

 <p>Keiji Nishie Representative Director, Chairperson, and President</p>	VECTOR INC. (6058)
	

Company Information

Marketing	TSE Prime Market
Industry	Service
President	Keiji Nishie
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
1,064 円	47,936,100 株		51,004 百万円	17.1%	100 株
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
18.00 円	1.7%	62.93 円	16.9 倍	259.44 円	4.1 倍

*The share price is the closing price on October 25. Share outstanding, DPS, EPS and BPS were taken from the financial results for the second quarter of the term ending February 2023. ROE is based on the actual results of the previous term.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Actual)	47,351	5,248	5,201	2,071	43.46	13.00
Feb. 2023 (Forecast)	53,100	6,200	6,100	3,000	62.93	18.00

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

This Bridge Report reviews on the outlook of Vector Inc.'s earnings results for the second quarter of the fiscal year ending February 2023.

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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 2023 were 26,672 million yen, up 21.1% year on year. The PR and advertising business, the press release distribution business, the direct marketing business, and the investment business showed a double-digit sales growth (in terms of sales to external customers). Operating income rose 61.6% year on year to 3,383 million yen. In addition to the growth of the PR and advertising business, the recovery of the HR business contributed. The gain on sale of shares owned in the investment business, too, contributed significantly. Both sales and profit exceeded the forecast, as the domestic PR business performed well, profit was posted through the sale of some shares owned in the investment business, and the payment of advertisement costs in the press release distribution business was postponed until the second half of the term.
- The results in the first half of the term exceeded the forecast considerably, but in the second half, shares are not expected to be sold in the investment business and the company plans to accelerate investment in new business, etc. although the PR and advertising business, which is the mainstay, is projected to be healthy, so the full-year earnings forecast for the term ending February 2023 has been left unchanged. Sales are expected to rise 12.1% year on year to 53.1 billion yen, and operating income is projected to grow 18.1% year on year to 6.2 billion yen. It is assumed that the impact of the coronavirus pandemic will be unchanged from the previous term. The forecast dividend is 18.00 yen/share, up 5.00 yen/share from the previous term. The expected payout ratio is 28.6%.
- The progress rate in the first half is 50.2% for sales and 54.6% for operating income, exceeding the average values. The full-year earnings forecast has not been revised, but we would like to pay attention to how much they can increase sales and profit, as the impact of the pandemic on the PR and advertising business, which is their core business, is expected to weaken and the users of “PR TIMES” in the press release distribution business are increasing steadily. In addition, we would like to keep an eye on the progress of their measures for becoming a fast company in the advertisement industry while targeting the advertisement market, whose scale is estimated to be 6 trillion yen, with the goal of occupying “the global No.1 position in the PR industry.”

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 Representative Director, Chairperson, and President) 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. In April 2022, the company got listed on the TSE Prime Market.

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.

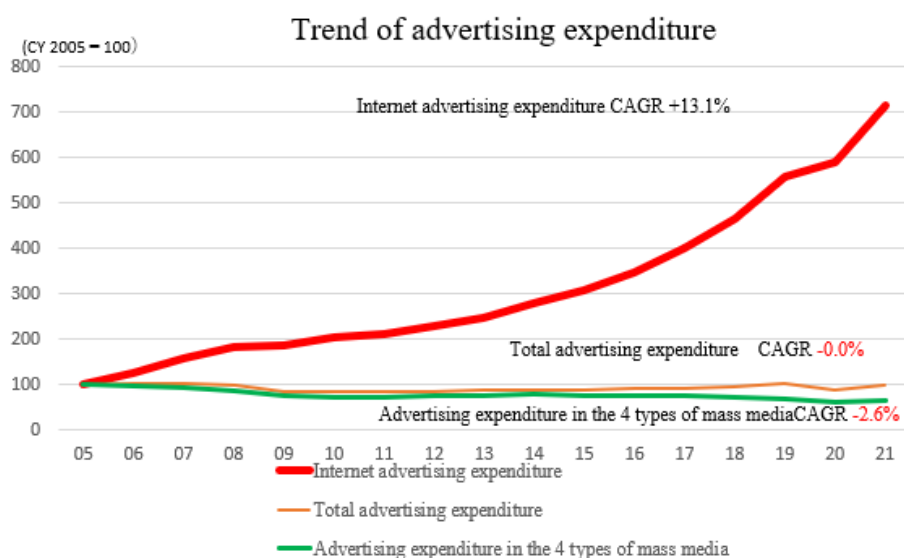
Become Professional	To become a professional in this industry, one must be incredibly well versed in all its intricacies. Recognize the way you are, have strong confidence, apply yourself diligently each day, contribute to customers, and by doing so control the industry. That’s what being professional 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.
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 Advertising Expenditures in Japan in 2021 (Dentsu Inc.), total advertising expenditures in Japan in 2021 (January-December) recovered significantly to 6,799.8 billion yen, up 10.4% from the previous year, due to the strong growth of Internet advertising expenditures amid the ongoing digitization of society, in addition to the easing of the impact of the novel coronavirus in the second half of the year. While advertising expenditures in the four mass media (newspapers, magazines, radio, and television) increased 8.9% year on year, Internet advertising expenditures grew significantly by 21.4% year on year, exceeding advertising expenditures in the four mass media for the first time since 1996. 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.



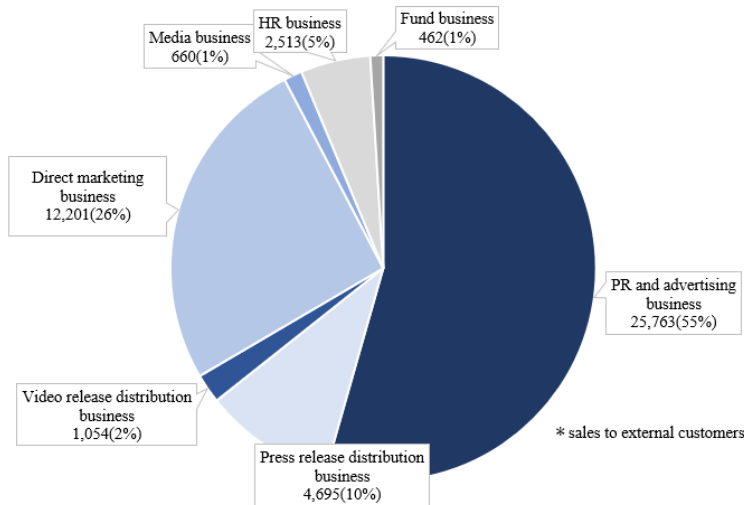
(Produced by Investment Bridge)

1-4 Business Description

The company engages in PR and advertising, press release distribution, video release distribution, and media CMS 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 investment 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 2/22, unit: million yen)



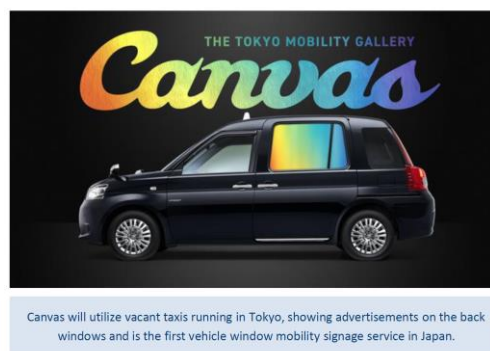
(Produced by Investment Bridge)

The group consists of 42 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.

From FY23/2 the fund business was renamed to the "investment business" in conjunction with the commercialization of investments made in the investment venture business, and the media business will be renamed as the "media CMS business" to better reflect the actual business situation.

(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.



(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 72,000 making it the No. 1 platform in Japan, used by 51% of listed companies.

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Japan's No. 1 press release distribution platform PR TIMES
 More than 72,000 user companies, used by 51% of listed companies



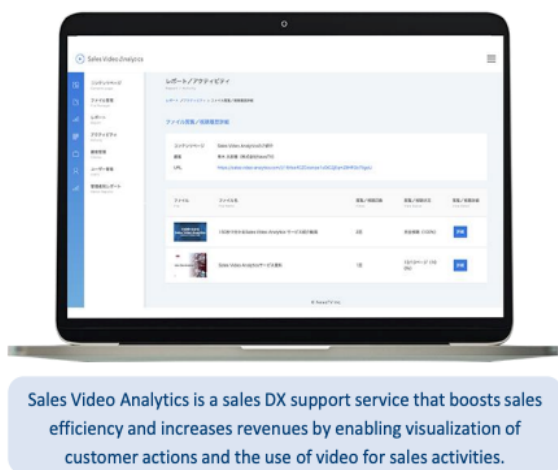
(Taken from the reference material of the company)

(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.

The company has produced and distributed a cumulative total of more than 3,500 videos since the service was launched in 2015.

Capturing the change in communication methods due to the impact of the novel coronavirus, the company has developed a new video-based service, Sales Video Analytics, which it began offering in January 2022. Sales Video Analytics is the first SaaS model product that uses the power of video and data for DX in sales activities.



01 Free-of-charge video production

Production of free movies (two per year) that present sales material and features for in-house services as well as success cases of companies that introduced the product



02 Customer landing page production

Landing pages for customers can be created. Video and sales materials can be included on the landing page.



03 Viewing log

Possible to acquire data such as the number of landing page views, date and time of views, and the number of seconds videos are watched for.



04 "Thank you" video function

Function for using "thank you" videos when communicating with customers that allows videos to be displayed in emails



(Taken from the reference material of the company)

(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. The company offers the "Vitabrid C" series, which is one of their core products, and the cumulative sales volume exceeds 11 million items.

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

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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 11.15 million.



The only powder in the world that releases Vitamin C over 12 hours. We will develop skin-beautifying cosmetics, hair growth accelerators, and foods with functional claims.



(Taken from the reference material of the company)

(5) Media CMS 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.

The company is focusing on SaaS-type CMS sales in anticipation of future growth.

(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) Investment 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. In addition, by transforming invested firms into subsidiaries, the company will back up their capital aspects and accelerate their growth, with the aim of conducting an IPO early and earning profit on sale.

Twenty-eight companies, including PR TIMES and its subsidiaries, have gone public so far.

Solid Track Record of Investment in Growth Fields



(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 42 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.

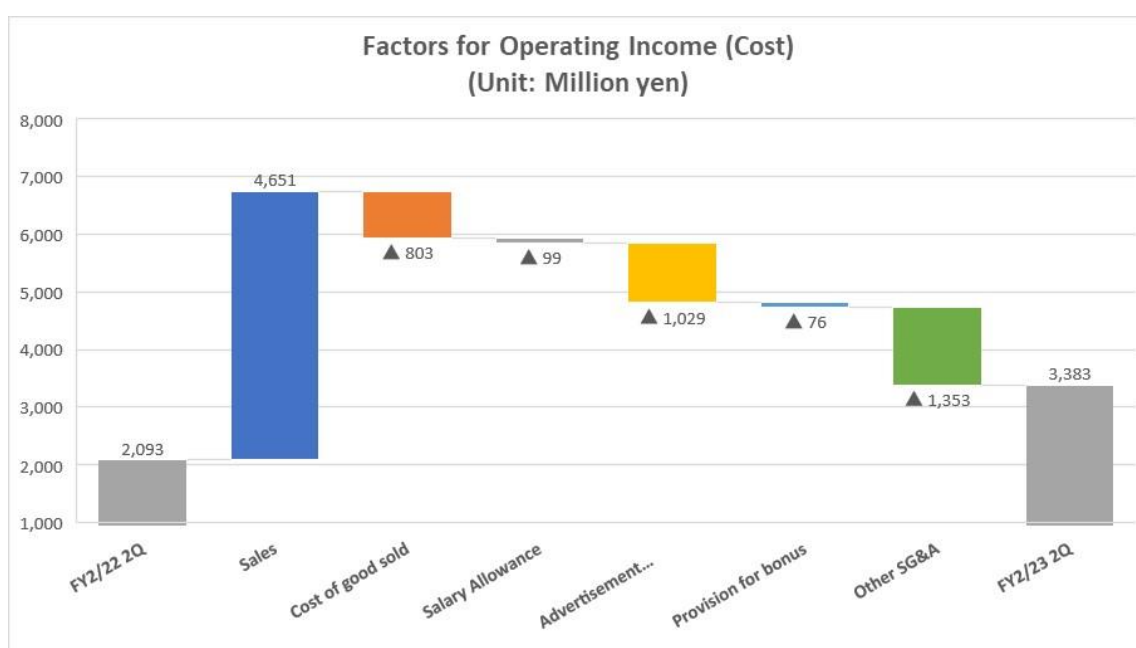
Another of the company's strong competitive advantages is its ability to propose and provide advertising and PR methods that match the needs of companies and the characteristics of their products and services, based on accurate consulting.

2. Second Quarter of the Fiscal Year ending February 2023 Earnings Results

2-1 Business Results

	2Q FY 2/22	Ratio to Sales	2Q FY 2/23	Ratio to Sales	YoY	Ratio to Revised Forecast
Sales	22,021	100.0%	26,672	100.0%	+21.1%	+7.2%
Gross Profit	13,865	63.0%	17,712	66.4%	+27.7%	-
SG&A	11,771	53.5%	14,328	53.7%	+21.7%	-
Operating Income	2,093	9.5%	3,383	12.7%	+61.6%	+63.5%
Ordinary Income	2,132	9.7%	3,507	13.1%	+64.5%	+73.7%
Quarterly Net Income	622	2.8%	1,918	7.2%	+208.3%	+113.2%

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



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

*▲ of expense account indicates that the expense has increased.

BRIDGE REPORT

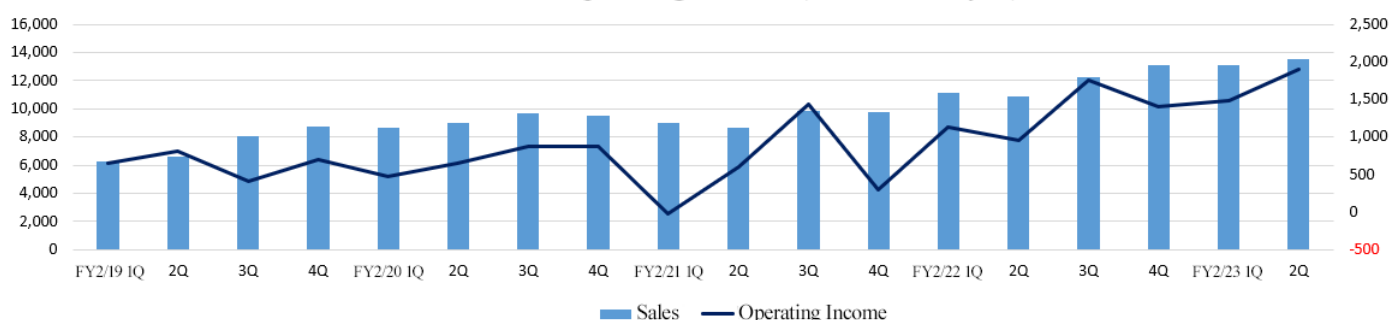
**Sales increased, exceeded expectations**

Sales increased 21.1% year on year to 26,672 million yen. The PR and advertising business, the press release distribution business, direct marketing business and investment business achieved double-digit sales growth (in terms of sales to external customers).

Operating income rose 61.6% year on year to 3,383 million yen. The growth of the PR and advertising business, the recovery of the HR business contributed. Gains on sales of shares held in the investment business also contributed significantly.

Both sales and income exceeded expectations, as the domestic PR business performed well, profit was posted through the sale of some shares owned in the investment business, and the payment of advertisement cost in the press release distribution business was postponed until the second half of the term.

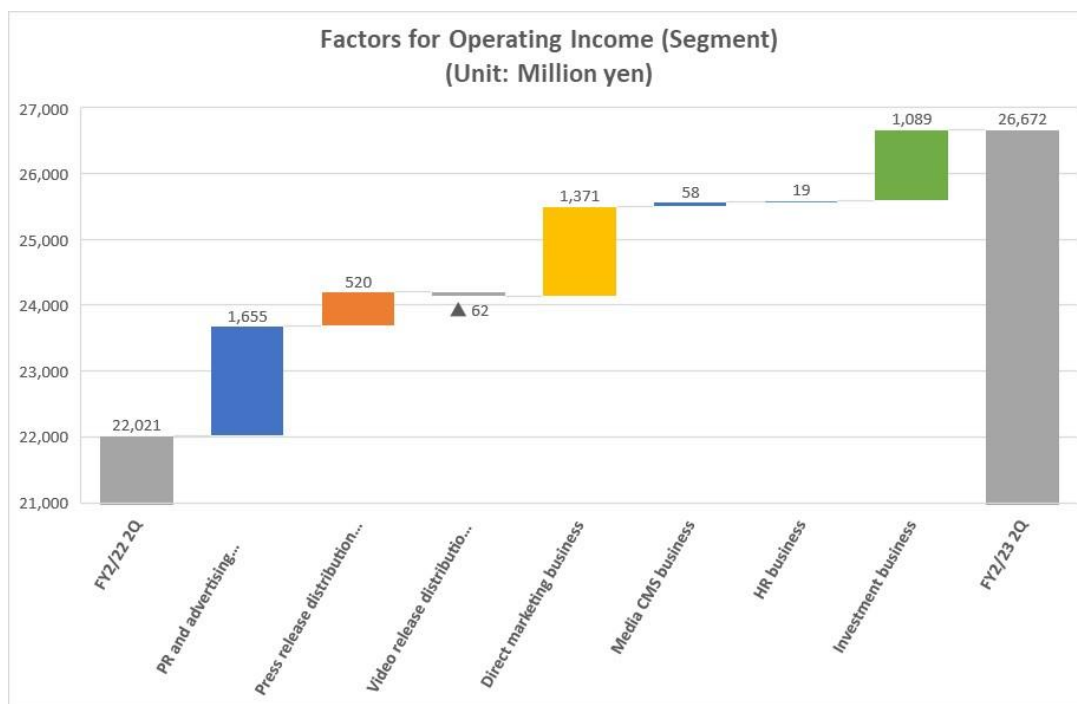
Trend of Sales/Operating Income (unit: million yen)

**2-2 Trend by Segments**

	2Q FY 2/22	Compositi on Ratio	2Q FY 2/23	Composition Ratio	YoY
Sales					
PR and advertising business	11,727	53.3%	13,382	50.2%	+14.1%
Press release distribution business	2,218	10.1%	2,738	10.3%	+23.4%
Video release distribution business	573	2.6%	511	1.9%	-10.8%
Direct marketing business	5,772	26.2%	7,143	26.8%	+23.8%
Media CMS business	313	1.4%	371	1.4%	+18.5%
HR business	1,224	5.6%	1,243	4.7%	+1.6%
Investment business	191	0.9%	1,280	4.8%	+570.2%
Total	22,021	100.0%	26,672	100.0%	+21.1%
Profit of each segment					
PR and advertising business	808	6.9%	1,369	10.2%	+69.4%
Press release distribution business	897	40.4%	916	33.5%	+2.1%
Video release distribution business	16	2.8%	-46	-	-
Direct marketing business	559	9.7%	-86	-	-
Media CMS business	-22	-	-8	-	-
HR business	-46	-	237	19.1%	-
Investment business	-119	-	990	77.3%	-
Adjustment	0	-	11	-	-
Total	2,093	9.5%	3,383	12.7%	+61.6%

* Unit: million yen

* The following sales increase/decrease refers to sales to external customers.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

(1) PR and advertising business

Sales and Profit grew

As the company implemented marketing measures while grasping the needs of the times, such as services in the digital field, the domestic business contributed to their overall performance, although the overseas business was affected by the novel coronavirus. As a result, the sales and operating income in the first half hit a record high.

(2) Press release distribution business

Sales and profit rose.

The company's platform was used by many enterprises as infrastructure, and the number of enterprises using the platform exceeded 72,000 in August 2022. Sales hit a record high in the first half.

(3) Video release distribution business

Sales dropped, and a loss was recorded.

The company concentrated on the increase of prospective customers, in order to increase transactions from the third quarter. As a result, the number of video releases declined from the first quarter, but the average spending per video increased thanks to the enhanced activities of giving proposals to customers.

(4) Direct marketing business

Sales grew and a loss was recorded.

Since the company has invested in advertisement since the beginning of the term, it was able to have a larger number of customers than planned, so "Terminalia First," a food product with function claims, sold well, and sales hit a record high in the first half.

(5) Media CMS business

Sales grew, and loss shrank.

In order to establish a robust revenue base that will not be swayed by the external environment, the company throttled down the activities for making new collaborative transactions that contribute to the revenues from ads in their web media and transferred the personnel of the media business to the owned media business, to fortify the system of the owned media business, and invested in development for strengthening the functions of CMS.

(6) HR business

Sales grew, and profit turned positive.

Delivery of consulting projects decreased due to seasonal factors, but sales of SaaS-type products were favorable.

(7) Investment business

Sales rose, and profit turned positive.

A loss from valuation was posted in some invested firms, but the company sold some shares and posted a gain on sale, which contributed to the growth of sales and operating income.

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

	End of February 2022	End of August 2022	Increase/ decrease		End of February 2022	End of August 2022	Increase/ decrease
Current Assets	26,317	26,735	+418	Current Liabilities	10,820	13,312	+2,492
Cash and equivalents	13,522	12,249	-1,273	Accounts Payable	1,827	2,100	+273
Accounts Receivable	6,090	6,410	+320	ST Interest Bearing Liabilities	2,084	4,451	+2,367
Noncurrent Assets	5,257	5,236	-21	Noncurrent Liabilities	4,576	3,521	-1,055
Tangible Assets	972	1,042	+70	LT Interest Bearing Liabilities	3,631	2,501	-1,130
Intangible Assets	1,077	1,097	+20	Total Liabilities	15,397	16,834	+1,437
Investments and Other Assets	3,207	3,096	-111	Net Assets	16,178	15,137	-1,041
Total Assets	31,575	31,972	+397	Retained Earnings	7,076	7,175	+99
				Total Liabilities and Net Assets	31,575	31,972	+397

*Unit: million yen.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

Total assets grew 397 million yen from the end of the previous term, due to the increases in accounts receivable, etc.

Liabilities augmented 1,437 million yen, due to the rise in ST interest bearing liabilities, etc.

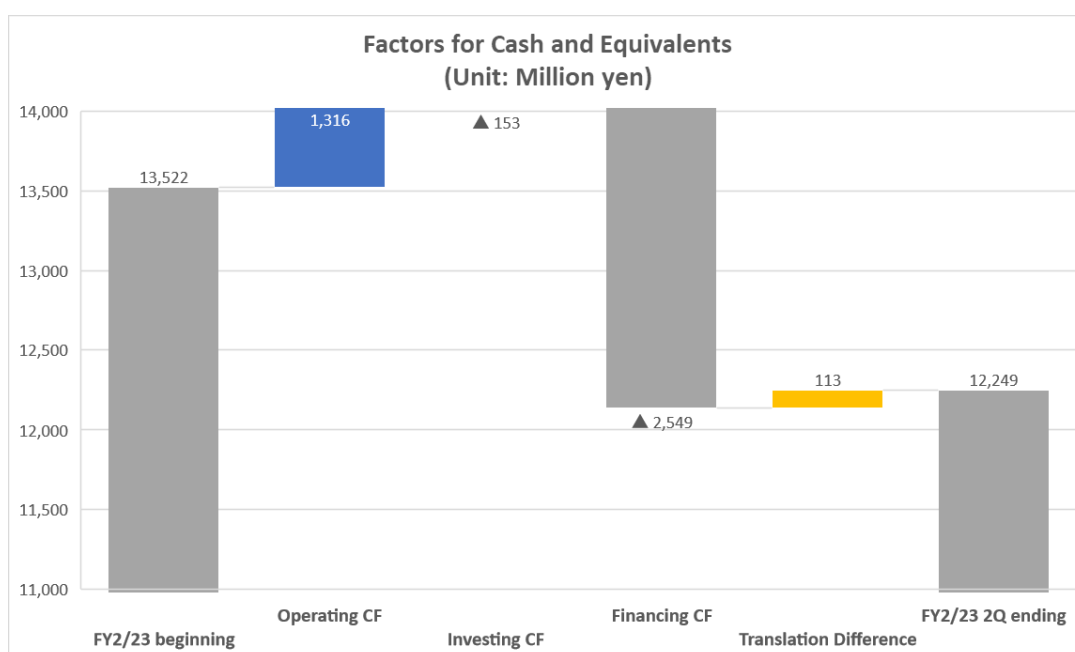
Net assets decreased by 1,041 million yen from the end of the previous term.

Capital-to-asset ratio decreased 0.5 points from the end of the previous term to 38.7%.

◎Cash Flows

	2Q FY 2/22	2Q FY 2/23	Increase/decrease
Operating CF	1,670	1,316	-354
Investing CF	-963	-153	+810
Free CF	707	1,163	+456
Financing CF	0	-2,549	-2,549
Cash and Equivalents	11,588	12,249	+661

*Unit: million yen.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

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

2-4 Topics

◎Progress of development of the job matching platform “JOBTV”

JOBTV, which completes the entrance to the job-hunting/recruiting process through video, is a service that solves problems faced by both job seekers and companies, utilizing video as the gateway to the recruiting process to achieve speedy matching.

In the job-hunting/recruiting process, job seekers have voiced concerns that “it is difficult to convey one’s true value through documents alone” and “it takes time and money to go to information sessions and interviews,” while companies have voiced concerns that “it is difficult to understand an applicant’s personality until the actual interview” and “it takes time from recruiting to hiring.” With JOBTV, both job seekers and companies upload videos. Job seekers can easily search for company information videos with a design similar to that of major video streaming sites. The companies can also reduce mismatches by confirming their impressions of applicants based on the self-promotion videos uploaded by job seekers.

Since the service was launched in November 2021, more than 1,000 companies have participated.

The number of registered students exceeded 80,000, thanks to their efforts to popularize it among students and the exposure to the media, such as TV.

Utilizing the PR know-how, it has accumulated over the years, the company intends to help revitalize the job hunting market by efficiently and clearly communicating the potential and value of companies and job seekers to better match job seekers with companies.



(Taken from the reference material of the company)

3. Fiscal Year ending February 2023 Earnings Forecasts

3-1 Earnings Forecasts

	FY 2/22	Ratio to Sales	FY 2/23(Est.)	Ratio to Sales	YoY	Progress rate
Sales	47,351	100.0%	53,100	100.0%	+12.1%	50.2%
Operating Income	5,248	11.1%	6,200	11.7%	+18.1%	54.6%
Ordinary Income	5,201	11.0%	6,100	11.5%	+17.3%	57.5%
Net Income	2,071	4.4%	3,000	5.6%	+44.9%	64.0%

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

No change in earning forecast, Sales and profit grew

The results in the first half of the term exceeded the forecast considerably, but in the second half, shares are not expected to be sold in the investment business and the company plans to accelerate investment in new business, etc. although the PR and advertising business, which is the mainstay, is projected to be healthy, so the full-year earnings forecast for the term ending February 2023 has been left unchanged.

Sales are expected to rise 12.1% year on year to 53.1 billion yen, and operating income is projected to grow 18.1% year on year to 6.2 billion yen. It is assumed that the impact of the coronavirus pandemic will be unchanged from the previous term.

The forecast dividend is 18.00 yen/share, up 5.00 yen/share from the previous term. The expected payout ratio is 28.6%.

3-2 Outlook for each Segment

The video release business, the direct marketing business, and the media CMS business were in the red in the first half of the term, but in line with the forecast, and are expected to achieve the forecast performance in the second half.

For the investment business, the effects of the sale of shares are not assumed, and a write-down is forecast in a conservative manner, so actual results are projected to be as forecast.

PR and advertising business

The company aims to increase the number of retainer contracts, which is the basis of earnings, and increase average spending per customer through cross-selling.

Targeting 1,000 retainer contracts this term, the company will strengthen customer engagement. For the term ending February 2026, the company aims for 1,750 contracts.

In the second half, the overseas business is expected to recover, as the impact of the novel coronavirus will subside, but it will be covered by the domestic business.

The company will strive to enrich its services, such as ads via tablets installed in taxicabs, by installing new large-screen tablets for advertisement, to satisfy the strong clients' willingness to post ads, with the aim of expanding sales.

Press release distribution business

Aggressive investments will be made to expand new businesses, including PR TIMES, to achieve further growth.

The company plans to make sales of 5,950 million yen (up 22.6% year on year) and an operating income of 1.6 billion yen (down 12.8% year on year). The company positions this as a phase of upfront investment.

The company plans to spend approximately 1.2 billion yen, 3.5 times the amount in the previous term, on advertising to increase the number of users of PR TIMES and other services, as well as 200 million yen to expand PR TIMES into the U.S.

Video release distribution business

The company will upgrade the new service “Sales Video Analytics” and strive to receive more orders by increasing prospective customers in the second half, with the aim of earning profit in the full year.

By training sales personnel, the company will strengthen its ability to make proposals that draw out customer needs, thereby expanding its customer base and improving the average spending per customer.

In the term ending February 2026, in addition to video release, the company aims to expand Sales Video Analytics and achieve an operating income of 500 million yen.

Direct marketing business

In the second half, the company will continue the investment in advertisement, and secure an operating income of 835 million yen.

Media CMS business

In the second half, too, the company will enhance the sale of owned media while continuously enhancing the functions of CMS, with the aim of earning profit for the full year.

HR business

The company aims for an operating income of 350 million yen while making investments to strengthen sales and functions of SaaS-type products.

In the term ending February 2026, the company aims to expand this to 648 million yen by building up recurring earnings.

Investment business

In the second half, the sale of shares they own is not expected.

(Profit Plan by Segment)

	FY2/22	FY2/23 (Est.)	YoY	Progress rate
PR and advertising business	2,125	2,634	+23.9%	52.0%
Press release distribution business	1,834	1,600	-12.8%	57.3%
Video release distribution business	-72	50	-	-
Direct marketing business	774	835	+7.7%	-
Media CMS business	-22	51	-	-
HR business	236	350	+48.1%	68.0%
Investment business	376	680	+80.7%	145.7%
Consolidated	5,248	6,200	+18.1%	54.6%

*Unit: million yen.

4. Medium-term Profit Plan

4-1 Profit Plan

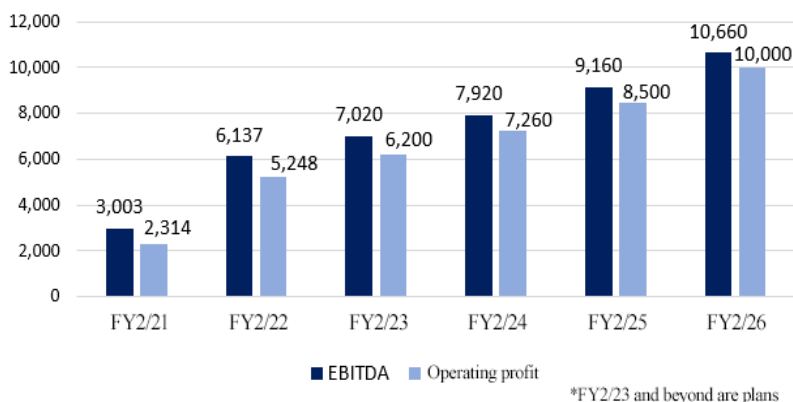
Forecasts for EBITDA and operating income until the term ending February 2026 are as follows. Neither of them includes stock compensation expenses.

They will be updated, when necessary, based on future market conditions and actual results.

The company aims to make continuous improvements to achieve an ROE of 22%.

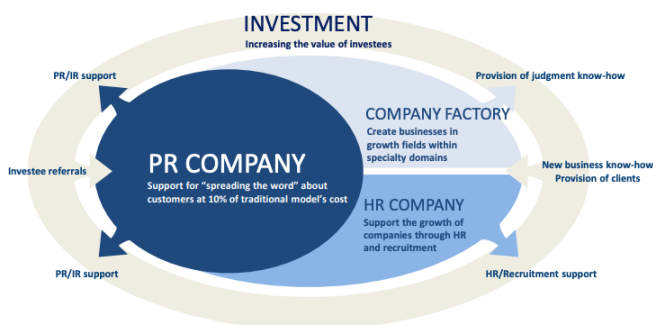
The company will return profit to shareholders with a payout ratio of around 30%.

Transition of EBITDA and operating profit (unit: million yen)



4-2 Vector Group Business Concept Chart

The company aims to support the growth of client companies through the four areas of PR COMPANY, which aims to help companies promote their products, HR COMPANY, which provides support in the areas of human resources and recruitment, COMPANY FACTORY, which creates new businesses, and INVESTMENT, which grows investment business, with the aim of achieving a continuous expansion of the corporate group.



PR COMPANY	COMPANY FACTORY	HR COMPANY	INVESTMENT
PR/Press Release/Video/Digital Marketing	D2C	Personnel Evaluation	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 through direct contact with customers.	Our HR Business primarily provides consulting and personnel evaluation cloud solutions to support the introduction and operation of personnel evaluation systems.	In our venture company investing activities, we provide investors with support for increasing value along with IP and R&D.
	New Business	Recruitment Support	
	We grow service domains taking advantage of the business know-how we have cultivated and start new businesses that leverage Group synergies and partner strengths.	We provide a service that enables job seekers and companies to utilize video in the initial recruitment process, solving issues that both parties face and achieving speedy matching.	

(Taken from the reference material of the company)

5. Management Strategies

① Vision and ideal state

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.

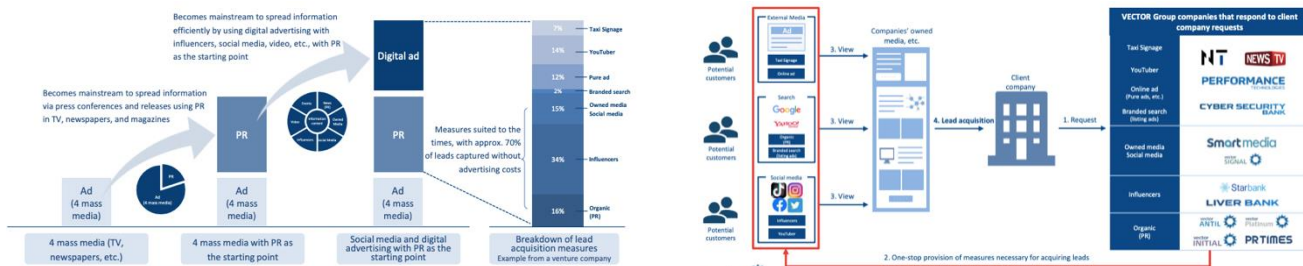
The scale of the domestic PR market is expected to be 100 billion yen, but the company aims to become a fast company in the advertisement field, targeting the global advertisement market, whose scale is estimated to be 6 trillion yen, to expand its domain further.

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.

The company's vision is to "spread good products to the world and make people happy," and it believes that the current era is one in which PR is the starting point for efficiently spreading products through the use of digital advertising, and that they are the only company that can provide a one-stop solution for the measures necessary to acquire prospective client companies. Another of the company's strengths as a fast company is its ability to provide marketing initiatives that are appropriate for the times at less than one-tenth the cost of conventional marketing initiatives.



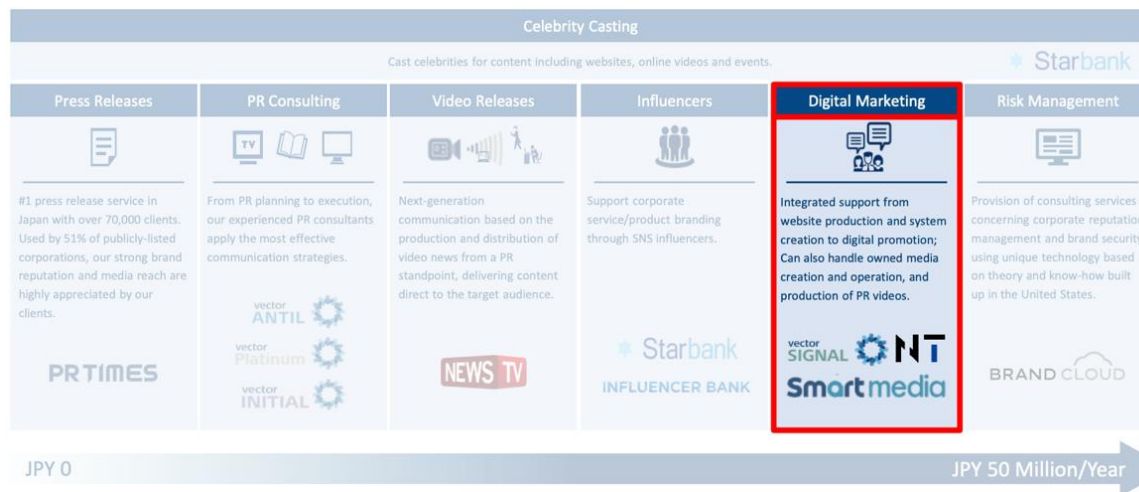
(Taken from the reference material of the company)

② Priority items

The company believe that the key areas of focus for strengthening the foundation of the "fast company" concept are 1. M&A, 2.VC × PR.

1.M&A

In order to support each client's marketing strategy in a comprehensive manner, the company will accelerate M&A and expand the digital marketing domain, which will become more important.



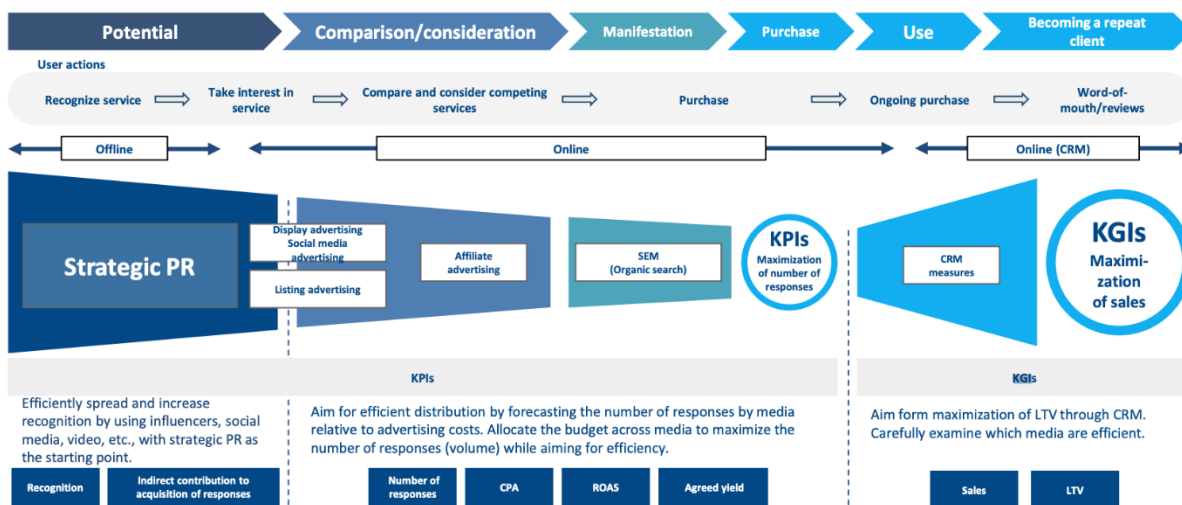
(Taken from the reference material of the company)

Taking over the digital advertisement business from Terminal Inc.

In September 2022, the company acquired the digital advertisement business, which excels at designing strategies, from Terminal Inc. at a price of 1.1 billion yen.

As its forte, Terminal Inc. possesses the experience and know-how for operating its services in the digital advertisement business, and can give proposals for long-term sustainable projects from each client's viewpoint.

Through the acquisition of this business, Vector became able to not only strengthen digital advertisement, but also provide digital measures for maximizing sales based on strategic PR.



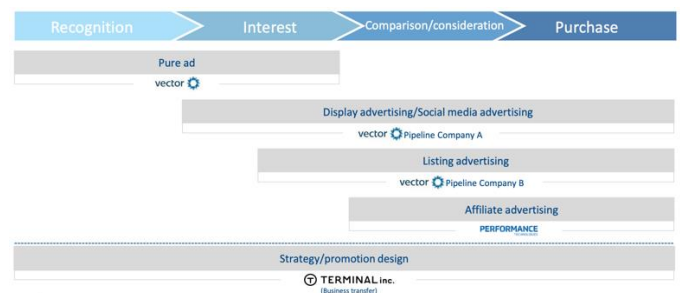
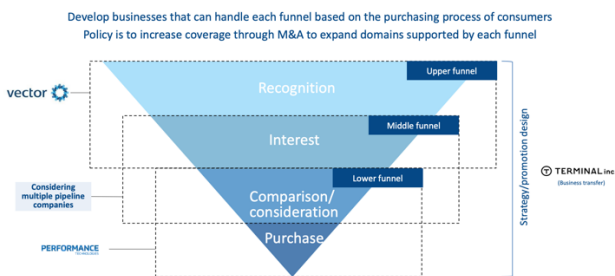
(Taken from the reference material of the company)

Expansion of the digital marketing domain

Considering the purchase process of consumers, the company will develop a business portfolio for covering respective marketing funnels*.

They will expand the coverage of each marketing funnel through M&A.

In addition, the company will expand the digital marketing domain, in order to establish a system for designing digital advertisement and promotional measures, supporting processes from popularization to purchase in a one-stop manner.



(Taken from the reference material of the company)

*Marketing funnel

It means a schematic diagram of customers' phases from recognition to purchase of products. Customers first recognize the name of a product, become interested in the product, think of purchasing it, and then actually purchase it. The number of customers in these processes can be expressed by a funnel, which is a tool shaped like an inverted triangular mortar. Accordingly, this is used as a marketing term.

Basic policies for M&A

Under the following basic policies, Vector plans to enhance the "fast company" concept, actively promote M&A, which is expected to generate synergy with the core business, accelerate organic growth through effective M&A, and aim to achieve 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

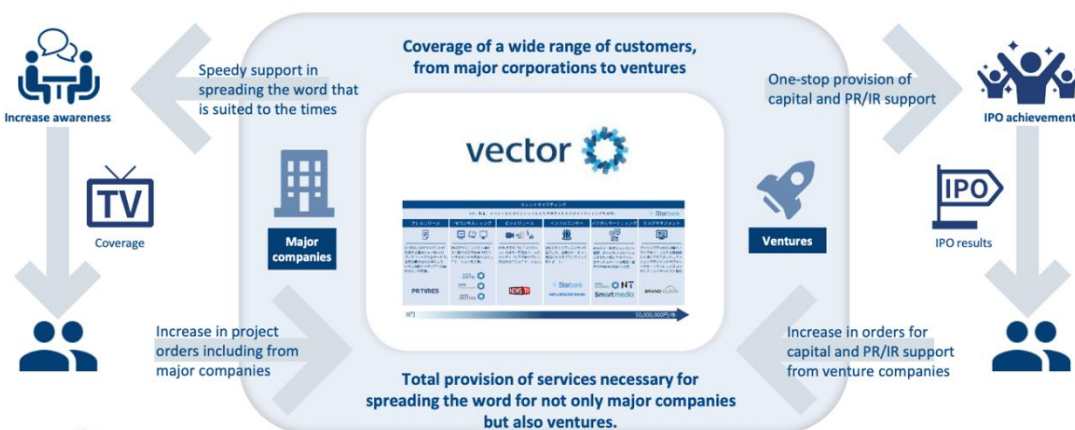
(Taken from the reference material of the company)

2. VC x PR: VC that can provide both investment and PR support

The company seeks to maximize the leverage effect of investment by providing PR and IR support, rather than only the financial support provided by conventional VC.

A total of 28 IPOs has been completed.

The company will increase customers, by covering not only leading companies, which are major clients, but also venture firms.

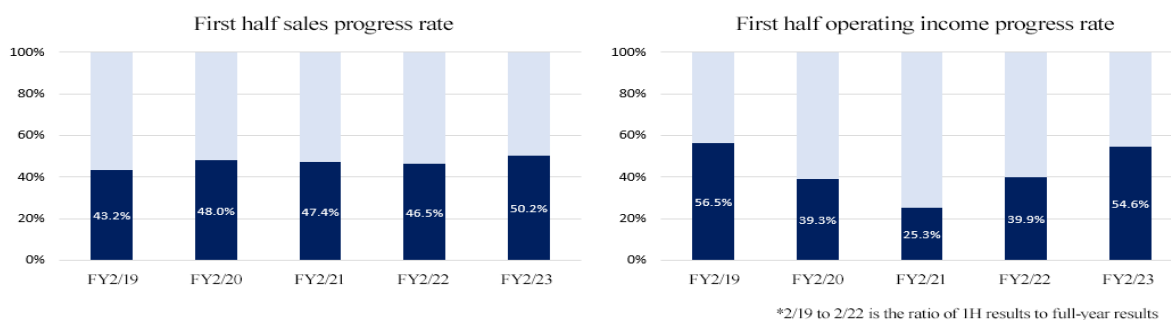


(Taken from the reference material of the company)

6. Conclusions

The progress rate in the first half is 50.2% for sales and 54.6% for operating income, exceeding the average values. The full-year earnings forecast has not been revised, but we would like to pay attention to how much they can increase sales and profit, as the impact of the pandemic on the PR and advertising business, which is their core business, is expected to weaken and the users of “PR TIMES” in the press release distribution business are increasing steadily.

In addition, we would like to keep an eye on the progress of their measures for becoming a fast company in the advertisement industry while targeting the advertisement market, whose scale is estimated to be 6 trillion yen, with the goal of occupying “the global No.1 position in the PR industry.”



<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors and auditors

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

◎Corporate Governance Report

Updated on June 7, 2022

<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 2022, 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】	<p>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.</p> <p>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.</p>

BRIDGE REPORT



<p>【 Principle 2-4. Securing of diversity inside the company including the empowerment of women, etc.】 Supplementary Principle 2-4 ①</p>	<p>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 for women. As of February 28, 2022, the ratio of female employees in our corporate group was 55% and the ratio of female managers was 38%. 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】</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>Regarding the risks and revenue earning opportunities related to climate change, we are responding to the recommendations of TCFD, while collecting and analyzing necessary data on the impact on our business activities, revenues, etc. and disclosing the analysis results in our webpage on sustainability.</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>

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