

VECTOR INC.

Interim Report – FY '24



October 13, 2023

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Key Points for the Quarter

Recording of Allowance for Doubtful Accounts in the Digital Advertising Business

- In the Digital Advertising business, the entire allowance for doubtful accounts was recorded in 2Q for 755 million JPY in receivables from Beauty Three owing to their filing for bankruptcy.
- Beauty Three is a customer we acquired when we took over the Digital Advertising business from TERMINAL on September 30, 2022. Therefore, we are planning to collect the debt from TERMINAL during the period as third-party repayment
- In our business transfer agreement with TERMINAL, it was agreed that if the receivables are not collected within the period, then TERMINAL will refund the amount specified in the agreement to VECTOR in the event that the required level of operating profit is not achieved.
- Our policy is to ensure that this situation does not happen again by taking appropriate measures according to the risks. We will do this by carrying out credit control for the Digital Advertising business separately to that of the conventional PR and Advertising business.

Note: For details, please see the “Notice Regarding Possible Irrecoverability or Delayed Collection of Claims,” published on October 13, 2023.

Business Transfer (Stock Transfer)

Due to overlap in business areas within the Group, all shares of SIGNAL were transferred as part of a business review. In 3Q FY2024, approximately 1,700 million JPY is scheduled to be recorded as extraordinary income as gain on sale of shares of subsidiaries and associates.

Stock Transfer Overview

Company name	 SIGNAL, Inc.
Other party	Accenture Japan Ltd
Sale price	Not disclosed
Stock transfer date	October 2, 2023

Business

Online marketing business



Offers a wide range of web-related proposals, from production and operation of promotional and corporate websites to creating content and sending email newsletters

Revised Financial Forecast Details

Full-Year Financial Forecast for FY '24 (million JPY)	(Initial Targets) Announced July 14, 2023	Revised Targets Revised October 13, 2023	Change	Rate of Change	(Reference) FY '23 Results
Net sales	63,000	63,000	0	0.0%	55,225
Operating profit	7,260	7,260	0	0.0%	6,276
Ordinary income	7,260	7,260	0	0.0%	6,623
Profit attributable to owners of parent	4,070	4,570	+500	+12.3%	3,172

Although we recorded an allowance for doubtful accounts in 2Q, we have decided to leave ordinary income unchanged in light of the current business situation. In addition, as a result of recording extraordinary income from the sale of SIGNAL stock in 3Q, **profit attributable to owners of parent has been revised upward, and dividends have also been revised upward by 3 JPY from 25 JPY to 28 JPY per share.**

Quarterly Results

Net Sales

28,560 million JPY
(107.1% YoY)

Gross Profit

17,940 million JPY
(101.3% YoY)

EBITDA*

1,920 million JPY
(51.2% YoY)

Operating Profit

1,480 million JPY
(43.8% YoY)

Ordinary Income

1,690 million JPY
(48.4% YoY)

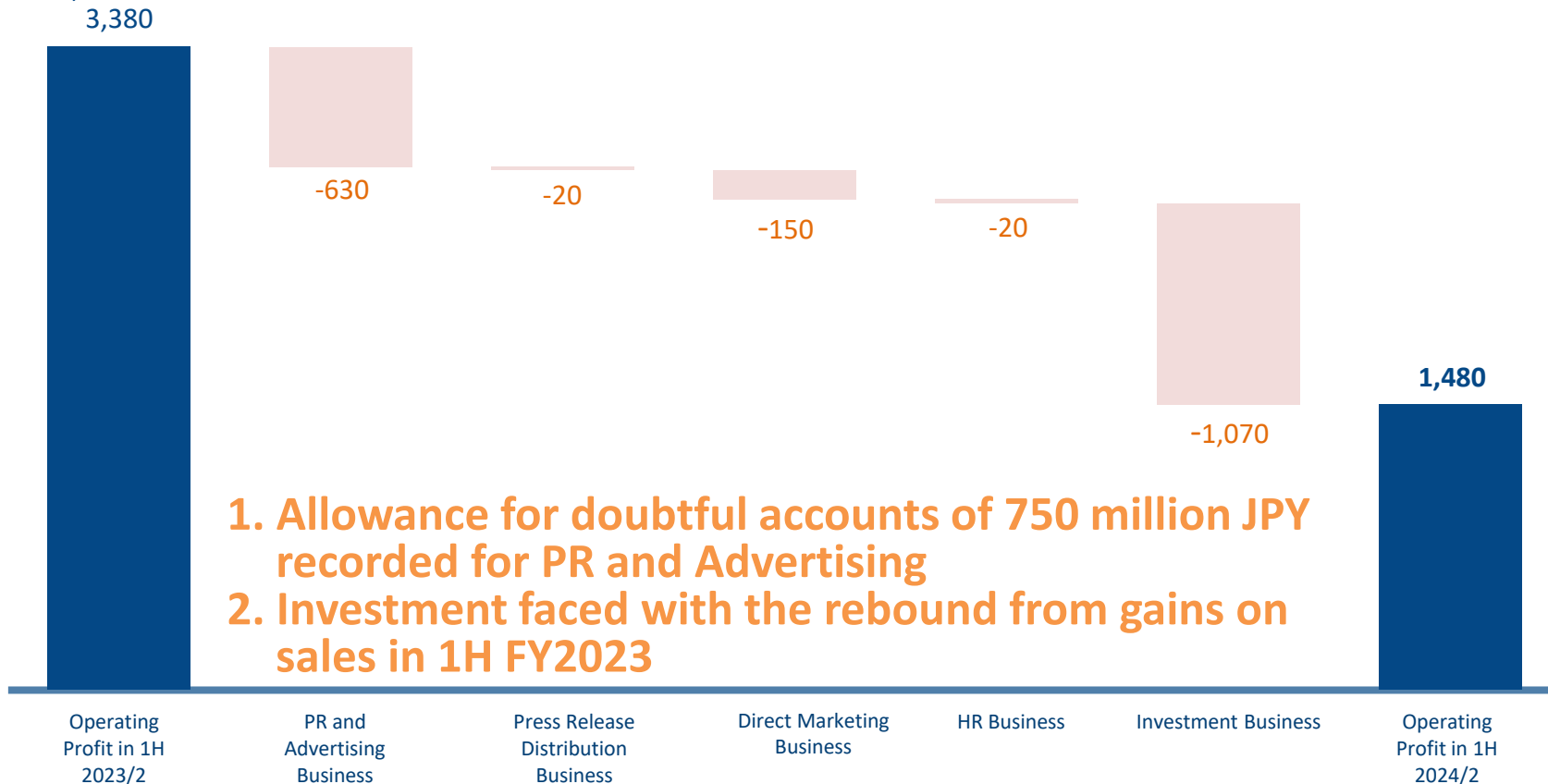
Profit Attributable to Owners of Parent

820 million JPY
(42.9% YoY)

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

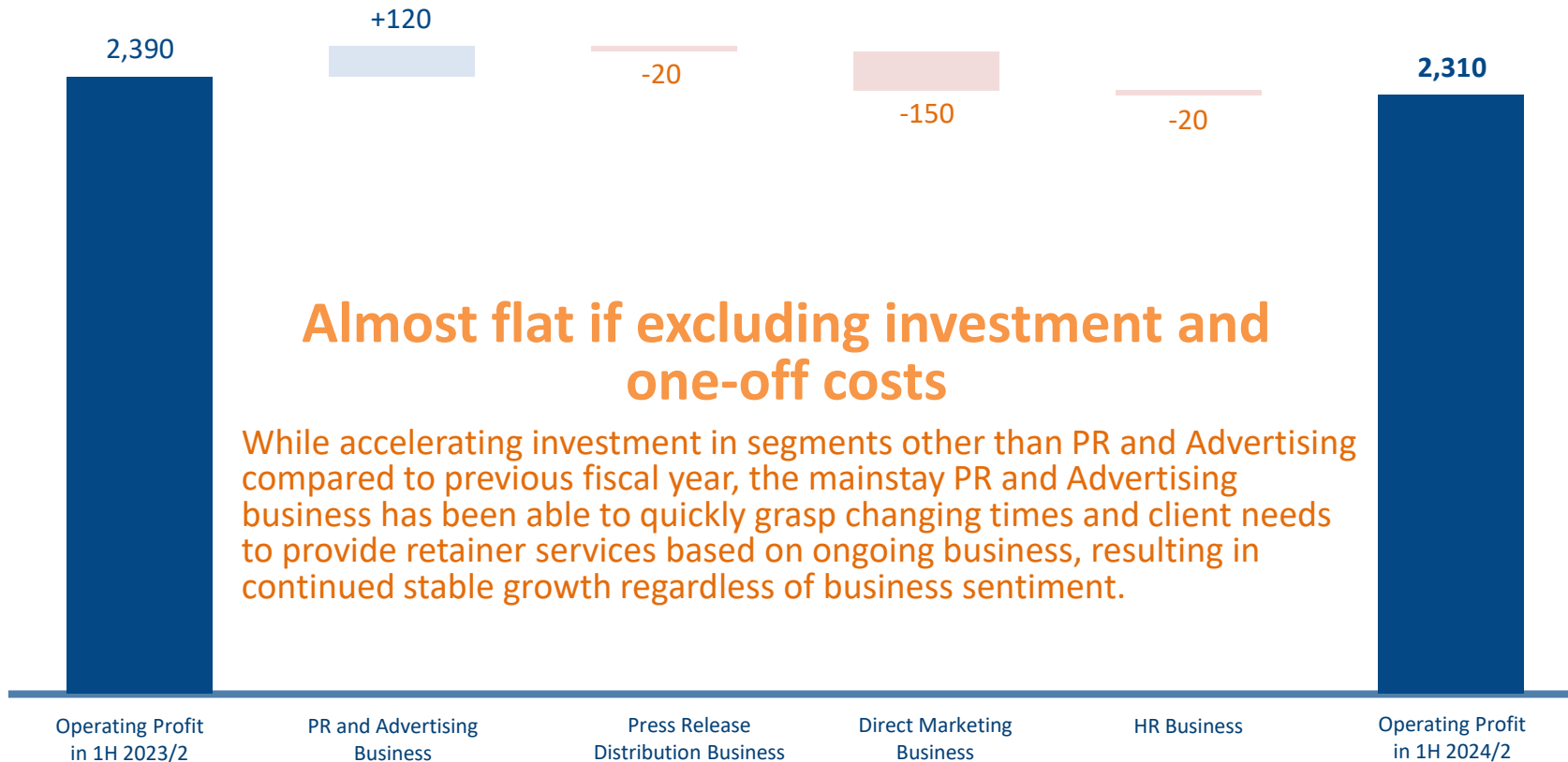
Operating Profit (YoY Trend)

(million JPY)



- 1. Allowance for doubtful accounts of 750 million JPY recorded for PR and Advertising
- 2. Investment faced with the rebound from gains on sales in 1H FY2023

Operating Profit (YoY Trend Excluding Investment Business and One-off Costs*)



Almost flat if excluding investment and one-off costs

While accelerating investment in segments other than PR and Advertising compared to previous fiscal year, the mainstay PR and Advertising business has been able to quickly grasp changing times and client needs to provide retainer services based on ongoing business, resulting in continued stable growth regardless of business sentiment.

* One-off costs: Allowance for doubtful accounts of 750 million JPY

Overview of Results for Six-Month Period

Consolidated Performance

Net Sales
28,560 million JPY
(107.1% YoY)

Operating Profit
1,480 million JPY
(43.8% YoY)

Business Overview for 1H FY '24

- Although the PR business in Japan continued to perform well, profits in PR and Advertising decreased after recording 750 million JPY allowance for doubtful accounts
- Active investment in advertising for Direct Marketing
- M&A of BUSICONET Inc. contributed to performance for HR
- Investment business saw significantly declined profits due to the rebound from gains on sales in previous fiscal year

PR and Advertising

17,280 million JPY
(118.8% YoY)

920 million JPY
(59.3% YoY)

- **Achieved record-high net sales** helped by improved sales per customer in projects for major companies
- Significant decrease in profit due to recording allowance for doubtful accounts
- Acquired Owned, Company and Tryhatch, Inc. to expand services in the digital domain

Press Releases (PR TIMES)

3,280 million JPY
(116.7% YoY)

890 million JPY
(97.2% YoY)

- **Achieved record-high net sales**
- Number of user companies surpassed 87,000
- Promoted use of PR TIMES and made advertising investments toward new business as planned
- PR TIMES is undergoing renewal

Note: The Video Release and Media CMS segments have been integrated into the PR and Advertising segment as of 1Q FY2024.

Overview of Results for Six-Month Period

Direct Marketing

6,680 million JPY
(92.7% YoY)

(230) million JPY
(Down 150 million JPY YoY)

- Hit the red in Q2 after investing in advertising with aim to attract new customers
- **Secured profits while investing in advertising in 2H**
- Terminalia First continued to perform well
- Prepared to expand product lineup

HR

1,310 million JPY
(104.3% YoY)

(0) million JPY
(Down 20 million JPY YoY)

- ASHITA-TEAM achieved **surplus of 130 million JPY** despite investing in advertising, by continuing sales strategy revisions and strengthening its sales structure
- JOBTV's deficit decreased due to contribution from BUSICONET (acquired through M&A) despite upfront investment

Investment

240 million JPY
(18.8% YoY)

(80) million JPY
(Down 1,070 million JPY YoY)

- Despite the partial sale of shares held, an operating loss was posted due to valuation losses on some of our investees
- **Plan to proactively sell a portion of shares held in accordance with share price trends in 2H**
- Invested aggressively in promising startups

Note: JOBTV, which was included in PR and Advertising, has been transferred to HR as of 1Q FY2024.

Review of 1H Financial Forecasts

FY '24 1H Financial Forecasts (million JPY)	FY '24 1H Target	FY '24 1H Results	Achievement Rate	FY '24 1H Results Excluding one-off costs*	Achievement Rate
Net sales	29,761	28,565	96.0%	28,565	96.0%
Operating profit	2,175	1,483	68.2%	2,238	102.9%
Ordinary income	2,175	1,697	78.0%	2,452	112.8%
Profit attributable to owners of parent	1,072	823	76.9%	1,347	125.7%

In terms of 1H financial forecasts, the target for net sales was not achieved due to limited advertising investment in Direct Marketing in 1Q, and the targets for operating profit, ordinary income, and profit attributable to owners of parent were neither achieved due to the recording of 755 million JPY for allowance for doubtful accounts. However, if we exclude the one-off costs, all three profits exceeded targets in line with expectations.

* One-off costs: Allowance for doubtful accounts of 755 million JPY

Progress toward Full-Year Financial Forecasts

FY '24 Financial Forecasts (million JPY)	FY '24 (Targets)	FY '24 2Q-end	Progress	(Reference) FY '24 2H Initial Plan	(Reference) FY '24 2H Outlook
Net sales	63,000	28,565	45.3%	33,239	34,434
Operating profit	7,260	1,483	20.4%	5,085	5,776
Ordinary income	7,260	1,697	23.4%	5,085	5,562
Profit attributable to owners of parent	4,570	823	18.0%	2,998	3,746

As we had planned to place emphasis on 2H at the beginning of the fiscal year, the targets are not particularly high. In addition, since each business is progressing as expected, profits from each business, including our mainstay PR and Advertising business, will contribute to 2H. Furthermore, extraordinary income will be recorded from the sale of SIGNAL stock. We therefore expect to make up for the lag in progress toward full-year earnings forecast in 2H.

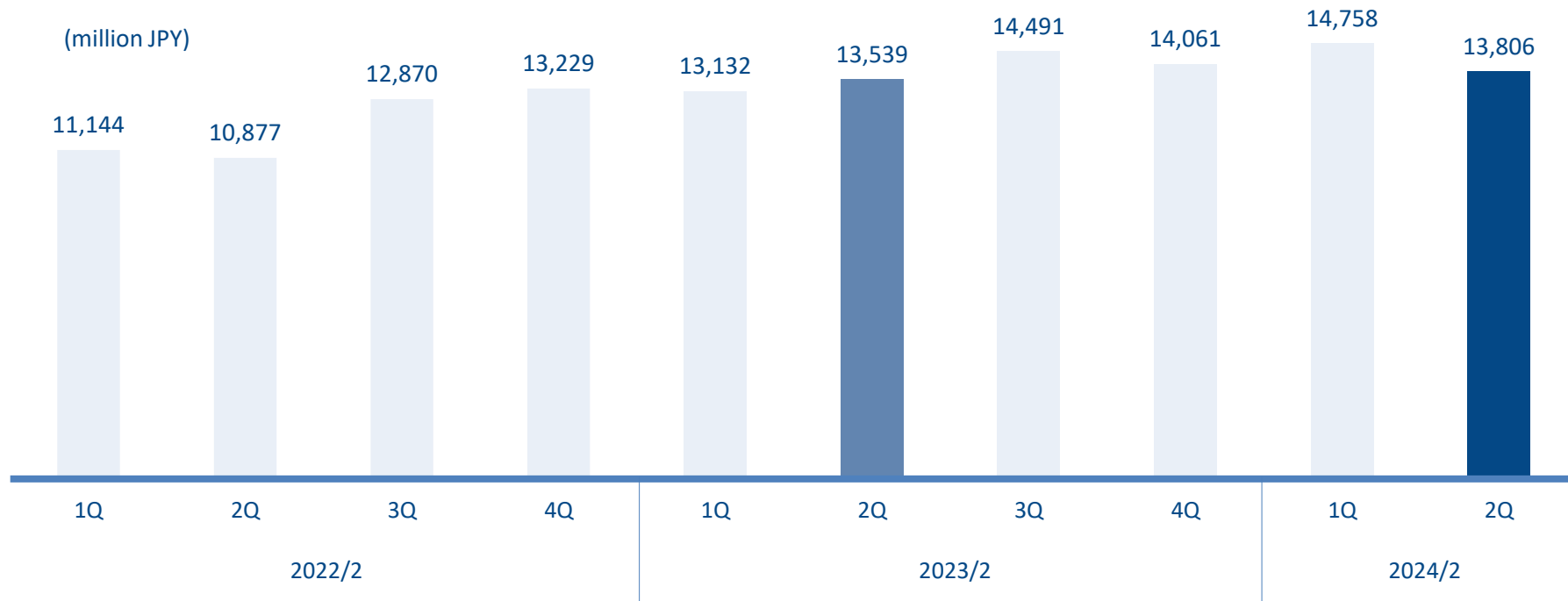
Progress toward Profit Plan by Segment

	Profit Plan by Segment (million JPY)	FY '24 (Targets)	FY '24 2Q-end	Progress
Operating Profit (Loss)	Consolidated	7,260	1,483	20.4%
	PR and Advertising	3,843	920	23.9%
	Press Releases	1,500	890	59.4%
	Direct Marketing	974	(237)	—
	HR	100	(9)	—
	Investment	842	(80)	—

In our mainstay PR and Advertising business, progress appears to be slow due to the recording of one-off costs. However, in addition to the steady growth of projects for major companies, we will expand the business with a heavy emphasis on 2H, and will generate profits from the latter half with Direct Marketing and Investment. Given these, we expect to see profit plans for each segment go in line with targets.

Consolidated Net Sales

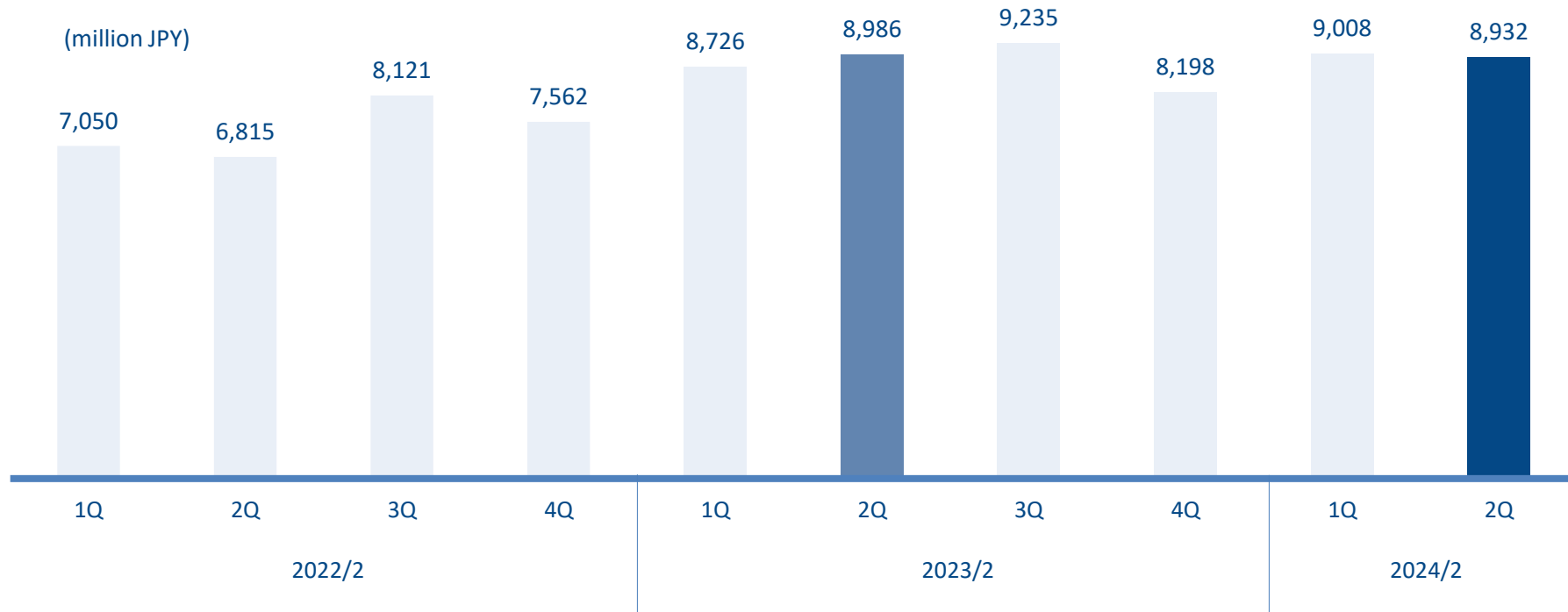
Consolidated net sales for 2Q FY2024 came in at **13,806** million JPY, **the highest ever for 2Q** (102.0% YoY).



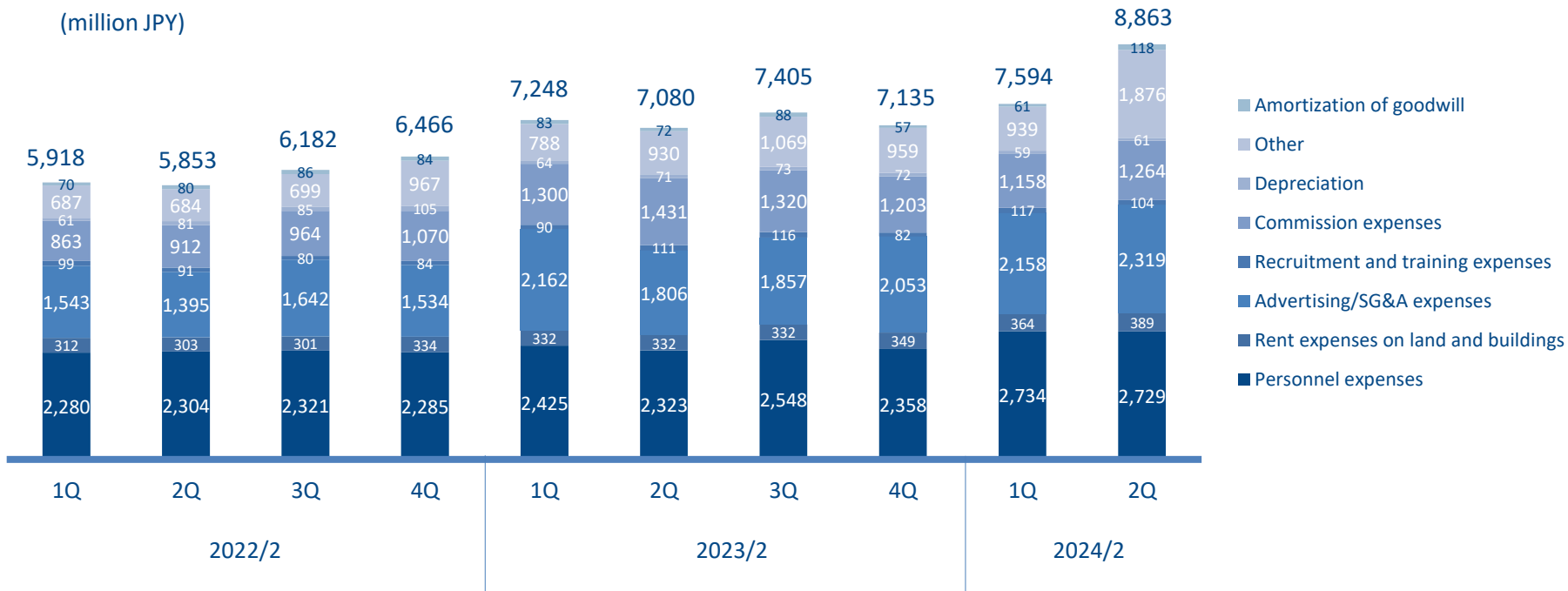
Note: The Accounting Standard for Revenue Recognition has been applied from FY2023.

Consolidated Gross Profit

Consolidated gross profit for 2Q FY2024 came in at **8,932** million JPY (99.4% YoY).

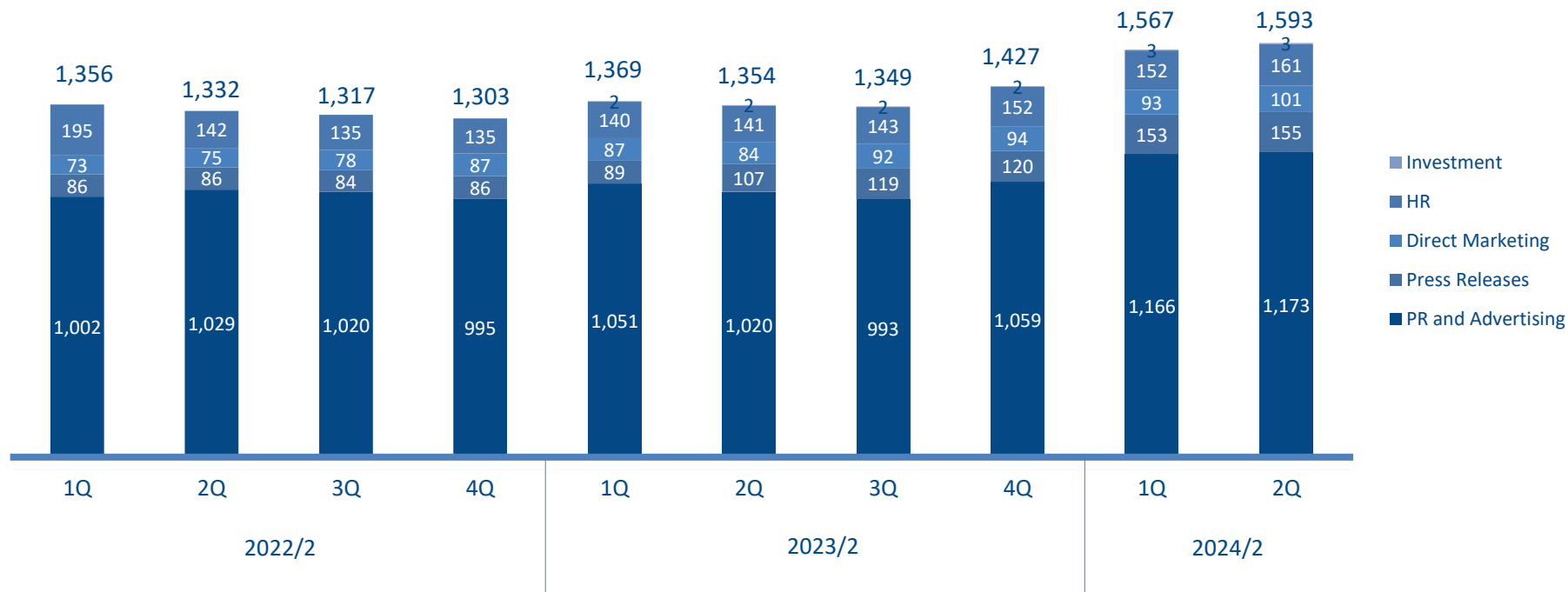


SG&A for 2Q FY2024 amounted to 8,863 million JPY (125.2% YoY) due to an increase in other expenses (allowance for doubtful accounts).



Consolidated Number of Employees (Quarterly Trend)

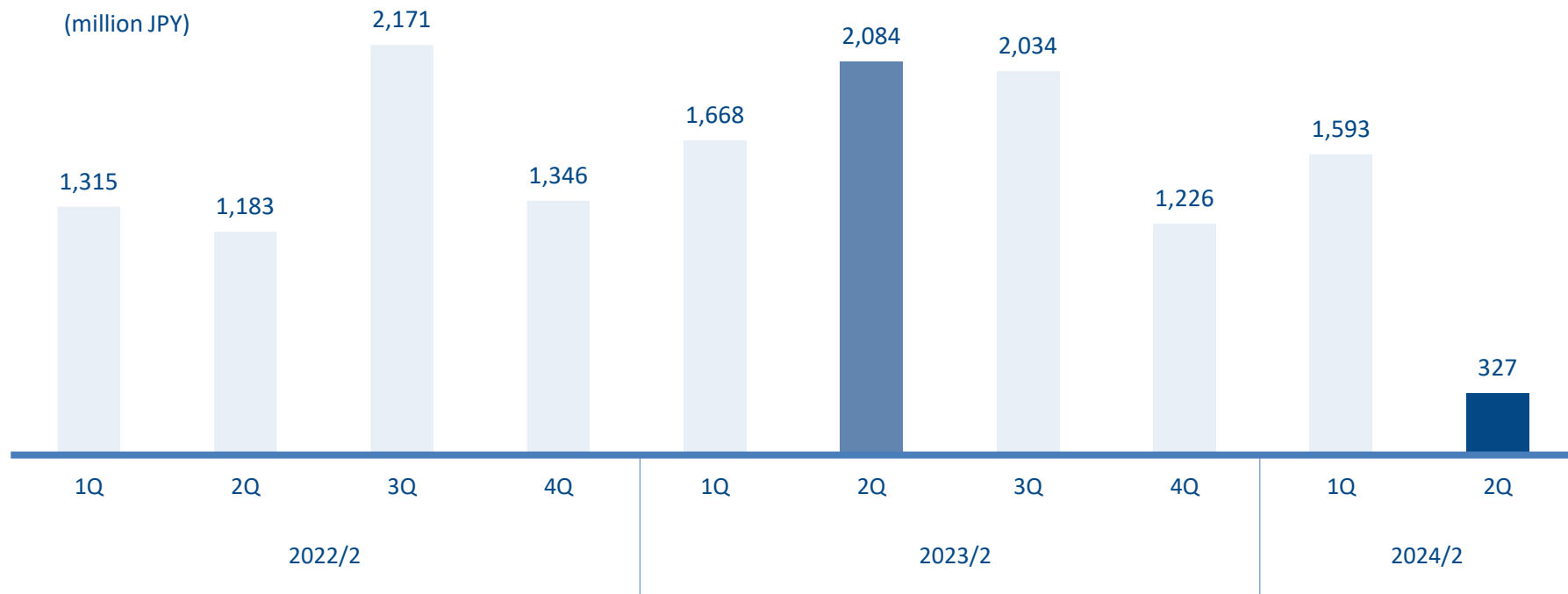
The consolidated number of employees as of the end of 2Q FY2024 increased in all segments to **1,593**.



Note: Due to segment changes, figures for FY2023 and earlier have been reclassified to figures after the segment changes

EBITDA*

EBITDA for 2Q FY2024 came in at 327 million JPY (15.7% YoY) due to a decrease in operating profit.

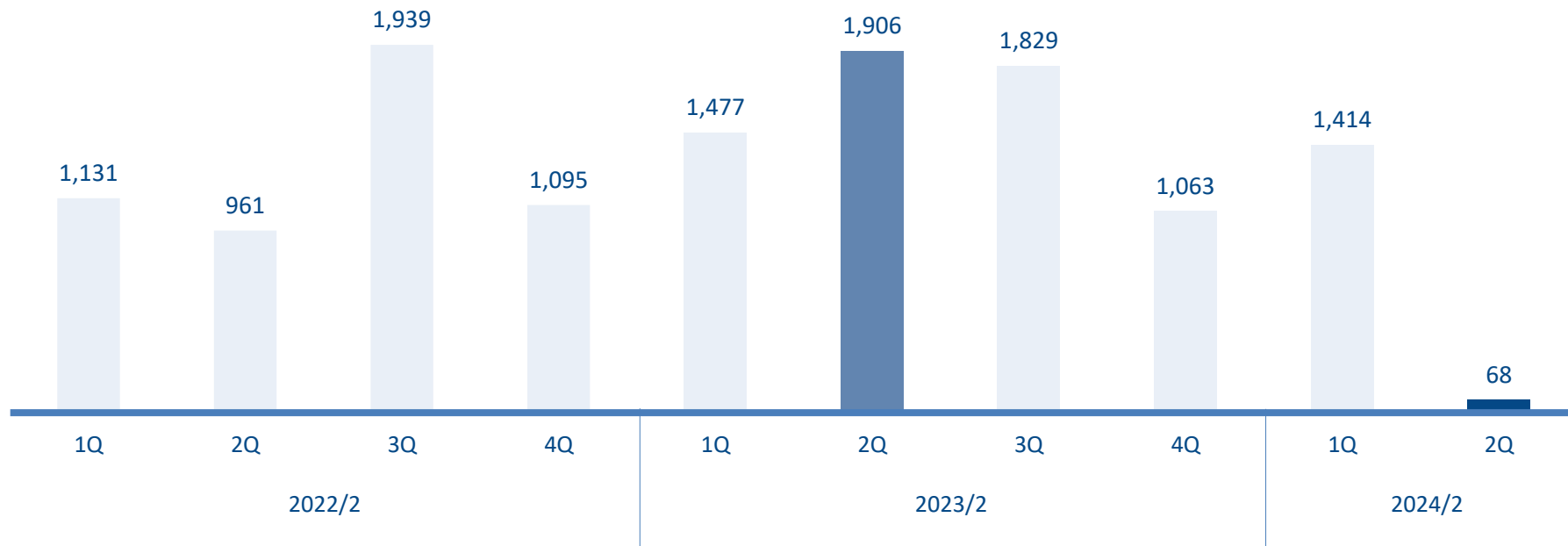


* EBITDA = Operating profit + Depreciation + Amortization of goodwill

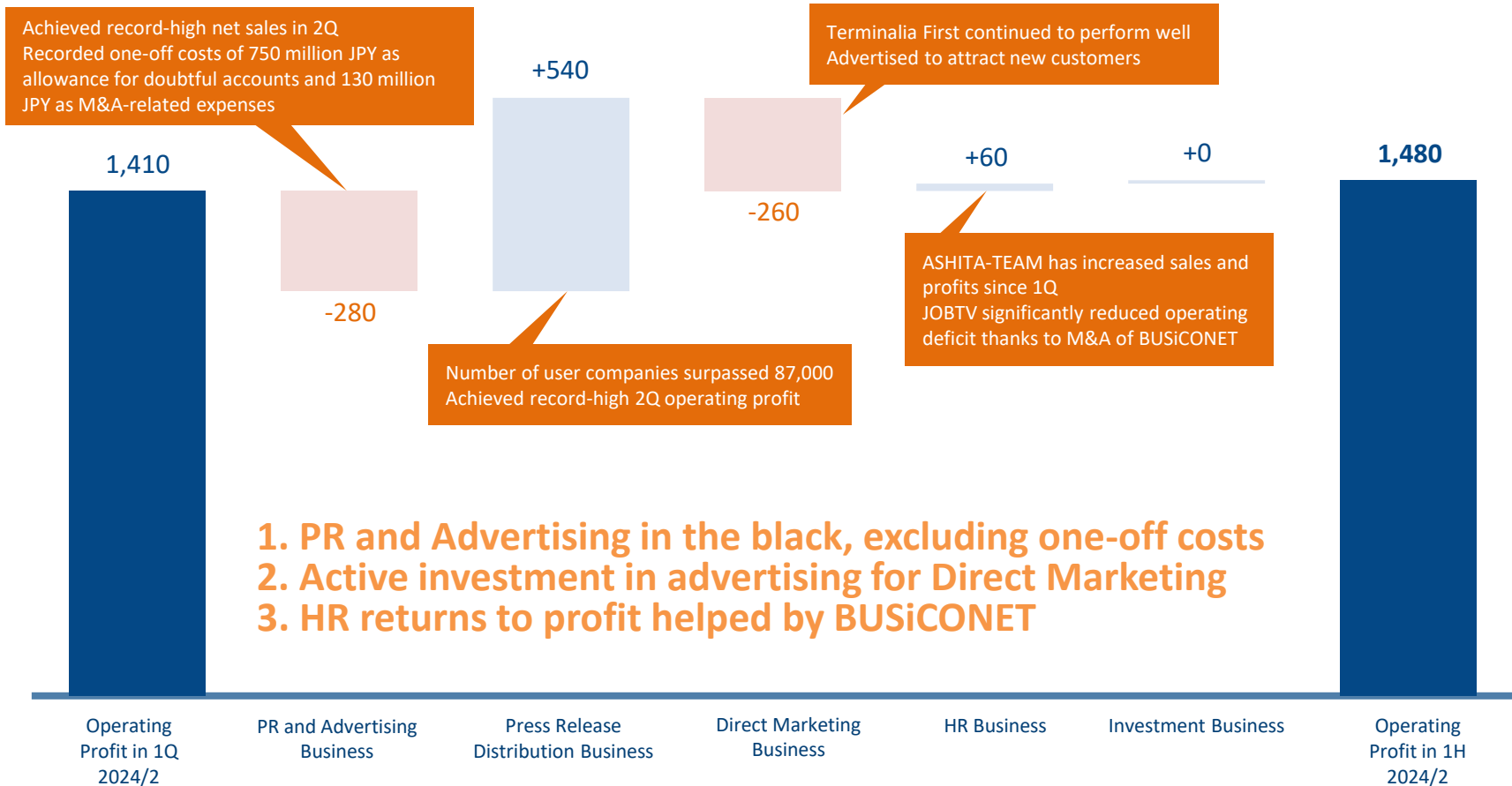
Consolidated Operating Profit

Consolidated operating profit for 2Q FY2024 came in at 68 million JPY (3.6% YoY), maintaining a surplus despite a large increase in SG&A expenses.

(million JPY)



Operating Profit (By Segment)



1. PR and Advertising in the black, excluding one-off costs
2. Active investment in advertising for Direct Marketing
3. HR returns to profit helped by BUSiCONET

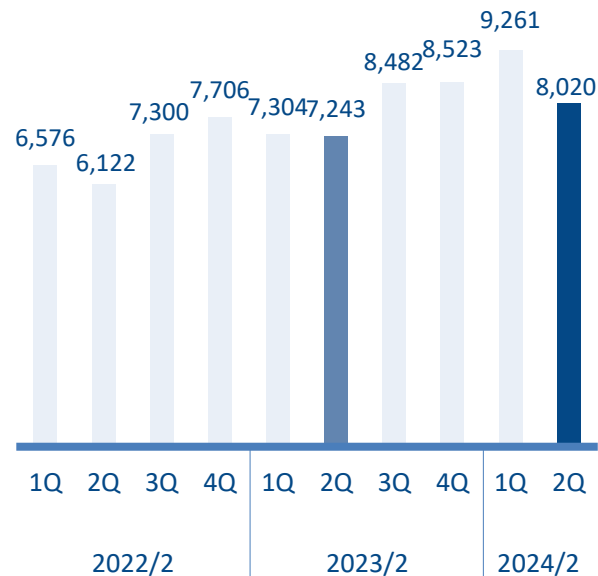
PR and Advertising Business

In 2Q FY2024, **net sales achieved record-high for 2Q**, but the segment was in the red due to one-off costs.

From 3Q, we will aim to increase sales per customer by providing one-stop support for the communication strategies of major companies, our main customers.

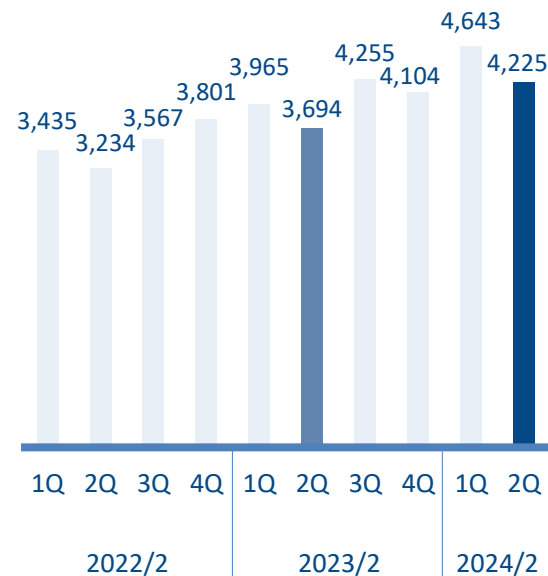
Net Sales (million JPY)

8,020 million JPY (110.7% YoY)



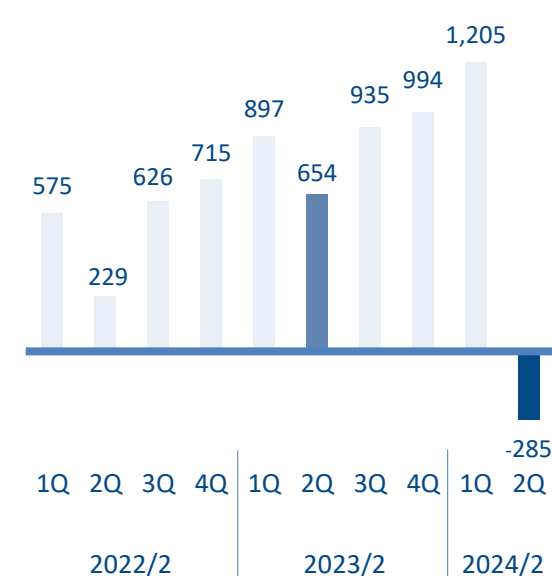
Gross Profit (million JPY)

4,225 million JPY (114.4% YoY)



Operating Loss (million JPY)

285 million JPY (Down 939 million JPY YoY)



Notes: 1. The Accounting Standard for Revenue Recognition has been applied from FY2023.

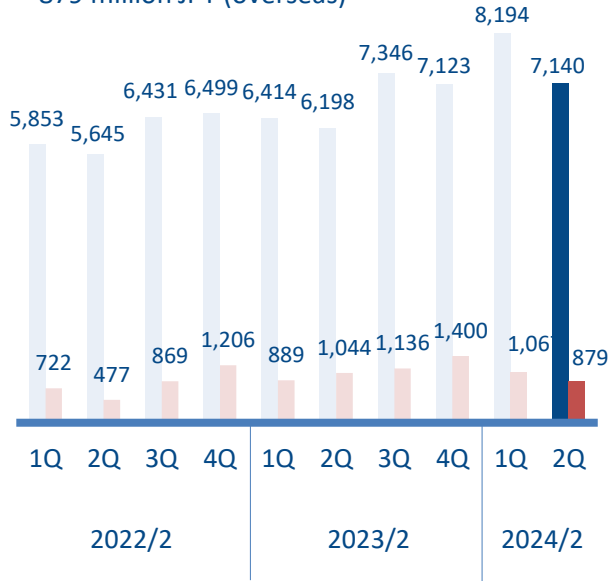
2. Due to segment changes, figures for FY2023 and earlier have been reclassified to figures after the segment changes

PR and Advertising Business (By Region: Japan/Overseas)

In 2Q, the domestic business was in the red due to one-off costs, and the overseas business was also in the red due to deteriorating performance in China and other countries. In 3Q, the deficit in the overseas business is forecast to continue, but it is expected to be offset by the performance of the PR business in Japan, which continues to perform well in terms of major companies.

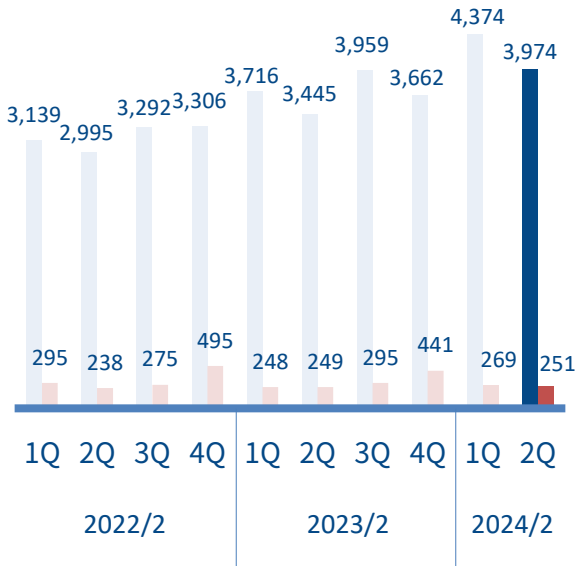
Net Sales (million JPY)

7,140 million JPY (Japan) /
879 million JPY (overseas)



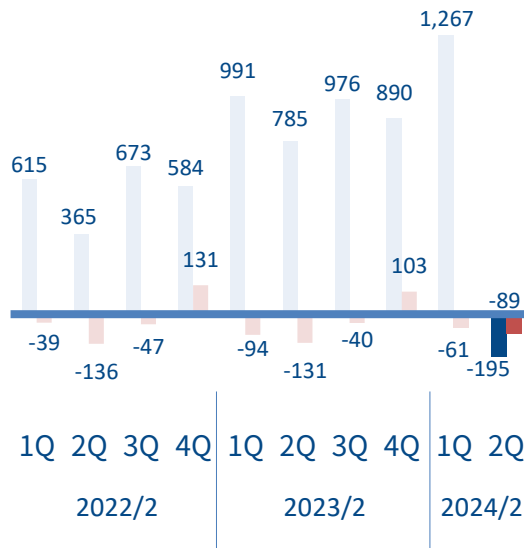
Gross Profit (million JPY)

3,974 million JPY (Japan) /
251 million JPY (overseas)



Operating Profit/Loss (million JPY)

-195 million JPY (Japan) /
-89 million JPY (overseas)

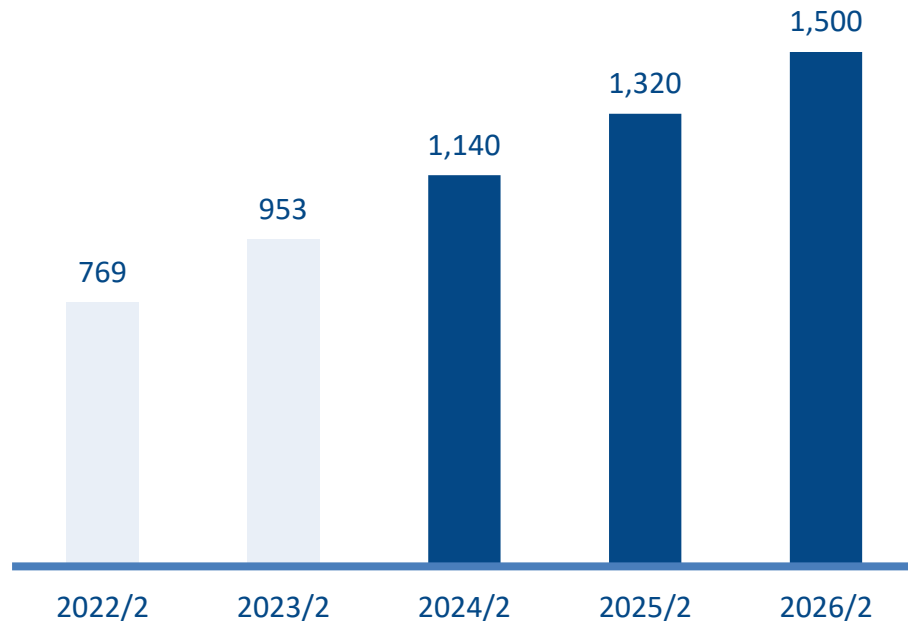


Retainer Agreement* Targets

Retainer agreements form a stable earnings base for the PR business, and we aim to have entered contracts with 1,500 companies by FY2026. We have set the target of reaching 1,140 retainer agreements in FY2024 and will work to strengthen customer engagement.



Number of retainer agreements (strategic PR subsidiaries only)



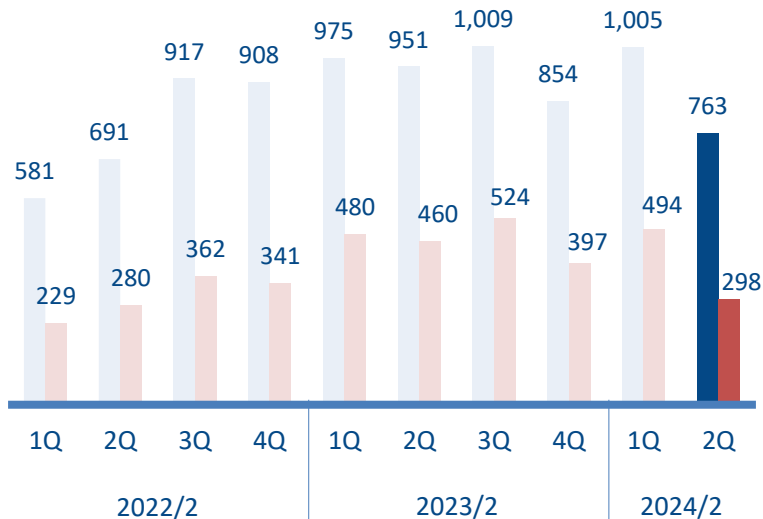
* Retainer agreement: An agreement with a term of three or more months with monthly fees.

Taxi Signage

In 2Q, revenue decreased year on year, owing to less appetite for ad placement because of stagnant funding for startups. From 3Q, we will strengthen our revenue base by boosting ad placements not only for startups but also for major companies.

Net Sales: 763 million JPY (80.2% YoY)

Gross Profit: 298 million JPY (64.7% YoY)



Note: The Accounting Standard for Revenue Recognition has been applied from FY2023.



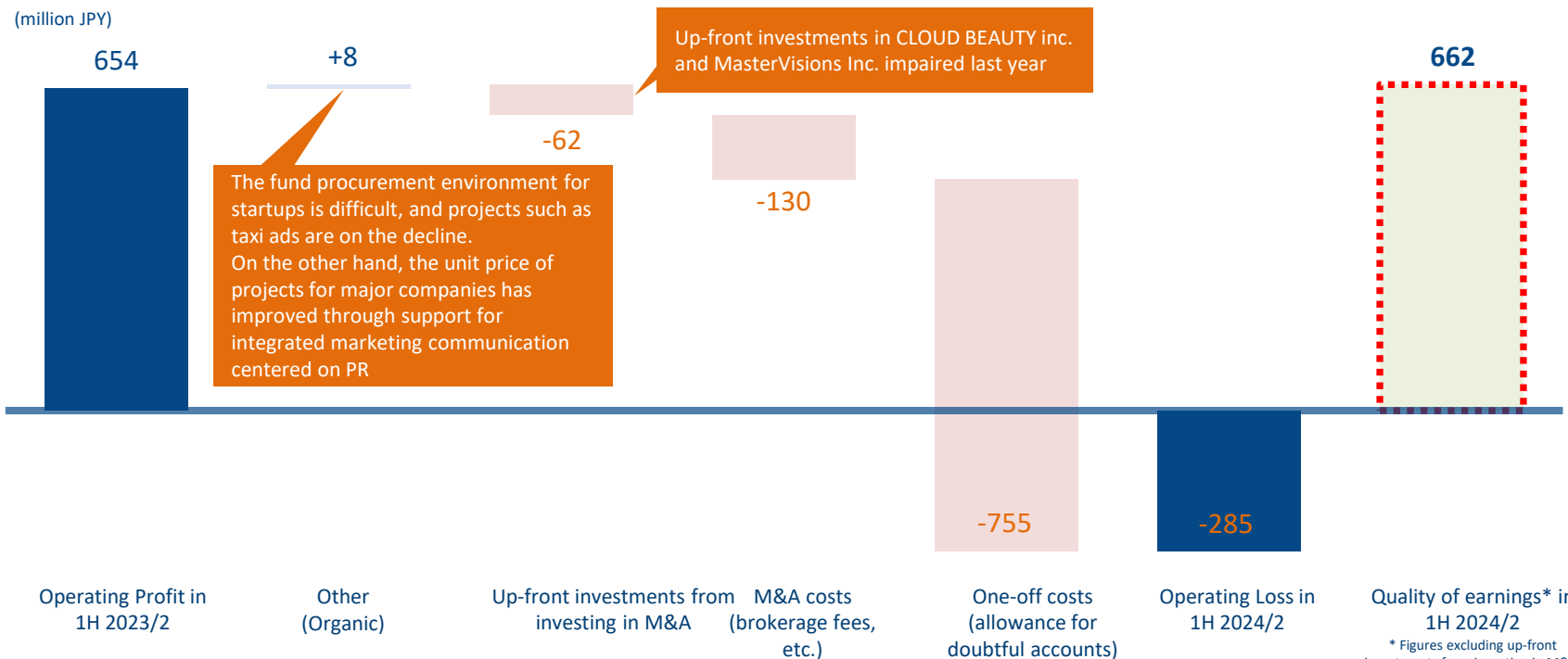
Digital signage has been installed for rear seat passengers in approx. 11,500 vehicles, the largest scale of taxi signage advertising in Tokyo.

In October 2022, we introduced a new screen for signage that is 156% larger than previous screens.

Roughly 40% of Tokyo's taxi users, who mainly consist of business people, have been covered, with video advertisements and media content reaching around 7.7 million people.

Quality of Earnings in 2Q

Quality of earnings, excluding up-front investments from investing in M&A, one-off costs, and M&A costs, **increased compared to the same period last year.**



* Figures excluding up-front investments from investing in M&A, one-off costs, and M&A costs from operating profit in 1H 2024/2

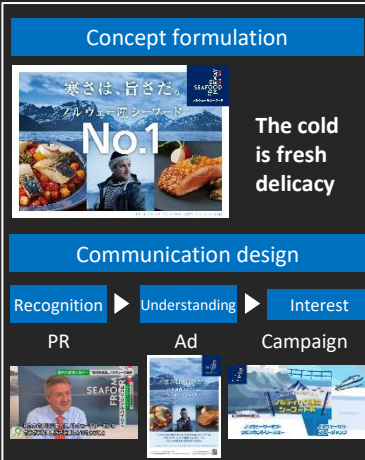
Communication Strategy That Leverages Group Synergies (Example 1)

We support integrated marketing communication for customers by leveraging Group synergies with strategic PR as the starting point. Demand for large projects in the 100 to 300 million JPY range is rapidly increasing, triggered by our ability to provide a one-stop service covering everything from strategy building to awareness raising and purchasing.

Example: Norwegian Embassy “Seafood from Norway”



Overall communication strategy



With the aim to increase recognition, value, and demand for Norwegian seafood in Japan, where little is known about countries of origin, we proposed and executed branding and consumer campaigns that would secure shelf space.

Measures implemented



Starting from concept development that captured target insights, we designed and executed a 360° digital x experience campaign that created touch points at every stage and channel of the customer journey, thereby making "Made in Norway" more memorable.

Communication Strategy That Leverages Group Synergies (Example 2)

Utilizing Group products centered on strategic PR, digital marketing, and influencer marketing, we achieved VECTOR's unique PR-driven integrated marketing communications.

Example: Opening of FENDER FLAGSHIP TOKYO

Overall communication strategy

Opening concept formulation

FENDER COUNT DOWN 50
2023.06.30 GRAND OPENING

Communication design

Interest ▶ Popularity ▶ Understanding

Social media PR Ad

Measures implemented

FENDER FLAGSHIP TOKYO
June 30, 2023: World-first flagship store

Countdown planning

Digital signage

Videos and social media

PR

Events

We were responsible for everything from formulating the campaign concept to implementing it for the world's first flagship store FENDER FLAGSHIP TOKYO, which opened in Harajuku in June 2023, with the aim of gaining awareness and encouraging people of all ages to visit.

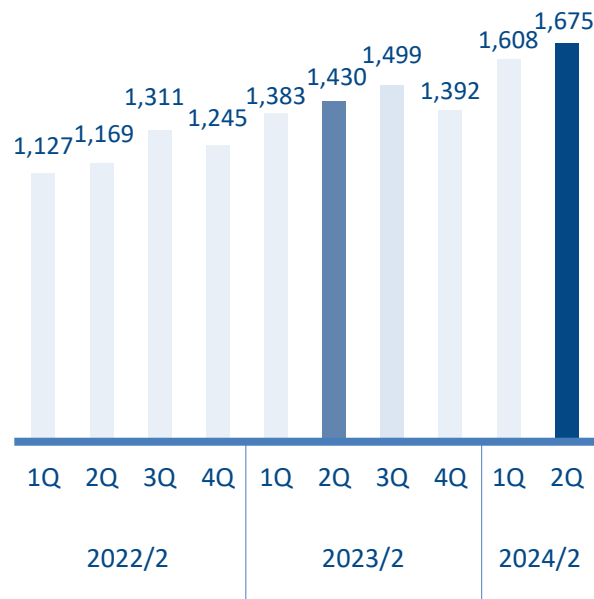
50 days before the opening, we started a countdown project with 50 artists from around the world, maximizing popularity by linking PR, social media, and videos in preparation for the opening. We succeeded in attracting visitors with an advertising equivalent of upwards of 1 billion JPY, total video views over 8 million, and waiting time of 10 hours.

Press Release Distribution Business

In 2Q FY2024, the number of user companies increased, with **net sales achieving a record-high and operating profit also at a record-high for 2Q**. From 3Q, we will aim for increased sales and profit for the full year despite investing toward a large-scale renewal of PR TIMES and the promotion of its use.

Net Sales (million JPY)

1,675 million JPY (117.1% YoY)



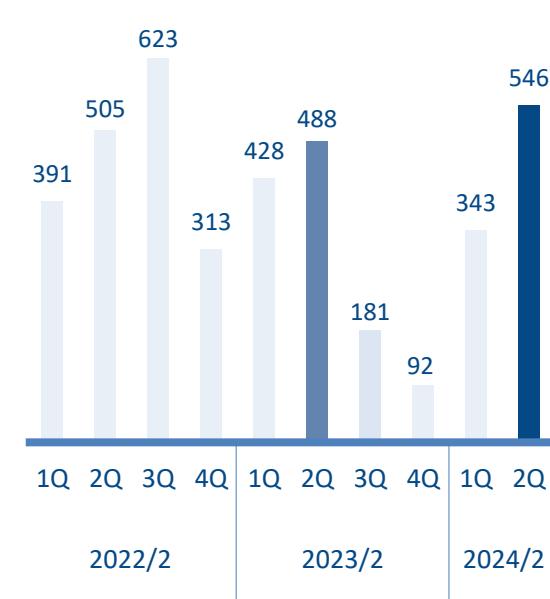
Gross Profit (million JPY)

1,450 million JPY (113.7% YoY)



Operating Profit (million JPY)

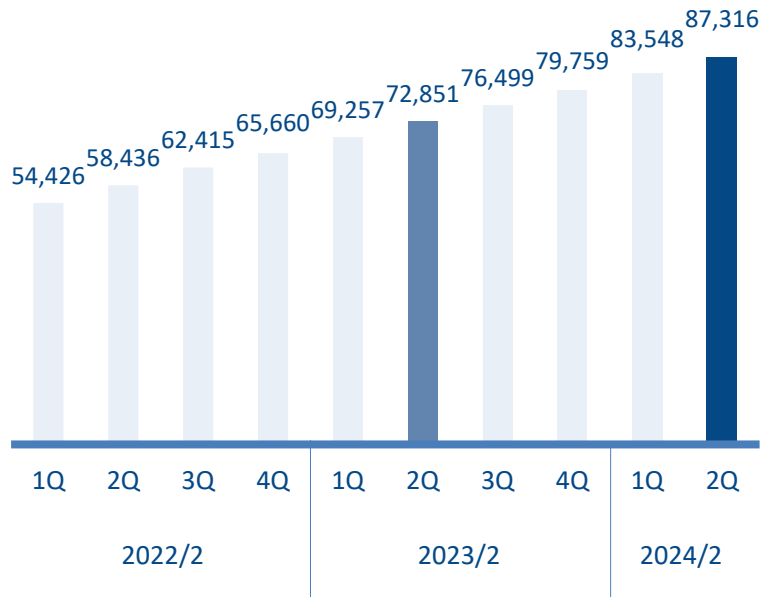
546 million JPY (112.0% YoY)



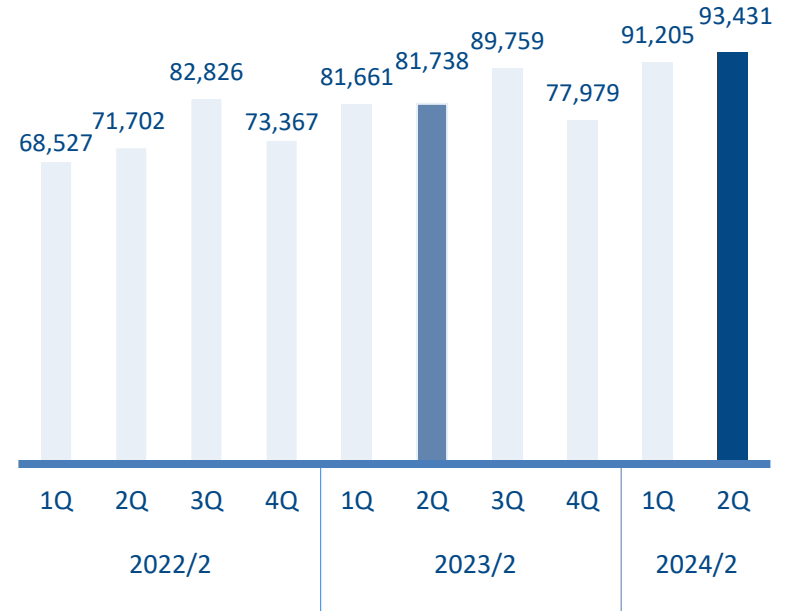
Number of User Companies and Press Release Distributions

In 2Q FY2024, the number of user companies and press release distributions increased significantly year on year. From 3Q, we will increase the number of distributions by continuing to improve the number of user companies and the usage frequency.

Number of user companies: 87,316 (119.9% YoY)



Number of press release distributions: 93,431 (114.3% YoY)



Trend in Number of User Companies and Percentage of Listed User Companies

Japan's No. 1 press release distribution platform PR TIMES

More than 87,000 user companies, used by 56% of listed companies

PR TIMES TSE Prime Market

PR TIMES プレスリリース・ニュース配信サービス PR TIMES PR TIMESの使い方 料金プラン ご登録 お問い合わせ

国内シェア **No.1** 上場企業の **56%** が利用

なぜPR TIMESが選ばれるのか?

PR TIMESは2007年にサービス開始し、わずか数年で最もプレスリリースが掲載されるサービスに成長しています。

いま、企業の広報やマーケティングを取り巻く環境は大きく変化し、ますます複雑化しています。マスメディアの影響力低下、デジタルメディアの進化、スマートフォンの普及、生活者による様々なSNSの活用拡大、情報発信力の競争的な向上など、このような劇的な環境変化の中、PR TIMESは、新たなマーケティングツールとして進化しています。

主なPRリシティ実績



事例

チーム後も新しい仕掛けで働きさせない。「面白い企画」を精々と実現し、商品のロングセラー化を狙う湖池屋

素敵な情報なのに世に出せない。埋もれていた情報を表に出し、従来比2~3倍のニュースを届けるパナソニック

ケースに応じさまざまな手法を工夫。興の高い情報発信で、スイーツの魅力を伝える銀座コーゼーコーナー

ブランドを「守る」より「広める」ことを重視。次代のファン創出を図る高級ブランド「アストンマーティン」

Aug. 29, 2018
Moved to 1st section, TSE

Published in more than 200 publications!



Number of user companies

87,000

Aug. 2023

79,000

Feb. 2023

65,000

Feb. 2022

50,000

Feb. 2021

28,000

Feb. 2019

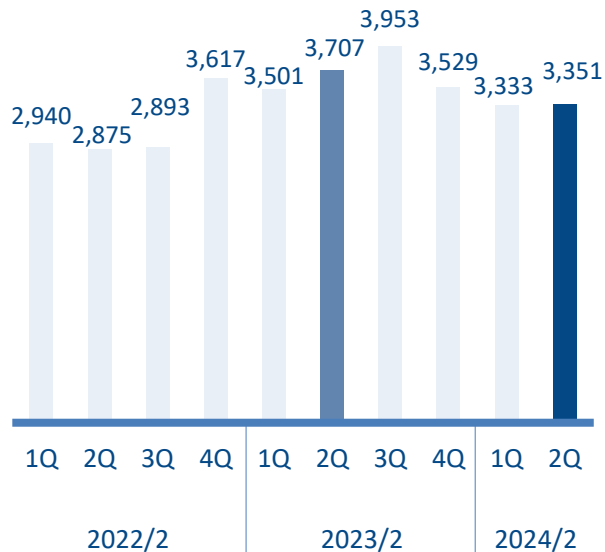
Direct Marketing Business

2Q FY2024 saw operating deficit due to aggressive investment in advertising to acquire new customers.

From 3Q, we expect to secure targeted operating profit while continuing to invest a certain amount in advertising with an eye toward the next fiscal year.

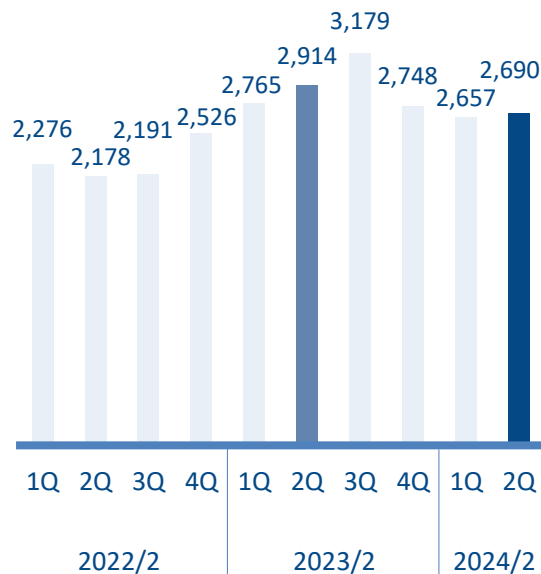
Net Sales (million JPY)

3,351 million JPY (90.4% YoY)



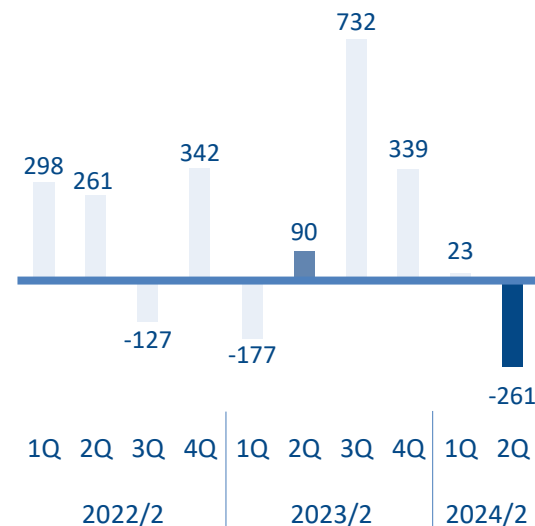
Gross Profit (million JPY)

2,690 million JPY (92.3% YoY)



Operating Loss (million JPY)

261 million JPY (Down 351 million JPY YoY)



Note: The Accounting Standard for Revenue Recognition has been applied from FY2023.

We launched the Vitabrid C series using worldwide patented technology, and it is continuing to grow steadily.

It is an accumulated earnings model provided via a subscription model, and the total number of products provided has **surpassed 14.69 million.**

Vitabrid C¹²



Terminalia First continued to perform well following its launch, with cumulative sales **exceeding 6.4 million units.**

Net sales
12,540 million JPY
Feb. 2023

10,210 million JPY
Feb. 2022

9,890 million JPY
Feb. 2021

8,360 Million JPY
Feb. 2020

6,310 million JPY
Feb. 2019



First in Japan! Japan Premium DHA & EPA + GABA, a functional supplement that addresses 8 health concerns, launched on September 21, 2023

New Products (Functional Supplements)

First in Japan!* Japan Premium DHA & EPA + GABA, a functional supplement that addresses 8 health concerns and Vitabrid Daily GABA, a supplement that brings positivity back into everyday life, were released on September 21, 2023.

Japan Premium DHA & EPA + GABA



Japan Premium DHA & EPA + GABA is Japan's first triple action supplement containing DHA, EPA and GABA that has been shown after six years of long research and development to benefit the eight body functions.

Vitabrid Daily GABA



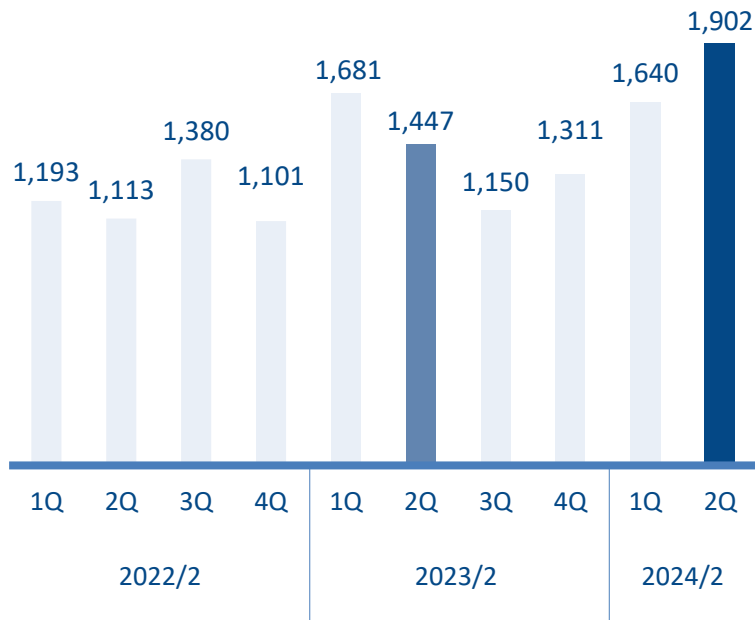
Vitabrid Daily GABA is a supplement that aids the problems we face in modern day living, such as bad sleep, stress, and constant fatigue, to make our everyday lives feel more positive and so much better.

* Japan's first and only functional supplement that addresses eight functions including neutral fat levels in blood, and sleep, etc. (Researched by TPC Marketing Research, May 2023)

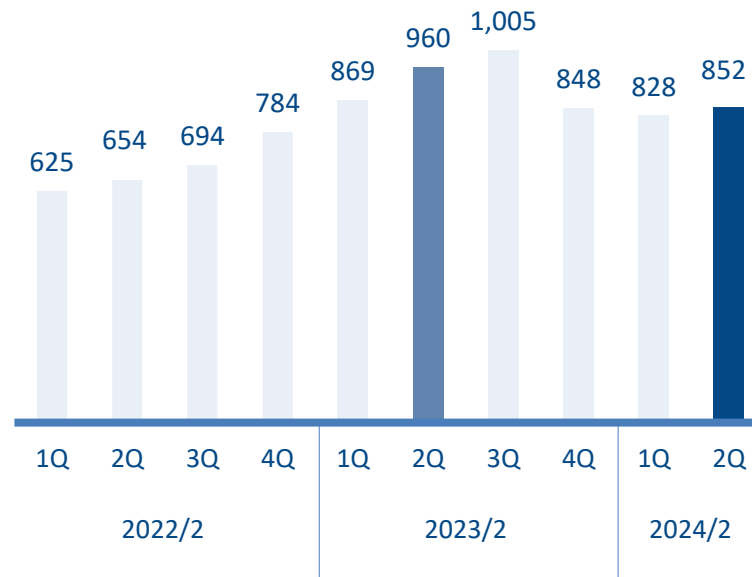
Advertising Expenses and Units Sold

Despite active investment in advertising in 2Q, the number of units sold only slightly increased due to limited advertising in 1Q. From 3Q, while investing a certain amount in advertising expenses, we plan to control advertising expenses in order to prioritize securing profits.

Advertising Expenses: 1,902 million JPY (131.4% YoY)



Number of Units Sold: 852 thousand (88.8% YoY)

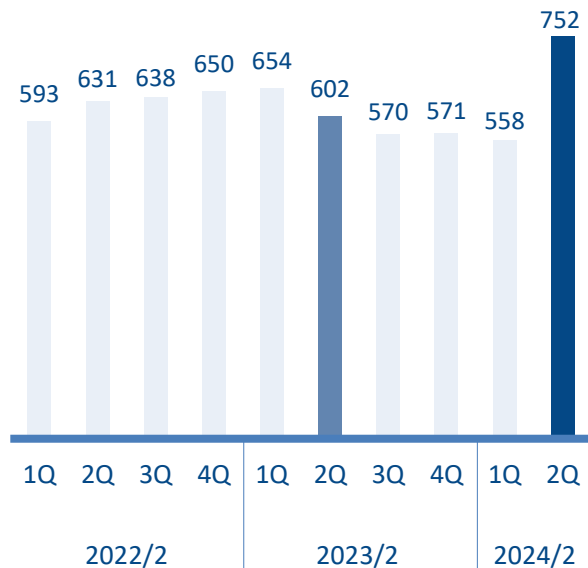


Note: Advertising expenses and units sold figures are for Vitabrid Japan only.

2Q FY2024 saw operating surplus thanks to BUSiCONET contributions and reduced JOBTV deficit.
 From 3Q, we will aim to strengthen the earnings base for both ASHITA-TEAM and JOBTV by increasing net sales.

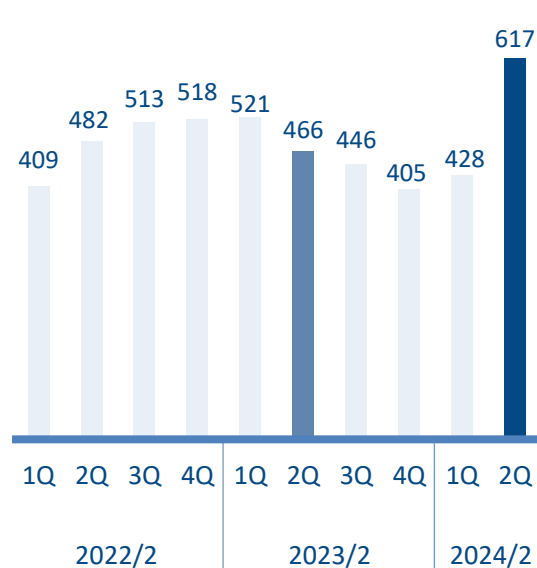
Net Sales (million JPY)

752 million JPY (125.0% YoY)



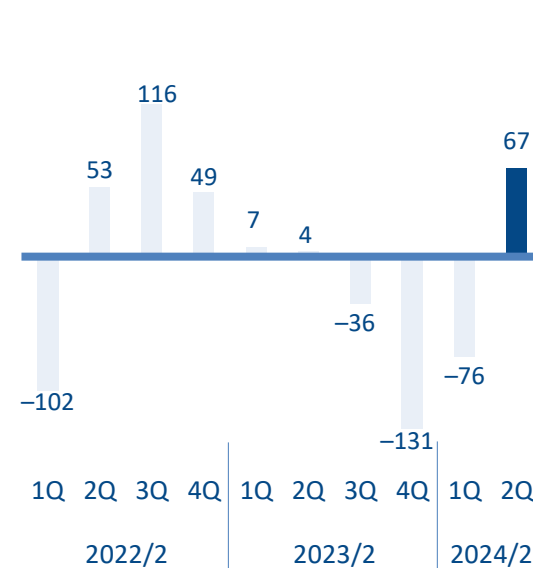
Gross Profit (million JPY)

617 million JPY (132.3% YoY)



Operating Profit (million JPY)

67 million JPY (Up 62 million JPY YoY)



Notes 1: The Accounting Standard for Revenue Recognition has been applied from FY2023.

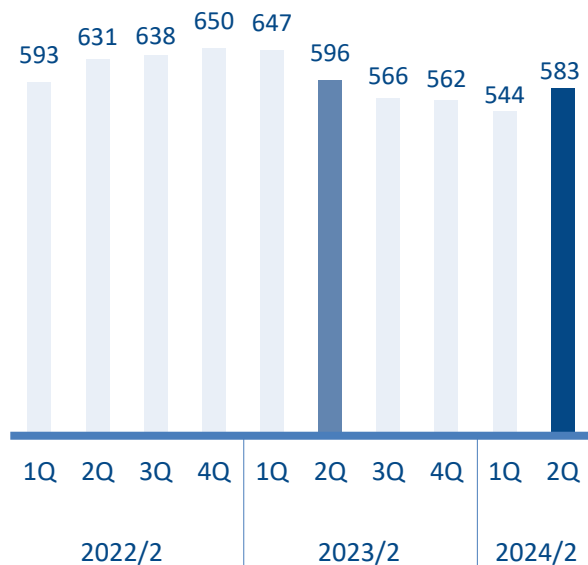
2: Due to segment changes, figures for FY2023 and earlier have been reclassified to figures after the segment changes

HR Business (ASHITA-TEAM)

In 2Q FY2024, a profit was secured despite revising sales strategies while making advertising investments and investments to strengthen functionality. From 3Q, we will strengthen the sales system for SaaS-type products and increase net sales as the effects of reviewing our sales strategies become apparent.

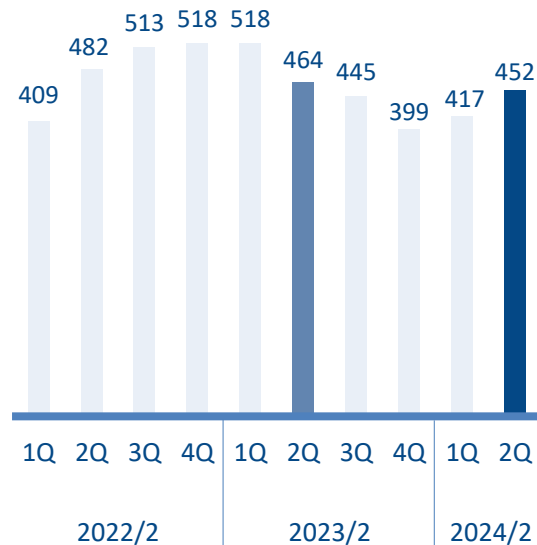
Net Sales (million JPY)

583 million JPY (97.9% YoY)



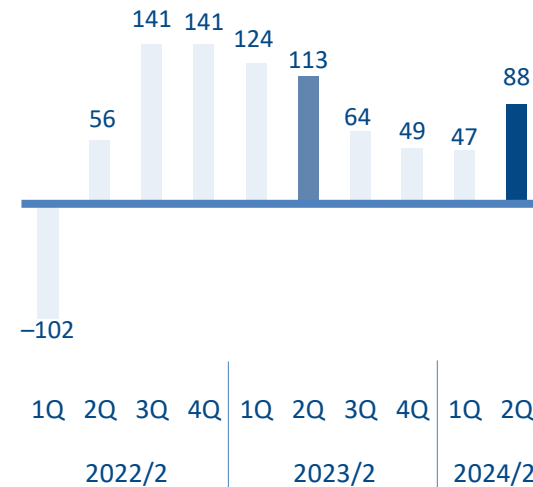
Gross Profit (million JPY)

452 million JPY (97.4% YoY)



Operating Profit (million JPY)

88 million JPY (78.3% YoY)

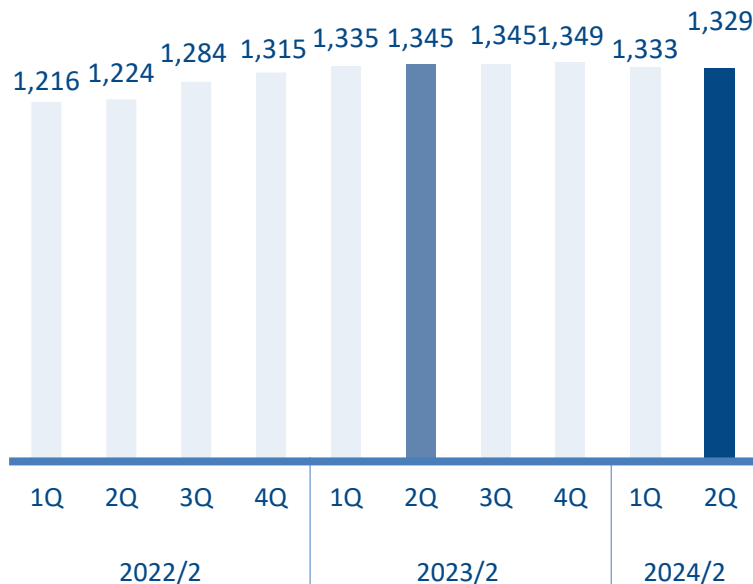


Note: The Accounting Standard for Revenue Recognition has been applied from FY2023.

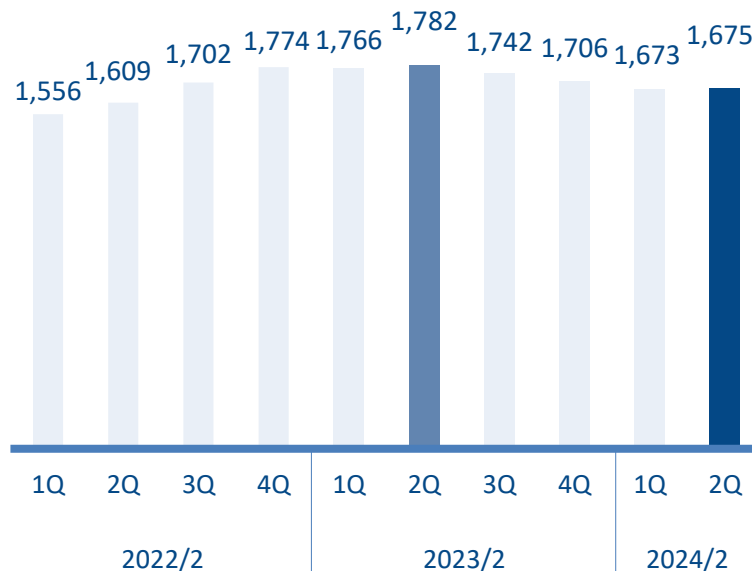
Number of User Companies*1 and ARR*2

In 2Q FY2024, ARR increased due to a recovery trend in new customer acquisition despite a slight decrease in the number of user companies, and an increase in the average sales per customer. From 3Q, both the number of user companies and ARR are expected to increase as the effects of reviewing sales strategies become apparent.

Number of user companies: 1,329 (98.8% YoY)



ARR: 1,675 million JPY (94.0% YoY)



*1 Number of user companies refers to companies using cloud or operating consulting services on a monthly subscription basis.

*2 ARR is the amount calculated by multiplying the monthly recurring revenue (MRR) from cloud and operating consulting services at the end of the quarter by 12.

ASHITA-TEAM Outlook

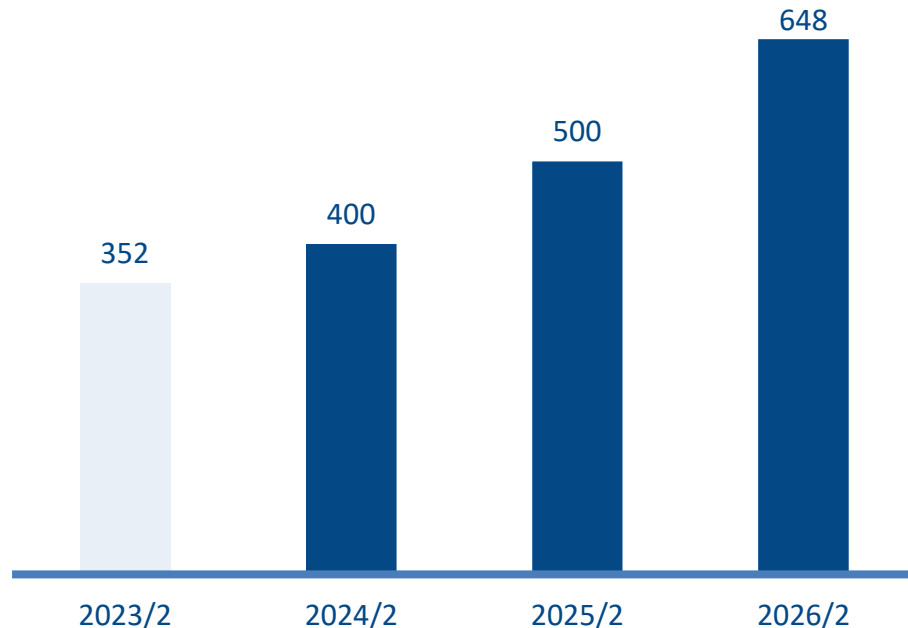
Through strengthening sales of SaaS-based products and increasing retention by improving customer satisfaction, we have expanded the subscription ratio and created a stable earnings foundation. Operating profit in FY2026 is projected to climb to 648 million JPY on the back of stable profits achieved by building up subscription earnings.

Personnel evaluation cloud “Ashita Cloud”



Build up subscription earnings by strengthening sales of SaaS-based products

Operating Profit (million JPY)

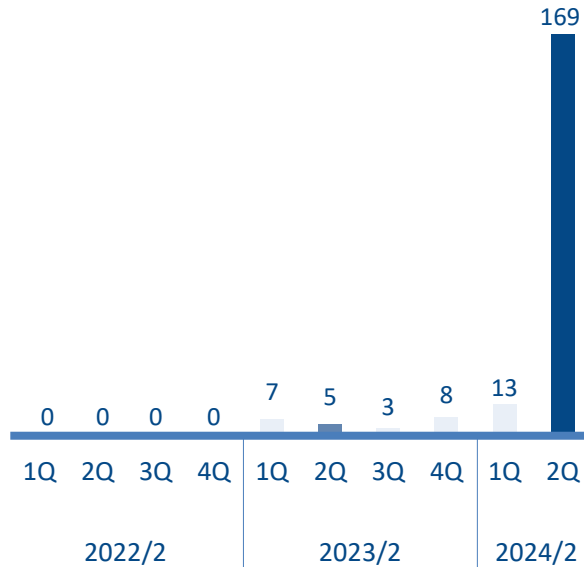


HR Business (JOBTV)

In 2Q FY2024, despite up-front investment, net sales increased and the deficit narrowed thanks to contribution from M&A of BUSICONET. From 3Q, we will aim to increase net sales while making a certain amount of up-front investment to strengthen new graduate support and job change support businesses.

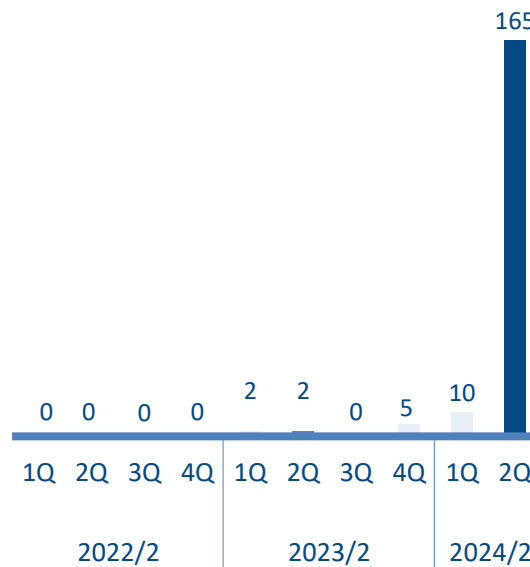
Net Sales (million JPY)

169 million JPY (Up 163 million JPY YoY)



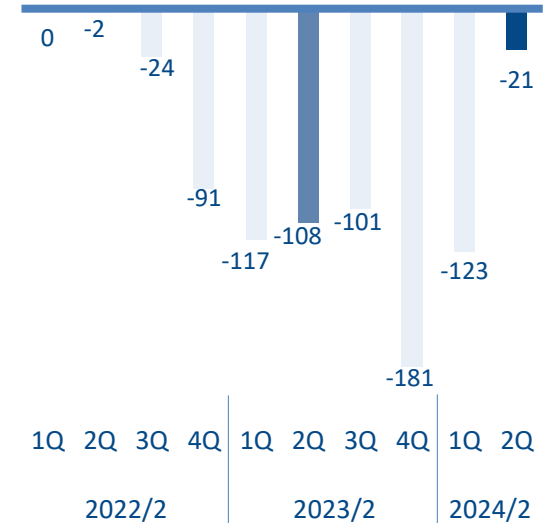
Gross Profit (million JPY)

165 million JPY (Up 162 million JPY YoY)



Operating Loss (million JPY)

21 million JPY (Up 87 million JPY YoY)



JOBTV is a service that solves issues of both job-seekers and companies.
Speedy matching is achieved by leveraging video in the initial recruitment processes.

Recruitment matching platform JOBTV



JOBTV is a recruitment matching platform where users can view unlimited company information videos.

JOBTV Benefits

Over 1,000 registered companies



Job seekers

- 1 Netflix-like search option makes browsing job post videos a breeze!
- 2 Show off your best to employers easier with a self-introduction video!
- 3 Learn more about companies through videos without needing to go to information sessions!

Over 150,000 registered university students



Client company


- 1 Highlight why candidates should join your company with a video introducing your firm and the positions you are hiring for!
- 2 Quick and easy applicant screening through video!
- 3 Reach out to job-seekers directly with scout mails!



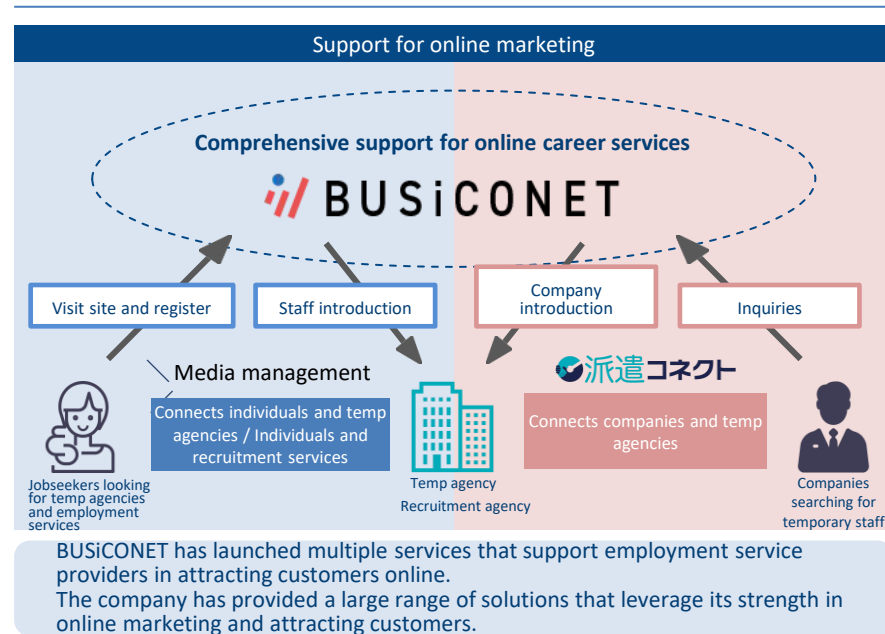
Synergies Created through the Acquisition of BUSiCONET

BUSiCONET Inc., a company that provides comprehensive support for online career services, became a consolidated subsidiary on June 28, 2023. VECTOR will aim to increase revenue by leveraging BUSiCONET's media operations expertise and by referring the jobseekers acquired via its web media to JOBTV.

Overview of acquisition of shares

Company name	 BUSiCONET Inc.
Business	Operation of online employment media Support for online marketing
Acquisition cost	1,790 million JPY
Share acquisition date	June 28, 2023

Business



We aim to expand JOBTV in the recruitment market based on the four core businesses of new graduate support, job change support, media, and temporary staffing. We plan to strengthen the brand of our human resources support business while building a firm earnings base through our new graduate support and media operations.

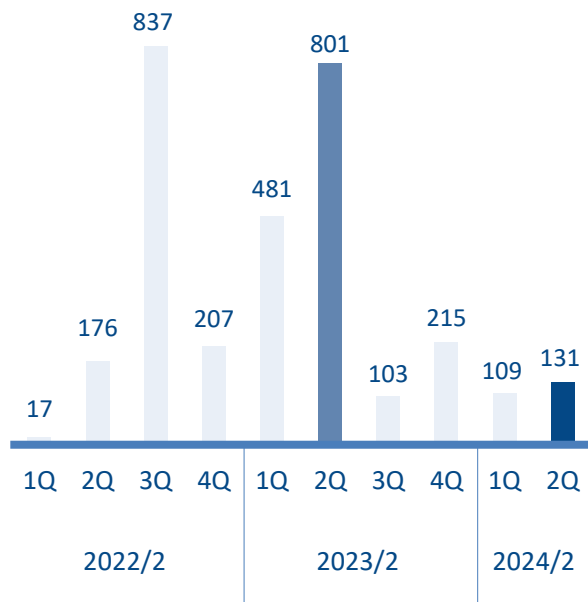


Investment Business

In 2Q FY2024, despite posting a certain amount of valuation loss, operating profit was secured with the partial sale of shares held. From 3Q, although a certain amount of valuation loss is expected, we anticipate that the operating profit targeted for the full year will also be secured through the sale of shares held.

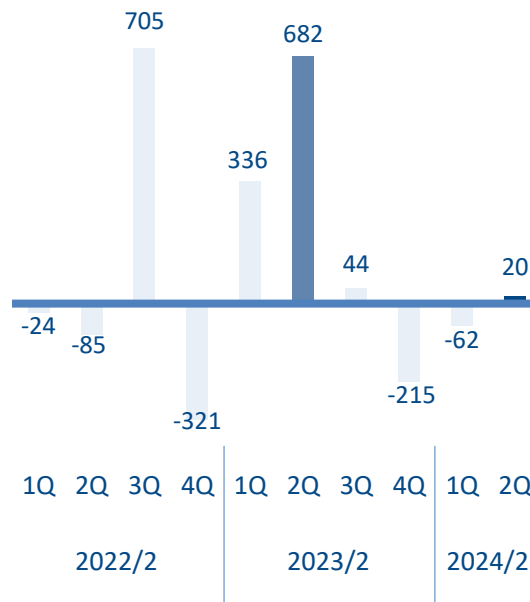
Net Sales (million JPY)

131 million JPY (16.4% YoY)



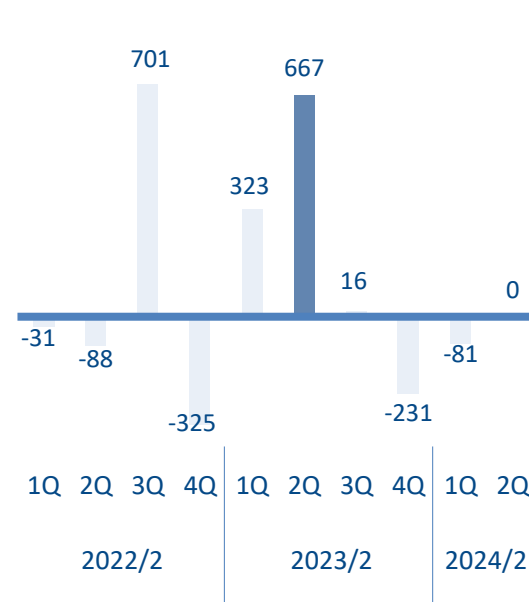
Gross Profit (million JPY)

20 million JPY (3.0% YoY)



Operating Profit (million JPY)

0 million JPY (0.1% YoY)



Most Recent IPOs Invested In

Supporting corporate growth through capital and PR/IR (total of 30 IPOs).

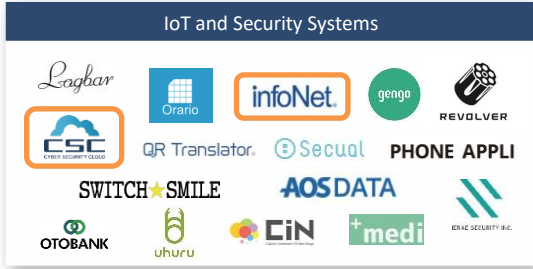
Newly listed W TOKYO INC. and SYLA Technologies Co., Ltd., bringing the number of recent IPOs to two companies.

Date of listing	Company name	Market
June 29, 2023	 W TOKYO INC.	TSE Growth Market
March 31, 2023	 SYLA Technologies Co., Ltd.	NASDAQ


Solid Track Record of Investment in Growth Fields

 = IPO complete

IoT and Security Systems



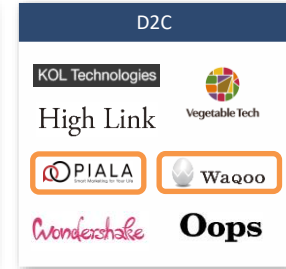
AI and Big Data



Marketing and Sales



D2C



Restaurants, Retail, Beauty, Services and Healthcare



Fintech and Real Estate Technology



Human Resources, Education-Related



Sharing Economy



DX



Other toB Services



Other toC Services



Consolidated Statement of Profit and Loss

(million JPY)	FY '23 1H	FY '24 1H	Difference	YoY Change
Net sales	26,672	28,565	+1,893	107.1%
Gross Profit	17,712	17,940	+228	101.3%
EBITDA	3,752	1,921	-1,831	51.2%
Operating Profit	3,383	1,483	-1,900	43.8%
Ordinary Income	3,507	1,697	-1,810	48.4%
Profit before Income Taxes	3,423	1,698	-1,724	49.6%
Profit Attributable to Owners of Parent	1,918	823	-1,094	42.9%

Consolidated Balance Sheet

(million JPY)	FY '23 Year End	FY '24 2Q End	Difference	YoY Change
Total assets	36,343	44,490	+8,146	122.4%
Cash and deposits	13,372	15,,638	+2,265	116.9%
Goodwill	1,780	3,903	+2,122	219.2%
Operational investment securities + investment securities	5,495	8,067	+2,571	146.8%
Other	15,694	16,881	+1,186	107.6%
Total liabilities	20,584	26,351	+5,767	128.0%
Borrowings + bonds	9,756	14,867	+5,110	152.4%
Other	10,827	11,483	+656	106.1%
Net assets	15,759	18,138	+2,378	115.1%

Consolidated Statement of Cash Flows

(million JPY)	FY '23 1H	FY '24 1H	YoY Change	Main Reasons for YoY Change
Cash and cash equivalents at beginning of period	13,522	13,372		
Cash flows from operating activities	1,316	1,150	-166	Although profit before income taxes decreased, cash remained almost unchanged
Cash flows from investing activities	(153)	(2,600)	-2,446	Increased purchase of shares of subsidiaries through proactive M&A
Cash flows from financing activities	(2,549)	3,671	+6,221	Fund procurement to engage in proactive M&A and investment
Cash and cash equivalents at end of period	12,249	15,638		

Medium-term Profit Plan

Medium-term Profit Plan

Medium-term Profit Plan (million JPY)	FY '23 (Results)	FY '24 (Targets)	FY '25 (Targets)	FY '26 (Targets)
EBITDA	7,013	7,920	9,160	10,660
Operating Profit	6,276	7,260	8,500	10,000

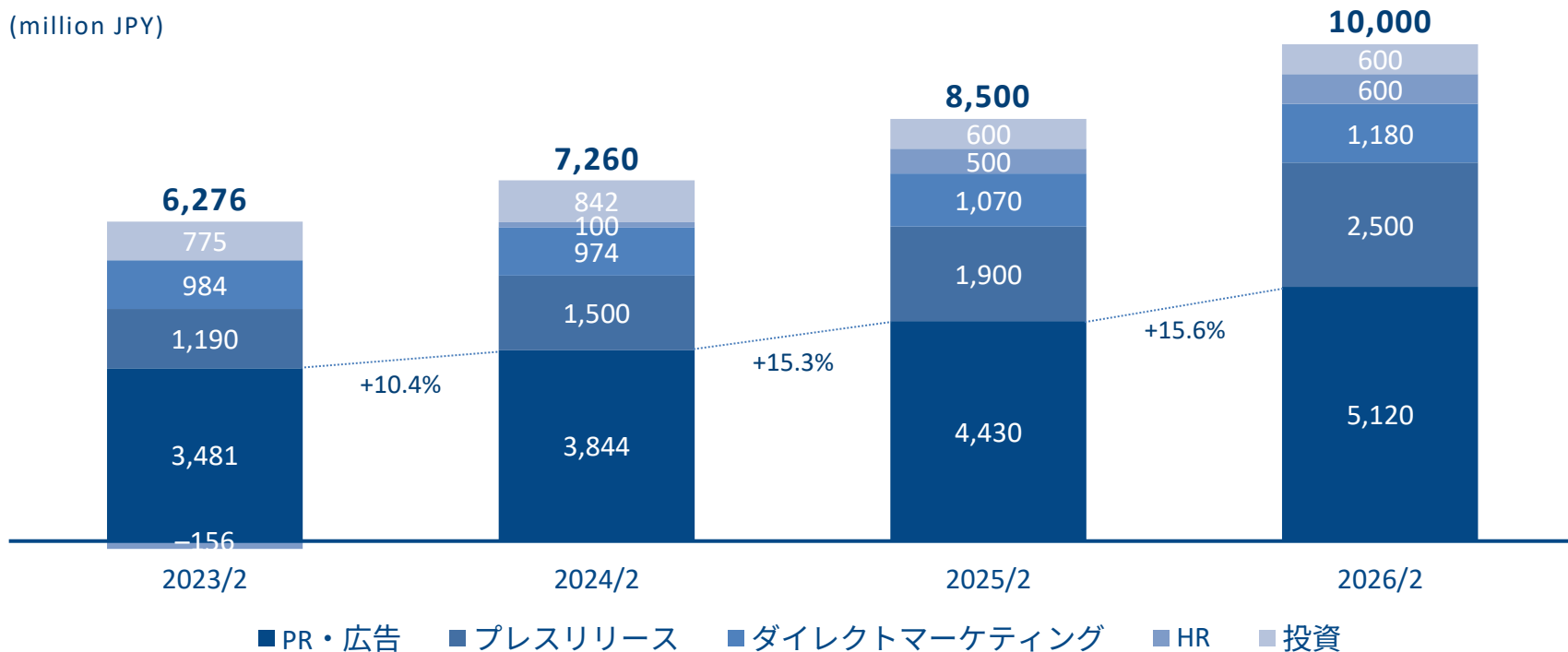
- **For FY2026, we expect EBITDA of 10,660 million JPY and operating profit of 10,000 million JPY.**
- We will target a return on equity (ROE) of **at least 25%**, aiming for continuous improvement.
- VECTOR's dividend policy is to ensure a **consolidated payout ratio** for shareholders aimed at **30%**.
- We will update the medium-term profit plan as necessary in accordance with market conditions and business performance.

* EBITDA = Operating profit + Depreciation + Amortization of goodwill

Medium-term Profit Plan Progress by Segment

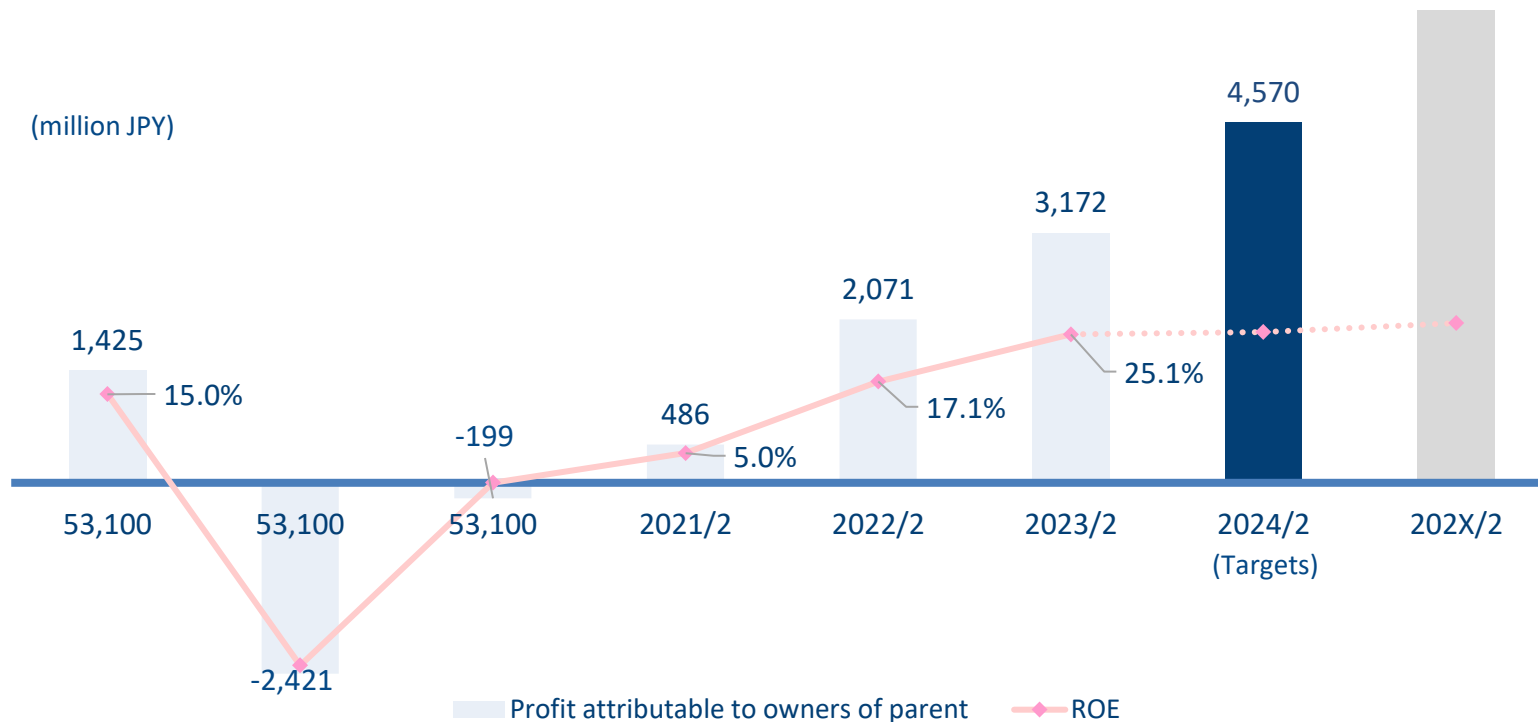
As our mainstay PR and Advertising business is driving performance, we will aim for operating profit of 10,000 million JPY in FY2026.

(million JPY)



ROE and Profit Attributable to Owners of Parent

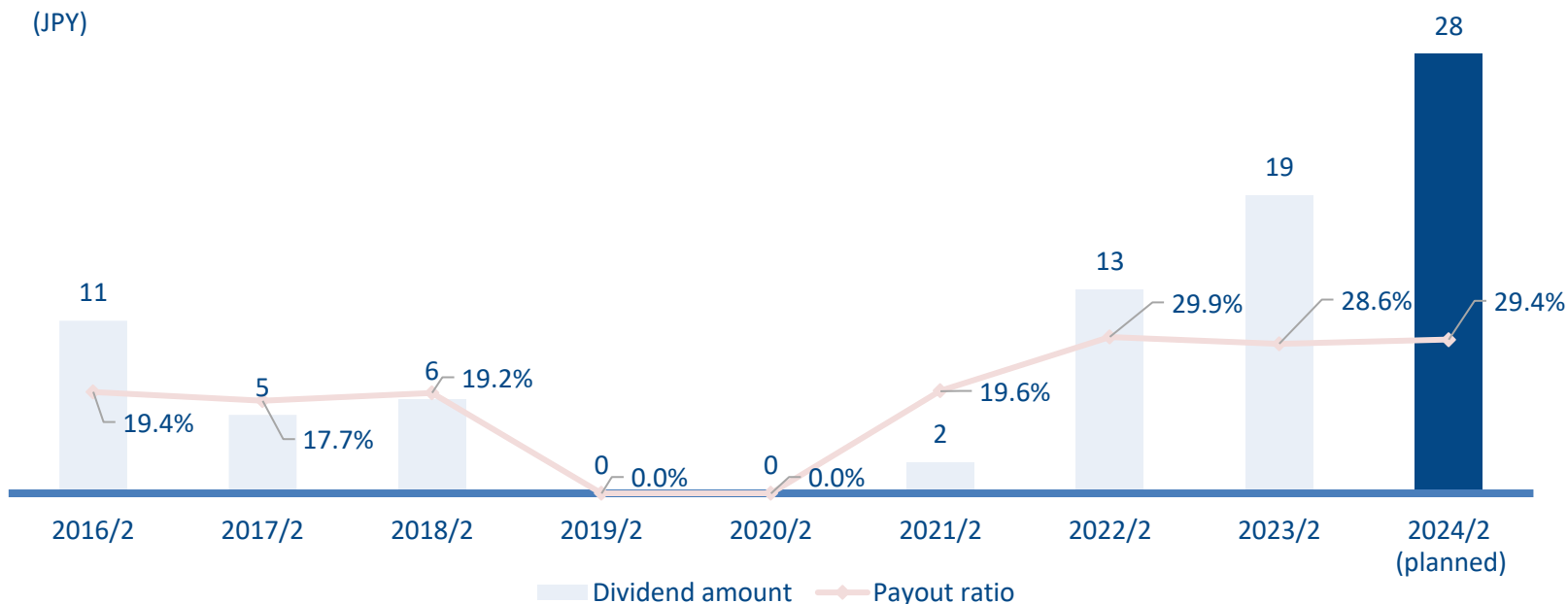
Target for the management indicator of ROE will be **at least 25%** with a policy of continuous improvement.



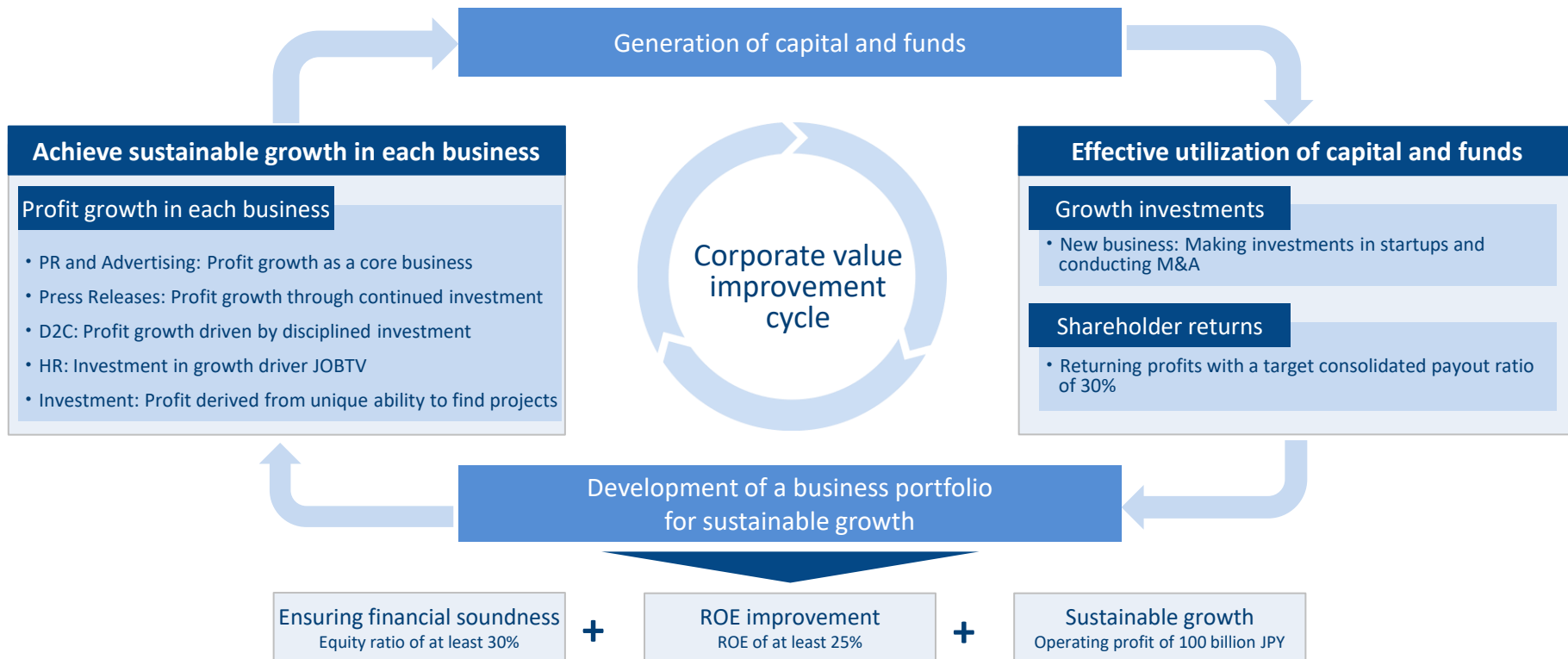
Shareholder Return Measures (Dividends)

VECTOR's policy is to continue paying dividends, with a target **consolidated dividend payout ratio of 30%**, taking into consideration cash flow, financial status, and other factors.

For FY2024, we plan to pay a **dividend of 28 JPY per share** due to the **upward revision of profit attributable to owners of parent**.

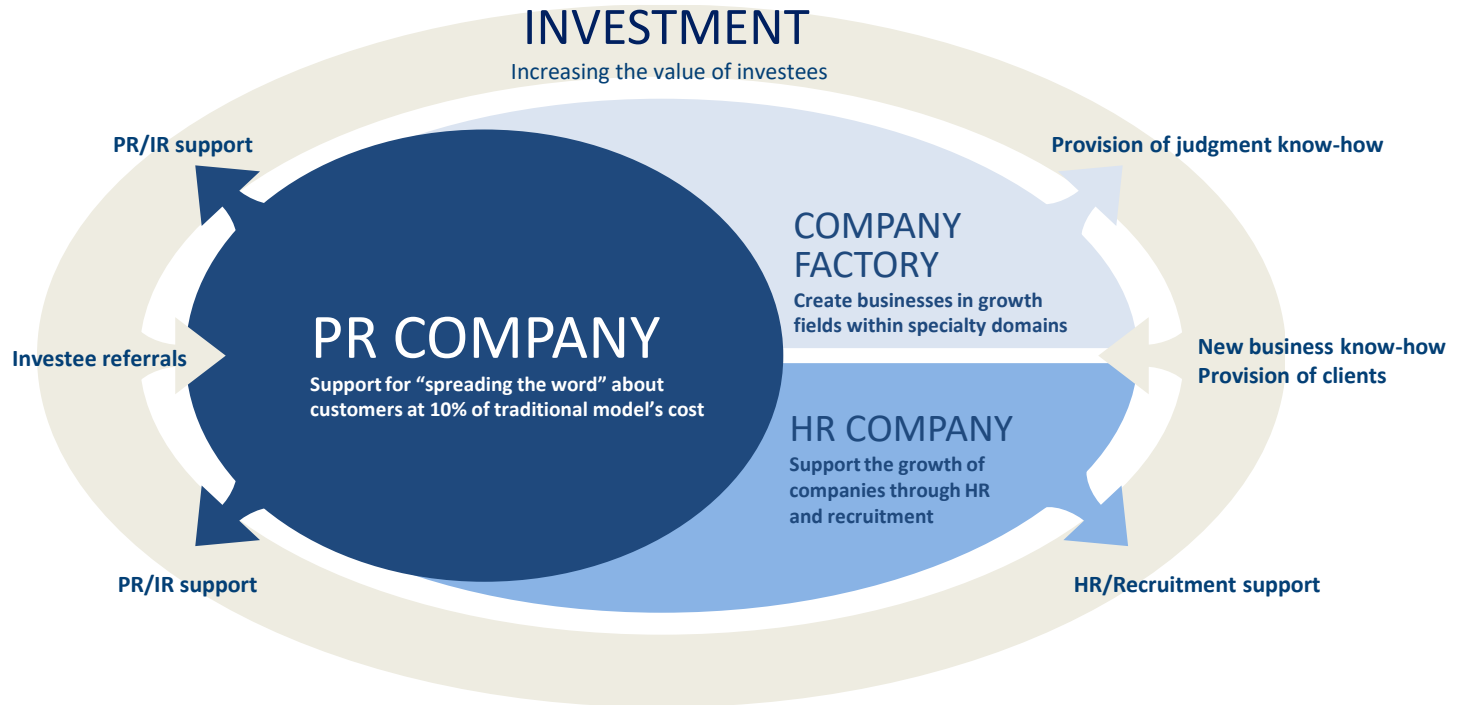


Cash provided by operating activities will be allocated to investments for growth and shareholder returns.























VECTOR Group Business Concept

Aim for continuous Group expansion by supporting the growth of client companies in the four business domains of PR COMPANY, which seeks to help client companies spread the word, HR COMPANY, which seeks to support businesses through HR and recruitment, COMPANY FACTORY, which seeks to create new businesses, and INVESTMENT, which seeks to grow our investment business.



Businesses Comprising VECTOR Group

PR COMPANY	COMPANY FACTORY	HR COMPANY	INVESTMENT
PR/Press Releases/Digital Marketing	D2C	Personnel Evaluation	Investment
 <p>FAST COMPANY provides one-stop, comprehensive support for marketing strategies designed to deliver the excellent products, services and solutions of our customers to the world.</p>	 <p>We handle everything in-house, from product planning and production to advertising, marketing, and purchasing in a D2C business having direct contact with customers.</p>	 <p>Our HR business primarily provides consulting and personnel evaluation cloud solutions to support the introduction and operation of personnel evaluation systems.</p>	 <p>In our startup investing activities, we provide investees with support for increasing value along with PR and IR.</p>
       	<p>New Business</p>  <p>We grow service domains taking advantage of the business knowhow we have cultivated and start new businesses that leverage Group synergies and partner strengths.</p>   	<p>Recruitment Support</p>  <p>We provide a service that enables job seekers and companies to utilize video in the initial recruitment processes, solving issues that both parties face and achieving speedy matching.</p> 	 

Appendix (Company Strategy)

No. 1 in Asia and No. 7 in the world in the global PR company rankings.
 Moving up from No. 14 in the world to No. 7,
 becoming one of the world's leading companies.

2023	2022	Agency	HQ	Fee Income 2022 (\$)	Fee Income 2021 (\$)	Staff	Growth vs 2021 (USD)	vs 2021 (Constant Currency)
1	1	Edelman ^{nb}	USA	1,079,738,000	984,921,000	6,433	9.6%	9.6%
2	2	Weber Shandwick ^{nb}	USA	920,000,000	860,000,000		7.0%	7.0%
3	3	BCW	USA	840,000,000	772,000,000		8.8%	8.8%
4	4	FleishmanHillard ^{nb}	USA	750,000,000	680,000,000		10.3%	10.3%
5	5	Ketchum ^{nb}	USA	600,000,000	550,000,000		9.1%	9.1%
6	7	Real Chemistry ^{nb}	USA	555,000,000	475,000,000	1,977	16.8%	16.8%
7	14	Vector Inc. ^{nb}	Japan	494,080,000	292,400,000	1,421	69.0%	69.0%
8	6	Brunswick	UK	471,900,000	469,125,000	1,250	0.6%	12.2%
9	9	MSL	France	425,000,000	387,000,000	2,110	9.8%	9.8%
10	8	FGS Global ^{nb}	USA	421,000,000	390,000,000	1,099	7.9%	7.9%

Source: PProvoke Media 2023 Global Rankings

From #1 PR Firm in Asia...

...to #1 PR Firm Worldwide

Further expand domains
PR market in Japan worth 100 billion JPY



...by becoming a Fast Company in
Advertising Industry

Target advertising market worth 6 trillion JPY

Advertising industry disrupter

“Low Cost” “Middle Quality” “Speedy”

Revolutionize the advertising industry like fast fashion did
in the apparel industry

Change in Japan's Advertising Market

While the 4 mass media have decreased, online advertising has expanded, leading to a market worth 7 trillion JPY

(billion JPY)

Reference: Advertising Expenditures in Japan
(Report by Dentsu)

6,110.2

6,692.6

7,102.1

4 mass media

Advertising market is centered on the 4 mass media such as TV and newspapers in 2000, the year our PR business launches

Online advertising begins to drive the market in 2008, the year of the financial crisis

Online advertising market enters the 3 trillion JPY range
Search advertising leads

2000

2008

2022

Breakdown of online advertising media expenditures*

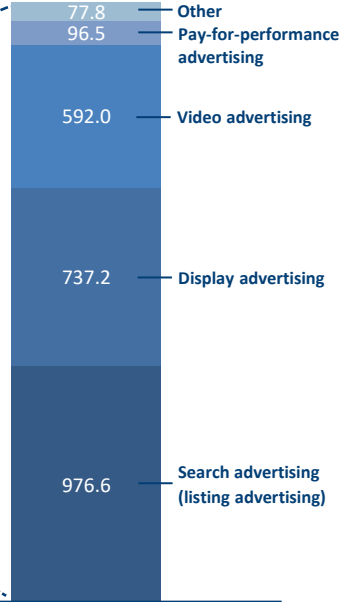
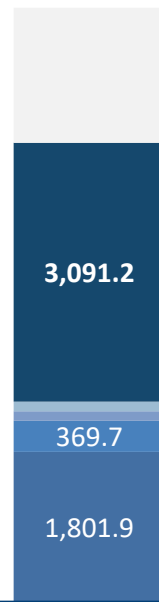
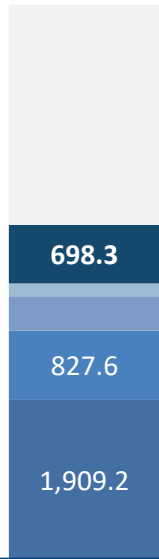
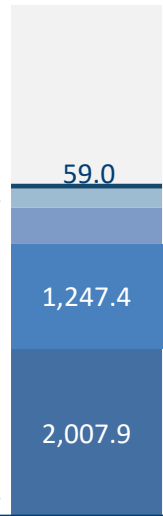
(Launch of PR business)

(Expansion of PR business)

(Accelerated through PR + digital)

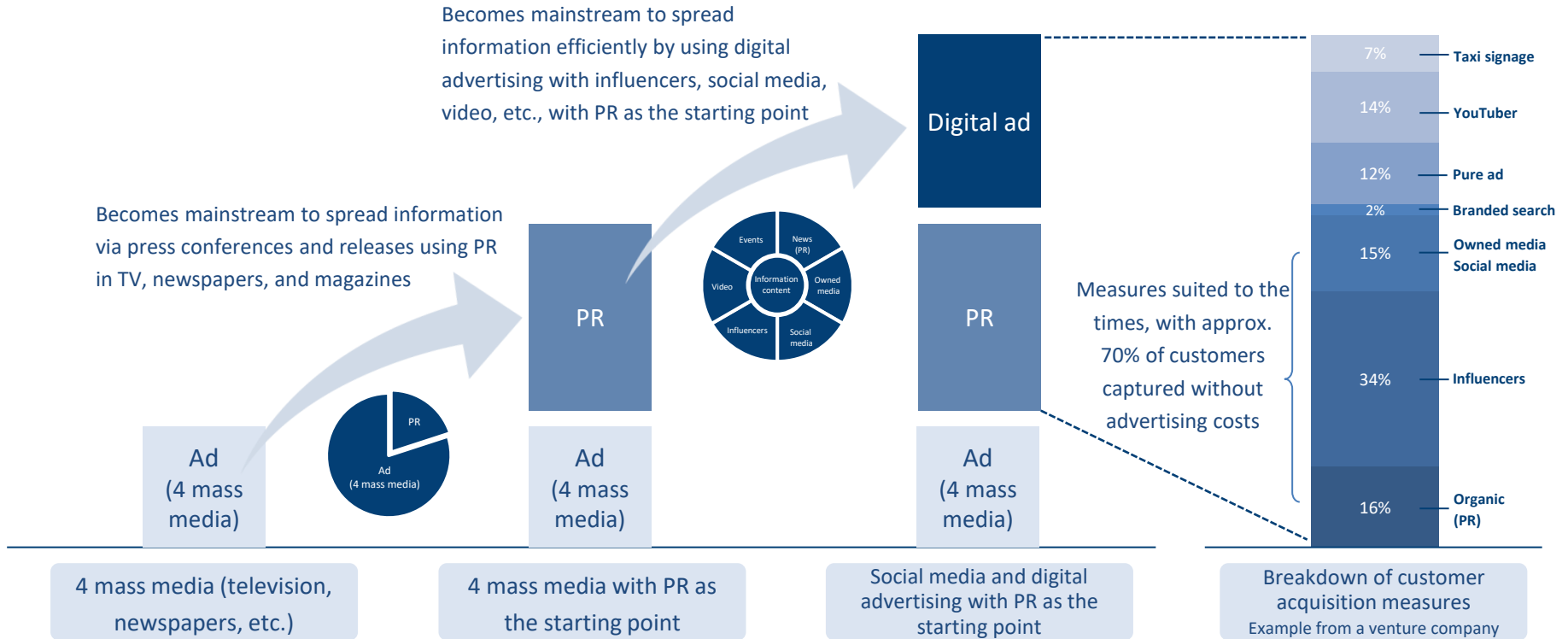
* Excludes production costs for online ads, etc.

■ TV ■ Newspapers ■ Magazines ■ Radio ■ Online ■ Other (OOH, transit advertising, etc.)



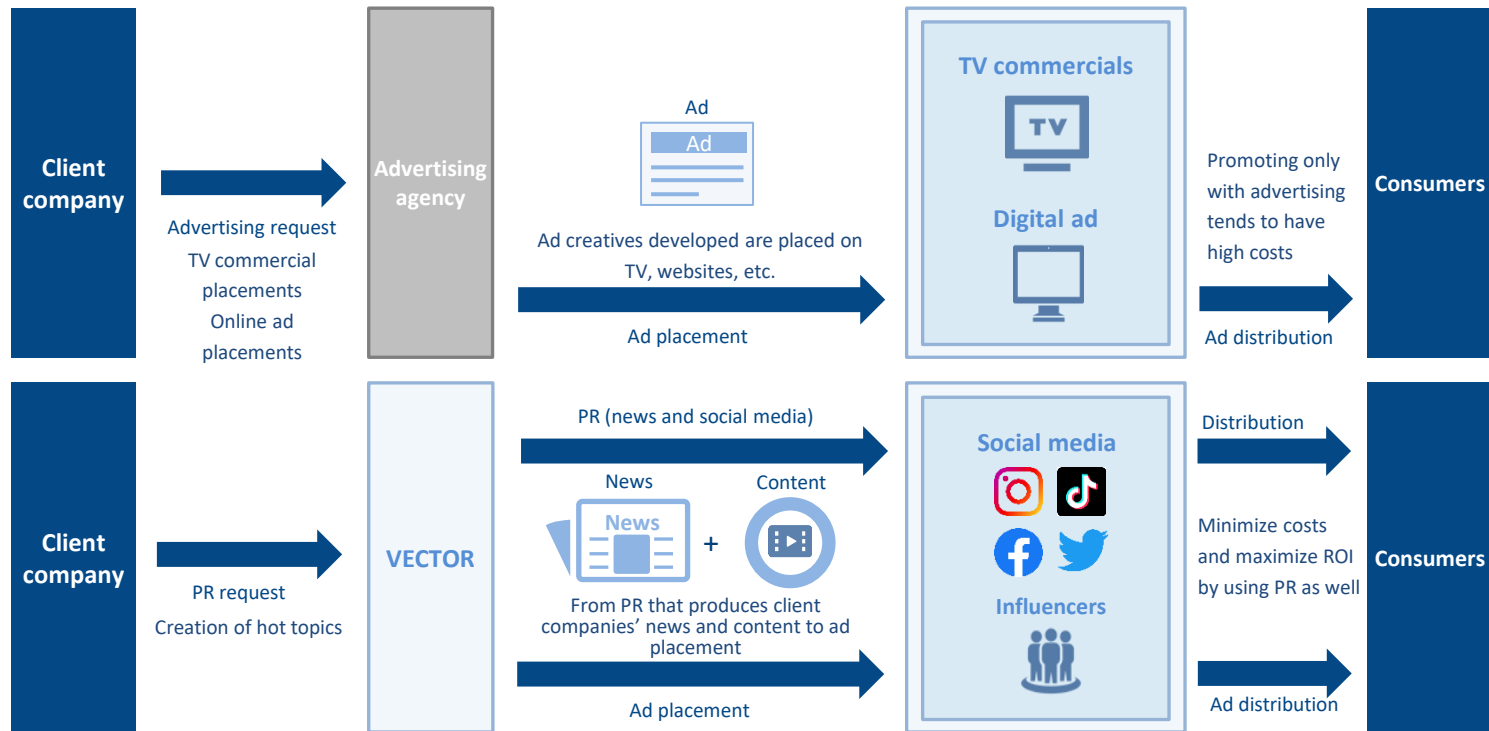
Change in the Way to Spread the Word

We are now in an age where information is spread efficiently through using digital advertising with PR as the starting point.



Difference between VECTOR and Advertising Agencies

Advertising agencies spread the word using advertising, while VECTOR spreads the word using news, social media, and more



VECTOR's Unique Way of Spreading the Word

We spread the word by creating catchy keywords and combining PR with social media and advertising technology.

Example: Opening of Yebaozi



Overall communication strategy

Concept formulation



“Gachi Chuka”
(Authentic
Chinese food)

Communication design

Recognition ▶ Understanding ▶ Interest



The key challenge was to maximize interest for the launch of Japan's first Yebaozi, a hugely popular *nikuman* (meat bun) chain from China that boasts long lines.

We provided support covering from concept formulation to keyword creation and the implementation of measures.

Measures implemented

Japan's first Yebaozi

Launched on May 14, 2022

PR



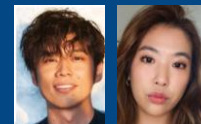
Vertical video



Social media

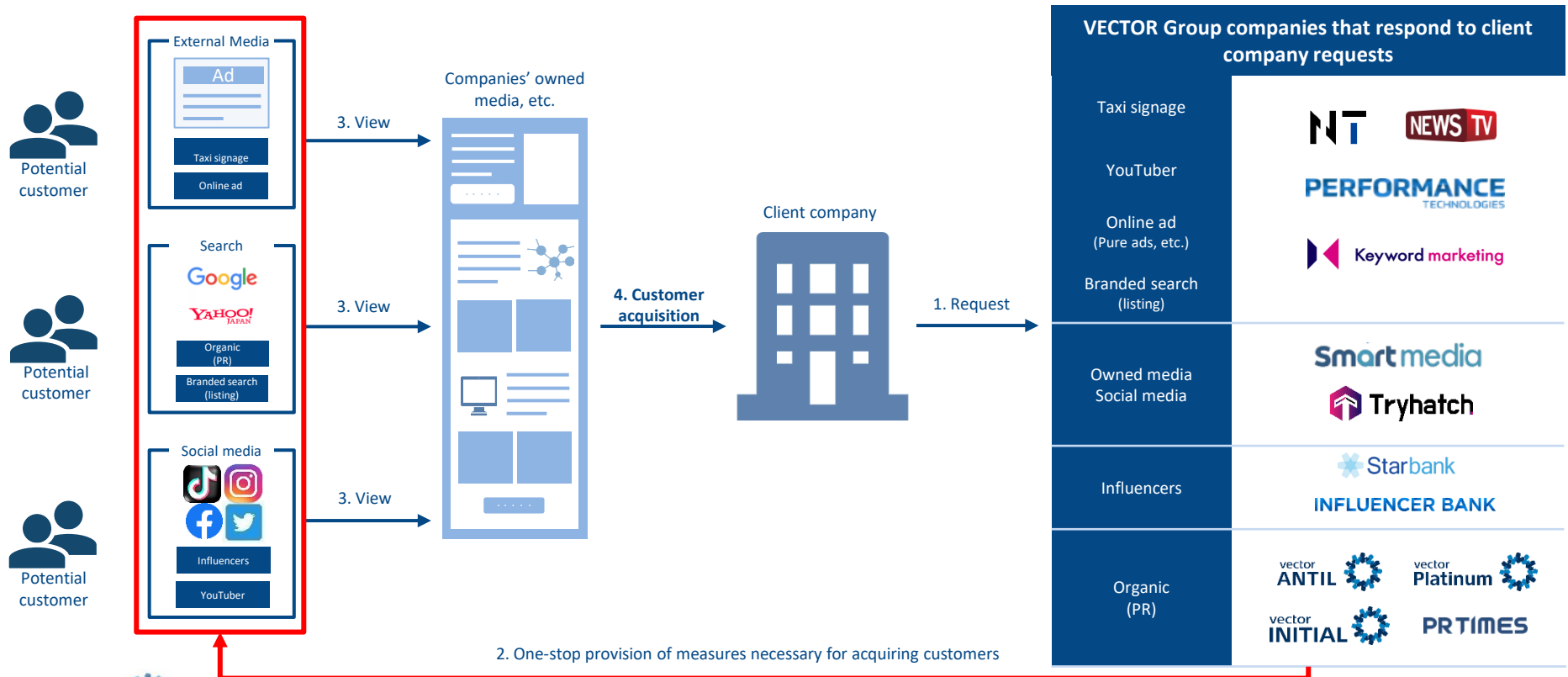


Celebrities

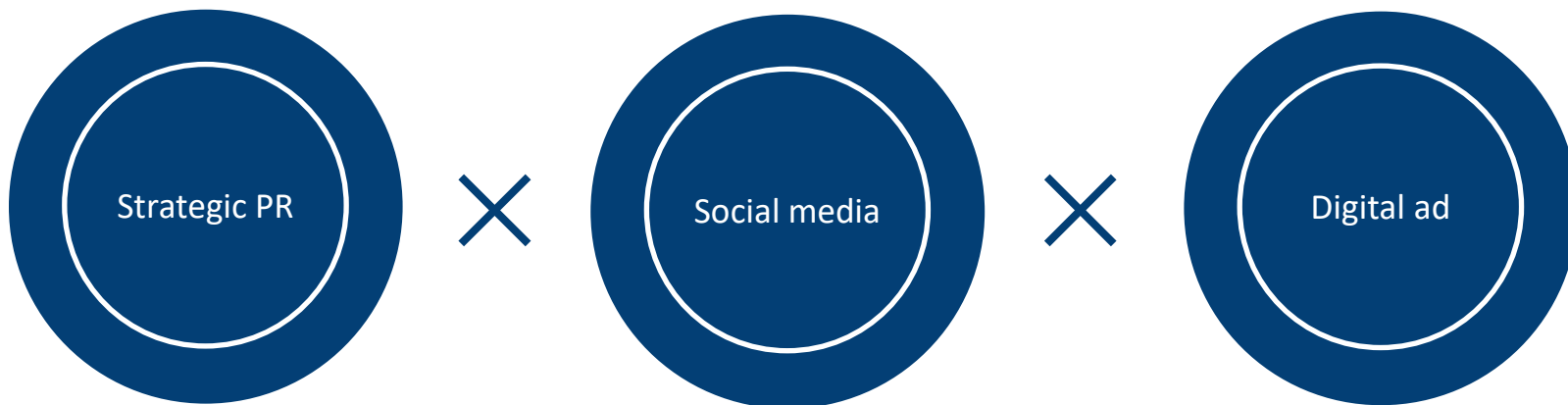


We created a powerful buzz through advertising and utilized catchy keyword phrases such as “gachi chuka,” “Japan's first,” and “bite-sized *nikuman*” to gain media exposure, turning “gachi chuka” into a trend for 2022.

One-stop provision of measures that companies need to acquire customers








A one-stop marketing strategy that covers everything from recognition where content is delivered directly to the target audience to acquisition where digital ads are tied to purchases, while leveraging strategic PR and social media



One-stop provision of services necessary for spreading the word.

Marketing measures suited to the times delivered at 10% of traditional model’s costs.

Celebrity Casting					
Cast celebrities for content including websites, online videos and events.					Starbank
Press Releases	PR Consulting	Video Releases	Influencers	Digital Marketing	Risk Management
 <p>#1 press release service in Japan with over 80,000 clients. Used by 55% of publicly-listed corporations, our strong brand reputation and media reach are highly appreciated by our clients.</p> <p>PR TIMES</p>	 <p>From PR planning to execution, our experienced PR consultants apply the most effective communication strategies.</p> <p>vector ANTIL</p> <p>vector Platinum</p> <p>vector INITIAL</p>	 <p>Next-generation communication based on the production and distribution of video news from a PR standpoint, delivering content direct to the target audience.</p> <p>NEWS TV</p>	 <p>Support corporate service/product branding through SNS influencers.</p> <p>Starbank INFLUENCER BANK</p>	 <p>Integrated support from website production and system creation to digital promotion; Can also handle owned media creation and operation, and production of PR videos.</p> <p>NT Tryhatch</p> <p>Keyword marketing</p>	 <p>Provision of consulting services concerning corporate reputation management and brand security using unique technology based on theory and know-how built up in the United States.</p> <p>BRAND CLOUD</p>

JPY 0

JPY 50 Million/Year

2 key points for strengthening the Fast Company concept



Expand service areas offered through M&A to enhance marketing measures suited to the times



Expand the customer base by further strengthening venture capital (VC) capabilities based on numerous achievements in venture investment and PR/IR support





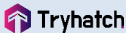

1 M&A

M&A

Expand the increasingly important domain of digital marketing to provide comprehensive support for customer marketing strategies

One-stop provision of services necessary for spreading the word.

Marketing measures suited to the times delivered at 10% of traditional model's costs.

Celebrity Casting					
Cast celebrities for content including websites, online videos and events.					
Press Releases	PR Consulting	Video Releases	Influencers	Digital Marketing	Risk Management
 <p>#1 press release service in Japan with over 80,000 clients. Used by 55% of publicly-listed corporations, our strong brand reputation and media reach are highly appreciated by our clients.</p> <p>PR TIMES</p>	 <p>From PR planning to execution, our experienced PR consultants apply the most effective communication strategies.</p> <p>vector ANTIL</p> <p>vector Platinum</p> <p>vector INITIAL</p>	 <p>Next-generation communication based on the production and distribution of video news from a PR standpoint, delivering content direct to the target audience.</p> <p>NEWS TV</p>	 <p>Support corporate service/product branding through SNS influencers.</p> <p>Starbank INFLUENCER BANK</p>	 <p>Integrated support from website production and system creation to digital promotion; Can also handle owned media creation and operation, and production of PR videos.</p> <p>NT </p> <p></p>	 <p>Provision of consulting services concerning corporate reputation management and brand security using unique technology based on theory and know-how built up in the United States.</p> <p>BRAND CLOUD</p>

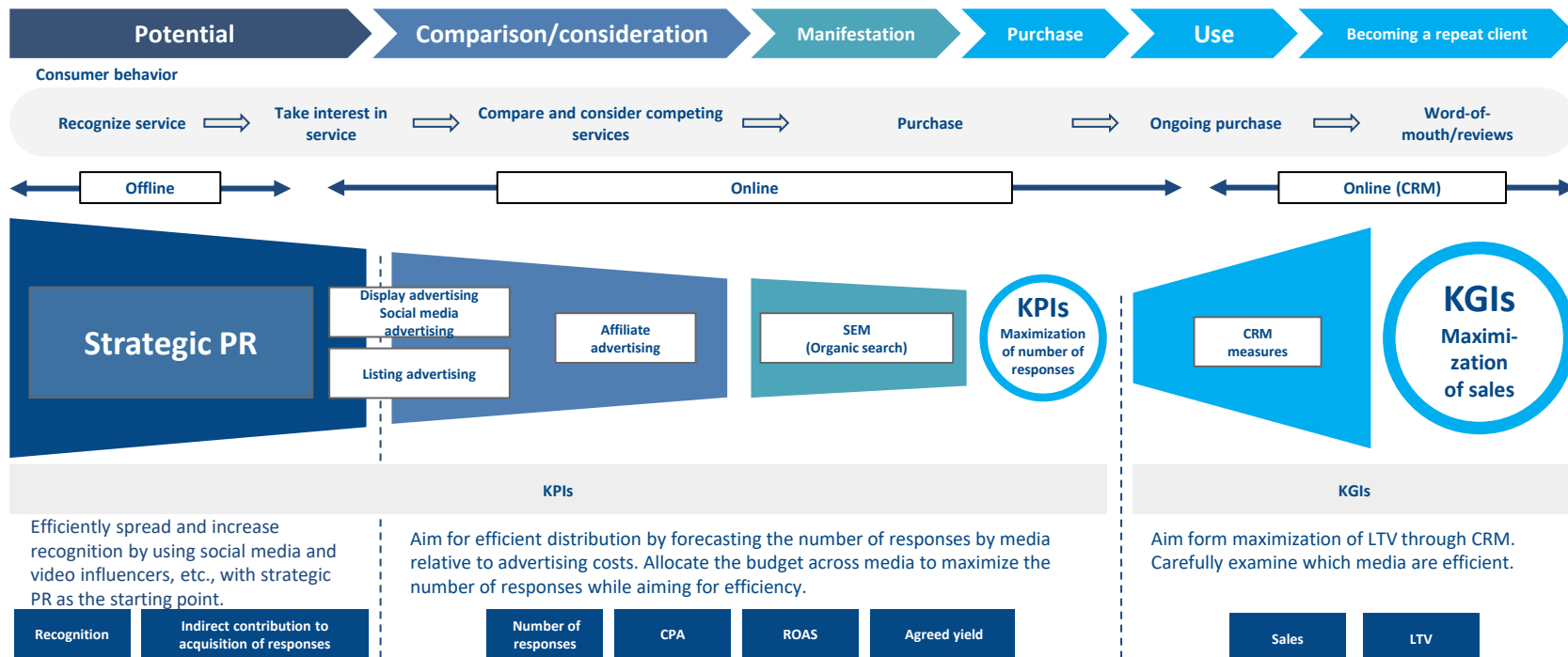
Starbank

JPY 0

JPY 50 Million/Year


Synergy from Purchase of Digital Marketing Business

The purchase etc. of a company (business) specializing in strategic design and listing advertisement management has enabled us to provide digital measures aimed at maximizing sales based more on strategic PR than before.

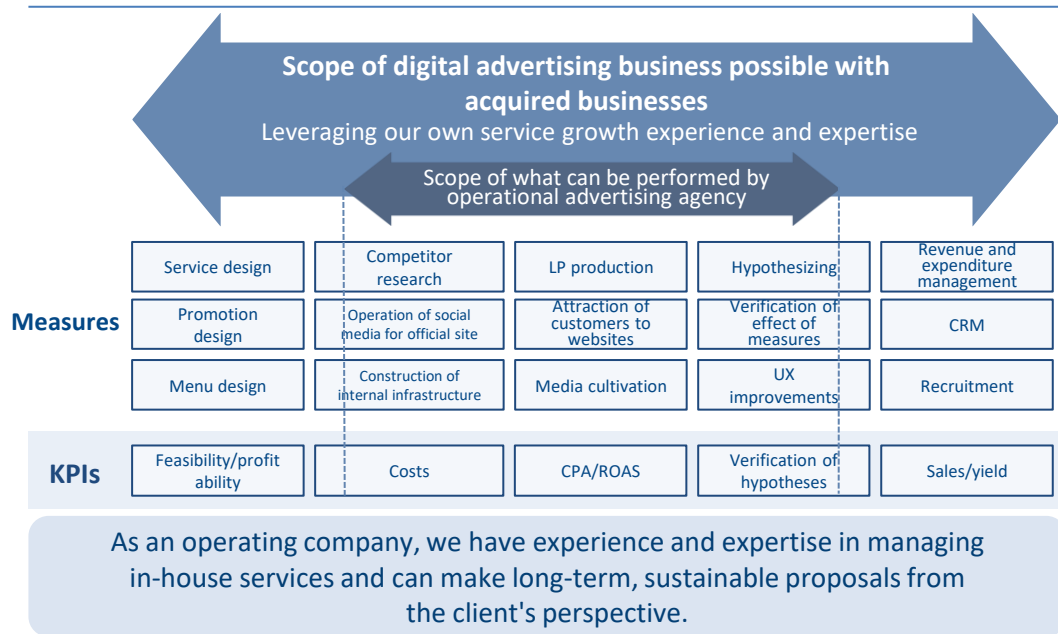


Acquired a digital advertising business specializing in strategic design from TERMINAL inc. for 1.1 billion JPY on September 30, 2022. Now able to provide PR services based on digital marketing on top of enhancement of digital advertising

Overview of acquired business

Company name	 TERMINAL inc. TERMINAL inc.
Business transfer	Digital advertising business
Acquisition cost	1.1 billion JPY
Date of acquisition	September 30, 2022

Digital advertising business



Keyword Marketing Co., Ltd., a company specializing in managing programmatic advertising, became a consolidated subsidiary on December 26, 2022. We will increase sales per customer by digitally enhancing client marketing strategies using strategic PR as a launchpad.

Overview of acquisition of shares

Company name	 Keyword marketing Keyword Marketing Co., Ltd.
Business	Management agency for programmatic advertising Advertising management consulting
Acquisition cost	1,180 million JPY
Share acquisition date	December 26, 2022

Business

Management agency for programmatic advertising

Management agency for programmatic advertising
 (Listing/social media advertising)

Managing programmatic advertisements such as listing ads and social media ads on behalf of clients. Conducts interviews prior to the start of operations to clarify issues not only in advertising but also in the business as a whole, setting goals.

Clients supported
Over 300

Annual retention rate
Over 90%

In-house management support

Advertising management consulting

Provides consulting services to clients who manage their own advertising. Offers the most up-to-date advertising proposals suited to the client's industry and sector based on expertise gained from managing over 300 accounts at any one time.

Clients supported
More than 900

Course participants
Over 25,000


M&A Results (Share Acquisition)

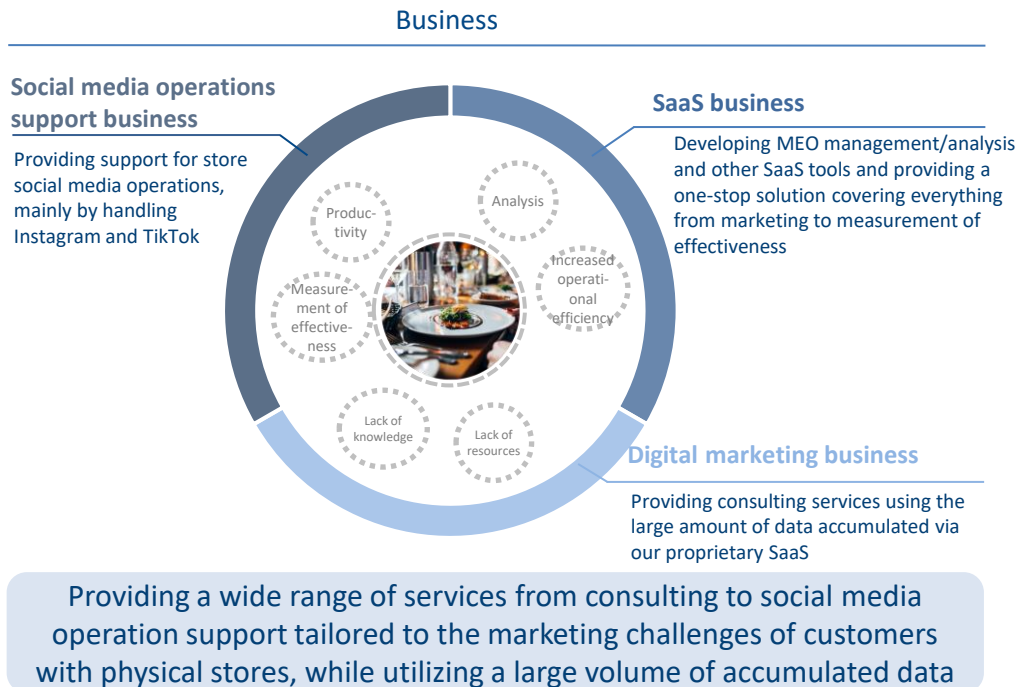
Tryhatch, Inc., which specializes in supporting customer attraction using social media,

Became a consolidated subsidiary on March 1, 2023

Providing one-stop support for the marketing challenges of customers with physical stores, utilizing strategic PR and technology

Overview of acquisition of shares

Company name	 Tryhatch Tryhatch, Inc.
Business	Social media operations support business SaaS business Digital marketing business
Acquisition cost	350 million JPY
Share acquisition date	March 1, 2023




M&A Results (Share Acquisition)

Owned, Company, which specializes in managing programmatic advertising that leverages search engine optimization (SEO), became a consolidated subsidiary on July 14, 2023.

VECTOR will aim to increase sales per customer by harnessing Owned, Company’s strong knowledge in specialized areas and expertise in programmatic advertising that incorporates SEO.

Overview of acquisition of shares

Company name	 Owned, Company
Business	Digital marketing support
Acquisition cost	480 million JPY
Share acquisition date	July 14, 2023

Business

SEO consulting

SEO

(Content, backlinks, UI/UX)

- SEO support to ensure that customers' websites are appeared in the top search results.
- Wide-ranging support covering content production based on user needs, backlink measures, and UI/UX improvement.

Achievement
1

From 0 to 6 million PV in one year

Achievement
2

No. 1 search ranking gained in three months

Management agency for programmatic advertising

Management agency for programmatic advertising

(Listing/social media advertising)

- Managing programmatic advertisements such as listing ads and social media ads on behalf of clients.
- Highly effective advertising management that addresses customers' business challenges based on a deep understanding of specialized areas.

Achievement
1

Increased monthly sales by 30% in six months

Achievement
2

Reduced CPO by 50% in six months

Strengthen the Fast Company concept and aggressively pursue M&A that could produce synergy with core businesses

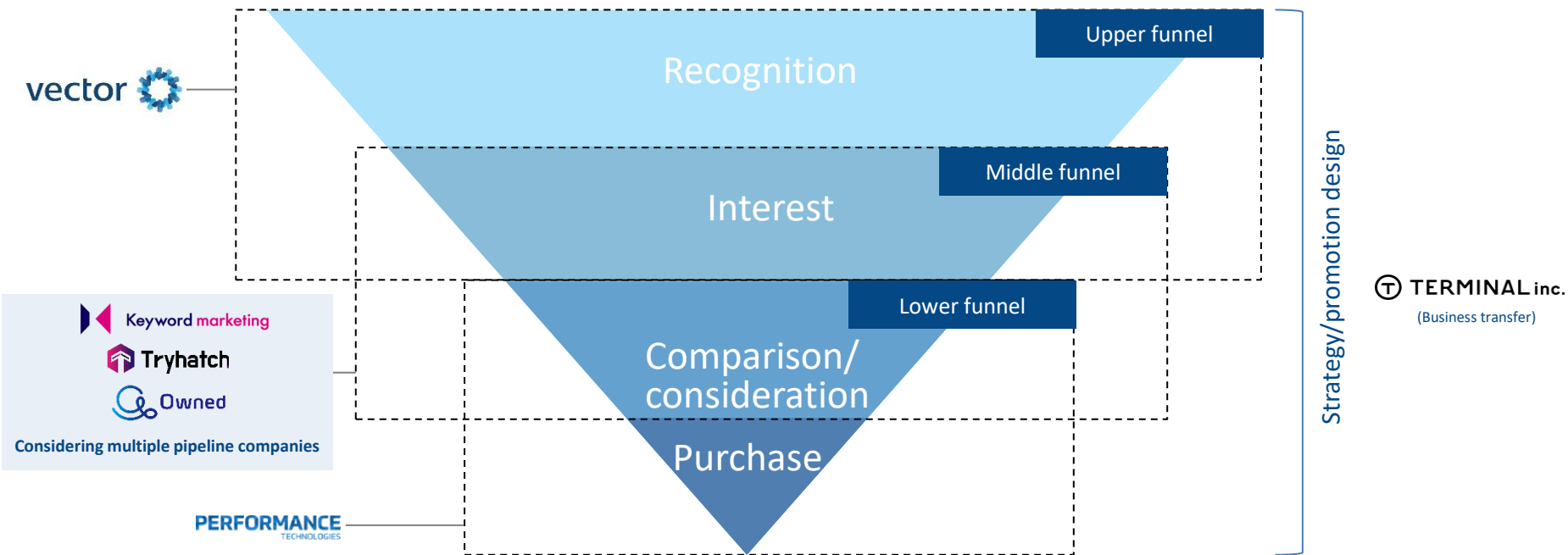
Accelerate organic growth through effective M&A and aim for discontinuous growth

Acquisition target	Companies (small-scale projects) that can expand and enhance the Fast Company concept Strengthen digital marketing (digital advertising) domain in particular
Valuation	Execute M&A with a target EV/EBITDA multiple of 5x to 7x
Fund procurement	Acquisitions will basically be financed by cash on hand and bank loans.
Governance	Decisions made carefully by the Board of Directors, which is majority comprised of outside directors with extensive knowledge of M&A and finance
PMI	Regularly monitor objectives of acquisition from time of investment and their achievement Develop the internal controls required of a listed group company

Expansion of Digital Marketing Domain

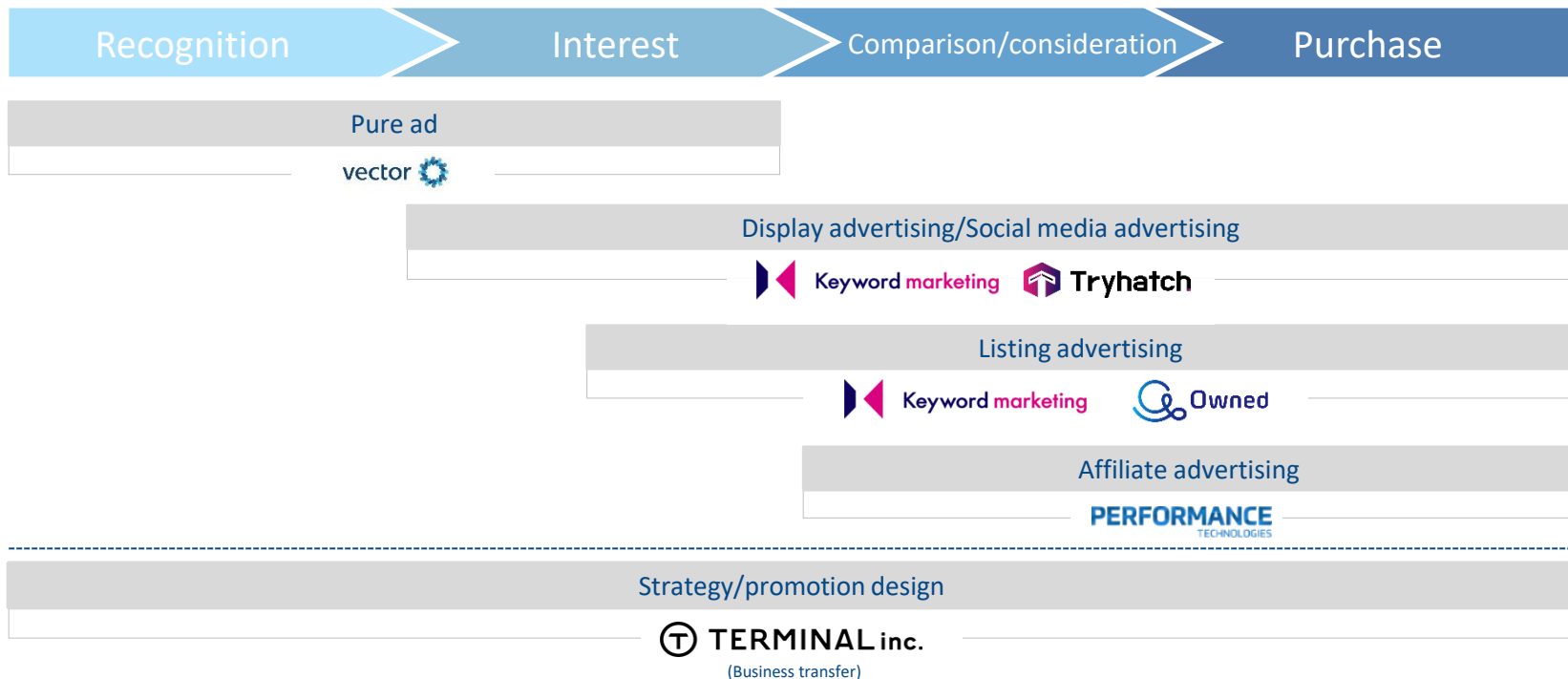
Develop businesses that can handle each funnel based on the purchasing process of consumers

Policy is to increase coverage through M&A to expand domains supported by each funnel



Expansion of Digital Marketing Domain (by Ad)

Expand the digital marketing domain to further strengthen the system for providing a one-stop solution that includes strategy and promotion design covering everything from expanding recognition to purchases in digital advertising measures



2 VC + PR

PR capital that offers both funding and PR support
We will maximize investment leverage by supporting clients not only through funding as in conventional VC but also through PR and IR support.

Expanding the Customer Base through Venture Capital

Accelerate venture investment backed by investments in capital and PR/IR support based on the increasing number of startups

We will expand our customer base by covering not only the major companies that comprise our main clients, but also startups.



Increase awareness



Coverage



Increase in project orders including from major companies

Speedy support in spreading the word that is suited to the times



Major companies

Coverage of a wide range of customers, from major corporations to startups

vector



Startups

One-stop provision of capital and PR/IR support

Increase in orders for capital and PR/IR support from startups



IPO achievement



IPO results



Total provision of services necessary for spreading the word for not only major companies but also startups.



The purpose of this document is to provide information on our financial results and does not constitute an offer to sell or solicitation of an offer to purchase any investment security issued by VECTOR. The information and outlook contained in this document have been compiled on the basis of the latest information available at the time of preparation and includes the opinion of management. VECTOR therefore provides no guarantee as to the accuracy of this information and advises that actual performance and results may differ from forward-looking statements due to various factors.