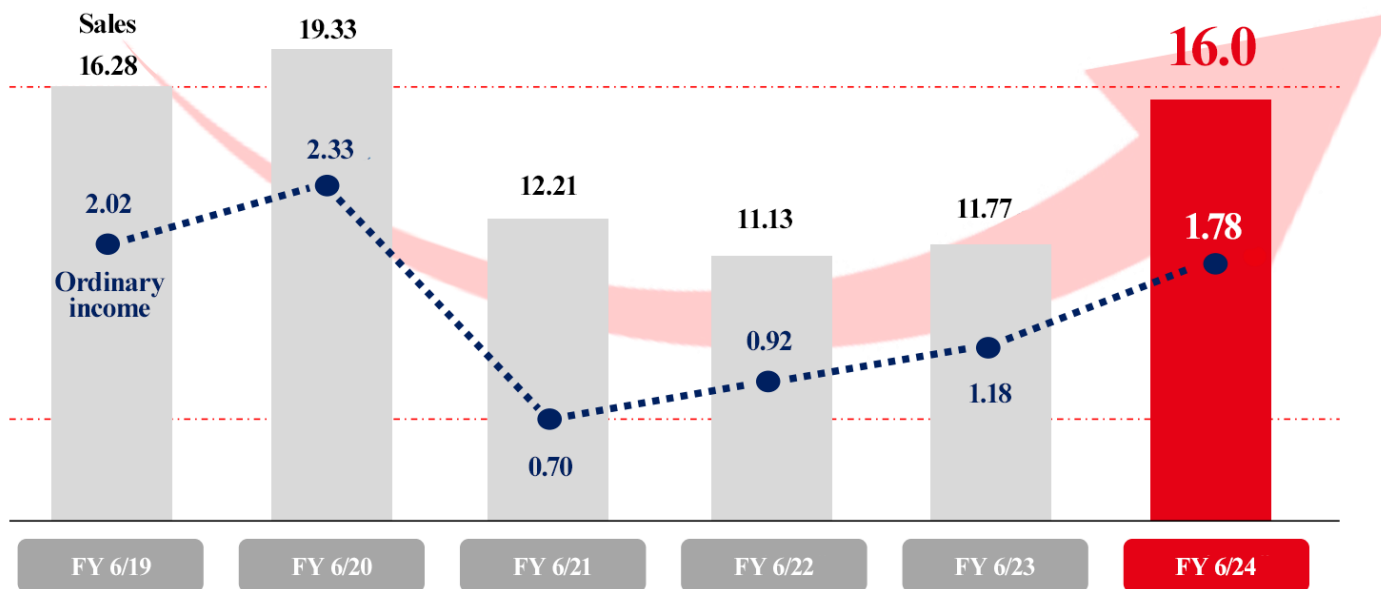
<p><b>Online events</b></p>	<p>POKECA ALL-STAR BATTLE 2023</p> 	<p><b>Social media based promotion</b></p>	<p>Operation of the X (old Twitter) account of Chupa Chups</p> 
<p><b>Digital content production</b></p>	<p>Retro Chidori Game of Lake</p> 	<p><b>Video promotion</b></p>	<p>Donation program of Starbucks</p> 
<p><b>Flexibly adjustable owned media</b></p>	<p>Epson #Dreamio for daily life</p> 	<p><b>Experience-based out-of-home advertisement (digital signage)</b></p>	<p>Sky Art Museum of Kanebo Milano Collection</p> 

(Taken from the reference material of the company)

**(4) Variation in TOW Group’s performance**

The company expects to recover to a performance level close to that of the fiscal year ending June 2019 (before the COVID-19 pandemic) in the fiscal year ending June 2024. The company aims to further expand its performance.

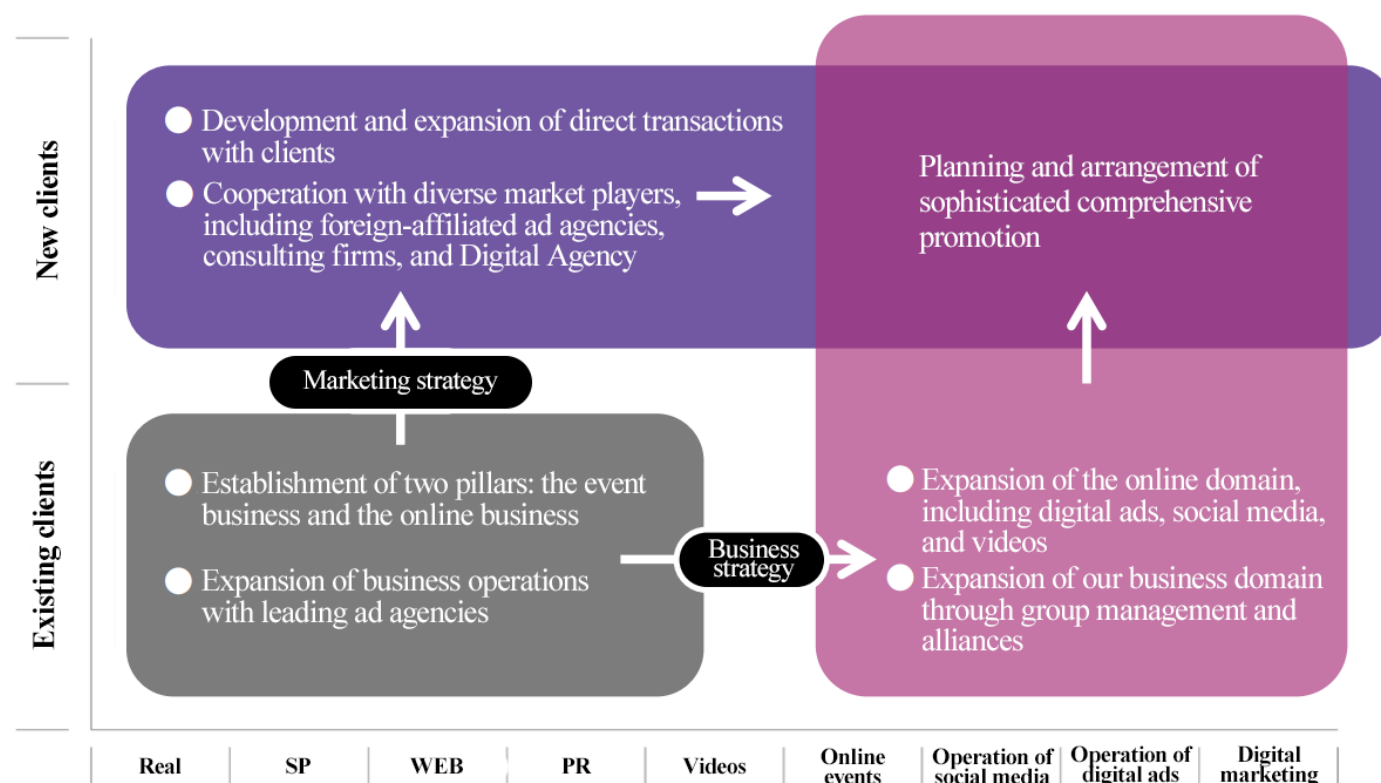
(Unit: billion yen)



(Taken from the reference material of the company)

**(5) Business expansion strategy**

The company aims to expand its business through "two-pronged expansion": expansion of clients and expansion of the domain.



(Taken from the reference material of the company)

**5. Conclusions**

Following the first quarter, sales and profits increased significantly in the first half of the fiscal year, exceeding the company's forecasts, leading to an upward revision of the full-year forecast. However, the progress rate against the revised full-year forecast was 59.8% for sales and 75.9% for ordinary income. The forecast seems to be conservative, even when the autumn event season falls on the first half of the fiscal year.

The impact of the COVID-19 is almost gone. From now on, the company can take a full-fledged positive approach. It is expected that the strength of the company's ability to make proposals, as the largest independent company in the field of events and promotion of the advertising industry, will be increasingly demonstrated in the future. Measures, such as the expansion of scale of each project that has been continued since before the COVID-19 pandemic, are expected to bear fruit.

Share price has been reviewed following an upward revision, while PER remains low. There is scope for further review in view of high dividend return. In September 2022, the company acquired 5.5 million shares, or 12.1% of its outstanding shares, in a large-scale repurchase of its own shares. The company has stated that it is "considering" the request of the Tokyo Stock Exchange for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" and is expected to disclose more details and further strengthen shareholder returns in the future.

## <Reference 1: 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 December 25, 2023

#### <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 each principle of the Corporate Governance Code>

[Measures to achieve management conscious of capital costs and share price (under review)]

The company's PBR exceeds 1, and although it continues to implement initiatives to increase its corporate value, it is still discussing its policies and measures for the future.

[Supplementary Principle 4-1-2 Commitment to the Medium-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 second quarter of fiscal year ended June 2021. In addition, the company believes that in order to achieve sustainable growth, it is important to formulate management visions and strategies from the medium-term viewpoint, and also swiftly respond to changes in the business environment. The specific details are also mentioned in the "Priority Issues to be Addressed" section of the Annual Report.

#### <Disclosure based on each principle of the Corporate Governance Code>

[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]

[Supplementary Principle 2-3-1: Responding to challenges relating to sustainability]

[Supplementary Principle 3-1-3: Initiatives concerning sustainability]

[Supplementary Principle 4-2-2: Developing a policy on initiatives relating to sustainability]

The Board of Directors of the company has recognized that addressing sustainability-related challenges in order to realize purposes is an important management issue. The Board of Directors has established a governance system in which the Sustainability Committee, established as an advisory body to the Board of Directors, deliberates and reports on sustainability issues, along with a supervisory system. The sustainability policy of the group is “to be a company that grows sustainably by addressing corporate and social issues through the experiences created by each and every employee.” Under this policy, the Group has identified four material issues and formulated them as strategies based on the two sustainability efforts of “contributing to a sustainable society” and “enhancing corporate value sustainably.” The specific details are also mentioned in the “Sustainability Approach and Initiatives” section of the financial statements.

<https://tow.co.jp/ir/library/report/>

[Supplementary Principle 2-4-1: Ensuring diversity in the appointment of core personnel]

In order to ensure diversity, the company actively promotes mid-career hires as core personnel and appoints them as directors and executive officers. Furthermore, in terms of the appointment of female employees to management positions, there are three female employees, representing 7.7% of all management positions, as of September 30, 2023, including the appointment of a female board member. Regarding the policies, targets, and environmental conditions of the company, a general employer action plan has been developed and is available on the company's website.

<https://tow.co.jp/company/plan/>

[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 the end of September 2023, the Board of Directors consists of 8 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.

[https://tow.co.jp/wp-content/uploads/2023/08/Convocation\\_notice\\_and\\_reference\\_material\\_of\\_the\\_47th\\_Annual\\_Meeting\\_of\\_Shareholders.pdf](https://tow.co.jp/wp-content/uploads/2023/08/Convocation_notice_and_reference_material_of_the_47th_Annual_Meeting_of_Shareholders.pdf)

[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.

## <Reference 2: Issues to be addressed and initiatives>

### Issues to be addressed

#### ◎Initiatives in fiscal year ending June 2024

Regarding the market environment of our corporate group, we expect that real marketing activities will be resumed due to the revitalization of social and economic activities and daily life activities, and the digital market will keep growing steadily. We have expanded the real and online domains, and there is a sign of their positive effects on our performance in fiscal year ending June 2024. Under this environment, we concentrate on mainly the following initiatives.

##### ① Initiatives for expanding the real domain

We will concentrate on nationwide experience-based promotion, large-scale events and expositions, which will be held for the first time in 4 years, events for stakeholders to disseminate our purposes and enhance engagement, and so on. In addition, we aim to improve experience value utilizing the experience domain, which is our forte, with the collaborative project “TOOH” with Kesion Co., Ltd., an outdoor advertisement company, as daily life activities in towns are expected to be revitalized.

##### ② Initiatives for expanding the online domain

We will keep concentrating on comprehensive campaigns utilizing websites, social media, videos, PR activities, etc., annual promotion aimed at contributing to enterprises through digital ads, and the digital domain, including the production of videos and social media contents in specialized fields. In addition, we acquired MOTTO, a company producing commercials, as a consolidated subsidiary, while expecting the growth of the business domain based on videos. Then, we aim to further expand comprehensive promotion we produce and improve the value we provide. As there is a sign of full-scale recovery in the real field, where we operate our core business, we will try to increase event/promotion projects as our core business and further expand the online domain in the steadily growing digital market through the above actions, to increase our top line. Our sales are projected to grow 18.9% year on year to 14 billion yen. (Initial forecasts were revised in February to 16 billion yen, up 35.9%) Furthermore, we will continue our efforts to secure revenues through fee-based tasks based on high added value and optimization of order placement, and strategically invest in human capital for growing our business domain and improving our group’s advantages and originality, and spend funds for developing a foundation for working on priority themes for medium/long-term business growth.

#### ◎ Medium/long-term initiatives

In order to fulfill our purpose of “creating experiences in the new era,” we will strive to achieve sustainable growth and improve corporate value. Major initiatives are as follows.

##### ① Priority themes: “Technology and AI” and “the Environment”

In response to the sophistication, complication, and streamlining of promotion processes amid the rapid digitalization of day-to-day activities, we will accelerate the utilization of digital technologies, including AI, for events and promotion, and promote the visualization of project results, the streamlining of operations, the development of original solutions, etc. to update our experience domain further. In addition, we will improve our capability of addressing environmental issues by producing environment-



conscious events in accordance with our “guidelines for sustainable events” and then not only solve issues with enterprises, but also contribute to society and the environment through clients’ business.

② Enhancement of initiatives for sustainability

Our corporate group will contribute to a sustainable society by contributing to society and the environment through clients’ business, and then utilize our experience and know-how for growing our business and improving corporate value in a sustainable manner. With this mindset, we will set our sustainability policy: “to tackle issues with enterprises and society through experiences created by individual employees and develop a company that can grow sustainably,” and work on the following 4 key issues.

**Human resources:** Aiming to become a company in which diverse personnel creating experiences in the new era can flourish

**Potential of experience:** To lead the evolution of the experience domain by utilizing technology

**Social contribution:** To improve our company’s services and contribute to society and the environment through clients’ business

**Compliance:** To recognize corporate social responsibility and comply with laws and regulations

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