

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		16,000	1,748	1,777	1,172	28.95	14.00	-
FY06/2023	YoY	5.8%	30.2%	27.5%	(40.6%)	-	-	-
FY06/2024CoE	YoY	35.9%	51.9%	50.8%	229.6%	-	-	-
Consolidated Q1 to Q3 (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY06/2023		8,964	855	883	151	-	-	-
Q1 to Q3 FY06/2024		13,152	1,653	1,686	1,116	-	-	-
Q1 to Q3 FY06/2024	YoY	46.7%	93.3%	90.8%	636.3%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (22 May 2024)

Real-World Events


On 15 May 2024, TOW, which dedicates to planning and producing of integrated promotions with a strong experiential (hands-on) focus, released its Q1 to Q3 FY06/2024 results. It has been revealed that recovery of performance is accelerating, driven by that of real-world events. In terms of earnings, the Company sees a high rate of progress against full-year Company forecasts and thus a revision is currently under review for prospective full-year performance. It has been stated that an announcement would be made as soon as the near-term prospects are convinced. In our estimates, the Company continues benefiting from strengths associated with beverages as it has been the case for Q2, while sales of events associated with IP contents, etc. are kicking in, according to the Company. Meanwhile, the Company is now carrying out policy measures at the same time, represented by strategical investments in human capital, to ensure a growth from long-term perspective. We are to interview with the Company's management to obtain further details, so that we should be able to update our Company Report and release afresh.

Company Report: [TOW \(4767\) Human Capital \(8 April 2024\)](#)

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

2.0 Company Profile

Planning and Producing of Integrated Promotions with a Strong Experiential (hands-on) Focus

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 March 2024)
No. of Shares	48,969,096 shares, including 8,349,752 treasury shares (as of the end of Mar. 2024)
Main Features	<ul style="list-style-type: none"> ● Major clients: the leading ad firms, i.e., Dentsu and Hakuhodo ● Producing events and/or contents with own planning ● Designing results on the experiential (hands-on) horizon, including video, social media, etc.
Segment	I . “Analysis & Research”, “Planning of Strategy & Formulation of Concept”, “Proposal of Planning”, “Implementing & Producing” 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. 14.35%, Katsuji Maki 9.71%, Custody Bank of Japan, T. 4.56%, LIKE, Inc. 2.56%, Employee Stock Ownership Plan 1.92% (as of the end of December 2023, but for treasury shares)
Head Office	Minato-ku, Tokyo, JAPAN
No. of Personnel	Consolidated: 228, Parent: 173 (as of the end of March 2024)

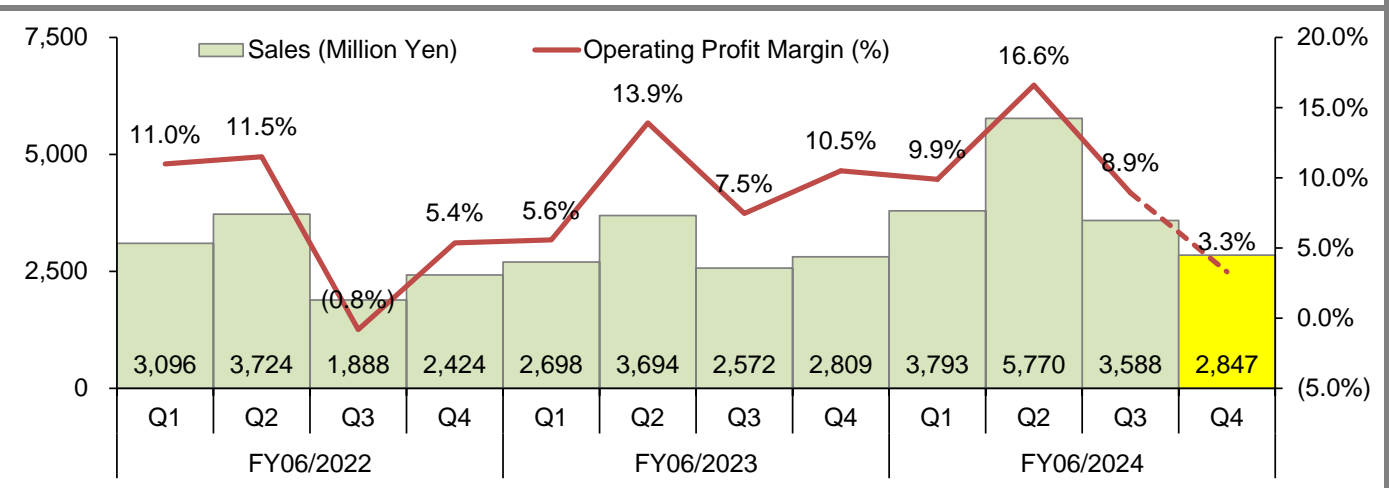
Source: Company Data

3.0 Recent Trading and Prospects

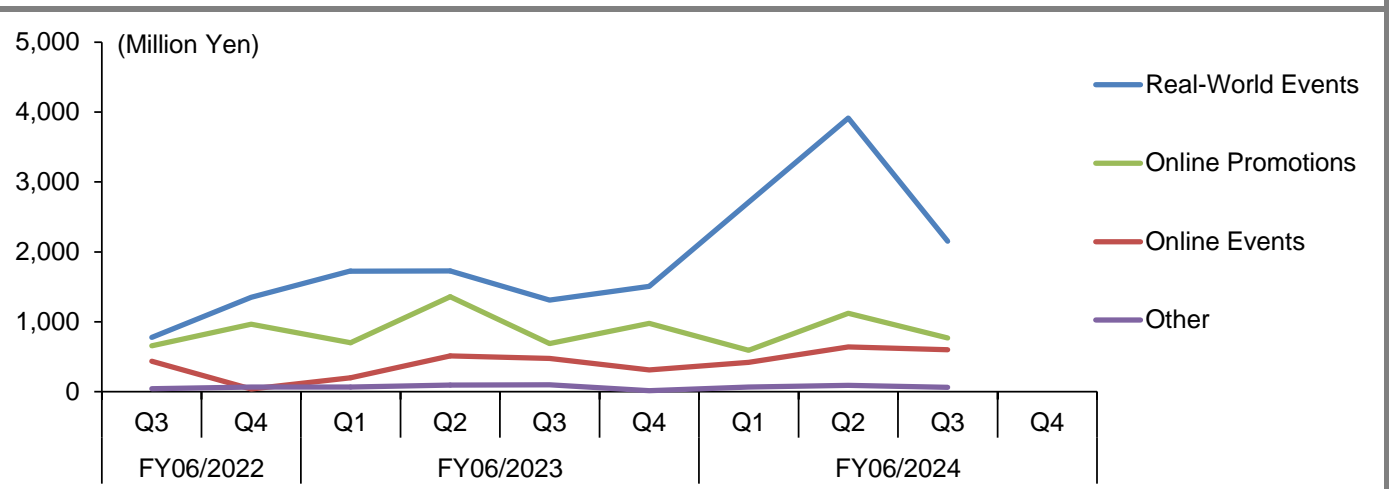
Q1 to Q3 FY06/2024

For Q1 to Q3 FY06/2024, sales came in at ¥13,152m (up 46.7% YoY), operating profit ¥1,653m (up 93.3%), recurring profit ¥1,686m (up 90.8%) and profit attributable to owners of parent ¥1,116m (up 636.3%). The Company saw a major improvement at the extraordinary level, as the payment of special career achievement bonus of ¥647m, posted during the same period of the previous year, did not reappear.

Sales and Operating Profit Margin



Sales by Category of Operations



Source: Company Data, WRJ Calculation

Real-World Events (66.8% of sales)

Sales came in at ¥8,781m (up 84.3%). According to the Company, sales have surged as a result of increasing order intake for large-scale projects on street promotions, inner events and exhibitions in line with a move of returning back to real-world events, while those of IP contents are kicking in. By the way, on a quarterly basis, the Company sees a concentration in sales for Q2 (October to December) due mainly to seasonal factors, while it is inevitable for the Company to see an adjustment in sales for Q3 (January to March), immediately following Q2. As is taken for granted, the impact stemming from here was far more than offset by that of Corona disaster for FY06/2022 and FY06/2023.

Online Events (12.6% of sales)

Sales came in at ¥1,663m (up 39.6%). The Company notes that sales are driven by so-called hybrid-type events, the mainstay in this category, i.e., those of comprising real-world events and online events.

Online Promotions (18.9% of sales)

Sales came in at ¥2,483m (down 9.6%). In the market for digital advertising, a trend of deceleration in the rate of growth is now taking place, while the Company notes that it continues seeing inquiries for its online promotion measures, including digital advertising, such as those of social media and video-leveraged. However, the Company suffers from a decline in unit price per project, which is a reason for a decline in sales.

Trends of Gain or Loss

Gross profit came in at ¥2,309m (up 60.6%) and SG&A expenses ¥655m (up 12.6%), implying gross profit margin of 17.6% (up 1.5% points) and SG&A ratio of 5.0% (down 1.5% points), having resulted in operating profit margin of 12.6% (up 3.0% points). From the beginning of Q3, the Company has been carrying out policy measures, represented by strategical investments in human capital, to ensure a growth from long-term perspective, which is implied to increase contribution of expense to a corresponding extent. As planned, the Company has implemented across-the-board pay rise, equating 6.7% in terms of average annual salary, while other policy measures are also on wheels, such as investments to enhance hiring, training programs, etc. as well as contribution of expenses to leverage digital technology, including AI. At the same time, however, the Company continues benefiting from an improvement in gross profit margin due mainly to increased provisions of high value-added operations to collect fees and enhanced in-house operations to well utilize a subsidiary on the expense of outsourcing.

FY06/2024 Company Forecasts

FY06/2024 Company forecasts, announced on 8 February 2024, have remained unchanged, going for prospective sales of ¥16,000m (up 35.9% YoY), operating profit of ¥1,748m (up 51.9%), recurring profit of ¥1,777m (up 50.8%) and profit attributable to owners of parent of ¥1,172m (up 229.6%), while operating profit margin of 10.9% (up 1.2% points). At the same time, Company forecasts have remained unchanged also for planned annual dividend, going for ¥14.00 per share (¥7.00 as of the end of Q2 and ¥7.00 as of the end of Q4) for FY06/2024, implying payout ratio of 48.4%.

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	9,563	13,152	-		+4,188
Cost of Sales	2,320	5,317	7,526	9,873	3,198	7,803	10,843	-		+3,316
Gross Profit	377	1,075	1,437	1,900	595	1,760	2,309	-		+871
SG&A Expenses	227	411	582	750	219	426	655	-		+73
Operating Profit	150	663	855	1,150	375	1,333	1,653	-		+798
Non Operating Balance	13	13	28	28	15	14	32	-		+3
Recurring Profit	164	677	883	1,178	390	1,348	1,686	-		+802
Extraordinary Balance	(622)	(622)	(625)	(625)	0	0	0	-		+625
Profit before Income Taxes	(458)	55	258	553	390	1,348	1,686	-		+1,427
Total Income Taxes	(130)	37	107	198	142	454	569	-		+462
Profit Attributable to Owners of Parent	(327)	17	151	355	248	893	1,116	-		+964
Sales YoY	(12.9%)	(6.3%)	+2.9%	+5.8%	+40.6%	+49.6%	+46.7%	-		-
Operating Profit YoY	(55.8%)	(13.7%)	+13.6%	+30.2%	+149.7%	+100.8%	+93.3%	-		-
Recurring Profit YoY	(54.5%)	(14.3%)	+11.2%	+27.5%	+138.0%	+98.9%	+90.8%	-		-
Profit Attributable to Owners of Parent YoY	-	(96.7%)	(71.0%)	(40.6%)	-	-	+636.3%	-		-
Gross Profit Margin	14.0%	16.8%	16.0%	16.1%	15.7%	18.4%	17.6%	-		+1.5%
SG&A Ratio	8.4%	6.4%	6.5%	6.4%	5.8%	4.5%	5.0%	-		(1.5%)
Operating Profit Margin	5.6%	10.4%	9.5%	9.8%	9.9%	13.9%	12.6%	-		+3.0%
Recurring Profit Margin	6.1%	10.6%	9.9%	10.0%	10.3%	14.1%	12.8%	-		+3.0%
Profit Attributable to Owners of Parent Margin	(12.1%)	0.3%	1.7%	3.0%	6.5%	9.3%	8.5%	-		+6.8%
Total Income Taxes / Profit before Income Taxes	28.6%	68.4%	41.4%	35.8%	36.5%	33.7%	33.8%	-		(7.6%)

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	5,770	3,588	-		+1,016
Cost of Sales	2,320	2,996	2,209	2,346	3,198	4,605	3,039	-		+830
Gross Profit	377	697	362	463	595	1,165	549	-		+186
SG&A Expenses	227	183	170	168	219	206	228	-		+57
Operating Profit	150	513	191	294	375	958	320	-		+128
Non Operating Balance	13	0	14	0	15	(0)	17	-		+3
Recurring Profit	164	513	206	295	390	957	337	-		+131
Extraordinary Balance	(622)	0	(2)	(0)	0	(0)	0	-		+2
Profit before Income Taxes	(458)	513	203	295	390	957	338	-		+134
Total Income Taxes	(130)	168	69	90	142	311	115	-		+46
Profit Attributable to Owners of Parent	(327)	344	134	204	248	645	222	-		+88
Sales YoY	(12.9%)	(0.8%)	+36.2%	+15.9%	+40.6%	+56.2%	+39.5%	-		-
Operating Profit YoY	(55.8%)	+19.8%	-	+126.7%	+149.7%	+86.5%	+67.3%	-		-
Recurring Profit YoY	(54.5%)	+19.5%	-	+127.4%	+138.0%	+86.4%	+64.0%	-		-
Profit Attributable to Owners of Parent YoY	-	+18.3%	-	+170.4%	-	+87.3%	+66.0%	-		-
Gross Profit Margin	14.0%	18.9%	14.1%	16.5%	15.7%	20.2%	15.3%	-		+1.2%
SG&A Ratio	8.4%	5.0%	6.6%	6.0%	5.8%	3.6%	6.4%	-		(0.3%)
Operating Profit Margin	5.6%	13.9%	7.5%	10.5%	9.9%	16.6%	8.9%	-		+1.5%
Recurring Profit Margin	6.1%	13.9%	8.0%	10.5%	10.3%	16.6%	9.4%	-		+1.4%
Profit Attributable to Owners of Parent Margin	(12.1%)	9.3%	5.2%	7.3%	6.5%	11.2%	6.2%	-		+1.0%
Total Income Taxes / Profit before Income Taxes	28.6%	32.9%	34.0%	30.8%	36.5%	32.6%	34.2%	-		+0.2%

Source: Company Data, WRJ Calculation

Sales by Category of Operations (Cumulative/Quarterly)

Sales by Category of Operations (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		
Real-World Events	1,726	3,454	4,763	6,269	2,712	6,627	8,781	-	+4,018	
Online Events	200	714	1,191	1,504	421	1,062	1,663	-	+472	
Online Promotions	701	2,060	2,747	3,723	591	1,713	2,483	-	(264)	
Other	69	163	261	277	68	159	223	-	(38)	
Sales	2,698	6,392	8,964	11,774	3,793	9,563	13,152	-	+4,188	
Real-World Events	+4.1%	+41.9%	+48.3%	+37.4%	+57.1%	+91.9%	+84.3%	-	-	
Online Events	(73.3%)	(69.1%)	(56.6%)	(46.0%)	+110.4%	+48.7%	+39.6%	-	-	
Online Promotions	+8.0%	+4.9%	+4.9%	+3.8%	(15.6%)	(16.8%)	(9.6%)	-	-	
Other	+77.6%	+85.8%	+99.5%	+40.3%	(1.4%)	(2.3%)	(14.3%)	-	-	
Sales (YoY)	(12.9%)	(6.0%)	+2.9%	+5.8%	+40.6%	+49.6%	+46.7%	-	-	
Real-World Events	64.0%	54.0%	53.1%	53.2%	71.5%	69.3%	66.8%	-	-	
Online Events	7.4%	11.2%	13.3%	12.8%	11.1%	11.1%	12.6%	-	-	
Online Promotions	26.0%	32.2%	30.6%	31.6%	15.6%	17.9%	18.9%	-	-	
Other	2.6%	2.6%	2.9%	2.4%	1.8%	1.7%	1.7%	-	-	
Sales (Composition Ratio)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	

Sales by Category of Operations (Million Yen)	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	
Real-World Events	1,726	1,728	1,309	1,506	2,712	3,915	2,154	-	+845
Online Events	200	514	477	313	421	641	601	-	+124
Online Promotions	701	1,359	687	976	591	1,122	770	-	+83
Other	69	94	98	16	68	91	64	-	(34)
Sales	2,698	3,694	2,572	2,810	3,793	5,770	3,589	-	+1,017
Real-World Events	+4.1%	-	+68.3%	+11.5%	+57.1%	+126.6%	+64.6%	-	-
Online Events	(73.3%)	-	+9.7%	+682.5%	+110.4%	+24.7%	+26.0%	-	-
Online Promotions	+8.0%	-	+4.9%	+0.9%	(15.6%)	(17.4%)	+12.1%	-	-
Other	+77.6%	-	+127.9%	(76.1%)	(1.4%)	(3.2%)	(34.7%)	-	-
Sales (YoY)	(12.9%)	(0.2%)	+34.5%	+15.9%	+40.6%	+56.2%	+39.5%	-	-
Real-World Events	64.0%	46.8%	50.9%	53.6%	71.5%	67.9%	60.0%	-	-
Online Events	7.4%	13.9%	18.5%	11.1%	11.1%	11.1%	16.7%	-	-
Online Promotions	26.0%	36.8%	26.7%	34.7%	15.6%	19.4%	21.5%	-	-
Other	2.6%	2.5%	3.8%	0.6%	1.8%	1.6%	1.8%	-	-
Sales (Composition Ratio)	100.0%	100.0%	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	7,111	7,242	-	-	+1,777
Electronically Recorded Receivables	168	341	487	169	97	71	87	-	-	(400)
Accounts Receivables and Contract Assets	2,230	3,037	2,293	2,289	2,950	4,044	3,262	-	-	+969
Other	1,022	1,021	1,268	1,307	1,231	1,339	824	-	-	(443)
Current Assets	9,428	10,186	9,513	9,548	10,627	12,567	11,417	-	-	+1,903
Tangible Assets	184	176	175	164	157	150	143	-	-	(32)
Intangible Assets	27	25	23	26	50	52	48	-	-	+25
Investments and Other Assets	1,749	1,670	1,631	1,454	1,412	1,374	1,518	-	-	(113)
Fixed Assets	1,961	1,872	1,831	1,645	1,620	1,578	1,710	-	-	(120)
Total Assets	11,390	12,059	11,344	11,194	12,247	14,145	13,127	-	-	+1,782
Electronically Recorded Debt	14	13	10	4	4	25	1	-	-	(9)
Accounts Payable	1,347	1,859	1,297	986	1,975	2,939	1,814	-	-	+516
Short Term Debt	840	840	840	840	840	840	840	-	-	0
Other	744	461	444	534	714	900	976	-	-	+531
Current Liabilities	2,946	3,174	2,593	2,365	3,534	4,706	3,632	-	-	+1,039
Long Term Debt	-	-	-	-	-	-	-	-	-	-
Other	301	354	399	401	386	399	426	-	-	+27
Fixed Liabilities	301	354	399	401	386	399	426	-	-	+27
Total Liabilities	3,248	3,529	2,992	2,767	3,920	5,106	4,058	-	-	+1,066
Shareholders' Equity	7,398	7,820	7,617	7,821	7,779	8,524	8,463	-	-	+845
Other	744	710	735	605	546	514	605	-	-	(129)
Net Assets	8,142	8,530	8,352	8,427	8,326	9,039	9,068	-	-	+716
Total Liabilities & Net Assets	11,390	12,059	11,344	11,194	12,247	14,145	13,127	-	-	+1,782
Equity Capital	8,111	8,508	8,336	8,411	8,310	9,028	9,058	-	-	+722
Interest Bearing Debt	840	840	840	840	840	840	840	-	-	0
Net Debt	(5,168)	(4,946)	(4,624)	(4,941)	(5,507)	(6,271)	(6,402)	-	-	(1,777)
Equity Ratio	71.2%	70.6%	73.5%	73.8%	67.9%	63.8%	69.0%	-	-	-
Net Debt Equity Ratio	(63.7%)	(58.1%)	(55.5%)	(61.2%)	(66.3%)	(69.5%)	(70.7%)	-	-	-
ROE (12 months)	0.4%	1.0%	2.4%	3.8%	11.3%	14.1%	15.2%	-	-	-
ROA (12 months)	5.8%	6.2%	8.3%	9.4%	11.9%	14.1%	16.2%	-	-	-
Quick Ratio	285%	289%	318%	348%	266%	239%	292%	-	-	-
Current Ratio	320%	321%	367%	404%	301%	267%	314%	-	-	-

Source: Company Data, WRJ Calculation

7

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)	-	1,732	-	-	-	-
Investing Cash Flow	-	206	-	211	-	(9)	-	-	-	-
Operating Cash Flow and Investing Cash Flow	-	(792)	-	(506)	-	1,724	-	-	-	-
Financing Cash Flow	-	(2,013)	-	(2,304)	-	(395)	-	-	-	-

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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