



November 13, 2020

# **Summary of Consolidated Financial Results** **for the Second Quarter of the Fiscal Year Ending February 28, 2021** **(Six Months Ended August 31, 2020)**

[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:	Hajime Hasegawa, President		
Contact:	Yosuke Goto, Director, General Manager, Corporate Planning Division	Tel:	+81-3-5572-6080
Scheduled date of filing of Quarterly Report:			November 13, 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 Second Quarter of the Fiscal Year Ending February 28, 2021** **(March 1, 2020 – August 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	%
Six months ended Aug. 31, 2020	17,655	(0.1)	585	(48.4)	(310)	-	(1,182)	-
Six months ended Aug. 31, 2019	17,677	37.7	1,135	(21.9)	1,196	(36.5)	(718)	-

Note: Comprehensive income Six months ended Aug. 31, 2020: 5,207 million yen (-%)

Six months ended Aug. 31, 2019: (795) million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2020	(24.80)	-
Six months ended Aug. 31, 2019	(15.24)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2020	32,166	15,122	39.1	263.74
As of Feb. 29, 2020	23,606	10,166	32.4	160.45

Reference: Shareholders' equity As of Aug. 31, 2020: 12,573 million yen As of Feb. 29, 2020: 7,649 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	-	0.00			
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
Full year	37,000	0.5	2,300	(20.4)	2,300	(30.8)	630	-	13.21

Note: Revision to the most recently announced consolidated forecast: Yes

**\* 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, (4) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” on page 12 for further information.

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

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 Aug. 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 Aug. 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

Six months ended Aug. 31, 2020:	47,674,154 shares	Six months ended Aug. 31, 2019:	47,154,825 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, (4) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5 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 November 13, 2020.

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending February 28, 2021, the Japanese economy was severely impacted as economic activity worldwide plummeted because of the COVID-19 crisis. In Japan, the state of emergency ended but the number of infections is currently climbing again. The economic outlook is still unclear because of the risk of another economic downturn, weakening of consumer spending and the labor market, and other problems caused by this crisis.

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. In September 2020, we started providing the Atareru cloud service that helps customers identify and attack lead customers. This is our first activity in the sales technology sector. Using a database covering about 1.6 million companies, Atareru performs every step from the preparation of a sales list to obtaining appointments for sales calls and supervising the progress of sales activities. Another step was the establishment of Colorful Tails, Inc. for the development of hyper casual game content. We are interested in the hyper casual game category because of its excellent growth prospects from the standpoint of media in terms of advertising revenue. In addition, Medical Technologies, Inc., a newly established subsidiary, acquired Business Intelligence, Inc., a medical marketing services company, in order to play a role in the digital transformation of the healthcare industry.

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 of the current fiscal year 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. As a result, this business achieved record-high quarterly sales and operating profit in the second quarter.

The human resources business, which is one of several businesses added to the Vector Group through M&A activity in recent years, has been taking actions aimed at establishing the best possible structure for its business operations. In the first quarter of the current fiscal year, orders received by this business plummeted because of the decline in the number of sales meetings with people who have authority to make decisions. The cause was the decline in business activities associated with Japan’s declaration of a state of emergency. Even in the second quarter, which was after the state of emergency ended, the number of orders was still smaller than expected. There was an increase in sales talks with decision-makers, but the financial condition of many prospective customers worsened. Investing activities posted gains on sales of investment securities but there were also valuation losses on securities investments, mainly involving investments in some companies affected by the COVID-19 crisis.

Due to these activities, first half sales decreased 0.1% to 17,655 million yen, operating profit decreased 48.4% to 585 million yen, ordinary loss was 310 million yen compared with ordinary profit of 1,196 million yen one year earlier, and the loss attributable to owners of parent was 1,182 million yen compared with a loss of 718 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., Branding Engineer CO.,LTD. and Headwaters Co., Ltd. were listed on the Mothers Market of the Tokyo Stock Exchange on March 26, 2020, July 7, 2020 and September 29, 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. In the second quarter, marketing activities by companies started to recover. In this challenging environment, there were many new services in the digital domain in order to aim for more growth of the Vector Group. Examples include PR services, online PR events 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 16.4% to 7,814 million yen and operating profit decreased 75.5% to 274 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. In August 2020, more than 43,000 companies were using this service. As a result, second quarter sales and operating profit surpassed the first quarter’s results to reach new all-time highs.

Segment sales increased 26.7% to 1,741 million yen and operating profit rose 83.1% to 631 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 because there was only a weak recovery in advertising activities by companies even after the end of the state of emergency.

Segment sales decreased 26.9% to 647 million yen and operating loss was 91 million yen compared with operating profit of 151 million yen one year earlier.

### **Direct Marketing**

The direct marketing business consists of the operations of Vitabrid Japan, Inc. and other companies. In the first quarter, the advertising expenditures of these companies were very high with the strategic objective 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 as well as the ability to attract new customers efficiently. These activities resulted in a larger than planned number of new customers. As a result, second quarter sales were 3,059 million yen and operating profit was 571 million yen, both new quarterly records.

Segment sales increased 40.5% to 5,830 million yen and operating profit decreased 83.9% to 61 million yen.

## 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 in the first quarter of the current fiscal year, and again in the second quarter.

Segment sales decreased 9.4% to 397 million yen and operating profit was 35 million yen compared with a 180 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. However, the number of sales meetings with people who have authority to make decisions 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. In the second quarter, which was after the end of the state of emergency, the number of orders was smaller than expected even though sales meetings with decision-makers started to increase. Orders were held down mainly by the worsening financial condition of prospective customers.

Segment sales decreased 14.5% to 1,389 million yen and operating loss was 466 million yen compared with a 755 million yen loss one year earlier.

## Fund

In the fund business, which is operated by 100Capital Inc., gains on the first quarter sales of part of the equities held by 100Capital No. 1 Investment Limited Liability Partnership made a big contribution to sales and operating profit. In the second quarter, this business recorded valuation losses on investment securities, mainly involving investments in some companies affected by the COVID-19 crisis.

Segment sales decreased 14.4% to 291 million yen and operating profit increased 106.8% to 148 million yen.

## (2) Explanation of Financial Position

### Assets

Total assets at the end of the second quarter of the current fiscal year increased 8,560 million yen from the end of the previous fiscal year to 32,166 million yen.

Current assets increased 929 million yen to 17,060 million yen. This was mainly due to an increase of 1,962 million yen in cash and deposits, while there was a decrease of 1,370 million yen in notes and accounts receivable-trade.

Non-current assets increased 7,631 million yen to 15,105 million yen. This was mainly due to an increase of 7,900 million yen in investment securities, while there was a decrease of 148 million yen in goodwill.

### Liabilities

Total liabilities at the end of the second quarter of the current fiscal year increased 3,604 million yen from the end of the previous fiscal year to 17,043 million yen.

Current liabilities decreased 295 million yen to 9,417 million yen. This was mainly due to decreases of 847 million yen in income taxes payable, 237 million yen in accounts payable-trade and 205 million yen in provision for bonuses, while there was an increase of 1,280 million yen in short-term borrowings.

Non-current liabilities increased 3,900 million yen to 7,626 million yen. This was mainly due to increases of 2,602 million yen in deferred tax liabilities and 1,473 million yen in long-term borrowings.

## Net assets

Total net assets at the end of the second quarter of the current fiscal year increased 4,955 million yen from the end of the previous fiscal year to 15,122 million yen. This was mainly due to an increase of 6,074 million yen in valuation difference on available-for-sale securities, while there was a decrease of 1,182 million yen in retained earnings.

## (3) Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the second quarter of the current fiscal year increased 1,962 million yen from the end of the previous fiscal year to 9,846 million yen.

The cash flow components during the first half and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash used in operating activities was 51 million yen, compared with net cash provided of 1,145 million yen in the same period of the previous fiscal year. Main positive factors include loss on valuation of investment securities of 764 million yen and a 1,363 million yen decrease in trade receivables. Main negative factors include loss before income taxes of 306 million yen, income taxes paid of 1,407 million yen, a 234 million yen decrease in trade payables and a 145 million yen decrease in accounts payable-other.

### Cash flows from investing activities

Net cash used in investing activities was 427 million yen, compared with net cash provided of 479 million yen in the same period of the previous fiscal year. Main positive factors include proceeds from sales of investment securities of 130 million yen. Main negative factors include purchase of investment securities of 129 million yen, purchase of property, plant and equipment of 170 million yen, purchase of intangible assets of 119 million yen and loan advances of 119 million yen.

### Cash flows from financing activities

Net cash provided by financing activities was 2,454 million yen, compared with net cash used of 1,013 million yen in the same period of the previous fiscal year. Main positive factors include a net increase in short-term borrowings of 1,281 million yen and proceeds from long-term borrowings of 1,960 million yen. Main negative factors include repayments of long-term borrowings of 404 million yen and amount of distribution paid to investment business members of 274 million yen.

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

### Consolidated Forecast for the Fiscal Year Ending February 28, 2021

The original forecast for the fiscal year ending February 28, 2021 used ranges for sales and earnings because of the uncertain outlook for the economies of Japan and other countries due to the global impact of the COVID-19 crisis. Today, we have revised this forecast to the following single numbers as was announced in a news release titled “Notice of Differences between First Half Forecasts and Performance and Revision to Fiscal Year Consolidated Forecast (Japanese version only).” This revised forecast takes into account current results of operations, the outlook for our markets based on the effects of the COVID-19 crisis, and other factors.

Net sales:	37,000 million yen (up 0.5% year-on-year)
Operating profit:	2,300 million yen (down 20.4% year-on-year)
Ordinary profit:	2,300 million yen (down 30.8% year-on-year)
Profit attributable to owners of parent:	630 million yen (loss of 199 million yen in the previous fiscal year)

This forecast is based on information currently available to the Vector Group and on assumptions believed to be valid. Actual performance may differ due to upcoming changes associated with the many uncertainties incorporated in this forecast.

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

	(Thousands of yen)	
	FY2/20	Second quarter of FY2/21
	(As of Feb. 29, 2020)	(As of Aug. 31, 2020)
Assets		
Current assets		
Cash and deposits	7,889,663	9,851,995
Notes and accounts receivable-trade	5,579,386	4,209,027
Operational investment securities	516,437	400,759
Merchandise and finished goods	706,624	811,319
Costs on service contracts in progress	137,696	142,101
Other	1,656,600	1,845,835
Allowance for doubtful accounts	(355,087)	(200,574)
Total current assets	16,131,320	17,060,463
Non-current assets		
Property, plant and equipment		
Buildings and structures	430,477	444,909
Tools, furniture and fixtures	637,675	644,783
Leased assets	526,489	559,547
Accumulated depreciation	(755,575)	(852,909)
Total property, plant and equipment	839,066	796,329
Intangible assets		
Goodwill	631,641	483,278
Software	309,804	338,960
Other	286,732	286,561
Total intangible assets	1,228,178	1,108,800
Investments and other assets		
Investment securities	3,815,152	11,715,518
Deferred tax assets	462,668	398,648
Leasehold and guarantee deposits	841,428	836,038
Other	389,046	525,341
Allowance for doubtful accounts	(100,850)	(274,751)
Total investments and other assets	5,407,444	13,200,795
Total non-current assets	7,474,690	15,105,925
Total assets	23,606,011	32,166,388



	(Thousands of yen)	
	FY2/20	Second quarter of FY2/21
	(As of Feb. 29, 2020)	(As of Aug. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	1,031,037	793,385
Short-term borrowings	1,500,339	2,780,460
Current portion of long-term borrowings	743,928	826,026
Current portion of bonds	198,000	198,000
Lease obligations	181,635	196,635
Income taxes payable	1,381,930	534,144
Provision for bonuses	324,849	119,112
Provision for point card certificates	48,007	121,795
Provision for shareholder benefit program	77,400	1,361
Other	4,226,141	3,846,706
Total current liabilities	9,713,269	9,417,626
Non-current liabilities		
Long-term borrowings	2,729,110	4,202,859
Bonds payable	628,000	529,000
Lease obligations	276,479	195,920
Deferred tax liabilities	54,032	2,656,523
Other	38,433	41,821
Total non-current liabilities	3,726,055	7,626,124
Total liabilities	13,439,324	17,043,751
Net assets		
Shareholders' equity		
Share capital	2,880,131	2,880,131
Capital surplus	2,776,446	2,820,504
Retained earnings	2,136,305	954,034
Treasury shares	(259,780)	(259,780)
Total shareholders' equity	7,533,103	6,394,890
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	115,266	6,190,020
Foreign currency translation adjustment	915	(11,442)
Total accumulated other comprehensive income	116,182	6,178,577
Share acquisition rights	191,608	73,863
Non-controlling interests	2,325,792	2,475,305
Total net assets	10,166,686	15,122,637
Total liabilities and net assets	23,606,011	32,166,388

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

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Net sales	17,677,492	17,655,747
Cost of sales	6,342,267	5,902,544
Gross profit	11,335,224	11,753,202
Selling, general and administrative expenses	10,200,178	11,167,693
Operating profit	1,135,046	585,509
Non-operating income		
Interest and dividend income	13,940	9,846
Foreign exchange gains	-	111
Gain on sales of investment securities	716,344	47,770
Gain on investments in investment partnerships	37,346	41,795
Other	32,077	62,632
Total non-operating income	799,709	162,156
Non-operating expenses		
Interest expenses	26,192	27,040
Foreign exchange losses	9,770	-
Provision of allowance for doubtful accounts	2,481	8,841
Loss on investments in investment partnerships	46,919	81,039
Loss on valuation of investment securities	513,582	764,406
Share of loss of entities accounted for using equity method	100,011	173,068
Other	39,334	3,906
Total non-operating expenses	738,291	1,058,303
Ordinary profit (loss)	1,196,464	(310,638)
Extraordinary income		
Gain on sales of non-current assets	21,694	-
Gain on change in equity	29,727	-
Gain on liquidation of subsidiaries	1,259	-
Gain on reversal of share acquisition rights	-	73,164
Total extraordinary income	52,681	73,164
Extraordinary losses		
Loss on sales of non-current assets	-	114
Loss on retirement of non-current assets	5,888	91
Impairment loss	453,359	33,316
Loss on liquidation of business	93,365	35,733
Total extraordinary losses	552,613	69,255
Profit (loss) before income taxes	696,533	(306,729)
Income taxes	1,092,024	554,054
Loss	(395,491)	(860,784)
Profit attributable to non-controlling interests	323,069	321,487
Loss attributable to owners of parent	(718,560)	(1,182,271)

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

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Loss	(395,491)	(860,784)
Other comprehensive income		
Foreign currency translation adjustment	(19,956)	(15,554)
Valuation difference on available-for-sale securities	(365,538)	6,082,563
Share of other comprehensive income of entities accounted for using equity method	(14,148)	955
Total other comprehensive income	(399,643)	6,067,964
Comprehensive income	(795,134)	5,207,180
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,118,499)	4,880,123
Comprehensive income attributable to non-controlling interests	323,364	327,056

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	696,533	(306,729)
Depreciation	153,397	205,222
Amortization of goodwill	289,067	117,521
Amortization of long-term prepaid expenses	4,179	3,437
Depreciation and amortization on other	15,272	18,592
Loss (gain) on change in equity	(29,727)	-
Impairment loss	453,359	33,316
Loss (gain) on sales of non-current assets	(21,694)	114
Loss on retirement of non-current assets	5,888	91
Loss (gain) on sales of investment securities	(716,344)	(47,770)
Loss (gain) on valuation of investment securities	513,582	764,406
Loss (gain) on investments in investment partnerships	9,573	39,243
Share of loss (profit) of entities accounted for using equity method	100,011	173,068
Loss (gain) on liquidation of subsidiaries	(1,259)	-
Gain on reversal of share acquisition rights	-	(73,164)
Increase (decrease) in allowance for doubtful accounts	70,391	19,387
Increase (decrease) in provision for bonuses	(8,866)	(205,597)
Increase (decrease) in provision for shareholder benefit program	(68,700)	(76,038)
Increase (decrease) in provision for point card certificates	-	73,823
Interest and dividend income	(13,940)	(9,846)
Interest expenses	26,192	27,040
Decrease (increase) in trade receivables	(37,844)	1,363,265
Decrease (increase) in inventories	(360,837)	(133,146)
Decrease (increase) in investment securities for sale	257,022	134,338
Increase (decrease) in trade payables	45,468	(234,334)
Increase (decrease) in accounts payable-other	259,224	(145,590)
Other, net	542,949	(367,941)
Subtotal	2,182,898	1,372,711
Interest and dividends received	15,813	11,104
Interest paid	(20,450)	(27,809)
Income taxes paid	(1,032,734)	(1,407,834)
Net cash provided by (used in) operating activities	1,145,526	(51,826)

(Thousands of yen)

	First six months of FY2/20 (Mar. 1, 2019 – Aug. 31, 2019)	First six months of FY2/21 (Mar. 1, 2020 – Aug. 31, 2020)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	19,999	-
Purchase of property, plant and equipment	(75,881)	(170,666)
Proceeds from sales of property, plant and equipment	-	41
Purchase of intangible assets	(189,711)	(119,041)
Proceeds from sales of intangible assets	21,000	-
Purchase of investment securities	(462,536)	(129,383)
Proceeds from sales of investment securities	942,923	130,961
Payments for investments in capital	(50,000)	(47,580)
Proceeds from divestments	14,839	47,017
Loan advances	(300,000)	(119,000)
Collection of loans receivable	752,607	1,500
Proceeds from sale of businesses	1,200	-
Purchase of shares of subsidiaries and associates	(68,600)	-
Payments of leasehold and guarantee deposits	(134,009)	(29,828)
Proceeds from refund of leasehold deposits	7,606	8,425
Net cash provided by (used in) investing activities	479,436	(427,553)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(996,400)	1,281,000
Proceeds from long-term borrowings	-	1,960,000
Repayments of long-term borrowings	(1,233,738)	(404,153)
Proceeds from issuance of bonds	880,000	-
Redemption of bonds	(5,000)	(99,000)
Proceeds from issuance of share acquisition rights	-	519
Expenditure for acquisition of own share acquisition rights	-	(45,100)
Proceeds from issuance of shares	593,643	-
Proceeds from share issuance to non-controlling shareholders	1,458	126,508
Purchase of treasury shares	(1)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(54,582)	-
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	15,000
Purchase of treasury shares of subsidiaries	(153,507)	(272)
Proceeds from disposal of treasury shares of subsidiaries	720	-
Repayments of lease obligations	(45,889)	(105,062)
Dividends paid	(186)	(247)
Amount of distribution paid to investment business members	-	(274,575)
Net cash provided by (used in) financing activities	(1,013,483)	2,454,617
Effect of exchange rate change on cash and cash equivalents	(3,048)	(12,906)
Net increase (decrease) in cash and cash equivalents	608,431	1,962,331
Cash and cash equivalents at beginning of period	6,038,286	7,884,660
Cash and cash equivalents at end of period	6,646,718	9,846,991

**(4) 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 six months of FY2/20 (Mar. 1, 2019 – Aug. 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	9,206,142	1,285,751	734,469	4,146,095	341,470	1,623,467	340,095
Inter-segment sales and transfers	135,976	89,097	151,277	4,560	97,246	1,092	-
Total	9,342,119	1,374,849	885,747	4,150,655	438,717	1,624,559	340,095
Segment profit (loss)	1,120,841	345,209	151,666	380,935	(180,204)	(755,731)	71,765

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	17,677,492	-	17,677,492
Inter-segment sales and transfers	479,250	(479,250)	-
Total	18,156,742	(479,250)	17,677,492
Segment profit (loss)	1,134,482	564	1,135,046

Notes: 1. The 564 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**

In the Public Relations and Advertising segment, there was a first half impairment loss of 106,180 thousand yen in the first six months of FY2/20 for software under development for a project that was terminated and a write down of Starbank Inc. goodwill because the earnings of this company's vicolle business are no longer expected to be as much as was initially planned.

In the Press Release Distribution segment, there was a first half impairment loss of 98,384 thousand yen in the first six months of FY2/20 because of the write down to the amount that can be recovered of the book value of the asset group (goodwill, software and trademarks) associated with the Jooto business, which has consistently been unable to achieve the initial plan for sales and earnings.

In the Media segment, there was a first half impairment loss of 248,794 thousand yen in the first six months of FY2/20 because of the write down of goodwill resulting from the acquisitions of KAUMO, Inc. and Laugh Tech, Inc. (both are now Smartmedia INC.). An examination of the amount of the investments in these two companies that can be recovered based on the business plan resulted in the conclusion that earnings are not likely to be as high as initially expected.

**Significant change in goodwill**

Goodwill decreased because of the impairment losses explained in the preceding section. The write downs of goodwill during the first six months of FY2/20 totaled 52,000 thousand yen in the Public Relations and Advertising segment, 70,912 thousand yen in the Press Release Distribution segment and 248,794 thousand yen in the Media segment.

## 2. First six months of FY2/21 (Mar. 1, 2020 – Aug. 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	7,674,016	1,670,252	533,111	5,804,589	293,614	1,389,158	291,004
Inter-segment sales and transfers	139,988	71,107	114,191	25,625	103,782	198	-
Total	7,814,005	1,741,359	647,302	5,830,215	397,396	1,389,356	291,004
Segment profit (loss)	274,538	631,943	(91,205)	61,501	35,002	(466,383)	148,386

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	17,655,747	-	17,655,747
Inter-segment sales and transfers	454,893	(454,893)	-
Total	18,110,640	(454,893)	17,655,747
Segment profit (loss)	593,781	(8,272)	585,509

Notes: 1. The minus 8,272 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 six months of FY2/20 is prepared and disclosed using the new segment name.

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

In the second quarter of FY2/21, segment assets in the Public Relations and Advertising segment increased 9,438,482 thousand 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 six 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

In the Press Release Distribution segment, there was a first half impairment loss of 33,316 thousand yen in the first six months of FY2/21 because of the write down to the amount that can be recovered of the book value of the asset group (goodwill and software) associated with the U-NOTE business, which has consistently been unable to achieve the initial plan for sales and earnings.

## Significant change in goodwill

Goodwill decreased because of the impairment losses explained in the preceding section. The write downs of goodwill during the first six months of FY2/21 totaled 30,841 thousand yen in the Press Release Distribution segment.



## Subsequent Events

Acquisition of company

Acquisition of company by a consolidated subsidiary

On August 18, 2020, the Vector Board of Directors approved a resolution for a newly established subsidiary to acquire a company as follows. On the same day, this subsidiary signed a contract for the acquisition of Business Intelligence, Inc.

### 1. Summary of business combination

#### (1) Acquired company and its business activities

##### 1) Acquired company:

Business Intelligence, Inc.

##### 2) Business activities:

Medical marketing

#### (2) Reasons for acquisition

Vector acquired Business Intelligence for the purpose of using the digital transformation to help solve problems in the healthcare industry and of developing services that will be required for the upcoming age of health technology as the healthcare industry continues to evolve and advance.

#### (3) Acquisition date

September 1, 2020

#### (4) Legal form of acquisition

Purchase using a cash payment

#### (5) Company's name after acquisition

Medical Technologies, Inc. (a new consolidated subsidiary)

#### (6) Basis for choosing the company to acquire

Vector consolidated subsidiary Medical Technologies acquired Business Intelligence in exchange for a cash payment.

### 2. Acquisition cost of Business Intelligence and break down by type of consideration

Payment for the acquisition: Cash	244,697 thousand yen
Acquisition cost:	244,697 thousand yen

### 3. Details of major acquisition-related costs

Not yet determined

### 4. Goodwill resulting from the acquisition

Not yet determined.

*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.*