April 14, 2023

Consolidated Financial Results for the Fiscal Year Ended February 28, 2023

[Japanese GAAP]

Company name: Vector, Inc. Listing: Tokyo Stock Exchange
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 Annual General Meeting of Shareholders: May 30, 2023
Scheduled date of filing of Annual Securities Report: May 31, 2023
Scheduled date of dividend payment: May 31, 2023
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 – February 28, 2023)

(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, 2023	55,225	14.8	6,276	22.4	6,623	27.2	3,172	53.1
Fiscal year ended Feb. 28, 2022	48,122	-	5,128	-	5,208	-	2,071	-

Note: Comprehensive income Fiscal year ended Feb. 28, 2023: 3,568 million yen (up 125.2%)
Fiscal year ended Feb. 28, 2022: 1,584 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, 2023	66.54	-	25.1	19.5	11.4
Fiscal year ended Feb. 28, 2022	43.46	-	17.1	16.9	10.7

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2023: 2 million yen
Fiscal year ended Feb. 28, 2022: 38 million yen

Notes: 1. Due to the change in the accounting policies because investing activities became a business segment, no percentage changes from the prior fiscal year are shown for the fiscal year ended Feb. 28, 2022 because this change in business segments was retroactively applied to the fiscal year.

2. Diluted earnings per share for the fiscal year ended Feb. 28, 2022 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares. Diluted earnings per share for the fiscal year ended Feb. 28, 2023 is not presented since Vector has no outstanding dilutive securities.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2023	36,343	15,759	35.6	271.38
As of Feb. 28, 2022	31,575	16,178	39.2	259.38

Reference: Shareholders' equity As of Feb. 28, 2023: 12,938 million yen As of Feb. 28, 2022: 12,365 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, 2023	1,457	(1,288)	(358)	13,372
Fiscal year ended Feb. 28, 2022	4,977	(1,308)	(1,060)	13,522

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. 28, 2022	-	0.00	-	13.00	13.00	619	29.9	5.1
Fiscal year ended Feb. 28, 2023	-	0.00	-	19.00	19.00	905	28.6	7.2
Fiscal year ending Feb. 28, 2024 (forecast)	-	0.00	-	25.00	25.00		29.8	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2024 (March 1, 2023 – February 29, 2024)

(Percentages represent year-on-year changes)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	29,761	11.6	2,175	(35.7)	2,141	(36.7)	2,141	(39.0)	1,053	(45.1)	22.09
Full year	63,000	14.1	7,260	15.7	7,160	14.1	7,160	8.1	4,000	26.1	83.90

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: MasterVisions Co., Ltd. Excluded: -

Note: Master Visions Inc., which became a consolidated subsidiary of Vector, Inc. in November 2022, was a specified subsidiary since the capital of the subsidiary was more than 10/100 of the capital of Vector, but due to a capital reduction in February 2023, this company is no longer a specified subsidiary of Vector.

(2) 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 “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 16 for further information.

(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, 2023: 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 Feb. 28, 2023: 262,061 shares As of Feb. 28, 2022: 262,061 shares

3) Average number of shares during the period
Fiscal year ended Feb. 28, 2023 47,674,039 shares Fiscal year ended Feb. 28, 2022 47,674,047 shares

Note: Please refer to “3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Per Share Information” on page 23 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, 2023 (March 1, 2022 – February 28, 2023)

(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, 2023	7,588	28.0	1,338	474.8	2,048	100.0	1,451	(19.3)
Fiscal year ended Feb. 28, 2022	5,927	-	232	-	1,024	-	1,798	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended Feb. 28, 2023	30.45	-
Fiscal year ended Feb. 28, 2022	37.72	-

Notes: 1. Due to the change in the accounting policies because investing activities became a business segment, no percentage changes from the prior fiscal year are shown for the fiscal year ended Feb. 28, 2022 because this change in business segments was retroactively applied to the fiscal year.

2. Diluted earnings per share for the fiscal year ended Feb. 28, 2022 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares. Diluted earnings per share for the fiscal year ended Feb. 28,

2023 is not presented since Vector has no outstanding dilutive securities.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2023	13,518	5,840	43.2	122.51
As of Feb. 28, 2022	9,265	4,982	53.8	104.50

Reference: Shareholders' equity As of Feb. 28, 2023: 5,840 million yen As of Feb. 28, 2022: 4,982 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 "1. Overview of Results of Operations, (1) 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, 2023) and plans to post a video of this meeting on its website on April 19, 2023.

Contents of Attachments

1. Overview of Results of Operations

Forward-looking statements are based on the judgments of Vector as of April 14, 2023.

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 fiscal year that ended in February 2023. More information is in "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies."

(1) Results of Operations

1) Fiscal year ended February 28, 2023

During the fiscal year that ended in February 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 emerged . 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.

In Japan's advertising industry, according to "2022 Advertising Expenditures in Japan" announced by Dentsu Inc. in February 2023, advertising expenditures in Japan increased 4.4% to 7,102.1 billion yen in 2022. This was a new all-time high despite the negative effects of the Ukraine crisis, inflation and other events. As the use of digital technologies in society continue to increase, internet advertising expenditures were up 14.3% to 3,091.2 billion yen. These expenditures have increased by about 1,000 billion yen during a period of only three years since 2019, when internet advertisements first surpassed 2,000 billion yen.

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 December 2022, we launched the beta version of JOBTV Tenshoku, a job changing and career support service that uses video content. To strengthen digital marketing services, Vector acquired the digital advertising business of Terminal Co., Ltd. in September 2022. This was followed by the December 2022 acquisition of Key marketing Co., Ltd., which operates an agency business for programmatic advertising. In March 2023, Vector acquired Tryhatch Inc., which assists companies attract customers by using social networking services.

Due to these activities, sales increased 14.8% to 55,225 million yen, operating profit increased 22.4% to 6,276 million yen, ordinary profit increased 27.2% to 6,623 million yen, and the profit attributable to owners of parent increased 53.1% to 3,172 million yen. The application of the new revenue recognition standard reduced sales by 4,022 million yen and operating profit by 3 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. SYLA Technologies Co., Ltd. was listed on the NASDAQ market in the United States on March 31, 2023.

As part of measures to provide support to companies in our venture capital business, we acquired CLOUD BEAUTY inc. (formerly Geobeck Co., Ltd.) on July 29, 2022. This company provides cloud store systems and other digital transformation (DX) services for companies in the beauty parlor and beauty care industries. We also acquired Master Visions Inc. (production and distribution platform for 360-degree perspective videos) on

November 18, 2022 and AMY Inc. (matching platform for potential franchisees) on November 21, 2022. We will assist these companies with PR and IR services as well as management and other forms of support to speed up their growth with the goal of an initial public offering.

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. 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. Strong growth in Japan during the fiscal year more than offset a downturn outside Japan caused by the pandemic. At JOBTV, which operates a recruiting platform using videos, there was an operating loss of 508 million yen caused primarily by up-front expenditures for development programs and advertising activities. Due to the strong performance of this business segment in Japan, sales and operating profit increased to record highs.

Segment sales increased 13.7% to 29,518 million yen and operating profit increased 40.4% to 2,984 million yen. The new revenue recognition standard reduced sales by 3,488 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 February 2023, the number of companies using PR TIMES surpassed 79,000. This company is using TV commercials and other advertising activities to continue to add new customers.

Segment sales increased 17.5% to 5,706 million yen and operating profit fell 35.1% to 1,190 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. posted a small increase in sales due to training programs for salespeople and a focus on activities to increase the number of releases distributed. This company’s loss decreased because of cost-cutting to reduce selling, general and administrative expenses.

Segment sales increased 1.7% to 1,385 million yen and there was an operating loss of 34 million yen compared with an operating loss of 72 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 since 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 fiscal year sales and operating profit rose to an all-time high.

Segment sales increased 19.2% to 14,691 million yen and operating profit increased 27.0% to 984 million yen. The new revenue standard reduced sales by 414 million yen.

Media CMS

In the media content management system (CMS) business of Smartmedia INC., there were measures to build a stronger framework for the owned media business, such as the reassignment of people from the media business to the owned media business. Building a base for this business that is not vulnerable to changes in the business climate is the objective. Although activities to add new tie-ups with other companies that contribute to internal web media advertising revenue were held down as a result, there was a small increase in the sales of this segment and an operating profit following the previous fiscal year’s loss.

Segment sales increased 5.3% to 956 million yen and there was an operating profit of 3 million yen compared with a 22 million yen loss one year earlier. The new revenue standard reduced sales by 2 million yen.

Human Resources

ASHITA-TEAM Co., Ltd. reexamined the sales strategies for its human resources business with the goal of increasing sales of SaaS products and strengthened its sales team. There were also expenditures for advertising to add new customers and for development programs to upgrade functions of this company's services. Despite these expenditures, operating profit increased to an all-time high.

Segment sales decreased 5.6% to 2,372 million yen and operating profit increased 49.3% to 352 million yen. The new revenue recognition standard reduced sales by 109 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 29.3% to 1,601 million yen and operating profit increased 203.2% to 775 million yen. The new revenue recognition standard had no effect on this segment's sales and earnings.

2) Outlook

Although the economy is returning to normal as pandemic restrictions end, the outlook for the economy remains unclear because of inflation, due partly to the higher cost of energy because of the Ukraine crisis, the rapid upturn in interest rates, and other reasons.

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.

As was announced on April 14, 2022 in a release titled "Notice of Start of Restricted Stock Remuneration for Vector Group Executives and Employees," Vector has established a restricted stock remuneration program. The performance indicator for this remuneration is adjusted operating profit, as shown below, which is operating profit plus expenses for restricted stock distributed. The cost of restricted stock remuneration granted by subsidiaries of Vector is not added back to adjusted operating profit.

Forecast for the fiscal year ending in February 2024:

Consolidated Forecast

Consolidated forecast for the fiscal year ending February 29, 2024 (Millions of yen)

	FY2/23 (Results)	FY2/24 (Forecasts)	Change	Change (%)
Net sales	55,225	63,000	7,775	14.1%
Adjusted operating profit*	6,276	7,260	984	15.7%
Operating profit	6,276	7,160	884	14.1%
Ordinary profit	6,623	7,160	537	8.1%
Profit attributable to owners of parent	3,172	4,000	827	26.1%

Consolidated forecast for the first half of the fiscal year ending February 29, 2024 (Millions of yen)

	FY2/23 (Results)	FY2/24 (Forecasts)	Change	Change (%)
Net sales	26,672	29,761	3,089	11.6%
Adjusted operating profit*	3,383	2,175	(1,208)	(35.7)%
Operating profit	3,383	2,141	(1,242)	(36.7)%
Ordinary profit	3,507	2,141	(1,366)	(39.0)%
Profit attributable to owners of parent	1,918	1,053	(865)	(45.1)%

Consolidated Forecast by Business Segment

Forecast for adjusted operating profit* by business segment for the fiscal year ending February 29, 2024

(Millions of yen)

	FY2/23 (Results)	FY2/24 (Forecasts)	Change	Change (%)
Public Relations and Advertising	2,984	3,463	479	16.0%
Press Release Distribution	1,190	1,500	310	26.0%
Video Release Distribution	(34)	50	84	-
Direct Marketing	984	974	(10)	(1.1)%
Media CMS	3	30	27	788.3%
Human Resources	352	400	48	13.5%
Investment	775	842	67	8.5%

Forecast for adjusted operating profit* by business segment for the first half of the fiscal year ending February 29, 2024 (Millions of yen)

	FY2/23 (Results)	FY2/24 (Forecasts)	Change	Change (%)
Public Relations and Advertising	1,369	1,408	39	2.8%
Press Release Distribution	916	634	(282)	(30.8)%
Video Release Distribution	(46)	(6)	40	-
Direct Marketing	(86)	(58)	28	-
Media CMS	(8)	(7)	1	-
Human Resources	237	184	(53)	(22.6)%
Investment	990	19	(971)	(98.1)%

*Adjusted operating profit = Operating profit + Expenses for restricted stock distributed

There are two main reasons that the majority of sales and earnings in the fiscal year forecast are expected to be in the second half of the fiscal year. First, as in the previous fiscal year, the direct marketing business will have substantial advertising expenditures early in the fiscal year with the strategic goal of maximizing fiscal year sales and earnings. Second, gains on sales of securities are expected in the second half in the investment business.

In the public relations and advertising business, growth is expected to remain strong, backed by the continuation of strong growth in Japan, as investments in the JOBTV business continue. In the press release distribution business, earnings are expected to be down from one year earlier in the first half. In the current fiscal year, there were advertising expenditures to increase the number of companies using PR TIMES. These expenditures will continue in the fiscal year ending in February 2024 and expenditures for starting operations outside Japan are planned. In the direct marketing business, we expect higher sales because of advertising expenditures for existing products but forecast lower earnings due to the increasing speed of up-front expenditures for the launch and growth of new products. In the investment business, there were gains on sales of stock in the first half of the current fiscal year and sales of stock are expected in the second half of the fiscal year ending in February 2024 depending on how the stock market performs.

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

(2) Financial Position

1) Assets, liabilities and net assets

Assets

Total assets at the current fiscal year increased 4,768 million yen from the end of the previous fiscal year to 36,343 million yen.

Current assets increased 3,797 million yen to 30,115 million yen. This was mainly due to increases of 1,393 million yen in notes and accounts receivable-trade, and contract assets, 369 million yen in operational investment securities, 709 million yen in merchandise and finished goods, 1,007 million yen in deposits paid included in other under current assets and 204 million yen in advance payments, while there was a decrease of 149 million yen in cash and deposits.

Non-current assets increased 970 million yen to 6,228 million yen. This was mainly due to increases of 1,426 million yen in goodwill and 336 million yen in deferred tax assets, while there were decreases of 169 million yen in software, 237 million yen in investment securities and 179 million yen in leasehold and guarantee deposits.

Liabilities

Total liabilities at the current fiscal year increased 5,186 million yen from the end of the previous fiscal year to 20,584 million yen.

Current liabilities increased 5,802 million yen to 16,623 million yen. This was mainly due to increases of 686 million yen in accounts payable-trade, 4,721 million yen in short-term borrowings and 1,336 million yen in accounts payable-other, while there was a decrease of 325 million yen in income taxes payable.

Non-current liabilities decreased 616 million yen to 3,960 million yen. This was mainly due to decreases of 519 million yen in long-term borrowings and 231 million yen in bonds payable, while there was an increase of 239 million yen in long-term accounts payable-other included in other under current liabilities.

Net assets

Total net assets at the end of the current fiscal year decreased 418 million yen from the end of the previous fiscal year to 15,759 million yen. This was mainly due to decreases of 480 million yen in capital surplus and 995 million yen in non-controlling interests, while there was an increase of 1,097 million yen in retained earnings.

2) Cash flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year decreased 149 million yen from the end of the previous fiscal year to 13,372 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 70.7% year on year to 1,457 million yen. Main positive factors include profit before income taxes of 5,712 million yen, impairment losses of 793 million yen, a 641 million yen increase in trade payables, a 698 million yen increase in accounts payable-other, a 925 million yen increase in trade receivables and contract assets, a 948 million yen increase in inventories, a 545 million yen increase in operational investment securities, a 982 million yen increase in deposits paid and income taxes paid of 2,491 million yen.

Cash flows from investing activities

Net cash used in investing activities was 1,288 million yen, compared with net cash used of 1,308 million yen in the previous fiscal year. Main positive factors include proceeds from divestments of 515 million yen, proceeds from collection of loans receivable of 247 million yen, payments of leasehold and guarantee deposits of 102 million yen, purchase of property, plant and equipment of 261 million yen, payments for acquisition of businesses of 550 million yen and purchase of shares of subsidiaries resulting in change in scope of consolidation of 978 million yen.

Cash flows from financing activities

Net cash used in financing activities was 358 million yen, compared with net cash used of 1,060 million yen in the previous fiscal year. Main factors include a net increase in short-term borrowings of 4,711 million yen, proceeds from long-term borrowings of 901 million yen, repayments of long-term borrowings of 1,660 million yen, purchase of shares of subsidiaries not resulting in change in scope of consolidation of 1,028 million yen, purchase of treasury shares of subsidiaries of 1,990 million yen and cash dividends paid of 618 million yen.

Trends in cash flow indicators are as follows.

	FY2/20	FY2/21	FY2/22	FY2/23
Shareholders’ equity ratio (%)	32.4	39.4	39.2	35.6
Shareholders’ equity ratio based on market value (%)	183.8	182.4	167.9	183.5
Interest-bearing debt to cash flow ratio (Year)	1.3	1.8	1.2	6.7
Interest coverage ratio (Times)	101.02	78.59	102.15	36.65

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. Our goal is to pay a dividend consistently by using a consolidated payout ratio of 30% as the guideline while retaining earnings as needed in order to maintain financial soundness and fund activities for rapid growth.

Based on this policy, we plan to pay a year-end dividend of 19 yen per share for the fiscal year ended in February 2023, one yen higher than the initial forecast of 18 yen, as was announced today in a release titled “Notice of Payment of Dividend (Dividend Increase).”

We plan to pay a year-end dividend of 25 yen per share for the fiscal year ending in February 2024 in accordance with the 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

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	FY2/23 (As of Feb. 28, 2023)
Assets		
Current assets		
Cash and deposits	13,522	13,372
Notes and accounts receivable-trade	6,090	-
Notes and accounts receivable-trade, and contract assets	-	7,484
Operational investment securities	4,180	4,550
Merchandise and finished goods	718	1,427
Costs on service contracts in progress	401	547
Other	1,561	2,928
Allowance for doubtful accounts	(156)	(195)
Total current assets	26,317	30,115
Non-current assets		
Property, plant and equipment		
Buildings and structures	812	834
Machinery, equipment and vehicles	7	9
Tools, furniture and fixtures	914	864
Leased assets	548	69
Construction in progress	0	7
Accumulated depreciation	(1,310)	(947)
Total property, plant and equipment	972	837
Intangible assets		
Goodwill	354	1,780
Software	586	417
Other	136	67
Total intangible assets	1,077	2,265
Investments and other assets		
Investment securities	1,183	945
Deferred tax assets	892	1,228
Leasehold and guarantee deposits	987	808
Other	374	455
Allowance for doubtful accounts	(230)	(312)
Total investments and other assets	3,207	3,126
Total non-current assets	5,257	6,228
Total assets	31,575	36,343

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	FY2/23 (As of Feb. 28, 2023)
Liabilities		
Current liabilities		
Accounts payable-trade	1,827	2,513
Accounts payable-other	1,048	2,385
Short-term borrowings	335	5,056
Current portion of long-term borrowings	1,563	1,601
Current portion of bonds payable	186	218
Lease obligations	63	6
Income taxes payable	1,265	940
Provision for bonuses	649	662
Provision for point card certificates	183	-
Provision for shareholder benefit program	110	26
Provision for loss on business liquidation	13	9
Contract liabilities	-	2,182
Unearned revenue	2,422	-
Other	1,152	1,020
Total current liabilities	10,820	16,623
Non-current liabilities		
Long-term borrowings	3,322	2,802
Bonds payable	309	78
Lease obligations	12	1
Deferred tax liabilities	829	757
Retirement benefit liability	54	36
Other	48	284
Total non-current liabilities	4,576	3,960
Total liabilities	15,397	20,584
Net assets		
Shareholders’ equity		
Share capital	2,880	2,880
Capital surplus	480	-
Retained earnings	7,076	8,173
Treasury shares	(259)	(259)
Total shareholders’ equity	10,176	10,793
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,114	1,974
Foreign currency translation adjustment	74	169
Total accumulated other comprehensive income	2,189	2,144
Share acquisition rights	4	9
Non-controlling interests	3,807	2,812
Total net assets	16,178	15,759
Total liabilities and net assets	31,575	36,343

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Net sales	48,122	55,225
Cost of sales	18,573	20,078
Gross profit	29,549	35,146
Selling, general and administrative expenses	24,420	28,870
Operating profit	5,128	6,276
Non-operating income		
Interest and dividend income	6	5
Share of profit of entities accounted for using equity method	38	2
Foreign exchange gains	-	7
Gain on investments in investment partnerships	5	366
Other	174	61
Total non-operating income	225	442
Non-operating expenses		
Interest expenses	49	40
Foreign exchange losses	6	-
Provision of allowance for doubtful accounts	20	1
Loss on investments in investment partnerships	29	41
Other	38	11
Total non-operating expenses	144	95
Ordinary profit	5,208	6,623
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on bargain purchase	-	15
Reversal of provision for loss on business liquidation	-	2
Gain on sale of shares of subsidiaries and associates	41	87
Gain on step acquisitions	-	33
Gain on reversal of share acquisition rights	73	1
Gain on forgiveness of debts	9	-
Total extraordinary income	125	141
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	12	72
Impairment losses	52	793
Loss on liquidation of business	93	31
Provision for loss on business liquidation	13	8
Loss on valuation of investment securities	7	134
Loss on change in equity	-	0
Loss on valuation of shares of subsidiaries and associates	3	-
Loss on sale of shares of subsidiaries and associates	-	1
Loss on liquidation of subsidiaries and associates	30	10
Loss on cancellation of outsourcing contracts	3	-
Total extraordinary losses	216	1,052
Profit before income taxes	5,116	5,712
Income taxes-current	2,141	2,159
Income taxes-deferred	(226)	(38)
Total income taxes	1,914	2,121

Profit	3,202	3,590
Profit attributable to non-controlling interests	1,130	418
Profit attributable to owners of parent	2,071	3,172

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Profit	3,202	3,590
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,706)	(117)
Foreign currency translation adjustment	62	85
Share of other comprehensive income of entities accounted for using equity method	26	9
Total other comprehensive income	(1,617)	(22)
Comprehensive income	1,584	3,568
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	436	3,127
Comprehensive income attributable to non-controlling interests	1,148	440

(3) Consolidated Statement of Changes in Equity

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022) (Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,880	2,806	2,590	(259)	8,016
Cumulative effects of changes in accounting policies					-
Restated balance	2,880	2,806	2,590	(259)	8,016
Changes during period					
Purchase of shares of consolidated subsidiaries					-
Sale of shares of consolidated subsidiaries		270			270
Deficit disposition		(2,413)	2,413		-
Dividends of surplus		(95)			(95)
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(87)			(87)
Profit attributable to owners of parent			2,071		2,071
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	(2,325)	4,485	(0)	2,159
Balance at end of period	2,880	480	7,076	(259)	10,176

	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	3,834	(9)	3,824	73	2,939	14,854
Cumulative effects of changes in accounting policies						-
Restated balance	3,834	(9)	3,824	73	2,939	14,854
Changes during period						
Purchase of shares of consolidated subsidiaries						-
Sale of shares of consolidated subsidiaries						270
Deficit disposition						-
Dividends of surplus						(95)
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						(87)
Profit attributable to owners of parent						2,071
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	(1,719)	84	(1,635)	(69)	868	(836)
Total changes during period	(1,719)	84	(1,635)	(69)	868	1,323
Balance at end of period	2,114	74	2,189	4	3,807	16,178

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,880	480	7,076	(259)	10,176
Cumulative effects of changes in accounting policies			28		28
Restated balance	2,880	480	7,104	(259)	10,205
Changes during period					
Purchase of shares of consolidated subsidiaries		(767)			(767)
Sale of shares of consolidated subsidiaries					-
Deficit disposition					-
Dividends of surplus			(619)		(619)
Purchase of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		(1,196)			(1,196)
Profit attributable to owners of parent			3,172		3,172
Transfer from retained earnings to capital surplus		1,483	(1,483)		-
Net changes in items other than shareholders' equity					-
Total changes during period	-	(480)	1,069	-	588
Balance at end of period	2,880	-	8,173	(259)	10,793

	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	2,114	74	2,189	4	3,807	16,178
Cumulative effects of changes in accounting policies						28
Restated balance	2,114	74	2,189	4	3,807	16,206
Changes during period						
Purchase of shares of consolidated subsidiaries						(767)
Sale of shares of consolidated subsidiaries						-
Deficit disposition						-
Dividends of surplus						(619)
Purchase of treasury shares						-
Change in ownership interest of parent due to transactions with non-controlling interests						(1,196)
Profit attributable to owners of parent						3,172
Transfer from retained earnings to capital surplus						-
Net changes in items other than shareholders' equity	(140)	95	(45)	4	(995)	(1,035)
Total changes during period	(140)	95	(45)	4	(995)	(447)
Balance at end of period	1,974	169	2,144	9	2,812	15,759

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Cash flows from operating activities		
Profit before income taxes	5,116	5,712
Depreciation	566	435
Amortization of goodwill	322	301
Amortization of long-term prepaid expenses	5	6
Gain on bargain purchase	-	(15)
Depreciation and amortization on other	53	105
Loss (gain) on step acquisitions	-	(33)
Loss (gain) on change in equity	-	0
Impairment losses	52	793
Loss (gain) on sale of non-current assets	(0)	(0)
Loss on retirement of non-current assets	12	72
Loss (gain) on valuation of investment securities	7	134
Loss (gain) on investments in investment partnerships	23	(324)
Share of loss (profit) of entities accounted for using equity method	(38)	(2)
Loss (gain) on sale of shares of subsidiaries and associates	(41)	(86)
Loss on valuation of shares of subsidiaries and associates	3	-
Loss (gain) on liquidation of subsidiaries and associates	30	10
Gain on reversal of share acquisition rights	(73)	(1)
Increase (decrease) in allowance for doubtful accounts	(37)	139
Increase (decrease) in provision for bonuses	280	12
Increase (decrease) in provision for shareholder benefit program	12	(83)
Increase (decrease) in provision for point card certificates	(2)	-
Increase (decrease) in provision for loss on business liquidation	13	(3)
Increase (decrease) in retirement benefit liability	26	(11)
Interest and dividend income	(6)	(5)
Interest expenses	49	40
Decrease (increase) in trade receivables	(1,301)	-
Decrease (increase) in trade receivables and contract assets	-	(925)
Decrease (increase) in inventories	(129)	(948)
Decrease (increase) in investment securities for sale	496	(545)
Increase (decrease) in trade payables	745	641
Decrease (increase) in deposits paid	144	(982)
Decrease (increase) in advance payments	(44)	(209)
Increase (decrease) in accounts payable-other	(219)	698
Increase (decrease) in contract liabilities	-	(465)
Increase (decrease) in unearned revenue	534	-
Other, net	213	(473)
Subtotal	6,816	3,983
Interest and dividends received	4	5
Interest paid	(48)	(39)
Income taxes paid	(1,794)	(2,491)
Net cash provided by (used in) operating activities	4,977	1,457

(Millions of yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Cash flows from investing activities		
Payments into time deposits	(0)	-
Proceeds from withdrawal of time deposits	8	-
Purchase of property, plant and equipment	(591)	(261)
Proceeds from sale of property, plant and equipment	2	0
Purchase of intangible assets	(304)	(246)
Proceeds from sale of intangible assets	2	-
Purchase of investment securities	(70)	(99)
Payments for investments in capital	(104)	(78)
Proceeds from divestments	37	515
Loan advances	(147)	(34)
Proceeds from collection of loans receivable	174	247
Payments for acquisition of businesses	(108)	(550)
Proceeds from liquidation of subsidiaries and associates	270	32
Purchase of shares of subsidiaries and associates	(404)	(13)
Payments of leasehold and guarantee deposits	(305)	(19)
Proceeds from refund of leasehold and guarantee deposits	235	102
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(978)
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	(30)	-
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	24
Other, net	-	(13)
Net cash provided by (used in) investing activities	(1,308)	(1,288)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(645)	4,711
Proceeds from long-term borrowings	860	901
Repayments of long-term borrowings	(848)	(1,660)
Redemption of bonds	(198)	(186)
Proceeds from issuance of convertible bond-type bonds with share acquisition rights	67	-
Expenditure for redemption of convertible bonds with subscription rights to shares	-	(20)
Proceeds from issuance of share acquisition rights	0	5
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)	(1,028)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	425	-
Purchase of treasury shares of subsidiaries	(299)	(1,990)
Proceeds from disposal of treasury shares of subsidiaries	259	5
Repayments of lease obligations	(206)	(33)
Dividends paid	(95)	(618)
Dividends paid to non-controlling interests	-	(90)
Amount of distribution paid to investment business members	(385)	(355)
Net cash provided by (used in) financing activities	(1,060)	(358)
Effect of exchange rate change on cash and cash equivalents	61	40
Net increase (decrease) in cash and cash equivalents	2,670	(149)
Cash and cash equivalents at beginning of period	10,852	13,522

Cash and cash equivalents at end of period	13,522	13,372

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

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 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 current fiscal year, is added to or subtracted from retained earnings at the beginning of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings.

As a result, net sales decreased 4,022 million yen and cost of sales decreased 4,018 million yen in the current fiscal year. Operating profit, ordinary profit and profit before income taxes decreased 3 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 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 current fiscal year, stated as "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.

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 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 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 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 previous fiscal year. Compared with the financial statements using the previous business segments, this retroactive application increased sales by 771 million yen and cost of sales by 891 million yen and reduced non-operating income by 642 million yen, non-operating expenses by 770 million yen and increased extraordinary losses by 7 million yen, and decreased gross profit and operating profit by 120 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.

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 CMS, Human Resources and Investment. 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 and conduct sales activities for advertisements by using an IoT signage service, which is mainly for tablets placed in taxis. 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 press releases 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 CMS segment assists client companies with establishing and operating owned media and operates a CMS business.

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

Changes in Accounting Policies and Segment Name

Beginning with 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 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 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 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 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 3,488 million yen in the public relations and advertising segment, by 6 million yen in the video release distribution segment, by 414 million yen in the direct marketing segment, by 2 million yen in the Media CMS segment, by 109 million yen in the human resources segment in FY2/23.

There was no change in segment profit.

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

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022) (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	25,763	4,695	1,054	12,201	660	2,513	1,233
Inter-segment sales and transfers	201	158	306	125	247	0	4
Total	25,965	4,854	1,361	12,326	907	2,513	1,238
Segment profit (loss)	2,125	1,834	(72)	774	(22)	236	255
Segment assets	15,319	4,816	832	3,993	153	1,487	5,074
Segment liabilities	8,023	1,086	401	1,245	67	3,754	921
Other items							
Depreciation	360	121	68	15	1	-	-
Investment in equity-method affiliates	272	-	-	169	-	-	-
Increase (decrease) in property, plant and equipment and intangible assets	(208)	223	(8)	25	(4)	-	-

	Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
Net sales			
External sales	48,122	-	48,122
Inter-segment sales and transfers	1,045	(1,045)	-
Total	49,168	(1,045)	48,122
Segment profit (loss)	5,131	(3)	5,128
Segment assets	31,678	(102)	31,575
Segment liabilities	15,500	(102)	15,397
Other items			
Depreciation	566	-	566
Investment in equity-method affiliates	441	-	441
Increase (decrease) in property, plant and equipment and intangible assets	27	-	27

Notes: 1. The minus 3 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions. The minus 102 million yen adjustment to segment assets and liabilities is the amount of offsetting elimination of inter-segment receivables and payables.

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

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023) (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	29,290	5,569	1,089	14,550	754	2,371	-
Other revenue	-	-	-	-	-	-	1,599
External sales	29,290	5,569	1,089	14,550	754	2,371	1,599
Inter-segment sales and transfers	227	137	296	141	202	0	1
Total	29,518	5,706	1,385	14,691	956	2,372	1,601
Segment profit (loss)	2,984	1,190	(34)	984	3	352	775
Segment assets	19,643	5,235	699	4,687	209	1,105	4,876
Segment liabilities	12,213	798	557	3,142	107	3,025	852
Other items							
Depreciation	256	86	49	41	1	0	-
Investment in equity-method affiliates	231	13	-	18	-	-	-
Increase (decrease) in property, plant and equipment and intangible assets	1,184	7	(221)	81	(0)	0	-

	Total	Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
Net sales			
Revenue from contracts with customers	53,625	-	53,625
Other revenue	1,599	-	1,599
External sales	55,225	-	55,225
Inter-segment sales and transfers	1,006	(1,006)	-
Total	56,231	(1,006)	55,225
Segment profit (loss)	6,256	19	6,276
Segment assets	36,457	(113)	36,343
Segment liabilities	20,697	(113)	20,584
Other items			
Depreciation	435	-	435
Investment in equity-method affiliates	263	-	263
Increase (decrease) in property, plant and equipment and intangible assets	1,051	-	1,051

Notes: 1. The 19 million yen adjustment to segment profit (loss) is the elimination of intersegment transactions. The minus 113 million yen adjustment to segment assets and liabilities is the amount of offsetting elimination of inter-segment receivables and payables.
2. Segment profit (loss) is adjusted to be consistent with operating profit in the consolidated statement of income.

Related information

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

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.

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

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

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022) (Millions of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media CMS	Human Resources	Investment
Impairment loss	29	11	3	-	8	-	-

	Elimination or corporate	Total
Impairment loss	-	52

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023) (Millions of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media CMS	Human Resources	Investment
Impairment loss	511	-	242	39	-	-	-

	Elimination or corporate	Total
Impairment loss	-	793

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

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022) (Millions of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media CMS	Human Resources	Investment
Amortization for the period	310	-	-	9	1	-	-
Balance at the end of period	343	-	-	10	-	-	-

	Elimination or corporate	Total
Amortization for the period	-	322
Balance at the end of period	-	354

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023) (Millions of yen)

	Reportable segment						
	Public Relations and Advertising	Press Release Distribution	Video Release Distribution	Direct Marketing	Media CMS	Human Resources	Investment
Amortization for the period	298	-	-	3	-	-	-
Balance at the end of period	1,772	-	-	7	-	-	-

	Elimination or corporate	Total
Amortization for the period	-	301
Balance at the end of period	-	1,780

Information related to gain on bargain purchase for each reportable segment

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

Not applicable.

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

A gain on bargain purchase of 15 million yen was recorded due to the purchase by Direct Tech, Inc., an equity-method affiliate, of additional stock of Premium Cosme Inc. This gain is not included in segment operating profit because it is extraordinary income.

Per Share Information

(Yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Net assets per share	259.38	271.38
Earnings per share	43.46	66.54
Diluted earnings per share	-	-

Notes: 1. Diluted earnings per share for FY2/22 is not presented because there were no latent shares with a dilution effect despite the existence of latent shares. Diluted earnings per share for FY2/23 is not presented since Vector has no outstanding dilutive securities.

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

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	FY2/23 (As of Feb. 28, 2023)
Total net assets	16,178	15,759
Deduction on total net assets	3,812	2,821
[of which share acquisition rights]	4	9
[of which non-controlling interests]	3,807	2,812
Net assets applicable to common shares at the year-end	12,365	12,938
Number of common shares at the year-end used in calculation of net assets per share (Shares)	47,674,039	47,674,039

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

(Millions of yen)

	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)
Earnings per share		
Profit attributable to owners of parent	2,071	3,172
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	2,071	3,172
Average number of common shares during the period (Shares)	47,674,047	47,674,039
Diluted earnings per share		
Adjustment to profit attributable to owners of parent	-	-
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	No. 5 Shares Acquisition Rights (16,750 units)	-

Subsequent Events

Acquisition of company by purchasing stock

Vector signed a contract on February 15, 2023 to purchase the stock of Tryhatch Inc. and purchased the stock on March 1, 2023.

(1) Objectives of acquisition

Guided by the corporate philosophy of “being a source of ‘Good’ to improve people’s lives,” the Vector Group operates businesses centered on strategic PR services and has the goal of continuing to grow.

To accomplish this growth, the Vector Group is building an infrastructure capable of providing a broad range of marketing services in order to be a one-stop source of services required by clients. There are constant measures for upgrading and expanding services while responding quickly to changes in the business climate. All activities reflect a focus on operating as a “fast company” with comprehensive support for clients’ marketing strategies by making people aware of the attributes of our clients while achieving high levels of effectiveness and the efficient use of expenses.

In Japan’s advertising industry, according to “2022 Advertising Expenditures in Japan” announced by Dentsu Inc. in February 2023, advertising expenditures in Japan surpassed 7 trillion yen, a new all-time high. Internet advertising expenditures were 3 trillion yen. These expenditures have increased by about 1 trillion yen during a period of only three years since 2019, when internet advertisements first surpassed 2 trillion yen.

To reflect these changes in the business climate, Vector is building a more powerful base for the group’s business operations with activities that include mergers and acquisitions in order to strengthen digital marketing services.

Tryhatch develops SaaS products, such as map engine optimization (MEO) management and analysis tools, and uses the enormous volume of data acquired through these activities to help customers that operate stores to solve marketing issues. This includes assistance for using social networking services to attract customers, using digital marketing, and other activities.

Acquiring Tryhatch will allow Vector to combine PR activities to raise the awareness of client companies’ products and services with SNS operation support and digital marketing to attract new customers. This capability is expected to create an even more powerful foundation for contributing to the growth of client companies’ businesses by maximizing the effectiveness of marketing activities for “making people aware of the outstanding attributes of client companies.”

(2) Profile of the company acquired

Name: Tryhatch Inc.

Activities: SNS operation support business, SaaS business, digital marketing business

Capital: 50 million yen

(3) Date of acquisition

March 1, 2023

(4) Number of shares of Tryhatch stock acquired, acquisition cost and ownership

Number of shares acquired: 308 shares

Acquisition cost: Class A preferred stock of Tryhatch Inc. 350 million yen

Ownership after acquisition: 70%

Acquisition of company by purchasing stock

The Board of Directors of PR TIMES, Inc., a consolidated subsidiary of Vector, approved a resolution on March 28, 2023 to purchase all of the stock of glucose Inc., making this company a subsidiary. A contract to purchase this stock was signed on the same day and all shares of glucose were purchased on March 31, 2023.

(1) Objectives of acquisition

PR TIMES has the mission of helping create an environment in which information disseminated by instigators touches the hearts of many people. The company is dedicated to creating a society in which positive information from instigators is the primary component of news and helps give people the courage to constantly move forward.

Adding glucose to the Vector Group will allow establishing a network with the customers of PR TIMES and BRIDGE, utilizing the prototype building and service development skills of glucose, starting the outsourced development of new products, and using the spirit of an “instigator” to provide integrated support extending from product development to public relations. Furthermore, shifting the outsourced development operations of PR TIMES to development within the Vector Group is expected to raise the speed and quality of development activities by more easily establishing a unified goal. This is expected to contribute to the growth of businesses. Establishing a framework for the exchange of personnel between Vector and glucose is another benefit. This is expected to reduce the attrition of engineers by realigning their objectives, create more opportunities for innovations and make recruiting activities more effective.

(2) Profile of the company acquired

Name: glucose Inc.

Business: Development of a broad spectrum of application and web services, extending from the development of systems and services incorporating IoT hardware and AI (deep learning) to media and e-commerce services

Capital: 12 million yen

(3) Date of acquisition

March 31, 2023

(4) Number of shares of glucose stock acquired, acquisition cost and ownership

Number of shares acquired: 1,200 shares

Acquisition cost: Common stock of glucose Inc. 238 million yen

Ownership after acquisition: 100%

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.