

 <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
¥1,338	47,936,100shares		¥64,138million	25.1%	100shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥25.00	1.9%	¥83.90	15.9x	¥271.38	4.9x

*The share price is the closing price on Mya 30. Each figure is based on the financial results for the term ended February 2023.

Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Feb. 2020 (Actual)	39,626	3,635	3,322	-199	-4.20	0.00
Feb. 2021 (Actual)	39,164	2,892	2,769	486	10.21	2.00
Feb. 2022 (Actual)	48,122	5,128	5,208	2,071	43.46	13.00
Feb. 2023 (Actual)	55,225	6,276	6,623	3,172	66.54	19.00
Feb. 2024 (Forecast)	63,000	7,160	7,160	4,000	83.90	25.00

*Unit: million yen, yen. The forecasts are from the company. Net income is profit attributable to owners of parent. The same applies below. As the accounting policy was changed due to turning investment into business, the new accounting policy was retroactively applied to the financial figures in and before the term ended February 2022.

This Bridge Report reviews on the outlook of Vector Inc.'s earnings results for the fiscal year ended 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 7 trillion yen.
- The sales in the term ended February 2023 were 55,200 million yen, up 14.8% year on year. The PR and advertising business, the press release distribution business, the direct marketing business and the investment business achieved double-digit growth in sales (in terms of sales to external clients). Operating income increased 22.4% year on year to 6.2 billion yen. While the PR and advertising business continuously grew, gain on sale higher than loss on valuation was recorded in the investment business. Advertisements were proactively posted in the press release distribution business. While the company invested in advertising such as television commercials in the press release distribution business and upfront investments in development and advertising were made in the new business “JOBTV,” the PR and advertising business drove the performance and both sales and profit considerably exceeded the forecast.
- For the term ending February 2024, the company forecasts sales of 63 billion yen, up 14.1% year on year, an adjusted operating income of 7.2 billion yen, up 15.7% year on year, and an operating income of 7.1 billion yen, up 14.1% year on year. Sales and profit are forecast to be higher in the second half of the term as a large budget for advertising will be used in the direct marketing business from the beginning of the term like in the previous term, gain on sale of shares the company owns is expected in the second half, etc. However, it is projected that the main PR and advertising business will certainly and steadily capitalize on the demand from clients and keep up a favorable performance. Regarding the direction of their management, Vector intends to brush up all segments and elevate the synergy between different segments based on the robust business foundations of their main business. The company plans to pay a dividend of 25.00 yen/share, up 6.00 yen/share year on year. The expected payout ratio is 29.8 %.
- The PR and advertising business, which is the mainstay, is performing favorably. As there have been doubts regarding how effective it is to merely post an ad, Vector demonstrates the strength of “PR,” which advertising agencies lack, and they have been certainly capturing the budget available on the advertising market until now from the viewpoint of cost performance. They used to expect an average spending per client from 50 million yen up to maximum 100 million yen, but now they anticipate further growth.

- We would also like to pay attention to the increase in the numbers of participating enterprises and registered students in the recruitment matchmaking platform “JOBTV.” While there are other services using videos for employment matchmaking, only Vector’s service allows job seekers to create a video. It is expected that generative AI such as ChatGPT will significantly change all kinds of scenes in everyday life and as it is assumed that CVs and professional resumes will be commonly created by AI in regard to job hunting as well, it is expected that the value and importance of a video which allows for the demonstration of one’s personality instead of a uniform resume created by AI will dramatically elevate for both the job-seeking applicants and the selecting enterprises, and it can be considered that it will constitute a powerful factor that differentiates Vector from other companies.

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 7 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.

They ranked first in Asia and seventh globally on a worldwide PR company ranking in 2023.

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.

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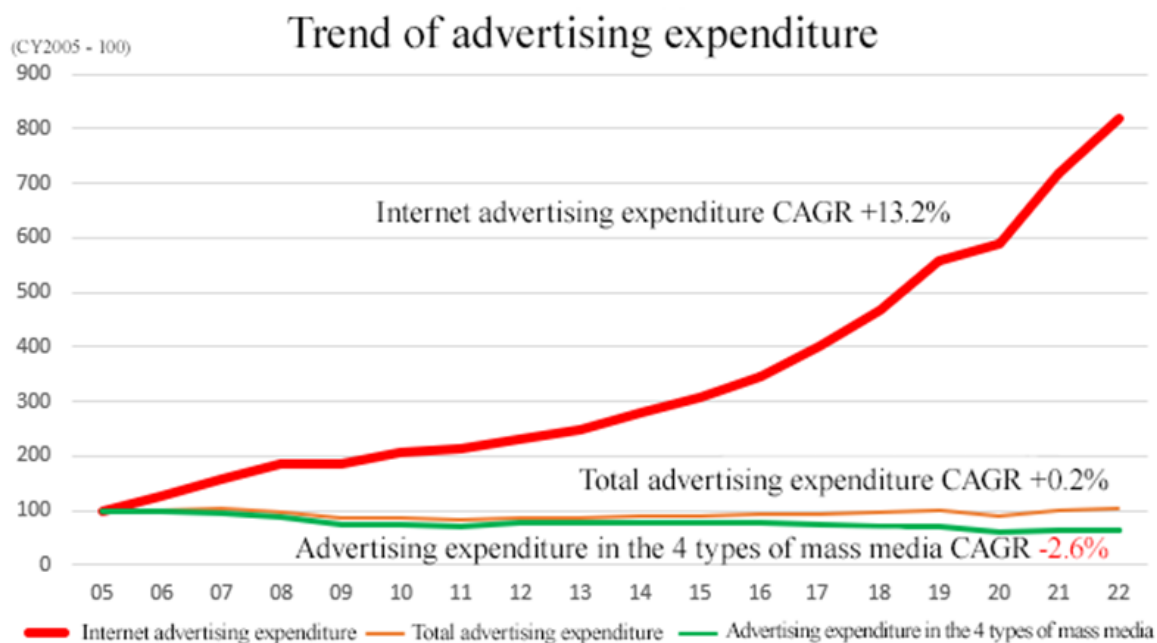


Be Giving	Our first thought is to give. We understand it's only natural to want to go out and take. But from the outset we try and see what we have to give. It may seem paradoxical, but good fortune starts with giving.
Be Genuine	Being genuine is a trait that we see as essential and one of the most important 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 2022 Advertising Expenditures in Japan (DENTSU INC.), total advertising expenditures in Japan in 2022 (January-December) increased 4.4% year on year to 7,102.1 billion yen, exceeding the amount in the year 2019 before the outbreak of the coronavirus crisis and hitting a record high (7,019.1 billion yen in 2007) ever since the estimation was started in 1947.

The overall advertising market grew especially owing to the expenditures stemming from favorable Internet advertising against the backdrop of the digitalization of the society. 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.



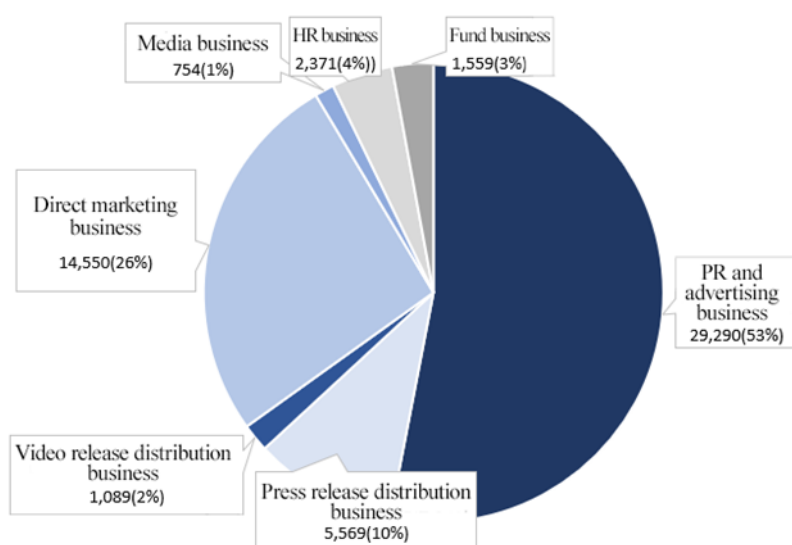
(Produced by Investment Bridge)

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 (cases in which a monthly fee is charged when the contract period is 3 or more months). 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 (FY2/23, unit: million yen)



* sales to external customers

(Produced by Investment Bridge)

The group consists of 46 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.

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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.

(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 79,000 making it the No. 1 platform in Japan, used by 53% of listed companies.

Japan's No. 1 press release distribution platform PR TIMES
More than 79,000 user companies, used by 53% of listed companies



(Taken from the reference material of the company)

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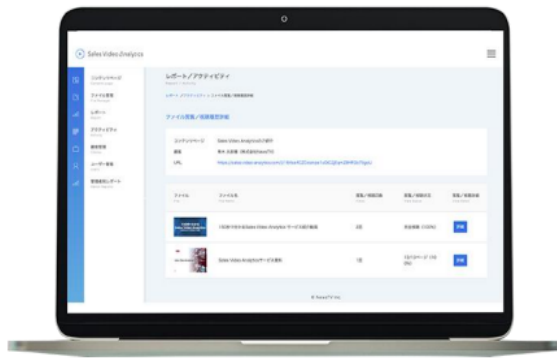


(3) Video release distribution business

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.



Sales Video Analytics is a sales DX support service that boosts sales efficiency and increases revenues by enabling visualization of customer actions and the use of video for 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

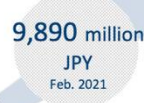
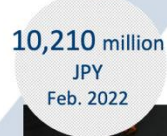
The company operates the D2C (Direct to Consumer) business, which develops and sells health and beauty-related products and services via the Internet. The company offers the "Vitabrid C" series, which is one of their core products, and the cumulative sales volume exceeds 13 million items.

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

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 13 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.



Terminalia First continued to perform well following its launch, with cumulative sales **exceeding 5.17 million units.**

(Taken from the reference material of the company)

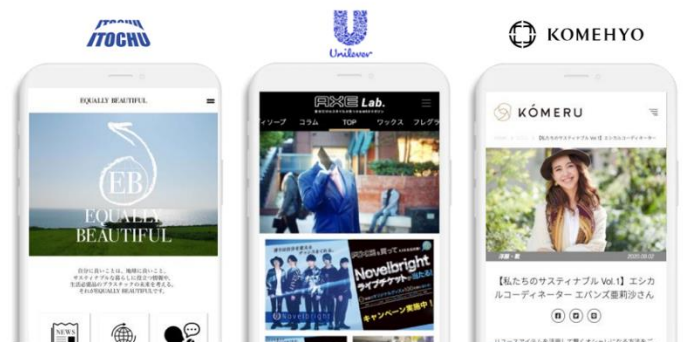
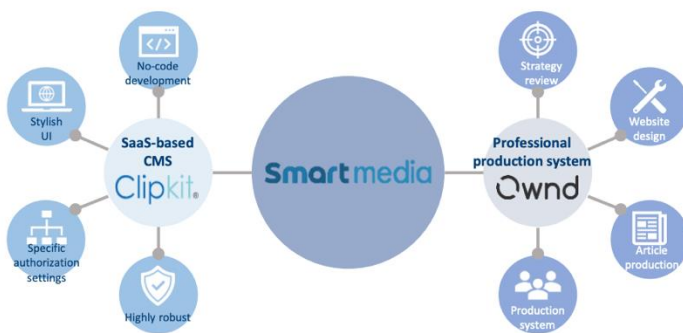
(5) Media CMS business

They are supporting enterprises in content marketing, focusing on the acquisition of owned media utilizing know-how. They aim to increase recurring revenues and build even more robust revenue foundations by selling CMS while acquiring owned media.

We will support corporate content marketing, switching to a policy of focusing on owned media by leveraging the expertise we have cultivated. In addition to acquiring owned media projects, we will build up subscription earnings by selling with CMS to create a more stable earnings foundation.

Owned media support service

Owned media production examples



Our policy is to sell with CMS, required for creating owned media, by focusing on acquisition of owned media, for which companies have strong needs.

We will support corporate content marketing from production to operation of owned media leveraging the expertise we have cultivated in media operations.

(Taken from the reference material of the company)

(6) HR business

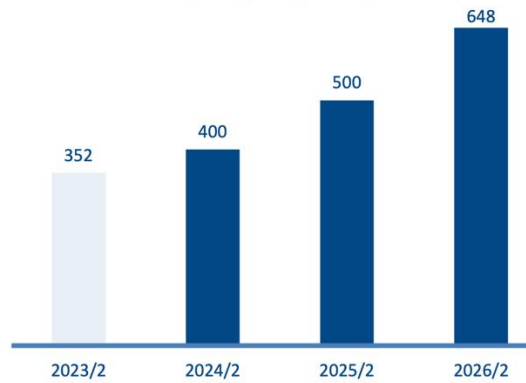
The company provides consulting services to companies to support the installation and operation of HR evaluation systems and HR evaluation cloud services.

They are proceeding with building stable revenue foundations, increasing the ratio of recurring revenues by raising the retention rate by reinforcing the sale of SaaS solutions and elevating client satisfaction.

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

Personnel evaluation cloud "Ashita Cloud"

Operating Profit (million JPY)



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

(Taken from the reference material of the company)

(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-nine companies, including PR TIMES and its subsidiaries, have gone public so far.



(Taken from the reference material of the company)

1-5 Characteristics, Strengths, and Competitiveness

Extensive infrastr ure 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 46 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.

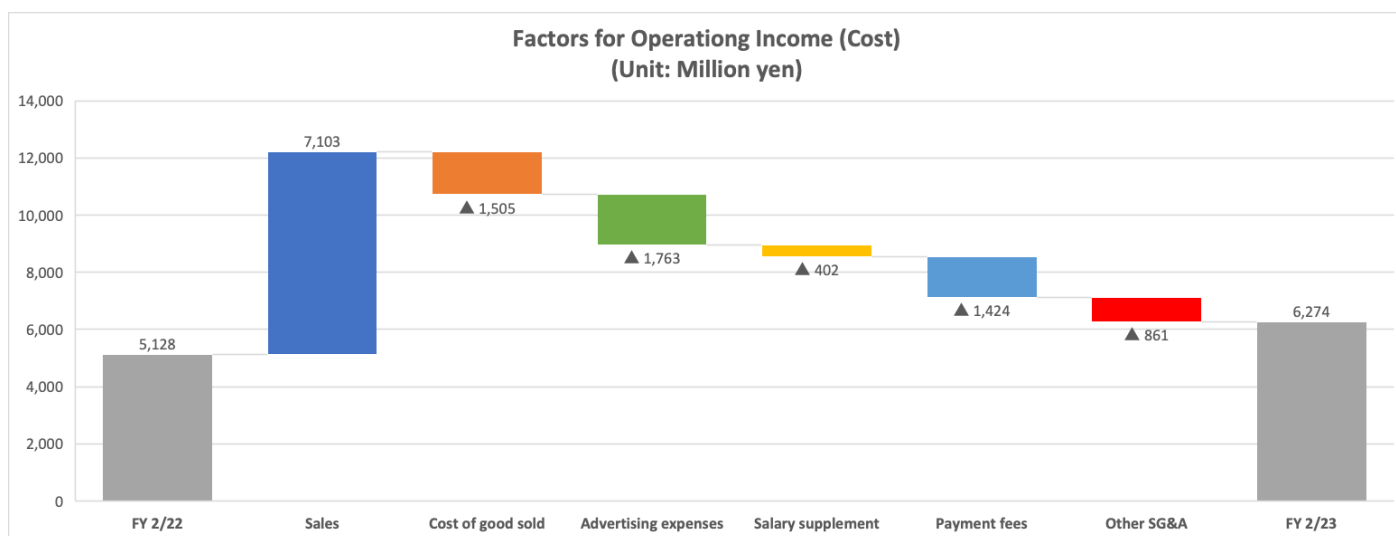
Another of the company's strong competitive advantages is its ability to propose and provide advertising and PR methods that match the needs of companies and the characteristics of their products and services, based on accurate consulting.

2. Fiscal Year ended February 2023 Earnings Results

2-1 Business Results

	FY 2/22	Ratio to Sales	FY 2/23	Ratio to Sales	YoY	Ratio to Revised Forecast
Sales	48,122	100.0%	55,225	100.0%	+14.8%	+4.0%
Gross Profit	29,549	61.4%	35,146	63.6%	+18.9%	-
SG&A	24,420	50.7%	28,870	52.3%	+18.2%	-
Operating Income	5,128	10.7%	6,276	11.4%	+22.4%	+1.2%
Ordinary Income	5,208	10.8%	6,623	12.0%	+27.2%	+8.6%
Net Income	2,071	4.3%	3,172	5.7%	+53.1%	+5.7%

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

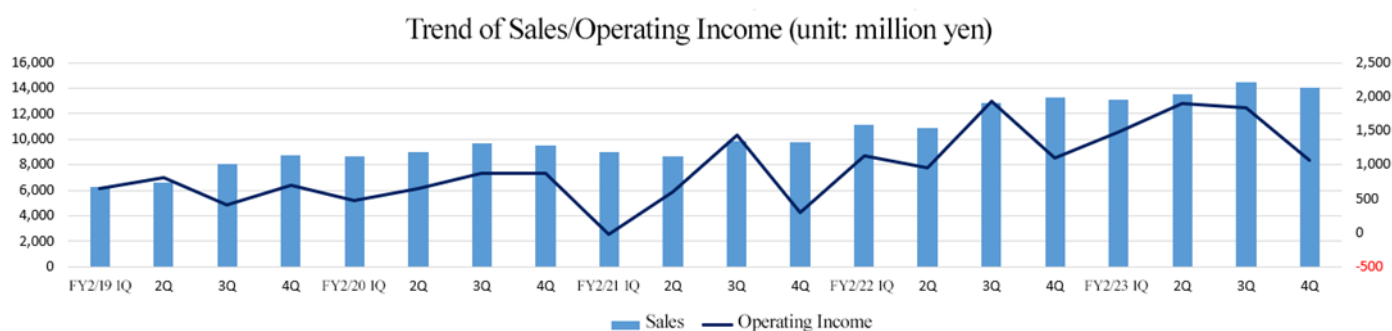


*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

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

Sales and profits increased and exceeded plans, with both sales and operating income reaching record highs.

The sales in the term ended February 2023 were 55,200 million yen, up 14.8% year on year. The PR and advertising business, the press release distribution business, the direct marketing business and the investment business achieved double-digit growth in sales (in terms of sales to external clients). Operating income increased 22.4% year on year to 6.2 billion yen. While the PR and advertising business continuously grew, gain on sale higher than loss on valuation was recorded in the investment business. Advertisements were proactively posted in the press release distribution business. While the company invested in advertising such as television commercials in the press release distribution business and upfront investments in development and advertising were made in the new business “JOBTV,” the PR and advertising business drove the performance and both sales and profit considerably exceeded the forecast.



◎ **Highlights of financial results**

- * Profit in the PR and advertising business grew by 40%. The financial results show how Vector succeeded in significantly demonstrating their strength by utilizing digital advertising originating from PR while posting news and content as an advertisement, as it has recently been difficult to raise recognition and increase sales with an “advertisement” only. Vector is the only company that offers one-stop measures necessary for enterprises to acquire prospective clients, such as utilizing videos.
- * Client enterprises have curtailed the budget for advertising, which is not clearly effective, and have been allocating the budget to Vector. Consequently, the average spending per client has risen.
- * Profit in the press release distribution business declined by 35%. Although the company proactively launched television commercials in the countryside, etc. in order to reach their goal in the number of enterprises, it did not lead to any clear effect. That does not change the fact that it is a business model that does not depend on human labor, the cause of the profit decrease is clear, and in this term, Vector will correct the advertising method and aim to increase the number of enterprises and the number of distributed releases.

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- * Various challenges are now apparent in each segment, as the profit in the press release distribution business dropped year on year and fell short of the forecast, loss was recorded in the video release distribution business, sales declined in the HR business, etc. While Vector will forge ahead with improvement from this term, their overall sales and profit grew, exceeding the forecast, both sales and profit hit a record high and the company was able to manifest the strength of their main PR and advertising business.

2-2 Trend by Segments

	FY 2/22	Compositi on Ratio	FY 2/23	Composition Ratio	YoY	Ratio to Revised Forecast
Sales						
PR and advertising business	25,763	53.5%	29,290	53.0%	+13.7%	-
Press release distribution business	4,695	9.8%	5,569	10.1%	+18.6%	-
Video release distribution business	1,054	2.2%	1,089	2.0%	+3.3%	-
Direct marketing business	12,201	25.4%	14,550	26.3%	+19.3%	-
Media CMS business	660	1.4%	754	1.4%	+14.2%	-
HR business	2,513	5.2%	2,371	4.3%	-5.7%	-
Investment business	1,233	2.6%	1,599	2.9%	+29.7%	-
Total	48,122	100.0%	55,225	100.0%	+14.8%	+4.0%
Profit of each segment						
PR and advertising business	2,125	8.2%	2,984	10.2%	+40.4%	+13.3%
Press release distribution business	1,834	39.1%	1,190	21.4%	-35.1%	-25.6%
Video release distribution business	-72	-	-34	-	-	-
Direct marketing business	774	6.3%	984	6.8%	+27.1%	+17.9%
Media CMS business	-22	-	3	0.4%	-	-93.4%
HR business	236	9.4%	352	14.8%	+49.2%	+0.8%
Investment business	255	20.7%	775	48.5%	+203.9%	+14.1%
Adjustment	-3	-	19	-	-	-
Total	5,128	10.7%	6,276	11.4%	+22.4%	+1.2%

* Unit: million yen

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

* Operating income is composed of the ratio of profit to sales.

(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. In the JOBTV business, which provides a recruitment platform utilizing videos, an operating loss of 508 million yen was recorded due to upfront investments, including development costs and advertising expenditures, but it was offset by favorable domestic business, and both sales and operating income hit a record high.

(2) Press release distribution business

Increase in sales and decrease in income

The press release distribution site “PR TIMES” is utilized by many enterprises as social infrastructure and the number of enterprises that use it exceeded 79,000 in February 2023. The company proactively invested in advertising such as television commercials in order to acquire more new clients.

(3) Video release distribution business

Sales grew, and loss shrank.

Sales grew as a result of training sales staff and focusing on acquiring prospective clients. Deficit shrank due to curtailment of SG&A expenses.

(4) Direct marketing business

Sales and Profit grew

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 and operating income hit a record high.

(5) Media CMS business

Sales rose, and profit turned positive.

In order to establish a robust revenue base that will not be swayed by the external environment, the company transferred the personnel of the media business to the owned media business, to fortify the system of the owned media business.

As a result, they curtailed the acquisition of new projects based on tie-ups, which contribute to the company’s web media advertisement income, but managed to achieve growth in sales. Operating income moved into the black.

(6) HR business

Decrease in sales and increase in income

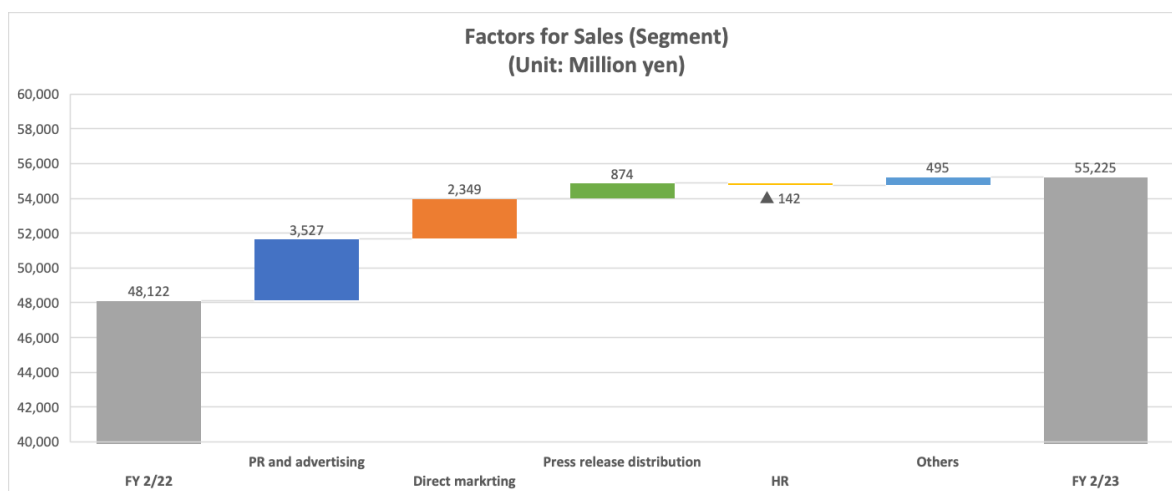
Profit hit a record high, although the company invested in advertising to increase new clients and in development to reinforce functions while reviewing the sale strategy and reinforcing the sales staff in order to enhance the sale of SaaS solutions.

(7) Investment business

Sales and Profit grew

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.

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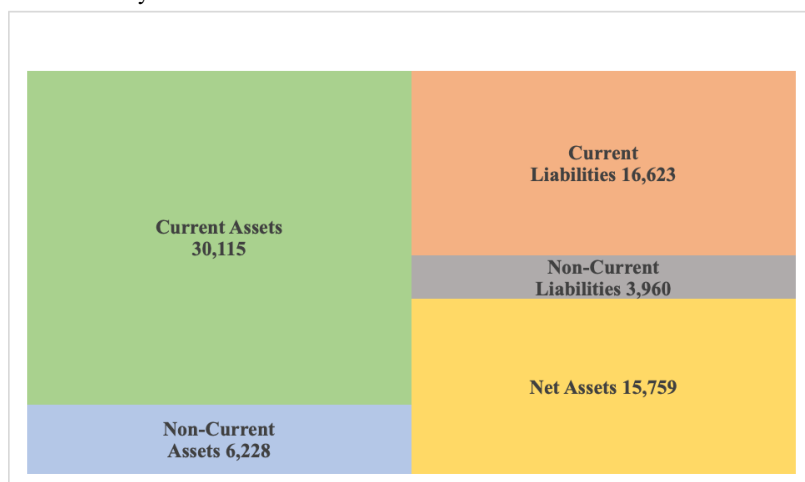


2-3 Financial Standing and Cash Flows

◎Balance Sheet Summary

	End of February 2022	End of February 2023	Increase/ decrease		End of February 2022	End of February 2023	Increase/ decrease
Current Assets	26,317	30,115	+3,798	Current Liabilities	10,820	16,623	+5,803
Cash and equivalents	13,522	13,372	-150	Accounts Payable	1,827	2,513	+686
Accounts Receivable	6,090	7,484	+1,394	ST Interest Bearing Liabilities	2,084	6,875	+4,791
Noncurrent Assets	5,257	6,228	+971	Noncurrent Liabilities	4,576	3,960	-616
Tangible Assets	972	837	-135	LT Interest Bearing Liabilities	3,631	2,880	-751
Intangible Assets	1,077	2,265	+1,188	Total Liabilities	15,397	20,584	+5,187
Investments and Other Assets	3,207	3,126	-81	Net Assets	16,178	15,759	-419
Total Assets	31,575	36,343	+4,768	Retained Earnings	7,076	8,173	+1,097
				Total Liabilities and Net Assets	31,575	36,343	+4,768

*Unit: million yen.



Total assets grew 4.7 billion yen from the end of the previous term to 36.3 billion yen, due to the increases in accounts receivable, goodwill, etc.

Liabilities augmented 5,187 million yen to 20.5 billion yen, due to the rise in ST interest bearing liabilities, etc.

Despite an increase in retained earnings, net assets dropped 400 million yen year on year as valuation difference on available-for-sale securities and non-controlling interests decreased.

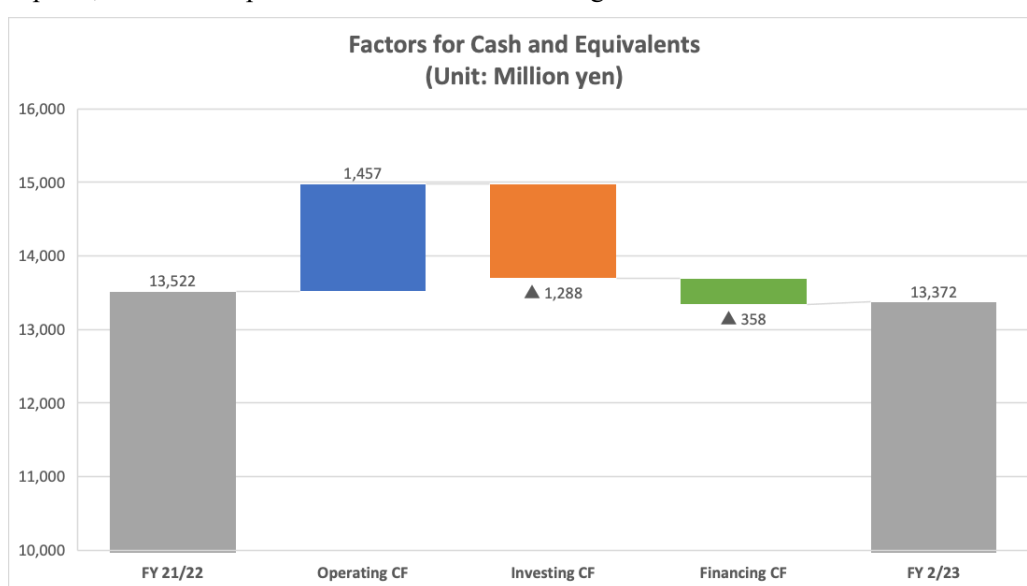
Capital-to-asset ratio decreased 3.6 points from the end of the previous term to 35.6%.

◎Cash Flows

	FY 2/22	FY 2/23	Increase/decrease
Operating CF	4,977	1,457	-3,520
Investing CF	-1,308	-1,288	20
Free CF	3,669	169	-3,500
Financing CF	-1,060	-358	702
Cash and Equivalents	13,522	13,372	-150

*Unit: million yen.

The cash inflow from operating and free activities shrank due to an increase in operational investment securities, an increase in deposits, etc. The cash position remained almost unchanged.



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

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.

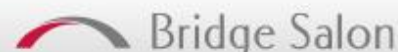
In the job-hunting/recruiting process, job seekers have voiced concerns that “it is difficult to convey one’s true value through documents alone” and “it takes time and money to go to information sessions and interviews,” while companies have voiced concerns that “it is difficult to understand an applicant’s 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 150,000, thanks to their efforts to popularize it among students and the exposure to the media, such as TV.

“Interview Channel for Successful Applicants,” where prospective employees reenact a job interview, was established in December 2022, expanding the range of video support for job hunting offered by JOBTV from enterprise research to interview preparation.

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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 2024 Earnings Forecasts

3-1 Earnings Forecasts

	FY 2/23	Ratio to Sales	FY 2/24(Est.)	Ratio to Sales	YoY
Sales	55,225	100.0%	63,000	100.0%	+14.1%
Adjusted Operating Income	6,276	11.4%	7,260	11.5%	+15.7%
Operating Income	6,276	11.4%	7,160	11.4%	+14.1%
Ordinary Income	6,623	12.0%	7,160	11.4%	+8.1%
Net Income	3,172	5.7%	4,000	6.3%	+26.1%

*Unit: million yen. The forecasted values were provided by the company. Adjusted operating income = Operating income + Expenses for the restricted stock compensation provided by the company

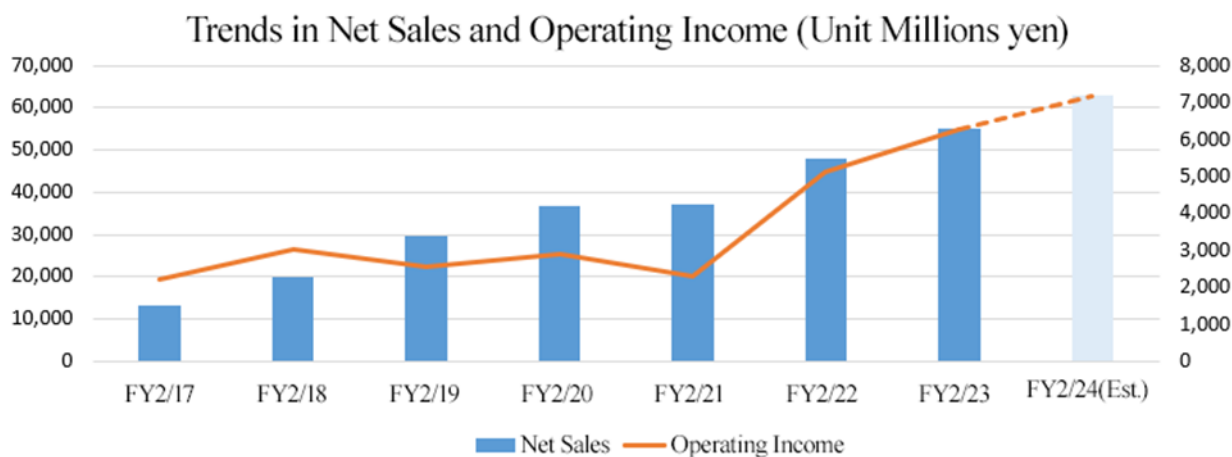
	FY 2/23 2Q	Ratio to Sales	FY 2/24 2Q(Est.)	Ratio to Sales	YoY
Sales	26,672	100.0%	29,761	100.0%	+11.6%
Adjusted Operating Income	3,383	12.7%	2,175	7.3%	-35.7%
Operating Income	3,383	12.7%	2,141	7.2%	-36.7%
Ordinary Income	3,507	13.1%	2,141	7.2%	-39.0%
Net Income	1,918	7.2%	1,053	3.5%	-45.1%

*Unit: million yen. The forecasted values were provided by the company. Adjusted operating income = Operating income + Expenses for the restricted stock compensation provided by the company

Projected increase in sales and profit

For the term ending February 2024, the company forecasts sales of 63 billion yen, up 14.1% year on year, an adjusted operating income of 7.2 billion yen, up 15.7% year on year, and an operating income of 7.1 billion yen, up 14.1% year on year. Sales and profit are forecast to be higher in the second half of the term as a large budget for advertising will be used in the direct marketing business from the beginning of the term like in the previous term, gain on sale of shares the company owns is expected in the second half, etc. However, is it projected that the main PR and advertising business will certainly and steadily capitalize on the demand from clients and keep up a favorable performance. Regarding the direction of their management, Vector intends to brush up all segments and elevate the synergy between different segments based on the robust business foundations of their main business. The company plans to pay a dividend of 25.00 yen/share, up 6.00 yen/share year on year. The expected payout ratio is 29.8 %.

*In step with the adoption of the restricted stock compensation system, the company has disclosed adjusted operating income as an index calculated by adding the expenses for the restricted stock compensation provided by the company to operating income. Expenses for the restricted stock compensation provided by subsidiaries are not added back to adjusted operating income.



Vector's sales and profit have shown a strong tendency to concentrate in the second half of each term as the demand for advertising increases in step with the enterprises' autumn and winter sales competition and new graduate employees start to fully contribute in the beginning of autumn. However, profit is projected to grow in the second half of this term even more significantly than in previous years as the company expects to record gain on sale of shares in the investment business in the second half and make investments in the advertising of the press release distribution business throughout the term (in the previous term, they started it in the second half).

3-2 Outlook for each Segment

PR and advertising business

The healthy domestic business continued to drive the performance and considerable growth is projected to continue, even when including investments in the JOBTV 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 1,140 retainer contracts this term, the company will strengthen customer engagement. For the term ending February 2026, the company aims for 1,500 contracts.

They will strive to make the deficit of the overseas business shrink.

They will forge ahead with the development of business utilizing the know-how concerning the broadcasting of electronic ads via tablets installed in taxicabs and aim for further expansion of sales in the advertising business, in which sales decreased in the fourth quarter (December-February) of the last term impacted by seasonal factors.

Press release distribution business

They have been investing in advertising in order to increase the number of enterprises using "PR TIMES" since the second half of the previous term. As they are planning to continue with investment in advertising throughout the term, and also projected to make investments for overseas expansion, they are expecting a decline in profit year on year in the first half, but forecasting the profit to grow in the whole term.

While increasing the number of enterprises that use "PR TIMES," they will work toward boosting the number of distributed releases by elevating use frequency.

Video release distribution business

They will work toward increasing the number of received orders while continuing with the training of sales staff, and aim to post a positive annual profit.

The average unit price rose in the fourth quarter of the previous term as the reinforcement of proposal-giving capability achieved through the training of sales staff proved to be effective. In this term, they will work toward increasing the number of distributed video releases by managing to receive orders from prospective clients they have acquired until now.

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**Direct marketing business**

Sales in the fourth quarter of the previous term declined as the company restrained investments in the third quarter of the previous term in order to recover profit.

In this term, they will focus on the development of new products while continuing to make certain investments in the advertising of existing products.

Media CMS business

They will work toward reinforcing the functions of CMS and increasing the number of received orders concerning owned media to build stable revenue foundations.

HR business

While working toward the reinforcement of the sale system of SaaS solutions by revising the marketing strategy, they will further elevate the retention rate of consulting for operation and strive to increase ARR and expand sales.

Investment business

While they recorded gain on sale of shares owned in the first half of the previous term, in this term they are expected to sell shares owned in the second half, while taking into account the trends of the stock market.

(Adjusted Operating Income Plan by Segment)

	FY2/23	FY2/24 (Est.)	YoY
PR and advertising business	2,984	3,463	+16.0%
Press release distribution business	1,190	1,500	+26.0%
Video release distribution business	-34	50	-
Direct marketing business	984	974	-1.1%
Media CMS business	3	30	+788.3%
HR business	352	400	+13.5%
Investment business	775	842	+8.5%
Consolidated	6,276	7,260	+15.7%

*Unit: million yen. The forecasted values were provided by the company. Adjusted operating income = Operating income + Expenses for the restricted stock compensation provided by the company

	FY2/23 2Q	FY2/24 2Q (Est.)	YoY
PR and advertising business	1,369	1,408	+2.8%
Press release distribution business	916	634	-30.8%
Video release distribution business	-46	-6	-
Direct marketing business	-86	-58	-
Media CMS business	-8	-7	-
HR business	237	184	-22.4%
Investment business	990	19	-98.1%
Consolidated	3,383	2,175	-35.7%

*Unit: million yen. The forecasted values were provided by the company. Adjusted operating income = Operating income + Expenses for the restricted stock compensation provided by the company

4. Medium-term Profit Plan

4-1 Profit Plan

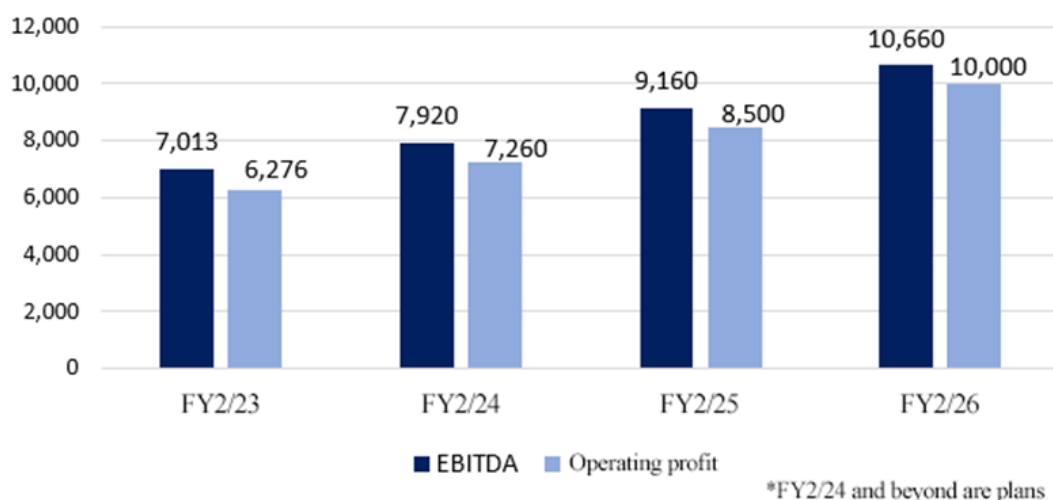
Forecasts for EBITDA and operating income until the term ending February 2026 are as follows. (expenses for the restricted stock compensation provided by the company have been added to both)。

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 25%.

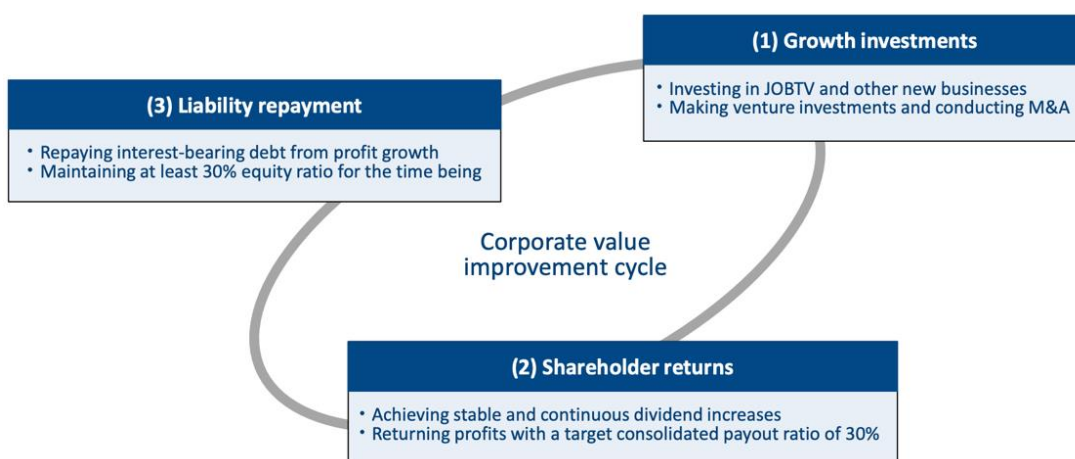
The company will return profit to shareholders with a payout ratio of around 30%.

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



4-2 Capital allocation

The company will allocate the cash gained from operating activities and interest-bearing liabilities to investment for growth to boost their growth.

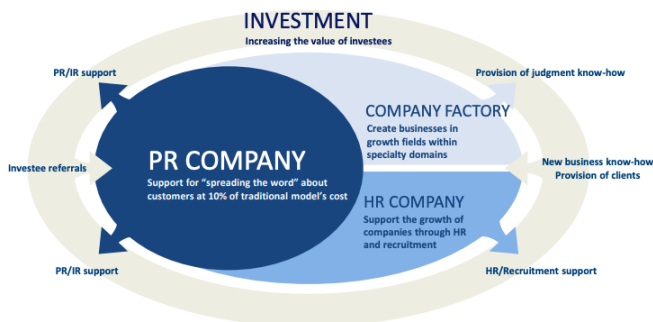


(Taken from the reference material of the company)

4-3 Vector Group Business Concept Chart

The company aims to support the growth of client companies through the four business 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.

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PR COMPANY	COMPANY FACTORY	HR COMPANY	INVESTMENT
PR/Press Release/Videos/Digital Marketing 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. ARTIL, Vector Platform, VECTOR INITIAL, PR TIMES, NT	D2C 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 ² , Direct Tech	Personnel Evaluation Our HR Business primarily provides consulting and personnel evaluation cloud solutions to support the reproduction and operation of personnel evaluation systems. M.L.T.P.F.-L Recruitment Support We provide a service that enables job seekers and companies to utilize video in the initial recruitment processes, linking issues that both parties face and achieving speedy matching. MEDICAL, LIVER BANK, PERFORMANCE, CYBER SECURITY	Investment In our venture company investing activities, we provide investors with support for increasing value along with PR and IR. vector, ZPP Capital

(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 2022, No. 7 PR company in Global, 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 7 trillion yen, to expand its domain further.

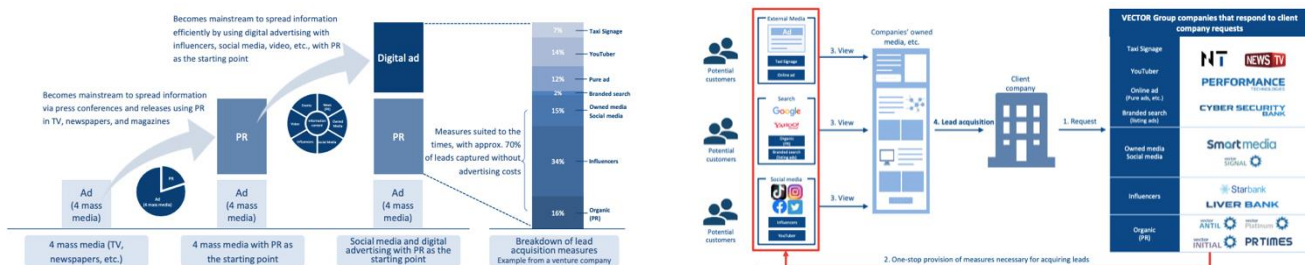
A “fast company in the advertisement field” implies that it will trigger the revolution of the advertisement industry like a fast fashion company in the apparel industry, with low cost, middle quality, and speedy business.

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

Namely, it is aimed 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.

As mentioned in Section 1-3 “Business Environment,” while ads via newspapers, magazines, TV, and radio are on a decline, the advertising market in Japan has expanded to over 7,000 billion yen due to the growth of Internet advertising.

Under the vision: “Making People Happy by Delivering Excellent Products, Services and Solutions to the World,” Vector is currently at a stage of utilizing digital advertising originating from PR to efficiently spread products, services and solutions, and the fact that they can post news and content as an advertisement in addition to PR is considered to significantly differentiate the company from advertising agencies. And they are the only company that can provide a one-stop solution for the measures necessary to acquire prospective client companies.



(Taken from the reference material of the company)

(2) What is a “FAST COMPANY” in the advertising industry?

Vector executes a one-stop marketing strategy encompassing both the area of recognition in which they directly deliver “content” to the target while making use of “strategical PR” and “social networks” and the area of acquisition leading to purchase using “digital advertising.”

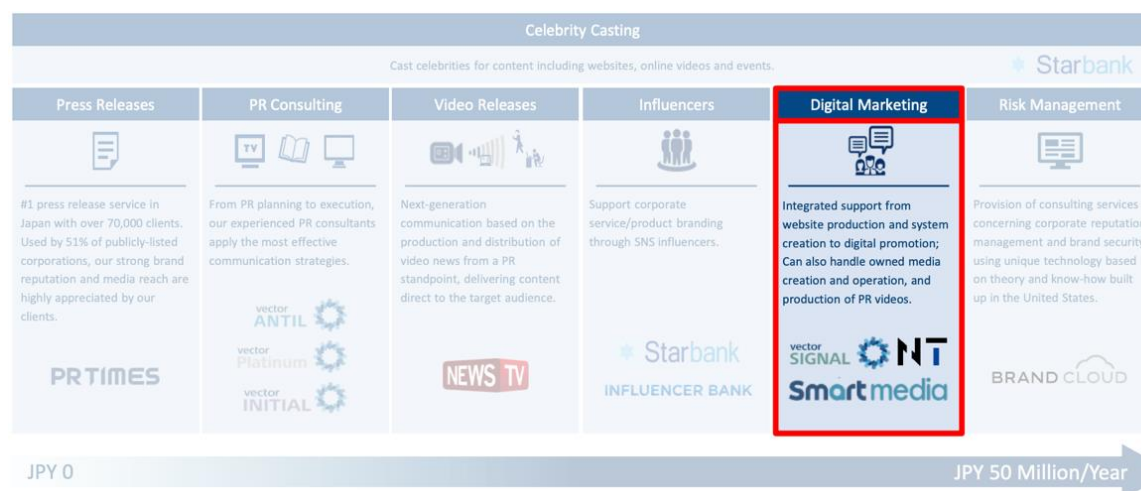
The capability to offer marketing measures that match the current trends well at less than one tenth of the conventional price is a significant characteristic and strength of Vector, which is a “FAST COMPANY.”

(3) 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 to expand the recipients of Internet advertising budgets, expand the digital marketing domain, which will become more important.



(Taken from the reference material of the company)

◎Basic policy concerning M&A

Vector intends to reinforce their FAST COMPANY concept, proactively promote M&A where synergy with their core businesses can be expected, and boost their organic growth based on effective M&A while aiming for discontinuous growth based on the following basic policy.

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)

◎Examples of M&A

①Taking 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.

② **Turning Keyword Marketing Inc. into a subsidiary**

In December 2022, they acquired Keyword Marketing Inc., whose forte is the operation of programmatic advertisements, as a subsidiary at approximately 1.2 billion yen.

They will work toward boosting the average spending per client by reinforcing digital aspects of the marketing strategies of their clients originating from strategical PR.

③ **Turning Tryhatch Inc. into a subsidiary**

In March 2023, they acquired Tryhatch Inc., whose forte is the support for attracting customers through social networks, as a subsidiary at approximately 400 million yen.

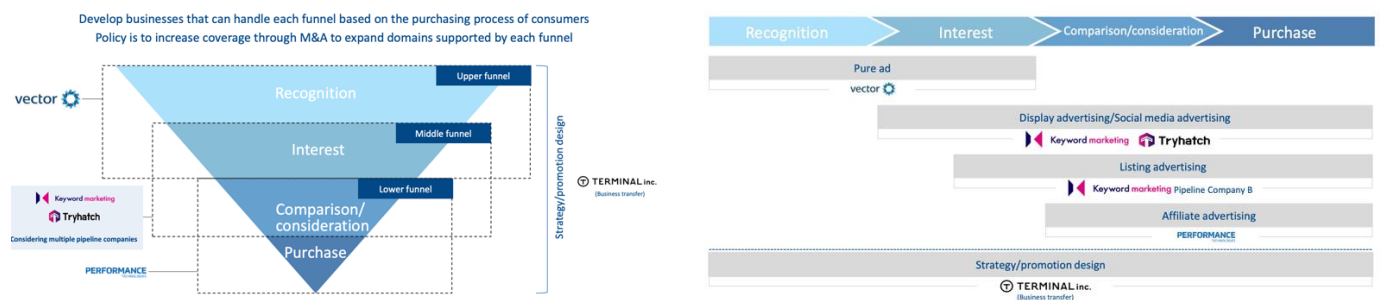
They will provide one-stop support for marketing challenges of clients who own a store, utilizing strategical PR and technology.

◎ **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, utilize M&A, supporting processes from popularization to purchase in a one-stop manner.



(Taken from the reference material of the company)

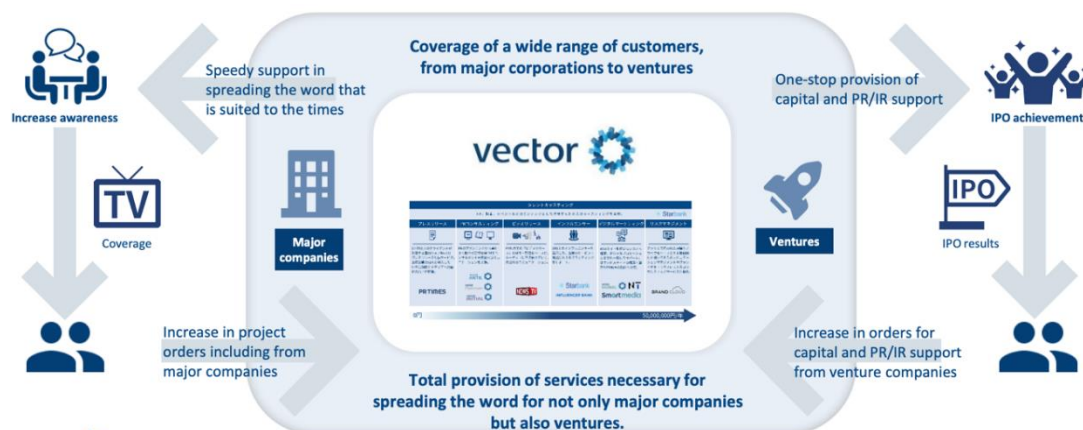
*Marketing funnel

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.

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

Taking into consideration the growing number of start-up companies, Vector will work toward maximizing the effects of investment leverage through assistance with PR and IR, not only conventional financial support in regard to VC.

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 PR and advertising business, which is the mainstay, is performing favorably. As there have been doubts regarding how effective it is to merely post an ad, Vector demonstrates the strength of “PR,” which advertising agencies lack, and they have been certainly capturing the budget available on the advertising market until now from the viewpoint of cost performance. They used to expect an average spending per client from 50 million yen up to maximum 100 million yen, but now they anticipate further growth.

We would also like to pay attention to the increase in the numbers of participating enterprises and registered students in the recruitment matchmaking platform “JOBTV.” While there are other services using videos for employment matchmaking, only Vector’s service allows job seekers to create a video. It is expected that generative AI such as ChatGPT will significantly change all kinds of scenes in everyday life and as it is assumed that CVs and professional resumes will be commonly created by AI in regard to job hunting as well, it is expected that the value and importance of a video which allows for the demonstration of one’s personality instead of a uniform resume created by AI will dramatically elevate for both the job-seeking applicants and the selecting enterprises, and it can be considered that it will constitute a powerful factor that differentiates Vector from other companies.

<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 May 31, 2023

<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>

We implement each principle of the Corporate Governance Code.

<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.

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	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 for women. As of February 28, 2023, the ratio of female employees in our corporate group was 61% and the ratio of female managers was 32%. 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.
【Principle 3-1 Enrichment of information disclosure】 Supplementary Principle 3-1 ③	Our company launched Vector SDGs PROJECT in October 2021, specified concrete actions, etc. for solving social issues, and disclosed their outline in our website. 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. 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.
Principle 5-1 【Policy for constructive dialogue with shareholders】	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. 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. 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.

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