



July 12, 2019

**Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending February 29, 2020  
(Three months Ended May 31, 2019)**

[Japanese GAAP]

Company name: Vector, Inc.	Listing: Tokyo Stock Exchange, First Section
Securities code: 6058	URL: <a href="https://www.vectorinc.co.jp/">https://www.vectorinc.co.jp/</a>
Representative: Keiji Nishie, President & CEO	
Contact: Kotaro Yamamoto, Executive Officer	Tel: +81-3-5572-6080
Scheduled date of filing of Quarterly Report:	July 12, 2019
Scheduled date of dividend payment:	-
Preparation of supplementary materials for quarterly financial results:	Yes
Holding of quarterly financial results meeting:	None

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

**1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 29, 2020  
(March 1, 2019 – May 31, 2019)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2019	8,632	38.7	397	(38.5)	266	(62.1)	(301)	-
Three months ended May 31, 2018	6,225	41.5	646	12.2	704	17.0	370	13.6

Note: Comprehensive income Three months ended May 31, 2019: (186) million yen (-%)  
Three months ended May 31, 2018: 315 million yen (down 28.8%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2019	(6.46)		-	
Three months ended May 31, 2018	8.05		7.97	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2019	26,777	12,992	39.1	219.56
As of Feb. 28, 2019	26,908	12,738	38.2	221.06

Reference: Shareholders' equity As of May 31, 2019: 10,467 million yen As of Feb. 28, 2019: 10,289 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended Feb. 28, 2019	Yen	Yen	Yen	Yen	Yen
	-	0.00	-	0.00	0.00
Fiscal year ending Feb. 29, 2020	-	-	-	-	-
Fiscal year ending Feb. 29, 2020 (forecast)	-	-	-	-	-

Note: Revision to the most recently announced dividend forecast: None

The Articles of Incorporation provide for dividends with record dates at the end of each second quarter and fiscal year. Currently, the forecast for dividends with these record dates for the fiscal year ending February 29, 2020 has not been determined.

**3. Consolidated Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 – February 29, 2020)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	18,000	40.2	1,500	3.2	2,000	6.1	1,000	-	21.60
Full year	38,000	26.1	4,000	40.0	5,000	65.5	2,400	-	51.83

Note: Revision to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to the section “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 9 for further information.

(3) Changes in accounting policies and accounting-based estimates, and restatements

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|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | None |
| 2) Changes in accounting policies other than 1) above:                              | None |
| 3) Changes in accounting-based estimates:   | None |
| 4) Restatements:  | None |

(4) Number of issued shares (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

As of May 31, 2019:	47,936,100 shares	As of Feb. 28, 2019:	46,807,500 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2019:	261,946 shares	As of Feb. 28, 2019:	261,945 shares
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3) Average number of shares during the period

Three months ended May 31, 2019:	46,635,496 shares	Three months ended May 31, 2018:	46,079,900 shares
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\* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Appropriate use of business forecast and other special items

Forecasts regarding future performance in this material are based on information currently available to Vector and incorporate a variety of uncertainties. Actual performance may differ from these forecasts for a number of reasons including changes in internal or external factors affecting business operations. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 4 of the attachments regarding the forecasts shown in this material.

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## **1. Qualitative Information on Quarterly Consolidated Financial Performance**

Forward-looking statements in this section represent the judgments of Vector as of May 31, 2019.

Effective from the beginning of the first quarter of the fiscal year ending February 29, 2020, Vector has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Prior-year figures have been adjusted retroactively to conform with this accounting standard in order to facilitate comparisons and analysis.

### **(1) Explanation of Results of Operations**

During the first quarter of the fiscal year ending February 29, 2020 (hereinafter the “current fiscal year”), the overall Japanese economy recovered at a moderate pace with the support of economic stimulus measures of the Japanese government. However, the economic outlook remained uncertain because of instability in many areas of the world and other reasons.

The Vector Group continued to focus on functioning as a “fast company” that is a one-stop source of comprehensive support for marketing strategies that have the goal of making people aware of the outstanding products, services and other attributes of our clients. To accomplish this goal, we strengthened new services, chiefly digital services, that are highly effective and all group companies conducted extensive sales and other activities primarily involving our current clients.

One priority of this fiscal year is taking many actions targeting new service categories for supporting marketing strategies that make people aware of the outstanding products, services and other attributes of our clients. As part of these actions, we launched in April 2019 an IoT signage service that uses tablets placed inside taxi cabs. The new service has been performing very well since its introduction.

Acquisitions and other investments during the past few years added new business sectors to the Vector Group. In the new Human Resources business, we are still at the stage of assembling the best possible structure for our business operations. These new businesses were one reason for the downturn in our first quarter performance.

Due to these activities, sales increased 38.7% to 8,632 million yen, operating profit decreased 38.5% to 397 million yen, ordinary profit decreased 62.1% to 266 million yen and loss attributable to owners of parent was 301 million yen compared with profit attributable to owners of parent of 370 million yen one year earlier.

In our venture capital business, we support companies where we make investments by supplying public relations and investor relations services and in other ways. As a result, MINKABU THE INFONOID, Inc., Branding Technology Inc. and infoNet inc. were listed on the Mothers Market of the Tokyo Stock Exchange on March 19, June 21 and June 25, 2019, respectively.

Results by business segment were as follows.

The Vector Group started using revised reportable segments in the first quarter of the current fiscal year. Prior-year figures have been adjusted to conform to the revised segments in order to facilitate year-to-year comparisons.

### **Public Relations**

The provision of strategic PR services centered on consulting is the primary activity of this segment. In addition, there are many activities at group companies involving new services, such as the use of consulting for new digital domain services that are combined with PR services. The objective is more growth of the entire Vector Group.

These activities resulted in higher sales but lower earnings. Segment sales increased 11.9% to 4,431 million yen and operating profit fell 17.2% to 469 million yen.

### **Press Release Distribution**

PR TIMES, Inc. distributes and posts press releases by using its own website “PR TIMES” as well as many other websites. The number of companies that use its press release distribution service surpassed 30,000 in May 2019.

Segment sales increased 28.1% to 674 million yen and operating profit rose 50.7% to 200 million yen.

### **Video Release Distribution**

The video release distribution business of NewsTV, Inc. has the vision of making video releases a widely used tool in the advertising and marketing industries. By conducting aggressive sales activities both directly and through sales agents, sales increased in the first quarter. During the first quarter, we also upgraded the capabilities of the video release distribution system, recruited more people for this business, and conducted advertising and marketing activities. All these measures are aimed at building a stronger foundation for further growth. The expenses for these activities caused operating profit in this segment to decline.

Segment sales increased 22.0% to 431 million yen and operating profit fell 21.1% to 70 million yen.

### **Direct Marketing**

The direct marketing business of Vitabrid Japan, Inc. continued to grow as sales of its line of Vitabrid C personal care products increased. Sales were more than 70% higher than one year earlier. In the same period of the previous fiscal year, there was an operating loss caused by substantial advertising and marketing expenditures. In the first quarter of this fiscal year, there was a substantial profit in this segment due to efficient advertising and marketing activities.

Segment sales increased 73.6% to 2,121 million yen and operating profit was 175 million yen compared with operating loss of 153 million yen one year earlier.

### **Media**

The media business, which is operated by Smartmedia INC. and other companies, recovered from the negative impact of a change in the order that search engine results are displayed on performance in the previous fiscal year's first half. This business focused on sectors where it has core strengths, such as tools for building owned media. In addition, we continued to restructure this business with measures that included the sale of unprofitable media and a reexamination of the framework for business operations.

Segment sales decreased 15.4% to 254 million yen and operating loss was 39 million yen compared with operating loss of 2 million yen one year earlier.

### **Human Resources**

ASHITA-TEAM Co., Ltd., which operates a human resources cloud service that helps companies establish and operate employee evaluation systems, has been a subsidiary of Vector since July 2018. Prospects for the growth of this company's human resources services are good in part because of ongoing measures of the Japanese government to promote working style reforms. However, in the first quarter, ASHITA-TEAM took several steps to reshape the growth strategy used in prior years. This company is creating a framework for operating as a member of the Vector Group, closing unprofitable locations, cutting advertising and sales promotion expenses, and taking other actions for restructuring its operations.

Segment sales was 769 million yen and operating loss was 545 million yen.

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

### **Assets**

Total assets at the end of the first quarter of the current fiscal year decreased 130 million yen from the end of the previous fiscal year to 26,777 million yen.

Current assets decreased 571 million yen to 13,988 million yen. This was mainly due to decreases of 458 million yen in cash and deposits and 473 million yen in notes and accounts receivable-trade, while there was an increase of 358 million yen in merchandise and finished goods.

Non-current assets increased 440 million yen to 12,789 million yen. This was mainly due to increases of 144 million yen in leased assets and 387 million yen in investment securities, and a decrease of 231 million yen in goodwill.

## Liabilities

Total liabilities at the end of the first quarter of the current fiscal year decreased 384 million yen from the end of the previous fiscal year to 13,784 million yen.

Current liabilities decreased 400 million yen to 9,510 million yen. This was mainly due to decreases of 386 million yen in current portion of long-term loans payable, 591 million yen in income taxes payable and 129 million yen in provision for bonuses, while there were increases of 175 million yen in short-term loans payable and 146 million yen in current portion of bonds.

Non-current liabilities increased 16 million yen to 4,274 million yen. This was mainly due to increases of 629 million yen in bonds payable and 93 million yen in long-term lease obligations, and a decrease of 673 million yen in long-term loans payable.

## Net assets

Total net assets at the end of the first quarter of the current fiscal year increased 253 million yen from the end of the previous fiscal year to 12,992 million yen. This was mainly due to increases of 299 million yen in capital stock, 222 million yen in capital surplus and 83 million yen in non-controlling interests, and a decrease of 301 million yen in retained earnings.

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

There are no revisions to the consolidated forecast for the current fiscal year that was announced on April 12, 2019.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY2/19 (As of Feb. 28, 2019)	First quarter of FY2/20 (As of May 31, 2019)
Assets		
Current assets		
Cash and deposits	6,063,288	5,604,891
Notes and accounts receivable-trade	5,028,115	4,554,628
Operational investment securities	874,410	844,410
Merchandise and finished goods	424,895	783,380
Costs on uncompleted services	112,562	151,136
Other	2,200,509	2,217,433
Allowance for doubtful accounts	(144,268)	(167,393)
Total current assets	14,559,514	13,988,487
Non-current assets		
Property, plant and equipment		
Buildings and structures	419,365	436,130
Machinery, equipment and vehicles	13,303	8,553
Tools, furniture and fixtures	535,556	571,746
Leased assets	160,934	305,114
Accumulated depreciation	(607,811)	(642,880)
Total property, plant and equipment	521,347	678,663
Intangible assets		
Goodwill	3,735,225	3,504,207
Software	494,763	527,095
Other	246,031	274,848
Total intangible assets	4,476,019	4,306,151
Investments and other assets		
Investment securities	6,174,380	6,561,800
Lease and guarantee deposits	722,981	837,370
Deferred tax assets	399,095	331,695
Other	75,772	73,584
Allowance for doubtful accounts	(20,628)	-
Total investments and other assets	7,351,601	7,804,450
Total non-current assets	12,348,968	12,789,265
Total assets	26,908,483	26,777,753

	(Thousands of yen)	
	FY2/19 (As of Feb. 28, 2019)	First quarter of FY2/20 (As of May 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,038,389	936,251
Short-term loans payable	4,065,497	4,240,770
Current portion of long-term loans payable	1,078,317	691,476
Current portion of bonds	10,000	156,000
Lease obligations	30,739	79,354
Income taxes payable	1,001,668	410,276
Provision for bonuses	213,312	83,967
Provision for shareholder benefit program	68,700	26,495
Other	2,404,293	2,885,512
<b>Total current liabilities</b>	<b>9,910,918</b>	<b>9,510,103</b>
<b>Non-current liabilities</b>		
Long-term loans payable	3,885,405	3,211,496
Bonds payable	40,000	669,000
Lease obligations	80,719	174,314
Deferred tax liabilities	154,412	131,458
Other	98,168	88,548
<b>Total non-current liabilities</b>	<b>4,258,705</b>	<b>4,274,816</b>
<b>Total liabilities</b>	<b>14,169,624</b>	<b>13,784,920</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,580,425	2,880,131
Capital surplus	2,611,437	2,833,482
Retained earnings	4,793,817	4,492,376
Treasury shares	(259,778)	(259,780)
<b>Total shareholders' equity</b>	<b>9,725,901</b>	<b>9,946,210</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	540,333	502,787
Foreign currency translation adjustment	23,080	18,162
<b>Total accumulated other comprehensive income</b>	<b>563,413</b>	<b>520,949</b>
Share acquisition rights	198,811	191,608
Non-controlling interests	2,250,732	2,334,064
<b>Total net assets</b>	<b>12,738,858</b>	<b>12,992,832</b>
<b>Total liabilities and net assets</b>	<b>26,908,483</b>	<b>26,777,753</b>

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

(Thousands of yen)

	First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)
Net sales	6,225,267	8,632,245
Cost of sales	2,322,051	2,998,600
Gross profit	3,903,215	5,633,645
Selling, general and administrative expenses	3,256,978	5,235,979
Operating profit	646,237	397,666
Non-operating income		
Interest and dividend income	3,903	10,683
Gain on sales of investment securities	-	1,778
Gain on investments in partnership	118,559	12,167
Other	9,957	17,373
Total non-operating income	132,419	42,001
Non-operating expenses		
Interest expenses	4,330	16,589
Foreign exchange losses	40,133	4,248
Provision of allowance for doubtful accounts	9,978	-
Commission fee	750	18,549
Loss on investments in partnership	1,097	33,280
Loss on valuation of investment securities	762	-
Share of loss of entities accounted for using equity method	13,863	93,673
Other	3,535	6,402
Total non-operating expenses	74,450	172,743
Ordinary profit	704,206	266,924
Extraordinary income		
Gain on sales of non-current assets	-	21,694
Gain on bargain purchase	4,512	-
Gain on change in equity	-	27,672
Total extraordinary income	4,512	49,366
Extraordinary losses		
Loss on retirement of non-current assets	3,841	4,253
Impairment loss	15,074	-
Loss on sales of shares of subsidiaries and associates	344	-
Loss on liquidation of business	-	5,906
Total extraordinary losses	19,260	10,159
Profit before income taxes	689,458	306,131
Income taxes	322,448	449,941
Profit (loss)	367,009	(143,809)
Profit (loss) attributable to non-controlling interests	(3,911)	157,630
Profit (loss) attributable to owners of parent	370,921	(301,440)

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

(Thousands of yen)

	First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)
Profit	367,009	(143,809)
Other comprehensive income		
Foreign currency translation adjustment	18,994	(37,546)
Valuation difference on available-for-sale securities	(70,006)	(4,917)
Total other comprehensive income	(51,011)	(42,464)
Comprehensive income	315,998	(186,274)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	319,909	(344,171)
Comprehensive income attributable to non-controlling interests	(3,911)	157,896

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

#### **Going Concern Assumption**

Not applicable.

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

Capital stock and capital surplus increased 299,706 thousand yen each due to the exercise of share acquisition rights as stock options in the first three months of FY2/20. As a result, capital stock was 2,880,131 thousand yen and capital surplus was 2,833,482 thousand yen at the end of the first quarter.

#### **Changes in Significant Subsidiaries during the Period**

Not applicable.

#### **Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year, and multiplying that rate by the quarterly profit before income taxes.

#### **Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Not applicable.

#### **Additional Information**

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

Effective from the beginning of the first quarter of the current fiscal year, Vector has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the consolidated balance sheet, respectively.

**Segment and Other Information****Segment information**

1. First three months of FY2/19 (Mar. 1, 2018 – May 31, 2018)

(1) Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment						
	Public Relations	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Total
Net sales							
External sales	3,944,942	480,599	297,294	1,221,941	247,786	-	6,192,564
Inter-segment sales and transfers	15,164	46,115	56,732	-	52,949	-	170,962
Total	3,960,107	526,714	354,027	1,221,941	300,735	-	6,363,526
Segment profit (loss)	567,580	133,182	89,116	(153,636)	(2,589)	-	633,652

	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
Net sales				
External sales	32,702	6,225,267	-	6,225,267
Inter-segment sales and transfers	29,419	200,381	(200,381)	-
Total	62,122	6,425,649	(200,381)	6,225,267
Segment profit (loss)	8,691	642,343	3,893	646,237

Notes: 1. "Other" represents the businesses which are not included in any of the reportable segments and mainly consists of taxi signage network business and investment business.

2. The 3,893 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

3. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

(2) Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses involving non-current assets

In the Public Relations segment, there were impairment losses of 15,074 thousand yen in the first three months of FY2/19.

Significant change in goodwill

In the first three months of FY2/19, a gain on bargain purchase of 4,512 thousand yen was recorded in the Press Release Distribution Business due to acquisition of business at PR TIMES, Inc.

## 2. First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)

## (1) Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment						
	Public Relations	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Total
Net sales							
External sales	4,371,827	631,828	342,175	2,119,120	211,616	769,244	8,445,813
Inter-segment sales and transfers	59,913	43,052	89,810	2,500	42,855	648	238,779
Total	4,431,740	674,881	431,985	2,121,620	254,471	769,892	8,684,593
Segment profit (loss)	469,830	200,678	70,353	175,537	(39,920)	(545,484)	330,994

	Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on quarterly consolidated statement of income (Note 3)
Net sales				
External sales	186,431	8,632,245	-	8,632,245
Inter-segment sales and transfers	141,264	380,043	(380,043)	-
Total	327,696	9,012,289	(380,043)	8,632,245
Segment profit (loss)	66,430	397,425	240	397,666

Notes: 1. "Other" represents the businesses which are not included in any of the reportable segments and mainly consists of taxi signage network business and investment business.

2. The 240 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

3. Segment profit (loss) is adjusted to be consistent with operating profit in the quarterly consolidated statement of income.

## (2) Information related to revisions for reportable segments

In the first three months of FY2/20, Smartmedia INC. and RAGRU, Inc., which were included in the Public Relations segment in prior periods, were reclassified and included in the Media segment. News Technology.inc., which was included in the Public Relations segment in prior periods, was reclassified and included in the Other segment. In addition, ASHITA-TEAM Co., Ltd. and its four subsidiaries, which were included in the Other segment in prior periods, were reclassified and included in the Human Resources segment.

Segment information for the first three months of FY2/19 has been restated based on the revised reportable segments.

## (3) Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

**Subsequent Events**

Not applicable.

*This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*