



BRIDGE REPORT



 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
HO Address	Tokyo, Minato-ku, Toranomom 4-3-13, Hulic Kamiyacho Building 3F
Year-end	June
Homepage	https://tow.co.jp/en/

Stock Information

Share Price	Shares Outstanding (Excluding treasury shares)	Total market cap	ROE Act.	Trading Unit	
¥330	40,619,344 shares	¥13,404 million	15.9%	100 shares	
DPS Est	Dividend yield Est	EPS Est	PER Est	BPS Act	PBR Act
¥15.00	4.5%	¥35.17	9.4 x	¥228.76	1.4 x

*Share price as of closing on September 3, 2024. Number of shares issued at the end of the most recent quarter excluding treasury shares.

*ROE and BPS are results in FY 6/24 and EPS and DPS are forecasts for FY 6/25.

Consolidated Earnings

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Act.)	17,503	2,006	2,058	1,405	34.71	14.00
June 2025 (Est.)	18,000	2,120	2,150	1,428	35.17	15.00

*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 fiscal year ended June 2024 and the outlook for the fiscal year ending June 2025 for TOW.

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Key Points

- In the fiscal year ended June 2024, sales increased 48.7% year on year and ordinary income grew 74.6% year on year. Following the shift in the governmental policy concerning COVID-19, needs for real experiences such as events have been on a rise, revitalizing the promotion market in the advertising industry. Amid such market environment, the trend of return to mainly real events took momentum on a full-scale basis. In terms of profit, gross profit margin improved, the ratio of SG&A expenses to sales dropped and operating income margin rose from 9.8% in the previous fiscal year to 11.5%. High profitability was maintained due to fee-based tasks by providing high added value and insourcing within the group. Net income attributable to owners of the parent grew 295.3% year on year. The company paid a year-end dividend of 7.00 yen/share, so the annual dividend amount was 14.00 yen/share.
- For the fiscal year ending June 2025, sales are forecast to grow 2.8% year on year and ordinary income to increase 4.5% year on year. The company will keep receiving orders steadily in their mainstay business of events and promotion. Despite a reactionary decrease after large-scale automobile exhibitions held last year, sales are projected to increase owing to EXPO-related operations in the second half of the fiscal year. Regarding ordinary event and promotion sales excluding large-scale automobile exhibitions and EXPO-related operations, the company forecasts an increase of approximately 3%. In terms of profit, they will forge ahead with proactive investments in human capital and initiatives for themes which require enhancement, such as AI and environment. Personnel costs and SG&A expenses are therefore forecast to significantly exceed the figures in the previous year. The company's policy lies in maintaining and elevating high profitability through fee-based tasks providing high value and insourcing within the group. Furthermore, they will proceed with strategic investment, expecting an increase of ordinary income. The annual dividend amount is scheduled to be 15.00 yen/share (including the interim dividend of 7.50 yen/share).
- In the fiscal year ended June 2024, the company secured a significant growth of sales and profit following two upward revisions in February and June. It is assumed that the business environment will remain favorable in the fiscal year ending June 2025. Order backlog increased 12.1% year on year and if the company keeps receiving orders during this fiscal year, their results will probably exceed the company forecast. Moreover, they are working on upgrading the scale of their projects and would like to achieve further elevation of their profit margin as a result. Share price shows little growth, P/E ratio remains low and dividend yield is high. An ROE of 15.9% was secured in the fiscal year ended June 2024 and it is expected that the aforementioned figures will improve as the market recognizes that both ROE and dividend yield are high. In addition to the dividend policy for maintaining high yield, the company acquires treasury shares and proactively returns profit to shareholders. The company commented that the "Action to Implement Management Conscious of Cost of Capital and Stock Price" requested by the Tokyo Stock Exchange is currently "under discussion," and we would like to hold expectations concerning future disclosures and further enrichment of shareholder return as well.

1. Company Overview

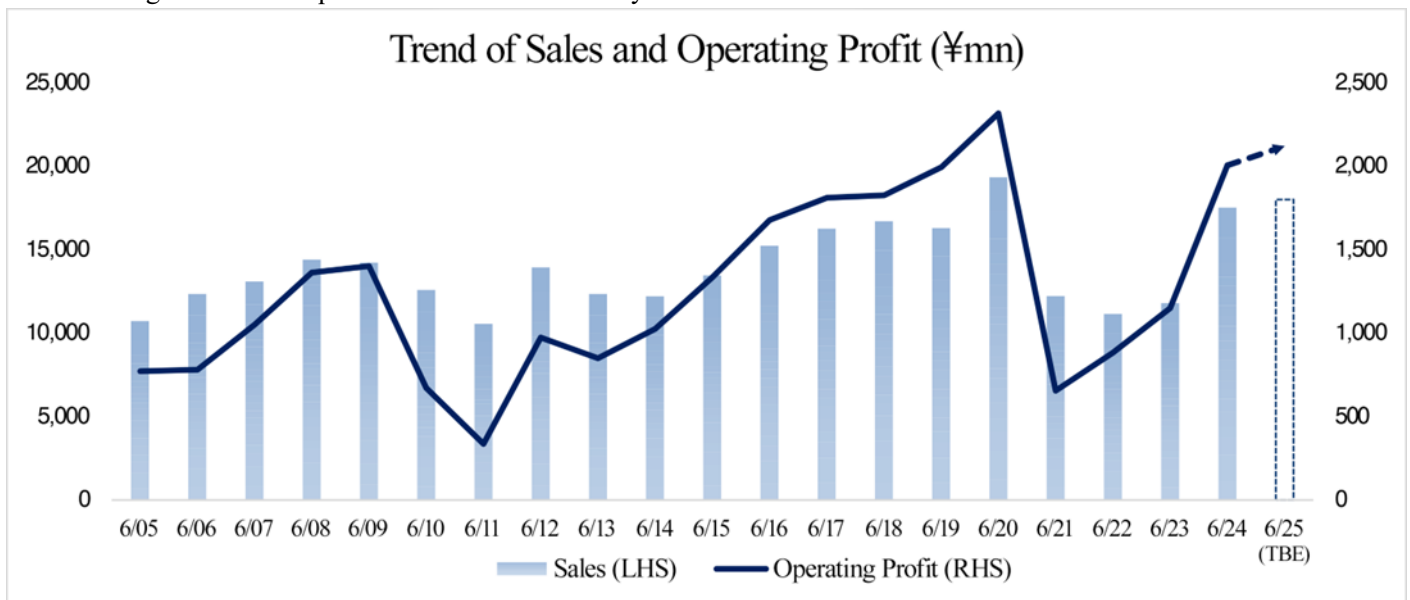
TOW is the largest independent company in the field of events and promotion of the advertising industry and is listed on the Standard market of the Tokyo Stock Exchange. They have expanded the scale of their business with the planning, production, and operation of

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: 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, and SP RING TOKYO Co., LTD., an event company that became an affiliate accounted for by the equity method through additional acquisition of shares in the fiscal year ended June 2024.



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 and Management Policy

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.

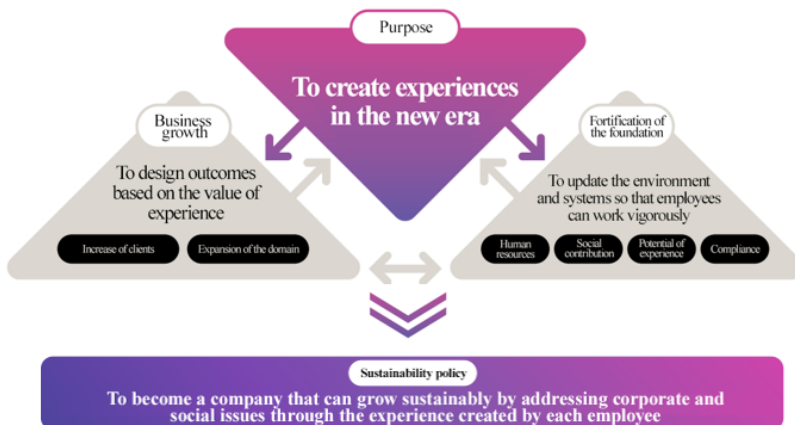
Creating experiences of a new era

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 website of the company)

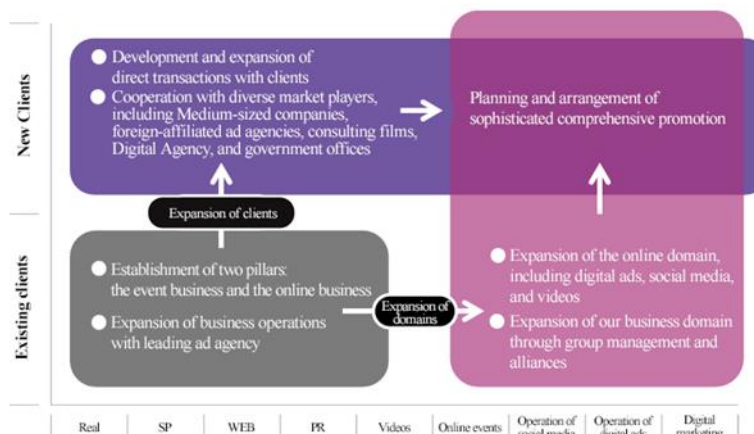
As a step toward the realization of continuous growth and their purpose, the company will promote sustainability-oriented management based on the reinforcement of their foundations, such as business growth and human capital, through the evolution of experience design.



(Taken from the reference material of the company)

Business strategy

The company will promote business growth based on “Two Expansions” – expansion of clients and expansion of domains.



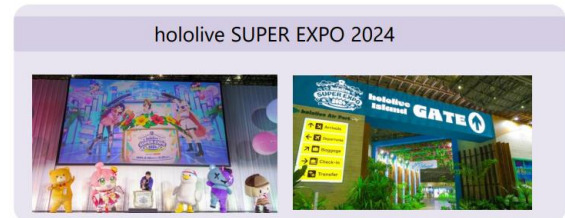
(Taken from the reference material of the company)

2. For Future Growth

FY 6/24 - initiatives centered on “real settings”

Significant increase of brand experience events, mainly for commodities emphasizing experience value, such as food products, beverages and cosmetic products.

Utilization of the capability of producing large-scale events to engage in operations related to municipalities and IP content.



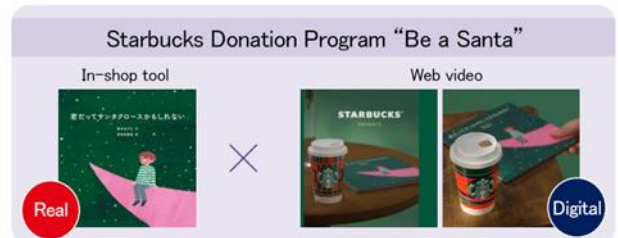
(Taken from the reference material of the company)

FY 6/24 - initiatives fusing “real and digital aspects”

Making full use of real and digital aspects to maximize experience value

Continuing promotion that integrates real and digital aspects.

Ongoing collaboration with “MOTTO,” a commercial production company, which was turned into a subsidiary.

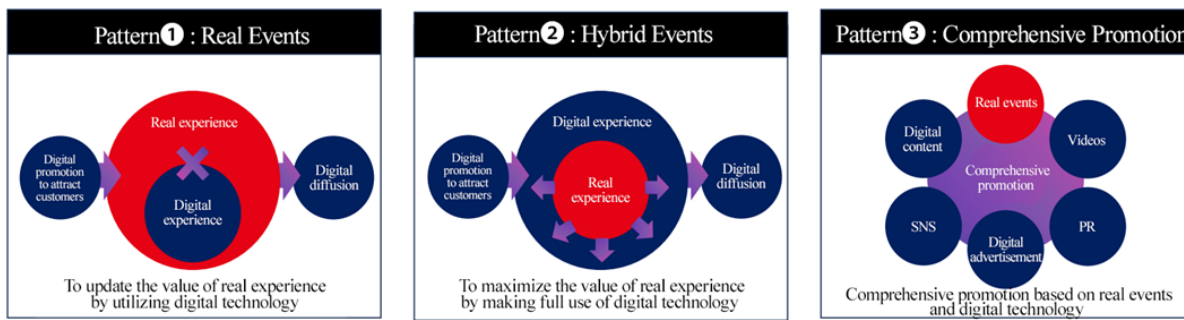


(Taken from the reference material of the company)

FY 6/25 – strategy for the expansion of domains

Consumers and society are rapidly shifting to digital settings, spurring the fusion of real and digital aspects. They are increasingly requested to conduct promotion that integrates real and digital aspects in order to pursue the maximization of results in corporate marketing as well.

Achieving the expansion of domains by utilizing TOW Group’s forte integrating real and digital aspects
= evolution of experience design



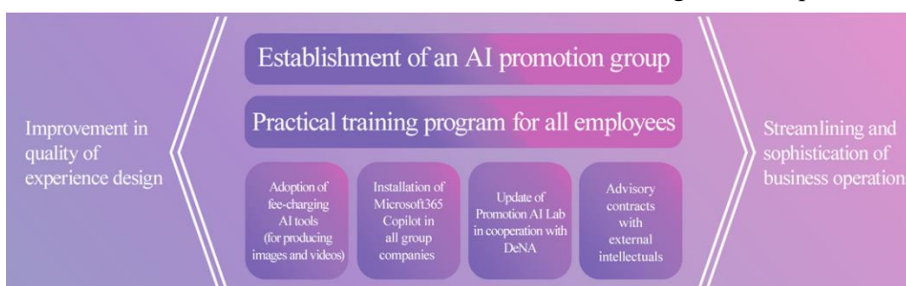
(Taken from the reference material of the company)

Initiatives for human capital

Establishment of a sales support function	Improvement of working hours	Enhancement of employee development
<ul style="list-style-type: none"> ●To station management leaders and sales administration staff. To work on reducing administrative duties of work-site employees to improve productivity and streamline business operations in work-site departments 	<ul style="list-style-type: none"> ●To enhance initiatives including internal and external consulting as a step toward continuous decrease of working hours 	<ul style="list-style-type: none"> ●To boost investments in employee development such as education and training, organize external training and a variety of training classified by theme
Return to and investment in employees	Creation of a comfortable working environment	Engagement/health and safety
<ul style="list-style-type: none"> ●To continuously improve working conditions (non-consolidated figures) <ul style="list-style-type: none"> ▪ Average yearly salary: 7,390,000 yen (+16% YoY) ▪ Average age: 31.1 years old ●To grant transfer-restricted shares to leaders <ul style="list-style-type: none"> ▪ To keep granting such shares from FY 6/23 ▪ Range of eligible employees expanded in FY 6/24 	<ul style="list-style-type: none"> ●To enrich catering for employees <ul style="list-style-type: none"> ▪ Free breakfast (daily) ▪ Employee lunch meet-ups (every Monday) ▪ To cover expenses for employee gatherings ●To enrich in-house environment <ul style="list-style-type: none"> ▪ External mentor system 	<ul style="list-style-type: none"> ●To regularly conduct sustainability surveys <ul style="list-style-type: none"> ▪ To visualize how meaningful and comfortable work is ●To promote employees' health <ul style="list-style-type: none"> ▪ To make complete medical check-ups compulsory for managers at the position of a team leader or higher regardless of age ▪ To conduct female-specific health check-ups

FY 6/25 – initiatives for the utilization of AI and technology

“AI Promotion Group,” a specialized division, was newly established with the purpose of improving the quality of experience design and streamlining business operations.









(Taken from the reference material of the company)

To adopt business tools, develop and install an original chatbot system and launch a practical training program based on business operations for all employees

FY 6/25 – initiatives for environmental consciousness

Amid the acceleration of awareness concerning ESG in the society and among clients and elevation of consumers’ interest in SDGs, TOW Group will also continue to reinforce the planning and production of events considerate of the environment.

<p>Enrichment and utilization of sustainable event guidelines for producing environmentally friendly events</p>	<p>Start of provision of “EventGX,” a tool for visualizing CO2 emissions from events, which was developed while incorporating our original know-how for producing events</p>
 <p>Guidelines for taking action to reduce environmental burdens in an optimal manner at each of event production phases (selection of a venue, travel/transportation, construction/decoration, operation/procurement, catering, and disposal/treatment)</p>   <p>Setting of tables and benches made from waste materials. Pouches distributed as novelties were remade into cushion covers, while empty bottles for serum were remade into lamp shades. Lumber from forest thinning was used for producing hand fans and pass permits that were distributed to all participants.</p>	 <p>Developed by incorporating the TOW Group’s original know-how for producing events while utilizing ScopeX provided by TBM, which engages in the business of recycling resources</p>   <p>Established based on the results of in-depth research into literature and the database of public institutions, including the latest “database on emissions per product for estimating the greenhouse gas emissions, etc. from each organization through the supply chain (Ver. 3.4),” which was produced by the Ministry of the Environment</p>

(Taken from the reference material of the company)

FY 6/25 – initiatives for compliance

<p>Function and operation of the Compliance Committee</p>	<ul style="list-style-type: none"> ● Compliance Committee, composed of the President and all other executives, defines priority control points from the perspective of management and promotes the implementation of countermeasures in response to challenges ● Business Compliance Committee, composed of executives and employees, promotes the implementation of measures from the perspective of business operations. It also organizes awareness programs, training and e-learning for all employees
<p>Redefinition of the basic policy concerning compliance with laws and regulations</p>	<ul style="list-style-type: none"> ● To engage in management and execution of work duties based on the policy of “prioritizing compliance over profit with regard to all kinds of actions and judgments” ● Compliance Regulations are under formulation by subdividing the Code of Conduct.
<p>Arrangement of organization and staff in charge of compliance with laws and regulations</p>	<ul style="list-style-type: none"> ● Business Compliance Group, a specialized division, will be newly established. ● “Management Leader” will be newly stationed in each work-site department, to make sure that regulations are followed in work processes.

3. Fiscal Year ended June 2024 Earnings Results

(1) Consolidated Earnings

	FY 6/23	Ratio to sales	FY 6/24	Ratio to sales	YoY	Company Forecast	Forecast Ratio
Sales	11,774	100.0%	17,503	100.0%	+48.7%	17,300	+1.2%
Gross profit	1,900	16.1%	2,939	16.8%	+54.6%	-	-
SG&A	750	6.4%	932	5.3%	+24.3%	-	-
Operating Income	1,150	9.8%	2,006	11.5%	+74.4%	1,920	+4.5%
Ordinary Income	1,178	10.0%	2,058	11.8%	+74.6%	1,950	+5.6%
Net Income Attributable to Owners of Parent	355	3.0%	1,405	8.0%	+295.3%	1,267	+11.0%

*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 increased 48.7% year on year, while ordinary income grew 74.6% year on year

Sales increased 48.7% year on year to 17,503 million yen. Following the shift in the governmental policy concerning COVID-19, needs for real experiences such as events have been on a rise, revitalizing the promotion market in the advertising industry. Amid such market environment, the trend of return to mainly real events took momentum on a full-scale basis in the event domain, which is the company's main business. Street promotion, focused mainly on beverages and cosmetic products, gained vigor and coupled with the organization of large-scale automobile exhibitions held biennially and large-scale events related to IP content and government led to a substantial growth in sales.

Operating income grew 74.4% year on year to 2,006 million yen. In terms of profit, gross profit margin improved from 16.1% in the previous fiscal year to 16.8% and gross profit reached 2,939 million yen, up 54.6% year on year, also owing to the growth in sales. Operating income margin rose from 9.8% in the previous fiscal year to 11.5%, also due to the drop in the ratio of SG&A expenses. High profitability was maintained due to fee-based tasks by providing high added value and insourcing within the group. In order to achieve sustainable growth, the company started expenditure such as strategically investing in human capital, for example, raising the basic wage rate, and in initiatives for priority themes in the second half of the fiscal year as a step toward business growth. Although the ratio of personnel costs to SG&A expenses and cost of sales significantly increased, profit margin improved. Regarding non-operating income, equity-method investment profit was posted and ordinary income grew 74.6% year on year to 2,058 million yen. Net income attributable to owners of the parent grew 295.3% year on year to 1,405 million yen in reaction to recording 647 million yen as a special merit bonus for retired officers as extraordinary loss in the previous fiscal year.

The company paid a year-end dividend of 7.00 yen/share as forecast by the company in the beginning of the fiscal year, while the yearly dividend was 14.00 yen/share.

Sales by Category

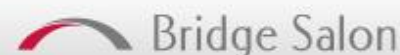
Significant recovery in real events, with growth in online events

	FY 6/23		FY 6/24		YoY
	Sales	Ratio to Sales	Sales	Ratio to Sales	
Real Events	6,269	53.2%	12,069	69.0%	+92.5%
Online Events	1,504	12.8%	2,181	12.5%	+45.0%
Online Promotion	3,723	31.6%	3,027	17.3%	-18.7%
Other	277	2.4%	225	1.3%	-18.8%
Total	11,774	100.0%	17,503	100.0%	+48.7%

*Unit: million yen.

- ① Real events: increased 92.5% year on year to 12,069 million yen. The trend of return to mainly real events has gained substantial momentum and street promotion, focused mainly on commodities that offer experiences, such as food products, beverages and cosmetic products, gained momentum. In addition, large-scale exhibitions and large-scale projects concerning the government, IP content, etc. made a contribution.
- ② Online events: increased 45.0% year on year to 2,181 million yen. Sales increased significantly, mainly due to an increase of hybrid

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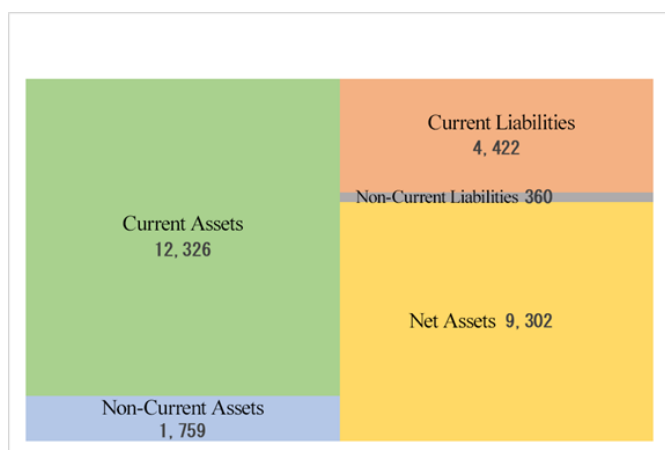
events in real and online settings.

- ③ Online promotions: declined 18.7% year on year to 3,027 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 led to a decline in sales.
- ④ Others: declined 18.8% year on year to 225 million yen. The company received orders for administrative work from government offices and groups.

(2) Financial Condition & Cash Flow(CF)

	Jun. 23	Jun. 24	Increase/ decrease		Jun. 23	Jun. 24	Increase/ decrease
Cash, Equivalents	5,781	8,452	+2,671	Accounts Payable	990	2,046	+1,055
Accounts Receivable	2,459	3,541	+1,082	Short Term Debt	840	840	0
Uncompleted Work Payments	233	79	-154	Taxes Payable	66	611	+545
Uncollected Payments	868	40	-827	Retirement Benefits for Directors	312	325	+12
Prepaid Expenses	143	199	+56	Liabilities	2,767	4,782	+2,015
Current Assets	9,548	12,326	+2,777	Net Assets	8,427	9,302	+875
Investments, Other	1,454	1,497	+43	Total Liabilities, Net Assets	11,194	14,085	+2,890
Noncurrent Assets	1,645	1,759	+113	Interest bearing liabilities	840	840	0

*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 fiscal year ended June 2024 amounted to 14,085 million yen, up 2,890 million yen from the end of the previous fiscal year.

Current assets increased 2,777 million yen to 12,326 million yen. This was mainly due to a 1,165 million yen increase in notes, accounts receivable, and contract assets, together with a 2,671 million yen increase in cash and deposits, despite an 827 million yen decrease in uncollected payments.

Fixed assets increased 113 million yen to 1,759 million yen. Tangible fixed assets increased 52 million yen to 216 million yen. This was primarily due to change in layout. Intangible assets increased 18 million yen to 44 million yen. This was mainly due to an increase in goodwill. Investments and other assets increased 43 million yen to 1,497 million yen. This was mainly due to a decrease of 30 million yen in investment securities, despite an increase of 60 million yen in deferred tax assets.

Current liabilities augmented 2,057 million yen to 4,422 million yen. This was mainly due to a 1,048 million yen increase in accounts payable, a 545 million yen increase in payable income tax, a 471 million yen increase in other, etc.

Fixed liabilities declined 41 million yen to 360 million yen. This was mainly due to a decrease of 67 million yen million yen in deferred tax liabilities, despite an increase of 13 million yen in others.

Net assets grew 875 million yen to 9,302 million yen. This was mainly due to an increase of 831 million yen in retained earnings.

Equity ratio decreased 9.1 percentage points year on year to 66.0%.

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Cash Flow

	FY 6/23	FY 6/24	YoY	
Operating CF	-717	3,395	+4,112	-
Investment CF	211	-44	-256	-
Free CF	-505	3,350	+3,856	-
Financing CF	-2,303	-678	+1,624	-
Cash, Equivalents at the end of term	5,781	8,452	+2,671	+46.2%

*Unit: million yen

Cash and cash equivalents at the end of the fiscal year ended June 2024 were 8,452 million yen, up 2,671 million yen from the end of the previous fiscal year.

The cash inflow from operating activities was 3,395 million yen (a cash outflow of 717 million yen in the same period of the previous fiscal year). This was mainly due to a 1,055 million yen increase in trade payables, despite a net income before taxes and other adjustments of 2,055 million yen, a 1,036 million yen increase in accounts payable, and a 752 million yen decrease in uncollected payments.

The cash outflow from investment activities was 44 million yen (a cash inflow of 211 million yen in the same period of the previous fiscal year). This was mainly due to a payment of 16 million yen for obtaining a membership and expenditure of 12 million yen for the acquisition of intangible fixed assets.

The cash outflow from financial activities was 678 million yen (a cash outflow of 2,303 million yen in the same period of the previous fiscal year). This was mainly due to dividend payments of 574 million yen and repayments of long-term loans in the amount of 104 million yen.

4. Fiscal Year ending June 2025 Earnings Forecasts

(1) Consolidated Earnings

	FY 6/24 Act.	Ratio to sales	FY 6/25 Est.	Ratio to sales	YoY
Sales	17,503	100.0%	18,000	100.0%	+2.8%
Operating Income	2,006	11.5%	2,120	11.8%	+5.7%
Ordinary Income	2,058	11.8%	2,150	11.9%	+4.5%
Net Income Attributable to Owners of Parent	1,405	8.0%	1,428	7.9%	+1.6%

*Unit: million yen

Projecting sales to grow 2.8% year on year and ordinary income to increase 4.5% year on year in the fiscal year ending June 2025

For the fiscal year ending June 2025, the company forecasts sales of 18 billion yen (up 2.8% year on year), an operating income of 2,120 million yen (up 5.7% year on year), an ordinary income of 2,150 million yen (up 4.5% year on year) and a net income attributable to owners of the parent of 1,428 million yen (up 1.6% year on year).

The company will keep receiving orders steadily in their mainstay business of event and promotion. Despite a reactionary decrease after large-scale biennial automobile exhibitions held last year, sales are projected to increase owing to EXPO-related operations in the second half of the fiscal year. Regarding sales composition ratio, the first half of a fiscal year used to account for about 55% and the second half for about 45% of total sales, but due to the reactionary decrease from large-scale automobile exhibitions held last year and contribution of EXPO-related operations in the second half of the fiscal year, sales in the first and second half of the year are expected to account for 50%, or 9 billion yen, of total sales respectively. Furthermore, regarding ordinary event and promotion sales excluding large-scale automobile exhibitions and EXPO-related operations, the company forecasts an increase of approximately 3%. In terms of profit, they will forge ahead with proactive investments in human capital and initiatives for themes that require enhancement, such as AI and the environment. Personnel costs and SG&A expenses are therefore projected to significantly exceed the figures in the previous year. The company's policy lies in maintaining and elevating high profitability through fee-based tasks providing high value and insourcing within the group. Furthermore, they will proceed with strategic investment, expecting an increase of ordinary income.

Regarding the dividend forecast, the policy of setting 50% as the upper limit of consolidated payout ratio was temporarily abolished.

Consequently, 14.13 yen, obtained by multiplying the closing price on the last day before the announcement of financial results (August 7, 2024) by the dividend yield of 4.5%, would be the minimal dividend. However, taking into consideration the impact of abrupt fluctuations in prices on the stock market, the annual dividend amount is expected to be 15.00 yen/share (including the interim dividend of 7.50 yen/share).

(2) Progress in the fiscal year ending June 2025

Progress of receipt of orders in fiscal year ended June 2024

In addition to the receipt of orders for events and promotion in the mainstay business, the company has received orders for operations related to EXPO, which is scheduled to take place in April 2025 in the second half of the fiscal year. As a result, the situation of order backlog as of the end of July 2024 is favorable, up 12.1% year on year.

* Order backlog: It means the progress of order receipt at the development stage.

	FY 6/24 (as of Jul. 31, 2023)	FY 6/25 (as of Jul. 31, 2024)	Difference from the previous fiscal year
Order backlog (sum of A, B, and P type projects)	6,934	7,774	+840
Sum of T and U type projects	1,583	2,080	+947

*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

5. Conclusions

In the fiscal year ended June 2024, the company secured a significant growth of sales and profit following two upward revisions in February and June. At the beginning of the fiscal year, it was difficult to foresee a full recovery in real events, and as a result, results far exceeded initial expectations. It is assumed that the business environment will remain favorable in the fiscal year ending June 2025. Order backlog increased 12.1% year on year and if the company keeps receiving orders during this fiscal year, their results will probably exceed the company forecast. Moreover, the company is the No. 1 independent in the event promotion field of the advertising industry and working on upgrading the scale of their projects. They would like to achieve further elevation of their profit margin as a result. Share price shows little growth, P/E ratio remains low and dividend yield is high. An ROE of 15.9% was secured in the fiscal year ended June 2024 and it is expected that the aforementioned figures will improve as the market recognizes that both ROE and dividend yield are high.

In addition to the dividend policy for maintaining high yield, the company acquires treasury shares and proactively returns profit to shareholders. The company commented that the “Action to Implement Management Conscious of Cost of Capital and Stock Price” requested by the Tokyo Stock Exchange is currently “under discussion,” and we would like to hold expectations concerning future disclosures and further enrichment of shareholder return as well.

<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

[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

BRIDGE REPORT



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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