April 14, 2021

Consolidated Financial Results for the Fiscal Year Ended February 28, 2021

[Japanese GAAP]

Company name: Vector, Inc.
Listing: Tokyo Stock Exchange, First Section
Securities code: 6058
URL: https://www.vectorinc.co.jp/
Representative: Hajime Hasegawa, President
Contact: Yosuke Goto, Director, General Manager, Corporate Planning Division
Tel: +81-3-5572-6080
Scheduled date of Annual General Meeting of Shareholders: May 27, 2021
Scheduled date of filing of Annual Securities Report: May 28, 2021
Scheduled date of dividend payment: May 28, 2021
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 – February 28, 2021)

(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	%
Fiscal year ended Feb. 28, 2021	37,273	1.2	2,314	(19.9)	2,797	(15.8)	486	-
Fiscal year ended Feb. 29, 2020	36,821	24.0	2,891	12.3	3,322	21.3	(199)	-

Note: Comprehensive income Fiscal year ended Feb. 28, 2021: 4,850 million yen (-%)
Fiscal year ended Feb. 29, 2020: (251) million yen (-%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2021	10.21	-	5.0	10.4	6.2
Fiscal year ended Feb. 29, 2020	(4.20)	-	-	13.7	7.9

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2021: (201) million yen
Fiscal year ended Feb. 29, 2020: (232) million yen

Note: Diluted earnings per share for the fiscal year ended February 29, 2020 is not presented because net loss was posted despite the existence of latent shares with a dilution effect. Also, return on equity is not presented because net loss was posted.

Diluted earnings per share for the fiscal year ended February 28, 2021 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2021	30,057	14,854	39.4	248.38
As of Feb. 29, 2020	23,606	10,166	32.4	160.45

Reference: Shareholders' equity As of Feb. 28, 2021: 11,841 million yen As of Feb. 29, 2020: 7,649 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2021	2,129	644	209	10,852
Fiscal year ended Feb. 29, 2020	2,868	2,260	(3,273)	7,884

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 29, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Feb. 28, 2021	-	0.00	-	2.00	2.00	95	19.6	1.0
Fiscal year ending Feb. 28, 2022 (forecast)	-	0.00	-	4.00	4.00		19.1	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(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	21,910	24.1	1,070	82.7	1,070	-	110	-	2.31
Full year	47,700	28.0	4,000	72.8	4,000	43.0	1,000	105.4	20.98

*** Notes**

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

Newly added: - Excluded: -

(2) 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

(3) Number of issued shares (common stock)

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

As of Feb. 28, 2021:	47,936,100 shares	As of Feb. 29, 2020	47,936,100 shares

2) Number of treasury shares at the end of the period

As of Feb. 28, 2021:	262,013 shares	As of Feb. 29, 2020:	261,946 shares

3) Average number of shares during the period

Fiscal year ended Feb. 28, 2021:	47,674,137 shares	Fiscal year ended Feb. 29, 2020:	47,413,070 shares

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Per Share Information” on page 21 of the attachments for further information.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021 (March 1, 2020 – February 28, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2021	4,446	(13.4)	131	(50.3)	2,313	198.4	543	-
Fiscal year ended Feb. 29, 2020	5,136	18.8	264	(35.6)	775	(27.2)	(1,683)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended Feb. 28, 2021	11.41	-
Fiscal year ended Feb. 29, 2020	(35.50)	-

Note: Diluted earnings per share for the fiscal year ended February 29, 2020 is not presented because net loss was posted despite the existence of latent shares with a dilution effect.

Diluted earnings per share for the fiscal year ended February 28, 2021 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2021	9,178	3,270	34.8	67.08
As of Feb. 29, 2020	9,131	2,722	27.7	53.09

Reference: Shareholders’ equity As of Feb. 28, 2021: 3,197 million yen As of Feb. 29, 2020: 2,531 million yen

* The financial report is not subject to audit 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 “Results of Operations” on page 2 of the attachments regarding the forecasts shown in this material.

Vector released its information meeting presentation of results of operations today (April 14, 2021) and plans to post a video of this meeting on its website on April 19, 2021.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

1) Fiscal year ended February 28, 2021

During the fiscal year that ended in February 2021 (hereinafter the "current fiscal year"), the Japanese economy was severely impacted as economic activity worldwide plummeted because of the COVID-19 crisis. After the state of emergency declared in Japan in April 2020 ended, the number of infections started increasing again. This resulted in a second state of emergency in January 2021. Although the outlook remains unclear, a slow recovery of the global economy is expected due to progress with vaccines worldwide and numerous government economic measures.

In Japan's advertising industry, according to "2020 Advertising Expenditures in Japan" announced by Dentsu Inc. in February 2021, advertising expenditures in Japan decreased 11.2% to 6,159.4 billion yen in 2020 (from January to December) because of the global COVID-19 pandemic. This was the first decline in nine years. However, Internet advertising expenditures continued to climb, increasing 5.9% to 2,229.0 billion yen. At about 2.2 trillion yen, the Internet category has grown to about the same level as total expenditures for advertising in the "big four" mass media (television, radio, magazines and newspapers).

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 September 2020, we started providing the Atareru cloud service that helps customers identify and target 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, we established Medical Technologies, Inc. jointly with Business Intelligence, Inc., a medical marketing services company, in order to play a role in the digital transformation of the healthcare industry. Vector established Liver Bank, Inc. in December 2020. One activity of this company is a production business for communication using live streaming services. The main services are the management of streamers and support for live commerce. This company also has a fan community production business centered on the live streaming of music. In March 2021, we partnered with DM Solutions Co., Ltd. to establish Performance Technologies, Inc. which operates a performance marketing business. The new company will provide market creation digital marketing with integrated activities extending from the identification of needs that are currently hidden to the acquisition of new customers. In April 2021, Vector subsidiary Cyber Security Bank, Inc., which operates a cyber security business, started a training service called Information Leak Preventer that is provided to companies to increase their employees' vigilance regarding cyber security.

The direct marketing business, which has been growing rapidly in recent years, added a larger than planned number of new customers because of the substantial strategic advertising expenditures during the first quarter of the current fiscal year. The decision to increase advertising was based on growing 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 sales and operating profit.

The human resources business, which is one of several businesses added to the Vector Group through M&A activity in recent years, has been working on establishing the best possible structure for its business operations. During the current fiscal year, the number of orders declined more than expected because of the smaller number of sales meetings with people who have authority to make decisions due to the drop in economic activity caused by the declaration of a state of emergency. The weaker financial condition of many prospective customers was another reason for the larger than expected downturn in orders. Lower sales and earnings in the human resources business had a significant negative impact on the Vector Group's consolidated results of operations.

Investing activities posted valuation losses on investment securities of 1,054 million yen, mainly involving investments in some companies affected by the COVID-19 crisis. Gain on sales of investment securities of 1,674 million yen were recorded from the proceeds of selling 15 securities held by the Vector Group to improve the efficiency of assets and financial soundness.

Due to these activities, sales increased 1.2% to 37,273 million yen, operating profit decreased 19.9% to 2,314 million yen, ordinary profit decreased 15.8% to 2,797 million yen, and the profit attributable to owners of parent was 486 million yen compared with a loss of 199 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., Headwaters Co., Ltd., Inbound Tech Inc. and Koukandekirukun, Inc. were listed on the Mothers Market of the Tokyo Stock Exchange on March 26, 2020, July 7, 2020, September 29, 2020, December 18, 2020 and December 23, 2020, respectively.

Business segment performance was as follows.

The Vector Group started using revised reportable segments in 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 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 during the entire fiscal year. The performance of the public relations and advertising business in Japan recovered significantly in the fiscal year's second half because of PR services and online PR events and new digital services such as live commerce support using social networking services. In the overseas public relations and advertising business, operations were severely affected by lockdowns and other effects of COVID-19 during the entire fiscal year. In addition, there were substantial investments even during the COVID-19 crisis in order to start businesses with services targeting upcoming needs in order to contribute to the growth of the Vector Group.

In this segment overall, sales decreased 9.4% to 17,751 million yen and operating profit decreased 52.8% to 1,159 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. As of February 2021, more than 50,000 companies were using this service, which posted strong growth throughout the fiscal year.

Segment sales increased 30.3% to 3,765 million yen and operating profit rose 132.2% to 1,301 million yen.

Video Release Distribution

The video release distribution of NewsTV, Inc. has the vision of making video releases a widely used tool in the advertising and marketing industries. Despite the significant negative effects of the COVID-19 crisis, NewsTV took many actions to build a stronger foundation for more growth while continuing to conduct extensive sales activities for both direct and agent sales. Actions for growth include upgrading functions of the video distribution system, recruiting more people, and high-profile advertising and marketing campaigns.

Segment sales decreased 28.5% to 1,338 million yen and operating loss was 157 million yen compared with operating profit of 326 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, this business achieved record-high sales and operating profit.

Segment sales increased 33.4% to 11,389 million yen and operating profit increased 28.6% to 716 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 has been consistently profitable since the fourth quarter of the previous fiscal year.

Segment sales decreased 7.7% to 863 million yen and operating profit was 103 million yen compared with a 223 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. In addition, this company has been taking actions to establish the best possible structure for its business operations. However, due to the drop in economic activity caused by the declaration of a state of emergency, there was a larger than expected decline in the number of orders because of the smaller number of sales meetings with people who have authority to make decisions. The worsening financial condition of many prospective customers was another cause of this decline.

Segment sales decreased 27.3% to 2,678 million yen and operating loss was 905 million yen compared with a 686 million yen loss one year earlier.

Fund

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

Segment sales increased 41.1% to 479 million yen and operating profit was 102 million yen compared with a 96 million yen loss one year earlier.

2) Outlook

In the fiscal year ending in February 2022, it is still impossible to predict when the COVID-19 crisis will end and how quickly economic activity will recover. However, we anticipate an increase in advertising, PR and other marketing activities by companies because of a decline in the impact of the crisis on these activities.

Our activities will continue to be centered on being a “fast company” able to provide clients with comprehensive support for marketing activities to make people aware of the outstanding products, services and other attributes of our clients. To accomplish this goal, we are constantly building a more powerful marketing infrastructure for serving as a one-stop source of services that encompass a broad spectrum of our clients’ requirements. Our goal is an improvement in our sales and earnings by using these activities for continued growth of the entire group.

In the medium-term earnings plan announced on October 15, 2019, the operating profit target was originally 4,820 million yen in the fiscal year ending in February 2022. We have lowered this plan to 4,000 million yen because of the decision to increase business investments during the fiscal year ending in February 2022 by 820 million yen by making some investments earlier than initially planned. The purpose is to achieve the operating profit target of 6,000 million yen in the next fiscal year and more earnings growth in the following years.

The following forecast for the fiscal year ending in February 2022 includes this revised plan as well as the assumption that the impact of the COVID-19 crisis will decline soon, resulting in an upturn in marketing activities by companies.

Net sales	47,700 million yen (up 28.0% year-on-year)
Operating profit	4,000 million yen (up 72.8% year-on-year)
Ordinary profit	4,000 million yen (up 43.0% year-on-year)
Profit attributable to owners of parent	1,000 million yen (up 105.4% year-on-year)

Forecast for the first half of the fiscal year ending February 2022 is as follows:

Net sales	21,910 million yen (up 24.1% year-on-year)
Operating profit	1,070 million yen (up 82.7% year-on-year)
Ordinary profit	1,070 million yen (loss of 310 million yen one year earlier)
Profit attributable to owners of parent	110 million yen (loss of 1,182 million yen one year earlier)

In these forecasts, the majority of sales and earnings are in the second half of the fiscal year. One reason is the assumption that the impact of the COVID-19 crisis will continue to some degree during the first half in the public relations and advertising, video release distribution, and human resources businesses. Another reason is our strategy in the direct marketing business of making substantial advertising expenditures early in the fiscal year, as in the fiscal year ended February 2021, in order to maximize fiscal year sales and earnings.

These forecasts are based on information available when this document was released. Actual performance may differ from these forecasts due to a variety of factors.

(2) Financial Position

1) Assets, liabilities and net assets

Assets

Total assets at the end of the current fiscal year increased 6,451 million yen from the end of the previous fiscal year to 30,057 million yen.

Current assets increased 2,279 million yen to 18,410 million yen. This was mainly due to an increase of 2,970 million yen in cash and deposits, while there was a decrease of 883 million yen in notes and accounts receivable-trade.

Non-current assets increased 4,172 million yen to 11,646 million yen. This was mainly due to an increase of 4,094 million yen in investment securities.

Liabilities

Total liabilities at the end of the current fiscal year increased 1,763 million yen from the end of the previous fiscal year to 15,202 million yen.

Current liabilities decreased 782 million yen to 8,930 million yen. This was mainly due to decreases of 526 million yen in short-term borrowings and 470 million yen in income taxes payable, while there was an increase of 137 million yen in provision for point card certificates.

Non-current liabilities increased 2,546 million yen to 6,272 million yen. This was mainly due to increases of 1,322 million yen in long-term borrowings and 1,588 million yen in deferred tax liabilities, while there was a decrease of 198 million yen in bonds payable.

Net assets

Total net assets at the end of the current fiscal year increased 4,688 million yen from the end of the previous fiscal year to 14,854 million yen. This was mainly due to an increase of 3,718 million yen in valuation difference on available-for-sale securities, while there was a decrease of 117 million yen in share acquisition rights.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year increased 2,967 million yen from the end of the previous fiscal year to 10,852 million yen.

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities decreased 25.8% year on year to 2,129 million yen. Main positive factors include profit before income taxes of 2,756 million yen, depreciation of 438 million yen, loss on valuation of investment securities of 1,054 million yen, a 1,112 million yen decrease in trade receivables, and a 355 million yen decrease in operational investment securities. Main negative factors include gain on sales of investment securities of 1,654 million yen and income taxes paid of 2,471 million yen.

Cash flows from investing activities

Net cash provided by investing activities decreased 71.5% year on year to 644 million yen. Main factors include proceeds from sales of investment securities of 1,938 million yen, collection of loans receivable of 133 million yen, purchase of property, plant and equipment of 275 million yen, purchase of intangible assets of 267 million yen, payments of loans receivable of 248 million yen, and purchase of investment securities of 256 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 209 million yen, compared with net cash used of 3,273 million yen in the previous fiscal year. Main factors include proceeds from long-term borrowings of 2,191 million yen, a net decrease in short-term borrowings of 649 million yen and repayments of long-term borrowings of 826 million yen.

Trends in cash flow indicators are as follows.

	FY2/18	FY2/19	FY2/20	FY2/21
Shareholders’ equity ratio (%)	56.3	31.6	32.4	39.4
Shareholders’ equity ratio based on market value (%)	564.6	263.1	183.8	182.4
Interest-bearing debt to cash flow ratio (Year)	1.0	11.6	2.2	3.2
Interest coverage ratio (Times)	255.19	16.10	55.64	44.40

The above figures are calculated as follows.
Shareholders’ equity ratio = Shareholders’ equity / Total assets
Shareholders’ equity ratio based on market value = Market capitalization / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Cash flows
Interest coverage ratio = Cash flows / Interest payments

* All indices are calculated based on consolidated figures.
* Cash flows are the figures for operating cash flows in the consolidated statement of cash flows.
* Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest. Interest payments use the amount of interest expenses paid in the consolidated statement of cash flows.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Distributing earnings to shareholders is one of the highest priorities of the Vector Group. Our policy is to distribute earnings by using growth in corporate value linked to the medium to long-term growth of business operations and by paying a steady dividend. Although the Articles of Incorporation allow the payment of an interim dividend, the basic policy is to pay only a year-end dividend from retained earnings. Based on the need for retained earnings in order to maintain financial soundness and fund business growth as well as other factors, we have established a consolidated payout ratio of 20% as the guideline for consistent dividend payments.

As another component of earnings distributions, we have established a shareholder benefit program for shareholders of record at the end of February every year.

Based on the above, we plan to pay a year-end dividend of 2 yen per share for the current fiscal year, taking into account our current performance and other factors.

We plan to pay a year-end dividend of 4 yen per share for the fiscal year ending in February 2022 in accordance with this basic policy.

2. Basic Approach to the Selection of Accounting Standards

The consolidated financial statements of Vector Group are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28, 1976) for the purpose of facilitating comparisons with other companies and prior years.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Assets		
Current assets		
Cash and deposits	7,889,663	10,860,342
Notes and accounts receivable-trade	5,579,386	4,695,858
Operational investment securities	516,437	147,723
Merchandise and finished goods	706,624	775,870
Costs on service contracts in progress	137,696	155,942
Other	1,656,600	1,913,679
Allowance for doubtful accounts	(355,087)	(138,692)
Total current assets	16,131,320	18,410,723
Non-current assets		
Property, plant and equipment		
Buildings and structures	430,477	474,520
Tools, furniture and fixtures	637,675	664,479
Leased assets	526,489	555,958
Construction in progress	-	35,113
Accumulated depreciation	(755,575)	(1,009,824)
Total property, plant and equipment	839,066	720,246
Intangible assets		
Goodwill	631,641	595,325
Software	309,804	420,507
Other	286,732	286,612
Total intangible assets	1,228,178	1,302,445
Investments and other assets		
Investment securities	3,815,152	7,909,680
Deferred tax assets	462,668	687,299
Leasehold and guarantee deposits	841,428	961,877
Other	389,046	350,945
Allowance for doubtful accounts	(100,850)	(285,719)
Total investments and other assets	5,407,444	9,624,083
Total non-current assets	7,474,690	11,646,775
Total assets	23,606,011	30,057,499

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,031,037	1,039,012
Short-term borrowings	1,500,339	974,179
Current portion of long-term borrowings	743,928	804,500
Current portion of bonds payable	198,000	198,000
Lease obligations	181,635	212,519
Income taxes payable	1,381,930	911,642
Provision for bonuses	324,849	366,796
Provision for point card certificates	48,007	185,536
Provision for shareholder benefit program	77,400	98,032
Unearned revenue	1,941,849	1,886,957
Other	2,284,292	2,253,464
Total current liabilities	9,713,269	8,930,641
Non-current liabilities		
Long-term borrowings	2,729,110	4,051,290
Bonds payable	628,000	430,000
Lease obligations	276,479	95,992
Deferred tax liabilities	54,032	1,642,318
Retirement benefit liability	-	27,088
Other	38,433	25,457
Total non-current liabilities	3,726,055	6,272,147
Total liabilities	13,439,324	15,202,789
Net assets		
Shareholders’ equity		
Share capital	2,880,131	2,880,131
Capital surplus	2,776,446	2,806,155
Retained earnings	2,136,305	2,590,334
Treasury shares	(259,780)	(259,839)
Total shareholders’ equity	7,533,103	8,016,783
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	115,266	3,834,237
Foreign currency translation adjustment	915	(9,622)
Total accumulated other comprehensive income	116,182	3,824,615
Share acquisition rights	191,608	73,863
Non-controlling interests	2,325,792	2,939,448
Total net assets	10,166,686	14,854,710
Total liabilities and net assets	23,606,011	30,057,499

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net sales	36,821,523	37,273,543
Cost of sales	13,613,780	12,824,569
Gross profit	23,207,743	24,448,973
Selling, general and administrative expenses	20,316,447	22,134,258
Operating profit	2,891,295	2,314,715
Non-operating income		
Interest and dividend income	21,550	14,041
Gain on sales of investment securities	2,020,940	1,674,642
Gain on investments in investment partnerships	41,064	53,968
Other	99,116	203,659
Total non-operating income	2,182,672	1,946,311
Non-operating expenses		
Interest expenses	58,051	51,216
Share of loss of entities accounted for using equity method	232,390	201,773
Foreign exchange losses	11,626	23,694
Loss on valuation of investment securities	1,279,367	1,054,096
Loss on investments in investment partnerships	98,766	86,733
Provision of allowance for doubtful accounts	14,320	12,988
Loss on sales of investment securities	-	19,996
Other	57,314	12,780
Total non-operating expenses	1,751,837	1,463,279
Ordinary profit	3,322,130	2,797,747
Extraordinary income		
Gain on sales of non-current assets	22,060	3
Gain on bargain purchase	-	27,489
Gain on change in equity	29,727	-
Gain on sales of shares of subsidiaries and associates	110,754	46,942
Gain on liquidation of subsidiaries	1,259	-
Gain on reversal of share acquisition rights	-	73,164
Gain on sale of businesses	-	5,554
Total extraordinary income	163,802	153,154
Extraordinary losses		
Loss on retirement of non-current assets	10,260	617
Impairment loss	1,030,632	83,892
Loss on sales of non-current assets	-	114
Loss on liquidation of business	196,563	68,739
Office relocation expenses	37,810	-
Loss on valuation of goods	-	41,330
Total extraordinary losses	1,275,266	194,693
Profit before income taxes	2,210,665	2,756,207
Income taxes - current	2,112,335	1,870,742
Income taxes - deferred	(61,752)	(268,335)
Total income taxes	2,050,582	1,602,406
Profit	160,082	1,153,800
Profit attributable to non-controlling interests	359,271	666,837
Profit (loss) attributable to owners of parent	(199,188)	486,963

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Profit	160,082	1,153,800
Other comprehensive income		
Valuation difference on available-for-sale securities	(390,335)	3,708,694
Foreign currency translation adjustment	(6,880)	(7,280)
Share of other comprehensive income of entities accounted for using equity method	(14,405)	(4,735)
Total other comprehensive income	(411,621)	3,696,679
Comprehensive income	(251,539)	4,850,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(646,419)	4,195,395
Comprehensive income attributable to non-controlling interests	394,880	655,084

(3) Consolidated Statement of Changes in Equity

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

(Thousands of yen)

	Shareholders’ equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity
Balance at beginning of period	2,580,425	2,611,437	2,343,683	(259,778)	7,275,768
Changes during period					
Issuance of new shares	299,706	299,706			599,412
Purchase of treasury shares				(1)	(1)
Change in ownership interest of parent due to transactions with non-controlling interests		(134,697)			(134,697)
Change in scope of equity method			(8,189)		(8,189)
Profit (loss) attributable to owners of parent			(199,188)		(199,188)
Decrease due to merger					-
Net changes in items other than shareholders’ equity					-
Total changes during period	299,706	165,008	(207,378)	(1)	257,335
Balance at end of period	2,880,131	2,776,446	2,136,305	(259,780)	7,533,103

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	540,333	23,080	563,413	198,811	2,250,732	10,288,725
Changes during period						
Issuance of new shares						599,412
Purchase of treasury shares						(1)
Change in ownership interest of parent due to transactions with non-controlling interests						(134,697)
Change in scope of equity method						(8,189)
Profit (loss) attributable to owners of parent						(199,188)
Decrease due to merger						-
Net changes in items other than shareholders’ equity	(425,066)	(22,164)	(447,231)	(7,203)	75,060	(379,374)
Total changes during period	(425,066)	(22,164)	(447,231)	(7,203)	75,060	(122,039)
Balance at end of period	115,266	915	116,182	191,608	2,325,792	10,166,686

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,880,131	2,776,446	2,136,305	(259,780)	7,533,103
Changes during period					
Issuance of new shares					-
Purchase of treasury shares				(59)	(59)
Change in ownership interest of parent due to transactions with non-controlling interests		29,709			29,709
Change in scope of equity method					-
Profit (loss) attributable to owners of parent			486,963		486,963
Decrease due to merger			(32,934)		(32,934)
Net changes in items other than shareholders' equity					-
Total changes during period	-	29,709	454,029	(59)	483,679
Balance at end of period	2,880,131	2,806,155	2,590,334	(259,839)	8,016,783

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	115,266	915	116,182	191,608	2,325,792	10,166,686
Changes during period						
Issuance of new shares						-
Purchase of treasury shares						(59)
Change in ownership interest of parent due to transactions with non-controlling interests						29,709
Change in scope of equity method						-
Profit (loss) attributable to owners of parent						486,963
Decrease due to merger						(32,934)
Net changes in items other than shareholders' equity	3,718,970	(10,538)	3,708,432	(117,744)	613,655	4,204,344
Total changes during period	3,718,970	(10,538)	3,708,432	(117,744)	613,655	4,688,023
Balance at end of period	3,834,237	(9,622)	3,824,615	73,863	2,939,448	14,854,710

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Cash flows from operating activities		
Profit before income taxes	2,210,665	2,756,207
Depreciation	361,523	438,533
Amortization of goodwill	513,283	250,678
Amortization of long-term prepaid expenses	7,768	6,630
Depreciation and amortization on other	27,690	42,655
Loss (gain) on sales of non-current assets	(22,060)	110
Loss on retirement of non-current assets	10,260	617
Impairment loss	1,030,632	83,892
Gain on bargain purchase	-	(27,489)
Loss (gain) on change in equity	(29,727)	-
Loss (gain) on valuation of investment securities	1,279,367	1,054,096
Loss (gain) on sales of investment securities	(2,020,940)	(1,654,646)
Share of loss (profit) of entities accounted for using equity method	232,390	201,773
Loss (gain) on investments in investment partnerships	57,701	32,765
Loss (gain) on sales of shares of subsidiaries and associates	(110,754)	(46,942)
Loss (gain) on liquidation of subsidiaries	(1,259)	-
Loss on valuation of goods	-	41,330
Loss (gain) on sale of businesses	-	(5,554)
Gain on reversal of share acquisition rights	-	(73,164)
Increase (decrease) in allowance for doubtful accounts	193,268	(32,962)
Increase (decrease) in provision for bonuses	111,822	41,838
Increase (decrease) in provision for point card certificates	48,007	137,529
Increase (decrease) in provision for shareholder benefit program	8,700	20,632
Increase (decrease) in retirement benefit liability	-	1,890
Interest income	(21,550)	(14,041)
Interest expenses	58,051	51,216
Decrease (increase) in trade receivables	(677,334)	1,112,807
Decrease (increase) in inventories	(333,875)	(119,820)
Decrease (increase) in operational investment securities	378,583	355,873
Increase (decrease) in trade payables	(6,976)	(134,526)
Increase (decrease) in accounts payable-other	252,245	77,792
Other, net	1,089,804	29,461
Subtotal	4,647,285	4,629,183
Interest and dividends received	43,755	19,714
Interest paid	(51,560)	(47,947)
Income taxes paid	(1,770,759)	(2,471,948)
Net cash provided by (used in) operating activities	2,868,721	2,129,001

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	19,999	-
Purchase of property, plant and equipment	(126,878)	(275,773)
Proceeds from sales of property, plant and equipment	1,571	251
Purchase of intangible assets	(283,482)	(267,413)
Proceeds from sales of intangible assets	22,024	-
Payments of leasehold and guarantee deposits	(212,205)	(175,808)
Proceeds from refund of leasehold and guarantee deposits	46,048	27,837
Purchase of shares of subsidiaries and associates	(267,600)	(28,764)
Proceeds from sales of shares of subsidiaries and associates	113,207	20,000
Purchase of investment securities	(462,536)	(256,220)
Proceeds from sales of investment securities	2,802,666	1,938,640
Proceeds from redemption of investment securities	184,214	25,000
Loan advances	(660,000)	(248,000)
Collection of loans receivable	1,077,660	133,320
Payments for investments in capital	(50,000)	(60,080)
Proceeds from divestments	54,310	60,351
Payments for acquisition of businesses	-	(237,452)
Proceeds from sale of businesses	1,200	5,554
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(17,074)
Net cash provided by (used in) investing activities	2,260,199	644,367
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,564,950)	(649,959)
Repayments of lease obligations	(133,174)	(189,105)
Proceeds from long-term borrowings	100,000	2,191,050
Repayments of long-term borrowings	(1,590,684)	(826,929)
Proceeds from issuance of bonds	880,000	-
Redemption of bonds	(104,000)	(198,000)
Proceeds from issuance of shares	593,643	-
Proceeds from share issuance to non-controlling shareholders	143,106	218,692
Proceeds from issuance of share acquisition rights	-	519
Expenditure for acquisition of own share acquisition rights	-	(45,100)
Amount of distribution paid to investment business members	-	(274,575)
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	(544,397)	(31,764)
Proceeds from disposal of treasury shares of subsidiaries	1,440	-
Purchase of treasury shares	(1)	(59)
Dividends paid	(195)	(257)
Net cash provided by (used in) financing activities	(3,273,794)	209,510
Effect of exchange rate change on cash and cash equivalents	(8,753)	(23,194)
Net increase (decrease) in cash and cash equivalents	1,846,373	2,959,684
Cash and cash equivalents at beginning of period	6,038,286	7,884,660
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	7,852
Cash and cash equivalents at end of period	7,884,660	10,852,197

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Segment and Other Information

Segment information

1. Overview of reportable segment

The Vector Group has seven reportable business segments: Public Relations and Advertising, Press Release Distribution, Video Release Distribution, Direct Marketing, Media, Human Resources and Fund. These reportable segments are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The public relations and advertising segment includes the advertising business as well as strategic PR, which uses PR activities involving advertising and marketing in order to provide consulting to support PR activities for the products and services of client companies. The majority of these services are provided to clients by group companies. Business activities in this segment are divided among these group companies based on the media categories (conventional, blogs, social media, etc.) and geographic areas (Japan, China, ASEAN, etc.) where each company operates.

The press release distribution segment distributes press releases about client companies' products and services in accordance with publicity instructions from these companies. This business functions as a platform that uses news to link companies with consumers.

The video release distribution segment creates videos containing news about client companies and their products and services and then uses the Internet to distribute these videos to carefully targeted audiences.

The direct marketing segment operates a direct-to-consumer business that involves developing health and personal care products and using the Internet to sell these products and services.

The media segment assists client companies with establishing and operating owned media and operates its own media for the purpose of earning revenue from advertisements.

The human resources segment operates human resource businesses that are primarily consulting services to assist companies with the establishment and use of employee evaluation systems and the provision of a cloud service for evaluating the performance of employees.

The fund segment makes investments for the purpose of supporting the growth of start-up and other companies.

Revisions to reportable segments

In FY2/21, News Technology Inc. and SoVeC Corporation were reclassified and included in the Public Relations and Advertising segment. Cyber Security Bank, Inc. was reclassified and included in the Human Resources segment. 100Capital Inc. and 100Capital No. 1 Investment Limited Liability Partnership were reclassified and included in the Fund segment. All these companies were included in the Other segment in prior periods.

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

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting policies for reportable business segments are generally the same as those used for preparing the consolidated financial statements.

Segment profit for reportable segments is based on operating profit.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020) (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	19,320,148	2,713,698	1,572,728	8,508,840	682,169	3,683,843	340,095
Inter-segment sales and transfers	271,510	177,613	300,637	28,966	253,035	1,457	-
Total	19,591,658	2,891,311	1,873,366	8,537,806	935,204	3,685,300	340,095
Segment profit (loss)	2,457,332	560,378	326,177	557,474	(223,656)	(686,527)	(96,871)
Segment assets	14,643,837	2,240,509	1,158,270	2,296,031	317,311	1,808,167	1,141,882
Segment liabilities	7,784,262	560,699	493,957	1,101,945	56,345	3,434,722	7,391
Other items							
Depreciation	236,746	72,428	41,362	7,790	3,021	173	-
Investment in equity-method affiliates	250,852	-	-	219,212	-	42,147	-
Increase (decrease) in property, plant and equipment and intangible assets	(83,928)	(134,993)	131,068	1,428	(909,849)	(180)	-

	Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
Net sales			
External sales	36,821,523	-	36,821,523
Inter-segment sales and transfers	1,033,220	(1,033,220)	-
Total	37,854,743	(1,033,220)	36,821,523
Segment profit (loss)	2,894,306	(3,011)	2,891,295
Segment assets	23,606,011	-	23,606,011
Segment liabilities	13,439,324	-	13,439,324
Other items			
Depreciation	361,523	-	361,523
Investment in equity-method affiliates	512,212	-	512,212
Increase (decrease) in property, plant and equipment and intangible assets	(996,455)	-	(996,455)

Notes: 1. The minus 1,033,220 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 consolidated statement of income.

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021) (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	17,483,548	3,615,109	1,093,668	11,325,508	599,337	2,678,495	477,873
Inter-segment sales and transfers	268,354	150,844	244,954	64,421	264,066	411	2,000
Total	17,751,903	3,765,954	1,338,623	11,389,929	863,404	2,678,906	479,873
Segment profit (loss)	1,159,671	1,301,329	(157,757)	716,955	103,340	(905,334)	102,477
Segment assets	20,355,827	3,424,572	1,016,025	3,071,018	282,263	1,032,853	874,938
Segment liabilities	8,784,172	968,159	405,717	1,331,262	76,597	3,624,181	12,698
Other items							
Depreciation	279,378	74,809	68,367	11,934	3,880	162	-
Investment in equity-method affiliates	246,088	-	-	127,119	-	27,437	-
Increase (decrease) in property, plant and equipment and intangible assets	(28,907)	8,471	(34,329)	10,722	(256)	-	-

	Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
Net sales			
External sales	37,273,543	-	37,273,543
Inter-segment sales and transfers	995,053	(995,053)	-
Total	38,268,596	(995,053)	37,273,543
Segment profit (loss)	2,320,682	(5,966)	2,314,715
Segment assets	30,057,499	-	30,057,499
Segment liabilities	15,202,789	-	15,202,789
Other items			
Depreciation	438,533	-	438,533
Investment in equity-method affiliates	400,646	-	400,646
Increase (decrease) in property, plant and equipment and intangible assets	(44,298)	-	(44,298)

Notes 1. The minus 995,053 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 consolidated statement of income.
3. In 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 FY2/20 is prepared and disclosed using the new segment name.

Related information

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of net sales in the consolidated statement of income.

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted because property, plant and equipment in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of net sales in the consolidated statement of income.

Information related to impairment losses on non-current assets for each reportable segment

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020) (Thousands of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Impairment loss	235,778	98,384	30,416	-	666,052	-	-

	Elimination or corporate	Total
Impairment loss	-	1,030,632

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021) (Thousands of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Impairment loss	47,272	33,316	3,216	-	-	87	-

	Elimination or corporate	Total
Impairment loss	-	83,892

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020) (Thousands of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Amortization for the period	254,768	21,497	-	9,263	227,754	-	-
Balance at the end of period	579,590	35,839	-	16,211	-	-	-

	Elimination or corporate	Total
Amortization for the period	-	513,283
Balance at the end of period	-	631,641

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021) (Thousands of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Amortization for the period	235,166	4,998	-	10,513	-	-	-
Balance at the end of period	574,627	-	-	20,697	-	-	-

	Elimination or corporate	Total
Amortization for the period	-	250,678
Balance at the end of period	-	595,325

Information related to gain on bargain purchase for each reportable segment

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

Not applicable.

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

Vector has acquired shares of Vectorcom Inc. and made it a subsidiary in FY2/21. The resulting gain on bargain purchase of 27,489 thousand yen was recorded but not allocated to the reportable segment as it is an extraordinary income.

Per Share Information

(Yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net assets per share	160.45	248.38
Earnings (loss) per share	(4.20)	10.21
Diluted earnings per share	-	-

Notes: 1. Diluted earnings per share for FY2/20 is not presented because net loss was posted despite the existence of latent shares with a dilution effect.

2. Diluted earnings per share for FY2/21 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares.

3. The basis of calculating the net assets per share is as follows:

(Thousands of yen)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Total net assets	10,166,686	14,854,710
Deduction on total net assets	2,517,400	3,013,311
[of which share acquisition rights]	191,608	73,863
[of which non-controlling interests]	2,325,792	2,939,448
Net assets applicable to common shares at the year-end	7,649,286	11,841,398
Number of common shares at the year-end used in calculation of net assets per share (Shares)	47,674,154	47,674,087

4. The basis of calculating the earnings (loss) per share and diluted earnings per share is as follows:

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Earnings (loss) per share		
Profit (loss) attributable to owners of parent	(199,188)	486,963
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to owners of parent applicable to common shares	(199,188)	486,963
Average number of common shares during the period (Shares)	47,413,070	47,674,137
Diluted earnings per share		
Increase in the number of common shares (Shares)	-	-
[of which share acquisition rights] (Shares)	[-]	[-]
Summary of latent shares not included in the calculation of the diluted earnings per share since there was no dilutive effect	-	4 types of share acquisition rights (67,076 units)

Subsequent Events

Issuance of Offered Stock Acquisition Rights (Paid-in Stock Options)

Vector's consolidated subsidiary PR TIMES, Inc. resolved at its Board of Directors held on April 13, 2021 to issue the fifth stock acquisition rights (the "Stock Acquisition Rights") to PR TIMES Representative Director pursuant to the provisions of Article 236, Article 238 and Article 240 of the Companies Act.

An individual who receives the Stock Acquisition Rights will pay a price equal to the fair value of these rights. Consequently, these rights will be issued without receiving the approval of shareholders because they are not being issued at favorable terms. In addition, the Stock Acquisition Rights will be purchased at the discretion of the individual eligible to receive them and are not distributed as remuneration for this individual.

I. Purpose of and reason for issuance of the Stock Acquisition Rights

The Stock Acquisition Rights will be issued and sold to the PR TIMES Representative Director for the purpose of heightening his solidarity and motivation with the goals of the medium- to long-term growth of PR TIMES sales and earnings and growth of corporate value.

As a condition for the exercise of the Stock Acquisition Rights, three levels of performance targets for operating profit (2.8 billion yen, 3.15 billion yen, and 3.5 billion yen) have been set. Since these levels are set at a higher level compared to the PR TIMES results of operations in prior years, the exercise conditions of the Stock Acquisition Rights were set at the above three levels in order to realize steady growth over the medium- to long term by including progress a subject of evaluation.

In addition, the PR TIMES Board of Directors approved a resolution on April 13, 2021 for the establishment of a trust for stock acquisition rights issued at the market price with PR TIMES Representative Director Takumi Yamaguchi as the trustor. The resolution also approves the issuance of the sixth stock acquisition rights, which have the same performance targets as for the Stock Acquisition Rights. PR TIMES believes that using both the Stock Acquisition Rights and the trust for stock acquisition rights issued at the market price will contribute to more growth in its corporate value and shareholder value.

If all of the Stock Acquisition Rights are exercised, the total number of shares of PR TIMES common stock issued will be equal to 0.29% of all PR TIMES stock currently issued. However, the Stock Acquisition Rights can be exercised only if the pre-determined performance targets of maximum 3.5 billion yen of operating profit are achieved. Reaching these targets is expected to contribute to growth in its corporate value and shareholder value, which would produce benefits for current shareholders, too. As a result, PR TIMES believes that the impact of share dilution due to the issuance of the Stock Acquisition Rights is reasonable.

II. Terms and conditions of issuance of stock acquisition rights

Terms and conditions of issuance of the Fifth Stock Acquisition Rights

1. Number of stock acquisition rights: 390

The total number of shares of PR TIMES common stock to be granted upon the exercise of the Stock Acquisition Rights is 39,000. If the number of shares to be granted is adjusted as described in the following section 3. (1), the total number of shares to be granted will instead be the adjusted number of shares to be granted multiplied by the number of Stock Acquisition Rights.

2. Payment for stock acquisition rights

The issue price for one Stock Acquisition Right shall be 100 yen. This price was determined by reference to the result of the valuation determined by Plutus Consulting Co., Ltd., a third-party valuation firm, by taking into account the PR TIMES stock and other information and using a Monte Carlo simulation, which is a widely used price calculation model.

3. Details of stock acquisition rights

(1) Class and number of shares to be issued upon exercise of stock acquisition rights

The number of shares to be issued upon exercise of each of the Stock Acquisition Rights (the "number of shares granted") shall be one hundred (100) shares of PR TIMES common stock.

In the case that PR TIMES conducts a stock split (including the allotment of shares of PR TIMES common stock without charge; hereinafter the same shall apply) or a consolidation of shares after the allotment date of the Stock Acquisition Rights, the number of shares granted shall be adjusted in accordance with the following formula. However, this adjustment will be performed only for shares to be issued upon exercise of Stock Acquisition Rights that have not been exercised at the time of the stock split or consolidation of shares. Furthermore, any fraction less than one share resulting from the adjustment is discarded.

$$\text{Number of shares granted after adjustment} = \text{Number of shares granted before adjustment} \times \text{Ratio of split (or consolidation)}$$

In addition, after the Stock Acquisition Rights are allocated, if there is a merger, divestiture or capital reduction involving PR TIMES or if there is some other event that requires an adjustment of the number of shares granted, PR TIMES shall appropriately adjust the number of shares to a reasonable extent.

(2) Value of the assets to be granted upon exercise of stock acquisition rights and calculation method

The value of the assets to be granted upon exercise of the Stock Acquisition Rights shall be the amount calculated by multiplying the amount to be paid per share (the “exercise price”) by the number of shares granted.

The exercise price is 3,750 yen.

In case that PR TIMES conducts a stock split or a consolidation of shares after the allotment date of the Stock Acquisition Rights, the exercise price shall be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of split (or consolidation)}}$$

In case that PR TIMES issues new shares of common stock or disposes its treasury shares at a price below market value (excluding the cases of the issuance of new shares through the exercise of stock acquisition rights, disposal of treasury shares, as well as the transfer of treasury shares through a share exchange) after the allotment date of the Stock Acquisition Rights, the exercise price shall be adjusted in accordance with the following formula and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of newly issued shares} \times \text{Amount to be paid per share}}{\text{Per share market price before new issuance}}}{\text{Number of issued shares} + \text{Number of newly issued shares}}$$

In the above formula, “Number of issued shares” is defined as the total number of issued shares of PR TIMES common stock less the number of treasury shares. In addition, in case that PR TIMES disposes its treasury shares, “Number of newly issued shares” shall be replaced by “Number of treasury shares to be disposed.”

In addition, if there is a need to adjust the exercise price due to a merger with another company, company split, or any other similar corporate procedure after the allotment date of the Stock Acquisition Rights, PR TIMES shall appropriately adjust the number of shares to a reasonable extent.

(3) Period during which stock acquisition rights may be exercised

The exercise period of the Stock Acquisition Rights starts on June 1, 2027 and ends on April 30, 2033.

(4) Matters regarding the amount of capital and capital reserve to be increased

1) The amount by which the capital will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the maximum amount of increase in capital to be calculated in accordance with Paragraph 1, Article 17 of the Corporate Accounting Rules multiplied by 0.5. Any fraction less than one yen resulting from the calculation shall be rounded up.

2) The amount by which the capital reserve will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the maximum amount of increase in capital described in item 1) above minus the amount of capital increase described in item 1) above.

(5) Restrictions on the acquisition of stock acquisition rights through transfer

The acquisition of the Stock Acquisition Rights through transfer shall require an approval by a resolution of the Board of Directors of PR TIMES.

(6) Conditions for exercising stock acquisition rights

1) In the event that ordinary profit in the consolidated statement of income in the Vector's Securities Report for the period between the fiscal years ending in February 2025 and 2027 meet either of conditions in the following items, the allotee of the allotment of the Stock Acquisition Rights (the "Holder") may exercise his/her rights up to the percentage stipulated in the following items.

To determine operating profit, the PR TIMES Board of Directors shall determine a different indicator for reference if there is a significant revision to the principles of items used for reference, such as due to the application of International Financial Reporting Standards. In calculating the percentage of rights that can be exercised, any fraction less than one in the number of Stock Acquisition Rights exercisable by the Holder shall be rounded down to the nearest whole number.

(a) When exceeding 2,800 million yen: 50% of stock acquisition rights granted
(b) When exceeding 3,150 million yen: 75% of stock acquisition rights granted
(c) When exceeding 3,500 million yen: 100% of stock acquisition rights granted

2) The Holder must be a director of PR TIMES when exercising his/her rights, unless the Board of Directors determines that there are good and reasonable reasons otherwise.

3) If a Holder dies, his/her heir cannot exercise the Stock Acquisition Rights.

4) If the total number of PR TIMES issued shares exceeds the number of authorized shares through the exercise of the Stock Acquisition Rights at the time of exercise thereof, the Stock Acquisition Rights may not be exercised.

5) A Stock Acquisition Right of less than one unit may not be exercised.

4. Allotment date of stock acquisition rights

April 30, 2021

5. Items related to acquisition of stock acquisition rights

(1) If the shareholders of PR TIMES approves (or the Board of Directors resolutions, if the approval of the shareholders is not required) a proposal for the approval of a merger agreement under which PR TIMES will become an absorbed company, a company split agreement or a company split plan under which PR TIMES will become a splitting company, or a proposal for the approval of a share exchange agreement or share transfer plan under which PR TIMES will become a wholly owned subsidiary, PR TIMES may acquire all Stock Acquisition Rights without charge on a date separately specified by the Board of Directors of PR TIMES.

(2) PR TIMES may acquire the Stock Acquisition Rights without charge in the event that the Holder is no longer able to exercise the Stock Acquisition Rights as described in item 3. (6) above before the exercise.

6. Treatment of stock acquisition rights at the corporate reorganization

At mergers (limited to cases where PR TIMES comes to be extinct as a result of the merger), absorption-type company splits, incorporation-type company splits, share exchanges or share transfers of PR TIMES (hereinafter collectively the "corporate reorganization"), the stock acquisition rights of companies specified in Article 236, Paragraph 1, Item 8, (1) to (5) of the Companies Act (the "reorganized corporations") will be granted, respectively, to the rights holders on the effective date of the corporate reorganization in accordance with the following conditions. Provided, however, that this shall be limited to the cases in which absorption-type merger agreements, incorporation-type merger agreements, absorption-type company split agreements, incorporation-type company split plans, share exchange contracts or share transfer plans stipulate that the stock acquisition rights of reorganized corporations will be granted under the following terms and conditions:

(1) Number of stock acquisition rights of reorganized corporations to be granted

The same number as the stock acquisition rights held by each rights holder shall be granted.

(2) Type of shares of reorganized corporations to be issued under the stock acquisition rights

Common stock of the reorganized corporations shall be issued.

(3) Number of shares of reorganized corporations to be issued under the stock acquisition rights

To be determined in accordance with item 3. (1) above, upon taking into account the terms and conditions of the corporate reorganization.

(4) Value of assets to be contributed upon the exercise of the stock acquisition rights

The value of assets to be contributed upon the exercise of each stock acquisition right to be granted shall be the amount obtained by multiplying the amount to be paid in after the corporate reorganization through adjustment of the exercise price as prescribed in item 3. (2) above by the number of the stock acquisition rights of reorganized corporations in accordance with item 6. (3) above, considering the terms and conditions of the corporate reorganization.

(5) Period during which the stock acquisition rights can be exercised

The period shall be from the later date of either the first day of the exercise period as prescribed in item 3. (3) above or the effective date of the corporate reorganization to the last day of the exercise period as prescribed in item 3. (3) above.

(6) Matters regarding the amount of capital and capital reserve to be increased as a result of the issuance of shares upon the exercise of stock acquisition rights

To be determined in accordance with item 3. (4) above.

(7) Restrictions on the acquisition of stock acquisition rights through transfer

The restrictions on the acquisition of stock acquisition rights through transfer shall require the approval of the Board of Directors of the reorganized corporation.

(8) Other conditions for exercising stock acquisition rights

To be determined in accordance with item 3. (6) above.

(9) Reasons and conditions to acquire stock acquisition rights

To be determined in accordance with item 5. above.

(10) Other conditions shall be determined in the same manner as those for the reorganized corporation.

7. Matters regarding certificates for stock acquisition rights
PR TIMES shall not issue certificates for the Stock Acquisition Rights.

8. Payment date for stock acquisition rights
April 30, 2021

9. Allottees of the allotment of stock acquisition rights and the number of stock acquisition rights
Director of PR TIMES: 1 person (390 units)

Issuance of Stock Acquisition Rights

Vector's consolidated subsidiary PR TIMES, Inc. resolved to issue the sixth stock acquisition rights (the "Stock Acquisition Rights") for distribution through a third-party allotment and to establish a trust for stock acquisition rights issued at the market price (the "Stock Acquisition Right Trust") for use as an incentive plan (the "Incentive Plan").

The Stock Acquisition Right Trust is a new incentive program that operates by having the trustee hold stock acquisition rights issued at the market price for subsequent distribution to trust beneficiaries who fulfill the required conditions as of a designated date.

1. Outline of Offering

(1)	Allotment date	April 30, 2021
(2)	Number of stock acquisition rights to be issued	960 units
(3)	Issue price	96,000 yen (100 yen per one unit)
(4)	Number of dilutive shares after the issuance of warrants	96,000 shares (100 yen per one unit)
(5)	Amount of funds to be procured	360,096,000 yen (estimated net proceeds: 350,096,000 yen) (Breakdown) Funds procured by the issuance of the Stock Acquisition Rights: 96,000 yen Funds procured by the exercise of the Stock Acquisition Rights: 360,000,000 yen Estimated net proceeds are the sum of the total amount paid for the Stock Acquisition Rights and the value of assets contributed upon the exercise of the Stock Acquisition Rights, minus the estimated issuing expenses for the Stock Acquisition Rights.
(6)	Exercise price	3,750 yen per share (fixed)
(7)	Method of offering or allotment (Prospective allottee)	A third-party allotment to Kotaeru Trust Co., Ltd.
(8)	Others	The Stock Acquisition Rights are issued for the purpose of increasing the solidarity and motivation of directors, employees and advisors ("PR TIMES executives and employees") of PR TIMES and its affiliated companies (the "PR TIMES Group"). The PR TIMES Group shall be judged as a whole with respect to the evaluation of the tenure and length of time of PR TIMES executives and employees and their contributions to the company. This Incentive Plan using a trust is unlike conventional stock option incentive plans because Stock Acquisition Rights can be distributed to PR TIMES executives and employees based on pre-determined distribution guidelines for the Stock Acquisition Rights and in a manner that reflects their contributions to the company's performance. This makes it possible to distribute the Stock Acquisition Rights based on fair evaluations of contributions to growth in corporate value. Compared with incentive plans using stock acquisition rights that are already issued, this scheme will increase the motivation of PR TIMES executives and employees to contribute to the company's performance. PR TIMES believes this incentive plan will also help with recruiting highly skilled people. Transfer of the Stock Acquisition Rights requires an approval of the PR TIMES Board of Directors. Main conditions for the exercise of the Stock Acquisition Rights (1) In the event that ordinary profit in the consolidated statement of income in the Vector's Securities Report for the period between the fiscal years ending in February 2025 and 2027 meet either of conditions in the following items, the allotees of the allotment of the Stock Acquisition Rights (the "Holders") may exercise their rights up to the percentage stipulated in the following items. To determine operating profit, the PR TIMES Board of Directors shall determine a different indicator for reference if there is a significant revision to the principles of items used for reference, such as due to the application of International Financial Reporting Standards. In calculating the percentage of rights that can be exercised, any fraction less than one in the number of Stock Acquisition Rights exercisable by the Holders shall be rounded down to the

		nearest whole number. (a) When exceeding 2,800 million yen: 50% of the stock acquisition rights granted (b) When exceeding 3,150 million yen: 75% of the stock acquisition rights granted (c) When exceeding 3,500 million yen: 100% of the stock acquisition rights granted (2) When the Holder exercises these rights, the individual must still be a director, auditor or employee or advisor of PR TIMES or one of its affiliated companies. In addition, the holder must have worked at PR TIMES or one of its affiliated companies for at least five years at the exercise of the Stock Acquisition Rights . However, individuals are exempt from this requirement in cases where the Board of Directors approves a legitimate reason for leaving these companies, such as retirement due to reaching the end of a term of office or a mandatory retirement age. (3) If the Holder of the Stock Acquisition Rights is a trust company that has a contractual relationship with PR TIMES, above item (2) does not apply when this trust company exercises the Stock Acquisition Rights in accordance with the provisions of the trust agreement. (4) The Stock Acquisition Rights cannot be exercised by the Holder' legal heir. (5) If the total number of issued shares exceeds the number of authorized shares through the exercise of the Stock Acquisition Rights at the time of exercise thereof, the Stock Acquisition Rights may not be exercised. (6) A Stock Acquisition Right of less than one unit may not be exercised. (7) Each of the items above is subject to effective registration under the Financial Instruments and Exchange Act.

(Note) The amount of funds to be procured is the sum of the total amount paid for the Stock Acquisition Rights and the value of assets contributed upon the exercise of the Stock Acquisition Rights, minus estimated issuing expenses. If no Stock Acquisition Rights are exercised during the exercise period or an individual who acquired Stock Acquisition Rights loses the right to exercise them, the total amount paid for the Stock Acquisition Rights and estimated net proceeds will decrease.

2. Purpose of and Reason for Offering

Purpose of and reason for establishing the Incentive Plan

In response to the suggestion of Mr. Takumi Yamaguchi, President and Representative Director of PR TIMES (the "Trustor"), PR TIMES will provide incentives to its executives and employees through entering into a stock acquisition right trust contract (the "Trust Contract") with Kotaeru Trust Co., Ltd. (the "Kotaeru Trust"). The purpose of this incentive is to increase human resources who contribute to operating profit through business growth or business creation, or who play an important role in management, toward the realization of the PR TIMES mission "Toward an era in which information from those take action will move people's hearts." PR TIMES will act as trust administrator and beneficiary designator, and will issue these stock acquisition rights to Kotaeru Trust to establish the incentive plan using the trust.

The Trustor believes that the purpose of the Trust is to provide an opportunity for PR TIMES executives and employees to benefit from an increase in corporate value in a fair and equitable manner in accordance with their future contribution expectations by making their own contributions in order to maintain and improve their motivation. PR TIMES expects that having executives and employees play a part in management from a position where they can receive the Stock Acquisition Rights from a position where they can become owners (shareholders) of the company in the future, will further increase the willingness and morale of PR TIMES executives and employees to contribute and will also lead to an increase in the number of shareholders who have many ANDs as stakeholders, have a long relationship with the company, and make a significant contribution to the growth of the business and organization. PR TIMES expects that this will lead to a further increase in its corporate value.

In accordance with the Trust Contract, Mr. Takumi Yamaguchi will entrust cash reserves to Kotaeru Trust, and Kotaeru Trust will receive all Stock Acquisition Rights. The money contributed to the trust will be used as the payment for the total issue price of the Stock Acquisition Rights, resulting in the acquisition of the Stock Acquisition Rights. The Stock Acquisition Rights acquired by Kotaeru Trust will be distributed in stages to the PR TIMES executives and employees designated by PR TIMES as recipients of the shares (the "beneficiaries") on the end of May 2027 (the "issue date"). For more details, please refer to Incentive Plan Flow Chart shown below.

PR TIMES will designate beneficiaries in accordance with the distribution guidelines which prescribe the distribution method for the Stock Acquisition Rights. Under the distribution guidelines established by PR TIMES, the Evaluation Committee, which consists of a majority of outside directors and outside auditors and is composed of PR TIMES directors (excluding the trustor and its relatives) and several auditors, evaluates PR TIMES executives and employees at a specified frequency for each purpose of distribution. Evaluations include i) incentives for hiring new employees; ii) incentives for single-year evaluations; iii) incentives for comprehensive evaluation up to the issue date; and iv) special incentives for contributions by outside directors and advisors. Stock acquisition rights or points will be provisionally granted. The Evaluation Committee will then determine the final beneficiaries and the number of stock acquisition rights to be delivered to them, with reference to the number of stock acquisition rights or points provisionally granted by the Evaluation Committee to PR TIMES executives and employees during the trust period, and notify the trustee of the final number of stock acquisition rights to be delivered to the beneficiaries, and the trustee will then deliver the stock acquisition rights to the beneficiaries on the issue date.

The new Incentive Plan differs from conventional incentive plans, such as those using stock options, because individuals who receive Stock Acquisition Rights and the number of Stock Acquisition Rights received can be decided at a point in the future based on each individual’s contributions. These individuals may be people who are currently working at PR TIMES as well as executives and employees who join PR TIMES in the future.

With a conventional incentive plan not using a trust, a company must decide who receives stock acquisition rights and how many options are given to each person at the time the stock acquisition rights are issued. One problem is that stock acquisition rights are granted to executives and employees by estimating an individual’s future contributions based on past performance and other items. As a result, stock option remuneration may not be distributed in an appropriate manner that reflects an individual’s actual performance and contributions. Another problem is the need to issue stock acquisition rights many times to avoid unfairness regarding executives and employees who join the company after stock acquisition rights are issued. Issuing, administrative and other expenses are incurred every time stock acquisition rights are issued.

With this Incentive Plan, Stock Acquisition Rights provisionally issued to Kotaeru Trust can be distributed in the future based on the expected contributions of PR TIMES executives and employees fairly and in stages. In addition, the Stock Acquisition Rights may be distributed to individuals who join PR TIMES in the future at an appropriate volume. The Incentive Plan can be operated with a level of flexibility that is not possible with a conventional incentive plan. Furthermore, the Incentive Plan has a pre-determined number of Stock Acquisition Rights that can be distributed based on the future contributions of PR TIMES executives and employees. As a result, this plan is expected to be even more effective at increasing motivation and helping attract talented individuals to accept jobs at PR TIMES.

By utilizing this Incentive Plan, PR TIMES believes that all of its current and future executives and employees will not feel unfairly treated at PR TIMES, and it will increase the solidarity of the entire group and further heighten motivation of the workforce.

The Stock Acquisition Rights include a condition for achieving performance related to operating profit (operating profit of 2.8 billion yen to 3.5 billion yen by the fiscal year ending February 28, 2027), which is expected to further increase the motivation of PR TIMES executives and employees to achieve performance. Through the achievement of such performance targets, it is expected to increase the corporate value and stock value of PR TIMES both in name and in reality.

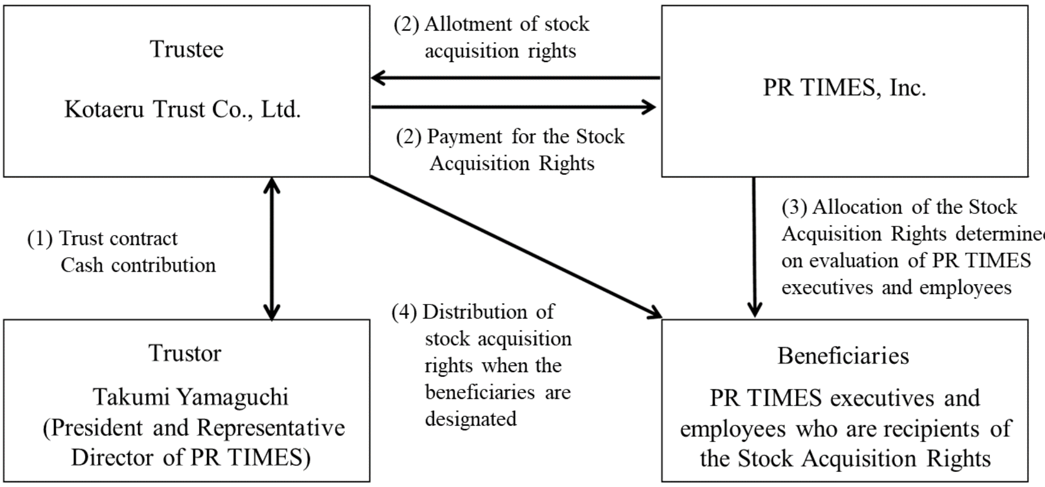
In light of the above, PR TIMES believes that the introduction of this incentive plan is in the best interest of existing shareholders.

Overview of the Trust

Name	Trust contract for stock acquisition rights issued at the market price
Trustor	Takumi Yamaguchi (President and Representative Director of PR TIMES, Inc.)
Trustee	Kotaeru Trust Co., Ltd.
Beneficiaries	Individuals designated as beneficiaries at the end of the trust period (designated by using the beneficiary confirmation procedure)
Date of trust contract	April 23, 2021
End of trust period (distribution date)	End of May 2027
Purpose of trust	The main purpose is the distribution of Stock Acquisition Rights to the beneficiaries.

Beneficiary requirements	Beneficiaries are executives or employees of PR TIMES who, in accordance with the Trust Contract, have been designated as beneficiaries on the distribution date. The number of stock acquisition rights for each beneficiary is determined on the distribution date. The distribution standards are prescribed in the distribution guidelines that are to be established on the trust contract date. More information is in the preceding section titled "Purpose of and reason for establishing the Incentive Plan."

Incentive Plan Flow Chart



(1) Mr. Takumi Yamaguchi, who is the trustor, will contribute money to Kotaeru Trust, the trustee, in accordance with the Trust Contract in order to establish this trust. PR TIMES will serve as the trust administrator and designator of beneficiaries, in accordance with this contract. The Incentive Plan is structured as a means for Mr. Takumi Yamaguchi to pay bonuses in the future to beneficiaries.

(2) PR TIMES will issue the Stock Acquisition Rights to Kotaeru Trust, and Kotaeru Trust will use the funds paid to the Stock Acquisition Right Trust in (1) of the flow chart to purchase the Stock Acquisition Rights from PR TIMES. In accordance with the Trust Contract, Kotaeru Trust, the trustee, will hold the Stock Acquisition Rights until the end of the trust period.

(3) In accordance with the distribution guidelines, PR TIMES will decide the number of Stock Acquisition Rights to be distributed to its executives and employees based on the expected future contribution determined by their contribution to PR TIMES until the distribution date.

(4) At the distribution date, the beneficiaries are designated and Stock Acquisition Rights managed by Kotaeru Trust are distributed to the beneficiaries.

* Beneficiaries who receive Stock Acquisition Rights can receive PR TIMES common stock by paying the exercise price upon the exercise of the Stock Acquisition Rights as provided for in the terms and conditions for issuance of the Stock Acquisition Rights and contract concerning the handling of these options. Beneficiaries who receive this stock by exercising the Stock Acquisition Rights will then be PR TIMES shareholders and can sell this stock at any time on a securities exchange.

3. Amount of funds to be procured, use of funds and timing of expenditure

(1) Amount of funds to be procured (estimated net proceeds) (Yen)

Total amount paid	Estimated issuing expenses	Estimated net proceeds
360,096,000	10,000,000	350,096,000

Notes: 1. The total amount paid is the sum of payments for the Stock Acquisition Rights (96,000 yen) and exercise payments assuming that all of the Stock Acquisition Rights are exercised (360,000,000 yen).
2. Estimated issuing expenses do not include consumption taxes.
3. Estimated issuing expenses are the sum of trust compensation, the cost of calculating the price of the Stock Acquisition Rights and other expenses.
4. The total amount paid and estimated net proceeds will decrease in the following cases: (i) any Stock Acquisition Rights are not exercised during the exercise period and (ii) PR TIMES acquires and cancels any Stock Acquisition Rights.

(2) Specific use of funds procured

The procurement of funds is not the purpose of the Stock Acquisition Rights. The Stock Acquisition Rights are issued for the purpose of increasing the solidarity and motivation of the PR TIMES executives and employees in order to achieve growth of sales and earnings and corporate value.

PR TIMES executives and employees who receive the Stock Acquisition Rights from Kotaeru Trust, the trustee, will make decisions on their own about exercising the Stock Acquisition Rights. Since it is therefore impossible to know how much money will be received at any particular time due to the exercise of the Stock Acquisition Rights, these proceeds cannot be incorporated in a funding plan. PR TIMES plans to use funds from the Stock Acquisition Rights for working capital, but decisions about specific amounts of money will be made when payments are received as the Stock Acquisition Rights are exercised.

Proceeds from the exercise of the Stock Acquisition Rights will be invested in bank deposits and other stable financial assets until the funds are used for the purposes listed in the preceding paragraph.

4. Position concerning rationale for the use of funds procured

Vector believes that the use of funds procured from issuing and exercising the Stock Acquisition Rights is reasonable because the funds will be used for business operations of PR TIMES.

5. Rationale for issuing terms and other items

(1) Basis of calculation of amount to be paid and details

To determine the issue prices of the Stock Acquisition Rights, PR TIMES asked Plutus Consulting Co., Ltd. (3-2- 5, Kasumigaseki, Chiyoda-ku, Tokyo; President and CEO: Mahito Noguchi), an independent, third-party valuation firm, for a valuation. Plutus Consulting used a Monte Carlo simulation, which is a general model for calculating option prices, based on the following terms to determine the valuations of the Stock Acquisition Rights: The closing price of 3,750 yen per share of PR TIMES stock on the Tokyo Stock Exchange on the day before the Board of Directors resolution to issue the Stock Acquisition Rights, a stock price volatility of 58.75%, a dividend yield of 0%, a risk-free interest rate of 0.188% and the terms for issuing the Stock Acquisition Rights (exercise price of 3,750 yen per share, exercise period of 12 years and performance targets). This procedure resulted in a price of 100 yen for each stock acquisition right.

The PR TIMES Board of Directors set the prices of the Stock Acquisition Rights at 100 yen, the same price determined by Plutus Consulting. The directors believe that these prices are fair and appropriate and are not prices that result in the issuance of the Stock Acquisition Rights at favorable terms for two reasons. First, Plutus Consulting based its valuations on preliminary assumptions that may influence the valuations. Second, Plutus Consulting calculated the values by using a generally accepted method for determining the value of Stock Acquisition Rights while reflecting these preliminary assumptions.

In addition, the 3,750 yen exercise price of the Stock Acquisition Rights is the same as the closing price of PR TIMES common stock on the Tokyo Stock Exchange on April 12, 2021, which is the day before the Board of Directors resolution to issue the Stock Acquisition Rights.

Furthermore, PR TIMES has received an opinion from all auditors stating that, after examining the basis used to determine the valuations, the prices of the Stock Acquisition Rights are not favorable with respect to the prospective allottee and the prices comply with laws and regulations.

(2) Basis for judgment that the number of shares to be issued and level of share dilution are reasonable

If all of the Stock Acquisition Rights are exercised, 96,000 shares (960 voting rights) will be issued . This equates to dilution of 0.71% (and 0.74% of voting rights) based on the 13,457,200 shares (130,245 voting rights) issued as of February 28, 2021, which is a significant level of dilution.

The purpose of the Stock Acquisition Rights is to increase the solidarity and motivation of PR TIMES executives and employees for achieving medium to long-term growth of sales and earnings and corporate value. In addition, the Stock Acquisition Rights cannot be exercised unless pre-determined performance targets are achieved. PR TIMES believes that reaching these targets will result in the growth of corporate value and shareholder value.

The average daily trading volume of PR TIMES common stock during the past six months is about 260,000 shares. This provides a certain level of liquidity in relation to the 96,000 shares that will be issued if all of the Stock Acquisition Rights are exercised.

For these reasons, PR TIMES expects that the issuance of the Stock Acquisition Rights to will provide benefits to current shareholders by contributing to the growth of corporate value and shareholder value. As a result, the number of shares to be issued and level of share dilution resulting from the exercise of the Stock Acquisition Rights are believed to be reasonable.

6. Reason for selecting the prospective allottee and other related matters

(1) Profile of the prospective allottee

(1)	Company name	Kotaeru Trust Co., Ltd.
(2)	Address	26th Floor, Marunouchi Building, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo
(3)	Representative	President: Yoshinari Matsuda
(4)	Business activities	Trust business
(5)	Capital	100 million yen
(6)	Established	October 25, 2018
(7)	Number of issued shares	100 million shares
(8)	Fiscal year end	March 31
(9)	Number of employees	13 (as of September 30, 2020)
(10)	Major clients	General corporations
(11)	Major banks	MUFG Bank, Ltd.
(12)	Major shareholders and their shareholding ratio	iXp co., Ltd.: 66.66%　Mistygate Co., Ltd.: 33.34%
(13)	Relationships between PR TIMES and the allottee	
	Capital	There is no capital relationship between PR TIMES and the prospective allottee and its controlling shareholders. There is also no significant capital relationship between related parties or affiliates of PR TIMES and those of the prospective allottee.
	Personnel	There is no personnel relationship between PR TIMES and the prospective allottee and its controlling shareholders. There is also no significant personnel relationship between related parties or affiliates of PR TIMES and those of the prospective allottee.
	Transactions	There is no business relationship between PR TIMES and the prospective allottee and its controlling shareholders. There is also no significant business relationship between related parties or affiliates of PR TIMES and those of the prospective allottee.
	Related parties	The prospective allottee or its controlling shareholders are not related parties of PR TIMES. The allottee’s related parties or affiliates are also not the related parties of PR TIMES.

Notes: 1. Information concerning the relationships between PR TIMES and Kotaeru Trust as of April 13, 2021.

2. PR TIMES received a statement from Kotaeru Trust stating that it has no relationship with anti-social forces. In addition, PR TIMES has received a report stating that Kotaeru Trust has no relationship with antisocial forces from a specialist investigation firm (Tokucho Co., Ltd.; 3-2-1, Kanda Surugadai, Chiyoda-ku, Tokyo; Representative Director Kazue Arakawa) that PR TIMES asked to examine Kotaeru Trust. PR TIMES has submitted a confirmation document to the Tokyo Stock Exchange stating that Kotaeru Trust has no relationship whatsoever with anti-social forces.

(2) Reason for selecting the prospective allottee

In order to realize the Incentive Plan, it is necessary to establish a trust and allocate stock acquisition rights to the trustee of the Trust as the allottee. The trustee will be responsible for the management of the trust assets and administrative procedures related to the trust.

Kotaeru Trust, which is represented by attorney Yoshinari Matsuda, who has developed many incentive schemes, including the first trust-type stock option in Japan and has applied for patents related to this incentive plan, is indispensable for the realization of the Incentive Plan. In addition, Kotaeru Trust has a deep knowledge of trust-type stock options and is familiar with the operation of this incentive plan as a commercial trust. PR TIMES considered these facts and, based on the judgment that entrusting the administration procedures of the trust to Kotaeru Trust is the most appropriate method, Kotaeru Trust was selected as the allottee.

(3) Policy of the prospective allottee for holding the Stock Acquisition Rights

Pursuant to the Trust Contract and the distribution guidelines, Kotaeru Trust, which is the prospective allottee of the Stock Acquisition Rights, will hold the Stock Acquisition Rights until the end of the trust period. At that point, Kotaeru Trust will distribute the Stock Acquisition Rights to the beneficiaries at the volume designated by PR TIMES in accordance with instructions by PR TIMES.

(4) Information about confirmation of payment capacity of the prospective allottee

PR TIMES has confirmed that Mr. Takumi Yamaguchi, the trustor, has sufficient funds to pay the amount required for the Stock Acquisition Rights by receiving a copy of his bank deposit statement, showing that he has sufficient funds that will cover the issue price of the Stock Acquisition Rights.

(5) Other important contracts

Other than the Trust Contract, there are no important contracts with the prospective allottee concerning the issuance of Stock Acquisition Rights by PR TIMES.

7. Major shareholders and their shareholding ratio after offering

Name	Before offering	After offering
Vector, Inc.	58.35%	57.92%
Takumi Yamaguchi	5.42%	5.38%
Custody Bank of Japan, Ltd. (Trust account 9)	4.29%	4.26%
The Master Trust Bank of Japan, Ltd. (Trust account)	1.64%	1.62%
Custody Bank of Japan, Ltd. (Trust account)	1.59%	1.58%
Rakuten Securities, Inc.	1.19%	1.19%
MORGAN STANLEY & CO. LLC (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	0.91%	0.91%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE－AC) (Standing proxy: MUFG Bank, Ltd.)	0.86%	0.86%
SBI SECURITIES Co.,Ltd.	0.80%	0.79%
Custody Bank of Japan, Ltd. (Trust account B)	0.61%	0.61%

Notes: 1. Shareholding ratios before the offering are based on the number of voting rights for the number of shares in the shareholder register as of February 28, 2021.
2. Shareholding ratios after the offering are calculated by dividing the number of voting rights held as of February 28, 2021 by the sum of the total number of voting rights as of February 28, 2021 and the number of voting rights for the total number of shares to be issued for the exercise of the Stock Acquisition Rights.
3. The above shareholding ratios are rounded to the hundredths place.
4. Kotaeru Trust Co.,Ltd., which is the prospective allottee of the Stock Acquisition Rights, is not included in the after offering list of major shareholders because it will only perform trust administrative and management procedures concerning the Stock Acquisition Rights. When the trust period ends, Kotaeru Trust will distribute the Stock Acquisition Rights to the beneficiaries in accordance with the Trust Contract and the distribution guidelines. Its shareholding ratio after offering is 0.73%.
5. No beneficiaries are included in the after offering list of major shareholders because, due to the nature of the Incentive Plan, the beneficiaries who will receive the Stock Acquisition Rights have not been determined at this time.

8. Outlook

There are no changes in the full year forecasts for the fiscal year ending in February 2022 that was released on April 13, 2021.
An announcement will be made promptly if the use of proceeds from the exercise of the Stock Acquisition Rights for business operations has an effect on sales or earnings.

9. Matters regarding procedures in the code of corporate conduct

The issuance of the Stock Acquisition Rights does not require the receipt of an opinion from an independent third party or the confirmation of shareholders intensions as prescribed in Article 432 of the Securities Listing Regulations of the Tokyo Stock Exchange. The reason is that the Stock Acquisition Rights (1) have a total dilution ratio of less than 25% and (2) do not involve a change in a controlling shareholder (even if all stock acquisition rights are exercised, no change is expected in the controlling shareholder).

10. Results of operations and equity financing during the last three years

(1) Results of operations for the last three years (Thousands of yen)

Fiscal years ended	FY2/19	FY2/20	FY2/21
Net sales	2,286,101	2,891,311	3,765,954
Operating profit	518,413	560,377	1,301,329
Ordinary profit	494,091	560,214	1,299,420
Profit attributable to owners of parent	313,971	321,502	1,043,392
Net income per share (Yen)	47.01	48.49	80.01
Dividend per share (Yen)	-	-	-
Net assets per share (Yen)	280.80	255.33	190.63

Notes: 1. PR TIMES conducted a 2-for-1 common stock split in August 5, 2020. Net assets per share, net income per share and dividend per share have been calculated as if this stock split had taken place at the beginning of FY2/21.
2. PR TIMES has not prepared its consolidated financial statements since FY2/21. Accordingly, figures for FY2/19 and FY2/20 are on the consolidated basis, while figures for FY2/21 are on the non-consolidated basis.

(2) Current number of issued shares and dilutive shares (as of end of February 2021)

	Number of shares	Ratio to the number of issued shares
Number of issued shares	13,427,200 shares	100.00%
Number of dilutive shares at current conversion price (exercise price)	758,800 shares	5.65%

(3) Recent stock prices

1) Recent stock prices in the last three years (Yen)

	FY2/19	FY2/20	FY2/21
Opening price	1,800	2,337	976
High price	3,660	3,530	4,815
Low price	1,706	1,961	731
Closing price	2,360	1,999	3,225

Note: PR TIMES conducted a 2-for-1 common stock split in August 5, 2020. Stock prices above are based on the assumption that this stock split had taken place at the beginning of FY2/21.

2) Recent stock prices in the last six months (Yen)

	November	December	January	February	March	April
Opening price	3,520	3,690	3,500	3,690	3,295	3,600
High price	3,930	3,690	4,815	4,120	3,580	3,940
Low price	3,010	3,030	3,410	3,120	2,844	3,530
Closing price	3,550	3,470	3,750	3,225	3,530	3,750

Note: Stock prices for April 2021 are as of April 12, 2021.

3) Stock price as of the trading day prior to the resolution for issuance

(Yen)

	April 12, 2021
Opening price	3,880
High price	3,880
Low price	3,705
Closing price	3,750

(4) Equity financing within the last three years

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.