

TOW (4767)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY06/2022	11,134	883	924	598	13.22	14.00	231.21
FY06/2023	11,774	1,150	1,178	355	8.61	14.40	208.86
FY06/2024CoE	14,000	1,370	1,400	915	22.74	14.00	-
FY06/2023	YoY	5.8%	30.2%	27.5%	(40.6%)	-	-
FY06/2024CoE	YoY	18.9%	19.1%	18.7%	157.4%	-	-
Consolidated Quarter (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY06/2023	2,698	150	164	(328)	-	-	-
Q2 FY06/2023	3,694	513	513	344	-	-	-
Q3 FY06/2023	2,572	191	206	134	-	-	-
Q4 FY06/2023	2,809	294	295	204	-	-	-
Q1 FY06/2024	3,793	375	390	248	-	-	-
Q1 FY06/2024	YoY	40.6%	149.7%	138.0%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (27 November 2023)


Expanding Rapidly

On 14 November 2023, TOW, planning and producing integrated promotions with strengths on the experience horizon, released its Q1 FY06/2024 results. It has been revealed that order intake is expanding rapidly for large-scale projects of sales promotions on the street and/or expositions as a result of full-fledged revitalization of socioeconomic and other activities after the Corona Disaster. With respect to the mainstay Real-World Events, sales have increased by no less than 57.1% over the same period of the previous year, having accounted for 71.5% of the Company's sales. According to the Company, it was necessary to intensively allocate own management resources, represented by human resources, upon the operations, which has led to an aspect of stagnated sales for Online Promotions. Nevertheless, sales have increased by 40.6% as a whole for the Company, implying that the Company is seeing performance better than assumptions of Company forecasts. We are to have an interview with the management on the web to discuss the issues more in-depth, so that we should be able to update our Company Report: [TOW \(4767\) Online Promotions \(6 October 2023\)](#) and release afresh.

IR Representative: Takehito Masumori, Director / Executive Officer (211masumori@tow.co.jp)

2.0 Company Profile

Planning and Producing Integrated Promotions with Strengths on the Experience Horizon

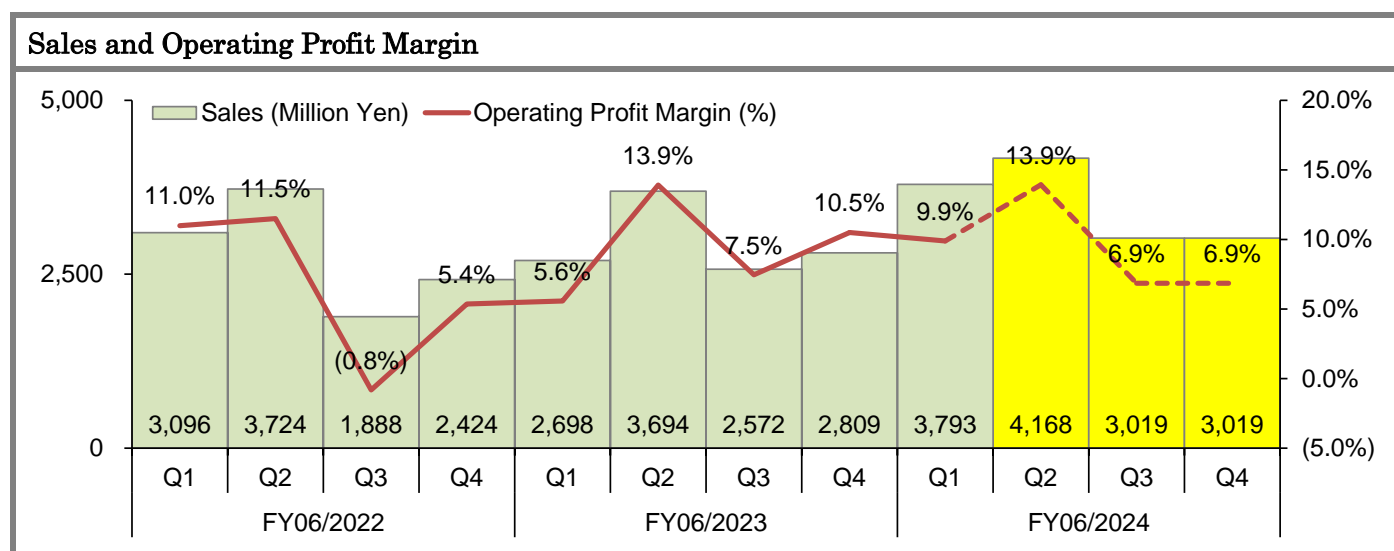
Company Name	TOW CO., Ltd. Company HP IR Information (Japanese) Share Price (Japanese) 
Established	6 July 1976
Listing	20 October 2023: Tokyo Stock Exchange Standard Market (ticker: 4767) 4 April 2022: Tokyo Stock Exchange Prime Market 25 June 2008: Tokyo Stock Exchange 1st section 25 June 2007: Tokyo Stock Exchange 2nd section 13 July 2000: JASDAQ
Capital	¥948m (as of the end of September 2023)
No. of Shares	48,969,096 shares, including 8,709,752 treasury shares (as of the end of Sep.2023)
Main Features	<ul style="list-style-type: none"> ● Major clients: the leading ad firms, i.e., Dentsu and Hakuhodo ● Producing events and contents with own planning ● Designing a result on the experience horizon of videos, social media, etc.
Segment	I . “Analysis & Research”, “Planning of Strategy & Formulation of Concept”, “Proposal of Planning”, “Implementation of Production” and “Verification of Effectiveness for Events and Promotions,” as well as other related operations
Representative	Representative Director and President: Kenichi Muratsu
Shareholders	Master Trust Bank of Japan, T. 13.20%, Katsuji Maki 9.79%, BBH Fidelity LowPriced Stock F. 5.97%, Custody Bank of Japan, T. 3.88% (as of the end of June 2023, but for treasury shares)
Head Office	Minato-ku, Tokyo, JAPAN
No. of Personnel	Consolidated: 238, Parent: 179 (as of the end of September 2023)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 FY06/2024

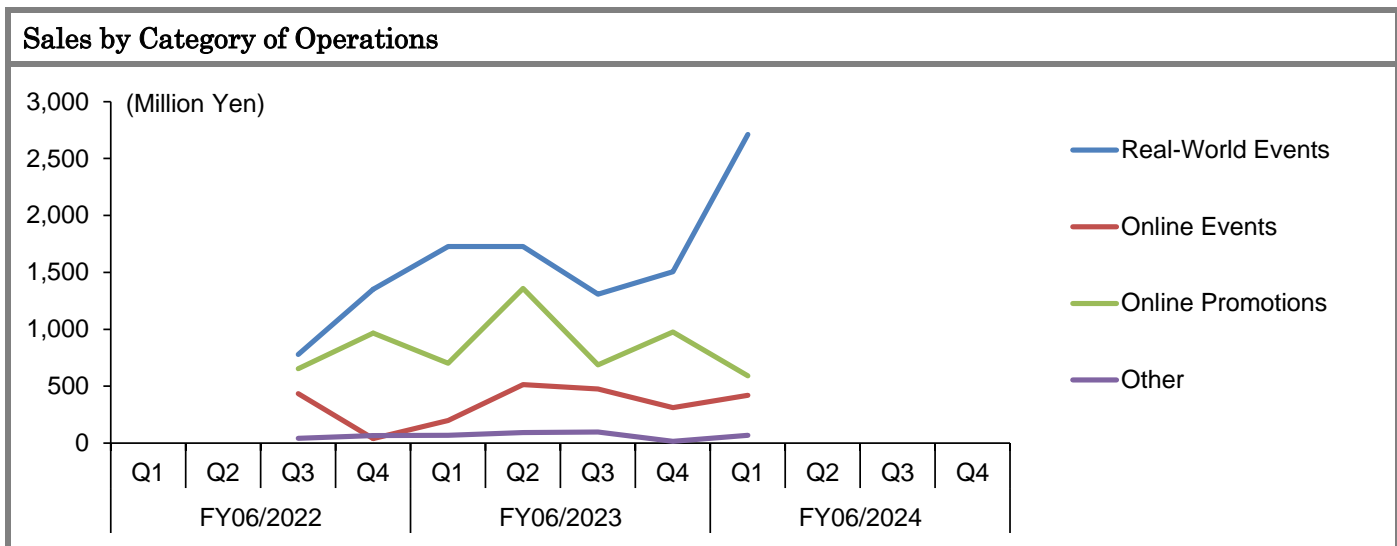
For Q1 FY06/2024, sales came in at ¥3,793m (up 40.6% YoY), operating profit ¥375m (up 149.7%), recurring profit ¥390m (up 138.0%) and profit attributable to owners of parent ¥248m (versus minus ¥327m during the same period of the previous year). The Company saw a major improvement at the extraordinary level, as the payment of special career achievement bonus of ¥647m, recorded during the same period of the previous year, did not reappear.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY06/2024: H2 Company forecasts pro rata)

Gross profit came in at ¥595m (up 57.6%) and SG&A expenses ¥219m (down 3.2%), implying gross profit margin of 15.7% (up 1.7% points) and SG&A ratio of 5.8% (down 2.6% points). As a result, operating profit margin came in at 9.9% (up 4.3% points). In response to surging sales, gross profit has also surged, while gross profit margin has improved due mainly to enhanced business alignment with a subsidiary in charge of producing events (lowered rate of exposure to outsourcing cost) and expanded fee-based operations to provide high added value, according to the Company.

Meanwhile, it is a temporary phenomenon that SG&A expenses have rather declined. Company forecasts assume SG&A expenses of ¥885m (up 18.0%) on a full-year basis, while there is no change for this at the moment. According to the Company, it plans to aggressively contribute expenses with the aim of pursuing a growth from a long-term perspective, but the said expenses contributed are limited as far as the actual results of Q1 are concerned.



Source: Company Data

By category of operations, sales of Real-World Events came in at ¥2,712m (up 57.1%), sales of Online Events ¥421m (up 110.4%), sales of Online Promotions ¥591m (down 15.6%) and sales of Other ¥68m (down 1.4%). With respect to Real-World Events, the Company suggests that sales were mainly driven by those of a game-related exposition and experience-based events. Meanwhile, it appears that sales will remain firm also for Q2 (October to December) as the Company suggests that those of an auto-related exposition, held for the first time in four years, will be recorded.

Sales of Online Events have surged from a low level during the same period of the previous year, driven by increasing demand for hybrid events between real-world and online ones. By the way, with respect to Online Promotions, the Company suggests that it sees ongoing inquiries for various sales promotion measures, comprising those of utilizing social media, videos and digital advertising, while the Company is beginning to enforce policy of focusing allocation of management resources, represented by human resources, upon Online Promotions for the sake of actually capturing such demand in the near future.

FY06/2024 Company Forecasts

FY06/2024 Company forecasts, announced on 9 August 2023, have remained unchanged, going for prospective sales of ¥14,000m (up 18.9% YoY), operating profit of ¥1,370m (up 19.1%), recurring profit of ¥1,400m (up 18.7%) and profit attributable to owners of parent of ¥915m (up 157.4%), while operating profit margin of 9.8% (up 0.0% point). Company forecasts have remained unchanged also for planned annual dividend, going for ¥14.00 per share, implying payout ratio of 61.6%.

4.0 Financial Statements

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2023	06/2023	06/2023	06/2023	06/2024	06/2024	06/2024	06/2024		
Sales	2,698	6,392	8,964	11,774	3,793	-	-	-	-	+1,095
Cost of Sales	2,320	5,317	7,526	9,873	3,198	-	-	-	-	+878
Gross Profit	377	1,075	1,437	1,900	595	-	-	-	-	+217
SG&A Expenses	227	411	582	750	219	-	-	-	-	(7)
Operating Profit	150	663	855	1,150	375	-	-	-	-	+224
Non Operating Balance	13	13	28	28	15	-	-	-	-	+1
Recurring Profit	164	677	883	1,178	390	-	-	-	-	+226
Extraordinary Balance	(622)	(622)	(625)	(625)	0	-	-	-	-	+622
Profit before Income Taxes	(458)	55	258	553	390	-	-	-	-	+849
Total Income Taxes	(130)	37	107	198	142	-	-	-	-	+273
Profit Attributable to Owners of Parent	(327)	17	151	355	248	-	-	-	-	+575
Sales YoY	(12.9%)	(6.3%)	+2.9%	+5.8%	+40.6%	-	-	-	-	-
Operating Profit YoY	(55.8%)	(13.7%)	+13.6%	+30.2%	+149.7%	-	-	-	-	-
Recurring Profit YoY	(54.5%)	(14.3%)	+11.2%	+27.5%	+138.0%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	(96.7%)	(71.0%)	(40.6%)	-	-	-	-	-	-
Gross Profit Margin	14.0%	16.8%	16.0%	16.1%	15.7%	-	-	-	-	+1.7%
SG&A Ratio	8.4%	6.4%	6.5%	6.4%	5.8%	-	-	-	-	(2.6%)
Operating Profit Margin	5.6%	10.4%	9.5%	9.8%	9.9%	-	-	-	-	+4.3%
Recurring Profit Margin	6.1%	10.6%	9.9%	10.0%	10.3%	-	-	-	-	+4.2%
Profit Attributable to Owners of Parent Margin	(12.1%)	0.3%	1.7%	3.0%	6.5%	-	-	-	-	+18.7%
Total Income Taxes / Profit before Income Taxes	28.6%	68.4%	41.4%	35.8%	36.5%	-	-	-	-	+8.0%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2023	06/2023	06/2023	06/2023	06/2024	06/2024	06/2024	06/2024		
Sales	2,698	3,694	2,572	2,809	3,793	-	-	-	-	+1,095
Cost of Sales	2,320	2,996	2,209	2,346	3,198	-	-	-	-	+878
Gross Profit	377	697	362	463	595	-	-	-	-	+217
SG&A Expenses	227	183	170	168	219	-	-	-	-	(7)
Operating Profit	150	513	191	294	375	-	-	-	-	+224
Non Operating Balance	13	0	14	0	15	-	-	-	-	+1
Recurring Profit	164	513	206	295	390	-	-	-	-	+226
Extraordinary Balance	(622)	0	(2)	(0)	0	-	-	-	-	+622
Profit before Income Taxes	(458)	513	203	295	390	-	-	-	-	+849
Total Income Taxes	(130)	168	69	90	142	-	-	-	-	+273
Profit Attributable to Owners of Parent	(327)	344	134	204	248	-	-	-	-	+575
Sales YoY	(12.9%)	(0.8%)	+36.2%	+15.9%	+40.6%	-	-	-	-	-
Operating Profit YoY	(55.8%)	+19.8%	-	+126.7%	+149.7%	-	-	-	-	-
Recurring Profit YoY	(54.5%)	+19.5%	-	+127.4%	+138.0%	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	+18.3%	-	+170.4%	-	-	-	-	-	-
Gross Profit Margin	14.0%	18.9%	14.1%	16.5%	15.7%	-	-	-	-	+1.7%
SG&A Ratio	8.4%	5.0%	6.6%	6.0%	5.8%	-	-	-	-	(2.6%)
Operating Profit Margin	5.6%	13.9%	7.5%	10.5%	9.9%	-	-	-	-	+4.3%
Recurring Profit Margin	6.1%	13.9%	8.0%	10.5%	10.3%	-	-	-	-	+4.2%
Profit Attributable to Owners of Parent Margin	(12.1%)	9.3%	5.2%	7.3%	6.5%	-	-	-	-	+18.7%
Total Income Taxes / Profit before Income Taxes	28.6%	32.9%	34.0%	30.8%	36.5%	-	-	-	-	+8.0%

Source: Company Data, WRJ Calculation

Sales by Category of Operations (Cumulative/Quarterly)

Sales by Category of Operations	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	06/2023	06/2023	06/2023	06/2023	06/2024	06/2024	06/2024	06/2024		
Real-World Events	1,726	3,454	4,763	6,269	2,712	-	-	-		+986
Online Events	200	714	1,191	1,504	421	-	-	-		+221
Online Promotions	701	2,060	2,747	3,723	591	-	-	-		(110)
Other	69	163	261	277	68	-	-	-		(1)
Sales	2,698	6,392	8,964	11,774	3,793	-	-	-		+1,095
Real-World Events	+4.1%	+41.9%	+48.3%	+37.4%	+57.1%	-	-	-		-
Online Events	(73.3%)	(69.1%)	(56.6%)	(46.0%)	+110.4%	-	-	-		-
Online Promotions	+8.0%	+4.9%	+4.9%	+3.8%	(15.6%)	-	-	-		-
Other	+77.6%	+85.8%	+99.5%	+40.3%	(1.4%)	-	-	-		-
Sales (YoY)	(12.9%)	(6.0%)	+2.9%	+5.8%	+40.6%	-	-	-		-
Real-World Events	64.0%	54.0%	53.1%	53.2%	71.5%	-	-	-		-
Online Events	7.4%	11.2%	13.3%	12.8%	11.1%	-	-	-		-
Online Promotions	26.0%	32.2%	30.6%	31.6%	15.6%	-	-	-		-
Other	2.6%	2.6%	2.9%	2.4%	1.8%	-	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-		-

Sales by Category of Operations	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	06/2023	06/2023	06/2023	06/2023	06/2024	06/2024	06/2024	06/2024		
Real-World Events	1,726	1,728	1,309	1,506	2,712	-	-	-		+986
Online Events	200	514	477	313	421	-	-	-		+221
Online Promotions	701	1,359	687	976	591	-	-	-		(110)
Other	69	94	98	16	68	-	-	-		(1)
Sales	2,698	3,694	2,572	2,810	3,793	-	-	-		+1,095
Real-World Events	+4.1%	-	+68.3%	+11.5%	+57.1%	-	-	-		-
Online Events	(73.3%)	-	+9.7%	+682.5%	+110.4%	-	-	-		-
Online Promotions	+8.0%	-	+4.9%	+0.9%	(15.6%)	-	-	-		-
Other	+77.6%	-	+127.9%	(76.1%)	(1.4%)	-	-	-		-
Sales (YoY)	(12.9%)	(0.2%)	+34.5%	+15.9%	+40.6%	-	-	-		-
Real-World Events	64.0%	46.8%	50.9%	53.6%	71.5%	-	-	-		-
Online Events	7.4%	13.9%	18.5%	11.1%	11.1%	-	-	-		-
Online Promotions	26.0%	36.8%	26.7%	34.7%	15.6%	-	-	-		-
Other	2.6%	2.5%	3.8%	0.6%	1.8%	-	-	-		-
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-		-

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2023	Q2 06/2023	Q3 06/2023	Q4 06/2023	Q1 06/2024	Q2 06/2024	Q3 06/2024	Q4 06/2024		
Cash and Deposit	6,008	5,786	5,464	5,781	6,347	-	-	-	-	+339
Electronically Recorded Receivables	168	341	487	169	97	-	-	-	-	(70)
Accounts Receivables and Contract Assets	2,230	3,037	2,293	2,289	2,950	-	-	-	-	+720
Other	1,022	1,021	1,268	1,307	1,231	-	-	-	-	+208
Current Assets	9,428	10,186	9,513	9,548	10,627	-	-	-	-	+1,198
Tangible Assets	184	176	175	164	157	-	-	-	-	(27)
Intangible Assets	27	25	23	26	50	-	-	-	-	+22
Investments and Other Assets	1,749	1,670	1,631	1,454	1,412	-	-	-	-	(336)
Fixed Assets	1,961	1,872	1,831	1,645	1,620	-	-	-	-	(341)
Total Assets	11,390	12,059	11,344	11,194	12,247	-	-	-	-	+856
Electronically Recorded Debt	14	13	10	4	4	-	-	-	-	(10)
Accounts Payable	1,347	1,859	1,297	986	1,975	-	-	-	-	+628
Short Term Debt	840	840	840	840	840	-	-	-	-	0
Other	744	461	444	534	714	-	-	-	-	(30)
Current Liabilities	2,946	3,174	2,593	2,365	3,534	-	-	-	-	+587
Long Term Debt	-	-	-	-	-	-	-	-	-	-
Other	301	354	399	401	386	-	-	-	-	+84
Fixed Liabilities	301	354	399	401	386	-	-	-	-	+84
Total Liabilities	3,248	3,529	2,992	2,767	3,920	-	-	-	-	+672
Shareholders' Equity	7,398	7,820	7,617	7,821	7,779	-	-	-	-	+381
Other	744	710	735	605	546	-	-	-	-	(197)
Net Assets	8,142	8,530	8,352	8,427	8,326	-	-	-	-	+184
Total Liabilities & Net Assets	11,390	12,059	11,344	11,194	12,247	-	-	-	-	+856
Equity Capital	8,111	8,508	8,336	8,411	8,310	-	-	-	-	+199
Interest Bearing Debt	840	840	840	840	840	-	-	-	-	0
Net Debt	(5,168)	(4,946)	(4,624)	(4,941)	(5,507)	-	-	-	-	(339)
Equity Ratio	71.2%	70.6%	73.5%	73.8%	67.9%	-	-	-	-	-
Net Debt Equity Ratio	(63.7%)	(58.1%)	(55.5%)	(61.2%)	(66.3%)	-	-	-	-	-
ROE (12 months)	0.4%	1.0%	2.4%	3.8%	11.3%	-	-	-	-	-
ROA (12 months)	5.8%	6.2%	8.3%	9.4%	11.9%	-	-	-	-	-
Quick Ratio	285%	289%	318%	348%	266%	-	-	-	-	-
Current Ratio	320%	321%	367%	404%	301%	-	-	-	-	-

Source: Company Data, WRJ Calculation

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Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 06/2023	Q1 to Q2 06/2023	Q1 to Q3 06/2023	Q1 to Q4 06/2023	Q1 06/2024	Q1 to Q2 06/2024	Q1 to Q3 06/2024	Q1 to Q4 06/2024		
Operating Cash Flow	-	(999)	-	(718)	-	-	-	-	-	-
Investing Cash Flow	-	206	-	211	-	-	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(792)	-	(506)	-	-	-	-	-	-
Financing Cash Flow	-	(2,013)	-	(2,304)	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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