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VECTOR INC.

Keiji Nishie

Chairman and Representative Director

Contact: 03-5572-6080

Securities code: 6058

<https://vectorinc.co.jp/en>

The state of corporate governance at VECTOR INC. is as follows.

Basic Philosophy on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Philosophy

VECTOR INC. (the "Company") positions thorough corporate governance as a top priority based on the standpoint that increasing the efficiency and soundness of management and building a fair and highly transparent management system are essential for achieving stable growth and development in a rapidly changing business environment.

In addition, it is the Company's policy going forward to undertake necessary revisions to enhance the effectiveness of corporate governance in accordance with changes to the social environment and the enactment of laws and regulations, etc.

[Reasons for Not Implementing the Principles of Japan's Corporate Governance Code]

The Company implements all principles of Japan's Corporate Governance Code.

[Disclosure Based on the Principles of Japan's Corporate Governance Code]

The Company's disclosure based on the Principles of Japan's Corporate Governance Code revised in June 2021 is as follows.

[Principle 1.4 Cross-Shareholdings]

Acquisitions of securities including stock are discussed in advance by the Board of Directors and the Investment Committee based on the Investment Management Rules and Rules on Administrative Authority in accordance with the scope of the investment and with contributing to the improvement of the Company's corporate value over the medium and long term as a criterion. Regular reports are made to the Board of Directors after acquisitions have been carried out as well. The exercising of voting rights of held shares is considered on a specific, individual basis taking into consideration all factors, including contributing to the improvement of the corporate value of the issuing company and the Company.

Note that as of the date of the last update to this Report, the Company possesses no shares of other listed companies that would correspond to so-called "cross-shareholdings".

[Principle 1.7 Related Party Transactions]

The Company requires related party transactions to be voted on by the Board of Directors. The Board of Directors votes on such transactions with applicable officers excluded from the quorum of the relevant vote as persons with a special interest. In addition, even after the Board of Directors has made its decision, the Company has checks in place such as the reviewing of transaction content by administrative divisions. The Company's terms and conditions for related party transactions and policies on determining these terms and conditions are disclosed in its annual securities report.

[Principle 2.4 Ensuring Diversity, Including Active Participation of Women]

Supplementary Principle 2.4.1

The Company believes that securing the diversity of its core human resources contributes to the improvement of its corporate value over the medium and long term. The Company recruits and develops human resources without discrimination of any kind and, in order to secure the promotion of the same, strives to improve its work system to realize an environment that is comfortable to work in primarily for women. As of February 28, 2023, women comprise 61% of the VECTOR Group's employees, and 32% of management positions. Going forward, the Company will continue to aim to secure the diversity of its core human resources and, at a minimum, maintain current levels while also continuing to secure diversity from such perspectives as foreign nationals and midcareer hires.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

As the Company does not employ a corporate pension plan, it does not correspond to a corporate pension asset owner.

[Principle 3.1 Full Disclosure]

(1) The Company posts its corporate philosophy, management strategy, medium-term vision, and other information on its website and in its financial results materials.

(2) The Company states its basic philosophy on corporate governance in its Corporate Governance Report and annual securities report.

(3) The Company designs the remuneration of its directors so that it will function effectively as an incentive to further share value with shareholders, continuously grow corporate earnings, and sustainably improve corporate value. It is the Company's basic policy that director remuneration makes it possible to secure and retain excellent human resources to realize the above, and to provide appropriate levels of remuneration proportionate to the roles and responsibilities required of each director. Director remuneration is determined by the representative director entrusted by the Board of Directors within the scope of remuneration determined at the General Meeting of Shareholders after taking into consideration all factors, including corporate

performance, the roles and responsibilities of each director, the state of business execution in the preceding fiscal year, and the expectations with regard to roles for the current fiscal year.

(4) In nominating director and auditor candidates, the Company considers the fulfillment of the Board of Directors as a whole regarding the knowledge and experience required of the Board taking into account the surrounding business environment, selecting individuals deemed able to contribute to the sustainable improvement of the VECTOR Group's corporate value.

(5) The Company discloses its reasons for the election of candidates for director and auditor in its Notice of Convocation of General Meeting of Shareholders. Concerning candidates for external director, after their appointment, the Company posts an overview of the expected roles.

Supplementary Principle 3.1.3

In October 2021, the Company launched the Vector SDGs PROJECT, establishing specific actions concerning the VECTOR Group's initiatives to resolve social issues. The Company has published an overview of the project on its website.

In addition, concerning investment in human capital and intellectual property, the Company places particular importance on investing in the human capital that serves as the primary driver of the VECTOR Group's growth, and is promoting the improvement of an environment that is comfortable to work in through such means as developing human resources by improving the quality of training content, and revising internal systems.

Concerning the risks and earnings opportunities of climate change, the Company is moving forward with support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Concerning the impact of climate change on business activities and earnings, etc., the Company is gathering and analyzing the necessary data and providing disclosure on pages dedicated to sustainability on its website.

[Principle 4.1 Roles and Responsibilities of the Board (1)]

Supplementary Principle 4.1.1

Based on the provisions of its Rules for the Board of Directors and Rules on Administrative Authority, the Company has clarified the division of roles and duties and the command and order relationships between the Board of Directors, the representative director, directors, and employees, etc.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Referencing the Tokyo Stock Exchange's independence standards for independent directors, the Company elects highly independent external directors and its external directors are independent officers in accordance with the Tokyo Stock Exchange's provisions. The Company believes that its external directors possess deep insight and a wealth of experience in the fields of management and investment, and that they ensure a monitoring function concerning the Board of Director's business execution from a specialized and objective perspective while also helping to promote multifaceted and constructive discussions at meetings of the Board of Directors.

[Principle 4.10 Use of Optional Approach]

Supplementary Principle 4.10.1

The Company operates as a company with a Board of Auditors. Its Board of Directors is comprised of a majority of independent external directors (five of the nine directors on the Board are independent external directors). The Company believes it has secured the independence and objectivity of the functions of the Board of Directors. However, regarding particularly important matters such as the nomination of senior management and directors (including succession plan) as well as remuneration, the Company engages in more careful consideration with appropriate participation and advice of its independent external directors.

[Principle 4.11 Preconditions for Board and *Kansayaku* Board Effectiveness]

Supplementary Principle 4.11.1

The Company considers the fulfillment of the Board of Directors as a whole regarding the knowledge and experience required of the Board taking into account the surrounding business environment, selecting individuals deemed able to contribute to the sustainable improvement of the VECTOR Group's corporate value to be directors.

The VECTOR Group has established "Making People Happy by Delivering Excellent Products, Services and Solutions to the World" as its corporate philosophy and engages in the business of supporting the communication strategies of the companies that are its customers with consumers by leveraging media. The Company has accomplished growth by not confining itself to the conventional fields of PR services, responding quickly to both the continuously and rapidly changing media environment and the evolution of technology while continuously expanding its services and strengthening its systems as a "fast company" providing a broad range of marketing services in a way that is timely and highly cost-effective to be a one-stop source of services required by clients in their communication strategies to deliver their excellent products, services and solutions to the world.

Going forward as well, the Company believes that it is necessary to not confine itself to PR fields and to aggressively engage in new business domains based on market trends and technological advances, and to develop a management system to realize further improvement of corporate value.

To this end, the Company has selected to be its directors persons possessing management experience in a broad range of fields including but not limited to the Company's existing business fields, and who have the knowledge and skills to manage a listed company group while also being able to respond to business expansion and the growth of the Group. The Company believes that the current composition of the Board of Directors is appropriate.

Similarly, with regard to the size of the Board of Directors, the Company's Articles of Incorporation stipulates that the size of the Board be no more than 10 members. Currently, the Board consists of nine members, including five external directors, and the Company recognizes that this is an appropriate size.

Note that a skill matrix summarizing the expertise and experience of each director and auditor is included on the last page of this Report.

Supplementary Principle 4.11.2

The Company discloses the state of its directors and auditors holding important concurrent positions each year in documents such as the Notice of Convocation of the Ordinary General Meeting of Shareholders and annual securities report.

Supplementary Principle 4.11.3

In March 2022, the Company carried out an evaluation of the effectiveness of the Board of Directors via surveys given to all members of the Board (nine directors [of which five were external directors] and three auditors [of which two were external auditors]).

The survey was carried out anonymously with the support of an external organization to secure objectivity and transparency. Answers were obtained from all members of the Board.

After analysis of the survey, it was assessed that the effectiveness of the Company's Board of Directors was generally secured.

Through continuous evaluation and analysis of the effectiveness of the Board of Directors and the implementation of improvements to issues thus detected, the Company will strive to further increase the Board's effectiveness.

[Principle 4.14 Director and *Kansayaku* Training]

Supplementary Principle 4.14.2

The Company recognizes that persons possessing sufficient knowledge as directors and auditors have charge of those duties. As of the present time, the Company does not implement regular training for its directors and auditors excepting as when briefings are believed necessary. However, primarily for external officers, the Company provides relevant information as necessary for the purpose of deepening understanding of the Company's business content, organization, and management strategy, etc.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

As an organization to promote constructive dialogue with investors including shareholders, the Company positions its Business Administration Headquarters as the division in charge of investor relations. The Company aims for organic coordination with the divisions of the VECTOR Group while striving for constructive communication with investors including shareholders.

The Company actively responds to requests for dialogue from shareholders and investors and provides opportunities for this such as online meetings with domestic and international investors as needed. In addition, each quarter the Company creates financial results materials and publishes them on TDnet and its website with the aim of more effective information dissemination.

The opinions of shareholders, investors, and analysts, gathered through investor relations activities, are reported to senior management and the Board of Directors as needed.

2. Capital Structure

Percentage of shares held by foreign nationals	From 10% to less than 20%
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Major Shareholders

Name	Number of shares held	Percentage
Keiji Nishie	18,780,600	39.39
The Master Trust Bank of Japan, Ltd. (Trust account)	5,812,700	12.19
Custody Bank of Japan, Ltd. (Trust account)	4,385,000	9.20
Saori Kiryu	927,600	1.95
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	745,500	1.56
STATE STREET BANK AND TRUST COMPANY 505019	601,300	1.26
Hajime Hasegawa	583,300	1.22
The Nomura Trust and Banking Co., Ltd. (Investment trust account)	539,100	1.13
MSCO CUSTOMER SECURITIES	520,855	1.09
GOLDMAN SACHS INTERNATIONAL	398,292	0.84

Existence of controlling shareholders (excluding the parent company)	-----
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Existence of a parent company	None
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Supplementary information

In the statement of large-volume holdings (statement of changes) made available for public inspection dated March 17, 2023, it was stated that as of March 13, 2023, Newton Investment Management Japan Ltd. held the following shares. However, as of the record date for exercising voting rights, the Company was unable to confirm the actual number of shares held. Accordingly, Newton Investment Management Japan Ltd. is not included in the major shareholders above.

The content of said large-volume holdings (statement of changes) is as follows.

- Name or title: Newton Investment Management Japan Ltd.
- Address: Marunouchi Trust Tower Main, 8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
- Number of shares held: 3,782,400
- Percentage of shares held: 7.89%

3. Corporate Attributes

Listed stock market and section	Tokyo Stock Exchange Prime Market
Fiscal year-end	February
Industry sector	Service sector
Number of employees as of the end of the most recent fiscal year (consolidated)	1,000 or more
Net sales for most recent fiscal year (consolidated)	From 10 billion yen to less than 100 billion yen
Number of consolidated subsidiaries as of the end of the most recent fiscal year (consolidated)	From 10 to less than 50

4. Guideline on Measures to Protect Minority Shareholders When Conducting Transactions With Controlling Shareholders

5. Other Special Circumstances That May Materially Affect Corporate Governance

The Company is the parent company of the listed company PR TIMES, Inc. (“PR TIMES”). The Company’s policies regarding ownership of a listed subsidiary are as follows.

1. Basic approach and policies for Group management

Guided by its corporate philosophy of “Making People Happy by Delivering Excellent Products, Services and Solutions to the World,” the VECTOR Group has provided strategic PR services as its core business while accomplishing growth by continuously working to expand its services and strengthen its systems and responding to changes in the business climate.

Under the concept of being a “fast company” that is a one-stop source of comprehensive support for marketing strategies to deliver its customers’ excellent products, services and solutions to the world, in addition to Group companies which operate and provide existing strategic PR services, the VECTOR Group has created Group companies to operate new services by establishing or acquiring new companies, promoting the expansion of services and the development of systems for the Group as a whole.

Strategic PR services are the core business of the VECTOR Group. The Company sees these services as the source of its corporate value. Accordingly, the Company has no plans for the listing of the Group companies which are the implementation arm of its strategic PR services (ANTIL Inc., Platinum Inc., INITIAL Inc., and SIGNAL Inc.).

Concerning other, non-strategic PR business Group companies which provide services in fields distinct from strategic PR, the Company believes that publicly listing their stocks or maintaining their status as a listed Group company are matters which should be considered as options in the VECTOR Group’s management. The Company makes its decisions in this regard from the perspective primarily of contributing to the maintenance or improvement of the corporate value of the Company or the relevant Group company while taking care not to damage the profit of existing Company shareholders and minority Group company shareholders who would be affected.

2. The significance of having listed Group companies based on these policies and measures to secure the effectiveness of the corporate governance systems of listed subsidiaries

PR TIMES and its main business, the self-titled PR TIMES press release distribution service, have already secured a leading market position in Japan. In the VECTOR Group’s business portfolio, as well, PR TIMES is positioned as a key Group company in the press release distribution business segment.

The Company believes that maintaining PR TIMES, which possesses services which are highly reputed and which have a proven track record in the industry, as a Group company enables the Company to realize at a higher level services which support the communication strategies of its customers to deliver their excellent products, services and solutions to the world, contributing to the improvement of the Company’s corporate value.

In addition, the Company believes that maintaining PR TIMES as a listed company contributes to the improvement of PR TIMES’ name recognition and trust, the securing of excellent human resources for it, and the maintenance and improvement of the motivation of its executives and employees as members of a top listed company in the industry. The Company also believes that agile business operations under the independent management system of a listed company further enhances industry superiority while also securing opportunities to accelerate business enhancement and growth, helping to strengthen the competitive advantage of the VECTOR Group as a whole, including PR TIMES.

There exists a risk of a conflict of interest between the Company and general shareholders of a listed Group company. Based on this fact and in order to secure PR TIMES’ independent decision-making as a listed company, the Company and PR TIMES have agreed that PR TIMES is exempt from the rules the Company ordinarily imposes on Group companies regarding certain important management matters requiring Group companies to report to and receive approval from the Company in advance. This agreement will remain in effect as long as PR TIMES is a listed company (regardless of the listing market).

// Business Management Organization and Other Corporate Governance Systems Concerning Management Decision-making, Execution of Business, and Oversight

1. Organizational Composition and Management

Corporate governance system	Company with Company Auditor(s)
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Directors

Number of directors stipulated in the Articles of Incorporation	10
Directors’ term of office stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Representative Director
Number of directors	9
Election of external directors	Elected
Number of external directors	5
Number of external directors designated as independent officers	5

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Takashi Nishiki	From another company													
Kota Matsuda	From another company													
Ryuichi Tomimura	From another company													
Michimasa Naka	From another company													
Yasunobu Nose	From another company													

* 1. Categories for relationship with the Company

* “○” indicates the relevant category applies currently or applied recently. “△” indicates the relevant category applied in the past.

* “●” indicates the relevant category applies currently or applied recently to a close relative. “▲” indicates the relevant category applied in the past to a close relative.

- a An executive for the Company or its subsidiary
- b An executive or non-executive director for the parent company of the Company
- c An executive for an affiliated company of the Company
- d A person/entity for whom the Company is a major client or an executive for said person/entity
- e A major client of the Company or an executive for said client
- f A consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company other than remuneration as an officer for the Company
- g A major shareholder of the Company (in the case where said major shareholder is a corporation, an executive for said corporation)
- h An executive for a client of the Company (excluding executives to whom any of d, e, or f apply; applies only to the director him- or herself)
- i An executive for an entity for which an external director holds a cross-directorship with the Company (applies only to the director him- or herself)
- j An executive for an entity which receives donations from the Company (applies only to the director him- or herself)
- k Other

Relationship with the Company (2)

Name	Independent officer	Supplementary explanation of relationship category	Reasons for election
Takashi Nishiki	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external directors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	The Company elected Mr. Takashi Nishiki because the Company expects that he will utilize his deep insight and a wealth of experience in the fields of management and investment cultivated primarily at an investment firm in the Company's management and supervise the Company's management from an independent standpoint.
Kota Matsuda	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external directors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	The Company elected Mr. Kota Matsuda because he has been instrumental in the growth and listing of a company as its representative and possesses abundant knowledge and experience in a wide range of fields, including involvement in national policy as a member of the House of Councilors of the Diet and a party representative. The Company expects that he will utilize this knowledge and experience in the Company's management and supervise the Company's management from an independent standpoint.

Ryuichi Tomimura	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external directors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	Mr. Ryuichi Tomimura has abundant experience as a manager and consultant and possesses a broad range of knowledge, including of information systems. At SIGMAXYZ Holdings Inc., he serves as President and Representative Director and has driven its growth. The Company elected Mr. Tomimura because the Company expects that he will utilize his broad insight and wealth of experience as a manager in the Company's management and supervise the Company's management from an independent standpoint.
Michimasa Naka	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external directors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	Mr. Michimasa Naka has experience on the global stage in the field of money and finance. At Boardwalk Capital Inc., which he built himself, he also put together a track record of start-up support. The Company elected Mr. Naka because the Company expects that he will utilize his broad insight and wealth of experience as a manager in the Company's management and supervise the Company's management from an independent standpoint.
Yasunobu Nose	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external directors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	Mr. Yasunobu Nose has experience on the global stage in the field of money and finance and has served as Vice President and Director of FinTech Global Incorporated, a listed company. The Company elected Mr. Naka because the Company expects that he will utilize his broad insight and wealth of experience as a manager in the Company's management and supervise the Company's management from an independent standpoint.

Existence of voluntary committee(s) equivalent to a nomination committee or remuneration committee	None
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Auditors

Establishment of a Board of Auditors	Established
Number of auditors stipulated in the Articles of Incorporation	3
Number of auditors	3

Cooperation between auditors, accounting auditors, and internal audit divisions

The Company's auditors, accounting auditors, and Internal Audit Department hold regular meetings and exchange information as appropriate on audit plans, implementation, and results, increasing audit procedure efficiency and increasing the quality of audit practice.

The Company's auditors, accounting auditors, and Internal Audit Department have started work on internal control procedures regarding audit practice, with the work divided as follows: The Internal Audit Department is in charge of the routine work of verifying legal compliance, the Board of Auditors is in charge of verification of corporate governance aspects, and the accounting auditors are in charge of the verification of financial result trends.

Election of external auditors	Elected
Number of external auditors	2
Number of external auditors designated as independent officers	2

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Koonsun Hyun	Lawyer														
Satoshi Yaginuma	From another company														

* Categories for relationship with the Company

* "○" indicates the relevant category applies currently or applied recently. "△" indicates the relevant category applied in the past.

* "●" indicates the relevant category applies currently or applied recently to a close relative. "▲" indicates the relevant category applied in the past to a close relative.

a An executive for the Company or its subsidiary

b A non-executive director or an accounting advisor for the Company or its subsidiary

c An executive or non-executive director for the parent company of the Company

d An auditor for the parent company of the Company

e An executive for an affiliated company of the Company

f A person/entity for whom the Company is a major client or an executive for said person/entity

g A major client of the Company or an executive for said client

h A consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company other than remuneration as an officer for the Company

i A major shareholder of the Company (in the case where said major shareholder is a corporation, an executive for said corporation)

j An executive for a client of the Company (excluding executives to whom any of f, g, or h apply; applies only to the auditor him- or herself)

k An executive for an entity for which an external director holds a cross-directorship with the Company (applies only to the director him- or herself)

l An executive for an entity which receives donations from the Company (applies only to the director him- or herself)

m Other

Relationship with the Company (2)

Name	Independent officer	Supplementary explanation of relationship category	Reasons for election
Koonsun Hyun	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external auditors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	Mr. Koonsun Hyun has advanced expertise and a wealth of experience as a lawyer and the Company judges that he will utilize this expertise and experience in monitoring the Company's overall management.
Satoshi Yaginuma	✓	The Company has entered into limited liability contracts, as stipulated in Article 427, Paragraph 1 of the Companies Act, with its external auditors which limit their liability pursuant to Article 423, Paragraph 1 of the act. Provided good faith and no gross negligence, this contract exempts them from liability for amounts exceeding the minimum liability amount set forth in Article 425, Paragraph 1 of the Companies Act.	Mr. Satoshi Yaginuma has extensive experience as a corporate officer in charge of management divisions and as a full-time auditor. The Company judges that he will utilize his expertise and insight in monitoring the Company's overall management, including the strengthening of its auditing system and corporate governance.

Independent officers

Number of independent officers 7

Other matters concerning independent officers

Incentives

Implementation of measures concerning incentives for directors Other

Supplementary explanation for applicable items

At the 30th Ordinary General Meeting of Shareholders, the matter of "Establishment of limits for Directors' compensation for granting of restricted stock compensation" was resolved, determining the introduction of restricted stock compensation. For details, see the Notice of Convocation of the 30th Ordinary General Meeting of Shareholders.

Persons eligible for stock options

Supplementary explanation for applicable items

Director remuneration

Disclosure of individual director remuneration Individual remuneration is not disclosed

As there are no individuals whose total remuneration is equal to 100 million yen or higher, the Company does not disclose individual remuneration. The Company discloses the total amount of remuneration for each director and auditor.

Policy on determining remuneration amounts and calculation methods

Established

Disclosure of policy on determining remuneration amounts and calculation methods

The Company designs the remuneration of its directors so that it will function effectively as an incentive over the medium and long term to further share value with shareholders, continuously grow corporate earnings, and sustainably improve corporate value. It is the Company's basic policy that director remuneration makes it possible to secure and retain excellent human resources to realize the above, and to provide appropriate levels of remuneration proportionate to the roles and responsibilities required of each director.

Remuneration for directors, excluding external directors, is comprised of basic remuneration and restricted stock compensation. Basic remuneration is monetary remuneration paid monthly as a fixed sum determined based on each director's roles and responsibilities.

Restricted stock compensation is stock which is delivered with the prohibition, in principle, that it cannot be transferred, etc., until three years have passed since the date of allotment. The number of shares conferred is determined after a comprehensive evaluation of the achievement of the VECTOR Group's consolidated performance targets for the preceding fiscal year, the degree to which a director contributed to said performance, and the director's accomplishments in the work he or she is responsible for.

Note that because the restricted stock compensation system was officially approved by shareholders at the 30th Ordinary General Meeting of Shareholders, FY2023 was positioned as an evaluation period for determining the restricted stock compensation to be conferred for each director. Based on the degree of achievement of targets, etc. for the said fiscal year, the first stock compensation shares are scheduled to be conferred according to this system in FY2024; no stock compensation shares will be conferred in FY2023.

Because they serve a supervisory function, monitoring the Company's management from an independent standpoint, external directors are only paid fixed remuneration.

Determination of director remuneration is performed by Keiji Nishie, the Representative Director entrusted by the Board of Directors after taking into consideration all factors, including corporate performance, the roles and responsibilities of each director, the state of business execution in the preceding fiscal year, and the expectations with regard to roles for the current fiscal year.

At the 30th Ordinary General Meeting of Shareholders held on May 26, 2022, it was resolved concerning director remuneration that monetary remuneration be no more than 500 million per year (excluding employee wages for employee-directors). Further, it was resolved that for restricted stock compensation, which is non-monetary remuneration for directors excluding external directors, the total number of shares of the Company's common stock allottable to directors be no more than 240,000 shares per year and that monetary remuneration claims granted to receive allotment of shares of the Company's common stock be no more than 1 billion yen per year. Remuneration for directors is determined within this scope. Note that the number of directors as stipulated in the Articles of Incorporation is no more than 10 and that, as of the date of the submission of this Report, there are nine directors (of which five are external directors).

Remuneration for auditors was resolved to be within the scope of 40 million yen per year at the 14th Ordinary General Meeting of Shareholders held on June 23, 2006 and is determined through discussion with the auditors. Note that the number of auditors as stipulated in the Articles of Incorporation is no more than three and that, as of the date of the submission of this Report, there are three auditors (of which two are external auditors).

Support System for external directors (and/or external auditors)

Support for external directors and external auditors is provided by Business Administration Headquarters. Specifically, external directors and external auditors are provided with timely and appropriate explanations of the Company's business activities, explanations of internal systems, and supplementary explanations as well as relevant materials when there are proceedings of the Board of Directors and the Board of Auditors.

2. Matters concerning business execution, auditing and supervision, nomination, and remuneration determination functions (overview of current corporate governance system)

VECTOR INC. operates as a company with a Board of Directors and a Board of Auditors.

The Board of Directors makes decisions regarding important matters concerning the management of the business and oversees the execution of business by directors. Chairman and Representative Director Keiji Nishie serves as the chairperson, and it is comprised of nine members (four internal directors, five external directors).

The Board of Auditors is independent from the Board of Directors, and it is responsible for monitoring its business execution. Full-time Auditor Kazutora Mori serves as the chairperson, and it is comprised of three members (one internal auditor, two external auditors).

The auditors attend all meetings of the Board of Directors and make their monitoring functions for directors effective by engaging in lively opinion exchange. In addition, full-time auditors carry out audits throughout the entire Group, monitoring the approval of important internal proposals.

The Internal Audit Department has also been established under the direct control of the Representative Director in order to

strengthen the supervision of management.

3. Reasons for choosing the current corporate governance system

The Company has built a corporate governance system centered on the Board of Directors and auditors and the Board of Auditors. Lively discussions are held at each meeting of the Board of Directors. Both the Board of Directors and the Board of Auditors are comprised of a majority of external officers with the aim of strengthening their supervisory and governance function with regard to the Company's management from a more independent standpoint. In addition, the Board of Auditors engages in appropriate cooperation with the accounting auditors and Internal Audit Department, enabling flexible auditing. Through the above, the Company has determined that it is able to secure the effectiveness of corporate governance and accordingly chose the current corporate governance system.

/// Implementation of measures for shareholders and other stakeholders

1. Activities to vitalize general meetings of shareholders and facilitate the exercise of voting rights

	Supplementary explanation
Early sending of notices of general meetings of shareholders	The Company strives to send shareholders' meeting notices early so that shareholders may secure sufficient time to consider proposals.
Exercise of voting rights through electronic methods	Since the 30th Ordinary General Meeting of Shareholders held in May 2022, the Company has adopted the exercising of voting rights through electronic methods such as the Internet in addition to the conventional exercising of voting rights in writing.
Participation in an electronic voting rights exercise platform and other activities to improve the voting rights exercise environment for institutional investors	In order to develop an environment enabling institutional investors to appropriately exercise their voting rights, the Company has used a platform for the electronic exercising of voting rights since the 30th Ordinary General Meeting of Shareholders held in May 2022.
Provision of shareholders' meeting notices (or notice summaries) in English	The Company discloses shareholders' meeting notices (notice summaries) in English.
Other	The Company strives to send notices of general meetings of shareholders early while securing the accuracy of the information stated within such notices. For the Ordinary General Meeting of Shareholders held in May 2023, the Company disclosed the notice on its website and TDnet before sending it. Going forward, the Company will continue to send and electronically disclose notices early so that shareholders may secure sufficient time to consider general meeting proposals.

2. IR Activities

	Supplementary explanation	Explanation provided by a representative
Creation and disclosure of a disclosure policy	Disclosed on the Company's website.	
Regular briefings for analysts and institutional investors	To date, the Company has held briefings for institutional investors twice annually with a Company representative serving as the briefer. In FY2023, we held briefings for analysts and institutional investors on the same day as the announcement of the second quarter and the full-year results.	Yes
Posting of IR materials on the Company website	The Company posts various financial results, timely disclosure materials, and other materials and information for investors on its website on the investor relations pages.	
Establishment of a division or person in charge of IR	Business Administration Headquarters is in charge of IR.	

3. Activities Concerning Respect for the Standpoints of Stakeholders

	Supplementary explanation
Provisions concerning respect for the standpoints of stakeholders in internal rules, etc.	The Company recognizes that the provision of timely and appropriate information to customers, clients, employees, and other Company stakeholders is an important matter for the Company and it is the Company's policy to actively do so. The Company provides information through its website and Company briefings scheduled as appropriate.

IV Matters Concerning Internal Control Systems

1. Basic Philosophy on Internal Control Systems and Their Development Status

Based on the Companies Act and Ordinance for Enforcement of the Companies Act, it is the Company's basic policy to develop systems to secure the appropriateness of business. Accordingly, the Company has established the following basic policies to develop internal control systems.

- 1) Systems to ensure that the performance of duties by VECTOR Group directors and employees conforms to laws, ordinances, and the Articles of Incorporation.
 - (1) In order to ensure that the performance of duties by VECTOR Group executives and employees conforms to laws, ordinances, and the Articles of Incorporation, the Company has established the "VECTOR Group Compliance Policy." The directors of the companies of the VECTOR Group comply with this policy themselves and repeatedly communicate its spirit to employees.
 - (2) In accordance with the Auditing Rules of the Corporate Auditors and Internal Auditing Rules, all companies in the VECTOR Group are subject to audits by corporate auditors and internal audits, and the entire Group's conformity to laws, ordinances, and the Articles of Incorporation is evaluated.
 - (3) The Company develops its compliance system supported by its Compliance Risk Committee, approval system, legal review system for contract documents, internal audit, legal advisor, and other systems, ensuring that the performance of duties by VECTOR Group directors and employees conforms to laws, ordinances, and the Articles of Incorporation.
- 2) Systems to store and manage information on the performance of duties by directors
 - (1) Based on its Information Security Policy, the Company has clarified its accountability structure concerning information security and establishes information security management systems to continuously maintain and improve information security. Specific measures concerning information security are deliberated by the Information Security Committee and are promoted across the VECTOR Group.
 - (2) Information on the performance of duties by directors is stored and managed based on internal rules, including the Rules for Document Management, Basic Rules for the Management of Personal Information, and Rules on Preventing Insider Trading. This information is recorded in paper documents and electromagnetic media and appropriately stored and managed.
- 3) Rules and other systems concerning the management of the risk of losses to the VECTOR Group.
 - (1) The Company has established the "VECTOR Group Compliance Policy" as the basic standard and put in place a "Compliance Risk Committee" and "Rules on Responding to Incidents and Scandals" for each of its Group companies, forming a system that allows the Group to detect potential risks at an early stage and take swift and appropriate measures in regard to incidents and scandals.
 - (2) In order to promote the development of various matters concerning overall disaster preparedness, such as drafting disaster preparedness plans for the VECTOR Group and improving disaster preparedness systems, the Company has created a business continuity plan and, in the event of a disaster, will establish systems for disaster response, preventing and reducing harm to human life and property.
 - (3) In accordance with the Auditing Rules of the Corporate Auditors and Internal Auditing Rules, the entire VECTOR Group is subject to audits by corporate auditors and internal audits, and the status of the Group's risk management is audited and its effectiveness is evaluated.
- 4) Systems to ensure the efficient performance of duties by VECTOR Group directors
 - (1) In principle, meetings of the Company's Board of Directors are held once per month and ad hoc meetings are also held as necessary to provide agile decision-making.
 - (2) The Company has created Rules for Organizations and Rules on Administrative Authority for each of the companies in the VECTOR Group, clarifying the duties VECTOR Group directors are in charge of and the division of roles and duties and the command and order relationships between directors and employees, etc. In addition, the Company develops approval systems with the aim of agile decision-making.
 - (3) The directors of the companies of the VECTOR Group are required to attend important meetings on various management issues once per week to share information and engage in close, mutual cooperation within the Group.
- 5) Systems to secure the appropriateness of operations in corporate groups consisting of the Company and subsidiaries, and systems for reporting matters concerning the performance of duties by directors of subsidiaries to the Company
 - (1) Through the "VECTOR Group Compliance Policy," the Company provides guidance and support on developing systems to secure the appropriateness of the compliance systems and other operations of subsidiaries.
 - (2) In order to ensure management aimed at maximizing the VECTOR Group's corporate value with a shared awareness of the Group's management issues, per its Rules for the Management of Affiliated Companies, the Company has adopted a system to dispatch its directors to its subsidiaries.
 - (3) Aiming for the comprehensive and sound development of the VECTOR Group, the Company has created Rules for the

Management of Affiliated Companies and Rules on Administrative Authority to secure the appropriateness of operations, and important matters concerning the business management of subsidiaries require the approval of the Company.

(4) Based on the Rules for the Management of Affiliated Companies it has established, the Company requires reports and the submission of relevant materials, etc. as necessary in order to accurately understand, in a timely manner, the details of the operations and business activities of subsidiaries.

6) Systems concerning employees supporting the duties of the auditors (including matters concerning the securing of the independence of said employees from the directors and securing the effectiveness of directions from the auditors)

In the case where there is a request from the Board of Auditors to appoint employees to support their duties, the Company will assign appropriate personnel as soon as possible. To strengthen their independence from the directors, performance appraisals, reassignments, and the determination of rewards and punishments concerning employees supporting the auditors must be made with the agreement of the auditors in advance. In addition, the Company thoroughly informs officers and employees that employees supporting the auditors follow the commands and orders of the auditors.

7) Systems for directors and employees to report to the auditors and other systems concerning reporting to the auditors (including systems to ensure that persons who provide reports to the auditors do not receive unfavorable treatment for making said report)

(1) The Company ensures the attendance of the auditors at meetings of the Board of Directors and other important meetings in the VECTOR Group. Reports are also regularly made to the auditors in the VECTOR Group from the divisions in charge regarding company performance and other operational matters.

(2) Per its Auditing Rules of the Corporate Auditors, the Company has secured systems which enable the auditors to require reports on operations at any time from the directors and employees of the companies of the VECTOR Group to investigate the state of company operations and assets. The Company also requires the directors and employees of the companies of the VECTOR Group to report immediately to the Company's auditors in the event they discover matters which could significantly harm a Group company.

(3) In principle, meetings of the Company's Board of Auditors are held once per month and ad hoc meetings are also held as necessary to exchange information and discuss the implementation of audits. The Board of Auditors also regularly receives reports from the accounting auditors on accounting audits and engages in the exchange of opinions with the accounting auditors.

(4) Per its Rules for the Management of Affiliated Companies, Compliance Risk Management Rules, and Rules on Responding to Incidents and Scandals, the Company develops systems to ensure that proper reporting is conducted throughout the VECTOR Group. In addition, the Company strives to develop systems to ensure that persons who make reports will not receive unfavorable treatment. The Company has established an Internal Compliance Whistleblower Desk separate from the standard report systems which does not involve division supervisors and managing officers, and maintains rules prohibiting adverse treatment for making reports.

8. Other systems to ensure that the auditors' audits are implemented effectively (including matters concerning policies regarding the prepayment of expenses resulting from the Company's auditors' execution of their duties, redemption procedures, and the handling of other expenses and liabilities resulting from the execution of said duties)

(1) The Company's representative director engages in the regular exchange of information with the Board of Auditors and strives to share information on the state of the management of the VECTOR Group.

(2) In the case where there is a request from the auditors to view approval and other important documents, based on said request, the division in charge responds directly and makes a report regarding the details.

(3) Regarding the prepayment of expenses resulting from the Company's auditors' execution of their duties, redemption procedures, and the handling of other expenses and liabilities resulting from the execution of said duties, other divisions may not interfere and the Company promptly handles such expenses and liabilities in consultation with the auditors.

9) Systems to secure the reliability of financial reporting

(1) Based on the Financial Instruments and Exchange Act and other applicable domestic and international laws and ordinances, the Company engages in the evaluation, maintenance, and improvement of internal controls regarding the VECTOR Group's financial reporting.

(2) The Company's divisions and subsidiaries implement checks and routine monitoring of the execution of their own operations via the segregation of duties and strive to secure the appropriateness of financial reporting.

2. Basic Philosophy on the Exclusion of Antisocial Forces and Its Implementation

It is the basic policy of the Company in the "VECTOR Group Compliance Policy" to not have relationships with antisocial forces and to not make use of antisocial forces for company profit or self-defense.

In addition, in the case where an unreasonable demand has been received from antisocial forces, the entire organization will confront said antisocial forces with a resolute attitude and strive to prevent harm by said antisocial forces. With regard to specific measures, the Company has created an Antisocial Forces Response Manual and explicitly states the above basic policy. The Company has also established a system for the exclusion of antisocial forces and response measures. Further, the Company has joined the Special Violence Prevention Measures Association (Tokubouren) and strives to strengthen relations and collect information as precautionary measures.

Going forward, the Company will continue to strive to collect information in close cooperation with the police stations of jurisdiction and relevant organizations and promote the creation of systems to exclude antisocial forces. In addition, the Company will strive to thoroughly inform employees of the content of the above manual through internal training and educate employees so that they can apply its content effectively.

1. Introduction of Anti-Takeover Measures

Introduction of anti-takeover measures	None
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Supplementary explanation for applicable items

2. Other Matters Concerning Corporate Governance Systems

Timely disclosure system

1. Development and operation of the timely disclosure system

(1) Activities to develop the timely disclosure system

In order to fulfill its corporate social responsibility, the Company believes it is important to disclose information to stakeholders in an appropriate and timely manner and to fulfill accountability. Further, the Company believes that the execution of the preceding contributes to the improvement of the transparency of management. To fulfill these responsibilities, the Company maintains an Information Disclosure Manual to explicitly state rules regarding the types of information for disclosure, basic principles for disclosure, persons and divisions in charge, and disclosure processes to ensure that laws, regulations, and rules concerning the timely disclosure of important information are observed. Through management which conforms to these rules, the Company has strived to centrally manage information for timely disclosure for the entire VECTOR Group and develop processes for prompt, accurate, and timely disclosure.

In addition, in order to balance efficient business operation with the reduction of risk, the Company strives to provide timely disclosure after conducting the necessary analysis and consideration by having the chief information officer centrally aggregate information concerning the business of the entire VECTOR Group, including consolidated subsidiaries. (For a visual representation of this system, see the reference material titled "Diagram of timely disclosure system.")

In order to give shareholders fair and easy information access, the Company engages in timely disclosure based on the Tokyo Stock Exchange's rules regarding timely disclosure. In addition, the Company actively issues business-related news releases on its website, striving to explain the Company's business model and make business content easier to understand.

(2) Status of the organization in charge of timely disclosure

(a) Division in charge

Business Administration Headquarters

(b) Chief information officer name and title

Yosuke Goto, Director and CFO

(3) Timely disclosure procedure

1) Information collection

The division in charge of timely disclosure centrally manages the collection of internal information on investor relations, public relations, and other disclosure matters, as well as financial accounting information (including that of subsidiaries).

2) Information analysis and assessment

After collecting the information, the division in charge of information disclosure confirms its content. Then, under the oversight and guidance of the chief information officer, the division engages in discussion with relevant internal members (the representative director and other directors and the senior manager of Business Administration Headquarters, etc.) as necessary and promptly determines whether the information corresponds to any of the following items (whether it corresponds to important information).

- i) Does it correspond to material facts as stipulated in the Financial Instruments and Exchange Act?
- ii) Does it correspond to disclosure items requiring timely disclosure as stipulated in the rules of the Tokyo Stock Exchange?
- iii) Does it otherwise correspond to important information that it is desirable to disclose other than i) and ii) above?

3) Disclosure of the information

In the case where the information is assessed to correspond to important information, the division in charge of information disclosure, after engaging in the necessary approval process to gain approval from the representative director and the Board of Directors, implements the procedures for timely disclosure in accordance with relevant laws, ordinances, and rules.

4) Timely disclosure process monitoring

The auditors and the Internal Audit Department are able to monitor the implementation of timely disclosure when and as needed in order to confirm that the timely disclosure process is functioning appropriately.

Diagram of corporate governance system

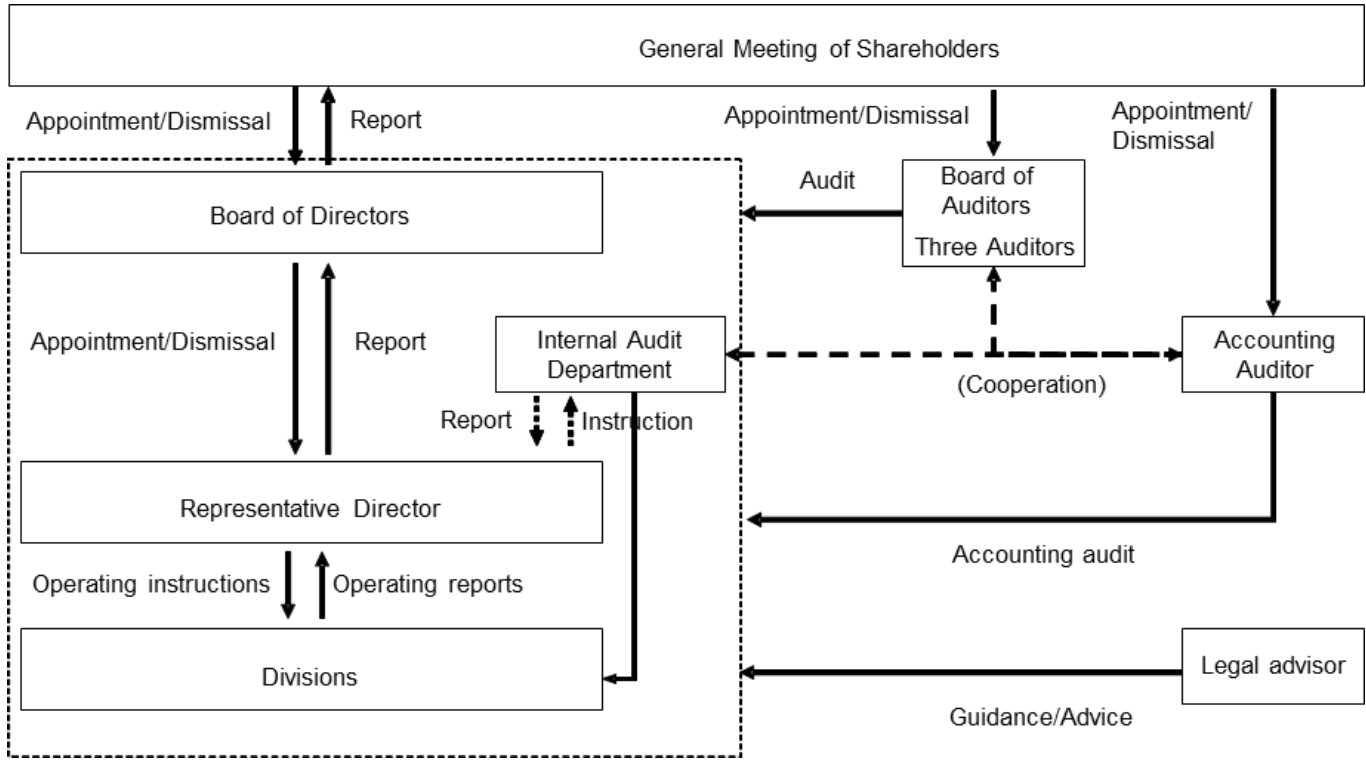
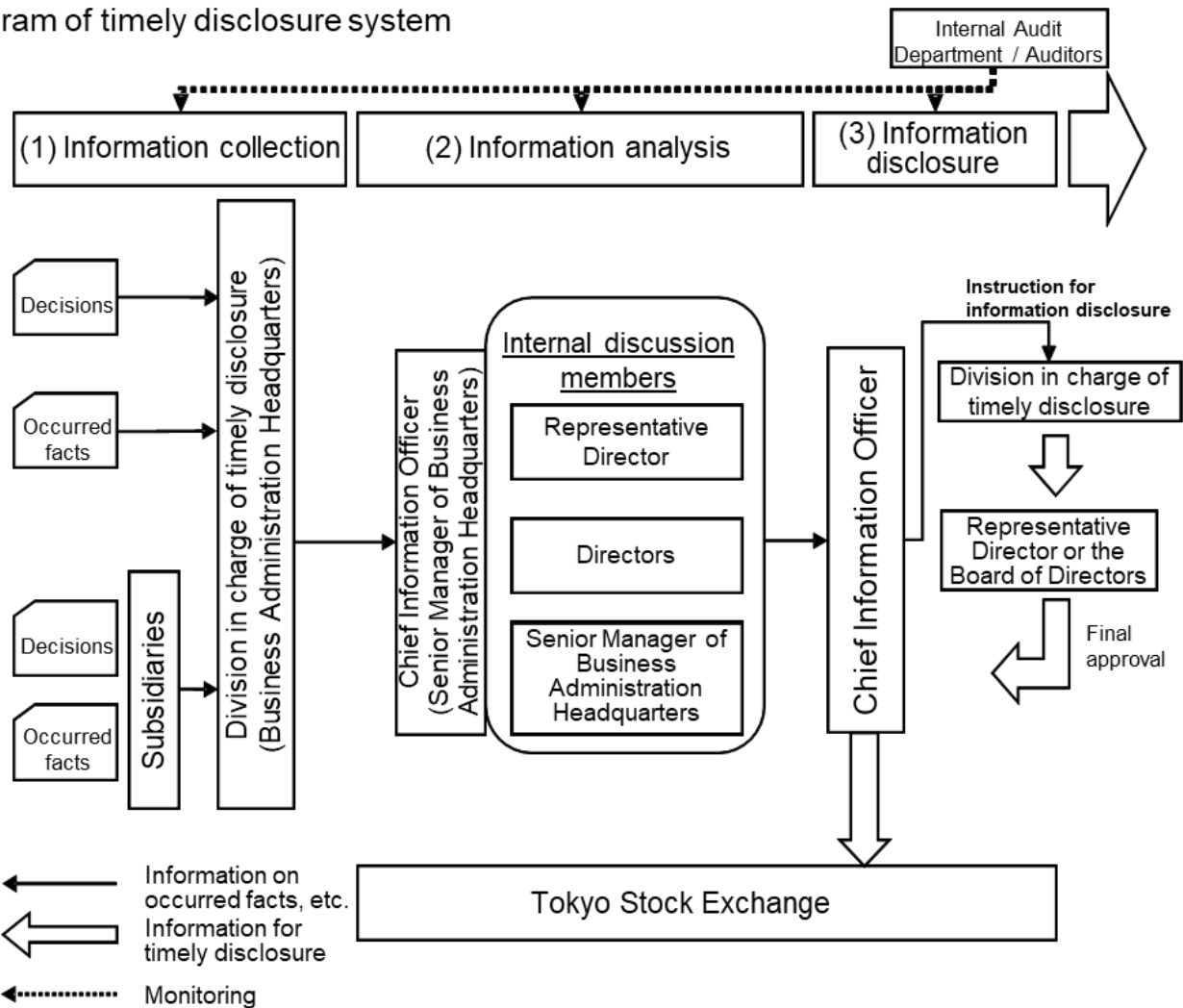


Diagram of timely disclosure system



Director and auditor skills matrix

		PR and advertising industry	Management	Investment	International	Accounting and finance	Legal compliance
Keiji Nishie	Chairman and Representative Director	✓	✓	✓	✓		
Hajime Hasegawa	Executive Vice President	✓	✓		✓	✓	
Saori Kiryu	Executive Vice President	✓	✓				
Yosuke Goto	Director and CFO					✓	✓
Takashi Nishiki	External Director		✓	✓	✓	✓	
Kota Matsuda	External Director		✓	✓	✓	✓	
Ryuichi Tomimura	External Director		✓	✓	✓	✓	
Michimasa Naka	External Director		✓	✓	✓	✓	
Yasunobu Nose	External Director		✓	✓	✓	✓	
Kazutora Mori	Auditor	✓				✓	✓
Koonsun Hyun	External Auditor				✓		✓
Satoshi Yaginuma	External Auditor					✓	✓

The above skills matrix lists fields in which the Company's directors and auditors are particularly able to demonstrate their expertise based on their experience, etc. with regard to the main knowledge and experience required by the Company's Board of Directors taking into account the surrounding business environment. It does not represent the entirety of the experience, knowledge, and abilities possessed by each director or auditor.