October 14, 2022

Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2023 (Six Months Ended August 31, 2022)

[Japanese GAAP]

Company name: Vector, Inc. Listing:Tokyo Stock Exchange - Prime Market
Securities code: 6058 URL: https://www.vectorinc.co.jp/
Representative: Keiji Nishie, Chairman and Representative Director
Contact: Yosuke Goto, Director and CFO Tel: +81-3-5572-6080
Scheduled date of filing of Quarterly Report: October 14, 2022
Scheduled date of dividend payment: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes

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

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2023 (March 1, 2022 – August 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2022	26,672	21.1	3,383	61.6	3,507	64.5	1,918	208.3
Six months ended Aug. 31, 2021	22,021	-	2,093	-	2,132	-	622	-

Note: Comprehensive income Six months ended Aug. 31, 2022: 2,617 million yen (up 199.9%)
Six months ended Aug. 31, 2021: 872 million yen (-%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Aug. 31, 2022	40.24	-
Six months ended Aug. 31, 2021	13.05	-

Note: Due to the change in the accounting policies because investing activities became a business segment, no percentage changes from the same quarter of the prior fiscal year are shown for the six months ended Aug. 31, 2021 because this change in business segments was retroactively applied to this quarter.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2022	31,972	15,137	38.7	259.44
As of Feb. 28, 2022	31,575	16,178	39.2	259.38

Reference: Shareholders' equity As of Aug. 31, 2022: 12,368 million yen As of Feb. 28, 2022: 12,365 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, 2022	-	0.00	-	13.00	13.00
Fiscal year ending Feb. 28, 2023	-	0.00			
Fiscal year ending Feb. 28, 2023 (forecast)			-	18.00	18.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	53,100	10.3	6,200	20.9	6,100	17.1	3,000	44.8	62.93

Notes: 1. Revision to the most recently announced consolidated forecast: None

2. Due to the change in the accounting policies because investing activities became a business segment, percentage changes from the previous fiscal year are based on figures in the previous fiscal year that have been retroactively adjusted for consistency with this change in business segments.

*** Notes**

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

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

Note: Please refer to the section "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements" on page 13 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:	Yes
2) Changes in accounting policies other than 1) above:	Yes
3) Changes in accounting-based estimates:	None
4) Restatements:	None

Note: Please refer to the section "2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies" on page 12 for further information.

(4) Number of issued shares (common stock)

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

As of Aug. 31, 2022:	47,936,100 shares	As of Feb. 28, 2022:	47,936,100 shares

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

As of Aug. 31, 2022:	262,061 shares	As of Feb. 28, 2022:	262,061 shares

3) Average number of shares during the period

Six months ended Aug. 31, 2022	47,674,039 shares	Six months ended Aug. 31, 2021	47,674,055 shares

* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Appropriate use of business forecast and other special items

Forecasts regarding future performance in this material are based on information currently available to Vector and incorporate a variety of uncertainties. Actual performance may differ from these forecasts for a number of reasons including changes in internal or external factors affecting business operations. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (4) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 5 of the attachments regarding the forecasts shown in this material.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

Forward-looking statements are based on the judgments of Vector as of October 14, 2022.

Vector is applying the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. More information is in “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 12.

(1) Explanation of Results of Operations

During the first half of the fiscal year ending February 28, 2023, the Japanese economy began to recover as pandemic restrictions were eased due to progress with vaccinations and as benefits of government measures to support the economy emerge. However, the outlook for the economy remains uncertain because of inflation, due partly to the higher cost of energy because of the Ukraine crisis, the rapid upturn in interest rates, the yen’s depreciation and other reasons.

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 our 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, in March 2022, we established the Kyushu Regional Office for the purpose of strengthening PR support services for companies in Kyushu. INFLUENCER BANK, Inc. (formerly Liver Bank, Inc.), which provides live streaming management services, launched a life commerce tool called “You Can Do Live Commerce Yourself.” This tool allows companies to easily distribute content on SNS channels at the same time and to analyze data. In April 2022, Starbank Inc., which operates an influencer marketing business, launched “Talent Bank,” a subscription service that allows companies to use the images of celebrities by paying a monthly utilization fee. INFLUENCER BANK, which operates the live streaming management business, established a business alliance with memoria Inc., which operates the “memoria” non-fungible token (NFT) marketplace. This alliance was then used to start a comprehensive NFT marketing support service that encompasses all aspects of marketing support utilizing NFT. To strengthen digital marketing services, Vector acquired the digital advertising business of Terminal Co., Ltd. in September 2022.

Due to these activities, sales increased 21.1% to 26,672 million yen, operating profit increased 61.6% to 3,383 million yen, ordinary profit increased 64.5% to 3,507 million yen, and the profit attributable to owners of parent increased 208.3% to 1,918 million yen. The application of the new revenue recognition standard reduced sales by 2,224 million yen and operating profit by 36 million yen.

In our venture capital business, we support companies where we make investments by supplying public relations and investor relations services and in other ways. Mental Health Technologies Co., Ltd., SecondXight Analytica, Inc. and Progrit Inc. were listed on the Growth Market of the Tokyo Stock Exchange on March 28, 2022, April 4, 2022 and September 29, 2022, respectively.

As part of measures to provide support to companies in our venture capital business, we acquired Geobeck Co., Ltd. and its affiliate BeautySpaceGlobal Co., Ltd. on July 29, 2022. These two companies provide cloud store systems and other digital transformation (DX) services for companies in the beauty parlor and beauty care industries. We will assist Geobeck with PR and IR services as well as management and other forms of support to speed up the growth of its services with the goal of an initial public offering.

Business segment performance was as follows.

Beginning with the first quarter of the current fiscal year, the media business has been renamed the media CMS business and the fund business has been renamed the investment business.

In addition, the investment business has changed the accounting method from the first quarter of the current fiscal year. More information is in “2. Quarterly Consolidated Financial Statements and Notes, (4) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 12.

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. This business segment conducted a variety of marketing activities, such as services in the digital domain, that match the needs of customers in the current business climate. As a result, sales and operating profit rose to all-time highs for a second quarter as the strong performance of this business in Japan more than offset a downturn in overseas operations caused by the pandemic.

Segment sales increased 14.6% to 13,548 million yen and operating profit increased 69.5% to 1,369 million yen. The new revenue recognition standard reduced sales by 1,955 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. In August 2022, the number of companies using “PR TIMES” surpassed 72,000. As a result, sales rose to an all-time high for a second quarter.

Segment sales increased 22.5% to 2,814 million yen and operating profit rose 2.2% to 916 million yen. The new revenue recognition standard had no effect on this segment’s sales and earnings.

Video Release Distribution

The video release distribution business of NewsTV, Inc. focused on activities for capturing new business in order to increase the number of releases handled starting in the third quarter. Due to these activities, the number of releases distributed decreased from the first quarter to the second quarter. However, stepped up measures for creating proposals for customers raised the average fee received per release distributed.

Segment sales decreased 11.2% to 658 million yen and there was an operating loss of 46 million yen compared with an operating profit of 16 million yen one year earlier. The new revenue standard reduced sales by 6 million yen.

Direct Marketing

In the direct marketing business of Vitabrid Japan, Inc., the number of new customers was higher than planned because of constant advertising expenditures starting at the beginning of the fiscal year. As a result, sales of “Terminalia First” (a supplement for helping reduce the body mass index (BMI)) were strong and sales in the second quarter rose to an all-time high.

Segment sales increased 24.0% to 7,209 million yen and there was an operating loss of 86 million yen compared with an operating profit of 559 million yen one year earlier. The new revenue standard reduced sales by 199 million yen.

Media CMS

In the media content management system (CMS) business of Smartmedia INC., measures to add new tie-ups that contribute to internal web media advertising revenue were held down in order to build a powerful profit structure that is not vulnerable to changes in the business climate. Personnel in the media business were reassigned to the owned media business and there were other development expenses for strengthening CMS capabilities while reinforcing the infrastructure of the owned media business.

Segment sales increased 3.1% to 469 million yen and there was an operating loss of 8 million yen compared with a 22 million yen loss one year earlier. The new revenue standard reduced sales by 1 million yen.

Human Resources

In the human resources business of ASHITA-TEAM Co., Ltd., there was a decline in deliveries involving consulting projects due to seasonal factors but sales of SaaS products remained brisk.

Segment sales increased 1.5% to 1,243 million yen and there was an operating profit of 237 million yen compared with a 46 million yen loss one year earlier. The new revenue recognition standard reduced sales by 61 million yen.

Investment

Although there were valuation losses on some holdings, sales and earnings increased in part because of gains on sales of some investments.

Segment sales increased 562.4% to 1,282 million yen and operating profit was 990 million yen compared with a 119 million yen loss one year earlier. The new revenue recognition standard had no effect on this segment's sales and earnings.

(2) Explanation of Financial Position

Assets

Total assets at the end of the second quarter of the current fiscal year increased 396 million yen from the end of the previous fiscal year to 31,972 million yen.

Current assets increased 417 million yen to 26,735 million yen. This was mainly due to increases of 319 million yen in notes and accounts receivable-trade, and contract assets, 586 million yen in operational investment securities, 220 million yen in merchandise and finished goods and 306 million yen in deposits paid included in other under current assets, while there was a decrease of 1,273 million yen in cash and deposits.

Non-current assets decreased 21 million yen to 5,236 million yen. This was mainly due to a decrease of 152 million yen in leasehold and guarantee deposits, while there were increases of 75 million yen in buildings and structures, and 83 million yen in software.

Liabilities

Total liabilities at the end of the second quarter of the current fiscal year increased 1,437 million yen from the end of the previous fiscal year to 16,834 million yen.

Current liabilities increased 2,492 million yen to 13,312 million yen. This was mainly due to increases of 1,779 million yen in short-term borrowings and 536 million yen in current portion of long-term borrowings.

Non-current liabilities decreased 1,055 million yen to 3,521 million yen. This was mainly due to a decrease of 981 million yen in long-term borrowings.

Net assets

Total net assets at the end of the second quarter of the current fiscal year decreased 1,040 million yen from the end of the previous fiscal year to 15,137 million yen. This was mainly due to a decrease of 1,043 million yen in non-controlling interests.

(3) Cash Flows

Cash and cash equivalents (hereinafter "net cash") at the end of the second quarter of the current fiscal year decreased 1,272 million yen from the end of the previous fiscal year to 12,249 million yen.

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

Cash flows from operating activities

Net cash provided by operating activities was 1,316 million yen, compared with net cash provided of 1,670 million yen in the same period of the previous fiscal year. Main positive factors include profit before income taxes of 3,423 million yen and a 472 million yen increase in accounts payable-other. Main negative factors include income taxes paid of 1,400 million yen, a 366 million yen increase in advance payments and a 348 million yen increase in inventories.

Cash flows from investing activities

Net cash used in investing activities was 153 million yen, compared with net cash used of 963 million yen in the same period of the previous fiscal year. Main positive factors include proceeds from divestments of 145 million yen and collection of loans receivable of 223 million yen. Main negative factors include purchase of property, plant and equipment of 225 million yen, purchase of intangible assets of 115 million yen and purchase of investment securities of 99 million yen.

Cash flows from financing activities

Net cash used in financing activities was 2,549 million yen, compared with net cash provided of 0 million yen in the same period of the previous fiscal year. Main positive factors include a net increase in short-term borrowings of 1,775 million yen. Main negative factors include purchase of shares of subsidiaries not resulting in change in scope of consolidation of 772 million yen, purchase of treasury shares of subsidiaries of 1,893 million yen and cash dividends paid of 618 million yen.

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

The PR business in Japan and other businesses are performing well. However, in the investment business, we do not anticipate earnings from sales of stock in the second half and are using a conservative outlook for reductions in valuations of investments. In addition, we are raising the pace of investments in new businesses and for other activities. Consequently, as was announced today in a release titled “Notice concerning Differences between First Half Forecasts and Results (Japanese version only),” there are no revisions to the fiscal year forecast that was announced on April 14, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Assets		
Current assets		
Cash and deposits	13,522	12,249
Notes and accounts receivable-trade	6,090	-
Notes and accounts receivable-trade, and contract assets	-	6,410
Operational investment securities	4,180	4,766
Merchandise and finished goods	718	938
Costs on service contracts in progress	401	438
Other	1,561	2,084
Allowance for doubtful accounts	(156)	(151)
Total current assets	26,317	26,735
Non-current assets		
Property, plant and equipment		
Buildings and structures	812	888
Machinery, equipment and vehicles	7	7
Tools, furniture and fixtures	914	927
Leased assets	548	101
Construction in progress	0	18
Accumulated depreciation	(1,310)	(901)
Total property, plant and equipment	972	1,042
Intangible assets		
Goodwill	354	312
Software	586	670
Other	136	113
Total intangible assets	1,077	1,097
Investments and other assets		
Investment securities	1,183	1,171
Deferred tax assets	892	940
Leasehold and guarantee deposits	987	835
Other	374	384
Allowance for doubtful accounts	(230)	(235)
Total investments and other assets	3,207	3,096
Total non-current assets	5,257	5,236
Total assets	31,575	31,972

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,827	2,100
Short-term borrowings	335	2,115
Current portion of long-term borrowings	1,563	2,099
Current portion of bonds payable	186	237
Lease obligations	63	11
Income taxes payable	1,265	1,094
Provision for bonuses	649	436
Provision for point card certificates	183	-
Provision for shareholder benefit program	110	16
Provision for loss on business liquidation	13	-
Contract liabilities	-	2,413
Unearned revenue	2,422	-
Other	2,200	2,786
Total current liabilities	10,820	13,312
Non-current liabilities		
Long-term borrowings	3,322	2,340
Bonds payable	309	161
Lease obligations	12	3
Deferred tax liabilities	829	923
Retirement benefit liability	54	45
Other	48	47
Total non-current liabilities	4,576	3,521
Total liabilities	15,397	16,834
Net assets		
Shareholders' equity		
Share capital	2,880	2,880
Capital surplus	480	-
Retained earnings	7,076	7,175
Treasury shares	(259)	(259)
Total shareholders' equity	10,176	9,795
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,114	2,381
Foreign currency translation adjustment	74	191
Total accumulated other comprehensive income	2,189	2,573
Share acquisition rights	4	5
Non-controlling interests	3,807	2,763
Total net assets	16,178	15,137
Total liabilities and net assets	31,575	31,972

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Millions of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net sales	22,021	26,672
Cost of sales	8,156	8,959
Gross profit	13,865	17,712
Selling, general and administrative expenses	11,771	14,328
Operating profit	2,093	3,383
Non-operating income		
Interest and dividend income	3	3
Foreign exchange gains	-	19
Gain on investments in investment partnerships	3	88
Share of profit of entities accounted for using equity method	4	9
Other	102	33
Total non-operating income	113	154
Non-operating expenses		
Interest expenses	26	16
Foreign exchange losses	8	-
Provision of allowance for doubtful accounts	8	-
Loss on investments in investment partnerships	18	9
Other	13	4
Total non-operating expenses	74	30
Ordinary profit	2,132	3,507
Extraordinary income		
Gain on sale of non-current assets	0	-
Gain on bargain purchase	-	15
Reversal of provision for loss on business liquidation	-	2
Gain on reversal of share acquisition rights	73	-
Gain on forgiveness of debts	9	-
Total extraordinary income	82	18
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on retirement of non-current assets	4	37
Impairment losses	3	-
Loss on liquidation of business	39	-
Loss on valuation of investment securities	-	64
Provision for loss on business liquidation	37	-
Loss on valuation of shares of subsidiaries and associates	25	-
Loss (gain) on sale of shares of subsidiaries and associates	-	1
Loss on liquidation of subsidiaries and associates	-	0
Total extraordinary losses	111	103
Profit before income taxes	2,103	3,423
Income taxes	937	1,190
Profit	1,165	2,233
Profit attributable to non-controlling interests	543	314
Profit attributable to owners of parent	622	1,918

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Millions of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Profit	1,165	2,233
Other comprehensive income		
Foreign currency translation adjustment	40	96
Valuation difference on available-for-sale securities	(349)	262
Share of other comprehensive income of entities accounted for using equity method	16	24
Total other comprehensive income	(293)	384
Comprehensive income	872	2,617
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	334	2,302
Comprehensive income attributable to non-controlling interests	537	314

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	2,103	3,423
Depreciation	254	213
Amortization of goodwill	150	155
Amortization of long-term prepaid expenses	2	2
Gain on bargain purchase	-	(15)
Depreciation and amortization on other	20	53
Impairment losses	3	-
Loss (gain) on sale of non-current assets	0	-
Loss on retirement of non-current assets	4	37
Loss (gain) on valuation of investment securities	-	64
Loss (gain) on investments in investment partnerships	14	(78)
Share of loss (profit) of entities accounted for using equity method	(4)	(9)
Loss (gain) on sale of shares of subsidiaries and associates	-	1
Loss on valuation of shares of subsidiaries and associates	25	-
Loss (gain) on liquidation of subsidiaries and associates	-	0
Gain on reversal of share acquisition rights	(73)	-
Increase (decrease) in allowance for doubtful accounts	(24)	13
Increase (decrease) in provision for bonuses	(25)	(213)
Increase (decrease) in provision for shareholder benefit program	(98)	(93)
Increase (decrease) in provision for point card certificates	(78)	-
Increase (decrease) in provision for loss on business liquidation	37	(13)
Increase (decrease) in retirement benefit liability	9	(3)
Interest and dividend income	(3)	(3)
Interest expenses	26	16
Decrease (increase) in trade receivables	(402)	-
Decrease (increase) in trade receivables and contract assets	-	(75)
Decrease (increase) in inventories	(52)	(348)
Decrease (increase) in investment securities for sale	14	(206)
Increase (decrease) in trade payables	513	195
Decrease (increase) in deposits paid	154	(306)
Decrease (increase) in advance payments	(176)	(366)
Increase (decrease) in accounts payable-other	(139)	472
Increase (decrease) in contract liabilities	-	(247)
Other, net	312	64
Subtotal	2,571	2,731
Interest and dividends received	2	3
Interest paid	(30)	(17)
Income taxes paid	(874)	(1,400)
Net cash provided by (used in) operating activities	1,670	1,316

(Millions of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(0)	-
Proceeds from withdrawal of time deposits	3	-
Purchase of property, plant and equipment	(176)	(225)
Proceeds from sale of property, plant and equipment	0	-
Purchase of intangible assets	(96)	(115)
Purchase of investment securities	(40)	(99)
Payments for investments in capital	(71)	(65)
Proceeds from divestments	21	145
Loan advances	(80)	(34)
Proceeds from collection of loans receivable	72	223
Payments for acquisition of businesses	(108)	-
Proceeds from liquidation of subsidiaries and associates	-	32
Purchase of shares of subsidiaries and associates	(358)	-
Payments of leasehold and guarantee deposits	(181)	(11)
Proceeds from refund of leasehold deposits	25	88
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(87)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	27	84
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(77)
Other, net	-	(13)
Net cash provided by (used in) investing activities	(963)	(153)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	547	1,775
Proceeds from long-term borrowings	561	0
Repayments of long-term borrowings	(420)	(560)
Proceeds from issuance of bonds	67	-
Redemption of bonds	(99)	(103)
Proceeds from issuance of share acquisition rights	0	-
Proceeds from share issuance to non-controlling shareholders	39	1
Purchase of treasury shares	(0)	-
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(34)	(772)
Purchase of treasury shares of subsidiaries	(238)	(1,893)
Proceeds from disposal of treasury shares of subsidiaries	168	3
Repayments of lease obligations	(112)	(26)
Dividends paid	(95)	(618)
Amount of distribution paid to investment business members	(385)	(355)
Net cash provided by (used in) financing activities	0	(2,549)
Effect of exchange rate change on cash and cash equivalents	29	113
Net increase (decrease) in cash and cash equivalents	736	(1,272)
Cash and cash equivalents at beginning of period	10,852	13,522
Cash and cash equivalents at end of period	11,588	12,249

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

In accordance with a resolution approved on August 25, 2022 by the Vector Board of Directors, an additional investment was made in consolidated subsidiary Vitabrid Japan, Inc. in the second quarter of the current fiscal year. In addition, Vitabrid Japan repurchased stock during the second quarter by acquiring stock owned by two shareholders. As a result, the capital surplus decreased 1,661 million yen and became negative. The negative portion of the capital surplus was then deducted from retained earnings.

Changes in Accounting Policies

Application of the Accounting Standards for Revenue Recognition

Vector is applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The major change resulting from this new standard is that gross payments for products and services are no longer recognized as sales when Vector serves as an agent. Instead, payments minus the amount paid for the procurement of products or services sold are recognized as sales. In addition, for some public relations and advertising services, sales were previously recognized in the month that customers accepted the services. Based on the new revenue recognition standard, sales are now recognized over the period during which the obligation to provide the service is fulfilled.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales decreased 2,224 million yen and cost of sales decreased 2,188 million yen in the first half of the current fiscal year. Operating profit, ordinary profit and profit before income taxes decreased 36 million yen each. In addition, there was an increase of 28 million yen in retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade" that was presented in the current assets section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, included in "Notes and accounts receivable-trade, and contract assets." In addition, "Provision for point card certificates", "Unearned revenue" and "Advances received" included in other presented in the current liabilities section in the previous fiscal year is, from the first quarter of the current fiscal year, stated as "Contract liabilities." "Decrease (increase) in trade receivables" in "Cash flows from operating activities" in the quarterly consolidated statement of cash flows for the first half of the previous fiscal year is, from the first half of the current fiscal year stated as "Decrease (increase) in trade receivables and contract assets." Furthermore, "Increase (decrease) in provision for point card certificates", "Increase (decrease) in unearned revenue" and "Increase (decrease) in advances received" included in other is, from the first half of the current fiscal year, stated as "Increase (decrease) in contract liabilities." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year's consolidated financial statements to conform to the new presentation. In addition, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12 issued on March 31, 2020), disaggregated revenue arising from contracts with customers in the first half of the previous fiscal year is not shown.

Application of the Accounting Standards for Measurement of Fair Value

Vector has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4,

2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no effect of the application of these standards on the quarterly consolidated financial statements.

Conversion of investment activities to a business unit

The Vector Board of Directors approved a resolution on April 14, 2022 to change the classification of investment activities from non-operating activities to a business unit.

For many years, the Vector Group has provided a broad range of support to companies in the investment and venture capital business to enable these companies to grow. This includes financial support as well as assistance involving public relations and investor relations. All of these activities were classified as operations that were not a core business of the Vector Group. The reason is that the group’s businesses were centered on strategic PR services when investment and venture capital activities started. Currently, investments have become an important element of the Vector Group’s businesses, which have the goal of making people aware of the outstanding products, services and other attributes of our clients as we aim to become a “fast company” in the advertising industry. We recruited more people and strengthened the investment business in other ways to make this a significant business unit from the first quarter of the current fiscal year. In conjunction with this plan, the decision was made to change the accounting method used for the investment business.

In prior years, gains and losses on sales of investments, dividend income, fee income and valuation losses were classified as non-operating income and expenses. With investments now classified as a business unit, proceeds from sales of investments and dividend income are classified as sales and the book value of investments sold, fees paid for buying and selling investments, and valuation losses are classified as cost of sales. In addition, in prior years gains and losses on sales of investments and valuation losses at consolidated subsidiaries that do not belong to the investment business were classified as non-operating income and expenses. Following this change, these items instead were classified as extraordinary income and losses. Investments in the investment business that were included in investment securities in the non-current assets section of the balance sheet in prior years are now included in operational investment securities in the current assets section.

The classification of investment activities as a business unit has been retroactively applied to the financial statements for the first half of the previous fiscal year and the previous fiscal year. Compared with the financial statements using the previous business segments, this retroactive application increased sales by 88 million yen and cost of sales by 294 million yen and reduced non-operating income by 70 million yen, non-operating expenses by 276 million yen and gross profit and operating profit by 206 million yen each. There was no effect on profit before income taxes. In addition, investment securities, which are part of non-current assets, have decreased by 4,076 million yen from the end of the previous fiscal year and operational investment securities in current assets have increased by the same amount. Furthermore, the following items that were in the quarterly consolidated statement of cash flows for the first half of the previous fiscal year have been eliminated: Loss (gain) on sale of investment securities, loss (gain) on valuation of investment securities, and proceeds from sale of investment securities. Also, “Decrease (increase) in investment securities for sale” of positive 14 million yen and “purchase of investment securities” of negative 40 million yen are now in the cash flow statement. Due to these changes, net cash provided by operating activities decreased 201 million yen and investing cash flows increased by the same amount.

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.

However, if the tax expense calculated by using the estimated effective tax rate differs significantly from a reasonable amount of taxes, the statutory effective tax rate is used instead after adjustments for significant differences that are not temporary differences involving quarterly net profit.

Segment and Other Information

Segment information

1. First six months of FY2/22 (Mar. 1, 2021 – Aug. 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 CMS	Human Resources	Investment
Net sales							
External sales	11,727	2,218	573	5,772	313	1,224	191
Inter-segment sales and transfers	90	78	167	42	141	0	2
Total	11,818	2,296	741	5,815	454	1,224	193
Segment profit (loss)	808	897	16	559	(22)	(46)	(119)

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
External sales	22,021	-	22,021
Inter-segment sales and transfers	523	(523)	-
Total	22,545	(523)	22,021
Segment profit (loss)	2,093	0	2,093

Notes: 1. The 0 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 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 six months of FY2/22, this impairment loss was 3 million yen.

Significant change in goodwill

Not applicable.

Significant gain on bargain purchase

Not applicable.

2. First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

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

(Millions of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media CMS	Human Resources	Investment
Net sales							
Revenue from contracts with customers	13,382	2,738	511	7,143	371	1,243	-
Other revenue	-	-	-	-	-	-	1,280
External sales	13,382	2,738	511	7,143	371	1,243	1,280
Inter-segment sales and transfers	165	75	147	65	97	0	1
Total	13,548	2,814	658	7,209	469	1,243	1,282
Segment profit (loss)	1,369	916	(46)	(86)	(8)	237	990

	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales			
Revenue from contracts with customers	25,391	-	25,391
Other revenue	1,280	-	1,280
External sales	26,672	-	26,672
Inter-segment sales and transfers	553	(553)	-
Total	27,225	(553)	26,672
Segment profit (loss)	3,372	11	3,383

Notes: 1. The 11 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

Changes in Accounting Policies and Segment Name

Beginning with the first quarter of the current fiscal year, the business that was called the fund business in previous fiscal years has become a reportable segment called investment. In previous fiscal years, the investment and venture capital business was classified as a non-operating activity. As was explained earlier in this report, beginning with the first quarter of the current fiscal year, the accounting policies or the sales and earnings of this business has changed because the investment business has become a significant component of the Vector Group’s business operations.

To present business operations in a more suitable manner, beginning with the first quarter of the current fiscal year, the media business has been renamed the media CMS business. The change in the segment name had no effect on segment information.

The segment information for the first six months of FY2/22 is based on the reportable segment structure after the reclassification of the investment business as a reportable segment.

Application of the Accounting Standards for Revenue Recognition

As described in Changes in Accounting Policies, Vector has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition. Accordingly, the method for calculating segment profit or loss has been changed as well. The effect of this change was to decrease net sales by 1,955 million yen in the Public

Relations and Advertising segment, by 6 million yen in the Video Release Distribution segment, by 199 million yen in the Direct Marketing segment, by 1 million yen in the Media CMS segment, by 61 million yen in the Human Resources segment in the first six months of FY2/23. There was no change in segment profit.

(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

In the second quarter of FY2/23, Geobeck Co., Ltd. and its affiliated company BeautySpaceGlobal, Co., Ltd. were newly consolidated and included in the Public Relations and Advertising segment. In the first six months of FY2/23, these new consolidations caused goodwill to increase by 119 million yen.

Significant gain on bargain purchase

A gain on bargain purchase of 15 million yen was recorded in the Direct Marketing Business. This gain is the result of an additional investment in PremiumCosme Inc., which was an equity-method affiliate of Vector, by Direct Tech, Inc.

Subsequent Events

Business acquisition

Vector signed a contract on September 22, 2022 for the acquisition of the digital advertising business of Terminal Co., Ltd. This business was subsequently acquired on September 30, 2022.

1. Overview of the business acquisition

(1) Profile of business acquired and seller

Seller:	Terminal Co., Ltd.
Business activities:	Digital advertising

(2) Reasons for the business acquisition

Terminal operates a digital advertising business that primarily involves web solutions. The company provides consulting services that maximize the effectiveness of advertisements by identifying the latent needs of customers extending from the pricing of services to advertising strategies.

Acquiring this business is expected to broaden the digital marketing services of Vector that are based on strategic PR. Another expected benefit is the ability to provide customers with strategic PR services centered on digital marketing. Consequently, Vector believes this acquisition will make it possible to provide customers with even more effective marketing services.

(3) Date of acquisition

September 30, 2022

(4) Legal form of the business acquisition

Business acquisition using cash payment

2. Acquisition cost and composition of payments

Payments:	Cash	550 million yen
	Accounts payable-other	330 million yen
	Long-term accounts payable-other	220 million yen
Total acquisition cost:		1,100 million yen*

*The contractual payment for this acquisition of 1,100 million yen is to be made in three installments. Furthermore, a standard operating profit for the acquired business has been established. If this operating profit falls below the standard, Vector and Terminal have agreed that Terminal will pay a refund to Vector as stipulated in the contract.

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.