



July 15, 2020

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2021
(Three Months Ended May 31, 2020)

[Japanese GAAP]

Company name: Vector, Inc. Listing: Tokyo Stock Exchange, First Section
 Securities code: 6058 URL: <https://www.vectorinc.co.jp/>
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 Scheduled date of filing of Quarterly Report: July 15, 2020
 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 28, 2021
(March 1, 2020 – May 31, 2020)

(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, 2020	8,862	2.7	(137)	-	(118)	-	(284)	-
Three months ended May 31, 2019	8,632	38.7	397	(38.5)	266	(62.1)	(301)	-

Note: Comprehensive income
 Three months ended May 31, 2020: 5,150 million yen (-%)
 Three months ended May 31, 2019: (186) million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended May 31, 2020	(5.97)	-
Three months ended May 31, 2019	(6.46)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2020	35,131	17,430	42.9	315.95
As of Feb. 29, 2020	25,302	12,500	39.5	209.41

Reference: Shareholders' equity As of May 31, 2020: 15,062 million yen As of Feb. 29, 2020: 9,983 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 29, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Feb. 28, 2021	-	-	-	-	-
Fiscal year ending Feb. 28, 2021 (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 28, 2021 has not been determined.

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2021 (March 1, 2020 – February 28, 2021)

(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	17,460 to 19,440	(2.6) to 8.4	(80) to 750	- to (39.7)	(80) to 750	- to (42.5)	(490) to 130	-	(10.28) to 2.73
Full year	37,000 to 44,800	(1.4) to 19.3	2,300 to 3,850	(30.8) to 15.8	2,300 to 3,850	(38.8) to 2.5	630 to 1,700	-	13.21 to 35.66

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, 2020	47,936,100 shares	As of Feb. 29, 2020:	47,936,100 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2020:	261,946 shares	As of Feb. 29, 2020:	261,946 shares
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3) Average number of shares during the period

Three months ended May 31, 2020:	47,674,154 shares	Three months ended May 31, 2019:	46,635,496 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 are based on the judgments of Vector as of May 31, 2020.

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending February 28, 2021, there was a sharp downturn of the Japanese economy due to the COVID-19 outbreak. Following the declaration of a state of emergency, people stayed home, local governments asked businesses to temporarily close or reduce hours, and other actions were taken. Consumer spending and other economic activity plummeted as a result, creating an extremely difficult business climate. Even after this declaration was lifted, economic activity recovered very slowly and the outlook remains extremely uncertain.

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

We are using many activities to start and expand new services for supporting marketing strategies that make people aware of the outstanding attributes of our clients. To provide services that look ahead to emerging needs, we partnered with Intimate Merger, Inc. to establish a privacy technology company called Priv Tech, Inc. in March 2020. Priv Tech serves companies by providing Trust360, a consent management platform for users’ agreements to terms concerning the use of personal and other information. In April 2020, we used knowledge acquired from the operation of our digital signage service to launch THE TOKYO SALON VISION COVER, a signage media exclusively for high-end hair salons located mainly in Tokyo. In May 2020, we started a cybersecurity business in order to broaden our activities in the risk management sector of the PR business. As our first B-to-B solution in this sector, we launched the Risk Find diagnostic service for the visualization of the level of employees’ awareness of the importance of security.

The direct marketing business, which has been growing rapidly in recent years, added a larger than planned number of new customers during the first quarter because of the strategy of making substantial advertising expenditures. The decision to increase advertising was based on increasing demand associated with people staying home due to the declaration of a state of emergency and on the ability to attract new customers efficiently. In the human resources business, which is one of several businesses added to the Vector Group through M&A activity in recent years, there was a big downturn in orders during the first quarter. In the previous fiscal year, measures to establish the best possible structure for business operations produced benefits that included profitability in the third and fourth quarters. However, the plunge in economic activity following the declaration of a state of emergency reduced the number of sales meetings with prospective customers.

Due to these activities, sales increased 2.7% to 8,862 million yen, operating loss was 137 million yen compared with operating profit of 397 million yen one year earlier, ordinary loss was 118 million yen compared with ordinary profit of 266 million yen one year earlier, and the loss attributable to owners of parent was 284 million yen compared with a loss of 301 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. Cyber Security Cloud, Inc. and Branding Engineer CO.,LTD. were listed on the Mothers Market of the Tokyo Stock Exchange on March 26, 2020 and July 7, 2020, respectively.

Business segment performance was 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. In the first quarter of the current fiscal year, the Public Relations segment was renamed the Public Relations and Advertising segment.

Public Relations and Advertising

The main activities of this business segment are strategic PR services centered on consulting and the sale of advertisements by using an IoT signage service, which is mainly for tablets placed in taxis. Companies cut back their marketing activities following the declaration of a state of emergency and restrictions kept people at home most of the time. As a result, COVID-19 reduced the volume of taxi signage advertisements and had other severe impacts on the activities of this segment. Despite these challenges, there were many new services in the digital domain and other fields in order to aim for more growth of the Vector Group. Examples include PR services and online PR events linked to consulting and other measures for meeting each client company's needs and live commerce support that utilizes social networking services.

Although this segment remained profitable because of these activities, sales and earnings declined. Segment sales decreased 12.9% to 3,994 million yen and operating profit decreased 60.1% to 215 million yen.

Press Release Distribution

PR TIMES, Inc. distributes and posts press releases by using its "PR TIMES" website as well as many other websites. Utilization of this service has been very high during the COVID-19 crisis and in June 2020 the number of companies using this service to distribute their press releases surpassed 40,000. As a result, quarterly sales and operating profit in this segment increased to new all-time highs.

Segment sales increased 21.4% to 819 million yen and operating profit rose 38.3% to 277 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. Even during the COVID-19 crisis, NewsTV conducted many sales activities for rapid online services and other measures to meet the needs of customers. However, sales and earnings were lower than one year earlier as companies reduced marketing activities, including the volume of their advertisements, following the declaration of a state of emergency.

Segment sales decreased 18.6% to 351 million yen and operating loss was 30 million yen compared with operating profit of 70 million yen one year earlier.

Direct Marketing

The direct marketing business consists of the operations of Vitabrid Japan, Inc. and other companies. The strategic decision was made to move up some advertising expenditures to the first quarter of the current fiscal year with the goal of maximizing sales and earnings for the entire fiscal year. This strategy reflects the increasing demand for direct marketing as more people stay at home because of COVID-19 and the ability to attract new customers efficiently. Due to these extra expenditures, the number of new customers was more than planned and this business set a new record for quarterly sales. However, the large volume of advertisements for this business temporarily brought down earnings. For the entire fiscal year, we expect this business to perform well because of the expected benefits of its advertisements and sales activities backed by highly effective marketing.

Segment sales increased 30.6% to 2,771 million yen and operating loss was 509 million yen compared with operating profit of 175 million yen one year earlier.

Media

The performance of the media business of Smartmedia INC. benefited from a focus on business fields where it can use core strengths such as a service for building owned media. The goal was to convert to a business structure that is not vulnerable to changes in market conditions such as the recent change in the order that search engine results are displayed. In addition, earnings benefited from the end of goodwill impairment that held down earnings in the previous fiscal year. As a result, the media business was profitable in the fourth quarter of the previous fiscal year and again in the first quarter of the current fiscal year.

Segment sales decreased 17.0% to 211 million yen and operating profit was 24 million yen compared with a 39 million yen loss one year earlier.

Human Resources

ASHITA-TEAM Co., Ltd. operates a human resources cloud service that helps companies establish and operate employee evaluation systems. This service has excellent prospects for growth, in part because of the Japanese government's measures to promote working style reforms. Due to measures to establish the best possible structure for providing this service, the human resources business became profitable in the third and fourth quarters of the previous fiscal year and other benefits are emerging. However, the number of sales meetings with prospective customers decreased in the first quarter as economic activity in Japan declined following the declaration of a state of emergency. The result was a big decrease in the number of orders.

Segment sales decreased 18.1% to 630 million yen and operating loss was 346 million yen compared with a 545 million yen loss one year earlier.

Fund

The fund business, which is operated by 100Capital Inc., posted big increases in sales and operating profit because of gains on the sales of part of the equities held by 100Capital No. 1 Investment Limited Liability Partnership.

Segment sales increased 858.8% to 291 million yen and operating profit was 237 million yen compared with a 7 million yen loss one year earlier.

(2) Explanation of Financial Position

Assets

Total assets at the end of the first quarter of the current fiscal year increased 9,829 million yen from the end of the previous fiscal year to 35,131 million yen.

Current assets increased 2,034 million yen to 18,691 million yen. This was mainly due to an increase of 3,399 million yen in cash and deposits, while there was a decrease of 1,734 million yen in notes and accounts receivable-trade.

Non-current assets increased 7,794 million yen to 16,439 million yen. This was mainly due to increases of 7,705 million yen in investment securities and 184 million yen in deferred tax assets, while there was a decrease of 111 million yen in goodwill.

Liabilities

Total liabilities at the end of the first quarter of the current fiscal year increased 4,899 million yen from the end of the previous fiscal year to 17,701 million yen.

Current liabilities increased 2,620 million yen to 11,697 million yen. This was mainly due to an increase of 4,349 million yen in short-term borrowings, while there were decreases of 1,035 million yen in income taxes payable, 319 million yen in accounts payable-trade and 264 million yen in provision for bonuses.

Non-current liabilities increased 2,279 million yen to 6,003 million yen. This was mainly due to an increase of 2,348 million yen in deferred tax liabilities.

Net assets

Total net assets at the end of the first quarter of the current fiscal year increased 4,929 million yen from the end of the previous fiscal year to 17,430 million yen. This was mainly due to an increase of 5,335 million yen in valuation difference on available-for-sale securities, while there was a decrease of 284 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 22, 2020.

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

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
Assets		
Current assets		
Cash and deposits	7,889,663	11,289,042
Notes and accounts receivable-trade	6,104,639	4,370,005
Operational investment securities	516,437	459,775
Merchandise and finished goods	706,624	811,120
Costs on service contracts in progress	137,696	124,355
Other	1,656,600	1,850,783
Allowance for doubtful accounts	(355,087)	(213,647)
Total current assets	16,656,574	18,691,435
Non-current assets		
Property, plant and equipment		
Buildings and structures	487,699	503,948
Tools, furniture and fixtures	644,969	641,231
Leased assets	587,817	592,532
Accumulated depreciation	(782,768)	(824,224)
Total property, plant and equipment	937,717	913,488
Intangible assets		
Goodwill	1,343,523	1,232,481
Software	548,965	579,192
Other	318,337	321,865
Total intangible assets	2,210,825	2,133,539
Investments and other assets		
Investment securities	3,815,152	11,520,346
Deferred tax assets	552,210	736,541
Leasehold and guarantee deposits	841,428	863,722
Other	389,046	544,214
Allowance for doubtful accounts	(100,850)	(272,101)
Total investments and other assets	5,496,987	13,392,722
Total non-current assets	8,645,530	16,439,750
Total assets	25,302,104	35,131,185

	(Thousands of yen)	
	FY2/20 (As of Feb. 29, 2020)	First quarter of FY2/21 (As of May 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,031,037	711,701
Short-term borrowings	1,500,339	5,849,620
Current portion of long-term borrowings	743,928	800,201
Current portion of bonds	198,000	198,000
Lease obligations	181,635	196,850
Income taxes payable	1,381,930	346,904
Provision for bonuses	324,849	60,848
Provision for point card certificates	48,007	84,485
Provision for shareholder benefit program	77,400	19,289
Other	3,589,502	3,429,610
Total current liabilities	9,076,630	11,697,511
Non-current liabilities		
Long-term borrowings	2,729,110	2,791,856
Bonds payable	628,000	545,000
Lease obligations	276,479	221,057
Deferred tax liabilities	52,503	2,401,074
Other	38,433	44,569
Total non-current liabilities	3,724,526	6,003,557
Total liabilities	12,801,156	17,701,069
Net assets		
Shareholders' equity		
Share capital	2,880,131	2,880,131
Capital surplus	2,776,446	2,822,851
Retained earnings	4,470,567	4,185,729
Treasury shares	(259,780)	(259,780)
Total shareholders' equity	9,867,365	9,628,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	115,266	5,450,328
Foreign currency translation adjustment	915	(16,452)
Total accumulated other comprehensive income	116,182	5,433,876
Share acquisition rights	191,608	118,444
Non-controlling interests	2,325,792	2,248,863
Total net assets	12,500,948	17,430,116
Total liabilities and net assets	25,302,104	35,131,185

(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 FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Net sales	8,632,245	8,862,463
Cost of sales	2,998,600	2,980,942
Gross profit	5,633,645	5,881,521
Selling, general and administrative expenses	5,235,979	6,019,101
Operating profit (loss)	397,666	(137,580)
Non-operating income		
Interest and dividend income	10,683	7,999
Gain on sales of investment securities	1,778	47,770
Gain on investments in investment partnerships	12,167	15,713
Other	17,373	22,216
Total non-operating income	42,001	93,700
Non-operating expenses		
Interest expenses	16,589	12,788
Foreign exchange losses	4,248	2,317
Provision of allowance for doubtful accounts	-	6,191
Commission expenses	18,549	560
Loss on investments in investment partnerships	33,280	353
Share of loss of entities accounted for using equity method	93,673	50,146
Other	6,402	2,407
Total non-operating expenses	172,743	74,765
Ordinary profit (loss)	266,924	(118,645)
Extraordinary income		
Gain on sales of non-current assets	21,694	-
Gain on reversal of share acquisition rights	-	73,164
Gain on change in equity	27,672	-
Total extraordinary income	49,366	73,164
Extraordinary losses		
Loss on retirement of non-current assets	4,253	-
Loss on liquidation of business	5,906	-
Total extraordinary losses	10,159	-
Profit (loss) before income taxes	306,131	(45,481)
Income taxes	449,941	109,963
Loss	(143,809)	(155,444)
Profit attributable to non-controlling interests	157,630	129,393
Loss attributable to owners of parent	(301,440)	(284,837)

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

(Thousands of yen)

	First three months of FY2/20 (Mar. 1, 2019 – May 31, 2019)	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)
Loss	(143,809)	(155,444)
Other comprehensive income		
Foreign currency translation adjustment	(37,546)	(17,341)
Valuation difference on available-for-sale securities	(4,917)	5,325,539
Share of other comprehensive income of entities accounted for using equity method	-	(2,129)
Total other comprehensive income	(42,464)	5,306,067
Comprehensive income	(186,274)	5,150,623
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(344,171)	5,032,856
Comprehensive income attributable to non-controlling interests	157,896	117,767

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

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.

Segment and Other Information**Segment information**

1. 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 and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Net sales							
External sales	4,527,907	631,828	342,175	2,119,120	211,616	769,244	30,352
Inter-segment sales and transfers	57,653	43,052	89,810	2,500	42,855	648	-
Total	4,585,560	674,881	431,985	2,121,620	254,471	769,892	30,352
Segment profit (loss)	540,227	200,678	70,353	175,537	(39,920)	(545,484)	(7,388)

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	8,632,245	-	8,632,245
Inter-segment sales and transfers	236,519	(236,519)	-
Total	8,868,765	(236,519)	8,632,245
Segment profit (loss)	394,003	3,662	397,666

Notes: 1. The 3,662 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

2. 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

Not applicable.

Significant change in goodwill

Not applicable.

2. First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)

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

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Net sales							
External sales	3,917,880	786,044	315,529	2,766,297	155,384	630,322	291,004
Inter-segment sales and transfers	76,532	33,486	36,244	4,880	55,900	-	-
Total	3,994,413	819,531	351,773	2,771,178	211,284	630,322	291,004
Segment profit (loss)	215,474	277,505	(30,951)	(509,616)	24,661	(346,523)	237,613

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	8,862,463	-	8,862,463
Inter-segment sales and transfers	207,044	(207,044)	-
Total	9,069,507	(207,044)	8,862,463
Segment profit (loss)	(131,835)	(5,744)	(137,580)

Notes: 1. The minus 5,744 thousand yen adjustment to segment profit (loss) is the elimination of intersegment transactions.

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

3. In the first quarter of FY2/21, the Public Relations segment was renamed the Public Relations and Advertising segment. This change is solely for the name of segment and does not influence the segment information. The segment information for the first three months of FY2/20 is prepared and disclosed using the new segment name.

(2) Information related to assets for reportable segments

In the first quarter of FY2/21, segment assets in the Public Relations and Advertising segment increased 9,975 million yen from the end of FY2/20 mainly due to the market valuation of Cyber Security Cloud, Inc.

(3) Information related to revisions for reportable segments

In the first quarter of FY2/21, News Technology.inc., which was included in the Other segment in prior periods, was reclassified and included in the Public Relations and Advertising segment. 100Capital Inc. and 100Capital No. 1 Investment Limited Liability Partnership, which were included in the Other segment in prior periods, were reclassified and included in the Fund segment.

Segment information for the first three months of FY2/20 has been restated based on the revised reportable segments.

(4) 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.