

 Keiji Nishie Founder and Chairman	 Hajime Hasegawa Representative Director	VECTOR INC. (6058)
		

Company Information

Marketing	TSE 1st Section
Industry	Service
President	Hajime Hasegawa
HQ Address	Akasaka Garden City 18th Floor, 4-15-1 Akasaka, Minato-ku, Tokyo
Year-end	February
Homepage	https://vectorinc.co.jp/en

Stock Information

Share Price	Share Outstanding		Market Cap.	ROE (Act.)	Trading Unit
¥1,187	47,936,100 shares		¥56,900 million	5.0%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥8.00	0.7%	¥41.95	28.3x	¥251.66	4.7x

*The share price is the closing price on December 16. Share outstanding, DPS, EPS, and BPS are based on the results for the second quarter of the term ending February 2022. ROE is the result of the previous term.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Feb. 2018 (Actual)	20,090	3,026	2,950	1,425	31.29	6.00
Feb. 2019 (Actual)	29,693	2,575	2,738	-2,421	-52.29	0.00
Feb. 2020 (Actual)	36,821	2,891	3,322	-199	-4.20	0.00
Feb. 2021 (Actual)	37,273	2,314	2,797	486	10.21	2.00
Feb. 2022 (Forecast)	45,500	4,800	5,000	2,000	41.95	8.00

*Unit: million yen, yen. The forecasts are from the company. Net income is profit attributable to owners of parent. The same applies below.

This report includes the outline of Vector Inc., the trend of its business performance, its growth strategies, and the interview with the Chairman Nishie.

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Key Points

- Under the vision: “Making People Happy by Delivering Excellent Products, Services and Solutions to the World,” Vector supports corporate communication strategies in a multifaceted manner mainly in the PR and advertising business. With the competitive advantage of having a broad range of infrastructure for distributing products, the company aims to secure the No. 1 position in the global PR field as a “fast company in the advertisement field” targeting an advertisement market with a scale of 6 trillion yen.
- The sales in the second quarter of the term ending February 2022 were 21,933 million yen, up 24.2% from the same period of previous term. The PR and advertising business, the press release business, the video release business, and the media business achieved double-digit growth in sales. Operating income grew 292.8% year on year to 2,299 million yen. The PR and advertising business and the direct marketing business contributed, and the loss in the HR business shrank considerably. Ordinary income and net income turned positive. Sales were grown in line with the forecast, and profit exceeded the forecast considerably, as the profit from the direct marketing business exceeded the forecast and the company curtailed the investment in new businesses through selection and concentration.
- Considering the results in the first half, the company revised the full-year earnings forecasts for the term ending February 2022, as the performance of the existing businesses can be considered healthy and the investment in new businesses was smaller than initially forecasted due to concentration and selection, although there are uncertainties over the impact of the novel coronavirus pandemic, etc. Sales are projected to grow 22.1% year on year to 45.5 billion yen, and operating income is forecasted to rise 107.4% year on year to 4.8 billion yen. The dividend forecast, too, has been revised upwardly from 4.00 yen/share to 8.00 yen/share, up 6.00 yen/share from the previous term. The expected payout ratio is 19.1%.
- We interviewed the Chairman Nishie about the competitive advantage of Vector, his message toward shareholders and investors, etc. He said, “The structure of the advertisement industry has changed considerably. In this situation, only our company possesses infrastructure for distributing products with a totally new method, that is, seamless processes, rather than conventional methods. We will endeavor to cultivate the advertisement market with a scale of 6 trillion yen as ‘a fast company in the advertisement field,’ but our sales are still only 50 billion yen. Please have high expectation for our great growth potential.”
- In the website of Vector, the Chairman Nishie commented, “you will have to be simple to succeed.” One of their concrete activities is “video news”.
- It became difficult to sell and distribute products with conventional BtoBtoC methods, in which published TV commercials, books, and photos in news releases are introduced by TV programs and reach consumers via the media. Meanwhile, Vector expects that the BtoCtoBtoC distribution structure, in which a 1 or 2-minute video is produced and distributed as news, individual consumers who have watched the video popularize products via SNS, the popularized products are covered by the media, and then reach consumers again, will become mainstream. There have been already many successful cases.

- **The source is a 1-min video, which the popularization via SNS does not take time, and the cost is only for shooting the video. Such a simple method is a solution that characterizes Vector, which is “a fast company in the advertisement field.” In addition, JOBTV for New Graduates, which was introduced in “Topics,” is one example of simplified new way of recruitment and employment activities using videos, which used to be cumbersome and complex activities for both enterprises and students.**
- **We would like to pay attention to their unprecedented ideas and the activities, business progress, and results of Vector, which aims to become No. 1 in the world based on a broad range of infrastructure for distributing products.**

1. Company Overview

Under the vision: “Making People Happy by Delivering Excellent Products, Services and Solutions to the World,” Vector supports corporate communication strategies in a multifaceted manner mainly in the PR and advertising business. With the competitive advantage of having a broad range of infrastructure for distributing products, the company aims to secure the No. 1 position in the global PR field as a “fast company in the advertisement field” targeting an advertisement market with a scale of 6 trillion yen.

1-1 Corporate History

Established in March 1993 by Mr. Keiji Nishie (Founder and Chairman) for the purpose of operating sales promotion business. To conduct businesses with higher growth potential, the company shifted to a business structure centered on the PR business in April 2000, and began to aggressively operate its business with the goal of becoming the No. 1 company in the PR industry. He has established various companies to support PR from a wide range of aspects. Furthermore, in recent years, the company has been continuously expanding its services and strengthening its structure to provide comprehensive support for corporate communication strategies, beyond the conventional field of PR services.

Listed on the Mothers of Tokyo Stock Exchange in 2012. In 2014, the company stepped up to the First Section of the Tokyo Stock Exchange.

1-2 Management Philosophy

The company's vision is “Making People Happy by Delivering Excellent Products, Services and Solutions to the World.”

In addition, the company presents Vector's Rock, a list of thoughts and ideas employees should have and actions they should take.

Become Professional	To become a professional in this industry, one must be incredibly well versed in all its intricacies. Recognize the way you are, have strong confidence, apply yourself diligently each day, contribute to customers, and by doing so control the industry. That's what being professional means to us.
Restrained Passion	We have passion and we understand how important that is. Cold pizza is out of the question to eat. Of course, we are also careful not to get overly excited though. That's why we praise employees for showing what we call “restrained passion.”
Take Action	You can't create anything without first taking the initiative. Don't ask with a serious face whether to act before thinking or think before acting. Vector is made up of a group of people who take action, with speed.
Clear Goals	We have clear objectives and recognize this as critical to our operations. We constantly look to get creative by using our imagination. A cornerstone of our philosophy is to let go of everything and receive success, because we know in that way, success is sure to come.
Entrepreneurial Spirit	We value creating new business and we have gotten where we are today by adopting an entrepreneurial spirit. We take great joy in building something from nothing, and we like to share this enjoyment with others. We prefer this to losing ourselves as can happen to big companies.
Simplicity	We like to keep work simple. Humans often tend to overcomplicate things, but we believe that people who succeed lead extremely simple lives. That's something we aspire to.
Evolution	We are an organization that makes precise plans for everything we do. That's why we always do the work we are asked to do perfectly. On top of this, we continually read the trends of the times and look to create and improve. This leads to the development of innovative and creative services that revolutionize the industry.
Be Giving	Our first thought is to give. We understand it's only natural to want to go out and take. But from the outset we try and see what we have to give. It may seem paradoxical, but good fortune starts with giving.
Be Genuine	Being genuine is a trait that we see as essential and one of the most important components needed to grow at work. Any problem or issue can be overcome if we just remain genuine. That's the way we choose to live. It's simple, yet profound.

BRIDGE REPORT

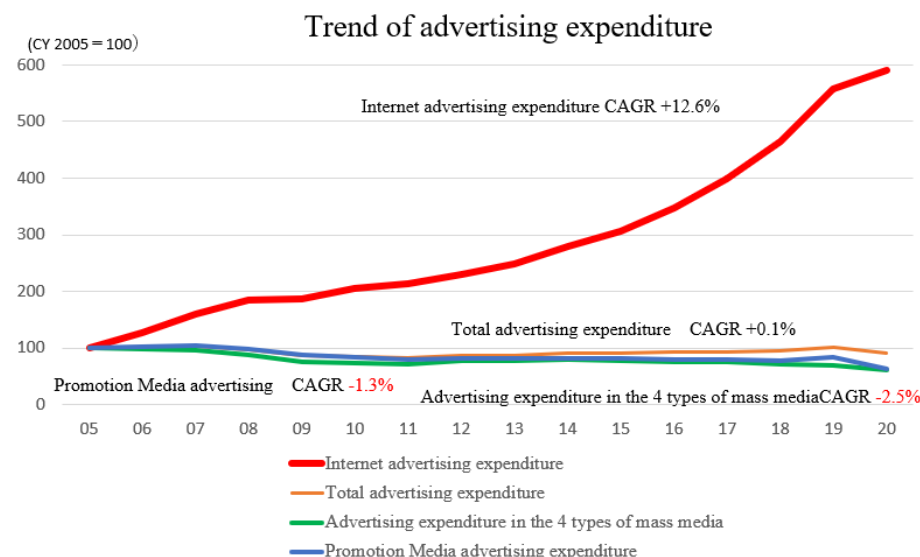


Think Straight	It's not as easy as it sounds to think straight, but it can help us solve most problems when it comes to human-related issues. Remember this Vector's Rock when you feel like complaining. Just remain silent when you feel like saying something hard to express. Dignity is a characteristic that we can develop on our own.
Client First	Although there are various principles listed in Vector's Rock, we are well aware that our prosperity is based on those of our clients'. Success in business is gained from contributing to customers, a point we thoroughly understand.
Be in Tune with the Times	No matter how hard you try, you still need to be in tune with the times. That means reading current trends, being thoroughly prepared and making your own luck. It also means recognizing the potential of a period and tapping into it. This will help to nurture one's own potential at the same time. Deep contemplation is often a good way of unearthing latent capabilities.
Full and Beautiful	Both work and life are meant to be fun. Goals are important, but so too is enjoying the moment. Lead a full and beautiful life. These are wonderful words to live by.
Glory	This is what we are aiming for. Although it seems like a simple concept, it is something that we endeavor to obtain in all facets of our existence.

1-3 Business Environment

According to the Advertising Expenditures in Japan in 2020 (Dentsu Inc.), in the advertising market targeted by the Vector Group, total advertising expenditure in Japan in 2020 (January-December) stood at 6,159.4 billion yen, down 11.2% year on year, showing the first negative growth in nine years due to the impact of the global spread of the novel coronavirus. The advertising expenditure in the four types of mass media: newspapers, magazines, radio, and television, declined 13.6% year on year. On the other hand, Internet advertising expenditure grew 5.9% year on year, showing continuous growth. In terms of the long-term trend since 2005, the growth of Internet advertising has been outstanding.

Out of Internet advertising, Vector expects that the market of video advertisement will expand dramatically as the commercialization of 5G has made it possible to convey richer content than before by improving communication speed and marketing strategies using video content will increase.



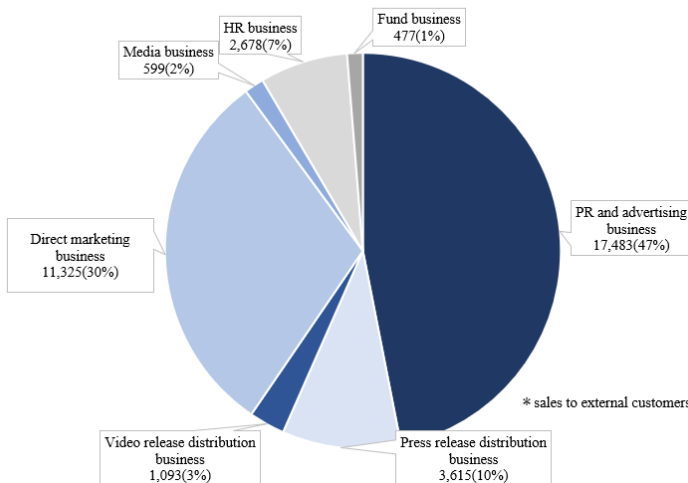
(Produced by Investment Bridge)

1-4 Business Description

The company engages in PR and advertising, press release distribution, video release distribution, and media businesses that provide comprehensive support for corporate clients' communication with consumers using the media. The company also engages in the direct marketing business, which focuses on online sales of goods; the HR business, which provides cloud services for personnel evaluation; and the fund business, which invests in venture companies to support their growth.

The basic principle is having a PR retainer contract that provides ongoing consulting services for a certain period. Based on this contract, the company provides a variety of advertising and PR methods owned by the group. The company is currently working on about 2,600 projects a year.

Sales composition by each segment (FY 2/21, unit: million yen)



The group consists of 50 companies, including Vector Inc. Subsidiaries are responsible for providing services to customers, and Vector Inc. collectively manages various administrative functions for the entire group, including corporate planning, human resources, general affairs, legal affairs, finance, and accounting.

(1) PR and advertising business

In addition to its conventional public relations services, the company offers consulting services to support PR for clients' products and services through strategic PR, which utilizes PR in the advertising and publicity fields. The company also sells advertising through IoT signage services using tablets installed in taxicabs. Most of the work is provided to clients through group companies, each of which has its own specialties such as existing media, blogs, and social media, and operates in different areas such as Japan, China, and ASEAN countries.

GROWTH'



Digital signage has been installed for rear seat passengers in approx. 12,500 vehicles. Over 45% of taxi users in Tokyo have been covered, with video advertisements and media content reaching roughly 7.5 million people.



Canvas will utilize vacant taxis running in Tokyo, showing advertisements on the back windows and is the first vehicle window mobility signage service in Japan.



Number of vehicles 100 More to be added gradually	Anticipated reach 12 million people
Broadcast time 24/7	Operating area 23 wards of Tokyo

(Taken from the reference material of the company)

(2) Press release distribution business

In response to publicity requests from clients, the company distributes information about client products and services as press releases and is operating a platform business that connects companies and consumers through press releases.

The number of companies using the press release platform PR TIMES is over 58,000 making it the No. 1 platform in Japan, used by 47% of listed companies.

Japan's No. 1 press release distribution platform PR TIMES
More than 58,000 user companies, used by 47% of listed companies



(Taken from the reference material of the company)

(3) Video release distribution business

The company converts news about clients' companies, products, and services into video content and distributes the video to appeal to the target audience via the Internet.

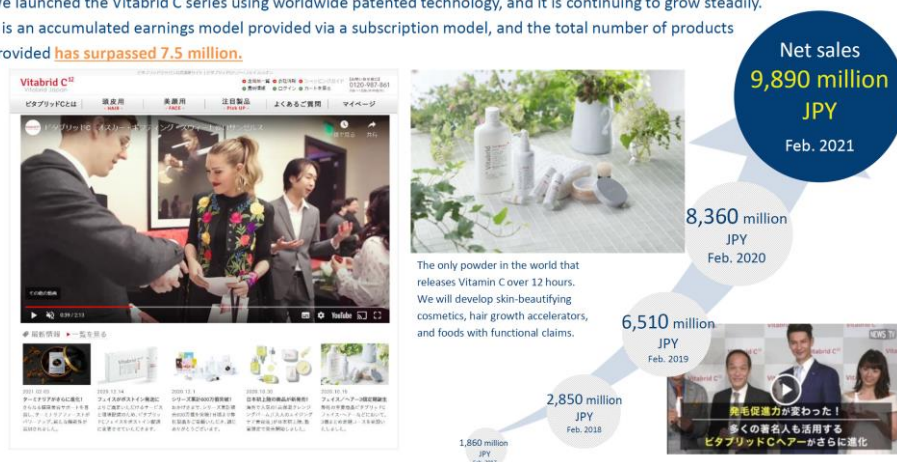
(4) Direct marketing business

The company operates the D2C (Direct to Consumer) business, which develops and sells health and beauty-related products and services via the Internet.

Sales of the Vitabrid C series, one of the company's core products, have grown rapidly, by over five times in four years.

The company is also generating synergies by utilizing the knowledge and experience gained from its own D2C business for its PR and advertising business.

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 7.5 million.



(Taken from the reference material of the company)

(5) Media business

In addition to providing services of supporting the building and operation of owned media for clients, the company operates its own media with the aim of generating advertising revenues.

(6) HR business

The company provides consulting services to companies to support the installation and operation of HR evaluation systems and HR evaluation cloud services.

(7) Fund business

The company invests in venture companies to support their growth. In addition to the investment, the company provides PR and IR support to help increase corporate value.

Twenty-four companies, including PR TIMES and its subsidiaries, have gone public.



(Taken from the reference material of the company)

1-6 Characteristics, Strengths, and Competitiveness

Extensive infrastructure for distributing products

There are a wide variety of ways for companies to popularize their new products and services, including the rapidly expanding Internet, mass media (TV, newspapers, magazines, and radio), events such as presentations and press conferences, and in-store sales promotions.

On the other hand, because of the high degree of division of labor in the advertising industry, when companies try to use each method, they have to place orders with different companies, which is time-consuming and expensive in many cases.

The company, on the other hand, has a group of 50 companies that provide a wide range of infrastructures necessary for promoting products and can provide one-stop services, thereby reducing costs. The company receives many orders from major advertising agencies, and rather than competing with them, they are differentiating their areas of expertise.

Another of the company's strong competitive advantages is its ability to propose and provide advertising and PR methods that match the needs of companies and the characteristics of their products and services, based on accurate consulting.

2. The Second Quarter of the Fiscal Year ending February 2022 Earnings Results

2-1 Business Results

	2Q FY 2/21	Ratio to Sales	2Q FY 2/22	Ratio to Sales	YoY	Forecast Ratio
Sales	17,655	100.0%	21,933	100.0%	+24.2%	+0.1%
Gross Profit	11,753	66.6%	14,071	64.2%	+19.7%	-
SG&A	11,167	63.3%	11,771	53.7%	+5.4%	-
Operating Income	585	3.3%	2,299	10.5%	+292.8%	+114.9%
Ordinary Income	-310	-	2,132	9.7%	-	+99.3%
Quarterly Net Income	-1,182	-	622	2.8%	-	+465.7%

*Unit: million yen. Net income is profit attributable to owners of parent. The same applies below.

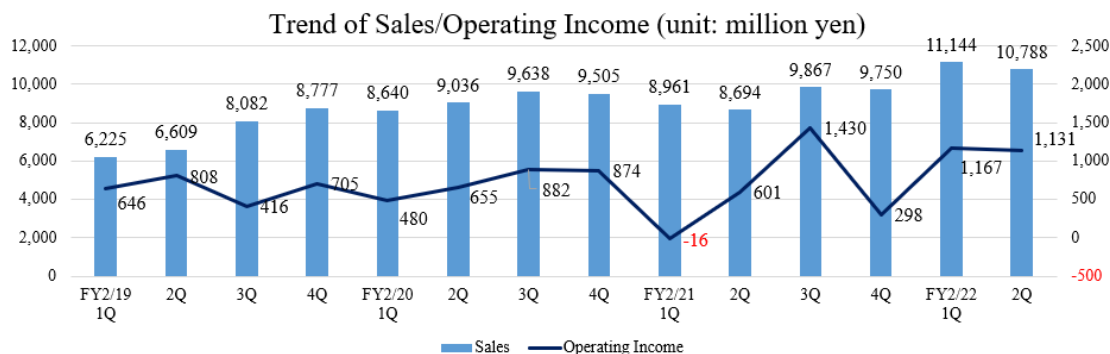
Sales increased, and profit grew considerably.

Sales increased 24.2% year on year to 21,933 million yen. The PR and advertising business, the press release business, the video release business, and the media business achieved double-digit sales growth.

Operating income rose 292.8% year on year to 2,299 million yen. The PR and advertising business and the direct marketing business contributed, and the loss in the HR business shrank considerably.

Ordinary income and quarterly net income turned positive.

Sales were in line with the forecast, and profit exceeded the forecast considerably, as the profit from the direct marketing business exceeded the forecast and the company curtailed the investment in new businesses through selection and concentration.



Regarding quarterly results, the sales in the second quarter exceeded 10 billion yen like in the first quarter.

2-2 Trend by Segments

	2Q FY 2/21	Composition Ratio	2Q FY 2/22	Composition Ratio	YoY
Sales					
PR and advertising business	7,674	43.5%	11,727	53.5%	+52.8%
Press release distribution business	1,670	9.5%	2,218	10.1%	+32.8%
Video release distribution business	533	3.0%	573	2.6%	+7.5%
Direct marketing business	5,804	32.9%	5,772	26.3%	-0.6%
Media business	293	1.7%	313	1.4%	+6.8%
HR business	1,389	7.9%	1,224	5.6%	-11.9%
Fund business	291	1.6%	102	0.5%	-64.9%
Total	17,655	100.0%	21,933	100.0%	+24.2%
Profit of each segment					
PR and advertising business	274	3.6%	808	6.9%	+194.9%
Press release distribution business	631	37.8%	897	40.4%	+42.2%
Video release distribution business	-91	-	16	2.8%	-
Direct marketing business	61	1.1%	559	9.7%	+816.4%
Media business	35	11.9%	-22	-	-
HR business	-466	-	-46	-	-
Fund business	148	50.9%	86	84.3%	-41.9%
Adjustment	-8	-	0	-	-
Total	585	3.3%	2,299	10.5%	+293.0%

(1) PR and advertising business

Sales and profit grew.

The intermittent declaration of a state of emergency produced some effects, including the partial restriction on corporate marketing activities, but the company actively offered new services in the digital field, including online PR events and support for live commerce utilizing SNS, in which the company has engaged since the previous term, so domestic performance remained healthy.

On the other hand, overseas performance was significantly affected by the novel coronavirus, as citywide lockdowns were imposed.

(2) Press release distribution business

Sales and profit rose.

Amid the novel coronavirus pandemic, the platform was used by many enterprises as infrastructure, and the number of enterprises using the platform exceeded 58,000 in August 2021, which is about 47% of listed companies. In the first half, sales and operating income hit record highs.

(3) Video release distribution business

Sales grew, and profit turned positive.

The shift to consulting-based marketing for solving the problems with corporate marketing by utilizing videos, in which the company has engaged since the previous term, turned out to be effective, and the company earned some profit in the first and second quarters, despite the significant impact of the novel coronavirus.

(4) Direct marketing business

Sales dropped, but profit increased.

In the same period of the previous term, the company invested a large amount of money in advertisement, considering the demand from housebound consumers in the novel coronavirus pandemic, but this term, the company invested in advertisement while considering the efficiency of increasing customers, so the increase of new customers was temporarily stagnant, but the sale of Vitabrid C Series to mainly existing customers was favorable. As a result, sales declined slightly, and operating income grew considerably.

(5) Media business

Sales grew, and loss was posted.

The sale of the owned media development service was healthy, but the revenues from advertisement in the company's online media were smaller than expected, due to the change in the ranking in search engines, and the company conducted upfront investment for improving the functions of SaaS-type CMS like in the first quarter. Consequently, an operating loss was posted.

(6) HR business

Sales dropped, and loss shrank.

For preventing the recurrence of an accounting process problem, which occurred in the previous term, the company ceased to sell the perpetual right to use a cloud system, so sales dropped year on year, but the sale of SaaS-type products was healthy, despite the intermittent declaration of a state of emergency.

In addition, the development and optimization of the business structure, which have been conducted since the previous term, started producing effects, and this business moved into the black.

(7) Fund business

Sales and profit dropped.

The company sold some of the shares held by 100Capital No. 1 Limited Partnership for Investment.

2-3 Financial Standing and Cash Flows**◎Balance Sheet Summary**

	End of February 2021	End of August 2021	Increase/ decrease		End of February 2021	End of August 2021	Increase/ decrease
Current Assets	18,410	19,626	+1,215	Current Liabilities	8,930	10,058	+1,128
Cash and equivalents	10,860	11,594	+734	Accounts Payable	1,039	1,592	+553
Accounts Receivable	4,695	5,180	+485	ST Interest Bearing Liabilities	1,976	2,641	+665
Noncurrent Assets	11,646	11,671	+24	Noncurrent Liabilities	6,272	6,112	-159
Tangible Assets	720	744	+24	LT Interest Bearing Liabilities	4,481	4,495	+14
Intangible Assets	1,302	1,200	-102	Total Liabilities	15,202	16,171	+968
Investments and Other Assets	9,624	9,726	+102	Net Assets	14,854	15,126	+271
Total Assets	30,057	31,297	+1,240	Retained Earnings	2,590	5,626	+3,036
				Total Liabilities and Net Assets	30,057	31,297	+1,240

*Unit: million yen.

Total assets grew 1,240 million yen from the end of the previous term, due to the increases in cash and equivalents and accounts receivable.

Liabilities augmented 968 million yen, due to the rise in interest-bearing liabilities, etc.

Net assets grew 271 million yen.

Capital-to-asset ratio decreased 1.1 points from the end of the previous term to 38.3%.

◎Cash Flows

	2Q FY 2/21	2Q FY 2/22	Increase/decrease
Operating CF	-51	1,871	+1,922
Investing CF	-427	-1,164	-737
Free CF	-478	707	+1,185
Financing CF	2,454	0	-2,454
Cash and Equivalents	9,846	11,588	+1,742

*Unit: million yen.

Operating CF and free CF turned positive, and the cash position improved.

2-4 Topics**① Selected the Prime Market as a new market category**

In July 2021, the company received a notification regarding the results of the first examination of whether the company satisfies the listing maintenance criteria in the new market classification from the Tokyo Stock Exchange, and confirmed that it satisfies the criteria for maintaining the listing on the Prime Market as a new market category.

In response, the company chose the Prime Market in the new market classification in September 2021.

From now on, the company will fulfill the specified procedure for applying for a selection of a new market category, according to the schedule set by the Tokyo Stock Exchange.

② The number of enterprises participating in JOBTV for New Graduates exceeded 250

In November 2021, the company released the β version of JOBTV for New Graduates, which can complete the initial phase of job-hunting/recruitment activities with videos. As of December 2, 2021, the number of enterprises participating in this was over 250.

Regarding job-hunting/recruitment activities, job seekers commented, “It is difficult to describe my attractive traits with documents only” and “It takes time and money to go to sites for job information fairs and job interviews,” while enterprises commented, “We cannot grasp the personality of each applicant until an interview with him/her” and “It takes time to recruit personnel after starting recruitment activities.” In addition, due to the novel coronavirus, company briefing sessions, visits to alumni, and other face-to-face communication opportunities decreased, so a lot of students are facing difficulty in finding a job.

JOBTV for New Graduates is a recruitment platform service for solving the problems nagging job seekers and enterprises with video content.

The company produced videos of respective companies’ presentations on jobs, mainly the videos on top companies in each field, and students can watch any of them free of charge. After watching some videos, students can apply for a job to companies in which they are interested, by using their self-introduction videos. If accepted by the companies, students can proceed to the next screening process. In December 2021, the company added the function to receive job applications and the function to recruit talent.

Vector plans to take measures for vitalizing the job-hunting market by disseminating the attractive points of many enterprises and job-seeking students efficiently in an understandable manner and matching them in a better way, by utilizing the PR knowledge it has nurtured.

※参画企業例(順不同)



(Taken from the website of the company)

③ Revision to the system for shareholder benefits

In October 2021, the company announced that it would revise the plan for giving shareholder benefit points in Vector Premium Benefits Club, for the purpose of increasing shareholders who hold a larger number of shares in the medium/long term. If shareholders keep holding shares, the shareholders listed in the shareholder registry as of the end of February 2022, which is the first fiscal year, will receive shareholder benefit points.

Shareholder benefit points will be given to the shareholders who hold three or more lots (300 shares) of the stock of Vector listed or recorded in the shareholder registry as of the end of February every year.

④ Launch of Vector SDGs PROJECT

In October 2021, the company launched Vector SDGs PROJECT, which suggests concrete actions for solving social issues in the Vector Group.

It discloses previous activities for attaining SDGs and sets concrete goals afresh, to unify the mindsets of all employees of the Vector Group and energize their activities.

The Vector Group aims to contribute to the settlement of social issues by promoting many companies' activities for ESG and SDGs and educating and diffusing SDGs and ESG by utilizing the PR knowledge it has nurtured so far.

In Vector SDGs PROJECT, the company set six themes: (1) SDGs/ESG PR consulting, (2) Triggering innovation through support for ventures, (3) Development of personnel who can exert progressiveness and creativity, (4) Promotion of D&I, (5) Establishment of an equal society, and (6) Contribution to the environment, which are linked to 17 sustainable development goals (SDGs) adopted at the UN Summit in 2015.

For (1) SDGs/ESG PR consulting, the company aims to make its SDGs/ESG consulting adopted by 500 companies and make its ESG scoring service adopted by 300 companies by 2025, to diffuse the necessity and initiatives of SDGs and ESG and the efforts of Vector and many other companies in the world and bring happiness to all stakeholders.

3. Fiscal Year ending February 2022 Earnings Forecasts

3-1 Earnings Forecasts

	FY 2/21	Ratio to Sales	FY 2/22 (Est.)	Ratio to Sales	YoY	Correction Rate	Progress Rate
Sales	37,273	100.0%	45,500	100.0%	+22.1%	-4.6%	48.2%
Operating Income	2,314	6.2%	4,800	10.5%	+107.4%	+20.0%	47.9%
Ordinary Income	2,797	7.5%	5,000	11.0%	+78.7%	+25.0%	42.6%
Net Income	486	1.3%	2,000	4.4%	+310.7%	+100.0%	31.1%

*Unit: million yen. The forecasted values were provided by the company.

The earnings forecasts have been revised, calling for an increase in sales and a significant rise in profit.

Considering the results in the first half, the company revised the full-year earnings forecasts, as the performance of the existing businesses can be considered to be healthy, and the investment in new businesses was smaller than initially forecasted due to concentration and selection, although there are uncertainties over the impact of the novel coronavirus pandemic, etc.

Sales are projected to grow 22.1% year on year to 45.5 billion yen, and operating income is forecast to rise 107.4% year on year to 4.8 billion yen.

The dividend forecast, too, has been revised upwardly from 4.00 yen/share to 8.00 yen/share, up 6.00 yen/share from the previous term. The expected payout ratio is 19.1%.

3-2 Outlook for each Segment

PR and advertising business

The company will support marketing activities mainly in the digital field, to achieve further growth.

The needs for advertisement displayed inside cabs remain strong amid the novel coronavirus pandemic, and are expected to remain healthy in the second half. The company started a service of displaying ads on the windows of cabs in June, and a service of displaying ads in smoking spaces in September.

BREAK, a smoking area signage media service, was launched in September 2021, in collaboration with office buildings in Tokyo. Targeting business people, it delivers video advertisements and media content suited for break times in smoking areas.



Using media signage, BREAK targets business people and delivers video advertisements and media content suited to break times in smoking areas.

Area covered

23 wards of Tokyo

Media also distributed to some other areas

No. of people reached

540,000

Monthly total

Audio

ON

Number of office buildings

50

Number of units planned to be installed by the end of September

Monitor size

55 inch

The smallest size is 32 inch

Measurement method

AI Camera

(Taken from the reference material of the company)

Direct marketing business

Its performance is expected to remain healthy, as the number of new customers will increase through the accelerated investment in advertisement from the third quarter and effective marketing will be implemented.

Media business

Annual profit is expected to be positive.

HR business

Since the term before last, the company has worked on the revision of sales strategies, the closure of less profitable facilities, and the reduction of SG&A, and since the second half of the previous term, the company has worked on the concentration on recurring-revenue products, the upgrade of its management system, and the strengthening of the management division. These structural reform efforts started paying off.

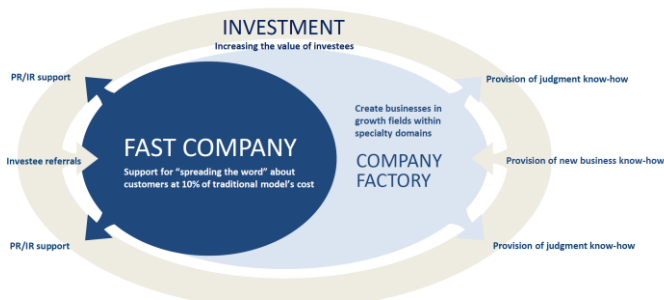
As of the previous announcement of financial results, SG&A was expected to be reduced by 800 million yen, but it is now expected to be reduced further by 300 million yen, for a total of 1.1 billion yen. Accordingly, the company thinks that it is possible to secure an operating income of 210 million yen this term.

For further growth, the company is adopting cloud computing and improving the renewal rate of operation consulting.

4. Growth and Management Strategies

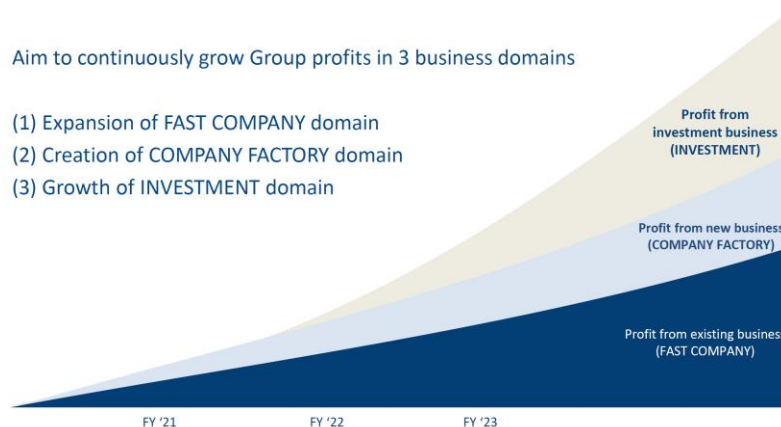
4-1 Envisioned Growth

In each segment, group companies are classified into three categories: “Fast Companies”, which strive to expand the services of existing businesses, “Company Factories”, which strive to create new businesses, and “Investments”, which strive to grow investment business. By exerting the features and competitive advantages of each business, the company aims to increase profit in a sustainable manner.



FAST COMPANY	COMPANY FACTORY	INVESTMENT
PR/Press Release/Video/Media	D2C	Investment
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.	We handle everything in-house, from product planning and production to advertising, marketing, and purchasing in a D2C business having direct contact with customers. Vitabrid C[®] → Direct Tech	In our venture company investing activities, we provide investors with support for increasing value along with PR and IR.
vector ARTIL vector INITIAL vector PLATINUM vector SIGNAL PR TIMES Smart media NT NEWS TV	Our HR business primarily provides consulting and personnel evaluation (staff solutions) to support the introduction and operation of personnel evaluation systems. HR New Business We grow service domains taking advantage of the business initiatives we have cultivated and start new businesses that leverage Group synergies and partner strengths. MEDICAL LIVER BANK PFI Tech PERFORMANCE CYBER SECURITY	vector Capital

Medium- to Long-term Profit Scenario



(Taken from the reference material of the company)

4-2 Management Strategy

(1) Direction: Fast company in the advertisement field

Vector was selected as the No. 1 PR company in Asia, according to a global survey on PR. It has set a new goal of occupying the No. 1 position in the global PR field.

The scale of the domestic PR market is expected to be 100 billion yen, but the company aims to become a fast company in the advertisement field, targeting the global advertisement market, whose scale is estimated to be 6 trillion yen, to expand its domain further.

(2) Positioning of the company

A “fast company in the advertisement field” implies that it will trigger the revolution of the advertisement industry like a fast fashion company in the apparel industry, with low cost, middle quality, and speedy business.

In addition, the company aims to become “a disrupter in the advertisement field.”

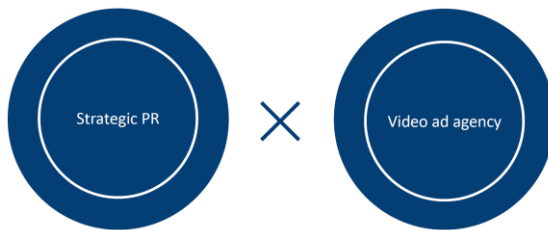
Namely, it is positioned as a player that destroys the order and business models of the existing industry, by utilizing digital technologies, including cloud computing, big data, IoT, and AI.

(3) Priority strategies

In detail, the company will accelerate growth by combining the strategic PR based on the subscription model and the functions as a video ad agency.

Priority Strategies of the “FAST COMPANY Concept” in the Advertising Industry

Accelerate growth by combining our subscription model-focused PR strategy with our function as a video ad agency.



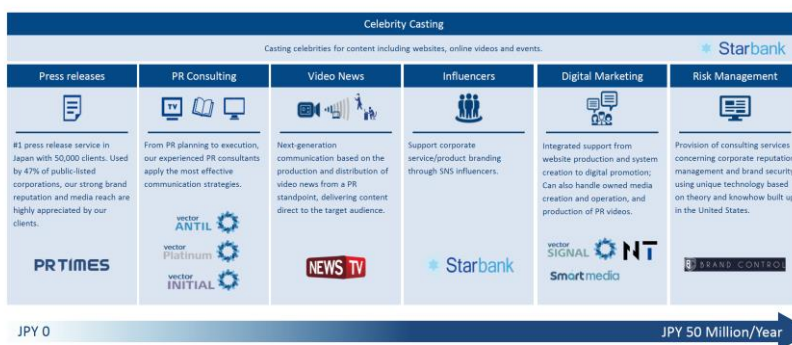
(Taken from the reference material of the company)

In addition, as a fast company, the company offers functions and solutions for distributing products at a cost of less than one tenth of the previous cost.

The company aims to develop an environment in which the services of Vector are indispensable for distributing products through advertisement and PR activities.

“FAST COMPANY” Concept

“Spreading the word” at about 10% of traditional model’s cost



(Taken from the reference material of the company)

More concrete measures for expanding the domain of services of a fast company are as follows.

① Video news

The company improves average spending per customer by combining the conventional strategic PR and the functions as a video ad agency and then cross-selling effective video news.

Previously, products were distributed with BtoBtoC methods, in which press releases are distributed via the media, products are introduced by TV programs, and reach consumers via the media.

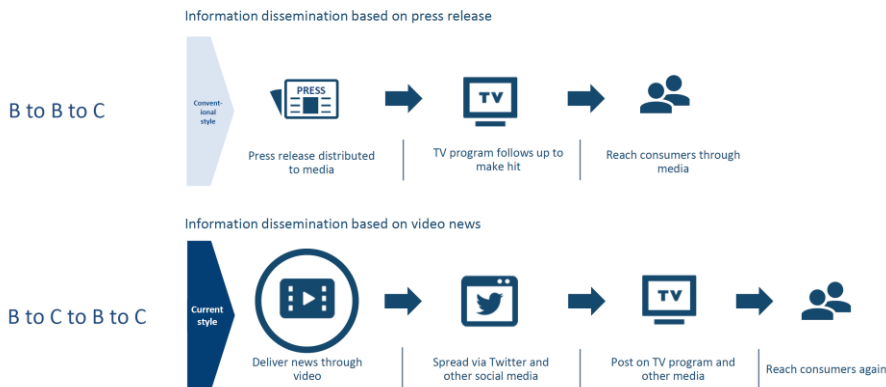
Meanwhile, Vector expects that the BtoCtoBtoC distribution structure, in which video news spreads via SNS, is covered by the media, such as TV programs, and then reach consumers again, will become mainstream. Accordingly, the company plans to implement intensive video strategies.

(Successful cases)

BLUE STAR BURGER became a hot topic of conversation before opening thanks to the distribution of video news, and was introduced in the media, including 15 TV programs. Namely, PR-oriented video content triggered the diffusion of information.

The company has also established a system for distributing video news to stakeholders all at once with the owned media based mainly on videos as a hub.

Past vs Future Information Dissemination



(Taken from the reference material of the company)

② DX

To support clients' data-driven PR activities, the company plans to develop and launch a cloud-based PR effect measurement and analysis service "PR BANK", by utilizing the digital data accumulated in the Vector Group.

By visualizing advertisement effects, it is possible to propose meticulous and effective advertisement/PR strategies to client companies. Client companies become able to conduct optimal budgetary allocation.

③ Hiromeru, an E-commerce site in the advertisement field

The company built a platform for placing an order for a PR service of the Vector Group online, to streamline its selling process. Hiromeru, which was launched in May 2021, allows clients to get to know successful cases of popularization that match them and discuss how to promote their products according to their purposes. In addition, they can consult experts via the Internet, before placing an order.

Capturing latent demand by selecting suitable methods for expansion based on extensive case studies

The screenshot displays a website interface with two main sections of case studies. The left section, titled 'タレントを起用したブランディングの事例' (Cases of Branding Using Talents), features six cards. Each card includes a thumbnail image, a brief description of the campaign, and a price range. For example, one card shows a 'No.1' campaign with a price range of '1-100万円' and another shows a '片岡美之助さん' campaign with a price range of '1-100万円'. The right section, titled 'コーポレートブランディングの事例' (Cases of Corporate Branding), also features six cards. One card shows a campaign for 'RPAをブームに1新市場の啓蒙とカテゴリーリーダーのポジションを確立した上場PR' with a price range of '1-100万円'. Another card shows a campaign for 'eGain' with a price range of '1-100万円'. The cards are arranged in a grid and include 'ASK' buttons for more information.

(Taken from the reference material of the company)

5. Interview with Chairman Nishie

We asked Chairman Nishie about the competitive advantage of the company, a message toward shareholders and investors, etc.

Q: “What would you say are the strong points, characteristics, and the competitive advantage of your company?”

The strong point or competitive advantage of our company is that we have a wide variety of infrastructure for spreading products.

Around 2007 or 2008, when we became the number one enterprise in the Japanese PR industry, I strongly felt that the tide of the times is growing more and more rapid.

As newspapers and magazines are not widely read, there is no meaning in printing advertisements in a newspaper or magazine. When I happened to go overseas at such a time, I saw PR companies doing everything over there. This may be due to the personality of the Japanese, but in Japan, video production companies only produce videos and website creation companies only create websites. PR companies take care of PR only and digital production companies are concerned with digital matters only.

After we became the number one enterprise in the PR industry, I was thinking about what should be done from there on, and I noticed that companies order PR support from us because they want to spread their products, not because they want to do PR.

That is where I thought of putting together an infrastructure for fully covering all processes related to spreading products.

Major advertising agencies could be likened to luxurious French restaurants offering a full-course dinner worth 40 thousand yen or high-end brands in the apparel field.

In contrast, we would be hamburgers among food and fast fashion in the apparel field. We are a fast company in the advertising industry, which does not need to be too creative, but can offer anything, using the power of IT which tends to be a weak point of PR companies, also shooting videos within the company, providing functions and solutions to spread products at a cost below one tenth of the conventional price.

Following the number one in Japan, we became the number one in Asia, so our next goal is the number one in the world, but we are not fixated on PR.

As the industrial structure is changing rapidly, we will help spread products targeting the 6-trillion-yen advertising industry, with our forte of drawing a comprehensive proposal.

Q: “You commented, ‘you will have to be simple to succeed’ on your company’s website. Could you please elaborate on it a little more?”

I think that Japan tends to place importance on complicated things.

When I received an advertising-related presentation some time ago, there was also a 200-page proposal, using sophisticated knowledge. However, unfortunately the formulation was so complicated that what they wanted to convey did not come across straight.

Regarding PR as well, the conventional method of appearing in a commercial, publishing a book, and printing photos on a news release is difficult to come across and it hardly results in actual sale and spread of the product.

Under these circumstances, our company currently focuses efforts on video news.

I think that instead of BtoBtoC information dissemination, where a press release is distributed via the media, TV shows introduce it afterward, and then it is brought to consumers through the media, the dissemination structure of BtoCtoBtoC will become mainstream from now on.

In other words, when a 1- or 2-minute video is taken and broadcasted as news, an individual consumer who has watched it spreads it on social networks, from where it is published on the media, and again reaches consumers.

There have been many successful cases where a video was published on numerous media through social networks and gained attention.

This is just a simple method, where the source is a 1-minute video, little time is required for the dissemination through social networks and the only cost is that of taking the video.

This is exactly a solution for spreading products our company offers as a fast company.

Video News Success Case

Owing to the distribution of "video news," BLUE STAR BURGER created a stir even before it opened. The video was covered by various media, including 15 TV programs. This reflects an age of distributing video content from a PR standpoint.



Key message: Tomoyoshi Nishiyama's biggest challenge of his life as a restaurateur



An effective appeal to the target audience with a 2-minute video news production

(Taken from the reference material of the company)

Q: "Lastly, could you give a message toward shareholders and investors?"

As I mentioned, the structure of the advertising industry has significantly been changing.

Amid such a situation, only our company possesses infrastructure for spreading products not in a conventional way, but in a completely new way, that is, a seamless way.

As a fast company in the advertising industry, we will enter the advertising market with a scale of 6 trillion yen, but the scale of our company's sales is mere 50 billion yen.

Please do anticipate the possibilities of our great growth from now on.

6. Conclusions

In the website of Vector, the Chairman Nishie commented, “you will have to be simple to succeed.”

One of their concrete activities is video news.

It became difficult to sell and distribute products with conventional BtoBtoC methods, in which products are first advertised in TV commercials, published books, and photos attached to news releases, then the products are introduced by TV programs and reach consumers via the media. Meanwhile, Vector expects that the BtoCtoBtoC distribution structure, in which a 1 or 2-minute video is produced and distributed as news, individual consumers who have watched the video popularize products via SNS, the products are covered by the media, and then reach consumers again, will become mainstream. There have been already many successful cases.

The source is a 1-minute video, the popularization via SNS does not take time, and the cost is only for shooting a video. Such a simple method is a solution that characterizes Vector, which is a fast company in the advertisement field.

In addition, JOBTV for New Graduates, which was introduced in “Topics,” is an example of simplification of recruitment and employment activities, which are cumbersome and complex for both enterprises and students, with videos.

We would like to pay attention to their unprecedented ideas and the activities, business progress, and results of Vector, which aims to become No. 1 in the world based on a broad range of infrastructure for distributing products.

<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors and auditors

Organization type	Company with auditors
Directors	9 directors, including 5 outside ones
Auditors	3 directors, including 2 outside ones

◎Corporate Governance Report

Updated on December 15, 2021

<Basic Policy>

Our company recognizes being thorough with corporate governance is the most important issue, from the viewpoint that it is indispensable to increase the efficiency and soundness of business administration and develop a fair and highly transparent management system, to achieve stable corporate growth and advance amid the rapidly changing business environment.

In addition, we will upgrade our system for improving the effectiveness of corporate governance, according to changes in the social environment and the enforcement of laws, regulations, etc.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code>

The reasons for non-compliance with the principles of the corporate governance code revised in June 2021 are described below.

【Principle 1-2. Exercise of rights at a general meeting of shareholders】

Supplementary Principle 1-2 ②

Our company makes efforts to dispatch convocation notices for general meetings of shareholders as soon as possible while securing the accuracy of the information mentioned in the notices. For the annual meeting of shareholders held in May 2021, we made an announcement in our website and TDnet prior to the dispatch of convocation notices. We will make continuous efforts to speed up dispatching convocation notices and making electronic announcements that shareholders can ponder matters to be discussed at a general meeting of shareholders to a sufficient degree.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

The information regarding the principles of the corporate governance code revised in June 2021 is described below.

Principles	Disclosure contents
【Principle 1-4. Strategically held shares】	When our company acquires securities, including shares, the board of directors, the investment committee, or the like deliberate it according to investment scale in accordance with “the regulations on investment management,” “the regulations on authority,” etc. while discussing whether it would contribute to the mid/long-term improvement in our corporate value. After the acquisition, it will be reported to the board of directors regularly. When exercising voting rights for the shares we hold, we discuss each proposal in detail while comprehensively checking whether the exercise of voting rights would contribute to the improvement of the corporate value of the share-issuing company and our company. As of the last update date of this report, our company does not hold any listed shares as strategically held shares that fall under the so-called “cross-held” shares.
【 Principle 2-4. Securing of diversity inside the company including the empowerment of women, etc.】 Supplementary Principle 2-4 ①	Our company considers that the securing of diversity of core personnel would contribute to the mid/long-term improvement in corporate value, and is recruiting and training personnel while eliminating all kinds of discrimination. To secure diversity, we are working on the development of an employment system for actualizing a comfortable working environment

	<p>for women. Accordingly, the ratio of female employees exceeds 50% in many group companies, and many women are flourishing as managers. We will keep aiming to secure the diversity of core personnel and strive to secure diversity from other aspects, including non-Japanese employees and mid-career workers, while maintaining the current level of services.</p>
<p>【 Supplementary Principle 3-1 ③ . Disclosure regarding sustainability】</p>	<p>Our company launched Vector SDGs PROJECT in October 2021, specified concrete actions, etc. for solving social issues, and disclosed their outline in our website.</p> <p>Regarding the investment in human capital and intellectual property, etc., we put importance on the investment in human capital, which is a major growth driver of our corporate group, and are developing a comfortable working environment through the development of personnel by improving training programs, the upgrade of in-house systems, etc.</p> <p>For measures against climate change, we are currently collecting and analyzing data for climate change scenario analysis. By June 2022, we will analyze the effects of the risk of climate change and earning opportunities on our business activities, revenues, and financial plans, set mid/long-term goals for coping with climate change, and disclose them in accordance with TCFD or an equivalent framework.</p>
<p>Principle 5-1 【Policy for constructive dialogue with shareholders】</p>	<p>Our company recognizes the business administration department as a section in charge of IR for promoting constructive dialogue with investors, including shareholders, and strives to communicate with investors, including shareholders, in a constructive manner, based on the organic cooperation among the divisions of our corporate group.</p> <p>We reply positively to requests for dialogue from shareholders and investors, and hold online meetings with investors inside and outside Japan when necessary. Furthermore, we produce reference material for briefing quarterly financial results and disclose it in TDnet and our website, to distribute more practical information.</p> <p>We report the opinions of shareholders, investors, analysts, and others we have received through IR activities, etc. to executives and the board of directors when necessary.</p>

This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

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