



July 15, 2021

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2022
(Three Months Ended May 31, 2021)

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: July 15, 2021
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2022
(March 1, 2021 – May 31, 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	%
Three months ended May 31, 2021	11,144	24.4	1,167	-	1,155	-	443	-
Three months ended May 31, 2020	8,961	3.7	(16)	-	2	(99.3)	(163)	-

Note: Comprehensive income
 Three months ended May 31, 2021: 700 million yen (down 86.7%)
 Three months ended May 31, 2020: 5,271 million yen (-%)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2021	9.29		-	
Three months ended May 31, 2020	(3.43)		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of May 31, 2021	30,553		14,905		39.7		254.74	
As of Feb. 28, 2021	30,057		14,854		39.4		248.38	

Reference: Shareholders' equity As of May 31, 2021: 12,144 million yen As of Feb. 28, 2021: 11,841 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2021	-	0.00	-	2.00	2.00
Fiscal year ending Feb. 28, 2022	-				
Fiscal year ending Feb. 28, 2022 (forecast)		0.00	-	4.00	4.00

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

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

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

*** Notes**

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

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

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

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

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

(4) Number of issued shares (common stock)

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

As of May 31, 2021:	47,936,100 shares	As of Feb. 28, 2021:	47,936,100 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2021:	262,061 shares	As of Feb. 28, 2021:	262,013 shares
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3) Average number of shares during the period

Three months ended May 31, 2021	47,674,070 shares	Three months ended May 31, 2020	47,674,154 shares
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* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Appropriate use of business forecast and other special items

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

Change in presentation of monetary units

Amounts in the financial statements, presented in thousands of yen in prior periods, are presented in millions of yen beginning with the current first quarter. To simplify prior-year comparisons, figures for the previous fiscal year and the first quarter of the previous fiscal year have been changed to millions of yen.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of Vector as of July 15, 2021.

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending February 28, 2022, economic activity in Japan was restricted because of declarations of a state of emergency since January 2021 and other measures to prevent the spread of COVID-19. Due to this situation, the economic outlook is uncertain. Furthermore, there are still limitations on economic activity in many other countries because of lockdowns and other pandemic measures.

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 DM Solutions Co., Ltd. to establish Performance Technologies, Inc. which operates a performance marketing business in March 2021. The new company provides 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. In May 2021, we started operating an e-commerce website for the advertising industry called Hilomel. This new service allows selecting from a variety of methods with proven success the plan needed to disseminate information about products and services.

Due to these activities, sales increased 24.4% to 11,144 million yen, operating profit was 1,167 million yen compared with an operating loss of 16 million yen one year earlier, ordinary profit was 1,155 million yen compared with 2 million yen one year earlier, and the profit attributable to owners of parent was 443 million yen compared with a loss of 163 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. Waqoo Inc. and BCC Co.,Ltd. were listed on the Mothers Market of the Tokyo Stock Exchange on June 29, 2021 and July 6, 2021, respectively.

Business segment performance was as follows.

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. The performance of this segment were affected by restrictions on some corporate marketing activities due to declarations of a state of emergency in Japan. In response, in the previous fiscal year, we started launching many new services in the digital domain, such as online PR events and live commerce support using social networking services. These activities produced a big recovery in segment sales and earnings.

In this segment overall, sales increased 53.5% to 6,131 million yen and operating profit increased 155.6% to 550 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 May 2021, more than 54,000 companies were using this service, which set a new record for quarterly sales.

Segment sales increased 37.6% to 1,127 million yen and operating profit rose 41.2% to 391 million yen.

Video Release Distribution

In the previous fiscal year, the video release distribution business of NewsTV, Inc. shifted to sales activities that incorporate consulting in order to solve the marketing problems of companies by using videos. This shift produced benefits in the first quarter that enabled this business segment to report a profit despite the severe negative impact of the COVID-19 crisis.

Segment sales increased 8.7% to 382 million yen and operating profit was 14 million yen compared with an operating loss of 30 million yen one year earlier.

Direct Marketing

The direct marketing business consists of the operations of Vitabrid Japan, Inc. and other companies. This company posted strong sales of its line of Vitabrid C personal care products because of the use of advertising expenditures for efficiently attracting new customers. As a result, this business achieved record-high sales.

Segment sales increased 6.1% to 2,940 million yen and operating profit was 298 million yen compared with an operating loss of 509 million yen one year earlier.

Media

In the media business of Smartmedia INC., steady growth of sales of the service for building owned media offset up-front expenditures for expanding and upgrading the functions of the SaaS content management system (CMS). As a result, the media business remained profitable in the first quarter.

Segment sales increased 14.0% to 240 million yen and operating profit decreased 71.6% to 7 million yen.

Human Resources

The human resources business of ASHITA-TEAM Co., Ltd. ended sales of perpetual utilization rights to its cloud system for the purpose of preventing a reoccurrence of the accounting problem that happened in the previous fiscal year. As a result, sales decreased. However, despite declarations of a state of emergency in Japan, there were solid sales of SaaS products and benefits of measures in the previous fiscal year to establish a sound framework for this business and optimize operations began to produce benefits. The result was a big decrease in the operating loss of this business.

Segment sales decreased 18.7% to 593 million yen and operating loss was 102 million yen compared with a 225 million yen loss one year earlier.

Fund

In the fund business, which is operated by 100Capital Inc., part of the equities held by 100Capital No. 1 Investment Limited Liability Partnership were sold.

Segment sales decreased 94.1% to 17 million yen and operating profit decreased 98.0% to 4 million yen.

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

Total assets at the end of the first quarter of the current fiscal year increased 495 million yen from the end of the previous fiscal year to 30,553 million yen.

Current assets increased 78 million yen to 18,489 million yen. This was mainly due to increases of 98 million yen in merchandise and finished goods, 184 million yen in advance payments and prepaid expenses included in other current assets, 399 million yen in deposits paid and 122 million yen in income taxes receivable, while there was a decrease of 734 million yen in cash and deposits.

Non-current assets increased 417 million yen to 12,064 million yen. This was mainly due to increases of 313 million yen in investment securities and 133 million yen in lease and guarantee deposits.

Liabilities

Total liabilities at the end of the first quarter of the current fiscal year increased 444 million yen from the end of the previous fiscal year to 15,647 million yen.

Current liabilities increased 242 million yen to 9,173 million yen. This was mainly due to increases of 756 million yen in short-term borrowings and 376 million yen in accounts payable-trade, while there were decreases of 441 million yen in income taxes payable, 190 million yen in provision for bonuses and 108 million yen in provision for point card certificates.

Non-current liabilities increased 202 million yen to 6,474 million yen. This was mainly due to an increase of 284 million yen in long-term borrowings.

Net assets

Total net assets at the end of the first quarter of the current fiscal year increased 50 million yen from the end of the previous fiscal year to 14,905 million yen. This was mainly due to an increase of 2,857 million yen in retained earnings, while there was a decrease of 2,582 million yen in capital surplus.

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

In the direct marketing business, advertising expenses that were expected in the first quarter were controlled, resulting in the possibility of making these expenditures in the second quarter depending on market conditions. Consequently, there are no revisions to the consolidated forecast for the current fiscal year that was announced on April 14, 2021.

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

(Millions of yen)

	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	10,860	10,125
Notes and accounts receivable-trade	4,695	4,760
Operational investment securities	147	134
Merchandise and finished goods	775	874
Costs on service contracts in progress	155	195
Other	1,913	2,518
Allowance for doubtful accounts	(138)	(120)
Total current assets	18,410	18,489
Non-current assets		
Property, plant and equipment		
Buildings and structures	474	493
Tools, furniture and fixtures	664	696
Leased assets	555	555
Construction in progress	35	87
Accumulated depreciation	(1,009)	(1,072)
Total property, plant and equipment	720	760
Intangible assets		
Goodwill	595	537
Software	420	596
Other	286	68
Total intangible assets	1,302	1,202
Investments and other assets		
Investment securities	7,909	8,223
Deferred tax assets	687	706
Leasehold and guarantee deposits	961	1,094
Other	350	350
Allowance for doubtful accounts	(285)	(274)
Total investments and other assets	9,624	10,100
Total non-current assets	11,646	12,064
Total assets	30,057	30,553

	(Millions of yen)	
	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	1,039	1,415
Short-term borrowings	974	1,730
Current portion of long-term borrowings	804	784
Current portion of bonds payable	198	198
Lease obligations	212	191
Income taxes payable	911	469
Provision for bonuses	366	176
Provision for point card certificates	185	77
Provision for shareholder benefit program	98	40
Provision for loss on business liquidation	-	35
Unearned revenue	1,886	1,999
Other	2,253	2,053
Total current liabilities	8,930	9,173
Non-current liabilities		
Long-term borrowings	4,051	4,335
Bonds payable	430	405
Lease obligations	95	54
Deferred tax liabilities	1,642	1,630
Retirement benefit liability	27	26
Other	25	22
Total non-current liabilities	6,272	6,474
Total liabilities	15,202	15,647
Net assets		
Shareholders' equity		
Share capital	2,880	2,880
Capital surplus	2,806	223
Retained earnings	2,590	5,447
Treasury shares	(259)	(259)
Total shareholders' equity	8,016	8,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,834	3,815
Foreign currency translation adjustment	(9)	38
Total accumulated other comprehensive income	3,824	3,853
Share acquisition rights	73	0
Non-controlling interests	2,939	2,760
Total net assets	14,854	14,905
Total liabilities and net assets	30,057	30,553

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

	(Millions of yen)	
	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Net sales	8,961	11,144
Cost of sales	2,963	4,058
Gross profit	5,997	7,086
Selling, general and administrative expenses	6,014	5,918
Operating profit (loss)	(16)	1,167
Non-operating income		
Interest and dividend income	7	1
Compensation for damages received	-	14
Gain on sales of investment securities	47	-
Gain on investments in investment partnerships	15	3
Share of profit of entities accounted for using equity method	-	9
Other	22	29
Total non-operating income	93	58
Non-operating expenses		
Interest expenses	12	13
Foreign exchange losses	2	6
Loss on valuation of investment securities	-	36
Loss on investments in investment partnerships	0	7
Share of loss of entities accounted for using equity method	50	-
Other	8	6
Total non-operating expenses	74	70
Ordinary profit	2	1,155
Extraordinary income		
Gain on reversal of share acquisition rights	73	73
Total extraordinary income	73	73
Extraordinary losses		
Loss on sales of non-current assets	-	0
Impairment loss	-	3
Provision for loss on business liquidation	-	35
Total extraordinary losses	-	39
Profit before income taxes	75	1,189
Income taxes	109	509
Profit (loss)	(34)	679
Profit attributable to non-controlling interests	129	236
Profit (loss) attributable to owners of parent	(163)	443

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

	(Millions of yen)	
	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Profit (loss)	(34)	679
Other comprehensive income		
Foreign currency translation adjustment	(17)	39
Valuation difference on available-for-sale securities	5,325	(30)
Share of other comprehensive income of entities accounted for using equity method	(2)	11
Total other comprehensive income	5,306	20
Comprehensive income	5,271	700
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,153	471
Comprehensive income attributable to non-controlling interests	117	228

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

Not applicable.

Significant Changes in Shareholders' Equity

Based on a resolution approved at the annual shareholders meeting held on May 27, 2021, the capital surplus was reduced by 2,413 million yen and this amount was transferred to retained earnings to offset a loss. This transfer had no effect on total shareholders' equity.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

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

Segment and Other Information**Segment information**

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

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

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Net sales							
External sales	3,917	786	315	2,766	155	729	291
Inter-segment sales and transfers	76	33	36	4	55	-	-
Total	3,994	819	351	2,771	211	729	291
Segment profit (loss)	215	277	(30)	(509)	24	(225)	237

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	8,961	-	8,961
Inter-segment sales and transfers	207	(207)	-
Total	9,168	(207)	8,961
Segment profit (loss)	(10)	(5)	(16)

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

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

(2) Information related to assets for reportable segments

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

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

Significant impairment losses involving non-current assets

Not applicable.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

2. First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)

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

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media	Human Resources	Fund
Net sales							
External sales	6,083	1,087	293	2,916	154	593	15
Inter-segment sales and transfers	47	39	88	24	86	0	1
Total	6,131	1,127	382	2,940	240	593	17
Segment profit (loss)	550	391	14	298	7	(102)	4

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	11,144	-	11,144
Inter-segment sales and transfers	288	(288)	-
Total	11,432	(288)	11,144
Segment profit (loss)	1,164	3	1,167

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

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

(2) Information related to revisions for reportable segments

In the first quarter of the current fiscal year, equity-method affiliate Cyber Security Bank, Inc. was moved from the human resources segment to the public relations and advertising segment due to a reexamination of reportable segments.

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

Significant impairment losses involving non-current assets

In the video release distribution segment, there was an impairment loss because the performance of the software business has been consistently below the initial plan. In the first quarter, this impairment loss was 3 million yen.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

Subsequent Events

Not applicable.

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