



Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 29, 2024
(Three Months Ended May 31, 2023)

July 14, 2023

Company name: VECTOR INC.

Listing: Tokyo Stock Exchange

Securities code: 6058 URL: <https://vectorinc.co.jp/en>

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Scheduled date of filing of Quarterly Report: July 14, 2023 Scheduled date of dividend payment: —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2024

(March 1, 2023–May 31, 2023)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended May 31, 2023	14,758	12.4	1,414	-4.3	1,377	-7.4	722	-13.6
Three months ended May 31, 2022	13,132	17.8	1,477	30.6	1,487	28.7	836	88.8

Note: Comprehensive income Three months ended May 31, 2023: 2,178 million yen (up 94.7%)
Three months ended May 31, 2022: 1,119 million yen (up 59.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2023	15.16	—
Three months ended May 31, 2022	17.55	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2023	39,016	16,880	35.8	292.60
As of Feb. 28, 2023	36,343	15,759	35.6	271.38

Reference: Shareholders' equity As of May 31, 2023: 13,949 million yen
As of May 31, 2022: 12,938 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2023	—	0.00	—	19.00	19.00
Fiscal year ending Feb. 29, 2024	—	—	—	—	—
Fiscal year ending Feb. 29, 2024 (forecast)	—	0.00	—	25.00	25.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023–February 29, 2024)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary Income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	29,761	11.6	2,175	-35.7	2,175	-38.0	1,072	-44.1	22.46
Full year	63,000	14.1	7,260	15.7	7,260	9.6	4,070	28.3	85.11

Note: Revision to the most recently announced consolidated forecast: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 10 for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: Yes
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 10 for further information.

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)	As of May 31, 2023	47,936,100 shares	As of Feb. 28, 2023	47,936,100 shares
2) Number of treasury shares at the end of the period	As of May 31, 2023	262,061 shares	As of Feb. 28, 2023	262,061 shares
3) Average number of shares during the period	As of May 31, 2023	47,674,039 shares	As of May 31, 2022	47,674,039 shares

* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Appropriate use of business forecast and other special items

Forecasts regarding future performance in this material are based on information currently available to Vector and incorporate a variety of uncertainties. Actual performance may differ from these forecasts for a number of reasons including changes in internal or external factors affecting business operations. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding the forecasts shown in this material.

As stated in Subsequent Events, VECTOR is planning to issue new shares as restricted stock compensation on July 18, 2023, and has calculated the expected earnings per share based on the average number of shares outstanding, taking into account the impact of the new share issuance.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on judgments made by VECTOR as of July 14, 2023.

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending February 29, 2024, the Japanese economy began to recover as the COVID-19 pandemic restrictions were eased. However, the outlook for the economy remains uncertain due to the higher cost of energy because of the prolonged Ukraine crisis, an increase in prices caused by the weak yen, and disruptions to global supply chains, among other reasons.

The VECTOR Group is centered around the concept of distributing information in a simple and speedy manner through state-of-the-art communication tools, beginning with strategic public relations (PR) services. We provide these services at more affordable rates than traditional advertising budgets and we cater to a variety of industry sectors. This enables us to establish a revenue base that is less susceptible to the fluctuations of specific industries. As such, we anticipate minimal impact on our performance from deteriorating business conditions, and we expect this trend to continue into the future.

Against this market backdrop, we continue to focus on operating as a “fast company” that is a one-stop source of comprehensive support for marketing strategies with the goal of making people aware of the excellent products, services, and solutions of our clients. To accomplish this goal, we have been expanding our services, primarily aimed at the VECTOR Group’s existing clients. Considering the ongoing growth of internet advertising expenditure in Japan’s advertising industry driven by society’s digital transformation, we have strategically expanded our service portfolio through mergers and acquisitions, with a particular emphasis on the digital domain.

In addition, VECTOR has been ranked as the top PR agency in Asia and seventh globally in the “Agency Business Report 2023: Rankings table” issued by PR Week, a world-renowned specialized media outlet for the PR industry operated by Haymarket Media Group Ltd. in the United Kingdom.

In the consolidated financial forecasts announced on April 14, 2023, we disclosed figures for adjusted operating profit (an indicator calculated by adding expenses for restricted stock remuneration granted by VECTOR to operating profit). However, we have decided that we will no longer disclose adjusted operating profit and will continue to emphasize operating profit as our key indicator.

Due to these activities, net sales increased 12.4% year on year to 14,758 million yen, operating profit decreased 4.3% to 1,414 million yen, ordinary profit decreased 7.4% to 1,377 million yen, and profit attributable to owners of parent decreased 13.6% to 722 million yen.

Business segment performance is as follows.

Starting from the first quarter of the fiscal year ending February 29, 2024, we integrated the Video Release Distribution and Media CMS segments into PR and Advertising, resulting in a change from seven reportable business segments to five. Moreover, JOBTV, a recruiting platform using videos, which was previously included in PR and Advertising, has been reclassified under HR. For the following year-on-year comparisons, we have adjusted the figures for the previous year’s corresponding period based on the reclassified business segments. Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment and Other Information” for further information.

PR and Advertising

In this business segment, we provide a one-stop communication strategy tailored to each client that includes strategic PR services centered on consulting and is driven by digital marketing using IoT signage via tablets placed in taxis and social networking services.

With the transition towards digitalization as the preferred method for distributing information, our strategic approach as a “fast company” has become even more relevant to the times. Further, our aggressive efforts to expand services through mergers and acquisitions in the digital domain from the previous year has enabled us to establish a robust framework for providing even more comprehensive support to our clients’ communication strategies. This has resulted in us achieving record high quarterly sales and operating profit.

In addition, in March 2023, VECTOR acquired Tryhatch Inc., which helps companies attract customers by using social networking services, with the aim of strengthening our digital marketing services.

Segment sales increased 26.8% to 9,261 million yen and operating profit increased 34.4% to 1,205 million yen year on year.

Press Release Distribution

PR TIMES, Inc. distributes and posts press releases by using its PR TIMES website as well as many other websites. Utilization of this service has been very high. In May 2023, the number of companies using PR TIMES surpassed 83,000. As a result, quarterly sales rose to an all-time high. Further, as planned at the beginning of the period, we actively promoted the use of "PR TIMES" among local businesses and allocated advertising resources to new business ventures.

Segment sales increased 16.3% to 1,608 million yen and operating profit fell 19.7% to 343 million yen year on year.

Direct Marketing

In the direct marketing business of Vitabrid Japan, Inc., we focused on developing new products while investing in advertising and marketing in consideration of efficiently adding new customers. As a result, although there was a temporary slowdown in acquiring new customers, sales of Terminalia First (a supplement for helping reduce body mass index (BMI)) were strong and sales therefore only dipped slightly while operating profit increased significantly. Looking at our performance for the fiscal year ending February 29, 2024, we anticipate continued steady progress as we ramp up advertising and marketing expenses from the second quarter onwards, which is expected to drive an increase in the number of new customers and enable us to implement effective sales strategies through efficient marketing.

Segment sales decreased 4.8% year on year to 3,333 million yen and operating profit amounted to 23 million yen compared with an operating loss of 177 million yen in the previous first quarter.

HR

ASHITA-TEAM Co., Ltd. reexamined its sales strategies and strengthened its sales team. There were also expenditures for advertising to add new customers and for development programs to upgrade functions of this company's services while efforts were made to enhance sales of SaaS products. This served to post operating profit by of million yen.

JOBTV, which operates a recruiting platform using video content, posted an operating loss of 123 million yen. This was due to advertising expenses aimed at increasing the number of registered users, both new graduates and job seekers, and development costs to upgrade functions for the recruitment platform, in order to establish a solid revenue base. In addition, in June 2023, we acquired BUSiCONET Inc., which operates an online media business for job seekers, with the aim of expanding the revenue of JOBTV.

Segment sales decreased 14.7% year on year to 558 million yen while an operating loss of 76 million yen was posted, compared with operating profit of 7 million yen in the previous first quarter.

Investment

Despite gains on sales of certain investments, valuation losses on certain holdings resulted in lower sales and earnings compared to the previous year when we posted such gains in the first half. Sales of shares held are expected in the second half of the fiscal year ending February 29, 2024.

VECTOR also support companies where we make investments by supplying public relations and investor relations services and in other ways. As a result, SYLA Technologies Co., Ltd. successfully listed on the NASDAQ market in the United States on March 31, 2023, and W TOKYO INC. listed on the Tokyo Stock Exchange's Growth Market on June 29, 2023.

Segment sales decreased 77.2% year on year to 109 million yen while an operating loss of 81 million yen was posted, compared to operating profit of 323 million yen in the previous first quarter.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter of the fiscal year ending February 29, 2024 increased 2,672 million yen from the end of the previous fiscal year to 39,016 million yen.

Current assets increased 1,097 million yen to 31,213 million yen. This was mainly due to increases of 1,826 million yen in operational investment securities, 422 million yen in merchandise and finished goods, and 448 million yen in advance payments and accounts receivable included in other under current assets, while there were decreases of 627 million yen in cash and deposits and 971 million yen in deposits paid included in other under current assets.

Non-current assets increased 1,574 million yen to 7,803 million yen. This was mainly due to increases of 1,053 million in leased assets, 326 million yen in goodwill, and 126 million yen in long-term prepaid expenses included in investments and other assets, while there was a decrease of 168 million yen in deferred tax assets.

Liabilities

Total liabilities at the end of the first quarter of the fiscal year ending February 29, 2024 increased 1,551 million yen from the end of the previous fiscal year to 22,135 million yen.

Current liabilities increased 9 million yen to 16,632 million yen. This was mainly due to increases of 996 million yen in short-term borrowings, 213 million yen in lease obligations, and 213 million yen in deposits included in other under current liabilities, while there were decreases of 427 million yen in income taxes payable, 421 million yen in provision for bonuses, 331 million yen in accounts payable – other, and 233 million yen in current portion of long-term borrowings.

Non-current liabilities increased 1,542 million yen to 5,503 million yen. This was primarily due to increases of 925 million yen in lease obligations, 252 million yen in long-term borrowings, and 338 million yen in deferred tax liabilities.

Net assets

Total net assets at the end of the first quarter of the fiscal year ending February 29, 2024 increased 1,120 million yen from the end of the previous fiscal year to 16,880 million yen. This was primarily due to increases of 1,224 million yen in valuation difference on available-for-sale securities and 110 million yen in non-controlling interests, while there was a decrease of 230 million yen in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Financial forecasts have been revised as follows in light of results in the first quarter and current condition.

In the consolidated financial forecasts announced on April 14, 2023, we disclosed figures for adjusted operating profit (an indicator calculated by adding expenses for restricted stock remuneration granted by VECTOR to operating profit) in addition to operating profit. However, we have decided that we will no longer disclose adjusted operating profit and will continue to emphasize operating profit as our key indicator. We concluded that we will be able to achieve our targets, even when accounting for expenses associated with stock remuneration, based upon reevaluation of the financial outlook for the next few years in light of current market trends and our recent performance.

Consolidated Forecast

Revisions of consolidated forecast for the first half of the fiscal year ending February 29, 2024

	Net sales	Adjustment Operating profit	Operating profit	Ordinary Income	Profit attributable to owners of parent	Earnings per share (Note)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	29,761	2,175	2,141	2,141	1,053	22.09
Revised forecast (B)	29,761	—	2,175	2,175	1,072	22.46
Change (B - A)	—	—	34	34	18	—
Change (%)	—	—	1.6	1.6	1.8	—
As of Aug. 31, 2022	26,672	—	3,383	3,507	1,918	40.24

As stated in Subsequent Events, VECTOR is planning to issue new shares as restricted stock compensation on July 18, 2023, and has calculated the expected earnings per share based on the average number of shares outstanding during the period, taking into account the impact of the new share issuance.

Revisions of consolidated forecast for the year ending February 29, 2024

	Net sales	Adjustment Operating profit	Operating profit	Ordinary Income	Profit attributable to owners of parent	Earnings per share (Note)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	63,000	7,260	7,160	7,160	4,000	83.90
Revised forecast (B)	63,000	—	7,260	7,260	4,070	85.11
Change (B - A)	—	—	100	100	70	—
Change (%)	—	—	1.4	1.4	1.8	—
As of Feb. 28, 2023	55,225	—	6,276	6,623	3,172	66.54

Note: As stated in Subsequent Events, VECTOR is planning to issue new shares as restricted stock compensation on July 18, 2023, and has calculated the expected earnings per share based on the average number of shares outstanding during the period, taking into account the impact of the new share issuance.

VECTOR has made changes to its business segments starting from the first quarter of the fiscal year ending February 29, 2024. Although we disclosed the forecast for adjusted operating profit by segment on April 14, 2023, as stated above, we will no longer disclose adjusted operating profit and will continue to emphasize operating profit as our key indicator. Based on this, operating profit forecasts by segment, adjusted according to the reclassified business segments, are as follows. Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment and Other Information” for further information.

Consolidated Forecast by Business Segment

Revision of forecast for operating profit by business segment for the first half of the fiscal year ending February 29, 2024

(Millions of yen)

	Previous forecast Adjusted operating profit (A)	Revised forecast Operating profit (B)	Change (B-A)	Change (%)
PR and Advertising	1,408	1,573	165	11.7
Press Release Distribution	634	634	—	—
Video Release Distribution	(6)	—	6	—
Direct Marketing	(58)	(58)	—	—
Media CMS	(7)	—	7	—
HR	184	6	(178)	(96.4)
Investment	19	19	—	—
Total	2,175	2,175	—	—

Revision of forecast for operating profit by business segment for the fiscal year ending February 29, 2024

(Millions of yen)

	Previous forecast Adjusted operating profit (A)	Revised forecast Operating profit (B)	Change (B-A)	Change (%)
PR and Advertising	3,463	3,843	380	11.0
Press Release Distribution	1,500	1,500	—	—
Video Release Distribution	50	—	(50)	—
Direct Marketing	974	974	—	—
Media CMS	30	—	(30)	—
HR	400	100	(300)	(74.9)
Investment	842	842	—	—
Total	7,260	7,260	—	—

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/23 As of Feb. 28, 2023	First quarter of FY2/24 As of May 31, 2023
Assets		
Current assets		
Cash and deposits	13,372	12,745
Notes and accounts receivable-trade, and contract assets	7,484	7,365
Operational investment securities	4,550	6,376
Merchandise and finished goods	1,427	1,849
Costs on service contracts in progress	547	512
Other	2,928	2,556
Allowance for doubtful accounts	(195)	(194)
Total current assets	30,115	31,213
Non-current assets		
Property, plant and equipment		
Buildings and structures	834	849
Machinery, equipment and vehicles	9	9
Tools, furniture and fixtures	864	916
Leased assets	69	1,123
Construction in progress	7	12
Accumulated depreciation	(947)	(1,033)
Total property, plant and equipment	837	1,876
Intangible assets		
Goodwill	1,780	2,107
Software	417	451
Other	67	170
Total intangible assets	2,265	2,728
Investments and other assets		
Investment securities	945	995
Deferred tax assets	1,228	1,059
Leasehold and guarantee deposits	808	871
Other	455	585
Allowance for doubtful accounts	(312)	(312)
Total investments and other assets	3,126	3,198
Total non-current assets	6,228	7,803
Total assets	36,343	39,016

(Millions of yen)

	FY2/23 As of Feb. 28, 2023	First quarter of FY2/24 As of May 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	2,513	2,362
Accounts payable-other	2,385	2,053
Short-term borrowings	5,056	6,053
Current portion of long-term borrowings	1,601	1,368
Current portion of bonds payable	218	171
Lease obligations	6	219
Income taxes payable	940	512
Provision for bonuses	662	241
Provision for shareholder benefit program	26	23
Provision for loss on business liquidation	9	6
Contract liabilities	2,182	2,233
Other	1,020	1,386
Total current liabilities	16,623	16,632
Non-current liabilities		
Long-term borrowings	2,802	3,055
Bonds payable	78	62
Lease obligations	1	926
Deferred tax liabilities	757	1,095
Retirement benefit liability	36	40
Other	284	322
Total non-current liabilities	3,960	5,503
Total liabilities	20,584	22,135
Net assets		
Shareholders' equity		
Share capital	2,880	2,880
Retained earnings	8,173	7,943
Treasury shares	(259)	(259)
Total shareholders' equity	10,793	10,563
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,974	3,198
Foreign currency translation adjustment	169	187
Total accumulated other comprehensive income	2,144	3,386
Share acquisition rights	9	7
Non-controlling interests	2,812	2,923
Total net assets	15,759	16,880
Total liabilities and net assets	36,343	39,016

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Millions of yen)

	First three months of FY2/23 Mar. 1, 2022-May 31, 2022	First three months of FY2/24 Mar. 1, 2023-May 31, 2023
Net sales	13,132	14,758
Cost of sales	4,406	5,749
Gross profit	8,726	9,008
Selling, general and administrative expenses	7,248	7,594
Operating profit	1,477	1,414
Non-operating income		
Interest and dividend income	2	2
Gain on investments in investment partnerships	3	0
Share of profit of entities accounted for using equity method	8	7
Subsidy income	2	5
Other	9	7
Total non-operating income	26	22
Non-operating expenses		
Interest expenses	9	23
Foreign exchange losses	2	22
Loss on investments in investment partnerships	3	12
Other	1	1
Total non-operating expenses	17	60
Ordinary Income	1,487	1,377
Extraordinary income		
Gain on reversal of share acquisition rights	—	1
Total extraordinary income	—	1
Extraordinary losses		
Loss on retirement of non-current assets	1	0
Loss on liquidation of subsidiaries and associates	0	—
Total extraordinary losses	2	0
Profit before income taxes	1,484	1,378
Income taxes	575	514
Profit	909	864
Profit attributable to non-controlling interests	72	141
Profit attributable to owners of parent	836	722

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Millions of yen)

	First three months of FY2/23 Mar. 1, 2022-May 31, 2022	First three months of FY2/24 Mar. 1, 2023-May 31, 2023
Profit	909	864
Other comprehensive income		
Foreign currency translation adjustment	54	16
Valuation difference on available-for-sale securities	148	1,295
Share of other comprehensive income of entities accounted for using equity method	7	2
Total other comprehensive income	210	1,314
Comprehensive income	1,119	2,178
Comprehensive income attributable to:		
Owners of parent	1,063	1,964
Non-controlling interests	55	214

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of Implementation Guidance on Accounting Standards for Fair Value Measurement

VECTOR has applied the Implementation Guidance on Accounting Standards for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year ending February 29, 2024. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has prospectively adopted the new accounting policy set forth in Accounting Standard for Fair Value Measurement. There are no effects on quarterly financial statements due to the application of the Guidance.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expense was calculated by first reasonably estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, including the first quarter, and multiplying that rate by the quarterly profit before income taxes.

However, if the tax expense calculated by using the estimated effective tax rate differs significantly from a reasonable amount of taxes, the statutory effective tax rate is used instead after adjustments for significant differences that are not temporary differences involving quarterly profit before income taxes.

Additional Information

Concerning tax treatment of trust-type stock options

In a briefing on the taxation of stock options for managers and supporters of startups held on May 29, 2023, the National Tax Agency announced its position on the tax treatment of trust-type stock options, stating that the economic benefits upon exercise are taxable as employment income.

The fourth and sixth rounds of stock acquisition rights issued by PR TIMES, Inc., a subsidiary of VECTOR, are classified as trust-type stock options. Regarding the fourth round of stock acquisition rights, as the exercise period has commenced and PR TIMES, Inc. bears the responsibility for withholding taxes on those who exercise the rights, applicable tax liabilities have been reflected in the consolidated balance sheet for the first quarter of the current fiscal year. There are no effects on the quarterly consolidated statement of income. Tax payments will be made promptly going forward.

Segment and Other Information

Segment information

1. First three months of FY2/23 (Mar. 1, 2022–May 31, 2022)

(1) Information related to net sales and profit or loss for each reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	PR and Advertising	Press Release Distribution	Direct Marketing	HR	Investment			
Net sales								
Revenue from contracts with customers	7,200	1,343	3,454	654	—	12,652	—	12,652
Other revenue	—	—	—	—	480	480	—	480
External sales	7,200	1,343	3,454	654	480	13,132	—	13,132
Inter-segment sales and transfers	104	40	46	0	1	193	(193)	—
Total	7,304	1,383	3,501	654	481	13,325	(193)	13,132
Segment profit (loss)	897	428	(177)	7	323	1,477	0	1,477

Notes: 1. The 0 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

2. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

(2) Information related to revisions for reportable segments

This is as described in 2. First three months of FY2/23 (Mar. 1, 2023–May 31, 2023) (2) Information related to revisions for reportable segments

(3) Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

2. First three months of FY2/23 (Mar. 1, 2023 – May 31, 2023)

(1) Information related to net sales and profit or loss for each reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment					Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	PR and Advertising	Press Release Distribution	Direct Marketing	HR	Investment			
Net sales								
Revenue from contracts with customers	9,204	1,577	3,311	556	—	14,648	—	14,648
Other revenue	—	—	—	—	109	109	—	109
External sales	9,204	1,577	3,311	556	109	14,758	—	14,758
Inter-segment sales and transfers	57	31	22	2	—	113	(113)	—
Total	9,261	1,608	3,333	558	109	14,872	(113)	14,758
Segment profit (loss)	1,205	343	23	(76)	(81)	1,415	(0)	1,414

Notes: 1. The minus 0 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

2. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

(2) Information related to revisions for reportable segments

Starting from the first quarter of the fiscal year ending February 29, 2024, we integrated the Video Release Distribution and Media CMS segments into PR and Advertising. The VECTOR Group continued to focus on operating as a “fast company” that is a one-stop source of comprehensive support for marketing strategies with the goal of making people aware of the excellent products, service and solutions of our clients. As a result of our efforts to enhance capabilities in delivering end-to-end solutions, from raising awareness to driving purchases, our service offerings in our core PR segment grew, which led us to integrate business areas that align closely with this segment. Moreover, JOBTV, a recruiting platform using videos, which was previously included in PR and Advertising has been reclassified under HR in line with the actual nature of the business.

The segment information for the previous first quarter is based on the reportable segment structure after the reclassification.

As a result of this change, ASHITA-TEAM, now included in the HR segment, posted operating profit of 47 million yen compared to 124 million yen in the previous first quarter, while JOBTV posted an operating loss of 123 million yen compared with an operating loss of 117 million yen in the previous first quarter due to advertising expenditures and development expenses. Segment operating loss amounted to 76 million yen compared to operating profit of 7 million yen in the previous first quarter.

(3) Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

In addition, starting from the first quarter of the fiscal year ending February 29, 2024, Tryhatch, Inc. has been included in the scope of consolidation within the Press Relations and Advertising segment. This acquisition resulted in goodwill of 233 million yen.

Moreover, starting from the first quarter of the fiscal year ending February 29, 2024, glucose Inc. has been included in the scope of consolidation within the Press Release Distribution segment. This acquisition resulted in goodwill of 154 million yen.

Significant gain on bargain purchase

Not applicable.

Subsequent Events

Acquisition of company by purchasing stock

Acquisition of BUSiCONET Inc.

The VECTOR Board of Directors approved a resolution at its meeting held on June 15, 2023 to acquire the shares of BUSiCONET Inc. ("BUSiCONET"), and entered into a share transfer agreement on the same day. Based on this agreement, the acquisition of shares was completed on June 28, 2023.

(1) Objectives of acquisition

Guided by the corporate philosophy of "being a source of 'Good' to improve people's lives," the VECTOR Group operates businesses centered on strategic PR services and has the goal of continuing to grow.

To accomplish this growth, the VECTOR Group is building an infrastructure capable of providing a broad range of marketing services in order to be a one-stop source of services required by clients. There are constant measures for upgrading and expanding services while responding quickly to changes in the business climate. All activities reflect a focus on operating as a "fast company" with comprehensive support for clients' marketing strategies by making people aware of the attributes of our clients while achieving high levels of effectiveness and the efficient use of expenses.

We also provide the JOBTV recruitment platform that achieves speedy matching by enabling recruitment and job-seeking activities to be completed using video, thereby streamlining human resource and recruiting operations.

BUSiCONET is engaged in the business of operating job search online media and its various media platforms have consistently experienced an increase in user traffic, demonstrating a high growth trajectory.

VECTOR made the decision to acquire the shares of BUSiCONET based on the assessment that redirecting job seekers from the job search online media operated by BUSiCONET to JOBTV will contribute to the revenue growth of JOBTV.

(2) Profile of the company acquired

Name: BUSiCONET Inc.
Business: Operating and marketing support for job search online media
Share capital: 30 million yen

(3) Date of acquisition

June 28, 2023

(4) Number of shares of BUSiCONET stock acquired, acquisition cost and ownership

Number of shares acquired:	139	
Acquisition cost*:	Common stock of BUSiCONET Inc.	1,685 million yen
	Advisory fees and other (estimates)	110 million yen
	<hr/> Total (estimate)	1,795 million yen

* The acquisition cost was determined by mutual agreement with the seller based on due diligence concerning accounting, taxes and legal matters performed by a third party.

Ownership after acquisition: 70.2%

Acquisition of Owned, Company

The VECTOR Board of Directors approved a resolution at its meeting held on July 11, 2023 to acquire the shares of Owned, Company (“Owned”) and entered into a share transfer agreement on the same day.

(1) Objectives of acquisition

Guided by the corporate philosophy of “being a source of ‘Good’ to improve people’s lives,” the VECTOR Group operates businesses centered on strategic PR services and has the goal of continuing to grow.

To accomplish this growth, the VECTOR Group is building an infrastructure capable of providing a broad range of marketing services in order to be a one-stop source of services required by clients. There are constant measures for upgrading and expanding services while responding quickly to changes in the business climate. All activities reflect a focus on operating as a “fast company” with comprehensive support for clients’ marketing strategies by making people aware of the attributes of our clients while achieving high levels of effectiveness and the efficient use of expenses.

In Japan’s advertising industry, according to data in “Advertising Expenditures 2022” announced by Dentsu Inc. in February 2023, internet advertising expenditures continue to increase rapidly on the back of digitization in society. The online advertising market is expected to expand further going forward.

To reflect these changes in the business climate, VECTOR is building a more powerful base for the group’s business operations with activities that include mergers and acquisitions in order to strengthen digital marketing services.

Owned is engaged in the digital marketing support field and has a mission of harnessing the power of the digital age to inspire hope in this era of extended lifespans, offering one-stop support, from strategic planning to execution.

We believe that combining Owned’s expertise in digital marketing with the VECTOR Group’s PR skills and customer base, we can maximize marketing effectiveness with the goal of making people aware of the excellent products, service and solutions of the client, thereby strengthening the foundation for contributing to the growth of our client’s business.

(2) Profile of the company acquired

Name: Owned, Company
Business: Digital marketing support
Share capital: 3 million yen

(3) Date of acquisition

July 14, 2023

(4) Number of shares of BUSiCONET stock acquired, acquisition cost and ownership

Number of shares acquired:	7,756	
Acquisition cost*:	Common stock of Owned, Company	485 million yen
	Advisory fees and other (estimates)	4 million yen
	<hr/> Total (estimate)	489 million yen

* In addition to acquisition cost, an agreement has been reached with the counterparty of the share acquisition to pay contingent consideration (“earn-out consideration”) based on the achievement of performance targets. Earn-out consideration is an additional payment made to the counterpart of the share acquisition. It involves paying additional consideration to Owned if their profits exceed a certain threshold amount. The introduction of earn-out consideration helps mitigate the risks associated with this acquisition for VECTOR and provides incentives for Owned.

Ownership after acquisition: 66.7%

Issuance of new shares as restricted stock compensation

VECTOR resolved at its Board of Directors meeting on June 29, 2023 to issue new shares as restricted stock compensation, as outlined below.

1. Outline of the issuance

(1) Payment date	July 18, 2023
(2) Type of shares issued and amount	240,000 shares of the Company's common stock
(3) Issuance price	1,322 yen per share
(4) Total amount of issuance	317,280,000 yen
(5) Prospective recipients	Four (4) members of the Company's Board of Directors (excluding External Directors): 144,000 shares Seven (7) of the VECTOR Group's executive officers: 96,600 shares
(6) Other	VECTOR has submitted a provisional report in accordance with the Financial Instruments and Exchange Act regarding this new share issuance.

2. Purpose and reasons for the issuance

As stated in our announcement dated April 19, 2022, "Notice of Restricted Stock Compensation Plan for VECTOR Group Officers" (Japanese only), VECTOR has implemented a Restricted Stock Compensation Plan (the "Plan") for the purpose of giving incentives to Directors (excluding External Directors) to work for the sustained improvement of the Company's long-term corporate value and facilitating their sense of sharing the benefits and risks of stock price fluctuations with shareholders. Additionally, it aims to increase their drive to achieve the medium-term profit target of 10 billion yen in consolidated operating profit for the fiscal year ending February 28, 2026. Through the execution of this plan, we aim to foster a stronger commitment to contributing to the medium- and long-term growth of our corporate value. Furthermore, at the 30th Annual General Meeting of Shareholders held on May 26, 2022, it was approved that, pursuant to the Plan, the Company grants monetary compensation claims which shall be no more than 1 billion yen per year and the issuance of restricted stock within a limit of 240,000 shares per year to the Directors (excluding External Directors) of the Company as the property to be contributed in-kind. Approval was also obtained to grant restricted stock to the Executive Officers of VECTOR Group as a separate allocation, in addition to the aforementioned remuneration.

Based on a comprehensive consideration of the objectives of this Plan, VECTOR's performance, and other relevant factors, a resolution was passed to grant Directors (excluding External Directors) of the Company and Executive Officers of VECTOR Group (collectively referred to as "Eligible Officers") monetary compensation claims of 317,280,000 yen in total, and to allot 240,000 shares of common stock as restricted stock, by payment of all such monetary compensation claims through in-kind contributions by the Eligible Officers. The transfer restriction period has been set as three years from the date of allotment as stipulated by the Allocation Agreement in order to enhance incentives that encourage commitment to growing the Company's corporate value over the medium and long term, the purpose of the Plan, and achieve the sharing of value with shareholders.

3. Overview of the Allocation Agreement

(1) Transfer restriction period

July 18, 2023 to July 17, 2026

During the transfer restriction period as defined above, the Eligible Officers shall not transfer, create any security interests on, or otherwise dispose of the common stock of the Company that have been allotted ("Allotted Shares").

(2) Removal of transfer restrictions

The Company shall remove the transfer restrictions from all Allotted Shares at the time the transfer restriction period is completed, on the condition that the Eligible Officers continue to serve as Directors of the Company or Executive Officers of the VECTOR Group throughout the transfer restriction period. However, if an Eligible Officer retires from the position during the transfer restriction period and if said retirement was due to a reason deemed as reasonable by the Board of Directors, the number of Allotted Shares subject to the transfer restrictions to be removed and the timing of such release shall be reasonably adjusted.

(3) Acquisition of restricted stock by the Company without compensation

The Company shall acquire the Allotted Shares for which the transfer restriction has not been cancelled as of the expiration of the restriction period or at the time immediately after the transfer restriction has been completed as set forth in (2) above, as a matter of course, without compensation.

(4) Management of shares

During the restriction period, the Allotted Shares will be managed separately from other Company shares that are not subject to transfer restrictions by placing them in a dedicated account opened by the Eligible Officers in SMBC Nikko Securities Inc. so that the Eligible Officers cannot transfer, create security interest on, or otherwise dispose of the Allotted Shares during the restriction period. To ensure the effectiveness of the transfer restrictions for the Allotted Shares, we shall enter into a contract with SMBC Nikko Securities Inc. regarding the management of the accounts holding the Allotted Shares held by the Eligible Officers. The Eligible Officers agree to comply with the terms and conditions regarding the management of the accounts.

(5) Measures to be taken upon organizational restructuring, etc.

In the event of a merger agreement in which the Company becomes the absorbed company, a stock exchange agreement or a stock transfer plan in which the Company becomes the wholly-owned subsidiary, or any other matter related to organizational restructuring, etc., is approved in the Annual General Meeting of Shareholders (or if approval in the Annual General Meeting of Shareholders is not required in relation to such organizational restructuring, then the Board of Directors' meeting) during the restriction period, the Company shall cancel the transfer restriction based on the resolution of the Board of Directors prior to the effective date of such organizational restructuring, etc. for the Allotted Shares in a quantity set reasonably. At the time immediately after cancelling the transfer restriction, the Company shall acquire the Allotted Shares for which the transfer restriction has not been cancelled, as a matter of course, without any compensation.

4. Basis of calculation of paid-in amount and specific details thereof

The issuance price in the new share issuance shall be 1,322 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (June 28, 2023), in order to adopt a price that excludes arbitrariness. The price is the market value immediately preceding the date of the resolution of the Board of Directors and is a reasonable price that is not excessively advantageous.

Issuance of share acquisition rights

1. Issuance of seventh round of share acquisition rights (paid-in stock options)

PR TIMES Inc., a consolidated subsidiary of the Company, passed a resolution at its Board of Directors' meeting held on May 25, 2023 to issue the seventh round of share acquisition rights to its Representative Director pursuant to the provisions of Article 236, Article 238, and Article 240 of the Company Act. Details are as follows.

Allocation date of share acquisition rights	June 12, 2023
Number of share acquisition rights	460
Class of shares to be issued upon exercise of share acquisition rights	Common stock
Number of shares to be issued upon exercise of share acquisition rights	46,000
Total issuance amount for share acquisition rights	414,000 yen (900 yen per unit)
Amount payable on the exercise of share acquisition rights	1,426 yen per share
Exercise period of share acquisition rights	June 1, 2026- May 31, 2031
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights	Issue price 1,435 yen Additional paid-in capital per share 718 yen
Conditions for exercise of share acquisition rights	(Note)
Matters regarding transfer of share acquisition rights	Approval of the Company's Board of Directors is required for the acquisition of any share acquisition rights.
Individual to be allotted share acquisition rights and allotment	Representative Director of VECTOR INC. 460 units

(Notes) Matters relating to the conditions for the exercise of share acquisition rights are as follows.

- (1) The individual to be allotted share acquisition rights can exercise said rights only in the case that operating profit on the consolidated statement of income in the company's Securities Report for the year ending February 28, 2026 exceeds 2,500 million yen. Should there be any material change in the concept of operating profit to be referred to due to a change of applicable accounting standards to IFRS, etc. or any other factors, PR TIMES shall specify at its Board of Directors meeting another appropriate performance indicator.
- (2) The individual to be allotted share acquisition rights must hold the position of Director in the company at the time of exercising said rights. However, this shall not apply in the case the Board of Directors of the company deems there are valid reasons otherwise.
- (3) If the individual to be allotted share acquisition rights passes away, his or her heir cannot exercise said rights.
- (4) If the total number of PR TIMES issued shares exceeds the number of authorized shares through the exercise of share acquisition rights at the time of exercise thereof, the share acquisition rights may not be exercised.
- (5) A share acquisition right of less than one unit may not be exercised.

2. Issuance of ninth round of share acquisition rights (paid-in stock options)

PR TIMES Inc., a consolidated subsidiary of the Company, passed a resolution at its Board of Directors' meeting held on July 13, 2023 to issue share acquisition rights to its own Directors or employees, or those of its related companies, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act. Details are as follows.

Allocation date of stock acquisition rights	August 31, 2023
Number of stock acquisition rights	960
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	96,000
Exercise value per Stock Acquisition Right	288,000 yen (300 yen per share)
Amount payable on the exercise of stock acquisition rights	1,427 yen per share
Exercise period of stock acquisition rights	June 1, 2027- May 31, 2031
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of stock acquisition rights	Issue price 68,496,000 yen Additional paid-in capital per share 68,496,000 yen
Conditions for exercise of stock acquisition rights	(Note)
Matters regarding transfer of stock acquisition rights	Approval of the Company's Board of Directors is required for the acquisition of any share acquisition rights.
Individual to be allotted stock acquisition rights and allotment	Director, Auditor, or employee of PR TIMES or its related companies: 960 units

(Notes) Matters relating to the conditions for the exercise of stock acquisition rights are as follows.

- (1) In the event that the amount of operating profit on the consolidated statement of income in the company's securities report between the fiscal year ending February 28, 2025 and the fiscal year ending February 28, 2027 meet any of the conditions listed below, individuals who have received stock acquisition rights may exercise their rights up to the respective limits outlined therein. Should there be any material change in the concept of operating profit stated above to be referred to due to the adoption of applicable accounting standards to IFRS, etc. or any other factors, PR TIMES shall specify at its Board of Directors meeting another appropriate performance indicator. In the case the number of stock acquisition rights that can be exercised by holders includes any fraction less than one unit, such fraction shall be rounded down.
 - (a) Amount exceeds 2,800 million yen: 50% of stock acquisition rights granted
 - (a) Amount exceeds 3,150 million yen: 75% of stock acquisition rights granted
 - (a) Amount exceeds 3,500 million yen: 100% of stock acquisition rights granted
- (2) Any holder of stock acquisition rights must hold the position of Director, Auditor, or employee of PR TIMES or its related company at the time of exercising said rights. In addition, the holder is required to have served with PR TIMES or its related company for a period of five years or more, calculated based on the years of service/tenure (in the case the holder is an officer or employee of a subsidiary due to corporate acquisition, the years of service/tenure shall be counted from the effective date or closing date of the acquisition). However, this shall not apply in the case the holder of the stock acquisition rights retires due to the expiration of term or to statutory retirement age, or any other valid reason recognized by the Board of Directors. Additionally, a vesting clause shall be set in the Allocation Agreement.
- (3) If the individual to be allotted stock acquisition rights passes away, his or her heir cannot exercise said rights.
- (4) If the total number of PR TIMES issued shares exceeds the number of authorized shares through the exercise of stock acquisition rights at the time of exercise thereof, the stock acquisition rights may not be exercised.
- (5) A Stock Acquisition Right of less than one unit may not be exercised.

3. Issuance of 10th round of share acquisition rights (paid-in stock options)

PR TIMES Inc., a consolidated subsidiary of the Company, passed a resolution at its Board of Directors' meeting held on July 13, 2023 to issue share acquisition rights to its own Directors or employees, or those of its related companies, pursuant to the provisions of Article 236, Article 238, and Article 240 of the Companies Act. Details are as follows.

Allocation date of stock acquisition rights	August 31, 2023
Number of stock acquisition rights	960
Class of shares to be issued upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights	96,000
Exercise value per Stock Acquisition Right	864,000 yen (900 yen per unit)
Amount payable on the exercise of stock acquisition rights	1,427 yen per share
Exercise period of stock acquisition rights	June 1, 2026- May 31, 2031
Share issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of stock acquisition rights	Issue price 68,496,000 yen Additional paid-in capital per share 68,496,000 yen
Conditions for exercise of stock acquisition rights	(Note)
Matters regarding transfer of stock acquisition rights	Approval of the Company's Board of Directors is required for the acquisition of any share acquisition rights.
Individual to be allotted stock acquisition rights and allotment	Director, Auditor, or employee of PR TIMES or its related companies: 960 units

(Notes) Matters relating to the conditions for the exercise of stock acquisition rights are as follows.

- (1) The individual to be allotted stock acquisition rights can exercise said rights only in the case that operating profit on the consolidated statement of income in the company's Securities Report for the year ending February 28, 2026 exceeds 2,500 million yen.

Should there be any material change in the concept of operating profit to be referred to due to a change of applicable accounting standards or any other factors, PR TIMES shall specify at its Board of Directors meeting another appropriate performance indicator.

- (2) Any holder of stock acquisition rights must hold the position of Director, Auditor, or employee of PR TIMES or its related company at the time of exercising said rights. In addition, the holder is required to have served with PR TIMES or its related company for a period of five years or more, calculated based on the years of service/tenure (in the case the holder is an officer or employee of a subsidiary due to corporate acquisition, the years of service/tenure shall be counted from the effective date or closing date of the acquisition). However, this shall not apply in the case the holder of the stock acquisition rights retires due to the expiration of term or to statutory retirement age, or any other valid reason recognized by the Board of Directors. Additionally, a vesting clause shall be set in the Allocation Agreement.

- (3) If the individual to be allotted stock acquisition rights passes away, his or her heir cannot exercise said rights.

- (4) If the total number of PR TIMES issued shares exceeds the number of authorized shares through the exercise of stock acquisition rights at the time of exercise thereof, the stock acquisition rights may not be exercised.

- (5) A Stock Acquisition Right of less than one unit may not be exercised.