



**Summary of Consolidated Financial Results**  
**for the First Half of the Fiscal Year Ending February 29, 2024**  
**(Six Months Ended August 31, 2023)**

October 13, 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: October 13, 2023 Scheduled date of dividend payment: —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes

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

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

(March 1, 2023–August 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	%
Six months ended Aug. 31, 2023	28,565	7.1	1,483	–56.2	1,697	–51.6	823	–57.1
Six months ended Aug. 31, 2022	26,672	21.1	3,383	61.6	3,507	64.5	1,918	208.3

Note: Comprehensive income

Six months ended Aug. 31, 2023: 2,811 million yen (up 7.4%)

Six months ended Aug. 31, 2022: 2,617 million yen (up 199.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2023	17.25	—
Six months ended Aug. 31, 2022	40.24	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2023	44,490	18,138	33.0	306.44
As of Feb. 28, 2023	36,343	15,759	35.6	271.38

Reference: Shareholders' equity

As of August 31, 2023: 14,682 million yen

As of Feb. 28, 2023: 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	—	0.00	—	—	—
Fiscal year ending Feb. 29, 2024 (forecast)	—	—	—	28.00	28.00

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

### 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
Full year	63,000	14.1	7,260	15.7	7,260	9.6	4,570	44.1	95.56

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, (4) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 11 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, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 11 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 August 31, 2023	48,176,100 shares	As of Feb. 28, 2023	47,936,100 shares
As of August 31, 2023	262,061 shares	As of Feb. 28, 2023	262,061 shares
Six months ended August 31, 2023	47,732,735 shares	Six months ended August 31, 2022	47,674,039 shares

2) Number of treasury shares at the end of the period

3) Average number of shares during the period

\* 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, (4) Explanation of Consolidated Forecast and Other Forward-Looking Statements” on page 4 of the attachments regarding the forecasts shown in this material.

## Contents

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	2
(1) Explanation of Results of Operations .....	2
(2) Explanation of Financial Position.....	3
(3) Cash Flows .....	4
(4) Explanation of Consolidated Forecast and Other Forward-looking Statements .....	4
2. Quarterly Consolidated Financial Statements and Notes .....	5
(1) Quarterly Consolidated Balance Sheet.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	7
Quarterly Consolidated Statement of Income	
For the Six-month Period .....	7
Quarterly Consolidated Statement of Comprehensive Income	
For the Six-month Period .....	8
(3) Quarterly Consolidated Statement of Cash Flows .....	9
(4) Notes to Quarterly Consolidated Financial Statements.....	11
Going Concern Assumption .....	11
Significant Changes in Shareholders' Equity.....	11
Changes in Accounting Policies.....	11
Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements .....	11
Additional information .....	11
Segment and Other Information.....	12
Subsequent Events.....	14

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on judgments made by VECTOR as of October 13, 2023.

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending February 29, 2024, the Japanese economy began to recover as 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. In addition to providing these services at more affordable rates than traditional advertising budgets, we offer retainer services based on ongoing transactions 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 outstanding products, services, and other attributes 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 marketing 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.

As stated in the “Notice of Potential for Overdue or Uncollectable Receivables” released on October 13, 2023, VECTOR has recorded allowance for doubtful accounts of 755 million yen as accounts receivable—trade in PR and Advertising. In addition, while gains on sales in the Investment business were recorded in the first half of the previous fiscal year, such gains are expected in the second half of the fiscal year ending February 29, 2024, in accordance with our initial plan. This resulted in a 1,071 million yen decrease in profit in the first half.

Due to these activities, net sales increased 7.1% year on year to 28,565 million yen, operating profit decreased 56.2% to 1,483 million yen, ordinary profit decreased 51.6% to 1,697 million yen, and profit attributable to owners of parent decreased 57.1% to 823 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 Public Relations 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 Public Relations and Advertising, has been reclassified under Human Resources. For the following year-on-year comparisons, we have adjusted the figures for the previous year’s corresponding period based on the revised segment classification. Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” 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 toward 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 marketing domain has enabled us to establish a robust framework for providing even more comprehensive support to our clients’ communication strategies. Although this resulted in achieving record high net sales for the second quarter, we also recorded allowance for doubtful accounts of 755 million yen as accounts receivable—trade for specific customers in the digital marketing domain, which meant that while sales increased, profit decreased.

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. Owned, Company, which specializes in managing programmatic advertising that leverages search engine optimization (SEO), became a consolidated subsidiary in July 2023.

Segment sales increased 18.8% to 17,282 million yen and operating profit decreased 40.7% to 920 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 August 2023, the number of companies using PR TIMES surpassed 87,000. 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 16.7% to 3,284 million yen and operating profit decreased 2.8% to 890 million yen year on year.

## **Direct Marketing**

In the direct marketing business of Vitabrid Japan, Inc., although there was a temporary slowdown in acquiring new customers in consideration of efficient customer acquisition in the first quarter, we accelerated our advertising investment from the second quarter. As a result, sales of Terminalia First (a supplement for helping reduce body mass index (BMI)) remained strong, and sales in this business therefore only dipped slightly. Furthermore, we have been working on developing new products, and in September 2023, we launched a functional supplement containing gamma-aminobutyric acid (GABA) and other ingredients. Although we plan to continue advertising investment in consideration of efficient customer acquisition and focus on developing new products, we expect to secure operating profit in the fiscal year ending February 29, 2024 in line with our forecast.

Segment sales decreased 7.3% year on year to 6,684 million yen and operating loss amounted to 237 million yen compared with a loss of 86 million yen.

## **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 increase operating profit by 136 million yen.

JOBTV, which operates a recruiting platform using video content, incurred 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, with the aim of expanding the revenue of JOBTV, we acquired BUSiCONET Inc., which operates an online media business for job seekers, in June 2023. This acquisition resulted in a reduction of 101 million yen in quarterly deficit from the first quarter and therefore an operating loss of 21 million yen in the second quarter and an operating loss of 145 million yen for the first half.

Segment sales increased 4.3% year on year to 1,311 million yen while an operating loss of 9 million yen was posted, compared with operating profit of 11 million yen.

## **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. Gains on sales of securities 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 81.2% year on year to 240 million yen while an operating loss of 80 million yen was posted, compared to operating profit of 990 million yen.

## **(2) Explanation of Financial Position**

### **Assets**

Total assets at the end of the second quarter of the fiscal year ending February 29, 2024 increased 8,146 million yen from the end of the previous fiscal year to 44,490 million yen.

Current assets increased 3,859 million yen to 33,974 million yen. This was mainly due to increases of 2,265 million yen in cash and deposits, 2,273 million yen in operational investment securities, 290 million yen in merchandise and finished goods, 240 million yen in prepaid expenses included in other under current assets, and 200 million yen in accounts receivable—other while there were decreases of 602 million yen in notes and accounts receivable—trade, and contract assets, and 963 million yen in deposits paid included in other under current assets.

Non-current assets increased 4,286 million yen to 10,515 million yen. This was mainly due to increases of 1,053 million yen in leased assets, 2,122 million yen in goodwill, 298 million yen in investment securities, 755 million yen in distressed receivables included in investments and other assets, and 320 million yen in long-term prepaid expenses while there was an increase of 756 million yen in allowance for doubtful accounts.

### **Liabilities**

Total liabilities as of August 31, 2023 increased 5,767 million yen from the end of the previous fiscal year to 26,351 million yen.

Current liabilities increased 2,703 million yen to 19,327 million yen. This was primarily due to increases of 3,188 million yen in short-term borrowings and 214 million yen in lease obligations while there were decreases of 337 million yen in provision for bonuses and 256 million yen in accounts payable—other.

Non-current liabilities increased 3,063 million yen to 7,024 million yen. This was primarily due to increases of 2,190 million yen in long-term borrowings and 869 million yen in lease obligations.

**Net assets**

Total net assets as of August 31, 2023 increased 2,378 million yen from the end of the previous fiscal year to 18,138 million yen. This was primarily due to increases of 1,448 million yen in valuation difference on available-for-sale securities and 633 million yen in non-controlling interests.

**(3) Cash Flows**

Cash and cash equivalents at the end of the second quarter of the fiscal year ending February 29, 2024 increased 2,265 million yen year on year to 15,638 million yen.

Consolidated results in the first six months of the fiscal year ending February 24, 2024, for each category of cash flows and the main factors underlying the results are as follows.

**Cash flows from operating activities**

Net cash provided by operating activities came to 1,150 million yen, compared with 1,316 million yen in the same period of the previous fiscal year. Main cash inflows include profit before income taxes of 1,698 million yen, decrease in deposits paid of 966 million yen, decrease in trade receivables and contract assets of 929 million yen, and increase in allowance for doubtful accounts of 812 million yen. Main cash outflows include increase in distressed receivables of 754 million yen, decrease in accounts payable—other of 438 million yen, decrease in provision for bonuses of 342 million yen, increase in inventories of 312 million yen, gain on investments in investment partnerships of 247 million yen, decrease in contract liabilities of 226 million yen, and income taxes paid of 891 million yen.

**Cash flows from investing activities**

Net cash used in investing activities was 2,600 million yen, compared with 153 million yen in the same period of the previous fiscal year. Main cash outflows include proceeds from divestments of 301 million yen and proceeds from collection of loans receivable of 109 million yen. Main cash outflows include purchase of shares of subsidiaries resulting in change in scope of consolidation of 1,911 million yen, payments for acquisition of businesses of 330 million yen, purchase of intangible assets of 246 million yen, and purchase of shares of subsidiaries and associates of 177 million yen.

**Cash flows from financing activities**

Net cash provided by financing activities amounted to 3,671 million yen, compared with net cash used of 2,549 million yen in the same period of the previous fiscal year. Main cash inflows include a net increase in short-term borrowings of 3,081 million yen and proceeds from long-term borrowings of 3,045 million yen. Main cash outflows include repayments of long-term borrowings of 1,231 million yen and dividends paid of 904 million yen.

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

Financial forecasts for the fiscal year ending February 29, 2024 have been revised from the projected figures announced on July 14, 2023. For detailed information, please refer to the "Notice of Discrepancy between the Consolidated Forecast and Results for the First Half of the Fiscal Year Ending February 29, 2024, Revision of the Consolidated Forecast for the Full Year, and Revision of the Dividend Forecast" released today.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/23 As of Feb. 28, 2023	First half of FY2/24 As of August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	13,372	15,638
Notes and accounts receivable-trade, and contract assets	7,484	6,881
Operational investment securities	4,550	6,823
Merchandise and finished goods	1,427	1,718
Costs on service contracts in progress	547	572
Other	2,928	2,598
Allowance for doubtful accounts	(195)	(256)
Total current assets	30,115	33,974
Non-current assets		
Property, plant and equipment		
Buildings and structures	834	967
Machinery, equipment and vehicles	9	9
Tools, furniture and fixtures	864	964
Leased assets	69	1,123
Construction in progress	7	38
Accumulated depreciation	(947)	(1,135)
Total property, plant and equipment	837	1,967
Intangible assets		
Goodwill	1,780	3,903
Software	417	476
Other	67	233
Total intangible assets	2,265	4,614
Investments and other assets		
Investment securities	945	1,244
Deferred tax assets	1,228	1,356
Leasehold and guarantee deposits	808	858
Other	455	1,542
Allowance for doubtful accounts	(312)	(1,068)
Total investments and other assets	3,126	3,934
Total non-current assets	6,228	10,515
Total assets	36,343	44,490

(Millions of yen)

	FY2/23 As of Feb. 28, 2023	First half of FY2/24 As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	2,513	2,500
Accounts payable-other	2,385	2,128
Short-term borrowings	5,056	8,244
Current portion of long-term borrowings	1,601	1,402
Current portion of bonds payable	218	171
Lease obligations	6	220
Income taxes payable	940	1,027
Provision for bonuses	662	324
Provision for shareholder benefit program	26	—
Provision for loss on business liquidation	9	1
Contract liabilities	2,182	1,965
Other	1,020	1,341
<b>Total current liabilities</b>	<b>16,623</b>	<b>19,327</b>
Non-current liabilities		
Long-term borrowings	2,802	4,993
Bonds payable	78	56
Lease obligations	1	870
Deferred tax liabilities	757	982
Retirement benefit liability	36	43
Other	284	77
<b>Total non-current liabilities</b>	<b>3,960</b>	<b>7,024</b>
<b>Total liabilities</b>	<b>20,584</b>	<b>26,351</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,880	3,038
Capital surplus	—	133
Retained earnings	8,173	8,091
Treasury shares	(259)	(259)
<b>Total shareholders' equity</b>	<b>10,793</b>	<b>11,003</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,974	3,423
Foreign currency translation adjustment	169	256
<b>Total accumulated other comprehensive income</b>	<b>2,144</b>	<b>3,679</b>
Share acquisition rights	9	9
Non-controlling interests	2,812	3,446
<b>Total net assets</b>	<b>15,759</b>	<b>18,138</b>
<b>Total liabilities and net assets</b>	<b>36,343</b>	<b>44,490</b>



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

(Millions of yen)

	First six months of FY2/23 Mar. 1, 2022– August 31, 2022	First six months of FY2/24 Mar. 1, 2023– August 31, 2023
Net sales	26,672	28,565
Cost of sales	8,959	10,624
Gross profit	17,712	17,940
Selling, general and administrative expenses	14,328	16,457
Operating profit	3,383	1,483
Non-operating income		
Interest and dividend income	3	4
Foreign exchange gains	19	—
Gain on investments in investment partnerships	88	261
Share of profit of entities accounted for using equity method	9	8
Other	33	27
Total non-operating income	154	302
Non-operating expenses		
Interest expenses	16	54
Foreign exchange losses	—	10
Loss on investments in investment partnerships	9	13
Other	4	11
Total non-operating expenses	30	88
Ordinary Income	3,507	1,697
Extraordinary income		
Gain on bargain purchase	15	—
Reversal of provision for loss on business liquidation	2	—
Gain on reversal of share acquisition rights	—	1
Total extraordinary income	18	1
Extraordinary losses		
Loss on retirement of non-current assets	37	0
Loss on valuation of investment securities	64	—
Loss on sale of shares of subsidiaries and associates	1	—
Loss on liquidation of subsidiaries and associates	0	—
Total extraordinary losses	103	0
Profit before income taxes	3,423	1,698
Income taxes	1,190	506
Profit	2,233	1,191
Profit attributable to non-controlling interests	314	368
Profit attributable to owners of parent	1,918	823

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

(Millions of yen)

	First six months of FY2/23 Mar. 1, 2022– August 31, 2022	First six months of FY2/24 Mar. 1, 2023– August 31, 2023
Profit	2,233	1,191
Other comprehensive income		
Foreign currency translation adjustment	96	74
Valuation difference on available-for-sale securities	262	1,527
Share of other comprehensive income of entities accounted for using equity method	24	18
Total other comprehensive income	384	1,619
Comprehensive income	2,617	2,811
Comprehensive income attributable to:		
Owners of parent	2,302	2,359
Non-controlling interests	314	452

**(3) Quarterly Consolidated Statement of Cash Flows**

(Millions of yen)

	First six months of FY2/23 Mar. 1, 2022– August 31, 2022	First six months of FY2/24 Mar. 1, 2023– August 31, 2023
<b>Cash flows from investing activities</b>		
Profit before income taxes	3,423	1,698
Depreciation	213	258
Amortization of goodwill	155	179
Amortization of long-term prepaid expenses	2	0
Gain on bargain purchase	(15)	—
Depreciation and amortization on other	53	47
Loss on retirement of non-current assets	37	0
Loss (gain) on valuation of investment securities	64	—
Loss (gain) on investments in investment partnerships	(78)	(247)
Share of loss (profit) of entities accounted for using equity method	(9)	(8)
Loss (gain) on sale of shares of subsidiaries and associates	1	—
Loss (gain) on liquidation of subsidiaries and associates	0	—
Gain on reversal of share acquisition rights	—	(1)
Increase (decrease) in allowance for doubtful accounts	13	812
Increase (decrease) in provision for bonuses	(213)	(342)
Increase (decrease) in provision for shareholder benefit program	(93)	(26)
Increase (decrease) in provision for loss on business liquidation	(13)	(8)
Increase (decrease) in retirement benefit liability	(3)	1
Interest and dividend income	(3)	(4)
Interest expenses	16	54
Decrease (increase) in trade receivables and contract assets	(75)	929
Decrease (increase) in inventories	(348)	(312)
Decrease (increase) in investment securities for sale	(206)	(226)
Increase (decrease) in trade payables	195	(55)
Decrease (increase) in deposits paid	(306)	966
Decrease (increase) in advance payments	(366)	(108)
Increase (decrease) in accounts payable-other	472	(438)
Increase (decrease) in contract liabilities	(247)	(226)
Decrease (increase) in distressed receivables	(7)	(754)
Other, net	72	(92)
Subtotal	2,731	2,091
Interest and dividends received	3	3
Interest paid	(17)	(52)
Income taxes paid	(1,400)	(891)
Net cash provided by (used in) operating activities	1,316	1,150

(Millions of yen)

	First six months of FY2/23 Mar. 1, 2022– August 31, 2022	First six months of FY2/24 Mar. 1, 2023– August 31, 2023
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(225)	(146)
Purchase of intangible assets	(115)	(246)
Purchase of investment securities	(99)	(50)
Proceeds from sale of investment securities	—	1
Payments for investments in capital	(65)	(103)
Proceeds from divestments	145	301
Loan advances	(34)	—
Proceeds from collection of loans receivable	223	109
Payments for acquisition of businesses	—	(330)
Proceeds from liquidation of subsidiaries and associates	32	—
Purchase of shares of subsidiaries and associates	—	(177)
Payments of leasehold and guarantee deposits	(11)	(96)
Proceeds from refund of leasehold and guarantee deposits	88	26
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(87)	(1,911)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	84	24
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(77)	—
Other, net	(13)	—
<b>Net cash provided by (used in) investing activities</b>	<b>(153)</b>	<b>(2,600)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	1,775	3,081
Proceeds from long-term borrowings	0	3,045
Repayments of long-term borrowings	(560)	(1,231)
Redemption of bonds	(103)	(88)
Expenditure for redemption of convertible bonds with subscription rights to shares	—	(26)
Proceeds from issuance of share acquisition rights	—	1
Proceeds from share issuance to non-controlling shareholders	1	4
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(772)	(34)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	—	6
Purchase of treasury shares of subsidiaries	(1,893)	(36)
Proceeds from disposal of treasury shares of subsidiaries	3	31
Repayments of lease obligations	(26)	(92)
Dividends paid	(618)	(904)
Amount of distribution paid to investment business members	(355)	(84)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,549)</b>	<b>3,671</b>
Effect of exchange rate change on cash and cash equivalents	113	43
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,272)</b>	<b>2,265</b>
Cash and cash equivalents at beginning of period	13,522	13,372
<b>Cash and cash equivalents at end of period</b>	<b>12,249</b>	<b>15,638</b>

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Based on a resolution approved by the Board of Directors on June 29, 2023, VECTOR issued new shares as restricted stock compensation on July 18, 2023. This led to an increase of 158 million yen for both share capital and legal capital surplus in the second quarter of the fiscal year ending February 29, 2024.

As a result, share capital amounted to 3,038 million yen and legal capital surplus stood at 133 million yen at the end of the second quarter.

##### **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 second 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 net profit.

##### **Additional information**

###### **Concerning tax treatment of trust-type stock options**

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 Corporation, 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 bears the responsibility for withholding taxes on those who exercise the rights, withholding income taxes were paid in the second quarter of the fiscal year ending February 29, 2024.

Additionally, the sixth round of share acquisition rights was extinguished in accordance with a resolution approved by the Board of Directors of PR TIMES on July 13, 2023, as the exercise period had not yet commenced.

## Segment and Other Information

### Segment information

1. First six months of FY2/23 (Mar. 1, 2022 – Aug. 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	14,253	2,738	7,143	1,255	—	25,391	—	25,391
Other revenue	—	—	—	—	1,280	1,280	—	1,280
External sales	14,253	2,738	7,143	1,255	1,280	26,672	—	26,672
Inter-segment sales and transfers	294	75	65	1	1	438	(438)	—
Total	14,547	2,814	7,209	1,256	1,282	27,110	(438)	26,672
Segment profit (loss)	1,551	916	(86)	11	990	3,383	0	3,383

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 six months of FY2/24 (Mar. 1, 2023 – Aug. 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

In PR and Advertising, starting from the second quarter of the fiscal year ending February 29, 2024, we have included GEOBECK CO., LTD. and its affiliated company, BeautySpaceGlobal Co., Ltd., within the scope of consolidation. This resulted in an increase in goodwill of 119 million yen in the first half.

Note that BeautySpaceGlobal Co., Ltd., which was VECTOR's consolidated subsidiary, has undergone an absorption-type merger with GEOBECK CO., LTD., also a consolidated subsidiary, continuing as the surviving company. Following the merger, the company name was changed to CLOUD BEAUTY inc.

Significant gain on bargain purchase

Direct Marketing recorded a gain on bargain purchase of 15 million yen. This is the result of an additional acquisition of shares in Premium Cosme K.K., an equity-method affiliate of Direct Tech, Inc.

2. First six months of FY2/24 (Mar. 1, 2023 – Aug. 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	17,150	3,219	6,647	1,306	—	28,324	—	28,324
Other revenue	—	—	—	—	240	240	—	240
External sales	17,150	3,219	6,647	1,306	240	28,565	—	28,565
Inter-segment sales and transfers	131	64	36	4	—	237	(237)	—
Total	17,282	3,284	6,684	1,311	240	28,802	(237)	28,565
Segment profit (loss)	920	890	(237)	(9)	(80)	1,483	0	1,483

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

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 outstanding products, service and other attributes 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 public relations 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 Human Resources in line with the actual nature of the business.

The segment information for first half of the fiscal year ended February 28, 2023 is based on the reportable segment structure after the reclassification.

As a result of this change, ASHITA-TEAM, included in the HR segment, posted operating profit of 136 million yen in the first half of the fiscal year ending February 29, 2024 compared to 237 million yen in the previous first half, while JOBTV posted an operating loss of 145 million yen compared with an operating loss of 225 million yen in the previous first half due to advertising expenses and development expenses. Segment operating loss amounted to 9 million yen compared to operating profit of 11 million yen in the previous first half.

(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

Starting from the second quarter of the fiscal year ending February 29, 2024, Owned, Company has been included in the scope of consolidation within the PR and Advertising segment. This acquisition resulted in goodwill of 463 million yen.

In addition, starting from the second quarter of the fiscal year ending February 29, 2024, BUSiCONET Inc. has been included in the scope of consolidation within the HR segment. This acquisition resulted in goodwill of 1,139 million yen.

Significant gain on bargain purchase

Not applicable.

## Subsequent Events

### Sale of shares in significant subsidiaries or other entities

On July 24, 2023, VECTOR entered into an agreement to transfer all of its shares in its consolidated subsidiary, SIGNAL Inc. (hereinafter "SIGNAL").

#### (1) Reason for share transfer

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 order to adapt quickly to the evolving landscape, VECTOR founded SIGNAL in 2005 as a subsidiary responsible for handling the online domain of strategic PR project orders received from clients. At its inception, we outsourced tasks related to social media marketing and website production for such projects to SIGNAL, which provided these services. Since social media has become the preferred method for distributing information due to advancing digitalization in society, we established a system in which each subsidiary could provide social media marketing. As a result of overlapping business domains within the Group, we decided to transfer the shares of SIGNAL as part of a business review.

#### (2) Name of counterparty to the share transfer

Accenture Japan Ltd

#### (3) Date of the share transfer

October 2, 2023

#### (4) Outline of the consolidated subsidiary to be transferred

Name:	SIGNAL Inc.
Business:	PR, online marketing, and internet research
Shareholding ratio:	100.00%

#### (5) Number of shares to be transferred, gain/loss on transfer, and shareholding ratio after transfer

Number of shares to be transferred:	600
Gain/loss on transfer:	Approximately 1.7 billion yen in gain on sale of shares of subsidiaries and associates will be recorded as extraordinary income in the consolidated financial statements in the third quarter of the fiscal year ending February 29, 2024. Note that the final transfer price may vary as it will be determined based on the conditions outlined in the transfer agreement, including the financial figures of the subsidiary.
Shareholding ratio after transfer:	0%